

New Hampshire ECONOMIC CONDITIONS

October 2021

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Small Businesses In New Hampshire Experienced Growth During the Pandemic

In March 2021, there were more than 41,000 private employers in New Hampshire, employing 547,510 workers. Most of these employers were small; more than 24,000 firms, approximately 60 percent of all firms in the state, employed between one and four workers, with an additional 6,500 firms employing between five and nine workers. At the other end of the size spectrum, 34 firms employed at least 1,000 New Hampshire-based workers.¹

Firms by Size data provide information about employment and firm size, based on the number of workers firms employ during March of every year. Data from 2020 and 2021 allow a comparison of pre-pandemic employment to employment one year into the pandemic.²

Although total private covered employment³ declined by 21,500 from March 2020 to March 2021, the number of private employers increased by 1,260, an increase of 3.2 percent. This was the largest increase since at least 2000, the earliest data available. Since the Great Recession, the number of private employers increased by an average of 426 per year.

The increase in employers between March 2020 and March 2021 was largely driven by small employers, with an increase of 1,830 firms that employed either one to four or five to nine workers. The number of firms that employed 1,000 or more workers increased by 3, while for all other size categories – firms that employed between 10 and 999 workers – the

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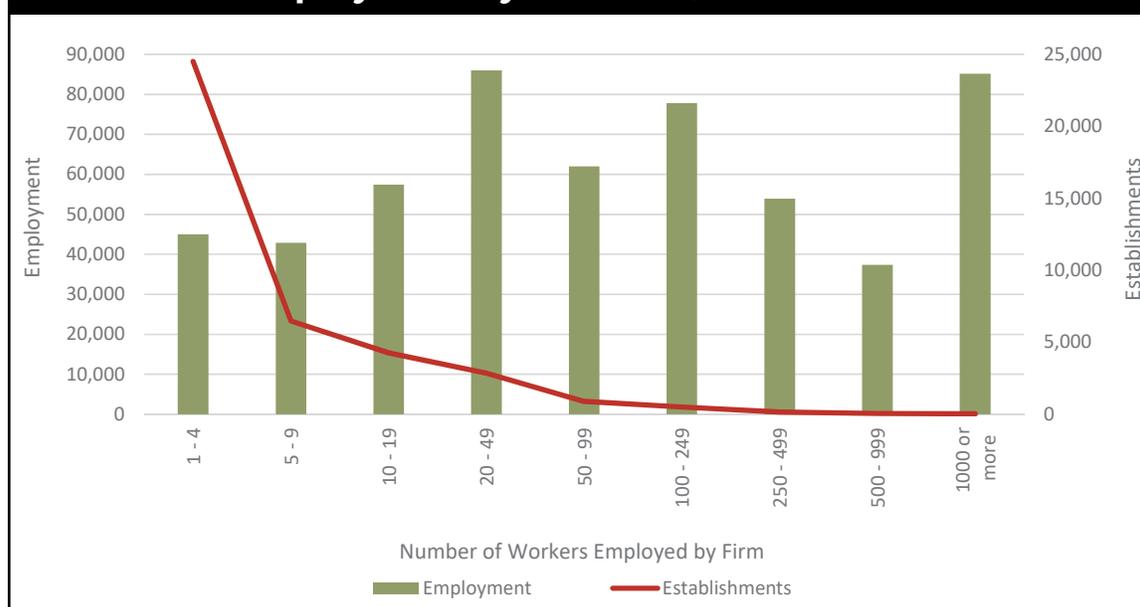
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number of firms decreased by 241.⁴ Part of the increase in firms employing fewer than ten workers was caused by larger firms reducing employment, and falling into a smaller size category. But the majority of the increase comes from the establishment of new business.

Employment by Firm Size, March 2021



Source: New Hampshire Employment Security, Quarterly Census of Employment and Wages

Although private employment in New Hampshire fell between March 2020 and March 2021, employment at firms with fewer than ten employees increased by 3,800 workers. Firms employing between 10 and 999 workers decreased by 28,100, while firms employing at least 1,000 workers increased by 2,800 workers. Since the total number of firms employing 1,000 workers increased by 3 between March 2020 and March 2021, at least 3,000 workers were added to this

¹ Employers with multiple locations in New Hampshire are considered one firm for firms by size calculations.

² Although the pandemic-related shutdown began in March 2020, official employment counts didn't capture most of the employment decline until the following month. From February 2020 to March 2020, employment declined by just 4,300 workers, while employment declined by 96,000 workers from March to April.

³ Covered employment includes only workers eligible for unemployment benefits.

⁴ There was also an increase in the number of firms who employed no workers during the first quarter of 2021; although there are many reasons for this, including businesses that are seasonal or temporarily closed, this indicates an increase in the number of businesses that failed during the pandemic.

cohort. If minimum employment from these additional firms is excluded, employment at firms with at least 1,000 workers declined slightly between March 2020 and March 2021, although not nearly as much as employment at firms with 10 to 999 workers.

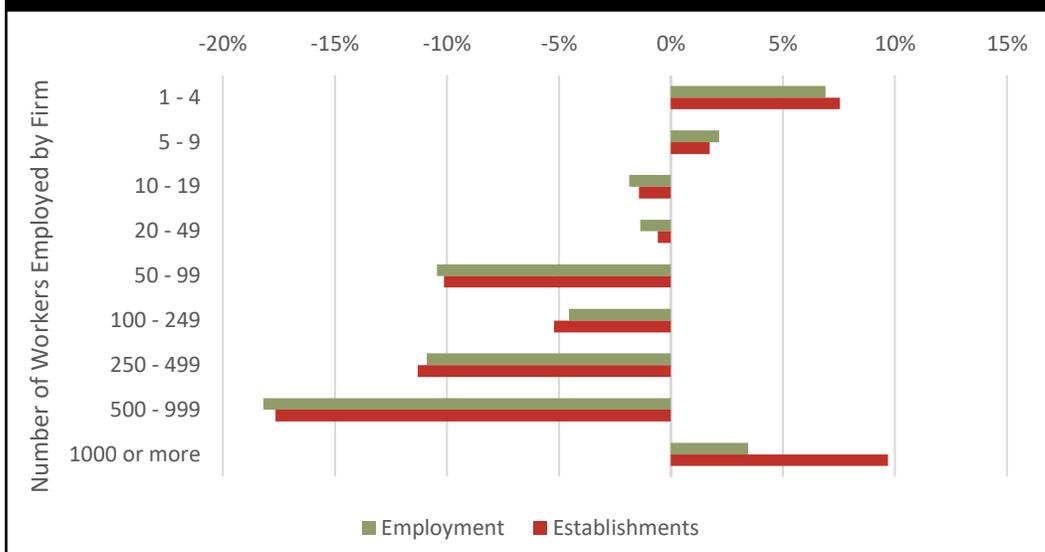
Industry trends

Firm size and employment trends varied by industry. The professional, scientific, and technical services and finance and insurance industry sectors were among the few sectors where employment increased between March 2020 and March 2021. In both sectors, employment gains were seen

in most, though not all firm size categories. The number of firms in these industries increased as well, with the largest increases among firms employing one to four workers. The number of finance and insurance firms employing 50 to 249 workers increased by 18 percent, although this represented an increase of just 12 firms.

Although there was a small increase in the number of retail trade firms with one to four employees between March 2020 and March 2021, the decline in the number of larger firms outweighed this increase. In total, the number of retail trade firms declined by 67 from March 2020 to March 2021, a decrease of around two percent.

Change in Private Employment and Number of Firms, March 2020 to March 2021



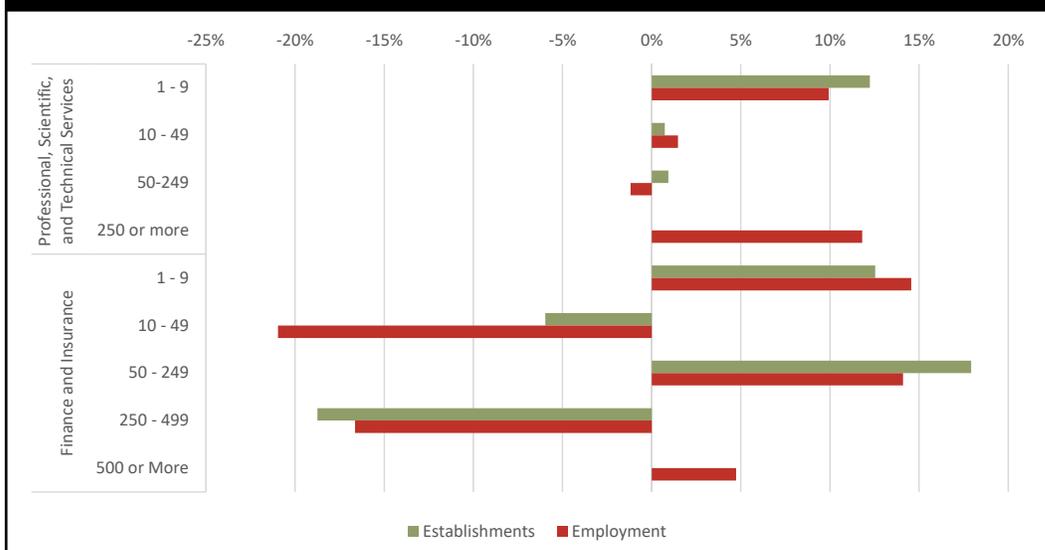
Source: New Hampshire Employment Security, Quarterly Census of Employment and Wages

Retail trade employment declined by 2,900 jobs between March 2020 and March 2021. Employment by retail trade firms with 1,000 workers or more increased by 1,600, while all other size categories either lost workers or had minimal increases. The number of firms with 1,000 or more workers increased by one, which contributed at least 1,000 to the employment gains by these firms. Even without this additional employer, employment at New Hampshire’s largest retailers outperformed employment by all other retailers.

Arts, entertainment and recreation and accommodation and food services were two of the industry sectors most affected by the coronavirus pandemic. These sectors employed 9,400 fewer workers in March 2021 than in March 2020, accounting for 44 percent of all private employment losses over that time. The number of employers in arts, entertainment and recreation declined by 53, and no firm size categories experienced growth. Employment increased by 230 among firms with 250 or more employers, but overall employment fell by 1,630 workers.

In accommodation and food services, the number of employers with between one and 19 workers increased by 90 between March 2020 and March 2021, while

Change in Employment and Number of Firms, March 2020 to March 2021



Source: New Hampshire Employment Security, Quarterly Census of Employment and Wages

the number of firms in all larger size groups declined. In total, the number of firms in the sector declined by 94. Employment trends were similar, with an increase of 530 workers among firms employing one to 19 workers but a decrease among all larger size categories. In total, accommodation and food services firms employed 7,780 fewer workers in March 2021 than in March 2020.

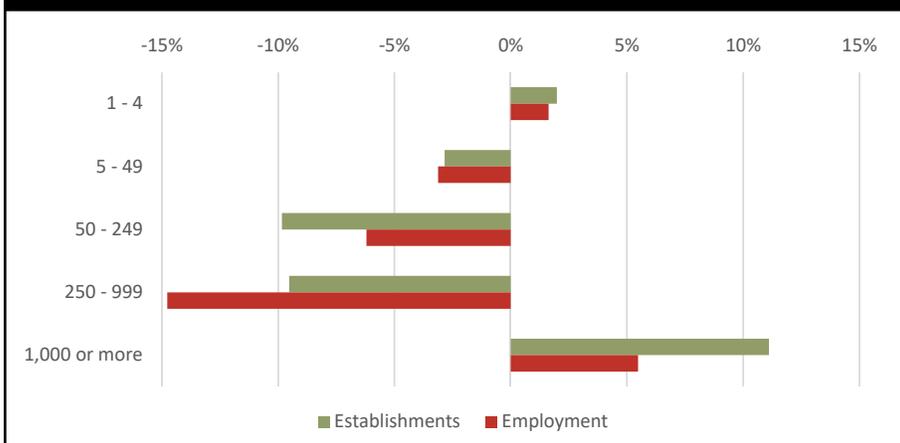
New Business Formation Increased During the Pandemic

Along with the increase in firms employing one to nine workers, data from the U.S. Census Bureau’s Business Formation Statistics program point to an increase in entrepreneurial activity during the first year of the pandemic. Business Formation Statistics measure the number of applications for an Employer Identification Number (EIN), a unique 9-digit number assigned to business entities by the IRS. After a sharp decline in March and April 2020, applications for EINs increased, exceeding 2019 levels.

Business Formation Statistics also measure “High-Propensity Business Applications,” EIN applications that have a high propensity of turning into a business with a payroll.⁵ These applications followed a similar trend, declining in March and April 2020 before surpassing 2019 levels over the next year.

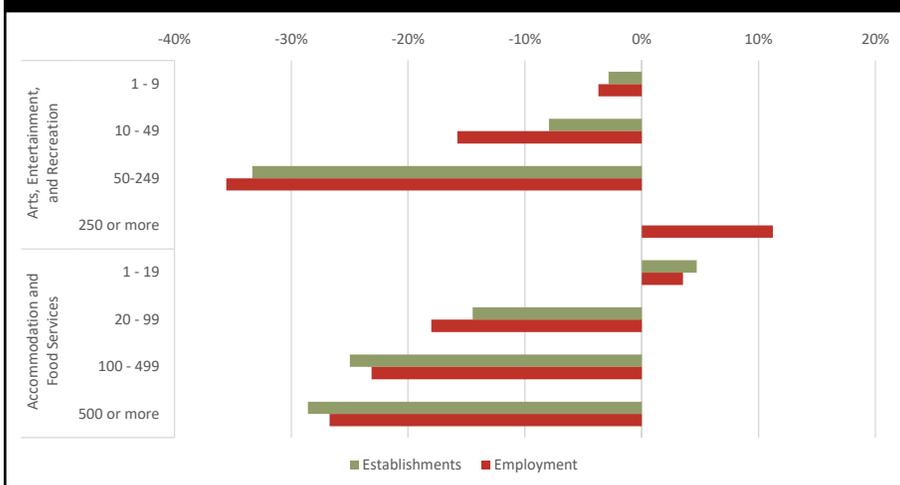
A number of factors likely contributed to the increase in business applications during the pandemic. Negative economic events like the pandemic cause business closures, but also create opportunities for new businesses. The pandemic accelerated a number of existing trends, including online retail, restaurant delivery, and the prevalence of teleworking; systemic changes like these typically increase the rate of innovation and business creation. In contrast to the Great Recession, when banks struggled and small business loans were difficult to obtain, loans have been available throughout the coronavirus pandemic. Availability of loans makes it easier to establish small businesses, particularly for individuals with limited financial capital.⁶ Although the Paycheck Protection Program was intended to support existing businesses and workers, not to incentivize

Change in Retail Trade Employment and Number of Firms, March 2020 to March 2021



Source: New Hampshire Employment Security, Quarterly Census of Employment and Wages

Change in Employment and Number of Firms, March 2020 to March 2021



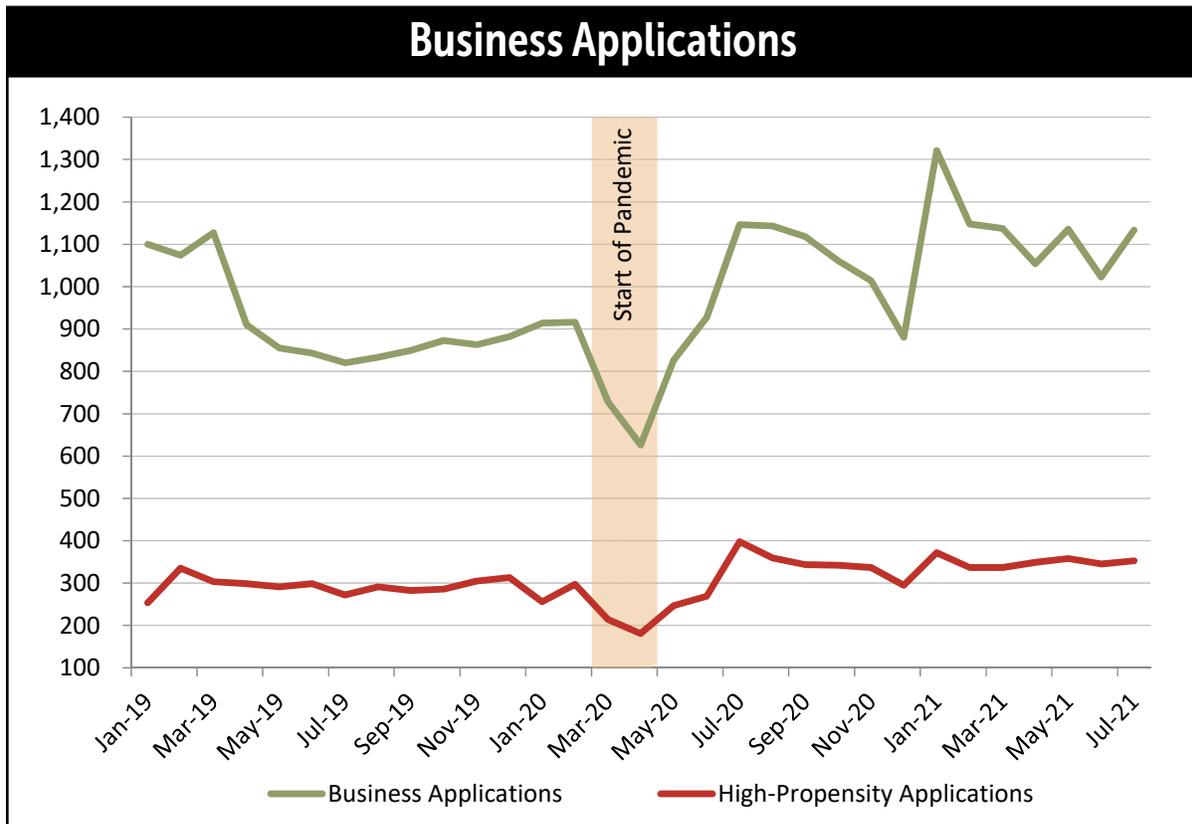
Source: New Hampshire Employment Security, Quarterly Census of Employment and Wages

establishing new businesses, evidence suggests that this and other safety net programs indirectly supported new business formation as well.⁷

New businesses contribute to economic growth, not only creating jobs, but also innovating and increasing productivity.⁸ Although it often takes a long time for business applications, even high-propensity applications, to develop into firms with employees, increased business formation activity is a promising sign for New Hampshire’s longer-term economic recovery.

– Greg David, Economist

5 Businesses without payroll are considered “nonemployers,” and typically have no workers other than the owner(s) of the business. High-propensity applications include applications: (a) from a corporate entity, (b) that indicate they are hiring employees, purchasing a business or changing organizational type, (c) that provide a first wages-paid date (planned wages); or (d) that have a NAICS industry code in manufacturing (31-33), a portion of retail (44), health care (62), or accommodation and food services (72).
 6 Haltiwanger, John C., “Entrepreneurship During the COVID-19 Pandemic: Evidence From the Business Formation Statistics,” National Bureau of Economic Research, https://www.nber.org/system/files/working_papers/w28912/w28912.pdf.
 7 Catherine E. Fazio et al., “How is COVID Changing the Geography of Entrepreneurship? Evidence from the Startup Cartography Project,” National Bureau of Economic Research, https://www.nber.org/system/files/working_papers/w28787/w28787.pdf.
 8 Haltiwanger, op.cit.



Source: U.S. Census Bureau, Business Formation Statistics