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# New York and New Jersey Companies Evaluate Business Conditions in the Region

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Firms in New York and New Jersey are optimistic about business in the region, according to a late 1999 Federal Reserve Bank of New York survey assessing the advantages and disadvantages of operating here. Most repondents to the *Barriers to Economic Growth Survey* found conditions in the region favorable to their businesses, and a majority plan to expand operations within the next five years.

When respondents were asked what they liked best about having their company in New York or New Jersey, 30 percent cited the fact that their market or clientele is here, 21 percent named the good labor pool, and 16 percent pointed to the ready availability of transportation services (**Chart 1**). The remaining respondents cited factors such as location, or, more specifically, access to Wall Street and good suppliers or services. These findings suggest that proximity to clients and markets remains important to many firms, even in the era of e-commerce. The survey results also underscore the need for broad-based retention policies to maintain the inter-connected economy of markets and clients.

Chart 1

**What are the one or two things you like best about having your company located in New York/New Jersey?**

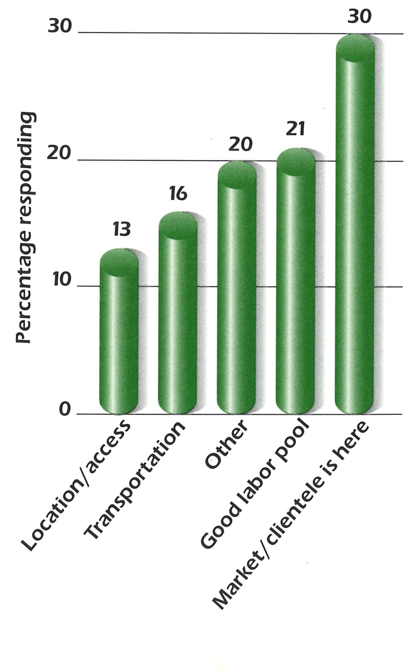
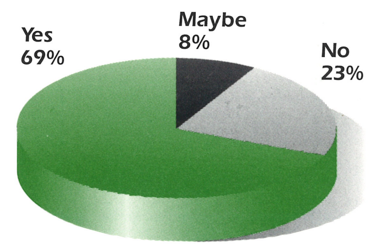



Chart 2

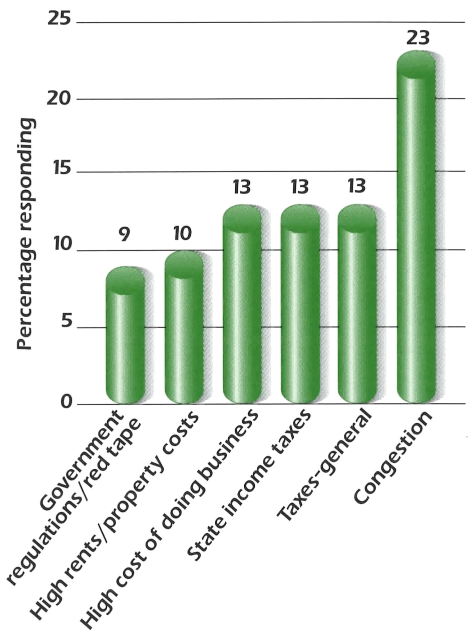
**Is your company planning to expand any of its operations in the next five years?**




The businesses polled in the survey appeared confident about the prospects for growth. Almost 70 percent reported plans to expand operations within the next five years to meet growing or anticipated demand (**Chart 2**). Of those planning to expand operations, half planned to expand in New York or New Jersey, while the remainder were divided, considering the Midwest, South, West, and other locations in the Northeast.

Chart 3

**What are the one or two things you like least about having your company located in New York/New Jersey?**




When respondents were asked what they liked least about operating in New York or New Jersey, 13 percent cited taxes in general, another 13 percent cited state income taxes, and 23 percent mentioned congestion **(Chart 3)**.

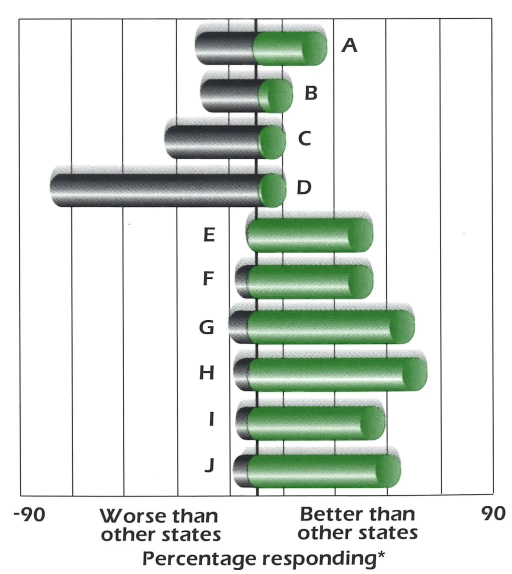
## New York and New Jersey Fare Well When Compared with Other States

More than 50 percent of the respondents rated both New York and New Jersey "better than other states" for proximity to individual and business customers and for the availability of suppliers **(Chart 4)**. Fully 65 percent of the respondents rated the region better than other states for the availability of good candidates for executive and management level positions, and more than 60 percent rated both states better for the availability of highly skilled technical labor. Proximity to markets and the availability of highly skilled and executive labor are advantages that cannot be quickly or easily achieved, so favorable ratings in these areas point to underlying strengths that should be maintained, or ideally, further improved.

New York and New Jersey were seen as having a communications technology and transportation infrastructure superior to those of other states by about half of the respondents **(Chart 4)**. Although such a rating represents a high level of approval, these conditions are more amenable to change and could be improved fairly rapidly, particularly if their importance to economic development and regional competitiveness were recognized.

Chart 4

**Please compare New York/New Jersey with other states on a number of business issues.**




Legend

A. **Availability of quality low-skilled labor pool**

B. **Strictness of environmental and other government regulations**

C. **Cost of complying with government regulations**

D. **Taxes**

E. **Technology for communications and managing information**

F. **Quality of transportation infrastructure**

G. **Availability of highly skilled technical workforce**

H. **Availability of good candidates for executive and management staff**

I. **Proximity to retail customers**

J. **Proximity to business customers**

* **Percentage responding "the same as other states" is not shown.**

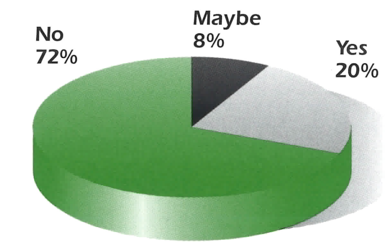
Predictably, taxes were rated substantially worse in New York and New Jersey than elsewhere by 77 percent of respondents **(Chart 4)**. About half considered the cost and time of complying with government regulations and the strictness of government and environmental regulations to be the same in New York or New Jersey as in other states, while about one-third of respondents rated New York and New Jersey worse than other states on these counts.

The quality of the low-skilled labor pool was also viewed less favorably: 40 percent rated the local low-skilled labor pool the same as in other states, while 26 percent ranked it worse than in other states. Because the national and regional labor force will grow more slowly in the years ahead, this finding hints that raising educational standards and supporting workforce development could make New York and New Jersey more competitive with other regions.

While 28 percent of the respondents are considering relocating **(Chart 5)**, fully two-thirds of those considering relocation plan to remain within the region, with the balance largely undecided about their possible destination. Asked why they were thinking about relocating, most responded that they had lost their lease, needed to expand, wanted to consolidate facilities, or required new facilities or services. Just 6 percent of those considering relocation cited a desire to seek lower taxes, lower business costs, or more favorable business conditions. Given the importance the respondents placed on proximity to clients and markets, broad-based efforts to improve overall economic competitiveness may do more than narrowly targeted single-firm incentives to enhance economic development during periods of economic expansions.

Chart 5

**Is your company considering relocating in the next five years?**




## The New York-New Jersey Business Community Focuses on Growth

Overall, the survey of the broad business community found that New York and New Jersey companies view the region as a favorable place to do business. Taxes, government regulations, and the relatively high cost of labor and energy were considered minor-to-moderately bothersome problems. Of course, some of the disadvantages cited by respondents could emerge as more serious problems in periods of economic weakness. But at present, the continued strong performance of the region's economy probably helps businesses to focus on the potential for growth and the advantages of operating in the region.

## Methodology

The survey involved a relatively small sample (n=305) of businesses, divided almost equally between New York and New Jersey. Pollers conducted 155 interviews with New York businesses and 150 with New Jersey businesses. To be included in the survey, companies had to have at least 25 employees or annual sales of $5 million.

The broad population under study consisted of all non-government businesses in New York and New Jersey as listed by Dun & Bradstreet. Within each state, the sample was drawn to ensure proportional representation of all businesses by geography, employee size, and industry type. This small but representative sample is typical of those used to gather an initial assessment of relevant issues for the overall population in question. Note, however, that the small sample size prevents us from making statistical projections for subgroups within the sample.