

Small Business Index

Q4 2023

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The Voice of Small Business Owners

PRESENTED BY



U.S. Chamber of Commerce

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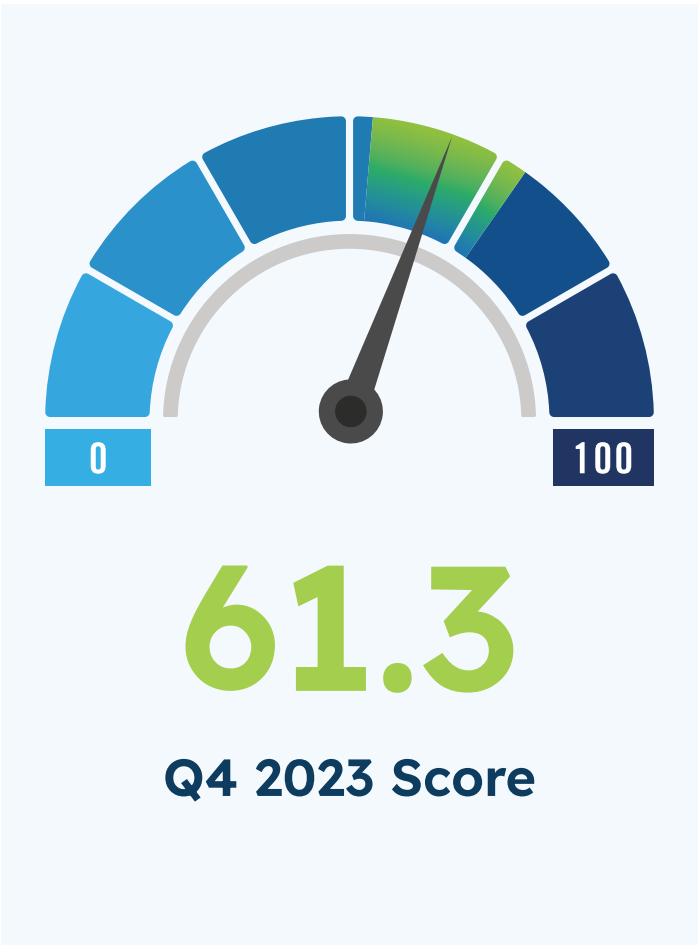
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INDEX SUMMARY

Index Drops As View of Economy Declines

Employers having harder time finding employees with right skills, experience

This quarter, the Q4 2023 MetLife & U.S. Chamber of Commerce Small Business Index falls to 61.3—close to sentiments from earlier this year and in late 2022—and below last quarter’s score of 69.2. Small businesses’ declining view of the national economy and their local economy helped drive the headline score down.



According to the poll taken between October 5-24, 2023, 25% of small businesses say the U.S. economy is in good health and 30% say their local economy is in good health, both down eight percentage points since last quarter. While optimism about future revenue expectations is widespread, there has been a softening of this measure too. Almost two-thirds (65%) of small businesses expect revenue to increase next year, down from a record-high 71% expecting the same over the last two quarters.

Small businesses’ concerns are still dominated by persistent high inflation. For the sixth consecutive quarter, at least 50% of small businesses cite inflation as one of the biggest challenges they are facing right now. However, concerns may be leveling off; the percentage citing inflation as the top concern has held steady at 52-54% since Q4 2022.

Small businesses’ second biggest concern is revenue with 22% citing this as a top concern. Meanwhile, small businesses’ concerns about supply chain issues are slightly fading. Supply chain issues are tied for fourth place as the most challenging issue reported among small businesses this quarter (17%), along with affording employee benefits or healthcare.

Nearly half of small businesses report searching for, recruiting, or interviewing new talent in 2023—a significant increase from mid-2021. Most of those looking for new employees say it is hard finding candidates with the experience or skills they need. More also say it is hard to find enough candidates to fill open positions versus a few years ago. Nearly half of those who report searching for new talent in 2023 say it is hard to offer competitive pay and benefits. In fact, 60% of all small businesses agree it is challenging to keep up with existing employees’ salary expectations.

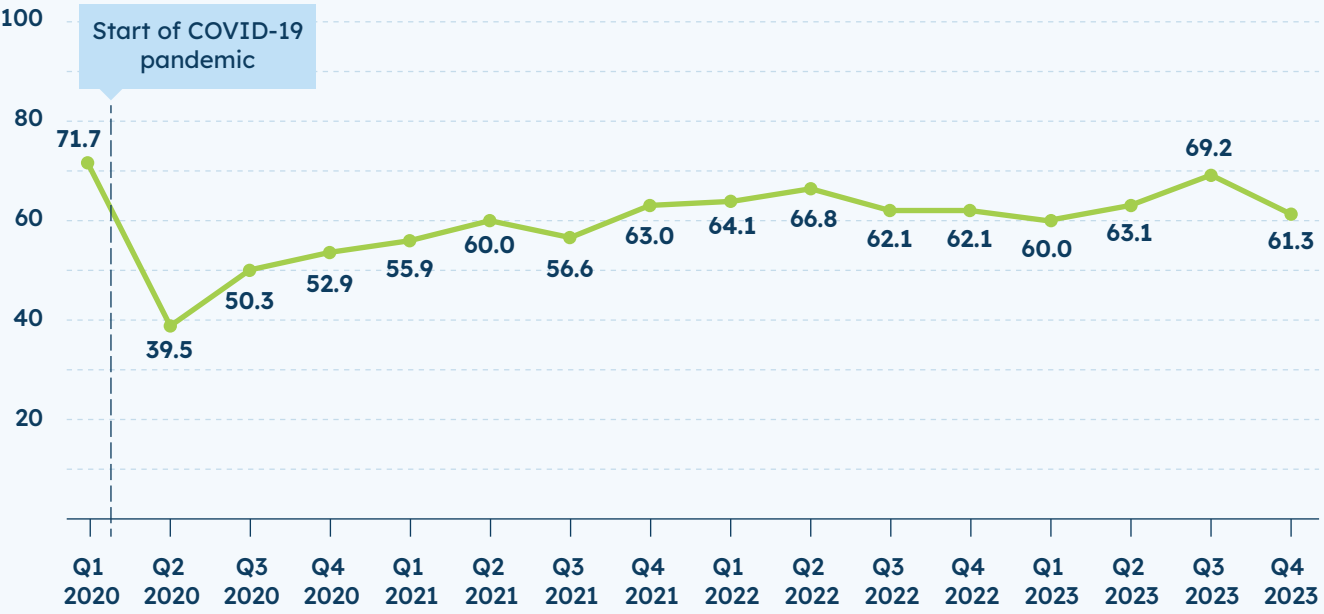
In response, small business owners are getting innovative in their struggle to find and retain talent. The most popular

50%

of small businesses cite inflation as one of the biggest challenges they are facing right now



Small Business Index Score Q1 2020 - Q4 2023



strategy is offering flexible work schedules, with 68% of small businesses saying they plan to offer it in the next year. Roughly half (48%) also say they plan to offer a hybrid or remote work environment in the next year to attract new talent. Both incentives are particularly popular among those in the professional services sector. In addition, half (50%) of small businesses say they will be offering increased pay, paid sick leave, or listing the hourly pay/salary range for each open position they announce.

To help alleviate staffing constraints, small businesses are interested in recruiting workers from overlooked groups. Nearly three in four (71%) small businesses agree that employers should more often consider hiring from talent pools such as formerly-incarcerated people, veterans, military spouses, or legal immigrants. In addition, a majority (54%) of small businesses think the U.S. should issue more skilled worker visas annually so businesses can hire the workers they need.

48%

of small businesses say they plan to offer a hybrid or remote work environment in the next year to attract new talent



INDEX HIGHLIGHTS

Small Business Index Q4 2023 – 61.3

The MetLife and U.S. Chamber of Commerce Small Business Index score for Q4 is 61.3. The Q3 Index score was 69.2.



Index score declines.

The MetLife & U.S. Chamber of Commerce Small Business Index fell to 61.3 from 69.2 last quarter. This is close to overall sentiments this time last year.

Views of the economy decline to levels seen earlier this year

25% of small businesses say the U.S. economy is in good health, down eight percentage points from last quarter, but similar to readings from late 2022 and early 2023.

Views of the local economy drop.

30% of small businesses say their local economy is in good health, down eight percentage points since Q3, returning to levels earlier this year.

Inflation remains the top challenge—by far.

A majority of small businesses (53%) say inflation is the top challenge facing the small business community. This is the sixth quarter in a row where 50% or more have cited inflation as their biggest challenge.

Most small businesses say there is a worker shortage.

A majority (53%) of small businesses agree there is a worker shortage in their local area.

More small businesses are looking for workers.

45% of small businesses say they have searched for new talent this year, up from 36% who said so in fall 2021.

Most small businesses struggle to find workers with the right experience and skills.

Over half of those who have searched for talent in 2023 say it is hard to find candidates with the experience (54%) or skills (52%) their business needs.

A strong majority report planning to offer flexible work options.

Nearly seven in ten (68%) small businesses say they plan to offer more flexible working hours over the next year to attract new talent. Also, 48% say they plan to offer a hybrid or remote working environment.

Most small businesses find it hard keeping up with salary demands.

A majority of small businesses (60%) say it is challenging to keep up with their employees' salary expectations or demands, in line with attitudes from last quarter (56%).

Most feel small businesses should consider workers from overlooked groups.

71% of small businesses agree that employers should more often consider hiring from overlooked talent pools, such as formerly-incarcerated people, veterans, military spouses, or legal immigrants.

Most small businesses think there should be more visas for skilled legal immigrants.

A majority (54%) of small businesses think the U.S. should issue more skilled worker visas each year so businesses can hire the workers they need.



Inflation Tops List of Concerns for Eighth Consecutive Quarter

Worries about affording employee healthcare and benefits grow

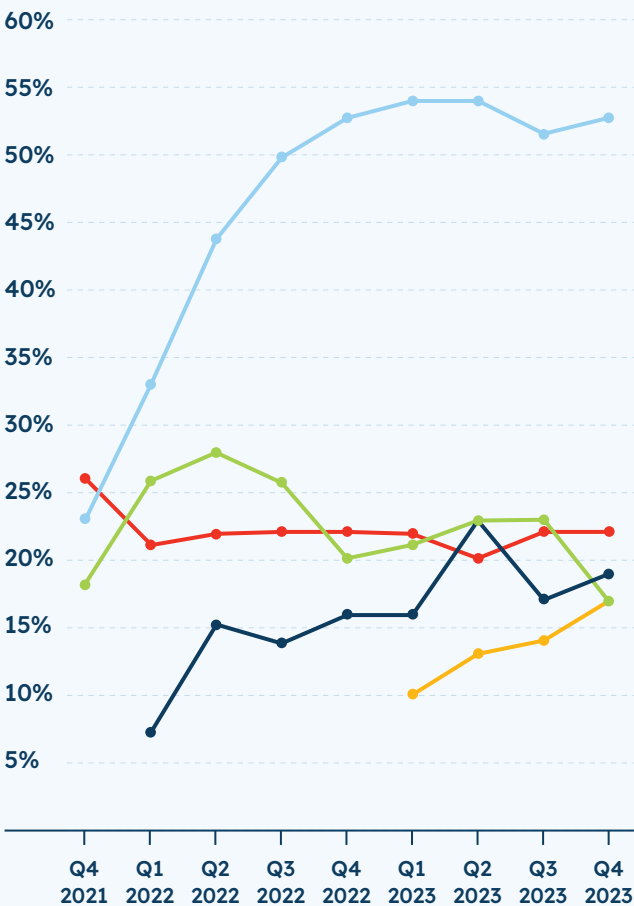
This quarter, small business concerns about inflation remain near record highs. In fact, inflation has been the top concern for small businesses for the last two years running.

In Q1 2022, inflation replaced revenue as the single top concern among small business owners with 33% saying it was a top concern. Since then, inflation concerns have grown and plateaued: A majority of small businesses (53%) say inflation is the top challenge facing the small business community. This is also the sixth quarter in a row where 50% or more have cited inflation as their biggest challenge.

Inflation concerns continue to exist regardless of a small business’s region, number of employees, or sector. However, small businesses in the services sector are more likely than those in manufacturing or professional services to say inflation is their biggest challenge (61% vs. 48% and 47%, respectively). About half (54%) of small businesses in retail say the same.

Top 5 biggest challenges facing small business owners

- Inflation costs
- Supply chain issues
- Revenue
- Interest rates rising
- Affording employee benefits/healthcare



“Interest rates rising” added in Q1 2022
“Affording employee benefits/healthcare” added in Q1 2023



Other concerns don’t come close to inflation. About one-fifth of small business decision makers say either revenue (22%) or rising interest rates (19%) are the biggest challenges facing them right now. Each of these levels is relatively unchanged from Q3 2023.

In addition, supply chain issues are less a concern than they used to be. Small businesses said supply chain issues are their fourth most challenging issue with 17% saying it’s a top concern. This is down from a peak of 28% who said it was a top concern in Q2 2022.

A growing concern is containing the cost of employee benefits. Concerns around affording employee benefits or healthcare have increased by seven percentage points since the start of the year to 17% saying it’s a top concern. There is a clear upward trend when compared to the beginning of the year when only 10% said affording employee benefits or healthcare was a top concern. Business size matters here: affording employee benefits and healthcare is the second most challenging issue reported among small businesses with 20-500 employees.

This quarter, 12% of small businesses each say that employee retention or employee well-being/ morale are top concerns. Small businesses have expressed fairly consistent sentiments about these two measures since the question was first asked in Q3 2021.

“... From a customer standpoint, we have waiting lists to get into our classes... But our biggest handicap to growth is staffing. We are working on revamping and increasing our pay scales and benefit structure to hopefully entice more workers.”

Brenda Nolby, President
Jam Hops
Ham Lake, Minnesota

Most Say It's Hard to Find Workers With the Right Experience, Skills

Most small businesses see a worker shortage in their area

Most small businesses who searched for or hired new talent this year say they are having a hard time finding workers with the right skills and experience they need—and the trend is getting worse.

About half of small businesses who have searched for new talent in 2023 say it is hard to find candidates with the experience (54%) or skills (52%) they need for the job. When compared to September 2021, when this question was last asked, the net difficulty¹ in finding candidates has increased significantly. Small businesses say that finding workers with the necessary experience (up a net 19 percentage points), finding candidates in their area (up net 14 percentage points), and finding enough candidates to fill open positions (up net 11 percentage points) have all become more difficult.

Additionally, a majority (53%) of all small businesses say there is a worker shortage in their area. Small businesses that report searching for new talent in 2023 are even more likely to say there is a worker shortage in their area than those who have not



54%

of small businesses who have searched for new talent in 2023 say it is hard to find candidates with the experience they need for the job

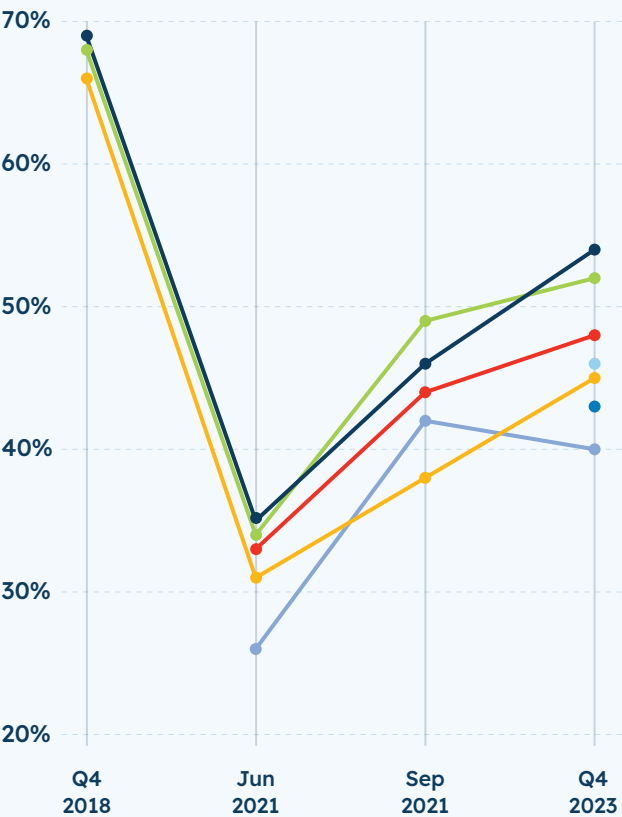


searched for new talent this year (63% vs. 44%, respectively). Also, almost half (48%) of small businesses who have searched for talent in 2023 say it is hard to find enough candidates to fill open positions.

Furthermore, 71% of small businesses who say it is hard to fill open positions say they feel there is a worker shortage in their area, emphasizing the impact of this perceived shortage on the hiring process and the difficulty of finding the right workers.

Difficulty in aspects of hiring over time

- Finding candidates with the experience you need
- Finding candidates with the skills you need
- Finding enough candidates to fill open positions*
- To offer competitive pay and benefits to attract new talent**
- Finding candidates in your area
- To keep up with employees' salary expectations*
- To compete for talent with larger businesses in your area



* This option was first asked in the June 2021 Pulse study
** This option was first asked in Q4 2023

1. Net difficulty is calculated by subtracting the percent selecting somewhat or very easy from the percent selecting somewhat or very hard for each response option.

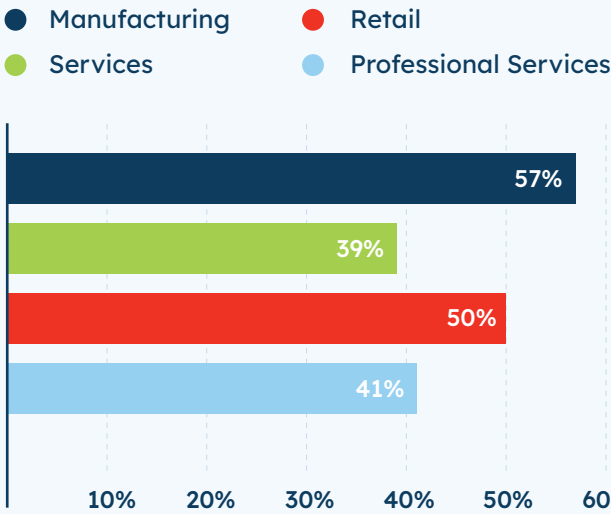
Most small businesses see a worker shortage in their area

Exacerbating the fight to find the right workers, 45% of small businesses say they have searched for new talent this year, up from 33-36% in our 2021 pulse surveys, and closer to what was reported in Q4 2018 (43%), a year before the onset of the COVID-19 pandemic.

As with reported increases in staffing in the past year, small businesses are more likely to report having searched for new talent in 2023 if they are male-owned or have more employees. Many (78%) large small businesses (20-500 employees) report seeking workers this year—while only 33% of those with 1-4 employees report the same.

Small manufacturers and retailers are the most hungry for workers. Manufacturers (57%) and retailers (50%) are more likely than services (39%) or professional services (41%) to say that they’ve searched for or interviewed new talent this year.

Percentage that searched for, recruited, or interviewed any new talent in 2023 (by sector)



QUARTERLY SPOTLIGHT

Most Say It Is Hard to Keep Up with Employee Salary Expectations

Many look to flexible and remote work to attract employees

Amidst these reported challenges to hiring—amplified by reported worker shortages and difficulties offering competitive pay and benefits to attract new talent—44% of small businesses also say they think that their business needs to change its hiring strategies in 2024. And many are reporting plans to do just that.

Offering flexible work hours is the top way small businesses hope to attract talent in 2024. Nearly seven in ten (68%) small businesses say they plan to offer more flexible working hours in the next year. Similarly, 48% say they plan to offer hybrid or remote working environment options. Also, 67% of small businesses surveyed report currently offering employees the ability to work remotely/from home at least once per week.

Regardless of business size or sector, the majority of small businesses report planning to offer more flexible working hours to attract new talent. Those with 5-19 employees, however, are more likely than the smallest (fewer than five employees) and



68%

of small businesses say they plan to offer more flexible working hours in the next year

Percentage that said that regardless of current hiring status, they planned to do the following to attract new talent in the next year



largest (20-500 employees) small businesses to plan to do so. Small businesses in the professional services sector (75% offering flexible hours) are more likely to say they plan to do this than those in the manufacturing sector (58% offering flexible hours). Still, in all sectors at least a majority of small businesses report offering flexible work hours.

When it comes to planning to offer a hybrid or remote work environment to attract new talent in the next year, small businesses in the professional services sector and those owned by Gen Zers or millennials are especially likely to say they will offer a hybrid or remote work environment to attract talent in the next year.

Small businesses are using other methods to attract workers. Half (50%) of small businesses report that they plan to increase pay offerings, offer paid sick leave, or list the hourly pay or salary range in job descriptions to attract talent in the next year.

“When we hire, we tell people: ‘If you’re heading downtown to see a show and need to leave at four, we want you to leave at four. If your kid has a school play and you need to be there at midday, we want you to go.’ ... I don’t know if it gives us an advantage in hiring, but I do think it helps with retention. We never want someone to miss what matters in their personal life because of work.”

Julianne Weiner, COO
Sonic Promos
Gaithersburg, Maryland

Most say it’s hard keeping up with employee salary expectations

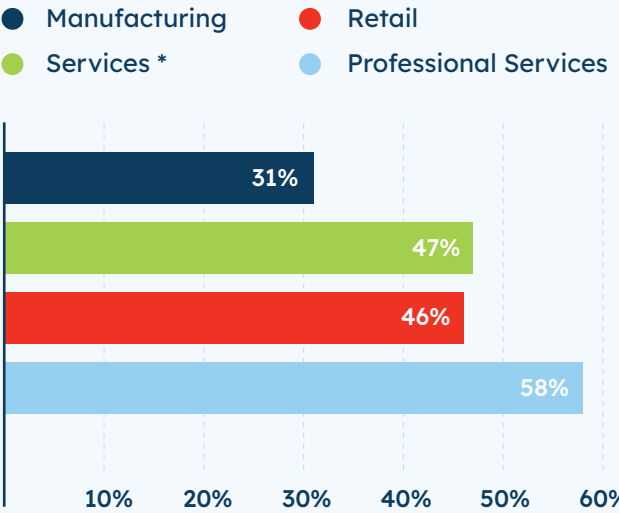
With the fierce competition to find and keep talent, it’s not surprising that many employers are having a hard time keeping up with workers’ salary demands. Three in five (60%) small businesses report that it is challenging to keep up with their current employees’ salary expectations or demands, similar to last quarter (56%).

It’s also hard to keep up with the demands of new workers. Almost half (46%) of small businesses who say they have searched for new talent in 2023 say it is hard to offer competitive pay and benefits to attract new talent. Among those searching for talent and saying it is hard to fill open positions, even more agree (60%).

This self-reported difficulty in offering competitive pay and benefits to attract talent is particularly pronounced for the smallest small businesses (those with less than five employees). By sector, small businesses in professional services are more likely (58%) to say it is difficult to offer competitive pay

and benefits to attract new talent compared to those in manufacturing (31%); those in services (47%) and retail (46%) fall in the middle.

Percentage that said it was somewhat/very hard to offer competitive pay and benefits to attract new talent (by sector)



* Base size is small (n=73). Exercise caution in interpreting results.



Small Businesses Consider New Talent Pools to Find Workers

A majority say the country should issue more skilled worker visas

With the increased difficulty finding the right workers and enough candidates for job openings, small businesses are searching for ways to find employees who may have been previously overlooked. Specifically, small businesses are looking at women, legal immigrants, and historically-overlooked talent pools to help fill the gap.

Finding affordable childcare is one of the biggest barriers to working, so some small businesses are offering some kind of reimbursement for childcare to expand their hiring pool to parents, and mothers in particular, to ultimately fill hiring gaps amid perceived worker shortages. Businesses owned by Gen Zers or millennials (33%), businesses that have 20-500 employees (35%), or businesses planning to hire in 2023 (34%) are especially likely to say they plan to provide childcare reimbursement in the next year.

A majority of small businesses say the country should accept more skilled, legal immigrants to meet their staffing needs. Over half (54%) of small

businesses say they agree that the U.S. should issue more skilled worker visas each year so businesses can hire the workers they need. The latter of these statements, about skilled worker visas, is particularly important to small businesses who report having a worker shortage in their area: 67% of them say the U.S. should offer more skilled worker visas, while just 39% of small businesses who do not report a worker shortage agree.

Many also believe small businesses should look more widely for workers. A majority (71%) of small businesses agree that employers should more often consider hiring from overlooked talent pools, such as formerly incarcerated people, veterans, military spouses, or legal immigrants.

71%
of small businesses agree that employers should more often consider hiring from overlooked talent pools



Social media and personal referrals remain top recruiting tools

Using social networks and professional referrals remain the top ways for small businesses to find new talent this year.

Of the small businesses who report having searched for new talent in 2023, two-thirds (66%) say they used social networks, such as LinkedIn, to search for candidates, and about half (54%) say they have asked professional contacts and/or current employees for referrals. These were also the top methods recorded in June 2021 and Q4 2018, when this question was previously asked.

The second tier of hiring strategies for those who have searched for candidates in 2023 includes promoting the benefits offered (35%), using a recruiter (32%), and attending professional networking events or leveraging professional memberships (30%). Compared to June 2021, small businesses who report looking for talent in 2023 are now more likely to say they have searched for candidates by attending professional networking events or school/college events or career fairs – something that could not be done in the height of the pandemic.

Small businesses report plans to hire seasonal workers this year

Fewer small businesses report planning to hire seasonal employees for the upcoming holiday season this year versus in Q4 2022 and Q4 2021 (19% vs. 28% and 29%, respectively).

Small businesses in the retail sector are more likely than those in the services or professional services sector to say they plan to hire seasonal employees (28% vs. 17% and 10%, respectively). One-quarter of those in the manufacturing sector say the same.

A majority (74%) of small businesses who say they plan to hire seasonal employees continue to report that they plan to offer hiring incentives or bonuses to attract them.



KEY FINDINGS

Small Business Operations, Environment and Expectations

Small Business Operations Most say their business health and cash flow are good

About two-thirds (64%) of small businesses say the overall health of their business is very or somewhat good, stable from levels last quarter (66%) and consistent with levels from Q4 last year (64%). Two-thirds (67%) of small businesses say they are somewhat or very comfortable with their current cash flow, down slightly from last quarter (72%) but consistent with the reading from this time last year (67%). This slight decline in comfort with cash flow comes from the decrease of small businesses saying they are very comfortable (21% in Q4 vs. 26% in Q3 2023) with their cash flow.

Small businesses are also slightly less likely to say they have increased staff in the past year compared to last quarter (17% vs. 23%, respectively). The largest small businesses (20-500 employees) continue to be more likely than those with fewer employees to say they have increased their staff

over the past year. Additionally, small businesses that have been in operation for 10 years or less are more likely than those that have been in operation for more than 20 years to say they have increased staff in the past year (20% vs. 9%, respectively).

This quarter, reported outlooks on business operations vary more by sector than they have in the past few quarters. While perceived business health was consistent across all sectors last quarter, more small businesses in the retail sector now say their business is in good health than those in services this quarter (69% vs. 56%, respectively).

Manufacturing small businesses are more likely to report staff increases. When it comes to reported increases in staffing over the past year, small businesses in the manufacturing sector are more likely than those in any other sector to say they have increased their staff (28% vs. 13%-17%, respectively).

Small Business Environment More small businesses see a weakening economy

This quarter, small business owners' perceptions of the economy have worsened and closely resemble attitudes at the beginning of the year. Twenty-five percent of small businesses say the U.S. economy is in good health, and 30% say their local economy is in good health, both down eight percentage points since last quarter.

While perceptions of the national economy are consistently down, one-quarter (25%) of small businesses say the U.S. economy is in good health. Across regions, although readings in the Midwest and South are stable, those in the Northeast and West have significantly declined from last quarter (by 16 percentage points and 14 percentage points,

“We have always been a Flex Time shop and it used to be a competitive advantage. Everyone in our industry expects it now.”

Jon Briccetti, Chief Executive Officer
Troy Web Consulting
Troy, NY

25%

of small businesses say the U.S. economy is in good health





respectively). By gender of ownership, male-owned small businesses are more likely than female-owned small businesses to say either the U.S. economy or their local economy is in good health.

This quarter, fewer small businesses report that competition has increased over the past six months (27% vs. 34% in Q3). Now, more than half (56%) of small businesses say that competition from smaller or local companies has stayed about the same versus six months ago, up by eight percentage points since Q3. Small businesses' perceptions of increased competition are consistent across business sizes.

More small businesses now report that the time or resources spent on completing licensing, compliance, or other government requirements has stayed the same versus six months ago (57%

vs. 51% in Q2 and Q3). Small businesses with 20-500 employees are now more likely than those with 5-19 employees or fewer than five employees to say the time or resources spent on compliance has increased compared to six months ago (52% vs. 37% and 29%, respectively).

56%

of small businesses say that competition from smaller or local companies has stayed about the same versus six months ago

Small Business Expectations

Small businesses continue to have high optimism about the future

Compared to small businesses' muted perceptions of the economy, their expectations for the future continue to be optimistic and generally consistent with readings from last quarter.

Two in five (40%) small businesses report that they plan to increase staff in the next year, unchanged from last quarter and similar to levels reported from mid-2022 to early 2023. Another two in five (42%) small businesses say they plan to increase investment in the next year, generally unchanged from the start of the year.

While self-reported plans to increase investment are consistent by gender of ownership and number of employees, male-owned small businesses are more likely than female-owned small businesses to say they plan to increase staff next year (44% vs. 34%, respectively).

By size, small businesses with 20-500 employees are more likely than those with fewer than five employees to say they plan to increase staff (52% vs. 37%). By sector, small businesses in professional services are most likely of all sectors to say they plan to increase staff next year (49% vs. 36-38% for others, respectively). Small businesses in the professional services sector are also more likely than those in services to say they plan to increase investment (49% vs. 33%, respectively).

Overall, 65% of small businesses expect revenue to increase over the next year, down slightly from record-high higher revenue expectations the last two quarters (when 71% expected increased revenue). Small businesses are more likely to say they expect next year's revenue to increase if they have younger owners or are a newer business. Small businesses with 20-500 or 5-19 employees are more likely than those with fewer than five employees to say they expect revenue to increase next year (73% and 71% vs. 60%, respectively).



Index Snapshots



Index score declines.
The MetLife & U.S. Chamber of Commerce Small Business Index fell to 61.3 from 69.2 last quarter. This is close to overall sentiments this time last year.



Views of the economy decline to levels seen earlier this year.
25% of small businesses say the U.S. economy is in good health, down eight percentage points from last quarter, but similar to readings from late 2022 and early 2023.



Views of the local economy drop.
30% of small businesses say their local economy is in good health, down eight percentage points since Q3, returning to levels earlier this year.



Inflation remains the top challenge—by far.
A majority of small businesses (53%) say inflation is the top challenge facing the small business community. This is the sixth quarter in a row where 50% or more have cited inflation as their biggest challenge.



Most small businesses say there is a worker shortage.
A majority (53%) of small businesses agree there is a worker shortage in their local area.



More small businesses are looking for workers.
45% of small businesses say they have searched for new talent this year, up from 36% who said so in fall 2021.



Most small businesses struggle to find workers with the right experience and skills.
Over half of those who have searched for talent in 2023 say it is hard to find candidates with the experience (54%) or skills (52%) their business needs.



A strong majority report planning to offer flexible work options.
Nearly seven in ten (68%) small businesses say they plan to offer more flexible working hours over the next year to attract new talent. Also, 48% say they plan to offer a hybrid or remote working environment.



Most small businesses find it hard keeping up with salary demands.
A majority of small businesses (60%) say it is challenging to keep up with their employees' salary expectations or demands, in line with attitudes from last quarter (56%).



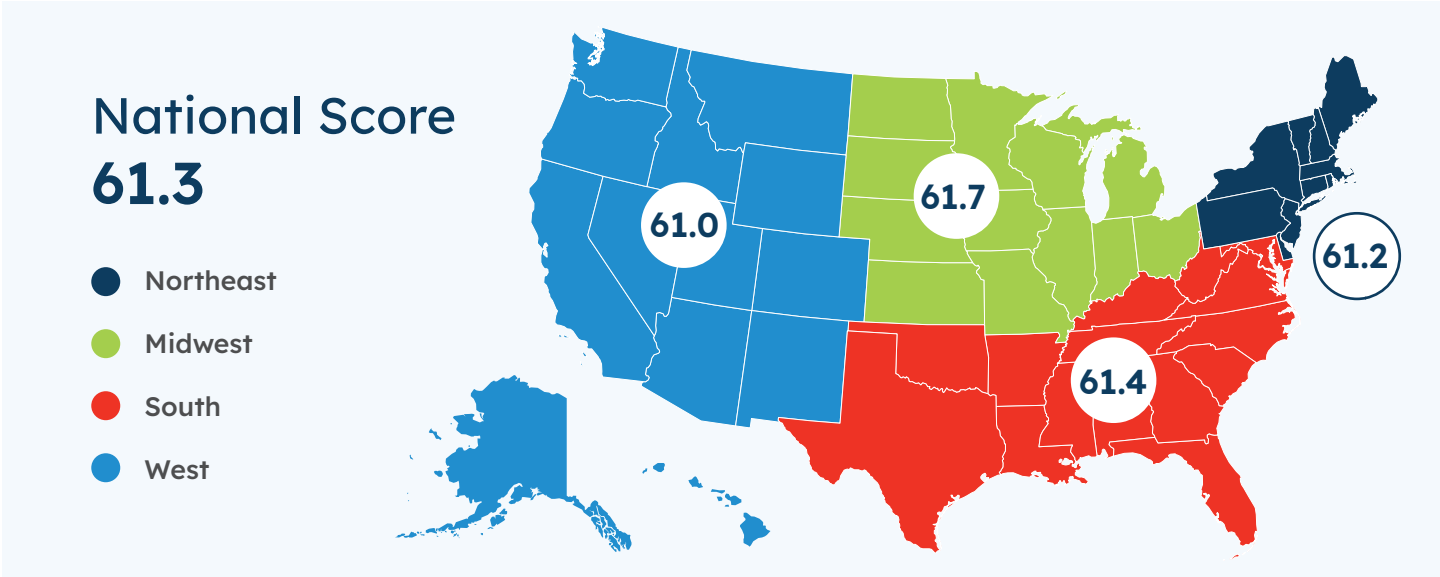
Most feel small businesses should consider workers from overlooked groups.
71% of small businesses agree that employers should more often consider hiring from overlooked talent pools, such as formerly-incarcerated people, veterans, military spouses, or legal immigrants.



Most small businesses think there should be more visas for skilled legal immigrants.
A majority (54%) of small businesses think the U.S. should issue more skilled worker visas each year so businesses can hire the workers they need.

Q4 Small Business Index Scores by Region

Regional scores fall, especially in West and Northeast



Northeast (61.2): Attitudes toward the economy have worsened more in the Northeast than other regions. 26% say the national economy is in good health, down from 42% last quarter. Also, there is a 15-percentage point drop from last quarter in attitudes toward the local economy. While two-thirds (65%) feel comfortable with their current cash flow, this number represents a 12-percentage point decline from last quarter. However, about two in five expect next year’s revenues to increase.

Midwest (61.7): 24% of Midwestern small businesses feel good about the U.S. economy, but 52% feel it is in poor health, tracking closely with the national average. Their attitudes toward their local economy remain evenly split between good and poor. However, 44% now say their local economy is average (vs. 34% last quarter). Midwestern small businesses are less likely to report plans for increasing staff next year (33%, compared to 37%-45% in other regions).

South (61.4): Slightly more Southern small business owners say the economy is in poor health (56% now vs. 48% last quarter). Meanwhile, two-thirds (68%) feel comfortable with their cash flow. Small business owners in the South who searched for new talent this year are more likely than those in the Northeast or West to say it was hard finding candidates with the skills they need.

West (61.0): Western small business attitudes toward the national economy have worsened from last quarter’s high point. Now, 23% say the U.S. economy is in good health, and 49% say it is in poor health. Last quarter, views were evenly split between good and poor (37% each). Fewer expect revenues to increase over the next year (64% now vs. 76% in Q3 2023), but expectations for increasing headcount remain the same.

Small Business Index Methodology

These are the findings of an Ipsos poll conducted between October 5-24, 2023. For this survey, a sample of 751 small business owners and operators age 18+ from the continental U.S., Alaska, and Hawaii was interviewed online in English.

The sample was randomly drawn from partner online panel sources that specialize in B2B sample and does not rely on a population frame in the traditional sense. Ipsos uses fixed sample targets, unique to the study, in drawing sample. Small businesses are defined in this study as companies with 500 or fewer employees that are not sole proprietorships. This sample calibrates respondent characteristics to be representative of the U.S. small business population using standard procedures such as raking-ratio adjustments. The sample drawn for this study reflects fixed sample targets on firmographics. Post-hoc weights were made to the population characteristics on region, industry sector and size of business. The source of these population targets is U.S. Census 2020 Statistics of U.S. Businesses dataset. Additional post-hoc weights were made to the population characteristics on the gender of the business’s owner and whether the business is minority-owned or not. The source of these two weight variables is the Small Business Administration’s 2022 Small Business Profiles.

Statistical margins of error are not applicable to online non-probability polls. All sample surveys and polls may be subject to other sources of error, including, but not limited to coverage error and measurement error. Where figures do not sum to 100, this is due to the effects of rounding. The precision of Ipsos online polls is measured using a credibility interval. In this case, the poll has a credibility interval of plus or minus 4.4 percentage points for all respondents. Ipsos calculates a design effect (DEFF) for each study based on the variation of the weights, following the formula of Kish (1965). This study had a credibility interval adjusted for design effect of the following (n=751, DEFF=1.5, adjusted Confidence Interval=+/- 5.9 percentage points).

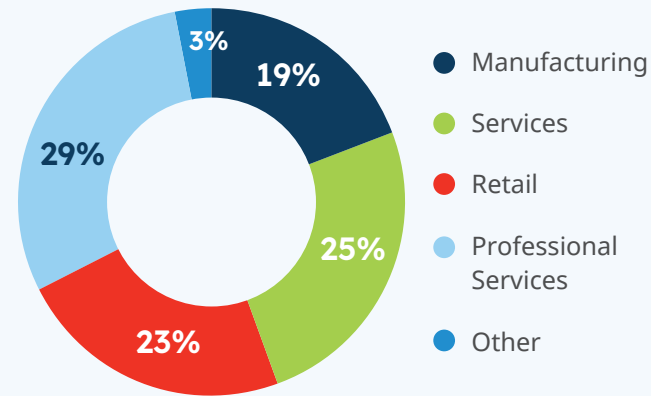
Starting with the March 2020 survey, small business decision makers are reached via an online survey, in place of the typical phone-based approach. This methodological shift was in response to lower anticipated response rates in dialing owners at their businesses as a result of mandated closures related to the COVID-19 outbreak. Switching from a phone to online approach may have also generated a mode effect.

Index Methodology

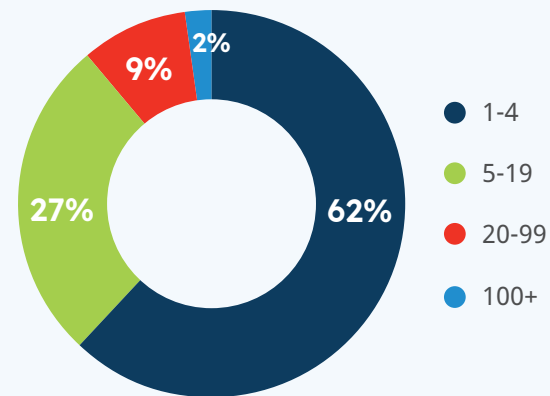
To construct national, regional, employee size, and broad industry group level estimates of the health of small businesses in the U.S., a sequence of statistical techniques were applied to the survey results, including elastic net for variable selection and multilevel regression with post stratification (MRP) from the survey data.

Since each business may report the state of its health by different standards, Ipsos uses the core survey questions to construct a stable, consistent definition of small business status. Each business is then classified into one of three categories: poor, neutral, or good. Once each business is measured on a consistent scale, the survey results are fed into a multilevel regression model to generalize our results to a broader set of businesses enabling us to measure the health of businesses not just nationally but also at the level of state, industry, and

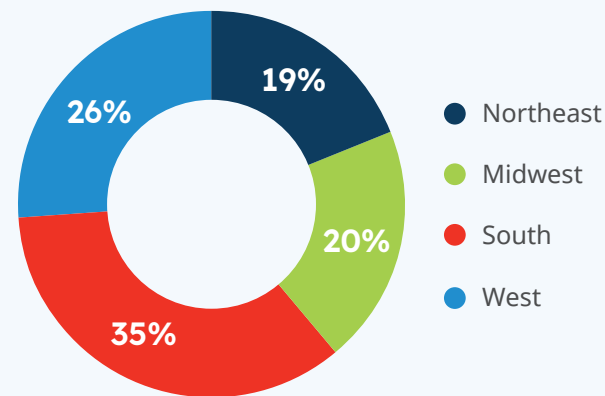
Breakdown by Sector



Breakdown by Employee Size



Breakdown by Region



business size. The model uses employee size, industry type, and location as individual level predictors, as well as data from the BLS on job change by industry.

Next, to ensure that our model results are reflective of the small business population in the U.S., we adjust our estimates using the number of businesses in the over 5,000 possible combinations of state, industry, and firm-size categories to ensure that the model of business health represents the U.S. population of small businesses.

The process used is known as post-stratification, something which was not possible with the original sample due to sample-size limitations. The population estimates for employee size, industry, and location were obtained from the U.S. Census 2020 Statistics of U.S. Businesses dataset.

Small businesses are categorized into four industry sectors, using the NAICS sector definitions from the U.S. Census.

- **Retail:** Wholesale Trade; Retail Trade; or Accommodation and Food Services
- **Manufacturing:** Agriculture, Forestry, Fishing and Hunting; Mining, Quarrying, and Oil and Gas Extraction; Utilities; Construction; Manufacturing; or Transportation and Warehousing
- **Services:** Educational Services; Health Care and Social Assistance; Arts, Entertainment, and Recreation; or Other Services
- **Professional Services:** Information; Finance and Insurance; Real Estate and Rental and Leasing; Professional, Scientific, and Technical Services; Management of Companies and Enterprises; or Administrative and Support and Waste Management and Remediation Services

About Us



U.S. Chamber of Commerce

U.S. Chamber of Commerce

The U.S. Chamber of Commerce is the world's largest business organization representing companies of all sizes across every sector of the economy. Our members range from the small businesses and local chambers of commerce that line the Main Streets of America to leading industry associations and large corporations. They all share one thing: They count on the U.S. Chamber to be their voice in Washington, across the country, and around the world. For more than 100 years, we have advocated for pro-business policies that help businesses create jobs and grow our economy.

For more information, visit www.uschamber.com.

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MetLife

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