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February 15, 2024

Dear Friend,

Recent economic data has been a series of contradictions. Layoffs are up, but so too is hiring. Inflation is down, but housing costs are out of reach. Christmas sales are up at big retailers, but most small business owners feel otherwise.

This instability has put America's small businesses in 'wait-and-see' mode. That's one of the key takeaways from the latest Freedom Economy Index (FEI) survey of 80,000 small businesses.

This month, we asked employers a wide range of questions, including how many of their employees have second jobs. The answer will surprise you. We also asked what small businesses want the President to focus on in the upcoming State of the Union address. You'll want to see what isn't topping that list.

Then we looked at what businesses are considering relocating to another state and why. We compared the results for states California and Florida and the national results for red states versus blue states. The contrasts tell a powerful story.

Additionally, we launched a feature called the "Big Question," an open-ended question on a big topic. In light of the conflicting economic data, this month's "Big Question" asked: "What do you think is really happening in the economy?" The answers are insightful, and we included that summary in this month's report.

And, of course, we asked about inflation & prices, sales & revenue, expansion plans, use of AI, crime and its impact on business, and other insightful elements of our current economy.

The insights and struggles of America's small businesses represent the front-line experiences in the battle to keep our economy moving forward. The FEI is your window into America's small business community, and we hope you will find these results useful.

Sincerely,

A handwritten signature in black ink that reads "Michael Seifert".

Michael Seifert
CEO, PublicSquare

A handwritten signature in black ink that reads "Andrew Crapuchettes".

Andrew Crapuchettes
CEO, RedBalloon.work

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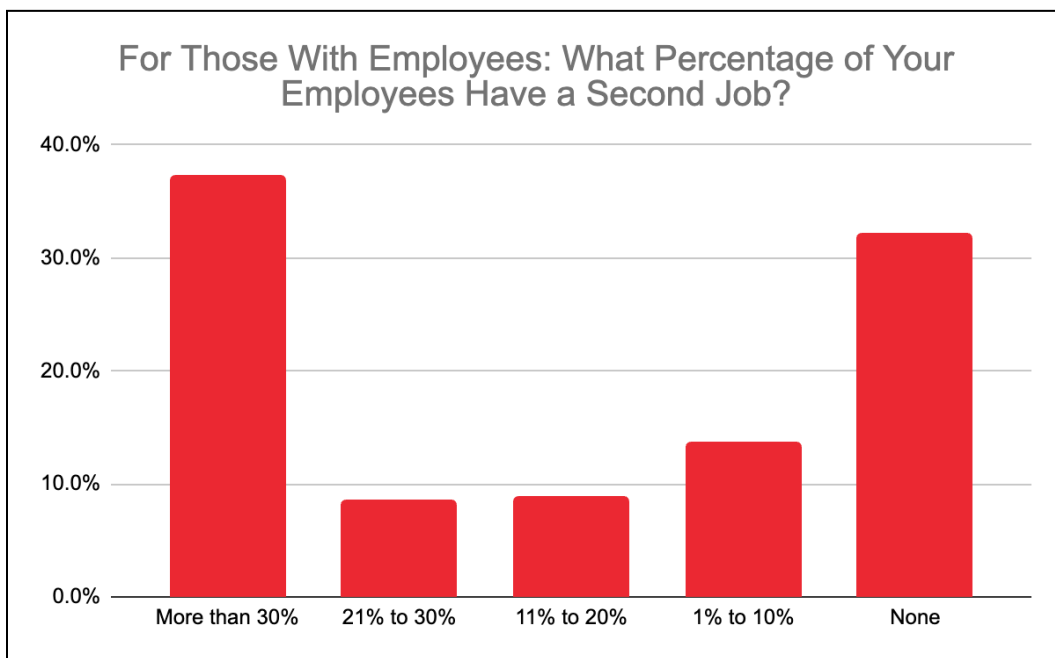
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Key Findings

Doubling Up on Work

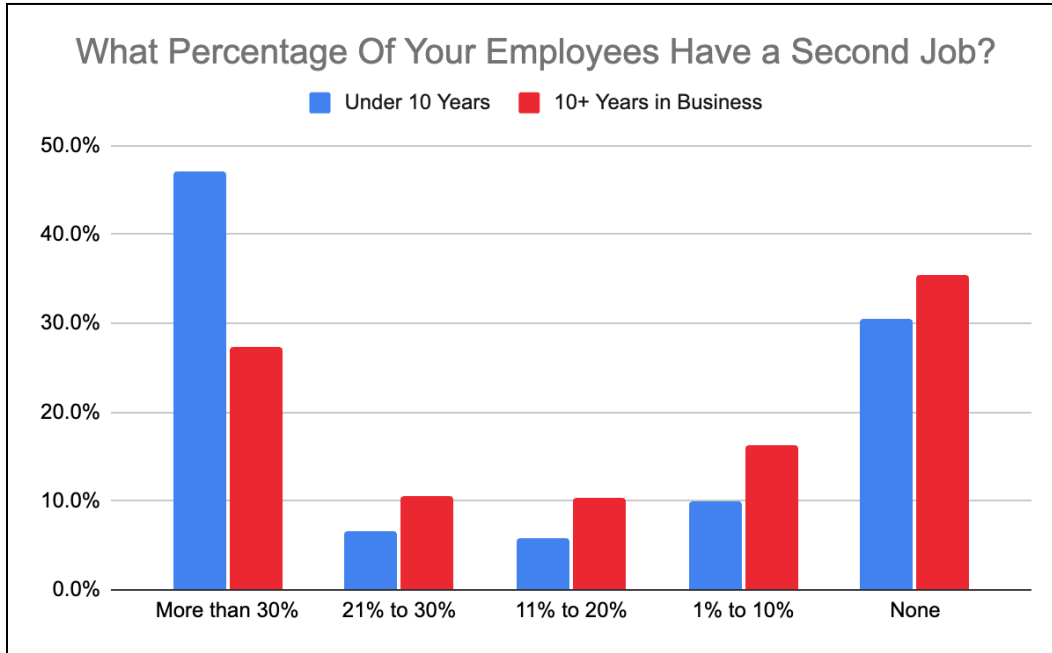
We asked employers how many of their employees have a second job with another employer. The results were surprising. 4 in 10 small business employers said that “30% or more” of their workforce has a second or even a third job.

Perhaps this helps explain the January Bureau of Labor Statistics “Jobs” report, which showed a surprising 353,000 new jobs created, double economists estimates.



What Percentage Of Your Employees Have a Second Job?	
More than 30%	37.2%
21% to 30%	8.4%
11% to 20%	8.8%
1% to 10%	13.6%
None	32.0%

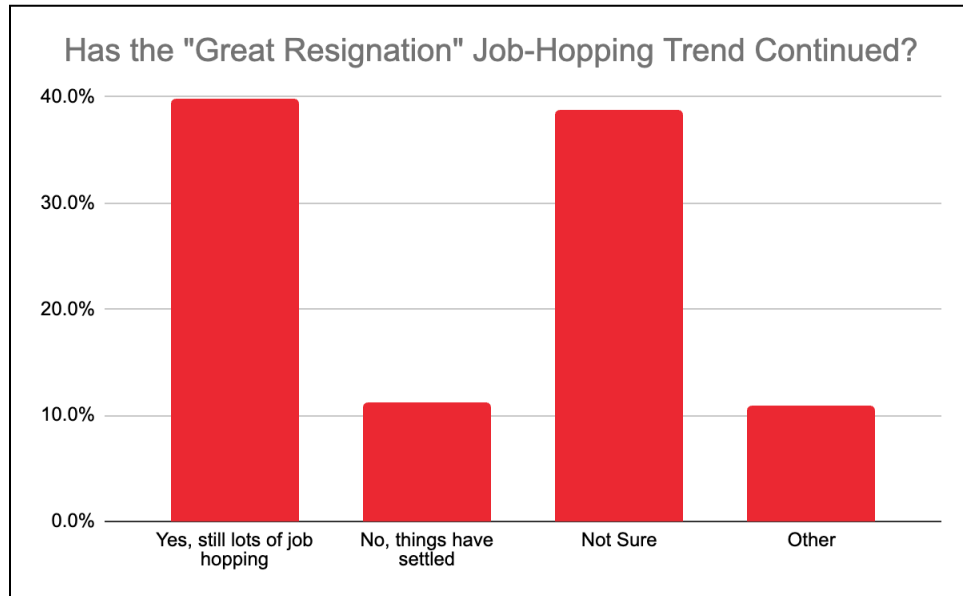
Additionally, those employers who have been around less than 10 years have a much higher percentage of employees working a second job, while the older, more established businesses have fewer workers holding second or third jobs.



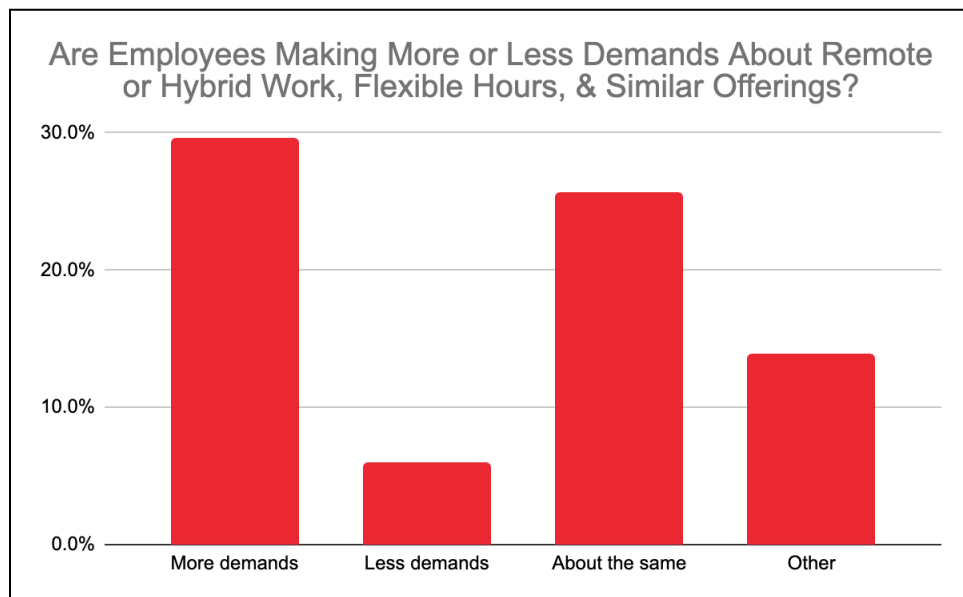
What Percentage Of Your Employees Have a Second Job?	Under 10 Years	10+ Years in Business
More than 30%	47.1%	27.4%
21% to 30%	6.7%	10.6%
11% to 20%	5.8%	10.3%
1% to 10%	10.0%	16.3%
None	30.4%	35.4%

Job Hoppers Still Hopping

We also asked employers if the “Great Resignation” job-hopping trend was still ongoing or if employee tenure was settling down. 39.7% said there was still a robust job ‘musical chairs’, while 11% said things have settled down.

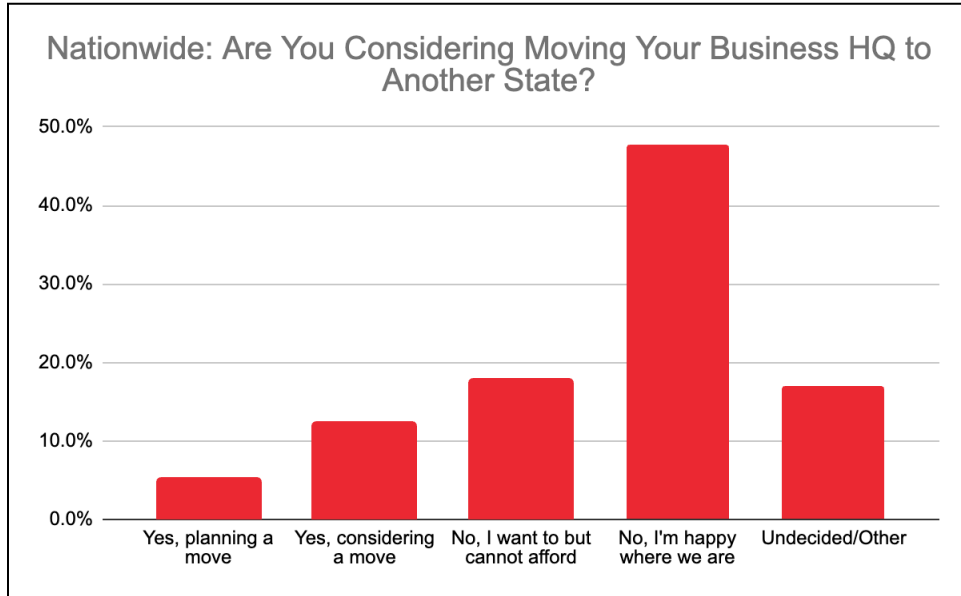


As for remote or hybrid work, flexible hours, and similar COVID-era offerings, over half of employers say these demands by job seekers are at the same level (25.5%) or even greater (29.5%) than last year.

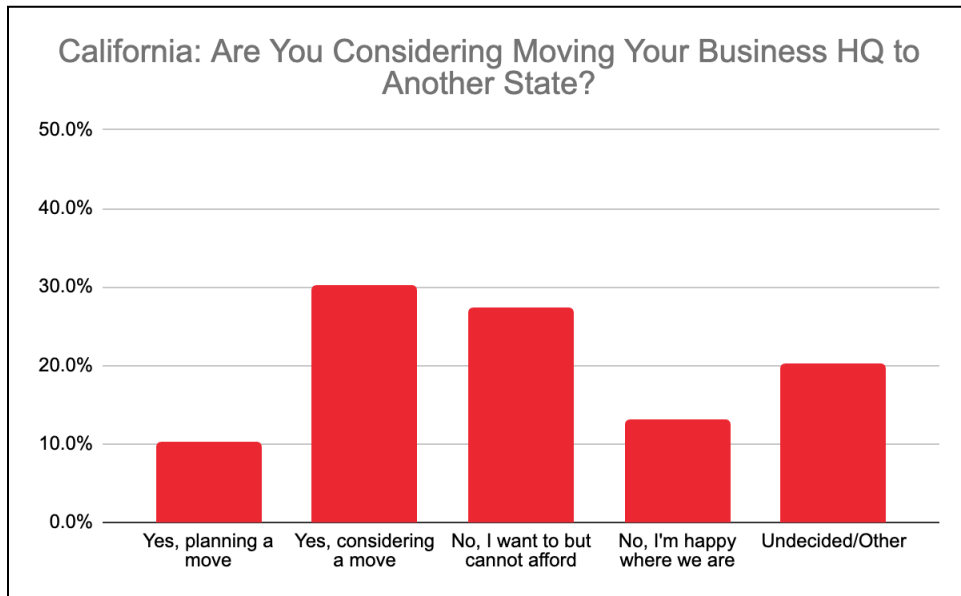


Welcome to Hotel California

We asked employers if they were considering moving their business to another state, and if so, why. Nationwide nearly half of all small business owners (47.7%) say they are happy with their current location and have no plans to move.

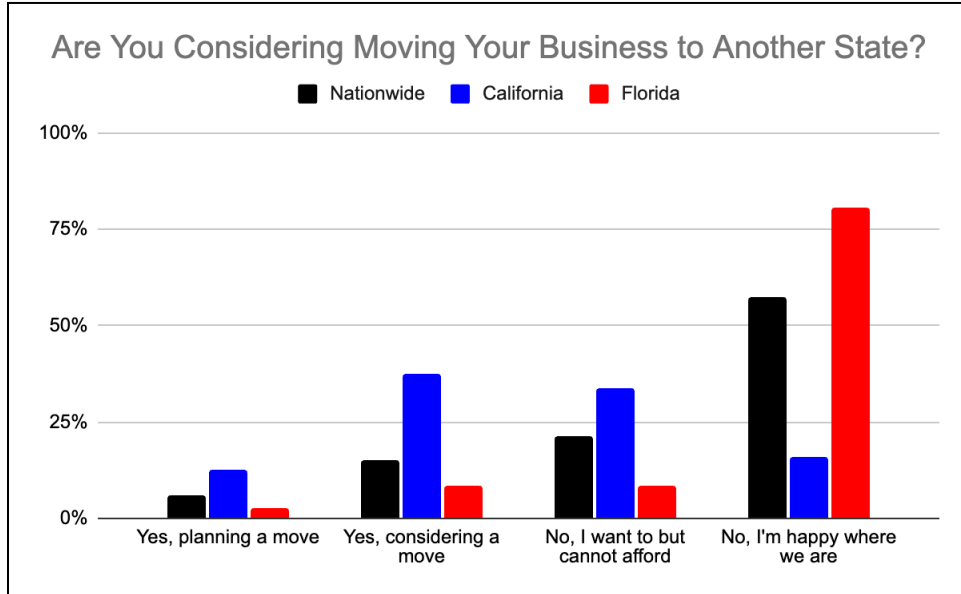


But in California, only 13% are happy with their location, and 67% are either planning a move (10%), considering a move (30%) or feeling trapped, wanting to move but can't afford it (27.1%). They can check out anytime they like, but they can never leave.

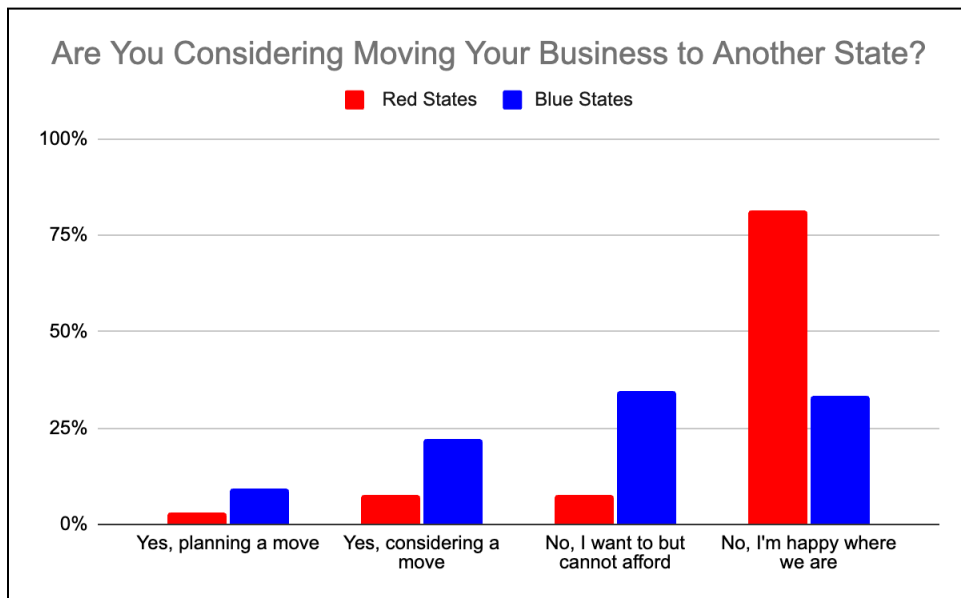


Coast to Coast

We compared the individual results for California and Florida, and also Red States and Blue States nationwide. The stark contrasts leave little doubt where small businesses thrive.

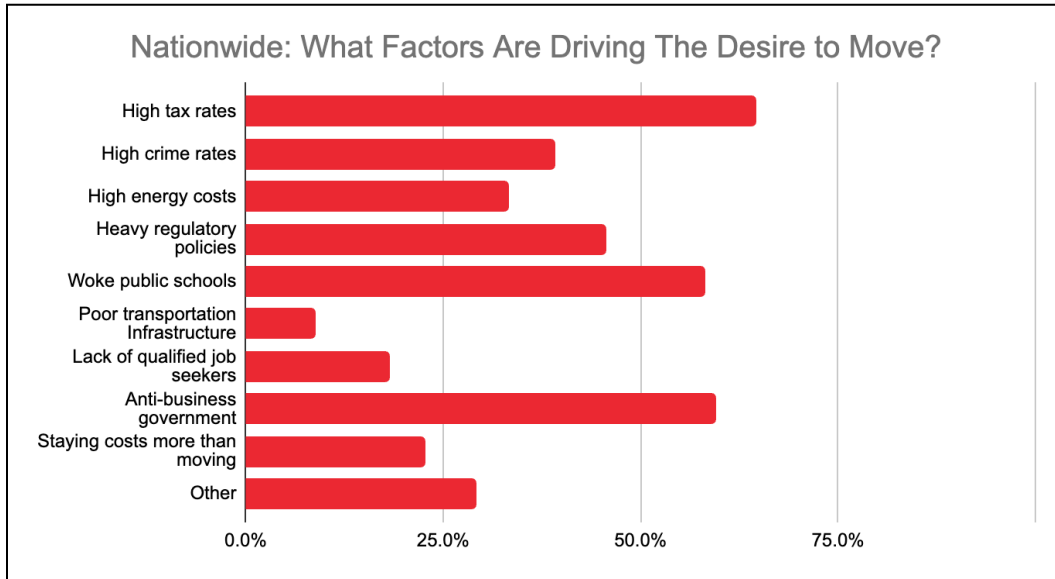


Red States vs Blue States

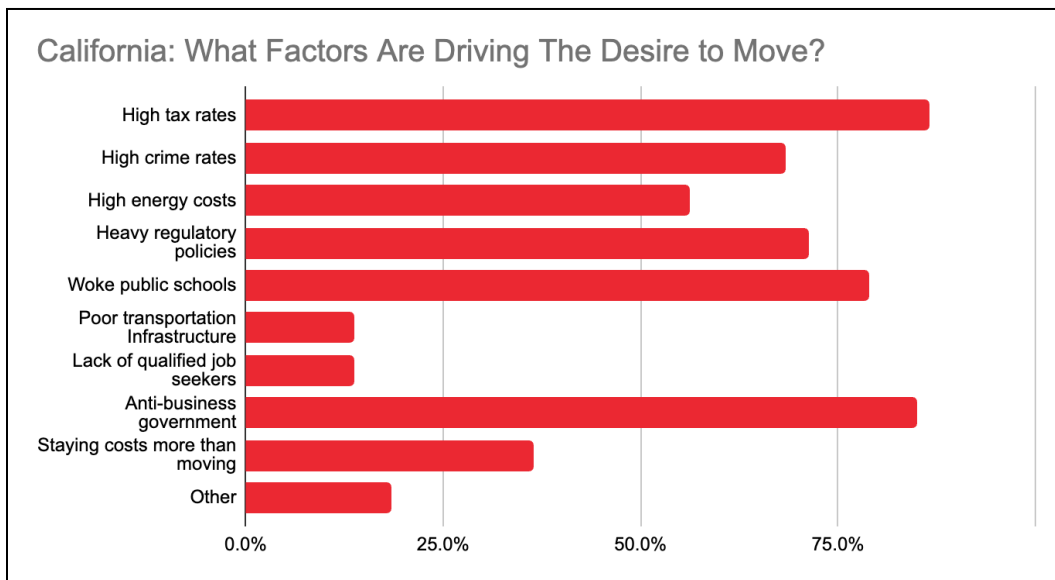


But the Weather is Nice

When asked to identify which factors make them want to relocate, with the ability to choose multiple items, 64.5% of employers list high tax rates, and 59.4% blame anti-business government policies.



Again, looking just at California, the Golden State is struggling, as 86.4% say high taxes are driving them away, and 84.9% say the anti-business government is also to blame.



Sampling of Responses (Continued)

“In my area, starting wages are down \$2, on average vs. last year. The positive economic data is a sham. Things are bad.”

“People are living off of credit and savings are dwindling. It’s an election year... they will scramble to put a bandaid on it.”

“The average family is struggling to meet their bills and obligations. Housing has jumped to outrageous levels. People are living paycheck to paycheck and on credit cards.”

“Higher wages and higher supply costs make it hard for us to grow our business.”

“Credit card debt and people getting by. It’s the new norm.”

“I don’t believe all the hype coming out of Washington.”

“Economy is bad, prices are too high, sales are too low, inflation is still a problem.”

“American people are more in debt than they have ever been. The housing crises and inability to buy with inflation and interest rates is a double whammy and leaving people stuck.”

“Big companies are rising and crushing the little guys.”

“Many are struggling to make ends meet. Don’t know how the average person is surviving.”

“The small and middle Americans are being squeezed. Credit cards are being used to pay for day to day expenses.”

“I have never seen anything like it. I don’t know what to make of it. Prices of everything are up and it’s hurting us.”

“It’s not good. I don’t believe any numbers coming out of Washington. Prices for everything are soaring. We are in bad shape.”

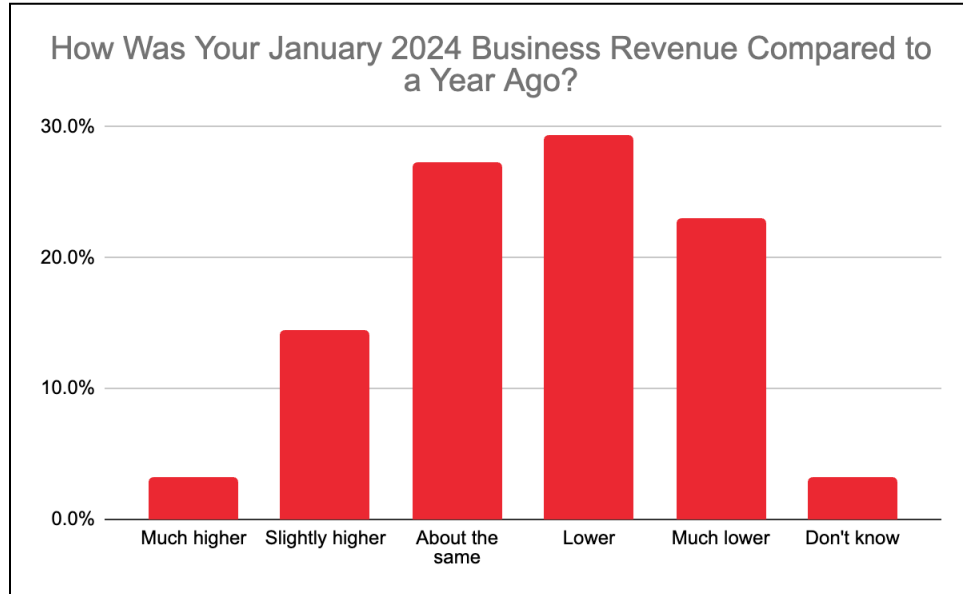
“Inflation is still a huge problem. A tight housing market and higher interest rates are also a big deal.”

“I think it’s worse than the numbers indicate. Unemployment is low because people have multiple low-wage and part-time jobs.”

“Small businesses are being hit hard with higher minimum wages and other regulatory changes.”

Is Revenue Recovering?

We asked business owners how January 2024 revenue compares to a year ago. Over half said it was either lower (29.3%) or much lower (22.9%). 27.2% said revenue was about the same, and 17.5% said revenue was slightly higher or much higher.

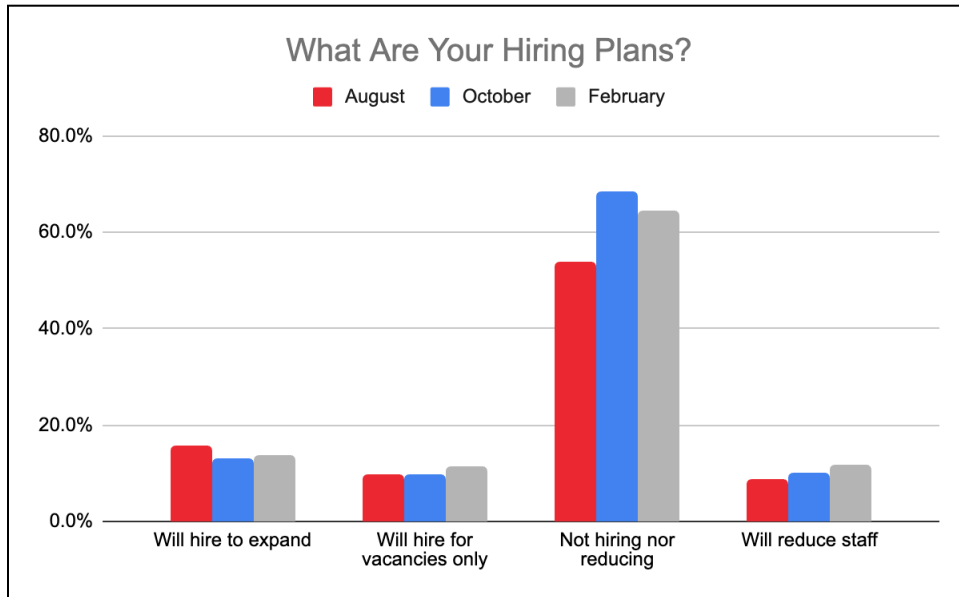


January also saw a rise in pessimism about the future of their business, with the combined “pessimistic” or “worried” climbing back over 50% (at 51.3%) for the first time since October.



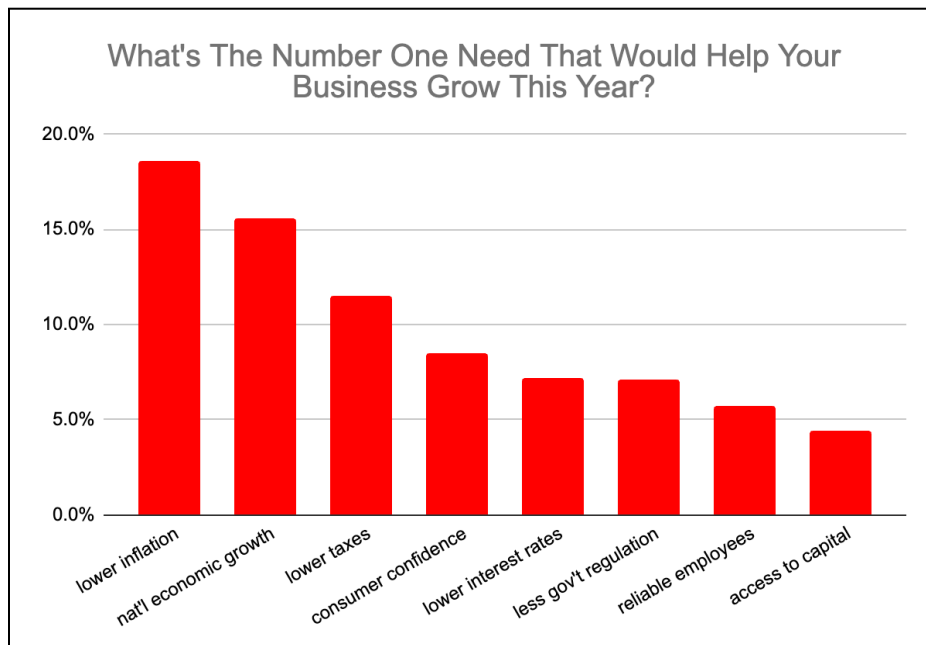
Hiring Headed Higher?

Small business hiring trended slightly upwards for both new positions and replacing existing openings. But the number of companies saying they “will reduce staff” also inched up to 11.3%, the highest since the FEI launched last July.



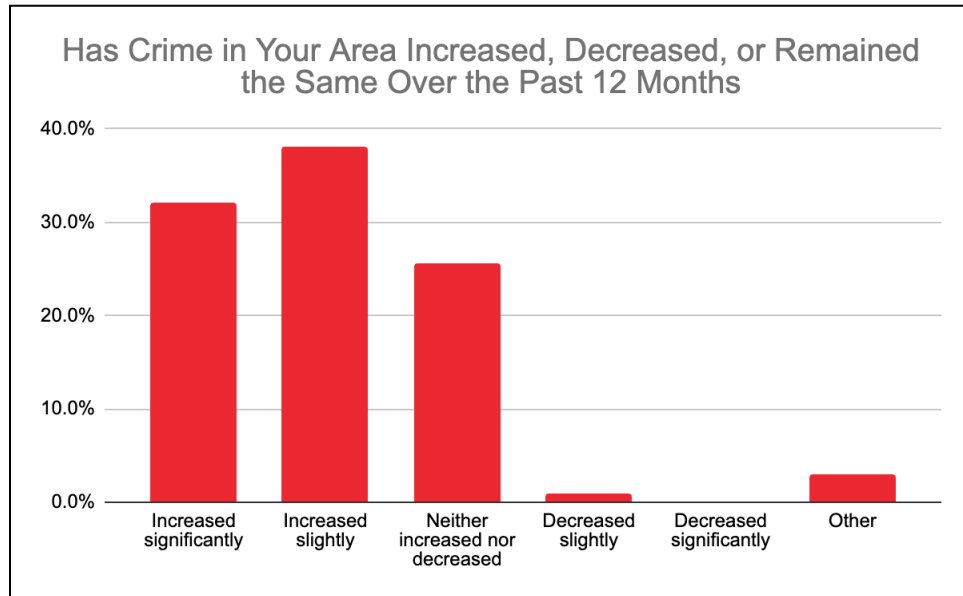
Needs for Growth

When we asked the open-ended question, “What’s the number-one need that would help your business grow this year,” responses generally fell into 8 broad categories.

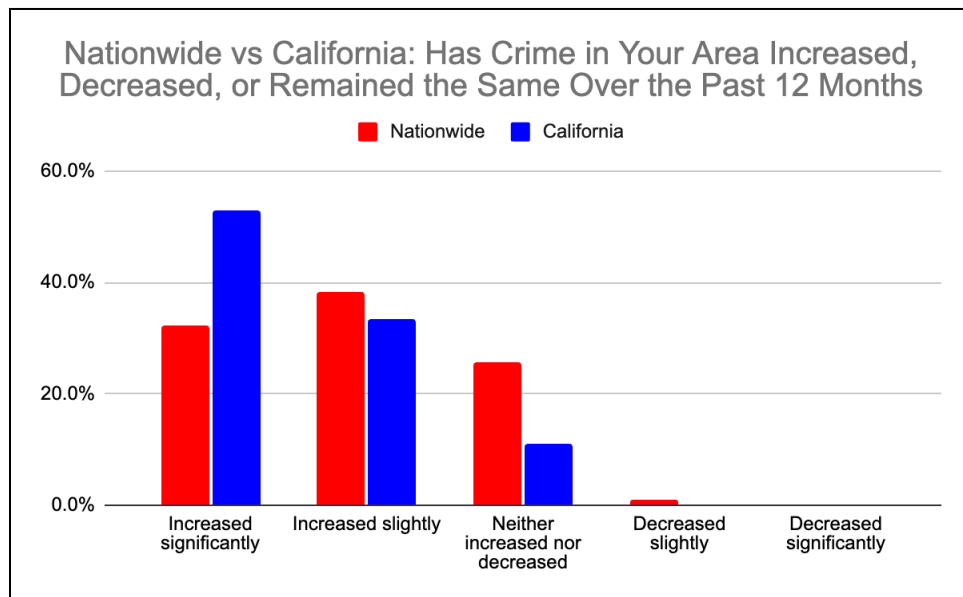


Criminal Minds

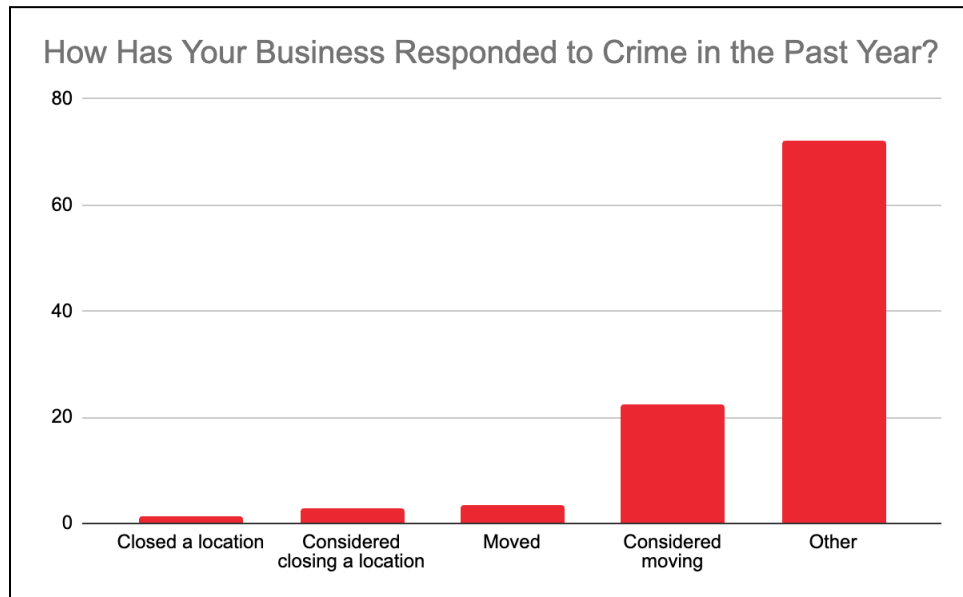
We asked small business owners if crime in their area had increased or decreased over the past 12 months. 70% said crime has increased significantly (32.2%) or increased slightly (38.2%). Another 25.6% said crime has neither increased nor decreased.



When looking just at California, the number of respondents who say crime has “increased significantly” is 20 points higher (52.8%) than the national average.



1 in 4 business owners say they've either closed a location (1.4%) and/or moved (3.6%), or considered moving (22.4%) in response to rising crime in the past year. However, the majority have instead bolstered their security measures, as reflected in the "other" word cloud below.

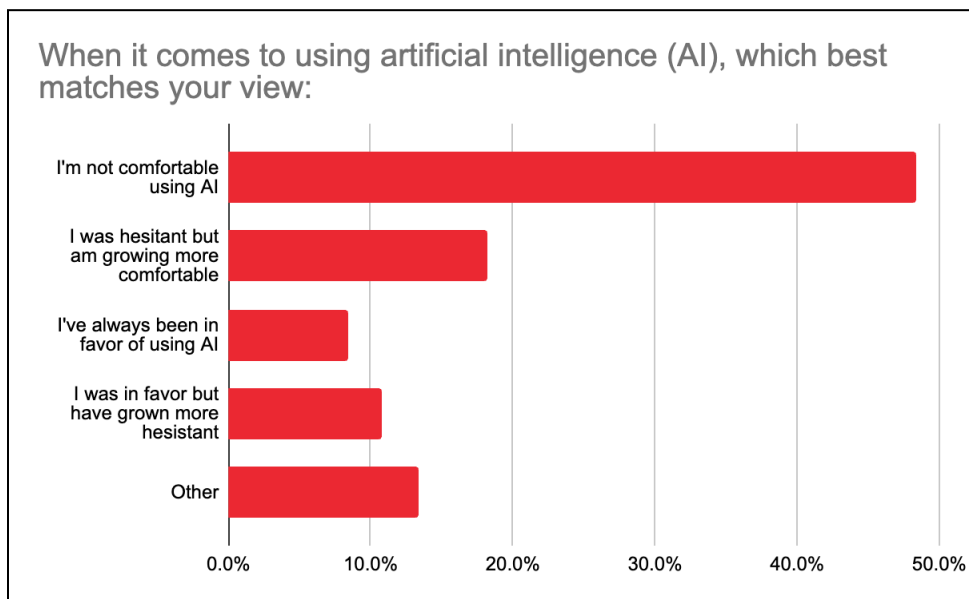
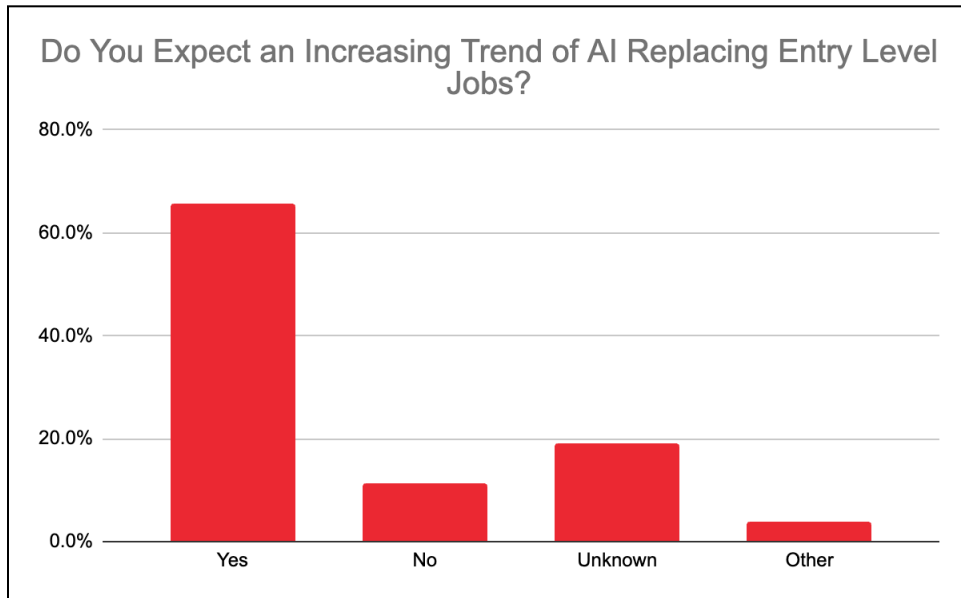


“Other” Word Cloud



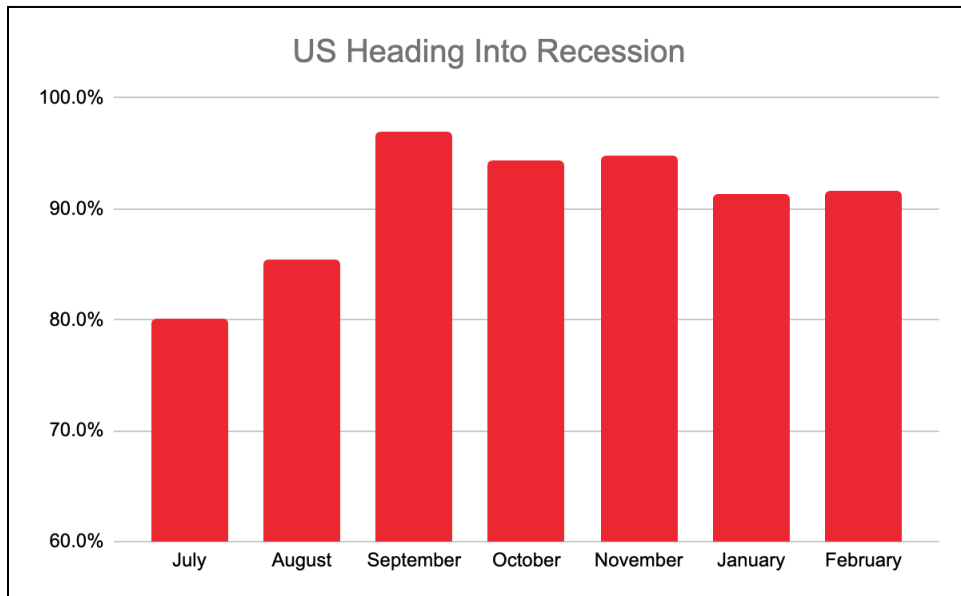
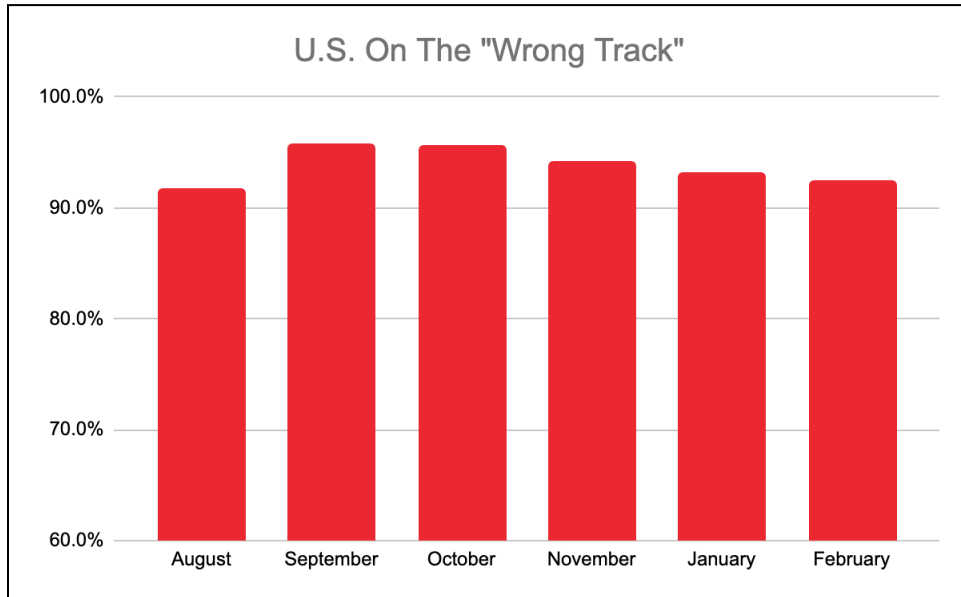
AI Warming Trend?

Small business owners are slowly becoming more comfortable with using artificial intelligence (AI). 65.6% expect an increasing trend of AI replacing entry-level jobs, and 18.2% now say they were initially hesitant but are growing more comfortable using AI. Another 8.4% say they've always used AI. But nearly half are still uncomfortable using AI in their business.

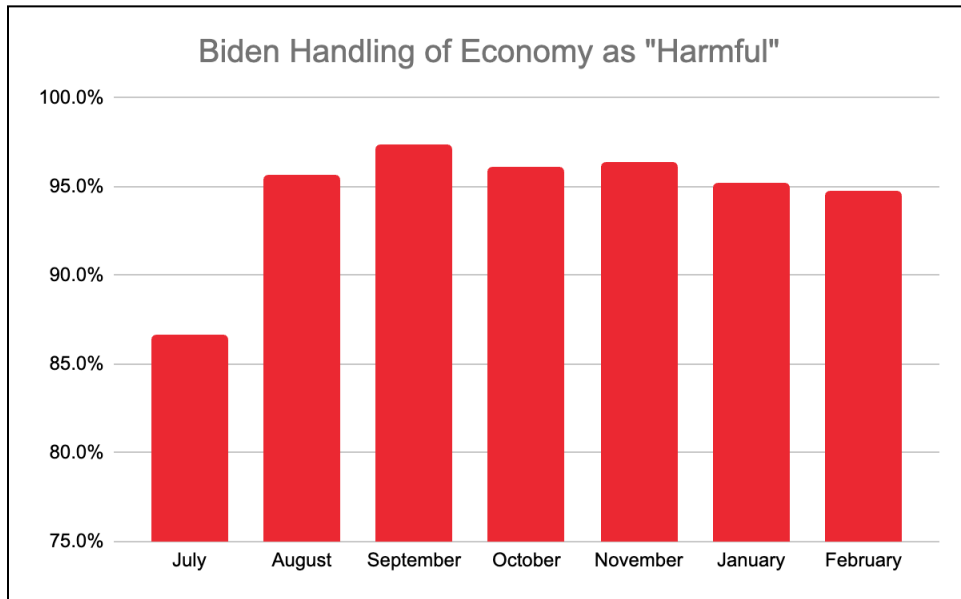


Key Economic Indicators

Right track/wrong track and recessionary sentiment continue to recede slightly, even as hiring and other plans are put on hold. Based on these trends, it's possible that September and October saw the peak of economic difficulties over the past 6 months.

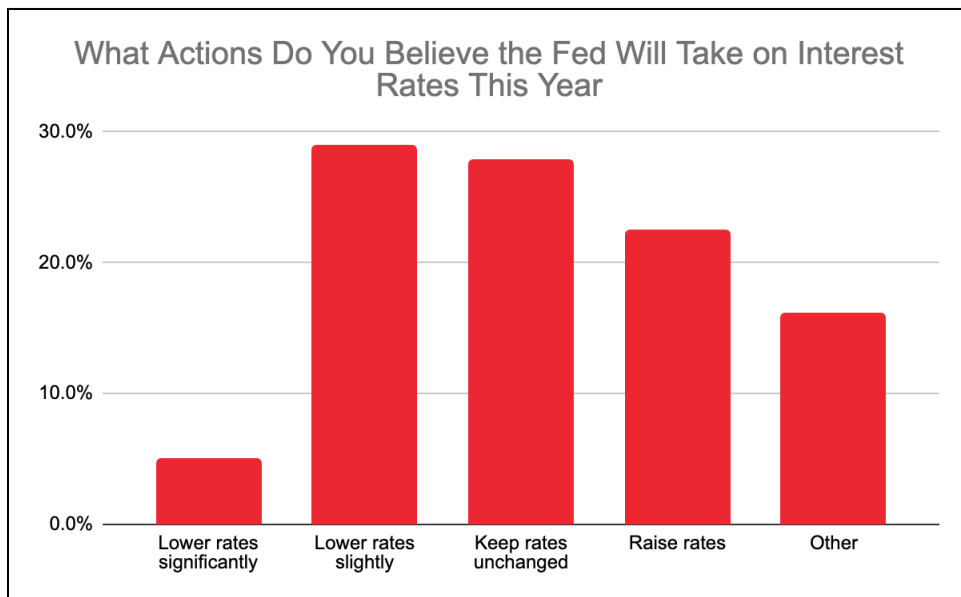


President Biden's handling of the economy also continues to improve slightly and now rates its best since July of last year.



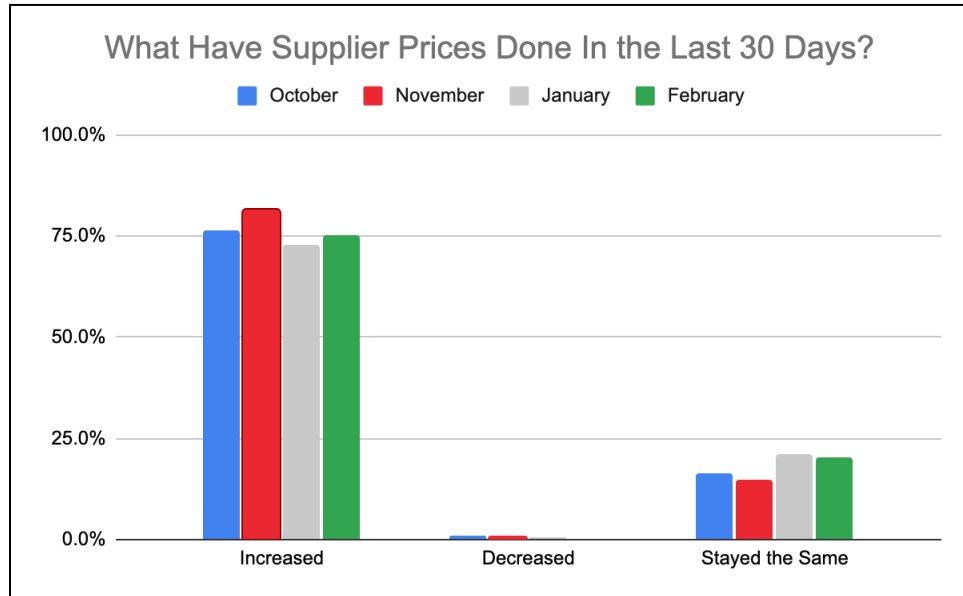
Deflated Expectations

Half of small business owners expect the Fed to either keep interest rates unchanged (27.8%) or raise them this year (22.5%), while 28.8% expect the Fed to lower rates slightly, and 4.9% expect significant rate cuts.

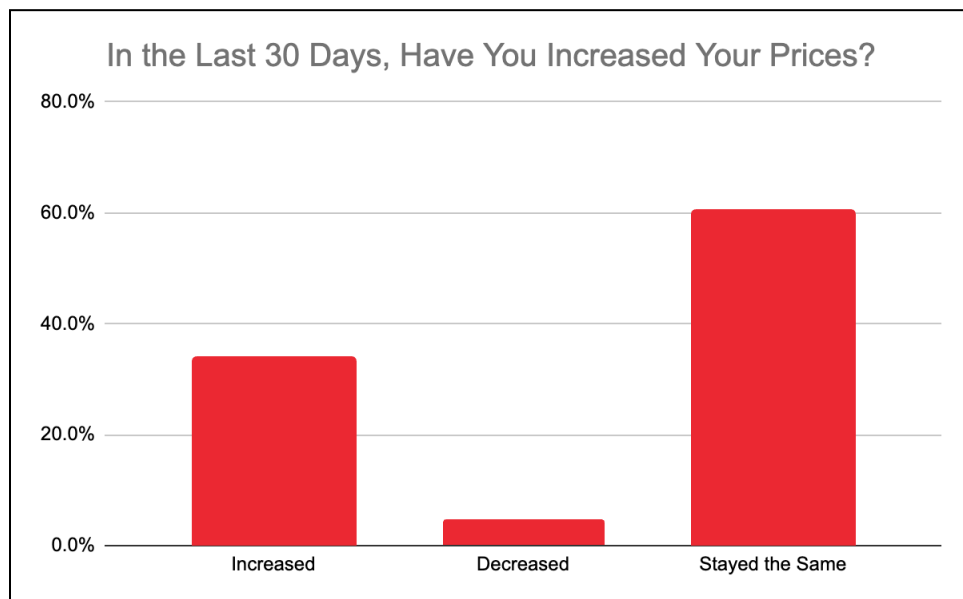


Prices Keep Climbing

75.3% of small business owners say their supplier prices increased yet again in the last 30 days. That's up slightly from 73.0% of business owners who said the same in January.

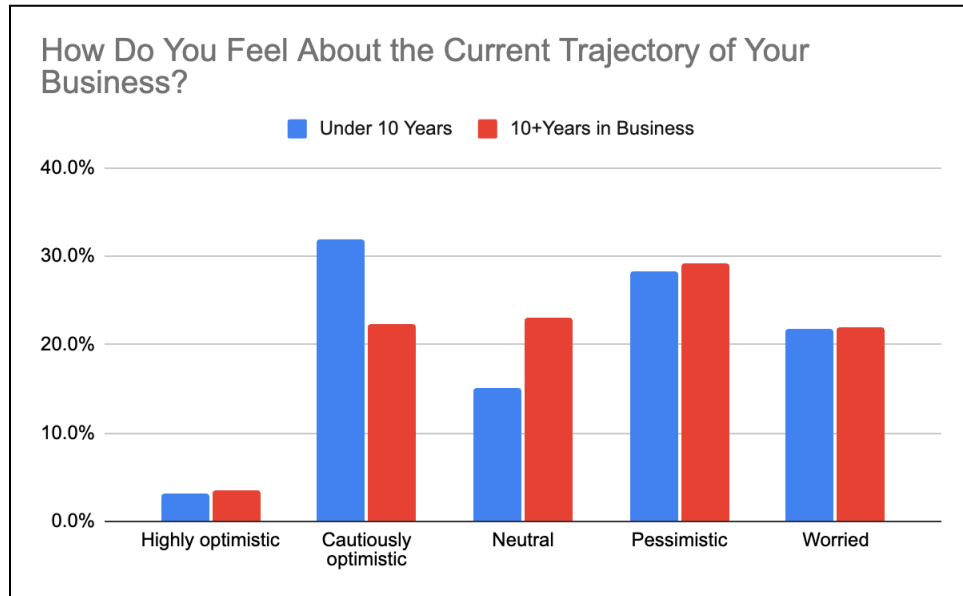


60.4% of these small businesses say they are holding the line on their prices, despite the supplier increases.

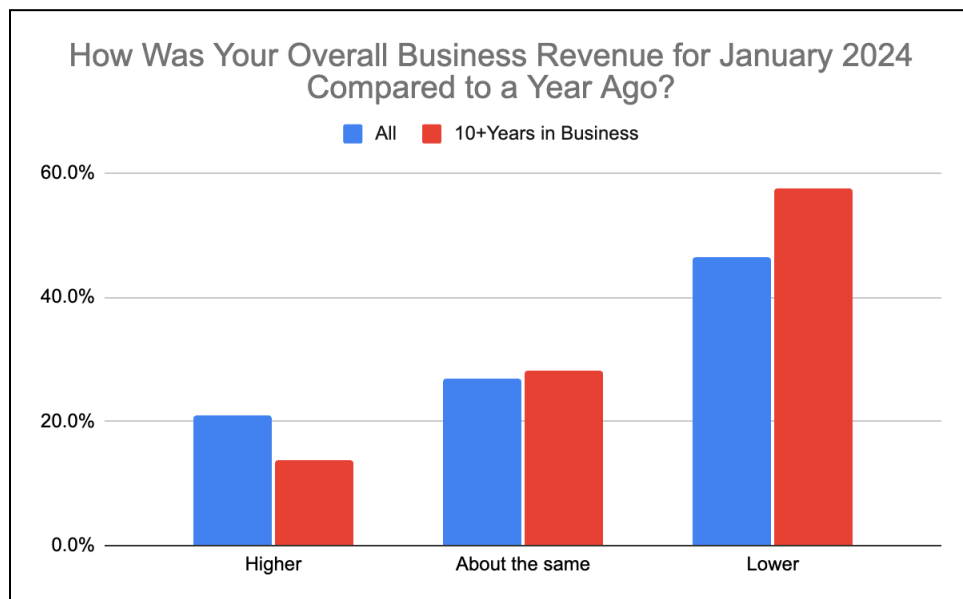


Different Economic Outlooks: New Versus Old

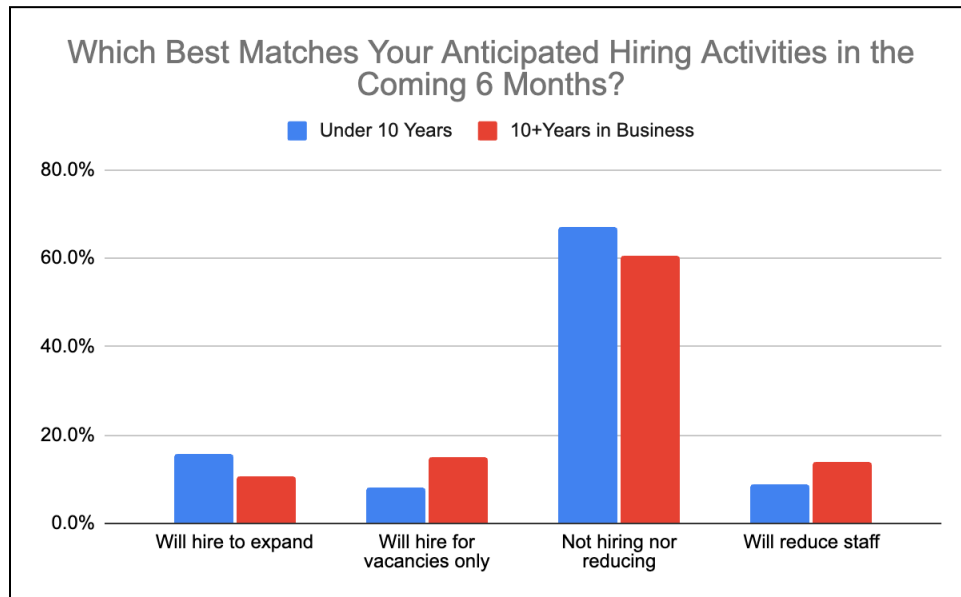
By comparing several key economic indicator results among older businesses (10+ years) and younger businesses (under 10 years), we found that older and presumably more established, businesses tend to be more neutral and reserved in their outlook.



Older businesses also experienced a bigger slowdown in revenue year-over-year.



And, older businesses are more cautious about hiring to expand their operations, but are more actively filling existing open positions than younger businesses. Older businesses are also planning to reduce overall staffing levels more than younger businesses.



February FEI Conclusions

The small business community has overcome a lifetime of challenges in the past few years. And many feel they're nearing the end of their rope. But, there's indications that the economy may be emerging from last year's economic difficulties, particularly as hiring and economic sentiment show signs of stabilizing.

In the past 3 years, the Biden Administration has prioritized numerous policy areas that have little-to-no relevance to America's small businesses. With the coming State of the Union Address, now is a good time for the President to refocus his 2024 agenda around a pro-small-business-growth platform. This would be a welcome relief.

In the meantime, the Freedom Economy continues to grow in numbers and reach, and the Freedom Economy Index will be here to shine the light on this powerful and growing segment of the American economy.

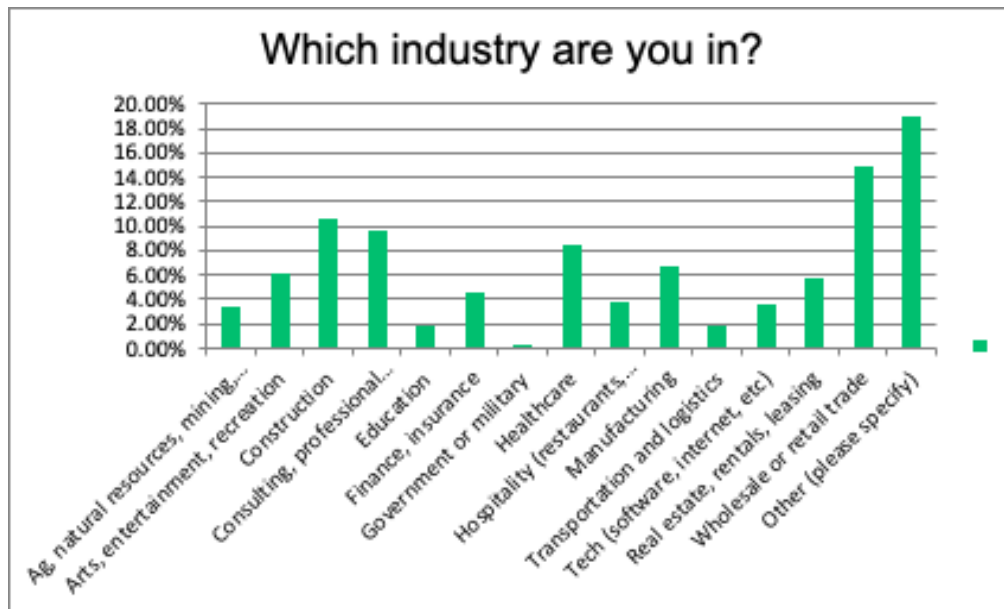
Methodology

The Freedom Economy Index surveyed a universe of over 80,000 small business owners throughout the United States, fielding the questionnaire from February 6 to 9, 2024, with 840 respondents. The survey has a margin of error of +/-3.0% at the 95% confidence level.

Demographics

Which industry are you in?

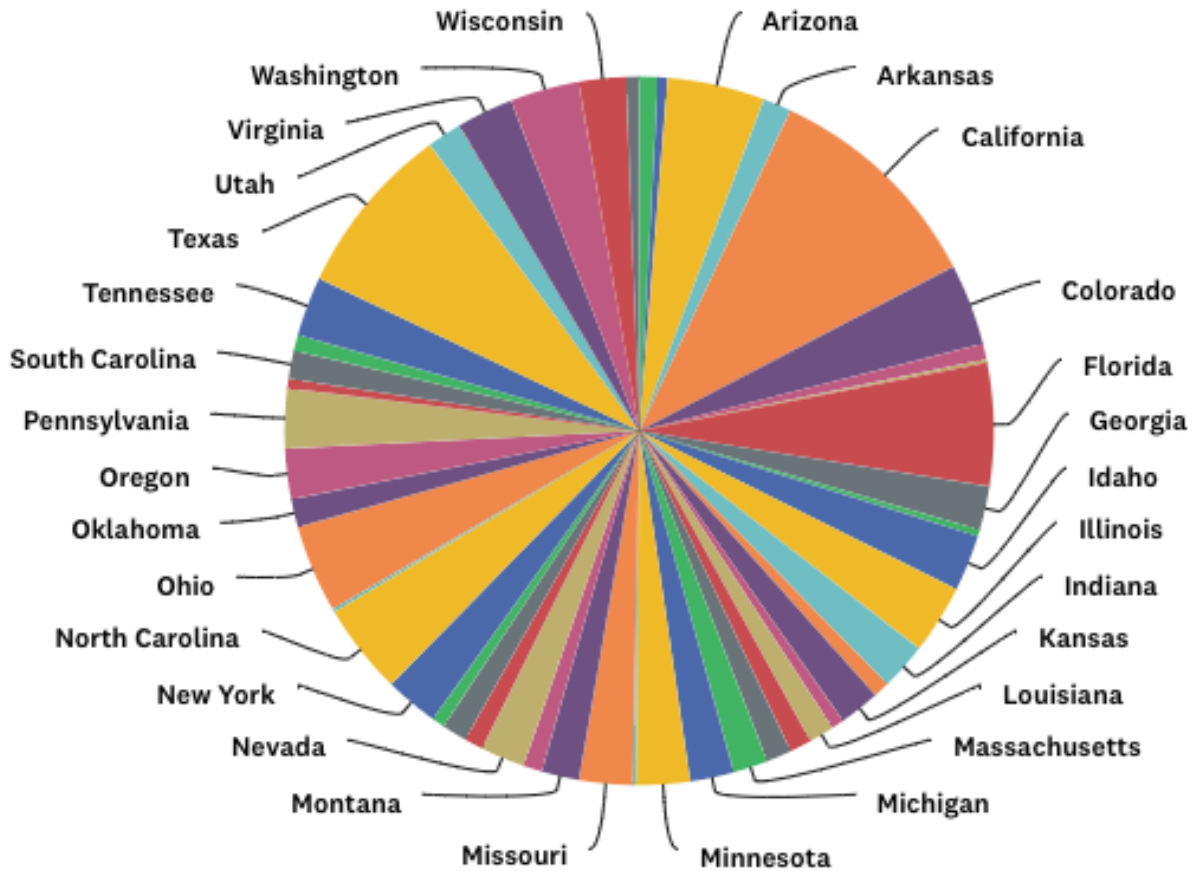
Ag, natural resources, mining, etc	3.4%	Healthcare	8.5%
Arts, entertainment, recreation	6.2%	Hospitality	3.8%
Construction	10.6%	Manufacturing	6.8%
Consulting, professional services	9.6%	Transportation and logistics	1.8%
Education	1.8%	Tech (software, internet, etc)	3.5%
Finance, insurance	4.5%	Real estate, rentals, leasing	5.6%
Government or military	0.1%	Wholesale or retail trade	14.8%
		Other (please specify)	18.9%



Industry “Other” Word Cloud:

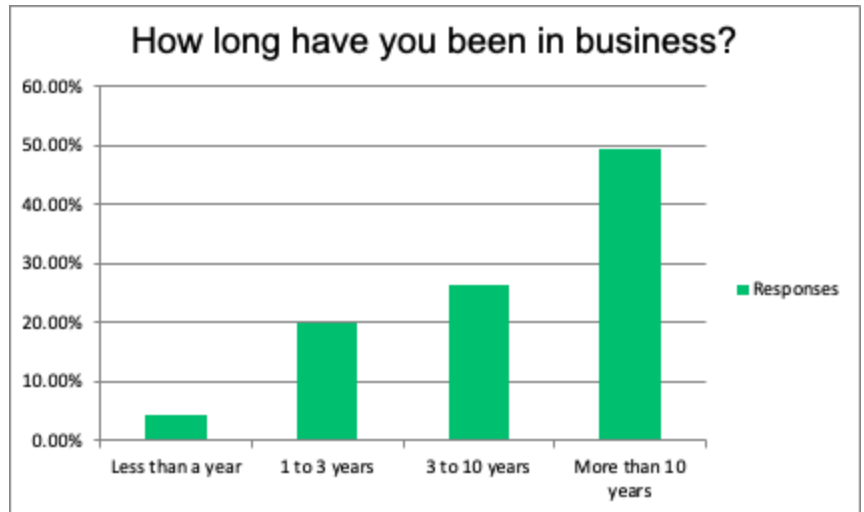


In what state is the bulk of your business located?



How long have you been in business?

Less than a year	4.4%
1 to 3 years	19.9%
3 to 10 years	26.2%
More than 10 years	49.5%



How many employees do you have?

Just me	38.7%
Less than 10	49.4%
10 to 49	10.2%
50 to 99	1.1%
100 to 499	0.6%
500+	0.2%

