The Decline in Business Dynamism in the U.S.

By

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(This presentation draws on joint work with Steven Davis, Ryan Decker, Ian Hathaway, Ron Jarmin and Javier Miranda)
Quarterly Rates of Worker Reallocation, Job Reallocation & Churn, U.S.
Nonfarm Private Sector

Worker Reallocation = Job Reallocation + Churn
(Hires + Separations)       (Creation + Destruction)
High Exit Rates of Young Firms

Up or Out Dynamics of Young Firms

High Mean Net Growth of Surviving Young Firms

Statistics are for U.S. Nonfarm Private Sector
Most Young Firms Fail or Don’t Grow – But a Small Fraction Grow Very Rapidly – They Account for the Sustained Contribution of Startups

Statistics are for U.S. Nonfarm Private Sector
Startups Plus High Growth Firms (that are disproportionately young) account for about 70 percent of Gross Job Creation.

Statistics are for U.S. Nonfarm Private Sector.
A Tale of Two Sectors: Reallocation Rates in High Tech vs. Retail
Share of Employment from Young Firms
(Firm Age Five or Less)

Retail
High Tech
Declining (Positive) Skewness in High Tech but not in Retail Trade
Declining Skewness in High Tech has contributed to overall decline in Skewness for Private Sector
Within Industry Dispersion in TFP over time in High Tech Mfg vs. All Mfg (3-year MA, 90-10)
Marginal Response of Plant-Level Growth to TFP Shock in High Tech Manufacturing
Actual and Predicted Changes in Employment Rates Implied by Changes in Fluidity, 1998-00 to 2010-11, Males

Less than High School

Age Group

- Actual
- Predicted

High School

Age Group

- Actual
- "Predicted"

Some College

Age Group

- Actual
- Predicted

College

Age Group

- Actual
- Predicted