

FREQUENTLY ASKED QUESTIONS

MARCH 2023

U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY

REGULATION • RESEARCH • OUTREACH

1. What is a small business?

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

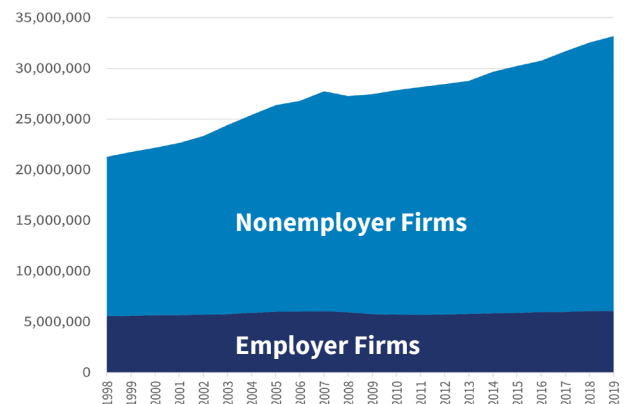
2. How many small businesses are there in the U.S.?

There are 33,185,550 small businesses in the U.S.

- 81.7%, or 27,104,006 firms, have no employees (termed “nonemployer firms”) and 18.3%, or 6,081,544 firms, have paid employees (termed “employer firms”).
- There are 20,868 large businesses.
- The number of small employer firms has increased after a decline during the Great Recession. The number of nonemployer firms has gradually increased from 15.4 million in 1997 to 27.1 million in 2019 (Figure 1).

Source: SUSB, NES

Figure 1: Number of Small Businesses (SUSB, NES)



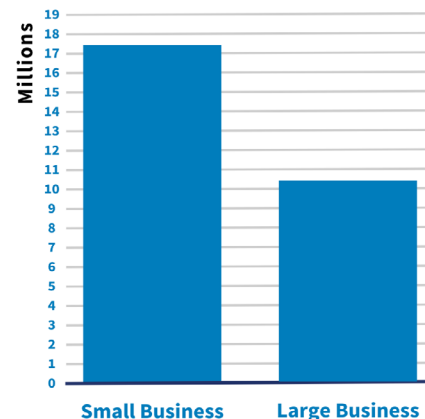
3. What is the role for small business in the economy?

Small businesses comprise:

- 99.9% of all firms
- 99.7% of firms with paid employees
- 97.3% of exporters (264,366 businesses)
- 46.4% of private sector employees (61.7 million workers)
- 43.5% of gross domestic product
- 39.4% of private sector payroll (\$2.9 trillion)
- 35.6% of private sector receipts (\$13.3 trillion)
- 32.6% of known export value (\$413.3 billion)

Source: SUSB, NES, ITA, SBGDP, Advocacy US Profile

Figure 2: Net New Jobs, 1995 – 2021 (BED)



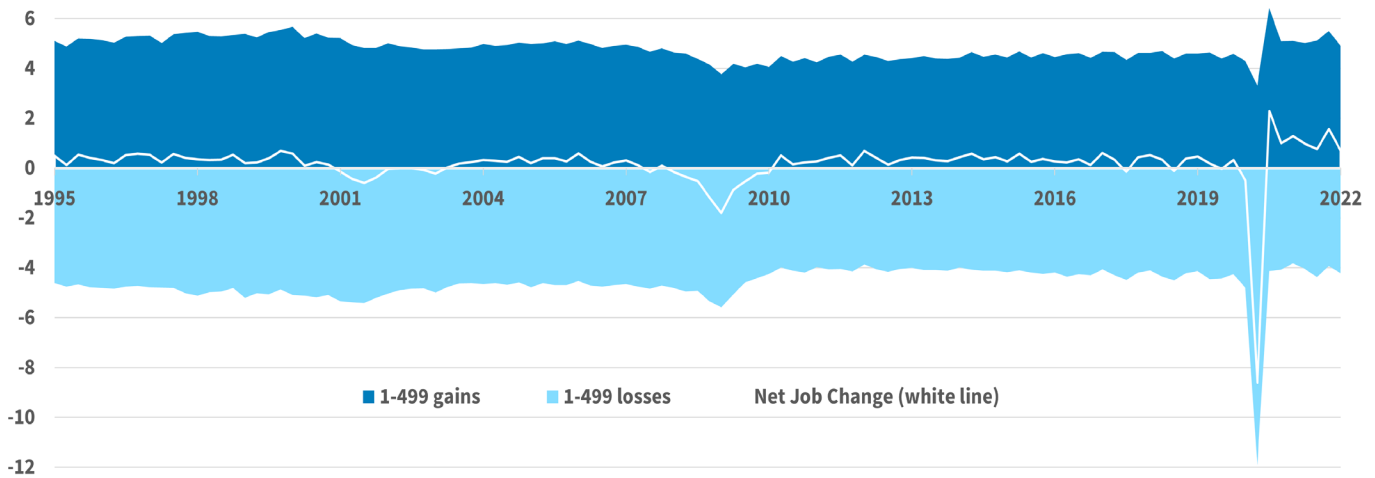
4. What percent of net new jobs do small business create?

From 1995 to 2021, small businesses created 17.3 million net new jobs while large businesses created 10.3 million (Figure 2). Small businesses have accounted for 62.7% of net new job creation since 1995. Figure 3 displays quarterly small business job gains, losses, and net new jobs since 1995. These statistics were volatile in 2020, with a loss of over 15 million jobs in Q2 2020. Over 8.6 million of these were small business job losses. However, small business employment grew quickly after the COVID-19 recession.

Source: BED

This report uses the most recent available data from government sources. Statistics on the number of small businesses are based on the Census Bureau’s 2019 Statistics of U.S. Businesses (SUSB) and 2019 Nonemployer Statistics (NES), released in 2022. The Census Bureau’s Small Business Pulse Survey (SBPS) and Bureau of Labor Statistics Business Employment Dynamics (BED) capture impacts of the COVID-19 pandemic on small businesses. All other sources reflect data collected prior to the COVID-19 pandemic.

Figure 3: Quarterly Small Business Job Gains, Job Losses, and Net Job Change 1995-2022
(Millions; quarterly; BED, Office of Advocacy)



5. How can small businesses generate over 60 percent of net new jobs, but their share of employment is less than 50%?

As firms grow, they change employment size classes. As small firms grow, their growth counts toward small firm job gains. If they pass the 500-employee mark, their employment gains are classified as large firm employment.

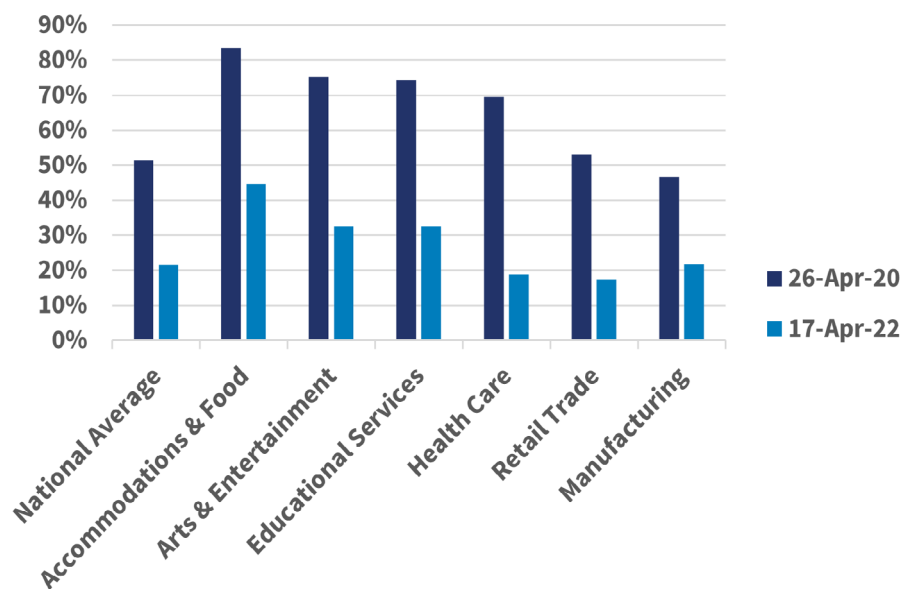
6. How has COVID-19 impacted small businesses?

The COVID-19 pandemic had adverse financial impacts for many small businesses. However, the percentage of small businesses with a large negative impact by the pandemic declined from 51.4% in April 2020 to 21.6% in April 2022. Despite this progress, as Figure 4 illustrates, 44.7% of small businesses in accommodations and food service were still negatively impacted by the pandemic in April 2022.

In 2022, the most significant challenges for small businesses were hiring and supply chain challenges. 40.3% of firms were looking to hire employees and 24.2% sought to identify new supply chain options in April 2022.

Source: SBPS

Figure 4: Industries Most Impacted by COVID-19 (SBPS)



7. What is the new business survival rate?

From 1994-2020, an average of 67.7% of new employer establishments survived at least two years. During the same period, the five-year survival rate was 48.9%, the ten-year survival rate was 33.7%, and the fifteen-year survival rate was 25.6%. Survival rates by owner demographic showed slight differences. The 2017-2019 two-year survival rate for young employer establishments (2-3-year-old firms surviving to at least 4-5 years old) was 79%. The breakdown indicates the percentage of Women (81%), Black (73%), Hispanic (82%), Asian (78%) and Veteran-owned businesses (84%). Black-owned businesses had the lowest percentage of survival rate for young employer establishments.

Source: ABS, BED; Office of Advocacy calculations

8. How many business establishments open and close each year?

In 2020, about 1.07 million business establishments opened for the first time, and about 1.02 million establishments closed permanently (Figure 5). About 13.1% of business establishments are startups (Figure 6).

Source: BED

Figure 5: Establishment Births and Deaths 2012 – 2020 (BED)

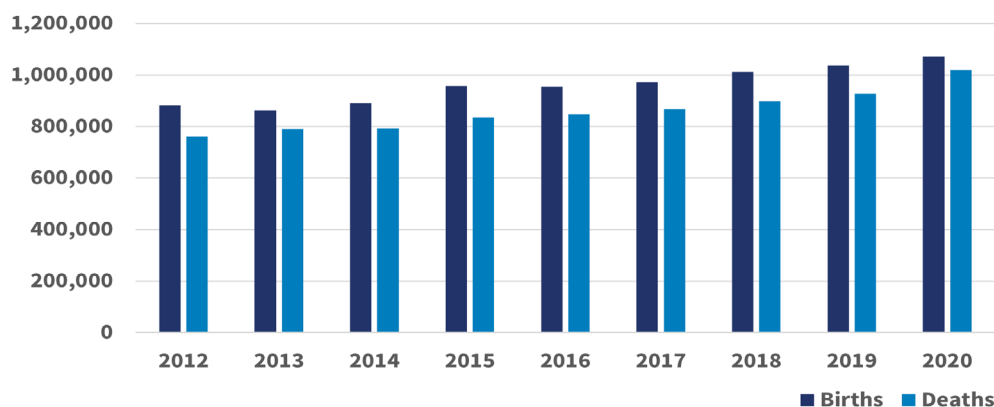
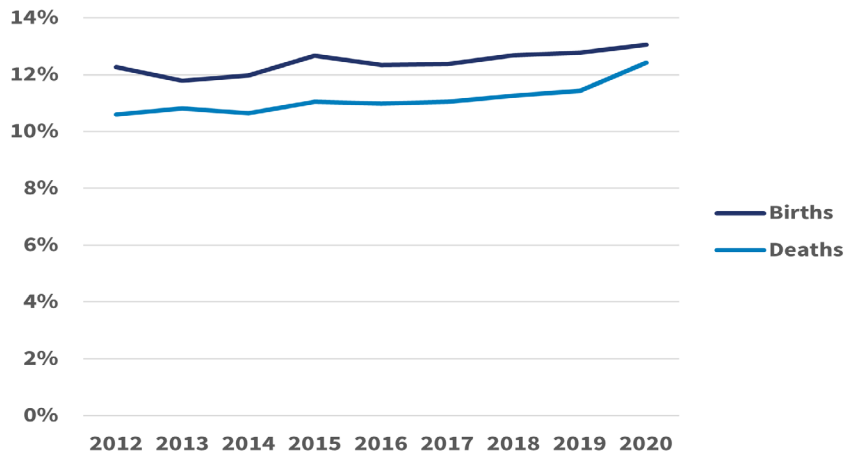


Figure 6: Percent Establishment Births and Deaths 2012 – 2020 (BED)



9. What is the average size of a business with employees?

In 2020, the average employer firm had 24.9 employees. By size, small firms averaged 11.7 employees and large firms averaged 3,297.3 employees. New firms (less than 2 years old) averaged 6 employees while firms older than 20 years averaged 60 employees.

Source: BDS

10. How many employer firms do minorities own?

In 2019, 19.6% of employer firms were owned by minorities, totaling about 1.1 million firms. Of employer firms, 6.2% were Hispanic-owned, 2.4% were Black-owned, 10.4% were Asian-owned, 0.5% were American Indian or Alaska Native-owned, and 0.1% were Native Hawaiian or other Pacific Islander-owned. Minority business ownership lags the minority share of the population. Table 1 shows each demographic's share of the U.S. population to place business owner representation into context.

Source: ABS

11. How many businesses do women own?

Women owned 1.2 million employer firms in 2019, which represented 21.7% of all employers. Women also owned about 10.9 million nonemployer firms in 2018, or 42% of all nonemployer firms, putting them closer to parity with men (Table 1).

Source: ABS, NES-D

Table 1. Business Owner Demographics, Employer and Nonemployer Firms (ABS, CPS, NES-D)

Demographic Category	Percent of Total Population	2018 Nonemployers (Millions)	Percent of Total Nonemployer Firms	2019 Employers (Millions)	Percent of Total Employer Firms	Total Firms (Millions)
Women	50.5	10.86	42.1	1.21	21.7	12.07
Men	49.5	14.30	55.4	3.51	63.1	17.81
Equally women/men		0.65	2.5	0.85	15.2	1.49
Veteran-owned	5.4	1.41	5.4	0.33	6	1.74
Minority	40.7	8.66	33.6	1.09	19.6	9.75
Non-Minority	59.3	17.07	66.1	4.39	79	21.46
African American	13.6	3.12	12.1	0.14	2.4	3.25
Asian	6.1	2.07	8	0.58	10.4	2.66
White	75.8	20.45	79.2	4.82	86.6	25.27
American Indian and Alaska Native	1.3	0.09	0.3	0.03	0.5	0.12
Native Hawaiian and Other Pacific Islander	0.3	0.04	0.2	0.01	0.1	0.05
Hispanic	18.9	3.90	15.1	0.35	6.2	4.24

12. How many businesses do veterans own?

In 2019, veterans owned about 331,151 employer firms, or about 6% of all U.S. employer firms. Veterans also owned about 1.4 million nonemployer firms in 2018, or 5.4% of all nonemployer firms. Both figures are roughly in line with the 5.4% of the U.S. population that identify as veterans (Table 1).

Source: ABS, NES-D

13. What percent of entrepreneurs are immigrants and what industries are they most prevalent in?

In 2019, immigrants owned 18% of employer firms. The industries with the greatest share of immigrant owners were accommodation and food services (37%) and retail trade (24%).

Source: ABS

14. What are the self-employment trends by owner age?

According to Census Bureau data, the share of self-employed (incorporated and unincorporated) age 65 and over increased from 14.1% in 2013 to 17.1% in 2021 while those under age 30 only had a slight increase, from 7.1 to 8.1%. Overall, 9.4% of workers were self-employed in 2021.

Source: CPS (March supplement)

15. What percent of firms are family-owned?

About 28% of employer firms were family-owned in 2019. Family-owned firms averaged 10 employees per firm, while non-family-owned firms employed 8 employees per firm. The industries with the highest share of family-owned firms were management of companies and enterprises (46%); and agriculture, forestry, fishing, and hunting (44%), while health care and social assistance (15%) was the lowest.

Source: ABS

16. What percent of small businesses use emerging technologies?

In 2018, the total number of employer firms with specialized software was about 1.8 million, which made up 38.3% of all employer firms. About 38.9% of male firms and 38.4% of female firms use specialized software (software dedicated to performing a particular business function).

Similarly, in 2018, the total number of employer firms with cloud-based computing made up about 1.6 million, which had a share of 32.4% of all employer firms. In addition, about 32.6% of male owned and 33.9% of female owned firms utilized cloud-based computing to improve business efforts.

Source: ABS

17. How are most small businesses legally organized?

86.5% of nonemployer firms are sole proprietorships while 13.3% of small employer firms are sole proprietorships. More than half of small employer firms are S-corporations (Table 2).

Source: SUSB, NES

Table 2. Legal Form of Organization, 2019
(Percent of all firms, SUSB & NES)

Type of business	Non-employer	Small employer	Large Employer
Sole Proprietorship	86.5%	13.3%	5.8%
Partnership	7.4%	12.2%	24.9%
S-corporation	4.6%	52.4%	30.9%
C-corporation and other	1.6%	22.3%	75.8%
Total	100.0%	100.0%	100.0%

**Large firms often file under multiple legal forms of organization.*

18. How are small businesses financed?

Business financing comes from either internal financing (family, friends, or personal savings) or external financing (bank loans). The Census data show that small businesses rely on banks for credit with roughly 68% applying to a bank for new credit in 2020. Many small businesses utilized capital access resources from the SBA during the COVID-19 pandemic. In 2021, two-thirds of employer firms received pandemic-related financial assistance in the prior 12 months, down from 87% in 2020.

Source: ABS, SBSCS

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

In fiscal year 2021, 27.23% of contracting dollars went to small businesses, which exceeded 26.02% in 2020. Of agencies with at least \$1 billion in eligible contract dollars, the Office of Personnel Management (67.35%), the Department of Interior (61.02%), and the Small Business Administration (60.65%) awarded the highest share of contracting dollars to small businesses.

Source: SBRS

The Office of Advocacy and Small Business Data

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

Data Sources

- ABS Annual Business Survey 2020, Data Year 2019, US Census Bureau, <https://www.census.gov/programs-surveys/abs.html>
- ADVO US Small Business Profile, 2022, SBA Office of Advocacy, <https://advocacy.sba.gov/2022/08/31/2022-small-business-profiles-for-the-states-territories-and-nation>
- BED Business Employment Dynamics, Bureau of Labor Statistics, <https://www.bls.gov/bdm>
- BDS Business Dynamics Statistics, US Census Bureau, www.census.gov/programs-surveys/bds.html
- CPS Current Population Survey, US Census Bureau, <https://www.census.gov/programs-surveys/cps.html>
- ITA International Trade Administration, <http://www.trade.gov>
- NES Nonemployer Statistics, US Census Bureau, www.census.gov/programs-surveys/nonemployer-statistics.html
- NES-D Nonemployer Statistics by Demographics, 2018, US Census Bureau, <https://www.census.gov/programs-surveys/abs/data/nescd.html>
- SBSCS Small Business Credit Survey, Federal Reserve, <https://www.fedsmallbusiness.org/survey/2022/report-on-employer-firms>
- SBGDP Small Business GDP 1998-2014, SBA Office of Advocacy, <https://advocacy.sba.gov/2018/12/19/advocacy-releases-small-business-gdp-1998-2014>
- SBPS Small Business Pulse Survey, US Census Bureau, <https://www.census.gov/data/experimental-data-products/small-business-pulse-survey.html>
- SBRS Small Business Reporting Scorecard FY 2021, Small Business Administration, <https://www.sba.gov/agency-scorecards/scorecard.html?agency=GW&year=2021>
- SUSB Statistics of US Businesses 2019, US Census Bureau, <https://www.census.gov/programs-surveys/susb.html>

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409 3rd Street, SW / MC 3114
Washington, DC 20416

ph 202.205.6533
fax 202.205.6928