



STUDY: START-UPS KEY TO RECOVERY FROM RECESSION

Findings raise concerns for Massachusetts, which has seen fewer, smaller start-ups

Boston, MA – Companies that are three years old or younger have been the key to creating Massachusetts jobs in the wake of the last two recessions, according to a new study from Pioneer Institute. The news is troubling since the Commonwealth has seen the rate of start-up creation slow in recent years and those that have started tended to employ fewer people than in the past.

In [*Recovering From A Recession: The Role of Start-Ups*](#), Northeastern University Professor John Friar finds that younger firms started to create jobs almost immediately in the wake of the 1990-91 and 2001 recessions, but older firms only began creating jobs in the fifth year after each recession. In the aftermath of the 2001 downturn, older firms only created jobs for a year before the next recession hit.

“Over the last 20 years, young firms have been the engines for economic recovery in Massachusetts,” Friar said. “The fact that fewer young firms have been founded and those that have started tend to be smaller could slow recovery from the most recent recession.”

Professor Friar’s finding comes on the heels of his “Failure to Thrive,” which Pioneer published last year. That paper found that while the number of jobs in the U.S. economy grew by 27 percent between 1990 and 2007, Massachusetts employment was flat.

Massachusetts took almost seven years to return to pre-recession employment levels in the wake of the 1990-91 downturn, while the national employment recovered in less than three. The commonwealth never returned to pre-recession employment levels following the 2001 recession. As of December 2010, Massachusetts still has about 100,000 fewer jobs than it did in 2008.

“Getting people back to work must be priority number one for the state,” said Pioneer Institute Executive Director Jim Stergios. “This study’s findings drive home the challenge: Job creation patterns have changed markedly over the past two decades, but unfortunately the mind-set of the state’s economic development team has not kept up with the times and the needs of start-ups and existing businesses in Massachusetts. We need to address our cost issues with real urgency.”

To learn more about Pioneer’s recent research on job creation and the Massachusetts economy, read the following policy briefs:

- [Keeping Massachusetts Competitive: The Business Climate in Context](#)
- [Playing the Lottery: The Impact of Interstate Relocation on Massachusetts Jobs](#)
- [Heading Down: The Loss of Massachusetts Headquarters](#)
- [Failure to Thrive: Job Creation and Loss in Massachusetts 1990-2007](#)
- [New Business Creation and the Urban Economy](#)
- [Unemployment Insurance in Massachusetts: Burdening Businesses and Hurting Job Creation](#)

- [Measuring Up: The Cost of Doing Business in Massachusetts](#)

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