

Quarterly Research Insights into the Changing Landscape of Small Business

May, 2021

Research Overview



Objectives/Approach

ADP surveyed its small business clients on the changing landscape of business conditions. This is the first of quarterly pulse studies

Quantitative:

10-minute online survey

Field Dates:

May 10 – 25, 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.

	ADP Clients
1-49 EE	2,058
1 - 4 EE	1,067
5 - 9 EE	481
10-24 EE	404
25-49 EE	106

Findings stat tested @ 95%

Executive Summary

Hiring

- **Finding qualified employees** remains the **key challenge** ADP Small Business clients with 5 or more employees are facing.
- Our smallest clients, those with 1-4 employees cite **finding qualified employees, reduced customer and sales** and **the economy** equally as their top challenges.

Employee Wages

- Virtually no clients are planning to decrease **employee wages** in the next months. Larger clients indicate they are far more likely to be planning to increase employee wages.
- Nearly half of small business clients have made no additional changes in the last 6 months. Among those who have, special bonuses/increased pay and health check implantation top the list.

Prices and Revenues

- Thirty percent of small businesses indicate their revenues have increased in the past 6 months and three-quarters expect it to continue to increase in the next 6 months.
- Among those who experienced a revenue decrease in the past 6 months, half expect to see an increase in the next 6 months.



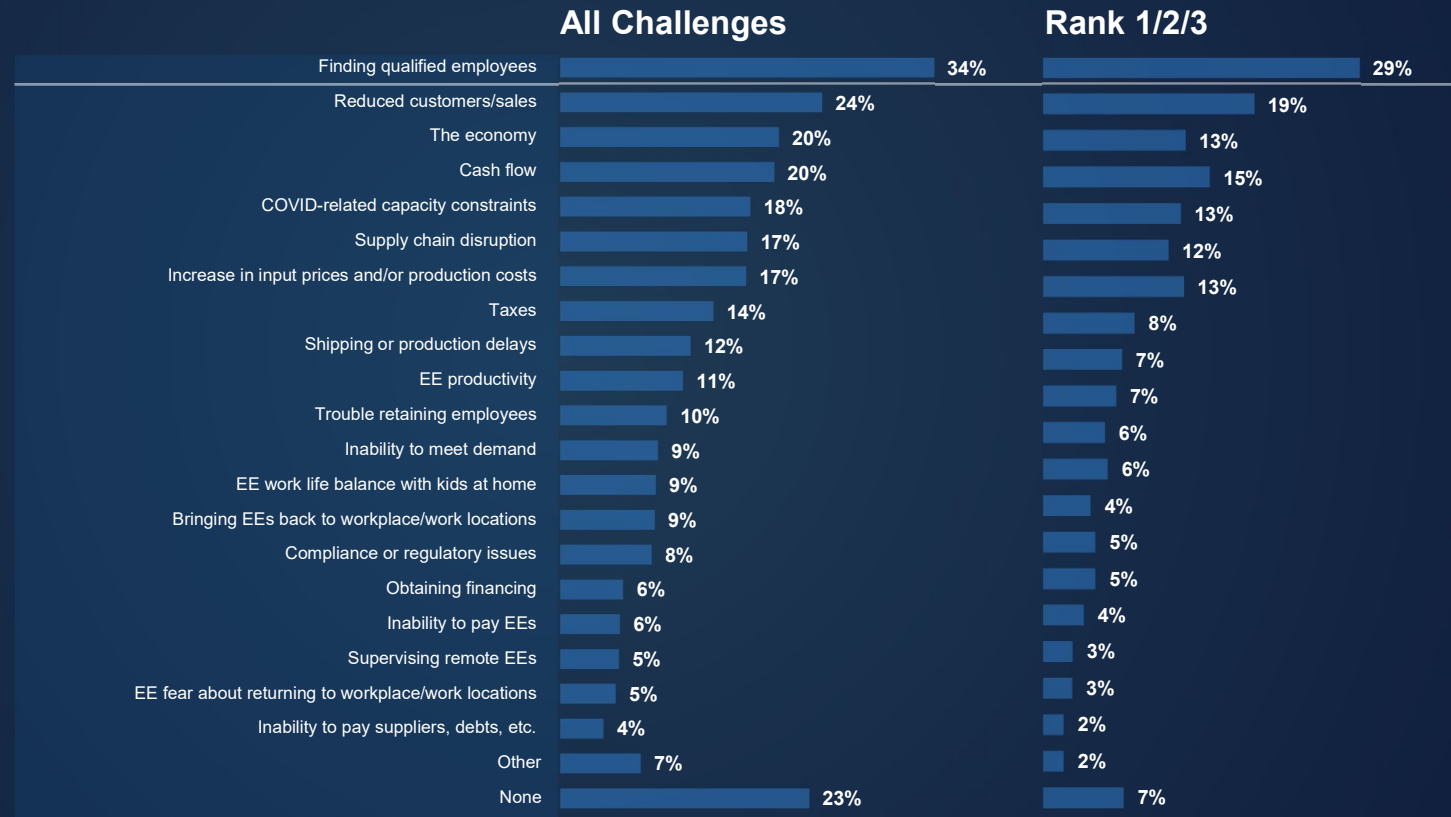
ADP | Research
INSTITUTE

Quarterly
Small Business Client
Pulse Study

Challenges Business is Currently Facing



Finding qualified employees is the key challenge facing small businesses.



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.

It is the overwhelming challenge companies with 5 or employees cite while it is one of four key challenges the smallest companies face.

	TOTAL	1-4 EEs	5-9 EEs	10-24 EEs	25-49 EEs
Finding qualified employees	34%	23%	42%	49%	58%
Reduced customers/sales	24%	24%	25%	25%	18%
The economy	20%	23%	16%	18%	15%
Cash flow	20%	21%	20%	17%	16%
COVID-related capacity constraints	17%	15%	16%	24%	24%
Supply chain disruption	17%	14%	21%	21%	20%
Increase in input prices and/or production costs	17%	14%	19%	22%	20%
Taxes	14%	16%	12%	12%	9%
Shipping or production delays	12%	11%	12%	14%	14%
Employee productivity	11%	7%	15%	17%	13%
Trouble retaining employees	10%	7%	10%	16%	16%
Inability to meet demand	9%	8%	10%	11%	8%
Employee work life balance with kids at home	9%	7%	9%	13%	10%
Bringing EEs back to workplace/work locations	9%	6%	10%	14%	10%
Compliance or regulatory issues	8%	7%	7%	13%	11%
Obtaining financing	6%	7%	6%	4%	2%
Inability to pay employees	5%	7%	6%	3%	1%
Supervising remote employees	5%	4%	7%	6%	8%
EE fear about returning to workplace/work locations	5%	4%	5%	7%	9%
Inability to pay suppliers, debts, etc.	4%	4%	5%	3%	0%

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.

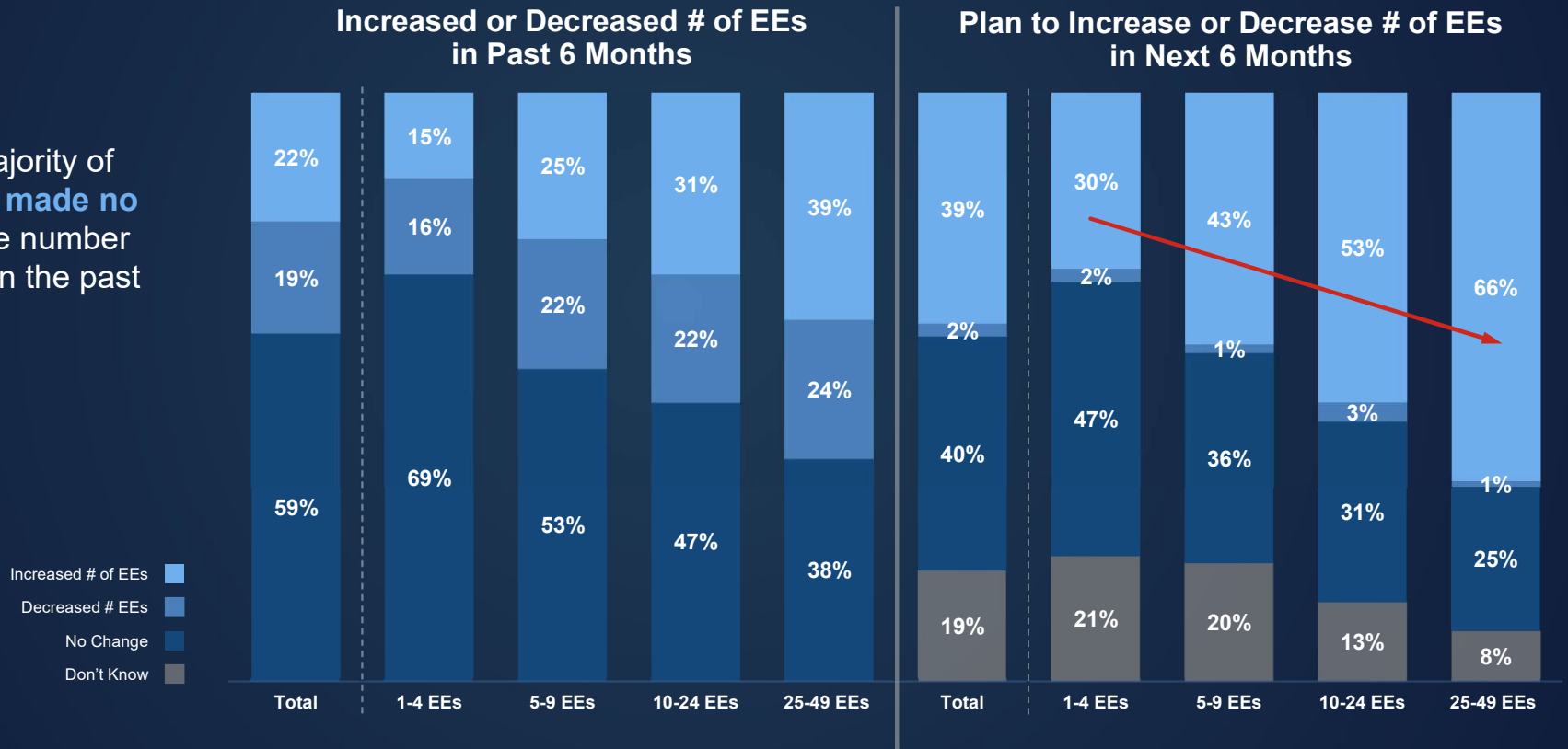
The smallest businesses rank finding qualified employees and reduced customers/sales as their top challenges.

	TOTAL	1-4 EEs	5-9 EEs	10-24 EEs	25-49 EEs
Finding qualified employees	29%	19%	35%	43%	49%
Reduced customers/sales	19%	20%	20%	19%	13%
Cash flow	15%	17%	16%	11%	13%
The economy	13%	16%	9%	9%	11%
Increase in input prices and/or production costs	13%	11%	14%	17%	14%
COVID-related capacity constraints	13%	11%	11%	17%	19%
Supply chain disruption	12%	10%	14%	13%	15%
Taxes	8%	11%	6%	6%	6%
Shipping or production delays	7%	6%	8%	8%	8%
Employee productivity	7%	5%	9%	10%	8%
Inability to meet demand	6%	6%	7%	5%	8%
Trouble retaining employees	6%	4%	6%	10%	12%
Compliance or regulatory issues	5%	4%	4%	7%	7%
Bringing employees back to workplace/work locations	5%	3%	7%	7%	6%
Employee work life balance with kids at home	4%	4%	4%	6%	4%
Obtaining financing	4%	5%	3%	2%	1%
Inability to pay employees	3%	4%	2%	1%	1%
Supervising remote employees	3%	2%	3%	3%	6%
EE fear about returning to workplace/work locations	2%	1%	2%	3%	3%
Inability to pay suppliers, debts, etc.	2%	2%	2%	2%	0%

Number of Employees



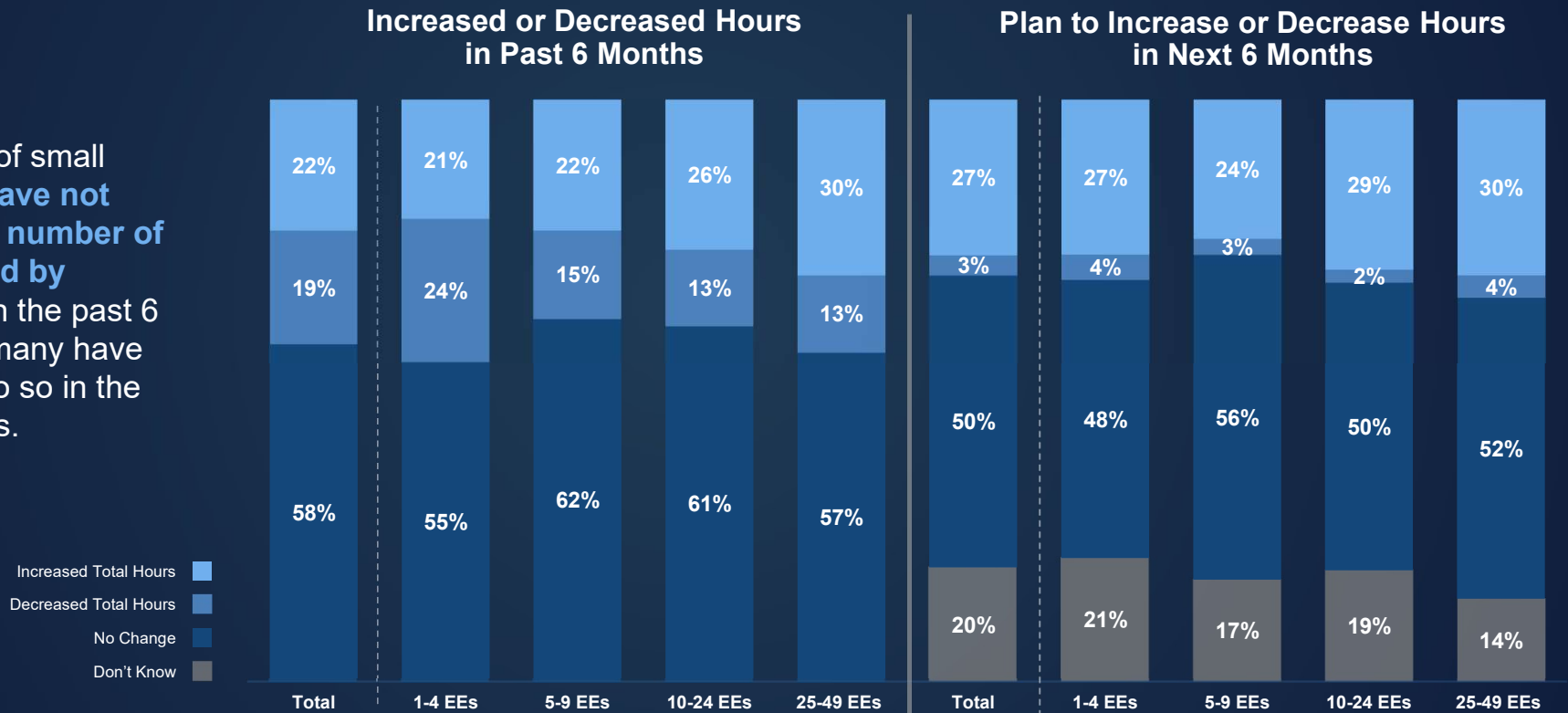
Overall, the majority of business have **made no changes** to the number of employees in the past 6 months.



Number of Hours Worked by Employees



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.

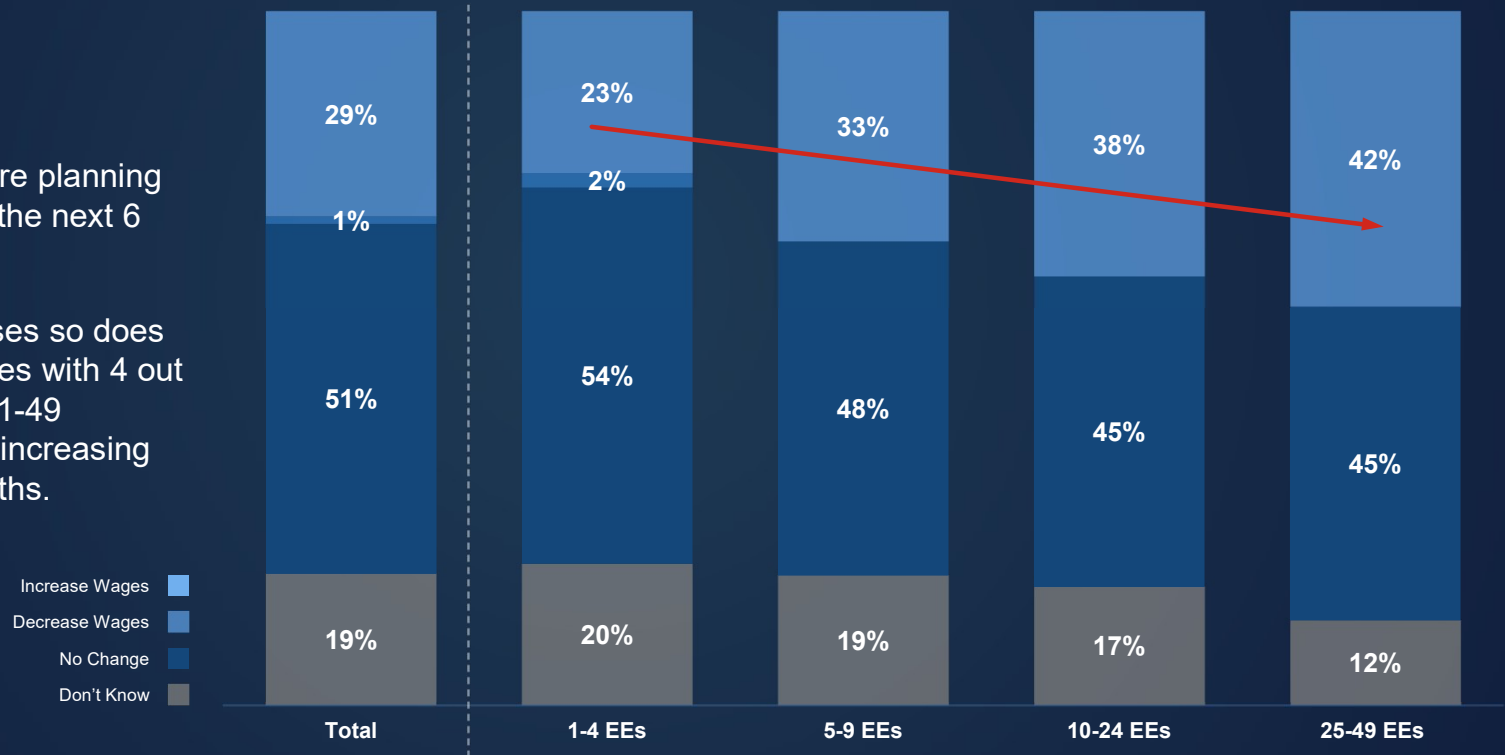


Increase or Decrease Wages in the Next 6 Months



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

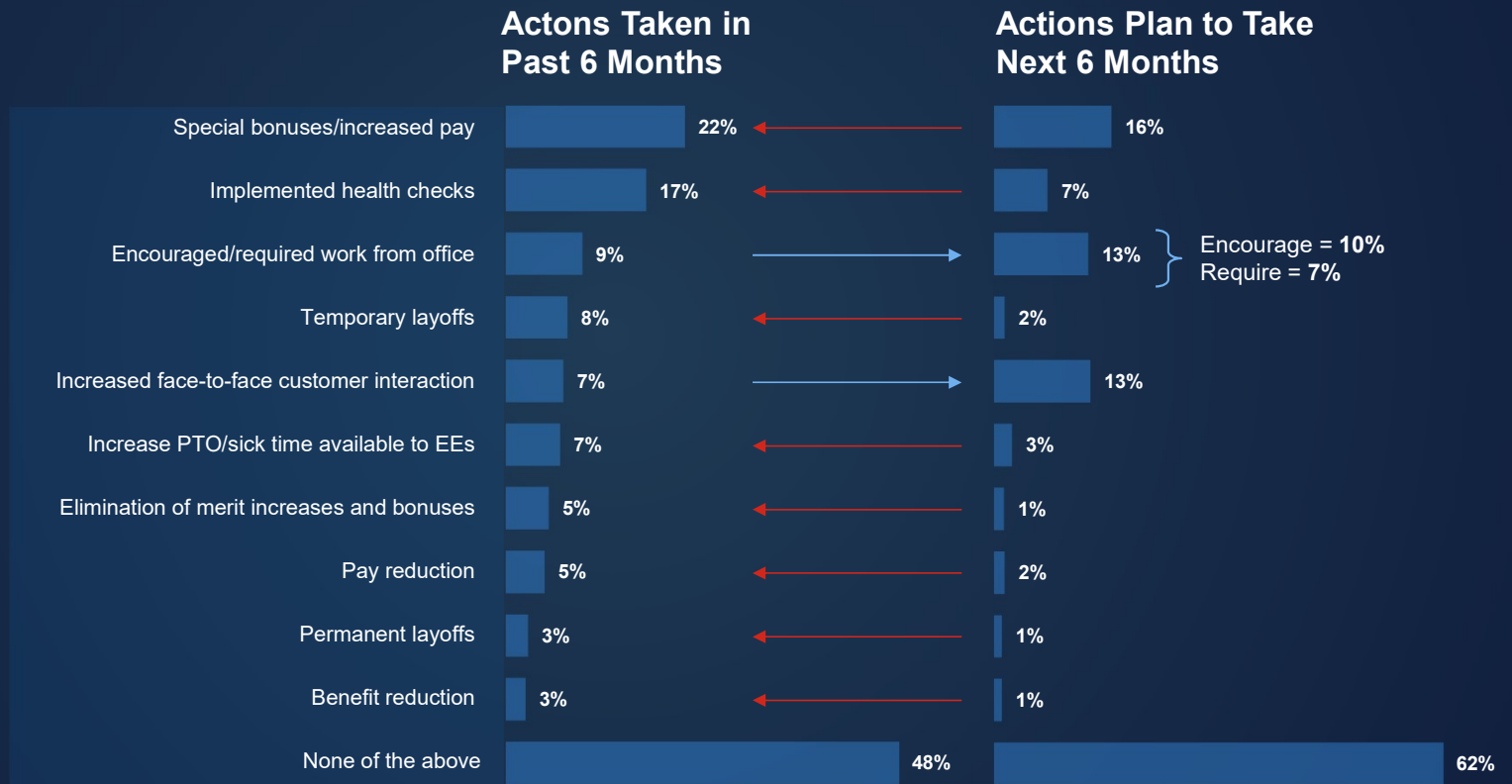
As company size increases so does the plan to increase wages with 4 out of 10 larger companies (1-49 employees) planning on increasing wages in the next 6 months.



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



In the next 6 months, companies are more likely to encourage or require work from the office as well as increase face-to-face customer interaction.



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



The majority of all companies do not plan on taking any additional actions regarding their employees in the next months. Among those who do, special bonuses/increased pay and encouraging/ requiring work in the office are most commonly cited.

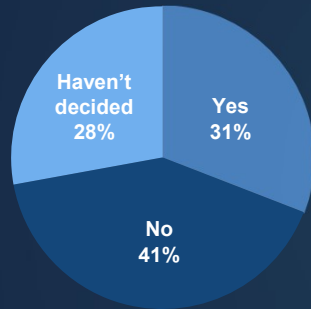
	Actions Past 6 Months					Actions Next 6 Months				
	TOTAL	1-4 EEs	5-9 EEs	10-24 EEs	25-49 EEs	TOTAL	1-4 EEs	5-9 EEs	10-24 EEs	25-49 EEs
Special bonuses/increased pay	22%	15%	26%	32%	33%	16%	14%	16%	21%	21%
Implemented health checks	17%	12%	16%	27%	34%	7%	7%	7%	9%	8%
Encouraged/required work from office	9%	8%	10%	10%	16%	14%	11%	14%	18%	16%
Temporary layoffs	8%	9%	6%	8%	3%	1%	2%	1%	1%	1%
Increased face-to-face customer interaction	7%	6%	7%	9%	10%	2%	12%	15%	16%	8%
Increase PTO/sick time available to your EEs	7%	4%	8%	10%	14%	13%	2%	1%	4%	5%
Elimination of merit increases and bonuses	5%	5%	4%	8%	4%	1%	1%	2%	1%	1%
Pay reduction	5%	7%	4%	1%	1%	2%	3%	0%	0%	0%
Permanent layoffs	3%	3%	3%	3%	2%	1%	1%	1%	1%	0%
Benefit reduction	3%	2%	2%	3%	2%	1%	1%	1%	1%	1%
None of the above	48%	55%	48%	33%	31%	62%	64%	63%	53%	60%

Prices and Revenue



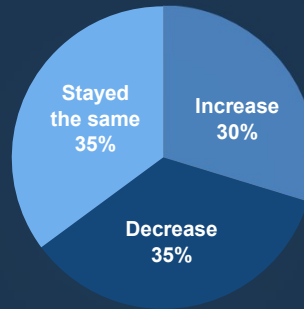
- Thirty percent of small businesses indicate their revenues have increased in the past 6 months.
- Half expect to see revenues increase in the next 6 months.
- More than one-third believe their revenues will return to pre-virus levels within the year and 3 out of 10 say they have already returned.

Plan to Raise Prices Charge Customers/ Clients in Next 6 Months



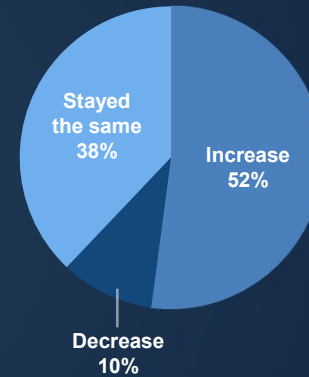
	Yes	No	DK
1-4 EE	28%	44%	28%
5-9 EE	34%	42%	24%
10-24 EE	33%	36%	31%
25-49 EE	38%	35%	27%

Company's Revenues in the Past 6 Months



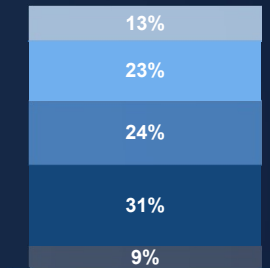
	Increased	Decreased	Same
1-4 EE	26%	39%	36%
5-9 EE	32%	31%	37%
10-24 EE	34%	32%	34%
25-49 EE	44%	30%	25%

Company's Revenues Expectations in the Next 6 Months



	Increased	Decreased	Same
1-4 EE	50%	11%	39%
5-9 EE	53%	9%	38%
10-24 EE	54%	10%	36%
25-49 EE	63%	6%	31%

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



■ 6 Months or Less
 ■ >6 Months but <1 Year
 ■ 1 Year+
 ■ Has Already Returned
 ■ New Normal

	6 Mos or Less	>6 Mos, <1 Yr	1 Yr+	Already Returned	New Normal
1-4 EE	12%	22%	24%	31%	10%
5-9 EE	15%	21%	23%	32%	8%
10-24 EE	13%	26%	24%	29%	8%
25-49 EE	8%	25%	25%	36%	8%

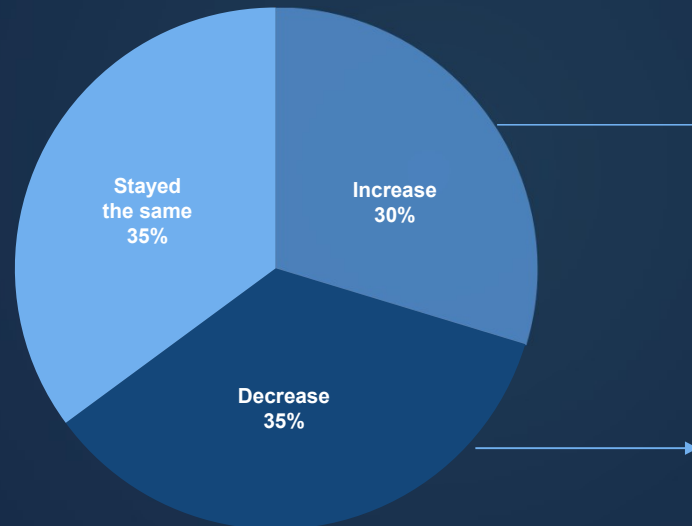
Q16: Do you plan to raise the prices you charge your customers or clients, in the next 6 months?
 Q17: Have your company's revenues increased, decreased or remained the same in the past 6 months?
 Q18: What do you expect company's revenues to do in the next 6 months?
 Q19: How long do you think it will take for your business to return to pre-Coronavirus revenue?

Prices and Revenue



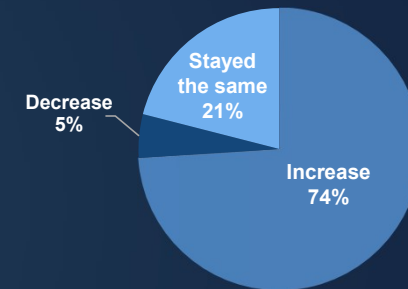
- Thirty percent of small businesses indicate their revenues have increased in the past 6 months and three-quarters expect it to continue to increase in the next 6 months.
- Among those who experienced a revenue decrease in the past 6 months, half expect to see an increase in the next 6 months.

Company's Revenues in the Past 6 Months

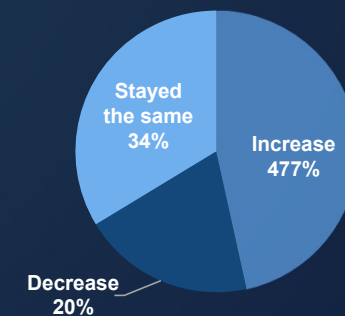


Company's Revenues Expectations in the Next 6 Months

Base: Company revenue increased in past 6 months



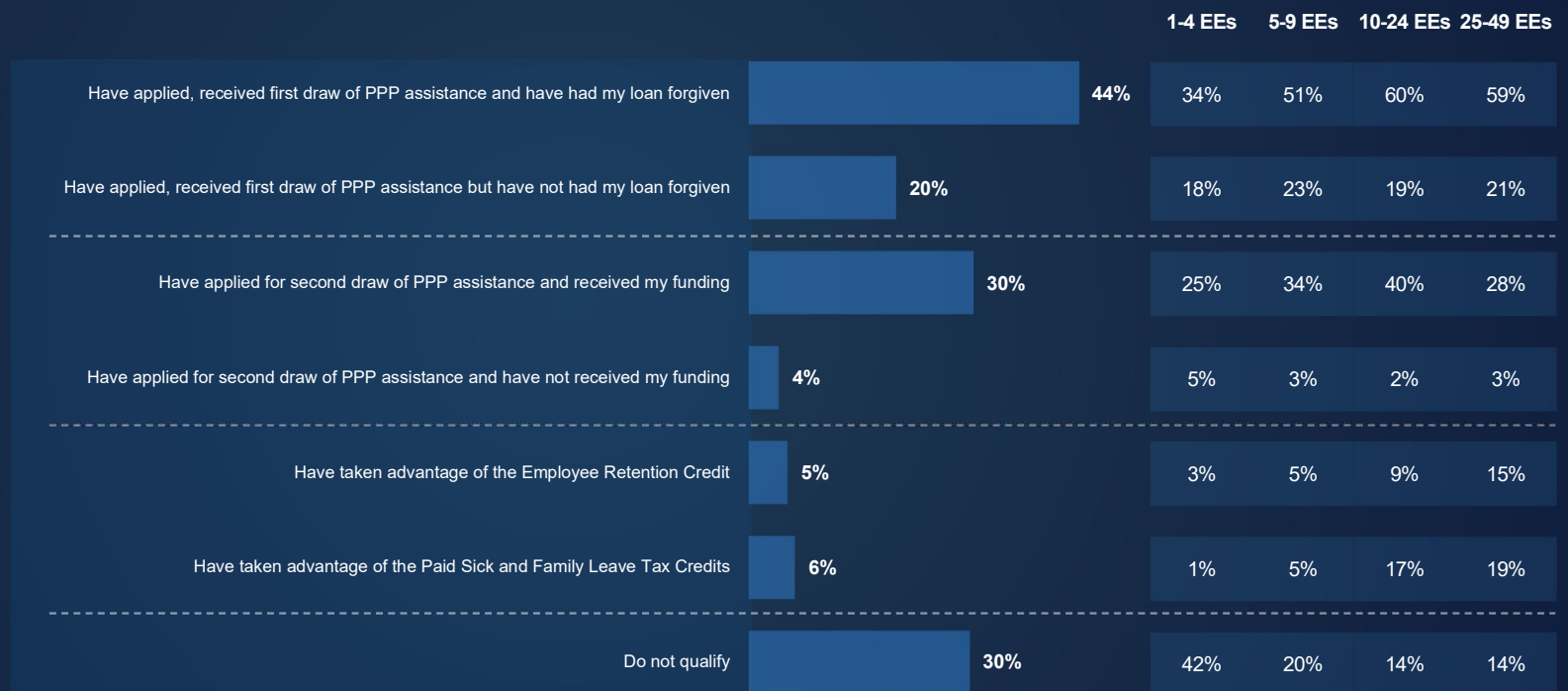
Base: Company revenue decreased in past 6 months



Assistance Offered



- The smallest companies (1-4 employees) are far more likely to not qualify for assistance.
- Larger companies (10+ employees) are more likely to have applied, received first draw of PPP assistance and had their loan forgiven.



How Applied/Accessed Funding



- Regardless of company size, the large majority of small businesses completed the PPP application for the loans for their business and most also completed the PPP loan forgiveness.

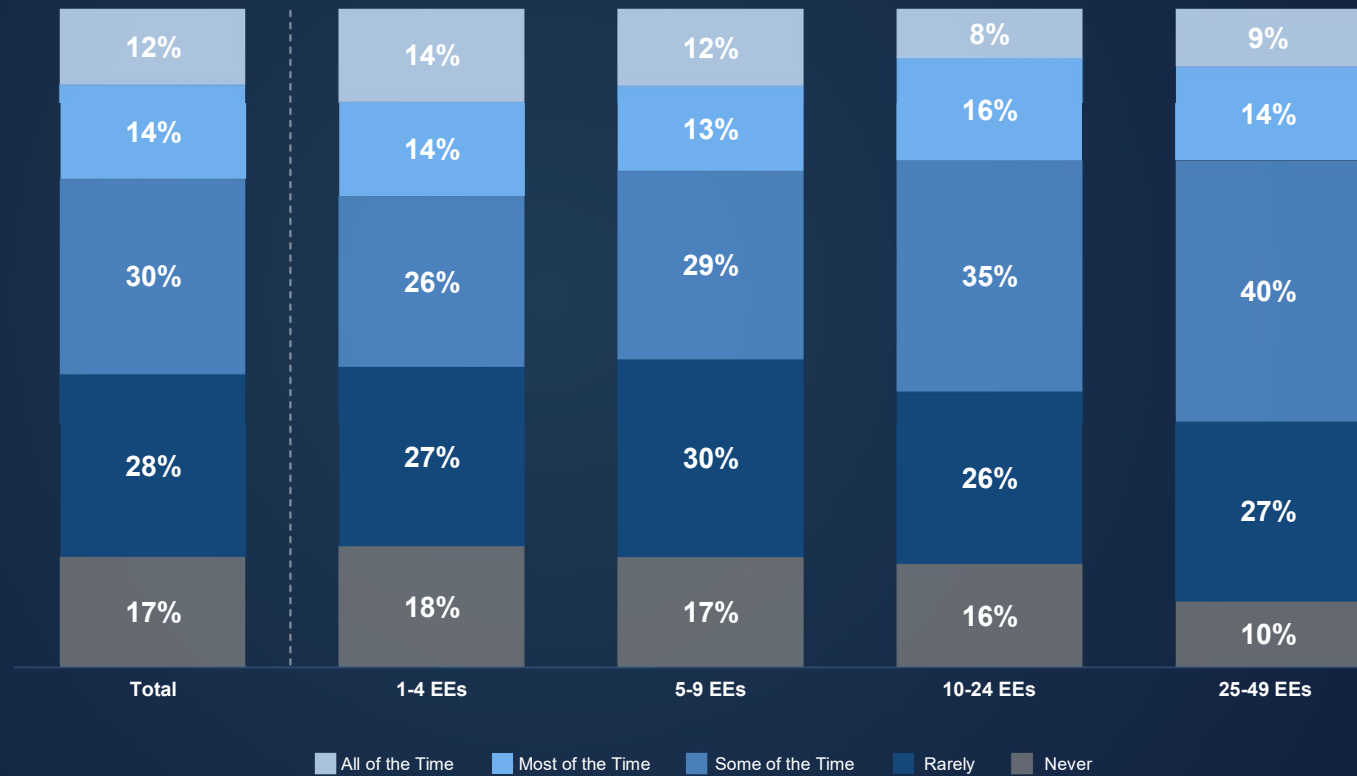
		1-4 EEs	5-9 EEs	10-24 EEs	25-49 EEs
I completed the PPP application for the loans for my business	80%	82%	80%	79%	75%
I completed the PPP loan forgiveness for my business	58%	56%	61%	60%	60%
I or my accountant used the pre-populated PPP forgiveness reports provided by ADP®	18%	14%	18%	24%	26%
My accountant completed the PPP application for my business	12%	11%	10%	12%	21%
My accountant completed the PPP loan forgiveness application for my business	10%	8%	10%	13%	15%
I updated my PR system to take advantage of the Employee Retention and other sick leave tax credits	8%	3%	5%	15%	24%
My accountant updated my PR system to take advantage of the Employee Retention and other sick leave tax credits	2%	2%	2%	3%	3%

Base: Qualified for and took advantage of took advantage of the assistance offered by the Federal Government or the Small Business Association

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	1-4	5-9	10-24	25-49
Midwest	15%	14%	17%	15%	18%
Northeast	24%	25%	22%	22%	18%
South	32%	29%	34%	35%	39%
West	29%	32%	27%	28%	25%

Tenure

	TOTAL	1-4	5-9	10-24	25-49
Less than 1 year	3%	4%	2%	1%	0%
1 to less than 3 yrs	8%	10%	5%	5%	5%
3 to less than 5 yrs	7%	8%	6%	6%	2%
5 to less than 7 yrs	7%	8%	8%	6%	8%
7 to less than 10 yrs	7%	8%	6%	5%	9%
10 yrs+	68%	62%	73%	77%	76%

Business Owner Profile

	TOTAL	1-4	5-9	10-24	25-49
Woman-Owned	27%	28%	26%	25%	25%
Minority-Owned	15%	17%	14%	13%	12%
Veteran-Owned	6%	7%	6%	4%	3%
LGBTQ+-Owned	1%	2%	1%	1%	0%
Don't know	3%	3%	4%	4%	3%
None of the above	57%	54%	59%	62%	61%

Industry

	TOTAL	1-4	5-9	10-24	25-49
Professional, Scientific, and Technical Services	11%	13%	9%	8%	5%
Construction	9%	10%	11%	7%	7%
Health Care and Social Assistance	9%	8%	9%	11%	11%
Retail Trade	7%	6%	10%	8%	6%
Manufacturing	5%	4%	5%	6%	14%
Real Estate and Rental and Leasing	4%	6%	4%	2%	3%
Accommodation and Food Services	4%	2%	3%	9%	8%
Educational Services	4%	3%	3%	8%	10%
Finance and Insurance	4%	5%	4%	2%	3%
Arts, Entertainment, and Recreation	4%	4%	2%	5%	2%
Transportation and Warehousing	3%	3%	2%	2%	4%
Wholesale Trade	3%	2%	3%	3%	1%
Agriculture, Forestry, Fishing, and Hunting	2%	2%	2%	2%	0%
Information	1%	1%	1%	0%	0%
Management of Companies and Enterprises	1%	1%	1%	0%	2%
Administrative and Support and Waste Management and Remediation Services	1%	1%	0%	0%	1%
Mining, Quarrying, and Oil and Gas Extraction	0%	1%	0%	0%	0%
Utilities	0%	0%	0%	1%	0%
Public Administration	0%	0%	0%	0%	1%
Other	28%	29%	30%	25%	24%

Appendix

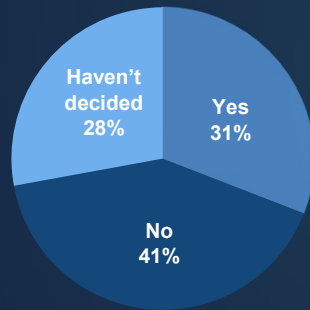
Revenue



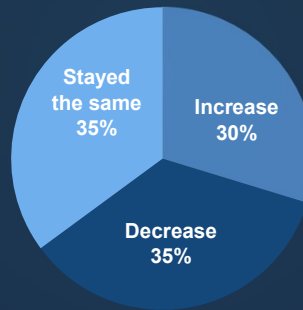
Thirty percent of small businesses indicate their revenues have increased in the past 6 months and half expect them to continue to increase in the next 6 months.

More than one-third believe their revenues will return to pre-virus levels within the year and 3 out of 10 say they have already returned.

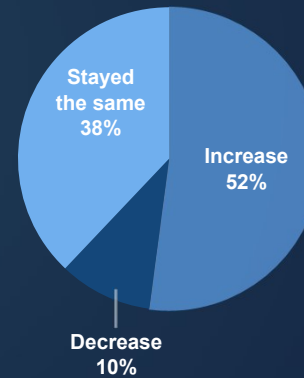
Plan to Raise Prices Charge Customers/ Clients in Next 6 Months



Company's Revenues in the Past 6 Months



Company's Revenues Expectations in the Next 6 Months



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



Q16: Do you plan to raise the prices you charge your customers or clients, in the next 6 months?
 Q17: Have your company's revenues increased, decreased or remained the same in the past 6 months?
 Q18: What do you expect company's revenues to do in the next 6 months?
 Q19: How long do you think it will take for your business to return to pre-Coronavirus revenue?