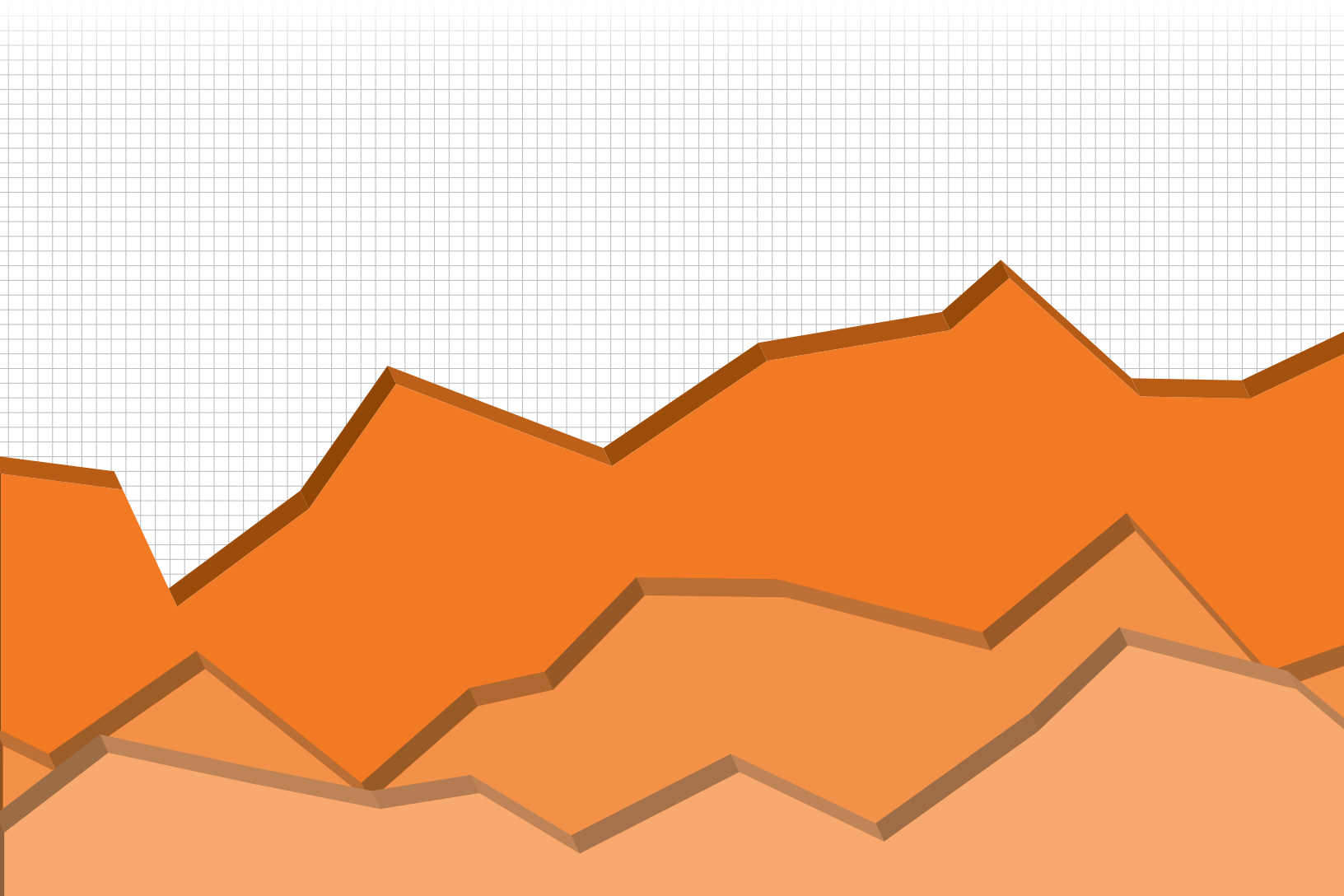




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**INDICATORS** *of*  
**ENTREPRENEURSHIP**

2020 **NEW EMPLOYER  
BUSINESS INDICATORS  
IN THE UNITED STATES:**  
NATIONAL AND STATE TRENDS

APRIL 2021



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## SPECIAL THANKS

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Explore the Kauffman Indicators further at: [www.kauffman.org/indicators](http://www.kauffman.org/indicators)

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## New Employer Business Indicators

The Kauffman New Employer Business Indicators series has been compiled in an effort to provide information on new employer businesses, a subset of all entrepreneurial activity. The series provides users with measures to track trends surrounding the emergence of these businesses, their representation in the population and among all firms, and the time it takes these businesses to become employers.

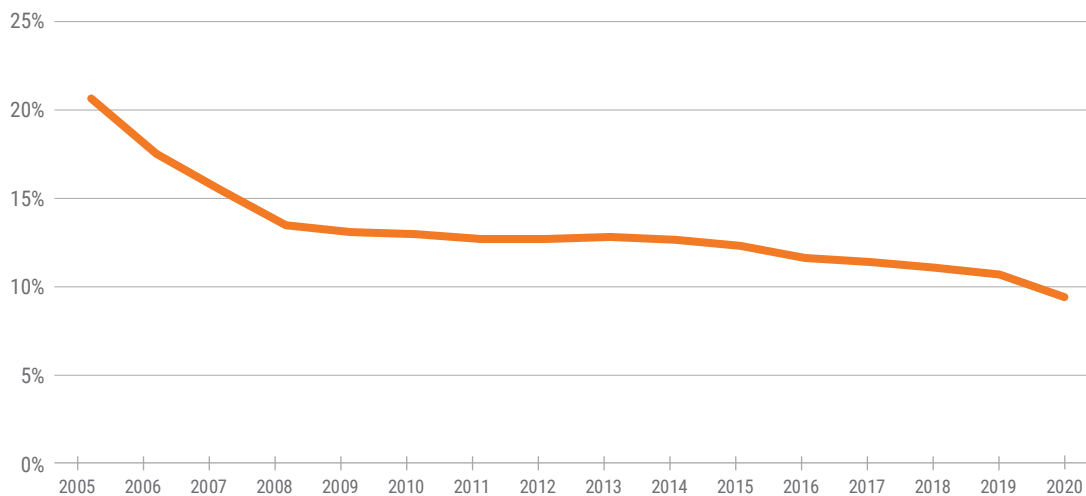
The indicators are constructed using publicly available data from three administrative data sources – the Business Formation Statistics, Business Dynamics Statistics, and Population Estimates Program. These sources include data on people, and new and established businesses, at the state and national level, and can include projected data for some years.<sup>1</sup>

There are four New Employer Business Indicators and a composite index:

**1. RATE OF NEW EMPLOYER BUSINESS ACTUALIZATION** reflects the proportion of all new business applications that become employer businesses within eight quarters.

- In 2020, the national rate of new employer business actualization was 9.41%, meaning that between 9 and 10 out of every 100 new business applications are projected to make first payroll within eight quarters. This was down from 10.69% in 2019 and 11.09% in 2018.

FIGURE 1 RATE OF NEW EMPLOYER BUSINESS ACTUALIZATION, UNITED STATES (2005–2020)



The national rate of new employer business actualization decreased by more than 1.5 percentage points from 2018 to 2020.



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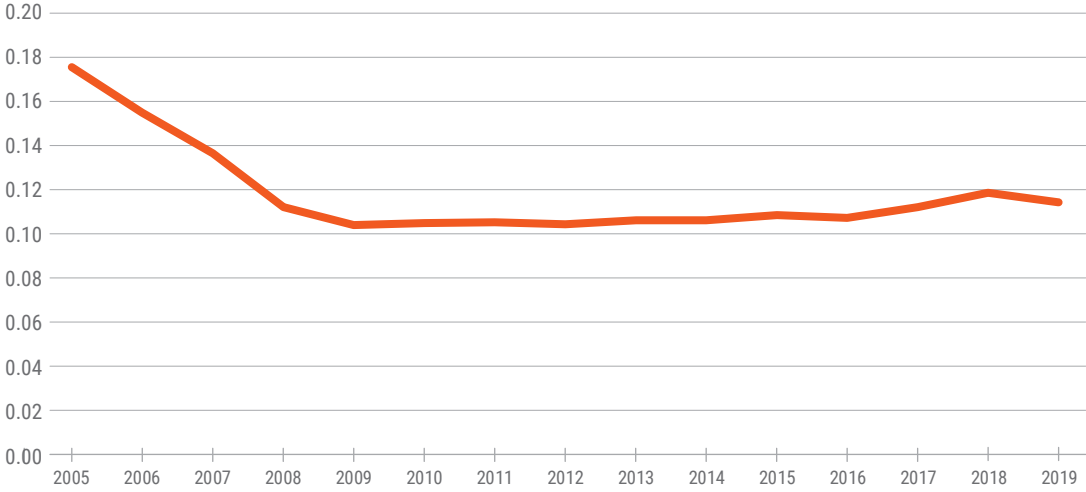
### NEW EMPLOYER BUSINESS ACTUALIZATION

The share of business applications that become employers (achieve a first payroll) within eight quarters of the application.

**2. RATE OF NEW EMPLOYER BUSINESSES** reflects new employer businesses for every 100 people.

- In 2019, the national rate of new employer businesses was 0.11, indicating that there would be about 110 new employer businesses for every 100,000 people. This was down from 0.12 in 2018.

FIGURE 2 RATE OF NEW EMPLOYER BUSINESSES, UNITED STATES (2005–2019)



In 2019, 110 new employer businesses for every 100,000 people were expected.



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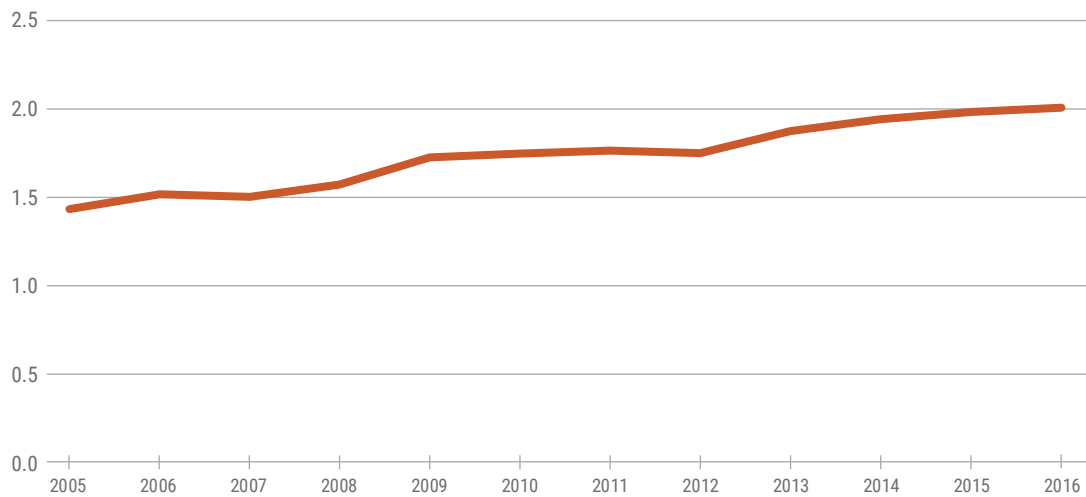
**RATE OF NEW EMPLOYER BUSINESSES**

The number of startups that become employers for every 100 people.

**3. NEW EMPLOYER BUSINESS VELOCITY** is the average amount of time it takes, in quarters, for a new business application to become an employer, conditional on doing so within eight quarters.

- In 2016, the national new employer business velocity was 2.01, indicating that, on average, it took a little over six months between business application and first payroll. This was slightly longer than the national new employer business velocity in 2015 (1.98) and in 2014 (1.94).

FIGURE 3 NEW EMPLOYER BUSINESS VELOCITY, UNITED STATES (2005–2016)



In 2016, it took a little over six months for a new business application to become an employer. This was slightly longer than the national new employer business velocity in 2015 and in 2014.



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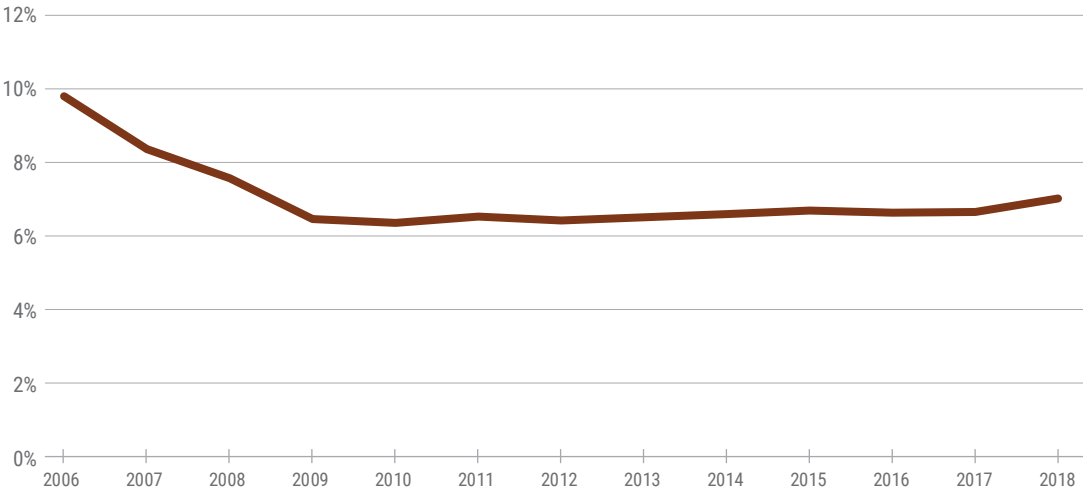
#### NEW EMPLOYER BUSINESS VELOCITY

The average amount of time it takes, in quarters, between business application and first payroll, conditioned on a business making payroll within eight quarters.

**4. EMPLOYER BUSINESS NEWNESS** captures new employer businesses as a share of all employer firms.

- In 2018, national employer business newness was 7.01%, meaning that about 7 out of every 100 employer businesses were expected to be new businesses that made a first payroll within their first eight quarters. This was up from 6.65% in 2017 and 6.63% in 2016.

FIGURE 4 EMPLOYER BUSINESS NEWNESS, UNITED STATES (2006–2018)



In 2018, about 7 out of every 100 employer businesses were expected to be new businesses that made a first payroll within their first eight quarters. This was up from 2016 and 2017.



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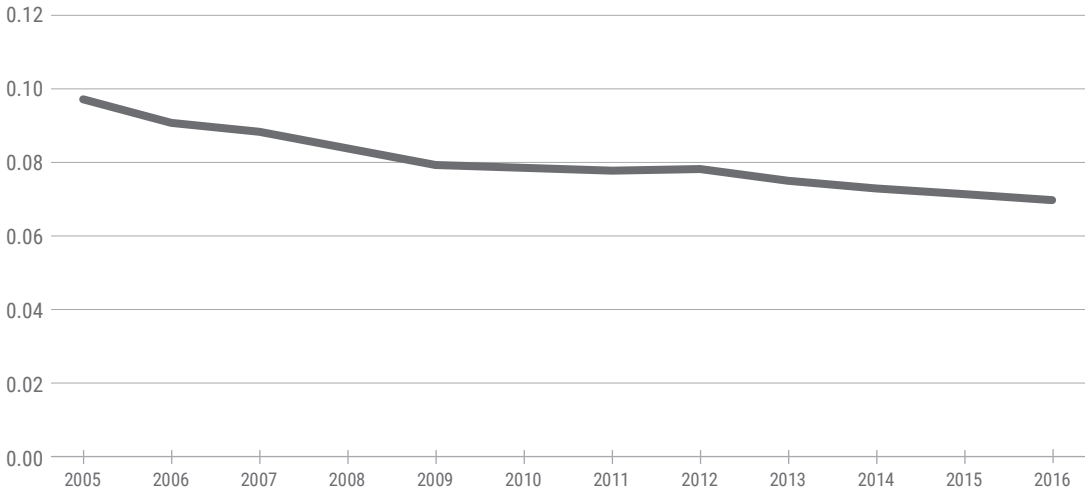
**EMPLOYER BUSINESS NEWNESS**

New employer businesses as a share of all employer firms.

The **New Employer Business Actualization Speed (NEBAS) Index** is a snapshot reflecting both the emergence (actualization) and speed (velocity) of new employer businesses.

- In 2016 (the most recent year for which data are available), the national NEBAS Index was 0.70. This was down from 0.71 in 2015 and 0.73 in 2014.

FIGURE 5 NEBAS INDEX, UNITED STATES (2005–2016)



**NEW EMPLOYER BUSINESS ACTUALIZATION SPEED (NEBAS) INDEX**

A snapshot reflecting both the emergence (actualization) and speed (velocity) of new employer businesses.

STATE	RATE OF NEW EMPLOYER BUSINESS ACTUALIZATION (2020)	RATE OF NEW EMPLOYER BUSINESSES (2019)	NEW EMPLOYER BUSINESS VELOCITY (2016)	EMPLOYER BUSINESS NEWNESS (2018)	NEBAS INDEX (2016)
<b>United States</b>	9.41%	0.11	2.01	7.01%	0.70
<b>Alabama</b>	7.92%	0.08	1.76	5.59%	0.74
<b>Alaska</b>	12.38%	0.14	*	7.45%	*
<b>Arizona</b>	9.41%	0.11	2.13	7.62%	0.65
<b>Arkansas</b>	9.97%	0.10	1.75	6.27%	0.78
<b>California</b>	13.08%	0.14	1.99	7.92%	0.75
<b>Colorado</b>	9.64%	0.16	2.13	7.72%	0.66
<b>Connecticut</b>	8.19%	0.08	2.06	4.60%	0.66
<b>Delaware</b>	6.52%	0.18	2.20	8.77%	0.59
<b>District of Columbia</b>	5.71%	0.12	*	4.78%	*
<b>Florida</b>	7.64%	0.15	2.25	8.34%	0.60
<b>Georgia</b>	6.28%	0.12	2.07	7.60%	0.64
<b>Hawaii</b>	7.42%	0.08	*	5.06%	*
<b>Idaho</b>	14.03%	0.17	1.90	8.05%	0.77
<b>Illinois</b>	9.10%	0.10	2.05	6.05%	0.70
<b>Indiana</b>	8.90%	0.08	1.96	5.42%	0.70
<b>Iowa</b>	11.40%	0.09	1.86	5.24%	0.76
<b>Kansas</b>	11.48%	0.10	1.74	5.42%	0.79
<b>Kentucky</b>	9.34%	0.08	1.82	5.61%	0.75
<b>Louisiana</b>	5.81%	0.08	2.01	5.53%	0.64
<b>Maine</b>	16.43%	0.13	1.76	5.77%	0.86
<b>Maryland</b>	6.61%	0.09	2.22	5.75%	0.60
<b>Massachusetts</b>	12.06%	0.11	1.96	5.90%	0.74
<b>Michigan</b>	7.13%	0.08	2.04	5.34%	0.66
<b>Minnesota</b>	11.35%	0.10	1.90	5.50%	0.75
<b>Mississippi</b>	6.11%	0.08	1.76	5.58%	0.72
<b>Missouri</b>	10.26%	0.11	1.57	6.90%	0.83
<b>Montana</b>	12.38%	0.17	*	6.36%	*
<b>Nebraska</b>	13.63%	0.11	1.71	5.76%	0.85
<b>Nevada</b>	9.10%	0.13	2.18	9.06%	0.62
<b>New Hampshire</b>	11.72%	0.10	*	5.30%	*
<b>New Jersey</b>	8.25%	0.12	2.15	6.02%	0.64
<b>New Mexico</b>	9.78%	0.08	*	5.65%	*
<b>New York</b>	10.28%	0.14	2.14	6.66%	0.67
<b>North Carolina</b>	9.95%	0.11	1.89	7.10%	0.74



STATE	RATE OF NEW EMPLOYER BUSINESS ACTUALIZATION (2020)	RATE OF NEW EMPLOYER BUSINESSES (2019)	NEW EMPLOYER BUSINESS VELOCITY (2016)	EMPLOYER BUSINESS NEWNESS (2018)	NEBAS INDEX (2016)
North Dakota	13.28%	0.13	*	5.89%	*
Ohio	7.92%	0.07	1.98	4.93%	0.68
Oklahoma	9.84%	0.11	1.81	5.95%	0.75
Oregon	13.47%	0.14	1.90	7.22%	0.78
Pennsylvania	9.78%	0.09	2.08	5.15%	0.68
Rhode Island	13.27%	0.11	*	5.95%	*
South Carolina	8.83%	0.10	1.97	6.85%	0.70
South Dakota	14.74%	0.13	*	5.94%	*
Tennessee	9.25%	0.09	1.78	6.35%	0.76
Texas	10.08%	0.12	1.99	8.29%	0.70
Utah	10.59%	0.17	1.91	9.17%	0.71
Vermont	12.16%	0.11	*	4.38%	*
Virginia	8.54%	0.10	2.07	6.15%	0.67
Washington	13.91%	0.14	1.89	8.11%	0.80
West Virginia	9.69%	0.06	*	4.47%	*
Wisconsin	9.75%	0.08	1.98	4.88%	0.71
Wyoming	7.97%	0.28	*	9.10%	*

Note: Missing values indicated by \* are due to missing data in underlying source/s used to calculate the indicators.

**NOTES:** (1) New Employer Business Indicators presented in this brief are constructed from the U.S. Census Bureau's Business Formation Statistics, Business Dynamics Statistics, and Population Estimates Program. Indicators are based on the most recent year for which data are available, which varies across indicators. For more details on the construction of these indicators see Howe, T. and Desai, S. (2021). "New Employer Business Trends: A Methodological Note" Ewing Marion Kauffman Foundation: Kansas City.



Explore the Kauffman Indicators further at: [www.kauffman.org/indicators](http://www.kauffman.org/indicators)

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2020 New Employer Business Indicators in the United States: National and State Trends