

Empire State Manufacturing Survey: Supplemental Report

April 2010

For release April 15, 2010

Cost of Employee Benefits Again Seen as Manufacturers' Biggest Problem

In a series of supplementary questions to the April 2010 *Empire State Manufacturing Survey*, manufacturers were asked to assess the extent to which certain business issues posed problems for their firms. Some of the same questions had been asked in the August 2009 and earlier surveys.

As in last August's survey, the cost of employee benefits was cited most frequently, by far, as a major problem, followed by taxes and government regulation. Weak sales and the task of finding qualified workers ranked fourth and fifth, respectively, and the quality of government services was sixth. In contrast, depressed real estate values and the cost and availability of credit were widely seen as minor problems.

When respondents were asked about the extent to which each of these concerns had become more or less of a problem *over the past year*—a new question in this year's survey—the rankings were fairly similar. Half or more of all respondents indicated that employee benefit costs, taxes, and government regulation were more problematic now than a year ago. Firms also reported that the quality of government services, the search for qualified workers, and weak sales had become more problematic, on balance. The only issues that were seen to be less of a problem in 2010 than a year ago were the cost and terms of credit, the availability of credit, and depressed real estate values.

When firms were asked about the extent to which these concerns were expected to become more or less of a problem *over the next year*—again, a new question in this year's survey—their responses put employee benefit costs at the top of the list: nine in ten firms anticipated that this would be more of a problem a year from now. Taxes and government regulation were also expected to become increasingly problematic by a majority of those surveyed. The only other issues where pessimists outnumbered optimists by a substantial margin were the quality of government services, the search for qualified workers, and employee wage costs. The same problems that were reported to be less of a problem this year than last—depressed real estate values and the cost, terms, and availability of credit—were generally expected to be still less of a concern a year from now.

1) To what extent does each of the following pose a problem for your firm?

	Percentage of Respondents Identifying the Item as a Major Problem*		
	April 2010	August 2009	August 2008
Employee benefit costs	77.3	78.7	65.2
Taxes	69.2	n.a.	n.a.
Government regulation	66.7	n.a.	n.a.
Weak sales	50.0	n.a.	n.a.
Finding qualified workers	43.9	35.1	56.2
Quality of government services	43.8	n.a.	n.a.
Employee wage costs	30.3	24.5	23.6
Cost and terms of credit	16.7	20.4	11.2
Availability and access to credit	18.2	19.1	14.6
Depressed real estate values	12.1	4.3	14.8

* Responses are on a scale of 1 (relatively minor problem) to 5 (relatively major problem); these percentages refer to responses of either 4 or 5.

(Continued)

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2) To what extent is each of the following more or less of a problem now than a year ago?

	April 2010	
	Percentage of Respondents Indicating That Issue Is . . .	
	More of a Problem Now	Less of a Problem Now
Employee benefit costs	62.1	9.1
Taxes	57.6	6.1
Government regulation	50.0	7.6
Quality of government services	40.0	15.4
Finding qualified workers	40.9	18.2
Weak sales	40.9	40.9
Employee wage costs	25.8	27.3
Cost and terms of credit	12.1	39.4
Availability and access to credit	16.7	43.9
Depressed real estate values	9.1	40.9

3) To what extent do you expect each of the following to be more or less of a problem a year from now?

	April 2010	
	Percentage of Respondents Expecting Issue to Be . . .	
	More of a Problem a Year from Now	Less of a Problem a Year from Now
Employee benefit costs	89.6	1.5
Taxes	68.2	4.5
Government regulation	58.2	1.5
Quality of government services	47.8	10.4
Finding qualified workers	46.3	11.9
Employee wage costs	50.7	13.4
Weak sales	34.3	32.8
Cost and terms of credit	16.4	28.4
Availability and access to credit	13.4	32.8
Depressed real estate values	14.9	46.3