Outlook Among County Businesses Holds Steady

Majority view their industry as overworked and say 30-hour workweek would hurt bottom line

After testing a new low point last month, county businesses show little change in their optimism for the last quarter of the year. The Business Outlook Index in this month’s Silvergate Bank-sponsored Business Forecast rises just about a point to 16.8. This shows that San Diego’s business community continues to be moderately optimistic about its near-term prospects because the BOI ranges from -100 to +100, with zero being neutral.

From a long-term perspective, the manufacturing sector has picked up steam over the last year. On the other hand, long-building pressure on maintenance firms and hospitality/restaurants has pushed their optimism lower during the past year. Optimism among small firms (2 to 10 employees) has also ebbed significantly over the past year.

In the short term, businesses in the transportation and automotive segment dropped into negative territory. The segment had recently been bouncing
along in the mid-teens but the current BOI is at -12. Home and garden businesses as well as hospitality have also been hit particularly hard this month, which means three major sectors are now in negative territory.

The problems for transportation and home and garden companies generally stem from concerns about revenues and a pullback in terms of hours they will offer their employees. It’s not that they will curtail hiring, but more businesspeople in these firms see revenue deteriorating than improving during the next three months and they’ll pare back work hours.

The city of San Diego’s hourly minimum wage goes up (again) to $11.50 in January, while elsewhere in the County the minimum wage rises to $11. One out of every 10 businesses currently says these mandated increases are their main challenge. Including other regulations, 27 percent see their challenge coming from government, while 26 percent see the challenges coming from business conditions or their competitors.

This is important because it underscores the negative impact challenges stemming from Washington, Sacramento, or City Hall can have on business optimism. Businesses seem to deal fine with marketplace challenges like staffing, rising costs, growing pains or even increased competition. But those who see government as the challenge are down about their prospects, reporting a barely positive BOI of 2, while the rest are confidently humming along at a cheery BOI of 22. Those facing government-related issues have a negative outlook on revenue, business conditions in their industry, and the number of hours they will be offering employees. Removing government barriers – like the minimum wage increase – would go a long way to improving the overall business outlook.

This month’s survey also touched on work-life balance asking about industry workload and impact of a 30-hour workweek. Few respondents perceive the workload in their industry as severe, although most regard workers as being at least somewhat overworked.

“Generally speaking, do you think workers in your industry are...?”

<table>
<thead>
<tr>
<th>Extremely overworked</th>
<th>Very overworked</th>
<th>Somewhat overworked</th>
<th>Not that overworked</th>
<th>Not overworked at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>12%</td>
<td>40%</td>
<td>29%</td>
<td>16%</td>
</tr>
</tbody>
</table>

By industry, retail is one segment that clearly is not overworked. None in the retail industry rate the employees around them as overworked and 63 percent don’t think folks in retail are even somewhat overworked. Education, the media, and transportation are three other industries which do not have a significant number of very overworked employees, but none of them are quite as laid back as retailers.

When it comes to switching to a 30-hour week – like online retailer Amazon is testing – relatively few businesspeople believe such a change would help their bottom line. Only 15 percent feel it would and
most of them do not see it making a big difference. On the other hand, 47 percent believe shortening hours would hurt the bottom-line.

There is a big difference between small and larger firms on this issue. The micro firms with only one employee tend to see a 30-hour workweek as having no significant impact, and those who do believe there would be an effect are basically split between it helping or hurting. Most larger firms, however, see the 30-hour workweek as deleterious.

Interestingly, firms challenged by minimum wage increases are not so quick to dismiss the 30-hour week. Twenty-eight percent of them see that possibility as actually helping their bottom line. Although 38 percent anticipate it would hurt profits, that perception is far less severe than it is for the rest of the business community. It’s apparent that some of those affected by state-mandated increases see reducing hours as a way out of wage inflation.

About the Business Forecast
The San Diego County Business Forecast, sponsored by Silvergate Bank, is a scientific look at where our region’s economy is headed. The survey for this month’s installment was fielded September 16-30, 2016 by Competitive Edge Research & Competitive Edge Research & Communication using responses from 203 randomly-selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, Encinitas and National City Chambers of Commerce. One-third of the members were invited to complete the survey online. Those members who initially did not respond were invited to complete the survey over the phone.

The Business Outlook IndexTM (BOI) is comprised of four self-reported assessments regarding the next three months: Will a respondent’s business increase or decrease its number of employees, experience an increase or a decrease in revenue, increase or decrease the number of hours its employees work, and experience an improvement or a worsening of business conditions. For each assessment, definite and positive responses are scored 100, probable and positive responses are scored 50, neutral responses are scored 0, probable and negative responses are scored -50 and definite and negative responses are scored -100. The scores are summed and divided by 4 to get a range for the BOI of -100 to +100, with zero being a neutral outlook. Visit http://sdchamber.org/businessforecast to see past Business Forecasts.

About Silvergate Bank, Business Banking Redefined
For over 25 years, as a San Diego based community bank, Silvergate provides a rewarding banking experience where the client’s needs always come first. Our business banking experts listen to needs and work to provide customized solutions to support your company’s growth and profit objectives. Our bankers are committed to superior responsiveness, local decision making, and the agility that allows our clients to choose the way they want to bank with us. To learn more, visit www.silvergatebank.com or contact Dino D’Auria at ddauria@silvergatebank.com.

About The San Diego Regional Chamber
The San Diego Regional Chamber is the hub for connections and collaboration among the regional business community, and uses that clout to advocate for public policies and candidates that support economic growth and the creation of jobs for all businesses. As the largest Chamber on the West Coast, representing more than 2,500 businesses and approximately 300,000 jobs, the San Diego Regional Chamber is fighting to make San Diego the most business-friendly region in California. For more information, please visit SDChamber.org or call 619-544-1300.