



2017 YEAR-END ECONOMIC REPORT

SPONSORED BY



ZipRecruiter®

FOREWORD

The National Small Business Association (NSBA) is the nation's first small-business advocacy organization, celebrating 80 years of small-business representation in Washington, D.C. Focused on federal advocacy and operating on a staunchly nonpartisan basis, NSBA conducts a series of surveys every year, including two Economic Reports.

For this report, NSBA partnered with ZipRecruiter, the fastest-growing online employment marketplace, connecting millions of small- and mid-sized business owners with job seekers through innovative mobile, web, and email services. Featured in this report is a section on workforce and hiring, which zeroes in on hiring practices, automation issues, recruitment and retention and full-time vs. part-time employees.

The 2017 Year-End Economic Report shows significant gains in the overall small-business outlook. More than half of small-business owners feel the national economy is doing better than it was just six months ago, compared to 43 percent who reported the same in Dec. 2016 and the only 20 percent in Dec. 2015.

Small-business confidence also experienced noteworthy gains with more than one-third of small-business owners saying they are very confident about the future of their own business—the highest this indicator has been in more than 10 years. Overall, 84 percent of small firms expressed confidence in the future of their business.

Business and job growth also improved. For the first time in a decade, the majority of small firms—53 percent—report increases in revenues. While hiring increased notably, from 22 percent in July 2017 to 30 percent in Dec. 2017, the highest it's been in more than 10 years, it's important to note that the majority of small businesses did not hire new employees in the last year.

The report also found that smaller employers place a premium on their employees: nearly all small businesses provide opportunities for on-the-job learning. The majority of small-business owners say employees stay with their business four or more years, with 37 percent reporting employees remain on average eight years or more.

While we tend to think of corporate America when we think of career ladders, small businesses also have ample opportunities for career growth. Sixty-six percent of all small businesses offer opportunities for promotion, and at companies with more than five employees, that number is 85 percent.

Offering training and promotions helps small businesses retain employees: businesses offering neither are twice as likely to have an average tenure of less than those offering both.

For small and medium sized businesses, the rise of the gig economy hasn't been accompanied by a decrease in the number of full-time jobs, but the number of part-time jobs at these employers have increased over the last five years. In the past five years, more than a third of small-business owners, 37 percent, have increased their number of part-time employees. Among those, the majority were new part-time employees whereas just 17 percent reduced current full-time employees to part-time.

While one-third of small businesses expect to implement some kind of automation in the next year, just nine percent of those say it will result in needing fewer employees. In fact, many more (24 percent) say it will result in needing more employees.

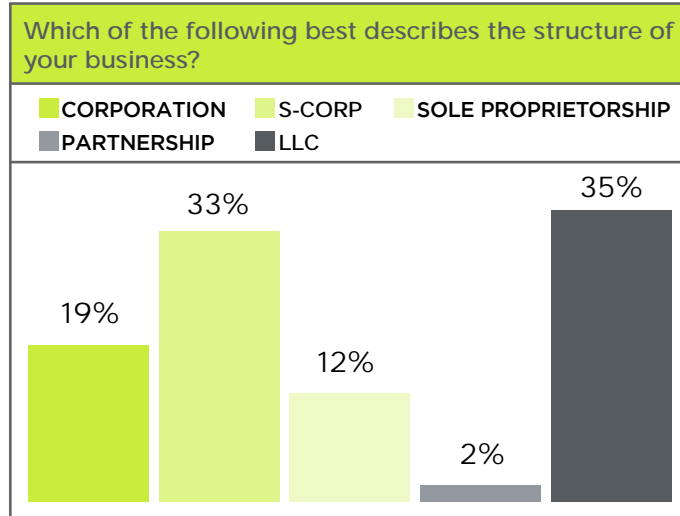
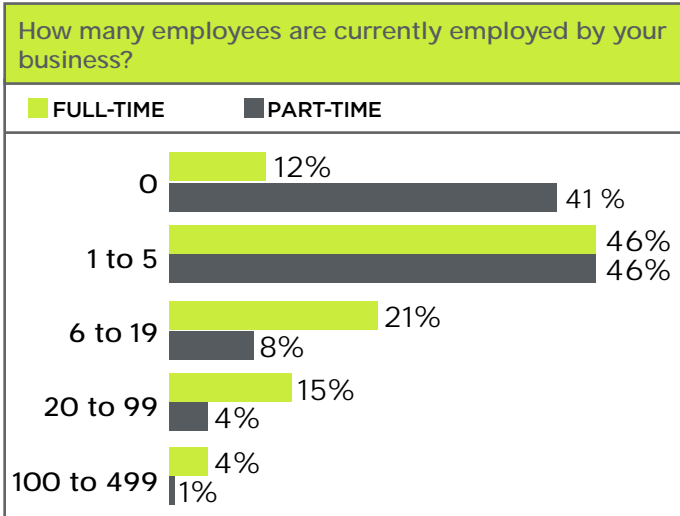
When it comes to policy, small-business owners have become more worried about partisan gridlock and less worried about regulatory burdens in the last year. The number one thing small businesses want Congress and the Administration to do is end the partisan gridlock and work together. Health care costs remain the top issue-specific problem small businesses want lawmakers to address, followed closely by reducing the national deficit.

The 2017 Year-End Economic Report was conducted on-line Dec. 18, 2017 - Jan. 8, 2018 among 1,633 small-business owners. We hope you find this report informative and useful. Please contact NSBA's media office for inquiries at press@nsba.biz, or the ZipRecruiter communications department at press@ziprecruiter.com.

Todd McCracken
NSBA President and CEO

Cathy Barrera
ZipRecruiter Chief Economist

DEMOGRAPHICS

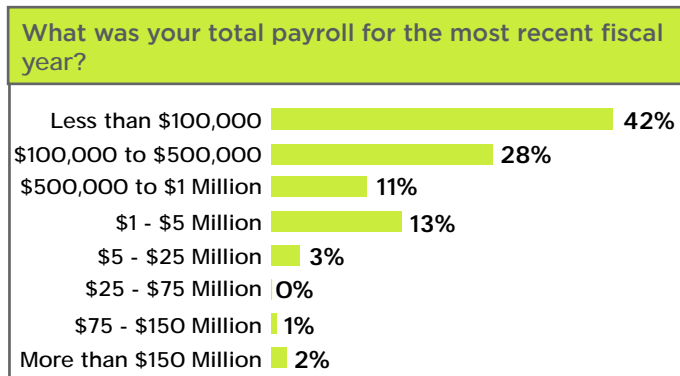
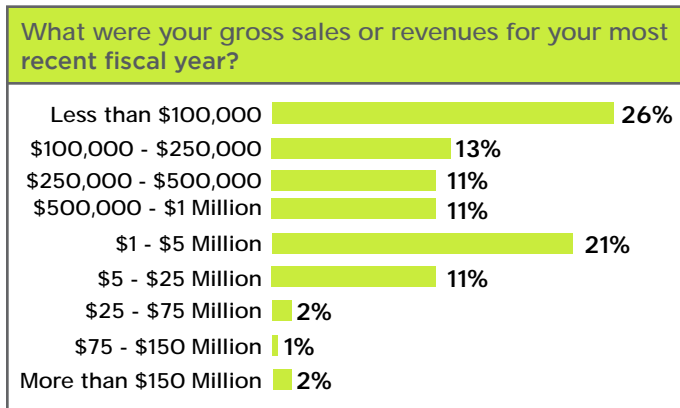


In what region is your business located?

New England	5%
Mid-Atlantic	22%
Great Lakes	12%
Farm Belt	5%
South	27%
Mountain	13%
Pacific	15%

Which of the following best describes the industry or sector in which your business operates?

Manufacturing	12%
Professional	12%
Other Services (except Public Administration)	10%
Construction	10%
Scientific and Technical Services	10%
Health Care and Social Assistance	7%
Information (IT)	5%
Retail Trade	5%
Educational Services	4%
Agriculture, Forestry, Fishing and Hunting	4%
Transportation and Warehousing	4%
Wholesale Trade	3%
Arts, Entertainment, and Recreation	3%
Real Estate, Rental and Leasing	2%
Management of Companies and Enterprises	2%
Administrative and Support	2%
Utilities	2%
Accommodation and Food Services	1%
Finance	1%
Waste Management and Remediation Services	1%
Public Administration	1%
Insurance	1%



ECONOMIC OUTLOOK

Compared to 6 months ago ... Would you say the national economy is:

 **Total better**
 **Total worse**
 **About the same**

	Total better	Total worse	About the same
Dec. 17	54%	8%	38%
July 17	45%	12%	44%
Dec. 16	43%	11%	47%
July 16	22%	30%	48%

Compared to 1 year ago ... Would you say the national economy is:

 **Total better**
 **Total worse**
 **About the same**

	Total better	Total worse	About the same
Dec. 17	63%	10%	27%
July 17	54%	14%	31%
Dec. 16	53%	13%	34%
July 16	32%	33%	35%

Compared to five years ago ... Would you say the national economy is:

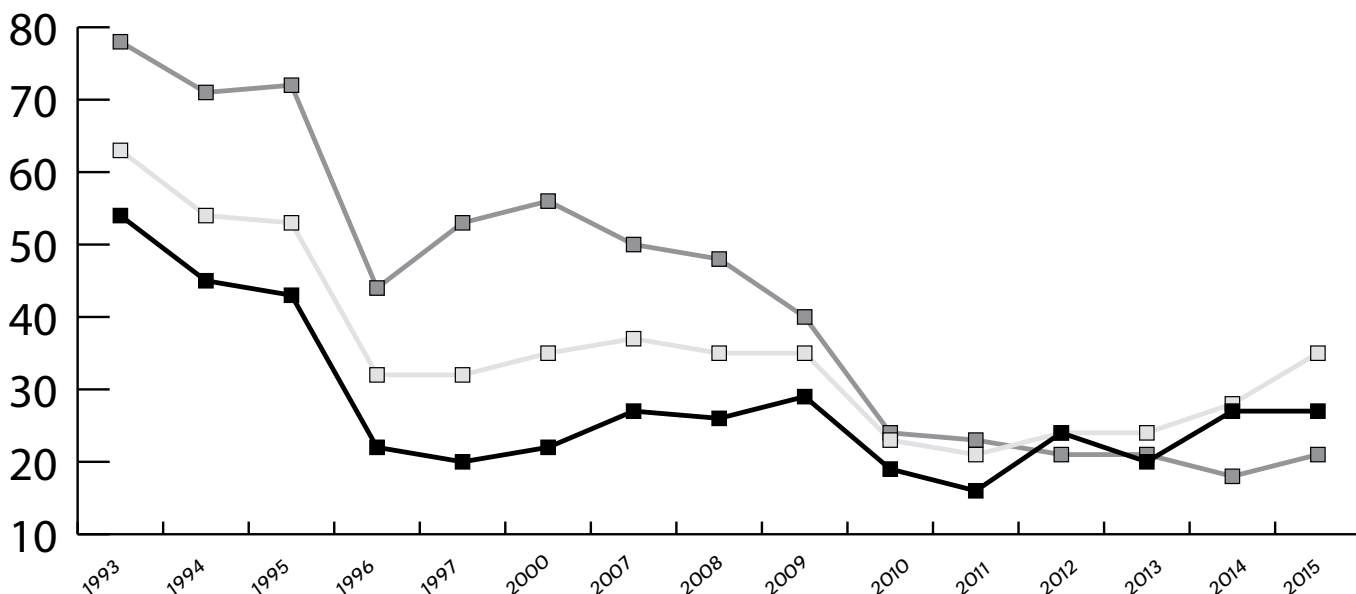
 **Total better**
 **Total worse**
 **About the same**

	Total better	Total worse	About the same
Dec. 17	78%	12%	11%
July 17	71%	16%	12%
Dec. 16	72%	16%	13%
July 16	44%	35%	20%

More than half of small-business owners feel the national economy is doing better than it was just 6 months ago, compared to 43 percent who reported the same in Dec. 2016 and the only 20 percent in Dec. 2015.

Total number of small businesses who said the U.S. economy is better today than...

■ Six Months Ago
 ■ One Year Ago
 ■ Five Years Ago



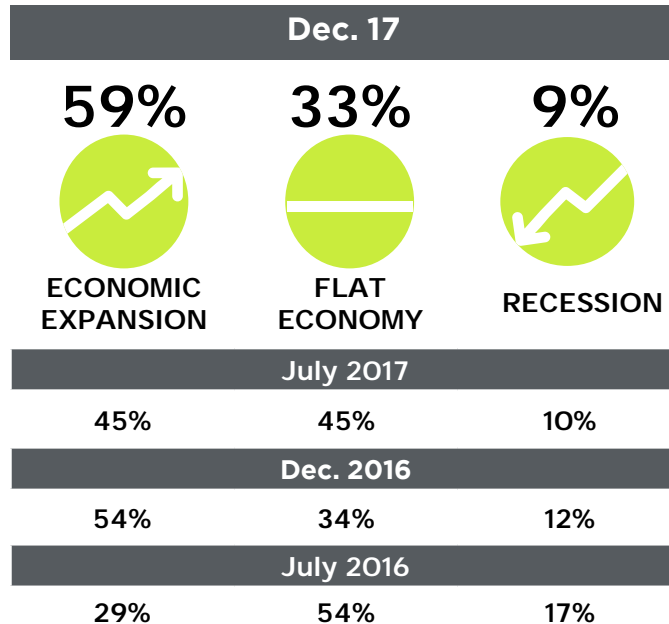
ECONOMIC OUTLOOK

What are the three most significant challenges to the future growth and survival of your business? (Please check the three most important challenges)

Cost of health insurance benefits	32%
Economic uncertainty	32%
Lack of qualified workers	26%
Regulatory burdens	24%
Decline in customer spending	23%
Partisan gridlock in D.C.	21%
Lack of available capital	20%
Federal taxes	16%
Cost of employee salaries	14%
State and local taxes	14%
Other	13%
Cost of technology	11%
Growing national debt	10%
Cost of training workers	8%
Cost of employee benefits	8%
Foreign competition	6%
No major challenges	6%

The cost of health insurance is the most significant challenge to the future growth and survival of small firms.

Thinking about the next 12 months, do you anticipate:



In the past two years, the number of small-business owners who say they expect to see an economic expansion in the next 12 months has more than doubled.

Do you foresee any of the following issues being a problem for your business in the coming 12 months? (check all that apply)

	Dec. 17	July 17	Dec. 16	July 16
Inflation	22%	24%	32%	32%
Deflation	2%	2%	3%	6%
Rising interest rates	26%	27%	34%	24%
None of the above	59%	57%	49%	53%

SMALL BUSINESS CONFIDENCE

More than one-third of small-business owners feel very confident about the future of their own business—the highest this indicator has been in more than 10 years.

From a financial perspective, how do you feel right now about the future for your business?



	Dec. 17	July 17	Dec. 16	July 16
Confident	84%	83%	80%	72%
Not Confident	16%	17%	20%	28%

The overwhelming majority of small firms, 84 percent, are confident in the future of their business.

Do you believe there will be growth opportunities for your business...

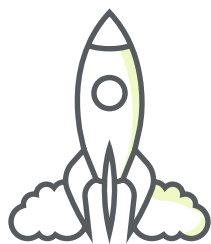


	Dec. 17	July 17	Dec. 16	July 16
In the next 3 months	10%	8%	11%	7%
In the next 3 to 6 months	21%	14%	18%	14%
In the next 6 to 12 months	30%	30%	31%	33%
None in the coming year	19%	27%	22%	30%
My business is already growing	20%	21%	19%	17%

More small businesses today than at any point in the last 10 years are either already growing or expect growth in the coming year.

BUSINESS GROWTH

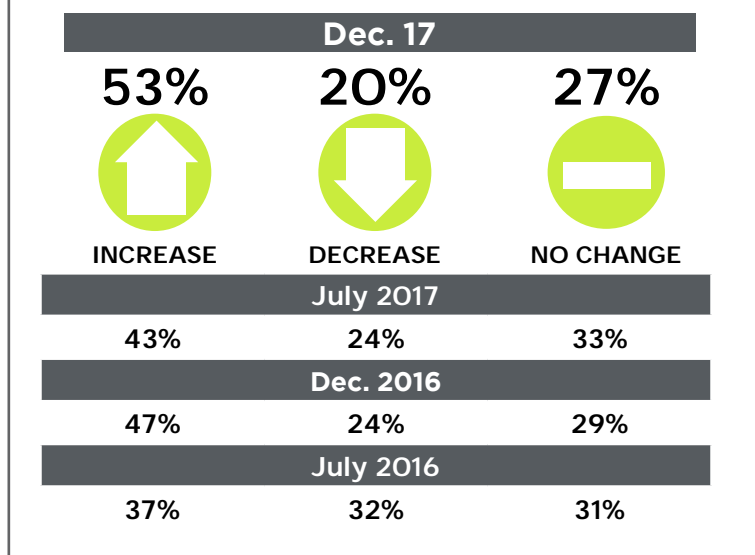
Which of the following growth strategies will you use in the next 12 months?



	Dec. 2017	July 2017
New advertising and marketing strategies	47%	42%
Strategic alliance	33%	28%
Internet / Expand E-commerce	30%	28%
New product lines	27%	24%
Hire new employees	26%	26%
New territory	17%	14%
Joint Venture	14%	13%
Investments in R&D	13%	12%
No growth strategies will be used in the next 12 months	12%	17%
Expand operations to new facilities/add additional stores	11%	10%
Outsourcing	7%	7%
Other	6%	5%
Acquisition	5%	5%
Exporting	5%	5%
Merger	3%	3%

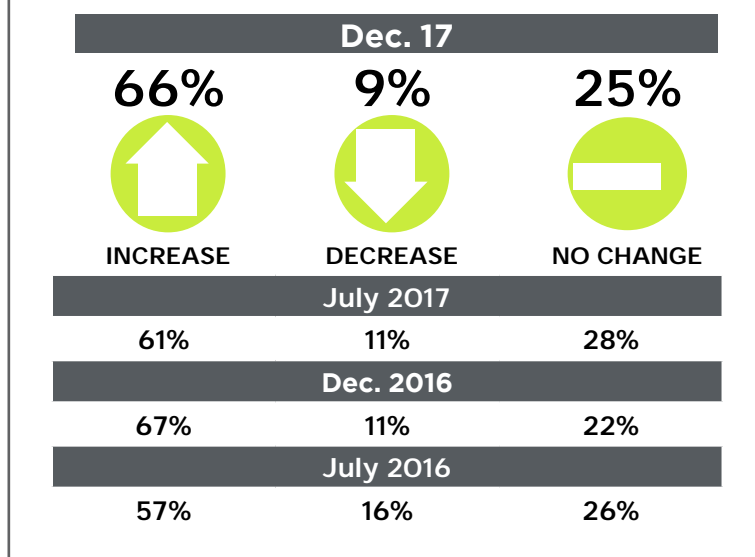
Underscoring the generally very positive outlook, there were increases in nearly every type of planned growth strategy for the coming year.

How did your gross sales/revenues change over the last 12 months?



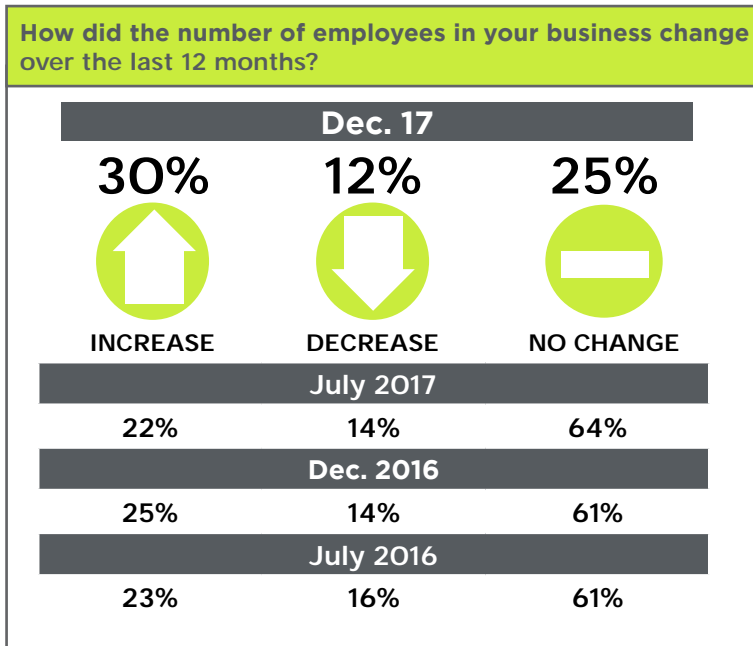
For the first time in a decade, the majority of small firms—53 percent—report increases in revenues.

How do you expect gross sales/revenues to change over the next 12 months?

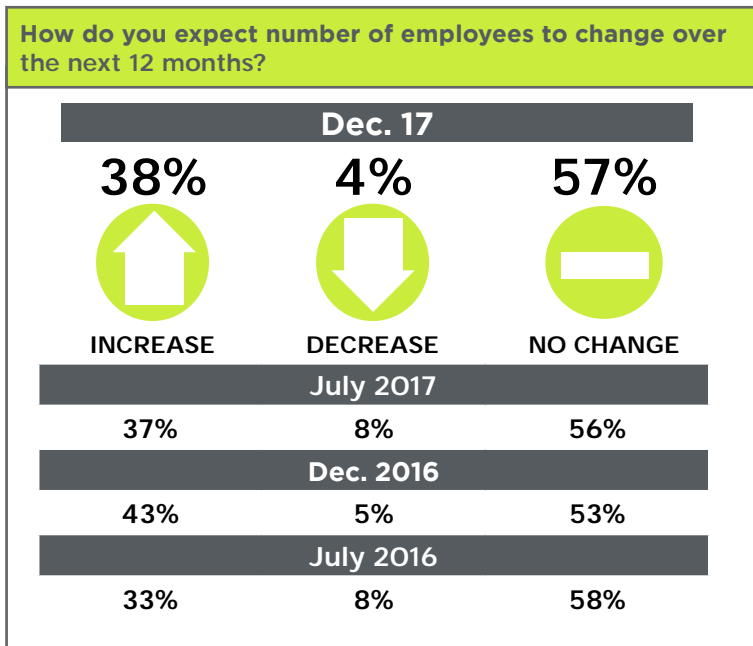


Future revenue projections remained high, yet did not experience as significant a jump as past revenue growth, a notable shift from past surveys where growth in revenue projections outpaced past revenue growth.

JOB GROWTH



While hiring increased notably, from 22 percent in July 2017 to 30 percent in Dec. 2017 and the highest it's been in more than 10 years, it's important to note that less than one-third of small businesses reported hiring in the last year.

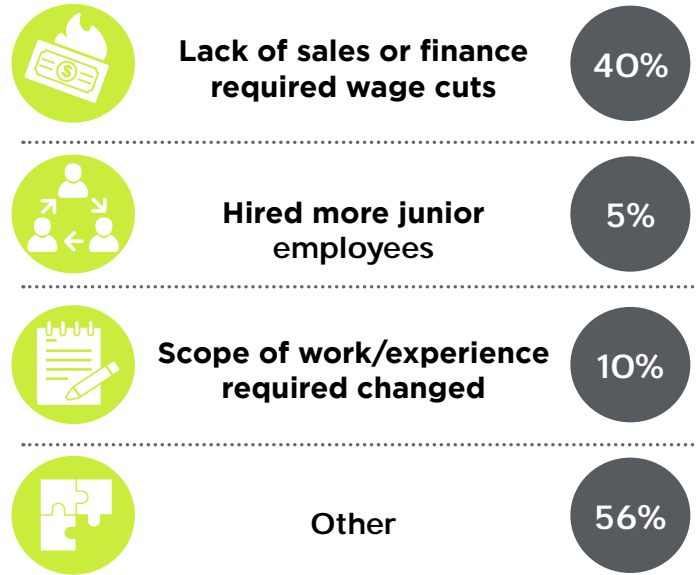


JOB GROWTH

How did average per-employee wages increase over the last 12 months?

Average increase of 1% to 2 %	18%
Average increase of 3% to 4%	20%
Average increase of 5% to 6%	10%
Average increase of more than 6%	10%
No wage increases were provided	38%
Some or all employee wages were decreased	4%

If you provided no wage increases or actually decreased wages for any employees in the last 12 months, why? (Check all that apply)



The majority of small firms, 58 percent, increased employee wages over the last year, and even more, 64 percent, expect to do so this coming year.

How do you expect your average per-employee wages to increase over the next 12 months?

Average increase of 1% to 2 %	21%
Average increase of 3% to 4%	25%
Average increase of 5% to 6%	11%
Average increase of more than 6%	6%
No wage increases were provided	35%
Some or all employee are likely to decrease	2%

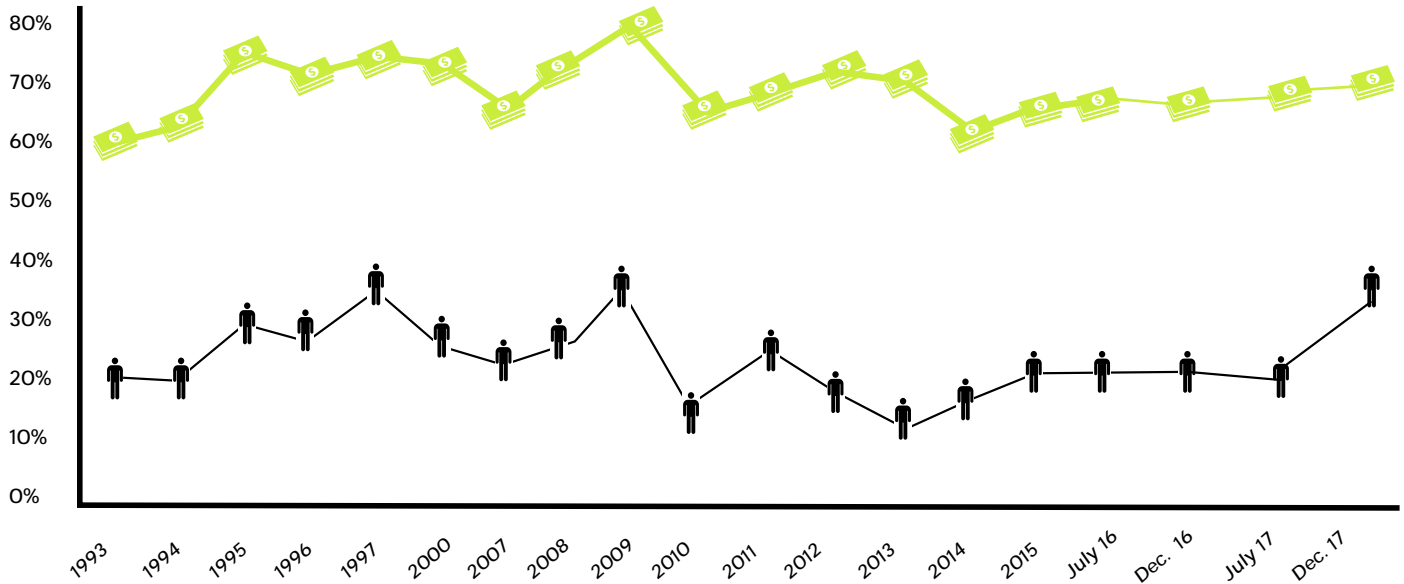
If you anticipate no wage increases or wage decreases for any employees in the coming 12 months, why? (Check all that apply)



SMALL BUSINESS FINANCING

Correlation between financing and employment

■ Able to get financing ■ Increased Employment



According to NSBA data from as far back as 1993, there is a clear correlation to a small-business owner's ability to hire and his/her ability to get financing.

Is your business able to obtain adequate financing?

Dec. 17

73%

27%



YES

NO

July 2017

72%

28%

Dec. 2016

69%

31%

July 2016

69%

31%



While nearly three-in-four small businesses can access adequate financing, for fully one-quarter of small U.S. firms, financing remains elusive.

SMALL BUSINESS FINANCING

What types of financing has your company used within the past 12 months to meet your capital needs? (Check all that apply)

	Dec. 2017
Earnings of the business	32%
Credit cards	31%
Large Bank Loan	15%
Community Bank Loan	14%
Private loan (friends or family)	13%
Vendor credit	12%
Leasing	5%
Small Business Administration (SBA) loan	4%
Online or non-bank lender	3%
Venture capital/Angel investors	3%
Private placement of debt	3%
Credit Union Loan	2%
Selling/pledging accounts receivable	2%
State/Regional Loan and Incentive Programs	2%
Private placement of stock	1%
Crowdfunding	1%
Public issuance of stock	0%
Other	7%
Used no financing	31%

Financing continues to be a challenge for small firms, particularly at large banks where the number of small firms relying in large-bank financing has hovered at just 15 percent for the last two years.

If capital availability is a problem for your business, what is the effect on your operations?



	Dec. 2017
Not a problem / No effects	57%
Unable to grow business or expand operations	31%
Unable to finance increased sales	14%
Reduced the number of employees	13%
Reduced benefits to employees	9%
Unable to increase inventory to meet demand	9%
Other (please specify)	3%
Closed stores or branches	2%

Those small firms forced to lay off employees due to lack of financing is at its lowest point in 10 years.

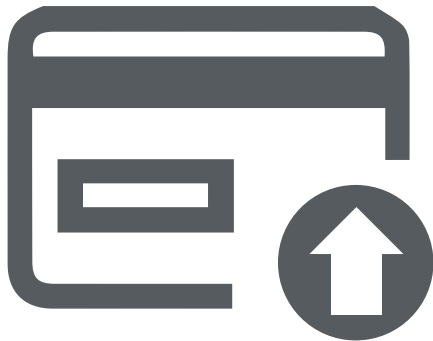
SMALL BUSINESS FINANCING

For bank loans that are currently outstanding, which of the following has occurred in the last twelve months?



	Dec. 2017
Terms have become less favorable to your business.	11%
Terms have stayed the same	31%
Terms have become more favorable to your business	3%
Do not have outstanding loans.	55%

Have you experienced any of the following changes on any of your lines of credit or on your credit cards in the last six months?



Increase

18%



Decrease

5%

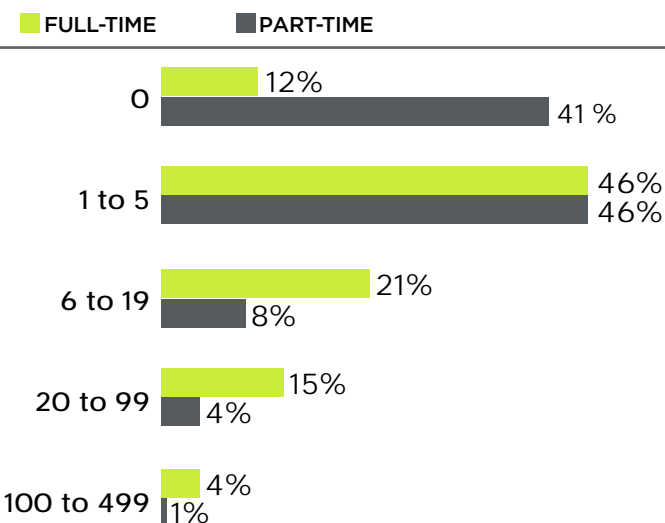


No Change

77%

WORKFORCE & HIRING: EMPLOYEE TYPES

How many employees are currently employed by your business?



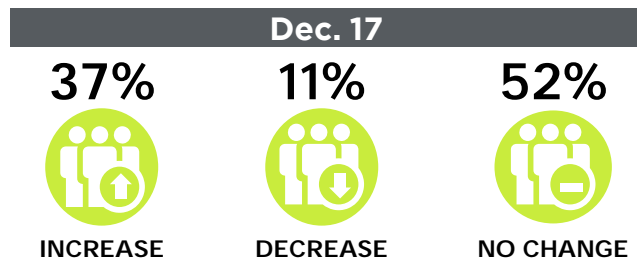
What fraction of your employees work part-time?

1% to 24%	55%
25% to 49%	15%
50% to 74%	14%
75% to 99%	8%
All	8%

Why have you increased the number of part-time employees in your business over the last five years?

To minimize benefits costs	9%
To avoid the Affordable Care Act employer mandate	5%
Scope of work and business changes	68%
Other	19%

How has your number of part-time employees changed in the last 5 years?



In the past five years, more than a third of small-business owners, 37 percent, have increased their number of part-time employees.

Among small businesses that increased part-time employees, most (70 percent) were new part-time employees whereas just 17 percent reduced current full-time employees to part-time. This is underscored by the fact that, among those who increased the number of part-time employees in their business, the overwhelming majority cite changes to scope of work as the driver behind those increases.

Which of the following applies to why your number part-time employee has increased? (check all that apply)

Existing full-time employees reduced to part-time	16%
Hiring new part-time employees	70%
Switched from outsourcing to insourcing	7%
Other	18%

WORKFORCE & HIRING: EMPLOYEE EDUCATION

What level of education do you seek for your employees? (Check all that apply)



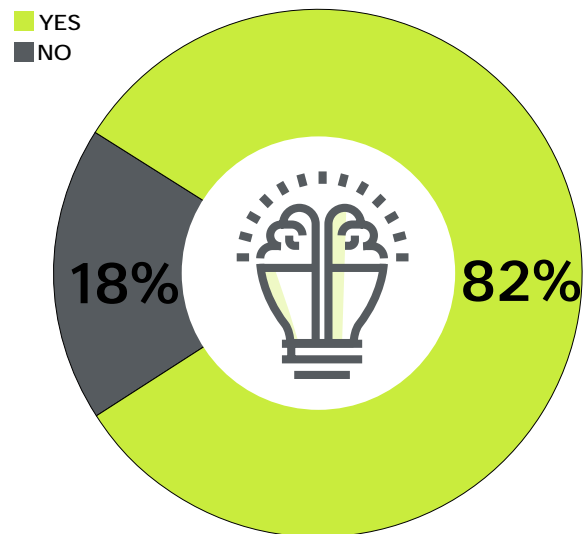
Masters or higher degree program	23%
College degree	42%
Some college	20%
Technical or vocational training	33%
Industry certifications	19%
High-school	27%
No education requirements	13%

A college degree is the most common education requirement among small-business owners.

What kind of formal training/education programs (if any) do you offer your employees? (Check all that apply)

On-site training for their specific position	61%
Company paid off-site training	26%
Money for employees' continuing education or certifications	17%
Apprenticeships for certain trades	11%
None	26%
Other	4%

Do employees receive any informal training (e.g. learning new software while on-the-job)?

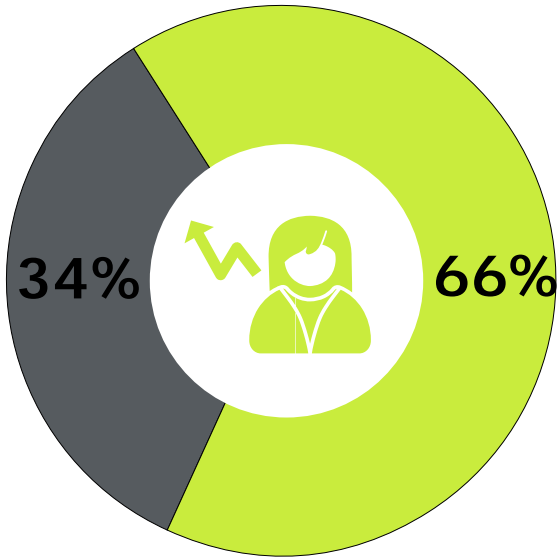


Small businesses are investing in providing their employees with essential training: 74 percent provide some type of formal training, and an additional 15 percent provide informal training for a total of 89 percent.

WORKFORCE & HIRING: **EMPLOYEE RETENTION**

Is there opportunity for promotion for employees at your company?

■ YES
■ NO

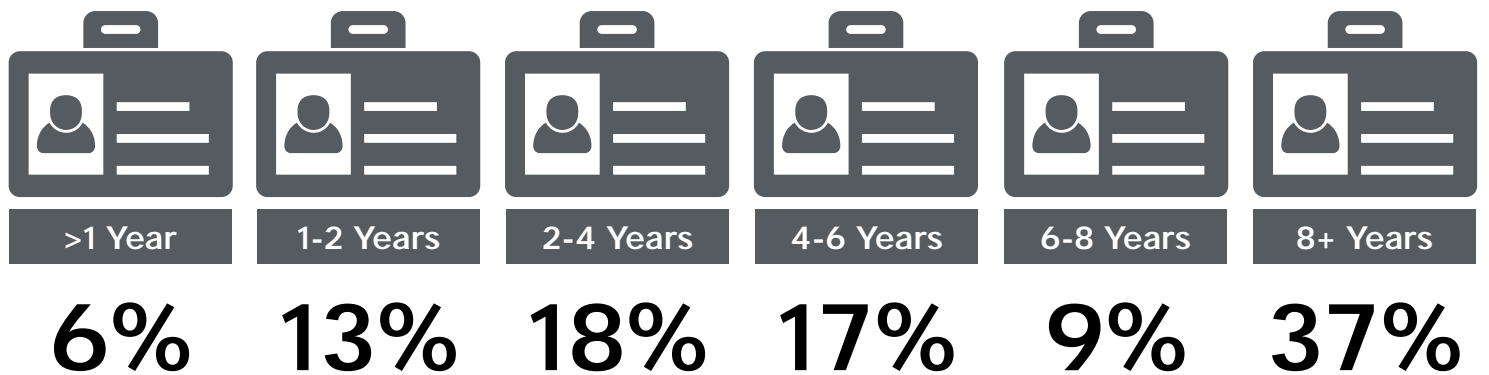


Where do employees tend to work after leaving your company? (check all that apply)

Another small business	34%
A large business	22%
Start their own business	11%
Government	8%
Not Sure	47%

The majority of small-business owners say employees stay with their business four or more years.

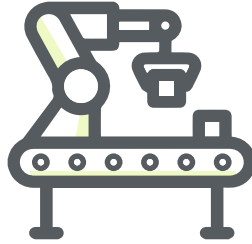
What is the average length of time an employee stays with your business?



More than one-in-three small firms retain employees for eight years or more.

WORKFORCE & HIRING: **WORKPLACE AUTOMATION**

Do you anticipate implementing any automation over the next year (e.g. accounting systems, scheduling,...)?



Yes	32%
No	49%
Not sure	19%

One-third of small businesses expect to implement some kind of automation in the next year.

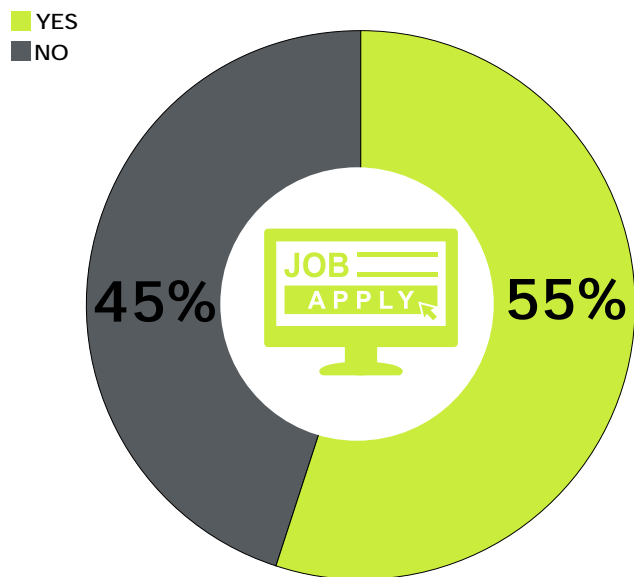
After implementing automation, how do you expect your employment needs to change?

I will need more employees	24%
I will need fewer employees	9%
I will need the same number of employees	67%

Just nine percent of those planning automation in the next year say they will need fewer employees.

WORKFORCE & HIRING: HIRING PROCESS

In general, do you notify job applicants with updates throughout the hiring process?



Among those who DON'T provide updates throughout the hiring process, why not?



I don't have enough time to notify every applicant	21%
I don't have enough people who can regularly check-in with candidates	22%
I don't want to / don't think it's worth it	23%
Other	50%

45 percent of small-business owners do not notify job applicants with updates throughout the hiring process.

Among those who DO provide updates throughout the hiring process, what applicants do you notify?

Any and all who applied to the position	46%
Only those who at least made the first round of interviews	25%
Only those who had an in-person interview	17%
Only those who got to the very final stage of the hiring process	8%
Other	5%

Among those who DON'T provide updates throughout the hiring process, would you notify and regularly update all applicants if you could?



WORKFORCE & HIRING: **HIRING PROCESS**

Among those who DO provide updates throughout the hiring process, when do you notify candidates? (Check all that apply)

We confirm when we receive their application.	47%
We let them know when we fill the position.	50%
We let them know when their application status changes	35%
We let them know when there's a timing update	20%
We thank them following each interview	47%
Other	8%

Among small businesses that do notify job applicants, 66 percent send personalized emails and 50 percent call applicants.

Among those who DO provide updates throughout the hiring process, when do you notify candidates? (Check all that apply)

We send automated emails	11%
We send personalized emails	66%
We call candidates	50%
We talk to candidates through a job site service and/or social media platform	8%
Other	8%

Less than half of small-business owners, 47 percent, notify job applicants they have received their application, and even fewer, 35 percent, notify applicants when there is a change to their application status.

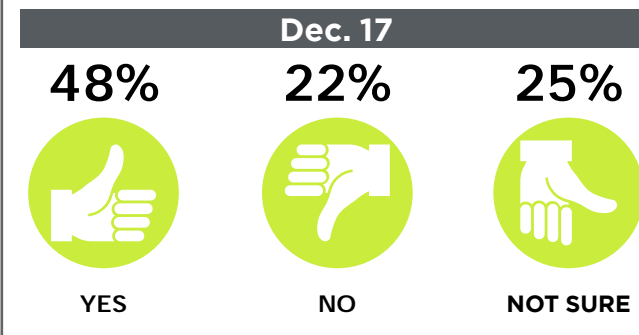
PUBLIC POLICY

Which one of the following issues do you believe Congress and President Trump's administration should address first?

End the partisan gridlock and work together	19%
Rein-in costs of health care reform	17%
Reduce the national deficit	10%
Reduce the tax burden	9%
Reduce the regulatory burden on businesses	8%
Increase small business access to capital	8%
Simplify the tax system	5%
Improving education to provide a qualified domestic workforce	4%
Reform the immigration system	4%
Reform the federal contracting system	3%
Tort reform	1%
Implement cybersecurity procedures and/or standards	1%
Reduce the burden of unfair labor laws	1%
Credit card reform (that includes SB)	1%
Remove barriers to small-business exporting	1%
Enact a comprehensive energy policy	1%
Other	7%

The number one small businesses want Congress and the Administration to do is end the partisan gridlock and work together.

Do you support the tax reform bill?



Surveyed at the height of the tax reform debate, just 48 percent of small firms said they supported the tax reform bill.

Which of the following deficit-reducing proposals would you support? (Check all that apply)

Reform and reduce entitlement spending	51%
Targeted cuts for certain federal agencies and programs	39%
Greater authority of the administration to reduce Congressionally-approved spending	37%
Eliminate all tax credits and deductions in conjunction with dramatically lower income tax rates	32%
A tax increase for those making more than \$250,000 annually	29%
An across-the-board budget cut for federal agencies	29%
A combination of tax increases and spending cuts	27%
Eliminate certain tax credits and deductions—even those which may benefit my business	21%
Other	9%

Do you have any plans to restructure your business as a result of tax reform provisions in the coming year?

	Dec. 2017
Yes – from a pass-through to a Corporation	3%
Yes – from a Corporation to a pass-through	1%
No	60%
Not sure	36%

Responding to recently-passed tax cuts, there were drops in the number of small firms who picked tax simplification and tax burden as key policy priorities.

CONCLUSION

Small employers comprise 99.7 percent of all employer firms in the U.S. One in two workers in the private workforce run or work for a small business, and one in four individuals in the total U.S. population is part of the small-business community.

Small businesses simply need the environment to grow and create jobs: economic stability; predictability, fairness, simplicity and transparency in taxes and health care costs; common-sense regulations that don't unfairly disadvantage small firms; and lawmakers willing to tackle the major issues facing our country, and to do so together.

Please click here for more information on [NSBA's priority policies](#).

For past Economic Reports and other issue-specific surveys from NSBA, please visit our [Surveys & Reports page](#) on the NSBA website.

To learn more about how ZipRecruiter can help small businesses find their next great employee by connecting them with relevant job candidates, [click here](#).

For questions, interviews or to reprint any or all of this report, please contact the NSBA public affairs department at press@nsba.biz or 202-552-2904, or the ZipRecruiter communications department at press@ziprecruiter.com.

METHODOLOGY

The 2017 Year-End Economic Report was conducted on-line Dec. 18, 2017 - Jan. 8, 2018 among 1,633 small-business owners—both members and nonmembers of NSBA—representing every industry in every state in the nation.



2017 YEAR-END ECONOMIC REPORT

SPONSORED BY

