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# Nearly 90% Of Small Businesses Are Labor Hoarding, New Study Finds

Bryan Robinson, Ph.D. Contributor ⓘ

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The growing popular trend of labor hoarding is an effort of businesses to pump up benefits to ease ... [+] GETTY

Small businesses are facing big challenges due to talks of a recession and layoffs across multiple industries. As a result, job

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insecurity is looming for both employers and employees as it becomes harder to fill positions. An [Insight Global](#) study reported that 77% of the American workforce planned to stay in their current jobs. And in a recent [Skynova survey](#) a whopping majority of 1,010 business owners (21% large, 22% medium and 57% small businesses) say they are *labor hoarding*.

That means they are pumping up their investments in employees to keep the status quo and avoid a labor shortage. Labor hoarding usually occurs in a downturn or recession when businesses avoid layoffs at all costs and employees stay put due to job shortages. Sounds like a match made in heaven, according to Sara Jensen, senior vice president of growth and strategy at [Innovative Employee Solutions](#). “This strategy can be a win-win for both companies and talent,” Jensen explained to me. “It is extremely beneficial for companies by offering a strategic way to continue to meet their business objectives in a financially sound way by offering new growth opportunities for their current employee base, increasing retention and engagement.”

Key points from the Skynova findings show how labor hoarding could affect small businesses and their employees in the new year:

- Half of small business owners have improved compensation to prevent their team from quitting.
- A whopping 46% of small businesses made efforts to communicate transparently to their employees in order to retain employees and pump up their morale.
- 91% of small businesses are labor hoarding in 2023, the main reason given is that 48% are confident in the strength of their teams.

- 89% of small businesses plan to continue the practice of labor hoarding in 2023.
- 40% of small business owners say they are labor hoarding to decrease their hiring and training costs.
- Small business owners report saving \$4,541 per hire on average by holding on to their workforce.
- 70% of small business owners fear conducting layoffs because of inflation and recession threats.
- 60% of small business owners say they have conducted a hiring freeze.
- 67% of small business owners say they are willing to cut their own salary to avoid firing employees.

According to the Skynova report, companies of all sizes are dealing with inflation and preparing for a potential recession. Even 99% of large-business owners are hoarding employees. And small businesses are 106% more likely than large businesses to seek to retain kind employees. The top positions small companies are hoarding include finance manager (36%), marketing manager (36%) and business analyst (36%)—followed by project manager (35%) and human resources manager (35%). Small businesses have taken a number of actions to retain the best employees and avoid layoffs—the most common being a hiring freeze (60%). Other strategies are benefit cuts (58%), remote work to cut leasing costs (53%), four-day workweek (48%) and freelance and contract worker cuts (28%). They are also make efforts to keep employees from quitting. The most popular method is improving employer-employee compensation (50%), connecting with employees (47%), transparent communication (46%), investing in work environments (44%) and switching to more remote work opportunities (43%).

Tech skills are more in-demand today than ever before as the digital world continues to grow, the report says. The hard skills small businesses hoard the most are data literacy skills (42%) and IT automation (38%). The highly-valued soft skills are time management (39%). Leadership, creativity and critical thinking (all at 36%) came in next followed closely by kindness (35%).

Ahva Sadeghi, co-founder and CEO of [Symba](#), cautions that when a company practices labor hoarding it should not be quiet about it. “If a company is changing the roles and responsibilities of their employees, it should be because of a bigger strategy that is clearly articulated and the organization is aligned on,” Sadeghi told me in an email. “If the company needs people to move into different areas of the business, this should be loud and clear for employees. They should also have the opportunity to opt into this role change and consent. The company should let employees know that their current role is changing and they need them to support an immediate need of the business. The employees should then be able to voluntarily decide if they want to stay with the company and support that role.”

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Talent hoarding isn't for everyone, notes Jensen at Innovative Employee Solutions. It doesn't always address companies trying to add additional hands or hire new, specialized skill sets missing from their workforce. “An alternative that companies can look to

for supplementing their current workforce is another aspect of quiet hiring, which can take the form of leveraging different types of talent into the workforce through contingent workers,” Jensen suggests. “These workers could be gig workers or freelancers—retirees brought back to fill talent gaps (a practice known as the ‘The Great Un-retirement’), and bringing back alumni. Companies can engage the right talent they need to complete work in flexible and agile ways without butting up against hiring restrictions within their business.”

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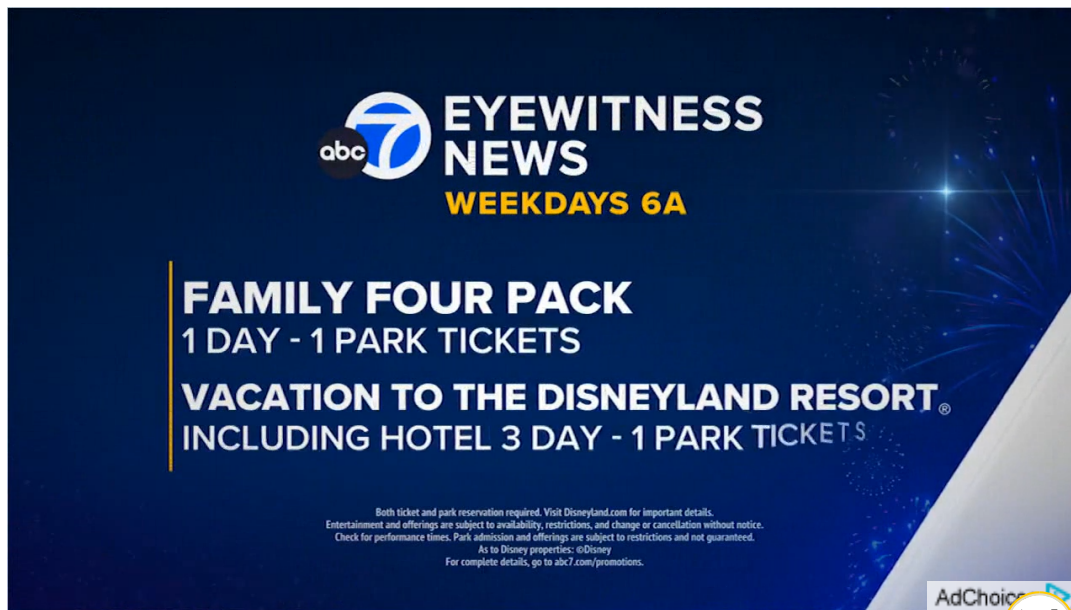


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The Skynova survey predicts that labor hoarding will continue into 2023. “If you’re an employee, it’s a smart move to learn a new hard skill that your employer will value, especially if it has to do with technology,” the report advises. “Improving soft skills, like communication or problem-solving, might also help.” In terms of what employers can do to keep employees happy, the study recognizes that actions can vary depending on how companies conduct their business. But it concludes that employers should try a few of the strategies others have used that have proved successful. That could be a match made in heaven.

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Bryan Robinson, Ph.D.

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