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Who Creates Jobs?
Econometric Modeling and Evidence for Austrian Firm Level Data*

Peter Huber*, Harald Oberhofer**, Michael Pfaffermayr***

Abstract

This paper provides evidence on the role of firm size and firm age for firm level net job creation in the Austrian economy between 1993 and 2013 and during the Great Recession. We propose a new estimation strategy based on a two-part model to decompose behavioral differences between exiting and surviving firms. Young firms contribute most to net job creation, despite high relative exit rates, due to high growth rates among young surviving firms. Small firms have similar job creation rates conditional on survival as large firms. Small firms’ contribution to job creation is, however, smaller due to higher exit rates. The up-or-out dynamics characterizing less regulated economies such as the US also apply to the more regulated Austrian economy. During the Great Recession both the relative net job creation rate conditional on survival and the relative survival probability of young firms decreased. The relative contribution of small firms to net job creation, by contrast, increased due to increased relative job creation rates of small firms conditional on survival.

Keywords: Net job creation; firm size; firm age; one-part versus two-part models; Austria; Great Recession.

JEL: C18; C53; D22; E24; L25; L26; M13.

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