

Job Creation, Worker Churning, and Wages at Young Businesses

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Local Employment Dynamics Partnership Workshop

June 13, 2013

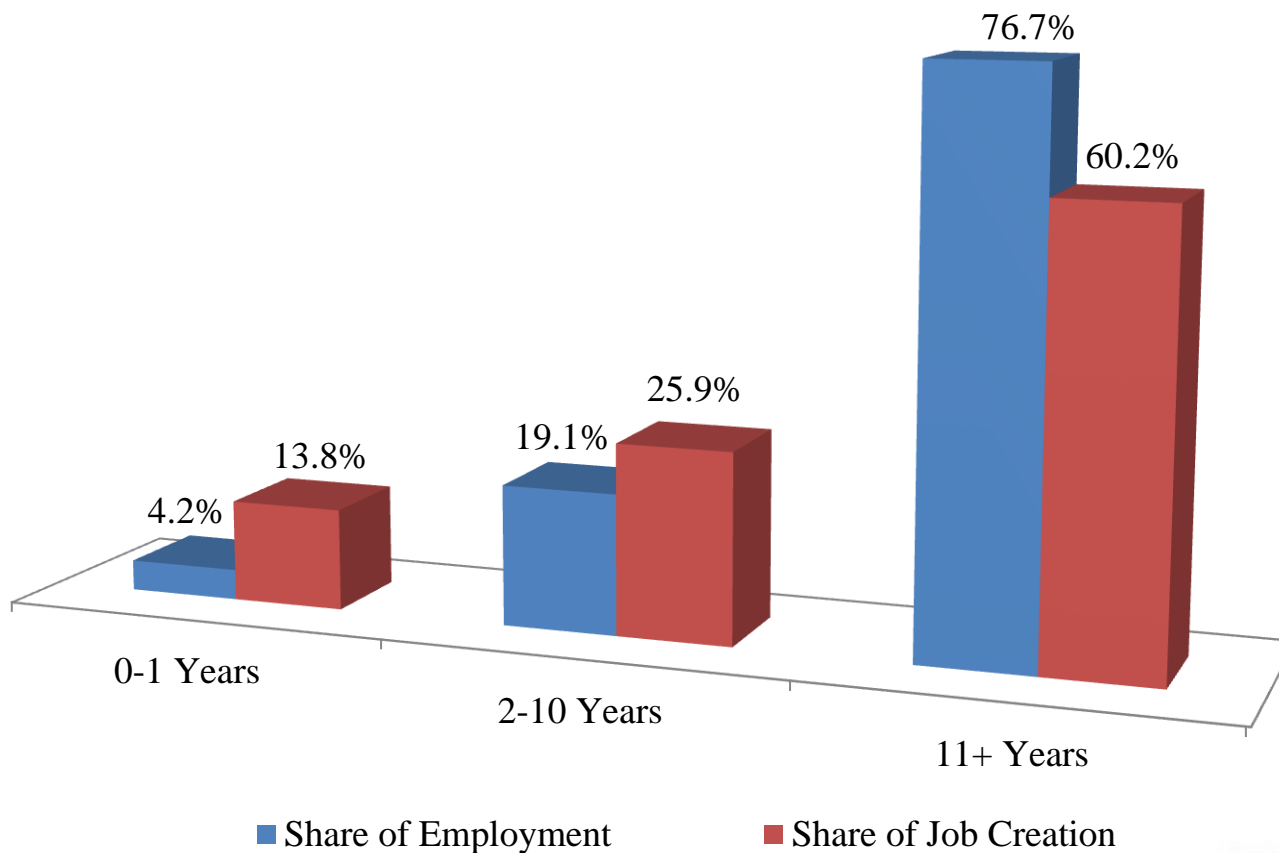
New in 2012: QWI by National Firm Age and Size

- Provides detailed employment and wage information by national age of firm and national size of firm
 - Young firms vs. established firms
 - Small firms vs. large firms
- Use Longitudinal Business Database (LBD) / Business Dynamics Statistics (BDS) microdata as the primary input
 - Based on administrative records (Business Register), Company Organization Survey, and economic censuses
 - Follows firms longitudinally from the 1970s
 - Adjusts for mergers & acquisitions and provides a national firm identifier
 - Provides *national* measures of firm age and size
- Firm age is based on the age of the oldest establishment in the firm. Firm size is the total employment in March 12th of the previous year.

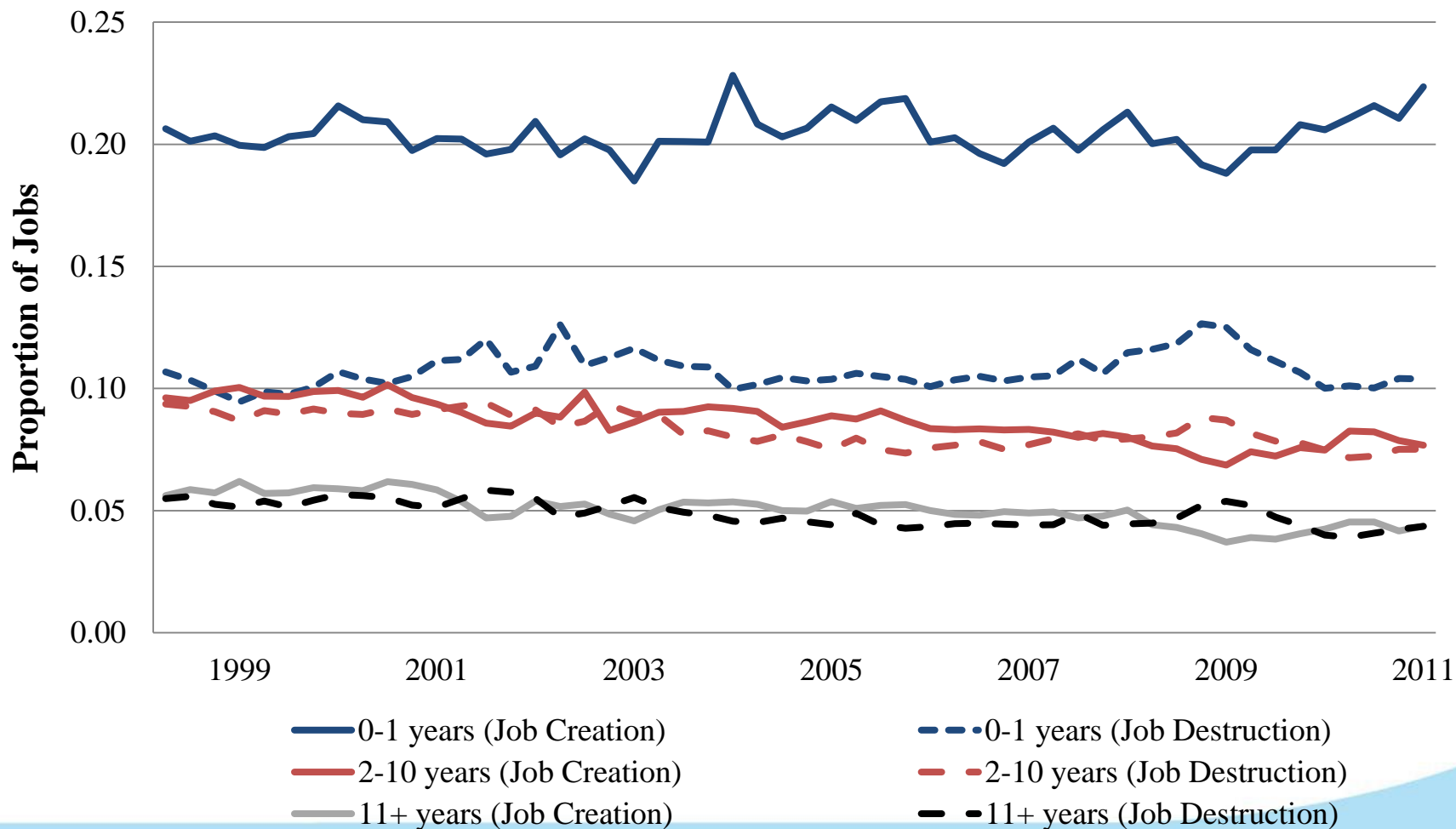
Some Initial Results Using the Firm Age and Size Public Use Tabulations

- Released as a Kauffman Foundation report in November 2012
- Use a 28-state pooled sample of QWI states from 1998-2011 (56% of U.S. employment)
- All results are seasonally adjusted, private sector employment only

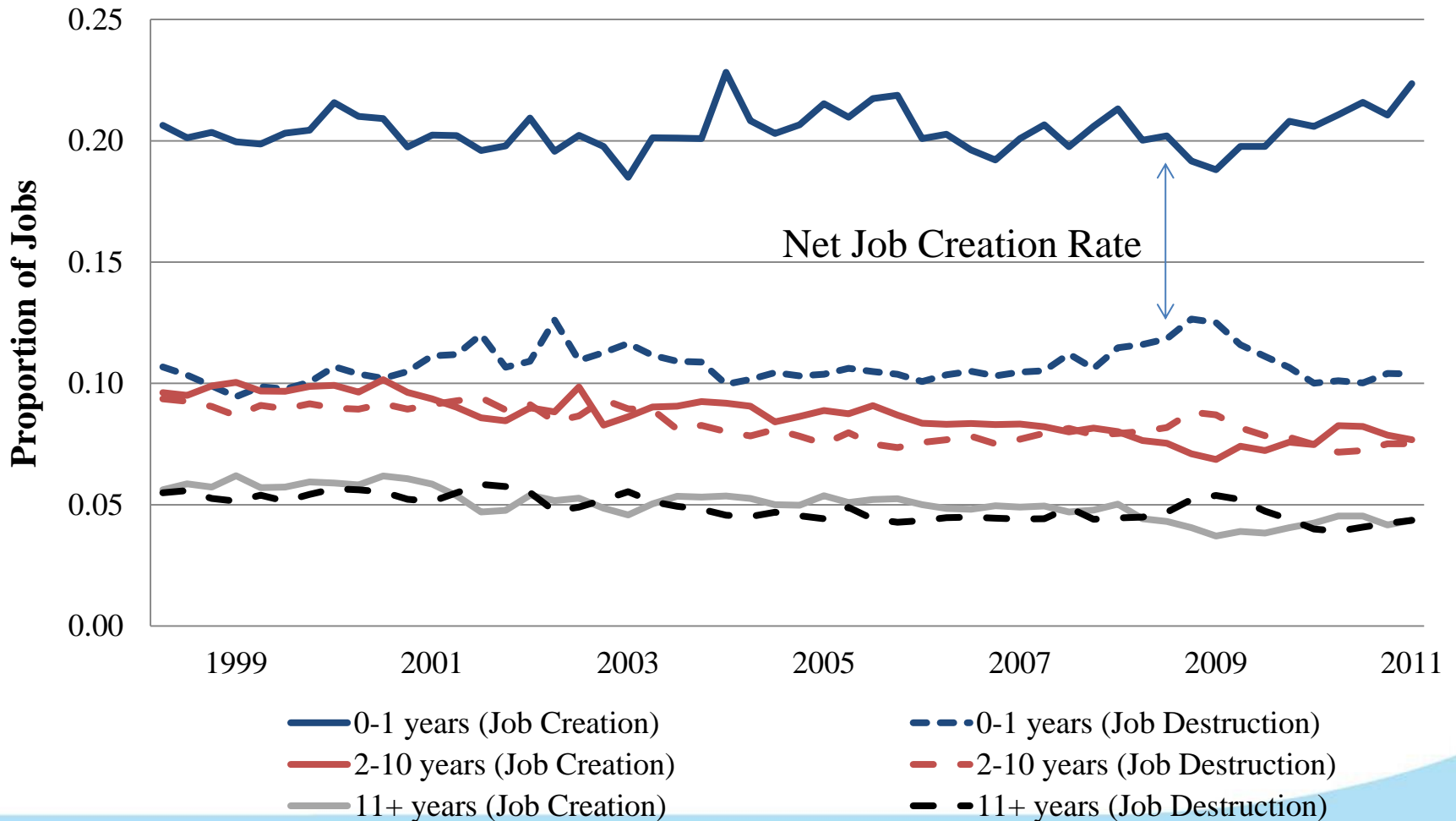
Shares of Employment and Job Creation by Firm Age, 1998-2011



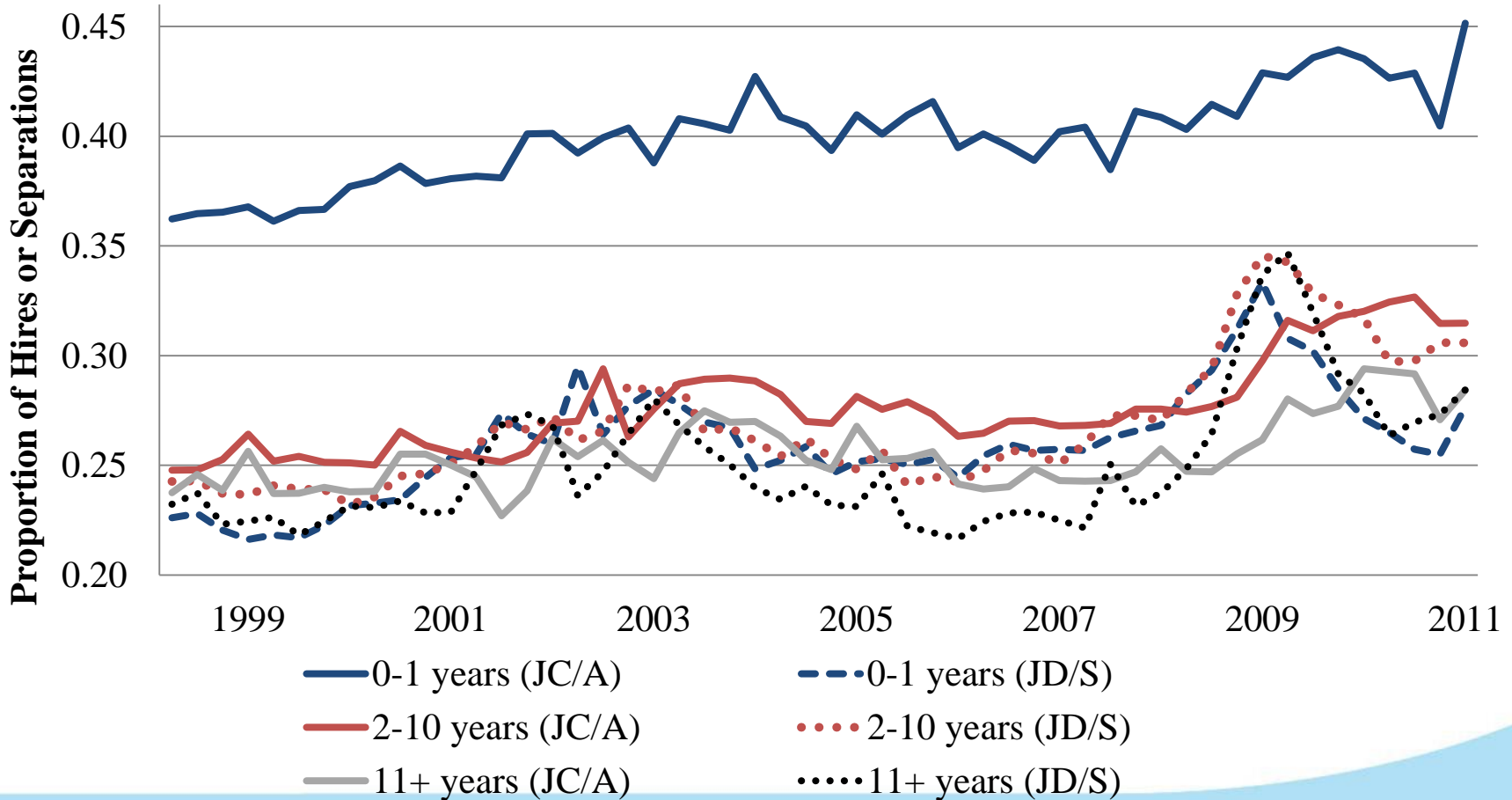
Quarterly Job Creation and Destruction by Firm Age



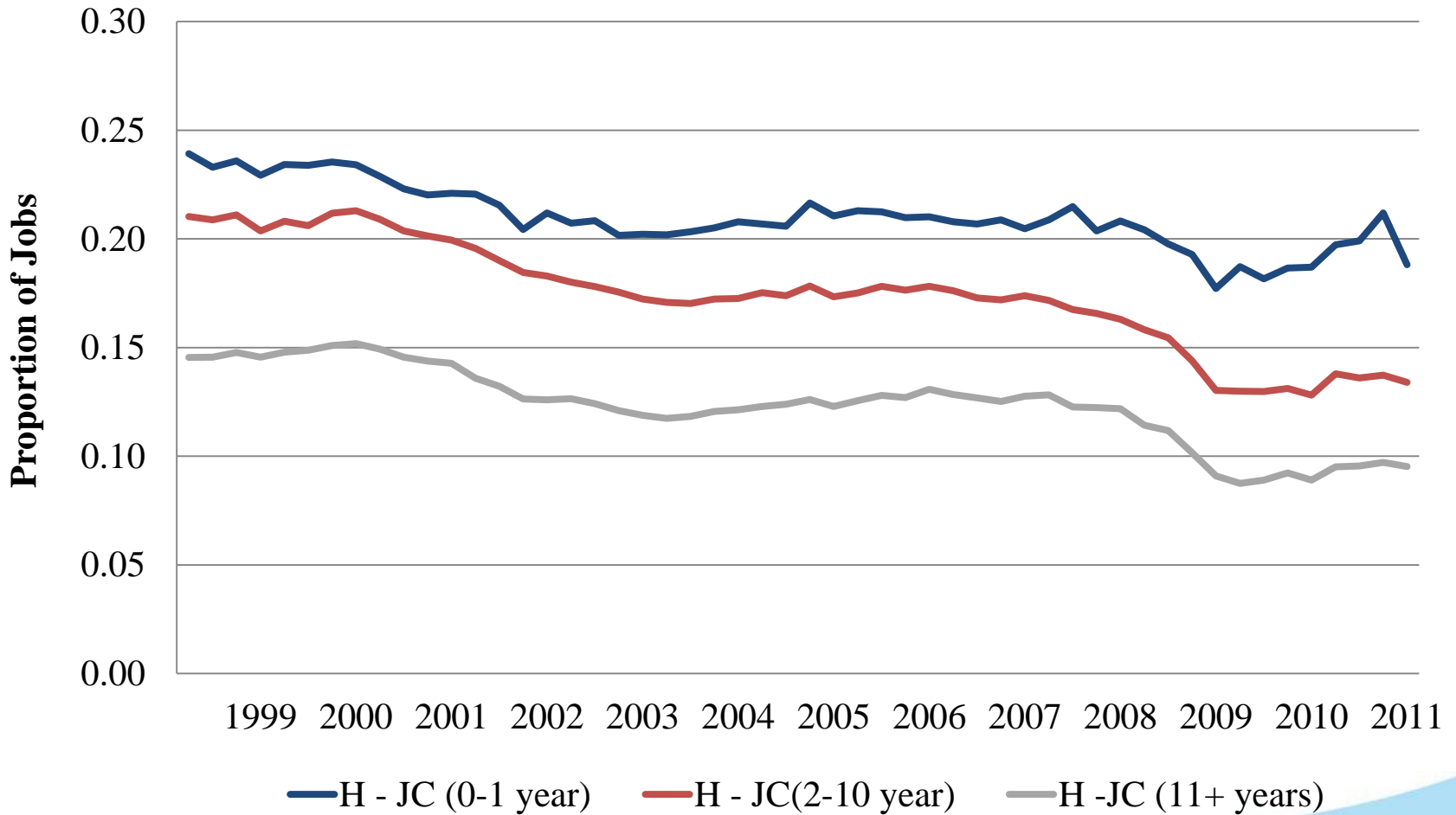
Quarterly Job Creation and Destruction by Firm Age



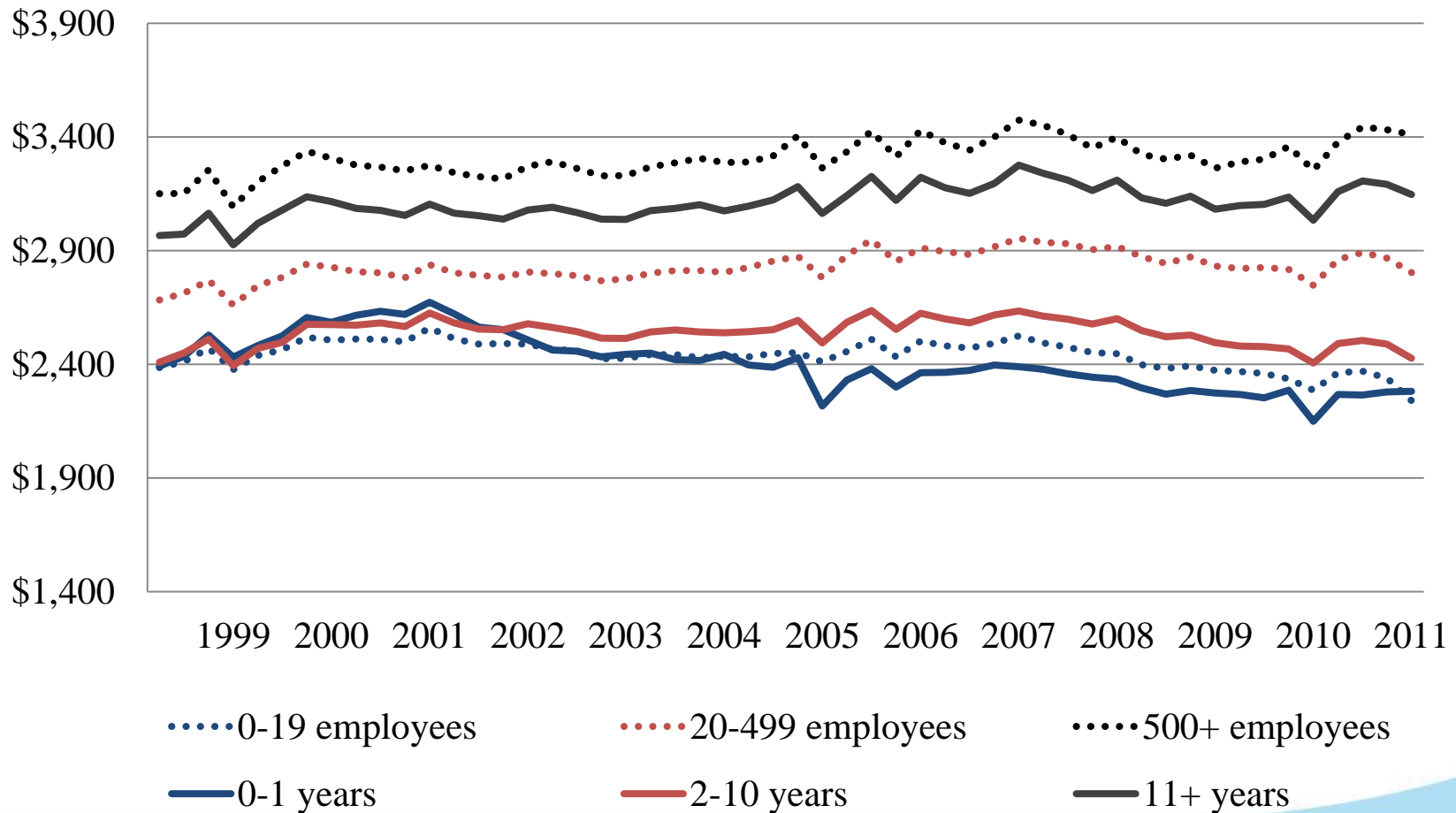
Shares of Hires and Separations Due to Job Creation and Destruction in Young vs. Established Firms



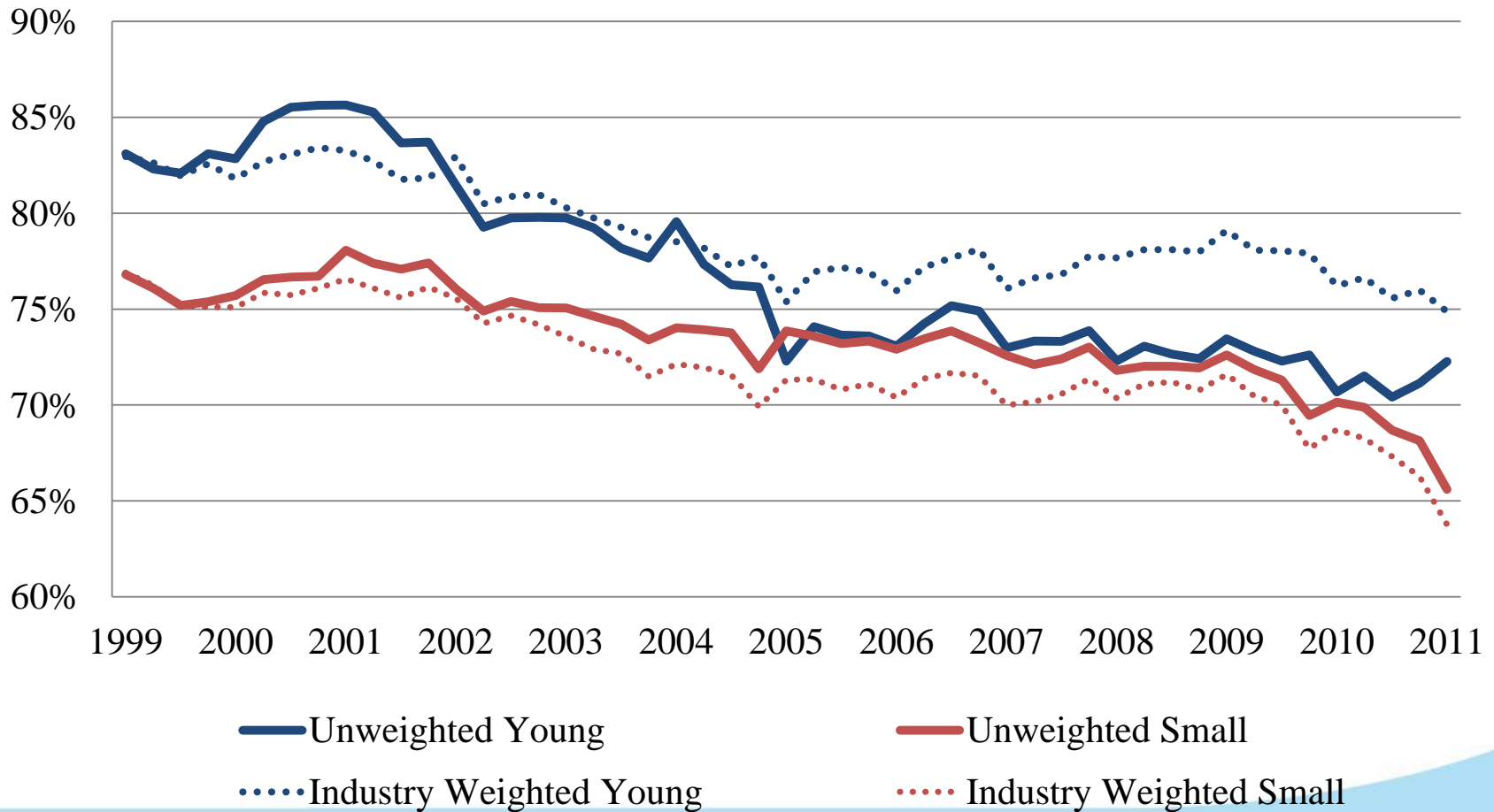
Worker Churn Rates by Firm Age



Real Monthly Earnings for Full Quarter Workers by Firm Age and Size



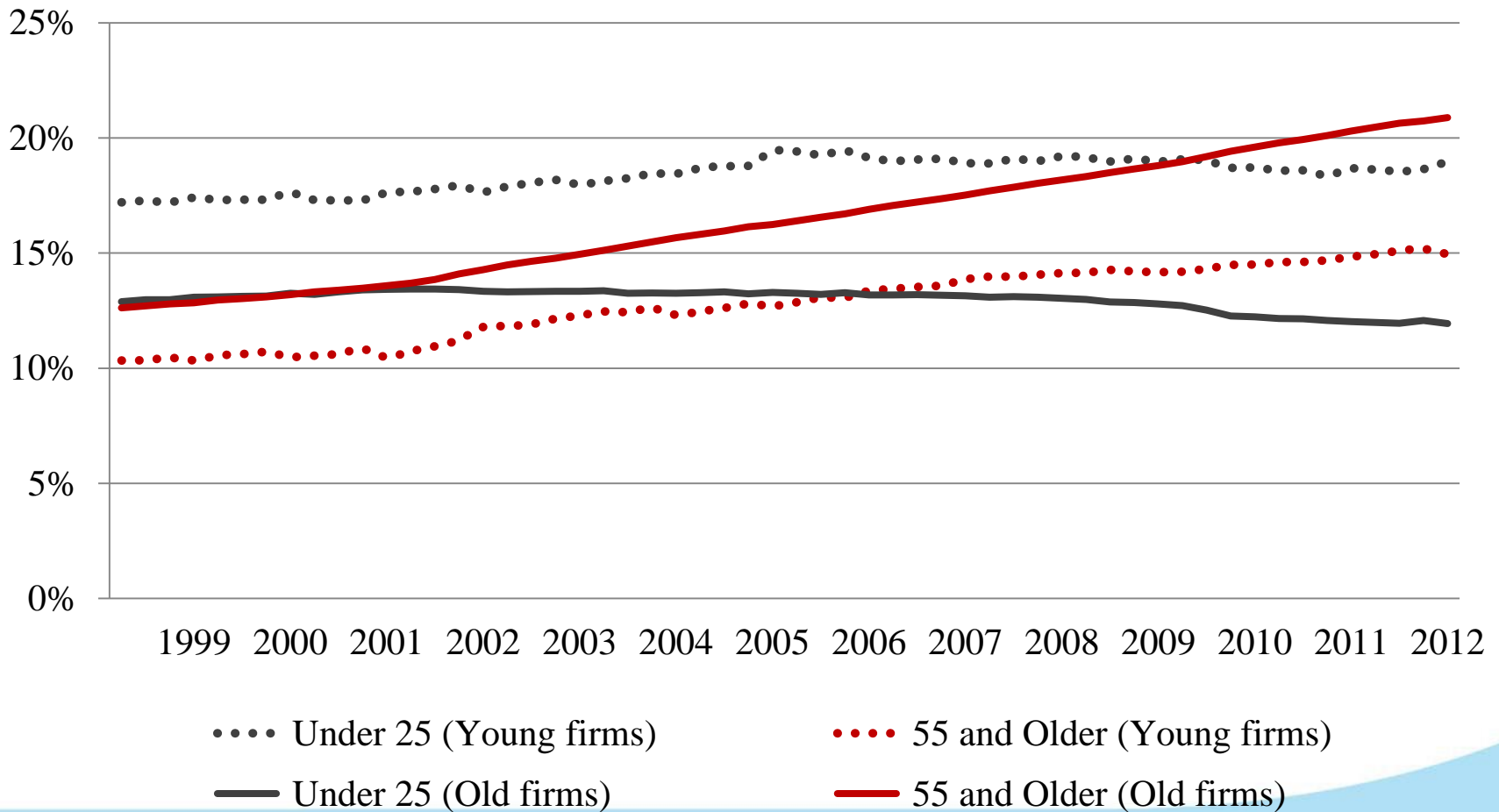
Employer Age and Size Premiums: Real Monthly Earnings at Young and Small Firms as a Share of Earnings at Established and Large Firms



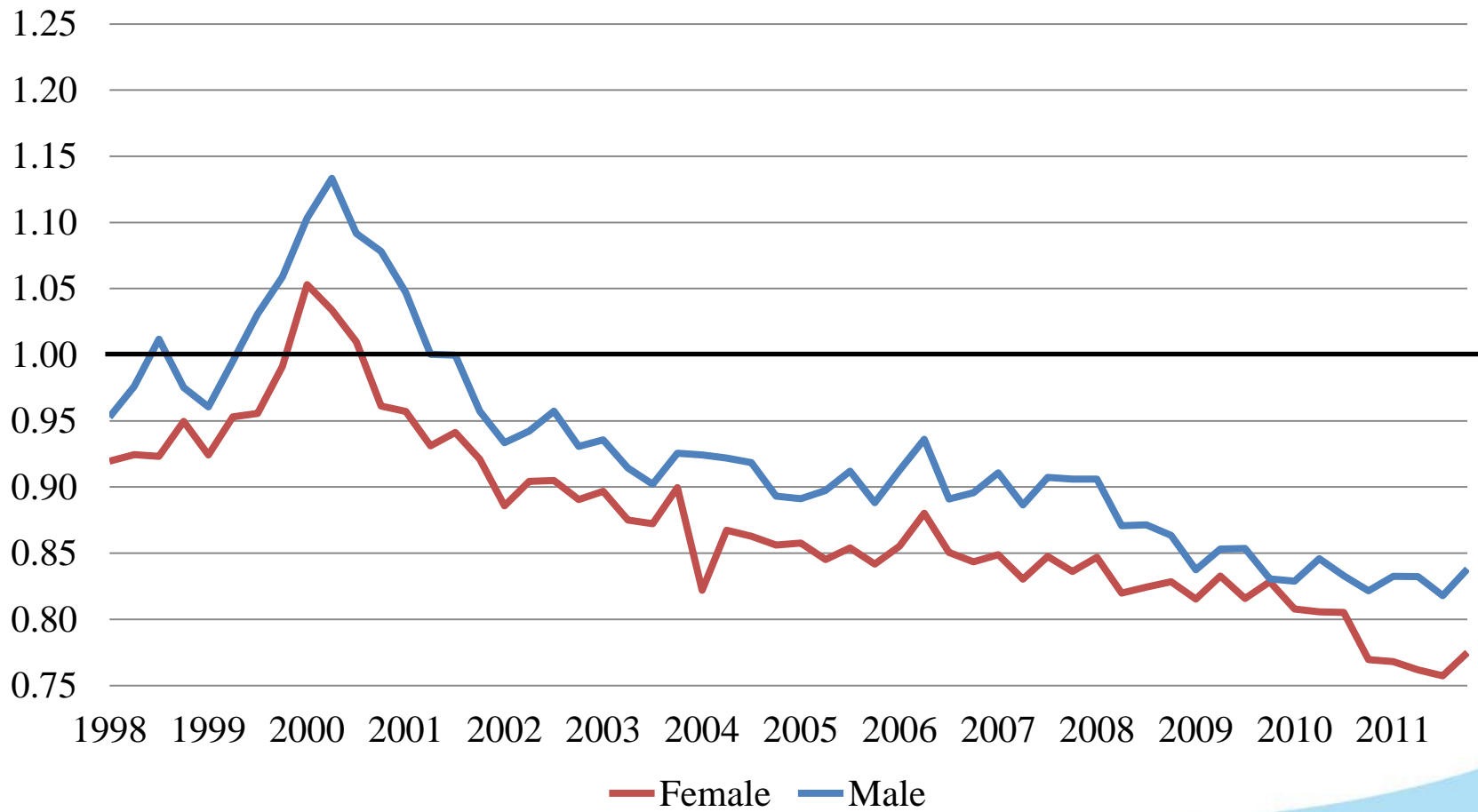
More Detail Using Worker Characteristics and Firm Age and Size

- Use a 29-state pooled sample of QWI states from 1998-2012
- The following figures are limited to young firms (0-1 years old) and to established firms (11+ years old)
- All results are seasonally adjusted, private sector employment only

Worker Age and Jobs in Young and Established Firms



Ratio of Earnings Between Young and Old Firms, for Full Quarter New-Hires



Conclusion

- Job creation rates for the youngest firms are twice those of firms 2 to 10 years old and 4 times as large as the rates for mature businesses (11+ years old).
- The 2007/2009 recession hit younger firms much harder than the recession in 2001. But, they are the group that has had the most robust recovery, with job creation rates growing from 0.18 to 0.23 between 2009 and 2011.
- Young firms have experienced less of a decline in worker churn rates than established firms, and are the only group to exhibit recovery after the Great Recession.
- The wage premium of established firms has been rising over the past decade. Earnings at young businesses peaked in the early 2000s and have stagnated or fallen since. Over the past decade, all real earnings growth has occurred in established businesses.
- Preliminary analysis of worker demographics reveals an increase in the proportion of older workers in both established and young firms, while the share of young workers has been stagnant or decreasing.

Contact information

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