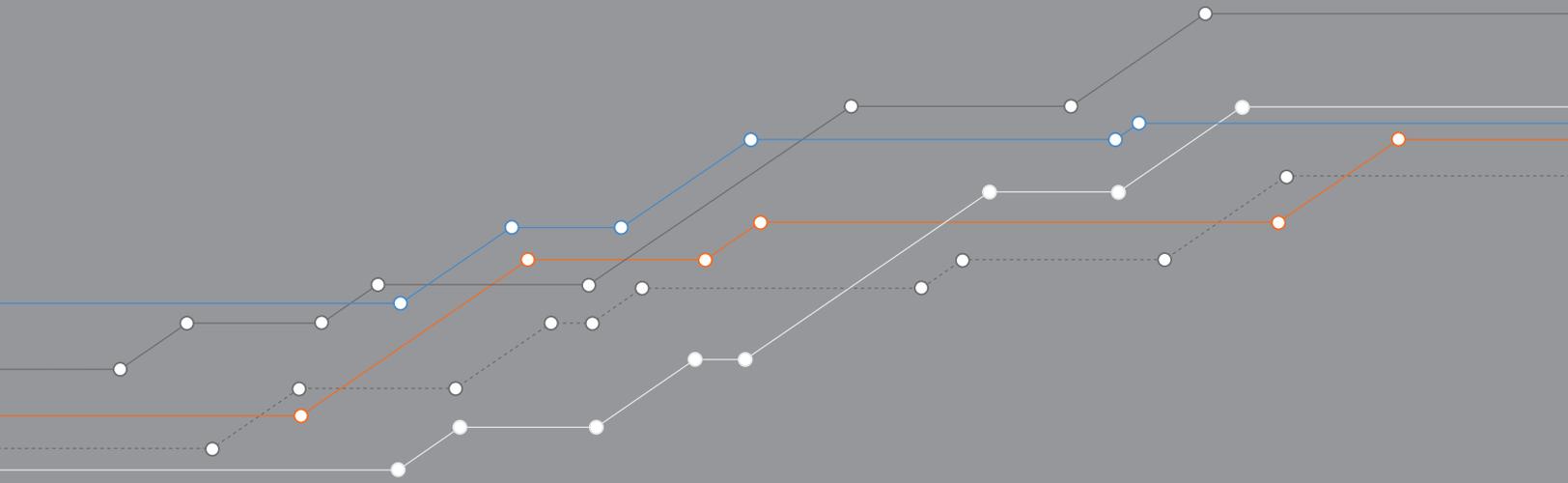




KAUFFMAN
INDICATORS *of*
ENTREPRENEURSHIP

CHANGES TO THE KAUFFMAN INDEX SERIES

STATE REPORT ON EARLY-STAGE
ENTREPRENEURSHIP



Changes to the Kauffman Index Series

The Kauffman Indicators of Entrepreneurship replaces the previous 2015–2018 Kauffman Index of Entrepreneurship series. The previous Kauffman Index series consisted of three sets of reports: 1) Startup Activity, 2) Main Street Entrepreneurship, and 3) Growth Entrepreneurship.

This redesign was motivated by several priorities, including the need for a series of clear indicators, timely and current information in the context of existing data constraints, and a focus on the nature of early-stage entrepreneurship. The Kauffman Foundation received input from policymakers, researchers, and other stakeholders about how to best accomplish these goals.

The Kauffman Indicators of Early-Stage Entrepreneurship is the first set of data in the Kauffman Indicators of Entrepreneurship. Presented across four clear indicators—Rate of New Entrepreneurs, Opportunity Share of New Entrepreneurs, Startup Early Job Creation, and Startup Early Survival Rate—as well as one single, early-stage entrepreneurship score, the Kauffman Early-Stage Entrepreneurship (KESE) Index, the Kauffman Indicators of Early-Stage Entrepreneurship is intended to be directly relevant to users. A key goal of the series is to provide a balanced perspective on measuring a complex phenomenon. Data are continually changing, and future years may see revisions to the methodology, if appropriate.

In addition to the development of the indicators, we have made the decision to present data for all 50 states (and the District of Columbia) in a consolidated format. In years past, the state reports presented data for the 25 largest and smallest states separately. Additionally, reports in past years emphasized the overall rankings of each state, as well as changes in rankings from year to year.

This decision to consolidate was made in an effort to emphasize the underlying indicators, which we believe are the most valuable components of the Kauffman Index. Furthermore, we recognize that there are a variety of dimensions (in addition to population) that states may consider when choosing other states as benchmarks. As such, we hope that presenting data for all 50 states makes it easier to understand the relative performance of each state on each indicator. The Kauffman Indicators website provides additional tools which interested users can use to compare state data.

Comparisons Between Components of the Kauffman Indicators of Early-Stage Entrepreneurship and Components of the Previous Kauffman Index Series

RATE OF NEW ENTREPRENEURS

The rate of new entrepreneurs was previously reported as the Kauffman Index of Entrepreneurial Activity from 2000 to 2014.¹ It was also reported as the Rate of New Entrepreneurs in the Startup Activity Index report from 2015 to 2017.

OPPORTUNITY SHARE OF NEW ENTREPRENEURS

The opportunity share of new entrepreneurs was previously reported as the Opportunity Share in the Kauffman Index of Entrepreneurial Activity from 2008 to 2014.¹² It was also reported as the Opportunity Share of Entrepreneurs in the Startup Activity Index Report from 2015 to 2017.

STARTUP EARLY JOB CREATION

Startup early job creation is related to two measures used in previous index reports: Startup Density from the Startup Activity Index, and Employment Growth from the Growth Index report.

The new measure differs from the Startup Density Component of the Startup Activity Index because startup early job creation captures the total number of jobs created by startups per capita. The earlier measure captures the number of employer startups per employer business total. Measuring total jobs created by startups per capita captures both the quantity of employer startups and the number of jobs created by each startup.

The two previous measures do not fully capture the potential of startups for early job creation. The number of employer startups per capita alone does not indicate how many jobs each startup is creating, and the average number of jobs per startup focuses only on those startups which create jobs. In addition, startup early job creation uses data from the U.S. Bureau of Labor Statistics, Business Employment Dynamics (BED) series, while the previous measures used data from the U.S. Census Bureau, Business Dynamics Statistics (BDS) series. This shift allows for more timely reporting of this indicator.

1. See Fairlie (2014) and <https://www.kauffman.org/historical-kauffman-index>.

2. Older versions of the Kauffman Index reports are available online: <https://www.kauffman.org/historical-kauffman-index/reports>.

The new measure is also loosely related to the Rate of Startup Growth included in the earlier Growth Index reports. The Rate of Startup Growth was defined as the percentage change between the average employment of all employer firms that were less than one year old in a given year and the average employment of the surviving firms in that cohort five years later. It tracked employment growth over a five-year window using data from the Business Dynamics Statistics series. The new measure represents job creation in the first year.

STARTUP EARLY SURVIVAL RATE

The startup early survival rate is related to the Survival Rate component in the previous Main Street Index.³ A key difference

is that the underlying data for the new measure come from the BED instead of the BDS. The new measure from the BED also focuses on new employer establishments instead of businesses in the BDS. And again, instead of using a five-year window to measure survival, we now use a one-year window to focus on early-stage success and improve the timeliness of the measure.



Explore the Kauffman Indicators further at: www.kauffman.org/indicators

3. For more discussion, see Reedy and Litan (2011).