issues in Labor Statistics

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# All firm sizes hit hard during the current recession

Small and large firms[1] have shown different behaviors during the past three economic downturns (recessions). (See box, this page.) In the recession of the early 1990s, there were more net job losses in small firms than in large firms. The 2001 recession showed the opposite: large firms experienced more net job losses during the downturn and then continued to show net losses into 2003. In the early part of this recession, however, neither group shows a clear majority of job losses. All firm sizes have been similarly affected by the recession.[2] (See tables 1 and 2 and chart 1.)

The Business Employment Dynamics (BED) data series, published by the Bureau of Labor Statistics (BLS), decomposes the quarterly net employment change into gross job gains and gross job losses. This breakdown reveals the underlying dynamics of the job market.[3] For example, small firms show significantly higher levels of both gross job gains and gross job losses than large firms throughout the data series. (See charts 2 and 3.) Calculated as a percentage of employment, the high rates of gross job gains and losses show evidence of more turnover and volatility in small firms.

Two quarters before the official beginning of the current recession, the two smallest size classes—firms with 1 to 4 employees and firms with 5 to 9 employees—show net losses of 40,000 and 15,000 jobs, respectively. All size classes then turn negative in September 2007, resulting in a net loss of 264,000 jobs. In the next quarter, however, only size classes with 5 to 9, 10 to 19, and 20 to 49 employees are negative. In March 2008, all classes once again show a decline, with total losses of 312,000 jobs. (See table 2.)

When small firms are defined as those with fewer than 100 employees, there appears to be little difference in net losses between small and large firms in the current recession: between December 2007 and June 2009, firms with fewer than 100 employees account for an average of 46 percent of net losses each quarter. If the grouping is expanded to include firms with fewer than 500 employees, however, small firms contribute an average of 61 percent of net job losses. (See chart 1.)

Charts 2 and 3 contain the decomposition of net change into gross job losses and gross job gains for small and large firms, where small firms are those with fewer than 100 employees (chart 2) and fewer than 500 employees (chart 3). Time intervals are divided into periods of average net gain or loss and include quarters of lingering net job loss following the official end of the recessions.[4] NBER recession periods are reprsented by shading. Average quarterly gross job gains and gross job losses are indicated by horizontal bars.

As displayed in charts 2 and 3, gross job gains have not returned to prerecession levels after the 2001 downturn. Both divisions of small and large firms show low levels of gross job gains. The return to net positive employment between September 2003 and June 2007 was primarily a result of a decline in gross job losses rather than increased hiring.

During the current recession, gross job gains reached a historic low in the BED series, with gross job gains for all firms dropping to an all-time low of 4,517,000 in the first quarter of 2009. This series minimum is reflected in all nine size classes. Gross job losses, however, have not yet reached the highest levels seen in the 1990 or 2001 recession. It appears that not only increasing gross job losses, but also decreasing gross job gains, particularly at small firms, are present in the current recession.

In the current recession, all firms, small and large alike, have been similarly affected in terms of net job losses. Unlike the previous two recessions, one size grouping does not contribute significantly more than the other to the economic decline. This current recession is being driven by a marked drop in gross job gains across all size classes, with a larger decline at small firms. In addition, the smallest of firm size classes—1 to 4 employees and 5 to 9 employees—showed net losses before other classes.

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**The National Bureau of Economic Research (NBER) defines the past three recessions as follows:**

1. Beginning in July 1990 (or quarter 3 on a quarterly basis) and extending through March 1991 (quarter 1 on a quarterly basis)
2. Beginning in March 2001 (quarter 1) and extending through November 2001 (quarter 4)
3. Beginning in December 2007 (quarter 4) and ongoing

**Notes**

[1]An establishment is defined as an economic unit that produces goods or services, usually at a single physical location, and engages in one, or predominantly one, activity. A firm is a business and may consist of one or more establishments

[2]For more information on the BED size class methodology and on the behavior of small and large firms in the previous contractions, see Jessica Helfand, Akbar Sadeghi, and David Talan, "Employment dynamics: small and large firms over the business cycle," *Monthly Labor Review*, March 2007, pp. 39–50.

[3]See the BED Web site **http://www.bls.gov/bdm/** for further information.

[4]These periods are defined as those with average net gains and losses and are longer than the NBER-defined recessions. Periods of average quarterly net gain in the BED data series include the following: from quarter 2, 1992, to quarter 4, 2000; and from quarter 3, 2003, to quarter 2, 2007. Periods of average quarterly net loss include the following: from quarter 2, 1990, to quarter 2, 1992; from quarter 2, 2001, to quarter 3, 2003, and from quarter 3, 2007, to quarter 2, 2009 (latest data available).

**Table 1. Average quarterly net employment change and gross job gains and losses over NBER recession periods, by firm size, seasonally adjusted**

| Firm size class | Quarter 3, 1990–Quarter 1, 1991 | | | Quarter 1, 2001–Quarter 4, 2001 | | | Quarter 4, 2007–Quarter 2, 2009[1] | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net change | Gross job gains | Gross job losses | Net change | Gross job gains | Gross job losses | Net change | Gross job gains | Gross job losses |
| Total private | –552 | 6,183 | 6,735 | –774 | 6,428 | 7,202 | –1,117 | 5,490 | 6,606 |
| 1 to 99 | –293 | 3,898 | 4,191 | –197 | 3,968 | 4,164 | –511 | 3,529 | 4,040 |
| 100 or more | –260 | 2,284 | 2,544 | –577 | 2,460 | 3,037 | –606 | 1,961 | 2,566 |
| 1 to 499 | –428 | 4,913 | 5,341 | –390 | 4,951 | 5,341 | –684 | 4,349 | 5,033 |
| 500 or more | –124 | 1,270 | 1,394 | –384 | 1,477 | 1,861 | –433 | 1,141 | 1,573 |

[1]Recession is ongoing; quarter 2, 2009, represents the latest data available.

Chart 1: Average share of quarterly net employment change over NBER recession periods, by firm size, seasonally adjusted

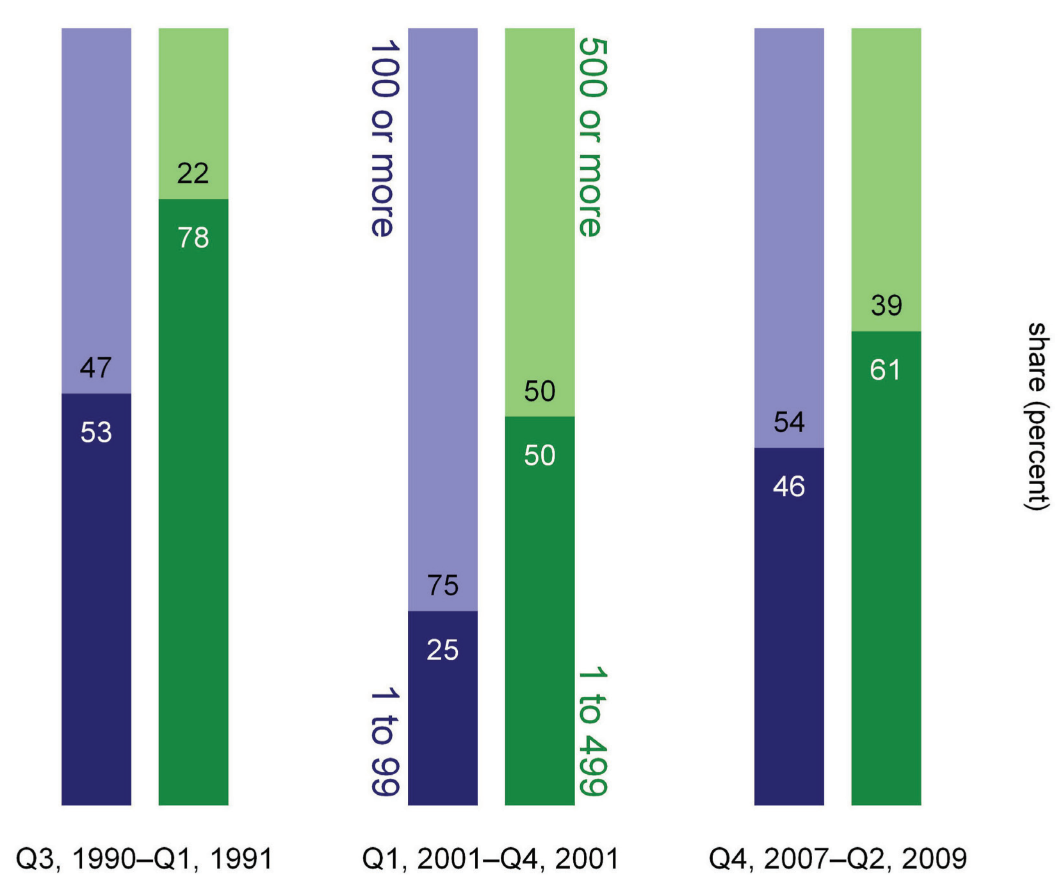
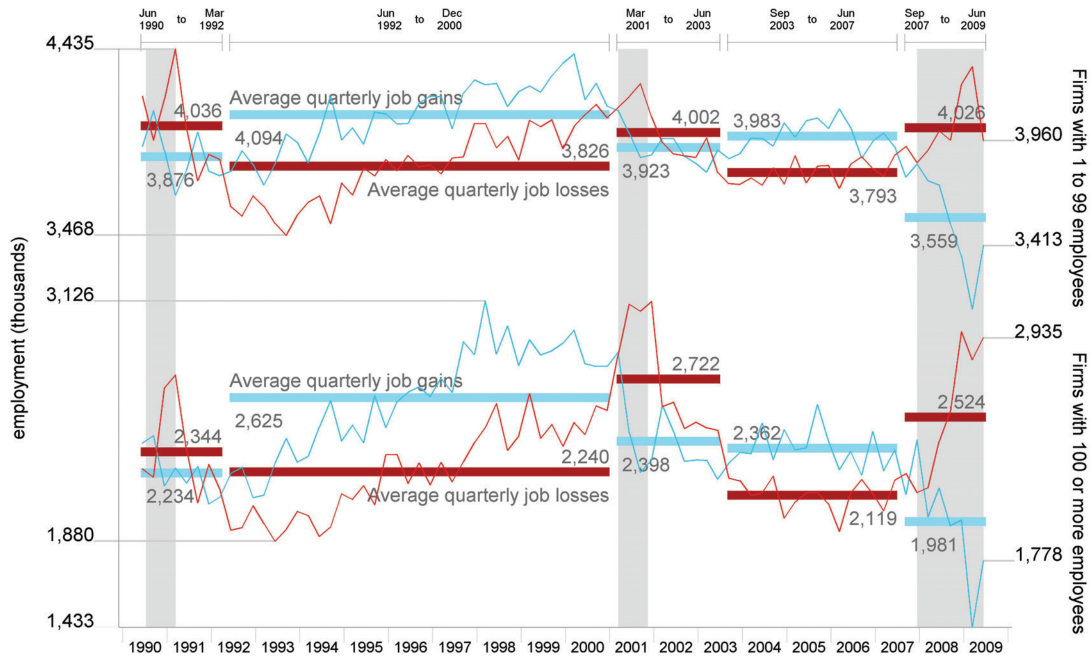


**Table 2. Quarterly net change by firm size class, in thousands, seasonally adjusted, March 2000–June 2009**

| Year | 3 months ended— | Total Private | 1 to 4 | 5 to 9 | 10 to 19 | 20 to 49 | 50 to 99 | 100 to 249 | 250 to 499 | 500 to 999 | 1,000 or more |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2000 | March | 857 | 80 | 62 | 65 | 93 | 78 | 103 | 85 | 72 | 219 |
| | June | 447 | 9 | 1 | 8 | 28 | 34 | 57 | 38 | 43 | 229 |
| | September | 316 | 9 | 10 | 17 | 36 | 38 | 48 | 21 | 24 | 113 |
| | December | 287 | 9 | –2 | 7 | 25 | 20 | 37 | 19 | 10 | 162 |
| 2001 | March | 0 | 8 | 7 | 9 | –7 | –33 | –63 | –53 | –23 | 155 |
| | June | –856 | 1 | –13 | –34 | –73 | –72 | –97 | –89 | –91 | –388 |
| | September | –1,218 | –55 | –48 | –61 | –108 | –110 | –146 | –118 | –119 | –453 |
| | December | –1,021 | 21 | –18 | –34 | –82 | –85 | –116 | –91 | –87 | –529 |
| 2002 | March | 24 | 23 | 20 | 8 | –6 | –26 | –35 | –10 | –18 | 68 |
| | June | –72 | 47 | 16 | 5 | 3 | 8 | –3 | –16 | –23 | –109 |
| | September | –173 | 37 | 9 | –5 | –23 | –21 | –30 | –17 | –11 | –112 |
| | December | –227 | 35 | 3 | –9 | –27 | –33 | –41 | –26 | –18 | –111 |
| 2003 | March | –345 | –13 | –26 | –40 | –64 | –33 | –29 | –22 | –20 | –98 |
| | June | –138 | 41 | 30 | 23 | 25 | –4 | –16 | –19 | –36 | –182 |
| | September | 208 | 44 | 28 | 27 | 24 | 7 | 16 | 8 | 3 | 51 |
| | December | 306 | 59 | 20 | 31 | 32 | 17 | 13 | 20 | 7 | 107 |
| 2004 | March | 425 | 40 | 25 | 28 | 57 | 58 | 75 | 40 | 29 | 73 |
| | June | 605 | 36 | 21 | 40 | 77 | 69 | 73 | 35 | 44 | 210 |
| | September | 201 | 23 | 17 | 16 | 28 | 31 | 57 | 38 | 10 | –19 |
| | December | 775 | 100 | 48 | 55 | 74 | 40 | 64 | 40 | 45 | 309 |
| 2005 | March | 369 | 8 | 3 | 13 | 36 | 38 | 56 | 45 | 21 | 149 |
| | June | 554 | 67 | 35 | 56 | 91 | 72 | 74 | 49 | 43 | 67 |
| | September | 707 | 68 | 45 | 45 | 57 | 36 | 50 | 51 | 59 | 296 |
| | December | 519 | 91 | 22 | 29 | 31 | 21 | 26 | 22 | 4 | 273 |
| 2006 | March | 731 | 55 | 52 | 73 | 132 | 99 | 116 | 71 | 64 | 69 |
| | June | 408 | 24 | 16 | 31 | 70 | 51 | 71 | 52 | 41 | 52 |
| | September | 17 | –10 | –4 | –4 | –3 | 14 | 7 | 16 | 11 | –10 |
| | December | 464 | 60 | 10 | 16 | 29 | 27 | 44 | 4 | 20 | 254 |
| 2007 | March | 430 | 18 | 38 | 50 | 70 | 46 | 58 | 31 | 43 | 76 |
| | June | 201 | –40 | –15 | 9 | 43 | 46 | 73 | 51 | 30 | 4 |
| | September | –264 | –18 | –25 | –41 | –51 | –23 | –36 | –13 | –6 | –51 |
| | December | 266 | 14 | –19 | –10 | –2 | 10 | 42 | 29 | 12 | 190 |
| 2008 | March | –312 | –79 | –34 | –22 | –18 | –7 | 0 | –1 | –4 | –147 |
| | June | –523 | –106 | –58 | –50 | –46 | –20 | –7 | –15 | –24 | –197 |
| | September | –1,027 | –93 | –66 | –79 | –122 | –73 | –95 | –49 | –59 | –391 |
| | December | –1,868 | –136 | –147 | –174 | –250 | –183 | –199 | –126 | –113 | –540 |
| 2009 | March | –2,648 | –245 | –178 | –220 | –341 | –274 | –320 | –211 | –178 | –681 |
| | June | –1,704 | –114 | –83 | –95 | –141 | –114 | –146 | –115 | –133 | –763 |

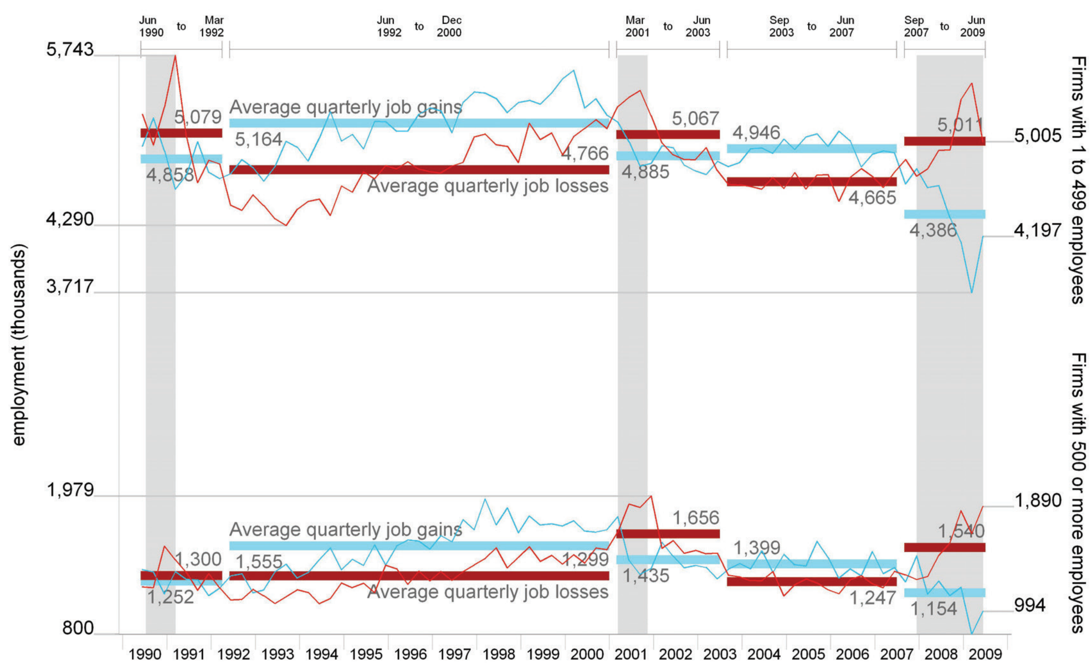
NOTE: Shading indicates NBER-defined recessions. The net quarterly employment change shown is somewhat different from the official employment changes as measured by the Current Employment Statistics (CES) program. Differences in coverage, estimation methods, and seasonal adjustment can result in measurement differences. (See the technical note in the BED press release for more details, on the Internet at **http://www.bls.gov/news.release/pdf/cewbd.pdf**.)

Chart 2: Gross job gains and gross job losses for
firms with 1 to 99 employees vs firms with 100 or more employees,
June 1990 to June 2009, seasonally adjusted




Source: Bureau of Labor Statistics, Business Employment Dynamics; Shaded areas represent NBER defined recession periods.

Chart 3: Gross job gains and gross job losses for
firms with 1 to 499 employees vs firms with 500 or more employees,
June 1990 to June 2009, seasonally adjusted




Source: Bureau of Labor Statistics, Business Employment Dynamics; Shaded areas represent NBER defined recession periods.