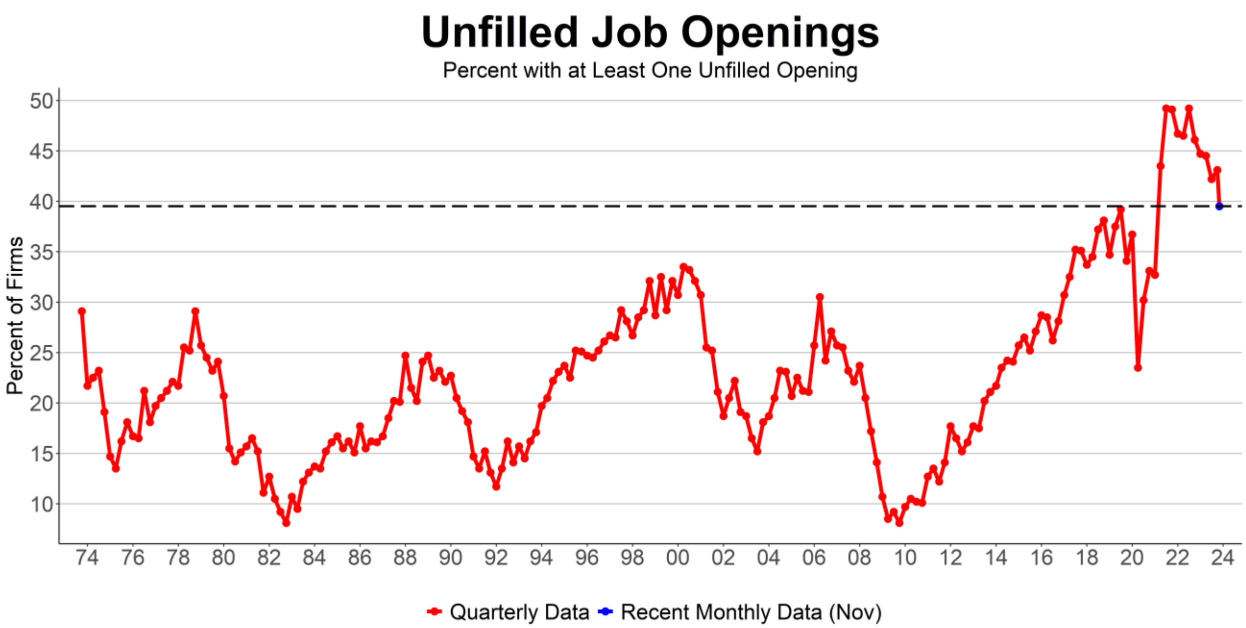
Small Business Unfilled Job Openings Declines Slightly

Based on 573 respondents to the November survey of a random sample of NFIB's member firms, surveyed through 11/30/2023.

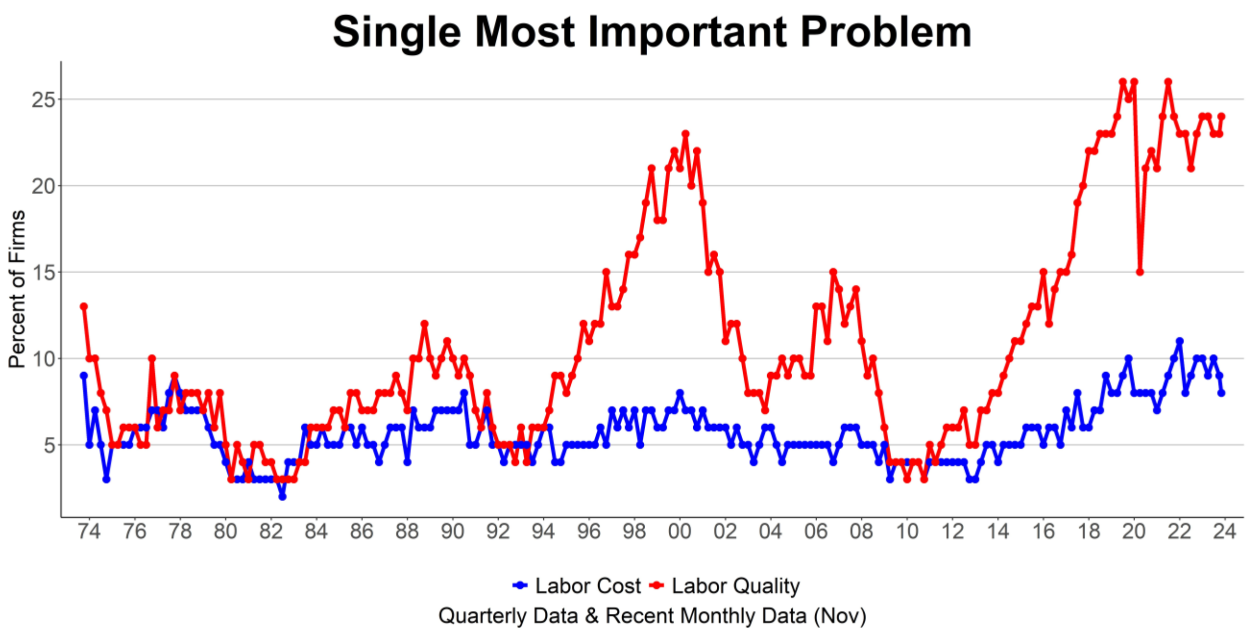
EMBARGO 1 PM THURSDAY

The Bureau of Labor Statistics reported 150,000 new jobs in October, while August and September numbers were revised down by 101,000 (to 165K and 297K respectively). Job growth was strongest in health care, government, and social assistance, declines in manufacturing. 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 more than 200% (2.1% in Q2 and 5.2% in Q3), job growth in Q3 should have shown more strength. Half of the growth in GDP came from consumers, the "bread and butter" of small businesses. But small businesses aren't reporting spectacular sales numbers so what are we missing?

Yet, 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, down 3 points from October. Thirty-three percent have openings for skilled workers (down 4 points) and 14 percent have openings for unskilled labor (down 4 points). There are not enough workers to maintain current operations much less chase new opportunities.



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 October. Labor cost reported as the single most important problem for business owners decreased 1 point to 8 percent, 5 points below the highest reading of 13 percent reached in December 2021. Labor quality encompasses more than work skills, but communication, attitude, and a willingness to do the job.

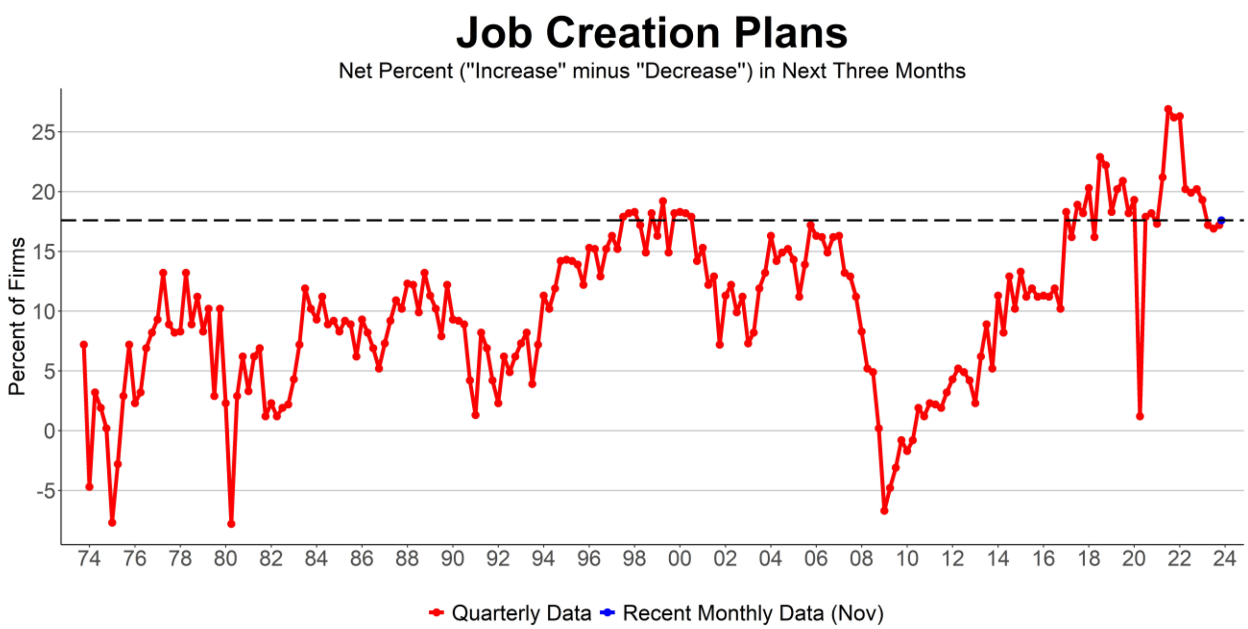


Job openings in construction were down 9 points from last month but still nearly half have a job opening they can't fill. Higher mortgage rates have not depressed real estate purchases as much as expected. Mortgage rates will remain high for the rest of the year, and likely longer than that under Fed policy. Job openings were the highest in the construction and manufacturing sectors, and the lowest in the agriculture and finance sectors.

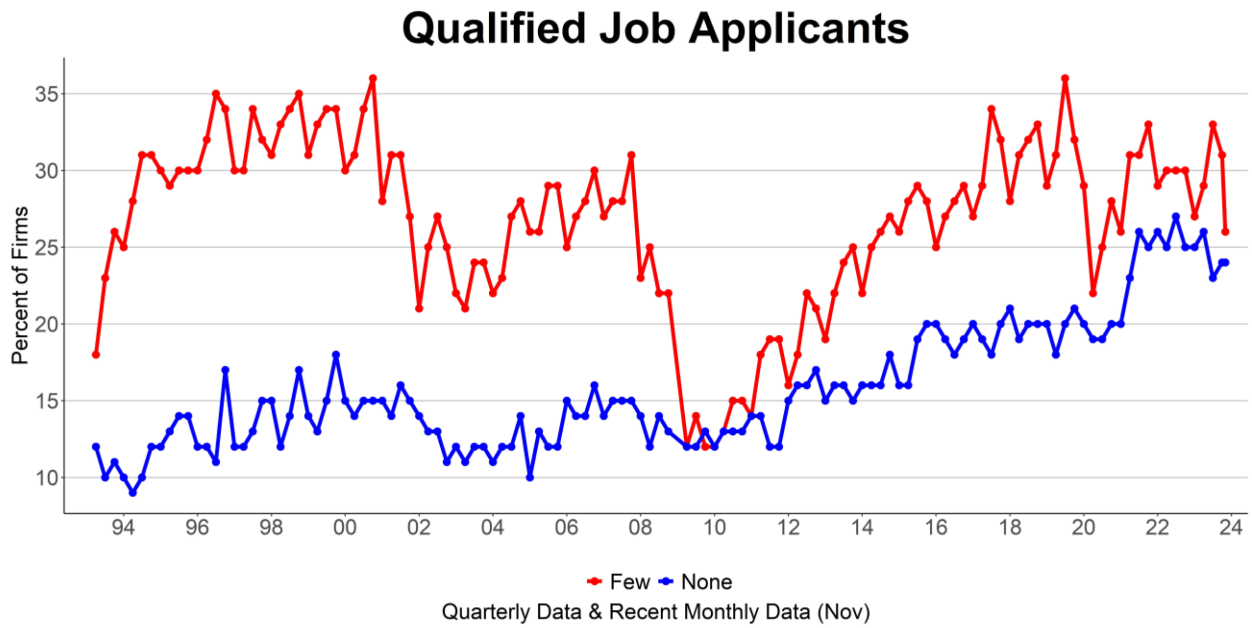
Industry- Percent with Job Openings	
Construction	49%
Manufacturing	48%
Transportation	45%
Services	43%
Retail	39%

Professional	31%
Wholesale	26%
Finance	23%
Agriculture	20%

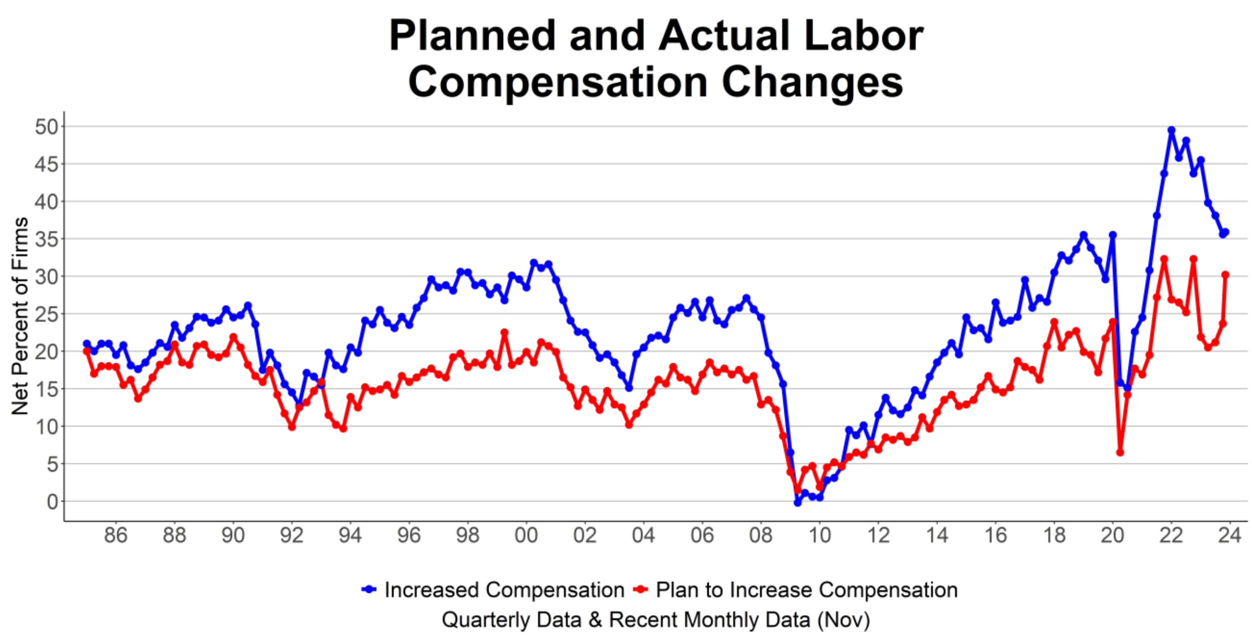
Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 18 percent planning to create new jobs in the next three months, up 1 point from October and 14 points below its record high reading of 32 reached in August 2021.



Overall, 54 percent reported hiring or trying to hire in November, down 7 points from October. Fifty percent (93 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 5 points). Twenty-six percent of owners reported few qualified applicants for their open positions (down 5 points) and 24 percent reported none (unchanged).



Seasonally adjusted, a net 36 percent reported raising compensation, unchanged from October. A net 30 percent plan to raise compensation in the next three months, up 6 points from October.



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.