

# Who Creates Jobs? Small vs. Large vs. Young\*



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Talk based on:

Haltiwanger, Jarmin and Miranda, (2010) “Who Creates Jobs? Small vs. Large vs. Young”, NBER Working Paper No. 16300, August.

Haltiwanger, Jarmin and Miranda, (2011), “Historically Large Decline in Job Creation from Startup and Existing Firms in the Great Recession,” BDS Brief No. 5 (in process).

# Strong claims continue to be made on the role of small businesses and job creation....

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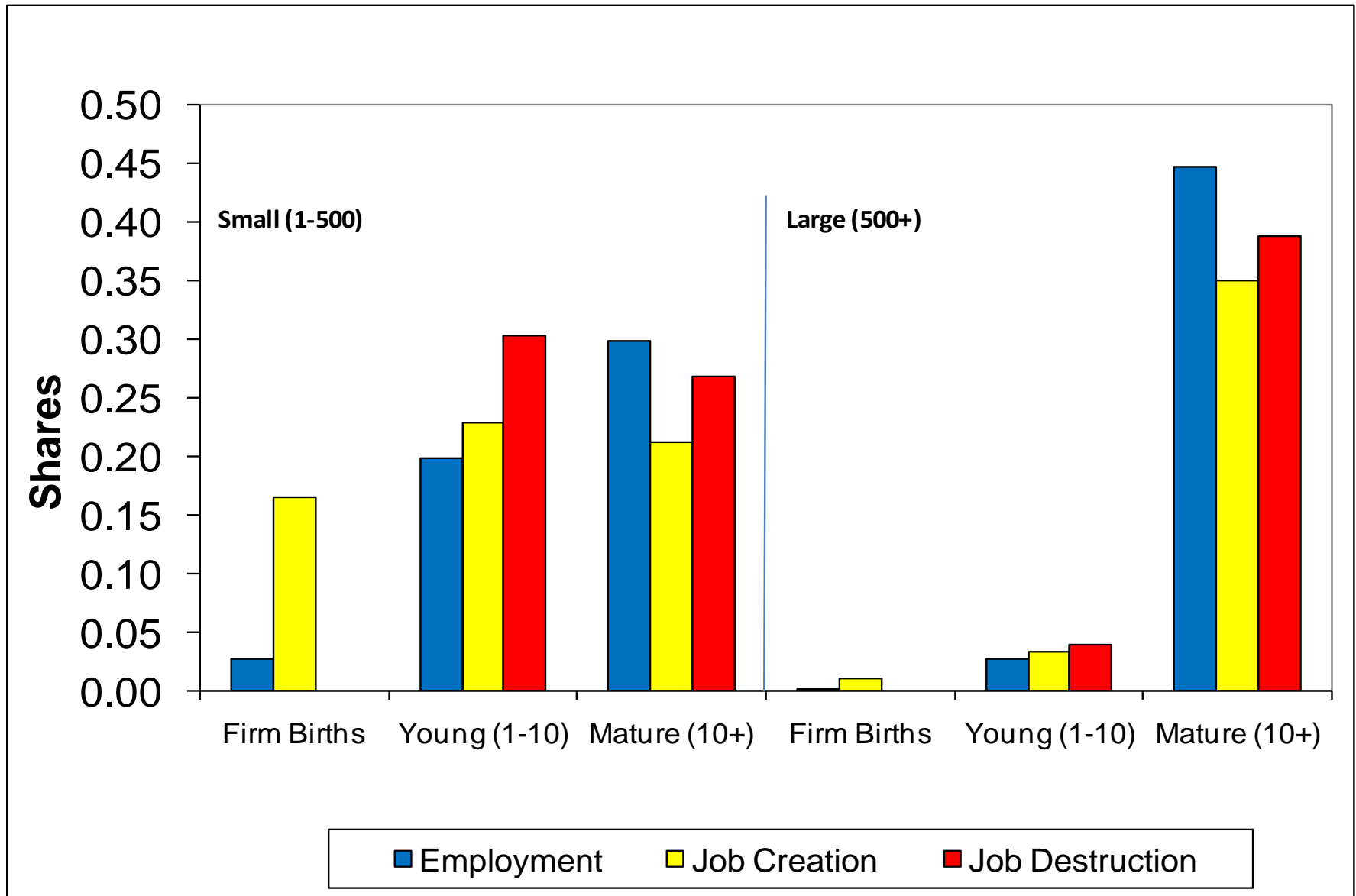
- ❑ From policymakers and pundits, an often repeated refrain is that “small businesses are the primary creators of net new jobs”
  - Typical claim is that small businesses account for about two thirds of net job creation
- ❑ Both sides of the aisle regularly use this claim to justify policy proposals
  - Jobs bill in September 2010
  - Extending tax cuts in December 2010
- ❑ Repeated by so many over so many years, it must be true!...

**Table 1 Net Job Creation by Firm Size and Firm Age, U.S. Private Sector, 2005 (Panel A – BASE YEAR SIZE)**

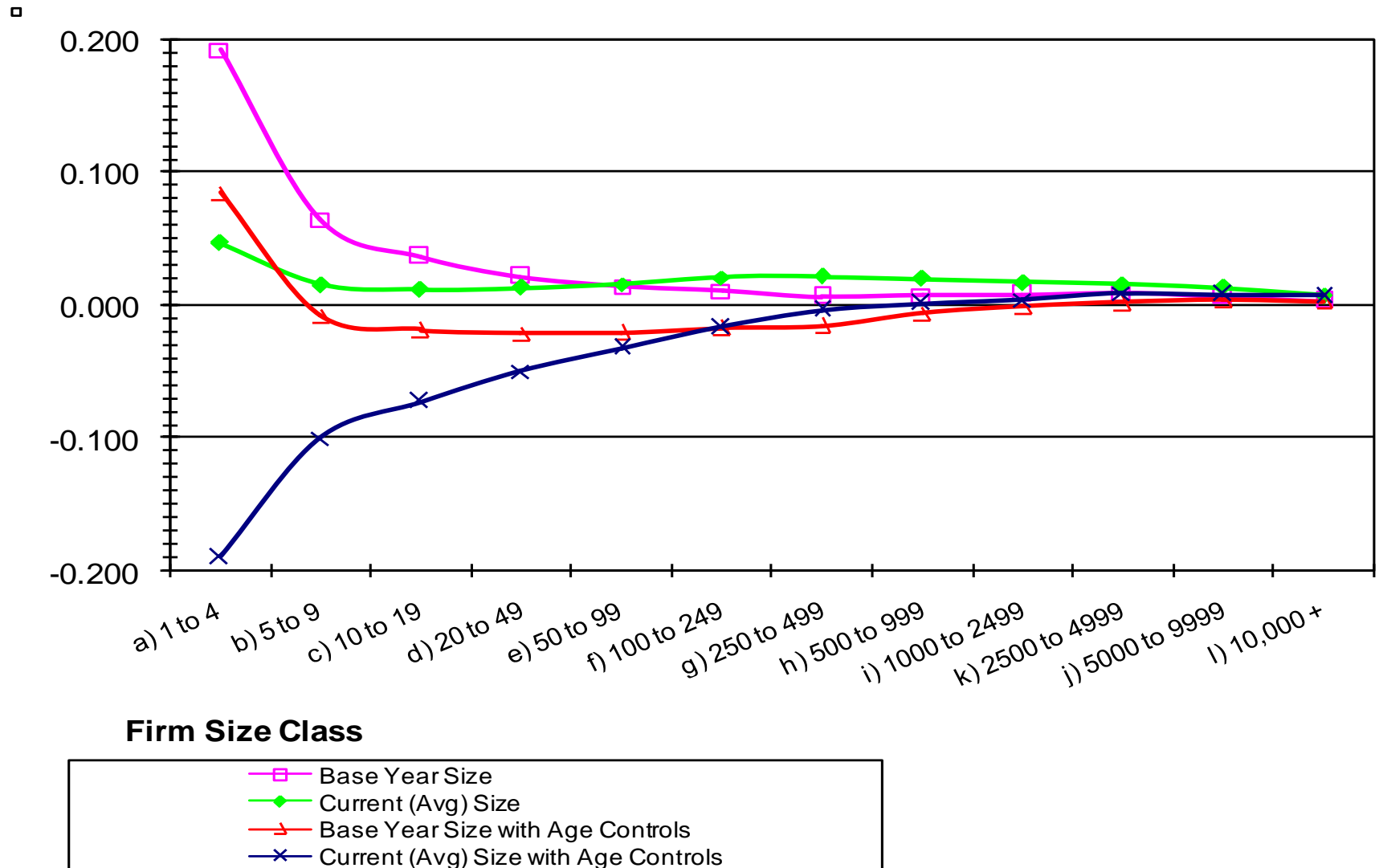
Firm Age	Firm Size (Base Year)												All
	a) 1 to 4	b) 5 to 9	c) 10 to 19	d) 20 to 49	e) 50 to 99	f) 100 to 249	g) 250 to 499	h) 500 to 999	i) 1000 to 2499	j) 2500 to 4999	k) 5000 to 9999	l) 10000+	
a) 0	731,515	503,644	498,317	553,181	313,511	292,348	157,120	151,518	186,087	131,178	D	D	3,518,419
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	-9,816	-4,301	-5,436	-298	-4,011	D	D	-74,035
f) 5	4,808	-19,792	-24,392	-29,425	-14,870	-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](http://www.ces.census.gov/index.php/bds/bds_home)

# The Size/Age Distributions

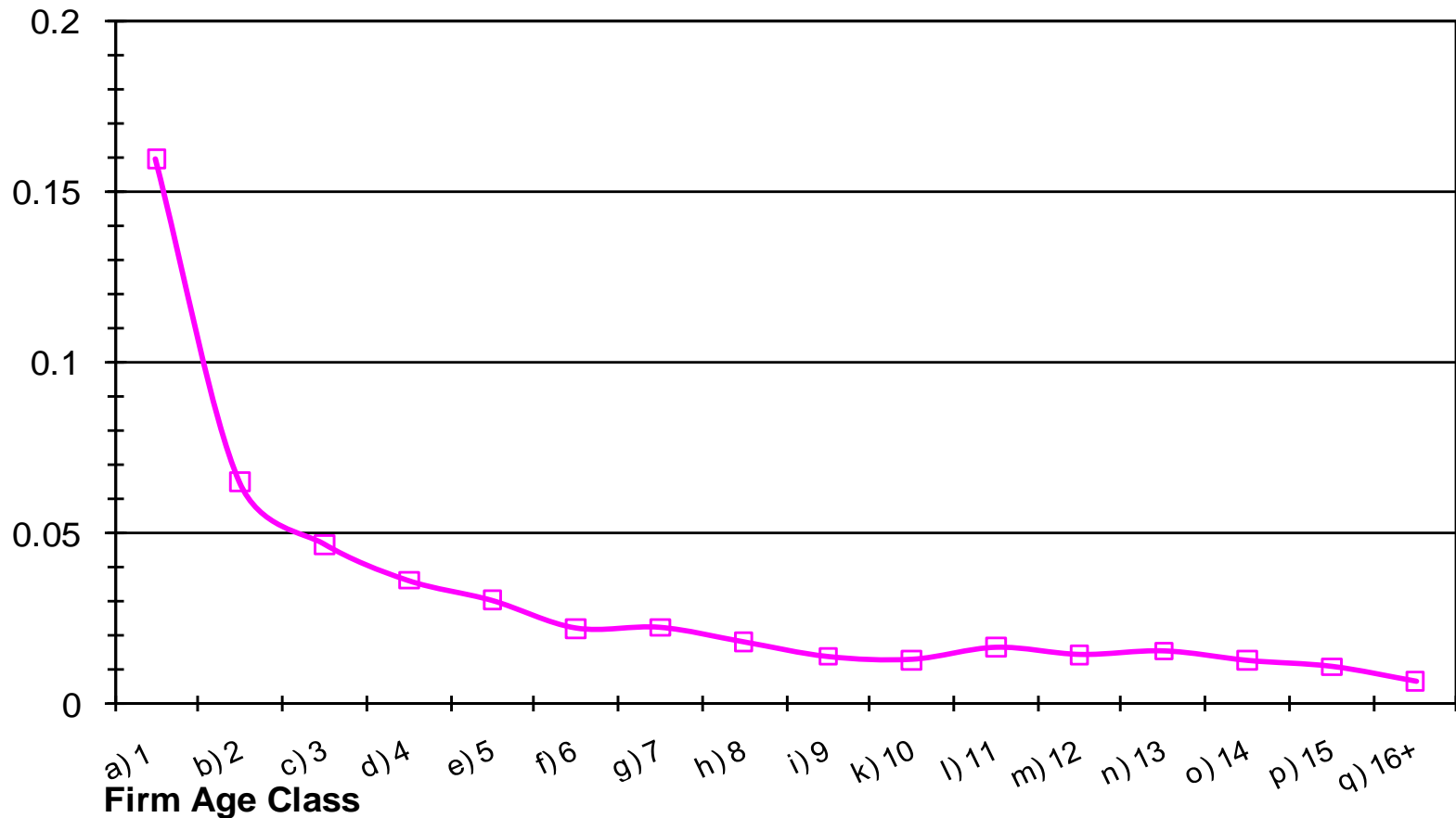


# Firm Size: Sensitivity to controlling for age and size methodology

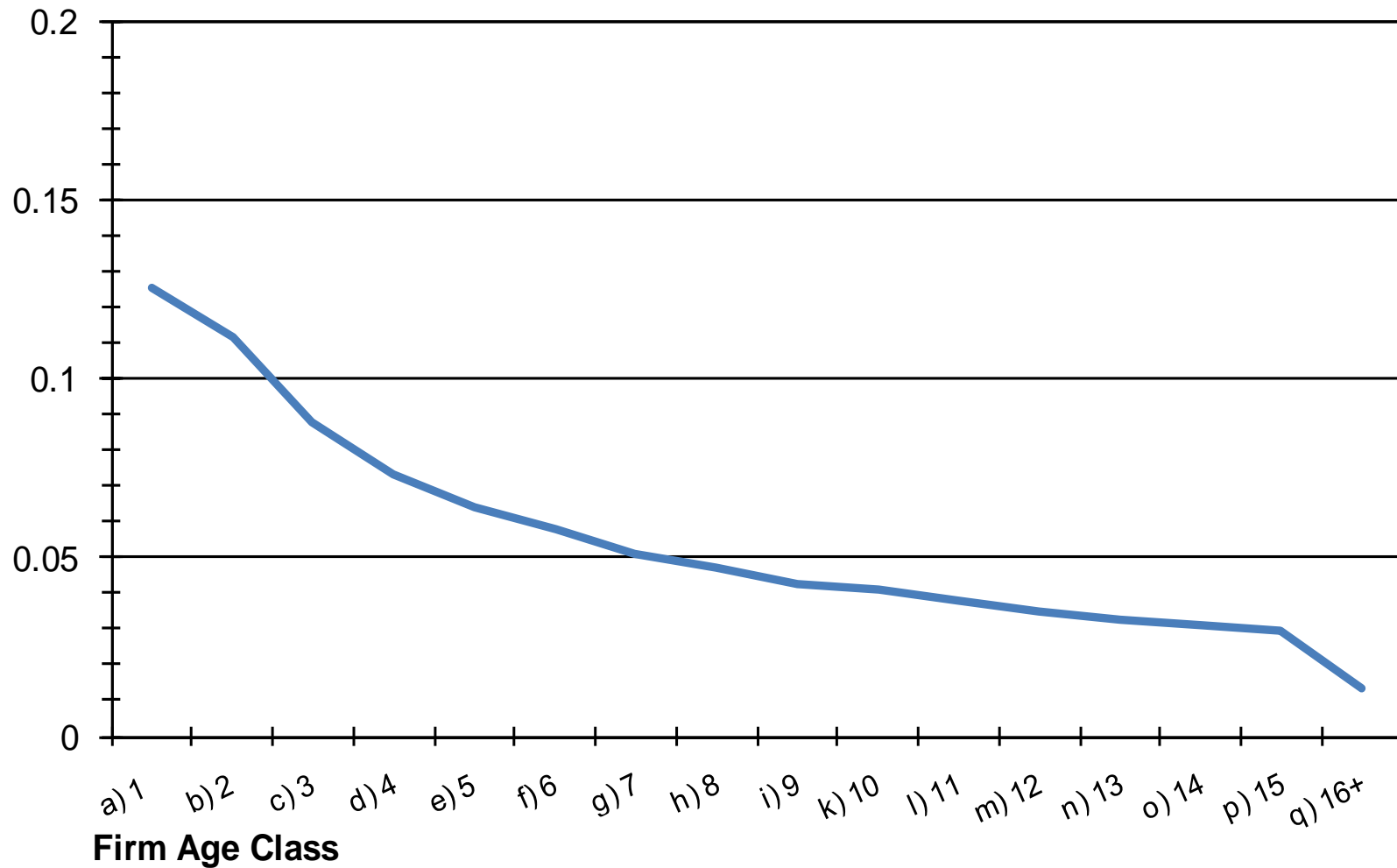


# “Up or out” Dynamics for Young Firms

Net Employment Growth for Continuing Firms by Firm Age



## Job Destruction from Firm Exit by Firm Age



# Interpretation

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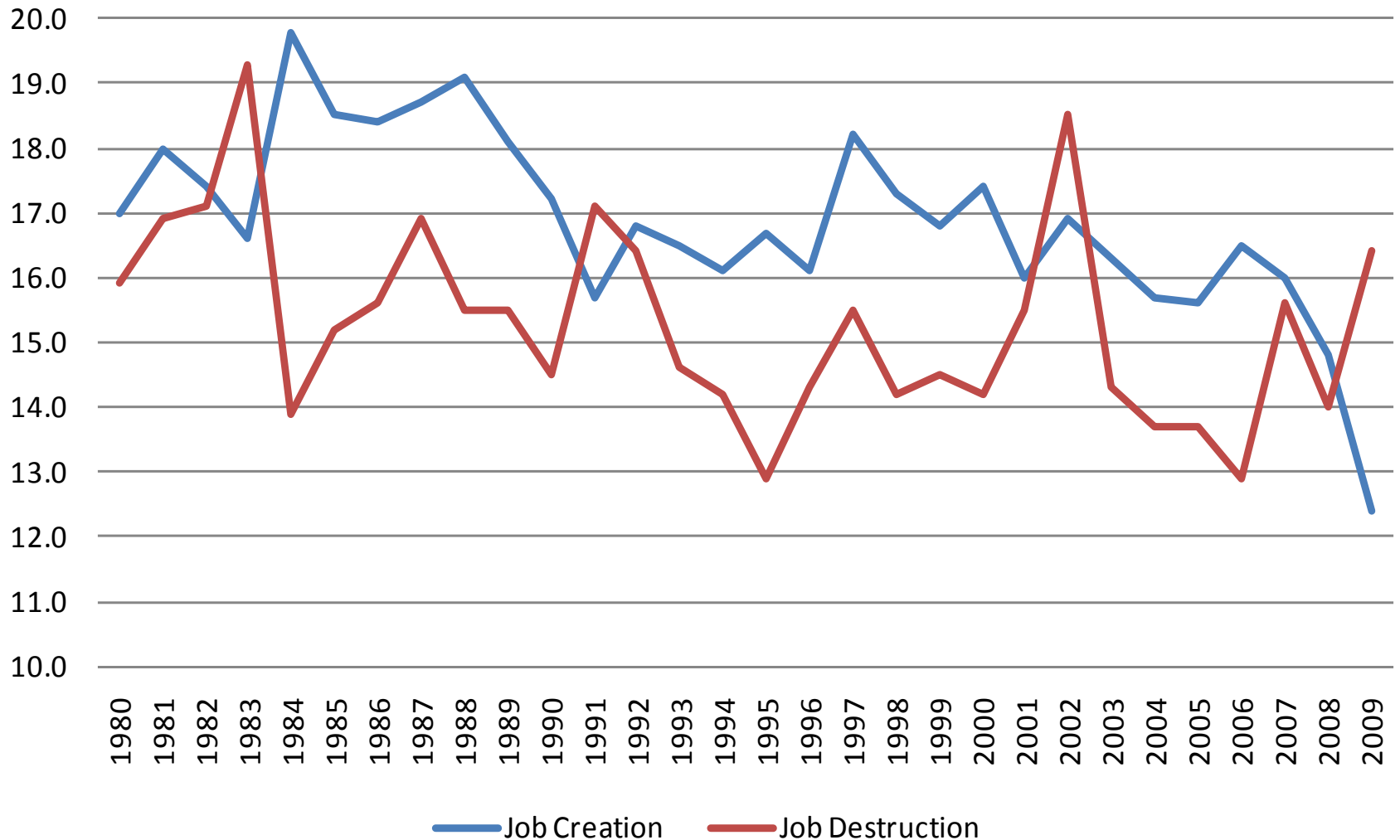
- More nuanced view of role of small businesses as “primary creators of jobs”?
  - More informative to focus on firm startups and firm age
    - No systematic relationship between firm size and net growth once we control for firm age
    - Firm startups contribute substantially to gross and net job creation
    - Firm startups tend to be small
    - Young firms very volatile (up or out)
    - Firm age patterns don’t yield patterns that can be misinterpreted given regression to the mean effects
- Related evidence shows “up or out” dynamics important for productivity growth.
- All part of constant restructuring and reinvention of U.S. economy as it adapts to changing economic conditions and grows.



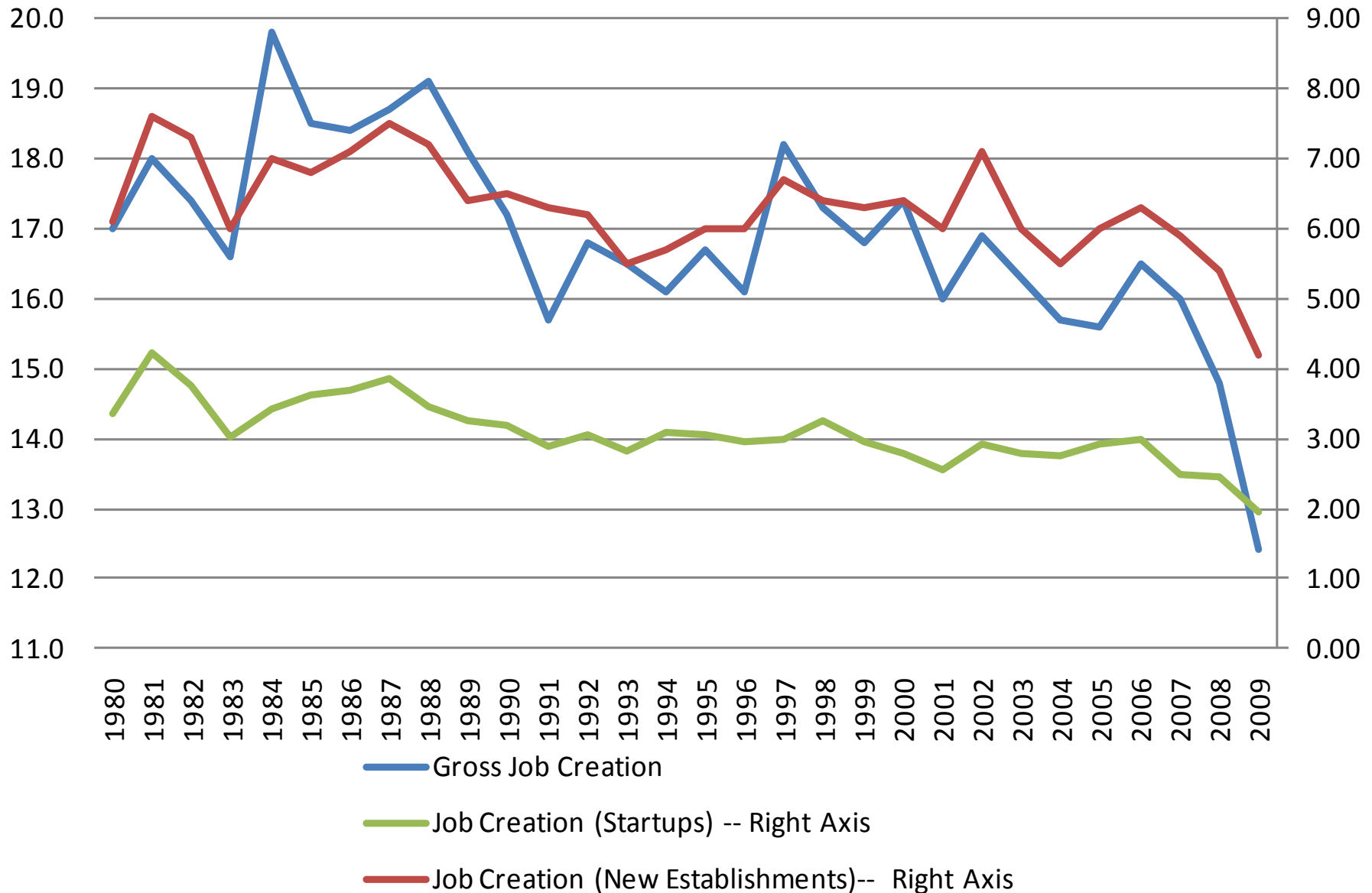
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# **What Do We Know About These Dynamics Over Time ? (and in particular in the Great Recession?)**

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

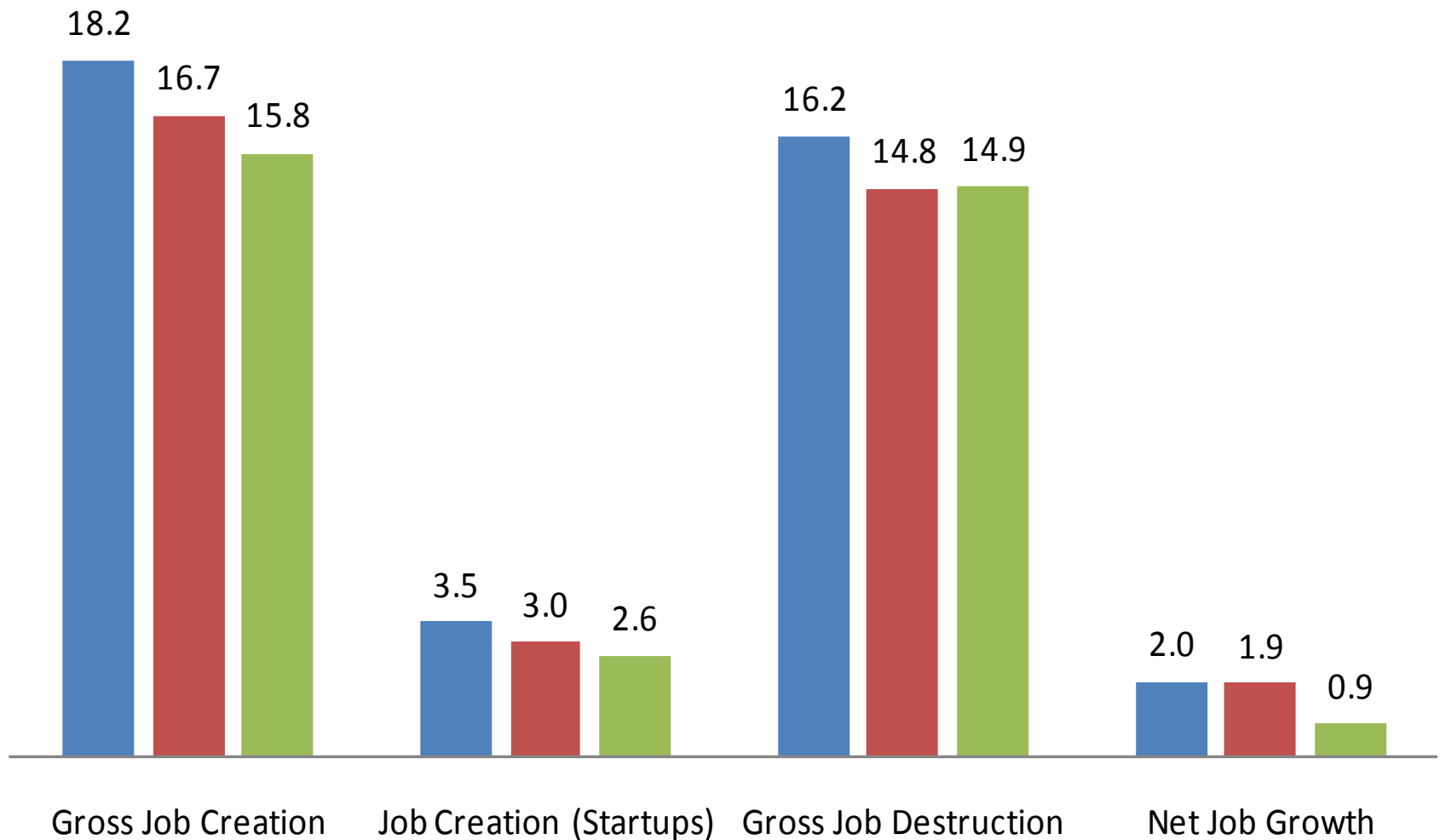


# Job Creation and Business Startup Rates, U.S. Private Sector



# Trends in Gross Flows and Net Job Creation

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



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