



# NYC's Small Business Recovery: Patterns of Growth in a Changing Economy

**May 2024**

Small businesses—those with fewer than 50 employees—are the backbone of New York City's economy. From startups on the cutting edge of innovation to neighborhood retail and restaurants, small businesses not only contribute to the overall size of the city's economy, they add layers of diversity, enriching our neighborhoods and enhancing our quality of life. They strengthen our entrepreneurial ecosystem, create jobs, and drive economic growth.

Hit particularly hard by the economic effects of the COVID-19 pandemic, small businesses have since proven to be incredibly resilient. In 2023, there were more than 183,000 New York City small businesses, about 1,000 more than existed in 2019 and 33,000 more than existed in the second quarter of 2020, at the height of pandemic.

This rapid recovery speaks to the city's entrepreneurial spirit, as new business formation has continued to outpace business closures. However, behind this topline number, we have seen significant shifts in the city's small business landscape since 2019. Growth in sole proprietorships has outpaced that of other small businesses, and we have seen growth to be particularly strong in the outer boroughs, especially in North Brooklyn. While the city's small business ecosystem overall has recovered and is flourishing, its characteristics have changed.

## Highlights

- As of 2023, the total number of small businesses in New York City exceeded pre-pandemic levels, driven by growth in sole proprietorships. **New York City is home to 183,000 small businesses, a record high.**
- Levels of entrepreneurship exceed pre-pandemic levels. **Between October 2021 and September 2023, 62,000 small businesses started**, significantly higher than the 52,000 started in 2018 and 2019. **These 62,000 small businesses represent 1 in 3 of all current small businesses in the city.**
- Despite growth in the number of businesses, **small business employment remains below pre-pandemic levels**, down 28,000 jobs compared to 2019. This is also largely due to the rise of sole proprietorships.
- While new business formation remains concentrated in central business districts, especially Midtown Manhattan, **net business growth has been strongest in the outer boroughs**. North Brooklyn continues to lead the city's small business recovery.

## Rise of the Solopreneur

One of the most significant changes in the city's small business composition over the past four years has been related to size. Compared to 2019, we see a higher share of businesses that report a single worker. In 2023, there were about 46,000 businesses reporting a single worker, 25% of all small businesses, and 4,000 more (+9.5%) than existed in 2019. Meanwhile, the total number of small businesses excluding solopreneurs remains down by just over 2% compared to 2019.

While these sole proprietors or solopreneurs are found across industry sectors, many do not report an industry classification. From what we can observe in the data, growth has been strongest in Information and Professional Services. This suggests that highly educated individuals, often in fields such as computer systems design, legal services, and architecture are starting their own freelance and consulting practices.

We see further evidence of this trend when examining *where* new businesses are being registered. Increasingly, these sole proprietorships are tied to buildings that are classified as residential. Between 2018 and 2019, just under one-quarter of all new businesses formed in the city were registered to addresses that are classified as residential. In 2021 and 2022, that share was over 30%. In both time periods, roughly two-thirds of residential business formations were solopreneurs.

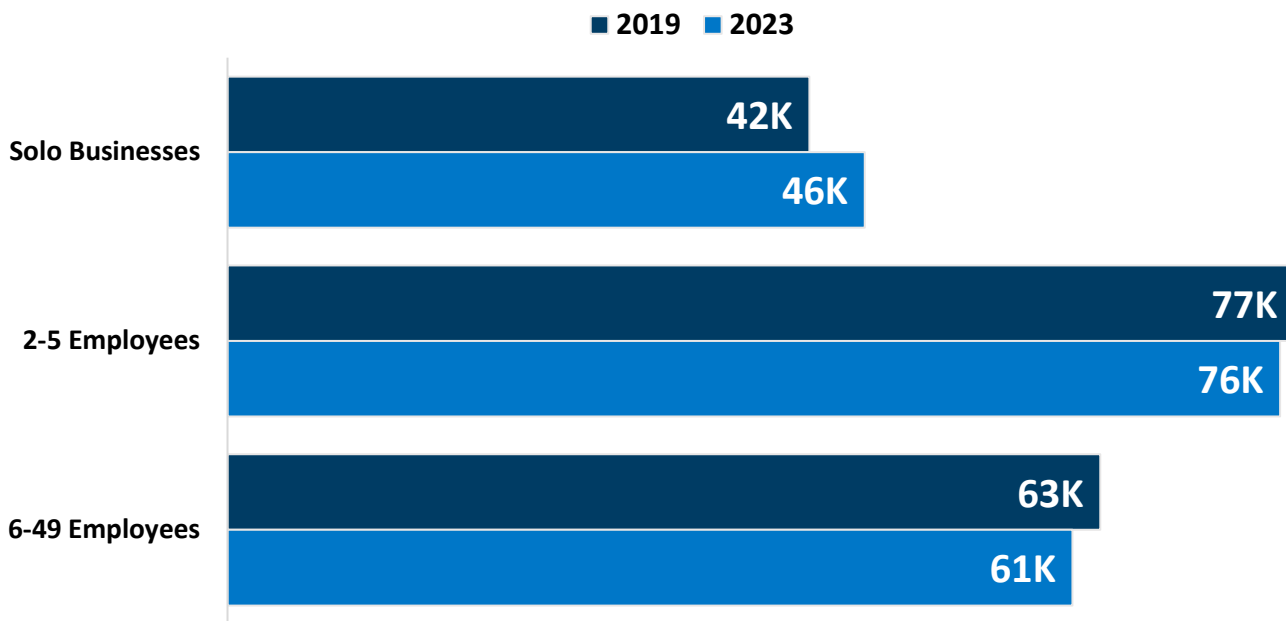
We know that the pandemic has forever changed the way people work, but we are also seeing evidence now that this change is affecting new startups and freelancers as well. No longer needing a physical, dedicated space to start a new business, barriers to entry have been reduced, and more New Yorkers have decided to go out on their own and open businesses in their own homes.

## Methods and Definitions

In this analysis, a small business is defined as one with fewer than 50 full- or part-time employees, based on tax records filed with the New York State Department of Labor. We have classified businesses that report a single employee as sole proprietors, but this does not include the entire universe of freelancers and gig workers, and it includes only individuals that are paying into the unemployment compensation system. The data used for this analysis is highly confidential, and extra precautions are taken to ensure anonymity. While this data underlies the public Quarterly Census of Employment and Wages (QCEW), NYCEDC only has access to records for New York City.

## Total Solo Businesses Exceed 2019 Levels, Driving Small Business Recovery

Figure 1: Total Small Businesses by Size, 2019 and 2023



Source: NYCEDC analysis of data from QCEW Microdata provided by NYSDOL

### Small Business Employment

While growth in sole proprietorships has been strong, we have not seen a full recovery for businesses that employ 2 to 49 workers. There are roughly 3,000 fewer firms of this size compared to pre-pandemic levels. One consequence of this shift is that total small business employment remains down as well. In 2023, New York City small businesses were home to roughly 995,000 jobs, representing 25% of all jobs in the city. In 2019, meanwhile, small businesses employed 1,023,000 workers, or 28,000 more jobs than 2023 levels.

By industry sector, small business employment is most concentrated in Hotels and Restaurants, Retail, Professional Services, Health Care and Social Assistance, and Other Personal Services.

Compared to 2019, job recovery across sectors varies. On a positive note, small business jobs in Hotels and Restaurants—one of the hardest hit sectors during the pandemic—have experienced net growth during the recovery, adding more than 3,000 jobs between 2019 and 2023. Nearly all of these employment gains have been in Restaurants and Bars, much of it concentrated in the outer boroughs, where we have seen new businesses flourish during the recovery period.

Small business employment growth has also occurred in Information and Management, two sectors that typically require higher levels of education and are often associated with startups in technology and innovation. Much of the employment growth in Information, for example,

has been led by Software Publishers and Data Processing firms.

For many other sectors, employment had not recovered to pre-pandemic levels through 2023. Retail and Other Personal Services, key components of the city's storefront landscape, had 13,000 fewer jobs. Other sectors with significant net losses include Wholesale Trade, Manufacturing, and Construction. Small business employment in these more industrial and production-oriented sectors remained down by more than 20,000.

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**Small Business Jobs Added in Food Service and Accommodation Since 2019**

**Entrepreneurship**

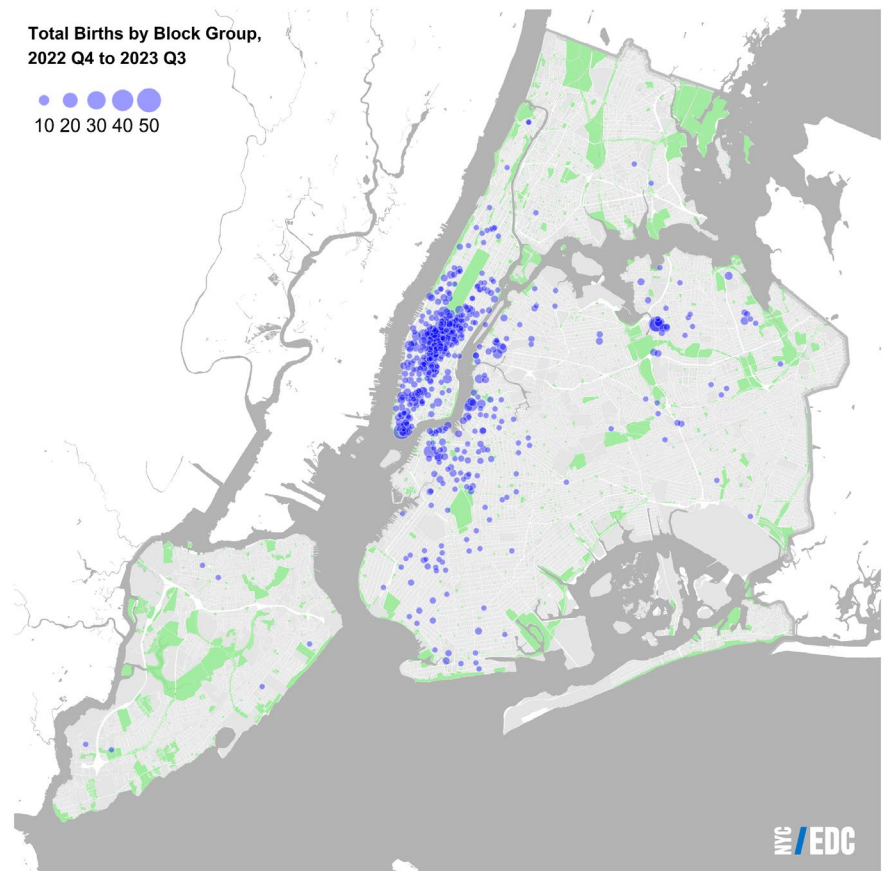
Shifting our focus to entrepreneurship, or new business formation, we see that entrepreneurship has flourished over the past two years. Between October 2021 and September 2023—the two most recent years of available data—more than 62,000 new small businesses opened in the city. By comparison, in the two years prior to the COVID-19 pandemic, just under 52,000 new small businesses were formed.

This growth in business formation during the recovery period has helped to propel the city's overall economic recovery. In their first quarter of operation, these 62,000 new businesses created nearly 185,000 jobs, about 4% higher than the 178,000 small business jobs created in 2018 and 2019.

By neighborhood, entrepreneurship continues to be

**New Business Formation Remains Concentrated in Central Business Districts**

**Figure 3: Small Business Formation, 2022 Q4 to 2023 Q3**



Source: NYCEDC analysis of data from QCEW Microdata provided by NYSDOL

concentrated in central business districts. Midtown Manhattan continues to dominate, with more than 1,000 businesses opening in the past year alone.

During the recovery period, however, entrepreneurship has also moved deeper into the outer boroughs. The Brooklyn-Queens waterfront, North Brooklyn, and Flushing are all areas that continue to experience growth in new business formation. In Flushing, nearly 600 new businesses were formed in the past year, while Greenpoint and Williamsburg saw 800 new businesses form.

### Growth in the Outer Boroughs

Stronger business formation in the outer boroughs has resulted in net business growth, as well. New businesses are opening at a faster pace than existing businesses close. Likely a consequence of the COVID-19 pandemic and the new normal of hybrid work, this pattern is especially true in North Brooklyn, which has led the city's business recovery.

Since 2019, the neighborhoods of Bedford-Stuyvesant, Williamsburg, Bushwick, Crown Heights, Clinton Hill, and Fort Greene have added a net total of 1,000 businesses, more than the rest of the city combined.

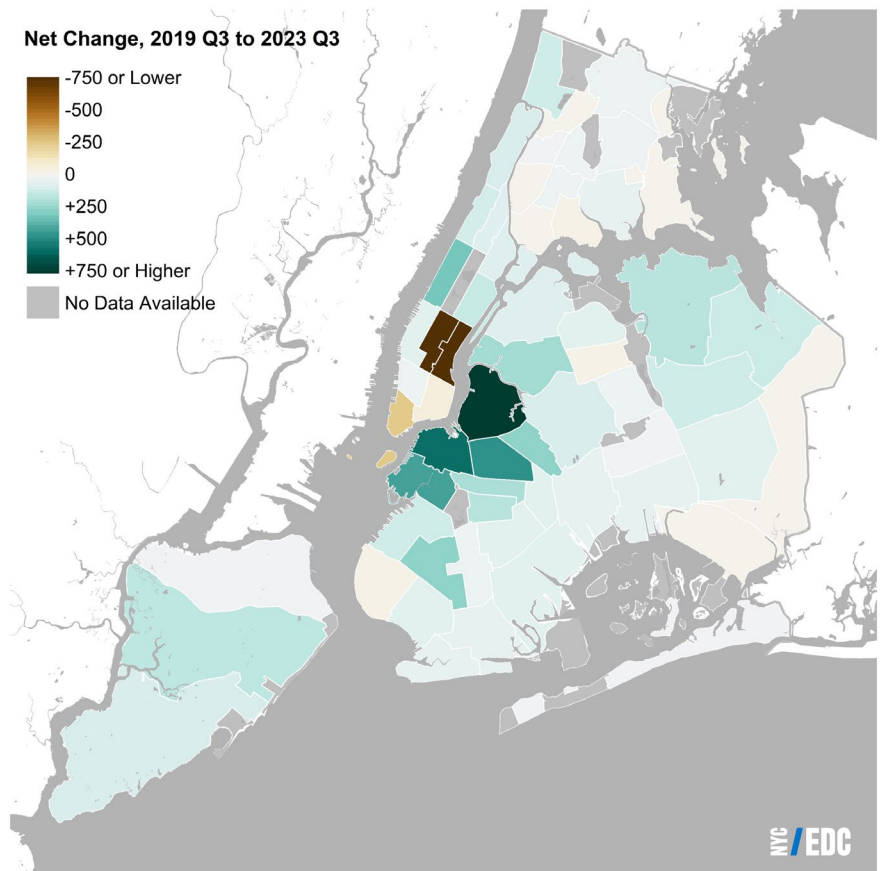
While many of these new businesses appear to be solopreneurs operating out of residential buildings, classified under Information or Professional Service sectors,

many others are clearly consumer-facing storefronts. Hotels and Restaurants, Arts and Entertainment, and Personal Services establishments have all seen growth in North Brooklyn during the pandemic.

At the same time, despite the fact that new business formation remains concentrated in Midtown and Lower Manhattan, many of these areas have not recovered to pre-pandemic levels. In 2023, the total number of small businesses operating in Midtown and Midtown East was about 1,700, or 8%, lower than in 2019. Fewer in-office days for workers and several years of travel restrictions for tourists have impacted foot traffic.

### Small Business Growth is Strongest in the Outer Boroughs, Especially North Brooklyn

Figure 2: Net Change in Establishments, Q3 2019 to Q3 2023



Source: NYCEDC analysis of data from QCEW Microdata provided by NYSDOL

This continues to affect small businesses, especially storefronts.

As New York settles into the new normal of hybrid work and travel restrictions ease, reimagining business districts as places where people want to live and engage outside of a traditional workday will be important to ensuring small business recovery. The City's continued efforts to act on the recommendations put forth by the [New New York Panel](#) are taking us in the right direction.

Overall, despite the effects of the pandemic, despite a long period of recovery, New York City's spirit to create new businesses—to take risks and build something new—continues to thrive. During this recovery, we have experienced fundamental shifts in the way our economy works. While Manhattan will continue to dominate the city's business landscape, hybrid work and the rise of solopreneurs are both bolstering small business growth in the outer boroughs.

**Sources:**

1. Data for this analysis is provided by the New York State Department of Labor and is collected on a quarterly basis as businesses pay into the unemployment compensation insurance system.
2. Land use data for the residential business analysis is pulled from the New York City Department of City Planning PLUTO database.

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**About NYCEDC**

New York City Economic Development Corporation is a mission-driven, nonprofit organization that works for a vibrant, inclusive, and globally competitive economy for all New Yorkers. We take a comprehensive approach, through four main strategies: strengthen confidence in NYC as a great place to do business; grow innovative sectors, with a focus on equity; build neighborhoods as places to live, learn, work, and play; and deliver sustainable infrastructure for communities and the city's future economy.

For more economic data, insights, and analysis from NYCEDC's Economic Research & Policy group, and to receive economic reports via email, visit [edc.nyc/insights](https://edc.nyc/insights).

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