

## **Business confidence shaken by COVID and state response**

**Summary:** The Lincoln Institute of Public Opinion Research recently published its Fall 2020 Keystone Business Climate Survey of business owners and chief executives. Not surprisingly in light of employment statistics released since March, survey responses confirmed that businesses in the commonwealth suffered greatly due to COVID-19 and the governor's lockdown.

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Responses from business owners and executives indicated significant frustration with Governor Tom Wolf and the state's handling of the pandemic. In addition, respondents were concerned about the governor's push to join the Regional Greenhouse Gas Initiative (RGGI). In short, businesses were concerned with the anti-business policies exhibited by state leadership and the overreach of state government.

### *Business conditions*

The fall survey revealed a lack of confidence in the state's economy as 67 percent of responses said the Keystone State's economy was on the wrong track.

When asked if business conditions were better now or six months ago—which would have been during the height of the lockdown—only 20 percent replied that business conditions were better. Interestingly, 63 percent of survey respondents indicate conditions were worse than six months earlier despite a significant decline in the state's unemployment rate over the period. Obviously, there were other indicators of business health the survey respondents were taking into account.

A lack of optimism about future business conditions was notable as well. Only a modest 32 percent of respondents said they thought conditions would be better in the next six months. Most (40 percent) thought business conditions would be the same and 23 percent thought conditions would worsen.

As documented in a prior *Policy Brief* (Vol. 20, No. 26), jobs across the commonwealth, as across the country, took an enormous hit during the COVID-19 lockdown and slow reopening of the economy. Proof of the economic fallout from COVID-19 was that nearly half (46 percent) of respondents had to lay off employees.

Although there was a modest rebound in state employment levels over the summer, 28 percent of the fall survey respondents replied that employment levels at their company was lower than six

months earlier with 57 percent reporting no change. A mere 11 percent of responses indicated higher employment totals.

Sadly, the survey found little optimism about future hiring. Only 17 percent of respondents expect higher employment levels at their company six months from now with 66 percent replying they expect no change. Eleven percent think employment levels will be lower during the coming six months.

Sales are a key factor in the health and viability of all companies. And in that regard, 51 percent of survey respondents replied sales had decreased during the past six months. Nineteen percent replied that sales had increased; 26 percent replied they had remained the same.

Moreover, there was little confidence in sales growth over the coming six months as only 22 percent of respondents expect an increase in sales. Seventy-two percent expect sales to either remain the same (53 percent) or decline (19 percent).

### *COVID-19*

The state's response to COVID-19 and its economic effects weighed heavily on many businesses. For example, 73 percent of respondents said the governor's re-opening of the economy was too slow. Only 4 percent replied they thought the re-opening was too fast.

Their disapproval of the governor's actions regarding COVID-19 was further evidenced by an overwhelming supportive response to limit the governor's emergency powers. Seventy-four percent (52 percent strongly favor and 22 percent somewhat favor) were in favor of amending the Pennsylvania Constitution to give the General Assembly the clear power to place limits on any emergency declaration issue by the governor.

Criticism of the enhanced unemployment benefits due to COVID-19 was clear. Thirty-six percent of respondents noted the extra weekly payments harmed their business by making it difficult to hire/re-hire employees. Thirty-three percent noted the "extra weekly payments did not impact my business either way." Only 13 percent said the extra weekly payments benefited their business by "putting more money in their customer's pockets".

More than half (55 percent) of respondents received federal assistance to help manage lockdown-related business disruptions, 6 percent received state assistance, 6 percent said they received both federal and state assistance. Thirty-two percent said they received no assistance from either federal or state government.

A significant number (84 percent) believe legislation should be enacted to hold harmless businesses from COVID-19 related lawsuits.

More than three quarters (77 percent) of survey respondents indicated they held an unfavorable opinion of the job performance of the governor during the pandemic. Sixty-five percent replied they had a very unfavorable opinion of his handling and another 12 percent choosing somewhat unfavorable. Seventy-two percent of respondents also disapproved of the performance of Pennsylvania's health secretary. Again, responses were revealing with 61 percent classifying their opinion as very unfavorable and 11 percent somewhat unfavorable.

On the contrary, the survey found a higher opinion of the federal government, specifically of the president. Respondents had a very favorable opinion of president's handling of coronavirus (76 percent).

### *Energy*

Opposition to RGGI was obvious in the survey as 58 percent responded they opposed joining (44 percent said they were strongly opposed and 14 percent replied somewhat opposed).

In a similar vein, opposition to a carbon tax on Pennsylvania's gas-and coal-fired power plants was significant, 57 percent of respondents strongly opposed, and 11 percent somewhat opposed.

Business disapproval of RGGI is warranted. Joining RGGI would result in higher electricity costs which would increase the cost of doing business and perhaps result in job losses. (*Policy Brief, Vol. 19, No. 37*).

It is obvious that joining RGGI would be devastating for the commonwealth's economy. The state has already demonstrated its carbon reduction through free-market practices. Therefore, the purported environmental reasons for joining RGGI are dubious. RGGI stands only as a carbon tax entity causing economic harm.

### *Conclusion*

The Fall 2020 Keystone Business Climate Survey clearly demonstrates that business conditions in the state are suffering. Business owners and executives surveyed laid much of the blame for the poor conditions on the state's leadership. In order for the economy and the state's business community to rebound from the effects of COVID-19, the state needs to move swiftly to eliminate its heavy handed, arbitrary and often capricious approach to dealing with the virus.

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