

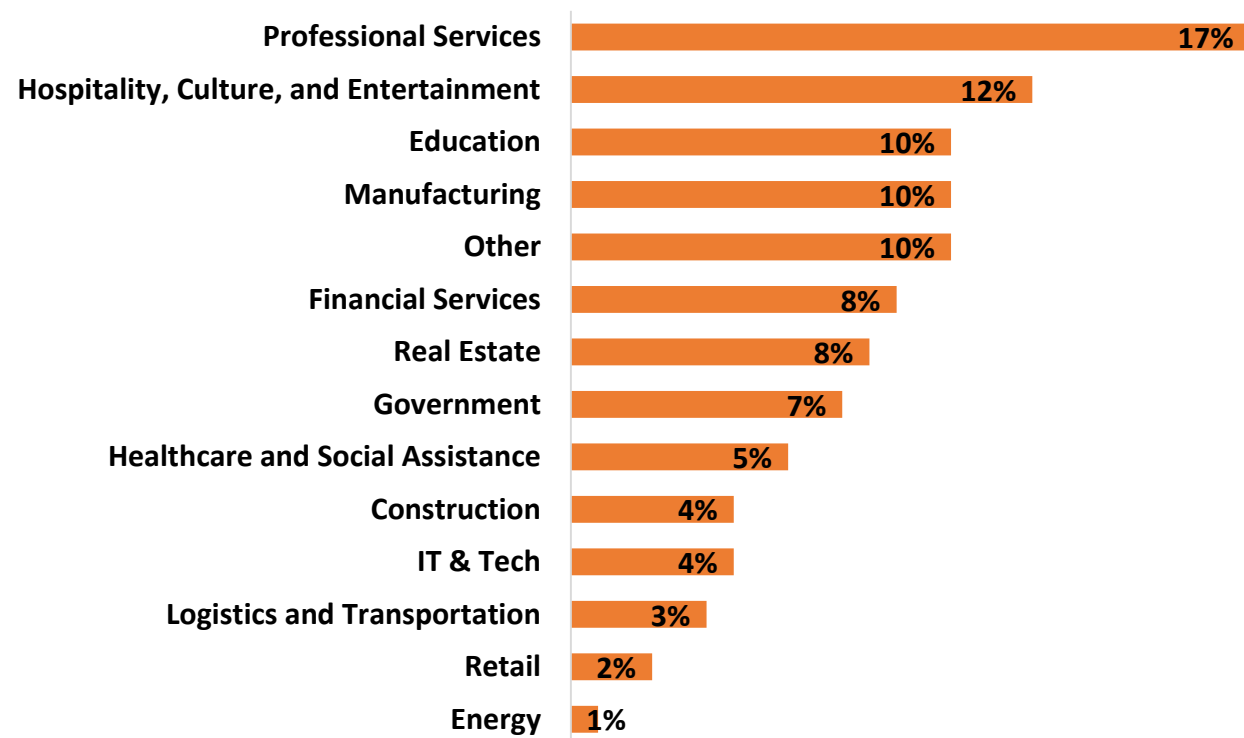
# Current Business Conditions Survey

December 2020

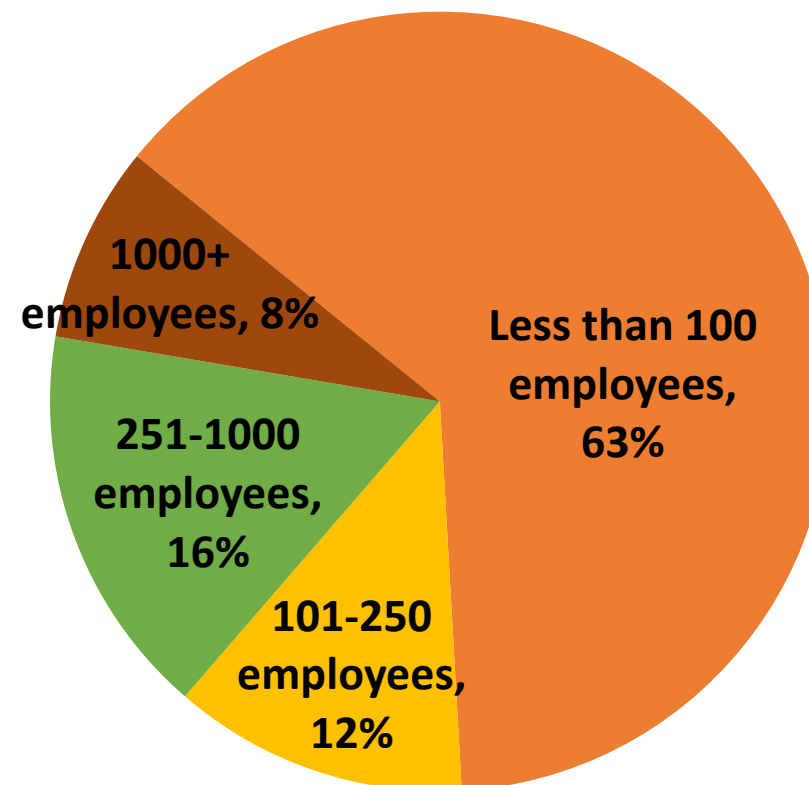
# About the Survey

- The survey was designed to improve understanding around the evolving impact of COVID-19 on businesses and organizations in the Southwestern PA region. Specifically, the survey explored overall **business conditions** and issues related to **talent and HR, real estate, supply chains, and innovation**. It also looked at **perceptions of regional comparative advantages** and gathered input on **roadblocks and opportunities for business success**.
- It was disseminated on **December 2** and closed on **December 13**; **147 complete responses** were used for the following analysis.
- While not fully representative of the regional labor market composition, the survey gathered input from businesses of different sizes and industry sectors.

## Respondents by Industry



## Respondents by Size



# Key Findings

**Key business activities** have **declined** in approximately a **third** of firms compared to the previous quarter. Only about **30%** of businesses saw **uptick** in **demand** and **output** levels and less than **20%** had **increases** in **staffing** and **capital expenditures**.

The role of **talent** in business competitiveness has **increased** during the pandemic, with **over half** of firms saying that talent is now **more critical** than before. However, the pandemic has made **recruitment more difficult** for **over half** of businesses. Some businesses have **expanded sick leave/PTO** to help with talent attraction and retention. Others have already made the decision to transition **some** of their workforce to be **permanently remote**.

Commercial **real estate** is evolving, with many businesses **altering** or **reducing** their **office and/or production** spaces.

**Supply chains** are **less effective** and **less reliable** than they were pre-pandemic, but only **13%** of businesses are **changing** their key **suppliers** and **6%** of businesses **plan to re-shore** some of their foreign production.

The pandemic hasn't hindered most **innovation**. Most companies, particularly the larger companies, were able to **maintain** or **increase capital expenditures** in **innovation** and **R&D productivity**. The pandemic had positive effects on around **60%** of businesses in terms of **spurred innovation** and **accelerated automation & digitalization** of their processes.

Companies that also do business outside of the Pittsburgh region see a number of (dis)advantages in the **local market**. Local conditions are perceived as **more supportive** of **innovation** activity, but **less conducive** to **generating demand** and keeping the **cost of doing business** low.

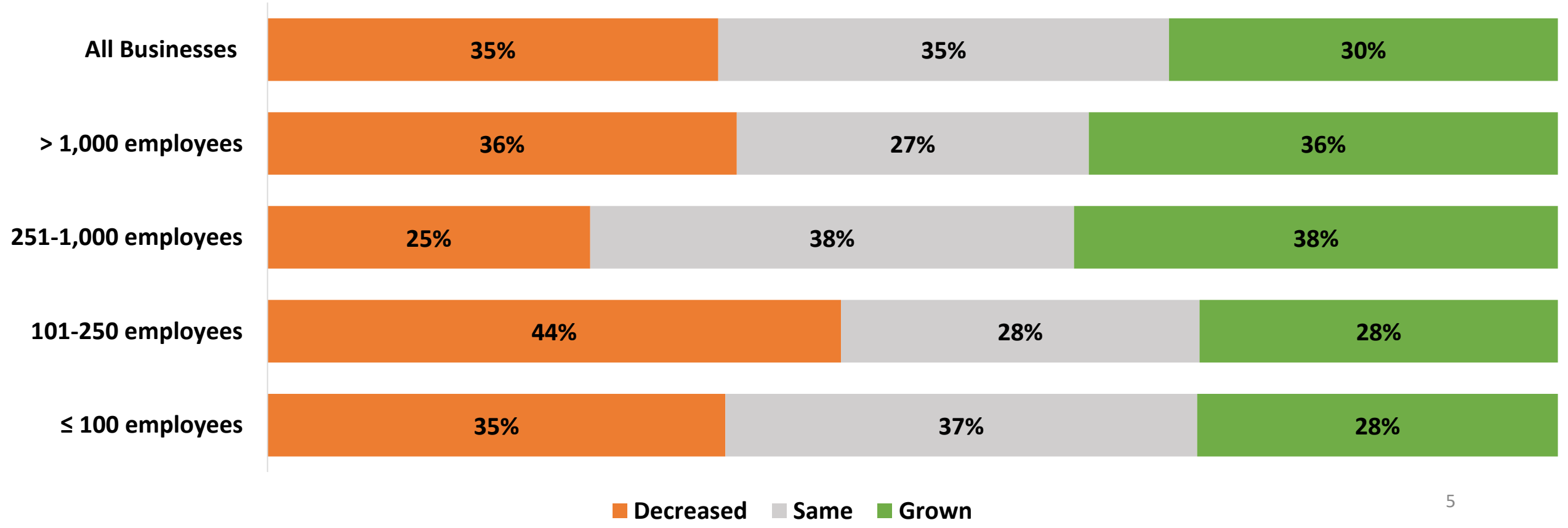
Overall, the most cited business growth **roadblocks** were **COVID-19 related** issues, while the most cited business growth **accelerants** were **population growth** and **talent** related items.

# Business Conditions: Summary of Findings

- **Demand decreased for 35% and increased for 30% of businesses. Larger businesses experienced more substantial demand increase.**
- **Output levels remained the same for 48% of businesses; the largest businesses were more likely to see output decreases while mid-size firms were more likely to experience output increases.**
- **Productivity decreased for 27% and remained the same for 50% of companies. Mid-size firms were more likely to experience increases in productivity while smaller firms were the least likely to see productivity increases in this quarter.**
- **While stable for 56% of companies, staffing levels increased in 16% and decreased in 28% of firms. A half of the largest businesses decreased staffing. Businesses with 101-250 employees were the least likely to increase their staffing levels this quarter.**
- **Capital expenditures decreased for 33% and increased for 17% of firms; smaller firms were slightly less likely to increase their capex.**

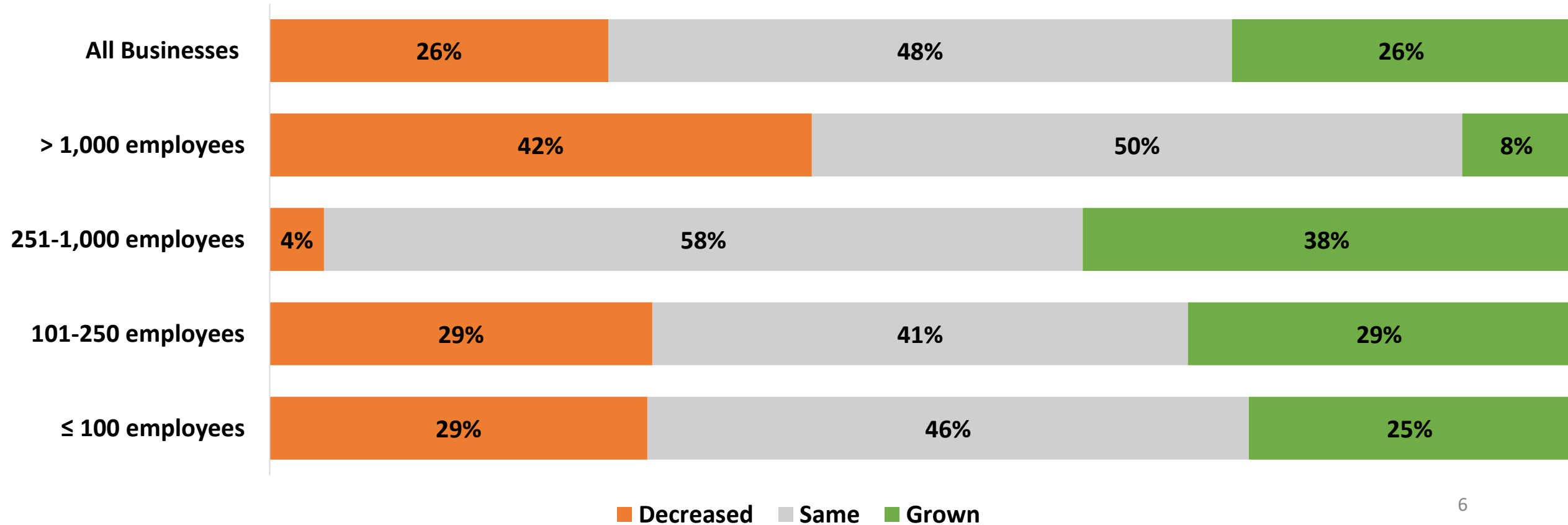
**Demand decreased for 35% and increased for 30% of businesses. Larger businesses (>250 employees) experienced more substantial demand increase while businesses with 101-250 employees saw a 44% demand drop.**

**Compared to the previous quarter, has DEMAND for your goods & services**  
**decreased**, remained the same, or **grown**?



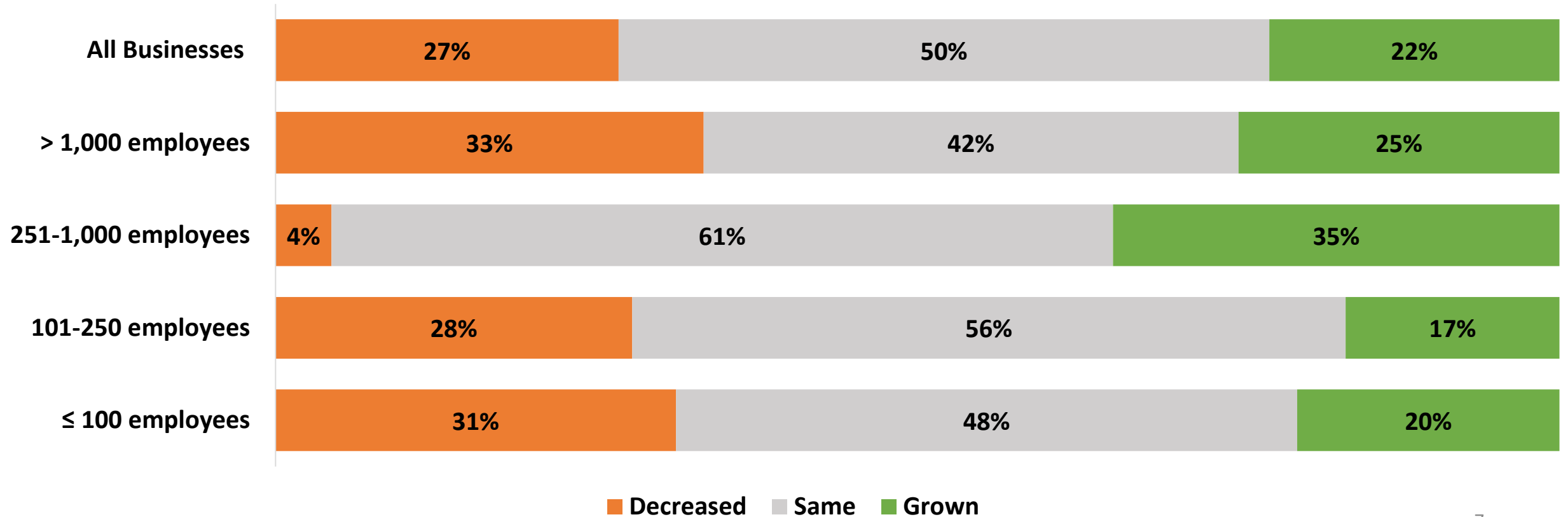
**Output levels decreased for 42% of the largest businesses but increased for 38% of the mid-size firms. Overall, the same share of businesses (26%) experienced decreases and increases in their output levels.**

**Compared to the previous quarter, has your OUTPUT**  
**decreased**, remained the same, or **grown**?



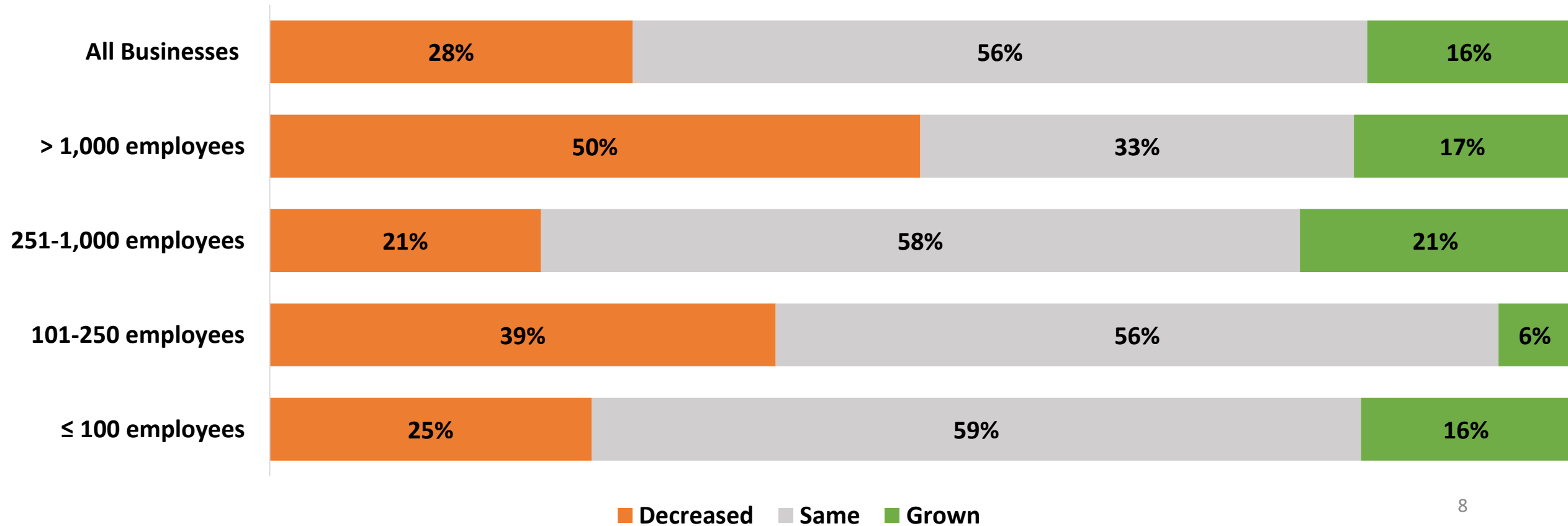
**Productivity decreased for 27% and remained the same for 50% of companies. Mid-size firms were more likely to experience increases in productivity while smaller firms were the least likely to see productivity increases in this quarter.**

Compared to the previous quarter, has your **PRODUCTIVITY**  
**decreased**, remained the same, or **grown**?



While **stable** for **56%** of companies, staffing levels increased in **16%** and decreased in **28%** of firms. A **half** of the **largest businesses** decreased staffing. Businesses with **101-250** employees were the **least likely** to increase their staffing levels this quarter.

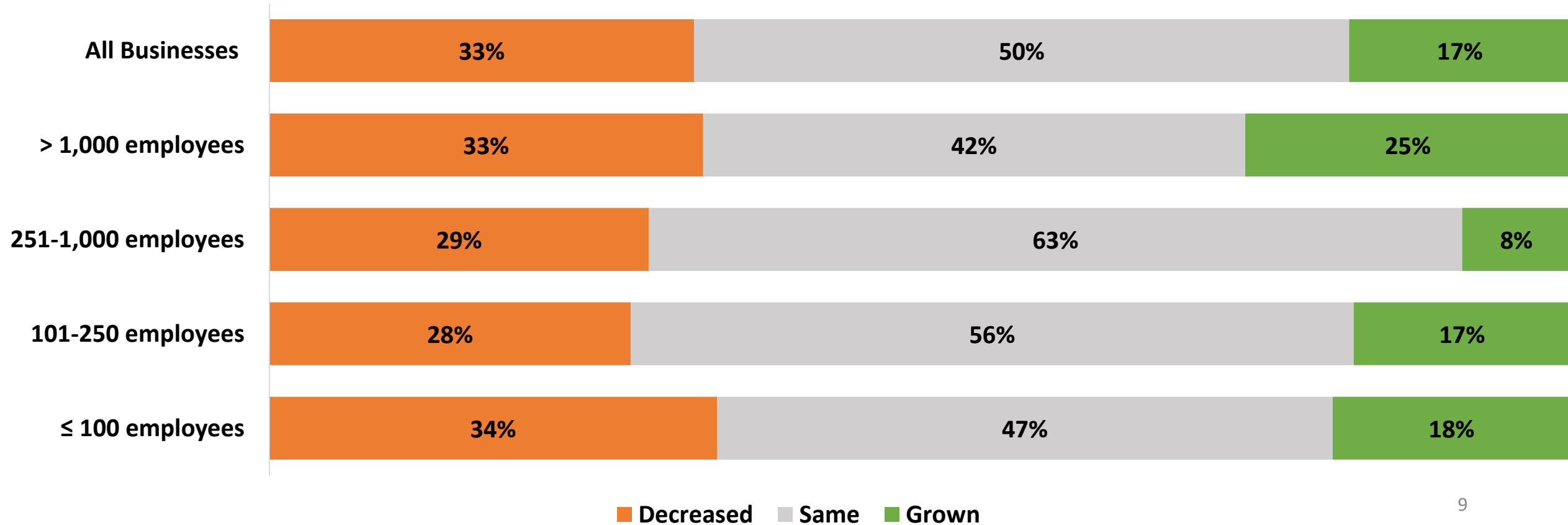
Compared to the previous quarter, have your STAFFING LEVELS  
**decreased**, remained the same, or **grown**?





**Capital expenditures decreased for 33% and increased for 17% of firms. While the business size factored very little in capital expenditure trends, smaller firms were slightly less likely to increase their capex.**

Compared to the previous quarter, have your **CAPITAL EXPENDITURES** decreased, remained the same, or grown?

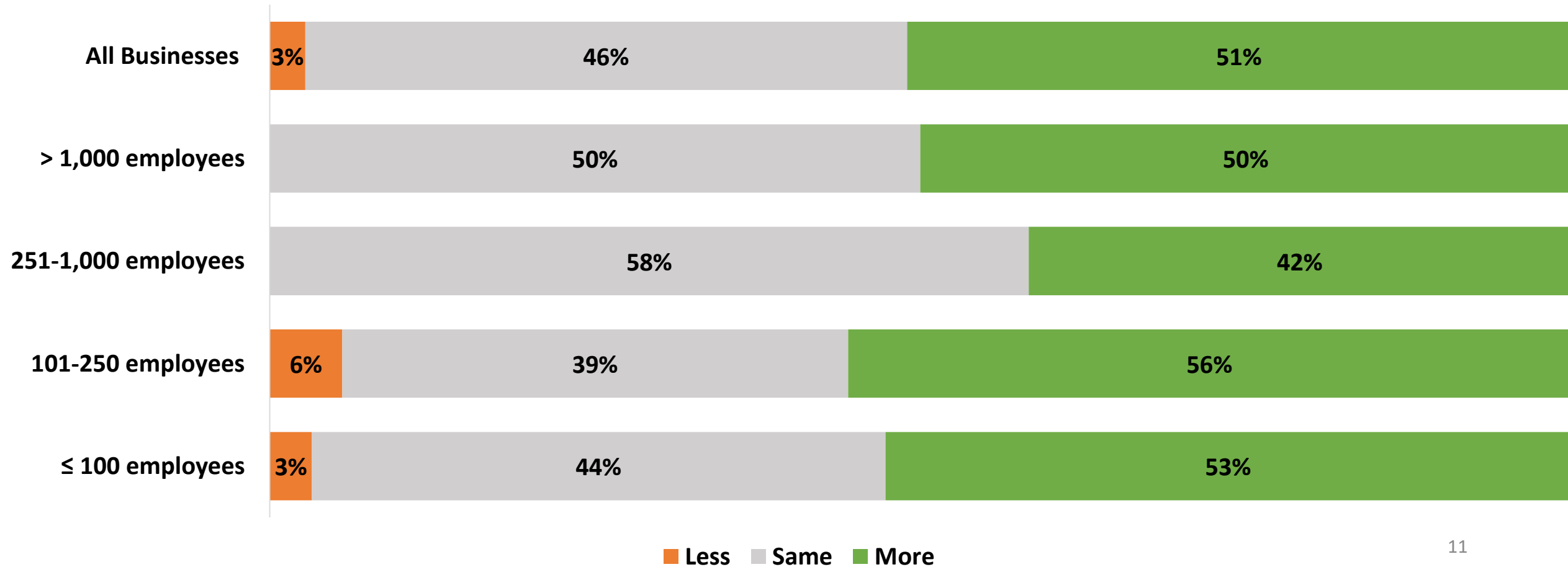


# Talent & HR: Summary of Findings

- The role of **talent** in business competitiveness has **increased** during the pandemic, with **over half** of firms saying that talent is now **more critical** than before. **Smaller businesses** were more likely to acknowledge the **growing importance** of talent to their success.
- While the pandemic made **talent retention** the **same** or even **easier** for **two thirds of firms**, it made **recruitment harder** for more than a **half of businesses**. Only **10%** of firms said **talent recruitment** was **easier** due to the pandemic.
- Over **80%** of businesses have become **more concerned** about their employees' access to work, dependent care, digital connectivity, mental health support, and/or other needs resulting from the pandemic.
- Elevated concerns for employees' needs related to the pandemic led most firms to address these needs through **increased investments**. Over **60%** of businesses made **more substantial investments** in their employee's access to work, dependent care, digital connectivity, mental health, and other needs.
- Over **20%** of all and **42%** of **mid-size businesses** have **significantly expanded paid sick leave, paid time off, and/or paid family leave** to improve talent attraction and retention during the pandemic.
- Close to **30%** of all and **42%** of the **largest businesses** have already made the decision to transition **some of their employees to permanent remote work**.

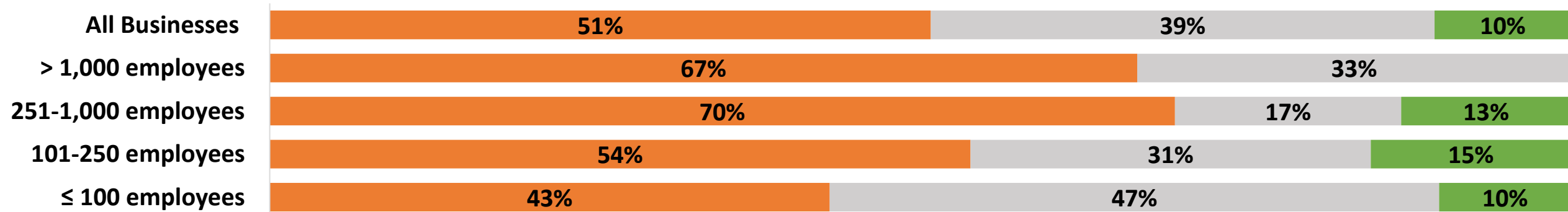
The role of **talent** in business competitiveness has **increased** during the pandemic, with **over half** of firms saying that talent is now **more critical** than before. **Smaller businesses** were more likely to acknowledge the **growing importance** of talent to their success.

Has the pandemic made TALENT **less**, the same, or **more** critical to your competitiveness?

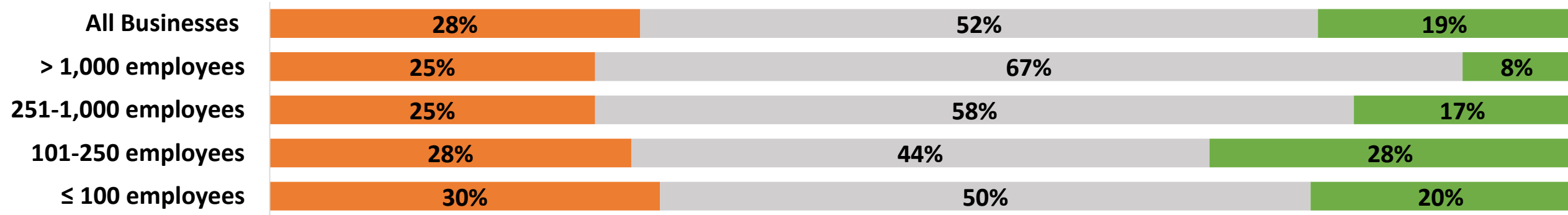


While the pandemic made talent retention the same or even easier for two thirds of firms, it made recruitment harder for more than a half of businesses. Only 10% of firms said talent recruitment was easier due to the pandemic. About 70% of companies with more than 250 employees have had a harder time recruiting people during this period.

Has the pandemic made TALENT RECRUITMENT **harder**, the same, or **easier**?



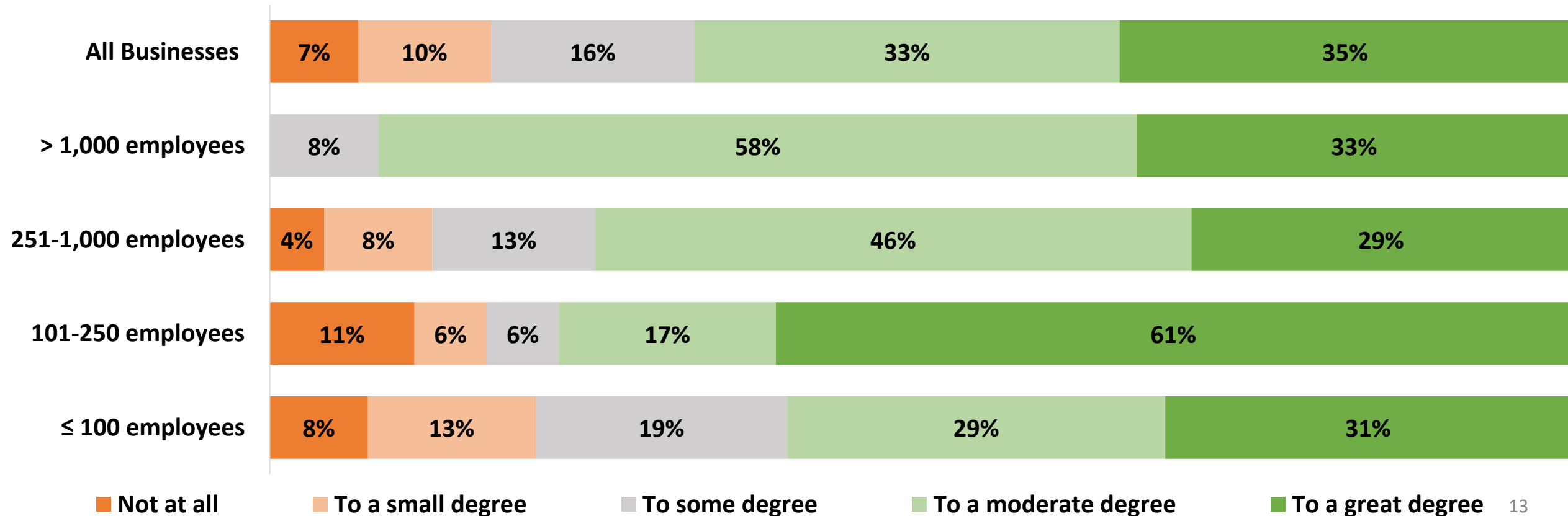
Has the pandemic made TALENT RETENTION **harder**, the same, or **easier**?



Harder Same Easier

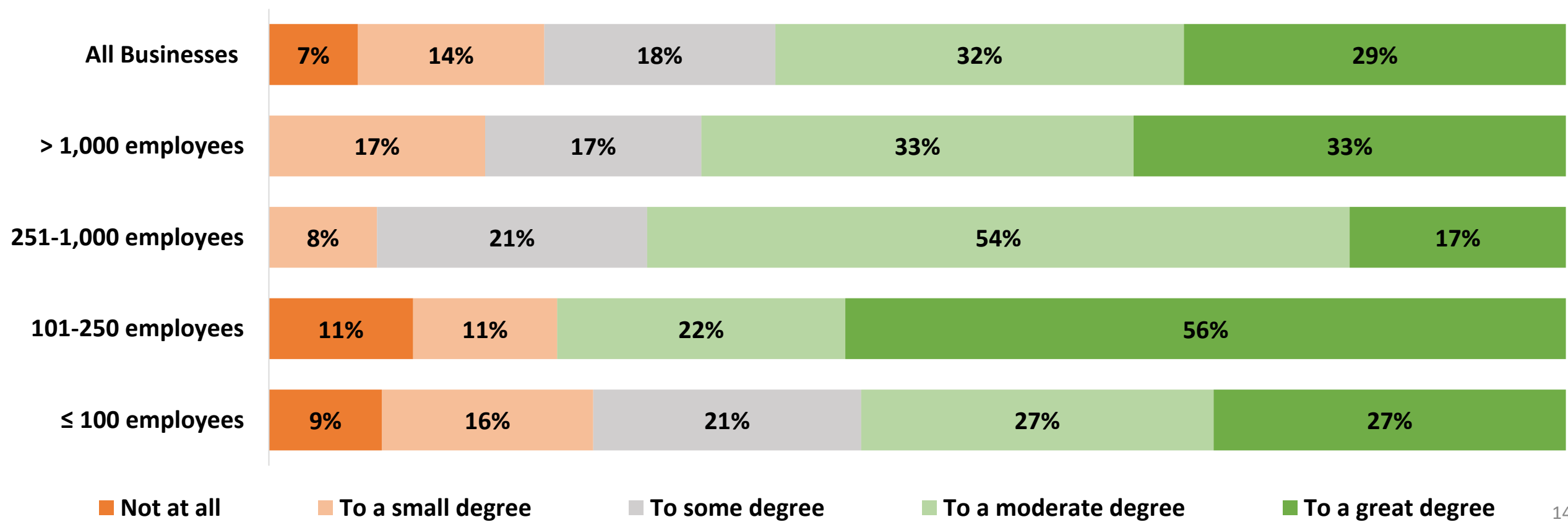
Over **80%** of businesses have become **more concerned** about their employees' access to work, dependent care, digital connectivity, mental health support, and/or other needs resulting from the pandemic. The **larger the company**, the **more concern** they feel for their workers.

To what degree has the pandemic increased your **CONCERNS** in your employees' needs for reliable transportation, dependent care, digital connectivity, mental health support, etc.?



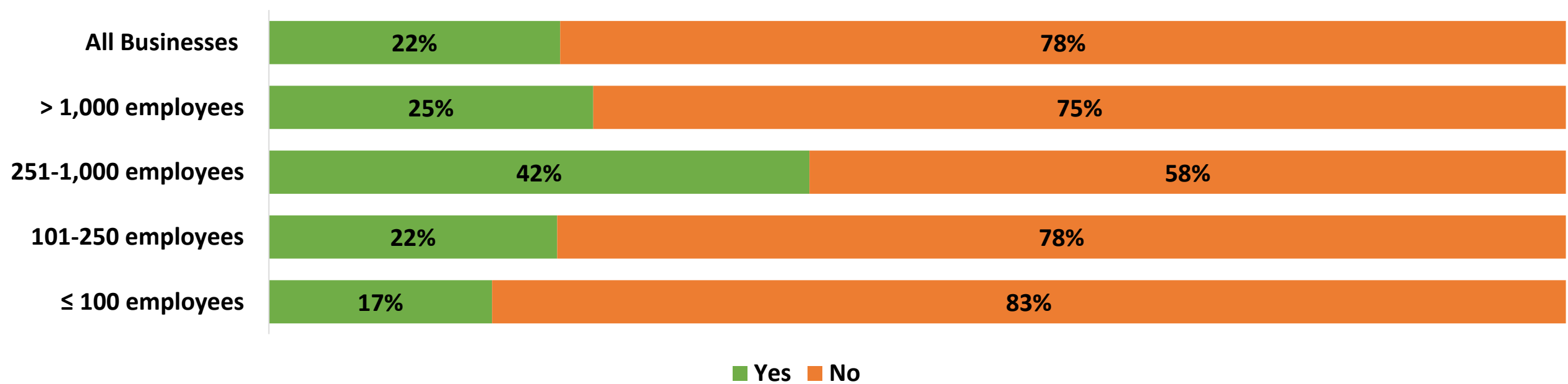
Elevated concerns for employees' needs related to the pandemic led most firms to address these needs through **increased investments**. Over **60%** of businesses made **more substantial investments** in their employee's access to work, dependent care, digital connectivity, mental health, and other needs. Companies with **101-250 employees** were the **most likely to increase investments** in their employees' needs.

To what degree has the pandemic increased your INVESTMENTS in your employees' access to work, dependent care, digital connectivity, mental health, etc.?



Slightly over **one-fifth** of all businesses have **significantly expanded paid sick leave, paid time off, and/or paid family leave** to improve talent attraction and retention during the pandemic. **Mid-size firms** were the **most active** in expanding paid leave provisions; with twice as many (**42%**) expanding these benefits.

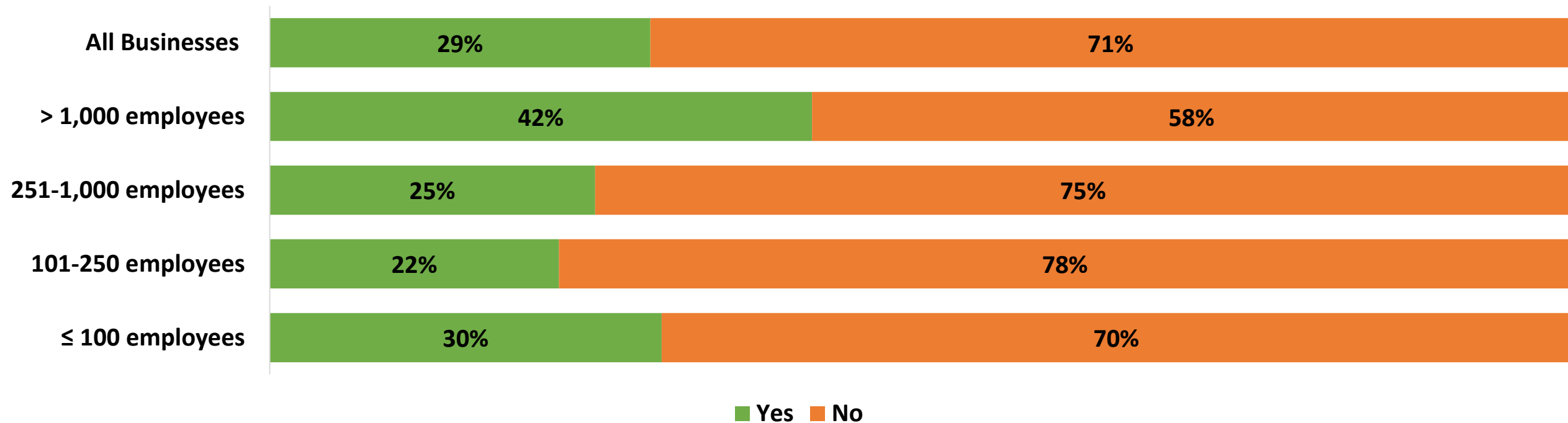
Have you significantly expanded paid sick leave/PTO/paid FMLA due to the pandemic and/or to improve talent attraction/retention?



*The most common expanded policies were additional sick leave and PTO time (ranging from 5-10 additional days for the year), as well as crisis pay and paying salaries to employees even if they were out of work for a period of time. Many companies followed CARES Act guidelines even if they didn't qualify for the funding.*

Close to **30%** of businesses have already made the decision to transition **some of their employees to permanent remote work**. The **largest firms** were most likely to make this decision, with **42%** saying they plan permanent remote work for a portion of their workforce.

### Have you made the decision to transition some of your workforce to remote permanently?



*There is much variance in the percentage of employees that companies have decided to transition to permanently remote work; many are still deciding what approach they will take. Of the respondents, the average percentages of those that will transition to permanent remote work are: 50% for companies with less than 100 employees, 42% for companies with 101-250 employees, 50% for companies with 251-1000 employees, and 35% for companies with more than 1,000 employees.*

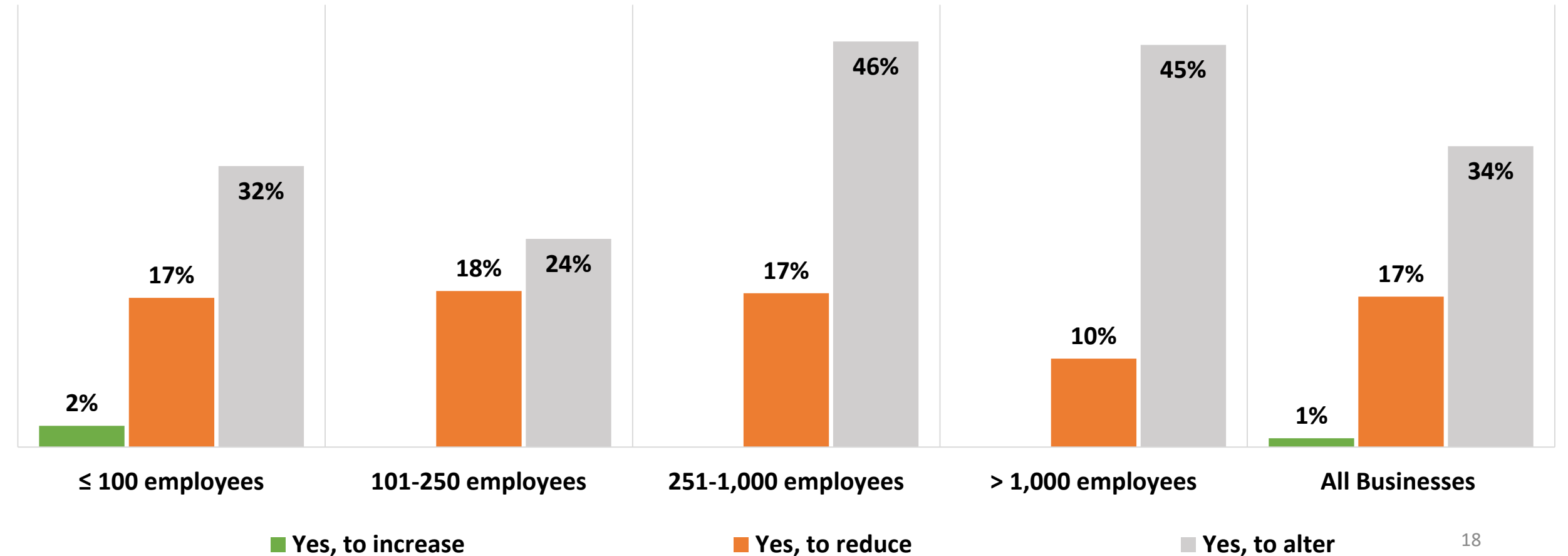


# Real Estate: Summary of Findings

- A third to a half of businesses have **substantially modified their office space** in response to the pandemic: **34%** have made **alterations** to their offices, **17% reduced** and **1% increased** their office space.
- About **20-30%** of businesses have **substantially modified their production space** in response to the pandemic: **19%** made **alterations** to their production facilities, **7% reduced** and **6% increased** their production space.
- A small share of businesses made decisions to **relocate** some parts of their business in response to the pandemic both **to** and **from** the **Pittsburgh** region.

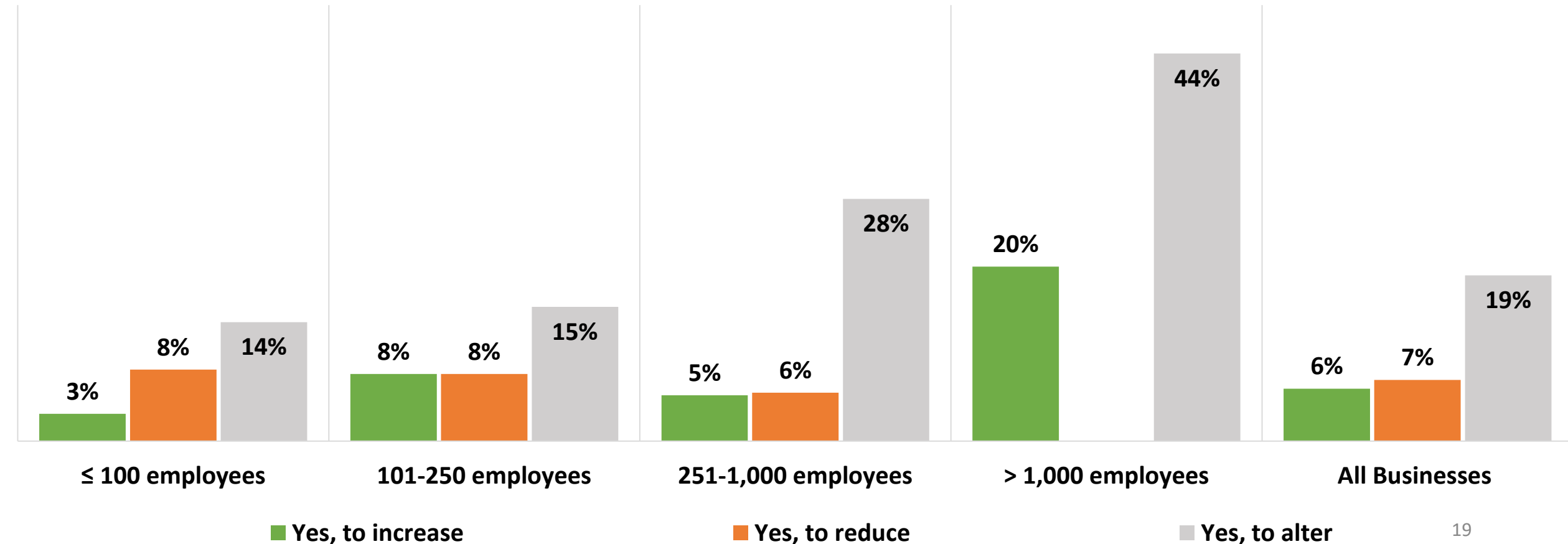
**A third to a half of all businesses have substantially modified their office space in response to the pandemic: 34% have made alterations to their offices, 17% reduced and 1% increased their office space. Larger firms were more likely to alter their office environment due to the pandemic.**

**Has the pandemic led you to make decisions or plans to  
SUBSTANTIALLY change your OFFICE space ?**



About **20-30%** of businesses have **substantially modified** their **production space** in response to the pandemic: **19%** made **alterations** to their production facilities, **7%** **reduced** and **6%** **increased** their production space. The **largest** firms were **more likely** to both **alter** and **increase** their production facilities.

Has the pandemic led you to make decisions or plans to  
**SUBSTANTIALLY** change your **PRODUCTION** space ?



A small share of businesses made decisions to **relocate** some parts of their business in response to the pandemic both **to** and **from** the **Pittsburgh** region. The **largest** firms were **more likely** to **bring** more activity to the region while the **mid-** and **smaller** firms were **more likely** to choose to **relocate** away from the Pittsburgh region.

Has the pandemic led you to make decisions or plans to relocate any business units or divisions?

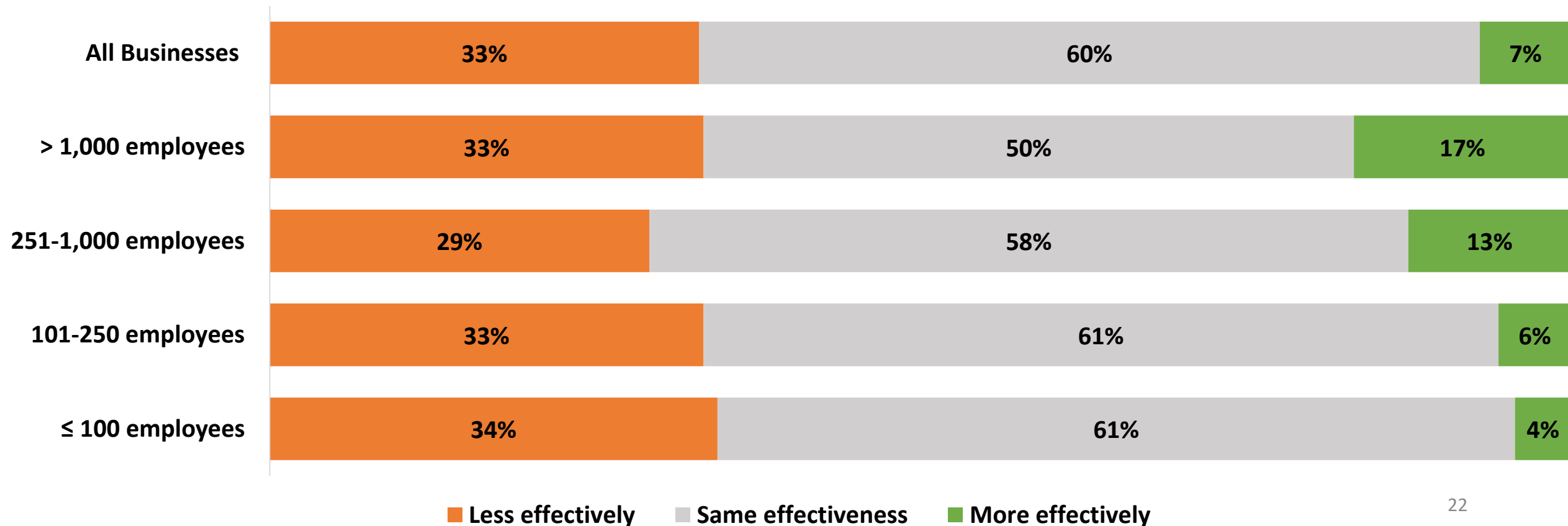


# Supply Chains: Summary of Findings

- **One-third** of businesses say their **supply chains** functioned **less effectively** than in the previous quarter while only **7%** saw **improved effectiveness**. The **larger** firms were more likely to experience **slightly better** functioning supply chains.
- Overall, **42%** of businesses say that the pandemic has made their **critical supply chains less reliable** while only **3%** saw reliability of their critical suppliers **improve**.
- In response to the pandemic, **13%** of businesses **changed** their **key suppliers** and **6%** made plans to **re-shore** some of their **foreign production**.

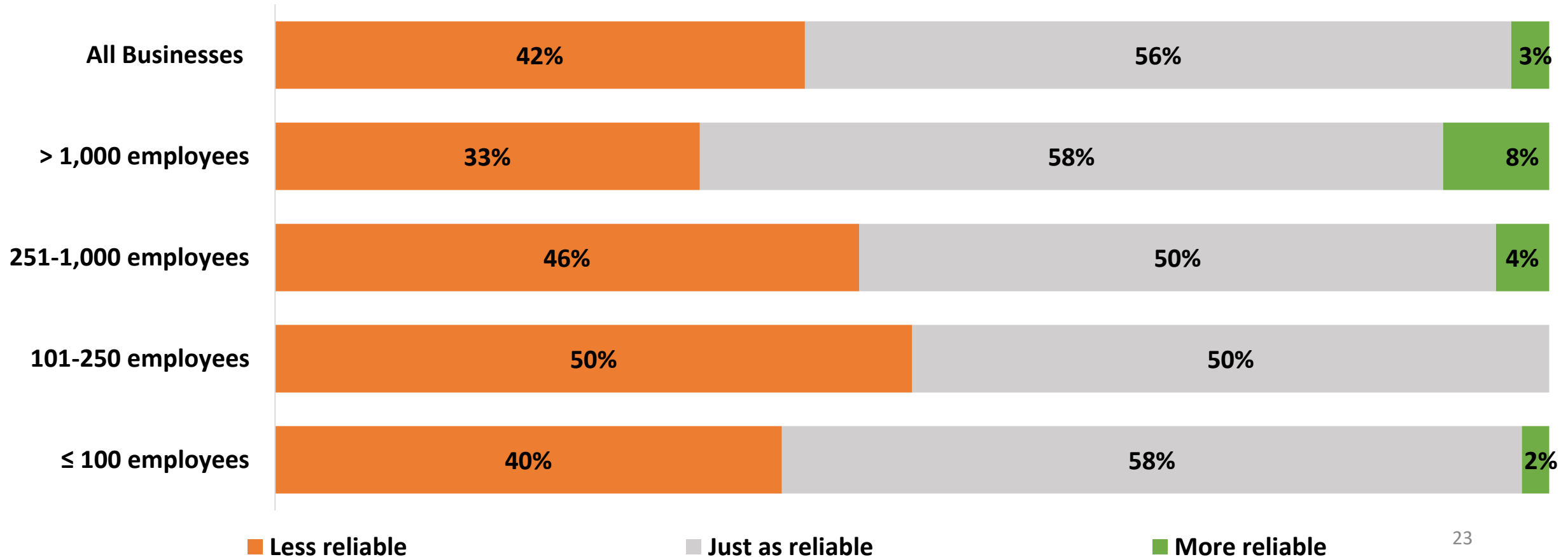
**One-third of businesses say their supply chains functioned less effectively than in the previous quarter while only 7% saw improved effectiveness. The larger firms were more likely to experience slightly better functioning supply chains.**

Compared to previous quarter, have your supplier chains functioned **less effectively**, the same, or **more effectively**?



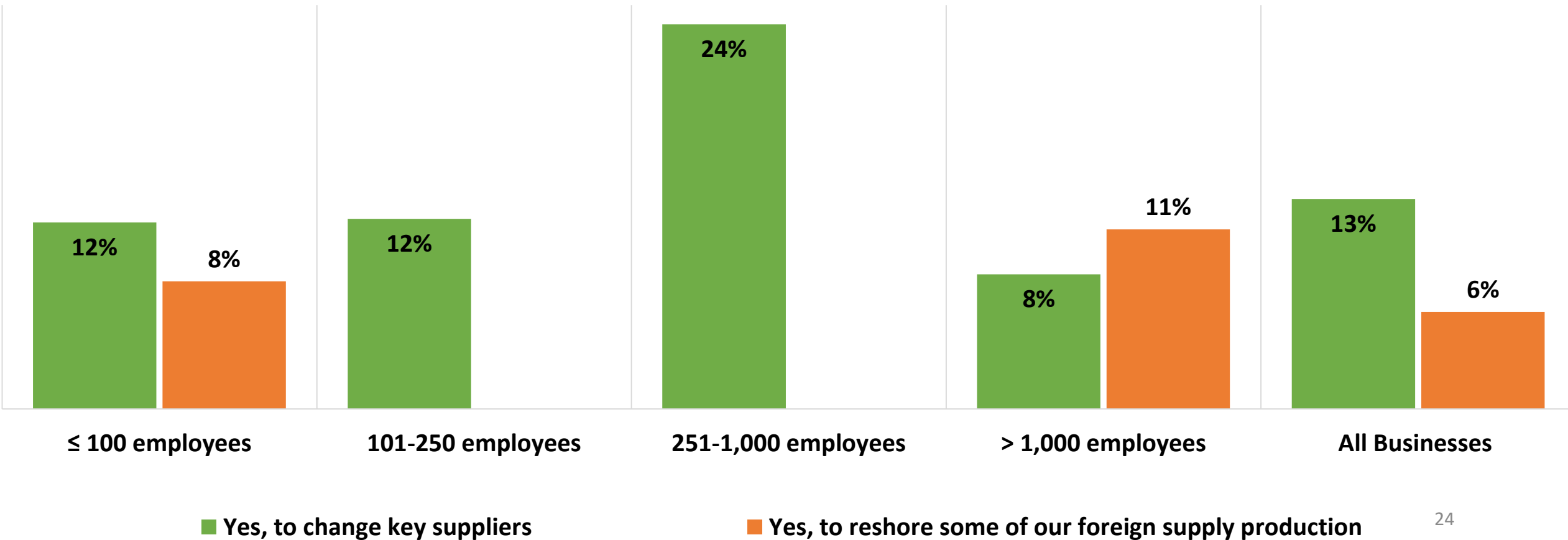
Overall, **42%** of businesses say that the pandemic has made their **critical supply chains less reliable** while only **3%** saw reliability of their critical suppliers **improve**. **Mid-size and smaller businesses were more likely to experience lower reliability** of their most critical supply chains.

Has the pandemic made your most critical supply chains **less reliable**, just as reliable, or **more reliable**?



In response to the pandemic, **13%** of businesses changed their key suppliers and **6%** made plans to **re-shore** some of their foreign production.

Has the pandemic led you to make decisions or plans to change your supply chains?



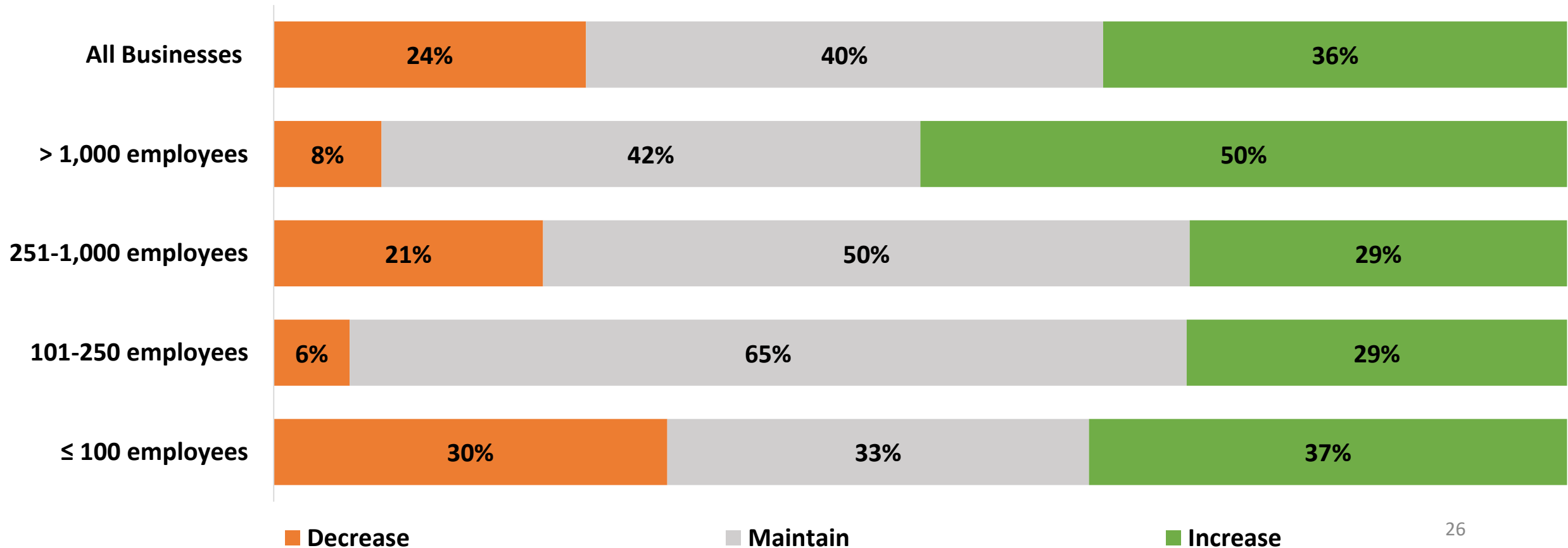


# Innovation: Summary of Findings

- **One-third** of companies **increased capital expenditures** in innovation in response to the pandemic while **one-fourth** of companies have **decreased** those expenditures. The largest companies were the most likely to increase their innovation-related spending.
- Close to **70%** of businesses were able to **maintain** their levels of **R&D productivity** throughout the pandemic and **20%** were able to **increase** it. The **largest** firms saw **no declines** in R&D productivity while the **smallest** businesses were **more likely** to experience the R&D productivity **declines**.
- Around **60%** of businesses saw **positive effects** of the pandemic in terms of **spurred innovation** and **accelerated automation & digitalization** of their processes.

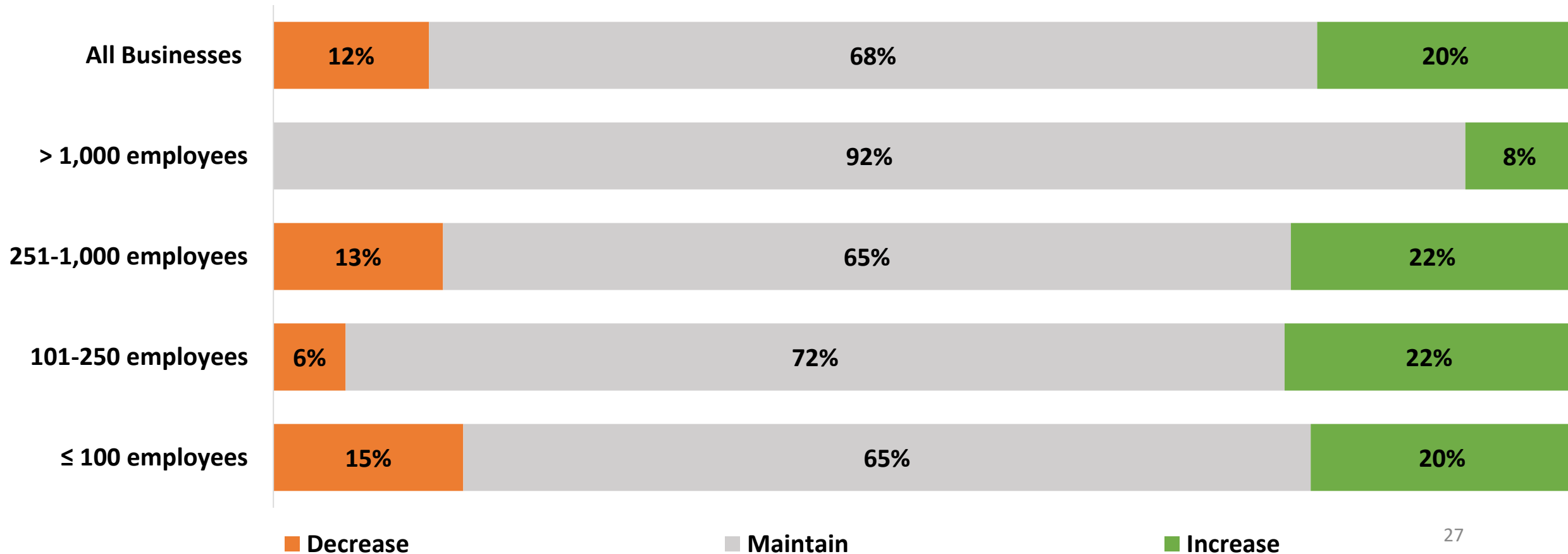
**One-third of companies increased capital expenditures in innovation in response to the pandemic while one-fourth of companies have decreased those expenditures. The largest companies were the most likely to increase their innovation-related spending, with 50% of these firms increasing and only 8% decreasing their capex in this area.**

Has the pandemic made you **decrease**, maintain, or **increase** your capital expenditures in **INNOVATION?**



Close to **70%** of businesses were able to **maintain** their levels of **R&D productivity** throughout the pandemic and **20%** were able to **increase** it. The **largest** firms saw **no declines** in R&D productivity while the **smallest** businesses were **more likely** to experience R&D productivity **declines**.

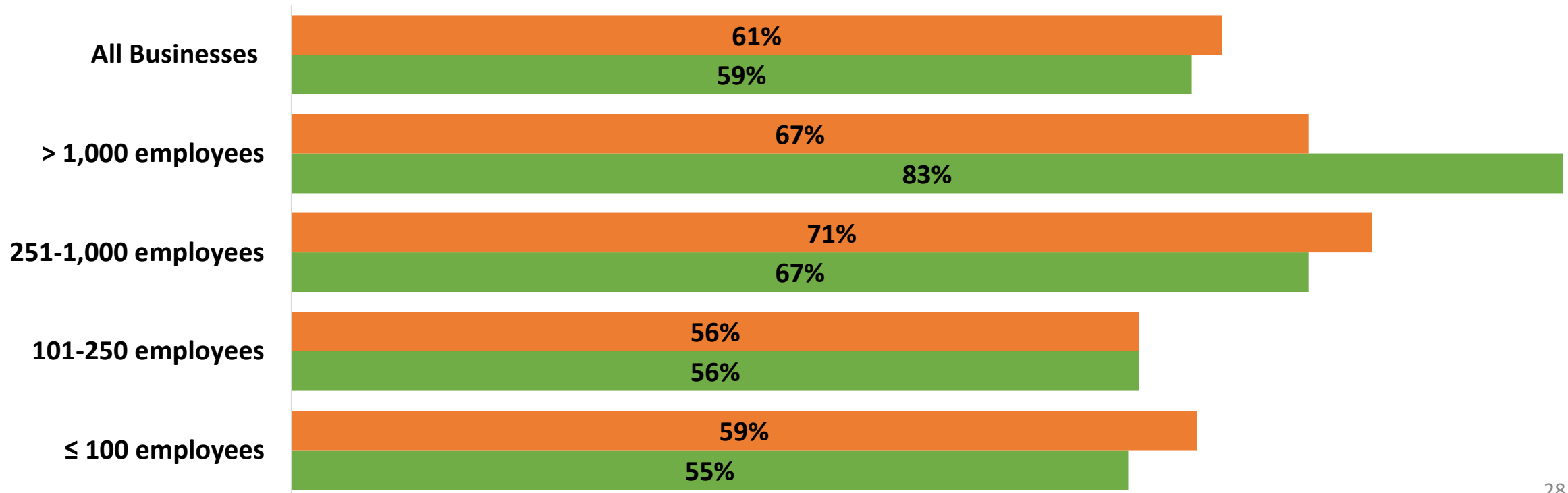
Has the pandemic made you **decrease**, **maintain**, or **increase** your R&D productivity?



**Around 60% of businesses saw positive effects of the pandemic in terms of spurred innovation and accelerated automation & digitalization of their processes. Larger firms were more likely to realize both of these benefits.**

**Has the pandemic helped to substantially propel INNOVATION in your company?**

- Yes, it significantly accelerated automation and digitalization of our processes and/or products**
- Yes, it spurred substantial new innovation in our company**

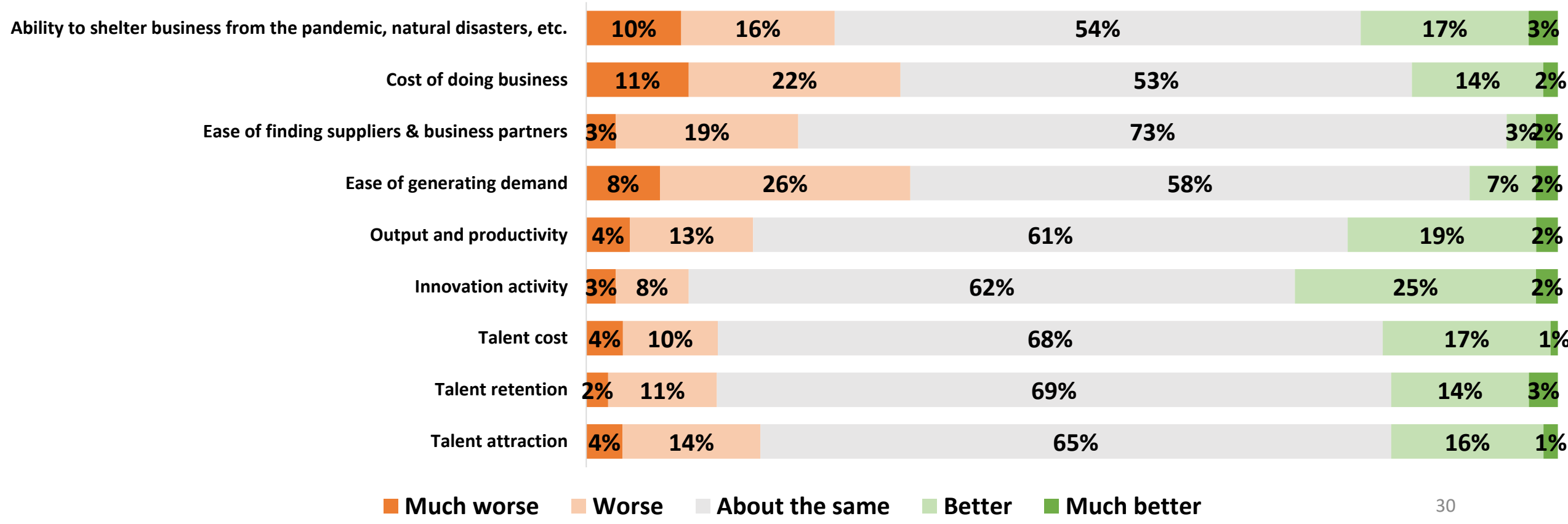


# Regional Competitiveness: Summary of Findings

- Companies that also do business outside of the Pittsburgh region see a number of (dis)advantages in the local market. Overall, **local conditions** are perceived as **more supportive of innovation activity and business output & productivity**, but are seen as less conducive to **generating demand** and keeping the **cost of doing business** low.
- The **largest** firms doing business outside of the region see **more disadvantages** in the local market, especially in relation to the **cost of doing business**, ability to **generate demand, find suppliers & business partners**, and **shelter** their activity from the pandemic, natural disasters and other risks.
- **Companies with 100-250 employees** that also do business outside of the Pittsburgh region perceive local conditions as **less favorable to cost of business and ease of finding suppliers & business partners**, but **more favorable to output & productivity**, ability to **shelter** their activity from the pandemic, natural disasters and other risks, and **innovation**.
- Companies with **less than 100 employees** that also do business outside of the Pittsburgh region perceive **local conditions** as **less favorable to ease of generating demand and cost of business**, but **more favorable to innovation and talent attraction & retention**.

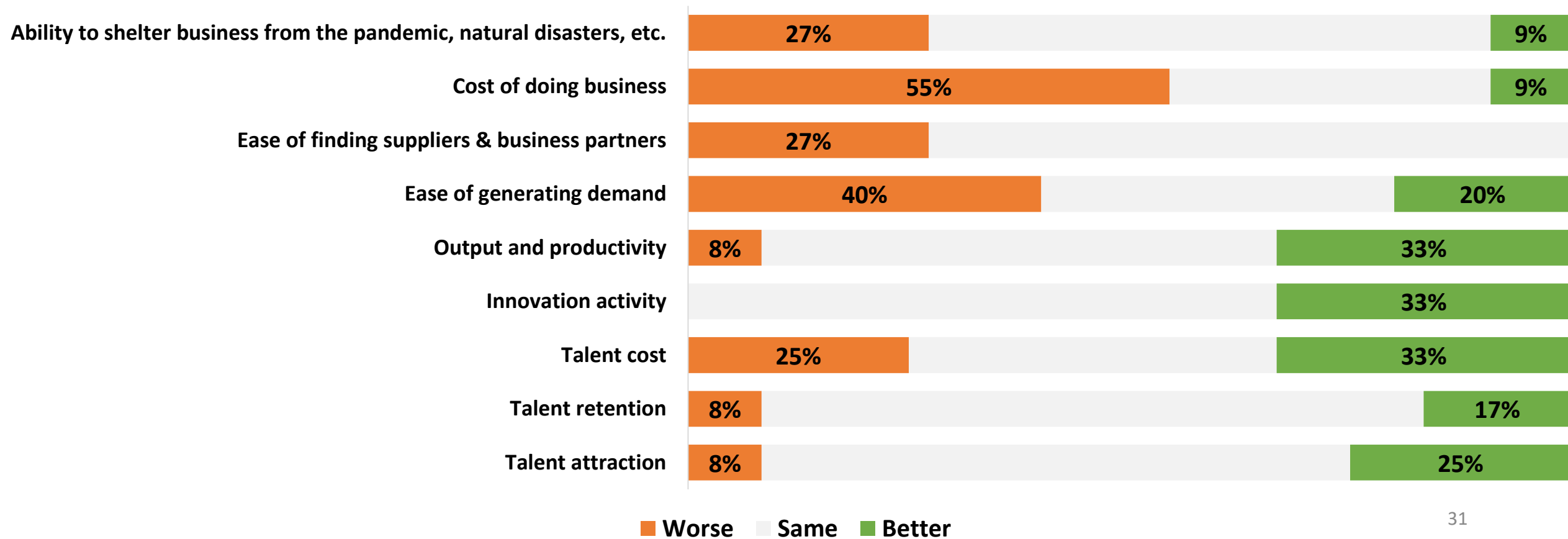
Companies that also do business outside of the Pittsburgh region see a number of (dis)advantages in the local market. Overall, **local conditions** are perceived as **more supportive of innovation activity** and **business output/productivity**, but are seen as less conducive to **generating demand** and keeping the **cost of doing business** low.

**Compared to your other markets, what areas of your business perform better/worse in the Pittsburgh region:**



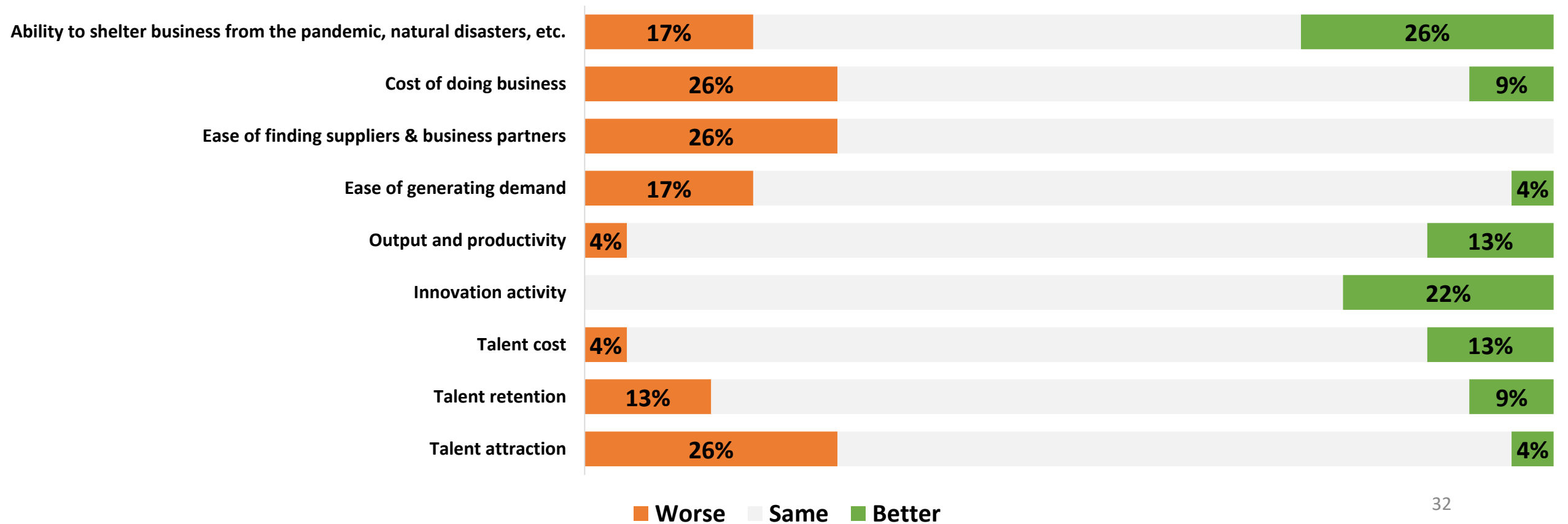
The **largest** firms doing business outside of the region see **more disadvantages** in the local market, especially in relation to the **cost of doing business**, ability to **generate demand**, **find suppliers & business partners**, and **shelter** their activity from the pandemic, natural disasters and other risks.

Compared to other markets, what business areas perform better/worse in the Pittsburgh region for firms with >1,000 employees?



Companies with **251-1,000 employees** that also do business outside of the Pittsburgh region perceive local conditions as **less favorable to talent attraction, cost of business, and ease of finding suppliers & business partners**, but **more favorable to innovation** and the ability to **shelter their activity** from the pandemic, natural disasters and other risks.

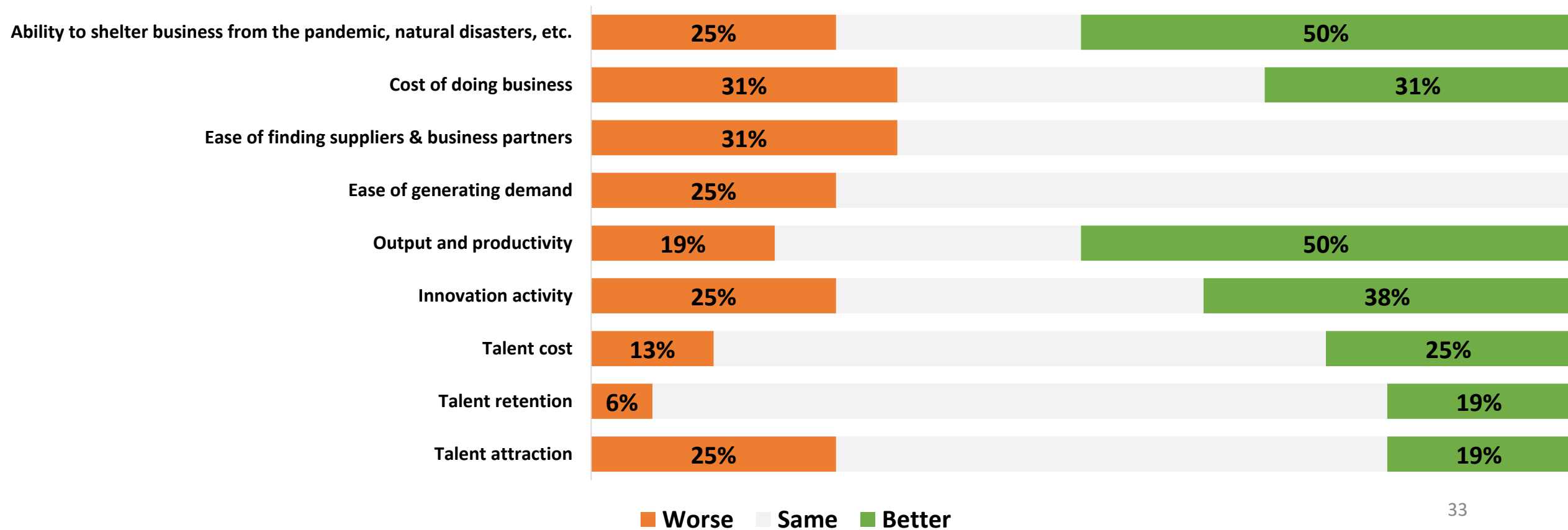
**Compared to other markets, what business areas perform better/worse in the Pittsburgh region for firms with 251-1,000 employees?**





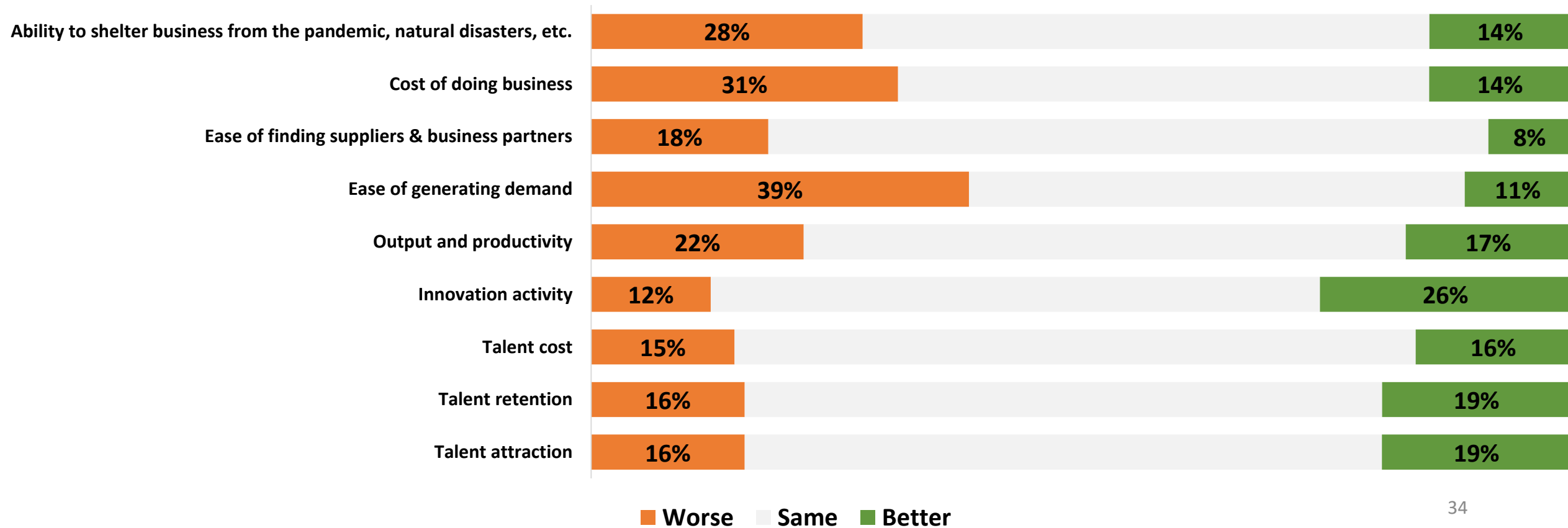
Companies with **100-250 employees** that also do business outside of the Pittsburgh region perceive local conditions as **less favorable to cost of business and ease of finding suppliers & business partners**, but **more favorable to output & productivity, ability to shelter their activity** from the pandemic, natural disasters and other risks, and **innovation**.

**Compared to other markets, what business areas perform better/worse in the Pittsburgh region for firms with 100-250 employees?**



# Companies with less than 100 employees that also do business outside of the Pittsburgh region perceive local conditions as less favorable to ease of generating demand and cost of business, but more favorable to innovation and talent attraction & retention.

Compared to other markets, what business areas perform better/worse in the Pittsburgh region for firms with 100 or less employees?



# Most Cited Business Growth Roadblocks: Summary of Findings

## **COVID-19 related issues hinder companies of all sizes, but particularly smaller companies.**

- 38% of companies that have less than 250 employees mentioned these types of issues while 24% of companies with over 250 employees mentioned them.
- Key issues noted were the **lack of consistent guidance (and changing guidance) from public officials, restrictions and mandates** (including business closings, public gatherings, and travel), downtown being “closed”, remote schools, remote work, the availability of a vaccine, UC benefit extensions and employees not wanting to return to work, varying views and implementation of masks/guidelines, and general lagging the nation in terms of recovery and getting back on track.

## **Talent issues hinder companies of all sizes, but particularly larger companies.**

- 18% of companies that have less than 250 employees mentioned these types of issues while 34% of companies with over 250 employees mentioned them.
- Key issues noted were **population decline, lack of available talent** to fill employment needs, talent attraction and retention, **lack of a diverse workforce**, corporate cutbacks to tuition reimbursement programs, lack of 18-24-year-olds with STEM intellect, lack of students enrolling in high demand fields, difficulty to motivate and develop less experience staff, workers wanting to stay on unemployment, and the capacity of staff as the pandemic continues.

## **Business conditions issues hinder companies of all sizes, but particularly larger companies.**

- 15% of companies that have less than 250 employees mentioned these types of issues while 21% of companies with over 250 employees mentioned them.
- Key issues noted were the **large number of municipalities and their individual regulations, high taxes, government oversight and regulations, permitting and zoning**, city policies, decreased federal funding, home rule charter, limited authority to offer tax incentives for business development, and environmental regulation.

## **Transportation issues hinder companies of all sizes, but particularly larger companies.**

- 4% of companies that have less than 250 employees mentioned these types of issues and 10% of companies with over 250 employees mentioned them.
- Key issues noted were **lack of flights (international and direct)**, lack of **transportation to the suburbs**, lack of passenger rail from Harrisburg/Johnstown/Greensburg and further west, and general distance.

Additional issues include lack of innovation and “wait and see” attitude, low brand recognition, lack of sales and heavy competition, low political capital, financial restraints/capital spending, land development/building costs for new housing, safety of downtown, lack of visitors to the region, unwelcoming culture, getting clients to use technology, lack of H1B visa support, disparities between those who know/don’t know about entrepreneur and tech resources, competition for grant money, air quality, and the exclusion of communities outside of the city.

# Most Cited Business Growth Accelerants: Summary of Findings

## Population growth was the most noted condition of business growth, particularly for larger companies.

- In general, talent related items were particularly mentioned by *larger* companies; 13% of companies that have less than 250 employees mentioned these types of items and 28% of companies with over 250 employees mentioned them.
- In addition to **population growth**, items mentioned included **finding more of and the right talent**, having adequate **workforce training programs** (and the demand for varied and good-paying jobs), having high quality of place, including improved air quality and transportation to **make recruitment easier**, having more investments to higher education, increased enrollment, and training pipelines for youth.

## Better business conditions were particularly mentioned by larger companies.

- 10% of companies that have less than 250 employees mentioned these types of items and 20% of companies with over 250 employees mentioned them.
- Key issues noted were **reduced number of municipalities** or coordinated efforts across jurisdictional boundaries, **decreased** (or at least not increased) **taxes**, **lower costs of doing business**, state **grants** to attract new businesses, **incentives** that don't require distressed conditions, **lower land development costs**, statewide road restoration standards for underground utilities, and **faster timelines** and simpler **processes** for **construction**.

## COVID-19 related items were particularly mentioned by smaller companies.

- 17% of companies that have less than 250 employees mentioned these types of items and 8% of companies with over 250 employees mentioned them.
- Key issues noted were the **vaccine** (and known distribution path for it), **lifting of government restrictions**, less fear and anxiety, **working capital** given to businesses from the government, and the general eradication of the virus.

## Transportation items were particularly mentioned by larger companies.

- 3% of companies that have less than 250 employees mentioned these types of items and 8% of companies with over 250 employees mentioned them.
- Key issues noted were **trains (increased passenger rail)**, expanded **light rail system**, **more/better transportation** options, and better access.

## Tech related items were particularly mentioned by smaller companies.

- 10% of companies that have less than 250 employees mentioned these types of items and 4% of companies with over 250 employees mentioned them.
- Key issues noted were a **higher awareness** of Pittsburgh as a tech hub, a more regional focus on the importance of robots to our economy, increased access to tech/R&D/STEM companies, capital for innovative entrepreneurs, and general tech assistance with digital programming and growing online customers.

Additional items mentioned were **more businesses relocating to the region**, **financial resources/contributions** (including public funds), **a more vibrant and livened downtown** (with retail), local/state grants to attract new businesses to the region, businesses investing in the economy, increased confidence in the economy and sustainability, new targets/programs/operational processes, more awareness of the importance of nonprofits on our economy and how businesses can use their services, greater access to corporate business diversity officers, leadership that commit to tackling our chronic problems, leaders with a business mindset instead of political agenda, and a strengthened identity for Pittsburgh.



Report produced by the [Allegheny Conference on Community Development](#)

For more information, please contact Vera Krekanova at [vkrekanova@alleghenyconference.org](mailto:vkrekanova@alleghenyconference.org)

**December 2020**