

Firm Dynamics and Job Creation in the U.S.

John Haltiwanger

University of Maryland and NBER

*Without implication, this paper draws heavily on joint work with Steven Davis, Jason Faberman, Lucia Foster, Ron Jarmin, C.J. Krizan, Javier Miranda and Chad Syverson

Overview

- Dynamism of U.S. Businesses has played an important role in U.S. job and productivity growth
 - Arguably critical for innovation (broadly defined)
 - » Development and introduction of new goods and processes involves creative destruction
 - Part of ongoing reinventing and restructuring that is inherent in a healthy, dynamic market economy
- But much can go wrong...
 - Around the world much evidence of misallocation as key factor in accounting for differences in GDP per capita
 - Has this process become more distorted in the U.S. in recent years? Cyclical and secular patterns raise questions about the future for the U.S.

Job Creation and Destruction, U.S. Private Sector, Annual Rates (Percent of Employment), 1980-2009

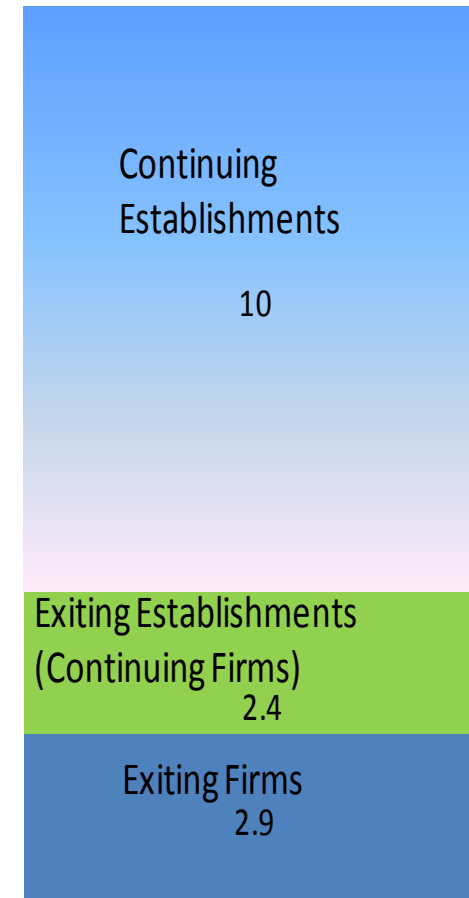
Source: BDS

Total=16.9



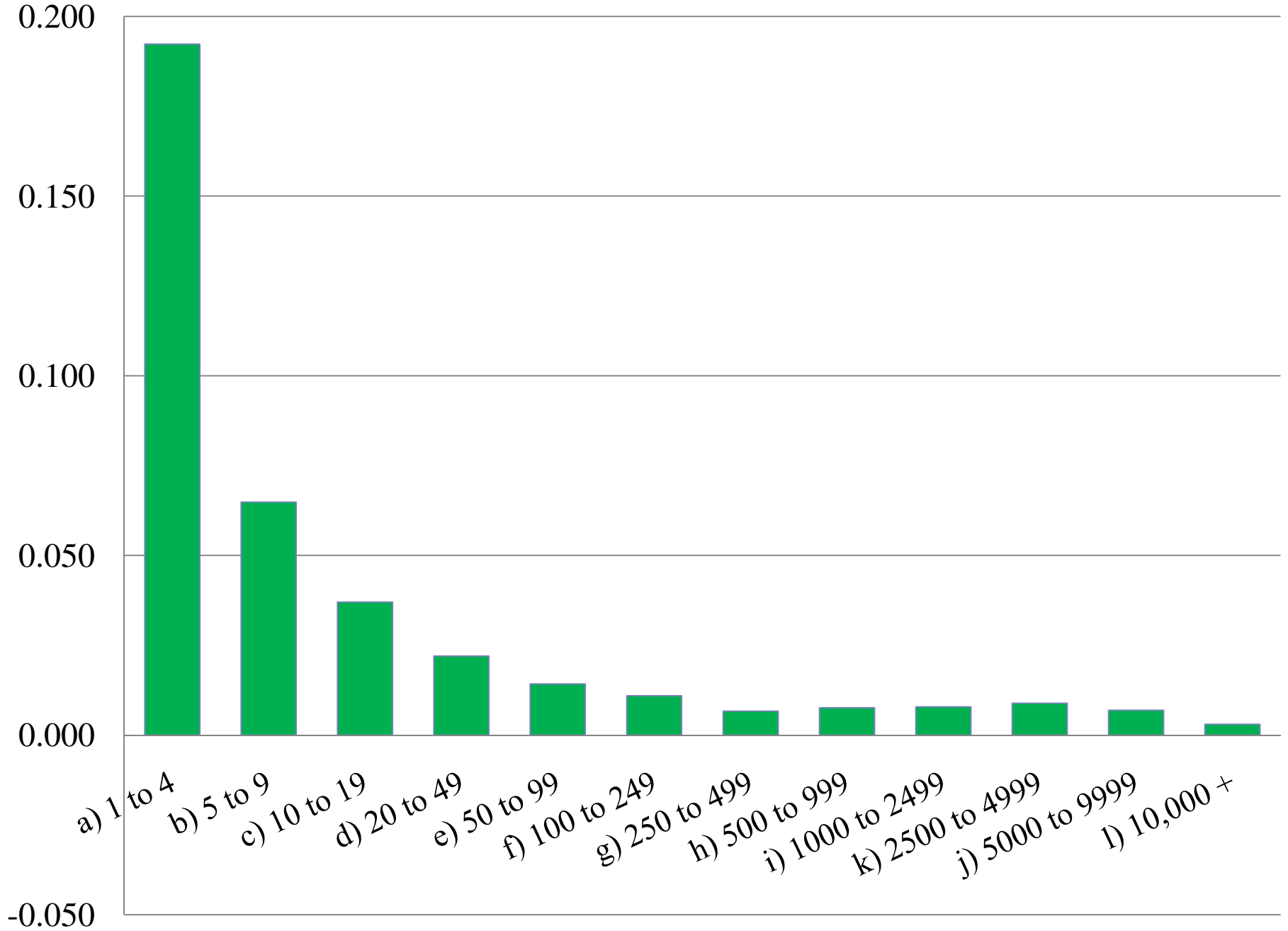
Job Creation

Total=15.3

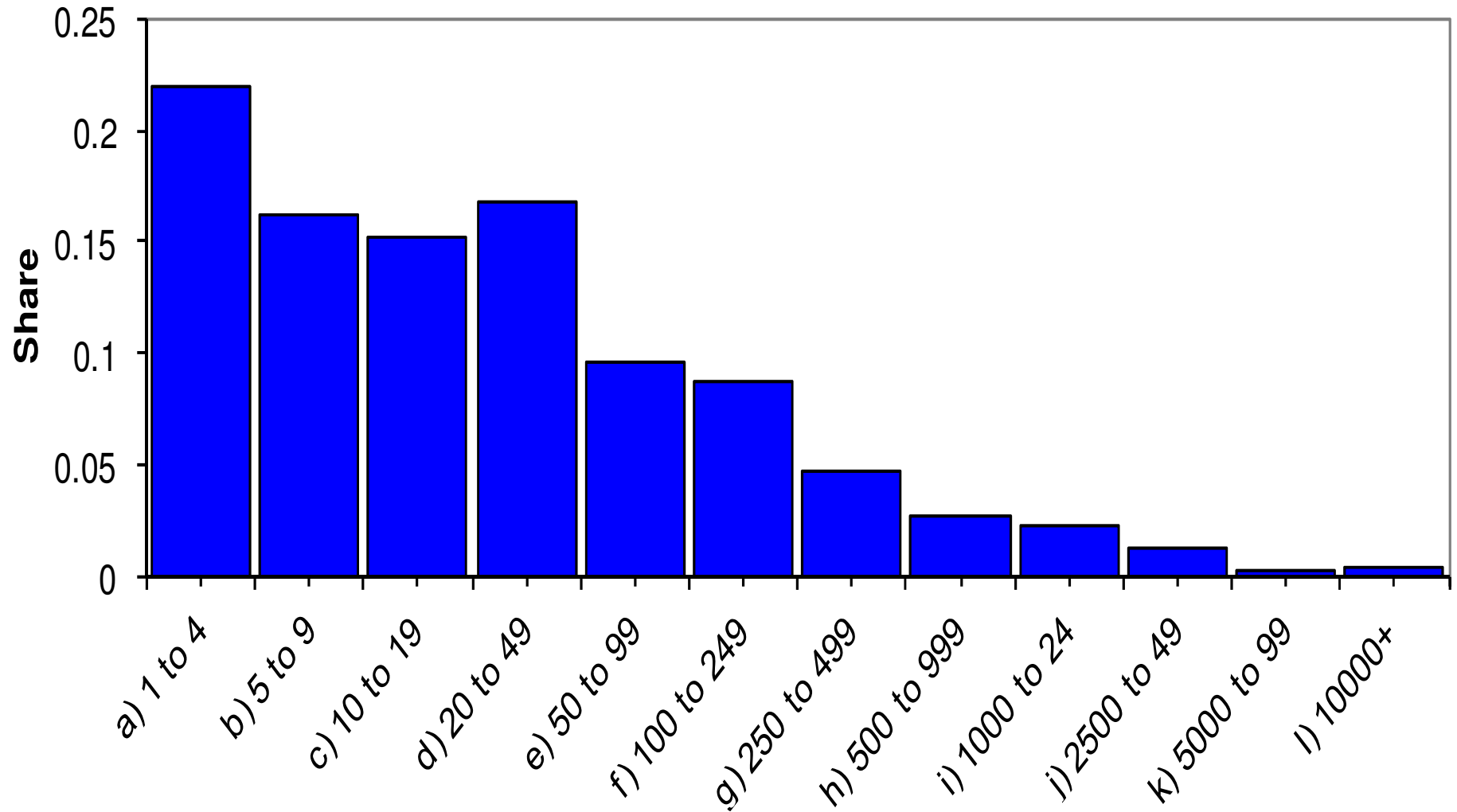


Job Destruction

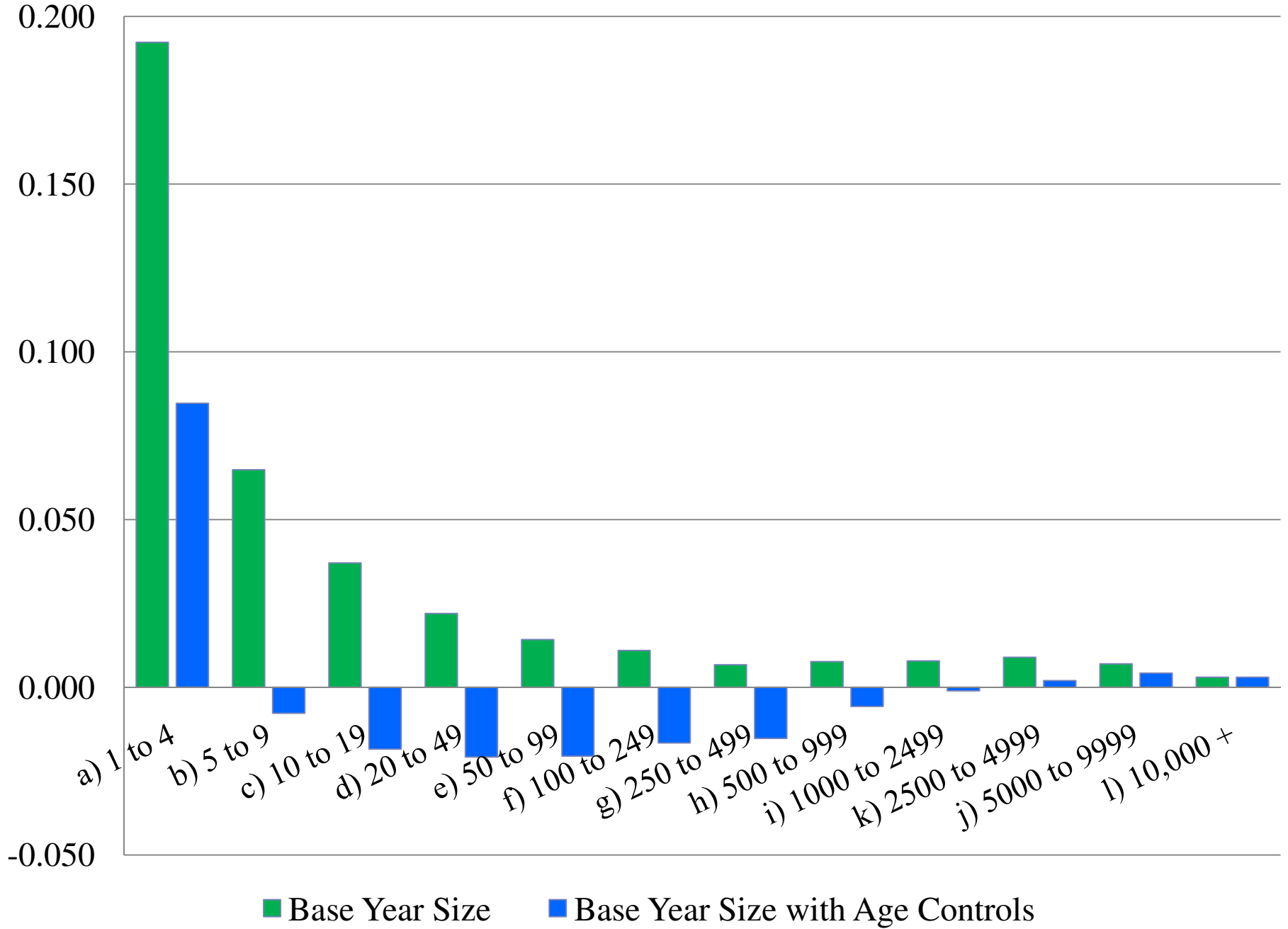
Net Employment Growth by Base Year Firm Size



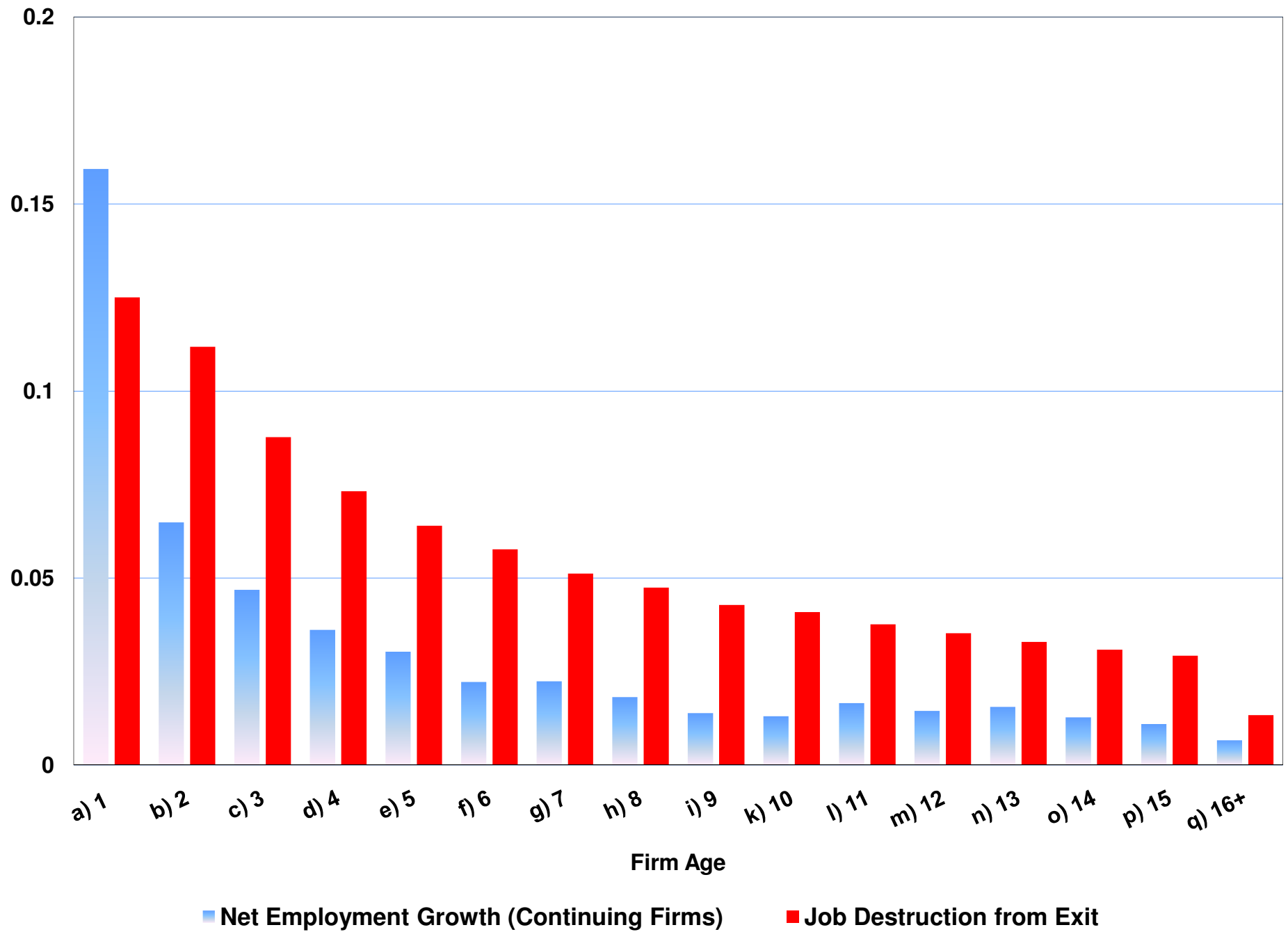
Share of Employment in Startups by Firm Size Class



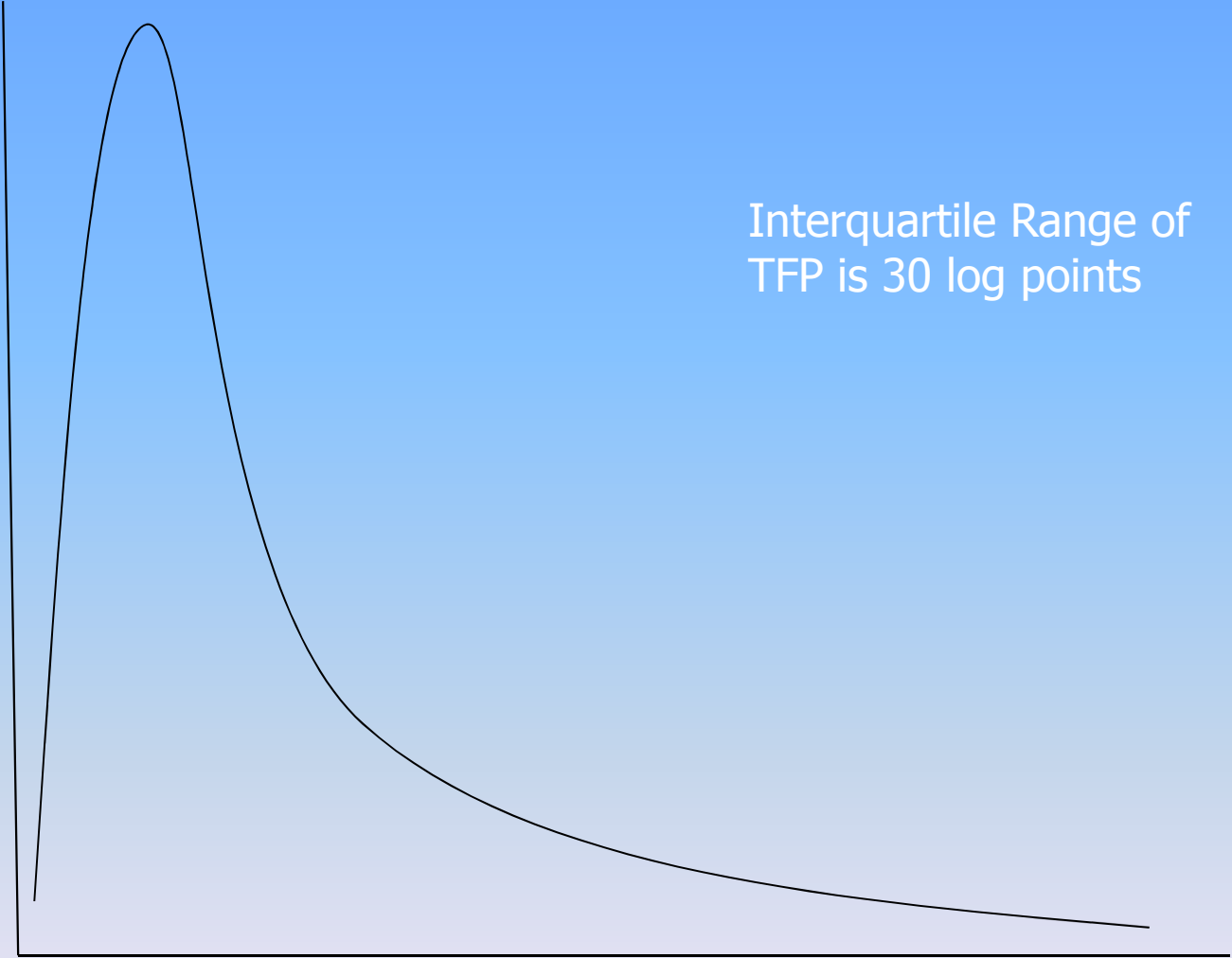
Net Employment Growth by Base Year Firm Size



Up or Out Dynamics of Young U.S. Firms



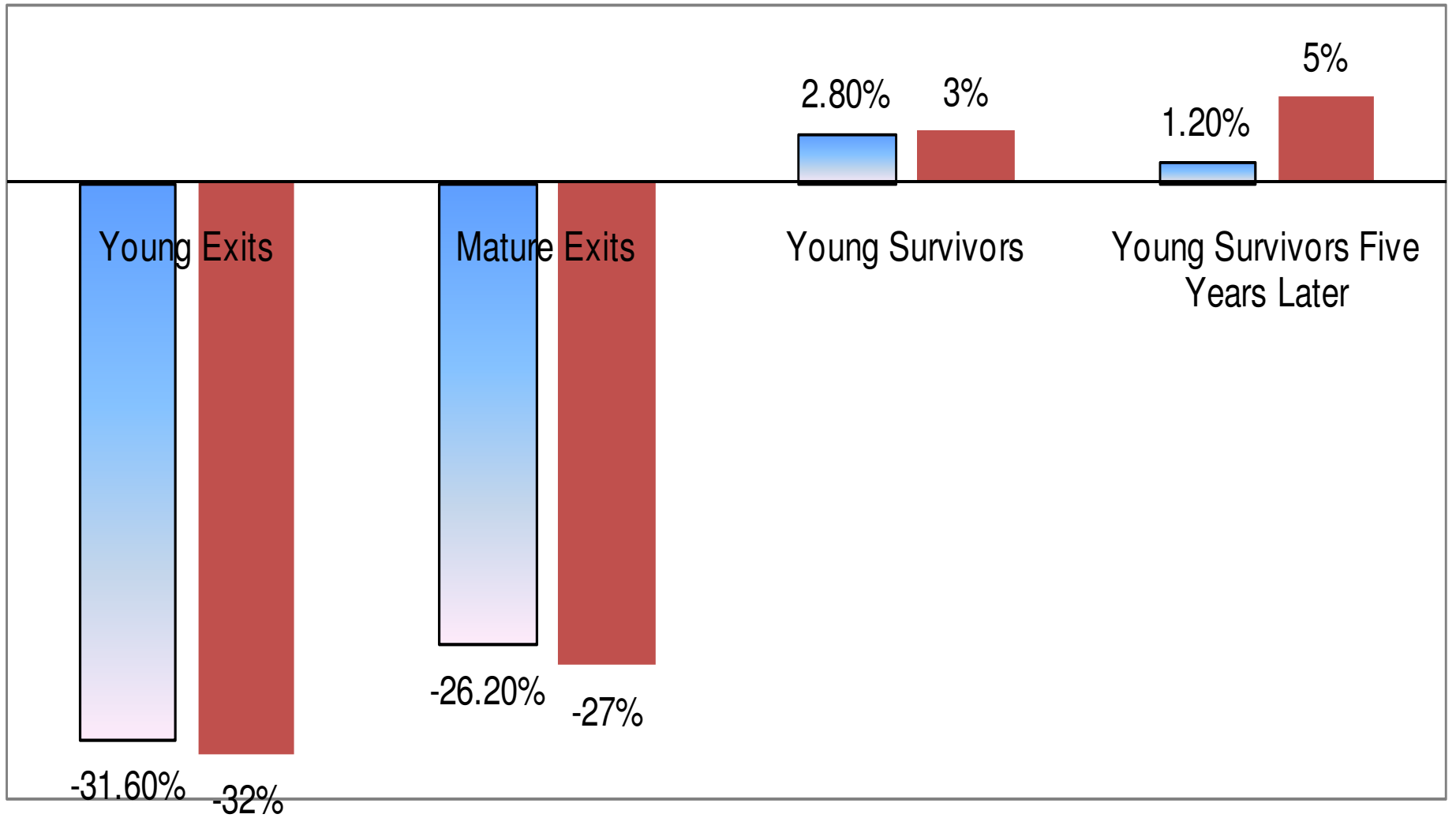
Productivity Distribution Within Narrowly Defined Industries



Interquartile Range of TFP is 30 log points

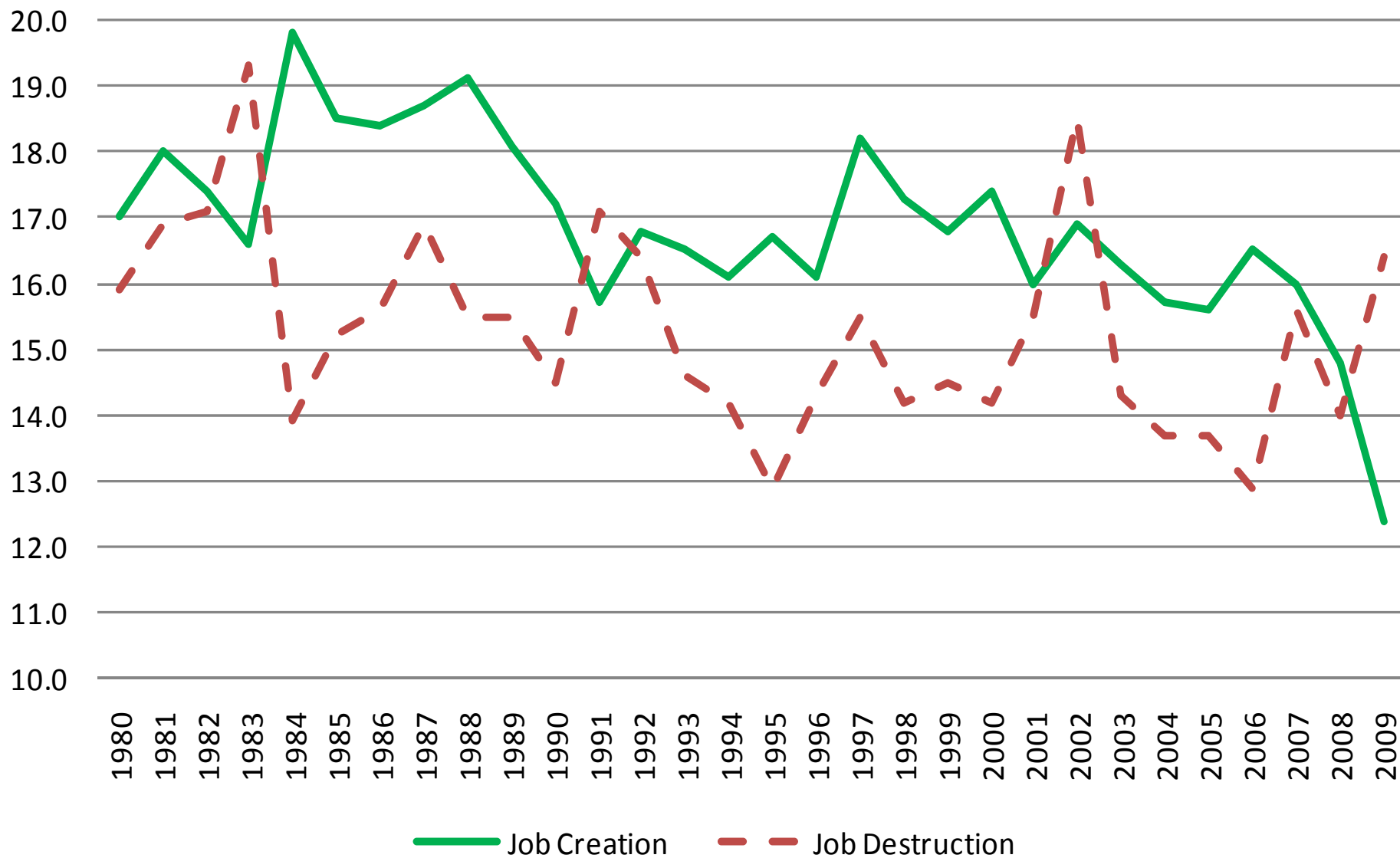
Productivity of Businesses

Productivity of Young Businesses Relative to Mature Surviving Incumbents, U.S. Retail Trade

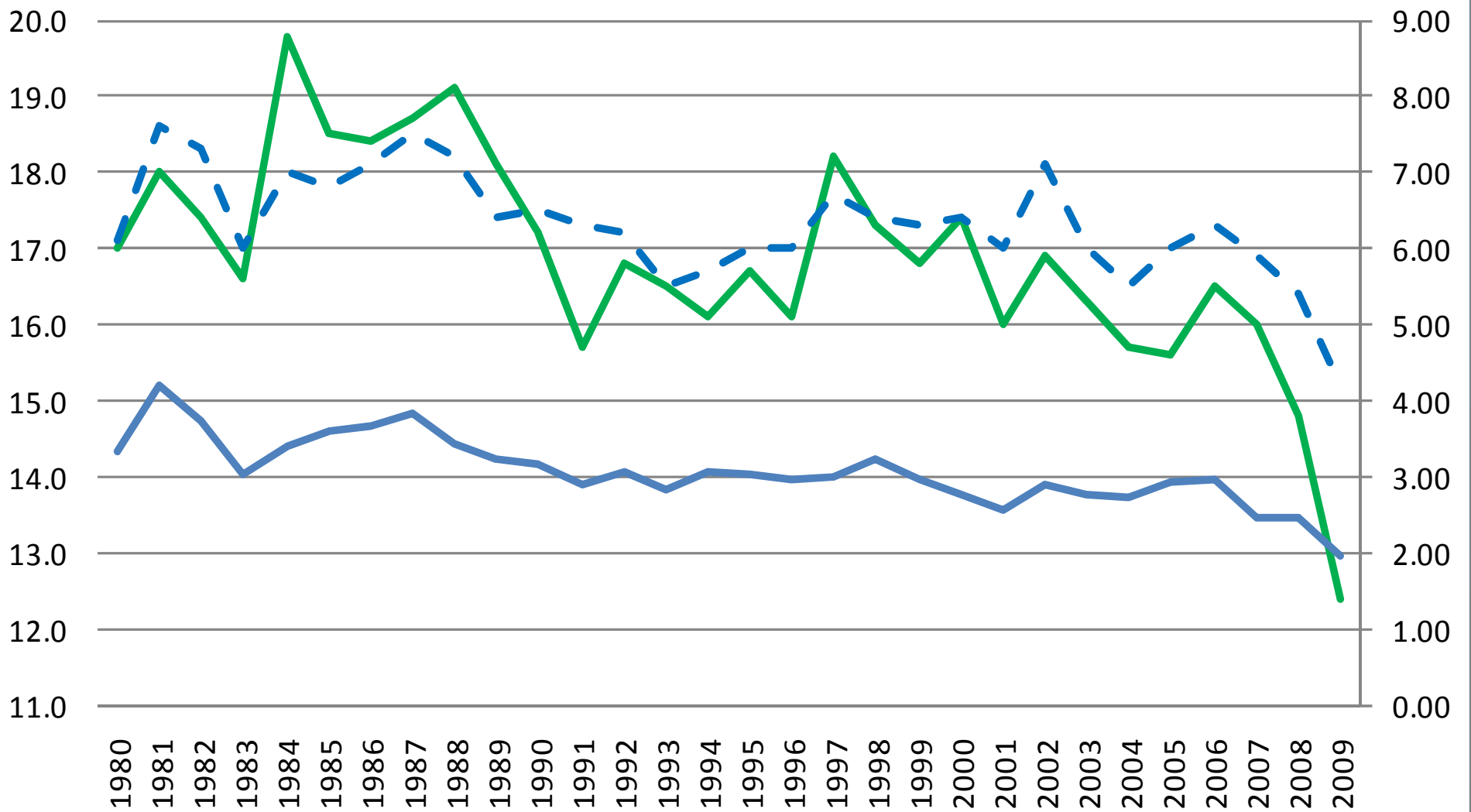


■ Single Unit Establishment Firms ■ All establishments

Gross Job Creation and Destruction Rates, U.S. Private Sector



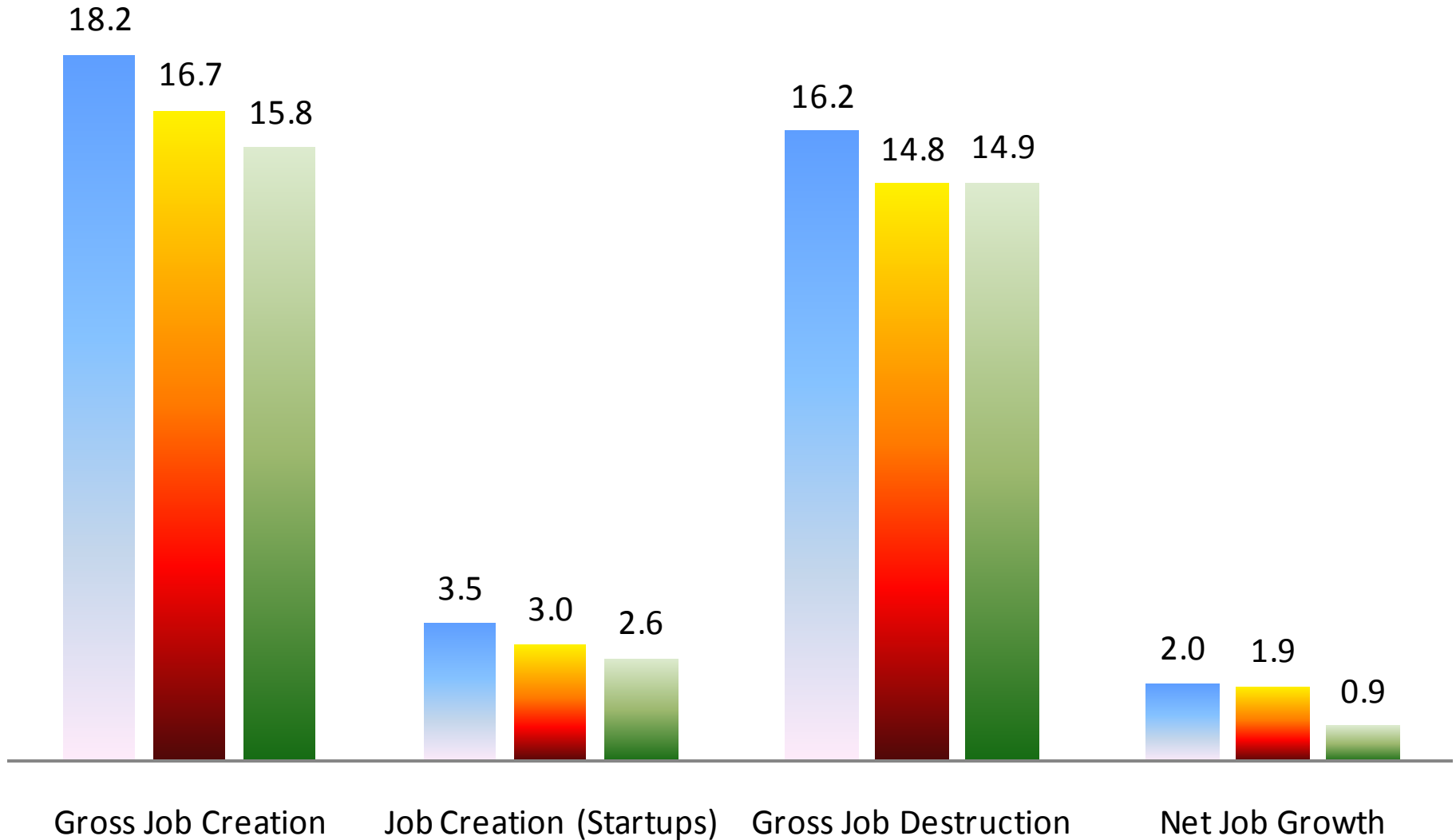
Job Creation and Business Startup Rates, U.S. Private Sector



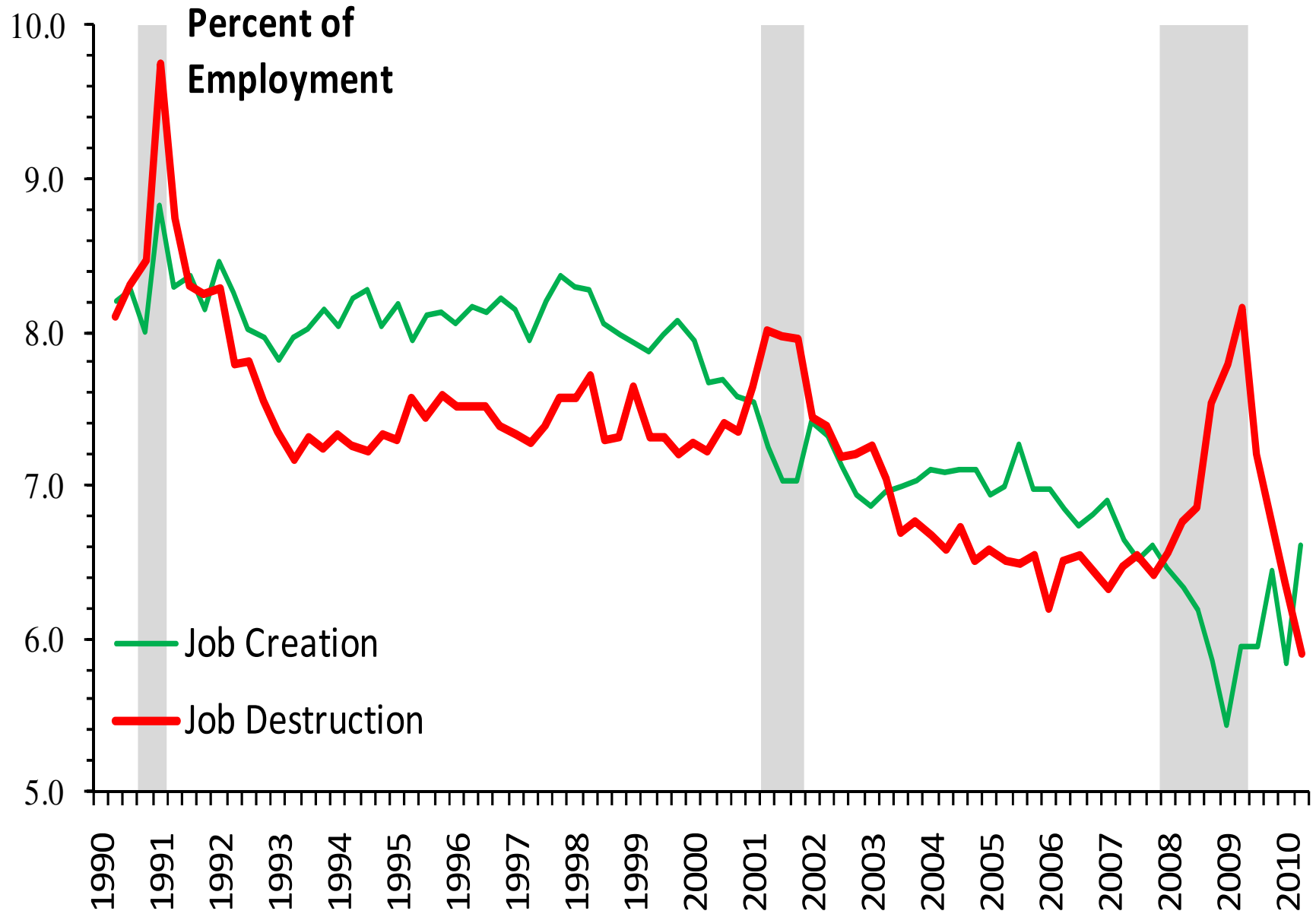
- Gross Job Creation
- Job Creation (Startups) -- Right Axis
- - Job Creation (New Establishments)-- Right Axis

Trends in Gross Flows and Net Job Creation

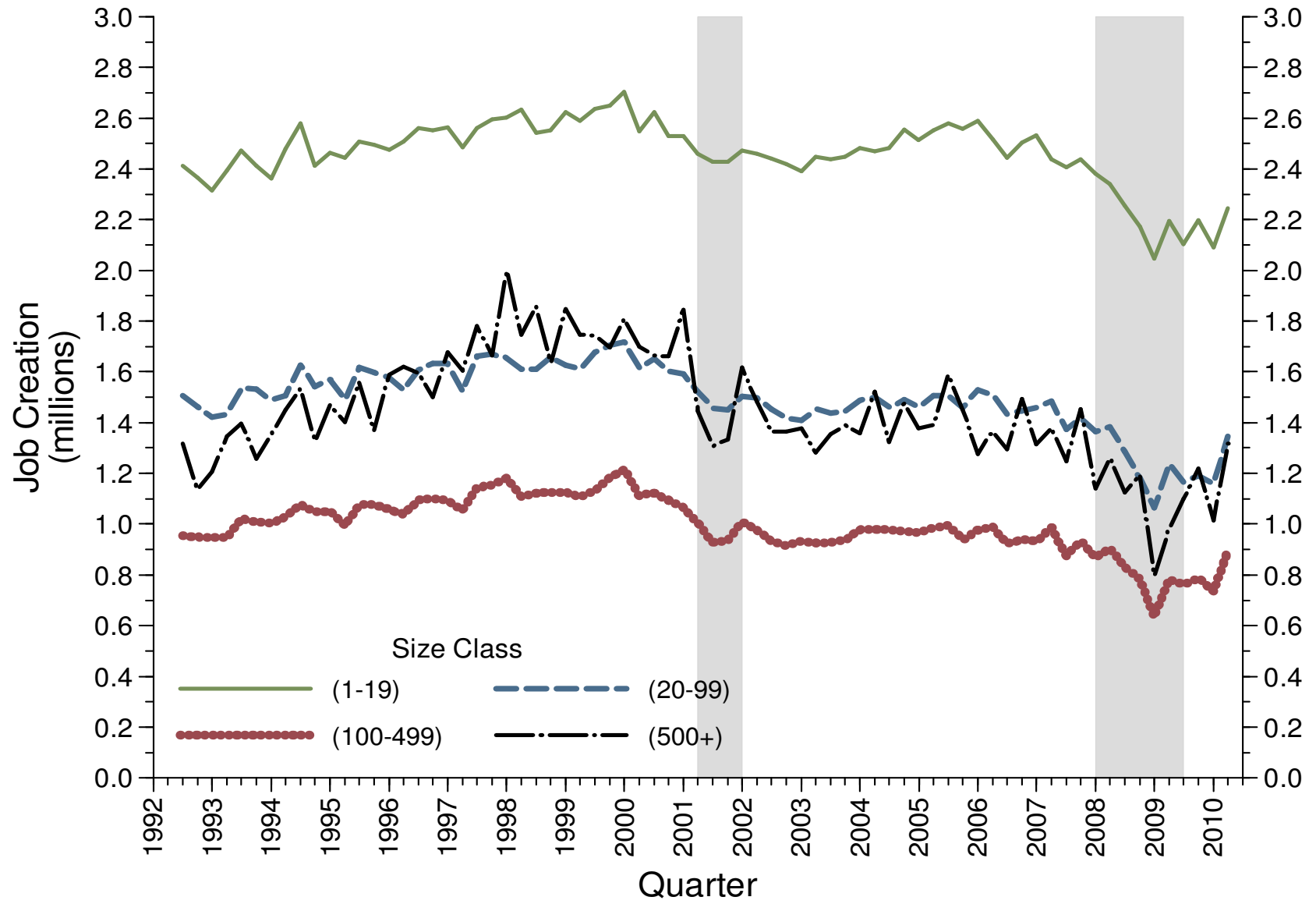
Avg 1980-1989 Avg 1990-1999 Avg 2000-2009



Quarterly Job Creation and Destruction Rates, 1990:2-2010:2, BED



Quarterly Job Creation by Employer Size Class, BED



U.S. Business Dynamism

- U.S. has exhibited a robust pace of productivity enhancing creative destruction
- Business startups, “up or out” dynamics play a critical role in these dynamics.
 - Who Creates Jobs? Startups and Fast Growing Young Firms
 - These dynamics contribute substantially to productivity growth

Troubling Trends?

- Historically low gross job creation, job creation from startups in Great Recession and very slow recovery.
 - Startups and Young and Small businesses have taken an especially large hit
 - Decoupling of creation and destruction
- Pronounced downward trend in pace of business dynamism
- Is the U.S. becoming less dynamic?
- What does the slow pace of startups in the Great Recession imply about the prospects for innovative, productivity young firms in the next few years?