RUTGERS
Edward J. Bloustein School
of Planning and Public Policy

C-Suite
2017 Economic and Business Conditions Survey

FINAL ANALYSIS and REPORT OF SURVEY RESULTS

Promoting Positive Change for New Jersey's Economy

Field Period: April 6, 2017 – May 31, 2017

Conducted for
2017 REAL ESTATE AND ECONOMIC POLICY RESEARCH CONSORTIUM:
CRBE, Inc.; PricewaterhouseCoopers; Riker Danzig Scherer Hyland Perretti, LLP;
PNC Bank; and The Kimmerle Group

Conducted by
EDWARD J. BLOUSTEIN SCHOOL OF PLANNING AND PUBLIC POLICY
Rutgers, The State University of New Jersey
33 Livingston Avenue
New Brunswick, New Jersey 08901

James W. Hughes, *Distinguished Professor and Dean*
Marc D. Weiner, *Associate Research Professor*
Evan Iacobucci, *Data Analyist and Research Assistant*

June 2017

CBRE pwc Riker Danzig RIKER DANZIG SCHERER HYLAND PERRETTI LLP PNC BANK KIMMERLE GROUP

C-Suite 2017 Economic and Business Conditions Study

Principal Investigator: James W. Hughes, Ph.D.
Distinguished Professor and Dean
Edward J. Bloustein School of Planning and Public Policy

Project and Survey Director: Marc D. Weiner, J.D., Ph.D.
Associate Research Professor
Edward J. Bloustein School of Planning and Public Policy

Data Analyst and Research Assistant: Evan Iacobucci, M.A., M.U.P.
Edward J. Bloustein School of Planning and Public Policy

Sample and Protocol

The final sample frame included 251 businesses drawn from the *NJBiz Lists* online database of statewide business information. The sample inclusion criteria were that the business: (1) had operations in New Jersey; (2) more than 50 employees; (3) greater than $1,000,000 in annual revenue; and (4) a contactable email address. Of the 251, completed surveys were provided by 65 firm representatives for an overall participation rate of 25.9%.

The survey was fielded from Thursday, April 6th through Wednesday, May 31st, 2017. The following contacts were made to the panel:

- March 30th – Hard-copy letters providing advance notification of survey from Dean Hughes;
- April 6th – Email invitation with clickable link; survey field period opens;
- April 11th – Five-day reminder email with clickable link;
- April 20th – Fourteen-day reminder email with clickable link;
- May 1st – Twenty-five-day reminder email with clickable link;
- May 10th – Thirty-four-day reminder email with clickable link;
- May 24th – Forty-eight day reminder/"last chance" email with clickable link;
- May 31st – Survey field period closed.

C-Suite: A Brief History

The Real Estate and Economic Policy Research Consortium at the Edward J. Bloustein School of Planning and Public Policy—known through the years as “the C-Suite Survey”—was originally established by former New Jersey Secretary of Commerce Gualberto (Gil) Medina and Rutgers-Bloustein School Dean James W. Hughes in the summer of 2007. The first round of data were collected from October 1st through November 12th, 2007, not quite knowing that the next month, December 2007, would later be declared by NBER[1] as the peak month prior to a precipitous decline,[2] followed by the longest economic downturn since World War II[3]—the Great Recession. It is fair to say, then, that the December 2007 data constitute an important pre-Great Recession baseline of an elite sample of New Jersey business leaders on significant economic indicators. In addition to that baseline, the study now has 5- and 10-year follow up point estimates by which to track the attitudes, sentiments, and predictions of trends of New Jersey’s business elite leadership.

C-Suite is the direct result of Gil Medina’s vision and leadership in interaction with Jim Hughes’s analyses based on his intimate knowledge of New Jersey’s demography and economy. The study joined forces with The New Jersey Chamber of Commerce, and together with then-President Joan Verplanck, the three initiated this 10-year enterprise. In addition the project benefitted from the participation of a number of people from both sides of the aisle: For the first series of C-Suite studies: at the first C-Suite event held on December 13, 2007 at the Wyndham Princeton, Michael Aron moderated and Gary Rose, Chief of Economic Growth[4] for the Corzine administration, was the luncheon speaker. The following December, then-Gov. Corzine addressed the forum, again at the Wyndham, after which Brian Thompson of NBC moderated a panel that included the late Congressman Bob Franks. In 2009, Dennis Bone, Verizon’s New Jersey President, was the luncheon speaker for an event at the former Bell Labs Holmdel Complex, once known as the *Idea Factory*, and now known as “Bell Works.” During spring 2011, the New Jersey Business and Industry Association joined the project for a collaboration that would last through June 2013; the event then moved to Florio Special Events Forum at the Bloustein

[1] http://www.nber.org/cycles/recessions.html
[2] http://www.nber.org/cycles/dec2008.html
[3] https://www.federalreservehistory.org/essays/great_recession_of_200709
[4] http://www.nj.com/news/index.ssf/2008/06/corzines_economic_growth_chief.html

School, where Lt. Governor Kim Guadagno spoke in 2011, and the moderator for the event on May 21, 2013 was Kevin McArdle, state house correspondent since 2002 for *NJ 101.5*.

The project presents longitudinal data points for a number of key economic indicators estimated from samples of significant New Jersey business leadership in baseline to five-year and ten-year intervals (2007, 2012, and 2017). In addition to these stable key indicators, a number of then-topical research areas were explored over the years, including the Great Recession of 2007-2009, the subprime mortgage market crisis, the federal stimulus package, the effect of the European debt, the slowdown in China, and the national debt. The last time the survey was fielded in early spring 2013, we asked about the Affordable Care Act, rebuilding from Hurricane Sandy, the pricing of natural gas, and attitudes toward fracking. In 2017, we assessed and explored opinion on the lagging relationship of New Jersey's economy to the nation's economic recovery, and explored demographic changes from the rising of the Millennial generation to the setting of the Baby Boomer's. This final fielding, now in the spring of 2017, completes the research enterprise with critical -5 and -10 year intervals, which permit meaningful over-time assessment of the attitudes, preferences, opinions, and intention of New Jersey's business leadership. The following table shows the over-time sampling criteria and parameters and survey response analysis.

C-Suite Survey, 2007-2017

Sample Criteria and Parameters, and Survey Participation Analysis

Year	*Inclusion Criteria*	*Sample Frame*	*Valid Responses*	*Participation Percent*
2007	all export-generating industries in NJ with > 50 employees	665	135	20.3%
2009	all export-generating industries in NJ with > 50 employees, who completed the 2007 survey	200	101	50.5%
2012	businesses, employing > 75 employees, with operations in NJ	1112	274	24.6%
2013	businesses, employing > 75 employees, with operations in NJ	1264	275	21.8%
2017	businesses, employing > 50 employees, with operations in NJ, and > $1M in annual revenue	251	65	25.9%

C-Suite: 2017

Survey Context: Stage of the Business Cycle

Economic survey responses are heavily influenced by the stage of the business/economic cycle at the time when the survey is conducted. While general expansionary phases would tend to yield more positive expectations/outlooks from respondents – and recessionary phases the opposite, there are many subtleties in survey interpretations. For example, in a strong expansion, respondents could have dimmer expectations for the future because they may believe that the "good times" can't last forever – and vice versa in the depths of a recession. Nonetheless, shifts in the business cycle still help interpret shifts in responses and expectations over time.

To gauge where we are in the business cycle – both nationally and in New Jersey – the most widely used metric is the monthly and annual change in private-sector payroll employment. The source of private-sector employment is the U.S. Bureau of Labor Statistics' monthly payroll report, derived from a survey of employers. It is used not only to gauge phases of the cycle, but also the overall status of the economy.[1] During recessions, employment change turns sharply negative; during economic expansions, it turns sharply positive. Two simple charts – one for the nation and one for the state – provide the context for the 2016-17 survey.

As a point of reference, the last economic downturn – the Great Recession – started in December 2007 and "technically" ended in June 2009. The beginning and end points were determined by the Business Cycle Dating Committee of the National Bureau of Economic Research. By June 2017, the economic expansion following the recession reached 96 months in length – a full eight years (June 2009-June 2017). Thus, during the two months (April 6, 2017—May 31 2017) when the C-Suite survey was conducted, the expansion was between 94 and 95 months long.

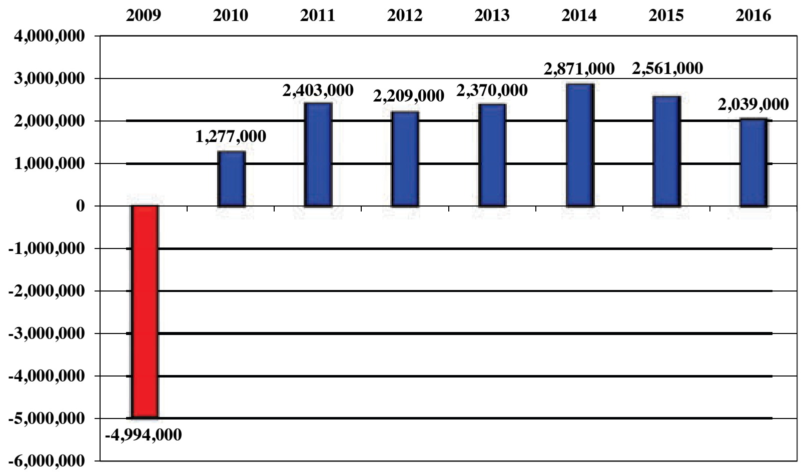
It should be pointed out that the average length of all post World War II expansions in the United States has been 58.4 months. If that metric is used to gauge the length of the current expansion, it would suggest it was "living on borrowed time." But the expansion may be judged by a more current metric: the three expansions that immediately preceded the Great Recession lasted on average 95 months. So, by this measure, the current expansion appears to be a little bit less mature. But, expansions in reality rarely die of old age. Their demise is usually caused by the Federal Reserve sharply increasing interest rates or by the bursting of an unforeseen economic bubble. In fact, it was the bursting of the housing and credit bubble which brought down last expansion (November 2001-December 2007).

---

[1] In fact, job gains and improvements in labor markets were part of the rationale for the Federal Reserve's increase in its benchmark interest rate by a quarter percentage point on December 14, 2016, after this survey field period ended.

Thus, the macro context of the current survey suggests that there should be a strong sense that the national economy has continued to advance in a sustainable, not-excessive fashion, and that this advancement should extend into the short-term future. Therefore, it is assumed that the current level of activity in many national economic subsectors will also probably advance going forward. This appears to be reflected in a number of the survey responses.

Chart 1: U.S. Private-Sector Employment Change 2009-2016

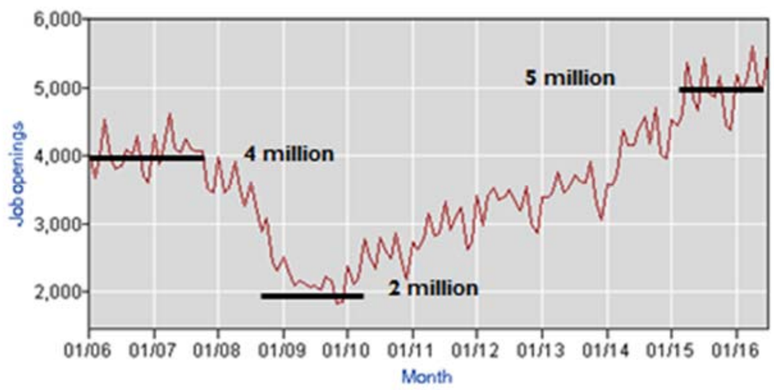


Source: U.S. Bureau of Labor Statistics. Note: Employment change measured from December to December, seasonally adjusted.

Chart 1 shows annual private-sector employment change – measured December to December – in the United States for 2009-2016. The year 2009 was the final year of the Great Recession. Payroll employment statistics were first compiled in 1939. The worst year ever in the subsequent history of the series was 2009, when more than 5 million jobs were lost, even though the second half of the year was "technically" in economic recovery. Growth then advanced modestly in 2010 (+1.3 million jobs), and then jumped to an average of about 2.4 million jobs per year for the next 6 years (2011 through 2016),a reasonably strong job growth metric.

But, the weakest of the six years was 2016, when growth slipped to slightly more than 2 million jobs. However, this employment weakening may not be due to economic weakening but to labor force constraints.

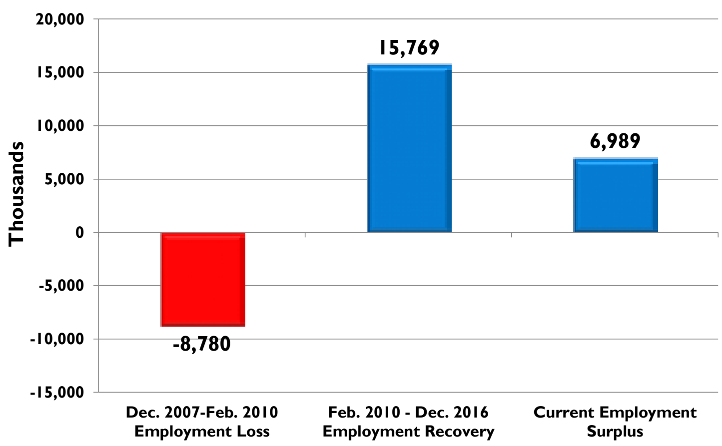
Chart 2: U.S. Job Openings: 2006-2016
(numbers in thousands)



Source: U.S. Bureau of Labor Statistics.

Chart 2 shows monthly job openings for the nation for the past 10 years. In 2007, the peak of the last business cycle, there were 4 million unfilled job openings per month in the United States. At the trough of the last recession (2009-2010), monthly job openings fell to 2 million. In 2015-2016, monthly unfilled job openings had soared to the 5-million level. This suggests that employers want to continue a strong hiring pattern, but that labor force constraints – potential mismatches between job requirements and labor skills, as well as geographic mismatches – are inhibiting it. So, at the time of this year's survey, the nation's economic momentum was still quite positive – perhaps close to full employment.

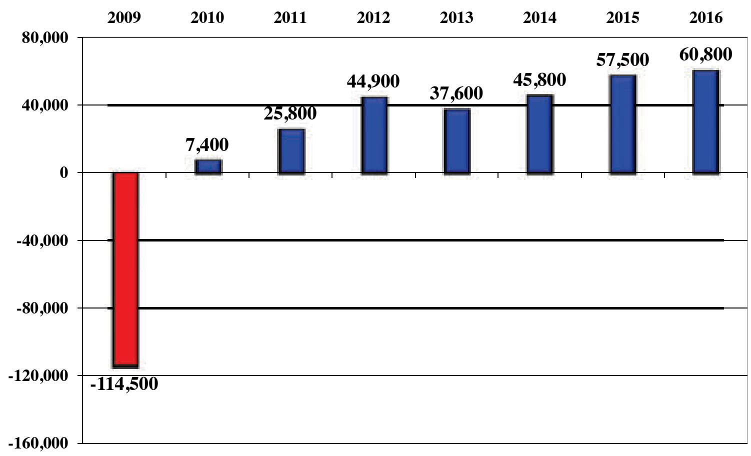
Chart 3: Great Recession and Recovery
U.S. Private Sector Employment



Source: NJ Department of Labor.

Also by the end of 2016, Chart 3 shows the nation had gained 15.8 million jobs since reaching its employment nadir in February of 2010, eight months after the official end of the Great Recession (June 2009). The nation's private sector employment rolls are now 7.0 million higher than their pre-recession peak (December 2007). As will subsequently be shown, New Jersey lags significantly behind the nation in this regard.

Chart 4: New Jersey Private-Sector Employment Change
2009 - 2016



Source: U.S. Bureau of Labor Statistics. Note: Employment change measured from December to December, seasonally adjusted.

Chart 4 provides the New Jersey equivalent to Chart 1 – annual private-sector employment data for 2009 through 2016. In 2009, the year the recession ended, the state was still hemorrhaging employment (-114,500 jobs). Stability and modest growth was then achieved in 2010 (+7,400 jobs), the first full year of recovery. Growth more than tripled in 2011 (+25,800 jobs), and then increased to 44,900 jobs in 2012. At the time, this was a strong upward trend line suggesting economic lift off was in place and that 2013 would be a banner year.

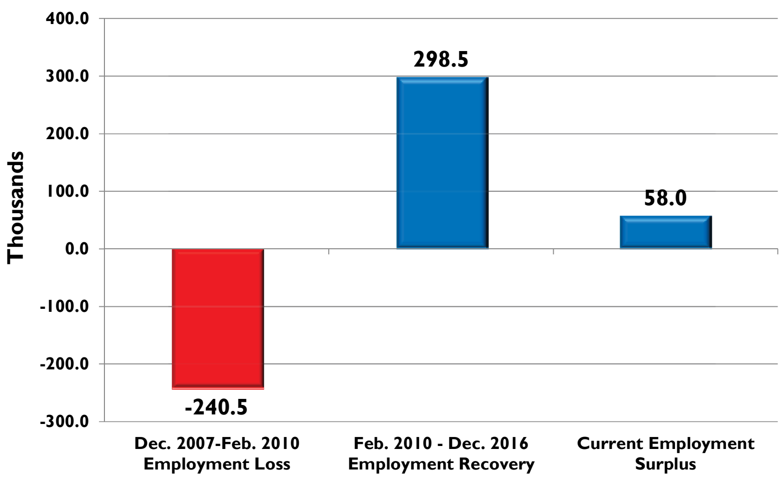
However, Hurricane Sandy hit New Jersey in October 2012, and its full economic impact was felt in 2013. Rebuilding efforts fell short of what had been anticipated and there was a very weak post-Sandy shore season in 2013. This rippled through the state economy as regional vacationers fled to non-New Jersey destinations. Out-of-state dollars stopped flowing into New Jersey, and a significant increment of in-state vacation dollars flowed to out-of-state destinations. As a result, employment growth slipped to 37,600 jobs in 2013, as upward momentum faltered.

The lingering effects of Sandy continued into 2014. Furthermore, as the year matured, the Atlantic City "reset" unfolded. Delayed resizing of the casino industry in the post-East Coast gaming monopoly era finally took hold. While it has not yet run its full course, it eventually will stabilize. Despite these negatives, employment growth increased to 45,800 private-sector jobs, slightly greater than 2012.

Finally, the impact of these one-time events attenuated in 2015. Private-sector employment growth in 2015 increased to 57,500 jobs; it eclipsed this level in 2016, when 60,800 jobs were added.

For the last six years (2011-2016), New Jersey's annual private-sector employment growth averaged 45,400 jobs per year. For the same six-year period, the nation averaged 2.4 million jobs per year. New Jersey accounts for 3 percent of the nation's job base. For the state to keep pace with national employment growth it would have to secure 3 percent of the nation's growth, or 72,000 jobs per year (3 percent of 2.4 million). The state's 45,400 annual job gain falls far short of this mark. New Jersey is lagging significantly behind the nation.

Chart 5: Great Recession and Recovery
New Jersey Private Sector Employment



Source: NJ Department of Labor.

In contrast to the nation, shown in Chart 3 above, New Jersey has just barely recovered all of its recessionary employment losses. As shown in Chart 5, the state lost 240,500 private-sector jobs during the Great Recession and its aftermath. During the subsequent employment recovery, New Jersey has added 298,500 private-sector jobs. The state has only 58,000 more jobs than the pre-recession peak (December 2007). As shown earlier, the nation has 7-million more jobs than the pre-recession peak. If New Jersey grew at the same pace as the nation, its share of national post-recession growth would have been approximately 210,000 jobs (.03 X 6,989,000).

The reality of the current business cycle helps explain one of the key themes of the 2017 C-Suite survey: *economic optimism at the national level but less than a full economic endorsement for New Jersey. And the basic expectation is that current conditions will likely extend into the future.*

Synopsis of Key Findings

Time-Series Panel Data:

Baseline:	***2007***
Five-year update:	***2012***
Ten-year update:	***2017***

- In terms of the overall health of the United States economy, the 2017 data suggest an expansion that still has momentum even though it is mature in length. New Jersey's business leaders seem to have returned to the general optimism expressed in 2007. An overwhelming majority, 82 percent of the sample, indicated the health of the national economy is "good" or "excellent," compared to 61.5 percent in 2007. By contrast, in 2012—the early stages of the current expansion—only 8.1 percent considered the economy to be "good," and zero indicated "excellent."
- 2017 marked the first year that any respondent rated New Jersey's economy as "excellent," at 3.3 percent of responses. Generally, respondents' assessment of the New Jersey economy mirrors the pattern for the national economy, but shows a more modest overall evaluation: 38.3 percent of respondents rated New Jersey's economy as "good" or "excellent," compared to 40.2 percent in 2007, and only 11.0 percent in 2012.
- Ratings for New Jersey as a place to do business have remained mostly consistent—primarily rated as "fair"—with ratings of 46.6 percent, 47.6 percent and 59.0 percent in 2007, 2012, and 2017, respectively. The modest increase in the "fair" rating in 2017 comes mostly from a concurrent decrease in the "poor" rating.
- Similarly, respondents predominantly rated New Jersey "fair" as a place to expand their companies, reaching 57.4 percent in 2017. The "poor" rating decreased steadily from 37.6 percent in 2007 to a low of 21.3 percent in 2017.
- 71.0 percent of respondents indicated they felt the United States economy had "gotten somewhat better" over the last twelve months. While in 2007—when the last expansion was peaking—there was a sense that things were getting worse in the United States, that sentiment has decreased substantively in subsequent surveys. There is a much more positive perspective in 2017 compared to 2007, demonstrated by the majority of respondents signaling that the United States the economy has gotten somewhat or much better.
- The perspective on New Jersey differs from sentiment on national trends. Positive ratings are noticeably diminished compared to those for the U.S. as a whole. Compared to approximately 71.0 percent for the nation, fewer than four out of ten (37.7 percent) respondents saw the New Jersey economy getting better—about half as many as for the United States as a whole.
- Concerning expectations for the next twelve months, 2017 generally marks the most optimistic survey thus far; over six in ten (60.6 percent) respondents believe the national economy will improve.
- Regarding New Jersey, expectations are weaker with slightly more than one in three (36.0 percent) respondents indicating they believe the economy will improve.

- Similar to the 2012 results, 2017 saw around one third (34.9 percent) of respondents indicate they thought their company would increase capital spending over the coming twelve months. Most (58.7 percent) anticipated no change.
- 2017 marks the strongest result yet concerning plans to hire New Jersey-based employees. For the first time, over half (51.6 percent) of respondents anticipate hiring more people in the state.
- The number of respondents indicating their firm is likely to increase their office-space utilization increase by one-half, from 20.1 percent in 2012 to 30.2 percent in 2017, while the number who signaled their firms would decrease their space utilization *also* doubled, from 11.2 percent in 2012 to 23.8 percent in 2017. These results likely describe the change in work patterns due to technological advancement in the context of a growth environment.
- Concerning the impact of taxes on business, the overwhelming sentiment (well over 90 percent) is that New Jersey is worse than other states in terms of business, sales, property, and personal income taxes. Surprisingly, a precious few (1.6 percent) opined that New Jersey's economic climate is better than most states for business; observed trends (2007-2017) indicate that this positive response is rapidly heading toward extinction.
- In terms of the attitude of the state government toward business, there has been a sharp increase in those labelling it "indifferent / uncaring," from 33.2 percent in 2012 to 56.5 percent in 2017. Nonetheless, there is a sharp decrease in those ranking it "hostile / difficult" from 18.7 percent to 6.5 percent.

Time-Series Panel Data:

Baseline:	***2009***
Four-year update:	***2013***
Eight-year update:	***2017***

- In 2017, nearly 4 out of 5 respondent firms (78.3 percent) expect their revenues to increase over the next twelve months—the highest figure from any recorded survey so far. Similarly, only 21.7 percent in 2017 expected revenues to decrease, the lowest of any survey.
- While plans to reduce costs remained consistent between 2009 and 2013, 2017 showed a diminished propensity to do so. Cost reduction remains a significant factor, with 62.3 percent in 2017 indicating plans to do so; but this is lower than75.6 percent in 2009 and 74.8% percent in 2013. Taken together with the previous point, the anticipation of less cost reduction and increased revenue indicates, at a minimum, cautious optimism.

Time-Series Panel Data:

Baseline:	***2007***
Ten-year update:	***2017***

- Overwhelmingly, respondents' firms are strongly committed to retaining their presence in New Jersey, with 96.8 percent of respondents indicating that their firms are either "very" (84.1 percent) or "somewhat" (12.7 percent) committed to retaining their presence in New Jersey.

- Respondents indicated these advantages and disadvantages to doing business in New Jersey:
    - Advantages: Respondents indicated that the availability of a qualified workforce is a major advantage for New Jersey business, as is an excellent public education system. Further, geography matters—New Jersey's location in the Northeast along a major business corridor is a major asset, which is augmented by the presence of accessible air travel.
    - Disadvantages: Respondents named cost of living, cost of housing, lower affordability (i.e., high cost) of workforce, and congestion as business disadvantages for New Jersey.

Time-Series Panel Data:

Baseline:	***2012***
Ten-year update:	***2017***

- Respondents in 2017 are generally satisfied with New Jersey as a state in which to live l (8 in 10), and with their local communities as a place to live (9 in 10). However, those ranking each question "very satisfied" were much higher for local communities (60.3 percent) than for the state as a place to live (20.7 percent).
- Additionally, respondents indicate satisfaction with the local schools in their communities, with 48.2 percent indicating very satisfied and 35.7 percent somewhat satisfied.

2017 Cross-Sectional Data: Economic Indicators and Infrastructure

- More than 8 out of 10 (84.1 percent) respondents are concerned about the pension crisis and the impact on New Jersey's business climate.
- New Jersey's extreme position on inheritance and estate taxes have long been a concern to individuals. Nevertheless, over three quarters (76.7 percent) of respondents did not see those as having an impact on their decisions related to location of their company's facilities or capacity expansion.
- The New Jersey Transportation Trust fund has been a major public policy issue over the last decade. However, surprisingly, approximately 6 out of 10 respondents (59.3 percent) do not see an increase of its funding as likely to spur economic growth.
- The majority of respondents (63 percent) consider the current attitude of the state government of New Jersey toward business to be indifferent or even hostile. Even more (80 percent) viewed the federal government's attitude in a negative light over the past four years. This trend is punctuated by a substantial shift toward positive (encouraging/enthusiastic and helpful/supportive) expectations for the federal government over the next four years (67.8 percent).
- The overwhelming majority of respondents (three out of four) agree that New Jersey's economic recovery has been lagging behind that of the nation. Of these, over half ranked the business tax climate as the most (39.5 percent) or second (14.3 percent) most significant factor behind this lag, and nearly half (44.9 percent) said the same of income taxes, highlighting these two factors as most important compared to other possibilities including labor costs, aging infrastructure, regulatory

climate, labor availability, other business costs, changing office space preferences, cost of commercial property, or the availability of commercial property for lease or purchase.

- Deteriorating infrastructure has become a major national concern. This is especially true in New Jersey, where more than 9 out of 10 (93.1 percent) respondents see it as important to the state's economy.
- Infrastructure influences the proclivity of respondents to invest in New Jersey. Nearly half (56.6 percent) of respondents reported that the condition of the state's infrastructure has an impact on their firms' decisions to invest in New Jersey.
- Survey respondents consider all major areas of transport—rail, air, roads, and ports—to be high priorities in terms of addressing infrastructure repair and maintenance.

2017 Cross-Sectional Data: Impact of Generational Changes on Business Practices in New Jersey

- Millennials are now the largest sector of the workforce. Unsurprisingly, respondents almost universally (8 in 10 or 78.0 percent) see a need to adjust their business practices to meet the needs of this generation as it gains prominence.
- The Millennial generation is often associated with differences in lifestyle from previous generations, and the office environment is changing to adapt to those differences. Respondents therefore indicated the following as important considerations as they seek updated office environments: open floor plans, a "live, work, play" creative environment, daylighting, coffee bar/kitchen, choice of workspaces, collaborative workspaces, quiet focus workspaces, and proximity / access to mass transportation.
- Adding to the evidence that Baby Boomers are rapidly becoming a generation of the past, nearly seven in ten (67.2 percent) respondents see no need to adapt existing business practices to meet their needs.
- Net out-migration of the Baby Boom generation from New Jersey has long been a concern, and this is reflected in 59.6 percent of respondents reporting evidence of this trend in their business sector. Of those, one half (50.0 percent) see this trend specifically affecting their businesses.
- Nonetheless, nearly two thirds (65.5 percent) of respondents do not see the exodus of Baby Boomers as a concern for future leadership replacements in their businesses, nor do they see it as affecting their firm's corporate board membership.

Detailed Analysis of Survey Results

Current Health of the United States and New Jersey Economies

The 2017 results reflect the most optimistic take on the United States economy since the C-Suite survey began. The current iteration shows a return to the general optimism of the 2007 survey, which was in a similar phase of the business cycle. Fully 82 percent of respondents indicated the health of the national economy is “good” or “excellent,” compared to 70.5 percent in 2007. In 2012, as the country was still in the early stages of the current expansion and still experiencing post-recession effects, only 8.1 percent considered the economy to be “good,” and zero percent indicated “excellent.” The 2017 survey also marks the first time that not a single respondent rated the national economy as “poor,” and only 18 percent considered it “fair.” Compared to 2012’s responses, where 28.3 percent rated it “poor” and 63.6 percent rated it “fair,” the current cycle’s results reinforce the notion that a positive outlook has replaced the pessimism of five years ago.

While ratings for the New Jersey economy remain overall substantially lower than those for the nation, 2017 marked the first year that any respondent rated New Jersey’s economy “excellent” (3.3 percent of responses); 38.3 percent of respondents rated New Jersey’s economy “good” or “excellent” this year, compared to 40.2 percent “good” in 2007, and only 11.0 percent during the more pessimistic 2012 cycle. After rising to a peak of 70 percent in 2012 from a baseline of 50 percent in 2007, the “fair” rating returned roughly to its pre-recession level this year (53.3 percent). Responses rating the New Jersey economy “poor” exhibited a similar pattern: 9.8 percent in 2007, spiking to 19.0 percent in 2012, and returning to 8.3 percent in 2017. Thus, respondents’ assessments of the New Jersey economy mostly mirror the pattern for the national economy, but show a less optimistic overall evaluation.

Business Climate and Expansion

Over the course of the C-Suite survey’s existence, perceptions of the quality of New Jersey as a place to do business have exhibited little change. It has been primarily rated “fair,” with ratings of 46.6 percent, 47.6 percent and 59.0 percent in 2007, 2012, and 2017, respectively. The modest increase in the “fair” rating comes mostly from a concurrent decrease in the “poor” rating: from 33.1 percent in 2007, to 29.3 percent in 2012, to a new low of 18.0 percent in the current cycle. The current “good” rating was consistent with both previous data points, with approximately one in five respondents each time selecting this rating. As in the past, virtually no one considers the New Jersey business climate to be “excellent.”

The pattern exhibited in ratings for New Jersey as a place to expand respondents’ companies is virtually identical to that for the state’s business climate. Respondents predominantly rated New Jersey “fair” as a place to expand their companies, reaching 57.4 percent in 2017. The “poor” rating decreased steadily from 37.6 percent in 2007 to a low of 21.3 percent in 2017.

United States and New Jersey Overall Economic Trends

A substantial majority (71.0 percent) of respondents indicated that the national economy has "gotten somewhat better" over the last twelve months. While in 2007 there was a sense that things were getting worse in the United States, that sentiment has decreased substantively in subsequent surveys. Survey results suggest a much more positive perspective in 2017 compared to a decade ago, when no respondent felt the economy had gotten "much better," and only 13.3 percent believed that it had gotten any better at all, while a majority (63.7 percent) felt it had gotten worse. This is another demonstration of general optimism in the 2017 survey.

The perspective on New Jersey shows a noticeable divergence from impressions of the nation. In contrast to the national ratings, which were predominantly positive, the ratings for New Jersey indicate an economy perceived to be fairly stagnant. Compared to approximately 71.0 percent for the nation, fewer than four out of ten (37.7 percent) respondents saw the New Jersey economy getting better—about half as many as for the United States as a whole. Responses were spread mostly between indicating that the economy has "gotten somewhat better" (37.7 percent), "stayed the same" (39.4 percent), or "gotten somewhat worse" (21.3 percent). This pattern is in line with previous years' results, in which there was some fluctuation, but remained clustered around the middle response, with very few respondents indicating that New Jersey's economy had "gotten much better" or "gotten much worse."

Concerning expectations for the next twelve months, 2017 generally marks the most optimistic survey thus far; over six in ten respondents (60.6 percent) believe the national economy will improve (the sum of "get much better" and "get somewhat better"). This is a modest increase over the 2012 results, in which 57.2 percent of respondents indicated the same net improvement. The 2017 results also appear to continue the pattern of cautious optimism that emerged in 2012, which marked a distinct change from the 2007 results, in which 40.7 percent of respondents anticipated the nation's economy would stay the same, while 34.1 percent felt it would get worse, and only 25.1 percent thought things would improve.

Regarding New Jersey, expectations are again weaker with slightly more than one in three (36.0 percent) respondents indicating they believe the economy will improve. This result marks a decrease from 2012's results, in which 59.0 percent thought the economy would improve, but it still remains higher than in 2007, where only 14.0 percent anticipated improvement. A plurality of respondents (49.2 percent) think the economy in New Jersey will stay the same, providing further evidence for the perception of a "slow go" state economy.

Investing in New Jersey

Predictions about capital spending in New Jersey have changed little over the course of the survey's history. Similar to 2012 results, 2017 saw approximately one third of respondents indicating their company would increase capital spending over the coming twelve months. Most (58.7 percent) anticipated no change. The most pronounced change was in those who foresaw a decrease in capital spending, from 18.5 percent in 2007, to 11.6 percent in 2012, to only 6.3 percent in 2017. As was the case in 2012 (34.8 percent), over a third (34.9 percent) see their firms increasing capital spending in the next year—a slight increase from 2007 (25.9 percent).

The 2017 survey marks the strongest result yet concerning plans to hire New Jersey-based employees. For the first time, over one half (51.6 percent) of respondents anticipate hiring more people in the state. This continues a general upward trend in this response: 36.3 percent in 2007, 41.6 percent in 2012, and 51.6 percent in 2017. This increase is accompanied by a corresponding decrease in those anticipating no change—45.9 percent in 2007, 43.0 percent in 2012, and 33.9 percent in 2017. Those indicating they would decrease the number of New Jersey employees have remained consistent and low, hovering around 15 percent.

A divergent trend is evident in the results pertaining to plans for utilization of office space in New Jersey. The number of respondents indicating their firms are likely to increase their space went up by 10.1 percent, from 20.1 percent in 2012, to 30.2 percent in 2017, while the number who signaled their firms would decrease their space utilization *also* increased, reaching 23.8 percent in 2017, up from 11.2 percent in 2012. This trend is likely indicative of the changing nature of work, changing utilization of space, and technological advancements, all in the context of a growth environment.

New Jersey Taxes and State Attitudes toward Business

There is a clear consensus when it comes to how respondents view the impact that New Jersey's current tax climate has on their businesses, and it largely replicates results from the past two survey periods. The overwhelming sentiment (well over 90 percent) is that New Jersey is worse than other states in terms of business, sales, property, and personal income taxes. Surprisingly, a precious few opined that New Jersey is better than most states in this regard; observed trends (2007-2017), however, indicate this positive response a species rapidly heading for extinction.

In general, perceptions of the state government's attitude toward business have not changed drastically, with a couple of notable exceptions. There has been a sharp increase in those labeling the attitude of New Jersey's state government as "indifferent / uncaring," from 33.2 percent to 56.5 percent. Simultaneously, there is a sharp decrease in those marking "hostile / difficult" from 18.7 percent in 2012 to 6.5 percent in 2017. These changes demonstrate a tendency away from both extreme positive and extreme negative ratings, and a clustering around middling perceptions of the state's attitude.

Revenue and Cost Projections

The trend of confidence seen in several measures so far is further demonstrated in respondents' predictions about revenues in the coming year. Nearly 4 out of 5 respondent firms (78.3 percent) expect their revenues to increase over the next twelve months – the highest figure from any recorded survey so far. Only 21.7 percent indicated that they did not anticipate an increase in revenues.

While plans to reduce costs remained consistent between 2009 and 2013, 2017 showed a diminished propensity to do so. Cost reduction remains a significant factor, with 62.3 percent indicating plans to cut costs, but 2017 is significantly lower than the 75.6 percent report in 2009 and the 74.8 percent value from 2013. Taken together with the large proportion of respondents who foresee increased revenues in the coming year, these responses concerning cost reduction indicate cautious optimism.

Doing Business in New Jersey

Despite evidence of some dissatisfaction with aspects of New Jersey's business climate demonstrated in several of the previously presented metrics, respondents indicate strong ties between their companies and the state. Overwhelmingly, respondents' firms are strongly committed to retaining their presence in New Jersey, with 96.8 percent indicating that their firms are either "very" (84.1 percent) or "somewhat" (12.7 percent) committed to retaining their presence in New Jersey.

Several themes emerged as respondents described the reasons for their strong commitment to New Jersey. Many indicated that New Jersey is "home," and they feel a responsibility to the state. Similarly, several expressed that their companies were either founded in New Jersey or have been here for a very long time, making New Jersey an irremovable part of their corporate heritage and business identity. These sentiments are linked to the fact that many of the companies' client bases are primarily located in New Jersey, as are their employees and corporate headquarters. The labor pool and proximity to large markets, such as those in New York and Pennsylvania provide added impetus to maintain presence in New Jersey. Those few who indicated a possibility of making an exit from the state cited, as reasons to leave, onerous regulation and a feeling that the state does not help small businesses.

Respondents were asked to rate several possible advantages and disadvantages to doing business in New Jersey. These rankings were made using a scale of 0 to 4, in which 0 indicates a "major negative factor" and 4 indicates a "major positive factor." The mean scores for each factor indicate the overall degree to which they are advantageous or disadvantageous, with a higher score being more advantageous. Major positive factors include the quality of public education (3.0), the quality of higher education (3.0), the availability of workforce (2.8), the quality of the workforce (3.1), being located in New Jersey (2.9), being located in the Northeast (3.2), access to business to customer markets (2.8), access to business to business markets (2.8), access to health care (2.9), and access to air transportation (2.8). In short, geography matters—New Jersey's location and proximity to many strategic resources constitute major advantages to doing business. Its quality education system and qualified workforce positively compound the geographic advantages.

Major disadvantages as reported by respondents included cost of living (0.8), cost of housing (1.0), affordability of workforce (1.5), congestion (1.0), and local land use regulations (1.5). Between 2007 and 2017, a few notable changes took place in these ratings, most notably with congestion becoming a much more serious disadvantage, decreasing from 1.8 in 2007 to 1.0 in 2017. Port transportation changed from being a disadvantage (1.3 in 2007) to a slight advantage (2.4 in 2017), and the quality of environmental life moved from being a major disadvantage (0.8) to a fairly neutral concern (2.2).

Living in New Jersey

Respondents are generally satisfied with New Jersey as a place to live: 86.2 percent are either "somewhat satisfied" (65.5 percent) or "very satisfied" (20.7 percent) with living in New Jersey, compared with only 13.7 percent who are either “not too satisfied” (10.3 percent) or “not at all satisfied” (3.4 percent) with living in the state.

Overall, respondents are even more satisfied with their particular local communities, with 93.1 percent indicating that they are either “somewhat satisfied” (32.8 percent) or “very satisfied” (60.3 percent). Only 6.9 percent indicated they were either “not too satisfied” (5.2 percent) or “not at all satisfied” (1.7 percent). These figures remained largely consistent between 2007 and 2017. The biggest shift is an approximately 15.1 percentage increase in respondents “very satisfied” with their local communities and a corresponding decrease in those who were only “somewhat satisfied.”

Respondents were also asked to rate satisfaction with their local communities as a place to send their children to public school. Again, the trend is one of overwhelming satisfaction with 93.9 percent of respondents indicating they are either “somewhat satisfied” (35.7 percent) or “very satisfied” (48.2 percent) with their community’s public school. These figures also remained largely consistent between 2007 and 2017, with the biggest shift being from those who were “somewhat satisfied” to being “very satisfied.”

Taxes, Government Attitudes, and Impacts on Business

This year’s survey also posed a variety of questions about certain taxes and perceived attitudes about government. Specifically, these questions are intended to shed light on how such factors are affecting business in the state of New Jersey.

More than 8 out of 10 respondents are concerned about the New Jersey State pension crisis and its impact on the business climate in New Jersey, with 44.4 percent of respondents indicating they are “somewhat concerned,” and nearly four in ten (39.7 percent) indicating they are “very concerned.”

Further, New Jersey’s extreme position on inheritance and estate taxes has long been a concern to individuals. Nevertheless, over three quarters of respondents (76.7 percent) did not see those taxes as having an impact on their decisions as to where to locate their companies or expand capacity.

The New Jersey Transportation Trust Fund has represented an increasingly major public policy issue over the last decade. Surprisingly, approximately 6 out of 10 respondents (59.3 percent) do not see the increase in the gas tax to fund the Trust as a factor that will spur economic growth in New Jersey.

Despite the lukewarm anticipation of its economic effects, many respondents see the funding of the Trust Fund as an important step for New Jersey. Several indicated that it is a necessary step to help New Jersey’s infrastructure, which is in desperate need of attention, with some opining that there was no choice but to raise and direct money toward such projects. Respondents noted that New Jersey’s roads and bridges in particular are in poor shape. Others see the fund as something that will provide for state projects and stimulate growth, including maintaining and creating jobs. Further, some pointed out that many New Jersey industries are related to or dependent on ports and logistics, which heavily rely on functional infrastructure.

Some, however, saw little reason for optimism in augmenting the Trust Fund, citing an already onerous tax burden and a lack of controls on the money. Many feared that money in the fund that should be used for critical infrastructure repairs will be misappropriated or directed to “pet projects,” and exhibited a general fear of regulation and corruption.

The majority of respondents (63 percent) consider the current attitude of the state government of New Jersey toward business to be indifferent or even hostile. Similarly, they consider the attitude of the federal government over the past four years to be even more negative, with the vast majority of respondents marking it as either “indifferent / uncaring” (61.7 percent) or “hostile / difficult” (18.3 percent). This trend is punctuated by a substantial shift toward positive expectations for the federal government over the next four years (67.8 percent).

Respondents expressed a variety of factors that underlie the general perception of New Jersey’s state government being out of step with business and its demands. Many indicated unhappiness with the taxes in New Jersey, specifically citing pension and estate taxes as needing reform, but also indicating that corporate taxes are a problem. Further, they feel that New Jersey ignores small and medium sized businesses in favor of big business, while at the same time maintaining an environment of red tape, overregulation, lack of communication, and general unfriendliness to business.

Still, there were respondents who pointed out positives about New Jersey’s state government concerning business. Some indicated that the state government is working to keep businesses in New Jersey and to improve communication between the state and businesses. They cite incentives stemming from the New Jersey Economic Development Authority, Grow NJ, and state tax credits. Further, some indicated that the current state administration has been business friendly.

As concerns the federal government, mixed themes emerged in evaluation of the past four years. Some indicated that their taxes have gone up. At the same time, several indicated they feel that the federal government has ignored New Jersey, with infrastructure being overdue for improvement, no evidence of specific help coming to New Jersey from the federal government, and some perceptions of the exiting administration as having been business-unfriendly. In addition, some perceived politics as being a driving force with business as an afterthought, and that there was a general lack of visibility and/or evidence of federal help or involvement in improving New Jersey.

Voices of dissent emerged, however, with some intimating that the outgoing administration had employed calculated, stabilizing practices that supported businesses and the economy. Some also pointed to federal aid programs that had seen some success, and others noted that the Affordable Care Act had benefitted some sectors, including driving innovation in the health care field.

Lastly, most respondents exhibited optimism about the economic prospects and potential business effects presented by the federal government over the next four years. Many cited the new administration, its ties to New Jersey, and its pro-business stance as potential assets as the next four years unfold. Particularly, they indicated this timeframe is likely to see a generally supportive environment toward business, with lower taxes, a new federal tax policy, and a potential infrastructure-spending bill.

Some were wary of the future, however, indicating a tendency of the federal government to ignore small business in favor of big business, which could adversely affect their outlooks. Others pointed to the potential defunding of programs that currently have a positive effect, directly or indirectly, on their businesses. Finally, a general uncertainty about how the next four years will play out was in evidence, with a particular worry about what actions would manifest from the rhetoric that has accompanied the recent change in administrations.

New Jersey and Economic Recovery

The results in this section of the survey continue the trend thus far, in which respondents are less bullish on New Jersey's economy compared with that of the United States as a whole. The overwhelming majority of respondents (more than seven in ten, or 73.7 percent) agree that New Jersey's economic recovery has been slower than that of the United States overall. Specifically, 34.4 percent indicated they "somewhat agree" that New Jersey's economic recovery has been lagging behind that of the nation, while 39.3 percent indicated they "strongly agree" with this assessment.

Of this subset, over half ranked the business tax climate as the most or second most significant factor behind this lag. Nearly half of respondents marked income taxes as either the most or second most significant factor. These two factors stand out sharply as the most important inhibitors to New Jersey's recovery as determined by respondents. They emerged clearly as frontrunners compared to other possibilities including labor costs, aging infrastructure, regulatory climate, labor availability, other business costs, changing office space preferences, cost of commercial property, or the availability of commercial property for lease or purchase.

Infrastructure and Business

Deteriorating infrastructure has been a major national concern, and as of late has only become more prominent an issue. This is especially true in New Jersey, where more than 9 out of 10 respondents see it as an important factor affecting the state's economy; only 1.7 percent described infrastructure as "not at all important" in its effects on the economy. Infrastructure in New Jersey, then, remains a highly concerning issue.

The importance of this issue should make it come as no surprise that infrastructure influences the proclivity of respondents companies to invest in New Jersey. Nearly half of respondents (46.6 percent) reported that the condition of the state's infrastructure has an impact on their firms' decisions to reinvest in New Jersey.

Survey respondents consider all major modes of transport and related facilities—rail, air, roads, and ports—to be high priorities in terms of addressing infrastructure repair and maintenance. Roads and rail lines stand out as major priorities in the eyes of survey respondents, with 84.2 percent considering roads to be a "very important priority," and 67.9 percent indicating the same of rail lines. Virtually all respondents attach a degree of importance to all of New Jersey's major transportation facilities, with very few indicating that any of the four options are "not at all an important priority"—3.6 percent for rail, 8.8 percent for airports, 1.8 percent for roads, and 16.1 percent for ports.

Demographic Changes: Enter the Millennials, Exit the Baby Boomers

Between changes spurred by technological advancements and increasingly evident generational differences, the current business environment is one of transitions. With their generation's appellation having become a buzzword associated with changes in business practices and lifestyles, Millennials (roughly those aged 20 to 36 years old as of 2017) are now the largest sector of the workforce. Unsurprisingly, respondents almost universally (8 in 10 or 78.0 percent) see a need to adjust their business practices to meet the needs of this generation as it continues to gain dominance.

Among several notable shifts, the Millennial generation is often associated with differences in lifestyle from previous generations, and the office environment is changing to adapt to those differences. Respondents therefore indicated the following as important considerations as they seek updated office environments: open floor plans (64.4 percent), a "live, work, play" creative environment (66.1 percent), daylighting (64.4 percent), coffee bars/kitchens (81.3 percent), choice of workspaces (62.1 percent), collaborative workspaces (66.1 percent), quiet focus workspaces (65.5 percent), and proximity / access to mass transportation (61.0 percent). All of these considerations taken together mark a major departure from the characteristics of the standard-interstate-issue suburban office environments of the latter half of the twentieth century, and can be taken as an indication that changes will continue in the near future.

Respondents provided many specific examples as to how they see their businesses changing to adapt to a more Millennial-based workforce. They noted changing and more flexible workspaces, accompanied by flexible work hours, and more opportunities to work from home. Further, they noted a distinct need to accommodate new lifestyle patterns exhibited by Millennials, in particular a tendency to live in or near cities and town centers as opposed to outlying suburbs. Finally, while some bought into ideas about Millennials having a decreased work ethic and sense of entitlement, many opined that the Millennial generation is talent-rich and hard-working, assuaging worries about depending on this generation for future workforce needs.

Millennials as customers are also having a notable effect on markets and business practices, and respondents described several ways in which this trend is happening. Many noted that in order to attract Millennials, current and future development of technologies within their business sectors is essential. New sectors are taking on importance due to Millennial buying habits—e-commerce, logistics, and fulfillment operations are all expanding and are showing no signs of slowing. Millennials perform many more basic functions of their lives through mobile electronic means, and respondents see a clear need to harness this trend, leveraging social media, for example, as opposed to more traditional means to reach and interact with customers.

Lastly, they note that not only are the mechanisms through which Millennials conduct their lives distinct from past generations, but their buying habits and values are also divergent. Millennials are more discerning customers, and online reviews and information, for example, are very important as the younger generation is prone to research and become informed when making purchasing decisions. Millennials are "asset-light," placing higher emphasis on quality experiences than on material acquisition. While they are discerning, respondents note that Millennials are often willing to pay top dollar for fulfilling and memorable experiences.

These trends are occurring at a time when the Baby Boom generation (roughly those aged 53 to 71 years old as of 2017) is in the process of aging out of the workforce. Adding to the evidence that Baby Boomers are rapidly becoming a generation of the past, nearly seven in ten respondents see no need to adapt existing business practices to meet their needs. The adaptations that respondents do anticipate revolve more around the aging of the Boomer generation then an increased prominence. They indicated factors such as changes toward retirement, longer working lives, and changes in health services for an aging population as primary ways in which businesses may adapt for this particular generation.

Net out-migration of the Baby Boom generation from New Jersey has long been a concern, and this is reflected in 59.6 percent of respondents reporting evidence of this trend in their business sector. Of those, half (50.0 percent) see this trend specifically affecting their businesses. These effects come in the form of people closing local accounts in favor of new ones in their new areas of residence, the stagnation of home values as people leave, and a trend of Boomers leaving as soon as they have an "empty nest," to name a few examples provided by respondents.

Nevertheless, fully two thirds of respondents (65.5 percent) do not see the exodus of Baby Boomers as a concern for future leadership replacements in their businesses. Some pointed to looming retirement in the next five years, a general "brain drain," and the loss of experience, knowledge, talent, and institutional knowledge as patterns associated with departing Boomers, but most did not see these things as a significant obstacle to continued business in New Jersey moving forward.

APPENDIX

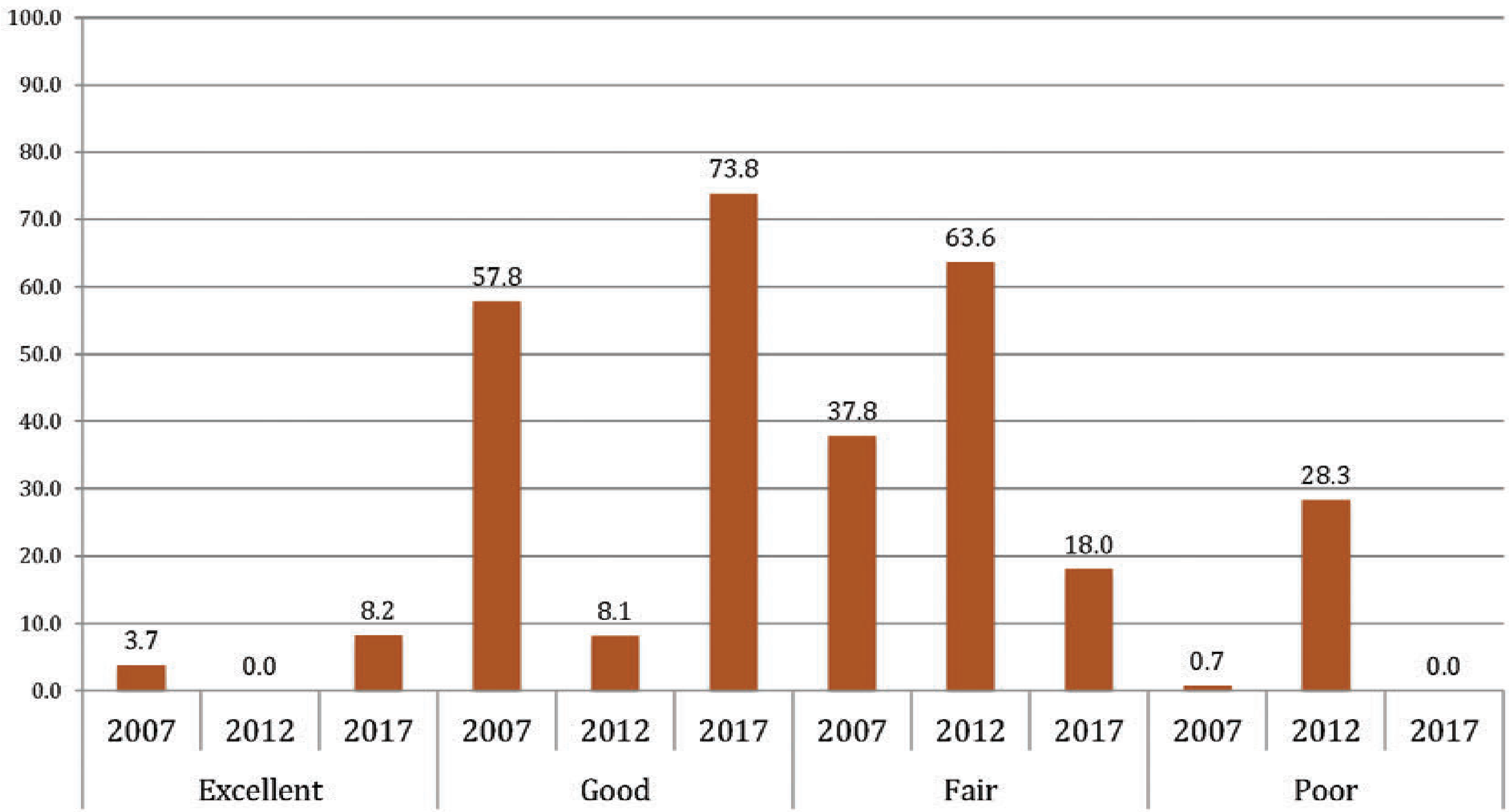
C-Suite – 2017 Economic and Business Conditions Study

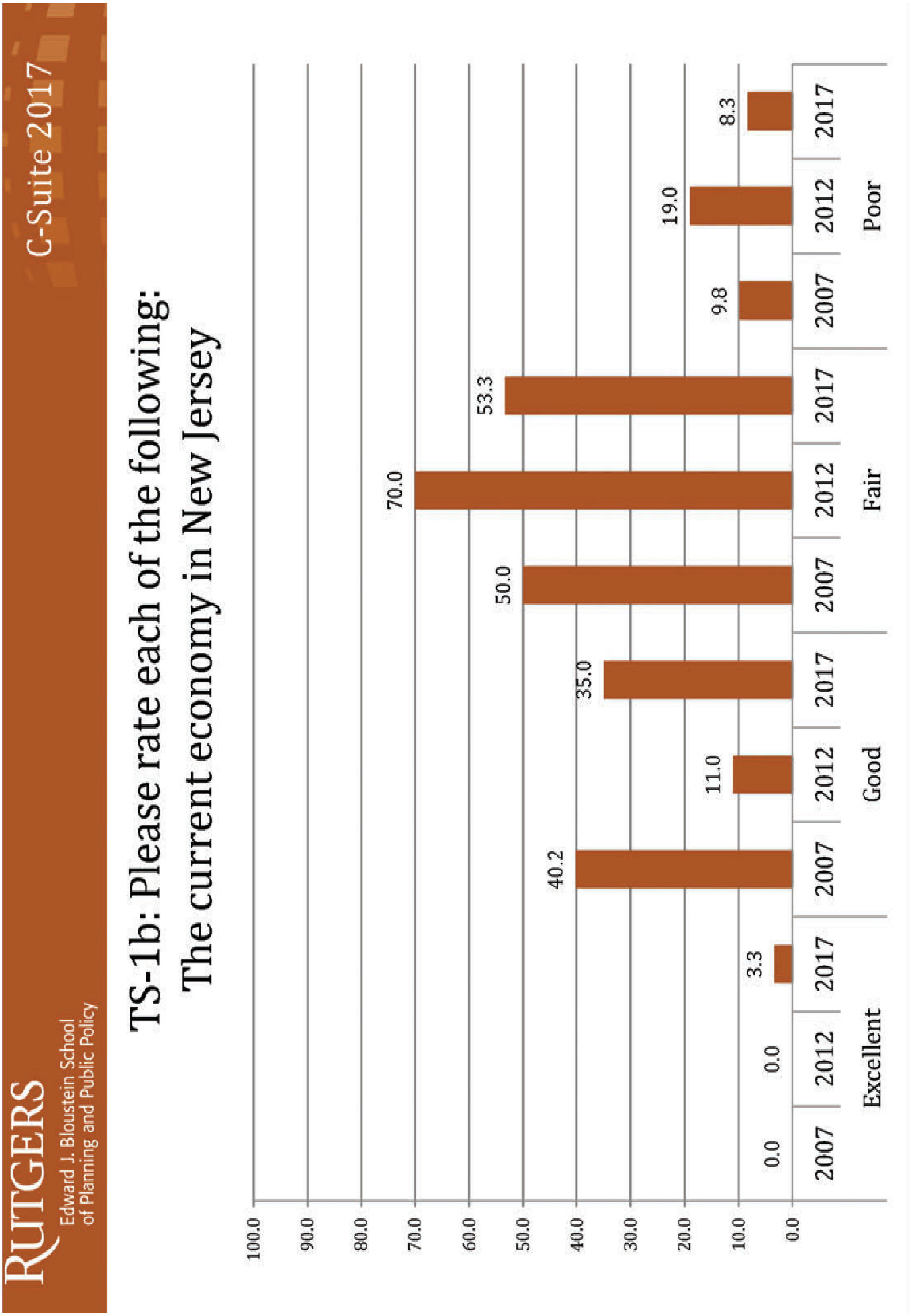
Survey Questions and Responses

Time-Series Panel Data:

Baseline 2007
Five-year update 2012
Ten-year update 2017

TS-1a: Please rate each of the following: The current economy in the United States

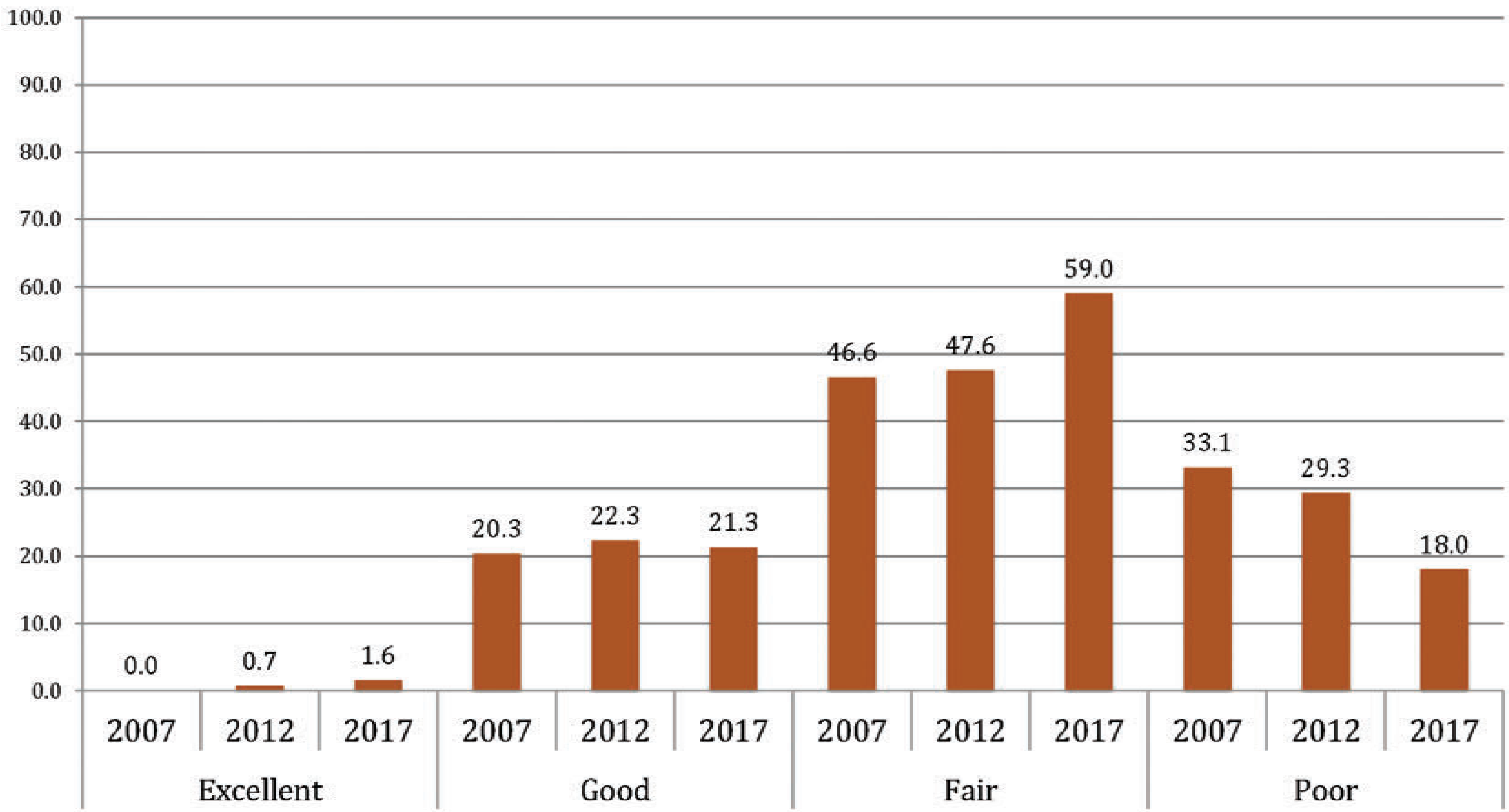



RUTGERS
Edward J. Bloustein School of Planning and Public Policy
C-Suite 2017
TS-1b: Please rate each of the following:
The current economy in New Jersey
100.0
90.0
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
0.0
0.0
0.0
3.3
40.2
11.0
35.0
50.0
70.0
53.3
9.8
19.0
8.3
2007
2012
2017
Excellent
Good
Fair
Poor
© 2007—2017, Rutgers, The State University of New Jersey
June 27, 2017

RUTGERS
Edward J. Bloustein School
of Planning and Public Policy

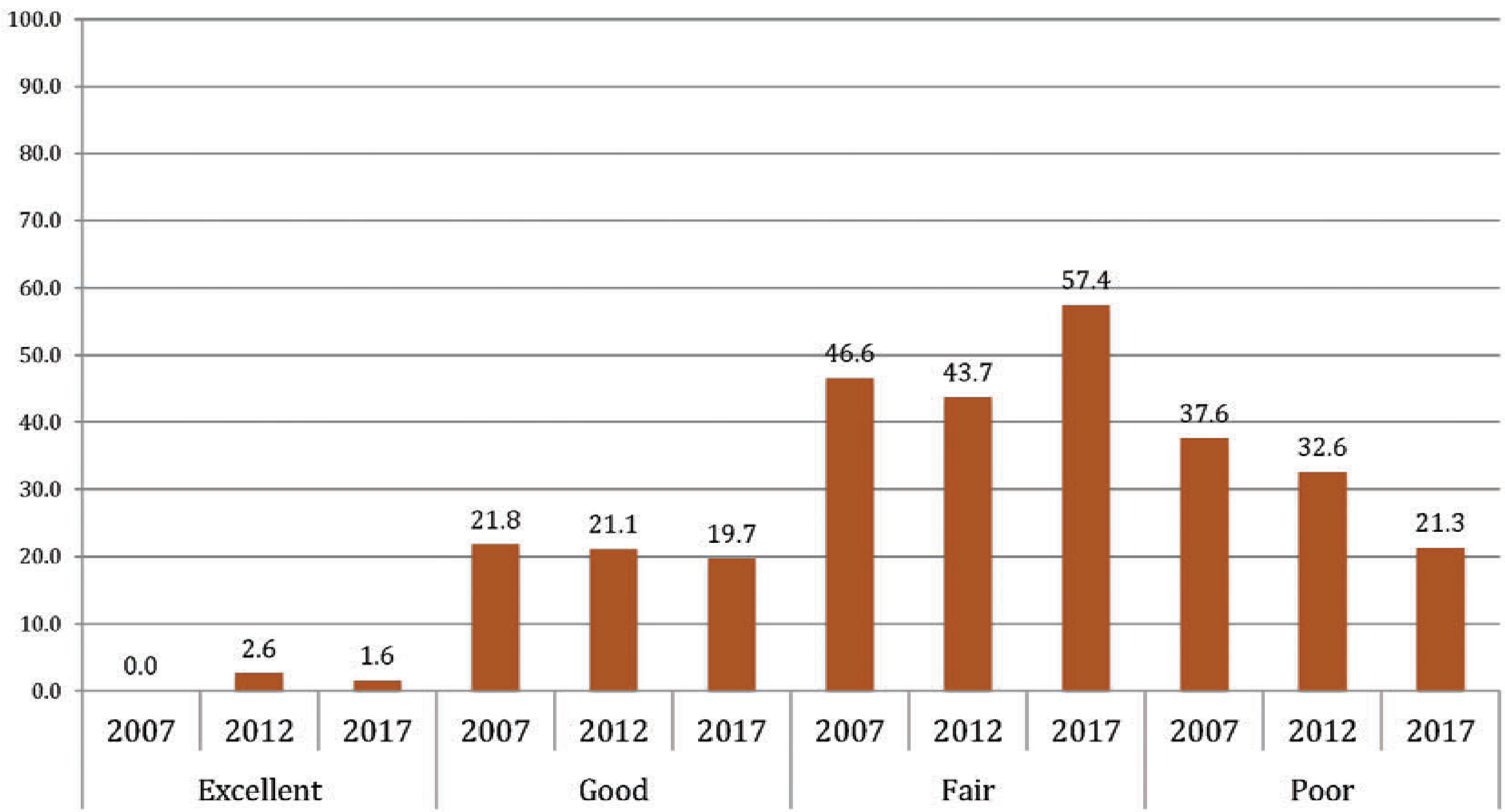
C-Suite 2017

TS-1c: Please rate each of the following: New Jersey as a place to do business



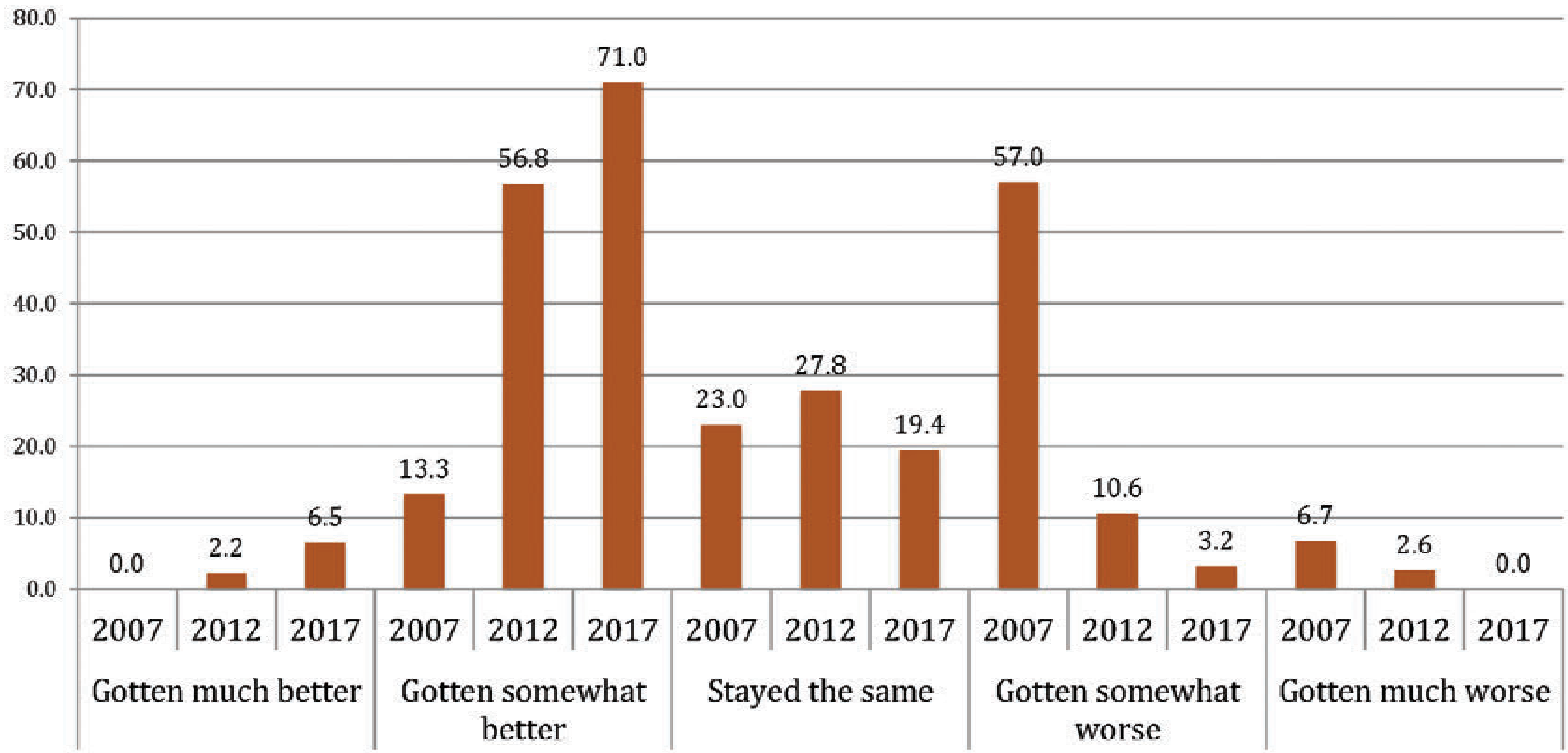
June 27, 2017

TS-1d: Please rate each of the following: New Jersey as a place to expand your company



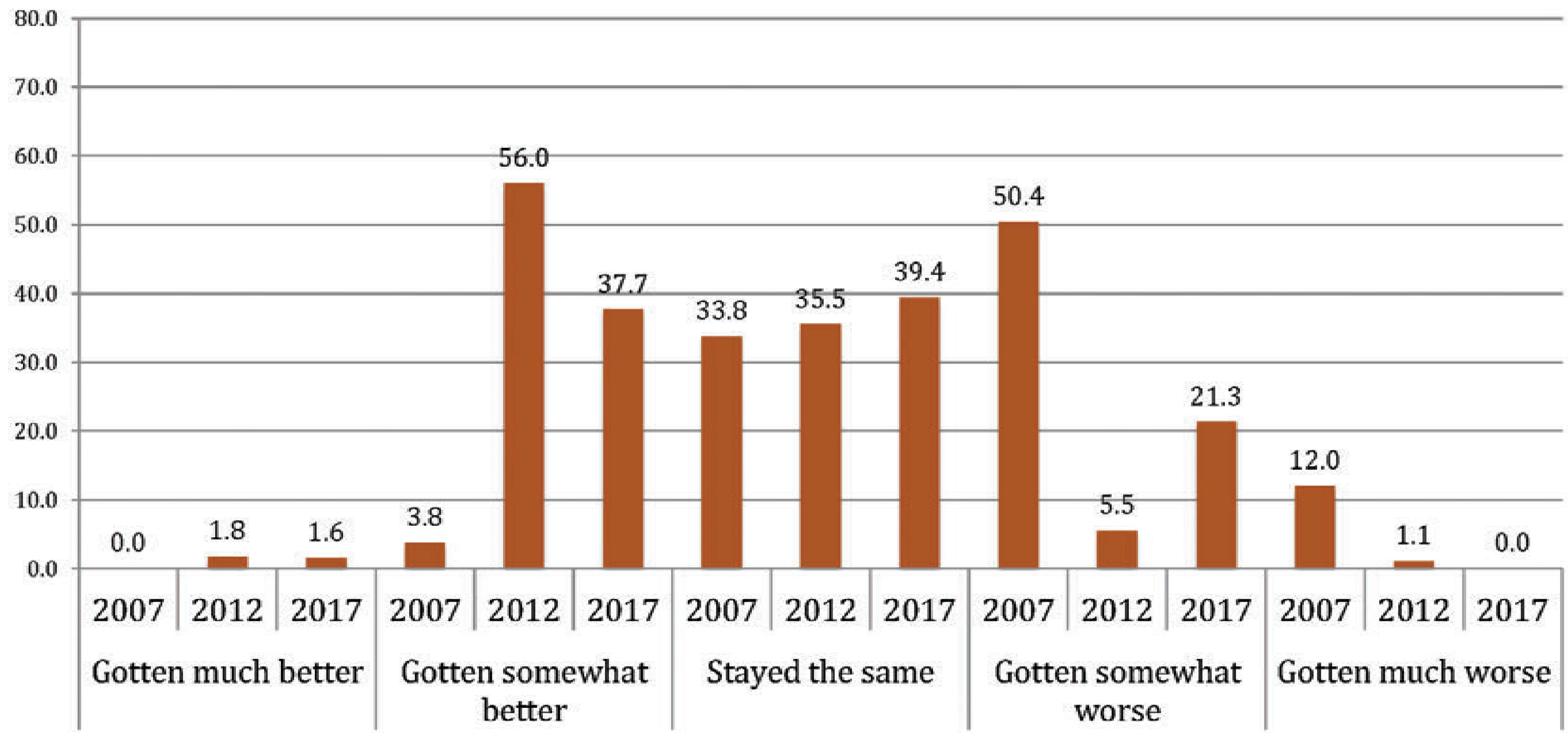
TS-2a: Now, thinking about both the United States and New Jersey, please compare current economic conditions with the conditions over the last 12 months, by completing the following statements:

In the past 12 months, the United States economy has...



TS-2b: Now, thinking about both the United States and New Jersey, please compare current economic conditions with the conditions over the last 12 months, by completing the following statements:

In the past 12 months, the New Jersey economy has…

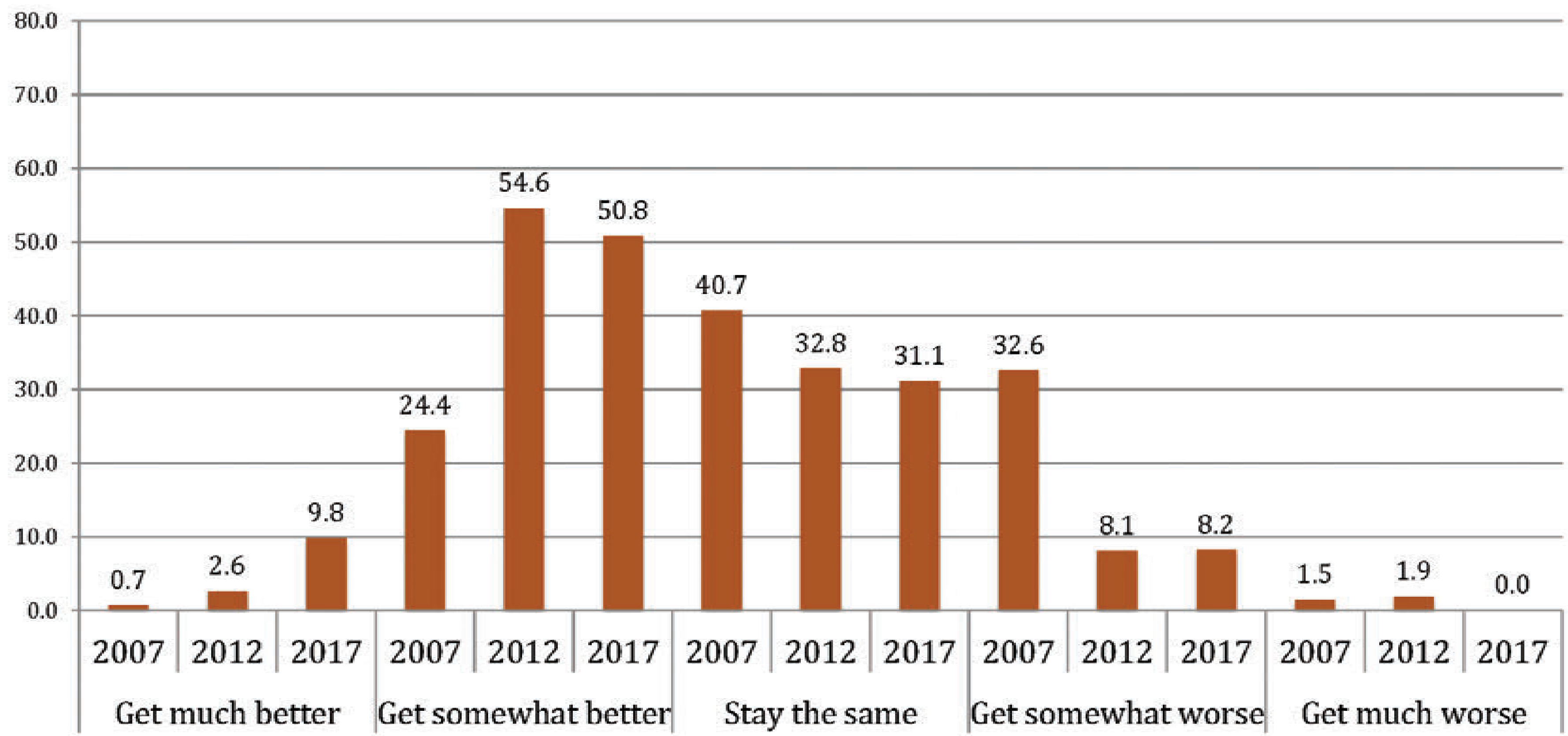


RUTGERS
Edward J. Bloustein School
of Planning and Public Policy

C-Suite 2017

TS-2c: Again, thinking about both the United States and New Jersey, please compare current economic conditions with your expectations for the next 12 months, by completing the following statements:

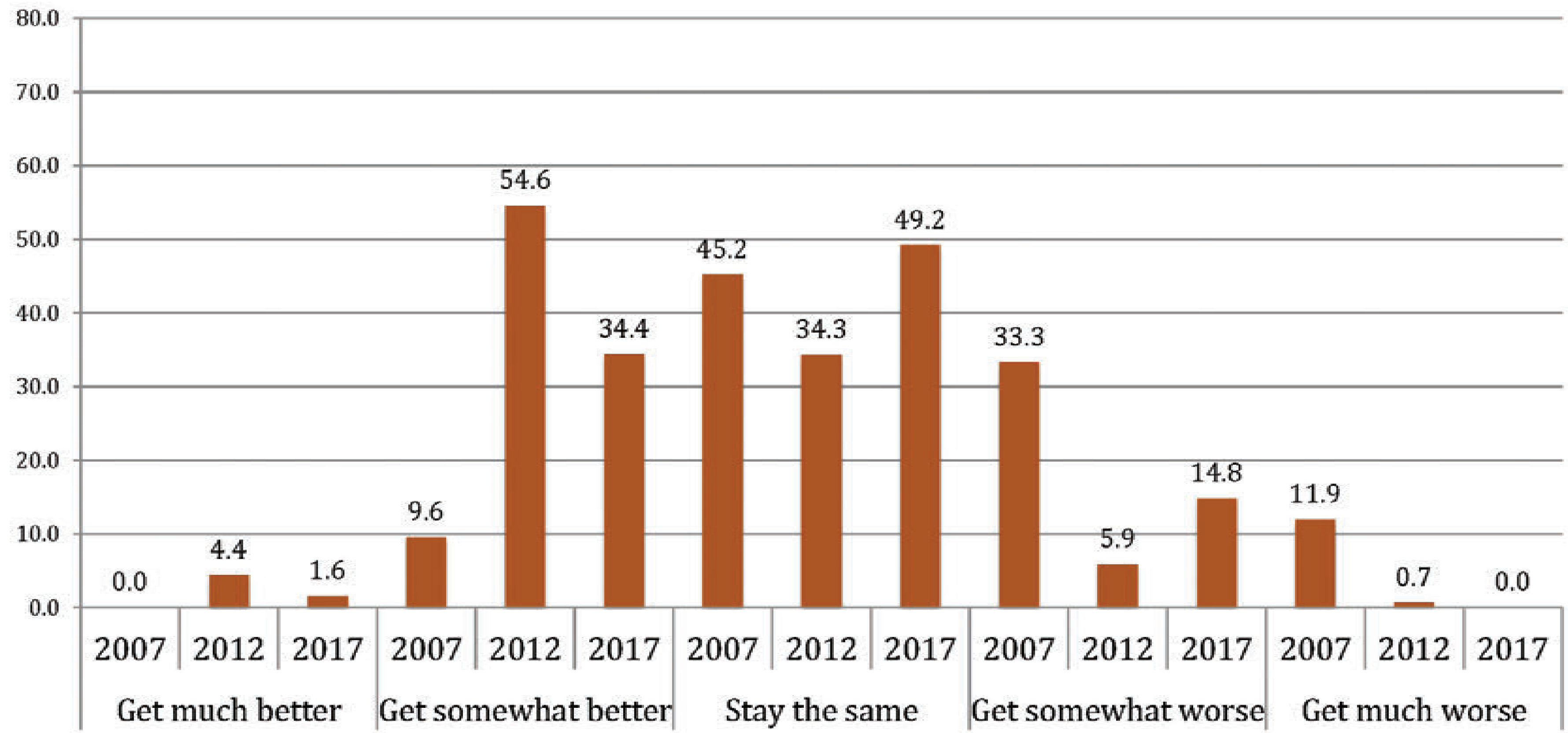
In the next 12 months, I expect the United States economy to…



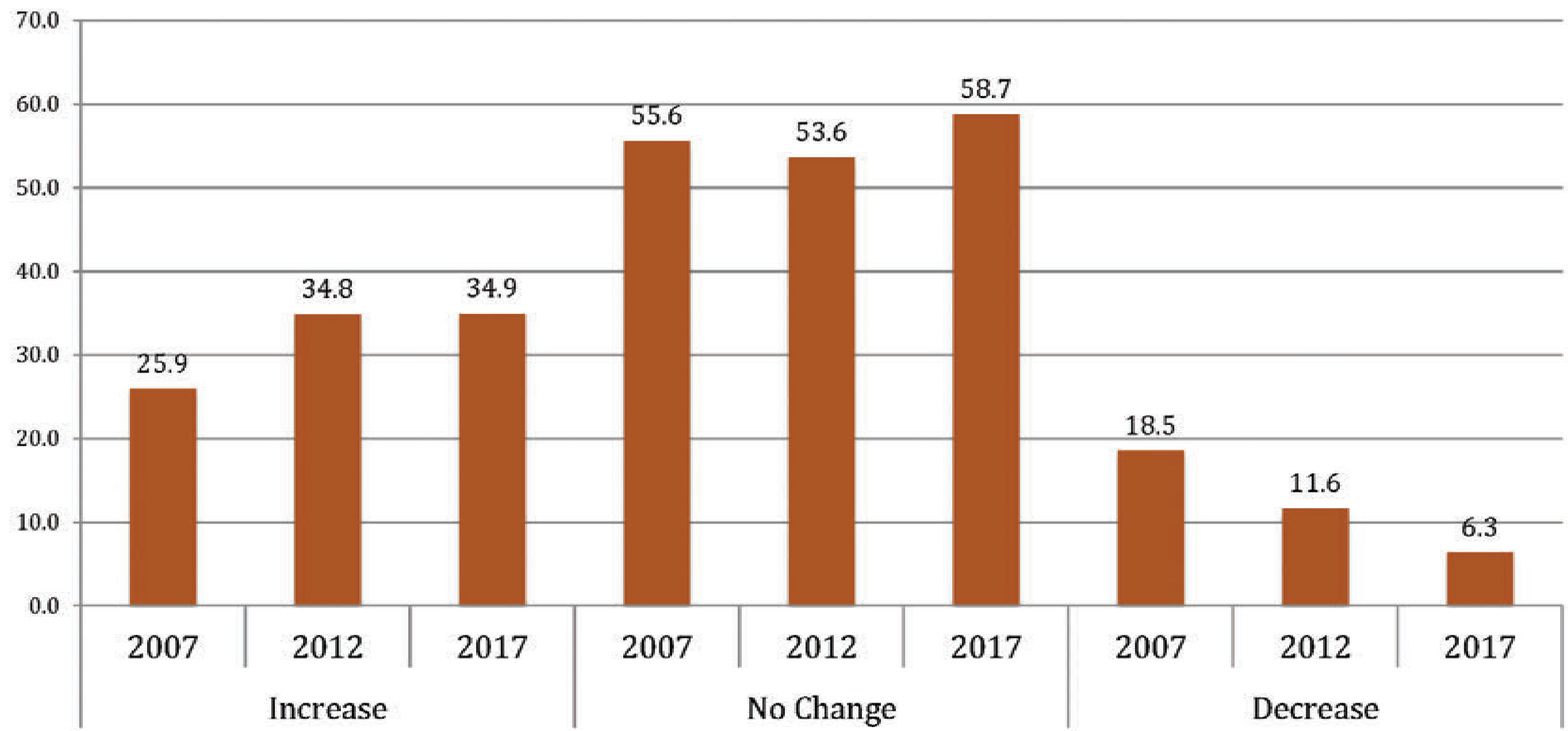
June 27, 2017

TS-2d: Again, thinking about both the United States and New Jersey, please compare current economic conditions with your expectations for the next 12 months, by completing the following statements:

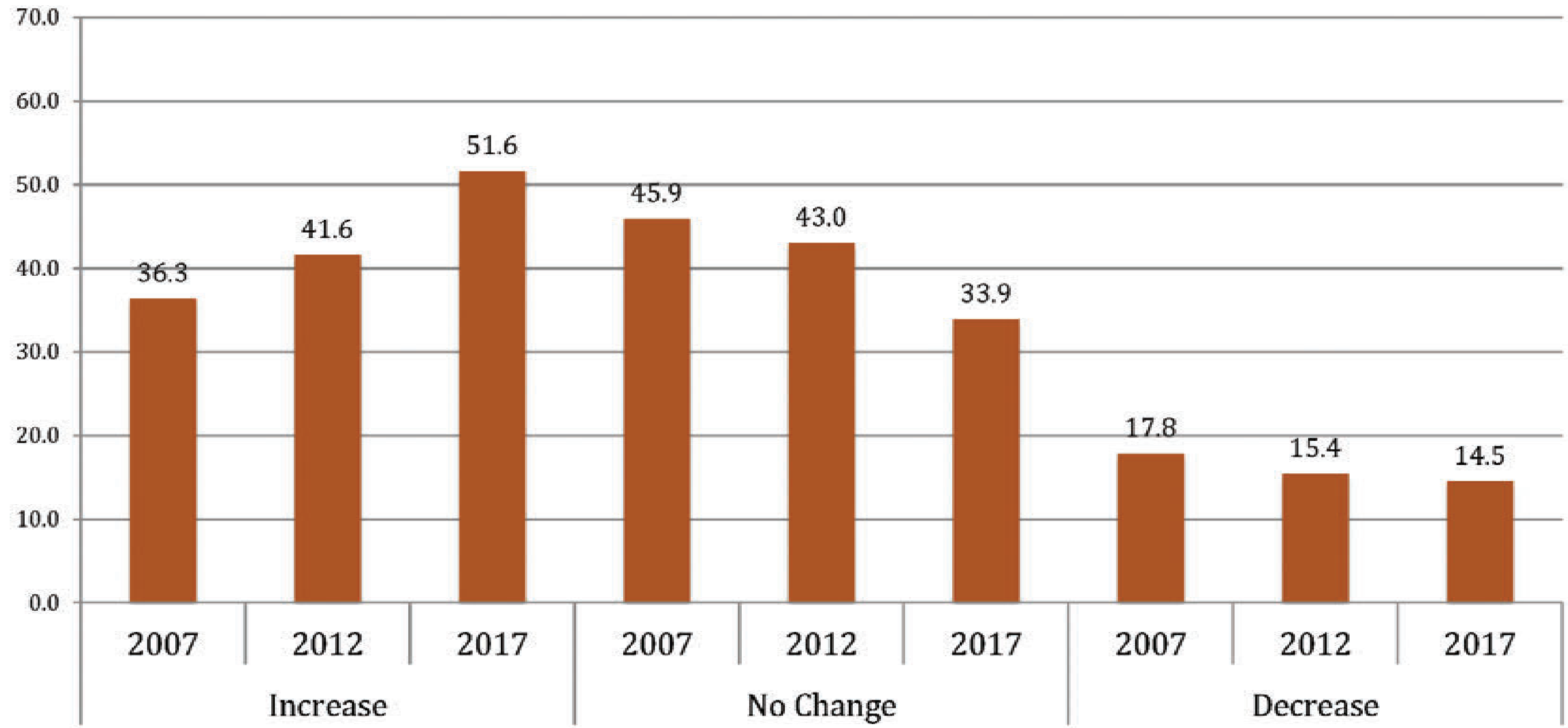
In the next 12 months, I expect the New Jersey economy to...



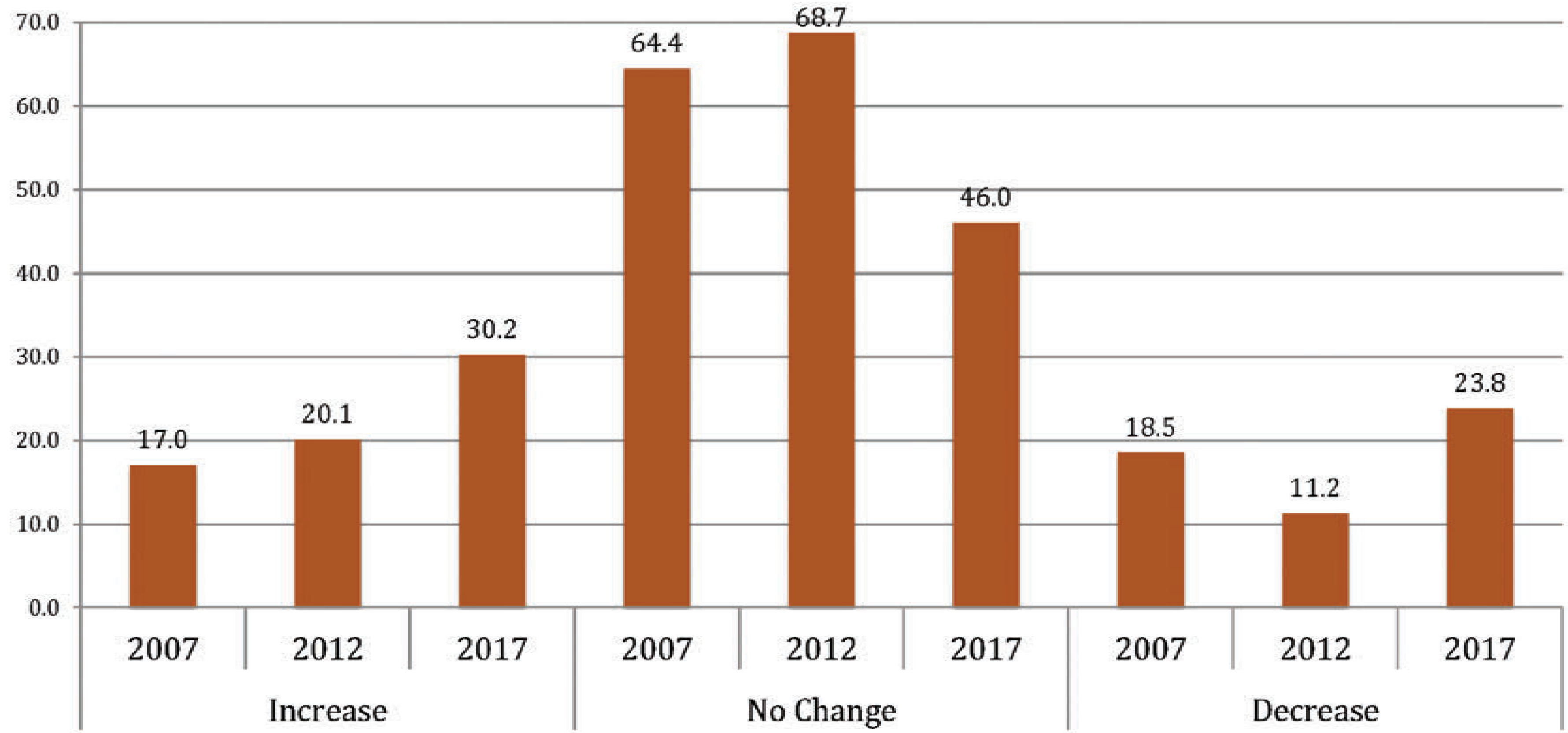
TS-3a: We are interested in how you think your company will change over the next year. For the following categories, please indicate whether you think that for your company these will increase, stay the same, or decrease during the next 12 months: ***Capital spending in New Jersey.***



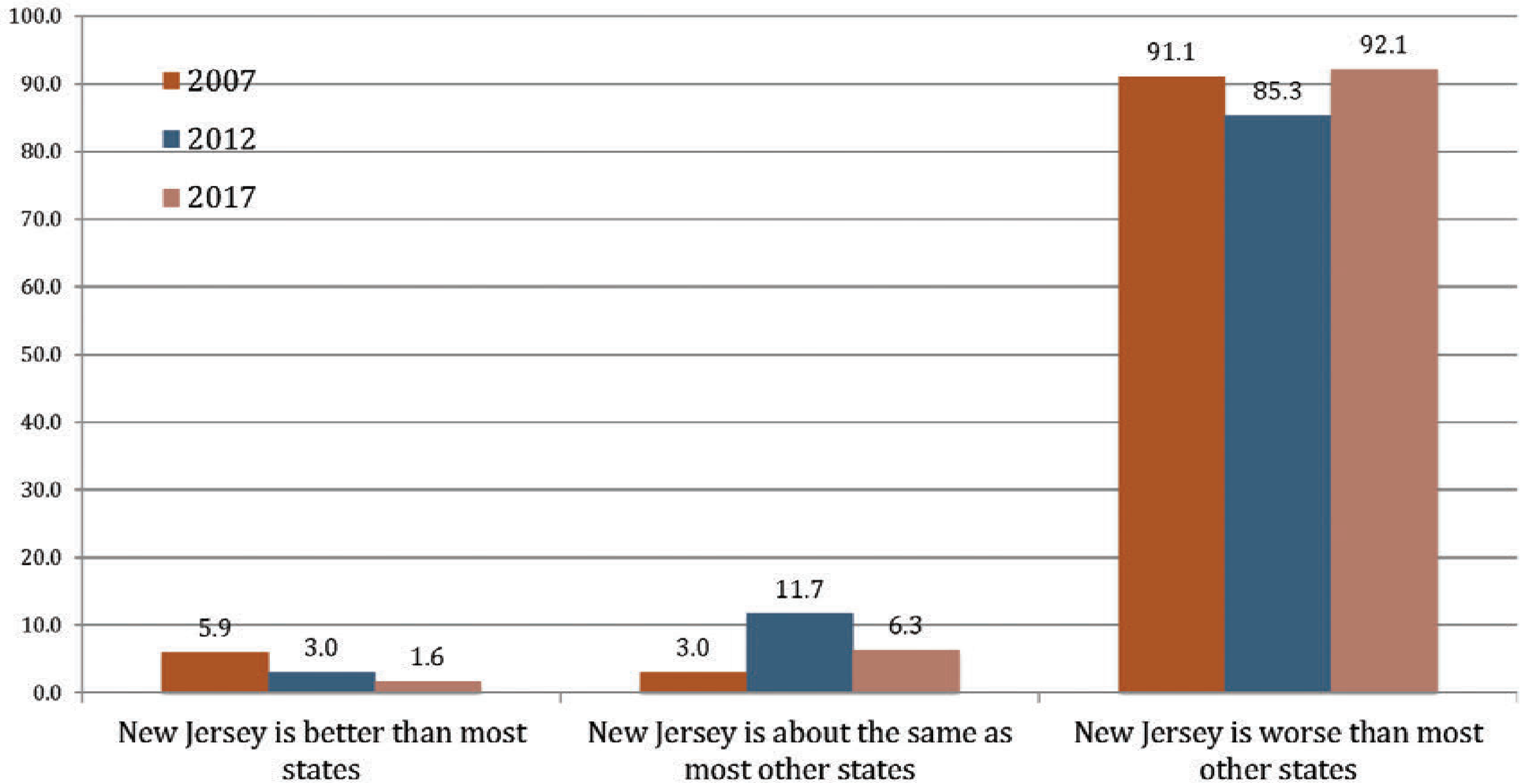
TS-3b: We are interested in how you think your company will change over the next year. For the following categories, please indicate whether you think that for your company these will increase, stay the same, or decrease during the next 12 months: ***Number of NJ-based employees.***



TS-3c: We are interested in how you think your company will change over the next year. For the following categories, please indicate whether you think that for your company these will increase, stay the same, or decrease during the next 12 months: ***Space utilization in New Jersey.***

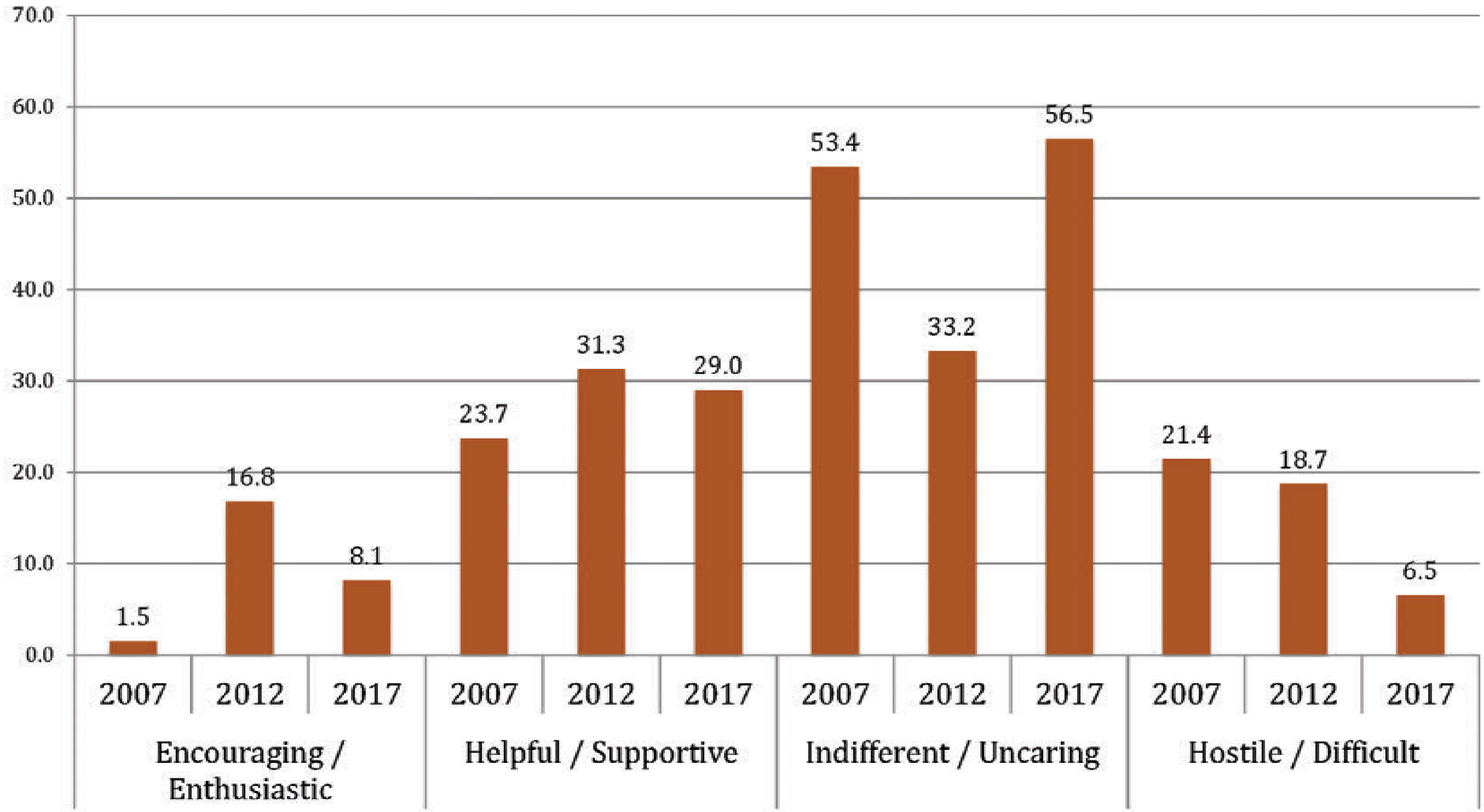


TS-4a: Thinking about the impact on your company of all New Jersey taxes -- business, sales, property and personal income -- would you say:



RUTGERS
Edward J. Bloustein School
of Planning and Public Policy

TS-4b: Which of the following best describes the current attitude of the state government towards business in New Jersey?



June 27, 2017

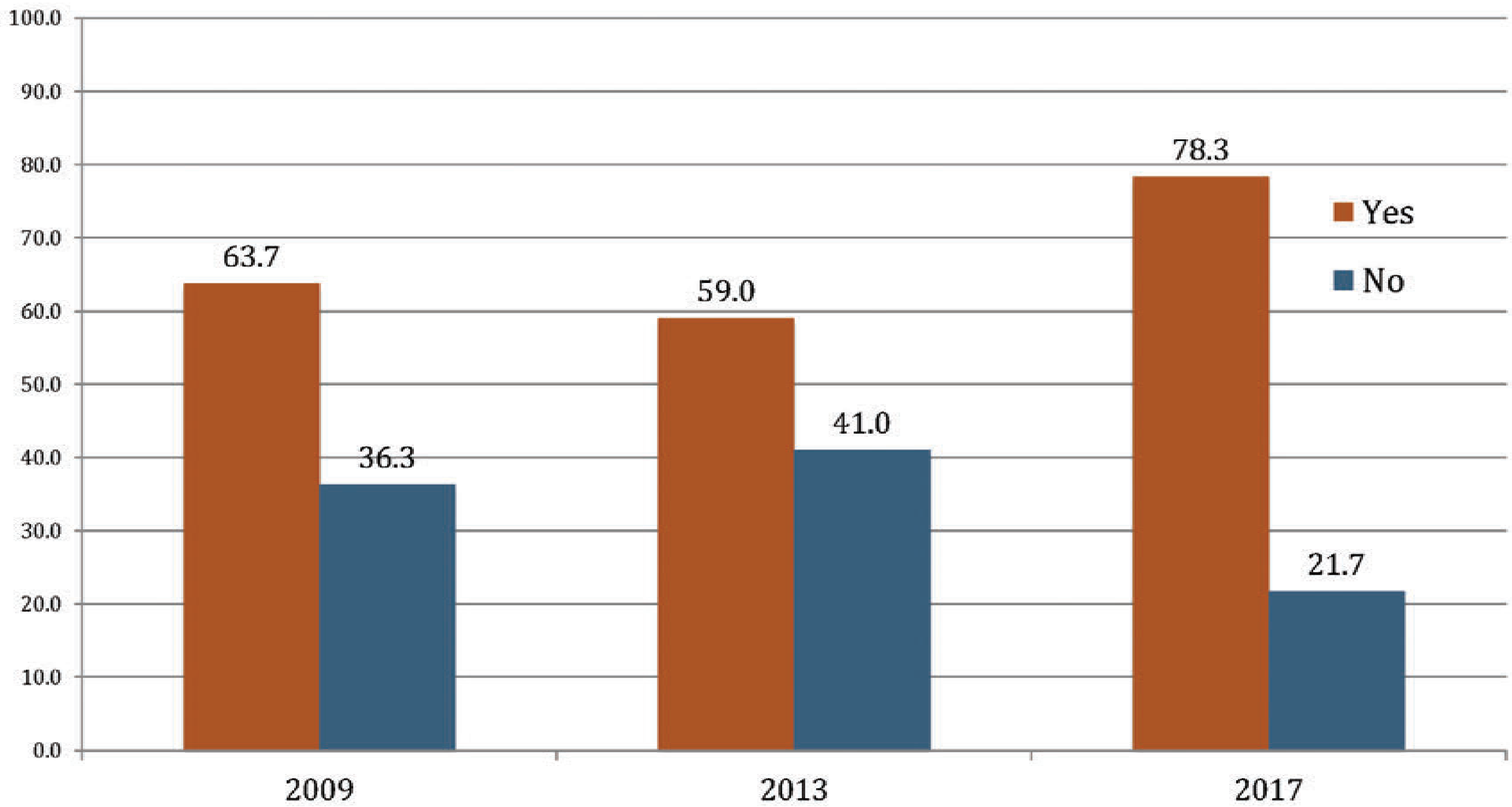
Time-Series Panel Data:

Baseline 2009
Four-year update 2013
Eight-year update 2017

RUTGERS
Edward J. Bloustein School
of Planning and Public Policy

C-Suite 2017

TS-5a: Do you expect revenues to increase over the next 12 months?

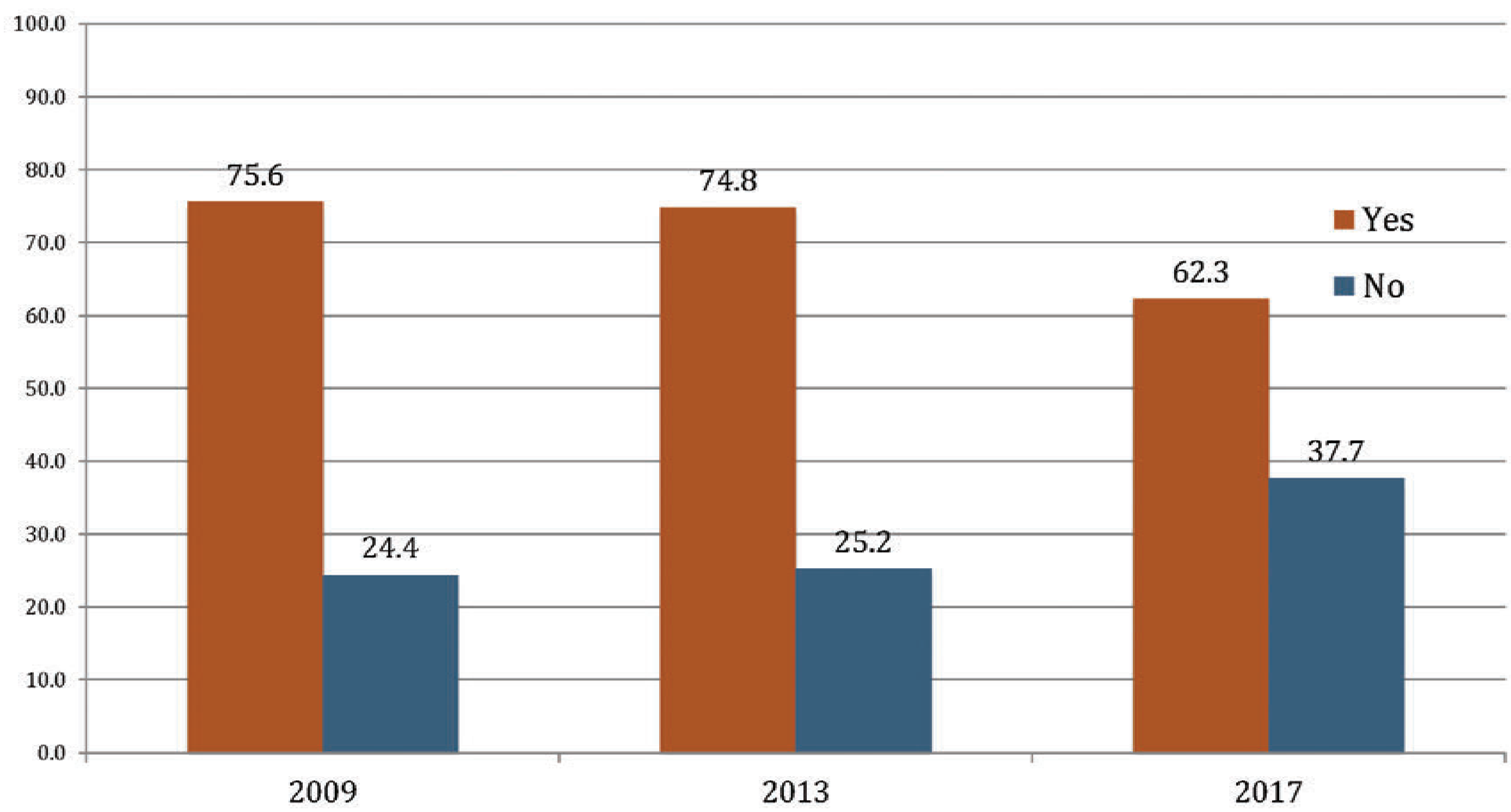


June 27, 2017

RUTGERS
Edward J. Bloustein School
of Planning and Public Policy

C-Suite 2017

TS-5b: Do you plan to reduce (or continue to reduce) costs over the next 12 months?



June 27, 2017

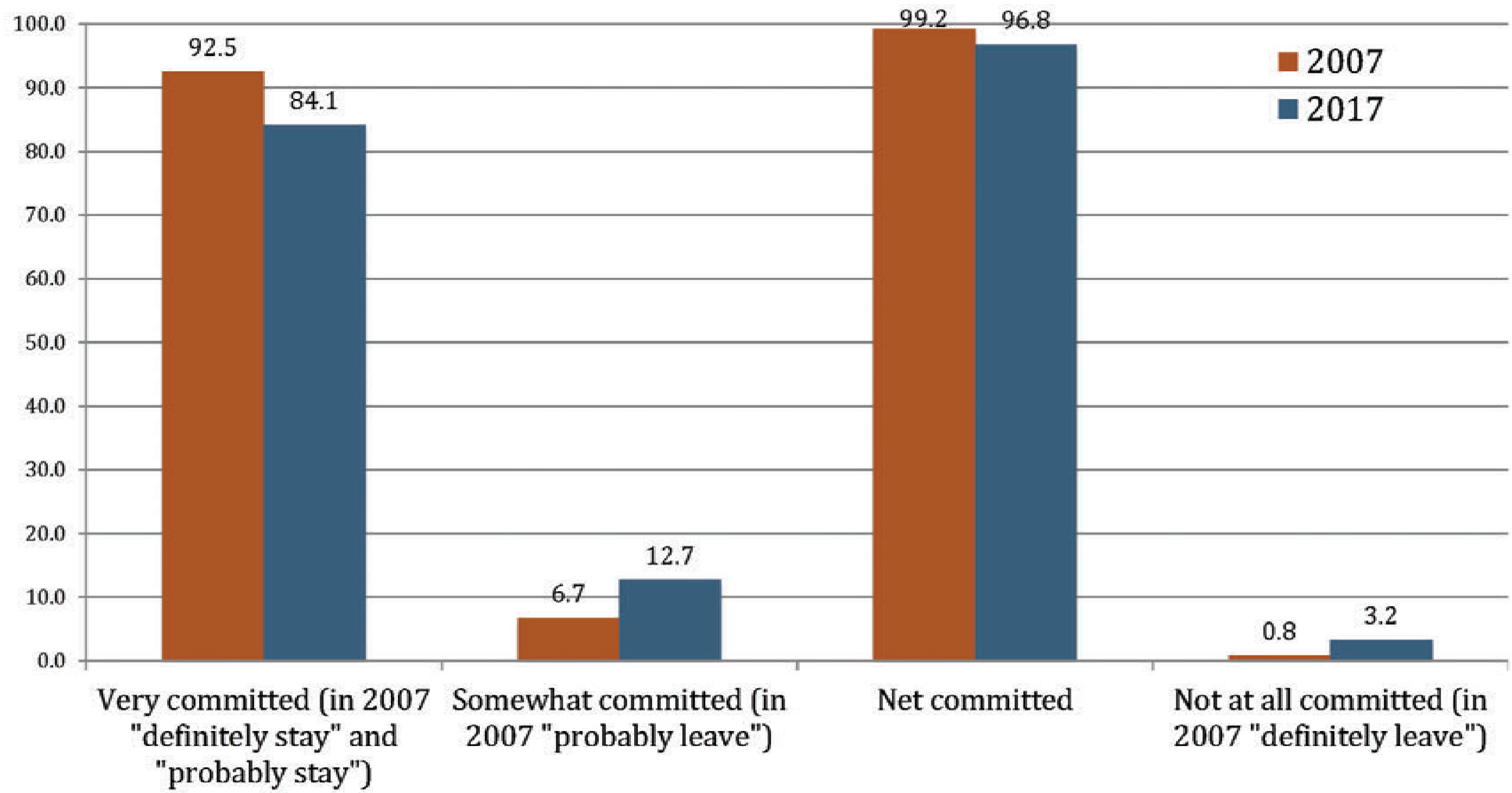
Time-Series Panel Data:

Baseline 2007
Ten-year update 2017

RUTGERS
Edward J. Bloustein School
of Planning and Public Policy

C-Suite 2017

TS-6: How committed is your company to maintaining a presence in New Jersey?



June 27, 2017

TS-6-QC: Please briefly explain the reasoning behind your company's…

...commitment to maintaining a presence in New Jersey:

- "Client base in NJ." / "NJ is where our client base is." / "Our client base is all in NJ…" / NJ roots and client base." / "This is where our core customer base is." / "Large consumer base of moderately affluent to wealthy."
- "We have invested too much in our employee base to easily move." / "Heavily invested in human and fixed capital in NJ." / "…have multiple facilities and infrastructure here in NJ that would make it difficult to relocate."
- "Great NY Metro location…" / "NJ represents a unique and large market and we need to be present here."
- "It's part of our identity." / "We are an organic NJ business that has been here since the late 1800's. NJ is an immutable part of our business model and success." / "The company's headquarters and longstanding leadership team are located here." / "Good labor pool for certain types of work." / "We've been in NJ for 173 years."

...inclination to not maintain a presence in New Jersey:

- "Too expensive."

TS-7: Advantages and Disadvantages to Doing Business in New Jersey

Question text:

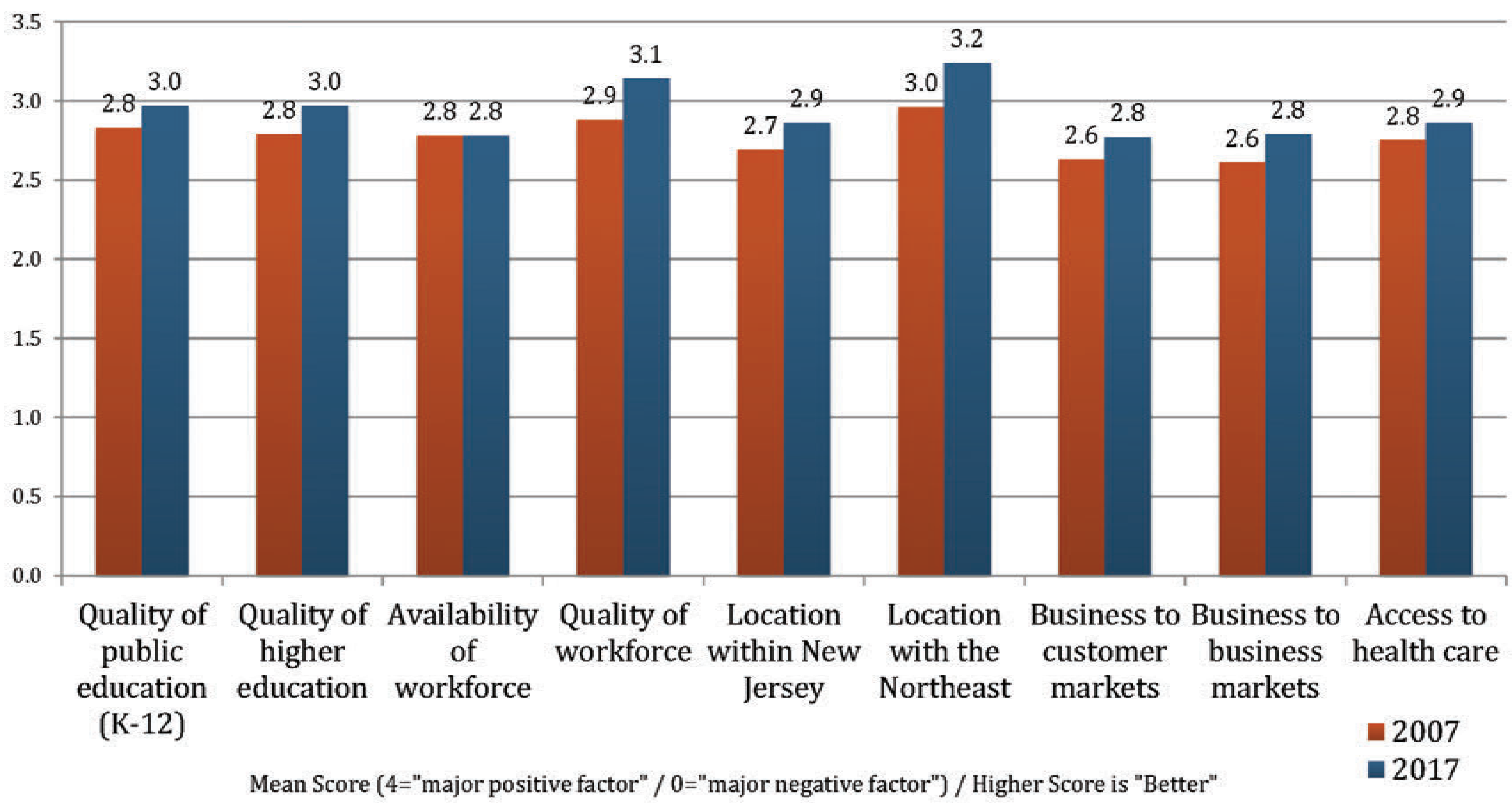
We are interested in what your company sees as advantages and disadvantages to doing business in New Jersey. Thinking about investment decisions related to facilities and personnel, please rate New Jersey on each of the following criteria [on the following scale]:

- *Major positive factor*
- *Minor positive factor*
- *Neutral / not a factor*
- *Minor negative factor*
- *Major negative factor*

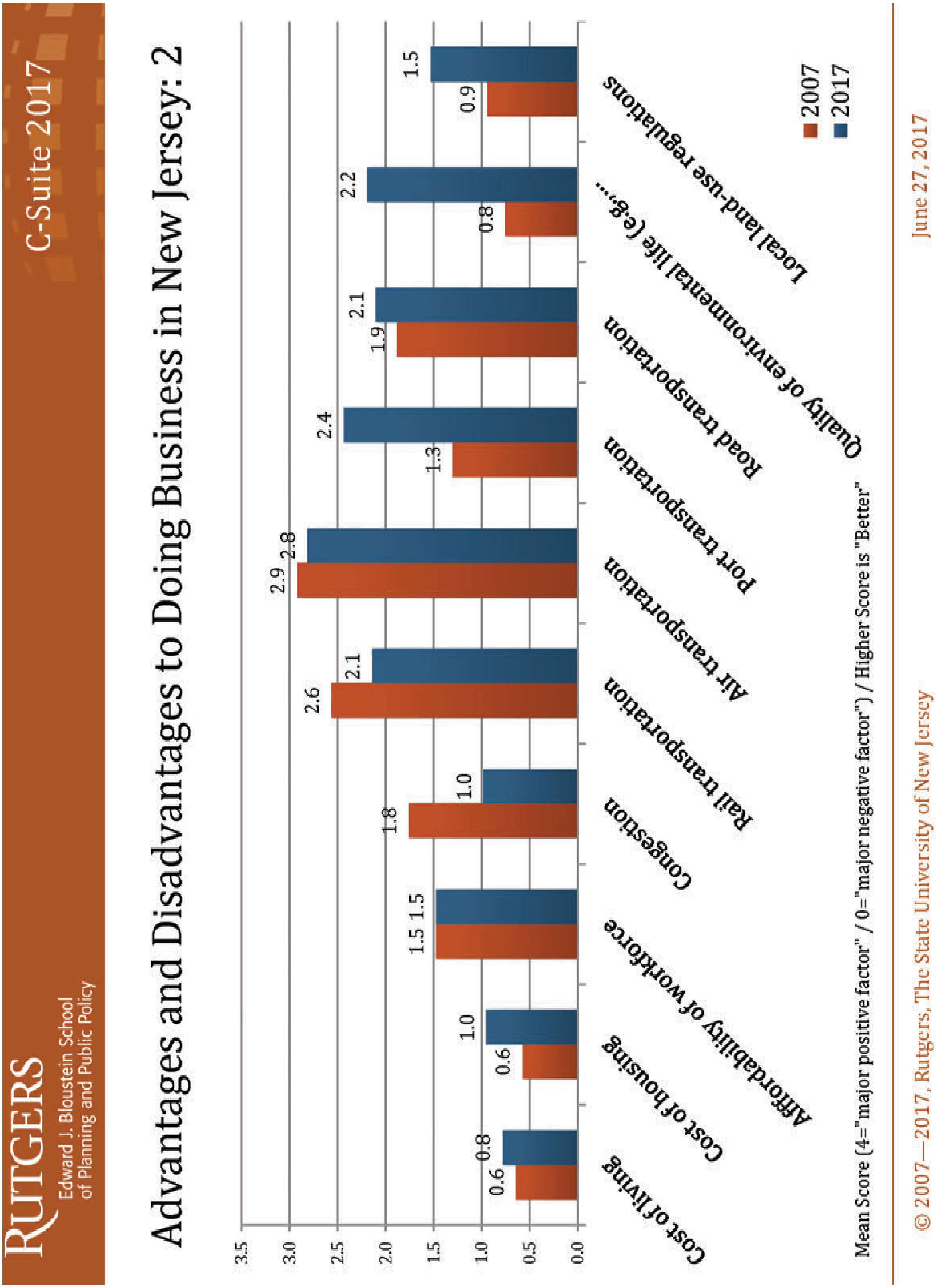
RUTGERS
Edward J. Bloustein School
of Planning and Public Policy

C-Suite 2017

Advantages and Disadvantages to Doing Business in New Jersey: 1



June 27, 2017


RUTGERS
Edward J. Bloustein School
of Planning and Public Policy
C-Suite 2017
Advantages and Disadvantages to Doing Business in New Jersey: 2
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
0.6
0.8
0.6
1.0
1.5 1.5
1.8
1.0
2.6
2.1
2.9
2.8
1.3
2.4
1.9
2.1
0.8
2.2
0.9
1.5
Cost of living
Cost of housing
Affordability of workforce
Congestion
Rail transportation
Air transportation
Port transportation
Road transportation
Quality of environmental life (e.g., ...
Local land-use regulations
2007
2017
Mean Score (4="major positive factor" / 0="major negative factor") / Higher Score is "Better"
© 2007—2017, Rutgers, The State University of New Jersey
June 27, 2017

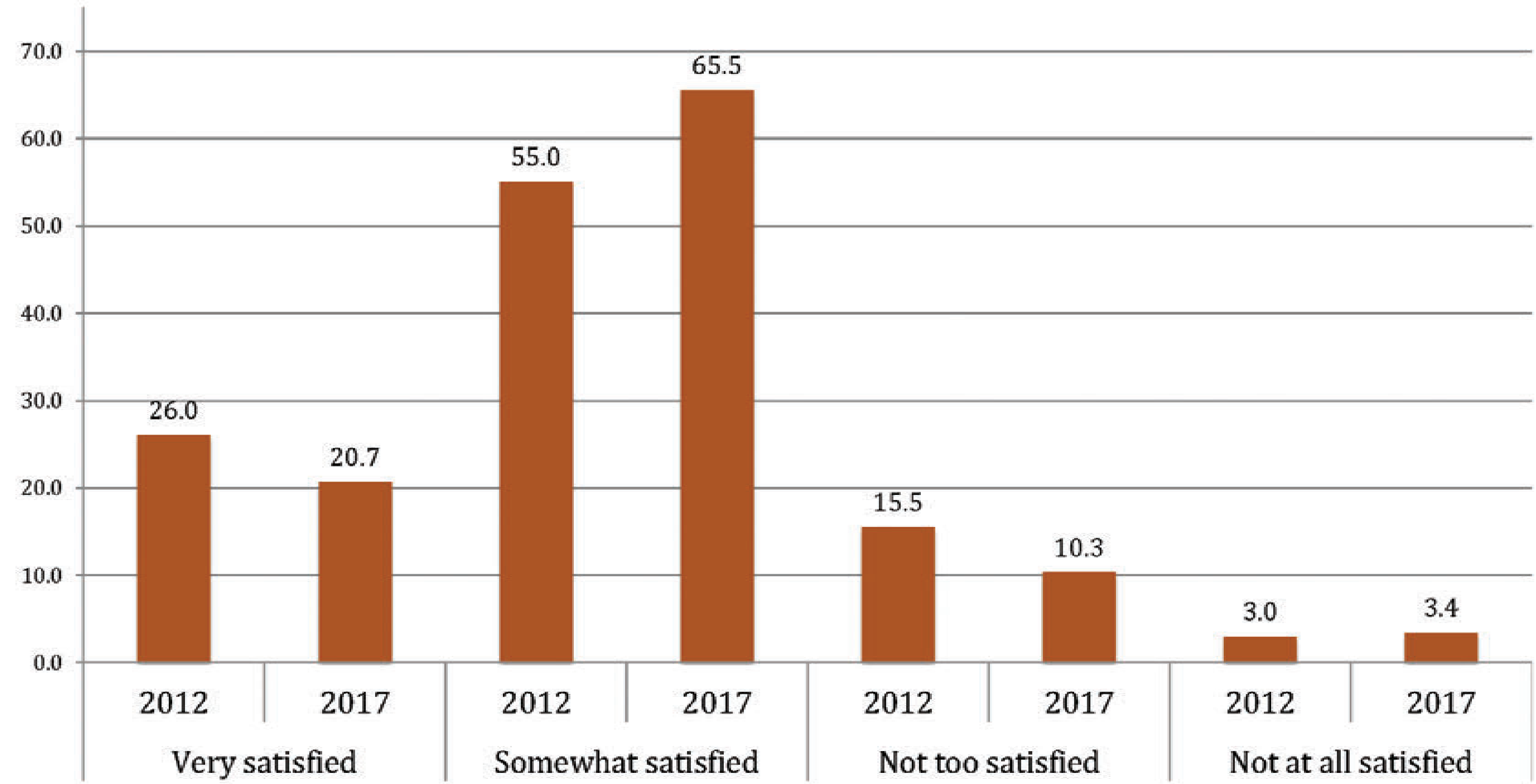
Time-Series Panel Data:

Baseline 2012
Five-year update 2017

RUTGERS
Edward J. Bloustein School
of Planning and Public Policy

C-Suite 2017

TS-8: Please rate your satisfaction with the State of New Jersey and with your local community: *New Jersey as place to live…*

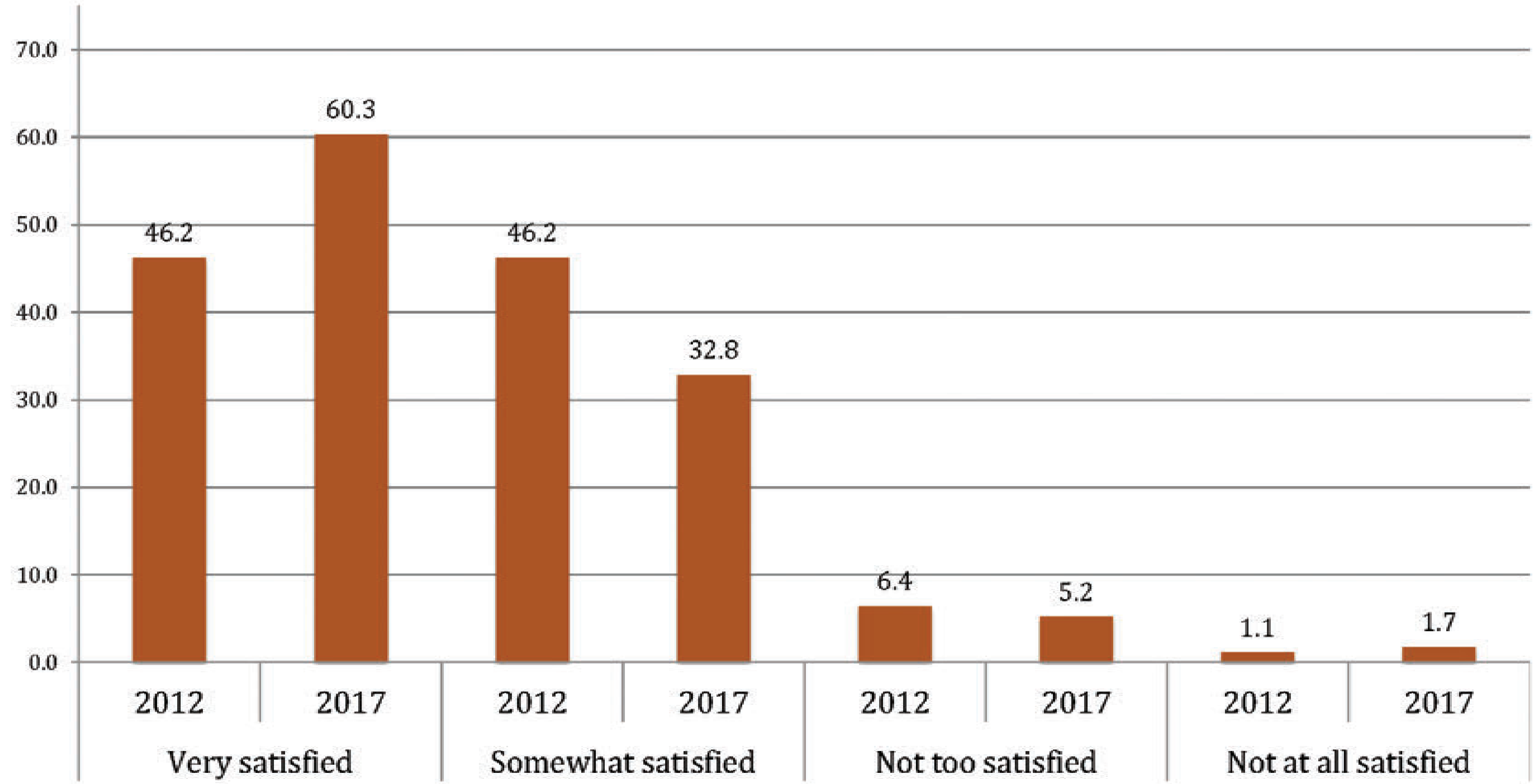


June 27, 2017

RUTGERS
Edward J. Bloustein School
of Planning and Public Policy

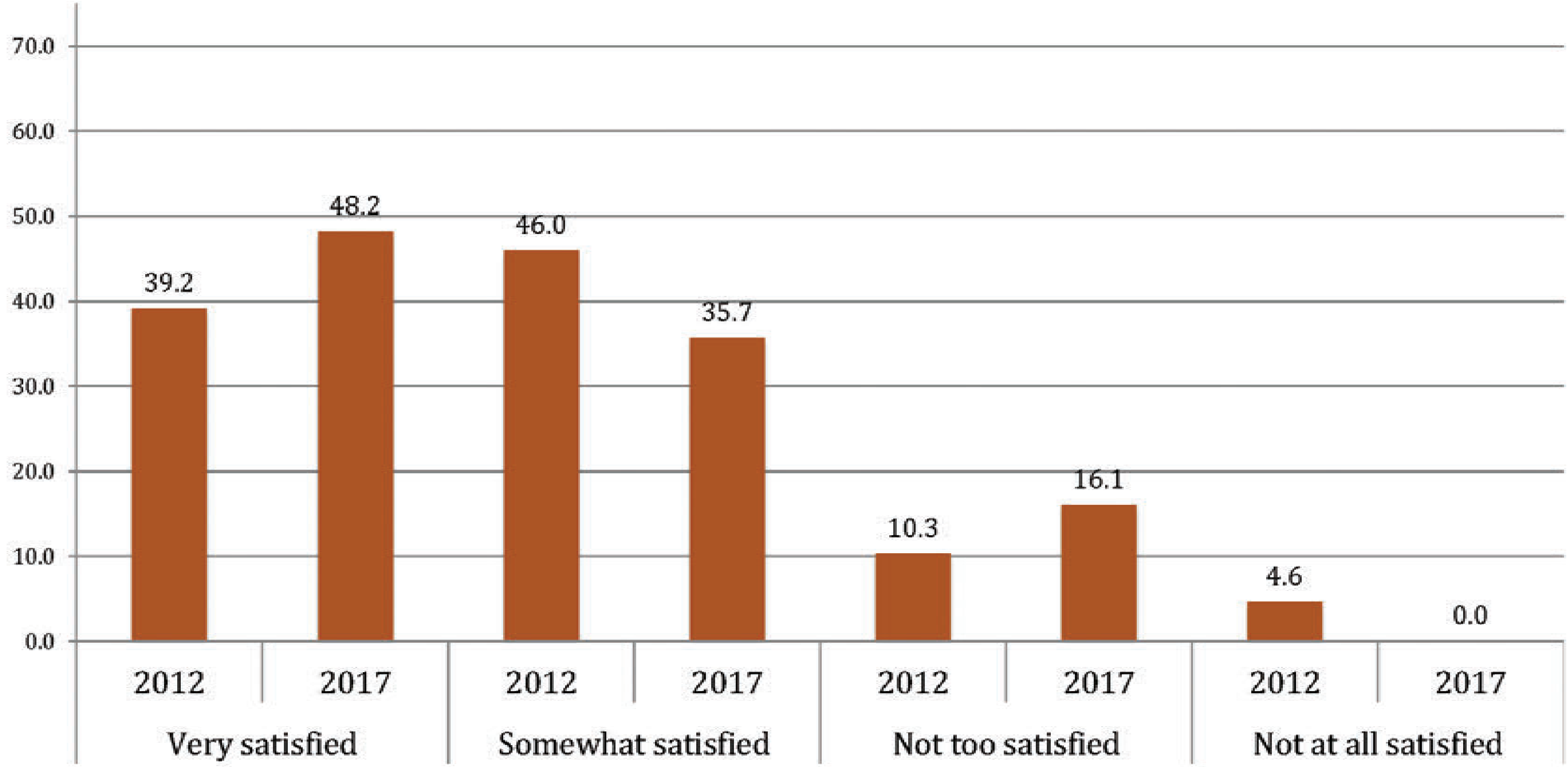
C-Suite 2017

TS-9Please rate your satisfaction with the State of New Jersey and with your local community: ***Your local community as place to live...***

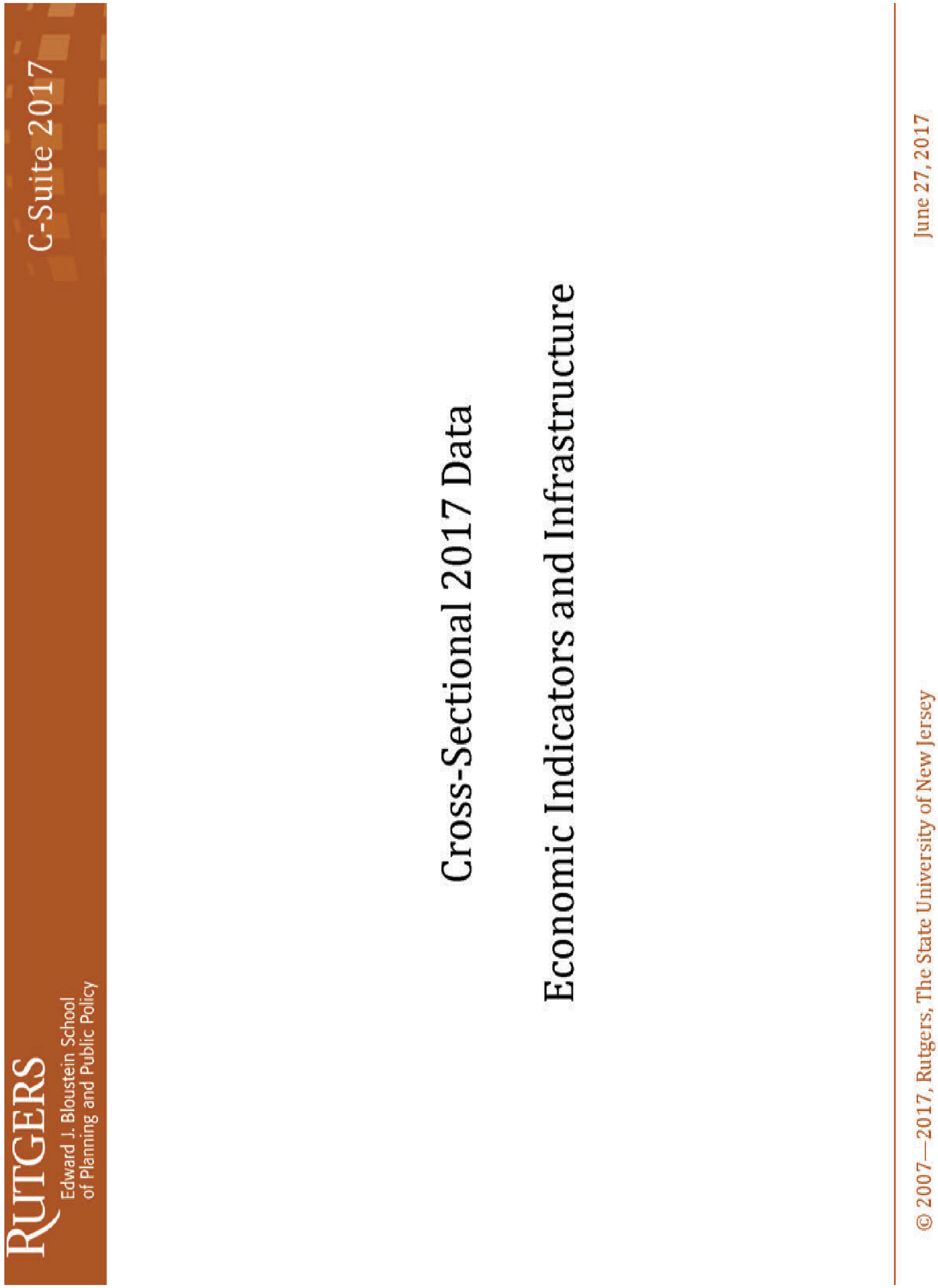


June 27, 2017

TS-10: Please rate your satisfaction with the State of New Jersey and with your local community: ***Your local community as a place to send your child to public school…***



June 27, 2017


RUTGERS
Edward J. Bloustein School
of Planning and Public Policy
C-Suite 2017
Cross-Sectional 2017 Data
Economic Indicators and Infrastructure
© 2007—2017, Rutgers, The State University of New Jersey
June 27, 2017

CS-1: How concerned are you about the impact on the New Jersey business climate of the New Jersey State pension crisis?

Very concerned	39.7%
Somewhat concerned	44.4%
Neither concerned nor unconcerned	11.1%
Somewhat unconcerned	1.6%
Very unconcerned	3.2%

CS-2: Now, please consider inheritance and estate taxes separate from personal or corporate income taxes.

Does your company include the impact of New Jersey's inheritance and/or estate taxes when making business decisions about where to locate or expand capacity?

Yes	23.3%
No	76.7%

CS-3: Do you anticipate that the increase in the gas tax to fund The New Jersey Transportation Trust Fund will spur economic growth in New Jersey?

Yes	40.7%
No	59.3%

CS-3-QC: Comments on the relationship between funding The New Jersey Transportation Trust Fund with a gas tax and resulting economic growth:

- “Gas tax = more infrastructure spending. Better infrastructure = improved platform for economic growth.” / “In theory, the increase in the gas tax to fund the NJ Transportation Trust Fund should spur infrastructure projects. These projects should then lead to jobs and jobs are a vital sign of economic growth.”
- “It is essential that the gas tax be spent on roadway infrastructure repairs and maintenance.” / “I am concerned the gas tax will be diverted for other needs.” / “Money will get used for pet projects.” / “There are not enough controls in place for spending that money.”
- “Our roads and bridges are a disaster. Something needs to be done.” / “The additional tax revenue should be used for funding an efficient local rail system for our communities.” / “Transportation investment is critical to the state of NJ and has taken a back seat to other investments for too long.”

CS-4a, b, & c: Which of the following…

	…best describes the current attitude of the state government towards business in New Jersey?	…best describes the attitude of the federal government over the last four years, towards business in New Jersey?	…likely best describes the attitude of the federal government over the next four years, towards business in New Jersey?
Encouraging / Enthusiastic	8.1%	8.3%	23.7%
Helpful / Supportive	29.0%	11.7%	44.1%
Indifferent / Uncaring	56.5%	61.7%	28.8%
Hostile / Difficult	6.5%	18.3%	3.4%

CS-5a: How much do you agree or disagree with the following statement:

"The New Jersey economic recovery has been lagging the nation's economic recovery."

Strongly agree	39.3%
Somewhat agree	34.4%
Neither agree nor disagree	14.8%
Somewhat disagree	8.2%
Strongly disagree	3.3%

CS-5b & c: What do you believe is the most important [second most important] factor explaining why New Jersey's recovery has been lagging the nation's recovery?*

	Most important	Second most important
Business tax climate	39.5%	14.3%
Individual income taxes	16.3%	28.6%
Labor costs	11.6%	11.9%
Aging infrastructure	9.3%	7.1%
Regulatory climate	7.0%	16.7%
Labor availability	4.7%	4.8%
Other business costs	4.7%	7.1%
Changing office space preferences	2.3%	0.0%
Cost of commercial property	0.0%	4.8%
Commercial property availability for lease or purchase	0.0%	0.0%

*Asked only of respondents indicating agreement that New Jersey's recovery has been lagging the nation's (73.7% of sample).

CS-6a: Finally, we'd like to ask a few questions about infrastructure.

First, please share with us how important you believe the condition of New Jersey's built-infrastructure harms is to the state's economy.

Please complete this sentence: The effect of New Jersey's built-infrastructure on the state's economy is….

Extremely important	53.4%
Very important	32.8%
Moderately important	6.9%
Slightly important	5.2%
Not at all important	1.7%

RUTGERS
Edward J. Bloustein School
of Planning and Public Policy

C-Suite 2017

CS-6b: Does the condition of the state's infrastructure affect your firm's proclivity to reinvest in New Jersey?

Yes	46.6%
No	53.4%

June 27, 2017

CS-6c: We are interested in what you believe the state government's priorities should be in terms of attention to infrastructure repair and maintenance.

Please indicate how much of a priority each of the following infrastructure categories should be in the immediate future.

	Very important priority	Moderately important priority	Not at all an important priority
Rail lines	67.9%	28.6%	3.6%
Airports	42.1%	49.1%	8.8%
Roads	84.2%	14.0%	1.8%
Ports	30.4%	53.6%	16.1%

Cross-Sectional 2017 Data

Demographic Changes: Millennials

We are also interested in how changing demographics have affected commerce.

In this part, we are interested in the relationship between the Millennial Generation and current and future office and industrial space needs.

For these purposes, we refer to the "Millennial Generation" as those currently roughly between the ages of 20 and 36 years old.

CS-D-1: Please let us know whether you foresee a need for your firm to change business practices to meet the needs of the Millennial Generation?

Yes	78.0%
No	22.0%

CS-D-1-QC: Please describe the ways in which you believe your firm will need to change business practices to meet the needs of the Millennial Generation:

- "Major present and future investment in Ecommerce and social media." / "Adapt to electronic communications preferences." / "Greater use of technology to enhance team project engagement from multiple locations." / "Much more mobile and collaborative."
- "Incorporating more flexibility and mobility into the work environment." / "More flexible situations. More WFH." / "More flexible work arrangements." / More flexible work schedules; more open work spaces..."
- "Traditional business practices, office look, work mentality have all changed along with advancements in technologies. We have to engage the 'millennial mentality' and embrace the changes. / "The traditional work space will be changing for the new generation."

CS-D-2-QC: What effect, if any, do you think the Millennial Generation will have on the market in your business region? (Please describe the sector to which you refer):

- "In the insurance sector it will be vital for us to attract millennials. Our industry needs to understand this and develop a short and long-term strategy."
- "Banking-consumer products are increasingly being commoditized. Very difficult to develop an interesting project to serve a millennial generation."
- "Healthcare Services – I think the Millennial Generation will show the industry how to be more efficient through the use of current and future technology."
- "We are trending toward an E-Commerce and a service related society. The growth of large warehouse distribution centers here in NJ. Shipping companies… are building new high tech facilities here in NJ."

CS-D-3: How important would you deem each of the following for a new office environment for your firm?

	Net important	Very important	Somewhat important	Neither	Somewhat unimportant	Very unimportant
Open floor plans	*64.4% (4)*	*20.3%*	*44.1%*	22.0%	8.5%	5.1%
Solar panels		3.5%	17.5%	*42.1%*	19.3%	17.5%
Accommodation to the new business "creative environment" ["live/work/play"]	*66.1% (2)*	*20.3%*	*45.8%*	13.6%	11.9%	8.5%
Interior greenery	*44.1%*	*8.5%*	*35.6%*	37.3%	6.8%	11.9%
Landlord/owner-provided shuttle-to/from train transportation		6.9%	25.9%	*37.9%*	17.2%	12.1%
Landlord/owner-provided concierge service		1.7%	22.0%	*45.8%*	13.6%	16.9%
Daylighting	*64.4% (4)*	*23.7%*	*40.7%*	27.1%	5.1%	3.4%
Coffee bar/kitchen	*81.3% (1)*	*27.1%*	*54.2%*	11.9%	5.1%	1.7%
Choice of workspaces	*62.1% (5)*	*19.0%*	*43.1%*	24.1%	8.6%	5.2%
Collaborate workspaces	*66.1% (2)*	*30.5%*	*35.6%*	23.7%	6.8%	3.4%
Quiet focus workspaces	*65.5% (3)*	*20.7%*	*44.8%*	24.1%	5.2%	5.2%
Chance interactive workspaces	*50.9%*	*15.3%*	*35.6%*	37.3%	5.1%	6.8%
"Rooftop garden" / external "greenspace" / courtyards / living walls		8.5%	18.6%	*44.1%*	15.3%	15.6%
Proximity to / access to mass transportation	*61.0%*	*30.5%*	*30.5%*	25.4%	8.5%	5.1%

Cross-Sectional 2017 Data

Demographic Changes: Baby Boomers

We continue with our focus on how changing demographics are affecting commerce, by exploring the effect of the "Baby Boom generation."

For these purposes, we refer to the "Baby Boom generation" as those who, in 2017, will be between the ages of 53 and 71 years old. In fact, the first born of the Baby Boom generation turned 70 years old in 2016 and the preferences of that population group no longer control the market; rather, Millennials do.

In general, we're interested in learning whether, and if so how, your firm is adapting to the needs of this age group.

CS-D-4: With that in mind, in general do you foresee a need for your firm to adapt any of your existing business practices to accommodate the changing needs of the Baby Boom generation?

Yes	32.8%
No	67.2%

CS-D-4-QC: Please describe the ways that you foresee your firm will need to adapt any of your existing business practices to accommodate the needs of the Baby Boom generation?

- "We've adopted a 'distributive' engineering approach and have started to advance our [technology systems]. We have offered one on one support to our senior staff members to embrace these changes… and show them 'extra' attention to help them with the changes."
- "Even the baby boomers are adopting new habits when it comes to communicating and transacting business. For those reasons we must be technologically advanced, providing choice to them."
- "80% of our clients are baby boomers; we need to offer them the services and products as their life changes toward retirement. One concern we have is that at retirement age baby boomers will be leaving New Jersey."
- "Need to replace BB workforce as it retires."

CS-D-5: Is there any indication in your business sector of the trend of out-migration of Baby Boomers from New Jersey to other states?

Yes	59.6%
No	40.4%

CS-D-6: Has this trend in the out-migration of Baby Boomers (those currently between 53 and 71 years old) from New Jersey to other states affected your business specifically?*

Yes	50.0%
No	50.0%

*Asked only of respondents indicating their business sector shows a trend of out-migration of Baby Boomers (59.6% of sample) .

CS-D-6-QC: Please describe how your firm has been affected by the out-migration of Baby Boomers (those currently between 53 and 71 years old)?

- "We have seen more and more clients moving to the Carolinas and Florida. We have now expanded our licensing requirements in those states and potentially looking for physical space in those states."
- "Closing bank accounts to open accounts in their new location."
- "Our clients are moving out of NJ when they retire."
- "Loss of experienced talent."
- "The majority left the state as soon as they became empty nesters. This left us looking for qualified replacements with experience… We had to settle for less experienced individuals to fill positions…"

CS-D-7: New Jersey is experiencing the retirement and/or out-migration of Baby Boomers (those currently between 53 and 71 years old). As a result, there is an exodus of Baby Boomers from corporate leadership.

Does this exodus of Baby Boomers generate concerns for your firm with regard to future leadership replacements?

Yes	34.5%
No	65.5%

CS-D-7-QC: Please describe your firm's concerns about replacing exiting Baby-Boom-generation corporate leadership.

- "In general it is not an issue specific to Baby Boomers… just a need for our company to develop succession plans."
- "Bullish about the following generations and their ability to help us properly position ourselves for future relevance in our markets."
- "Need an accelerated training and development program to prepare younger staff a quicker pace."
- "We are losing a significant talent base," a direct impact to our industry, and "losing wealth," an indirect impact to our industry. Replacement is a major challenge. "Companies are going to have to seek ways of inducing Boomers to remain in the workforce longer to allow for a less traumatic transition."

Edward J. Bloustein School of Planning and Public Policy
Rutgers, The State University of New Jersey
33 Livingston Avenue
New Brunswick, New Jersey 08901-1981

bloustein.rutgers.edu