

BUSINESS BIRTHS & EXPANSIONS, 2009

by Randy Gustafson

OVERVIEW AND COMPARISON TO 2001-2002

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The Census Bureau's Statistics of U.S. Businesses series tracks establishment births and deaths by major industry. There is a lag of two to three years due to the time it takes to collect and process the data. The most recent data cover the period 2008-2009. Since that period covers the end of the Great Recession (December 2007 to June 2009), characteristics of businesses "rounding the corner" can be identified. The dataset is not a 100% complete picture of employment in Tennessee. It excludes non-employer businesses, railroads, animal and crop production, and most government entities. The data are complete back to 1997, making the only other comparative recession the one that lasted from March to November 2001. The data include information about both establishments and employment. A look at the establishment data for large establishments (over 500 employees) and all the rest reveals where job creation is the strongest.

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employment gains in the year after the recession ended. However, there were 10,835 new businesses in Tennessee in 2009. Large employers accounted for 2,258 new businesses, while the majority (8,577) had fewer than 500 employees. The total number of business deaths in 2008 outnumbered new businesses by a substantial margin. The only sector with a net gain was the health care and social assistance sector with five more establishments in 2009 than existed in 2008. New businesses created 97,813 jobs in 2009. Large firms accounted for fewer than half of the new jobs with 44,838. Again it is important to point out that net job change for the period was -174,034 because business deaths and contractions far outweighed births and expansions.

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once again accounted for fewer than half of the new jobs with 77,963. There were 6,929 large firms hiring new employees and 21,461 smaller firms. Smaller existing firms, on average, created four new jobs, while large existing firms created 11 new jobs each.

Net job growth over the 2008-2009 period occurred in four industrial sectors: utilities, educational services, health care and social services, and other industries, not classified. Health care and social services generated a net increase of 3,475 jobs through expansion of existing establishments. In fact, the number of new and closing establishments was fairly close, 1,139 new health care and social service establishments as opposed to 1,134 that closed during the year. The net job change due to establishment births and deaths, however, was significantly negative, -4,364. Net job gains were wholly explained by the fact that 30% of existing health care and social services establishments expanded employment by a total of 27,914 jobs.

The retail trade sector had the greatest amount of “churn,” with 1,647 new businesses created and 2,281 ceasing to exist over the period. Job losses due to business deaths were more than offset by the gains for a net gain of 589. The retail sector lost overall, as there were 35,406 jobs lost through cutbacks at existing businesses. By far the largest net job loss was in the manufacturing sector with 52,000 jobs lost over the period. Large (500+ employees) firms lost nearly twice as many jobs as the smaller firms, 34,310 versus 17,690. The loss of jobs due to closing manufacturers outpaced the job gains from new ones by 6,894; however, workforce contractions at existing manufacturers were the major source of job losses, as 3,091 factories laid off 56,621 workers.

Comparison to Last Recession

A quick comparison to 2001-2002 figures shows some similarities. In that year, manufacturing was also the greatest source of net job losses at 42,993, with large manufacturers accounting for approximately 75 percent of the jobs lost. Net job gains occurred in eight sectors: utilities; information; finance and insurance; professional, scientific, and technical services; health care and social assistance; arts, entertainment, and recreation; accommodation and food services; and other business, not classified. The largest number of net job gains was in the accommodations and food services sector with an increase of 4,754. New accommodations and food services businesses defined the trend with 9,711 more jobs gained than lost through business closings. Existing business contractions outweighed expansions by 4,957.

For the two periods, the health care and social services and utilities sectors posted net job gains. However, the utilities sector is one of the smallest, with less than one percent of the total employment of the health care and social services sector (3,473/358,858) in 2008.

The influence of large business was much more pronounced in the 2001-2002 period than in 2008-2009. Job losses in the 2001-2002 period were concentrated in the larger establishments, with more than 83 percent of the total drop in employment occurring at firms with 500+ employees. In contrast, during the 2008-2009 period, large firms accounted for less than 55 percent of the net decline in employment. ■

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Table 1. Number of Establishments with Corresponding Employment Change, 2008-2009

NAICS Sector	Net Change		Births		Deaths		Expansions		Contractions	
	Firms	Employees	Firms	Employees	Firms	Employees	Firms	Employees	Firms	Employees
Total	-3,422	-174,034	10,835	97,813	14,257	-115,898	28,390	161,467	42,334	-317,416
Agriculture, forestry, fishing, & hunting	-11	-110	28	101	39	-148	44	109	72	-172
Mining, quarrying, oil & gas extraction	-8	-69	24	0	32	-488	63	445	77	0
Utilities	-2	77	5	0	7	0	37	131	28	-68
Construction	-1,183	-22,736	825	3,951	2,008	-9,353	1,837	8,797	4,117	-26,131
Manufacturing	-284	-52,000	309	5,487	593	-12,381	1,228	11,515	3,091	-56,621
Wholesale trade	-255	-13,377	420	3,288	675	-5,317	1,423	7,653	2,382	-19,001
Retail trade	-634	-19,180	1,647	13,750	2,281	-13,161	4,803	15,637	8,274	-35,406
Transportation & warehousing	-163	-11,921	411	5,256	574	-5,189	872	6,896	1,483	-18,884
Information	-88	-255	267	3,836	355	-2,811	499	2,888	675	-4,168
Finance & insurance	-146	-578	903	0	1,049	-5,887	1,909	7,272	2,350	-10,574
Real estate & rental & leasing	-156	-2,444	543	2,250	699	-2,501	843	3,096	1,498	-5,289
Professional, scientific, & technical services	-141	-7,907	1,009	4,542	1,150	-9,654	2,204	10,104	2,737	-12,899
Management of companies & enterprises	-29	-2,036	73	2,260	102	-2,346	347	5,940	451	-7,890
Administrative & support & waste management & remediation services	-74	-26,121	745	10,756	819	-11,127	1,391	21,996	2,230	-47,746
Educational services	-6	1,385	91	478	97	-516	381	4,105	315	-2,682
Health care & social assistance	5	3,475	1,139	10,835	1,134	-15,199	4,155	27,914	3,720	-20,075
Arts, entertainment, & recreation	-31	-4,133	218	1,638	249	-1,563	474	2,244	696	-6,452
Accommodation & food services	-69	-12,491	1,149	16,578	1,218	-13,542	2,911	15,341	4,730	-30,868
Other services (except public administration)	-165	-3,664	954	3,540	1,119	-4,507	2,962	9,381	3,403	-12,078
Industries not classified	18	51	75	0	57	-192	7	0	5	0

Source: US Census Bureau, Business Information Tracking Series