

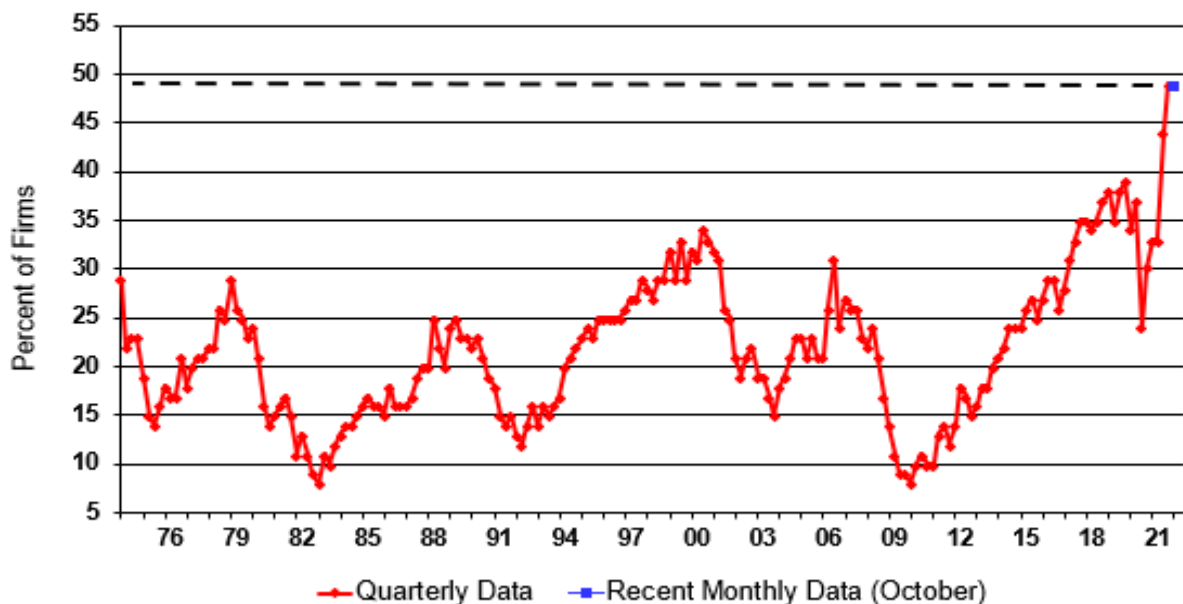
Labor Market Challenges Impacting More Small Businesses

Based on 1,431 respondents to the October survey of a random sample of NFIB's member firms, surveyed through 10/28/2021
EMBARGO 1 PM THURSDAY

Increasing numbers of small businesses are struggling to find workers to fill open positions. Forty-nine percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 2 points from September. The number of unfilled job openings far exceeds the 48-year historical average of 22 percent.

Unfilled Job Openings

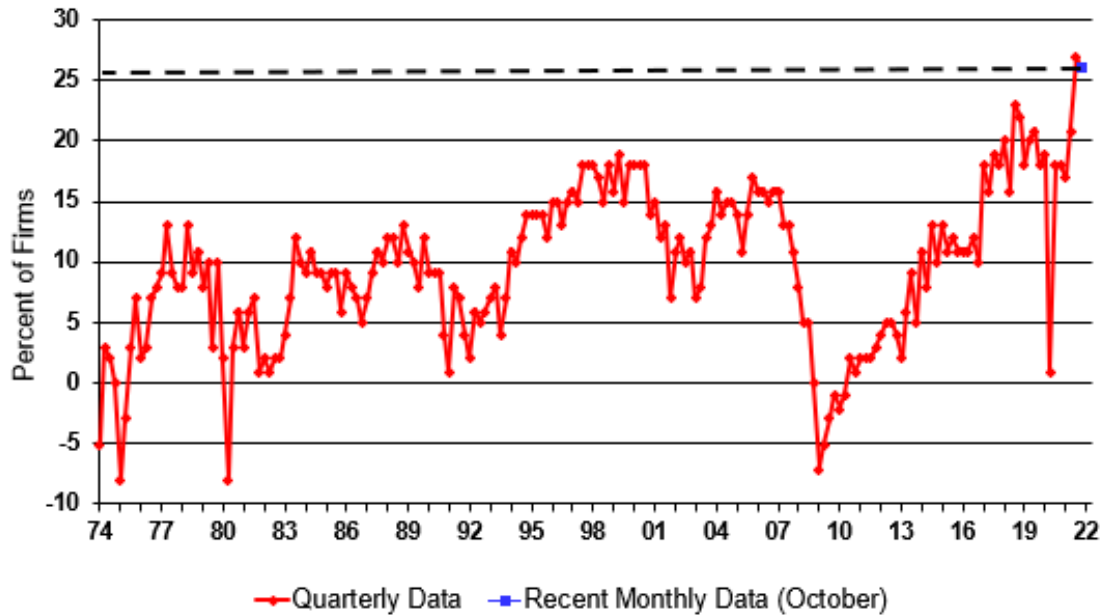
Percent with at Least One Unfilled Opening



Forty-two percent have openings for skilled workers (down 4 points) and 24 percent have openings for unskilled labor (down 4 points). Fifty-nine percent of the job openings in construction are for skilled workers, down 8 points. Sixty-five percent of construction firms reported few or no qualified applicants (down 15 points). The shortage of workers has slowed the construction of new homes, and home prices have soared over 20 percent. Hopefully, the declines in NFIB labor market indicators signal the start of improved hiring conditions for small business owners.

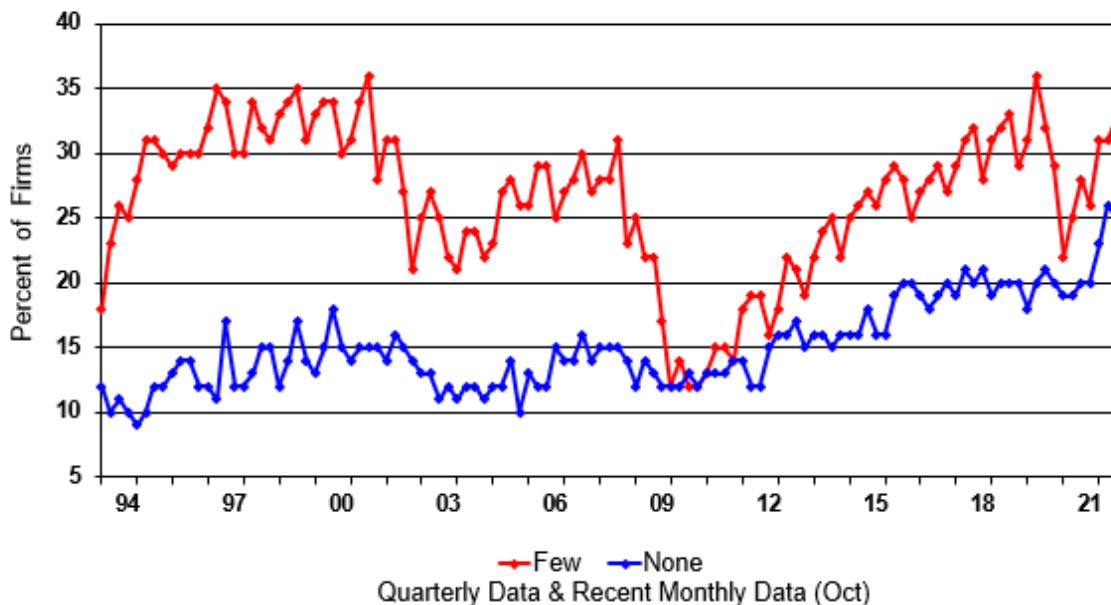
Job Creation Plans

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



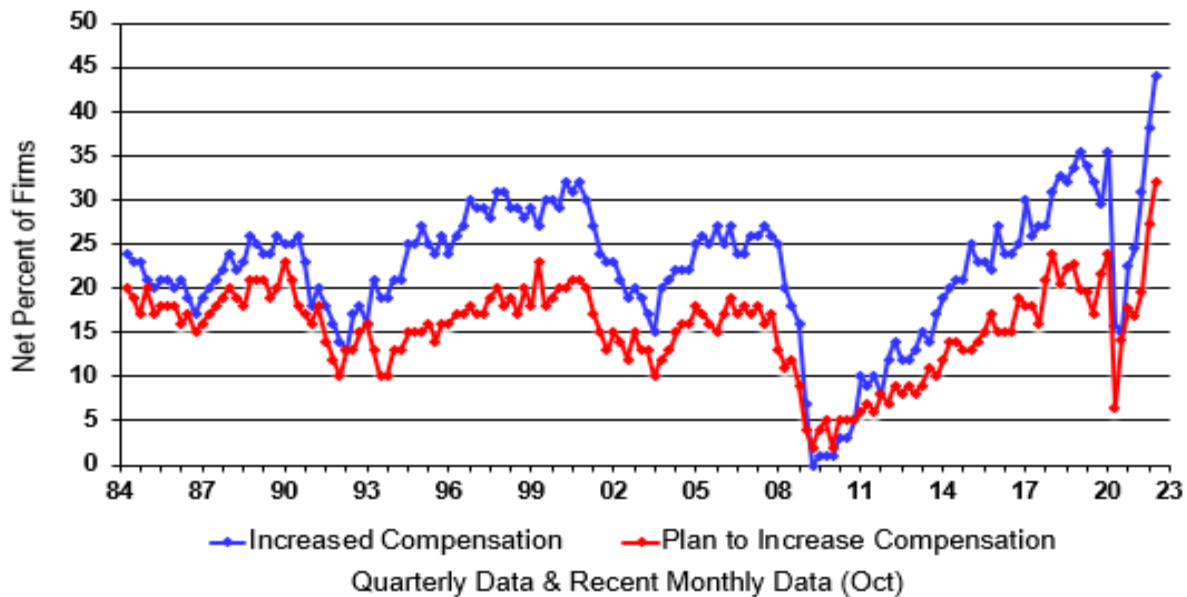
Overall, 62 percent reported hiring or trying to hire in October, down 5 points from September. Owners' plans to fill open positions remain at record high levels, with a seasonally adjusted net 26 percent planning to create new jobs in the next three months, unchanged from September but still the fifth highest reading in the 48-year history of the survey and well above the historical average reading of a net 11 percent.

Qualified Job Applicants



Fifty-eight percent (94 percent of those hiring or trying to hire) of owners reported few or no qualified applicants for the positions they were trying to fill (down 4 points). Thirty-three percent of owners reported few qualified applicants for their open positions (down 1 point) and 25 percent reported none (down 3 points). Again, the reductions hint at an improvement in labor market conditions.

Planned and Actual Labor Compensation Changes



Seasonally adjusted, a net 44 percent reported raising compensation, up 2 points from September and a 48-year record high reading. However, employment still remains below the 2020 peak and labor force participation hasn't responded strongly to the higher levels of compensation.

A net 32 percent plan to raise compensation in the next three months, up 2 points from September's record high reading. Raising compensation is the main resource available for owners to retain their current employees and compete for new talent.

Ten percent cited labor costs as their top business problem, down 2 points from September. Twenty-four percent said that labor quality was their top business problem, down 4 points from September. For most firms, labor costs are the largest operating outlay, and owners will be compelled to pass those costs on to their customers by raising prices. This is the essence of a wage-price spiral that will continue to put pressure on inflation well in to 2022. The expected slowing of consumer spending in Q4 may reduce the need for additional employees somewhat, eventually taking the pressure off of compensation increases.

Single Most Important Problem

