

SMALL BUSINESS WORRY INDEX

America's smallest businesses have big concerns about the economy

THE 2020 SMALL BUSINESS WORRY INDEX

Small businesses enter a new decade with fresh economic anxiety

Small businesses are a big part of the American economy. In fact, companies with 20 or fewer employees account for nearly two-thirds of small businesses in the U.S., employing nearly 21 million people or 17% of the total U.S. workforce.¹

In a strong economy, small businesses thrive. But when the economy takes a turn for the worse, they are some of the first to experience challenges. In these difficult economic conditions, we typically hear about the concerns of “bigger” players, but despite their share of the economy and workforce, the worries of the smallest businesses in the U.S. are often overlooked.

While analysts glean insights from disparate data sets, anecdotes and the occasional small business feature story in the news, an objective and quantified look at what worries leaders of the smallest businesses in America is long overdue.

The 2020 Small Business Worry Index provides new insight into the minds of U.S. small business leaders. **It defines their challenges, and offers a snapshot of the issues that keep small business owners awake at night** as they enter a new decade following several years of solid economic growth.

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¹ <https://cdn.advocacy.sba.gov/wp-content/uploads/2019/04/23142610/2019-Small-Business-Profiles-States-Territories.pdf>

KEY FINDINGS AT A GLANCE

01

Small business owners are concerned about the future despite a historically strong economy. Respondents ranked the economy as their primary concern among important factors to making their businesses successful, and their concern only grows the further into the future they look. Over the next year, **nearly a quarter of respondents anticipate being unable to make payroll at least once**, leaving as many as 5.1 million Americans² at risk of missing a paycheck in 2020.

02

Business worries seep into small business owners' personal lives. A significant portion of respondents indicated family relationships, hobbies, mental and physical health have suffered as a result of work-related stress.

03

Economic decision-making from government leaders is troubling. More than a third of respondents (35%) are concerned about how tariffs will affect their businesses in 2020. Additionally, respondents indicated uncertainty among government leadership and decision-making as some of their biggest worries heading into the next decade.

² <https://cdn.advocacy.sba.gov/wp-content/uploads/2019/04/23142610/2019-Small-Business-Profiles-States-Territories.pdf>

DEMOGRAPHICS AT A GLANCE

SurePayroll surveyed small business CEOs and small business owners with less than 20 employees, which tracks closely with the breakdown of the smallest subsets of the U.S. Small Business Administration's (USSBA) data.

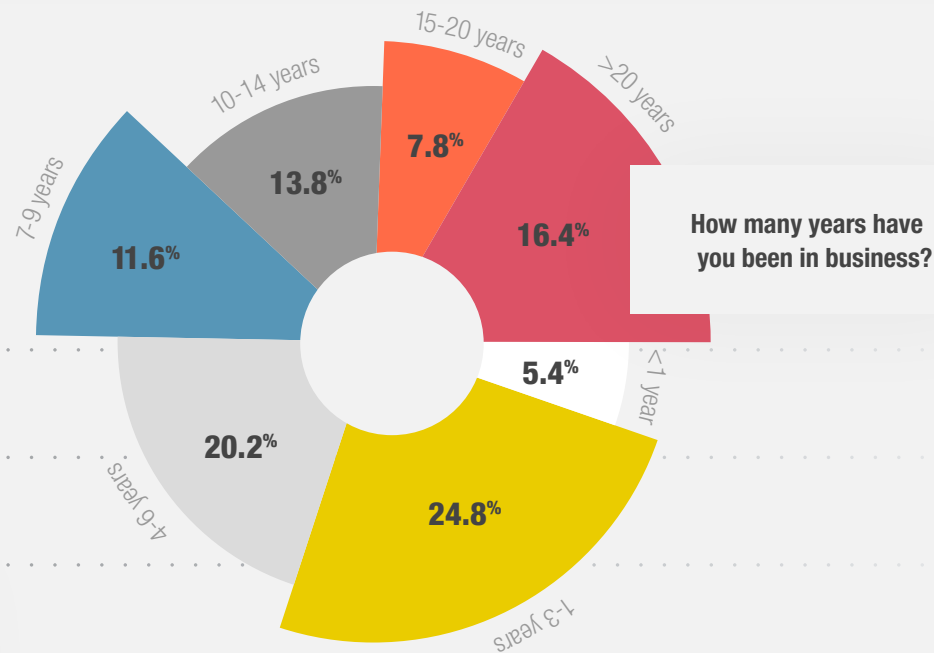
70% have 1-5 employees
64% have 1-4 employees

How many people do you currently employ?

- USSBA Small Business Breakdown
- SurePayroll Survey Breakdown

22% have 6-10 employees
20% have 5-9 employees

14% have 11-20 employees
10% have 10-19 employees



QUANTIFYING SMALL BUSINESS CONCERNS

The survey asked respondents to rank their worry about a number of internal and external factors that affect their businesses. **The numbers listed are a weighted average of all responses, with 1 being the least worried and 10 being the most worried.**

The numbers confirm what many of us already know: **The economy is a big worry for America's small business owners.** With the potential of recession and political uncertainty in the headlines,

it makes sense that these leaders are concerned about the financial state of the country.

Hiring is currently the least of their worries. The economy is nearing full employment and hiring is difficult for large organizations due to the increasing number of jobs and decreasing number of candidates. However, these businesses are small and have low exit numbers, which means success doesn't necessarily hinge on hiring more talent.

While numbers are a useful tool to measure worry about aspects of business, it is also important to remember that this stress takes a human toll: **Nearly 4 in 10 respondents say that business-related stress has impacted their family life, and over a quarter reveal that it's impacted their mental health.**

These businesses are the backbone of the economy, and the worries associated with running them are impacting the lives of real people.

Have any of the following parts of your life been negatively impacted by stress related to your business?

-  Family & Friendships: 37.8%
-  Hobbies / Interests: 30.2%
-  Mental Health: 28.4%
-  Physical Health: 28.2%
-  None of the Above: 36.2%

ECONOMY



CASH FLOW



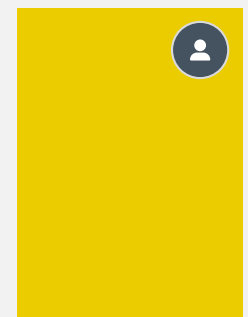
REGULATIONS AND TAXES



TECH AND CYBERSECURITY

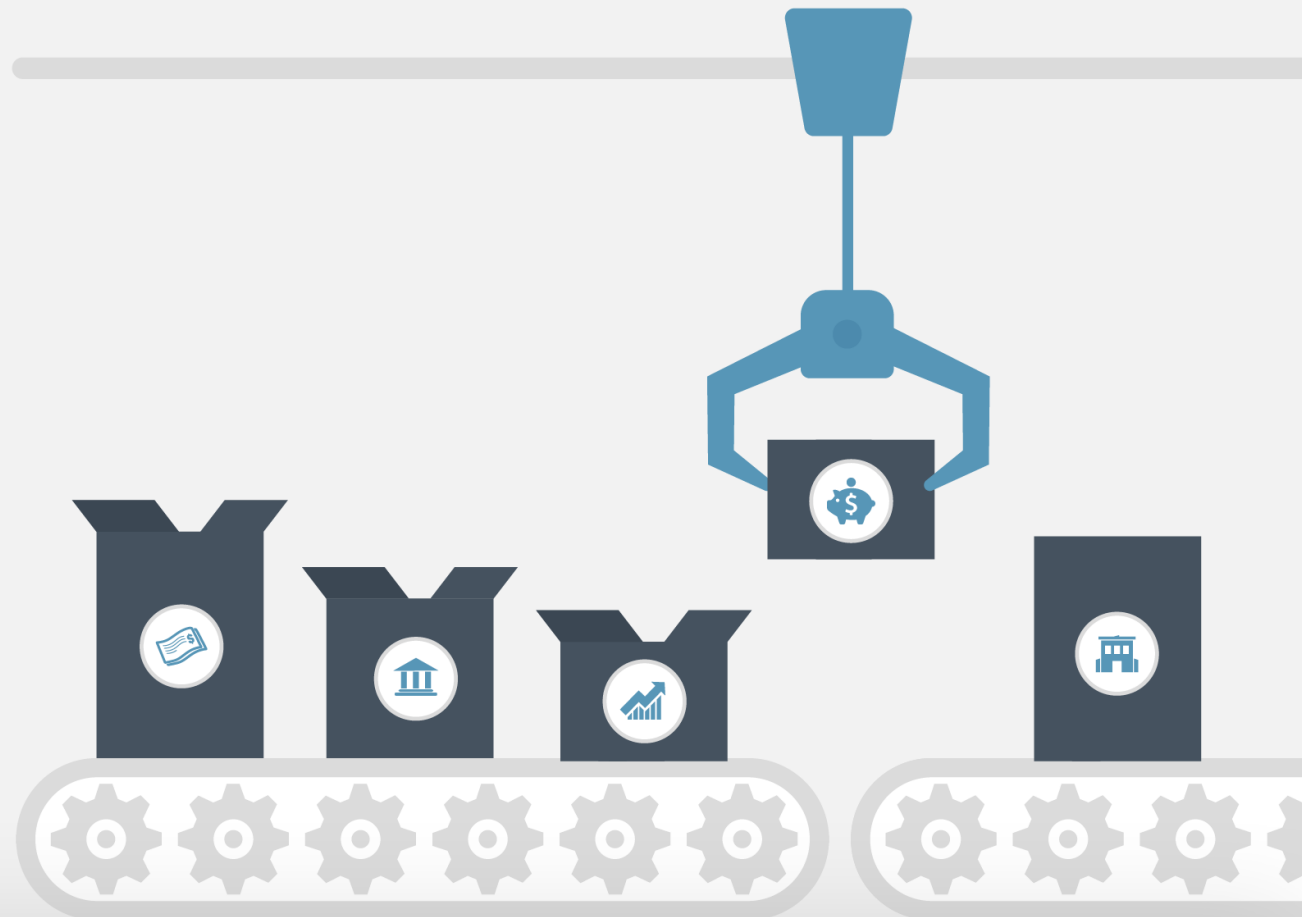


ABILITY TO HIRE STAFF



ECONOMY 6.0

The economy emerges as the single biggest worry among small business owners — whose businesses are often hit hardest during recessions and economic downturns. With tight cash flows and smaller customer bases, any drop in demand can dramatically slow down a small business. Plus, with fewer employees, layoffs deliver a big hit to productivity and workflows, leaving the remaining staff overworked and unhappy.



6.0
ECONOMY

Least Worried

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Most Worried

Despite a historically strong economy and job market, small businesses are struggling with the above pressures as they face looming economic obstacles, like an election year and continued trade uncertainty — all of which point toward instability.

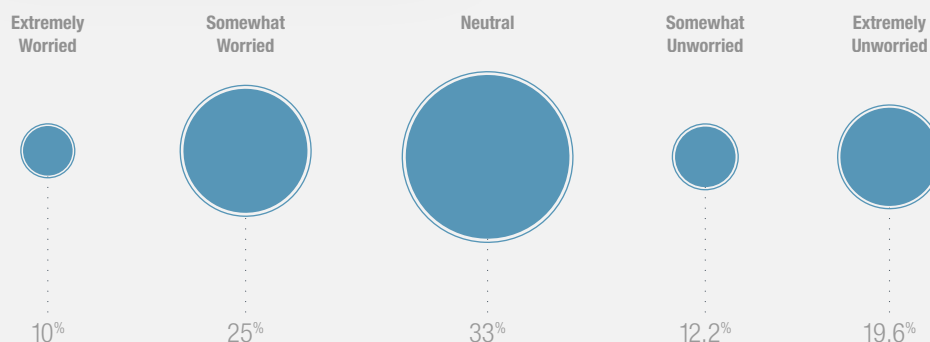
For example, on the whole, more than a third of respondents (35%) said they are concerned about the impact of tariffs.

Certain sectors are more worried about the impact of tariffs than others.

-  Agriculture/Mining: 56% are worried
-  Manufacturing: 50% are worried
-  Retail/Wholesale: 37% are worried

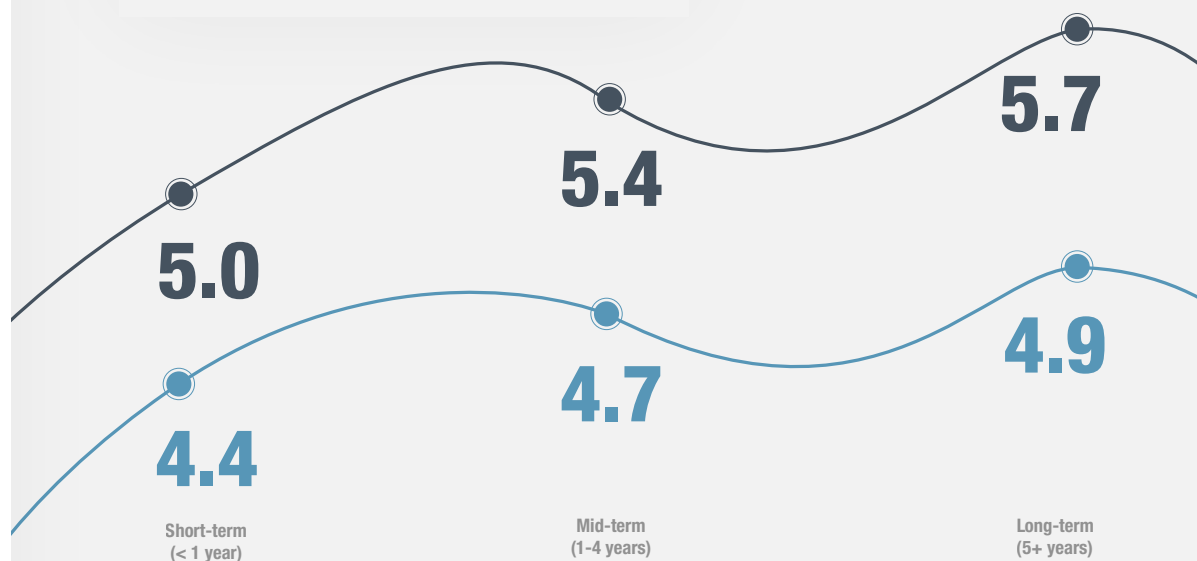
The survey also asked small business owners to offer their outlook on the health of the economy in both the short and long term. The data is clear: Small business owners' confidence in their own future and the future of the economy, wanes over time, indicating that perhaps they don't see many positive economic changes on the horizon.

How worried are you about the impact of tariffs on your business in 2020?



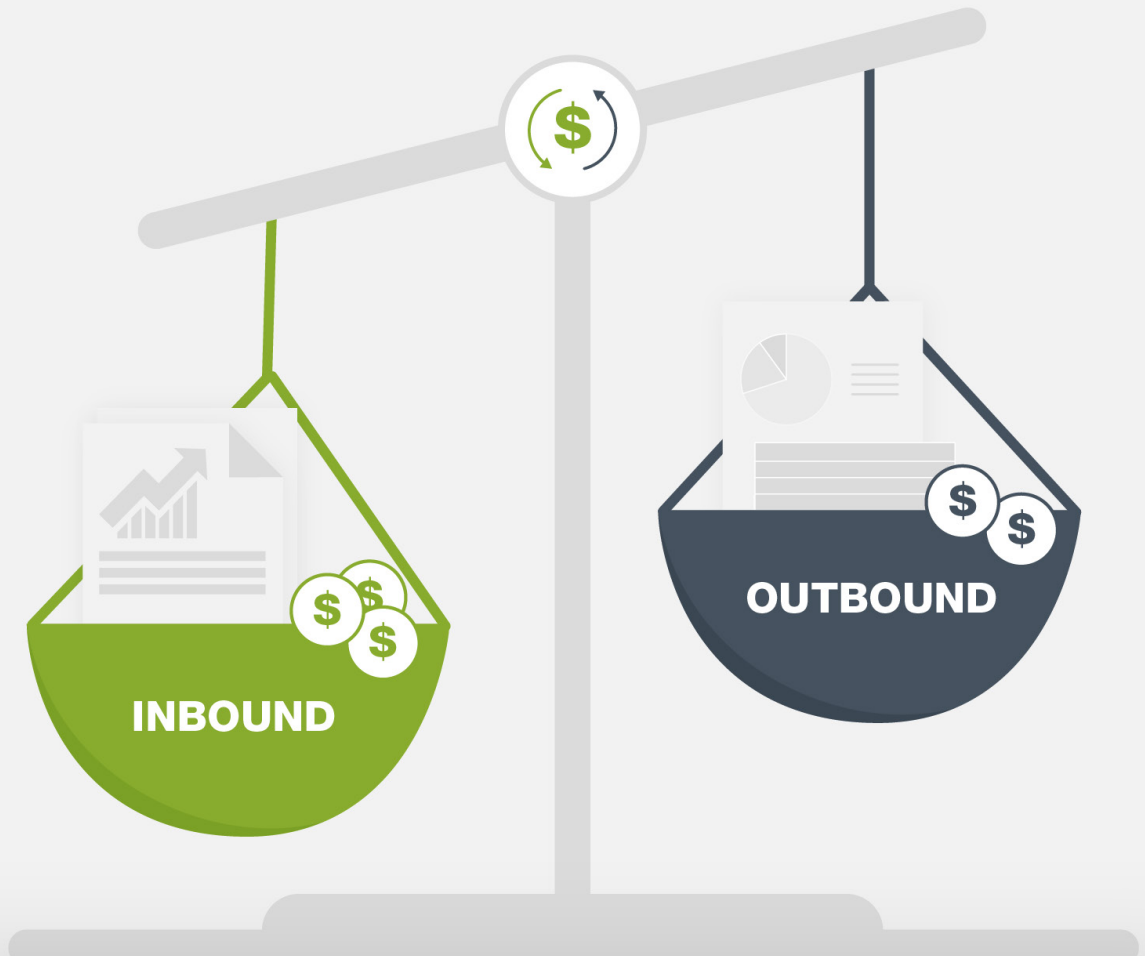
How worried are you about the health of your business and the economy over time?

● Business health ● Economy's health



CASH FLOW 5.3

Cash flow is the biggest worry outside the economy for the small business owners surveyed. The prevailing sentiment is that the state of the economy directly affects cash flow. Cash flow is the most tangible indication of a small business's overall health. And without healthy cash flow, even the smallest financial hiccup, like unfavorable payment terms or uncollected balances, can make it difficult for owners to stay in the black.



5.3
CASH FLOW

Least Worried

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Most Worried

Owners obviously feel better when there is more cash coming in than going out, but the simple calculus of that financial equation doesn't always tell the whole story.

According to our data, the revenue breakdown for respondents skews low, though a significant number of businesses report their receipts are in the highest revenue option offered. **Only about 3% of respondents report operating at a loss.**

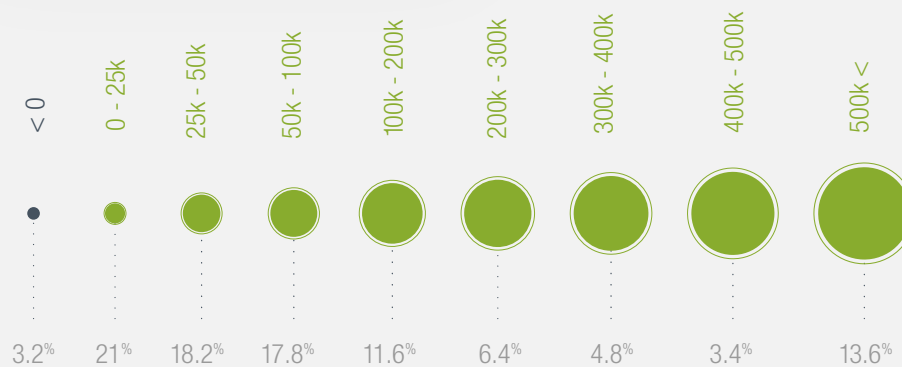
We also asked small business owners to look toward the future and anticipate how their 2019 revenue will compare to the previous year. **Nearly two-thirds of respondents expect a better year.** This speaks to the individual resilience of small business owners: They are optimistic about their prospects and have confidence to navigate economic uncertainty.

However, some owners are less optimistic. Nearly a quarter of business owners (24%) said they are unsure how their revenue will shake out, and 12% said they are sure they will close the books in the red.

Covering payroll is a tangible indicator of worries about cash flow. When a business is unable to pay employees on time and in the full amount, stress is immediately introduced into the business — a missing paycheck sends a clear signal to employees that something might be wrong. **And of owners surveyed, approximately 1 in 4 said they worry about being able to cover payroll at some point in 2020.**

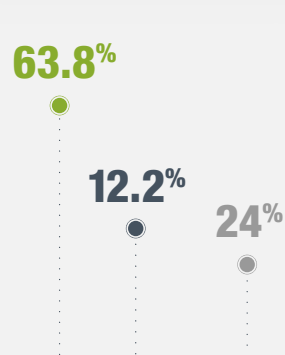
If that isn't alarming enough, consider the statistic this way: In 2020, 5.1 million Americans may be at risk of missing a paycheck. With nearly 80% of U.S. workers living paycheck to paycheck, millions of Americans could find themselves unable to pay for rent, tuition or groceries due to these small business cash flow issues.

What was your total revenue in 2018?



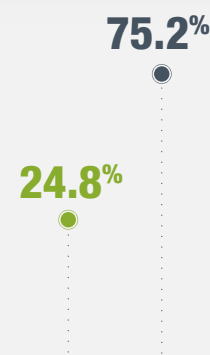
Do you anticipate your 2019 revenue will be higher or lower than 2018?

● Higher ● Lower ● Unsure



Are you currently worried that you will be unable to cover payroll during any pay period in 2020?

● Yes ● No



Cash Flow Checklist:

- ☐ Stay organized
- ☐ Search for financial leaks
- ☐ Examine current payment terms
- ☐ Update pricing structure
- ☐ Consider debt refinancing

REGULATIONS AND TAXES 4.8

Changes to the tax code and other regulations can present significant challenges to small businesses, forcing owners to stay current on tax and payroll regulations themselves — a daunting task given the complex and fluid nature of tax law.



To add an additional layer of complexity, tax laws can vary drastically from state to state. And if you pay payroll taxes incorrectly (e.g., you file late or you underpay) you'll be subject to hefty fines. Tax codes are subject to major changes and additions each year, which can cause additional headaches come tax season.



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However, the small business owners surveyed felt comfortable and familiar with the taxes and payroll changes that may affect their businesses, which might explain why taxes and regulations ranked a bit lower on the worry index, despite the potential consequences of a failure to understand current tax laws.

The good news is that there is an overwhelming number of resources available online as well as expert advice and consultation from the online tools and other payroll services.

How confident are you that you are up-to-date with federal employment rules and regulations?

1.6%
Extremely Unconfident

5.2%
Somewhat Unconfident

12.8%
Neutral

25.6%
Somewhat Confident

54.8%
Extremely Confident

TECH AND CYBERSECURITY 4.8

Cyber attacks are a growing threat for businesses, large and small. While small businesses tend to forgo the comprehensive cybersecurity infrastructure of large enterprises, the upside is that they usually have a lower volume of sensitive consumer data to worry about.

Tech and cybersecurity ranked low in the index, as did small business owners' worries about specific issues in cybersecurity and technology, possibly because these businesses are doing well financially and unlikely to become targets of large-scale cyber attacks.

Instead, more small businesses are more worried about staying afloat in the midst of an uncertain economy. So, less than a third (32%) say they are worried about their businesses falling victim to a cyber attack and 27% say they are “extremely” unworried about such an event.



4.8

TECH AND CYBERSECURITY



Drilling even deeper into cybersecurity, business owners on average show high confidence in their data protection. **On a scale of 1 to 10, respondents rated the protection of each of these data subsets between 6 and 7.**

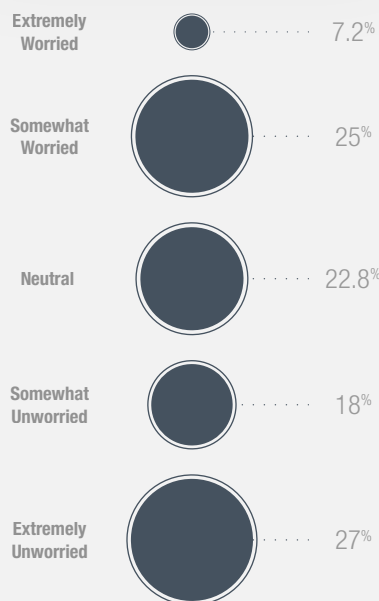
The survey shows that small business owners' cybersecurity strategies are focused on the right place. The respondents said they believe customer information is the most secure data they house. With General Data Protection Regulation already in place in the EU and regulation like the California Consumer Privacy Act signaling things to come at home, it's a good sign small business owners are taking steps to secure customer data. Failure to do so could mean big fines that could threaten their ability to stay in business.

However, the survey should also be a reminder to small business owners not to ignore the security of other parts of the operation. **Respondents showed the least amount of confidence in the security of employee communication, which could lead to vulnerabilities.** Without a secure way for employees to communicate with each other, with customers and with vendors, they could expose sensitive data inadvertently to the threats of bad actors.

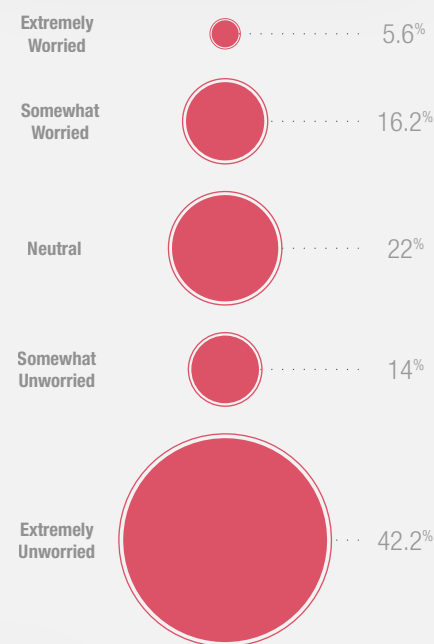
Small business owners also seem unworried about how new technology may impact their ability to compete with larger competitors, whether that technology is hardware or software.

This might indicate that these small businesses are confident their product and service offerings simply aren't replaceable by large-scale operations. What's more, this data points to the overall value of these small businesses — yet another indication of their importance as an economic driver.

How worried are you about your business falling victim to a cyber attack?



How worried are you that new technology will replace the product or service your business provides?

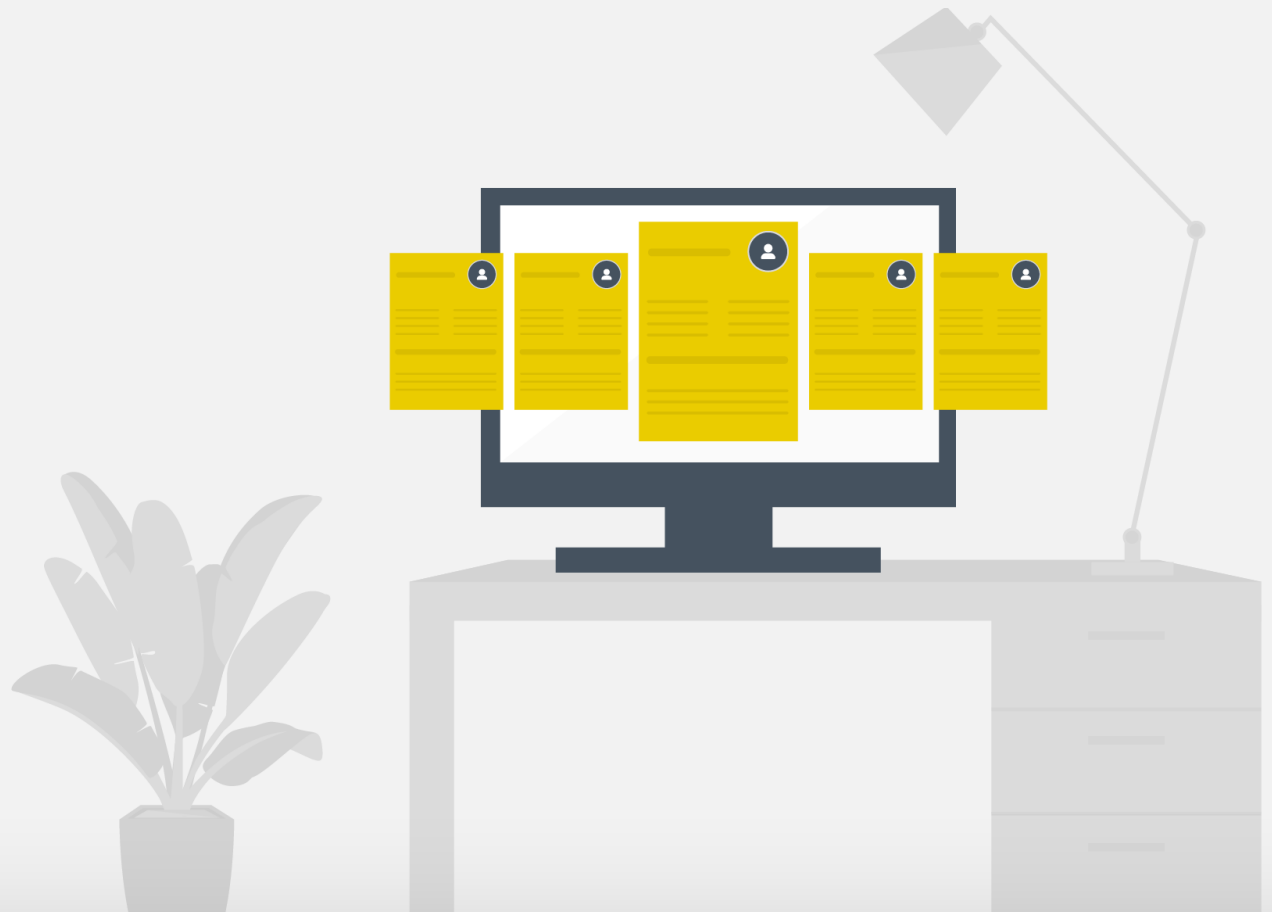


How secure do you believe the following information is from a cyber criminal/data breach?

	Least Worried										Most Worried
	1	2	3	4	5	6	7	8	9	10	
Employee Information	7.2%	5%	5.2%	13%	5.6%	5.2%	7.8%	12.8%	12.4%	25.8%	
Customer Information	7.8%	3.4%	5%	4.6%	13.8%	4.6%	8%	13.8%	12.4%	26.3%	
Trade Secrets	10.8%	3.8%	5.6%	3.8%	12%	5%	5.6%	13.2%	12.8%	27.2%	
Employee Communication	8.8%	4.8%	6.2%	6%	13.4%	8%	7.8%	12%	10.8%	21.9%	

ABILITY TO HIRE STAFF 4.2

Small businesses are particularly sensitive to the availability of talent and the health of the job market. Low unemployment rates and competitive wages can make it difficult for the smallest of America's businesses to attract and retain top talent or candidates with specific skills. However, despite the small size of the businesses surveyed, the limited number of employee exits in 2018 is a favorable sign.



4.2
ABILITY TO HIRE STAFF

Least Worried

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Most Worried

Nearly 60% of businesses saw no departures in 2018, which indicates generally healthy businesses and happy employees. This also serves to explain why hiring staff is not a top concern.

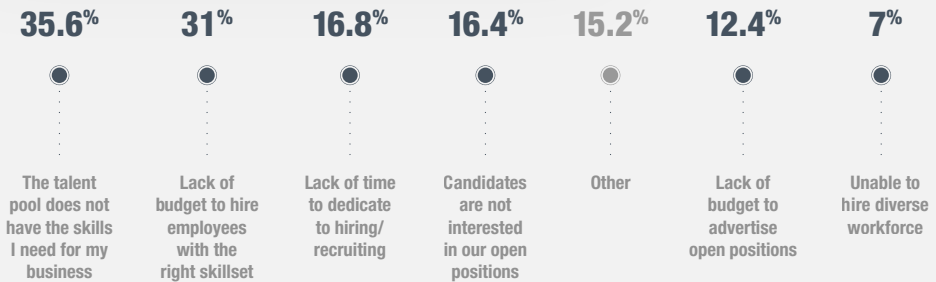
However, in today's job seekers' market, finding candidates with the right skills is still a big challenge. Leaders report struggling with other hiring issues like meeting the salary expectations of skilled workers and finding time to dedicate to hiring in the first place. Overwhelmingly, small business owners spend a fraction of their time on finding talent, likely due to the fact that most of them haven't had many employees leave and therefore, haven't had to replace them.

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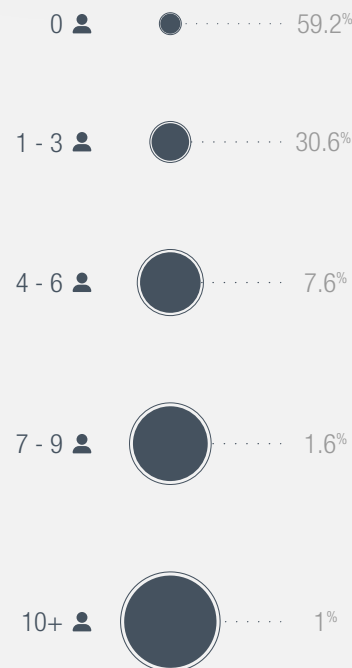
To set themselves apart from competitors and attract top talent, small businesses must focus on competitive benefits, culture and diversity.

To set themselves apart from competitors and attract top talent, small businesses must focus on competitive benefits, culture and diversity. Some small businesses have already found ways to do so, like the nearly **40% of owners surveyed who offer bonuses to their employees. Additionally, about 88% of businesses say diversity and inclusion are important to them,** their efforts only falling short due the lack of diversity in the talent pool.

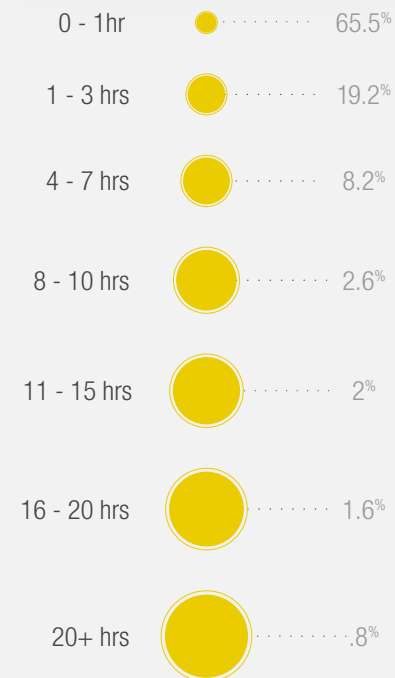
What recruiting/hiring challenges will you face in 2020?



How many people have exited your business in the past 12 months?



How many hours on an average week is spent on recruiting and hiring?



CONCLUSION

America's smallest businesses fuel GDP, while holding fast to the quintessential values of craftsmanship and entrepreneurship. Large enterprises like Amazon may have lower prices and fast shipping, but these small, local institutions employ members of our community, know us by name and provide unbeatable, personalized service.

Despite initiatives like the annual Small Business Saturday shopping event and a nationwide rally to “buy local,” small business owners are still worried about the economy and the serious financial toll a recession could have on their businesses. While recessions and economic downturns hit small businesses the hardest, that doesn't mean there is no chance of survival.

To stay ahead of economic downturns or disappointing fiscal years, small business owners should consider the following tips:

Where do you fall on the worry index? For solutions that provide peace-of-mind paired with expert advice and guidance contact us [here](#).

Embrace tools that save time. Navigating tax law and ensuring the accuracy of employee payroll can be a complicated process, one that causes many small business owners unnecessary stress and worry. Online payroll tools simplify the process and make it easy to enter, preview and approve payroll for your entire business, shaving hours of administrative burden.

Plan ahead. Don't let end-of-year demands catch you off-guard. Prepare throughout the year by staying organized and keeping track of important financial documents that you may need later. Be sure to keep your documents up-to-date, as well – if you or your employees move, for example, it's important to update the personal payroll information to reflect that change. It makes end-of-year requirements much easier when records are organized and accounted for.

Consider working with an accountant. Experienced accountants and bookkeepers ensure that you are covered year-round, checking-in with you to ask questions and keep finances on track. When tax filing season comes, both parties are prepared to deliver the necessary documents and forms in a timely manner. Accountants and bookkeepers are incredible assets that can help manage cash flow, attain financial milestones and stay in the black year-round.