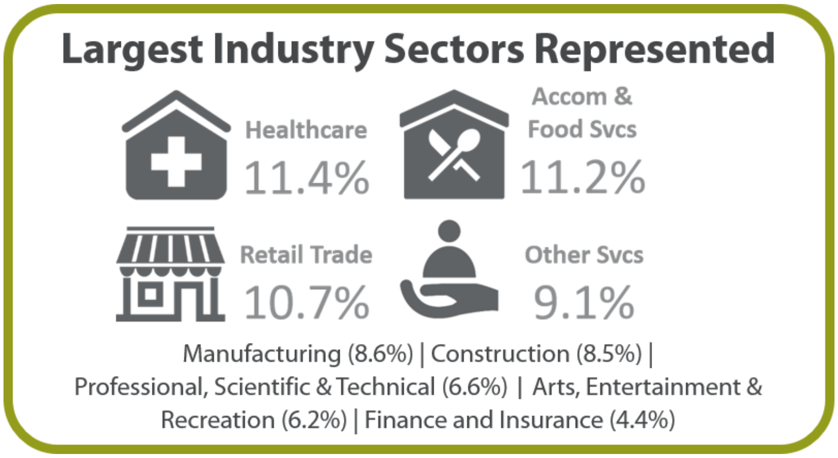
COVID-19 Impact on Iowa Businesses: Survey 4 Report

Executive Summary –June 2022

Research conducted by:
University of Northern Iowa
Business & Community Services
Institute for Decision Making | Strategic Marketing Services

Executive Summary

Demographics

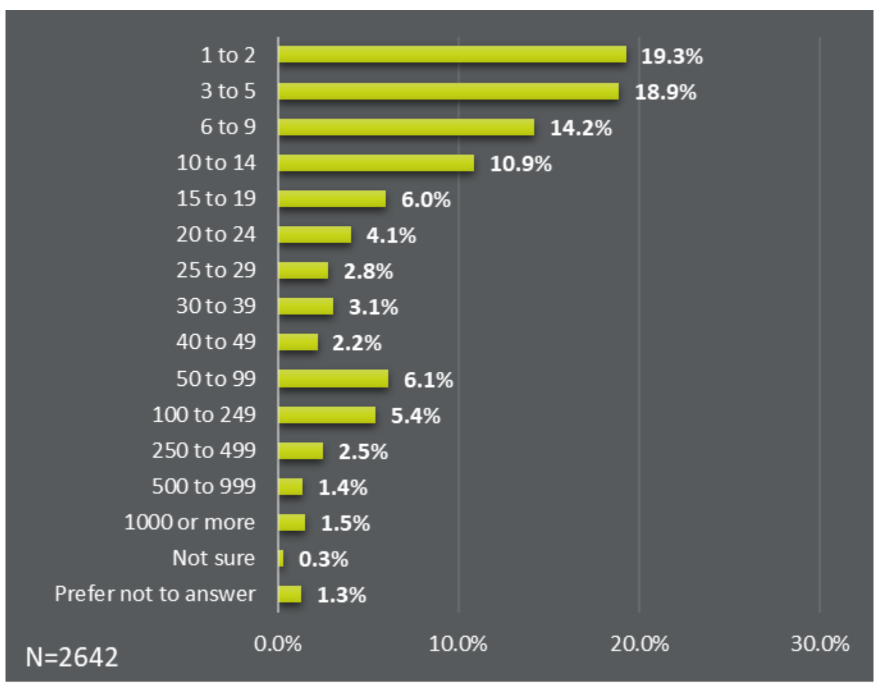


The survey, funded by the US Economic Development Administration, was launched on the afternoon of Wednesday, March 16, 2022 and was closed at 5 p.m. on Friday, April 15, 2022. Nearly 4,000 businesses and organizations fully or partially completed the survey with 2,642 deemed usable for the analysis.

Participation was achieved from all 99 counties and across all of Iowa's industry sectors with the top respondent sectors shown above.

The majority of respondents (79.1%) were for-profit organizations. An additional 14.3% of respondent organizations were non-profit while 6.5% of respondents were local, state, or federal government organizations. Additional ownership classifications included 43.5% Family-owned, 24.4% Woman-owned, and 10.6% Employee-owned.

Over half (52.4%) of the survey respondents were small businesses with fewer than 10 employees and 21.0% had 10 to 24 employees. Eight percent reported having 25 to 49 employees, and 6.1% reported 50 to 99 employees. Only 5.4% reported having 100 to 499 employees, and 2.9% reported 500 or more employees.



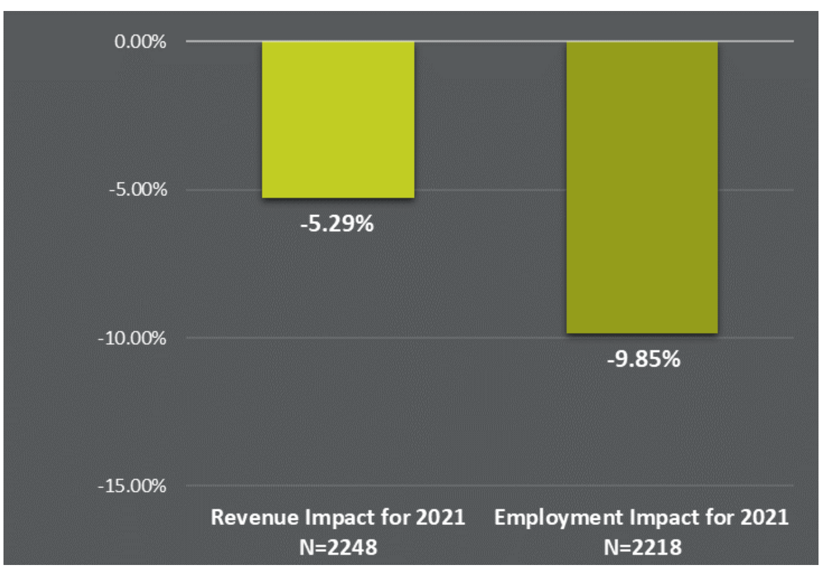
Survey respondents were asked to provide combined full time and part time employment information by selecting an appropriate employment range. Using mid-point calculations, a total employment sum was computed as being 150,246.5 employees with a mean of 57.81 employees and a median of 7.50 employees. A total of 2,599 respondents provided employment information.

Just over half of the respondents provided data about remote work. For those respondents, an average of 26.4% of their employees were eligible to work remotely in February 2022 while 17.1% worked remotely. Nearly three-fourths of these respondents expect the percentage of employees working remotely to remain the same over the next six months. As for the overall impact of remote work on their organization, just over 30% reported no impact with 15.7% reporting both positive and negative impacts. Additionally, 38.0% indicated remote work was not applicable for their employees.

Workplace footprint decreased 7.34% and workplace occupancy decreased 2.08% on average as compared to pre-pandemic, and the majority of respondents anticipate this staying the same for the next six months.

Survey respondents were asked to provide 2021 annual revenue data by selecting an appropriate revenue range. A total of 2,143 respondents provided 2021 annual revenue information. Using mid-point calculations, the respondents represent $12.4 billion in annual revenues across Iowa. The average 2021 annual revenue was $5,787,970.72 with a median of $749,950. Due to the wide range in employment size reported by respondent organizations, three employee size categories were created for comparison purposes. The graphic above offers average annual 2021 revenue for respondents in each of these employee size categories.

Revenue and Employment Impact

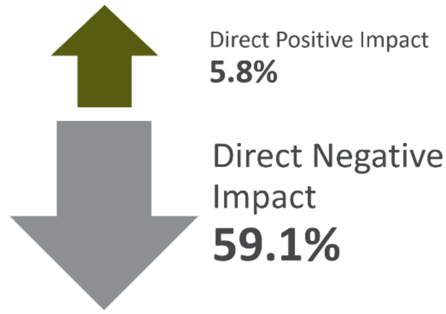


As a whole, respondent organizations indicated their 2021 revenues had decreased by 5.29% compared to 2020 levels, while their employment levels decreased by approximately 9.85%.

Industry sectors reporting more significant negative revenue and employment impacts for 2021 included Other Services (-11.68%) Arts, Entertainment &Recreation (-8.80%), and Educational Services (-8.18%) Additionally, the following industry sectors reported more significant negative employee impact: Accommodation & Food Services (-17.95%), Other Services (-12.40%), Construction (-12.37), and Health Care & Social Assistance (-11.70%).

COVID-19 Organizational Impact

Just under 60% of respondent organizations in Iowa (59.1%) continue to be negatively impacted by the coronavirus (COVID-19) pandemic, while 5.8% were positively impacted. Three industry sectors, Accommodation and Food Services (70.8%), Health Care and Social Assistance (69.3%) and Manufacturing (67.4%) reported a significantly higher direct negative impact.



Supply chain disruptions continue to impact about 80% of respondents with 37.0% reporting moderate and 14.5% reporting severe impacts. Respondents with annual sales of $10M or more were significantly more likely to report severe disruptions. Additionally, 57.0% of respondents have experienced a shortage of supplies or inputs. Another 45.2% have experienced delivery delays due to supply constraints. Supply chain shortages are significantly more difficult for organizations with annual sales of less than $250K.

Other top concerns with respect to the effects of the coronavirus pandemic include inflation (64.3%), workforce availability (50.6%) and revenue loss (36.0%). Inflation is significantly more concerning to Public Administration, Construction, Retail Trade, Manufacturing, Finance & Insurance and Accommodation & Food Services while workforce reduction is significantly more concerning for Health Care & Social Assistance, Construction, Educational Services and Accommodation & Food Services.

Organizational Strategies

Over half of the respondents have already or plan to increase prices due to inflation, and around 35% have already or plan to identify new supply chains. Identifying and hiring new employees in the past six months (37.4%) or in the next six months (47.2%) will be necessary. Additionally, around one-quarter have already or plan to increase or pivot marketing and sales efforts. In the coming six months, respondents also reported offering new/additional training for employees (23.0%) and plans to adjust their business model (22.4%).

Other organizational strategies currently employed or under consideration include increasing cash reserves (54.0%), creating or revising their supply chain (55.6%) and expanding their organization through digital means and related technologies (42.0%).

Just under 10% of respondents have already made capital expenditures for Industry 4.0 technologies with another 3.3% making plans to do so. Among those 13.3% of respondents, top Industry 4.0 investments include cybersecurity (53.8%) and software/EFP/inventory tracking (49.7%). Respondents from non-metro counties are significantly more often making investments in new automated machines as compared to metro county respondents.

Most Helpful Assistance and Resources

Nearly 36% of respondents reported that tax relief would be the most helpful to their organization followed by efforts to attract new population/workers to their community (31.5%) and financial assistance (29.3%). Top moderately needed areas of assistance included marketing/promotion assistance (22.0%) and childcare support for families (21.4%), while providing support to the non-profit sector (8.4%) and assistance for remote work (4.2%) were among the least needed areas of assistance.

Most Needed Areas of Assistance
- Tax relief (35.9%)
- Efforts to attract new population/workers (31.5%)
- Financial assistance (29.3%)

Moderately Needed Areas of Assistance
- Marketing/promotion assistance (22.0%)
- Childcare support for families (21.4%)

Least Needed Areas of Assistance
- Modification of licensing and government regulations (13.9%)
- Supplies/services for my operations (13.5%)
- Workforce training/development (13.1%)
- Providing support to non-profit sector (8.4%)
- Assistance for remote work (4.2%)

Important differences by revenue size were noted. Respondents with annual sales of $250K or less were significantly more likely to report needing financial assistance while respondents with annual sales of $10M or more were significantly more likely to report needing workforce training/development assistance.

Workforce Challenges vs. Strategies

Qualified Applicant Shortage Response
- Hiring & training less experienced workers (41.6%)
- Expanding recruiting methods (34.7%)
- Offering above market compensation (23.2%)
- Offering enhanced benefits (17.8%)
- Offering referral bonuses (17.7%)
- Hiring non-traditional workers (16.5%)
- Internships/apprenticeships (15.4%)

Successful Recruitment & Retaining Strategies
- Higher starting wages (49.9%)
- Better benefits (30.4%)
- Partnering with local students (22.9%)
- More flexible schedules (21.0%)
- More outreach to colleges/ universities (16.9%)
- More outreach to different talent pools (15.9%)

When asked about the difficulty in attracting new talent today as compared to before March 2020, 71.1% indicated it is a more difficult task today with 26.6% seeing no difference. More organizations reported utilizing the following hiring measures in response to a shortage of qualified applicants: Hiring less trained workers and providing training (41.6%) and expanding recruiting methods (34.7%). Metro county respondents were significantly more likely to report expanding their recruiting methods, offering referral bonuses, enhanced benefits, above market compensation, internships/apprenticeships, signing bonuses and hiring contractors as compared to non-metro county respondents.

Other successful strategies included offering higher starting wages (49.9%) and better benefits (30.4%) followed by partnering with local high schools and/or community colleges to inform students about their industry (22.9%) and offering more flexible schedules (21.0%).

Non-Profit Sector

Among the 366 non-profit respondents, on average they estimated 21.9% of their clients/customers/beneficiaries will no longer be served or will receive reduced/incomplete monthly services. The percentage of volunteers compared to 2019 was down 17.1% on average. In addition, current/projected demand for services in 2022 as compared to 2021 has decreased by an average of 6.5% while projected income has decreased by an average of 17.0%. Just over half of the non-profit respondents indicated no projected budget decrease was expected through June 30, 2022. However, among those who reported budget shortfalls, the average was $120,814.71 with a median of $0. While the vast majority of non-profit organizations do not foresee permanent closure due to COVID-19 (97.8%), 2.2% anticipate closure could occur in Q2 of 2022 or later.