

## **SOUTHEASTERN PENNSYLVANIA BUSINESS CALLING PROGRAM**

Supported by the Pennsylvania Department of Community and Economic Development, the Business Calling Program is a proactive business retention strategy that connects businesses with regional networks of economic and workforce development resources.

Since 1997, economic development professionals around the state have conducted company interviews to:

- **Identify business needs and concerns**
- **Determine industry and regional trends**
- **Help inform economic policy**



Regionally coordinated and locally controlled, the interview process creates working relationships directly between business owners and service providers to identify and solve business problems.

This report summarizes findings from interviews conducted in the Southeast region, which includes Berks, Bucks, Chester, Delaware, Lancaster, Montgomery and Philadelphia Counties. Nearly 1,800 interviews were conducted during Fiscal Years 2001 and 2002.

Among the highlights:

- Workforce and the economy are the most widely cited business issues.
- Companies experienced a slowdown in business activity during the past year.
- Nonetheless, companies are planning to upgrade machinery and equipment.
- Companies expect those upgrades to increase their labor requirements.
- PA infrastructure is primarily rated “good” or “excellent.”
- Electronic commerce continues to gain traction within the business community.

### **KEY FINDINGS**

#### ***1. Top Issue: It's the economy, again!***

Evidence of the past year's deteriorating economic conditions appears throughout the interview data. It is more obvious in the question asking about top business issues:

- During FY '02, over half of all respondents cited an issue relating to the economy as their top concern.
- The percentage citing the economy, slow sales, slow growth, and the need for additional marketing and tax issues increased, while
- The percentage of respondents citing “workforce,” declined.

#### ***2. Pennsylvania is the Place...to be, that is!***

Over half of the respondents indicated that operating in Pennsylvania provides advantages relative to out-of-state and foreign competitors:

- Almost two-thirds of that group cited location and proximity to markets as an advantage.
- Respondents cited workforce/work ethic, next in rank.

#### ***3. Not everything is coming up roses—location can hurt***

One-third of respondents stated that operating in Pennsylvania provides disadvantages relative to out-of-state and foreign competitors:

- The proportion citing disadvantages is down five percent from one year ago.
- Issues exacerbated by the slow economy, especially taxes and workers' compensation rates, were cited more frequently than one year ago.

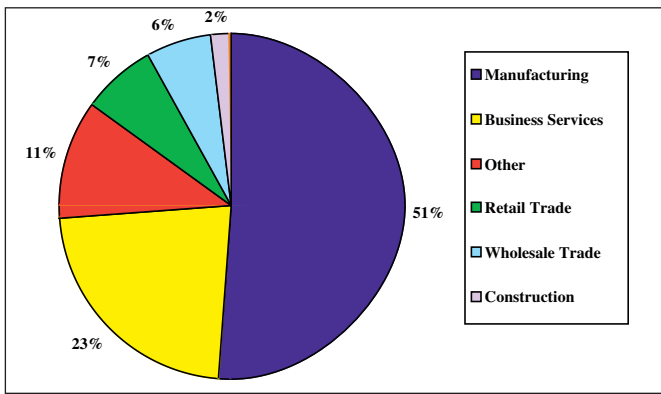
#### ***4. Local services and infrastructure generally fared well***

- Most public services and infrastructure continue to be ranked ‘good’ or ‘excellent.’

#### ***5. E-commerce use among manufacturers is up again***

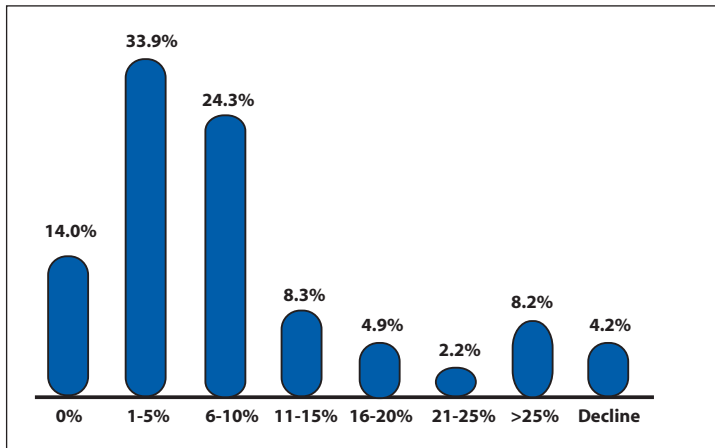
- Over two-thirds of respondents make some use of e-commerce, with manufacturers leading the way

## Type of Business (FY '02)



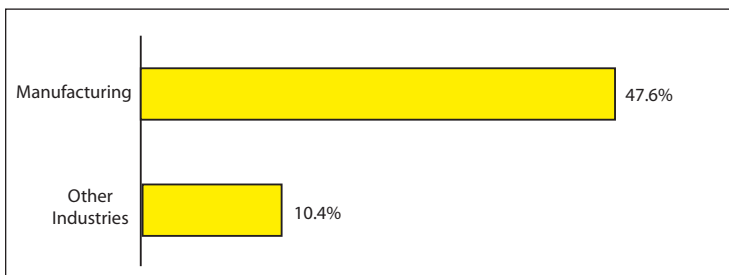
- Unlike other sectors, manufacturers are overrepresented in the sample.
- Just over one-fourth of respondents engage in state or federal contract work.

## Projected Sales Growth (FY '02)



- Consistent with economic slowing, shares of companies expecting no sales growth or decline increase, while shares for other categories decreased from one year ago.
- Behavior was similar for manufacturers and non-manufacturers.

## Export Activity (FY '02)



- Consistent with economic slowing, export activity slowed from a year ago.
- Manufacturers not exporting but considering it are under ten percent.

## Machinery & Equipment Plans, next 12 months, Manufacturing (FY '02)



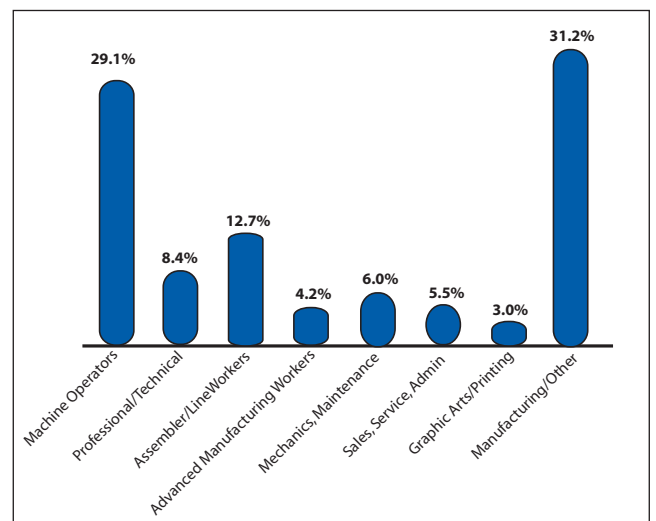
- Despite the slowdown, new equipment needs remain high, but are down 10 percent from a year ago.
- Almost half those considering upgrades will require additional labor as a result.

## Difficulty Recruiting Employees (FY '02)



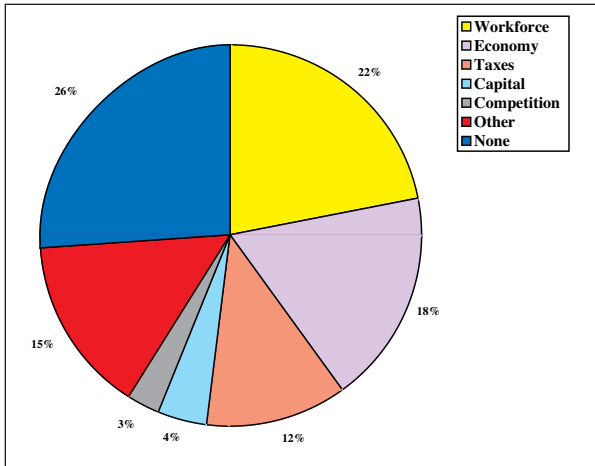
- Almost half of all respondents face difficulty recruiting workers.
- Consistent with economic slowing, the share reporting problems declined from one year ago.
- The larger share of manufacturers reporting difficulty may reflect an inability to find workers with prior experience in the field.
- College is a prerequisite for a larger share of entry positions in industries other than manufacturing, but is becoming a requirement for all sectors.

## Difficult-to-fill Job Categories, Mfg. (FY '02)



- Manufacturers face many hiring challenges.

## Top Business Issue (FY '02)



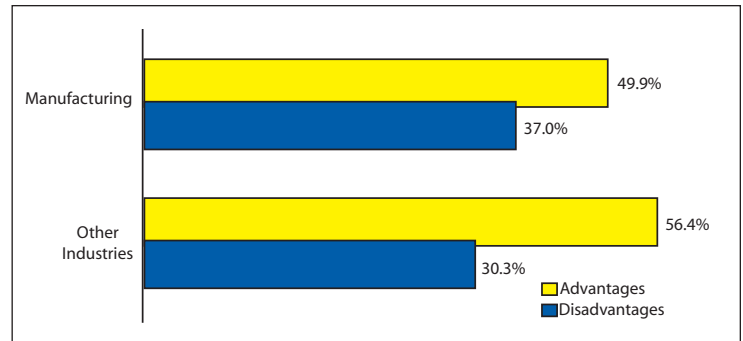
- Workforce is an issue of concern in SEPA, as other charts also indicate. As the economy recovers, workforce is likely to grow in prominence again. Incidentally, the level of unionization among respondents is low and continues to decline—i.e., 15 percent for manufacturers and half that for others.
- The impact of the slowing economy was cited almost as frequently as workforce. Indeed, after workforce, only economic and financial issues were cited by more than ten percent of respondents.
- “Other” includes: blight, exit strategy, healthcare costs, regulations, roads, technology, water, zoning, misc.

## Local Infrastructure Ratings (FY '02)

	Good or Excellent	Poor	N/A
Airports	50.1%	2.6%	47.2%
Energy/Utilities	83.5%	6.4%	10.1%
Public Sewer	84.7%	1.6%	13.7%
Public Transp.	57.3%	9.5%	33.2%
Public Water	82.8%	2.7%	14.4%
Road Systems	76.8%	15.1%	8.1%
Telecom.	81.6%	6.2%	12.2%
Zoning	62.9%	10.0%	27.0%

- Most public services and infrastructure continue to be ranked highly—either “good” or “excellent”—by respondents.
- The number of “N/A” responses for rail and port facilities, was over 80 percent, based on low utilization.
- Ratings by manufacturers and non-manufacturers are similarly high—“good” or “excellent”—for most items.
- Highest shares of “poor” ratings: road system, zoning, public transport.

## Pennsylvania Business Operations Advantages/Disadvantages (FY '02)



- Of the fifty percent of respondents indicating advantages over out-of-state and foreign competitors, more than half praised Pennsylvania’s location and proximity to markets.
- Almost twenty percent of those citing advantages list “workforce/work ethic.”
- Of the respondents citing disadvantages over out-of-state and foreign competitors, over half listed taxes.
- Consistent with economic slowing, the shares of respondents citing financial disadvantages—i.e., taxes, workers’ compensation rates—increased from a year ago.
- Access to skilled labor was the second most frequent disadvantage cited, after taxes. Consistent with economic slowing, the share of manufacturers citing skilled labor access fell by one-third from a year ago.

## E-Commerce Utilization (FY '02)



- Leading application is web marketing.
- Manufacturers lead in internet purchasing and transactional selling.

## Economic Development Assistance (FY '02)

	Mfg.	Other Ind.
Marketing & Sales	9.7%	6.3%
Machinery & Equipment	17.5%	7.4%
Site & Facility	29.0%	15.9%
Infrastructure	8.9%	4.6%

- Companies take advantage of a variety of economic development programs.
- Pennsylvania's many economic development programs bring together a number of resources to help the Commonwealth's businesses address critical challenges in order to grow employment and retain and develop talent.

## STAY INVENT THE FUTURE PARTNERS

Ben Franklin Technology Partners  
Berks County Workforce Investment Board  
Bucks County Community College  
Central Philadelphia Development Corporation  
Chester County Economic Development Foundation  
City of Chester Redevelopment Authority  
CollegeTown Project  
Commonwealth of Pennsylvania  
Delaware River Port Authority  
Delaware Valley Industrial Resource Center  
Delaware Valley Regional Planning Commission  
Drexel University  
Economic Development Company of Lancaster County  
e-Philadelphia  
Greater Philadelphia Chamber of Commerce  
Greater Philadelphia First  
Greater Philadelphia Tourism and Marketing Corporation  
Lancaster Workforce Investment Board  
Montgomery County Community College  
Pennsylvania Economy League  
Philadelphia Commerce Department  
Philadelphia Workforce Investment Board  
University of Pennsylvania  
Verizon Communications

## TEAM PA PARTNERS

Bucks County Economic Development Corporation  
Chester County Economic Development Council  
Commonwealth of Pennsylvania  
Delaware County Commerce Center  
Delaware Valley Industrial Resource Center  
Delaware Valley Regional Planning Commission  
Economic Development Company of Lancaster County  
Greater Berks Development Fund  
Montgomery County Industrial Development Corporation  
Philadelphia Industrial Development Corporation

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Analysis conducted by KLIOS, Inc.