

Annual Report of the Office of Economic Research, FY 2021

U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY



Contents

Contents 1

Introduction 2

Advocacy Research Reports by Topic, FY 2021 4

 Business Dynamics..... 4

 Business Demographics..... 4

 Employment..... 6

 International Trade 7

 Finance 7

 General Small Business..... 8

 Regulation and Technology..... 9

Small Business Economic Research Forums..... 11

Data Access..... 12

 Small Business Data Resources..... 12

 Small Business Economic Data 12

 Statistics of U.S. Businesses 13

 Business Dynamics Statistics..... 13

 Business Employment Dynamics 13

 Nonemployer Statistics 13

 Nonemployer Statistics by Demographics (NES-D)..... 14

 Annual Business Survey 14

 Call Report and Community Reinvestment Act Data..... 14

 Other Small Business Data Sources 15

Introduction

Established by Congress in 1976, the Office of Advocacy (Advocacy) of the U.S. Small Business Administration is an independent voice for small business within the federal government. When founded, Advocacy was charged to “examine the role of small business within the American economy and the contribution which small business can make in improving competition, encouraging economic and social mobility ... and providing an avenue through which new and untested products and services can be brought to the marketplace.”¹ This special mandate continues to be carried out by Advocacy’s Office of Economic Research (OER), especially important in fiscal year (FY) 2021.

In FY 2021, as the economy continued to deal with the uneven impacts of the pandemic, small businesses were at the forefront of economic recovery and job creation, while facing headwinds from supply chain obstacles and hiring challenges. OER responded to the need for new, relevant, and timely small business research by producing products on the following key topics:

- Business Dynamics
- Business Demographics
- Employment
- International Trade
- Finance
- General Small Business
- Regulation & Technology

Within these topics, OER highlighted the pandemic’s impact on small businesses related to diverse businesses, access to funding, and geographic effects. OER’s work included a pivotal issue brief on pandemic impacts on small businesses using the first sets of data available covering the period. OER evaluated the factors impeding growth among small businesses in fact sheets and economic bulletins, and released economic studies on veteran entrepreneurship, international trade, and small business lending. In FY21, OER revamped our small business profile series for states, territories, and congressional districts to include new graphics and data covering business dynamics, demographics, and small business lending. Additionally, OER produced a new timely small business lending report focused on the initial period of the pandemic covering trends in lending by lender and loan type. Further, OER staffers gave several economic presentations throughout the year at virtual events and conferences held by organizations such as the Kauffman Foundation and the National Association for Business Economics.

Advocacy continues to partner with the U.S. Census Bureau to collect and disseminate important small business data. OER continued to partially fund the new Nonemployer Statistics by Demographics (NES-D) data series from the Census Bureau, an effort that began

¹ Public Law 94-305, 1976.

in FY 2018, which had its inaugural data release in December 2020. NES-D provides annual estimates of the number and receipts of nonemployer business owners by race, ethnicity, sex, and veteran status. Going forward, it will be an important component of providing timely business owner demographic statistics on minority-owned, women-owned, and veteran-owned businesses.

This report summarizes OER's research publications in FY 2021, as well as presentations made at its Small Business Economic Research Forum, a speaker series to discuss small business research. This report also provides an updated overview of the main publicly available economic datasets on small businesses from federal sources. OER's publications incorporate reproducibility principles and data visualization tools to interpret complex information and analysis while supporting transparency.

To access OER's 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)
- [Data on Small Business](#) (links to public economic datasets on small businesses)

Advocacy Research Reports by Topic, FY 2021

The Office of Economic Research produced 23 publications for FY 2021, which are presented by topic and release date.

Business Dynamics

Small Business Facts – Supply Squeeze: Small Business Commodity Challenges

Author: Daniel Brown

Released: August 2021

Description: As the COVID-19 pandemic evolves, small businesses are struggling to obtain the goods they need to operate, impacting their recovery. 37.2% of small businesses reported having domestic supplier delays in the second week of June 2021. Increases in commodity costs are a growing concern. Going forward, small businesses and their advocates will need to carefully monitor changes in commodity prices.

Small Business Facts: Pandemic Pressures City Businesses

Author: Daniel Wilmoth

Released: November 2020

Description: The COVID-19 pandemic has disproportionately impacted metropolitan areas. These areas have seen a higher rate of small business closures than non-metropolitan areas. Additionally, the New York City metropolitan area has reopened faster than the national rate.

Business Demographics

Small Business Facts: The Importance of Business Ownership to Wealth

Author: Brian Headd

Released: August 2021

Description: On average, the self-employed are wealthier than the non-self-employed and are significantly wealthier than workers and retirees. According to 2019 data from the Federal Reserve, business ownership is an important source of family wealth, representing 34% of non-financial assets. Business equity as a share of nonfinancial assets differs for demographic groups. For non-Hispanic White families, business equity makes up about one out of every three dollars of non-financial assets, whereas for non-Hispanic Black or Hispanic families, business equity makes up about one out of every eight dollars of nonfinancial assets.

Millennial Veteran Entrepreneurship: Research on the Next Generation of Veteran Entrepreneurs

Author: Sidra Montgomery, Zoe Jacobson, Breanna Wakar, and Scott Cody, Insight Policy Research.

Released: June 2021

Description: Historically, veterans have been more entrepreneurial than non-veterans. However, millennial veterans participate in entrepreneurship at a lower rate than millennial non-veterans. Important demographic differences exist between entrepreneurial millennial veterans and older veterans. This study examines how millennial veteran entrepreneurs differ from their non-veteran peers and veterans of previous generations, finding that millennial veterans tend to be more diverse. Additionally, a larger share of millennial veterans are women. The analysis suggests that policymakers should address the gap in entrepreneurship for millennial veterans and tailor support to account for their changing demographics.

Small Business Facts: Paths to Business Ownership

Author: Brian Headd

Released: March 2021

Description: About two-thirds of business owners start their business from scratch, while less than a quarter of owners purchased the business they own. The starting method for small businesses tends to be relatively stable over time but differs based on owner demographics.

Small Business Facts: Business Ownership Demographics

Author: Brian Headd

Released: March 2021

Description: Business ownership is diverse, but women, African Americans, and Hispanics tend to own more non-employer firms and fewer employer firms. Additionally, younger owners tend to own non-employer firms. With the Census Bureau's new data series, Non-Employer Statistics by Demographics (partially funded by the Office of Advocacy) and their Annual Business Survey, business owner demographics can be analyzed comprehensively for small businesses with and without employees. In 2017, the latest reference year of business owner demographic data, there were 11.7 million women-owned businesses and 9.2 million minority-owned businesses in the U.S.

Small Business Facts: Equally Male/Female-Owned Employer Businesses

Author: Victoria Williams

Released: September 2021

Description: Equally-owned businesses, which are businesses half owned by men and half owned by women, totaled 860,754 employers in 2018. These

businesses employed 7,970,121 workers, generated \$1.3 trillion in annual sales receipts, and paid \$280 billion in annual payroll.

Facts About Small Businesses: Women-Owned Businesses

Author: Victoria Williams

Released: August 2021

Description: There were roughly 12 million women-owned businesses in 2017, with \$388.1 billion in payroll and 10.1 million employees. However, women remain underrepresented in small business ownership.

Employment

2021 Small Business Profiles for The States, the District of Columbia, and the U.S.

Author: Daniel Wilmoth

Released: August 2021

Description: Advocacy's annual State Profiles provide a snapshot of each state's small businesses. The profiles gather the latest federal economic data into state-by-state snapshots of small business health and economic activity. This year's profiles focus on state small business dynamics and employment. Traditional small business datasets still predate the effects of the COVID-19 pandemic. The publication contains the 50 individual state profiles, plus profiles for the United States and District of Columbia.

The Effects of the COVID-19 Pandemic on Small Businesses

Author: Daniel Wilmoth

Released: March 2021

Description: In March 2020, the COVID-19 pandemic hit the United States, causing illness, death, and widespread economic devastation. This new issue brief examines the effects of COVID-19 on small businesses using the first sets of available economic data. The economic impact of the pandemic varied from place to place, with metropolitan and coastal areas hardest hit. Additionally, some industries suffered more than others, with the largest declines in restaurant and taxi and limousine services. Disproportionate metropolitan impacts contributed to differences across demographic categories, with Black and Asian business owners suffering the most.

International Trade

Contributions of Small Business Indirect Exports to U.S. International Trade

Author: Kathryn Kobe, Economic Consulting Services, LLC.

Released: November 2020

Description: When using traditional measurements, small business exports represent about one third of total U.S. export value. However, these measures fail to consider the value small businesses add to exports sold by large businesses. Using a value-added measurement approach developed by the U.S. International Trade Commission (USITC), *Contributions of Small Business Indirect Exports to U.S. International Trade* estimates the contributions small businesses make through indirect exports. The report finds that, once intermediate inputs to finished goods are included in small businesses' export numbers, their share of U.S. exports rises to about 40%.

Finance

Effects Of Small Loans on Bank and Small Business Growth

Author: Emrehan Aktug, Devrim Ikizler, and Timur Hulagu; Intelligent Analytics & Modeling

Released: March 2021

Description: Since 1980, the number of commercial banks has dropped from 14,400 to 4,600. Given the decrease in commercial banking options, it is important to understand the long-term trends of banking industry dynamics by size of bank, as well as the impact of small business lending on bank growth and small business success. This report finds a decline in bank dynamism with falling new bank entry rates and increasing exit rates for small banks. Additionally, the authors found that small business loans are positively associated with the growth of small banks and small business success.

Do Banks Lend Where They Borrow? A Study on Local Small Business Lending in the U.S.

Author: Rebel Cole and Jason Damm, Krahenbuhl Global Consulting

Released: December 2020

Description: Lending to businesses in counties where a bank has no branches is highly sensitive to economic conditions. During the 2007 recession, distant lending contracted far more sharply than local lending, leaving the share of loans made at a distance lower than it had been at the beginning of the century. This study suggests that the presence of local bank branches might help small businesses weather economic downturns.

Change in Small Business Loans Outstanding During the COVID-19 Pandemic

Author: George Haynes and Victoria Williams

Released: December 2020

Description: The Paycheck Protection Program and Economic Injury Disaster Loan program had significant impacts on the small business lending market. The value of outstanding loans of less than \$1 million (considered to be small business loans) jumped 39% between December 2019 and June 2020. This report examines that lending activity, finding that lenders with assets between \$1 billion and \$10 billion distributed 62% more funding than expected, while lenders with assets over \$50 billion, the largest category, distributed 31% less funding than expected.

General Small Business

Small Business Economic Bulletin

Author: Brian Headd and Victoria Williams

Released: May 2021

Description: The Office of Advocacy's bi-annual Economic Bulletin examines new data on how small businesses have fared during the COVID-19 pandemic. The pandemic caused an economic shock, which led to business closures and job losses. However, there are signs of recovery in proprietor income and job growth.

Annual Report of The Office of Economic Research, FY 2019

Author: Office of Economic Research

Released: January 2021

Description: The Office of Economic Research spent FY 2019 providing timely and relevant research products, analyzing proposed regulations for small business impacts, and promoting and presenting its research and statistics to small business stakeholders.

The Pulse of Small Business: An Industry Breakdown

Author: Daniel Brown

Released: December 2020

Description: The COVID-19 pandemic has disproportionately impacted businesses that typically require more person-to-person contact. This fact sheet shows that recovery rates and changes in the operating capacity of small businesses since the start of the pandemic have varied by industry.

Small Business Economic Bulletin

Author: Brian Headd and Victoria Williams

Released: December 2020

Description: Prior to the COVID-19 pandemic, small firms were still slowly recovering from the Great Recession. Now, in the middle of the pandemic, self-employment levels have held steady, but proprietors' income changes have been choppy and a lack of current data on business closures makes their true status unknown.

Frequently Asked Questions About Small Business, 2020

Author: Office of Economic Research

Released: October 2020

Description: This publication gathers the most up-to-date statistics about American small businesses in one place. Updated annually, the FAQ is a convenient place to find facts about the total number of small businesses, their share of employment and net new jobs, and their overall contribution to the U.S. economy.

What's New with Small Business?

Author: Office of Economic Research

Released: October 2020

Description: A companion piece to Advocacy's FAQ about small businesses, the "What's New with Small Business" infographic highlights a dozen of the most important small business statistics.

Regulation and Technology

Report on the Regulatory Flexibility Act FY2020

Author: Office of Advocacy, Economic Research

Released: July 2021

Description: Advocacy's annual Report on the Regulatory Flexibility Act summarizes federal agencies' compliance with considering small businesses in their rulemakings in FY 2020. 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 2020 through Advocacy's efforts.

RFA Data Resources for Federal Agencies

Author: Elisabeth Newcomb

Released: June 2021

Description: The RFA data resources guide provides quick information and tips on conducting Regulatory Flexibility Act analyses for federal agencies including how small businesses are defined and where to access data for estimating the number of small businesses by industry. The resources guide has been updated to reflect the most current economic data on small businesses and includes a new dataset for data on receipts size standards.

Small Business Facts: Science/High-Tech Workers and Small Firms

Author: Brian Headd

Released: March 2021

Description: This fact sheet shows that in 2018, 37% of high-tech workers worked for small businesses. According to the Census Bureau's data series, [Innovation Measurement Initiative](#), the bulk of STEM-related researchers working on funded research at universities go into the private sector after completing their research, and a significant share go on to work at small businesses.

Small Business Economic Research Forums

The Office of Economic Research continued its Small Business Economic Research Forum (SBERF) series in FY21, holding two virtual SBERFs throughout the year. These forums keep Advocacy staff informed on relevant developing economic topics and issues affecting the small business community.

Advocacy as a Steppingstone for an Economist: You Can Come Home Again ... for a Visit

Speakers: Lindsay Abate and Michael McManus, Policy Analysts, Office of Information & Regulatory Affairs, Office of Management & Budget

Date: March 31, 2021

Description: Former Office of Advocacy economists Lindsay Abate and Michael McManus revisited Advocacy to discuss their experiences after the office. Abate and McManus shared experiences that helped them develop their careers in economics and government and exchanged ideas on how best to conduct important small business economic research needed for policymaking.

Back to the Advocacy Voices of the Past

Speakers: Chad Moutray, Chief Economist, National Association of Manufacturers; and Bruce Phillips, Independent contractor

Date: November 18, 2020

Description: The Office of Advocacy's Office of Economic Research continually evaluates how to further show the status and role of small business in the economy. This forum illustrated the development of the office since its foundation. Former Advocacy economic directors Chad Moutray and Bruce Phillips discussed their almost 30 years of combined SBA experience in running Advocacy's Office of Economic Research. The discussion highlighted their experience in building small business economic research and the office in general into what it is today. They also shared ideas on how Advocacy can move forward to continue to support the growing field of small business economic research and small business data development.

Data Access

The Office of Advocacy provides links to the latest downloadable data on small businesses from federal sources on its [Data on Small Business](#) webpage. The data covers small businesses, those with employees (employer firms) and those without employees (non-employer firms). Non-employer firms make up the bulk of small businesses, but employer firms contain the larger share of sales. For comparison purposes, statistics are also provided for large firms in the datasets. The employer data contains information for large firms. For research purposes, Advocacy defines a small business as an independent business having fewer than 500 employees.

In addition, banking data on small businesses is assembled in Advocacy's [small lending report series](#). While the employment size of a firm is used to define a small business, the banking data uses loan size of \$1 million or less to define small business.

The data are provided in a user-friendly format that allows researchers, policymakers, small business trade associations, small businesses, and the media to obtain the data needed to investigate the role and status of small firms in the economy.

Small Business Data Resources

Advocacy offers the small business community a list of hyperlinked [Small Business Data Resources](#) useful for researchers and policymakers. This invaluable research tool links to the main small business databases from federal agencies and the private sector. Data series cover a range of key topics such as demographics, employment, exports, finance, firm size data, income, geography, and industry.

Small Business Economic Data

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. BDS and BED also provide data on age of business. 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 Business Survey (ABS) conducted by the Census Bureau. The ABS replaces the Annual Survey of Entrepreneurs (ASE), and the Census Bureau's Survey of Business Owners (SBO). Owner demographic data of nonemployer firms is now available in Census Bureau's Nonemployer Statistics by Demographics

Statistics of U.S. Businesses

Advocacy partially funds the Statistics of U.S. Businesses (SUSB) program, an employer firm size annual 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.

Industry information is available at the NAICS 6-digit level, providing data 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.

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. The data series 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 a considerable amount 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. Nonemployer businesses can have more than one owner, and referring to nonemployers as self-employed (a class of worker) is not entirely accurate.

Nonemployer Statistics by Demographics (NES-D)

The Office of Advocacy partially funds the Census Bureau's Nonemployer Statistics by Demographics (NES-D); a relatively new data program providing annual estimates of the number and receipts of nonemployer business owners by race, ethnicity, sex, and veteran status.

The NES-D dataset spotlights the owners of nonemployers, which are businesses without employees. The data set illustrates how different groups fare in an important type of entrepreneurship. This annually released data is an important benchmark for tracking impacts of the COVID-19 pandemic on differing owner demographics. Tables for the NES-D data program are available for owner characteristics, sales size of firm, and legal form of organization. Additionally, the NES-D data series offers both industry detail and state and metro area breakdowns.

Annual Business Survey

The Annual Business Survey (ABS) is conducted by the U.S. Census Bureau and the National Science Foundation's National Center for Science and Engineering Statistics. The ABS provides annual data on select economic and demographic characteristics of employer businesses. The ABS replaced the Annual Survey of Entrepreneurs (ASE). The ABS provides information similar to the ASE on demographic characteristics for employer businesses and their owners. Data covers all nonfarm employer businesses for the number of businesses, receipts, annual payroll, and employment by sex, 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. ABS data versions reference the prior year.

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, the definition of a small business differs since it is defined by loan size as opposed 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](#)), Small Business Pulse Survey ([SBPS](#)), 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 United States. The 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 Census Bureau's SBPS is a timely, weekly survey on economic conditions of small businesses. The 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.