July Data Suggests Boosted Worker Demand

Labor Quality Challenge Jumps 8 Points

Based on 887 respondents to the July survey of a random sample of NFIB's member firms, surveyed through 7/30/2026.
EMBARGO 1 PM THURSDAY

Key Insights:
The July data suggests a surprising and substantial tightening of the labor market. Reports of labor quality and availability as the most serious business problem jumped 8 points to 27%.

- Hiring plans in the next three months rose 9 points from June to a net 20%, the highest level since October 2022 and 9 points above the historical average. On the other hand, July's actual hiring activity was steadier, declining 1 point from June.
- Job openings rose 4 points in July to 36%, the highest level since June 2025.
- Reports of labor quality or availability as the single most important problem jumped 8 points in July to 27%, 15 points above the historical average.
- Both measures of labor compensation rose in July, though more modestly. A seasonally adjusted net 31% reported raising compensation (up 3 points), and a net 19% (seasonally adjusted) plan to raise compensation in the next three months (up 2 points).

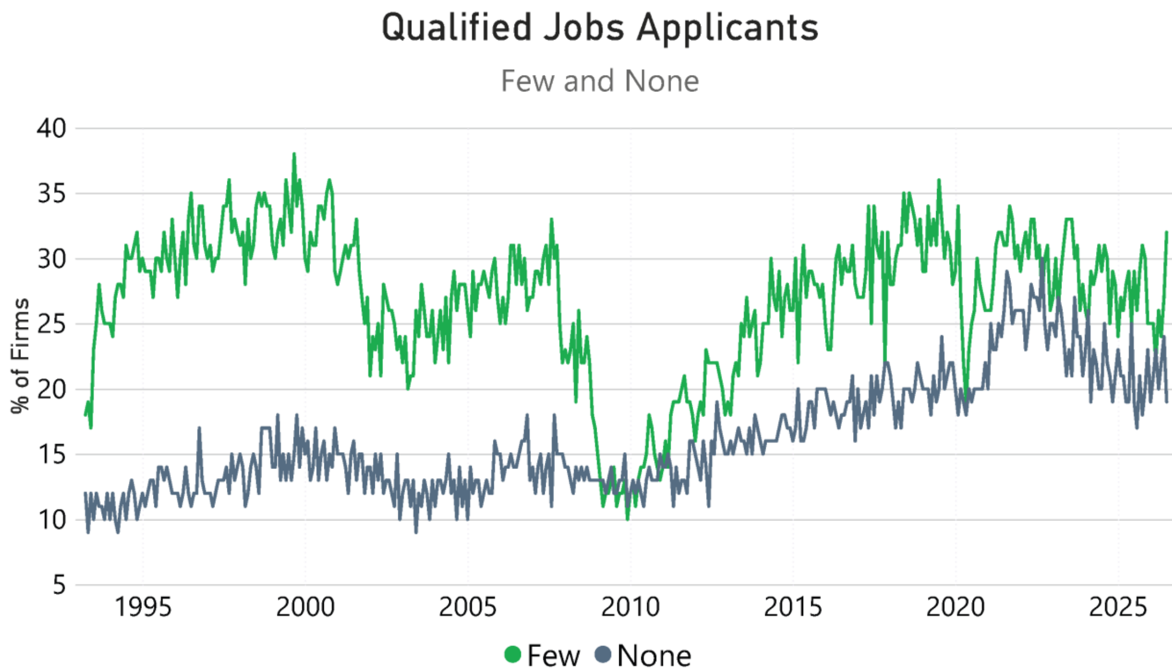
The NFIB Small Business Employment Index is a measure of the current state of the small business labor market. The Index integrates actual and planned changes in employment and employee compensation into a singular data point. A higher Index reflects an overall tighter labor market; a lower Index reflects an overall weaker labor market.

The Employment Index rose 1.9 points in July, registering 102.1 in July compared to 100.2 in June. This is the first increase following four consecutive months of decline. The current reading is above the 2025 average of 101.2 and the historical average of 100.0.

In July, 36% (seasonally adjusted) of small business owners reported job openings they could not fill in the current period, up 4 points from June and the highest reading since June 2025. Thirty-one percent have openings for skilled workers (up 4 points), and 14% have openings for unskilled labor (up 2 points).

Looking ahead, a seasonally adjusted net 20% of owners plan to create new jobs over the next three months, up 9 points from June. Hiring plans are at their highest level since October 2022 and are 9 points above the historical average.

In contrast to the forward-looking plans, the actual July hiring activity declined 1 point from June, with 61% of owners reporting hiring or trying to hire in July. Fifty-one percent (85% of those hiring or trying to hire) of owners reported few or no qualified applicants for the positions they were trying to fill (unchanged). Thirty-two percent reported few qualified applicants (up 5 points), and 19% reported none (down 5 points).



In July, 27% of small business owners identified "labor quality or availability"[1] as their single most important problem, up 8 points from June and 15 points above the historical average of 12%. While reports of labor quality or availability as the single most important problem jumped in July, reports of labor costs were unchanged. Eight percent of business owners reported labor costs as their single most important problem, unchanged from June.

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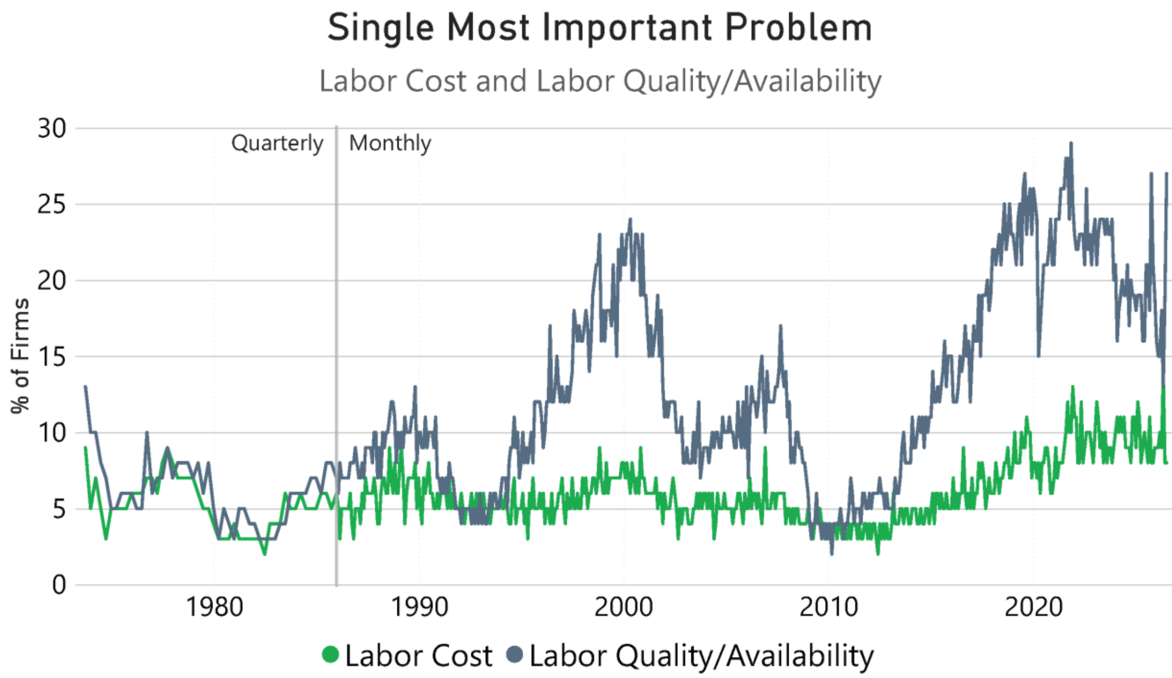
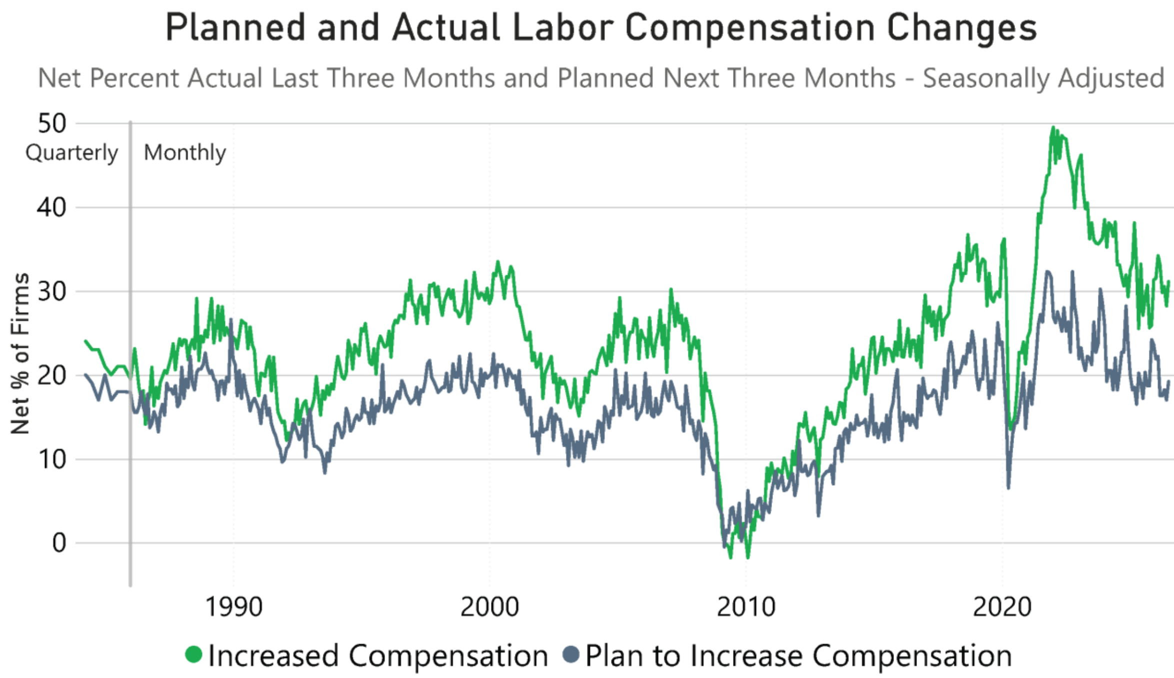
[1] In June, the Single Most Important Problem response category was revised from "Quality of Labor" to "Quality or Availability of Labor."



In July, both measures of labor compensation rose. A seasonally adjusted net 31% reported raising compensation, up 3 points from June. A net 19% (seasonally adjusted) plan to raise compensation in the next three months, up 2 points from June. Both actual and planned compensation changes are above their historical averages.



Employment growth has not matched the pace of growth for the economy (GDP) primarily because the spending driving the economy is heavily concentrated in big projects like new data centers for AI. These projects are not labor-intensive. However, hiring plans of small business owners suggest this may start to change, as owners appear to be expecting a surge in business that will require substantially more workers. The labor force is not growing, so hiring will be sufficient to keep the unemployment rate about the same as compensation inches higher.

Quotes from NFIB Members

“We struggle to find skilled labor/trades.” – Construction, NY

“The ability to find/hire competent workers in the HVAC field is increasingly more difficult year to year. It is absolutely necessary to help promote and fund the mechanical trades, particularly the HVAC trade!” – Construction, CT

“Labor is a challenge. We currently rely on older or retired help. […]” – Retail, PA

“Very hard to find skilled machinists who still know manual machines.” – Manufacturing, OH

“This is the worst period for hiring skilled labor. I have positions open today that pay well with benefits, but there aren’t any qualified candidates. I have used Indeed, ZipRecruiter, social media, banners, website, etc.” – Retail, PA

“Finding or having qualified skilled labor applicants is nonexistent.” – Services, SC

“Forty-eight years in business for myself, and the toughest issue has been finding good people to hire and how to compensate them fairly. Health insurance is a disaster – costs more and pays less. Employees want more compensation for less work/production. To keep this trend going we must find easier ways to do tough jobs and charge higher prices with stiff compensation.” – Services, NC

“In the transportation industry it’s very hard right now to find help. I’ve had three trucks out of twelve sitting idle for six months now. I can find drivers, but they aren’t drivers I trust.” – Transportation, IL

“Unskilled labor shortage is our biggest problem. […]” – Agriculture, NC

“We are highly seasonal as a farm and do not have steady income. Every year is different depending on market conditions, crop (apple) size, and import/export options… We have a severe labor shortage, which many of us have turned to the federal H-2A program to meet our needs. Labor is now greater than 50% of our input costs due to the rise in benefits, overtime, paid sick days, and base wage rates.” – Agriculture, NY

“Our biggest problem is that we cannot find qualified, skilled employees.” – Agriculture, MN

“Finding and retaining good employees is our biggest challenge. It has never been easy but declined substantially during COVID, and even though it has improved since then, it is still something that our manager spends way too much time on and it affects all areas of our business.” – Manufacturing, VA

“Our biggest obstacle is finding technicians with experience. It is also difficult to find office employees. Most [people] we hire off the street do not last. [They] miss a lot of work.” – Construction, AZ

“Engineers generally do not go looking for better jobs as much as [those] in other fields. They tend to sit tight and not rock the boat. We are trying to hire an experienced engineer or two, but they just aren’t out there. So we are being forced to hire engineers out of school or inexperienced.” – Professional/business services, OH

“Biggest issue in our industry is the lack of skilled workers on our job sites, in our fabrication shops, and with our suppliers.” – Construction, IN

“Business is good. Hoping for everything to get better and for costs not to continue to rise as they have been. The labor workforce is getting slim, and [it] seems like quality people are getting harder to find in labor fields.” – Services, TX

“We have a weird situation where I can get more unskilled labor than I need. But I am unable to fill a skilled operator with higher pay, better hours, and better benefits. No one is even willing to accept a promotion.” – Agriculture, IL