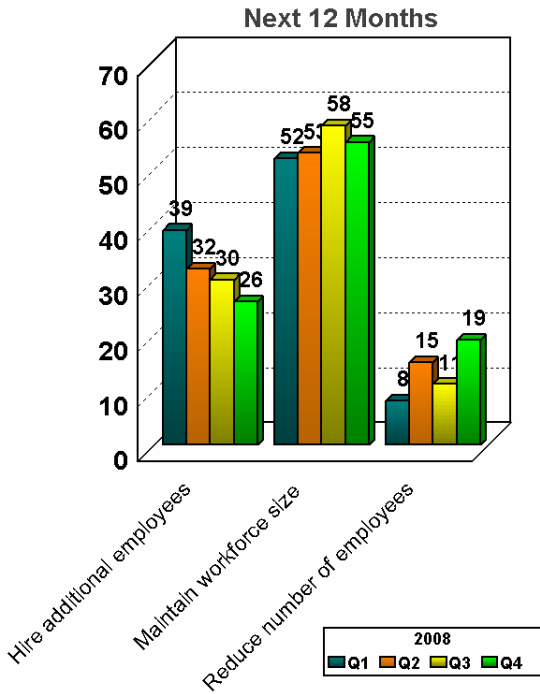
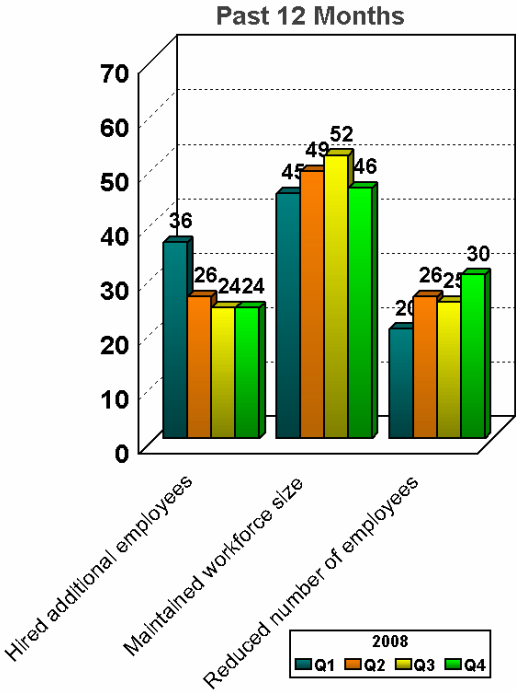


Quarter 4, 2008

**Employment Patterns:
 Fewer Hires, More Fires**

The O'Neil Associates/ASBA Arizona Economic Indicators Monitor asked small businesses to look back over the last 12 months and report whether they had hired additional employees, reduced the number of employees, or maintained their workforce size. The proportion who have reduced their number of employees has increased over the last four quarters from 20% at the beginning of 2008 to 30% at the end of 2008. In contrast, the proportion who have hired additional employees has dropped from 36% at the beginning of the year to 24% at the end of the year. When we combine these two figures, what we see is a net proportionate increase (% hiring additional employees minus % reducing number of employees) of 16% in Q1 to a net loss of 6% in Q4.



When we asked these same small businesses about prospects for the next 12 months, their projections have been consistently more optimistic than when we asked them to look back over the past. The degree of this optimism, however, has been diminishing rapidly. In Q1, 39% expected to hire more employees over the next twelve months compared to 8% who intended to reduce the number of employees, a net positive 31%. This net increase in the overall percent of employees reduced to 17% in Q2, increased negligibly to 19% in Q3, and dropped to a single digit plus 7% in Q4. The Poll's director, Dr. Michael O'Neil observed "While small businesses tend to be optimistic concerning their own prospects resulting in projections which tend to be on the rosy side, stark economic realities have attenuated the degree of this optimism over the last year. These have clearly resulted in less optimistic projections about the number of employees likely to be hired over the course of the next year."

Why These Surveys Matter

Our stock markets have been battered. Housing prices have plummeted. Banks are afraid to lend. Consumers have pulled back on their spending. And businesses are reluctant to hire. All told, more “wealth” has been lost in the last year than in any in human history.

An incoming Presidential administration proposes to spend unprecedented sums primarily to inspire confidence in the resilience of the economy.

Whether or not it works will depend almost exclusively in whether it is successful in inspiring that confidence. Should that confidence return, all of the negative impacts described in the first paragraph will be reversed.

The significance of the Arizona Economic Indicators Monitor is that it measures precisely the perceptions that will ultimately drive our economy up or down.

Follow these reports and you will know a lot about what to expect from the economy.

*These results are taken from the Q4 **O'Neil Associates/ASBA Arizona Economic Indicators Monitor**. This project provides insights to support business leaders in companies of all sizes to make key economic decisions, as well as sharing small business attitudes on major political issues. **O'Neil Associates**, a national public opinion research firm based in Tempe, sent surveys to ASBA's membership of 3,000 small businesses across the state as it did at the end of Q1, Q2, and Q3 2008. The survey covered a wide range of economic issues, including business performance, revenue and job growth, and overall business confidence ratings. Results provide insights into the perceptions of business owners on the economic health and vitality of the Arizona economy. Based on 285 responses, the survey has a margin of error (at the 95% confidence level) of approximately +/-6%.*

Results of this survey may be cited freely with the proviso that they be cited as the "O'Neil Associates/ASBA Arizona Economic Indicators Monitor"

The O'Neil Associates/ASBA Arizona Economic Indicators Monitor is made possible by a cooperative effort of

- **O'Neil Associates**, a national public opinion research firm based in Tempe, has done over 1700 public opinion and marketing research projects since 1981. These include surveys and focus group projects for a wide array of businesses throughout the country.
- **ASBA**, the Arizona Small Business Association, is the leading voice for small businesses in the State of Arizona.

For a complete copy of all **O'Neil Associates/ASBA Arizona Economic Indicators Monitor** reports released to date, as well as opinion research reports on an array of other topics visit <http://www.oneilresearch.com/publicdomain> or click on the banner below.

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