

In Unsettled Economy, Small and Mid-Sized Businesses Struggle with Staffing as Inflation Pressures and Rising Health Care Costs Persist

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The CBIZ Main Street Index – Fall 2024 finds the majority of SMBs are evaluating staff levels, with many unable to fully utilize their workforce amid the looming presidential election

CLEVELAND--(BUSINESS WIRE)--Oct. 22, 2024--

CBIZ, Inc. (NYSE: CBZ), a leading provider of financial, insurance and advisory services, has released the Fall 2024 Main Street Index, taking the pulse of and gauging the outlook for small and mid-sized businesses (SMBs). The index revealed that companies are facing growing staffing challenges, as rising business costs and economic conditions are prompting potential layoffs. Fifty-one percent of SMB owners surveyed say they are evaluating or changing current staff levels and outsourced partners to prepare for a potential economic downturn. Additionally, 62% of businesses report they are able to utilize their staff to its full capacity, down 7% from June.

“We are at an inflection point in the economy, where uncertainty is high, and labor data trends are inconsistent. Many businesses, especially SMBs, are reevaluating their staffing and operational strategies in response to rising costs and economic shifts,” says Anna Rathbun, Chief Investment Officer at CBIZ Investment Advisory Services. “The Federal Reserve has embarked on a cutting cycle, but the impact of monetary policy comes with a lag. We are seeing significant impacts of the sustained restrictive policy across rate-sensitive sectors, sluggish M&A activity and dearth of IPOs. Slower financial activity may have broader implications for Main Street, including workforce utilization and the potential for tougher times ahead.”

While the rate of month-over-month inflation has fallen close to the Federal Reserve’s benchmark of 2%, SMBs continue to feel lagging cost pressures. Nearly one in five (19%) have experienced a significant increase in the cost of goods and services, with almost all other companies surveyed seeing a modest increase. Additionally, more than 18% have seen a sharp rise in labor costs. Much of these added expenses continue to be passed down to the customer, as 53% have increased their prices over the past few months. While most have added 1% to 4% on their price tags, more than 28% have raised costs by 5% or more.

Rathbun adds: “There are signs in our data suggesting inflation is being baked into the major economic indicators, including employment cost. Many SMBs want to hire more workers, but there is a shortage of skilled professionals that keeps the cost of labor high. Fifty-six percent of respondents in our survey noted the ability to hire skilled labor as a top concern. In addition, the cost of fringe benefits, such as health insurance, has also surged, increasing business overhead. Add the uncertainty around tax policy in an election year, small and mid-sized business owners are very much in wait-and-see mode right now.”

Based on a survey conducted from September 16 through October 11, the Index analyzed responses from 401 businesses with fewer than 100 employees in 31 industries across the U.S.* The Index assesses a range of timely trends, including business sentiment, areas of growth and decline, and cash flow. The data was evaluated from an overall perspective, as well as based on company size, region and industry. An interactive infographic with the results is available on [the CBIZ website](#).

Additional key findings include:

- **Adjustments amid a possible economic downturn:** Almost as many businesses report prioritizing increased sales efforts (49%) as those prioritizing full utilization of its workforce (52%). Forty-nine percent of SMBs also want to review and get the most out of fixed costs, like insurance coverage.
- **Top concerns in this economy:** The Fall survey saw a sharp rise in the number of SMBs worried about the cost of health care benefits (58%), up nearly 13% from the [Summer Main Street Index](#). Results show the top way organizations want to address workforce issues is to enhance salary or health care benefits packages, highlighting the ongoing conundrum many businesses face with their budgets. Additionally, nearly 46% of companies are concerned about pending regulatory or legislative changes as a new Congress takes shape in 2025.
- **Where lawmakers should focus on policy making:** With eyes on Washington this presidential election season, a majority of businesses (58%) feel lawmakers should address tax reform and incentives. Nearly 49% of companies feel health care policy should be a priority, while 42% want the regulatory environment to be simplified.
- **SMBs views on the use of artificial intelligence tools:** Eighty-three percent of respondents reported utilizing artificial intelligence in their businesses. More than one in four SMBs use AI to draft emails and communications, freeing up time for other tasks, while 20% use it for data insights and analysis. Additionally, 80% of businesses surveyed consider AI at least slightly important for staying competitive, with 18% rating it as very or extremely important.

*Note: Not all those surveyed in the CBIZ Main Street Index are clients of CBIZ.

About CBIZ

CBIZ is a leading provider of financial, insurance and advisory services to businesses throughout the United States. Financial services include accounting, tax, government health care consulting, transaction advisory, risk advisory, and valuation services. Insurance services include employee benefits consulting, retirement plan consulting, property and casualty insurance, payroll, and

human capital consulting. With more than 120 offices in 33 states, CBIZ is one of the largest accounting and insurance brokerage providers in the U.S. For more information, visit www.cbiz.com.

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