



MOVING THE NEEDLE ON JOB CREATION

NEWSLETTER

FEATURE ARTICLE



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September, 2011

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“So all the energy that we’ve poured into entrepreneurship over the last 30 years—incubators, education, special funding- hasn’t moved the needle” Wall Street Journal, Aug. 12, 2011

By Ed Bee, CEcD

It’s logical that the longest recession in seventy years would stimulate public scrutiny about the job generation process. A feature article in the Wall Street Journal on August 12 entitled “Shrinking in a Bad Economy: America’s Entrepreneur Class” looks at the role that startups play in job creation. Most of the economic development profession accepts without question that small businesses and entrepreneurial startups are driving job generation in the US economy, as reported by David Birch in 1981. We accept it because we continue to hear it from our professional associations and in our training courses. The mounting evidence collected from new BLS data overturns Birch’s findings. The Wall Street Journal article brings the discussion into the mainstream business media.

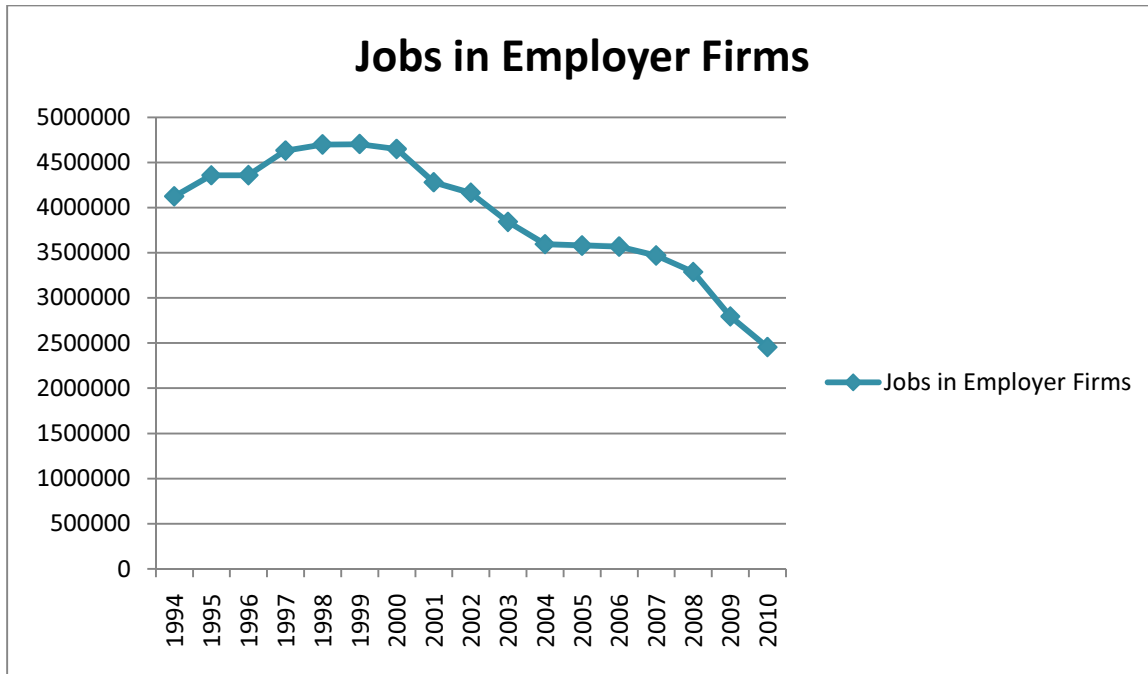
What are the facts? For those newsletter readers who are familiar with my 2009 article “Coming Full Circle: End of the Small Business Era,” you’ll recognize the data and three arguments. First, the number of jobs in startup companies has been dropping for 12 years and the drop sharpened during this recession (see graph). Second, the number of business startups with employees dropped in 2009 to the lowest level on record. Dane Stangler, director of research at the Kauffman Foundation is quoted by the *Journal* as saying, “the annual number of new ‘employer firms’-startups that employ more than just the founder-was steady for years and has drifted down since the mid-1990s”. Third, the proportion of jobs in small businesses has been declining for a decade (see BLS graph). Robert Litan of the Kauffman Foundation says “If this persists-the sputtering engine of entrepreneurship-it will discourage future generations of entrepreneurs.” Have you ever before heard a dire outlook about entrepreneurship from the Kauffman folks? A major shift in thinking about entrepreneurship is clearly underway.

The economic development profession will soon have to accept the need for a new paradigm on job generation. The newest research suggests that older companies - 10 to 25 years old - are driving job growth in America. Anecdotal evidence suggests this is so: Chesapeake Energy and Devon Energy that pioneered shale gas exploration, for instance, fit the newer model perfectly.

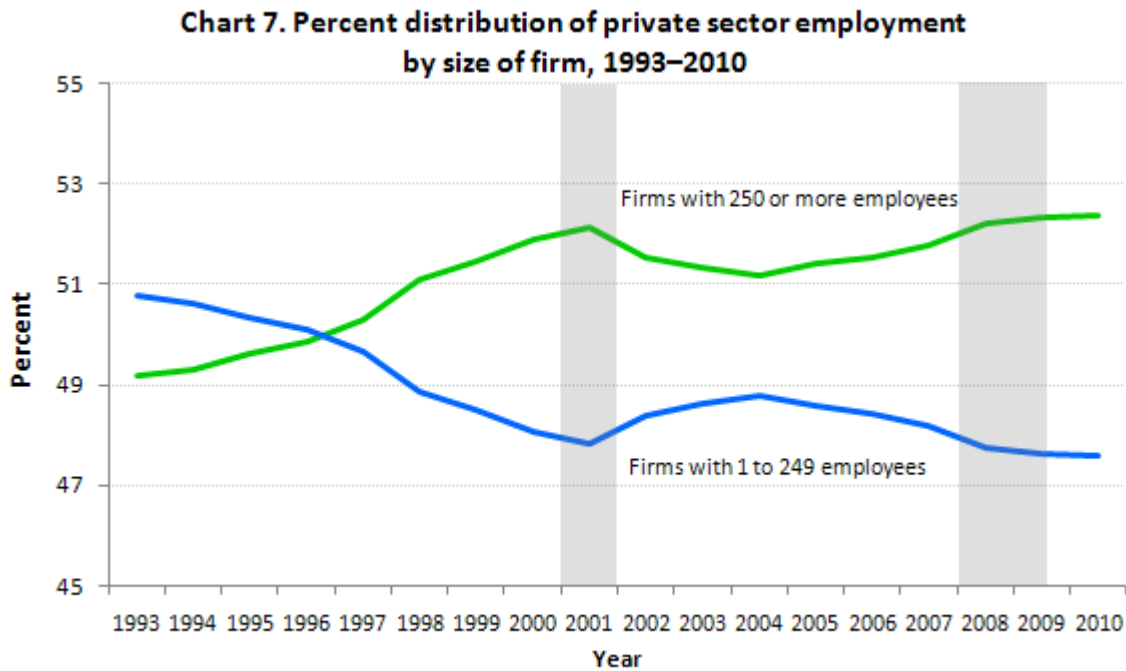
The profession will also have to embrace the concept that bigger companies are important in the job generation process. Since we’ve ignored them in the development of federal and state economic development policy for thirty years, we could see the resources dedicated to small business and entrepreneurship shifted to big business initiatives. Get ready, the train has left the station and the engine driving a refinement in economic development budgets and programs is building steam. Are you prepared?



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Source: Business Dynamics Data, Bureau of Labor Statistics



Source: U.S. Bureau of Labor Statistics

Source: BLS Business Dynamics Program at <http://www.bls.gov/bdm/entrepreneurship/entrepreneurship.htm>

