

Still Record High Levels of Job Openings at Small Businesses

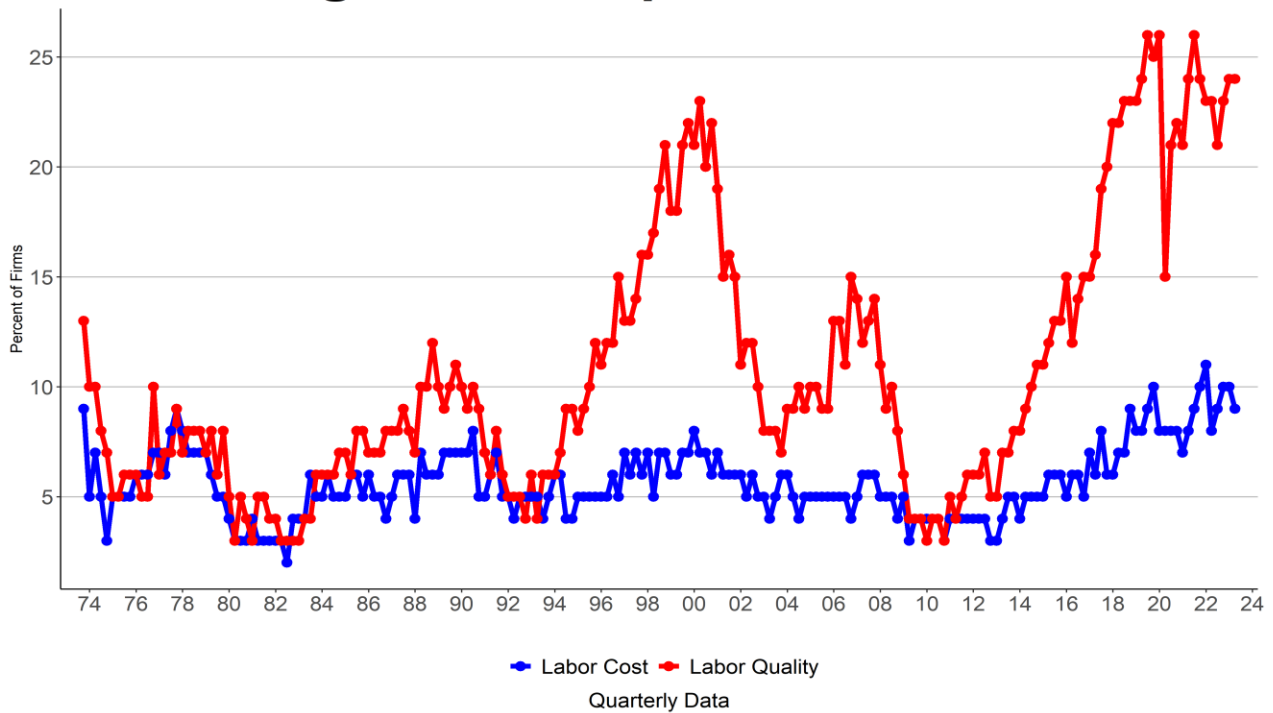
Based on 1365 respondents to the April survey of a random sample of NFIB's member firms, surveyed through 4/28/2023

EMBARGO 1 PM THURSDAY

Although GDP growth for the first quarter was weak, it wasn't because of the consumer. Spending remained solid, which suggests that for many firms the need for workers didn't change much. Forty-five percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 2 points from March. The share of owners with unfilled job openings far exceeds the 49-year historical average of 23 percent although it is 6 percentage points lower than the record high of 51 percent last reached in May 2022. Thirty-seven percent have openings for skilled workers (up 3 points) and 19 percent have openings for unskilled labor (unchanged). The labor force participation rate remains below pre-Covid levels, contributing to the shortage of workers available to fill open positions. But even at a historic high level, openings are trending down.

The percent of small business owners reporting labor quality as their top small business operating problem remains elevated at 24 percent, up 1 point from March. Labor cost reported as the single most important problem to business owners decreased 2 points to 9 percent, just 4 points below the highest reading of 13 percent reached in December 2021.

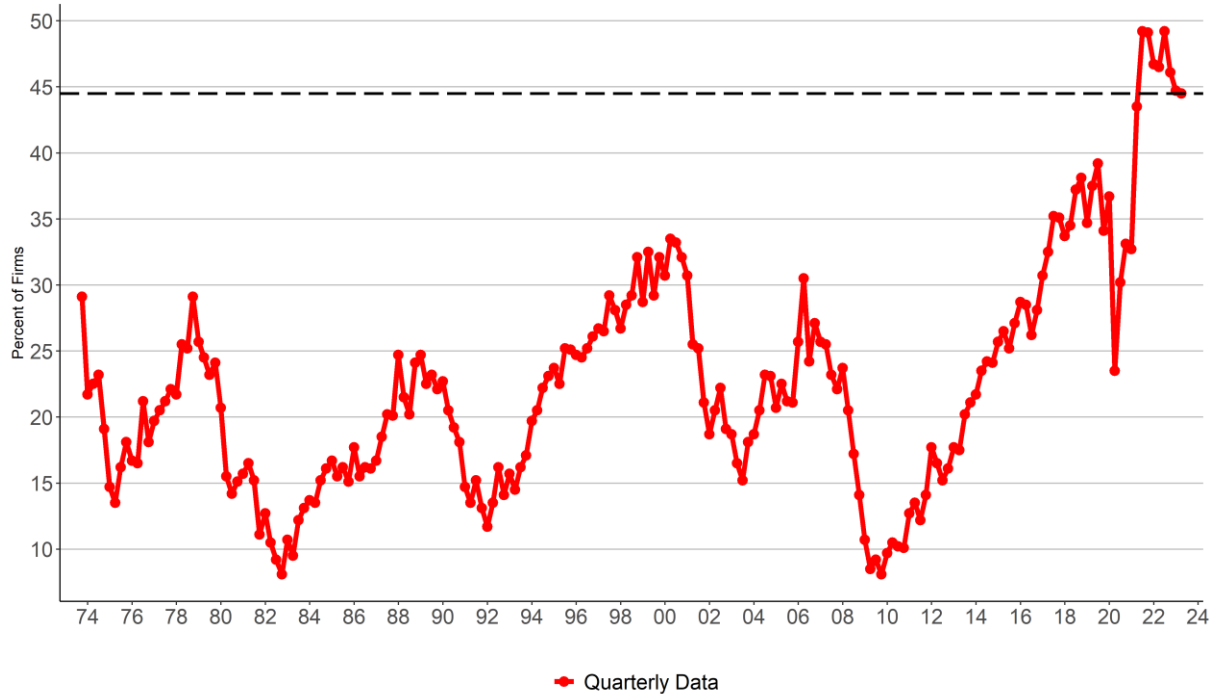
Single Most Important Problem



Nationwide, the number of job openings decreased in March to 9.6 million, down from 9.9 million in February. Job openings continue to exceed the number of unemployed workers, those looking for a job (5.8 million unemployed). The labor market continues to be a big challenge for small business owners. The media is focusing on layoffs at high-tech firms but those have little impact on labor supply for small firms.

Unfilled Job Openings

Percent with at Least One Unfilled Opening



Job openings in residential construction faded a bit from last month (5-point decline), but the need for workers remained historically strong as openings are highest in that industry.

Industry- Percent with Job Openings

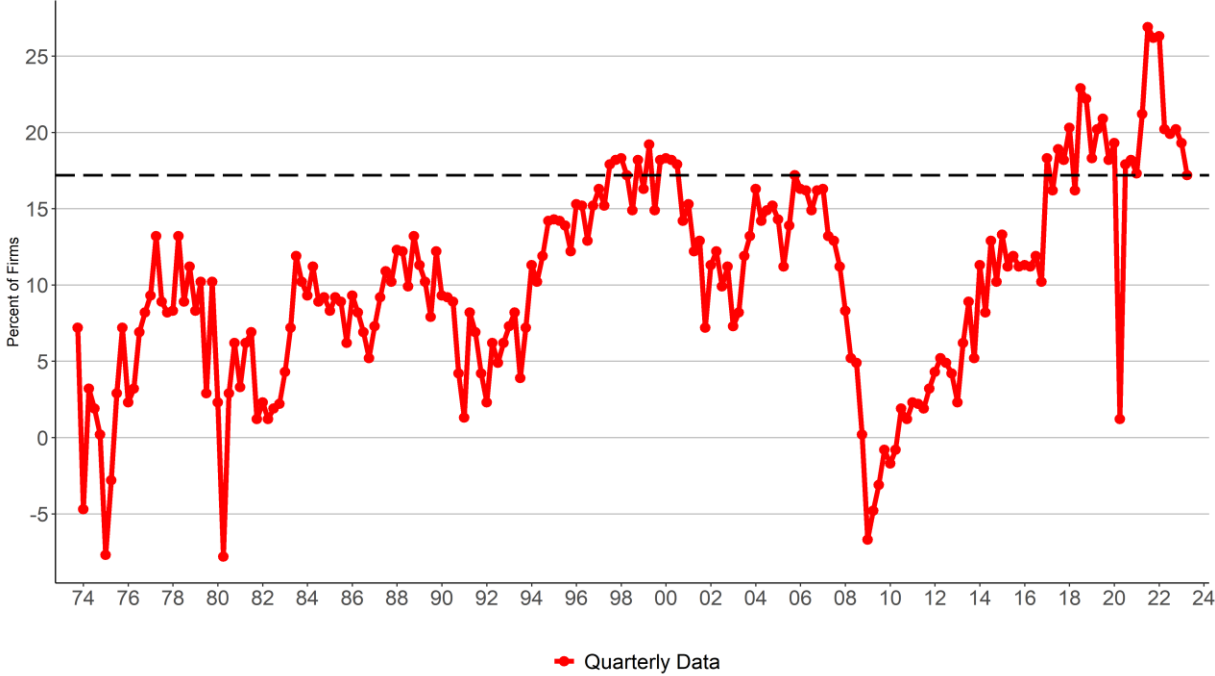
Construction	62%
Transportation	54%
Manufacturing	45%
Retail	45%
Services	44%
Agriculture	29%
Professional	29%
Wholesale	29%
Finance	27%

Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 17 percent planning to create new jobs in the next three months, up 2 points from March but 15 points below its record high reading of 32 reached in August 2021.

Hiring plans are clearly trending down, but the descent has been gradual, leaving plans still historically strong in the face of a weakening economy but in a more historically normal range.

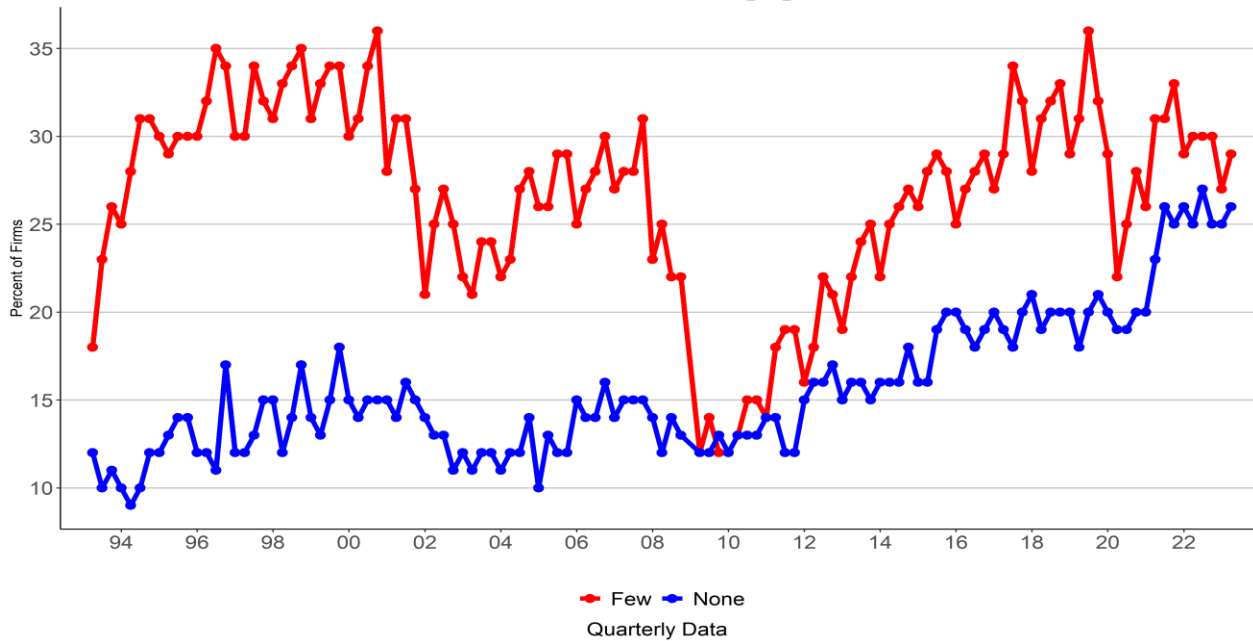
Job Creation Plans

Net Percent ("Increase" minus "Decrease") in Next Three Months



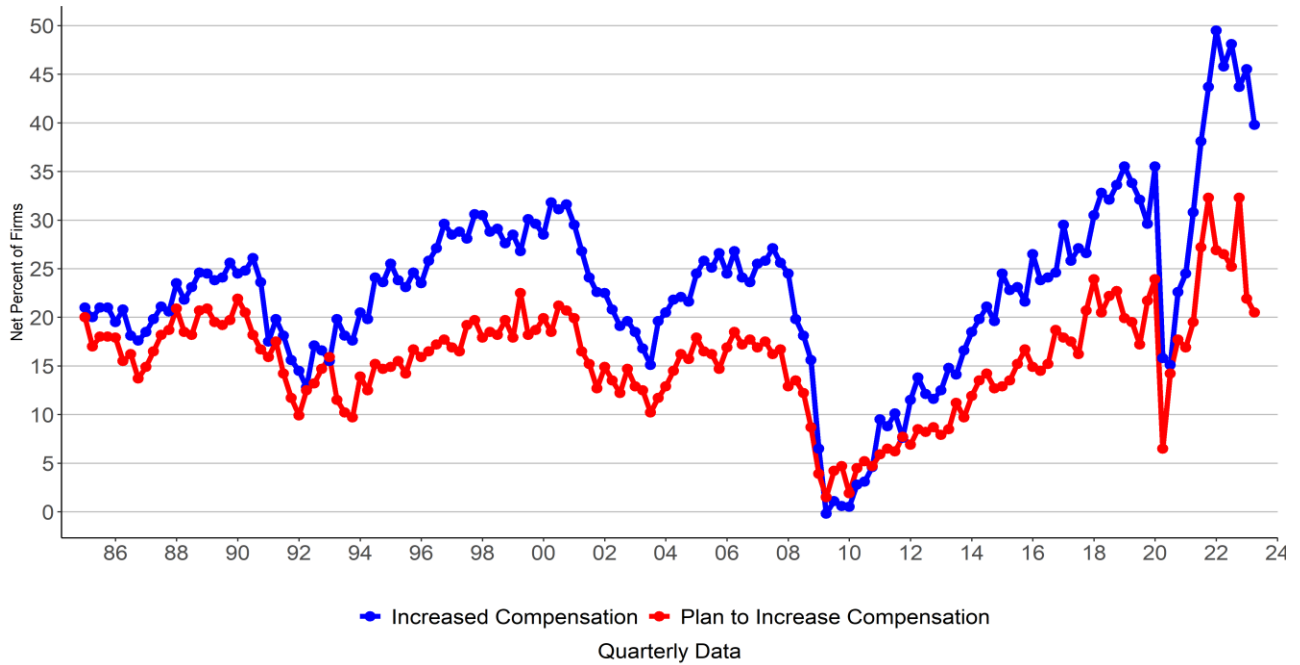
Overall, 60 percent reported hiring or trying to hire in April, up 1 point from March. Fifty-five percent (92 percent of those hiring or trying to hire) of owners reported few or no qualified applicants for the positions they were trying to fill (up 2 points). Twenty-nine percent of owners reported few qualified applicants for their open positions (up 3 points) and 26 percent reported none (down 1 point).

Qualified Job Applicants



Seasonally adjusted, a net 40 percent reported raising compensation, down 2 points from March, and 10 points below the 49-year record high set in January last year. A net 21 percent plan to raise compensation in the next three months, down 1 point from March. Far more owners are having to increase compensation to compete than are planning to add to that expense with new hires or increased compensation. According to the BLS, compensation costs overall increased about 5 percent for the 12-month period ending in December 2022. But with labor demand remaining strong (as has consumer spending), firms must maintain competitive compensation to retain workers and hopefully to fill open critical positions. As long as consumers spend, firms will find it profitable to hire.

Planned and Actual Labor Compensation Changes



The labor situation remains frustrating for small business owners. Lower Index of Small Business Optimism readings are currently held off by historically high levels of job openings and hiring plans, the two bright spots in the 10 Index components. The staffing shortage has limited small business owners' ability to fully take advantage of current sales opportunities. Those opportunities are starting to fade, but not dramatically, yet. For now, the level of job openings suggests the labor market will continue to be firm, especially on Main Street.