

Price Hikes and Layoffs: The Impact of Tariffs and Tariffs Uncertainty on Small Businesses

There are nearly 35 million small [businesses](#) in the United States, employing 59 million people across the country. Tariffs imposed by President Trump – and the uncertainty around what those policies are on any given day – have already begun to impact small businesses.

When combined with a generally [weakening](#) economy, the uncertainty and higher costs caused by tariffs are beginning to force many small business owners to make difficult choices about layoffs, price hikes, and even whether they can keep their doors open. For instance:

- **Thirty percent** of small business owners indicated in March that they plan to increase prices – the highest amount reported over the last year;
- **Employment at small businesses with fewer than 10 employees declined by 3 percent– 366,400 jobs** – since President Trump took office; and
- **Five of the 12** Federal Reserve Districts recently reported weakening manufacturing activity.

This report from the Joint Economic Committee – Minority lays out data and specific examples that demonstrate how tariffs are already harming small businesses.

Small businesses are especially vulnerable to tariffs and tariff uncertainty

Small businesses [generate](#) nearly **44 percent** of U.S. output measured by the Gross Domestic Product, and are [essential](#) for strengthening the resiliency of U.S. supply chains and supporting other U.S. businesses. Most small businesses are likely to face direct harms from higher tariffs on U.S. imports or retaliatory tariffs imposed by other countries. A recent [survey](#) of small- and medium-sized businesses found that **two-thirds** of those surveyed either directly sell imported goods or rely on imported inputs for their own production. Additionally, as of 2023 more than **97 percent** of U.S. [exporters](#) were small businesses with fewer than 500 employees.

These small businesses are simultaneously [shouldering](#) higher costs for orders they initiated

“As a state that thrives on trade, we know firsthand how these policies disrupt supply chains, increase costs, and threaten jobs. We’ve seen it before—when Kentucky’s bourbon industry was hit by retaliatory tariffs, it lost nearly \$600 million in exports. These policies have real consequences,” warned [Ashli Watts](#), President and CEO of the Kentucky Chamber of Commerce.

months ago and facing massive uncertainty around the prices that they will pay going forward. Small businesses also typically have less flexibility to adjust their supply chains, less cash available to stockpile inventory, and are unable to leverage market power to [negotiate](#) down the prices that they pay to [suppliers](#). Small businesses also rarely have the [resources](#) to push for [tariff](#)

[exemptions](#) and other carveouts. Underscoring the harm tariffs pose to small businesses, the U.S. Chamber of Commerce [called](#) on the Trump administration to create automatic exclusions for small business importers and an expedited process for exclusions for small businesses that may have to cut jobs as a result of tariffs. The letter stated, “The Chamber is hearing from small business owners every day who are seeing their ability to survive endangered by the recent increase in tariff rates. The Chamber requests the administration **take immediate action to save America’s small businesses and stave off a recession.**”

Many small businesses also have precarious finances; based on the results of a recent [survey](#), approximately **11 million** carry revolving debt on their business credit cards and **11 million** use their business credit cards to fund basic operations. 1,800 small businesses have also lost [contracts](#) with the federal government since inauguration day.

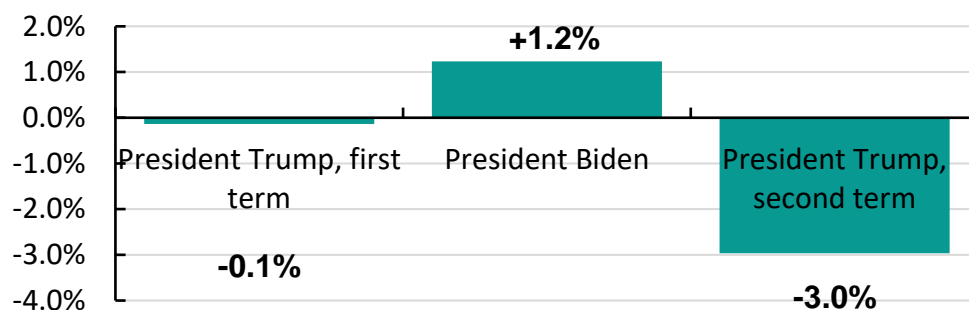
Tariffs & tariff uncertainty are already hurting small businesses

Small businesses are already experiencing negative impacts from tariffs and other economic uncertainties, leading them to make layoffs and pull back on hiring.

- Employment at the [smallest businesses](#) (those with fewer than 10 employees) has **dropped by 3 percent, or 366,400 jobs**, since the beginning of President Trump’s second term.
- This compares to a 1.2 percent *increase* during President Biden’s first three months in office and a 0.1 percent *decline* during President Trump’s first three months during his first term.

Employment at the Smallest Businesses Has Already Declined in the First Months of Trump's Second Term

Change in employment at businesses with 1-9 employees, January to April of each recent Presidential term



Source: JEC - Minority analysis of Intuit Quickbook's monthly Small Business Index.



Small businesses anticipate that the challenges that they already face will continue to grow:

- The net percent of small business owners [expecting](#) better business conditions declined for the third consecutive month in March – from 37 percent to 21 percent. This represents the largest monthly decline since December 2020.
- Thirty percent of small business owners in March indicated that they are [planning](#) price hikes. This represents the highest reading since March 2024 – and some small businesses have already been forced to raise their prices.

Small businesses in the manufacturing, construction, trucking, and restaurant industries are hit especially hard by tariffs and tariff uncertainty

A large share of manufacturing [firms](#) and those in related industries, such as construction, are small businesses that are facing significant challenges from the announced tariffs. These include higher costs for inputs like steel used in manufacturing, and lumber and drywall that are used in construction. There are roughly **1 million small businesses** in these industries, and the approximately **11 million workers** that these businesses employ could be at risk of losing hours,

employment, or opportunities for career advancement because of the tariffs. Nearly all of the roughly **200,000 residential building construction firms in the U.S.** are small businesses. If these businesses close, it can further slow housing production and exacerbate the country's housing [crisis](#).

“...Builders estimate a typical cost effect from recent tariff actions at \$10,900 per home.” - [Data](#) from the National Association of Home Builders/Wells Fargo Housing Market Index April 2025 Survey.

In its April 2025 economic [update](#), which includes information from Federal Reserve regional staff and interviews with business contacts and economists, the Federal Reserve reported that **overall manufacturing activity has recently weakened in 5 of its 12 regional Districts** – in large part due to trade pressures. The Federal Reserve Bank of Cleveland found a recent decline in demand for manufactured goods, with contacts citing import tariff uncertainty and other Trump administration policies as the reasons.

“I lost a contract because one of my clients, a high-end home builder, is anticipating the effect of the tariffs. Their supplier, a major lumber yard, has already raised their prices by about 25% because of predicted future tariffs. So whether or not tariffs happen exactly as expected, the price increases are already in motion,” stated [Nancy Clark](#), the owner of consulting firm Drive Brand Studio in New Hampshire

Smaller businesses that specialize in trucking and logistics are directly exposed to a tariff-driven decline in imports and exports. There are nearly **1 million** employees at the approximately **157,000** truck transportation small businesses that help transport imports and exports all around the country. The port of Los Angeles, one of the [main](#) U.S. ports for Chinese freight and other Asian trade, is already [expecting](#) a more than **35 percent** decline in scheduled vessels for the week of May 4 compared to last year. With less freight coming and going, firms in these

industries may be [forced](#) to let employees in the sector go, and some larger firms [already](#) have announced layoffs.

In the restaurant industry, nearly all of the nearly **450,000 restaurants in the United States** are small businesses that employ a total of more than **7.2 million workers**. Small businesses in this industry – which [often](#) operate with razor-thin profit margins – would be hit especially hard by tariffs on things like ingredients and kitchen equipment that cannot be sourced within the United States. In addition to contending with tariffs, restaurants are also dealing with decelerating consumer [spending](#) and [sentiment](#) as well as a drop in [tourism](#). [Reporting](#) shows **restaurants are already changing menus, prices, and business models to deal with these mounting pressures.**

“Many restaurant operators source as many domestic ingredients as they can, but it’s simply not possible for U.S. farmers and ranchers to produce the volumes needed to support consumer demand,” noted Michelle Korsmo of the [National Restaurant Association](#).

Millions of Small Businesses and Workers in Key Industries Will Pay the Price for Tariff Uncertainty			
Industry	Number of Small Businesses	Share of Total That Are Small Businesses	Employment at Small Businesses
Manufacturing	235,088	98.3%	4,984,670
Construction	781,192	99.8%	5,942,593
Residential building construction (construction subsector)	207,237	99.9%	797,526
Restaurants and other eating places	448,639	99.6%	7,221,337
Truck transportation	156,373	99.6%	957,601
Source: JEC – Minority calculations using U.S. Census Bureau data. Note: Data are for 2022. Small businesses are defined as those with under 500 employees. Residential building construction is a subindustry within the construction industry.			

Small business owners are speaking out about the impact that tariffs have had on them

The following is a small sampling of experiences detailed by small business owners as they deal with tariffs and tariff uncertainty, which complement the ones detailed throughout the rest of the report.

- “Either we’re going to take the brunt of impact and not be able to grow and reinvest in our business, or we’re going to pass it along to customers and potentially lose business,” said [Marie Olberding](#), CFO of Select Arc. Inc. – a **Fort Loramie, Ohio**-based manufacturer that

imports steel to build welding electrodes. Speaking to the U.S. Chamber of Commerce, Olberding said hiring is one of the areas where the company may have to cut back.

- [Amber Morgan](#), who owns a small business in **Nashua, New Hampshire** that imports flowers from Canada, is already facing cost pressures: “We anticipate that the annual costs will range from \$55,000 to \$80,000 per year, or the equivalent of two full-time employees. We will not be able to give pay raises, hire new individuals we desperately need, give part-time workers more hours, or purchase replacement vehicles we similarly desperately need. This additional financial strain not only affects our ability to remain competitive but also places an undue burden on our loyal customers who rely on our products and services.”
- [Mike Taylor](#), owner of a small construction business in **Lexington Park, Maryland** highlighted the impact of steel and aluminum tariffs on his businesses, stating that a 25 percent tariff will increase the average cost to build a home by about \$20,000.
- [Ed and Becky Morgan](#) own a farm in **Shanks, West Virginia** and highlighted the rising costs of plastic packaging for meat. They expressed their hope that they would not have to pass increasing costs on to consumers, but shared that their profit margin is already only 5-6 percent. They also described their inability to plan given the tariff uncertainty: “We stand a chance of overcoming prices, we can’t overcome uncertainty,” Becky explained.
- [Zach Davis](#), co-owner of The Penny Ice Creamery in **Santa Cruz, California** described the impact of tariffs on something as small – yet make-or-break for his business – as sprinkles, “Being able to offer that add-on can maybe generate an additional 10 cents in profit per scoop. If a tariff wipes that out, that can really be the difference between being profitable and being break-even and even being underwater by the end of the year.”
- [Ben Coryell](#) runs a wilderness guiding company in **Golden, Colorado**. Several customers have cancelled their climbing courses and trips with the company, citing economic uncertainty due to tariffs.
- Speaking against the notion that tariffs will onshore manufacturing, [Clifton Broumand](#), a small business owner from **Landover, Maryland** explained, “If these tariffs go into place, I will have to move my production to Vietnam to compete with the Chinese in my export business. How does this help my employees? How does this help small businesses in our country?”
- Thread Wallets, an accessories company in **Provo, Utah**, was unable to establish a price when a big retailer placed a new order for the next holiday season. “That’s simply because of the fluidity of these tariffs,” the small business’ [finance chief](#) explained.

- “Small margins made smaller can have some unintended consequences, especially for businesses like ours that are deeply tied to our communities. We know we’ll need to explore options to offset the impact, but at this time, we’re not certain what those options will look like,” detailed [Nikki Bravo](#) who owns a small coffee business in **Chicago, Illinois**.
- [Traci Tapani](#), co-president of a sheet metal fabricator small business in **Stacy, Minnesota** and Vice-Chair of the U.S. Chamber of Commerce’s Small Business Council expressed concern around uncertainty, explaining that “the threats and uncertainty have made it hard to make business decisions, and these kinds of tariffs will make it extremely difficult for small businesses like mine to grow.”
- [Shayai Lucero](#), who owns a small floral design and gallery business in **Laguna, New Mexico**, emphasized the difficult decision to increase prices: “I operate a floral shop in New Mexico and have had to raise my prices. Most roses are imported from South America and now cost around \$2.00 per stem (wholesale) instead of \$0.99 due to the tariffs. I was able to maintain affordable pricing for the communities I serve for the last four years by absorbing costs where I can. However, I have recently had to increase costs by a minimum of \$5 just to stay afloat and I will still be taking a financial hit.”
- [Beth Benike](#) from **Zumbrota, Minnesota**, a veteran and the state’s Small Business Person of the Year, owns a small business selling a product that holds babies’ food and toys. Benike has faced varying – yet always high – tariffs over the last few months until realizing her business was no longer sustainable. “I can’t get any more loans. I’m fully leveraged. I have my house on the line already. I can’t get more loans,” she explained.
- [Tandy Jeckel](#) is a **Long Island, New York** small business clothing store owner and a supporter of President Trump. She expressed strong concerns about the impact of tariffs on her business, saying “But, with the tariffs, that’s my only issue... because I have a small business. So it’s not really political, it’s just something that - this has to be rectified for our small business, because how long can we go on with this for my small business?”
- “The damage to our sales and to our long-time vendors would dramatically impact our business’ ability to function long before those lines could pivot to other countries or the U.S. There are thousands of locally owned clothing stores in the country that are still trying to recover from the covid collapse of our industry. These tariffs could be the nail in the coffin for many of us,” warned [Mike Roach](#), who owns a small clothing store in **Portland, Oregon**.