



FREQUENTLY ASKED QUESTIONS

1. What is a small business?

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

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

In 2013, there were 28.8 million small businesses.

- Eighty percent, or 23 million, had no employees (termed “nonemployers”)
- Twenty percent, or 5.8 million, had paid employees
- There were 18,600 large businesses.

The number of small employers has increased after a decline during the recession, while the number of non-employers has gradually increased since 1997 (Figure 1).

Source: SUSB, NES

3. How big is the role of small businesses in the U.S. economy?

Small businesses comprise:

- 99.9% of all firms
- 99.7% of firms with paid employees
- 97.7% of exporting firms (297,000 small exporters)
- 33.6% of known export value (\$471 billion out of \$930 billion)
- 48.0% of private sector employees (57 million out of 118 million employees)
- 41.2% of private-sector payroll

Source: SUSB, NES, ITA (2013)

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

Small businesses accounted for 63.3% of net new jobs from the third quarter of 1992 until the third quarter of 2013. Figure 2 shows details from 1992 to 2013. The small business share of net job change was strongly positive for most of this 21-year time span, except during two recessionary periods.

Source: BED

5. How can small businesses' share of net new jobs be larger than their share of employment, yet their share of employment remain steady?

As firms grow, they change employment size classes. So as small firms grow, their growth counts toward small firm job gains; but if they pass the 500-employee mark, their employment is classified as large firm employment.

6. What is the survival rate for new businesses?

79.9% of establishments started in 2014 survived until 2015, the highest share since 2005. From 2004 to 2014, an average of 78.5% of new establishments survived one year.

- About half of all establishments survive five years or longer. In the past decade, this ranged from a low of 45.4% for establishments started in 2006, and a high of 51.4% for those started in 2011.
- About one-third of establishments survive 10 years or longer.

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

Source: BED, BDS; Office of Advocacy calculations

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

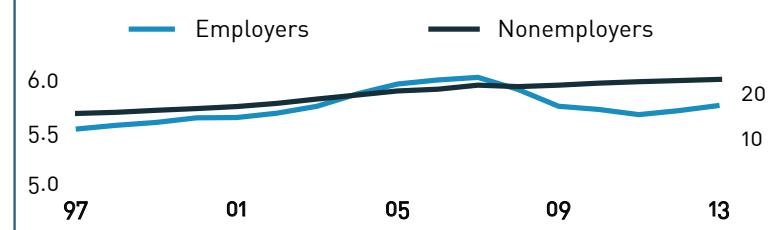


Figure 2. Share of new jobs from small businesses, 1992-2013 (BED; Advocacy calculations)

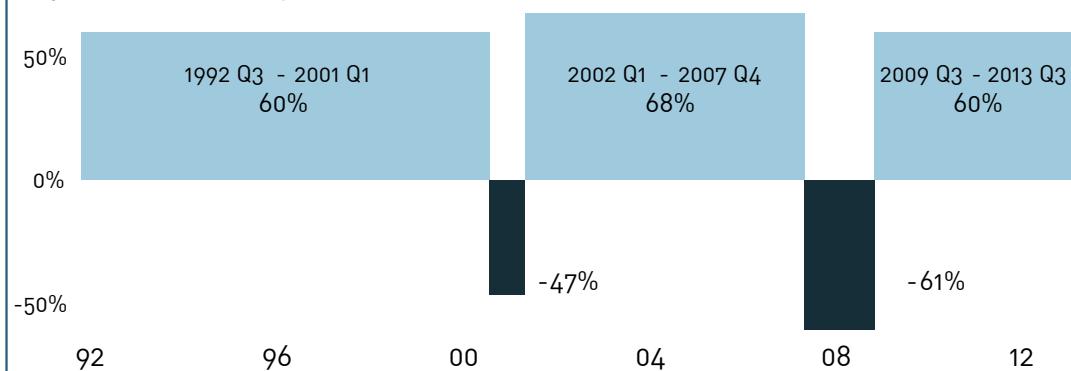
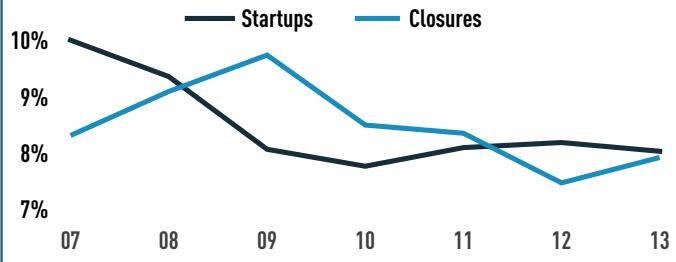


Table 1. Employer Firm Startups and Closures (BDS)

	Startups	Closures
2007	528,988	439,494
2008	490,834	477,010
2009	409,065	493,994
2010	387,976	424,610
2011	401,156	413,882
2012	411,252	375,192
2013	406,353	400,687

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



7. How many businesses open and close each year?

In 2013, there were about 406,000 startups (firms less than one year old) and 401,000 firm closures (Table 1). The share of businesses that were startups has hovered around 8% since the recession, although it slightly increased from 2010 to 2013 (Figure 3).

Source: BDS

8. How many businesses do women own?

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

Source: SBO

9. How many businesses do minorities own?

In 2012, 29.3% of U.S. firms were minority owned, 12% were Hispanic-owned, 10% were Black- or African American-owned, 7% were Asian-owned, 1% were owned by American Indians and Alaska Natives, and 0.2% were owned by Native Hawaiians and other Pacific Islanders (Table 2). In total, 8 million businesses were minority-owned, an increase of 38% from 2007.

Source: SBO

Table 2. Business Owner Demographics, 2012 (SBO)

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

* Share of all classifiable firms

10. How many businesses do veterans own?

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

Source: SBO

11. Is millennial entrepreneurship increasing?

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

Source: "The Missing Millennial Entrepreneurs," February 2016. www.sba.gov/sites/default/files/advocacy/Millennial_IB.pdf

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

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

Source: SBO

13. What percent of firms are family-owned, and how does this compare to equally-owned firms?

About one in five firms (19.3%) are family-owned. Of these family-owned firms, about half are “equally-owned,” that is, 50% owned by one or more men, and 50% owned by one or more women. Hence, about one in 10 firms is both equally-owned and family-owned.

The industries with the highest share of family-owned firms are management of companies and enterprises (46.4% of firms in this industry are family-owned), real estate and rental and leasing (37.3%), and accommodation and food services (33.2%).

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

Source: SBO

14. How are most small businesses legally organized?

The majority of firms without paid employees are sole proprietorships (86.4%), while only 14.8% of small employer firms are sole proprietorships. Nearly half of small employer firms are S-corporations. Table 3 shows details.

Source: SUSB, NES

15. What percent of firms are home-based?

The share of businesses that are home-based has remained relatively constant over the past decade, at about 50% of all firms. More specifically, 60.1% of all firms without paid employees are home-based, as are 23.3% of small employer firms and 0.3% of large employer firms. The industries in which businesses are most likely to be home-based are information (70.0%), construction (68.2%), and professional, scientific, and technical services (65.3%). A home-based business is operated primarily out of one's home, but business activities may take place at other locations as well.

Source: SBO

16. What percent of firms are franchises?

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

Source: SBO

17. What is the status of the startup market?

Average employment at startups has fluctuated over the past decade, declining from 6 employees per firm in 2004 to 5.6 employees per firm in 2013. Average employment at firms of

all ages has remained relatively flat during this period, with an average of 22.4 employees per firm in 2004 to 23.2 employees per firm in 2013 (Figure 4).

Source: BDS

18. How are small businesses financed?

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

Source: SBO. For more information, see “Small Business Finance FAQ,” www.sba.gov/category/advocacy-navigation-structure/frequently-asked-questions-about-small-business-finance. Also see “Quarterly Lending Bulletin,” www.sba.gov/advocacy/quarterly-lending-bulletins.

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

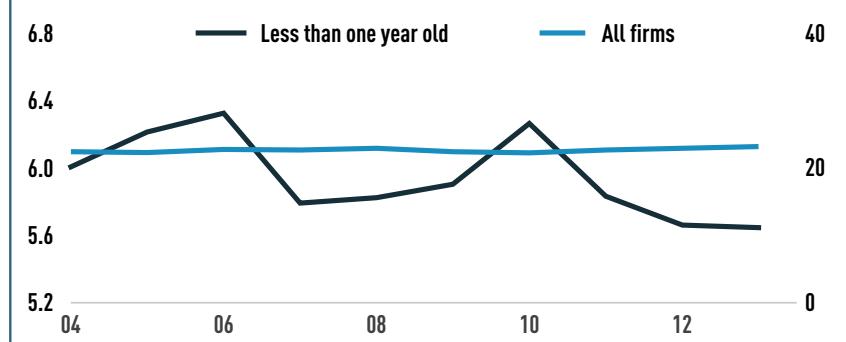
In fiscal year 2015, 25.8% of contracting dollars went to small businesses, up from 25.1% in FY 2014 and 23.4% in FY 2013. Of agencies with at least \$1 billion in eligible contract dollars, the ones that awarded the highest share of contracting dollars to small businesses were the Departments of the Interior (55.4%), Transportation (50.6%), and Agriculture (50.1%).

Source: Small Business Dashboard, smallbusiness.data.gov

Table 3. Legal Form of Organization (SUSB 2013, NES 2014)

Type of business	Non-employer	Small employer	Large employer
Sole proprietorship	86.4	14.8	4.3
Partnership	7.4	11.3	23.3
S-corporation	4.7	46.9	29.3
C-corporation and other	1.6	27.2	79.5
Corporation	-	19.7	53.0
Government	-	0.0	2.9
Nonprofit	-	7.4	20.4
Other	-	0.1	3.2

Figure 4. Average number of employees per firm, 2004-2013 (BDS)



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

In 2012, there were 244,243 small employer firms in high-tech industries, representing 98.5% of all employer firms in these industries. The majority of these small firms provide services in either computer systems design or architecture and engineering (Figure 5).

Among small firms, the industries with the highest growth from 2007 to 2012 were pharmaceutical and medicine manufacturing, data processing and hosting service, and computer systems design services (Table 4). Notably, the number of small firms in pharmaceutical and medicine manufacturing increased 12.4%, compared to an increase 2.0% for large firms.

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

Figure 5. Small firms in high-tech industries
(SUSB 2012)

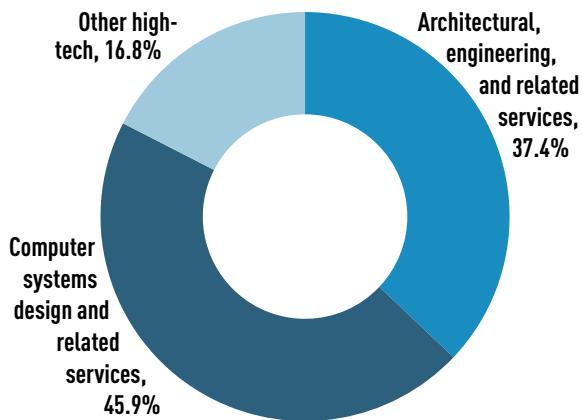


Table 4. Percent change in number of high-tech firms by industry, 2007-2012 (SUSB)

NAICS Code	Industry Name	Small firms	Large firms
5182	Data processing and hosting	21.9	20.6
3254	Pharmaceutical and medicine mfg.	12.4	2.0
5415	Computer systems design	7.9	23.2
3345	Measurement, etc. instrument mfg.	2.9	-2.2
3364	Aerospace parts and products mfg.	0.1	3.8
5417	Scientific research development	0.0	1.2
5112	Software publishers	-5.3	4.4
5413	Architecture and engineering	-9.1	6.7
3344	Semiconductor, etc. mfg.	-9.4	-15.5
3341	Computer and peripheral mfg.	-15.0	-11.6
3342	Communications equipment mfg.	-15.7	-20.1

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

Small businesses represent about 96% of employer firms in high-patenting manufacturing industries, a percentage that remained constant from 2007 to 2012. However, during the same time period, small businesses' share of employment, payroll, and receipts increased (Table 5). This increase was particularly notable in firms that manufactured computers and peripheral equipment, communications equipment, or semiconductors and other electronic components.

Source: SUSB

Table 5. Small business percent of high-patenting manufacturing industries, 2007-2012 (SUSB)

	Firms	Establishments	Employment	Payroll	Receipts
2007	95.84	89.0	39.7	33.4	24.8
2012	95.88	89.0	42.0	36.0	26.8
Increase	0.05	0.0	2.3	2.6	1.9

Data Sources

- BED Business Employment Dynamics, Bureau of Labor Statistics, US Department of Labor, www.bls.gov/bdm
- BDS Business Dynamics Statistics, US Census Bureau, US Department of Commerce, www.census.gov/ces/dataproducts/bds
- ITA International Trade Administration, US Department of Commerce, www.trade.gov/
- NES Nonemployer Statistics, US Census Bureau, US Department of Commerce, www.census.gov/econ/nonemployer
- SBO Survey of Business Owners, US Census Bureau, US Department of Commerce, www.census.gov/econ/sbo
- SUSB Statistics of US Businesses, US Census Bureau, US Department of Commerce, www.census.gov/econ/susb

The Office of Advocacy and Small Business Data

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

