Labor Demand Takes a Step Back in August

Employment Index Edges Down 0.3 Points

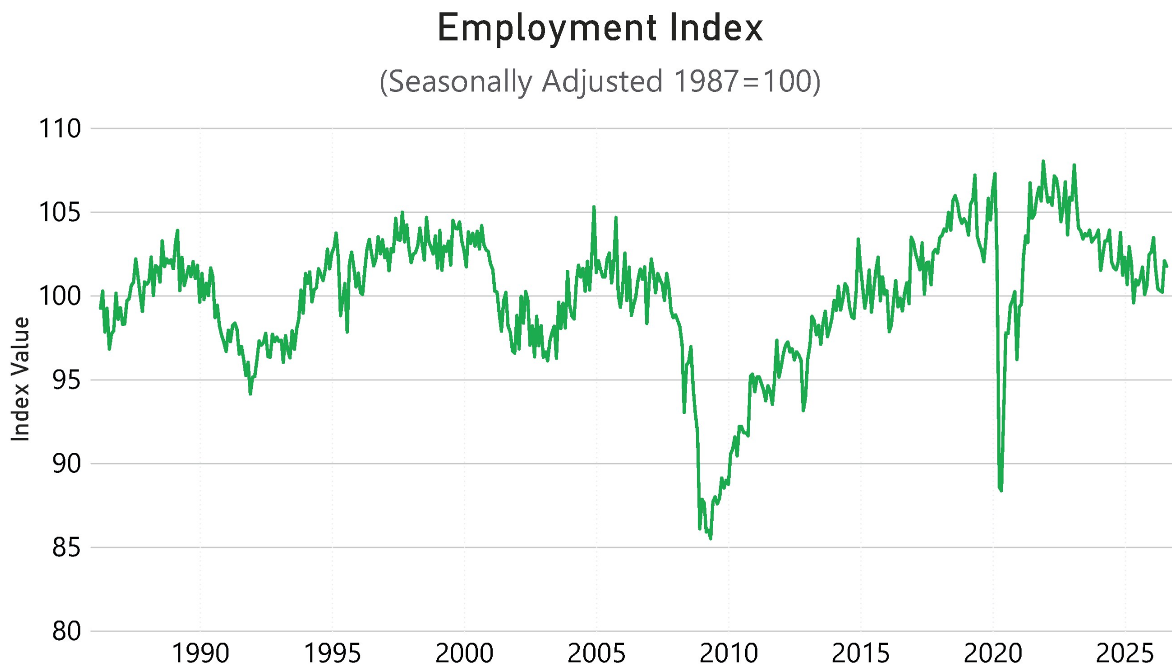
Based on 476 respondents to the August survey of a random sample of NFIB's member firms, surveyed through 8/31/2026.
EMBARGO 1 PM THURSDAY

Key Insights:
After a particularly strong July, the August data showed a slightly softer employment picture as job openings, hiring plans, and compensation plans declined. Reports of "labor quality or availability" and "labor costs" as the single most important problems also eased in August.

- Hiring plans and actual hiring activity declined in August. Plans to increase employment over the next three months fell 3 points from July to a net 17% (seasonally adjusted), and the percent of owners reporting hiring or trying to hire in August dropped 5 points to 56%.
- Job openings decreased 1 point in August to 35% (seasonally adjusted), 11 points above the historical average.
- Reports of labor quality or availability as the single most important problem fell 4 points in August to 23%, 11 points above the historical average.
- Reports of labor costs as the single most important problem fell 1 point from July to 7%, marking the lowest level since March 2021.
- Both measures of labor compensation showed little to no change in August, but remain above their historical averages. A seasonally adjusted net 31% reported raising compensation (unchanged), and a net 18% (seasonally adjusted) plan to raise compensation in the next three months (down 1 point).

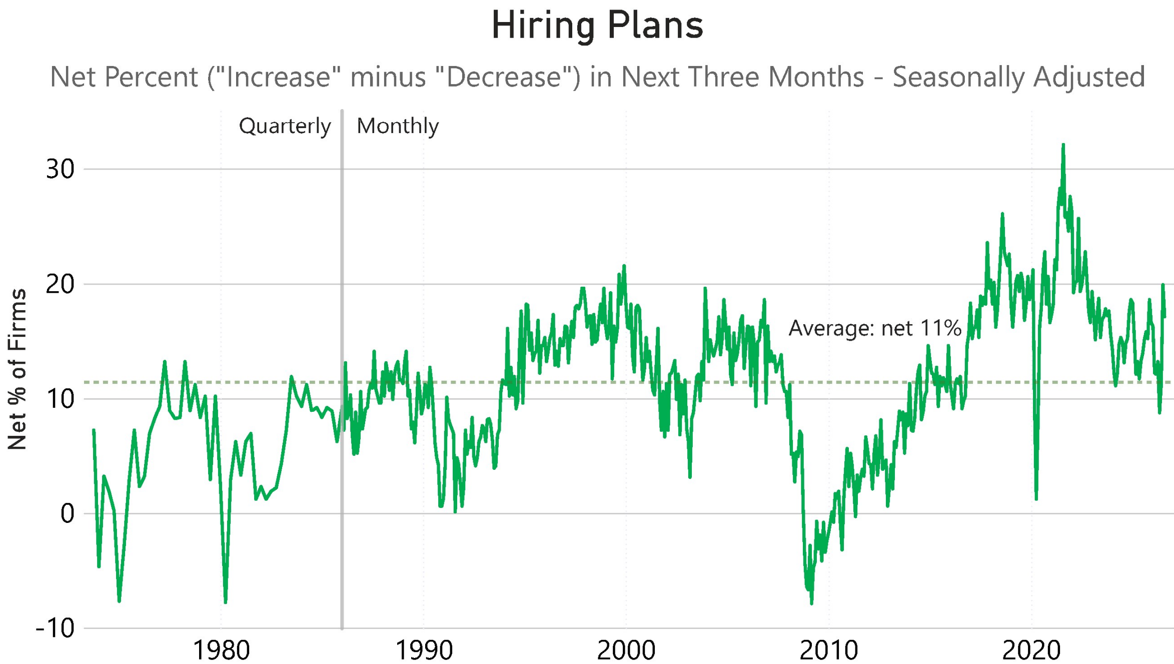
The NFIB Small Business Employment Index is a measure of the current state of the small business labor market. The Index integrates actual and planned changes in employment and employee compensation into a singular data point. A higher Index reflects an overall tighter labor market; a lower Index reflects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

The Employment Index declined 0.3 points in August, registering 101.8 in August compared to 102.1 in July. The current reading is slightly above the 2025 average of 101.2 and the historical average of 100.0.

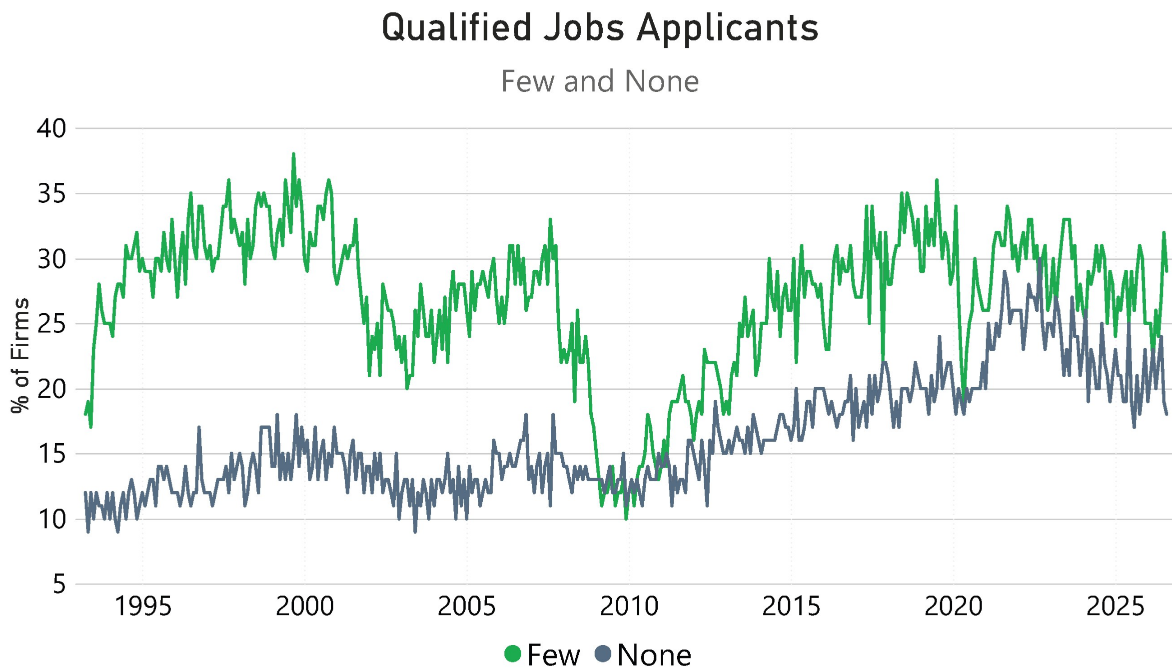


In August, 35% (seasonally adjusted) of small business owners reported job openings they could not fill in the current period, down 1 point from July and 11 points above the historical average. Thirty-one percent have openings for skilled workers (unchanged), and 13% have openings for unskilled labor (down 1 point).

Looking ahead, a seasonally adjusted net 17% of owners plan to create new jobs over the next three months, down 3 points from July's highest level since October 2022.



Actual hiring activity declined 5 points from July, with 56% of owners reporting hiring or trying to hire in August. Forty-seven percent (82% of those hiring or trying to hire) of owners reported few or no qualified applicants for the positions they were trying to fill (down 4 points). Twenty-nine percent reported few qualified applicants (down 3 points), and 18% reported none (down 1 point).



Reports of labor-related issues as owners' single most important problem fell in August. Twenty-three percent of small business owners identified "labor quality or availability"[1] as their single most important problem, down 4 points from July but remaining historically high. The current reading is 11 points above the historical average of 12%. Seven percent of business owners reported labor costs as their single most important problem, down 1 point from July and the lowest level since March 2021.

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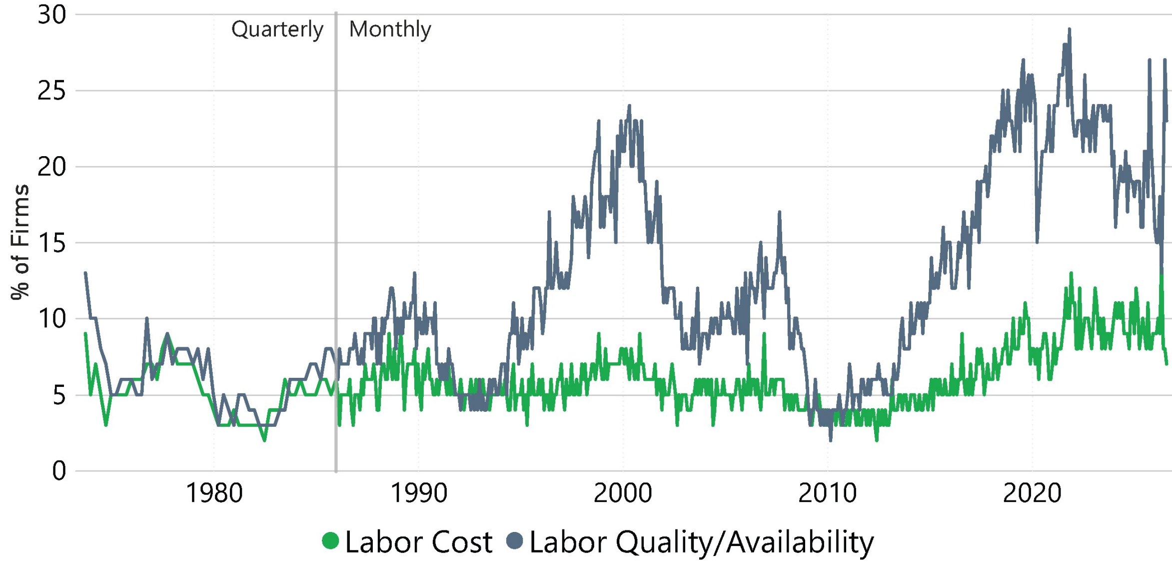
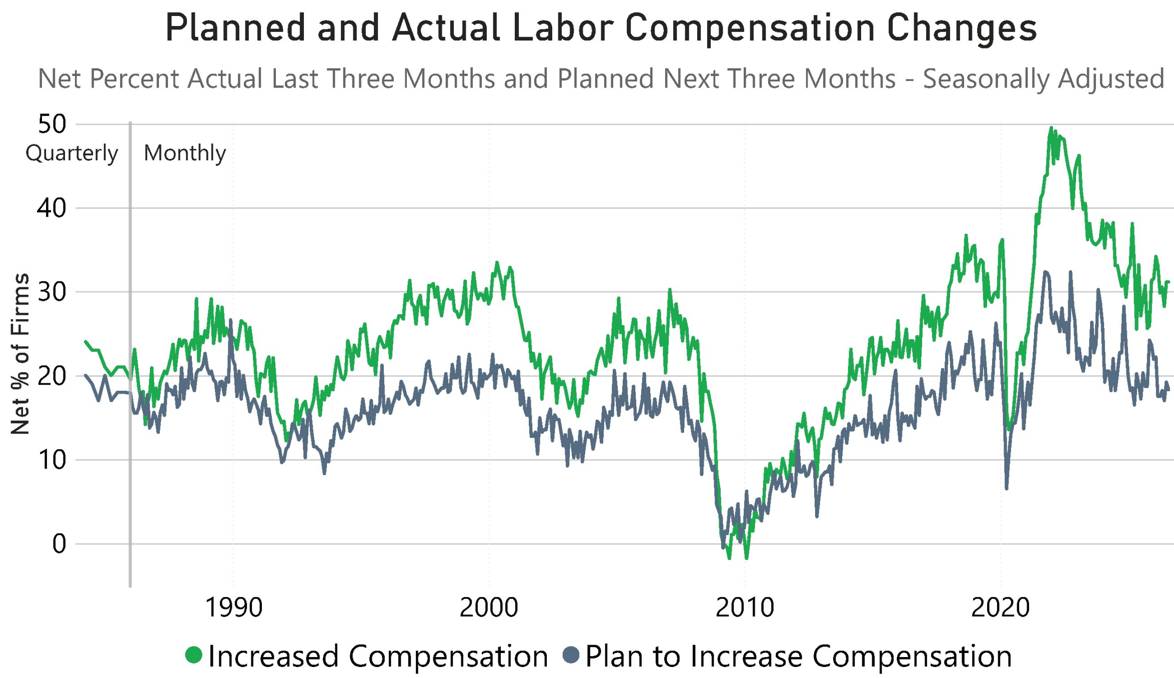
[1] In June, the Single Most Important Problem response category was revised from "Quality of Labor" to "Quality or Availability of Labor."

Single Most Important Problem

Labor Cost and Labor Quality/Availability



In August, compensation measures showed little to no change. A seasonally adjusted net 31% reported raising compensation, unchanged from July. A net 18% (seasonally adjusted) plan to raise compensation in the next three months, down 1 point from July. Both actual and planned compensation measures are above their historical averages.



Employment growth will remain stagnant in spite of massive government spending (financed by rising deficits) and private sector investment, primarily related to AI. Public sector employment will jump as teachers go back to work, and the health care sector continues to grow, but the rest of the private sector will likely remain muted. Consumer spending is showing signs of slowing as personal debt levels rise. Measuring the job market is harder than ever, so expect revisions to be substantial even though new job creation will likely be modest.

Quotes from NFIB Members

"The quality of skilled labor is affecting my growth. I have given up on looking. My business is service-based, and the demand for accountants is increasing. If I could find the personnel, I could easily double, if not triple, my income." – Professional/business services, VA

"My problem is that no one wants to work. I have advertised in all the areas I know of, and we have had a total of zero applications. In thirty years of business, this has never happened." – Services, TN

"Since 2023, our business has had a hard time hiring employees – good technician mechanics with experience." – Services, TX

"It is very difficult to find dental assistants or dental hygienists on a permanent basis." – Professional/business services, OR

"Labor is the biggest challenge we face. We need H-2B visas to be more readily available, and we need them to be easier to navigate. Reduce the red tape." – Agriculture, IN

"We need to bring back and step up trade education in all areas." – Services, VT

"Getting control of the minimum wage is a big problem! I am a small business and hire a lot of first time employees. Because I have to start a first timer at $15/hour, there is not much left to reward my long-term employees. Merit raises become a thing of the past." – Retail, AZ

"Imports coming into the USA at way below market price and getting employees are a huge problem for agriculture. Many of us would no longer be in business if it was not for the H-2A program." – Agriculture, MT

"We need to get rid of the Minnesota Paid Leave program for seasonal and temporary employees." – Agriculture, MN

"I own and operate a childcare business. I am seeing my costs increase dramatically, by more than 15% annually, and I am having an increasingly hard time finding staff. Online job postings receive a lot of interest and applications, but only about a third at best respond to interview requests. […]" – Professional/business services, OH