

Small Businesses Report Sharp Hiring Declines in May

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FULL TEXT

The CBIZ Small Business Employment Index reversed positive hiring growth seen in previous months, signaling changes ahead of summer months

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The CBIZ Small Business Employment Index (“SBEI”) reported a seasonally adjusted decrease of 1.91% in May, a stark change from the unseasonably strong hiring growth found in the April report. The CBIZ SBEI tracks payroll and hiring trends for over 3,600 companies that have 300 or fewer employees, providing broad insight into small business trends.

“The weakness in employment reflects growing uncertainties for companies, as the cost of running a business increases and consumers react to larger economic pressures,” said Anna Rathbun, CFA, Chief Investment Officer, CBIZ, Inc. “This sentiment is reflected across industries. One example is in the noted manufacturing jobs decline, which corroborates the recent weakness in manufacturing reported in regional Federal Reserve Bank surveys.”

The ADP and Moody’s employment report indicated hiring growth among small, medium-sized and large companies. Its May reading showed an overall increase of 128,000 private-sector jobs for the month. Despite the overall hiring growth small businesses accounted for a decline of 91,000 of those jobs on a seasonally adjusted, month-over-month basis. The ADP and Moody’s report counts small businesses as companies with 49 or fewer employees, while the CBIZ SBEI uses data from companies with 300 employees or fewer.

The CBIZ SBEI reported depressed hiring in all four regions measured. The West (-3.09%) and Southeast (-2.10%) regions showed the largest declines. The Northeast (-1.78%) and Central (-1.62%) both experienced smaller reductions.

On an industry level, the most notable hiring increase was seen in Professional Services. Accommodations and Food Services, Arts and Entertainment, Manufacturing, and Retail experienced hiring declines.

“May’s numbers reflect consumers’ inflation pain points and anticipated challenges ahead,” added Rathbun.

“Consumers are tightening their belts which means the Retail and Arts and Entertainment industries are likely to continue to adjust their hiring accordingly.”

To view an infographic with data from the employment index, visit the CBIZ website.

Additional takeaways from the May SBEI include:

May’s snapshot: 22% of companies in the index increased staffing, 53% made no change to their headcounts and 25% reduced employment totals.

Industries at a glance: The Professional Services sector reported hiring gains. Meanwhile, declines were reported in Accommodations and Food Services, Arts and Entertainment, Manufacturing, and Retail.

Geographical hiring: The West (-3.09%), Southeast (-2.10%), Northeast (-1.78%) and Central (-1.62%) regions all experienced hiring decreases.

What’s next? Small businesses are continuing to be affected by inflation. As larger volatility affects the market, businesses of all sizes are calling for hiring freezes or conducting layoffs reflecting a less certain environment at a high level.

Editor’s note:

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