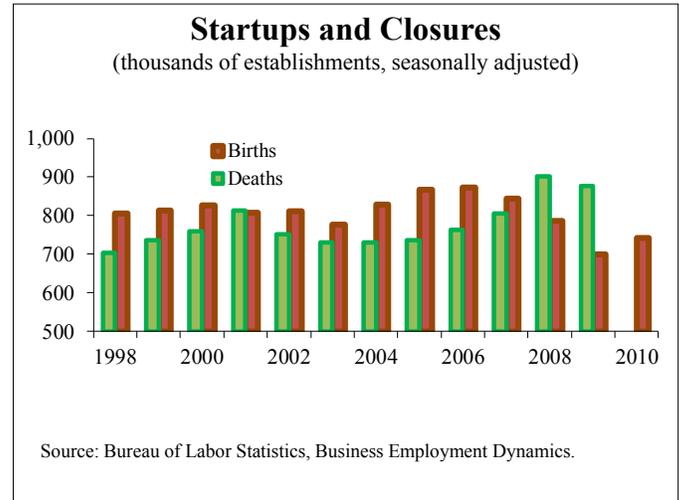


Startup Rates

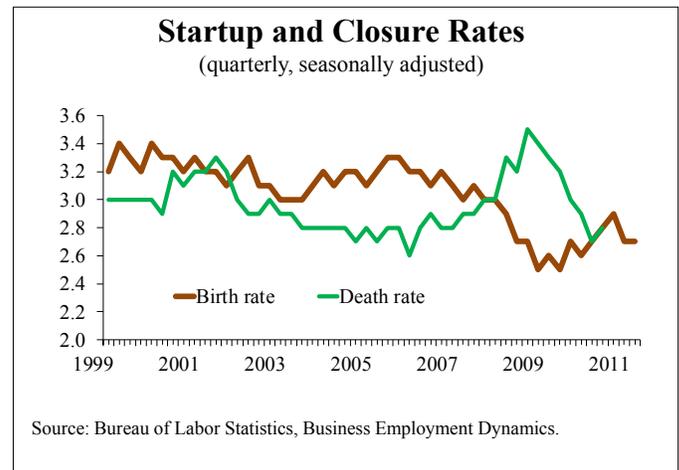
The rate of new startups is down over the past three years because of the recession.

From 2007 to 2010, employer establishment births dropped 12 percent from 844,000 to 742,000 (Source: BLS, BED). Of the total number of firm births, about 85 percent are new employer firms, or startups, that are small businesses while the remaining 15 percent tend to be new locations for existing businesses that expand their operations.



The recent recession hit startups of new employer firms particularly hard.

In the second quarter of 2008, the establishment startup rate (the percent of all firm establishments in a given quarter that did not exist in the previous quarter) fell below 3 percent for the first time since figures were recorded in the early 1990s, and has remained below 3 percent since. The latest startup rate for which data is available is 2.7 percent in the second quarter of 2011 (Source: BLS, BED).



Startups now accounting for fewer jobs than in the past.

While the number of establishment births by mid-2011 is at a similar level to the first quarter of 1999 (when employment from startups peaked), employment at startups in the current data is only about 45 percent of that peak figure (Source: BLS, BED). This means that the startups being created now are smaller on average than they were in 1999. This results in fewer new jobs being created by startups.

How does the startup rate affect the total number of employer firms?

The total number of employer firms delined significantly during the recent recession. However, as establishment deaths have been in steady decline since the fourth quarter of 2008, much of the decline in the total number of employer firms can be traced to the relatively low startup rate.