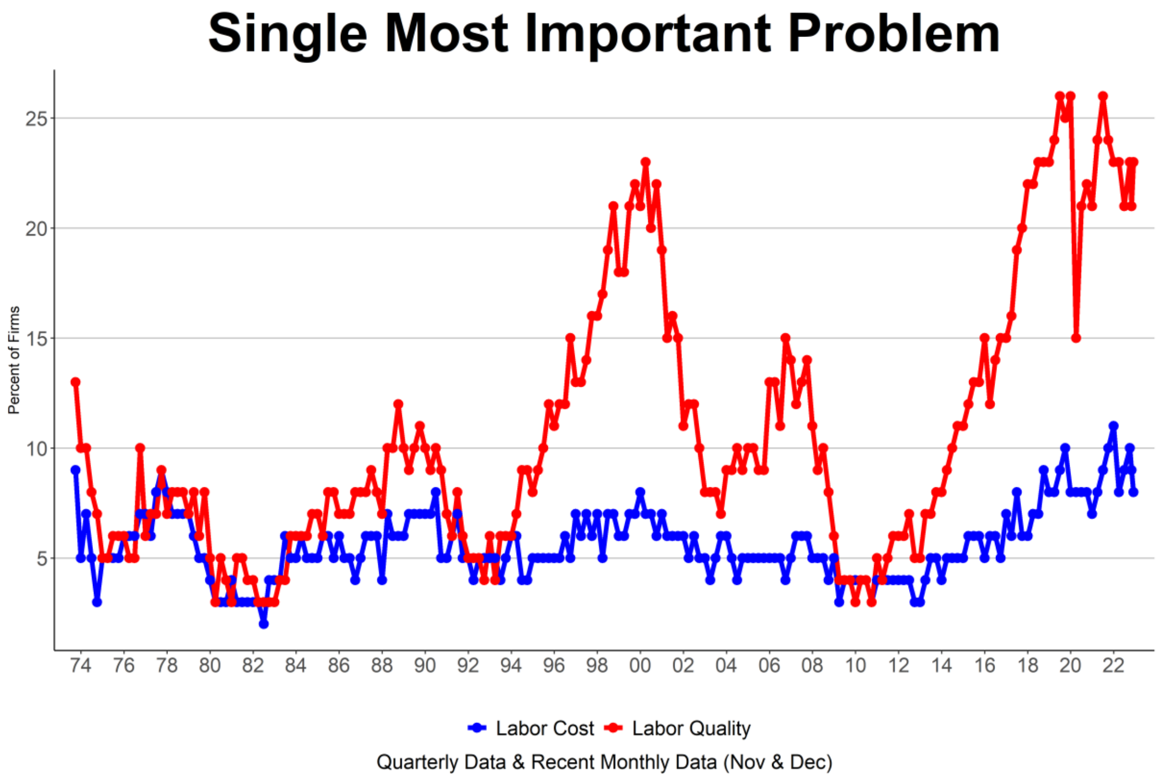
Small Business Labor Shortages Continue Even With Gloomy Outlook

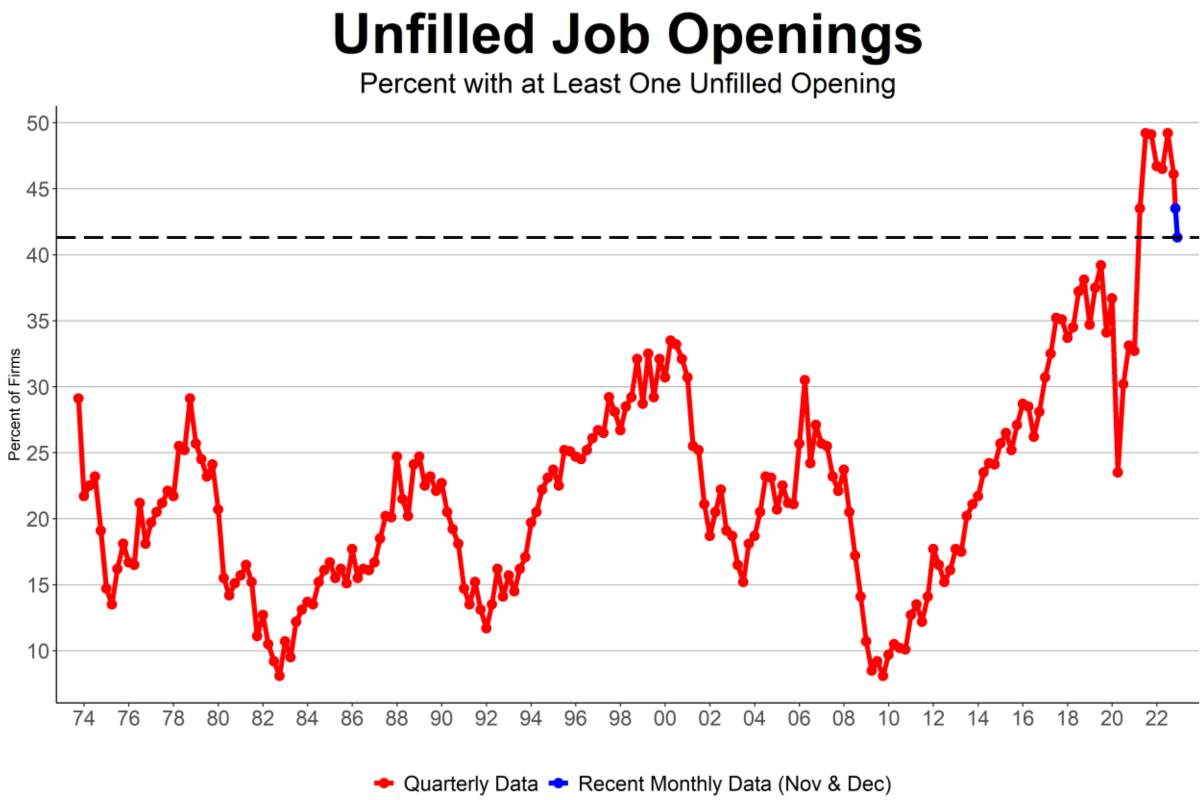
Based on 514 respondents to the December survey of a random sample of NFIB's member firms, surveyed through 12/30/2022
EMBARGO 1 PM THURSDAY

Forty-one percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 3 points from November. The share of owners with unfilled job openings far exceeds the 49-year historical average of 23 percent although 10 percentage points lower than the record high of 51 percent last reached in July. Thirty-five percent have openings for skilled workers (down 2 points) and 16 percent have openings for unskilled labor (unchanged). The labor force participation rate remains below pre-Covid levels, the main contributer to the large volume of job openings that remain unfilled.

The percent of small business owners reporting labor quality as their top small business operating problem remains elevated at 23 percent, up 2 points from November. Labor cost reported as the single most important problem to business owners decreased 1 point to 8 percent, historically high.



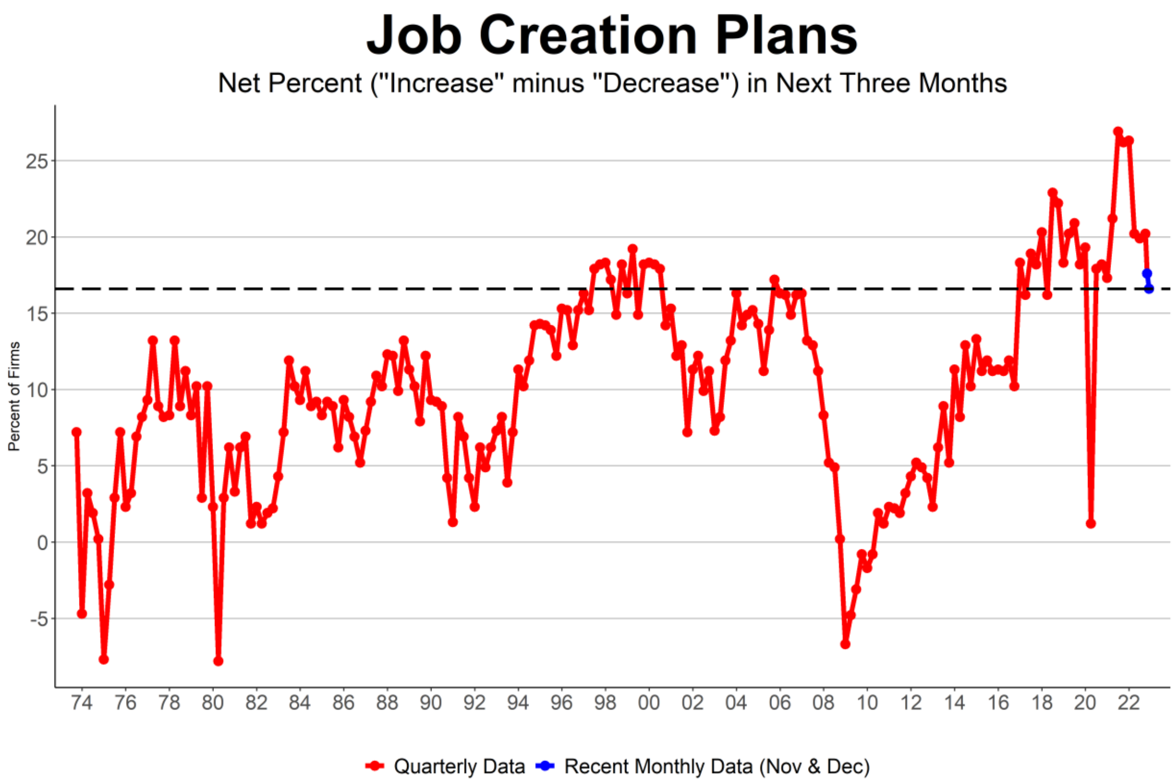
Nationwide, the number of job openings was little changed in November at 10.5 million, up from 10.3 million in October. Job openings continue to exceed the number of unemployed workers, those looking for a job (6.0 million unemployed). And, the labor force participation rate is still 1 percentage point below where it was in February 2020. The labor market continues to be a big challenge for small business owners. The media is focusing on layoffs at high-tech firms but those have little impact on labor supply for small firms.



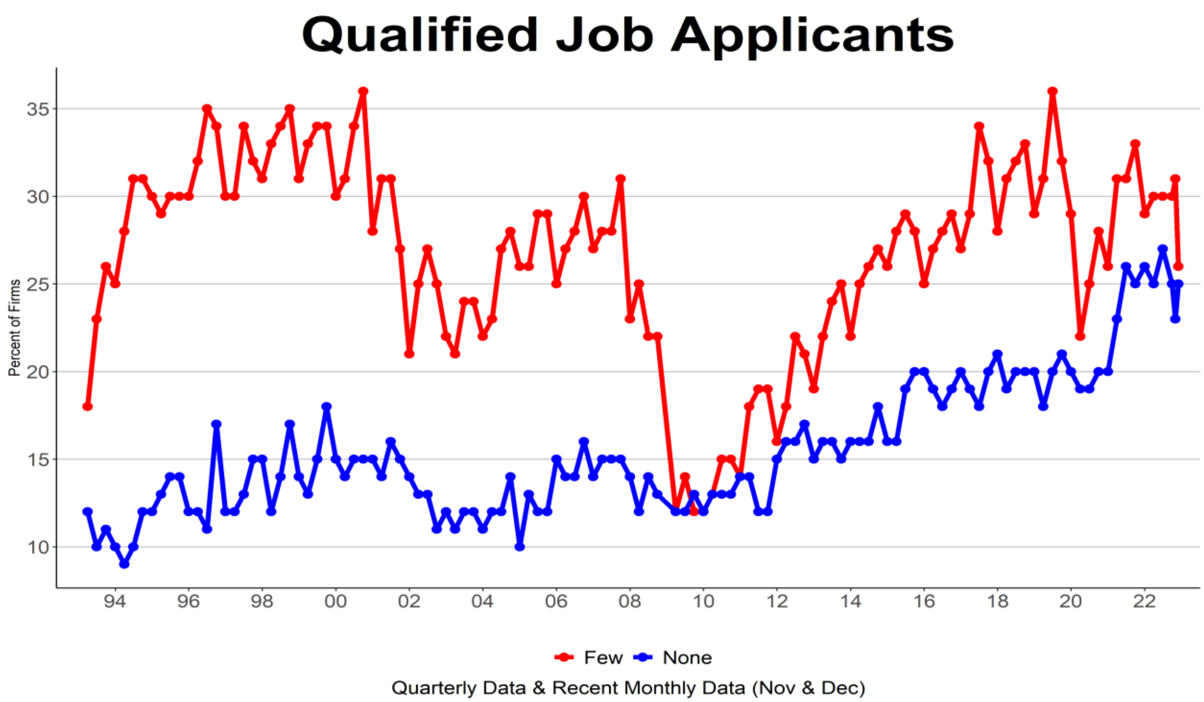
Industry- Percent with Job Openings	
Construction	53%
Manufacturing	47%
Transportation	47%
Services	45%
Retail	38%
Wholesale	36%
Professional	31%
Agriculture	23%
Finance	20%

Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 17 percent planning to create new jobs in the next three months, down 1 point from November and 15 points below its record high reading of 32 reached in

August 2021. However, the trend in planned hiring is clearly on the decline, now below most of the 2016-2019 strong expansion numbers.

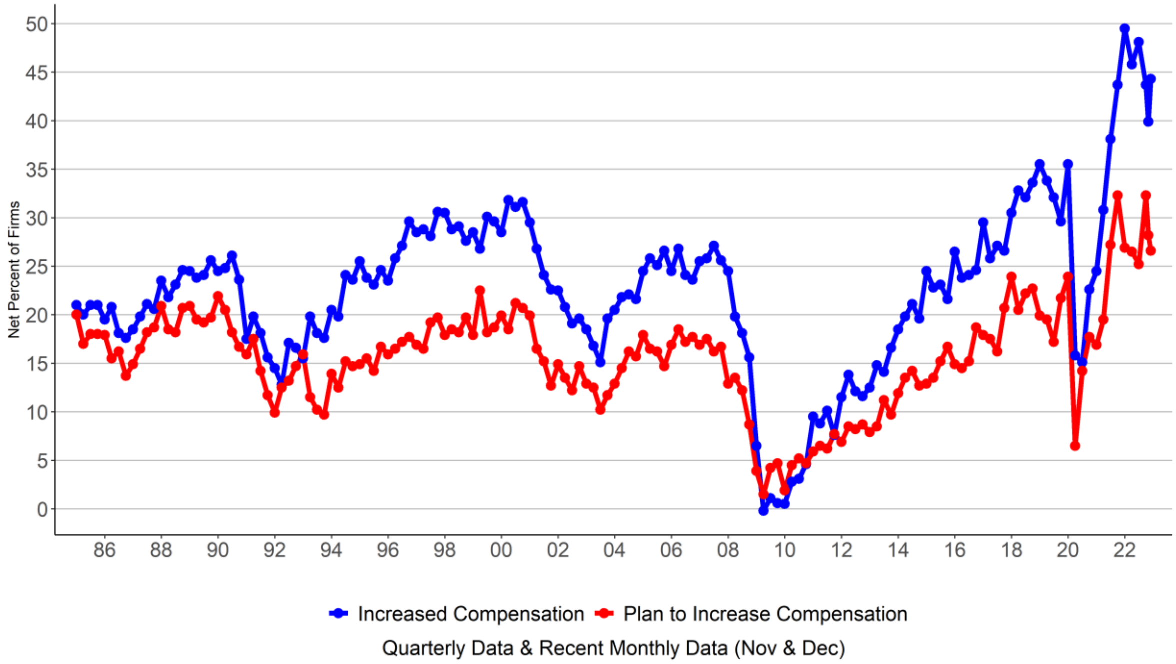


Overall, 55 percent reported hiring or trying to hire in December, down 4 points from November. Fifty-one percent (93 percent of those hiring or trying to hire) of owners reported few or no qualified applicants for the positions they were trying to fill (down 3 points). Twenty-six percent of owners reported few qualified applicants for their open positions (down 5 points) and 25 percent reported none (up 2 points from November).



Seasonally adjusted, a net 44 percent reported raising compensation, up 4 points from November, and just 6 points below the 49-year record high set in January last year. A net 27 percent plan to raise compensation in the next three months, down 1 point from November. Far more owners are having to increase compensation to compete than are planning to add that expense. According to the BLS, compensation costs overall increased 5 percent over the last 12 months. But with labor demand remaining strong (as has consumer spending), firms must maintain competitive compensation to retain workers and hopefully to fill open critical positions. As long as consumers spend, firms will find it profitable to hire.

Planned and Actual Labor Compensation Changes



The labor situation remains frustrating for small business owners. The staffing shortage has limited small business owners' ability to fully take advantage of current sales opportunities. Those opportunities are starting to fade, but not dramatically, yet. Consumer sentiment is depressed but their spending is still holding up (low savings rate, debt use up), just softer. Inflation is still eating away at compensation gains. Owner optimism has been fading (October and November lowest readings in 2022), lower readings held off by strong labor market components.

The first casualty of a weakening labor market will be job openings followed by slower hiring activity. Job openings are 10 percentage points below May 2022 levels. When sales soften enough, actual layoffs occur and initial claims for unemployment benefits rise. January is just the beginning of this process for 2023.