



# National Small Business Poll

NFIB National

Volume 1, Issue 1  
2001

## Small Business Poll

*The Changing Search for Employees*

# NFIB National Small Business Poll

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The *National Small Business Poll* is a series of regularly published survey reports based on data collected from national samples of small-business employers. Eight reports are produced annually with the initial volume published in 2001. The Poll is designed to address small-business-oriented topics about which little is known but interest is high. Each survey report treats different subject matter.

The survey reports in this series generally contain three sections. The first section is a brief Executive Summary outlining a small number of themes or salient points from the survey. The second is a longer, generally descriptive, exposition of results. This section is not intended to be a thorough analysis of the data collected nor to explore a group of formal hypotheses. Rather, it is intended to textually describe that which appears subsequently in tabular form. The third section consists of a single series of tables. The tables display each question posed in the survey broken-out by employee size of firm.

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NFIB National  
Small Business  
Poll



*The Changing Search  
for Employees*

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Volume 1, Issue 1  
2001  
ISSN - 1534-8326

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## *The Changing Search for Employees*

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# Executive Summary

- Labor markets are currently in transition. They are moving from being very difficult for small employers to locate qualified employees to ones where small employers are encountering fewer problems. Still, 71 percent of small employers who have recently sought employees say that qualified employees are “hard” to find compared to 29 percent who say they are not.
- The most frequent response to tight labor markets by small employers is to allow unfilled positions to remain vacant. Two-thirds report that they respond to difficult labor markets, at least in part, by going without needed employees. The smallest employers, i.e., those employing fewer than 10 people, are the most likely to choose this course.
- The primary consequence of not being able to fill a job vacancy (83 percent of the time) is that the small employer must work more hours; the second most frequent consequence (62 percent) is that other employees must work more hours; about half of the time, small employers who do not (cannot) fill vacant positions limit business output, e.g., shorter business hours, refused jobs.
- Sixty-four (64) percent of small employers choose to increase training their labor forces as a response to labor shortages. Training increases are across-the-board (for all employees) rather than focused on a particular type of employee.
- One in three (34) small employers try to out-bid other employers when they need people. Most frequently they compete offering higher wages. An offer of more flexible working conditions is the second most common means of attempting to out-bid others.
- Easing labor markets first result in greater selection among prospective employees. The most frequent standards raised when labor markets ease involve job skill requirements followed by personal conduct and attitude requirements. The standards raised least frequently are education requirements.
- “Employee quits” is the most common form of employee separation from a small business. Two-thirds of new hires among operating small firms are to replace people who have left while one-third are to fill newly created positions.
- While more employees leave large firms than small ones, the average number leaving during the first third of the year (14 percent) was the same for all sizes of small employers. Over two-thirds of firms with fewer than 10 employees saw no one leave in the first third of the year.
- By almost a 6 to 1 margin, small employers believe the preferred strategy to deal with their labor forces is to “do all you can to retain employees working for you” in contrast to recognizing “that employee turnover is inevitable and focus on hiring good new people.”
- Nearly half of all small employers report that they are “very satisfied” with their current workforce and 41 percent say they are “generally satisfied.” Those satisfied with their employees outnumber those not satisfied by more than a 9 to 1 ratio.

# The Changing Search for Employees

Labor markets have changed substantially over the last year. After nearly a decade of rapidly growing employment and steadily declining unemployment, the last 12 to 15 months have seen the former flatten and the latter begin to reverse course. NFIB's *Small Business Economic Trends* shows the tightest labor markets for small employers were recorded in the summer and autumn of 2000. However, job vacancies continued at near record levels through February. Plans to increase labor forces began to fade in early autumn, but remain historically strong through the present. Meanwhile, the percentage of small-business owners reporting the "Quality of Labor" as their single most important problem peaked in May 2000 at 24 percent of the population even if the figure has waned somewhat since. These circumstances offer two important reasons to examine labor markets as they impact small business at this point in time: labor markets are in transition due to the economic slowdown. Transition allows investigation of how small employers adjust to labor market changes. Second, though labor markets are currently softening, the long-term outlook is for significant labor and skill shortages. Despite the transitory nature of the current situation, many small employers continue to operate in difficult local labor markets. A core of firms operating in difficult markets present an opportunity to understand how small employers react to difficulties finding qualified employees. Thus, this edition of the *National Small Business Poll* focuses on searching for employees, one of the most pressing problems that small-business owners face.

## The Current Labor Market

In late spring of 2001, most small employers believe that labor markets remain difficult. Nineteen (19) percent maintain that finding qualified employees in their geographic area is "very hard" and another 29 percent maintain that finding them is "hard" (Q#1). Just 14 percent feel that qualified employees are "not too hard to find" while 6 percent feel that they are "not at all hard to find." About one in three (32 percent) have not been looking for anyone in the "last

several months" and are not able to provide an assessment. Thus, of those who have recently sought employees, 71 percent say that qualified employees are hard to find while 29 percent say they are not.

Small employers feel that labor markets have not changed appreciably since the beginning of the year. Two-thirds (68 percent) of those who have looked for employees report that the difficulty finding people is the same now as it was at the beginning of the year (Q#2). Of those experiencing



change, roughly the same proportion believe that it is now “easier” to find qualified employees (14 percent) compared to the beginning of the year than believe it is more difficult (13 percent) to find them. However, a substantial difference appears between owners of businesses employing fewer than 10 people and those employing 20 or more. Just 11 percent of the former group feel that labor markets are easing compared to 28 percent of the latter. Since larger firms are more likely to offer higher wages and benefits than smaller ones, it is likely that the former feel changes first. Smaller firms feel them later as larger firms become increasingly selective in their search for employees. The reverse appears true when markets begin to tighten.

Most small employers also feel that labor markets will change little throughout the remainder of the year. Approximately two-thirds (65 percent) forecast no change (Q#3). The remainder are equally divided between those who see labor markets easing (16 percent) and those who see them tightening (16 percent). If current conditions were to continue throughout the year, small employers would continue to face difficult problems finding qualified labor.

## Operating in a Difficult Labor Market

Small-business owners react in a variety of ways to overcome difficulties presented by tight labor markets. The most frequent response is that they simply don’t fill job vacancies. Two-thirds (68 percent) report that they have responded to tight markets, at least in part, by going without needed employees (Q#14B). The lack of a full employee complement has its most severe impact on small employers themselves. In 83 percent of the cases where small employers go without, they are personally required to work more hours (Q#14B1a). Existing employees often share the extra burden created by the vacant positions. More than three in five (62 percent) small employers report that their current employees are “required to work more hours” due to the employee shortage (Q#14B1b). A third possible way to compensate for the lack of employees is to reduce the firm’s output. The small employer can reduce business operating hours, refuse to make new bids

or take on new orders, etc. In almost half of the cases where the owner went without needed employees (49 percent), he responded by limiting output (Q#14B1c).

The second most frequent response to labor market difficulties is that small employers spend more time and effort training their employees. Sixty-four (64) percent indicate that more training is a response to employee shortages (Q#14A). Customarily new employees (and higher level employees in larger firms) receive the bulk of any training given. However, small employers who report that training is a strategy to combat difficult labor markets are also likely to report that their increased training focuses on “all employees” rather than a particular category. Sixty-two (62) percent say their additional efforts are across-the-board while 15 percent indicate that it focuses on “new employees” (Q#14A1). Nine percent report additional emphasis on the “most skilled employees” with five percent each listing “employees doing a particular kind of job” and the “least skilled employees.”

The third most frequent response to the labor market difficulties focuses on recruiting. Almost 44 percent indicate that they spend more time and effort recruiting new employees (Q#14E) than before. Greater emphasis on recruiting is particularly important to firms employing more than 20 people. NFIB data collected a few years earlier indicate that the most prominent recruiting methods are “word-of-mouth,” ads in local newspaper and ads/solicitation at local schools. Those are also the three methods small employers are most likely to intensify under the present circumstances with the two former being the first choice of 69 percent (Q#14E1) of those placing more emphasis on the recruiting strategy.

The classic means of obtaining employees in a difficult labor market is to out-bid the competition. Small business is often limited in this strategy due to a lack of resources. Yet, bidding can include more flexible work arrangements and a better work environment, advantages that often accrue to smaller firms, besides the more commonly recognized higher wages and benefits. One in three small employers (34 percent) choose to out-bid (or try to out-

bid) other potential employers with higher compensation and/or better working conditions (Q#14C). Most often they elect to out-bid the competition with higher wages (58 percent) and to a lesser extent expanded benefits (9 percent) rather than use the attributes for which small business is best known. Still, “more flexible working conditions” is the second most frequently cited method of out-bidding the competition (17 percent). A “better work environment” ties expanded benefits as the primary strategy for nine percent.

The least frequently employed strategy to deal with tight labor markets is the use of temporary employment agencies. Just 15 percent opt to hire temporaries from temporary agencies (Q#14C). Though their cost is relatively high, temporary employees through agencies offer several advantages. Not only do they fill vacancies for the period needed with presumably trained personnel, temporaries become potential recruits. In fact, 38 percent of those who use temporaries indicate that they have hired one or more of them as a regular employee (Q#14C1). The total number of small employers hiring in this manner remains quite small, however, perhaps a percent or two.

The single best solution to the problem of an inadequate supply of qualified labor parallels the frequency of their use. Twenty-nine (29) percent say the best course of action (or inaction) is to do without employees (Q#15). The next most frequently cited best solution is an increased focus on training (20 percent). The size of a firm is closely related to a choice between these two strategies. Owners of the smallest firms, where increased effort from the owner is most likely to yield visible results, are much more likely to prefer going without (34 percent) while owners of the largest are much more likely to favor training (35 percent). The third most frequently mentioned “single best solution” is greater recruiting efforts (19 percent) followed by outbidding the competition (13 percent) and hiring temporaries (4 percent). A relatively large 15 percent could not or would not choose from among these alternatives.

Twenty (20) percent of all small employers and 29 percent of those who have looked for employees in the last few months judge

they are not hard to find (Q#1). Given prevailing opinion to the contrary, these small employers were asked to speculate on why they experienced an adequate labor supply in their area when many others did not. Their answers reflect the variety of local conditions across the country rather than echoing a single theme. The most frequent response (22 percent) is that a large employer in the area recently had lay-offs or had closed (Q#16). The second most frequent response is that an unusual supply of labor exists such as college students or older people who want to work (19 percent). Moderate to slow business conditions (16 percent) is the third most frequent answer. Don’t know or refused gather the fourth most frequent number of responses (14 percent), not surprising given the unusual nature of the question. Lots of people moving into the area collect the fifth most number of mentions (12 percent). Thus, two of the five most frequent reasons given for an adequate supply of qualified labor in the area reflect conditions of low labor demand and two reflect conditions of usual labor supply. The fifth is uncertainty.

## When Conditions Ease

While the overwhelming majority of small employers feel labor market conditions have not changed since the beginning of the year or have even grown more difficult, 14 percent of those who have been in the market for employees feel conditions are easing (Q#2). They feel the impact of easing labor markets in several ways. The most frequent is a greater selection among candidates for job openings. Eighty-five (85) percent who feel labor markets easing also believe that they are now more selective in the people they hire (Q#4A). Greater selectivity translates into higher standards for prospective employees. Forty-four (44) percent choose to focus their higher standards on greater/more skill requirements (Q#4A1). The next most common election is raising requirements for personal conduct and attitude (33 percent). The least frequently raised requirements are work experience (13 percent) and education (2 percent).

Small employers who perceive easing labor markets report impacts in addition to being more selective in the people they chose to fill vacancies. Forty-seven (47) per-

cent say that they now can find people with skills that they previously couldn't find (Q#4E); 44 percent note that employee turnover is falling (Q#4D); 41 percent mention decreased pressure to meet employee (or potential employee) demands; and 36 percent are waiting longer to fill (job) openings (Q#4B). Thus, an easing labor market offers small employers a series of options that they do not have under more difficult conditions.

## Employee Turnover

Small businesses turned over an average of 14 percent of their employees since the beginning of the year. The turnover is similar by firm size in percentage terms, though larger firms obviously lost an absolute larger average number of employees. More than two-thirds (68 percent) of firms with fewer than 10 employees lost no one since the start of the year compared to 19 percent among those with 20 employees or more (Q#7). An average of 1.3 employees per firm left voluntarily or involuntarily over the last four months. The largest firms lost an average of 6.2 employees per firm; the middle-size group lost 1.7 employees; the smallest businesses lost an average of 0.6 employees.

Employees leave their jobs for at least one of three reasons. They leave voluntarily to do something else; they are laid-off for economic reasons; or they are terminated for disciplinary or non-performance causes. Over half leave to do something else. The second most frequent reason to leave is involuntary termination (Q#8). The least frequent reason is lay-offs due to weaker sales, the end of a job, or other economic factors (Q#9), though the number is little different from involuntary termination. Since these data do not capture lay-offs due to firm closings, it is likely that economic factors is the second most frequent reason that employees leave all small firms in contrast to the operating small firms measured here.

Most small-business owners feel that the employee turnover experienced this year is little different from the turnover experienced last year at this time. Seventy-nine (79) percent report similar turnover (Q#10). Of those noticing a difference, 12 percent suggest that there is more turnover while seven percent suggest there is less. Thus, the turnover figures reported above

do not appear to be notably impacted by recent changes in economic performance, though they likely are atypically high given recent problems with hiring and keeping qualified employees.

While 38 percent of all firms lost an average of 1.3 employees per firm (somewhat less than four employees per firm losing employees annually), 45 percent of firms hired an average of 1.9 employees since the beginning of the year. Net per firm hires were just over one-half of an employee per firm. The largest were most active in taking on new people. Over three in five (62 percent) of the smallest didn't hire anyone; 35 percent of the largest hired a minimum of six (Q#11). Most hiring filled existing vacancies (73 percent) rather than new positions (42 percent) (Q#12). This sample appears to be growing more rapidly than the small-business population as a whole meaning that the ratio of filling new positions to filling existing positions exaggerates the relative size of the former. Still, almost two-thirds of all new hires in this sample are simply replacements for people who left.

The current lull in economic activity has not deflated the growth intentions of many small-business owners. Sixty-five (65) percent of small employers expect to have the same size labor force at the end of the year that they currently have (Q#13). Of the remainder over seven times as many expect their labor forces to be larger (30 percent) as expect them to be smaller (four percent).

Approximately one-third (32 percent) of all small employers have not been in the labor markets during the last several months (Q#1). These business owners obviously have no new positions to fill. Most (79 percent) also have had no recent employee turnover (Q#5); no one has left. Eleven (11) percent have not been in the labor market because people seek them out whenever there is a vacancy and six percent say they are simply not replacing people who leave. Not surprisingly, such employment stability is concentrated among firms with fewer than 10 employees.

## Labor Strategy and Satisfaction with the Workforce

Small employers approach the workforce governed by the general principle that the better workforce strategy is to focus on

employee retention rather than on employee recruitment. When asked, which is the better strategy — “do all you can to retain employees working for you” or “recognize employee turnover is inevitable and focus on hiring good new people” — three of four opt for retention (Q#17). Just 12 percent choose the recruitment alternative and nine percent cannot or will not differentiate between them. Moreover, small employers hold their views strongly on this question. Ninety-six (96) percent who choose the retention focus strongly believe that that strategy is the proper approach. The much smaller proportion on the recruitment side hold their views almost as resolutely.

Small employers often express concern over the lack of job skills among prospective employees, loss of the work ethic, and other inadequacies allegedly characteristic of the contemporary workforce. The unfavorable impacts resulting are presumably magnified during periods of tight labor markets such as the one just experienced. Yet, half of all small employers say that they are “very satisfied” with their current workforce and another 41 percent say that they are “generally satisfied” (Q#6). Owners of the smallest businesses are substantially more likely to be “very satisfied,” but more than 90 percent in every size group express overall satisfaction. These contradictory opinions are difficult to reconcile. However, it is possible that they reflect the same incongruous logic that allows the public to say, ‘my Congressman is great, but the Congress is ...’

## Final Comments

The search for qualified employees will grow more difficult as demographic and education factors work against small employers. The size and quality of the labor force has largely been set for the next few decades. Barring massive immigration, little can be done to change it in the short-term. That means small-business owners must be nimble in their search for employees. Increasingly, they will need to spend time handling personnel matters; they will need to be more sensitive to employee wishes and respond to them creatively; they will need to train and recruit more effectively. These activities will often be difficult given the resource constraints under which most small businesses

operate. But, the alternative is doing whatever necessary to avoid hiring. Many small employers already are pursuing this course. So long as not hiring represents the substitution of capital for labor, small employers may find themselves advantaged. However, when unfilled job vacancies result in unusual efforts (and hours) by the owner and current employees or limits on business activity, the full potential of the small employer’s business can never be realized. None of this, of course, is new. The decade of the ’90s previewed what is to come. But the ’90s were only a preview.

# The Changing Search for Employees

(Please review notes at the table's end.)

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>1. Which BEST describes the current overall labor situation in your geographic area? Are qualified people:</b>				
1. Very hard to find	19.5%	21.5%	16.4%	19.4%
2. Hard to find	25.5	36.7	47.9	28.9
3. Not too hard to find	13.0	15.2	21.9	14.1
4. Not at all hard to find	5.8	3.8	4.1	75.5
5. OR, haven't you been looking for anyone to hire in the last several months	35.6	22.8	8.2	31.6
6. (DK/Refuse)	0.5	—	1.4	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**2. How has the labor situation in your area changed since the beginning of the year? Are employees now: (If looked for employees in Q#1.)**

1. Harder to find	11.5%	7.7%	14.7%	12.7%
2. Easier to find	11.0	16.1	27.9	13.8
3. OR, has there been no change	71.0	61.3	54.4	67.6
4. (DK/Refuse)	6.5	4.8	2.9	5.8
Total	100.0%	100.0%	100.0%	100.0%
N	221	153	181	555

**3. Do you think the labor market situation in your area will ease, tighten, or stay about the same throughout the remainder of the year? (If looked for employees in Q#1.)**

1. Ease	14.7%	17.5%	25.0%	16.4%
2. Tighten	16.0	15.9	3.2	15.6
3. Stay the same	65.7	63.5	60.3	64.7
4. (DK/Refuse)	3.7	3.2	1.5	3.3
Total	100.0%	100.0%	100.0%	100.0%
N	221	153	181	555

**4. What has been the impact of the easing labor situation on your business?  
(If easier in Q#2.)**

**A. Are you more selective in the people hired?**

1. Yes	84.7%
2. No	15.3
3. (DK/Refuse)	—

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Total	100.0%
N	93

**A1. Where have you raised your selectivity most? (If yes in Q#4A.)**

1. Work experience requirements	13.1%
2. Education requirements	3.3
3. Skill requirements	44.3
4. Personal conduct and attitude requirements	32.8
5. (Other)	1.6
6. (DK/Refuse)	4.9

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Total	100.0%
N	79

**B. Are you waiting longer to fill openings?**

1. Yes	35.7%
2. No	72.2
3. (DK/Refuse)	—

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Total	100.0%
N	93

**C. Is there not as much pressure to meet employee or potential employee demands?**

1. Yes	40.8%
2. No	56.3
3. (DK/Refuse)	2.8

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Total	100.0%
N	93

**D. Is employee turnover falling?**

1. Yes	44.4%
2. No	51.4
3. (DK/Refuse)	4.2

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Total	100.0%
N	93

**E. Can you now hire people with skills you previously couldn't?**

1. Yes		46.5%
2. No		53.5
3. (DK/Refuse)		—
<hr/>		
Total		100.0%
N		93

**5. Which BEST describes the reason that you have not been looking for people to hire? (If not looking for employees in #Q1.)**

1. No recent employee turnover	79.2%	78.8%
2. Not replacing people who leave	6.1	6.4
3. People seek us out when there is a vacancy	10.4	10.6
4. (DK/Refuse)	5.6	4.2
<hr/>		
Total	100.0%	100.0%
N	130	193

**6. How satisfied are you with your current workforce?**

1. Very satisfied	53.2%	42.0%	29.7%	49.7%
2. Generally satisfied	37.3	50.6	60.8	41.0
3. Not too satisfied	7.4	4.9	8.1	7.2
4. Not at all satisfied	2.0	2.5	1.4	2.0
5. (DK/Refused)	0.2	—	—	0.1
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**7. How many people have left your business, voluntarily or involuntarily, since the beginning of the year?**

None	67.8%	47.5%	18.8%	61.1%
One	18.5	18.8	10.1	17.8
Two	7.7	12.5	14.5	8.8
Three	1.3	6.3	14.5	3.1
4-5	2.2	6.3	18.8	4.2
6+	1.3	7.3	23.3	3.6
(DK/Refuse)	1.2	1.3	4.3	1.4
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**Employee Size of Firm**  
 1-9 emp    10-19 emp    20-249 emp    All Firms

**8. How many were asked to leave for disciplinary or non-performance reasons? (If one or more, or no answer in Q#7.)**

None	66.8%	46.5%	39.7%	58.5%
One	22.3	30.2	25.9	24.1
Two	3.1	11.6	17.2	7.1
Three	3.1	4.7	8.6	4.4
4-5	—	4.6	1.7	1.0
6+	1.5	—	3.4	1.6
(DK/Refuse)	3.2	2.3	3.4	3.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>110</b>	<b>108</b>	<b>166</b>	<b>384</b>

**9. How many were laid off due to weaker sales, the end of a job, or other economic factors? (If one or more, or no answer in Q#7.)**

None	78.2%	83.7%	89.5%	81.2%
One	8.3	4.7	5.3	7.2
Two	7.8	4.7	—	5.8
Three	1.6	—	3.5	1.7
4-5	0.5	4.6	—	0.7
6+	3.2	—	1.8	2.3
(DK/Refuse)	0.5	2.3	—	0.7
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>110</b>	<b>108</b>	<b>166</b>	<b>384</b>

**10. Is this year's level of employee turnover more, less, or no different than at the same time one year ago?**

1. More	11.0 %	13.8%	18.9%	12.1%
2. No different	80.8	72.5	66.2	78.5
3. Less	5.9	11.3	12.2	7.0
4. (DK/Refuse)	2.3	2.5	2.7	2.4
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>352</b>	<b>200</b>	<b>200</b>	<b>752</b>

**11. How many people have you hired since the beginning of the year?**

None	62.1%	32.1%	15.3%	54.4%
One	20.2	24.7	4.2	19.1
Two	5.3	12.3	13.9	6.9
Three	4.8	7.4	9.7	5.6
4-5	3.7	9.8	19.4	5.8
6+	3.9	12.5	34.7	7.5
(DK/Refuse)	0.3	1.2	2.8	0.7
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>352</b>	<b>200</b>	<b>200</b>	<b>752</b>



**Employee Size of Firm**  
 1-9 emp    10-19 emp    20-249 emp    All Firms

**12. Did the new hire(s) fill an existing vacancy or a newly created position? (If one or more, or no answer in Q#11.)**

1. Existing vacancy(ies)	57.8%	58.5%	56.3%	57.6%
2. Newly created position(s)	31.1	22.6	15.6	26.9
3. (Both)	11.1	18.9	6.6	15.2
4. (DK/Refuse)	—	—	—	—

Total	100.0%	100.0%	100.0%	100.0%
N	132	130	171	433

**13. Do you expect to have a larger workforce by the end of the year, a smaller one, or one that is the same size as now?**

1. Larger	28.8%	33.8%	31.5%	29.6%
2. Same size	66.2	60.0	60.3	65.0
3. Smaller	3.0	5.0	6.8	3.6
4. (DK/Refuse)	2.0	1.3	1.4	1.9

Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**14. How have you responded to the problems created by a difficult labor situation? Have you: (If harder in Q#1.)**

**A. Spent more time and effort training your people?**

1. Yes	61.7%	68.1%	72.9%	64.0%
2. No	38.3	31.9	27.1	36.0
3. (DK/Refuse)	—	—	—	—

Total	100.0%	100.0%	100.0%	100.0%
N	156	114	128	398

**A1. Does your increased training focus on: (If yes in Q#14A.)**

1. New employees	12.7%	21.2%	20.0%	15.0%
2. The most skilled employees	11.5	6.1	2.9	9.4
3. The least skilled employees	3.6	9.1	5.7	4.7
4. Employees doing a particular kind of job	6.7	3.0	2.9	5.6
5. All employees	61.8	60.8	68.6	62.7
6. (Other)				
7. (DK/Refuse)	3.6	—	—	3.2

Total	100.0%	100.0%	100.0%	100.0%
N	90	80	95	265

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>B. Gone without needed employees?</b>				
1. Yes	66.3%	72.3%	64.4%	66.8%
2. No	32.6	27.7	35.4	32.2
3. (DK/Refuse)	1.1	—	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	156	114	128	398

**BI. How do you compensate for going without the needed employees?  
(If yes in Q#14B.)**

**a. Are you personally required to work more hours?**

1. Yes	86.7%	85.3%	61.3%	83.3%
2. No	13.3	14.7	38.7	16.7
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	103	81	84	268

**b. Are other employees required to work more hours?**

1. Yes	58.7%	72.7%	74.2%	62.6%
2. No	41.3	27.3	25.3	37.4
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	103	81	84	268

**c. Are you forced to limit operating hours, production, the number of jobs you take, etc.?**

1. Yes	55.0%	24.2%	36.7%	48.6%
2. No	43.3	75.3	63.3	50.2
3. (DK/Refuse)	1.7	—	—	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	103	81	84	268

**C. Hired temporaries from temporary agencies?**

1. Yes	11.9%	19.6%	27.7%	14.9%
2. No	88.1	80.4	72.3	85.1
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	156	114	128	268

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

**CI. Have you later hired one or more of these temporaries as a regular employee? (If yes in Q#14C.)**

1. Yes				38.2%
2. No				61.8
3. (DK/Refuse)				—
<hr/>				
Total				100.0%
N				78

**D. Out-bid other potential employers with higher compensation and/or better working conditions?**

1. Yes	30.3%	44.7%	41.7%	33.6%
2. No	67.9	53.2	54.2	64.2
3. (DK/Refuse)	1.8	2.1	4.2	2.2
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	156	114	128	398

**DI. How did you outbid others? Did you offer: (If yes in Q#14D.)**

1. Higher wages			55.0%	57.6%
2. Expanded benefits			10.0	8.8
3. More flexible working conditions			15.0	16.8
4. Better work environment			15.0	8.8
5. Other			5.0	4.8
6. (DK/Refuse)			—	3.2
<hr/>				
Total			100.0%	100.0%
N			54	148

**E. Spent more time and effort recruiting new employees?**

1. Yes	39.3%	54.2%	66.0%	44.7%
2. No	59.3	43.8	34.0	54.0
3. (DK/Refuse)	1.5	2.1	—	0.8
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	156	114	128	398

**E1. What type of recruiting activity have you increased most?  
 it: (If yes in Q#14E.)**

1. Newspaper advertising	24.3%	40.0%	54.8%	32.5%
2. Contacts through schools	13.1	8.0	6.5	11.0
3. Interviewing and reference checks	10.3	4.0	6.5	8.6
4. Radio advertising	2.8	—	—	1.8
5. Informally spreading the word you are looking for employees	41.1	36.0	22.6	36.8
6. Help wanted signs	5.6	4.0	6.5	5.5
7. (Other)	—	—	—	—
8. (DK/Refuse)	2.8	8.0	3.2	3.7
Total	100.0%	100.0%	100.0%	100.0%
N	64	65	83	212

**15. What is the SINGLE BEST solution for the problems created for you by an  
 inadequate supply of qualified employees? Is it:**

1. Spend more time and effort training	15.6%	29.8%	35.4%	20.1%
2. Go without needed employees	33.5	21.3	14.6	29.4
3. Hire temporaries from a temporary agency	4.1	4.3	6.3	4.4
4. Out-bid other potential employers with higher compensation and/or better working conditions	13.0	10.6	12.9	12.9
5. Spend more time and effort recruiting	18.6	17.0	18.8	18.8
6. (DK/Refuse)	15.2	17.0	10.4	14.8
Total	100.0%	100.0%	100.0%	100.0%
N	156	114	128	398

**Employee Size of Firm**  
**1-9 emp    10-19 emp    20-249 emp    All Firms**

**16. Why are you experiencing an adequate labor supply in your area when many areas are not? Do you think it is primarily because: (If not hard in Q#1.)**

1. You need fewer skilled people	10.7%		9.5%	11.5%
2. A large employer in the area recently had layoffs or closed	25.0		9.5	21.6
3. There are moderate to slow business conditions	16.1		19.0	16.2
4. There is an unusual supply of labor such as college students or elderly who want to work	17.9		19.0	18.9
5. Lots of people are moving into the area.	9.8		19.0	12.2
6. (Other)	3.6		19.1	5.5
7. (DK/Refuse)	17.0		4.8	14.2
<b>Total</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>65</b>		<b>53</b>	<b>157</b>

**17. As a general rule, is the better workforce strategy to: Do you feel that way strongly?**

1. Do all you can to retain employees currently working for you

<b>Total</b>	<b>75.1%</b>	<b>75.3%</b>	<b>75.7%</b>	<b>75.2%</b>
Strongly	(95.8)	(98.3)	(96.4)	(96.2)
Not so strongly	(3.9)	(1.7)	(3.6)	(3.6)
(DK/Refuse)	(0.2)	(—)	(—)	(0.2)

2. Recognize employee turnover is inevitable and focus on hiring good new people

<b>Total</b>	<b>11.4</b>	<b>14.8</b>	<b>14.9</b>	<b>12.1</b>
Strongly				(92.2)
Not so strongly				(7.8)
(DK/Refuse)				(0.0)

3. (No difference)	8.9	7.4	9.5	8.8
4. (DK/Refuse)	4.7	2.5	0.0	4.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>N</b>	<b>352</b>	<b>200</b>	<b>200</b>	<b>752</b>

## Demographics

### D1. Is your primary business activity:

1. Construction	11.5%	11.4%	8.2%	10.8%
2. Manufacturing	4.9	6.3	15.1	6.0
3. Wholesale	2.8	5.1	2.7	3.1
4. Retail	23.8	26.6	21.9	23.9
5. Transportation	2.8	2.5	5.5	3.1
6. Communication	2.8	2.5	0.0	2.5
7. Financial Services	5.4	5.1	2.7	5.1
8. Services	39.7	36.7	37.0	39.1
A. Non-professional, e.g., lodging, auto repair, garages, recreation	(27.1)	(30.0)	(34.6)	(28.1)
B. Professional, e.g., health, legal, education, engineering	(39.8)	(33.3)	(38.5)	(39.0)
C. Business, e.g., advertising, mail, employment agencies, computer services, security, equipment rental	(12.3)	(20.0)	(11.5)	(13.0)
D. Personal, e.g., laundries, beauty shop, photography, funeral services, child care	(18.3)	(13.3)	(15.4)	(17.5)
E. (Other)	(2.6)	(3.3)	(—)	(2.4)
9. Agriculture, forestry, fishing	2.7	0.0	2.7	2.4
10. (Other)	1.3	1.3	2.7	1.5
11. (DK/Refuse)	2.7	2.5	1.4	2.5
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

### D2. Over the last two years, has your real volume sales:

1. Increased by 30 percent or more	17.4%	24.1%	14.9%	17.8%
2. Increased by 20 to 29 percent	13.5	12.7	10.8	13.2
3. Increased by 10 to 19 percent	21.5	21.5	33.8	22.7
4. Changed less than 10 percent one way or the other	22.0	21.5	24.3	22.2
5. Decreased by 10 percent or more	9.0	7.6	6.8	8.6
6. (DK/Refuse)	16.5	19.8	9.5	15.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**Employee Size of Firm**  
 1-9 emp    10-19 emp    20-249 emp    All Firms

**D3. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?**

1. Yes	20.6%	7.5%	8.1%	18.0%
2. No	74.7	88.8	89.2	77.6
3. (DK/Refuse)	4.7	3.8	2.7	4.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**D4. How long have you owned or operated this business?**

1. <6 years	33.9%	23.8%	23.3%	31.8%
2. 6-10 years	17.4	21.3	17.8	17.8
3. 11-20 years	27.6	28.8	24.6	27.4
4. 21-30 years	9.7	11.3	17.8	10.7
5. 31 years+	6.2	10.0	12.3	7.2
6. (DK/Refuse)	5.2	4.6	4.3	5.1
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**D5. What is your highest level of formal education?**

1. Did not complete high school	2.0%	—%	1.4%	1.7%
2. High school diploma/GED	21.9	20.0	12.2	20.7
3. Some college or an associates degree	23.0	21.3	21.6	22.7
4. Vocational or technical school degree	5.0	1.3	1.4	4.2
5. College Diploma	27.4	38.8	47.3	30.5
6. Advanced or professional degree	14.9	13.8	12.2	14.5
7. (DK/Refuse)	5.8	5.0	4.1	5.6
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**D6. Please tell me your age.**

1. <25	2.0%	2.5%	2.7%	2.1%
2. 25-34	12.7	13.6	14.7	13.0
3. 35-44	27.3	27.2	26.7	27.2
4. 45-54	29.1	30.9	34.7	29.8
5. 55-64	12.9	14.8	12.0	13.0
6. 65+	9.4	4.9	5.3	8.5
7. (DK/Refuse)	6.7	6.2	4.0	6.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>D7. What is the zip code of your business?</b>				
1. East	15.2%	22.8%	14.7%	15.9%
2. South	20.4	17.7	18.7	19.9
3. Mid-West	21.2	22.8	22.7	21.5
4. Central	19.2	20.3	21.3	19.5
5. West	24.0	16.5	22.7	23.1
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**D8. What were your gross sales in the most recent calendar or fiscal year?**

1. <\$100,000	12.5%	2.5%	4.1%	10.7%
2. \$100,000 - \$249,999	19.1	5.1	4.1	16.1
3. \$250,000 - \$499,999	11.0	7.6	4.1	10.0
4. \$500,000 - \$999,999	9.5	12.7	8.1	9.7
5. \$1 million - \$4.9 million	7.7	31.6	29.7	12.4
6. \$5 million - \$9.9 million	1.7	2.5	6.8	2.3
7. \$10 million or more	0.7	2.5	14.9	2.3
8. (DK/Refuse)	37.8	34.6	31.5	36.6
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**D9. Sex**

Male	74.9%	75.0%	74.3%	74.9%
Female	25.1	25.0	25.7	25.1
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

**Table Notes**

1. All percentages appearing are based on **weighted** data.
2. All "N's" appearing are based on **unweighted** data.
3. Data are not presented where there are fewer than 50 unweighted cases.
4. ( )s around an answer indicate a volunteered response

**WARNING** — When reviewing the table, care should be taken to distinguish between the percentage of the population and the percentage of those asked a particular question. Not every respondent was asked every question. All percentages appearing on the table use the number asked the question as the denominator.



# Data Collection Methods

The data for this survey report were collected for the NFIB Education Foundation by the executive interviewing group of The Gallup Organization. The interviews for this edition of the Poll were conducted between April 22 and May 18, 2001 from a sample of small employers. “Small employer” was defined for purposes of this survey as a business owner employing no fewer than one individual in addition to the owner(s) and no more than 249.

The sampling frame used for the survey was drawn at the Foundation’s direction from the files of the Dun & Bradstreet Corporation, an imperfect file but the best currently available for public use. A random stratified sample design was employed to compensate for the highly skewed dis-

tribution of small-business owners by employee size of firm (Table A1). Almost 60 percent of employers in the United States employ just one to four people meaning that a random sample would yield comparatively few larger small employers to interview. Since size within the small-business population is often a notable differentiating variable, it is important that an adequate number of interviews be conducted among those employing more than 10 people. The interview quotas established to achieve these added interviews from larger, small-business owners were arbitrary but adequate to allow independent examination of the 10-19 and 20-249 employee size classes as well as the 1-9 employee size group.

**Table A1**

## Sample Composition Under Varying Scenarios

Employee Size of Firm	Expected from Random Sample*		Obtained from Stratified Random Sample			
	Interviews Expected	Percent Distribution	Interview Quotas	Percent Distribution	Completed Interviews	Percent Distribution
1-9	593	79	350	47	352	47
10-19	82	11	200	27	200	27
20-249	75	10	200	27	200	27
All Firms	750	100	750	101	752	101

\*Sample universe developed from special runs supplied to the NFIB Education Foundation by Bureau of the Census (1997 data).



## The Sponsors

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The **NFIB Education Foundation** is a small-business-oriented research and education organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation was established in 1980 to explore the policy related problems small-business owners encounter. Its periodic reports include *Small Business Economic Trends*, *Small Business Problems and Priorities*, and now the *National Small Business Poll*. The foundation also produces ad hoc reports on issues of concern to small business owners including regulatory analyses of selected proposed regulations through its Regulatory Impact Model (RIM).

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