

Small Business Employment: Fourth Quarter 2013

The Turning Tide: As GDP Improves, Will Small Business Employment Follow?

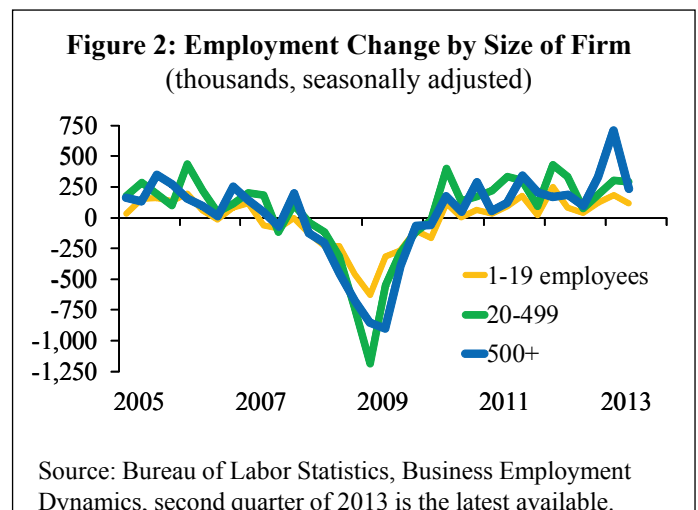
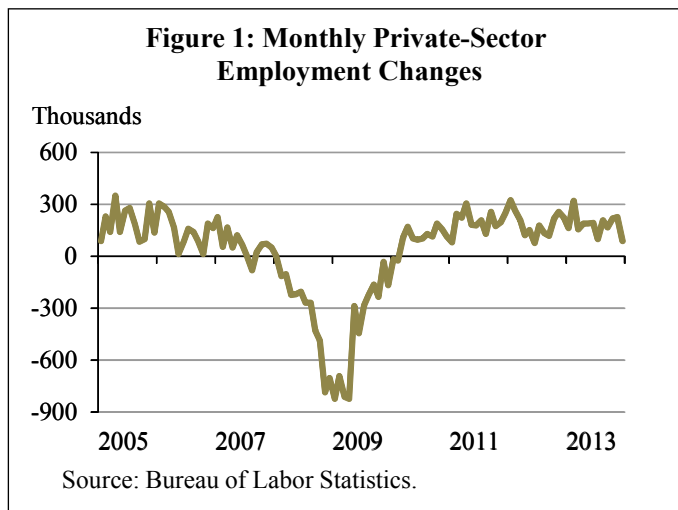
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The U.S. economy continues to show signs of growth. Economic growth has recovered relatively quickly and returned to pre-recession levels within four years.¹ The labor market is showing signs of improvement but still has areas of concern. For example, nonfarm private sector employment is still 600,000 below its pre-recession levels, and some employment indicators have not gained traction.

Trends Improving

Monthly employment growth continues to accelerate. Average monthly gains over the last two years were above the average monthly gains of the two years prior to the downturn (2005 and 2006, Figure 1).

Small firms (fewer than 500 employees) accounted for 63 percent of the net new jobs from the end of the downturn in mid-2009 to the end of 2012 (Figure 2). This is small businesses' historical trend.²



¹ As measured by the U.S. Bureau of Economic Analysis's gross domestic product.

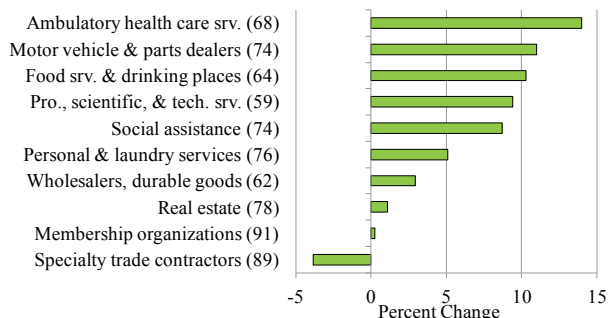
² Note the data for the first quarter of 2013 are not representative of the employment situation because the scope of the data was changed. See www.bls.gov/bdm/home.htm for details.

Trends Improving, Continued

Interest-sensitive small business-dominated industries are starting to turn around as interest rates remain at historical lows (Table 1). For example, motor vehicle and parts dealers have led the employment expansion, and real estate is starting to see gains (Figure 3). While specialty trade contractors are still experiencing negative employment growth, growth rates have moved into positive territory for 2013 for other small business-dominated industries since the downturn.

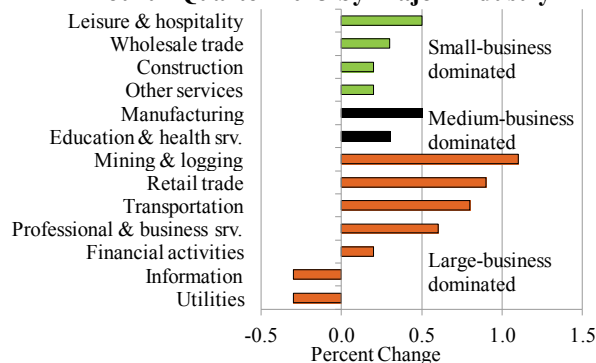
While small business-dominated industries showed stability through slow steady gains in the fourth quarter of 2013, large business-dominated industries were more volatile; several industries experienced large employment gains and losses (Figure 4).

Figure 3: Employment Changes Since the Downturn for Select Small-Business Dominated Industries



The percent of 2011 small business employment is in parenthesis.
Source: Bureau of Labor Statistics, and Census Bureau, Statistics of U.S. Businesses.

Figure 4: Employment Changes in the Fourth Quarter 2013 by Major Industry



Small-business dominated based on 2011 small business private-sector employment being equal to or greater than 55%.

Source: Bureau of Labor Statistics and Census Bureau, Statistics of U.S. Businesses.

Table 1: Major Industries Ranked by Small Businesses' Share of Employment

	Small businesses' share of employment, 2011 (percent)	Employment growth (000)	
		Since June 2009	In 2013
Small business-dominated*			
Other services	85.6	127	30
Construction	83.7	-175	122
Leisure & hospitality	60.3	1,211	390
Wholesale trade	59.2	234	95
Medium business-dominated†			
Education & health serv.	45.9	1,648	327
Manufacturing	45.3	307	77
Large business-dominated‡			
Pro. & bus. serv.	41.9	2,347	637
Financial activities	41.4	95	84
Mining and logging	40.4	206	31
Retail trade	36.4	855	381
Transportation	36.8	309	42
Information	26.3	-123	-4
Utilities	17.1	-6	-1

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by U.S. Census Bureau's Statistics of U.S. Businesses. *55% or more employed by small businesses. †46% to 54% employed by small businesses. ‡45% or fewer employed by small businesses.

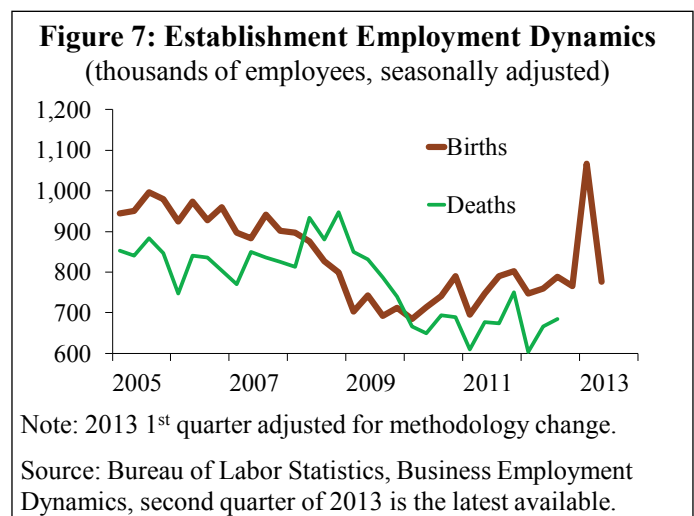
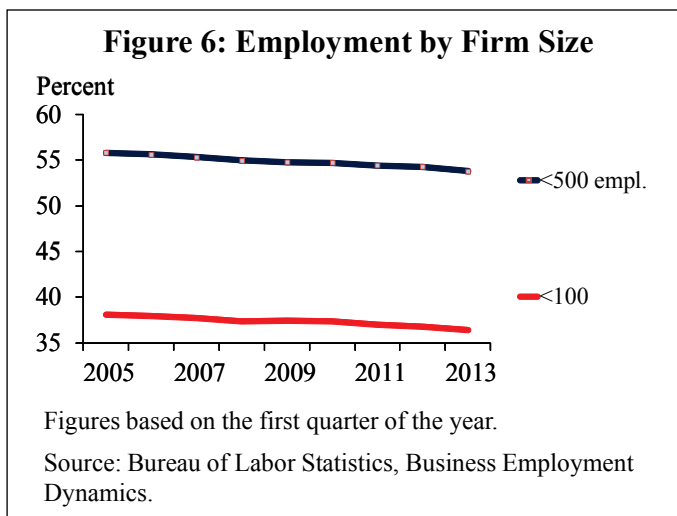
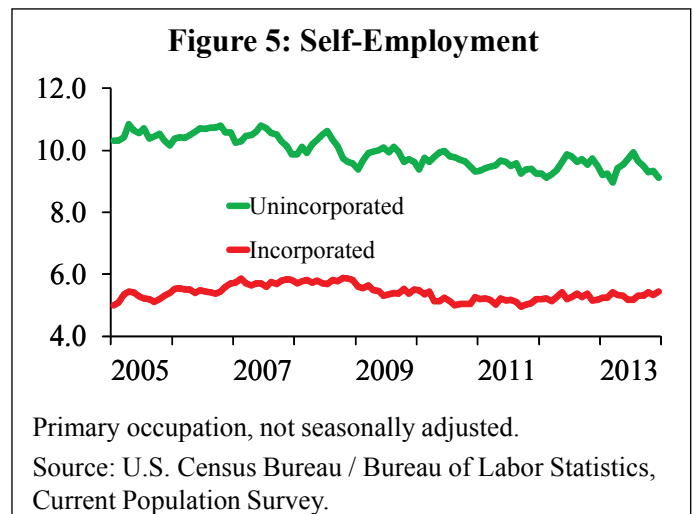
Room for Improvement

The unemployment rate has fallen from its peak faster than in the previous two downturns. However, the unemployment rate of 6.7 percent in December 2013 is still 2 percentage points higher than the pre-recession level.

Self-employment in December 2013 remained about 1 million below the pre-recession level (Figure 5).

More and more, workers are employed by large businesses; some of this may be due to small businesses growth into the large business category. However, new industry figures on small businesses' share of employment show declines from 2010 to 2011 for all of the major industries except two, which were unchanged. And Figure 6 shows that this trend was slowly occurring before and after the downturn.

Employment from establishment births is still below pre-recession levels and has been declining since the late 1990s. However, employment gains from establishment births have been greater than losses from establishment deaths since the beginning of 2010 (Figure 7).



Looking Toward the Future

Signs point to 2014 being a strong year for small business employment. The Census Bureau reports that manufacturing and trade sales growth rose throughout 2013; this could indicate strong employment growth in 2014. The National Federation of Independent Business's [Small Business Economic Trends](#) likewise bodes well, showing the small business expansionary outlook rising throughout 2013. But as pointed out in a recent Office of Advocacy [blogpost](#), uncertainty about the direction of monetary policy and interest rates may pose a challenge for small businesses in 2014. In addition, some early economic indicators for January are showing signs of economic weakness. It is difficult to say whether these are temporary and reflect the economic impact of harsh weather across the U.S. or if they reflect longer-term trends.

Table 2. Small Business Quarterly Employment Bulletin

Fourth Quarter 2013

	2012				2013				2000	2005	2008	2009	2010	2011	2012	2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4								
Nonfarm emp. (millions) §	133.1	133.5	133.9	134.5	135.1	135.7	136.1	136.6	131.9	133.7	136.9	130.9	129.9	131.5	133.7	135.9
Nonfarm private emp. (millions) §	111.1	111.6	112.0	112.6	113.2	113.8	114.3	114.8	111.1	111.9	114.3	108.3	107.4	109.4	111.8	114.1
Unemployment rate †	8.2	8.2	7.8	7.8	7.6	7.6	7.2	6.7	4.0	5.1	5.8	9.3	9.6	8.9	8.1	7.4
Self-employed (000) * †																
Unincorporated	9,232	9,875	9,702	9,502	8,964	9,720	9,486	9,122	10,214	10,464	10,080	9,831	9,681	9,449	9,529	9,408
Incorporated	5,130	5,206	5,263	5,175	5,419	5,170	5,310	5,433	4,459	5,254	5,784	5,466	5,191	5,127	5,253	5,311
Net private-sector job creation (000)																
Total ‡	847	613	233	709	914	666	-	-	1,952	2,145	-3,575	-5,473	1,254	2,085	2,402	-
<20 employees	247	84	40	122	186	116	-	-	275	479	-1,042	-1,310	20	331	493	-
20-49 employees	138	94	9	47	95	101	-	-	185	217	-435	-681	128	256	288	-
50-99 employees	100	76	20	35	70	62	-	-	174	164	-281	-493	151	219	231	-
100-499 employees	194	163	48	105	140	130	-	-	413	375	-487	-964	405	475	510	-
500+ employees	167	187	96	328	707	234	-	-	905	910	-1,464	-2,217	455	724	778	-
Establishment birth emp. (000)	748	759	789	766	1,067	777	-	-	4,670	3,870	3,399	2,849	2,929	3,035	3,062	-
Establishment death emp. (000)	604	666	684	-	-	-	-	-	4,448	3,423	3,574	3,207	2,700	2,711	-	-
Top Employing Industries (000) §																
Food srv. & drinking places	9,858	9,925	10,000	10,072	10,159	10,272	10,327	10,472	8,189	9,104	9,590	9,399	9,376	9,633	9,963	10,293
Administrative & support srv.	7,577	7,635	7,678	7,737	7,842	7,964	8,048	8,120	7,855	7,833	8,061	6,852	7,057	7,367	7,657	8,000
Ambulatory health care srv.	6,243	6,295	6,337	6,400	6,455	6,502	6,548	6,558	4,320	5,114	5,474	5,793	5,975	6,136	6,318	6,525
Hospitals	4,769	4,781	4,796	4,818	4,826	4,833	4,830	4,796	3,954	4,345	4,515	4,667	4,679	4,722	4,791	4,831
Specialty trade contractors	3,538	3,527	3,521	3,554	3,623	3,643	3,652	3,682	4,217	4,673	4,850	3,808	3,463	3,474	3,534	3,644

* Not seasonally adjusted.

† Annualized quarterly figures, from last month of quarter where applicable.

‡ Totals may not add because of indeterminate firm sizes.

§ Monthly averages.

Sources: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Bureau of Labor Statistics (note that first quarter 2013 had a change in scope for job creation, births and deaths) and Current Population Survey.