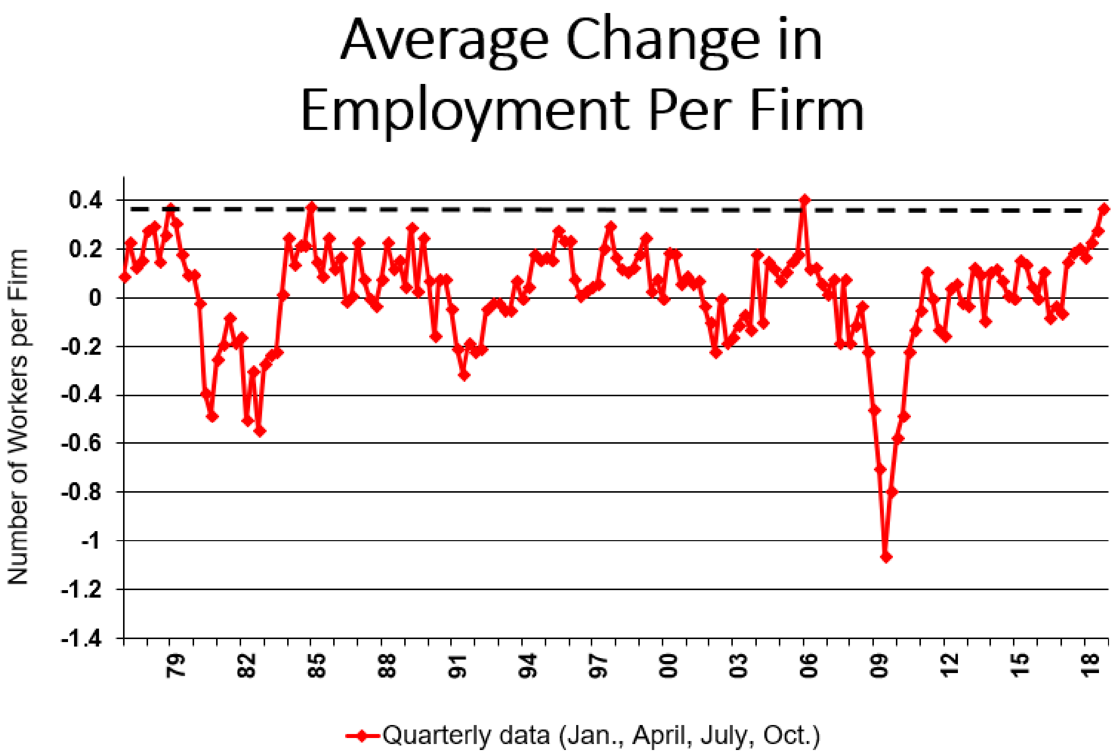
Labor Supply Remains Single Biggest Problem

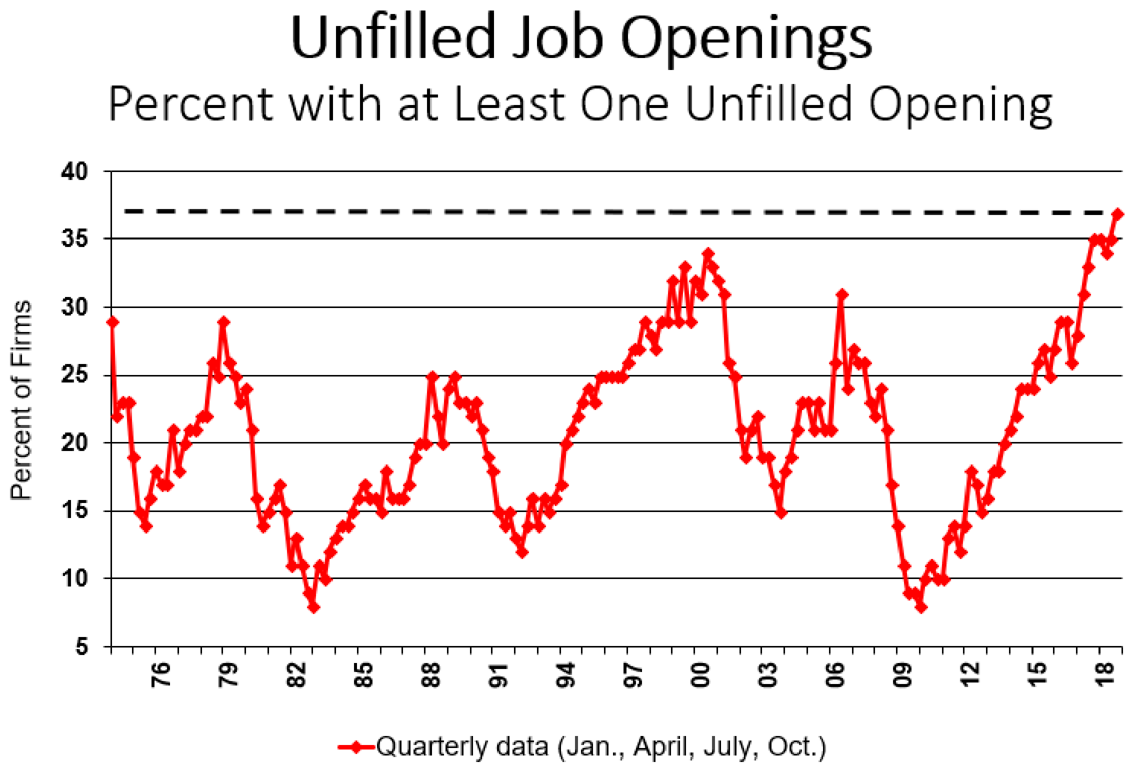
(Based on 1718 respondents to the JULY survey of a random sample of NFIB's member firms, surveyed through 7/30/18)

EMBARGO 1 PM THURSDAY



Small business owners added the largest number of workers per firm since 2006 in July, adding a net 0.37 workers per firm on average, almost double June's rate. Seventeen percent (up 2 points) reported increasing employment an average of 4.7 workers per firm and 11 percent (down 1 point) reported reducing employment an average of 2.0 workers per firm (seasonally adjusted).

Fifty-nine percent reported hiring or trying to hire (down 4 points), but 52 percent (88 percent of those hiring or trying to hire) reported few or no qualified applicants for the positions they were trying to fill. Twenty-three percent of owners cited the difficulty of finding qualified workers as their Single Most Important Business Problem (up 2 points), 1 point below the record high set in May 2000.

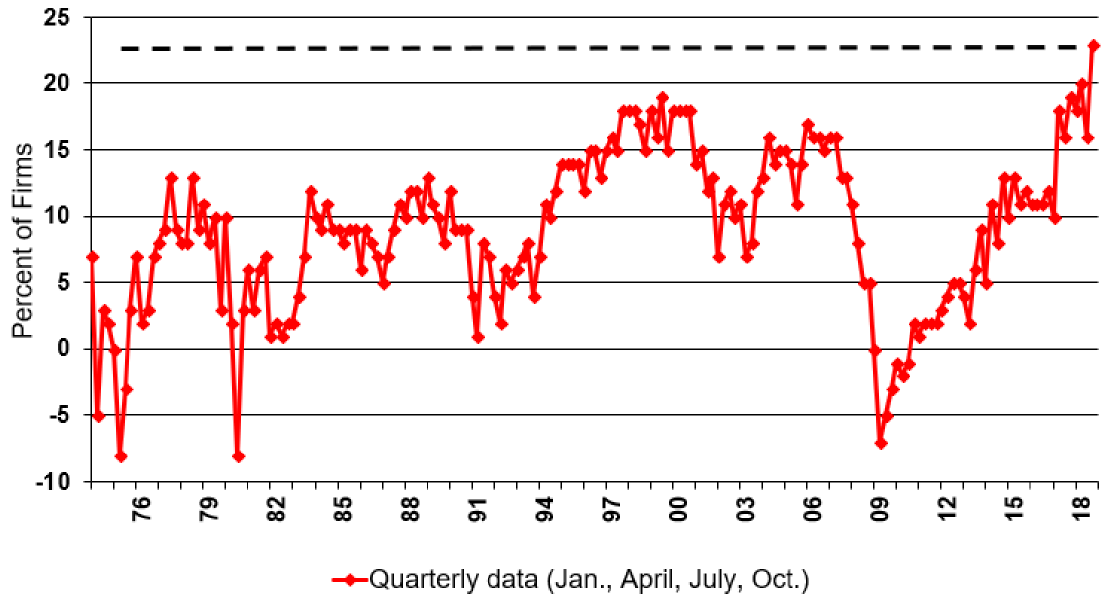


Thirty-seven percent of all owners reported job openings they could not fill in the current period, up 1 point and a new survey record high. Thirteen percent reported using temporary workers, up 1 point. Reports of job openings were most frequent in construction (57 percent) where labor shortages are clearly restricting the construction of new homes and apartments, 46 percent in manufacturing, and 45 percent in the wholesale trades. The inability to hire needed workers is a drag on GDP growth which could be better than 4.1 percent if more people entered the labor force.

Labor markets are very tight, for both skilled and unskilled workers. Thirty-three percent have openings for skilled workers, and 15 percent have openings for unskilled labor, both measures 2 points higher than in June. More firms are looking for workers than workers looking for a job. And the hiring strength is in industries that pay well such as construction and manufacturing.

Job Creation Plans

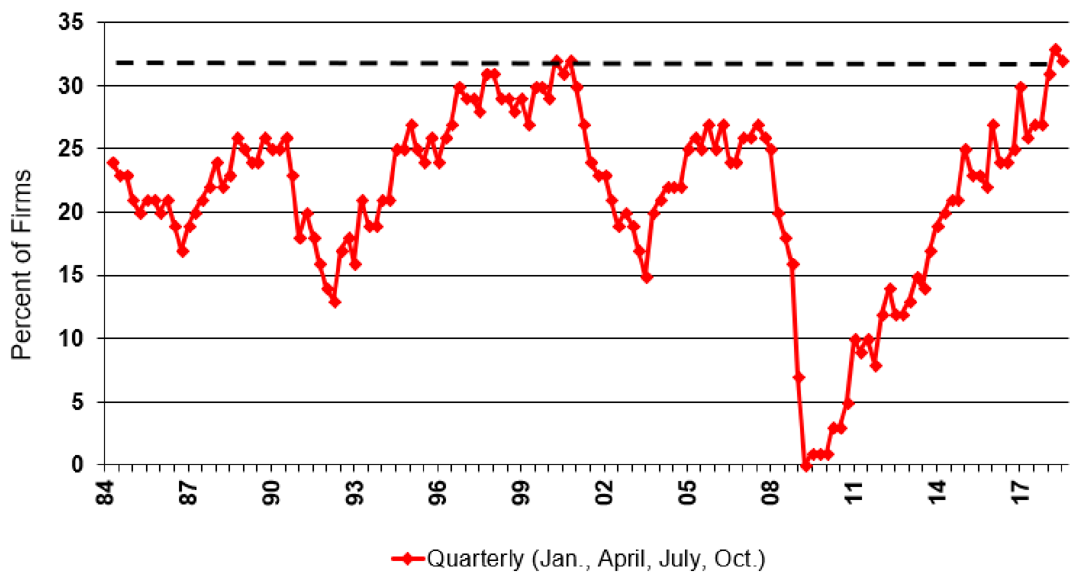
Net Percent ("Increase" minus "Decrease") in Next Three Months



A seasonally-adjusted net 23 percent plan to create new jobs, up 3 points from June and at record high levels. Not seasonally adjusted, 24 percent plan to increase total employment at their firm (down 1 point), and 4 percent plan reductions (unchanged).

Changes in Labor Compensation

Net Percent ("Higher" minus "Lower") Compared to Three Months Ago



Reports of higher worker compensation increased 1 point from June to a net 32 percent of all firms. Plans to raise compensation also rose 1 point to a net 22 percent, just 2 points below its recent peak of 24 percent in January.

Economic growth was exceptionally strong in Q2, and is averaging over 3 percent this year, a good performance for the longest expansion in history. Record job openings suggest that the economy has the potential to keep up its growth pace over the next few quarters if the “staffing problem” can be resolved or mitigated. An increase in the labor force participation rate would help. In the meantime, owners continue to offer better pay to attract the employees they need to expand operations.