Private Sector Net Job Creation in DC: DOES Firm Size Matter?
The Quarterly Workforce Indicators (QWI) are a set of economic indicators including employment, job creation, earnings, and other measures of employment flows. The QWI are reported using detailed firm characteristics (geography, industry, age, size) and worker demographics information (sex, age, education, race, and ethnicity).  

Using the QWI data, we analyze the participation rate of Small and Medium Enterprises (SMEs) in job creation by the private sector in the District of Columbia (DC) where SMEs are defined as firms with fewer than 500 employees. The table above shows the total net jobs for private sector by industry size and by quarter from 2011 to 2013. Net jobs equal the difference between total gross job gains and total gross job losses.

The following can be observed:

- For the first three quarters of 2013, large firms have lost up to six thousand (5,900) jobs in net;
- For the same period, SMEs have added more than nineteen thousand (19,600) jobs to the DC economy;
- Overall, SMEs have contributed up to 63% of total net job creation in DC;
- For the third and fourth quarters in 2012, large firms were adding jobs in net to the DC economy (+19,700) while SMEs were losing jobs (-5,790); we observe the reverse for the second and third quarters in 2013 (+17,000 vs. -9,500); and

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1. [http://lehd.ces.census.gov/data/#qwi](http://lehd.ces.census.gov/data/#qwi)
2. See Technical Notes
The total net jobs in DC for the period from first quarter 2011 to third quarter 2013 is approximately seventy-six thousand jobs (75,965).

With regard to SME participation rate in total net jobs as illustrated in the above graph, we observe the following:

- In the fourth quarter of 2011 (2011 Q4), both SMEs and large firms were losing jobs;
- For two consecutive periods (2012 Q3-2012 Q4), all of the jobs in DC were created by large firms; and
- A positive trend is observed for the first three quarters of 2013; and for 2013 Q2 and Q3, 100% of the jobs created in DC were by SMEs.

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3 Data for the fourth quarter are not available yet in the QWI tool.
As previously mentioned, large firms were losing jobs during 2013.

![Large Firm Total Net Jobs by Industry NAICS Sectors: 2013]

By analyzing large firm job destruction by industry sectors (NAICS) as illustrated in the above graph, we observe the following:

- Eleven out of seventeen sectors (65%) were losing jobs in net in 2013;
- The Finance and Insurance sector was the most affected industry in job destruction with more than 2,780 jobs lost; and
- The Educational Services sector was the most performing industry in job creation with more than 1,680 new jobs created.
By analyzing SME job creation by industry sectors (NAICS) as illustrated in the above graph, we observe the following:

- Fifteen out of eighteen sectors (15/18) created jobs during the year in 2013; and
- Other Services (except Public Administration) and Professional, Scientific, and Technical Services added 3,300 new jobs.

**Conclusion:** SMEs are a key element in job creation in the District. Therefore, policies helping SMEs should be encouraged.

**Next steps:** Perform further analysis with updated data to see if the same trends are observed.

**Note:** Firm Job Gains (Job creation) is defined as the estimated number of jobs gained at firms throughout the quarter. This measure counts increase in employment at firms that grew over the course of the quarter. Firm Job Loss (Job destruction) is defined as the estimated number of jobs lost at firms throughout the quarter. This measure counts decrease in employment at firms that shrunk over the course of the quarter.
Technical Notes

Table 1 shows SME participation rate in job creation and job destruction in the District of Columbia. We set boundaries between $-100\%$ and $+100\%$ by using the following distributions:

a) If SME net job total is positive and large firm net job total is negative, then SME participation rate is $100\%$ (all the jobs have been created by SMEs for that period);

b) If SME net job total is negative and large firm net job total is positive, then SME participation rate is $0\%$ (all the jobs have been created by large firms for that period);

c) If SME net job total is negative and large firm net job total is negative, then SME participation rate is negative $(-X)\%$ (there was no net job creation for that period); and

d) If SME net job total is positive and large firm net job total is positive, then SME participation rate is positive $(+X)\%$. 