

New Hampshire Economic Conditions

December 2013

Small Firms in New Hampshire

Small business is the backbone of New Hampshire's economy. Firms with under 50 employees have long held the largest portion of New Hampshire business enterprises. Over the last ten years, nine out of ten private establishments had fewer than 50 employees. These small firms provided about two of every five jobs, and just under 40 percent of total wages paid for workers covered by unemployment insurance.

Though there are multiple definitions of "small business," for purposes of the following analysis, small firms are defined as those that employ fewer than 50 people — but greater than zero — in the private sector, as of March each year. Firms with no employment in March were excluded from the assessment, as were firms owned by a government entity. Employment counts do not include the self-employed, as these workers are not covered by unemployment insurance.

Firms by Size, 2013 Q1

In the first quarter of 2013, there were 36,589 privately-owned firms in New Hampshire. Of those, 1,760 did not have any employees in March, the month used to determine firm size. There were 33,212 small firms (fewer than 50 employees), and 1,617 firms employing 50 or more workers. Altogether, there were 518,147 workers in private establishments in New Hampshire in March 2013. Of these workers, 211,274, or

40.8 percent, were employed in small firms; 306,873 workers were employed in firms with 50 or more employees.

Small Firm Employment by Industry – Overview

Organizing firms by industry highlights different employing aspects of businesses in each of the industries. Using only firms with employment in March 2013, small firms represented at least 85 percent of firms in each of the industry supersectors.

Small firms accounted for over 98 percent of firms in the *Other services*, *Construction*, and *Natural resources and mining* supersectors in New Hampshire. Small firms in these industries contributed over 70 percent of private

Percent of Firms, Employment, and Total Wages in Firms with 1-49 Employees

	Firms	Employment	Total Wages
2004	91.5%	40.7%	37.7%
2005	91.1%	42.5%	40.4%
2006	90.9%	42.2%	39.8%
2007	90.9%	41.8%	39.0%
2008	90.5%	41.5%	38.9%
2009	90.6%	41.6%	39.4%
2010	91.0%	41.7%	39.6%
2011	90.6%	40.9%	38.9%
2012	90.7%	40.9%	39.2%
2013	90.8%	40.8%	38.7%

Source: Quarterly Census of Employment and Wages, Economic and Labor Market Information Bureau. Data are for the first quarter of each year.

employment. This indicates that at least seven of every ten jobs in these industries are from businesses defined here as a small firm.

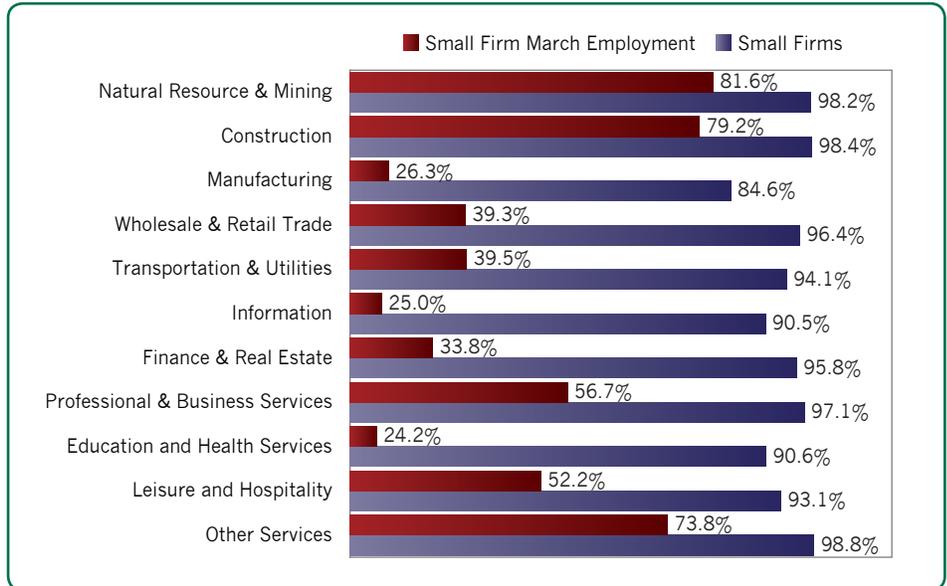
Firms by Size, Total Private, 2013 Q1

Size Range	Firms	Employment			Total Wages	Average Weekly Wage
		January	February	March		
No March Employment	1,760	3,127	2,007	0	\$27,445,171	\$1,233.64
1 - 4	20,467	38,588	38,662	38,891	\$544,851,556	\$1,082.61
5 - 9	6,284	40,718	40,960	41,421	\$455,769,500	\$854.41
10 - 19	3,839	51,155	51,068	51,810	\$577,330,243	\$864.94
20 - 49	2,622	78,213	78,171	79,152	\$896,848,321	\$878.70
50 - 99	873	59,691	59,360	60,078	\$706,546,223	\$910.23
100 - 249	489	72,695	72,882	72,866	\$877,182,561	\$926.68
250 - 499	154	52,470	52,761	52,430	\$666,904,713	\$976.15
500 - 999	72	49,438	49,127	49,021	\$652,352,335	\$1,020.03
1000 or more	29	72,353	71,968	72,478	\$997,204,085	\$1,061.46
Totals:	36,589	518,448	516,966	518,147	\$6,402,434,708	\$951.03

At the other end of the scale, the *Manufacturing, Information, and Education and health services* supersectors had the smallest shares of establishments with fewer than 50 employees, but small firms still accounted for 85 to 90 percent of firms in the respective industries. However, small firms in these industries provided roughly 25 percent of employment in each industry. Although there are many small firms in these industries, less than three of every ten jobs in these industries are at a business that employs fewer than 50 workers.

For businesses in *Wholesale and retail trade, Transportation and utilities, and Finance and real estate*, about 95 percent of firms employ fewer than 50 workers. Larger firms employ more workers in these industries, as about four out of every ten jobs in *Wholesale and retail trade* and *Transportation and utilities* are at a small firm. About a third of *Finance and real estate* workers are employed at a small firm.

Small Firms and Small Firm Employment as a Percent of Total Private Industry by Supersector, 2013 Q1



In the *Leisure and hospitality* and *Professional and business services* supersectors, 93 and 97 percent of firms, respectively, had fewer than 50 workers. Just over half of employment in these industries was in small firms.

Small Firms versus Large Firms by Select Industries – A Ten-Year View

Construction

In the *Construction* industry, establishments with fewer than 50 employees represented 98 percent of all firms, and about 80 percent of industry’s employment. Over the last ten years, the dynamics of the *Construction* industry’s response to the economic downturn differed between small firms and large firms. Both the number of firms and total employment at small firms in *Construction* peaked in 2006. At that point, small firms showed more vulnerability to the fallout from the housing bubble and the Great Recession. Both the number of small firms and employment provided by these firms declined over-the-year through 2011, remaining flat since.

Counting Firms by Size

Annually, Quarterly Census of Employment and Wages (QCEW) employment counts for master business establishments are summed into eight size ranges. These data are tallied slightly differently than usual quarterly estimates of employment by industry and location. First, the time period for measurement is the third month of the first quarter of the year. Second, employment at businesses with multiple worksites is summed, so that the establishment is measured by total employment, but counts as one firm. Thus, New Hampshire statewide data counts a firm with multiple locations throughout the state as a single firm, and includes all employment statewide.

Using this method, firms by size summed for a sub-state area, such as a county, also counts a firm with multiple locations within that geographic area as a single firm. One firm, however, may have multiple locations throughout the state, that is, multiple locations in multiple counties. If data for all sub-state areas are summed, the total may exceed that of the statewide total. This difference affects firm counts only; employment estimates for sub-state areas may be summed to equal statewide employment.

Large *Construction* firms were less impacted by the latest recession. The number of large firms in *Construction* did decline from the ten-year average of 50, dipping to 34 in 2010, but then returned to average. From 2004 to 2008, employment in large *Construction* firms varied to some extent from year to year, declining slightly over the five-year period. Employment dropped through 2010, but rebounded in 2011, then leveled off.

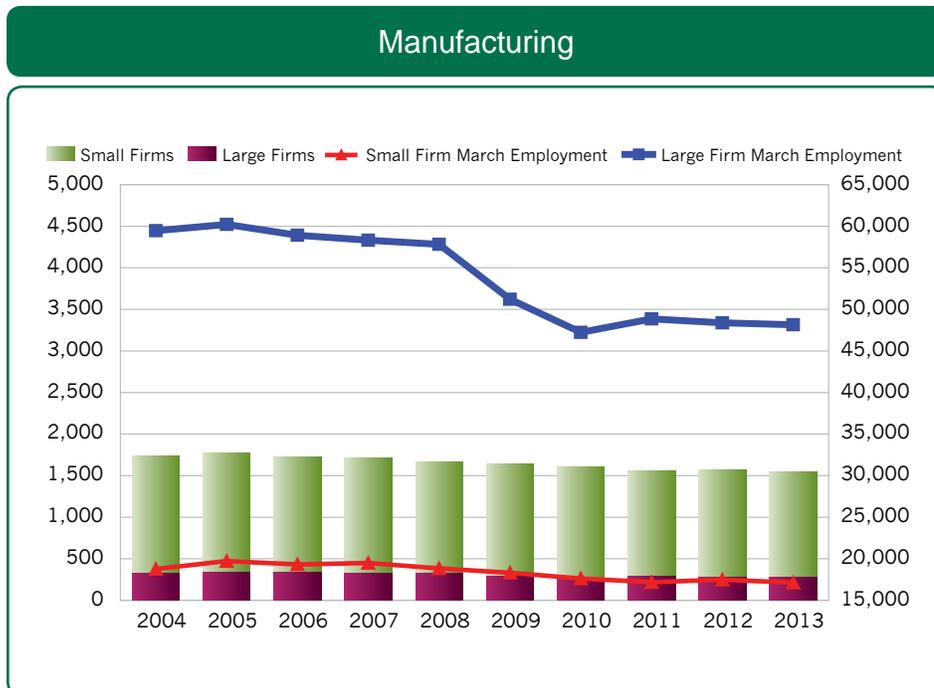
Manufacturing

In *Manufacturing*, small firms historically have employed roughly one of every four workers. Between 2004 and 2013, small firms in *Manufacturing* experienced gradual declines, as the number of small firms shrank by nearly 200 and employment fell by about 1,600 jobs. Employment in small *Manufacturing* firms had been on a downward trend since 2005, declining between two-and-a-half and three percent over-the-year from 2008 through 2011.



About 20 percent of *Manufacturing* firms had 50 or more workers, but these firms employed about 75 percent of workers in the industry. Large *Manufacturing* firms shouldered the brunt of the effects from the Great Recession, dropping 40 firms and about 11,300 employees

between 2004 and 2013. While some decline in large firms may result in firms changing size class, in *Manufacturing* there was not a corresponding increase in small firms that would account for the drop in the number of large firms.



Education and Health Services

The *Education and health services* supersector has an employment split similar to *Manufacturing* — small firms employ about 25 percent of workers and large firms employ about 75 percent. In this industry, however, the largest share of workers is employed at less than ten percent of firms. Just over 90 percent of firms have fewer than 50 employees. The number of small firms increased by about 33 percent from 2004 to 2013, adding 330 firms, accounting for over 3,300 jobs during this period. Firms with 50 or more employees also continued to grow, increasing by more than 80 between 2004 and 2013, and adding almost 15,000 workers.

For firms in this supersector, the ten-year trend for both employment and number of firms was markedly different from other industries. Private *Education and health services*, which excludes government-owned establishments, did not drop in firm or employment counts over the ten-year period, including during the Great Recession. This industry was not unaffected by the economic downturn, however, as growth of 1,600 to 3,000 jobs over-the-year before 2009 has slowed to 500 to 1,000 jobs over-the-year from 2009 through 2013.

Wholesale and Retail Trade

The share of small firms and the employment at small firms in *Wholesale and retail trade* closely resemble the proportions for all private industries. Over 96 percent of all firms have fewer than 50 employees, and two of every five jobs in the supersector are in small firms.

The highest number of small firms in this supersector was just over 8,400

Education and Healthcare



in 2007. Since then, the number of small firms has declined, and by 2013 there were 500 fewer small firms than in 2007. Large firms felt the pinch even sooner, with the number of firms employing 50 or more workers declining in 2006; and by 2010, there were 70 fewer large firms. In the wake of the Great Recession, small

firms in *Wholesale and retail trade* also shed employment. Through 2011, small firms in this supersector dropped about 4,600 jobs, but gained about 300 jobs over-the-year in 2012 and 2013. Large firms have recovered somewhat better following the recession. Though large firms lost over 3,000 jobs between 2008 and 2010, nearly that amount was regained as of 2013.

Wholesale and Retail Trade



In Summary

Over 90 percent of businesses in New Hampshire are considered small firms. Overall, they account for over 40 percent of total private employment. Some industries are more heavily concentrated with small firms, which account for almost three of every five jobs in the industry. Other industries have a large numbers of small firms, but employment is concentrated in firms with 50 or more workers. Although the proportions of small businesses vary among different industries, small firms continue to be a vital contributor to New Hampshire's economy.

Anita Josten