

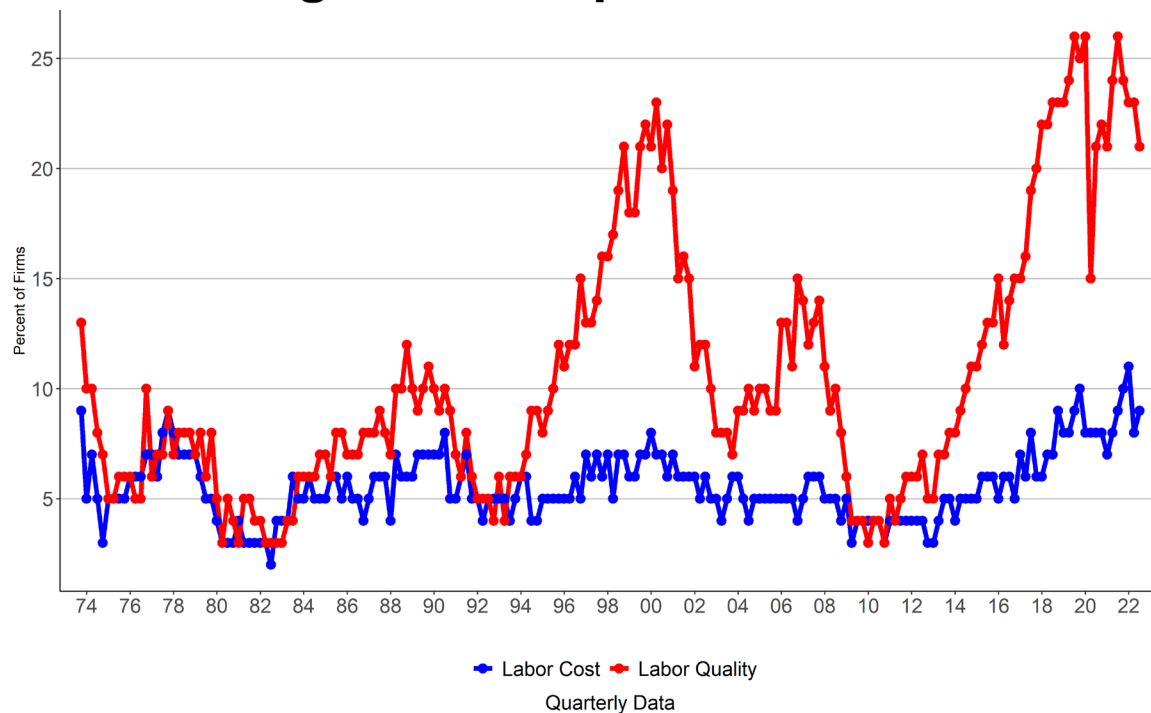
# Small Business Employment Remains Strong in Light of Recession Fears

Based on 1351 respondents to the July survey of a random sample of NFIB's member firms, surveyed through 7/29/2022

EMBARGO 1 PM THURSDAY

Small businesses continue to raise wages to keep employees and fill historically high levels of open positions. Twenty-one percent said that labor quality was their top business problem, down 2 points from June. Nine percent cited labor costs as their top business problem, up 1 point from June. Small businesses are still plagued by widespread labor shortages as owners continue to compete for workers. More small businesses decreased employment than increased again in July despite high levels of job openings. The average employment per firm was negative at 0.14 workers per firm (including firms that did not change employment levels), a sharp reversal from June's strong posting of 0.27. July was the first negative reading in 2022.

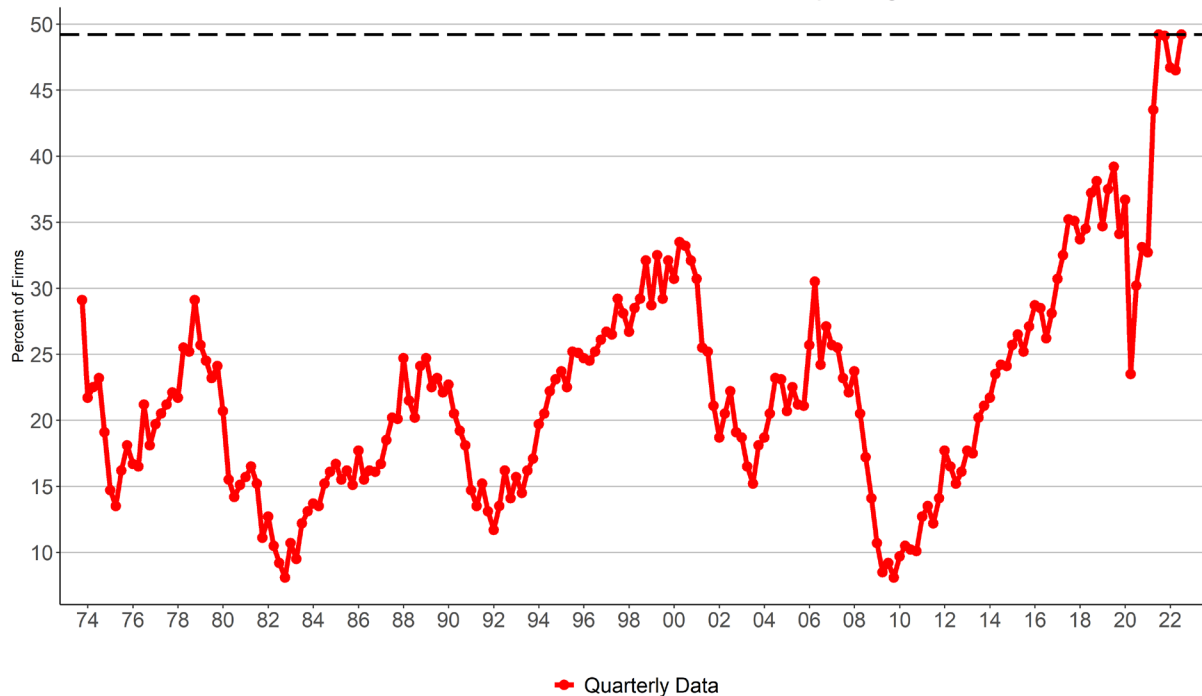
## Single Most Important Problem



Forty-nine percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 1 point from June 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 1.2 percentage points below where it was in February 2020. The labor market continues to be a big challenge for small business owners. This is a bit surprising as owners are the most pessimistic about future business conditions in 48-year history of the survey, yet they still want to "staff up" for future business.

## Unfilled Job Openings

Percent with at Least One Unfilled Opening



Forty-two percent have openings for skilled workers (unchanged) and 21 percent have openings for unskilled labor (down 1 point). Sixty percent of the job openings in construction are for skilled workers, up 2 points. Sixty-seven percent of construction firms reported few or no qualified applicants (up 1 point).

### Industry- Percent with Job Openings

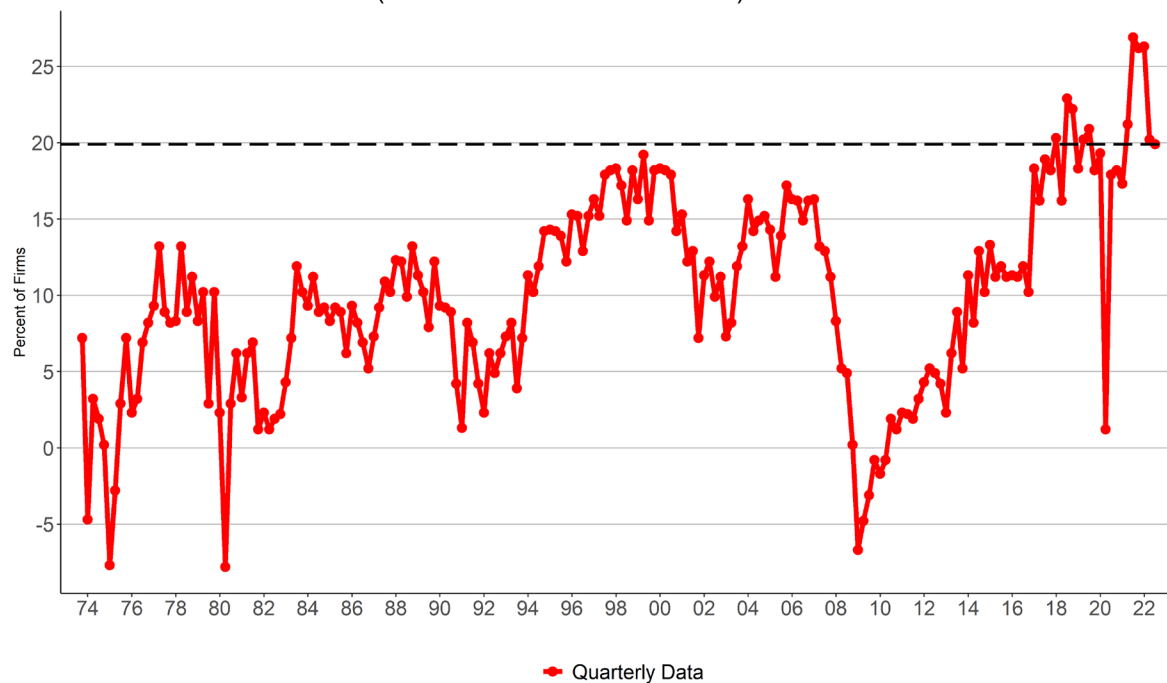
Transportation 68%

Construction	65%
Manufacturing	60%
Wholesale	52%
Services	51%
Retail	44%
Professional services	43%
FIRE	25%
Agriculture	23%

Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 20 percent planning (hoping) to create new jobs in the next three months, up 1 point from June.

## Job Creation Plans

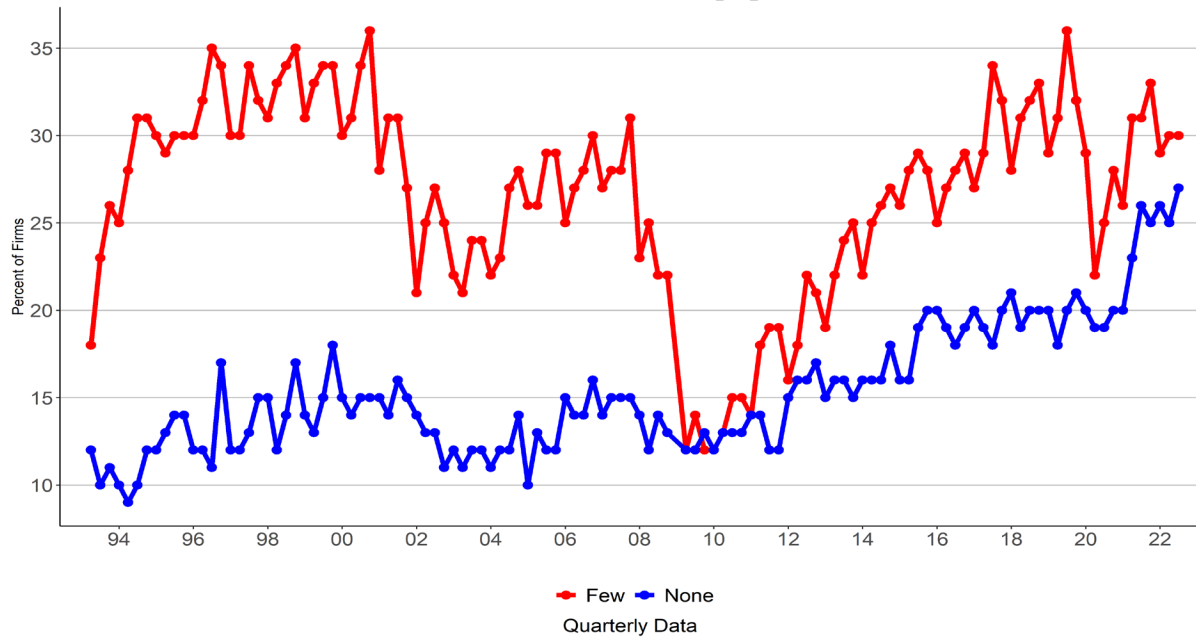
Net Percent ("Increase" minus "Decrease") in Next Three Months



Overall, 64 percent reported hiring or trying to hire in July, unchanged from June. Fifty-seven percent (91 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). Thirty percent of owners reported few qualified applicants for their open

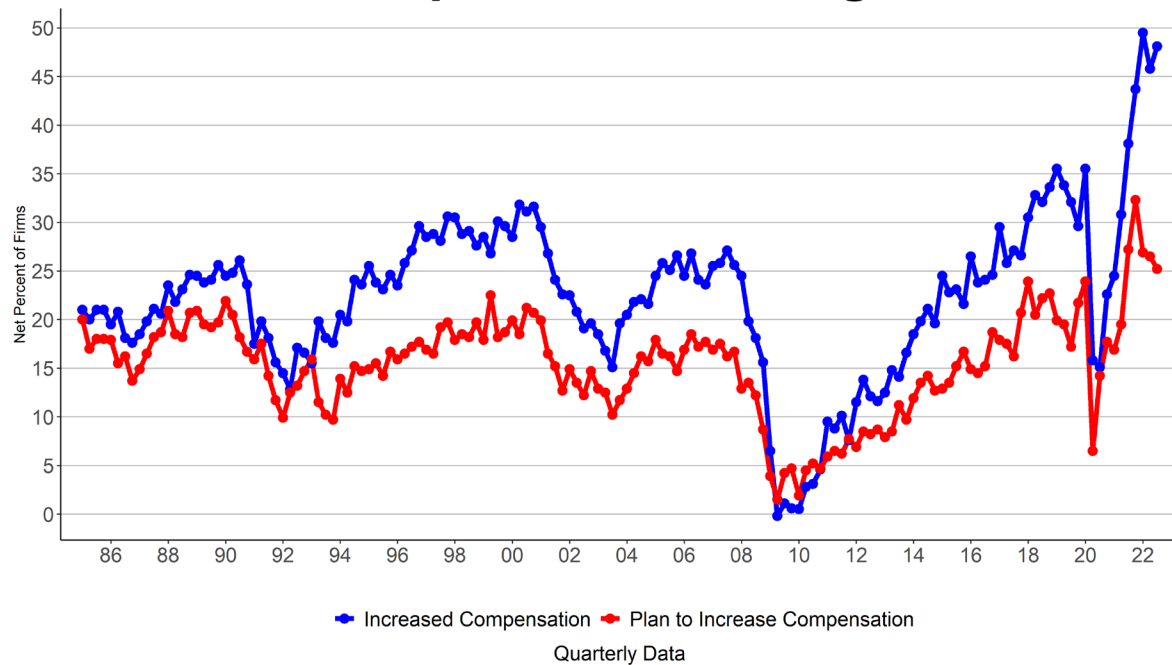
positions (down 3 points) and 27 percent reported none (unchanged, and just 2 points shy of the 48-year record high). Hiring has never been harder!

## Qualified Job Applicants



Seasonally adjusted, a net 48 percent reported raising compensation, unchanged from June, and just two points below the 48-year record high set in January. A net 25 percent plan to raise compensation in the next three months, down 3 points from June. 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 June. And while job openings fell a bit in the BLS report, the openings rate remains over 2 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.