

What are the Employment Trends from New Businesses?

New businesses are an important source of jobs. For small firms (fewer than 500 employees) openings have accounted for 40 percent of the “new” jobs over the last two decades. (See “[Small Business Facts: Where Are the Jobs Created?](#)”) However, job creation by new establishments appears to be changing.

Births recovering, employment lags.

The number of establishment births is recovering from the downturn of a few years ago, while their associated employment has had a longer term downward trend (Chart 1). After declining to a low in mid-2009 (the end of the downturn), establishment births recovered almost completely by 2013. Quarterly establishment births in mid-2013 were about 20 percent greater than births in 2009. However, jobs created by establishment births remained low.

New establishments remain smaller.

New establishments have been getting smaller. This alone is not necessarily a concern, but when combined with fewer births, the overall employment level is affected. If establishments that started small grew faster, this would offset the decline. However, establishments that have been starting smaller on average are staying smaller (Chart 2).

The average employment size of a five-year-old establishment born in 2007 was almost one-third lower than one born ten years earlier. As a result, the five-year employment level from establishments born in 2007 is 1.2 million less than the five-year mark for establishments born in 1997.

