

Entrepreneurship and the Economy

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EXTERNAL

Entrepreneurship on the Edges, April 26 2018

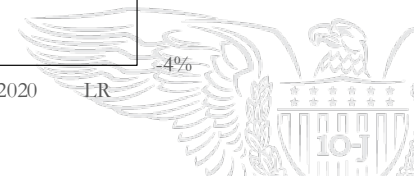
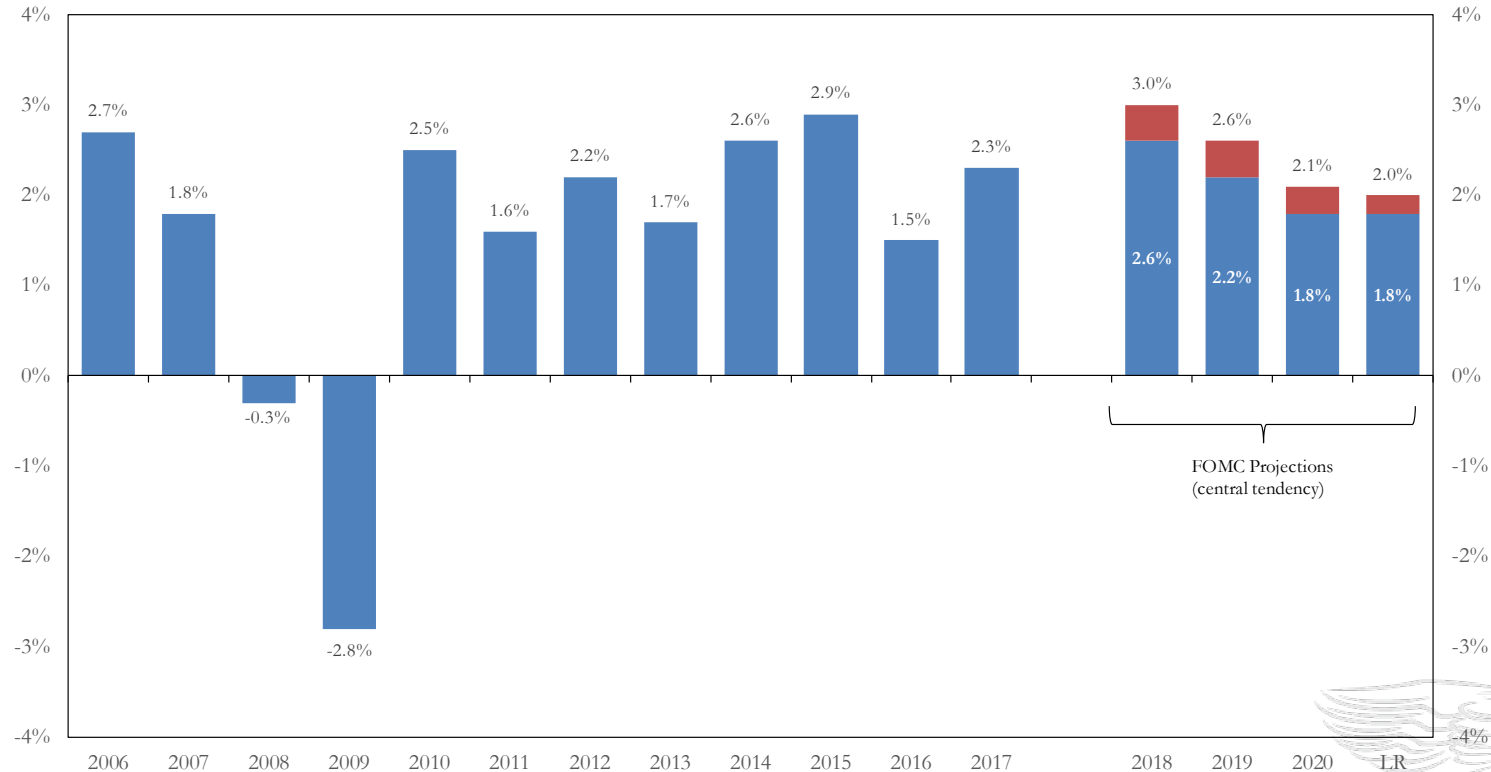


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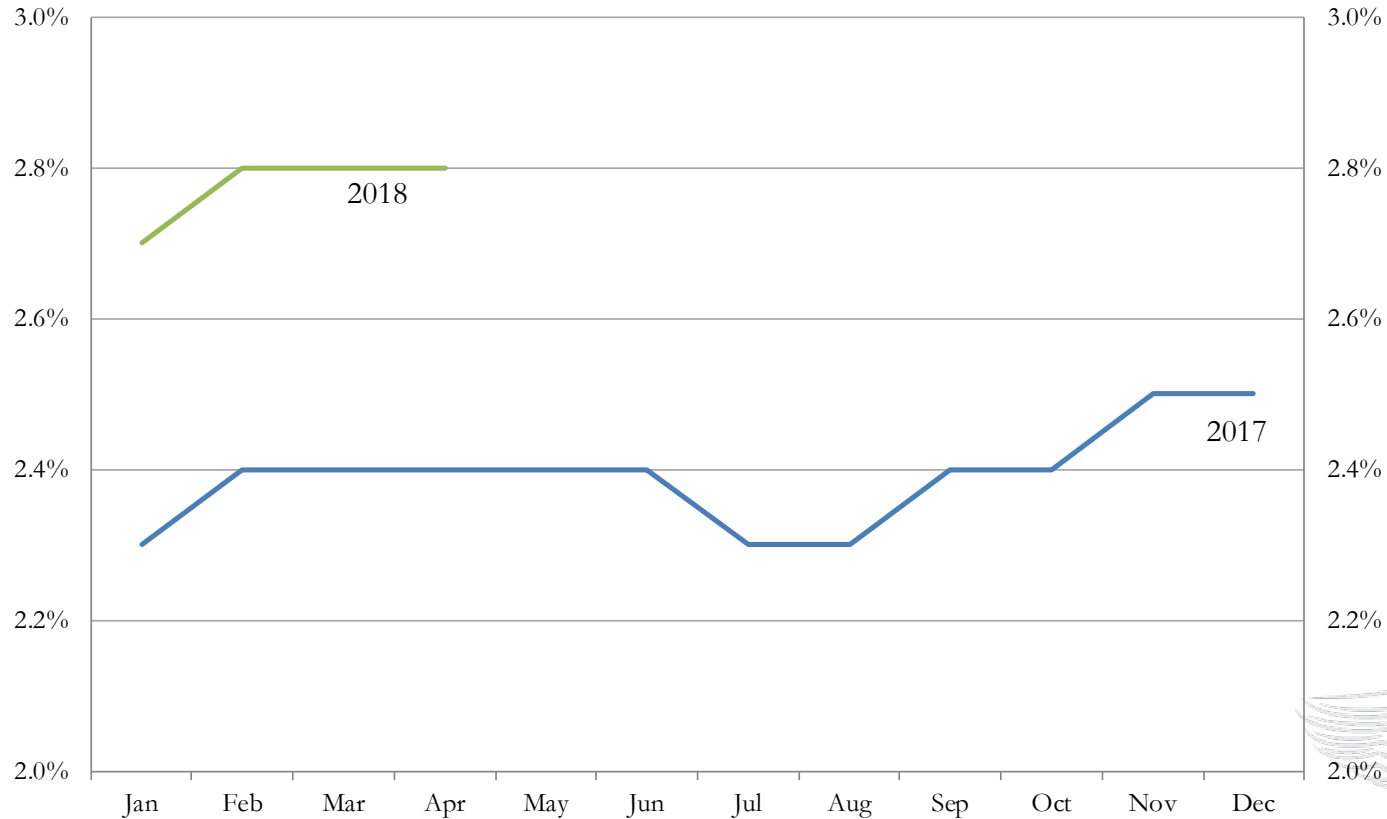
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Historical GDP and FOMC Forecast



Consensus Forecasts for 2018

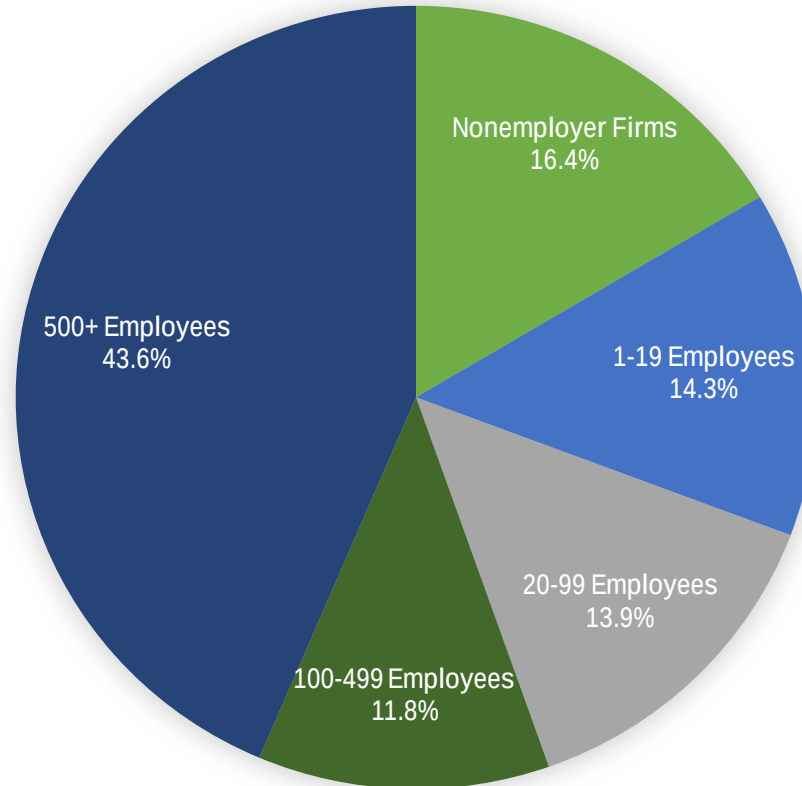


Small Business Statistics

- 93 percent of businesses are microbusinesses (nonemployer firms and firms with 1–4 employees)
 - 80 percent are nonemployer firms
- 73 percent of nonemployer firms have revenue < \$100,000
 - 97 percent have revenues < \$1 million
- 31 percent of small employer firms have revenue < \$100,000
 - 80 percent have revenue less than \$1 million



Employment by Firm Size

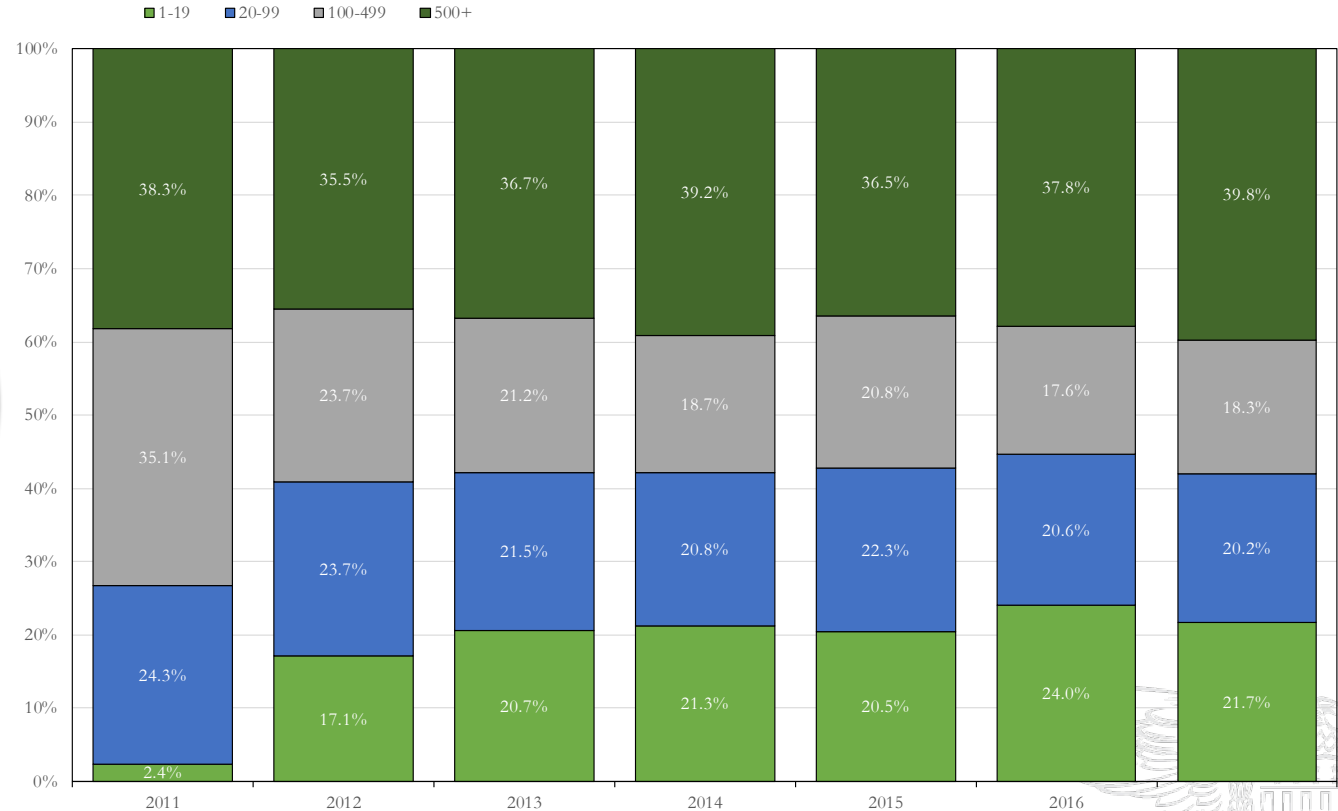
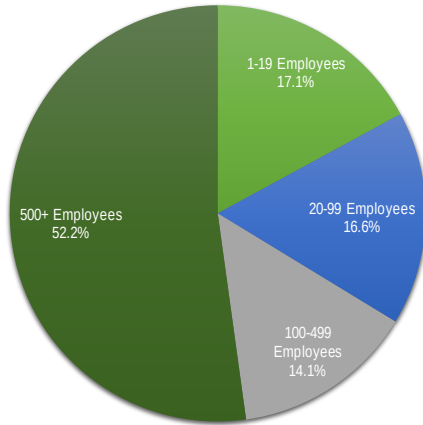


Data Source: U.S. Census Bureau, Statistics of U.S. Businesses

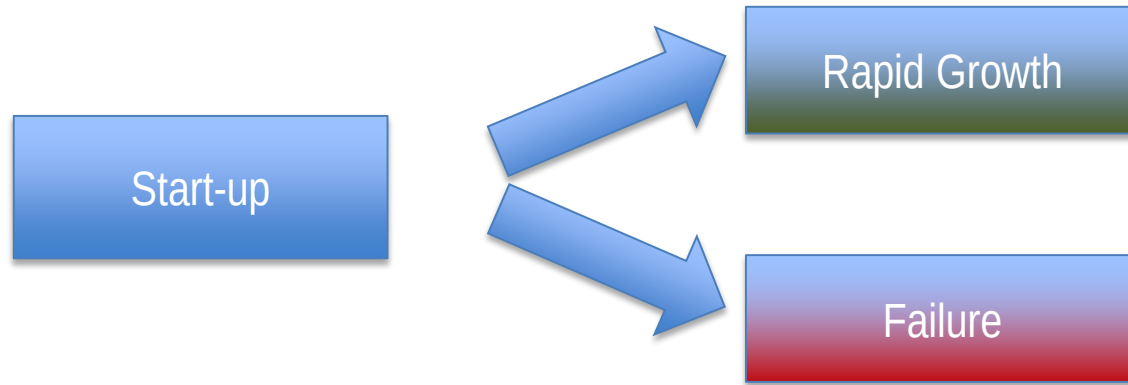


Net Job Creation by Firm Size

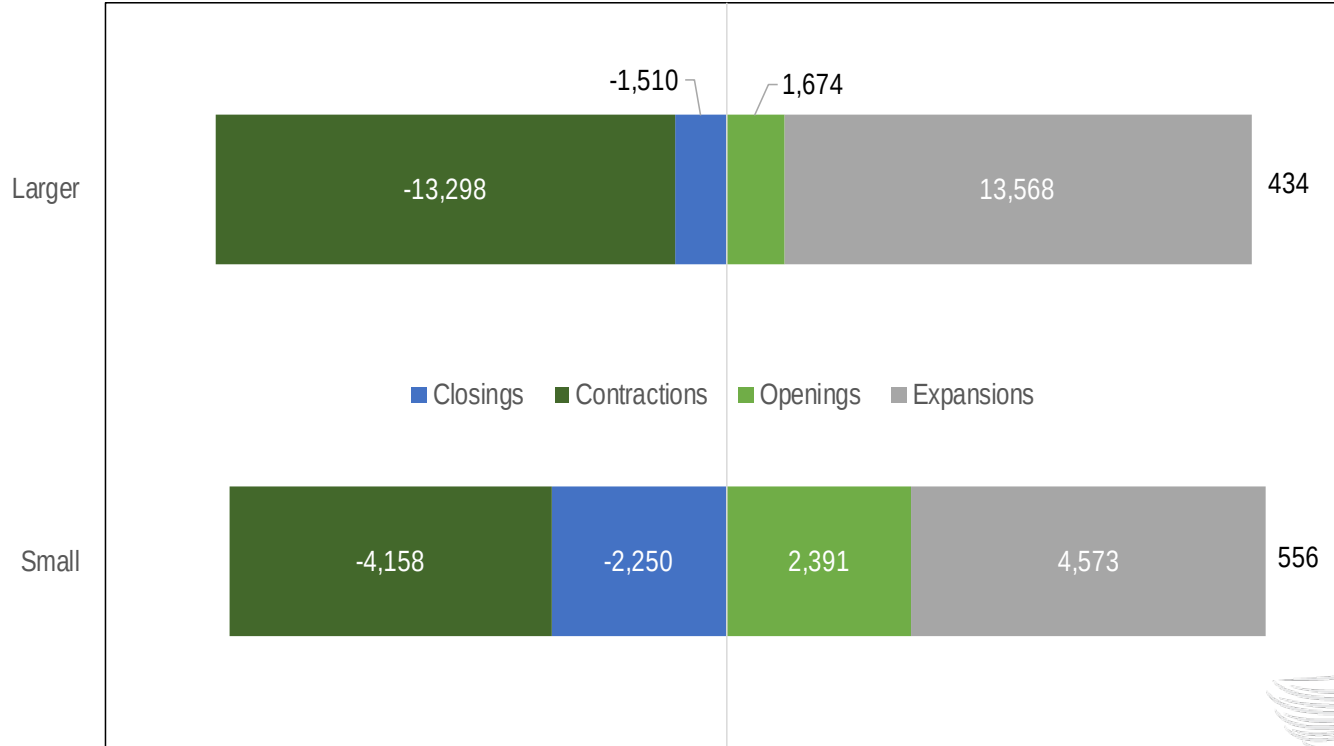
Data Sources: U.S. Census Bureau, Statistics of U.S. Businesses and Business Employment Dynamics



Life of a Start-Up



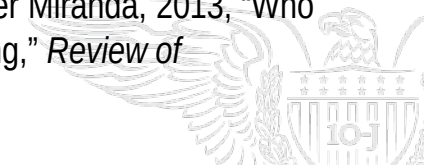
Job Growth from Small and Larger Firms



Summary: Job Creation by Firm Size

- The majority of workers are employed by large firms
- Net job creation is higher in small firms
- But it is because they are young firms, with many firm births and firm deaths
 - 44 percent of nonemployer firms and 37 percent of small employer firms (1–4 employees) are less than 5 years old

See John Haltiwanger, Ron S. Jarmin, and Javier Miranda, 2013, "Who Creates Jobs? Small Versus Large Versus Young," *Review of Economics and Statistics*, 95(2), 347–361.

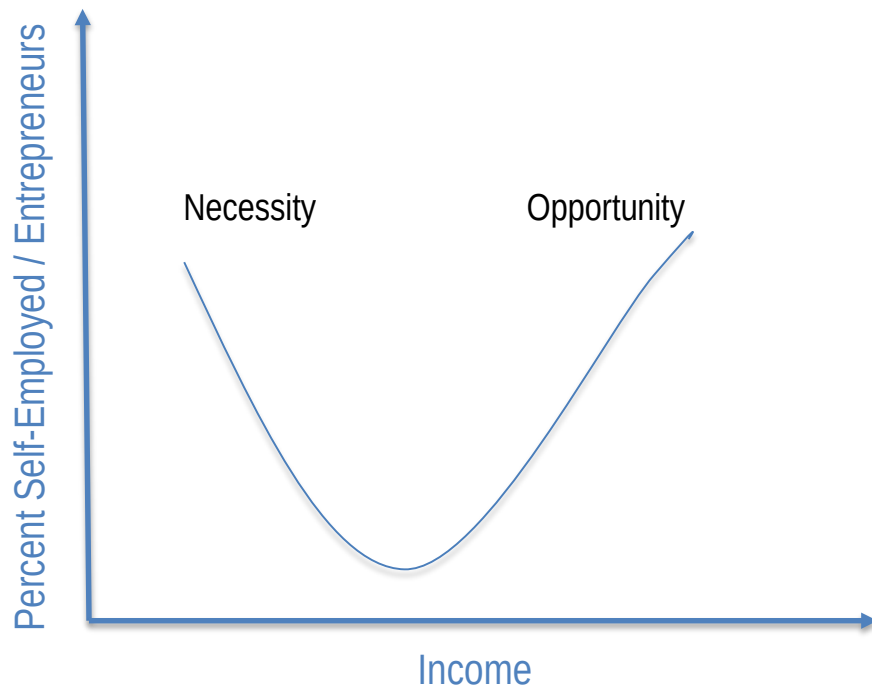


Global Entrepreneurship Monitor

- Interview data collected in national coordinated effort (100+ economies)
- Two elements of entrepreneurship are covered
 - Entrepreneurial behavior and attitudes
 - National context



Propensity to Become Entrepreneurs



- Low-income – substitution for less attractive or difficult to find wage and salary employment; less (necessity)
- High-income – opportunity to receive higher earnings, improve socioeconomic status, and/or enhancing work-life balance



Global Entrepreneurship Monitor

- Total entrepreneurial activity is high in the U.S. at 13 percent (of 18–64 in labor force) compared to 26 innovation-driven economies (IDEs) and stable
- Entrepreneurial intentions are lower in the United States than the IDE average, but nascent activity levels are higher
- Nascent entrepreneurial employee activity is high in the U.S. at 7 percent compared to a 5 percent IDE average



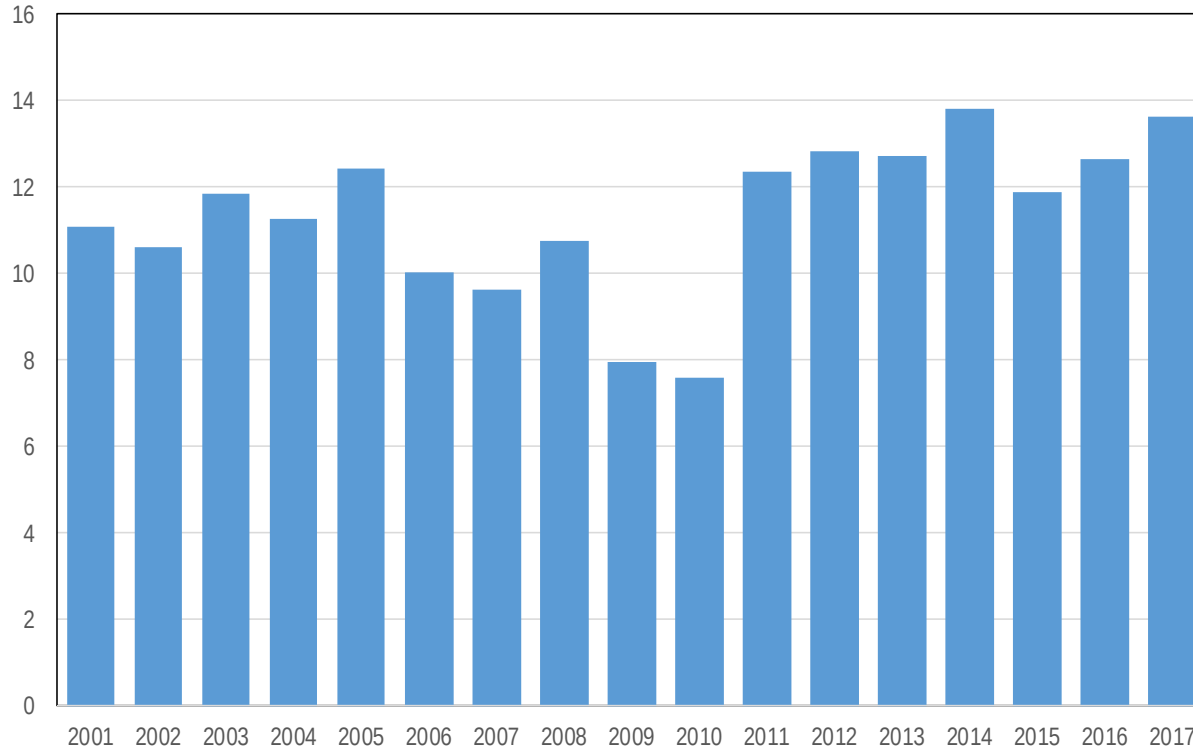
Global Entrepreneurship Monitor

- Opportunity motives are higher in the U.S. (88 percent of business starts) relative to the average for IDEs (78 percent)
- Necessity motive at 11 percent, lower than in 2008 preceding recession (moved higher in 2009–10)
- Necessity more likely to drive entrepreneurs over 45, although the rate is comparatively low
- Entrepreneurial activity highest in 35–44 cohort in U.S. but 25–34 cohort in other IDEs
- 55 percent of Americans (18–64 in LF) report they have the capability to start their own businesses



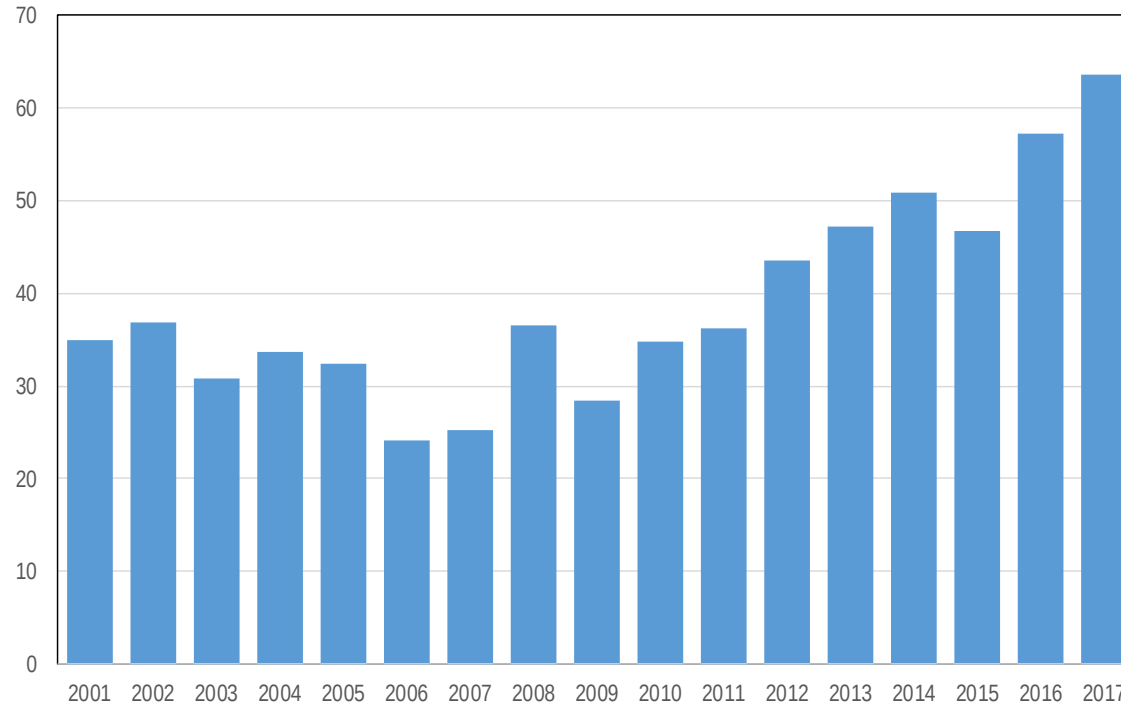
Global Entrepreneurship Monitor

Percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business



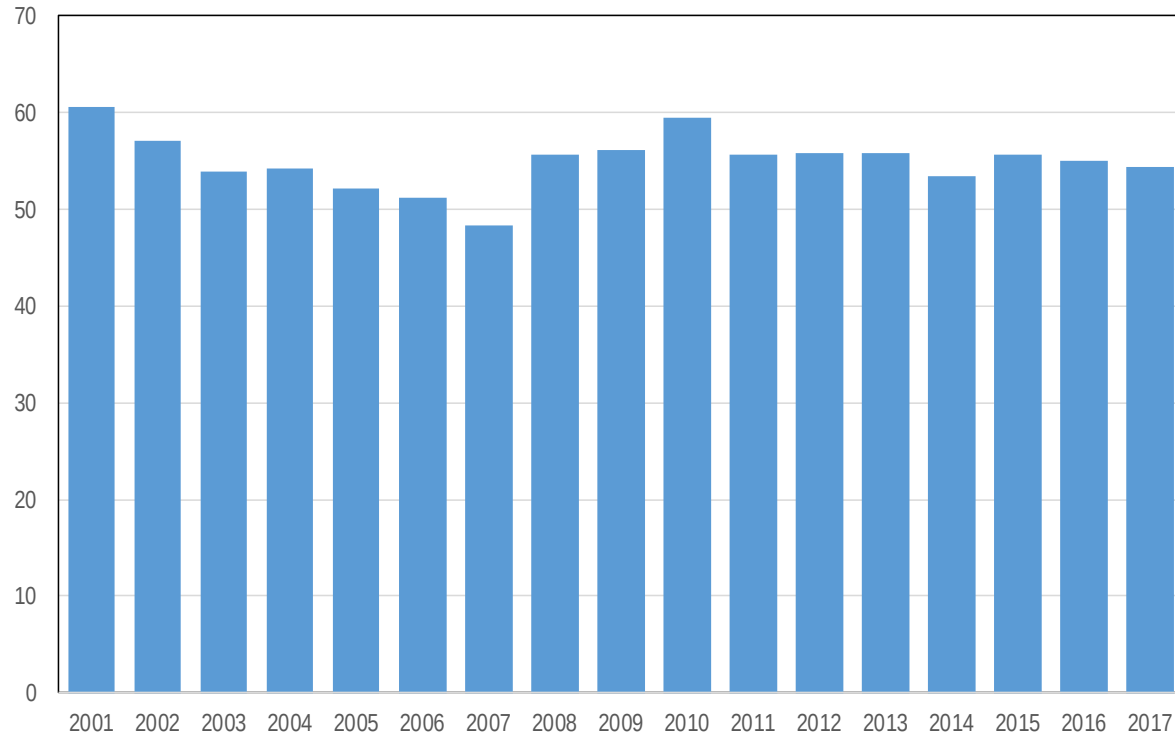
Global Entrepreneurship Monitor

Percentage of 18-64 population who see good opportunities to start a firm in the area where they live



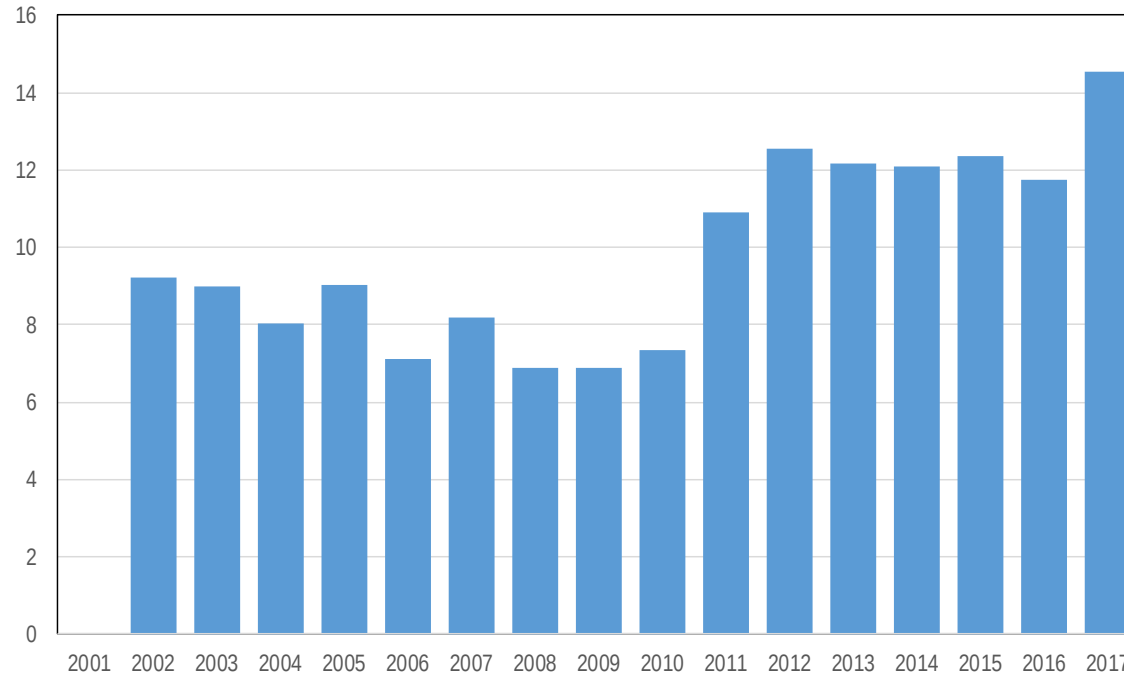
Global Entrepreneurship Monitor

Percentage of 18-64 population who believe they have the required skills and knowledge to start a business



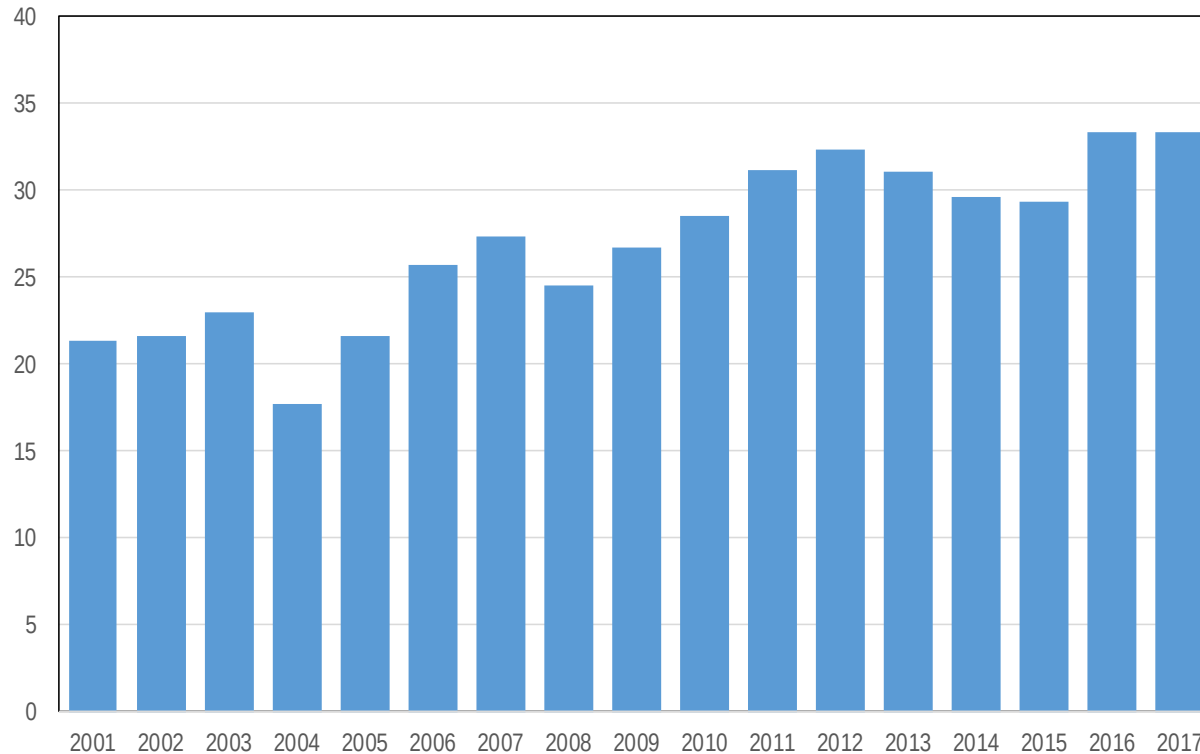
Global Entrepreneurship Monitor

Percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who are latent entrepreneurs and who intend to start a business within three years



Global Entrepreneurship Monitor

Percentage of 18-64 population perceiving good opportunities to start a business who indicate that fear of failure would prevent them from setting up a business



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