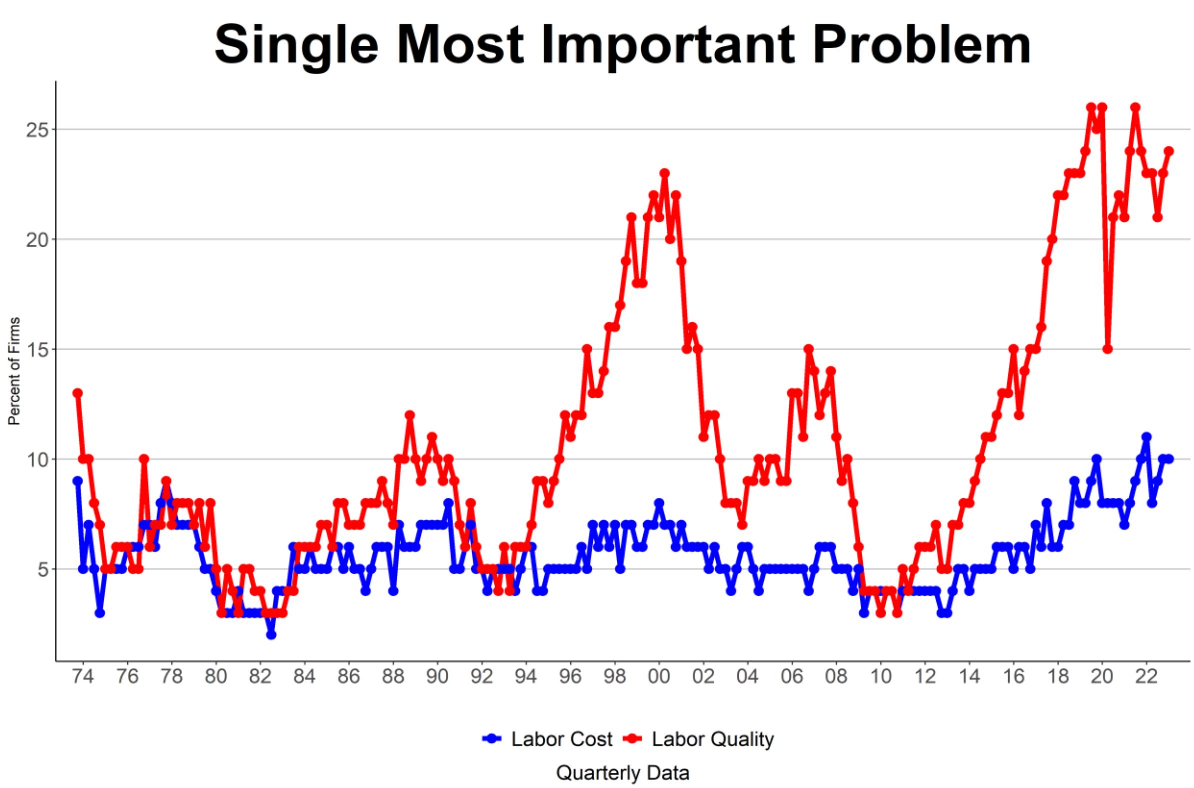
Small Business Still Trying To Fill Open Positions

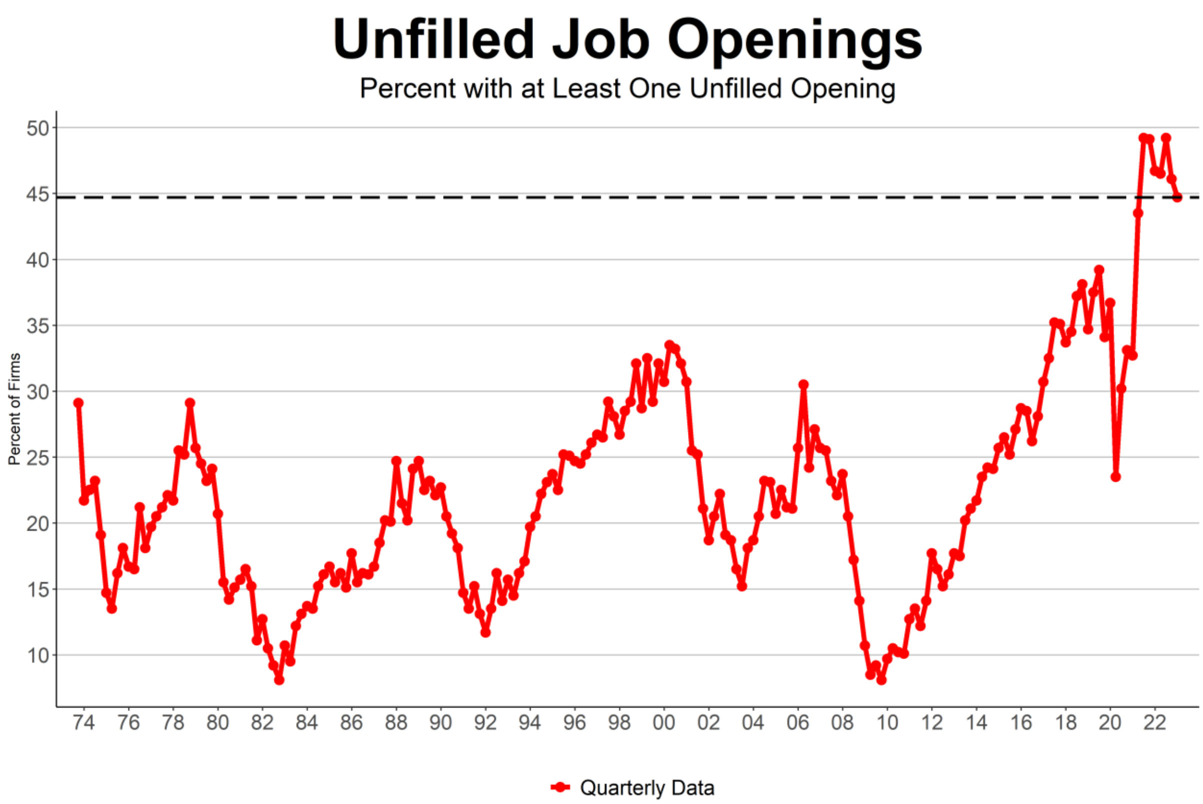
Based on 1466 respondents to the January survey of a random sample of NFIB's member firms, surveyed through 1/30/2023
EMBARGO 1 PM THURSDAY

Forty-five percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 4 points from December. The share of owners with unfilled job openings far exceeds the 49-year historical average of 23 percent although it is 6 percentage points lower than the record high of 51 percent last reached in May. Thirty-six percent have openings for skilled workers (up 1 point) and 17 percent have openings for unskilled labor (up 1 point). The labor force participation rate remains below pre-Covid levels, the main contributer 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 24 percent, up 1 point from December. Labor cost reported as the single most important problem to business owners increased 2 points to 10 percent, historically among the highest readings in over 49 years.



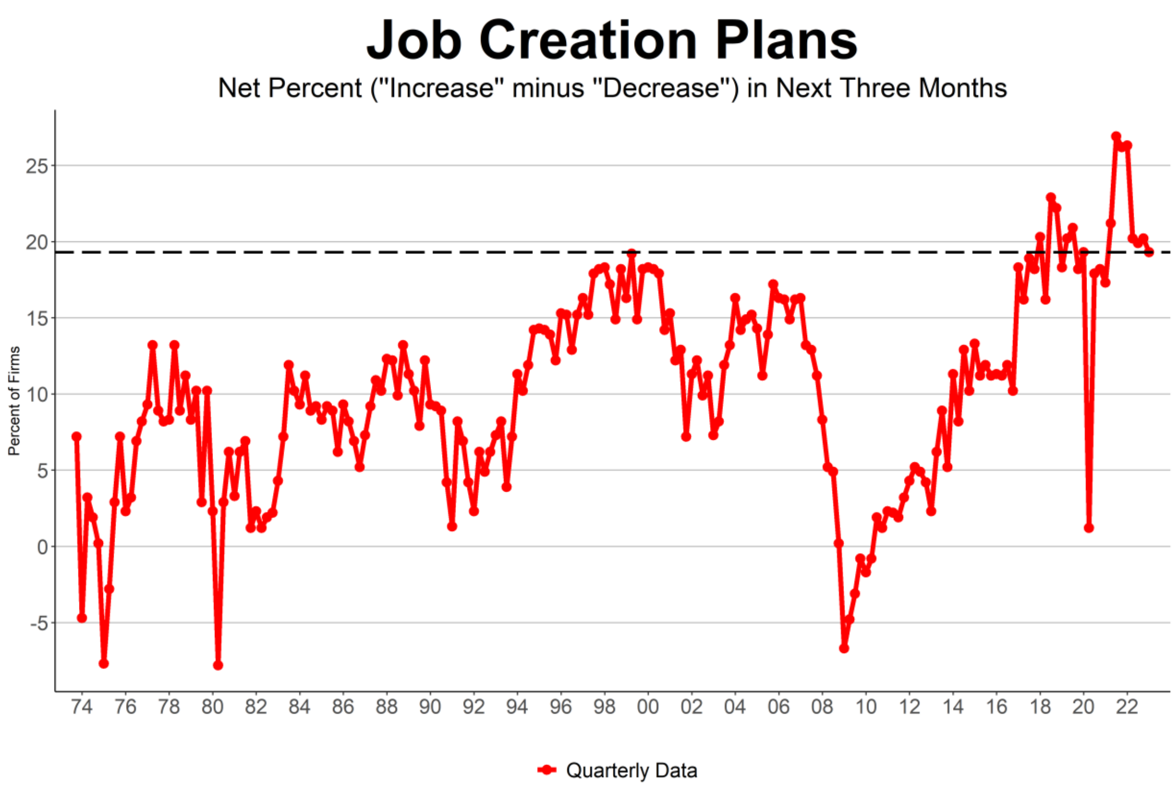
Nationwide, the number of job openings increased in December to 11.0 million, up from 10.5 million in November. Job openings continue to exceed the number of unemployed workers, those looking for a job (6.0 million unemployed). And, the labor force participation rate is still 1 percentage point below 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.



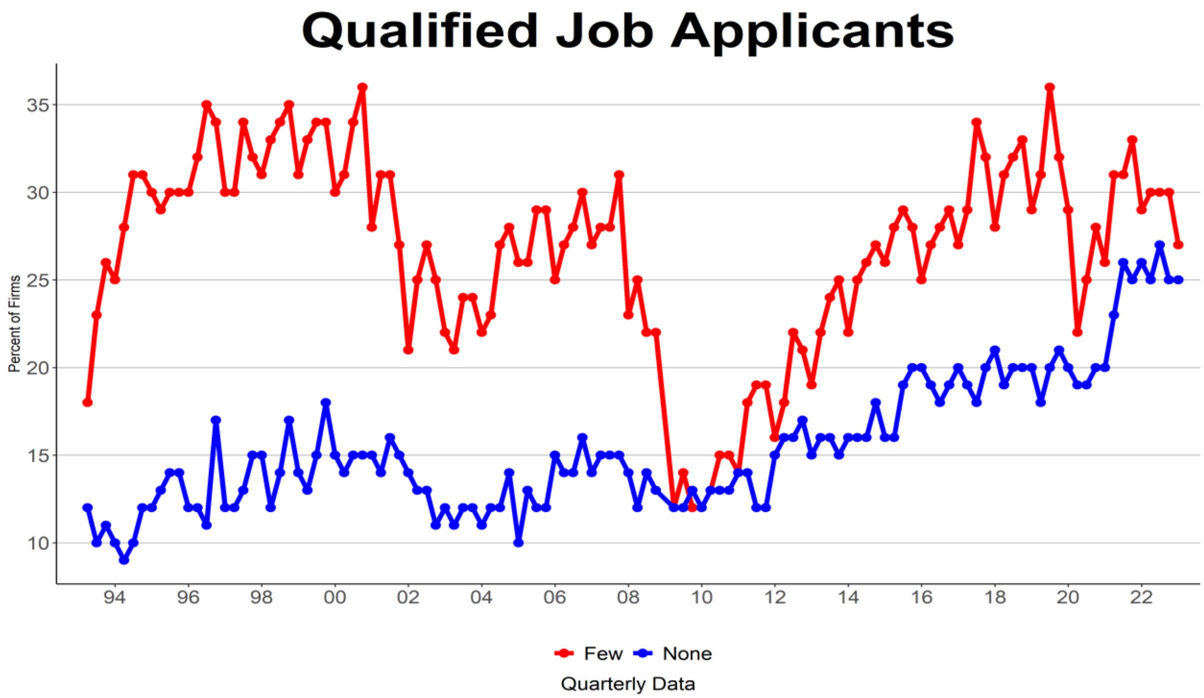
Industry- Percent with Job Openings	
Construction	57%
Transportation	49%
Manufacturing	46%
Services	45%

Retail	41%
Wholesale	41%
Professional	34%
Finance	30%
Agriculture	26%

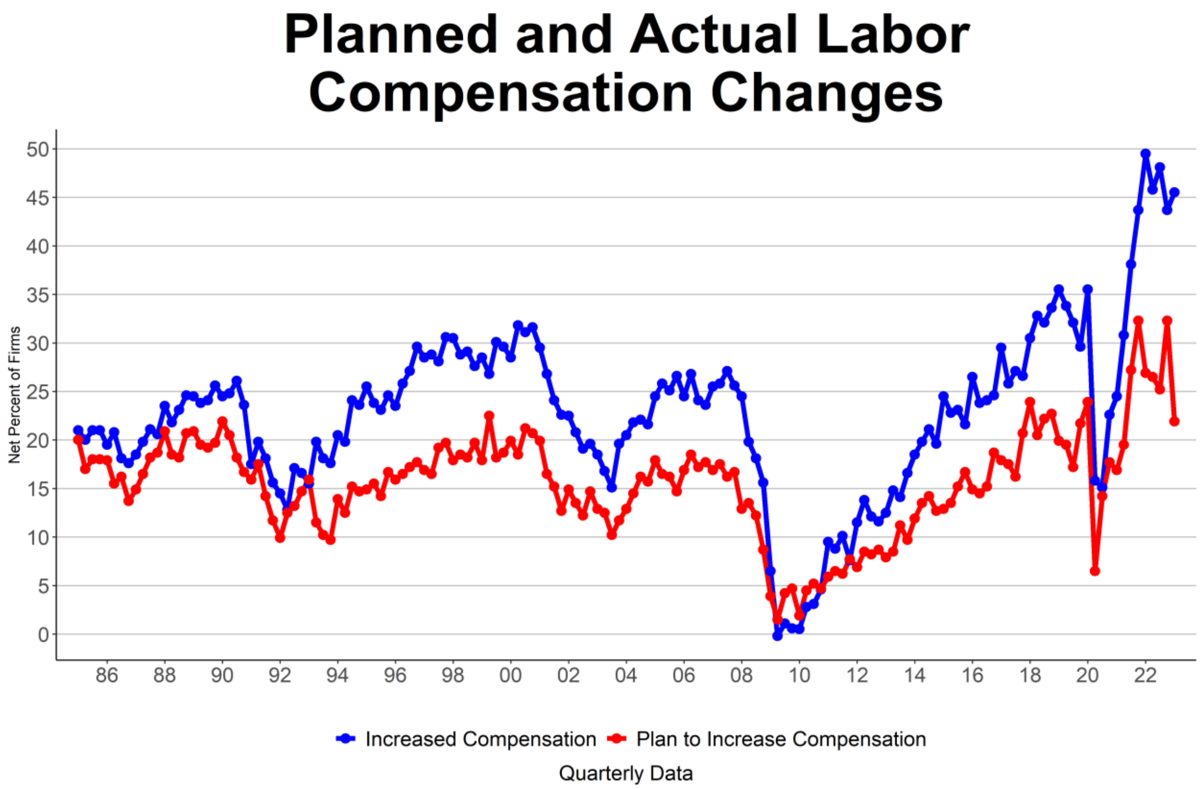
Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 19 percent planning to create new jobs in the next three months, up 2 points from December and 13 points below its record high reading of 32 reached in August 2021. However, the trend in planned hiring is clearly on the decline, now below most of the 2016-2019 strong expansion numbers.



Overall, 57 percent reported hiring or trying to hire in January, up 2 points from December. Fifty-two 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 (up 1 point). Twenty-seven percent of owners reported few qualified applicants for their open positions (up 1 point) and 25 percent reported none (unchanged).



Seasonally adjusted, a net 46 percent reported raising compensation, up 2 points from December, and just 4 points below the 49-year record high set in January last year. A net 22 percent plan to raise compensation in the next three months, down 5 points from December. 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 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 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 97.1 in January to 89.8 in December 2022. 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 6 percentage points below May 2022 levels. When sales soften enough, actual layoffs occur and initial claims for unemployment benefits rise. January is just the beginning of this process for 2023.