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Main Street Health Report

FEBRUARY 2023

Context for February:

After a higher-than-expected February jobs report, the Fed has again positioned itself to continue raising rate through 2023 to curb inflation.

Our data from the US and Canada reflects a slight decline in core employment metrics during February - and notably, a stark decline in wage inflation.

The good:

- San Francisco is providing funding to make small businesses across the city more accessible
- Employers across the country remain eager to retain their workers
- Jobless claims remained below pre-COVID levels

The bad:

- Inflation cooled slightly in February, though not enough to assuage concerns from policymakers
- Tech layoffs, rate hikes, and declining profits spell potential trouble on the horizon

The uncertain:

- Recent indicators have renewed speculation around Fed policies and the prospect of rate hikes moving forward

Higher non-farm payroll adds than expected in February have renewed interest in the Federal Reserve's immediate plans to raise rates in an effort to put the brakes on a hot economy. As in prior iterations of this report, Homebase seeks to understand how the broader economic environment is affecting small businesses and their employees during the start of 2023 by analyzing behavioral data from more than two million employees working at more than one hundred thousand SMBs.

Summary of findings:

February saw a slowdown in hours worked and employees working, across most industries and major metro areas

Core indicators have been relatively flat through the first 2 months of 2023; compared to the same time period last year, we do not see the monthly growth that we saw at the same time in 2022.

Major industries have seen monthly declines in employment, with Hospitality and Entertainment as the outliers. Monthly changes align with pre-COVID levels, though even hospitality and entertainment lag 2019 gains.

We see relatively low month-over-month variance in economic performance across metro areas, **with the average MSA experiencing declines across core employment metrics.**

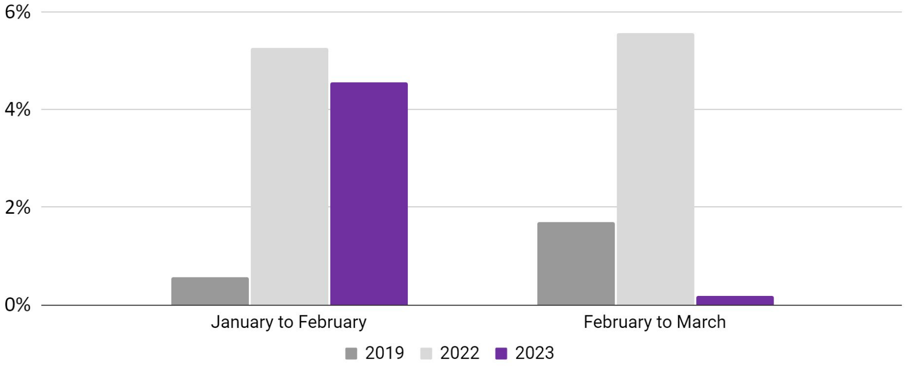
Wage inflation, while still positive, **hit its lowest point since October 2021.**

February employment grew slower than in recent years

After a strong January, February saw a large drop in employment growth. Homebase data also showed declines across hours worked for employees

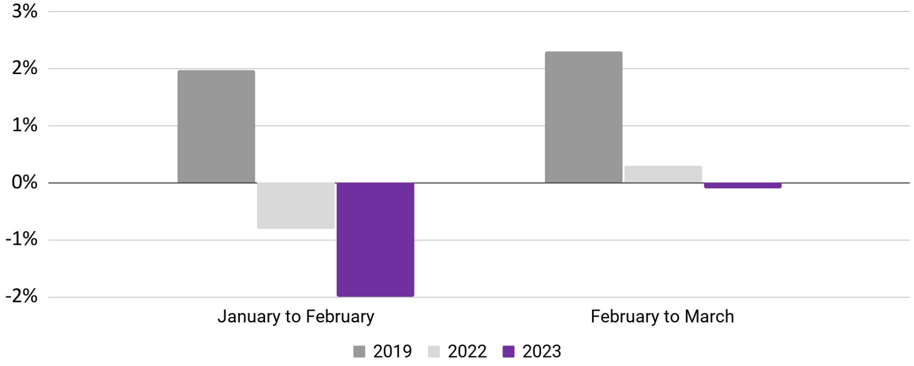
Employees working

(Monthly change in 7-day average, relative to January of reported year)



Businesses open

(Monthly change in 7-day average, relative to January of reported year)



Source: Homebase data.

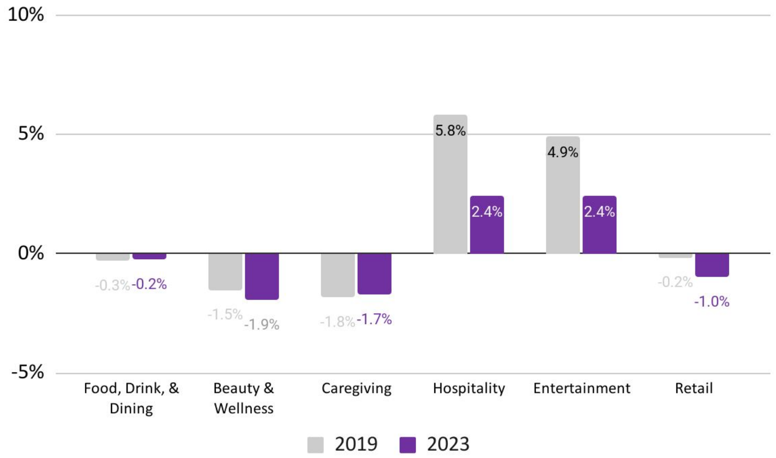
Most industries saw a decline in employment, with Hospitality and Entertainment as the outliers

After a strong start to the year, key industries declined in February. Entertainment, food and drink, and hospitality are still up relative to December employment.

Employment metrics are **down about 1% for the retail sector**, which has seen a significant downturn in recent weeks

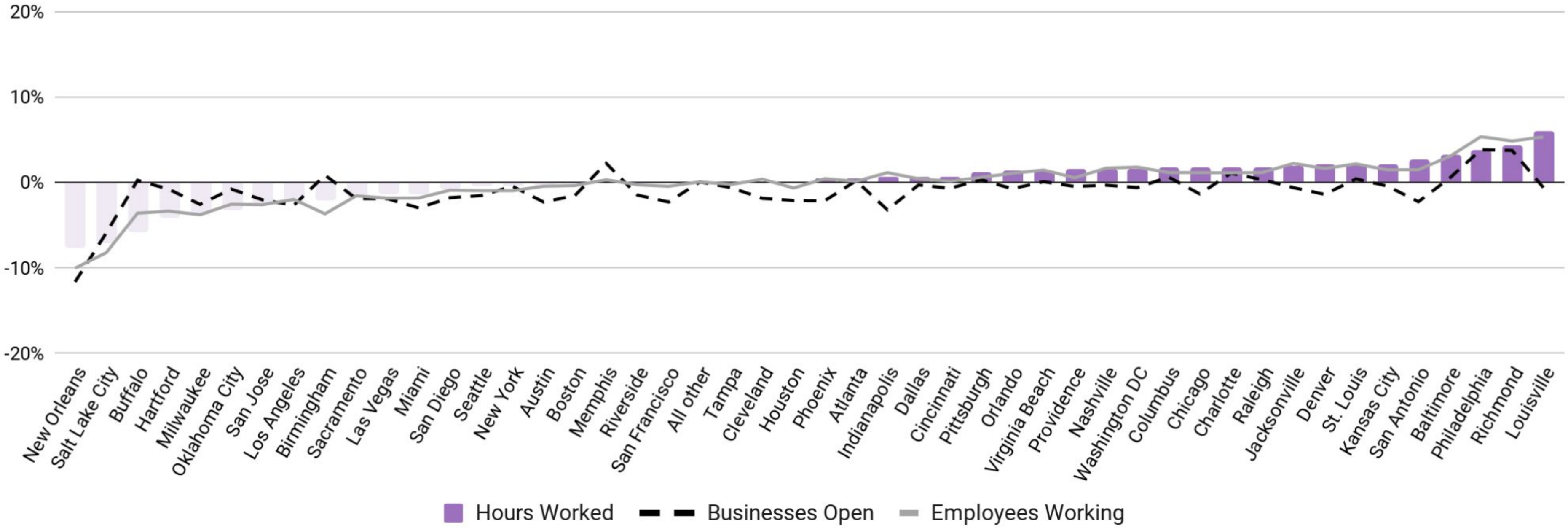
Percent change in employees working

(Mid-February vs. mid-January, using Jan. '19 and Jan. '23 baselines)[1]



1. February 17-23 vs. January 13-19 (2019) and February 19-25 vs. January 15-21 (2023). Pronounced dips generally coincide with major US Holidays. Source: Homebase data

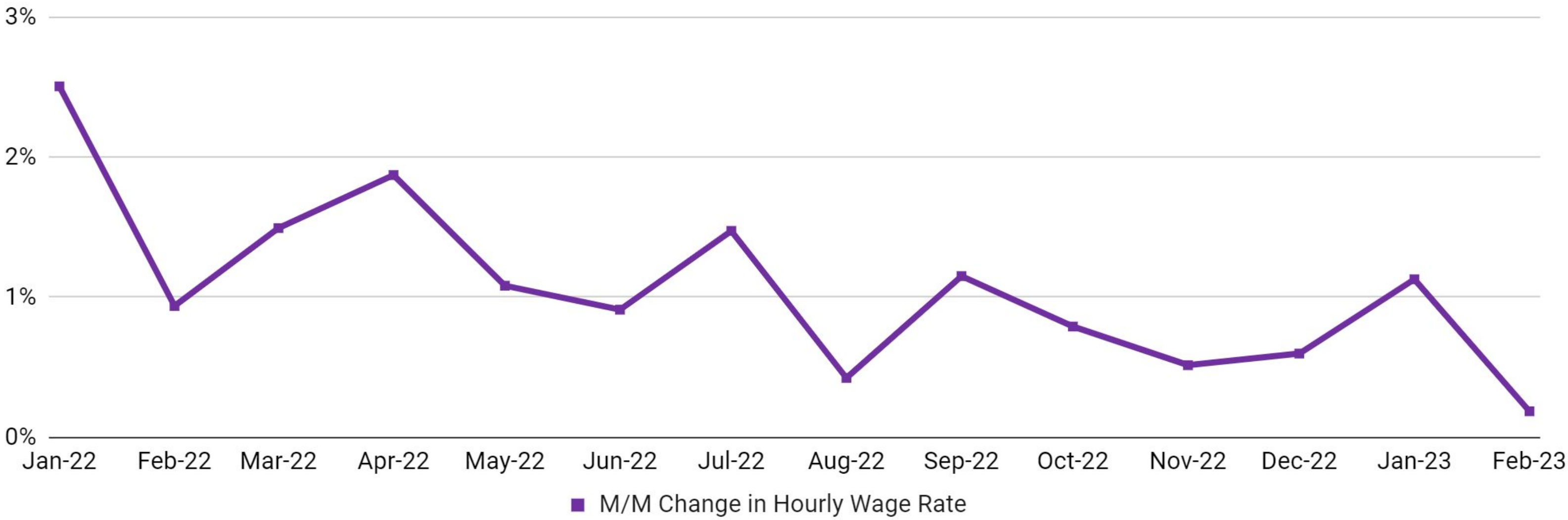
Regions fared differently in February, with weather and seasonality driving some of the differences



Note: February 19-25 vs. January 15-21. Source: Homebase data

February saw wage inflation hit its lowest level since 2021

Wage inflation
Month-over-month change in average hourly wages



Note: Data includes individuals who have been continuously employed and active since January 2022. Source: Homebase data.

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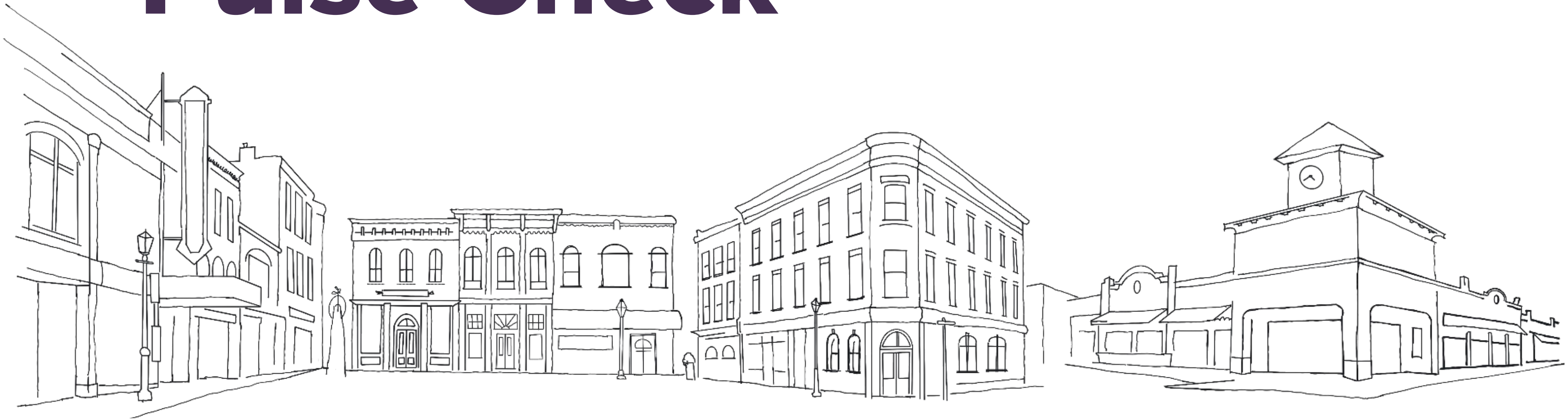
Employee Pulse Check

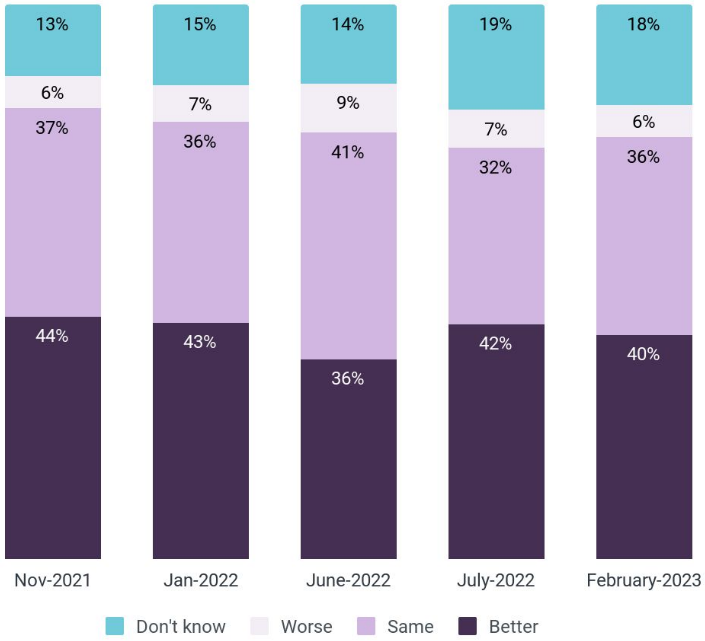


FEBRUARY 2023

A February pulse survey of approximately eight hundred employees shows a consistent, positive outlook towards job prospects.

Employees see their job prospects improving in the coming year

Most employees surveyed see their job prospects improving (40%) or staying the same (35%) in a year, while only 6% think they'll have worse options than they do today. This represents a slightly less negative outlook compared to mid-2022, and increased uncertainty compared to the beginning of last year. With inflation top of mind for many, small business workers have remained confident that they'll continue to have options on where they work in the future.



***Survey question*: Do you think your job options will be better, about the same, or worse in 12 months compared to today?**

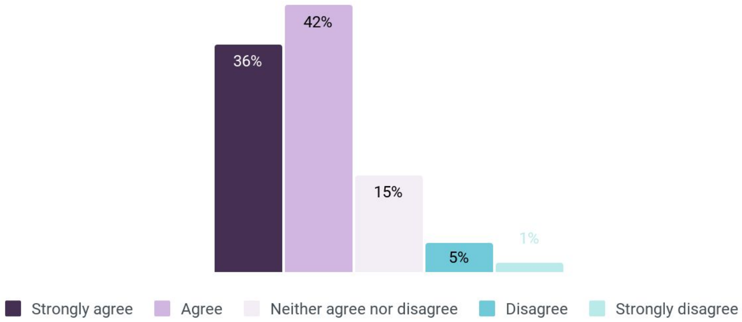
Source: Homebase Employee Pulse Survey. N = 873 (Feb. 2023)

Nearly 25% of employees plan to look for a new job in the coming months

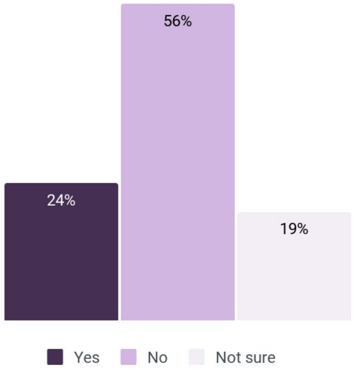
While a majority of workers are generally pleased with their jobs, that doesn't necessarily mean that they plan to stay with their current employers long-term; just 57% of workers surveyed have no plans to look for a new opportunity in the next 6 months, even though 78% report being happy with their job. As the labor market stays hot, small business employees are aware of the choices that they have in front of them.

That said, our October survey saw 48% of employees say that they weren't planning to look for a new job in the coming year, indicating that economic fear is boosting retention compared to prior months.

To what extent do you agree with the following sentence: "Overall, I am happy with my job."



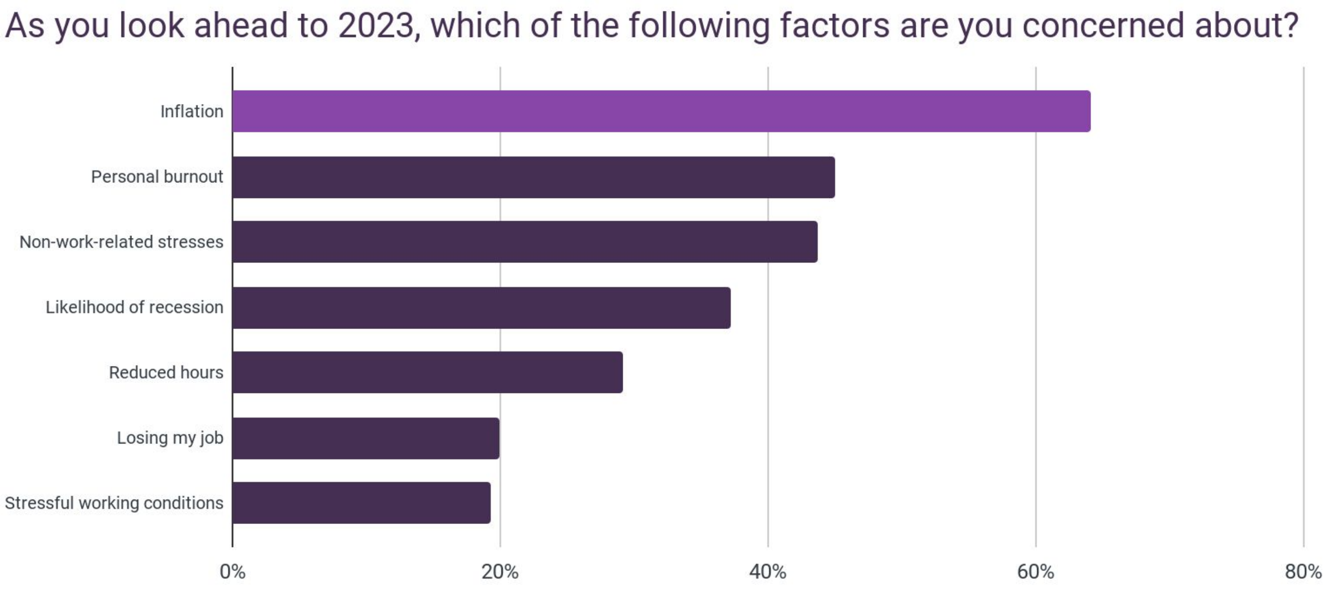
Do you plan to look for a new job in the next 3-6 months?



Source: Homebase Employee Pulse Survey. N = 873 (Feb. 2023)

Inflation isn't just a talking point for economists - it's the top concern for workers, too

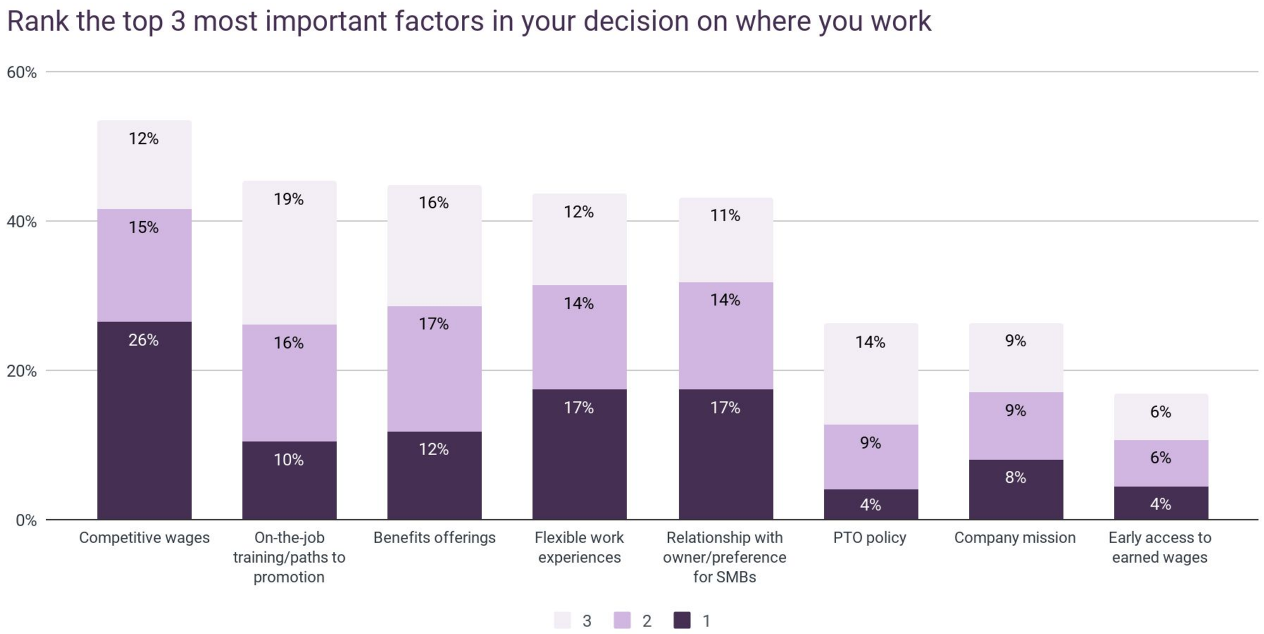
Of all issues that employees are facing - both at and outside of work - only inflation was cited as a concern for a majority (64%) of those surveyed. Workers feel secure about their jobs and the hours available to them, but worry about how far their paychecks will go for them in an inflationary environment.



Source: Homebase Employee Pulse Survey. N = 873 (Feb. 2023)

In the face of inflation, wages remain the top priority for worker

It should come as no surprise that the biggest factor in where respondents decide to work is wages, as 54% cited wages as a top 3 factor in their employment decisions. Benefits and employer-sponsored upskilling are close behind, indicating that employers need to be investing in their workforces in order to attract and retain talent.



Source: Homebase Employee Pulse Survey. N = 873 (Feb. 2023)

Contact Us

Please reach out for comment or if you are interested in additional data

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Homebase makes work easier for 100,000+ small (but mighty) businesses with everything they need to manage an hourly team: employee scheduling, time clocks, team communication, hiring, onboarding, and compliance.

We are not Human Capital Management. We are not HR Software.

We're tools built for the busiest businesses, so owners and employees can spend less time on paperwork and more time on what matters.

Methodology and definitions

The January 2023 dataset is based on Homebase data gathered from **over 100,000 businesses and 2 million hourly employees** active in the US on our platform in January 2023.

Data from prior years (e.g., 2019, 2021, 2022) use a similar cohort-based logic. Unless indicated otherwise, daily figures are calculated relative to the median value for that specific day for the baseline month (e.g., January) net of the first 4 days of the month.

“Hours worked” is calculated from hours recorded in Homebase timecards.

“Businesses open” is based on whether a business had at least one employee clock-in.

“Employees working” is based on the distinct number of hourly workers with at least one clock-in.

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