2019 Lower Hudson Valley and Upstate New York Business Leaders Survey

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Upstate CEO's Grow More Pessimistic but Don't Expect Recession in 2020

Have Scant Confidence in NYS Government's Support as Optimism about Federal Help Declines

Concerns Include Government Regulation, Health Care Costs, Workforce Suitability

Despite Challenges, 41% Expect Increasing Revenues, 34% Growing Profits

CEO Sentiment

1. Fifty-three percent of Upstate CEO's[1] say it is either not at all likely (13 percent) or not very likely (40 percent) that the U.S. economy will be in recession between now and the end of 2020. Thirty-two percent say a recession is somewhat likely while 13 percent say a recession is either very likely (10 percent) or almost certain (3 percent).

2. Over half, 56 percent of CEO's, think that their company will be in business in NY ten years from today while 17 percent think that they will not be. We note significant variation by region with 72 percent in the Capital Region and 61 percent in Westchester predicting being in business in ten years while only 39 percent from the Southern Tier think that their company will endure.

3. But, only 32 percent, down from 41 percent as recently as in 2017, say that if they had it to do all over again considering all factors, they would locate their business in NY.

4. In fact only 17 percent, down from 27 percent a year ago, say that current business conditions in NY as compared to six months ago are better.
    a. Seventeen percent say conditions are better, 47 percent say conditions are the same, while 36 percent say they are worse. Last year's numbers were meaningfully higher – 27 percent better, 46 percent the same and 26 percent worse.
5. Similarly, only 17 percent say that conditions in NY for their industry are better over that last six months, down from 25 percent that saw improving conditions within their industry last year. Last year 32 percent said that conditions had worsened in their industry while this year that pessimistic percentage has risen to 44 percent.

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[1] 667 CEO's of for profit Upstate companies with annual sales between $2.5 and $200 million responded to the survey. This year the survey includes CEO's from Westchester, Mid-Hudson, Mohawk Valley, Southern Tier and the North Country as well as those that have been included every year from the Capital Region, Central New York, the Finger Lakes Region and Western New York. We report the Upstate results in this report and after comparing the enlarged Upstate sample to the sample of only the four regions that have been previously surveyed, we are confident that it is fair and appropriate to compare Upstate 2019 to previous Upstate numbers. We provide cross-tabulations that show the expanded 2019 Upstate as well as the Upstate 2019 that is comparable to previous Upstate samples in earlier years.

6. And when asked about their immediate geographic area, 53 percent say that the general business climate is staying the same, 32 percent say that it is worsening and only 12 percent say that it is improving. In 2016, CEO's had a stronger assessment of their local area with 57 percent saying that conditions were staying the same, only 20 percent seeing conditions worsen while 22 percent said that they were improving.

Why are CEO's becoming more pessimistic?

1. They lack confidence in government's ability to enhance business conditions across all levels – state, federal and local.

    a. The three top challenges CEO's say they face are all directly tied to the actions taken by government. Those top three and the percent of CEO's that say that they are current challenges are health care costs (66 percent), governmental regulation (65 percent) and taxation (58 percent).

    b. Only 6 percent say NYS is doing an excellent or good job of creating a business climate in which companies like theirs will succeed while 66 percent say that NYS is doing a poor job. This assessment of the contribution being made by state government to enhance business conditions for these CEO's is unchanged from 2018.

    c. They want the Governor and Legislature of NYS to focus on spending cuts (53 percent), business income tax reform (52 percent)[2], personal income tax reform (50 percent) and infrastructure development (42 percent).

    d. But only 13 percent are somewhat or very confident in the ability of the government of NYS to improve business climate.

    e. Their assessment of or prediction for several specific existing or proposed legislative initiatives all are negative.[3]

        i. NYS Paid Family Leave act, 51 percent say that it has had an adverse impact on their business while 42 percent say that it has had no impact.
        ii. NYS minimum wage, 53 percent say that it has had an adverse impact on their business while 40 percent say it has had no impact.

            1. In response to the increase in minimum wage: 23 percent reduced employees, 23 percent have limited hours, and 23 percent have increased prices.

[2] The survey was concluded prior to the January 2020 State of State in which a small business tax cut was proposed.
[3] The survey did not ask CEO's about the Sick Leave proposal as it had not been made public at the time of data collection.

iii. Adopted legislation to both reach zero carbon emissions in the electricity sector by 2040 and reduce greenhouse gases 85 percent from 1990 levels by 2050 – 54 percent predict it will have an adverse effect on NYS economy and 47 percent predict it will have an adverse effect on their business.

   1. Sixty percent have invested at least a modest amount in energy efficiency over the past several years.

iv. By 63-21 percent, they oppose state level single payer health insurance.

v. By 55-33 percent, they oppose legalizing the recreational use of cannabis.

vi. By 67-16 percent, they oppose expanding the definition of a public works contract and requiring payment of 'prevailing wages' on any construction work receiving any level of state or local economic development assistance.

f. Thirty-nine percent, down significantly from 51 percent a year ago, say the federal government is doing a good or excellent job of creating a business climate in which companies like theirs will succeed. Twenty-five percent, up from 22 percent, give the federal government a grade of poor. After two consecutive years of growing appreciation of the federal government's contribution to the business climate, this decline signals a sense of disappointment among CEO's.

g. Thirty-seven percent, down from 46 percent last year, are somewhat or very confident in the ability of the federal government to improve the business climate for businesses like theirs.

h. Still, by 47 – 16 percent, they say that the federal tax reform has had a positive rather than negative impact on their business. Thirty percent say that the federal tax reform has had no impact on their business.

i. And, only 28 percent rate local governmental support for business as either good or excellent albeit up from 19 percent in 2016.

2. CEO's expressed continuing concerns about local area's support for business.

   a. When asked about their immediate geographic area, 53 percent say the general business climate is staying the same, 32 percent say it is worsening and only 12 percent say it is improving.

b. Twenty-eight percent rate their local area as good/excellent as an area where business can succeed while 70 percent give their local area a grade of only fair or poor. The numbers are down from 2017 at 32 percent excellent/good and 64 percent fair/poor.

c. Thirty-nine percent rate their local area as excellent/good on workforce suitability while 59 percent provide a negative assessment, that is, fair/poor. These numbers are down from 46 percent excellent/good, 52 percent fair/poor.
    i. Specifically, we asked CEO's to assess the supply of workers as well as the quality of job applicants by replicating a series of questions that we had asked before.
        1. Only 21 percent today, down from 51 percent in 2013, say there is an ample supply of local workers that are appropriately trained.

        2. As in 2013, CEO's rated job applicants in a number of areas. While we had drawn attention to the concerning numbers they offered in 2013, today each assessment is even more critical.

            a. Technical skills 32 percent excellent/good; 61 percent fair/poor, down from 43/50 percent.

            b. Verbal skills 29/66 percent, down from 36/62 percent.

            c. Writing skills 18/75 percent, down from 22/72 percent.

            d. Initiative 23/72 percent, down from 32/64 percent.

            e. Work ethic 28/66 percent, down from 37/60 percent.

            f. Realistic about compensation 24/71 percent, down from 32/66 percent.

            g. Professionalism 29/66 percent, down from 40/57 percent.
        3. Thirty percent say the availability of child care services has an adverse impact on their ability to attract and retain workers.

        4. Forty percent say the cost of child care services has an adverse impact on their ability to attract and retain workers.

ii. Still, by 55 - 42 percent they rate consumer confidence in their local area as either good or excellent rather than fair or poor.

iii. And, by 53 - 46 percent they rate their local area as a place where consumers want to live as excellent or good rather than fair or poor. This is down somewhat from 58 – 41 in 2017.

What will happen in 2020 ?

1. Fifty-five percent of CEO's say they will concentrate on expansion of existing markets, 50 percent on growth in existing products, 29 percent on technology innovation, 27 percent on internal restructuring, and 26 percent on entry into new markets. This order of areas of concentration is consistent with previous years.

2. Across upstate when asked which industry sectors will have a positive impact on the economic vitality of their geographic area over the next 3-5 years, CEO's indicated education 23 percent, tourism 20 percent, technology 17 percent and medical 14 percent as the top industry sectors.

    a. Technology is the top sector in the Capital Region and Mohawk Valley.

    b. Education is the top sector in Central NY, the Finger Lakes, the Southern Tier and in Western NY.

    c. Tourism the top sector in the North Country.

    d. Medical is the top sector in Westchester and Mid-Hudson.

3. Forty-one percent expect their revenues to grow while 24 percent anticipate decreasing revenues. These expectations are down from 50 percent anticipating increases and only 16 percent expecting declines last year. Westchester (63/18 percent), the Capital Region (52/17 percent), and Mid-Hudson (51/23 percent) are the strongest areas. The North Country (13/32 percent) and the Southern Tier (21/34 percent) have the weakest revenue expectations among their CEO's.

4. Fewer, 34 percent expect increasing profitability while 32 percent predict decreasing profitability. Again, these expectations are lower than those of profitability a year ago when 37 percent expected increasing profits while 25 percent expected decreasing profits. Westchester (52/22 percent) has the most robust expectations while the North Country (19/45 percent) and the Southern Tier (23/34 percent) had the weakest.

5. Fifty-one percent plan to invest in fixed assets over the coming year. This important indicator of investment in their businesses is down from 57 percent last year. The Capital Region is strongest at 64 percent while Westchester is lowest at 39 percent.

6. Thirty percent plan to increase workforce while 12 percent plan to decrease the size of their workforce. Again this number is down from 38 percent increasing/8 percent decreasing from last year. Another way to look at this hiring indicator is the ratio between those hiring and those downsizing. This year's ratio is 2.5 while last year's ratio was 4.75. Westchester (44 percent), Mid-Hudson (34 percent), the Capital Region (34 percent), and Western NY (34 percent) have the highest anticipated rates of hiring. The areas anticipating the highest rates of decreasing workforces are the North Country (19 percent) and the Southern Tier (21 percent).

7. The top two profitability enhancement strategies again this year are market/demand growth (38 percent down from 40 percent) and cost reductions (23 percent up from 21 percent). We have long argued that the ratio between those businesses focused on growing the demand for their product or service to those planning to cut costs is highly informative. The greater the ratio, the more probable is economic vitality. Overall the ratio is down from 1.9 last year to 1.7 this year. Westchester leads with a ratio of 4.7 followed by Mid-Hudson (2.9), Mohawk Valley (2.2), Capital Region (1.6), Western NY (1.5), North Country (1.4), Central NY (1.2) and the Southern Tier (1.2). Seventeen percent of businesses cited price increases down from 21 percent and 8 percent down from 10 percent indicated new technology.

8. Nineteen percent, down from 27 percent, expect the economy in NYS to be better over the next year. Thirty-eight percent, down from 43 percent expect NYS economy to remain the same and 43 percent, up from 30 percent, expect it to worsen. No region has a better economic projection than 25 percent better, 37 percent the same and 38 percent worsening.

9. Looking forward within their industry, 18 percent, down from 27 percent, expect it to be better, 37 down from 41 percent expect it to be the same and 46, up from 33 percent, anticipate worsening economic conditions.

10. As over the last 12 years we compute an index that considers CEO's assessment of the NYS economy both current and future as well as their assessment of the impact the economy is having on their industry both current and future.
    a. A score of 100 for current, future or overall indicates a balance of optimism and pessimism.
    b. This year's scores are: Current – 77.1, Future 73.5 and Overall 75.3 down from last year's index scores of 97.3 Current, 95.9 Future and 96.6 Overall.

c. Scores for each of the regions that we surveyed last year were down.

Region	Overall	Current	Future
Upstate	**75.3 from 96.6**	**77.1 from 97.3**	**73.5 from 95.9**
Westchester	87.5	86.4	88.4
Capital Region	82.0 from 104.1	85.6 from 102.3	78.5 from 105.9
Mohawk Valley	81.4	85.7	77.1
Finger Lakes	81.1 from 96.6	79.8 from 96.4	82.3 from 96.8
Mid-Hudson	80.2	83.2	77.3
Central NY	71.9 from 96.7	72.7 from 100.7	71.1 from 92.8
Western NY	70.6 from 89.4	72.9 from 91.4	68.3 from 87.5
Southern Tier	57.4	54.3	60.6
North Country	50.8	53.2	48.4

d. Industry sector index scores declined as well.

Industry	Overall	Current	Future
Engineering/Construction	94.6 from 108.9	98.9 from 114.4	90.3 from 103.4
Wholesale/Distribution	83.0 from 100.0	86.8 from 97.4	79.2 from 102.6
Financial	79.9 from 108.7	86.6 from 117.3	73.2 from 100.0
Service	75.1 from 90.1	73.0 from 90.1	77.2 from 90.1
Manufacturing	72.8 from 103.5	74.6 from 105.2	71.0 from 101.7
Food/Beverage	67.4 from 89.8	72.8 from 86.4	62.0 from 93.2
Retail	57.2 from 79.1	60.9 from 73.6	53.4 from 84.5

11. Each year we note that CEO's sentiment and assessment of the economy vary and based on simultaneous consideration of all four questions that contribute to the index we place them in one of three groups: optimistic, holding steady or pessimistic. This year, 18 percent, down from 28 percent are optimistic, 47 percent, down from 50 percent, are holding steady and 35 percent, up from 22 percent, are pessimistic. These are the most pessimistic numbers that we have seen since the recession of 2007-8.

CEO Assessment of Women in the Workforce

1. We asked CEO's to assess how significant a problem each of six different issues is for women in companies like theirs in NY. In each case CEO's today see each as a slightly or somewhat less significant problem for women today than they were in 2014.

    a. Receiving equal pay down from 27 percent a somewhat or very big problem to 25 percent.
    b. Encountering the glass ceiling from 31 percent to 22 percent.
    c. Sexual harassment from 30 percent to 22 percent.
    d. Balancing work and family from 68 percent to 53 percent.
    e. Age discrimination from 24 percent to 15 percent.
    f. Being respected equally with men from 33 percent to 28 percent.

The Business Council of New York State's quote:

"The results of this survey should once again send a strong signal to lawmakers in Albany. The women and men that provide private sector jobs in New York State believe that more needs to be done to protect their investments and the people they employ. Based on this annual survey, upstate business leaders remain fairly optimistic about the overall economy in 2020, and about prospects for their specific sector and business, although somewhat less so than a year ago, and their plans for hiring and investing reflect that change. As in prior years, top issues of concern include those significantly or wholly the result of governmental policies – the cost of health care, regulations and tax levels. Two-thirds say New York is doing a poor job of managing the state's business climate; and while business leaders are expressing a far higher level of confidence in Washington's impact on business, that confidence as fallen somewhat as well. CEOs are also expressing concerns about the impact that recent major policy initiatives in New York – increased minimum wage, aggressive carbon reduction mandates, paid family leave – are having or will have on their operations. These results compare closely to what we hear from New York business leaders every day, and reinforces our efforts promote pro-jobs, pro-investment reforms in Albany."

— Heather Briccetti, President & CEO of The Business Council of New York State

The Business Council

Methodogical Notes:

- Upstate 667 CEOs:
  - Capital Region: 135
  - Central NY: 64
  - Finger Lakes: 99
  - Mid-Hudson: 143
  - Mohawk Valley: 35
  - North Country: 31
  - Southern Tier: 47
  - Western NY: 109

- Invited via mail or web. Interviews completed via mail or web.
- Data collected between October 2019 and January 2020.

Industry participation by region:

	Upstate 2019*	Capital Region	Central NY	Finger Lakes	Mid-Hudson	Westchester	Mohawk Valley	North Country	Southern Tier	Western NY
Engineering and Construction	13%	22%	14%	10%	7%	8%	14%	13%	11%	12%
Food and Beverage	7%	5%	5%	10%	8%	7%	6%	13%	4%	6%
Financial	6%	4%	8%	4%	15%	17%	0%	3%	2%	3%
Manufacturing	19%	11%	23%	25%	8%	2%	31%	23%	30%	22%
Retail	13%	16%	11%	13%	9%	4%	14%	26%	13%	12%
Service	34%	33%	27%	29%	50%	61%	11%	16%	36%	37%
Wholesale and Distribution	8%	7%	13%	8%	3%	1%	23%	6%	4%	9%