Key Points

• In Illinois, business applications reached the highest level on record during the pandemic.

• The level of entrepreneurial activity is unique compared to The Great Recession.

• The increase in entrepreneurial intent is important for economic development.
Entrepreneurial intent is high.

Monthly Business Applications
Illinois

Source: U.S. Census Bureau-BFS
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.
The increase is unique to the pandemic.
The start-up rate has been declining.

Establishment Birth Rate

Source: SUSB
New businesses drive job growth.
New businesses drive job growth.

Average Annual Job Creation. 1978-2020
Illinois

Average Annual Net Job Creation 1978-2020
Illinois
“Missing” businesses amount to slow job growth.

Rural Establishment Entry
Illinois
Is this relevant now?

• New businesses also linked to income growth, poverty alleviation, and innovation.

• Can contribute to economic stability.

• Young firms are disproportionately responsible for productivity growth.

• Can mean more competitive regions and wage growth.

• Quality of life in rural areas.
Increase is sustained though leveling off.

Annual Increase in Business Applications

Source: U.S. Census Bureau-BFS
Business formations are expected to increase.
More to unpack…

• Variation by rurality, business potential, sector.

• Applications are converting to fully formed businesses at historically low rates.

• Expect many more nonemployer businesses—those without paid employees.

• What does the increase in these “micro-businesses” mean for rural economic development?
Looking forward to questions and discussion.

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A Closer Look at Entrepreneurial Trends During and Since the Pandemic

Tessa Conroy
Associate Professor
UW-Madison
Entrepreneurial intent is high.

Monthly Business Applications
Illinois

Source: U.S. Census Bureau-BFS
Look at entrepreneurship…

• By rurality
  • Urban vs. rural trends

• By projected success
  • High-propensity businesses
  • Formations

• By sector

• …And the implications for economic development.
Rural vs Urban Illinois

Annual Business Applications
Rural Illinois

Annual Business Applications
Urban Illinois
Change in Business Applications 2019-2021

• Business applications increased 53% on average between 2019 and 2021.

• Max: 186% in Brown County
• Min: -24% in Calhoun County

Source: U.S. Census Bureau-BFS
Business Applications Per Capita 2021

- 7.6 business applications per capita in 2021 on average across counties.
- Max: 23 in Cook County
- 2nd: 15 in Will County
- Min: 2.5 in Hardin County
Business formations are expected to increase...

Source: U.S. Census Bureau-BFS
...but the rate of formation is declining.
Business Formations

• The number of formations for each year is low compared to the number of applications to start a business.

• From 2009 through 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: 8474 applications and 1336 business formations = 16% formation rate.
  • January, 2023: 13519 applications, 1293 projected formations = 10% projected formation rate.
Some applicants will operate as nonemployer businesses.

Source: U.S. Census Bureau-NES, CBP
Business Applications Sector
2020-2022, United States

Agriculture, Forestry, Fishing and Hunting
Educational Services
Manufacturing
Information
Unclassified
Wholesale Trade
Arts, Entertainment, and Recreation
Finance and Insurance
Real Estate and Rental and Leasing
Accommodation and Food Services
Health Care and Social Assistance
Administrative and Support and Waste Management and Remediation…
Transportation and Warehousing
Construction
Other Services (except Public Administration)
Professional, Scientific, and Technical Services
Retail Trade

Business Applications by Retail Subsector
United States, 2020-2022

Electronics and Appliance Stores
General Merchandise Stores
Furniture and Home Furnishings Stores
Gasoline Stations
Sporting Goods, Hobby, Musical Instrument, and Book Stores
Building Material and Garden Equipment and Supplies Dealers
Health and Personal Care Stores
Motor Vehicle and Parts Dealers
Retail Trade with no further NAICS detail
Food and Beverage Stores
Clothing and Clothing Accessories Stores
Miscellaneous Store Retailers
Nonstore Retailers

Thousands
Share of Illinois Workers who Worked at Home - 2019 vs 2021 by Annual Earnings

<table>
<thead>
<tr>
<th>Annual Earnings</th>
<th>2019</th>
<th>2021</th>
</tr>
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<tbody>
<tr>
<td>$1 to $9,999</td>
<td>7%</td>
<td>12%</td>
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<tr>
<td>$10,000 to $14,999</td>
<td>6%</td>
<td>12%</td>
</tr>
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<td>$15,000 to $24,999</td>
<td>5%</td>
<td>11%</td>
</tr>
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</tr>
<tr>
<td>$35,000 to $49,999</td>
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<tr>
<td>$50,000 to $64,999</td>
<td>4%</td>
<td>18%</td>
</tr>
<tr>
<td>$65,000 to $74,999</td>
<td>5%</td>
<td>23%</td>
</tr>
<tr>
<td>$75,000 or more</td>
<td>8%</td>
<td>33%</td>
</tr>
</tbody>
</table>
Share of Population with Access to Broadband at 25/3 Mbps

December 2020 FCC Form 477 Data, Not Including Satellite

County Share of Population with Access to Broadband (25/3 Mbps):

Counties by Quintile

- 0.2% to 86.0% (Quintile 1)
- 86.1% to 94.6% (Quintile 2)
- 94.7% to 98.2% (Quintile 3)
- 98.3% to 99.7% (Quintile 4)
- 99.8% to 100.0% (Quintile 5)

Data Source: Federal Communications Commission Form 477. The data are aggregated from census block data where providers report whether they serve a given census block. There may be other addresses or locations within a given census block that do not have access. Upload and download speeds are based on advertised speeds, not necessarily actual speeds reported by users.
Share of Population with Access to Broadband at 100/20 Mbps

December 2020 FCC Form 477 Data, Not Including Satellite

County Share of Population with Access to Broadband (100/20 Mbps):
- 0.0% to 80.0%
- 80.1% to 85.0%
- 85.1% to 90.0%
- 90.1% to 95.0%
- 95.1% to 100.0%

Data Source: Federal Communications Commission Form 477. The data are aggregated from census block data where providers report whether they serve a given census block. There may be other addresses or locations within a given census block that do not have access. Upload and download speeds are based on advertised speeds, not necessarily actual speeds reported by users.
Research Findings

- Broadband has a positive effect on startup activity in rural areas.
- Especially in remote rural areas.
- Strongest effects on small and women-owned businesses.
- Suggests a strategy for equitably supporting entrepreneurs.
The impact on self-employment is unclear.

Source: Current Population Survey
Change in Self-Employment Rate 2019-2021

- Average: .23 percentage point increase
- Max: +2.8 percentage points, Woodford County
- Min: -2.8 percentage points, Adams County

Source: American Community Survey, Universe of Civilian Employed 16+
Self-Employment Rate 2021

- Average: 9.7%
- Max: 16.5% Jo Daviess County
- Min: 5.3% McLean County

Source: American Community Survey, Universe of Civilian Employed 16+
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.
An ecosystem approach...

• How are members connected?

• Form partnerships.

• Develop joint strategies.

Source: Center for Rural Entrepreneurship.
Looking forward to questions and discussion.

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