

Small Business Employment Remains Strong in Light of Recession Fears

Based on 622 respondents to the August survey of a random sample of NFIB's member firms, surveyed through 8/29/2022

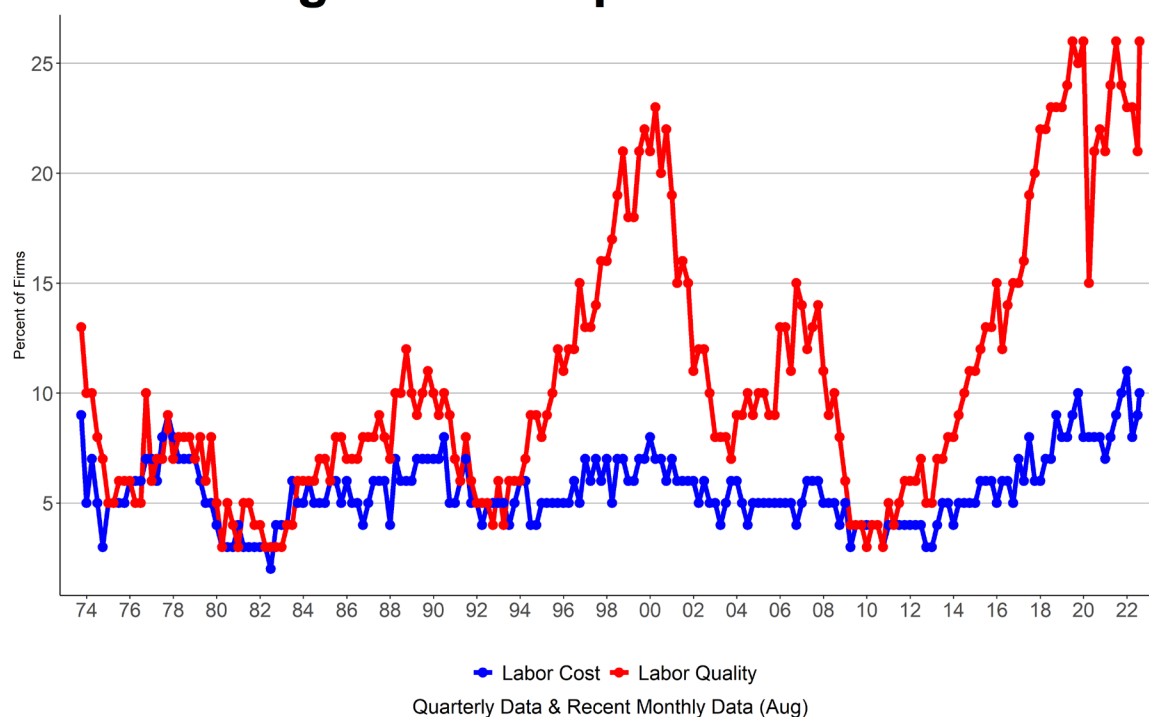
EMBARGO 1 PM THURSDAY

The economy has posted two quarters of negative (but mild) GDP growth. Initial claims for unemployment benefits have plateaued in August after a steady increase since the beginning of the year. The business news is populated with large firm announcements of plans to cut employment. Yet, the BLS just reported that Job Openings remain at historic high levels nationally.

The August NFIB Small Business Economic Trends report mirrors the national employment trend. The percent of small business owners reporting labor quality as their top small business operating problem remains elevated. However, the percent of firms reducing employment exceed those raising by 8 percentage points. The average increase per firm (including firms that did not change employment levels) was negative 0.03 workers per firm, an improvement from July's negative 0.14 but still negative.

The Fed's Weekly Economic Index continues to head down and the mainstream economic reporters continue to anticipate more weakness. However, undeterred, small business owners continue to report job openings at historically high levels, and plans to hire remain very strong.

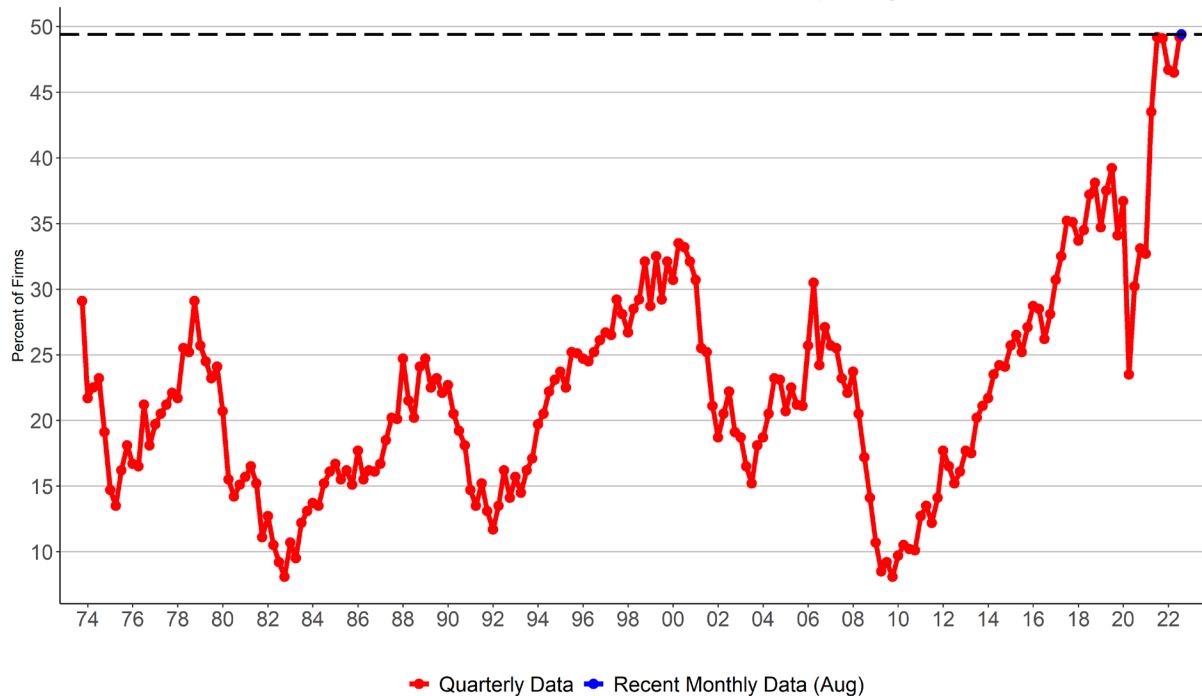
Single Most Important Problem



Forty-nine percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, unchanged from July and down 2 points from May's 48-year record high (also in September). The number of unfilled job openings far exceeds the 48-year historical average of 23 percent. Nationwide, the number of job openings continues to exceed the number of unemployed workers (those looking for a job), producing a tight labor market and pressure on wage levels. And, the labor force participation rate is still 1.3 percentage points below where it was in February 2020. The labor market continues to be a big challenge for small business owners. There are 5.7 million presumed job searchers and twice that many openings.

Unfilled Job Openings

Percent with at Least One Unfilled Opening



Forty-one percent have openings for skilled workers (down 1 point) and 24 percent have openings for unskilled labor (up 3 points). Sixty-six percent of the job openings in construction are for skilled workers, up 6 points. Seventy-one percent of construction firms reported few or no qualified applicants (up 4 points). There are plenty of openings for all skill levels.

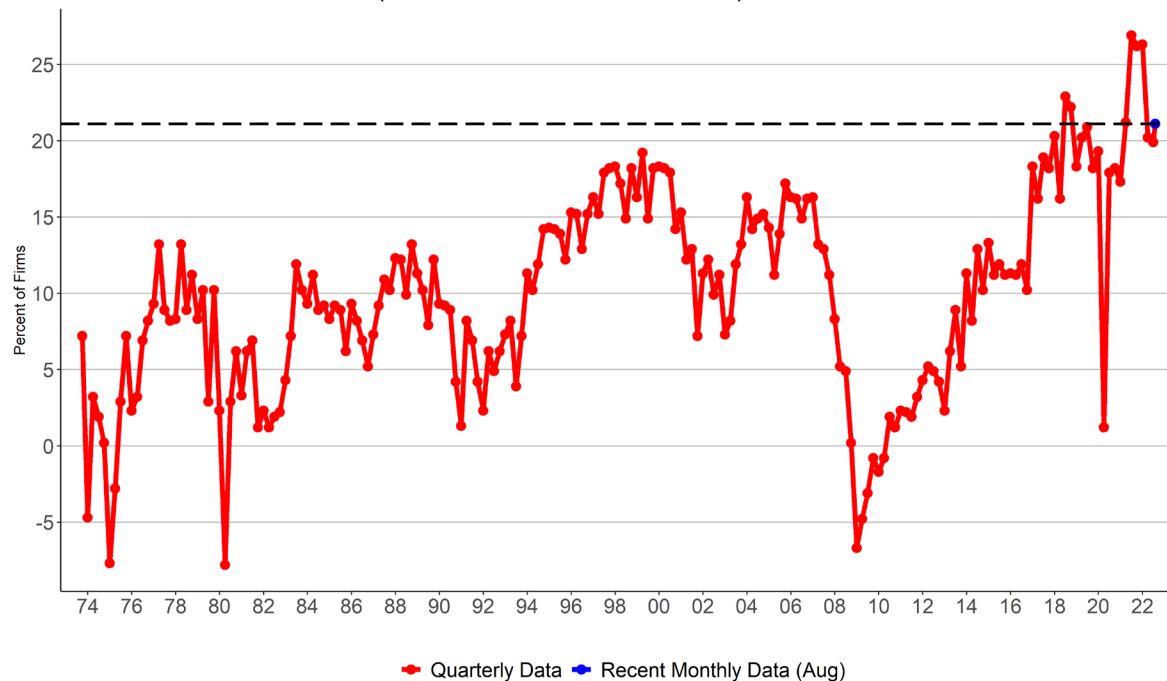
Industry- Percent with Job Openings

Construction	70%
Manufacturing	64%
Transportation	58%
Retail	51%
Professional services	47%
Services	43%
FIRE	41%
Wholesale	30%
Agriculture	26%

Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 21 percent planning (hoping) to create new jobs in the next three months, up 1 point from July.

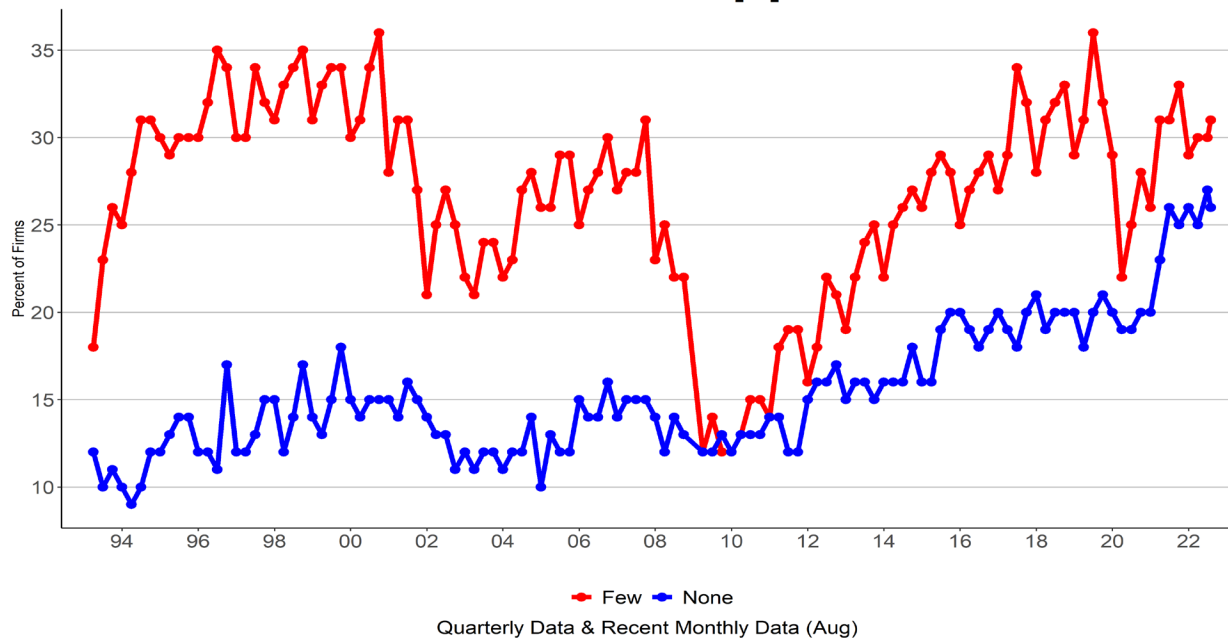
Job Creation Plans

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



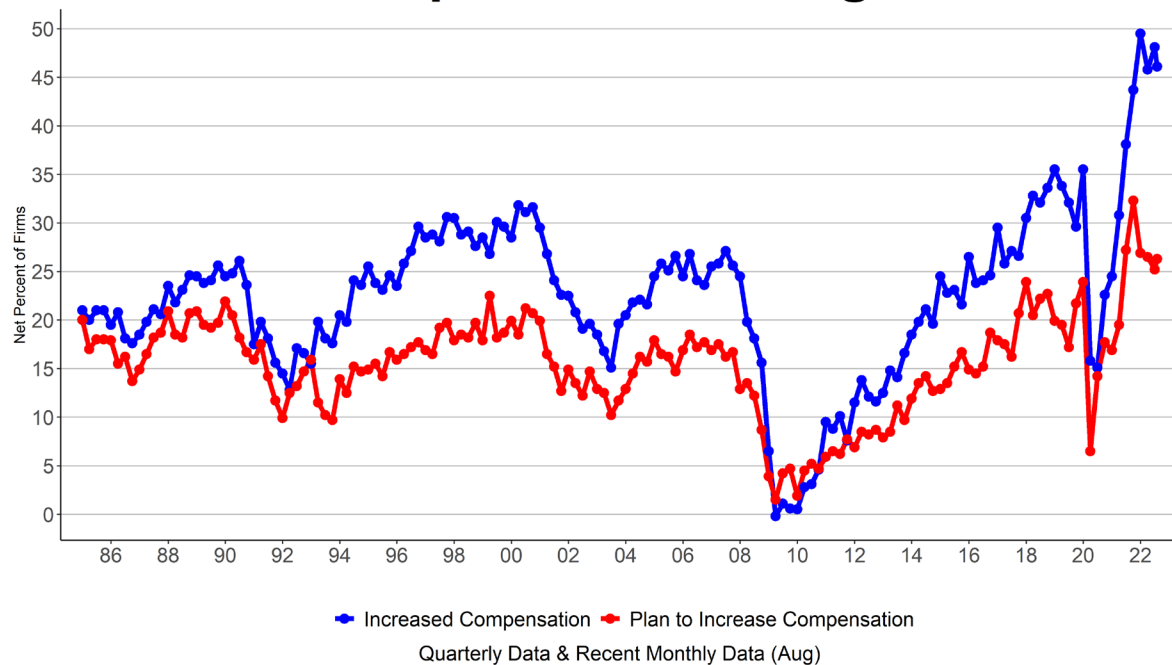
Overall, 63 percent reported hiring or trying to hire in August, down 1 point from July. Fifty-seven percent (89 percent of those hiring or trying to hire) of owners reported few or no qualified applicants for the positions they were trying to fill (unchanged). Thirty-one percent of owners reported few qualified applicants for their open positions (up 1 point) and 26 percent reported none (down 1 point, and just 3 points shy of the 48-year record high). Hiring has never been harder!

Qualified Job Applicants



Seasonally adjusted, a net 46 percent reported raising compensation, down 2 points from July, and just four points below the 48-year record high set in January. A net 26 percent plan to raise compensation in the next three months, up 1 point from July. These rising labor costs will be passed on to consumers through higher selling prices which are being raised at a record pace.

Planned and Actual Labor Compensation Changes



The labor situation remains frustrating for many small business owners not able to find qualified applicants to fill open positions. Owners are adjusting business operations where they can to mitigate lost sales opportunities due to staffing shortages. The BLS JOLTS release also reported that the hire rates and quit rates were basically unchanged the last week in July. And Job openings increased a bit in the BLS report, the openings rate remains 2.5 points above pre-pandemic high level. If a recession is starting, one of the first effects to be observed would be a reduction in job openings, followed later by reductions in employment. So far, this has not happened.