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Aging of U.S. businesses could slow economy - study

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By Moriah Costa

WASHINGTON, July 31 (Reuters) - Older companies make up a much larger share of U.S. businesses than they did 20 years ago, indicating a decline in entrepreneurship that could lead to slower economic growth, a study released on Thursday said.

The authors, economists Robert Litan and Ian Hathaway, said their research indicates it is difficult for new companies to succeed. Startup companies have historically been the most innovative, they added.

"If we want a vibrant, rapidly growing economy in the future, we must find ways to encourage and make room for the startups of the future," the authors said.

Fewer companies are being created and those that have started are less likely to succeed than they were 20 years ago, they said. The study, published by the Washington-based Brookings Institution, found that the failure rate for new companies has risen sharply to around 27 percent from 16 percent in the early 1990s.

The authors examined data from the Census Bureau, which includes most U.S. businesses from tiny operations to giants of the economy. The study found that the share of companies in the United States that were 16 years or older had increased to 34 percent in 2011 from 23 percent in 1992. (Study: bit.ly/1uLTPBB)

During that same period, the share of workers employed by mature companies increased from 60 percent to 72 percent. Nearly four out of five Americans work for a company that was founded before 1995.

The study follows up on previous research by Litan and Hathaway that found new businesses have been in decline for three decades.

(Reporting by Moriah Costa; Editing by Lisa Shumaker)

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