Recession Fears Not Yet Hitting Small Business
Hiring or Increases in Compensation
Based on 505 respondents to the June survey of a random sample of
NFIB’s member firms, surveyed through 6/30/2022
EMBARGO 1 PM THURSDAY

Small businesses continue to raise wages to keep employees and fill historically high levels of open positions. Twenty-three percent said that labor quality was their top business problem, unchanged from May and remaining in second place behind inflation. Eight percent cited labor costs as their top business problem, down 4 points from May. The labor shortage continues to stymie the small business economy as owners compete for workers. Although more small businesses reduced employment than increased, the average per firm remained positive at 0.27 workers per firm (including firms that did not change employment levels).

Fifty percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 1 point from last month’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 1.1 percentage points below where it was in February 2020. The labor market continues to be a big challenge for small business owners. A recent GAO report estimated at least 1 million people are out of the workforce due to Covid related issues.¹ This is a bit surprising as owners are the most pessimistic about future business conditions in 48-year history of the survey.

Forty-two percent have openings for skilled workers (unchanged) and 22 percent have openings for unskilled labor (down 3 points). Fifty-eight percent of the job openings in construction are for skilled workers, down 7 points. Sixty-six percent of construction firms reported few or no qualified applicants (down 3 points).

Owners’ plans to fill open positions remain elevated, with a seasonally adjusted net 19 percent planning (hoping) to create new jobs in the next three months, but down 7 points from May.

Overall, 64 percent reported hiring or trying to hire in June, down 3 points from May. Sixty 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 1 point). Thirty-three percent of owners reported few qualified applicants for their
open positions (unchanged) and 27 percent reported none (down 1 point, but just 2 points shy of the 48-year record high).

Seasonally adjusted, a net 48 percent reported raising compensation, down 1 point from May, but just two points below the 48-year record high set in January. A net 28 percent plan to raise compensation in the next three months, up 3 points from May. These rising labor costs will be passed on to consumers through higher selling prices which are being raised at a record pace.
The labor force participation rate is slowly rising as more people come off the sidelines to take a job. Whether it is inflation pressure on retirement income or compensation offers they can’t refuse, the increase is a welcome development. Wage gains have been good, but inflation has outpaced them, reducing real disposable income. Consumers are tapping into their savings, but that will not support spending indefinitely. Overall, monthly employment gains continue to close the gap with levels in February 2020. A few more good months of increased employment participation might get total employment back to 2020 levels, hopefully before a widely anticipated recession sets in.