New York State Business Climate Study, Nov. 2001

Introduction

When Alfred University’s College of Business conducted its first New York State Business Climate Survey in May 2001, it was to determine how businesses, particularly small businesses with fewer than 100 employees, were responding to what appeared to be uncertain times ahead. As the second quarter was drawing to close, we found that in spite of their somewhat negative perceptions of the national and state business climates, business people as a whole were optimistic about their own businesses’ futures.

We hoped to continue the survey on a periodic basis, to begin to capture trends for small businesses and to determine if their perceptions of the national and state business climates correlated with their perceptions of their own businesses’ future. What we could not predict, however, when we planned our second round of the survey, were the cataclysmic events of September 11, 2001, and the impact they would have on the nation. The second round of surveys came in early November, just before the end of the third quarter. We modified our survey instrument to ask businesses how they perceive the events of September 11 affected their businesses, and how the state could assist them to make a recovery. Harris Interactive1 was commissioned to do the mail survey.

How this beleaguered segment reacts is important because small and family-owned businesses are a integral part of the state and national economy. According to the 1999 Small Business Profile, they added 420,000 new jobs in New York State between 1994 and 1998. In 1998 alone, they generated $49.2 billion in income. Ninety-seven percent of all New York firms have fewer than 100 employees, and 99 percent have fewer than 500 employees. Firms with 500 or fewer employees accounted for 52.5 percent of the state’s employment.

Sample Description

Three hundred sixty six business people from across New York State responded to the Alfred University College of Business’ Business Climate Study. Of these respondents 104 (29 %) were from the downstate area, defined as New York City, as well as Nassau, Suffolk, Westchester and Rockland counties. The remaining 252 respondents (71%) were from the Upstate New York area. Consistent with our previous sampling (May 2001), 75 percent of the sample are privately held companies with 94 percent employing less than 100 employees. Four percent identify themselves as being "self employed". Overall the sample generates on average $23 million in total revenue. Ten percent generate under $1 million. Fifteen percent generate $1-5 million while 26 percent produce $6-10 million in total revenue. About a quarter (26%) of the respondents generate $11-20 million in annual revenue while 23 percent make over $21 million in revenue. This profile of respondent mirrors our sampled population surveyed in May 2001.

There was an equal representation (10%) of those smaller firms who generated less than $1 million between the two geographic regions. However, 19 percent of upstate companies compared with 13 percent of downstate companies generated $1-5 million in annual sales. Thirty percent of upstate companies surveyed produced $6-10 million dollars compared to 16 percent of those located downstate. Those with annual revenues of $11-20 million were nearly equal among the two regions, 27 percent of downstate businesses compared to 24 percent upstate. A higher proportion of firms generating over $21 million were found in the downstate area compared to the upstate region (31 % cf. 21%).

Findings

Their National Perspective

Respondents were asked to offer their perceptions on the National Business Climate. Eighty four percent, up from 68 percent in May, believe business conditions are worse today than one year ago. Fourteen percent compared to 29 percent in May believe the business climate is the same with only 3 percent perceiving a healthier climate. These general perceptions were held regardless of business region or size.

As these business people look to the future the majority, 51 percent believe that it holds a mixture of both good times and bad. This was a similar finding to data collected in May. However a much larger proportion (34% cf. 14%) today feel that they are facing bad financial times. Only 13 percent believe that the financial conditions in the US will improve in the next 12 months, compared to 35 percent who held that belief in May. Once again, regardless of size or region, these were commonly held perceptions.

Business owners seem to be bracing for continuing bad news, with 74 percent believing more unfavorable changes are coming compared to 61 percent who said that six months ago. Only four percent, compared to 10 percent in May, predict more favorable changes. A slight majority (47%) believe that interest rates will remain steady while 45 percent believe that interest rates will, once again decrease. In May, 32 percent predicted interest rates would stay the same, and 62 percent said they would go down.

Their Voice: The Impact on Their Businesses of the September 11 Attacks

Two-thirds of the respondents (236 of 351) said the events of September 11th had a negative effect on their businesses.

"Business dropped off to zero," one said. Another said, "Business has seized," and yet another reported, "Business stopped for two weeks and is still not back." "Lost approximately $1 million in revenue," a respondent reported. One wrote, "Prior to 9/11, I did not think business could be much worse, but obviously, I was wrong. I think this tragic event had a greater psychological effect on New York State than on other parts of the country." Another said, "I don't believe the economic slowdown was the result of the Sept. 11th events. However, I do believe that Sept. 11th accelerated the slowdown." Yet another said, "Everyone is very nervous, hesitant and confused. Business was down before 9/11. This has made it tougher to do business.”

Respondents cited drops of 30 to 50 percent in their sales. One reported it "killed volume nationally for us in all but three of our 15 markets." While some said they were starting to see business pick up again, they are concerned that consumers are reluctant to make large purchases. Car dealers noted that zero percent financing offered by major auto makers stimulated sales, but many were concerned that it was an artificial boost, and that the sales they made this quarter with the attractive financing were, in effect, "robbing future business."

In the immediate aftermath of the World Trade Center attacks, some experienced logistical problems. They had difficulty getting products and people into and out of New York City.

Many are seeing slowdowns in ordering, which will have long-term effects on their businesses. "Less orders. More cancellations. Slower pay," one said, highlighting a problem others reported as well: Their customers are slower to pay their bills and their receivables are increasing as a result. Some see sources of credit drying up. "Money is not available for small business to borrow. 'Start-ups' are not being tried. Public not risking money in savings. Do not want to incur debt," one respondent said.

Others are concerned about the long-term costs they may have to bear as a result of the attacks. One said, "The attack of September 11 has had an adverse effect on my business. The cost of doing business in my industry has gone up noticeably as a result of security in New York City office buildings.

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1 Harris Interactive (Nasdaq: HPOL) is a worldwide market research, polling and consulting firm. It is best known for The Harris Poll and its pioneering use of the Internet to conduct scientifically accurate market research.
We expect our insurance costs to go up dramatically.” Others expressed concern that worker’s compensation costs would skyrocket as a result of the deaths and injuries suffered in the attacks.

Many respondents fear the effects on the state budget and the diversion of state resources to New York City to assist with the clean-up and rebuilding efforts. “We are concerned about the future since we do a large amount of New York State public construction. The events downstate don’t bode well for upstate and statewide spending in general with lower-than-anticipated tax revenues and major requirements for funding New York City repairs,” one said. “Much of our work is with school and municipal facilities. At this time we have been informed... that most capital improvement projects will be cut,” another said. One respondent predicted a positive effect: “New York State Department of Transportation may be spending more in road construction in Region 10 (Long Island)... than in Region 11 (New York City). Roads are already very congested due to new security measures and restrictions now in effect.”

One-third of the respondents said they suffered little or no negative impact, or actually saw an upswing in business after the September 11th attacks because of the nature of their businesses. “I own a grocery store. Business has increased 10 percent because a lot of people are not going out to eat,” one said. Another grocery store owner reported the same thing; “We have not noticed any difference as we are a supermarket. Customers are buying more ... to store away such as water, batteries, canned food and drugs.” Another respondent reported a significant increase in sales, due in part to hobby and craft-related products, indicating that people are opting to stay home and pursue hobbies rather than going out. A screen-printing business saw an upswing due to orders for patriotic items and give-aways for fund-raising events.
Their Voice: What Should New York State Do to Speed Recovery?

Taxes were the largest single issue on the minds of respondents. Sixty-one percent (165 of 269 respondents) suggested cutting them, eliminating them, or using tax credits or incentives to spur business growth in New York State.

“Cut property and income tax. New York has the worst tax burden in the country. My operations in Pennsylvania and Ohio are much more profitable because of the tax differential. I will be expanding there, not in New York,” said one respondent. “Find ways to reduce state spending so that state taxes, NY fuel taxes and energy costs could be more competitive with other states. Find ways to reduce workers’ compensation to be more competitive with other states,” another said. “Taxes! Too many (all different types) and too high,” responded another.

Many suggested cutting taxes would give New York residents additional spending power that would boost the economy. “(Cut the) New York State income tax. Top rate should be cut to 6 percent. It’s like giving a raise to every working New Yorker. This would put more money in the hands of consumers to boost their confidence to spend,” said one. Another suggested lowering the sales tax from its present rate of up to 8 percent, depending upon locality, to a flat 5 percent statewide. One suggested eliminating all school taxes on businesses and industries. Another said the state should cut taxes, but not reduce its aid to cities and towns because those cuts compound the problems by leading to higher local property taxes.

Other solutions suggested by respondents fell within several broad categories, although none was as frequently mentioned as taxes. The categories include:

- Regulatory relief. Many suggested that dealing with everything from environmental regulations to local zoning codes places an unwarranted burden on businesses, particularly small businesses that do not have staff or resources to deal with them.
- On-time adoption of state budgets. Several respondents pointed out that failure to adopt a state budget on time results in delayed or cancelled projects by school districts, municipalities and other governmental agencies. Those delays and cancellations are harmful to businesses in New York State.
- A “Buy New York First” policy. Several respondents said that they see business going to out-of-state companies when there are firms in New York that could provide the goods and services.
- Continued emphasis on economic development, offering tax breaks and incentives to all businesses that are growing and expanding, not just new companies.
- Lower energy costs.
- Workers’ compensation insurance reform
- Public works projects to keep people working.
New York State of Mind

Respondents were again asked to evaluate the economic policies of New York State specifically. Sixty seven percent, compared to 68 percent six months ago, believe that NY State government is doing a good (17%) or fair job (50%). The remaining respondents (33%) believe that state government is doing a poor job. While these totals do not differ significantly from the evaluations provided six months ago, what does differ is perceptions held by regional businesses. Twenty seven percent (up from 18 percent six months ago) of downstate businesses believe that state government is doing a good job compared to 12 percent of upstate businesses. Another 61 percent of downstate businesses compared to 46 percent of upstate businesses believe that NY State government is doing a fair job. Only 12 percent of downstate business people rate the state government as doing a poor job, compared to 41 percent upstate. This might be reflecting the strong support downstate New Yorkers feel toward leadership in the September 11 aftermath and the degree to which upstate business people feel that their resources are being drained to support the reconstruction of New York City.

Strong consensus exists within this sample (regardless of size or location of business) that unemployment will rise in the next 12 months. A resounding 74 percent of those sampled, compared to 59 percent six months ago, believe unemployment will rise. Twenty percent believe that employment will remain steady over in the next 12 months, down from 37 percent who held that belief six months ago.

Future Plans: Capital Expenditure

This survey was also interested in the future plans of business in New York State. When asked if they were planning to make any type of capital expenditure in the next 12 months, 51 percent had definite plans not to make these expenditures compared to 47 percent in May. Thirty-six percent had plans to move forward in this regard, compared to 43 percent in May. A larger proportion of businesses are undecided (14% compared to 10% six months ago).

Larger companies, those employing over 100 people, represented the majority of those investing into capital (59%) compared to small business. Only 27 percent of these operations were planning for this type of investment. Of the 128 (36%) companies who are planning capital purchases, the picture remains consistent with May responses. Fifty-nine percent plan to invest under $500,000 and 34 percent anticipate investing over half a million. Once again there was little variation based on region. However, as one would expect, smaller organizations represent the majority of organizations investing under $500,000 (75%) with larger corporation (58%) investing over $500,000 with a mean average of $2 million. The total sample plans on making $1.3 million investment in the next year compared to projection of $1.6 million six months ago.
Future Plans: Employment

Plans for human resource investment paints a similar picture. While projections are down from estimates provided six months ago, 43 percent (cf 52%) of NYS businesses either have definite plans (17%) or are probably going to hire additional employees (26%). Actually fewer business people have definite plans not to make additional investments in human resources than six months ago: 22 percent and 32% respectively. But what has increased is the uncertainty.

Thirty five percent of those surveyed in the third quarter are unsure what their plans are compared to those 15 percent who were unsure in May 2001: a reflection of the times. On average approximate 15 new employees will be added to the work force per organization ranging from (on average) nine employees hired by firms with under 100 workers, and 26 employees (on average) hired by those larger firms.

Alternatively, when asked if they have plans to reduce their workforce, the majority of respondents are unsure what they will be doing (48%). This is a startling figure when compared to only 16 percent of respondents who were unsure about their plans for workforce reduction just six months ago. The good news is 22 percent have definite plans not to cut employees, while only eight percent say they will definitely cut employees. However, when we look at their responses six months ago, we found that 58 percent of responding business had no plans to cut their work rolls. Another 21 percent of those surveyed are considering the necessity of workforce reduction. On average 14 workers are to be released by our responding organizations. As expected, smaller firms employing under 100 people have fewer reductions (approximately 5 people per firm) compared to these larger firms who are planning on letting 33 people (on average) go.

Conclusion

Six months ago, businesses in New York State, although pessimistic about the state and national economy, were surprisingly optimistic about their own futures, planning to hire more employees and make capital investments. However, the business environment that exists today is different than the environment that existed on September 10th. It is reflected in every aspect of our working life and it is reflected in this data. Both the national and New York State economies are perceived to be worse today than they were 12 months ago and the future isn't much brighter with the majority of business people of New York State believing that unemployment is going to rise. We see increasing uncertainty in the minds of New York State business people, but only 22 percent, compared to 32 percent in May, say they will definitely not hire during the next 12 months. Eight percent said they had definite plans to reduce employment. That is a slight increase from the five percent in May who said they had definite plans. Another 57 percent are not hiring additional employees or are unsure about their employment outlook. Almost 50 percent are uncertain about future employee reductions.
Responses to specific questions

Question 1: Regarding business conditions as a whole, do you think that during the next 12 months, the United States will have....?
- good times financially
- good times financially, but with some qualifications
- a little bit of both good times and bad times
- bad times financially, but with some qualifications
- bad times financially

In May 2001, just over half the respondents (53%) believed we would have a mixed bag of economic conditions during the coming 12 months. Thirty-five percent foresaw good times, or good times with some qualifications, and 14 percent predicted bad times, or bad times with some qualifications. Six months later, 51 percent were still predicting a mixed business climate, but there was a reversal in those who saw good times ahead and those who saw bad times. As the third quarter was drawing to a close, only 13 percent of the respondents thought there were good times or good times with qualifications ahead, and 34 percent foresaw bad times or bad times with some qualifications.

The results were fairly consistent across the regions, although upstate businesses tended to be just slightly less pessimistic than their downstate (New York City, and Nassau, Suffolk, Westchester and Rockland counties) counterparts, with 33 percent of upstate businesses predicting bad times or bad times with qualifications, compared to 36 percent of the downstate businesses. Small businesses were also slightly more pessimistic (35 percent of to 31 percent) than larger businesses.

The most striking differences came in how businesses perceived state policy. Among those who think the state is doing a good or fair job with its policies affecting businesses, 29 percent predict bad times or bad times with some qualifications, up from nine percent who thought that way in May. Among those who believe the state is doing a poor job with its business policies, 44 percent say that bad times or bad times with qualifications are ahead, compared to 24 percent who responded that way in May.

Question 2: Would you say that at the present time, business conditions in the country are....?
- better than they were a year ago
- the same as they were a year ago
- worse than they were a year ago

In May, 68 percent of the respondents said business conditions were worse than a year ago, but by November, that number had increased to 84 percent. At the end of the second quarter, 29 percent were saying that business conditions were the same as a year ago, and three percent said they were better. In November, only 14 percent said business conditions were the same as a year ago, and three percent of the respondents continued to see improving business conditions.

Undoubtedly, more downstate businesses (87 percent) said conditions were worse than a year ago, compared to 82 percent of upstate businesses. Eighty-six percent of businesses with more than 100 employees said times were worse, compared to 83 percent of businesses with 100 or fewer employees. In May, 68 percent of those with 100 or fewer employers said times were worse, compared to 66 percent of larger employers. Among those who believe the state is doing a good or fair job with its businesses policies, 85 percent see worse times now, compared to 65 percent in May. Eighty-one percent of those who believe the state is doing a poor job said times were worse than a year ago, compared to 73 percent in May.

Question 3: During the past few months, have you heard about any favorable or unfavorable changes in business conditions?
- yes, more favorable changes than unfavorable
- yes, more unfavorable changes than favorable
- yes, equally favorable and unfavorable
- no, neither

In November, 74 percent said they had heard more unfavorable than favorable changes, up from 61 percent in May. Sixteen percent, compared to 24 percent in May, said they were hearing equally favorable and unfavorable news. Only four percent said they were hearing more favorable changes, down from 10 percent who believed that in May.

There were clear differences in upstate vs. downstate businesses, and small vs. large. Among downstate businesses, 80 percent said there were more unfavorable than favorable changes, compared to 72 percent of upstate businesses. In May, 64 percent of downstate businesses and 65 percent of upstate businesses responded that way. Among large businesses (100+ employees), 84 percent said news was more unfavorable than favorable, compared to 71 percent of businesses who employ less than 100 people. In May, 66 percent of large businesses and 59 percent of small businesses held that belief.

Question 4: What do you predict will happen to interest rates for borrowing money during the next 12 months? Will they....?
- go up
- stay the same
- go down
- no answer

In November, seven percent predicted rising interest rates; 47 percent said stable rates; and 45 percent said rates would fall. In May, four percent said rates would rise; 32 percent said they would stay the same, and 62 percent said they would go down. Results were consistent across all variables: downstate vs. upstate, large vs. small and how they regard state policies.

Question 5: In terms of creating a positive business climate, do you feel that the economic policies of the New York State government are....?
- doing a good job
- doing a fair job
- doing a poor job
- no answer

There continued to be a marked difference in how upstate and downstate businesses regard the state’s policies. Twenty-seven percent of downstate businesses said the state is doing a good job with its policies, and another 61 percent said it is doing a fair job, for a combined approval rating of 87 percent. Only 12 percent of downstate businesses said the state is doing a poor job, and one percent did not respond. Among upstate businesses, 12 percent said the state does a good job, and another 46 percent said it does a fair job, for a 58 percent approval rating. Forty-one percent of upstate businesses rated the state’s effectiveness with its business policies as poor.

In May, 18 percent of downstate businesses gave the state a good rating, and another 65 percent gave it a fair rating, for a combined approval rating of 83 percent. Fifteen percent said the state was doing a poor job. Among their upstate counterparts, 10 percent said the state was doing a good job, and 46 percent said it was doing a fair job, for a combined approval rating of 56 percent. Forty-two percent said the state was doing a poor job.

Overall, 17 percent in November said the state is doing a good job; 50 percent said it was doing a fair job; and 33 percent said it was doing a poor job. Comparable numbers for May were 13 percent, good job; 52 percent, fair job; and 34 percent, poor job.

Question 6: During the coming 12 months in New York State, do you think there will be....?
- more unemployment than there is now
- about the same level of unemployment as there is now
- less unemployment than there is now
Seventy-four percent of the respondents in November said there will be more unemployment during the coming year, compared to 59 percent who believed that in May. Twenty percent predict that employment levels will be stable, and only six percent say there will be less unemployment during the coming year than there is now. In May, 37 percent predicted stable employment levels, and four percent said there would be less unemployment than there is now.

Larger firms tend to be more pessimistic about unemployment, with 80 percent predicting that it will increase, compared to 71 percent of the smaller businesses (less than 100 employees). In May, 59 percent of both large and small businesses thought unemployment would increase. Among those who believe the state is doing a good or fair job with economic policies, 68 percent predict higher unemployment; 25 percent say it will stay the same, and seven percent predict less unemployment during the coming year. Among those who believe the state is doing a poor job with its economic policies, 85 percent anticipate higher unemployment, 10 percent say employment will be stable, and three percent predict a drop in unemployment levels.

While upstate and downstate business owners are about equal in predicting higher unemployment rates (74% vs. 73%), 23 percent of downstate business owners see stable levels of employment, and three percent predict less unemployment, compared to 19 percent of upstate business owners who say that unemployment levels will remain the same, and seven percent who predict that unemployment levels will drop.
Question 7: Do you plan on making capital investments in the next 12 months (beyond what you might classify as routine maintenance)?

- yes
- no
- not sure

Thirty-six percent of all respondents anticipate making capital investments during the coming year, down from 43 percent who planned to make capital investments in May. Fifty-one percent, up from 47 percent in May, said they did not plan to make investments, and 14 percent, compared to 10 percent in May, said they were not sure.

There were no differences in responses based on regions, but there were differences based on size. Twenty-seven percent of small businesses (fewer than 100 employees) plan on making capital investments, compared to 59 percent of large businesses. In May, 32 percent of small businesses and 58 percent of large businesses said they had definite investment plans. Among small businesses, 59 percent said they would not be making investments, compared to 29 percent of larger businesses. In May, 30 percent of small businesses and 34 percent of large businesses had no plans to make capital investments.

Among businesses that believe the state is doing a good or fair job with its policies, 40 percent plan on making capital investments; 49 percent said they have no plans to do so; and 11 percent said they are not sure. Among businesses who rate the state as doing a poor job with its policies, 26 percent said they have definite investment plans; 54 percent said they had no plans to make investments; and 20 percent were unsure. In May, 48 percent of those who said they believe the state is doing a good or fair job with its policies planned to make investments; 44 percent said they did not plan on making investments; and nine percent were unsure. Among those who rated the state's policies as poor, 34 percent had investment plans; 52 percent did not; and 14 percent were not sure.

Question 8: If yes (to question 7), what is the approximate value of these capital investments?

- $100,000 or less
- $101,000-$500,000
- $501,000 or more

Twenty-one percent of the respondents said they would be making investments of $100,000 or less, compared to 27 percent of the May respondents. Thirty-eight percent said their investments would range from $101,000 to $500,000 and 34 percent said their investments would exceed $501,000. In May, 33 percent planned investments of $101,000 to $500,000, and 37 percent said their investments would be $501,000 or more.

The mean value of the anticipated investments dropped from $1.6 million in May to $1.3 million in November. The median investment dropped from $375,000 to $322,900.

Large employers did not appear to change their plans substantially – nine percent planned to make investments of $100,000 or less, compared to eight percent in May; 30 percent planned investments of $101,000 to $500,000, compared to 26 percent in May; and 58 percent in both May and November planned investments of $501,000 or more. The mean anticipated investment by large businesses is $2,240,500 in November, down from $3,234,900 in May. The median anticipated investment is slightly higher, $958,300, compared to $887,000 in May.

Businesses with 100 or fewer employees made more substantial changes in their investment plans. Thirty-one percent in November, compared to 39 percent in May, intended to make investments of $100,000 or less. Forty-four percent said they would invest $101,000 to $500,000, and 15 percent (cf. 23% in May) said they would invest in excess of $500,000. Their mean anticipated investment was $525,500, down from $550,000 in May, and the median anticipated investment was $220,700, up from $192,000 in May.

Question 9: What is the likelihood you will add new employees in the next 12 months?

- I have definite plans
- There is a possibility I will add employees
- Do not plan to add employees
- Not sure
- No answer

Overall, 17 percent have definite plans to hire, compared to 20 percent in May. Twenty-six percent said there is a possibility they will hire, down from 22 percent six months ago. Twenty-two percent (cf. 32%) do not plan to hire, and 32 percent (cf. 15%) are not sure.

In both surveys, 15 percent of small businesses said they had definite plans to hire, but the percentage of larger businesses with definite plans dropped from 32 percent in May to 21 percent in November. Twenty-eight percent of larger businesses responding to both surveys said there was a possibility they would hire, but the percentage of small businesses indicating there is a possibility they would hire dropped from 33 percent in May to 25 percent in November. In May, 34 percent of small businesses said they would not be hiring, but in November, that percentage dropped to 24 percent. Among larger businesses, 19 percent said they did not plan to hire, down from 26 percent in May. Thirty-six percent of small businesses are unsure of their hiring plans, up from 16 percent in May, while 32 percent of the larger businesses said they were unsure, compared to 14 percent in May.

Question 10: If you have definite plans to hire new employees in the next 12 months, approximately how many do you plan to hire?

- None
- 1-10
- 11-20
- 21 or more

Overall, 68 percent of those with definite plans to hire said they would be adding 10 or fewer employees, up from 61 percent who responded that way in May. Ten percent said they would hire 11 to 20 employees, compared to 19 percent who answered that way in May. Seventeen percent (cf. 19%) said they would hire 21 or more employees.

Seventy-two percent of upstate businesses said they will add 10 or fewer employees, compared to 62 percent of downstate businesses. In May, 61 percent of upstate businesses and 58 percent of downstate businesses planned to hire 10 or fewer. Twenty-four percent of downstate businesses, compared to three percent of upstate businesses, planned to hire 11 to 20 new employees. That is in contrast to May, when 18 percent of upstate businesses and 25 percent of downstate businesses planned to hire 11 to 20. The percentage of upstate businesses planning to hire 21 or more dropped from 21 percent to 18 percent, and the percentage of downstate businesses planning to hire 21 or more dropped from 17 to 14 percent.

The mean number of anticipated hires was 14.6, with downstate higher at 15.4 and upstate slightly less at 14.2. The median number of anticipated hires was six overall, with downstate at 8 and upstate at 5.7. In May, the mean number of anticipated hires was 16 overall, with 15.3 downstate and 16.7 upstate. The median was 9.3 overall; 7, downstate, and 9.8 upstate.

Question 11: What is the likelihood that you will reduce the size of your workforce in the next 12 months?

- I have definite plans
- There is a possibility I will reduce the size of the workforce
- Do not plan to reduce the size of the workforce
- Not sure
- No answer

Eight percent of the respondents have definite plans to reduce the size of their workforce, up from five percent in May. Twenty-one percent (cf. 20% in May) said there was a possibility they would cut their workforces. In May, 58 percent said they had no plans to make cuts, but that percentage dropped to 22 percent in November. Forty-eight percent said they were unsure, compared to 16 percent who said they were unsure in May.
Those responses were consistent regardless of location of the business or size of the business. We say some variations depending upon how the businesses regarded the effectiveness of state policies. Among those who thought the state is doing a good or fair job, six percent (cf. 2 percent in May) have definite plans to reduce their workforces. Eighteen percent of the respondents to both surveys said there was a possibility they would cut their workforce, but the percentage of businesses who said they had no plans to cut their workforces dropped from 65 to 24 percent, and the percentage of those who are unsure rose from 14 percent to 51 percent.

Among those who think that the state is doing a poor job with its business policies, the number of those who have definite plans to cut their workforces rose from 10 to 12 percent. Those who said there was a possibility of cutbacks rose from 25 to 28 percent, and those who are said they had no definite plans to make workforce reductions dropped from 45 to 17 percent. Those who are unsure rose from 18 to 45 percent.

### Question 12: If you have plans to reduce the size of your workforce in the next 12 months, by how many employees do you expect to reduce?

- 1-5
- 6-10
- 11-50
- 51 or more
- No answer

Overall, those who plan to cut one to five employees dropped from 52 percent in May to 28 percent in November. Those with plans to reduce by six to 10 employees rose from 10 to 17 percent, but those who plan to release 11 to 50 employees dropped from 24 to 17 percent. Those with plans to reduce their workforce by more than 51 employees dropped also, from 10 to seven percent. In May, those who gave no answer – most likely an indication they are unsure how many employees they will have to let go – was five percent. That jumped to 31 percent in November. On average, respondents anticipated cutting 13.6 employees, compared to May, when the mean was 24.6. The median is 4 employees, down from 5.8 in May.

Downstate businesses are anticipating far larger cuts in workforce than upstate businesses. Twenty percent of downstate respondents say they will be cutting 51 or more employees, compared to only four percent of upstate businesses. Forty-percent of downstate businesses gave no answer, as did 29 percent of upstate businesses. In May, there were no downstate businesses who indicated they were unsure (no answer), compared to eight percent of upstate businesses. The average number of employees to be cut by downstate businesses is 24.4, compared to 11.4 for upstate businesses. In May, the average anticipated cut was 24.8 for downstate businesses, compared to 26.5 for upstate businesses. The median is 6 for downstate, and 4.5 for upstate, compared to May when the median was 5.5 for downstate and 7.0 for upstate.

There were also variations in their responses depending upon how the businesses regard the effectiveness of state policies. Among those who think the state is doing a good or fair job, 21 percent plan cuts of one to five employees; 14 percent say they will cut their workforces by six to 10 employees; 29 percent say the cuts will be 11-50 employees; 14 percent say they will cut 51 or more employees; and 21 percent gave no answer. Those who say the state is doing a poor job with its policies toward business were more likely (43%) to give no answer, again indicating their uncertainty. Twenty-nine percent of those who rate the state as doing a poor job plan to cut one to five employees; 21 percent said they will cut six to 10 employees; seven percent said they will cut 11 to 50 percent and none said it would cut more than 50 employees.

Interestingly, those who view the state as doing a poor job with policy actually plan fewer cuts. On average, they plan to reduce their workforces by 3.7 employees, far less than the 24.4 employees slated for cutback by those who say the state is doing a good or fair job. The median for those who said the state is doing a good job is 2.5; compared to 9.0 for those who rate the state policies as good or fair. In contrast, in May, those who said the state is doing a good or fair job planned average cutbacks of 23.1 employees, compared to 25.5 for those who said the state was doing a poor job. The median in May was 14.5 for those who say the state is doing a good job, compared to 7.8 for those who said it was doing a poor job.