



The state of SMB hiring report

pipedrive

Foreword



The small business hiring landscape in 2025 has been challenging in ways that often go unnoticed in broader labor market discussions. While national employment data dominates headlines, the reality for small and medium-sized businesses (SMBs) is more nuanced and more challenging.

For small and medium-sized businesses, the core challenge this year wasn't just about budget. It was about finding qualified candidates in an increasingly competitive market. Rising costs and economic uncertainty added pressure, but the fundamental struggle remains talent scarcity. Despite these obstacles, many SMBs pushed forward, expanding teams and doubling down on retention strategies to protect their most valuable asset: their people.

At the same time, technology is starting to shape how small businesses approach hiring altogether. AI and automation are no longer future possibilities. They are present-day tools that SMBs are actively using to work smarter and stay competitive. This shift is creating new opportunities to rethink workforce planning and focus resources where they matter most.

As we head into 2026, the outlook is cautiously optimistic. SMBs are planning to grow, invest in key roles, and adapt to an evolving hiring environment. The priorities are practical: customer service, skilled trades, and technical positions that form the backbone of small business operations.

We're releasing our first annual State of SMB Hiring Report to provide a comprehensive look at the challenges, strategies, and outlook shaping how smaller companies build their teams, based on insights from the professionals who make their hiring decisions. We hope these insights provide a valuable perspective on what SMBs are navigating and inspire you to approach your own hiring strategy with both confidence and agility in the year ahead.

Paulo Cunha
CEO, Pipedrive

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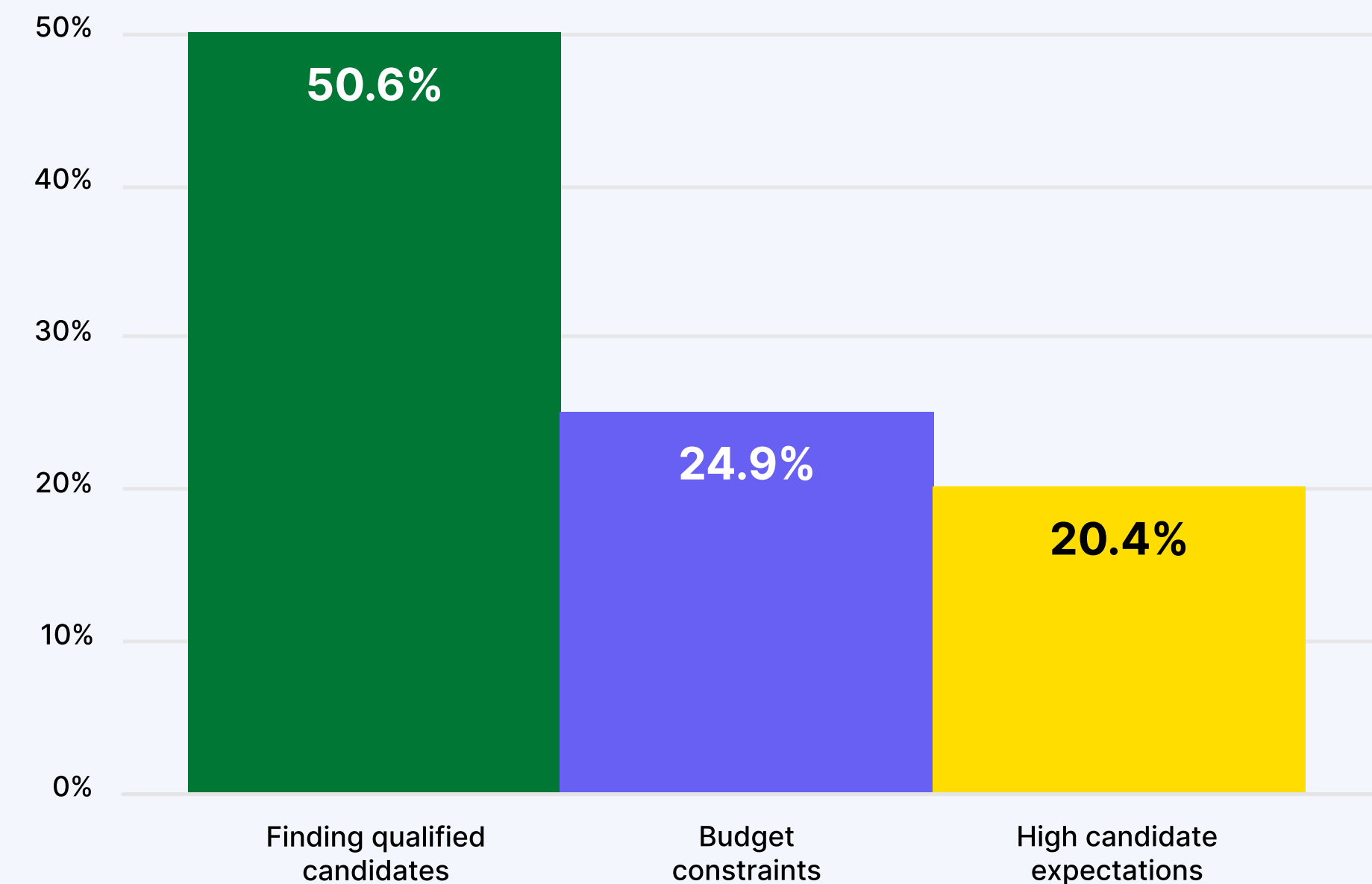
01 The 2025 hiring landscape was challenging for SMBs

Talent scarcity remained SMBs' toughest obstacle

For SMBs in 2025, the hardest part of hiring wasn't the budget. It was finding the right people. Half of all small and medium-sized businesses (**50.6%**) identified finding qualified candidates as their biggest hiring challenge, far outpacing budget constraints (**24.9%**) and high candidate expectations (**20.4%**). This challenge was consistent across all demographics, affecting hiring decision-makers regardless of gender or age.

The challenges didn't end with sourcing. Nearly half (**45.5%**) of hiring decision-makers said filling open positions in 2025 was more difficult than the previous year, signaling a tightening talent market that made recruitment both slower and more competitive.

Top hiring challenges (2025)

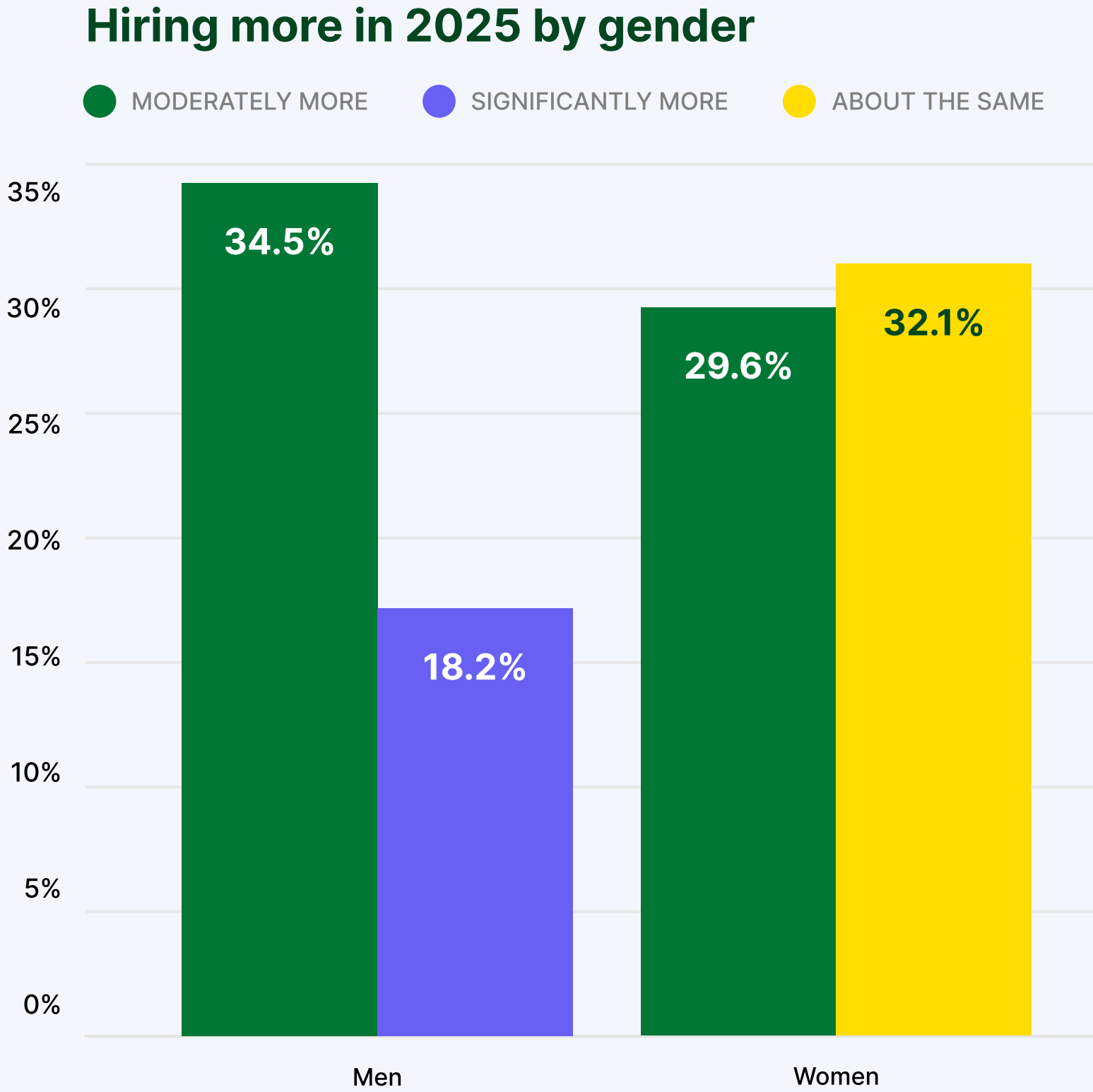


Hiring got more expensive

As the search for talent intensified, so did the cost. Most businesses (**57.8%**) reported that salaries and benefits rose by **5% or more** compared to 2024. For SMBs already operating on tight margins, this added financial pressure made every hire more consequential.

Hiring activity varied by gender

Despite the challenges, many SMBs continued to grow their teams, though hiring trends differed by gender. Among male professionals responsible for hiring, **52.7%** hired more in 2025 than in 2024, with **34.5%** hiring moderately more and **18.2%** significantly more. Female respondents, by contrast, were more likely to maintain steady hiring levels: **32.1%** hired about the same as the prior year, while **29.6%** hired moderately more.



02 SMBs are cautiously optimistic about 2026

Growth is on the horizon

Despite a challenging 2025, most SMBs are moving into the new year with plans to expand. Nearly **60%** of small and medium-sized businesses plan to either expand headcount or add a few positions in Q1 2026, signaling confidence in continued growth. This hiring momentum is backed by budget: **48.3%** of hiring decision-makers are planning to allocate more resources toward hiring needs in 2026 compared to the prior year.

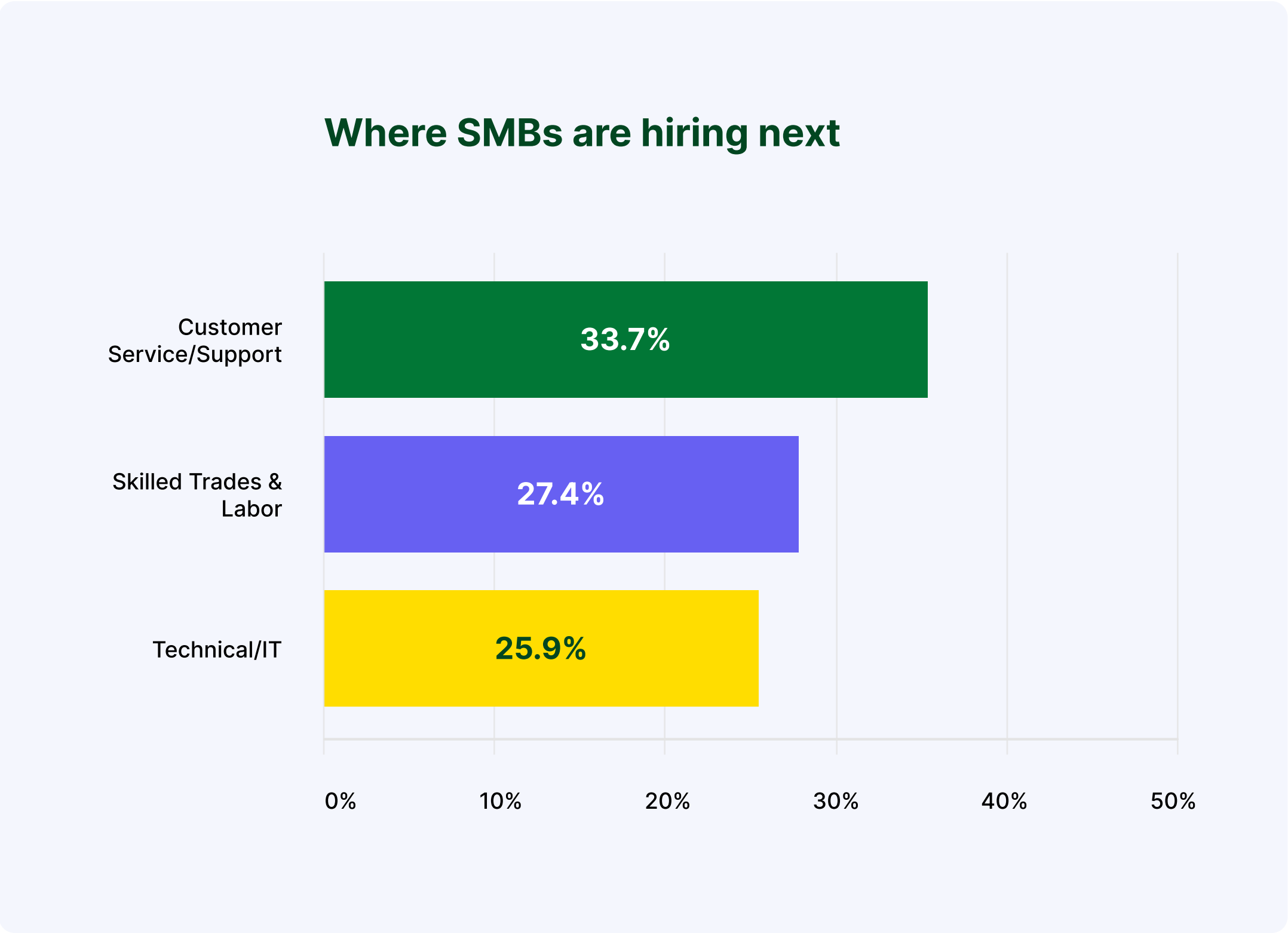
But caution lingers

Not every business is ready to commit. A smaller but notable segment (**12%** of respondents) is either planning to reduce headcount or remain uncertain about their hiring plans for early 2026. This hesitation reflects broader economic uncertainty and suggests that while optimism is widespread, it's not universal.



Where SMBs are hiring next

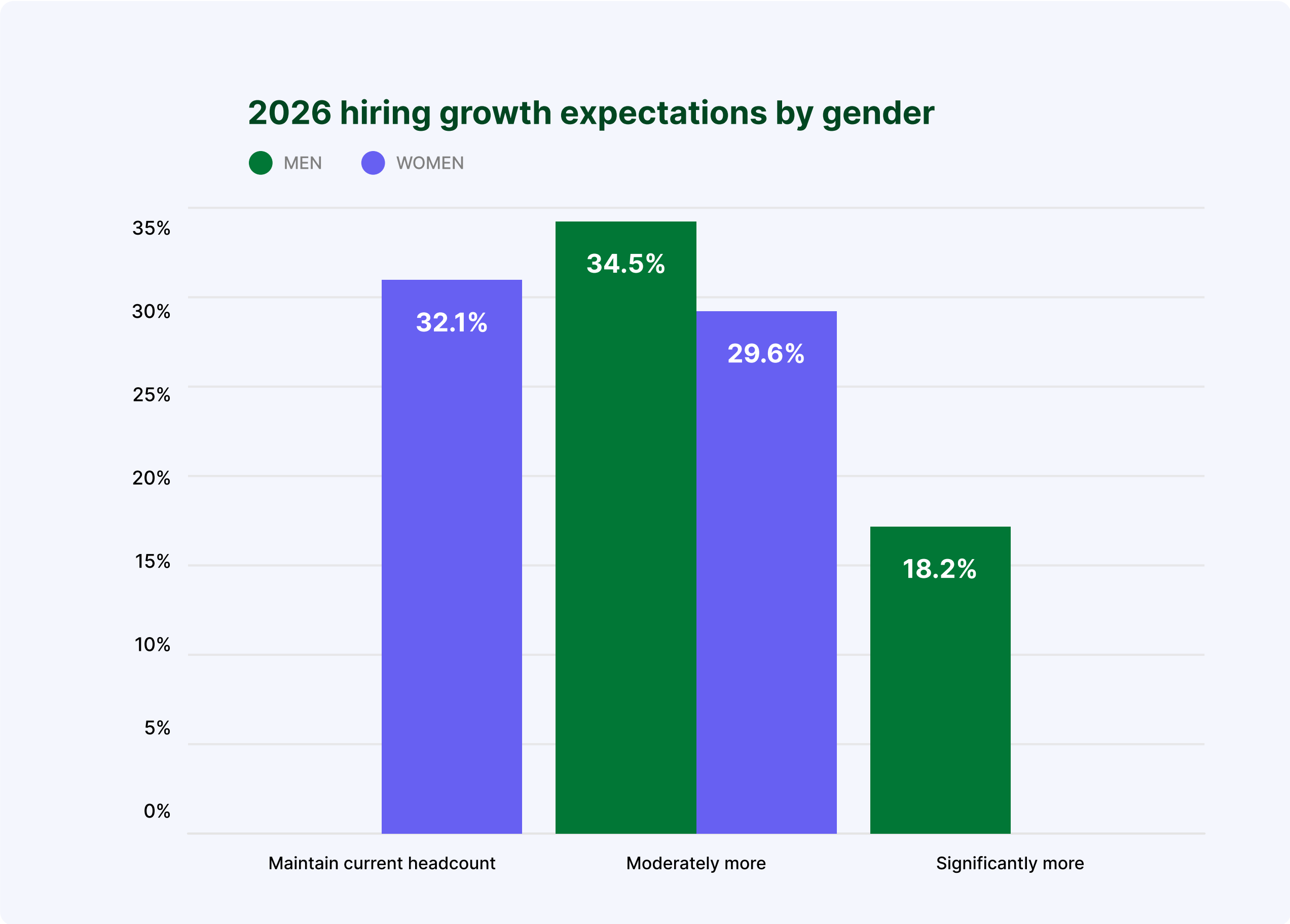
When it comes to filling roles, SMBs have clear priorities. Over the next six months, the top three role types they're focusing on are customer service and support (**33.7%**), skilled trades and labor (**27.4%**), and technical/IT (**25.9%**). These areas reflect both operational needs and the growing importance of technical infrastructure and customer experience in today's competitive landscape.



03 2026 hiring outlook by age + gender demographics

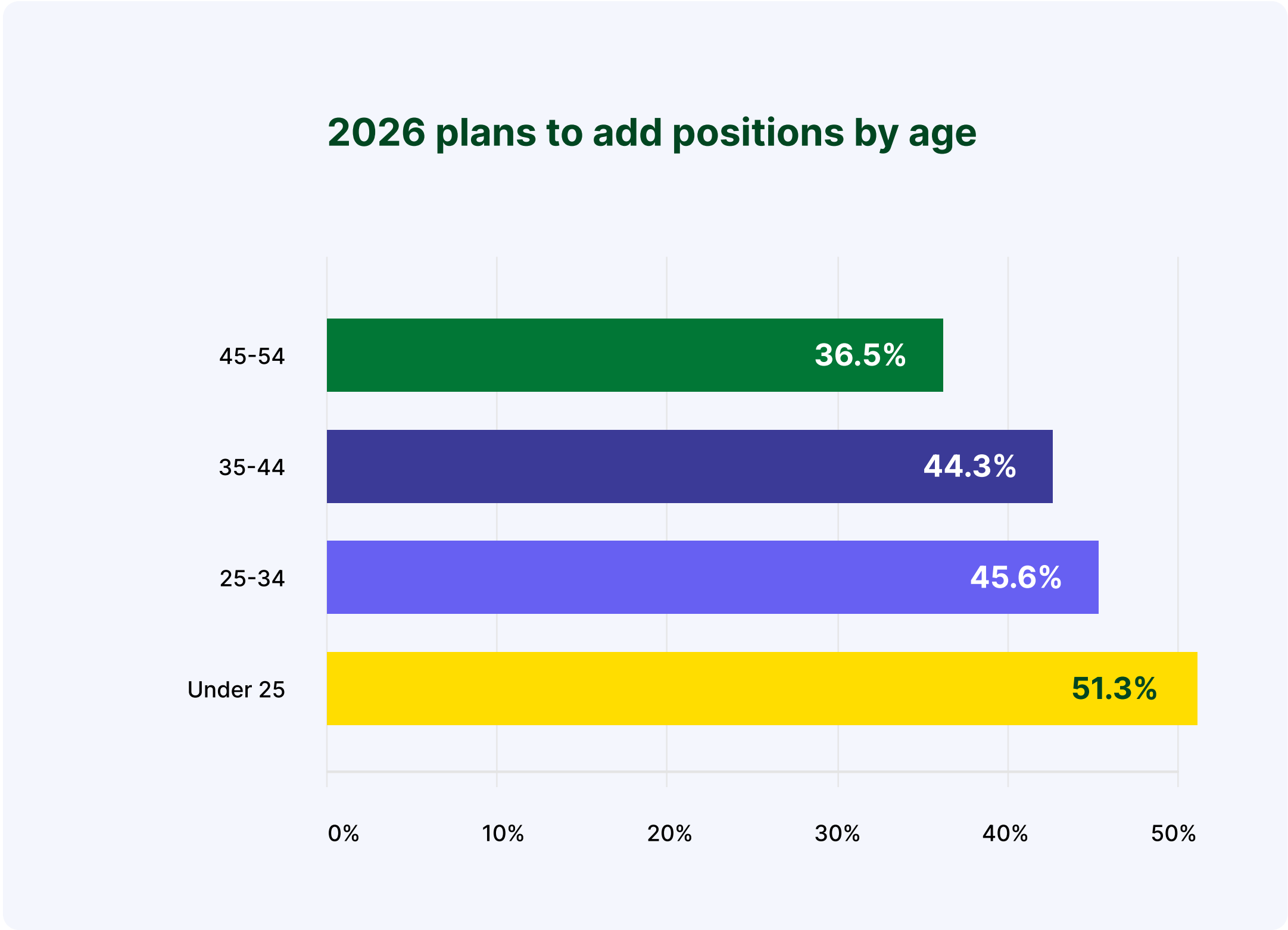
Men are more bullish on growing headcount

When it comes to hiring plans for 2026, men are driving the expansion. More than half (**52.7%**) of male respondents plan to hire more, with **34.5%** hiring moderately more and **18.2%** significantly more. Women, by contrast, are taking a steadier approach: **32.1%** plan to maintain their current headcount, while **29.6%** expect to hire moderately more. This gender divide suggests different risk appetites or business circumstances shaping hiring strategies.



Age influences hiring ambition

Younger hiring decision-makers are more inclined to grow their teams. Over half of respondents under 25 plan to add a few positions in 2026, followed by **45.6%** of those aged 25-34 and **44.3%** of those aged 35-44. The appetite for growth tapers with age: just **36.5%** of 45-54 year-olds plan to add positions, while **42%** of those aged 55-64 plan to maintain current headcount rather than expand.

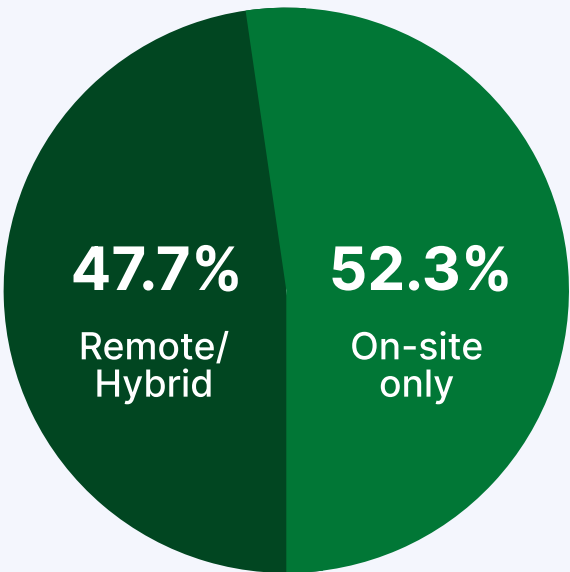


04 Flexibility and technology are reshaping how SMBs hire

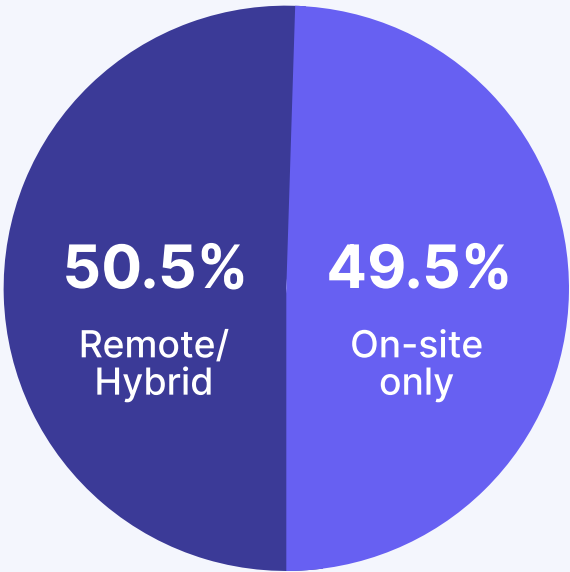
Remote work is now standard

Nearly half (**47.7%**) of SMBs now offer remote or hybrid work options to employees, with the slight majority of respondents' employees (**50.5%**) currently working remotely or hybrid, marking a significant shift from traditional office-only models. This flexibility has become a key tool for attracting and retaining talent in a competitive market, with **38.3%** of SMBs listing flexible work arrangements as one of their top retention strategies, second to competitive salary increases.

SMBs offering remote or hybrid work

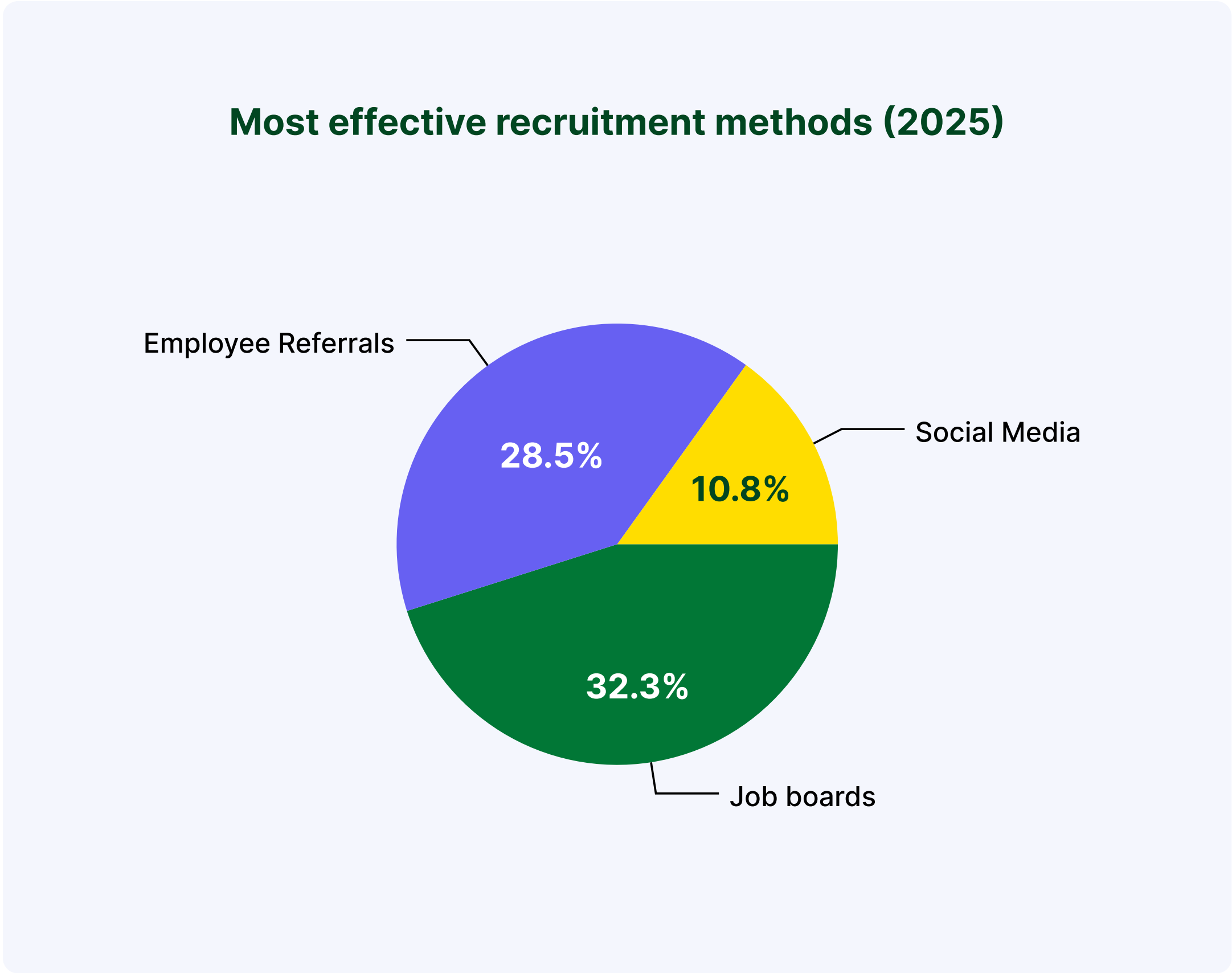


Employee work arrangements



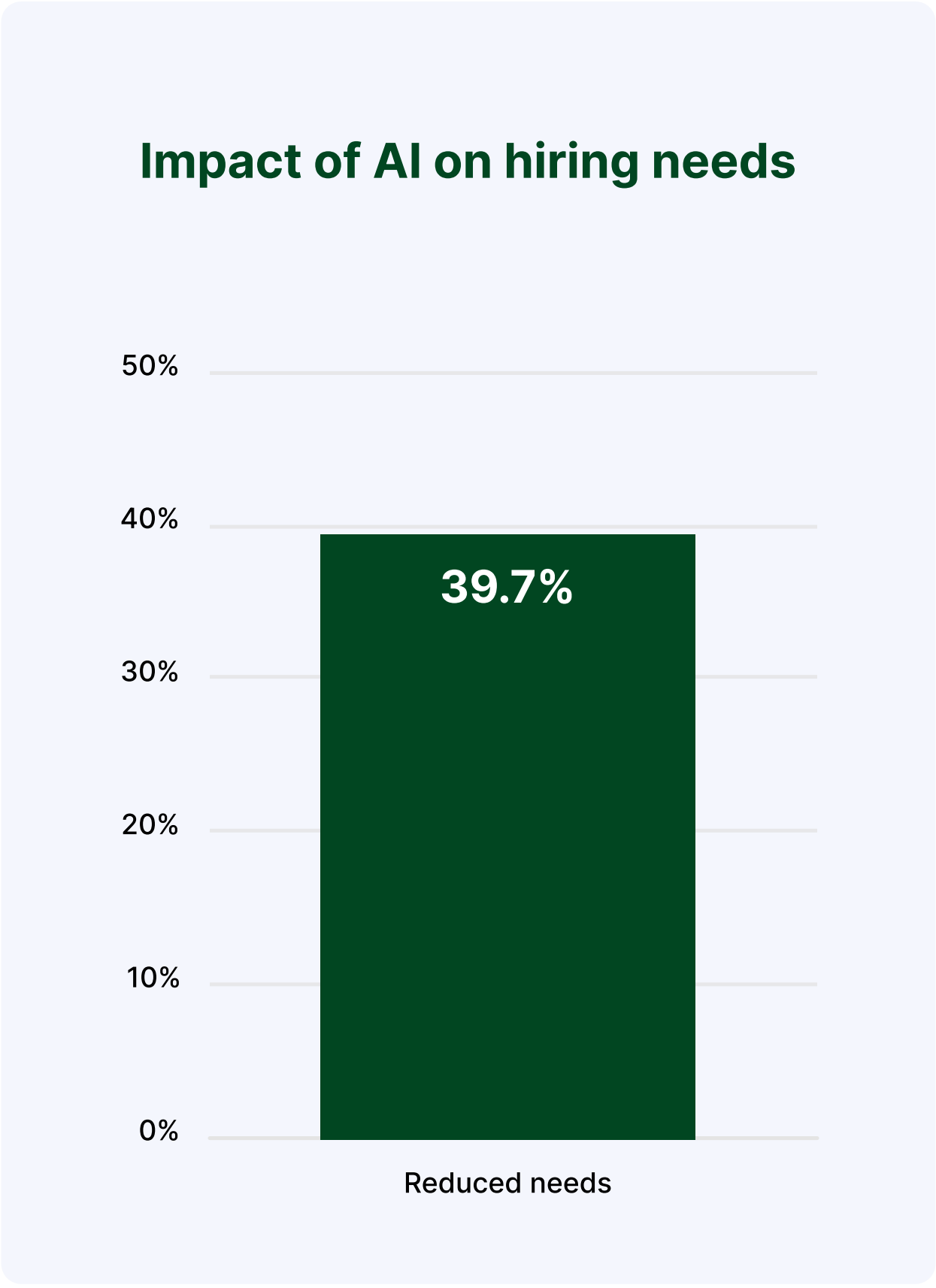
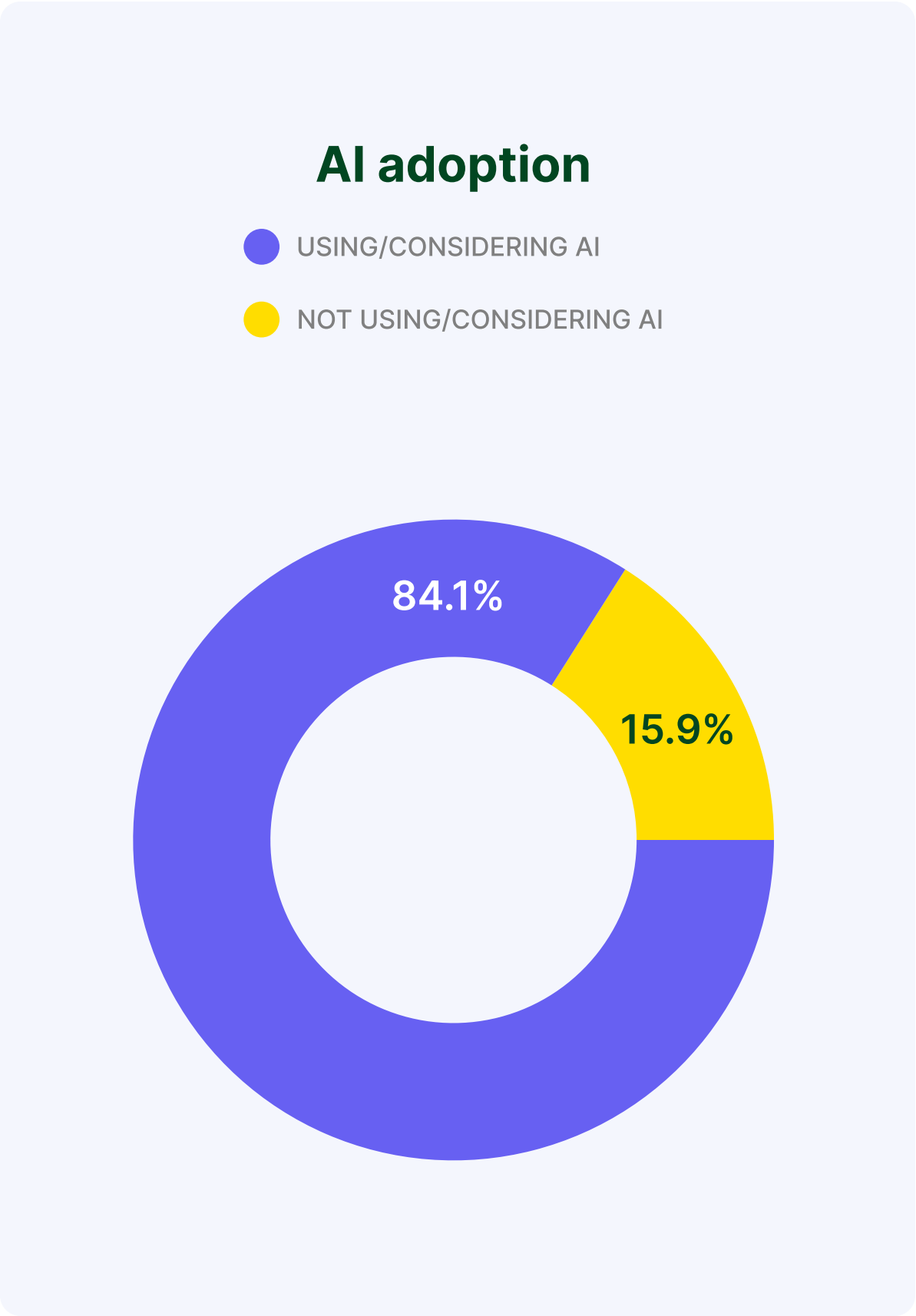
Digital recruitment dominates

When it comes to finding candidates, SMBs are leaning heavily on digital channels. The most effective recruitment methods in 2025 were online job boards like LinkedIn and Indeed (**32.3%**), employee referrals (**28.5%**), and social media (**10.8%**). These tools offer SMBs cost-effective ways to reach qualified candidates without the expense of traditional recruitment firms.



AI is reducing hiring pressure

Technology isn't just changing how SMBs recruit, but also changing whether they need to hire at all. An overwhelming **84.1%** of businesses are either using or considering AI and automation tools, and **39.7%** say these technologies have already reduced their hiring needs.

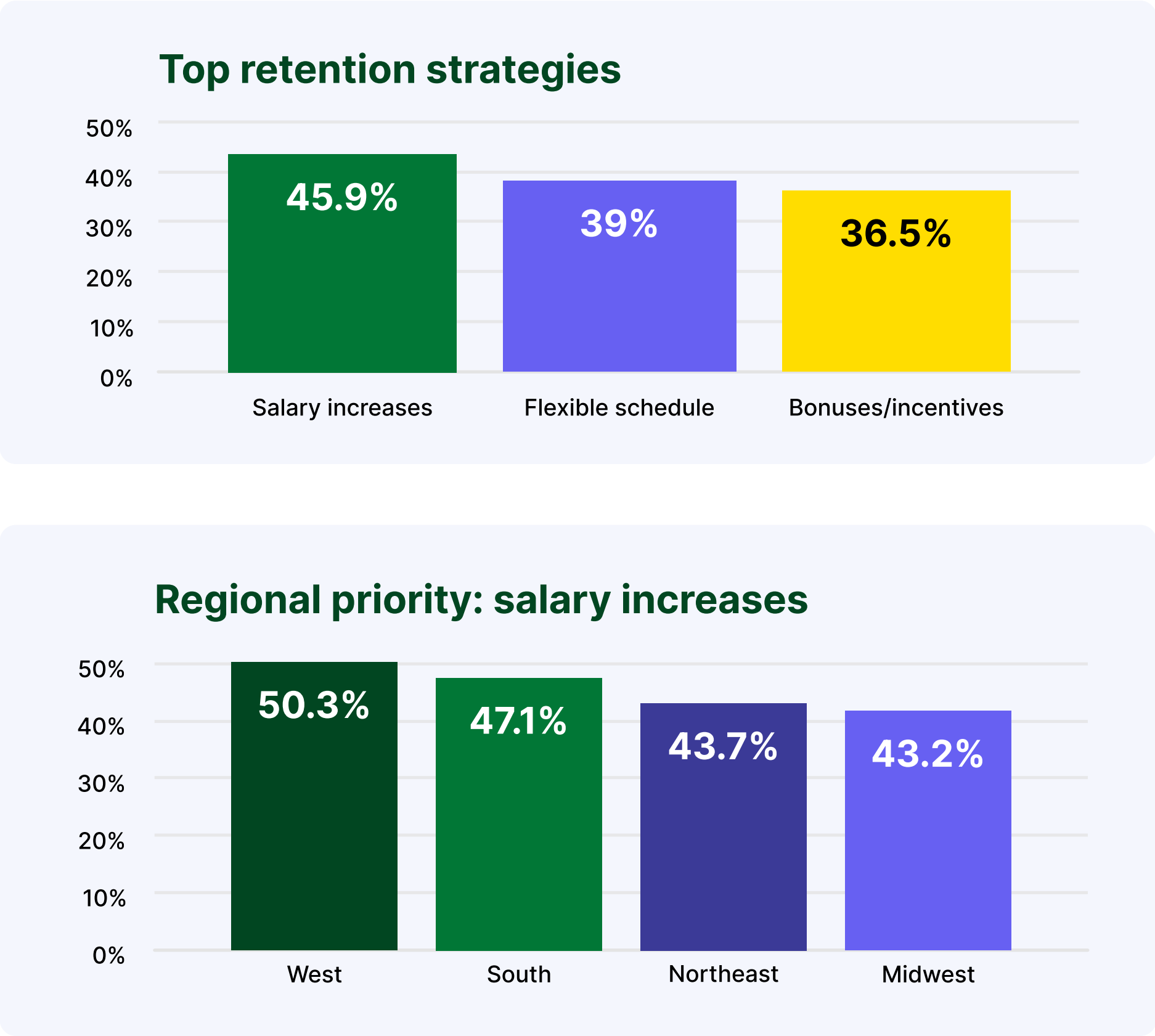


05 Retention strategies are a top priority

Pay, flexibility, and performance lead the way

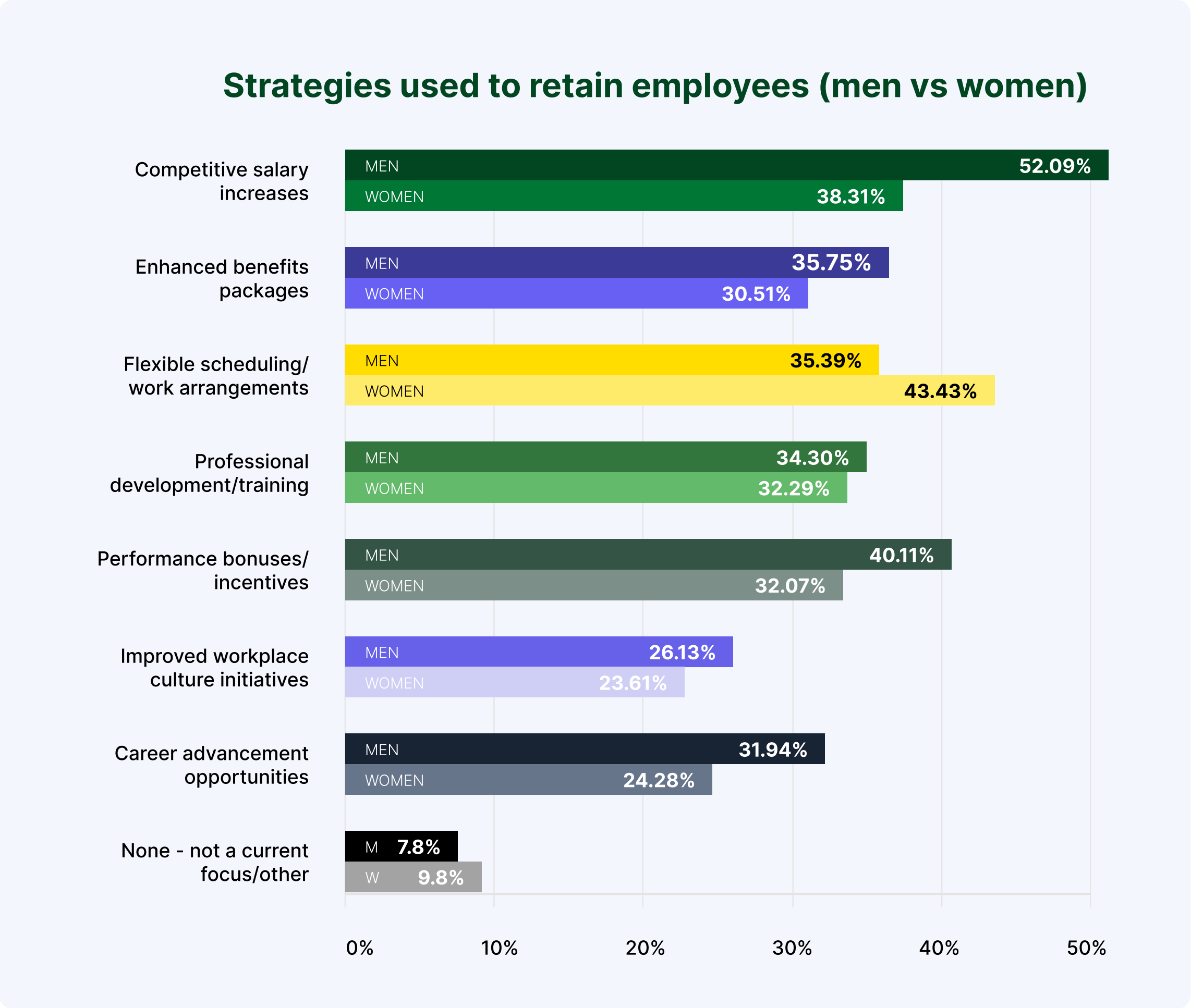
In a competitive labor market where **42.7%** of SMBs say it's hard to find workers, retention has become just as critical as recruitment. Across all regions, competitive salary increases lead the way as the top retention strategy (**45.9%** overall), followed by flexible scheduling and work arrangements (**39%**) and performance bonuses or incentives (**36.5%**).

The emphasis on pay is consistent nationwide, though with regional variation in intensity. The West leads at **50.3%** prioritizing salary increases, followed by the South (**47.1%**), the Northeast (**43.7%**), and the Midwest (**43.2%**). After pay, regional priorities diverge. The Northeast stands alone in emphasizing professional development and training (**36.7%**) as its second strategy, while the Midwest, South, and West all prioritize flexible scheduling (**41-42%**).



Gender shapes retention strategies

The top retention strategy differs by gender. Male respondents most frequently cite competitive salary increases as key to keeping employees engaged, while female respondents prioritize flexible scheduling and adaptable work arrangements, suggesting different perspectives on what employees need most from their workplace.

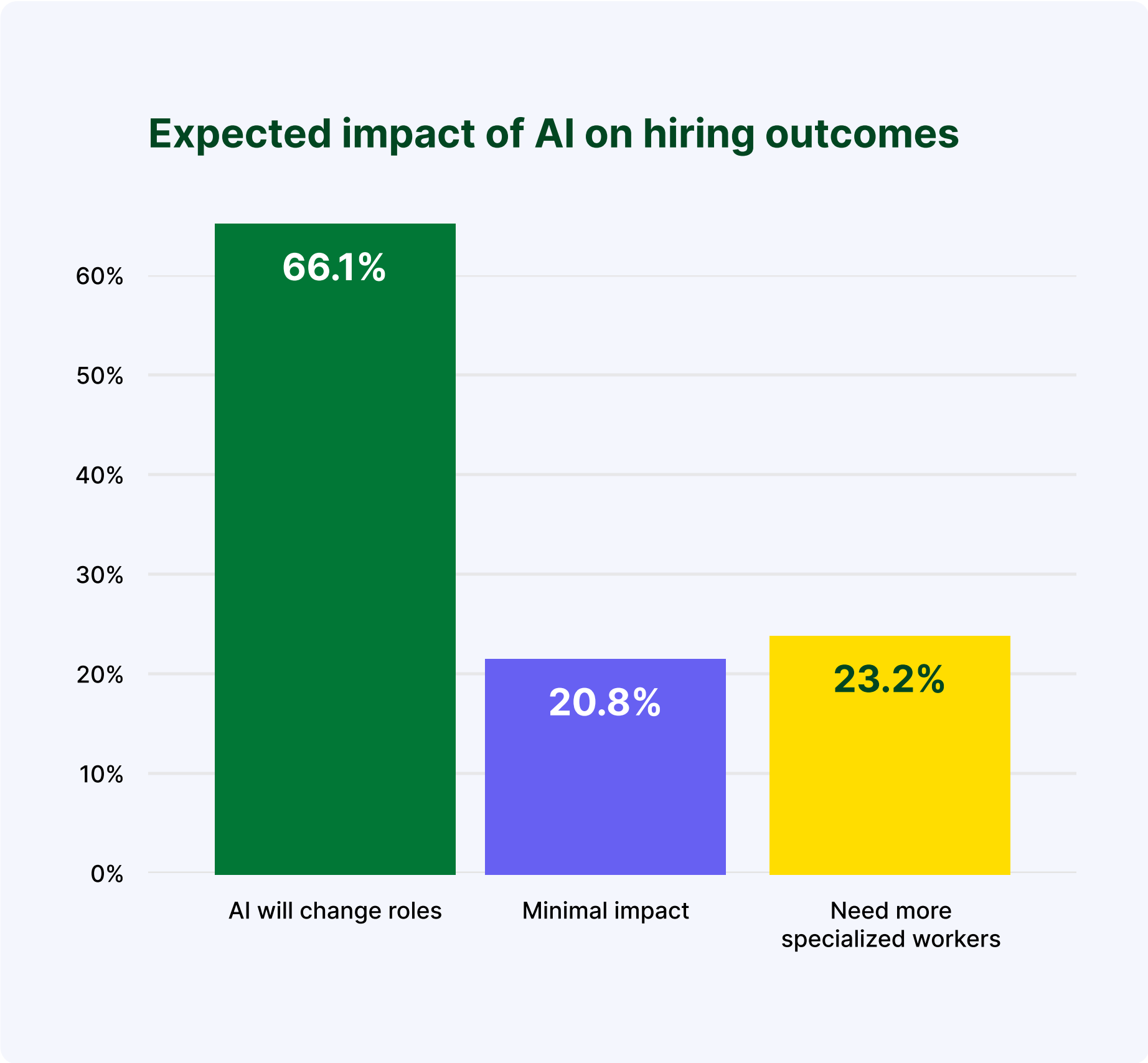


06 AI is beginning to impact SMB hiring outcomes

The future will look different with AI

Looking ahead, the impact is expected to grow. A strong majority of respondents expect AI and automation will change the types of roles they hire for in 2026. This shift suggests a fundamental transformation in workforce composition, with some positions becoming obsolete while new, more specialized roles emerge.

Not everyone sees disruption, though. **About one in five** believe AI will have minimal impact on their hiring needs, while **23.2%** think it will actually create demand for more specialized workers who can work alongside or manage these new technologies.



07 AI adoption shows clear generational divide

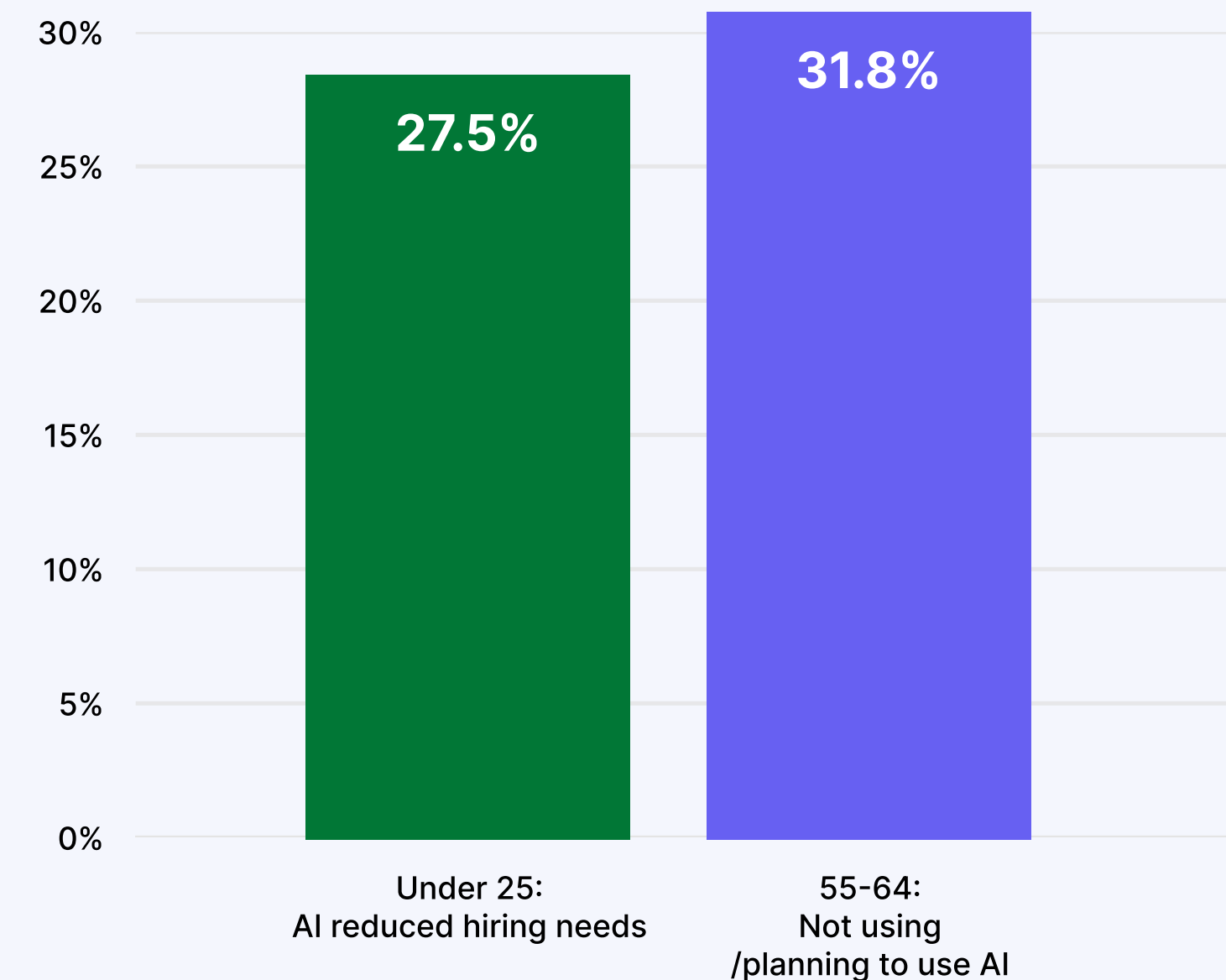
Young leaders are all in

When it comes to AI adoption, age matters. Respondents under 25 are the most aggressive adopters, with **27.5%** saying AI significantly reduced their hiring needs in 2025. These younger decision-makers are digital natives who see automation as an opportunity rather than a threat.

Older leaders remain skeptical

On the other end of the spectrum, the 55-64 age group shows considerable resistance. **Nearly one-third** aren't using AI and don't plan to consider it. This hesitation may stem from unfamiliarity with the technology, concerns about implementation costs, or comfort with existing processes.

Generational split on AI impact & adoption



Key takeaways

01/02

01 The 2025 hiring landscape was challenging for SMBs

In 2025, the biggest hiring challenge for SMBs was finding qualified candidates, impacting all genders and age groups. Hiring grew more difficult and more expensive compared to the prior year, with male employers leading the increase in hiring while women's hiring stayed relatively steady.

02 SMBs are cautiously optimistic about 2026

SMBs are generally planning to grow their teams and boost hiring budgets in 2026. While economic uncertainty creates some caution, key hiring priorities over the next six months are in customer service, skilled trades, and technical/IT roles.

03 2026 hiring outlook by age/gender demographics

Men are leading the 2026 hiring surge, while women are more focused on maintaining current headcount. Younger employees are more likely to expand their teams, whereas older employees, particularly those aged 55-64, generally plan to maintain staffing levels.

04 Flexibility and technology are reshaping how SMBs hire

SMBs are reshaping hiring through flexibility and technology. Many now offer remote or hybrid work, rely on digital recruitment methods like job boards and social media, and increasingly use AI and automation to streamline hiring. For many SMBs, automation is filling gaps that would have previously required new hires.

Key takeaways

02/02

05 Retention strategies are a top priority

Across the U.S., competitive salary increases lead SMB retention efforts. Although flexibility and professional development matter, pay remains the main factor in keeping employees across all regions. Strategies vary by region and gender, with the Northeast highlighting professional development, men valuing pay, and women preferring flexible work arrangements.

06 AI is beginning to impact SMB hiring decisions

AI is beginning to shape SMB hiring. Many businesses have leveraged AI and automation to reduce hiring needs, and most anticipate these tools will change the types of roles they recruit for in 2026.

07 AI adoption shows clear generational divide

Younger employees are more likely to use AI to reduce hiring needs, while older employees are more resistant and less likely to adopt these technologies.

Methodology

This report is based on a national survey of **1,000 professionals** who make hiring decisions or have input on hiring decisions at a small to medium-sized business (less than 500 employees).

Respondents answered quantitative questions about hiring challenges, budget allocation, retention strategies, technology adoption, and workforce planning. Data was collected in **November 2025** via a structured online questionnaire.