

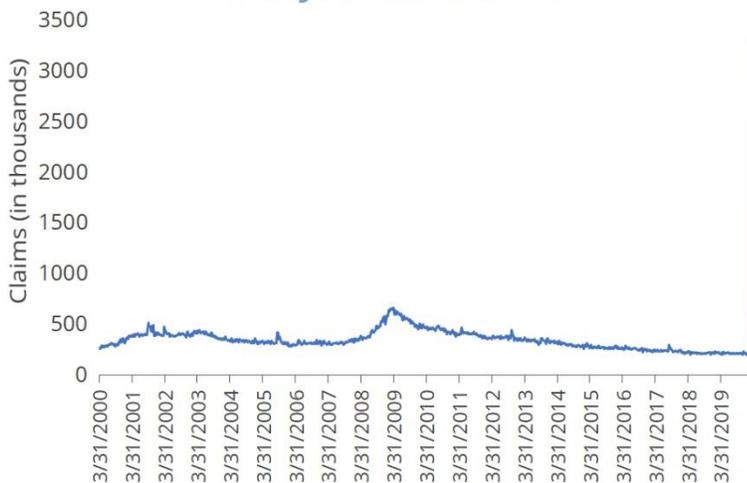
KENAN **INSIGHTS** FACT SHEET

# The COVID-19 Pandemic and Small Business Employment

MARCH 30, 2020

The COVID-19 pandemic is an unprecedented shock to the U.S. economy. Initial jobless claims for the week ending March 21 soared to nearly 3.3 million, the highest number of initial claims since the U.S. Department of Labor began tracking such data in 1967:

U.S. Jobless Claims



The disruption is anticipated to be particularly acute for small businesses, and some industries will be especially hard hit. For example, in the accommodation and food services industry, small business accounts for nearly two-thirds of national employment. Small firms (those with fewer than 500 employees) typically operate with modest cash reserves, requiring them to more quickly lay off workers in the face of lower revenues or other cash constraints.

To better understand the implications for unemployment, a survey of Small Business Investment Company-backed portfolio firms was released March 21, 2020, by the Small Business Investor Alliance (SBIA), with data

analysis provided by the Kenan Institute of Private Enterprise. The survey reflects responses from 726 small businesses spanning various industries and geographic regions, each of which provided information about layoffs from the past week as well as layoffs they anticipate having to make if the crisis continues.

In the following tables, we extrapolate from the survey responses to estimate layoffs which have recently occurred, or could occur soon in the absence of government support, across the entire U.S. small business landscape. These estimates can be seen as a worst-case scenario of the impact of the COVID-19 pandemic on private sector employment in small businesses across the U.S. in general, and in North Carolina specifically.

## National Private Sector Employment in Small Businesses and Estimated Layoff Risk

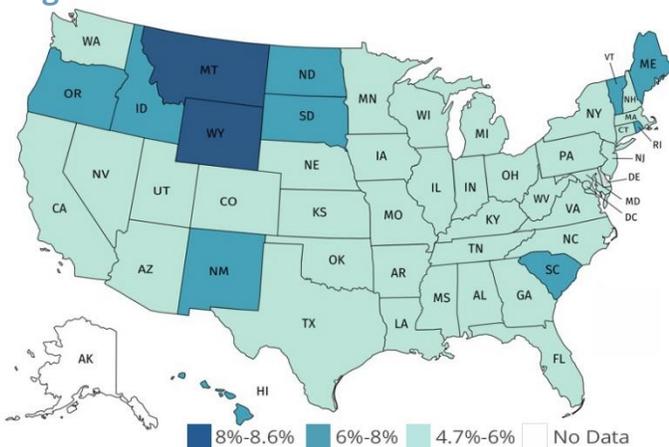
Sector	Total U.S. employment in small businesses	Percentage of firms that have already laid off workers	Percentage of workers laid off	Percentage of firms anticipating layoffs	Expected percentage of workers to be laid off	Immediate layoffs (as of March 21)	Anticipated layoffs (from March 21 and beyond)
Agriculture & Mining	1,348,984	38.9%	18.6%	88.9%	45.0%	97,656	500,538
Construction	5,689,542	20.7%	13.2%	58.6%	28.6%	155,748	927,873
Education & Health Care	10,652,006	22.8%	27.9%	71.9%	33.9%	678,886	2,429,835
Finance & Real Estate	3,813,661	22.2%	20.1%	64.7%	20.7%	170,738	487,413
Hospitality & Recreation	10,142,863	50.0%	85.6%	77.3%	60.6%	4,342,985	2,717,197
Manufacturing	5,392,453	20.3%	22.3%	64.4%	26.5%	244,552	878,439
Professional Services & Information	9,807,895	19.5%	17.5%	55.5%	29.9%	334,824	1,570,645
Transportation & Warehousing	1,750,646	17.9%	25.7%	71.4%	34.5%	80,488	411,896
Utilities & Waste Management	3,897,145	20.0%	34.4%	54.3%	34.8%	267,831	685,999
Wholesale & Retail Trade	8,830,181	14.7%	18.0%	65.4%	30.1%	233,281	1,693,263
<b>All sectors</b>	<b>61,325,375</b>					<b>6,606,989</b>	<b>12,303,098</b>

Source: SBIA Survey; Quarterly Workforce Indicators (QWI)

Using these estimates, and assuming that people affected by these immediate and anticipated layoffs at small firms are not re-employed elsewhere, translates to an 11.5% increase in the national unemployment rate.

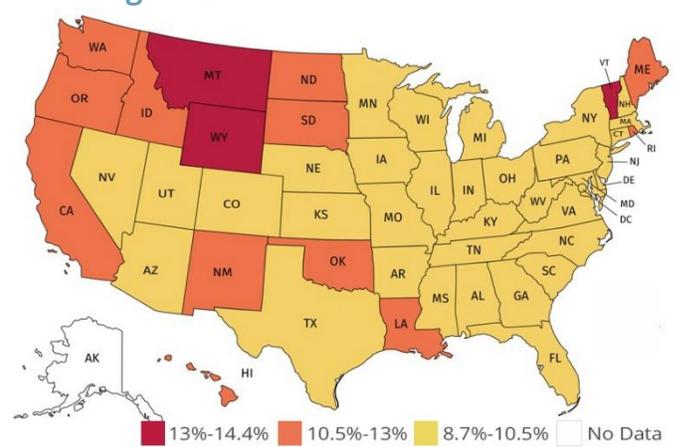
To highlight the geographic variation, we provide an estimate of the immediate layoffs expected (as of March 21) due to declines in employment by small firms in the private sector as a fraction of each state's total employment (Figure 1). Similarly, we provide an estimate of the anticipated layoffs expected (as of March 21) due to declines in employment by small firms in the private sector as a fraction of each state's total employment (Figure 2).

Figure 1



Source: SBIA Survey; Quarterly Workforce Indicators (QWI)

Figure 2



Source: SBIA Survey; Quarterly Workforce Indicators (QWI)

Finally, focusing on the North Carolina small business landscape, we provide similar estimates of the immediate and anticipated worst-case layoffs.

### North Carolina Private Sector Employment in Small Businesses and Estimated Layoff Risk

Sector	Total N.C. employment in small businesses	Percentage of firms that have already laid off workers	Percentage of workers laid off	Percentage of firms anticipating layoffs	Expected percentage of workers to be laid off	Immediate layoffs (as of March 21)	Anticipated layoffs (from March 21 and beyond)
Agriculture & Mining	23,349	38.9%	18.6%	88.9%	45.0%	1,690	8,663
Construction	171,993	20.7%	13.2%	58.6%	28.6%	4,708	28,049
Education & Health Care	296,611	22.8%	27.9%	71.9%	33.9%	18,904	67,660
Finance & Real Estate	91,345	22.2%	20.1%	64.7%	20.7%	4,090	11,675
Hospitality & Recreation	306,792	50.0%	85.6%	77.3%	60.6%	131,362	82,187
Manufacturing	163,131	20.3%	22.3%	64.4%	26.5%	7,398	26,574
Professional Services & Information	250,750	19.5%	17.5%	55.5%	29.9%	8,560	40,155
Transportation & Warehousing	38,783	17.9%	25.7%	71.4%	34.5%	1,783	9,125
Utilities & Waste Management	126,566	20.0%	34.4%	54.3%	34.8%	8,698	22,279
Wholesale & Retail Trade	254,283	14.7%	18.0%	65.4%	30.1%	6,718	48,761
<b>All sectors</b>	<b>1,723,600</b>					<b>193,912</b>	<b>345,129</b>

Source: SBIA Survey; Quarterly Workforce Indicators (QWI)

Using these estimates and assuming that people affected by these immediate and anticipated layoffs at small firms are not re-employed elsewhere translates to a 10.6% increase in the North Carolina unemployment rate.

View the results of the entire survey at:

<https://kenaninstitute.unc.edu/publication/survey-of-impact-of-covid-19-on-small-businesses/>