



## 1. What is a small business?

The Office of Advocacy defines a small business as an independent business having fewer than 500 employees. For the industry-level definitions of small business used in government programs and contracting, see <https://www.sba.gov/content/small-business-size-standards>.

## 2. How many small businesses are there in the U.S.?

In 2016, there were 30.7 million small businesses.\* Eighty one percent, or 24.8 million, had no employees (termed “nonemployers”)

- Nineteen percent, or 5.9 million, had paid employees
- There were 19,699 large businesses.
- The number of small employers has increased after a decline during the recession. The number of nonemployers has gradually increased, from 15.4 million in 1997 to 24.8 million in 2016. (Figure 1).

Source: SUSB, NES

## 3. What is the role of small businesses in the economy?

Small businesses comprise:

- 99.9% of all firms
- 99.7% of all firms with paid employees
- 97.5% of exporting firms (280,229 small exporters)
- 33.3% of known export value (\$429.3 billion out of \$1.3 trillion)
- 47.3% of private sector employees (60 million out of 126.8 million employees)
- 40.7% of private-sector payroll

Source: SUSB, NES, ITA, BED

## 4. What percent of net new jobs do small businesses create?

From 2000 to 2018, small businesses created 9.6 million net new jobs while large businesses created 5.2 million (Figure 2). Thus, they accounted for 64.9% of net new job creation in the period. Figure 3 displays quarterly small business job gains, losses, and net new jobs since 2000.

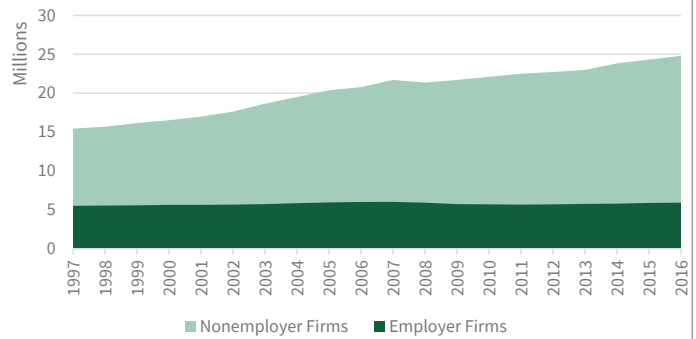
Source: BED

\*The number of small businesses reflects data collected in 2016 and released in 2018. In general, the data used in this report are the most recent statistics available from government sources.

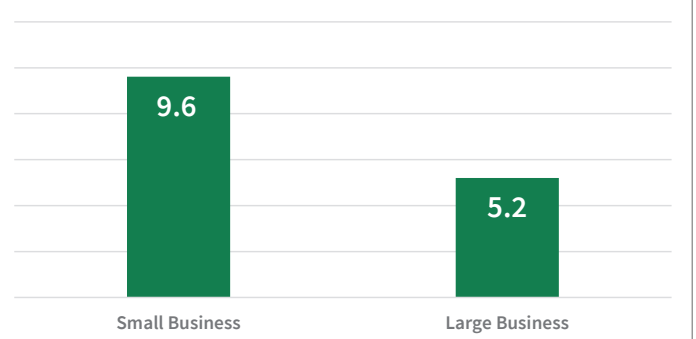
## 5. How can small businesses generate two-thirds of net new jobs, but their share of employment is less than 50%?

As firms grow, they change employment size classes. So as small firms grow, their growth counts toward small firm

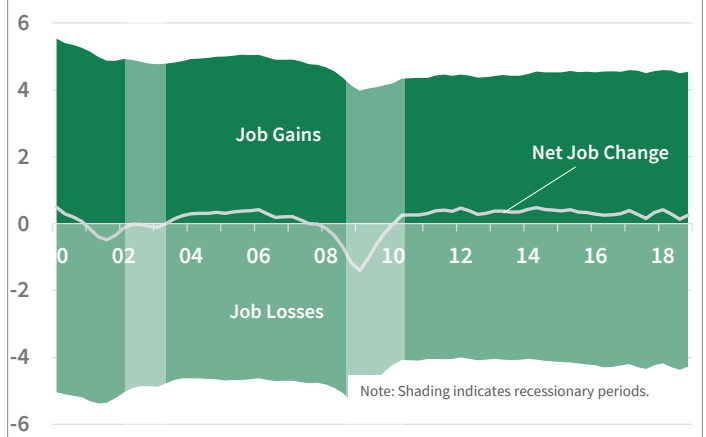
**Figure 1. Number of Small Businesses in Millions (SUSB, NES)**



**Figure 2. Net New Jobs, 2000-2018 (Millions; BED, Office of Advocacy)**



**Figure 3. Net New Small Business Jobs, 2000-2018 (Millions; quarterly; BED, Office of Advocacy)**



job gains; but if they pass the 500-employee mark, their employment gains are classified as large firm employment.

### 6. What is the new business survival rate?

Four out of five establishments that started in 2017 survived until 2018 (79.4%). This percentage was similar to the average one-year survival rate from 2008 to 2018 of 78.7%.

- About half of all establishments survive five years or longer. In the past decade, this ranged from a low of 45.4% for establishments started in 2006, and a high of 51.1% for those started in 2010.
- About one-third of establishments survive 10 years or longer.

Although timely data is not available on firm survival rates, about two out of three establishment (business location) exits are firm closures.

Source: BED, BDS; Office of Advocacy calculations

### 7. How many businesses open and close each year?

In 2016, there were about 433,000 startups (firms less than one year old) and 400,000 firm closures (Table 1). The share of

**Table 1. Employer Firm Startups and Closures (BDS)**

	Startups	Closures
2008	487,673	470,550
2009	406,321	486,491
2010	385,358	416,642
2011	398,364	403,838
2012	408,591	362,398
2013	404,475	367,419
2014	403,902	391,553
2015	414,043	395,602
2016	433,192	399,923

**Table 2. Business Owner Demographics, 2012 (SBO)**

Demographic Category of Owner(s)	Number of Firms	Share of Firms (%)*	Firms w Paid Employees		Nonemployers
			Number of Firms	Receipts Per Firm (\$M)	Receipts Per Firm (\$K)
All firms	27,626,360		5,424,458	6.0	47
All classifiable firms	27,179,380	100.0	5,136,203	2.1	45
Minority	7,952,386	29.3	908,800	1.3	31
American Indian and Alaska Native	272,919	1.0	26,179	1.2	29
Asian	1,917,902	7.1	481,026	1.3	50
Black or African American	2,584,403	9.5	109,137	0.9	19
Hispanic	3,305,873	12.2	287,501	1.3	31
Native Hawaiian and Other Pacific Islander	54,749	0.2	4,706	1.4	33
Female	9,878,397	36.3	1,035,655	1.1	26
Equally Male/Female	2,456,386	9.0	764,977	1.3	70
Veteran	2,521,682	9.3	442,485	2.4	44
Publicly held and other unclassifiable firms	446,980		288,255	74.7	265
* Share of all classifiable firms					

businesses that were startups has hovered around 8% since 2010 (Figure 4).

Source: BDS

### 8. How many businesses do minorities own?

In 2012, 8 million businesses were minority-owned, or 29.3% of U.S. firms. Of these, 12% were Hispanic-owned, 10% were Black- or African American-owned, 7% were Asian-owned, 1% were owned by American Indians and Alaska Natives, and 0.2% were owned by Native Hawaiians and other Pacific Islanders (Table 2).

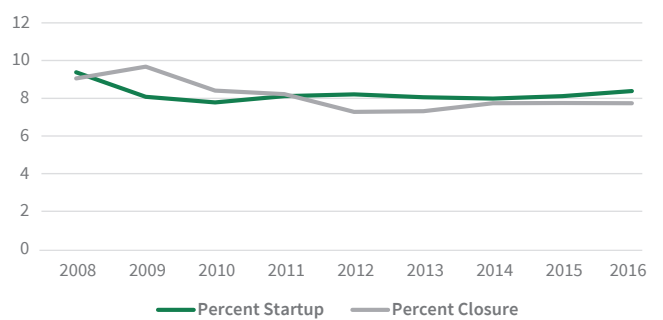
Source: SBO

### 9. How many businesses do women own?

In 2012, there were 9.9 million women-owned firms, and 2.5 million firms owned equally by men and women (Table 2). This means that 12.3 million firms, or 45% of all classifiable firms, were at least 50% women-owned.

Source: SBO, "Women's Business Ownership: Data from the 2012 Survey of Business Owners," 2017. <https://advocacy.sba.gov/2017/05/31/womens-business-ownership-data-from-the-2012-survey-of-business-owner/>

**Figure 4. Percent of Firms That Started Up and Closed Each Year (BDS)**



## 10. How many businesses do veterans own?

In 2012, veterans owned 2.5 million businesses, or 9.3% of U.S. firms. About one-fifth of these firms, or 440,000, had paid employees (Table 2).

Source: SBO, “Veteran-Owned Businesses and Their Owners,” 2017. <https://advocacy.sba.gov/2017/04/04/veteran-owned-businesses-and-their-owners-data-from-the-u-s-census-bureaus-survey-of-business-owners/>

## 11. What percent of entrepreneurs are immigrants? In which industries are immigrant-owned firms more common?

In 2012, about one-seventh, or 14.4%, of business owners were immigrants. The industries with the greatest share of immigrant owners were accommodation and food services (29.1% of owners were foreign-born), and transportation and warehousing (27.5%).

Source: SBO

## 12. Is millennial entrepreneurship increasing?

Office of Advocacy research shows that in 2014, millennials were less likely to be self-employed than older individuals. This research also shows that the rate of self-employment among individuals age 15 to 34 has been gradually declining since 1990.

Source: “The Missing Millennial Entrepreneurs,” February 2016. <https://advocacy.sba.gov/2016/02/04/the-missing-millennial-entrepreneurs/>

## 13. What percent of firms are family-owned? How does this compare to the percent of equally-owned firms?

About one in five firms (19.3%) are family owned. Of these family-owned firms, about half are “equally owned,” that is, 50% owned by one or more men, and 50% owned by one or more women. Hence, about one in 10 firms is both family-owned and equally-owned. The industries with the highest share of family-owned firms are management of companies and enterprises (46.4% of firms in this industry are family-owned), real estate and rental and leasing (37.3%), and accommodation and food services (33.2%).

The industries with the highest share of equally-owned firms are real estate and rental and leasing (18.6% of firms in this industry are equally-owned); mining, quarrying, and oil and gas extraction (16.9%); and accommodation and food services (16.9%).

Source: SBO

## 14. How are most small businesses legally organized?

The majority of nonemployer establishments are sole proprietorships (86.6%), while only 13.8% of establishments at small employer firms are sole proprietorships. Nearly half of the establishments at small employer firms are S-corporations. Table 3 shows details.

Source: SUSB, NES

## 15. What percent of firms are home-based?

A home-based business is operated primarily out of one’s home, but business activities may take place at other

locations as well. The share of businesses that are home-based has remained relatively constant over the past decade, at about 50% of all firms. More specifically, 60.1% of all firms without paid employees are home-based, as are 23.3% of small employer firms and 0.3% of large employer firms. The industries in which businesses are most likely to be home-based are information (70.0%), construction (68.2%), and professional, scientific, and technical services (65.3%).

Source: SBO

## 16. What percent of firms are franchises?

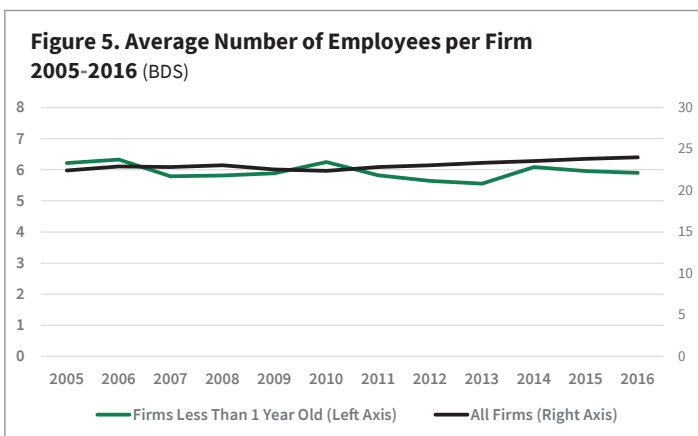
Overall, 2.9% of firms are franchises. More specifically, 2.3% of nonemployer firms are franchises, as are 5.3% of small employers and 9.6% of large employers.

Source: SBO

## 17. What is the status of business startups?

The size of startups has fluctuated over the past decade. In 2016, startup employment averaged 5.9 employees per firm. Average employment at firms of all ages has increased slightly during this period, from 22.4 employees per firm in 2005 to 24 employees per firm in 2016 (Figure 5).

Source: BDS



**Table 3. Legal Form of Organization, 2016**  
(percent of all establishments, SUSB & NES)

Type of Business	Non-employer	Small Employer	Large Employer
Sole Proprietorship	86.6	13.8	1.2
Partnership	7.4	11.9	9.0
S-corporation	4.5	48.9	8.0
C-corporation & other	1.5	25.4	81.8
Corporation		17.4	74.9
Government		0.0	0.1
Nonprofit		7.8	6.1
Other		0.2	0.7
Total	100.0	100.0	100.0

### 18. How are small businesses financed?

The most common source of capital to finance business expansion is personal and family savings (21.9% of small firms), followed by business profits and assets (5.7%), business loans from financial institutions (4.5%), and business credit cards from banks (3.3%).

Source: SBO

### 19. What is the small business share of federal procurement?

In fiscal year 2018, 25.1% of contracting dollars went to small business, up from 23.9% in FY 2017 and 24.3% in FY 2016. Of agencies with at least \$1 billion in eligible contract dollars, the ones that awarded the highest share of contracting dollars to small businesses were the Departments of Agriculture (63.12%), Interior (58.02%), and Commerce (45.89%).

Source: Small Business Dashboard, <https://smallbusiness.data.gov>.

### 20. How many small businesses are in high-tech industries?

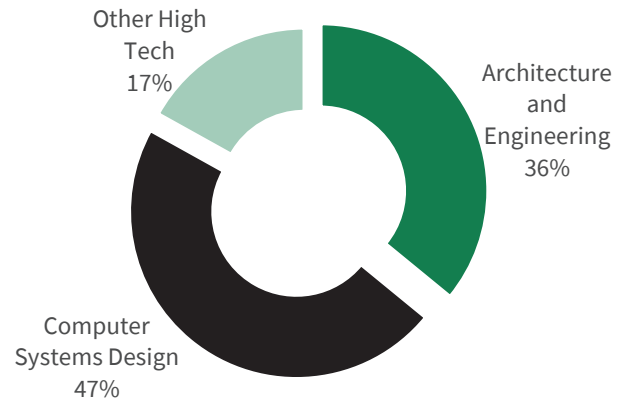
In 2016, there were 254,623 small employer firms in high-tech industries, representing 98.5% of all employer firms in these industries. The majority of these small firms provide services in either computer systems design or architecture and engineering (Figure 6). Among small firms, the industries with the highest growth from 2014 to 2016 were software publishers and pharmaceutical and medicine manufacturing (Table 4).

Note: This publication uses the Level I high-tech industries listed in BLS's 2005 analysis, with the exception of 5161 and 5181, as no corresponding NAICS codes were available for 2012 or 2015 data. For more information, see [www.bls.gov/opub/mlr/2005/07/art6full.pdf](http://www.bls.gov/opub/mlr/2005/07/art6full.pdf).

**Table 4. Percent Change in the Number of High-Tech Firms by Industry, 2014-2016**

NAICS Code	Industry Name	Small Firms	Large Firms
5112	Software publishing	15.1	12.0
3254	Pharmaceutical and medicine mfg	8.6	0.6
5417	Scientific research and development	5.6	-3.0
5415	Computer systems design	3.7	8.0
3364	Aerospace product and parts mfg	1.5	3.7
5182	Data processing and hosting	1.1	-2.2
5413	Architecture and engineering	0.6	0.1
3342	Communications equipment mfg	-2.4	-12.6
3345	Navigational, measuring, electro-medical, control instruments mfg	-2.5	-3.3
3344	Semiconductor, etc. mfg	-3.2	-4.9
3341	Computer and peripheral mfg	-8.0	0.0

**Figure 6. Small Firms in High-Tech Industries (SUSB)**



#### Data Sources

- BED Business Employment Dynamics, Bureau of Labor Statistics, US Dept of Labor, [www.bls.gov/bdm](http://www.bls.gov/bdm)
- BDS Business Dynamics Statistics, US Census Bureau, US Dept of Commerce, [www.census.gov/ces/dataproducts/bds](http://www.census.gov/ces/dataproducts/bds)
- ITA International Trade Administration, US Dept of Commerce, [www.trade.gov](http://www.trade.gov)
- NES Nonemployer Statistics, US Census Bureau, US Dept of Commerce, [www.census.gov/programs-surveys/nonemployer-statistics.html](http://www.census.gov/programs-surveys/nonemployer-statistics.html)
- SBO Survey of Business Owners, US Census Bureau, US Dept of Commerce, [www.census.gov/programs-surveys/sbo.html](http://www.census.gov/programs-surveys/sbo.html)
- SUSB Statistics of US Businesses, US Census Bureau, US Dept of Commerce, [www.census.gov/programs-surveys/susb.html](http://www.census.gov/programs-surveys/susb.html)

#### The Office of Advocacy and Small Business Data

The SBA's Office of Advocacy was created by Congress in 1976. The office's mission includes conducting policy studies and economic research on issues of concern to small businesses. The office also publishes data on small firm characteristics and contributions. Our website, <https://advocacy.sba.gov>, contains numerous databases and links to other sources. Have more questions? Email us at [advocacy@sba.gov](mailto:advocacy@sba.gov).

