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November 9, 2021

The Honorable Tim Hennessey  
313 Main Capitol Building  
P.O. Box 202026  
Harrisburg, PA 17120-2026  
*via electronic submission*

RE: Supply Chain Issues

These comments are submitted on behalf of the National Federation of Independent Business in Pennsylvania (NFIB PA). NFIB is the nation's leading small business advocacy organization, representing nearly 13,000 members in Pennsylvania and about 300,000 members throughout the United States. Founded in 1943 as a nonprofit, nonpartisan organization, NFIB's mission is to promote and protect the right of its members to own, operate, and grow their businesses.

Small businesses continue to struggle in the wake of the COVID-19 pandemic. Recent NFIB research indicates that employers are compensating employees at a record-high level, while facing a record-high worker shortage. In addition, supply chain issues and inflation have negatively affected the small business community, limiting the ability to turn a profit.

The NFIB Research Center released its latest COVID-19 survey assessing how the COVID-19 pandemic has affected small businesses. The first series was published in early March 2020 with subsequent publications every 3-6 weeks, found [here](#). This is the 20<sup>th</sup> survey in the series and includes updates on supply chain disruptions, the staffing shortage, and anticipations about the upcoming holiday season. The full survey of the 20<sup>th</sup> edition is available [here](#).

Going into the busy holiday season, nearly half of small business owners who rely on holiday sales as a significant part of yearly revenue report that both the supply chain disruptions and the staffing shortage will impact their holiday sales. Small employers continue to adjust their business operations and hiring practices to compensate for these issues, including for many dramatic price increases.

Key findings from the NFIB Research Center include:

### Supply Chain Disruptions

- About half of small business owners (48%) reported that supply chain disruptions are having a significant impact on their business, almost unchanged from September's survey.
- Another 34% of owners reported supply chain disruptions are having a moderate impact on their business and 12% said it has a mild impact on their business. Six percent of owners reported supply chain disruptions are not an issue.
- Supply chain disruptions are becoming increasingly challenging for many small business owners, with over half (62%) experiencing disruptions saying that the supply chain disruption is worse now than it was three months ago.
- Almost all small business owners (90%) anticipate the supply chain disruption that is impacting their business to continue for five or more months.

### Staffing Shortages

- Twenty-six percent of small employers are currently experiencing a significant staffing shortage and another 22% are currently experiencing a moderate staffing shortage.
- Of those small businesses currently experiencing a staffing shortage, 23% are experiencing a significant loss of sales opportunities and 28% reported a moderate loss of sales opportunities because of the staffing shortage.
- About two-thirds (61%) of small employers reported that their current staffing shortage is about the same as it was one month ago.
- Small employers are adjusting hiring practices to attract employees for their open positions. Seventy-nine percent reported increasing wages, 21% increased paid time off, 16% offered or enhanced hiring bonuses, 19% offered or enhanced referral bonuses, and 23% offered or enhanced health insurance benefits.
- In addition, owners are making business operation adjustments to compensate for the staffing shortage. Forty-two percent of owners are offering more hours to part-time employees, 67% are offering overtime to full-time employees, almost all (91%) of small employers responded that the owner(s) are working more hours, and 39% have adjusted business operation hours. Thirty-five percent have introduced new technology to enhance productivity and 34% have reduced the variety of goods and services sold.

### Prices and Compensation

- Sixty-nine percent of small business owners have increased their average selling prices due to supply chain disruptions and/or increased compensation due to the staffing shortage.
- Of those who increase selling prices, 66% raised prices by 5% or more.
- When supply chain disruptions and/or the staffing shortage normalizes, 34% anticipate slowing the pace of price increases and 9% anticipate suspending price increases. About one-in-ten (21%) expect to continue accelerated price increases. Only 5% anticipate lowering their prices.

### Holiday Sales

- Of small business owners who rely on holiday sales for a significant part of yearly revenue, about half (49%) of them believe both supply chain and staffing issues will impact holiday sales. Seven percent anticipate only staffing shortages will impact holiday sales and 38% just supply chain disruptions.
- Twenty-six percent of owners anticipate these issues will have a significant negative impact on their business, about half (42%) reported a moderate negative impact, and 25% reported a mild 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.

### Sales 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.
- Thirty-seven percent of small businesses are back or nearly back to where they were with sales between 76%-100% of pre-crisis levels. Twenty-seven percent are exceeding pre-crisis levels.

### Economic Conditions

- Eighteen percent of small business owners report that economic conditions are back to normal now in their area. Seven percent 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 owners are less optimistic and expect conditions not to fully improve until the second half of 2022 and 27% say after 2023.

The above statistics indicate that small and independent businesses are still experiencing significant difficulties related to the COVID-19 pandemic. When businesses were forced to shut down, manufacturing and production ceased, too. When workers were laid off and provided sizeable checks from the state and federal government, some never came back. The current supply chain disruption was predictable, but the magnitude has far surpassed expectations.

If nothing else, the supply chain disruptions have shed light on the importance of manufacturing products domestically, when possible, rather than a reliance on other countries.

Unfortunately, Pennsylvania has not fared well in comparison to other states when it comes to attracting and retaining businesses. Despite being the 6<sup>th</sup> largest economy in the nation, Pennsylvania ranks 43<sup>rd</sup> in creating new jobs and is the [8<sup>th</sup> worst state to start a business](#). Additionally, Pennsylvania is currently ranked [36<sup>th</sup>](#) in the United States for its economic outlook and [40<sup>th</sup>](#) in the country for its recent economic performance.

Proposals to toll nine bridges throughout the Commonwealth would only further deter businesses from locating in Pennsylvania, and NFIB supports SB 382 (Langerholc), which would reform the Commonwealth's P3 statute.

We have the opportunity for a renaissance of American manufacturing, bringing businesses and manufacturing back to the nation, and to the Commonwealth. But to do so, we need a reliable transportation system, a tax structure that works for all businesses, and less government interference with how businesses operate.

Thank you again for the opportunity to comment on behalf of Pennsylvania's small and independent businesses.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Moreland', with a stylized flourish at the end.

Gregory B. Moreland  
NFIB PA State Director