

The small business owner's

Guide to the labor market



Paid content

A small business is only as effective as the team behind it. You need skilled employees you can trust to go the extra mile for your organization. Of course, finding the right people is easier said than done, especially as you expand. This guide to the labor market can help you rise to the challenge: from hiring best practices to government-mandated small business employment regulations small business owners need to follow.

Labor market trends

Before diving into recruitment ideas for your business, it's helpful to first understand the overall labor market. By having a feel for the ongoing trends for small business hiring and recruitment, you can tailor your strategies. In this guide, you will learn more about major trends shaping the market.

Growing demand for flexible work arrangements

The COVID-19 pandemic gave many employees a taste of working from home and flexible work arrangements. There has since been some reluctance among employees to return to the office full-time, five days a week. On the other hand, some employers still prefer employees to come to the office to enable in-person collaboration. As a compromise, hybrid work has become much more popular, where employees split their week between their home office and the company's office. If applicable to your business structure, consider how you could offer some level of hybrid work. Or you could give employees some flexibility regarding their hours and scheduling. That could be viewed as a benefit and potentially give you a recruiting edge over businesses with more rigid work schedules.

Shifting workforce demographics

When the pandemic ended, it led to one of the strongest job markets since the 1960s. Small business owners struggled to hire, even when they increased compensation. The 2024 end-of-year job market was still strong, with unemployment [hovering around 4%](#), but demographic trends can shift the employment base. As a business owner, it's essential to understand changing dynamics.

As people live longer, healthier lives, many may continue working in some capacity. This could be an opportunity to bring in experienced workers, especially if you are open to more flexible work arrangements.

Surging technological innovation

New technologies like AI are transforming the workforce. As this technology improves, there will be more ways to automate tasks and improve employee productivity. But these new skills take time to learn and develop.

As an employer, consider hiring people with the skills needed for this new period of innovation such as coding, data analysis or online marketing. You may also want to invest in employee training to meet the future head-on.

Hiring strategies for small businesses

Hiring new employees is a skill you can hone with the proper hiring practices. These recruitment strategies could help you attract and hire quality candidates for your business, even in a tight business labor market.

Recruitment channels and tips

Step one in hiring strategies for small businesses is attracting the right candidates.

1. Use clear, compelling job postings

Job posting websites are usually the simplest way to get the word out. To be successful, they need to be written effectively. In your job post, make the following clear:

- A description of the role
- The job responsibilities
- The skills and experience needed
- The salary range

Make the posts straightforward and to the point. Avoid jargon or getting overly wordy, as applicants could lose interest and move on to the next post.

You should also explain your company culture and what makes working for your small business unique, including the type of personalities that thrive. Be upfront about both the challenges and opportunities at your company. For instance, if you expect the new hire to handle tasks from multiple jobs simultaneously, you could present this as a chance to learn various skills.

2. Promote on social media

Your company's social media channels are another cost-effective way to get the word out that you want to hire. People who regularly interact with your LinkedIn, Instagram and Facebook pages already have a feel for your branding, values and culture.

Don't just post jobs. Create an ongoing presence to build your brand as a business and employer. For example, post photos of your employees (with their permission) and success stories as part of your social media strategy.

3. Encourage employee referrals

Your employees understand what's great about working for your business. Let them know you're looking to hire and encourage them to promote referrals. Whether you hire a referral or not, it's a good idea to let employees know the outcome and thank them for the effort.

4. Network for new talent

Stay active in your local community. Job fairs, volunteer organizations, the chamber of commerce and trade shows are all places you could meet future employees. If you're looking for a specific skill, you could target events where those workers would be – for example, attending a hackathon to meet computer experts.

You should also get the word out to your professional network that you're looking to hire. A solid personal referral could speed up the process as it creates trust between you and the candidate before you even meet.

5. Leverage recruitment technology

Applications pile up quickly, especially with online job websites. Recruitment software, known as applicant tracking systems (ATS), can help you and your hiring managers sort through all the resumes and cover letters. You can use the ATS to handle the first round of reviews and identify the best candidates to consider further.

Hiring best practices

Once you have attracted a roster of potential candidates, make sure you are in a good position to turn them into employees.

1. Make sure your offers are competitive

Money talks when it comes to recruitment. Use online salary comparison tools to gauge what others are paying for the same roles in your area. As a small business, you may be unable to match large competitors' top offers. Emphasize aspects of your business that could be compelling to candidates, like more flexible work arrangements, an opportunity for advancement or the opportunity to learn from you and other leaders in the business.

2. Don't delay with quality candidates

If you find a perfect candidate for your business, don't delay giving them an offer. Top candidates apply to multiple places at once, and if your processes are too slow, you could lose that opportunity, especially in a tight labor market.

Work to speed up your decision-making process. For example, push to complete everything in one interview versus several. If you need multiple interviews because there are multiple decision-makers, try to schedule them on the same day or in quick succession. The longer you wait, the more likely the person may get scooped up elsewhere.

3. Try a test run

You may want to include a test for candidates based on the role they are applying for. You could ask candidates to complete a short coding test, present a sample sales pitch or create a basic graphic design. That way, you can see if the employee can deliver what you need.

Another option is to make a short-term offer to a candidate: For example, they could work with you for a month or two. Present it as a way for both to see if you're compatible, and the employee gets paid for the test run.

4. Constantly recruit

Hiring for your small business should be an ongoing process. Don't wait until an employee leaves, or you suddenly need to hire for growth. It can take months to find the right candidate, so the sooner you start, the better.

Think of your long-term business goals and where you expect to be in a year. Consider what staffing level you'd need to make it happen, and start plugging away at the recruitment channels. You'll also be better prepared to manage surprise turnover by constantly recruiting and developing relationships.

Small business employment regulations

As you develop your hiring and recruitment practices, be aware of the small business employment regulations. Next up in this guide are some regulations that are likely to apply to your firm.

Minimum wage and overtime

You must pay employees at least the minimum hourly wage. As of the time of this writing, the [Federal minimum wage](#) is \$7.25 per hour, or \$2.13 per hour for tipped workers. State and local governments have their own minimum wage limits, which can be much higher but never lower than Federal. For example, California has a state minimum wage of \$16 per hour, and it's \$18.67 in San Francisco.

Employees who work more than 40 hours a week should be paid 1.5 times their hourly wage for the extra overtime hours. You are not required to pay overtime if you hire workers at a fixed salary if they are in an executive, administrative or professional role.

Employees and independent contractors

If you hire an employee, you are responsible for covering the employer's share of Social Security, Medicare, unemployment taxes, and other applicable benefits. If you hire an independent contractor, on the other hand, you pay them pre-tax and need not provide benefits. Independent contractors are responsible for paying taxes themselves.

The U.S. Department of Labor is on the lookout for misclassifications and may assess fines for noncompliance. Generally, the more control you have over how the person handles the work, the more likely they should be classified as an employee. Some questions to consider:

- Do they only work for you (more likely an employee), or do they have other clients (more likely a contractor)?
- Can the worker make more by completing the work more quickly/successfully (contractor), or is compensation fixed (employee)?
- Do you control their hours (employee), or can they work their own schedule (contractor)?
- Do you provide them with the equipment (employee), or do they supply their own (contractor)?
- Do you require them to work on-site (employee), or can they work wherever they want (contractor)?

The [U.S. Department of Labor website](#) can walk you through a short series of these questions to help you make this determination. If you have any questions or doubts, consult an employment attorney who can help.

Equal employment opportunities and hiring discrimination

According to the U.S. Equal Employment Opportunity Commission, if you have over 15 employees, your business is regulated by several federal laws like the [Civil Rights Act](#). Your business cannot discriminate in hiring or firing decisions based on race, gender, health status, pregnancy or disability. If you have 20 or more employees, additional federal laws are in place to protect employees against age discrimination.

You must design hiring practices to afford all applicants an equal opportunity. Watch out for hiring or screening bias in your recruitment. Pay attention to any possible bias in employee reviews as well and eliminate any signs of harassment in the workplace.

If you get a complaint from an employee on these issues, think it through and consider whether there is room for improvement, even if you disagree. That may also be a good time to contact an attorney to help protect yourself from allegations or lawsuits.

Equal pay requirements

You must provide [equal pay](#) to employees for equal work. If you are not paying two people doing similar work equally, you need to make up the compensation – not lower the income of the higher-paid worker. Some states, like Illinois and New York, require salary transparency and that you list ranges on your job posts.

Employee benefits and leave

If you have over 50 full-time employees, you must provide health insurance under the [Affordable Care Act](#). You must also give employees who have worked with you for at least a year unpaid leave as requested under the Family and Medical Leave Act for taking care of a new child or sick family member. Other requirements may apply depending on your state, such as the need to provide unemployment insurance, workers' compensation insurance and disability insurance. Select states, such as New Jersey, have their own versions of the Family and Medical Leave Act as well.

Workforce management tips

Replacing employees is expensive. When you factor in the time and money it takes to find, onboard and train a new employee, as well as lost productivity when there is an employment gap, it's likely to be much more cost-effective to reduce turnover. As part of managing the small business labor market, consider how to keep your top employees happy and loyal with these tips.

Give recognition and rewards

If you see an employee doing an excellent job, tell them about it. When employees feel appreciated, they are more likely to stay put. It could be as simple as a shoutout during a company meeting, a small award or a certificate. You could also consider giving performance-based bonuses, like a profit-sharing plan where employee bonuses are based on hitting your small business targets. That way, you all benefit from taking your business to the next level.

Offer a clear path to advancement

Employees often want to know whether there is room for future advancement within the company. Otherwise, they could look elsewhere to advance their careers, especially if they perceive that you are hiring new employees above them.

Be transparent with employees about what is expected in terms of skills and job performance to qualify for a promotion. You could also give opportunities for people to grow into new roles. For example, if your receptionist is passionate about marketing, you could let them try projects such as managing your social media and blog before hiring a different professional.

Invest in employees' skills and development

Promoting learning and development shows employees that you care about their futures. You could pay for online courses, help subsidize the cost of certificate programs and give time during the workweek for employees to study.

Survey employees for ways to improve

Your employees may have ideas on how to improve engagement and retention. Hold regular performance reviews in which the feedback goes both ways; ask employees what you and their managers could do better. If you think employees are holding back, consider circulating anonymous surveys. Take the feedback seriously and to heart. If employees see positive change in response to their feedback, they'll be more likely to stay.

Create a positive workplace

Think of how you can create a happier, more connected team. You could run events or extracurricular activities to help your employees bond, like a sports team, a cooking class, a book club or a monthly group lunch. You could also encourage mentorship by pairing senior employees with new hires.

Consider how you could improve employee work-life balance by providing employees with sick leave and opportunities to take time off. These investments can boost morale and may help reduce turnover.

Navigating the small business labor market

The labor market can be tricky for small business owners with limited resources. But you also have an edge against massive organizations, as you're much closer to the hiring process and your employees. Committing to hiring, recruiting and retaining employees can help decrease employee turnover.

As you build your workforce, ensure that employees have the necessary technology and other tools necessary to be productive and efficient. Investments in your infrastructure as such, and especially in your employees, can help you achieve your business goals and support the business' mission.

Learn more tips about running your small business at [Verizon Small Business Digital Ready](#) to help you drive digital innovation, create a future-ready organization, and be prepared for the modern labor market.

The author of this content is a paid contributor for Verizon.