



IDEA anti COVID-19 # 19

Startups during the Covid-19 pandemic: experience for Czechia from the USA¹

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Summary

- The current Covid-19 crisis will affect newly established firms considerably, including startups, i.e. companies in the initial, fragile stages of economic development. Startups and newly established companies are, however, important from the perspective of job creation and in the USA are responsible for three quarters of net growth in overall employment.
- My colleague Vincent Sterk of University College London and I have created a “startup calculator”, which quantifies the impact of various scenarios for the course of the crisis on overall employment in the economy. Our calculations, based on data from the USA, indicate that even a one-year fall in the number of new firms would result in the loss of millions of jobs and that it could take up to ten years to recover from this economically.
- Data from Eurostat show that startups are similarly significant for employment in the Czech Republic as in the USA. The fact that academics and governmental policy makers do not pay nearly as much attention to the phenomenon of startups and newly established companies here as in the USA does not change that. In designing its measures to mitigate the impact of the crisis caused by the Covid-19 epidemic, the Czech government should therefore keep in mind not only well-established small- and medium-sized enterprises but also recently established firms and new businesses that are only just preparing to enter the market.

¹This text provides a summary of research published in COVID Economics
<https://cepr.org/sites/default/files/news/CovidEconomics13.pdf>.

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