

Covid-19 Small Business Survey (20)

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 20th Covid-19 Small Business survey. The first of the series was published in early March 2020, with subsequent publications approximately every 3-8 weeks.

SALES LEVELS

Improvements in sales levels for small businesses have stalled over the last two months. Current sales levels compared to pre-crisis have been relatively stable since early September, likely hindered by staffing shortages and supply chain disruptions. About one-in-four (27%) are exceeding pre-crisis sales levels. Thirty-seven percent are back or nearly back to where they were with sales between 76%-100% of pre-crisis levels. Sales levels are 50% or less than they were pre-crisis levels for 14% of small businesses with another 22% at sales levels of 51%-75% pre-crisis.

THE ECONOMY

Most small business owners report that their local economy still trails pre-crisis levels. Eighteen percent of owners report that economic conditions are back to normal now in their area. Another 7% of owners anticipate it taking until the second half of 2021 and 17% anticipate sometime in the first half of 2022 before economic conditions return to pre-crisis levels. Thirty-two percent of small business owners are less optimistic and expect conditions not to fully improve until the second half of 2022 and 27% not until 2023 or later.

SUPPLY CHAIN DISRUPTIONS

When asked if supply chain disruptions are impacting their business, about half (48%) of small business owners reported a significant impact, basically unchanged from early September. Another 34% of owners reported supply chain disruptions having a moderate impact on their business and 12% said it has had a mild impact on their business. Six percent of owners reported supply chain disruptions not an issue.

Supply chain disruptions are becoming increasingly challenging for many, with 62% of small business owners who are experiencing disruptions saying that the

disruption is worse now than it was three months ago. Thirty-four percent reported about the same level of disruption from last quarter and 2% reported it easing up from three months ago. And for many, the disruptions are not likely to ease up anytime soon. Almost all (90%) of small business owners anticipate the supply chain disruption that is impacting their business to continue for five months or more. Seven percent reported between one and four months and 1% reported less than one month.

STAFFING SHORTAGES

The labor shortage is the other significant challenge facing many small employers. Twenty-six percent of small employers are currently experiencing a significant staffing shortage and another 22% are currently experiencing a moderate staffing shortage. Twenty-four percent reported having a mild staffing shortage and 24% of small business owners reported no staffing shortage.

Of those small employers currently experiencing a staffing shortage, 23% are experiencing a significant loss of sales opportunities and 28%, a moderate loss of sales opportunities because of the shortage. Twenty-nine percent are experiencing a mild loss of sales opportunities and another 16% had no loss of sales opportunities, able to navigate the staffing shortage by adjusting business operation to accommodate current sales levels.

The labor shortage is not easing for most small employers as many potential applicants have not yet reentered the labor market. About two-thirds (61%) of small employers reported that their current staffing shortage is about the same as it was one month ago. Thirty-two percent of small employers reported it being worse, and a mere 5% reported their current staffing shortage is better than it was one month ago. One percent of respondents did not have a staffing shortage one month ago. When asked what adjustments, beyond normal hiring practices, small employers have taken to attract applicants for open positions, 79% reported increasing wages. Twenty-one percent increased paid time off and another 16% offered or enhanced hiring bonuses. Nineteen percent of small employers offered or enhanced referral bonuses and another 23% offered or enhanced health insurance benefits.

When asked what adjustments have been made in business operations to compensate for the staffing shortage, 42% of small employers experiencing a

staffing shortage are offering more hours to part-time employees. Sixty-seven percent are offering overtime to full-time employees. Almost all (91%) of small employers responded that the owner(s) are working more hours. Over one-third of owners (39%) have resorted to more drastic measure with adjusting business operation hours. Thirty-five percent of small employers have introduced new technology to enhance productivity and 34% have reduced the variety of goods and services sold.

VACCINATION

A quarter of small employers are asking employees if they are vaccinated. When asked about encouraging employee vaccination, 35% of small employers are encouraging employees to get vaccinated.

HOLIDAY SALES

A small population (12%) of small business owners, mostly in retail and restaurants, rely on the holiday season for a significant portion of their yearly revenue.¹ Of those 12% who do rely on holiday sales, 38% anticipate supply chain issues impacting holiday sales and 7% anticipate staffing shortages impacting holidays sales. About half (49%) report that both supply chain and staffing issues will impact sales during the holidays, significantly impacting a large portion of their yearly revenue.

When asked what impact small business owners anticipate these issues will have on holiday sales revenue, 26% reported a significant negative impact, 42% reported a moderate negative impact, and 25% reported that they anticipate a mild negative impact. Only 3% of small business owners anticipate a positive impact and 1%, no impact.

Of those who rely on holiday sales, about one-third (32%) are planning to promote their business or participate in events related to Small Business Saturday and another 33% are considering it.

PRICES

Sixty-nine percent of small business owners have increased their average selling prices due to supply chain disruptions and/or increased compensation due to

¹ Thirty-four percent of retailers and 23% of restaurants rely on holiday sales for a significant amount of their yearly revenue.

staffing shortage. Of those who raised prices, two-thirds raised prices by 5% or more.

Small business owners were also asked how they anticipate adjusting prices when supply chain disruptions and/or staffing shortage normalize. About a third (34%) anticipate slowing the pace of price increases (back to pre-crisis adjustment practices) and 9% anticipate suspending price increases. Twenty-one percent anticipate they will continue with accelerated price increases, 5% will lower prices, and 30% reported they did not know.

COVID-19 SMALL BUSINESS PROGRAMS

About three-quarters (79%) of small business owners reported that they received a Paycheck Protection Program (PPP) loan in 2020. The vast majority of them (96%) have submitted a PPP loan forgiveness application for their 2020 PPP loan. One percent responded that they were not ready to submit an application yet and another 1% were ready, but their lender was not accepting applications yet. Forty-three percent of those who received a first-draw PPP loan received a second-draw PPP loan. Seventy percent of those with a second-draw PPP loan have applied for PPP loan forgiveness on their second PPP, up from one-third in early September. Eighteen percent responded that they were not ready to submit an application yet and 11% responded their lender was not accepting applications yet.

The Employee Retention Tax 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 15% of small employers are very familiar with the ERTC and another 39% somewhat familiar. Forty-seven percent of small employers are not at all familiar with the ERTC. Ten percent of small employers anticipate qualifying for the ERTC for Q4 of 2021 and 47% reported maybe.

Thirteen percent of small employers claimed the ERTC for wages in 2020. Another 13% 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, 44% withheld payroll taxes on their 941 form, 53% submitted a 941-X form, and 3% 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. About a quarter (24%) 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. About half (55%) of small employers have had an employee(s) take sick or family leave related to Covid-19. About one-third (34%) of them have claimed the Federal Covid-19 sick and family leave tax credit (FFCRA).

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 October 25-27, 2021. NFIB collected 613 responses.

Questionnaire

ECONOMY

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

- 27% 1. More than 100% of pre-crisis level
- 37% 2. 76%-100% of pre-crisis level
- 22% 3. 51%-75% of pre-crisis level
- 9% 4. 26%-50% of pre-crisis level
- 5% 5. 1%-25% of pre-crisis level
- 1% 6. My business is currently closed.

n=606

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

- 18% 1. It is now
- 7% 2. By end of 2021
- 17% 3. First half of 2022
- 32% 4. Second half of 2022
- 27% 5. 2023 or later

n=605

SUPPLY CHAIN DISRUPTIONS

Are supply chain disruptions impacting your business?

- 48% 1. Significant issue
 - 34% 2. Moderate issue
 - 12% 3. Mild issue
 - 6% 4. Not an issue
- n=612*

Is the supply chain disruption impacting your business causing lost sales opportunities?

- 19% 1. Significant lost sales opportunities
 - 30% 2. Moderate lost sales opportunities
 - 30% 3. Mild sales lost sales opportunities
 - 16% 4. No lost sales opportunities
 - 4% 5. Does not apply
- n=572*

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

- 2% 1. Better
 - 62% 2. Worse
 - 34% 3. About the same
 - 2% 4. Does not apply
- n=570*

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

- 1% 1. Less than 1 month
 - 1% 2. 1-2 months
 - 6% 3. 3-4 months
 - 18% 4. 5-6 months
 - 72% 5. More than 6 months
 - 3% 6. Does not apply
- n= 569*

What product or products are impacted by the supply chain disruption affecting your business? _____

SALES

Does your business rely on holiday sales for a significant amount of yearly revenue?

12% 1. Yes

88% 2. No

n=610

If yes, do you anticipate supply chain issues and/or staffing shortages will impact your holiday sales?

38% 1. Supply chain issues

7% 2. Staffing shortages

49% 3. Both

4% 4. No, neither

3% 5. Does not apply

n=72

What impact do you anticipate these issues will have on your holiday sales revenue?

26% 1. Significant negative impact

42% 2. Moderate negative impact

25% 3. Mild negative impact

3% 4. Positive impact

1% 5. No impact

3% 6. Does not apply

n=72

Are you planning to promote your business or participate in events related to Small Business Saturday (the Saturday after Thanksgiving)?

11% 1. Yes

74% 2. No

15% 3. Maybe

n=605

Does your business accept cash as a form of payment?

79% 1. Yes

21% 2. No

n=604

LABOR

Is your business currently experiencing a staffing shortage?

- 26% 1. Significant staffing shortage
 - 22% 2. Moderate staffing shortage
 - 24% 3. Mild staffing shortage
 - 24% 4. No staffing shortage
 - 4% 5. Does not apply
- n=563*

Is your staffing shortage causing lost sales opportunities?

- 23% 1. Significant lost sales opportunities
 - 28% 2. Moderate lost sales opportunities
 - 29% 3. Mild sales lost sales opportunities
 - 16% 4. No lost sales opportunities
 - 3% 5. Does not apply
- n=409*

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

- 5% 1. Better
 - 32% 2. Worse
 - 61% 3. About the same
 - 1% 4. I didn't have a staffing shortage one month ago.
 - 1% 5. Does not apply
- n=411*

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

Increased starting wages

- 79% 1. Yes
 - 13% 2. No
 - 8% 3. Does not apply
- n=409*

Increased paid time off

21% 1. Yes

61% 2. No

18% 3. Does not apply

n=411

Offered or enhanced hiring bonuses

16% 1. Yes

70% 2. No

14% 3. Does not apply

n=410

Offered or enhanced referral bonuses

19% 1. Yes

64% 2. No

17% 3. Does not apply

n=409

Offered or enhanced health insurance benefits

23% 1. Yes

61% 2. No

17% 3. Does not apply

n=411

What adjustments have you made in business operations to compensate for the staffing shortage? Are you:**Offering more hours to part-time employees**

42% 1. Yes

15% 2. No

43% 3. Does not apply

n=407

Offering overtime to full-time employees

67% 1. Yes

17% 2. No

16% 3. Does not apply

n=409

Owner(s) working more hours

91% 1. Yes
5% 2. No
4% 3. Does not apply
n=409

Adjusted business operation hours

39% 1. Yes
50% 2. No
11% 3. Does not apply
n=407

Introduced new technology to enhance productivity

35% 1. Yes
47% 2. No
18% 3. Does not apply
n=407

Reduced the variety of goods or services sold

34% 1. Yes
53% 2. No
13% 3. Does not apply
n=408

PRICES

Have you increased your average selling prices due to supply chain disruptions and/or having to increase compensation due to staffing shortages?

69% 1. Yes
32% 2. No
n=604

If yes, by how much have you raised prices?

- 1% 1. Less than 1%
- 8% 2. 1-1.9%
- 13% 3. 2-3.9%
- 11% 4. 4-4.9%
- 22% 5. 5-7.9%
- 8% 6. 8-9.9%
- 36% 7. 10% or more
- 1% 8. Does not apply

n=411

How do you anticipate adjusting prices when supply chain disruptions and/or staffing shortages normalize?

- 34% 1. Slow the pace of price increases (back to pre-crisis adjustment practices)
- 9% 2. Suspend price increases (longer than you would normally pre-crisis)
- 21% 3. Continue with accelerated price increases
- 5% 4. Lower prices
- 30% 5. I don't know
- 2% 6. Does not apply

n=416

COMPENSATION

How do you (the owner) pay yourself from your business?

- 33% 1. Owner's draw
- 68% 2. Salary (W-2)
- 0% 3. I'm not an owner

n=581

VACCINE

Are you asking (or have you asked) your employees if they are vaccinated?

- 25% 1. Yes
- 70% 2. No
- 5% 3. Does not apply

n=561

Are you encouraging (or have you encouraged) your employees to get vaccinated?

35% 1. Yes
59% 2. No
6% 3. Does not apply
n=557

Are you currently vaccinated?

56% 1. Yes, fully vaccinated
2% 2. Yes, partially vaccinated
2% 3. No, but plan to get vaccinated by the end of the year
40% 4. No, not vaccinated and do not plan to get vaccinated
n=591

ERTC

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

15% 1. Very familiar
39% 2. Somewhat familiar
47% 3. Not at all familiar
n=562

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

13% 1. Yes
72% 2. No
15% 3. Does not apply
n=558

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

13% 1. Yes
73% 2. No
14% 3. Does not apply
n=561

Do you anticipate qualifying for ERTC for Q4 of 2021?

- 10% 1. Yes
- 43% 2. No
- 47% 3. Maybe
- 0% 4. Does not apply

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

- 44% 1. Withhold payroll taxes on your 941 form
- 53% 2. Submit a 941-X form (retroactive)
- 3% 3. Submit a 7200 form (advanceable)
- 0% 4. Does not apply

PAYCHECK PROTECTION PROGRAM

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

- 79% 1. Yes
 - 22% 2. No
- n=606*

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

- 96% 1. Yes
 - 1% 2. No, I'm not ready yet
 - 1% 3. No, my bank is not yet accepting applications
 - 2% 4. Does not apply
- n=475*

Did your business receive a SECOND PPP loan?

- 43% 1. Yes
 - 56% 2. No
 - 1% 3. Does not apply
- n=477*

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

- 70% 1. Yes
- 18% 2. No, I'm not ready yet
- 11% 3. No, my bank is not yet accepting applications
- 0% 4. Does not apply

ECONOMIC INJURY DISASTER LOAN

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

24% 1. Yes

76% 2. No

n=603

SICK AND FAMILY LEAVE

Have you had an employee(s) take sick or family leave related to COVID-19?

55% 1. Yes

45% 2. No

n=560

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

34% 1. Yes

66% 2. No

1% 3. Does not apply

n=309

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

16% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)

14% 2. Manufacturing and mining

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

4% 4. Wholesale

17% 5. Retail

7% 6. Restaurant/Bar

5% 7. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)

5% 8. Financial, insurance, real estate

18% 9. Services (auto repair, house cleaning, salon, etc.)

7% 10. Professional services (attorney, physician, skilled nursing, etc.)

2% 11. Other _____

n=608

Number of Employees

7% 1. No employees
12% 2. 1-2 employees
22% 3. 3-5 employees
16% 4. 6-9 employees
20% 5. 10-19 employees
15% 6. 20-49 employees
6% 7. 50-199 employees
1% 8. 200 or more employees
n=607

COMMENTS: _____