

Research Brief

The Commonwealth's Official Source for Population and Economic Statistics

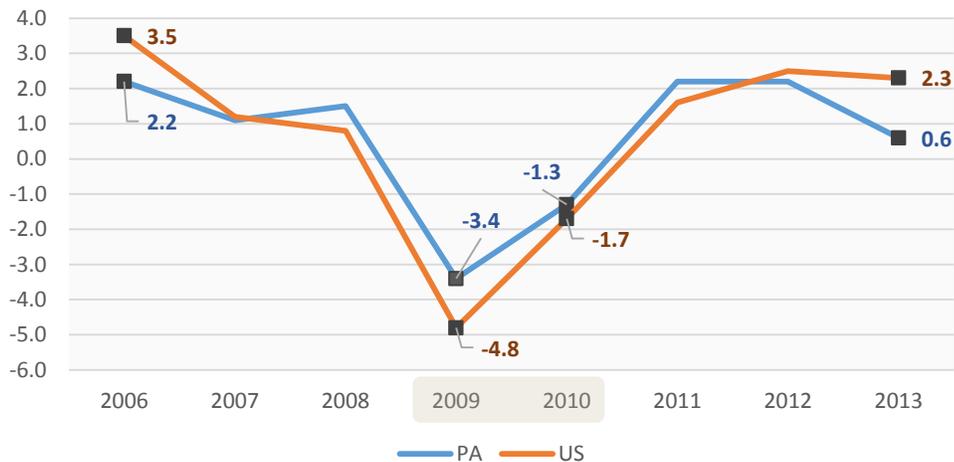
October 15, 2015

2013 Business Dynamics Statistics Highlight Commonwealth's Slow Jobs Comeback from the Great Recession

PENN STATE HARRISBURG – Recently released data from the U.S. Census Bureau – the 2013 Business Dynamics Statistics – delivers detailed information on business establishment openings and closing, firm startups, age and size of firms along with job creation and loss.

The data set can be used to analyze annual changes in business dynamics since 1976, including insights into impacts of and recovery from the more recent Great Recession. In the Keystone State, job losses relating to this recession peaked in 2009 and 2010 at -173,164 and -66,725 jobs, respectively; an overall loss of nearly 240,000 jobs. Over the two year time period, these job loss figures equated to a net job creation rate of -4.7 in Pennsylvania. For comparison, the nation's net job creation rate was -6.5 for the 2009 and 2010 time frame (see Figure 1.).

Figure 1. Net Job Creation Rate, PA & US:
2006-2013

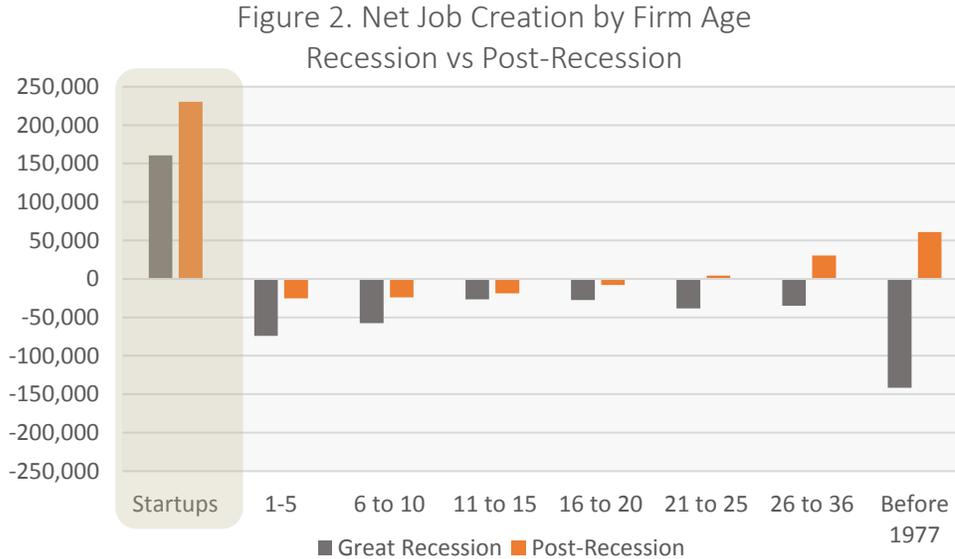


Net job creation gains in the succeeding years of 2011, 2012 and, finally, 2013 have erased the job losses experienced in Pennsylvania from the Great Recession. Over these three years, roughly a quarter-million net jobs have been created throughout the commonwealth. This level of growth resulted in a net gain in jobs of only 10,117 since 2009. The steeper job losses of 7.63 million nationwide had yet to be wiped out by 2013. A gap of -333,491 jobs remained between the recession related job loss numbers of 2009-2010 and job growth of 7.29 million between the years of 2011 and 2013.

Startups Limit Job Loss

Another feature of the BDS is that existing business and startups can be separately analyzed. One clear takeaway from the data is that job declines in the peak recession years (2009-2010) would have been much worse without startup firms. Startups, business defined as less than one year old, accounted for job gains of 77,829 in 2009 and an additional 82,611 in 2010 for a Great Recession total of 160,440 new jobs created. In fact, in these two years, startup firms were the only firms to report net job gains. All other firms, whether they were one year old or established prior to 1977, reported employment losses during the two peak recession years. Said another way, if not for startups, the Keystone State would have experienced a net job loss exceeding 400,000 during the recession as opposed to roughly 240,000.

Startups were also prominent in the improvement of the job situation in the years following the recession – the so-called ‘recovery’. For the post-recession period of 2011-2013, startups accounted for a net job creation of 230,269 in Pennsylvania. However, during the post-recession time period - unlike the recession, firms greater than 20 years in age also had job gains. A total of 95,833 jobs were created by firms with two decades or more in business. Almost two-thirds (63.5 percent) of these new jobs came from firms that were established prior to 1977 (see Figure 2.).

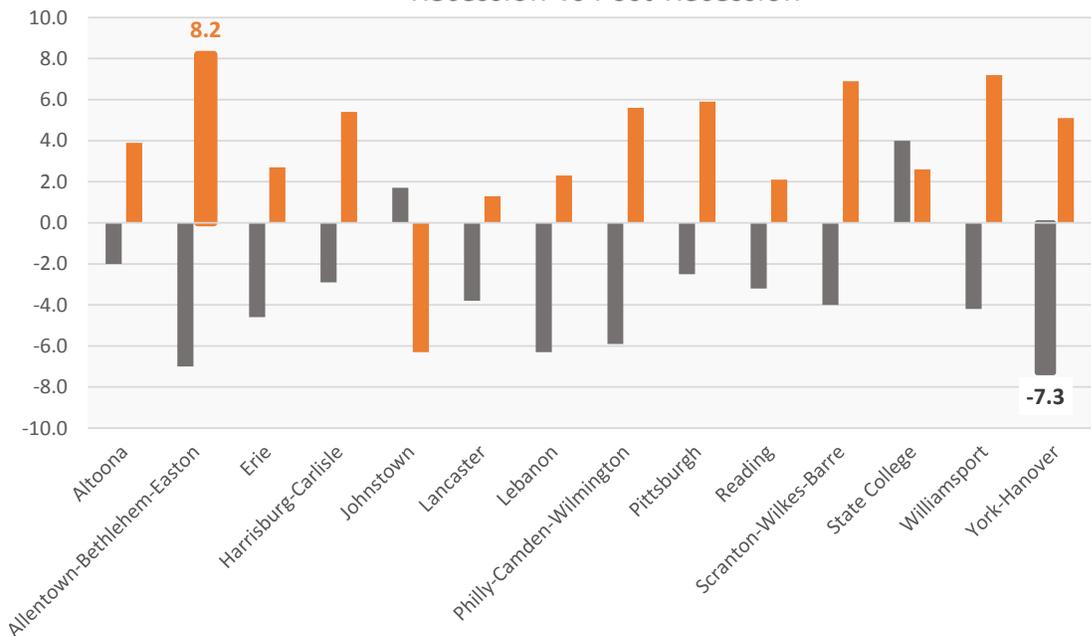


Net Job Creation by MSA

Detailed statistics from the BDS are also available down to the Metropolitan Statistical Area (MSA)¹. Conducting an analysis of Pennsylvania’s fourteen MSAs using the same recession and post-recession periods as above illustrates the differences in job losses and gains throughout the commonwealth during these two time periods. Generally, areas that lost jobs during the recession as indicated by negative net job creation rates in Figure 3 (see below) regained those jobs during the three-year post-recession period. The exception to this general trend was Johnstown, which experienced a gain in jobs during the recession and loss in the 2011-2013 time period, and State College, which had job gains in both periods. Six of the state’s MSAs recovered all the jobs losses from the years 2009 and 2010. They were: Allentown-Bethlehem-Easton, Altoona, Harrisburg-Carlisle, Pittsburgh, Scranton-Wilkes-Barre, and Williamsport. Six others failed to recover the recession time period job losses by 2013 (see Figure 3.).

¹ The 2013 Business Dynamics Statistics use Metropolitan Statistical Area definition from 2009.

Figure 3. Net Job Creation Rate, PA MSAs:
Recession Vs Post-Recession



In terms of job gain and loss number, the Pittsburgh MSA experienced the largest bounce back in jobs between the two time periods, while the Philadelphia-Camden-Wilmington MSA has the largest numeric gap to close. During the recession years of 2009 and 2010, the Pittsburgh MSA lost 25,960 jobs, but gained 62,901 jobs during the post-recession years. This resulted in a net gain of 36,941 jobs over the period. On the other end of the state, a nearly ten-thousand (9,868) jobs shortfall remained in the Philadelphia-Camden-Wilmington MSA between 2009-2010 and 2011-2013.

More Business Dynamics Statistics

The Business Dynamics Statistics (BDS) includes measures of establishment openings and closings, firm startups, job creation and destruction by firm size, age, and industrial sector, and several other statistics on business dynamics. The U.S. economy is comprised of over 6 million establishments with paid employees. The population of these businesses is constantly churning — some businesses grow, others decline and yet others close. New businesses are constantly replenishing this pool. The BDS series provide annual statistics on gross job gains and losses for the entire economy for the nation, states and metropolitan statistical areas. These data track changes in employment at the establishment level, and thus provide a picture of the dynamics underlying net employment growth.

Source: U.S. Census Bureau, 2013 Business Dynamics Statistics

The Pennsylvania State Data Center is the commonwealth’s official source for population and economic statistics. It is based at Penn State Harrisburg’s Institute of State and Regional Affairs. The Pennsylvania State Data Center is part of the U.S. Census Bureau’s National State Data Center Program.

Editors: For additional data, contact the Pennsylvania State Data Center’s State Capital Office at 717.772.2710 or for faculty comment on this topic, contact Penn State Harrisburg’s Public Information Office at 717.948.6029.