

THE MEGAPHONE OF MAIN STREET:

presented by  
**SCORE** 

# Small Business Jobs Report

FALL 2021



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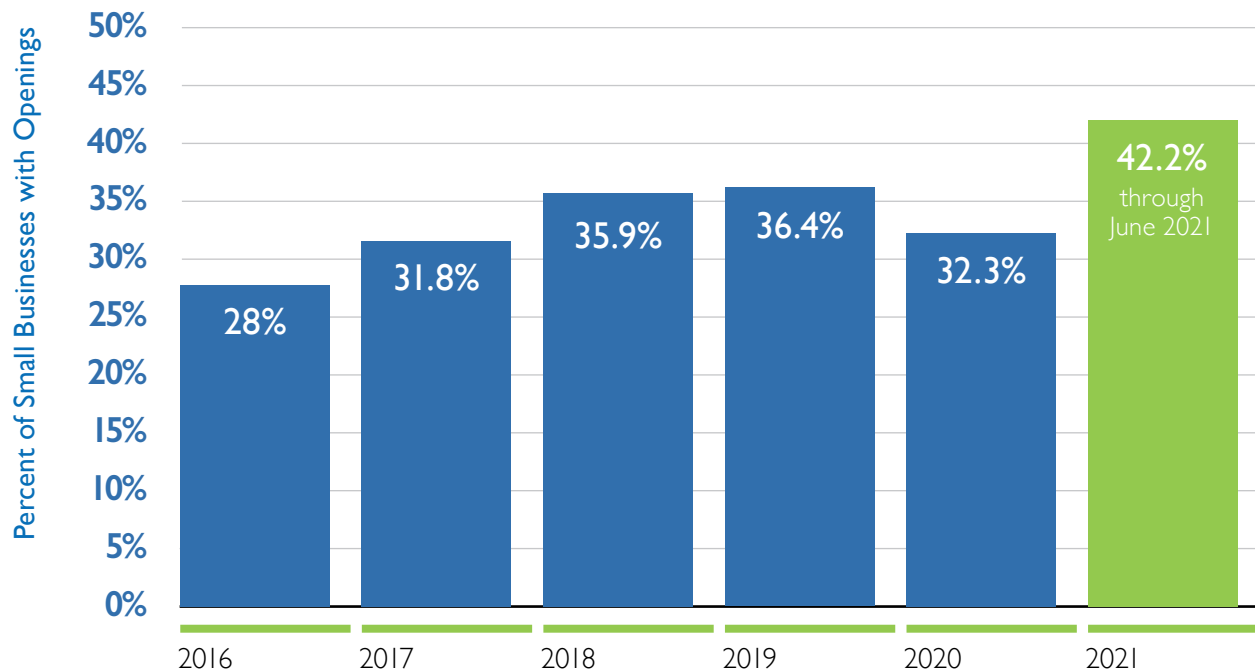


# Why Focus on Small Business Job Impacts Now?

The COVID-19 pandemic continues to have a tremendous impact on U.S. small businesses, particularly on smaller “Main Street” establishments. While restrictions have been eased and the economy is on the rise, business owners are reporting a new, significant barrier to recovery beyond COVID: worker shortages. This report explores the growing needs and challenges of small business owners in search of employees.

June 2021 marked the fifth consecutive month with record-high readings for unfilled job openings (seasonally adjusted). The U.S. Department of Labor reported one million more job openings than expected in June, rising to 10.1 million open jobs from 9.2 million open jobs at the end of May<sup>i</sup>. Since March 2021, the number of unfilled job openings rose 20-26 points higher than the 48-year historical average<sup>ii</sup>.

## Small Businesses with Unfilled Job Openings (seasonally adjusted)



Small businesses play an important role in the United States labor market, and they are often considered the “lifeblood” of the U.S. economy. They employ 47.1% of all U.S. workers<sup>iii</sup> and contribute to 41% of all U.S. economic activity<sup>iv</sup>.

Much of the current research and reporting focuses on worker perspectives, attitudes and drivers to achieve employment. In this study, we focus on current employment gaps through the eyes of small business owners, which is critical to developing programming that helps business owners recover from dramatic disruptions caused by the COVID-19 pandemic.

**Part 1: Small Businesses Struggle to Hire** – Explores the challenges current employer-business owners have with hiring and retaining employees.

**Part 2: Small Businesses Require Help to Recover** – Looks ahead and asks small business owners about their outlook and what they need as they struggle to grow and employ more workers.

Of the more than 1,712 survey respondents, SCORE analyzed responses from 718 current business owners who had employees and/or were trying to hire. The businesses surveyed represent diverse industries and geographic locations throughout the United States. All survey respondents agreed to provide an honest reflection of their experiences and outlook.

In some sections of this report, data is included from SCORE's last *The Megaphone of Main Street: Small Business Jobs Report*, which was completed in the fall of 2017<sup>9</sup>. References to the small business owners' responses in that report were included to provide context and historical comparison.

*“The most common problem is staffing. People everywhere tell us they can’t get people to come back to work and can’t find help anywhere. There are job signs posted, but many coffee shops and restaurants are forced to shut down several days a week due to staffing shortages.”*

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## About SCORE

SCORE is the nation's largest network of volunteer, expert business mentors, with approximately 10,000 volunteers in more than 240 chapters and 1,500 communities nationwide. Since its founding in 1964 as a resource partner for the U.S. Small Business Administration, SCORE has helped more than 11 million current and aspiring entrepreneurs to start, grow or troubleshoot a business through mentoring, workshops and educational services. In 2020 alone, SCORE volunteers helped to create 45,027 new small businesses and add 74,535 non-owner jobs to the American economy.

# Key Findings

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## Part 1: Small Businesses Struggle to Hire

- Employment challenges currently rank highest among business owners. “Hiring the right talent” is the number one challenge (63.4% of business owners), overshadowing “finding customers,” followed by “retaining or motivating employees.” In 2017, financing challenges were ranked higher.
- Two-thirds of business owners (61.2%) report having unfilled job openings within the past six months.
- 89.5% of business owners see hiring new employees as somewhat or very difficult. Once employees are hired, 69.9% have difficulty with onboarding and 62.9% cite troubles with retention.
- Pressure to increase wages to stay competitive now impacts twice as many business owners (54.7%) compared with 2017 survey results (26.2%).
- 70.3% more business owners cite lack of health care benefits as a barrier to hiring, compared with 2017 survey results.

## Part 2: Small Businesses Require Help to Recover

- Despite recent challenges, 67.2% of business owners surveyed report feeling optimistic about the next six months. This shows little decline compared to 2017 survey results showing 69% optimism.
- 56% of business owners plan to hire employees in the next six months.
- 60.5% of small businesses have increased wages to attract and retain employees.
- 43.6% of business owners now use job posting sites with growing success. Still, “word of mouth” from other employees (56%) remains the top way to attract new employees.
- When asked what resources would be most helpful for small business success, owners cite better health care options (51.1%) first, followed by loan forgiveness or debt relief (49.9%) and access to capital (41.5%).
- 55.1% of small business owners expect hiring challenges to continue through 2022 and beyond.

*“Increasing regulations and increasing minimum wage levels make it difficult to stay in business with employees. At the beginning of the pandemic, we laid off half of our work force. The business now runs MUCH better and is far more profitable than before.”*

## PART I:

# Small Businesses Struggle to Hire

**Hiring and retaining talent is currently the number one challenge facing small business owners.**

Currently, the number one challenge small businesses report is hiring the right talent (selected by 63.4% of business owners). This represents a significant shift in SCORE's survey data. SCORE has surveyed business owners at least twice per year for the past five years, and throughout that time period, survey results have consistently shown that finding financing and finding customers are the top concerns. Now, despite the myriad challenges faced in business operations, customer acquisition and cash flow related to the COVID-19 pandemic, business owners ranked hiring issues 66.8% more often than "finding customers." "Retaining/motivating employees" is a concern listed by 31.3% of respondents, rounding out the top three business challenges.

### *What are your top three business challenges right now?*

Hiring the right talent	63.4%
Finding customers	38%
Retaining/motivating employees	31.3%
Finding financing	29.3%
Dealing with too much demand	24.6%
Supplier issues	20.2%
Meeting customer expectations	19%
Regulations	13.8%
Production delays	11.5%
Problems with shipping/delivery to customers	4.6%

To understand how businesses are currently doing in terms of staffing, we asked about employee count relative to pre-COVID times. Many (41.5%) small business owners currently employ the same number of people as before COVID. About one-third or 31.8% have more employees and one-quarter or 26.8% have fewer employees.

### *Compared to Feb. 2020, your number of employees is:*

Fewer	26.8%
The same	41.5%
Higher	31.8%

## Hiring needs are more difficult than ever before.

Even before the pandemic, most business owners (55.9%) in 2017 stated that it was very or somewhat difficult to fill their hiring needs. Now even more owners (61.3%) cite filling positions as very or somewhat difficult. Similar to previous reports, roughly two thirds (61.2%) of employers report having job openings they have not been able to fill in the past six months.

### *In the past six months, rate the difficulty in filling your hiring needs:*

	2021	2017
Very or somewhat difficult	61.3%	55.9%
About the same	28.9%	24.9%
Very or somewhat easy	9.7%	19.3%

### *Did you have any job openings you were not able to fill in the past six months?*

	2021	2017
Yes	61.2%	72.7%
No	38.8%	27.3%

This report uncovers the backstory behind recent unemployment numbers – accordingly, business owners were asked only about employees and not about contractors or freelancers.

*“Because we are such a small business and our needs require a variety of skills for short periods, we contract for services rather than hire employees. The freelance pool is larger than ever.”*

## Nearly 90% of business owners cite difficulties in hiring new employees.

When drilling down into the labor issues small business owners experience, the vast majority (89.6%) see hiring new employees as either somewhat or very difficult. Once employees are hired, 69.9% of owners report difficulty with onboarding and 62.8% cite troubles with retention.

When looking at existing employees, most (52.6%) did not have any difficulties with retention.

### How big of an issue has the following been for your company in the past few months?

	Not at all difficult	Somewhat difficult	Very difficult
Hiring new employees	10.5%	33%	56.6%
Onboarding new employees	30.1%	39.4%	30.5%
Retaining new employees	37.1%	39.1%	23.7%
Hiring back temporarily laid off employees from 2020	43.5%	24.8%	31.7%
Retaining existing employees	52.6%	35.3%	12.1%

## There is increasing pressure to raise wages so jobs are competitive.

The number one issue getting in the way of small business hiring is the pressure to increase wages to stay competitive. Twice as many business owners (54.7%) cite the need to raise salaries, compared with 2017 survey results (26.2%).

*“We aim to pay above-market wages for employees with the required skill set. There is a talent pool shortage for highly qualified candidates.”*



*What specific issues are making hiring so difficult right now? (Check all that apply)*

	2021	2017
Need to raise salary wages to be competitive	54.7%	26.2%
Cannot find qualified applicants (skills / expertise)	53%	51.3%
Lack of applicants	48.9%	N/A
Do not offer health care benefits	37.3%	21.9%
Time consuming to hire qualified workers	30.9%	18.2%
Need to offer other benefits (apart from health care) to attract workers	16.9%	12.9%
Virus/vaccine/health concerns	14.1%	N/A
Demand for flexible schedules / work from home	11.2%	N/A
Difficulties with child care / family issues	10%	N/A
Inability to offer professional progression	7.4%	N/A
Company location not desirable to candidates	6.9%	6.6%
Candidates did not pass drug-testing requirements	5.3%	8.9%

Over half of respondents (53%) indicate it is still difficult to find qualified applicants – similar to the response in 2017. The lack of applicants, in general, is the next most prevalent issue cited (by 48.9% of respondents).

*“Many applicants don’t reply to phone calls or they are no-shows at interviews. There is a lack of motivation for people to find work. [I think] they prefer to live on unemployment, etc. We’ve considered raising wages, but it may not make a difference.”*

*“In general, people overrate their level of skill/experience and expectations for compensation. The additional unemployment assistance from federal and state governments for COVID was disastrous. It left those unemployed feeling entitled to [receive higher payments] from employers without merit.”*

**70.3% more business owners cite lack of health care benefits as a barrier to hiring, compared with 2017 respondents.**

The issue of health care benefits has significantly heightened in importance. In 2017, only 21.9% of business owners selected not offering health care benefits as an issue in hiring versus 37.3% today. It is not surprising, given the worries and personal impact COVID-19 has had on all of us, including employees seeking jobs.

*“I want to offer health insurance, but it’s unaffordable for small businesses. We need to separate health care from employment so that small businesses can compete with large employers.”*

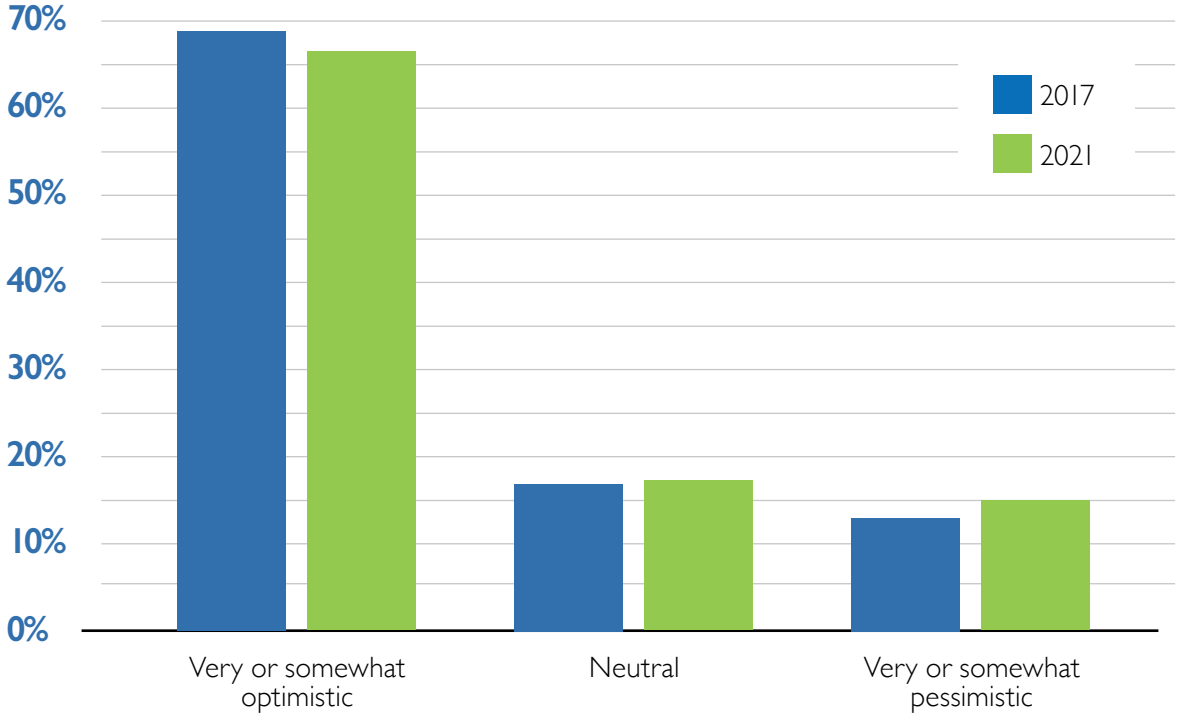
**PART 2:**

# Small Businesses Require Help to Recover

## Small business employers remain optimistic despite COVID-19 challenges.

Despite many challenges stemming from COVID-19, small business owners remain optimistic about the future growth of their business. Attitudes captured by SCORE in 2017 (69% optimistic) and 2021 (67.2% optimistic) are consistent with the most recent small business Optimism Index in June, which shows an overall positive outlook at this stage of the pandemic<sup>vi</sup>.

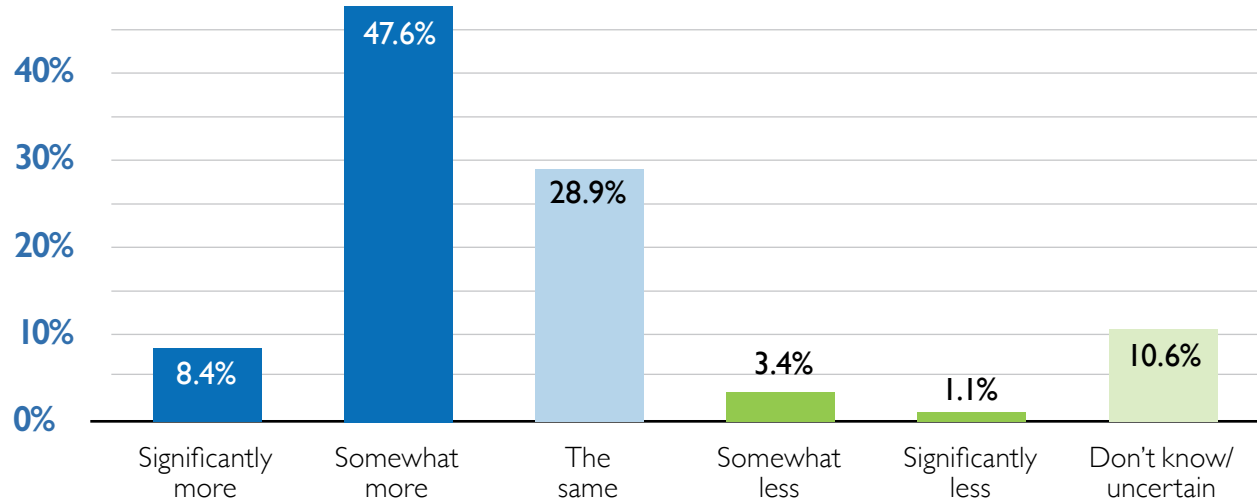
*Overall, how optimistic are you regarding the future growth of your business in the next six months?*



## Most business owners plan to hire in 2021.

56% of business owners surveyed say they plan to add some or significantly more employees in the next six months. Only 4.5% anticipate having fewer employees.

*Do you think your number of employees in the next six months will be:*



## 60.5% of all small businesses increased wages to attract and retain employees.

60.5% of small businesses have increased wages to attract and retain employees. More prospective employees are looking for a career path (as opposed to a job), so many businesses are offering professional training and skill development (36.6%) and formal career paths (24.5%). Given the shift to remote work since March 2020, flexibility to work from home is another perk offered by about one-third (34.6%) of businesses surveyed.

*What have you changed to attract / retain employees in the past few months?*

Increased wages	60.5%
Professional training and skill development	36.6%
Work from home / remote work options	34.6%
Career path/progression	24.5%
Employee recognition programs	21.4%
Additional paid time off / holidays	20.2%
Profit sharing	17.1%
Referral bonuses	13.6%
Hiring bonuses	11.3%
Health and wellness programs	10%
Tuition reimbursement	5%
Child care/child-friendly workplaces	5%

## Job posting sites are increasingly seen as effective to attract new employees.

Similar to SCORE's 2017 Jobs Report, small business owners appreciate direct recommendations as their most successful resource for new employees. Recommendations come from either other employees (56% successful) or other business owners (34.9% successful). Notably, a growing number of business owners (43.6%) now use job posting sites and almost half (46.6%) see these platforms as effective sources for labor needs, a significant increase from the 34.5% of business owners who reported using these sites in 2017.

### *Where did you look for workers? Where were you successful in finding them?*

	2021		2017	
	Have Used	Has Been Successful	Have Used (employers only)	Has Been Successful
Recommendations from other workers	48.5%	56%	42.1%	53%
Job posting sites (Examples: Indeed, Ladders, etc.)	43.6%	46.6%	34.5%	43%
Recommendations from other business owners	35.5%	34.9%	29.9%	41%
Networking groups	28%	30.3%	21%	35%
Online platforms (Examples: Freelancer, TopTal, Upwork)	33%	40.9%	24.9%	34%
Intermediaries (such as temp agencies)	13.8%	23.2%	N/A	N/A
Outside HR service or consultant	10.2%	26%	N/A	N/A
Military	5.8%	26.2%	N/A	N/A
Trade schools	14.1%	24.8%	N/A	N/A

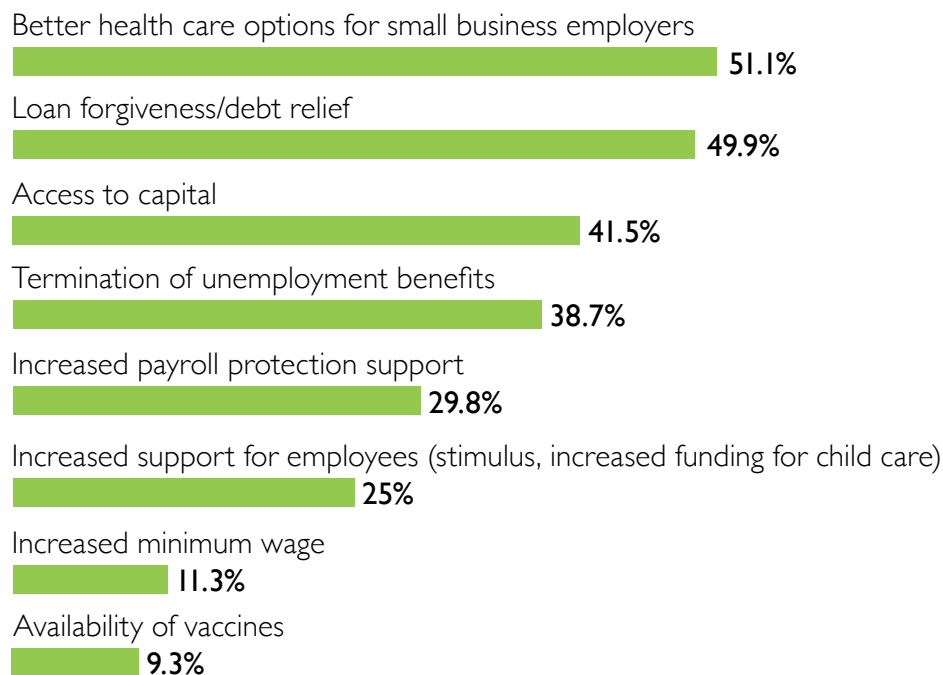
*“Since young kids can’t yet get the vaccine, we could use financial help to pay for telework and to help employees keep their payment while caring for a child with a COVID illness.”*

## Small businesses seek help to offer better benefits and higher wages.

When asked what resources would be most helpful for small business success, owners cite better health care options (51.1%) first, followed by loan forgiveness or debt relief (49.9%) and access to capital (41.5%). Termination of state and federal unemployment benefits were ranked as less helpful than other options.

In general, small business employers are looking for additional financial help to offer higher wages and better benefits like health insurance and child care. Many cite issues with their savings being wiped out after months of pandemic shutdown. They recognize their employees need valuable benefits like secure health care and child care, and they are looking for outside support.

### *What additional resources would help you/your business to succeed in the next year?*



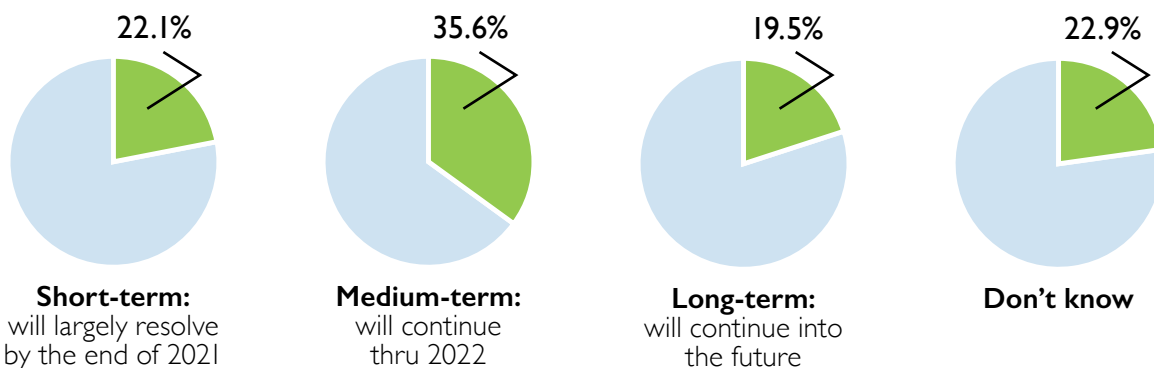
*“I offer health care benefits through my business but the rates went up 11% in 2021 and are expected to go up 17% in 2022. This is with less benefits AND with us paying \$400 of each employee’s monthly premium. Why does this country burden small businesses to provide employees with health care? Why can’t that be a basic right, instead of an employer benefit?”*

*“Access to good, affordable child care would help my employees return to a fuller schedule. Right now, child care expenses negate their pay. Though I want to, we don’t have the budget to help with child care. Health care and paid time-off banks would be helpful, too. I provide some but can’t offer the same benefits as larger companies. We also can’t afford retirement benefits. To put it bluntly, we can’t provide both high pay and more robust benefits. Our whole industry would improve if there were some good public options for these.”*

### Most small business owners expect hiring challenges to continue through 2022.

While 22.1% of small business owners expect hiring difficulties to end soon, most (55.1%) expect these problems to continue through 2022 or even beyond.

*Do you think the current difficulties in hiring are:*



*“Unfortunately, [I don’t believe] the work force will return to pre-pandemic expectations. I am not sure I will be able to hold out for six more months where I can afford to hire local people. I am taking a hard look at moving manufacturing of my products overseas.”*

*“The current candidate mindset is significantly different than before the pandemic. Candidates tend to be self-focused, not concerned about the value they bring to a position but rather what’s in it for them. Women appear to have left the workforce in large numbers (and seniors?) leaving huge gaps. Our position is on-site, not remote. Many candidates like the freedom remote positions offer and the lack of accountability. It’s probably going to take some time for the ‘dust to settle.’”*



## Conclusion

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While the “Help Wanted” signs are evident everywhere and unemployment rates are dropping<sup>vii</sup>, rising employment needs are gaining attention in the national news. Hiring struggles for small businesses are not a new challenge. In the 2017 *The Megaphone of Main Street: Small Business Jobs Report*, business owners struggled to find qualified workers to fill open positions.

The pandemic has further complicated this difficult issue. According to the Bureau of Labor Statistics, American workers are currently quitting their jobs at record rates and job openings are slow to fill. SCORE explored this “Great Resignation” to look deeper into the reasons why employees are quitting and employers are facing hiring challenges<sup>viii</sup>. SCORE found the lack of child care, low wages, fear of COVID, long commutes, changing values and priorities (leading to career changes and the desire to spend more time with family) are primary reasons why workers are leaving their jobs.

Likewise, an entrepreneurial spirit is rising. In 2020, the U.S. saw a dramatic 24.3% increase in small-business start-ups, a far greater increase than in any period between 2017-2020. The gig economy of freelance workers also skyrocketed to 57 million workers<sup>ix</sup>.

The pandemic caused workers to rethink their needs, and they now demand the benefits of health care, better wages and job stability. Concerns over child care have grown. One in four working women surveyed for the McKinsey 2020 Women in the Workplace report considered downshifting their careers or dropping out of the workforce entirely. For working mothers, particularly those with young children, the number was one in three<sup>x</sup>.

*“This year has been hard for people outside of work, and the work we do (at a mental health facility) is hard work. People [in our industry] are exhausted and want easier employment, even if that leads to less money or worse benefits.”*

Workers’ wages have stagnated over the past few decades. From 1979 to 2019, net productivity rose 72.2%, while the hourly pay of typical workers increased only 17.2% during that 40-year period (after adjusting for inflation)<sup>xi</sup>. Additionally, the costs of basics such as housing, have continued to rise. Now, workers are demanding higher wages and better benefits.

*“The rising cost of housing in Los Angeles makes it impossible to live in the vicinity of jobs. Many workers opt to move away where the cost of housing is much lower. They prefer to take a pay cut.”*

While owners relayed anecdotes of unemployment benefits keeping people from applying for jobs, research shows that at the macro level, unemployment insurance benefits have not disincentivized work or caused workers to delay returning to their previous jobs<sup>xii</sup>.

Larger companies may be able to respond to workers' demands by offering higher wages and better benefits as the labor force tightens. Small businesses, on the other hand, often do not have the resources to compete. While small business owners are optimistic about the future, they now face a "labor pandemic" where they may not financially recover fast enough to meet the growing customer demand.

To address their hiring challenges, small business owners surveyed offered a few suggestions:

- Improve small business access to financial resources and employee benefits, especially health insurance and child care.
- Forgiveness for the PPP loans they received and help accessing financing so they can pay higher wages to their employees.
- Outside options for health insurance and child care to address those critical employee needs, especially when small businesses can't afford to offer them.

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**This report is part of SCORE's biannual data report series, *The Megaphone of Main Street*. [Click here](#) to view other reports on the American small business landscape.**

# Methodology & Demographics

From July 9-26, 2021\*, SCORE surveyed entrepreneurs who agreed to be contacted for research. From this master list of 16,265 people, 1,712 completed the survey for a response rate of 10.5%.

Because this study aimed to capture the voices of business owners with employees and/or those looking to hire, respondents were asked to identify their current business stage and employee status as screening questions. After screening, 718 were identified as current business owners with employees (other than the owner) or as current businesses trying to hire employees.

\* Where applicable, SCORE included comparisons of these responses to SCORE's *The Megaphone of Main Street: Small Business Jobs Report* conducted in 2017<sup>xiii</sup>.

## Demographics

Gender	Total Study
Female	54.9%
Male	42.1%
Non-binary	0.3%
Prefer not to answer	2.7%

Were you born a U.S. citizen?	Total Study
Yes	87%
No	13 %

Age	Total
18-24	0.2%
25-34	2.8%
35-44	17.9%
45-54	22.1%
55-64	38.2%
65+	16.9%
I prefer not to answer	1.9%

Ethnic background (check all that apply)	Total Study
White	66.4%
Black or African American	16.1%
Of Hispanic origin or descent (such as Mexican, Puerto Rican, Cuban or other Spanish background)	7.4%
American Indian or Alaska Native	2.4%
Asian	3.9%
Native Hawaiian or other Pacific Islander	0.8%
Some other race	2.5%
I prefer not to answer	6.6%

<b>Please select the industry category that best fits your business:</b>	<b>Total Study</b>
Agriculture, Farming, Fishing & Hunting	3.7%
Accommodation & Food Services	11.3%
Arts, Entertainment & Recreation	9.7%
Banking, Finance & Insurance	1.6%
Health Care & Social Assistance	10.8%
Home or Personal Maintenance Services	7.9%
Manufacturing & Industrial	12.4%
Nonprofit, Public & Professional Organizations	4.4%
Professional & Business Services	22.4%
Real Estate, Rental & Leasing	1.5%
Wholesale Trade	3.9%
Technical & Scientific Services	6.6%
Transportation & Warehousing	3.9%

<b>What were your company sales receipts in 2020?</b>	<b>Total Study</b>
<\$50,000	22.2%
\$50,001-100,000	18%
\$100,001-\$250,000	18.6%
\$250,001-\$500,000	15.9%
\$500,001-\$1M	10.2%
\$1M-\$2.5M	10.7%
\$2.5M-\$5M	2.9%
\$5M-\$10M	0.6%
>\$10M	1%

<b>How many years has your business been in operation?</b>	<b>Total Study</b>
0-1 year	8.5%
2-5 years	31.6%
6-10 years	17.6%
11-20 years	17.3%
Over 20 years	25.1%

<b>How many employees do you have (including yourself)</b>	<b>Total Study</b>
One*	9.1%
2-5	50.2%
6-10	21.6%
11-20	11.8%
21-50	6%
50+	1.4%

\*Some of the respondents did not currently have employees but were looking to hire.

# Sources

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<sup>iv</sup>U.S. Small Business Administration, Office of Advocacy. (2019). Small Business Generate 44 percent of U.S. Economic Activity. Accessed at: <https://advocacy.sba.gov/2019/01/30/small-businesses-generate-44-percent-of-u-s-economic-activity/>

<sup>v</sup>SCORE. (2017). The Megaphone of Main Street: Small Business Jobs Report, Fall 2017. Accessed at: <https://www.score.org/resource/megaphone-main-street-small-business-jobs-report>

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<sup>xii</sup>Altoninij J., Contractor, Z., et. al. (2020). Employment Effects of Unemployment Insurance Generosity During the Pandemic. Tobin Center for Economic Policy, Yale University. Accessed at: [https://tobin.yale.edu/sites/default/files/files/C-19%20Articles/CARES-UI\\_identification\\_vF\(1\).pdf](https://tobin.yale.edu/sites/default/files/files/C-19%20Articles/CARES-UI_identification_vF(1).pdf)

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