A Closer Look at Entrepreneurial Trends During and Since the Pandemic

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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 Count

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

Source: U.S. Census Bureau-BFS
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

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

United States, 2020-2022
Share of Illinois Workers who Worked at Home - 2019 vs 2021 by Annual Earnings

2019
2021
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.
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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