

Covid-19 Small Business Survey (19)

The NFIB Research Center has published a series of Covid-19 related surveys assessing the impact of the health crisis on small business operations, economic conditions, and the utilization of targeted small business loan and tax credit programs. This publication marks NFIB's 19th Covid-19 Small Business survey. The first of the series was published in early March 2020, with subsequent publications approximately every 3-6 weeks.

UTILIZATION OF COVID-19 PROGRAMS

About three-quarters (76%) of small business owners reported that they received a Paycheck Protection Program loan in 2020. The vast majority of them (94%) have submitted a PPP loan forgiveness application for their 2020 PPP loan. Four percent responded that they were not ready to submit an application yet and 2% were ready, but their lender was not accepting applications yet. Forty-one percent of those who received a first-draw PPP loan received a second-draw PPP loan. One-third (33%) of those with a second-draw PPP loan have applied for PPP loan forgiveness on their second, significantly higher than the 20% who had submitted loan forgiveness at the end of June. Forty-two percent responded that they were not ready to submit an application yet and 25% were ready, but their lender was not accepting applications yet.

The Employee Retention Credit (ERTC), a program facilitated through the IRS to help mostly small employers, provides up to \$33,000 per employee for eligible employers. The program has undergone numerous changes over the last 15 months with expanding eligibility, extending coverage, and increasing the credit amount available. Only 10% of small employers are very familiar with the ERTC and another 43% somewhat familiar. Forty-seven percent of small employers are not at all familiar with the ERTC. Over the last two months, more small employers are becoming familiar with the ERTC program, likely due to having exhausted their PPP funds.

Ten percent of small employers claimed the ERTC for wages in 2020. Only 8% of small employers claimed the ERTC for wages in 2021. Of those small employers who claimed or submitted forms to claim the ERTC in 2020 or 2021, 62% withheld payroll taxes on their 941 form, 55% submitted a 941-X form, and 11% submitted a 7200 form.

The Economic Injury Disaster Loan (EIDL) program offers eligible small business owners a low interest, long term loan that covers up to 24 months of economic injury up to \$500,000. The EIDL also offers up to 18 months of deferment from loan payments. A fifth of survey respondents applied for and received an Economic Injury Disaster Loan.

In addition to the PPP, EIDL and ERTC programs, many small business owners also took advantage of other, more specific grant and credit programs to financially help them through

the pandemic. Thirteen percent of survey respondents claimed the Federal Covid-19 sick and family leave tax credit (FFCRA).

SALES LEVELS

Small business owners are facing strong headwinds in operating their business, including significant staffing shortages, supply chain disruptions, and surging Covid infection rates in some parts of the country. Small business owners are having to navigate these challenges, many of which are impacting sales. Sales levels are 50% or less than they were pre-crisis for 15% of small businesses with another 18% at sales levels of 51%-75% pre-crisis. Forty-one percent are back or nearly back to where they were with sales between 76%-100% of pre-crisis levels. About one-in-four (26%) are exceeding pre-crisis sales levels. These survey results are about the same as they were two months ago.

THE ECONOMY

Twenty-one percent of owners report that economic conditions are back to normal now in their area. Another 6% of owners anticipate it taking until the second half of 2021 and 23% anticipate sometime in the first half of 2022 before economic conditions return pre-crisis levels. Twenty-eight percent of small business owners are less optimistic and expect conditions not to fully improve until the second half of 2022 and 22% in 2023 or later. More small business owners anticipate it taking longer for their local economy to return pre-crisis levels than they did two months ago. Half (50%) of small business owners anticipated that their local community will not be back to pre-crisis levels until the second half of 2022 or later, a 20-point increase from those responding the same two months ago.

SUPPLY CHAIN DISRUPTIONS

When asked if supply chain disruptions are impacting their business, half of small business owners reported a significant impact, up from 32% two months ago. Another 27% of owners reported supply chain disruptions having a moderate impact on their business and 13% said it has had a mild impact on their business. Ten percent of owners reported no impact from supply chain disruptions.

Not only are more small business owners experiencing a supply chain disruption, many are reporting that the situation is getting worse. Supply chain disruptions are becoming increasingly challenging with over half (55%) of small business owners impacted saying that the supply chain disruption is worse now than it was three months ago. Forty-three percent reported about the same level of disruption from last quarter and 3% reported it easing up from three months ago. And for many, the disruptions are not likely to ease up anytime soon. The vast majority (86%) of small business owners anticipate the supply chain disruption that is impacting their business to continue for at least the next five months or more. Thirteen percent anticipating it lasting between one and four months and no one thought it would be resolved in the next month.

STAFFING SHORTAGES

The labor shortage is another challenge facing many small employers. Over one-quarter (27%) of small employers are currently experiencing a significant staffing shortage and another 18% are currently experiencing a moderate staffing shortage. Twenty-one percent reported having a mild staffing shortage and 26% report no staffing shortage.

In many cases, owners are having to turn away customers due to staffing shortages. Of those small employers currently experiencing a staffing shortage, 25% are experiencing a significant loss of sales opportunities and 27%, a moderate loss of sales opportunities because of their inability to fill open positions. Thirty percent are experiencing a mild loss of sales opportunities. Just 18% had no loss of sales opportunities, able to navigate the staffing shortage by adjusting business operation to accommodate current sales levels. As reported in the August NFIB Small Business Economic Trends survey, a 48-year record reading of 50% of small business owners have at least one unfilled job opening.

The labor shortage is not easing for most small employers as many potential applicants have not yet reentered the labor market. Thirty-one percent of small employers reported it being worse, and a mere 4% reported their current staffing shortage is better than it was one month ago. About two-thirds (63%) of small employers reported that their current staffing shortage is about the same. Two percent of respondents did not have a staffing shortage one month ago.

When looking at the staffing shortage by the volume of applications for open positions, about half (49%) of small employers are receiving fewer job applications now for their open positions than they received one month ago, and 36% are receiving about the same amount. Only 7% of small business owners reported receiving more jobs applications now than they did one month ago. Eight percent of respondents did not have any open positions one month ago.

When asked what adjustments, beyond normal hiring practices, small employers have made to attract applicants for open positions, 77% reported increasing wages. Seventeen percent increased paid time off and another 16% offered or enhanced hiring bonuses. Eighteen percent of small employers offered or enhanced referral bonuses and another 21% offered or enhanced health insurance benefits.

When asked what adjustments have been made in business operations to compensate for the staffing shortage, 41% of small employers are offering more hours to part-time employees. Almost two thirds (64%) are offering overtime to full-time employees. And virtually all (88%) small employers responded that the owner(s) are working more hours. Thirty-eight have adjusted business operation hours and 31% have reduced the variety of goods and services sold. Thirty-three percent of small employers have introduced new technology to enhance productivity.

VACCINATIONS AND FACE COVERINGS

About one-quarter (26%) of small employers are asking employees if they are vaccinated, up from 19% two months ago. When asked about mandating employee vaccination, 83% of small employers have no requirement or have not considered requiring employee vaccination. Fourteen percent of small employers have considered mandating vaccination and 3% require employee vaccination.

When asked about face covering requirements, 25% of small employers reported requiring employees and/or customers to wear a face covering. Of those business that require face coverings, 27% found it difficult to enforce the face covering requirement.

CHILDCARE

Survey respondents were asked about Covid-19 related childcare issues impacting business operations. Eight percent of small employers reported that childcare challenges are significant issues and 12% reported them as moderate issues. Twenty-two percent reported being mildly impacted and a third of small employers reported childcare during Covid-19 not an issue in operating their business.

Since the onset of Covid-19, 29% of small employers have had employees quit or reduce their hours due to childcare challenges. Additionally, 18% of small employers have had difficulty hiring applicants for open positions specifically due to childcare challenges.

When asked how challenging childcare issues were before Covid-19 in operating their business, over half (55%) of small employers reported that it was not an issue. One percent reported it was a significant issue and 3% a moderate issue. Eighteen percent of small employers reported childcare issues before Covid-19 were mildly challenging.

OTHER

The rate of Covid-19 cases has increased significantly since July due to the highly contagious Delta variant. Almost half (45%) of small business owners report that the recent rise in Covid-19 cases over the past two months has had a large (9%) or moderate (36%) impact on their business. Another 52% reported that the rise in cases has had little or no effect on their business. Just four percent of small employers report the rise in Covid-19 cases having a positive impact on their business.

About a quarter (28%) of small employers report that tariffs on Chinese products have a somewhat negative impact and 10% a significant negative impact on their business. Over half (54%) of small employers report that the tariffs have no impact on their business. Three percent report a significant positive impact on their business and 6% report a somewhat positive impact.

The survey also found that 31% of small business owners had a fraudulent unemployment insurance claim filed against their business.

Methodology

This survey was conducted with a random sample of 20,000 NFIB members from NFIB's membership database of about 300,000 small business owners. The survey was conducted by email from September 1-6, 2021. NFIB collected 586 responses.

Questionnaire

How does your current sales revenue compare to pre-crisis levels?

- 26% 1. More than 100% of pre-crisis level
 - 41% 2. 76%-100% of pre-crisis level
 - 18% 3. 51%-75% of pre-crisis level
 - 10% 4. 26%-50% of pre-crisis level
 - 4% 5. 1%-25% of pre-crisis level
 - 1% 6. My business is currently closed.
- n=582*

How long do you think it will take before your local community is back to a pre-crisis level of economic activity?

- 21% 1. It is now
 - 6% 2. Second half of 2021
 - 23% 3. First half of 2022
 - 28% 4. Second half of 2022
 - 22% 5. 2023 or later
- n=577*

How has the recent rise in COVID-19 cases over the past two months affected your business?

- 9% 1. Large negative effect
 - 36% 2. Moderate negative effect
 - 52% 3. Little or no effect
 - 2% 4. Moderate positive effect
 - 2% 5. Large positive effect
- n=584*

Are supply chain disruptions impacting your business?

- 50% 1. Significant issue

27% 2. Moderate issue
13% 3. Mild issue
10% 4. Not an issue
n=586

Is the supply chain disruption impacting your business better, worse, or about the same as it was three months ago?

3% 1. Better
55% 2. Worse
43% 3. About the same
n=517

How long do you anticipate the supply chain disruption that is impacting your business to continue?

0% 1. Less than 1 month
4% 2. 1-2 months
9% 3. 3-4 months
19% 4. 5-6 months
67% 5. More than 6 months
n=513

Have tariffs on Chinese products directly impact your business?

3% 1. Significant positive impact
6% 2. Somewhat positive impact
54% 3. No impact
28% 4. Somewhat negative impact
10% 5. Significant negative impact
n=578

Is your business currently experiencing a staffing shortage?

27% 1. Significant staffing shortage
18% 2. Moderate staffing shortage
21% 3. Mild staffing shortage
26% 4. No staffing shortage
8% 5. Does not apply
n=586

Is your staffing shortage causing lost sales opportunities?

25% 1. Significant lost sales opportunities
27% 2. Moderate lost sales opportunities

30% 3. Mild lost sales opportunities
18% 4. No lost sales opportunities
n=368

Is your current staffing shortage better, worse, or about the same as it was one month ago?

4% 1. Better
31% 2. Worse
63% 3. About the same
2% 4. I didn't have a staffing shortage one month ago.
n=381

Are you receiving more, less, or about the same number of job applications now for your open position(s) than you received one month ago?

7% 1. More
49% 2. Less
36% 3. Same
8% 4. I didn't have any open positions a month ago.
n=358

What adjustments (beyond normal hiring practices) have you made to attract applicants for open positions? Have you:

Increased starting wages

77% 1. Yes
13% 2. No
10% 3. Does not apply
n=384

Increased paid time off

17% 1. Yes
58% 2. No
25% 3. Does not apply
n=384

Offer or enhance hiring bonuses

16% 1. Yes
65% 2. No
20% 3. Does not apply

n=381

Offer or enhance referral bonuses

18% 1. Yes

58% 2. No

24% 3. Does not apply

n=382

Offer or enhance health insurance benefits

21% 1. Yes

50% 2. No

28% 3. Does not apply

n=383

What adjustments have you made in business operations to compensate for the staffing shortage? Are you:

Offering more hours to part-time employees

41% 1. Yes

18% 2. No

41% 3. Does not apply

n=385

Offering overtime to full-time employees

64% 1. Yes

15% 2. No

20% 3. Does not apply

n=385

Owner(s) working more hours

88% 1. Yes

7% 2. No

5% 3. Does not apply

n=385

Adjusted business operation hours

38% 1. Yes

48% 2. No

14% 3. Does not apply

n=385

Introduced new technology to enhance productivity

33% 1. Yes
43% 2. No
24% 3. Does not apply
n=383

Reduced the variety of goods or services sold

31% 1. Yes
53% 2. No
16% 3. Does not apply
n=384

Since March 2020, have you had a fraudulent unemployment insurance claim filed against your business?

31% 1. Yes
59% 2. No
10% 3. Does not apply
n=538

Are you asking your employees if they are vaccinated?

26% 1. Yes
74% 2. No
n=533

Are you or have you considered mandating employee vaccinations?

3% 1. Yes, vaccination is required
14% 2. Yes, I've considered mandating vaccination
83% 3. No, I have not required or considered requiring employee vaccination
n=535

Does your business require employees or customers to wear a face covering?

25% 1. Yes
75% 2. No
n=580

If so, do you find it difficult enforcing the face covering requirement?

27% 1. Yes
74% 2. No
n=393

Since the onset of COVID-19, have any of your employees quit or reduced their hours due to childcare challenges (e.g., in-person school disruptions, childcare disruptions, other childcare challenges)?

29% 1. Yes

45% 2. No

26% 3. Does not apply

n=534

Since the onset of COVID-19, have you had difficulty hiring applicants for open positions specifically due to childcare challenges (e.g., in-person school/childcare disruptions/challenges)?

18% 1. Yes

48% 2. No

35% 3. Does not apply

n=531

Overall, how challenging have COVID-19 childcare issues been in operating your business?

8% 1. Significant issue

12% 2. Moderate issue

22% 3. Mild issue

33% 4. Not an issue

26% 5. Does not apply

n=533

Overall, how challenging were childcare issues before COVID-19 in operating your business?

1% 1. Significant issue

3% 2. Moderate issue

18% 3. Mild issue

55% 4. Not an issue

24% 5. Does not apply

n=531

How familiar are you with the Employee Retention Tax Credit (ERTC)?

10% 1. Very familiar

43% 2. Somewhat familiar

47% 3. Not at all familiar

n=532

Have you claimed submitted forms to claim the ERTC for wages in any quarter of 2020?

- 10% 1. Yes
 - 79% 2. No
 - 11% 3. Does not apply
- n=521*

Have you claimed submitted forms to claim the ERTC for wages in any quarter of 2021?

- 8% 1. Yes
 - 82% 2. No
 - 11% 3. Does not apply
- n=523*

If you have claimed or submitted forms to claim the ERTC for 2020 or 2021, did you?:

- 62% 1. Withhold payroll taxes on your 941 form
 - 55% 2. Submit a 941-X form (retroactive)
 - 11% 3. Submit a 7200 form (advanceable)
- n=58*

Did your business receive a Paycheck Protection Program (PPP) loan?

- 76% 1. Yes
 - 24% 2. No
- n=586*

Have you applied for PPP loan forgiveness (on your first PPP loan if you received two)?

- 94% 1. Yes
 - 4% 2. No, I'm not ready yet
 - 2% 3. No, my bank is not yet accepting applications
- n=442*

Did your business receive a SECOND PPP loan?

- 41% 1. Yes
 - 59% 2. No
- n=444*

Have you applied for PPP loan forgiveness on your SECOND PPP loan?

- 33% 1. Yes
 - 42% 2. No, I'm not ready yet
 - 25% 3. No, my bank is not yet accepting applications
- n=311*

Have you applied for and received an Economic Injury Disaster Loan (EIDL)?

20% 1. Yes

80% 2. No

n=574

Has your business claimed the Federal COVID-19 sick and family leave tax credit (FFCRA)?

13% 1. Yes

87% 2. No

n=526

Please classify your major business activity, using one of the categories of examples below.

17% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)

14% 2. Manufacturing and mining

4% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)

3% 4. Wholesale

19% 5. Retail

6% 6. Restaurant/Bar

7% 7. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)

4% 8. Financial, insurance, real estate

17% 9. Services (auto repair, house cleaning, salon, etc.)

9% 10. Professional services (attorney, physician, skilled nursing, etc.)

n=579

Number of Employees

7% 1. No employees

10% 2. 1-2 employees

24% 3. 3-5 employees

19% 4. 6-9 employees

19% 5. 10-19 employees

17% 6. 20-49 employees

5% 7. 50-199 employees

0% 8. 200 or more employees

n=584

Is your business

51% 1. Male owned

21% 2. Female owned

28% 3. Equally male/female owned

n=575