



Continued COVID Impacts on North Shore Businesses Phase 2, Jan - May 2022

Summary Report May 2022

The North Shore Alliance for Economic Development (Alliance) brings regional leaders from 30 communities together to explore and act on economic development issues that will help grow the region, including those that advance the Commonwealth as a whole. During COVID, the Alliance partnerships were invaluable in collecting data to serve the region and its businesses. We are grateful to the following partners and their leadership who co-sponsored this COVID Impact Study of North Shore Businesses:

- Enterprise Center at Salem State University
- Cape Ann Chamber of Commerce,
- Greater Lynn Chamber of Commerce,
- North Shore Chamber
- Peabody Area Chamber of Commerce,
- Salem Chamber of Commerce
- Destination Salem
- Essex Heritage
- North Shore Convention and Visitors Bureau
- The Salem Partnership, and Salem Main Streets.

This Covid Impact Study of North Shore Businesses is the second phase of a three-phase study that provides information to policymakers, businesses, and other public and private decisions makers whose decisions impact the Region. As with Phase I (2021), the data was gathered from an online survey distributed via social media and other online outreach and one-on-one conference calls, focus groups and direct emailing efforts. The third and final phase will be completed and its study results released in July 2022.

Findings from Phase Two

This Phase 2 Report summarizes the results from survey data and two focus group sessions, where analysis revealed four main areas of concern. These included: 1) workforce, 2) raw materials and supply chain, 3) changing regulations, and 4) rising costs.

There continues to be a pronounced lack of employees available to work, the need for training /job skills for those who are hired, and grants or programs to afford to pay them. Also consistent with the findings from Phase 1 are the businesses' concerns about barriers to access raw materials and an inability to locate a reliable supply of products. While many respondents continued to echo the immediate need to address transportation issues and address infrastructure limitations of the North Shore, the changing covid protocols were more often voiced as one of the primary hindrances to recovery. Rising costs in all areas, from cost of living, to supplies, raw products, and maintaining employees, is a fourth area of concern.

It should be noted that the characteristics of respondents and their businesses differ significantly from the first phase of the study. Therefore, these results do not reflect change over time for the same businesses, but rather a different set of industry representation and a different set of issues. Most noticeable being the number of respondents that indicate they have serious struggles with their business and/or may close in the next 6 months. From the comments and focus groups we learned that some of the respondents from the first

phase whose businesses are holding their own or thriving, chose to forgo participation in this study.

In conclusion of the second phase survey for the COVID Impact Study, workforce issues permeate the conversation at all levels attempting to deal with employment participation, hiring skilled workers, retaining staff, and transitioning back to in person overshadow many other aspects of businesses. Many changes were seen from the first phase as businesses continue to navigate through the ever-changing environment, with the viability of small businesses standing out as a main point of concern.

CENTRAL THEMES

1. Workforce
 - a. Lack of employees
 - b. Training/job skills needed
2. Covid protocols and regulations
 - a. Need for assistance to understand tax implications of Covid programs, grant availability, application and awards processes
3. Raw Material and Supply Chain
 - a. Barriers to access

FUTURE CONCERNS

Respondents continue to echo the same themes, with a focus on:

- ❖ Sustaining a viable workforce
 - Inability to retain and/or hire employees
 - Need to seek new pools of potential employees
 - Suggestions that immigration policies should be revisited and increasing/facilitating temporary work visas may be necessary
 - Continue to offer PPP to offset payroll and allow revenue to catch up with employee-related expenses
- ❖ Gaining access to raw materials and ensuring consistent supply chain
- ❖ Covid-related protocols, policies and programs
 - Need for information and to understand what changes will occur
 - Unknown future of covid-related regulations, programs, grants, loans, taxations

Overall future concerns revolved around employee uncertainty, government program availability, opportunities, and continuing need to be apprised of changes in covid-related legislation.

- Incentive programs, masking and vaccine mandates, payroll assistance.
- More opportunities to connect and network is highly sought after currently and expect this need to grow in future. Pivoting to incorporate remote where possible has already occurred but face to face (in person) scenarios are difficult to plan for.
- IRS assistance needed to understand tax regulations and implications.
- Desire to have more local and regional efforts for marketing, joint ventures, and networking opportunities.
- Suggestions for hybrid meetings to continue. Flexibility with modality is key where possible.
- Certain industries NEED to have employees on site and in person. Employee push back is alarming for future of these industries.

OBSTACLES TO ACHIEVING SUCCESS

- ❖ Where are all the people?
 - Employees please....
- ❖ Cost of living increases.
 - Cost of energy and housing will be barriers to future growth for businesses.
- ❖ Lack of trades people and other skilled workers.
 - Schools and programs need to expand to allow multiple modalities to train people so they can be hired.

SHORT TERM NEEDS

- ❖ Creative recruitment for employees.
 - ❖ Assistance with health benefits.
 - Continued need to bridge costs resulting from CDC and other government requirements for quarantine, masks etc. and to be able to continue to pay employees
 - ❖ Loan/grant programs to be able to keep employees and assist with rising costs of goods and services.
 - “Pandemic inflation” is continuing out of control for many.
 - ❖ Supplies.
 - Without supplies many are unable to manufacture goods, keep retail stores open, and offer products in restaurants.
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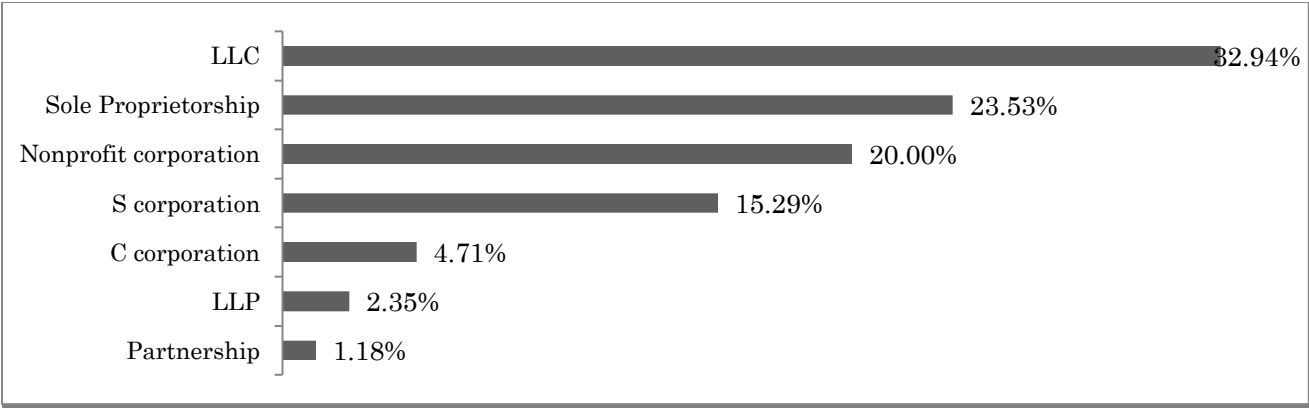
The remainder of this report offers a summary of survey and interview questions and responses.

Q1. In what ZIP code is your primary business (place of work) located?

Respondents are businesses located across 24 different Massachusetts communities. The majority are from Salem (37%), with significant representation from Beverly (12%), Gloucester (10%) Danvers (6%), Peabody (4%), and Marblehead (4%). Other communities include: Amesbury, Bedford, Boston, Haverhill, Ipswich, Lawrence, Lynn, Middleton, Nahant, Newbury, Newburyport, North Reading, Revere, Rockport, Rowley, Salisbury, Stoneham, Swampscott, Topsfield, and Wenham.

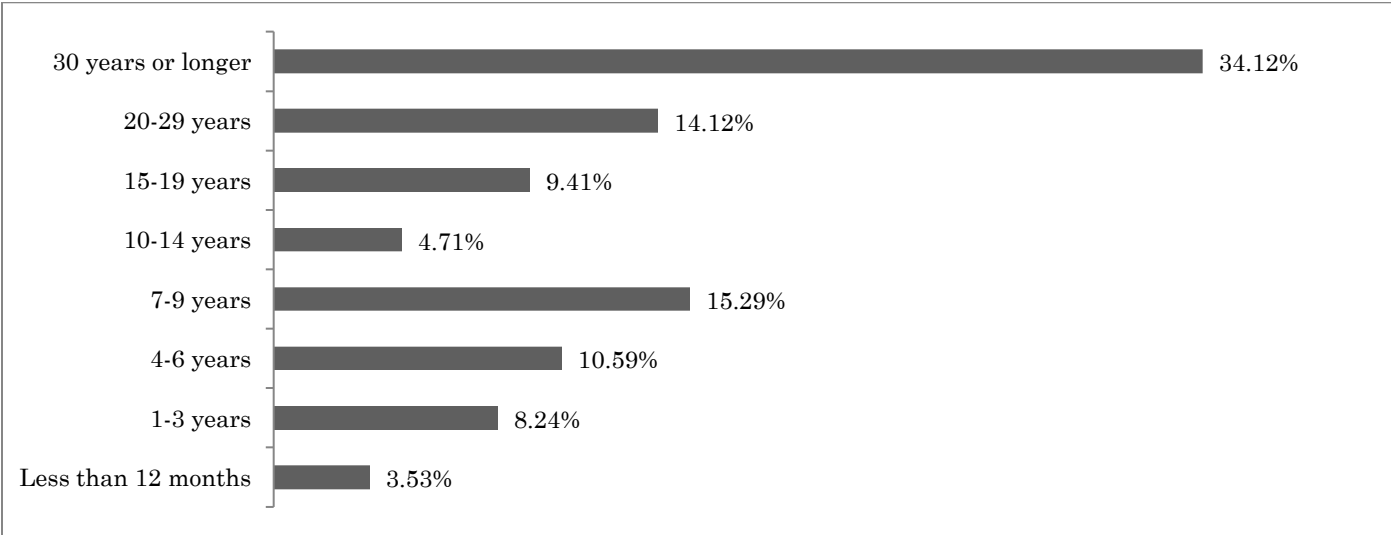
Q2. How do you define your business?

Most of the respondents indicated they were an LLC (33%), Sole Proprietorship (23.5 %) or a Nonprofit Organization (20%) and there were also a fair number of S Corporation participants (15.3%).



Q3: How long has current business been in operation?

More than one-third of the respondents have been in business longer than 30 years (34%), but there were also many new businesses when COVID began, with 12% of the businesses less than two years old at the time, and several start-ups within the last year.



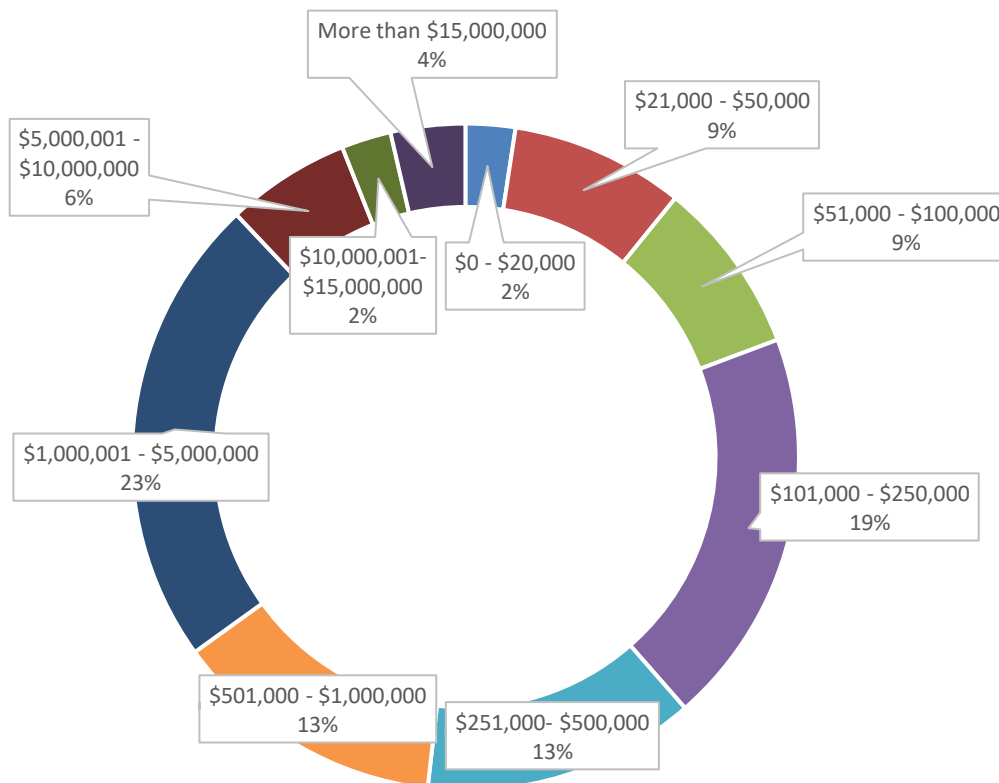
Q4: Under which category is your primary industry?

The following industries were represented in the survey:

- Accommodation Services
- Architectural and Engineering Services
- Arts, Museums, and Entertainment
- Construction
- Consulting Services
- Design Services
- Educational Services
- Finance and Insurance
- Health Care and Social Assistance
- Manufacturing
- Non-profit
- Other Professional, Scientific, and Technical Services not listed
- Real Estate and Rental and Leasing
- Restaurant and Food Services
- Retail Trade
- Wholesale Trade

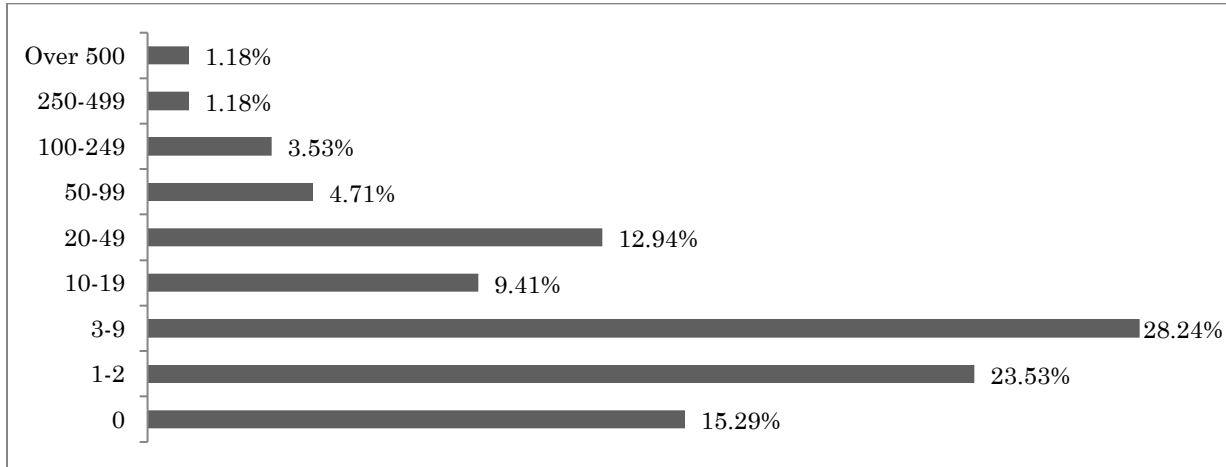
Q5: What is your annual revenue?

Each of the categories of annual revenue were represented amongst the respondents in the survey, although almost one quarter cited revenue earnings between \$1 million and \$5 million. When cross-tabulated with other questions, we did not see any patterns that were specific to a certain category of earnings. The issues of concern and responses were similar across the financial strata.



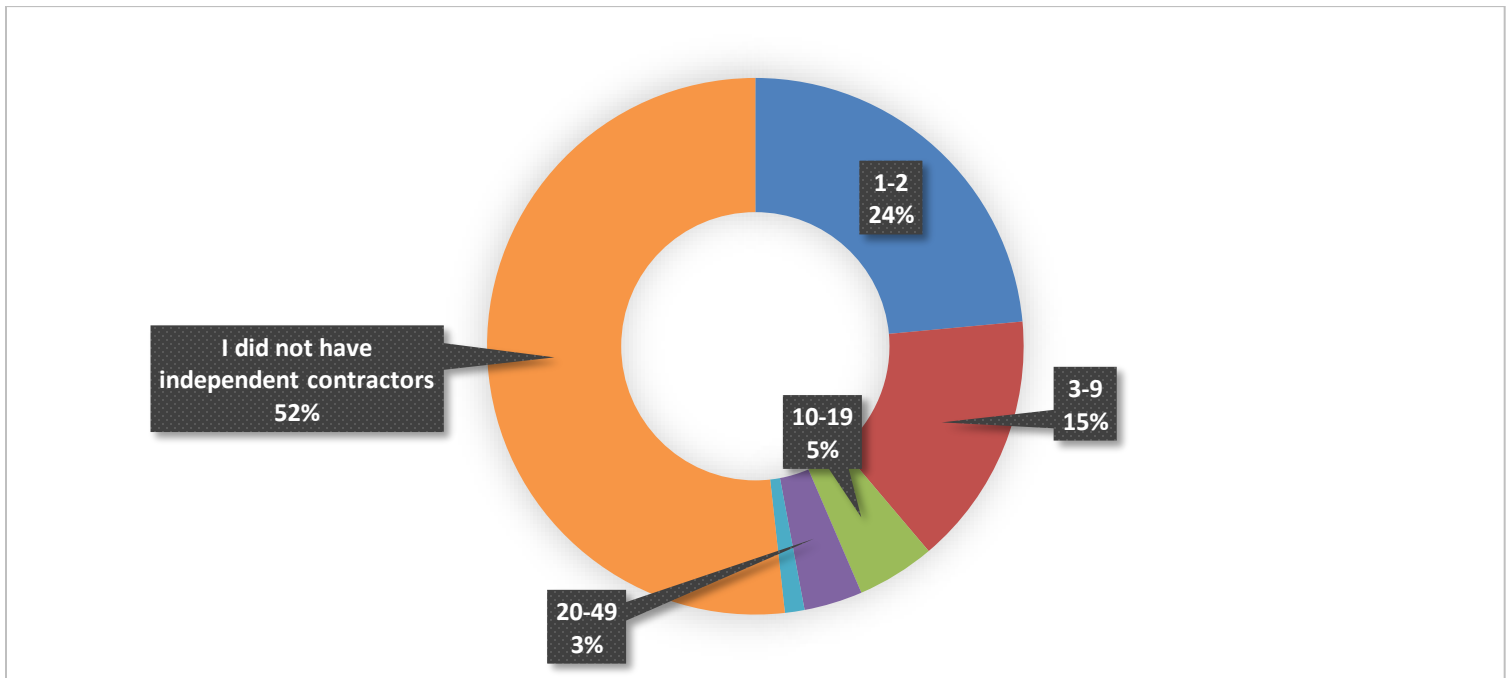
Q6: How many employees did you have in May 2021?

Two thirds of the businesses and organizations employed less than 10 people, with the highest number of respondents employing 3-9 people (28%). Only 10.6% of the businesses employed more than 50 people.



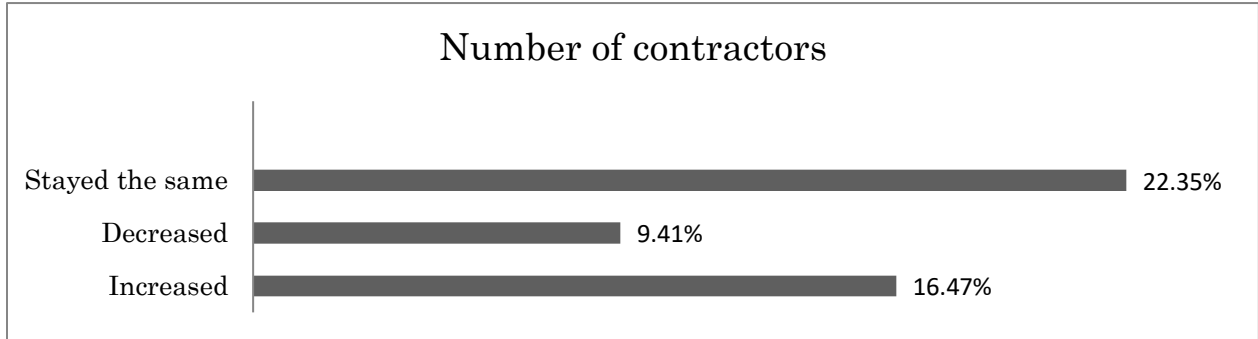
Q7: How many independent contractors did you have in May 2021?

More than half of all respondents did not employ an independent contractor, but for those that did, almost one quarter employed 1 or 2 contractors, 15% employed 3-9, 5% between 10-19 and 3% between 20 and 49.



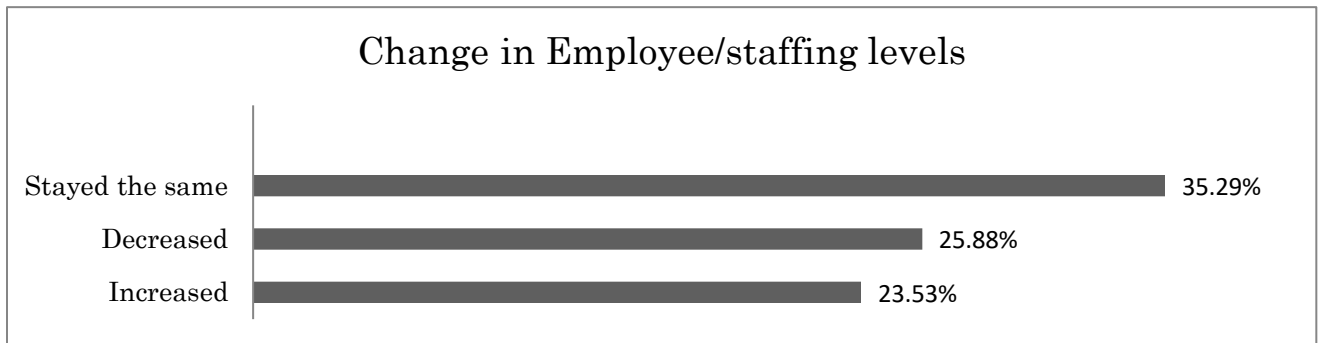
Q8: Since May 2021, have your independent contractor numbers stayed the same, increased or decreased?

Of those who utilized independent contractors, most kept the same number employed while 16.5% increased contractor numbers and less than 10% decreased.



Q9: Since May 2021, have your employee/ staffing levels stayed the same, increased, or decreased?

We continued to see a large percentage of businesses employing consistent numbers, but did find almost as many decreased staffing levels as increased employees.



Q10: Since May 2021 what changes have you made that impacted your employees?

Given the overall staffing levels had remained unchanged for many businesses, it stood to reason that many businesses also responded that they did not make any changes that impacted employees. However, a significant amount of respondents indicated they couldn't find people to hire, either due to lack of qualifications, or lack of candidates applying.

None /Our employees have not been impacted	44.53%
Reduced some positions to part time	11.76%
Eliminated jobs	9.41%
Hired contractor/consultants	4.71%
Closed business	1.18%
Temporarily laid-off employees	3.53%
Permanently laid-off employees	2.35%
Unable to hire employees	22.35%

Other responses:

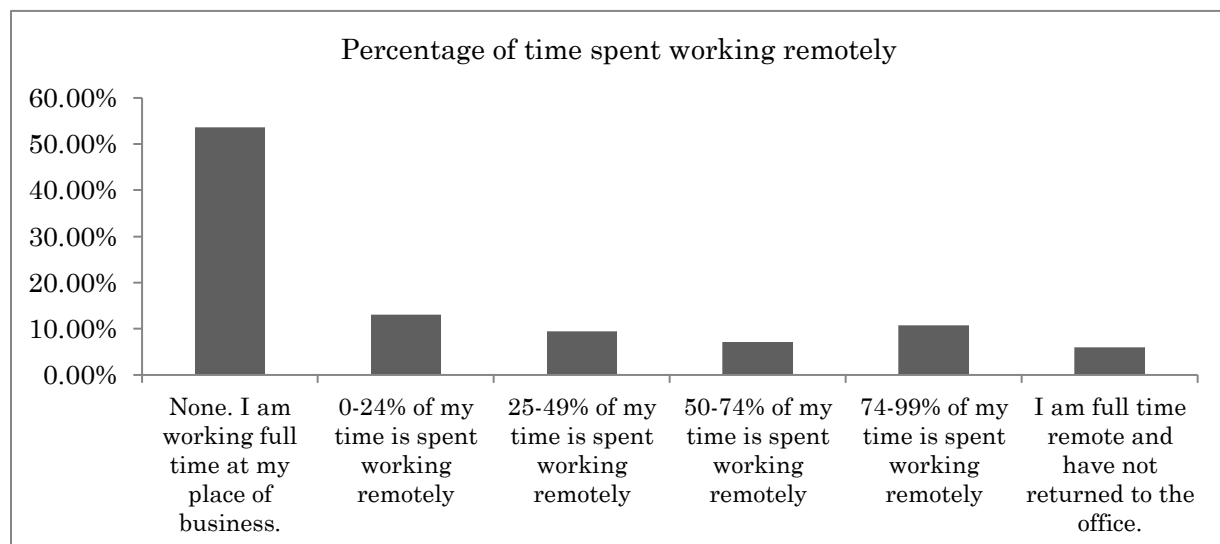
- No candidates
- Increased wages
- Limited operating hours
- Lack of funding
- Tried to hire staff but unable to find qualified applicants

Q11: As of today, what other aspects of your business's operations are currently impacted by COVID-19? In order of most often reported:

Supply chain interrupted	55.00%
Decrease in sales	52.50%
Adjusted our hours of operation	37.50%
Restricted spending due to uncertainty	35.00%
Issues surrounding hiring new employees	30.00%
Experienced decreases in sales (or donations if you are a non-profit)	28.75%
Moved to a hybrid model - in person & remote work	26.25%
Depleted Savings/Reserves	23.75%
Experienced significant increases in consumer demand for certain items	21.25%
Employees did not return back to work	21.25%
Drew on our line of credit	15.00%
Downsized our existing space	8.75%
Increased our existing space	8.75%
Decrease in donations if non-profit	7.50%
Orders cancelled	7.50%
Completely closed our physical place of business	2.50%
Moved to a completely remote operation	1.25%

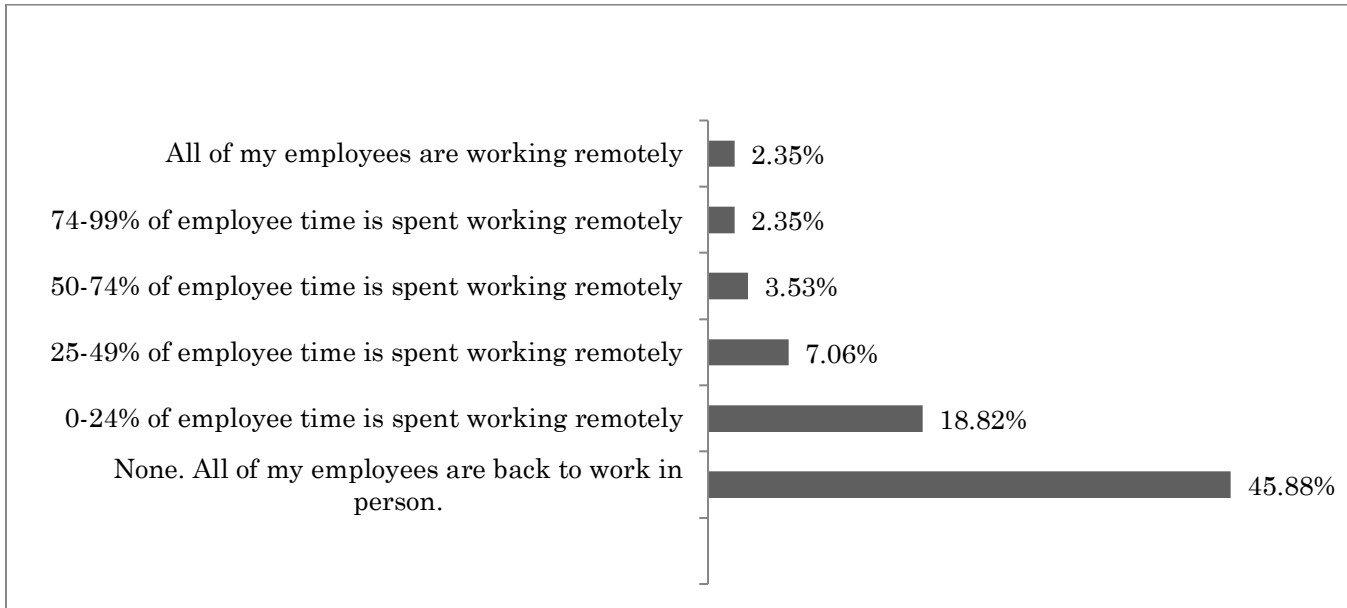
Q12: How much time do you currently spend working remotely?

While most respondents had gone back to work in person (54%), there continued to be almost one quarter working at least half time remotely (24%).



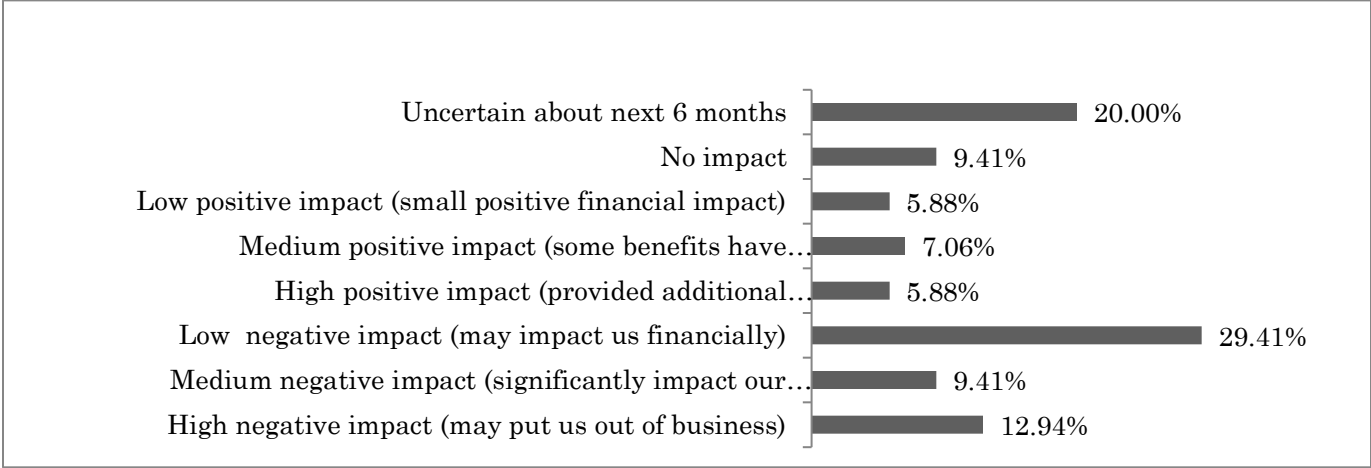
Q13: If you have employees, what percentage of your employees' time is currently spent working remotely?

Most employees were back to work in person at that point (46%), yet there were still companies whose employees spend more than half of their time working remotely (8%).



Q14: Looking ahead over the next six months, what level of impact do you expect COVID to have on the overall operations of your business?

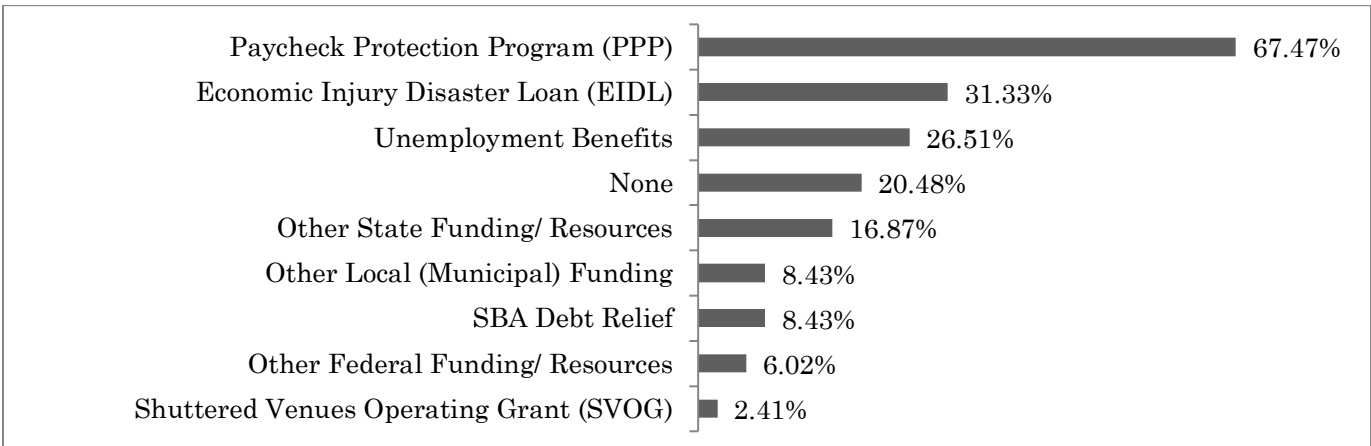
Most businesses were forecasting a low negative impact (29.4%) for the next 6 months, but there were quite a large percentage (22%) of businesses that expected to be significantly impacted with a possibility of failing altogether.



Q15: What programs/grants or other relief options have you received?

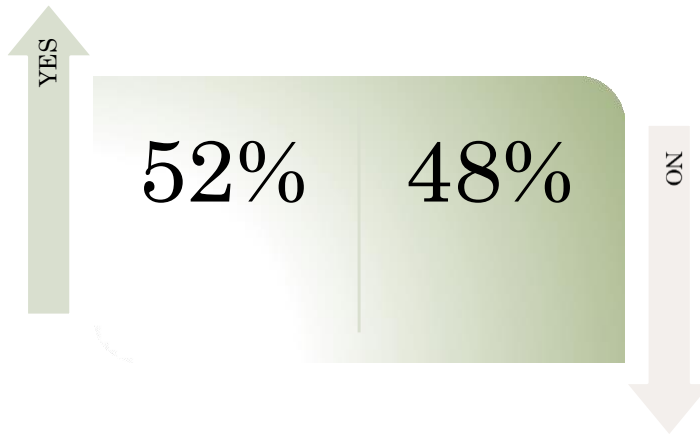
By far the largest form of relief continued to be the PPP, with over two-thirds of businesses and organizations taking advantage of the Paycheck Protection Program. Other programs that had been important included the Economic Injury Disaster Loan (EIDL) with almost one-third of participants in receipt thereof (31%), and Unemployment benefits (27%). While many did not receive any assistance or relief from the government programs offered (20%), state-level grants were cited as helpful for 17% of respondents. Other options that assisted the respondents were:

- Private funding
- Massachusetts Growth Capital Corporation
- Targeted Advance from SBA



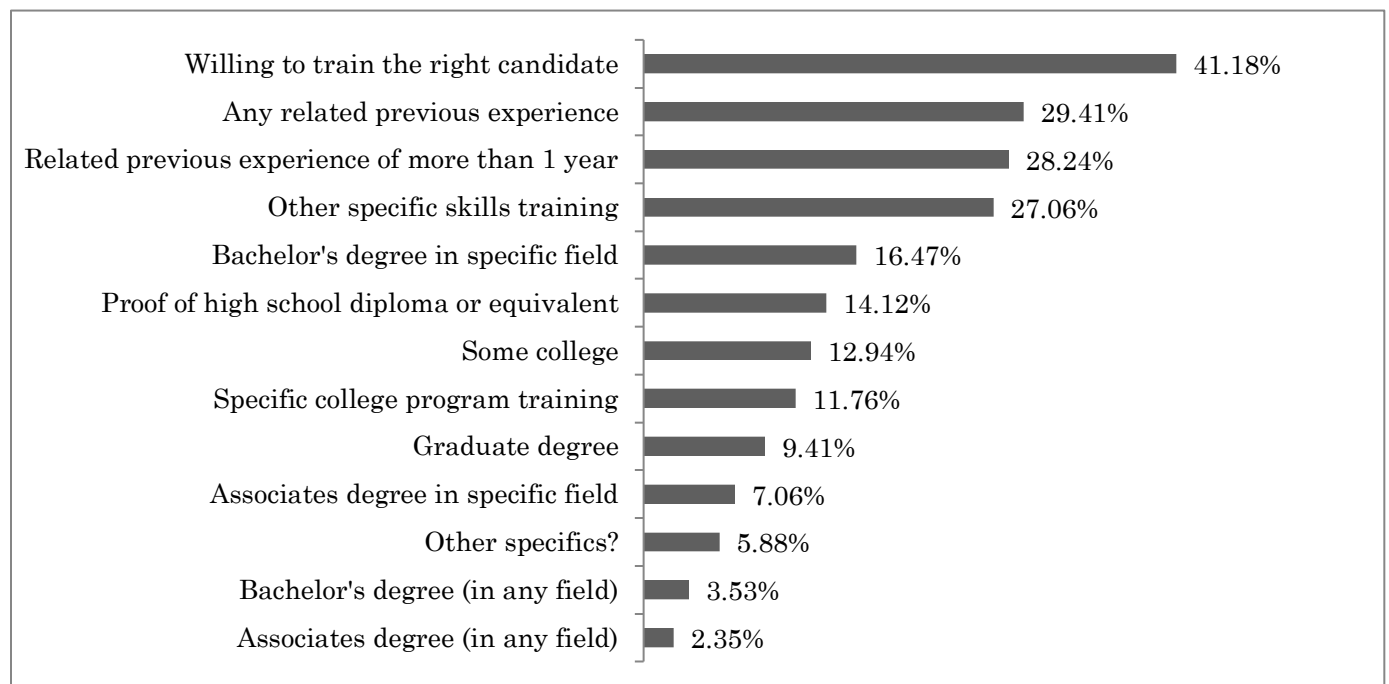
Q17: Are you currently seeking to hire employees?

Over half of the respondents (52%) were seeking to hire employees at the time of the survey.



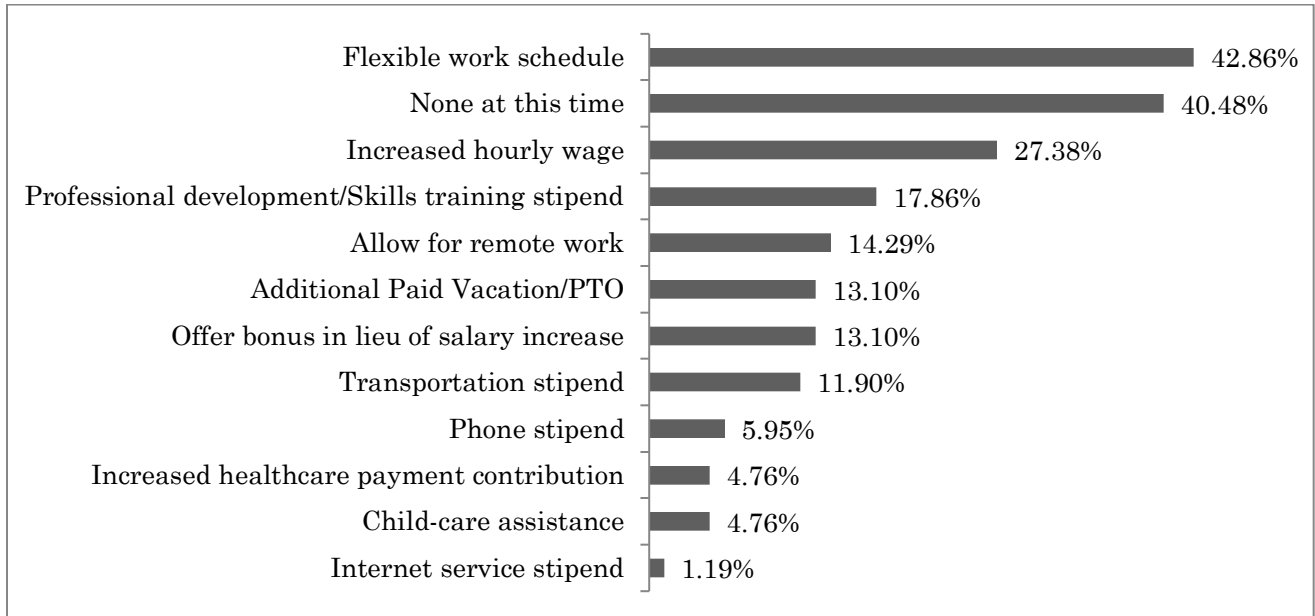
Q18: What types of skills, education and/or training do potential employees need to be hired by you?

Most respondents indicated they were willing to train the right candidate, any previous related experience was preferred, although the more experience a candidate had, the better. For most employers, a bachelor's degree in a specific field was important, although there were almost an equal percentage that were content with proof of high school or equivalent.



Q19: What incentives would you be willing to offer employees?

Many of the respondents were willing to offer a flexible work schedule (43%), although almost an equal amount were no longer offering any incentives (41%). There were still more than a quarter of employers willing to increase hourly wages (27%), some that would offer skills training or professional development stipends (18%), allow for remote work (14%), additional paid vacation (13%) and bonuses (13%).



Q20: Please think about the policies and programs that you have recently considered, applied for, or been a part of, in the last six months. What changes have been helpful or would you like to see kept in place?

Many respondents answered this question around health-oriented assistance, programs and issues. Examples included:

- Better health plans needed
- Covid-19 temporary paid sick leave program
- Restrictions on masks, vaccination and other protocols need to continue for some businesses

Others mentioned that grants are instrumental for the foreseeable future as some businesses may be unable to make payroll and other financial obligations in the current business climate. Examples of include:

- SBA, MGCC and Unemployment (PUA) were/are extremely helpful
- Applying for PPE was difficult for some, with several being turned down completely.
- PPP forgiveness was essential
- EIDL needs to be forgiven, some were unsure how they will ever pay it back.

Q21: Think about the future of your business/company for the next 6 months. What will you need to sustain your business and/or see future growth?

Most of the responses centered around the need for staffing/employees, concern for rising energy costs, and continued supply chain barriers. Lack of employees and need for marketing campaigns and funding/grants were voiced repeatedly in the hospitality, tourism, health care and retail industries, while supply chain issues remained prominent amongst certain industries that produce or manufacture goods.

Comments are summarized succinctly beginning with the areas and issues receiving the highest number of comments:

- Employees: A need to hire, a need to retain, and a need for assistance to pay for them.
- Rising costs in all areas – energy, rent, supplies, payroll.
- More business, or more grants.
- Expand space availability for small businesses.
- Better supply chain.
- Less taxation and more revenue needed.

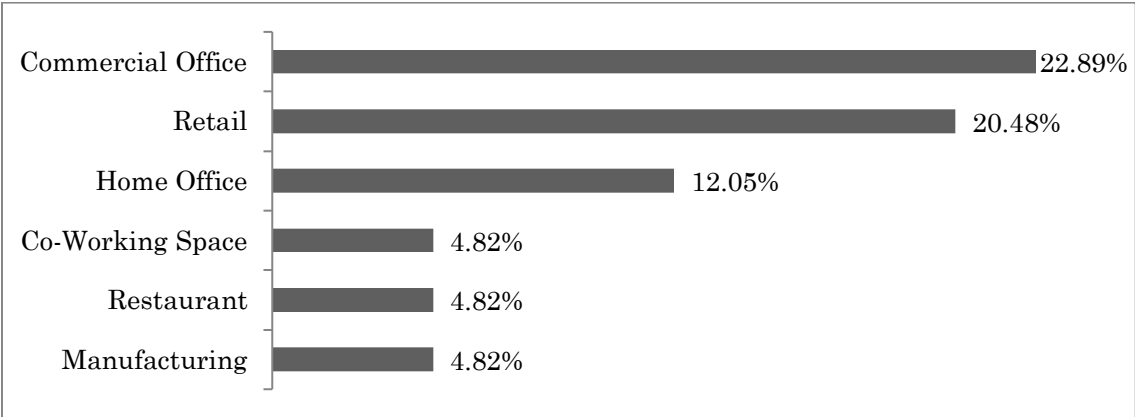
Q22: What type of assistance/resources do you need right now?

Most of the respondents indicated they did not require additional resources or assistance beyond what was mentioned in the previous question. Summarized below in order of most often cited, to least:

- We need staff most of all
- Hiring
- Loan forgiveness
- Affordable space, energy costs and supplies
- Operational and design services
- Continued grant programs
- Less regulations

Q23: What type of business space do you have?

Most of the respondents utilized a commercial office for their business space (23%). The second highest type of business space among respondents was retail, following closely with 20% working from a home office. Other space utilizations included: Art studios (performing, design and visual), Museums, Accommodation Services.



Q24: Do you anticipate the need to change your current business space?

The vast majority of respondents do NOT anticipate needing to change their business space over the next year (77%). Of those who do foresee a change in space requirements 7% will relocate, with most intending to increase square footage (15%).

Q25: Please choose ONE of the following that you see as your BIGGEST challenge in the next 6 months.

Money to keep the business afloat was identified by three-quarters of the respondents as their biggest challenge in the next 6 months. This was closely followed by having enough staff to run the business (28%) and obtaining products and supplies (22%). Other challenges include sales, keeping up with demand, and need for more inventory.

In conclusion of the second phase survey for the COVID Impact Study, workforce issues stand out in the conversations, focus groups and surveys for all size and type of businesses. Many changes were seen from the first phase as businesses continue to navigate through the ever-changing environment, with the viability of small businesses being a main point of concern.

Surveys, focus groups, and interviews were conducted by Professor Lorri Krebs from the Center for Economic Development & Sustainability at Salem State University.

