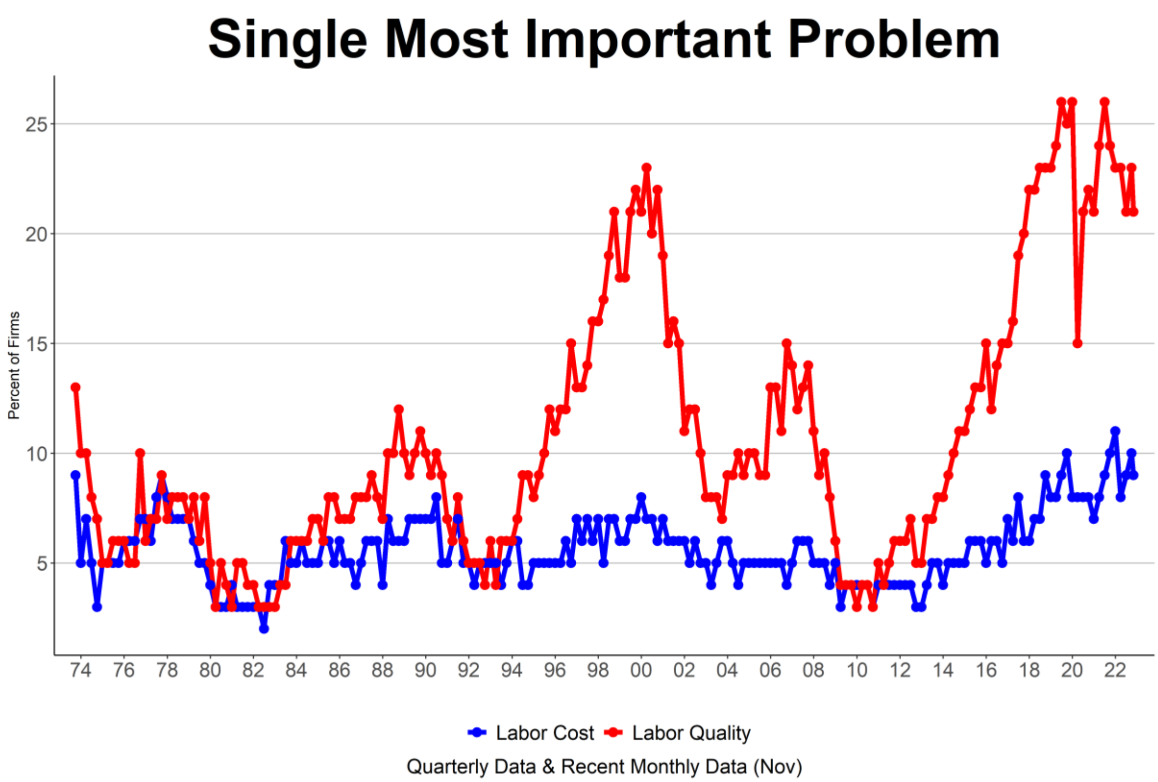
Small Business Labor Shortages Continue But Easing Up Just Slightly

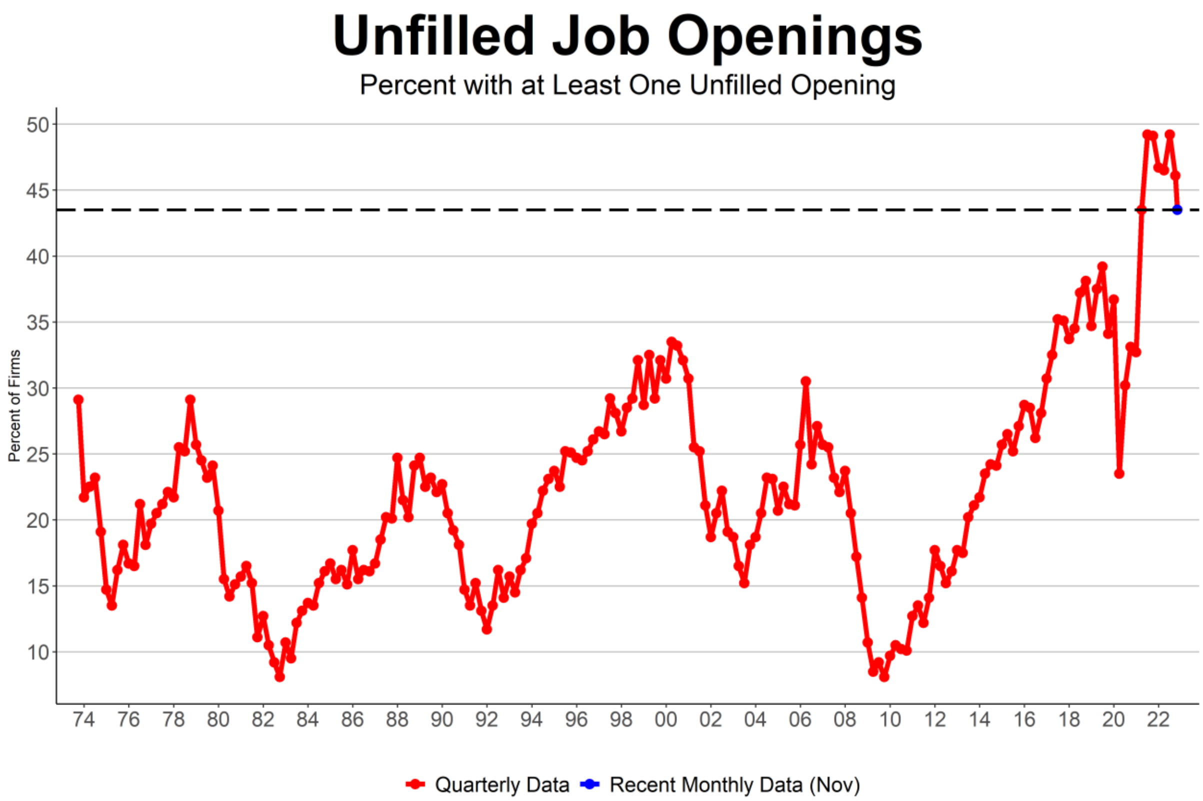
Based on 572 respondents to the November survey of a random sample of NFIB's member firms, surveyed through 11/29/2022
EMBARGO 1 PM THURSDAY

The percent of small business owners reporting labor quality as their top small business operating problem remains elevated at 21 percent, down 2 points from October. Labor cost reported as the single most important problem to business owners decreased 1 point to 9 percent, historically high.



Forty-four percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 2 points from October. The share of owners with unfilled job openings far exceeds the 49-year historical average of 23 percent. Thirty-seven percent have openings for skilled workers (down 3 points) and 16 percent have openings for unskilled labor (down 6 points).

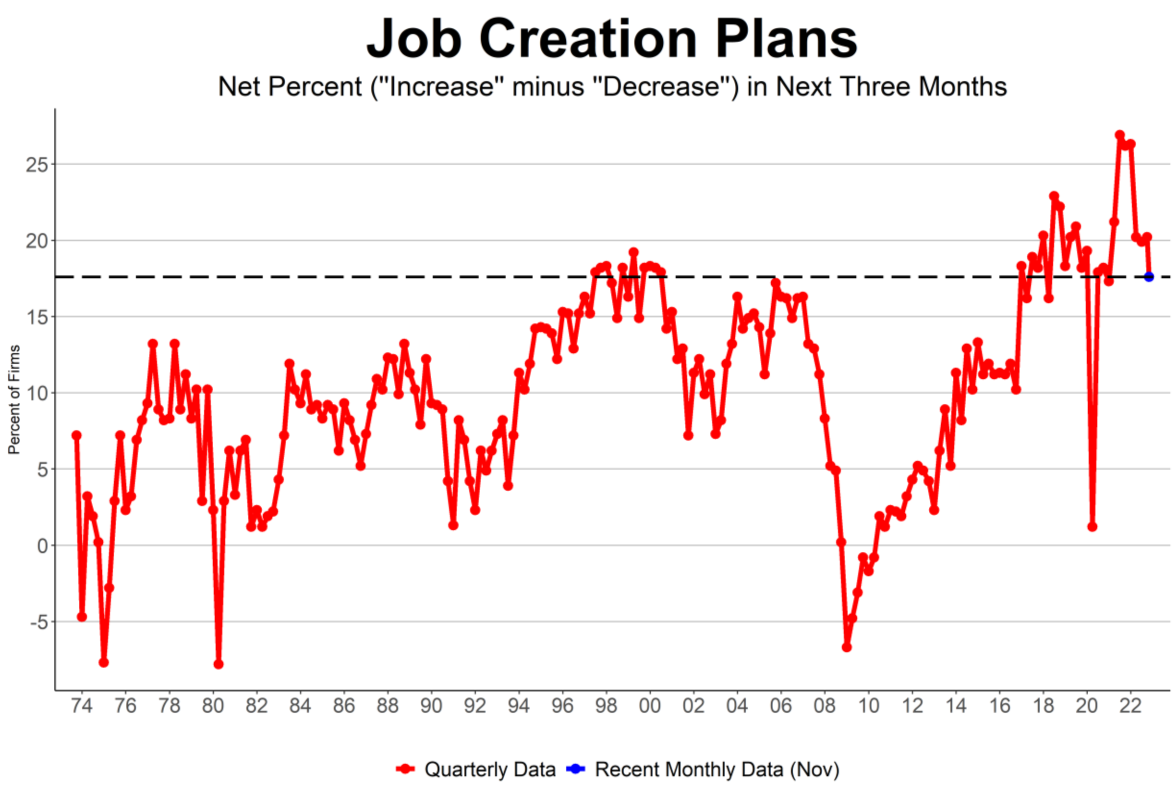
Nationwide, the number of job openings declined in October to 10.3 million, down from 10.7 million in September. Job openings continue to exceed the number of unemployed workers, those looking for a job (5.8 million unemployed). And, the labor force participation rate is still 1 percentage point below where it was in February 2020. The labor market continues to be a big challenge for small business owners. Long Covid and other communicable afflictions are keeping many out of the workforce, ill, or as caretakers.



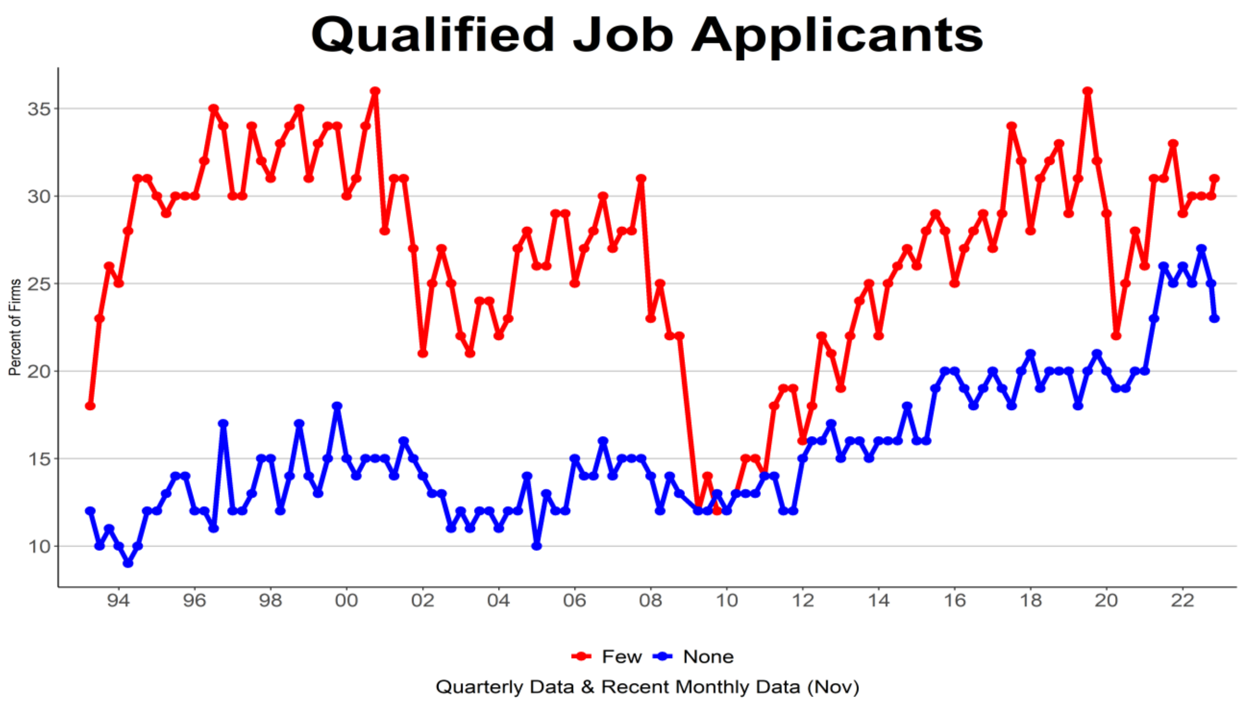
Industry- Percent with Job Openings	
Transportation	68%
Wholesale	64%
Construction	54%
Services	47%
Professional	45%

Manufacturing	42%
Retail	37%
Agriculture	27%
Finance	25%

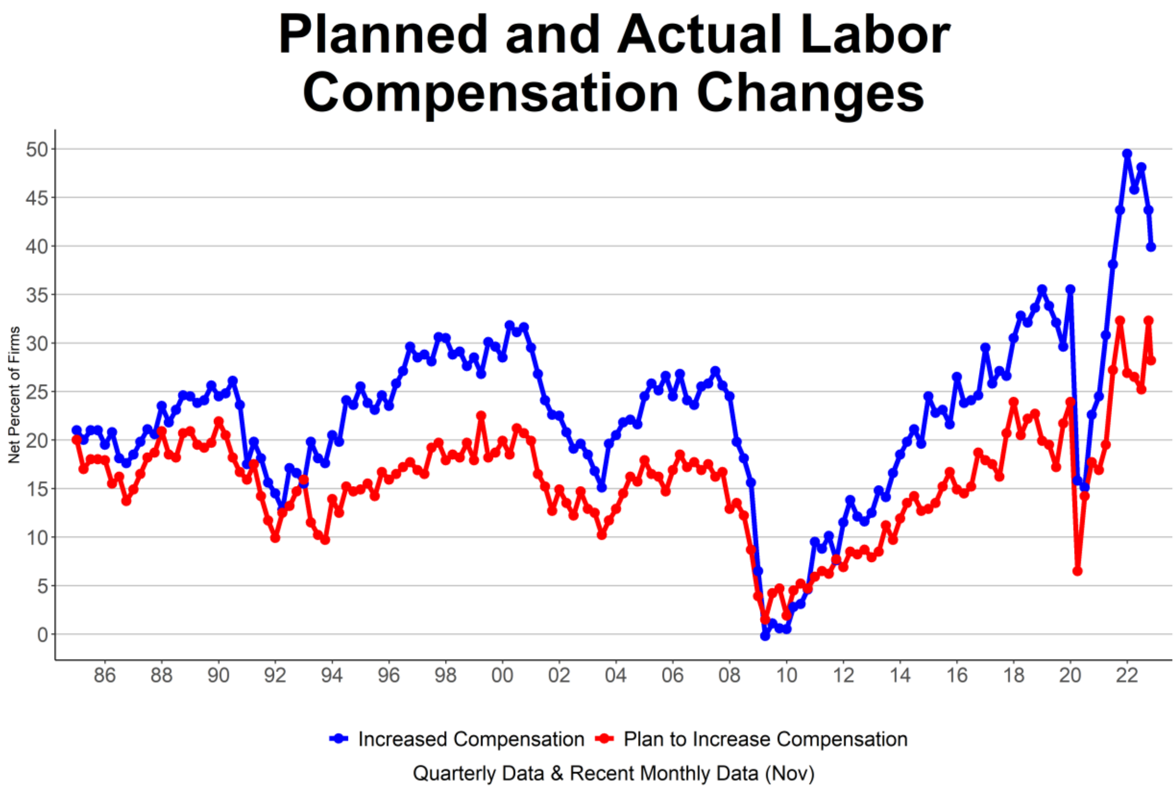
Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 18 percent planning to create new jobs in the next three months, down 2 points from October and 14 points below its record high reading of 32 reached in August 2021. However, the trend in planned hiring is clearly on the decline.



Overall, 59 percent reported hiring or trying to hire in November, down 2 points from October. Fifty-four percent (92 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-one percent of owners reported few qualified applicants for their open positions (up 1 point) and 23 percent reported none (down 2 points from October).



Seasonally adjusted, a net 40 percent reported raising compensation, down 4 points from October, but just 10 points below the 49-year record high set in January. A net 28 percent plan to raise compensation in the next three months, also down 4 points from October. 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% 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.



The labor situation remains frustrating for many small business owners. The staffing shortage has limited small business owners' ability to fully take advantage of current sales opportunities. Owners are adjusting business operations where they can with limited resources. While there might be a few cracks in the labor market appearing overall, employment remains historically strong on Main Street.

The first casualty of a weakening labor market will be job openings followed by slower hiring activity. When sales soften enough, actual layoffs occur and initial claims for unemployment benefits rise. We are at the front end of this process. Its speed will depend on how quickly consumer spending fades and government spending eases.