

## **New York State businesses persevere despite gloomy economic forecasts**

6/28/01

ALFRED - Bombarded by headlines foretelling economic gloom and doom, how do New York's businesses react? "Surprisingly enough, they appear to be fairly optimistic about their own futures," says Dr. Amy Rummel, professor of marketing at Alfred University's College of Business. "We have evidence that in spite of declining economic indicators, businesses across New York are still planning to make capital investments and to add employees." Rummel and Dr. David Szczerbacki, dean of the College of Business, reported the results of the first-ever "New York Business Climate Survey" at a press conference this morning in Albany. Rummel and Szczerbacki obtained funding from the Raymond Family Business Institute at Alfred University and commissioned Harris Interactive to conduct a mail survey of 1,400 businesses at the end of May, as the second quarter of the year was drawing to a close. The survey, explained Szczerbacki, was "designed to give us a snapshot of what's happening with businesses in the state at this moment in time. The real value of this kind of survey, which we plan to repeat periodically, is that it will allow us to track, over time, how businesses react to the economic climate." "We wanted to find out how small businesses (defined as those with fewer than 100 employees) perceive the economy, and how those perceptions might affect their decisions, such as to add or lay off employees, or to invest in the businesses," said Rummel. "We found that in spite of reports of declining economic indicators, businesses are planning to hire and to make capital investments." "Their perceptions of the national economy were bleak, noted Rummel. Of the 435 businesses responding (31 percent response rate), 68 percent said business conditions are worse today than a year ago, and only 3 percent said they are better. Among downstate businesses, 71 percent said things are worse, compared to 66 percent upstate. And they think times are going to get even tougher: 61 percent said more unfavorable changes are coming. The business owners seemed to be skeptical of the benefits of the Bush tax cut plan, Rummel said, with 49 percent saying it will have little or no effect on their businesses, and 46 percent saying it would have a positive effect. There were clear differences between upstate and downstate respondents' assessments of the tax cut plan, noted Szczerbacki. "Upstate businesses were more hopeful, with 53 percent predicting a positive effect, compared to only 36 percent of the downstate businesses." Overall, there is optimism about the state's ability to create a positive business climate. Sixty-five percent said the state is doing good or fair job, Rummel said. "When we looked at upstate results versus downstate results, we found that downstate businesses seem to be more positive, with 83 percent saying the state does a good or fair job creating a positive business climate," said Szczerbacki. "Upstate businesses were still positive - 56 percent said the state is doing a good or fair job with its policies -- but less so than their downstate counterparts." "In spite of their pessimism about the national economy, 43 percent of the businesses overall plan to make capital investments during the coming year, noted Rummel. The split between small businesses - fewer than 100 employees - and medium-to-large businesses was dramatic. Only 37 percent of the small businesses have definite plans to invest, compared to 58 percent of the medium-to-large businesses. Among small businesses, the anticipated mean investment is \$550,000; for larger businesses, it is in excess of \$3.2 million. Overall, 52 percent of the businesses said they have definite or tentative plans to hire more people in the coming year. Forty-eight percent of small businesses said they plan to hire additional employees, compared to 60 percent of the larger businesses. Only 5 percent said they have definite plans to reduce their workforce, and 58 percent said they have no plans to lay off employees. For Rummel, one of the strengths of the survey is that it "gives voice to the small business owners. For the first time, this gives us a way to hear what they are saying, and what they are saying may be very significant because of their impact on the state overall. Businesses with under 100 employees account for 37 percent of the entire workforce in the state, and each year they generate thousands of new jobs." "When a major corporation lays off 2,000 employees, it's major news across the state," said Rummel. "When 200 small firms each hire 10 employees, who notices? Through our Center for Family Business and Entrepreneurial Leadership, that's exactly the kind of thing we want to start paying more attention to."