

US economy

The Covid entrepreneurs: Americans start millions of new businesses

The 'side hustle' and hobby venture go mainstream as lockdowns and technology upend the US economy



Jenna Harris's candle company is one of millions of new businesses started during the pandemic © Jenna Harris

Brooke Fox in San Diego 7 HOURS AGO

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Jenna Harris taught herself how to make scented candles when San Diego locked down last summer.

A creative activity she thought would be limited to making Christmas gifts for family and friends has grown into one of the millions of new businesses started in the US during the pandemic — many of them selling products and services online from home.

The 27-year-old's job in healthcare administration became remote and, unable to travel, she discovered the diversity of her local neighbourhoods, inspiring her to create scents based on their individual histories and cultures.

“I finally had the opportunity to try some new hobbies and activities,” she said, “including working on a side business.”



Jenna Harris learned how to make scented candles during summer lockdowns and eventually turned the side hobby into a business.
© Jenna Harris

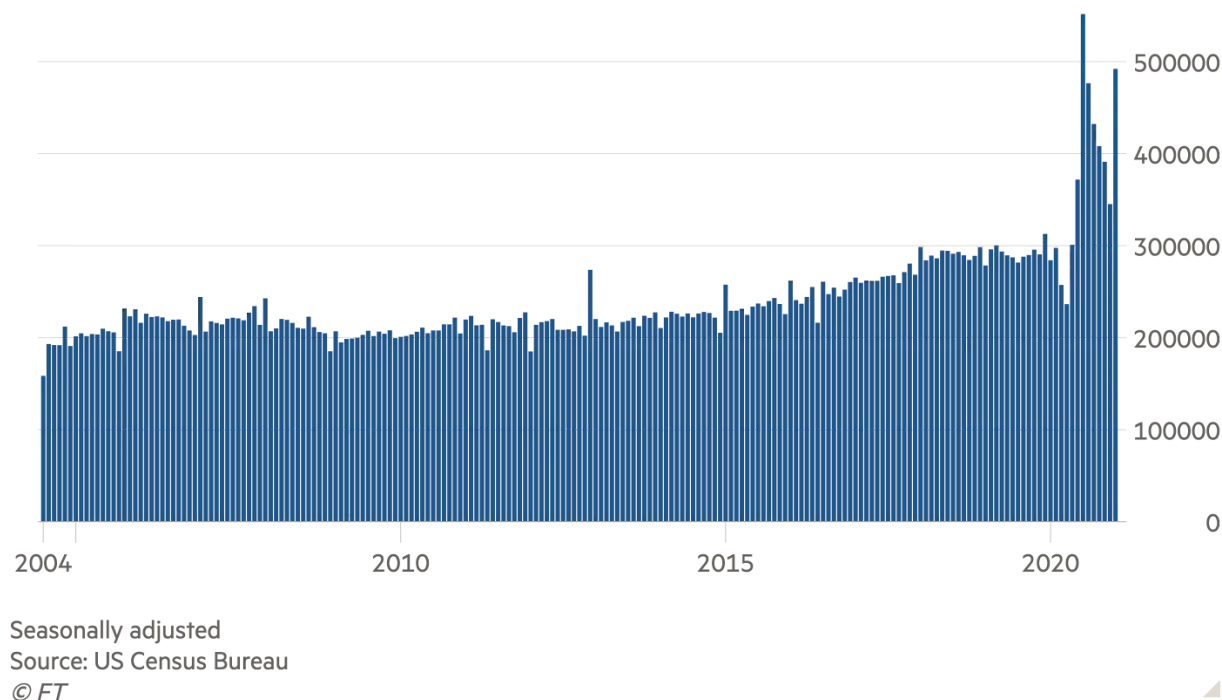
More than 4.4m new businesses have been created in the US since last March, [according to the Census Bureau](#). The number far exceeds the expected uptick that occurs during a recession, when older businesses shut and more people find themselves unemployed.

“One thing we tend to see is a countercyclical self-employment pattern during deep recessions,” said John Haltiwanger, economics professor at the University of Maryland. “[People] can’t get a job so they employ themselves. What’s unusual about this pandemic is the magnitude, not the direction.”

The upsurge that began during the tumult of the early pandemic has continued since the start of 2021. In January, alone there were nearly half a million new business starts in the US.

The surge in new businesses in the US has continued into 2021

Monthly new business formations



“I think the economic community has underestimated the resilience of working-class individuals,” said Swati Bhatt, economics professor at Princeton University.

There are as many motives for starting a business as there are people that create them: spotting an opportunity, suffering burnout in an existing job, or responding to unemployment or underemployment, among many more. But the circumstances of the pandemic — spare time, the use of new technologies, and confinement to home — appear to have created a catalysing environment, entrepreneurs and economists said.

Molly Zive, 31, is a licensed clinical social worker who used to work full time taking calls for an insurance company’s employee assistant line. Once the pandemic began, she was taking 20 to 30 crisis calls a day and began to feel burnt out. She decided to start taking private practice therapy clients on the side while working from home.

“I stayed in my job for a few more months after I initially started part-time taking on clients outside of my full-time job,” Zive said. “The pandemic helped me realise I didn't need a physical place to practice and I could do all of my appointments virtually.”

Zive says she feels fortunate to have started her business during the pandemic. She even created a podcast called Therapy is Cool. “My business lit something up inside of me I have never felt in my career. I felt stimulated, challenged and effective,” she said.

Zive’s decision to start a business alongside her existing work is a classic example of a side hustle, a term that has made its way into pop culture. Squarespace, which develops personal websites, paid Dolly Parton to rewrite the song “9 to 5” for a Super Bowl advert based on the phenomenon. “Working five to nine, you’ve got passion and a vision,” she sang. “It's hustling time, a whole new way to make a living.”



Blackbird's Cookies was founded by Marci Brantveyn. The vegan confections company is one of millions of new businesses started during the pandemic © Marci Brantveyn

Marci Brantveyn, 33, found a passion for decorating confectionery after putting her daughter to bed each night and turned it into a vegan cookie company selling its wares under the name Blackbird’s Cookies.

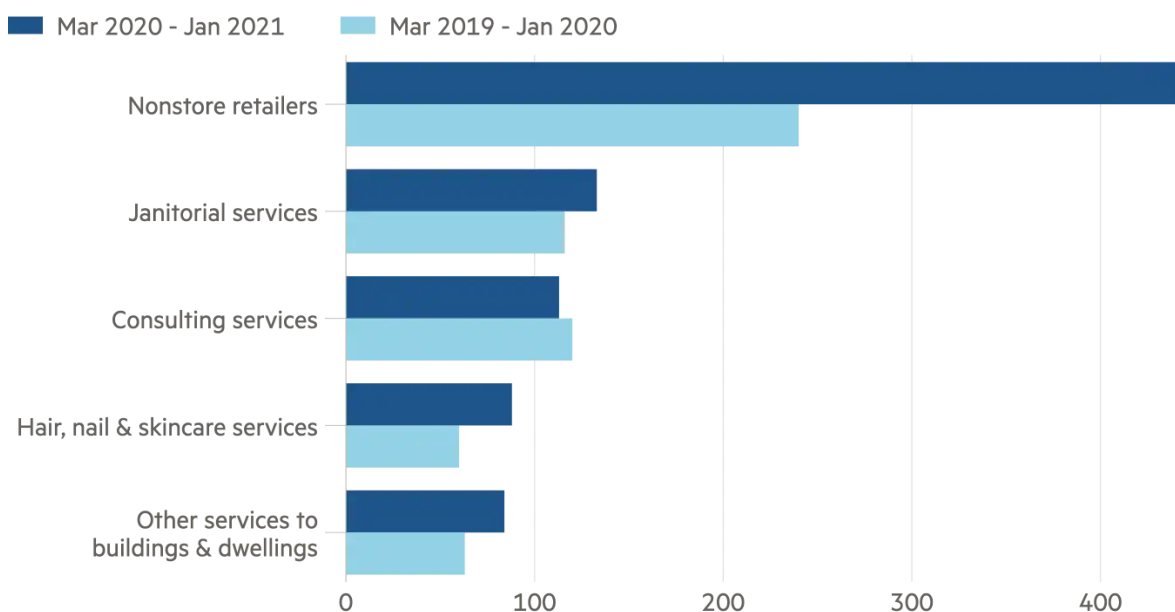
“I had to quit my job due to Covid so I could care for my daughter, and being able to run my business from home was ideal,” she said.

Harris, Zive and Brantveyn are all based in San Diego, where the business formation statistics reflect the wider shift online that the pandemic has accelerated. The number of businesses being formed to sell goods and services via the internet has doubled since the pandemic began — a bigger change than in any other industry.

The pattern is the same in the most recent national subsector data released by the Census Bureau, which goes up to the third quarter of 2020.

New San Diego startups are primarily in online retail

Business creation date according to tax certificate



Nonstore retailers includes retail sales via internet/websites

Source: City of San Diego

© FT

As well as providing the sales channel, the internet is also teeming with resources for those wanting to start a business.

Harris said that online legal and marketing materials meant she was able to get her candlemaking business up and running in less than a month.

“Anything I needed to learn about anything — accounting, supply chain, insurance, blogging, SEO — could be found on YouTube or Facebook Groups,” she said.

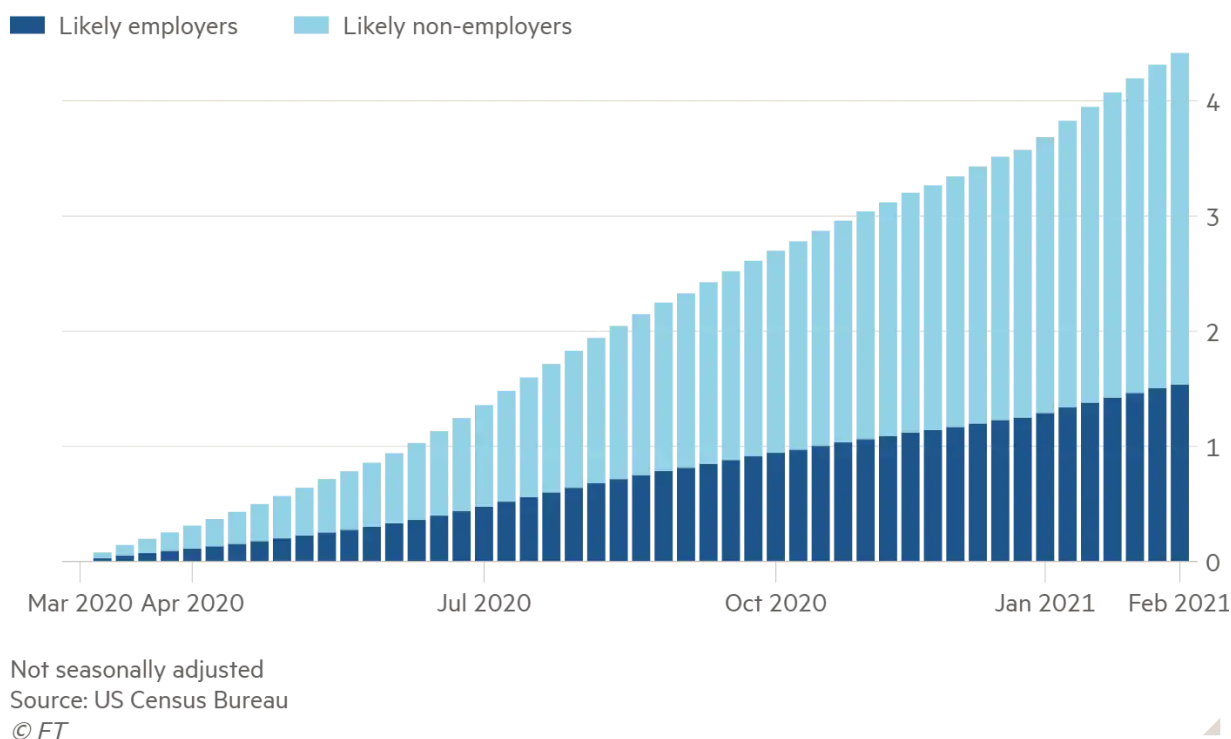
“I still have so much to learn, but I think it is amazing that with very little entrepreneurial or ecommerce background, anyone can start a business if you have the drive, the resourcefulness to find the technology that works for you.”

Hyunsook Park, 47, had been looking to supplement low wages packaging and assembling electronic accessories when her daughter lost her job due to the pandemic. The two of them teamed up to create an online shop called Posh Blossom selling handmade gifts while Park still works part-time at her production job.

“With the pandemic and decreased work hours at times, I was able to have more time to strategise for my new business and also take online courses on how to make candles, balloon flowers, etc,” she said. “My children had to teach me how to use social media platforms such as TikTok, Instagram, and Facebook.”

Today's new businesses could be tomorrow's new employers

Cumulative weekly new business formations since March 8 2020 (m)



The US Census Bureau categorises 35 per cent of the new businesses formed since last March as “likely employers”, meaning the upsurge in activity sounds an optimistic note for what is still a gloomy labour market. Last week’s unemployment statistics showed the US economy is still [9.5m jobs short](#) of its pre-pandemic level.

“It's not as though these new businesses will get us out of the hole immediately and quickly,” said the University of Maryland’s Haltiwanger. “They are risky. In good times most fail and many don’t grow.”

Still, it is rare to hear optimism from economists. Both Bhatt and Haltiwanger said they were surprised and encouraged by the new business numbers.

“I think the evidence is that the pandemic is inducing restructuring in the US economy,” said Haltiwanger. “So how much will stick? We don’t know, but businesses have figured out how to do remote work. I imagine some businesses will become more efficient. If that’s true, [the US economy] will change fundamentally.”

“New businesses are here to stay,” said Bhatt. “Once small and medium-sized businesses get their footholds, they will only expand and get more efficient and stake their claims.”

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