PRELIMINARY DRAFT

Immigrant Business Owner Activity in the Pandemic and Recovery

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Abstract: The paper provides a descriptive analysis of both the early impacts of COVID on business activity among immigrants and the long-run economic recovery. The findings indicate that immigrant business owners were disproportionately affected by COVID in the first month of the pandemic when mandated shutdowns through social distancing restrictions were the most severe. Immigrant business activity recovered somewhat inconsistently through the end of 2020 but started a longer-term upward trend in both absolute terms and relative terms over the next few years. By the end of 2024, the number of active immigrant business owners increased to 3.9 million compared with 3.0 million just prior to the start of the pandemic. Growth in the Construction, Transportation, Professional and Business Services, and Financial Activities industry groups fueled total growth in immigrant business activity during the recovery period. The percentage of the labor force owning an active business is 3.5 percentage points higher than U.S. born business ownership rates, which is larger than the 1.8 percentage point gap before the pandemic started.

1.Introduction

The mandated closings of non-essential businesses to slow the spread of COVID-19 and disruptions to consumer demand due to health concerns had widespread effects on small businesses starting in the spring of 2020. Estimates of temporary closures ranged from 22 to 43 percent in the beginning of the pandemic (Bartik et al. 2020; Fairlie 2020), and losses to small business revenues and sales ranged from 30 to 50 percent (Farrell, Wheat, and Mac 2020; Kim, Parker, and Schoar 2020; Bloom, Fletcher, and Yeh 2021; Fairlie and Fossen 2022). Estimates from the monthly Current Population Survey (CPS) indicate that business activity dropped by 22 percent from February 2020 to April 2020, and business earnings losses were on the order of 16-19 percent (Fairlie 2026). Business activity and earnings losses were much larger for Black, Latinx and Asian businesses and types of businesses such restaurants, hotels, and personal services (Fairlie 2026).

Very little research has focused on the impacts of COVID on immigrant business outcomes.[1] The impacts have implications for economic inequality and broader economic assimilation in the U.S. economy. Roughly one-tenth of the workforce own a business instead of work for someone else as their primary job, and these business owners hold a disproportionate amount of total wealth and often create jobs for others (U.S. Bureau of Labor Statistics 2020, Headd 2021, Hipple and Hammond 2016, U.S. Census Bureau 2016; Fairlie et al. 2023). Minority- and immigrant-owned businesses are important for local job creation, economic advancement, and longer-term wealth inequality (Boston 1999, 2006; Stoll, Raphael, and Holzer 2001; Bradford 2003, 2014; Fairlie and Robb 2008).

Interestingly, business ownership is higher among the foreign-born than the native-born in many developed countries such as the United States, United Kingdom, Canada, and Australia (Borjas, 1986; Clark and Drinkwater, 2000, 2010; Lofstrom, 2002; Schuetze and Antecol, 2006; Fairlie et al., 2010; Fairlie and Lofstrom 2015; Kerr and Kerr 2016). Immigrants own one out of every four new employer businesses in the United States and make substantial contributions to the technology and engineering sectors of the economy, especially in Silicon Valley (e.g. Saxenian 1999, 2000; Wadwha et al., 2007; Tareque, Guzman and Wang 2024; Chodavadia et al.

[1] For example, Amuedo-Dorantes, Borra and Wang (2024) examine early COVID effects on Asian business ownership finding disproportionate impacts that especially affected Asian immigrants. Fairlie (2020) finds that the number of active immigrant business owners dropped by 36 percent in the first complete month of the pandemic.

2025). To attract immigrant entrepreneurs, many developed countries have created special visas and entry requirements for immigrant entrepreneurs (Schuetze and Antecol, 2006). For example, the Immigrant Investor Program attracts immigrants with $1.05 million or higher to invest in an enterprise and create 10 or more full-time positions for qualifying employees (U.S. Citizenship and Immigration Services 2025).

In this paper, I present business activity patterns over time using monthly CPS data to determine the impacts of COVID-19 on immigrant business owners. I start by examining how the trend leading up to the pandemic was disrupted in the first months of the pandemic. The social distancing restrictions and mandated shutdowns of non-essential businesses were implemented at the end of March 2020. I explore whether there were disproportionate impacts of COVID on small businesses by immigrant status in April 2020. To build on the early-stage impacts of COVID on immigrant business owners, I also examine the longer-term economic recovery. I examine business activity through the end of 2024, which is more than four and a half years after the extensive social distancing restrictions were implemented. COVID has been referred to repeatedly as a once in a generation disruption to the economy and given the magnitude and breadth of the disruption it is not clear what to expect about how long a full recovery would take. This paper provides new evidence on the recovery for immigrant business owners. Did immigrant and U.S. born business owners experience similar rebounds in economic activity, or did one of these groups struggle more to recover through the end of 2024? The analysis answers the fundamental question of whether there was a grand scale reopening of small businesses shared by immigrant status or if there was a sluggish economic recovery for at least one group.

2.Data

The CPS is the only nationally representative dataset that provides: (i) a measure of business ownership, (ii) information on the demographic characteristics of owners, and (iii) a timely measure of business activity. Using microdata from the basic monthly files of the Current Population Surveys (CPS), I measure self-employed business ownership at the individual owner level. These surveys, conducted monthly by the U.S. Bureau of the Census and the U.S. Bureau of Labor Statistics, are representative of the entire U.S. population and contain observations for

more than 130,000 people. The CPS is usually released within a month of when the data are collected.

The CPS has been conducted monthly since 1940 and is the underlying source of official government statistics on employment and unemployment. Data are collected by personal interviews. The data cover all persons in the civilian noninstitutionalized population of the United States living in households. The CPS is the only source of monthly estimates of employment, self-employed persons, wage and salary employees, and unemployment. Although the main purpose of the CPS is to collect information on the employment situation, a secondary purpose is to collect information on the demographics of the population.

To estimate business ownership in the CPS data, I identify all individuals who own a business as their main job in the survey month (based on the class of worker question and monthly labor force recode). The main job is defined as the one with the most hours worked during the survey week. Thus, individuals who start side businesses will not be counted if they are working more hours on a wage and salary job. The CPS captures the current work activity of the business owner, and whether that business owner is currently operating the business. Thus, the number of *active* business owners can be captured in the data, but there is no way of telling whether these are temporary or permanent business closures. But, inactive business owners regardless of whether the business is temporary or permanently closed are suffering losses in business income during those months of non-operation.

The measure of business ownership in the CPS captures all business owners including those who own incorporated or unincorporated businesses, and those who are employers or nonemployers. Although some business owners own large businesses the predominate type are small businesses. I interpret the data as predominately covering small business owners. In addition to providing information on business ownership and current activity, the CPS data include information on detailed demographic information including gender, race, and immigrant status of the owner. The data also include information on the industry and incorporation status of the business. The CPS data have been used in previous research to study self-employment, business ownership and entrepreneurship (e.g. see Hipple and Hammond 2016; Chatterji, Chay, and Fairlie 2014; Fairlie and Marion 2012; Levine and Rubenstein 2017; Wang 2019; Fairlie and Fossen 2019; Wilmoth 2021).

Survey Timing and Social Distancing Restrictions

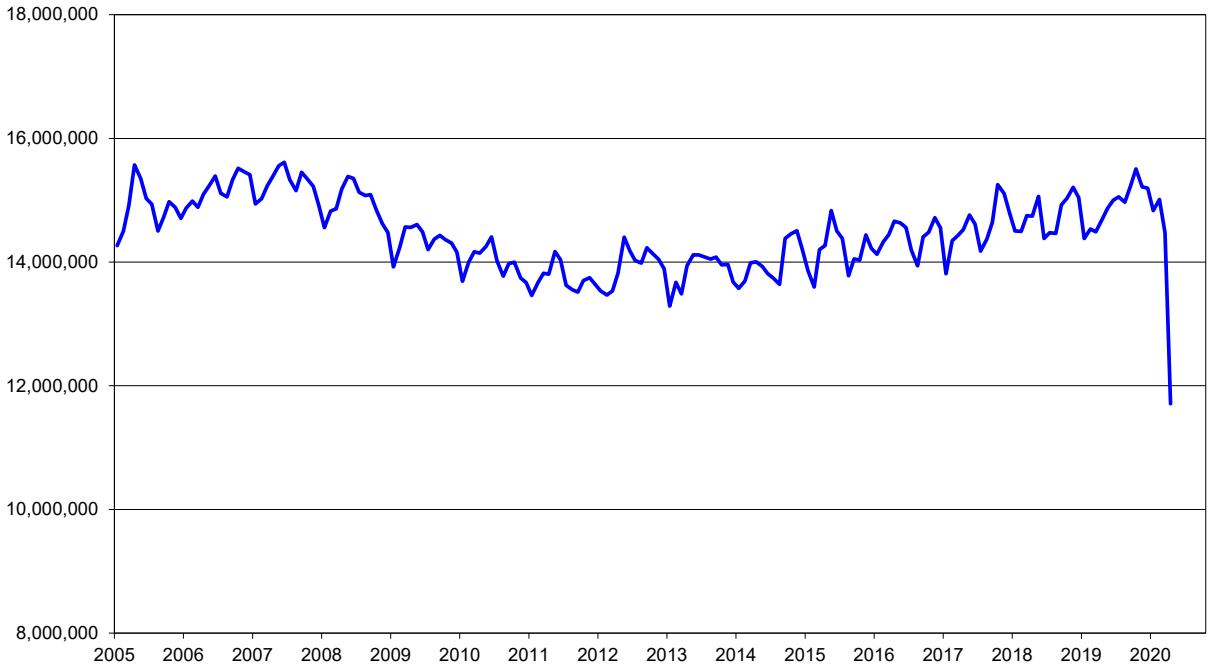
The CPS survey reference period is generally the calendar week that contains the 12th day of the month. For April, the week was Sunday, April 12th through Saturday, April 18th. The March survey reference week was March 8th through March 14th. For May, the week was Sunday, May 10th through Saturday, May 16th, and for June, the week was Sunday, June 14 to Saturday, June 20. Given that shelter-in-place restrictions started after this reference week, the April 2020 release is the first CPS survey fully covering the early-stage impacts of COVID-19. On March 16, 2020 San Francisco Bay Area imposed shelter-in-place restrictions followed by the State of California on March 19. New York State followed the next day. By early April most states imposed social distancing restrictions. The analysis below mostly relies on comparisons between February 2020 (prior to social distancing policy mandates) and April, May or June 2020 (the first three months after policy mandates). In most analyses March 2020 is not included because there were only partial effects in this month.

3. Descriptive Patterns in Business Activity

Business activity was affected strongly and immediately after social distancing restrictions were imposed. Figure 1 displays trends in the number of active business owners from January 2005 to April 2020. Business activity includes business owners who are actively working in the survey week but not business owners who are not actively working in the survey week. All active business owners including those who own incorporated or unincorporated businesses, and those who are employers or nonemployers are captured. Although some business owners own large businesses by far the most common type are small businesses, and thus the data can be interpreted as predominantly capturing the number of active small business owners.[2]

[2] Nonemployer businesses comprise 83 percent of businesses in the United States (26.5 million nonemployer businesses compared with 5.3 million employer businesses). Among startups, nonemployer startups comprise an even larger percentage (89 percent) of all startups (3.7 million nonemployer startups each year compared with 439,000 employer startups per year). See Fairlie et al. (2023) for details and more discussion.

Figure 1
Number of Active Business Owners in the United States (January 2005 - April 2020)



Over the past fifteen years, the number of active business owners in the United States has shown a relatively smooth pattern over time with a slight upward trend. What is clear, however, is the dramatic drop in the number of active business owners in April 2020. The number of working business owners dropped from 15.0 million in February 2020 to 11.7 million in April 2020 because of COVID-19. March 2020 only shows a small drop in the number of active business owners likely because of the limited effect from social distancing restrictions in the middle of that month when the survey is taken. Throughout I focus on April 2020 as the first month fully affected by COVID. By the middle of April when the survey was taken the social distancing restrictions were in place.

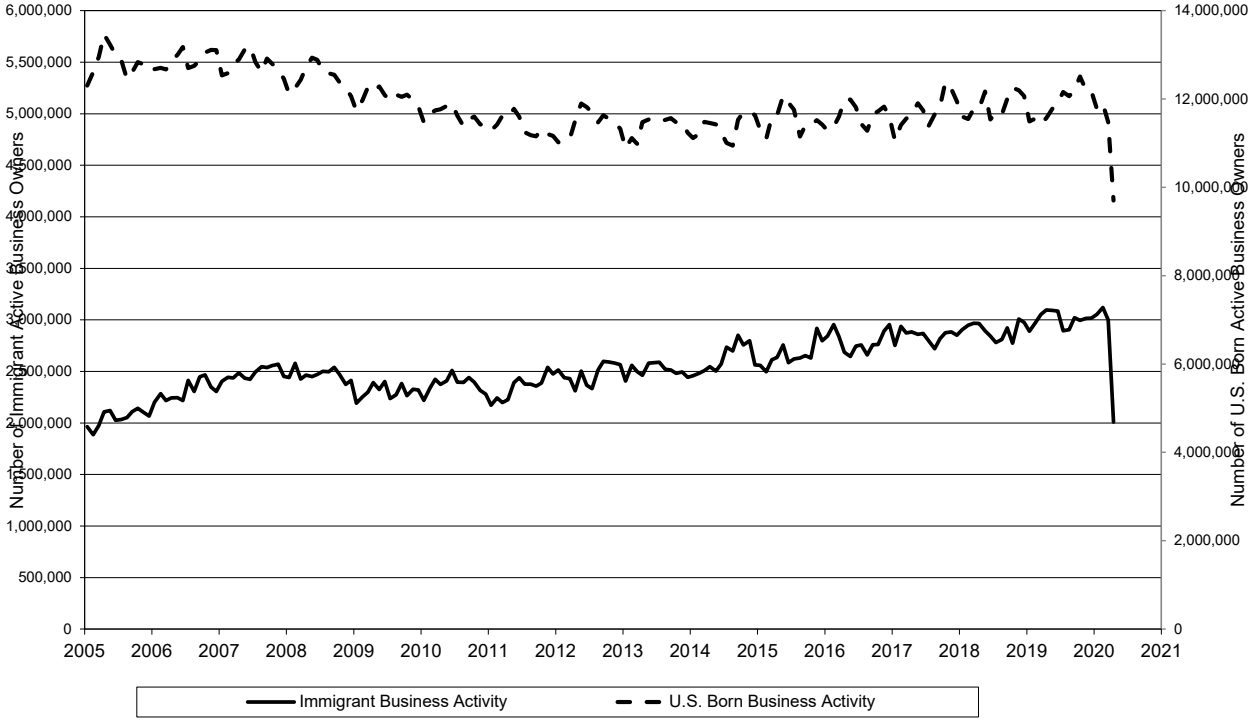
The loss of 3.3 million active business owners (or 22 percent) from February to April 2020 was the largest drop on record. In contrast, the Great Recession which lasted 18 months resulted in a drop of only 5 percent in business activity. The NBER officially dates the Great Recession as occurring from December 2007 to June 2009. December 2007 was the peak of the long economic growth period leading up to the recession, and June 2009 was when the economy started to grow again. The NBER officially dates the start of the COVID recession as February

2020 indicating that March 2020 was the first full month in the recession and February was the peak of the preceding growth period.

Immigrant Status

I next examine how the number of active immigrant business owners was affected in the first month of the pandemic. Immigrants are defined in the CPS as foreign born, citizen through naturalization or not a citizen of the United States. Natives, or the U.S. born, are defined as born in the United States, Puerto Rico or other island areas, or born abroad of American parent/s. The social distancing restrictions from COVID did not spare immigrant business owners. Figure 2 displays trends in the number of active business owners by immigrant status from January 2005 to April 2020. The levels of losses in business activity among immigrant owners were drastic. The number of active business owners dropped from 3.1 million to 2.0 million from February to April 2020. The loss of over 1 million active immigrant business owners represents a drop of 36 percent from February levels. For comparison, the number of active U.S. born (native) business owners dropped by a much lower percentage during the first months (18 percent in April 2020).

Figure 2
Number of Active Business Owners by Immigrant Status (January 2005 - April 2020)



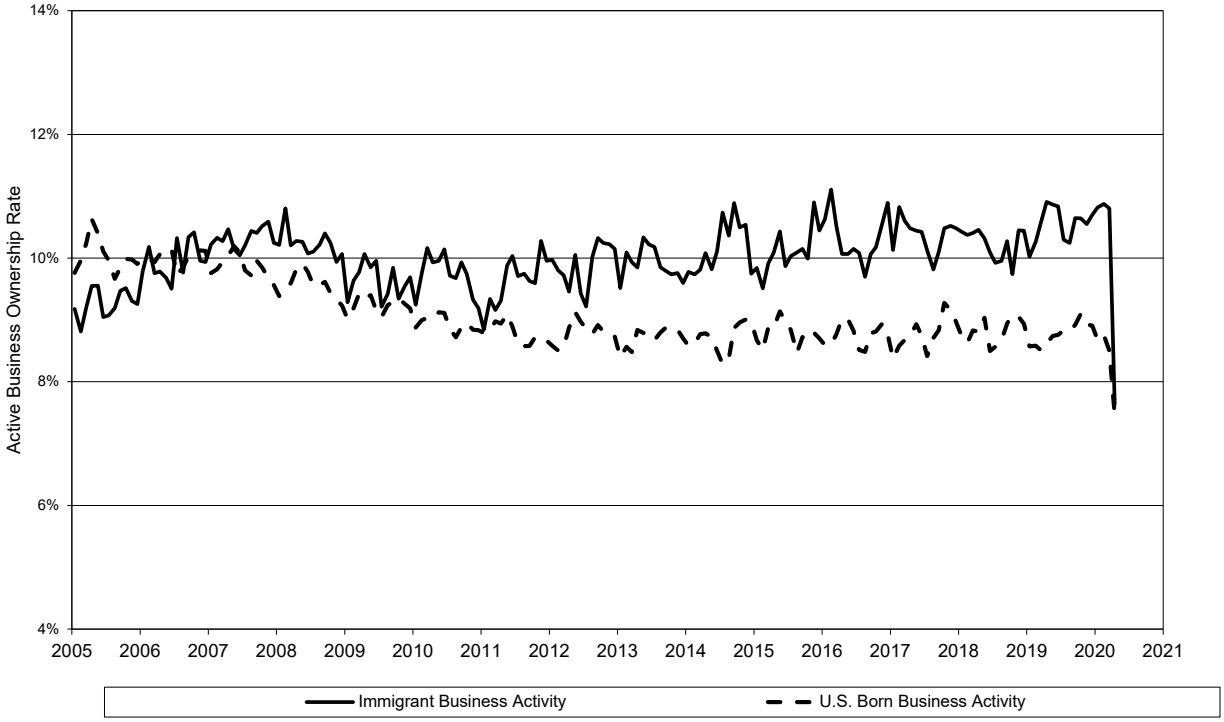
Changing the comparison to April 2019 (i.e. year-over-year change) instead of the comparison to February 2020, the conclusions about the early impacts of COVID on business activity levels by immigrant status do not differ. For both groups, the number of business owners dropped precipitously from April 2019 to April 2020. The change from April 2019 to April 2020 was a loss of 35 percent for immigrant business activity and 16 percent for U.S. born business activity. In general, the number of self-employed business owners for each group does not change substantially over time especially during stable economic conditions, and thus February 2020 accurately captures pre-pandemic levels.

The losses for immigrant business owners were also the largest over time. Although there is some fluctuation from month to month due to sampling variation the drop in April 2020 in business activity is clear and much larger than any other fluctuations over time. Over the Great Recession, immigrant business owner activity dropped by 9 percent which is much lower than the drop of 36 percent at the start of the pandemic. U.S. born business activity dropped by 4 percent in the Great Recession. The disruption from COVID was unprecedented for immigrant business owners.

Trends in Business Owner Activity Rates

I turn to examining business activity rates by immigrant status which adjusts for potential long-term trends in the size of the labor force for each group. The active business ownership rate is defined as the percentage of the labor force that is actively running a business. Figure 3 displays active business ownership rates by immigrant status from January 2005 to April 2020. A few notable patterns over the time period emerge. First, business ownership rates are higher among the immigrant labor force than U.S. born labor force at least over the past two decades. This is consistent with previous research (e.g. Borjas, 1986; Lofstrom, 2002; Fairlie and Lofstrom 2015; Kerr and Kerr 2016). Second, the gap appears to have increased over time. For the 2019 annual average, the active immigrant business ownership rate was 10.5 percent compared to 8.8 percent for U.S. born.

Figure 3
Active Business Ownership Rates by Immigrant Status (January 2005 - April 2020)



Third, and most important for this study, active business ownership rates dropped by a much larger amount at the beginning of the pandemic. The immigrant business ownership rate dropped by 3.2 percentage points compared with 1.3 percentage points for the U.S. born. The result was that in April 2020, the active business ownership rate for immigrants at 7.6 percent was similar to the rate of 7.5 percent for the U.S. born.

Regressions to adjust for Pre-Pandemic Trends

To more formally test whether COVID had disproportionate impacts on business owner rates by immigrant status, I estimate regressions in which the active business ownership rate is the dependent variable. The regressions can control for trends prior to COVID and pre-pandemic differences in business, owner, and geographical characteristics. Controlling for prior trends in business ownership rates or immigrant-native gaps in ownership rates might be important for identifying the effects of COVID. The following equation is estimated:

(3.1) $Y_{it} = \alpha + \gamma^{Imm} Immigrant_i + COVID_t + \delta^{Imm} Immigrant_i * COVID_t + \beta' X_{it} + \lambda_t + Immigrant_i * \lambda_t + \varepsilon_{it}$

where Y_{it} is active business ownership for owner *i* in month *t*, $COVID_t$ is a dummy variable for the post-COVID month, April 2020, X_{it} includes owner, business, and geographical characteristics, λ_t is a linear time trend, and ε_{it} is the error term. The primary analysis sample covers from April 2015 to April 2020. March 2020 is excluded because of the inability to assign the entire month into either the pre-COVID period or the post-COVID period. The parameter of interest is δ^{Imm}, which captures the estimate of COVID effects on business ownership rates for immigrants relative to the U.S. born. The regression controls include business (industry), owner (education/skill level, age, gender), and geographic (region, central city status) characteristics. The primary specification includes a linear time trend and linear time trends interacted with immigrant status. All specifications are estimated with OLS using CPS sample weights.

Equation (3.1) is in the nature of a "difference-in-difference" estimator of the impact of COVID on the immigrant-native gaps in business ownership rates. But dissimilar to most difference-in-difference applications, however, I am not evaluating the impact of a specific policy but am estimating whether there are disparate impacts of COVID relative to pre-pandemic levels and trends. There is no control group as both immigrants and U.S. born were affected by the pandemic.

The regressions build on the underlying patterns displayed in Figure 2 by controlling for pre-COVID trends. For example, if there were converging trends in business activity between immigrants and U.S. born the regression equation can simulate where these trends would have likely led to in 2020 if COVID had not happened. When COVID disrupts these patterns there are two possible comparisons. One comparison is to what existed in 2019 (static) and the other comparison is to what likely would have happened in April 2020 (trend adjusted). The regressions thus estimate the impacts of COVID on relative patterns in business activity using both comparisons.

Table 1 reports estimates from several regression specifications. Specification 1 starts with a stripped-down model that includes no additional variables except the immigrant indicator and its interaction with April 2020, and the estimation sample only includes February 2020 and April 2020. The loss in the active business ownership rate for both groups is captured by the

"April 2020" coefficient, which is -0.013 percentage points, and the pre-COVID immigrant-native difference is captured by the "Immigrant" coefficient which is 0.021. Focusing on whether there were differential impacts by immigrant status, the estimates indicate that immigrant business ownership experienced disproportionate losses in April 2020 relative to February 2020. The Immigrant*April 2020 coefficient estimate of -0.020 implies that immigrant business ownership rates dropped by 0.02 percentage points more than native business ownership rates.

Table 1: Regressions for Active Business Ownership Rate, Current Population Survey, 2015-2020

Explanatory Variables	(1)	(2)	(3)	(4)
Immigrant	0.021	0.016	0.018	0.018
	(0.003)	(0.000)	(0.001)	(0.001)
April 2020	-0.013	-0.014	-0.014	-0.015
	(0.002)	(0.001)	(0.001)	(0.001)
Immigrant*April 2020	-0.020	-0.014	-0.016	-0.015
	(0.004)	(0.003)	(0.003)	(0.003)
Time trend	No	Yes	Yes	Yes
Immigrant*time trend	No	No	Yes	No
Main controls	No	No	No	Yes
Industry controls	No	No	No	Yes
Time period	Feb/Apr 2020	2015-20	2015-20	2015-20
Sample size	40,611	3,909,906	3,909,906	3,909,906

Notes: (1) The sample consists of all individuals in the the labor force. (2) Time period ends in April 2020, and March 2020 is not included. (3) Coefficient estimates and their standard errors are reported. (4) Controls include race, female, age, education, region, and central city status indicator variables.

Specification 2 reports estimates from a specification that adds an overall time trend prior to COVID. The inclusion of the time trend reduces (in absolute value) the estimated differential for immigrants post-COVID but the negative differential remains large and statistically significant. Specification 3 adds a time trend interacted with immigrant status. In this case, the specification allows immigrants and natives to have different trends in active business ownership rates prior to April 2020. Estimates of the differential effect of COVID on immigration business

ownership activity remain similar. Although the immigrant pre-trend coefficient is statistically significant it is small in magnitude. It does not affect the immigrant-native differential COVID effect estimate. Specification 4 adds controls for race/ethnicity, gender, age, education, region and central city status.[3] The estimate of the differential effect of COVID on immigration business ownership activity remains similar.

Across all the specifications, the larger negative effect of COVID on business ownership activity rates among immigrants relative to the U.S. born is robust. The COVID-immigrant differential estimate is not sensitive to controlling for pre-trends, different time periods, or individual characteristics.

4. Causes of Disproportionate Impacts on Immigrant Business Owners

This section explores the underlying causes of why immigrant business ownership activity experienced disproportionate losses in the pandemic. I take a two-step approach to answer this question. The first step is to simply examine immigrant-native differences in individual characteristics. Are there any characteristics of the labor force that differ substantially by immigrant status suggesting that they might explain why immigrants experienced larger COVID-induced business activity losses? For example, are immigrants in the labor force concentrated in industries that were hit the hardest in April 2020 by COVID-19. If the immigrant labor force, on the other hand, has roughly similar industry distributions as the native labor force then industry exposure cannot be a major cause of disproportionate business ownership rate losses among immigrants in the pandemic.

The second step is to examine the interaction between pre-pandemic labor force characteristics and pandemic-induced business ownership activity losses. Using the decomposition technique specified in Fairlie (2024, 2026), I estimate direct contributions from immigrant-native differences in pre-pandemic characteristics to the change in the immigrant-native business ownership rate gap from pre-COVID to post-COVID. The technique directly answers the question, for example, of how much of the disproportionate loss in immigrant

[3] Large and persistent racial/ethnic disparities in business ownership and outcomes have existed for some time in the United States. See, for example, Parker (2018), Davila and Mora (2013), Fairlie and Robb (2008), Bates (1997), and Fairlie (1996) for reviews of the literature focusing on differences by race and ethnicity.

business ownership rates is due to the immigrant labor force being concentrated in the hardest hit industries in the pandemic.

Immigrant Differences in Individual Characteristics

Table 2 reports individual characteristics for the immigrant and native labor forces just prior to the pandemic. Previous research indicates that many of these characteristics are important in determining business ownership.[4] There are some major differences between groups in labor force characteristics. Starting with education, the immigrant labor force is less educated. Nearly 20 percent of the immigrant labor force does not have a high school degree. In comparison, 5.6 percent of the U.S. born labor force does not have a high school degree. Although the college graduate and high school graduate (but no further education) percentages are similar, the "some college" percentage is more than 10 percentage points lower for the immigrant labor force than the native labor force. The "some college" level of education is comprised of community college degrees or any college education less than an BA/BS degree. Immigrant-native differences in education levels are large and might have placed less educated groups at a higher risk of business ownership activity losses in the pandemic.

Table 2: Individual Characteristics by Immigrant Status, February 2020

	Percentage of Labor Force with Characteristic	
Characteristic	Immigrant	U.S. Born
High School Dropout	18.8%	5.6%
High School Graduate	24.9%	26.1%
Some College	17.4%	29.3%
College Graduate	38.8%	39.0%
Agriculture	2.6%	2.0%
Construction	10.5%	6.5%
Manufacturing	11.0%	9.6%
Wholesale and Retail Trade	10.6%	12.9%
Transportation	6.3%	5.5%
Information	1.5%	1.8%
Financial Activities	5.5%	7.2%

[4] See Parker (2018) for a review of the literature.

Prof. and Bus. Services	14.2%	12.0%
Educ. And Health Services	19.0%	23.4%
Leisure and Hospitality	10.1%	9.1%
Other Services	8.6%	9.9%
Northeast	21.8%	16.7%
Midwest	11.2%	23.4%
South	36.3%	37.5%
West	30.7%	22.4%
Suburbs	49.3%	45.1%
Central City	40.7%	27.0%
Rural	3.0%	13.2%
Not Identified Geog.	6.9%	14.7%
Age	44.0	41.9
Female	42.9%	48.2%
Male	57.1%	51.8%
Sample Size	8630	50352

Notes: (1) The sample consists of all individuals in the labor force. (2) All estimates use CPS provided sample weights.

Industry distributions differ between the immigrant and native labor forces. For example, the immigrant labor force is more concentrated in Construction (10.5 percent) than the native labor force (6.5 percent). The immigrant labor force is less concentrated in Education and Health Services (19.0 percent) than the native labor force (23.4 percent). The differences in other industries are smaller in percentage points but could contribute to differential losses in business ownership activity rates due to COVID.

A major difference between immigrants and natives is their geographical concentrations across the country and withing cities. Immigrants are more concentrated in the West and Northeast than natives, and less concentrated in the Midwest. Immigrants are also more concentrated in central cities (40.7 percent) compared with natives (27.0 percent). Immigrants are much less concentrated in rural areas (3.0 percent) compared with natives (13.2 percent).

The average age of the immigrant labor force is older (44.0 years) than the native labor force (41.9 years). The immigrant labor force also has a lower share of women (42.9 percent) than the native labor force (48.2 percent).

Pandemic Decompositions

I next estimate how much immigrant-native differences in each of these characteristics contribute to disproportionate impacts of COVID on business ownership activity rates. One goal is to identify factors that contribute to the pre-COVID to post-COVID changes in business ownership activity by immigrant status. Another goal is to identify how much each factor contributed to disproportionate losses in business ownership activity. For example, how much did the immigrant industry distribution relative to the native industry distribution contribute to larger immigrant business ownership activity losses in the pandemic?

Following Fairlie (2024, 2026) I estimate a new decomposition technique that focuses on identifying factors contributing to the pre-COVID to post-COVID change in business ownership. The following equation is calculated:

$$(4.3)\ \left[(\overline{X}_{Pre}^{Nat} - \overline{X}_{Pre}^{Imm})(\hat{\beta}_{Post}^{*} - \hat{\beta}_{Pre}^{*})\right],$$

where Pre is February 2020, Post is April 2020, $\overline{X}_t^j$ is the mean for group j (either native or immigrant), and $\hat{\beta}_t^*$ is the set of regression coefficient estimates for the pooled (all group) sample and for the sample period t (either February 2020 or April 2020). All decomposition specifications use pooled coefficient estimates from regressions using the full sample to estimate $\hat{\beta}_t^*$. CPS provided sampling weights are used in the regression and to calculate means by group and time period.

This equation provides an estimate of the disproportionate effects of the pandemic which capture all the effects of COVID-19 on business ownership activity such as demand shifts, mandated closures, and social distancing restrictions. Different sets of variables can be used to define $\overline{X}_t^j$ and $\hat{\beta}_t^*$. For example, for the contribution for education $\overline{X}_t^j$ and $\hat{\beta}_t^*$ would include the three dummy variables for different mutually exclusive education levels included in the regression (i.e. graduate from high school, complete some college, and graduate from college).

Table 3 reports pandemic decomposition estimates for each characteristic. The disproportionate business ownership rate loss from February 2020 to April 2020 among immigrants was -0.019 or -1.9 percentage points. The largest contributing factor to this disproportionate loss was pre-pandemic central city/suburb/rural differences. The geographical concentration of the immigrant labor force relative to the geographical concentration of the

native labor force based on this measure placed immigrants at a higher risk of business ownership activity losses in the pandemic. But, this factor only contributed -0.0014 or -0.14 percentage points of the disproportionate loss of -1.9 percentage points (or 7 percent). The industry concentration of immigrants also placed them at a higher risk of experiencing business ownership activity losses in the pandemic, but the estimated contribution is even smaller at 0.11 percentage points of the -1.9 percentage point disproportionate loss. Finally, the younger average age of the immigrant labor force contributed slightly to the disproportionate loss in the pandemic.

Table 3: Decompositions of Changes in the Business Ownership Activity Gap

	Bus. Own Rate
Immigrant post-COVID	0.076
Immigrant pre-COVID	0.109
Immigrant loss	-0.032
Native post-COVID	0.075
Native pre-COVID	0.088
Native loss	-0.013
Immigrant Disproportionate Loss	-0.019
Contributions to disproportionate losses from February 2020 differences in:	
Education	0.0001
	(0.0001)
Industry	-0.0011
	(0.0004)
Region	0.0001
	(0.0001)
Central City Status	-0.0014
	(0.0015)
Age	-0.0012
	(0.0009)
Female	0.0000
	(0.0000)
All included variables	-0.0035
	(0.0017)

Notes: (1) All decomposition specifications use pooled coefficient estimates from the full sample. 2) Sampling weights are used in all specifications.

5. The Rebound and Recovery

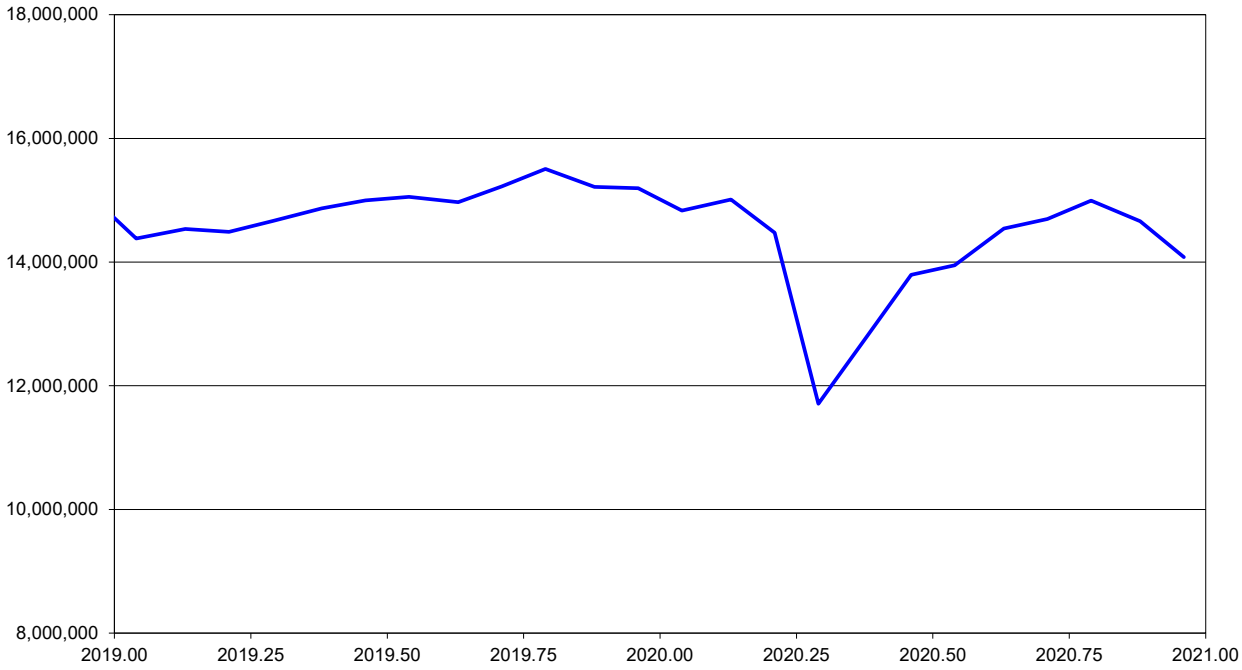
What happened after April 2020? The recession as officially defined by the NBER starts in March 2020 and ends in May 2020. It was a very unusual recession not only in that it was self-enforced through social distancing restrictions but also because it was extremely short, only lasting two months. The Great Recession was much longer lasting 18 months. The U.S. economy peaked in December 2007 and slipped into a deep recession that lasted until June 2009. The COVID contraction period is the shortest on record, which dates back to the 1850s.

Figure 4 displays quarterly GDP growth rates from 2005 Q1 to 2024 Q4. The Great Recession is clearly visible by the large negative growth rates but the negative growth in 2020 Q2 of -28.1 percent is unprecedented. What is even more striking in the COVID recession is the remarkable turnaround of a gain of 35.2 percent in 2020 Q3. GDP growth remained strong over the next four quarters but then was -1.0 percent in 2022 Q1.



In line with the official dating of the COVID recession, business activity immediately starts to rebound from the low in April 2020. Although the rebound happens in May 2020 business activity goes through some bumps over the rest of the year and remained low at the year. The real turning point for business activity does not happen until 2021 with the arrival of vaccines and the optimism that they brought (Fairlie 2026). Figure 5 displays the number of active business owners in the country from before the pandemic through the end of 2020. The number of active business owners increased from April to May by 1.1 million representing growth of 9.3 percent. June witnessed another increase of roughly 1 million active business owners. The number of active business owners continued to increase over the summer but took a turn starting in October as COVID cases started to rise with colder months and holiday travel (Fairlie 2026). 2021 started the year returning to a number of active business owners that was close to May and June levels.

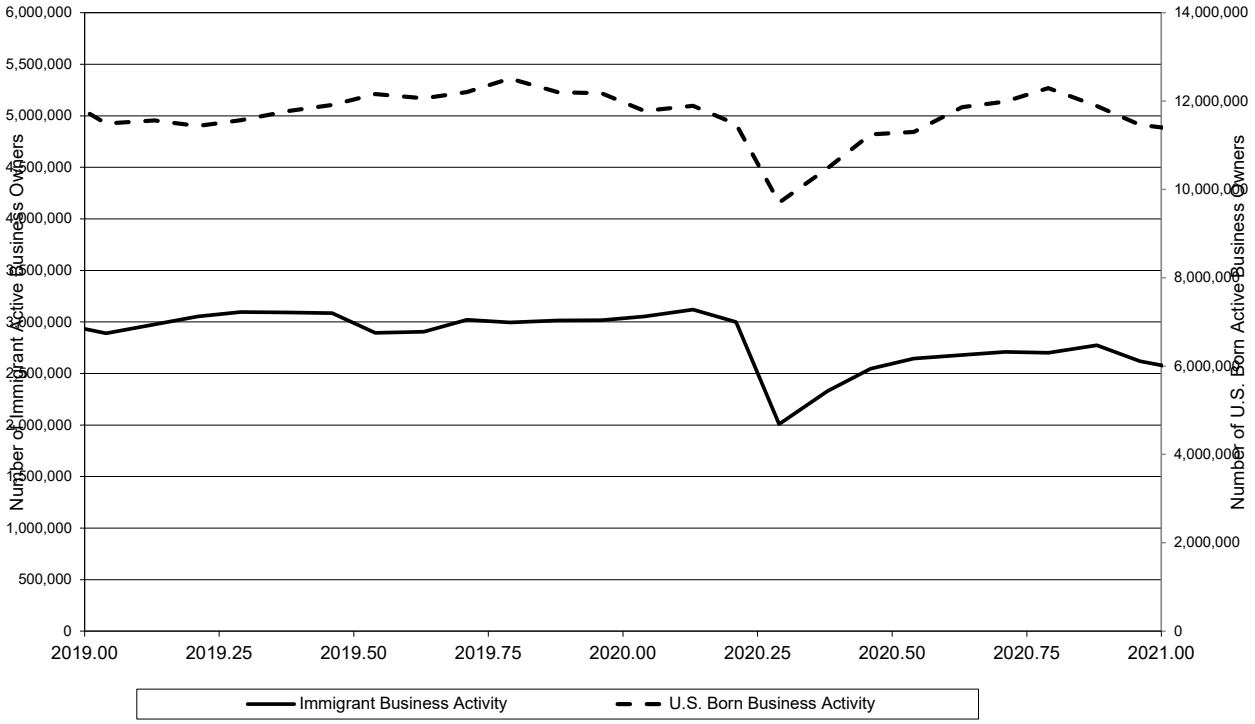
Figure 5
Number of Active Business Owners in the United States (January 2015 - December 2020)



The Early Rebound for Immigrant Business Owners

The number of immigrant active business owners followed the same pattern in the initial part of the rebound from COVID to the retrenchment in late 2020. Figure 6 displays the number of active business owners by immigrant status from before the pandemic through the end of 2020. From April to May the number of immigrant business owners increased by 320,000 representing growth of 15.9 percent. Another 216,000 immigrant business owners were added in June. Summer witnessed continued growth for immigrant business activity but then November and December witnessed drops. Immigrant business activity was down at the beginning of 2021 similar to the pattern for the national total.

Figure 6
Number of Active Business Owners by Immigrant Status (January 2005 - December 2020)

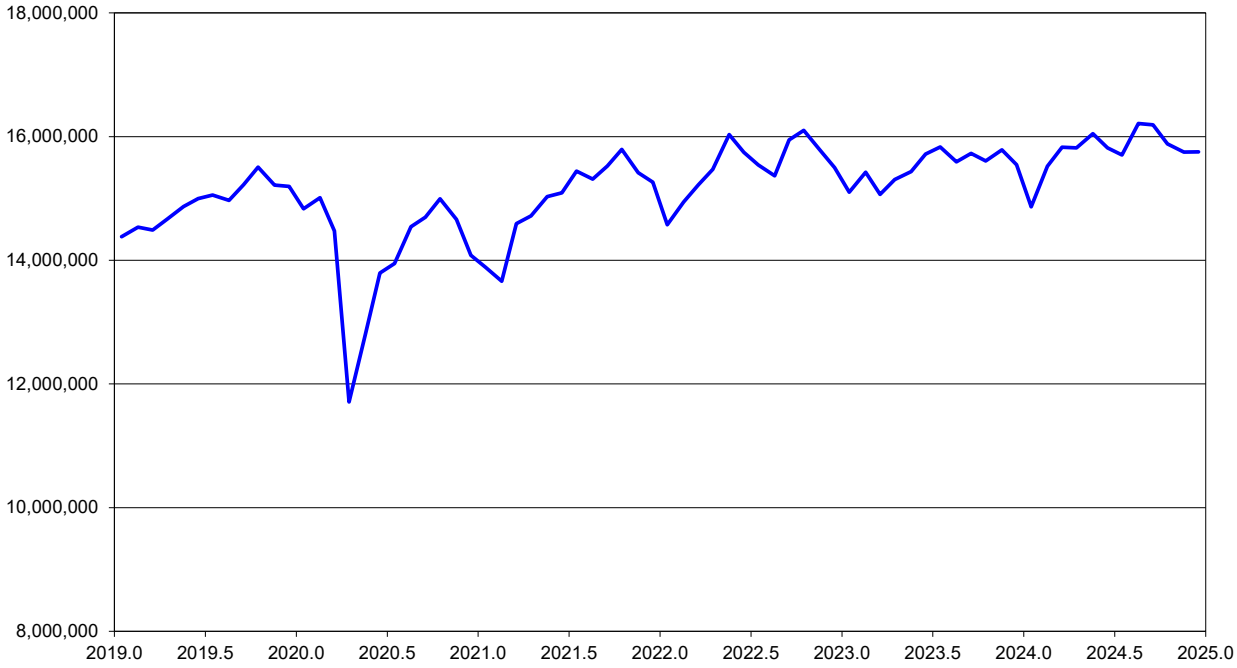


The Next Few Years of the Recovery

Figure 7 extends the time period to the end of 2024 which is five years after COVID-19. Starting in early 2021the number of active business owners started a general upward time trend through the end of 2024. There were some bumps along the way most notably at the end of 2021 when COVID cases increased again with the end of the year (Fairlie 2026). The low point after April 2020 was 13.7 million active business owners in February 2021. One year later the U.S. economy had 14.9 million active business owners. The number continued to grow and at the end

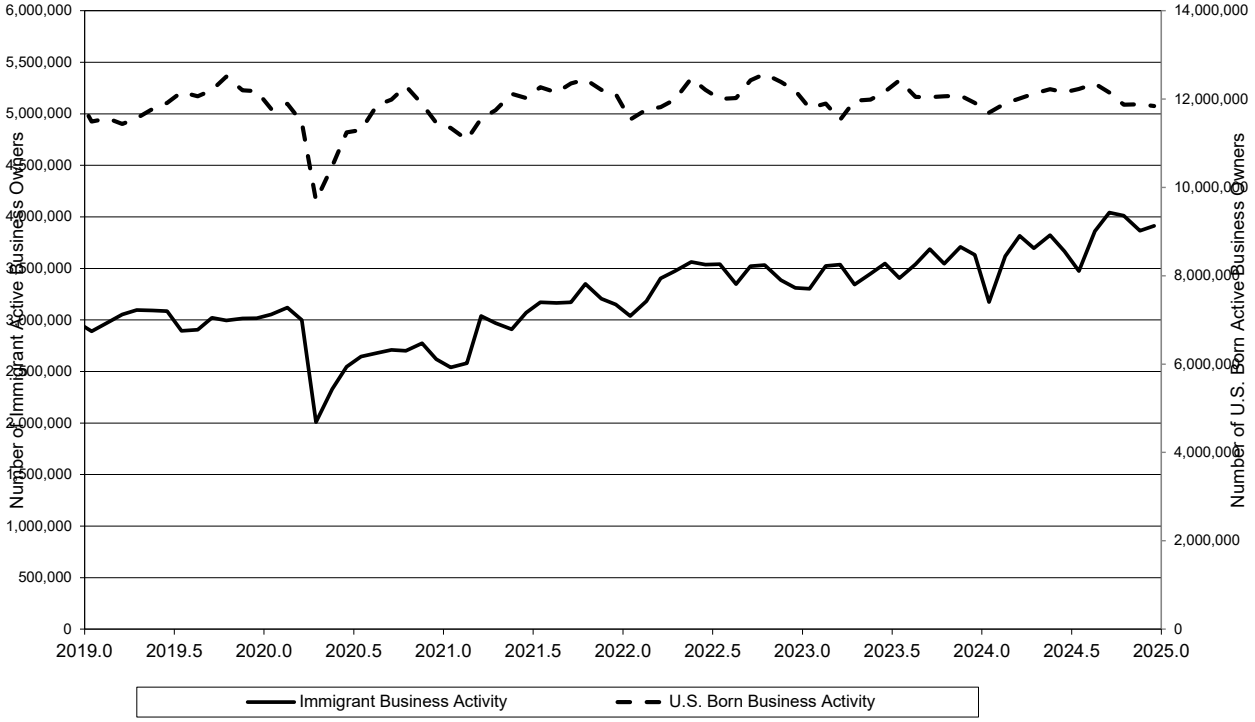
of 2024 there were 15.8 million active business owners.

Figure 7
Number of Active Business Owners in the United States (January 2019 - December 2024)



Business activity among immigrants followed a similar pattern over the longer-term recovery period. Figure 8 displays the number of active business owners by immigrant status through the end of 2024. The number of active immigrant business owners hit a second low point in January 2021 of 2.5 million but grew to 3.0 million over the next year. The number of active immigrant business owners continued to grow over the next few years ending 2024 at 3.9 million.

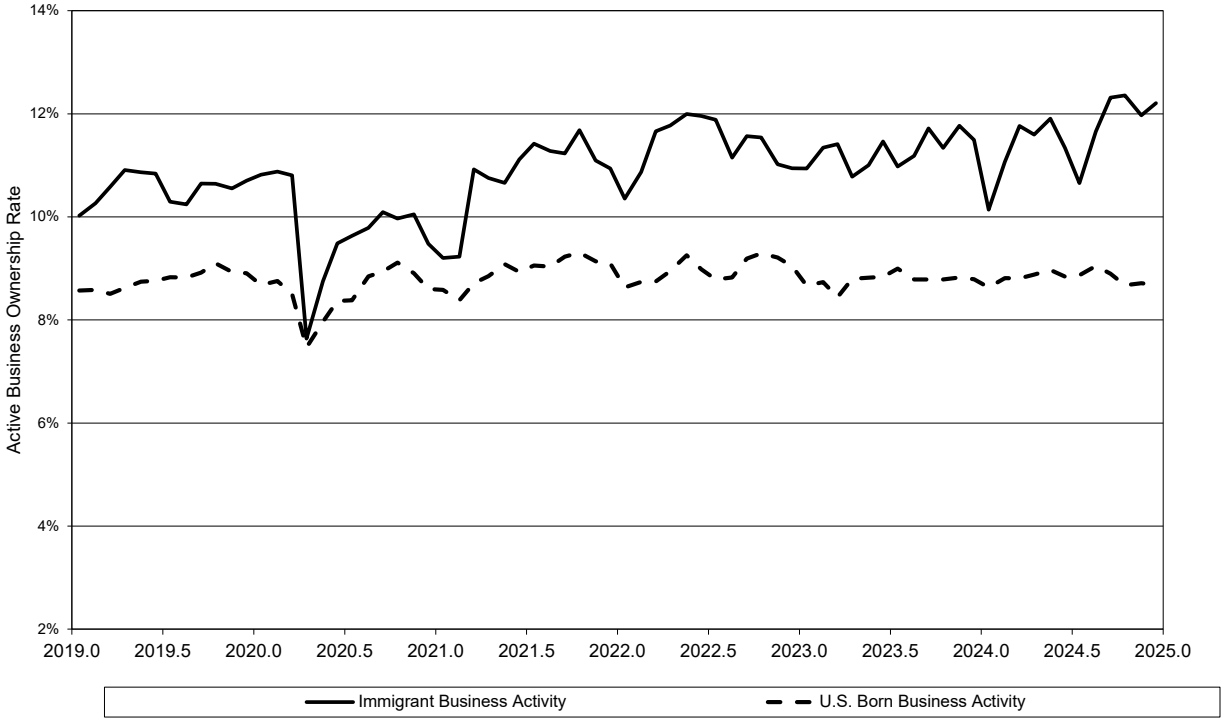
Figure 8
Number of Active Business Owners by Immigrant Status (January 2005 - December 2020)



The Recovery in Business Owner Activity Rates

The findings for business activity rates by immigrant status which adjusts for potential long-term trends in the size of the labor force for each group are mostly similar. Figure 9 displays active business ownership rates by immigrant status from January 2019 to December 2024. After the disproportionately large negative impact on the immigrant active business ownership rate at the start of the pandemic rates started to rebound immediately. The dip at the end of the 2020 also shows up clearly when looking at trends in active business ownership rates. The active business ownership rate was 9.2 percent in February 2020 but grew to 10.9 percent over the next year.

Figure 9
Active Business Ownership Rates by Immigrant Status (January 2019 - December 2024)



What is perhaps most interesting about the patterns in active business ownership rates is that the immigrant rate trended upward over the next few years whereas the U.S. born rate was mostly constant over this period of time. The native active business ownership rate increased only slightly from 8.4 percent in February 2020 to 8.7 percent in December 2024. The immigrant active business ownership rate, in contrast, increased from 9.2 percent in February 2020 to 12.2 percent in 2024. The immigrant-native gap in active business ownership was much larger five years after COVID-19 arrived. The gap grew from 1.8 percentage points in December 2019 to 3.5 percentage points by December 2024.

Immigrant Differences in Business Activity Growth

As noted in the previous chapter there was strong growth in the number of immigrant business owners from 2019 through the end of 2024. Which industries accounted for this strong growth that occurred in both absolute numbers and in numbers relative to native business owners? Table 4 reports the largest industry groups comprising growth from 2019 to 2024 for

immigrant business activity. For immigrant business owners, the largest contribution to the overall growth was in Construction (which accounts for 21 percent of total growth). The next industry contributing the most to overall growth is Transportation representing 20 percent of the total. Professional and Business Services accounts for 18 percent of total growth, and Financial Activities accounts for 13 percent of total growth. All other industries combined represent 27 percent of the total growth from 2019 to 2024 for immigrant business activity.

Table 4: Top Industries for Immigrant Business Activity Growth (2019 to 2024)

	Number	Percent
Total Growth	743,760	25%
Top Industries		Share of Total Growth
Construction	159,241	21%
Transportation	150,850	20%
Professional and Bus. Services	132,856	18%
Financial Activities	98,915	13%
All Other Industries	201,898	27%

Notes: (1) The sample consists of active immigrant business owners.
(2) Time periods include all months in 2019 and 2024.

6. Conclusions

Estimates from the CPS indicate that immigrant business ownership activity experienced differential patterns in the pandemic and post-pandemic periods than U.S. born business ownership activity. In the early stages of the pandemic immigrant business owners were disproportionately negatively affected by COVID when mandated shutdowns through social distancing restrictions were the most severe. The losses were 1.4 to 2.0 percentage points larger for the immigrant active business ownership rate than for the U.S. born active business ownership rate. The percentage of the labor force that was actively running a business among immigrants just prior to the start of the pandemic was 10.8 percent.

Although the recovery technically started immediately after the first month of shutdowns it was not until the end of 2020 when vaccines were close to being readily available to the general public that immigrant business activity started a longer-term upward trend. Immigrant business activity grew in absolute terms and relative terms over the next few years. By the end of

2024, the number of active immigrant business owners increased to 3.9 million compared with 3.0 million just prior to the start of the pandemic. Growth in the Construction, Transportation, Professional and Business Services, and Financial Activities industry groups fueled total growth in immigrant business activity during the recovery period.

Before the pandemic started business ownership rates were higher among immigrants than the U.S. born population (Fairlie and Lofstrom 2015). The stronger growth in business activity among immigrants in the post-pandemic recovery period resulted in an expanded gap in rates. By the end of 2024, business ownership rates among immigrants were 3.5 percentage points higher than U.S. born business ownership rates. Although the pandemic initially hit immigrant business owners harder than U.S. born business owners the economic recovery over the next few years witnessed much stronger growth in the immigrant business activity.

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