

Middle Market Snapshot

Workforce Pressure and Response

Executive summary

The war for talent in the middle market has narrowed into a war for top talent. Most companies can fill a seat now. Filling the right seat, and affording the person who sits in it, is where the pressure has concentrated.

KeyBank's Middle Market Snapshot surveyed 350 financial decision-makers in September 2026 about the workforce environment their companies face today.

The picture is steadier than it has been in years. Three in four companies say their workforce is sized about right, and hiring is described as easy more than twice as often as difficult. The pressure has narrowed instead of disappearing. Skilled trades and technical roles remain hard to fill, labor costs rose for most firms and fell for almost none, and nine in 10 feel those costs in their margins. Many are responding by raising pay, investing in training, and automating the roles hardest to keep staffed.



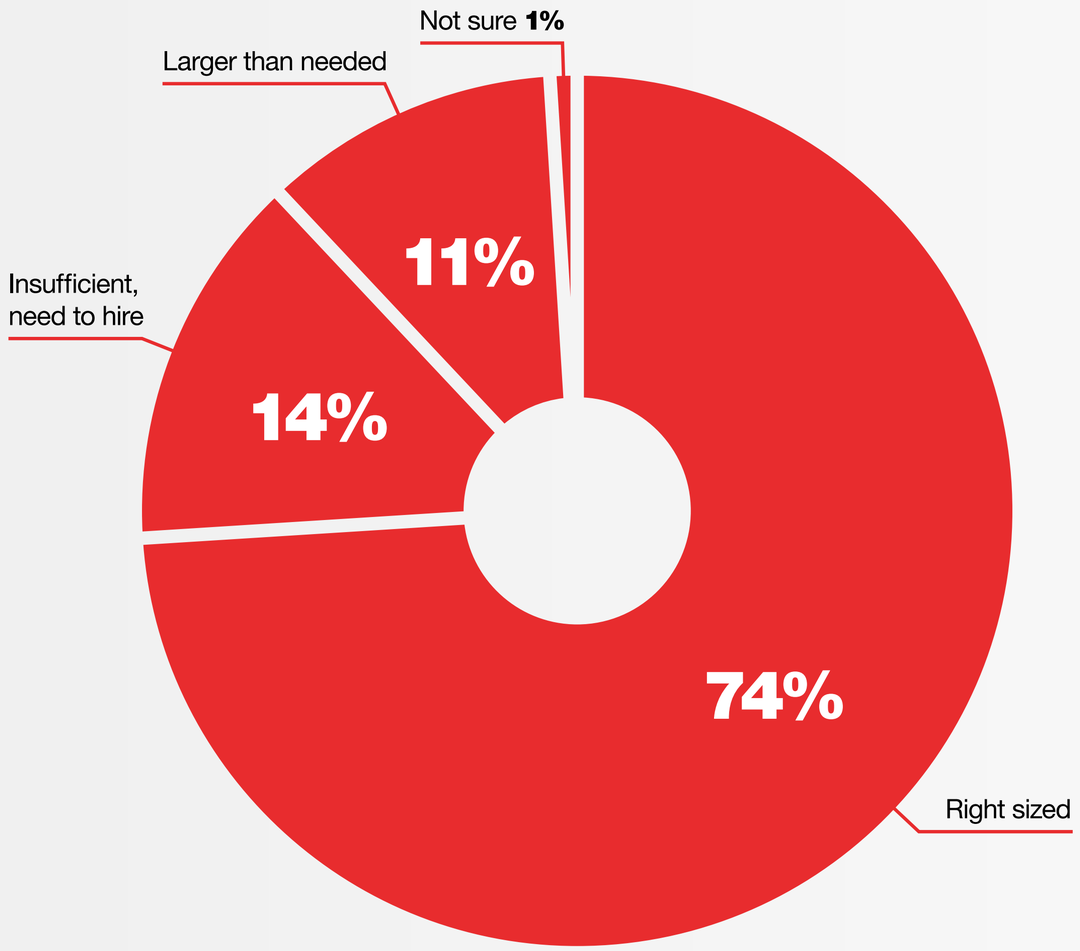
Three in four firms are right-sized today

Most middle market firms report a workforce that matches current business needs. The remaining quarter splits almost evenly between companies that need to hire and companies carrying more people than conditions require. The imbalance runs in both directions, which makes the segments underneath the headline more useful than the headline itself.

21%

of **firms with primarily hourly or production-based roles** report insufficient staffing, compared with 5% of salaried-heavy firms.

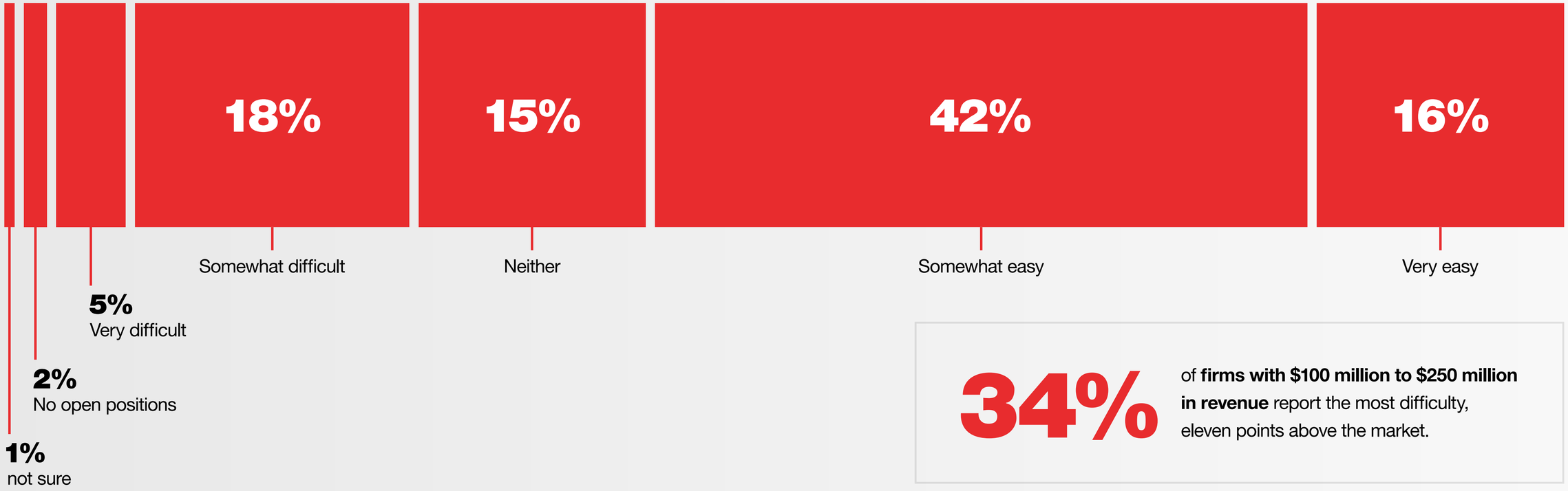
How would you describe the size of your current workforce relative to your current business needs?



Hiring leans easier by more than two to one

Nearly six in ten firms describe filling openings over the past year as easy, against roughly one in four who found it difficult. Only 2% had no openings at all. The aggregate reads like an employer's market, though the role-level picture that follows complicates that considerably.

Over the past 12 months, how easy or difficult has it been for your company to fill job openings?

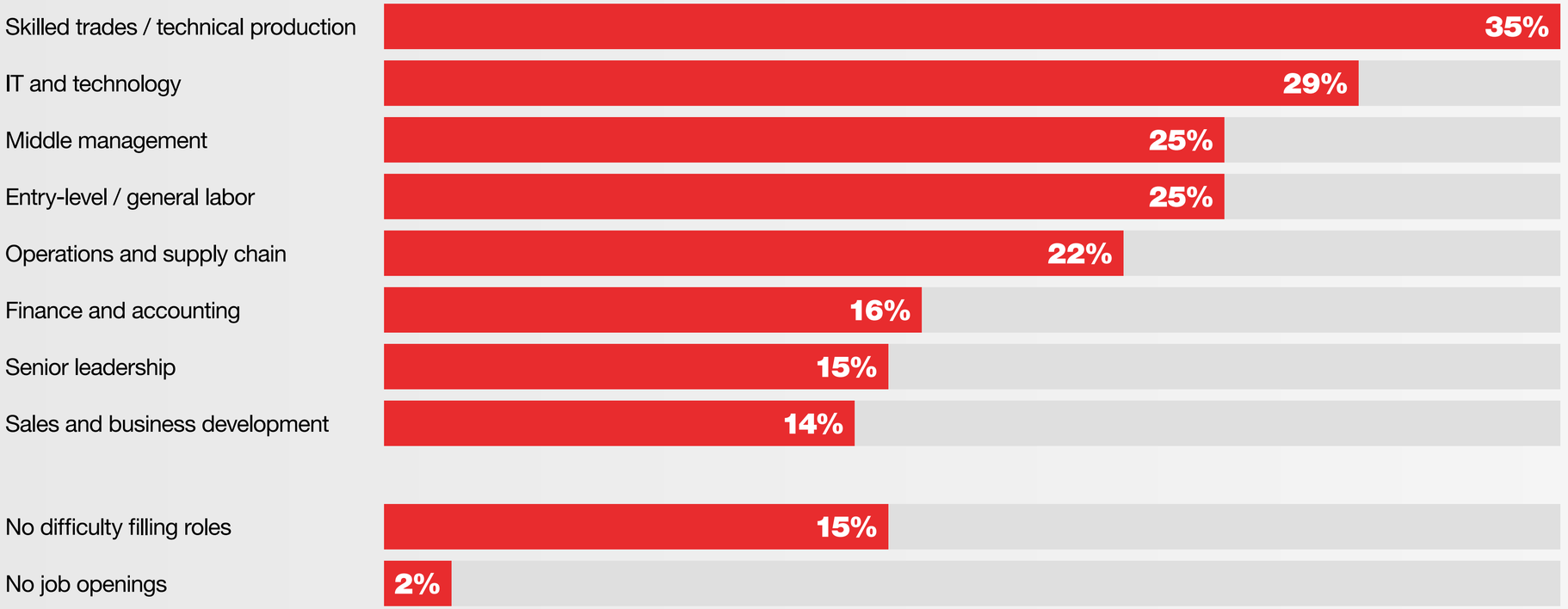


34% of **firms with $100 million to $250 million in revenue** report the most difficulty, eleven points above the market.

Skilled trades and technical roles stay hardest to fill

Even in an easier hiring market, specific roles remain stubborn. Skilled trades and technical production lead the list, followed by IT, middle management, and entry-level labor. The pattern suggests the broad labor shortage has narrowed into a set of targeted gaps rather than resolving.

If your company has had difficulty filling job openings in the past 12 months, which types of roles have been hardest to fill?



“I’d be cautious about saying we’ve turned the corner and entered an employer’s market. Hiring looks easier in the aggregate, but the right talent is still top of mind for the owners I sit across from. Skilled trades and technical roles stay hard to fill. The war for talent has narrowed into a war for top talent, and companies are still competing hard for the people who matter most.

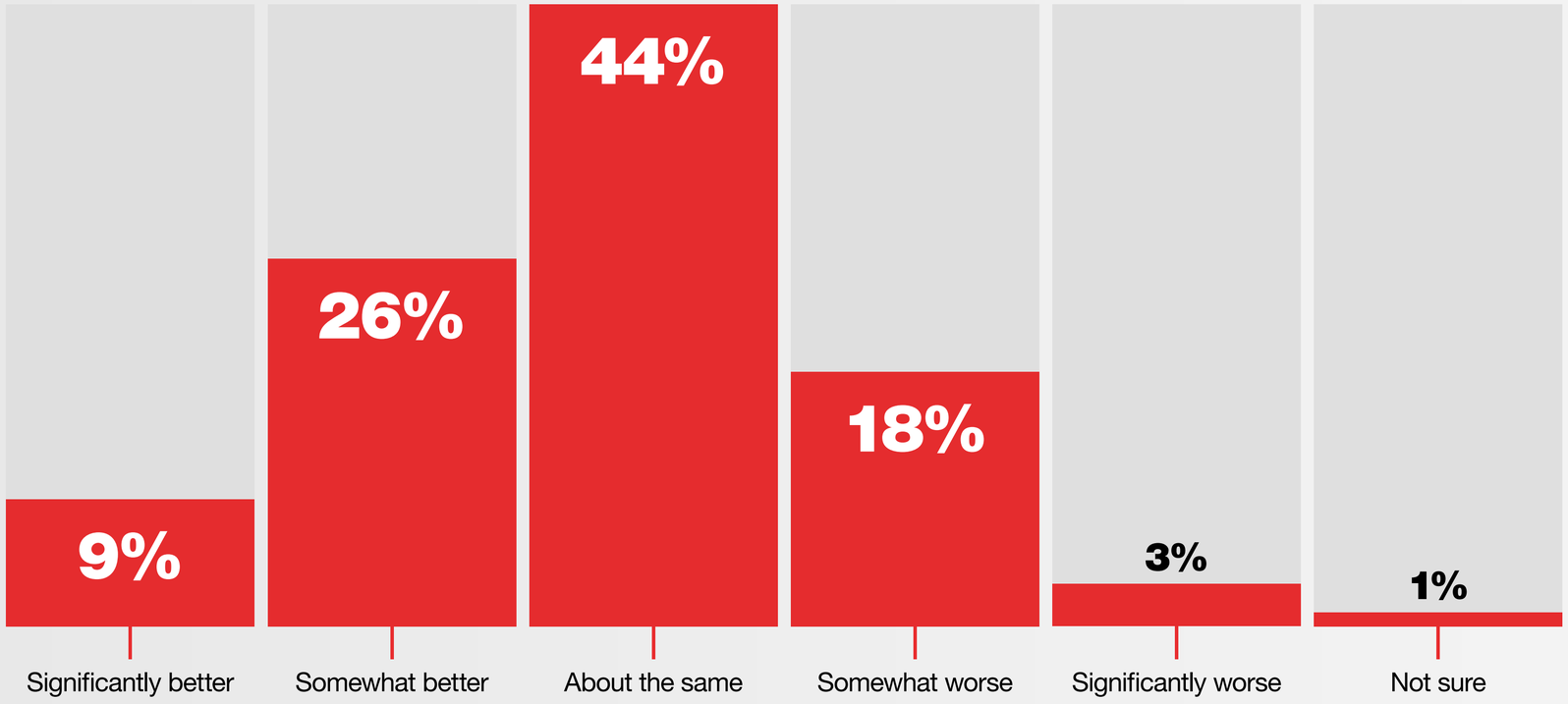


Ryan Ferris
Commercial Leader
Key Commercial Bank

Conditions improved more often than they worsened

Compared with two years ago, 35% of firms say workforce challenges have eased while 21% say they intensified. The largest group, 44%, reports no real change. The direction is modestly positive, and the size of that middle group is the more telling number.

Compared to two years ago, have workforce challenges at your company become better, worse, or stayed about the same?



30%

of **companies with $10 million to $25 million in revenue** say conditions have worsened, against 1% of firms above $500 million.

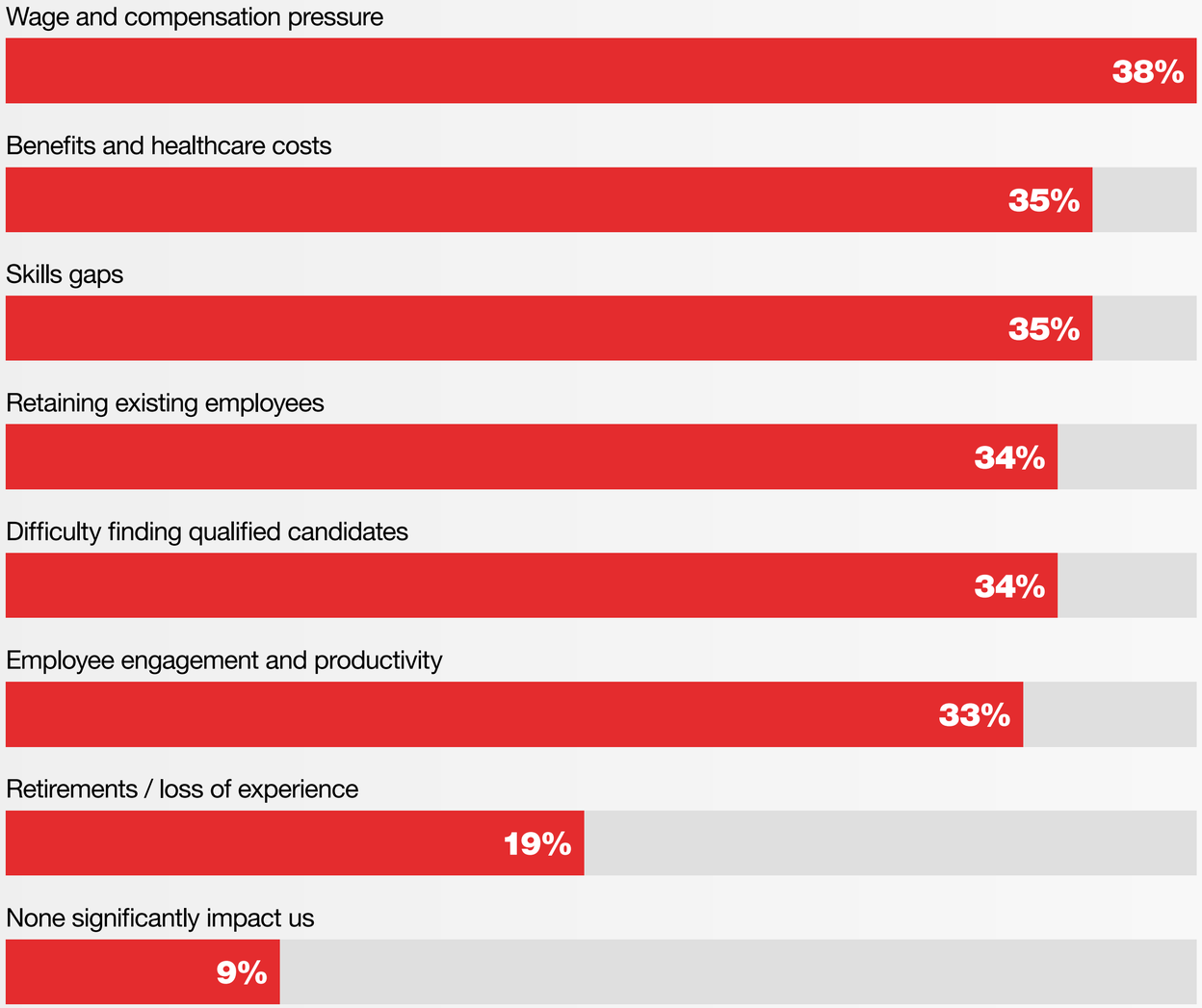
Six pressures cluster, with one clear exception

Six pressures sit within five points of each other, from wage and compensation at the top to employee engagement at the bottom. Firms are managing an interconnected slate rather than one defining problem. Retirements and loss of experienced workers stand apart at 19%, a striking gap given how much attention workforce aging typically receives.

61%

of **companies with $100 million to $250 million in revenue** cited wage pressures, against 38% overall.

Which workforce pressures are having the greatest impact on your business today?



Labor costs rose for most firms and fell for almost none

Nearly six in ten firms saw labor costs increase over the past year, most commonly in the 6 to 15% range. Just 1% reported any decrease. Whatever else has stabilized in the workforce picture, the cost of labor has not reversed, and most firms are absorbing increases well above general inflation.

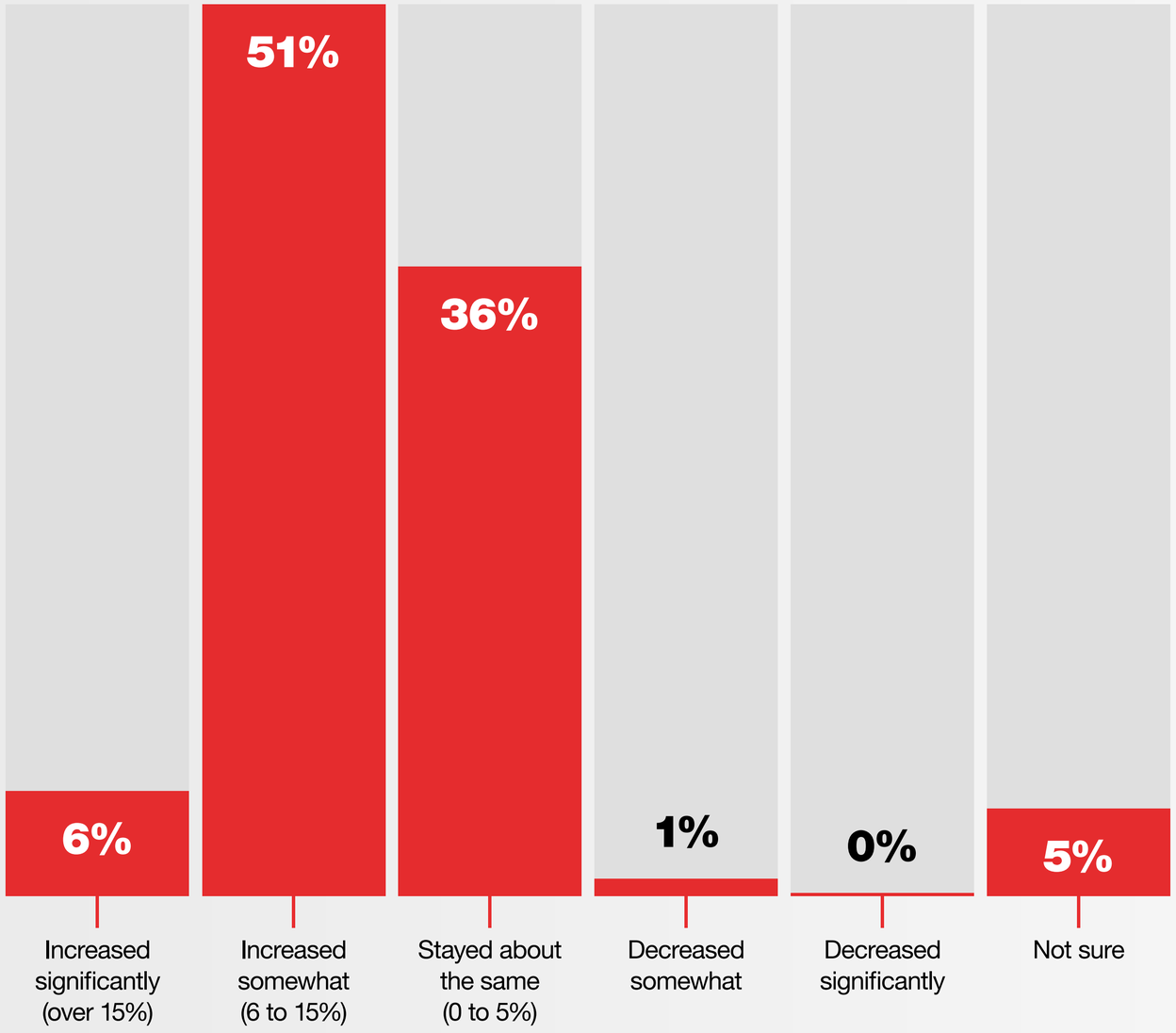
“

These cost increases don’t surprise me. Compensation is still where firms go first when they need to hold a team together, and the companies I see are being more disciplined about where those dollars land. They’re investing earlier in benches and junior talent so a single departure doesn’t cost them as much later.



Joshua Lyons
Commercial Leader
Key Commercial Bank

Over the past 12 months, have your company's labor costs changed?



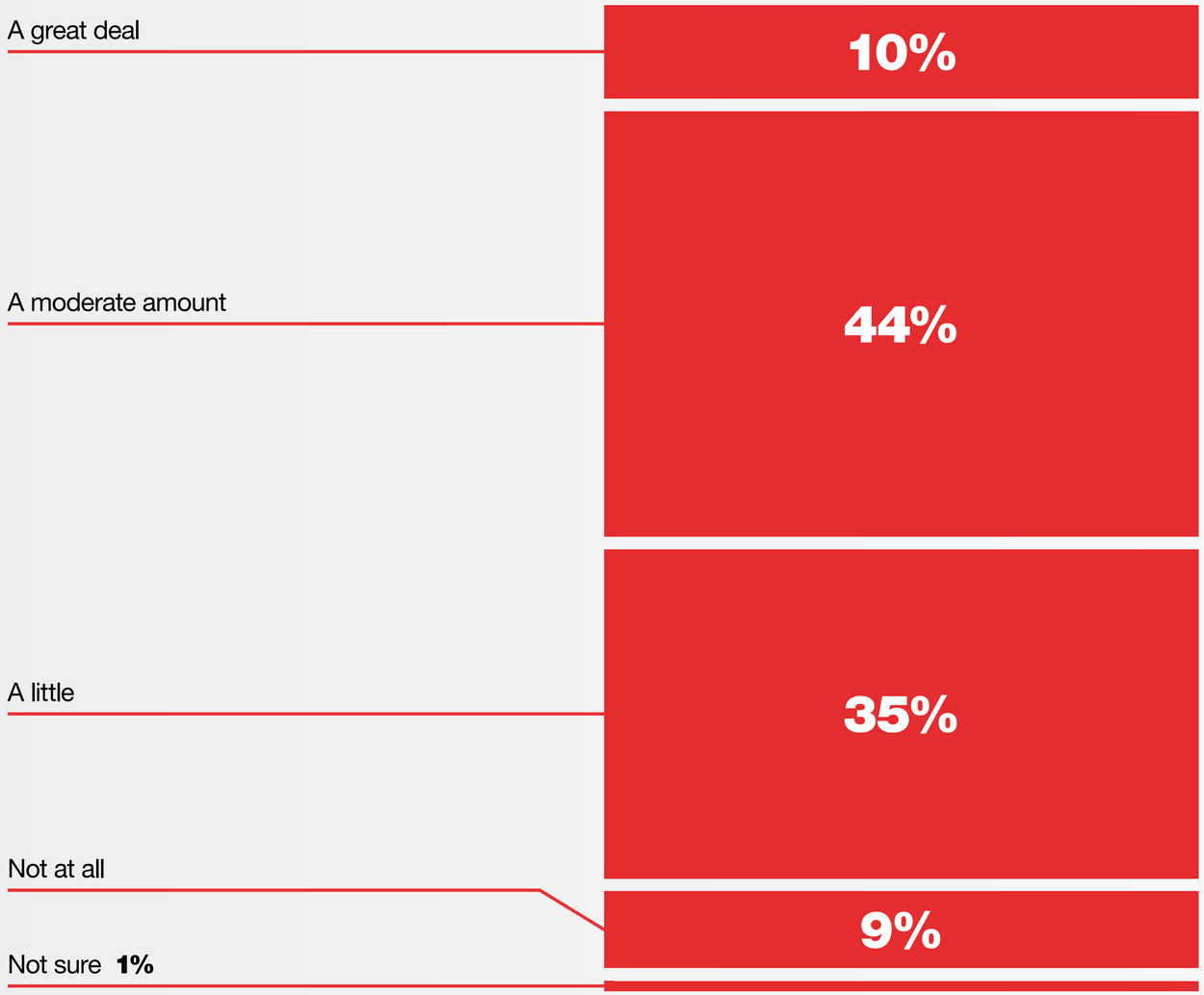
Nine in ten firms feel labor costs in their margins

Labor cost increases are reaching the bottom line. Only 9% of firms report no margin pressure at all, while a majority describe it as moderate or greater. Labor costs are already squeezing margins for most companies, and the open question is how much more they can absorb.

25%

of **healthcare respondents** report a great deal of pressure, against 10% overall.

Over the past 12 months, to what extent have labor costs put pressure on your company's profit margins?



Compensation is the most common response

The most common response to workforce pressure is still compensation, taken by 44% of firms. Training and upskilling follows closely, with automation and technology next, followed by expanded benefits and flexible work. The sequence suggests firms are buying stability in the near term while building capability for the long term.

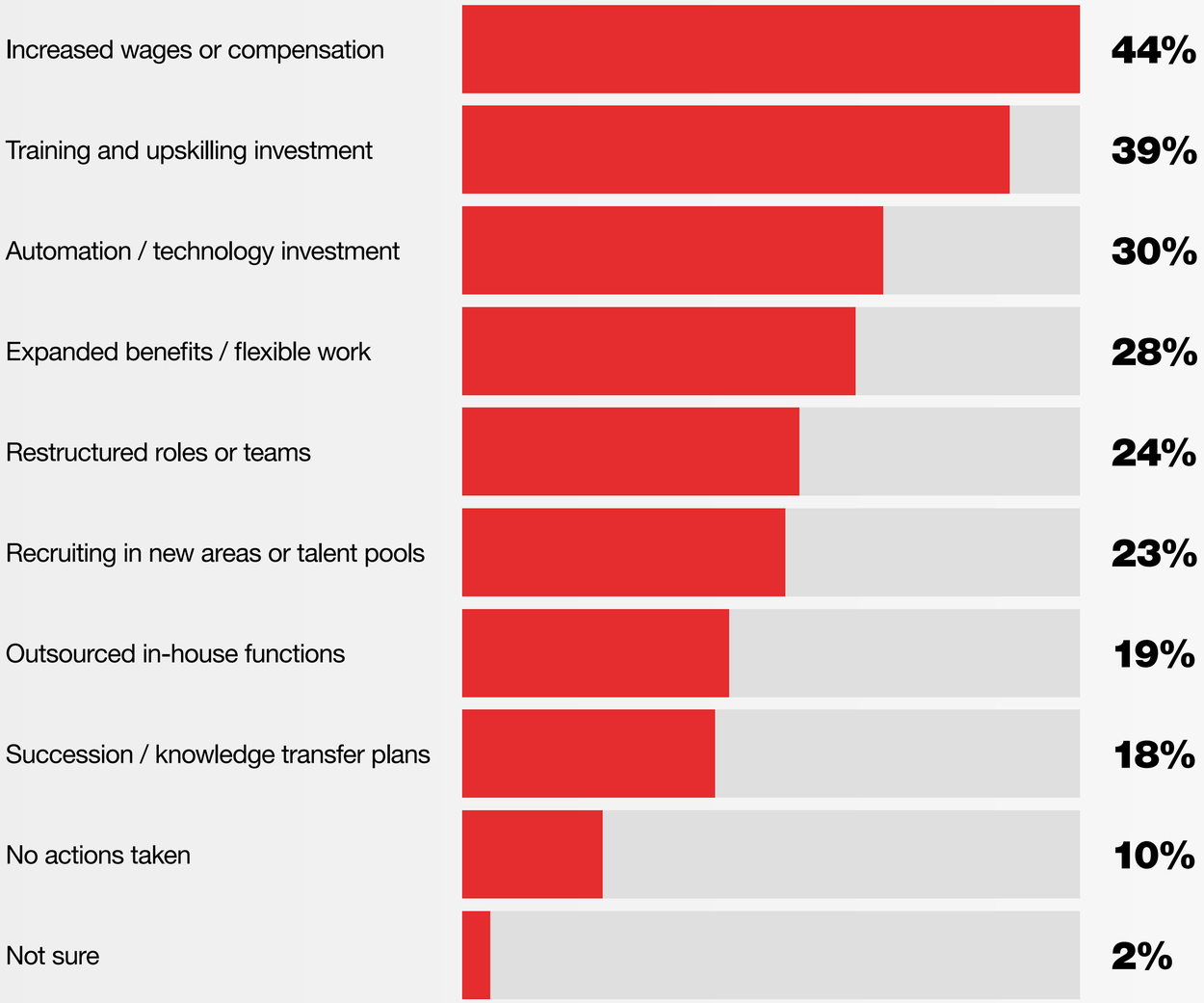
“

Middle market leaders are responding to a unique labor market with a mix of investment in people and technology. Nearly half are raising pay, close to four in ten are investing in their people’s skills, and three in ten are turning to automation and technology. The companies that pull ahead will be the ones that do all three: attract talent, grow it, and free it up for higher-value work.



Brandon Nowac
Commercial Executive
Key Commercial Bank

Over the past 12 months, has your company taken any of the following actions related to workforce needs or labor-related pressures?



Half of firms expect their workforce to grow

Looking ahead 12 months, 50% of firms expect their workforce to increase and just 8% expect a decrease. The rest plan to hold steady. Read alongside the stable current picture, the outlook points to measured expansion rather than either hiring sprees or retrenchment.

Over the next 12 months, how does your company expect its workforce size to change?

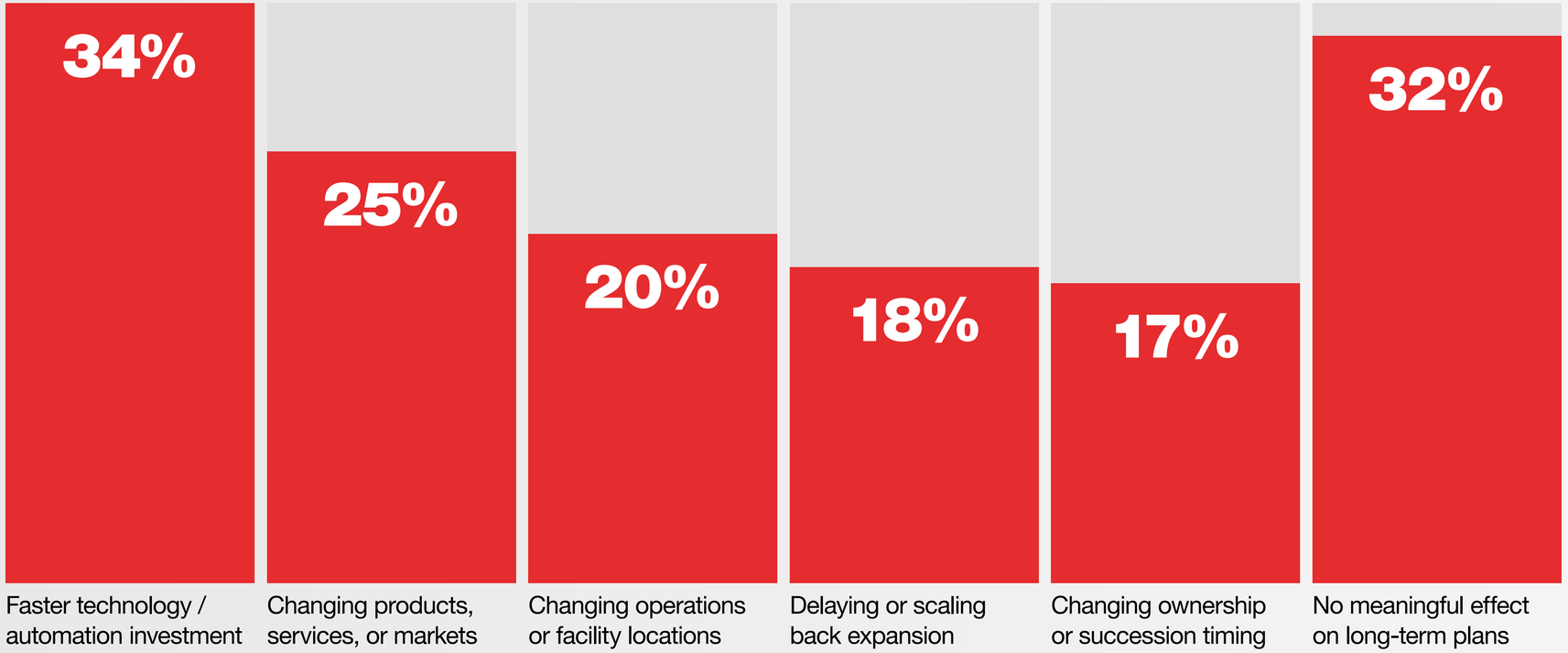


63% of **companies between $10 million and $25 million in revenue** are planning no change, against 41% overall.

Pressure accelerates investment more often than it delays growth

Where workforce pressure reaches long-term planning, the most common effect is faster technology and automation investment, cited nearly twice as often as delayed expansion. Nearly a third of firms report no meaningful effect at all. Workforce constraints appear to be reshaping how firms grow more than whether they grow.

Are workforce pressures affecting your company's longer-term growth plans in any of the following ways?



54%

of **private equity and investor-backed firms** are accelerating technology investment, against 34% overall.

Seven in 10 firms see value in outside help

Most firms identify at least one form of external support that would help them address workforce challenges. Strategic workforce planning leads, followed by financing for automation and equipment, workforce benchmarks, and treasury and payroll tools. Only a small share say they would handle it entirely on their own.

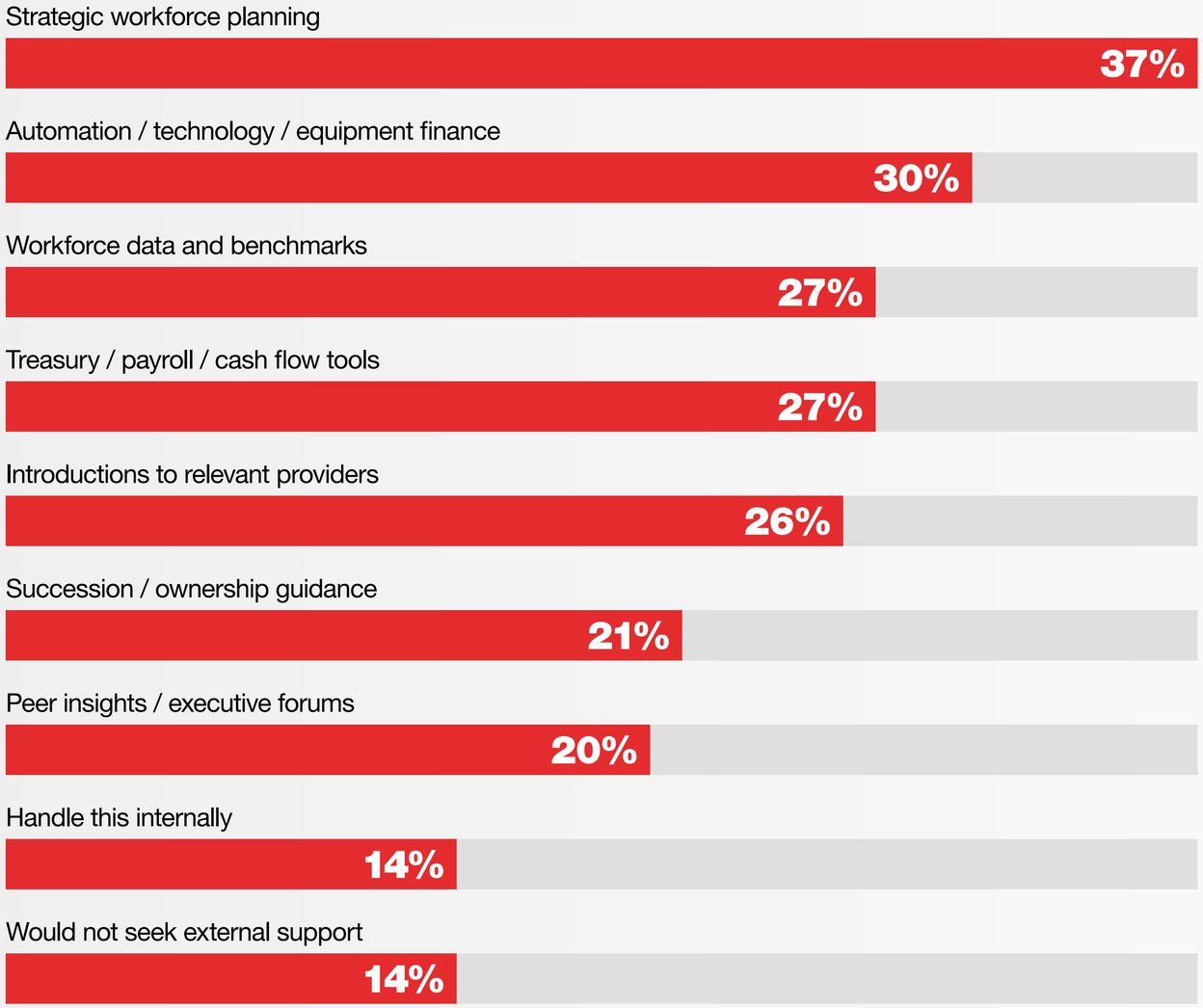
“

The most valuable banking relationships bring perspective, ideas, and solutions that help companies address not only their financial priorities, but also the underlying operational challenges that constrain growth and performance. The best bankers understand the business behind the balance sheet and use that understanding to help clients anticipate challenges, identify opportunities, and make better decisions.



Laurie Muller-Girard
Commercial Executive
Key Commercial Bank

Which types of external advisory or support would be most valuable to your company in addressing workforce-related challenges?



Q3 2026 Responses

Total: 350 respondents
(Unweighted base across all cuts)

Industry	
Technology	87
Bus./Prof Services	55
Healthcare	45
Manufacturing	42
Retail	26
Construction	14
Transportation	9
Commercial Real Estate	6
Energy	4
Automotive	3
Other	59

Region	
Northeast	77
Midwest	78
South	125
West	70

Revenue	
$10M–<$25M	62
$25M–<$50M	54
$50M–<$100M	76
$100M–<$250M	61
$250M–<$500M	48
$500M+	49

Role	
Business Owner	19
C-Suite	87
SVP/VP/Controller/Treasurer	244

With a clear view of the middle market and the forces shaping it, KeyBank helps businesses plan ahead, turning complexity into clarity and growth into lasting advantage.

Our banking teams offer integrated solutions and strategic expertise to help your business raise capital and manage payments, liquidity, and cash flow.

To learn more about KeyBank's middle market capabilities, contact a KeyBank Relationship Manager or visit key.com/commercial.

"KeyBank Middle Market Snapshot Survey," September 14–19 2026. KeyBank surveyed 350 financial decision-makers at businesses with $10 million to $1 billion in annual revenue.

This is for general information purposes only and does not consider the specific investment objectives, financial situation, and particular needs of any individual person or entity. Information included was prepared based on survey respondents' answers, information from business leaders considered to be reliable, and an express disclaimer of warranty, express or implied, as to such information's accuracy or completeness. KeyBank does not provide legal advice.

KeyBanc Capital Markets Inc., Member FINRA/SIPC ("KBCMI"), and KeyBank National Association ("KeyBank N.A.") are separate, but affiliated companies. Securities products and services are offered by KeyBanc Capital Markets Inc. and its licensed securities representatives. Banking products and services are offered by KeyBank N.A.

©2026 KeyCorp®. All rights reserved.