



PRIVATE ENTERPRISE

Private Firms and Employment

Between 2016 and 2019, private employment in New Hampshire grew between 0.9 percent and 1.9 percent per year. The number of private firms with employees, measured in March each year, increased at a similar rate, between 1.1 and 1.8 percent. In March 2020, just as the coronavirus pandemic reached New Hampshire, there were 38,180 firms with employees, a 1.3 percent increase over the previous year.

Between February 2020 and April 2020, private employment in New Hampshire fell 17.5 percent, to 472,800 workers. Private employment increased again after April; by March 2021, private employment had increased to 547,500 workers, an increase of nearly 75,000 workers, but still 3.4 percent below March 2020 employment.

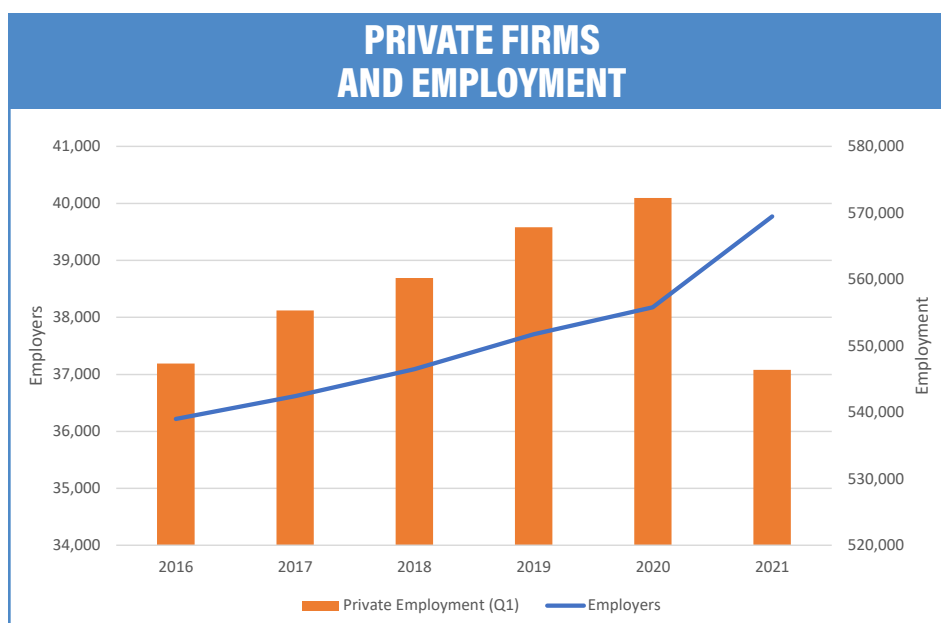
Although employment fell during the pandemic and has yet to reach pre-pandemic levels, growth in the number of firms with employees accelerated. By March 2021, there were 39,771 private firms with employees, a 4.2 percent increase over the previous year. While negative economic events like the pandemic cause business closures and layoffs, they also create opportunities for new businesses. The

pandemic led to systemic changes in consumer and business behaviors as well; trends like teleworking, online retail, and restaurant delivery were all accelerated by the pandemic. These changes lead to opportunities for new businesses.

Firms by Size

The increase in firms with employees was primarily driven by an increase in smaller firms. Firms by Size data provide information about employment and firm size, based on the number of workers firms employ during March of every year. Prior to the pandemic, the share of employment at firms with one to nine workers had declined slightly, from 15.0 percent of private employment in 2016 to 14.8 percent in 2020. By March 2021, the share of workers employed by firms with one to nine workers had increased by 1.3 percentage points, to 16.1 percent of employment.

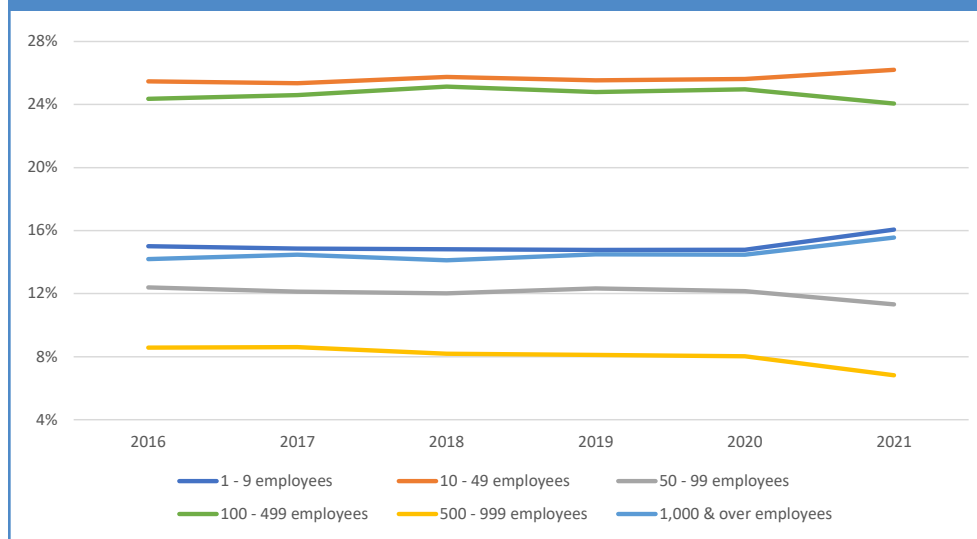
Firms employing 10 to 49 workers also experienced employment growth during the pandemic. After employing approximately 25 percent of the private workforce between 2016 and 2020, the share of workers employed by these firms increased to 26.2 percent in 2021.



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

The largest firms in New Hampshire also increased their share of employment during the pandemic, although the share of workers employed by these companies was already increasing prior to the pandemic. The share of employment by firms with 1,000 or more New Hampshire-based workers increased from 14.2 percent of private employment in 2016 to 14.5 percent in 2020. In 2021, this increased to 15.6 percent.

SHARE OF PRIVATE EMPLOYMENT BY FIRM SIZE



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

Firms employing 50 to 999 workers saw their share of private employment fall. The share of employment at firms with 50 to 99 employees, which had been flat between 2016 and 2020 at just over 12 percent of private employment, fell to 11.3 percent in 2021. Employment at firms with 100 to 499 employees, which had increased from 24.4 percent of private employment in 2016 to 25.0 percent in 2020, fell in 2021 to 24.1 percent.

The share of employment at firms with 500 to 999 employees had been declining prior to the pandemic. From 2016 to 2020, the share of employment at firms with 500 to 999 employees declined from 8.6 percent to 8.0 percent. This decline accelerated in 2021; firms with 500 to 999 employees employed just 6.8 percent of private workers.

Business Formations

The U.S. Census Bureau's 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. Business Formation Statistics also measure "High-Propensity Business

Applications," EIN applications that have a high propensity of turning into a business with a payroll.¹

After averaging 783 applications per month in 2016 and early 2017, the number of business applications increased in mid-2017. Applications averaged 1,044 per month between May 2017 and April 2019, before falling to 865 per month between May 2019 and the beginning of the pandemic. The number of high-propensity applications changed very little over that time, averaging just under 300 per month.

Business applications fell during the early months of the coronavirus pandemic but recovered quickly. Between June 2020 and December 2021, business applications averaged 1,106 per month. High propensity business applications increased as well, averaging 354 per month between June 2020 and December 2021.

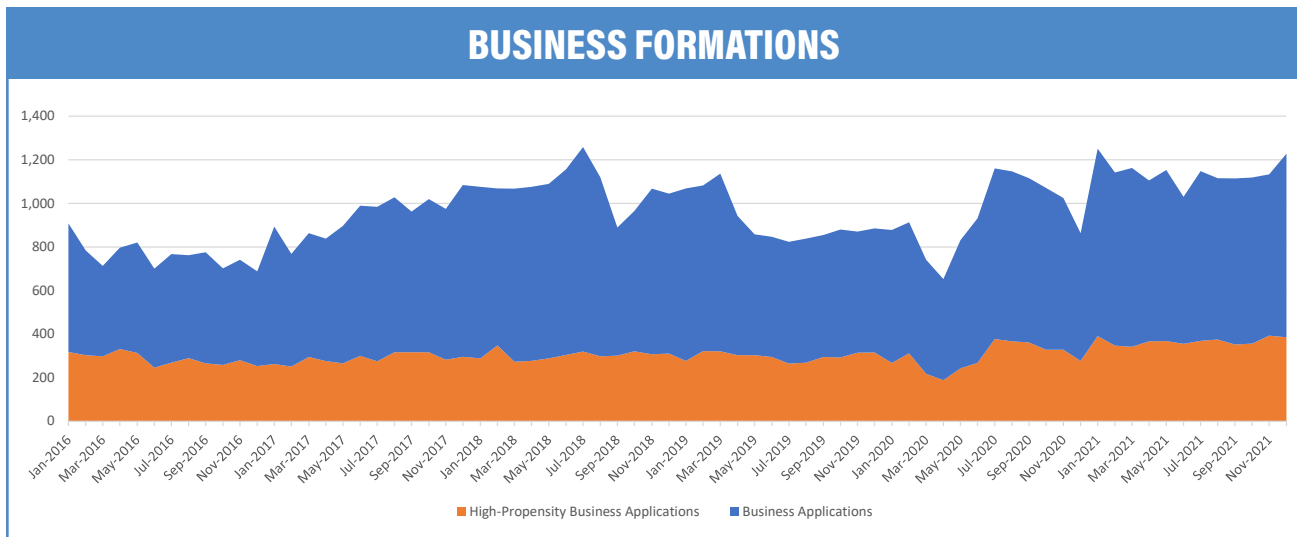
Business formation fell during the Great Recession, as banks struggled and small business loans were difficult to obtain. In contrast, loans have been available throughout the coronavirus pandemic. Availability of loans makes it easier to establish new businesses, particularly for individuals with

¹ 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).

limited financial capital.² Pandemic-related government spending likely contributed to higher rates of business formation as well. Although the Paycheck Protection Program was intended to support existing businesses and workers, not to incentivize establishing new businesses, evidence suggests that this and other safety net programs indirectly supported new business formation.³

New businesses contribute to economic growth by creating jobs, innovating, and increasing productivity.⁴ 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



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

2 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.
 3 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.
 4 Haltiwanger, op.cit.

| FIRMS BY SIZE* | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total Number of Firms with employment | 36,617 | 37,092 | 37,704 | 38,180 | 39,771 |
| 1 - 4 employees | 21,539 | 21,921 | 22,270 | 22,785 | 24,504 |
| 5 - 9 employees | 6,373 | 6,318 | 6,445 | 6,372 | 6,482 |
| 10 - 19 employees | 4,101 | 4,159 | 4,271 | 4,327 | 4,265 |
| 20 - 49 employees | 2,833 | 2,910 | 2,891 | 2,877 | 2,860 |
| 50 - 99 employees | 976 | 979 | 1,019 | 1,007 | 905 |
| 100 - 249 employees | 528 | 537 | 540 | 536 | 508 |
| 250 - 499 employees | 164 | 171 | 168 | 177 | 157 |
| 500 - 999 employees | 72 | 67 | 68 | 68 | 56 |
| 1,000 & over employees | 31 | 30 | 32 | 31 | 34 |
| Over-the-year Change in Number of Firms | 399 | 475 | 612 | 476 | 1,591 |

| | | | | | |
|------------------------------------------|-------|--------|--------|-------|---------|
| Net Annual Change in Number of Employees | 8,350 | 4,874 | 7,576 | 1,662 | -21,481 |
| 1 - 4 employees | 210 | 774 | 392 | 678 | 2,904 |
| 5 - 9 employees | 196 | -270 | 746 | -633 | 903 |
| 10 - 19 employees | 435 | 722 | 1,483 | 810 | -1,090 |
| 20 - 49 employees | 1,000 | 2,728 | -41 | -636 | -1,194 |
| 50 - 99 employees | -511 | 12 | 2,722 | -784 | -7,227 |
| 100 - 249 employees | 2,955 | 1,066 | 1,478 | -566 | -3,712 |
| 250 - 499 employees | 391 | 3,104 | -1,887 | 2,342 | -6,599 |
| 500 - 999 employees | 888 | -1,957 | -236 | 65 | -8,298 |
| 1,000 & over employees | 2,786 | -1,305 | 2,919 | 386 | 2,832 |

| | | | | | |
|-----------------------------|-------|-------|-------|-------|-------|
| Percent of Total Employment | | | | | |
| 1 - 4 employees | 7.3% | 7.3% | 7.3% | 7.4% | 8.2% |
| 5 - 9 employees | 7.6% | 7.5% | 7.5% | 7.4% | 7.8% |
| 10 - 19 employees | 10.0% | 10.0% | 10.1% | 10.3% | 10.5% |
| 20 - 49 employees | 15.3% | 15.7% | 15.4% | 15.3% | 15.7% |
| 50 - 99 employees | 12.1% | 12.0% | 12.3% | 12.2% | 11.3% |
| 100 - 249 employees | 14.3% | 14.4% | 14.5% | 14.3% | 14.2% |
| 250 - 499 employees | 10.3% | 10.7% | 10.3% | 10.6% | 9.8% |
| 500 - 999 employees | 8.6% | 8.2% | 8.1% | 8.0% | 6.8% |
| 1,000 & over employees | 14.5% | 14.1% | 14.5% | 14.5% | 15.6% |

* Firms by size numbers are based on March covered employment data, in each calendar year.

Source: New Hampshire Employment Security, ELMI. Last Update 9/22/2021

| FIRMS SUBJECT TO UNEMPLOYMENT COMPENSATION | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total Firms | 42,478 | 43,118 | 43,720 | 44,616 | 46,654 |
| New firms | 5,509 | 5,687 | 6,060 | 6,033 | 7,016 |
| Terminated firms | 4,943 | 4,941 | 5,319 | 5,013 | 4,732 |

Source: New Hampshire Employment Security. Last Update 9/29/2021

| PERCENT OF ESTABLISHMENTS WITH 100+ WORKERS (Ranked from highest among 50 states and D.C.) | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------------------------------------------------------------------------------|------|------|------|------|------|
| New Hampshire | 2.4% | 2.3% | 2.3% | 2.4% | |
| United States rank | 26 | 29 | 30 | 24 | |
| Connecticut | 2.7% | 2.7% | 2.7% | 2.7% | |
| United States rank | 11 | 11 | 15 | 12 | |
| MAINE | 1.8% | 1.7% | 1.7% | 1.7% | |
| United States rank | 45 | 46 | 47 | 46 | |
| Massachusetts | 2.9% | 2.9% | 2.9% | 2.9% | |
| United States rank | 5 | 6 | 6 | 5 | |
| Rhode Island | 2.3% | 2.3% | 2.3% | 2.3% | |
| United States rank | 27 | 30 | 27 | 31 | |
| Vermont | 1.7% | 1.6% | 1.6% | 1.7% | |
| United States rank | 47 | 48 | 48 | 47 | |

Source: County to County Business Patterns, U.S. Census Bureau, ELMI Analysis. Last Update 9/23/2021

| HIGH TECH BY NAICS | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Units | 5,705 | 5,819 | 6,363 | 6,782 | 7,306 |
| Level I Units | 3,368 | 3,441 | 3,750 | 4,091 | 4,343 |
| Level II Units | 1,398 | 1,442 | 1,652 | 1,792 | 2,028 |
| Level III Units | 939 | 936 | 961 | 899 | 935 |
| Total Annual Average Employment | 67,154 | 71,114 | 73,701 | 74,927 | 74,535 |
| Level I Annual Average Employment | 39,061 | 42,751 | 44,568 | 45,967 | 45,635 |
| Level II Annual Average Employment | 12,026 | 12,069 | 12,661 | 13,033 | 13,309 |
| Level III Annual Average Employment | 16,067 | 16,294 | 16,472 | 15,927 | 15,591 |
| Total Wages (in millions) | \$6,487.1 | \$7,159.3 | \$7,571.9 | \$7,959.5 | \$8,483.1 |
| Level I Wages | \$3,895.9 | \$4,465.7 | \$4,791.4 | \$5,067.1 | \$5,389.0 |
| Level II Wages | \$1,150.0 | \$1,179.5 | \$1,291.6 | \$1,362.0 | \$1,529.9 |
| Level III Wages | \$1,441.3 | \$1,514.1 | \$1,488.9 | \$1,530.4 | \$1,564.3 |
| Average Weekly Wage | \$1,858 | \$1,936 | \$1,976 | \$2,043 | \$2,189 |
| Level I Average Weekly Wage | \$1,918 | \$2,009 | \$2,067 | \$2,120 | \$2,271 |
| Level II Average Weekly Wage | \$1,839 | \$1,879 | \$1,962 | \$2,010 | \$2,211 |
| Level III Average Weekly Wage | \$1,725 | \$1,787 | \$1,738 | \$1,848 | \$1,929 |

Definitions of High Tech Level I, Level II, and Level III can be found at: <http://www.nhes.nh.gov/elmi/products/documents/ec-high-tech-10.pdf>

Source: New Hampshire Employment Security, ELMI. Last Update 9/22/2021

| NON-CURRENT LOANS AND LEASES (\$ Millions) | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------------------------------------|--------|--------|-------|--------|-------|
| FDIC commercial banks, Dec. 31st totals (Millions) | \$11 | \$8 | \$13 | \$9 | \$8 |
| Percent change from previous year | -30.9% | -34.2% | 65.4% | -31.7% | -7.5% |

Source: Federal Deposit Insurance Corporation, ELMI Analysis. Last Update 9/22/2021

Prepared by: New Hampshire Employment Security, Economic and Labor Market Information Bureau

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