



# The Rise Of Entrepreneurship During the Pandemic

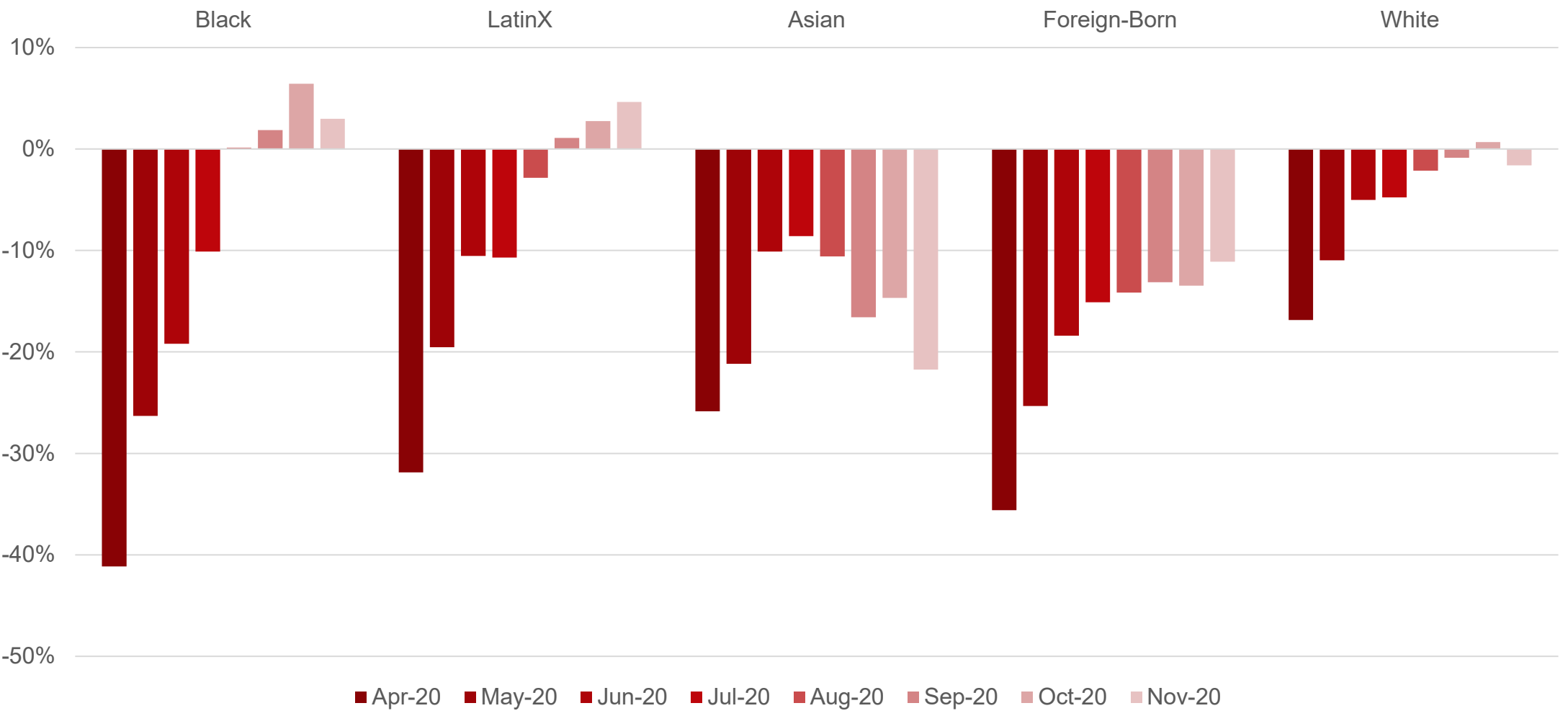


Tessa Conroy  
UW-Madison

# Key Points

- In Wisconsin, business applications reached the highest level on record during the pandemic.
- Business applications increased by 21% from 2019 to 2020 and 23% from 2020 to 2021.
- A small share of business applications will result in actual new businesses with paid employees.

Active Self-Employed  
Change from February 2020  
By Race/Ethnicity/Citizenship  
U.S.

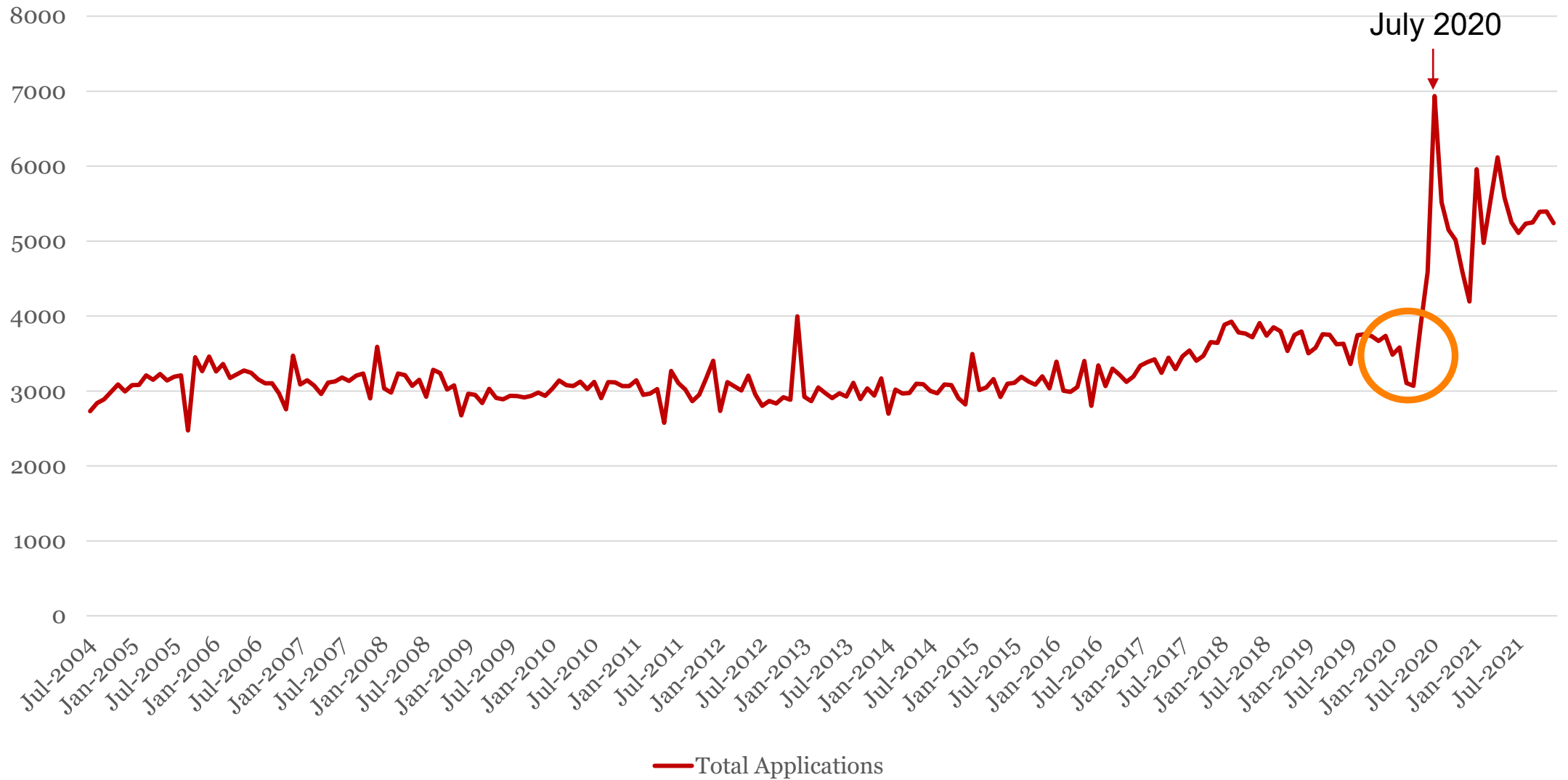


# What is a Business Application?

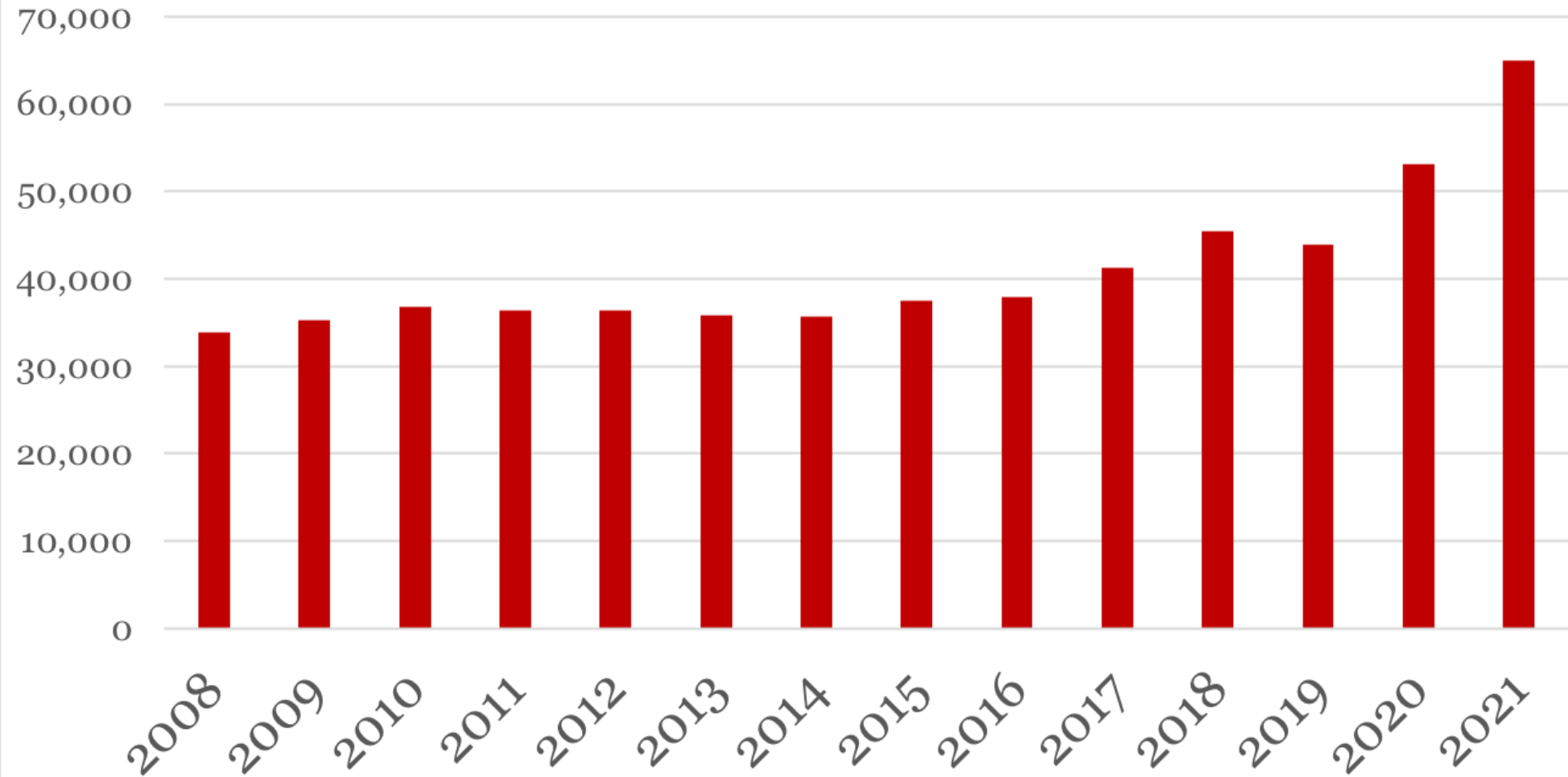
- Applications for an employer identification number (EIN).
  - Like a social security number for businesses.
- Necessary for a business with employees to file payroll taxes
  - Opening a business bank account.
  - Useful to employer- and nonemployer-businesses alike.
- Not all EIN applications will lead to fully formed businesses.
- Early indicator of an intention to form a business.



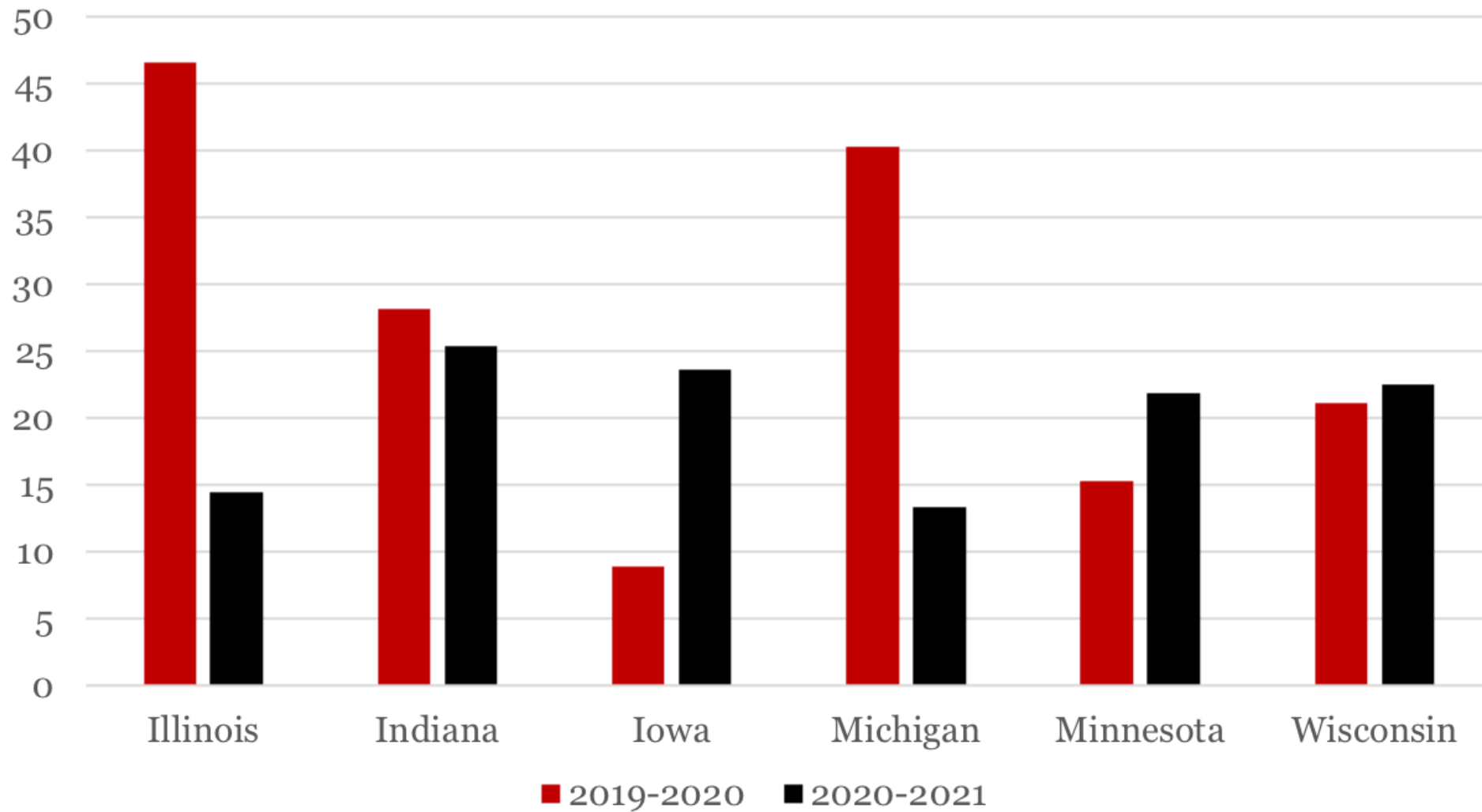
## Monthly Business Applications in Wisconsin 2004-2021



## Total Business Applications for Wisconsin 2008-2021



## Percent Change in Business Applications by State 2019-2020 vs 2020-2021

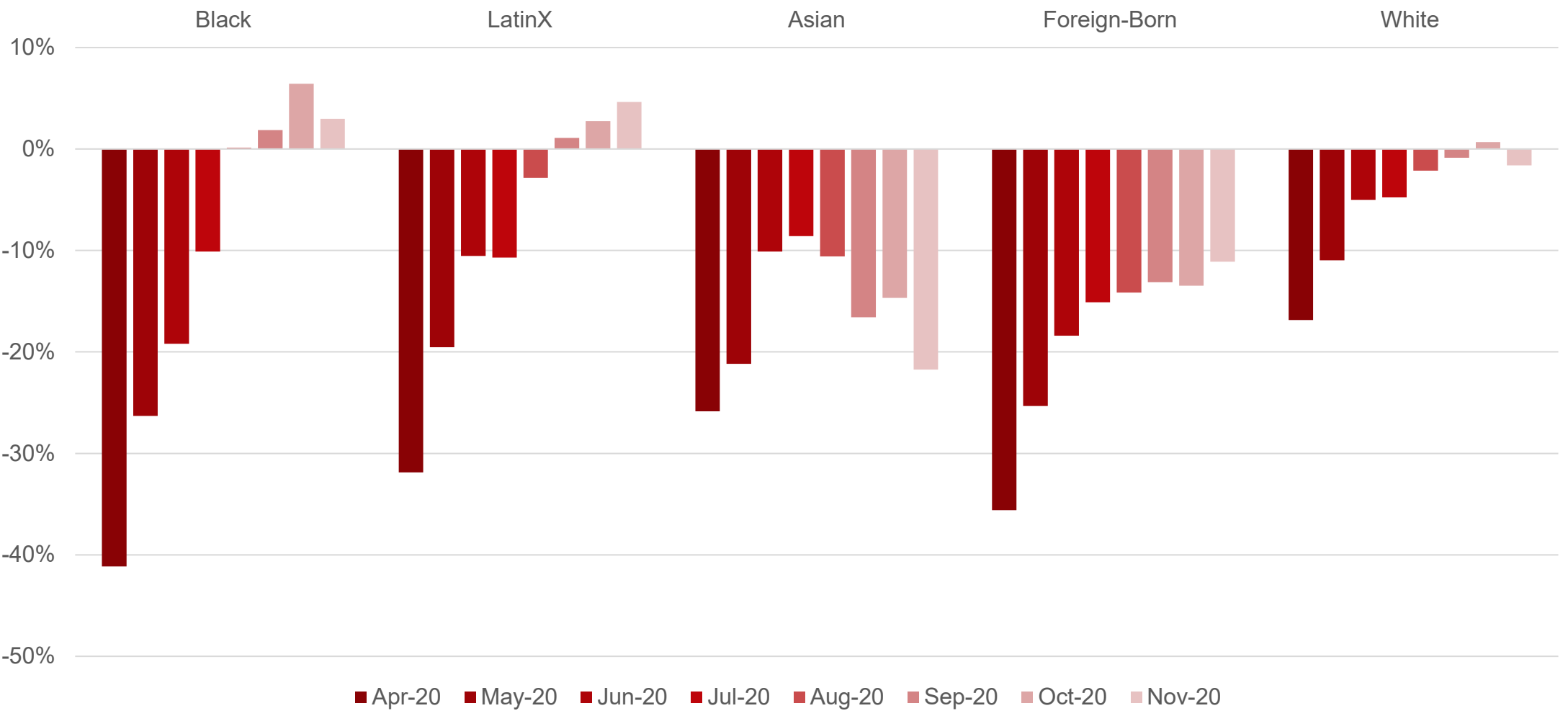


# Increasing Applications in WI

- From 43,844 in 2019 to 65,043 in 2021.
- 21% increase in the first year, and then a 23% increase on top of that in 2021.
- 48% increase over two years.



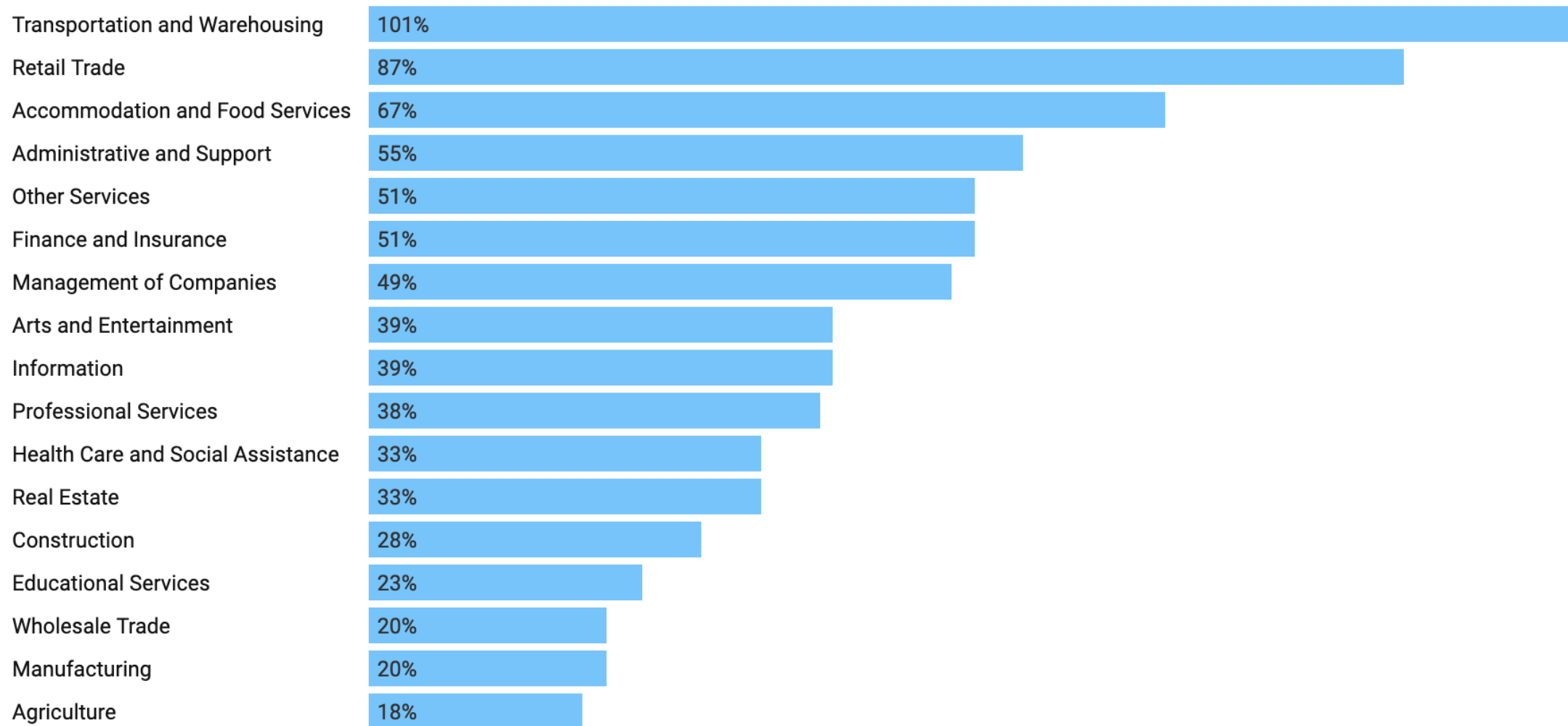
Active Self-Employed  
Change from February 2020  
By Race/Ethnicity/Citizenship  
U.S.



# In Black communities, small business surged during the pandemic.

- Black business owners declined by 41% Feb-April 2020 compared to 22% overall.
- Following initial decline, entrepreneurial activity more than recovered during the pandemic.
- Areas with a larger share of Black residents had higher business formation rates (Fazio et. al 2021).
  - Especially higher income Black neighborhoods.
- Increases in entrepreneurial activity followed Federal spending packages like the CARES Act.
- Is this a story about necessity entrepreneurship or wealth creation?

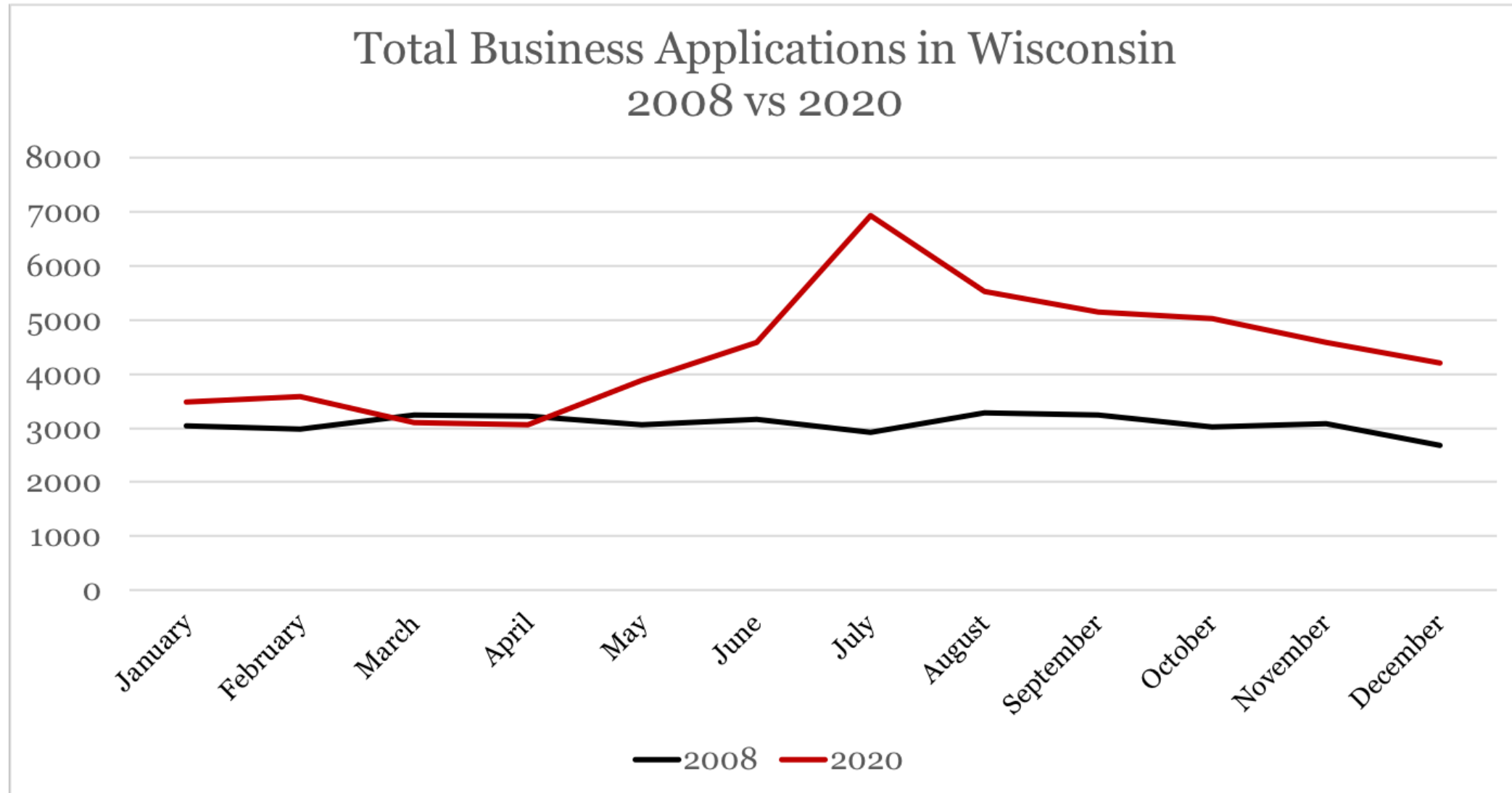
# Growth in annual total business applications by major sector, 2019 to 2021, United States



*Note: "unclassified", "utilities", and "mining" not displayed*

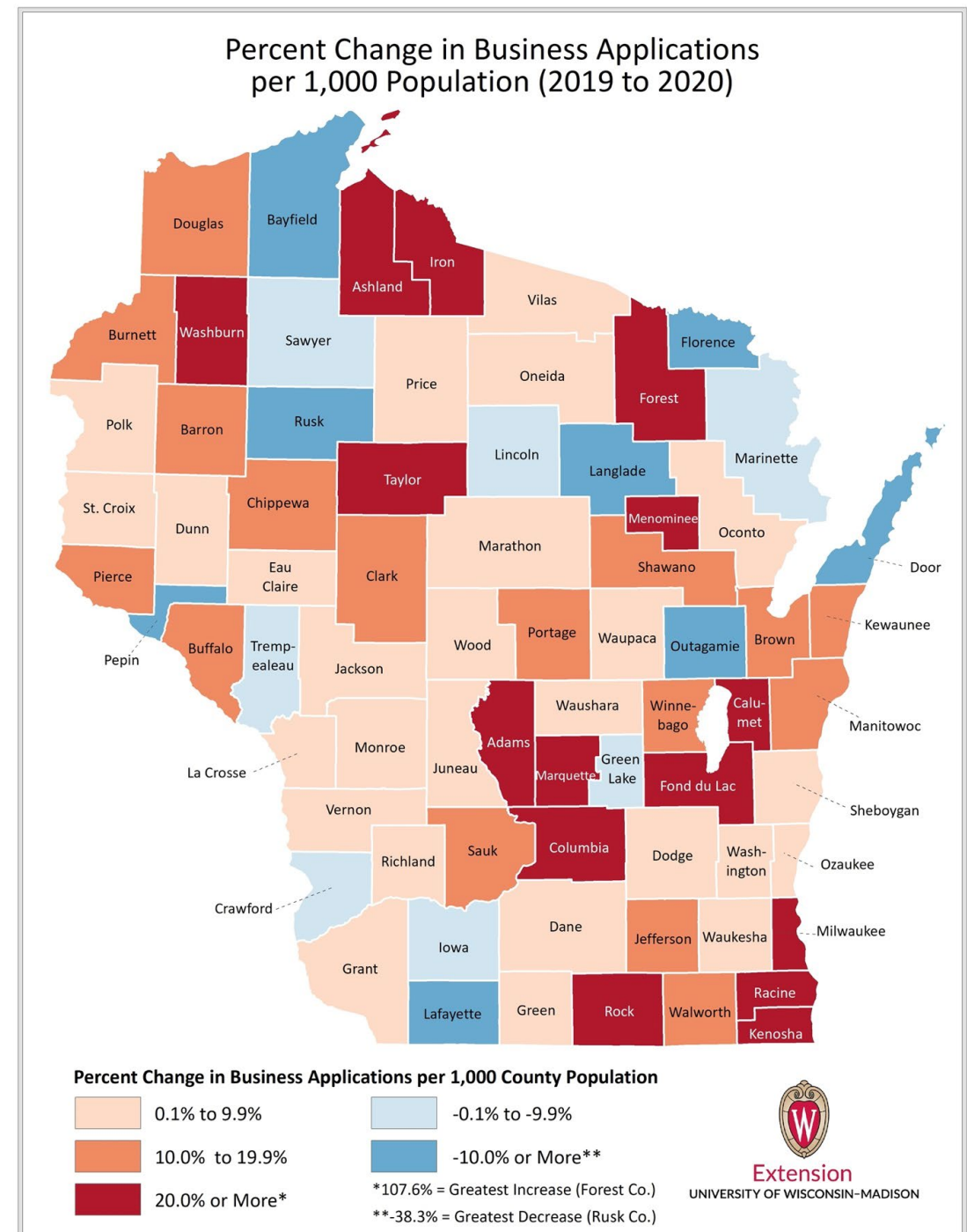
Chart: Economic Innovation Group • Source: U.S. Census Bureau's Business Formation Statistics • Created with [Datawrapper](#)

# Comparison to The Great Recession



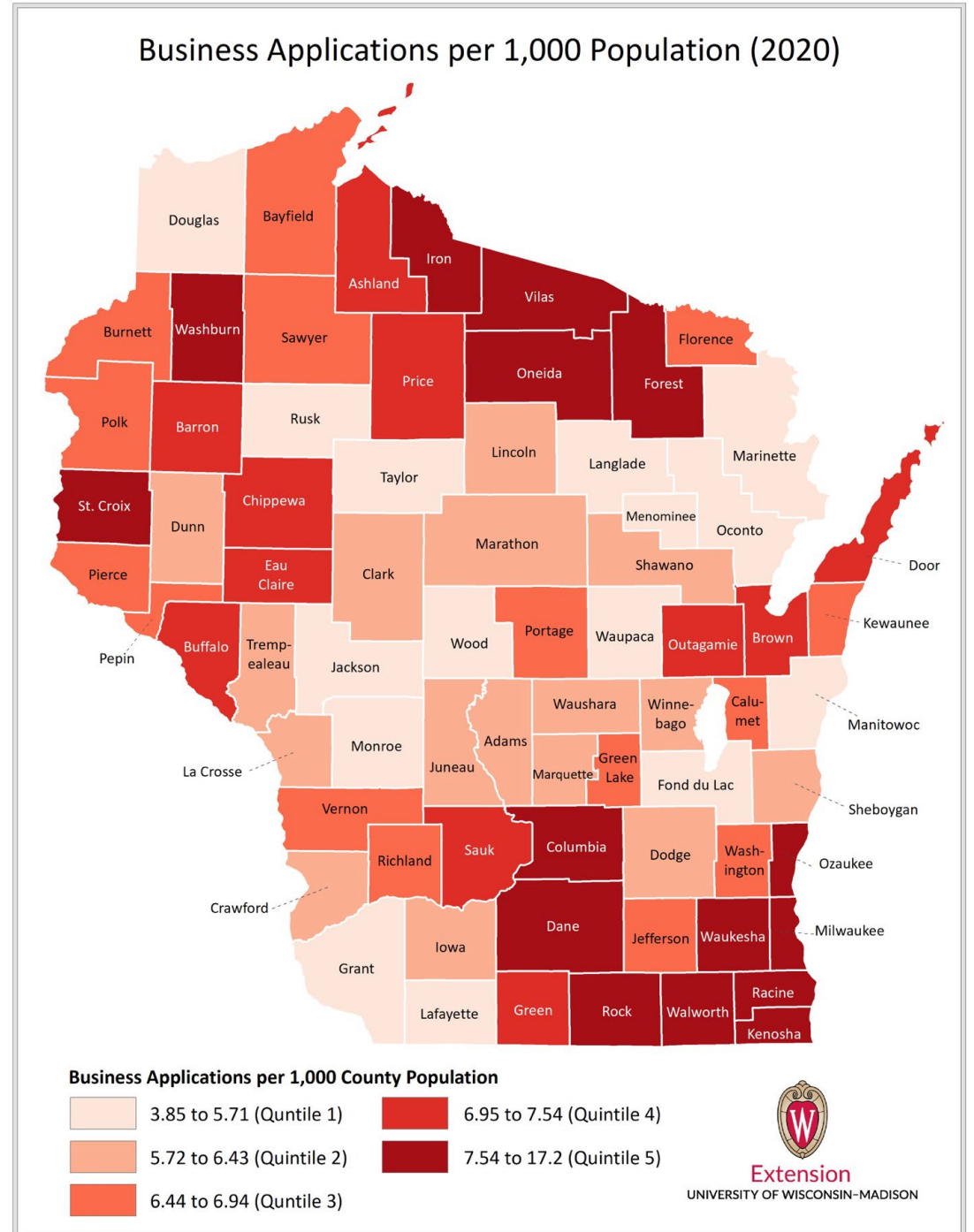
# Change in Applications

- On average across counties, business applications increased by 9.14%.
- Range from 38% decrease (Rusk) to over 100% increase (Forest).



# Rate of Applications

- On average across counties, there were 6.91 applications per 1,000 people.
- Range from 3.9 per 1000 people (Rusk), 17.2 (Milwaukee).

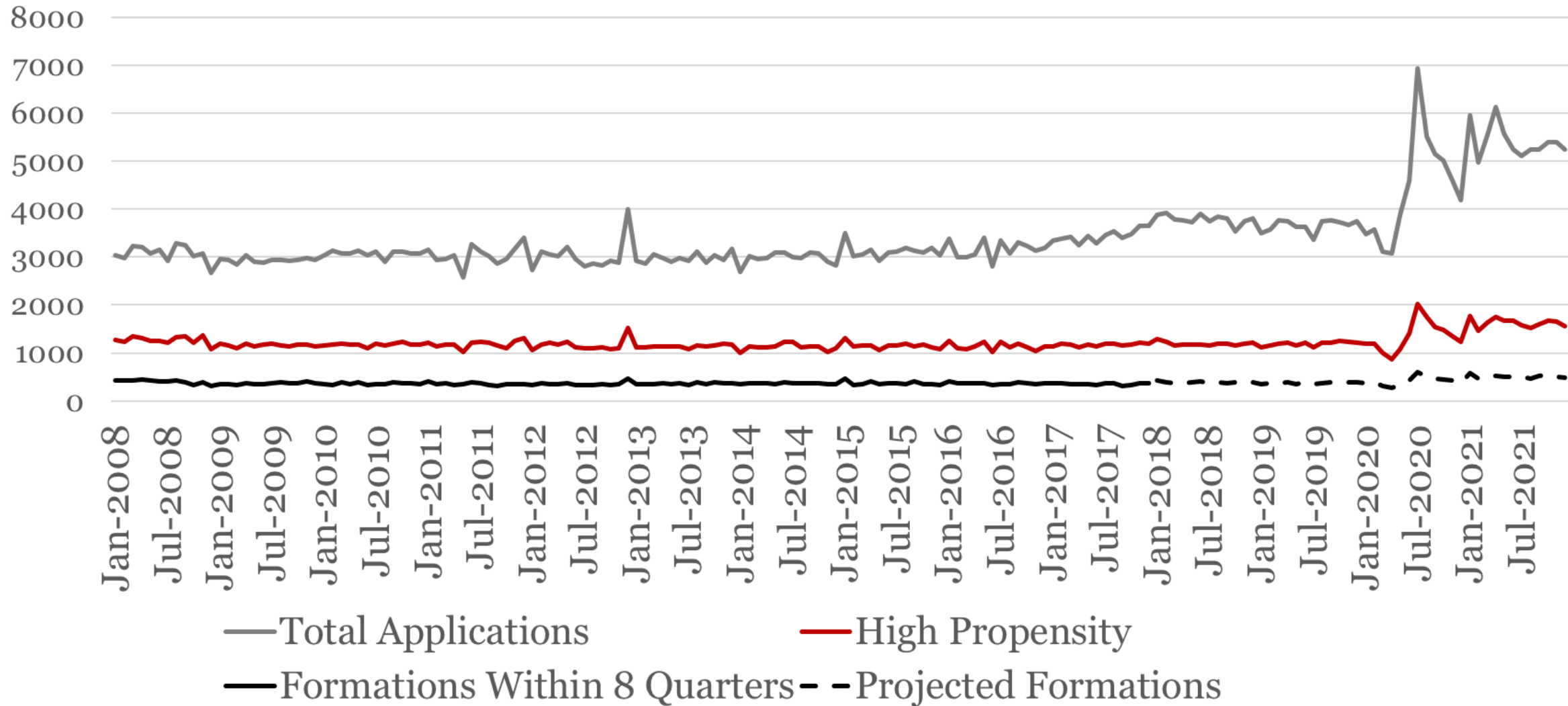




# High Propensity Businesses Applications

- A small number of businesses are considered *likely* to actually become operational.
  - An even smaller number actually do.
- High propensity applications represent businesses that are likely to hire employees.
  - Based on characteristics of application.

## Trends in Business Applications in Wisconsin, By Type 2008-2021



# Business Formations

- The number of formations for each year is low compared to the number of applications to start a business.
- From 2009 to 2021, roughly 12% of business applications resulted in a business formation within eight quarters.
- The rate of business formation has generally declined.
- Example
  - January, 2008: 3036 applications and 425 business formations=14% formation rate.
  - January, 2020: 3483 applications, 375 projected formations = 11% projected formation rate.

# More Nonemployers

- Higher level of applications but lower *rate* of resulting business formations.
- The result is still an increase in business formations, though a smaller increase than the overall increase in applications might suggest.
- During the pandemic the rise in business applications is more likely to result in more nonemployer firms than employer businesses.

# Strategies

- Investment in broadband infrastructure and adoption, as many new businesses were in online retail.
- Training, especially for online marketing, retail platforms, shipping, and logistic support.
- Financing programs that reduce barriers to capital for small businesses.
- Network development, peer-to-peer learning programs, and opportunities for entrepreneurs to share their needs and access business services.
- Expanding childcare.
- Programs tailored specifically to sole proprietors who have no employees as many new entrepreneurs fall into this category.



Looking forward to questions and discussion.

Tessa Conroy

W: [tessaconroy.com](http://tessaconroy.com)  
E: [tessa.conroy@wisc.edu](mailto:tessa.conroy@wisc.edu)