

Season 2 | Episode 46

Small Business Employment Watch: Job Growth as America Starts Reopening From COVID-19 Pandemic

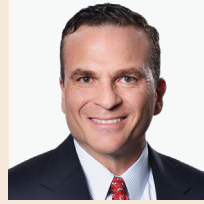
PAYCHEX
Business
Series

Coronavirus



Gene Marks

CPA, Columnist, and Host



Frank Fiorille

Vice President, Risk, Compliance,
and Data Analytics at Paychex

Full transcript

Gene Marks:

Hey everybody, and welcome back to the Paychex Business Series podcast. Really glad that you're here. I am Gene Marks, hopefully you guys know and recognize me already, at least recognize my voice. I write in a whole bunch of places all over the place from "The Hill," to "Forbes," to "The Philadelphia Inquirer," "The Guardian," and all of that. Well, today, we have a good guest on here today. We're talking to Frank Fiorille. Frank is the Vice President of Risk, Compliance, and Data Analytics at Paychex. And the reason why Frank is on this conversation, why we're gonna be talking to Frank is because you know, Paychex just came out with their most recent numbers about jobs. They just released this just this prior week, and it is really indicative of where the economy is going. And what I want to do is I want to get Frank's insights as to what this jobs numbers is all about and where he thinks things are going. So, Frank first of all, welcome. Thank you so much for joining me. Hello.

Frank Fiorille:

Hey, it's a pleasure. It's good to see you again, Gene.

Gene Marks:

It is great seeing you as well. Okay. So I'm going to read Frank verbatim off this press release that came from Paychex last week. Now, Paychex every month does their, it's called the Paychex IHS Markit Small Business Employment Watch. This is a number that comes out monthly that's closely watched by economists, by people in the media, because it is honestly it's to me, when I'm looking at the economy, Frank, I don't necessarily like surveys or questionnaires. This is like real data from your company. And your whole business is all about payroll. So when I hear about wages, when I hear about job growth, or just jobs in general, like to me, this is numbers that really, really strike out.

Gene Marks:

So, from the press release, the employment watch shows that there were noticeable increases in job growth in March across all four U.S. regions and nearly all states in metro is analyzed in the report. Notable job increases, which is great news. The small business jobs index increased to 94.25 in March, which doesn't necessarily, what does that mean? And I'm going to ask you Frank, what all that means in just a minute. But the index, although it remains about 4% below its March 2020 level, the increase has been the most significant one month gain, you ready? Since 2013. So Frank, my takeaway from this report and also some recent jobs numbers from the U.S. Government is that, people are hiring. Explain to us a little bit more about what this report is telling us.

Frank Fiorille:

Yeah, thanks, Gene. And it's great to be with you and everybody. I'm biased obviously, but I feel like this index, this report is the best report as small business out there. It's curated data targeted towards mom-and-pop, main street, small businesses, right? So that's what it is, and that's really what it shows. It's a barometer that really measures the hiring, the health of small businesses, how they're doing from an employment standpoint, from an hours work income wage standpoint. And what's really interesting about this is, I think it's a great, not only is it a great barometer, but the very leading edge indicator because we're kind of the first one out the gate. We come out at Tuesday on jobs week, so we're the first one really to report. Like you said, this really, isn't a survey.

Frank Fiorille:

We're not surveying. This is actual data from our payroll journals. By the way, 350,000 small businesses. Again, mom-and-pop, main street business. And again, since it's real data, we don't go back and adjust that the next month or revise it. What we report is really what it is. So again, we feel like it's a great, great indicator. And when we measure it, or correlate it to other national statistics, it highly correlates with that. So again, it's, it's a great a barometer to see what's going on in small business.

Gene Marks:

Okay. So, I couldn't agree with you more and okay, it's a great barometer and frankly, this month, were great numbers. So Frank, tell us why do you think we are seeing this growth?

Frank Fiorille:

Yeah. So again, that's the last couple reports that we put out even in prior months, if you kind of, you look under the hood, you started to see some strength. So, this month's report was really not much of a surprise, we really thought it was going to be much better. Now you've seen that correlate with other reports that are coming out, the ISM report came out this morning, and the hiring index, part of that was very robust and very strong. And other reports that came out last week were obviously very, very strong. But what we think, there's definitely kind of almost two tales of small businesses. One was obviously the sectors that got hit the hardest, even hospitality and all those other ones and all those other ones by the way, were actually performing pretty well through, even after the pandemic.

Frank Fiorille:

And now what you're seeing, and we saw this month was that leisure and hospitality sector come roaring back and really was kind of the key indicator, key part of this that really drove the index up. And like you had said, best number in eight years, we've seen from a one month perspective. Now, one thing I want to really stress is we still have a big hole to dig out of, right. There's still a lot of wood to chop, great month, great trend, things are looking up but again, there's a long way to go to kind of get back to where we were before the pandemic hit.

Gene Marks:

Where have you guys seen the most growth? I mean, you said in the report that across all four regions were showing strong growth, but was there any part of the country that seems stronger than others?

Frank Fiorille:

Yeah. And you know, one of the things that I do want to mention, we also, we kind of call it the trifecta, this past month. And what I mean by that is not only did we see the index go up and have it's one, best one month number in eight years. But we saw an increase in hourly earnings and we also saw hours work. So again, it was strong across the board and the trends as far as kind of where that growth is really kind of coming from, really interesting this month.

Frank Fiorille:

The South has historically been very, very strong. And if you look at it, we actually dig down and look at this by state, region, city, sector, you name it. We can break it down in many, many different ways, but the South historically has been strong, and if you look at our top two states were Texas and Florida. But we actually saw them from a one month change, Northeast actually had the best change over the month. So I think that ties in with companies turning their lights back on and opening up and, getting back to normal, I think is really what's driving a lot of the growth.

Gene Marks:

Yeah. It doesn't surprise me that Florida and Texas, are experiencing growth. I mean, I was in Florida for the month of January and that state's been like wide open like this entire time. And I mean, we didn't go out to eat anywhere, but there were a lot of people that were out eating and doing their thing. Good for them as long as they're staying safe. But, I'm betting that we're going to be seeing a lot of this job growth coming from states like California, from New Jersey, from New York, from Pennsylvania in the coming months, right. Because they're the ones that have been locked down the most. And I'm not even sure if we've seen the full impact of their job recovery yet.

Frank Fiorille:

Yeah, no, I would agree. I would agree. We probably will. We'll see those numbers come back. The index measures the rate of change, so they also are starting from a much lower standpoint. So you'll probably see those states probably contribute going forward most of the index. So I would agree with that.

Gene Marks:

Okay. You had mentioned hospitality is one of the industries that have recovered. I've been looking at certain numbers, OpenTable, the mobile app, I don't know if you had used them or not. But, they publish it every, like every week. There are restaurant diners that are using their mobile app and they do it nationally and for certain states and it's, it's starting to increase like significantly across the country. And again, back to Florida and Texas, they're like back to like 2019 levels. But then, and then TSA travelers, TSA reports everyday on daily travelers and those numbers are spiking as well. So I'm expecting travel industry is going to be one of the ones that are going to be in anybody indirectly related to travel. We're going to see even more jobs increasing in the months to come. Does that make sense?

Frank Fiorille:

Yeah. Again, and I do think, that leisure and hospitality sector, will really start there, really rip. As well as some of these other, what we call kind of other sectors, which kind of a hodgepodge of small businesses that are really, discretionary spending helps them a lot. So, as you know, savings are up, people are getting a lot of cash through the government. So, we think some of those sort of sectors will also start to increase this summer as well.

Gene Marks:

We're trying to give information here without politicizing anything, but obviously the last stimulus bill is going to continue some federal unemployment benefits through September of this year. As you look ahead, do you think that there's additional benefits are going to have a significant impact on hiring and job growth?

Frank Fiorille:

Most definitely, Gene. Given that Paychex pays one out of every 11 private sector employees every couple of weeks. We've really got a good view in what's was happening with small businesses. The one thing why I think really seeing things bounce back nicely here is a lot of the stimulus programs, and what government has done. I'll just think of one example of that, the PPP program that I know you're very familiar with. When we look at our data really, really helps small businesses get to the other side, right. Really, I think they stayed around, they kept open, or kept quasi open.

Frank Fiorille:

Just an example, at Paychex, our clients have actually taken out over \$60 billion which is almost 9% of all PPP loans that we've helped our businesses, small businesses get. And with that and all the tax credits that now you're very familiar with, the retention credits. I mean, there's a lot of stuff that really has helped prop up small businesses and I really think has been very, very successful to begin how to get them to the other side. And now if we continue with the success and reopening up, I'd be very, very bullish also this summer and fall.

Gene Marks:

Yeah. You know, it's funny you say that with all the different programs that are out there. Everybody knows the PPP program, these tax credits, which not enough people know about them.

Frank Fiorille:

Exactly.

Gene Marks:

Yeah, they're out there. And then you know what's coming down the pipe like right now, Frank as we're recording this, we've got the Shuttered Venue Operators Program that's for the arts, people in the arts industry, big grants going out to them. These are small businesses and the Restaurant Revitalization Fund, which has not opened its doors yet. But Frank, when this opens up like any restaurant in the country, can get up to \$10 million for any loss of revenues that they had in 2020 versus 2019. And the only stipulation is they have to spend it on, this grand money on operating costs, which is primarily payroll, which I'm hoping means that, restaurateurs can entice more employees to come off of unemployment and come back to work and that hopefully should contribute. Do you have any thoughts on those programs?

Frank Fiorille:

Yeah. All the programs, right? There's a lot of them. And again, the one, again, I think you just mentioned that a lot of small businesses really don't know about as much or are really applying for, is these protection credits and especially that they can even do it retroactively and go back to 2020. And actually, and we've been helping our clients do that. And they've actually gotten some very nice tax credit refunds, just in the past - now I haven't got money yet from the IRS, but we still been able to process that so they will get that hopefully shortly, but lots of stuff that really, really helps businesses. I would agree.

Gene Marks:

Got it. Well, listen, as we head into the second half of the year, my expectation is you're going to be, we're going to continue to see strong numbers coming out of the Paychex IHS, the payroll reports you're doing every month. I also, of course be careful what you ask for. Because now I'm reading and I'm hearing from clients that they're having a hard time finding employees.

Frank Fiorille:

Exactly. Most of them say that.

Gene Marks:

So what are your thoughts on how that's going to play out?

Frank Fiorille:

Yeah, that's what I was going to lead with next. And I do think there is going to be that headwind and am concerned on that because remember before the pandemic hit, right? When you ask small business, what was their biggest concern, it was clearly they couldn't find people to work, right. So, I think there's going to be a confluence of things. I think things are going to open up, right. Things are going to get a lot better. And you still have people worried about still kind of maybe going back to work because of the virus, the kids in school, and then you've got some programs. I mean, unemployment topper and things like, I just think there's a lot of things that could be the sort of the next kind of headwind again. In fact, there was an article in Bloomberg just a couple hours ago that basically was, was kind of highlighting and highlighted a couple of small businesses that were having hard time finding employees. So that's the next thing to worry about, I guess.

Gene Marks:

Yeah. You know, I think after going through the year that we've had those kinds of problems, will be good problems to have.

Frank Fiorille:

Yes, Right.

Gene Marks:

Frank, is there anything else that is worthy of mentioning from this month's report or that you wanted to get in here?

Frank Fiorille:

I think we hit on it. I think, we talked about the government programs, helping small businesses. But I also think we should give a shout out to small businesses as well, as they've been very creative to, to be able stay afloat and go through this and survive. And they've been creative, whether it's through trying to leverage technology or other creative ways to, again, just stay in business. I think, entrepreneurs, they deserve a shout out as well.

Gene Marks:

Yeah. It's funny that you say. I have a presentation tomorrow I'm actually giving for Microsoft. And it's just about that, how all these small businesses have pivoted and leveraged all this new technology this year. The work from anywhere stuff, the self-service kinds of things, even robotics-

Frank Fiorille:

Exactly.

Gene Marks:

...augmented reality. There's all these things happening now. And businesses are investing in this stuff. And it was like the difference between surviving this recession or going out of business. It's pretty inspirational. It really is.

Frank Fiorille:

I would agree. It's nice to see. And I think that just is going to help them in the long run as well for years to come as we kind of get through this thing. I think it will help them not only grow, but you know be better businesses, generate more revenue.

Gene Marks:

You're right. Frank Fiorille is the Vice President of Risk, Compliance, and Data Analytics at Paychex. Frank, thank you very much for joining us. Your insights are great. Love to have you come back, as this monthly report comes out. I do agree with what you said about this is like actual data. It's not a survey that gets revised 67 times after it's released. It's based on, real, hard data. And that's why I think this report is so important. So thanks for coming on and sharing your insights about this.

Frank Fiorille:

Thanks, I would love to. Thank you.

Gene Marks:

For more information on running your business or advice for running your business as well, visit us at [Paychex.com/WORX](https://paychex.com/WORX). That's W-O-R-X there, you will find a whole bunch of information and tips as well as other content articles in this podcast that will help you hopefully increase your productivity and your profits. My name is Gene Marks, thanks for joining us this time. We will be back with another episode of the Paychex Business Series podcast very soon. See you soon.

Speaker 3:

This podcast is property of Paychex Inc. 2021. All rights reserved.