

Annual Report of the Office of Economic Research FY 2018

U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY

REGULATION • RESEARCH • OUTREACH



U.S. Small Business
Administration

The Office of Advocacy of the U.S. Small Business Administration was created by Congress in 1976 to be an independent voice for small business within the federal government. The office is led by the Chief Counsel for Advocacy who is appointed by the President and confirmed by the U.S. Senate. The chief counsel advances the views, concerns, and interests of small business before the White House, Congress, federal agencies, federal courts, and state policymakers. The office relies on economic research, policy analyses, and small business outreach to identify issues of small business concern. Regional and national advocates around the country and an office in Washington, D.C., support the chief counsel's efforts.

Information about Advocacy's initiatives on behalf of small businesses is accessible via the website; three Listservs (regulatory communications, news, and research); and social media including LinkedIn, Twitter, and Facebook.



Website advocacy.sba.gov



Facebook www.facebook.com/AdvocacySBA



Email advocacy@sba.gov



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Foreword

In 1976, at a time when there were hardly any data or research on small businesses, Public Law 94-305 established the Office of Advocacy within the U.S. Small Business Administration to “examine the role of small business within the American economy.” Since that time, the Office of Economic Research (OER) within the Office of Advocacy has carried out this mandate by producing research reports on small business issues, disseminating statistics on small business contributions to the economy, and sponsoring the production of publicly available economic datasets on small businesses. Through economic studies, issue briefs, profiles, and fact sheets, OER’s work has provided a foundation for policymakers, researchers, and the public in understanding the importance of small businesses to the U.S. economy.

In fiscal year 2018, OER conducted research on a variety of important small business topics, including profiles of small businesses by state, business turnover, employment, finance, minority business ownership, and regulation. OER also continued its role in making small business data and statistics more accessible through working with the U.S. Census Bureau. In 2018, the Office of Advocacy continued its partial funding of the production of small business economic data in the longstanding data series, Statistics of U.S. Businesses, which included a new breakdown of small business data by congressional district, and sponsored a pilot initiative on business owner demographic data of non-employers, a smaller and commonly overlooked type of small business, to better track and count the number of women-owned, minority-owned, and veteran-owned businesses in the U.S. moving forward.

The office also continued its Small Business Economic Research Forum series on cutting-edge small business research. Additionally, OER economists were active presenters at several events throughout the year, and they worked with Office of Advocacy attorneys to emphasize sound economic analysis of small business impacts in the regulatory development process.

Further, in 2018, OER was instrumental in Advocacy’s effort to conduct outreach, work with interagency partners, and develop analysis of small business impacts and priorities of the NAFTA renegotiation which resulted in the United States-Mexico-Canada Agreement (USMCA), a pending free trade agreement between the three countries.

With a near constant need for more timely small data and research in policymaking, OER is an integral part of Advocacy’s work on behalf of small businesses, and remains committed to being a valuable resource towards creating policies that foster small business growth and success.

Major L. Clark, III
Acting Chief Counsel for Advocacy

Patrick Delehanty
Acting Director of Economic Research

Contents

Foreword.....	1
Contents.....	2
Introduction	3
Advocacy Research Reports, FY 2018	5
Business Turnover.....	5
Business Dynamics	5
Employment.....	6
Finance	7
General Small Business Topics.....	8
Minority Business Ownership.....	10
Regulation	11
Small Business Economic Research Forums	12
Data Access	15
Appendixes Selected Publications from the Office of Economic Research, FY 2018	19
Appendix A: Small Business Profiles for the States and Territories: United States.....	20
Appendix B: What’s New with Small Business?.....	24
Appendix C: Small Business Facts: Finding Qualified Workers	25

Introduction

The Office of Economic Research (OER) within the Office of Advocacy of the U.S. Small Business Administration has the special responsibility of being the only federal office statutorily tasked with examining small business challenges and contributions in the U.S. economy.¹

In fiscal year 2018, OER continued to provide timely and relevant small business research to its stakeholders. For the first time, OER disseminated economic data on the number of small businesses, employment, and payroll by congressional district. OER conducted research on several important topics that included:

- Business Turnover
- Employment
- Finance
- Minority Business Ownership
- Regulation

This report summarizes all research products and lists all presentations from the OER-hosted Small Business Economic Research Forum in FY 2018, as well as provides a current overview of publicly available economic data on small businesses. OER's publications continued to emphasize reproducibility and transparency, timely research, and visualizations of complex information and analysis in digestible ways. Three examples are presented in an appendix to this report.² In FY 2018, OER's research included economic bulletins on the latest small business data, economic studies on important small business issues, and fact sheets and briefs on timely small business topics.

Along with conducting research in-house, OER regularly funds small business economic research by contracting with subject matter experts in the field on important small business topics through a competitive bid process. OER's research contract program provides an opportunity to leverage the expertise of top economists and researchers to develop research reports. For more information about economic research funding opportunities, visit FedBizOpps at www.FBO.gov and search for solicitations from SBA Office of Advocacy, or sign up on Advocacy's listserv to receive announcements at advocacy.sba.gov/about/contact-us/.

¹ Public Law 94-305, 1976.

² "Small Business Profiles for the States and Territories: United States" (Appendix A); "What's New with Small Business?" (Appendix B); and "Finding Qualified Workers" (Appendix C).

OER partners with the U.S. Census Bureau to produce and disseminate small business data on their economic contributions and importance to policymakers across industries and geographic areas. Since the 1990s, the Office of Advocacy and the Census Bureau have partnered to produce an annual economic data series on small businesses called the Statistics of U.S. Businesses.³ This data series is the main data used by policymakers, researchers, and industry for small business statistics, research, and policy analysis.

To access OER research, please visit advocacy.sba.gov/category/research/, navigable by the following categories:

- Facts About Small Business (OER infographics, FAQs, bulletins, and fact sheets),
- State Profiles (OER's annual publication on small business statistics by state),
- Economic Reports (issue briefs and contracted economic studies), and
- Data on Small Business (links to the main public datasets for assessing the small business economy).

³ U.S. Census Bureau, Statistics of US Businesses, <https://www.census.gov/programs-surveys/susb.html>.

Advocacy Research Reports, FY 2018

This report lists and summarizes all 20 publications produced by the Office of Economic Research for FY 2018, and presentations from OER's Small Business Economic Research Forum. The publications are listed by subject with the newest items first.

Business Turnover

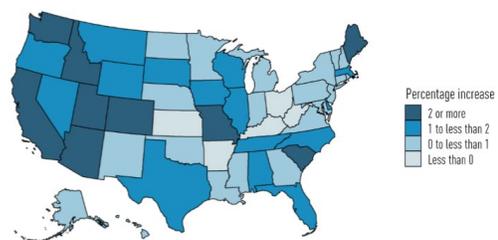
Business Dynamics

Author: Daniel Wilmoth, Advocacy Economist

Released: September 2018

Description: This fact sheet describes the rates at which establishments have been opening and closing. Almost all of the business establishments that open and close each year employ fewer than 20 workers. At the end of 2017, the number of establishments with employees that had opened in the past year exceeded the number that had closed by about 118,000. With a net contribution of about 38,000 establishments, California alone accounted for nearly a third of the national increase. Annual openings have exceeded closings for the last 28 consecutive quarters.

Percentage change in number of business establishments in 2017



Source: Business Employment Dynamics data from the Bureau of Labor Statistics

Why Do Businesses Close?

Author: Brian Headd, Advocacy Economist

Released: May 2018

Description: Over the last 25 years, about 7–9 percent of employer firms close every year and a slightly higher share open. These figures from Census's Business Dynamics Statistics have been trending down, illustrating a decline in business turnover. According to the Annual Survey of Entrepreneurs, the top reasons for businesses closing in 2015 were low sales, the owner(s) retiring, the owner(s) selling the business, opening another firm, and illness/injury. Many owners report closing for personal or health reasons rather than business reasons.

Employment

Finding Qualified Workers

Author: Daniel Wilmoth, Advocacy Economist

Released: September 2018

Description: A tight labor market is good news if you are looking for work but bad news if you are looking for workers. The Office of Advocacy has published a new fact sheet on the problem for small businesses of finding qualified workers. The job openings rate is the share of jobs that are unfilled. The unemployment rate is the share of the labor force without jobs. Since March of 2018, the job openings rate has exceeded the unemployment rate. When members of the National Federation of Independent Business were surveyed in August of 2018 about their biggest problems, the most common answer was difficulty finding qualified workers.

Small Business Economic Data by Congressional District

Author: U.S. Census Bureau data funded by the Office of Advocacy

Released: September 2018

Description: This new dataset provides the number of employer businesses, employment, and payroll by business size, industry, and congressional district.

Small Business Quarterly Bulletin

Author: Office of Economic Research

Released: September 2018

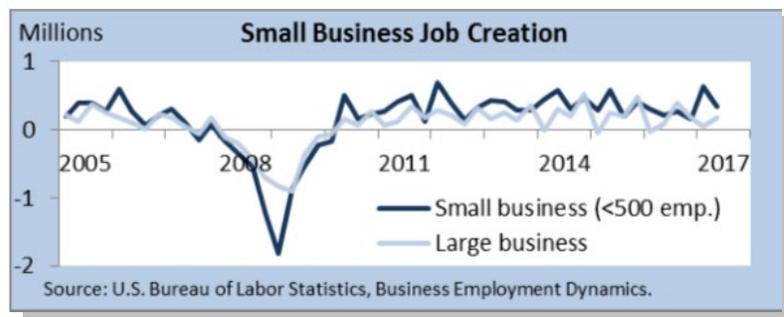
Description: This bulletin shows upticks in income, jobs, and new businesses. Small business lending remains flat, even with low loan delinquency rates. The quarterly provides the latest government statistics on small business income, job creation, startups, and finance.

Small Business Quarterly Bulletin

Author: Office of Economic Research

Released: March 2018

Description: This bulletin provides an update on the small business sector with the latest available data on employer firms, proprietor's income, job creation, births and deaths and finance.



Finance

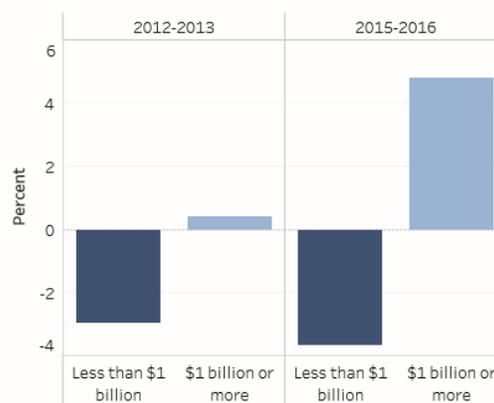
Small Business Lending in the United States, 2016

Author: Victoria Williams, Advocacy Economist

Released: September 2018

Description: This report examines lending of \$1 million or less for commercial purposes by depository lending institutions. The report and summary cover national small business lending trends. The accompanying data tables (in pdf format) list the top lenders providing small business loans in each state. Small business stakeholders can use the extended data tables (in Excel format) to research the small business lending of banks in their states. The Data Description appendix describes the tables in detail. The study is based on the Consolidated Reports of Condition and Income (Call Reports) for 2016 and Community Reinvestment Act (CRA) data for 2015 from the Federal Financial Institutions Examination Council.

Figure 1. Change in Small Business Lending by Bank Size



Source: Small Business Lending in the United States, 2016. U.S. Small Business Administration, Office of Advocacy, from FDIC Call Reports, 2012-2016.

One Year of Equity Crowdfunding: Initial Market Developments and Trends

Author: Lindsay Abate, Advocacy Economist

Released: March 2018

Description: This issue brief analyzes Securities and Exchange Commission filing data to identify trends in small business crowdfunding activity following the implementation of the Commission's new securities-based crowdfunding rule Regulation Crowdfunding. It highlights key attributes of the firms that have attempted to raise capital through this type of crowdfunding, including firm location, legal structure, age, and employment. It describes trends among the online intermediaries responsible for hosting the campaigns, as well as transactional characteristics, such as the type of securities offered and the amount of capital sought and successfully raised.

Financing Patterns and Credit Market Experiences: A Comparison by Race and Ethnicity for U.S. Employer Firms

Author: Alicia Robb, Robb Consulting

Released: February 2018

Description: This study examines racial and ethnic differences in financing patterns, access to capital, and credit market experiences among U.S. employer firms. Using data from the U.S. Census Bureau's 2014 Annual Survey of Entrepreneurs (ASE), this report sheds light on the ongoing financing challenges facing minority entrepreneurs nearly a decade after the financial crisis, and highlights differences in financing amounts, financing sources, attempted funding relationships, avoidance of financing, and the impact of financing on firm profitability and closure across ethnic and racial demographics.

How Did Bank Lending to Small Business in the United States Fare After the Financial Crisis?

Author: Rebel Cole, Krahenbuhl Global Consulting

Released: January 2018

Description: This study examines the health of the small business credit market after the financial crisis. Bank credit is the form of credit most commonly used by small businesses, and it contracted sharply during the financial crisis years of 2009-2011. Building upon previous literature, this study is a follow-up to the author's 2012 study, demonstrating that the decline in bank lending was much more acute for small businesses than for larger firms during and after the crisis.

General Small Business Topics

State Rankings by Small Business Economic Indicators

Author: Office of Economic Research

Released: September 2018

Description: This new publication ranks the top ten states for 20 economic indicators related to small business economic activity, along with providing comparative data for the rankings of small business economic indicators for all 50 states and the District of Columbia.

Small Business Data Resources

Author: Office of Economic Research

Released: August 2018

Description: This updated research tool for small business researchers and policymakers lists databases by federal agency or private sector source with hyperlinks to their

websites organized by small business-related topic. The databases listed provide a wealth of information from federal government agencies, as well as nongovernment private sector, university, nonprofit, international, and other sources. Key topics include demographics, employment, exports, finance, firm size data, firms and establishments, health care, income and sales, pension coverage, taxes, and training.

Annual Report of the Office of Economic Research, FY 2017

Author: Office of Economic Research

Released: August 2018

Description: The Office of Advocacy's FY 2017 Annual Report of the Office of Economic Research details the research publications produced and small business economic research forums held in fiscal year 2017. OER participated in numerous roundtables and conferences, and produced timely and relevant small business research illuminating the economic landscape for small businesses. To meet the needs of small business stakeholders, OER highlighted the contributions and challenges of small businesses in the following topics: Access to Capital, Employment, Regulation, Women and Veteran Business Ownership.

What's New with Small Business?

Author: Office of Economic Research

Released: August 2018

Description: This one-page visual piece illustrates the FAQ's key small business facts in a precise, digestible and colorful fashion.



Frequently Asked Questions About Small Business

Author: Office of Economic Research

Released: August 2018

Description: The Office of Advocacy's updated Frequently Asked Questions About Small Business provides answers to common questions about small businesses. This new four-pager is a guide to better understand small businesses' status and role in the economy.

2018 Small Business Profiles for the States and Territories

Author: Office of Economic Research

Released: April 2018

Description: The Small Business Profiles are an annual portrait of each state's small businesses. They gather the latest federal data into state-by-state snapshots of small business health and economic activity. Limited economic data is also provided for the U.S. territories.

A Look at Nonemployer Businesses

Author: Office of Economic Research

Released: August 2018

Description: This fact sheet presents the latest facts on nonemployers, small businesses without employees. It includes statistics on the number and share of nonemployer businesses in the U.S. as well as their characteristics and their owners' characteristics.

Minority Business Ownership

Latino Business Ownership: Contributions and Barriers for U.S.-Born and Immigrant Latino Entrepreneurs

Author: Robert Fairlie, Economic Consulting

Released: January 2018

Description: This study evaluates differences in business ownership among native-born and immigrant Latino men and women compared to non-minorities. It uses statistical techniques to understand how much of these disparities can be attributed to differing population characteristics like age, wealth, and educational attainment.

Table 1. Business Ownership Rates and Income by Demographic Group (2015)

Group	U.S.-born Latinos	Immigrant Latinos	Non-Latino Whites
Number of business owners	541,000	1,151,000	8,278,000
Percent of population	3.5%	7.3%	6.8%
Average business income	\$47,400	\$31,000	\$66,600
Total business income	\$25.7 billion	\$35.7 billion	\$551.5 billion

Regulation

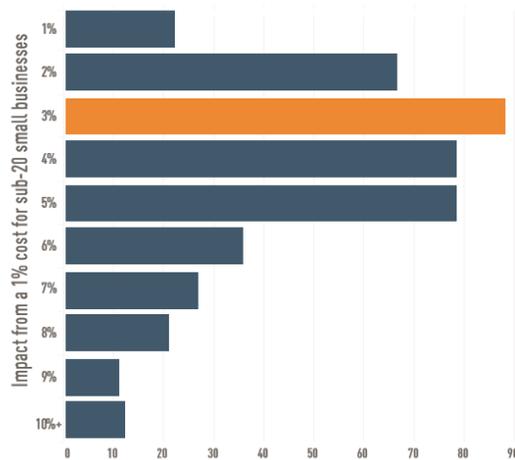
Examining Small Business Impacts in the Regulatory Development Process: The Drawbacks of Averaging

Author: Michael McManus, Advocacy
Economist

Released: August 2018

Description: This issue brief shows how separating aggregated small business data into more detailed size groupings for regulatory impact analyses can help ensure that regulatory objectives can be achieved without unduly burdening the smallest businesses.

Figure 3: Impact on sub-20 businesses of 1 percent cost for all small businesses



Report on the Regulatory Flexibility Act, FY 2017

Author: Office of Advocacy

Released: February 2018

Description: Advocacy's Report on the Regulatory Flexibility Act summarizes federal agencies' compliance with considering small businesses in their rulemakings in FY2017. OER and Advocacy's Interagency Affairs attorneys worked to evaluate the economic analyses of federal agency rules, emphasizing sound economic analysis and understanding of small business impacts and cost-effective alternative approaches. The report provides the regulatory cost savings achieved for small businesses in FY 2017 through Advocacy's efforts.

Small Business Economic Research Forums

The Office of Economic Research hosted six Small Business Economic Research Forums in FY 2018. These forums are useful in keeping Advocacy's staff and stakeholders abreast of current research and data from other agencies and researchers. Knowledgeable experts presented on key economic topics on emerging or current issues affecting small businesses. A list of SBERF for this fiscal year follows with the most recent appearing first.

A Career as a Small Business Researcher Focusing on Business Owner Demographics

Speaker: Dr. Robert Fairlie, Professor of Economics, University of California, Santa Cruz; Research Associate, NBER

Date: September 13, 2018

Description: Fairlie is a highly regarded researcher in the field of small business research, particularly in minority and women entrepreneurship. In addition to his research, he has made big contributions to small business data by working with BLS to capture incorporated self-employed data, and developing the Kauffman Entrepreneurial Index. Fairlie has produced many research projects for the Office of Advocacy and his findings have assisted Advocacy in representing small businesses.

A Discussion on Small Business Finance and Disaster Assistance with Hurricane Katrina as an Example

Speakers: George Haynes, Agricultural Policy Specialist Extension Economics, Montana State University
Claire Kramer Mills, Assistant VP & Community Affairs Officer Outreach & Education, Federal Reserve Bank of New York

Date: August 8, 2018

Description: Small businesses use financing to start, grow, smooth revenue shortfalls, and recover from disasters. The lack of data on small business financing through the business cycle and natural disasters made it difficult for policymakers to support the small business sector in good times and in bad. The Federal Reserve Bank of New York recently heeded the call for data and developed the Small Business Credit Survey (SBCS) spearheaded by Claire Kramer Mills. George Haynes provides a great example of how finance data can be used to better understand the plight of small businesses as they try to weather the storm and government efforts meant to support them.

A Discussion on Rural Economic Development

Speakers: Joe Kapp, President and CEO National Center for Resource Development
Erik Pages, Founder EntreWorks Consulting
Ray Daffner, Entrepreneurial Development Manager, Appalachian Regional Commission

Date: July 18, 2018

Description: Rural areas in the U.S. are in flux and often seeking companies or industries to improve their economies. Because rural areas have specific strengths and weaknesses, their approach to economic development may differ from urban areas. This presentation showcased three leaders in the rural economic development field from three differing perspectives: Joe Kapp, the doer, Erik Pages, the researcher and Ray Daffner, the practitioner. Joe co-founded the National Center for Resource Development to develop entrepreneurial ecosystems. Erik's EntreWorks has worked in 40 states, "helping communities and organizations achieve their entrepreneurial potential." And Ray leads the entrepreneurial efforts for a Federal agency supporting rural economic development, the Appalachian Regional Commission. Joe, Erik and Ray described economic development in rural areas and the associated challenges in supporting an ecosystem amenable to startups and growing businesses. They also showed the role that entrepreneurship can play in reviving/maintaining rural areas.

A Discussion on Industrial Organization and Small Business

Speakers: Robert Feinberg, Professor of Economics, Department of Economics, American University
Wally Mullin, Associate Professor of Economics, Department of Economics, Columbian College, George Washington University

Date: April 17, 2018

Description: Industrial organization is the main field in economics that focuses on small businesses. This gives industrial organization economists a great lens into the role small businesses play in competition and how small businesses fit into the macro economy through innovation and productivity. Washington, D.C. is home to two top industrial organization economists, Robert Feinberg and Wally Mullin. Both have practical experience garnered from stints at the top policy organizations; Council of Economic Advisors, Antitrust Division of the Department of Justice and the International Trade Commission. Bob and Wally

discussed how their current research relates to small businesses, and put their previous research on antitrust enforcement, international competition, guaranteed minimum income, market power, and stock prices into a small business perspective.

Census Bureau Changing Collection of Business Data: Opportunity to Comment

Speakers: Aneta Erdie, Assistant Division Chief, Governments and Business Owners Programs, Economic Reimbursable Surveys Division (ERD), U.S. Census Bureau
Javier Miranda, Principal Economist, Center for Administrative Record & Applications (CARRA), U.S. Census Bureau

Date: December 11, 2017

Description: Changes underway to streamline and reduce respondent burden of Census's business surveys offer an opportunity for data users to provide input on what is being improved and what is being lost. Census discussed the nascent American Business Survey (ABS) as a consolidation of the Survey of Business Owners (SBO), Annual Survey of Entrepreneurs (ASE), and Business R&D and Innovation for Microbusinesses (BRDI-M). ABS will be released annually but unfortunately at the cost of excluding nonemployer businesses. Census also presented plans to develop a "big data" solution for some information on nonemployers lost from the SBO. If approved, it will offer annual demographics data on the owners of nonemployer businesses with detailed geographic and industry information.

Timely Data to Understand Small Businesses

Speaker: Kevin Cooksey, Branch Chief, Business Employment Dynamics, Bureau of Labor Statistics

Adrianna Rockford, Director, Advanced Analytics Services Dun & Bradstreet

Date: October 26, 2017

Description: To follow the current small business economy, timely data is necessary. Two of the better "tools" to do this are from the Bureau of Labor Statistics (BLS) and Dun & Bradstreet. Kevin presented and discussed BLS' Business Employment Dynamics (BED) data series, which tracks business job creation and destruction, including births and deaths on a quarterly basis. BED includes series by firm and establishment size, which are crucial to understanding the small business labor market. Adrianna presented and discussed Dun & Bradstreet's analytics capability such as evaluating disaster areas or firms' credit. In addition, both presenters illuminated the new directions that their data programs can go.

Data Access

Although not a data collection agency, the Office of Advocacy continues to make economic data on small businesses available on its website. Both small businesses with and without employees, small employers and non-employers, are covered in the data. A large percentage of small businesses are non-employer firms, but employer firms contain a larger share of the receipts. The vast majority of employer firms are small firms, but for comparison purposes, data are also provided on large firms. The Office of Advocacy defines a small business for research purposes as an independent business having fewer than 500 employees.

In addition, bank lending data to small businesses is also compiled by the Office of Advocacy. While the employment size of a firm is used to define a small business in industry data, the banking data uses loan size. Business loans of \$1 million or less is defined as a small business loan in the banking data as opposed to the size of the firm.

All of these data are provided in a user-friendly format that allows researchers, policymakers, small business trade associations, small businesses, and the press the ability to examine the role and status of small businesses in the economy.

Small Business Data Resources

Advocacy's list of important small business economic datasets, Small Business Data Resources, is a useful guide for small business researchers and policymakers. This valuable research tool lists small business databases by both federal agencies and the private sector with links to their websites. Data series cover a range of key topics such as demographics, employment, exports, finance, firm size data, health care, taxes, pension coverage, and training. The list captures many of the most widely used data resources, but Advocacy notes that inclusion of any specific database on the list does not constitute an endorsement by the Office of Advocacy or the Small Business Administration.

Small Business Economic Data

Advocacy defines a small business as an independent business having fewer than 500 employees, and makes small business data from several sources available on its website. Data on employer firms by size of business are provided annually in Census Bureau's Statistics of U.S. Businesses (SUSB) and Business Dynamics Statistics (BDS) data series, as well as quarterly in the Bureau of Labor Statistics Business Employment Dynamics (BED) program. Non-employer data are available annually from the Census Bureau's Non-Employer Statistics (NES) program. BDS

and BED also provide data on age of business. All of the data programs are based on the universe of private-sector businesses in the U.S.

Detailed data on owner and business characteristics are available from the Annual Survey of Entrepreneurs (ASE) conducted by the Census Bureau, which going forward has been renamed the Annual Business Survey (ABS) and combined with other surveys. Before the ASE, the Census Bureau's Survey of Business Owners (SBO) provided data on business characteristics and business owner demographic characteristics in years ending in 2 and 7.

Statistics of U.S. Businesses

Annually, the Office of Advocacy partially funds the Statistics of U.S. Businesses (SUSB) program, an employer firm size data series produced by the U.S. Census Bureau. An employer firm is defined as an aggregation of all establishments owned by a parent company. The SUSB's employer data include the number of firms, number of establishments, employment, and annual payroll for employment firm size categories by location and industry. In addition to firm size data, receipt data and size categories are available, but only in years ending in 2 or 7.

The data also consist of static and dynamic data. Static data provide a "snapshot" of firms at a point in time, while dynamic data follow firms from year to year and report job creation and destruction as well as business births and deaths. Much of the data is listed in time series format with some data available as far back as 1988, but the latest data available lags a few years.

Industry information is available at the NAICS 6-digit level, meaning that data is available for over 1,000 industries. Geographic data for some of the data items is also available at the county and metropolitan statistical area level, but this data tends to be aggregated to a relatively high industry level.

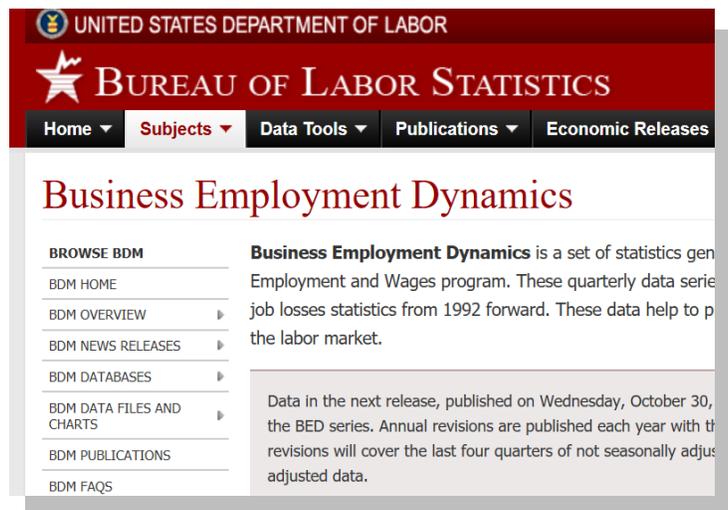
The screenshot shows the top section of the Statistics of U.S. Businesses (SUSB) website. At the top is the title "Statistics of U.S. Businesses (SUSB)" in a large, bold, dark blue font. Below the title is a horizontal line. On the left side, there is a vertical navigation menu with the following items: "About this Program", "Data", "Library", "News & Updates", "Technical Documentation", and "< Back to Our Surveys & Programs". To the right of the menu, there is a main content area. At the top of this area is a paragraph: "SUSB is an annual series that provides national and subnational data on the distribution of economic data by enterprise size and industry." Below this paragraph are three large, light blue icons arranged horizontally. The first icon is a magnifying glass with the word "About" inside it. Below this icon is the text "What is SUSB?". The second icon is a square with a grid of binary digits (0s and 1s) inside. Below this icon is the text "Where can I find SUSB data?". The third icon is a newspaper with the word "NEWS" at the top. Below this icon is the text "Updates".

Business Dynamics Statistics

Census Bureau’s Business Dynamics Statistics (BDS) provides another source of employer firm data, but by the age of the firm. BDS contains annual data for states, major industry, and some metropolitan statistical area data. BDS provides historical data going back to 1977, but the most current data lags a few years. BDS provides the number of firms, establishments, and employment by firm age, along with some dynamics so firm and job creation can be analyzed.

Business Employment Dynamics

The Bureau of Labor Statistics’ Business Employment Dynamics (BED) data program provides quarterly data with a focus on employment changes from establishment entry, growth, decline, and exit. BLS presents the data in two ways to capture seasonal firms by listing establishment openings—establishments that did not exist in the previous quarter—and establishment births—establishments that did not exist in the previous year. Classifications are similar for closings and deaths. Some employment data are by firm size such as in job creation and destruction tables, but much of BED is establishment-based and does not contain an establishment or firm size component. These quarterly data date from 1992.



Nonemployer Statistics

Census Bureau’s Nonemployer Statistics provides data on the number of businesses without employees and receipts by state, metropolitan statistical area, and county with industry detail. A nonemployer firm is defined as one that has no paid employees, has annual business receipts of \$1,000 or more, and is subject to federal income taxes. Nonemployers account for about three percent of business receipts, and about 80 percent of all businesses. Note that non-employer businesses can have more than one owner and are a business. Thus, referring to nonemployers as self-employed (which is a class of worker) is not entirely accurate.

Annual Survey of Entrepreneurs

Census Bureau’s Annual Survey of Entrepreneurs (ASE) is an annual survey that provides information on the demographic characteristics for employer businesses and their owners.

Data is provided on the number of employer businesses, receipts, annual payroll, and employment by gender, race, ethnicity, and veteran status. Industry information is available at the 2-digit NAICS level for demographic and veteran status by state, and the top 50 metropolitan statistical areas. Data in this series are available for 2014, 2015, and 2016.

Call Report and Community Reinvestment Act Data

The Federal Deposit Insurance Corporation provides comprehensive banking data for all FDIC insured institutions on a quarterly basis. Unlike the previous databases mentioned, the definition of a small business differs since it is defined by loan size as oppose to the size of the firm. Both the Call Report and CRA data define a small business loan as loans of \$1 million or less. The data contains the lending institution's name, geographic location, loan size, and assets.

Other Small Business Data Sources

Other small business data sources used to study small businesses are: The American Community Survey (ACS), Current Population Survey (CPS), and Survey of Consumer Finances (SCF). The ACS is a yearly household survey that is conducted by the Census Bureau that provides information on jobs, occupations, and education attainments in the U.S. The Current Population Survey (CPS) is a household monthly survey that is conducted by the Census Bureau, and contains supplemental data on earnings, education, health insurance coverage, contingent workers, unemployment insurance, and veteran status. The Survey of Consumer Finances (SCF) is a household survey that is normally sponsored by the Federal Reserve in cooperation with the Department of the Treasury every three years. This survey provides information on the balance sheets, pensions, income, and demographic characteristics of U.S. families over time.

Appendixes

Selected Publications from the Office of Economic Research, FY 2018

Appendix A: Small Business Profiles for the States and Territories: United States,	20
Appendix B: What's New with Small Business?	24
Appendix C: Small Business Facts: Finding Qualified Workers ,	25

2018 SMALL BUSINESS PROFILE

OFFICE OF ADVOCACY

REGULATION • RESEARCH • OUTREACH

UNITED STATES



30.2 million Small Businesses
99.9% of United States Businesses

58.9 million Small Business Employees
47.5% of United States Employees



EMPLOYMENT
1.9 million
net new jobs



DIVERSITY
8.0 million
minority-owned
businesses



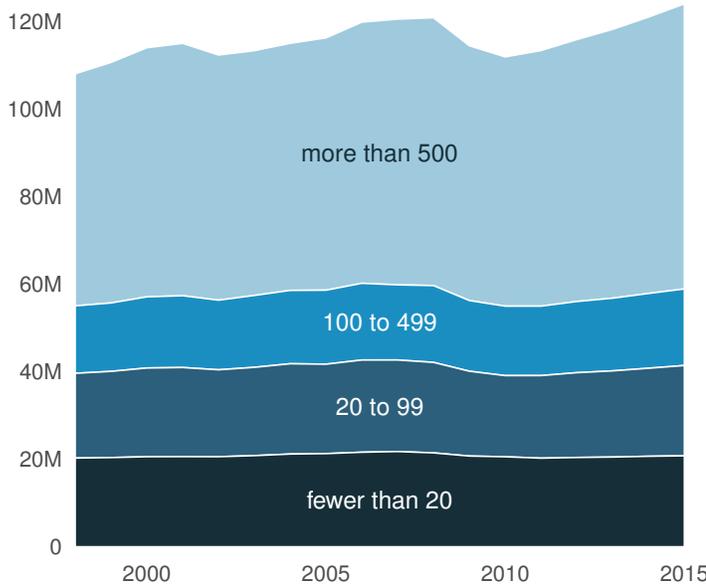
TRADE
287,835
small business
exporters

OVERALL UNITED STATES ECONOMY

- Multiple economic indicators consistently signaled a strengthening US economy in 2017. In the third quarter of 2017, the United States grew at an annual rate of 3.4%. The United States's 2016 growth rate of 1.5% was down from the 2015 rate of 2.7%. (Source: BEA)
- The employment situation in the United States continued to improve. In February 2018, the unemployment rate was 4.1%, down from 4.7% in February 2017. (Source: CPS)

EMPLOYMENT

Figure 1: United States Employment by Business Size (Employees)



- United States small businesses employed 58.9 million people, or 47.5% of the private workforce, in 2015. (Source: SUSB)
- Firms with fewer than 100 employees have the largest share of small business employment. Figure 1 provides further details on firms with employees. (Source: SUSB)
- Private-sector employment increased 1.8% during the 12-month period ending in February 2018. This was above the increase of 1.0% during the prior 12-month period. (Source: CPS)
- The number of proprietors increased in 2016 by 2.3% relative to the previous year. (Source: BEA)
- Small businesses created 1.9 million net jobs in 2015. Firms employing fewer than 20 employees experienced the largest gains, adding 1.1 million net jobs. The smallest gains were in firms employing 100 to 499 employees, which added 387,874 net jobs. (Source: SUSB)

The Small Business Profiles are produced by the US Small Business Administration's Office of Advocacy. Each report incorporates the most up-to-date government data to present a unique snapshot of small businesses. Small businesses are defined for this profile as firms employing fewer than 500 employees. Net small business job change, minority small business ownership, and exporter share statistics are based on the 2015 Statistics of US Businesses (SUSB), 2012 Survey of Business Owners (SBO), and 2015 International Trade Administration (ITA) data, respectively.

INCOME AND FINANCE

- The number of banks decreased by 271 between June 2016 and June 2017 to 5,787 banks. (Source: FDIC)
- In 2016, 5.7 million loans under \$100,000 (valued at \$82.6 billion) were issued by United States lending institutions reporting under the Community Reinvestment Act. (Source: FFIEC)
- The median income for individuals self-employed at their own incorporated businesses was \$50,347 in 2016. For individuals self-employed at their own unincorporated firms, this figure was \$23,060. (Source: ACS)

Median income represents earnings from all sources. Unincorporated self-employment income includes unpaid family workers, a very small percent of the unincorporated self-employed.

EMPLOYER BUSINESS OWNER DEMOGRAPHICS

Figure 2: United States Employees per Business by Owner's Demographic, 2015

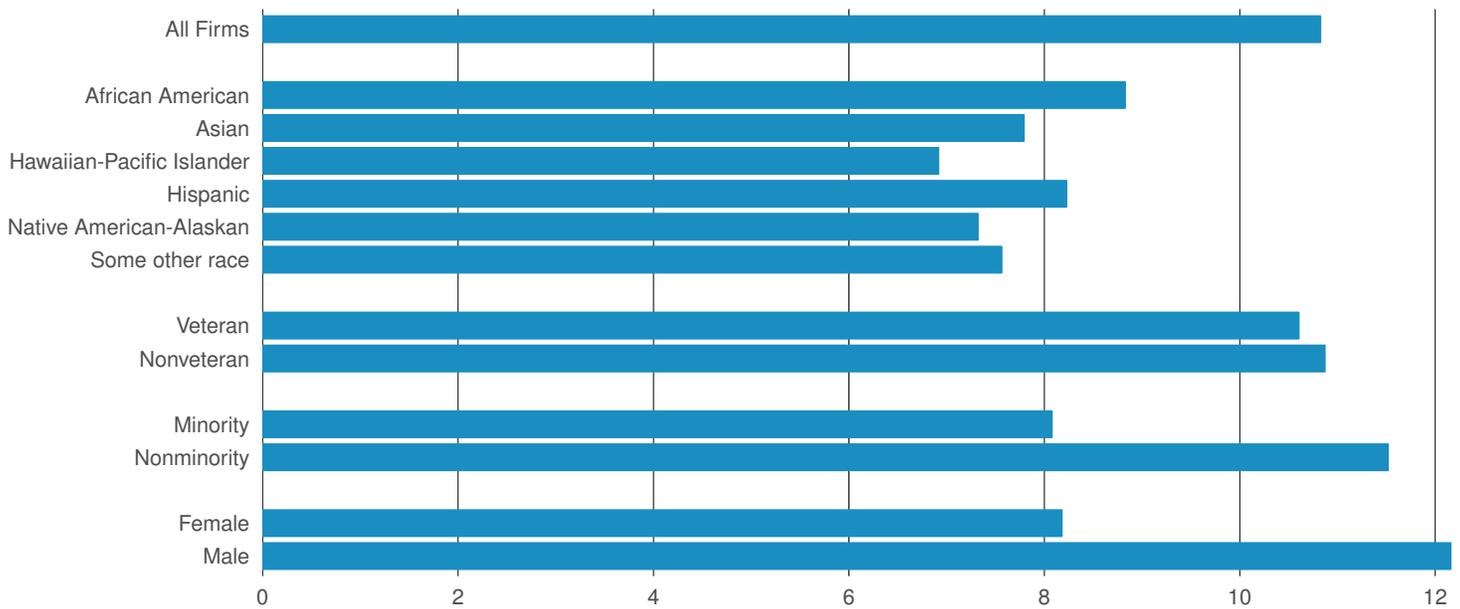
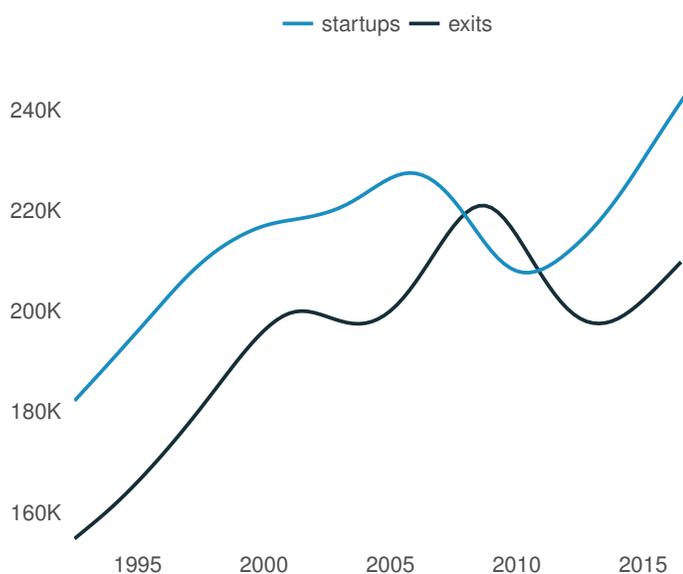


Figure 2 shows the average number of employees per employer business by owner's demographic group according to the Annual Survey of Entrepreneurs (ASE).

TURNOVER AMONG ESTABLISHMENTS WITH EMPLOYEES

Figure 3: United States Quarterly Startups and Exits



- In the third quarter of 2016, 240,000 establishments started up, generating 872,000 new jobs in the United States. Startups are counted when business establishments hire at least one employee for the first time. (Source: BDM)
- In the same period, 215,000 establishments exited resulting in 749,000 jobs lost. Exits occur when establishments go from having at least one employee to having none, and then remain closed for at least one year. (Source: BDM)
- Figure 3 displays quarterly startups and exits from 1992 to 2016. Each series is smoothed across multiple quarters to highlight long-run trends. (Source: BDM)

The BLS data covers only business establishments with employees. BLS refers to startups as births and exits as deaths. These terms are distinct from the BLS openings and closings categories. Openings include seasonal re-openings and closings include seasonal shutterings. Quarterly startup and exit values may not align with Figure 3 due to smoothing.

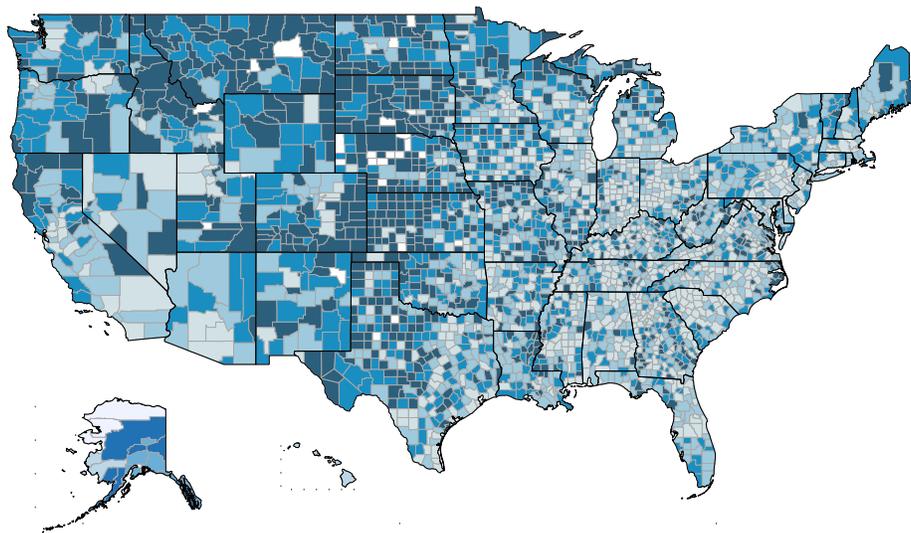
INTERNATIONAL TRADE

- A total of 294,834 companies exported goods from the United States in 2015. Of these, 287,835, or 97.6%, were small firms; they generated 32.9% of the United States's \$1.3 trillion in total exports. (Source: ITA)

SMALL BUSINESS EMPLOYMENT BY INDUSTRY AND COUNTY

Table 1: United States Employment by Industry, 2015

 Industry	 Small Business Employment	 Total Private Employment	 Small Business Employment Share
Health Care and Social Assistance	8,687,568	19,221,864	45.2
Accommodation and Food Services	7,997,654	13,196,892	60.6
Retail Trade	5,514,378	15,704,167	35.1
Manufacturing	5,155,086	11,605,501	44.4
Professional, Scientific, and Technical Services	5,075,601	8,798,260	57.7
Construction	4,944,116	6,008,286	82.3
Other Services (except Public Administration)	4,626,826	5,401,233	85.7
Administrative, Support, and Waste Management	3,625,057	11,112,465	32.6
Wholesale Trade	3,486,807	6,076,109	57.4
Finance and Insurance	1,920,066	6,135,914	31.3
Transportation and Warehousing	1,650,009	4,616,568	35.7
Educational Services	1,603,707	3,642,170	44.0
Real Estate and Rental and Leasing	1,410,530	2,065,427	68.3
Arts, Entertainment, and Recreation	1,370,194	2,230,822	61.4
Information	897,225	3,394,317	26.4
Management of Companies and Enterprises	404,386	3,308,759	12.2
Mining, Quarrying, and Oil and Gas Extraction	296,005	743,660	39.8
Agriculture, Forestry, and Fishing and Hunting	136,254	160,144	85.1
Utilities	112,523	639,234	17.6
Industries not classified	24,155	24,155	100.0
Total	58,938,147	124,085,947	47.5



Small Business Employment (%)



Table 2: United States Small Businesses by Industry and Firm Size, 2015



Industry



1-499 Employees



1-20 Employees



Nonemployer
Firms



Total Small Firms

Industry	1-499 Employees	1-20 Employees	Nonemployer Firms	Total Small Firms
Professional, Scientific, and Technical Services	796,737	747,952	3,410,855	4,207,592
Other Services (except Public Administration)	680,783	635,810	3,695,012	4,375,795
Construction	668,196	615,701	2,430,014	3,098,210
Health Care and Social Assistance	652,900	569,088	1,978,850	2,631,750
Retail Trade	650,133	594,267	1,985,553	2,635,686
Accommodation and Food Services	515,566	401,142	371,413	886,979
Administrative, Support, and Waste Management	331,964	295,202	2,069,144	2,401,108
Wholesale Trade	304,031	262,019	417,272	721,303
Real Estate and Rental and Leasing	290,173	277,338	2,635,780	2,925,953
Manufacturing	247,961	187,862	355,467	603,428
Finance and Insurance	235,726	218,939	718,472	954,198
Transportation and Warehousing	177,150	157,974	1,528,264	1,705,414
Arts, Entertainment, and Recreation	122,089	106,357	1,341,733	1,463,822
Educational Services	88,826	70,210	710,383	799,209
Information	73,028	63,321	328,995	402,023
Mining, Quarrying, and Oil and Gas Extraction	21,657	18,157	98,134	119,791
Agriculture, Forestry, and Fishing and Hunting	21,584	20,212	236,094	257,678
Utilities	5,706	4,493	19,968	25,674
Total	5,881,267	5,265,682	24,331,403	30,212,670

Figure 4 and Tables 1 and 2 display data from the 2015 SUSB. Table 2 includes additional data from the 2015 Nonemployer Statistics (NES). Data for counties shown in white in Figure 4 were withheld by the Census Bureau because they do not meet publication standards or could disclose information regarding individual businesses.

REFERENCES

The Small Business Profiles, source data, and methodology are available at <https://go.usa.gov/xQT4w>.

ASE	Annual Survey of Entrepreneurs, US Census Bureau
BEA	Bureau of Economic Analysis, US Department of Commerce
BDM	Business Employment Dynamics, BLS
BLS	Bureau of Labor Statistics, US Department of Labor
CPS	Current Population Survey, BLS
FDIC	Call Reports, Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
ITA	International Trade Administration, US Department of Commerce
NES	Nonemployer Statistics, US Census Bureau
SBO	Survey of Business Owners, US Census Bureau
SUSB	Statistics of US Businesses, US Census Bureau

WHAT'S NEW WITH SMALL BUSINESS?

August, 2018

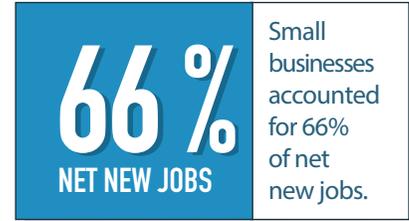


WHAT IS A SMALL BUSINESS?

A small business is an independent business with fewer than 500 employees.

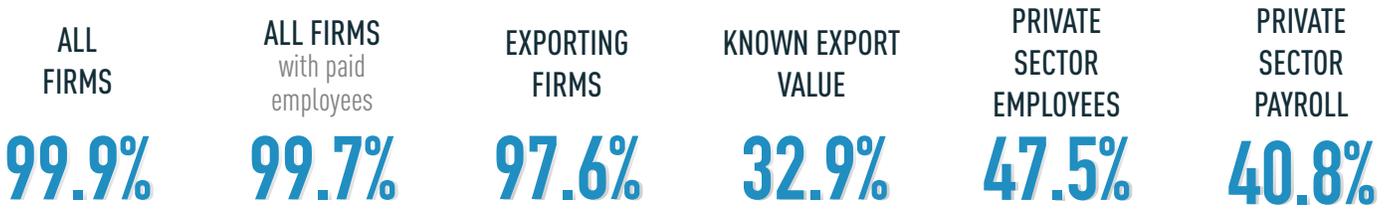


NET NEW JOBS



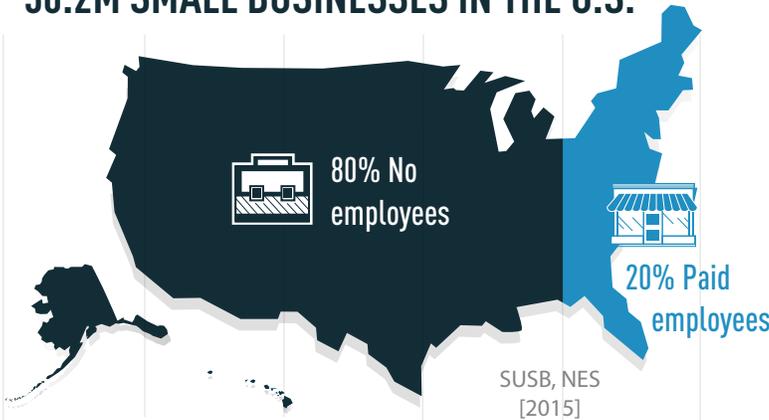
BED, [2000-2017]

SMALL BUSINESSES COMPRISE:



SUSB, NES [2015], ITA [2015]

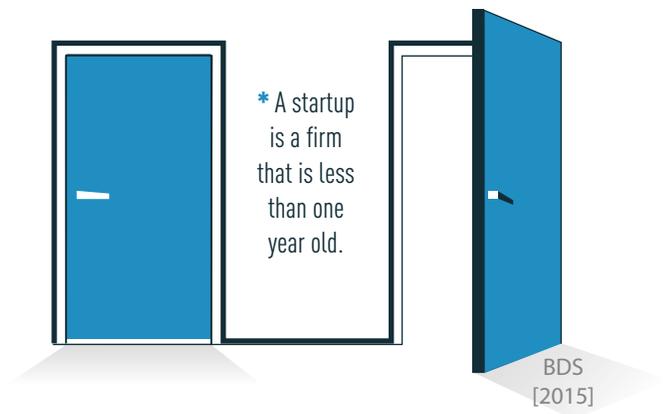
30.2M SMALL BUSINESSES IN THE U.S.



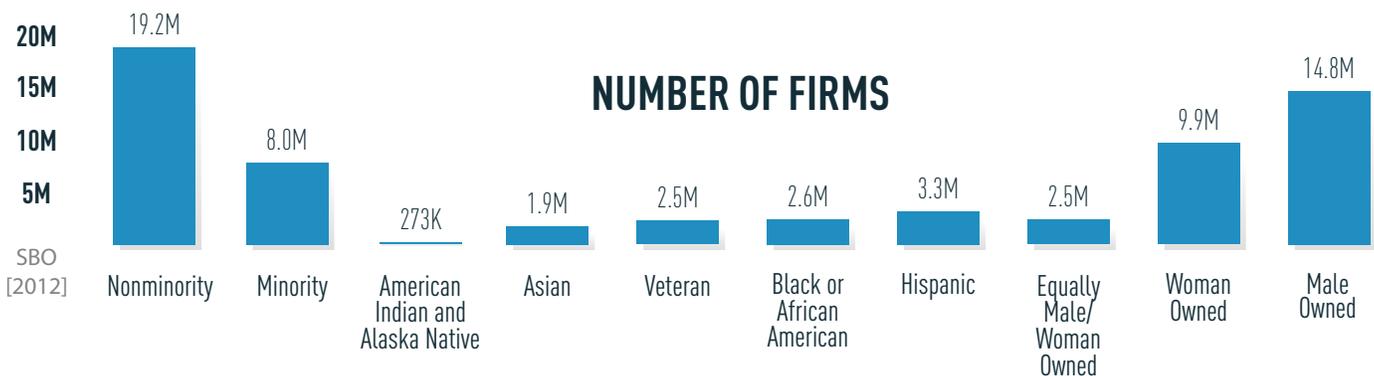
SUSB, NES [2015]

396K CLOSURES

414K STARTUPS*



BDS [2015]



US CENSUS BUREAU

NES Nonemployer Statistics
 BDS Business Dynamics Statistics
 SBO Survey of Business Owners
 SUSB Statistics of US Businesses

BED Business Employment Dynamics, Bureau of Labor Statistics
 ITA International Trade Administration, US Department of Commerce

For even more information visit www.sba.gov/advocacy

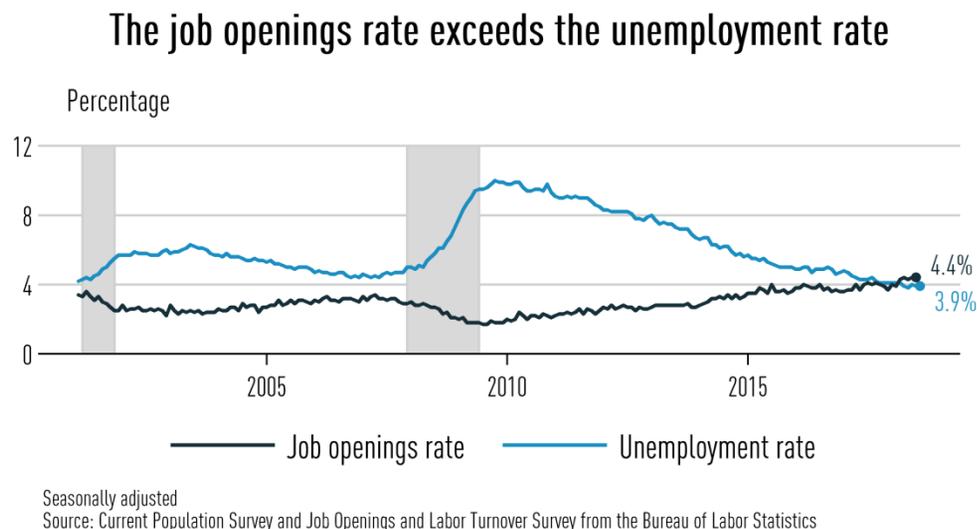
SMALL BUSINESS FACTS

FINDING QUALIFIED WORKERS

September 2018 ~ By Daniel Wilmoth, PhD

The job openings rate exceeds the unemployment rate.

The job openings rate is the share of jobs that are unfilled. The unemployment rate is the share of the labor force without jobs. Since March of this year, the job openings rate has exceeded the unemployment rate. The latest estimate of the job openings rate is 4.4 percent, while the latest estimate of the unemployment rate is only 3.9 percent.



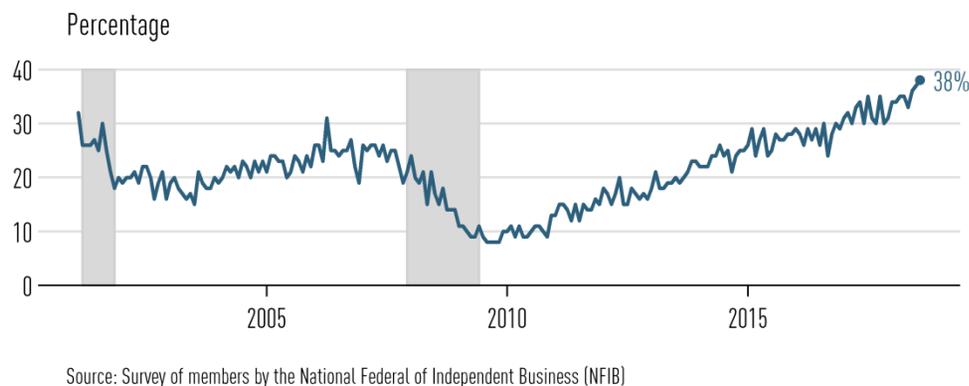
Small businesses are struggling to fill job openings.

The National Federal of Independent Business (NFIB) surveys a sample of its members each month, and the survey includes questions about hiring. The share of respondents reporting job opening that they are unable to fill has risen from 8 percent in 2009 to 38 percent in August of this year.

Many small businesses say that finding qualified workers is their biggest problem.

The NFIB survey asks respondents to identify their most important problems. In August of this year, common answers included government regulations, at 13 percent, and taxes, at 15 percent. However, the most common answer was difficulty finding qualified workers, at 25 percent. That value is the record high for the share of respondents saying that finding qualified workers is their single most important problem.

Many small businesses report job openings they cannot fill



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