



Covid-19
Small
Business
Survey (23)

Covid-19 Small Business Survey (23)

The NFIB Research Center has published a series of Covid-19 related surveys assessing the impact of the Covid health crisis on small business operations, economic conditions, and the utilization of targeted small business loan and tax credit programs. This publication marks NFIB's 23rd Covid-19 Small Business survey. The first of the series was published in early March 2020.

SALES LEVELS

Just over one-third (36%) of small businesses are at or exceeding pre-crisis sales levels, only 1 percentage point higher than in March 2022. Thirty-four percent are back or nearly back to where they were with sales 75%-99% of pre-crisis levels with another 20% at sales levels of 50%-74% pre-crisis. On the other end of the scale, sales levels are less than 50% of pre-crisis levels for 11% of small businesses, about the same as in March. Not captured in our data are business closures or firms with no business activity.

THE ECONOMY

Most small business owners reported that their local economy remains below pre-crisis levels of economic activity. Almost one-third (31%) of owners reported that economic conditions are back to normal now in their area, an improvement from 24% in March. Fourteen percent of owners anticipate an economic recovery by the end of the first half of 2023. Over half (55%) of small business owners are less optimistic and expect conditions not to fully improve until the second half of 2023 or later.

SUPPLY CHAIN DISRUPTIONS

When asked if supply chain disruptions are impacting their business, just over a third (36%) of small business owners reported a significant impact, 15 percentage points below March 2022, a substantial improvement. Another 38% of owners reported supply chain disruptions having a moderate impact on their business and 20% a mild impact on their business. Six percent of owners reported supply chain disruptions are not an issue. Supply chain disruptions are continuing to impact small businesses but moderating.

Supply chain disruptions have continued to cause lost sales opportunities of small businesses. Seventy-eight percent of small business owners experiencing supply chain disruptions reported that the disruption caused lost sales opportunities to some degree, basically unchanged from March. Only 18% report no lost sales opportunities. Almost half

(49%) reported that supply chain disruptions are causing significant or moderate lost sales opportunities.

Twenty-two percent of small business owners experiencing supply chain disruptions reported that the disruption is worse now than it was six months ago. A little over half (53%) reported about the same level of disruption, and 23% reported better than six months ago (a 19-percentage point increase from March, a vast improvement from 4% reporting the same from March). Most small business owners do not anticipate any resolution to their supply chain issues in the near future. The vast majority (86%) of small business owners anticipate the supply chain disruption that is impacting their business to continue for five months or more (a railroad strike would create major problems). Eight percent reported between one and four months and 2% anticipate disruptions ending in less than one month.

STAFFING SHORTAGES

The labor shortage continues to be the other significant challenge facing many small employers. Twenty percent of small employers are currently experiencing a significant staffing shortage and another 25% are currently experiencing a moderate shortage. Twenty-three percent reported having a mild shortage and 27% of small employers reported no staffing shortage.

Of those small employers currently experiencing a staffing shortage, 20% are experiencing a significant loss of sales opportunities and almost one-third (32%), a moderate loss of sales opportunities because of the shortage (up 10 percentage points from March). Twenty-six percent are experiencing a mild loss of sales opportunities and another 19 had no loss of sales opportunities, able to navigate the staffing shortage by adjusting business operation to accommodate current sales levels.

The labor shortage is not easing for most small employers as many potential applicants have not reentered the labor market. Two-thirds of small employers reported that their current staffing shortage is about the same as it was three months ago. About one-quarter (24%) of small employers reported it being worse, and only 8% reported their current staffing shortage better than it was three months ago.

When asked what adjustments, beyond normal hiring practices, small employers have taken to attract applicants for open positions, 72% reported increasing wages (13 percentage points below March). While still the main tool in attracting applicants and retaining current employees, wage increases seem to be tapering off slightly. Twenty-nine percent increased paid time off and another 16% offered or enhanced hiring bonuses. Twenty-one percent of small employers offered or enhanced referral bonuses and another

21% offered or enhanced health insurance benefits, a 6-percentage point decline from March.

When asked what adjustments have been made in business operations to compensate for the staffing shortage, one-third of small employers experiencing a staffing shortage are offering more hours to part-time employees. Half of small employers are offering overtime to full-time employees. Seventy-eight percent of small employers responded that the owner(s) are working more hours, 13 percentage points below the March reading. Thirty-four percent of owners have resorted to more drastic measures with adjusting business operation hours. Almost one-third (32%) of small employers have introduced new technology to enhance productivity and 29% have reduced the variety of goods and services sold.

About half (49%) of small employers experienced employee absenteeism related to Covid. Four percent of small employers experienced frequent absenteeism related to Covid illness and another 10% experienced moderate absenteeism. Thirty-five percent experienced infrequent employee absenteeism related to Covid illness. Nearly half (51%) of small employers reported no employee absenteeism issues (that they knew of) related to Covid illness.

While long term Covid impacts many, few small employers report it as a problem related to their workforce. Nearly all (93%) of small business owners reported that they did not experience staffing issues related to employees with long Covid symptoms.

PRICES

Inflation continues to be a burden on small businesses. Seventy percent reported raising their average selling prices. Of those raising prices, almost half (46%) of small business owners have increased their average selling prices specifically because of supplies and inventory inflation. Seven percent reported they increased their average selling prices specifically due to higher compensation related to staffing shortages. Close to one-third (30%) reported both and another 17% reported neither. Of those who raised prices, 42% have raised prices by 10% or more, another 27% have raised prices 5%-9.9%. Eighteen percent have raised prices 1%-4.9%, and another 10% by less than 1%.

INTEREST RATES

Higher interest rates, due to the Federal Reserve trying to tame inflation, have affected small business owners in a variety of ways. Asked how higher interest rates are impacting their business, one-third (33%) reported that consumer spending has slowed due to rate

increases. Another 21% reported that business financing payments are more expensive, and 6% said credit and loans (including trade credit) are harder to get. Forty-one percent reported that higher interest rates have had no significant impact on their business.

Of those impacted by higher interest rates, 20% of small business owners reported that higher interest rates are having a significant impact on their business. Almost half (47%) reported a moderate impact, and 28% reported a mild impact.

ERTC

The Employee Retention Tax Credit (ERTC), a program facilitated through the IRS to help mostly small employers, provides up to \$26,000 per employee for eligible employers. The program has undergone numerous changes with expanding eligibility, extending coverage, increasing the credit amount available, and then ending the program early (Q3 instead of Q4 2021).

Almost one-quarter (23%) of small employers are very familiar with the ERTC, a 10-percentage point increase from March. Another 43% of small employers are moderately or somewhat familiar. Slightly over one-third (34%) of small employers are not at all familiar with the ERTC.

Twenty-three percent of small employers claimed the ERTC for wages in 2020. Another 17% of small employers claimed the ERTC for wages in 2021.

Just over half (57%) of small employers have received the credit. Twelve percent received the credit by withholding payroll taxes and 45% received it after retroactively submitting Form 941X.

Just over one-third (35%) of small employers who filed retroactively reported that it took up to 6 months to receive the credit. Another 9% reported 7 to 10 months and 6%, 11 or more months. Of those who filed retroactively, 30% of them are still waiting to receive the credit from the IRS.

PAID LEAVE

Twenty-three percent of small employers offer paid family leave. For those who offer paid family leave, 69% offer 1-2 weeks and 20% offer 3-4 weeks. Another 5% offer 5-8 weeks and 3% more than 8 weeks.

Just over half (51%) of small business owners offer paid sick leave. Sixty-six percent offer 1-5 days and another 29% offer 6-15 days. Six percent of small business owners offer more than 15 days.

For those small business owners who do not offer paid sick leave or paid family leave benefits, 36% reported it was because they can't afford to offer these benefits. Twenty-two percent reported it was because they were not profitable enough to offer them at the moment but hope to increase benefits in the future. Another 12% of small business owners who do not offer paid sick leave or paid family leave benefits reported it was because they do not view these benefits as necessary to attract employees, and 3% because the administration of benefits is too time-consuming and/or confusing. Twenty-eight percent of small business owners cited other reasons.

The "Employer Credit for Paid Family and Medical Leave" is an employer tax credit based on a percent of wages employers paid to eligible employees who took family and medical leave. Twenty-two percent of small business owners have heard of the "Employer Credit for Paid Family and Medical Leave". Of those small business owners who have heard of the "Employer Credit for Paid Family and Medical Leave", the overwhelming majority (89%) have not taken the credit on any employee wages paid for family or medical leave.

PAYMENTS

Over three-quarters (77%) of small business owners do not sell their products or services online. Thirteen percent sell products online, 6% sell services, and 4% sell both products and services. Over the past three years, online purchases have accelerated, and many small businesses have seen increased customer traffic online for their goods and services. Of those who do sell their products and services online, 28% of them report that their online sales are 1-25% higher than pre-Covid levels and 14% report that they are 26-50% higher than pre-Covid levels. Seventeen percent report that they are 51-75% higher and 40% report more than 75% higher.

Seventy-nine percent of small employers accept cash as a form of payment. Twenty-one percent use only electronic payments, online or at the company.

While most small businesses accept cash as a form of payment, about three-quarters (76%) of them report that cash accounts for 25% or less of their total sales. Another 15% report that cash accounts for 26%-50% of total sales and 9% report more than half.

When asked how they process their company's payroll, almost half (47%) of small employers reported processing it in-house. Thirty-eight percent use a full-service payroll provider (e.g., ADP, Intuit, Gusto) and 15%, an outside accountant/bookkeeper.

Seventy-seven percent of small business owners have a business website. Almost half (47%) of small business owners had an outside company or individual initially design their business's website. Thirty-one percent reported that an owner or employee within the business initially designed their website, and another 22% reported it was a collaborative

effort (internal and external). Forty-seven percent of small business owners reported that an owner or employee within the business primarily maintains and updates their business's website, and another 47% reported an outside company or individual. Almost one-quarter (23%) of small business owners reported that their website takes online payments.

METHODOLOGY

This survey was conducted with a random sample of 20,000 NFIB members from NFIB's membership database of about 300,000 small business owners. The survey was conducted by email from December 8-12, 2022. NFIB collected 456 responses.

Economy

Q1. How does your current sales revenue compare to pre-Covid crisis levels?

- 36% 1. 100% or more of pre-crisis level
 - 34% 2. 75%-99% of pre-crisis level
 - 20% 3. 50%-74% of pre-crisis level
 - 8% 4. 25%-49% of pre-crisis level
 - 3% 5. 1%-24% of pre-crisis level
 - 0% 6. My business is currently closed.
- N=451

Q2. How long do you think it will take before your local community is back to a pre-Covid crisis level of economic activity?

- 31% 1. It is now
 - 3% 2. By the end of the year
 - 11% 3. First half of 2023
 - 18% 4. Second half of 2023
 - 37% 5. 2024 or later
- N=447

Supply Chain Disruptions

Q3. Are supply chain disruptions impacting your business?

- 36% 1. Significant impact
 - 38% 2. Moderate impact
 - 20% 3. Mild impact
 - 6% 4. No impact
- N=452

Q4. Is the supply chain disruption impacting your business causing lost sales opportunities?

- 17% 1. Significant lost sales opportunities
 - 32% 2. Moderate lost sales opportunities
 - 29% 3. Mild lost sales opportunities
 - 18% 4. No lost sales opportunities
 - 5% 5. Does not apply
- N=429

Q5. Is the supply chain disruption impacting your business better, worse, or about the same as it was six months ago?

- 23% 1. Better

22% 2. Worse
53% 3. About the same
2% 4. Does not apply
N=430

Q6. How long do you anticipate the supply chain disruption that is impacting your business to continue?

2% 1. Less than 1 month
1% 2. 1-2 months
7% 3. 3-4 months
15% 4. 5-6 months
71% 5. More than 6 months
4% 6. Does not apply
N=431

Q7. What product or products are impacted by the supply chain disruption affecting your business?

Staffing Shortages

Q8. Is your business currently experiencing a staffing shortage?

20% 1. Significant staffing shortage
25% 2. Moderate staffing shortage
23% 3. Mild staffing shortage
27% 4. No staffing shortage
6% 5. Does not apply
N=396

Q9. Is your staffing shortage causing lost sales opportunities?

20% 1. Significant lost sales opportunities
32% 2. Moderate lost sales opportunities
26% 3. Mild lost sales opportunities
19% 4. No lost sales opportunities
3% 5. Does not apply
N=270

Q10. Is your current staffing shortage better, worse, or about the same as it was three months ago?

8% 1. Better
24% 2. Worse

66% 3. About the same
2% 4. I didn't have a staffing shortage three months ago.
0% 5. Does not apply
N=270

Q11. What adjustments (beyond normal hiring practices) have you made to attract applicants for open positions? Have you:

A. Increased starting wages

72% 1. Yes
9% 2. No
20% 3. Does not apply
N=374

B. Increased paid time off

29% 1. Yes
41% 2. No
31% 3. Does not apply
N=373

C. Offered or enhanced hiring bonuses

16% 1. Yes
55% 2. No
30% 3. Does not apply
N=372

D. Offered or enhanced referral bonuses

21% 1. Yes
49% 2. No
30% 3. Does not apply
N=370

E. Offered or enhanced health insurance benefits

21% 1. Yes
46% 2. No
32% 3. Does not apply
N=373

F. Other adjustments to attract applicants: _____

Q12. What adjustments have you made in business operations to compensate for the staffing shortage? Are you:

A. Offering more hours to part-time employees

33% 1. Yes

18% 2. No

49% 3. Does not apply

N=371

B. Offering overtime to full-time employees

50% 1. Yes

19% 2. No

31% 3. Does not apply

N=375

C. Owner(s) working more hours

78% 1. Yes

7% 2. No

15% 3. Does not apply

N=373

D. Adjusted business operation hours

34% 1. Yes

46% 2. No

20% 3. Does not apply

N=371

E. Introduced new technology to enhance productivity

32% 1. Yes

37% 2. No

31% 3. Does not apply

N=371

F. Reduced the variety of goods or services sold

29% 1. Yes

48% 2. No

24% 3. Does not apply

N=375

G. Other staffing adjustments:

Q13. Is your business experiencing employee absenteeism related to Covid illness?

- 4% 1. Yes, frequent absenteeism
 - 10% 2. Yes, moderate absenteeism
 - 35% 3. Yes, infrequent absenteeism
 - 51% 4. No absenteeism issues related to Covid illness
 - 0% 5. Does not apply
- N=376

Q14. Is your business experiencing staffing issues related to employees with long Covid symptoms?

- 7% 1. Yes
 - 93% 2. No
- N=394

Prices

Q15. Have you increased your average selling prices specifically due to inflation of your supplies and inventory and/or having to increase compensation due to staffing shortages?

- 46% 1. Yes, because of supplies and inventory inflation
 - 7% 2. Yes, because of higher compensation related to staffing shortages
 - 30% 3. Both
 - 17% 4. Neither
- N=457

Q15A. If yes, by how much have you raised prices in the last 3 months?

- 10% 1. Less than 1%
 - 2% 2. 1-1.9%
 - 4% 3. 2-3.9%
 - 12% 4. 4-4.9%
 - 19% 5. 5-7.9%
 - 8% 6. 8-9.9%
 - 42% 7. 10% or more
 - 4% 8. Does not apply
- N=382

Interest Rates

Q16. How are higher interest rates impacting your business?

- 21% 1. Business financing payments are more expensive

33% 2. Consumer spending has slowed because of higher interest rates
6% 3. Credit, loans, harder to get (include trade credit)
41% 4. No significant impact
N=457

Q17. To what degree are higher interest rates impacting your business?

20% 1. Significant impact
47% 2. Moderate impact
28% 3. Mild impact
3% 4. No impact
2% 5. Does not apply
N=272

ERTC

Q18. How familiar are you with the Employee Retention Tax Credit (ERTC)?

23% 1. Very familiar
43% 2. Moderately/Somewhat familiar
34% 3. Not at all familiar
N=397

Q19. Have you claimed or submitted forms to claim the ERTC for wages in any quarter of 2020?

23% 1. Yes
63% 2. No
14% 3. Does not apply
N=390

Q20. Have you claimed or submitted forms to claim the ERTC for wages in any quarter of 2021?

17% 1. Yes
69% 2. No
14% 3. Does not apply
N=394

Q21. Have you received the credit?

12% 1. Yes, received it by withholding payroll taxes
45% 2. Yes, received it after retroactively submitting 941x form
31% 3. No, still waiting to receive the credit from the IRS
12% 4. Does not apply
N=100

Q22. If you filed retroactively, how many months did it take to receive the credit?

- 15% 1. 0 to 3 months
 - 20% 2. 4 to 6 months
 - 9% 3. 7 to 10 months
 - 6% 4. 11 or more months
 - 30% 5. Still waiting for the credit
 - 19% 6. Does not apply
- N=98

Paid Leave

Q23. Do you offer PAID family leave?

- 23% 1. Yes
 - 61% 2. No
 - 16% 3. Does not apply
- N=392

Q23A. If yes, how many weeks do you offer?

- 69% 1. 1-2 weeks
 - 20% 2. 3-4 weeks
 - 5% 3. 5-8 weeks
 - 3% 4. More than 8 weeks
 - 3% 5. Does not apply
- N=87

Q24. Do you offer PAID sick leave?

- 51% 1. Yes
 - 32% 2. No
 - 16% 3. Does not apply
- N=395

Q24A. If yes, how many days do you offer?

- 66% 1. 1-5 days
 - 29% 2. 6-15 days
 - 6% 3. More than 15 days
- N=201

Q25. If you do not offer PAID sick leave or PAID family leave benefits, what is the primary reason?

- 12% 1. I don't view these benefits as necessary to attract employees.
 - 36% 2. I can't afford to offer these benefits.
 - 22% 3. I'm not profitable enough to offer them right now but hope to increase benefits in the future.
 - 3% 4. The administration of benefits is too time-consuming and/or confusing.
 - 28% 5. Other
- N=275

Q25A. If you answered "other" please describe why you do not offer PAID sick or PAID family leave.

Q26. Have you heard of the "Employer Credit for Paid Family and Medical Leave", an employer tax credit based on a percent of wages employers paid to eligible employees who took family and medical leave?

- 22% 1. Yes
 - 78% 2. No
- N=393

Q26A. If yes, have you taken the credit on any employee wages paid for family or medical leave?

- 11% 1. Yes
 - 89% 2. No
- N=84

Payments

Q27. Does your business sell products or services online?

- 13% 1. Yes, products
 - 6% 2. Yes, services
 - 4% 3. Yes, both
 - 77% 4. No, neither
- N=455

Q27A. If yes, how does your current online sales volume compare to pre-crisis levels?

- 8% 1. More than 100% of pre-crisis level
- 32% 2. 76%-100%
- 17% 3. 51%-75%
- 14% 4. 26%-50%

28% 5. 1%-25%

N=99

Q28. Does your business accept cash as a form of payment?

78% 1. Yes

22% 2. No

N=441

Q29. How much of your total sales are paid using cash?

76% 1. 1%-25%

15% 2. 26%-50%

6% 3. 51%-75%

3% 4. 76%-100%

N=336

Q30. How do you process your company's payroll?

38% 1. Full-service payroll provider (e.g., ADP, Intuit, Gusto)

47% 2. In-house

15% 3. Outside accountant/bookkeeper

N=403

Q31. Does your business have a website?

77% 1. Yes

23% 2. No

N=456

Q31A. If yes, who initially designed the business's website?

31% 1. Owner or employee within the business

47% 2. Outside company or individual

22% 3. Collaborative effort (internal and external)

0% 4. Does not apply

N=348

Q31B. If yes, who primarily maintains and updates your business's website?

47% 1. Owner or employee within the business

47% 2. Outside company or individual

6% 3. Website isn't maintained or updated

0% 4. Does not apply

N=344

Q31C. Does your website take online payments?

23% 1. Yes
71% 2. No
5% 3. Does not apply
N=350

Q32. Please classify your major business activity, using one of the categories of examples below.

17% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)
10% 2. Manufacturing and mining
1% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)
2% 4. Wholesale
18% 5. Retail
5% 6. Restaurant/Bar
7% 7. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)
6% 8. Financial, insurance, real estate
14% 9. Services (auto repair, house cleaning, salon, etc.)
6% 10. Professional services (attorney, physician, skilled nursing, etc.)
14% 11. Other
N=452

If other, please describe:

Q33. Number of Employees

13% 1. No employees
14% 2. 1-2 employees
22% 3. 3-5 employees
19% 4. 6-9 employees
16% 5. 10-19 employees
10% 6. 20-49 employees
4% 7. 50-199 employees
1% 8. 200 or more employees
N=454