

LEAD FINDING

Formation Without Payroll

The entrepreneurial base is widening faster than its employer layer

31.99M

U.S. nonemployer establishments
in 2024

+16.7%

Business applications, Jan–Aug 2026,
year over year

6.9%

Share of 2026 applications
indicating planned wages

Evidence cutoff: September 30, 2026 · Public sources only

The base is expanding before a team exists

Six September signals define the issue. Each is separated from interpretation and hypothesis.

OWNER-ONLY STOCK

31.99 million nonemployer establishments; up 5.1% from 2023.

RECEIPT SCALE

75.4% below \$50,000; 86.7% below \$100,000 in annual receipts.

FORMATION PIPELINE

Applications rose 16.7% year over year through August.

PAYROLL INTENT

Planned-wage applications fell 15.9%; share declined to 6.9%.

SMALLEST EMPLOYERS

Jobs and openings weakened in some sources, while hires and ADP payrolls countered.

CUSTOMER DENSITY

Sales rose 1.3% year over year, but transactions fell 1.8% for a tenth month.

CKOS SYNTHESIS

Formation without payroll is structural change, not a decline claim. The evidence supports solo-first design and more precise first-hire research; it does not validate a product.

The smallest firm is not a smaller company

Most systems still imagine departments. The owner-only firm has roles, but no handoffs.

One person changes roles repeatedly across the same day: selling, delivering, invoicing, coordinating, remembering, and deciding. The relevant constraint is not merely headcount. It is the need to preserve context while moving among incompatible kinds of work. A workflow that saves twenty minutes but adds a system of record, a weekly review, and an integration can create a net loss. A service that asks the customer to brief, organize, approve, and analyze may simply return the work to the owner.

The September evidence makes this an economic design concern, not a niche persona. The nonemployer universe grew by 1.56 million establishments in one year. Most were sole proprietorships, and three-quarters reported less than \$50,000 in receipts. CKOS INTERPRETATION The central unit of small-business design is the owner's constrained operating day. Products should be judged by whether they reduce reconstruction, coordination, waiting, and switching inside that day.

BOUNDARY

Nonemployer establishments are not unique people. Receipts are not profit or owner income. Annual tax data describes 2024, not current wellbeing.

MARKET EVIDENCE

The owner-only base is the numerical center

The 2024 tax-record release establishes scale. It does not establish prosperity.

31,985,874

Nonemployer establishments in 2024

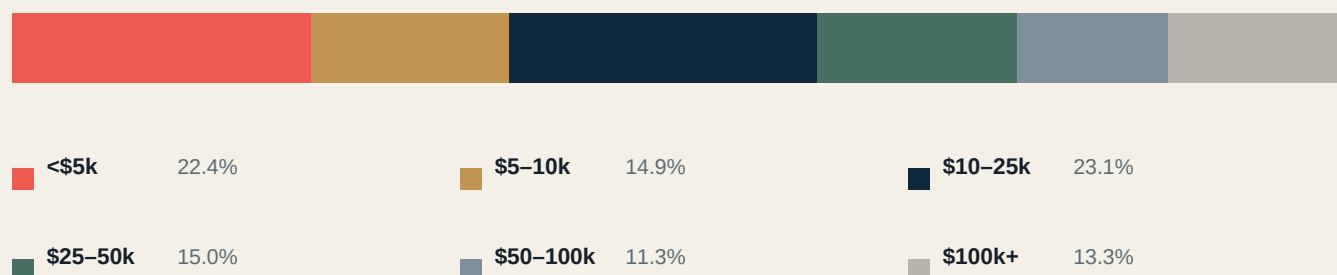
\$1.861T

Nominal receipts in 2024

\$58,194

Average nominal receipts

RECEIPT DISTRIBUTION



OBSERVED

Establishment count grew 5.1%; receipts grew 6.2%; average nominal receipts grew about 1.0%.

INTERPRETATION

Fixed administrative work lands directly on the owner and is difficult to dilute across revenue or staff.

UNKNOWN

Profit, hours, owner income, liquidity, survival, and willingness to pay remain outside this dataset.

FEATURE

Receipts are activity, not slack

Three-quarters of nonemployer establishments were below \$50,000 in annual receipts.

75.4%

Below \$50,000 in annual receipts

86.7%

Below \$100,000 in annual receipts

OBSERVED EVIDENCE

The receipt distribution is highly concentrated at low annual totals. Sole proprietorships account for 86.4% of establishments.

CKOS INTERPRETATION

At this scale, setup, compliance, reporting, procurement, and software maintenance behave as fixed capacity taxes.

OPPORTUNITY HYPOTHESIS

Pool one recurring function only if the shared model removes more owner coordination than it introduces.

UNKNOWN

The record cannot separate supplemental earners from primary livelihoods or high-margin from low-margin work.

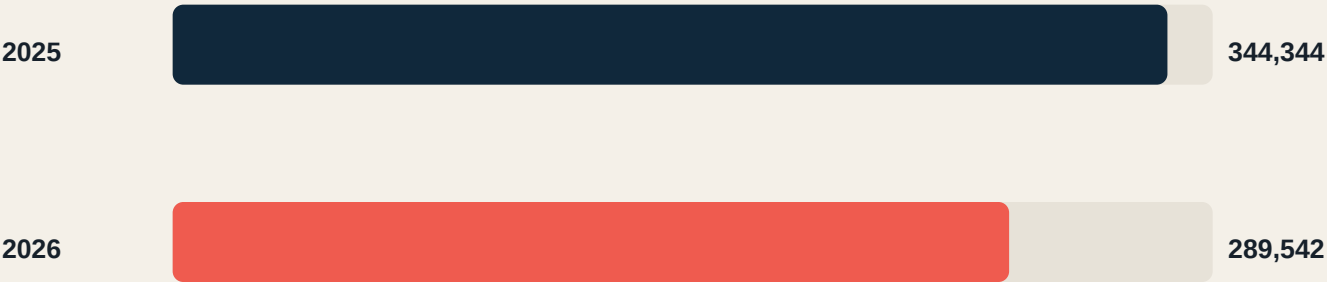
Applications expanded as payroll intent shrank

January–August totals compare seasonally adjusted monthly series.

BUSINESS APPLICATIONS



APPLICATIONS WITH PLANNED WAGES



SYNTHESIS

All applications: +16.7%. Planned-wage applications: –15.9%. Planned-wage share: 9.6% → 6.9%.

The first hire is a branch, not the default

Issue 03 asked what makes the first hire possible. September changes the prior assumption.

PRIOR FINDING

The first employee is an organizational discontinuity: payroll, supervision, documentation, and recurring revenue must arrive together.

SEPTEMBER EVIDENCE

A larger application pool now contains a smaller planned-wage share. Projected employer formations still rose year over year.

STRONGLY REFRAMES

Three operating states

- 1 Income-generating owner activity
- 2 Durable owner-only firm using external capacity
- 3 Pre-employer firm approaching a first hire

The same proposition should not be assumed to serve all three.

Hiring did not send one signal

Firm, establishment, size band, and event definitions explain much of the apparent conflict.

QuickBooks	Firms / 1–9	Employment	–11,100 jobs	Modeled payroll indicator
BLS JOLTS	Establishments / 1–9	Openings	–335,000	Last business day
BLS JOLTS	Establishments / 1–9	Hires	+7,000	Activity during month
ADP	Establishments / 1–19	Employment	+20,000	Wider smallest band
NFIB	Member firms / varied	Unfilled jobs	35%	Owner survey

CKOS INTERPRETATION

Hiring demand became less visible and more selective at the smallest establishments, while completed payroll counts remained mixed.

DISPOSITION

No action on a generic recruiting marketplace. Observe real decisions for qualification, wages, schedule fit, and management readiness.

Fewer visits make each relationship carry more weight

Sales rose because tickets increased faster than transactions fell.

+1.3%

Sales, year over year

+3.0%

Average ticket, year over year

-1.8%

Transactions, year over year

Ten consecutive months of lower traffic mean topline growth can coexist with a thinner customer base. Restaurants and services also showed transaction declines. The operator survey added a separate signal: 83% reported reduced consumer spending as a challenge.

OPPORTUNITY HYPOTHESIS

Test a relationship-yield review that connects source, repeat behavior, revision burden, payment timing, margin, and referral value. Begin as a method—not software.

LINEAGE

Strengthens Issue 01 / Relationship Gap and Issue 09 / Average Is Not a Customer.

Cost pressure remained inside the smallest firms

The most size-relevant operator poll is directional, not nationally representative.



SAMPLE BOUNDARY

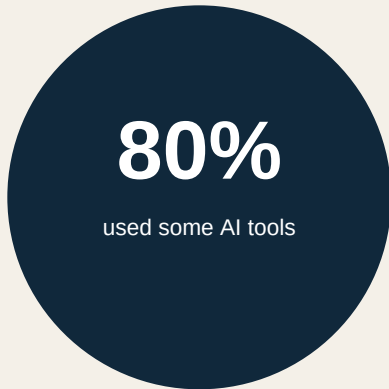
222 owners in the Small Business Majority network; primarily women- and minority-owned firms with fewer than 10 employees; ±6 percentage points. This is not a probability sample of all U.S. microbusinesses.

COUNTER-SIGNAL

NFIB optimism remained just above its long-run average, and 68% rated business health good or excellent.

Adoption is not operating slack

Tool use rose in the same network reporting persistent financial strain.



Directional network result; not a national adoption estimate.

CKOS INTERPRETATION

A firm can use AI frequently and still have no additional cash, customers, time, or decision confidence. Measure relief after owner review, correction, and maintenance are counted.

DISPOSITION

Closed for generic AI analysis. Reopen only when a specific workflow shows measurable net relief.

MEASUREMENT STANDARD

Time returned · cash timing improved · customers retained · missing context reduced · decision confidence improved

The evidence does not describe economic failure

Formation without payroll is a structure claim. Seven signals prevent it from becoming a decline narrative.

- **EMPLOYER FORMATION** Projected payroll startups +9.8% year over year.
- **ADP PAYROLLS** 1–19 worker establishments added 20,000 jobs.
- **COMPLETED HIRES** BLS hires at 1–9 establishments rose by 7,000.
- **OWNER HEALTH** 68% of NFIB respondents rated business health good or excellent.
- **FINANCING** 80% of small CFO respondents were not constrained.
- **SALES** Fiserv sales remained +1.3% year over year.
- **RECEIPTS** Nonemployer receipts rose faster than count, nominally.

BOUND

Capital is uneven, not universally closed. The CFO Survey's "small" definition extends to 499 employees, so it contextualizes rather than proves microbusiness conditions.

Only two territories advance

The month supports methods and research—not a new product launch.

Territory	Disposition	Confidence	Next Move
Relationship yield	Operationalize	Moderate	Service-method test
Pre-payroll record	Watch / research	Emerging	Five owner interviews
Solo shared capacity	Research only	Emerging	Map one pooled function
First-hire marketplace	No action	Moderate	Observe real decisions
Generic AI assistant	Closed	Moderate	No test
Small-business lending	Closed	Moderate	No test

DECISION RULE

Advance only when evidence identifies a user, a costly job, a current alternative, and a smaller test than software.

September strengthens the record and changes one assumption

No prior core finding is overturned. Proportional payroll formation is weakened.

01	Relationship Gap	STRENGTHENS
03	The First Hire	STRONGLY REFRAMES
04	Growth Without a Growth Department	STRENGTHENS
05	Administrative Fixed Cost	EXTENDS
07	Data Blind Spot	OPERATIONALIZES
08	Capacity Tax	STRENGTHENS
09	Average Is Not a Customer	STRENGTHENS
11	Qualified, but Shut Out	CAUTIOUSLY EXTENDS
13	Growth Without Slack	SHARPENS

What the next evidence must resolve

The issue closes with questions that can change a decision, not generic curiosity.

- 1 Separate durable solo firms from transitional pre-employer firms.
- 2 Ask what event—not aspiration—would make a first hire possible.
- 3 Measure the full coordination burden before proposing shared capacity.
- 4 Test relationship yield across repeat, referral, margin, revision, and payment.
- 5 Track planned-wage share against projected and realized employer formations.
- 6 Compare owner income, profit, and hours across receipt classes.
- 7 Treat AI use as an input and measure downstream relief.
- 8 Find current evidence on contractor use and shared capacity among nonemployers.

MONTHLY WATCH

Planned-wage share · 1–9 worker openings and hires · microbusiness jobs and real revenue · transaction density

The boundary is part of the finding

Evidence, interpretation, opportunity, and unknown remain separate throughout.

UNKNOWN 1

Primary livelihood versus supplemental income

UNKNOWN 2

Durable solo design versus delayed hiring

UNKNOWN 3

Contractor substitution and shared capacity

UNKNOWN 4

Profit, hours, liquidity, and owner wellbeing

UNKNOWN 5

Net relief from AI after review and maintenance

UNKNOWN 6

Willingness to pay for a pre-payroll operating layer

EDITORIAL STANDARD

Observed evidence is limited to source reports and reproducible calculations. CKOS interpretation is non-causal synthesis. Opportunity hypotheses are bounded tests. Broad “small business” sources are never silently translated into owner-only prevalence.

Generic consulting-firm and AI-market releases screened in September were excluded when they did not resolve owner-only or sub-ten-worker conditions.

Eleven public sources; date, population, use, and limitation preserved

01	Census Bureau <i>Owner-only stock, receipts, size classes</i>	2024 Nonemployer Statistics	Sep 29
02	Census Bureau <i>Applications, wage intent, projections</i>	Business Formation Statistics	Sep 11
03	QuickBooks <i>1–9 jobs and real revenue</i>	Small Business Index	Sep 1
04	Fiserv <i>Sales, tickets, transactions</i>	Small Business Index	Sep 3
05	NFIB <i>Owner outlook and hiring</i>	Small Business Economic Trends	Sep 8
06	BLS <i>1–9 openings, hires, separations</i>	JOLTS by establishment size	Sep 29
07	ADP / Stanford <i>1–19 payroll counter-signal</i>	National Employment Report	Sep 2
08	Small Business Majority <i><10 operator network poll</i>	Voice of Main Street Q3	Sep 16
09	Richmond/Atlanta Fed + Duke <i>Financing counter-context</i>	CFO Survey Q3	Sep 23
10	Conference Board <i>Demand expectations</i>	Consumer Confidence	Sep 29
11	Federal Reserve Board <i>Price sensitivity mechanisms</i>	September Beige Book	Sep 2

Full citations, URLs, limitations, derived calculations, claims, data points, confidence, and month-over-month lineage are published with the issue and preserved in the structured CKOS research export.