



FREQUENTLY ASKED QUESTIONS

About Small Business

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 www.sba.gov/content/small-business-size-standards.

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

In 2014, there were 29.6 million small businesses.*

- Eighty percent, or 23.8 million, had no employees (termed “nonemployers”)
- Twenty percent, or 5.8 million, had paid employees
- There were 19,000 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 23.8 million in 2014. (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 firms with paid employees
- 97.6% of exporting firms (287,835 small exporters)
- 32.9% of known export value (\$440 billion out of \$1.3 trillion)
- 47.8% of private sector employees (58 million out of 121 million employees)
- 41.1% of private-sector payroll

Source: SUSB, NES (2014), ITA (2015)

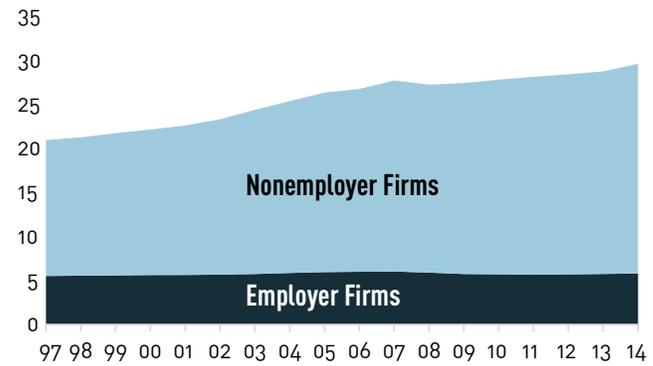
4. What is the small business percent of net new jobs?

Small businesses accounted for 61.8% of net new jobs from the first quarter of 1993 until the third quarter of 2016. Figure 2 shows details from 1993 to 2016. The small business share of net job change was strongly positive for most of this 24-year time span, except during two recessionary periods.

Source: BED

*The number of small businesses reflects data collected in 2014 and released in 2016. In general, the data contained in Frequently Asked Questions About Small Business are the most recent statistics available from government sources.

Figure 1: Number of small businesses in millions (SUSB, NES)



5. How can small businesses generate three-fifths 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 job gains; but if they pass the 500-employee mark, their employment is classified as large firm employment.

6. What is the new business survival rate?

79.9% of establishments started in 2015 survived until 2016, the highest share since 2006. From 2005 to 2015, an average of 78.5% of new establishments survived one year.

- About half of all establishments survive five years or longer. In the past decade, this ranged from a

Figure 2. Net new jobs, 1993-2016* (millions; BED, Office of Advocacy)

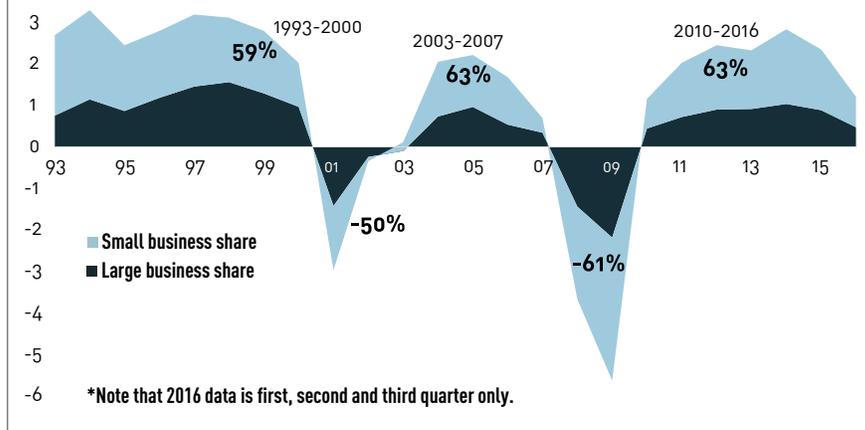


Table 1. Employer Firm Startups and Closures (BDS)

| | 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 |

low of 45.4% for establishments started in 2006, and a high of 51.0% for those started in 2011.

- About one-third of establishments survive 10 years or longer.

Although data is not available on firm survival rates, other data sources suggest that about two out of three establishment exits are the result of firm closures.

Source: BED, BDS; Office of Advocacy calculations

7. How many businesses open and close each year?

In 2014, there were about 404,000 startups (firms less than one year old) and 392,000 firm closures (Table 1). The share of businesses that were startups has hovered around 8% since 2010 (Figure 3).

Source: BDS

8. 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.

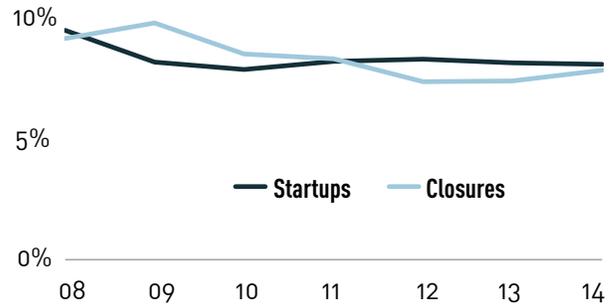
Source: SBO, "Women's Business Ownership: Data from the 2012 Survey of Business Owners," 2017. www.sba.gov/sites/default/files/advocacy/Womens-Business-Ownership-in-the-US.pdf

Table 2. Business Owner Demographics, 2012 (SBO)

| Demographic Category of Owner(s) | Number of firms | Share of firms (%)* | Firms with 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

Figure 3. Percent of firms that started up and closed each year (BDS)



9. 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

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. www.sba.gov/advocacy/veteran-owned-businesses-and-their-owners.

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

About one-seventh, or 14.4%, of business owners are 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?

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. www.sba.gov/sites/default/files/advocacy/Millennial_IB.pdf

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 (86.4%), while only 14.4% 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, but in 2014 average employment reached a four-year high of 6.1 employees. Average employment at firms of all ages has increased slightly during this period, from 22.4 employees per firm in 2005 to 23.5 employees per firm in 2014 (Figure 4).

Source: BDS

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. For more information, see "Frequently Asked Questions about Small Business Finance," www.sba.gov/sites/default/files/Finance-FAQ-2016_WEB.pdf.

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

In fiscal year 2016, 24.3% of contracting dollars went to small businesses, down from 25.8% in FY 2015 and 25.1% in FY 2014. 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 the Interior (59.8%), Agriculture (56.3%) and Transportation (52.0%).

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

Table 3. Legal Form of Organization (SUSB & NES, 2014)

| Type of business | Non-employer | Small employer | Large employer |
|-------------------------------------|--------------|----------------|----------------|
| Sole proprietorship | 86.4 | 14.4 | 1.0 |
| Partnership | 7.4 | 11.6 | 8.8 |
| S-corporation | 4.7 | 47.3 | 7.7 |
| C-corporation and other Corporation | 1.6 | 26.6 | 82.5 |
| Government | - | 18.5 | 75.9 |
| Nonprofit | - | 0.0 | 0.1 |
| Other | - | 7.9 | 5.8 |
| | - | 0.2 | 0.6 |

Figure 4. Average number of employees per firm, 2005-2014 (BDS)



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

In 2014, there were 248,122 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 5). Among small firms, the industries with the highest growth from 2012 to 2014 were software publishers and computer systems design services (Table 4).

Note: This publication uses the Level I high-tech industries listed in Hecker's 2005 analysis, with the exception of 5161 and 5181, as no corresponding NAICS codes were available for 2012 or 2014 data. For the definition of high-tech industries, see www.bls.gov/opub/mlr/2005/07/art6full.pdf.

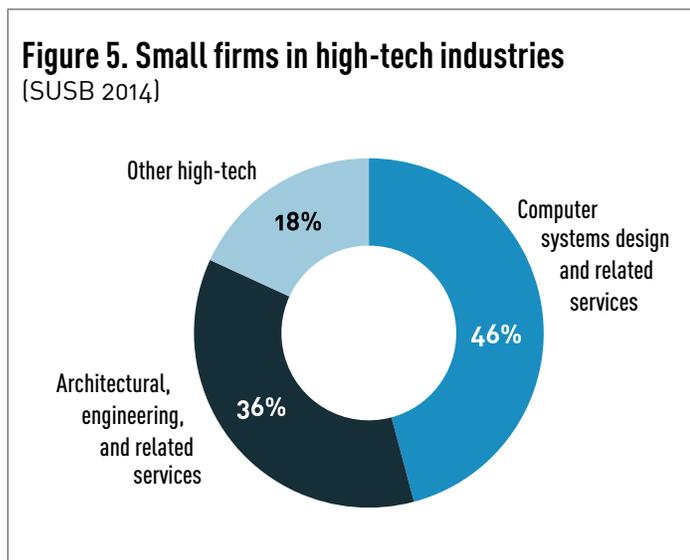


Table 4. Percent change in number of high-tech firms by industry, 2012-2014 (SUSB)

| NAICS code | Industry name | Small firms | Large firms |
|------------|--|-------------|-------------|
| 5112 | Software publishers | 9.8 | 12.6 |
| 5415 | Computer systems design | 3.3 | 1.4 |
| 3254 | Pharmaceutical and medicine mfg | 3.0 | 5.1 |
| 5417 | Scientific research and dev't | 2.6 | 1.8 |
| 3341 | Computer and peripheral mfg | 2.1 | -17.9 |
| 3364 | Aerospace product and parts mfg | 1.0 | 0.0 |
| 5413 | Architecture and engineering | -0.4 | 2.8 |
| 5182 | Data processing and hosting | -0.9 | 4.6 |
| 3345 | Navigational, measuring, electro-medical, and control instr. mfg | -2.3 | 0.4 |
| 3344 | Semiconductor, etc., mfg | -5.7 | -6.6 |
| 3342 | Communications equipment mfg | -5.9 | -3.7 |

21. How are small businesses represented in high-patenting industries?

Small businesses represent about 95.9% of employer firms in high-patenting manufacturing industries, a percentage that remained constant from 2012 to 2014. During the same time period, small businesses' share of employment, payroll, and receipts decreased slightly (Table 5).

Source: SUSB

Table 5. Small business percent of high-patenting manufacturing industries, 2012-2014 (SUSB)

| | Firms | Establishments | Employment | Payroll |
|----------|-------|----------------|------------|---------|
| 2012 | 95.9 | 89.0 | 42.0 | 36.0 |
| 2014 | 95.9 | 88.7 | 41.8 | 35.0 |
| Increase | 0.0 | -0.3 | -0.2 | -1.0 |

Data Sources

- BED Business Employment Dynamics, Bureau of Labor Statistics, US Department of Labor, www.bls.gov/bdm
- BDS Business Dynamics Statistics, US Census Bureau, US Department of Commerce, www.census.gov/ces/dataproducts/bds
- ITA International Trade Administration, US Department of Commerce, www.trade.gov/
- NES Nonemployer Statistics, US Census Bureau, US Department of Commerce, www.census.gov/econ/nonemployer
- SBO Survey of Business Owners, US Census Bureau, US Department of Commerce, www.census.gov/programs-surveys/sbo.html
- SUSB Statistics of US Businesses, US Census Bureau, US Department of Commerce, 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, www.sba.gov/advocacy, contains numerous databases and links to other sources. Have more questions? Email us at advocacy@sba.gov.

