Pacific Northwest business landscape grappling with potential recession, supply chain and labor shortages as optimism remains below pre-pandemic levels.

Five times as many employees and four times as many business leaders feel the regional economy has declined or weakened in the last three years.

PULLMAN, Wash., March 1, 2023 – Predictions of a recession and post-pandemic economic downturn are rising across the country, but in the Pacific Northwest, both business leaders and employees are cautiously optimistic about the next three years, though less so compared to pre-COVID levels, according to the 2023 Business in the Northwest report from Washington State University’s Carson College of Business.

As the region strives to return to normalcy after the COVID-19 pandemic, the college’s sixth annual report found this year’s big challenges for business are combatting inflation and supply chain and labor shortages, while employees are working to find a middle ground between wanting higher salaries and better work-life balance. Compared to 2019, five times as many employees and four times as many business leaders feel the regional economy has declined or weakened, highlighting the uncertainty felt across industries at the onset of the pandemic.

“This year, we’ve seen the gap widen between the perspectives of employers and employees. This gap is especially focused on wages and benefits, given the increased cost of living,” said Chip Hunter, dean of the Carson College of Business. “With uncertainty around inflation, persistent supply chain disruptions, and a continuing tight labor market, we expect to see the way we work in the Pacific Northwest continue to evolve post-pandemic.”

This year’s report surveyed more than 1,260 PNW business leaders, employees and Gen Z employees about the state of business in the region and how new and existing challenges have affected them.

Key findings include:

- Business health and outlook: Amidst predictions of a recession—combined with the amplified challenges of inflation, supply chain, and labor issues—optimism around the business climate has yet to return to pre-COVID levels. Compared to 2019, nearly five times as many employees and four times as many business leaders feel the PNW business climate has weakened in the
last three years. Looking ahead, however, both groups are largely optimistic of the region’s economic future.

- Employees (44%) and business leaders (29%) alike feel the business climate in the PNW has declined or weakened steadily since 2019, a five-fold increase among employees and four-fold among business leaders.
- Employees who feel the regional business landscape is declining largely attribute it to inflation (62%) and supply chain disruptions (53%).
- Looking ahead, there’s a waning optimism for the next three years: 76% of business leaders and 55% of employees say their outlook on the PNW economy is optimistic.

- **Workforce turnover:** Despite a tight labor market, a majority of business leaders feel their current turnover rate is improving or staying the same as pre-pandemic levels while employees report turnover rates at their companies are worsening.
  - Tension between employees and business leaders is most apparent when it comes to how they perceive the employee turnover rate and hiring patterns at their companies.
  - Business leaders largely feel hiring is proceeding normally (58%), while almost half of employees say hiring has either slowed (35%) or paused entirely (13%).
  - Both business leaders and employees cite salary compensation as the primary influencer of their companies’ employee turnover rate.
  - Two-thirds of business leaders say they want to create more jobs for their companies but can’t offer competitive compensation applicants will accept.

- **Less time at work:** When it comes to desired benefits, employees and business leaders alike want less time in a traditional work setting, placing four-day or shorter work weeks at the top of their list.
  - Across the board, respondents would like to spend less time in traditional workplace settings. Specifically, four-day work weeks and remote/hybrid work opportunities were highly desirable benefits for both business leaders (about 40%) and employees (50% and 33% respectively).
  - The next most desired benefits employees listed were mental health days (53%) and workplaces closer to their homes (35%).

- **Benefits and compensation:** As hiring has slowed, there is a disconnect between business leaders and employees on the balance between benefits and compensation. While employees are more likely to see salary increase as the most motivating incentive companies can provide, business leaders – on-trend with pre-COVID results – see other benefits, such as flexible work schedules, as more compelling.
  - As business leaders struggle to provide competitive compensation, they are instead placing greater emphasis on non-monetary benefits like flexible work schedules (36%), job security (30%) and manageable workloads (24%).
  - However, 91% of employees say they want a higher salary at their companies while 37% say they want a more flexible work schedule.
  - Aside from salary increases, employees would prefer to receive other monetary forms of benefits, like company-paid health insurance (54%), paid retirement programs (35%) and guaranteed severance packages for employees at all levels (16%).
Among Gen Z, there is also a desire for paid transportation fees and company vehicles.

- **Gen-Z perspective:** Gen-Z employees are skeptical about the willingness of employers to invest in their career development over the long term.
  - Gen-Z employees value professional growth, and 49% of Gen-Z respondents attribute a lack of growth opportunities to increasing employee turnover.
  - This group, like all respondents, is also concerned by a potential recession or inflationary period, with 39% citing it as the largest barrier to future business success across all audiences.
  - They are also more likely to report labor shortages (34%) and employee attrition (26%) as challenges for their companies when compared to last year.

*View the full report at: [business.wsu.edu/bnw-2023](http://business.wsu.edu/bnw-2023)*

### About the Carson College of Business

The WSU Carson College of Business is accredited across all business disciplines at the baccalaureate, masters and doctoral levels by the Association to Advance Collegiate Schools of Business. Faculty across disciplines produce scholarly and applied research at the main campus in Pullman as well as at urban campuses in Vancouver, Everett and the Tri-Cities. International activities include academic centers in China and Switzerland as well as thriving partnerships with several schools around the globe. Innovative online programs supplement face-to-face offerings.