

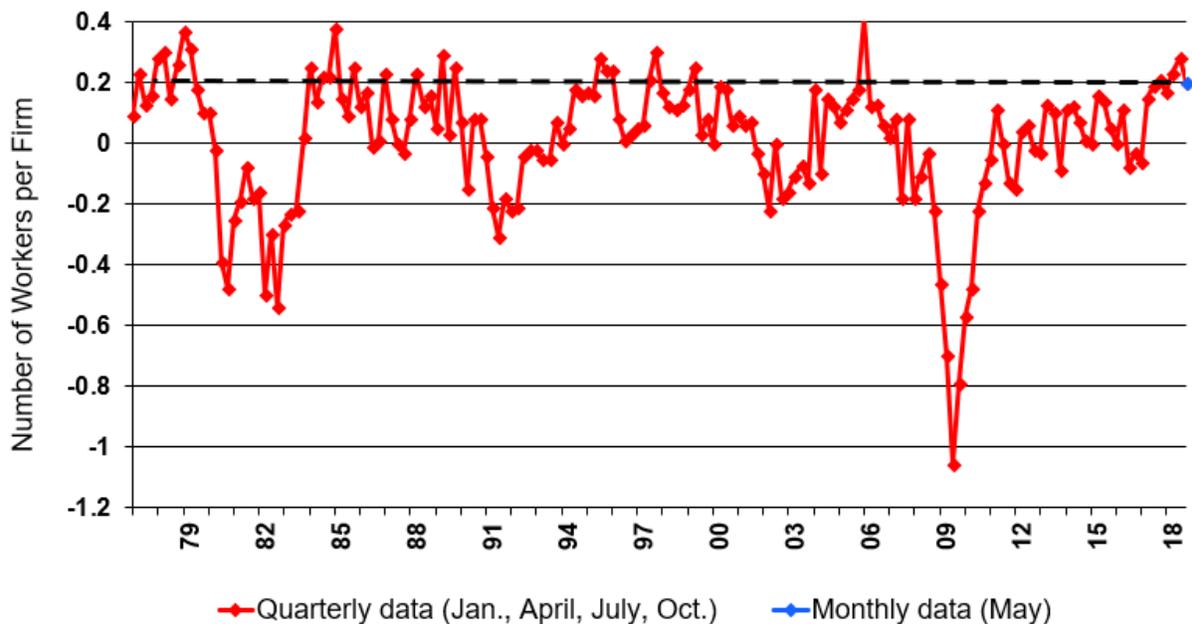
Compensation Breaks Record with Strong Labor Market

(Based on 562 respondents to the MAY survey of a random sample of NFIB's member firms, surveyed through 5/25/18)

EMBARGO 1 PM THURSDAY

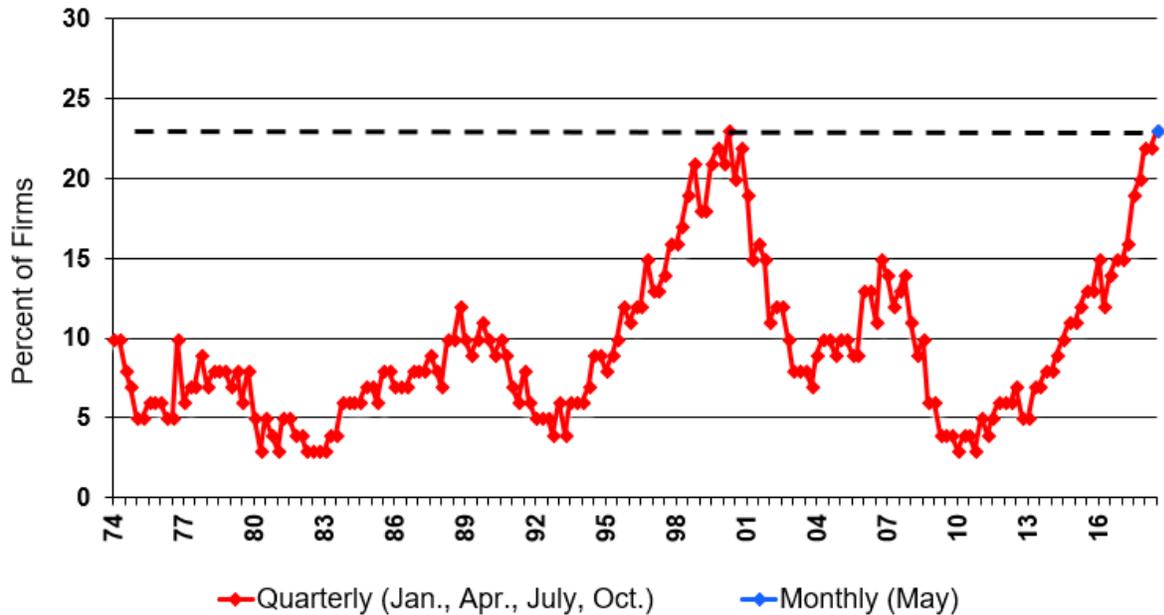
Reports of employment gains remain strong among small businesses. Owners reported adding a net 0.20 workers per firm on average, slower than earlier in the year but strong. The availability of qualified workers is impeding the growth in employment. Job openings are at record high levels and complaints about the availability of qualified workers illustrate the problem. Sixteen percent (unchanged) reported increasing employment an average of 3.4 workers per firm and 8 percent (down 1 point) reported reducing employment an average of 3.2 workers per firm (seasonally adjusted).

Average Change in Employment Per Firm



Fifty-eight percent reported hiring or trying to hire (up 1 point), but 48 percent (83 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 1 point), the highest reading since 2000, and 1 point below the survey record high. Concerns about taxes and regulatory costs have taken a back seat to worries about the availability of qualified workers.

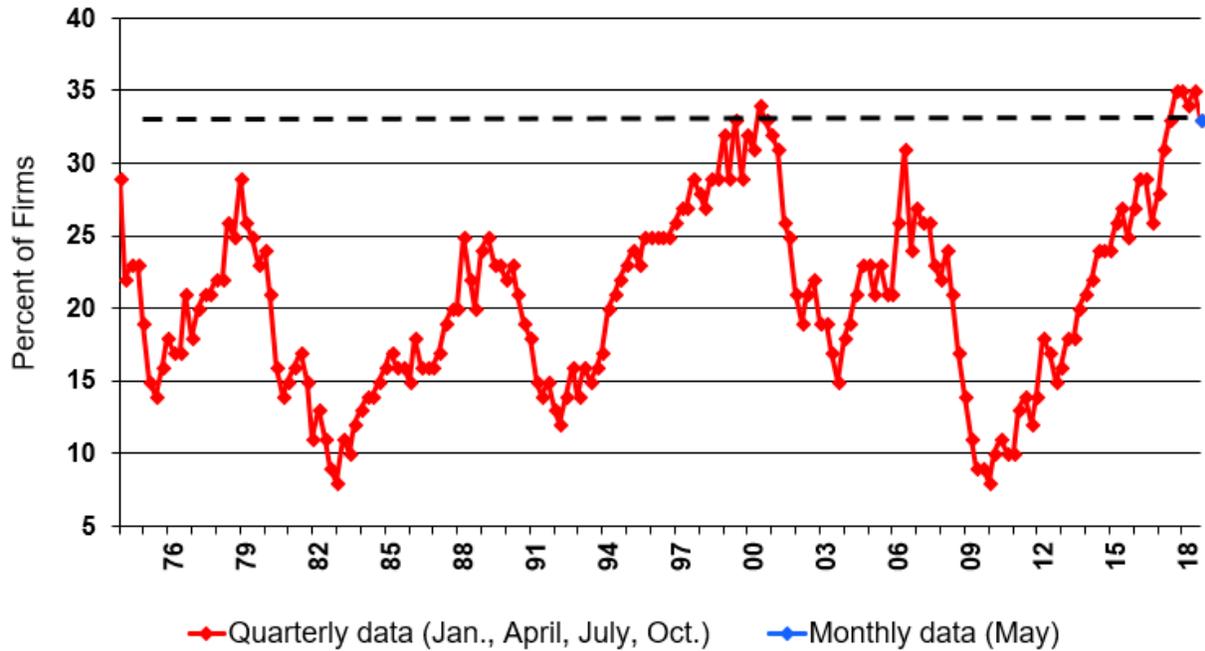
Percent of Firms Reporting Labor Quality as Their #1 Business Problem



Thirty-three percent of all owners reported job openings they could not fill in the current period, down 2 points but historically very high. Twelve percent reported using temporary workers, unchanged. Reports of job openings were most frequent in construction (57 percent), indicative of the problems slowing up new home construction which is resulting in rising house prices.

Unfilled Job Openings

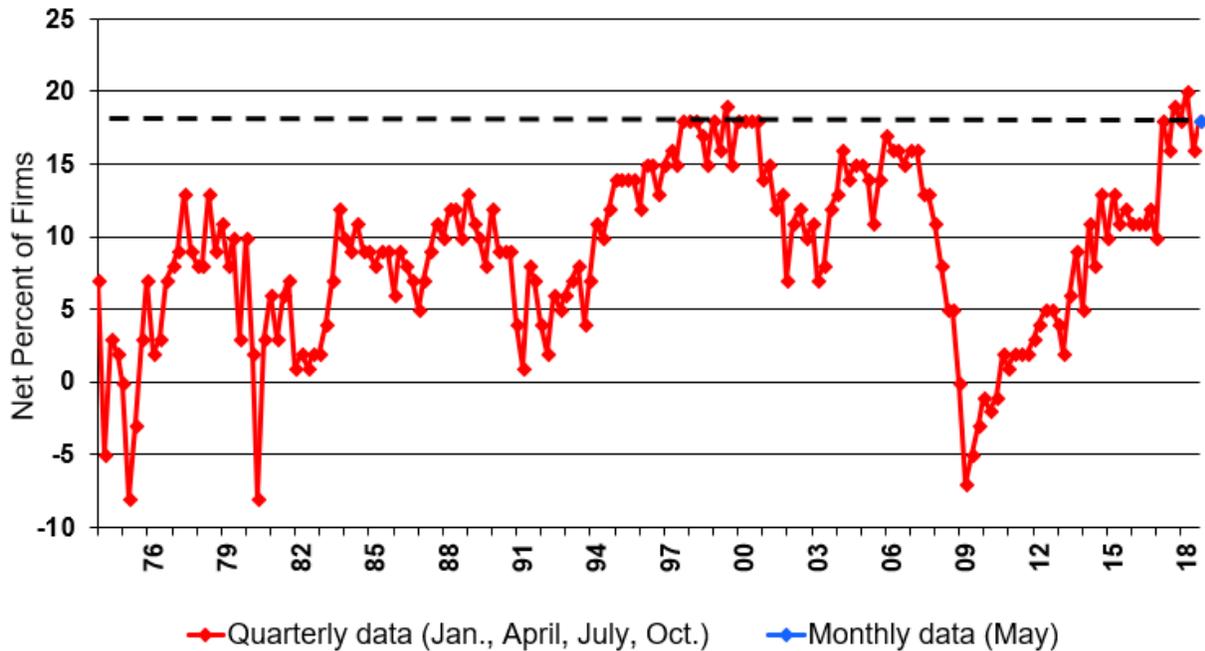
Percent with at Least One Unfilled Opening



A seasonally-adjusted net 18 percent plan to create new jobs, up 2 points from April and very strong. Not seasonally adjusted, 26 percent plan to increase total employment at their firm (down 1 point), and 3 percent plan reductions (unchanged).

Job Creation Plans

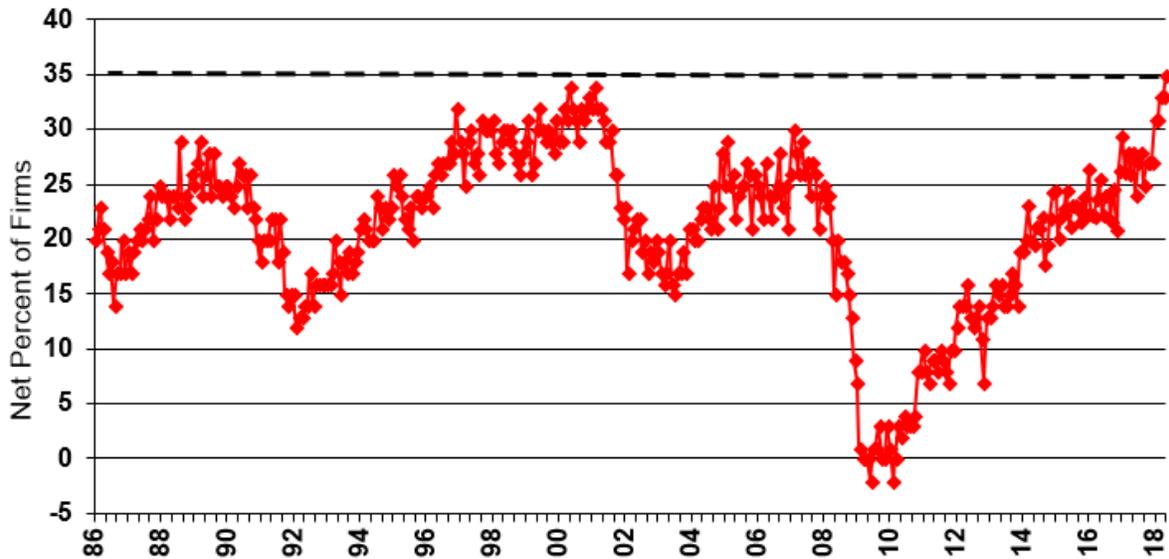
Net Percent (“Increase” minus “Decrease”) in Next Three Months



Labor markets are very tight, for both skilled and unskilled workers. Twenty-nine percent have openings for skilled workers, the third highest reading since 2000, with the two higher readings occurring in the last 12 months. Twelve percent have openings for unskilled workers, 4 points below the record high of 16 percent reached in March this year. The demand for unskilled labor is strongest in the “transportation, travel, communication and utilities” sector, 50 percent stronger than in the other three leading sectors: construction, manufacturing, and the wholesale trades.

Actual Labor Compensation Changes

Net Percent (“Increase” minus “Decrease”) During Last Three Months



Job growth will continue to lag expectations as shortages of qualified workers restrict job creation. In the meantime, reports of increases in labor compensation reached record levels (35 percent) as owners try to attract needed employees and retain those already on board. Reports of increased compensation were highest in the “transportation, travel, communication and utilities” followed by construction, manufacturing, and financial services. A further decline in the unemployment rate seems likely with job creation around 170,000, absent a surprise increase in the labor force participation rate.