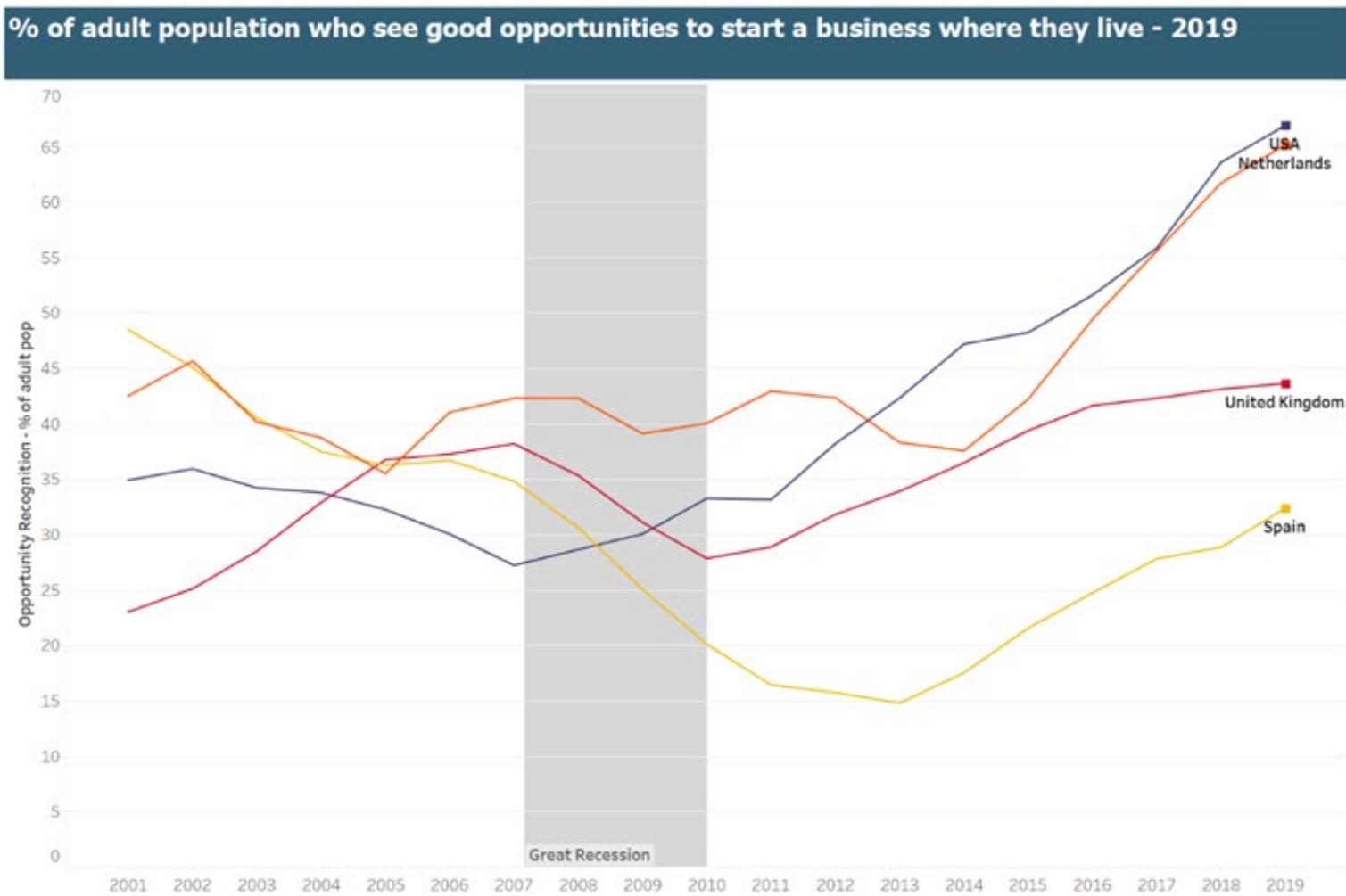


# The Challenges for Start-up Policy – COVID-19 Crisis

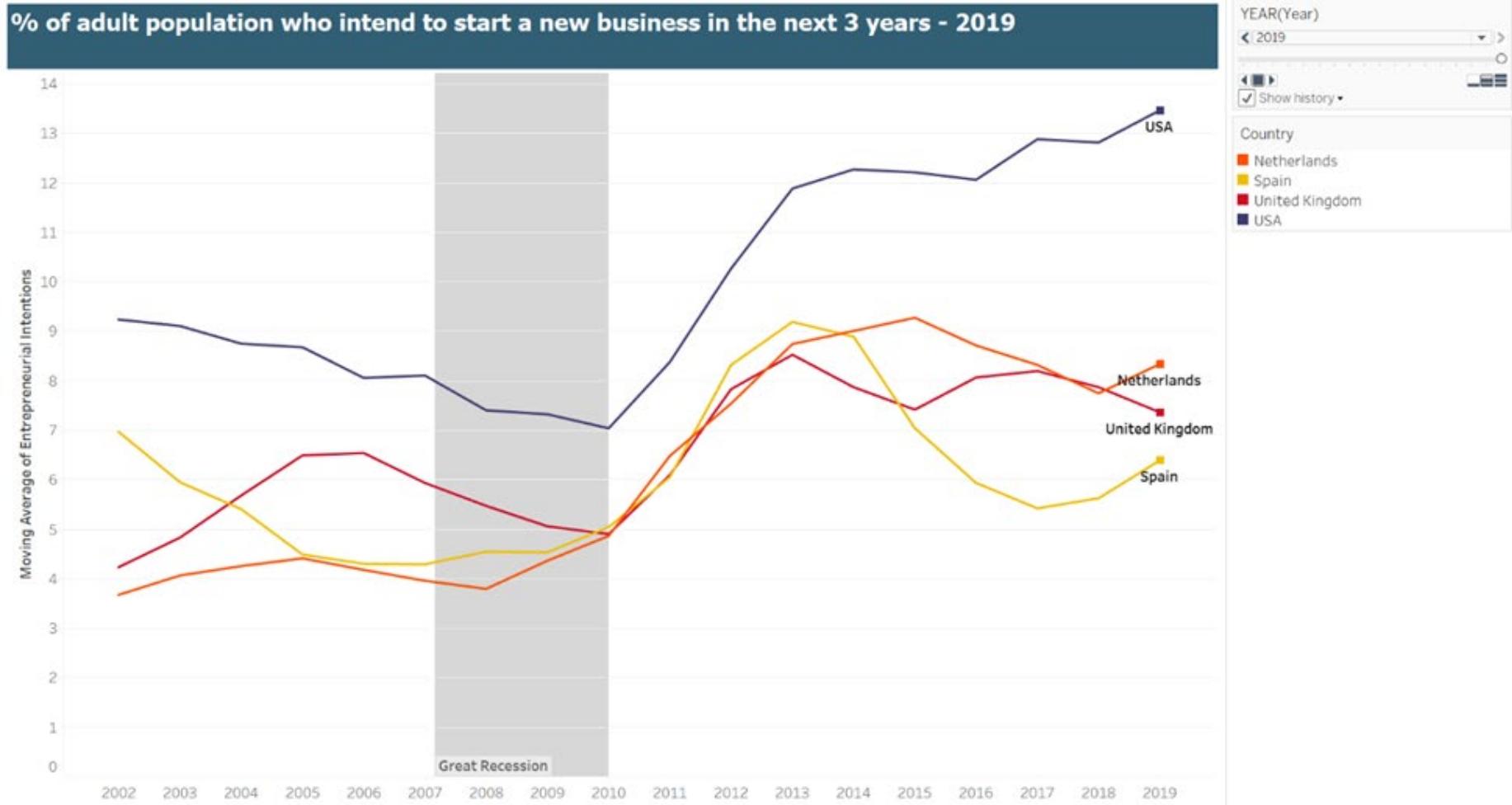
Professor Mark Hart  
OECD Webinar, 12<sup>th</sup> May 2020

# Lessons from Global Financial Crisis (GFC) – GEM (Opps)



Contrasting trends in GFC – UK & Spain – sharp decline in % seeing good opportunities in GFC; Netherlands – no change and USA – increase of over 10%

# Lessons from Global Financial Crisis (GFC) – GEM (Intention)



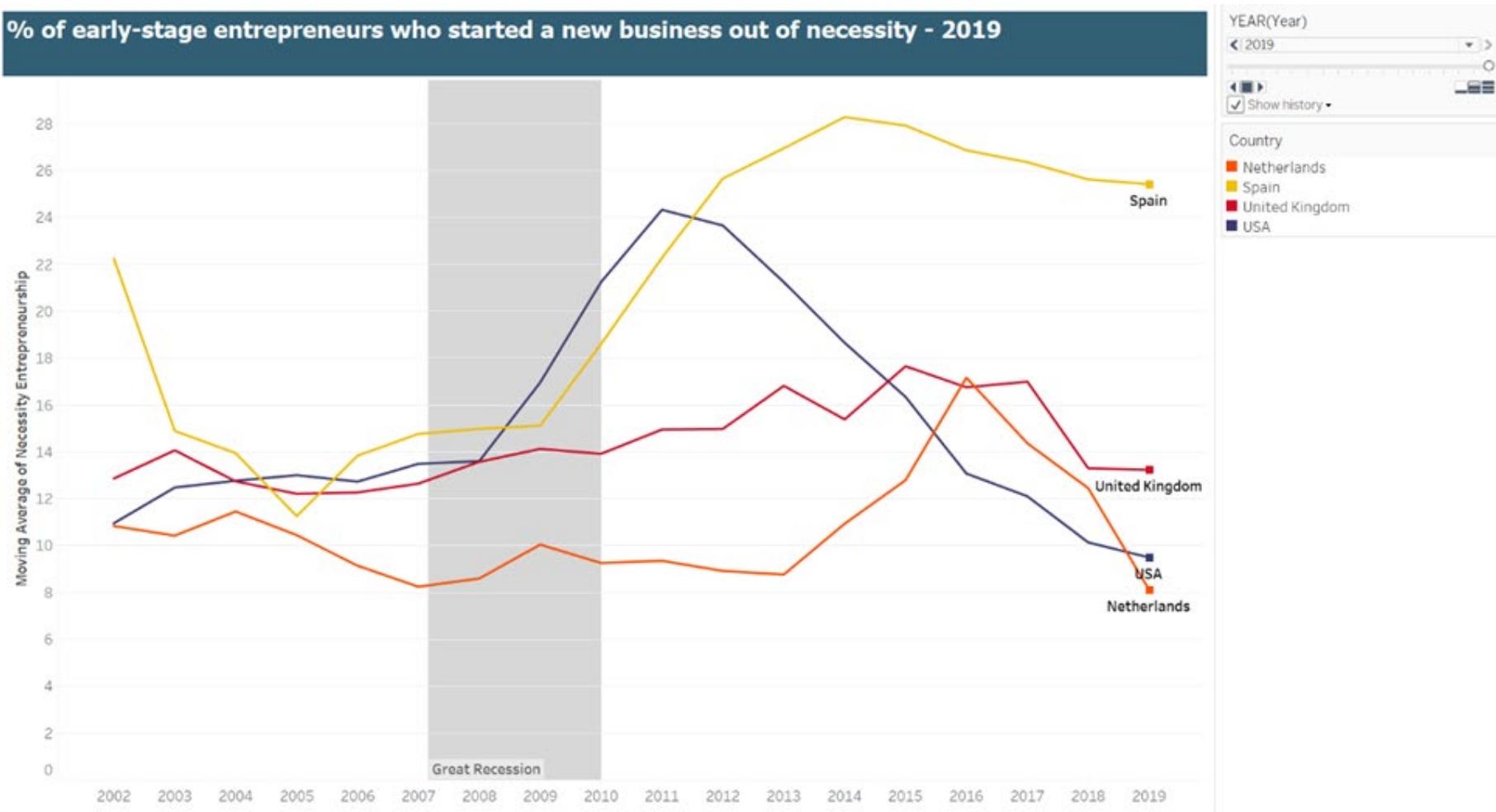
**Start-up Intention:** contrasting trends in GFC – UK & USA – sharp decline in % intending to set up a business – but bounced back sharply; Spain & Netherlands a slight increase – reflecting lack of safety net??

# Implications of Falling Intentions to Start a Business?

- Strong correlation between intention rates and actual start-up rates – GEM evidence (2001-2019)
- Expectation that intention rates falling at present in all countries – but evidence from GFC suggests they will recover.
- But – an economic crisis resulting from a public health emergency is uncharted territory!!

# Lessons from Global Financial Crisis (GFC) – GEM (Necessity)

% of early-stage entrepreneurs who started a new business out of necessity - 2019



**Necessity entrepreneurship** – all countries experienced a rise – slight in case of UK and the Netherlands and very steep in case of USA and Spain – but while Spain remained high USA fell back to pre-GFC levels

# UK Firm Dynamics – 1998-2014

Figure 4.1. Births: firms (thousand) and jobs per firm (jperf)

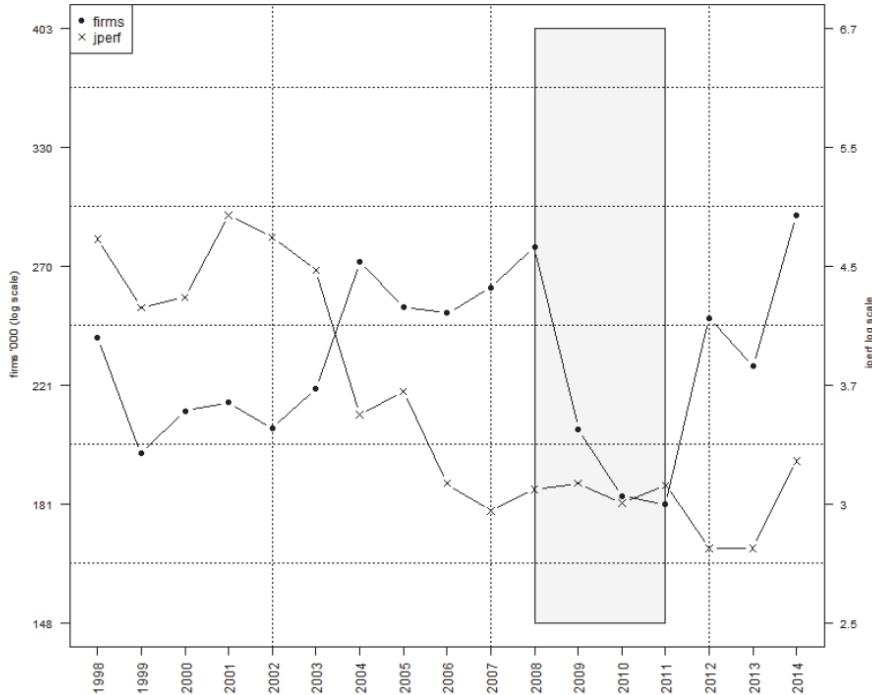
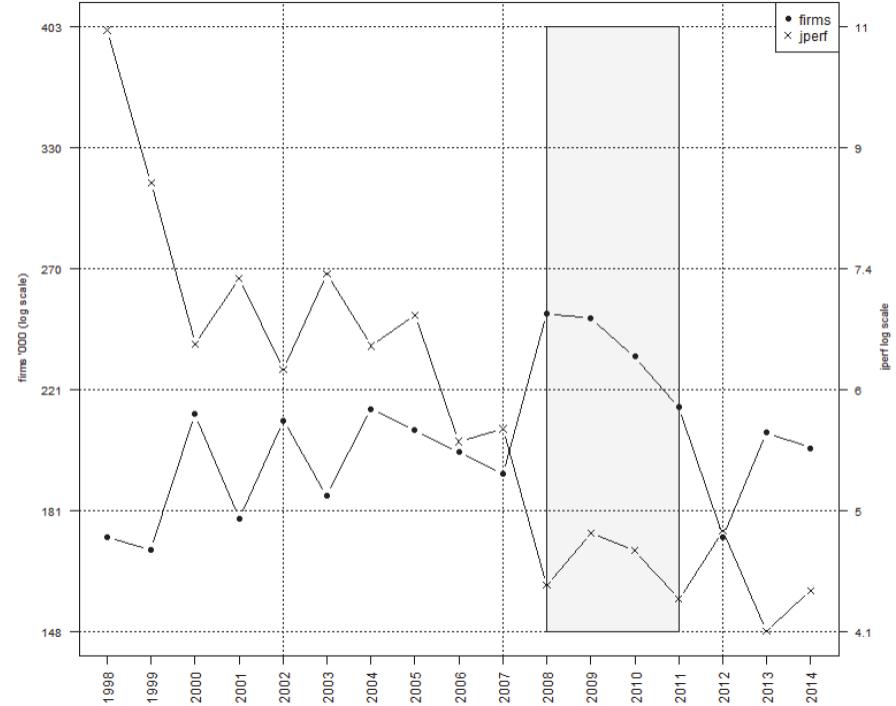


Figure 4.3. Deaths: firms (thousand) and jobs per firm (jperf)

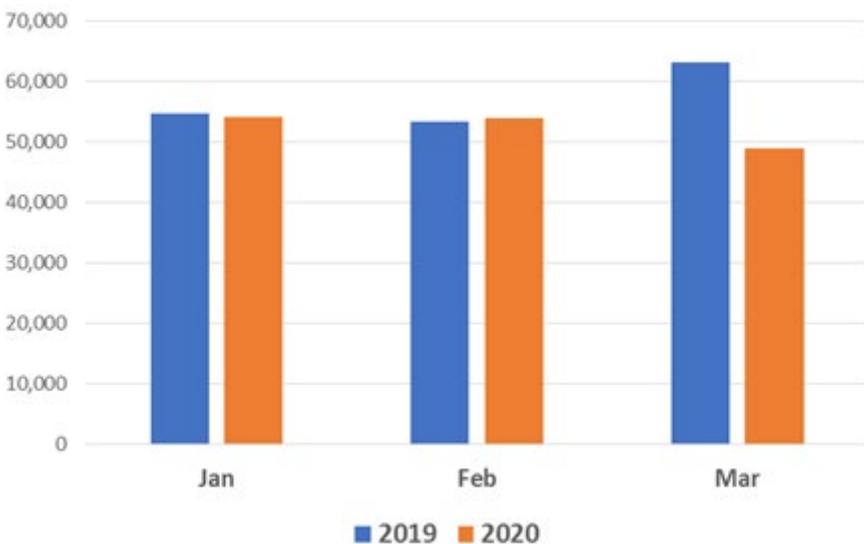


**Start-ups:** Dramatic “collapse” in start-ups after 2008 signalling the start of the GFC period the lower level persists for the next two years the pattern of change in jobs per start-up is considerably less volatile and flat over GFC period.

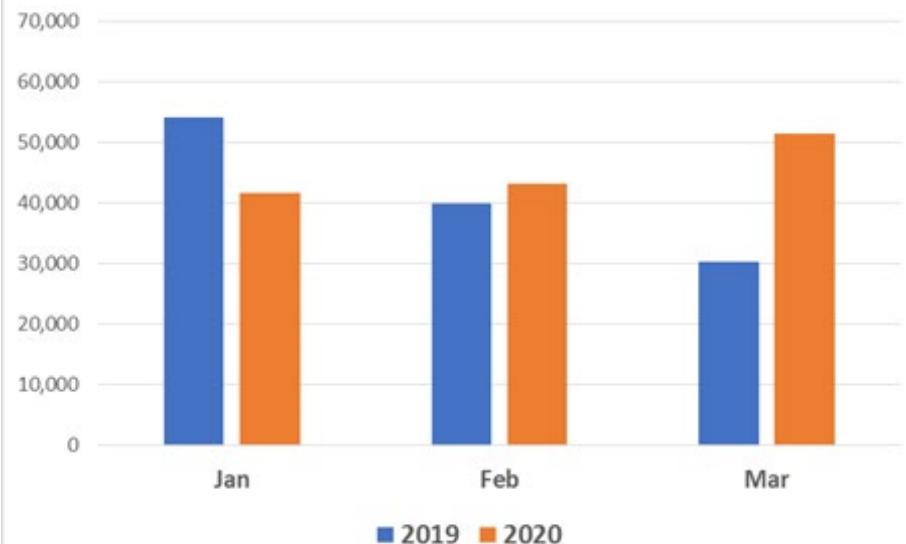
**Exits:** “surge” in deaths around the GFC period. By 2011 deaths were back within their pre-GFC range, however, during the three “surge” years deaths were about 25% above the pre- and post-GFC average. Again, as with start-ups, average size of exits seems to have been little affected by the GFC.

# Initial COVID-19 Impacts on Starts and Exits - UK

Incorporations Q1 2019 and 2020



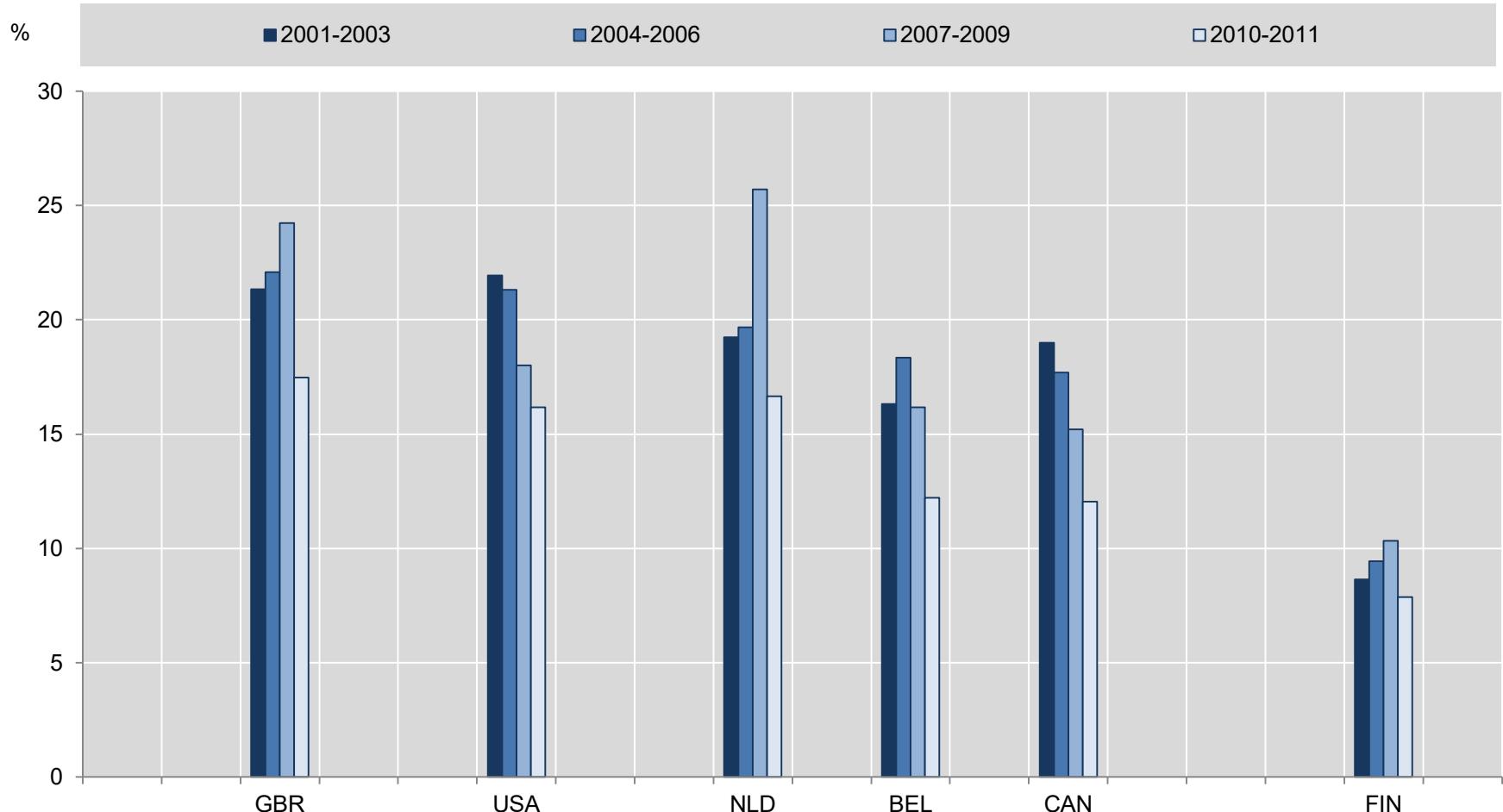
Dissolutions Q1 2019 and 2020



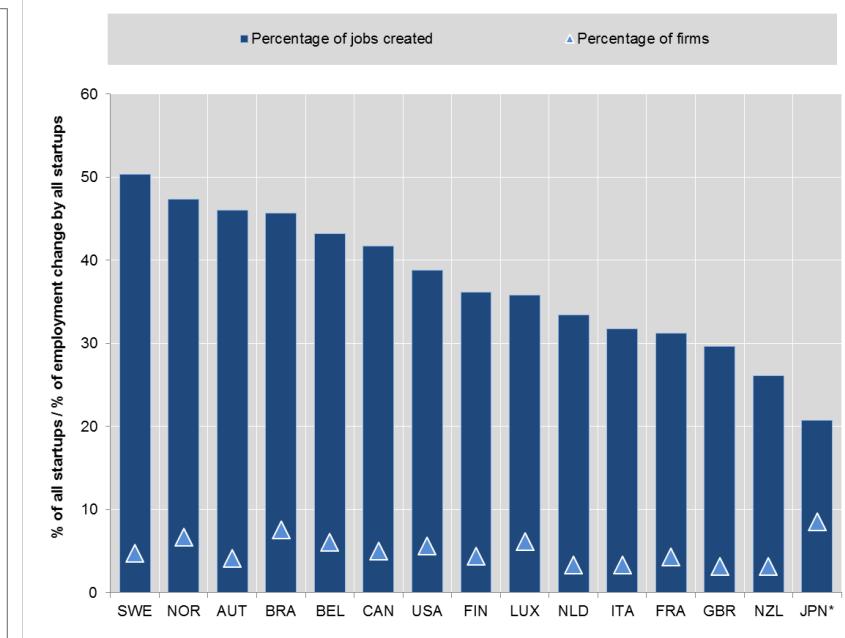
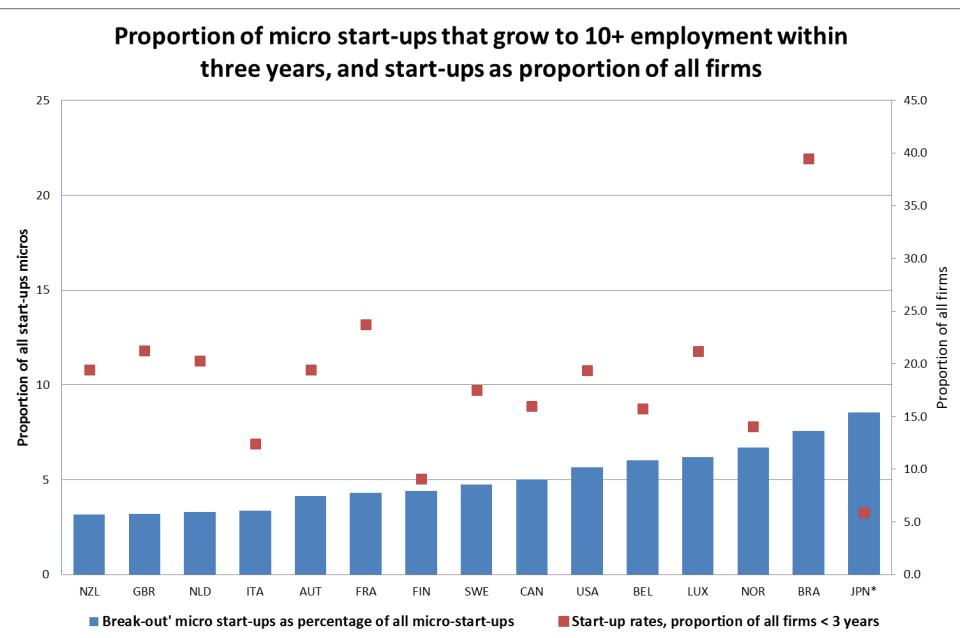
**Source:** FAME

- 70% increase in the number of company dissolutions in March 2020 compared to March 2019.
- Fall in incorporations in March 2020 compared to March 2019 – especially after UK lockdown on 23<sup>rd</sup> March

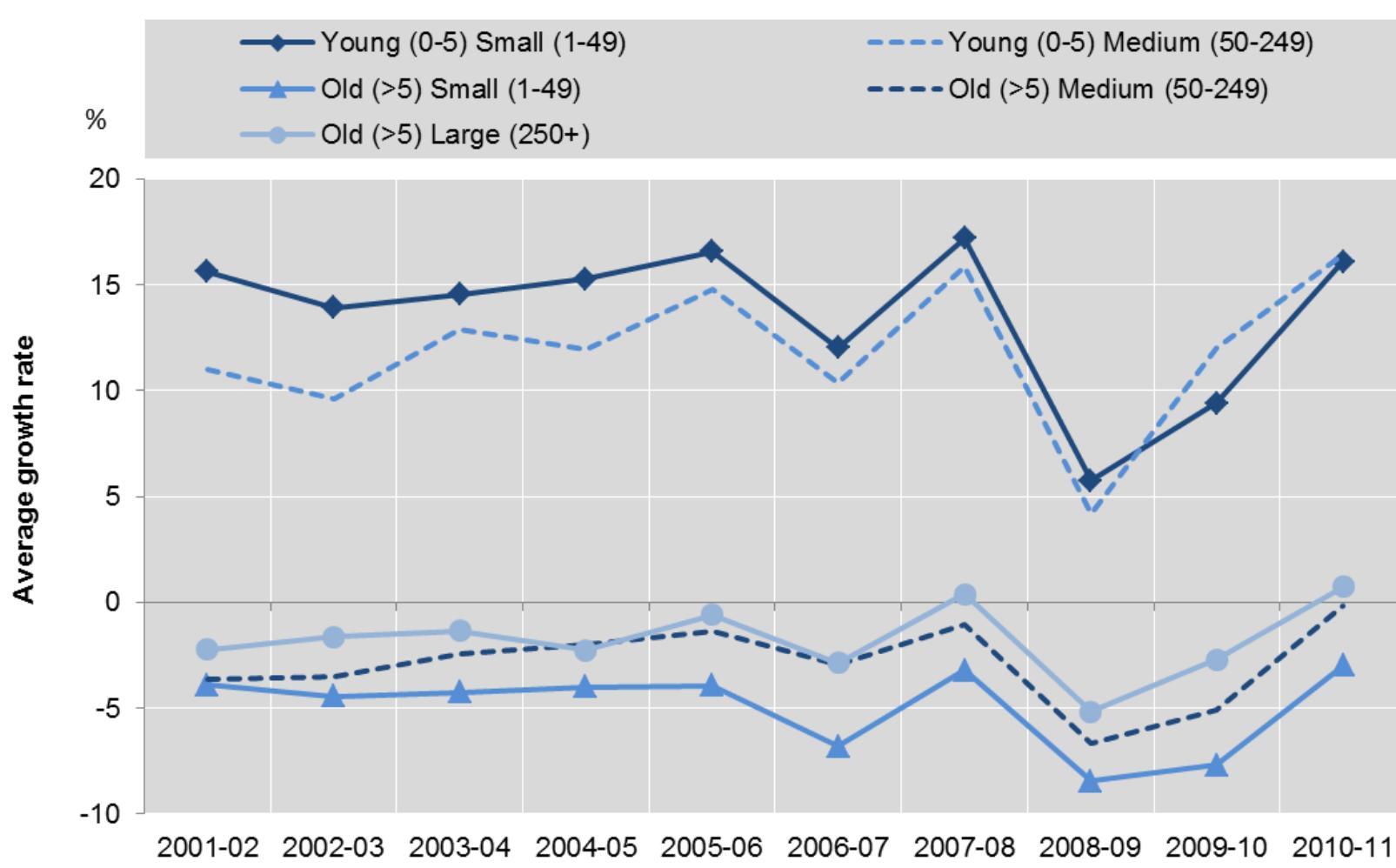
# Start-ups – Pre- and post-GFC



# Growing Start-ups



# Young Start-ups & GFC



# What have we Learned?

- Intention to start a business collapsed in GFC but bounced back quickly – why important? – strongly correlated with actual future start-ups
- Actual start-ups fell sharply but bounced back – evidence that this has been driven by necessity entrepreneurship – especially USA
- Certain countries have a problem with their ‘micro’ start-ups’ growing or ‘breaking out’ of 1-9 employee size-band – e.g., UK, France & Italy
- Young firms (<5 years) are job creators; suffered more from GFC – but recovered more quickly

# Policy Agenda for Start-ups during and after COVID-19 crisis

- Important the pipeline of individuals seeking to start their own business is maintained – will connect to future start-up rates.
- Evidence points to different needs from country to country – social security regime seems to be important in a time of crisis – necessity increase as no alternative but are we really wanting to encourage an increase in necessity entrepreneurs?
- Policy needs to focus on those with potential to grow – what's the optimum intervention?
- Innovation around business models crucial in recovery phase as many hibernating SMEs seek to re-boot their business – e.g., UK – Small Business Leadership Programme delivered by Small Business Charter accredited business schools – not for start-ups!

# Contact us:

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More details about the activities of the ERC and our latest events can be  
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