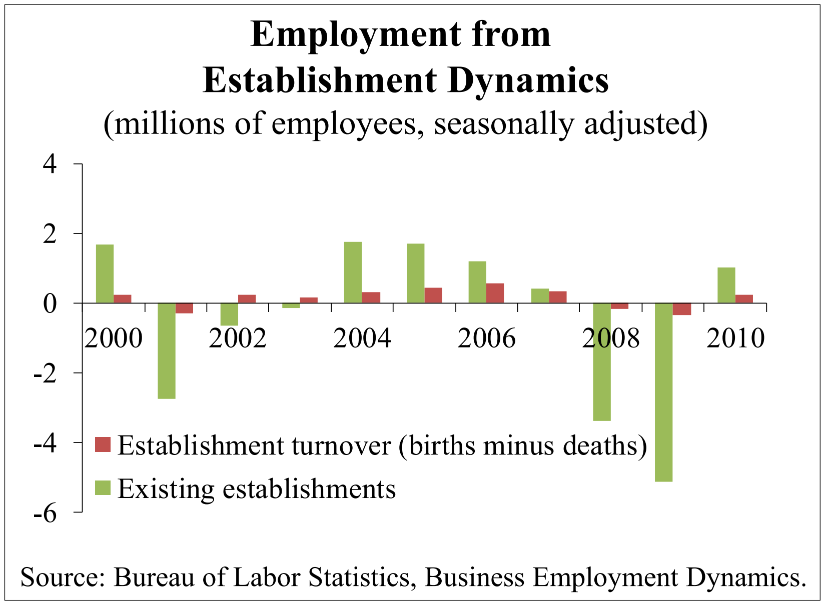
Where are the jobs created? New or existing businesses?

Business turnover and existing businesses create jobs.

About 60 percent of the private-sector net new jobs are from existing establishments and about 40 percent from the churn of startups minus closures in the last two decades (Source: Bureau of Labor Statistics, Business Employment Dynamics).



A dynamic economy is one that produces high rates of churn among firms and high rates of economic growth.

A highly dynamic economy can have very high startup and expansion rates as well as very high closure and contraction rates, but it is the difference between gains and losses, the net effect that matters for job growth and ultimately economic growth.

All of the net new jobs do not come from startups.

Evaluating job creation from start-ups and fast-growing firms while ignoring job loss from firm closures and contracting firms leads to an incomplete accounting for employment dynamics. To fully analyze employment across all firms, a net calculation of employment change is needed; one must include both job gains and losses in the calculation. Even so, for small firms (fewer than 500 employees) over the last two decades, openings have accounted for 40 percent of the "new" jobs and expansions have accounted for the remaining 60 percent.

Employment for a group of businesses at startup peaks at birth.

Less than half of the jobs created by startups exist after five years (Source: Census, Business Dynamics Statistics). And expanding survivors are not able to overcome the loss from closures and shrinking businesses, so employment declines for a cohort of startups as they age.

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