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## PAYROLL

# Small Biz Job Growth Improves

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Mar. 16, 2023



The rate of hiring for U.S. small businesses increased in February led by hiring in the leisure and hospitality industry according to the latest Paychex | IHS Markit Small Business Employment Watch. The Small Business Jobs Index, which measures national employment growth for businesses with fewer than 50 workers, continued

to increase to 99.66 while the rate of hourly wage growth declined to 4.49 percent year-over-year in February.

The one-month annualized hourly wage growth rate remained below four percent for the third consecutive month.

“Small businesses have posted positive job gains to begin 2023,” said James Diffley, chief regional economist at IHS Markit. “At the same time, hourly wage increases are moderating, which is in the right direction for a soft landing.”

“This employment growth and cooling wage inflation in February show small businesses are demonstrating resiliency as they navigate the current economic environment,” said John Gibson, Paychex president and CEO. “Given the slowing wage increases, employees of small businesses seem to be contending with inflation by increasing their hours worked.”

In further detail, the February report showed:

- At 99.66, the pace of small business employment growth improved in January (0.18 percent) and again in February (0.10 percent) to begin 2023.
- The national index (99.66) is down 1.64 percent from the record level set last February (101.33).
- At 100.84, leisure and hospitality improved for the fourth straight month and reported its largest one-month gain since January 2022.
- At 99.86, the Midwest has had the strongest one-month change rate among regions for the past three months. The Midwest, led by Illinois, has gained 0.77 percent during the past quarter.
- North Carolina gained 0.37 percent in February to improve its index to 102.57. North Carolina has ranked first among states since June 2022 and has had an index above 102 since October 2021.
- Houston (103.16) leads metros in the rate of small business employment growth in February. The next strongest metros, Chicago (101.55), Atlanta (101.47), and Phoenix (101.41), all trail Houston by more than a point and a half.
- Construction trails only leisure and hospitality in growth for hourly earnings (5.11 percent), weekly earnings (5.98 percent), and weekly hours worked (0.69 percent).
- Hourly earnings growth slowed further to 4.49 percent in February as one-month annualized growth remained below four percent for the third consecutive month.
- Due to the positive momentum in weekly hours worked, weekly earnings growth reached a new record level in February (5.09 percent) since reporting began in 2011.

Paychex solutions reach 1 in 12 American private-sector employees, making the Small Business Employment Watch an industry benchmark. Drawing from the payroll data of approximately 350,000 Paychex clients with fewer than 50 employees, the monthly report offers analysis of national employment and wage trends, as well as examines regional, state, metro, and industry sector activity.

The complete results for January, including interactive charts detailing all data, are available at [www.paychex.com/watch](http://www.paychex.com/watch). Highlights are available at [https://www.paychex.com/employment-watch/#!/.](https://www.paychex.com/employment-watch/#!/)

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