

Missouri Economy Indicators

Business Applications and Ownership Motivators

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Recessions tend to discourage new business formations as entrepreneurs face uncertainty and funding challenges. However, 2020 was different as business applications surged in the second half of the year. Entrepreneurs saw opportunities to respond to consumers spending more online — a trend fueled by COVID-19's impact on the economy and federal income-support programs.

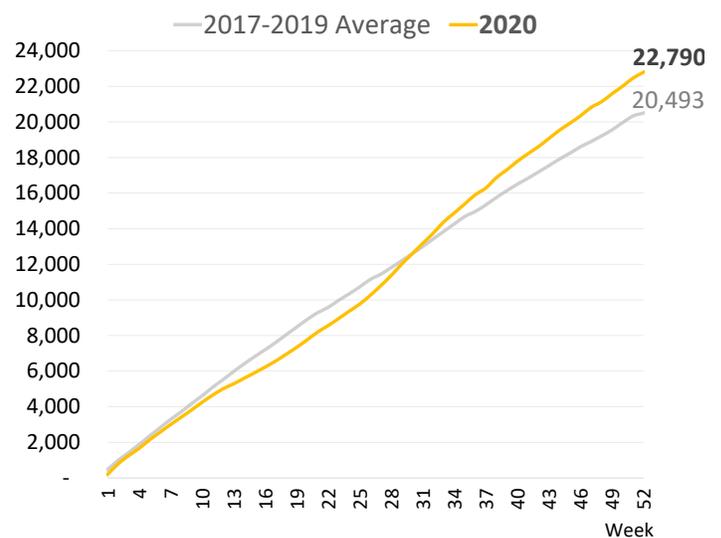
Payroll Business Applications Up In 2020

Relative to 2019, Missouri had 10.6% more applications filed in 2020 to start new businesses that would likely hire paid employees, according to the U.S. Census Bureau. The 2020 new business application filing rate bested the 2017-to-2019 average, despite COVID-19 negatively affecting filings early in 2020. By early August — week 31 — total business applications had surpassed the prior three-year average (see chart).

The U.S. Census Bureau tracks weekly new business application filings. It separately reports data for applicants likely to have payroll, such as corporations or firms indicating they are hiring workers, and all other applicants.

Total Weekly Missouri Business Applications

Filed by Likely Employers in 2020 vs. 3-Year Average



Source: U.S. Census. Cumulative Total of High-Propensity Businesses for Employment Applications.

Relative to Missouri's 10.6% increase in payroll business applications, the nationwide increase was 15.6%. In both cases, growth in this metric occurred as many existing firms struggled to survive or closed permanently. [U.S. Census Bureau figures](#) through September 2020 show that *e-commerce retailers*, *trucking firms* and *food and drinking places* had large application filing increases compared with April 2020. E-commerce and trucking activities have understandably accelerated during the COVID-19 pandemic. The increase in food and drinking place applications is less expected, however. It is likely related to businesses offering food delivery services.

Reasons for Owning a Business

The 2018 U.S. Census Annual Business Survey asked business owners why they operated their company. Participants answered this survey prior to the COVID-19 pandemic, but their responses can indicate why entrepreneurs start new ventures. 2020 was a hard year for many small businesses, especially [minority-owned firms](#), but the quick rebound in business application filings showed that entrepreneurs felt optimistic in 2020 about new growth opportunities.

Most Missouri and U.S. business owners operate their firm to make more money on their own terms. Topping the list of reasons to own a business, *greater income* and *being my own boss* were very important for six out of 10 U.S. and Missouri entrepreneurs. U.S. data for nonminority and minority business owners show these groups had similar rankings, but minority entrepreneurs were more likely to indicate *greater income* and *being my own boss* as very important business ownership reasons. *Helping my community* was very important for 35% of minority entrepreneurs — 13% percentage points higher than responses from nonminority business owners. This response had the largest difference between minority and nonminority business owners. No Missouri data were available to compare responses from minority and nonminority business owners.

The survey data show *couldn't find a job* ranked last in terms of it being a very important reason to own a business. Entrepreneurs typically have higher education credentials — 55% of Missouri business owners have an associate degree or more education compared with 38% of the total population — so finding employment was not a major concern when business owners responded to this survey in 2018. However, job loss in 2020 may have contributed to a surge of new businesses starting out of necessity. [Kansas City Federal Reserve research](#), however, found the spike in business applications from May to October 2020 did not appear to be related to state unemployment rates. Although the 2020 story of business disruptions is still unfolding, the surge in new business applications appears largely driven by entrepreneurs seeking new income opportunities rather than needing to replace lost jobs.

Very Important Reasons to Own Business

Percent of respondents indicating reason is “very important”

Reason to Own Business	Missouri	U.S.	U.S. Nonminority	U.S. Minority
Greater income	60%	62%	61%	65%
Wanted to be my own boss	58%	62%	62%	64%
Balance work and family	53%	56%	55%	62%
Best avenue for ideas	51%	54%	53%	58%
Flexible hours	49%	53%	52%	59%
Start my own business	41%	45%	43%	55%
Work for self	30%	32%	32%	33%
Friend or family role model	28%	28%	27%	33%
Help my community	22%	24%	22%	35%
Carry on family business	18%	18%	18%	21%
Other	8%	9%	9%	12%
Couldn't find a job	6%	8%	6%	12%

Source: U.S. Census Annual Business Survey, Owner Characteristics

For example, the COVID-19 pandemic has encouraged new e-commerce retail ventures as consumers buy more items online. Moving goods and food has also spurred entrepreneurs to capitalize on growing demand for transportation services.

Additional Resources

- **U.S. Census Annual Business Survey** summarizes characteristics, such as education level and age, of business owners at [census.gov/data/tables/2019/econ/abs/2019-abs-characteristics-of-owners.html](https://www.census.gov/data/tables/2019/econ/abs/2019-abs-characteristics-of-owners.html)
- **Minority-owned business COVID-19 impacts** information at [clevelandfed.org/newsroom-and-events/publications/community-development-briefs/db-20201008-misera-report.aspx](https://www.clevelandfed.org/newsroom-and-events/publications/community-development-briefs/db-20201008-misera-report.aspx) and [uschamber.com/report/august-2020-special-report-race-and-inequality-main-street](https://www.uschamber.com/report/august-2020-special-report-race-and-inequality-main-street)

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