

Firm Dynamics, Job Creation and Entrepreneurship in the U.S.

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

Overview

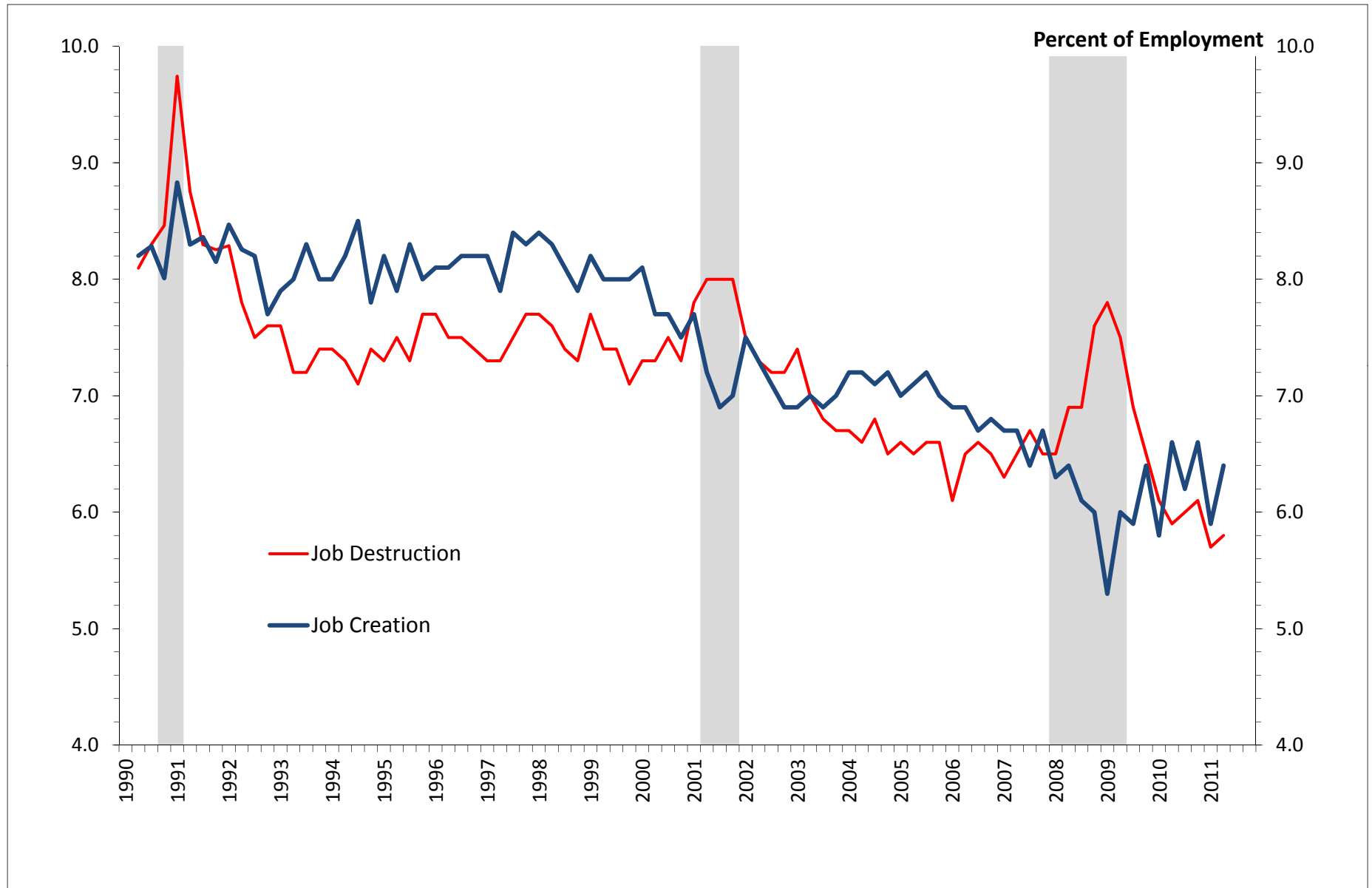
- Declining trend in job and worker flows in U.S.
 - Accelerated post-2000
 - Is the U.S. becoming less dynamic and less flexible?
- Business Startups and Young Businesses Disproportionately Create Jobs
- Declining Trend in Business Startups (and accordingly in Young Businesses)

Remarks By Federal Reserve Chairman Ben Bernanke

...One leading explanation for the strong U.S. productivity growth is that labor markets in the United States tend to be more flexible and competitive, market characteristics that have allowed the United States to realize greater economic benefits from new technologies. For example, taking full advantage of new information and communication technologies may require extensive reorganization of work practices, the reassignment and retraining of workers, and ultimately some reallocation of labor among firms and industries...

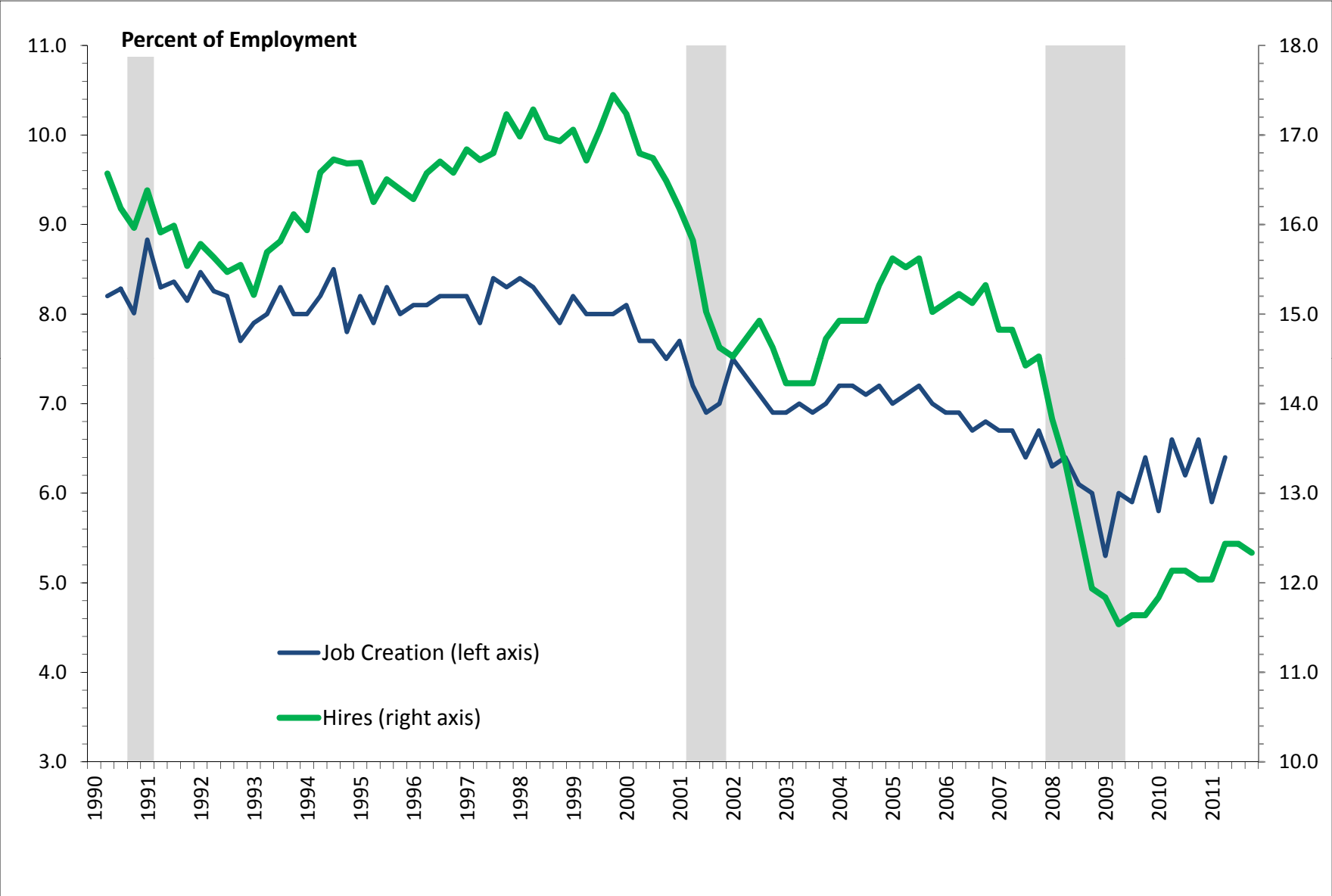
August 31, 2006

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



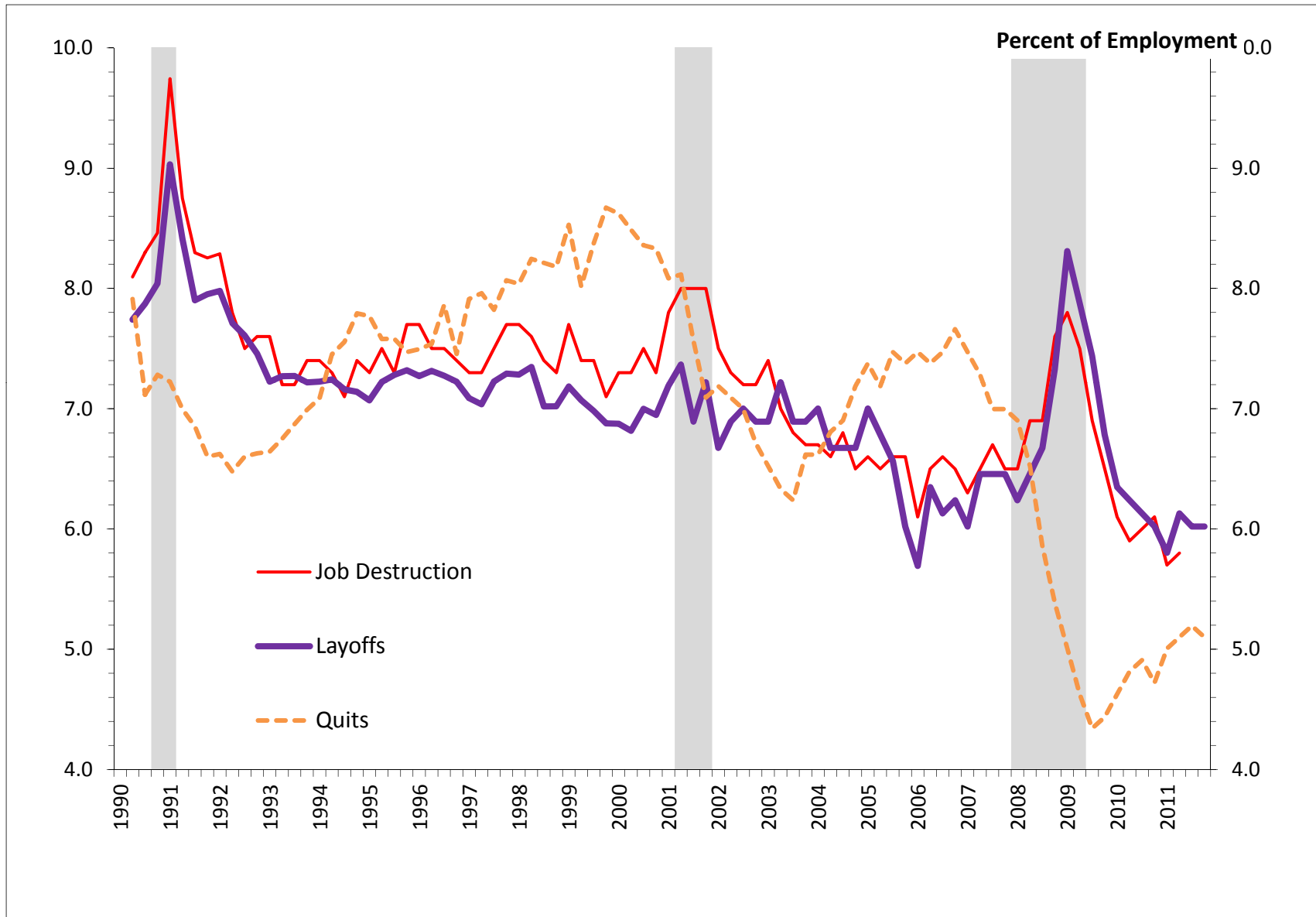
Source: BED and Davis, Faberman and Haltiwanger (2012)

Quarterly Job Creation and Hires Rates, U.S. Private Sector



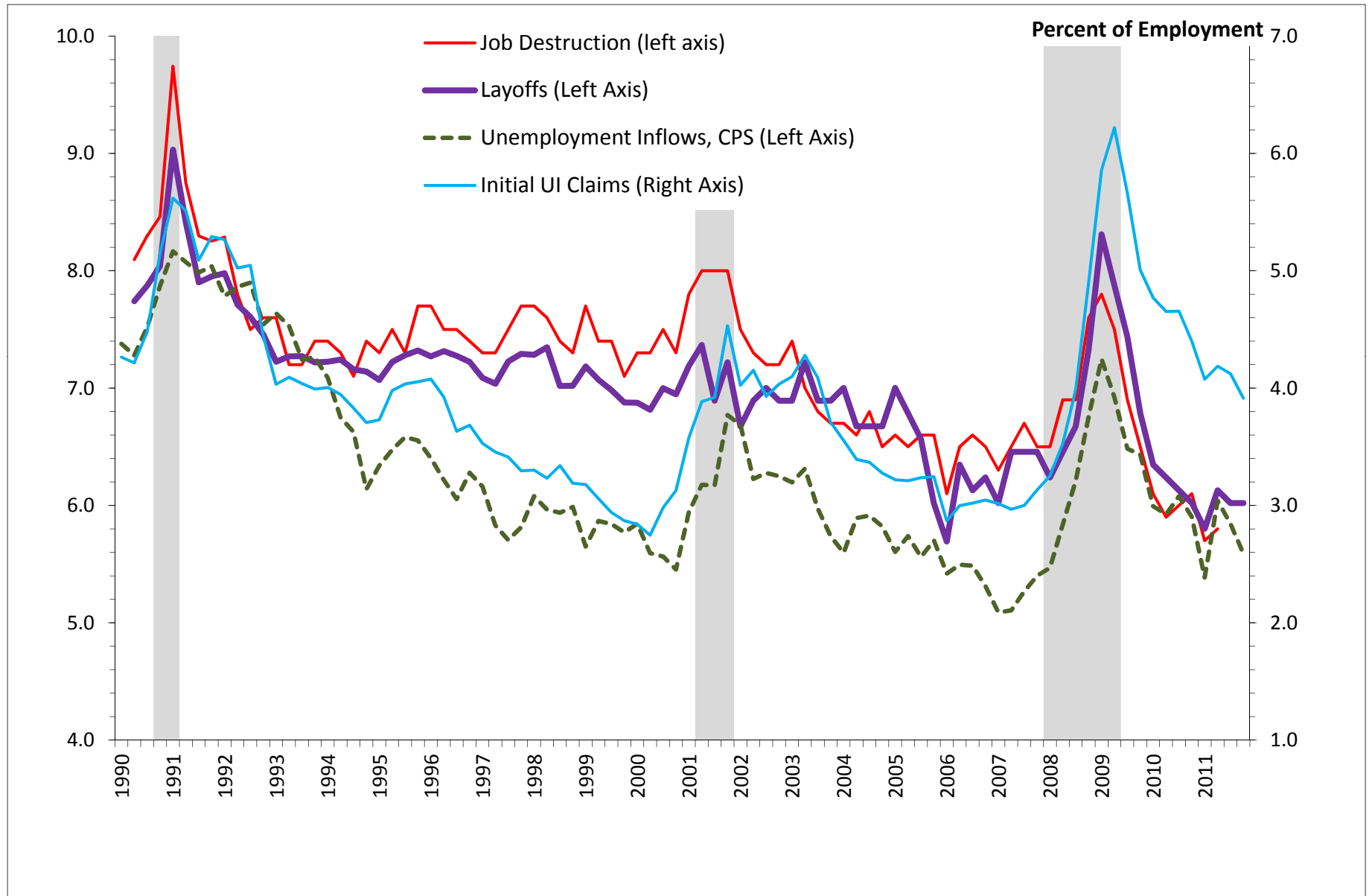
Source: BED, JOLTS and Davis, Faberman and Haltiwanger (2012)

Quarterly Job Destruction, Layoffs and Quit Rates, U.S. Private Sector



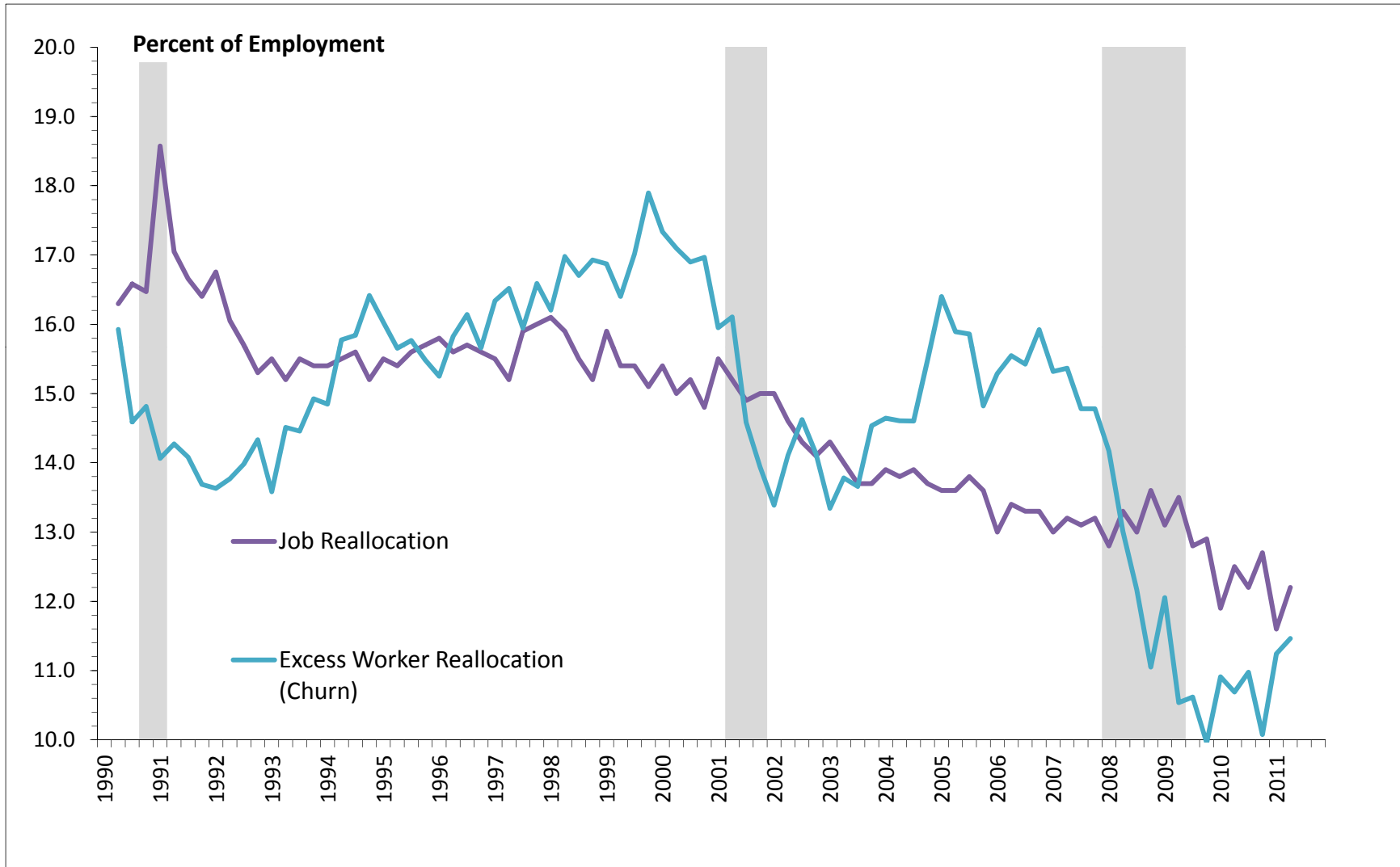
Source: BED, JOLTS and Davis, Faberman and Haltiwanger (2012)

Job Destruction, Layoffs and Unemployment Inflows are tightly linked



Source: Davis, Faberman and Haltiwanger (2012)

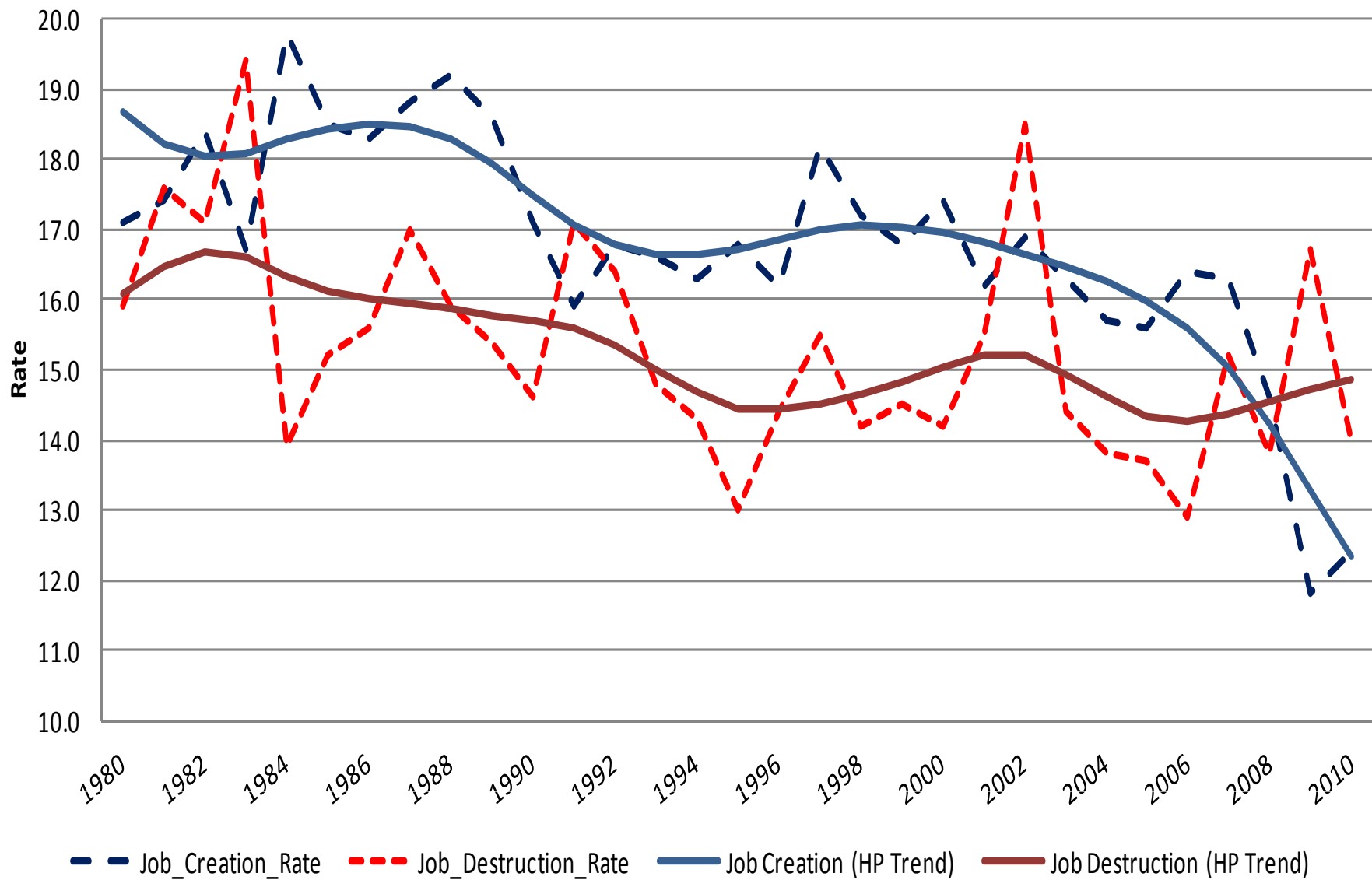
Excess Worker Reallocation “Churn” and Job Reallocation



Source: BED and JOLTS – Tabulations from Davis, Faberman and Haltiwanger (2012)

Job Creation and Destruction Rates

Source: U.S. Census Bureau, Business Dynamics Statistics

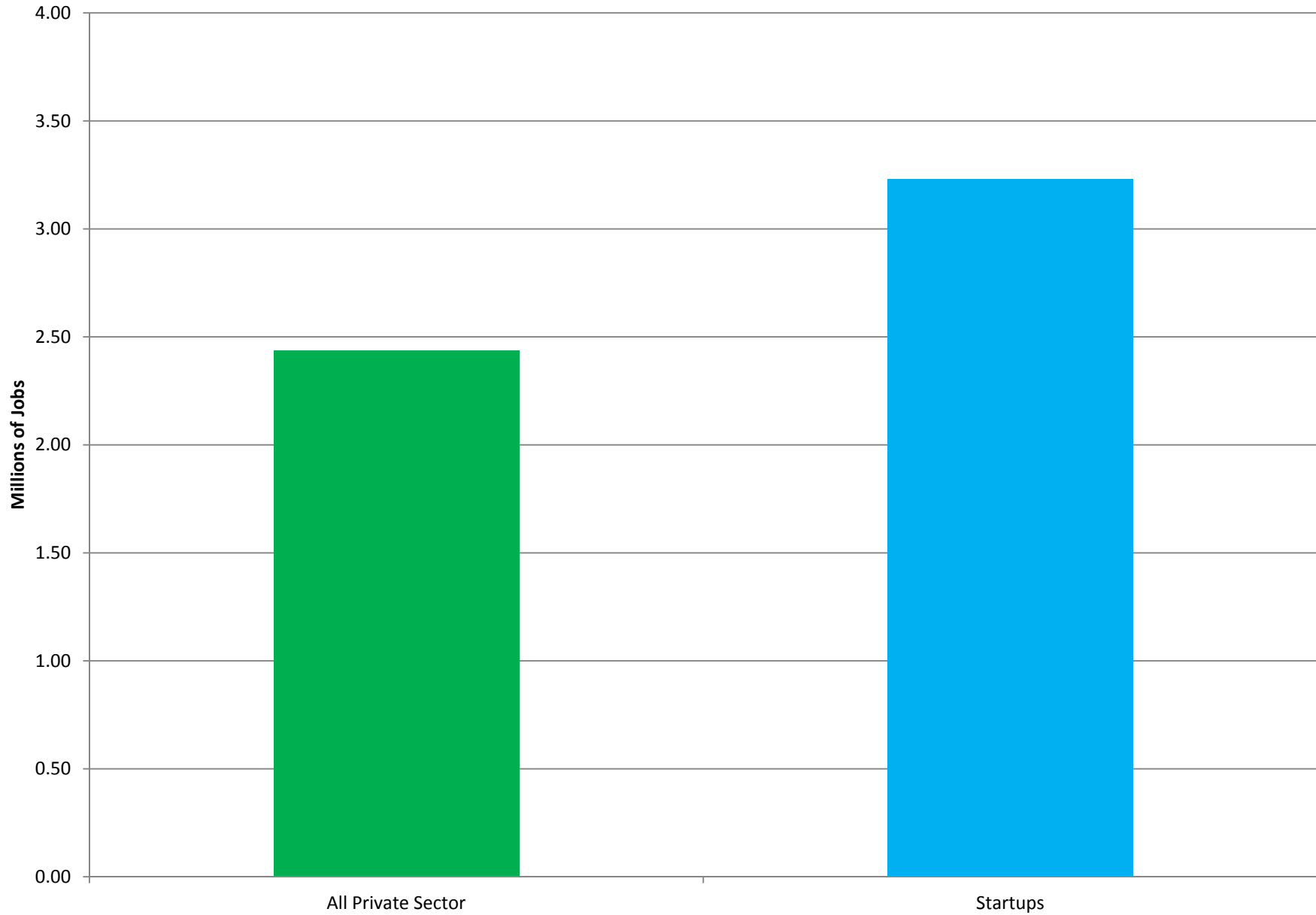


Net Job Creation by Firm Size and Firm Age, U.S. Private Sector, 2005

Firm Age	Firm Size (Base Year)												All
	a) 1 to 4	b) 5 to 9	c) 10 to 19	d) 20 to 49	e) 50 to 99	f) 100 to 249	g) 250 to 499	h) 500 to 999	i) 1000 to 2499	j) 2500 to 4999	k) 5000 to 9999	l) 10000+	
a) 0	731,515	503,644	498,317	553,181	313,511	292,348	157,120	151,518	186,087	131,178	D	D	3,518,419
b) 1	79,759	-12,547	-20,836	-47,837	-41,006	-57,188	-48,830	-5,476	-14,532	-20,131	211	-408	-188,821
c) 2	26,506	-24,840	-31,883	-44,488	-26,738	-18,026	-9,049	-13,579	-23,615	-12,782	D	D	-178,494
d) 3	7,535	-22,650	-26,855	-37,824	-15,918	-14,813	-8,981	-7,548	-11,581	-12,114	D	D	-150,749
e) 4	20,456	-18,442	-23,212	-29,616	641	-9,216	-4,301	-5,436	-298	-4,011	D	D	-74,035
f) 5	4,808	-19,792	-24,392	-29,425	-14,879	-6,222	-2,449	-6,849	-293	-3,418	D	D	-102,902
g) 6 to 10	14,577	-71,332	-99,235	-110,111	-40,652	-1,324	-9,452	5,437	-20,693	-13,945	-9,903	17,928	-338,705
h) 11 to 15	15,663	-47,730	-67,923	-81,876	-40,432	-27,666	-9,530	2,179	-2,028	22,441	6,140	69,409	-161,353
i) 16 to 20	5,673	-36,856	-58,236	-71,299	-35,979	9,780	-5,725	10,200	3,204	12,615	10,491	2,158	-153,974
j) 21 to 25	2,923	-28,173	-42,609	-51,490	-22,246	-13,346	3,901	10,269	36,484	10,075	9,889	-56,563	-140,886
k) 26+	1,016	-38,599	-71,235	-107,390	-48,873	10,309	19,924	85,473	56,436	143,701	58,245	307,517	416,524
m) ALL	910,431	182,683	31,901	-58,175	27,438	164,036	82,628	226,188	209,171	253,609	90,973	360,214	2,481,097

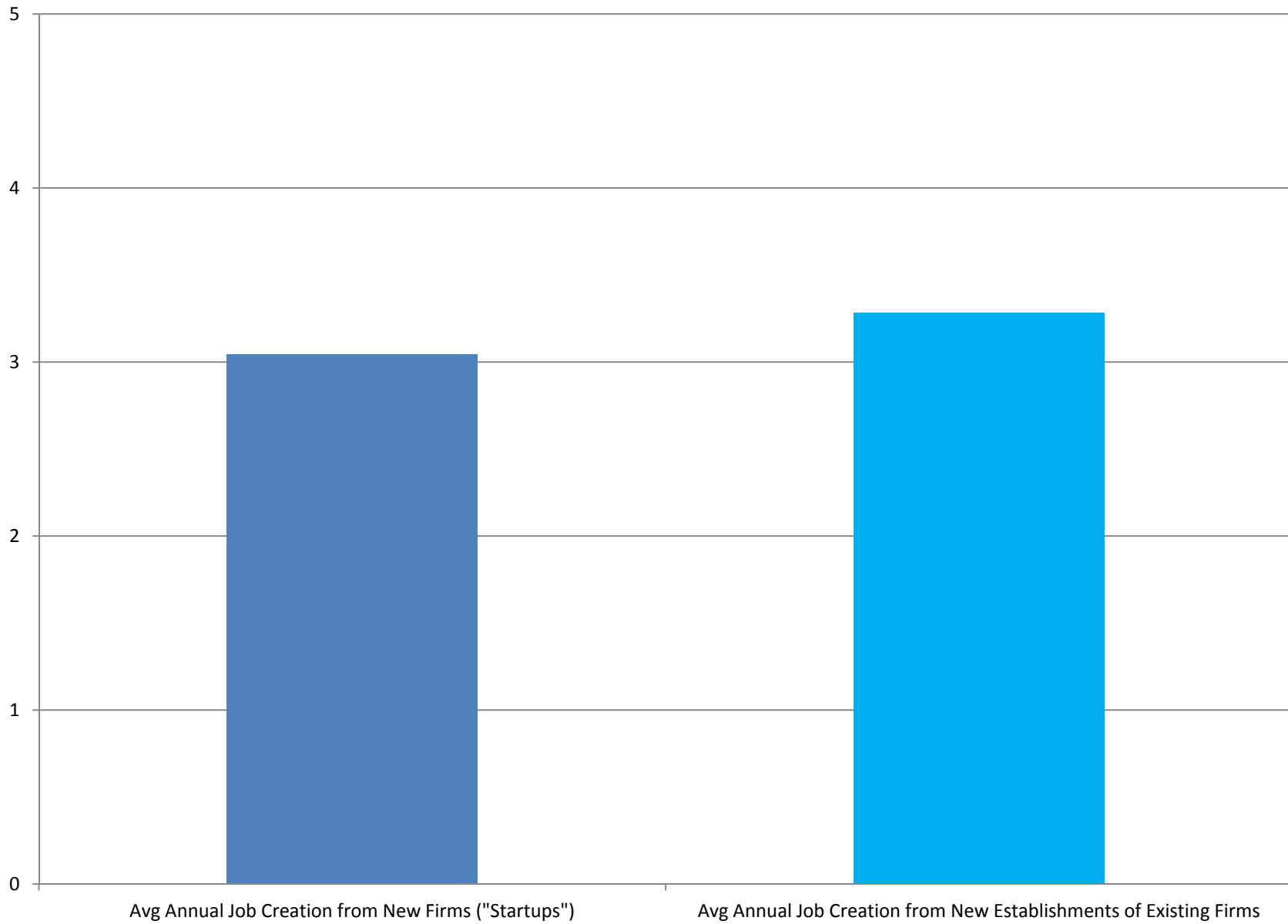
Source: U.S. Census Bureau, Business Dynamics Statistics at
http://www.ces.census.gov/index.php/bds/bds_home

Average Annual Net Job Creation (March 2003 to March 2007)



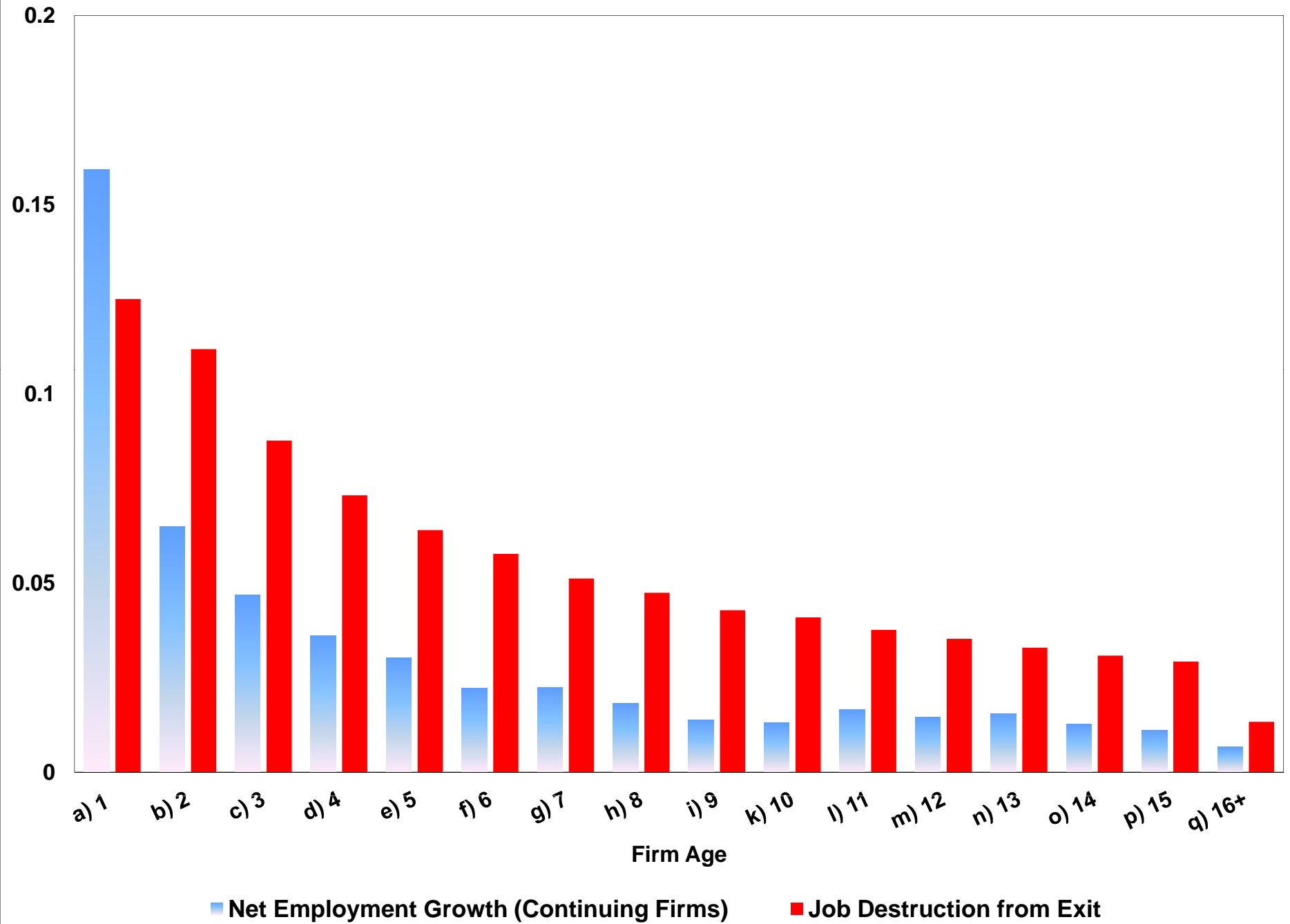
Source: BDS

Job Creation from New Firms and New Establishments of Existing Firms (1980-2010)

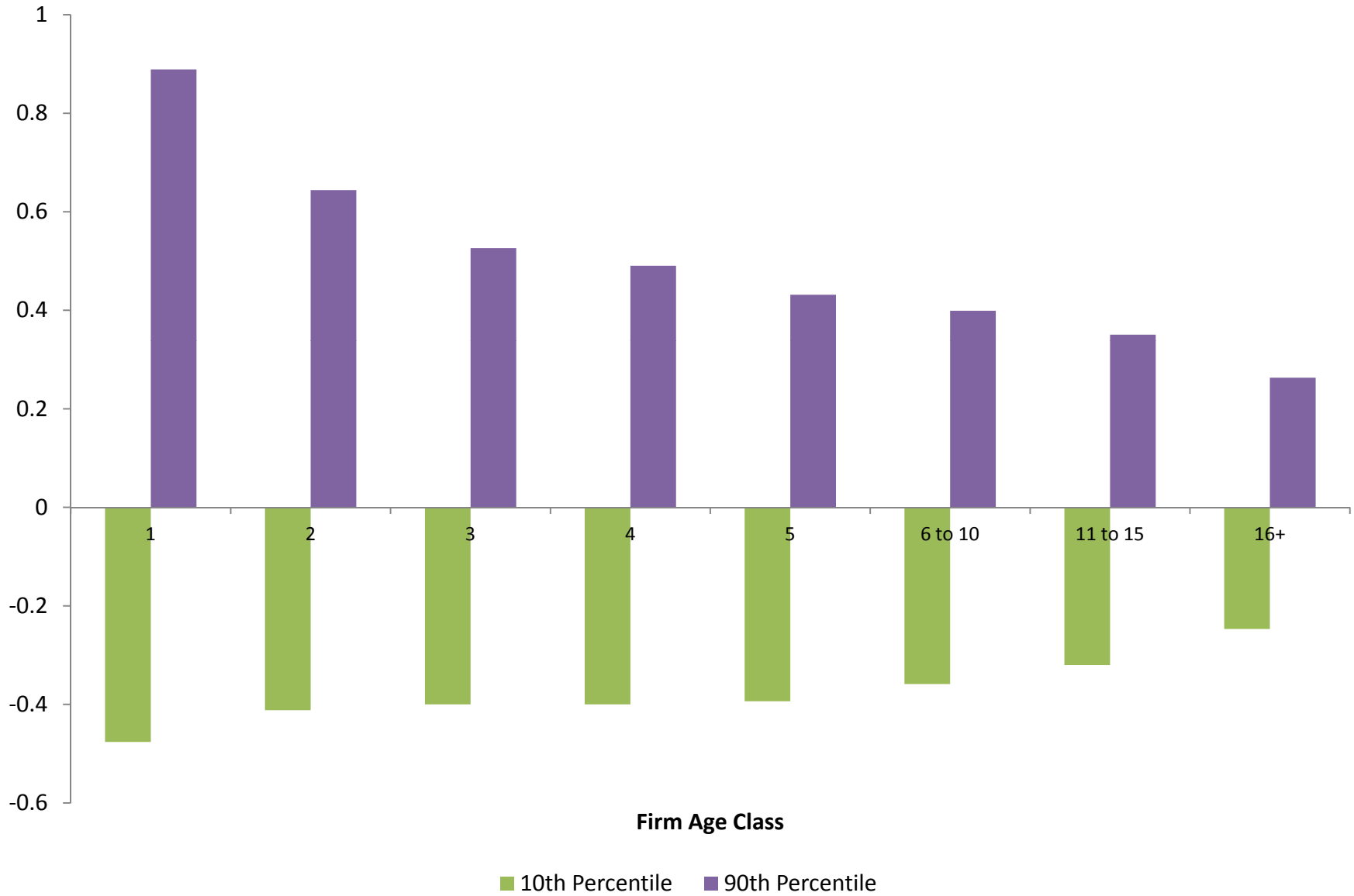


Source: BDS

Up or Out Dynamics of Young U.S. Firms



90th and 10th Percentiles of Net Employment Growth Rates for Surviving U.S. Private Sector Firms by Firm Age



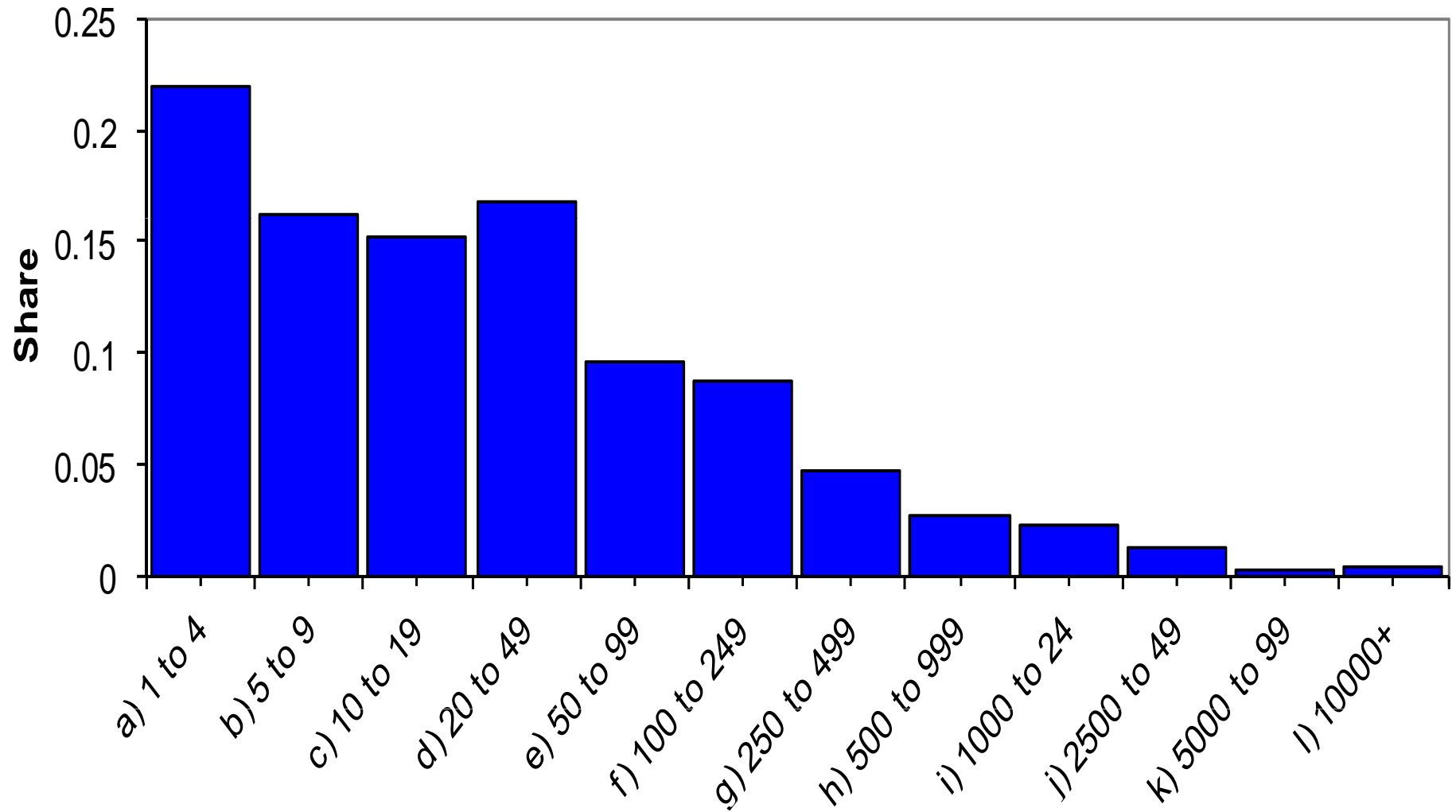
Source: Firm-level data used by Haltiwanger, Jarmin and Miranda (2011)

Industry as Predictor of Size and Growth of Firms?

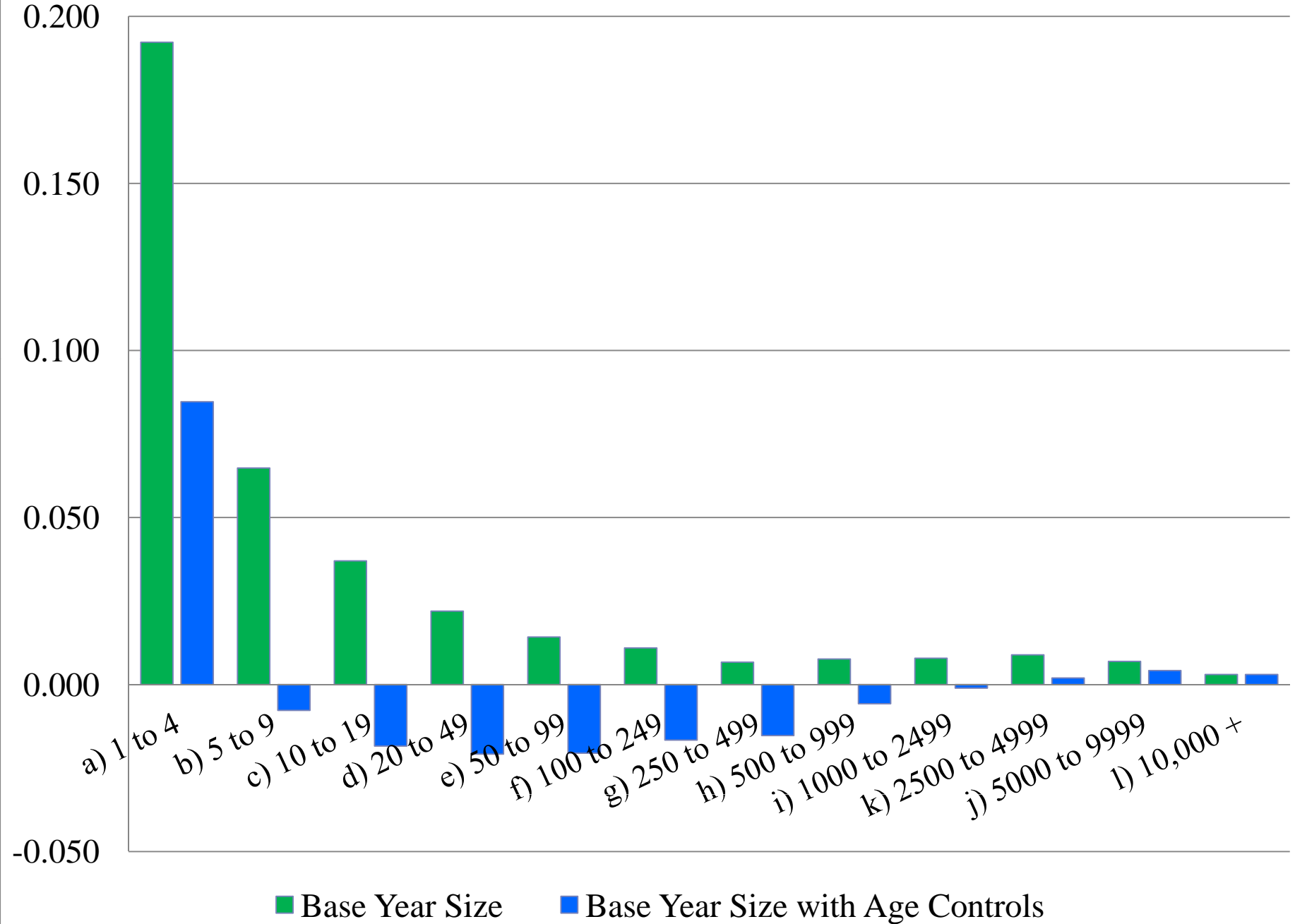
	R-squared from 6-digit NAICS effects
Probability Firm has less than 20 employees	0.12
Net Firm Growth Rate (All Firms)	0.06
Net Firm Growth Rate (Small Firms)	0.06
Probability firm is a high growth firm (defined as $\text{Net_Rate} > .2$)	0.04
Probability firm is a high growth firm (defined as: $\text{Net_Rate} > .2$ and $\text{Net_Level} > 10$)	0.03

Sample: All U.S. Private Sector Firms, 2003-05

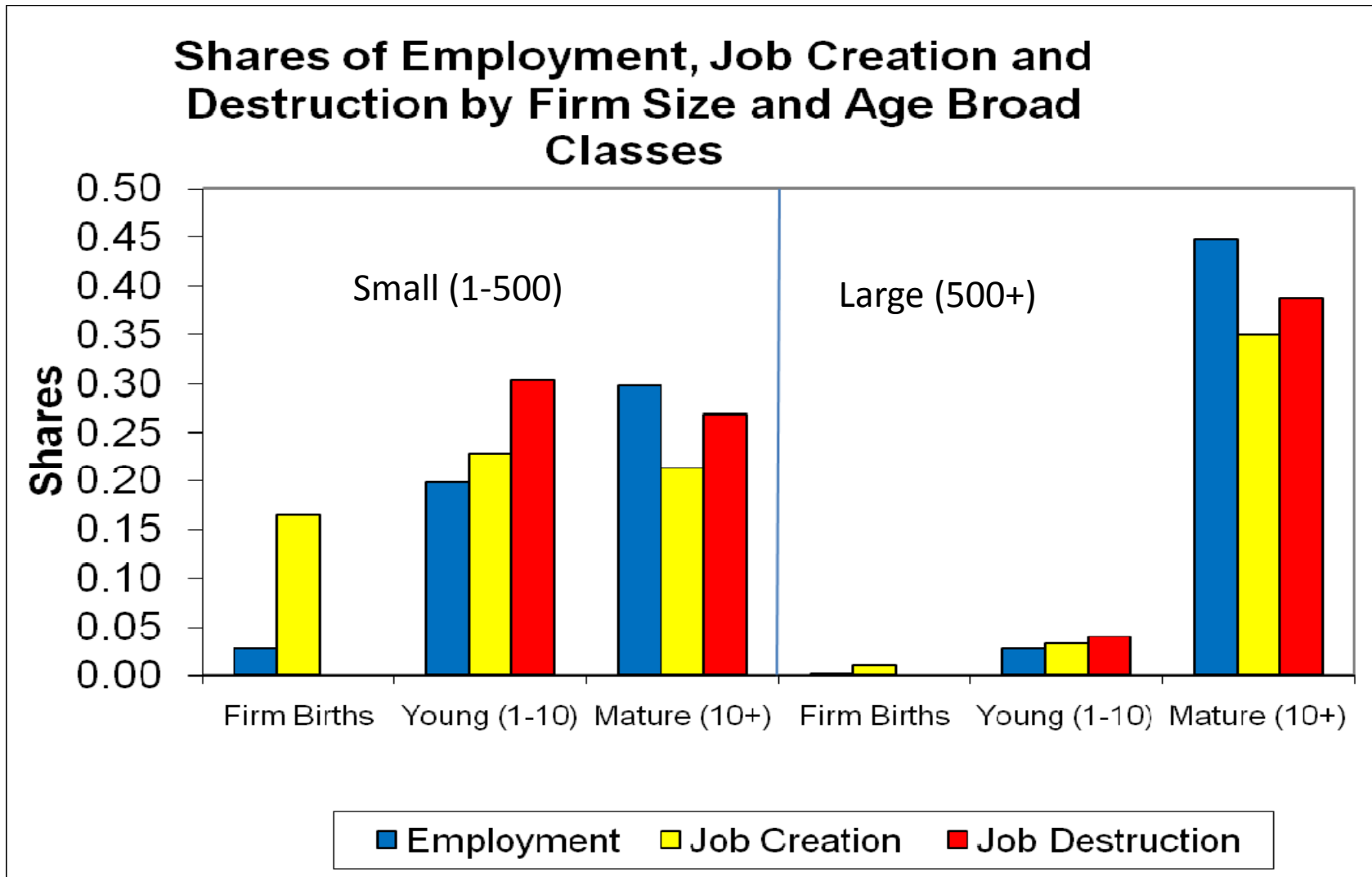
Share of Employment in Startups by Firm Size Class



Net Employment Growth by Base Year Firm Size

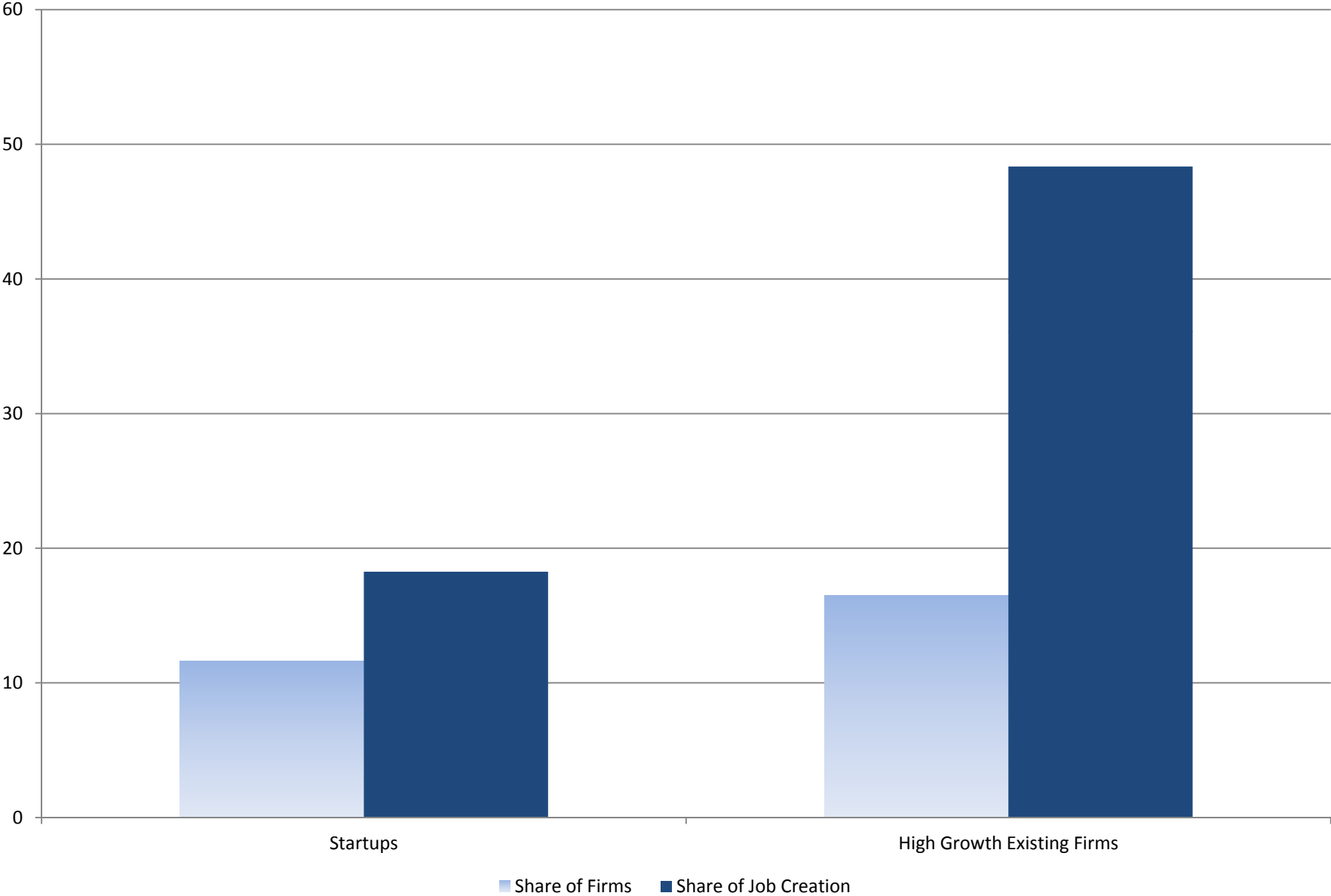


What type of businesses create jobs?



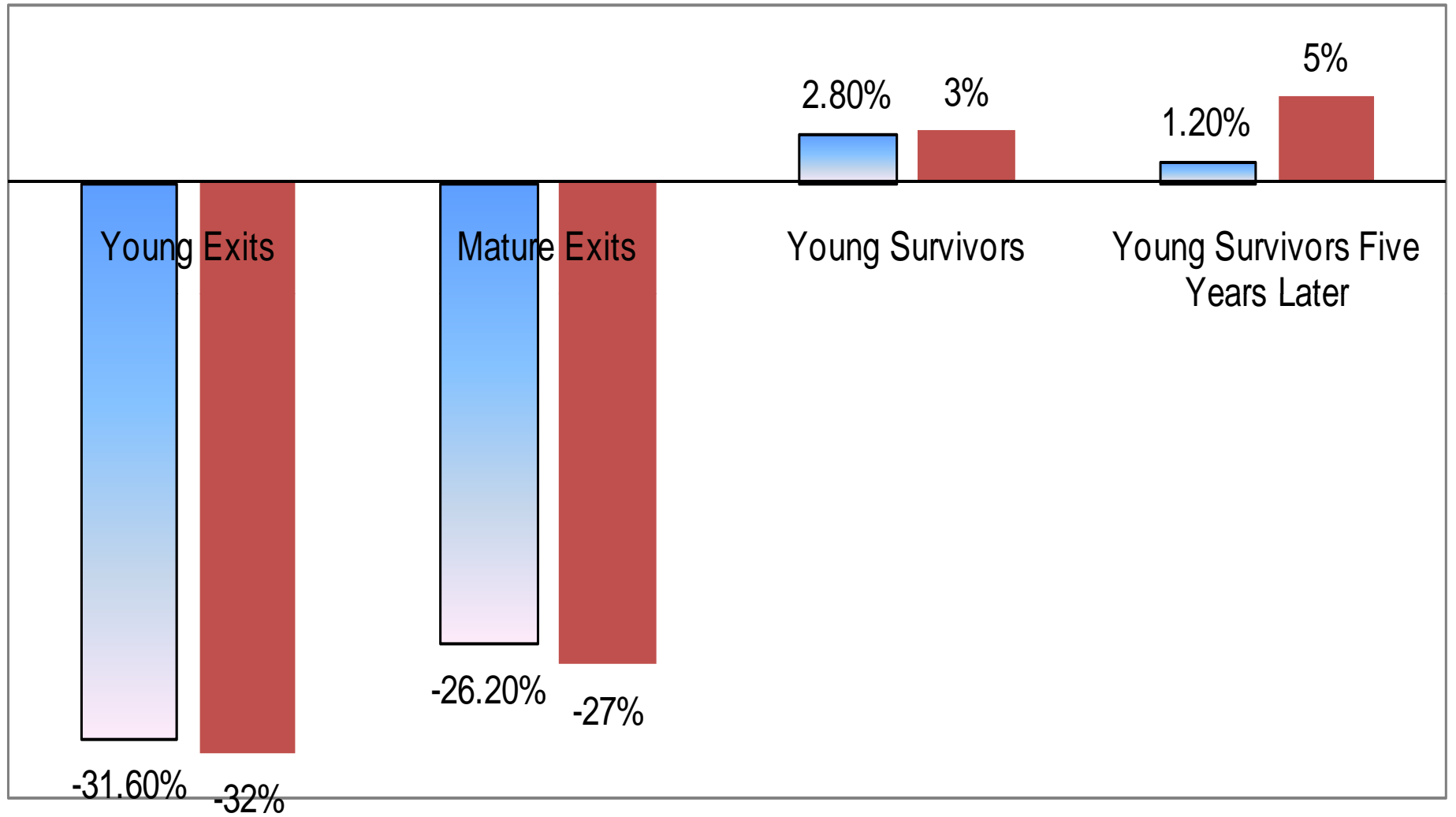
Source: BDS

**Startups and High Growth (Annual Growth>25 percent) Existing Firms
Disproportionately Create Jobs, U.S. Private Sector**



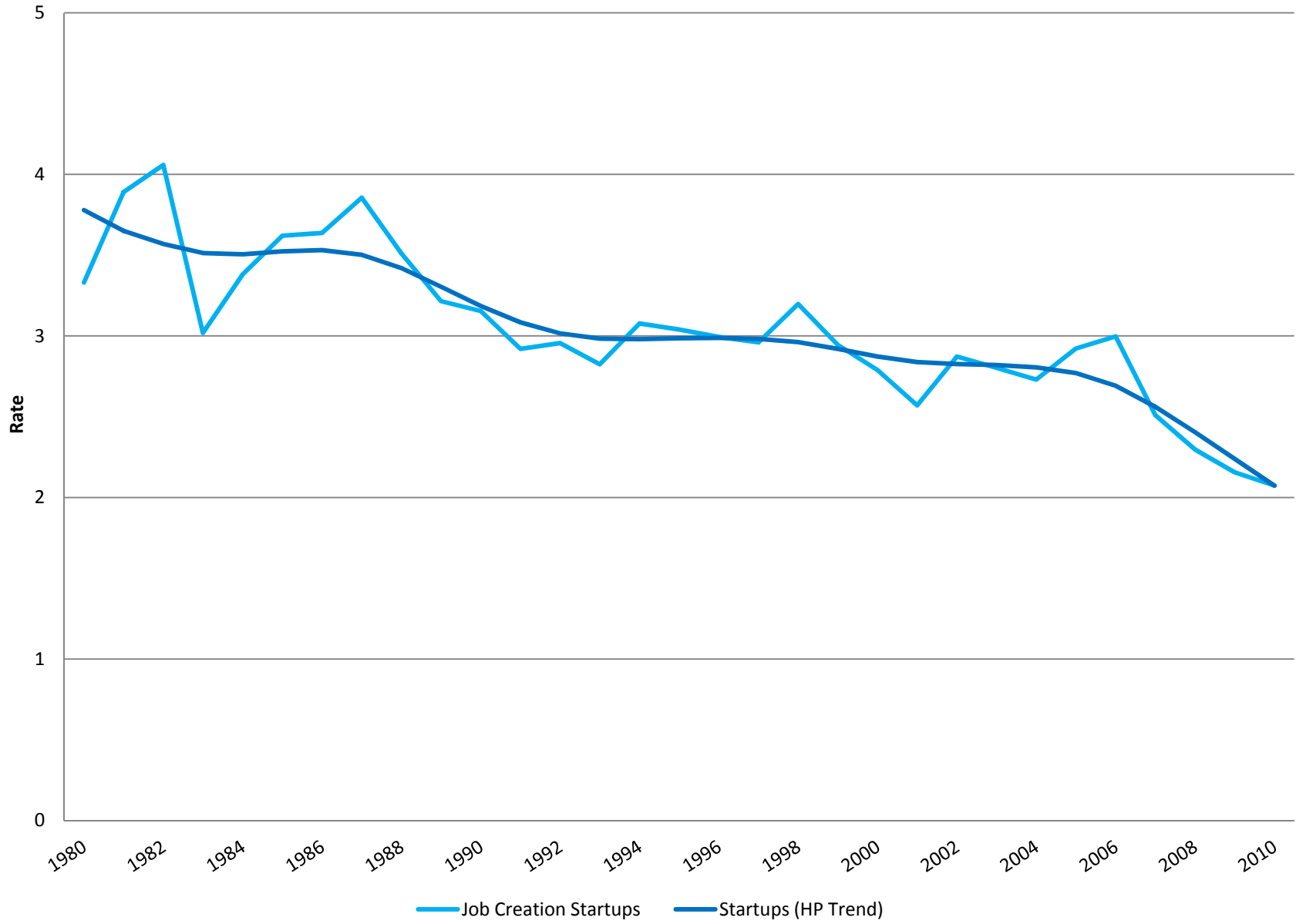
Source: Tabulations from Firm-Level Data Used in Haltiwanger, Jarmin and Miranda (2011)

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



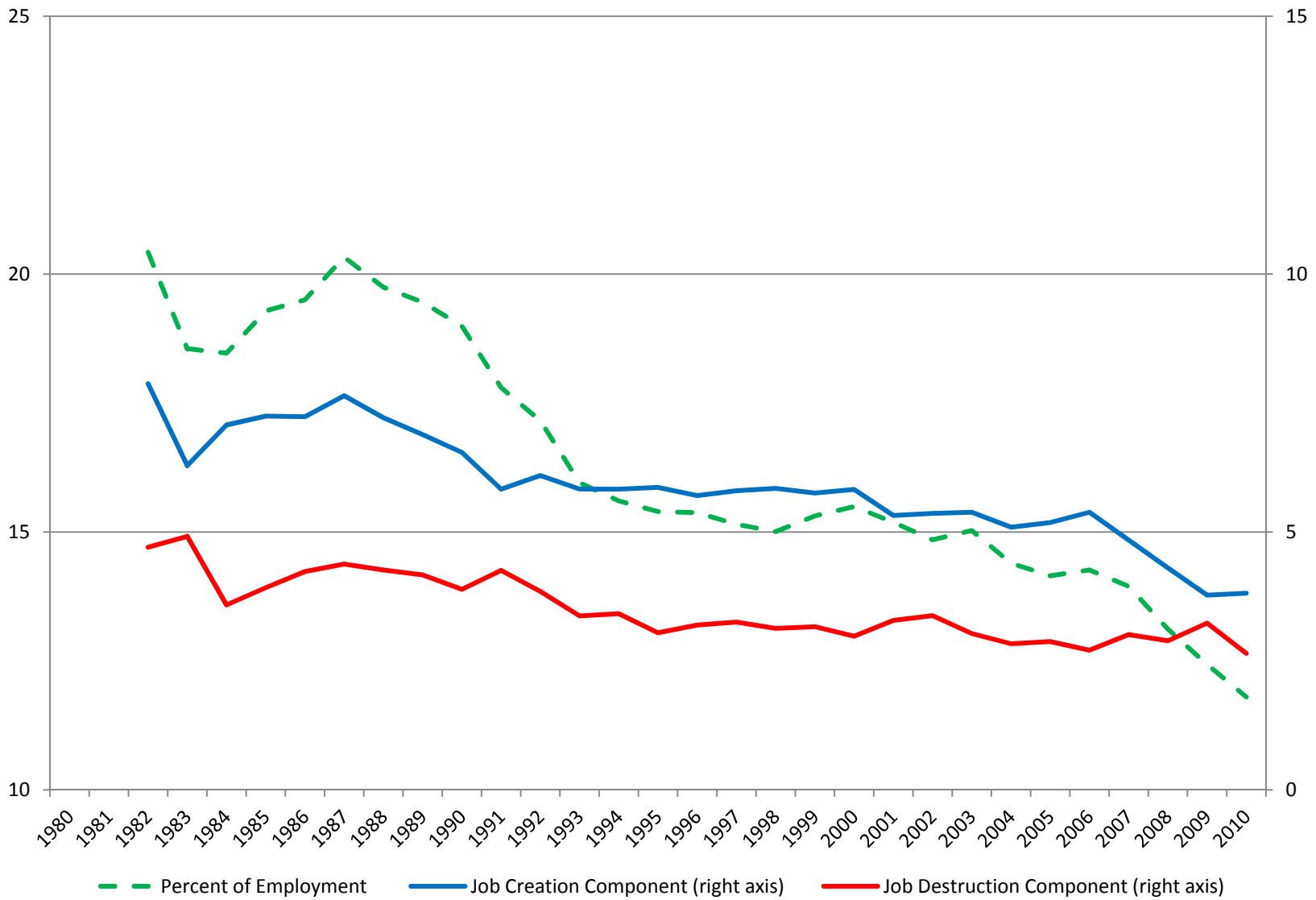
■ Single Unit Establishment Firms ■ All establishments

Annual Job Creation from Startups, U.S. Private Sector, BDS



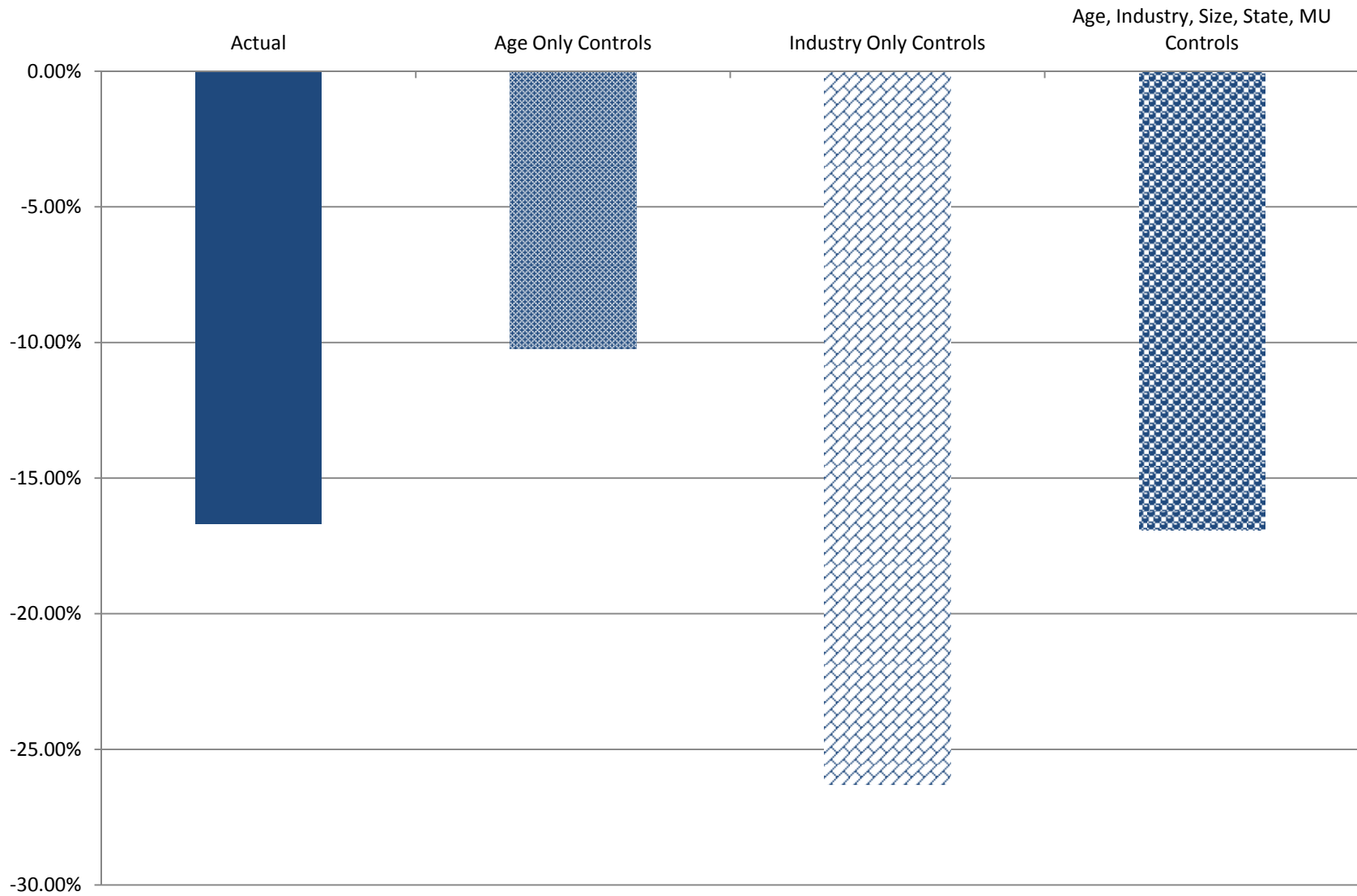
Source: BDS

Job Creation, Job Destruction and Employment (Age<5)



Source: BDS

"Peak to Peak" Decline in Job Creation from Avg 87-89 to Avg 04-06



Source: Haltiwanger, Jarmin and Miranda (2012)

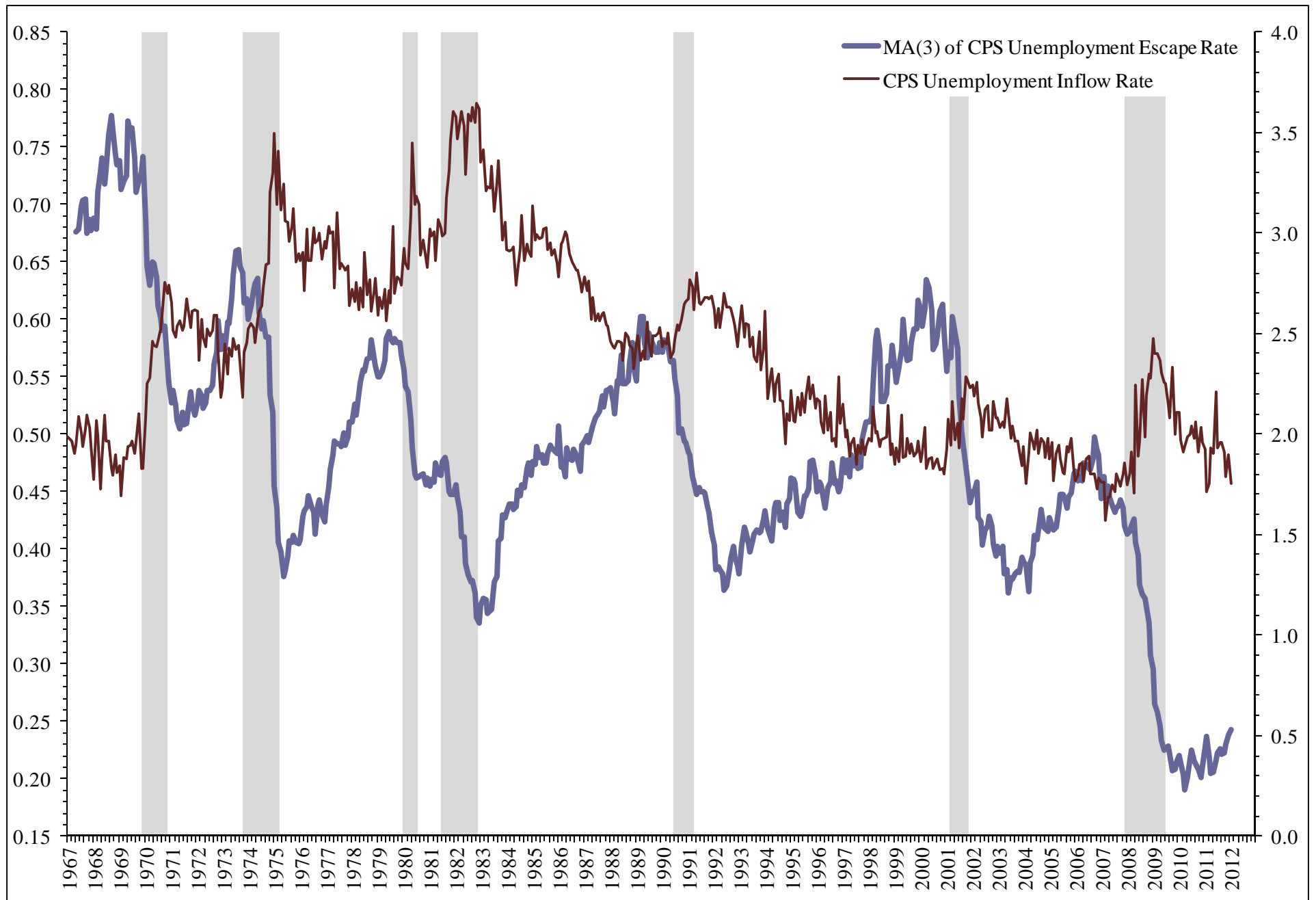
Peak to Peak Changes Within State (87/89 to 04/06)

	Within State
Avg Change in Job Creation for Continuers (JC)	-17.59%
Avg Change in Startup Rate	-25.01%
Avg Change in Job Destruction (JD)	-19.34%
Std Dev of Change in JC	8.16%
Std Dev of Change in JD	10.75%
Std Dev of Change in Startup Rate	13.57%

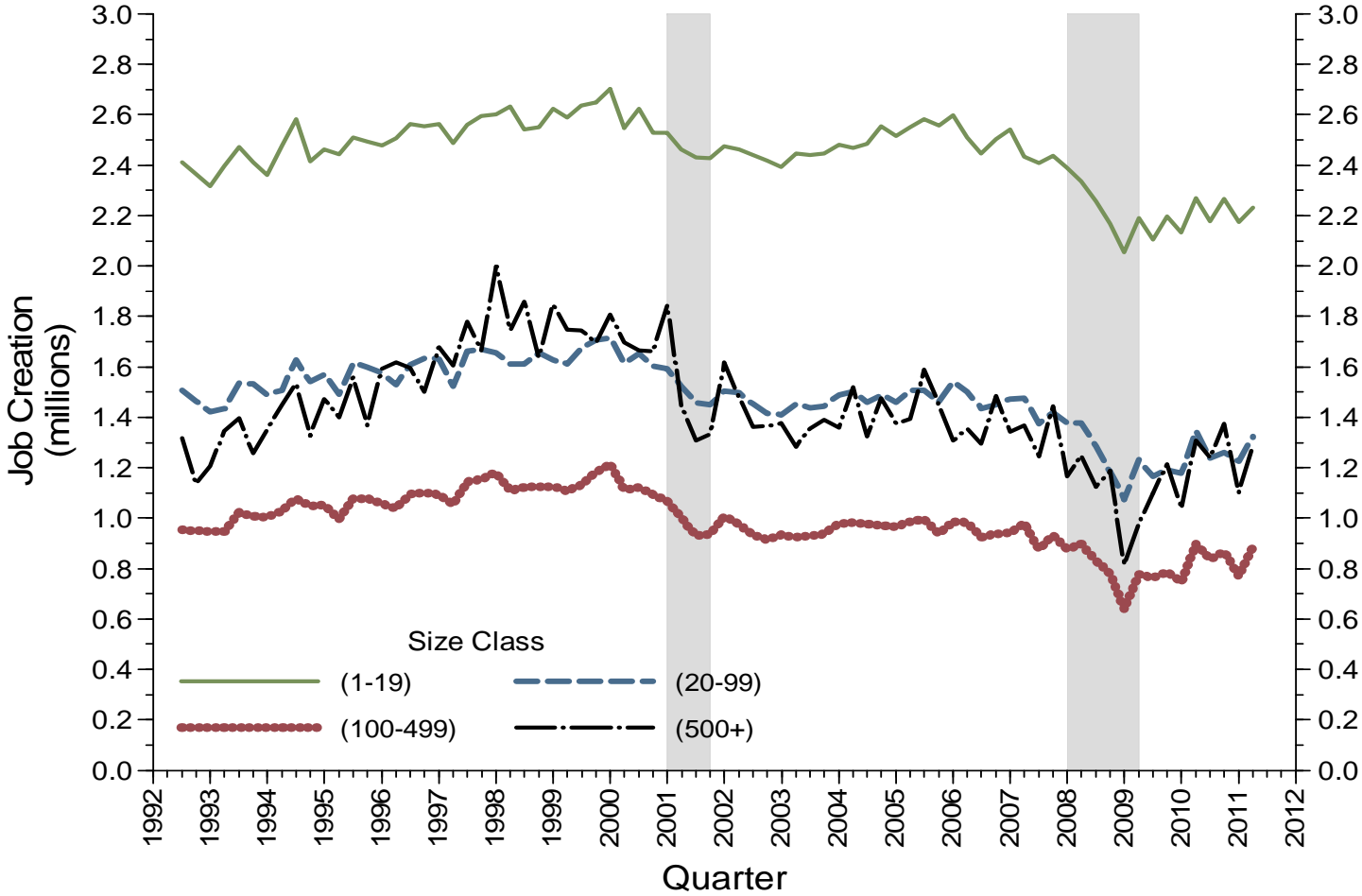
Source: Haltiwanger, Jarmin and Miranda (2012)

BACKGROUND/EXTRA SLIDES

Unemployment Inflow and Escape Rates, Monthly, CPS

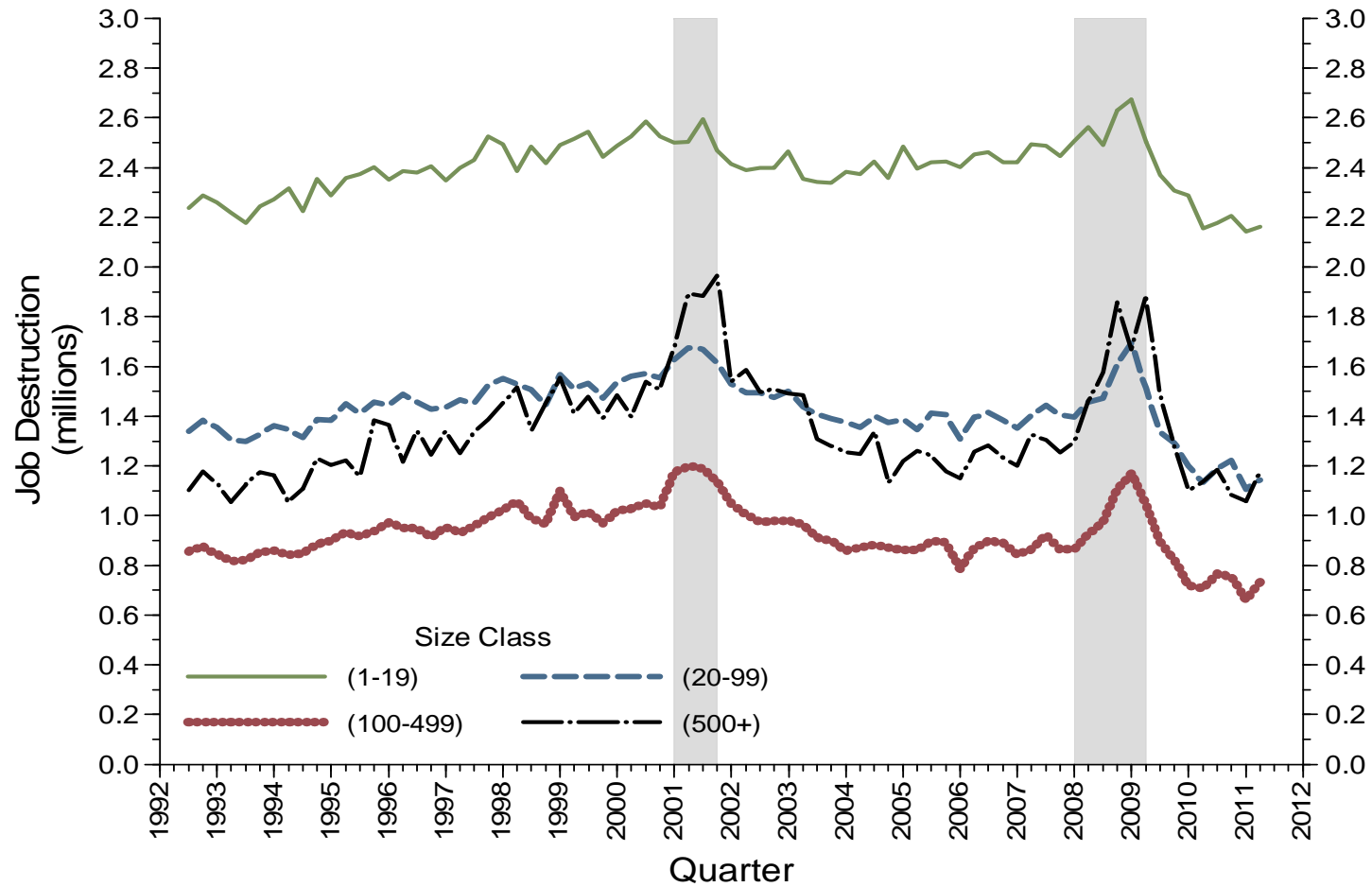


Gross Job Creation Levels by Employer Size



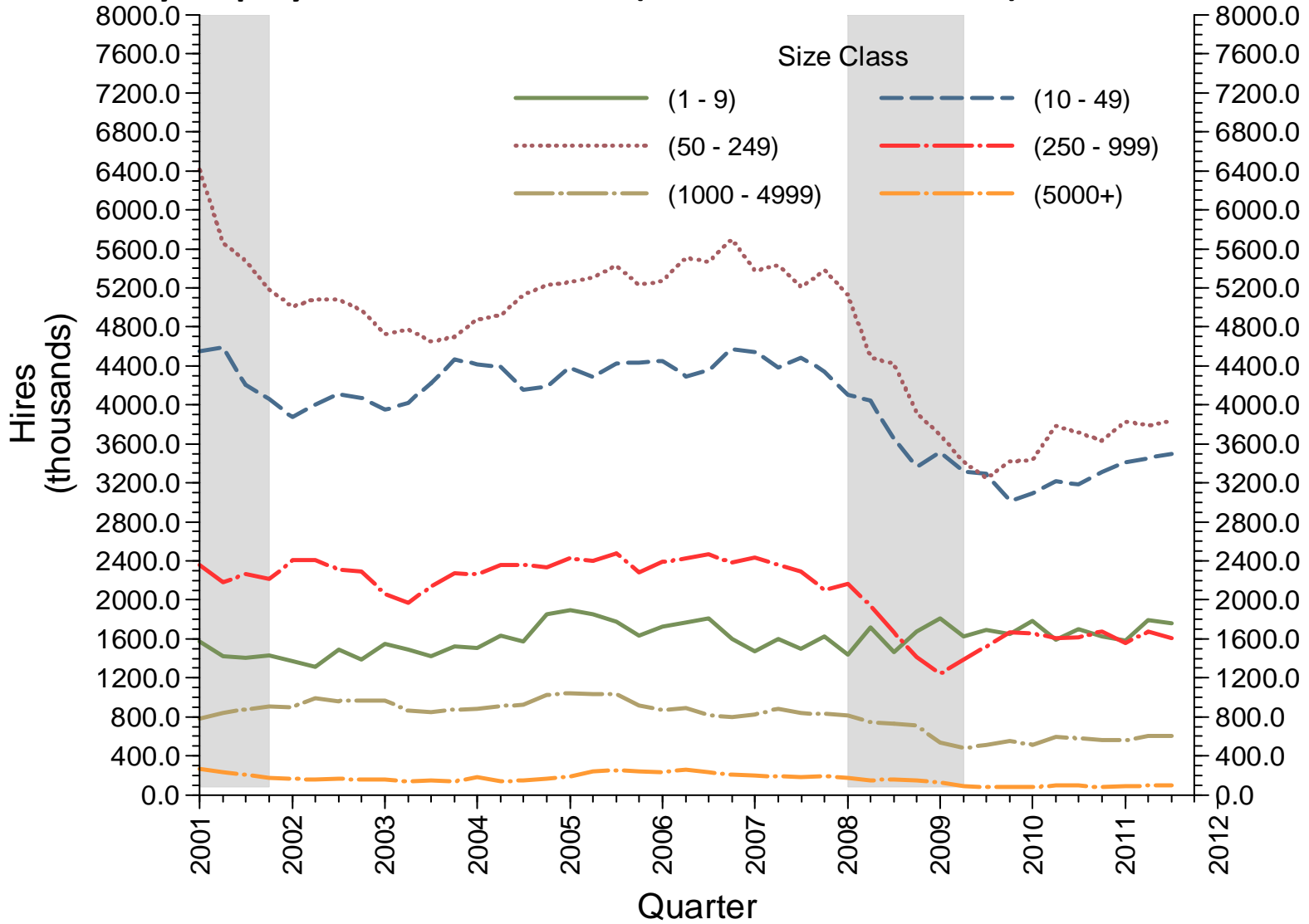
Source: BLS BED

Job Destruction Levels by Employer Size



Source: BLS BED

Hires by Employer, Size Class, JOLTS (Cumulated to Quarter)



Hires Rates by Employer, Size Class, JOLTS, Quarterly Avg of Monthly Rates

