

## How Old Are New Hampshire Businesses? Evaluating the Number of Workers by Industry and Age of Firm

What does the longevity of a firm indicate? To some, working or doing business with a firm established many years ago is a sign of a safe choice, a company with a trusted history demonstrates stability. To others, a new company is a symbol of entrepreneurship and innovation. Economist Ronal Coase presented the idea that firms exist because it is easier to coordinate people and projects when everything is done under one roof.<sup>1</sup> Changes in the entire communications infrastructure have made that theory all but obsolete, opening the door to various disruptive forces of technology. Another study published by the Santa Fe

Institute describes a concept that American companies die to create new companies or become part of another company.<sup>2</sup> Both scenarios emphasize that the fast pace of change in the current economy demands an ability to adapt and is as essential for any company that wants to keep up with the competition and survive for a long time.<sup>3</sup> For workers, however, employment at a business with an established history may provide a sense of security that a new company does not.

As of third quarter 2017, slightly more than 83 percent of employment in New Hampshire was in privately-owned

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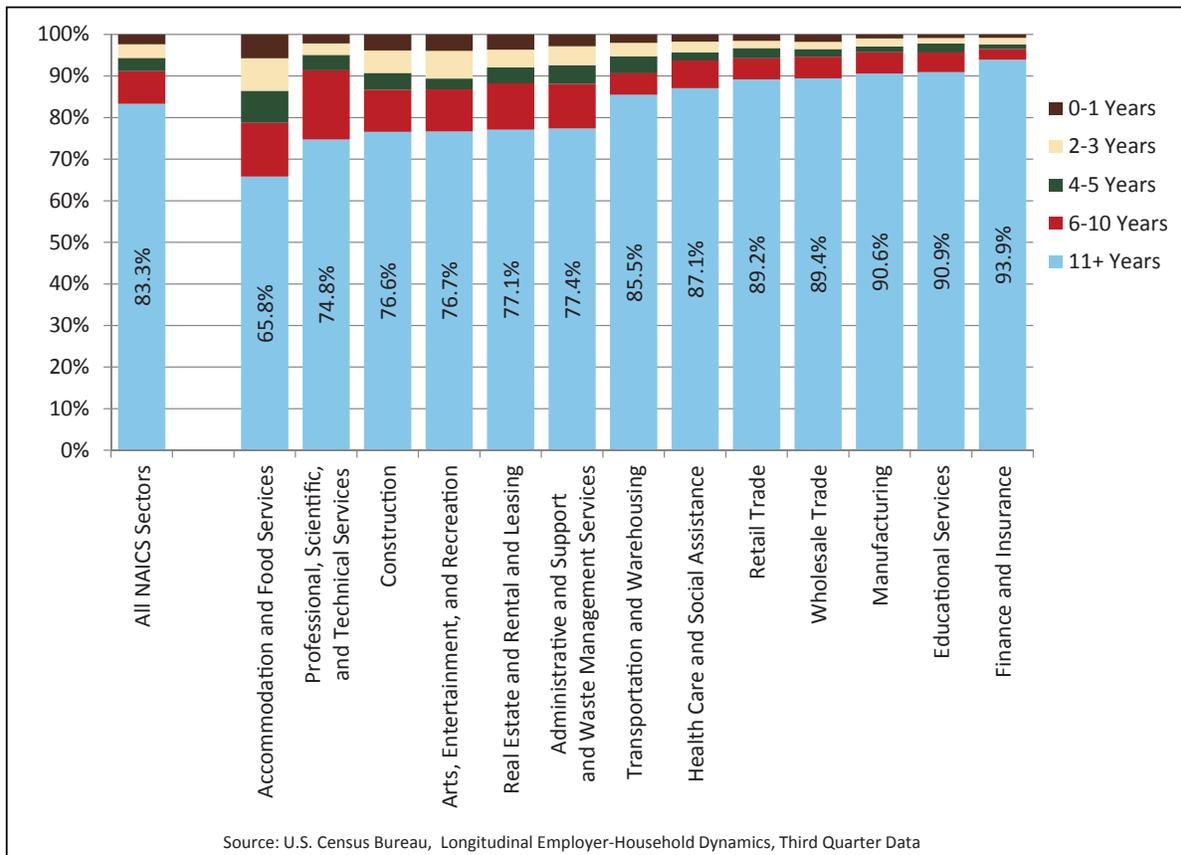
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<sup>1</sup> *The Atlantic*. *Where Do Firms Go When They Die?* Bourree Lam. Apr 12, 2015

<sup>2</sup> *Journal of the Royal Society Interface*. *The mortality of companies*. Madeleine I. G. Daepf, Marcus J. Hamilton, Geoffrey B. West, Luis M. A. Bettencourt. Published 1 April 2015. <http://rsif.royalsocietypublishing.org/content/12/1106/20150120>

<sup>3</sup> *BBC News*. *Can a company live forever?* By Kim Gittleson *BBC News*, New York. 19 January 2012. Quote from Vicki TenHaken, a professor of management at Hope College.

firms that have been established for eleven or more years. Almost eight percent of employment was in firms established between six and ten years, while less than nine percent of employment was in firms established for five or fewer years.

When broken out by industry, however, the proportion of workers employed among firms of different ages was different. For example, roughly two-thirds of workers employed in the *Accommodation and food services* sector were at firms established eleven or more years ago. This sector had the second highest share of employment, 13.0 percent, at firms established between six and ten years ago. Only *Professional, scientific, and technical services* firms had a larger share of employment at firms this age, with 16.6 percent. Firms in the *Accommodation and food services* sector had 34.2 percent of employment at newer businesses, the biggest share among the industry sectors. Newer businesses include three age groups of those established for five years or less.

At the other end of the scale, almost 94 percent of workers at *Finance and insurance* sector were employed at firms established eleven or more years ago, and just over six percent of workers were employed at firms ten years old or younger.

Among the remaining sectors, more than 85 percent of workers in six other industries were employed at firms established for 11 or more years, and around three-quarters of workers in five other industries were employed at firms in that age group.

### Share of Employment

While the share of employment by age of firm provides an indication of which industry has more of its employment in younger firms, it does not provide the perspective of employment disbursement by age of firm among industries employing the most workers. For example, *Accommodation and food services* accounted for 11.0 percent of employment at privately-owned businesses, the fourth largest employing industry in the state. This represents roughly 22,000 workers who are employed at newer businesses, those established within the last five years.

Three industries accounting for larger shares of New Hampshire private employment than *Accommodation and food services* were *Retail trade* with 16.5 percent, *Health care and social assistance* with 15.8 percent, and *Manufacturing*

with 11.8 percent. These three industries also had larger shares of employment at older firms, those established eleven or more years ago, than the statewide average of 83.3 percent. Employment at older firms in these three industries represented roughly 229,000 workers and accounted for almost 40 percent of total employment.<sup>4</sup>

Nine industries each accounted for less than seven percent of total private employment in New Hampshire. Of those industries, around 90 percent of employment in *Wholesale trade, Educational services, and Finance and insurance* was in firms established 11 or more years ago. Roughly 67,900 workers were employed at firms established 11 years or more in these three industries, accounting for 11.6 percent of statewide private employment. *Transportation and warehousing* was the sole industry with 85.5 percent of employment in older firms, those established for 11 or more years, representing 12,210 workers.

Although the remaining five industries had larger portions of workers employed in newer firms, those established less than 11 years ago. These roughly 38,400 workers, employed in these industries, accounted for only 6.6 percent of total private employment. The majority of workers were employed in older firms, those established for 11 years or more. These industries represented 95,500 workers, 16.3 percent of total private employment.

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Share of New Hampshire Private Employment by Industry - 3Q 2017



Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics

<sup>4</sup> U.S. Census Bureau, Center for Economic Studies, LEHD, New Hampshire third-quarter 2017 data. <https://ledextract.ces.census.gov/static/data.html>