



PA Chamber of Business and Industry

Highlights of the

21ST
ANNUAL
PENNSYLVANIA
ECONOMIC
SURVEY

August 2011

conducted by



50

2000

21st Annual Pennsylvania Economic Survey Executive Summary & Analysis

General Overview (Perceptions of business climate, inc. sales, hiring and investments)

- According to most employers, concerns about the economy (at 27%) continue to rate as the most important problem affecting companies today. Although this represents a small drop when compared with 33% in last year's survey, it is the third year in a row that concerns about the economy rate as the top issue. Moreover, an additional 8% cite the difficulty of "staying competitive in the marketplace" as most important, meaning that more than 1 in 3 employers combined (or 35%) continue to express economy-related concerns about either the impact of the recession on overall business operations, or the difficulty of remaining viable in these difficult times. This is evident in verbatim responses among many employers who cite the impact that either slowed consumer spending, or the lack of consumer confidence has had on their ability to remain profitable.
- Sixteen (16) percent rate Pennsylvania as a "very" friendly place to do business, a small increase from 12% in last year's survey but still the second lowest percentage on record in four years (since this question has been asked). In comparison, 66% believe Pennsylvania is "somewhat" business-friendly, while 14% say it is "not at all" business-friendly.
- Eighteen (18) percent believe the business climate has gotten better in the past 12 months, up ten percentage points from 8% last year and **now representing a five-year high**. In comparison, 35% say the business climate has gotten worse the last 12 months, a significant drop from both 52% last year and a high of 67% two years ago. Although less than 1 in 5 believes the economy is better today, this slight drop in pessimism for the second year in a row is a good indication more employers believe the worst could be behind them.
- Twenty-six (26) percent say they would consider leaving Pennsylvania if they could, a drop from 32% last year. This represents the lowest percentage in three years, and is far below the record high of 40% in 2003 who said at that time they would leave the state if they could.
- Thirty-three (33) percent report an increase in sales receipts over the last 12 months, up from both 24% last year and a record low of 18% two years ago. This represents the biggest increase in three years, but is still down 27 points from the high water mark of 60% who reported strong sales growth in 2006 before the recession technically began. In terms of looking ahead to the next 12 months, 33% expect sales to increase—the highest percentage increase in three years but still far below a record high 54% in 2006. **To put this into perspective, prior to the summer of 2009 (which according to most economists is when the recession ended), an average of 49% of employers from 2002 to 2007 projected that sales would increase, compared with 33% in the current survey. This suggests there remains a long way to go to regain the kind of optimistic projections many employers expressed before the recession began.**
- Seventeen (17) percent report increases in the size of their workforces during the last 12 months, the biggest increase in three years since a low of 11% reported new hiring in 2009. Nonetheless, 17% still represents the third smallest increase in the last seven years, and a big drop from a record high of 41% in 2006. In terms of future prospects for hiring, 17% expect more hiring in the next 12 months, a small increase from 13% last year but still the second lowest percentage increase in ten years. In comparison, 39% of employers said they had planned to hire more in 2006, the highest in ten years.
- Twenty-three (23) percent report making "major" investments in technology or equipment during the last 12 months, a small increase from 17% last year and now the biggest increase in three years. **Although this modest increase still represents a drop from a ten-year high of 33% in 2006, it seems to buttress recent reports that business investment in new technology (which according to media reports grew by more than seven percent nationally in the first half of the year) could be one of a few bright spots in an economy that has largely faltered in most measurements.**

Nonetheless, when combined with the percent who say they have at least made some type of “minor” investment in technology or equipment, this combined 42% of employers who have made investments is still fifty percent below the record high of 84% who reported making investments in 2006. In terms of projections for future investments, 17% expect to make “major” investments in the next 12 months, up from 10% last year and now a three-year high. Despite the increase, when combined with 30% who say they plan to make at least “minor” investments this combined 47% still represents a more than forty percent drop when compared with 84% in 2006, and a high of 85% in 2002.

General Overview of Legislative Priorities (including state and federal issues)

- Controlling health care costs (at 55%) continues to rate as the top legislative priority among employers. This marks the third year in a row more than fifty percent of employers cite the rising costs of health care insurance as the top priority, with lowering business taxes and tax reform rating second, at 38%.
- Overwhelming majorities of employers support specific reforms as a way to ensure the long-term solvency of the Unemployment Compensation Trust fund. These include tightening the definition of what constitutes a “voluntary quit” (82% support) and amending the UC law to provide a more consistent standard for what is considered willful misconduct (83% support). Reducing benefit levels and/or the number of eligible weeks claimants can collect is supported by a 58 to 31 margin.
- A plurality (or 42%) believes the new Fair Share Act will have no impact at all on their company, while 35% say it will have a “minor” impact, compared to 15% who expect the impact to be “major”. In terms of further efforts to change the legal system, protections for innocent sellers (51%) and enacting a statute of repose (36%) receive the most support by both Chamber members and non-Members.
- Most employers (or 88% combined) report being only “somewhat” or “not at all” familiar with the provisions of the new U.S. health care reform act; 12% are “very” familiar. However, when informed about the provision requiring employers with more than 50 U.S. employees to offer a minimum level of health insurance coverage, or pay a \$2,000 penalty, 15% say their companies will consider dropping coverage altogether when either this provision or others go into effect [in 2014], including 18% of Chamber members and 9% of non-Members. An additional 73% say they do not plan to drop coverage, while 11% are undecided. Moreover, the percent who say they could drop coverage increases to 20%, or 1 in 5, among respondents who say they are the primary decision-makers when it comes to determining health care plans and employees’ benefit levels. Among Chamber Members with 50 or more employees, 21% plan to consider dropping coverage (compared to only 8% of non-Members).
- A majority of employers (or 55%) say their companies will not be impacted by the EPA’s plans to regulate greenhouse gases under the federal Clean Air Act. Among those who will be impacted, 12% say it will have a positive effect, while 29% say the impact will be negative.



PA Chamber of Business and Industry
21st Annual Pennsylvania Economic Survey
Sample Size: 650 Pennsylvania Employers
Conducted: July 14th – August 4th, 2011

N= 350 PA Chamber Members
 N= 300 Non-Members

Q1. Generally speaking, would you rate the overall business climate in Pennsylvania—that is, how it is to do business in this state--as excellent, good, fair or poor?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Excellent	20	03%	02%	04%
2. Good	197	30%	30%	31%
3. Fair	300	46%	50%	41%
4. Poor	126	19%	17%	22%
5. Undecided	6	01%	01%	01%

Q2. Do you think the business climate in Pennsylvania has gotten better, gotten worse or stayed about the same during the past 12 months?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Better	116	18%	21%	14%
2. Worse	227	35%	34%	36%
3. Stayed same	299	46%	44%	48%
4. Undecided	8	01%	00%	02%

Q3. What is the single most important issue affecting your company or business today? That is, the one that most seriously impacts on your ability to be competitive in today's marketplace? (DO NOT READ CHOICES)

			<u>Members</u>	<u>Non-Mbrs</u>
1. Taxes	45	07%	07%	07%
2. Healthcare costs (specific)	47	07%	09%	05%
3. Workforce development, training	28	04%	04%	04%
4. Mandates/regulations/Min. Wage	58	09%	11%	06%
5. (Other) Insurance costs, WC, UC	18	03%	03%	02%
6. Environmental/EPA/OSHA/red tape	9	01%	01%	01%
7. foreign/out-of-state competition	9	01%	01%	02%
8. Economy (general)	176	27%	25%	30%
9. Human resources/personnel issues	4	01%	01%	01%
10. Transportation/infrastructure	0	00%	00%	00%
11. Increased costs of goods and services	40	06%	07%	05%
12. Staying competitive in marketplace	51	08%	05%	11%
13. Electronic commerce/internet	3	00%	01%	00%
14. Credit availability/can't get loan	23	04%	03%	04%
15. Government/politicians (general)	15	02%	02%	03%
16. Energy/fuel/delivery costs	19	03%	03%	04%
17. Inadequate financing/funding/grants	14	02%	02%	03%
18. Undecided/none	49	08%	07%	08%
19. Other (verbatim)	40	06%	07%	05%

Q4. How business-friendly would you rate Pennsylvania - very friendly, somewhat friendly or not at all business-friendly?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Very friendly	107	16%	14%	19%
2. Somewhat friendly	429	66%	69%	63%
3. Not at all business-friendly	94	14%	15%	14%
4. Undecided	20	03%	02%	04%

Q5. If you could, would you consider leaving Pennsylvania?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Yes	171	26%	26%	27%
2. No	459	71%	71%	70%
3. Undecided	20	03%	03%	03%

Q6. If yes, where would you go? (CHECK ALL THAT APPLY)

[N=171]

			<u>Members</u>	<u>Non-Mbrs</u>
1. Delaware	19	11%	11%	11%
2. New Jersey	1	01%	01%	00%
3. Maryland	3	02%	02%	01%
4. Virginia	6	04%	05%	02%
5. New York	5	03%	02%	03%
6. Ohio	2	01%	02%	00%
7. North Carolina	29	17%	15%	19%
8. South Carolina)	22	13%	14%	12%
9. West (General)	16	09%	04%	15%
10. Mid Atlantic (General)	3	02%	03%	01%
11. Southwest (General)	13	08%	05%	11%
12. Other	59	34%	39%	29%
13. Undecided	29	17%	21%	13%

Q7. Would you rate the quality of the workforce in Pennsylvania in terms of being able to meet the business community's demand for skilled or trained workers as excellent, good, fair or poor?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Excellent	106	16%	16%	17%
2. Good	314	48%	51%	45%
3. Fair	159	24%	25%	24%
4. Poor	52	08%	07%	10%
5. Undecided	19	03%	01%	05%

Q8. Which TWO of the following eight issues should be the top legislative priorities for the Pennsylvania Chamber to focus on in its dealings with the state's elected officials (or for the state's elected leaders to focus on) in Harrisburg? (ROTATE ITEMS)

			<u>Members</u>	<u>Non-Mbrs</u>
101	(15%)	1. Reforming the workers' compensation insurance system	17%	14%
354	(55%)	2. Controlling the costs of healthcare	55%	54%
248	(38%)	3. Lowering business taxes including tax reform	38%	39%
178	(27%)	4. Cutting down on regulations and mandates including environmental issues	28%	26%
90	(14%)	5. Securing transportation infrastructure funding	14%	14%
81	(12%)	6. Further reform of the legal system	14%	10%
92	(14%)	7. Increasing state funding for economic development programs	13%	15%
102	(16%)	8. Further reform of the unemployment compensation system	17%	17%
21	(03%)	9. Undecided (DO NOT READ)	04%	04%
10	(01%)	10. None/other (DO NOT READ)	01%	01%

Q9. Thinking more specifically about taxes, which TWO of the following seven taxes most hinder job creation and economic growth – the corporate net income tax (and by this we mean either the tax rate itself, the apportionment formula or the way net operating losses are treated), the capital stock & franchise tax, the personal income tax, the property tax, the sales tax, the gross receipts tax, or the business privilege tax? (ROTATE ITEMS)

			<u>Members</u>	<u>Non-Mbrs</u>
1a. Corp. net income-rate itself	166	26%	31%	19%
1b. Corp. net income-app. formula	26	04%	05%	03%
1c. Corp. net income-net op. losses	49	08%	10%	05%
2. Capital stock/franchise	83	13%	18%	07%
3. Personal Income	174	27%	25%	29%
4. Property	262	40%	36%	45%
5. Sales	91	14%	10%	19%
6. Gross Receipts	76	12%	12%	12%
7. Business Privilege	103	16%	11%	21%
8. Undecided	98	15%	15%	15%
9. None/Other	38	06%	06%	05%
10. Refuse	1	01%	00%	00%

Now, this next section deals with state and federal business issues....

Q10. A state law enacted in 2004 includes a mandate for electric utility companies to include alternative energy sources such as wind, solar and bio-mass as a certain percentage of their electric supply mix to customers. Some have been pushing in recent years to further increase these requirements. What is the best approach to pursuing alternative energy in the Commonwealth? (ROTATE CHOICES A AND B)

			<u>Members</u>	<u>Non-Mbrs</u>
542	(83%)	1. Allow the free enterprise system to determine which alternate energy options are most viable, or...	86%	80%
80	(12%)	2. Allow state government to require how much and what types of alternative energy must be purchased by consumers, or...	09%	16%
8	(01%)	3. None/other (DO NOT READ)	02%	01%
20	(03%)	4. Undecided (DO NOT READ)	03%	03%

With Pennsylvania's unemployment compensation trust fund becoming increasingly more in debt, which of the following proposals, if any, do you support as a way to ensure the long term solvency of the system?

(ROTATE Q11 – Q13)

Q11. Tightening the definition of what constitutes a "voluntary quit" to only allow benefits to those whose separation from employment is directly attributable to their employment?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Support	533	82%	86%	77%
2. Oppose	53	08%	05%	11%
3. Undecided	59	09%	08%	11%
4. Other	1	00%	00%	00%
5. Refuse	4	01%	01%	01%

Q12. Reducing benefit levels by either lowering the amount of benefits, or by reducing the number of weeks in which claimants can receive benefits?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Support	380	58%	64%	52%
2. Oppose	199	31%	26%	36%
3. Undecided	56	09%	08%	10%
4. Other	12	02%	03%	01%
5. Refuse	3	00%	00%	01%

Q13. Amending the UC Law to provide a more consistent standard for what is considered willful misconduct?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Support	537	83%	89%	75%
2. Oppose	41	06%	04%	09%
3. Undecided	69	11%	07%	15%
4. Other	1	01%	00%	00%
5. Refuse	2	00%	00%	01%

Q14. Recently the State General Assembly in Harrisburg passed, and the Governor signed into law a bill called the Fair Share Act which repeals the legal doctrine of joint and several liability. Under this new law, defendants named in lawsuits can no longer be ordered to pay one hundred (100) percent of the monetary damages if they are found to be only minimally or partially responsible for damages or an injury. What impact will the Fair Share Act have on your company's ability to either have legal costs reduced or remain competitive in today's marketplace – a major impact, a minor impact or no impact at all?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Major	98	15%	14%	16%
2. Minor	228	35%	39%	30%
3. No impact	270	42%	37%	47%
4. Undecided	51	08%	10%	06%
5. Refuse	3	00%	00%	01%

Q15. Since additional changes to the legal system have been proposed by state lawmakers in Harrisburg, which two of the following five proposals, if any, are MOST important in order to make further changes to the legal system in Pennsylvania? (ROTATE ITEMS)

			<u>Members</u>	<u>Non-Mbrs</u>
155	(24%)	1. Venue reform, which limits the filing of a lawsuit to the county where the injury occurred, or...	27%	20%
233	(36%)	2. State of repose, which places a time limitation on how long a person can bring a lawsuit for a defective product, or...	39%	32%
335	(51%)	3. Protections for Innocent Sellers, which protects the liability of retailers or other sellers of products who have no relation to the cause of an injury, or...	51%	52%
170	(26%)	4. Certificate of merit, which requires a professional to attest to the validity of a claim when a complaint is filed, or...	26%	26%
179	(28%)	5. So-called "apology" legislation, which allows doctors or other medical professionals to personally apologize for unintended outcomes on a medical procedure without it being used as evidence against them in a legal proceeding or lawsuit, or...	27%	28%
101	(16%)	6. (F)Undecided (DO NOT READ)	13%	19%
10	(02%)	7. (G)Other (DO NOT READ)	01%	02%
6	(01%)	8. (H) Refuse (DO NOT READ)	01%	01%

Q16. As you may know, the Obama Administration recently announced it will use the Environmental Protection Agency's regulatory power to regulate greenhouse gases under the federal Clean Air Act for things like carbon dioxide emissions from factories, power plants and refineries. What impact will this change have on your business – a positive impact, a negative impact or no impact at all?

				<u>Members</u>	<u>Non-Mbrs</u>
1. Very positive	28	04%	Total Positive: 12%	03%	06%
2. Somewhat positive	51	08%	Total Negative: 29%	07%	10%
3. Very negative	105	16%		17%	15%
4. Somewhat negative	82	13%		14%	11%
5. No Impact	358	55%		55%	55%
6. Undecided	19	03%		03%	03%
7. Refuse	6	01%		01%	01%

Q17. Do you currently provide a healthcare plan for your employees?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Yes	412	63%	77%	47%
2. No	229	35%	22%	50%
3. Undecided	4	01%	00%	01%
4. Refuse	6	01%	00%	02%

(IF YES TO Q17, CONTINUE; IF NO, SKIP TO Q20)

Q18. In comparison to last year, have your health insurance premiums increased, decreased or remained about the same?

[N=412]

			<u>Members</u>	<u>Non-Mbrs</u>
1. Increase	330	80%	83%	76%
2. Decrease	24	6%	06%	05%
3. Stay same	52	13%	11%	16%
4. Undecided	6	01%	01%	03%
5. Refuse	0	00%	00%	00%

(IF INCREASE IN Q18, CONTINUE; IF DECREASE OR STAY THE SAME, SKIP TO Q20)

Q19. As a result of an increase in premiums, have you shifted additional costs to employees, reduced benefits, dropped coverage or taken some other action? (CHECK ALL THAT APPLY)

[N=330]

			<u>Members</u>	<u>Non-Mbrs</u>
1. Shifted costs	129	39%	42%	33%
2. Reduced benefits	69	21%	19%	26%
3. Dropped coverage	22	07%	05%	11%
4. Undecided	4	01%	01%	03%
5. Other	41	12%	13%	12%
6. No changes/absorbed costs	134	41%	42%	38%
7. Refuse	1	01%	01%	00%

Q20. What role do you play for your company in choosing the health care plan and benefits that are provided to your employees - would you say you are the PRIMARY decision maker, someone who has SOME influence in the [decision-making] process, or someone who does NOT play any role in this decision?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Primary decision-maker	346	56%	61%	50%
2. Have some influence in the process	127	20%	24%	15%
3. Do not play any role in this decision	120	19%	14%	24%
4. Undecided	5	01%	00%	02%
5. Other/none	13	02%	01%	04%
6. Refuse	20	03%	01%	06%

Q21. How aware are you with the general provisions of the recently-passed U.S. health care reform act, known as the Affordable Care Act? Would you say you are very familiar with, somewhat familiar with or not at all familiar with the new law?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Very	64	10%	12%	08%
2. Somewhat	347	53%	55%	52%
3. Not at all	231	35%	33%	39%
4. Undecided	2	00%	00%	00%
5. Refuse	6	01%	00%	02%

Q22. One provision of the new law is a requirement that all employers with more than 50 U.S. employees offer employees a minimum level of health insurance coverage, or pay a \$2,000 penalty per employee beyond the first 30 employees. Based on either this provision or others, will your company consider dropping employee health benefits altogether once the main provisions of the law go into effect in 2014? (If yes, does this mean you will *definitely* consider dropping coverage or just *probably* consider it.....?)

				<u>Members</u>	<u>Non-Mbrs</u>
1. Yes, definitely	24	06%	Total Yes: 15%	07%	04%
2. Yes, probably	40	09%		12%	05%
3. No	316	73%		73%	71%
4. Undecided	48	11%		08%	16%
5. Refuse	7	02%		00%	03%

This last section of the poll deals with various economic indicators for your business over the last 12 months and in the future...we appreciate your patience...

Q23. During the last 12 months, did the sales for your company increase over the previous year, decrease or stay about the same?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Increase	214	33%	36%	30%
2. Decrease	194	30%	27%	33%
3. Stay same	218	34%	35%	32%
4. Undecided	11	02%	01%	03%
5. Refuse	13	02%	01%	03%

Q24. For the next 12 months, do you expect sales for your company to increase, decrease or stay about the same?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Increase	213	33%	34%	31%
2. Decrease	99	15%	16%	14%
3. Stay same	294	45%	45%	45%
4. Undecided	30	05%	03%	06%
5. Refuse	13	02%	01%	03%

Q25. During the last 12 months, did the size of your workforce increase over the previous year, decrease or stay about the same?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Increase	113	17%	21%	13%
2. Decrease	118	18%	16%	20%
3. Stay same	409	63%	62%	64%
4. Undecided	2	00%	00%	01%
5. Refuse	8	01%	01%	02%

Q26. For the next 12 months, do you expect the size of your workforce to increase, decrease or stay about the same?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Increase	109	17%	20%	13%
2. Decrease	54	08%	09%	08%
3. Stay same	467	72%	70%	74%
4. Undecided	12	02%	01%	03%
5. Refuse	8	01%	01%	02%

Q27. During the last 12 months, did your company make major investments, minor investments or no investments at all on such things as expansion or purchase of machinery or equipment, technology or other improvements in comparison to the previous year?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Major	149	23%	25%	20%
2. Minor	169	26%	29%	22%
3. No Improvements	321	49%	45%	55%
4. Undecided	2	00%	00%	01%
5. Refuse	9	01%	01%	02%

Q28. For the next 12 months, do you expect your company to make major investments, minor investments or no investments at all on such things as expansion or purchase of machinery or equipment, technology or other improvements?

			<u>Members</u>	<u>Non-Mbrs</u>
1. Major	113	17%	21%	13%
2. Minor	195	30%	32%	28%
3. No Improvements	318	49%	44%	55%
4. Undecided	15	02%	02%	02%
5. Refuse	9	01%	01%	02%

Q29. What is your current position within the company?

			<u>Members</u>	<u>Non-Mbrs</u>
352	(54%)	1. President/CEO/owner/chairman	49%	60%
56	(09%)	2. Vice president/COO	12%	04%
29	(04%)	3. CFO/Accountant/Financial-related /controller	05%	04%
195	(30%)	4. Professional – HR, directors, admin., attorneys, consultants, etc.	32%	28%
17	(03%)	5. Other	02%	04%
2	(00%)	6. Refuse	00%	01%

Q30. Gender by observation:

			<u>Members</u>	<u>Non-Mbrs</u>
1. Male	379	58%	60%	56%
2. Female	271	42%	40%	44%

Q31. Business description (SIC Code):

			<u>Members</u>	<u>Non-Mbrs</u>
1. Agriculture	17	03%	02%	04%
2. Mining	00	00%	00%	00%
3. Construction	46	07%	04%	10%
4. Manufacturing	79	12%	16%	07%
5. Transportation	38	06%	08%	04%
6. Wholesale trade	44	07%	07%	07%
7. Retail trade	95	15%	08%	22%
8. Finance, insurance, real estate	54	08%	07%	10%
9. Services	262	40%	45%	35%
10. Other	15	02%	03%	01%

Q32. Number of Employee:

			<u>Members</u>	<u>Non-Mbrs</u>
1. 1-4	294	45%	33%	59%
2. 5-9	115	18%	16%	19%
3. 10-19	77	12%	13%	10%
4. 20-49	72	11%	15%	06%
5. 50-99	29	04%	07%	02%
6. 100-249	19	03%	05%	01%
7. 250-499	12	02%	03%	01%
8. 500-999	10	01%	02%	00%
9. 1,000-4,999	9	01%	02%	01%
10. 5,000+	7	01%	02%	00%
11. Unknown	7	01%	02%	00%

Q33. County in which business is currently located:

			<u>Members</u>	<u>Non-Mbrs</u>
1. Northwest	19	03%	01%	05%
2. Southwest	40	06%	02%	11%
3. The "T"/Central	115	18%	20%	15%
4. Northeast/Lehigh Valley	92	14%	15%	13%
5. South Central	237	36%	54%	16%
6. Southeast	83	13%	05%	22%
7. Allegheny County	37	06%	02%	10%
8. Philadelphia	28	04%	01%	08%

The margin of error for the combined sample size of 650 interviews is +/-3.8% at the 95% confidence level, or +/-5.6% for the subsample of 300 (i.e., the "non-member" survey) and +/- 5.2% for the subsample of 350 (i.e., surveys with PA Chamber members).
