

SMALL BUSINESS INDEX

Inflation Tops List of Concerns
for Eighth Consecutive Quarter

Q4
2023

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Most small businesses see a worker shortage in their area.

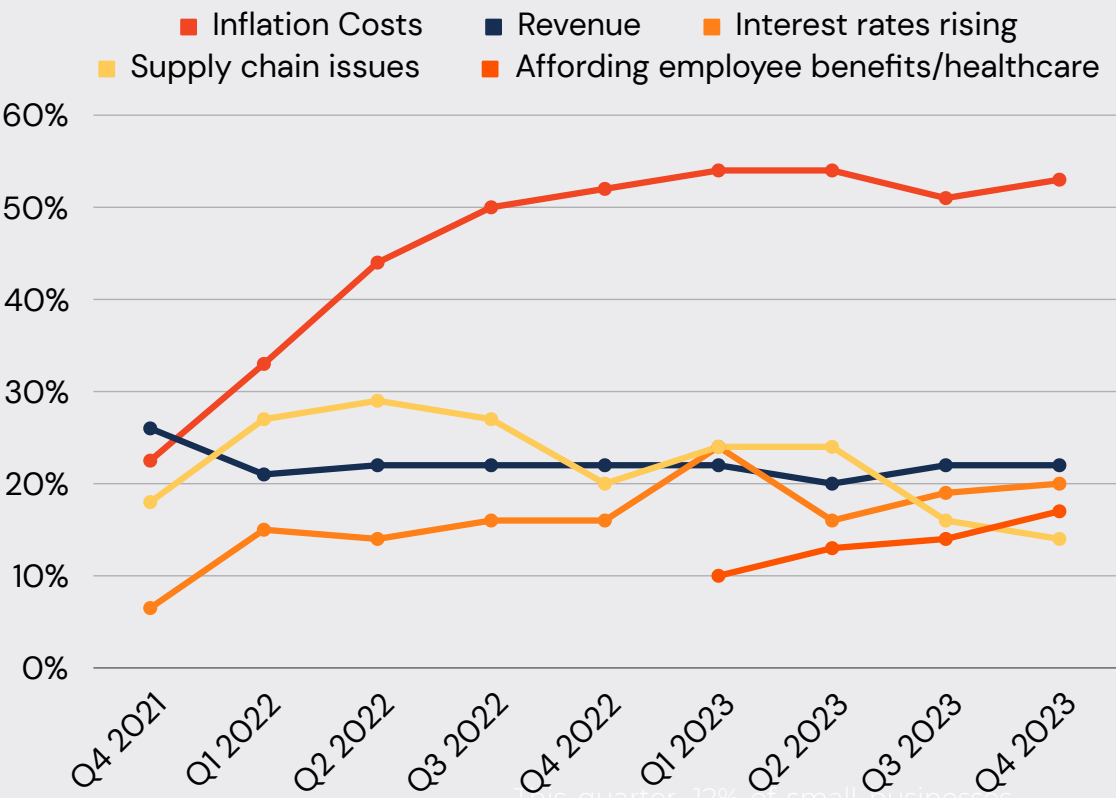


This quarter, small business concerns about inflation remain near record highs. In fact, inflation has been the top concern for small businesses for the last two years running.

Most small businesses who searched for or hired new talent this year say they are having a hard time finding workers with the right skills and experience they need—and the trend is getting worse. About half of small businesses who have searched for new talent in 2023 say it is hard to find candidates with the experience (54%) or skills (52%) they need for the job. When compared to September 2021, when this question was last asked, the net difficulty in finding candidates has increased significantly. Small businesses say that finding workers with the necessary experience (up a net 19 percentage points), finding candidates in their area (up net 14 percentage points), and finding enough candidates to fill open positions (up net 11 percentage points) have all become more difficult.

Additionally, a majority (53%) of all small businesses say there is a worker shortage in their area. Small businesses that report searching for new talent in 2023 are even more likely to say there is a worker shortage in their area than those who have not searched for new talent this year (63% vs. 44%, respectively). Also, almost half (48%) of small businesses who have searched for talent in 2023 say it is hard to find enough candidates to fill open positions. Furthermore, 71% of small businesses who say it is hard to fill open positions say they feel there is a worker shortage in their area, emphasizing the impact of this perceived shortage on the hiring process and the difficulty of finding the right workers.

Top 5 biggest challenges facing small business owners



This quarter, 12% of small businesses each say that employee retention or

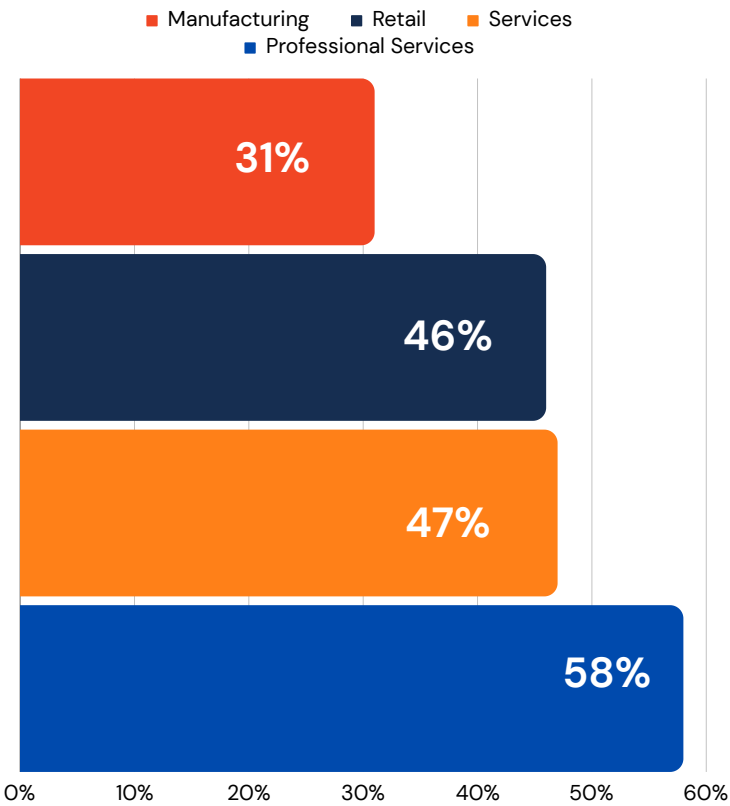
Percentage that searched for, recruited, or interviewed any new talent in 2023 (by sector) Many look to flexible and remote work to attract employees



This quarter, small business concerns about inflation remain near record highs. In fact, inflation has been the top concern for small businesses for the last two years running.

Amidst these reported challenges to hiring—amplified by reported worker shortages and difficulties offering competitive pay and benefits to attract new talent—44% of small businesses also say they think that their business needs to change its hiring strategies in 2024. And many are reporting plans to do just that. Offering flexible work hours is the top way small businesses hope to attract talent in 2024. Nearly seven in ten (68%) small businesses say they plan to offer more flexible working hours in the next year. Similarly, 48% say they plan to offer hybrid or remote working environment options.

Also, 67% of small businesses surveyed report currently offering employees the ability to work remotely/from home at least once per week. Regardless of business size or sector, the majority of small businesses report planning to offer more flexible working hours to attract new talent. Those with 5–19 employees, however, are more likely than the smallest (fewer than five employees) and largest (20–500 employees) small businesses to plan to do so. Small businesses in the professional services sector (75% offering flexible hours) are more likely to say they plan to do this than those in the manufacturing sector (58% offering flexible hours). Still, in all sectors at least a majority of small businesses report offering flexible work hours.



When it comes to planning to offer a hybrid or remote work environment to attract new talent in the next year, small businesses in the professional services sector and those owned by Gen Zers or millennials are especially likely to say they will offer a hybrid or remote work environment to attract talent in the next year. Small businesses are using other methods to attract workers. Half (50%) of small businesses report that they plan to increase pay offerings, offer paid sick leave, or list the hourly pay or salary range in job descriptions to attract talent in the next year. ****68%****of small businesses say they plan to offer more flexible working hours in the next year.

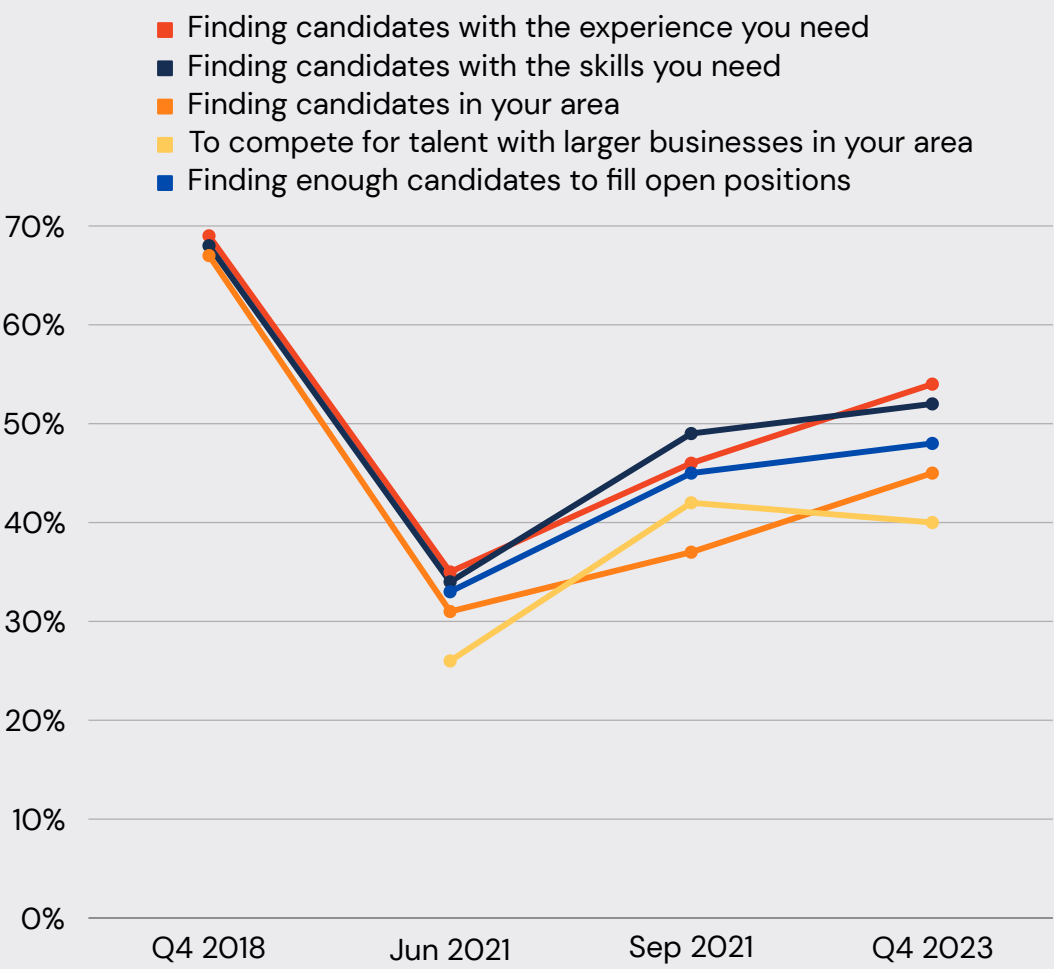
Difficulty in aspects of hiring over time - More small businesses are looking for new workers



Exacerbating the fight to find the right workers, 45% of small businesses say they have searched for new talent this year, up from 33-36% in our 2021 pulse surveys, and closer to what was reported in Q4 2018 (43%), a year before the onset of the COVID-19 pandemic.

As with reported increases in staffing in the past year, small businesses are more likely to report having searched for new talent in 2023 if they are male-owned or have more employees. Many (78%) large small businesses (20-500 employees) report seeking workers this year—while only 33% of those with 1-4 employees report the same. Small manufacturers and retailers are the most hungry for workers. Manufacturers (57%) and retailers (50%) are more likely than services (39%) or professional services (41%) to say that they’ve searched for or interviewed new talent this year.

Difficulty in aspects of hiring over time



Most say its hard keeping up with employee salary expectations



With the increased difficulty finding the right workers and enough candidates for job openings, small businesses are searching for ways to find employees who may have been previously overlooked. Specifically, small businesses are looking at women, legal immigrants, and historically-overlooked talent pools to help fill the gap. Finding affordable child care is one of the biggest barriers to working, so some small businesses are offering some kind of reimbursement for childcare to expand their hiring pool to parents, and mothers in particular, to ultimately fill hiring gaps amid perceived worker shortages.



Businesses owned by Gen Zers or millennials (33%), businesses that have 20–500 employees (35%), or businesses planning to hire in 2023 (34%) are especially likely to say they plan to provide childcare reimbursement in the next year. A majority of small businesses say the country should accept more skilled, legal immigrants to meet their staffing needs. Over half (54%) of small businesses say they agree that the U.S. should issue more skilled worker visas each year so businesses can hire the workers they need. The latter of these statements, about skilled worker visas, is particularly important to small businesses who report having a worker shortage in their area: 67% of them say the U.S. should offer more skilled worker visas, while just 39% of small businesses who do not report a worker shortage agree. Many also believe small businesses should look more widely for workers. A majority (71%) of small businesses agree that employers should more often consider hiring from overlooked talent pools, such as formerly incarcerated people, veterans, military spouses, or legal immigrants. 71% of small businesses agree that employers should more often consider hiring from overlooked talent pools.

With the fierce competition to find and keep talent, it's not surprising that many employers are having a hard time keeping up with workers' salary demands. Three in five (60%) small businesses report that it is challenging to keep up with their current employees' salary expectations or demands, similar to last quarter (56%). It's also hard to keep up with the demands of new workers. Almost half (46%) of small businesses who say they have searched for new talent in 2023 say it is hard to offer competitive pay and benefits to attract new talent. Among those searching for talent and saying it is hard to fill open positions, even more agree (60%). This self-reported difficulty in offering competitive pay and benefits to attract talent is particularly pronounced for the smallest small businesses (those with less than five employees). By sector, small businesses in professional services are more likely (58%) to say it is difficult to offer competitive pay and benefits to attract new talent compared to those in manufacturing (31%); those in services (47%) and retail (46%) fall in the middle.