

Market Outlook: Quarterly Research Insights into the Changing Landscape of Small Business

Research Overview



Objectives/Approach

The ADP Research Institute, in partnership with the ADP Corporate Market Insights team surveyed ADP's small business clients on the changing landscape of business conditions. This is the second quarterly pulse study.

Quantitative:

10-minute online survey

Field Dates:

Wave 1: May 10 – 25, 2021

Wave 2: August 19 – September 13, 2021



Who?

ADP Clients: Small business clients.

A representative sample was pulled and deployed by size segment and region to ensure a representative view of ADP's small business segment.

	Wave 1	Wave 2
1-49 EE	2,058	2,116
1 - 4 EE	1,067	1,118
5 - 9 EE	481	447
10-24 EE	404	397
25-49 EE	106	154
50-499 EE	NA	179
50-150 EE		114
151-499 EE		65

Findings stat tested @ 95%

Executive Summary

Hiring

- **Finding qualified employees** remains the **key challenge** of all ADP Small Business clients and increases dramatically with company size.
- Nearly one-quarter of our clients have **increased the number of employees in the past 6 months**, and more than one-third are planning an increase in the next 6 months.

Remote Employees

- Four out of five companies feel they are managing remote employees well, believe they are doing a good job keeping remote employees engaged and think their employees are engaged

Prices and Revenues

- Less than half of clients have had to raise the prices they charge their clients but among those who have, two-thirds indicate the increases are permanent.
- Roughly 30% of companies report an increase in revenues over the past 6 months.



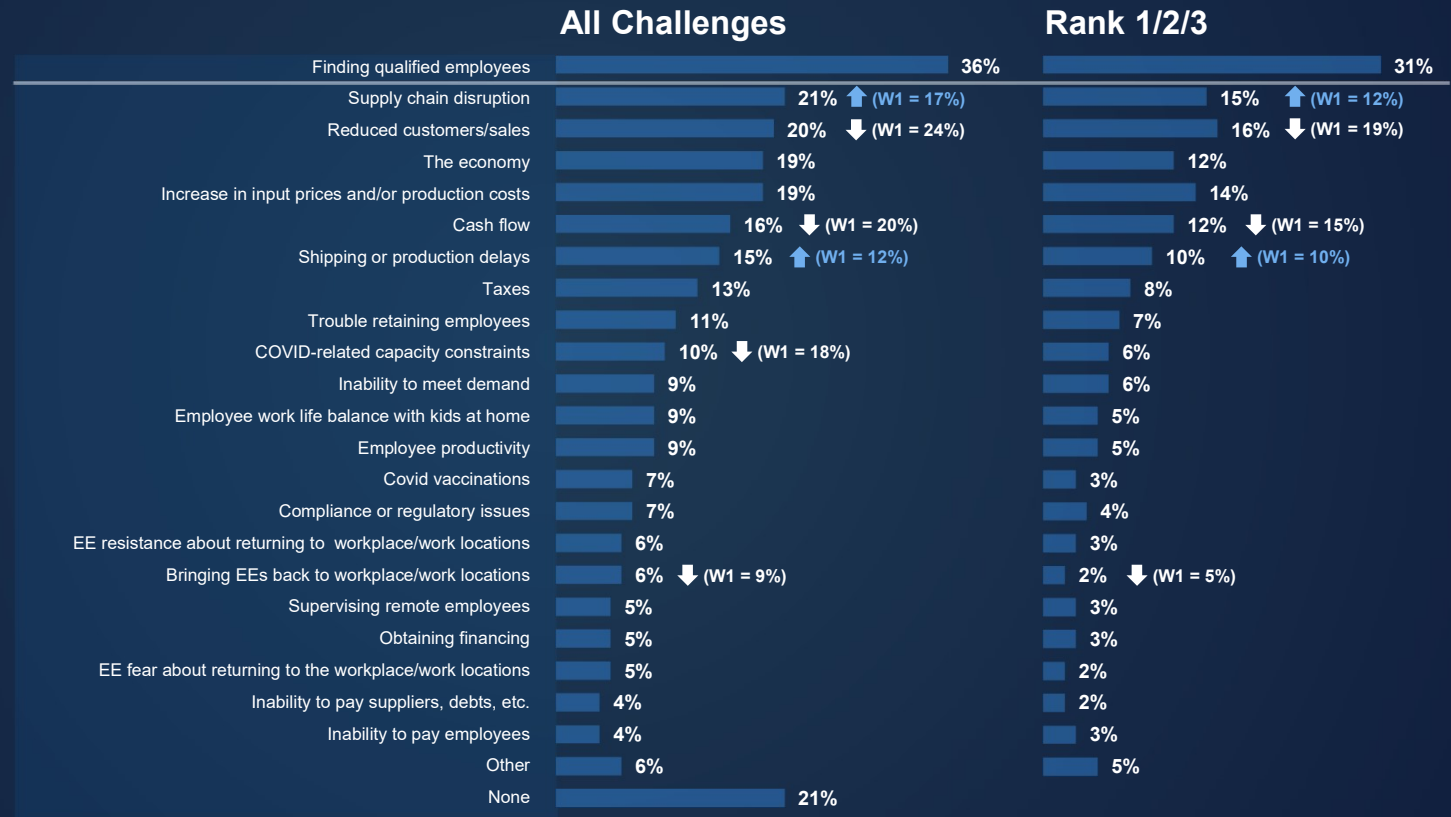
Challenges Business is Currently Facing

1-49 EEs



Finding qualified employees remains the overwhelming challenge facing small businesses.

Supply chain disruptions and shipping/production delays are significantly more of a challenge now than they were 3 months ago.



Challenges Business is Currently Facing



Finding qualified employees

is a key challenge all small businesses are facing and becomes more challenging as company size increases.

Employee retention becomes more of a challenge in larger companies (25-499) with nearly a third of companies with 50-499 citing it.

Mean # Challenges

1-49 EEs	2.6
1-4 EEs	2.3
5-9 EEs	2.8
10-24 EEs	2.9
25-49 EEs	3.0
50-499 EEs	3.2

	TOTAL 1-49	1-4 EEs (D)	5-9 EEs (E)	10-24 EEs (F)	25-49 EEs (G)	50-499 EE
Finding qualified employees	36%	25%	44% D	49% D	55% DE	63%
Supply chain disruption	21%	18%	20%	25% De	27% De	23%
Reduced customers/sales	20%	21%	20%	20%	16%	8%
Increase in input prices and/or production costs	19%	17%	22% D	23% D	21%	16%
The economy	19%	21% G	21% G	18% G	9%	12%
Cash flow	16%	18% eFG	15%	11%	12%	7%
Shipping or production delays	15%	14%	14%	17% d	21% De	11%
Taxes	13%	13% G	14% G	12%	8%	4%
Trouble retaining employees	11%	8%	12% D	14% D	22% DEF	32% DEFG
COVID-related capacity constraints	10%	10%	9%	11%	12%	12%
Employee productivity	9%	7%	13% D	11% d	12%	15%
Employee work life balance with kids at home	9%	8%	9%	9%	12%	18%
Inability to meet demand	9%	8%	10%	9%	9%	11%
Compliance or regulatory issues	7%	5%	10% Df	6%	9%	8%
Covid vaccinations	7%	4%	8% D	12% DE	11% D	14%
EE resistance - returning to workplace/work locations	6%	4%	6% D	10% De	9% De	13%
Bringing EEs back to workplace/work locations	6%	3%	7% D	9% D	8% D	20% DEFG
Obtaining financing	5%	6% EF	4%	3%	3%	2%
EE fear - returning to workplace/work locations	5%	3%	4%	7% D	9% De	12%
Supervising remote employees	5%	4%	6%	6%	3%	10%
Inability to pay employees	4%	6% EF	3%	2%	1%	2%
Inability to pay suppliers, debts, etc.	4%	4%	4%	2%	5%	1%
Other	6%	6%	4%	5%	5%	3%
None of the these	21%	23% FG	21%	17%	16%	16%

Top Challenges Business is Currently Facing



Finding qualified employees is overwhelmingly the number one challenge small businesses are facing, especially those with 5 or more employees.

Cash Flow is a key challenges for the smallest companies while Employee Retention is far more of a challenge for larger companies.

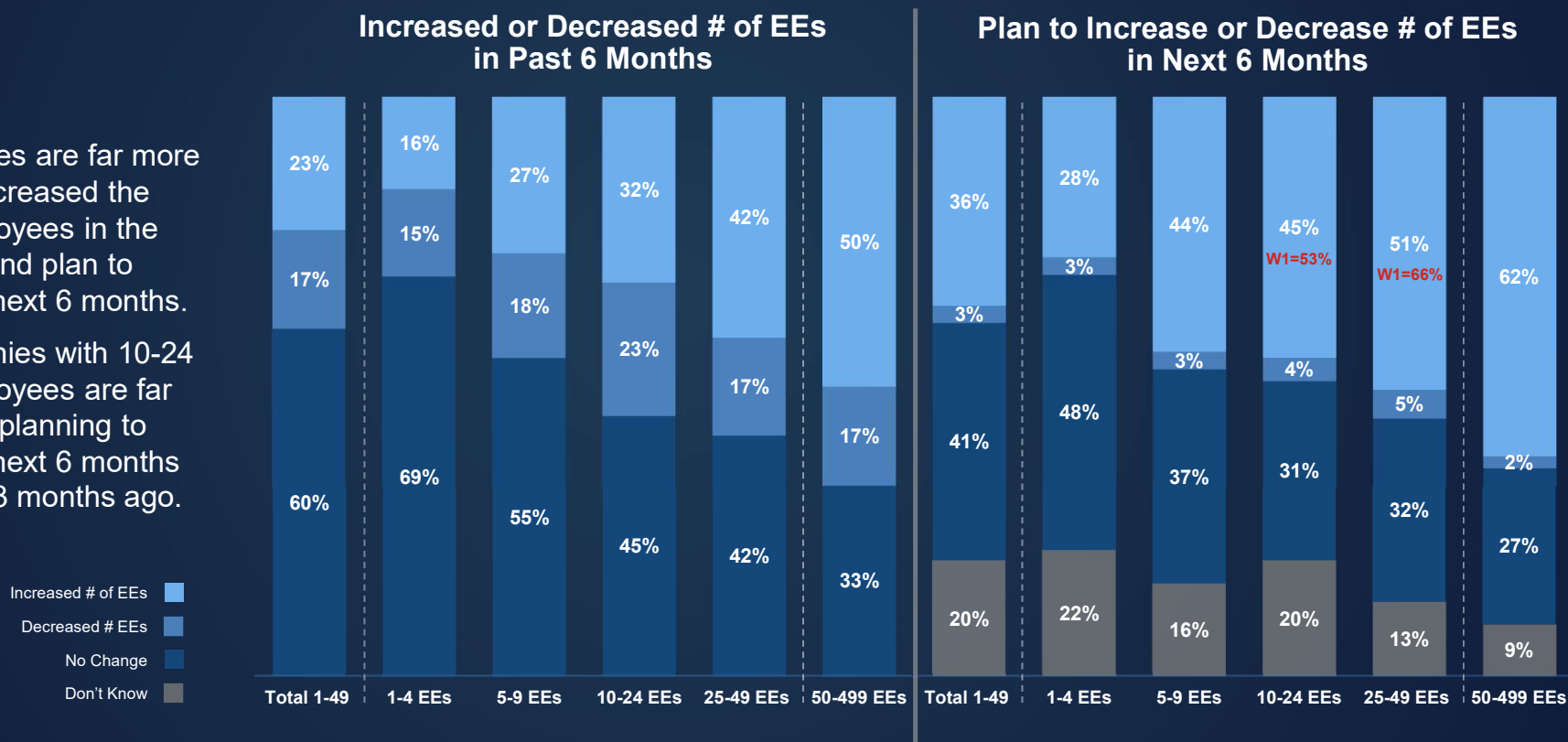
	TOTAL 1-49	1-4 EEs (D)	5-9 EEs (E)	10-24 EEs (F)	25-49 EEs (G)	50-499 EE
Finding qualified employees	31%	21%	39% D	44% D	48% DE	59% DEFG
Reduced customers/sales	16%	17% g	15%	15%	12%	7%
Supply chain disruption	15%	14%	13%	18% DE	20% dE	17%
Increase in input prices and/or production costs	14%	12%	17% D	17% D	14%	7%
Cash flow	12%	15% EFG	11% f	7%	7%	5%
The economy	12%	13% G	12% G	11% g	6%	6%
Shipping or production delays	10%	9%	10%	11%	15% de	7%
Taxes	8%	9%	8%	7%	5%	2%
Trouble retaining employees	7%	5%	7%	11% De	16% DE	27% DEFG
Inability to meet demand	6%	6%	7%	6%	6%	7%
COVID-related capacity constraints	6%	7%	6%	6%	7%	4%
Employee productivity	5%	4%	7% D	6%	8% d	4%
Employee work life balance with kids at home	5%	5%	4%	5%	7%	7%
Compliance or regulatory issues	4%	4%	6% DF	3%	6%	6%
Covid vaccinations	3%	3%	2%	6% DE	7% DE	8%
EE resistance – returning to workplace/work locations	3%	2%	3%	6% De	5% d	8%
Supervising remote employees	3%	3%	3%	4%	2%	3%
Obtaining financing	3%	4% F	1%	2%	1%	1%
Inability to pay employees	3%	4% E	1%	1%	1%	1%
Bringing employees back to workplace/work locations	2%	1%	5% Df	3%	3%	10%
EE fear about returning to workplace/work locations	2%	2%	1%	3% e	5% e	7%
Inability to pay suppliers, debts, etc.	2%	2%	2%	1%	1%	1%
Other	5%	6% f	4%	4%	5%	3%

Number of Employees



Larger companies are far more likely to have increased the number of employees in the past 6 months and plan to increase in the next 6 months.

Of note, companies with 10-24 and 25-49 employees are far less likely to be planning to increase in the next 6 months than they were 3 months ago.



Number of Employees



The largest companies are most likely to have increased in the past 6 months and plan to increase in the next 6 months.

The smallest companies (1-4 employees) are most likely to have made no change and have no plans to make changes in the next 6 months.

	1-49 EE	1-4	5-9	10-24	25-49	50-499 EE
Base: Total Respondents	2116 B	1118 D	447 E	397 F	154 G	179 C
Increased/plan to increase	13%	8%	15% D	19% De	29% DEF	36% DEF
Increased/plan to decrease	1%	1%	1%	2%	2%	1%
Increased/no planned change	6%	4%	9% D	8% D	9% D	11%
Increased/don't know	3%	3%	2%	3%	2%	2%
Decreased/plan to increase	9%	7%	11% D	13% D	12% d	12%
Decreased/plan to decrease	1%	1%	1%	2%	1%	1%
Decreased/no planned change	4%	4%	4%	5%	1%	3%
Decreased/don't know	3%	3%	3%	3%	3%	2%
No change/plan to increase	14%	13%	18% DfG	13%	10%	15%
No change/plan to decrease	1%	1%	1%	*	2%	1%
No change/no planned change	31%	40% EFG	25% F	18%	21%	13%
No change/don't know	14%	16% EG	11%	14% G	8%	4%

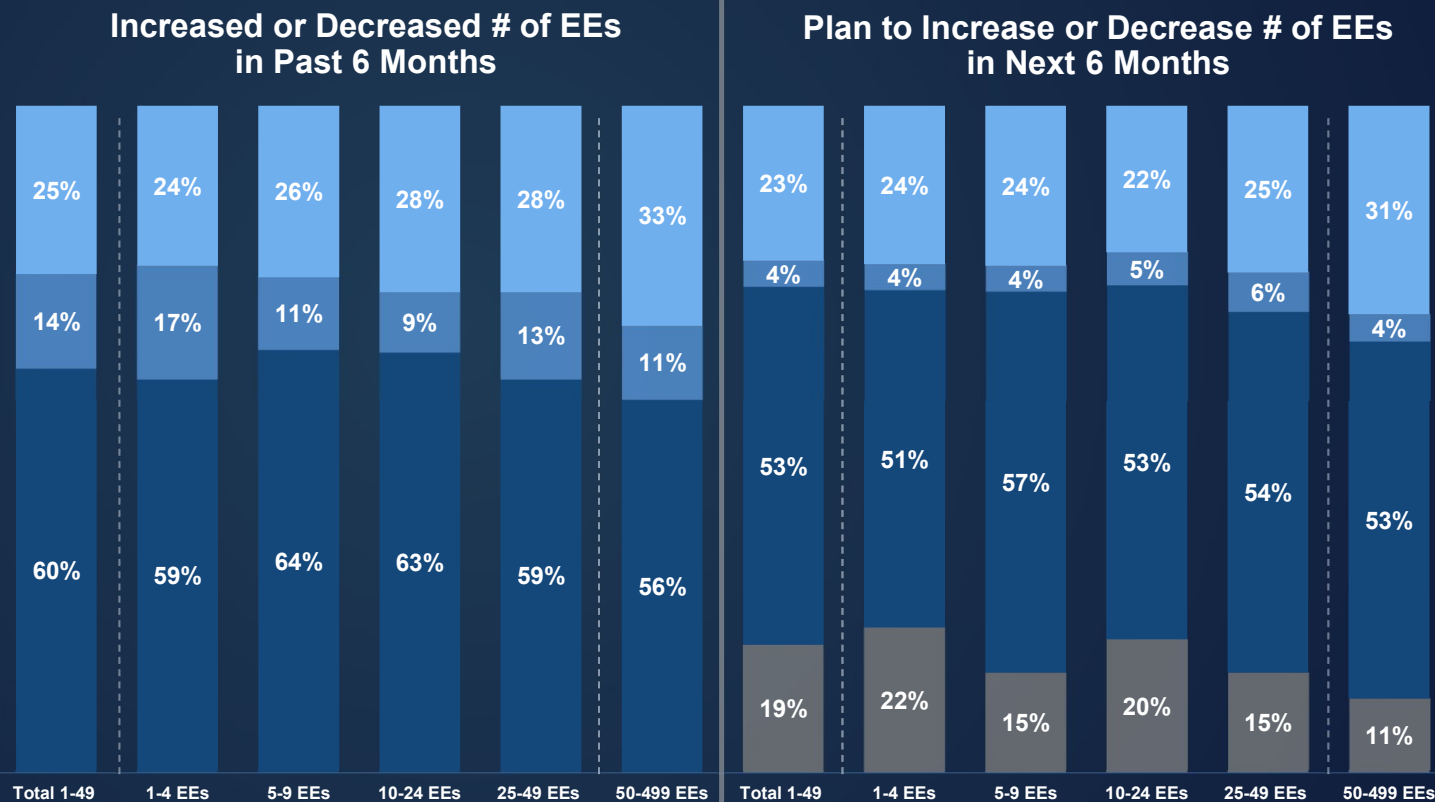
Number of Hours Worked by Employees



Overall, the majority of small businesses have not changed the number of hours worked by employees in the past 6 months and many have no plans to do so in the next 6 months.

Companies with 50-499 employees are more likely to have increased hours and are more likely to be planning on increasing in the next 6 months.

Increased Total Hours
Decreased Total Hours
No Change
Don't Know



Number of Hours Worked by Employees



Overall, companies have not made a change to employee hours and do not plan to make changes in the next 6 months.

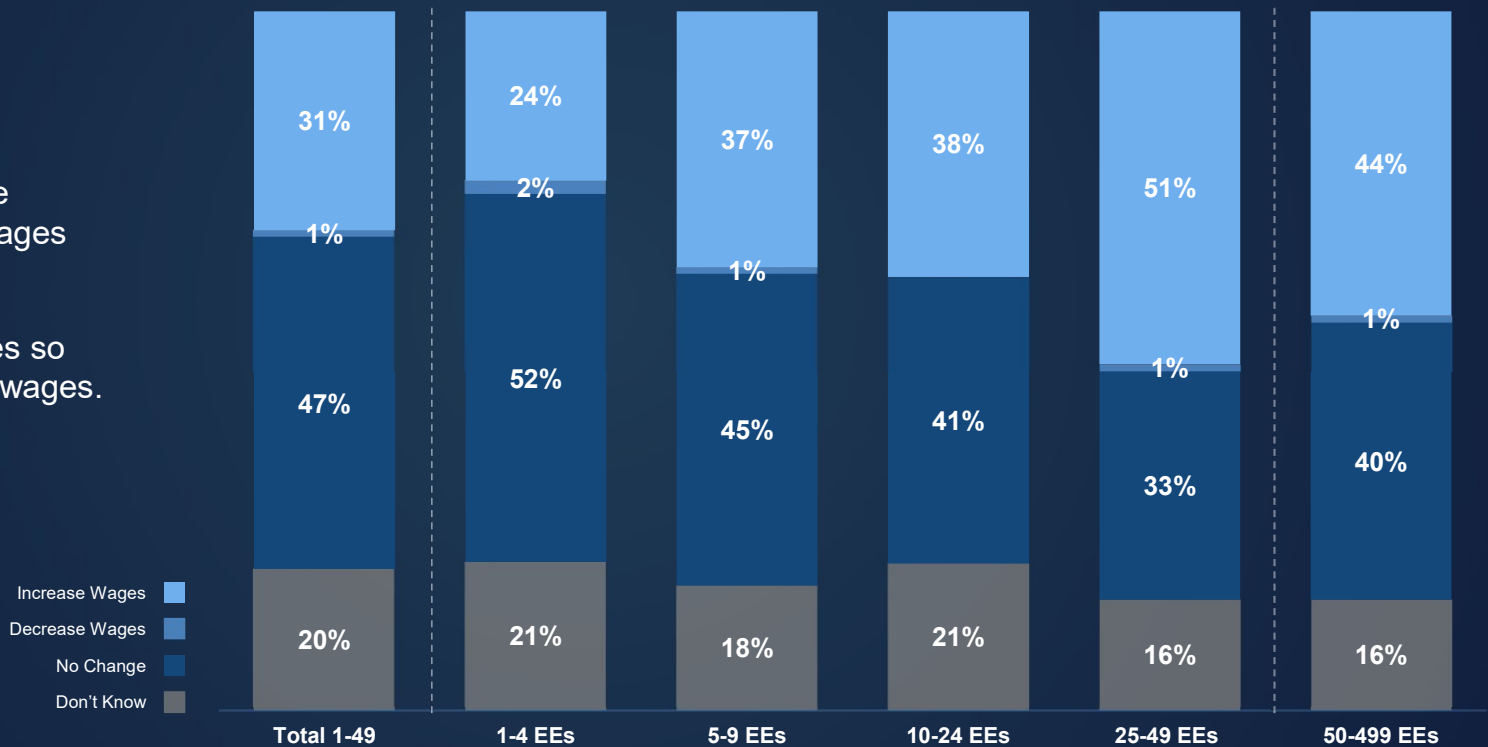
	1- 49 EE	1- 4	5-9	10-24	25-49	50-499 EE
Base: Total Respondents	2116 B	1118 D	447 E	397 F	154 G	179 C
Increased/plan to increase	13%	12%	13%	14%	15%	22%
Increased/plan to decrease	2%	2%	2%	3%	5% d	3%
Increased/no planned change	8%	8%	8%	7%	6%	7%
Increased/Don't know	3%	3%	3%	4%	3%	2%
Decreased/plan to increase	5%	5%	6%	4%	6%	4%
Decreased/plan to decrease	1%	1%	1%	1%	1%	1%
Decreased/no planned change	4%	5% ef	3%	3%	4%	2%
Decreased/Don't know	4%	6% EF	2%	2%	3%	3%
No change/plan to increase	6%	6%	5%	5%	4%	5%
No change/plan to decrease	1%	1%	1%	1%	1%	1%
No change/no planned change	42%	39%	46% D	43%	44%	44%
No change/Don't know	12%	13%	11%	14%	10%	7%

Increase or Decrease Wages in the Next 6 Months



Virtually no companies are planning on decreasing wages in the next 6 months.

As company size increases so does the plan to increase wages.



Other Actions Taken in Past 6 Months/Plan to Take Next 6 Months



In the next 6 months, companies are most likely increase pay and offer special bonuses.

	Taken in Past 6 Months	Plan to Take Next 6 Months	Did/ Plan to	Did/ Don't Plan to	Didn't Do/ Plan to	Didn't Do/ Don't Plan to
Special bonuses/increased pay	23%	18%				
Implemented health checks	13% ↓ (W1 = 17%)	5%				
Encouraged work from office	8%	6% ↓ (W1 = 10%)	10%	13%	8%	69%
Increase PTO/sick time available to EEs	7%	3%	3%	9%	1%	86%
Increased face-to-face customer interaction	7%	7% ↓ (W1 = 13%)	3%	5%	3%	88%
Required work from office	6%	5%	1%	6%	1%	91%
Temporary layoffs	4% ↓ (W1 = 8%)	2%	2%	4%	4%	89%
Elimination of merit increases and bonuses	4%	1%	2%	4%	3%	91%
Pay reduction	3%	1%	1%	3%	1%	95%
Permanent layoffs	2%	1%	1%	3%	1%	95%
Benefit reduction	1%	1%	1%	2%	1%	96%
None of the above	52%	65%	.3%	2%	.5%	97%
			*	1%	1%	98%

Employee Work Location



Nearly six out of ten clients indicate their employees are onsite only.

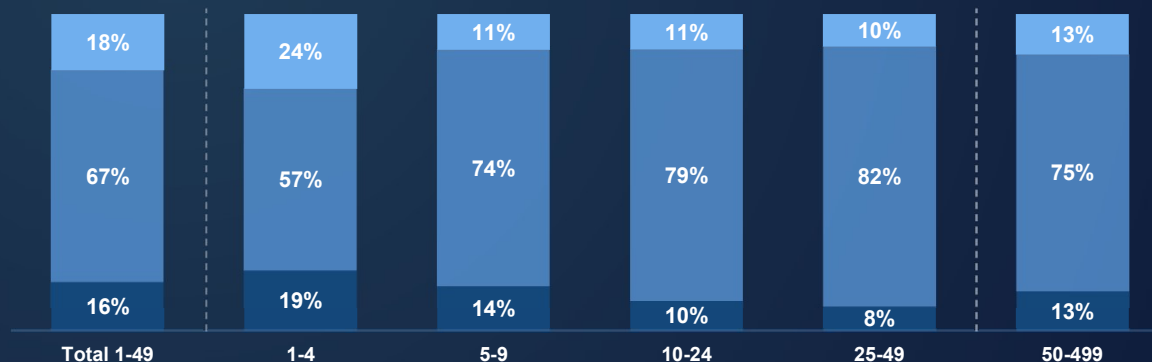
Two-thirds of small business clients are on-site only. An equal percent on remote only or hybrid (some day onsite and some days remote).

Are EEs working remote only, on-site only or both remotely and on-site?

	1- 49 EE	1- 4	5 -9	10-24	25 - 49	50 - 499 EE
Base: Total Respondents	2116 B	1118 D	447 E	397 F	154 G	179 C
Remote Only	15%	20% EFG	11%	11%	8%	18%
On-site Only	61%	53%	68% D	72% D	76% DE	63%
Some days remote/Some days on-site	29%	30% G	30% G	27%	21%	44%
Remote Only ONLY	12%	18% EFG	6%	6%	4%	4%
On-site Only ONLY	57%	51%	61% D	65% D	71% DE	46%
Both ONLY	26%	28% FG	26%	22%	20%	31%

% of EEs working remotely vs. on-site vs. hybrid

% Remote Only
% On-Site Only
% Hybrid (Some Remote, Some On-Site)

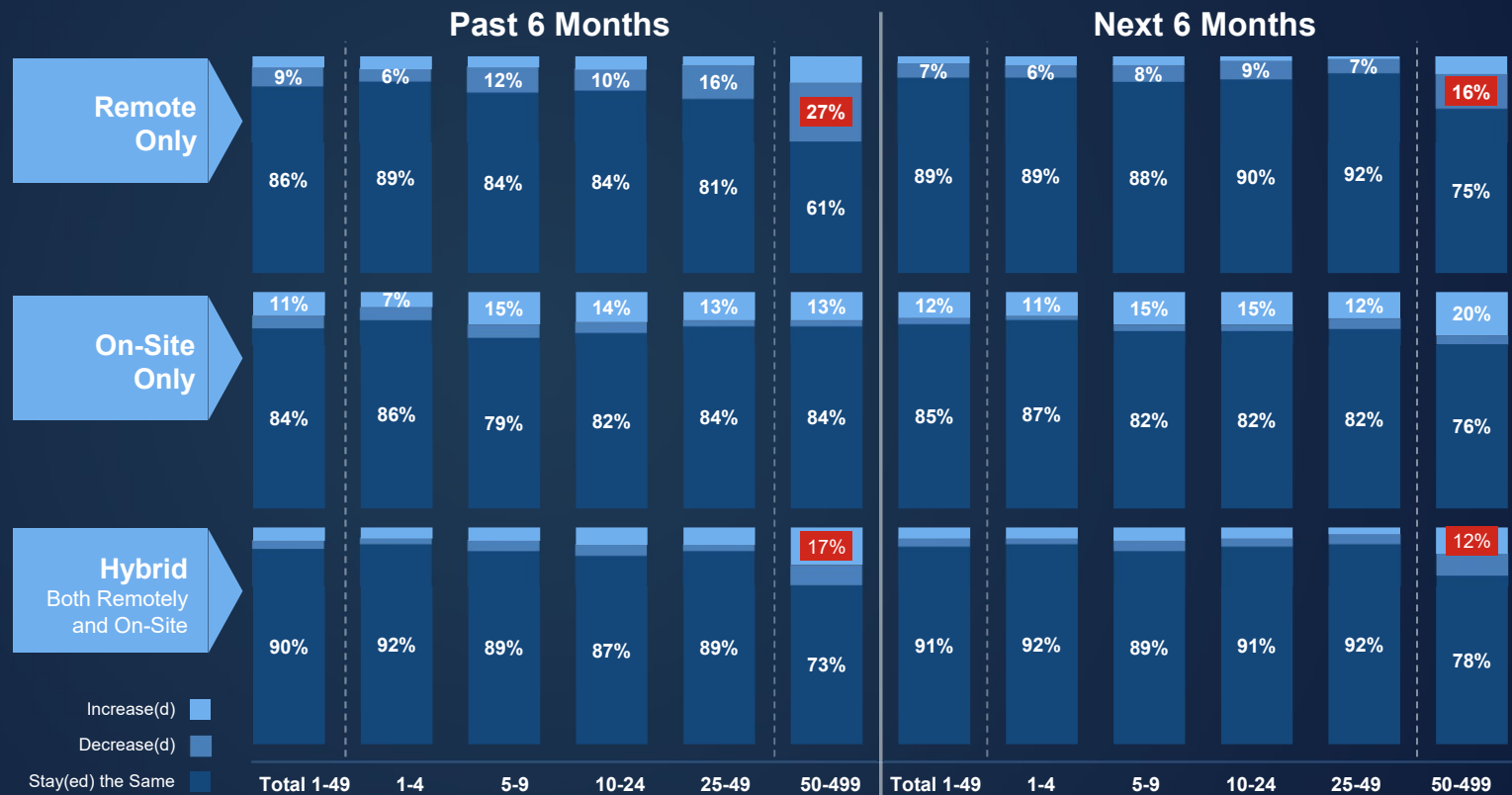


Where Employees Work Past 6 Months / Next 6 Months



The vast majority of small businesses do not anticipate a change in the percent of employees working remote only, onsite only or both remote and onsite.

Larger companies (50-499) are far more likely to have seen a decrease in remote only and expect it to continue to decrease while seeing an increase in hybrid employees and expecting a continued increase.



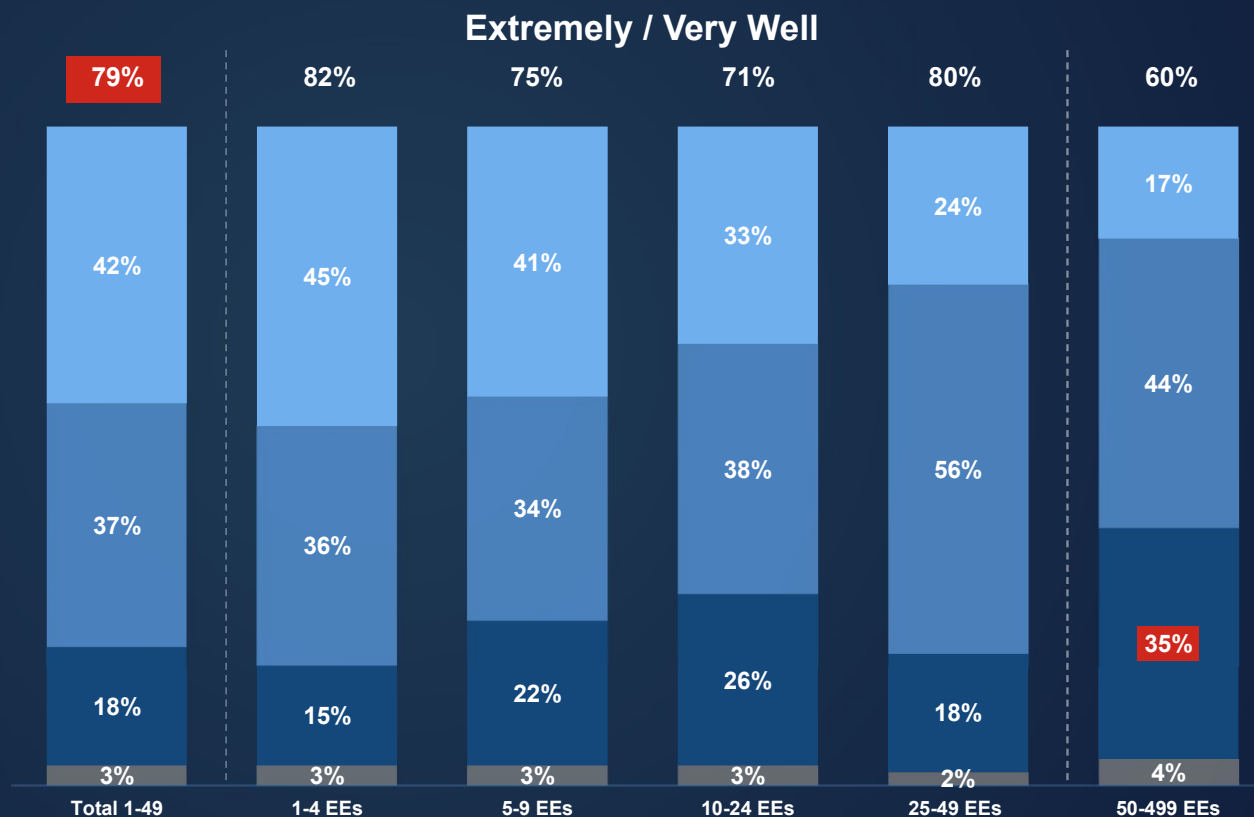
How Well Company Manages Remote Employees



Overall, 4 out of five companies (1-49 employees) with some or all employees working remotely, feel they are managing remote employees well; much more so than larger companies (50-499 employees).

Extremely Well
Very Well
Somewhat Well
Not Very Well

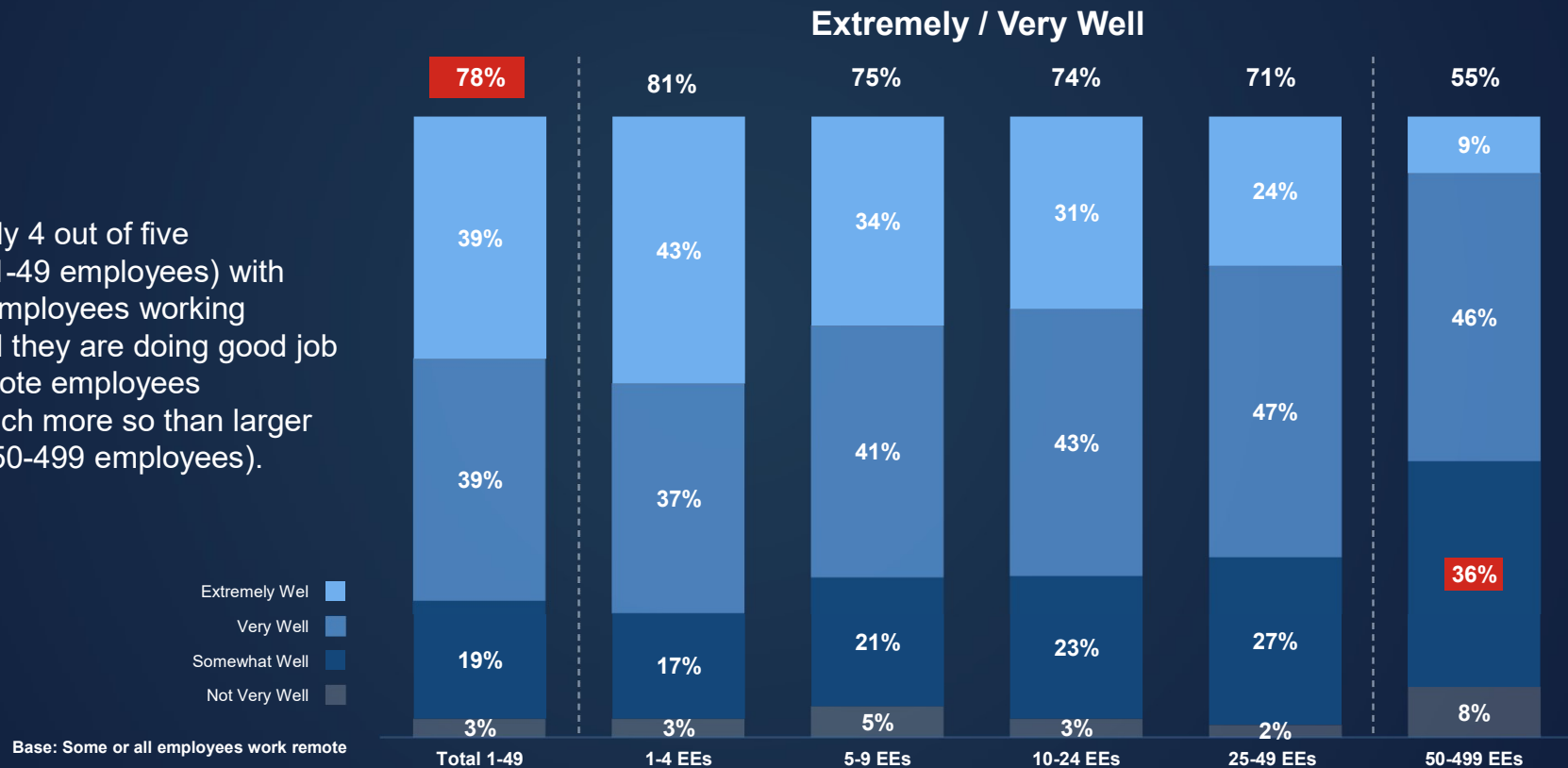
Base: Some or all employees work remote



How Well Company Keeps Remote Employees Engaged



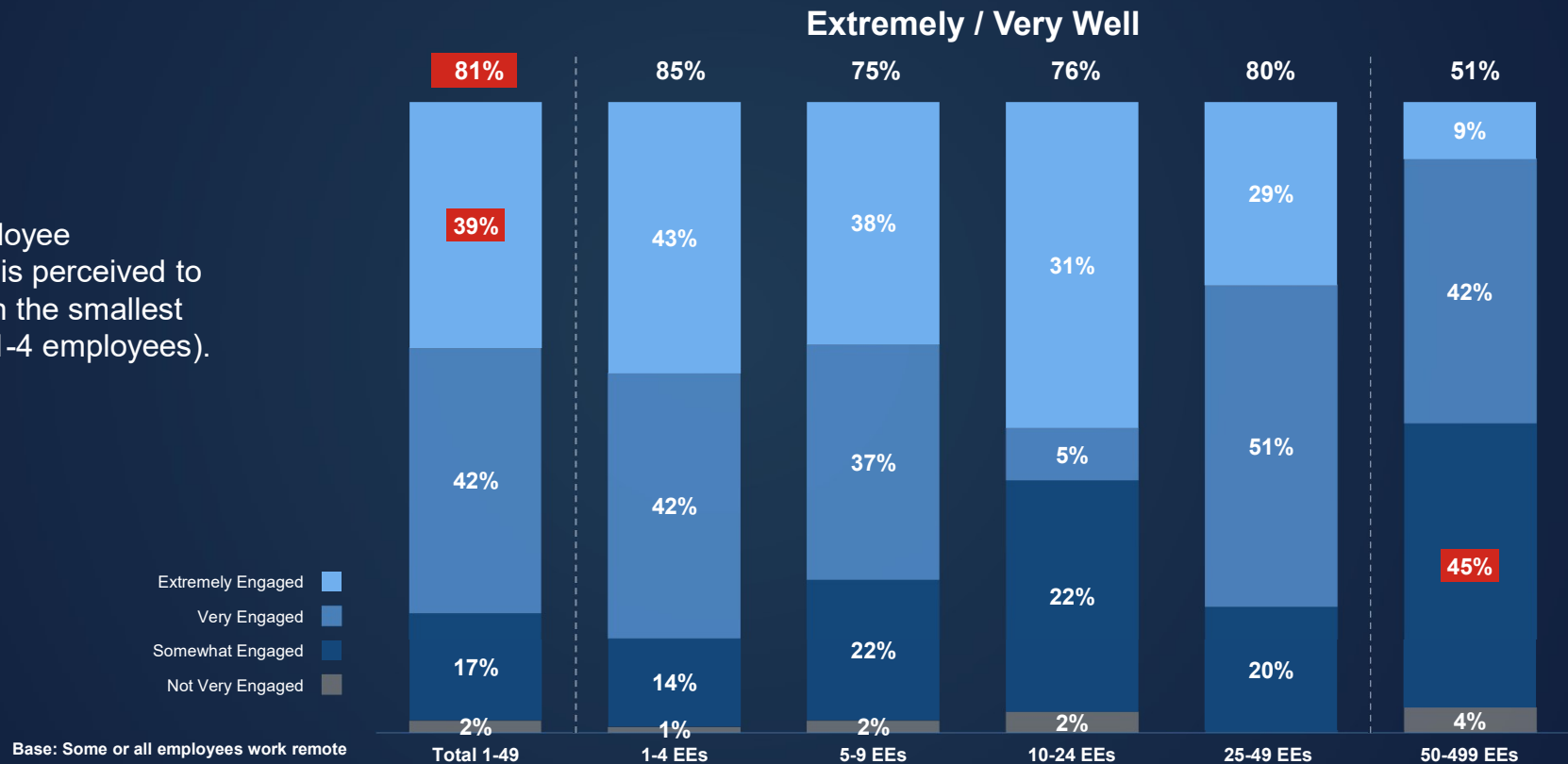
Overall, nearly 4 out of five companies (1-49 employees) with some or all employees working remotely, feel they are doing good job keeping remote employees engaged; much more so than larger companies (50-499 employees).



Rating Remote Employee Engagement



Remote employee engagement is perceived to be greatest in the smallest companies (1-4 employees).



Prices Charging Clients/Customers

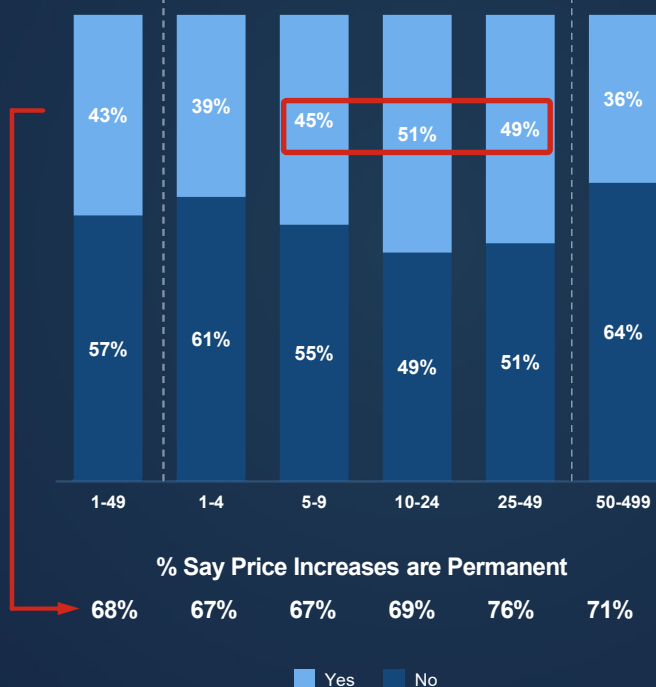


Companies with 5-49 employees are most likely to have had to raise prices charging clients or customers in the past 6 months.

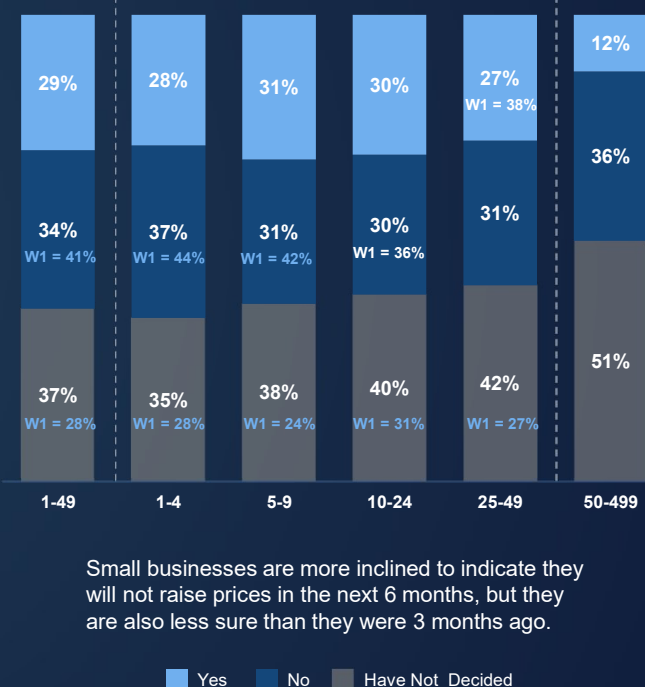
Regardless of company size, those who have had to raise prices indicate that the prices increases are permanent

Companies with less than 50 employees are significantly more likely than those with 50-499 employees to be planning to raise prices in the next 6 months. However, it should be note that half of the larger companies are undecided.

Have You Had to Raise Prices in Past 6 Months



Plan to Raise Prices in Next 6 Months



Small businesses are more inclined to indicate they will not raise prices in the next 6 months, but they are also less sure than they were 3 months ago.

Q27: Have you had to raise the prices you charge your customers or clients, in the past 6 months?
 Q28: Are the prices permanent or temporary?
 Q29: Do you plan to raise the prices you charge your customers or clients, in the next 6 months?

Prices Charging Clients/Customers



	1-49 EE	1-4	5-9	10-24	25-49	50-499 EE
Base: Total Respondents	2116 B	1118 D	447 E	397 F	154 G	179 G
Raised prices/plan to raise next 6 months	20%	18%	20%	23% D	19%	8%
Raised prices/don't plan to raise next 6 months	6%	6%	6%	7%	8%	6%
Raised prices/don't know next 6 months	17%	15%	19% D	21% D	21% D	22%
Did not raise prices/plan to raise next 6 months	9%	10% f	11% F	7%	8%	4%
Did not raise prices/don't plan to raise next 6 months	28%	31% EFG	25%	23%	23%	30%
Did not raise prices/don't know next 6 months	20%	20%	19%	19%	20%	30%

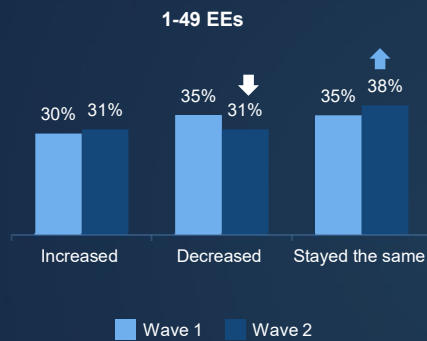
Revenue



Companies are more likely to have seen their revenue remain the same in the past 6 months and are more likely to expect them to remain the same in the next 6 months.

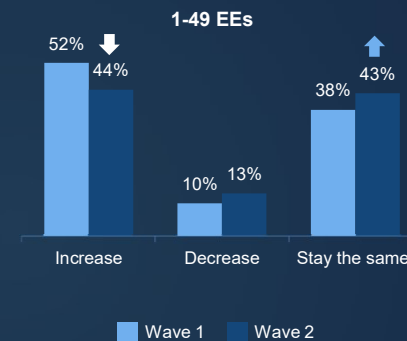
A significantly greater percent indicate their revenues have returned to pre-Covid levels compared to the prior wave but there has also been an increase in those who do think this is the new normal and revenues will not return.

Company's Revenues in the Past 6 Months



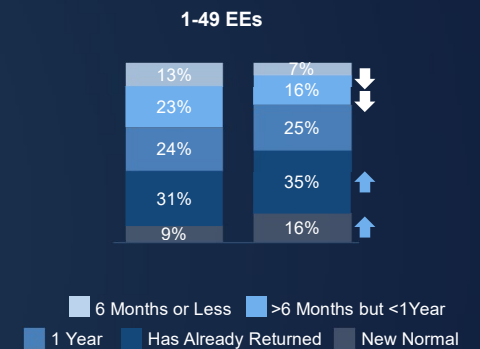
	Increased	Decreased	Same
1-4 EE	28%	33% (w1=44%↓)	39% (w1=28%↑)
5-9 EE	35%	29% (w1=42%↓)	36% (w1=24%↑)
10-24 EE	35%	29% (w1=36%↓)	36%
25-49 EE	38%	28%	34%
50-499 EE	41%	18%	41%

Company's Revenues Expectations in the Next 6 Months



	Increased	Decreased	Same
1-4 EE	44% (w1=50%↓)	13%	43%
5-9 EE	45% (w1=53%↓)	13%	43%
10-24 EE	44% (w1=54%↓)	15% (w1=10%↑)	41%
25-49 EE	45% (w1=63%↓)	10%	45% (w1=31%↑)
50-499 EE	52%	8%	40%

How Long for Business to Return to Pre-Coronavirus Revenues?



	6 Mos or Less	>6 Mos, <1 Yr	1 Yr+	Already Returned	New Normal
1-4 EE	8% (w1=12%↓)	16% (w1=22%↓)	25%	34%	18% (w1=10%↑)
5-9 EE	7% (w1=15%↓)	16%	25%	38%	14% (w1=8%↑)
10-24 EE	7% (w1=13%↓)	18% (w1=26%↓)	25%	37% (w1=29%↑)	13% (w1=8%↑)
25-49 EE	7%	17%	27%	36%	14%
50-499 EE	6%	16%	20%	50%	8%

Q30: Have your company's revenues increased, decreased or remained the same in the past 6 months?

Q31: What do you expect company's revenues to do in the next 6 months?

Q32: How long do you think it will take for your business to return to pre-Coronavirus revenue?

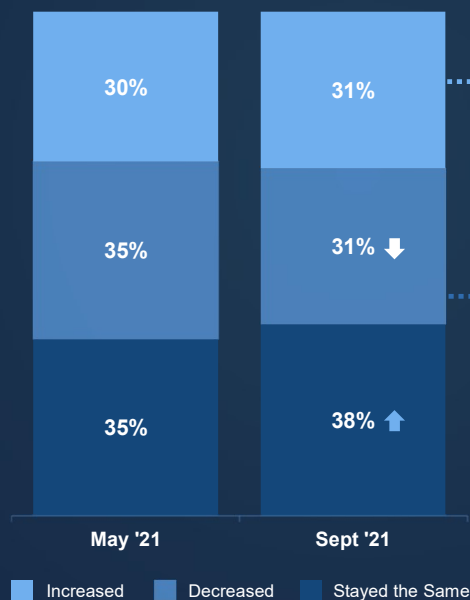
Prices and Revenue



Among those who experienced a revenue increase in the past 6 months, two-thirds expect an increase in the next 6 months – a sharp decline from the prior wave.

And, while overall fewer saw a decrease in the past 6 months, among those that did, they are more likely to expect a continued decrease in the next 6 months (compared to 3 months ago).

Company's Revenue in the Past 6 Months



Company's Revenue Expectations in the Next 6 Months

Base: Company revenue increased in past 6 months



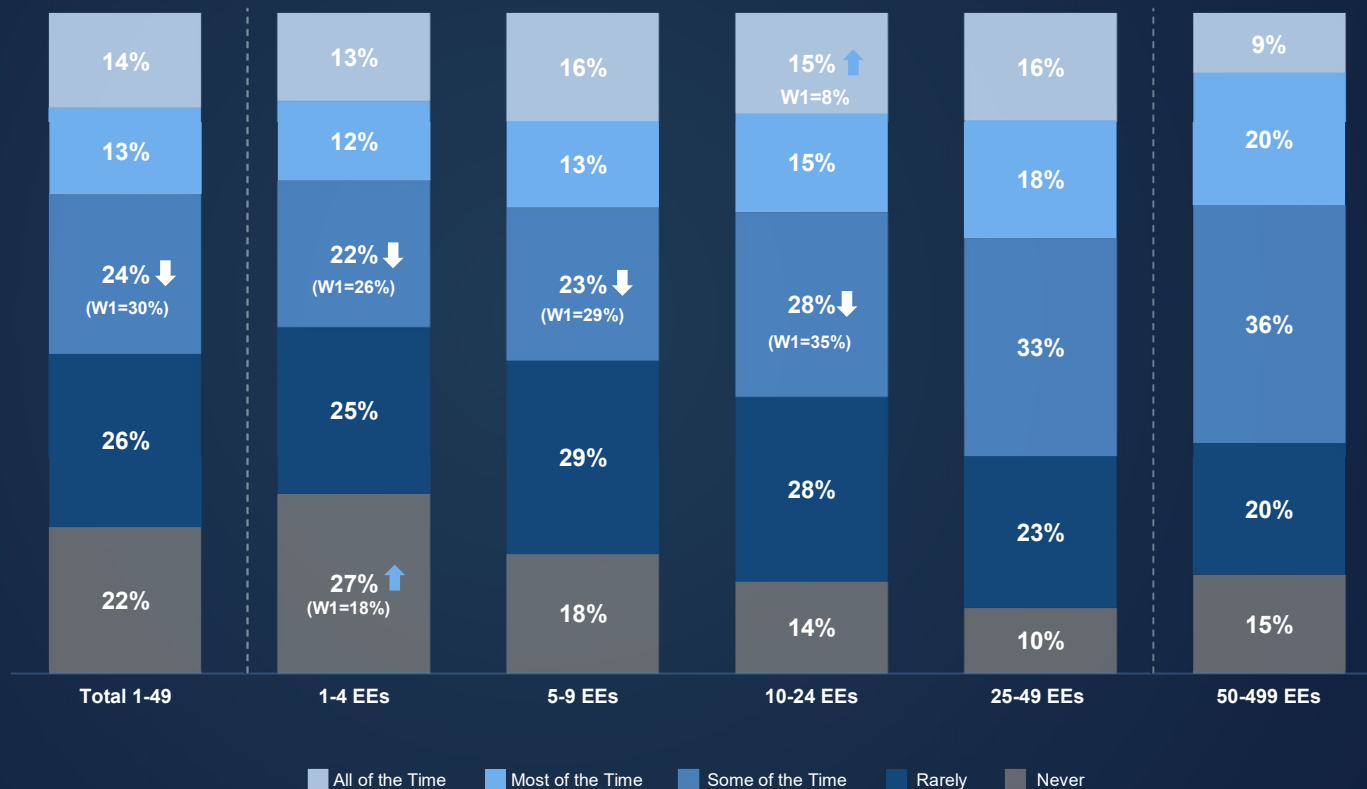
Base: Company revenue decreased



Reliance on Accountant to Navigate Covid-19 Legislation



Small businesses don't rely on their accountant for help navigating COVID-19 legislation very often.



Respondent Company Profile

Region	Total 1-49	1-4	5-9	10-24	25-49	50-499
Northeast	22%	24%	21%	19%	20%	18%
Midwest	16%	14%	17%	20%	22%	30%
South	31%	29%	34%	34%	32%	26%
West	31%	33%	29%	27%	26%	25%

Tenure	Total 1-49	1-4	5-9	10-24	25-49	50-499
Less than 1 year	3%	4%	3%	2%	1%	-
1 to less than 3 yrs	7%	10%	4%	4%	5%	2%
3 to less than 5 yrs	7%	8%	6%	6%	5%	1%
5 to less than 7 yrs	7%	8%	7%	8%	4%	3%
7 to less than 10 yrs	7%	9%	6%	5%	5%	4%
10 yrs+	68%	62%	73%	75%	81%	89%

Business Owners	Total 1-49	1-4	5-9	10-24	25-49	50-499
Woman-Owned	26%	30%	26%	23%	16%	7%
Minority-Owned	15%	17%	13%	13%	13%	4%
Veteran-Owned	6%	7%	6%	7%	3%	5%
LGBTQ+-Owned	2%	3%	2%	1%	1%	-
Don't know	2%	2%	4%	2%	3%	4%
None of the above	57%	53%	56%	64%	71%	82%

Woman and
Minority Owned
5.4%

Respondent Company Profile

Industry							
		Total 1-49	1-4	5-9	10-24	25-49	50-499
	Professional, Scientific, and Technical Services	13%	14%	15%	9%	5%	5%
	Health Care and Social Assistance	11%	9%	11%	14%	12%	9%
	Construction	8%	10%	9%	5%	5%	3%
	Retail Trade	7%	6%	8%	8%	11%	4%
	Manufacturing	5%	3%	5%	8%	12%	18%
	Real Estate and Rental and Leasing	5%	7%	4%	3%	2%	1%
	Wholesale Trade	4%	3%	6%	4%	1%	3%
	Finance and Insurance	4%	5%	5%	3%	2%	9%
	Educational Services	4%	3%	4%	5%	5%	9%
	Accommodation and Food Services	4%	1%	3%	8%	10%	3%
	Transportation and Warehousing	3%	3%	2%	3%	3%	5%
	Arts, Entertainment, and Recreation	3%	3%	3%	1%	5%	3%
	Agriculture, Forestry, Fishing, and Hunting	1%	1%	2%	1%	2%	2%
	Information	1%	2%	*	1%	1%	2%
	Management of Companies and Enterprises	1%	1%	*	*	-	1%
	Utilities	*	*	-	1%	1%	2%
	Administrative and Support and Waste Management and Remediation Services	*	*	-	1%	1%	-
	Mining, Quarrying, and Oil and Gas Extraction	*	*	-	-	1%	1%
	Public Administration	*	*	*	-	1%	1%
	Other	25%	26%	23%	28%	21%	19%

Appendix

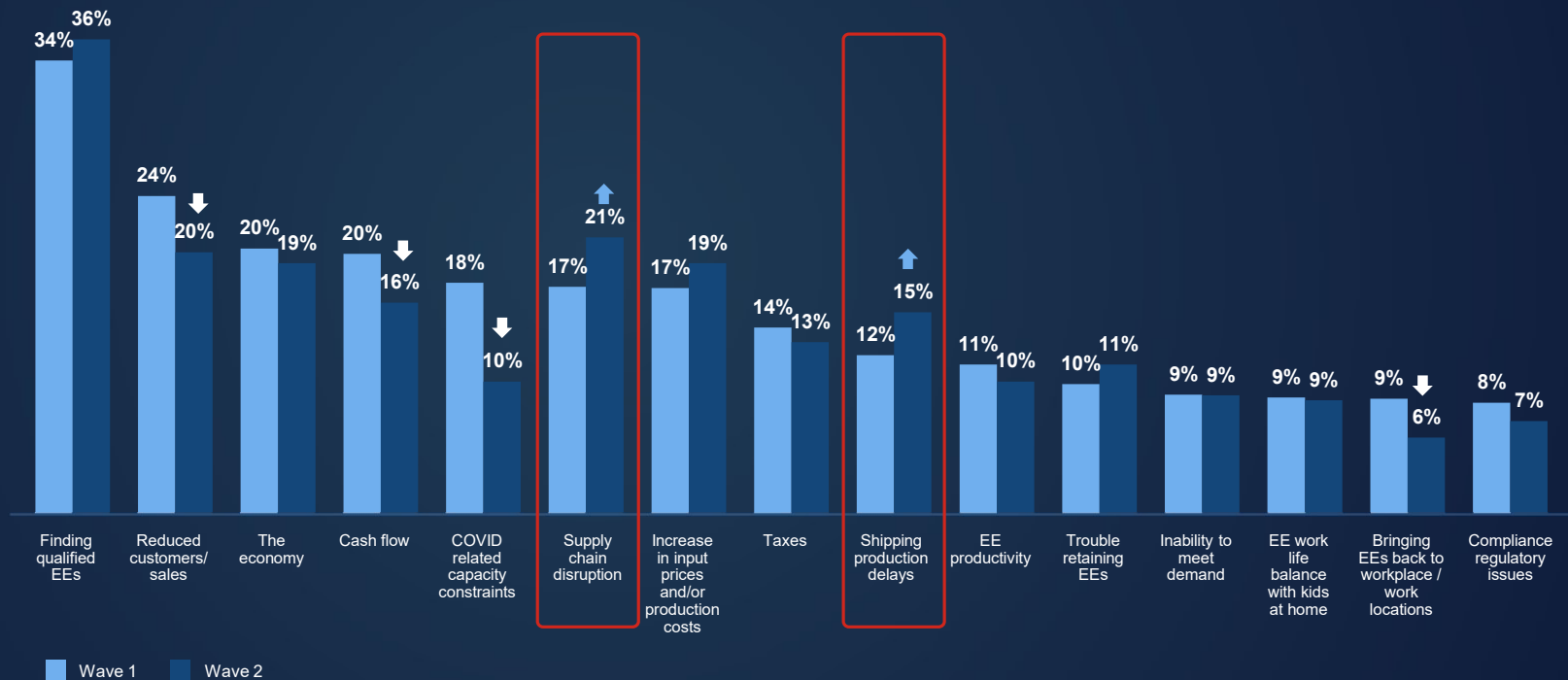
Challenges Business is Currently Facing (Top 15)

1-49 EEs



Finding qualified employees remains a key challenge for small businesses.

Supply chain disruption and shipping/production delays are **far more of a challenge now** than they were 3 months ago.



Revenue Past 6 Months/Next 6 Months

	1-49 EE	1-4	5-9	10-24	25-49	50-499 EE
Base: Total Respondents	2116 B	1118 D	447 E	397 F	154 G	179 C
Increased/increase	21%	19%	24% D	22%	29% Df	31%
Increased/decrease	3%	2%	3%	4%	2%	1%
Increased/stay the same	7%	7%	9%	9%	7%	8%
Decreased/increase	11%	12% g	10%	12%	8%	8%
Decreased/decrease	9%	9% G	9% G	8% G	4%	6%
Decreased/stay the same	11%	11%	10%	9%	16%	4%
Stayed the same/increase	11%	12% fg	11%	9%	8%	12%
Stayed the same/decrease	2%	1%	1%	3% d	5% d	1%
Stayed the same/stay the same	24%	26%	23%	24%	21%	28%

Challenges Business is Currently Facing

Women and Minority Owned Businesses



Finding qualified employees is the overwhelming challenge facing small woman/ minority business owner.

Supply chain disruptions and **reduced customers/sales** are secondary challenges.

