

The U.S. Labor Market: Still Anemic Two Years “After” the End of the Recession



September 2011

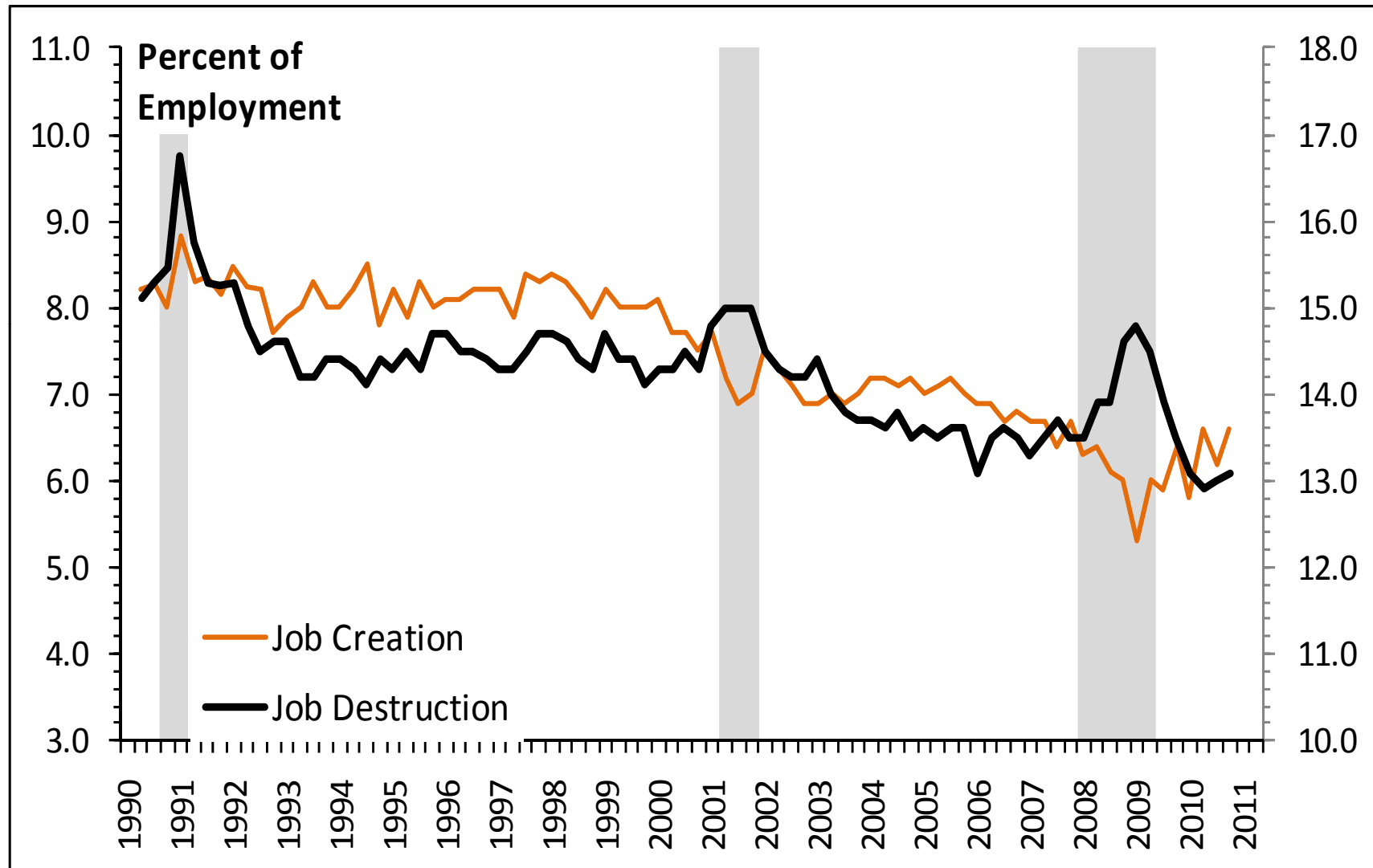
John Haltiwanger, *University of Maryland and NBER*

Without implication, these remarks draw heavily on joint research with Steven J. Davis, Jason Faberman, Ron Jarmin and Javier Miranda

Overview

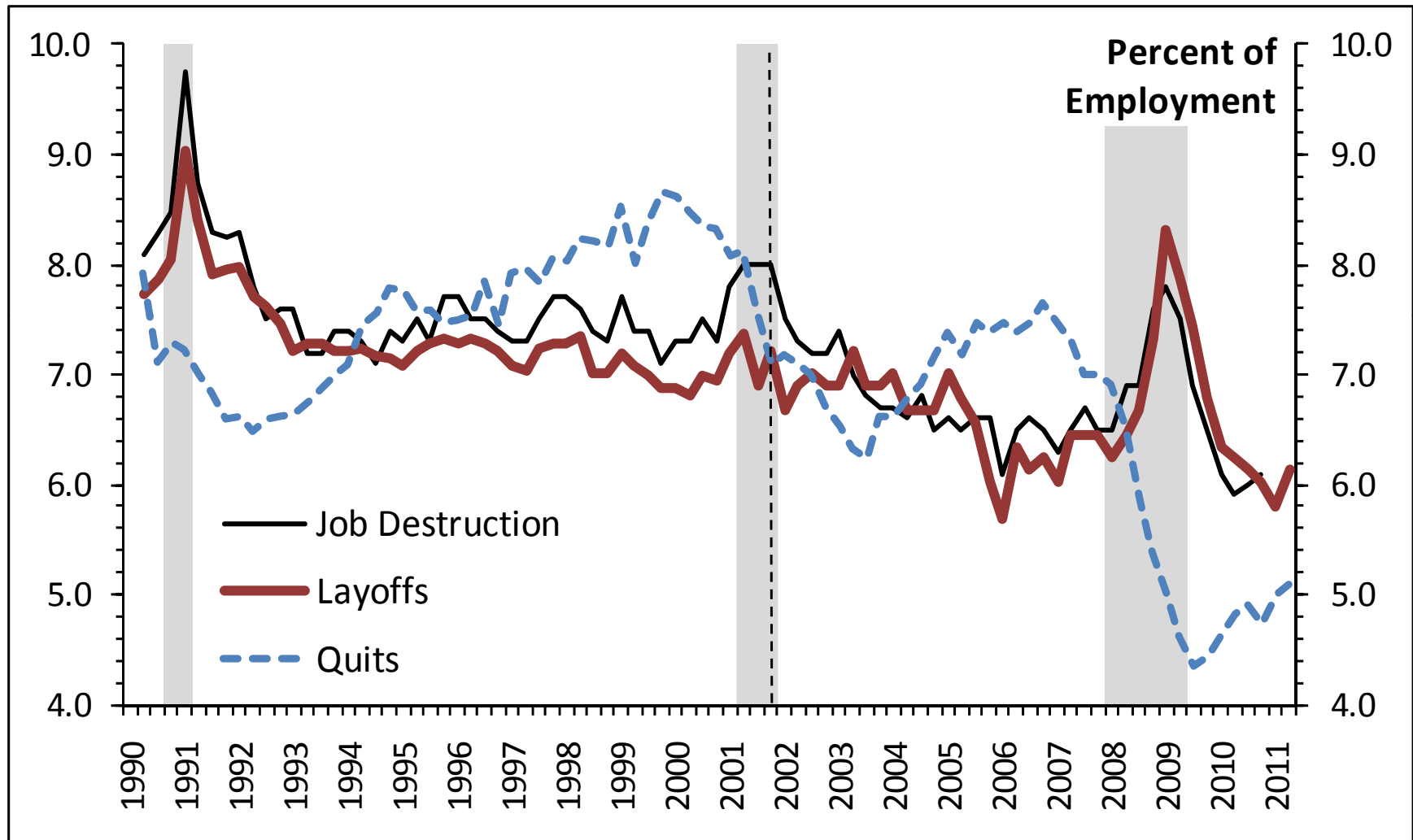
- Anemic recovery apparent in net employment growth, GDP growth and unemployment
- Looking at underlying labor market flows provides insights into:
 - Specific areas of weakness
 - Possible sources of this anemic recovery
 - Policy debate

Aggregate Job Creation and Destruction (Quarterly)



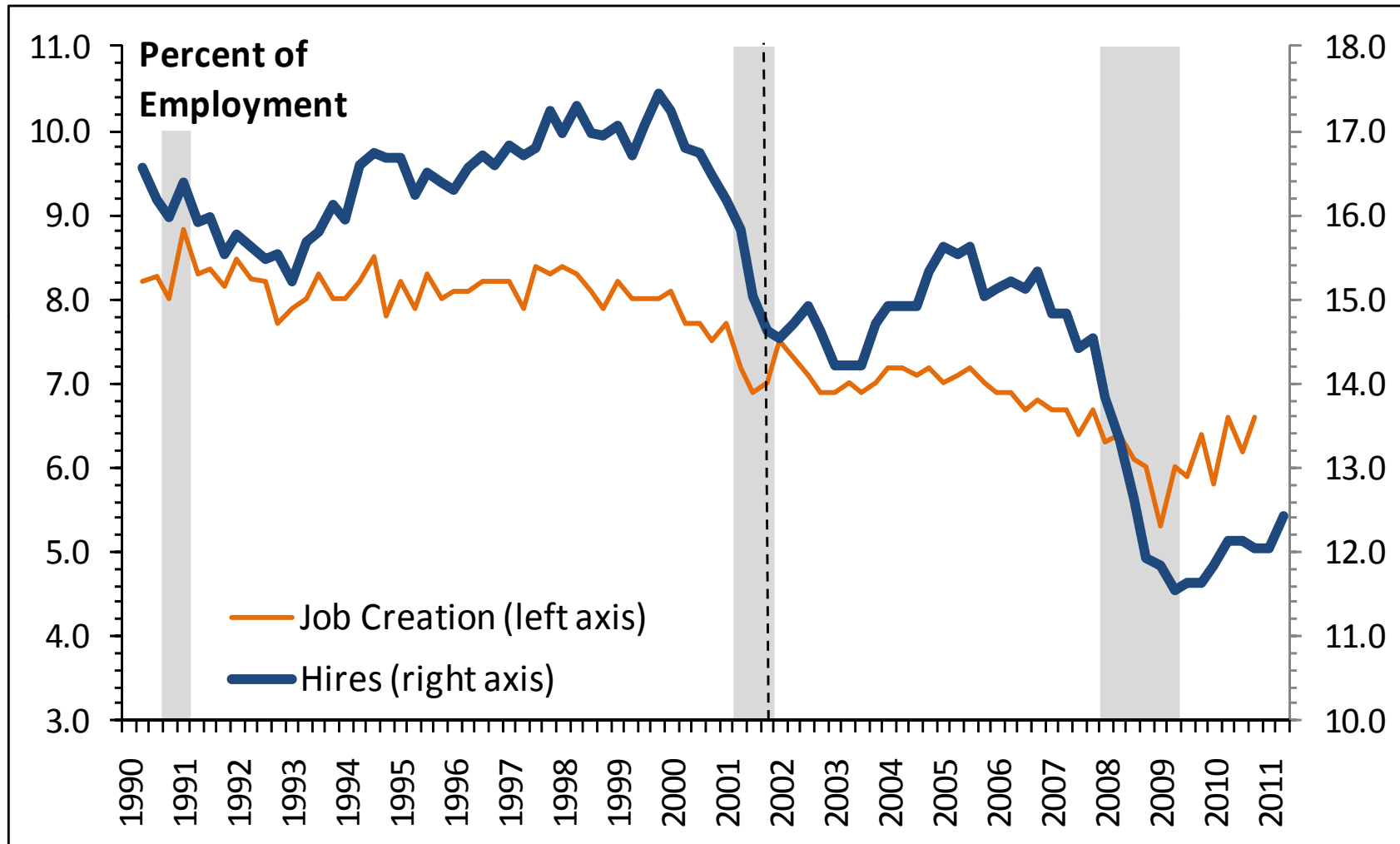
Creation is all expanding and entering establishments. Destruction is all contracting and exiting establishments.

Aggregate Worker and Job Flows (Quarterly)



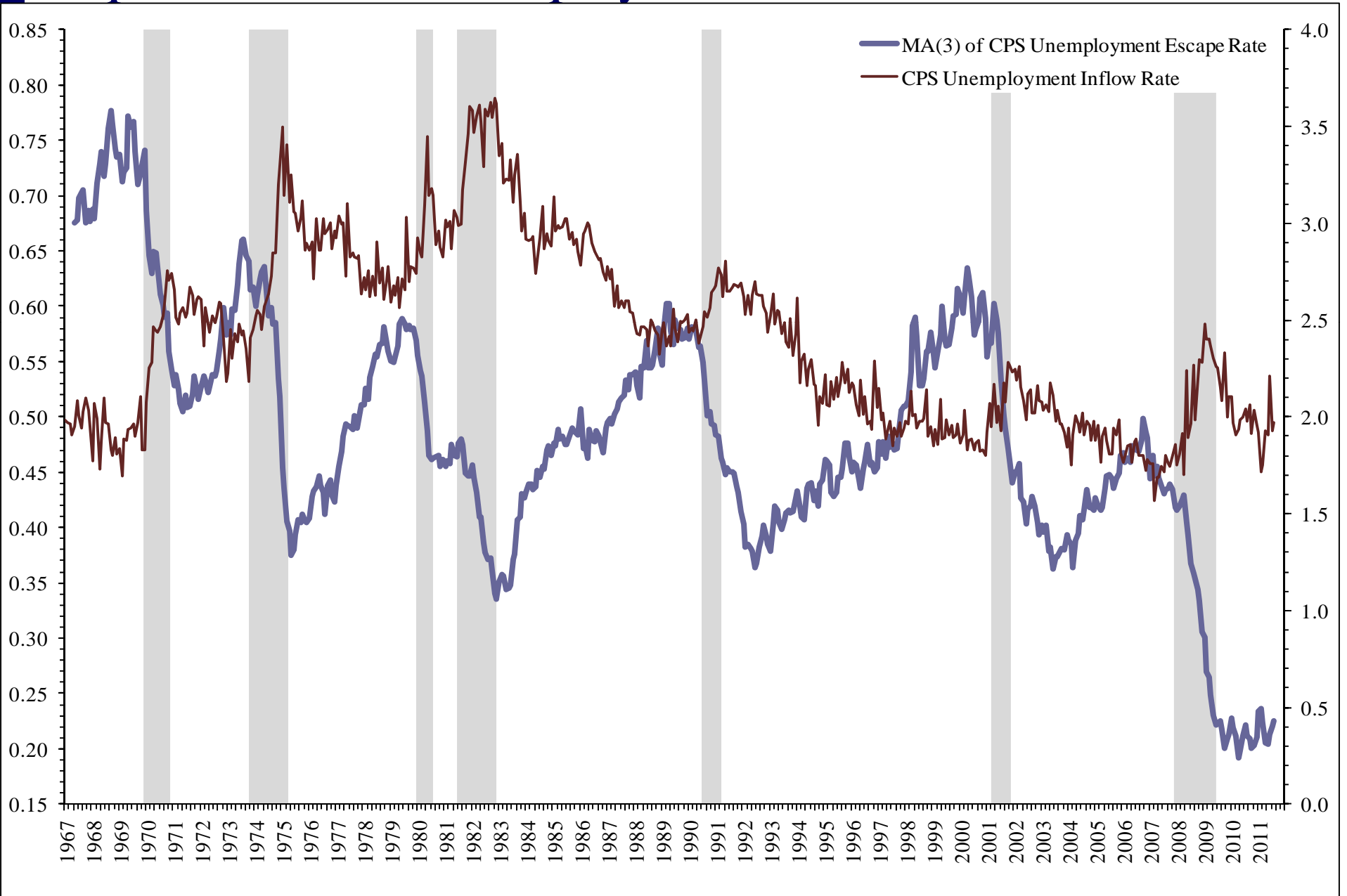
- Layoffs (JOLTS) move with job destruction (BED), and quits (JOLTS) moves opposite to both. In booms, job destruction accommodated more by quits. In recessions, destruction is closely tracked by layoffs.

Aggregate Worker and Job Flows (Quarterly)



- ❑ Hires and vacancies (JOLTS) tend to move with job creation (BED).
- ❑ Greater volatility of hires reflects volatility of quits. Worker churning is reduced in recessions.

Implications for Unemployment Inflows and Outflows



Net Employment Growth by Base Year Firm Size

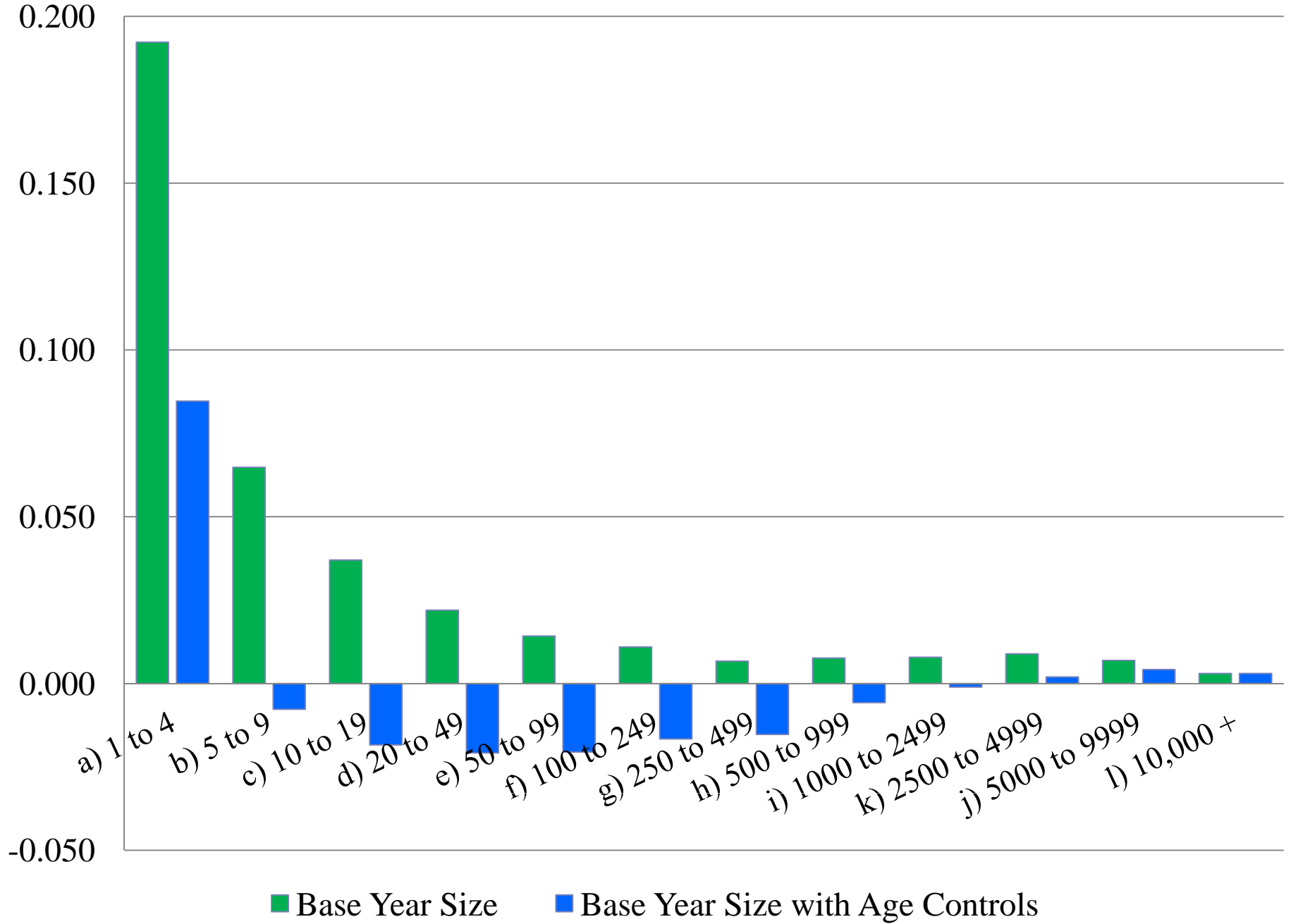
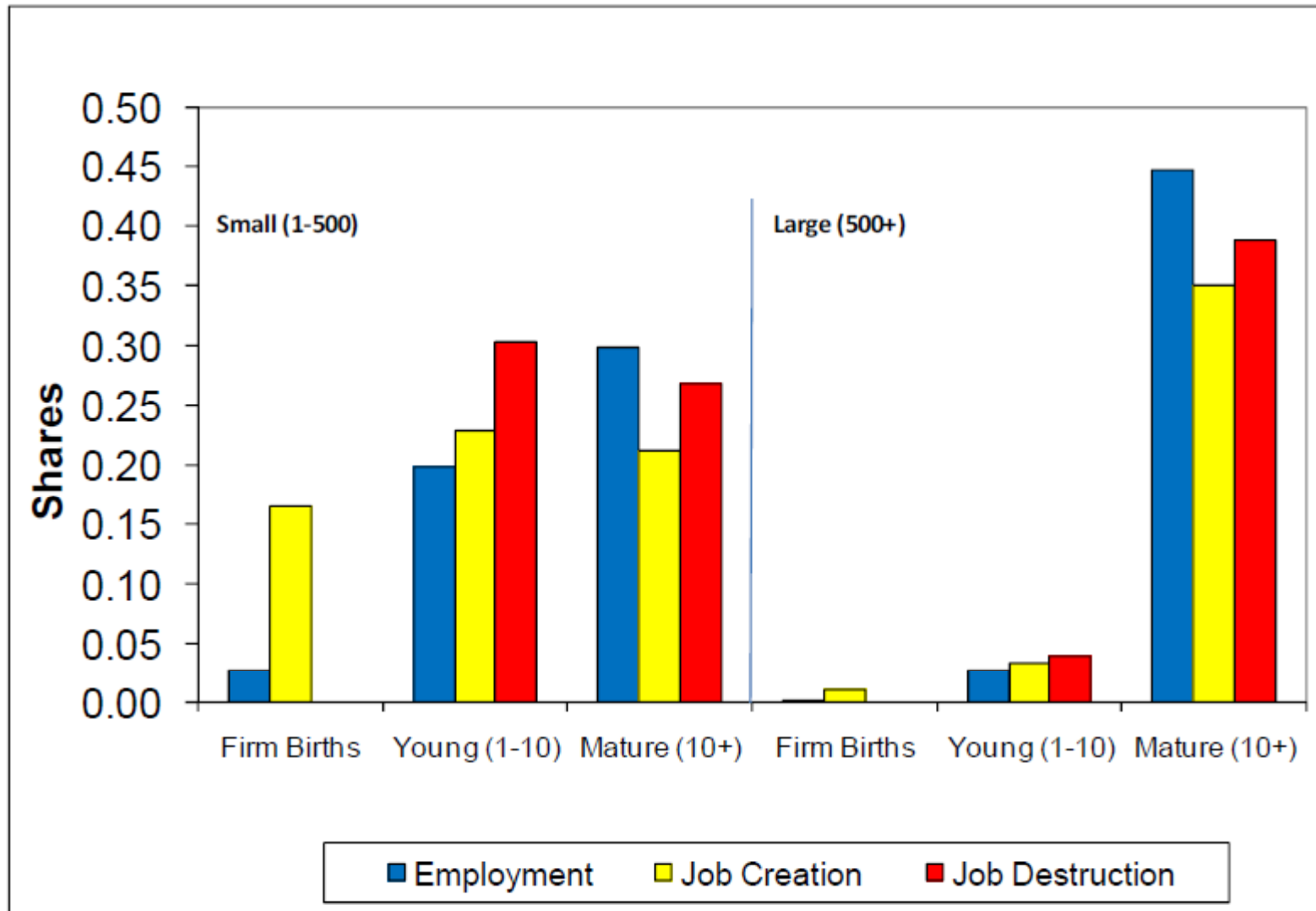
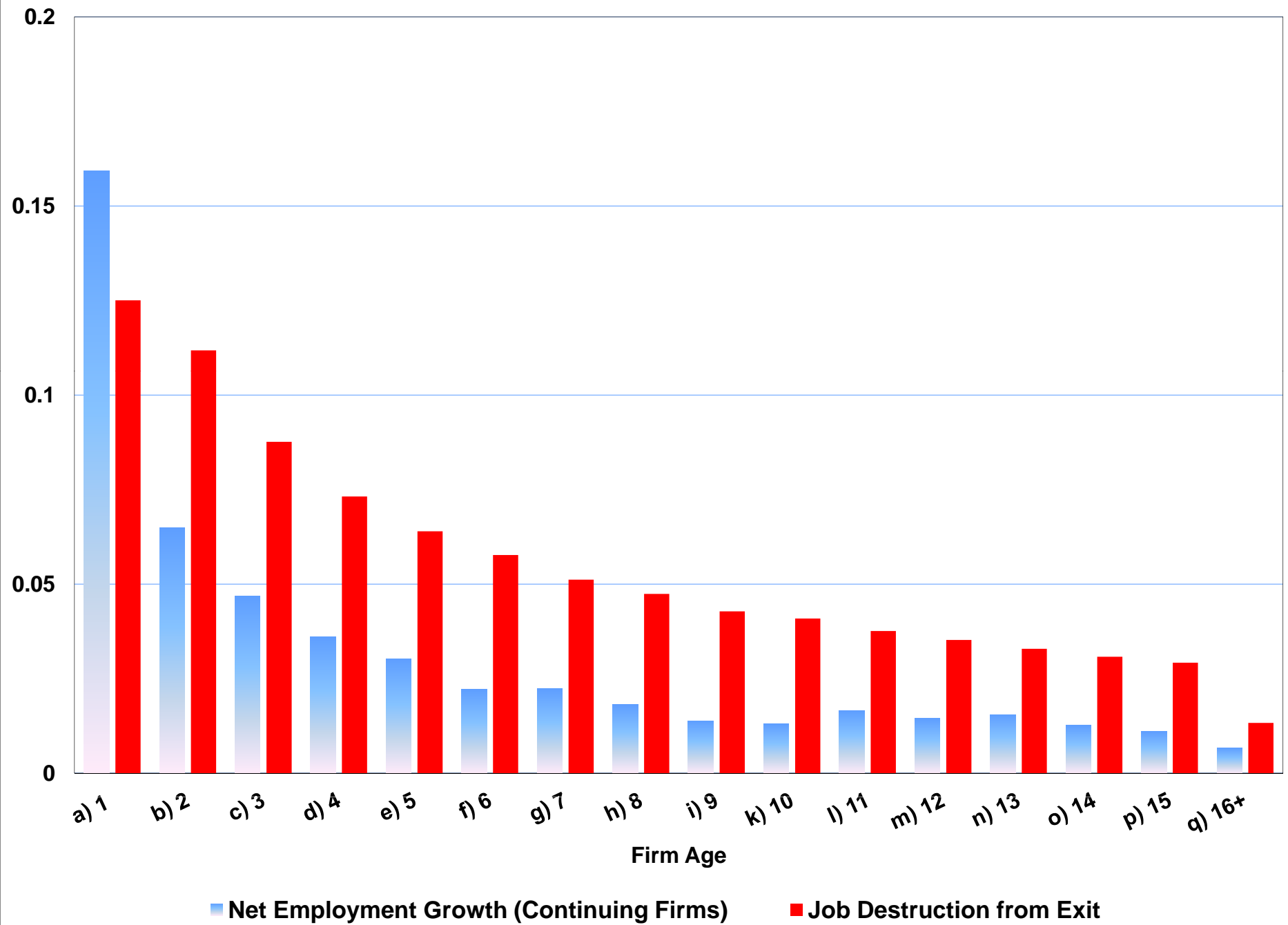


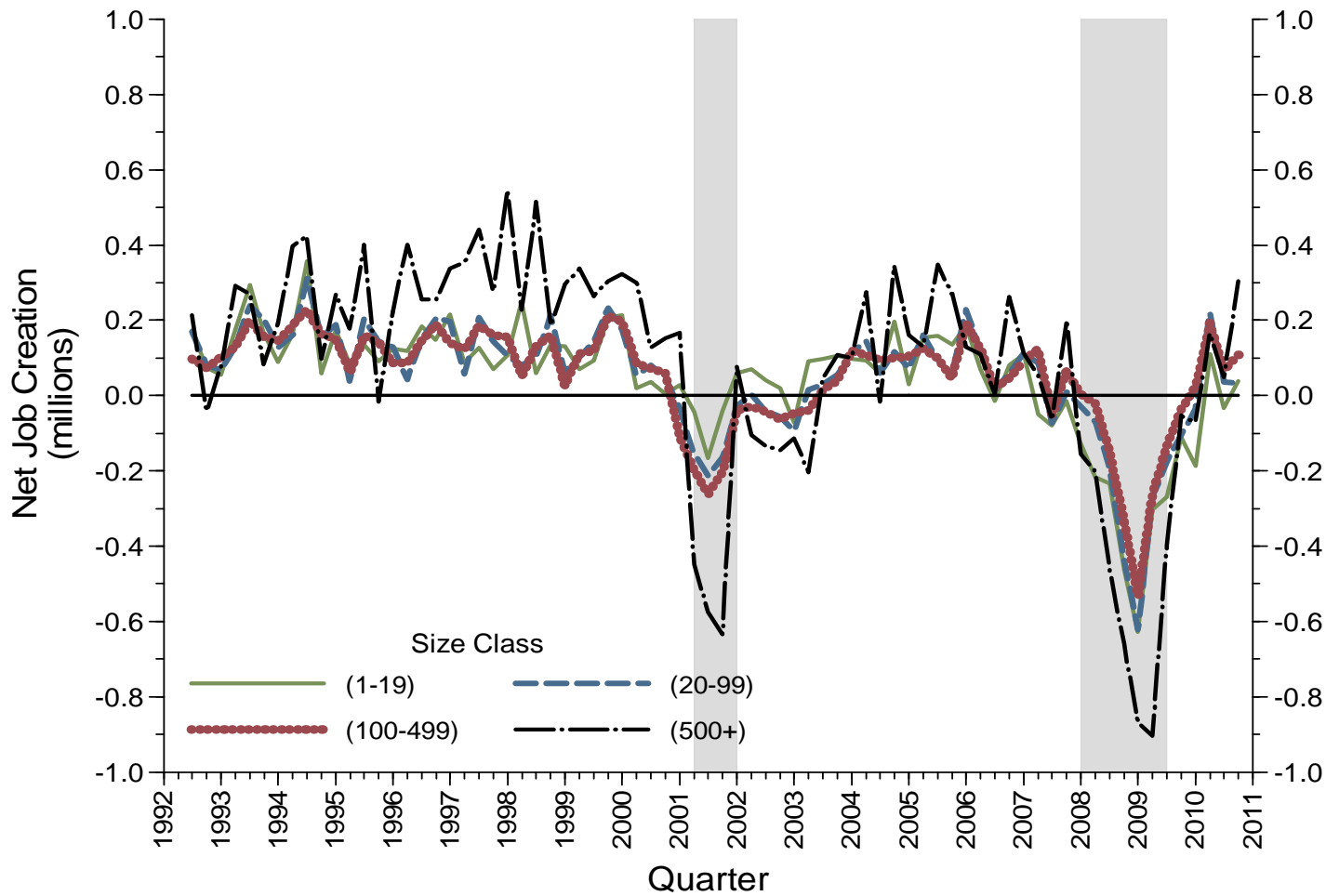
Figure 1: Shares of Employment, Job Creation and Destruction by Broad Firm (Current) Size and Age Classes – Annual Average Rates 1992-2005



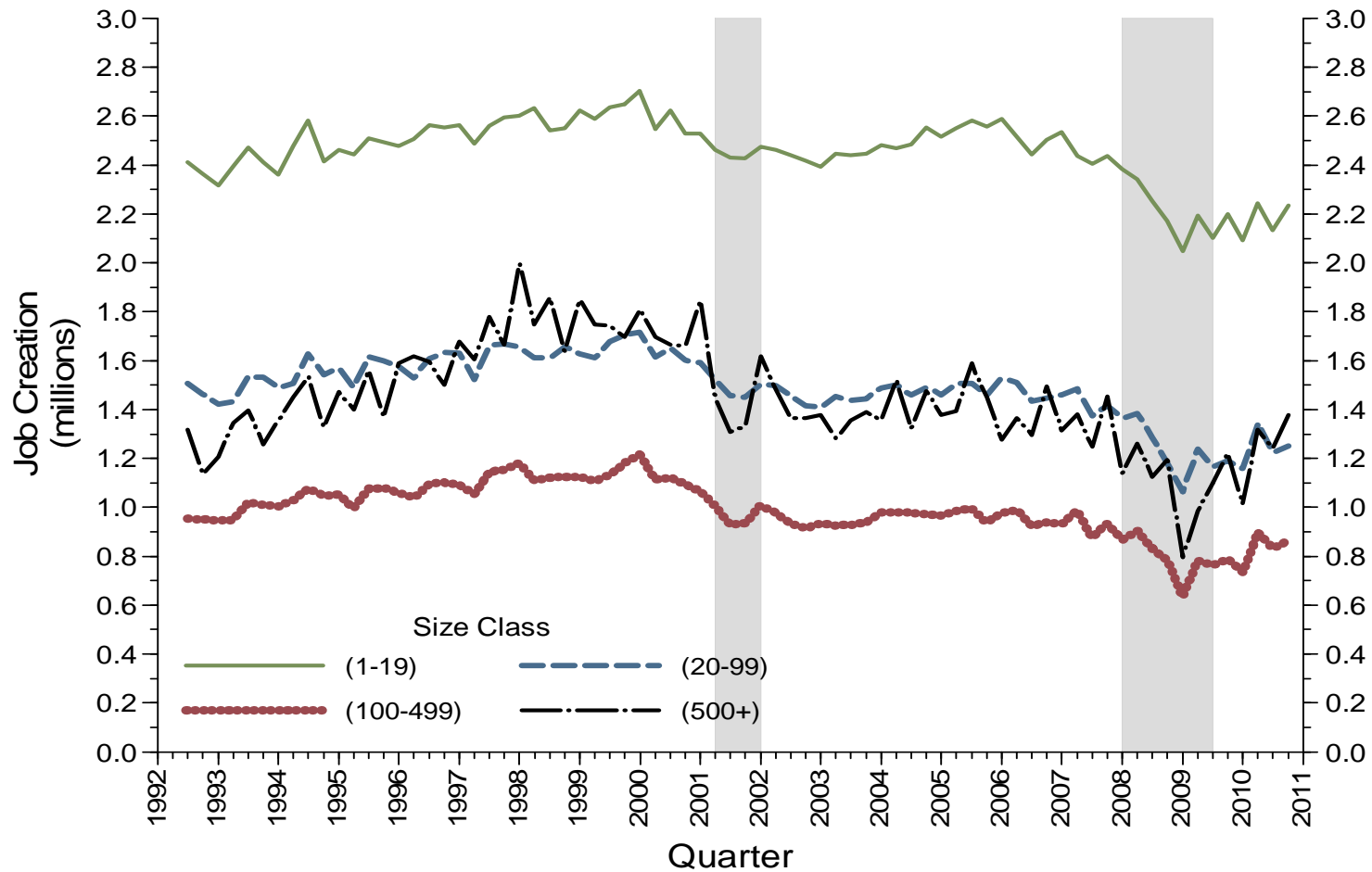
Up or Out Dynamics of Young U.S. Firms



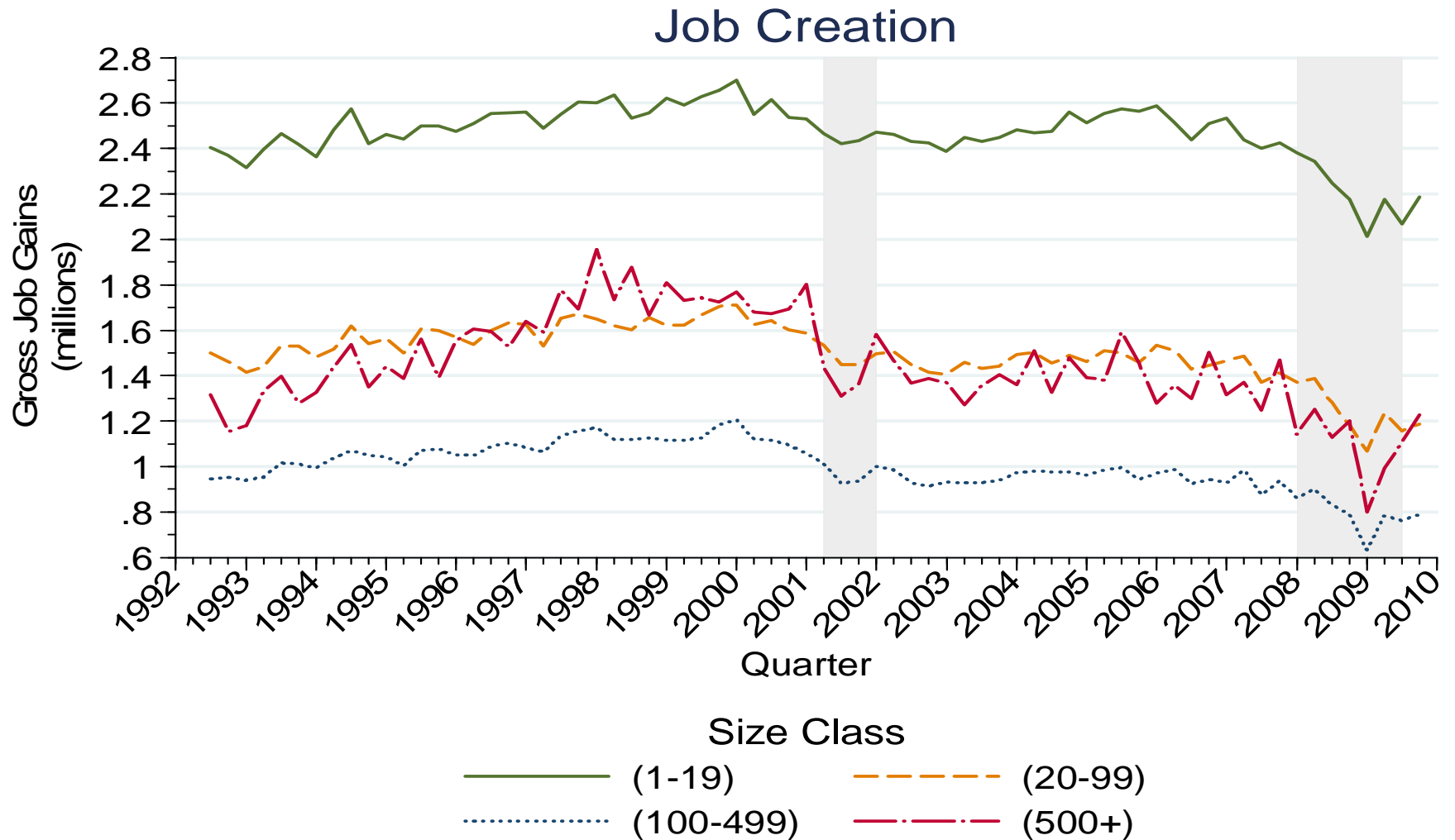
Net Job Creation Levels by Employer Size



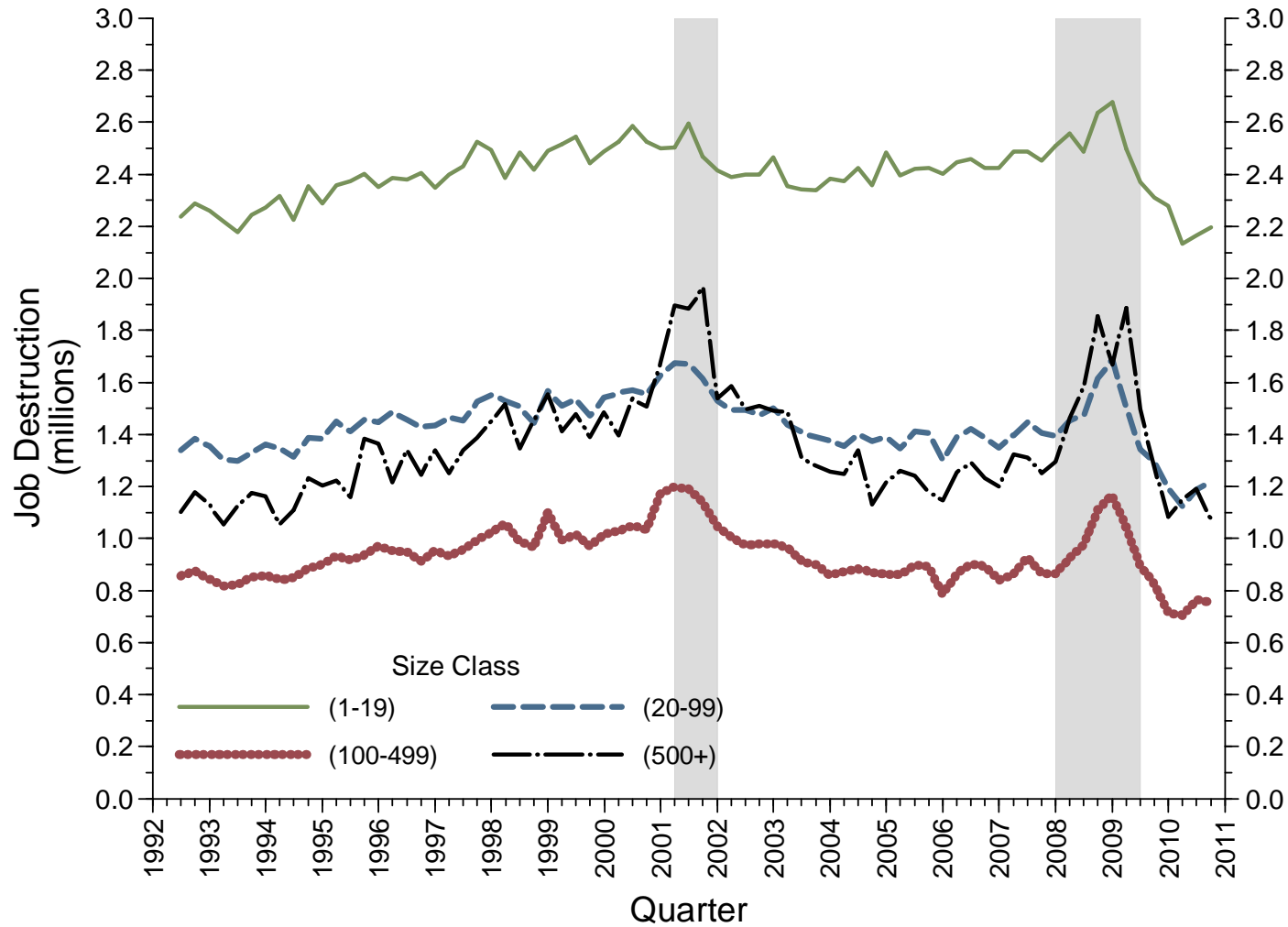
Net Job Creation Rates by Employer Size



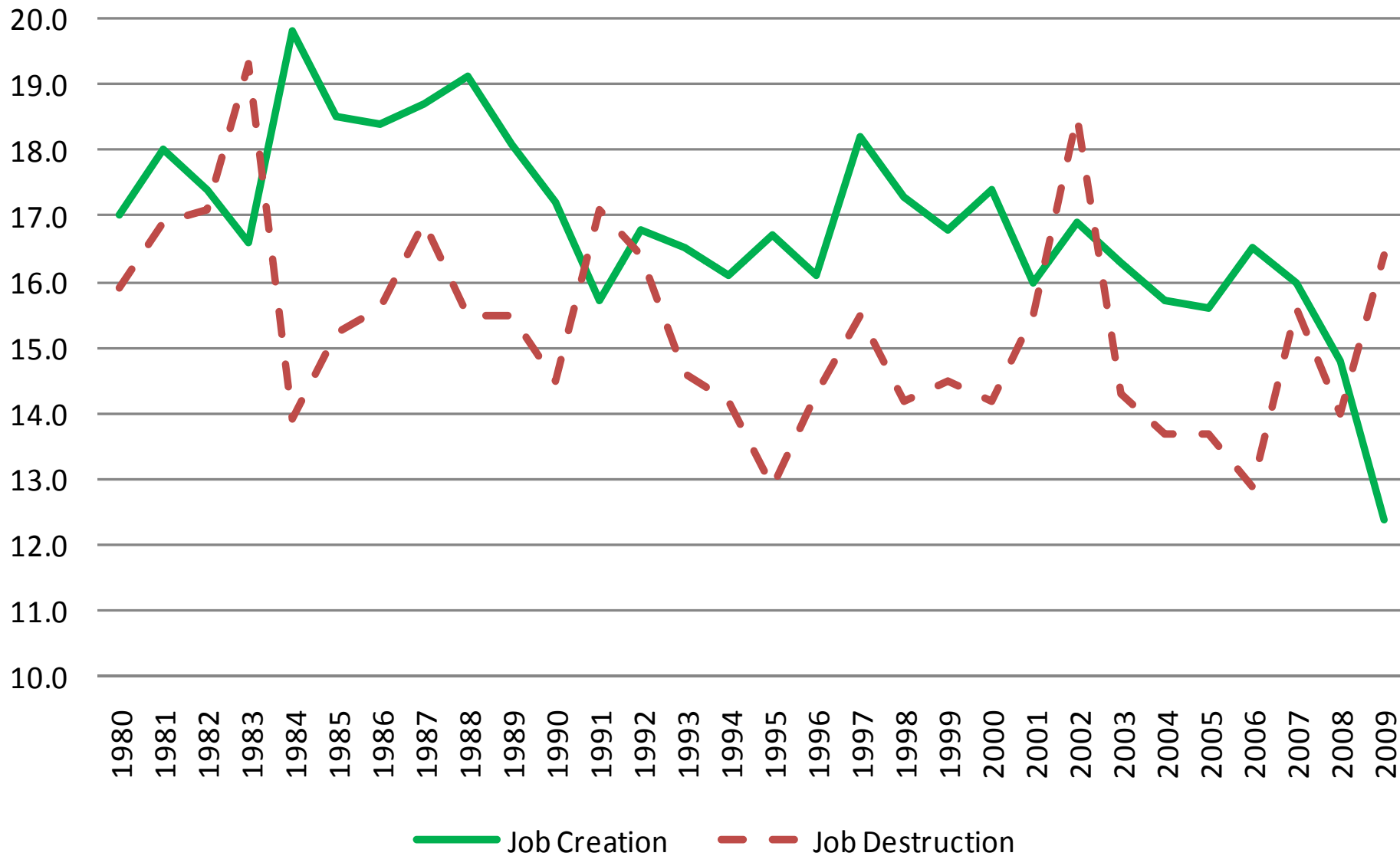
Job Creation Levels by Employer Size



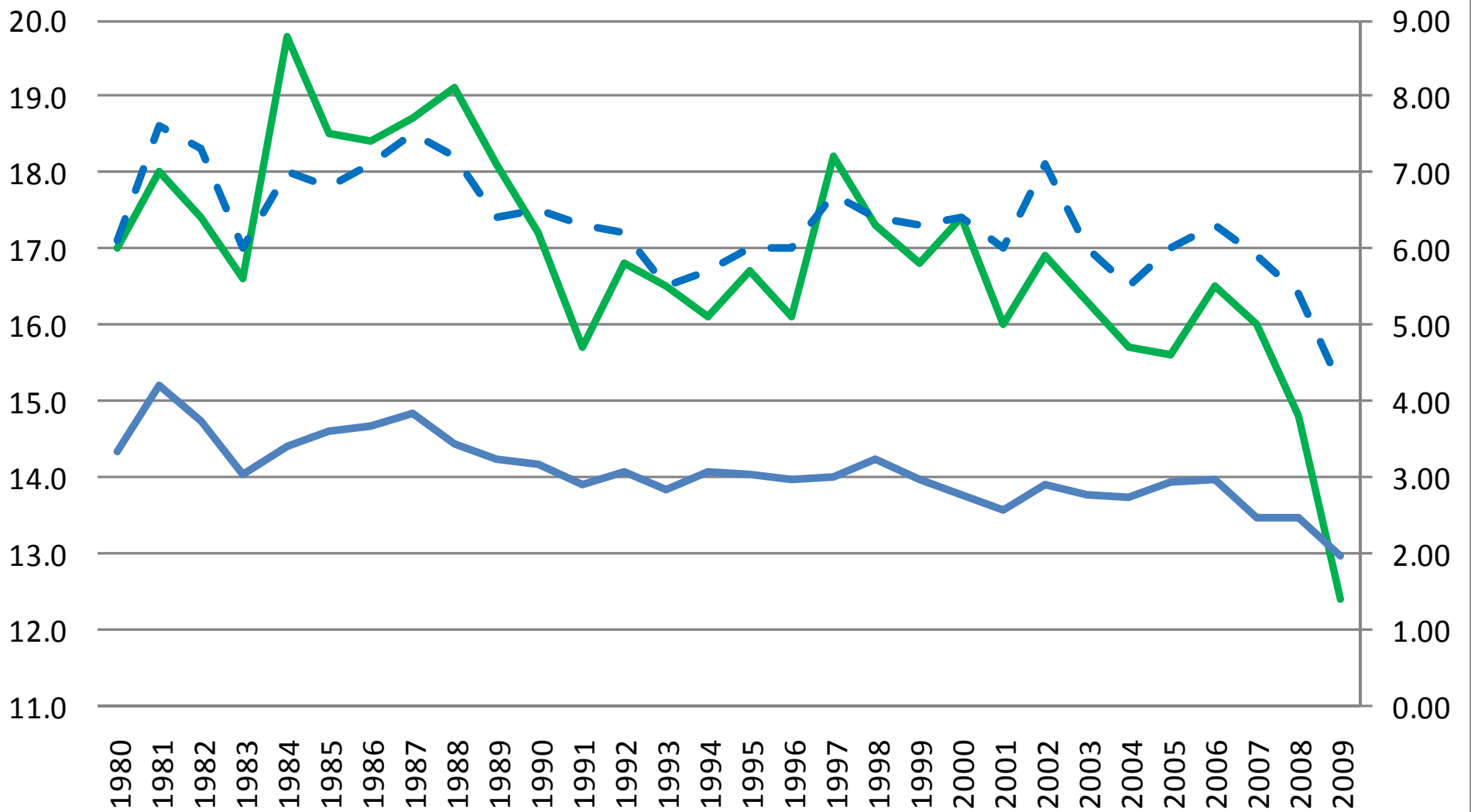
Job Destruction Levels by Employer Size



Gross Job Creation and Destruction Rates, U.S. Private Sector



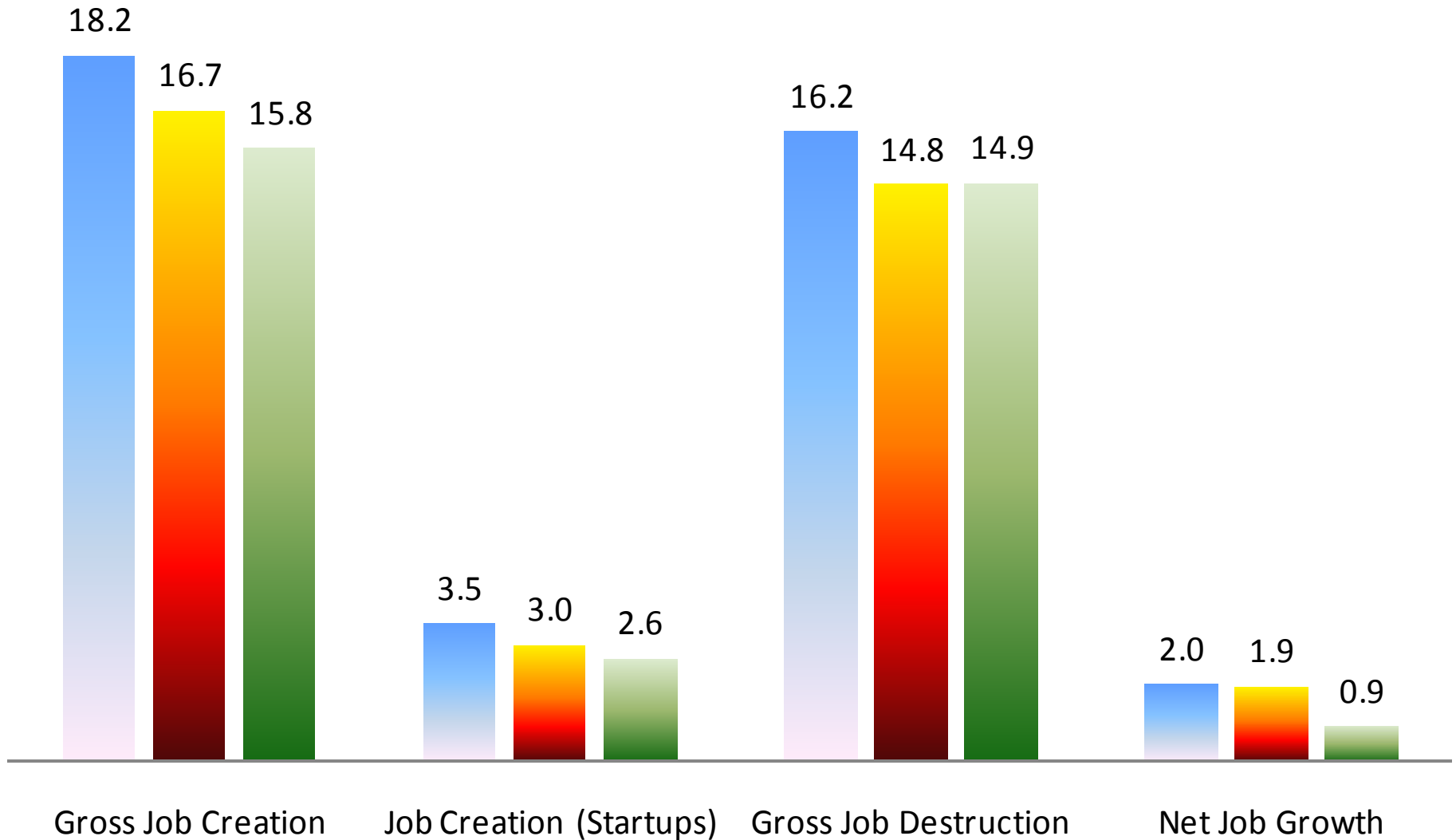
Job Creation and Business Startup Rates, U.S. Private Sector



- Gross Job Creation
- Job Creation (Startups) -- Right Axis
- - Job Creation (New Establishments)-- Right Axis

Trends in Gross Flows and Net Job Creation

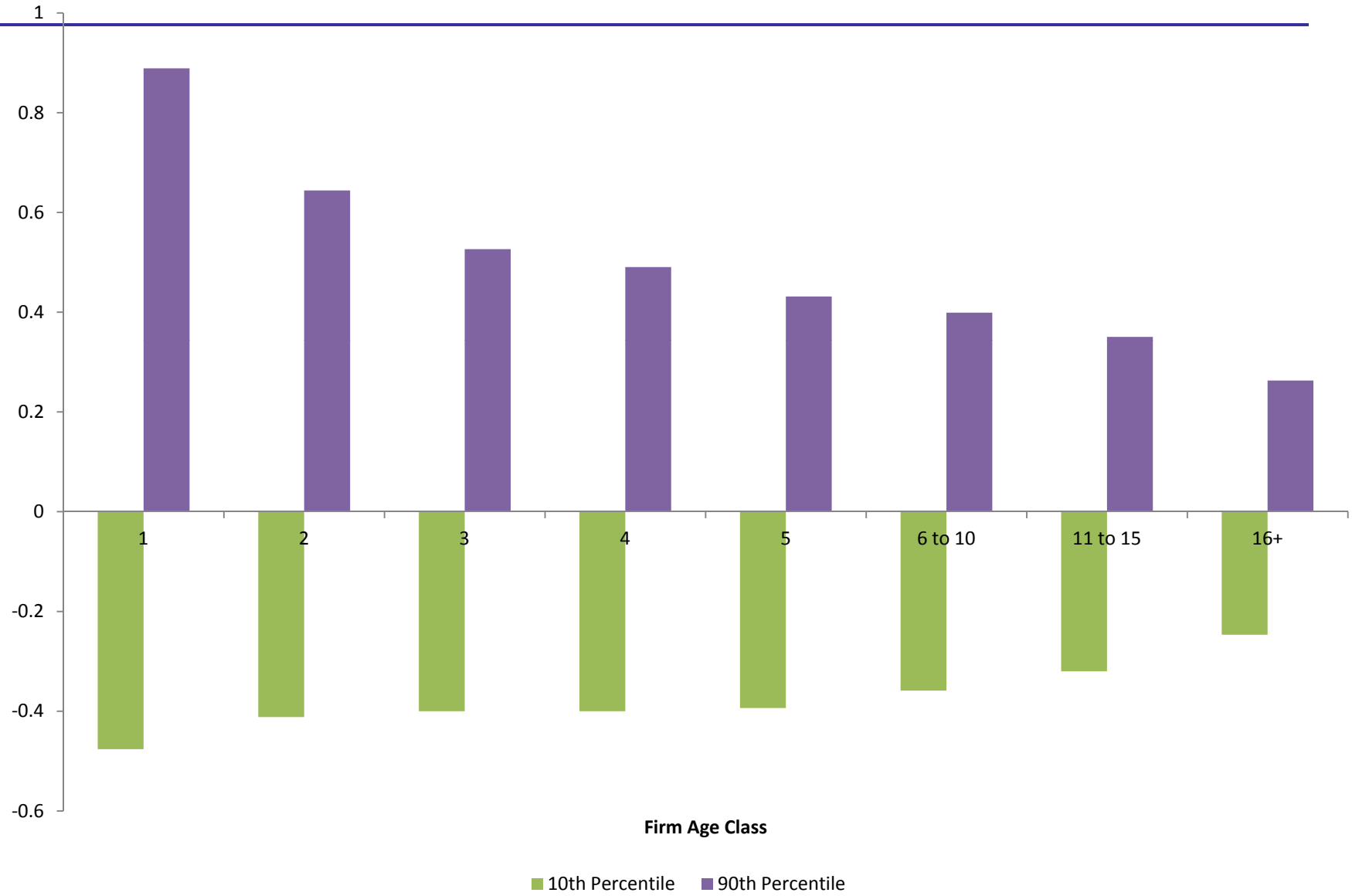
Avg 1980-1989 Avg 1990-1999 Avg 2000-2009



Challenges of Targeting Policy to Businesses?

- Much attention still to targeting Small Businesses
 - But results show job creating prowess misleading
 - It is largely driven by startups and young (small) businesses
 - Should we target startups and young businesses?
 - Part of ongoing creative destruction process
 - Enormous heterogeneity
 - Idiosyncratic factors dominate

90th and 10th Percentiles of Net Employment Growth Rates for Surviving U.S. Private Sector Firms by Firm Age (2003-05)



Industry as Predictor of Size and Growth of Firms?

	R-squared from 6-digit NAICS effects
Probability Firm has less than 20 employees	0.12
Net Firm Growth Rate (All Firms)	0.06
Net Firm Growth Rate (Small Firms)	0.06
Probability firm is a high growth firm (defined as $\text{Net_Rate} > .2$)	0.04
Probability firm is a high growth firm (defined as: $\text{Net_Rate} > .2$ and $\text{Net_Level} > 10$)	0.03

Sample: All U.S. Private Sector Firms, 2003-05

What's Different?

- Why has the U.S. exhibited such a slow recovery relative to the last severe downturn in 1982?
 - Financial crisis?
 - Households vs. Firms (what type of firms)?
 - Uncertainty?
 - Economic vs. Policy
 - Evidence from flows shows that startups and small businesses are an important part of the anemic recovery.
 - Where does this evidence fit in with what is different?
 - Decline in startups and volatility pre-dates recent recession.
 - Interaction of shocks and institutions?
 - Why the secular decline in startups and business dynamism?