

U.S. Census Bureau Programs measuring Business Births and Deaths

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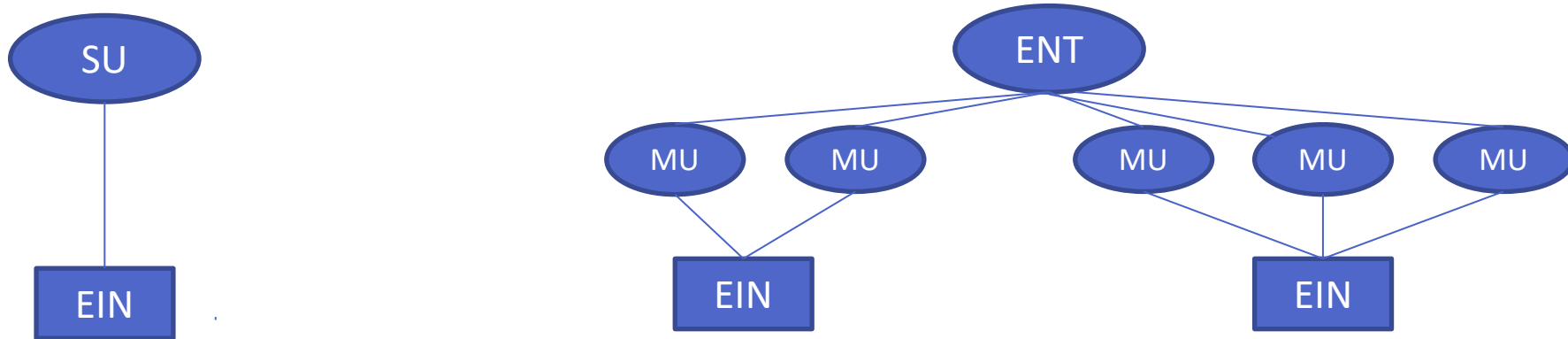
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Business Register: Unit Coverage & Status

BR EMPLOYER UNITS



Approximate Unit Counts

SU	6.5 million
ENT	190 thousand
MU	2 million
Total EIN	80 million
EIN with payroll	6.8 million

Purpose: Provide target populations of active businesses at points in time.

Rules:

- An employer unit is associated with one or more payroll tax EINs. A payroll tax EIN is used by businesses for filing IRS Form 941, 943, or 944.
- BR establishments are “covered” to the payroll tax data.
- Generally:
 - “Birth”: First presence of payroll tax data for an EIN.
 - “Active”: One or more EINs has non-zero payroll for the reference period.
 - “Inactive”: All EINs have no payroll for the reference period.
 - “Dead”: Inactive for 8 consecutive quarters (or 2 consecutive years for annual filers).

Timing: Payroll tax data are generally 95% complete on the BR about 3-4 months after the reference quarter.

Business Register: Unit Coverage & Status

Challenges: Still active but the payroll tax link is missing...

- Reorganizations: Is the business really “dead” or is it just using different EINs?
- Co-employment: Are the payroll taxes being filed under the EIN of a Professional Employer Organization?
- Nonemployment: Has the business continued but without any paid employees?

Mitigation:

- Surveys:
 - Annual Report of Organization
 - Economic Census
 - Quarterly Birth Survey
- Internal Research and Edits:
 - Large SU birth analysis: Is it really “new” or should it be linked to an existing company?
 - Large MU death analysis: Did it “die” or was it acquired?
 - Small SU processing: Links old - new EINs by name and address to identify re-orgs
- Other administrative data sources:
 - BLS PEO client list
 - IRS certified PEO client list: Form 941 Schedule R (potential)
 - IRS business income tax data (Forms 1120, 1065, 990, 1040C)

- ✓ Ownership and affiliation
- ✓ Operational Status and new locations
- ✓ EIN Changes
- ✓ Co-employment

Current Measurement of Births and Deaths in the Business Dynamics Statistics (BDS)


BDS Definitions				
	Year=2016	Year=2017	Year=2018	Year=2019
Entrant		Emp Q1 = 0	Emp Q1 > 0	
Reactivation	Emp Q1 > 0	Emp Q1 = 0	Emp Q1 > 0	
Birth	Emp Q1 = 0	Emp Q1 = 0	Emp Q1 > 0	
Exit	Emp Q1 > 0	Emp Q1 = 0		
Death	Emp Q1 > 0	Emp Q1 = 0	Emp Q1 = 0	Emp Q1 = 0
Reactivation	Emp Q1 > 0	Emp Q1 = 0	Emp Q1 > 0	

age ≥ 2

age = 0

- Establishments may re-activate up to 7 years after an exit
 - Firm death – all establishments associated with the firm die
 - Time series revised each year; re-release BDS years
- Challenges
 - Births relatively easy to identify (“NEW”) but deaths take time (“NEVER AGAIN”)
 - BDS released with 2 year lag; revisions require even longer lag
 - Establishment Exits/Deaths and Entrants/Births spike in Economic Census years

Use of Sub-Annual BR data in LBD-BDS

- Births
 - New EIN filings (monthly) with some modeling  Business Formation Statistics (BFS)
- Deaths
 - Use quarterly BR employment data (2004-present) to improve measurement of deaths
 - Research underway
 - Produce BDS Q2 time series 2005-2020 (planned release summer 2022)
 - More timely release of information about the beginning of the pandemic
 - Investigate quality of quarterly employment data; build into BDS production system
 - Dynamics across quarters within a year to track births and deaths more accurately
 - Challenges
 - quarterly reports are at the EIN-level
 - Allocation of employment to estabs within multi-units relies on the Report of Organization – only ask about Q1 employment
 - The BDS Q2 time series will only be for single unit firms

On-going and potential research to measure deaths

- Internal Census data
 - BR quarterly data flow
 - Benefits: timely, expansion of existing system
 - Challenge: multi-units
 - LEHD infrastructure files: state-level reports about establishment openings and closings
 - Benefits: timely, establishment-level
 - Challenge: linking across different business frames
 - Worker data (W-2 or UI)
 - Benefits: help identify re-organizations, verify deaths (no workers and no 941 filing)
 - Challenge: long lag in data availability, W-2: annual, UI: linking
- Evaluate use of external data
 - Economic Tracker (Womply, PayChex, Earnin)
 - SafeGraph
 - Other payroll providers (ADP)
 - Other suggestions?

Thank you!

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