# Small Business GDP: Update 2002-2010

by

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*The statements, findings, conclusions, and recommendations found in this study are those of the authors and do not necessarily reflect the views of the Office of Advocacy, the United States Small Business Administration, or the United States government.*

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# Executive Summary

Despite producing a somewhat smaller share of the overall GDP than it did a decade ago, small businesses continue to be incubators for innovation and employment growth during the current recovery. Small businesses produced 46 percent of the private nonfarm gross domestic product (GDP) in 2008 (the most recent year for which the source data are available to make these estimates).[1] That is down from the 48 percent share of GDP produced by small businesses in 2002. Preliminary information indicates that the weak business conditions through early 2009 affected small businesses about as much as large businesses resulting in only a minor change to the shares.[2] However, starting in late 2009 and early 2010, small businesses appear to have been more negatively affected by business conditions than large businesses. Corporate profits recovered more quickly than non-corporate profits in 2010. Since a larger share of corporations are large businesses, that likely resulted in a further weakening of the small business share of GDP.[3]

The net job gains of small businesses matched those of large businesses during the last half of 2010 and the gross job gains of small businesses outpaced those of large businesses by about 3 to 1, including virtually all the job gains from new businesses. While extremely important to the process of restructuring the economy to meet new challenges, this entrepreneurial edge is also quite volatile, resulting in many businesses

[1] For purposes of this paper small businesses are firms that employ fewer than 500 people.
[2] The 2009 payroll shares can be calculated from the Census Bureau's *Statistics of U.S. Businesses* but the IRS data needed to calculate the business size share of GDP are not yet available for 2009.
[3] Analyzing corporate and non-corporate data is only a proxy for determining business size allocations because there are businesses of both sizes that use each type of organizational form. However, Census Bureau data show that large businesses make up about 69 percent of corporate employment and 76 percent of corporate receipts, while small businesses make up 73 percent of non-corporate employment and 77 percent of non-corporate receipts. (See Table 2) For this reason, looking at the differences between corporate and non-corporate profits provides a proxy for business size breakdowns.

failing. Accordingly, the net job gains of small businesses about matched those of large businesses.

Looking at longer term trends in the economy, the small business share of many of the industry sectors has been slowly declining. For example, the small business share of the trade sector has declined from over 50 percent in 1998 to about 44 percent by 2008. The professional and technical services sector has gone from about 70 percent small business in 1998 to roughly 60 percent in 2008. About 56 percent of the health services sector output was produced by small businesses in 1998 compared to about 52 percent by the end of the decade. Yet at the same time, some of the sectors with relatively large numbers of small businesses are becoming a larger share of the economy. For example, the total market share for health care and social services is now almost 9 percent of the U.S. economy compared with 7.2 percent in 1998. Therefore, despite the fact that the small business share of the health services output has declined somewhat, that decline has been partially offset by the growth in that industry relative to other industry sectors. Unfortunately, the construction sector is an example of both factors working towards reducing the share of small businesses in the economy. First, the small business share of the construction industry has declined from about 88 percent in 1998 to about 84 percent in 2008. Furthermore, the construction industry also ends up with a lower share with respect to the rest of the economy during this recession.

The general methodology used to calculate the 2002-2008 shares is largely the same as that used to produce earlier estimates of small business GDP for the Small

Business Administration.[4] The calculations begin with the BEA's GDP by industry data. Those data show current dollar GDP broken down into major industries, and by major components of income. However, BEA does not show any of its data by firm size. Consequently, to make estimates of small business GDP requires the division of each of the BEA components into small and large business shares.

The calculation of the compensation shares uses source data on payrolls from the annual *Statistics of U.S. Businesses* (SUSB) produced by the Census Bureau. That is combined with information on benefits costs by firm size from the *Medical Expenditure Panel Survey* and IRS *Statistics of Income*. The noncompensation components are estimated using information from *Statistics of Income* combined with data by legal form of organization produced for the SUSB.

The small business portion of compensation and each of the small business noncompensation components are summed to produce a small business GDP estimate for each industry. When that small business total is divided by the industry GDP total, it produces the small business share for that industry. Also, each of the components is summed across all industries to produce small and large business shares of compensation for the total nonfarm private economy, and small and large business shares of the noncompensation components. Summing the compensation and noncompensation components for each size group produces the small and large business shares of total GDP.

[4] *The Small Business GDP,1998-2004*, SBA-HQ-05M0413, April 2007. Earlier SBA-sponsored reports on GDP by firm size are listed in the bibliography of this paper. See Joel Popkin and Company (1988, 1997, 2001 and 2002).

# I. Introduction and Background

Small businesses produced 46 percent of private nonfarm gross domestic product (GDP) in 2008, down about two percentage points from 2002. Preliminary information indicates that the weak economy may have affected small businesses to a greater extent than large businesses in late 2009 and 2010, and resulted in a further decline in that share by 2010. These later estimates are less precise than the estimates through 2008 because only a small portion of the source data used to make the estimates is available for 2009-2010.[5]

Despite small firms' slightly smaller role overall in the economy (46 percent in 2008 and 48 percent in 2002), improved measurement of business dynamics shows that small businesses still play an important role in job creation. The most recent data show that since March of 2010, small businesses have provided slightly more than half of the net job gains in the private sector economy.[6]

GDP is defined as the market value of the goods and services produced by labor and property in the United States. In short, it is the measure of production of the U.S. economy. The Bureau of Economic Analysis (BEA) estimates the growth in the overall economy each quarter and estimates the industry distribution of GDP once a year. However, BEA does not estimate the share of output that is produced by small businesses. This paper provides new annual estimates of small business GDP for the period 2003 to 2008. It also revises previously calculated estimates for 1998 to 2002, and

[5] The 2009 payroll shares are available from the Census Bureau but none of the source data from the IRS are available for 2009 or 2010. The 2010 estimates are based on proxy data that were used to indicate relative direction of change. Those proxies are discussed further in Section II. B. iii.
[6] Business Employment Dynamics, Fourth Quarter 2010, August 2, 2011. Bureau of Labor Statistics, U.S. Department of Labor.

provides preliminary estimates for 2009 and 2010. The estimates for 2009 and 2010 are based on very preliminary data. The calculation of the small business shares of GDP continues earlier work done for the Small Business Administration.[7]

## II. Small Business Shares by Industry—1998 to 2010

In analyzing the small business share of GDP it is helpful to think about two major factors that ultimately determine the importance of small businesses in the economy. The first is how important small businesses are in each of the major industry sectors of the economy over time. The second is the changing role in the economy of the industry sectors with large numbers of small businesses. Together these factors determine the share small businesses contribute to overall economic growth.

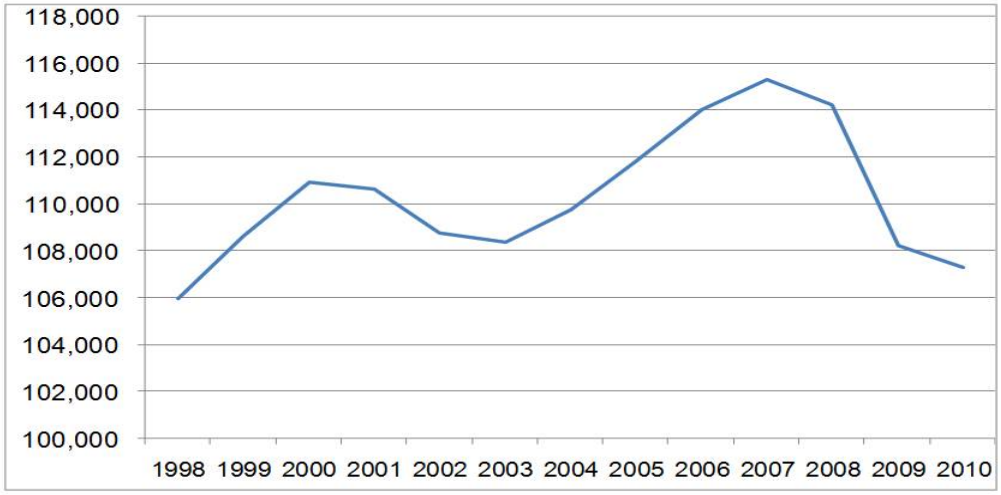
These two trends are influenced by both cyclical patterns in the economy and long-term changes in economic structure. Cyclical patterns, such as which industries are hardest hit by a business downturn, may cause a temporary shift in the relative shares of large and small business. However, more frequently, cyclical impacts hasten longer-run shifts in the structure of the economy.

### A. *Employment Distributions by Industry and Firm Size*

These small business GDP shares are estimated for the period 1998 to 2010. This period covers two recessions, the first from March 2001 to November 2001, and the second from December 2007 through June 2009. However, both of these recession periods were followed by periods of sluggish employment growth. Chart 1 shows the increases and decreases in total private nonfarm employment during this time period.

[7] See *The Small Business Share of Economic Growth* (December 2001), *Small Business Share of NAICS Industries* (June 2002), and *The Small Business Share of GDP, 1998-2004* (April 2007).

Chart 1: Private Nonfarm Employment from 1998-2010
(thousands)

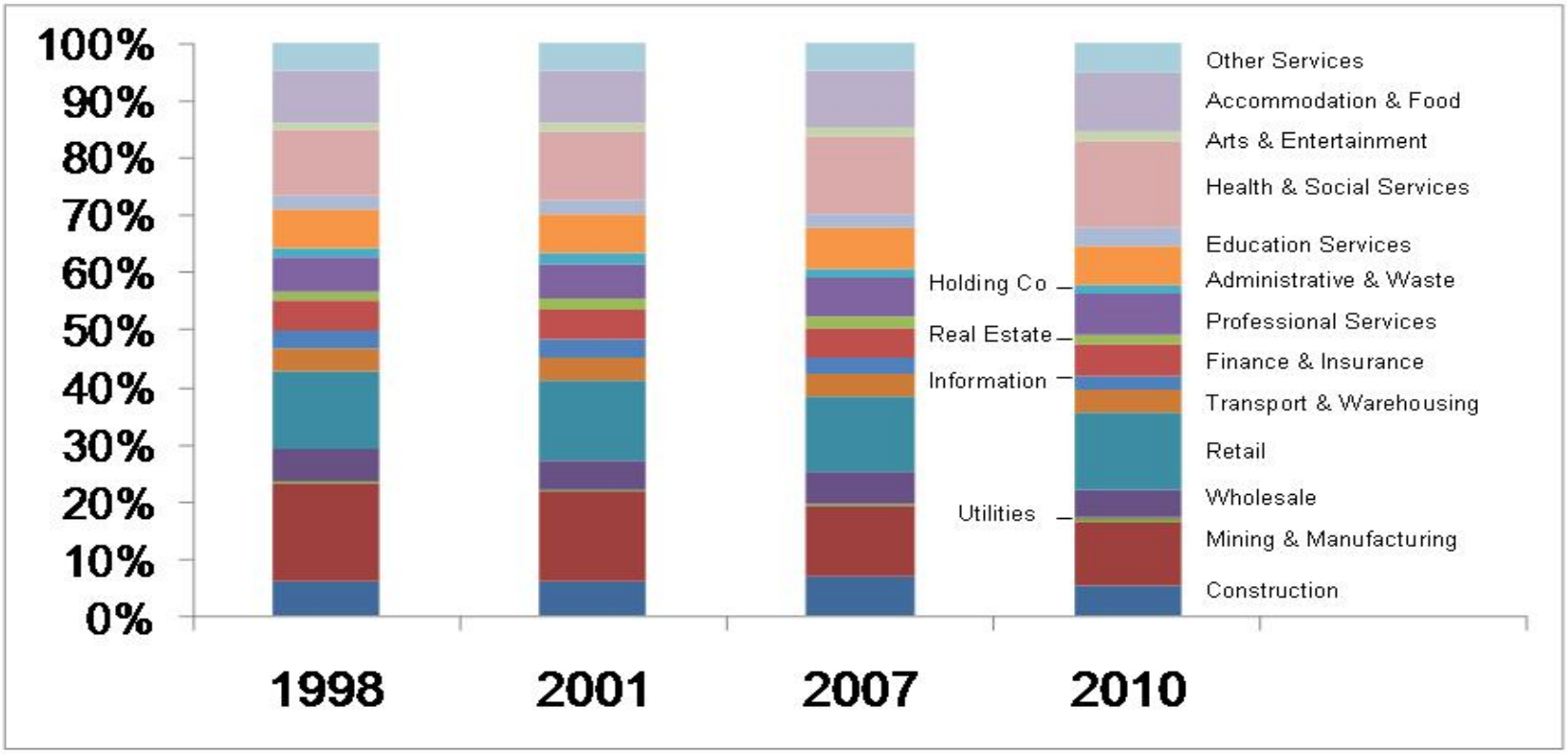



Bureau of Labor Statistics, CES

The first recession, which started in March 2001, began in manufacturing and spread to the services sectors, following the impact of September 11th, 2001, on the transportation and travel sectors. Construction and manufacturing were most heavily affected by the second recession, which started in December 2007. Chart 2 shows the distribution of employment among the industry sectors of the private nonfarm economy for 1998, 2001 (first recession), 2007 (peak employment for this time period), and 2010 (the most recent full year of employment data).

While the 2007 recession reduced employment across almost all industry sectors, it had the greatest effects on construction (an industry sector whose employment is predominately in small businesses), and manufacturing (an industry sector whose employment is more heavily skewed toward large businesses). Manufacturing and mining employment declined from just over 17 percent of private nonfarm employment in 1998 to just over 11 percent in 2010. The sector with the largest gain in its share

## Chart 2: Distribution of Private Nonfarm Employment in 1998, 2001, 2007 and 2010




Bureau of Labor Statistics, CES

during this period is the health care and social services industry (about half of its employment is in small businesses), which increased from 11.5 percent of the private nonfarm economy to just over 15 percent.

Along with the cyclical changes in the economy, and the further shifts in the long-term movement from a goods-producing to a service-producing economy, there have also been longer term changes in the average size of businesses. As Table 1 shows, the small business share of employment has been falling in most industry sectors. In the two industries with the largest percentage of employees in small businesses, construction and "other services", the small business shares declined between 1998 and 2008.[8] Real estate and leasing, another significant sector of small business employment, saw its small business share decline by almost 6 percentage points. However, the large- business-dominated manufacturing and mining sectors have seen some increases in their small business employment share between 1998 and 2008.

The health and social services industry has showed a relatively constant share of employees in small businesses over the 1998 to 2008 period, just over 50 percent. However, since that sector has been increasing as an overall share of the economy, it means that small businesses in that sector have added employment at about the same pace as large businesses. Thus, the small businesses in the health care field have become an increasingly important part of the overall economy.

[8] The shares in the table are based on data from the Census Bureau's Statistics of U.S. Businesses (SUSB).

**Table 1: Share of Employment in Private Nonfarm Small Businesses**
**(small businesses are those with fewer than 500 employees)**
**(percent)**

| Industry | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Manufacturing and Mining[9] | 41.5 | 41.1 | 41.4 | 41.7 | 42.4 | 43.2 | 44.0 | 44.2 | 44.4 | 44.2 | 44.6 |
| Utilities | 15.2 | 15.3 | 16.0 | 16.2 | 17.1 | 17.0 | 16.9 | 17.2 | 17.8 | 17.7 | 17.0 |
| Construction | 88.3 | 87.5 | 86.3 | 85.1 | 85.0 | 86.0 | 86.4 | 86.1 | 85.4 | 85.2 | 84.1 |
| Wholesale Trade | 65.4 | 64.2 | 63.6 | 62.9 | 62.8 | 62.1 | 61.6 | 60.9 | 61.1 | 61.0 | 59.9 |
| Retail Trade | 44.9 | 44.1 | 43.7 | 43.4 | 42.9 | 43.1 | 42.2 | 41.1 | 40.0 | 39.0 | 38.5 |
| Transportation & Warehousing | 43.5 | 42.0 | 41.1 | 41.5 | 41.6 | 38.2 | 38.3 | 38.1 | 37.8 | 36.8 | 36.5 |
| Information | 28.7 | 28.2 | 28.1 | 26.5 | 25.6 | 25.6 | 26.2 | 26.2 | 26.3 | 25.8 | 26.7 |
| Finance & Insurance | 32.6 | 32.1 | 32.1 | 31.1 | 30.6 | 31.9 | 32.5 | 33.1 | 32.9 | 32.6 | 32.2 |
| Real Estate & Leasing | 72.2 | 70.6 | 69.9 | 68.6 | 68.8 | 69.3 | 69.1 | 68.2 | 68.6 | 67.6 | 65.8 |
| Professional, Scientific & Professional | 66.3 | 65.1 | 64.7 | 64.1 | 64.2 | 61.9 | 61.6 | 61.7 | 61.6 | 61.1 | 61.1 |
| Management-Holding Companies | 37.3 | 37.3 | 34.9 | 37.3 | 35.5 | 40.7 | 40.5 | 34.5 | 36.7 | 33.7 | 36.8 |
| Administrative, Support & Waste Remediation | 43.1 | 40.4 | 38.1 | 38.9 | 39.6 | 40.7 | 41.1 | 39.0 | 37.3 | 37.3 | 36.8 |
| Educational Services | 47.0 | 47.0 | 47.1 | 47.4 | 47.2 | 47.0 | 46.0 | 45.0 | 44.8 | 44.9 | 44.8 |
| Health Care & Social Services | 51.3 | 51.3 | 51.8 | 51.6 | 51.9 | 52.0 | 52.3 | 52.1 | 52.0 | 51.4 | 51.5 |
| Arts, Entertainment & Recreation | 70.0 | 69.1 | 67.9 | 67.0 | 66.2 | 67.5 | 67.7 | 66.1 | 65.8 | 65.4 | 64.3 |
| Accommodation & Food Service | 61.4 | 60.7 | 60.3 | 60.2 | 60.6 | 60.8 | 61.1 | 60.0 | 60.2 | 59.3 | 58.7 |
| Other Services | 86.3 | 86.0 | 85.9 | 85.5 | 86.2 | 86.4 | 86.3 | 85.6 | 85.4 | 84.7 | 84.6 |

Source: Statistics of U.S. Businesses, U.S. Census Bureau
Management of businesses in this table covers only the holding companies portion of NAICS category 55 and health care excludes government hospitals. These categories are narrowed to better match the BEA private nonfarm business categories that are used in the small business GDP calculations.

[9] Mining and Manufacturing are shown as combined sector because of the issues related to petroleum refining companies that have some establishments in each category.

## B. *Small Business Share of GDP and its Components*

### i. Results Through 2008

Between 1998 and 2010, GDP grew 27.3 percent between 1998 and 2010 in real terms (adjusted for inflation). In nominal terms (not adjusted for inflation) it grew 65.2 percent. Chart 3 shows the annual growth rates of nominal and real GDP. Real GDP declined during two years of the most recent recession and nominal GDP declined only one of those years.

Chart 3: Annual Percent Change in Real and Nominal Gross Domestic Product 1998-2010

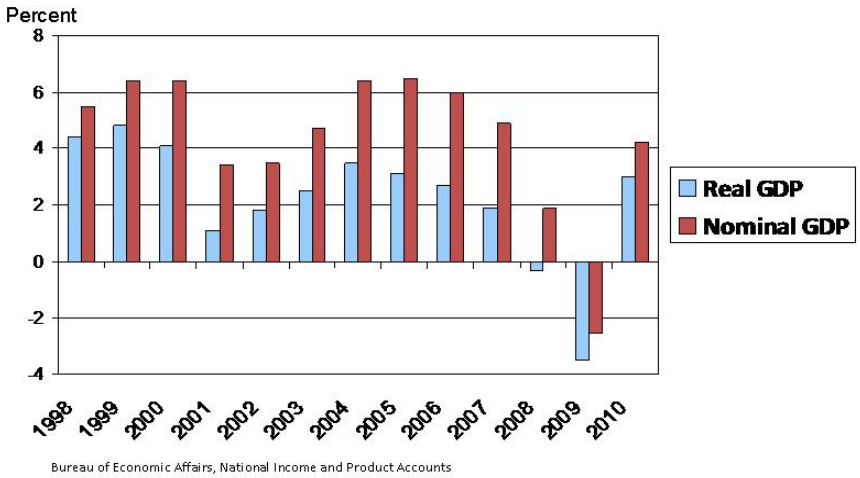



Chart 4 shows 2008 nominal private nonfarm GDP broken down by the industry that produces it. While mining and manufacturing declined from 20 percent of private nonfarm GDP in 1998 to 17.5 percent in 2008, respectively; it remains the single largest sector of the economy. Trade is the second largest sector, making up 14.8 percent of private nonfarm GDP in 2008. The professional and technical services industry is third, making up 9.9 percent, followed by finance and insurance, and health and social services

which each generated 8.7 percent of private nonfarm GDP in 2008. That represents an increase in share for health services which was 7.2 percent of GDP in 1998, whereas finance and insurance has gained only about 0.6 percentage point in the past decade.

Chart 4: Distribution of Private Nonfarm GDP by Industry Sector, 2008

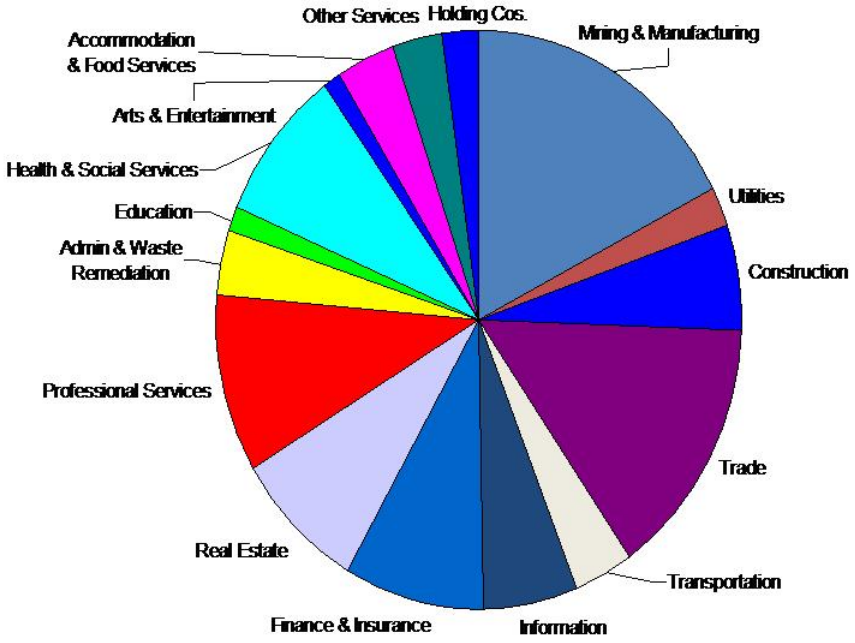



Table 3 shows small and large business private nonfarm GDP, the full set of tables showing the industry detail are shown in Section V-Appendix A. As noted in the table heading, there was a change in the methodology related to non-corporate businesses (specifically partnerships) starting in 2002. That change is discussed immediately following Table 3.

The compensation and noncompensation components of GDP are shown separately in Table 3 and then summed to obtain the total. Industry GDP is calculated from the source data used for the income side of the National Income and Product

Accounts (NIPAs). Therefore, the subcomponents for each industry are broken down into compensation components (consisting of wages, salaries and benefits) and noncompensation components (consisting of business transfer payments, business taxes on production and imports, net interest, depreciation, and net income.) Firm-size estimates of GDP are calculated only in nominal terms because there are no reliable measures of price changes in small versus large businesses within each industry sector.

The share of GDP generated by small businesses stayed relatively constant from 1998 through 2001, at slightly more than 50 percent. Between 2002 and 2004, the small business share showed a small decline, but the share dropped noticeably in 2005. This is partly due to the relative strength in corporate profits during the recovery from the 2001 recession. A comparison of the growth in corporate profits to the growth non-corporate income is only a proxy for firm size allocations. However, it is not an unreasonable proxy. As can be seen in Table 2, large businesses account for a much larger proportion of corporate employment and receipts than do small businesses. Small businesses dominate the employment and receipts of non-corporate businesses.

Table 2: Nonfarm Corporate and Non-corporate Shares of Receipts and Employment-2007

| | Receipts | | | Employment | |
|---|---|---|---|---|---|
| | Small Business | Large Business | | Small Business | Large Business |
| Corporate | 24.3% | 75.7% | | 31.0% | 69.0% |
| Non-corporate | 76.6% | 23.4% | | 73.3% | 26.7% |
| Total | 30.2% | 69.8% | | 48.8% | 51.2% |

Source: *Statistics of U.S. Businesses*, 2007 and *Nonemployer Statistics*. U.S. Census Bureau

Chart 5 shows corporate profits (with inventory valuation and capital consumption adjustments) grew faster during this period than proprietors' income. Since most large businesses are corporations; this proxy suggests that large firms' profits grew faster than those of small firms, a larger percentage of which are non-corporate businesses.

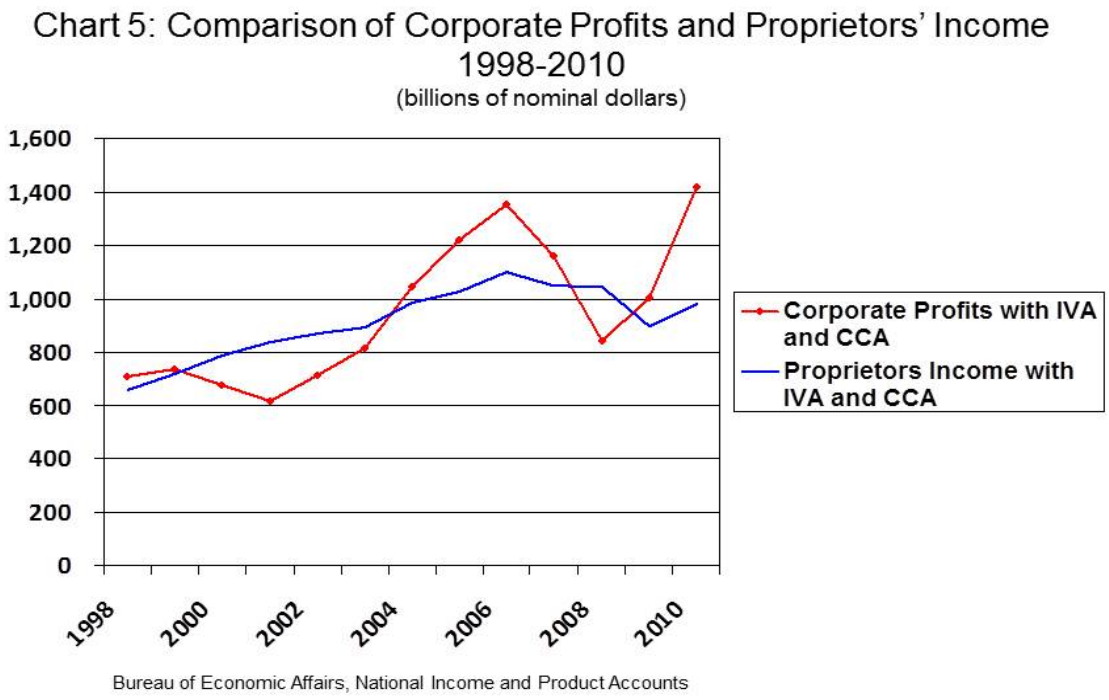


**Table 3: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)**
**(Millions of Nominal Dollars and Business Size Percent of Total)**

| | 1998 | | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct |
| **PRIVATE NONFARM GDP** | | | | | | | | | | | | | | |
| Small Business GDP | 3,578,026 | 50.5% | 3836070 | 50.5% | 4,068,879 | 50.3% | 4,190,264 | 50.3% | 4,139,771 | 48.3% | 4,299,941 | 48.1% | 4,522,139 | 47.5% |
| Compensation | 1,951,708 | 48.3% | 2076019 | 47.7% | 2,231,086 | 47.2% | 2,287,128 | 46.9% | 2,334,808 | 47.3% | 2,410,676 | 47.0% | 2,520,466 | 46.9% |
| Nonlabor Components | 1,626,318 | 53.4% | 1760051 | 54.3% | 1,837,793 | 54.8% | 1,903,136 | 55.0% | 1,804,963 | 49.5% | 1,889,265 | 49.5% | 2,001,673 | 48.3% |
| Large Business GDP | 3,506,662 | 49.5% | 3757240 | 49.5% | 4,016,765 | 49.7% | 4,143,305 | 49.7% | 4,439,604 | 51.7% | 4,646,881 | 51.9% | 4,998,306 | 52.5% |
| Compensation | 2,089,914 | 51.7% | 2276711 | 52.3% | 2,498,680 | 52.8% | 2,586,543 | 53.1% | 2,599,265 | 52.7% | 2,719,761 | 53.0% | 2,852,510 | 53.1% |
| Nonlabor Components | 1,416,748 | 46.6% | 1480529 | 45.7% | 1,518,085 | 45.2% | 1,556,762 | 45.0% | 1,840,339 | 50.5% | 1,927,120 | 50.5% | 2,145,796 | 51.7% |

| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct |
| **PRIVATE NONFARM GDP** | | | | | | | | | | | | |
| Small Business GDP | 4,698,197 | 46.3% | 4,948,040 | 46.1% | 5,182,230 | 46.2% | 5,217,082 | 45.8% | 5,080,329 | 46.0% | 5,210,469 | 44.6% |
| Compensation | 2,650,841 | 46.7% | 2,788,759 | 46.3% | 2,902,857 | 45.9% | 2,951,310 | 45.7% | 2,772,211 | 45.2% | 2,809,979 | 44.8% |
| Nonlabor Components | 2,047,356 | 45.9% | 2159281 | 45.9% | 2,279,373 | 46.6% | 2,265,772 | 46.0% | 2,308,118 | 47.0% | 2,400,490 | 44.4% |
| Large Business GDP | 5,443,589 | 53.7% | 5,781,123 | 53.9% | 6,025,888 | 53.8% | 6,165,202 | 54.2% | 5,971,081 | 54.0% | 6,465,158 | 55.4% |
| Compensation | 3,029,170 | 53.3% | 3,234,894 | 53.7% | 3,418,722 | 54.1% | 3,505,231 | 54.3% | 3,365,906 | 54.8% | 3,455,528 | 55.2% |
| Nonlabor Components | 2,414,419 | 54.1% | 2,546,229 | 54.1% | 2,607,166 | 53.4% | 2,659,971 | 54.0% | 2,605,175 | 53.0% | 3,009,630 | 55.6% |

Note: The industry detail underlying these estimates is shown in Appendix A—Section V.

### ii. **Discontinuity Between Pre and Post 2002 data**

It should be noted that the methodology used to produce the GDP shares by firm size was changed for the estimates generated from 2002 forward. This has resulted in a discontinuity in the series between 2001 and 2002. The result of the change in the methodology is a reduction in the overall small business share of private nonfarm GDP of almost 2 percentage points in 2002.

Under the old methodology, still used to produce the 1998-2001 estimates, the noncompensation components of all businesses that are sole proprietorships or partnerships were assumed to be small businesses.[10] That assumption was a generalization since there were always some firms among those legal forms of organization that employed 500 or more people, mostly in partnerships. However, because general partners' personal assets are at risk for business-related liabilities, most large companies became corporations.

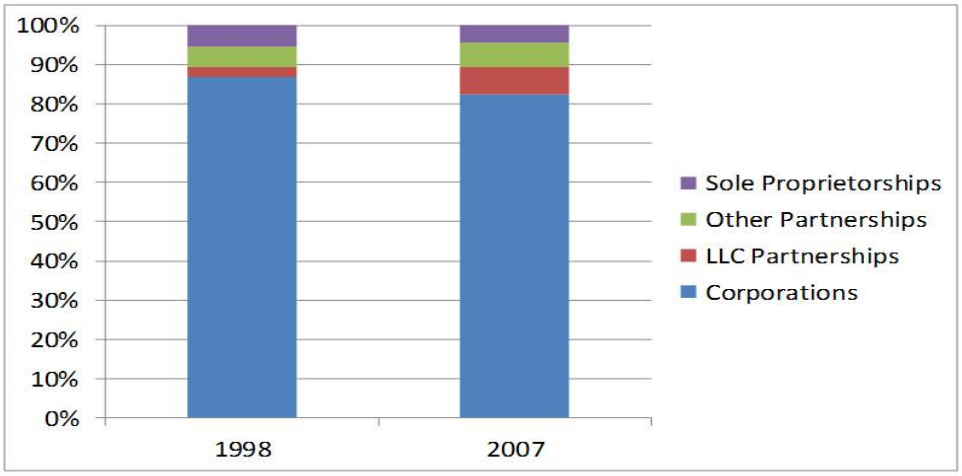
The last time the GDP by firm size estimates were calculated, it was clear that the assumption that all partnerships were small businesses was likely to be increasingly inaccurate. At that time, ECS requested that the Census Bureau produce a table that showed the 2002 Statistics of U.S. Businesses (SUSB) data by firm size and by legal form of organization in order to obtain a more accurate assessment of the percentage of employment, payroll, and receipts of partnerships that were allocatable to large businesses. Since then, the Census Bureau has produced a similar table for the 2007 SUSB, and the 2008 SUSB. With information for 2002 and 2007, it was possible for the

[10] The compensation components were being correctly allocated since the payroll shares are directly allocated to firm size without regard to legal form of organization. It was only the noncompensation components, which were allocated using tax statistics based on legal form of organization that were impacted.

first time to estimate the trend of large partnership receipts.[11] Those data showed that the large business share of partnership receipts and payroll have been inching up.

This increasing share of partnerships that are large businesses reflects a 1988 IRS ruling that recognized a new form of partnership, the limited liability company or LLC. In an LLC the income passes through the partnership and is taxed at the tax rate of the individual partners, but the partners no longer have all their personal assets at risk. They are only liable to third-party business-related creditors up to the amount of their investment in the partnership. By 1997, LLCs were recognized in all 50 states and the District of Columbia.[12] That change in the law resulted in a growing number of businesses choosing to become LLCs (see Chart 6).[13]

Chart 6: Distribution of Receipts by Legal Form of Organization, 1998 and 2007




Source: IRS, Statistics of Income

[11] Using the receipts shares it was possible to allocate the partnerships' noncompensation components by business size. That will be more fully discussed in the Data and Methodology section of this report.

[12] *The Effects of Tax Reform on the Structure of U.S. Business*, by Ellen Legel, Kelly Bennett and Michael Parisi, Internal Revenue Service, p. 65.

[13] During the early 1990s the top marginal tax rate for corporations was higher than the top tax rate for individuals. This encouraged a change to a legal form of organization that taxed the partners at individual rates. Currently, the top marginal tax rate for individuals is the same as the top rate for corporations, 35 percent.

Table 4 shows this shift in legal form of organization by major industrial sector. In 1998, 20 percent of businesses were corporations covering almost 87 percent of business receipts. About 8 percent of businesses and receipts were generated by partnerships, and 72 percent of businesses, generating 5 percent of receipts were sole proprietorships. The number of businesses filing tax returns grew by a third between 1998 and 2007. However, the share of businesses that were corporations declined from 20 percent in 1998 to 18 percent in 2007, and 82 percent of business receipts were generated by corporations in 2007 compared with 1998's 87 percent share. The share of businesses that are sole proprietorships was almost exactly the same as in 1998, 72 percent with slightly less than 5 percent of business receipts. But partnerships grew to about 10 percent of businesses with 13 percent of receipts, and most of that growth was in LLCs. In 1998, LLCs were 2 percent of all businesses with about 2 percent of business receipts. By 2007, LLCs were 6 percent of businesses producing 7 percent of receipts. In some industry sectors the LLC form of organization has grown much faster. For example, real estate and leasing went from 6 percent of receipts in LLCs in 1998 to 23 percent in 2007. In professional, scientific and technical services, LLCs generated 4 percent of receipts in 1998 and over 9 percent in 2007. In the accommodation and food service industry, and the arts and entertainment sectors the LLC form of organization has increased from about 5 percent of receipts in 1998 to about 15 percent in 2007.

The data for the pre-2002 period cannot be easily recalculated to match the post-2002 period because we do not know the share of partnership business receipts and payrolls that were associated with large businesses in 1997. The information in Table 4

indicates that the share was probably relatively small in 1997 since the large growth in LLCs took place after the tax law changed. However, care should be used when drawing conclusions about the change in small business share between 1998 and 2008 since the methodology used to calculate those two periods is somewhat different.

**Table 4. Number of Businesses, Business Receipts by Industry for 1998 and 2007, and Distribution by Legal Form of Organization**

[All figures are estimates based on samples--money amounts are in thousands of dollars]

| Form of business, item | All industries | Mining | Utilities | Construction | Manufacturing | Wholesale and retail trade | Transportation and warehousing | Information | Finance and insurance |
|---|---|---|---|---|---|---|---|---|---|
| **All businesses-1998** | | | | | | | | | |
| Number of businesses | 24,113,045 | 179,941 | 17,662 | 2,920,802 | 706,002 | 3,813,207 | 969,101 | 335,332 | 1,026,302 |
| Business receipts | 17,285,188,902 | 147,677,818 | 499,833,981 | 1,109,402,772 | 4,865,936,073 | 5,041,650,550 | 543,877,331 | 771,910,696 | 1,435,257,053 |
| **All businesses-2007** | | | | | | | | | |
| Number of businesses | 32,087,881 | 205,274 | 21,782 | 3,920,255 | 683,844 | 3,992,587 | 1,401,934 | 508,286 | 1,285,639 |
| Business receipts | 29,388,832,943 | 464,473,437 | 799,160,648 | 2,123,348,731 | 8,060,450,540 | 8,504,791,050 | 948,974,392 | 1,215,669,837 | 2,230,898,741 |
| **Corporations-1998** | | | | | | | | | |
| Number of businesses | 4,848,888 | 31,467 | 8,067 | 551,935 | 309,912 | 956,803 | 159,646 | 100,977 | 218,193 |
| | 20.1% | 17.5% | 45.7% | 18.9% | 43.9% | 25.1% | 16.5% | 30.1% | 21.3% |
| Business receipts | 15,010,264,802 | 116,905,970 | 450,830,225 | 859,139,558 | 4,591,071,027 | 4,516,670,915 | 469,626,605 | 667,610,273 | 1,285,017,559 |
| | 86.8% | 79.2% | 90.2% | 77.4% | 94.4% | 89.6% | 86.3% | 86.5% | 89.5% |
| **Corporations-2007** | | | | | | | | | |
| Number of businesses | 5,868,849 | 39,114 | 7,661 | 780,606 | 273,771 | 995,846 | 200,651 | 122,370 | 251,331 |
| | 18.3% | 19.1% | 35.2% | 19.9% | 40.0% | 24.9% | 14.3% | 24.1% | 19.5% |
| Business receipts | 24,217,396,005 | 351,159,165 | 664,918,890 | 1,587,919,987 | 7,174,961,969 | 7,336,983,720 | 747,983,663 | 974,080,849 | 1,963,080,012 |
| | 82.4% | 75.6% | 83.2% | 74.8% | 89.0% | 86.3% | 78.8% | 80.1% | 88.0% |
| **Partnerships-1998** | | | | | | | | | |
| Number of businesses | 1,855,348 | 29,098 | 2,448 | 125,823 | 34,836 | 130,288 | 19,193 | 21,900 | 209,150 |
| | 7.7% | 16.2% | 13.9% | 4.3% | 4.9% | 3.4% | 2.0% | 6.5% | 20.4% |
| Business receipts | 1,356,655,904 | 25,711,768 | 48,837,758 | 106,320,658 | 247,438,628 | 304,069,914 | 31,009,687 | 98,387,504 | 88,996,302 |
| | 7.8% | 17.4% | 9.8% | 9.6% | 5.1% | 6.0% | 5.7% | 12.7% | 6.2% |
| **LLC-1998** | | | | | | | | | |
| Number of businesses | 470,657 | 5,951 | 1,376 | 39,424 | 12,729 | 36,109 | 7,957 | 6,479 | 32,425 |
| | 2.0% | 3.3% | 7.8% | 1.3% | 1.8% | 0.9% | 0.8% | 1.9% | 3.2% |
| Business receipts | 423,101,069 | 6,991,649 | 16,478,925 | 39,151,981 | 88,963,496 | 97,087,516 | 14,417,841 | 15,049,755 | 24,640,479 |
| | 2.4% | 4.7% | 3.3% | 3.5% | 1.8% | 1.9% | 2.7% | 1.9% | 1.7% |
| **Partnerships-2007** | | | | | | | | | |
| Number of businesses | 3,096,334 | 39,581 | 3,991 | 208,538 | 47,683 | 220,076 | 46,464 | 34,206 | 308,307 |
| | 9.6% | 19.3% | 18.3% | 5.3% | 7.0% | 5.5% | 3.3% | 6.7% | 24.0% |
| Business receipts | 3,847,033,858 | 100,780,006 | 133,676,544 | 304,593,676 | 856,240,254 | 918,479,016 | 118,852,310 | 231,380,826 | 173,834,352 |
| | 13.1% | 21.7% | 16.7% | 14.3% | 10.6% | 10.8% | 12.5% | 19.0% | 7.8% |
| **LLC-2007** | | | | | | | | | |
| Number of businesses | 1,818,681 | 14,953 | 2,037 | 141,048 | 28,378 | 119,307 | 30,687 | 25,498 | 136,692 |
| | 5.7% | 7.3% | 9.4% | 3.6% | 4.1% | 3.0% | 2.2% | 5.0% | 10.6% |
| Business receipts | 2,062,483,341 | 43,971,310 | 46,088,687 | 182,289,061 | 481,012,365 | 483,951,205 | 45,617,737 | 102,307,491 | 107,877,330 |
| | 7.0% | 9.5% | 5.8% | 8.6% | 6.0% | 5.7% | 4.8% | 8.4% | 4.8% |
| **Nonfarm sole proprietorships-1998** | | | | | | | | | |
| Number of businesses | 17,408,809 | 119,376 | 7,147 | 2,243,044 | 361,254 | 2,726,116 | 790,262 | 212,455 | 598,959 |
| | 72.2% | 66.3% | 40.5% | 76.8% | 51.2% | 71.5% | 81.5% | 63.4% | 58.4% |
| Business receipts | 918,268,196 | 5,060,080 | 165,998 | 143,942,556 | 27,426,418 | 220,909,721 | 43,241,039 | 5,912,919 | 61,243,192 |
| | 5.3% | 3.4% | 0.0% | 13.0% | 0.6% | 4.4% | 8.0% | 0.8% | 4.3% |
| **Nonfarm sole proprietorships-2007** | | | | | | | | | |
| Number of businesses | 23,122,698 | 126,578 | 10,131 | 2,931,110 | 362,390 | 2,776,664 | 1,154,819 | 351,710 | 726,002 |
| | 72.1% | 61.7% | 46.5% | 74.8% | 53.0% | 69.5% | 82.4% | 69.2% | 56.5% |
| Business receipts | 1,324,403,080 | 12,534,266 | 565,214 | 230,835,068 | 29,248,316 | 249,328,313 | 82,138,420 | 10,208,162 | 93,984,377 |
| | 4.5% | 2.7% | 0.1% | 10.9% | 0.4% | 2.9% | 8.7% | 0.8% | 4.2% |

Source: IRS, Statistics of Income

**Table 4. Number of Businesses, Business Receipts by Industry for 1998 and 2007, and Distribution by Legal Form of Organization (cont.)**

[All figures are estimates based on samples--money amounts are in thousands of dollars]

| Form of business, item | Real estate and rental and leasing | Professional, scientific, and technical services | Management of companies (holding companies) | Administrative and support and waste management and remediation services | Educational services | Health care and social assistance | Arts, entertainment, and recreation | Accommodation, food services, and drinking places | Other services |
|---|---|---|---|---|---|---|---|---|---|
| **All businesses-1998** | | | | | | | | | |
| Number of businesses | 2,205,935 | 3,173,498 | 42,918 | 1,479,954 | 334,469 | 1,851,412 | 1,110,054 | 606,023 | 2,221,313 |
| Business receipts | 260,368,200 | 796,236,596 | 92,627,484 | 320,982,170 | 27,931,863 | 497,570,878 | 102,238,841 | 407,944,777 | 220,892,768 |
| **All businesses-2007** | | | | | | | | | |
| Number of businesses | 3,539,336 | 4,245,926 | 71,444 | 2,587,375 | 657,704 | 2,489,527 | 1,461,519 | 806,355 | 3,108,743 |
| Business receipts | 506,807,743 | 1,487,701,222 | 223,941,363 | 613,142,157 | 53,699,485 | 866,653,370 | 170,974,042 | 608,775,571 | 317,380,213 |
| **Corporations-1998** | | | | | | | | | |
| Number of businesses | 521,917 | 623,784 | 30,931 | 200,449 | 36,959 | 307,258 | 92,966 | 245,334 | 300,313 |
| | 23.7% | 19.7% | 72.1% | 13.5% | 11.1% | 16.6% | 8.4% | 40.5% | 13.5% |
| Business receipts | 175,701,248 | 540,924,209 | 90,497,966 | 263,655,627 | 23,196,929 | 357,156,938 | 60,387,702 | 295,686,536 | 143,395,451 |
| | 67.5% | 67.9% | 97.7% | 82.1% | 83.0% | 71.8% | 59.1% | 72.5% | 64.9% |
| **Corporations-2007** | | | | | | | | | |
| Number of businesses | 656,946 | 835,838 | 47,866 | 274,370 | 49,240 | 405,587 | 123,386 | 287,949 | 372,048 |
| | 18.6% | 19.7% | 67.0% | 10.6% | 7.5% | 16.3% | 8.4% | 35.7% | 12.0% |
| Business receipts | 267,855,554 | 973,735,766 | 199,680,891 | 483,754,119 | 40,438,008 | 590,016,966 | 91,332,663 | 423,999,361 | 205,346,816 |
| | 52.9% | 65.5% | 89.2% | 78.9% | 75.3% | 68.1% | 53.4% | 69.6% | 64.7% |
| **Partnerships-1998** | | | | | | | | | |
| Number of businesses | 812,404 | 118,340 | 11,987 | 28,268 | 4,697 | 37,767 | 30,319 | 57,912 | 63,763 |
| | 36.8% | 3.7% | 27.9% | 1.9% | 1.4% | 2.0% | 2.7% | 9.6% | 2.9% |
| Business receipts | 41,348,441 | 147,764,823 | 2,129,518 | 22,840,826 | 1,073,235 | 59,773,854 | 22,156,807 | 78,969,307 | 14,128,213 |
| | 15.9% | 18.6% | 2.3% | 7.1% | 3.8% | 12.0% | 21.7% | 19.4% | 6.4% |
| **LLC-1998** | | | | | | | | | |
| Number of businesses | 200,566 | 41,587 | 4,966 | 11,457 | 1,864 | 12,613 | 10,629 | 18,425 | 13,629 |
| | 9.1% | 1.3% | 11.6% | 0.8% | 0.6% | 0.7% | 1.0% | 3.0% | 0.6% |
| Business receipts | 15,538,476 | 33,578,249 | 1,471,957 | 10,835,496 | 531,973 | 19,218,553 | 5,877,211 | 22,480,681 | 5,388,790 |
| | 6.0% | 4.2% | 1.6% | 3.4% | 1.9% | 3.9% | 5.7% | 5.5% | 2.4% |
| **Partnerships-2007** | | | | | | | | | |
| Number of businesses | 1,488,966 | 175,546 | 23,578 | 62,004 | 11,605 | 67,522 | 54,867 | 106,954 | 68,949 |
| | 42.1% | 4.1% | 33.0% | 2.4% | 1.8% | 2.7% | 3.8% | 13.3% | 2.2% |
| Business receipts | 167,997,357 | 344,692,757 | 24,260,472 | 69,044,834 | 4,186,674 | 161,104,541 | 48,597,715 | 136,983,966 | 23,717,193 |
| | 33.1% | 23.2% | 10.8% | 11.3% | 7.8% | 18.6% | 28.4% | 22.5% | 7.5% |
| **LLC-2007** | | | | | | | | | |
| Number of businesses | 931,420 | 105,786 | 16,410 | 36,468 | 7,793 | 43,699 | 32,855 | 69,293 | 33,304 |
| | 26.3% | 2.5% | 23.0% | 1.4% | 1.2% | 1.8% | 2.2% | 8.6% | 1.1% |
| Business receipts | 116,813,953 | 137,183,122 | 13,873,009 | 50,715,938 | 3,576,715 | 95,758,803 | 26,923,065 | 92,222,178 | 13,804,766 |
| | 23.0% | 9.2% | 6.2% | 8.3% | 6.7% | 11.0% | 15.7% | 15.1% | 4.3% |
| **Nonfarm sole proprietorships-1998** | | | | | | | | | |
| Number of businesses | 871,614 | 2,431,374 | N/A | 1,251,237 | 292,813 | 1,506,387 | 986,769 | 302,777 | 1,857,237 |
| | 39.5% | 76.6% | | 84.5% | 87.5% | 81.4% | 88.9% | 50.0% | 83.6% |
| Business receipts | 43,318,511 | 107,547,564 | N/A | 34,485,717 | 3,661,699 | 80,640,086 | 19,694,332 | 33,288,934 | 63,369,104 |
| | 16.6% | 13.5% | | 10.7% | 13.1% | 16.2% | 19.3% | 8.2% | 28.7% |
| **Nonfarm sole proprietorships-2007** | | | | | | | | | |
| Number of businesses | 1,393,424 | 3,234,542 | N/A | 2,251,002 | 596,859 | 2,016,418 | 1,283,267 | 411,451 | 2,667,745 |
| | 39.4% | 76.2% | | 87.0% | 90.7% | 81.0% | 87.8% | 51.0% | 85.8% |
| Business receipts | 70,954,832 | 169,272,699 | N/A | 60,343,203 | 9,074,803 | 115,531,863 | 31,043,663 | 47,792,244 | 88,316,204 |
| | 14.0% | 11.4% | | 9.8% | 16.9% | 13.3% | 18.2% | 7.9% | 27.8% |

Source: IRS, Statistics of Income

### iii. Results for 2009 and 2010

The source data used to calculate the small business share of GDP is complete through 2008; but the information for 2009 and 2010 is only just now starting to become available. It is clear the recession had a major negative effect on both large and small businesses. What is less clear is how much the downturn impacted the relative shares of production of the business size classes.

The most up-to-date information available on employment changes by firm size are from the Bureau of Labor Statistics' Business Employment Dynamics (BED). These data compare snapshots of the economy at different points in time and compare the employment in firms of different sizes. Table 5 shows net employment changes for the four quarters ending in March (this time period was selected because the SUSB data used for the small business payroll estimates are tabulated as of March each year).

Table 5: Net Employment Change in Private Industry by Business Size from BED (in thousands, calculated from nonseasonally adjusted data)

| Total of the four quarters ended in March: | Small < 500 employee firms | Large >=500 employee firms | Total private sector |
|---|---|---|---|
| 2008 | -61 | 158 | 97 |
| 2009 | -3,802 | -2,063 | -5,865 |
| 2010 | -1,663 | -1,032 | -2,695 |
| March-Dec. 2010 | 1,709 | 1,648 | 3,357 |

Source: Business Employment Dynamics, Bureau of Labor Statistics

These data indicate that the small firms lost employment at a faster pace than did the large firms during 2009 and 2010. The BLS' annual tables show that at the end of March 2010, the employment share of small businesses had fallen over half a percentage point from its level in March 2007. Most of that change in the share occurred in the 20-

499 size classifications.[14] However, the data in Table 5 show that since March 2010, the small business size groups have added employment, on net, about as fast as large businesses, accounting for just over 50 percent of the net gains.

The BED data are also useful for understanding the importance of small businesses not only in the net job gains in the economy but also in the dynamics of the constant churn in employment that takes place in the economy. Small businesses create many more jobs than do large businesses. During the period from March to December 2010, gross job gains in small businesses were 13.6 million (20 percent of those were from businesses opening) compared with 4.3 million from large businesses (0.2 percent of those were from businesses opening). Quite logically, small businesses are creating the vast majority of the jobs that come about due to new businesses opening because few businesses have 500 or more employees when they open their doors. These young businesses represent the volatile edge of entrepreneurship where new ideas and concepts are tested. However, a large percentage of young firms fail; consequently, overall net job gains in small businesses were roughly on par with those of large businesses during the March to December 2010 period because gross job losses in small businesses are also quite high. But this is the vital core of the process that generates the longer-term changes in the structure of the economy.

There is only one data source that provides some indication of change in employment shares by firm size and industry for the 2009 to 2010 time period. The Medical Expenditure Panel Survey has been completed and published through 2010. One of the tables produced from that survey estimates private sector employment by industry grouping and firm size. Unfortunately, the MEPS data set combines all the information it

[14] Table F of the BED annual data tables, Bureau of Labor Statistics.

has about the companies with 100-999 employees in one category, which prevents an easy calculation of the above and below 500 employee shares that are used for this analysis. However, for 2008 and 2010 the share of employment in firms with 1000 or more employees was calculated, and the share of employment in firms with fewer than 100 employees was calculated. Each 2010 share was compared to its matching share in 2008. When the 1000 plus category showed an increase and the firms with fewer than 100 employees showed a decrease, that was considered an indicator that large businesses probably had an increasing share of payrolls. When the share in the 1000 or more category became smaller and the share of employment in firms with fewer than 100 employees grew, that was considered a signal that the payroll share of small business had increased. If there was no change or mixed information, it was assumed that only minor changes in shares had taken place. This information guided the industry- by-industry trends for 2009 and 2010.[15]

In addition to the toll on employment taken by the recession, indications are that small businesses also suffered disproportionate financial losses. One measure of the financial toll on small businesses is a comparison of the net worth of nonfinancial corporate businesses with the net worth of nonfinancial non-corporate businesses. As can be seen in Table 2 above, both of these categories of businesses have a mix of small and large businesses in them, non-corporate business has a much higher proportion of small businesses than does the corporate sector. The net worth of the non-corporate sector peaked in 2006 and fell 36 percent between 2006 and 2009; it recovered about 7 percent of its value in 2010, before falling again in the first quarter of 2011. Corporate

[15] The 2009 SUSB employment and payroll shares were released just as this paper was being finalized. Those shares were entered into the 2009 calculations, and for the most part confirmed the shares that had been estimated from the MEPS. The MEPS were still used to guide the extrapolation of the 2010 shares.

businesses' net worth peaked in 2007 and then fell about 19 percent between 2007 and 2009; it recovered by 14 percent in 2010 and grew slightly in the first quarter of 2011.[16] Looking back at Chart 5, corporate and non-corporate income during this period showed a slightly different pattern, with corporate profits falling faster than non-corporate incomes during the early part of the recession and non-corporate income hit harder in 2009 and growing much more slowly than corporate profits in 2010.[17] An additional indicator of the impact on small businesses is the finding of the Federal Reserve Board's 2009 *Survey of Consumer Finances* showing the median value of family business equity declined by almost 24 percent from $103,600 to $94,500 between 2007 and 2009.

When all the information was combined, it showed that the small business share probably stayed roughly constant through early 2009 then appear to have weakened in late 2009 and early 2010. The rebound in corporate profits in 2010 is indicative of stronger gains in the large business sector; consequently, the small business share is estimated to have declined somewhat further in 2010.

## III. Summary and Conclusions

The small business share of the private nonfarm economy was 46 percent in 2008 compared with 48 percent in 2002. That is down from slightly more than 50 percent in 1998, although a change in the methodology for handling partnerships means those numbers are not directly comparable. In general, the small business employment share has declined over time in most of the sixteen industry sectors for which the data are examined. However, partly offsetting that is the relative growth in some sectors that

[16] *Flow of Funds, 2011Q1,* Federal Reserve Board, June 9, 2011.
[17] Net worth is a much broader measure of economic value than is net income. Net worth compares total assets and liabilities at different points in time. Net income measures receipts minus expenses during a specific period of time, such as a quarter or a year.

have many small businesses. For example, the health care industry has about half of its employment in small businesses and has grown as a share of the overall economy. Unfortunately, one of the sectors that was predominately made up of small businesses, construction, was hard hit during the most recent recession and has shrunk as a share of the overall economy. Overall, preliminary data indicate that both large and small businesses were hit hard by the recession and the small business share appears to have held almost constant through early 2009. However, the small business share is likely to have fallen somewhat further in 2010 as corporate businesses recovered more quickly than noncorporate businesses. The numbers for 2009 and 2010 are still highly speculative since the source data are not yet available to make a full analysis of the business size share breakdown of GDP for that period.

## IV. Data and Methodology for Calculating the Shares

The general methodology used to calculate the 2002-2008 shares is the same as that used to produce the prior set of estimates of small business GDP on a NAICS basis, except for a change in the calculation of the noncompensation components of partnerships.[18] The calculations begin with the BEA's GDP by industry data. Those data show nominal GDP broken down into major industries, and by major component of income.[19] However, BEA does not show any of its data by firm size. Consequently, to make estimates of small business GDP requires the division of each of the BEA

[18] *Small Business GDP*, SBA-HQ-05M0413, April 2007.

[19] While BEA does produce estimates of real GDP by industry, this analysis is focused on the nominal numbers. The components of GDP are always shown in nominal dollars; only the overall industry GDP number is deflated. Consequently, using this methodology, the nominal shares would need to be produced first and summed to the business size GDP measure and that level deflated to produce real measures of output. Unfortunately, there are no data on which to base different price indexes for the large business and small business GDP. Consequently, deflating these measures would likely cause somewhat misleading results.

components into the small and large business share. Once all of the components are estimated for each industry, the small business portions of compensation and each of the noncompensation components are summed for each industry. When that small business total is divided by the industry GDP total, it produces the small business share for that industry. Also, each of the components is summed across all industries to produce a small and large business shares of compensation for the total nonfarm private economy, and small and large business shares of the noncompensation components. Summing the compensation and noncompensation components for each size group produces the small and large business shares of total GDP.

BEA now uses the input-output data as the foundation for industry GDP rather than the NIPA estimates that it used to do the industry accounts on the SIC basis.[20] However, since all the industries must total to GDP, some rebalancing of the data has to be done. For that reason, the BEA stopped producing separate estimates of each capital component in the income estimates.

That change complicated the methodology for producing the small business estimates of GDP, since the methodology depends on allocating each of the separate nonlabor components to the appropriate business size. To make the small and large business estimates, it is necessary to disaggregate the BEA's measure of "other gross operating income" into some of its more detailed components. The annual national income by industry tables were used to determine the distributions for separating "other gross operating income" into three components: net interest; corporate profits and depreciation; and noncorporate depreciation, rental income and proprietor's income.

[20]The input-output data were preferred conceptually because they are on an establishment basis, and provide the detailed information on intermediate inputs that help in doing the deflation of the industry series.

Following is a discussion of how each of the components is divided between its large business and small business shares.

## A. ***Compensation Components through 2008***

### i. **Wages**

The calculation of the compensation shares by industry and firm size will be discussed first. BEA provides industry compensation in two parts, wages and salaries and what it calls supplements, which are mostly employers' costs associated with the benefits provided to employees.[21] Separating the wages and salaries by firm size was relatively straightforward. Payroll shares for large and small businesses were calculated for each of the sixteen industries for each year from 1998 through 2008 directly from the Census Bureau's SUSB data. Those payroll shares were used to separate each industry's wages and salaries between the two business size classes.

### ii. **Benefits (Wage Supplements)**

The benefits shares were more difficult to estimate. If benefits were allocated to firm size group according to the payroll shares it would overestimate the small business share of benefits. Several studies have shown that small businesses provide fewer pension and health insurance benefits than do large businesses.[22]

The BEA separates its benefits data into two categories: those that are considered government social insurance (such as Social Security and Medicare taxes) and those that are voluntary, such as health insurance and pensions. BEA publishes some industry detail for benefits paid for the social insurance programs. Separately, the total

[21] The BEA data used were the annual data through 2010 by industry that were released in early August 2011.
[22] *The Cost of Employee Benefits in Small and Large Businesses*, Joel Popkin and Company, August 2005.

amount paid by private business for health insurance, life insurance, pensions and workers compensation insurance is also provided, but with no industry detail.

The calculations of the benefits started with the supplements totals for each industry and separated them into two groups. BEA had already provided the industry detail for the social insurance portion. Consequently, those only needed to be allocated to large and small business. That was done using the industry payroll shares since most of the social insurance taxes are calculated as a specific percentage of payroll.

Once the social insurance portion had been subtracted from the total supplements, it left other benefits by industry. Those included health insurance, life insurance, pension and retirement payments made by companies, and workers' compensation costs. In order to determine how much of each industry's "other supplements" should be allocated to each of these categories, the Bureau of Labor Statistics' data from *Employer Costs for Employee Compensation* was consulted. Those data show the average cost per hour paid for each of these benefits across all employers in an industry sector. The health insurance, life insurance, pension and workers' compensation numbers were summed for each industry sector for each year. Then the percentages that pension costs, health and life insurance costs, and workers' compensation were of that total were calculated. Those shares were used to allocate the "other supplements" to their respective types. Once these allocations were done, each type of supplement was separated between its large business component and its small business component. Workers' compensation was allocated according to payroll shares since, like social insurance, it tends to be calculated from payroll amounts. The other two categories were more complicated to

separate by firm size, since health insurance and pension/retirement savings contributions are voluntary and vary by employer.

The Medical Expenditure Panel Survey (MEPS) data for the periods from 1998 to 2009 were used to estimate the small and large business shares of the health insurance benefits that were provided. The MEPS data were used to calculate an average premium cost per employee by industry and firm size group. This was done by calculating the total bill for employees covered by insurance for each firm size and industry group, then dividing the total by the total number of employees (covered and not covered).[23] That cost per employee was then multiplied by the employees in the various industry and firm size groupings in the SUSB to produce a health insurance bill benchmarked to the SUSB employment totals. That health insurance bill was divided into its large and small business components to determine the shares that should be used to allocate the health insurance costs.[24]

The final component of benefits was pensions. Unfortunately, there are no good data on pension expenses by company size as there are for medical insurance expenditures. However, there is one method for approximating these figures. The IRS provides information on the deductions companies take for payments into pension and retirement savings plans in its *Statistics of Income*. Those data were collected following the procedures discussed below for the noncompensation components, and used to allocate the pension payment totals by industry to large and small business. Once all

[23] The MEPS data were not produced for 2007. Consequently, the 2007 shares were calculated by averaging the 2006 and 2008 cost per employee for each industry/size cell combined with the 2007 employee distribution from the SUSB data.

[24] Life insurance was allocated using the same shares as health insurance. That was somewhat arbitrary, but the two types of insurance are often offered at the same time. Life insurance is a very small part of the total benefits package and its allocation is unlikely to cause any major change in the compensation shares.

three categories of the "other" benefits were separately allocated to large and small businesses, they were combined with the social insurance benefits and produced an estimate of total supplements for each firm size and industry group.

Once the wages, salaries and benefits were separated between large and small business for each industry, they could be added together to determine a compensation total for small and large business for each industry. The compensation totals for small business for all industries were totaled to determine a small business share of overall compensation for the private nonfarm economy.

### B. ***Noncompensation Components through 2008***

The calculation of the small business shares of the noncompensation components is a multi-step process that uses data from SUSB combined with IRS statistics. There are five noncompensation components for each industry from the BEA data that need to be divided into large and small business components. Three of those components are shared out with the corporate and noncorporate information combined, but the corporate depreciation and net income component is shared out separately from the noncorporate depreciation and net income component.

The Internal Revenue Service's *Statistics of Income* data provide tax return detail for the three major taxpaying forms of legal organization: corporations, partnerships and sole proprietorships. It shows detailed tax-related information for these businesses, such as the amount of business receipts, interest paid, depreciation and net income (or loss) for each year by industry. For corporations, it shows all of these components by major industry category broken down by major receipts size classes. This latter set of tables is used to estimate the small and large business shares of corporate payments.

In general, the GDP components "indirect business taxes" and "business transfer payments" are divided based on the portion of SOI business receipts that are allocated to large and small businesses because those components are often determined by receipts. The GDP component "net interest payments" is allocated to business size using the SOI's large and small business shares of interest paid for all three legal forms of organization. The GDP component "other gross operating income" for corporations is divided between large and small business using the sum of the depreciation and net income (less deficit) lines from the SOI corporate tax tables. The noncorporate "other gross operating income" was assumed to be entirely small businesses through 2001. From 2002 onward, that component was split between large and small business by assuming that all the depreciation and net income of the sole proprietorships should be allocated to small businesses, and allocating the partnership information based on the large and small business receipts shares for partnerships that were calculated from the SUSB data showing the legal form of organization.

The IRS data have detailed information on the different components of a business's income but the data are not known by the employment size of that business. Consequently, the first step in the methodology is to use the Census Bureau's SUSB data to produce a share of receipts for each industry sector associated with the companies that have 500 or more employees for two benchmark years from the Census Bureau's data. For this update, the data from the 2002 and 2007 SUSB data were used.[25] For these two benchmark years, the Census Bureau estimates receipts by business size group for the employer businesses included in the SUSB data. To use the IRS statistics to their fullest

[25] Receipts share are included in the SUSB only in years when the economic censuses have been conducted. The shares for the 1998 through 2002 period had been calculated when the estimates were produced for the 2005 estimates. Those shares continued to be used for that time period.

advantage, one needs the SUSB data further disaggregated by legal form of organization. The Census Bureau produced tables that show employment, payroll, and receipts data (the latter only for 2002 and 2007) by legal form of organization for each major industry separated by the employment size of the firms. This information was used to calculate the large business share of receipts for (taxpaying) corporate businesses in 2002 and 2007. A straight line trend was used to calculate the intervening years between 2002 and 2007.

Once the large business share of corporate receipts was calculated for each year, the IRS *Statistics of Income* data could be used to make share estimates for the detailed noncompensation components of GDP.

To calculate the corporate business size shares from the SOI tables, the large business share of corporate receipts is used to determine the average receipts size of a large business. For each industry, the large business share is applied to the business receipts total and then the different categories of business receipts sizes are subtracted, starting from the largest one, until the large business receipts amount is fully accounted for. That provides the breakpoint in the distribution of the other components by business size that approximates what should be allocated to large corporate businesses and what should be allocated to small corporate businesses.

In the past, the amount allocated to small business corporations has been added to the total amount reported for partnerships and sole proprietorships in order to produce an estimate of the total small business payments for each of the SOI proxies that are used to divide the noncompensation components of GDP. However, the Census tables showing legal form of organization provided more information about partnerships and sole

proprietorships than has been available in the past. For the most part, sole proprietorships are overwhelmingly small businesses. Consequently, the SOI data for sole proprietorships has continued to be allocated to small businesses. However, partnerships are increasingly being used by larger and larger businesses. Having both a 2002 and 2007 SUSB table by legal form of organization provided a basis to calculate how much of the partnership information should be allocated to large businesses. The SOI does not distribute its partnership data by receipts size as it does the corporate data. Consequently, the business receipts share for the partnerships in each industry had to be used to split all the partnership components by firm size.

Once each of the shares was calculated from the IRS SOI tables they could be used to proxy the large and small business shares of the BEA data. The calculated SOI shares were applied directly to the corporate business components of the GDP by industry data. This is a different methodology than was used in making earlier estimates of GDP by business size.[26] When the SIC-based estimates were calculated, the SOI shares were first benchmarked to a special SBA study that had allocated the IRS SOI data by firm employment size with the firm size being determined by payroll tax form 941. That study is now quite old and was done only on the SIC basis. Therefore, it could not be used to benchmark these numbers. But to the extent that the SOI proxies over- or underestimate the shares by business size of the corporate business GDP component, that could impact the small business share of noncompensation components of the calculations.

[26] Joel Popkin and Company. *Small Business Gross Product Originating 1958-1982* (SBA-1040-OA-86), *Small Business Gross Product Originating 1982-1992* (SBAHQ-95-C-0021), and *Small Business Share of Economic Growth.*

It is likely that a larger share of small business income than of large business income is allocated to the noncompensation shares because the wage income of partners and proprietors is allocated to profit-type income for noncorporate businesses, whereas the wages of corporate owners are considered part of compensation. Also, the distribution between corporate and noncorporate depreciation and profits, as measured in the GDP numbers, weights the noncorporate side more heavily than it is weighted in the IRS statistics. This may be because the BEA makes estimates for underreporting of income and that is somewhat more likely to occur in the noncorporate sector.

### C. ***Estimates for 2009 and 2010***

Both the BLS and the Census Bureau are using relatively new data sets to track employment data by firm size, although those data sets do not provide reliable data by both industry and firm size as yet. The BLS is currently planning on releasing employment and payroll information by firm size and industry in 2012. The MEPS data, primarily used for tracking health insurance coverage and costs, were used to provide indications about the direction of the trendline for payrolls for each industry for 2009 and 2010. Just as this paper was being finalized, the SUSB payroll shares for 2009 were released, and those tended to confirm the shares estimated from the MEPS data. Table 3 currently incorporates the SUSB data through 2009 and uses the MEPS data to extrapolate 2010.

The information on the relative movement of net worth indicated that in general, small business shares of the corporate noncompensation components tended to decline. However, little data are available on which to judge the magnitude of such changes until

the 2009 IRS statistics for corporations are published. Consequently, these estimates are much more speculative than those for the earlier years.

## V. Appendix A—Detailed Tables

Following are the detailed industry estimates that were used to produce Table 3 above. Mining and manufacturing are shown as a combined sector because of the issues related to petroleum refining companies that have some establishments in each category. The wholesale and retail sectors' noncompensation components are combined because the IRS data show only a single corporate sector for those industries. Only a portion of NAICS industry 55 is shown because holding companies are the only part of that industry covered by the IRS and BEA.

**Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)**
**(Millions of Nominal Dollars and Business Size Percent of Total)**

| | 1998 | | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct |
| **Mining & Manufacturing** | | | | | | | | | | | | | | |
| Small Business GDP | 430,855 | 30.8% | 446,885 | 31.0% | 481,085 | 31.8% | 474,602 | 32.4% | 424,204 | 29.0% | 442,979 | 29.4% | 487,247 | 29.7% |
| Compensation | 293,563 | 34.7% | 302,951 | 34.5% | 321,840 | 34.7% | 321,104 | 35.2% | 317,033 | 35.5% | 325,414 | 35.5% | 335,470 | 36.3% |
| Nonlabor Components | 137,292 | 24.9% | 143,934 | 25.6% | 159,245 | 27.2% | 153,498 | 27.9% | 107,171 | 18.8% | 117,565 | 19.9% | 151,777 | 21.2% |
| Large Business GDP | 965,984 | 69.2% | 993,430 | 69.0% | 1,032,942 | 68.2% | 988,624 | 67.6% | 1,040,792 | 71.0% | 1,065,795 | 70.6% | 1,154,752 | 70.3% |
| Compensation | 552,350 | 65.3% | 576,153 | 65.5% | 606,314 | 65.3% | 591,159 | 64.8% | 576,408 | 64.5% | 591,747 | 64.5% | 589,051 | 63.7% |
| Nonlabor Components | 413,634 | 75.1% | 417,277 | 74.4% | 426,628 | 72.8% | 397,465 | 72.1% | 464,384 | 81.2% | 474,048 | 80.1% | 565,701 | 78.8% |
| **Utilities** | | | | | | | | | | | | | | |
| Small Business GDP | 18,011 | 10.9% | 19,487 | 11.3% | 22,439 | 12.9% | 24,269 | 13.7% | 21,969 | 12.1% | 24,393 | 12.7% | 26,986 | 13.0% |
| Compensation | 4,404 | 10.9% | 4,830 | 10.7% | 5,169 | 10.9% | 5,739 | 11.1% | 6,477 | 11.9% | 6,146 | 11.5% | 6,530 | 11.6% |
| Nonlabor Components | 13,607 | 10.9% | 14,657 | 11.5% | 17,270 | 13.7% | 18,530 | 14.7% | 15,492 | 12.2% | 18,247 | 13.2% | 20,456 | 13.5% |
| Large Business GDP | 147,136 | 89.1% | 153,256 | 88.7% | 151,469 | 87.1% | 153,309 | 86.3% | 159,005 | 87.9% | 167,459 | 87.3% | 181,015 | 87.0% |
| Compensation | 36,107 | 89.1% | 40,108 | 89.3% | 42,371 | 89.1% | 45,868 | 88.9% | 47,832 | 88.1% | 47,474 | 88.5% | 49,883 | 88.4% |
| Nonlabor Components | 111,029 | 89.1% | 113,148 | 88.5% | 109,098 | 86.3% | 107,441 | 85.3% | 111,173 | 87.8% | 119,985 | 86.8% | 131,132 | 86.5% |
| **Construction** | | | | | | | | | | | | | | |
| Small Business GDP | 336,982 | 88.6% | 375,093 | 88.1% | 402,203 | 86.6% | 421,999 | 86.0% | 418,037 | 84.6% | 436,076 | 84.5% | 464,317 | 83.7% |
| Compensation | 212,555 | 85.4% | 234,181 | 84.9% | 252,060 | 82.8% | 267,433 | 82.2% | 268,838 | 82.0% | 281,608 | 82.9% | 296,476 | 83.0% |
| Nonlabor Components | 124,427 | 94.5% | 140,912 | 93.9% | 150,143 | 93.8% | 154,566 | 93.7% | 149,199 | 89.6% | 154,468 | 87.7% | 167,841 | 85.2% |
| Large Business GDP | 43,444 | 11.4% | 50,858 | 11.9% | 62,285 | 13.4% | 68,527 | 14.0% | 76,290 | 15.4% | 79,853 | 15.5% | 90,117 | 16.3% |
| Compensation | 36,195 | 14.6% | 41,696 | 15.1% | 52,402 | 17.2% | 58,069 | 17.8% | 58,996 | 18.0% | 58,255 | 17.1% | 60,895 | 17.0% |
| Nonlabor Components | 7,249 | 5.5% | 9,162 | 6.1% | 9,883 | 6.2% | 10,458 | 6.3% | 17,294 | 10.4% | 21,598 | 12.3% | 29,222 | 14.8% |
| **Wholesale Trade** | | | | | | | | | | | | | | |
| Small Business-Compensation | 172,859 | 59.2% | 173,979 | 57.5% | 186,515 | 56.9% | 182,951 | 55.4% | 187,032 | 56.7% | 185,338 | 54.7% | 193,835 | 54.0% |
| Large Business-Compensation | 118,954 | 40.8% | 128,423 | 42.5% | 141,321 | 43.1% | 147,155 | 44.6% | 143,019 | 43.3% | 153,423 | 45.3% | 164,934 | 46.0% |
| **Retail Trade** | | | | | | | | | | | | | | |
| Small Business-Compensation | 185,575 | 51.3% | 191,495 | 50.4% | 200,724 | 49.7% | 204,011 | 49.1% | 207,022 | 48.4% | 213,358 | 47.9% | 217,239 | 47.3% |
| Large Business-Compensation | 176,206 | 48.7% | 188,502 | 49.6% | 203,524 | 50.3% | 211,876 | 50.9% | 221,052 | 51.6% | 231,790 | 52.1% | 242,068 | 52.7% |
| **Trade Combined** | | | | | | | | | | | | | | |
| Small Business GDP | 629,746 | 53.2% | 645,705 | 52.4% | 674,000 | 51.7% | 674,026 | 51.2% | 649,379 | 48.2% | 666,127 | 47.3% | 689,383 | 46.6% |
| Nonlabor Components | 271,312 | 51.1% | 280,231 | 50.9% | 286,761 | 50.2% | 287,064 | 50.3% | 255,325 | 43.4% | 267,431 | 42.9% | 278,309 | 42.1% |
| Large Business GDP | 554,434 | 46.8% | 586,779 | 47.6% | 629,879 | 48.3% | 643,173 | 48.8% | 696,670 | 51.8% | 740,861 | 52.7% | 789,811 | 53.4% |
| Nonlabor Components | 259,274 | 48.9% | 269,854 | 49.1% | 285,034 | 49.8% | 284,142 | 49.7% | 332,599 | 56.6% | 355,648 | 57.1% | 382,809 | 57.9% |

**Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)**
**(Millions of Nominal Dollars and Business Size Percent of Total)**

| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct |
| **Mining & Manufacturing** | | | | | | | | | | | | |
| Small Business GDP | 497,570 | 28.3% | 551,379 | 29.3% | 562,445 | 28.8% | 608,321 | 30.7% | 514,088 | 28.6% | 534,845 | 28.0% |
| Compensation | 346,412 | 36.5% | 361,425 | 36.8% | 367,771 | 36.7% | 378,550 | 37.3% | 336,718 | 36.7% | 340,979 | 36.4% |
| Nonlabor Components | 151,158 | 18.6% | 189,954 | 21.2% | 194,674 | 20.5% | 229,771 | 23.8% | 177,370 | 20.1% | 193,866 | 20.0% |
| Large Business GDP | 1,262,513 | 71.7% | 1,329,106 | 70.7% | 1,390,630 | 71.2% | 1,371,166 | 69.3% | 1,283,588 | 71.4% | 1,371,949 | 72.0% |
| Compensation | 601,708 | 63.5% | 621,578 | 63.2% | 633,403 | 63.3% | 636,083 | 62.7% | 580,685 | 63.3% | 595,404 | 63.6% |
| Nonlabor Components | 660,805 | 81.4% | 707,528 | 78.8% | 757,227 | 79.5% | 735,083 | 76.2% | 702,903 | 79.9% | 776,545 | 80.0% |
| **Utilities** | | | | | | | | | | | | |
| Small Business GDP | 27,338 | 13.3% | 29,963 | 12.7% | 33,713 | 13.6% | 33,661 | 12.9% | 29,693 | 11.4% | 29,000 | 10.5% |
| Compensation | 6,632 | 11.7% | 7,075 | 11.7% | 7,749 | 12.6% | 7,744 | 11.6% | 7,864 | 11.6% | 7,408 | 10.8% |
| Nonlabor Components | 20,706 | 13.9% | 22,888 | 13.0% | 25,964 | 13.9% | 25,917 | 13.4% | 21,829 | 11.3% | 21,592 | 10.4% |
| Large Business GDP | 178,332 | 86.7% | 206,204 | 87.3% | 215,084 | 86.4% | 226,987 | 87.1% | 231,594 | 88.6% | 247,113 | 89.5% |
| Compensation | 49,890 | 88.3% | 53,349 | 88.3% | 53,744 | 87.4% | 59,181 | 88.4% | 60,175 | 88.4% | 60,899 | 89.2% |
| Nonlabor Components | 128,442 | 86.1% | 152,855 | 87.0% | 161,340 | 86.1% | 167,806 | 86.6% | 171,419 | 88.7% | 186,214 | 89.6% |
| **Construction** | | | | | | | | | | | | |
| Small Business GDP | 505,424 | 82.6% | 537,380 | 82.5% | 555,091 | 84.5% | 528,164 | 84.5% | 439,288 | 83.9% | 424,850 | 83.5% |
| Compensation | 322,269 | 82.5% | 347,002 | 81.5% | 359,303 | 81.3% | 351,419 | 79.8% | 299,120 | 79.3% | 279,321 | 78.8% |
| Nonlabor Components | 183,155 | 82.9% | 190,378 | 84.5% | 195,788 | 90.9% | 176,745 | 95.8% | 140,168 | 95.7% | 145,529 | 94.1% |
| Large Business GDP | 106,227 | 17.4% | 113,716 | 17.5% | 102,135 | 15.5% | 96,690 | 15.5% | 84,513 | 16.1% | 84,241 | 16.5% |
| Compensation | 68,461 | 17.5% | 78,825 | 18.5% | 82,449 | 18.7% | 88,892 | 20.2% | 78,235 | 20.7% | 75,081 | 21.2% |
| Nonlabor Components | 37,766 | 17.1% | 34,891 | 15.5% | 19,686 | 9.1% | 7,798 | 4.2% | 6,278 | 4.3% | 9,160 | 5.9% |
| **Wholesale Trade** | | | | | | | | | | | | |
| Small Business-Compensation | 204,399 | 53.5% | 219,368 | 53.9% | 234,743 | 54.4% | 230,602 | 52.6% | 210,493 | 51.2% | 213,542 | 51.2% |
| Large Business-Compensation | 177,316 | 46.5% | 187,773 | 46.1% | 196,382 | 45.6% | 207,897 | 47.4% | 200,242 | 48.8% | 203,178 | 48.8% |
| **Retail Trade** | | | | | | | | | | | | |
| Small Business-Compensation | 222,128 | 46.5% | 222,131 | 45.1% | 223,421 | 44.1% | 215,400 | 43.0% | 197,041 | 41.3% | 200,983 | 41.5% |
| Large Business-Compensation | 255,512 | 53.5% | 270,869 | 54.9% | 283,053 | 55.9% | 285,608 | 57.0% | 280,307 | 58.7% | 283,516 | 58.5% |
| **Trade Combined** | | | | | | | | | | | | |
| Small Business GDP | 721,219 | 46.1% | 749,144 | 45.6% | 769,047 | 45.3% | 733,707 | 44.3% | 686,340 | 43.3% | 703,034 | 43.4% |
| Nonlabor Components | 294,692 | 41.8% | 307,645 | 41.3% | 310,883 | 40.8% | 287,705 | 40.1% | 278,806 | 40.0% | 288,509 | 40.1% |
| Large Business GDP | 842,843 | 53.9% | 895,463 | 54.4% | 930,359 | 54.7% | 923,691 | 55.7% | 898,311 | 56.7% | 917,752 | 56.6% |
| Nonlabor Components | 410,015 | 58.2% | 436,821 | 58.7% | 450,924 | 59.2% | 430,186 | 59.9% | 417,762 | 60.0% | 431,058 | 59.9% |

**Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)**
**(Millions of Nominal Dollars and Business Size Percent of Total)**

| | 1998 | | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct |
| **Transportation and Warehousing** | | | | | | | | | | | | | | |
| Small Business GDP | 111,978 | 40.6% | 114,180 | 39.8% | 119,632 | 39.7% | 127,289 | 42.1% | 122,452 | 40.5% | 120,220 | 37.6% | 131,102 | 37.8% |
| Compensation | 63,503 | 35.6% | 66,580 | 35.0% | 69,288 | 34.3% | 70,166 | 34.0% | 70,626 | 34.6% | 65,316 | 31.1% | 70,430 | 31.6% |
| Nonlabor Components | 48,475 | 49.8% | 47,600 | 49.1% | 50,344 | 50.8% | 57,123 | 59.5% | 51,826 | 52.7% | 54,904 | 49.9% | 60,672 | 48.8% |
| Large Business GDP | 163,594 | 59.4% | 172,919 | 60.2% | 181,758 | 60.3% | 175,302 | 57.9% | 179,953 | 59.5% | 199,534 | 62.4% | 215,931 | 62.2% |
| Compensation | 114,663 | 64.4% | 123,617 | 65.0% | 132,968 | 65.7% | 136,412 | 66.0% | 133,398 | 65.4% | 144,386 | 68.9% | 152,299 | 68.4% |
| Nonlabor Components | 48,931 | 50.2% | 49,302 | 50.9% | 48,790 | 49.2% | 38,890 | 40.5% | 46,555 | 47.3% | 55,148 | 50.1% | 63,632 | 51.2% |
| **Information** | | | | | | | | | | | | | | |
| Small Business GDP | 93,638 | 24.3% | 101,595 | 23.2% | 87,638 | 21.0% | 79,839 | 17.7% | 54,717 | 11.0% | 74,524 | 14.7% | 76,449 | 13.6% |
| Compensation | 47,037 | 25.0% | 52,650 | 24.3% | 59,514 | 24.6% | 53,682 | 22.3% | 49,809 | 22.2% | 49,133 | 21.5% | 52,147 | 22.1% |
| Nonlabor Components | 46,601 | 23.5% | 48,945 | 22.0% | 28,124 | 16.0% | 26,157 | 12.4% | 4,908 | 1.8% | 25,391 | 9.1% | 24,302 | 7.4% |
| Large Business GDP | 292,498 | 75.7% | 336,954 | 76.8% | 330,190 | 79.0% | 371,240 | 82.3% | 444,977 | 89.0% | 434,082 | 85.3% | 487,676 | 86.4% |
| Compensation | 141,088 | 75.0% | 163,805 | 75.7% | 182,676 | 75.4% | 187,109 | 77.7% | 174,527 | 77.8% | 179,343 | 78.5% | 183,395 | 77.9% |
| Nonlabor Components | 151,410 | 76.5% | 173,149 | 78.0% | 147,514 | 84.0% | 184,131 | 87.6% | 270,450 | 98.2% | 254,739 | 90.9% | 304,281 | 92.6% |
| **Finance and Insurance** | | | | | | | | | | | | | | |
| Small Business GDP | 202,636 | 31.9% | 228,860 | 33.6% | 256,740 | 33.7% | 278,207 | 33.2% | 331,878 | 38.4% | 331,067 | 36.7% | 339,161 | 36.5% |
| Compensation | 96,192 | 27.9% | 101,629 | 27.3% | 110,060 | 27.0% | 116,661 | 26.4% | 121,089 | 27.1% | 129,550 | 27.7% | 136,266 | 27.4% |
| Nonlabor Components | 106,444 | 36.7% | 127,231 | 41.1% | 146,680 | 41.3% | 161,546 | 40.8% | 210,789 | 50.6% | 201,517 | 46.2% | 202,895 | 47.0% |
| Large Business GDP | 432,062 | 68.1% | 452,888 | 66.4% | 505,272 | 66.3% | 560,471 | 66.8% | 531,659 | 61.6% | 572,082 | 63.3% | 590,086 | 63.5% |
| Compensation | 248,093 | 72.1% | 270,567 | 72.7% | 296,994 | 73.0% | 325,640 | 73.6% | 326,227 | 72.9% | 337,783 | 72.3% | 361,110 | 72.6% |
| Nonlabor Components | 183,969 | 63.3% | 182,321 | 58.9% | 208,278 | 58.7% | 234,831 | 59.2% | 205,432 | 49.4% | 234,299 | 53.8% | 228,976 | 53.0% |
| **Real Estate and Leasing** | | | | | | | | | | | | | | |
| Small Business GDP | 442,893 | 76.5% | 485,878 | 75.9% | 520,679 | 76.3% | 559,701 | 77.1% | 539,877 | 73.9% | 550,479 | 72.9% | 558,262 | 72.6% |
| Compensation | 44,466 | 69.7% | 49,805 | 68.2% | 53,114 | 67.3% | 53,560 | 66.0% | 57,358 | 66.6% | 58,230 | 66.5% | 62,917 | 66.0% |
| Nonlabor Components | 398,427 | 77.4% | 436,073 | 76.9% | 467,565 | 77.5% | 506,141 | 78.5% | 482,519 | 74.9% | 492,249 | 73.7% | 495,345 | 73.5% |
| Large Business GDP | 135,783 | 23.5% | 153,981 | 24.1% | 161,880 | 23.7% | 165,960 | 22.9% | 190,831 | 26.1% | 204,710 | 27.1% | 210,699 | 27.4% |
| Compensation | 19,328 | 30.3% | 23,229 | 31.8% | 25,803 | 32.7% | 27,579 | 34.0% | 28,816 | 33.4% | 29,325 | 33.5% | 32,380 | 34.0% |
| Nonlabor Components | 116,455 | 22.6% | 130,752 | 23.1% | 136,077 | 22.5% | 138,381 | 21.5% | 162,015 | 25.1% | 175,385 | 26.3% | 178,319 | 26.5% |

**Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)**
**(Millions of Nominal Dollars and Business Size Percent of Total)**

| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct |
| **Transportation and Warehousing** | | | | | | | | | | | | |
| Small Business GDP | 139,790 | 37.8% | 147,783 | 37.4% | 147,127 | 36.3% | 150,352 | 36.2% | 137,365 | 35.4% | 140,836 | 34.9% |
| Compensation | 75,079 | 32.1% | 77,949 | 32.0% | 78,946 | 30.9% | 80,953 | 31.4% | 74,708 | 30.6% | 75,140 | 30.1% |
| Nonlabor Components | 64,711 | 47.6% | 69,834 | 45.9% | 68,181 | 45.4% | 69,399 | 44.0% | 62,657 | 43.7% | 66,001 | 42.7% |
| Large Business GDP | 229,878 | 62.2% | 247,698 | 62.6% | 258,287 | 63.7% | 265,444 | 63.8% | 250,505 | 64.6% | 262,234 | 65.1% |
| Compensation | 158,682 | 67.9% | 165,464 | 68.0% | 176,159 | 69.1% | 176,994 | 68.6% | 169,779 | 69.4% | 174,216 | 69.9% |
| Nonlabor Components | 71,196 | 52.4% | 82,234 | 54.1% | 82,128 | 54.6% | 88,450 | 56.0% | 80,726 | 56.3% | 87,713 | 57.3% |
| **Information** | | | | | | | | | | | | |
| Small Business GDP | 91,340 | 15.4% | 88,657 | 14.9% | 86,691 | 13.7% | 89,999 | 13.8% | 78,248 | 12.5% | 74,738 | 11.7% |
| Compensation | 52,660 | 22.2% | 53,458 | 21.8% | 55,445 | 21.5% | 57,222 | 22.0% | 52,652 | 21.3% | 51,213 | 20.7% |
| Nonlabor Components | 38,680 | 10.9% | 35,199 | 10.1% | 31,246 | 8.3% | 32,777 | 8.4% | 25,596 | 6.7% | 24,477 | 6.3% |
| Large Business GDP | 501,223 | 84.6% | 504,618 | 85.1% | 546,647 | 86.3% | 561,593 | 86.2% | 548,700 | 87.5% | 564,026 | 88.3% |
| Compensation | 184,828 | 77.8% | 192,295 | 78.2% | 202,926 | 78.5% | 202,697 | 78.0% | 194,022 | 78.7% | 196,651 | 79.3% |
| Nonlabor Components | 316,395 | 89.1% | 312,323 | 89.9% | 343,721 | 91.7% | 358,896 | 91.6% | 354,678 | 93.3% | 366,423 | 93.7% |
| **Finance and Insurance** | | | | | | | | | | | | |
| Small Business GDP | 359,434 | 34.9% | 362,441 | 32.8% | 373,802 | 33.7% | 288,594 | 27.0% | 452,186 | 38.4% | 513,139 | 33.7% |
| Compensation | 148,970 | 27.5% | 160,425 | 27.5% | 165,065 | 27.0% | 161,756 | 26.5% | 161,413 | 28.4% | 168,026 | 28.7% |
| Nonlabor Components | 210,464 | 43.2% | 202,016 | 38.8% | 208,737 | 41.7% | 126,838 | 27.7% | 290,773 | 47.7% | 345,837 | 36.9% |
| Large Business GDP | 669,082 | 65.1% | 743,109 | 67.2% | 736,630 | 66.3% | 780,213 | 73.0% | 725,086 | 61.6% | 1,007,540 | 66.3% |
| Compensation | 392,830 | 72.5% | 423,996 | 72.5% | 445,210 | 73.0% | 448,679 | 73.5% | 406,543 | 71.6% | 416,648 | 71.3% |
| Nonlabor Components | 276,252 | 56.8% | 319,113 | 61.2% | 291,420 | 58.3% | 331,534 | 72.3% | 318,543 | 52.3% | 590,168 | 63.1% |
| **Real Estate and Leasing** | | | | | | | | | | | | |
| Small Business GDP | 533,580 | 68.5% | 550,545 | 70.9% | 615,880 | 75.7% | 675,754 | 76.2% | 696,211 | 75.2% | 651,873 | 75.4% |
| Compensation | 66,624 | 65.5% | 70,377 | 64.9% | 72,395 | 64.3% | 68,762 | 62.1% | 65,092 | 63.1% | 66,117 | 63.3% |
| Nonlabor Components | 466,956 | 69.0% | 480,168 | 71.9% | 543,485 | 77.5% | 606,992 | 78.3% | 631,119 | 76.7% | 585,840 | 77.1% |
| Large Business GDP | 245,369 | 31.5% | 225,523 | 29.1% | 197,674 | 24.3% | 210,533 | 23.8% | 229,896 | 24.8% | 212,209 | 24.6% |
| Compensation | 35,116 | 34.5% | 38,065 | 35.1% | 40,135 | 35.7% | 41,986 | 37.9% | 37,992 | 36.9% | 38,276 | 36.7% |
| Nonlabor Components | 210,253 | 31.0% | 187,458 | 28.1% | 157,539 | 22.5% | 168,547 | 21.7% | 191,904 | 23.3% | 173,849 | 22.9% |

**Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)**
**(Millions of Nominal Dollars and Business Size Percent of Total)**

| | 1998 | | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct |
| **Professional and Technical Services** | | | | | | | | | | | | | | |
| Small Business GDP | 410,606 | 72.6% | 443,614 | 71.8% | 464,413 | 68.9% | 492,595 | 69.1% | 470,734 | 64.4% | 477,892 | 63.0% | 516,801 | 62.6% |
| Compensation | 236,228 | 64.7% | 254,171 | 63.0% | 286,313 | 61.9% | 293,003 | 61.5% | 288,897 | 61.5% | 277,445 | 57.8% | 291,837 | 57.4% |
| Nonlabor Components | 174,378 | 87.0% | 189,443 | 88.1% | 178,100 | 84.1% | 199,592 | 84.4% | 181,837 | 69.4% | 200,447 | 71.8% | 224,964 | 71.0% |
| Large Business GDP | 154,671 | 27.4% | 174,545 | 28.2% | 209,590 | 31.1% | 220,335 | 30.9% | 260,673 | 35.6% | 280,939 | 37.0% | 308,256 | 37.4% |
| Compensation | 128,670 | 35.3% | 148,979 | 37.0% | 175,985 | 38.1% | 183,384 | 38.5% | 180,497 | 38.5% | 202,360 | 42.2% | 216,481 | 42.6% |
| Nonlabor Components | 26,001 | 13.0% | 25,566 | 11.9% | 33,605 | 15.9% | 36,951 | 15.6% | 80,176 | 30.6% | 78,579 | 28.2% | 91,775 | 29.0% |
| **Administration and Waste Management Services** | | | | | | | | | | | | | | |
| Small Business GDP | 118,816 | 50.8% | 125,105 | 49.0% | 135,527 | 47.8% | 142440 | 48.3% | 142,405 | 47.3% | 154,157 | 47.9% | 159,953 | 48.0% |
| Compensation | 79,037 | 44.5% | 81,833 | 42.6% | 88,957 | 40.6% | 89586 | 40.0% | 90,786 | 39.9% | 96,109 | 40.1% | 100,779 | 40.6% |
| Nonlabor Components | 39,779 | 70.4% | 43,272 | 68.9% | 46,570 | 72.3% | 52854 | 74.5% | 51,619 | 70.2% | 58,048 | 70.8% | 59,174 | 69.6% |
| Large Business GDP | 115,215 | 49.2% | 129,993 | 51.0% | 147,741 | 52.2% | 152554 | 51.7% | 158,638 | 52.7% | 167,519 | 52.1% | 173,275 | 52.0% |
| Compensation | 98,491 | 55.5% | 110,468 | 57.4% | 129,902 | 59.4% | 134459 | 60.0% | 136,696 | 60.1% | 143,629 | 59.9% | 147,473 | 59.4% |
| Nonlabor Components | 16,724 | 29.6% | 19,525 | 31.1% | 17,839 | 27.7% | 18095 | 25.5% | 21,942 | 29.8% | 23,890 | 29.2% | 25,802 | 30.4% |
| **Education Services** | | | | | | | | | | | | | | |
| Small Business GDP | 31,539 | 43.2% | 34,698 | 43.7% | 37,375 | 43.5% | 38185 | 43.1% | 42,016 | 42.5% | 45,649 | 43.0% | 48,930 | 42.2% |
| Compensation | 26,781 | 41.9% | 29,194 | 42.1% | 31,325 | 42.2% | 33600 | 42.1% | 36,869 | 41.5% | 39,719 | 42.0% | 41,642 | 40.6% |
| Nonlabor Components | 4,758 | 52.4% | 5,504 | 54.0% | 6,050 | 52.2% | 4585 | 51.1% | 5,147 | 51.4% | 5,930 | 51.7% | 7,288 | 54.1% |
| Large Business GDP | 41,427 | 56.8% | 44,757 | 56.3% | 48,478 | 56.5% | 50507 | 56.9% | 56,839 | 57.5% | 60,415 | 57.0% | 67,064 | 57.8% |
| Compensation | 37,100 | 58.1% | 40,076 | 57.9% | 42,948 | 57.8% | 46116 | 57.9% | 51,972 | 58.5% | 54,877 | 58.0% | 60,891 | 59.4% |
| Nonlabor Components | 4,327 | 47.6% | 4,681 | 46.0% | 5,530 | 47.8% | 4391 | 48.9% | 4,867 | 48.6% | 5,538 | 48.3% | 6,173 | 45.9% |
| **Health Services** | | | | | | | | | | | | | | |
| Small Business GDP | 284,737 | 56.3% | 313,414 | 56.1% | 329,888 | 55.7% | 358423 | 56.0% | 376,560 | 54.5% | 405,865 | 54.8% | 427,265 | 54.1% |
| Compensation | 210,877 | 51.5% | 235,273 | 51.5% | 251,084 | 51.7% | 269278 | 51.7% | 288,776 | 51.2% | 308,673 | 50.7% | 323,593 | 49.8% |
| Nonlabor Components | 73,860 | 76.5% | 78,141 | 76.8% | 78,804 | 73.7% | 89145 | 74.8% | 87,784 | 69.2% | 97,192 | 73.2% | 103,672 | 73.4% |
| Large Business GDP | 221,395 | 43.7% | 245,605 | 43.9% | 262,256 | 44.3% | 282078 | 44.0% | 314,382 | 45.5% | 335,335 | 45.2% | 363,112 | 45.9% |
| Compensation | 198,717 | 48.5% | 221,936 | 48.5% | 234,152 | 48.3% | 251977 | 48.3% | 275,382 | 48.8% | 299,805 | 49.3% | 325,554 | 50.2% |
| Nonlabor Components | 22,678 | 23.5% | 23,669 | 23.2% | 28,104 | 26.3% | 30101 | 25.2% | 39,000 | 30.8% | 35,530 | 26.8% | 37,558 | 26.6% |

**Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2004**
**(Millions of Nominal Dollars and Business Size Percent of Total)**

| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct |
| **Professional and Technical Services** | | | | | | | | | | | | |
| Small Business GDP | 549,454 | 61.7% | 589,845 | 60.9% | 633,167 | 60.5% | 675,296 | 59.7% | 618,740 | 58.0% | 644,253 | 57.7% |
| Compensation | 318,183 | 57.2% | 343,680 | 56.6% | 364,891 | 55.8% | 382,137 | 55.0% | 359,938 | 53.6% | 368,066 | 53.2% |
| Nonlabor Components | 231,271 | 69.0% | 246,165 | 68.2% | 268,276 | 68.3% | 293,159 | 67.1% | 258,802 | 65.4% | 276,187 | 64.9% |
| Large Business GDP | 341,539 | 38.3% | 378,856 | 39.1% | 413,788 | 39.5% | 455,935 | 40.3% | 448,511 | 42.0% | 472,905 | 42.3% |
| Compensation | 237,662 | 42.8% | 263,826 | 43.4% | 289,080 | 44.2% | 312,029 | 45.0% | 311,292 | 46.4% | 323,636 | 46.8% |
| Nonlabor Components | 103,877 | 31.0% | 115,030 | 31.8% | 124,708 | 31.7% | 143,906 | 32.9% | 137,219 | 34.6% | 149,269 | 35.1% |
| **Administration and Waste Management Services** | | | | | | | | | | | | |
| Small Business GDP | 164,933 | 44.8% | 177,030 | 46.0% | 183,886 | 44.4% | 180,106 | 43.2% | 174,692 | 43.9% | 186,604 | 44.4% |
| Compensation | 107,443 | 39.1% | 110,604 | 37.8% | 115,886 | 37.4% | 114,338 | 36.3% | 105,858 | 36.3% | 112,423 | 36.6% |
| Nonlabor Components | 57,490 | 61.3% | 66,426 | 71.7% | 68,000 | 65.2% | 65,768 | 64.1% | 68,834 | 64.8% | 74,269 | 65.5% |
| Large Business GDP | 203,562 | 55.2% | 207,989 | 54.0% | 230,602 | 55.6% | 237,154 | 56.8% | 222,853 | 56.1% | 233,637 | 55.6% |
| Compensation | 167,221 | 60.9% | 181,812 | 62.2% | 194,304 | 62.6% | 200,283 | 63.7% | 185,400 | 63.7% | 194,492 | 63.4% |
| Nonlabor Components | 36,341 | 38.7% | 26,177 | 28.3% | 36,298 | 34.8% | 36,871 | 35.9% | 37,453 | 35.2% | 39,057 | 34.5% |
| **Education Services** | | | | | | | | | | | | |
| Small Business GDP | 49,488 | 41.2% | 52,950 | 41.2% | 56,416 | 41.1% | 59,231 | 40.4% | 60,989 | 39.3% | 67,266 | 39.7% |
| Compensation | 42,177 | 39.7% | 44,584 | 39.3% | 47,788 | 39.4% | 50,304 | 39.0% | 51,644 | 38.1% | 53,290 | 37.9% |
| Nonlabor Components | 7,311 | 52.4% | 8,366 | 54.8% | 8,628 | 53.5% | 8,927 | 50.5% | 9,345 | 48.2% | 13,976 | 49.0% |
| Large Business GDP | 70,582 | 58.8% | 75,711 | 58.8% | 80,888 | 58.9% | 87,368 | 59.6% | 94,084 | 60.7% | 101,959 | 60.3% |
| Compensation | 63,943 | 60.3% | 68,821 | 60.7% | 73,391 | 60.6% | 78,604 | 61.0% | 84,024 | 61.9% | 87,405 | 62.1% |
| Nonlabor Components | 6,639 | 47.6% | 6,890 | 45.2% | 7,497 | 46.5% | 8,764 | 49.5% | 10,060 | 51.8% | 14,554 | 51.0% |
| **Health Services** | | | | | | | | | | | | |
| Small Business GDP | 445,617 | 53.5% | 465,597 | 52.5% | 488,420 | 51.9% | 524,350 | 52.1% | 536,596 | 51.1% | 551,558 | 51.0% |
| Compensation | 341,765 | 49.7% | 358,029 | 48.8% | 371,795 | 48.0% | 394,754 | 47.8% | 404,134 | 46.9% | 412,070 | 46.6% |
| Nonlabor Components | 103,852 | 71.2% | 107,568 | 70.1% | 116,625 | 69.8% | 129,596 | 71.2% | 132,462 | 70.3% | 139,488 | 71.0% |
| Large Business GDP | 387,721 | 46.5% | 420,918 | 47.5% | 452,571 | 48.1% | 482,788 | 47.9% | 514,041 | 48.9% | 529,801 | 49.0% |
| Compensation | 345,667 | 50.3% | 375,146 | 51.2% | 402,024 | 52.0% | 430,257 | 52.2% | 458,096 | 53.1% | 472,748 | 53.4% |
| Nonlabor Components | 42,054 | 28.8% | 45,772 | 29.9% | 50,547 | 30.2% | 52,531 | 28.8% | 55,945 | 29.7% | 57,053 | 29.0% |

**Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)**
**(Millions of Nominal Dollars and Business Size Percent of Total)**

| | 1998 | | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct |
| **Arts and Entertainment** | | | | | | | | | | | | | | |
| Small Business GDP | 64,307 | 79.2% | 71,492 | 78.6% | 76,242 | 77.4% | 71845 | 75.8% | 75,473 | 73.9% | 78,843 | 74.6% | 83,972 | 74.1% |
| Compensation | 33,730 | 73.8% | 36,227 | 72.8% | 38,629 | 70.1% | 40663 | 70.3% | 42,476 | 69.2% | 44,919 | 70.0% | 47,549 | 70.4% |
| Nonlabor Components | 30,577 | 86.1% | 35,265 | 85.6% | 37,613 | 86.6% | 31182 | 84.3% | 32,997 | 81.0% | 33,924 | 81.5% | 36,423 | 79.6% |
| Large Business GDP | 16,935 | 20.8% | 19,473 | 21.4% | 22,322 | 22.6% | 22971 | 24.2% | 26,667 | 26.1% | 26,910 | 25.4% | 29,319 | 25.9% |
| Compensation | 11,991 | 26.2% | 13,517 | 27.2% | 16,492 | 29.9% | 17161 | 29.7% | 18,903 | 30.8% | 19,226 | 30.0% | 19,977 | 29.6% |
| Nonlabor Components | 4,944 | 13.9% | 5,956 | 14.4% | 5,830 | 13.4% | 5810 | 15.7% | 7,764 | 19.0% | 7,684 | 18.5% | 9,342 | 20.4% |
| **Accommodation and Food Services** | | | | | | | | | | | | | | |
| Small Business GDP | 145,715 | 60.8% | 157,361 | 59.5% | 171,404 | 60.6% | 173396 | 58.5% | 172,893 | 56.0% | 173,194 | 53.9% | 184,346 | 53.7% |
| Compensation | 84,041 | 56.3% | 90,859 | 55.3% | 95,023 | 54.3% | 99790 | 54.5% | 104,426 | 55.5% | 107,293 | 54.2% | 115,466 | 54.5% |
| Nonlabor Components | 61,674 | 68.1% | 66,502 | 66.4% | 76,381 | 70.7% | 73606 | 64.9% | 68,467 | 56.7% | 65,901 | 53.4% | 68,880 | 52.3% |
| Large Business GDP | 94,122 | 39.2% | 107,072 | 40.5% | 111,639 | 39.4% | 122961 | 41.5% | 136,117 | 44.0% | 147,971 | 46.1% | 159,079 | 46.3% |
| Compensation | 65,290 | 43.7% | 73,478 | 44.7% | 79,953 | 45.7% | 83202 | 45.5% | 83,768 | 44.5% | 90,547 | 45.8% | 96,335 | 45.5% |
| Nonlabor Components | 28,832 | 31.9% | 33,594 | 33.6% | 31,686 | 29.3% | 39759 | 35.1% | 52,349 | 43.3% | 57,424 | 46.6% | 62,744 | 47.7% |
| **Other Services (excluding govt)** | | | | | | | | | | | | | | |
| Small Business GDP | 214,711 | 87.4% | 227651 | 87.8% | 241,269 | 86.9% | 226,446 | 85.7% | 246,449 | 86.5% | 249,026 | 86.0% | 259,753 | 85.7% |
| Compensation | 125,275 | 83.1% | 131190 | 83.2% | 139,677 | 82.1% | 143,689 | 81.8% | 154,320 | 82.5% | 160,294 | 82.5% | 168,399 | 82.1% |
| Nonlabor Components | 89,436 | 94.4% | 96461 | 94.8% | 101,592 | 94.5% | 82,757 | 93.6% | 92,129 | 94.0% | 88,732 | 92.9% | 91,354 | 93.3% |
| Large Business GDP | 30,839 | 12.6% | 31690 | 12.2% | 36,319 | 13.1% | 37,747 | 14.3% | 38,517 | 13.5% | 40,645 | 14.0% | 43,227 | 14.3% |
| Compensation | 25,548 | 16.9% | 26450 | 16.8% | 30,462 | 17.9% | 32,043 | 18.2% | 32,650 | 17.5% | 33,913 | 17.5% | 36,636 | 17.9% |
| Nonlabor Components | 5,291 | 5.6% | 5240 | 5.2% | 5,857 | 5.5% | 5,704 | 6.4% | 5,867 | 6.0% | 6,732 | 7.1% | 6,591 | 6.7% |
| **Holding Cos.** | | | | | | | | | | | | | | |
| Small Business GDP | 40,856 | 29.6% | 45052 | 30.4% | 48,345 | 28.3% | 47,002 | 26.9% | 50,728 | 28.4% | 69,450 | 36.1% | 68,212 | 33.6% |
| Compensation | 35,585 | 30.5% | 39172 | 31.4% | 41,794 | 28.6% | 42,212 | 28.2% | 42,974 | 28.3% | 62,131 | 37.9% | 59,891 | 34.6% |
| Nonlabor Components | 5,271 | 24.8% | 5880 | 25.3% | 6,551 | 26.3% | 4,790 | 19.2% | 7,754 | 29.6% | 7,319 | 25.9% | 8,321 | 27.7% |
| Large Business GDP | 97,123 | 70.4% | 103040 | 69.6% | 122,745 | 71.7% | 127,546 | 73.1% | 127,594 | 71.6% | 122,771 | 63.9% | 134,887 | 66.4% |
| Compensation | 81,123 | 69.5% | 85707 | 68.6% | 104,413 | 71.4% | 107,334 | 71.8% | 109,122 | 71.7% | 101,878 | 62.1% | 113,148 | 65.4% |
| Nonlabor Components | 16,000 | 75.2% | 17333 | 74.7% | 18,332 | 73.7% | 20,212 | 80.8% | 18,472 | 70.4% | 20,893 | 74.1% | 21,739 | 72.3% |

**Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)**
**(Millions of Nominal Dollars and Business Size Percent of Total)**

| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct |
| **Arts and Entertainment** | | | | | | | | | | | | |
| Small Business GDP | 84,040 | 71.7% | 90,065 | 71.2% | 94,807 | 70.5% | 91,563 | 69.3% | 89,233 | 68.7% | 93,034 | 68.8% |
| Compensation | 47,471 | 68.6% | 51,577 | 68.0% | 53,897 | 66.9% | 53,613 | 66.3% | 52,536 | 65.3% | 53,580 | 65.3% |
| Nonlabor Components | 36,569 | 76.0% | 38,488 | 75.9% | 40,910 | 76.0% | 37,950 | 73.9% | 36,697 | 74.2% | 39,454 | 74.1% |
| Large Business GDP | 33,234 | 28.3% | 36,505 | 28.8% | 39,622 | 29.5% | 40,642 | 30.7% | 40,620 | 31.3% | 42,234 | 31.2% |
| Compensation | 21,707 | 31.4% | 24,312 | 32.0% | 26,690 | 33.1% | 27,261 | 33.7% | 27,889 | 34.7% | 28,429 | 34.7% |
| Nonlabor Components | 11,527 | 24.0% | 12,193 | 24.1% | 12,932 | 24.0% | 13,381 | 26.1% | 12,731 | 25.8% | 13,805 | 25.9% |
| **Accommodation and Food Service** | | | | | | | | | | | | |
| Small Business GDP | 189,509 | 52.0% | 203,485 | 52.9% | 216,028 | 52.6% | 208,681 | 51.8% | 203,061 | 52.6% | 216,980 | 52.7% |
| Compensation | 119,315 | 53.7% | 124,261 | 53.7% | 134,374 | 53.0% | 132,637 | 52.8% | 128,501 | 53.4% | 135,912 | 53.6% |
| Nonlabor Components | 70,194 | 49.3% | 79,224 | 51.7% | 81,654 | 52.0% | 76,044 | 50.2% | 74,560 | 51.3% | 81,068 | 51.3% |
| Large Business GDP | 174,799 | 48.0% | 181,219 | 47.1% | 194,746 | 47.4% | 193,967 | 48.2% | 183,018 | 47.4% | 194,591 | 47.3% |
| Compensation | 102,680 | 46.3% | 107,150 | 46.3% | 119,310 | 47.0% | 118,395 | 47.2% | 112,141 | 46.6% | 117,479 | 46.4% |
| Nonlabor Components | 72,119 | 50.7% | 74,069 | 48.3% | 75,436 | 48.0% | 75,572 | 49.8% | 70,877 | 48.7% | 77,112 | 48.7% |
| **Other Services (excluding govt)** | | | | | | | | | | | | |
| Small Business GDP | 271,672 | 85.3% | 282,145 | 85.0% | 291,005 | 84.4% | 284,371 | 83.6% | 282,600 | 84.1% | 290,734 | 84.3% |
| Compensation | 170,731 | 81.5% | 177,225 | 81.4% | 185,977 | 80.7% | 192,179 | 80.4% | 189,285 | 80.9% | 191,959 | 81.2% |
| Nonlabor Components | 100,941 | 92.6% | 104,920 | 91.9% | 105,028 | 92.0% | 92,192 | 91.1% | 93,315 | 91.3% | 98,775 | 91.2% |
| Large Business GDP | 46,781 | 14.7% | 49,864 | 15.0% | 53,616 | 15.6% | 55,786 | 16.4% | 53,623 | 15.9% | 53,973 | 15.7% |
| Compensation | 38,765 | 18.5% | 40,582 | 18.6% | 44,427 | 19.3% | 46,818 | 19.6% | 44,746 | 19.1% | 44,472 | 18.8% |
| Nonlabor Components | 8,016 | 7.4% | 9,282 | 8.1% | 9,189 | 8.0% | 8,968 | 8.9% | 8,877 | 8.7% | 9,501 | 8.8% |
| **Holding Cos.** | | | | | | | | | | | | |
| Small Business GDP | 67,789 | 31.1% | 69,631 | 29.7% | 74,706 | 29.0% | 84,932 | 32.6% | 80,999 | 33.3% | 85,675 | 33.4% |
| Compensation | 58,583 | 31.5% | 59,589 | 29.7% | 63,412 | 28.9% | 78,940 | 35.5% | 75,214 | 35.9% | 79,950 | 35.9% |
| Nonlabor Components | 9,206 | 28.8% | 10,042 | 29.9% | 11,294 | 29.8% | 5,992 | 15.9% | 5,785 | 17.2% | 5,725 | 16.9% |
| Large Business GDP | 149,904 | 68.9% | 164,624 | 70.3% | 182,610 | 71.0% | 175,245 | 67.4% | 162,138 | 66.7% | 171,147 | 66.6% |
| Compensation | 127,182 | 68.5% | 141,031 | 70.3% | 156,036 | 71.1% | 143,567 | 64.5% | 134,338 | 64.1% | 142,998 | 64.1% |
| Nonlabor Components | 22,722 | 71.2% | 23,593 | 70.1% | 26,574 | 70.2% | 31,678 | 84.1% | 27,800 | 82.8% | 28,149 | 83.1% |

**Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)**
**(Millions of Nominal Dollars and Business Size Percent of Total)**

| | 1998 | | 1999 | | 2000 | | 2001 | | 2002 | | 2003 | | 2004 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct |
| **PRIVATE NONFARM GDP** | | | | | | | | | | | | | | |
| Small Business GDP | 3,578,026 | 50.5% | 3836070 | 50.5% | 4,068,879 | 50.3% | 4,190,264 | 50.3% | 4,139,771 | 48.3% | 4,299,941 | 48.1% | 4,522,139 | 47.5% |
| Compensation | 1,951,708 | 48.3% | 2076019 | 47.7% | 2,231,086 | 47.2% | 2,287,128 | 46.9% | 2,334,808 | 47.3% | 2,410,676 | 47.0% | 2,520,466 | 46.9% |
| Nonlabor Components | 1,626,318 | 53.4% | 1760051 | 54.3% | 1,837,793 | 54.8% | 1,903,136 | 55.0% | 1,804,963 | 49.5% | 1,889,265 | 49.5% | 2,001,673 | 48.3% |
| Large Business GDP | 3,506,662 | 49.5% | 3757240 | 49.5% | 4,016,765 | 49.7% | 4,143,305 | 49.7% | 4,439,604 | 51.7% | 4,646,881 | 51.9% | 4,998,306 | 52.5% |
| Compensation | 2,089,914 | 51.7% | 2276711 | 52.3% | 2,498,680 | 52.8% | 2,586,543 | 53.1% | 2,599,265 | 52.7% | 2,719,761 | 53.0% | 2,852,510 | 53.1% |
| Nonlabor Components | 1,416,748 | 46.6% | 1480529 | 45.7% | 1,518,085 | 45.2% | 1,556,762 | 45.0% | 1,840,339 | 50.5% | 1,927,120 | 50.5% | 2,145,796 | 51.7% |

**Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)**
**(Millions of Nominal Dollars and Business Size Percent of Total)**

| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct | Dollars | Pct |
| **PRIVATE NONFARM GDP** | | | | | | | | | | | | |
| Small Business GDP | 4,698,197 | 46.3% | 4,948,040 | 46.1% | 5,182,230 | 46.2% | 5,217,082 | 45.8% | 5,080,329 | 46.0% | 5,210,469 | 44.6% |
| Compensation | 2,650,841 | 46.7% | 2,788,759 | 46.3% | 2,902,857 | 45.9% | 2,951,310 | 45.7% | 2,772,211 | 45.2% | 2,809,979 | 44.8% |
| Nonlabor Components | 2,047,356 | 45.9% | 2159281 | 45.9% | 2,279,373 | 46.6% | 2,265,772 | 46.0% | 2,308,118 | 47.0% | 2,400,490 | 44.4% |
| Large Business GDP | 5,443,589 | 53.7% | 5,781,123 | 53.9% | 6,025,888 | 53.8% | 6,165,202 | 54.2% | 5,971,081 | 54.0% | 6,465,158 | 55.4% |
| Compensation | 3,029,170 | 53.3% | 3,234,894 | 53.7% | 3,418,722 | 54.1% | 3,505,231 | 54.3% | 3,365,906 | 54.8% | 3,455,528 | 55.2% |
| Nonlabor Components | 2,414,419 | 54.1% | 2,546,229 | 54.1% | 2,607,166 | 53.4% | 2,659,971 | 54.0% | 2,605,175 | 53.0% | 3,009,630 | 55.6% |

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