

Still Record High Levels of Job Openings at Small Businesses

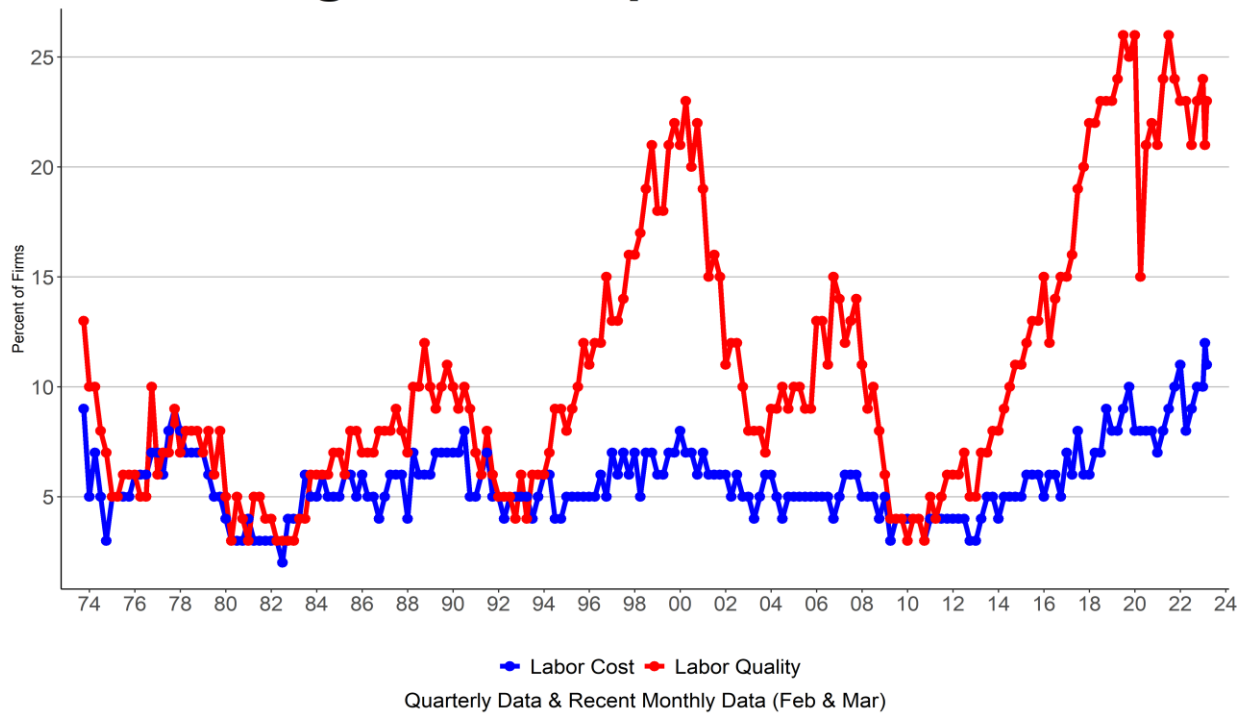
Based on 573 respondents to the March survey of a random sample of NFIB's member firms, surveyed through 3/31/2023

EMBARGO 1 PM THURSDAY

Forty-three percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 4 points from February. The share of owners with unfilled job openings far exceeds the 49-year historical average of 23 percent although it is 8 percentage points lower than the record high of 51 percent last reached in May 2022. Thirty-four percent have openings for skilled workers (down 4 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 23 percent, up 2 points from February. Labor cost reported as the single most important problem to business owners decreased 1 point to 11 percent, just 2 points below the highest reading of 13 percent reached in December 2021.

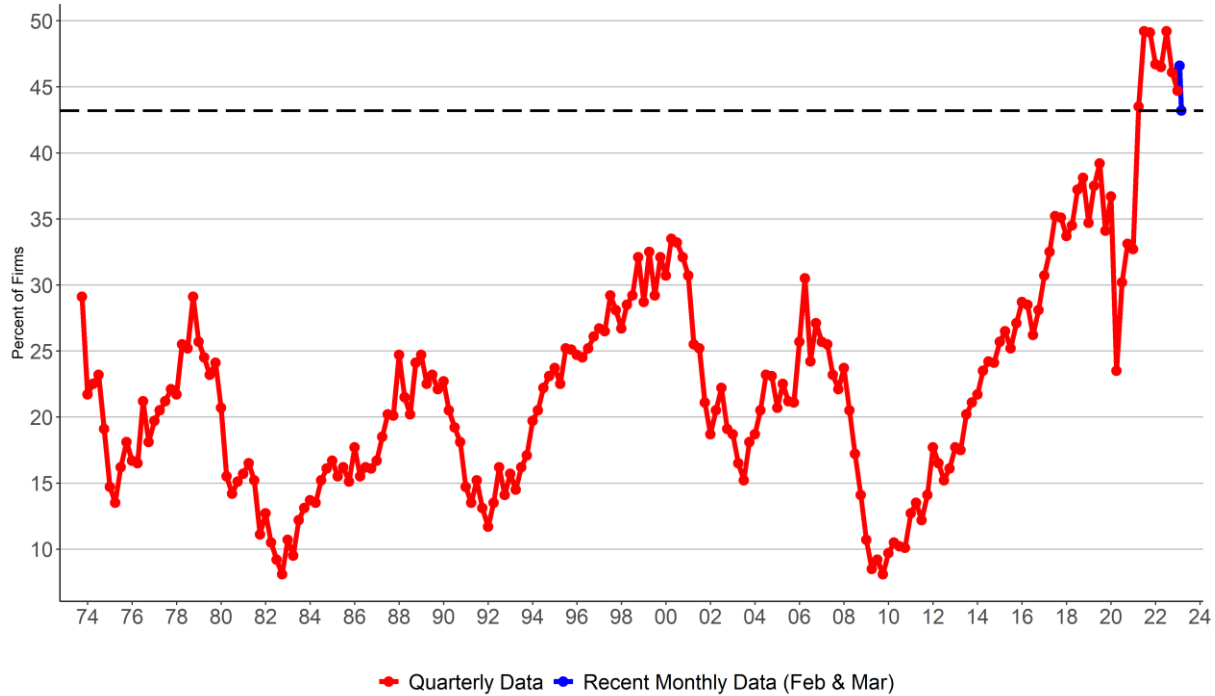
Single Most Important Problem



Nationwide, the number of job openings decreased in February to 9.9 million, down from 10.8 million in January. Job openings continue to exceed the number of unemployed workers, those looking for a job (5.9 million unemployed). And, the labor force participation rate is 0.8 percentage points below where it was in February 2020. 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



Industry- Percent with Job Openings

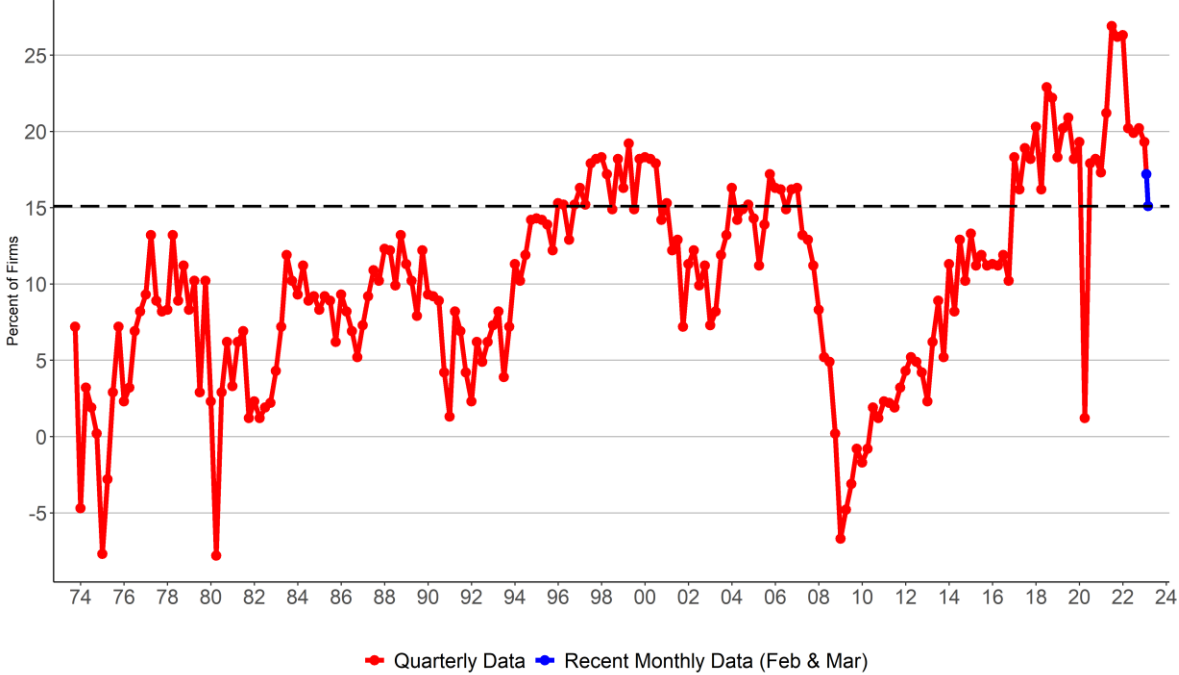
Construction	67%
Transportation	53%
Wholesale	51%
Retail	43%
Manufacturing	41%
Services	39%
Professional	35%
Agriculture	25%
Finance	21%

Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 15 percent planning to create new jobs in the next three months, down 2 points from February and 17 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.

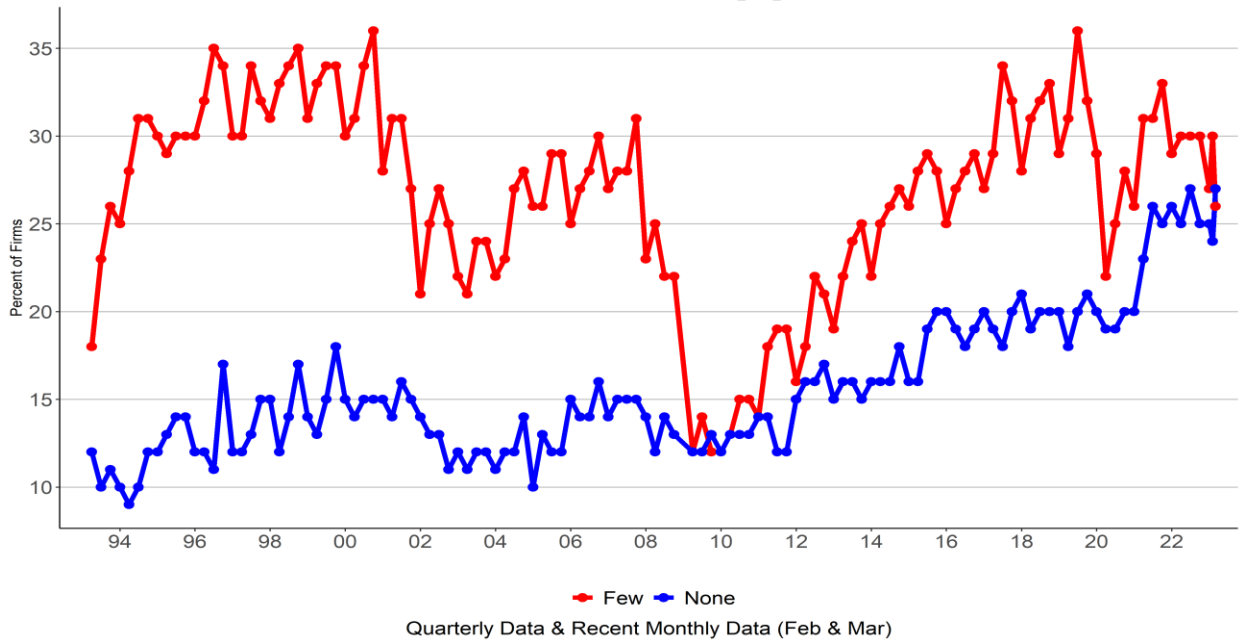
Job Creation Plans

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



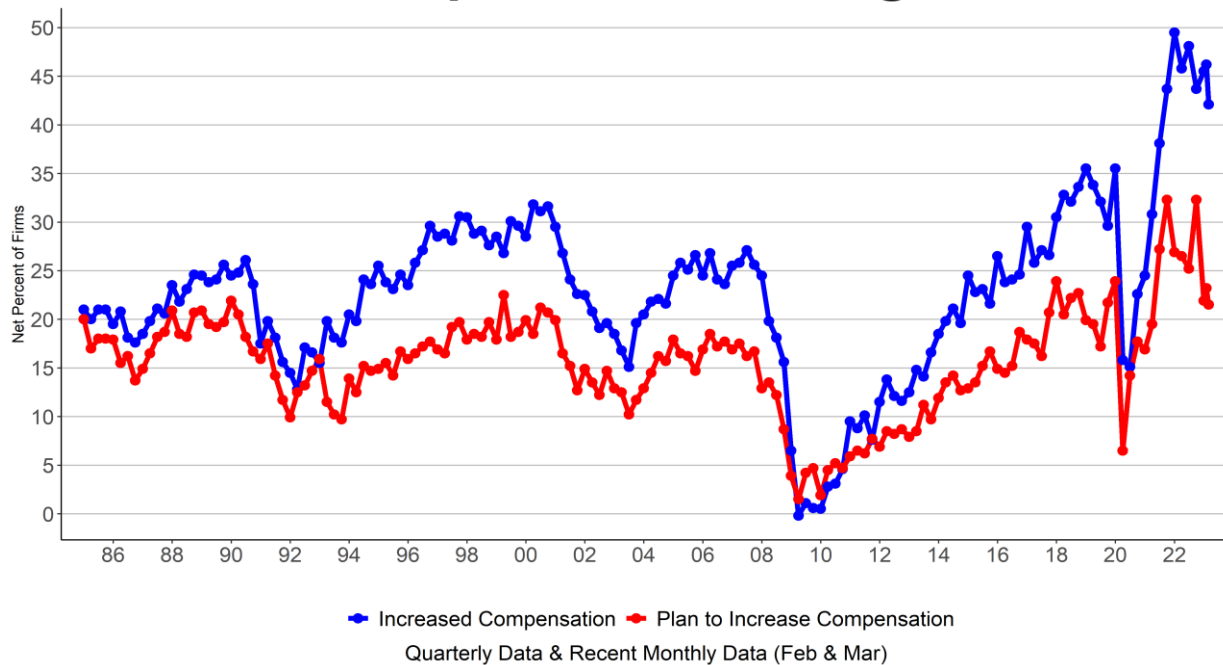
Overall, 59 percent reported hiring or trying to hire in March, down 1 point from February. Fifty-three percent (90 percent of those hiring or trying to hire) of owners reported few or no qualified applicants for the positions they were trying to fill (down 1 point). Twenty-six percent of owners reported few qualified applicants for their open positions (down 4 points) and 27 percent reported none (up 3 points).

Qualified Job Applicants



Seasonally adjusted, a net 42 percent reported raising compensation, down 4 points from February, and 8 points below the 49-year record high set in January last year. A net 22 percent plan to raise compensation in the next three months, down 1 point from February. 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.

The first casualty of a weakening labor market will be job openings followed by slower hiring. Job openings are about the same as January 2022 levels, some signs of a weakening trend. When sales soften enough, actual layoffs will occur and initial claims for unemployment benefits rise. March seems to indicate continued tight labor markets.