

How Small Businesses Can Persevere Through a Recession

2023



Is The United States Headed Into a Recession?

63% of small business owners admit to not being prepared³

Today, about 93% of small business owners in the US are worried about an impending recession.¹ However, whether or not the United States is headed for one is currently the subject of hot debate among economists and the government. Some say that our economy will trend downward into a recession during the last half of 2023 based upon historical factors, high inflation rates, and Federal Reserve rate increases.² Other economists, when taking the job market and consumerism into account, deny that a recession is on the horizon. Regardless, it is the perfect time to amend your company's financial plans just in case the US economy worsens over the next several months.



Most business owners said they remain optimistic and are still recruiting and hiring new employees. If you're also trying to ramp up hiring efforts as well, we can help. Despite these facts, there is not a whole lot that business owners can do to impact the direction of the economy. What is important is focusing attention on the things that are in your direct control as 63% of small business owners admit to not being prepared.³ Embracing challenges, finding ways to attract and retain employees, and knowing how your business is trending can help combat the fear of uncertain times while forging opportunities for growth and success in the future.

¹ <https://www.goldmansachs.com/citizenship/10000-small-businesses/US/infographics/small-businesses-fear-looming-recession/>

² <https://amtrustfinancial.com/blog/small-business/preparing-your-small-business-for-a-recession>

³ <https://news.nationwide.com/download/1284575/nationwideeconomicpressures2022-final-nommbbo-updated10.4.pdf>

The Smaller the Business, The Harder The Hit



Small businesses unfortunately are impacted the hardest when the economy trends downward. However, they are also vital to the communities in which they serve. For example, in 2021, there were 32.5 million small businesses that actively employed almost 47% of the private workforce and generated over 40% of the economic activity in this country.⁴ However, revenue has decreased for approximately 39% of small businesses over the past six months with 22% anticipating a further decrease in revenue within the upcoming six months.⁵

Just as businesses began to recover from the COVID-19 pandemic, inflation rates grew to 9.1% mid-2022 causing exceedingly high prices in every sector and taking its toll on not only consumers, but also businesses of every size. Consumers and business owners alike are growing more concerned about financial security. According to one survey, consumers are dining out less frequently, reducing how long they drive, purchasing cheaper items that they would not ordinarily buy to replace more expensive ones, and are delaying or canceling vacations. Over half of business owners, on the other hand, said that they were reducing business expenses and about one-third have used their personal savings to support their business, postponed a major business investment, and made changes to their hiring practices.

8

4 <https://amtrustfinancial.com/blog/small-business/preparing-your-small-business-for-a-recession>

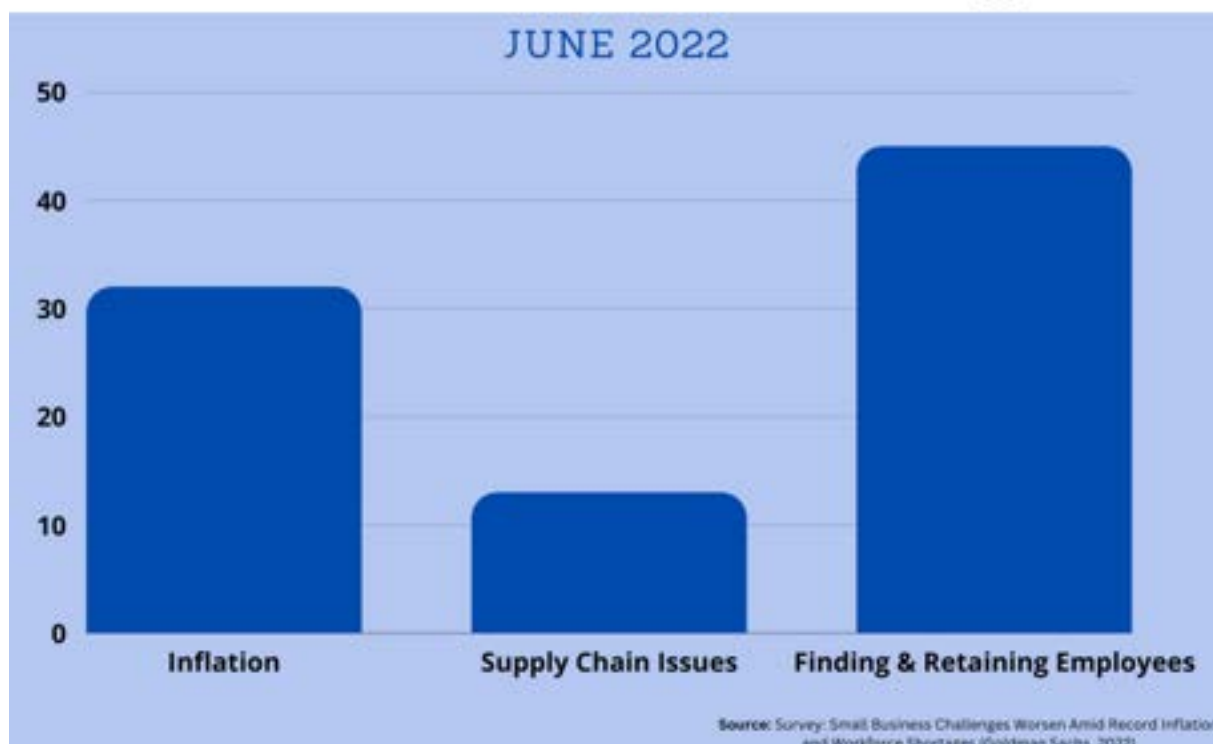
5 <https://news.nationwide.com/download/1284575/nationwideeconomicpressures2022-final-nommb0-updated10.4.pdf>

6 <https://amtrustfinancial.com/blog/small-business/preparing-your-small-business-for-a-recession>

7 <https://news.nationwide.com/download/1284575/nationwideeconomicpressures2022-final-nommb0-updated10.4.pdf>

8 <https://news.nationwide.com/download/1284575/nationwideeconomicpressures2022-final-nommb0-updated10.4.pdf>

What's The Most Significant Problem Small Businesses are Facing?



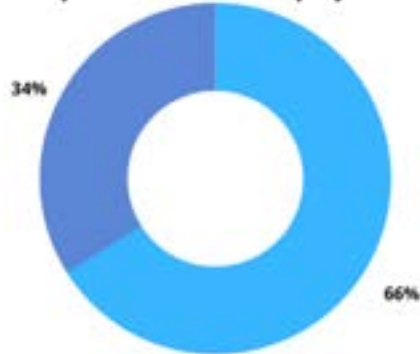
3 Big Problems

As per a large survey by Goldman Sachs, small business owners are worried about three main things right now.⁹ Difficulty in finding and retaining qualified employees continues to be a grave concern in almost half of businesses. Worries about inflation have increased by 10% with nearly one-third of businesses citing this as a major area of concern for them. While supply chain issues are still impacting businesses negatively, concern in this area has declined by about 4%.⁹

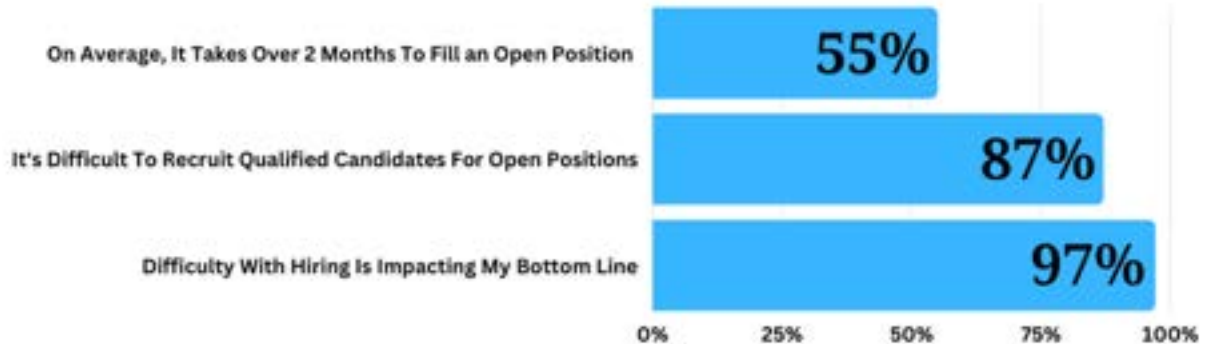
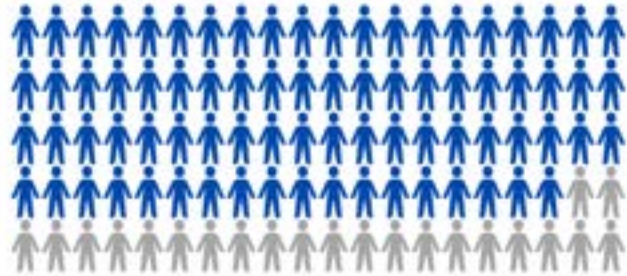
⁹ <https://www.goldmansachs.com/citizenship/10000-small-businesses/US/infographics/small-businesses-fear-looming-recession/>

Hiring Challenges

% of small businesses currently hiring part or full-time employees



78% of employers think competition with larger companies for pay & benefits is a top hiring challenge



Source: Survey: Small Business Challenges Worsen Amid Record Inflation and Workforce Shortages (Goldman Sachs, 2022)

Over half of small businesses are currently looking to fill vacant positions, but 87% agree that it is difficult to recruit top talent and nearly everyone agrees (97%) that this issue is impacting their bottom line.¹⁰ Additionally, on average it takes over two months to hire the right person. 78% of companies think that their inability to attract and retain the right talent is due to competition with larger employers that offer greater income potential and employee benefits.¹⁰

¹⁰ <https://www.goldmansachs.com/citizenship/10000-small-businesses/US/infographics/small-businesses-fear-looming-recession/>

HOW TO RESSION-PROOF YOUR SMALL BUSINESS

There are a variety of obtainable things small businesses can do to start recession-proofing their business including paying down debt, creating an emergency savings account, projecting cashflow, cutting spending costs, and remaining adaptable to unforeseen circumstances:



01 **PAY OFF DEBT IF YOU CAN**

Some experts suggest devising aggressive payoff schedules to manage company debt. However, paying off debt can restrict cash flow. In this case, consider paying down your loans that have the highest interest rates first instead of leaving the company strapped for cash.

02 **BE SURE TO HAVE EMERGENCY SAVINGS**

Creating an emergency savings fund consisting of three to six months of expenses in the case of a recession or other events that impact business is a smart thing to do. Having a little bit of a savings net can help with income and employee loss while protecting the company infrastructure.¹¹

03 **SET A REALISTIC BUDGET**

Budgeting is necessary to know where your company stands on finances. The goal is to create a budget where cashflow is analyzed and forecasted. Experts suggest looking at your current cash flow statement daily and starting to forecast over the next year to anticipate when you may have budget constrictions.¹² Implementing these strategies now will help you overcome challenges later.

04 **CUT UNNECESSARY COSTS**

Along with savings, cutting spending costs is crucial. Frequently, companies have various subscriptions and services that they could do without. Experts suggest evaluating the costs of operations first to see if there are any costs that can be trimmed upfront.¹² Accounts receivable is a sticking point for many companies. Consider not working with clients that do not pay on time and don't extend credit to clients if your cash flow can't handle it.¹²

05 **BE ADAPTABLE**

Adaptability is the key to surviving during uncertain times, which is something that companies excelled at during the pandemic. The key is to listen to what both your employees and customers are saying. Be prepared to pivot or adapt current company strategies and business offerings based on research.¹³ In fact, making data-driven decisions is the smartest thing to do. Even if your instincts as a business owner or manager are sound, consult your numbers, look at your company's financial trends, and evaluate forecasts before making any changes in the way you do business.¹²

¹¹ <https://amtrustfinancial.com/blog/small-business/preparing-your-small-business-for-a-recession>

¹² <https://www.forbes.com/sites/forbesbusinesscouncil/2022/09/01/how-to-prepare-your-small-business-for-a-recession/>

¹³ <https://amtrustfinancial.com/blog/small-business/preparing-your-small-business-for-a-recession>

Should you Cut Insurance as a Way to Save Money?

Although you certainly could, cutting out insurance policies is a risky game.

Check the level of insurance coverage you have to ensure its adequacy for you, your company, and your employees. Remaining covered for unforeseen emergencies is a smart investment in company wellness because cutting out insurance policies is a risky game.

For instance, if you drop your workers' compensation and liability insurance and one of your employees gets hurt, you're on the hook for 100% of the costs. As tempting as cutting insurance costs sounds, this is not the right time to trim expenditure in this area. Insurance is typically reserved for emergency use, which will have its place during a recession. In fact, most businesses see an increase in insurance claims during an economic decline in terms of lawsuits and other legal issues.¹⁴

Today, most business owners are reviewing their insurance policies for important changes they could make to save additional money, which is the smart thing to do. About half of small business owners say they would be somewhat likely to decrease their business's current insurance coverage or limits to reduce operating costs if the country enters a recession.¹⁵ With insurance rates forecasted to increase, getting ahead of the shopping rush could be essential in finding a policy that fits your company and your budget.

While cutting insurance policies seems like a foolproof way to save much-needed money, doing so can have long-term implications for the general well-being of small businesses. According to one report, about 44% of business owners reported that they could not fill current job openings within the last quarter, especially in the transportation, wholesale, and construction industries.¹⁶

Of those that had difficulty hiring the right candidates, nearly all of them cited a lack of qualified applicants or no applicants, representing a concerning trend today in addition to employee cost versus quality. The bottom line is that insurance and other benefits are an evidence-based way to attract and retain top talent for your organization. If you do not offer your employees the coverage that they need, they will find another company that can meet their needs.



"About 44% of business owners reported that they could not fill current job openings within the last quarter"

14 <https://www.roguerisk.com/strategy/how-to-recession-proof-your-business-with-insurance>

15 <https://news.nationwide.com/download/1284575/nationwideeconomicpressures2022-final-nommo-updated10.4.pdf>

16 <https://www.nfib.com/surveys/small-business-economic-trends/>



The Importance of Benefits

Benefits, such as group health insurance policies, help retain employees by meeting their needs in a way that is designed to support them and keep them healthy, happy, and engaged.¹⁷ Employee benefit packages help companies attract and keep top talent leading to greater employee satisfaction, making it more likely that employees will stay with the company.¹⁷

Low employee retention rates and high employee turnover rates cost organizations a lot of money. Obviously, it is more efficient to keep the employees you have rather than investing time, energy, and money into continually training new ones. In fact, on average, it costs roughly six to nine months of an employee's salary to replace them due to the cost of recruitment, training, and onboarding.¹⁷

Not all insurance companies are created equally, and neither are brokers and other third-party vendors. Shopping around for more affordable policies is the smart thing to do.

¹⁷ <https://businessleadershiptoday.com/do-benefits-help-retain-employees/>

Comparison Shopping For Benefits Made Easy

EZ.Insure offers a personalized approach. You can visit the website and receive a free, no obligation quote. You will have only one insurance agent to communicate with who will get to know your business and concerns. They also offer help with comparison shopping to find plans that fit not only your needs, but also your budget. Despite common knowledge, insurance premiums are negotiable. The agents at EZ.Insure are uniquely suited to negotiate on your behalf. Additionally, they will help you and your employees through enrollment and other complicated processes every step of the way. What makes us stand out is our focus on customer service coupled with the highest rate of savings on the market.

18

While cutting costs in 2023 may be the top priority for many businesses, there are areas that are smart to trim and others that could eventually lead to financial ruin. Shoring up your business against an economic downward trend can help to assure longevity. Know how your company is trending and what the numbers are saying. Listen to your employees and clients and remain flexible during this time. Don't be afraid to trim back operating costs, but cutting out insurance policies is a dangerous game that can leave businesses paying more in the long run.



Sources

Goldman Sachs. (n.d.). Survey: Small businesses fear looming recession. Goldman Sachs. Retrieved January 5, 2023, from <https://www.goldmansachs.com/citizenship/10000-small-businesses/US/infographics/small-businesses-fear-looming-recession/>

King, S. (2022, September 2). How to prepare your small business for a recession. Forbes. Retrieved January 5, 2023, from <https://www.forbes.com/sites/forbesbusinesscouncil/2022/09/01/how-to-prepare-your-small-business-for-a-recession/?sh=21342bbd76c2>

18

Nationwide. (2022, October 20). Survey: Small businesses expect a recession, but few are prepared. SURVEY: Small businesses expect a recession, but few are prepared. Retrieved January 5, 2023, from <https://www.prnewswire.com/news-releases/survey-small-businesses-expect-a-recession-but-few-are-prepared-301654918.html>

Nationwide. (2022, October). News.nationwide.com. Nationwide Economic Pressures Survey Report. Retrieved January 5, 2023, from <https://news.nationwide.com/download/1284575/nationwideeconomicpressures2022-final-nommbo-updated10.4.pdf>

Preparing your small business for a recession: Amtrust Financial. AmtrustFinancial. (n.d.). Retrieved January 5, 2023, from <https://amtrustfinancial.com/blog/small-business/preparing-your-small-business-for-a-recession>

Risk, R. (2022, August 22). How to recession proof your business (with insurance). Rogue Risk. Retrieved January 5, 2023, from <https://www.roguerisk.com/strategy/how-to-recession-proof-your-business-with-insurance>

Shippy, G. (2022, November 14). SURVEY: Small business owners expect a recession, but few are prepared. Retrieved January 5, 2023, from <https://news.nationwide.com/small-business-owners-expect-a-recession-but-few-are-prepared/>