Small Employers & Good Jobs: Opportunities and Constraints

Survey Findings
July 2022
Small businesses and their workers must rebound from the COVID-19 crisis so that communities thrive and the benefits ripple throughout the economy. We are a multi-stakeholder, cross-sector initiative focused on advancing and uplifting innovative solutions via dialogue and data to ensure that MLK Boulevards, Cesar Chavez Ways, Chinatowns and Main Streets are at the center of our recovery.

Reimagine Main Street is a project of the Public Private Strategies Institute.
COMMONFUTURE.

A network of leaders (re)building an economy that includes everyone.
Economic mobility, racial equity, and the related issue of job quality have taken on an even greater sense of urgency in the wake of the stark disparate impact of the health and economic crises brought on by the COVID-19 pandemic. Against this backdrop, the balance of power in the labor market is shifting toward workers.

Government agencies and non-profit organizations with support from philanthropy are responding by developing job quality standards, metrics, and support tools. These efforts are groundbreaking and important, but without meaningful engagement with employers to understand constraints and opportunities, the standards, measures and tools run the risk of falling flat.

Reimagine Main Street, a project of the Public Private Strategies Institute, partnered with Common Future to field a national survey of small employers in November 2021 to provide insights into how small employers think about the labor market and job quality.
Why Focus on Small Employers?

- According to US Census data, more than half (52%) of the nation’s 134 million employees work for firms with fewer than 100 employees. Getting job quality right for this segment of businesses is critical.

- Low-income workers are disproportionately employed by small companies: According to Gallup, 65% of workers in the bottom income quintile of their large national sample work for a firm with fewer than 100 employees. And these workers are more likely to be Black or Latino/a.

- Small employers are qualitatively different from large employers. Generally, these businesses have less capacity and their leaders have more limited bandwidth. The CEO of a small employer is likely to be the “Chief Everything Officer.”
Large and Diverse Sample

\[ n = 1,265^* \]

Source: Reimagine Main Street + Common Future, "Small Employers & Job Quality Opportunities & Constraints (November 2021)

Q36: How would you describe your race or ethnicity?

*Does not include respondents who completed the survey but chose not to disclose race/ethnicity, selected "other" or segment with fewer than 25 respondents

- AAPI: 119
- Black or African American: 477
- Latino/a: 161
- Native: 57
- White: 451

= 10 Small Business Owners
Range of Small Employers

**Distribution by Number of Employees**
% of respondents
n= 1,265

- **2-10 Employees**: 57%
  - AAPI (n= 119)
  - Black (n= 477)
  - Latino/a (n= 161)
  - Native (n= 57)
  - White (n= 451)

- **11-30 Employees**: 30%
  - AAPI (n= 119)
  - Black (n= 477)
  - Latino/a (n= 161)
  - Native (n= 57)
  - White (n= 451)

- **31-100 Employees**: 13%
  - AAPI (n= 119)
  - Black (n= 477)
  - Latino/a (n= 161)
  - Native (n= 57)
  - White (n= 451)

**Distribution by 2020 Revenue**
% of respondents
n= 1,129

- **Up to $100k**: 20%
  - AAPI (n= 113)
  - Black (n= 465)
  - Latino/a (n= 153)
  - Native (n= 56)
  - White (n= 425)

- **>$100k - $250k**: 13%
  - AAPI (n= 113)
  - Black (n= 465)
  - Latino/a (n= 153)
  - Native (n= 56)
  - White (n= 425)

- **>$250k - $1M**: 31%
  - AAPI (n= 113)
  - Black (n= 465)
  - Latino/a (n= 153)
  - Native (n= 56)
  - White (n= 425)

- **At least $1M**: 35%
  - AAPI (n= 113)
  - Black (n= 465)
  - Latino/a (n= 153)
  - Native (n= 56)
  - White (n= 425)

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)

Q2: How many people does your business employ, including yourself?
Q47: What was your business revenue in 2020? Does not include respondents who opted not to disclose revenue.
Sums may not total 100% due to rounding.
What We Found

- **Small employers** see their primary value proposition as “flexibility” & “trust”
- Small employers are frequently in the same financial boat as their workers
- Small employers generally employ people of the same race or ethnicity
- The financial health of workers is better when business performance is strong
- **Often just making payroll presents a challenge.** Business performance drives compensation levels and tight margins constrain wage growth, especially for most Black and Latino/a small employers
- Small employers see benefits as worker incentives, but say offering them is cost prohibitive
- Business owners are likely to manage human resources decisions directly, creating an opening to persuade -- and a constraint on bandwidth
What We Recommend

The survey results illuminate how business performance shapes job quality, and point to three strategies to ensure that small employers can be the source of good jobs:

- **Invest in accelerating growth and increasing profitability of small businesses**, especially those that **employ Black and Latino/a workers**
- **Create incentives** for already strong **small companies** to **strengthen job quality**
- **Stimulate market and policy innovation** to make **affordable benefits available at scale**.
Small Employers See Their Primary Value Proposition as Flexibility & Trust

Why Do You Think People Work for Your Business

% of Respondents*

<table>
<thead>
<tr>
<th>Great Job</th>
<th>Convenient Location</th>
<th>Above Market Compensation</th>
<th>Trusted Relationship</th>
<th>Family Member / Obligation</th>
<th>Flexibility</th>
<th>Values / Belief in Our Mission</th>
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<tr>
<td>AAPI</td>
<td>40%</td>
<td>39%</td>
<td>25%</td>
<td>62%</td>
<td>25%</td>
<td>64%</td>
</tr>
<tr>
<td>Black</td>
<td>43%</td>
<td>30%</td>
<td>18%</td>
<td>63%</td>
<td>27%</td>
<td>67%</td>
</tr>
<tr>
<td>Latino</td>
<td>38%</td>
<td>31%</td>
<td>20%</td>
<td>64%</td>
<td>20%</td>
<td>57%</td>
</tr>
<tr>
<td>Native</td>
<td>47%</td>
<td>25%</td>
<td>24%</td>
<td>59%</td>
<td>22%</td>
<td>59%</td>
</tr>
<tr>
<td>White</td>
<td>45%</td>
<td>29%</td>
<td>28%</td>
<td>65%</td>
<td>15%</td>
<td>65%</td>
</tr>
<tr>
<td>All</td>
<td>42%</td>
<td>31%</td>
<td>22%</td>
<td>63%</td>
<td>21%</td>
<td>64%</td>
</tr>
</tbody>
</table>

Source: Reimagine Main Street + Common Future, *Small Employers & Job Quality Opportunities & Constraints (November 2021)

Q9: Why do you think people work for your business? (Select all that apply)

*Of those who reported race or ethnicity
Owners and Workers Frequently in Same Boat
Share of Owners Reporting “Struggling” and “Could Be Better” Financial Health Compared to Workers

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)
Q16: Which of the following descriptions most closely resembles your personal financial health? (Excellent, Good, Could be Better; Struggling)
Q17: Which of the following descriptions most closely resembles the financial health of the people who work for your business? (Excellent, Good, Could be Better; Struggling; Don’t Know)
Owners and Workers Both Struggle with Financial Health When the Business is Not Profitable

Share of Owners and Workers with “Struggling” Financial Health when Business NOT Profitable

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)

Q15: Is your business profitable? (e.g. your revenue greater than your expenses?)
Q16: Which of the following descriptions most closely resembles your personal financial health? (Excellent, Good, Could be Better; Struggling)
Q17: Which of the following descriptions most closely resembles the financial health of the people who work for your business? (Excellent, Good, Could be Better; Struggling; Don’t Know)
Small Employers Generally Employ People of the Same Race or Ethnicity

% of Small Employers Where at Least Half of Workers are the Same Race or Ethnicity

- **AAPI**: 53%
- **Black, African American or African**: 81%
- **Latino/a or Hispanic**: 75%
- **Native**: 32%
- **White**: 81%

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021) Q37-Q42: What percentage of your workers identify as [the race or ethnicity you selected] Of those who reported race or ethnicity for themselves and/or their workers
Worker Financial Health is Stronger When the Business is Profitable

% of Workers with Good or Excellent Financial Health by Race/Ethnicity of Employer and Profitability of Business*

Source: Reimagine Main Street + Common Future, "Small Employers & Job Quality Opportunities & Constraints (November 2021)

Q17 Which of the following descriptions most closely resembles the financial health of the people who work for your business?

- Excellent: The people who work in my business can set aside money at the end of each month after covering their expenses, they have healthcare coverage, and periodically take time off.
- Good: The people who work in my business can make ends meet, they have some healthcare coverage, and periodically take time off.
- Could be better: The people who work in my business tend to manage paycheck to paycheck, and unexpected expenses are difficult. They do not have healthcare coverage. They hardly take any time off. They might work another job to make ends meet. Stress levels are high.
- Struggling: My staff can’t make ends meet and work more than one job. They are stressed and frequently sleep deprived. They are often late to work or absent.
- I do not know

[Graph showing the percentage of workers with good or excellent financial health by race/ethnicity and business profitability]
Workers Less Likely to Struggle with Financial Health When the Business is Profitable

% of Workers with “Struggling” vs “Excellent” Financial Health when the Business is Profitable
Making Payroll Often Presents a Challenge, Especially for Black and AAPI Small Employers

% of Small Employers that Report Generating Sufficient Revenue to Cover Payroll is a Problem*

[Bar chart showing the percentage of small employers for different races and the categories of "Among My Biggest Problems" and "A Problem".]
Business Performance Drives Compensation Levels for at Least One in Three Small Employers

% of Respondents Reporting that Compensation Levels Reflect “as Much as They Can Afford”

- AAPI: 39%
- Black, African American or African: 33%
- Latino/a or Hispanic: 31%
- Native: 39%
- White: 37%
- Total: 33%

Tight Margins Constrain Wage Growth for About Half of Small Employers

% of Respondents Who Reported Current Profit Margins Cannot Sustain Higher Wages

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)

Q29: What factors, if any, prevent you from raising wages? (Select all that apply)
Small Employers Generally See Benefits as Incentives (and “The Right Thing to Do”)  

% of Respondents Who are Motivated by Each Reason

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)  
Q31: What is the main reason your company offers benefits to your employees? (Select all that apply.)
Cost Prevents Most Small Employers from Offering Benefits

% of Respondents Who Indicated that When they Do Not Offer a Benefit, it’s Because it’s Too Expensive

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)

Q32: When you do not offer benefits to your employees, why not? (Select all that apply)
Black-Owned Businesses Least Likely to Offer Financial Benefits

% of Respondents Who Offer Each Type of Benefit to Their Employees

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)

Q30: Which, if any, of the following benefits do you offer employees? (Select all that apply.)
Owner is Likely to Manage HR Directly, Creating an Opening to Persuade and a Constraint on Bandwidth

% of Respondents who Manage Human Resources Themselves*

All Small Employers

<table>
<thead>
<tr>
<th>Group</th>
<th>% of Respondents</th>
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</thead>
<tbody>
<tr>
<td>AAPI</td>
<td>65</td>
</tr>
<tr>
<td>Black, African</td>
<td>68</td>
</tr>
<tr>
<td>American or African</td>
<td></td>
</tr>
<tr>
<td>Latino/a or Hispanic</td>
<td>68</td>
</tr>
<tr>
<td>Native</td>
<td>63</td>
</tr>
<tr>
<td>White</td>
<td>65</td>
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<tr>
<td>Total</td>
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Up to 10 Employees

<table>
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<th>Group</th>
<th>% of Respondents</th>
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</thead>
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<td>AAPI</td>
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</tr>
<tr>
<td>Black, African</td>
<td>73</td>
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<tr>
<td>American or African</td>
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<tr>
<td>Latino/a or Hispanic</td>
<td>76</td>
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<td>Native</td>
<td>76</td>
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<td>White</td>
<td>76</td>
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<tr>
<td>Total</td>
<td>75</td>
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</table>

Source: Reimagine Main Street + Common Future, "Small Employers & Job Quality Opportunities & Constraints (November 2021)"

Q: How do you manage hiring and other human resources issues?

*Of those who reported race or ethnicity
Appendix - Additional Findings
Owners and Workers Frequently in Same Boat
Share of Owners Reporting “Struggling” Financial Health Compared to Workers

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)

Q16: Which of the following descriptions most closely resembles your personal financial health? (Excellent, Good, Could be Better, Struggling)
Q17: Which of the following descriptions most closely resembles the financial health of the people who work for your business? (Excellent, Good, Could be Better, Struggling, Don’t Know)
More than 1 in 3 Workers Sought Financial Assistance from Their Small Employer

% of Small Employers that Received Requests for a Loan or Advance on Salary in the Last Year*

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)

Q18: Over the last year, have any of your employees turned to you for a loan or advance on salary?
Most Business Owners Report Understaffed

Respondents who report they do NOT employ all of the people the business needs to achieve goals and growth aspirations

% of Respondents*

- Black, African American or African: 76%
- Native: 75%
- White: 71%
- Latino/a or Hispanic: 65%
- AAPI: 64%
- Total: 72%

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)

*Of those who reported race or ethnicity
Drivers of Staffing Challenges Differ By Race and Ethnicity of Owner

Top Barrier Reported by Each Segment

% of Respondents that Selected the Option*

Respondents who said they do NOT employ all of the people the business needs to achieve goals and growth aspirations

<table>
<thead>
<tr>
<th></th>
<th>Need growth or capital to increase payroll</th>
<th>Can’t compete with wages &amp; benefits</th>
<th>Can’t find people with skills/experience or willingness to work</th>
<th>Government policy or regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAPI</td>
<td>60%</td>
<td>95%</td>
<td>67%</td>
<td>3%</td>
</tr>
<tr>
<td>Black, African American or African</td>
<td>69%</td>
<td>83%</td>
<td>52%</td>
<td>0%</td>
</tr>
<tr>
<td>Latino/a or Hispanic</td>
<td>62%</td>
<td>84%</td>
<td>66%</td>
<td>0%</td>
</tr>
<tr>
<td>Native</td>
<td>73%</td>
<td>59%</td>
<td>59%</td>
<td>0%</td>
</tr>
<tr>
<td>White</td>
<td>46%</td>
<td>81%</td>
<td>85%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)
Q8: What stands in the way of you employing all of the people that you need to achieve your business goals? (Select all that apply)
Does not include 11 “other” responses
Most Business Owners See Role for Government in Providing Benefits to Employees of Small Businesses

% of Respondents Who Indicated that When they Do Not Offer a Benefit, it’s Because it’s Too Expensive

- I do not think there is a role for government
- Some Role for Government

| Group                  | Percentage
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AAPI</td>
<td>21%</td>
</tr>
<tr>
<td>Black, African American</td>
<td>13%</td>
</tr>
<tr>
<td>Latino/a</td>
<td>20%</td>
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<tr>
<td>Native</td>
<td>39%</td>
</tr>
<tr>
<td>White</td>
<td>39%</td>
</tr>
</tbody>
</table>

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)
Q33: What role, if any, do you think government should play in providing benefits to people who work in small businesses like yours?”
Appendix - About the Sample
Survey Respondents in all 50 States + DC

Top 5 States of Respondents

12% CA 10% TX 7% FL 6% NY 5% PA

Source: Reimagine Main Street + Common Future. “Small Employers & Job Quality Opportunities & Constraints (November 2021)
Q44: Where is your business located?”
Broad Distribution of Industry Sectors

% of Respondents
n=1,265

Source: Reimagine Main Street + Common Future, "Small Employers & Job Quality Opportunities & Constraints (November 2021)
Q45: In what industry does your business compete?
Mostly Long Established Small Businesses

% of Respondents
n=1,265

Source: Reimagine Main Street + Common Future, "Small Employers & Job Quality Opportunities & Constraints (November 2021)
Q46: How long has your business been in operation?
Sample Skews Female

% of respondents
n=1,265

Source: Reimagine Main Street + Common Future, “Small Employers & Job Quality Opportunities & Constraints (November 2021)
Q34: What is your gender?
Questions?

Please email us
survey@reimaginemainstreet.com