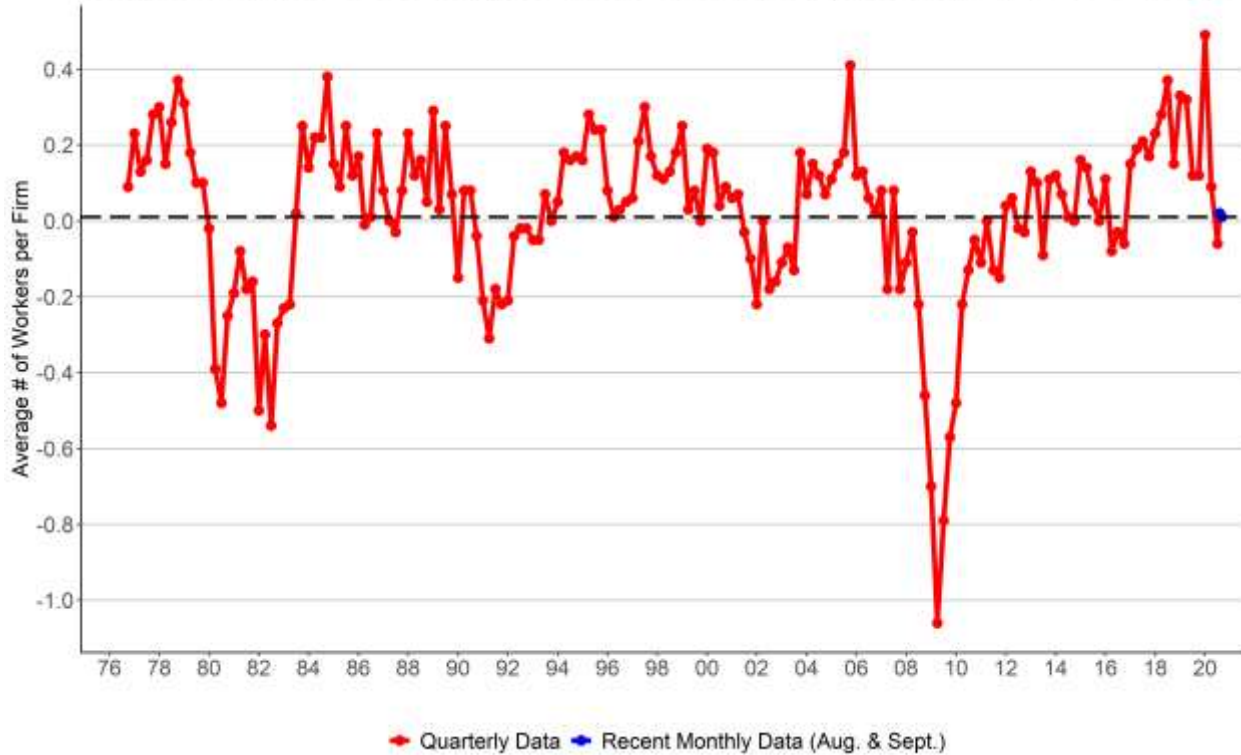


Small Business Labor Market Continues to Improve in September

(Based on 604 respondents to the September survey of a random sample of NFIB's member firms, surveyed through 9/28/2020)

EMBARGO 1 PM THURSDAY

Average Change in Employment Per Firm



Firms increased employment by 0.01 workers per firm on average over the past few months, basically unchanged from August. Ten percent (up 2 points) reported increasing employment an average of 3.2 workers per firm and 16 percent (down 4 points) reported reducing employment an average of 2.0 workers per firm (seasonally adjusted). Employment growth was very strong in the first quarter but reversed due to employment reductions with the implementation of government policies to slow the spread of Covid-19. The government numbers on unemployment are a bit confusing as many employees think they are temporarily laid off pending the solution to Covid-19, which is not coming as fast as people hoped – it turned out to be a lot worse than the flu.

Job Creation Plans

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



A seasonally-adjusted net 23 percent plan to create new jobs in the next three months, up 2 points from August, and 22 percentage points above April. Plans are back to levels observed in the first quarter when the economy was busy extending the longest expansion in history. Owners are now looking forward, understanding that the U.S. economy can continue to grow, and that they will need employees to deliver the goods.

Unfilled Job Openings

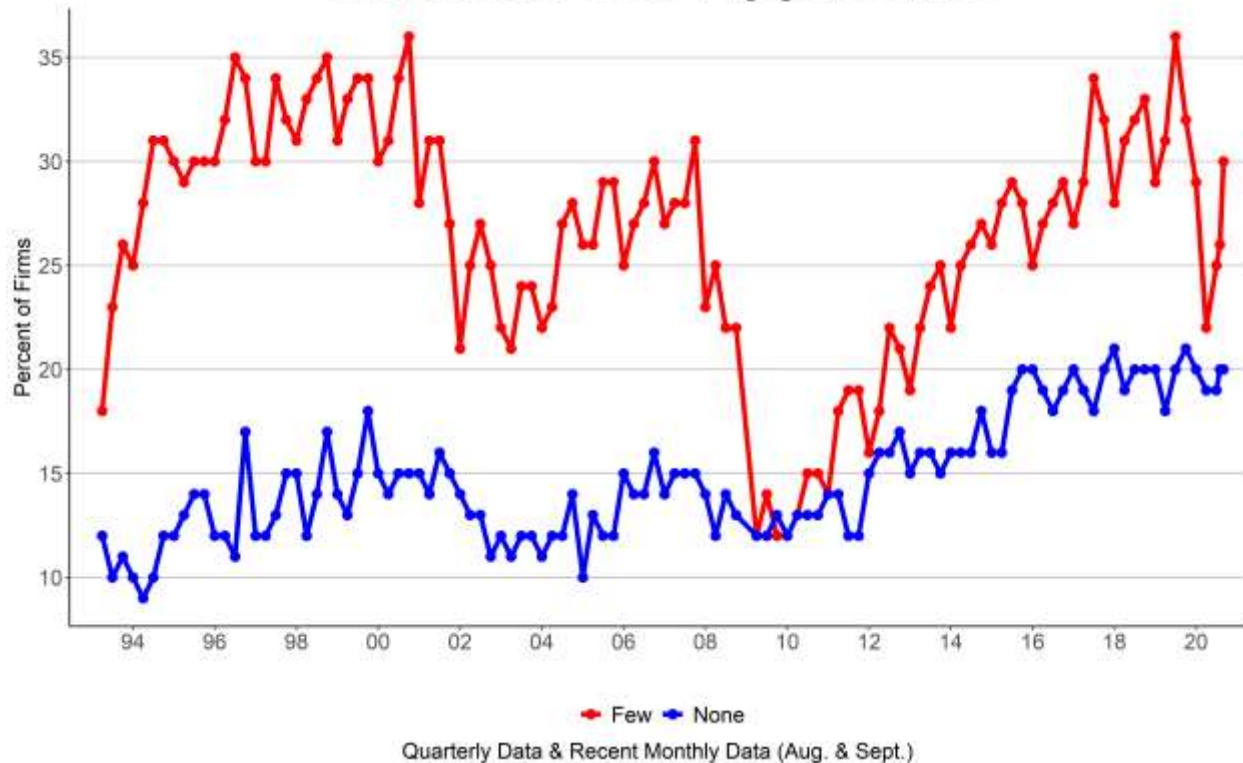
Percent with at Least One Unfilled Opening



Thirty-six percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 3 points. Thirty-two percent have openings for skilled workers (up 1 point) and 16 percent have openings for unskilled labor (up 4 points). These are historically high readings.

About 28 million workers currently receive various unemployment benefits but there are also historically high numbers of job openings. About 20 percent of owners have reported that workers are unwilling to give up unemployment benefits to take a job. As benefits are phased out, this will improve. But a larger, persistent challenge is matching available workers with available jobs. Thirty percent of owners reported few qualified applicants for their open positions (up 4 points) and 20 percent reported none (unchanged). Forty-two percent of the job openings in construction are for skilled workers, down 3 points. “Qualifications” include various types of skills (education, prior work experience, etc.) but also attitude and work ethic.

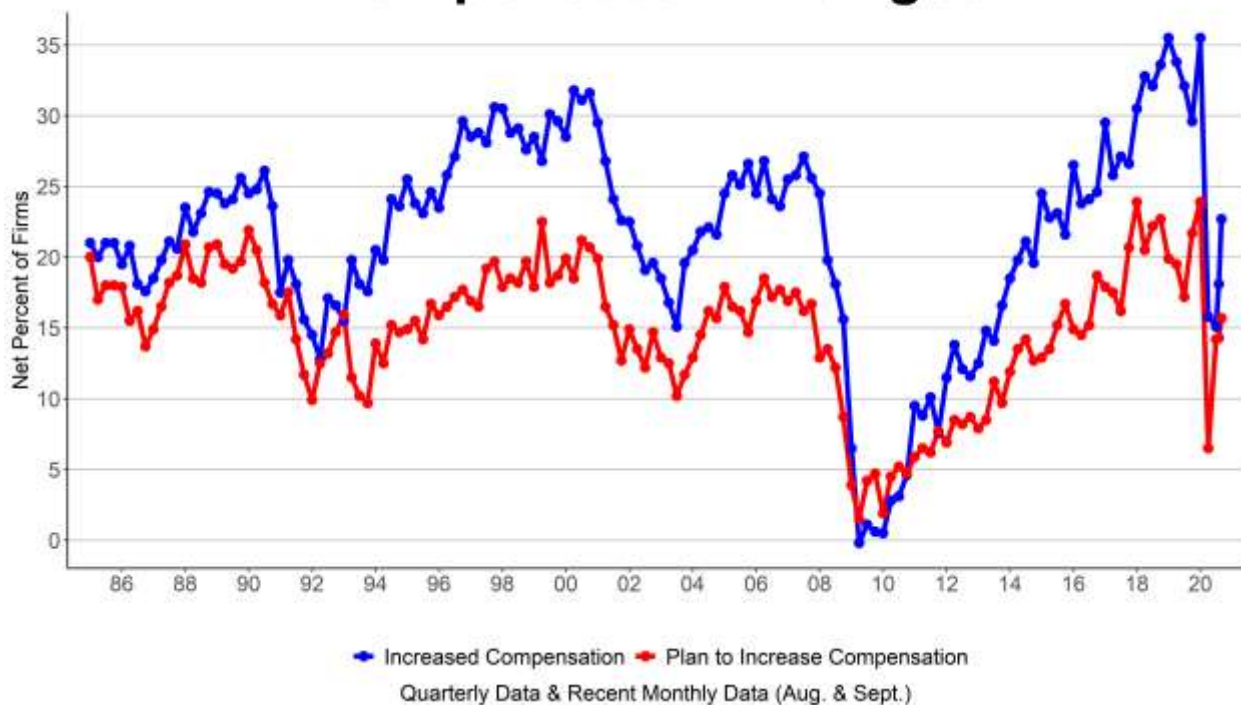
Qualified Job Applicants



Overall, 56 percent reported hiring or trying to hire in September, up four points from the previous month. Fifty percent (89 percent of those hiring or trying to hire) reported few or no “qualified” applicants for the positions they were trying to fill, up 4 points.

Sixty percent of construction firms reported few or no qualified applicants and 30 percent cited the shortage of qualified labor as their top business problem. The housing market remains strong, prices are rising, and mortgage rates are historically low.

Planned and Actual Labor Compensation Changes



Seasonally adjusted, a net 23 percent reported raising compensation (up 5 points) and a net 16 percent plan to do so in the coming months, up two points. Nine percent cited labor costs as their top business problem (unchanged). As labor markets attempt to “right” themselves in a Covid-19 environment, the pressure on compensation will rise as the economy improves and the pool of unemployed shrinks.

Labor productivity is rising because sales (output) are rising much faster than employment due to “excess capacity”. For example, restaurant customers are not using all the available services and output of the staff. This situation will resolve itself if demand continues to rise.