

Covid-19 Small Business Survey (22)

The NFIB Research Center has published a series of Covid-19 related surveys assessing the impact of the Covid 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 22nd 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

Just over one-third (35%) of small businesses are at or exceeding pre-crisis sales levels, a 9-percentage point increase from early September when 26% of owners reported having recovered sales levels. Thirty-two percent are back or nearly back to where they were with sales 75%-99% of pre-crisis levels with another 22% at sales levels of 50%-74% pre-crisis. On the other end of the scale, sales levels are less than 50% of pre-crisis levels for 12% of small businesses. Not captured in our data are bankruptcies, firms with no business activity.

THE ECONOMY

Most small business owners reported that their local economy remains below pre-crisis levels of economic activity. Almost one-quarter (24%) of owners reported that economic conditions are back to normal now in their area. Another 10% of owners anticipate an economic recovery in the first half of 2022 and another 19%, the second half of 2022 before economic conditions return to pre-crisis levels. Nearly half (48%) of small business owners are less optimistic and expect conditions not to fully improve until 2023 or later. Small businesses are less optimistic than they were 10 weeks ago that their local economy will return to pre-pandemic conditions before the end of the year.

RECENT COVID SURGE

January's surge in Covid cases due to the Omicron variant negatively impacted about two-thirds (68%) of small business owners to varying degrees. Twelve percent of small business owners reported that the surge in Covid had a significant negative impact on their business. Another 19% reported a moderate negative impact and 36% a mild negative impact. Four percent reported the recent surge positively impacting their business and 29% reported no impact.

Of those negatively impacted, 19% reported that the rise in Covid cases significantly impacted employee work attendance. Another 26% say that it moderately impacted work attendance and to a lesser degree, 34% a mild impact. Related to sales, 13% reported that the recent surge significantly impacted sales, and 24% moderately impacted sales. The increase in Covid cases mildly impacted sales for 35% of small business owners.

SUPPLY CHAIN DISRUPTIONS

When asked if supply chain disruptions are impacting their business, over half (51%) of small business owners reported a significant impact, basically unchanged from early September. Another 30% of owners reported supply chain disruptions having a moderate impact on their business and 14% a mild impact on their business. Five percent of owners reported supply chain disruptions are not an issue.

Supply chain disruptions have continued to cause lost sales opportunities for small businesses. Eighty percent of small business owners experiencing supply chain disruptions reported that the disruption caused lost sales opportunities to some degree. Only 15% report no lost sales opportunities.

Supply chain disruptions are becoming increasingly challenging for many, with 45% of small business owners experiencing disruptions saying that the disruption is worse now than it was three months ago, generally unchanged from the previous survey but lower than reported in late October when 62% reported it being worse. Half (50%) reported about the same level of disruption from last quarter and 4% reported it easing up from three months ago. And for most, supply chain disruptions are not likely to ease up anytime soon. The vast majority (89%) of small business owners anticipate the supply chain disruption that is impacting their business to continue for five months or more. Nine percent reported between one and four months and 1% reported less than one month.

STAFFING SHORTAGES

The labor shortage continues to be the other significant challenge facing many small employers. Twenty-four percent of small employers are currently experiencing a significant staffing shortage and another 18% are currently experiencing a moderate shortage. One-quarter (25%) reported having a mild shortage and 29% of small employers reported no staffing shortage.

Of those small employers currently experiencing a staffing shortage, 23% are experiencing a significant loss of sales opportunities and 22%, a moderate loss of sales opportunities because of the shortage. Thirty-two percent are experiencing a mild loss of sales opportunities (up 11 percentage points from January) 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 severity of lost sales opportunities has lessened since late October likely due to more owners successfully adjusting operations to accommodate demand.

The labor shortage is not easing for most small employers as many potential applicants have not reentered the labor market. Sixty-six percent of small employers reported that their current staffing shortage, about the same as it was three months ago. Over one-quarter (27%) of small employers reported it being worse, and a mere 6% reported their current staffing shortage is better than it was three months ago. Only 2% of respondents did not have a staffing shortage three months ago.

When asked what adjustments, beyond normal hiring practices, small employers have taken to attract applicants for open positions, 85% reported increasing wages. Twenty-eight percent increased paid time off and another 22% offered or enhanced hiring bonuses. Eighteen percent of small employers offered or enhanced referral bonuses and another 27% offered or enhanced health insurance benefits. The percent of small employers introducing or enhancing health insurance benefits has increased since early September when the question was introduced. It will be interesting to see if this increase is reflected in future health insurance offer rate data by firm size from the Census.

When asked what adjustments have been made in business operations to compensate for the staffing shortage, 43% of small employers experiencing a staffing shortage are offering more hours to part-time employees. Sixty-two 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 measures with adjusting business operation hours. Thirty-six percent of small employers have introduced new technology to enhance productivity and 37% have reduced the variety of goods and services sold.

PRICES

About three-quarters (73%) of small business owners have increased their average selling prices due to supply chain disruptions and/or increased compensation due to staffing shortages. Of those who raised prices, 44% have raised prices by 10% or more, another 30% have raised prices 5%-9.9%.

COVID-19 SMALL BUSINESS PROGRAMS

The Employee Retention Tax Credit (ERTC), a program facilitated through the IRS to help mostly small employers, provides up to \$26,000 per employee for eligible employers. The program has undergone numerous changes over the last 17 months with expanding eligibility, extending coverage, increasing the credit amount available, and then ending the program early (Q3 instead of Q4 2021). Only 13% of small employers are very familiar with the ERTC and another 41% are somewhat familiar. About half (47%) percent of small employers are not at all familiar with the ERTC. A fifth of small employers claimed the ERTC for wages in 2020. Another 18% of small employers claimed the ERTC for wages in 2021.

TAXES

Nearly a quarter (22%) of small business owners have contacted or tried to contact the IRS for information related to their business(es) in the last 12 months. Among those who contacted the IRS, 12% reported their contact with the IRS helpful, 24% somewhat helpful, and 64% not at all helpful. When asked about preparing this year's taxes, about half of small business owners (47%) reported that preparing their 2020 and 2021 taxes has been more difficult than it was pre-Covid. Fifteen percent reported significantly more difficult and another 15% reported moderately difficult. Seventeen percent reported somewhat difficult and 53% reported that it was about the same. About one-third of small business owners reported that they are planning to or have requested an extension for filing their 2021 tax return.

PAYMENTS

Three-quarters (76%) of small business owners reported that they do not use a third-party platform for processing customer payments of their goods or services. When asked about shipping products they sell to out-of-state customers, 12% of small business owners reported frequently, 12% occasionally, and another 12% reported seldom. A quarter of small business owners do not ship products they sell to out-of-state customers. Forty percent of small business owners reported that

this does not apply to them. Over three-quarters (79%) of small business owners do not sell their products or services online. Twelve percent sell products online, 5% sell services, and 4% sell both products and services. Among those business owners that do sell products and/or services online, about half (44%) reported having more than 200 online purchase transactions that generate \$5,000 or more total revenue in a typical year. Another 44% answered no, and 13% did not know.

TRAVEL

When asked about whether the business owner and their employees traveled by commercial airlines for business purposes pre-Covid, 4% reported frequently, 15% reported occasionally, 13% reported yes but infrequently, and 68% reported no. Among small business owners who did travel or have their employees travel, 21% reported that travel by commercial airlines is back to pre-Covid levels for their business. About half (48%) reported no but it will get there eventually, and 31% reported no, it will likely never return to pre-Covid level.

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 March 10-11, 2022. NFIB collected 609 responses.

ECONOMY

Q1. How does your current sales revenue compare to pre-crisis levels?

- 35% 1. 100% or more of pre-crisis level
 - 32% 2. 75%-99% of pre-crisis level
 - 22% 3. 50%-74% of pre-crisis level
 - 9% 4. 25%-49% of pre-crisis level
 - 3% 5. 1%-24% of pre-crisis level
 - 0% 6. My business is currently closed.
- N= 600

Q2. How long do you think it will take before your local community is back to a pre-crisis level of economic activity?

24% 1. It is now

10% 2. First half of 2022

19% 3. Second half of 2022

48% 4. 2023 or later

N=603

Q3. Did the recent surge in Covid cases impact your business?

12% 1. Significant negative impact

19% 2. Moderate negative impact

36% 3. Mild negative impact

4% 4. Positive impact

29% 5. No impact

N=604

Q4. Did the recent surge in Covid cases impact sales?

13% 1. Significant negative impact

24% 2. Moderate negative impact

35% 3. Mild negative impact

8% 4. Positive impact

21% 5. No impact

N=429

Q5. Did the recent surge in Covid cases impact employee work attendance?

19% 1. Significant impact

26% 2. Moderate impact

34% 3. Mild impact

20% 4. No impact

2% 5. Does not apply

N=387

SUPPLY CHAIN DISRUPTIONS

Q6. Are supply chain disruptions impacting your business?

51% 1. Significant impact

30% 2. Moderate impact

14% 3. Mild impact

5% 4. No impact

N=605

Q7. Is the supply chain disruption impacting your business causing lost sales opportunities?

21% 1. Significant lost sales opportunities

30% 2. Moderate lost sales opportunities

29% 3. Mild lost sales opportunities

15% 4. No lost sales opportunities

5% 5. Does not apply

N=573

Q8. Is the supply chain disruption impacting your business better, worse, or about the same as it was three months ago?

4% 1. Better

45% 2. Worse

50% 3. About the same

2% 4. Does not apply

N=572

Q9. 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

7% 3. 3-4 months

10% 4. 5-6 months

79% 5. More than 6 months

3% 6. Does not apply

N=570

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

LABOR

Q10. Is your business currently experiencing a staffing shortage?

- 24% 1. Significant staffing shortage
 - 18% 2. Moderate staffing shortage
 - 25% 3. Mild staffing shortage
 - 29% 4. No staffing shortage
 - 4% 5. Does not apply
- N=545

Q11. Is your staffing shortage causing lost sales opportunities?

- 23% 1. Significant lost sales opportunities
 - 22% 2. Moderate lost sales opportunities
 - 32% 3. Mild lost sales opportunities
 - 16% 4. No lost sales opportunities
 - 8% 5. Does not apply
- N=387

Q12. Is your current staffing shortage better, worse, or about the same as it was three months ago?

- 6% 1. Better
 - 27% 2. Worse
 - 66% 3. About the same
 - 2% 4. I didn't have a staffing shortage three months ago.
 - 0% 5. Does not apply
- N=369

Q13. What adjustments (beyond normal hiring practices) have you made to attract applicants for open positions? Have you:

A. Increased starting wages

85% 1. Yes

10% 2. No

5% 3. Does not apply

N=368

B. Increased paid time off

28% 1. Yes

53% 2. No

20% 3. Does not apply

N=367

C. Offered or enhanced hiring bonuses

22% 1. Yes

66% 2. No

13% 3. Does not apply

N=366

D. Offered or enhanced referral bonuses

18% 1. Yes

66% 2. No

16% 3. Does not apply

N=362

E. Offered or enhanced health insurance benefits

27% 1. Yes

52% 2. No

21% 3. Does not apply

N=365

Other adjustments to attract applicants: _____

Q14. What adjustments have you made in business operations to compensate for the staffing shortage? Are you:

A. Offering more hours to part-time employees

43% 1. Yes

19% 2. No

38% 3. Does not apply

N=363

B. Offering overtime to full-time employees

62% 1. Yes

20% 2. No

18% 3. Does not apply

N=364

C. Owner(s) working more hours

91% 1. Yes

6% 2. No

4% 3. Does not apply

N=369

D. Adjusted business operation hours

39% 1. Yes

51% 2. No

11% 3. Does not apply

N=369

E. Introduced new technology to enhance productivity

36% 1. Yes

45% 2. No

20% 3. Does not apply

N=365

F. Reduced the variety of goods or services sold

37% 1. Yes

50% 2. No

13% 3. Does not apply

N=368

Other staffing adjustments: _____

PRICES

Q15. Have you increased your average selling prices specifically due to supply chain disruptions and/or having to increase compensation due to staffing shortages?

40% 1. Yes, because of supply chain disruption

5% 2. Yes, because of staffing shortages

28% 3. Both

27% 4. Neither

N=605

Q15a. If yes, by how much have you raised prices?

1% 1. Less than 1%

5% 2. 1-1.9%

9% 3. 2-3.9%

11% 4. 4-4.9%

21% 5. 5-7.9%

9% 6. 8-9.9%

44% 7. 10% or more

1% 8. Does not apply

N=437

ERTC

Q16. How familiar are you with the Employee Retention Tax Credit (ERTC)?

13% 1. Very familiar

41% 2. Somewhat familiar

47% 3. Not at all familiar

N=542

Q17. Have you claimed or submitted forms to claim the ERTC for wages in any quarter of 2020?

20% 1. Yes

66% 2. No

14% 3. Does not apply

N=536

Q18. Have you claimed or submitted forms to claim the ERTC for wages in any quarter of 2021?

18% 1. Yes

68% 2. No

14% 3. Does not apply

N=536

TAXES

Q19. Have you contacted or tried to contact the IRS for information related to your businesses in the last 12 months?

22% 1. Yes

78% 2. No

N=602

Q19a. If yes, how was your experience contacting the IRS?

12% 1. Helpful

24% 2. Somewhat helpful

64% 3. Not at all helpful

N=131

Q20. Have you or are you planning to request an extension for filing your 2021 tax return?

32% 1. Yes

68% 2. No

N=596

Q21. Has preparing your 2020 and 2021 taxes been more difficult than it was pre-covid?

15% 1. Yes, significantly more difficult

15% 2. Yes, moderately more difficult

17% 3. Yes, somewhat more difficult

53% 4. No, it's about the same

N=595

PAYMENTS

Q22. Do you use a third-party platform for processing customer payments of your goods or services (PayPal, Venmo, CashApp, EBay, Amazon, etc.)?

24% 1. Yes

76% 2. No

N=599

Q23. Do you ship products that you sell to out-of-state customers?

12% 1. Frequently

12% 2. Occasionally

12% 3. Seldom

25% 4. Never

40% 5. Does not apply

N=605

Q24. Does your business sell products or services online?

12% 1. Yes, products

5% 2. Yes, services

4% 3. Yes, both

79% 4. No, neither

N=605

Q24a. If yes, do you have more than 200 online purchase transactions that generate \$5,000 or more total revenue in a typical year?

44% 1. Yes

44% 2. No

13% 3. I don't know

N=126

TRAVEL

Q25. Pre-Covid, did you or your employees travel by commercial airlines for business purposes?

- 4% 1. Yes, frequently
 - 15% 2. Yes, occasionally
 - 13% 3. Yes, infrequently
 - 68% 4. No
- N=599

Q25a. If yes, is travel by commercial airlines back to pre-covid levels for your business?

- 21% 1. Yes
 - 48% 2. No, but it will get there eventually
 - 31% 3. No, it will likely never return to pre-covid levels
- N=190

Q26. Please classify your major business activity, using one of the categories of examples below.

- 18% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)
 - 13% 2. Manufacturing and mining
 - 5% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)
 - 3% 4. Wholesale
 - 16% 5. Retail
 - 7% 6. Restaurant/Bar
 - 7% 7. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)
 - 4% 8. Financial, insurance, real estate
 - 22% 9. Services (auto repair, house cleaning, salon, etc.)
 - 6% 10. Professional services (attorney, physician, skilled nursing, etc.)
 - 1% 11. Other
- N=600

If other, please describe: _____

Q27. Number of Employees

10% 1. No employees

10% 2. 1-2 employees

23% 3. 3-5 employees

18% 4. 6-9 employees

22% 5. 10-19 employees

13% 6. 20-49 employees

4% 7. 50-199 employees

1% 8. 200 or more employees

N=601

Comments: _____