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Job Creation from New Business Establishments Has Declined

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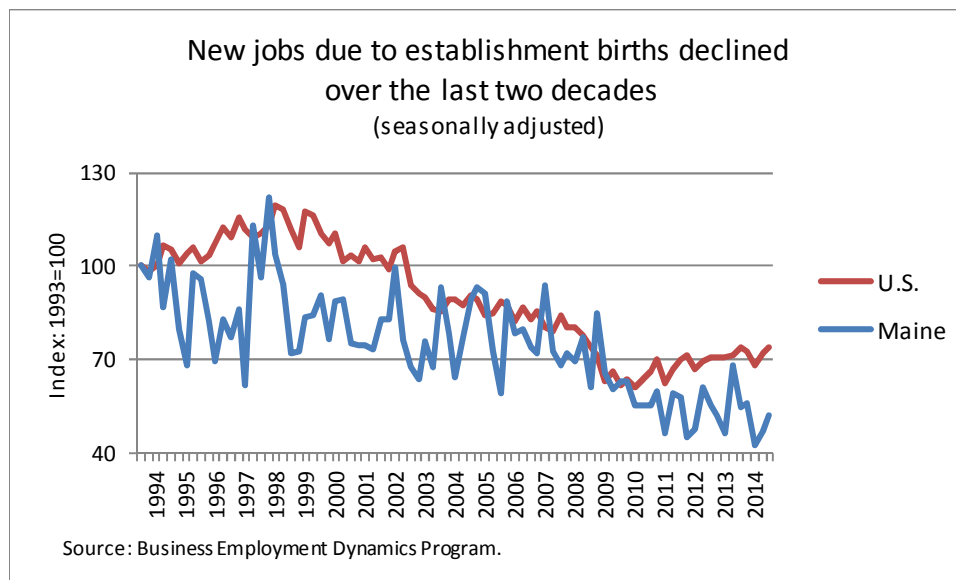
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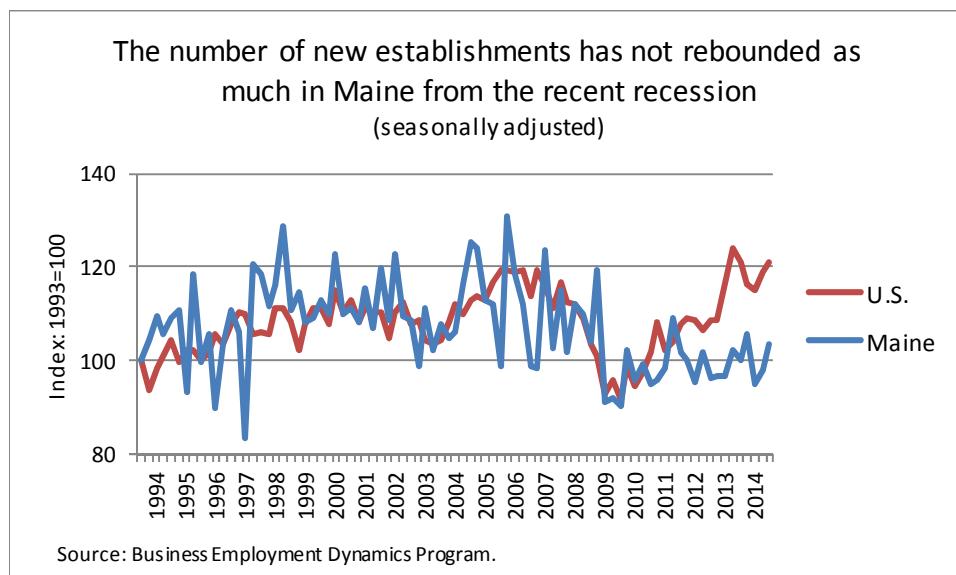
Job Creation from New Business Establishments Has Declined

New business starts are an important source of jobs. Studies tracking Maine businesses started during the recession of [2008](#) and [2009](#) found those businesses created enough jobs to offset about one third of jobs lost from previously existing businesses. If not for those new businesses, job loss in the recession would have been much worse.

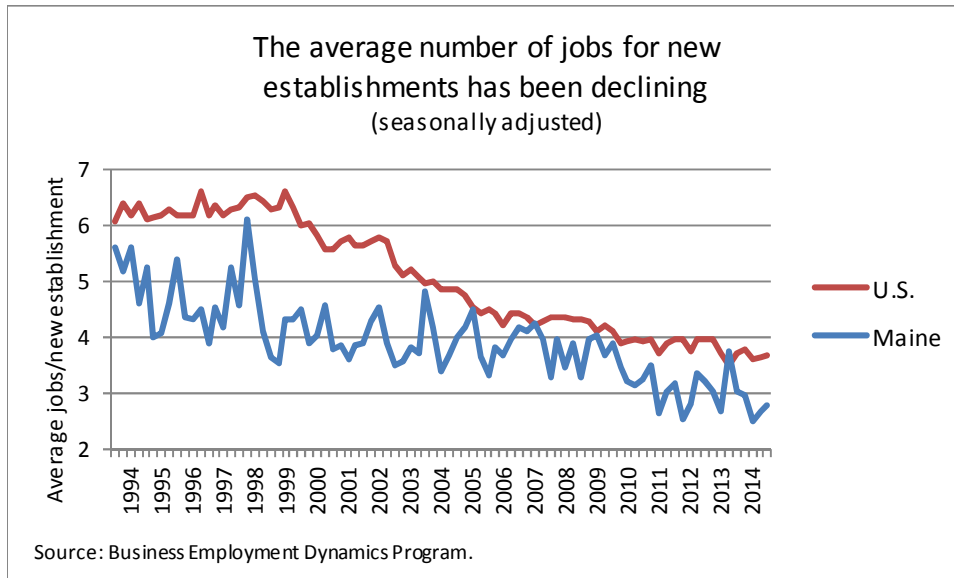
Another data set, known as Business Employment Dynamics (BED), provides a view of job creation from new businesses establishments over time. BED data indicates that job creation from new establishments declined over the last two decades. In the five years before the recession, the trend in Maine was similar to the United States. In the recovery, new business job creation has not rebounded in Maine and only slightly nationally. In 2014, the number of jobs created by new establishments was about 50 percent as high as 20 years earlier in Maine, compared to 70 percent as high for the United States.



In Maine and the nation, the decline in the number of new business establishments and job creation from new establishments before the recession followed similar patterns. In the recovery, Maine has lagged the nation, both in business starts and new jobs. A factor that likely contributed to the lack of a rebound in Maine is demographics. Entrepreneurship rates are highest among those in their 30s and early 40s, an age group that has been declining in Maine.



Job creation from new businesses is down more than new business starts because the average number of jobs per new establishment is declining. Although it may not be the only reason for the declining size of new establishments, a study by the U.S. Bureau of Labor Statistics found that "...the finding of smaller establishment births is consistent with the hypothesis that births are entering the economy with new modes of production that place a greater emphasis on technology and a lesser emphasis on labor."



Note: Major exclusions from private jobs are self-employed workers, religious organizations, most agricultural workers on small farms, all members of the Armed Forces, elected officials, most employees of railroads, some domestic workers, most student workers at schools, and employees of certain nonprofit organizations.