

## **Covid-19 Small Business Survey (21)**

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 21<sup>st</sup> 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 (36%) of small businesses are at or exceeding pre-crisis sales levels, 10 percentage points higher than in early September when 26% of owners reported being at or above pre-pandemic sales levels. Thirty-two percent are back or nearly back to where they were with sales 75%-99% of pre-crisis levels. Sales levels are less than 50% of pre-crisis levels for 9% of small businesses with another 22% at sales levels of 50%-74% pre-crisis.

### **THE ECONOMY**

Most small business owners reported that their local economy remains below pre-crisis levels of economic activity. Twenty-one percent of owners reported that economic conditions are back to normal now in their area. Another 13% of owners anticipate an economic recovery in the first half of 2022 and another 27%, the second half of 2022 before economic conditions return to pre-crisis levels. Thirty-nine percent of small business owners are less optimistic and expect conditions not to fully improve until 2023 or later.

### **RECENT COVID SURGE**

The recent increase in Covid cases due to the Omicron variant has negatively impacted about two-thirds of small business owners to varying degrees. Eleven percent of small business owners reported that the surge in Covid has a significant negative impact on their business. Another 23% reported a moderate negative impact and 34% a mild negative impact. Three percent reported the recent surge positively impacting their business and 29% reported no impact. The surge in infections is a negative for potential customers as well as a deterrent to labor force participation.

Of those negatively impacted, 19% reported that the rise in Covid cases is significantly impacting employee work attendance. Another 23% say that it's moderately impacting work attendance and to a lesser degree, 34% a mild impact.

Related to sales, 10% reported that the recent surge is significantly impacting sales, and 26% moderately impacting sales. The increase in Covid cases is mildly impacting sales for 34% of small business owners.

### **SUPPLY CHAIN DISRUPTIONS**

When asked if supply chain disruptions are impacting their business, about half (47%) of small business owners reported a significant impact, basically unchanged from early September. Another 27% of owners reported supply chain disruptions having a moderate impact on their business and 18% said it has had a mild impact on their business. Eight percent of owners reported supply chain disruptions not an issue.

Supply chain disruptions are becoming increasingly challenging for many, with 44% of small business owners who are experiencing disruptions saying that the disruption is worse now than it was three months ago, a decline from 62% in late October. Half (50%) 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 (87%) 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 0% reported less than one month.

### **STAFFING SHORTAGES**

The labor shortage is the other significant challenge facing many small employers. Twenty-three percent of small employers are currently experiencing a significant staffing shortage and another 20% are currently experiencing a moderate staffing shortage. One-quarter (25%) percent reported having a mild staffing shortage and 28% of small employers reported no staffing shortage.

Of those small employers currently experiencing a staffing shortage, 14% are experiencing a significant loss of sales opportunities and 23%, a moderate loss of sales opportunities because of the shortage. Twenty-one percent are experiencing a mild loss of sales opportunities and another 25% 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 yet reentered the labor market. Forty-five percent of small employers reported that their current staffing shortage is about the same as it was three months ago. One-quarter of small employers reported it being worse, and a mere 5% reported their current staffing shortage is better than it was three months ago. Thirteen percent 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, 83% reported increasing wages. Twenty-four percent increased paid time off and another 20% offered or enhanced hiring bonuses. Twenty-four percent of small employers offered or enhanced referral bonuses and another 29% offered or enhanced health insurance benefits. The percent of small employers introducing or enhancing health insurance benefit 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-one percent are offering overtime to full-time employees. Almost all (88%) of small employers responded that the owner(s) are working more hours. Over one-third of owners (38%) have resorted to more drastic measures with adjusting business operation hours. Thirty-three percent of small employers have introduced new technology to enhance productivity and 29% have reduced the variety of goods and services sold.

## **PRICES**

Sixty-four percent of small business owners have increased their average selling prices due to supply chain disruptions and/or increased compensation due to staffing shortage. Of those who raised prices, 41% have raised prices by 10% or more, another 29% have raised prices 5%-9.9%.

## **COVID-19 SMALL BUSINESS PROGRAMS**

About one-third (31%) of small business owners reported that they received a second-draw Paycheck Protection Program (PPP) loan in 2021. These are owners who received a first-draw PPP loan and qualified for a second in 2021. The vast majority of them (84%) have applied for PPP loan forgiveness application for their second PPP loan. Seven percent responded that they were not ready to submit an application yet and another 6% were ready, but 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 \$26,000 per employee for eligible employers. The program has undergone numerous changes over the last 15 months with expanding eligibility, extending coverage, increasing the credit amount available, and then ending the program early (Q3 instead of Q4 2021). Only 14% of small employers are very familiar with the ERTC and another 34% somewhat familiar. About half (52%) percent of small employers are not at all familiar with the ERTC. Thirteen percent of small employers claimed the ERTC for wages in 2020. Another 12% of small employers claimed the ERTC for wages in 2021.

## **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 December 30-January 4, 2022. NFIB collected 710 responses.

## ECONOMY

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

- 36% 1. 100% or more of pre-crisis level
  - 32% 2. 75%-99% of pre-crisis level
  - 22% 3. 50%-74% of pre-crisis level
  - 6% 4. 25%-49% of pre-crisis level
  - 3% 5. 1%-24% of pre-crisis level
  - 1% 6. My business is currently closed.
- N=706

### Q2. How does your current sales revenue compare to this time last year?

- 38% 1. 100% or more of this time last year
  - 32% 2. 75%-99% of this time last year
  - 16% 3. 50%-74% of this time last year
  - 7% 4. 25%-49% of this time last year
  - 6% 5. 1%-24% of this time last year
  - 1% 6. My business is currently closed.
- N=704

### Q3. 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
  - 13% 2. First half of 2022
  - 27% 3. Second half of 2022
  - 39% 4. 2023 or later
- N=706

### Q4. Is the recent surge in Covid cases impacting your business?

- 11% 1. Significant impact negative
  - 23% 2. Moderate negative impact
  - 34% 3. Mild negative impact
  - 3% 4. Positive impact
  - 29% 5. No impact
- N=709

**Q5. Is the recent surge in Covid cases impacting sales?**

- 10% 1. Significant negative impact
  - 26% 2. Moderate negative impact
  - 34% 3. Mild negative impact
  - 6% 4. Positive impact
  - 23% 5. No impact
- N=501

**Q6. Is the recent surge in Covid cases impacting employee work attendance?**

- 19% 1. Significant impact
  - 23% 2. Moderate impact
  - 34% 3. Mild impact
  - 22% 4. No impact
  - 2% 5. Does not apply
- N=463

**SUPPLY CHAIN DISRUPTIONS**

**Q7. Are supply chain disruptions impacting your business?**

- 47% 1. Significant impact
  - 27% 2. Moderate impact
  - 18% 3. Mild impact
  - 8% 4. No impact
- N=709

**Q8. Is the supply chain disruption impacting your business causing lost sales opportunities?**

- 20% 1. Significant lost sales opportunities
  - 28% 2. Moderate lost sales opportunities
  - 26% 3. Mild sales lost sales opportunities
  - 21% 4. No lost sales opportunities
  - 5% 5. Does not apply
- N=651

**Q9. Is the supply chain disruption impacting your business better, worse, or about the same as it was three months ago?**

- 3% 1. Better
  - 44% 2. Worse
  - 50% 3. About the same
  - 3% 4. Does not apply
- N=651

**Q10. How long do you anticipate the supply chain disruption that is impacting your business to continue?**

- 0% 1. Less than 1 month
  - 1% 2. 1-2 months
  - 8% 3. 3-4 months
  - 12% 4. 5-6 months
  - 75% 5. More than 6 months
  - 5% 6. Does not apply
- N=651

**What product or products are impacted by the supply chain disruption affecting your business?** \_\_\_\_\_

## **LABOR**

**Q11. Is your business currently experiencing a staffing shortage?**

- 23% 1. Significant staffing shortage
  - 20% 2. Moderate staffing shortage
  - 25% 3. Mild staffing shortage
  - 28% 4. No staffing shortage
  - 4% 5. Does not apply
- N=650

**Q12. Is your staffing shortage causing lost sales opportunities?**

- 14% 1. Significant lost sales opportunities
  - 23% 2. Moderate lost sales opportunities
  - 21% 3. Mild sales lost opportunities
  - 25% 4. No lost sales opportunities
  - 18% 5. Does not apply
- N=625

**Q13. Is your current staffing shortage better, worse, or about the same as it was three months ago?**

- 5% 1. Better
  - 25% 2. Worse
  - 45% 3. About the same
  - 12% 4. I didn't have a staffing shortage three months ago.
  - 13% 5. Does not apply
- N=626

**Q14. What adjustments (beyond normal hiring practices) have you made to attract applicants for open positions? Have you:**

**A. Increased starting wages**

- 83% 1. Yes
  - 12% 2. No
  - 5% 3. Does not apply
- N=444

**B. Increased paid time off**

- 24% 1. Yes
  - 58% 2. No
  - 18% 3. Does not apply
- N=443



**C. Offered or enhanced hiring bonuses**

20% 1. Yes

66% 2. No

15% 3. Does not apply

N=440

**D. Offered or enhanced referral bonuses**

24% 1. Yes

60% 2. No

15% 3. Does not apply

N=442

**E. Offered or enhanced health insurance benefits**

29% 1. Yes

52% 2. No

20% 3. Does not apply

N=442

Other adjustments to attract applicants: \_\_\_\_\_

**Q15. 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

39% 3. Does not apply

N=445

**B. Offering overtime to full-time employees**

61% 1. Yes

19% 2. No

20% 3. Does not apply

N=445

**C. Owner(s) working more hours**

88% 1. Yes

8% 2. No

4% 3. Does not apply

N=445

**D. Adjusted business operation hours**

38% 1. Yes

50% 2. No

12% 3. Does not apply

N=445

**E. Introduced new technology to enhance productivity**

33% 1. Yes

45% 2. No

22% 3. Does not apply

N=443

**F. Reduced the variety of goods or services sold**

29% 1. Yes

54% 2. No

18% 3. Does not apply

N=444

Other staffing adjustments: \_\_\_\_\_

**PRICES**

**Q16. Have you increased your average selling prices specifically due to supply chain disruptions and/or having to increase compensation due to staffing shortages?**

32% 1. Yes, because of supply chain disruption

6% 2. Yes, because of staffing shortages

26% 3. Both

37% 4. Neither

N=707

**Q16a. If yes, by how much have you raised prices?**

- 0% 1. Less than 1%
- 2% 2. 1-1.9%
- 11% 3. 2-3.9%
- 11% 4. 4-4.9%
- 21% 5. 5-7.9%
- 8% 6. 8-9.9%
- 41% 7. 10% or more
- 2% 8. Does not apply

N=448

**ERTC**

**Q17. How familiar are you with the Employee Retention Tax Credit (ERTC)?**

- 14% 1. Very familiar
- 34% 2. Somewhat familiar
- 52% 3. Not at all familiar

N=647

**Q18. 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=641

**Q19. Have you claimed or submitted forms to claim the ERTC for wages in any quarter of 2021?**

- 12% 1. Yes
- 74% 2. No
- 14% 3. Does not apply

N=645

## **PAYCHECK PROTECTION PROGRAM**

### **Q20. Did your business receive a SECOND PPP loan?**

31% 1. Yes

61% 2. No

8% 3. Does not apply

N=708

### **Q21. Have you applied for PPP loan forgiveness on your SECOND PPP loan?**

84% 1. Yes

7% 2. No, I'm not ready yet

6% 3. No, my bank is not yet accepting applications

3% 4. Does not apply

N=217

## **BUSINESS STRUCTURE**

### **Q22. Does your business operate as a franchise?**

5% 1. Yes

95% 2. No

N=707

### **Q23. Do you have all or part of your business held in a trust?**

7% 1. Yes

93% 2. No

N=707

### **Q24. Have you expanded your payment capabilities/processing specifically due to the pandemic (in-person or website capabilities)?**

5% 1. Yes, in-person

6% 2. Yes, website

12% 3. Yes, both

77% 4. No, neither

N=707

**Q25. Please classify your major business activity, using one of the categories of examples below.**

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

12% 2. Manufacturing and mining

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

5% 4. Wholesale

16% 5. Retail

6% 6. Restaurant/Bar

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

6% 8. Financial, insurance, real estate

15% 9. Services (auto repair, house cleaning, salon, etc.)

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

8% 11. Other

N=707

If other, please describe: \_\_\_\_\_

**Q26. Number of Employees**

9% 1. No employees

13% 2. 1-2 employees

21% 3. 3-5 employees

19% 4. 6-9 employees

19% 5. 10-19 employees

13% 6. 20-49 employees

6% 7. 50-199 employees

1% 8. 200 or more employees

N=707