

Rural and Urban Establishment Births and Deaths Using the U.S. Census Bureau's Business Information Tracking Series

An Office of Advocacy Working Paper

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Business dynamics—the entry and exit of firms—is the mechanism by which outdated ideas and industry practices are replaced by new and potentially revolutionary ones. Higher density urban and suburban areas are said to have a fast pace of life, but it is unclear if this translates into high rates of entry and exit.

This paper has two objectives focusing on local business dynamics. First, it documents a set of establishment birth and death (EBD) tabulations now available from the U.S. Census Bureau's Company Statistics Division. These tabulations report establishment births and deaths by industry classification for every county in the United States from 1990 to 2003. In particular, tabulations report the total, single-unit, and multi-unit births and deaths. Second, it presents preliminary descriptive analysis of the establishment birth and death rates by rural and urban counties.

Overall Findings

The rural-urban analysis gives a surprising result. When measured by either of two analytical methods (ecological or labor force) the differences in the average rates of establishment births and deaths for urban and rural areas are extremely small. While the difference is statistically significant, on average, the general dynamic of economic activities is not a function of rural versus urban conditions. This result has implications for the setting and study of economic development policy for both rural and urban areas, especially where such policies hinge on stimulating and supporting local entrepreneurial activity (i.e., “economic gardening”).

Highlights

- The establishment birth and death (EBD) tabulations comprise 14 years of birth and death data for every county in the United States. Each annual file includes an average of 650,000 observations. (The tabulations may be obtained from the Census Bureau's Company Statistics Division for a nominal fee.)
- There were 11 million establishment births and 9.7 million establishment deaths between 1990 and 2003. In that period, the average number of establishment births per county was 247 and the average number of deaths per county was 221.
- Single-unit establishments account for a little more than 80 percent of both the birth (82 percent) and death (83 percent) totals.
- Most business locations are in urban or suburban areas. 93.4 percent of all U.S. business establishments are located within MSAs. Large establishments with 500 or more employees are even more highly concentrated: less than 5 percent are located in non-MSA areas.
- The average annual number of establishment births per county is 1,128 in primary MSA counties, 182 in secondary MSAs, and 58 in non-MSA counties. (The terms “primary,” “secondary,” and “non-MSA” roughly track “urban,” “suburban,” and “rural” areas.)
- The rate of establishment births and deaths varies very little across urban and rural counties. This holds true for both the ecological and labor force method of calculating the rates. This is also true for both MSA and RUCC urban-rural definitions. The mean establishment birth rate—calculated by the

ecological method—is 0.11 for primary counties, 0.12 for secondary counties, and 0.11 for non-MSA counties.

Scope and Methodology

The EBD tabulations were extracted from the Census Bureau's Business Information Tracking Series (BITS) file, a component of the Statistics of U.S. Business (SUSB) database. The paper provides an overview of the tabulated data, summarizes various practical matters on using the EBD tabulations, and reports descriptive statistics (in both tables and figures) of the data. The urban-rural descriptive analysis is reported in a series of figures coupled with simple data analysis to determine the statistical differences of the group means.

For the EDB tabulations, an establishment birth is counted for establishments reporting payroll sometime in the current year and no payroll the year prior. An establishment death is counted for establishments reporting no payroll in the current year and payroll at some point the year prior.

The authors assess the birth and death rates using two different methods: the ecological method and the labor force method. The ecological rate is based on the the number of establishment births or deaths divided by the number of establishments in the previous year. The labor force rate is the number of establishment births or deaths divided by the number of workers in the county labor force. These rates are compared across urban and rural areas, which are also defined according to two different systems: metropolitan statistical areas, or MSAs, and rural urban continuum codes, or RUCCs.

This report was peer reviewed consistent with the Office of Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of economic research at advocacy@sba.gov or (202) 205-6533.

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