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The state of Pa.'s business climate

By Colin McNickle

Pennsylvania businesses remained bullish in late 2019, according to the Lincoln Institute of Public Opinion Research. But a generally healthy state business climate comes with a host of other challenges mirrored in national findings, says a researcher at the Allegheny Institute for Public Policy.

Thirty-eight percent of respondents to the Lincoln Institute's Fall 2019 Keystone Business Climate Survey said the most significant problem facing their businesses was a lack of qualified workers.

Given the tight labor market, 75 percent of commonwealth businesses taking the survey said they were having difficulty hiring qualified employees.

"This situation mirrors the latest National Federation of Independent Businesses (NFIB) survey results," notes Elizabeth Miller, a research associate at the Pittsburgh think tank (in *Policy Brief Vol. 20, No. 4*).

As the NFIB survey noted, "Finding qualified workers remained the top issue for owners in December, with 23 percent reporting it as their No. 1 problem.

"Fifty-three percent reported hiring or trying to hire, but 94 percent of those owners reported few or no qualified applicants for the positions they were trying to fill."

Respondents to the Keystone Business Climate Survey cited three crucial factors in the struggle to find qualified employees – lack of essential skills (58 percent), lack of applicants (31 percent) and failure of applicants to pass drug tests (17 percent).

But those weren't the only issues.

"Lincoln Institute survey respondents also pointed to other problems affecting their business," Miller says. "Eighteen percent indicated excessive regulations and 13 percent mentioned high taxes as obstacles to their businesses.

“These findings strongly suggest a need for the state to act on tax reform and improving the regulatory environment,” Miller says.

On a more positive note, Keystone Business Climate Survey respondents reported relatively strong sales numbers last fall. Thirty-eight percent reported increased sales during the previous six months. Forty-one percent said sales held steady. Only 15 percent said their sales had declined.

“It’s another sign of strength in Pennsylvania’s economy,” Miller says.

Another interesting statistic, when comparing the Lincoln Institute’s 2019 survey with that of 2015:

Ten percent more Pennsylvania firms expected to add employees in the next six months in the 2019 survey than did those in the 2015 survey. And 10 percent fewer firms in last fall’s survey said they planned to make cuts than that 2015 survey found.

But there’s a caveat here: That strength is no thanks to any state government policies but rather federal efforts to cut taxes and curb regulations, the survey found.

A clear majority – 60 percent – of survey respondents said the current federal administration has the national economy on the right track.

But significant pluralities panned the performance of the Pennsylvania House and Senate, 49 and 42 percent, respectively. And a majority of Lincoln Institute survey respondents – 55 percent – viewed the economic policies of Gov. Tom Wolf negatively.

“Tax cuts and regulatory reform at the state level along the lines of the federal policies would be of enormous help to the commonwealth’s economy,” Miller says.

“One need only look around the country at fast-growing states to see the benefits of more pro-business and pro-free-market policies,” she concludes.

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