

TRENDS in ENTREPRENEURSHIP SERIES

Reporting on data from a wide range of sources to measure, track, and compare trends related to entrepreneurship | March 2022

ARE WE BACK? EARLY-STAGE ENTREPRENEURSHIP TRENDS TWO YEARS INTO THE COVID PANDEMIC

The landscape of entrepreneurship has changed dramatically since the emergence of COVID-19. In this brief, we highlight some of these changes based on findings from the Kauffman Early-Stage Entrepreneurship Indicators – a set of measures that track new business creation in the United States going back more than 25 years.¹ We also examine how trends during COVID-19 compare to trends during the Great Recession.

Early-Stage Entrepreneurship During the COVID-19 Pandemic

In 2020, we saw the highest rate of new entrepreneurs on record. Prior to the pandemic, the rate of new entrepreneurs had been hovering around 0.31% for several years. In 2020, this rate rose to 0.38% – meaning that on average, roughly 3.8 out of every 1,000 adults in the U.S. were becoming new entrepreneurs in any given month. **In 2021, the rate of new entrepreneurs declined to 0.36%.** This is still higher than the years leading up to the pandemic.

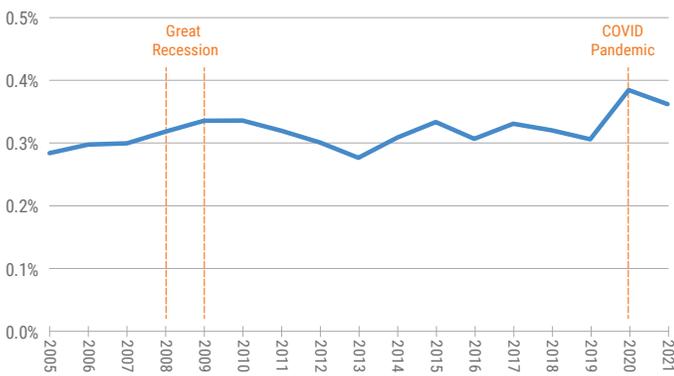
In 2020, we saw the lowest opportunity share of new entrepreneurs on record. The opportunity share – the share of new entrepreneurs who were not unemployed at the time they started a new business – saw a 17.1 percentage point drop between 2019 and 2020 – from 86.9% to 69.8%. **In 2021, the opportunity share was 80.9%.** This means that while about 30% of new entrepreneurs were unemployed at the time they were starting their business in 2020, only about 19% of new entrepreneurs were unemployed in 2021. While this rebound is substantial – the opportunity share of new entrepreneurs is still not back to the level it was before the pandemic.

Comparisons to the Great Recession

During tumultuous economic times, the rate of new entrepreneurs can increase as businesses close and restart, and workers are laid off and turn to part-time business activities. **During the Great Recession, we saw a rise in the rate of new entrepreneurs, though the increase was smaller than the rise in 2020.** The rate of new entrepreneurs was 0.30% in 2007, rose to 0.32% in 2008, and to 0.34% in 2009 and 2010.

Opportunity entrepreneurship tends to be higher when the economy is doing well. **From 2008 to 2009, the opportunity share of new entrepreneurs declined by 6.9 percentage points, from 80.7% to 73.8%.** This was not nearly as large as the drop we saw between 2019 and 2020. Prior to 2020, 2009 had the lowest opportunity share of new entrepreneurs on record.

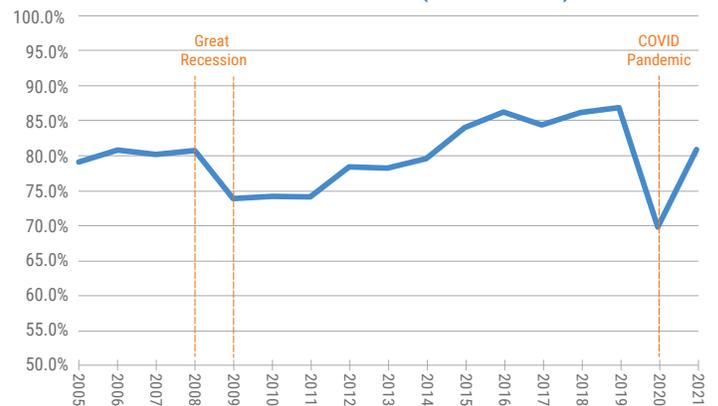
FIGURE 1: RATE OF NEW ENTREPRENEURS (2005–2021)



Source: Estimates calculated from the Current Population Survey

1. For the full report, see Fairlie (2022).

FIGURE 2: OPPORTUNITY SHARE OF NEW ENTREPRENEURS (2005–2021)



Source: Estimates calculated from the Current Population Survey

Sources: Fairlie, Robert (2022). National Report on Early-Stage Entrepreneurship in the United States: 2021, Kauffman Indicators of Entrepreneurship, Ewing Marion Kauffman Foundation: Kansas City.

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