

Employment generation by small producers in Spain

**Paloma Lopez-Garcia**

Bank of Spain  
Research Department  
Paloma.lopez-garcia@bde.es

**Sergio Puente**

Bank of Spain  
Research Department  
Sergio.puente@bde.es

**Angel Luis Gomez**

Bank of Spain  
Research Department  
algomez@bde.es

*Abstract:*

Despite the relevance in terms of policy, we still know little in Spain about where and by whom jobs are created, and how that is affecting the size distribution of firms. The main innovation of this paper is to use a rich database that overcomes the problems encountered by other firm-level studies to shed some light on the employment generation of small firms in Spain. We find that small firms contribute to employment disproportionately across all sectors of the economy although the difference between their employment and job creation share is largest in the manufacturing sector. The job creators in that sector are both new and established firms whereas only new small firms outperform their larger counterparts in the service sector. The large annual job creation of the small firm size class is shifting the firm size distribution towards the very small production units, although not uniformly across industries of different technology intensity.