

Pittsburgh Region Fares Poorly In Business Climate Survey

A detailed and fairly extensive survey of small businesses across the nation carried out by a research and business services firm, in partnership with the Ewing Marion Kauffman Foundation, reports a very low score for the Pittsburgh metro area¹. Using a letter grade scale, the research firm gave the region an overall “business friendliness” rating of D based on the responses of small businesses in the region who were surveyed earlier this year.

The overall rating is a composite derived from answers to three questions: (1) How would you rate your local government’s support of small business owners? (2) Would you encourage or discourage someone from starting a business where you live? (3) How easy or difficult is it to start a business where you live?

Beyond the overall friendliness rankings, the survey delves into several other specific issues that businesses encounter or deal with. These are also rated on the basis of the answers given by the interviewed business owners. The report assigns scores to the following categories: ease of starting a business, ease of hiring employees, regulatory friendliness including health and safety, environmental, zoning, and training and networking programs for small businesses.

Bear in mind that the sample (12,632 respondents nationwide) selected for the survey was chosen from companies with 20 or fewer employees. This group accounts for the bulk of small, owner run businesses and provides a window into entrepreneurship and its importance to the vibrancy of the overall economy. Manufacturing, mining and utilities and wholesale firms were not included. Professional services and non-professional services make up about three quarters of the respondents. Nonetheless, it is argued by the group conducting the survey that the rankings by the small business owners in the industries surveyed are likely to reflect closely those of business owners in general.

As mentioned in the opening paragraph, the Pittsburgh metro area’s overall “business friendliness” was rated as a D according to the average of responses given by owners in the region taking the survey. To put this in context, Philadelphia also received a D as did the Commonwealth of Pennsylvania. By contrast, California, Illinois, and Rhode Island

¹ Thumbtack.com of San Francisco, CA, Small Business Survey for 2014

were graded as Fs on “friendliness” to small businesses. At the top of the ratings, Colorado, Idaho, Oklahoma, Tennessee, Texas, Louisiana, Utah and Virginia were graded as A or A+. *Note that all but one of these states is a right to work state.* Only Colorado is not but historically has a strong reputation as a pro-business, low tax state. Kentucky with an A- grade is also a not a right to work state.

Pennsylvania’s neighbors to the east did not fare well either with New York receiving a D+ and New Jersey a D. Maryland was a C- , and Ohio a C. West Virginia did not have enough survey participants to produce a statistically significant grade. Further north, Massachusetts and Connecticut were scored as Ds while New Hampshire received a B- from its small business owners. *No D or F graded state has a right to work law.* Although there were a few non- right to work states rated as B or C—Minnesota, Wisconsin, New Hampshire, Oregon and Washington.

As far as other metro regions around the country are concerned, there were 82 with a sufficient number of responses to receive a grade. Regions receiving an A or A+ include Austin, Boise, Colorado Springs, Charlotte, Dallas, Fort Worth, Houston, Louisville, Minneapolis, Nashville, Orlando, Richmond, Salt Lake City, and San Antonio. All but two, Colorado Springs and Louisville are in right to work states. Quite a few including Dayton, Raleigh, Atlanta, Oklahoma City, Virginia Beach and somewhat surprisingly, Washington, DC were rated as A-. Overall 20 metro areas were graded as an A, A-, or A+. That means a fourth of the regions receiving a grade were viewed very favorably by business owners in those areas.

Looking at the other end of the grade distribution, joining Pittsburgh and Philadelphia in the D grade group were Anaheim, Hartford, Los Angeles, New Haven, Newark, and Riverside, CA. The very worst of the regions for business friendliness were rated as F. This group is comprised of Worcester, MA, San Diego, Sacramento, Oxnard, Providence, Buffalo and Bridgeport, CT. *None of the D and F rated metro areas are in right to work states.* The remainder of the 82 metro areas ranked as Bs, plus or minus, and C plus or minus—21 fell into the B grouping and 17 into the C grouping.

Back to the Pittsburgh rating. As noted above, in addition to the overall friendliness grade, the state and metro areas also were graded on specific issues. The Pittsburgh area did not do well in several key metrics. On the ease of starting a business, Pittsburgh got an F. Somewhat surprisingly, the region was rated as a C on taxes, and also received Cs on licensing and zoning. On the other hand networking and training were graded as Fs. Interestingly, while the Pittsburgh overall friendliness grade of D is the same as the state’s overall grade, the state obtained no grades higher than a D on any of the component metrics such as safety and health regulation, taxes, licensing, networking, etc.

Now this just one survey and when people are asked to give answers they can use the occasion to sound off angrily by giving low marks. Nevertheless, in many respects the survey results do mirror other business surveys done at the state level regarding the attitude of government toward business in Pennsylvania.

Moreover, one must consider how strongly correlated the responses by owners are to the current or recent healthiness of their own business. Clearly, states and metro areas that have fared relatively poorly over the last several years could be expected to have business owners with more negative attitudes toward government than states and metro areas that have been prosperous for some time.

All told however, even with the just mentioned caveats, Pennsylvania's and the Pittsburgh region's poor grades on the small business survey cannot be dismissed lightly. The survey being discussed here, combined with other studies showing the state as having a bad business tax structure and surveys of Pennsylvania's businesses that express concern about the business climate, should serve as powerful incentives for the Governor and Legislature to keep pushing to adopt principles of free market capitalism that generate solid gains and to move away from the top down, crony capitalism approach that has dominated the state and its large cities for decades.

Jake Haulk, Ph.D., President

*Policy Briefs may be reprinted as long as proper attribution is given.
For more information about this and other topics, please visit our website:
www.alleghenyinstitute.org*

<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
