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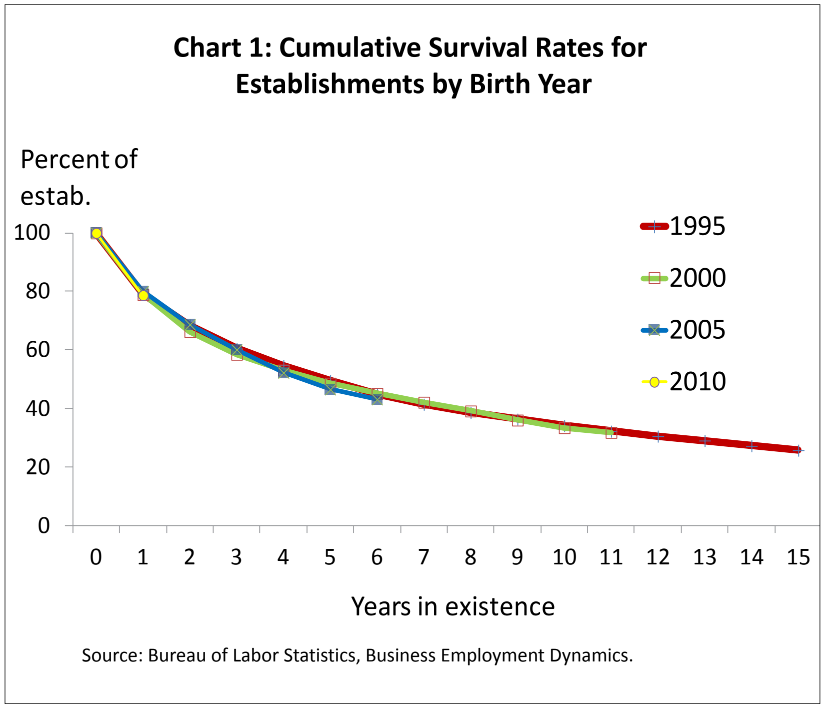
Small Business Facts

Advocacy: the voice of small business in government

Do economic or industry factors affect business survival?

Survival rates improve for a given business as it ages.

About two-thirds of businesses with employees survive at least 2 years and about half survive at least 5 years. As one would expect, after the first few relatively volatile years, survival rates flatten out. (Source: Bureau of Labor Statistics, Business Employment Dynamics.)



Survival paths have not changed much over the years.

A negative economy has little effect on a given business's survival. Businesses started in expanding economies in 1995 and 2005, those started just before the downturn in 2000, and those started just after the downturn had almost identical survival paths (Chart 1). Although the economy is not seen as an obvious factor in business survival, it may be that businesses able to weather a downturn nevertheless feel the crippling effects down the road. (Source: BLS, Business Employment Dynamics.)

Survival rates are similar across industries.

For employer businesses, survival rates as businesses age followed similar patterns for manufacturing, retail trade, food services & hotels, and construction. The fact that the food services industry shows no greater propensity to fail runs counter to the myth that restaurants are a relatively risky business. It is also surprising that the real estate crash seems not to have affected the construction industry at about year five or six. (Source: BLS, Business Employment Dynamics.)