



**UNIVERSITY OF
GUAM**
UNIBETSEDÁT GUÁHAN

**A Review of the Impact of
Local Employers Assistance Program**

October 2022



BACKGROUND

The Guam Economic Development Authority provided support to 900 businesses in Guam who lost significant revenue due to COVID-19.

Businesses were selected for the program based upon the severity of revenue decline experienced in 2020 and 2021. LEAP provided grants to businesses with more than five employees that could be forgiven if 60% of the proceeds were expended on payroll and personnel benefits to help retain employees. Businesses with fewer than five employees received grants. To qualify for LEAP most companies had to experience a greater than 50% decline in revenue since 2020.

The vetting of recipients was conducted promptly through a simplified application process. The applicants were required to have maintained a business license even if they had been forced to temporarily close and had remained current in paying Business Privilege Taxes.



DESIGN & PURPOSE

An online survey was developed by the University of Guam to explore what impact the LEAP had on qualified businesses. The survey identified:

- the types of businesses;
- how long they have been in business,
- customers they've served,
- their employee size,
- the impact on their costs and revenue,
- and their outlook on the future.

The Purpose was to explore the impact of the LEAP program on businesses and to seek their views on their forward outlook.

The survey provided a quantitative assessment profile and commentary of the impacts of LEAP. The results can be inferred to be representative of the companies most impacted during the pandemic.

Respondents were randomly selected from 900 LEAP recipients listed on the GEDA website.

This survey included 131 businesses which provided an accuracy of $\pm 7.2\%$ at a 90% confidence level. If the survey were to be replicated the probability is that 90 times out of 100 the same results with the same level of accuracy would be obtained.

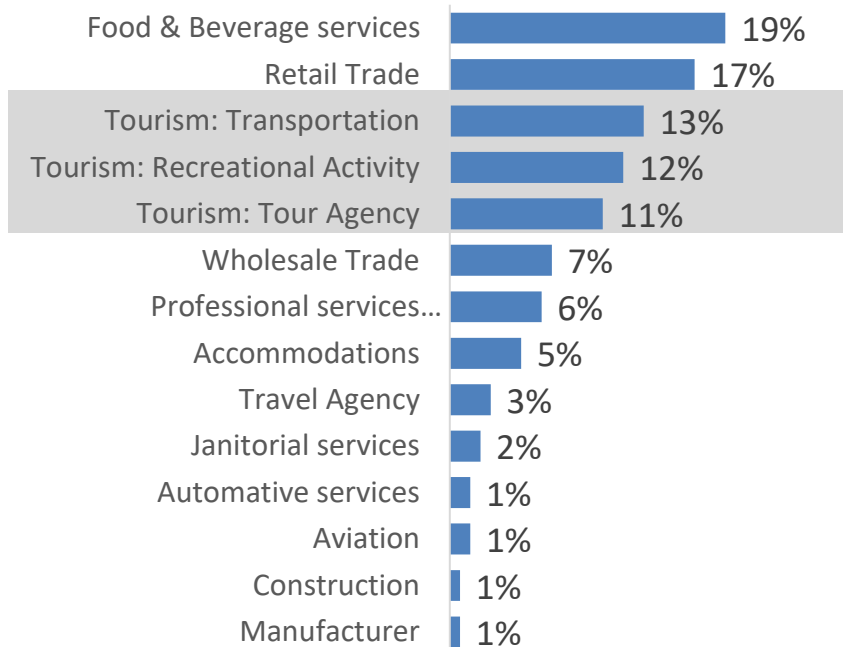


FINDINGS



A PLURALITY OF RESPONDENTS WERE WITHIN THE TOURISM INDUSTRY

In which industry is your business?



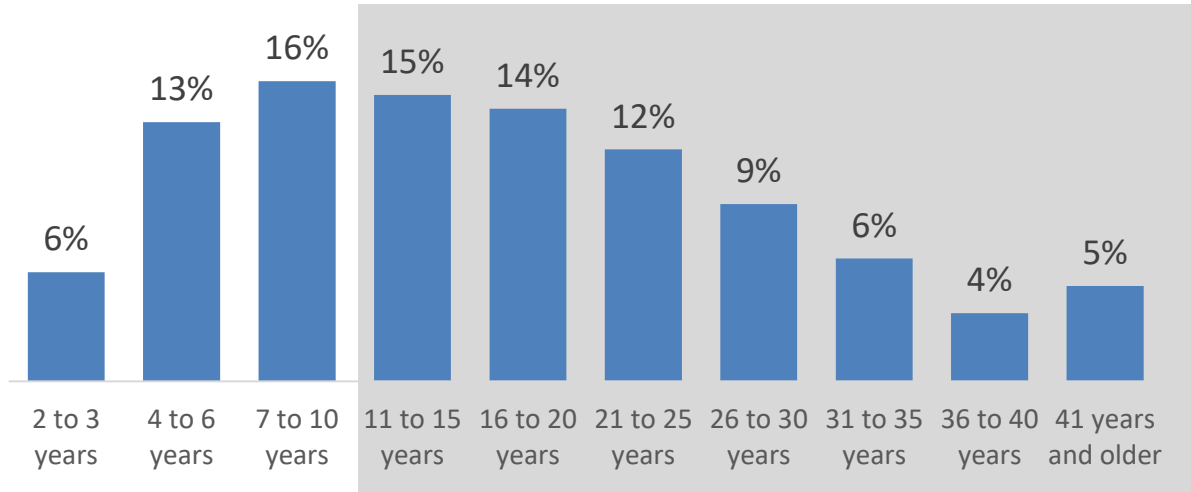
Although LEAP was designed to help businesses regardless of their industry, **36%** of respondents indicated that they **relied exclusively on visitors to generate revenue.**



RESPONDENTS HAVE BEEN IN BUSINESS FOR MORE THAN A DECADE

65% of reported being in business on Guam for more than 10 years.

How many years has your company been in operation?

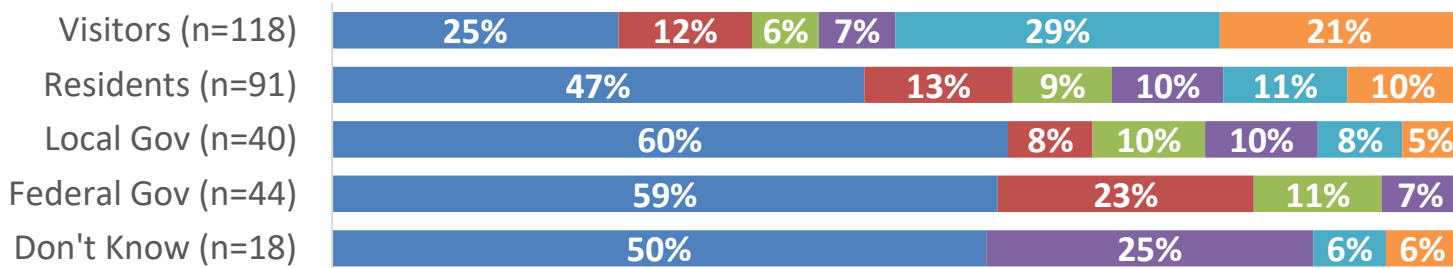


WITH THE DOWNTURN OF TOURISM BUSINESSES RELIED ON LOCAL CUSTOMERS

Prior to COVID a majority of respondents (57%) indicated that more than 60% of their customers were visitors. At the same time recipients indicated that about half of their customers were residents. The recipients catered to both local patrons and visitors alike. However, given the near complete cessation of visitor arrivals in 2020 it is not surprising that businesses dependent on visitors were most severely impacted and were most likely to qualify for LEAP assistance.

Please provide us with a percentage breakdown of your current customers.

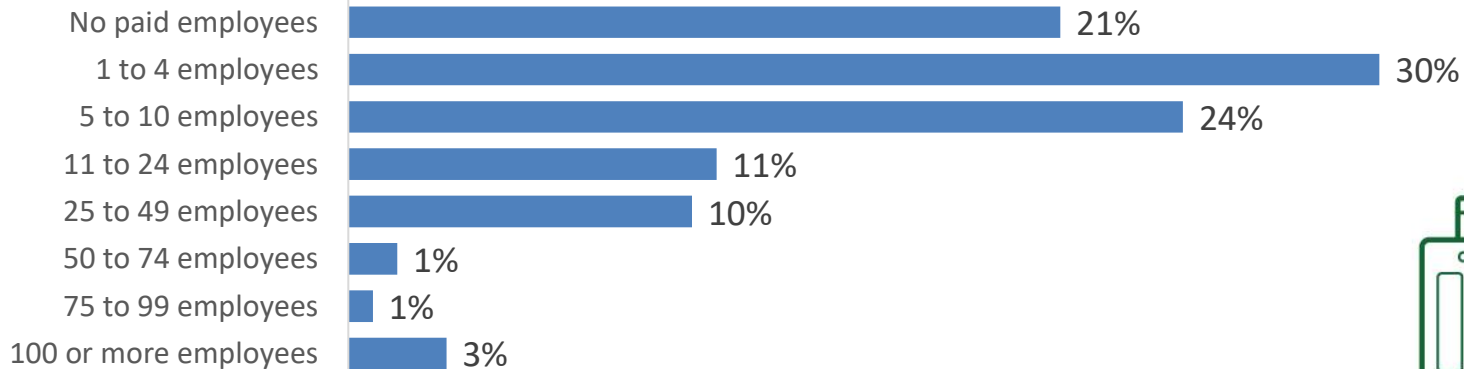
■ 1 - 20%
 ■ 21 - 40%
 ■ 41 - 60%
 ■ 61 - 80%
 ■ 81 - 99%
 ■ 100%



SMALL BUSINESSES PERSIST TO REMAIN OPERATIONAL

The U.S. Economic census reports that more than 80% of all businesses on Guam employ 20 or fewer employees. LEAP recipients were no different. Approximately 86% employed 20 or fewer employees. **The program successfully targeted small businesses, those with the least resources to weather the economic conditions created by the pandemic.**

How many people are currently paid employees at your company?

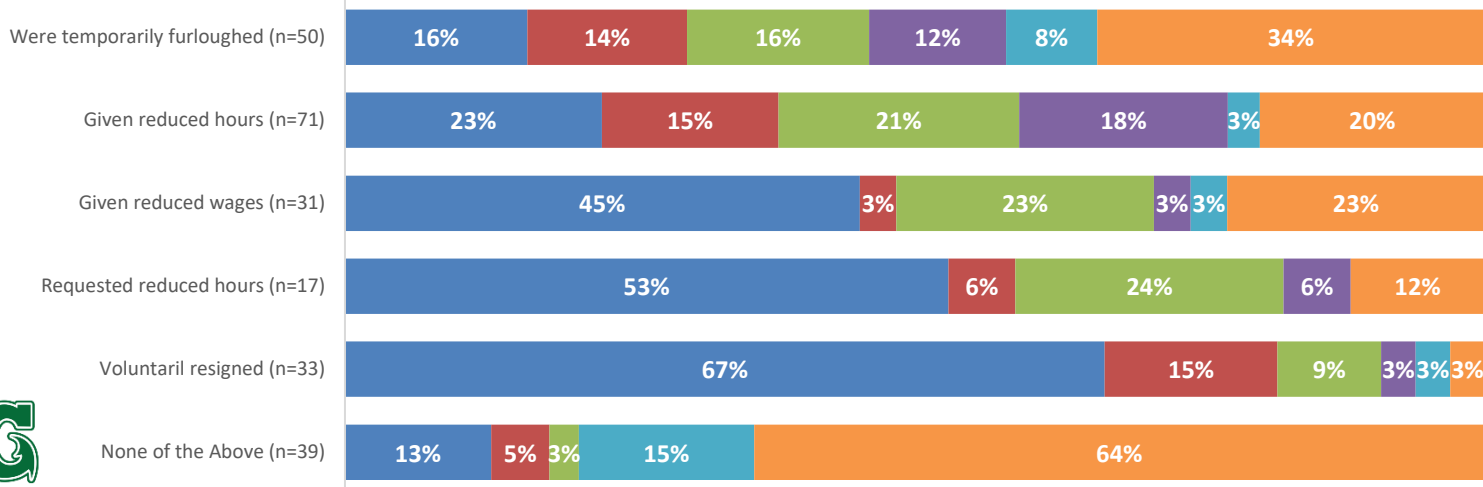


LEAP BUSINESS OWNERS MAINTAINED STAFF

Recipients stated that LEAP was important to helping them maintain staff on payroll and proved to be an important attribute of the program.

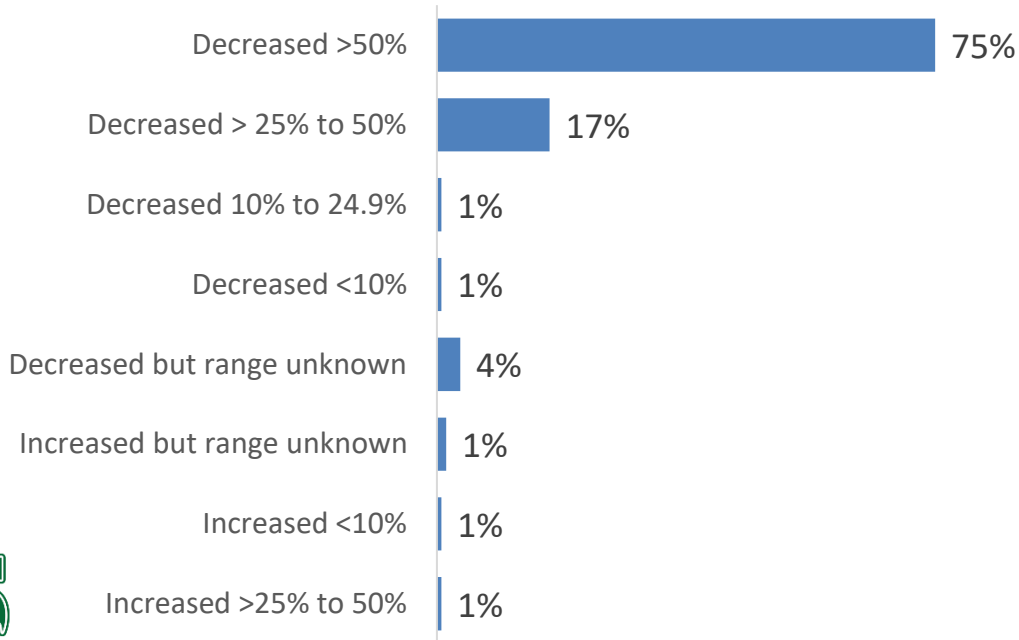
What percentage of your paid employees...

■ 1 - 20% ■ 21 - 40% ■ 41 - 60% ■ 61 - 80% ■ 81 - 99% ■ 100%



LEAP RECIPIENTS REPORT A DECREASE OF MORE THAN 50% IN THEIR REVENUES SINCE 2020

What was the impact on your establishment's REVENUE since 2020?

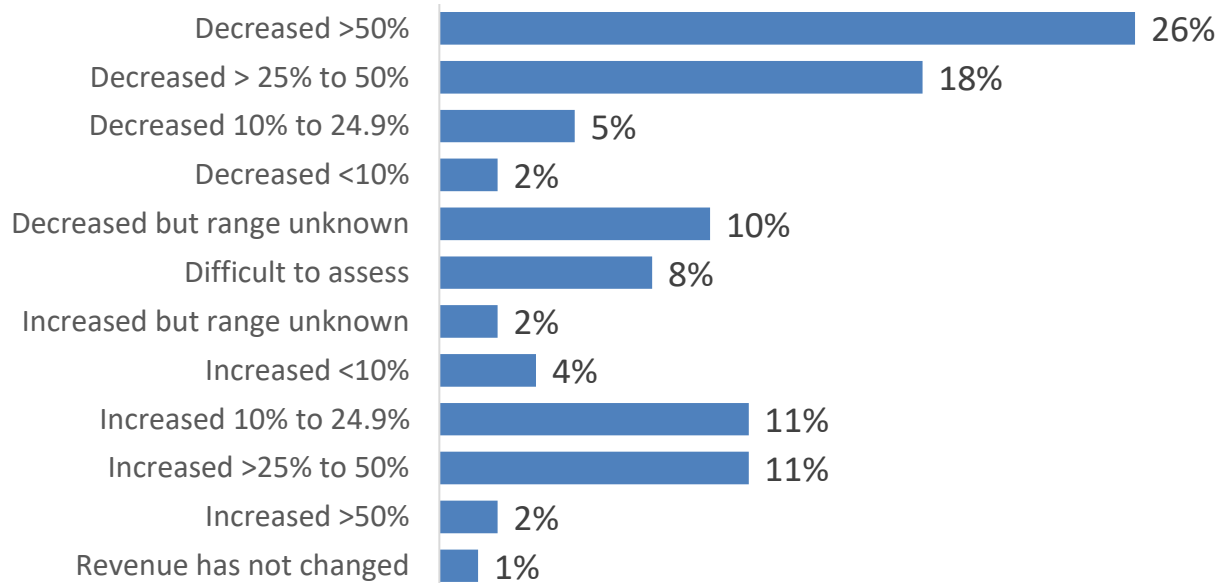


The pandemic devastated company revenues. **Three quarters of the LEAP recipients indicated that revenues fell by more than 50%.** A further 17% indicated that revenue declined by 25% to 50%.



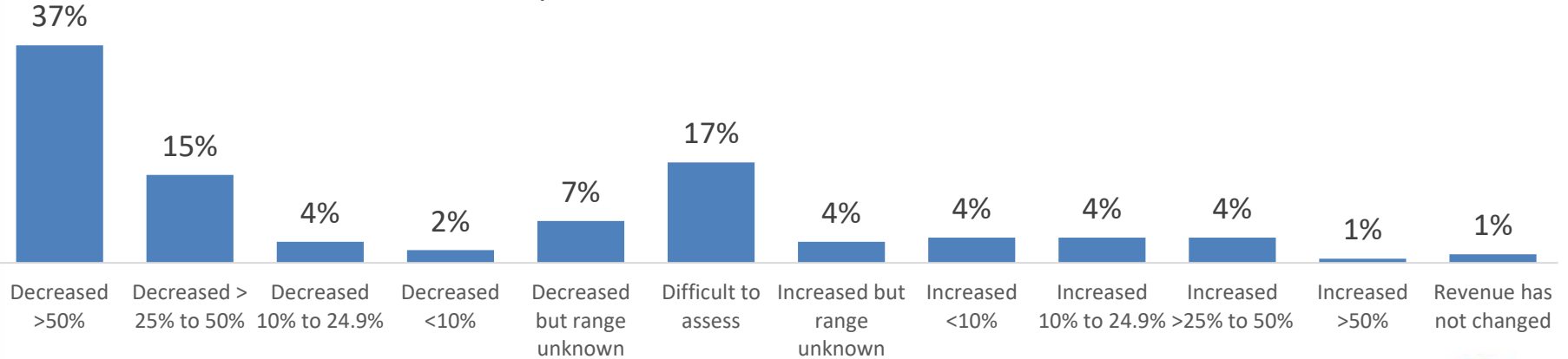
WITH THE DECLINE OF OPERATIONS, BUSINESS EXPENSES ALSO DECREASED

What was the impact on your establishment's EXPENSES since 2020?



RECEIPIENTS ARE NOT OPTIMISTIC ABOUT THEIR PROJECTED ANNUAL REVENUE

What is your revenue outlook over the next 12 months?

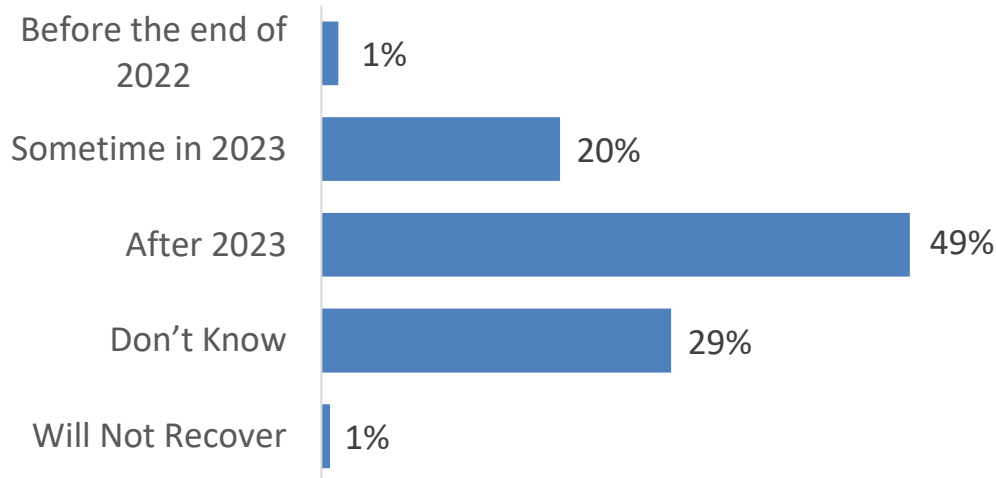


The survey was conducted in June of 2022. Still **37% of the businesses surveyed indicated that revenues will remain lower by greater than 50% of pre-pandemic levels for another 12 months.** The outlook for recovery is perceived not to be likely this year by more than half of those interviewed.



RECIPIENTS DO NOT ANTICIPATE A RETURN TO 2019 REVENUES UNTIL AFTER 2023

If your current annual revenue is less than it was in 2019, when do you think annual revenue for your company will return to what it was?



Nearly half of the businesses interviewed (49%) thought that their revenue would not return to levels experienced in 2019 until after 2023. Only 20% thought that revenues would recover to pre-pandemic levels next year.



LEAP RECIPIENTS RESPONDED TO SEVERE BUSINESS CHALLENGES

At any time since 2020, did your business experience either of the following:

The operational challenges faced by LEAP recipients in 2020 were **that nearly three quarters (74%) had to suspend or cease operations.** Nearly all those surveyed (94%) indicated that they had to scale back business activity.

74%

suspended
or ceased
operations

94%

scaled back
business
activity

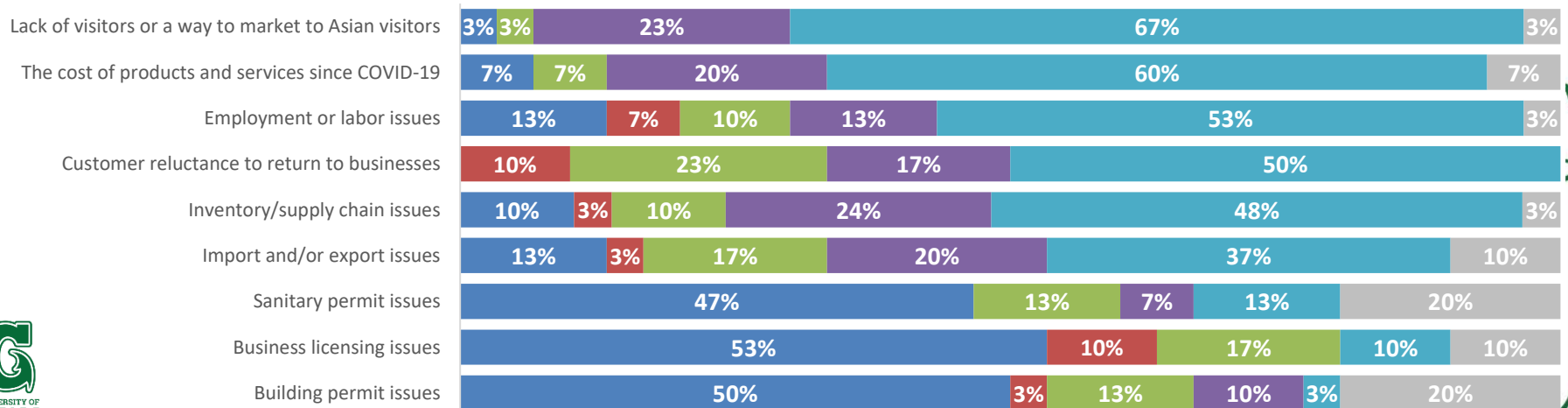


LACK OF VISITORS REMAINS THE GREATEST CHALLENGE

The business recipients identified the lack of visitors as the greatest challenge to their recovery. Other notable challenges were the reluctance of customers to return to businesses and persistent supply chain issues.

On a scale of 1 to 5, where 1 is “not really a problem” and 5 is “very severe hindrance to reopening”, please tell us how big of a problem each of these issues has been to the recovery of your business:

■ 1 ■ 2 ■ 3 ■ 4 ■ 5 ■ N/A

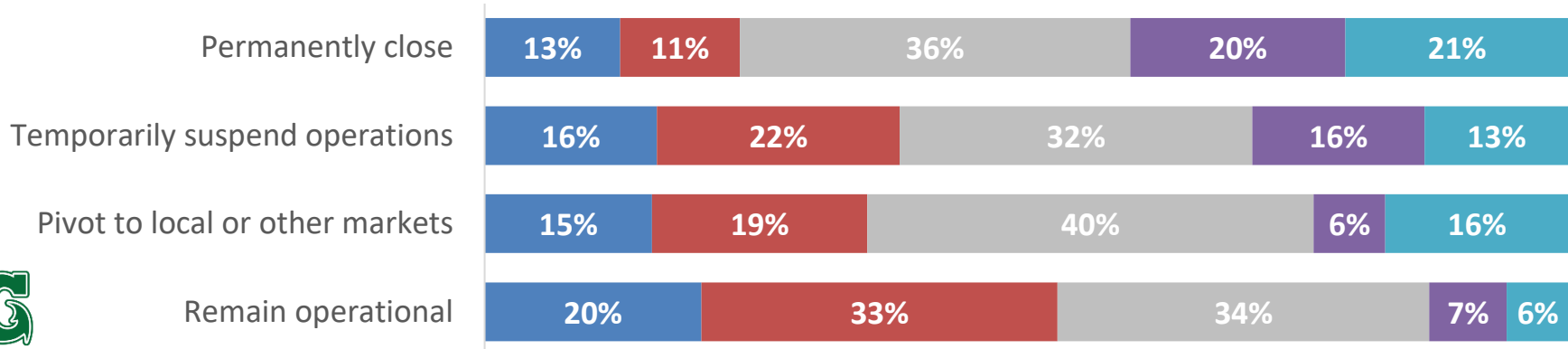


RECIPIENTS EXPECT CONTINUED OPERATIONAL CHALLENGES IF VISITORS DO NOT RETURN TO 2019 LEVELS

Nearly a quarter (23%) of the LEAP recipients surveyed indicated that its is either highly likely or somewhat likely they will close if visitor arrivals do not return.

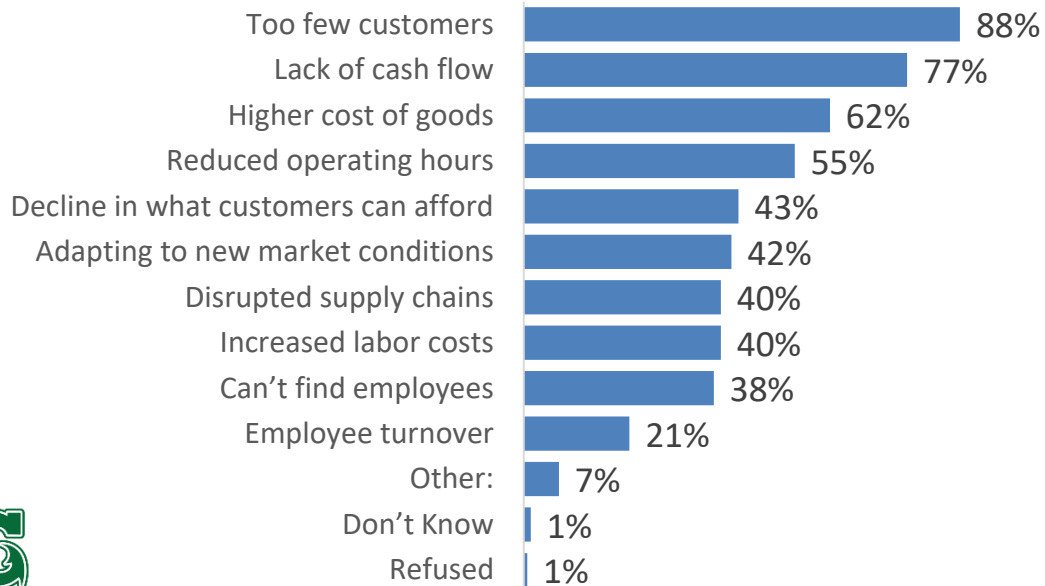
If by the end of 2022, Guam's monthly visitor arrivals do not return to the levels they were in 2019, please tell us the likelihood your company will:

■ Highly likely ■ Somewhat likely ■ Unsure ■ Unlikely ■ Not likely at all



LACK OF CUSTOMERS, CASH FLOW & INCREASED COSTS REMAIN PERSISTENT CHALLENGES FROM 2020

What were some of the challenges your firm has experienced that have persisted since 2020?



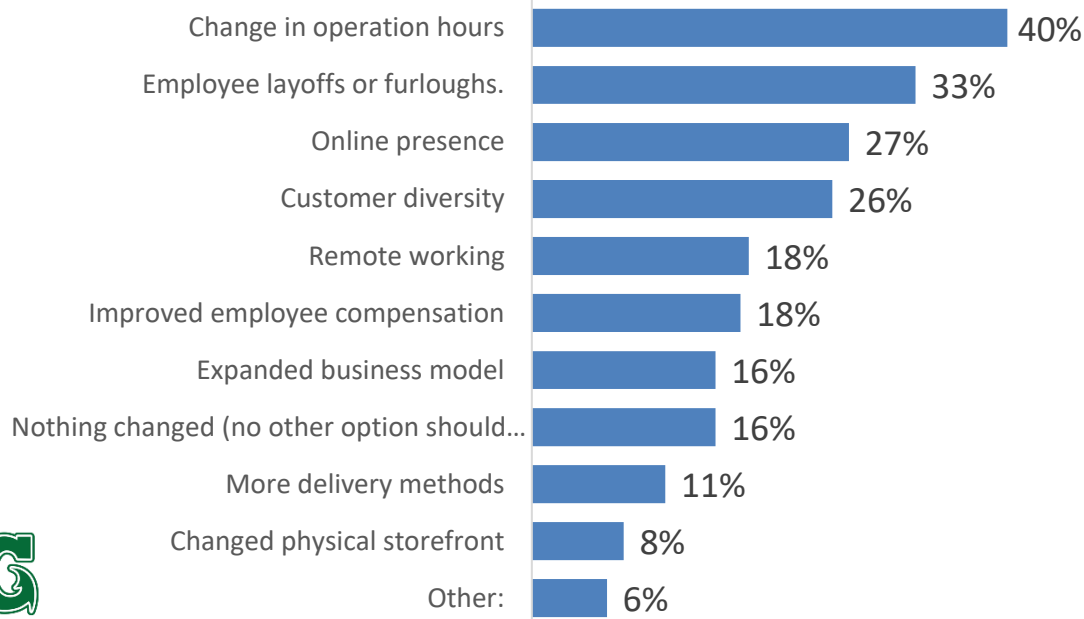
Four primary challenges were confronted by LEAP participants as a result of the pandemic.

- 1. Too few customers**
- 2. Lack of cash flow**
- 3. Higher cost of goods**
- 4. Reduced operating hours**



RECIPIENTS REPORTED NEW APPROACHES EVOLVED FROM THE PANDEMIC

What COVID-19 strategies have you continued to use since 2020?



To address the challenges that LEAP recipients encountered there were four strategies were employed by more than 20% of those interviewed.

1. Change in operation hours
2. Employee layoffs or furloughs
3. Online presence
4. Customer diversity



93%

of businesses who
received LEAP assistance
remained operational
through June 2022

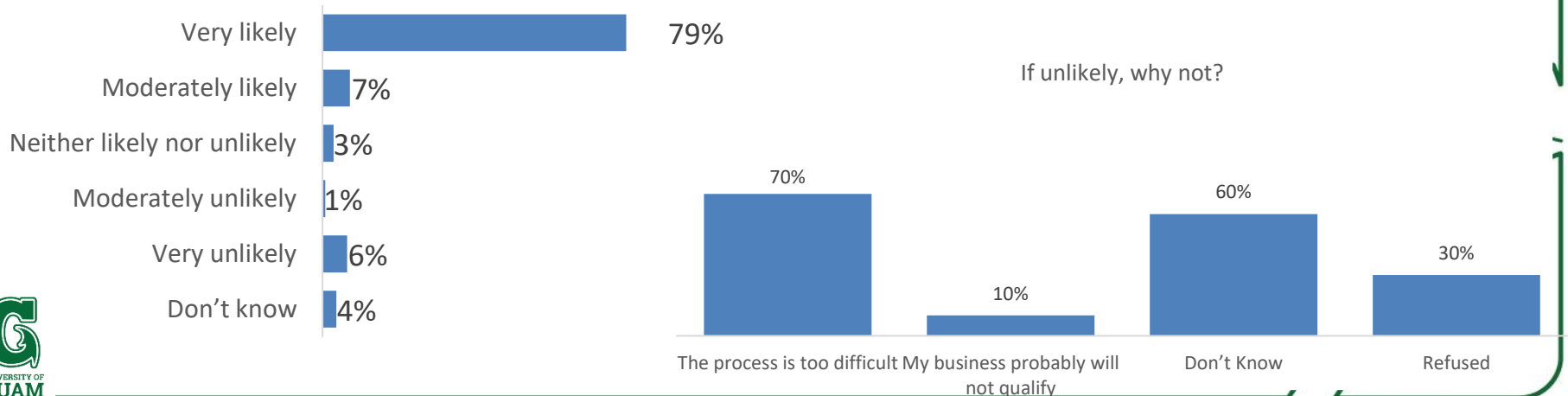
**MAJORITY OF
LEAP RECIPIENTS
REMAINED
OPERATIONAL
THROUGH
SUMMER OF
2022**



LEAP RECIPIENTS ANTICIPATE A NEED FOR CONTINUED ASSISTANCE

More than three quarters of the businesses interviewed (86%) indicated they were likely, or very likely to apply for additional LEAP funding if it became available. Among 70% of businesses that indicated that they were unlikely to apply, the perceived difficulty in the process and the perception they would not qualify as the most frequently mentioned reasons.

How likely is it that you will need to apply for another LEAP grant/loan if it is made available under the same qualifying rules?



OBSERVATIONS & OUTLOOK

LEAP Recipients reported:

- Pre-COVID, majority of respondents (57%) indicated that more than 60% of customers were visitors
- 93% of businesses are still operational because of LEAP
- Have been in business for more than ten years
- Recipients were also predominantly small enterprises with fewer than 20 employees
- Were able to maintain staff and saw this as an important aspect of the program
- 74% of them had to suspend or cease operations
- Lack of visitors is their greatest impact on business and express continued operational challenges
- Lack of cash flow and higher cost of goods having a strong impact on business
- Not optimistic about their projected annual revenue over the next 12 months
- 79% would apply again due to the need of continued assistance



LEAP was a win-- it was the right thing to do, at the right time, for the business that it served. The government should be recognized for this. We typically help individual households, but this was recognition of helping businesses who are also a vital part of this economy. It is important to consider that entrepreneurial assistance is important, even if the numbers do not return to the tourism market. We are not out of the woods yet, and we need to plan forward-- anticipating what we can do in the short-run. We need to at least ask ourselves, what are we going to do over the next year?

Dr. Roseann M. Jones, PhD
Professor of Economics



THANK YOU

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