

Missouri Economy Indicators

Business Application Trends

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In Missouri and across the nation, business applications have soared recently due to the pandemic-led economic disruptions of 2020, prompting entrepreneurs to explore new business opportunities. While the increase in business starts are an encouraging sign, the tangible impact on overall job figures can take years to materialize. Older firms and business churn play a larger role in total employment, and newer firms are creating fewer jobs at startup than in previous years.

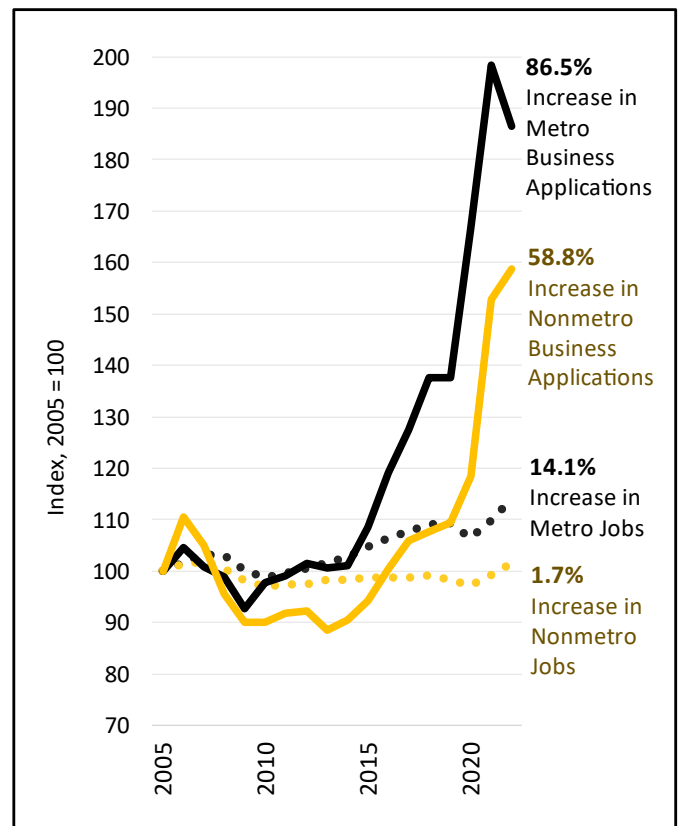
Missouri Business Applications Climb to New Heights, but Employment Lags

The multi-year rise in new business applications, as illustrated in the chart for Missouri metro and nonmetro areas, reflects a positive surge of entrepreneurial activity. However, overall employment does not follow at a similar pace. For example, metro area business applications were 86.5% higher in 2022 than in 2005, yet total employment had only increased by 14.1%.

While young businesses (less than 5 years in age) create jobs at a higher rate than older businesses, they account for a small percentage of overall employment. The total employment scenario is impacted by older firm closures or layoffs that offset the jobs created by young businesses. Moreover, post-pandemic business applications have increased for those more likely to be self-employed, adding fewer new jobs to the employment pool.

Nevertheless, new business starts are critical to sustaining employment, particularly when many existing firms face challenges during economic downturns. Research on the relationship between 2005-22 employment and application trends supports this: a drop of 100 Missouri business applications in a given year would be expected to decrease employment – two years later – by 210 jobs.

Change in Missouri Metro & Nonmetro Business Applications and Total Employment, 2005-22



Source: MU Extension graphic using U.S. Census Bureau county-level business application and U.S. Bureau of Economic Analysis employment figures. Index, 2005 = 100.

In 2022, there were 131 business applications for every 10,000 Missourians; this number was down slightly from 137 applications in 2021. For comparison, the 2005-15 average was 75 applications per 10,000 Missourians. While more applications are being filed, an increasing share of entrepreneurs are likely to be self-employed with no hired workers. In 2005, 52% of Missouri applications were from firms likely to hire employees – that figure has trended lower each year and in 2022, accounted for 29% of applicants.

The national trend of an expanding proportion of business startups without employees aligns with findings from the [U.S. Bureau of Labor Statistics](#) and [Kauffman Foundation](#), indicating that newer businesses are opening with fewer employees than in previous years. For example, in 2005 a newly created Missouri business had an average of 4.7 jobs; in 2022, it was less than 2.5 jobs. There are several reasons for this trend, some of which were accelerated by the pandemic. *Individual Services for the Elderly or Disabled*, often a single-employee business providing in-home care, has been an increasingly important industry as the aging population grows. In 2021-22, this industry accounted for 33% and 35% of new payroll businesses in metro and nonmetro areas of Missouri, respectively.

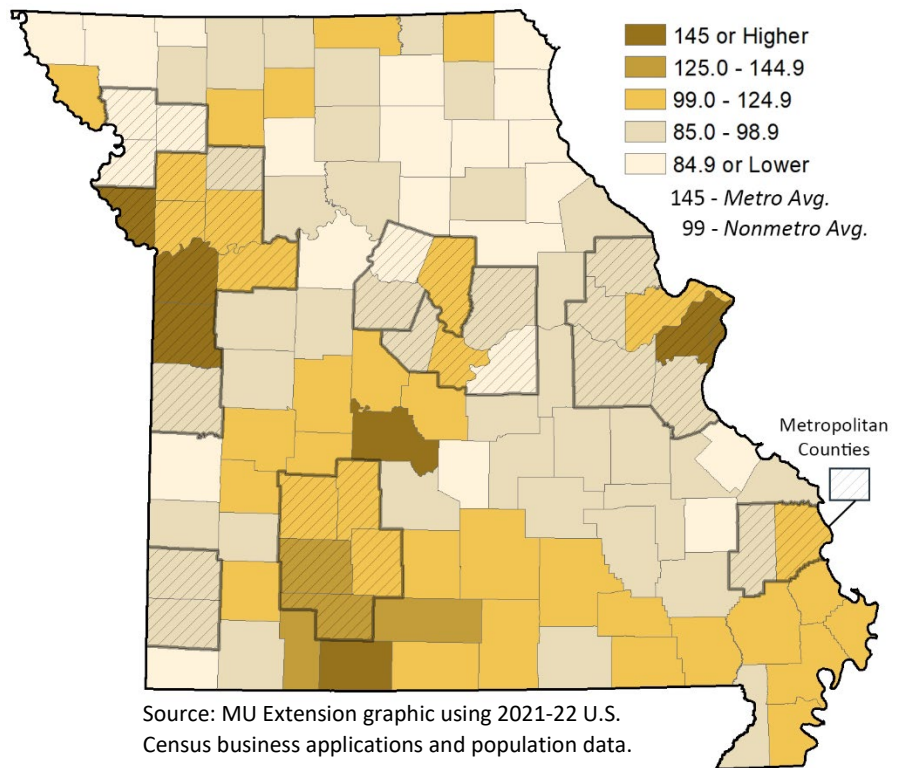
Other industries with traditionally low employee counts, like *Professional, Scientific, & Technical Services, Specialty Trade Contractors* and *Truck Transportation*, were top new Missouri payroll businesses that benefitted from post-pandemic economic trends.

The county map highlights the 2021-22 average business applications per 10,000 in population. Several urban counties in the St. Louis and Kansas City metros had above-average business application levels. Camden and Taney nonmetro counties also had high levels of business applications surpassing most metro counties; these counties are home to tourism destinations.

Notes and Additional Resources

- As the U.S. population ages, the growing preference for “aging in place” has driven demand for elder-care individual services and specialty trade contractors (home modifications) as seen above in new payroll businesses. Two recent *Marketplace* podcasts highlight why “aging in place” is a [growth industry](#) along with the associated [technology](#).
- Business industry analysis used U.S. Bureau of Labor Statistics payroll employer data, a separate program from the U.S. Census Bureau’s business applications information.
- Missouri [Small Business Development Centers](#) (SBDC) offer free resources and counseling to support small businesses looking to expand sales and employment.

New Business Applications per 10,000 in Population, 2021-22 Average



All Missouri Economy Indicators briefs in this series are available at <http://muext.us/MissouriEconomyIndicators>

Authors: Natalia Filimonova, Visiting Scholar, nfd5c@missouri.edu
 Alan Spell, Assistant Extension Professor, alan.spell@missouri.edu