

Research Bulletin

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**** REVISED AND UPDATED WITH LATEST DATA ****

EMPIRE



CENTER

FOR NEW YORK STATE POLICY

A project of the
Manhattan Institute for Policy Research

EnterprisingNY

*Tracking firms, jobs and economic growth
in the Empire State*

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EXECUTIVE SUMMARY

Employment statistics are the leading indicator of what's happening in New York State's economy. However, traditional government job counts don't tell us much about the underlying dynamics of job creation. Information on openings and closings, expansions and contractions, and interstate movements by employer "establishments" in New York has not been as readily available – until now.

This report draws from the newly developed National Establishment Time-Series (NETS) Database, generated from the Dun & Bradstreet Marketing Information file, to assess some of the key trends driving employment in New York from 1993 to 2008. During the period in question, our data show:

- New York's job base grew at just one-fifth the national rate.
- New York gained 272,172 jobs from firms moving into the state while losing 393,280 jobs from relocations of firms to other states. As a percentage of total employment, New York's net job migration loss was the third largest of any state. Many of these positions moved to neighboring New Jersey and Connecticut.
- New York lost 506,620 more jobs to firm closures, or "deaths," than it gained from firm start-ups, or "births." The Empire State's negative ratio of job creation from start-ups was a key factor in its relatively weak overall employment growth during the period. Only five states performed more poorly in this category.
- Expansion of existing firms was the leading source of employment growth in New York, creating a net 1,000,881 more jobs than firm contractions—but this wasn't nearly enough to make up for the state's job migration losses and its failure to nurture more start-ups.
- Small establishments, including the self-employed, accounted for a growing share of New York jobs, but the Empire State nonetheless lagged behind most states in job creation by small firms.

NOTE: The first edition of this report, released Oct. 6, 2010, was based on data for 1993-2007. Due to miscalculations, however, some of the job numbers in that version of the report were erroneous. Meanwhile, an added year's worth of state-level NETS data has become available. This report corrects the errors in our original *Research Bulletin* and adds data for 2008.

A different way of counting jobs

The most closely watched and widely reported economic indicators are monthly estimates of nonagricultural employment, compiled by the U.S. Bureau of Labor Statistics (BLS) and state labor departments from surveys and statistical models that are annually revised based on unemployment insurance tax filings. These “nonfarm payroll” numbers provide an indispensable snapshot of total employment in major industrial sectors, but offer little insight into how jobs have been created, destroyed or moved from one location to another. The official data also exclude both agricultural workers and small business owners who are not covered by unemployment insurance.

To provide a broader and deeper picture of job creation dynamics, this report uses an entirely different set of data obtained from the National Establishment Time Series (NETS), the product of collaboration between Walls & Associates and Dun & Bradstreet (D&B).¹ The NETS database is distilled from D&B’s proprietary national marketing information file, which includes an industrial classification code, current business name, location and number of employees for every “establishment” in the country. Using NETS, it is possible to track business births, deaths, contractions, expansions and physical movements.²

Because of the complexity involved in constantly updating and proofing records for literally tens of millions of establishments across the country, the NETS database is not without limitations. However, many researchers who have used the database believe it is the best available means of discerning trends among firms that ultimately drive employment.³ As of 2008, the 1,409,059 establishments in the database for New York State employed 10,418,135 people. The following pages feature statewide and regional* summaries of:

- total jobs;
- jobs gained and lost through the migration of firms into and out of New York;
- jobs created by when new firms open (births) and close (deaths);
- employment changes resulting from the expansion and contraction of existing establishments; and
- the distribution of jobs by firm size.

The final pages present rankings of New York job trends compared to other states during the same 16-year period. Detailed annual data, including job totals by industry⁴ on a statewide and regional basis, will be posted at this project’s dedicated website:

www.EnterprisingNY.com

* Throughout this report, regions are defined as follows: *Capital* includes Albany, Columbia, Green, Rensselaer, Saratoga, Schenectady, Warren and Washington counties; *Central New York* includes Cayuga, Cortland, Madison, Onondaga and Oswego counties; *Finger Lakes* includes Genesee, Livingston, Monroe, Ontario, Orleans, Seneca, Wayne, Wyoming and Yates counties; *Long Island* includes Nassau and Suffolk counties; *Mid-Hudson* includes Dutchess, Orange, Putnam, Rockland, Sullivan, Ulster and Westchester counties; *Mohawk Valley* includes Fulton, Hamilton, Herkimer, Montgomery, Oneida and Schoharie counties; *New York City* includes Bronx, Kings, New York, Queens and Richmond counties; *North County* includes Clinton, Essex, Franklin, Jefferson, Lewis and St. Lawrence counties; *Southern Tier* includes Broome, Chemung, Chenango, Delaware, Otsego, Schuyler, Steuben, Tioga and Tompkins counties; *Western New York* includes Allegany, Cattaraugus, Chautauqua, Erie and Niagara counties.

1. Total Jobs

From 1993 through 2008, New York added just 442,682 jobs to a base of almost 10 million at the start of the period. The Empire State's 4.6 percent job growth rate, as counted by the NETS database, was just one-fifth the national average during the period. Only one state, Rhode Island, had lower growth rates by this measure.

Three regions, all upstate, lost jobs during the period, as shown in the table at right. Long Island led all regions in new job creation, but was still just over half of the national level.

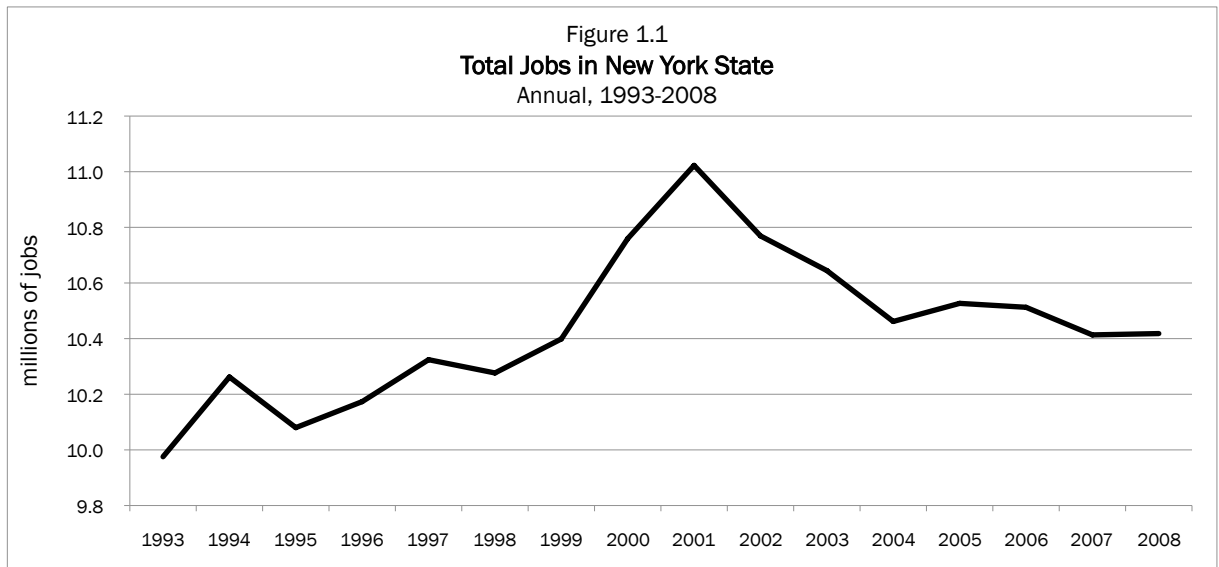
As shown in Figure 1.1, jobs in New York as measured by NETS peaked at more than 11 million in 2001, but have dropped sharply since then.

	1993	2008	Change	Rate
Statewide	9,975,453	10,418,135	442,682	4.4%
Capital	640,682	676,400	35,718	5.6%
Central New York	449,884	446,647	(3,237)	-0.7%
Finger Lakes	638,694	637,255	(1,439)	-0.2%
Long Island	1,447,311	1,638,251	190,940	13.2%
Mid-Hudson	1,108,020	1,165,331	57,311	5.2%
Mohawk Valley	207,490	213,880	6,390	3.1%
New York City	4,167,725	4,301,261	133,536	3.2%
North County	176,419	199,021	22,602	12.8%
Southern Tier	377,155	385,489	8,334	2.2%
Western New York	762,073	754,600	(7,473)	-1.0%

Source: National Establishment Time-Series Database

The total employment figures are higher and the growth rates lower than those found in BLS payroll data. The nature of this difference is due to the way each dataset is created.

The NETS database is constructed around business establishments, which can range from a garage-based sole proprietor to a Fortune 500 headquarters. Each establishment has to have at least one person associated with it, even if that person holds a job in multiple establishments. As such, NETS is a more comprehensive database.



Suppose, for example, that John works a 9 to 5 job at a local store but he also owns his own landscaping business, in which he works on the weekends. BLS data would only count John’s employment at the store, while the NETS data would count both of his jobs.

Overall, the NETS dataset provides a more detailed picture of economic activity, especially at the level of the self-employed and independent contractors. Studies produced with NETS data use the term “jobs” more often than “employment,” to highlight the important distinction between NETS and BLS data.

Industry ⁴	1993	2008	Change	Rate
Statewide*	9,975,453	10,418,135	442,682	4.4%
1 Management of Companies and Enterprises	11,658	76,293	64,635	554.4%
2 Administrative, Support, Waste Management	447,981	770,646	322,665	72.0%
3 Real Estate and Rental and Leasing	285,424	356,494	71,070	24.9%
4 Arts, Entertainment and Recreation	153,475	189,997	36,522	23.8%
5 Public Administration	482,541	594,415	111,874	23.2%
6 Professional, Scientific and Technical Service	785,670	946,899	161,229	20.5%
7 Construction	406,981	476,086	69,105	17.0%
8 Agriculture, Forestry, Fishing and Hunting	39,120	44,033	4,913	12.6%
9 Accommodation and Food Service	500,363	559,002	58,639	11.7%
10 Retail Trade	940,548	1,048,266	107,718	11.5%
11 Health Care and Social Assistance	1,200,374	1,320,368	119,994	10.0%
12 Educational Services	701,479	752,389	50,910	7.3%
13 Information	344,211	337,443	(6,768)	-2.0%
14 Transportation and Warehousing	345,826	327,022	(18,804)	-5.4%
15 Other Services (Except Public Administration)	569,517	530,999	(38,518)	-6.8%
16 Wholesale Trade	570,044	500,935	(69,109)	-12.1%
17 Utilities	58,969	49,585	(9,384)	-15.9%
18 Finance and Insurance	793,542	629,957	(163,585)	-20.6%
19 Manufacturing	1,227,280	879,198	(348,082)	-28.4%
20 Mining, Quarrying, and Oil and Gas Extraction	10,992	6,589	(4,403)	-40.1%

* The statewide and regional data in this report are from a New York NETS database prepared exclusively for the Empire Center. However, the estimates of job changes by industry sector are based on a national NETS database compiled for the Lowe Foundation’s YourEconomy.org website, which uses a proprietary statistical methodology to classify jobs. As a result, the sum of numbers in this table does not exactly equal the statewide totals.

Source: National Establishment Time-Series Database, Empire Center for New York State Policy and YourEconomy.org

2. Migration

Establishments regularly move in and out of New York, to and from other states, taking their jobs with them. In a typical year, these movements do not account for a large change in employment. Over time, however, the annual changes can add up to a significant number.

As shown in Table 2.1, from 1993 through 2008, New York gained 272,172 jobs from employers moving into the state while losing 392,280 jobs from employer relocations to other states. The only three regions to gain jobs from migrating establishments, including intra-state moves, were Long Island, the Finger Lakes and the Mid-Hudson. New York State's net migration loss of 120,108 jobs amounted to 1.2 percent of its 1993 job base as measured by NETS. This was the third biggest loss of any state.

New Jersey gained the most jobs at New York's expense, accounting for almost one-half of the total migration, as shown in Table 2.2 on page 6. Connecticut attracted the second largest number of jobs due to firm moves from New York, ranking just ahead of Florida.

	Net Change	Rate **
Statewide	(120,108)	-1.2%
Capital	(5,030)	-0.8%
Central New York	(1,283)	-0.3%
Finger Lakes	916	0.1%
Long Island	25,177	1.7%
Mid-Hudson	1,448	0.1%
Mohawk Valley	(1,183)	-0.6%
New York City	(111,994)	-2.7%
North County	(222)	-0.1%
Southern Tier	(3,061)	-0.8%
Western New York	(11,131)	-1.5%

* Regional changes include inter- and intra- state.
 ** Net Change as a percentage of employment in base year.
 Source: National Establishment Time-Series Database

The job migration numbers roughly parallel those for total population. Since 2000, in both absolute and relative terms, New York has experienced the nation's largest loss of residents to other states – a net domestic migration outflow of nearly 1.7 million residents.⁵

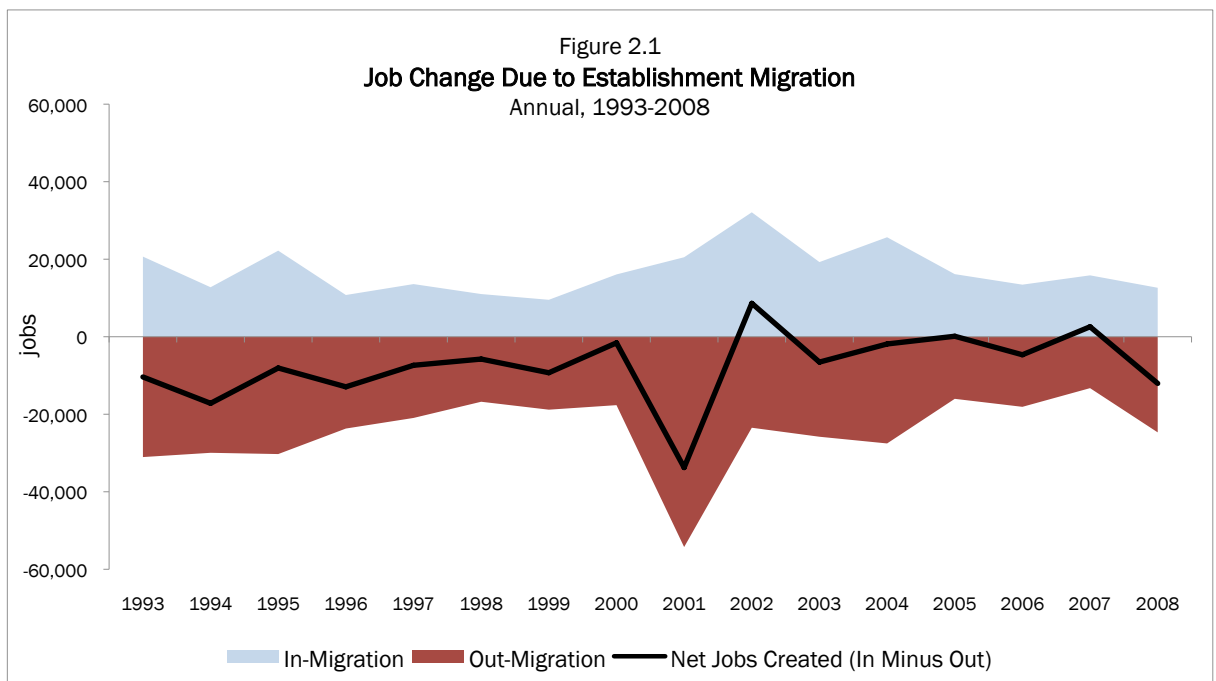


Table 2.2
Net Job Migration to New York from Other States
 Cumulative, 1993-2007*

State	Jobs to NY	State	Jobs to NY	State	Jobs to NY
Alabama	-1,130	Kentucky	-787	Ohio	-3,555
Alaska	24	Louisiana	230	Oklahoma	609
Arizona	-3,790	Maine	-357	Oregon	156
Arkansas	-20	Maryland	7,914	Pennsylvania	-6,178
California	4,819	Massachusetts	937	Rhode Island	-606
Colorado	466	Michigan	1,215	South Carolina	-1,467
Connecticut	-18,905	Minnesota	-782	South Dakota	169
Delaware	-3,884	Mississippi	-153	Tennessee	-3,224
Washington, D.C.	-870	Missouri	-1,580	Texas	4,395
Florida	-17,943	Montana	11	Utah	-1,472
Georgia	-974	Nebraska	848	Vermont	94
Hawaii	-11	Nevada	-658	Virginia	-4,574
Idaho	-65	New Hampshire	-58	Washington	-10
Illinois	-70	New Jersey	-50,805	West Virginia	87
Indiana	-2,296	New Mexico	-186	Wisconsin	1,154
Iowa	233	North Carolina	-6,029	Wyoming	7
Kansas	252	North Dakota	-64	Other	955

* Data from 2008 NETS database which does not include 2008.
 Source: National Establishment Time-Series Database

Table 2.3
Job Change Due to Establishment Migration by Industry Sector
 Cumulative, Ranked by Rate of Change, 1993-2008

Industry ⁴	In-Migration	Out-Migration	Change	Rate
Statewide*	272,172	392,280	(120,108)	-1.2%
1 Utilities	9,376	8,051	1,325	2.2%
2 Accommodation and Food Service	37,376	33,572	3,804	0.8%
3 Wholesale Trade	10,138	6,777	3,361	0.6%
4 Mining, Quarrying, and Oil and Gas Extraction	261	233	28	0.3%
5 Management of Companies and Enterprises	385	385	0	0.0%
6 Educational Services	947	1,515	(568)	-0.1%
7 Health Care and Social Assistance	7,041	9,328	(2,287)	-0.2%
8 Finance and Insurance	2,049	4,284	(2,235)	-0.3%
9 Manufacturing	4,585	8,879	(4,294)	-0.3%
10 Arts, Entertainment and Recreation	525	1,578	(1,053)	-0.7%
11 Administrative, Support, Waste Management	399	3,976	(3,577)	-0.8%
12 Retail Trade	5,961	15,271	(9,310)	-1.0%
13 Public Administration	5,234	10,538	(5,304)	-1.1%
14 Transportation and Warehousing	1,367	5,443	(4,076)	-1.2%
15 Professional, Scientific and Technical Service	54,151	69,339	(15,188)	-1.9%
16 Information	13,980	20,635	(6,655)	-1.9%
17 Real Estate and Rental and Leasing	15,365	20,957	(5,592)	-2.0%
18 Construction	28,327	42,948	(14,621)	-3.6%
19 Other Services (Except Public Administration)	19,866	41,799	(21,933)	-3.9%
20 Agriculture, Forestry, Fishing and Hunting	54,760	84,053	(29,293)	-74.9%

* The statewide and regional data in this report are from a New York NETS database prepared exclusively for the Empire Center. However, the estimates of job changes by industry sector are based on a national NETS database compiled for the Lowe Foundation's YourEconomy.org website, which uses a proprietary statistical methodology to classify jobs. As a result, the sum of numbers in this table does not exactly equal the statewide totals.

Source: National Establishment Time-Series Database, Empire Center for New York State Policy and YourEconomy.org

3. Establishment “Births” and “Deaths”

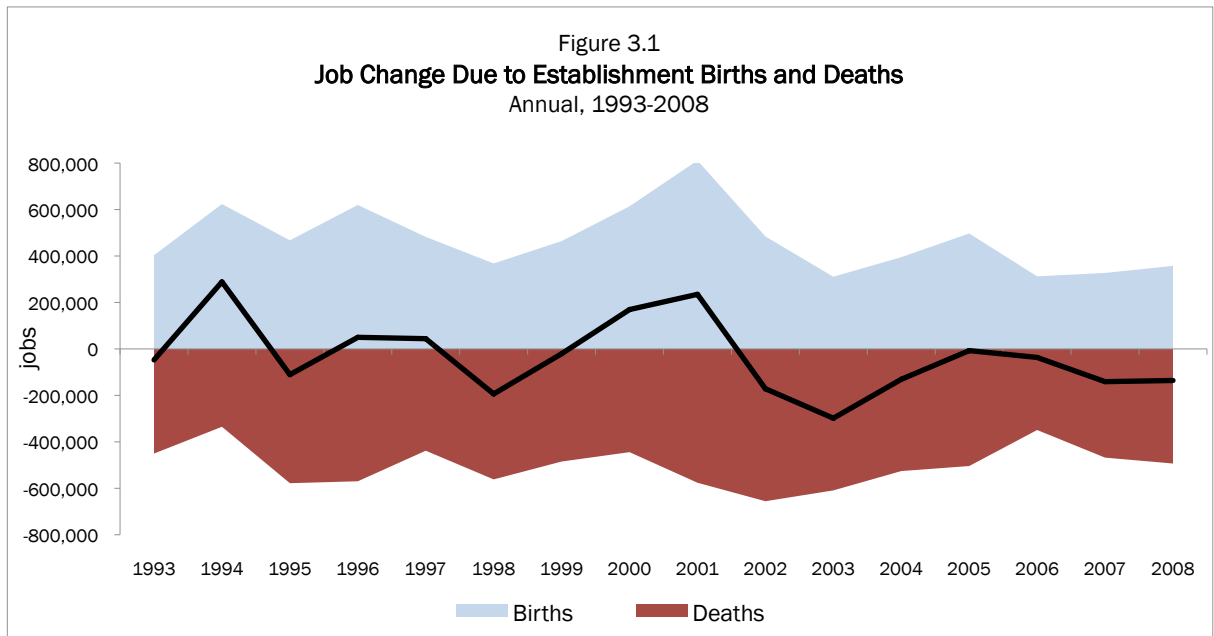
Start-ups (“births”) of new establishments and closures (or “death”) of existing firms together account for a major source of the net change in total jobs. As counted by the NETS database, births include spin-offs of new establishments from existing firms, while deaths include cases where firms merge with others.⁶ Between 1993 and 2008, New York establishments annually created an average of 471,049 jobs from establishment births while destroying 502,713 jobs from deaths. Over the entire 16-year time-period examined in this study, New York experienced a net loss of 506,620 jobs.

	Birth Gains	Death Losses	Net
Statewide	7,536,786	8,043,406	(506,620)
Capital	470,262	479,472	(9,210)
Central New York	306,813	326,870	(20,057)
Finger Lakes	452,631	480,551	(27,920)
Long Island	1,322,725	1,294,337	28,388
Mid-Hudson	860,510	881,370	(20,860)
Mohawk Valley	126,885	148,789	(21,904)
New York City	3,096,986	3,452,171	(355,185)
North County	119,193	117,355	1,838
Southern Tier	256,923	271,026	(14,103)
Western New York	523,858	591,465	(67,607)

Source: National Establishment Time-Series Database

Our analysis shows that year-to-year changes in total employment are strongly linked to net job creation from births and deaths of firms. As illustrated in Figure 3.1, job losses from firm deaths occurred at a fairly steady rate, averaging 502,713 jobs destroyed. Job creation from firm births was more volatile, with an average of 471,049 created.

Much of the net decrease in this category has occurred since 2002. During this time, job creation from births has significantly downshifted. Average annual job creation from firm births dropped from an average of 539,233 from 1993 through 2001 to 383,385 from 2002 to 2008. The numbers indicate that jumpstarting firm start-ups is vital to increasing the total number of jobs available to New Yorkers.⁷



All but two regions of the state showed a net loss of jobs from the firm birth-death equation, measured as a share of total employment in 1993. The two gainers were Long Island (2 percent) and the North County (1 percent), while the biggest losses were in the Mohawk Valley (-10.6 percent), Western New York (-8.9 percent) and New York City (-8.5 percent).

	Industry ⁴	Births	Deaths	Change	Rate
	Statewide*	7,536,786	8,043,406	(506,620)	-5.1%
1	Management of Companies and Enterprises	60,889	17,547	43,342	371.8%
2	Administrative, Support, Waste Management	716,852	509,878	206,974	46.2%
3	Arts, Entertainment and Recreation	167,142	132,246	34,896	22.7%
4	Public Administration	356,198	301,295	54,903	11.4%
5	Real Estate and Rental and Leasing	290,489	268,302	22,187	7.8%
6	Other Services (Except Public Administration)	481,114	436,876	44,238	7.8%
7	Agriculture, Forestry, Fishing and Hunting	28,078	25,264	2,814	7.2%
8	Retail Trade	992,216	943,765	48,451	5.2%
9	Professional, Scientific and Technical Service	787,430	760,333	27,097	3.4%
10	Accommodation and Food Service	480,379	463,595	16,784	3.4%
11	Health Care and Social Assistance	690,483	685,354	5,129	0.4%
12	Construction	394,723	403,573	(8,850)	-2.2%
13	Transportation and Warehousing	263,111	297,991	(34,880)	-10.1%
14	Educational Services	209,382	290,359	(80,977)	-11.5%
15	Information	289,800	337,866	(48,066)	-14.0%
16	Finance and Insurance	393,642	588,345	(194,703)	-24.5%
17	Wholesale Trade	391,676	545,636	(153,960)	-27.0%
18	Utilities	24,314	42,337	(18,023)	-30.6%
19	Manufacturing	498,674	910,287	(411,613)	-33.5%
20	Mining, Quarrying, and Oil and Gas Extraction	4,596	9,451	(4,855)	-44.2%

* The statewide and regional data in this report are from a New York NETS database prepared exclusively for the Empire Center. However, the estimates of job changes by industry sector are based on a national NETS database compiled for the Lowe Foundation's YourEconomy.org website, which uses a proprietary statistical methodology to classify jobs. As a result, the sum of numbers in this table does not exactly equal the statewide totals.

Source: National Establishment Time-Series Database, Empire Center for New York State Policy and YourEconomy.org

4. Expansions and Contractions

New York gained an average of 331,994 jobs a year from the expansion of existing establishments in the state—including jobs added through consolidations and mergers of firms—while destroying 269,438 jobs from contractions of firms. Over the entire 16-year time-period examined in this study, expansions minus contractions has yielded a net 1,000,881 jobs, or nearly 10 percent of 1993 employment as counted by NETS.

While this may sound like a large gain, New York ranked only 45th in total employment growth among the 50 states during this period. All 10 regions of the state registered net growth in this category, but there were wide disparities in growth rates among regions. The New York City (12.8 percent), Mohawk Valley (12.3 percent) and Long Island (11.1 percent) regions had the highest rate of net job growth from firm expansions, while Central New York (2.6 percent), the Southern Tier (4 percent) and the Finger Lakes (6.3 percent) were notably weaker in this regard.

	Expansions	Contractions	Net
Statewide	5,311,896	4,311,015	1,000,881
Capital	345,974	301,462	44,512
Central New York	237,717	225,971	11,746
Finger Lakes	340,277	300,042	40,235
Long Island	724,786	563,934	160,852
Mid-Hudson	528,423	453,482	74,941
Mohawk Valley	104,357	78,790	25,567
New York City	2,256,072	1,721,132	534,940
North County	95,601	77,703	17,898
Southern Tier	215,344	200,351	14,993
Western New York	432,029	370,577	61,452

Source: National Establishment Time-Series Database

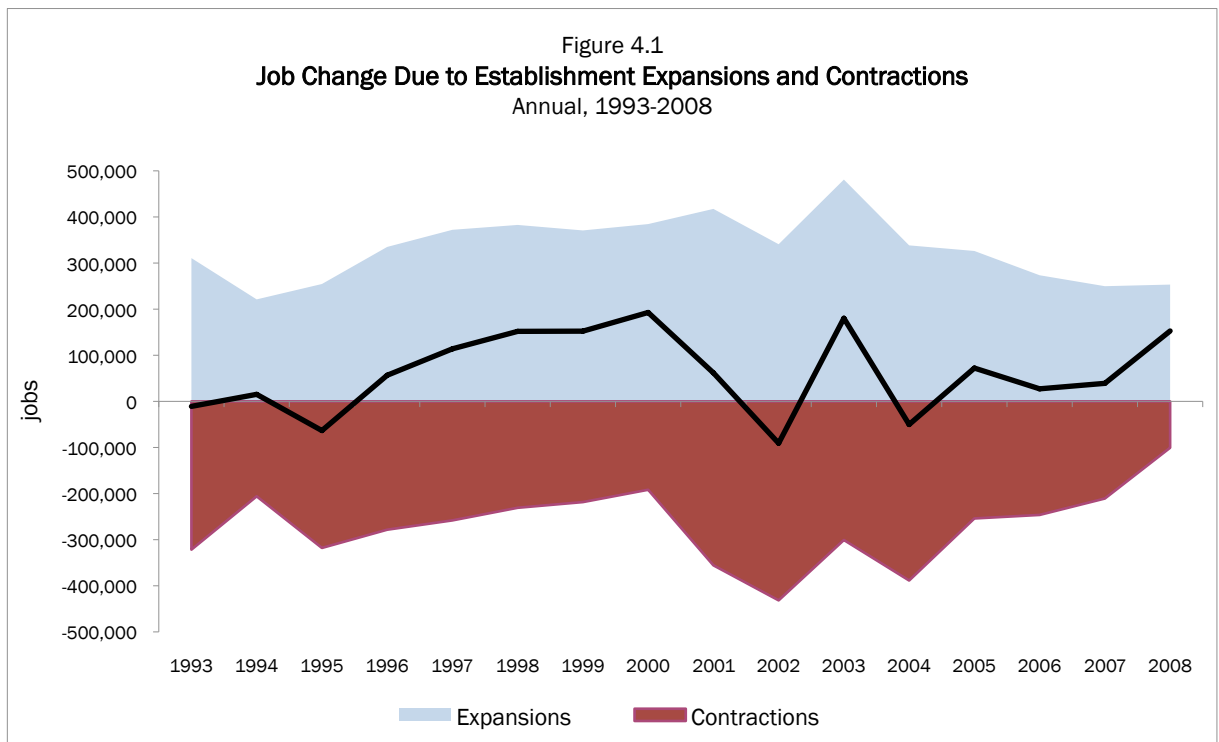


Table 4.2

Job Change Due to Establishment Expansions and Contractions by Industry Sector

Cumulative, Ranked by Rate of Change, 1993-2008

	Industry ⁴	Expansions	Contractions	Change	Rate
	Statewide*	5,311,896	4,311,015	1,000,881	10.0%
1	Management of Companies and Enterprises	43,461	13,798	29,663	254.4%
2	Administrative, Support, Waste Management	381,614	245,762	135,852	30.3%
3	Mining, Quarrying, and Oil and Gas Extraction	6,546	3,570	2,976	27.1%
4	Professional, Scientific and Technical Service	515,631	349,925	165,706	21.1%
5	Real Estate and Rental and Leasing	171,586	117,450	54,136	19.0%
6	Educational Services	352,358	237,351	115,007	16.4%
7	Construction	229,702	163,531	66,171	16.3%
8	Wholesale Trade	291,191	202,560	88,631	15.5%
9	Utilities	40,551	31,703	8,848	15.0%
10	Transportation and Warehousing	181,331	133,200	48,131	13.9%
11	Health Care and Social Assistance	553,316	423,982	129,334	10.8%
12	Information	194,767	160,244	34,523	10.0%
13	Accommodation and Food Service	189,340	144,683	44,657	8.9%
14	Public Administration	317,491	278,309	39,182	8.1%
15	Agriculture, Forestry, Fishing and Hunting	15,455	13,054	2,401	6.1%
16	Retail Trade	374,181	317,592	56,589	6.0%
17	Finance and Insurance	427,520	384,161	43,359	5.5%
18	Manufacturing	637,084	608,791	28,293	2.3%
19	Arts, Entertainment and Recreation	78,756	75,978	2,778	1.8%
20	Other Services (Except Public Administration)	239,765	322,679	(82,914)	-14.6%

* The statewide and regional data in this report are from a New York NETS database prepared exclusively for the Empire Center. However, the estimates of job changes by industry sector are based on a national NETS database compiled for the Lowe Foundation's YourEconomy.org website, which uses a proprietary statistical methodology to classify jobs. As a result, the sum of numbers in this table does not exactly equal the statewide totals.

Source: National Establishment Time-Series Database, Empire Center for New York State Policy and YourEconomy.org

5. Firm Size

A growing share of jobs in New York shifted to smaller establishments from 1993 through 2008. As shown in Table 5.1, the number of self-employed workers increased from 2.1 percent to 6 percent of the total in New York establishments; the share of jobs found in all establishments with nine or fewer workers increased from just over one quarter to over one-third of the total in 2008.

Compared to the national average, however, a smaller share of New York's total workforce was found in smaller establishments (those with fewer than 100 employees), and a larger share worked for larger firms as of 2008. The differing distribution of jobs by firm size for New York and other states are detailed in Table 5.2 on page 12.

As detailed in Table 5.3 on page 13, increases in self-employed workers outstripped the job growth in bigger establishments in every region of the state, but at varying rates. While only one region posted positive growth in establishment with over 500 jobs – North Country (12.3 percent) – every region posted triple-digit gains among the self-employed. But only New York City even came close to the national self-employment growth of 281 percent, and all other regions (except Long Island) had much slower rates of growth.

New York's low ranking and slower relative growth of self-employed workers relative to the nation is an especially troubling symptom of the state's overall lack of economic competitiveness. A larger pool of self-employed may imply a higher degree of "creative destruction" within an economy and a source of seed-corn for larger businesses.

As noted previously, New York's job machine has stalled primarily due to a lack of new establishment births – including start-ups by the self-employed. These two trends are probably related and deserve more attention by policymakers.

Establishment Size	1993		2008	
	Jobs	Share**	Jobs	Share**
1	148,468	2.1%	453,444	6.0%
2-9	1,668,746	23.4%	2,173,366	28.9%
10-99	2,436,462	34.2%	2,497,223	33.2%
100-499	1,246,320	17.5%	1,177,250	15.7%
> 500	1,626,271	22.8%	1,217,013	16.2%
Total	7,126,267	100.0%	7,518,296	100.0%

* Number of employees
 ** Percentage of total jobs, excluding those in New York branches of establishments based elsewhere.
 Source: National Establishment Time-Series Database

Table 5.2
Percent of Total Jobs by Establishment Size
Calendar Year 2008

State	1	Rank	2 to 9	Rank	10 to 99	Rank	100 to 499	Rank	Over 500	Rank
United States	7.0%		32.3%		34.9%		14.2%		11.6%	
Alabama	7.8%	24	33.8%	16	37.0%	16	13.4%	26	8.0%	40
Alaska	8.9%	9	33.8%	17	41.0%	2	12.9%	34	3.5%	49
Arizona	7.8%	25	35.0%	9	35.6%	29	13.5%	25	8.1%	38
Arkansas	9.0%	8	32.9%	20	33.2%	46	13.6%	24	11.3%	19
California	6.6%	36	33.2%	19	36.2%	21	14.2%	19	9.7%	30
Colorado	8.1%	21	38.2%	3	34.2%	41	11.0%	46	8.5%	35
Connecticut	7.7%	26	30.4%	33	33.3%	44	13.7%	23	15.0%	7
Delaware	6.5%	37	29.1%	40	36.0%	23	11.9%	39	16.4%	2
Florida	8.0%	22	44.6%	1	29.8%	50	11.1%	45	6.5%	44
Georgia	8.1%	19	37.2%	6	32.3%	47	11.2%	44	11.2%	20
Hawaii	5.9%	43	29.6%	39	38.9%	7	17.2%	1	8.4%	37
Idaho	10.8%	2	37.9%	4	35.4%	33	9.5%	49	6.5%	45
Illinois	5.5%	47	27.2%	48	35.8%	27	16.7%	5	14.8%	8
Indiana	6.3%	39	30.4%	34	36.2%	20	15.0%	13	12.1%	16
Iowa	8.4%	14	31.2%	31	35.5%	31	14.5%	16	10.3%	25
Kansas	8.3%	18	31.5%	29	36.8%	18	13.9%	21	9.6%	32
Kentucky	8.4%	13	34.1%	15	34.7%	38	13.1%	31	9.7%	31
Louisiana	7.6%	27	34.9%	10	35.8%	28	11.9%	40	9.8%	29
Maine	9.1%	7	30.4%	35	39.7%	4	13.0%	33	7.9%	41
Maryland	7.3%	30	30.6%	32	37.4%	12	14.5%	17	10.2%	26
Massachusetts	5.7%	45	28.2%	43	35.0%	36	16.9%	4	14.2%	10
Michigan	6.5%	38	27.6%	44	34.8%	37	16.0%	8	15.2%	6
Minnesota	7.6%	28	26.5%	49	34.3%	40	17.2%	2	14.4%	9
Mississippi	13.6%	1	34.2%	12	31.4%	49	10.7%	47	10.1%	27
Missouri	7.1%	32	29.6%	38	37.0%	15	15.3%	12	11.0%	22
Montana	9.3%	5	37.7%	5	37.8%	9	9.2%	50	6.0%	46
Nebraska	8.5%	12	29.8%	37	35.6%	30	14.4%	18	11.7%	17
Nevada	6.2%	41	32.5%	23	31.6%	48	12.4%	37	17.4%	1
New Hampshire	8.3%	17	32.0%	26	37.7%	10	13.1%	32	9.0%	33
New Jersey	5.4%	48	29.1%	41	34.6%	39	15.6%	10	15.4%	4
New Mexico	8.0%	23	34.2%	13	41.0%	1	11.2%	43	5.5%	47
New York	6.0%	42	28.9%	42	33.2%	45	15.7%	9	16.2%	3
North Carolina	6.7%	35	32.7%	21	35.3%	34	13.8%	22	11.5%	18
North Dakota	10.5%	3	29.9%	36	37.5%	11	14.9%	15	7.2%	43
Ohio	5.6%	46	27.3%	47	36.9%	17	16.6%	7	13.7%	13
Oklahoma	8.1%	20	31.7%	28	36.2%	22	13.2%	28	10.7%	23
Oregon	8.7%	11	35.7%	7	35.5%	32	12.0%	38	8.1%	39
Pennsylvania	5.8%	44	27.5%	45	36.0%	25	16.6%	6	14.1%	12
Rhode Island	5.1%	50	27.3%	46	37.1%	14	15.3%	11	15.2%	5
South Carolina	7.2%	31	34.1%	14	37.3%	13	12.4%	36	8.9%	34
South Dakota	9.9%	4	32.2%	25	39.1%	6	11.3%	42	7.6%	42
Tennessee	6.8%	34	32.4%	24	34.2%	42	13.3%	27	13.3%	14
Texas	7.3%	29	32.7%	22	33.7%	43	14.0%	20	12.3%	15
Utah	8.8%	10	35.1%	8	35.3%	35	12.5%	35	8.4%	36
Vermont	8.3%	16	34.6%	11	38.8%	8	13.1%	29	5.1%	48
Virginia	6.2%	40	31.2%	30	36.6%	19	14.9%	14	11.1%	21
Washington	8.3%	15	32.0%	27	36.0%	24	13.1%	30	10.6%	24
West Virginia	5.4%	49	33.6%	18	39.8%	3	11.4%	41	9.8%	28
Wisconsin	6.8%	33	26.0%	50	36.0%	26	17.0%	3	14.2%	11
Wyoming	9.3%	6	39.5%	2	39.3%	5	10.0%	48	2.0%	50

Source: National Establishment Time-Series Database, Empire Center for New York State Policy and YourEconomy.org

**Table 5.3
Job Change by Firm Size***

Cumulative, 1993-2008

Establishment Size	Total Jobs		Change 1993-2008		Establishment Size	Total Jobs		Change 1993-2008	
	1993	2008	Number	Percent		1993	2008	Number	Percent
Statewide					Mohawk Valley				
1	148,468	453,444	304,976	205.4%	1	4,356	10,348	5,992	137.6%
2-9	1,668,746	2,173,366	504,620	30.2%	2-9	33,584	37,669	4,085	12.2%
10-99	2,436,462	2,497,223	60,761	2.5%	10-99	45,538	46,809	1,271	2.8%
100-499	1,246,320	1,177,250	-69,070	-5.5%	100-499	28,073	25,116	-2,957	-10.5%
> 500	1,626,271	1,217,013	-409,258	-25.2%	> 500	20,063	11,257	-8,806	-43.9%
Total	7,126,267	7,518,296	392,029	5.5%	Total	131,614	131,199	-415	-0.3%
Capital					New York City				
1	9,584	26,843	17,259	180.1%	1	44,546	158,257	113,711	255.3%
2-9	87,754	107,781	20,027	22.8%	2-9	652,861	908,128	255,267	39.1%
10-99	126,650	136,854	10,204	8.1%	10-99	1,037,291	1,017,990	-19,301	-1.9%
100-499	60,810	51,699	-9,111	-15.0%	100-499	565,605	529,057	-36,548	-6.5%
> 500	57,257	47,340	-9,917	-17.3%	> 500	900,900	747,460	-153,440	-17.0%
Total	342,055	370,517	28,462	8.3%	Total	3,201,203	3,360,892	159,689	5.0%
Central New York					North Country				
1	7,380	19,183	11,803	159.9%	1	3,553	9,708	6,155	173.2%
2-9	64,029	73,402	9,373	14.6%	2-9	31,341	36,842	5,501	17.6%
10-99	103,914	103,687	-227	-0.2%	10-99	39,365	41,654	2,289	5.8%
100-499	52,290	48,603	-3,687	-7.1%	100-499	17,026	20,212	3,186	18.7%
> 500	62,578	51,259	-11,319	-18.1%	> 500	11,824	13,273	1,449	12.3%
Total	290,191	296,134	5,943	2.0%	Total	103,109	121,689	18,580	18.0%
Finger Lakes					Southern Tier				
1	12,035	29,487	17,452	145.0%	1	6,855	17,146	10,291	150.1%
2-9	94,949	108,461	13,512	14.2%	2-9	54,311	61,056	6,745	12.4%
10-99	148,258	156,735	8,477	5.7%	10-99	81,285	83,515	2,230	2.7%
100-499	71,546	75,013	3,467	4.8%	100-499	41,826	31,727	-10,099	-24.1%
> 500	119,731	65,346	-54,385	-45.4%	> 500	67,716	35,741	-31,975	-47.2%
Total	446,519	435,042	-11,477	-2.6%	Total	251,993	229,185	-22,808	-9.1%
Long Island					Western New York				
1	26,324	90,327	64,003	243.1%	1	11,639	28,353	16,714	143.6%
2-9	314,288	420,644	106,356	33.8%	2-9	109,415	129,821	20,406	18.7%
10-99	412,638	440,664	28,026	6.8%	10-99	182,701	191,042	8,341	4.6%
100-499	188,548	185,904	-2,644	-1.4%	100-499	99,670	92,277	-7,393	-7.4%
> 500	148,301	134,742	-13,559	-9.1%	> 500	83,187	60,691	-22,496	-27.0%
Total	1,090,099	1,272,281	182,182	16.7%	Total	486,612	502,184	15,572	3.2%
Mid-Hudson					* Does not include branches of establishments in other states. Source: National Establishment Time-Series Database, Empire Center for New York State Policy and YourEconomy.org				
1	22,196	63,792	41,596	187.4%					
2-9	226,214	289,553	63,339	28.0%					
10-99	258,822	278,178	19,356	7.5%					
100-499	120,926	117,642	-3,284	-2.7%					
> 500	154,714	102,075	-52,639	-34.0%					
Total	782,872	851,240	68,368	8.7%					

Conclusion

The data in this report show that a key factor in the Empire State's poor performance was its failure to nurture more establishment "births" to offset job losses resulting from business "deaths" – which, after all, are an unavoidable feature of the free-enterprise system. A larger pool of small businesses, fed by a steady stream of start-ups serving as seed-corn for larger businesses in the future, is an important characteristic of a growing economy – an area where New York notably falls short.

Ironically, New York's relatively low percentage of jobs in small firms and sole proprietorships may have given the state some insulation from the worst effects of the recession, which has hit small business especially hard. But in assessing the state's prospects for a strong and sustained recovery, the firm-size statistics detailed in this report are a warning sign. While the current fiscal crisis will inhibit major changes in tax policy, New York policymakers should set their sights on at least four incremental tax goals that would provide a shot in the arm to small businesses.

1. **Allow for full expensing, rather than multi-year depreciation, of business capital investments.** This would allow businesses to deduct purchase costs in the years they occur. After all, a 10- or 20-year depreciation schedule is of little relevance to firms that struggle to remain alive for more than five years.
2. **Reduce state income taxes on capital gains.** For many small firms, "profit" is embedded in the value of the business itself after years of investment, but the capital gains tax punishes entrepreneurial sacrifice. At least one major party gubernatorial candidate seems to recognize this need: Attorney General Andrew Cuomo, the Democratic nominee, backs elimination of capital gains taxes on investments in start-up and "early stage" firms.⁸ Republican candidate Carl Paladino has spoken of cutting the capital gains tax, without offering specifics.⁹
3. **Eliminate New York State's estate tax.** When federal estate tax policy is settled, New York needs to ensure that its own tax in this area does not place an added burden on family-owned businesses, in particular.¹⁰
4. **Do not extend the state's higher personal income tax brackets,** which were temporarily enacted in 2009 and are scheduled to expire at the end of 2011. Small business owners are disproportionately represented among those in the top brackets, and their personal income in many cases is also their working capital.

As noted in this report, another key obstacle to growth in New York has been the persistent leaky faucet of business migration to other states. This suggests that the public policy problems contributing to out-migration are deep-rooted problems, and that out-migration is not simply a reflection of the business cycle.

About the author

J. Scott Moody is an economic consultant who served as a senior economist at both the Tax Foundation and the Heritage Foundation. He currently is chief economist at The Maine Heritage Policy Center, and research fellow at several other state-based, free-market think tanks. The author, co-author and editor of over 140 studies and books, his work has appeared in *Forbes*, *CNN Money*, *State Tax Notes*, the *Hartford Courant*, *Portland (Me.) Press Herald* and *Manchester Union Leader*, among other publications. He has testified before both congressional and state legislative committees. He received his bachelor's degree in economics from Wingate University (Wingate, NC) and his master's in economics from George Mason University (Fairfax, VA).

Appendix
Job Creation Dynamics in the 50 States

Cumulative, 1993-2008

State	Births/Deaths		Expansions/Contractions		In/Out Migration		Total Job Change	
	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank
United States	6.8%	--	16.2%	--	0.0%	--	22.9%	--
Alabama	12.3%	18	12.4%	38	-0.4%	40	24.0%	25
Alaska	26.4%	5	21.9%	11	0.3%	19	45.3%	7
Arizona	23.5%	7	31.7%	1	2.7%	2	57.9%	2
Arkansas	11.0%	21	15.9%	24	0.4%	18	24.8%	23
California	3.3%	34	18.0%	18	-1.0%	47	20.9%	29
Colorado	16.9%	10	24.6%	4	0.9%	13	40.3%	8
Connecticut	-5.3%	46	9.1%	47	1.5%	7	7.5%	43
Delaware	5.9%	28	4.8%	50	2.4%	3	12.0%	39
Florida	44.7%	1	27.5%	2	0.5%	15	71.8%	1
Georgia	30.1%	4	22.2%	10	1.9%	4	53.7%	4
Hawaii	7.0%	27	5.4%	49	-0.3%	37	14.2%	38
Idaho	25.8%	6	25.2%	3	0.2%	23	47.6%	6
Illinois	-9.1%	49	14.7%	30	-0.1%	34	6.1%	47
Indiana	3.9%	31	14.2%	32	0.6%	14	17.0%	34
Iowa	1.1%	38	16.0%	22	-0.7%	43	15.6%	37
Kansas	3.8%	32	14.7%	29	1.8%	5	19.1%	31
Kentucky	15.6%	11	13.4%	35	0.1%	29	27.9%	18
Louisiana	13.7%	14	14.4%	31	-0.8%	46	26.5%	21
Maine	2.6%	36	9.7%	46	-1.3%	49	12.0%	40
Maryland	8.1%	26	13.9%	33	0.4%	16	22.0%	28
Massachusetts	-9.3%	50	13.4%	36	-0.3%	36	5.3%	48
Michigan	0.5%	42	10.6%	42	-0.4%	39	10.5%	42
Minnesota	3.4%	33	22.2%	9	-0.1%	33	24.1%	24
Mississippi	20.4%	8	12.8%	37	0.1%	26	32.0%	14
Missouri	2.9%	35	14.9%	28	-0.4%	38	16.3%	36
Montana	15.0%	12	19.6%	15	0.3%	20	34.0%	12
Nebraska	5.4%	29	13.7%	34	-0.8%	45	16.4%	35
Nevada	32.1%	2	24.5%	5	3.5%	1	56.2%	3
New Hampshire	0.9%	39	22.9%	8	1.2%	12	26.6%	20
New Jersey	-5.8%	47	12.0%	39	0.2%	21	7.5%	44
New Mexico	9.7%	22	15.4%	26	-0.6%	42	24.0%	26
New York	-5.0%	45	9.9%	45	-1.2%	48	4.6%	49
North Carolina	14.7%	13	17.6%	21	1.4%	8	33.2%	13
North Dakota	13.5%	15	21.8%	12	0.0%	32	36.4%	10
Ohio	0.7%	41	10.3%	43	0.1%	27	11.0%	41
Oklahoma	5.0%	30	17.7%	19	-0.3%	35	20.1%	30
Oregon	12.7%	17	23.4%	7	0.2%	22	34.6%	11
Pennsylvania	-3.5%	44	11.4%	41	0.0%	31	7.1%	45
Rhode Island	-7.8%	48	5.6%	48	0.2%	24	0.9%	50
South Carolina	11.8%	20	11.8%	40	1.4%	9	24.9%	22
South Dakota	8.4%	25	15.9%	23	0.4%	17	23.4%	27
Tennessee	13.4%	16	14.9%	27	1.2%	11	28.1%	16
Texas	9.3%	24	20.0%	13	1.3%	10	31.3%	15
Utah	30.7%	3	23.7%	6	0.2%	25	51.7%	5
Vermont	1.9%	37	17.6%	20	-0.8%	44	18.2%	32
Virginia	12.2%	19	15.6%	25	1.6%	6	28.0%	17
Washington	9.3%	23	18.6%	16	0.1%	28	27.5%	19
West Virginia	-1.5%	43	10.1%	44	-1.7%	50	6.2%	46
Wisconsin	0.9%	40	18.2%	17	0.0%	30	17.9%	33
Wyoming	17.5%	9	20.0%	14	-0.4%	41	36.4%	9

Source: National Establishment Time-Series Database, Empire Center for New York State Policy and YourEconomy.org

Endnotes

¹ Walls & Associates converts the Dun & Bradstreet Marketing Information file into a time-series database that is useful for economic research purposes. The file is proprietary to Walls & Associates, which licenses the database to researchers across the country – including the U.S. Department of Commerce’s Census Bureau and the Bureau of Economic Analysis.

² The NETS database is based on establishments, which means that one organization can have numerous establishments in various locations, i.e., Starbucks. Additionally, different establishments can occupy the same location. For example, an organization at a single location could represent two different activities – such as a single organization with both a distribution and retail establishment under the same roof. This provides an unprecedented level of geographic and industry classification.

³ The NETS database does not include information on the residency of workers, so jobs reported here include those held by residents of other states. More information and background on NETS, including other academic research making use of the database, can be found at <http://www.youreconomy.org/nets/?region=Walls>.

⁴ Industry sectors in this report are grouped as defined the North American Industry Classification System (NAICS), which is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

⁵ See “Empire State Exodus: The Mass Migration of New Yorkers to Other States,” *Empire Center Research Bulletin*, Oct. 27, 2009, posted at <http://www.empirecenter.org/pb/2009/10/empirestateexodus102709.cfm>. Census Bureau estimates through 2009 are posted at <http://www.census.gov/popest/states/NST-comp-chg.html>.

⁶ Closures are defined in the NETS database as the elimination of a DUNS numbers. However, a DUNS number may also be eliminated by one organization absorbing another organization. As a result, some jobs due to closures will reappear in the database as expansions of existing organizations. This bias will lead to some overestimation of jobs lost to births and deaths.

⁷ Solely measuring births understates entrepreneurship since the NETS database reclassifies the organization as an existing organization in the years after the birth year. Ideally, a more comprehensive metric of entrepreneurship would track these organizations throughout the organizations life-span to better understand other important issues such as the survivor rate. The unique structure of the NETS database would allow for such analysis and may be the subject of future studies.

⁸ See *NY Works: Getting New York Back to Work*, p. 78, at <http://www.andrewcuomo.com/nyworks>

⁹ In a video released by his campaign and posted at <http://paladinoforthepeople.com> on Oct. 4, Paladino said he wanted to cut the capital gains tax, but subsequent news reports indicated he meant this in the context of a proposal to cut corporate taxes. See <http://www.newsday.com/news/region-state/paladino-switches-course-on-tax-policy-1.2336136>.

¹⁰ The federal estate tax was gradually reduced between 2001 and 2009 and completely disappeared this year, but under current law is due to reappear in its pre-2002 form starting in 2011. Congress may re-enact a revised and reduced version of the tax, however.