

Comments on Measuring business exits during the pandemic

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Based on joint research with Etienne Lalé and Lien Ta

“The Impact of COVID-19 on Small Business Dynamics and Employment: Real-time Estimates with Homebase Data”; available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3896299

The pandemic highlighted the importance of accurate and timely estimates of small business exits (& entry).

1. Estimating small business exits (& entry) for in-person service sectors in almost real-time is possible.

- Homebase matched to Google, Facebook, and Safegraph to distinguish exits & entry from sample turnover
- Benchmarked to historical BED / BDS rates

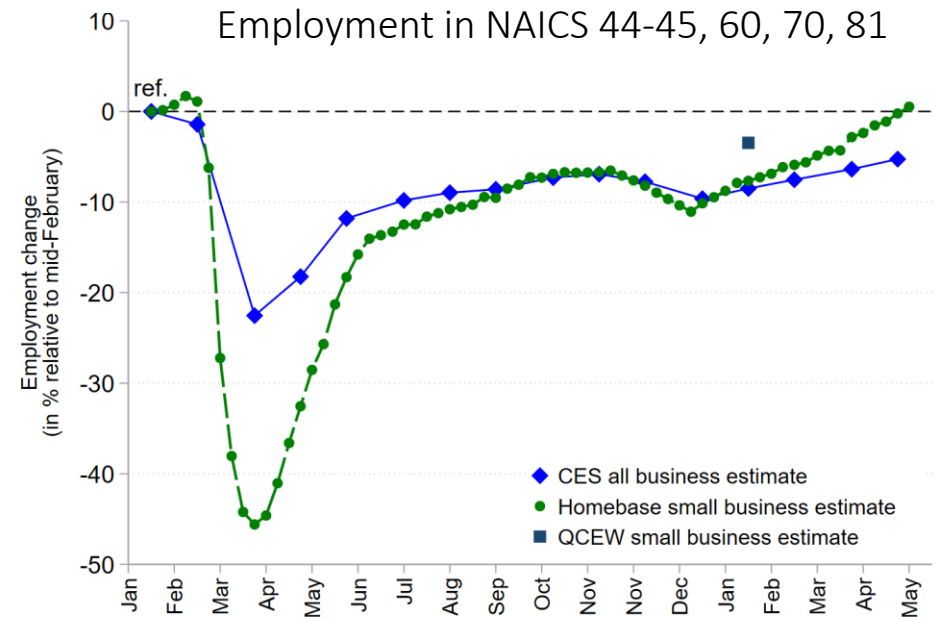
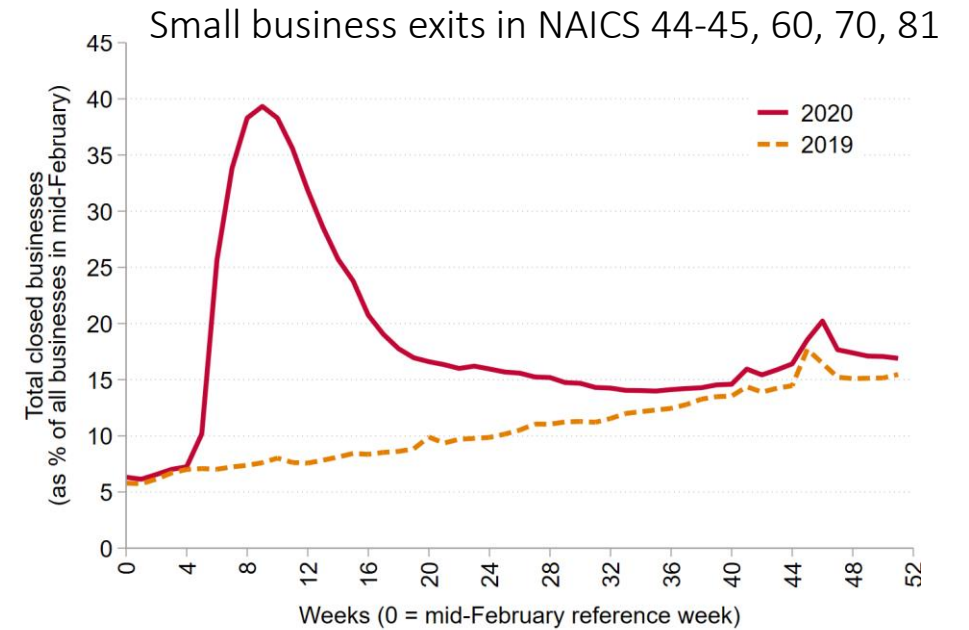
2. Estimating small business employment that directly incorporates exits (& entry) is possible.

- Weighted link-relative estimator similar to CES, but birth-death model replaced by actual exit & entry estimates

⇒ Large spike in temporary closings in March/April 2020 but only 2% higher permanent exits than in 2019.

⇒ Small biz employment decline much larger in March April 2020 but recovery as strong as for larger biz.

⇒ PPP significantly reduced permanent exits.



Source: [Kurmann, Lalé and Ta \(2021\)](#)

- 1. Distinguishing exits & entry from sample turnover is key**
 - Wildly different estimates if we included none or all sample turnover as exits & entry
 - Cautionary tale about use of “opportunity samples” to estimate exit, entry, and employment
- 2. Not all private sector data is created equal to estimate exits**
 - Measurement – e.g. Safegraph very (too?) noisy to reliably estimate small biz exits (let alone entry)
 - Coverage – e.g. Homebase coverage quite good for small biz in-person services, but not elsewhere
- 3. Benchmarking to official population counts is critical...but which ones?**
 - In 2019, QCEW count of 1-4 employee establishments was 58% (!) higher than BDS count
 - BED exit (and entry) rates not available by sector and size class, and for some sectors BED exit (& entry) rates deviate substantially from BDS exit (& entry) rates
- 4. Demand for timely, high-frequency, granular private-sector data will remain strong**
 - Important to credibly evaluate effects of small biz policy interventions (e.g. PPP)
 - Persistent interest from policy makers, financial markets, and economic commentators
- 5. Caveats to using private sector data remain equally strong**
 - Potential issues with representativeness and coverage
 - Access and consistency not guaranteed; cost of acquisition and processing