

## Hiring challenges dim outlook for small businesses

Confidence among small businesses declined for the fifth month due to the Delta variant, according to the October 2021 WSJ/Vistage Small Business CEO Confidence Index survey. Although the Index fell by a cumulative 16% from its May peak (100.9 from 119.9), it remained 11.8% above last year's 90.2. How small businesses have adapted operations to meet the challenges of the coronavirus pandemic and the resulting supply bottlenecks are well known. One might have assumed that given the huge job losses caused by the pandemic, small businesses would not have a problem hiring more employees to operate at full capacity. However, when specifically asked about hiring, 55% of small businesses reported that they could not hire enough employees to operate at full capacity. To counter these hiring difficulties, small businesses have boosted wages (62%), offered off-site work and flexible hours (35%), expanded benefits (27%) and provided hiring bonuses (19%). Small businesses have also created programs to develop the job skills of existing employees (56%) and to increase overtime pay for current employees (20%). Others have opted to refine their recruitment strategies (49%) or to invest in labor-saving devices (28%). Indeed, of all of the components of the Small Business Confidence Index, the only one to post a small October gain was plans for fixed investments. Increased wages and benefits, higher supply-chain prices and operating costs are likely to continue to negatively impact inflationary trends and increase the probability of a policy response by the Federal Reserve.

### Sharp slowdown in growth expected

The expected pace of economic growth posted declines for the past five months, with the October survey recording just 26% of firms that anticipated an improving economy in the year ahead, a fraction of the 66% recorded in May. Indeed, more small businesses anticipated that aggregate economic conditions would worsen rather than improve during the year ahead (32% vs. 26%). This rapid decline was mainly due to the Delta variant, although the DC gridlock may have also contributed to the October decline and offset the fading negative impact of the Delta variant. The continued decline may also reflect the recognition that the supply bottlenecks will not be quickly corrected, and the restructuring of the labor force will be more long-lasting. The significant cutbacks expected in the availability of imported holiday gifts could provide new sales opportunities for the more nimble small businesses.

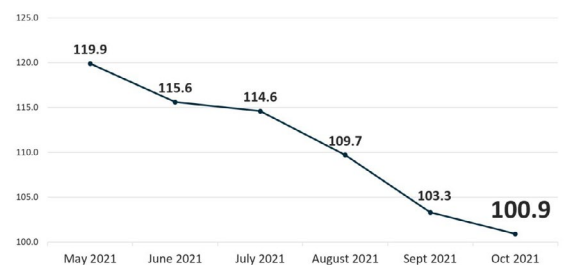
### Revenue and profit growth dim

Revenue and profit expectations among small businesses moderated during the past several months. Revenue increases were expected by 67% in October, down from a peak of 80% in June and barely above last year's 66%. Profits were expected to increase by 49% of small businesses, down from a peak of 62% in May and the lowest percentage since August of 2020. Lower sales volumes and rising supply costs and wages have received the most attention, although small businesses had to cover other additional costs: managing evolving COVID-19 policies such as required vaccinations (23%), masking (31%), testing (14%), as well as handling new guidelines when visiting customers or suppliers, including limited access (60%), proof of vaccinations (39%), or negative tests (22%).

### Hiring slows amid challenges

The decline in hiring plans over the past several months has been modest, with 65% of small businesses expecting to add workers between May's peak of 75% and last October's 59%. This recent dip represents an adjustment in the pace of hiring and does not indicate a renewed slump. Indeed, just 3% of small businesses surveyed anticipated that their total number of employees would decline in each of the past four months.

**WSJ/Vistage Small Business CEO Confidence Index – 6-month trend**



The WSJ/Vistage Small Business CEO Confidence Index dropped to 100.9 in October, the fifth consecutive month of decline.

Visit [vistageindex.com](https://vistageindex.com) to see the interactive tool and view results from previous months.

## Investment plans expand

Increases in fixed investment spending during the year ahead are planned by 46% of small businesses surveyed, up from last month's 44% and well above last year's 36%. Indeed, over the past seven months, investment increases were planned by 48% of small businesses, up from just 27% in the same period a year ago. Labor shortages and higher wages have sparked interest by 28% of small businesses to invest in labor-saving devices and equipment. While higher wages can be passed along to customers, labor shortages reduce productive capacity, causing minor delays at best, and at worst, limited capacity that could cause a loss in market share.

– Analysis provided by Dr. Richard Curtin, University of Michigan

Source: October 2021 WSJ/Vistage Small Business CEO Confidence Index Survey n=596

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	301	51%
	Remained about the same	151	25%
	Worsened	140	23%
	Don't know/No opinion	4	1%
2. During the next 12 months, do you expect that the overall economic conditions in the U.S. will be better, about the same, or worse than now?	Better	156	26%
	About the same	240	40%
	Worse	190	32%
	Don't know/No opinion	10	2%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	400	67%
	Remain the same	148	25%
	Decrease	42	7%
	Don't know/No opinion	6	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	294	49%
	Remain the same	202	34%
	Worsen	90	15%
	Don't know/No opinion	10	2%

Question	Answer	Respondents	
		#	%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	277	46%
	Remain the same	250	42%
	Decrease	56	9%
	Don't know/No opinion	13	2%
6. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	385	65%
	Remain the same	191	32%
	Decrease	15	3%
	Don't know/No opinion	5	1%
7. What changes have you made — or do you plan to make — in response to the Delta variant or recent government actions?	Vaccination policies	135	23%
	Masking policies	185	31%
	Testing policies	82	14%
	Return-to-work plans	122	21%
	Business travel	76	13%
	Have not made any changes	280	48%
	Uncertain/Don't know	18	3%
	Other	34	6%

Question	Answer	Respondents	
		#	%
<b>8. If hiring employees has become more difficult, what are you doing in response?</b>	Boosting wages	368	62%
	Increasing overtime for existing employees	120	20%
	Adding employee benefits	158	27%
	Developing existing workforce	333	56%
	Slowing or delaying growth	108	18%
	Offering flexibility for remote work or flexible hours	209	35%
	Offering hiring bonuses	115	19%
	Refining recruitment strategies	291	49%
	Investing in automation and labor-saving devices	167	28%
	Seeking partners to create apprenticeship or internship programs	95	16%
	Does not apply	53	9%
Other	27	5%	
<b>9. Are hiring challenges impacting your ability to operate your business at full capacity?</b>	Yes	329	55%
	No	265	45%
<b>10. Have any of your customers, suppliers or other business partners implemented COVID-19 policies that impact your business?</b>	Limiting access to people from outside the company	212	60%
	Requiring proof of vaccination to enter premises	138	39%
	Requiring negative COVID-19 test to enter premises	76	22%
	Offering on-site testing	15	4%
	Other	62	18%

Question	Answer	Respondents	
		#	%
<b>11. Is your business certified as women- or minority- owned?</b>	Yes, women-owned	49	8%
	Yes, minority-owned	14	2%
	No, but would qualify to be certified	56	9%
	No, are not eligible	472	80%
<b>12. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	51	9%
	10-19 employees	119	20%
	20-49 employees	232	39%
	50-99 employees	136	23%
	100-499 employees	55	9%
	500-999 employees	2	0%

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## Small Business CEO Survey

A monthly survey measuring the sentiment of U.S. small business CEOs and owners about the economy.

Visit [vistageindex.com](https://vistageindex.com) to view an interactive tool with full results from previous months.