

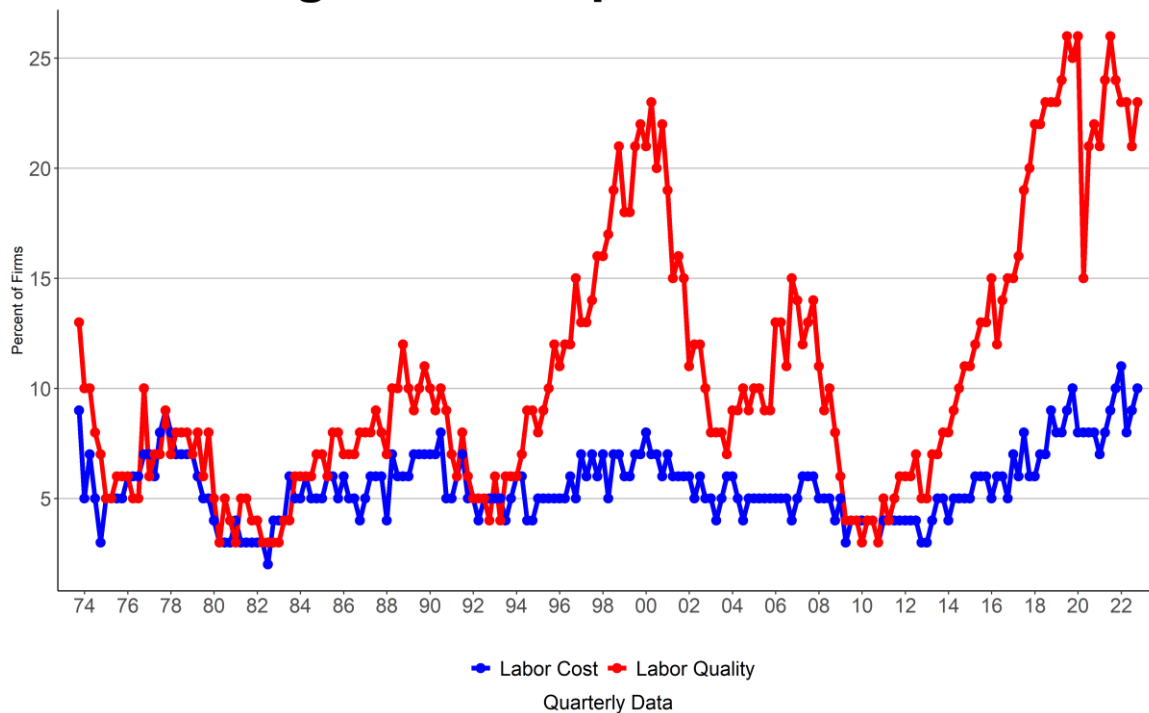
Small Business Labor Shortages Continue

Based on 1342 respondents to the October survey of a random sample of NFIB's member firms, surveyed through 10/27/2022

EMBARGO 1 PM THURSDAY

The percent of small business owners reporting labor quality as their top small business operating problem remains elevated at 23 percent, up 1 point from September but still #2 behind inflation. Labor cost reported as the single most important problem to business owners was unchanged at 10 percent, historically high.

Single Most Important Problem



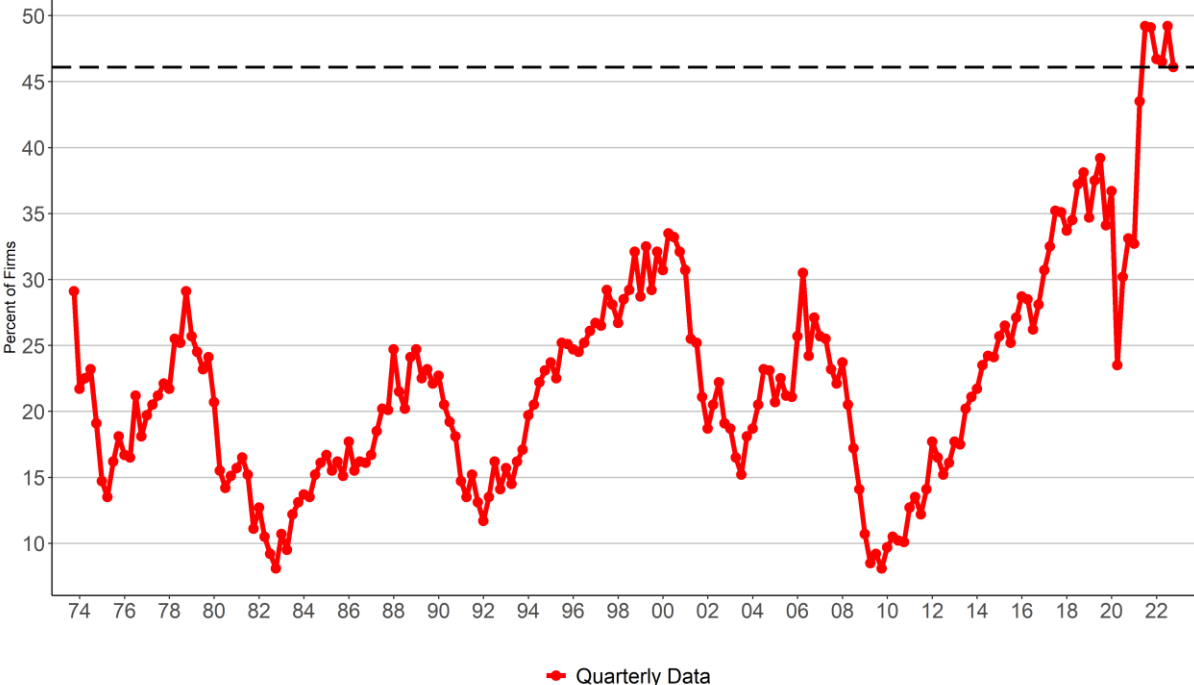
Forty-six percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, unchanged from September. The share of owners with unfilled job openings far exceeds the 48-year historical average of 23 percent. Forty percent have openings for skilled workers (down 2 points) and 22 percent have openings for unskilled labor (unchanged).

Nationwide, the number of job openings rose in September to 10.7 million, up from 10.1 million in August. Job openings continue to exceed the number of unemployed

workers, those looking for a job. 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. There are 5.8 million presumed job searchers and many more openings.

Unfilled Job Openings

Percent with at Least One Unfilled Opening



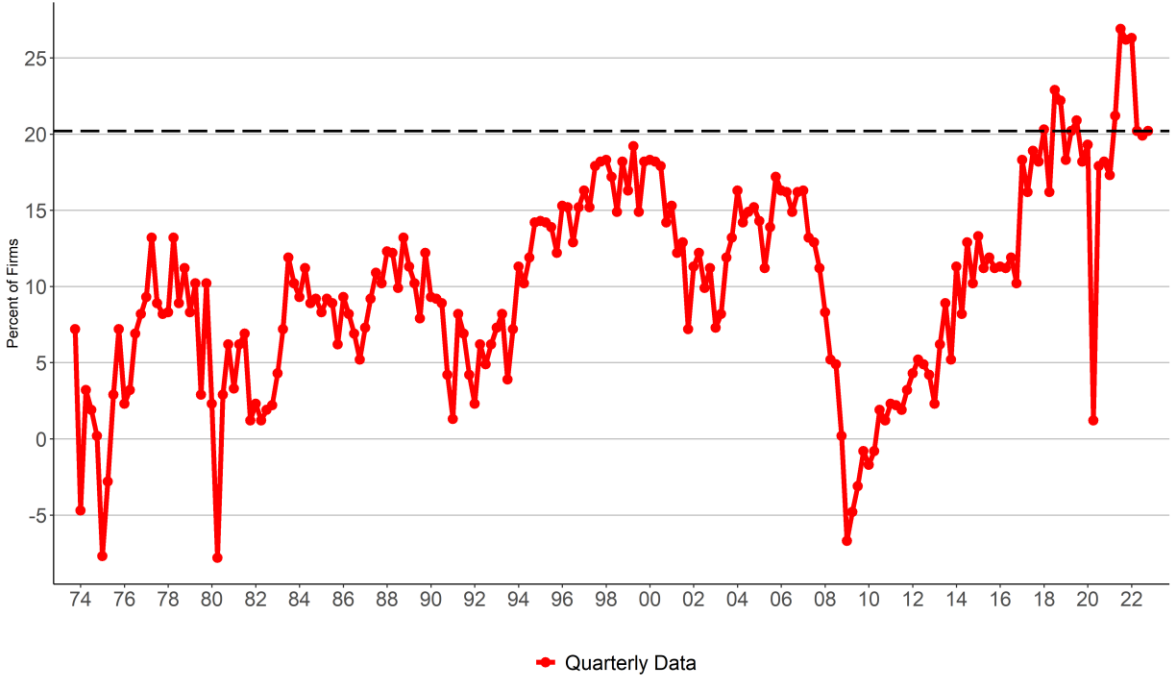
Industry- Percent with Job Openings

Transportation	68%
Construction	63%
Manufacturing	56%
Retail	49%
Services	45%
Professional	40%
Wholesale	36%
Agriculture	31%
Finance	20%

Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 20 percent planning to create new jobs in the next three months, down 3 points from September but still historically strong.

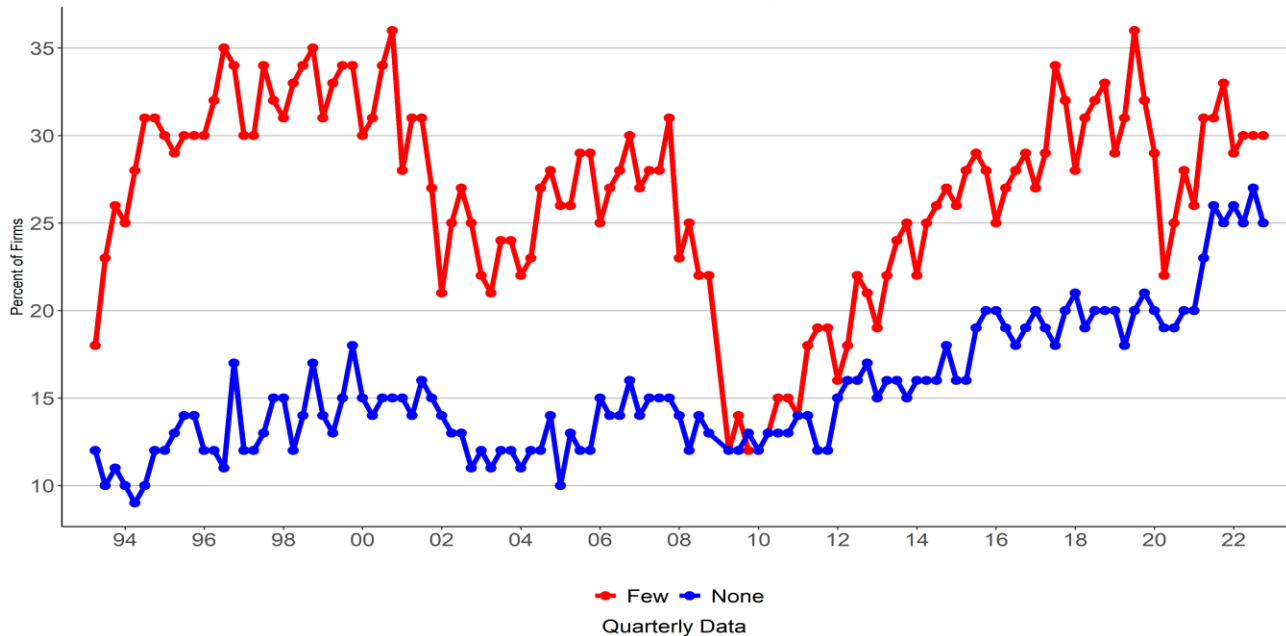
Job Creation Plans

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



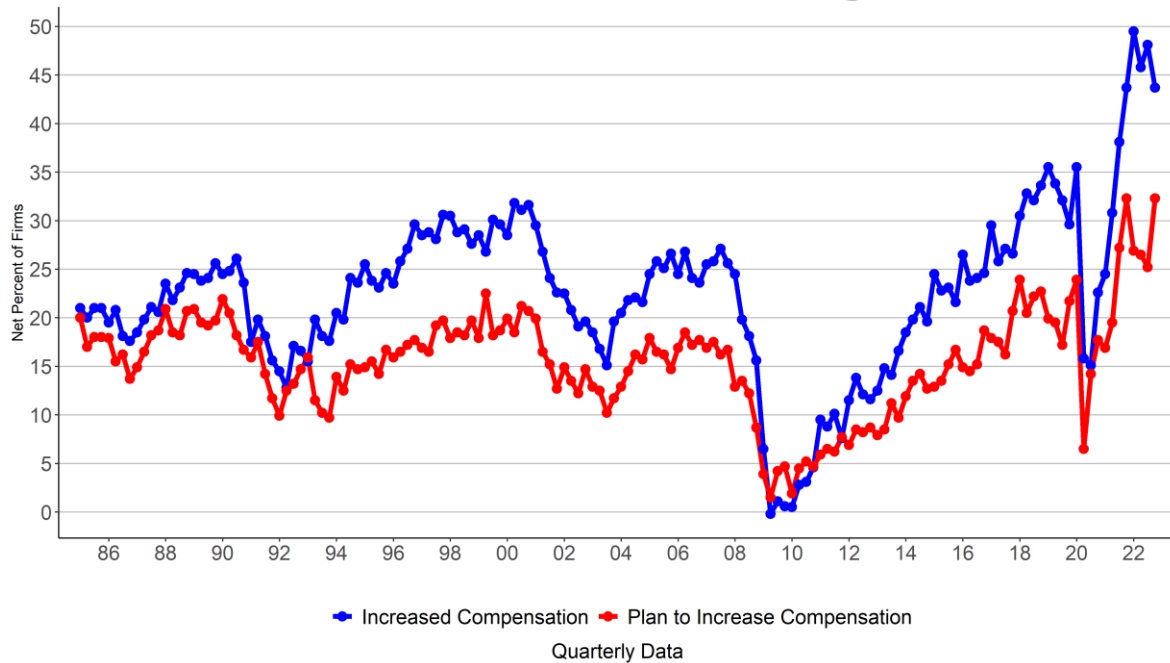
Overall, 61 percent reported hiring or trying to hire in October, down 3 points from September. Fifty-five percent (90 percent of those hiring or trying to hire) of owners reported few or no qualified applicants for the positions they were trying to fill (down 2 points). Thirty percent of owners reported few qualified applicants for their open positions (up 3 points) and 25 percent reported none (down 5 points from September's 48-year record high).

Qualified Job Applicants



Seasonally adjusted, a net 44 percent reported raising compensation, down 1 point from September, but just six points below the 48-year record high set in January. A net 32 percent plan to raise compensation in the next three months, up 9 points from September. 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.

Planned and Actual Labor Compensation Changes



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.