

SMALL BUSINESS FACTS

SMALL BUSINESS JOB CREATION DECONSTRUCTED

Updated September, 2017. By Brian Headd, Economist

Small businesses create 2 out of 3 net new private-sector jobs.

Since the end of the Great Recession, small businesses (fewer than 500 employees) have created 62 percent (8.3 million) of the net new private-sector jobs (13.4 million), matching their historic rate over the last 25 years.

Source: Bureau of Labor Statistics, *Business Employment Dynamics*

Existing businesses create 2 out of 3 net new private-sector jobs.

The bulk of the net job change is from existing firms (Chart 2). Over the last two decades, 66 percent of the private-sector net new jobs were from existing businesses and 34 percent were from business turnover (gains from startup business establishments minus losses from closures).

Source: Bureau of Labor Statistics, *Business Employment Dynamics*

Existing businesses create close to 90 percent of new private-sector job gains.

For both small and large firms, the bulk of new jobs are from expansions of existing firms (Chart 1.) Just looking at job gains over the last two decades, 87 percent of the job gains were from existing businesses and 13 percent were from startup business establishments. (Note that this does not include job losses, such as firms shrinking in employment or closing.)

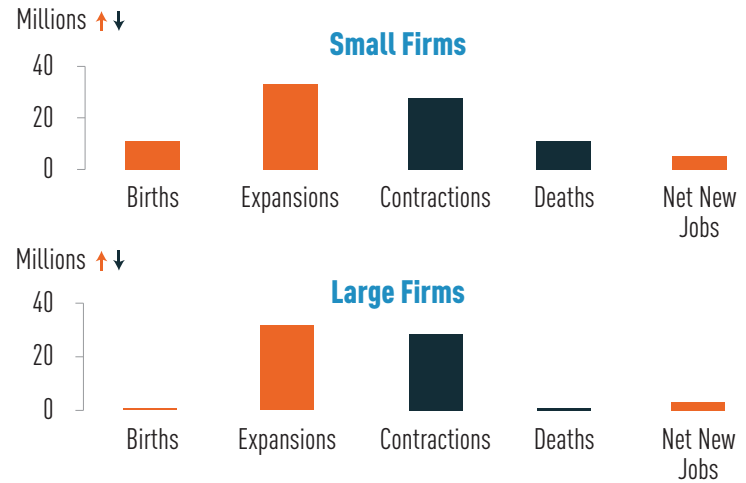
Source: Bureau of Labor Statistics, *Business Employment Dynamics*

Total employment from a cohort of businesses peak at birth.

In 2010, new firms, which were almost all small, created 2.4 million jobs. But by 2014, the combined employment of the surviving firms from this cohort was 2.1 million jobs, a net loss of 300,000 jobs. This net job loss was similar to firms born in other years. Essentially, jobs from expanding survivor businesses are less than the job losses from closures and shrinking businesses, so total employment from a group of businesses declines as they age.

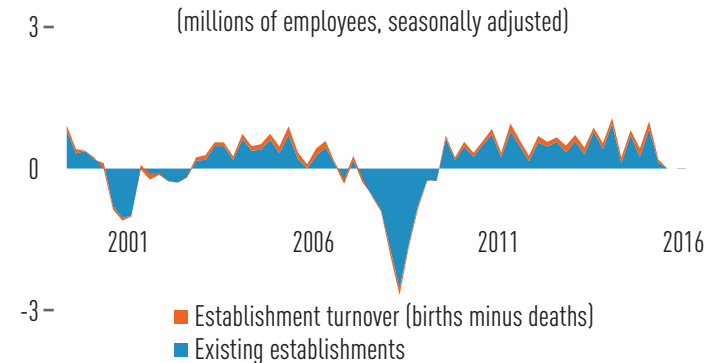
Source: Census Bureau, *Business Dynamics Statistics*

CHART 1: Employment Dynamics, 2010-2014



Source: Census Bureau, *Business Dynamics Statistics* (due to privacy disclosures, large firm figures are derived from total minus small).

CHART 2: Employment from Establishment Dynamics



Source: Bureau of Labor Statistics, *Business Employment Dynamics*.

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