



Small Business Bulletin

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Small Business Trends for 2023

Small businesses have faced unprecedented challenges over the last few years. Many are hoping for a calmer 2023, but a possible recession, record-high inflation and labor shortages may make that unlikely. Being aware of the small business trends for 2023 can help organizations successfully meet their challenges and find opportunities for growth.

Here are the most significant small business trends for 2023:

- **Recession preparation**—Due to limited resources, small businesses often face unique challenges during a recession and must make difficult decisions to stay afloat. Proper planning and implementing preventive strategies can help small businesses minimize the financial hardships of a recession. This often starts with evaluating cash flow, managing controllable risks and remaining flexible.
- **Emphasis on workplace culture**—Workers are the backbone of any small business, and replacing them can be time-consuming and expensive. Prioritizing workplace culture can improve employee retention, which can help small businesses save money since the costs of recruiting and training new employees are extremely high. A strong workplace culture is built around positive values. Employers can build a strong culture by strengthening employee engagement, improving communication and encouraging employee feedback.
- **Reliance on outsourcing and automation**—Inflation is driving up costs, forcing

organizations of all sizes to turn to cost-saving measures. Outsourcing nonessential functions and investing in automation are effective ways small businesses are addressing their rising costs. By outsourcing or automating functions—such as recordkeeping, accounting and marketing—small businesses can reduce their labor costs and be more productive.

- **Workplace flexibility**—Flexible work arrangements can be powerful retention tools, as they can lead to more productive and happier workers. Remote and hybrid work can also help employers gain access to a larger talent pool and save on overhead costs. In 2023, some organizations are implementing flexible start and end times, four-day workweeks and unlimited paid time off to give employees more flexibility.
- **Cybersecurity as a priority**—Small businesses tend to be more vulnerable to cyberattacks than larger organizations due to a lack of proper systems and protocols and fewer resources. Failing to implement cybersecurity measures puts small businesses at risk of attacks and demands for ransomware fees. Dealing with the aftermath of cyberattacks or paying ransomware fees is often more expensive than investing in effective security measures.

2023 will likely present significant challenges for many small businesses. By understanding and embracing these trends, savvy small business owners can be better prepared, remain adaptable and stay ahead of the competition.

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 KEYSTONE

5 Benefits to Attract and Retain Small Business Employees

Attracting and retaining employees is a constant struggle for organizations of any size, but it's particularly so for small businesses. With smaller teams, employers need to hold on to talent whenever possible. This can be challenging, especially when resources are scarce, as they often are during an economic downturn. That's why it's critical small businesses tailor their benefits offerings in a way that attracts and retains the most employees. While each workforce will have unique needs, there are some commonalities seen among small business employees.

To aid in developing effective attraction and retention strategies, small businesses can consider the following five benefits for 2023:

- 1. Competitive health insurance**—Health insurance is consistently one of the most desired benefits among small business employees. Health care is expensive, and most employees cannot afford quality coverage without employer-sponsored insurance. By offering generous health benefits, employers can compete for top talent. Doubling down on health insurance might even be a better option for some employers than adding other ancillary benefits that employees don't need or want.
- 2. Leave benefits**—The ability to take time away from work is an important consideration for employees. Leave benefits will vary by workplace, but they typically include paid time off (PTO), vacation days and sick time. These types of leave usually come with specific use requirements. For employers looking to attract and retain employees, expanding these benefits could be a great leverage tool. This may include allowing faster PTO accrual, providing more sick days or allowing for flexible scheduling.
- 3. Performance bonuses**—Employees want to be recognized for their hard work. Employers' failure to do so can lower morale and affect retention. Introducing performance bonuses as an employee benefit can be a way to combat this. The general goal of performance bonuses is to compensate employees in some way for a job well done. How this looks in practice will depend on the employer. For instance, employees might receive incentives such as gift cards, cash, additional PTO or other perks, depending on their achievement. However, before implementing such bonuses, employers should ensure compliance with any applicable workplace laws regarding compensation.
- 4. Retirement planning**—Financial security is very important to employees, and that sentiment grows as employees near retirement age. It's top of mind for those struggling financially, thanks to record-high inflation and the economic downturn. Employees invest their time and energy into their work. As a tradeoff, many employees want their employers to invest in their retirements in return for years of service. Offering a 401(k) with contribution matching can be a powerful attraction and retention tool, as it demonstrates an employer's long-term investment in their workers.
- 5. Professional development**—Employees may leave a workplace simply because they want other opportunities or need more of a challenge rather than being driven solely by compensation. That's where professional development comes in. Generally, this involves cross-training employees in other positions or preparing them to take on additional responsibilities. This helps provide the employee with more growth opportunities while keeping them with the organization. Offering such development opportunities also signals to prospective employees that a workplace has upward mobility and is willing to help workers along with their career goals—two factors that can weigh heavily in recruiting conversations.

Knowing which employee benefits to offer as attraction and retention tools isn't always easy. Surveying current and prospective employees is one of the best places to start.

Reach out to Franconia Insurance & Financial Services to learn more about these trends.