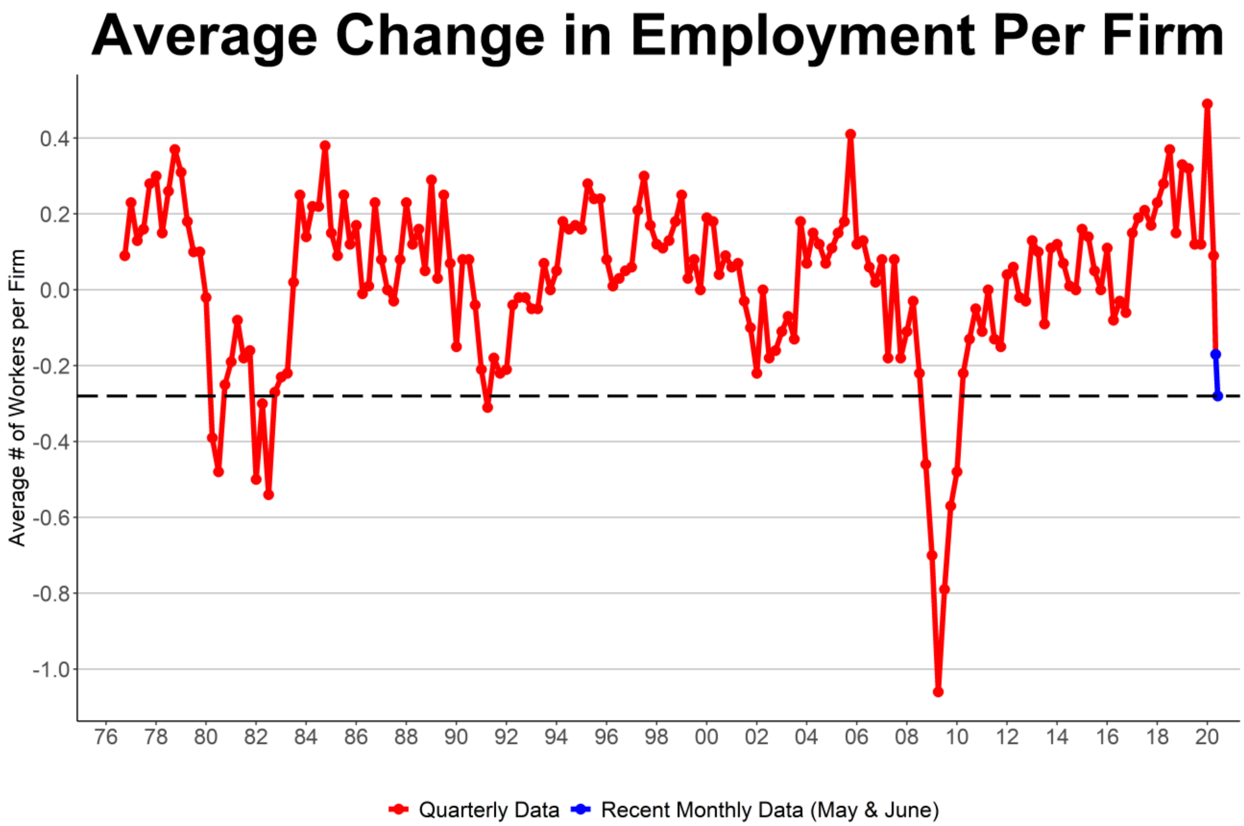
Small Business Labor Market Remains Weak in June

(Based on 670 respondents to the June survey of a random sample of NFIB's member firms, surveyed through 6/29/2020)
EMBARGO 1 PM WEDNESDAY

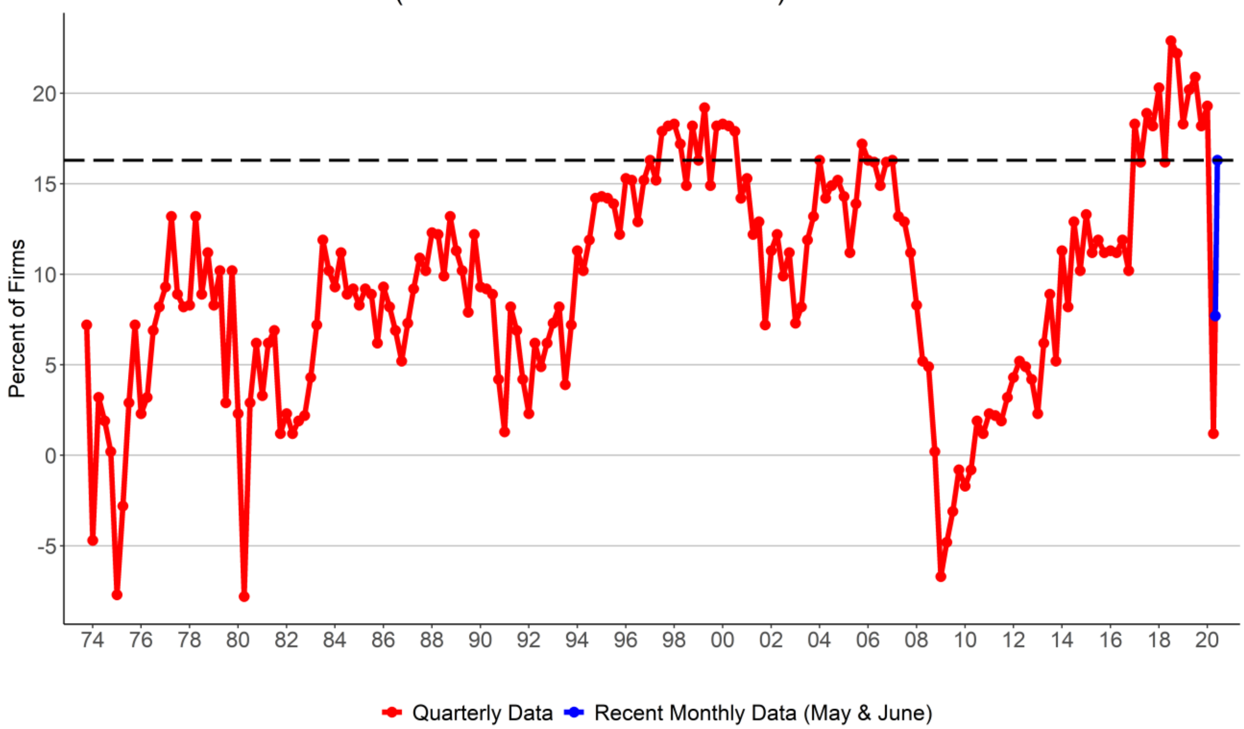


The small business labor market remained weak in June. Firms reduced employment by 0.28 workers per firm on average over the past month, weaker than the decrease of 0.17 workers per firm in May. Six percent (unchanged) reported increasing employment an average of 2.6 workers per firm and 22 percent (up 1 point) reported reducing employment an average of 4.6 workers per firm (seasonally adjusted).

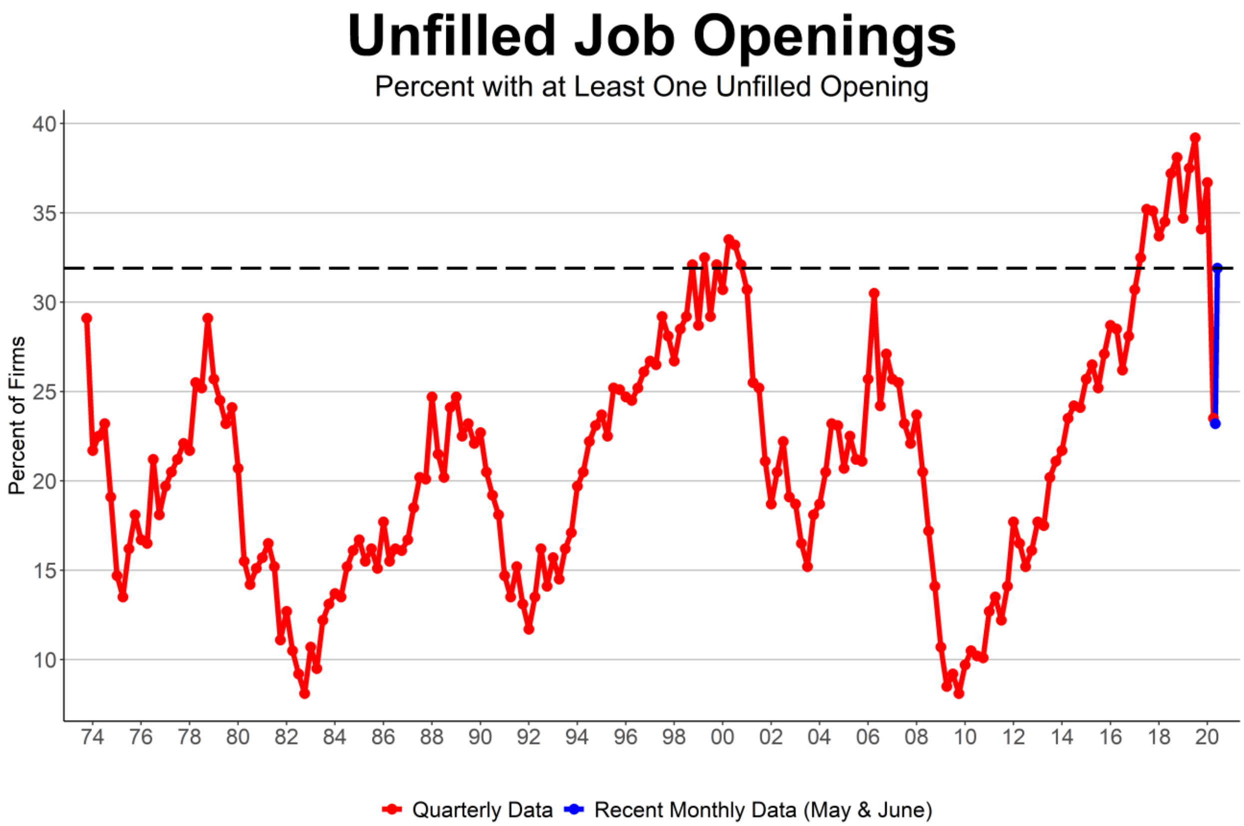
Owners are trimming payrolls as Paycheck Protection Program (PPP) loan borrowers are moving through their eight-week forgiveness period and sales have not rebounded. Forgiveness terms for the PPP loans generally require owners to keep payrolls at pre-crisis levels except under certain circumstances, but many owners received their loans in April and can no longer afford to keep workers past June.

Job Creation Plans

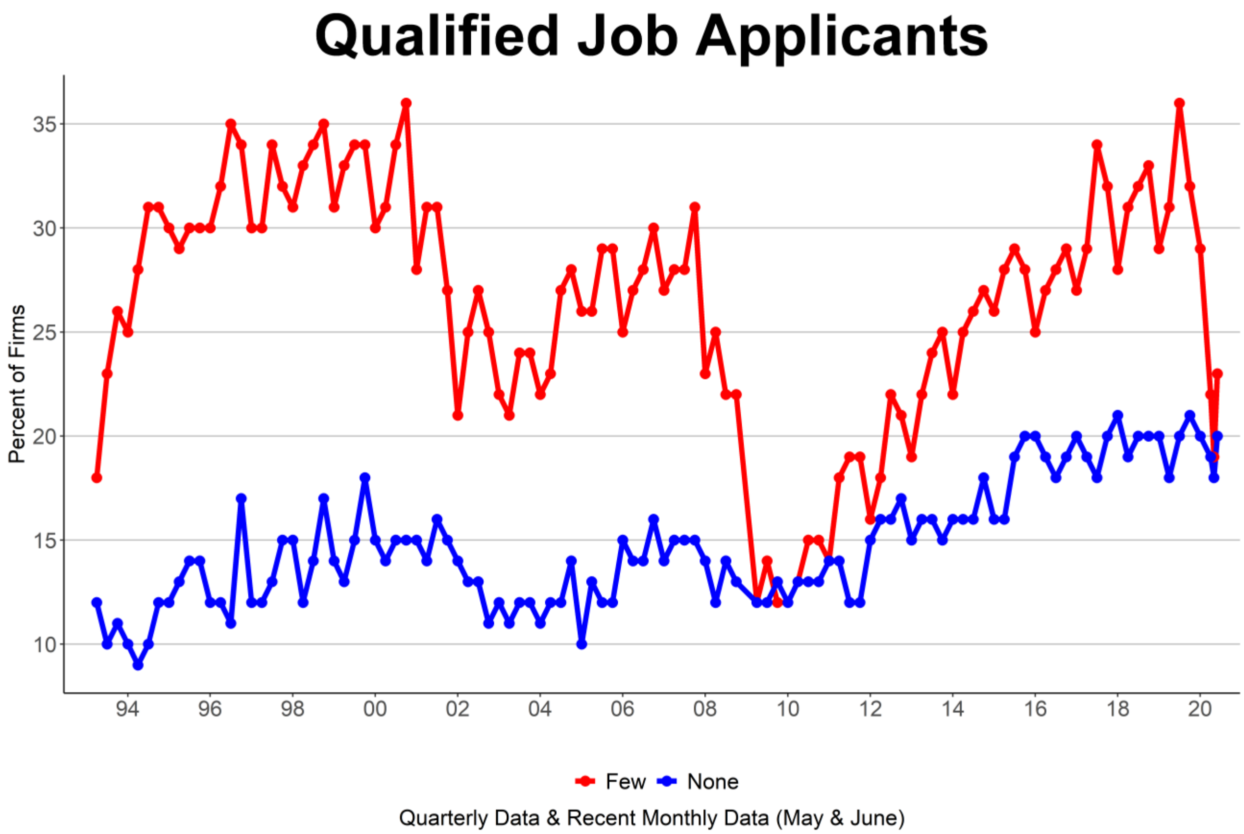
Net Percent ("Increase" minus "Decrease") in Next Three Months



A seasonally-adjusted net 16 percent plan to create new jobs in the next three months, up 8 points. Many businesses are planning to reopen soon or expand business operations and will need to re-hire workers. However, COVID-19 health conditions have worsened in many areas with spikes in infections. Many state governments are now reversing prior or postponing opening decisions. This reduces the potential to earn needed revenue and likely diminishes consumer comfort levels, adversely impacting customer volumes.

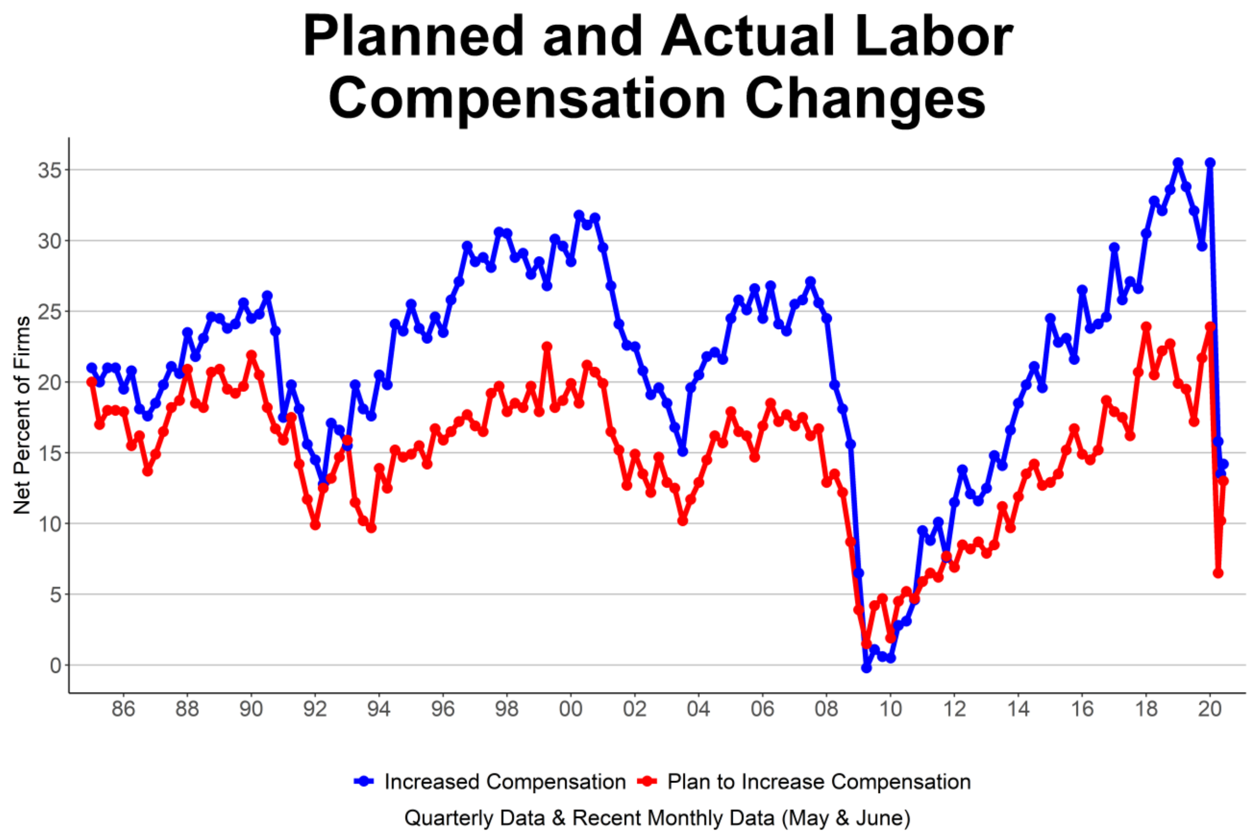


Thirty-two percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 9 points. Obviously, these are not the same firms as those reducing employment, some are at a different stage of the PPP program, and in different geographic regions such as Florida (increasing restrictions) versus states that have reached Phase 3 and are not experiencing an increase in virus activity.



Fifty-one percent reported hiring or trying to hire in June, up 7 points. Forty-three percent (84 percent of those hiring or trying to hire) reported few or no “qualified” applicants for the positions they were trying to fill, up 6 points. Fifty percent of construction firms reported few or no qualified applicants and 30 percent cited the shortage of qualified labor as their top business problem.

Twenty-seven percent have openings for skilled workers (up 7 points) and 11 percent have openings for unskilled labor (up 1 point). Twenty-three percent of owners reported few qualified applicants for their open positions (up 4 points) and 20 percent reported none (up 2 points). Forty-one percent of the job openings in construction are for skilled workers.



Fewer owners are raising compensation than in previous months with less upward pressure on wages created by the massive level of layoffs and terminations. Seasonally adjusted, a net 14 percent reported raising compensation (unchanged) and a net 13 percent plan to do so in the coming months, up 3 points. Eight percent cited labor costs as their top problem. The timing of government policy changes and program terminations complicates the interpretation of these statistics.

The employment picture remains distorted and historically unprecedented. New claims for unemployment continue to trend down. The most recent initial claims report of 1.5 million is lower than previous weeks, but historically very high. Continuing claims were 20 million, which is orders of magnitude above historic levels. The major impact is in the services sector. Over 130,000 businesses closed in March, their workers filed for unemployment benefits, but a huge fraction will not reopen including many restaurants. Consumer spending has been weak as they have saved more than 100% of the stimulus and excess unemployment payments. It has picked up recently, but not with any strength. Recent COVID-19 spikes will depress spending in those geographies. There are lots of job openings, and complaints that the unemployment benefit increase is making it difficult to rehire workers. It will take another month for two for the “dust” from all of this to settle and give a clearer picture of the labor market. In the meantime, look for double digit unemployment rates even with better employment numbers.