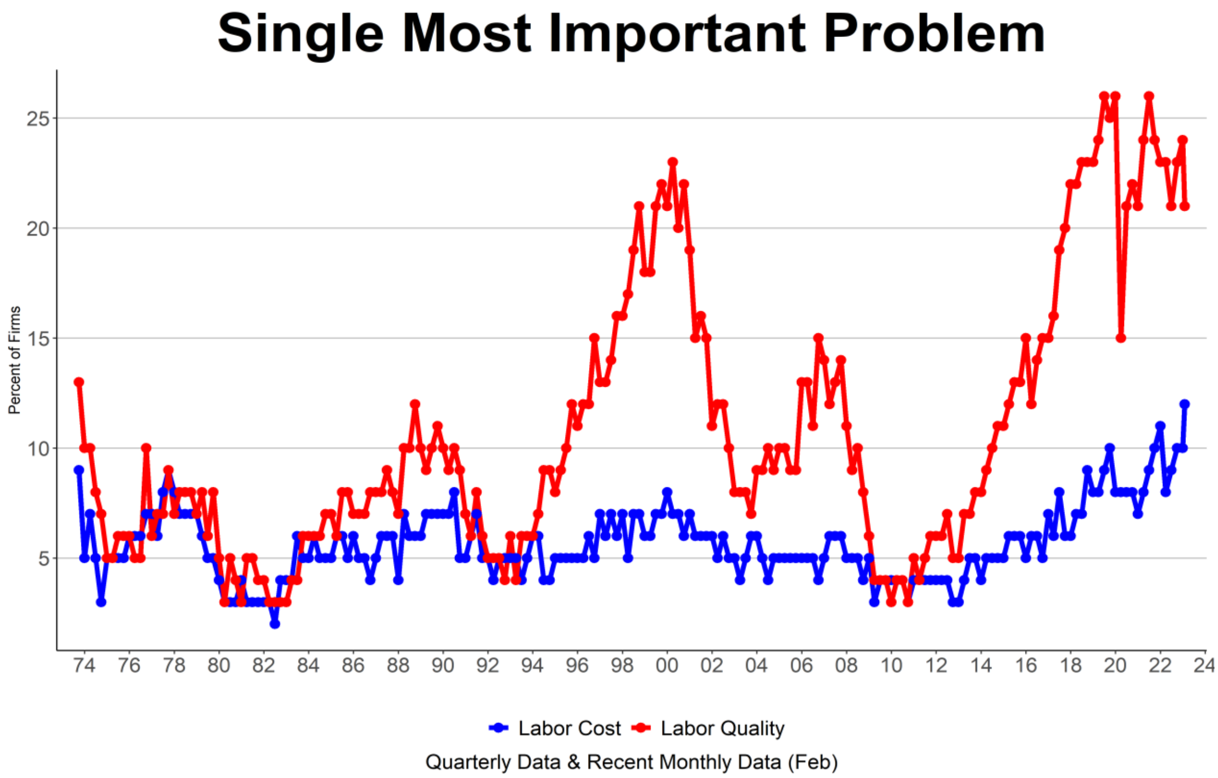
Still Record High Levels of Job Openings at Small Businesses

Based on 626 respondents to the February survey of a random sample of NFIB's member firms, surveyed through 2/28/2023

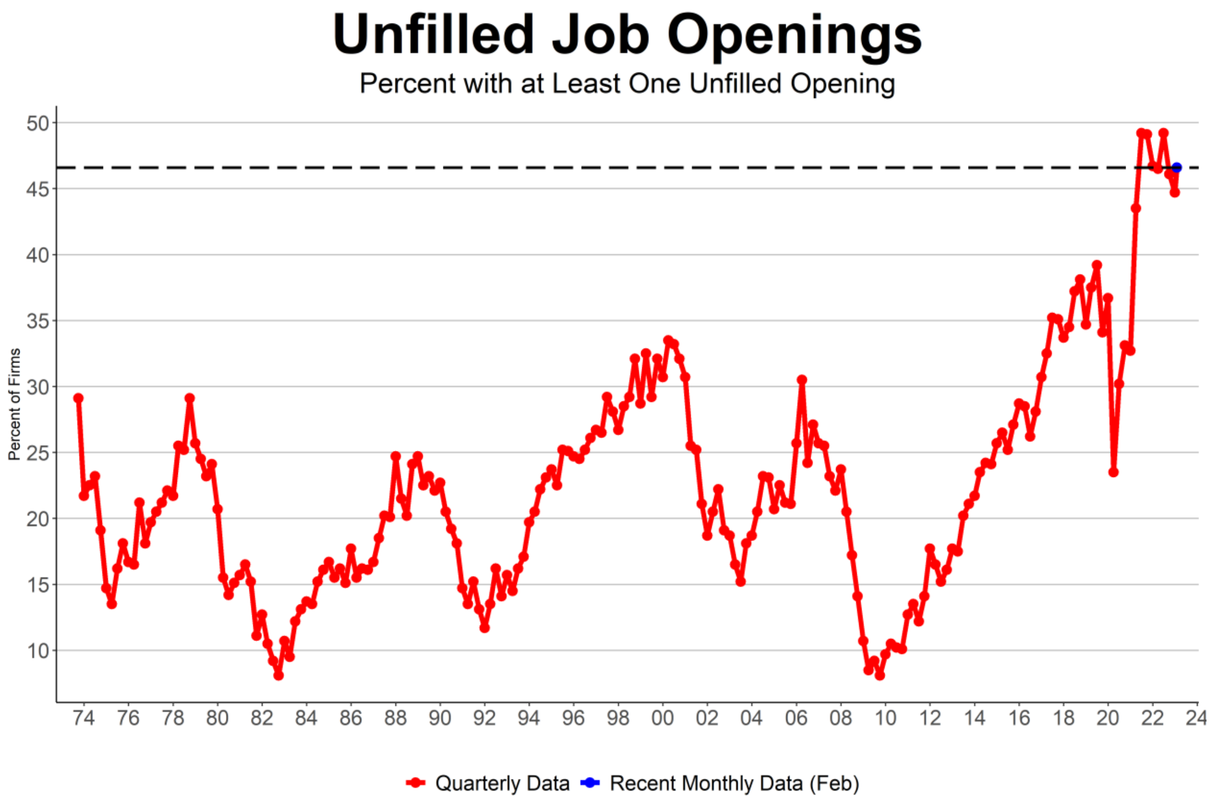
EMBARGO 1 PM THURSDAY

Forty-seven percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 2 points from January. The share of owners with unfilled job openings far exceeds the 49-year historical average of 23 percent although it is 4 percentage points lower than the record high of 51 percent last reached in May 2022. Thirty-eight percent have openings for skilled workers (up 2 points) and 19 percent have openings for unskilled labor (up 2 points). The labor force participation rate remains below pre-Covid levels, contributing to the shortage of workers available to fill open positions.

The percent of small business owners reporting labor quality as their top small business operating problem remains elevated at 21 percent, but down 3 points from January. Labor cost reported as the single most important problem to business owners increased 2 points to 12 percent, just 1 point below the highest reading of 13 percent reached in December 2021.

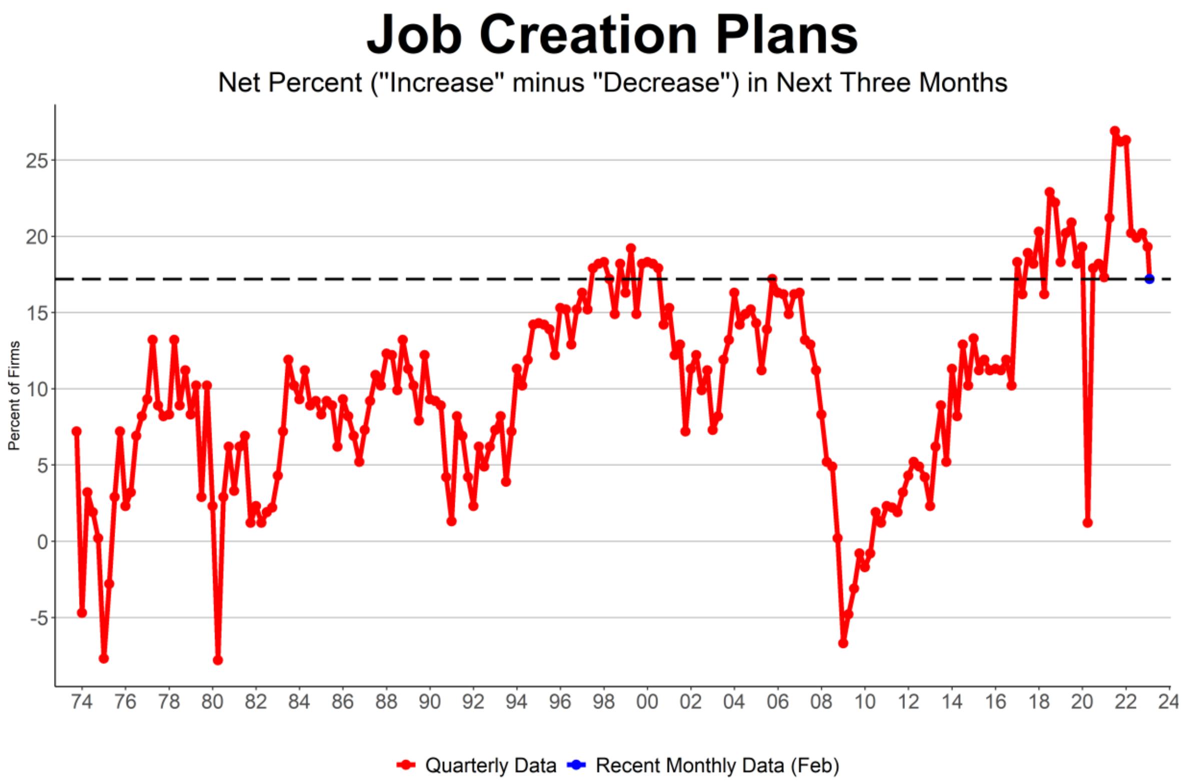


Nationwide, the number of job openings decreased in January to 10.8 million, down from 11 million in December. Job openings continue to exceed the number of unemployed workers, those looking for a job (6.0 million unemployed). And, the labor force participation rate is still 0.9 percentage points below 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.

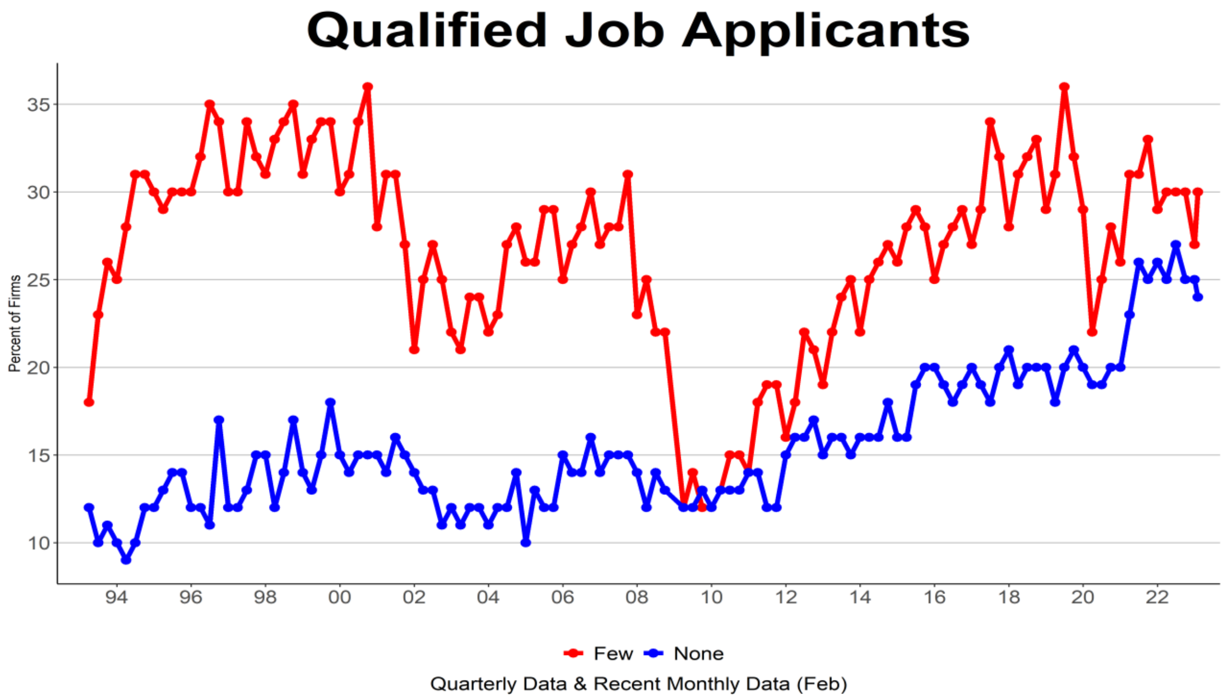


Industry- Percent with Job Openings	
Transportation	74%
Services	49%
Construction	48%
Retail	47%
Manufacturing	41%
Agriculture	34%
Wholesale	34%
Professional	33%
Finance	12%

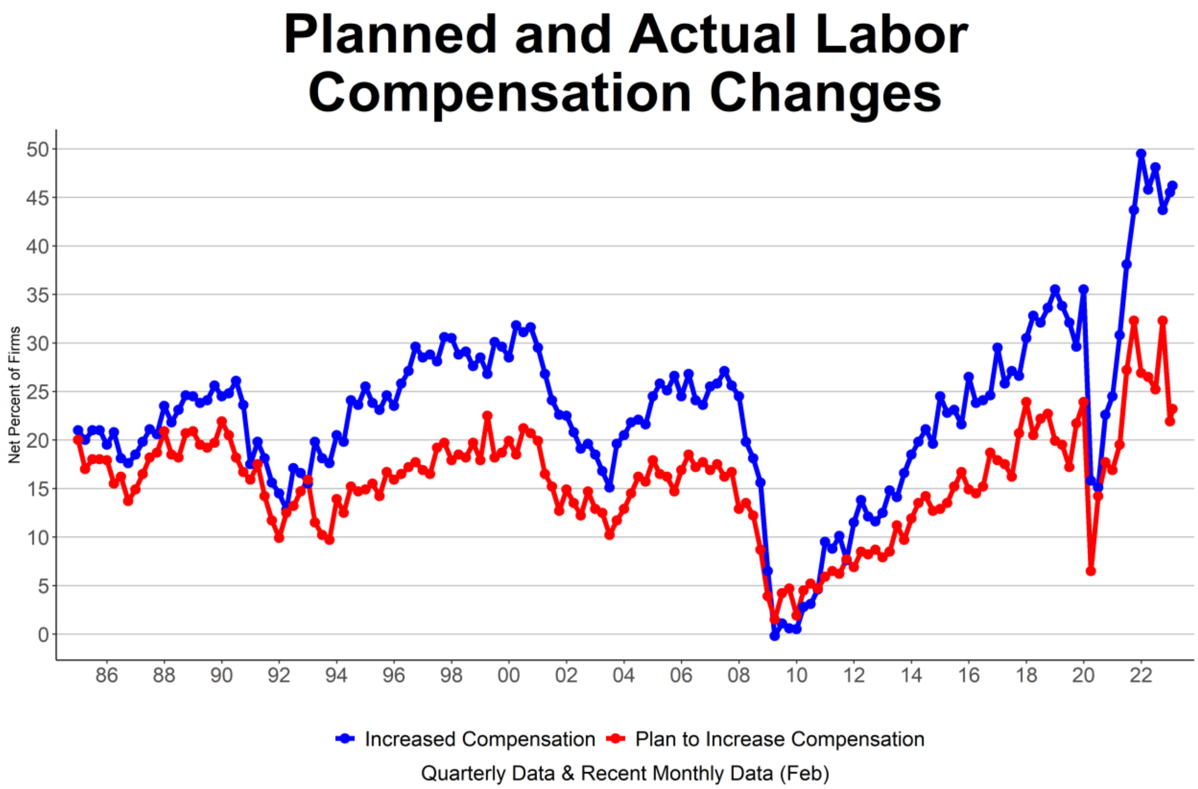
Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 17 percent planning to create new jobs in the next three months, down 2 points from January and 15 points below its record high reading of 32 reached in August 2021. However, the trend in planned hiring is clearly on the decline.



Overall, 60 percent reported hiring or trying to hire in January, up 3 points from January. Fifty-four 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 (up 2 points). Thirty percent of owners reported few qualified applicants for their open positions (up 3 points) and 24 percent reported none (down 1 point).



Seasonally adjusted, a net 46 percent reported raising compensation, unchanged from January, and just 4 points below the 49-year record high set in January last year. A net 23 percent plan to raise compensation in the next three months, up 1 point from January. Far more owners are having to increase compensation to compete than are planning to add to that expense with new hires or increased compensation. According to the BLS, compensation costs overall increased about 5 percent for the 12-month period ending in December 2022. 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 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, with the Index falling from 104.3 in January 2020, to 90.3 in January 2023. Lower Index readings are currently held off by historically high levels of job openings and hiring plans, the two bright spots in the 10 Index components.

The first casualty of a weakening labor market will be job openings followed by slower hiring. Job openings are about the same as January 2022 levels, showing no signs of a weakening trend. When sales soften enough, actual layoffs will occur and initial claims for unemployment benefits rise. February seems to indicate continued tight labor markets.