



# NORTH SHORE BUSINESSES COVID IMPACT STUDY

## FINAL REPORT JULY 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,
- Creative Collective
- 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
- Salem Main Streets.

The COVID Impact Study of North Shore Businesses collected data in real time over a 15-month period from April 2021 to July 2022 to help reveal businesses' economic and workforce decision-making and impacts regarding the response, recovery and resilience during the pandemic. The goal has been to provide this information to policymakers, businesses, and other public and private decisions makers to assist with recovery and resilience now and in the future.

This paper presents the findings of our survey research, interviews and focus groups from communities, businesses and leadership representatives of the North Shore. Over 300 businesses and non-profit organizations contributed their invaluable input and time to assist with this study .

*“COVID-19 has changed the way we work...”*

# SUMMARY OF FINDINGS

Since April 2021, data was gathered from an online survey distributed via social media and other platforms, online outreach, one-on-one interviews, focus groups and direct emailing efforts. Analyses were performed in three stages from the initial pandemic response, through recovery and into the current resiliency phase of the pandemic. What this study captured is summarized below with more detailed support following thereafter.

## 1. Workforce Challenges

- a. Working Remotely: Depending on the industry, many saw remote work as a benefit by allowing companies to continue to be able to generate revenue. For those businesses that require employees on location, returning to the workplace face-to-face continues to see challenges. From health protocols to the flexibility of virtual work (allowing employees more latitude to deal with transportation, childcare, etc.), resuming business as usual continues to struggle through obstacles.
- b. Hiring Employees: A lack of qualified candidates to fill roles challenges business and organizations across industries. Many are finding “riskier” hires do not have a level of commitment for long-term employment and is resulting in heavy turn-over, which further escalates training costs for employers.
- c. Making the Payroll: Without sufficient employees, businesses are unable to generate additional revenue, which reduces capacity to cover payroll expenses. The Payroll Protection Program (PPP) was by far the most widely used relief amongst the businesses; Many businesses who did not receive these funds cited difficulties understanding the process or lack of qualifications (not in business long enough, not enough employees, not registered in the system, etc.).

## 2. Reassessing Goals and Redesigning Flows

- a. Supply chain issues continue to cause ripples throughout various industries, oftentimes resulting in a shift of end products and services. In some cases, delivery times have increased significantly, or final products not available at all, ultimately raising prices for customers. While other businesses have been able to capitalize on programs and support mechanisms which have allowed them to source out new processes or products and restructure their operations positively.
- b. A number of businesses that have increased their online and virtual dealings are experiencing new challenges with trying to balance the amount of time spent online. Besides increasing the amount of hours spent on computers and phones, the technological hurdles are creating a new type of burn-out amongst some business owners. The need to learn new software, design online marketing strategies or adopt online commerce platforms are cited as obstacles that weren't planned for pre-COVID, but are a new reality. Sourcing new supplies, customers, and ways of doing business are adding hours to already stretched work weeks.

- c. Rising energy costs continue to be a concern.
- 3. Building Networks and Accessing Information
  - a. Awareness of available support and programs and understanding how to apply for them were both seen as challenges from the onset. IRS assistance continues to be cited as needed to understand tax implications and regulations and how it will impact businesses at year-end.
  - b. More local and regional efforts for marketing, joint ventures, and networking opportunities. Some suggested that more opportunities to connect and network are highly sought after to share strategies, marketing campaigns, and increase buying power in like industries experiencing supply issues.
  - c. Accessing up-to-date information was noted many times over the course of this study as a barrier to understanding COVID-related regulations and availability of programs to assist. Not knowing where to look for information and the need to have information all in one place online, echoed repeatedly in all three phases of the survey. New public information infrastructures that are easily located online and that cover local, regional and state information as well as data to assist in applying for grants and support programs would be extremely helpful.
- 4. Capturing Opportunities and Changing Landscapes
  - a. Some industries were able to survive and thrive while others were extremely hard hit. Industry sectors such as transportation and those capable of conducting online business and day to day options remotely, pivoted quickly and saw gains in revenue and customer bases. Most in need of assistance was accommodation and food service, followed by arts, entertainment, and recreation, then healthcare and social assistance, likely because they rely on face-to-face interactions.
  - b. Changing the way business was done became the norm during the second phase of the study. Difficulties in finding opportunities for assistance were identified and attempts were made in cities and towns to disseminate information, although many did not know where to find these resources. Others faced making choices between spending more time at work or seeking support and grants. So, although opportunities existed, some businesses did not have the capacity to capitalize on them. Even among the ones that did, now that the programs are ending, they are not certain of a way forward.
  - c. Currently, most customers have adapted to remote and have high expectations of businesses' and governments' abilities to pivot accordingly. It is not only the workforce that would like to divide time between in person and remote, but many other processes are desired to remain online or have as an option. Meetings and education are two areas where virtual options remain highly sought after. Additionally, many customers prefer to do business online where possible. As such, even when a company has made the decision to resume all in person, they are experiencing push back.

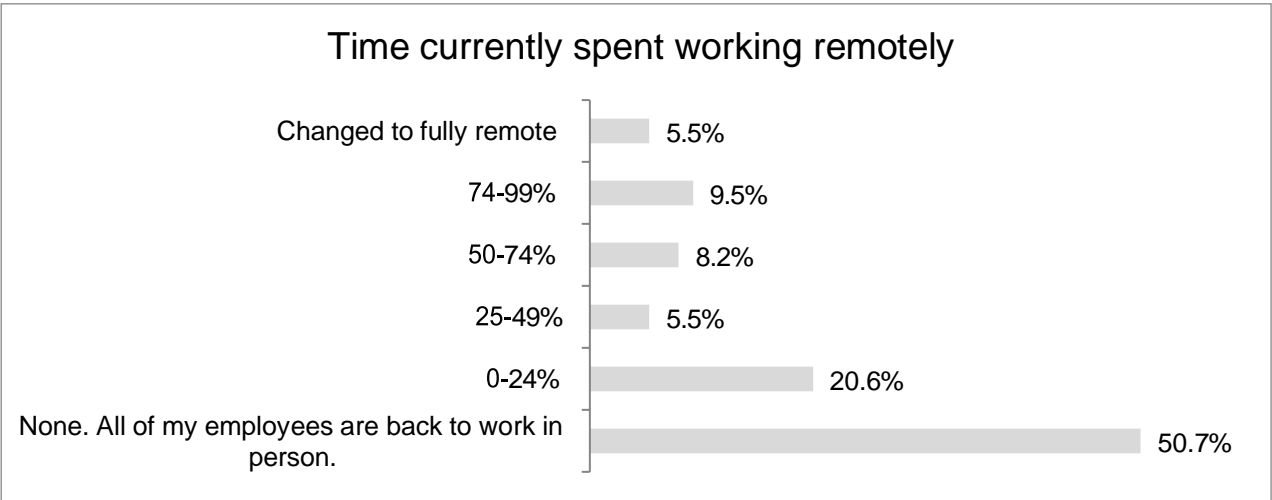
# DATA IN DETAIL

As we look back over the past year and a half, COVID created many challenges and revealed much, including the need to build better systems and networks among public, private, non-profit organizations and institutional partners. This study allowed us to review the systems and gauge an understanding of where businesses were positioned at the onset, how they came through the pandemic, and look to see where they are going.

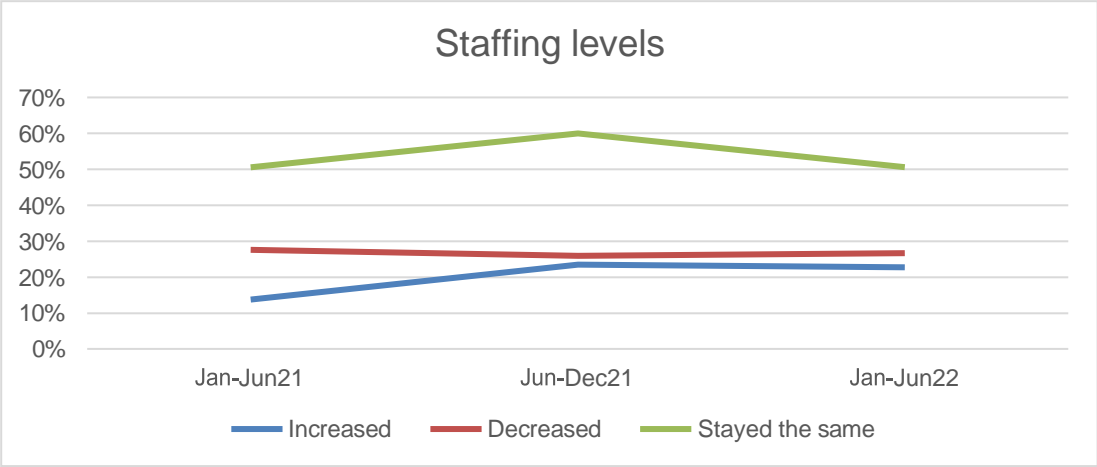
This section will highlight the key areas where we have seen a shift from response through recovery to resiliency. Phase one of the study highlighted issues at a moment in time when the pandemic began and provided an opportunity to assist where needed based on the responses received. Phase two reported on how the programs and support were received and where the businesses were after one year. Phase three reviewed what worked and what might not have and provided an opportunity to observe what we are dealing with currently. It must be acknowledged that many respondents indicate it is not so easy to resolve the issues that COVID has exacerbated.

Many of the issues at the beginning were solved by programs and policies and providing resources. But as we move from recovery to resiliency we need to understand what is consistent now so we can plan for the future.

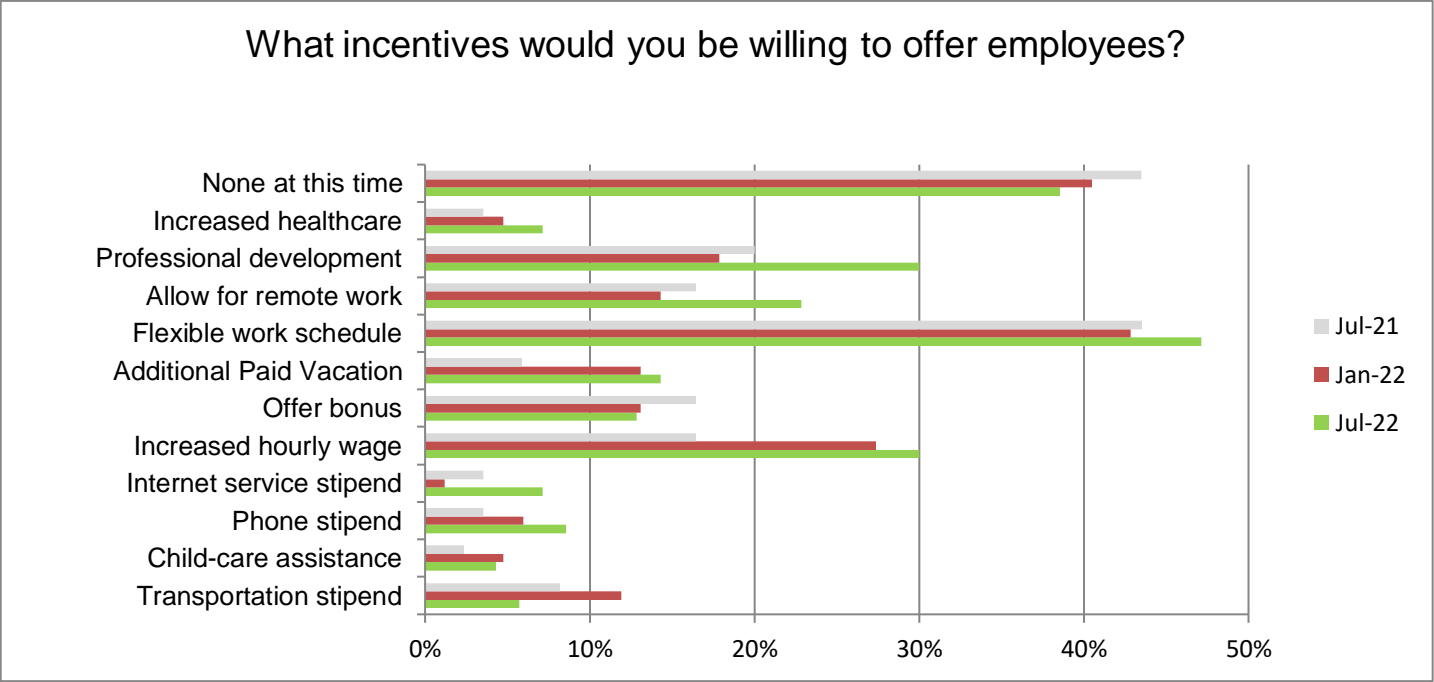
Less than 1% of businesses operated virtually prior to the pandemic and we are seeing just over half have returned to work in person full time presently (50.7%). This shift alone has fundamentally changed the way we do business. Many jobs have shifted to virtual and many companies and organizations have had to change operations to include fewer employees on site, and much more time online across the board from customers to operations to owners and management teams working from their phones and computers a vast amount of time.



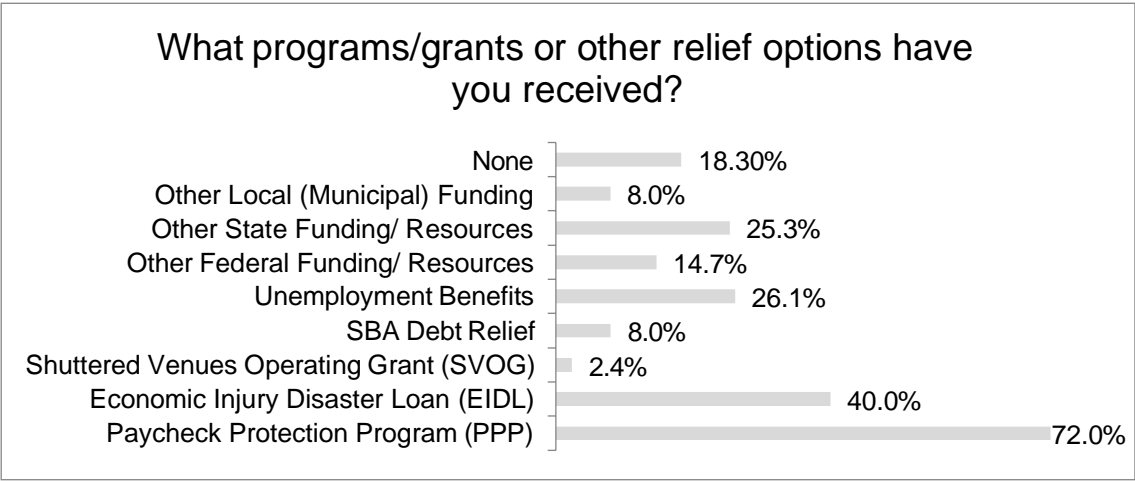
Staffing levels, including contracted workers have remained relatively constant with similar shifts in numbers to pre-pandemic. However, what has changed is the inability to fill vacated roles and the increased number of people who have left the workforce completely. Creative ways to source out and hire new employees is a highly sought-after commodity at present amongst the majority of businesses.



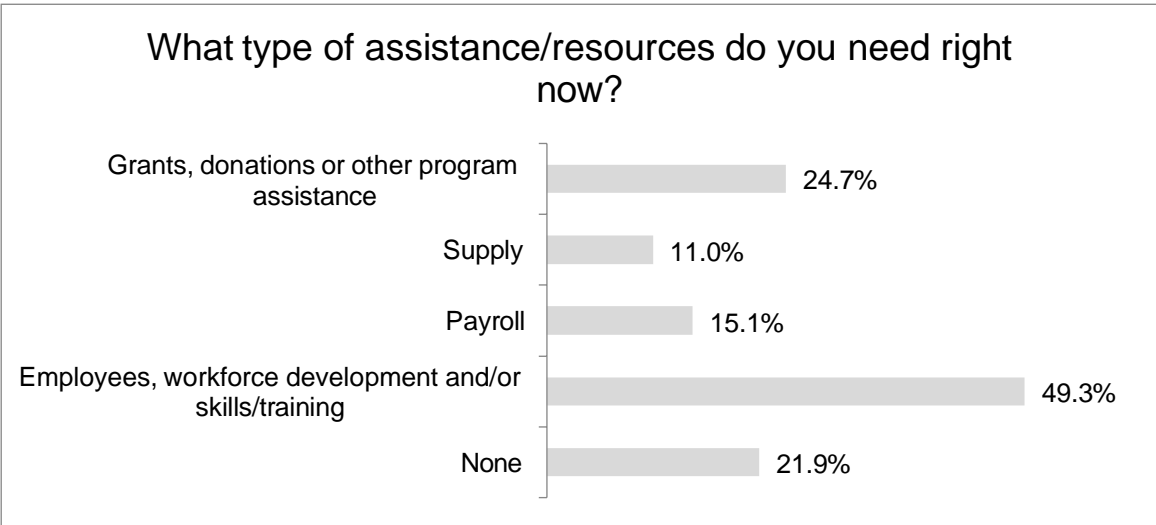
We see a clear change over time of the incentives employers have been willing to offer, with pre-pandemic employers offering no new incentives for new hires (70% indicated they did not use incentives prior to COVID), to 45% not offering any in early 2021, to 37% currently. That said, the amount of business offering flexible work schedules have increased an astounding 840% from pre-pandemic numbers.



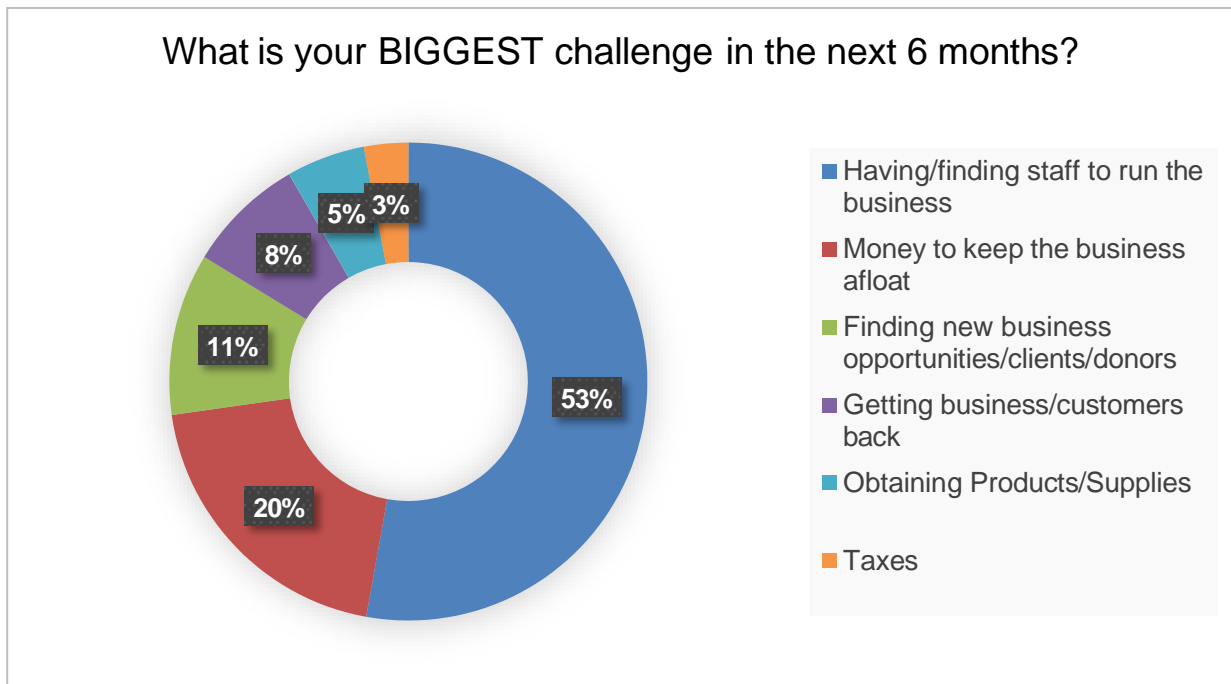
For the majority of businesses (81.7%), government programs, grants and other relief option were instrumental in assisting throughout the pandemic, with 72% receiving PPP to assist in retaining employees. Of those that received PPP, 70.3% have had those funds forgiven. Yet many more struggle with finding current opportunities that they qualify for, or require assistance in navigating through the red tape to have loans forgiven or find other sources of capital.



Overall, the type of assistance required right now and for the foreseeable future surrounds the workforce. Almost half of the respondents (49.3%) indicate a need for workforce development help.

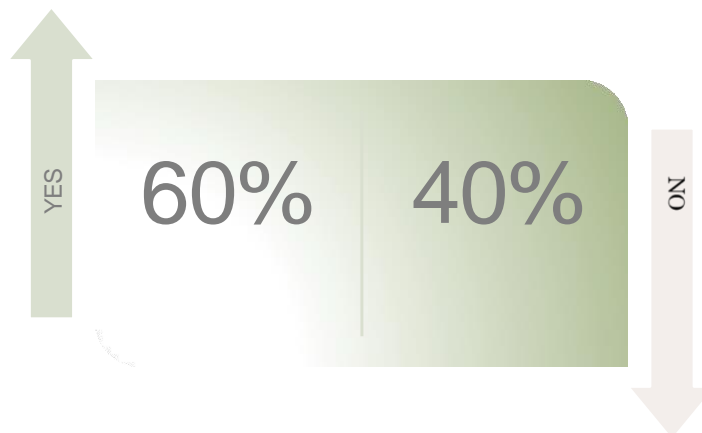


As we look to the future, at least the next 6 months, it is clear that over half of the businesses are concerned about staffing issues.



Up from half six months ago to 60%, the number of businesses currently continue seeking to hire employees continues to rise.

Are you currently seeking to hire employees?



Many people took time to add their points of view on the issues and are offered below in the form of direct quotes that provides additional insight. Efforts were made to remove duplicate ideas as the only form of editing these responses.

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?

- EIDL forgiveness
- Allowing remote work in my medical practice.
- none, government has given too much
- Workers need affordable childcare options so they can work.
- Need to continue to have insurance carriers reimburse for telehealth and telephone calls
- Hybrid work is going well but this started more than 6 mo. ago. We just started summer hours of leaving at 2 pm on Friday. If successful, we will offer next summer too.
- The grant for new employees was offered and I didn't apply fast enough. That would have helped us retain a new employee who left for more lucrative work even though she wanted to stay.
- We have tightened up our onboarding program to try and improve retention. We have also hired a part time HR person.
- Either more SBA funds at a low rate or forgivable loan funds.
- If you mean the ARPA programs, I just think there should be more city or other government support overall for non-profit work. It's been great to have some programs to support all worthy non-profit work over the last two years. I think it should continue. Non-profits are busy providing programs, it's a huge burden to seek funding, and often large funders require a lot of reporting. It's been so helpful to our programming to be able to focus on services less than on fundraising.
- Medical support in terms of health care subsidies.
- Need more people looking for jobs. The whole employment landscape got turned upside down by COVID and just hasn't come back yet.
- State and federal funding for the public safety net has allowed us to help thousands of local residents, and there are many who still need help (rent, food, transportation)
- State supported testing to continue
- Flexible work hours, hybrid work model
- MA mandatory COVID testing reimbursement. Add on payments for direct care staff
- Support from the city of Salem has been very helpful
- PPE still needed



- SBA technical assistance has been helpful. Keeping up with changes in technology and social media especially is pretty much impossible for a small business. Help to access and train new employees is also something that we will likely need in the coming year or so. In the past, help understanding finance and banking has also been extremely important to our business in particular. We secured our first business loan thanks to an SBA advisor helping us at Salem State University.
- EDIL Extended
- Prior to the Pandemic I was still in a pre-revenue state. Getting the proof of concept and a marketing strategy completed. And that all came to a halt. I was only able to tap the PUA program as I don't qualify for many of the grants that are floating around
- Nothing has been helpful. Need business grants for small social enterprises.
- Additional cash assistance to retain employees
- The HIRE NOW grants should allow the hiring date to be earlier than March 23rd. Employers like me hired previous to that in 1st quarter 2022.
- Continue to conduct business meetings and arbitration proceedings (I serve as an arbitrator) by videoconference.
- Funding to train new employees
- I just want to put everything together to reopen my business
- A state Digital Empowerment grant is upgrading my website and digital presence. The technical assistance from the SBTA has been quite helpful. I need more help bringing on a new employee to apprentice as a licensed specialist. Our business sales revenues were down by 57% for the duration of the Delta and Omicron surges that lasted for months. That is a hole we are still digging out of.
- Some hybrid work - implementing Telework policy with supervisor approval
- MGCC has been helpful and town grants super helpful
- The transition from DUNS to UEI is a nightmare. It's currently preventing access to applying for local EDIC grant funds if you don't have a UEI number. I registered months ago and am still waiting. This seems unfair and exclusionary for those who aren't already in the system.
- COVID PTO reimbursement
- A smaller package of assistance for non-profits would be helpful. Our needs are not huge like at the beginning but a safety net of bridge money to get through this next year would be a game changer.
- Extended PPP Program funding
- Small businesses definition has been too broad. A franchise that has 1000 locations is not a small business and yet that is how it is viewed and those corporately supported franchises are receiving funds from various programs that actual small businesses should have been receiving.
- DEI programs and training, hybrid work and classrooms, more automation, cybersecurity initiatives

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?

- Get inflation and threat of recession under control.
- A return to normal of supply chain operation and COVID restrictions eased.
- customers to return in person
- continued referrals from hospitals
- Payment of bills, diversification of services
- nothing, we are a health care provider, dependent on health insurance companies.
- Reliable supply chain at reasonable pricing.
- Lowering of energy costs
- Consumer confidence is important for us. If they feel good, they are comfortable to invest in renovations.
- More employees!
- Staff retention, more ability to bring services into the community aside from telehealth
- Remove crippling state and city mandates.
- Reliable internet, reliable employment of local population with decent insurance coverage and income
- Operating capital.
- What we need more than anything else is qualified employees who will come to work and complete a full season of work.
- More clients, if not we are out of business
- More qualified employees. I need to not get stressed out about a potential recession. Whatever happens will happen the stress is optional!
- Increased consumer willingness to be in a public gathering
- I think we are stable and the future is bright. Would be nice to be able to open up to our old hours. Unfortunately, it seems like the 4-day work week has become the norm.
- Flexible funding for operations, salaries, as well as assistance for our clients.
- People. Increased funding to deal with inflation.
- We need employees and immigrant reform.
- More available grant money for non-profits for capital expenses
- Effective hiring and retention
- Paper Supply chain shortages to end.
- I am looking for full time job right now.
- Better supply chain

- Better prospective employee pool, lower inflation, stable wages, improved mental health and civility
- I need people to be willing to go out, get out, get dressed and have some money for non-essentials. With gas prices, food costs, and the uncertainty in the market a post COVID comeback is not looking promising.
- Business grants to serve my clients, most of whom are unable to pay.
- A stable economy
- Health insurance premiums are too high. Payroll related taxes and fees are too high. The cost of labor overall is compounded by so many state fees/taxes. Especially difficult is the Tip Tax whereby I must match taxes on all tip income... I don't have control over what customers tip. This tax is unaffordable and uncontrollable.
- Improved website to help compensate for decreased opportunities for face-to-face interactions.
- Trained Educators
- Reopen the business and have back all the services that we have before we were forced to closed because the pandemic
- I need a promotion to keep sales up. Biggest item is to bring on a new hire apprentice to assist our licensed specialist.
- No more COVID shutdowns or regulations
- I just opened a line of credit to help establish a new hire if someone will fit the positions available.
- More in person clients; blend of in person and remote work
- More grant opportunities to invest in growth and scaling.
- More EIDL
- the ability to find and hire qualified applicants
- I am coming to the end of my reserves and will likely close in 2023 without other financial programs being put in place
- More staff and higher staff retention; better use of technology for operations, data collection and delivery of services; more professional development; more clients.

## Next Steps:

The goal of this initiative was to provide information that would help create the framework for a strategic regional economic plan that: identifies the needs of small business including the types of resources, support and technical assistance needed, and public policy initiatives to support regional economic competitiveness and the creation of regional priorities.

Based on these results the next steps include:

1. Host briefings with Legislative delegation, policymakers and co-sponsor organizations on final report and survey results.
2. Regional distribution of survey results and continued business engagement.
3. Development of educational and technical assistance programs to educate and assist business owners in the areas of need in the surveys.
4. Continue to partner with MassHire Workforce Board and Career Center on regional workforce initiatives in the areas of recruitment, retention and training.