

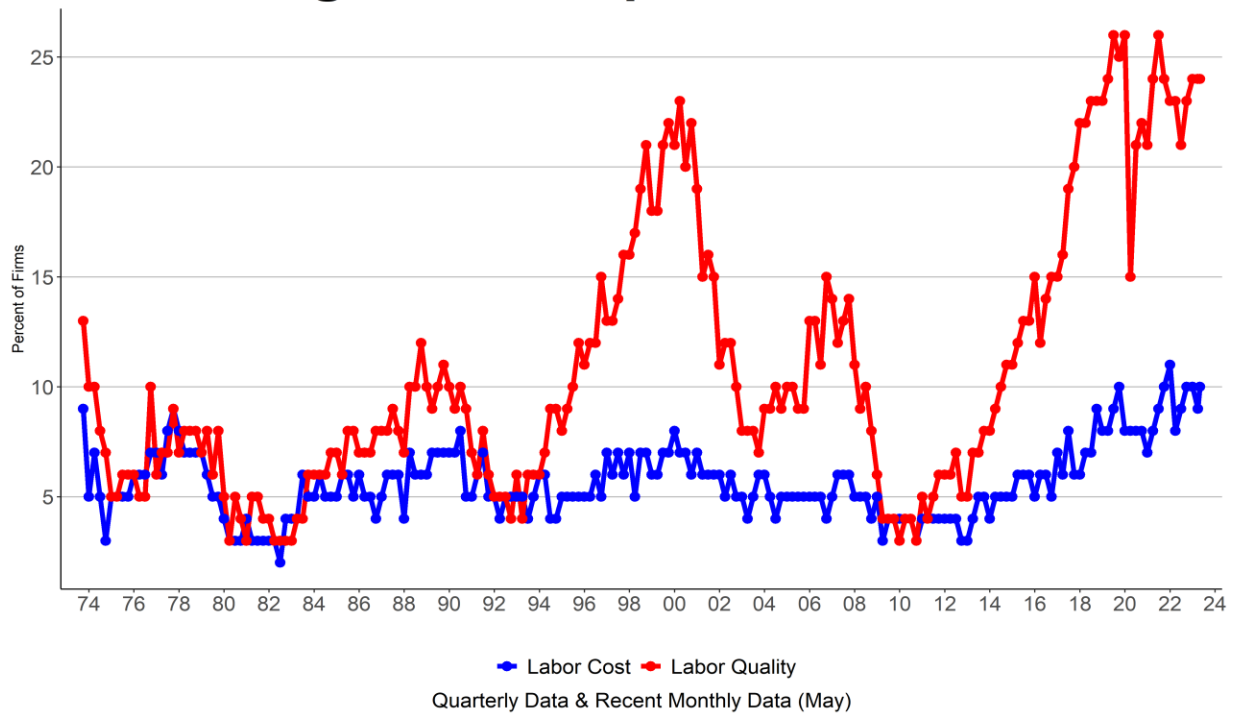
Still Record High Levels of Job Openings at Small Businesses

Based on 632 respondents to the May survey of a random sample of NFIB's member firms, surveyed through 5/30/2023
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-four percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 1 point from April. The share of owners with unfilled job openings far exceeds the 49-year historical average of 23 percent although it is 7 percentage points lower than the record high of 51 percent last reached in May 2022. Thirty-eight percent have openings for skilled workers (up 1 point) and 20 percent have openings for unskilled labor (up 1 point). 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, unchanged from April. Labor cost reported as the single most important problem to business owners increased 1 point to 10 percent, just 3 points below the highest reading of 13 percent reached in December 2021.

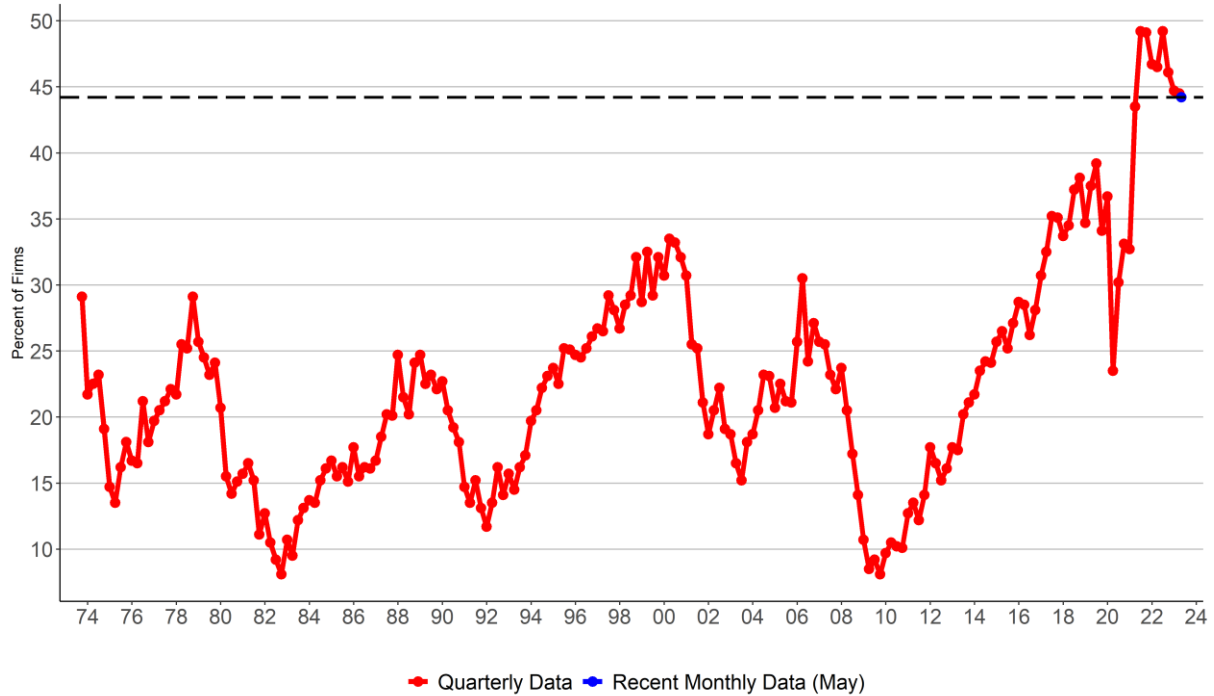
Single Most Important Problem



Nationwide, the number of job openings increased in April to 10.1 million, up from 9.6 million in March. Job openings continue to exceed the number of unemployed workers, those looking for a job (5.7 million unemployed). The labor market continues to be a big challenge for small business owners.

Unfilled Job Openings

Percent with at Least One Unfilled Opening

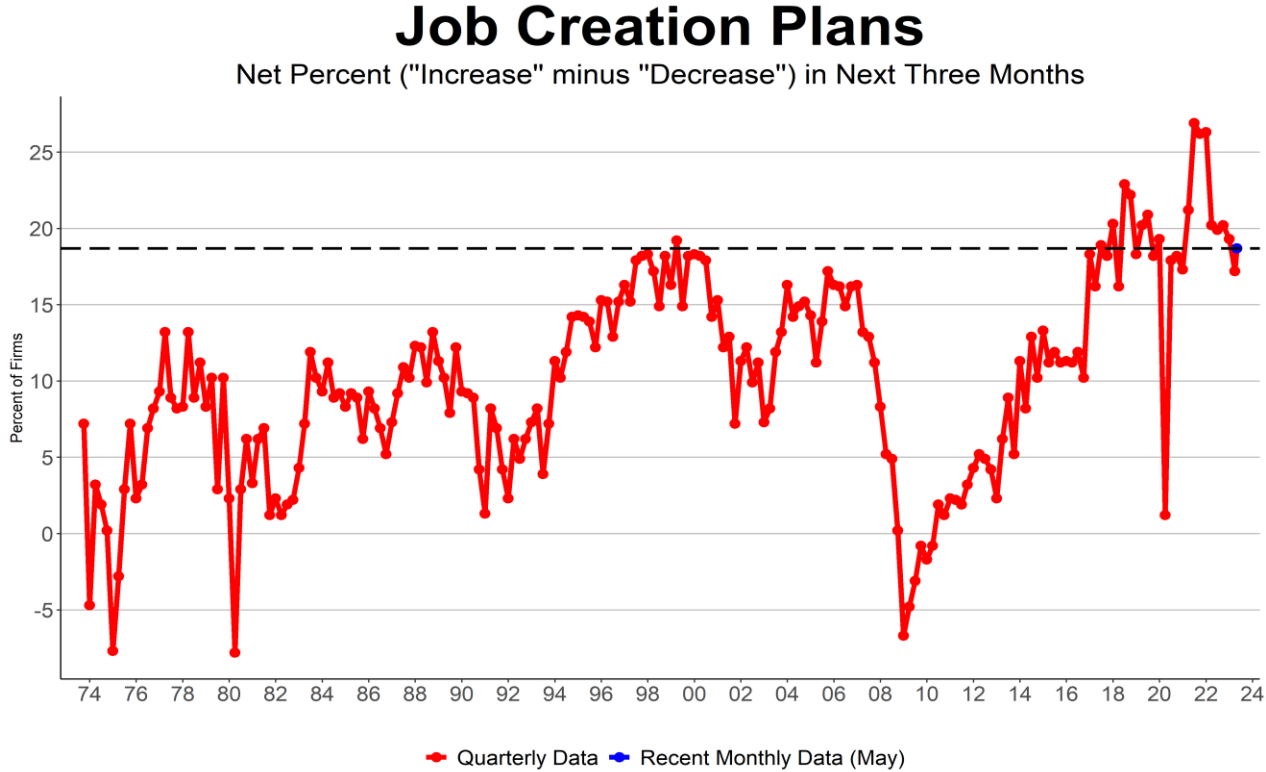


Job openings in residential construction increased slightly from last month (up 1 point), and the need for workers remained historically strong as openings are highest in that industry. Higher mortgage rates have not depressed real estate purchases significantly yet, but the Federal Reserve will keep rates high (and maybe 25 basis points higher) until inflation cools a lot more.

Industry- Percent with Job Openings

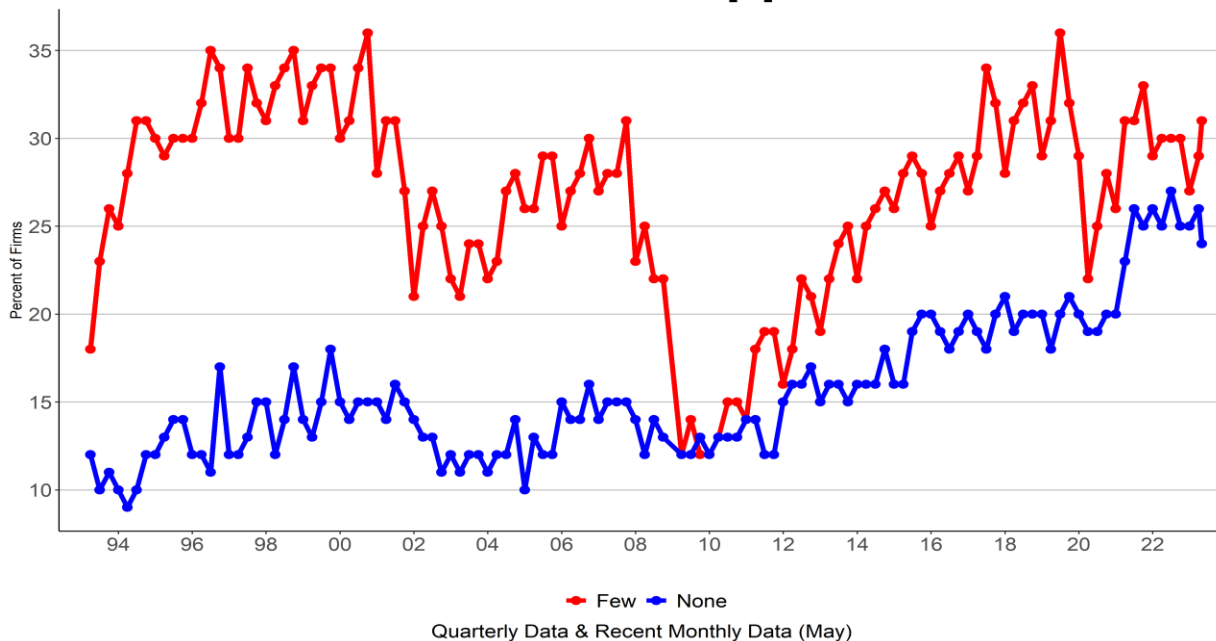
Construction	63%
Transportation	59%
Manufacturing	52%
Services	48%
Professional	46%
Retail	44%
Wholesale	36%
Finance	29%
Agriculture	25%

Owners' plans to fill open positions remain elevated, with a seasonally adjusted 19 percent planning to create new jobs in the next three months, up 2 points from April but 13 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.



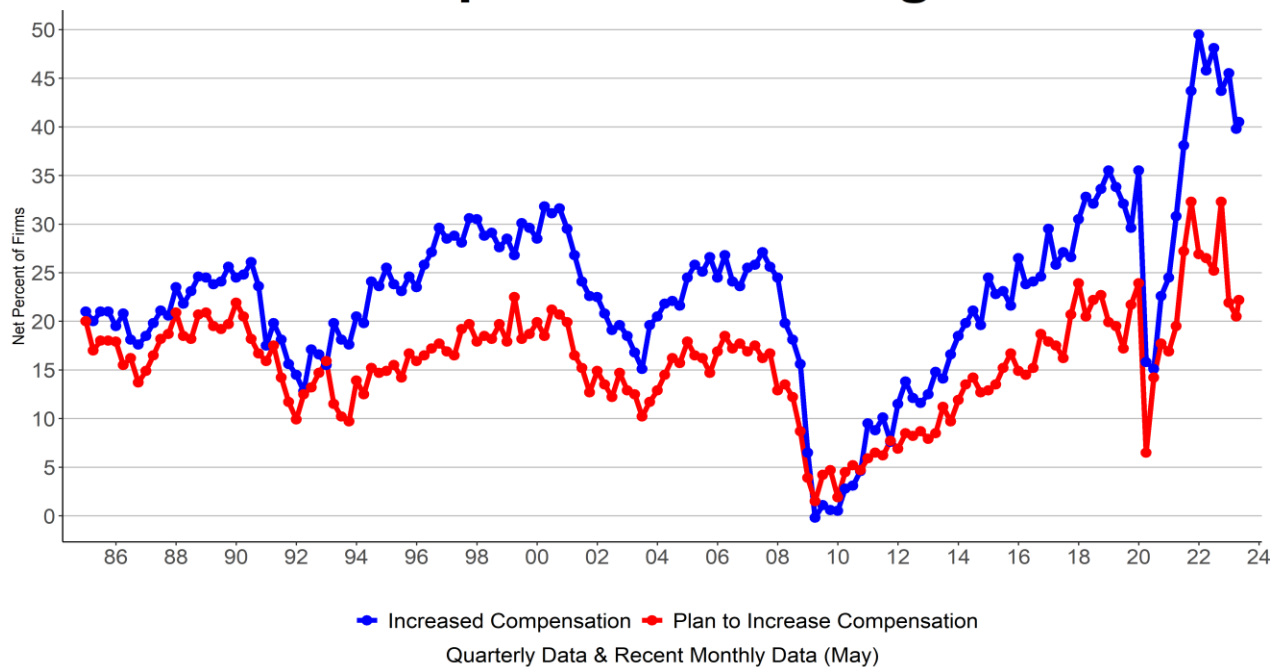
Overall, 63 percent reported hiring or trying to hire in May, up 3 points from April. Fifty-five percent (89 percent of those hiring or trying to hire) of owners reported few or no qualified applicants for the positions they were trying to fill (unchanged). Thirty-one percent of owners reported few qualified applicants for their open positions (up 2 points) and 24 percent reported none (down 2 points).

Qualified Job Applicants



Seasonally adjusted, a net 41 percent reported raising compensation, up 1 point from April, but 9 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, up 1 point from April. 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 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.