

## Small Business Employment: Third Quarter 2013

### *Small Business Job Trends Optimistic; Uncertainty Lingers*

BY JANEMARIE MULVEY AND BRIAN HEADD

On October 22, the Bureau of Labor Statistics released its September jobs report. The jobs report includes some good news, but also some areas of concern. Further, because of the partial federal shutdown that occurred at the beginning of the fourth quarter (Oct. 1 – 16), there is a great deal of uncertainty about whether many of the positive trends in the third quarter will continue.

#### The Good News

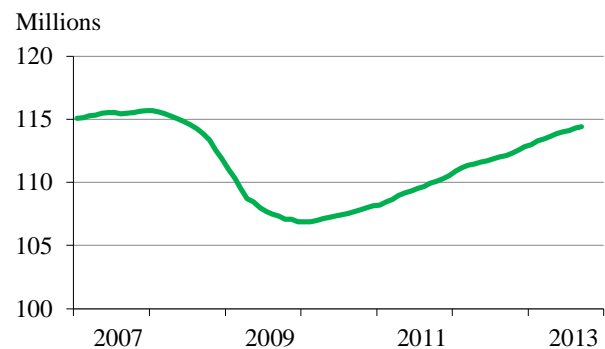
Employment growth continues to improve, with 2.3 million net new private-sector jobs created over the past year and consistent gains since the end of the downturn. Private-sector employment is closing in on the 2008 peak (Figure 1).

The net employment gains over the last few years have resulted from establishments or business locations where employment expansions have outpaced contractions.

The unemployment rate has dropped almost 3 percentage points from the October 2009 peak of 10 percent to September 2013's 7.2 percent.

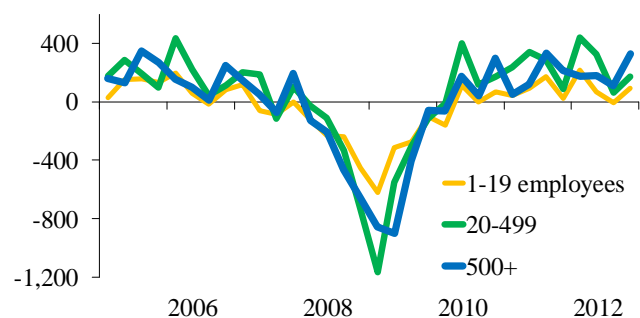
Overall, small firms (fewer than 500 employees) accounted for 63 percent of the net new jobs from the end of the downturn in mid-2009 to the end of 2012 (Figure 2). If this trend continued into 2013, small businesses would be expected to have created 4.0 million of the 6.4 million private-sector net new jobs since the recovery started.

**Figure 1: Private-Sector Employment**



Source: Bureau of Labor Statistics.

**Figure 2: Employment Change by Size of Firm**  
(thousands, seasonally adjusted)



Source: Bureau of Labor Statistics, Business Employment Dynamics, end of 2012 is the latest available.

## The Good News, continued

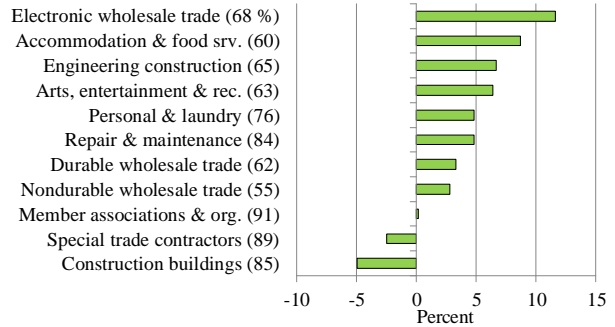
Industries dominated by small businesses (see Table 1) such as electronic wholesale trade and accommodation and food services have led the expansion among small-business-dominated industries (Figure 3).

**Table 1: Major Industries Ranked by Small Businesses' Share of Employment, 2010**  
(Percent)

<b>Small-business-dominated (55% or greater)</b>	
Other services	85.7%
Construction	84.3
Leisure & hospitality	60.3
Wholesale trade	59.6
<b>Medium-business-dominated</b>	
Mining & logging	50.9
Education & health services	46.4
Manufacturing	45.3
<b>Large-business dominated (45% or less)</b>	
Professional & business services	42.9
Financial activities	41.9
Retail trade	37.3
Transportation	36.9
Information	26.5
Utilities	17.2

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by U.S. Census Bureau's Statistics of U.S. Businesses.

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

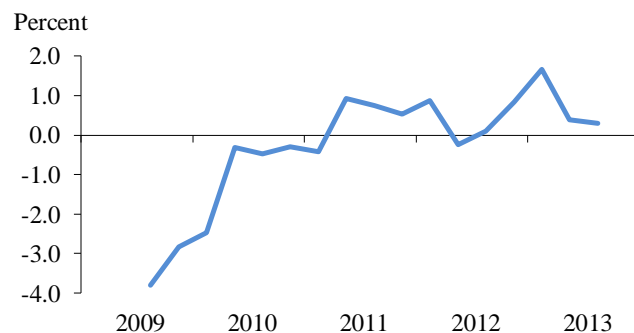


The percent of 2010 small business employment is in parenthesis.

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

Small business sectors that have struggled, most notably construction, are starting to see improvements (Figure 4). Special trade contractors were hit hard in the downturn but have shown signs of improvement in employment over the last year or so.

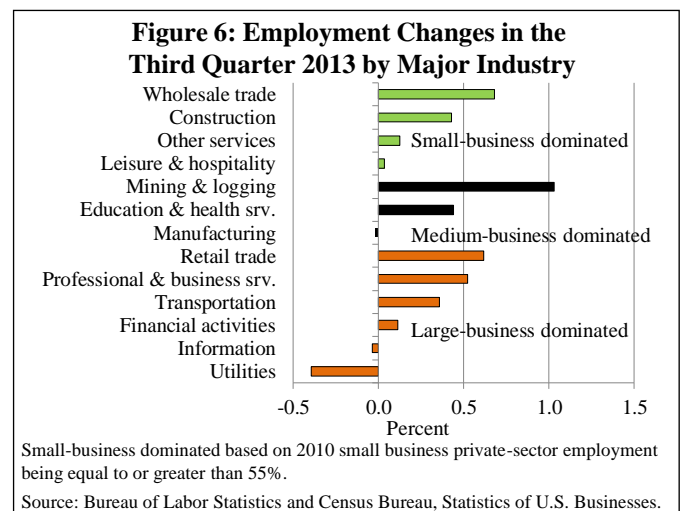
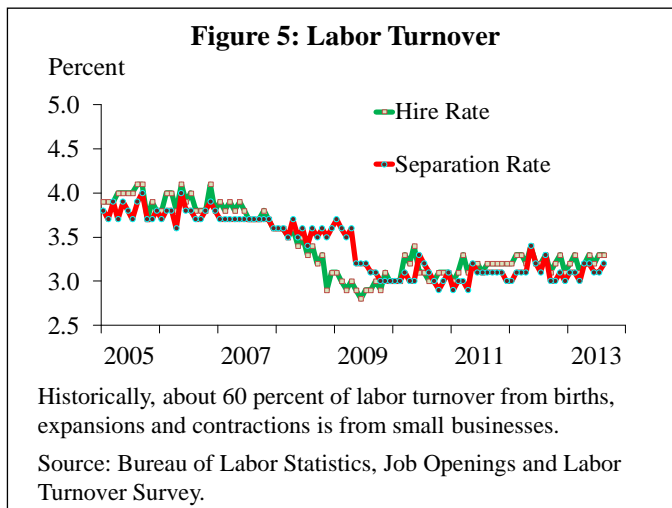
**Figure 4: Quarterly Construction Employment Changes Since the Downturn**



Source: Bureau of Labor Statistics.

## Areas of Concern

The decline in job turnover has made it more difficult for recent graduates and the unemployed to find work (Figure 5 below).



Some sectors are still experiencing weakness (Figure 6 above). In the third quarter, the three major industries losing net employment were in the utilities, manufacturing, and information sectors (e.g., publishing, broadcasting, and telecommunications).

## The Unknown

Uncertainty still plagues employers, and the next two months of employment data from the Bureau of Labor Statistics will be difficult to gauge. The partial federal government shutdown will affect October figures, but may result in a subsequent rise in November as government activities resume.

While the furloughed federal workers were reinstated with full pay, the shutdown and unresolved budget issues are likely to generate continued uncertainty for employers over the next 3 months.

Economists estimate the shutdown will result in a loss of \$3 billion to \$24 billion in economic activity.<sup>1</sup> It is unclear how the loss in potential sales for small businesses will impact their hiring plans. In addition, lingering uncertainty may dampen consumer confidence heading into Small Business Saturday and the holiday shopping season.

The most recent data specifically by firm size shows that small firms' net job growth continues to be positive but uneven. Specific trends over the last three quarters are unavailable.

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<sup>1</sup> Various press clips listing IHS Global, Standard & Poor's and Macroeconomic Advisers, as aggregated by Slate (see [www.slate.com/blogs/the\\_slatest/2013/10/17/slarest\\_pm\\_the\\_shutdown\\_s\\_nasa\\_sized\\_price\\_tag.html](http://www.slate.com/blogs/the_slatest/2013/10/17/slarest_pm_the_shutdown_s_nasa_sized_price_tag.html)).