

# SMALL BUSINESS RESEARCH SUMMARY

## Establishment Employment Change and Survival, 1992-1996: Analyses Based on a New, Longitudinal Data Base with Special Focus on Information Technology Industries

by Dr. Richard J. Boden, Jr.  
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### Purpose

Small businesses, the service sector, and high-technology businesses are each identified by many sources as major creators of new jobs. But there is disagreement as to how important their roles actually are. This study employs the new Business Information Tracking Series (BITS) to measure the contribution of four sizes of businesses (1-19 employees, 20-99, 100-499, and 500+) to job creation in each year from 1992 to 1996 in three sectors—information technology (IT) industries, other goods-producing firms, and other service-producing firms.

### Scope and Methodology

BITS (formerly known as the Longitudinal Establishment and Enterprise Microdata file, or LEEM) is a microdata file containing annual records for nearly every nonfarm private-sector establishment with positive payroll. The U.S. Bureau of the Census created the file with funding from the Office of Advocacy. Each record contains information on an establishment's employment, payroll, location, start year, and four-digit Standard Industrial Classification (SIC) code for each year that it had positive payroll, beginning in 1989. An establishment is a separate physical location at which business activity occurs. For dependent establishments (those that are part of a multi-establishment firm), each record also contains information on the firm's employment, pay-

roll, primary SIC code, and location. This linkage allows establishments to be tracked even if they are part of different enterprises over time. At the time of this research, the file extended through 1996; new years are being added annually to the data base.

IT industries are defined as the 38 4-digit SIC goods- and service-producing industries identified by the U.S. Department of Commerce in "The Emerging Information and Communications Technology Industry" (1998). Goods-producing industries (other than IT goods) include agricultural services, forestry, and fishing; construction; and manufacturing. Service-producing industries (other than IT services) include transportation, communications, and public utilities; wholesale trade; retail trade; finance, insurance, and real estate; and services.

In addition to tabulations of establishment employment change, the study presents estimates from multivariate models of establishment employment change and establishment survival. Results are presented for the cohort of establishments started in 1992 and surviving to 1996.

### Highlights

- Nonfarm private-sector employment grew by 9.4 million, or 10 percent, between 1992 and 1996. Employment grew by 4 percent in goods-producing industries, 12 percent in service-producing industries, and 19 percent in IT industries. The strongest

