

2023 REPORT

The Small-Business Labor Crisis

Introduction

Since the beginning of the COVID-19 pandemic, labor crises have sent shock waves throughout the country. First, millions of workers either lost their jobs or were sent to work from home as government and health officials tried to get a handle on the global health crisis. Then, in the Great Resignation of 2021, an average of 4 million workers quit their jobs every month.¹ And in 2022, more than 50 million U.S. workers left their jobs—the most ever recorded in the history of the Job Openings and Labor Turnover Survey.²

Now, we're seeing record-high job openings alongside low labor force participation rates that have been steadily declining since the 1950s.³ A troublesome series of events has unfolded over the last three years, causing a messy snowball effect in America's businesses, economy and morale.

EntreLeadership's Small-Business Labor Crisis Report focuses on the scope and impact of the struggle small-business owners are experiencing as they attempt to attract and keep workers so they can serve their customers, stay competitive, and grow their business. All statistics below that are not cited are from The State of Small-Business Owners in America research study conducted by Ramsey Solutions used to create the Small-Business Labor Crisis Report.

For the purposes of this report, a small business is a firm that has fewer than 500 employees. Nearly 33.2 million small businesses currently operate in the U.S., which account for 99.9% of all businesses in America. Small businesses employ 61.7 million Americans.⁴

Report Summary

- 11.3 million small-business owners say they are struggling to find employees who can do the work they need.
- Over half (55%) of small-business owners with 50 or more employees say retaining their existing staff has been very challenging.
- Nearly one-quarter (23%) of small-business owners say they've had to shorten business hours due to worker shortages.
- One in 4 (24%) small-business owners have stopped offering certain services due to staffing challenges.
- 44% of small-business owners say increasing wage levels has put pressure on their bottom line.
- 51% of small-business owners have raised prices recently to help offset increasing wages for employees.
- 42% of small-business owners say they have experienced burnout in the past year.
- Six in 10 (56%) small-business owners say they feel alone in solving problems and making decisions.
- Despite the challenges of owning and operating a small business, 7 in 10 (69%) small-business owners rarely or never think about giving up.

Millions of small-business owners can't find employees to do the work they need.

Despite more open jobs than people to fill them, millions of Americans are sitting on the sidelines and choosing not to work.⁵ The result: 11.3 million small-business owners are struggling to find employees who can do the work they need.

11.3 million small-business owners say they are struggling to find employees who can do the work they need.

That means over one-third of small-business owners can't find workers to serve customers, restock supplies, run production lines, transport products, or do thousands of other jobs that allow owners to operate their businesses as usual. And for companies with 50 or more employees, nearly half (47%) say they can't find new hires to help them.



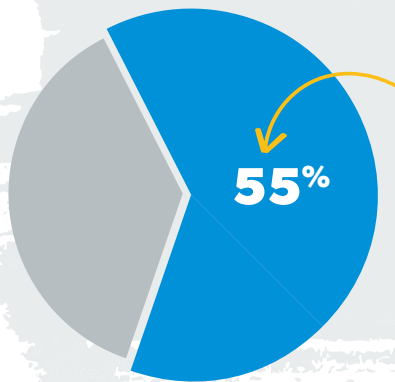
"A peacetime labor shortage has erupted."

— DR. NICHOLAS EBERSTADT
Economist and Author of *Men Without Work*

Keeping their existing staff is also a challenge for small-business owners in America.

While small-business owners are dealing with the challenge of attracting new team members, they're under even more pressure to hold on to their current team members—especially in the face of competing for workers in a shrinking labor pool.

Businesses with 50 or more employees feel the pressure the most with 18.3 million small-business owners (55%) who say retaining existing staff has been very challenging.



Over half of small-business owners with 50 or more employees say retaining their existing staff has been very challenging.

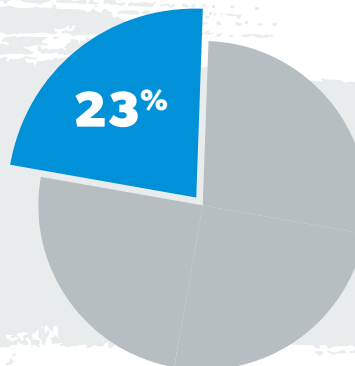
That's 18.3 million small businesses.

To deal with labor shortages, small-business owners have resorted to cutting hours and limiting services.

Nearly 8 million U.S. businesses—one-quarter of those surveyed—have cut their hours. One in 4 (23%) were forced to stop offering certain services because they simply don't have enough workers to maintain their normal operations. What do limited services look like for customers? Closed customer-service desks and theatre ticket booths, fewer restaurant menu items, no live phone agents when you need them, and even guaranteed two-day shipping becoming a thing of the past.

Almost 1 in 4 small-business owners say they've had to shorten their business hours due to worker shortages.

That's 7.6 million small businesses.





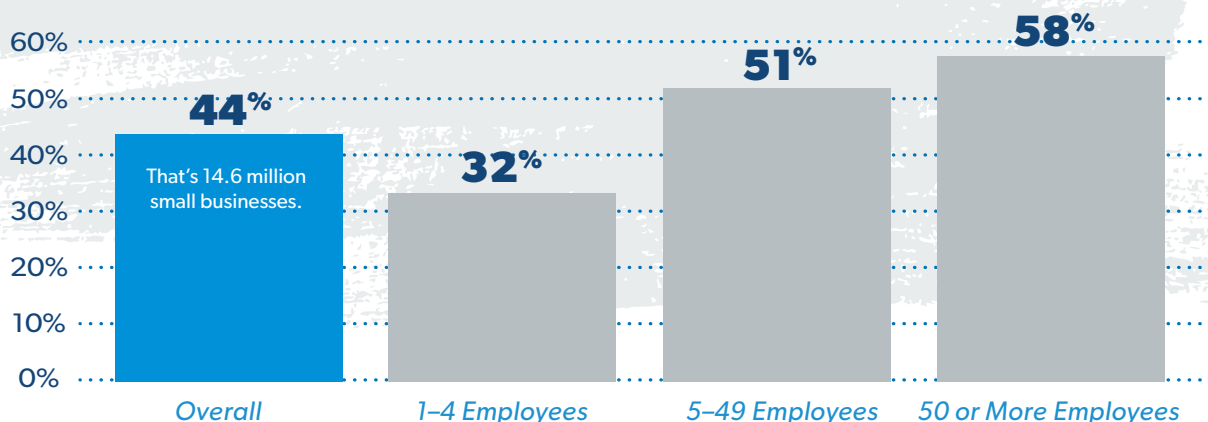
1 in 4 small-business owners have stopped offering certain services due to staffing challenges.

That's 8 million small businesses.

On top of the labor-shortage pressure, small businesses feel the choke hold of wage increases that are hard to keep up with.

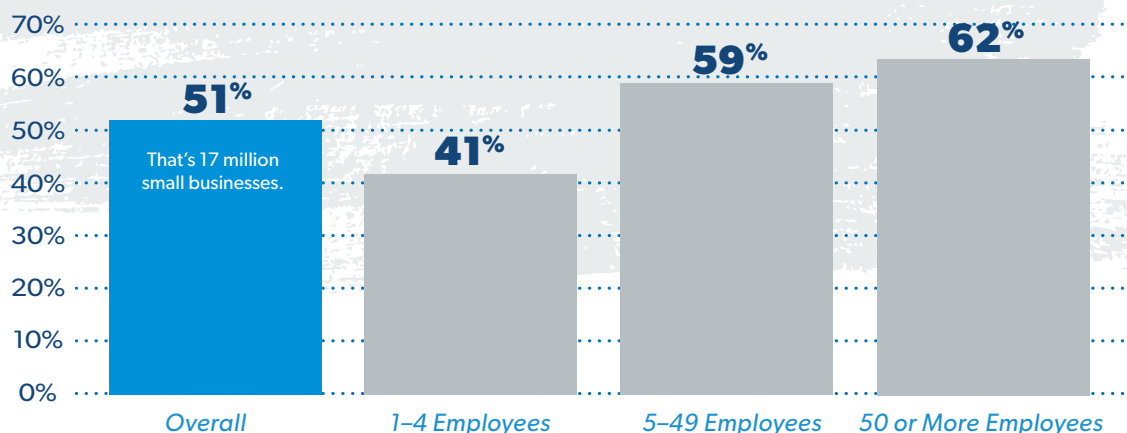
In 2020, businesses saw one of the fastest increases in salaries and hourly wages in more than 40 years.⁶ And 44% of all businesses say those increasing wage levels are squeezing their company profits. Among businesses with 50 or more employees, more than 19 million (58%) feel the hit on their profit margin. The industries feeling the most pain from wage increases are construction, retail and the food and hospitality industry.

44% of small-business owners say increasing wage levels have put pressure on their bottom line.



To offset the financial hit, businesses are raising prices—and adding to a potentially out-of-control inflation spiral.

51% of small-business owners have raised prices recently to help offset increasing wages for employees.



While 51% of small businesses overall say they've raised prices recently to help offset higher wages, that percentage is even higher among businesses with five employees or more. 59% of businesses with five to 49 employees and 62% of businesses with 50 or more employees have recently raised their prices.

The numbers tell the story: Wages and consumer prices don't live in isolation—and right now they're feeding on each other in what could become a wage-price inflation spiral.



In the face of a labor crisis, business owners are running on empty—and just plain burned out.

Running a business during a pandemic—and now in the crazy aftermath—has taken a heavy toll on business owners' physical and mental health. In the past year, 42% of small-business owners have experienced burnout. That's nearly 14 million left weary and exhausted by the heavy stress and constant pressure.

42% of small-business owners say they have experienced burnout in the past year.

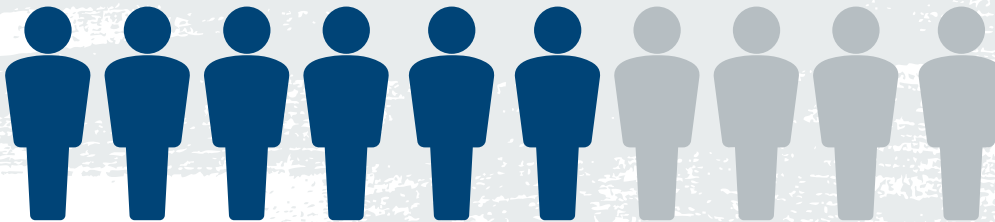
That's 18.6 million small-business owners.

Adding to the burnout is a sense of isolation. “It’s lonely at the top” is a saying that’s become all too real.

Nearly 6 in 10 (56%) small-business owners feel like they’re flying completely solo and are left to solve business problems on their own—without encouragement, accountability and anyone to talk to about their decisions.

6 in 10 small-business owners say they feel alone in solving problems and making decisions.

That's 13.9 million small-business owners.



Despite the hardships and hurdles, American small-business owners don't have any intentions of giving up.

Nearly 70% of small-business owners surveyed refuse to entertain thoughts of throwing in the towel—and another 17% only sometimes think about quitting. That's 87% of small-business owners embracing the demands, aggravations and sometimes full-on pain of building their businesses with a can-do, will-do attitude.

7 in 10 small-business owners rarely or never think about giving up.

That's 22.9 million small-business owners.



"Calluses on our hands and our character, earned through stress and strain, are the trophies of service to others. Others-centered rather than self-centered people have the best lives."

— DAVE RAMSEY

Eight-Time National Bestselling Author
and CEO of Ramsey Solutions

Conclusion

The current U.S. labor crisis is alarming and complicated, and it adds to the challenges tens of millions of small-business owners face every day. Businesses in nearly every part of the U.S. economy and region of the country are affected by the tangled web of factors:

- A shrinking worker pool
- Trouble retaining current staff
- Higher-wage pressures
- Price hikes to keep up with wage increases

Owning and running a business is hard on a leader's best day. Now, business owners are being forced to tackle challenges they've never experienced before at such an intense level—and they're doing it exhausted and alone.

A few statistical headlines in our report point to two very different groups of Americans. On one hand, we see those who don't seem to want to be part of the labor force they knew before the pandemic. They've checked out of work completely or more easily entertain jumping ship for what looks like a better offer. This flight from work can't be ignored, but it's unclear if this new trend is lingering shock from the pandemic or a more permanent shift in American work patterns and mindsets.

On the other hand, we see tens of millions of small-business owners who seem to be hardwired for doing hard things. They feel the pressure of a strained economy and uncertain labor force, but they're facing that pressure with grit and optimism. These men and women refuse to wait for others to create policies and programs that probably won't fix the labor crisis. They're attempting to solve the issue themselves.

With 70% or more of small-business owners committed to moving forward as entrepreneurs and leaders, it's possible that they will lead the way as change agents if they take actions like:

- Slowing their growth temporarily, if necessary
- Reworking their hiring process and goals
- Connecting regularly with other like-minded business leaders
- Developing as business leaders they would want to work for (and who others want to follow)

Embracing this level of courageous leadership has the potential to revive America's economy, remind others of the work ethic and integrity our country was built on, and restore faith in the value of community and power of hard work.



“Small-business folks—they are the economy. They’re mavericks, visionaries and risk-takers. They’re leaders of the free world. The ones who don’t take no. Not even the second no. And they don’t know how to quit.”

— DAVE RAMSEY

Eight-Time National Bestselling Author
and CEO of Ramsey Solutions

ABOUT THE STUDY

EntreLeadership, a business unit of Ramsey Solutions, conducted The State of Small-Business Owners in America research study to gain an understanding of behaviors, attitudes and opinions of U.S. small-business owners. The main themes of the study include the labor crisis in America, hardships faced by small-business owners, doing good in the community, and why people became a small-business owner. This nationwide study with 1,004 small-business owners was fielded from April 5–11, 2023, using a third-party research panel. Using data from The State of Small-Business Owners in America study, EntreLeadership created the Small-Business Labor Crisis Report.

ABOUT RAMSEY SOLUTIONS

Ramsey Solutions has been committed to helping people take control of their money, build wealth, grow their leadership skills, and enhance their lives through personal development since 1992. Millions of people have used our financial advice through 22 books (including 12 national bestsellers) published by Ramsey Press, as well as two syndicated radio shows and nine podcasts, which have over 20 million weekly listeners.

ABOUT ENTRELEADERSHIP

EntreLeadership is a Ramsey Solutions business unit that exists to give small-business owners hope by helping them master themselves, rally their teams, and impose their will on the marketplace. Thousands of leaders use our proven EntreLeadership system and resources to develop as leaders and grow their businesses. These resources include *The EntreLeadership Podcast* along with our digital products, books, live events, coaching sessions and business workshops.