

# A Look at Nonemployer Businesses

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U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF ADVOCACY

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## What is a nonemployer business?

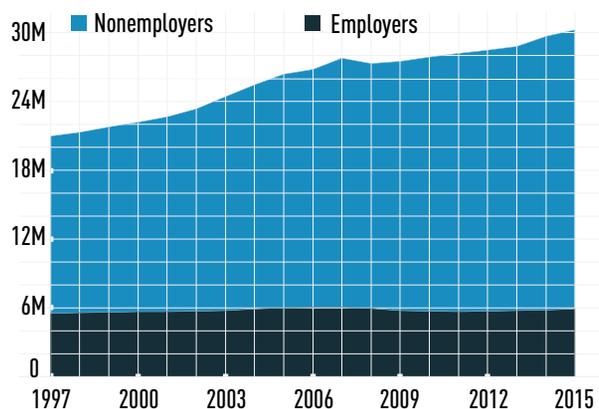
A nonemployer is a small business that has no paid employees. Nonemployer businesses are the primary source of income for 40 percent of their owners and an additional source for the remaining 60 percent. Only about 50 percent of nonemployer business owners spend less than 20 hours a week working for or managing their business, while 30 percent spend at least 40 hours a week on the business and about 20 percent spend between 20 and 40 hours.

Source: U.S. Census Bureau, 2012 Survey of Business Owners (SBO).

## What share of the economy are nonemployers?

Four in five businesses are nonemployers. The number of nonemployer firms has risen 58 percent since 1997, from 15.4 million in 1997 to 24.3 million in 2015, while the number of employer firms has grown 6 percent in the same period (Chart 1). Nonemployer firms account for 3 percent of the annual receipts of US businesses and employer firms account for the remaining 97 percent. On average, nonemployer firms earn about \$47,000 annually and employer firms earn nearly \$6 million. Source: U.S. Census Bureau, 2015 Nonemployer Statistics (NES), 2015 Statistics of U.S. Businesses (SUSB), 2012 Survey of Business Owners (SBO).

Chart 1: Number of small businesses (NES, SUSB)

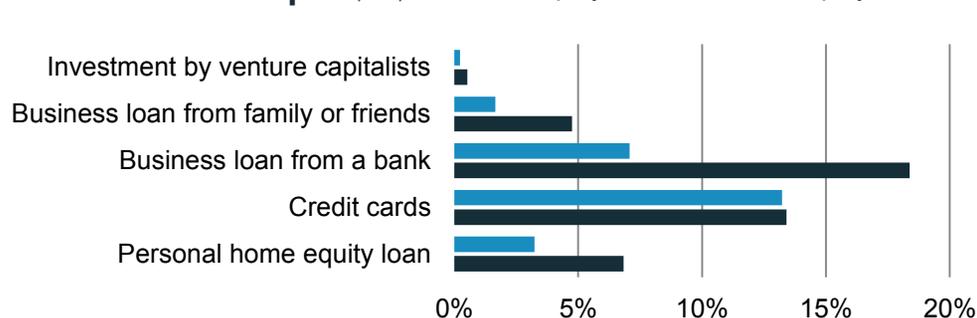


## Where do nonemployers get the capital to start their business?

Nearly a third of nonemployers report not needing startup capital. Among those

who do, 79 percent rely on the owner's personal or family savings. Other sources of startup capital include home equity loans, credit cards, business loans, and venture capitalists, although a smaller share of nonemployers use these compared to employer firms (chart 2). Source: SBO.

Chart 2: Access to capital (SBO)



## What do nonemployers do?

While nonemployers are most concentrated in industries like performing arts and passenger transportation, these businesses appear in practically every industry and comprise the majority of nearly 80 percent of industry subsectors. Nonemployers operate museums and hobby shops; provide pet care and dating services; manufacture clothing, electrical equipment, and machinery; sell real estate; process data, and much more. Source: SBO.

## Who owns nonemployer business?

Compared to employer owners, owners of nonemployer businesses are younger and more diverse in terms of race, ethnicity, and gender. About one third of nonemployer businesses are owned by minorities and four in ten are owned by women (Table 1). Source: SBO.

Table 1: Owner demographics (SBO)

Owner Demographic	Employer	Nonemployer
All classifiable firms	100%	100%
Minority	18%	32%
Female	20%	40%
Under 35	7%	16%
Over 65	16%	15%
Veteran	9%	9%