



WISCONSIN POLICY FORUM

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For release:
May 28, 2026

Small Business Creation Rose Post-Pandemic; Expansion Remains Key Challenge

Report finds small business disparities rooted in business size, industry, and location

The number of small businesses in the state expanded rapidly in the post-pandemic period, a new Wisconsin Policy Forum report finds. The number of establishments in the state with fewer than 500 employees surged 20.2% between 2020 and 2025, far outpacing their growth in the prior decade.

While this increase may signal an entrepreneurial upswing, growth has not been consistent across business sizes, industries or geographies. The number of micro-businesses with fewer than 10 employees has grown rapidly, but the number of establishments with 100 or more employees has increased much more slowly.

“Wisconsin entrepreneurs are succeeding in starting businesses but often face difficulties scaling them into larger, more sustainable enterprises,” the report finds.

Our research found that small businesses play a vital role in local economies by driving job creation and growth, fostering innovation and entrepreneurship, and contributing to local philanthropy and community identity. Wisconsin also relies more on small businesses to create jobs than does the nation as a whole, even as its rate of small business employment growth has lagged the national rate since 2010.

Our analysis also reveals trends in industry and geographic patterns of small business formation and employment. Wisconsin’s strength in manufacturing remains a defining asset. But the state’s below-average job concentrations in higher-wage, knowledge-intensive sectors suggest room for diversification. Madison and Milwaukee serve as Wisconsin’s primary engines of business formation and employment, while other regions of the state show more mixed or declining trends in these areas.

Small businesses spur job growth

Wisconsin is particularly reliant on small businesses to drive job growth, as small businesses accounted for about 95% of Wisconsin’s net job growth between 2010 and 2025. Nationally, they accounted for 72% of net job gains during the same period.

At the same time, small business employment has grown more slowly in Wisconsin than nationally. This is likely due in part to the state’s limited supply of available workers, which is influenced by relatively slow population growth, an aging population, and a low unemployment rate.

From 2010 to 2025, small business employment rose 17.8% in Wisconsin compared with 23.9% nationally. Job growth was particularly weaker in Wisconsin for small businesses with at least 100 employees. Our previous research and consultation with business development experts indicate that access to capital, gaps in financial literacy, and insufficient capital readiness are significant growth barriers for many Wisconsin business owners.

Wage and payroll growth among Wisconsin small businesses has been strong, particularly in the 2021 to 2023 period of high inflation. This dynamic suggests that the labor market has tightened and become more expensive for small business owners, which may have pressured their margins.

Disparities by industry, geography

The retail trade sector has long had the largest number of small business establishments in Wisconsin. While this remained the case as of 2024, retail and wholesale trade have seen the largest declines in total establishments, likely a consequence of the ongoing shift to e-commerce.

In recent years, there has been particularly strong growth in the number of health care and social assistance small businesses. This sector also has contributed heavily in terms of job creation. From 2010 to 2024, small health care establishments added 38,640 jobs, accounting for roughly two-thirds of net small business job growth across all sectors.

Meanwhile, the share of Wisconsin small business employees working in manufacturing was 1.78 times higher than the national share in 2024. Our state's continuing reliance on the manufacturing industry produces exports and jobs with relatively high average wages, but it also creates exposure to sector-specific turbulence. Several smaller metro areas in Wisconsin remain heavily reliant on manufacturing, which represents both a strength and a potential risk.

Our findings suggest several priorities for policymakers, economic development entities, and business support organizations. They include:

Improving access to capital and strengthening capital readiness, particularly for newer establishments and those seeking to expand, could help more businesses move beyond the micro stage and improve survival rates. Given that businesses with 10 to 99 employees are responsible for a majority of the small business jobs in Wisconsin – and that Wisconsin has especially lagged the nation in job growth among more mature businesses with 100 to 499 employees – targeted support to help small businesses grow into these larger size classes may hold particular promise.

Place-based and sector-specific strategies will be essential. Since business conditions vary significantly across metropolitan areas and industries, a one-size-fits-all approach is unlikely to produce strong statewide results. Targeted support for entrepreneurship and small business growth in underperforming regions of the state could help reduce geographic disparities.

Workforce development strategies should continue to align with both Wisconsin's leading sectors such as manufacturing, and high-growth sectors like health care, while also strengthening pipelines into higher-wage, knowledge-intensive industries, including information and professional, scientific, and technical services. Expanding apprenticeship participation and pathways is one possible strategy that the Forum has studied in [previous research](#).

This report was commissioned by the Office of Business and Entrepreneurship at the Universities of Wisconsin, with financial support from the Wisconsin Economic Development Corporation. [Click here](#) to read the report.

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