

Small Business Hiring Plans Declines Slightly

Based on 518 respondents to the December survey of a random sample of NFIB's member firms, surveyed through 12/28/2023.

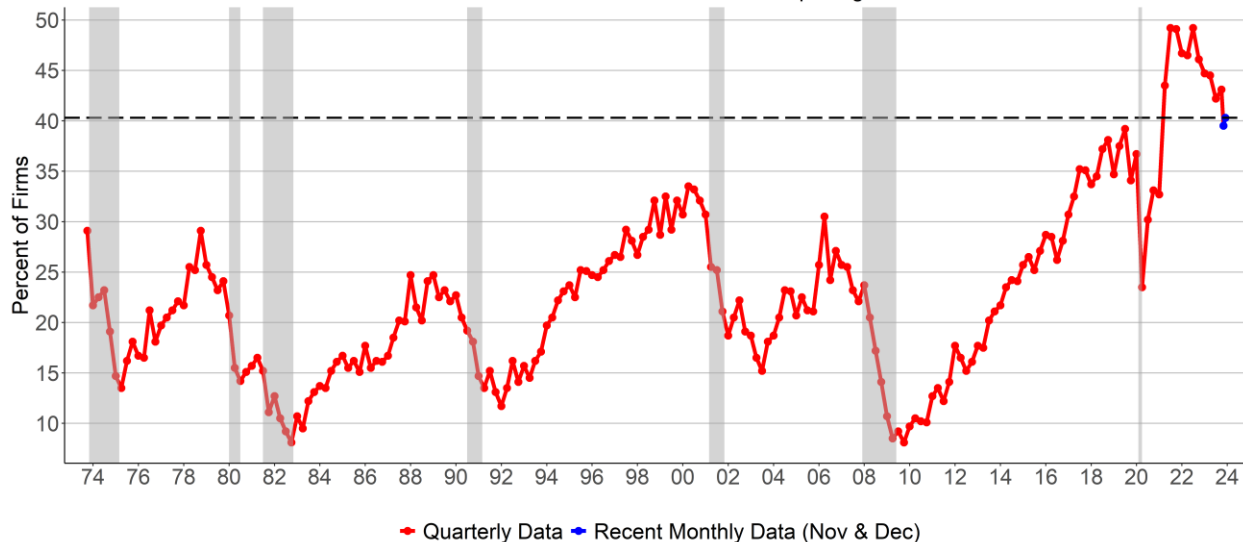
EMBARGO 1 PM THURSDAY

November jobs created were reported at 199,000, a substantial improvement over the prior months. After revisions, total employment in September and October was 35,000 lower than previously reported, a much more modest revision than in previous months. Job growth was strongest in government and health care (government related), with a small gain in construction. This does not sound like an economy that grew at a better than 5% rate. Growth requires more workers to make stuff. With GDP growth accelerating to 5.2% in Q3 from 2.1% in Q2, job growth in Q3 should have shown more strength. Nearly 300,000 who were working part time for economic reasons either found a full-time job or dropped out of the workforce. Small businesses aren't reporting spectacular sales numbers or employment gains so what segments of the economy accounted for all that growth? Not Main Street.

The level of small business job openings remains stuck in the historical stratosphere. In NFIB's survey, 40 percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, unchanged from November. Thirty-three percent have openings for skilled workers (unchanged) and 14 percent have openings for unskilled labor (unchanged). There are not enough workers to maintain current operations much less chase new opportunities.

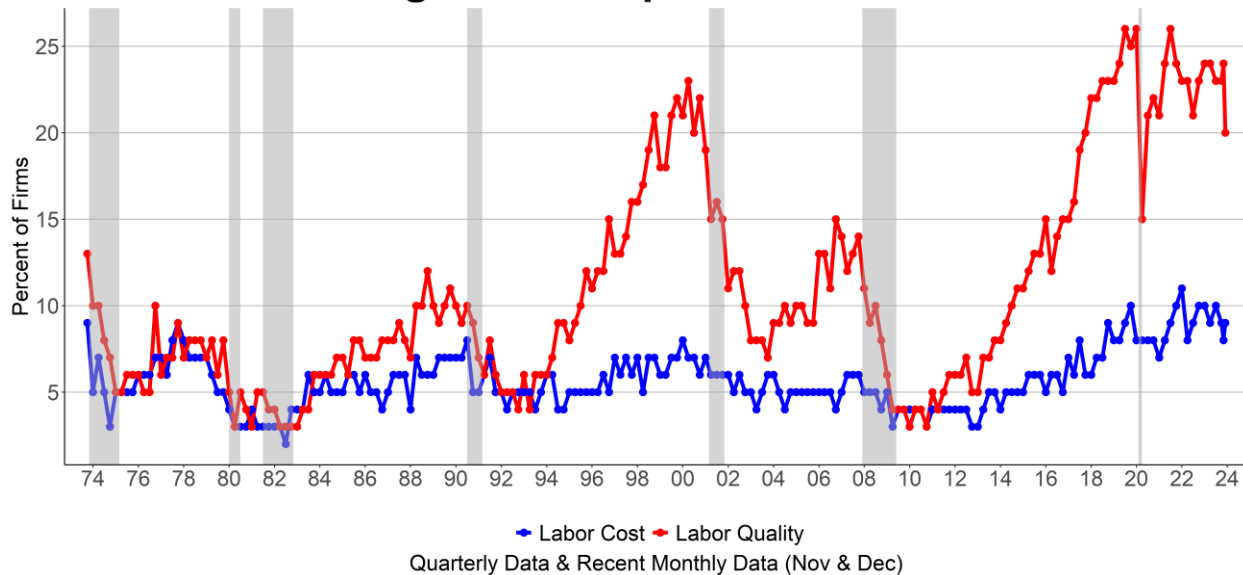
Unfilled Job Openings

Percent with at Least One Unfilled Opening



The percent of small business owners reporting labor quality as their top small business operating problem remains elevated at 20 percent, although down 4 points from November. Labor cost reported as the single most important problem for business owners increased 1 point to 9 percent, 4 points below the highest reading of 13 percent reached in December 2021. Labor quality encompasses more than work skills, including communication, attitude, and a willingness to do the job.

Single Most Important Problem

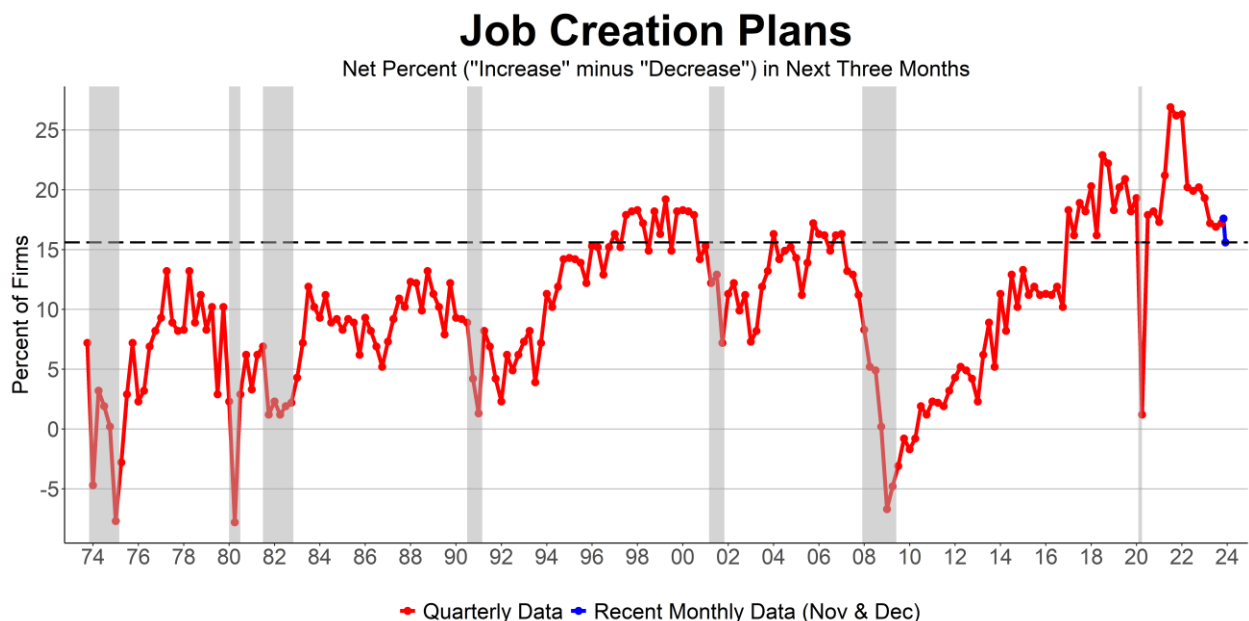


Job openings in construction were up 9 points from last month and over half have a job opening they can't fill. Higher mortgage rates have not depressed real estate purchases as much as expected. Job openings were the highest in the construction and transportation sectors, and the lowest in the agriculture and finance sectors.

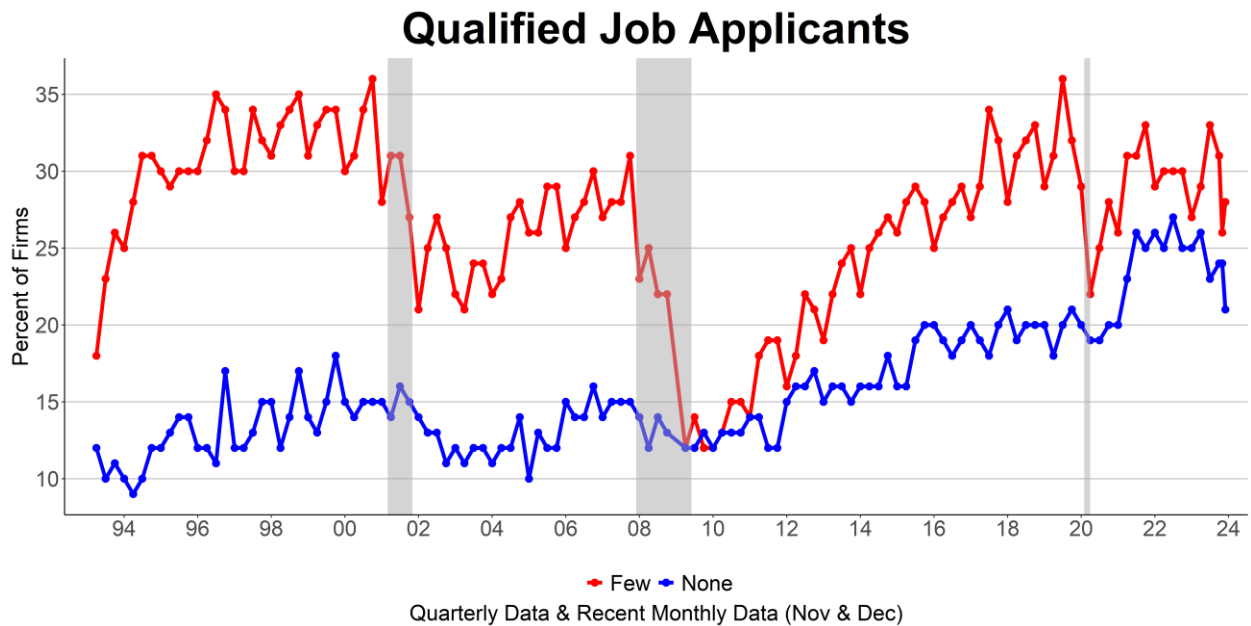
Industry- Percent with Job Openings

Construction	58%
Transportation	58%
Professional	41%
Services	39%
Retail	37%
Manufacturing	35%
Wholesale	34%
Finance	24%
Agriculture	23%

Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 16 percent planning to create new jobs in the next three months, down 2 points from November and 16 points below its record high reading of 32 reached in August 2021.

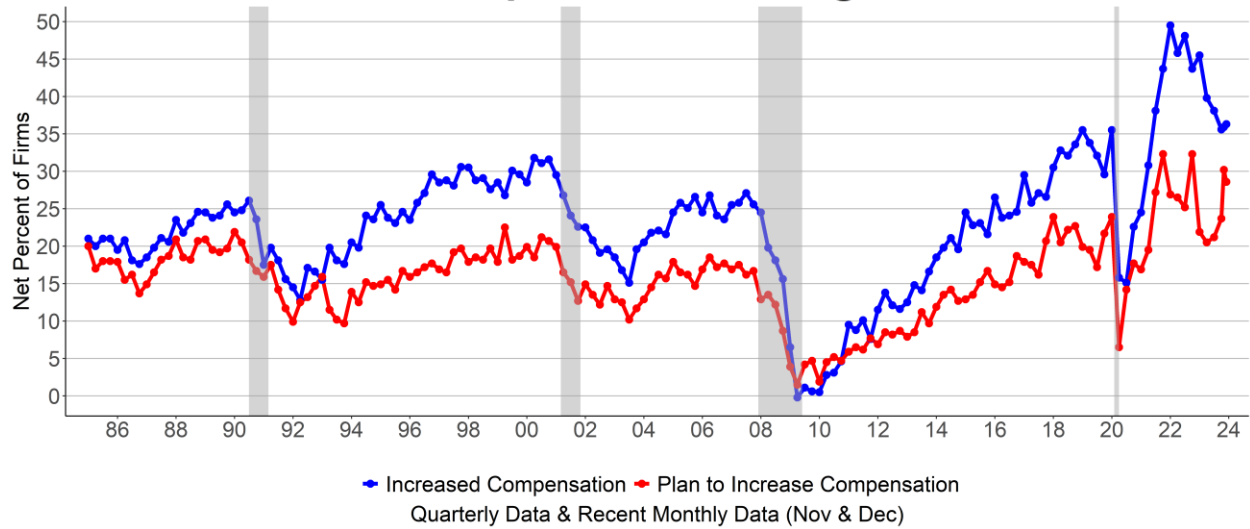


Overall, 55 percent reported hiring or trying to hire in December, up 1 point from November. Forty-nine percent (89 percent of those hiring or trying to hire) of owners reported few or no qualified applicants for the positions they were trying to fill (down 1 point). Twenty-eight percent of owners reported few qualified applicants for their open positions (up 2 points) and 21 percent reported none (down 3 points). Apparently, many workers that could fill these open positions have found other ways to support themselves.



Seasonally adjusted, a net 36 percent reported raising compensation, unchanged for the fifth consecutive month. A net 29 percent plan to raise compensation in the next three months, down 1 point from November and uncomfortably high for inflation watchers.

Planned and Actual Labor Compensation Changes



With labor demand remaining strong (as has consumer spending), firms must maintain competitive compensation to retain workers and hopefully to fill critical positions. As long as consumers spend, firms will find it profitable to hire. But hiring continues to be hindered by the lack of qualified workers. For now, the level of job openings suggests a solid labor market will continue, especially on Main Street.