

Missouri Economy Indicators

New Payroll Business Applications

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Despite the COVID-19 pandemic's economic impacts, payroll business applications continued to surge in 2021, even after surpassing expectations in 2020. Using payroll establishment data, this brief describes industries that have reported higher business formation growth rates in 2020. The answer hits close to home!

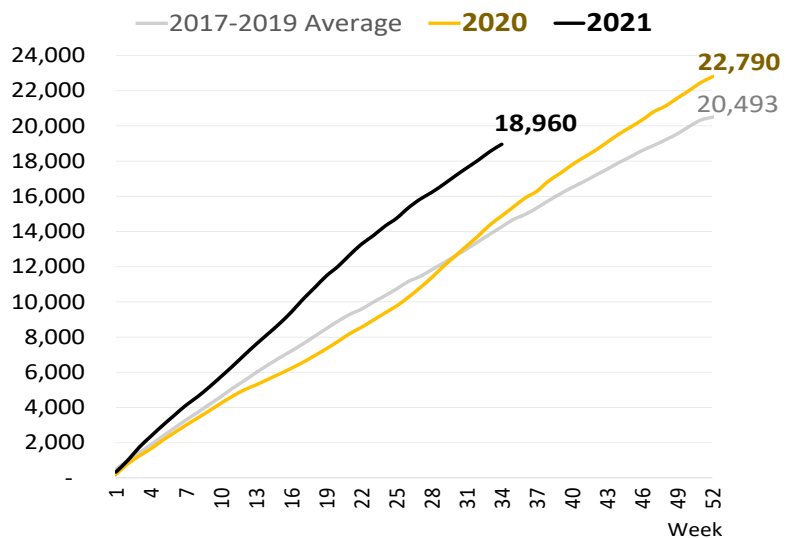
Payroll Business Applications Continue to Climb in 2021

Relative to 2019, Missouri had 10.6% more applications filed in 2020 to start businesses (that would likely hire paid employees), according to the U.S. Census Bureau. 2020 new business application filings bested the 2017-to-2019 average, despite COVID-19 affecting filings early in 2020.

By week 34 in 2021 — late August — total business applications had surpassed both their 2020 level and the prior three-year average for that week (see chart). At nearly 19,000 Missouri business applications filed by week 34 in 2021, this level was 27% higher than in 2020 during the same period.

Total Weekly Missouri Business Applications

Filed by Likely Employers by Week 34 in 2021 and for 2020 vs. 3-Year Average



Source: MU Extension graphic using data from the U.S. Census, Business Formation Statistics, high-propensity business (HPB) applications. HPB applicants, such as corporations or firms indicating they are hiring workers, are more likely to have payroll employees.

2020: A Big Year for Businesses Providing In-Home Services

Growth in new payroll business applications occurred as many existing firms struggled to survive. The U.S. Census Bureau's business applications data are timely, but they don't provide state-level details on the industries (e.g., retail, manufacturing) with which these new businesses align. A different U.S. Bureau of Labor Statistics (BLS) dataset, however, provides some answers (see notes for details). These data show which Missouri industries had the largest increases in 2020 payroll business formations after the initial employment drop in April and May.

In 2020, more than 15,700 new payroll businesses reported hiring between June and December compared with 13,300 during the same period in 2019. The 2,400-establishment increase represented 18% growth in Missouri payroll business formations.

Private Households had the largest percentage increase in new payroll businesses compared to the previous year. This industry includes households that employ cooks, nannies, maintenance workers and other in-home service workers. The number of new business formations increased most in the *Social Assistance* industry (1,273). These businesses largely started to provide in-home, non-medical assistance to older adults.

Top Five Missouri Industries by Percent Growth in New Payroll Businesses

Sorted by Percent Change in New Businesses from Jun-Dec 2019 to Jun-Dec 2020

NAICS	Industry	Jun-Dec 19 New Businesses	Jun-Dec 20 New Businesses	Change	Percent Change
814	Private Households	122	323	201	165%
446	Health & Personal Care Stores	100	211	111	111%
522	Credit Intermediation & Related	128	204	76	59%
624	Social Assistance	4,675	5,948	1,273	27%
541	Professional, Sci., & Tech. Services	1,661	2,096	435	26%
N/A	Other Industries	6,642	6,956	314	5%
TOTAL		13,328	15,738	2,410	18%

Notes and source: Industries with 100 or more new establishments in 2019. BLS Quarterly Census of Employment and Wages, Establishments for June-December 2019 and 2020.

Both of these industries likely grew as a response to COVID-19 challenges. Consumers shifted spending to in-home services in order to avoid more crowded spaces. However, for *Social Assistance* services and related home health care businesses, this growth trend is not new (see notes).

Credit Intermediation & Related Services (banking) and *Health & Personal Care Stores* (mostly pharmacies), also had large percentage increases in business formations, though they had fewer establishments than other high-growth industries. *Professional, Scientific and Technology Services* saw a 26% increase in new payroll businesses, which were largely related to computer systems design.

Additional Notes

- Payroll industry details are from BLS Quarterly Census of Employment and Wages (QCEW) data provided by the Missouri Economic Research and Information Center (MERIC), Missouri Department of Higher Education and Workforce Development. Establishments with initial payroll unemployment insurance liability dates — indicating the business did hire or was in process of hiring workers — from June to December of 2019 and 2020 were compared in this analysis to ensure seasonality did not influence results. This data lags by seven months to nine months, but they provide industry details that other federal data lack as companies directly report information each quarter.
- As the population has aged, *Social Assistance* and *Home Health Care* business numbers have grown in Missouri for several years. A 2018 [MERIC Business Formations](#) brief provides more details on *Social Assistance* business growth. A 2021 [MU Exceed High-Growth Businesses](#) study describes the *Home Health Care* industry in Missouri.

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