



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 <https://www.sba.gov/document/support--table-size-standards>.

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

There are 31.7 million small businesses in the U.S.

- 81 percent, or 25.7 million, have no employees (termed “nonemployers”) and 19 percent, or 6 million, have paid employees.
- There are 20,139 large businesses.
- The number of small employers has increased after a decline during the Great Recession. The number of nonemployers has gradually increased, from 15.4 million in 1997 to 25.7 million in 2017 (Figure 1).

Source: SUSB, NES

3. What is the role of small businesses in the economy?

Small businesses comprise:

- 99.9% of all firms
- 99.7% of firms with paid employees
- 97.5% of exporters (285,334)
- 32.0% of known export value (\$473 billion)
- 47.1% of private sector employees (61 million)
- 40.3% of private sector payroll

Source: SUSB, NES, ITA

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

From 2000 to 2019, small businesses created 10.5 million net new jobs while large businesses created 5.6 million (Figure 2). Small businesses have accounted for 65.1% of net new job creation since 2000. Figure 3 displays quarterly small business job gains, losses, and net new jobs since 2000.

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 2017 Statistics of U.S. Businesses (SUSB) released in 2020 and 2017 Nonemployer Statistics (NES) released in 2019. The Census Bureau’s Small Business Pulse Survey (SBPS) captures impacts of the COVID-19 pandemic on small businesses. All other sources reflect data collected prior to the COVID-19 pandemic.

Figure 1. Number of Small Businesses, 1997-2017 (Millions; SUSB, NES)

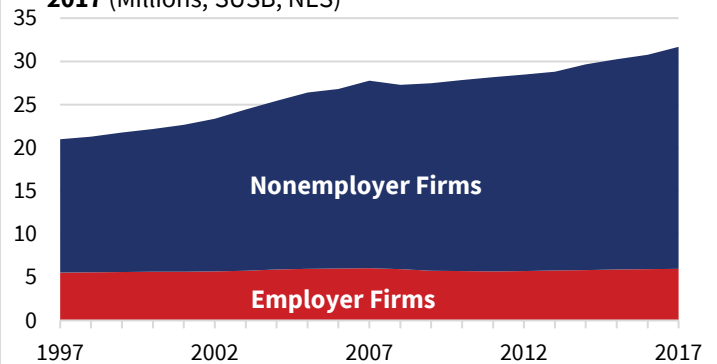


Figure 2: Net New Jobs, 2000-2019 (Millions; BED, Office of Advocacy)

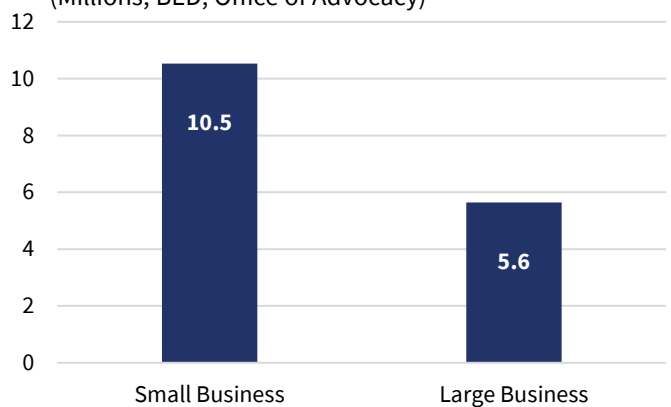
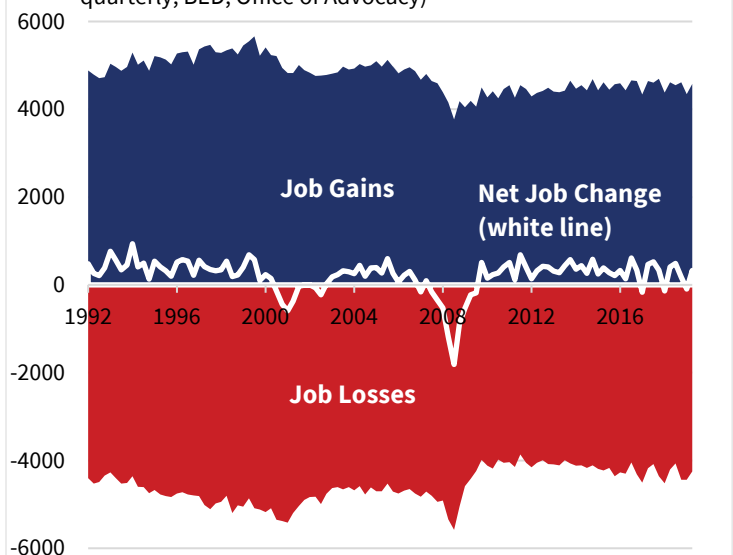


Figure 3. Quarterly Small Business Job Gains, Job Losses, and Net Job Change 1992-2019 (Millions; quarterly; BED, Office of Advocacy)



5. How can small businesses generate two-thirds 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. What is the impact of COVID-19 on small businesses?

While the effects of the COVID-19 pandemic are still not fully known, the economic impacts have been particularly difficult on small businesses so far. According to the U.S. Census Bureau Small Business Pulse Survey, 34.2% of all businesses surveyed through the second week of August reported being financially impacted by the pandemic. During the beginning of the pandemic, businesses with between 20 to 49 employees had the largest employment decline of any size group. Also, the decline in business activity among Black owners has been nearly three times the decline among other owners.

The pandemic has affected some industries more than others. As Figure 5 shows, Accommodation and Food Services along with Arts and Recreation are some of the hardest hit industries so far.

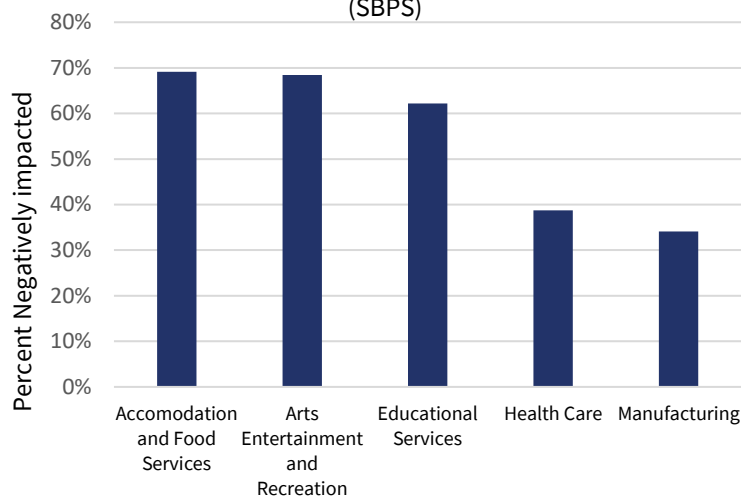
Source: SBEP, SBPS, SBF

7. What is the new business survival rate?

From 1994-2018, an average of 67.6% of new employer establishments survived at least two years. During the same period, the five-year survival rate was 48.8%, the ten-year survival rate was 33.6%, and the fifteen-year survival rate was 25.7%.

Source: BED, BDS; Office of Advocacy calculations

Figure 5: Industries Most Impacted By COVID-19 (SBPS)



Source Note: Survey was for week of August 9th-15th

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

In 2017, 1 million business establishments opened, and 898,000 establishments closed (Figure 4). About 13 percent of business establishments are startups (Figure 6).

Source: BED

9. What is the size of business startups?

In 2017, startup employment averaged 4.4 employees per firm. Average employment at firms of all ages in 2017 was 22.2 employees per firm.

Source: ABS

Figure 4: Establishment Births and Deaths 2008-2018 (Thousands; BED)

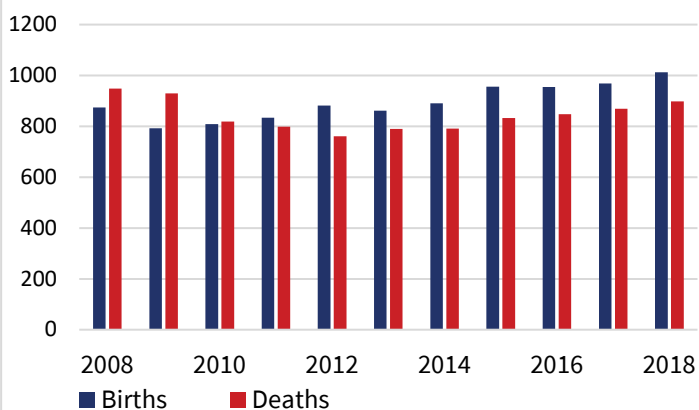


Figure 6: Percent Establishment Births and Deaths 2008-2018 (BED)

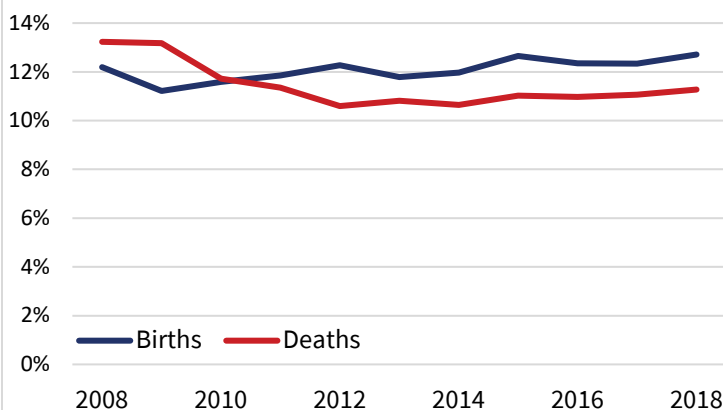


Table 1: Business Owner Demographics, Employer and Nonemployer Firms (ABS, NES-D, SBO)

Demographic Category	2017 Employer Firms	Percent of Total	2016 Nonemployer Firms
Total	5,744,643	100.0%	24,813,000
Female	1,134,549	19.7%	10,140,000
Minority	1,014,958	17.7%	7,643,000
Asian	555,638	9.7%	1,866,000
Veteran	351,237	6.1%	2,079,000 (2012)
Hispanic	322,076	5.6%	3,338,000
Black or African American	124,004	2.2%	2,806,000
Equally minority/nonminority	88,611	1.5%	73,000
American Indian and Alaska Native	24,503	0.4%	78,000
Native Hawaiian and Other Pacific Islander	6,847	0.1%	36,000

10. How many businesses do minorities own?

In 2017, 17.7% of employer firms were minority owned, totaling about 1 million businesses. Of employer firms, 5.6% were Hispanic-owned, 2.2% were Black (African American) owned, 9.7% were Asian-owned, 0.4% were owned by American Indians and Alaska Natives, and 0.1% were owned by Native Hawaiians and other Pacific Islanders. (Table 1)

Source: ABS

11. How many businesses do women own?

Women own 10.1 million nonemployer firms (2016) or 41 percent of all nonemployers, close to parity relative to men business owners. However, their 1.1 million employer firms (2017) represented only 20 percent of all employers. (Table 1)

Source: ABS

12. How many businesses do veterans own?

In 2017, veterans owned 351,237 employer businesses, or 6.1% of U.S. employer firms. (Table 1)

Source: ABS

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

In 2017, about one in six (17%) of business owners with employees were immigrants. The industries with the greatest share of immigrant owners were Accommodation and Food Services (37%) and Retail Trade (23%).

Source: ABS

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

According to Census Bureau data, the share of self-employed Americans (including incorporated and unincorporated) age 30 or under increased slightly from 6.7% in 2013 to 7.4% in 2018. During the same time frame, the share of self-employed age 65 and over increased from 14.0% to 16.3%.

Source: CPS, March supplement,
<https://data.census.gov/mdat/#/>

15. What percent of firms are family-owned?

About one in three firms with employees (31%) were family-owned in 2017. Family-owned firms averaged 14 employees per firm, making them slightly bigger than non-family-owned firms which employed 10 employees per firm. The industries with the highest share of family-owned firms were Agricultural Services (46%) and Management of Companies and Enterprises (46%), while Health Care and Social Assistance (18%) was the lowest.

Source: ABS

16. What percent of firms are home-based?

About a quarter of employer firms (24%), were home-based in 2016. By industry, almost half of construction firms (47%), and business services (45%) were home-based. The share of home-based employer firms decreases as the firm age increases (for example, 32% for firms 2 years or younger vs. 17% for firms 16 and over). According to older data, when including businesses without employees, about half of all businesses are home-based.

Source: ASE, SBO

17. How are most small businesses legally organized?

86.6 percent of nonemployers are sole proprietorships while only 14 percent of small employer firms are sole proprietorships. More than half of small employer firms are S-corporations (Table 2).

Source: SUSB, NES

18. What percent of firms are franchises?

In 2016, about one in 20 firms with employees (5%) were franchises. Franchises were more common in younger firm categories. 7% of firms younger than 2 years old were franchises. Although franchises had more annual sales than non-franchises (\$6.5 million vs \$4.7 million, respectively, in 2016), franchises are on average younger. This indicates franchises may not survive as long as non-franchises. The industries with the highest share of franchises were Accommodation and Food Services (20%) and Management of Companies and Enterprises (14%), while Agricultural Services (1%) was the lowest.

Source: ASE

19. How are small businesses financed?

The most common source of capital to start a business is personal and family savings (64.4% of small employer firms), followed by a business loan from a bank or financial institution (16.5%), personal credit cards (9.1%), and personal family assets other than savings of the owner (8.7%).

Source: ASE. For more information, see “Frequently Asked Questions about Small Business Finance”

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

In fiscal year 2019, 25.8% of contracting dollars went to small businesses, up from 25.1% in FY 2018 and 23.9% in FY 2017. Of agencies with at least \$1 billion in eligible contract dollars, the Department of Agriculture (57.97%), Department of Interior (57.06%), the Environmental Protection Agency (43.25%) and the Department of Commerce (42.73%) awarded the highest share of contracting dollars to small businesses.

Source: FPDS

The Office of Advocacy and Small Business Data

The 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, <https://advocacy.sba.gov>, contains numerous databases and links to other sources. Have more questions? Email us at advocacy@sba.gov.



Table 2. Legal Form of Organization, 2017

(percent of all establishments, SUSB & NES)

Type of business	Nonemployer	Small employer	Large Employer
Sole Proprietorship	86.6%	12.9%	1.4%
Partnership	7.4%	11.8%	9.3%
S-corporation	4.6%	50.5%	8.1%
C-corporation and other	1.5%	24.8%	81.2%
Corporation		16.8%	74.2%
Government		0.0%	0.1%
Nonprofit		7.8%	6.2%
Other		0.2%	0.7%
Total	100.0%	100.0%	100.0%

Data Sources

ABS	Annual Business Survey 2018, Data Year 2017, US Census Bureau, www.census.gov/data/tables/2018/econ/abs/2018-abs-characteristics-of-owners.html
ASE	Annual Survey of Entrepreneurs 2016, US Census Bureau, www.census.gov/data/tables/2016/econ/ase/2016-ase-characteristics-of-businesses.html
BED	Business Employment Dynamics, Bureau of Labor Statistics, www.bls.gov/bdm
BDS	Business Dynamics Statistics, US Census Bureau, www.census.gov/programs-surveys/bds.html
FPDS	Federal Procurement Data System, FY 2019, www.fpds.gov/fpdsng_cms/index.php/en/reports.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 (NES-D): Exploring Longitudinal Consistency and Sub-national Estimates, 2018 https://www2.census.gov/ces/wp/2019/CES-WP-19-34.pdf
SBEP	Small Business Employment Plummets, 2020, advocacy.sba.gov/2020/06/01/small-business-facts-small-business-employment-plummets/
SBF	Small Business Facts: Black Business Owners Hit Hard By Pandemic, 2020 https://advocacy.sba.gov/2020/08/31/small-business-facts-black-business-owners-hit-hard-by-pandemic/
SBO	Survey of Business Owners 2012, US Census Bureau, www.census.gov/programs-surveys/sbo.html
SBPS	Small Business Pulse Survey 2020, US Census Bureau, portal.census.gov/pulse/data/
SUSB	Statistics of US Businesses 2017, US Census Bureau, www.census.gov/programs-surveys/susb.html