

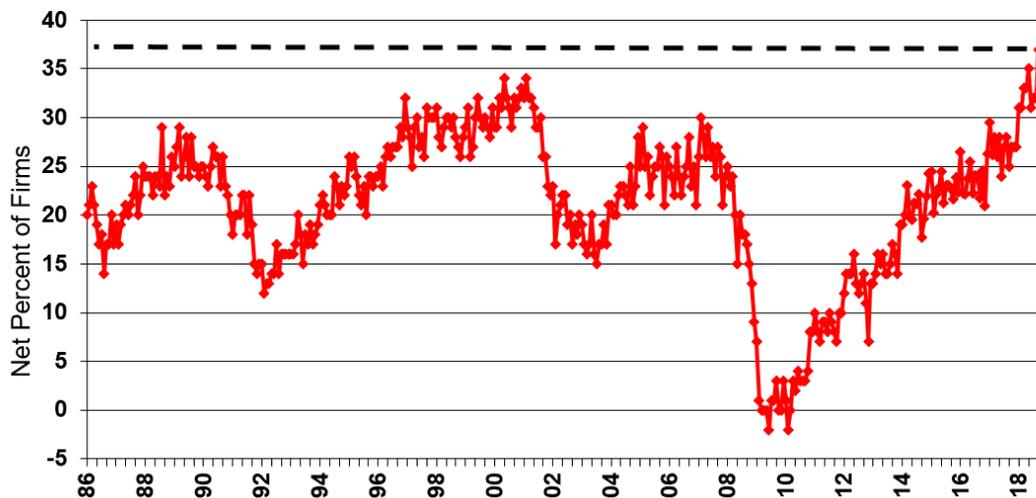
## Compensation Breaks Record with Growing Labor Demand

(Based on 642 respondents to the SEPTEMBER survey of a random sample of NFIB's member firms, surveyed through 9/28/18)  
EMBARGO 1 PM THURSDAY

Owners are responding to tight labor market in the usual way, raising compensation. A record 37 percent reported raising overall compensation in hopes of hiring and retaining needed employees. There are more job openings than job seekers, and the competition for qualified workers is pushing up compensation, especially for the better trained and educated employees. Hopefully this will induce more individuals to enter or re-enter the labor force and take a job. The unemployment rate is expected to be lower with the creation of 200,000 new jobs for September.

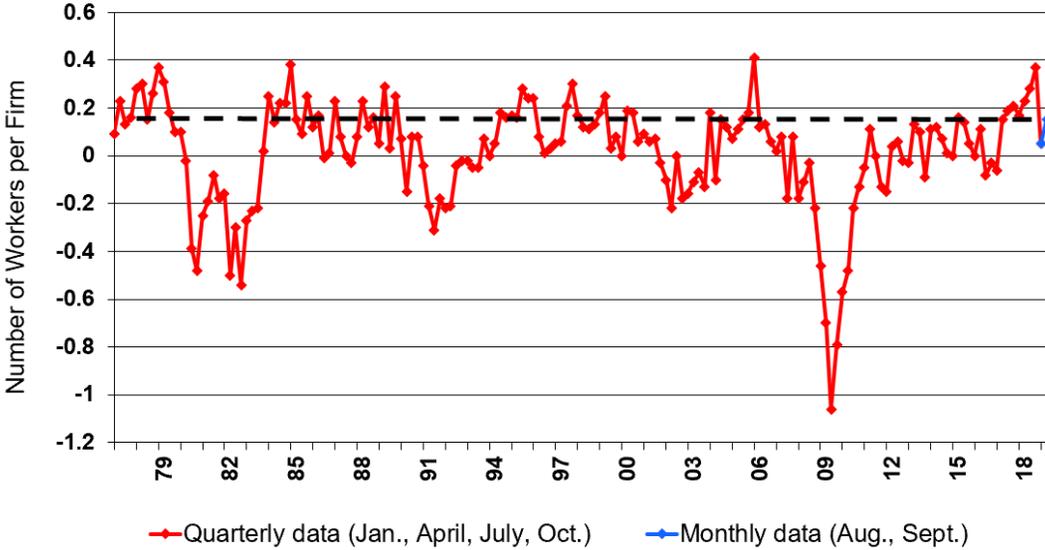
## Actual Labor Compensation Changes

Net Percent ("Increase" minus "Decrease") During Last Three Months



Job creation picked up again in September, rising to a net addition of 0.15 workers per firm (including those making no change in employment). Thirteen percent (down 2 points) reported increasing employment an average of 4.6 workers per firm and 11 percent (up 1 point) reported reducing employment an average of 1.9 workers per firm (seasonally adjusted).

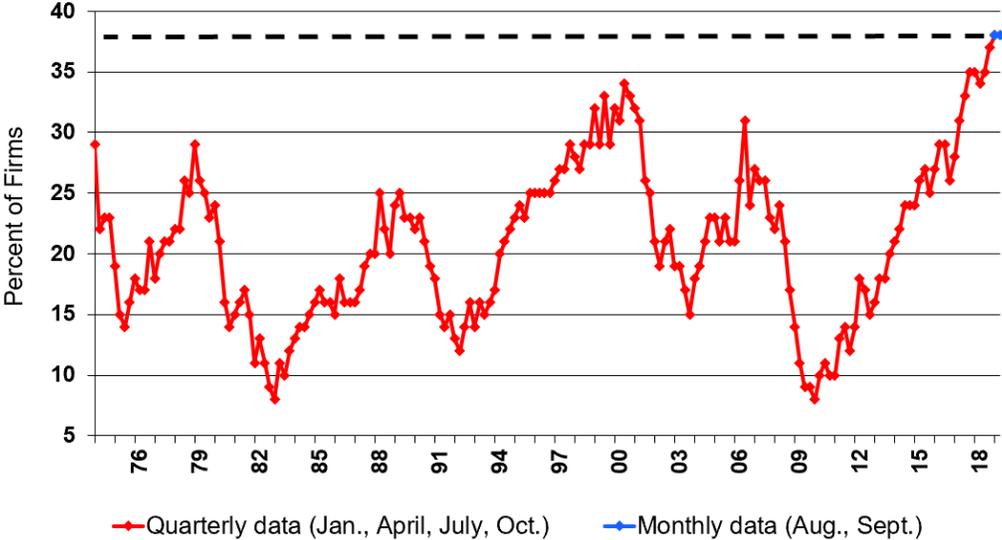
# Average Change in Employment Per Firm



Thirty-eight percent of all owners reported job openings they could not fill in the current period, unchanged from August’s record high. Reports of job openings were most frequent in construction (56 percent, down 6 points), manufacturing (54 percent, up 7 points), transportation (51 percent), wholesale trades (44 percent), and retail (43 percent) where customers are showing up in large numbers. The lack of qualified applicants is nearing levels attained in the late 1990s when Y2K produced a surge in demand for computer and programming specialists.

# Unfilled Job Openings

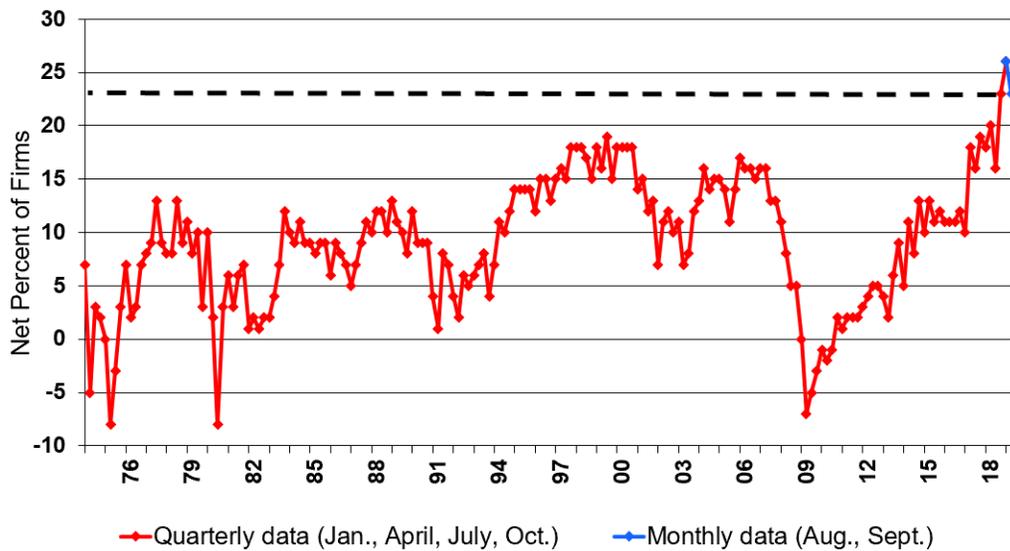
## Percent with at Least One Unfilled Opening



A seasonally-adjusted net 23 percent plan to create new jobs, down 3 points from August's record high. Not seasonally adjusted, 24 percent plan to increase total employment at their firm (down 2 points), and 6 percent plan reductions (up 2 points). Firms in construction (a net 26 percent unadjusted), the wholesale trades (a net 28 percent) and manufacturing (a net 34 percent) account for the real strength in hiring plans.

## Job Creation Plans

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



Sixty-one percent reported hiring or trying to hire (up down 1 point), but 53 percent (down 2 points and 87 percent of those hiring or trying to hire) reported few or no qualified applicants for the positions they were trying to fill. The percent of owners reporting "no qualified applicants" for all positions has reached a record high level as well. Twenty-two percent of owners cited the difficulty of finding qualified workers as their Single Most Important Business Problem, down 3 points but historically very high.

Labor markets are very tight, for both skilled and unskilled workers, making it difficult to fulfill those plans. Thirty-six percent have openings for skilled workers, up 1 point and a record high. Fifteen percent have openings for unskilled labor, down 1 point. The labor force is growing, but not with the speed or skill composition or geographical distribution needed to fill the open positions with qualified workers. Fourteen percent reported using temporary workers, down 3 points.

The shortage of "qualified" applicants was examined in 2007 and again in 2017 to better understand why so many openings remain unfilled. Asked for "typical" reasons why an applicant was unqualified, 26 percent identified the lack of a specific skill (e.g. welder) and 16 percent a poor work history (reliability etc.). However, surprisingly high

percentages cited social skills, attitude, and appearance as disqualifiers, all easily remedied without going back to school for more training if a job was truly desired by the applicant.

Typical Reason Applicants Not Qualified

