



Business Establishments in Boston: Citywide Trends and Patterns

September 29, 2023
Research Division

Outline of topics

- Pre-pandemic business dynamics in Boston
- Business establishments during COVID-19
- Employment size during COVID-19
- Industry trends during COVID-19
- Recent openings and closings

1.

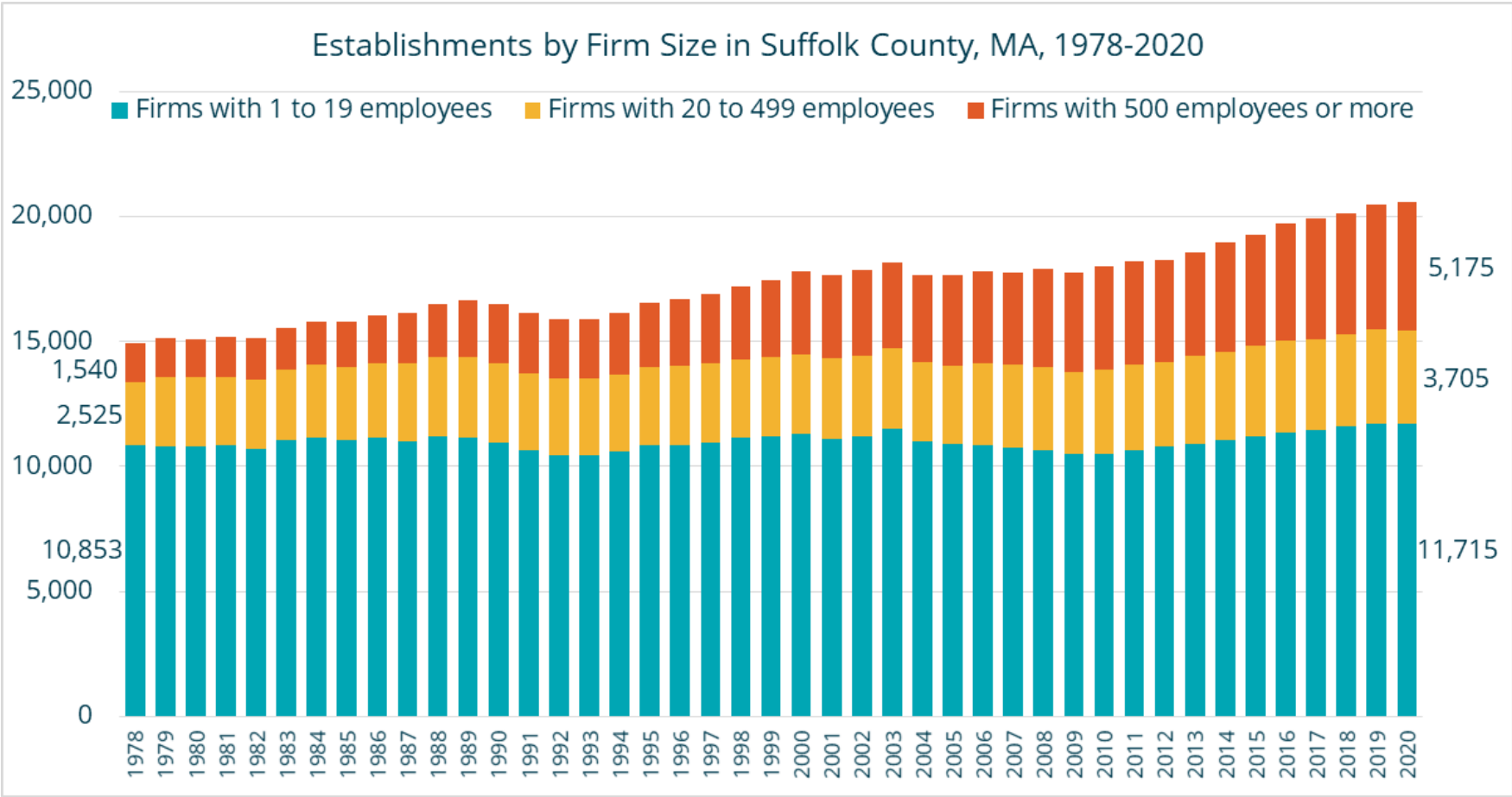
Pre-pandemic business dynamics in Boston



Some vocabulary for how we talk about businesses

Unit of analysis	Definition
"establishment"	A location at which business is conducted
"firm"	A business organization with a unique Employer Identification Number (EIN) consisting of 1 or more establishments under common ownership
"opening" / "birth"	Employs people in a given year after previously employing no one
"closing" / "death"	Employs no one in a given year after previously employing people
"entry rate"	Number of openings / births, as a percentage of the total
"exit rate"	Number of closings / deaths, as a percentage of the total

A growing share of Boston's establishments belong to larger firms: in 2020, 25% of establishments belonged to firms with 500+ employees



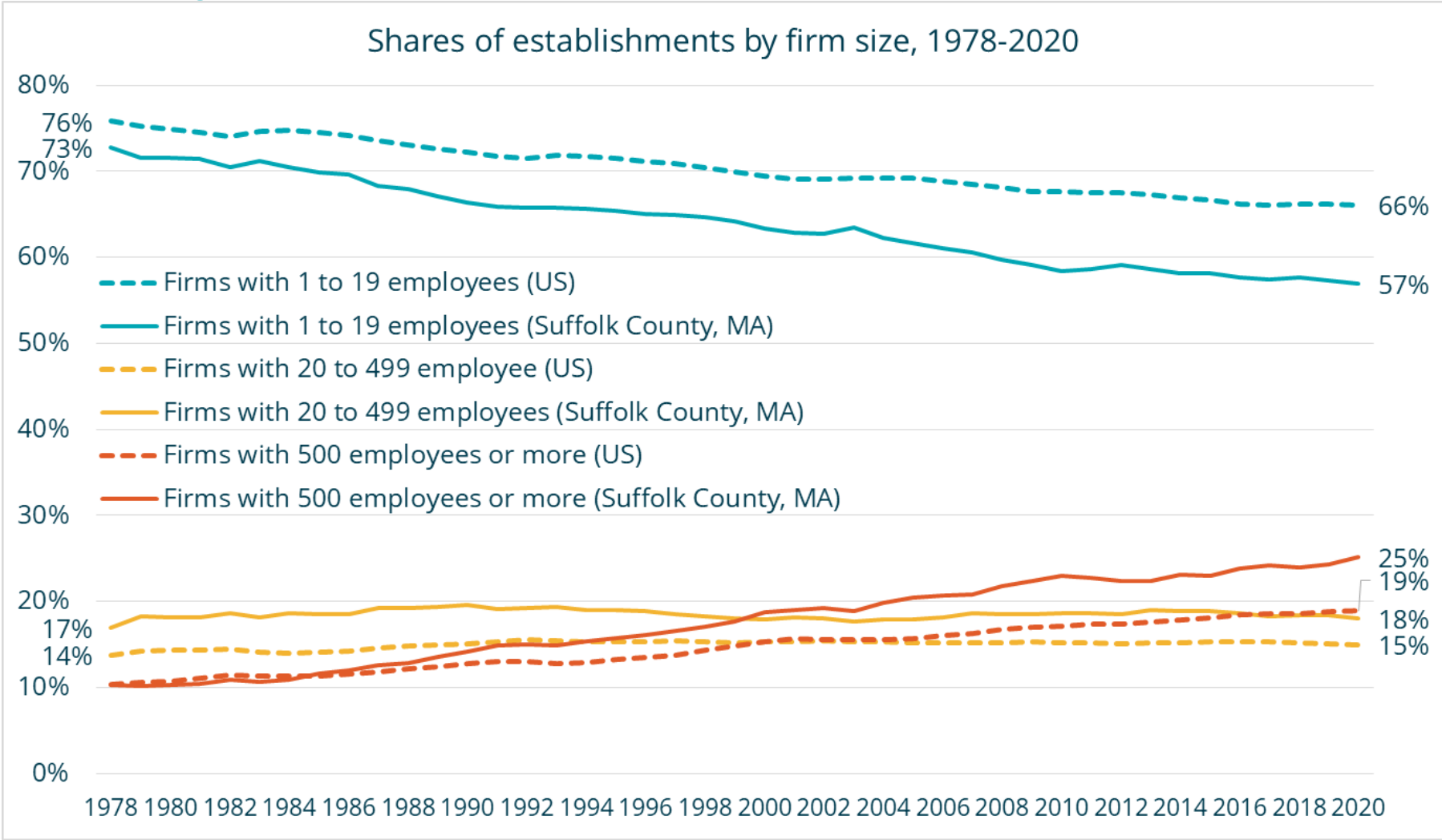
Each yearly snapshot reflects conditions on March 12

Not included in this dataset: one-person businesses. private household employment, public administration

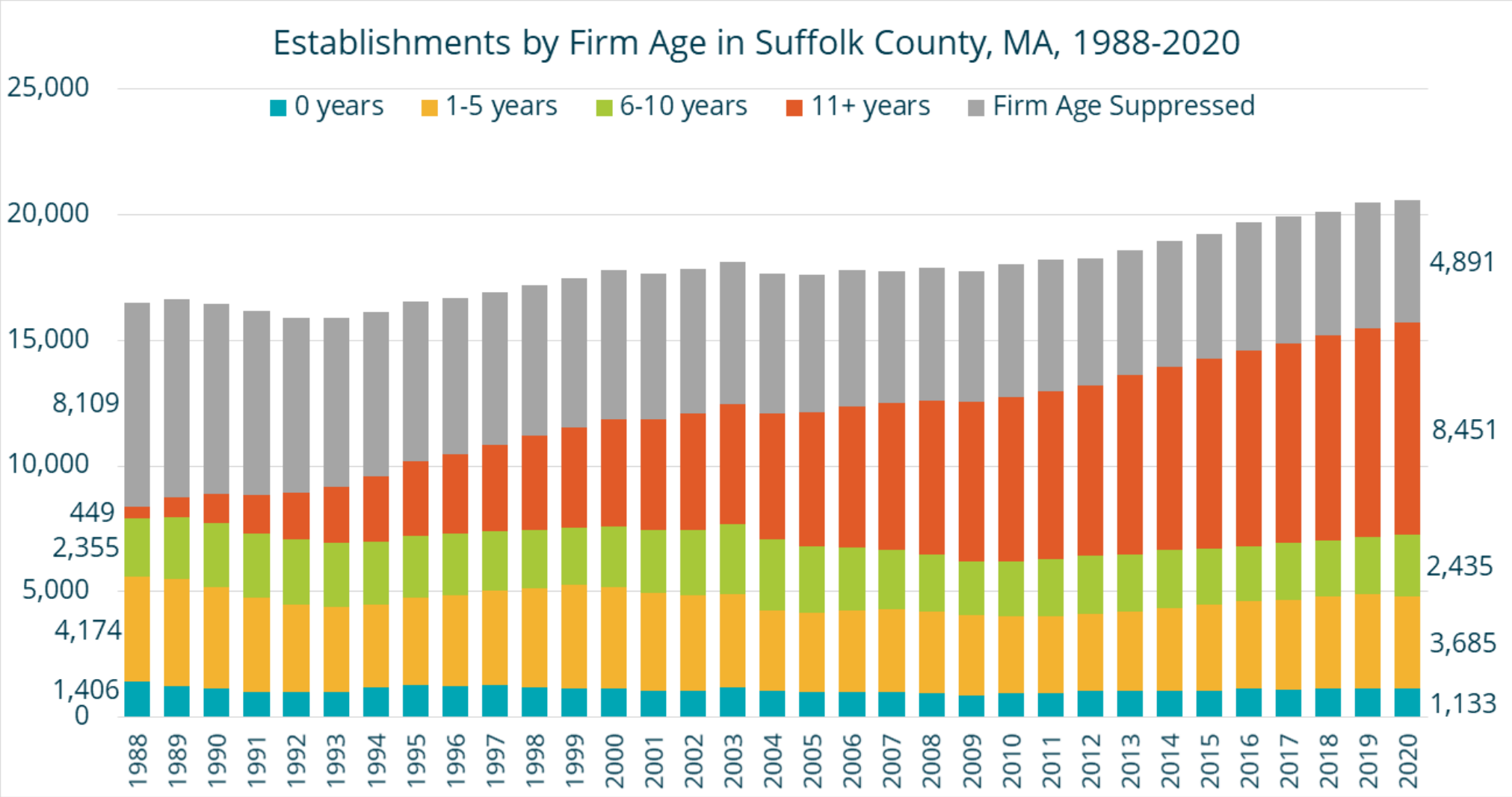


Source: U.S. Census, 1978-2020 Business Dynamics Statistics, BPDA Research Division Analysis

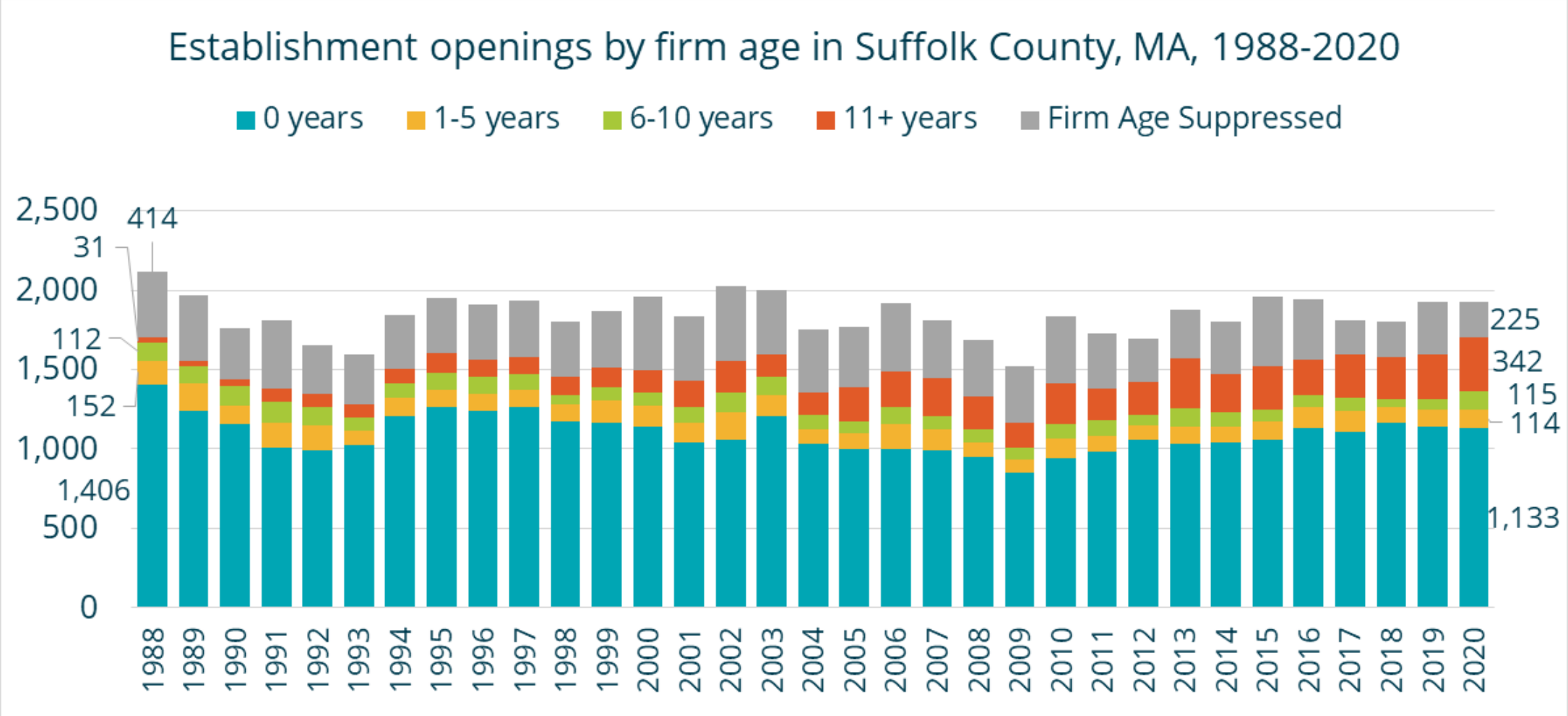
Larger firms are increasing their share of Boston establishments more quickly than they are in the US as a whole



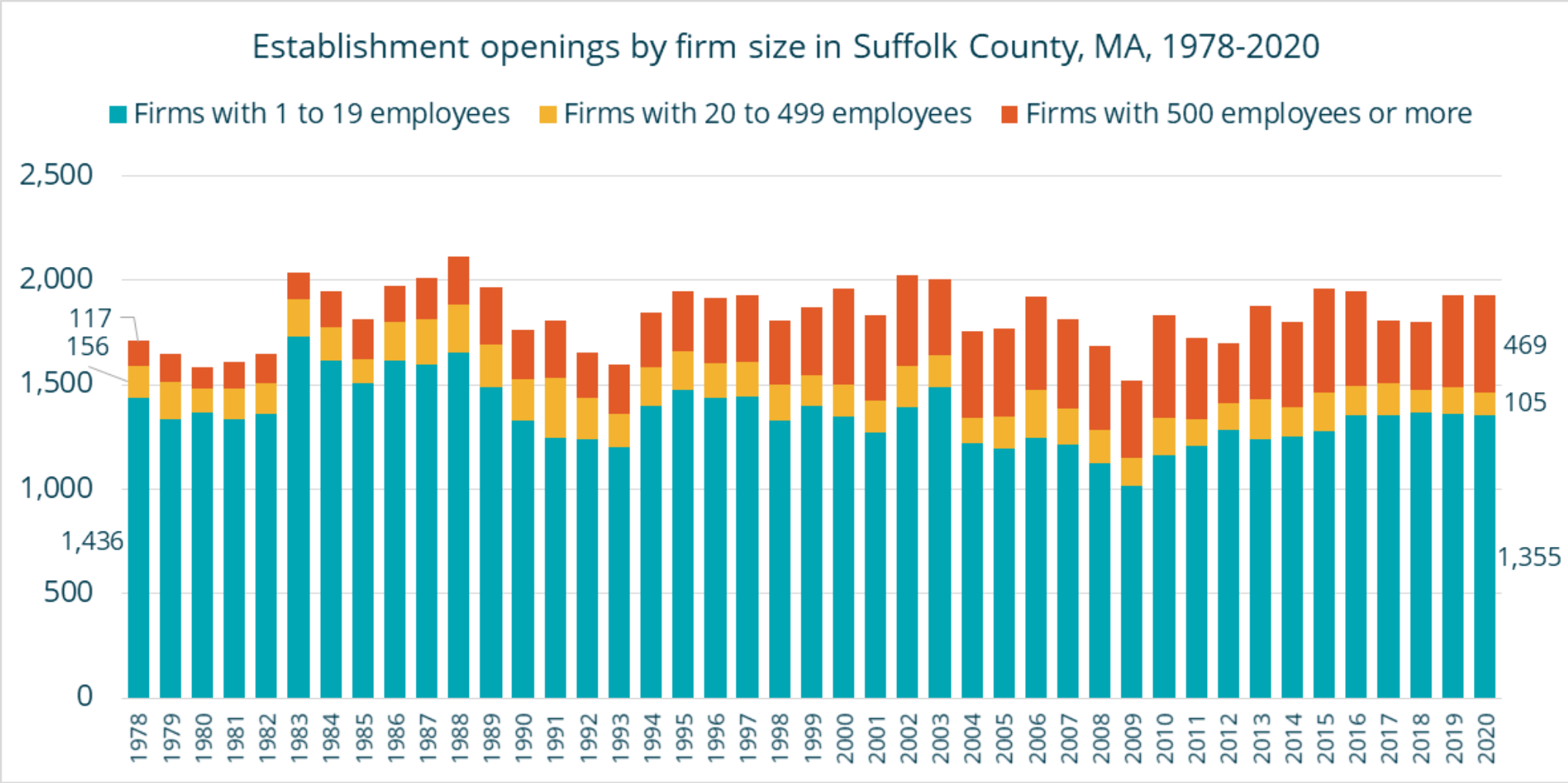
A growing share of Boston's establishments belong to older firms: in 2020, 41% of establishments belonged to firms more than 10 years old



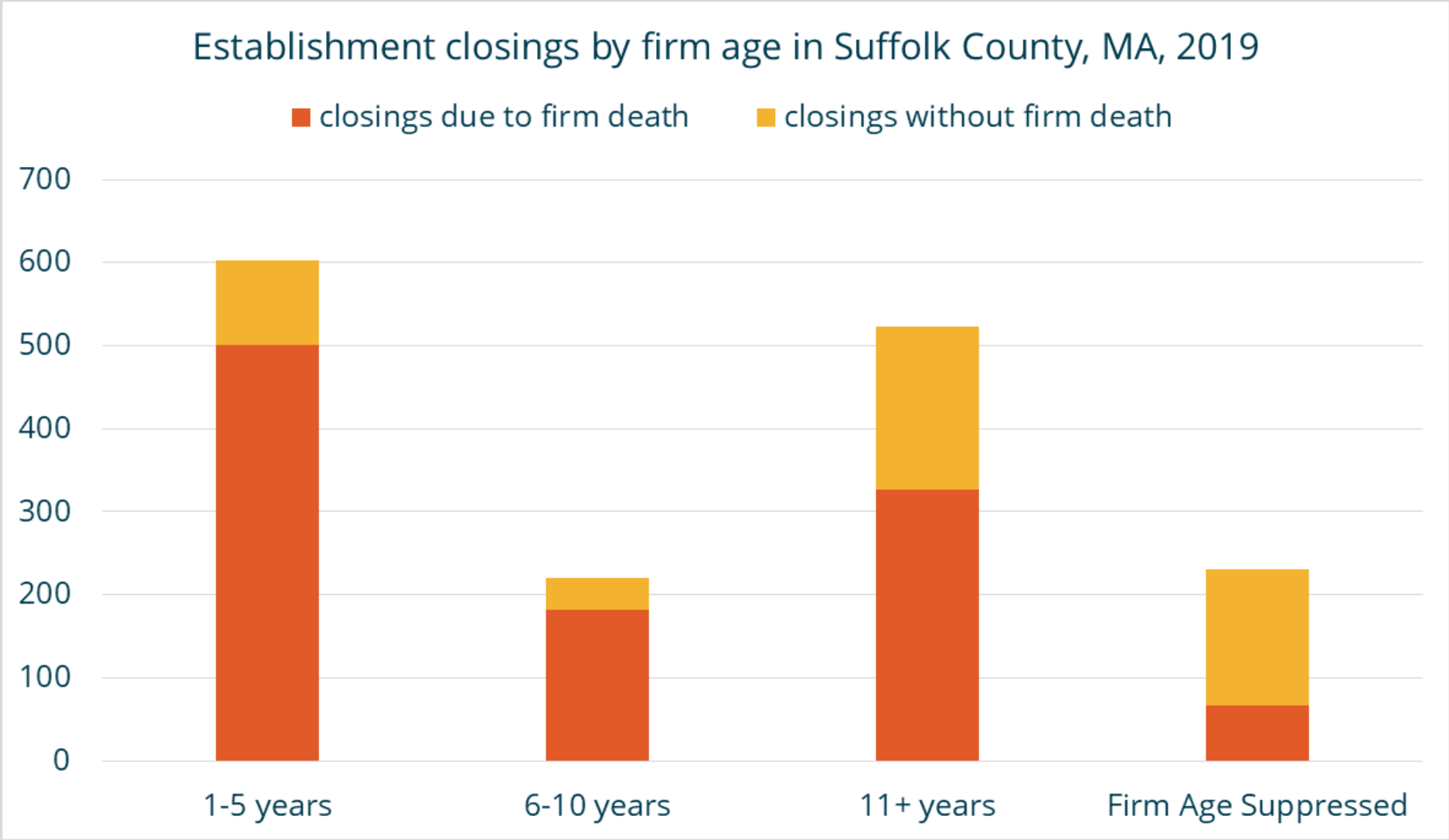
Most openings (59%) are from startups, but a growing share of openings come from older firms



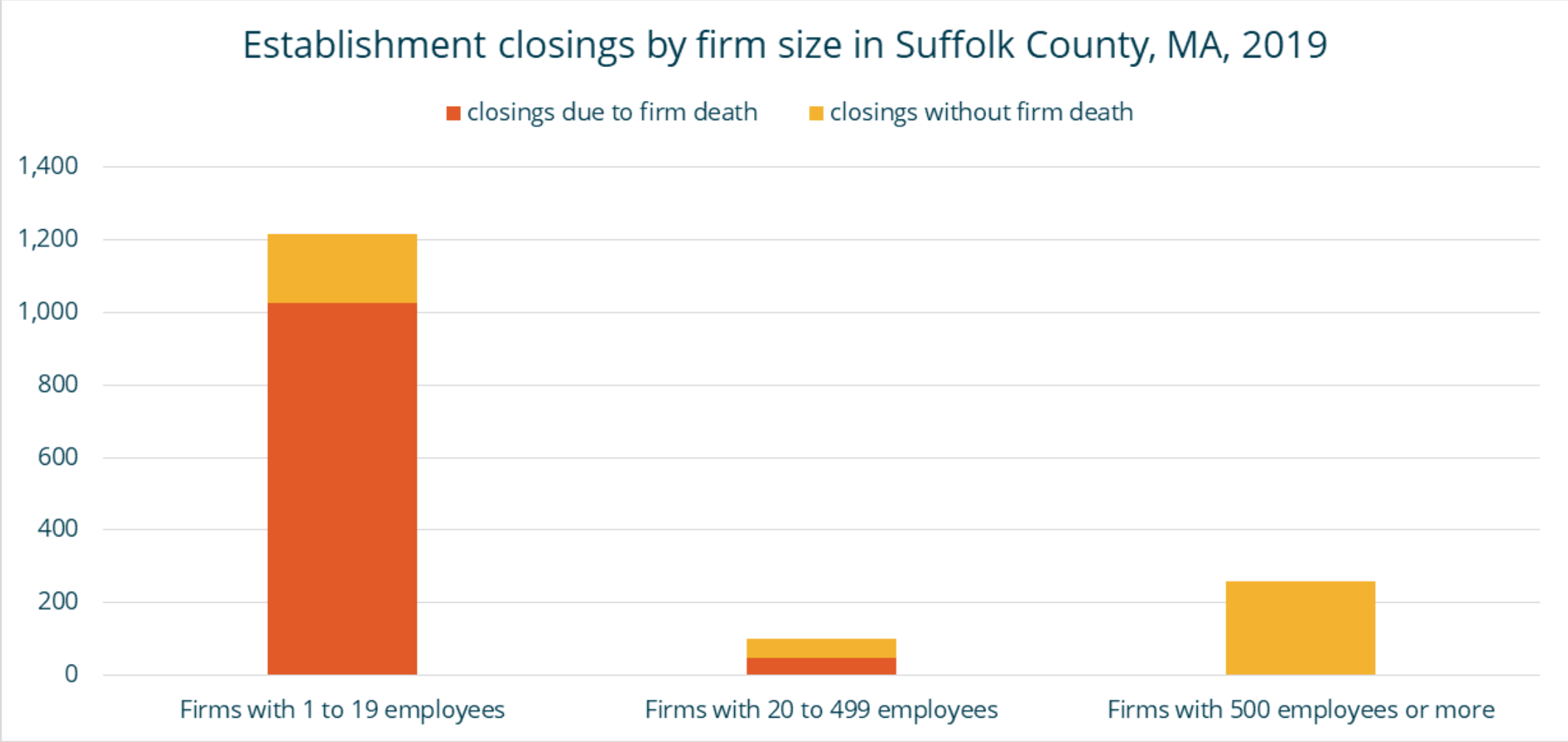
Most openings (70%) are from smaller firms, but a growing share of openings come from larger firms



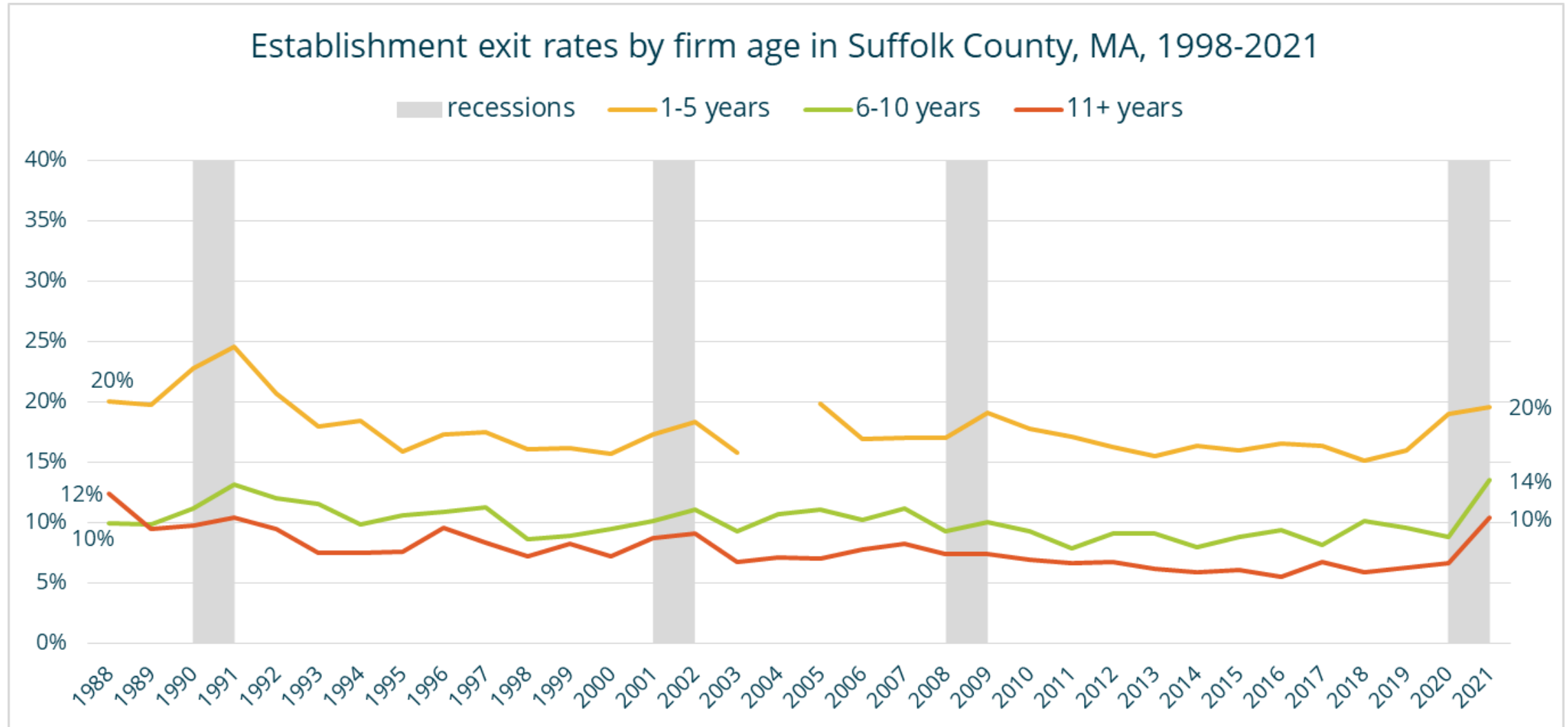
Closings within younger firms are more likely to be firm deaths



Most establishment closings are from smaller firms, and closings within larger firms tend not to be firm deaths

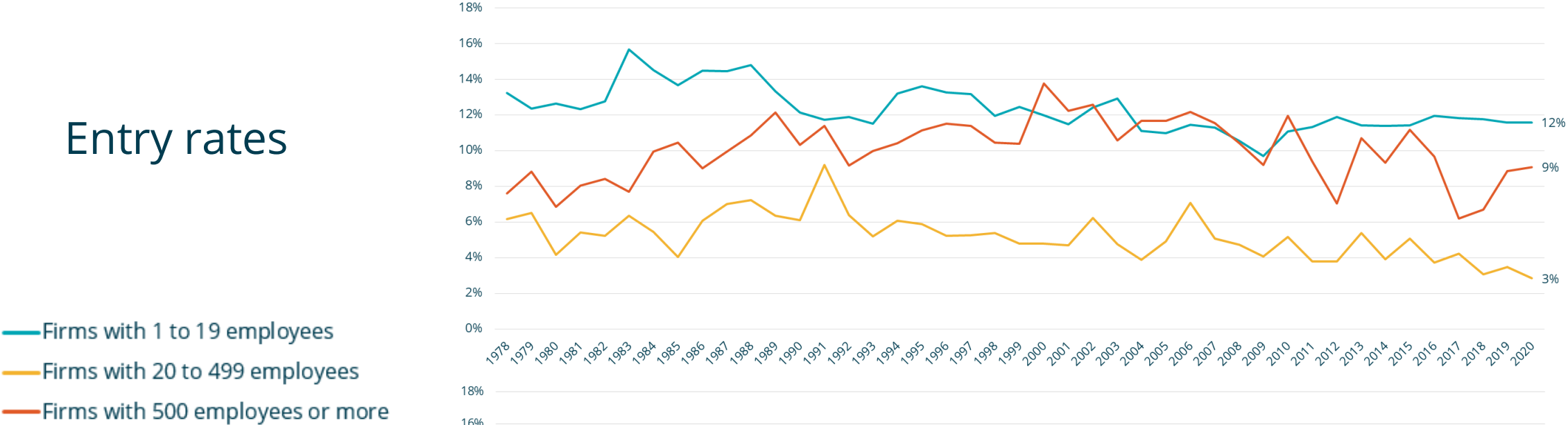


Exit rates are higher among establishments belonging to younger firms

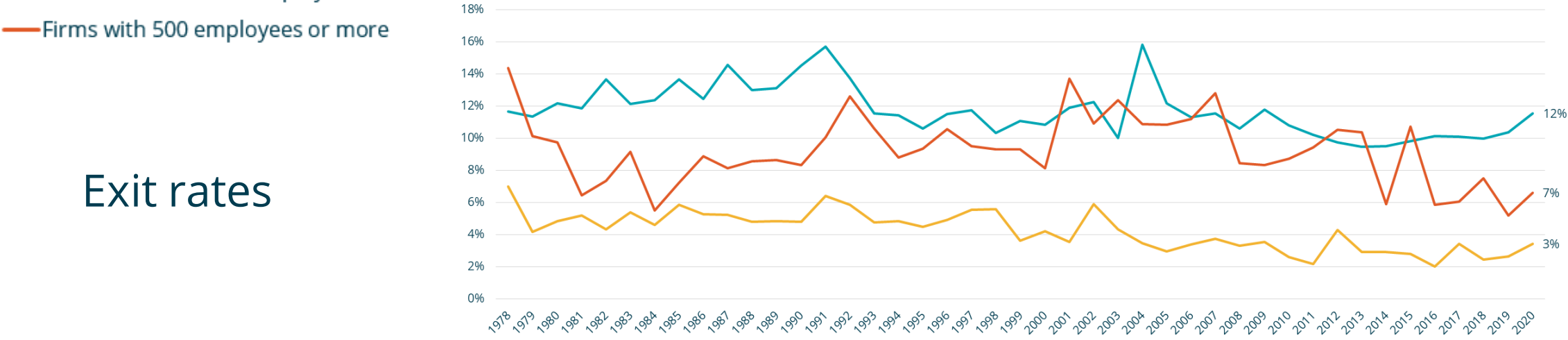


Establishment entry and exit rates are lower for medium-sized firms

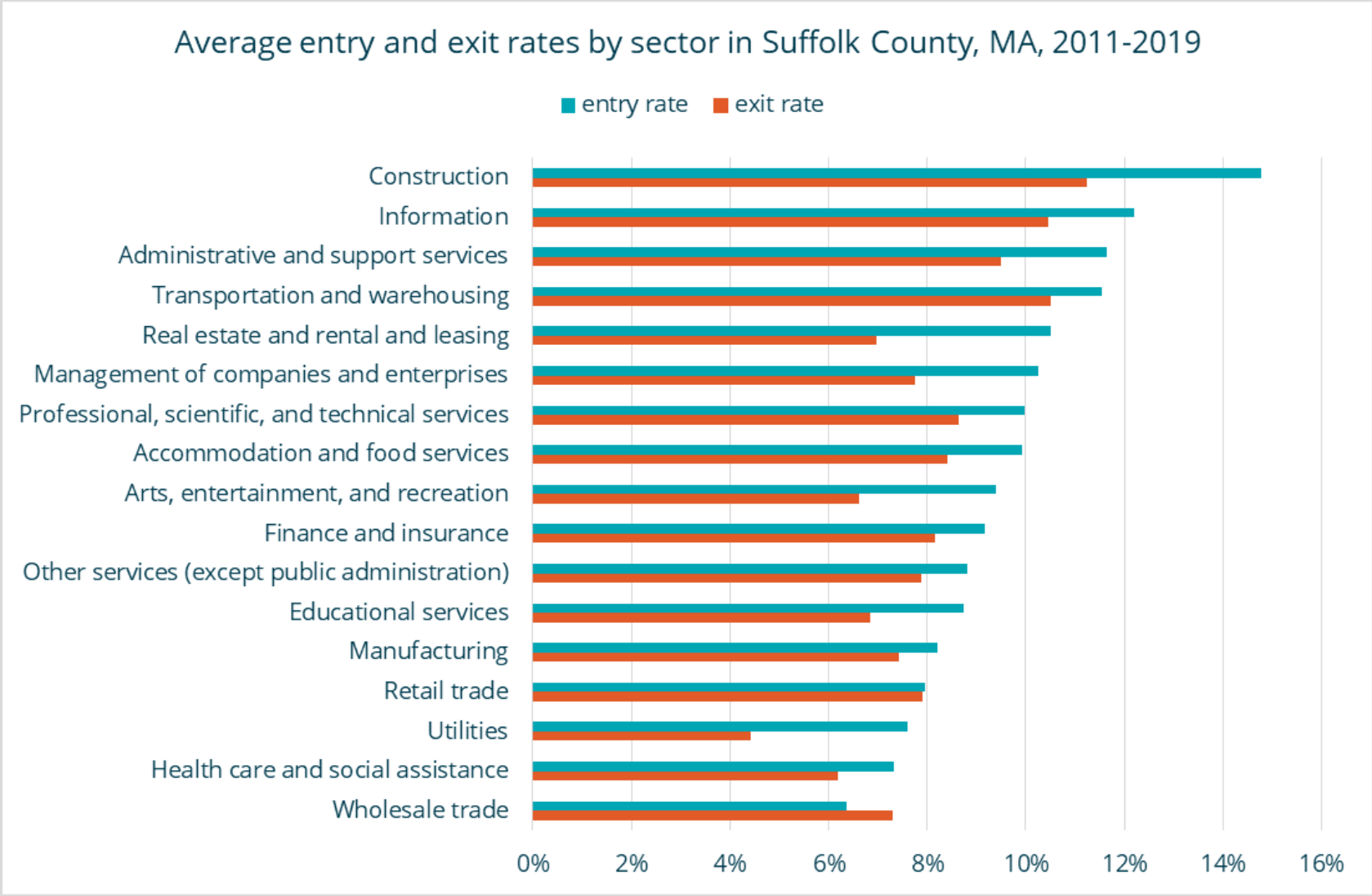
Entry rates



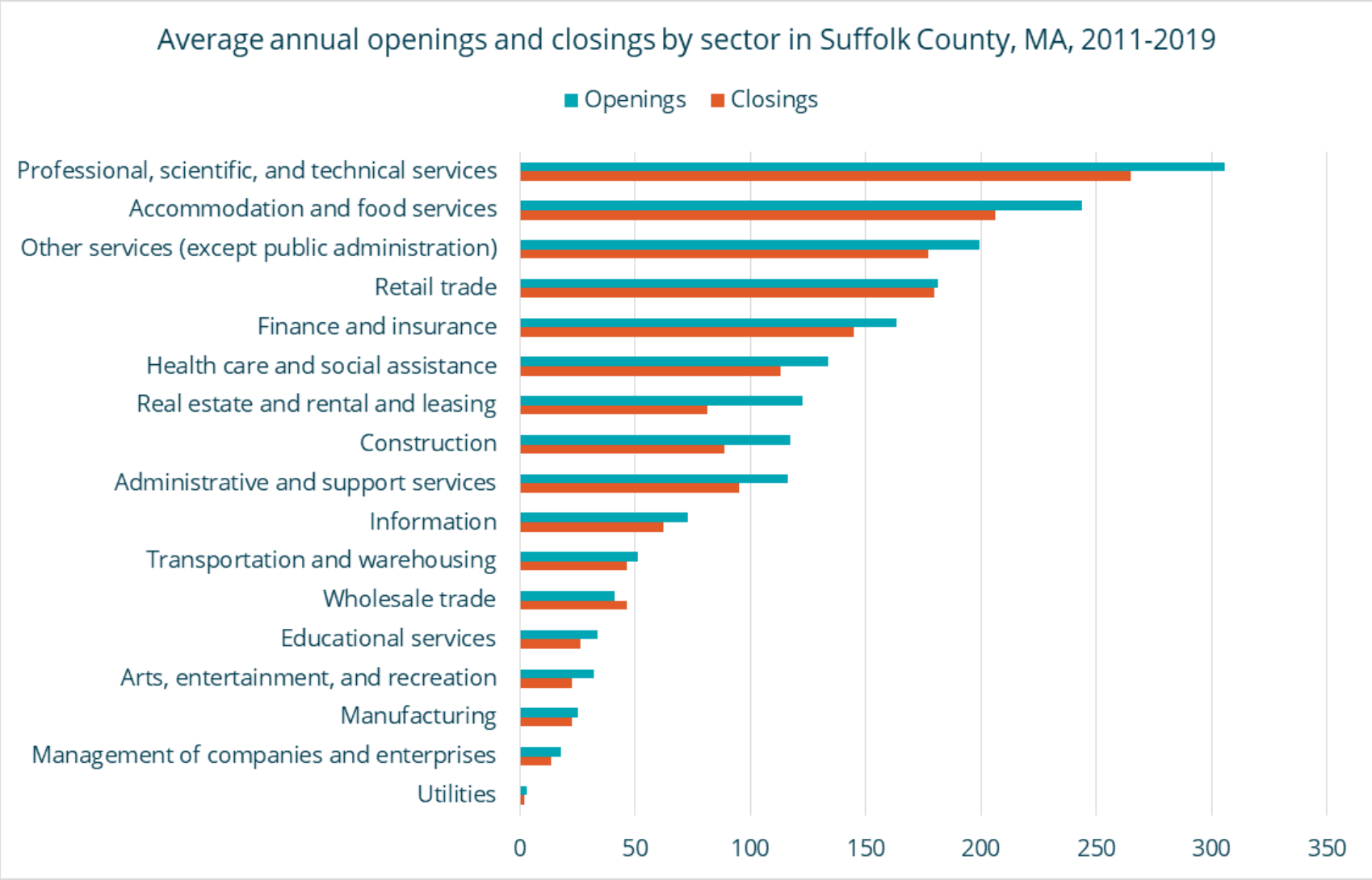
Exit rates



The highest-turnover sectors have establishment entry rates above 10%



The largest sectors have hundreds of openings and closings each year



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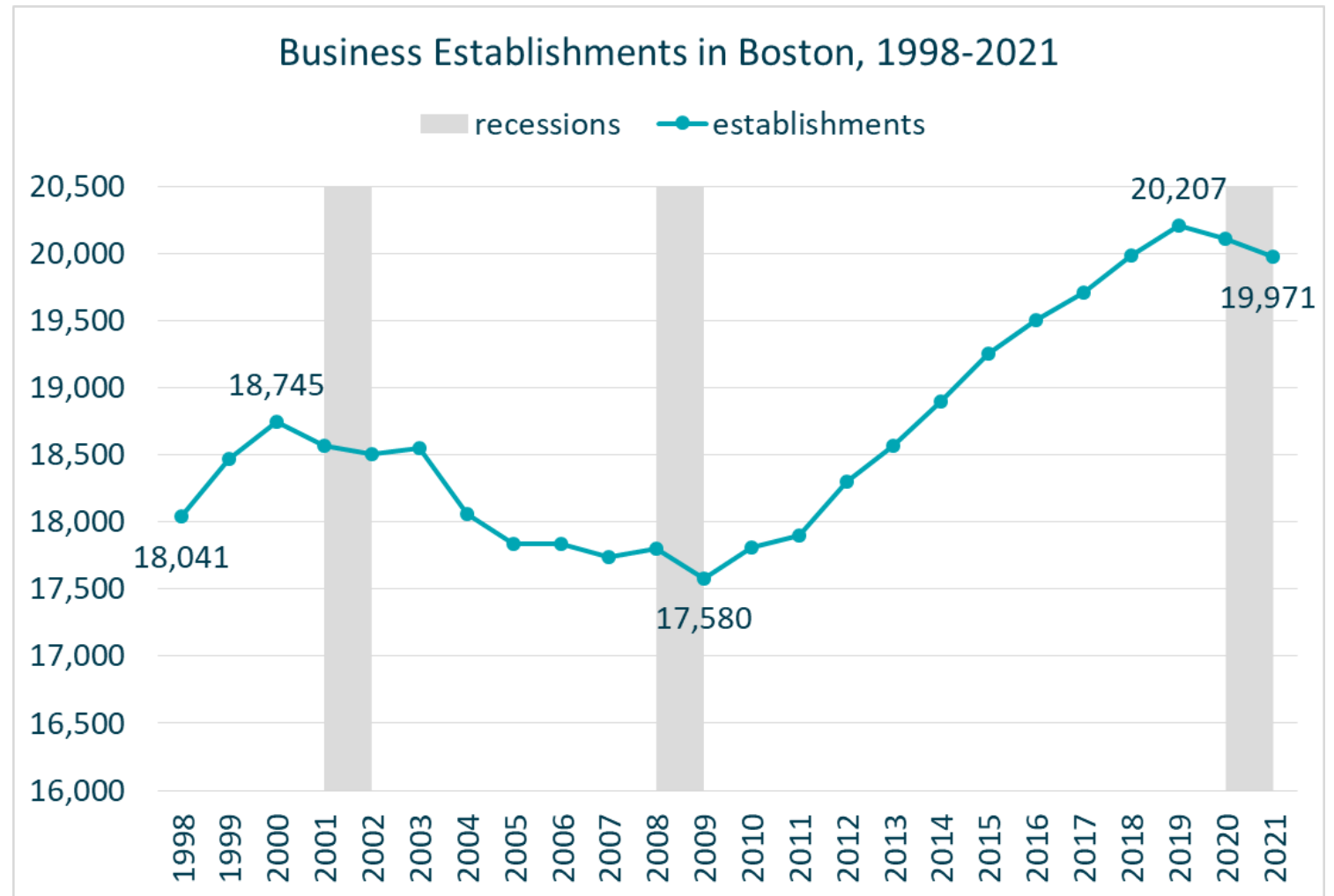
Business establishments during COVID-19



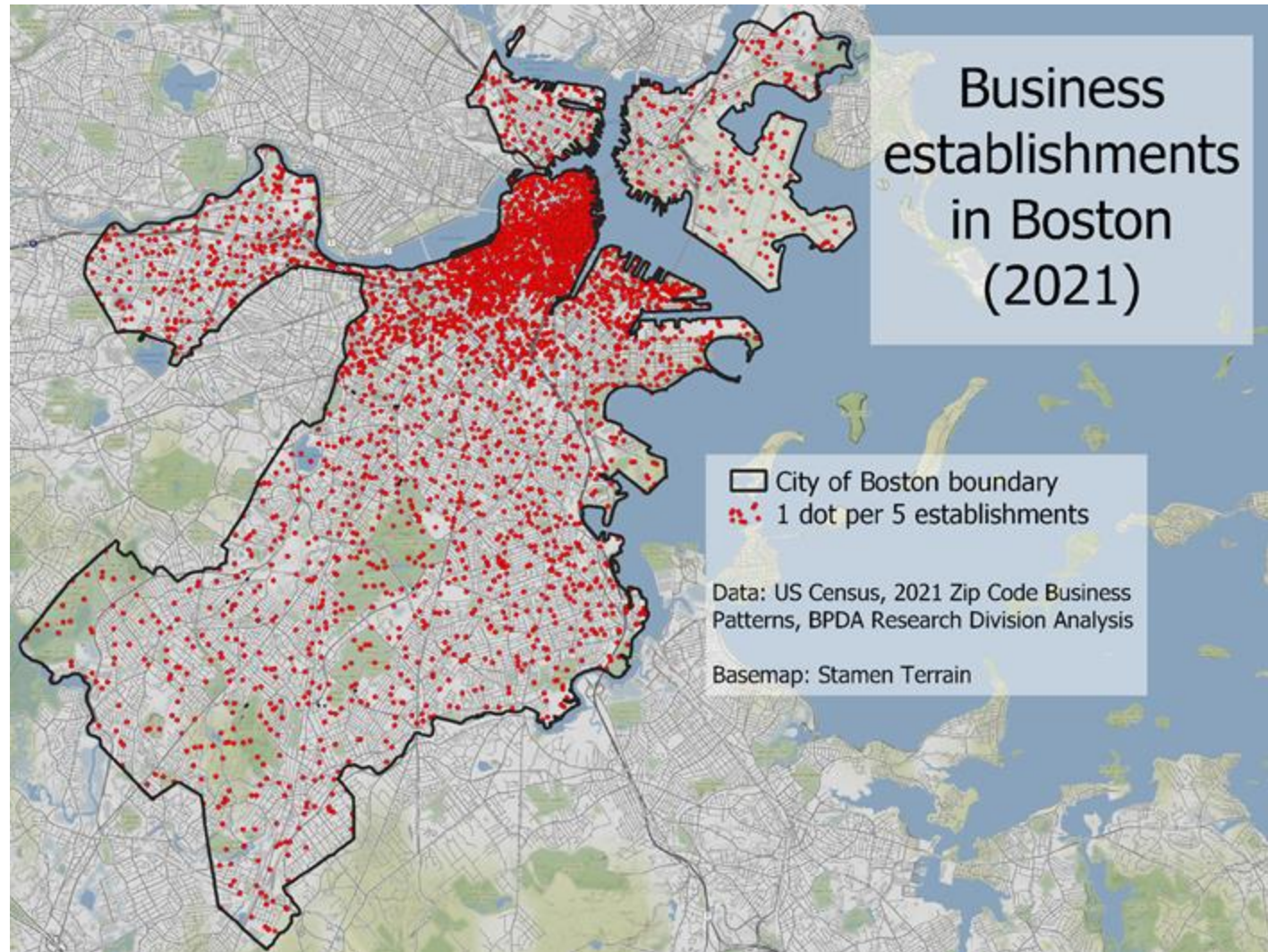
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Boston lost several hundred business establishments from 2019 to 2021

- Each yearly snapshot reflects conditions on March 12
- Not included in this dataset:
 - one-person businesses
 - private household employment
 - public administration

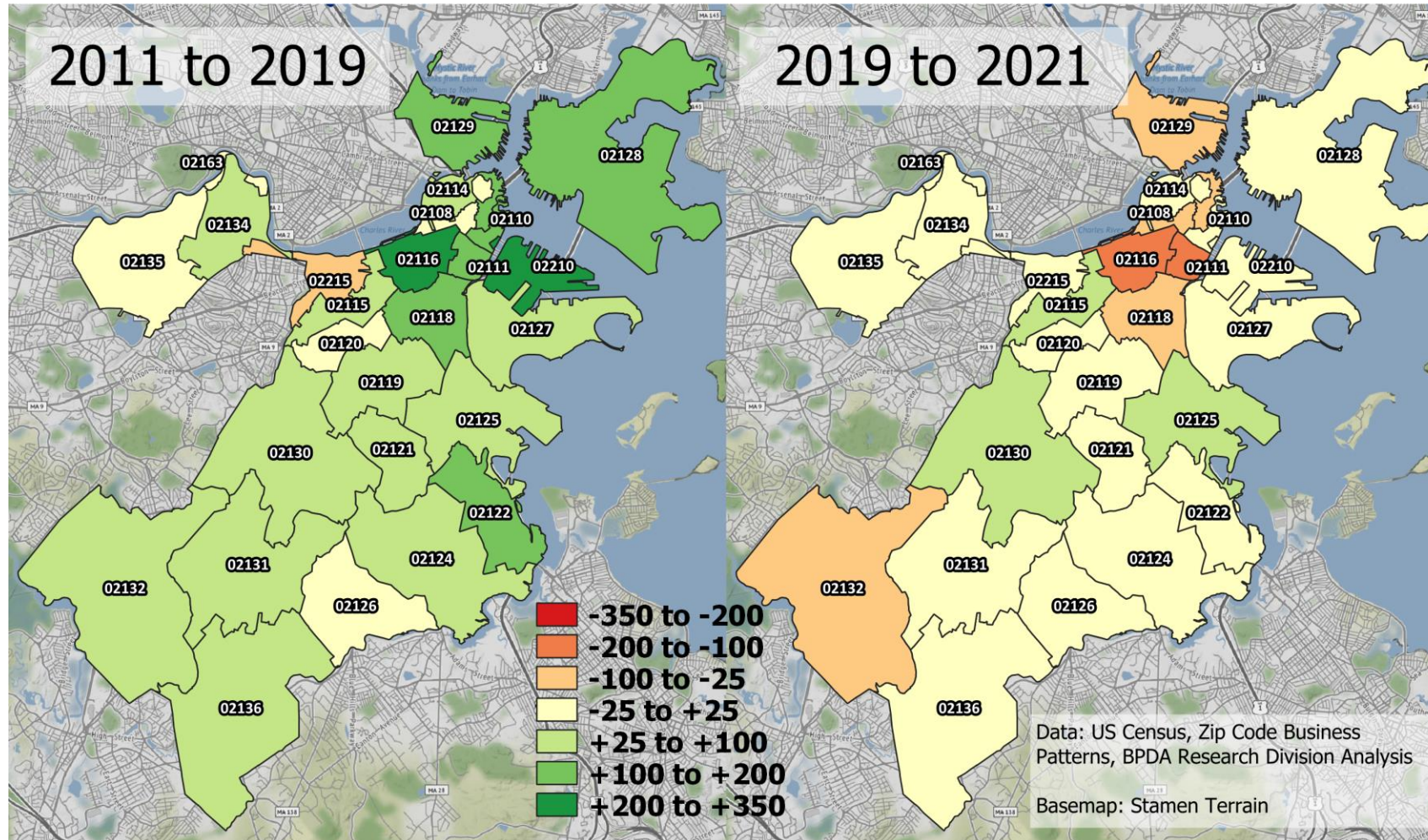


Business establishments are concentrated in Boston's commercial hubs



Establishment losses from 2019 to 2021 were uneven across Boston

Change in business establishments in Boston

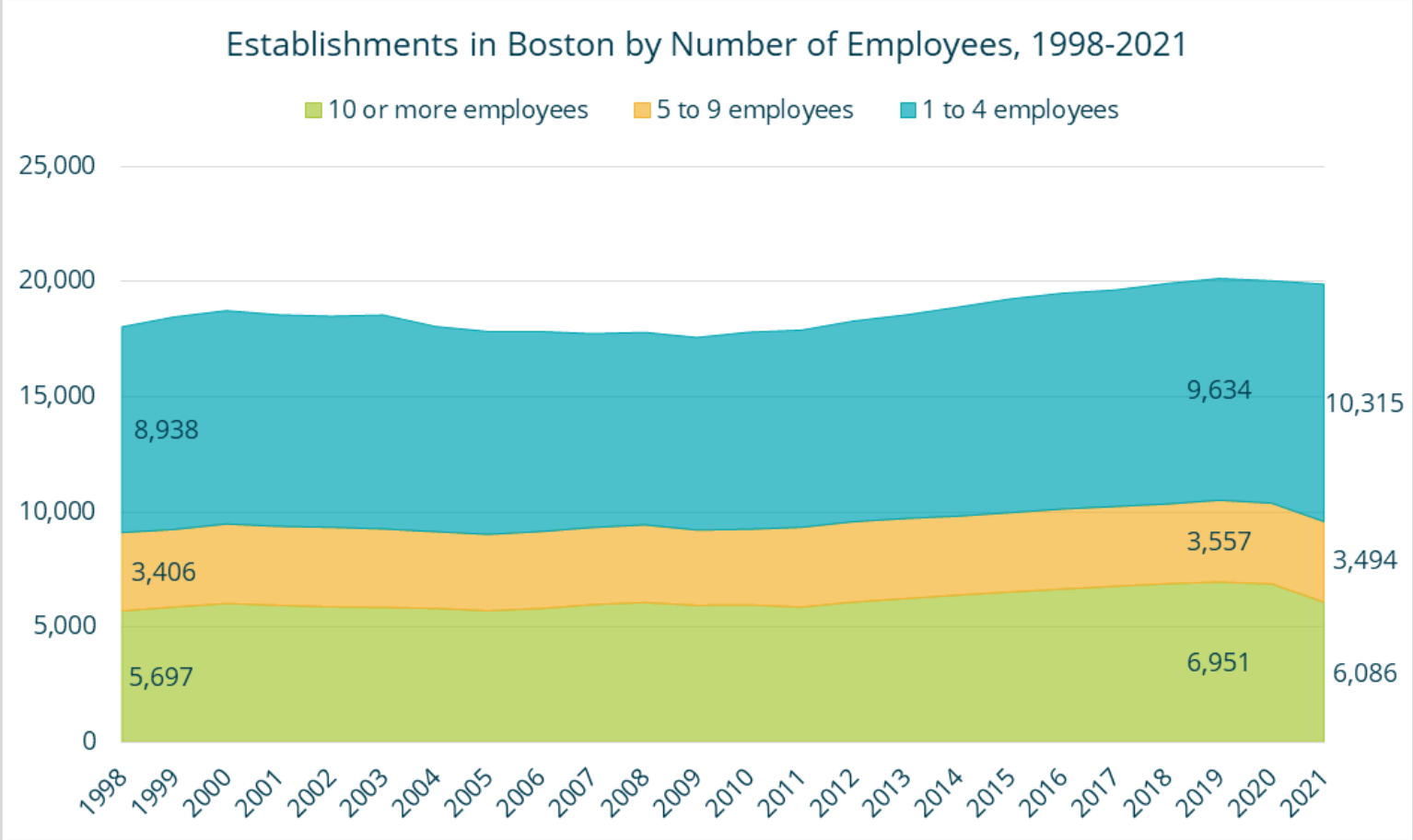


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Employment size trends during COVID-19



Boston's establishments got smaller from 2019 to 2021 through a combination of closings and reductions in employment

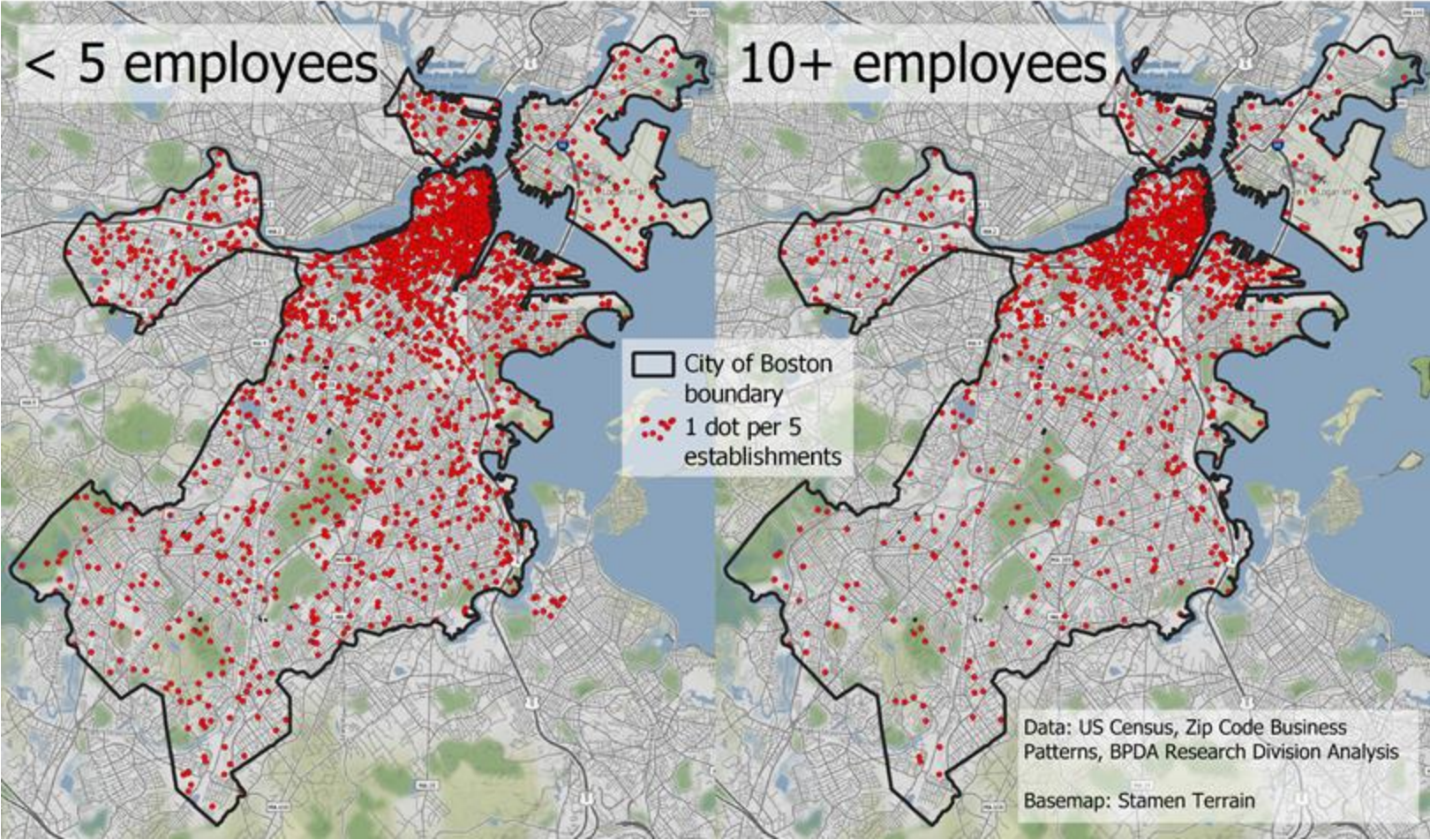


Businesses in Boston by Size in 2021

Number of Employees	Establishments	
	Total	Percent
1 to 4	10,315	51.6%
5 to 9	3,494	17.5%
10 to 19	2,461	12.3%
20 to 49	2,074	10.4%
50 to 99	774	3.9%
100 to 249	512	2.6%
250 to 499	160	0.8%
500 to 999	55	0.3%
1,000 or more	50	0.3%
Data suppressed	76	0.4%

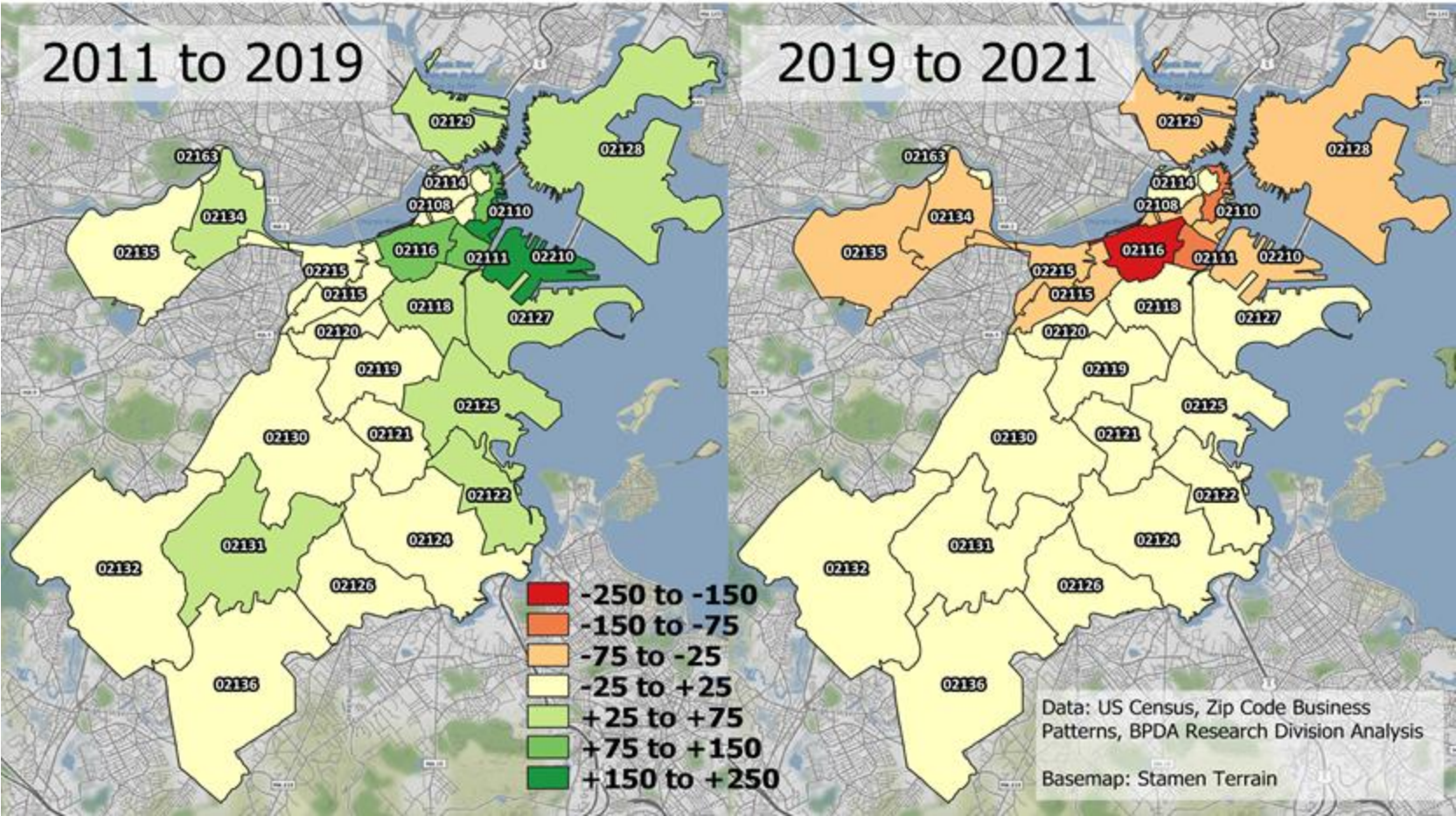
Establishments with 10+ employees are more concentrated in downtown commercial hubs than smaller establishments

Business establishments in Boston, 2021



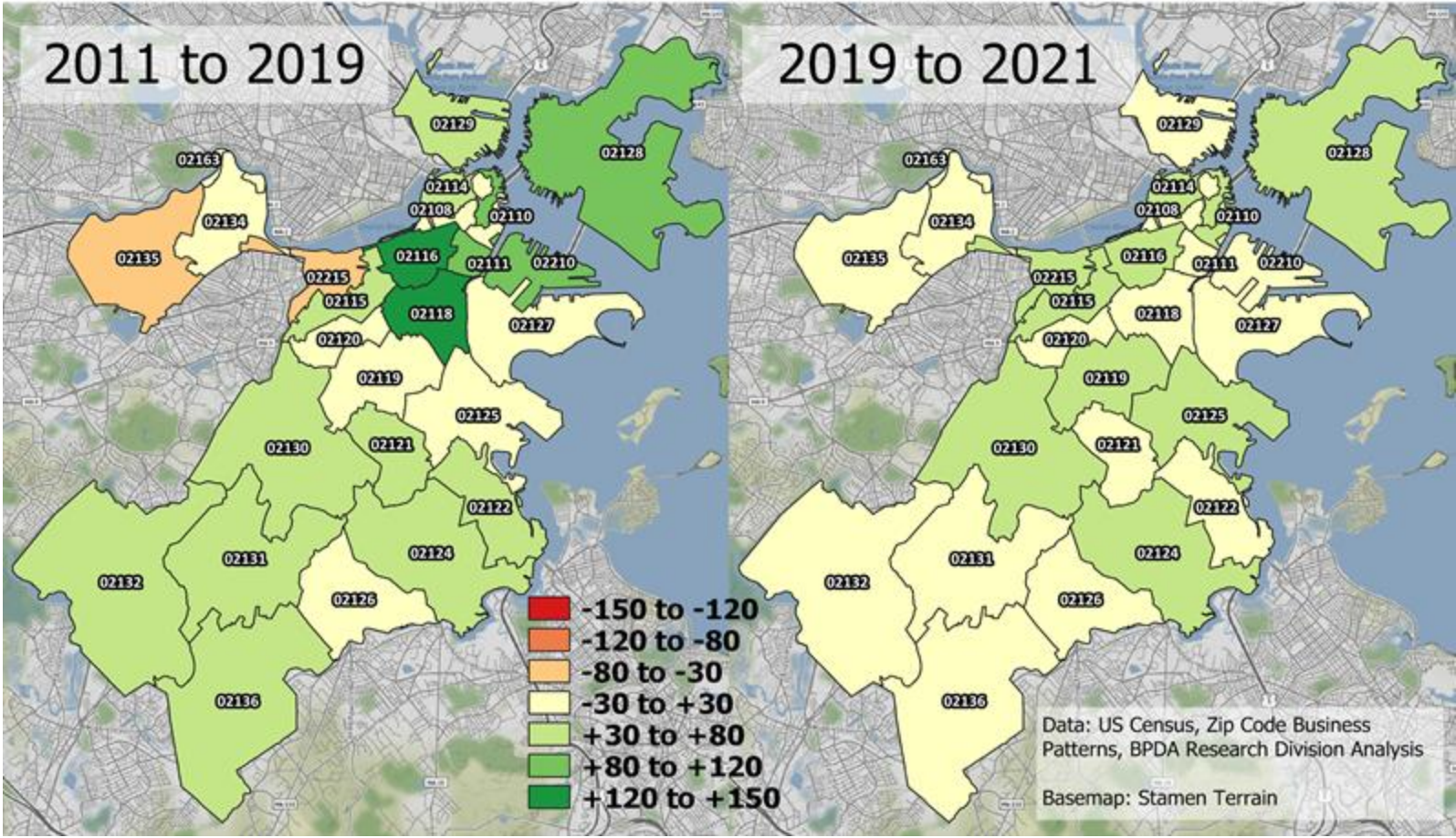
The closing or shrinkage of establishments with 10+ employees was more concentrated in downtown commercial hubs from 2019 to 2021

Change in establishments with 10+ employees in Boston



Some neighborhoods added more small establishments than they lost larger ones from 2019 to 2021, indicating some net new openings

Change in establishments with <5 employees in Boston



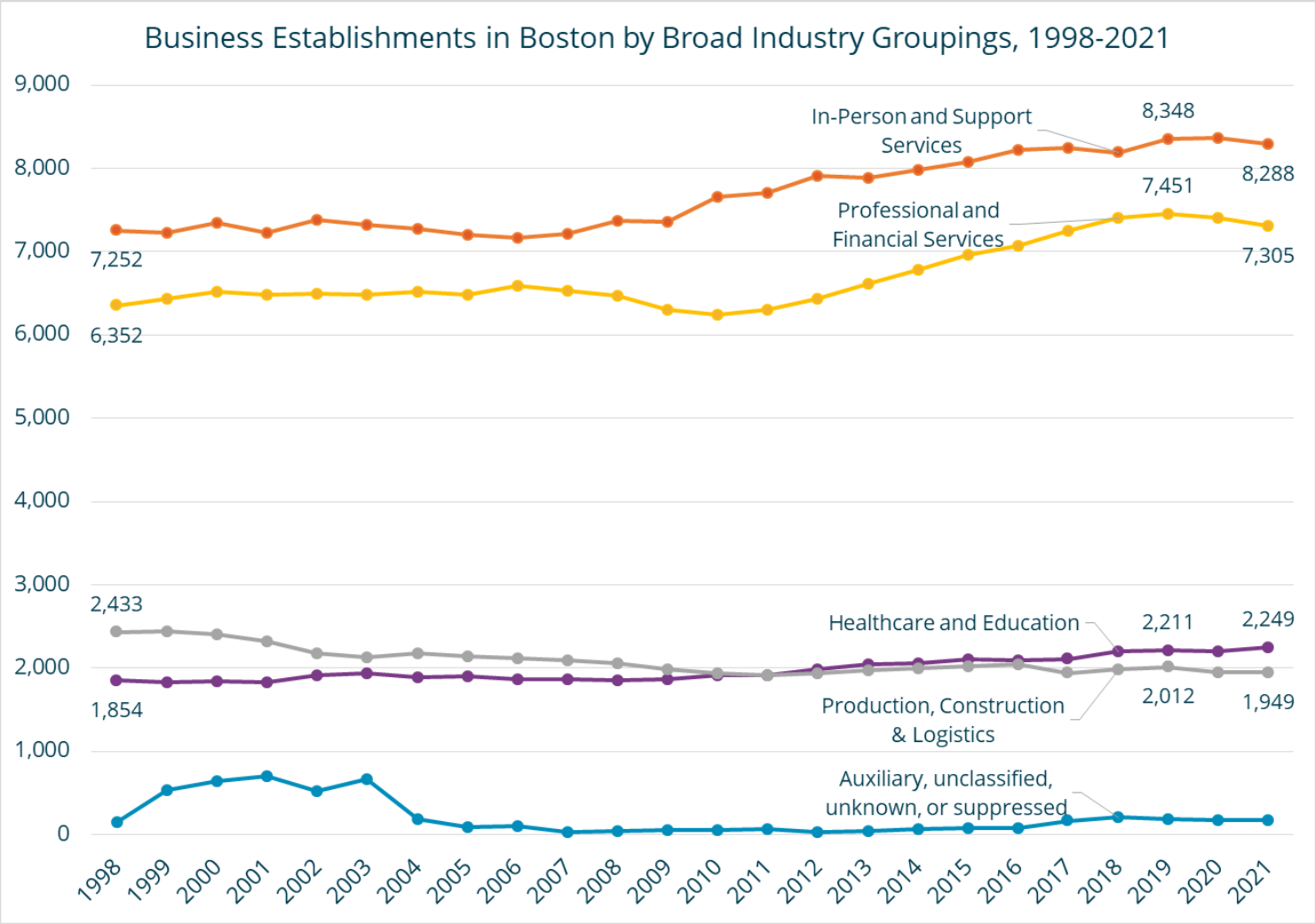
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Industry trends during COVID-19

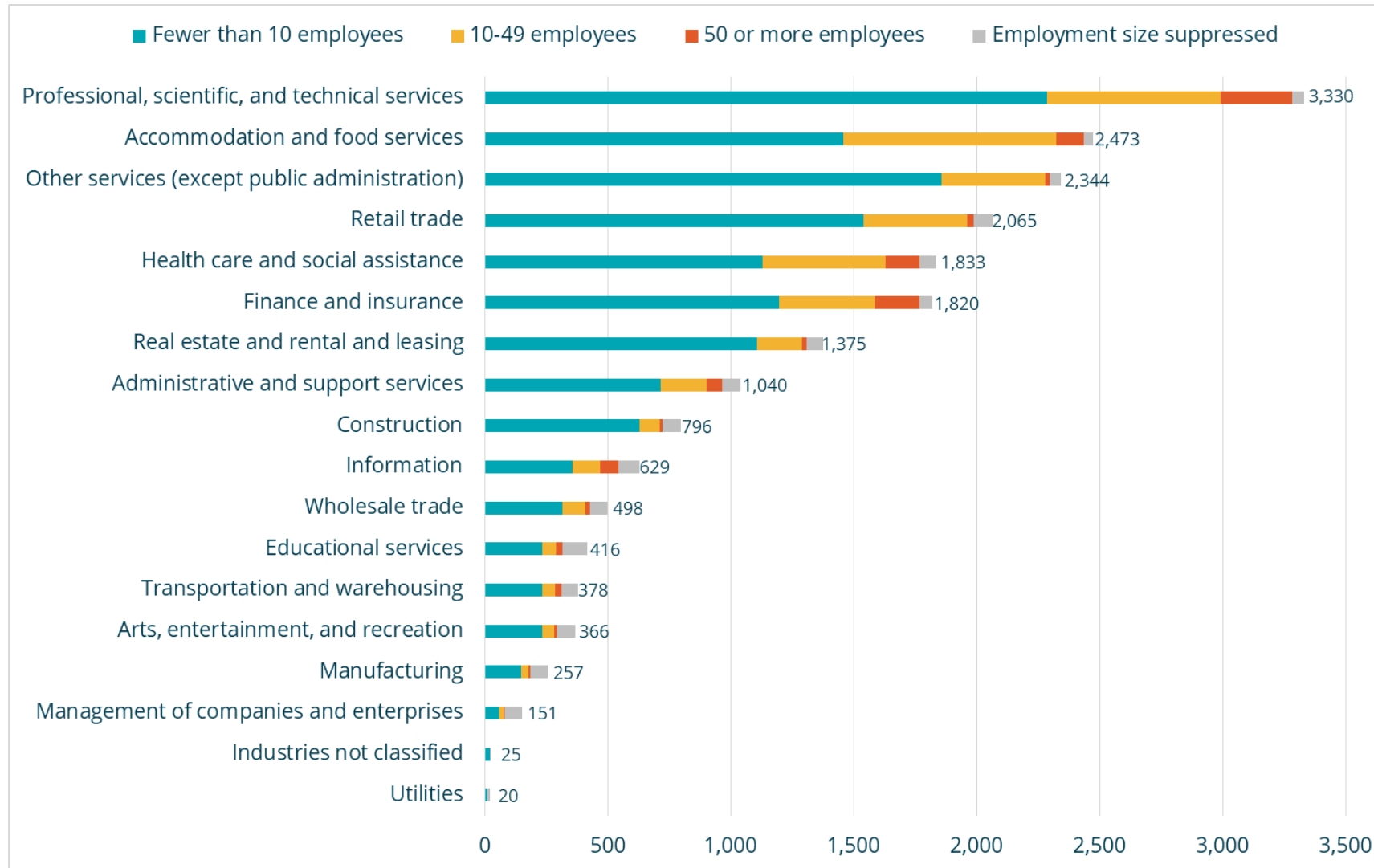


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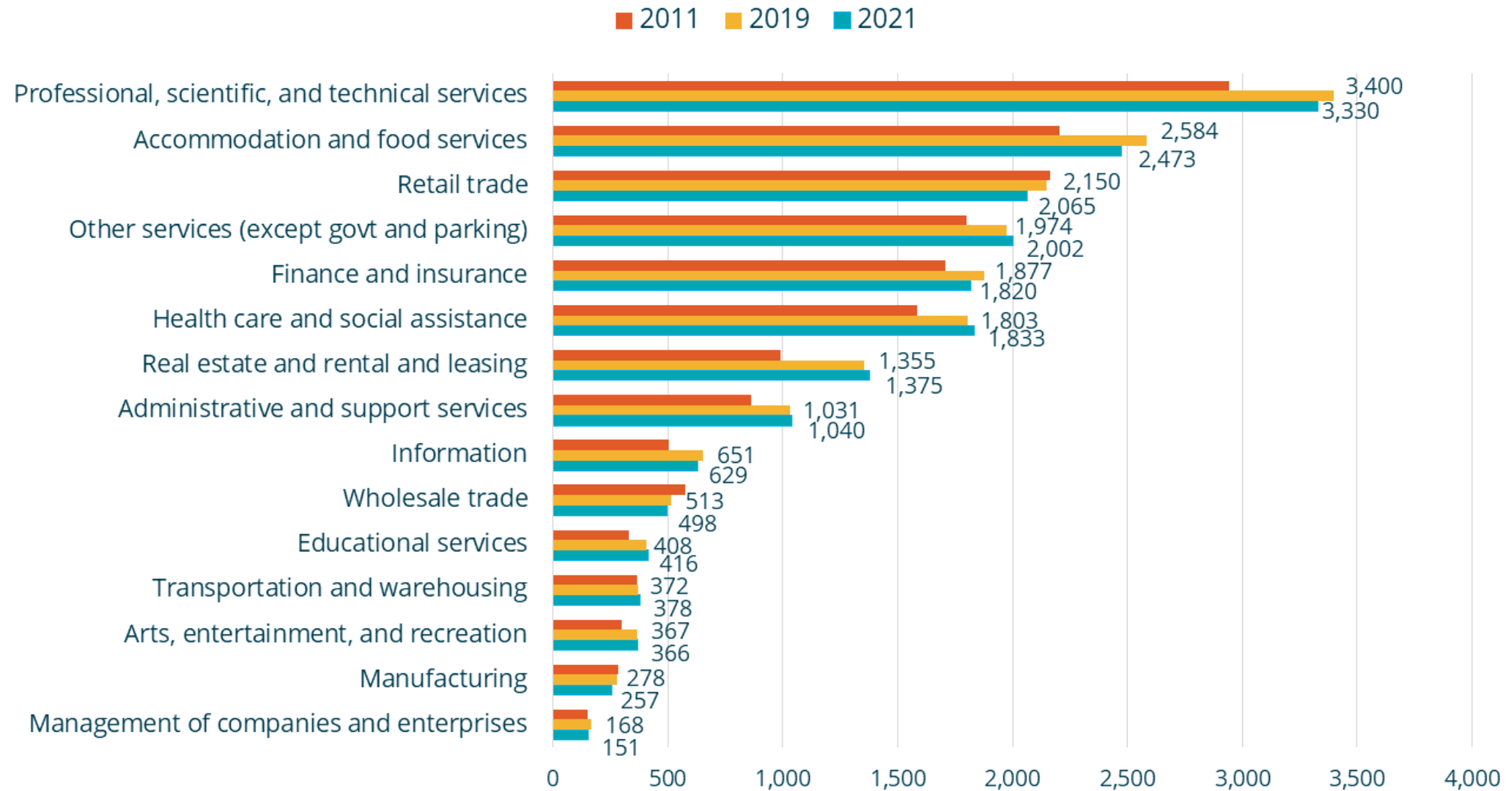
From 2019 to 2021, Boston lost establishments in both in-person & support services and professional & financial services



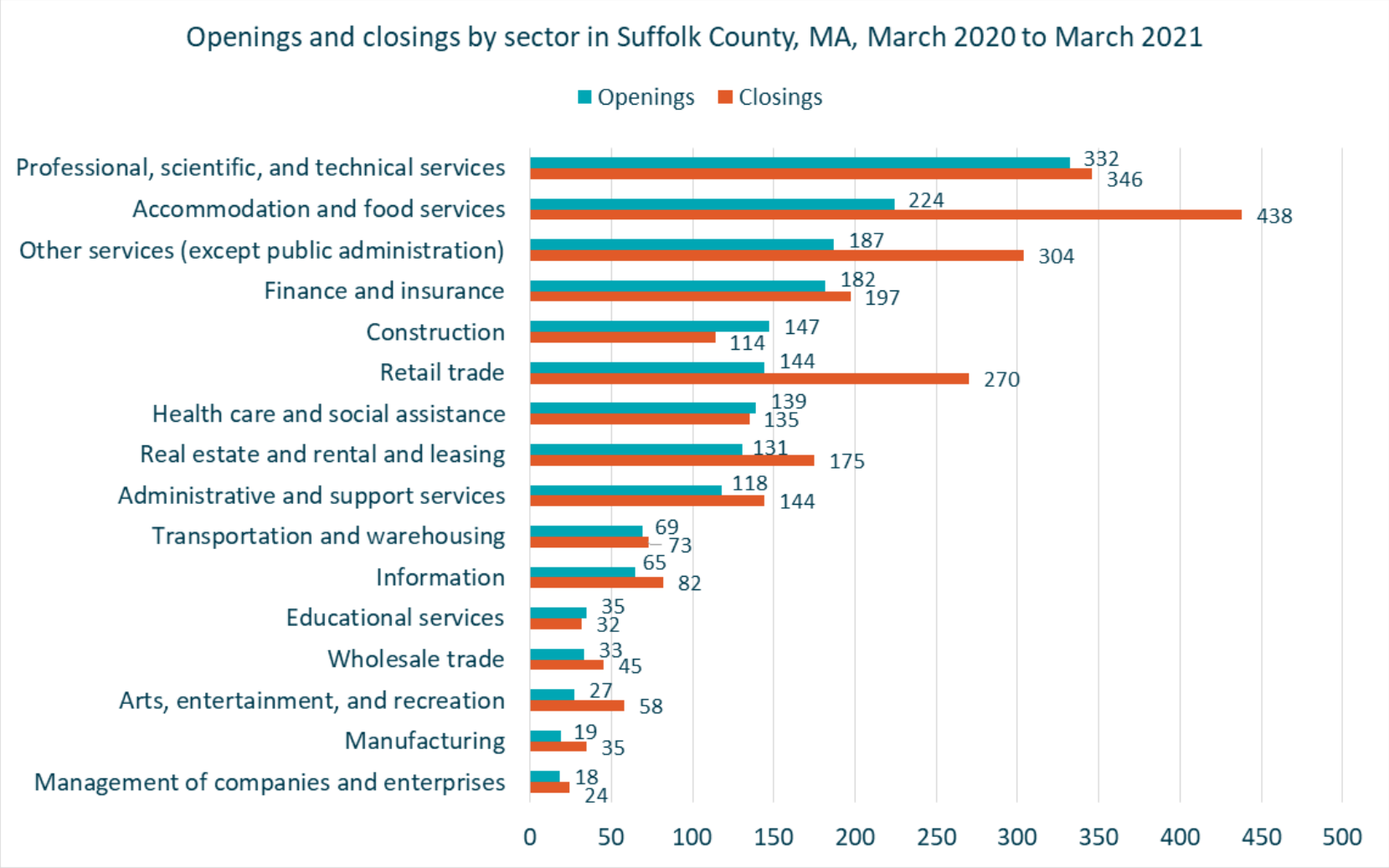
Business Establishments in Boston by Sector and Employment Size in 2021



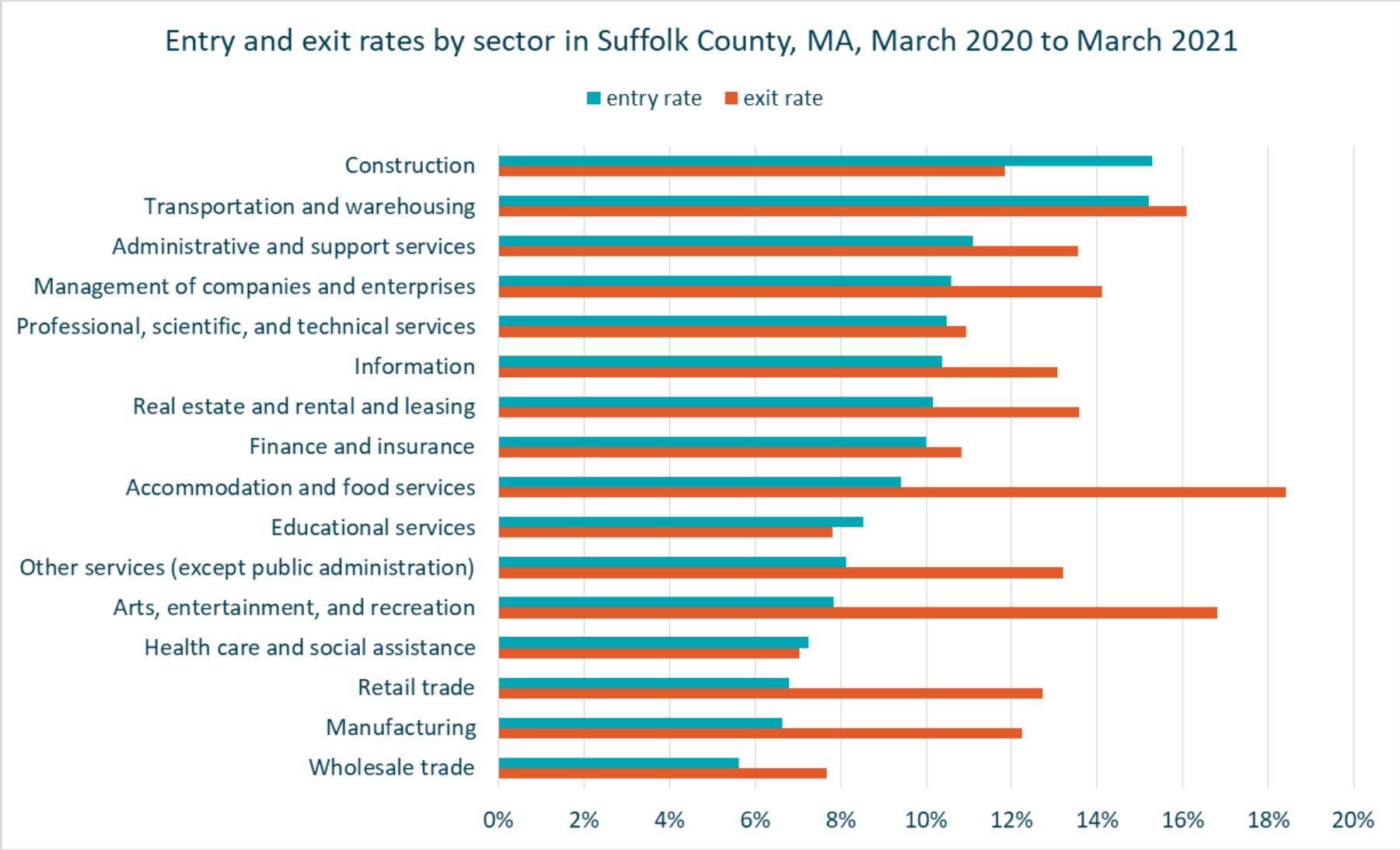
Business Establishments in Boston by Sector in 2011, 2019, and 2021



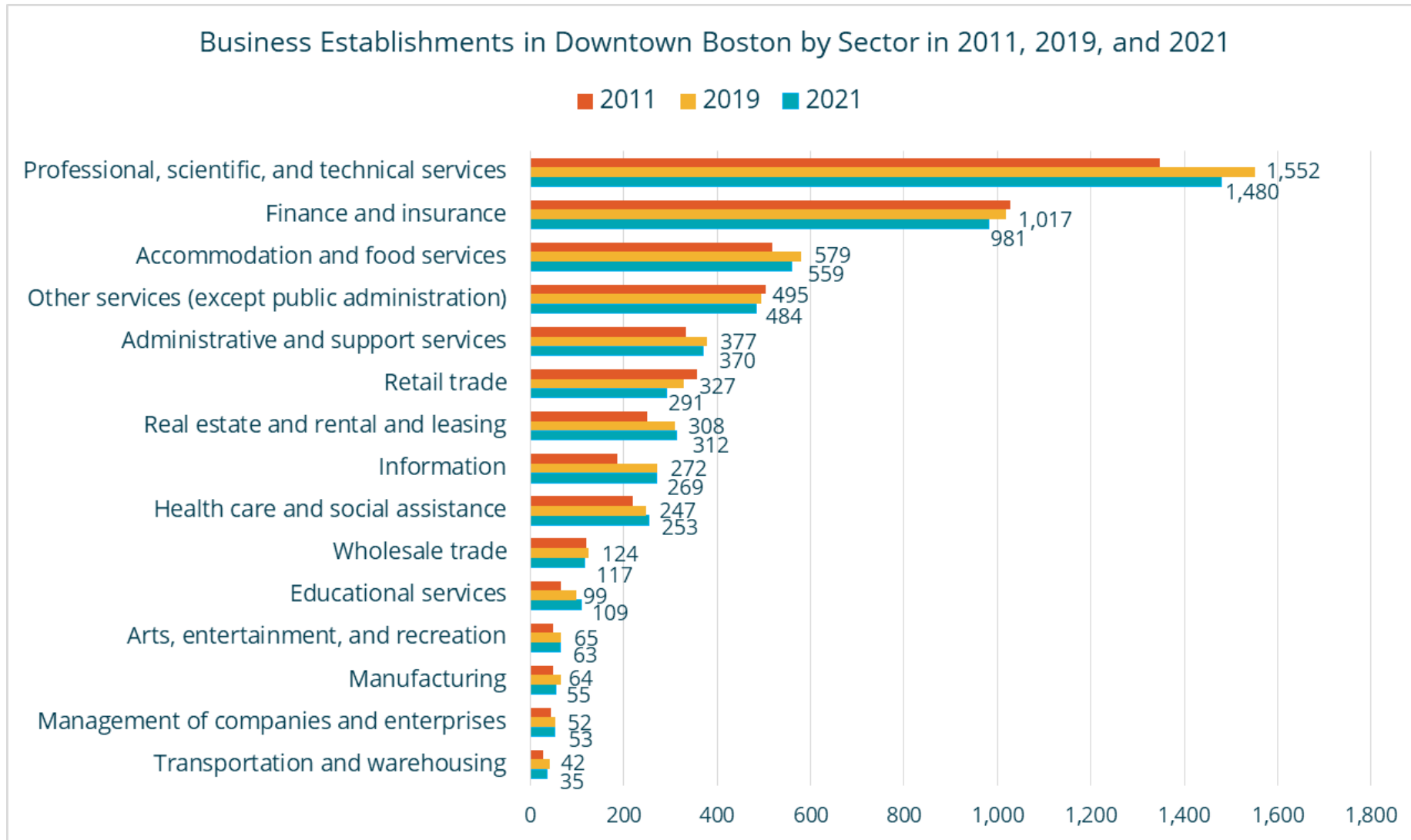
The food services and retail trade sectors had almost twice as many closings as openings in Suffolk County during the first year of COVID-19



Arts and recreation lost 17% of its establishments during year 1 of COVID-19

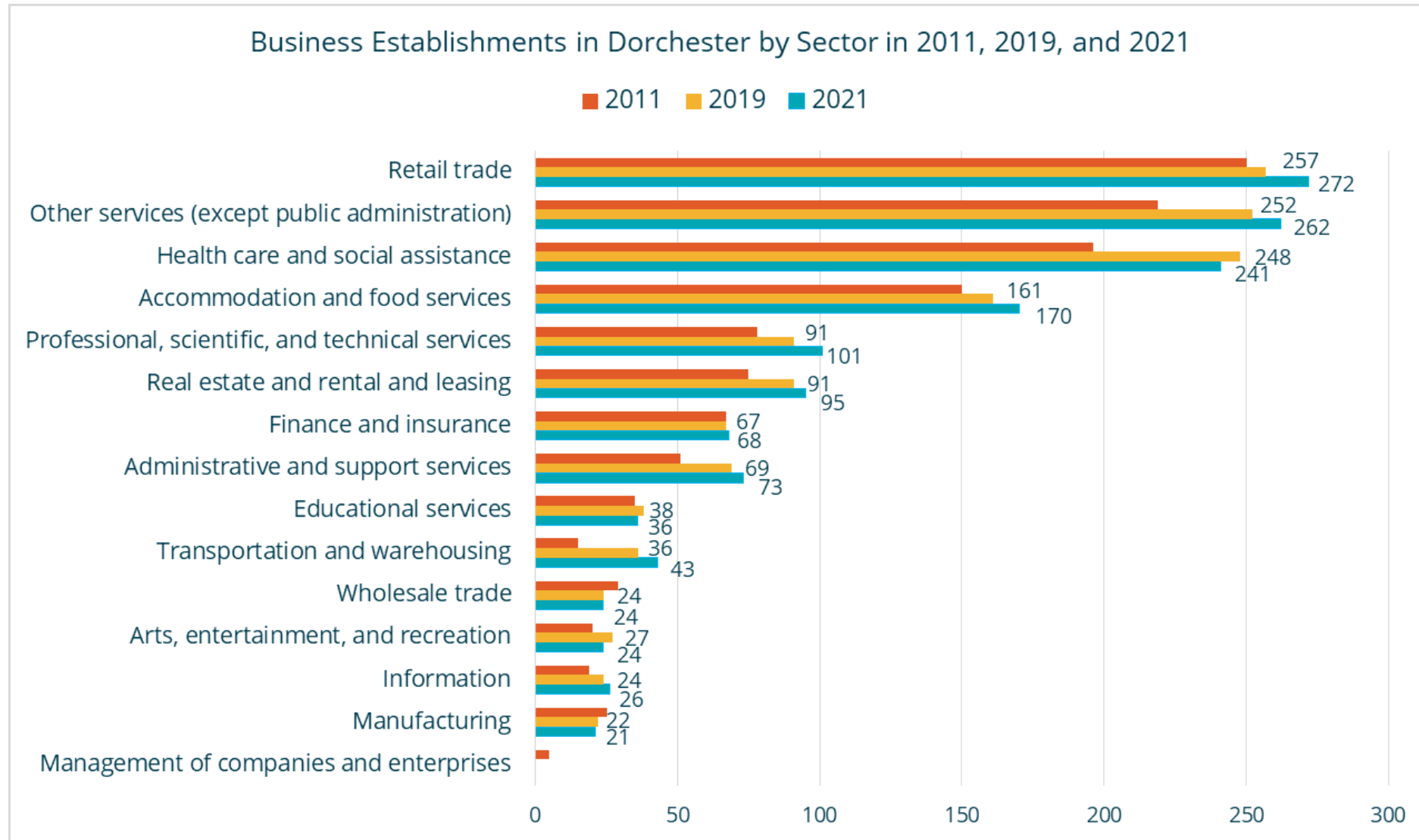


Downtown* lost establishments in most sectors from 2019 to 2021



*zip codes 02108, 02109, 02110, 02111, 02113, 02203, 02205, 02211, 02212, 02241, 02283, and 02297

Dorchester* added establishments in most sectors from 2019 to 2021



*zip codes 02122, 02124, and 02125

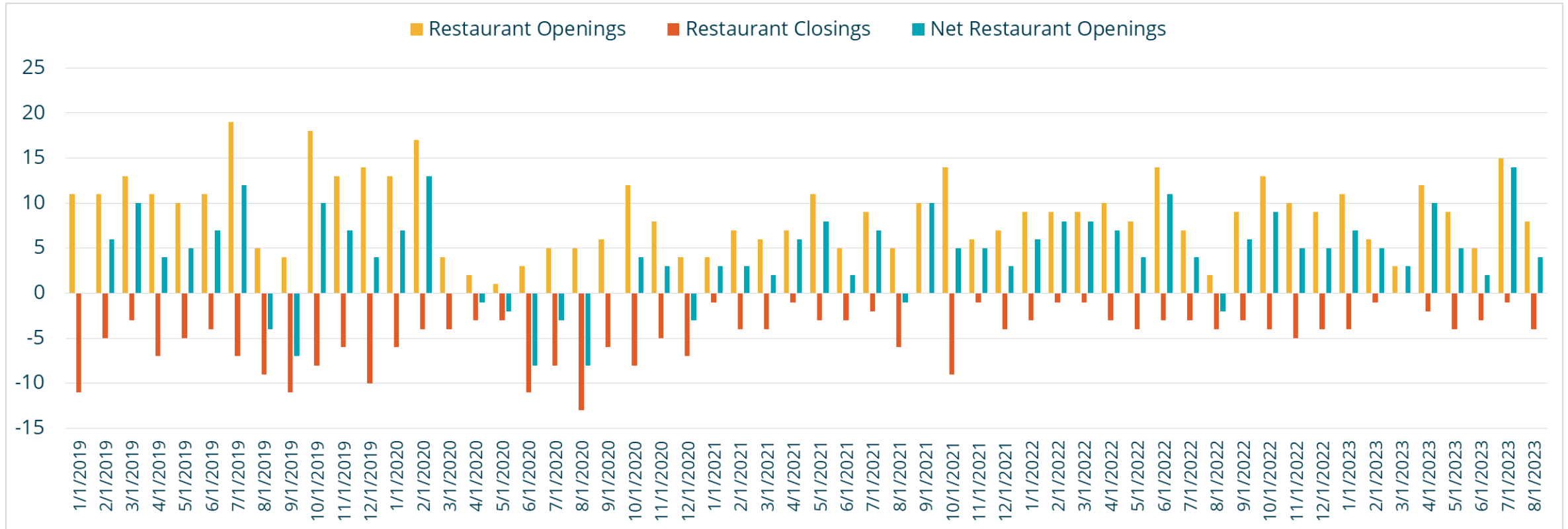
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Recent openings and closings



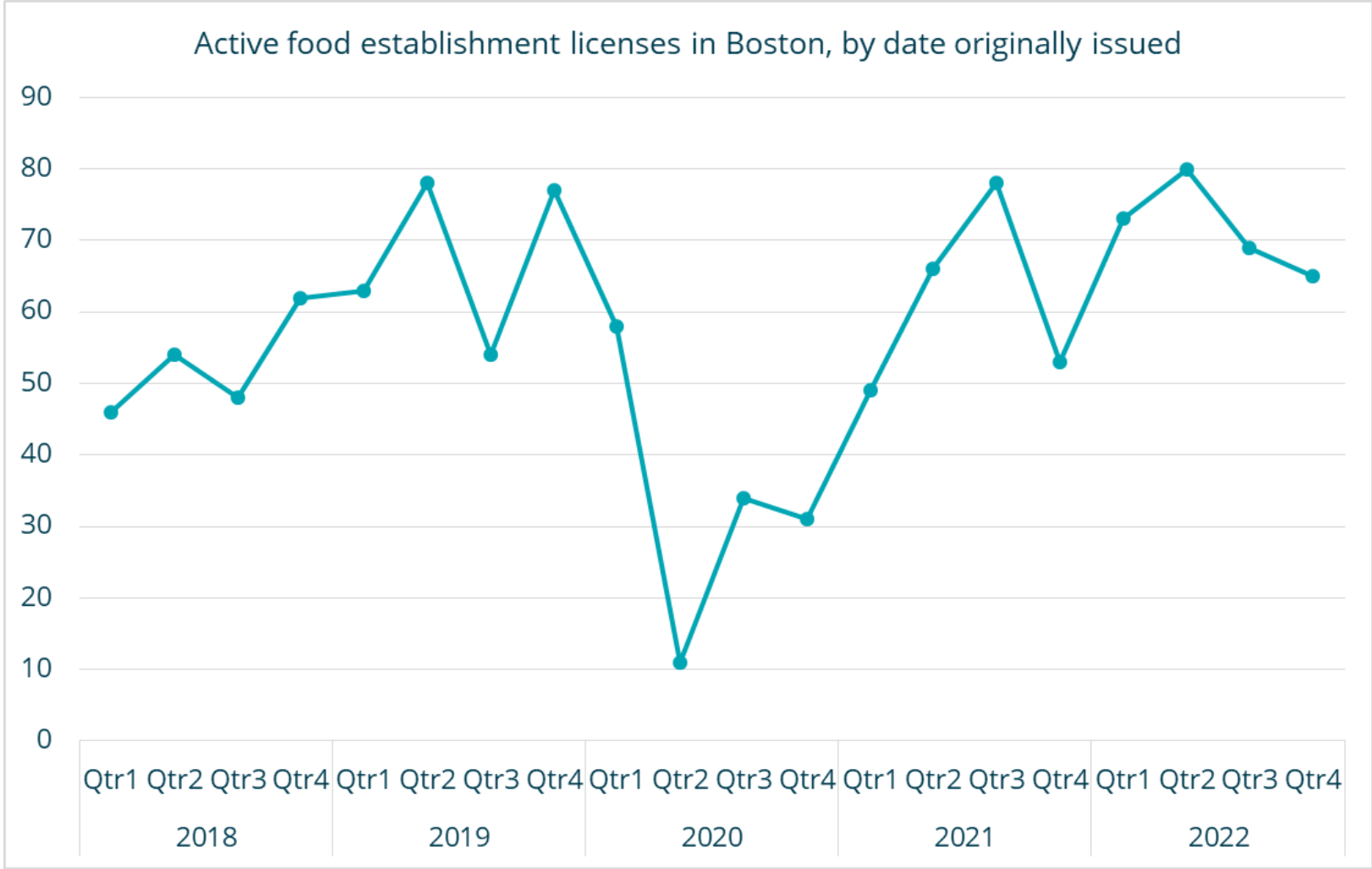
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Net restaurant openings in Boston have recovered to pre-pandemic levels



Year	Openings	Closings	Net
2019	140	86	54
2020	80	78	2
2021	91	38	53
2022	109	38	71

Licenses for restaurants in Boston are being issued at pre-pandemic rates



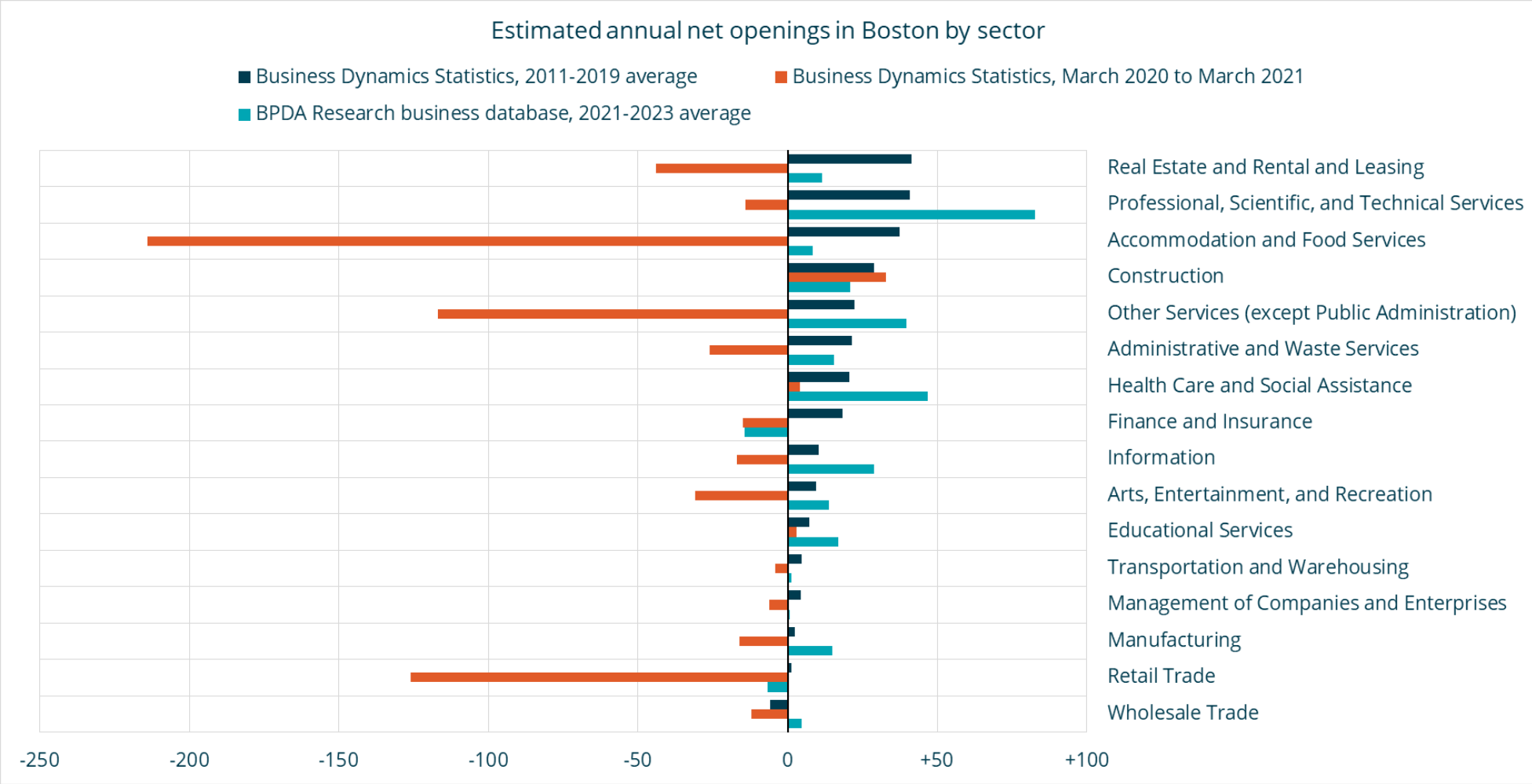
Year	Licenses issued
2018	210
2019	272
2020	134
2021	246
2022	287

These data reflect licenses that were active as of September 13, 2023.



Source: Boston Inspectional Services Department and Department of Innovation and Technology, BPDA Research Division Analysis

After experiencing sharp disruptions during year 1 of COVID-19, most sectors seem to have resumed adding establishments in Boston



Summary

- Smaller and newer businesses make up a gradually shrinking share of Boston's business establishments, but they continue to be the primary drivers of Boston's growth in business establishments
- During the onset of COVID-19, hundreds of establishments in Boston either closed or reduced their employment, especially in downtown commercial hubs and in certain sectors, but some neighborhoods continued to see net growth in the number of establishments in their business ecosystems
- Recent data on openings and closings suggest a positive citywide recovery in business establishment formation since 2021