

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is centered in the narrow neck of the hourglass. The text is centered within the hourglass.

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Report RS22688

Selected Small Business Statistics

N. Eric Weiss, Government and Finance Division

July 3, 2007

Abstract. This report gathers selected statistics on the role of small businesses in the national economy that Congress has frequently asked the Congressional Research Service (CRS) to provide. Most of the statistics are calculated by CRS from Census data. The report uses the widely accepted research definition that a small business has fewer than 500 employees.

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Selected Small Business Statistics

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Specialist in Financial Economics

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CRS Report for Congress

Prepared for Members and Committees of Congress

Summary

This report gathers selected statistics on the role of small businesses in the national economy that Congress has frequently asked the Congressional Research Service (CRS) to provide. Most of the statistics are calculated by CRS from Census data. The report uses the widely accepted research definition that a small business has fewer than 500 employees. Members of Congress may find these statistics useful as they consider legislation that affects small businesses.

This report uses the most recently available data and will be updated as new data become available.

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Small Business in the Economy

This section reports on the role of small businesses in employment, gross domestic product (GDP), and employment in high technology occupations.

What Is a Small Business?

The definition of “small business” varies depending on the program. For research and general purposes, the Small Business Administration (SBA) defines a small business as a for profit enterprise, located in the United States with fewer than 500 employees. SBA government-contracting programs frequently use a “size standard” that varies by industry.¹ The size standard is set either in annual receipts or employees. For example, most crop farming uses a size standard of \$750,000 in annual receipts, and the size standard for new single-family housing construction is \$31 million in annual receipts. The size standard for residential electrical lighting fixture manufacturing is 500 employees, and the standard for scheduled air passenger transportation is 1,500 employees.

Other agencies and legislation use other definitions. For example, the Securities and Exchange Commission (SEC) and the Sarbanes-Oxley Act of 2002 define small as a company with publicly traded stock valued at \$75 million or less.²

How Many Small Businesses Are There?

In 2004, small businesses were 99.7% of the firms in the nation, provided 51% of the employment, and 45% of the nation’s private sector payroll.³ There were 5.9 million small employer firms with 58.6 million employees and 17,000 large businesses with 56.5 million employees. Some small businesses are very small: 802,000 firms had no employees on the date they were surveyed. There were an additional 19.5 million nonemployer firms with receipts.⁴

What Is Known About Nonemployer Firms?

Information on nonemployer firms comes from Internal Revenue Service records. Most nonemployers are self-employed individuals operating very small unincorporated businesses, which may or may not be the owner’s principal source of income. More than half of the nonemployer firms were in five industries: (1) construction; (2) retail trade; (3) real estate and rental and leasing; (4) professional, scientific, and technical services; and (5) other services (except public administration). Nonemployers reported \$887 billion in receipts. The industries

¹ 13 C.F. 121.

² 15 U.S.C. Section 77a et seq. See Section 404 for the small business definition. See, also, CRS Report RS22482, *Section 404 of the Sarbanes-Oxley Act of 2002 (Management Assessment of Internal Controls): Current Regulation and Congressional Concerns*, by Michael V. Seitzinger.

³ U.S. Census Bureau, *Statistics of U.S. Businesses: 2004*, available at <http://www.census.gov/csd/susb/susb04.htm>.

⁴ U.S. Census Bureau, *Nonemployer Statistics: 2004*, available at <http://www.census.gov/epcd/nonemployer/>. The Census Bureau defines a nonemployer business is one that has no paid employees, has annual business receipts of \$1,000 or more (\$1 or more in the construction industries), and is subject to federal income taxes.

with more than \$100 million of receipts were (1) construction; (2) real estate and rental and leasing; and (3) professional, scientific, and technical services.

What Is the Small Business Share of GDP?

A 2007 study funded by the SBA found that between 1998 and 2004, small businesses produced approximately 50% of the nation's private, nonfarm GDP.⁵ The small business share of GDP ranged from 49.9% to 50.7%.

What Role Do Small Businesses Play in High Technology Employment?

About 40% of private sector workers in high technology occupations in 2006 worked in small businesses.⁶ The remaining 60% of private sector workers in high technology occupations worked in other than small businesses. Another way to analyze the number is to note that 3% of small business private sector employees were in high technology occupations compared with 7% of private sector employees in larger businesses.

What Role Do Small Businesses Play in Exports?

There are many small business exporters, but the goods they sell are a relatively small proportion of the nation's exports. Small businesses comprised 97% of the firms exporting goods during 2005 and 29% of the value of exports.⁷

What Role Do Small Business Play in Job Creation?

Between 2002 and 2003 national employment grew by nearly one million jobs (0.9%).⁸ Small businesses added two million jobs (3.5%), and jobs at firms with 500 or more employees decreased by nearly one million jobs (-1.8%). Firms with 1-4 employees added the most new jobs (slightly more than one million or 20%). Larger firms (5 to 499 employees) grew by smaller percentages. The relationship between business size and job creation is very controversial and the subject of continuing research at the Bureau of Labor Statistics and other organizations.⁹

⁵ Katherine Kobe, *The Small Business Share of GDP, 1998-2004*, Small Business Administration, April 2007, available at <http://www.sba.gov/advo/research/rs299tot.pdf>.

⁶ U.S. Census Bureau, *Current Population Survey: March 2006*. High technology applications are defined using the classification proposed by Daniel E. Hecker in "High-Technology Employment: A NAICS-Based Update," *Monthly Labor Review*, July 2005, available at <http://www.bls.gov/opub/mlr/2005/07/art6full.pdf>.

⁷ U.S. Census Bureau, *Profile of U.S. Exporting Companies: 2004-2005*, Exhibit 1a, available at <http://www.census.gov/foreign-trade/Press-Release/edb/2005/>. CRS calculations have included the category "no. of employees unknown" with small businesses. If this category is excluded from all calculation, small businesses were 96% of exporting firms and 25% of the value.

⁸ U.S. Census Bureau, *Business Information Tracking Series*, available at <http://www.census.gov/csd/subs/susbdyn.htm>.

⁹ Jessica Helfand, Akbar Sadeghi, and David Talan, "Employment Dynamics: Small and Large Firms Over the Business Cycle," *Monthly Labor Review*, March 2007, pp. 39-50; or Shail J. Butani, Richard L. Clayton, Vinod Kapani, James R. Spletzer, David M. Talan, and George S. Werking Jr., "Business Employment Dynamic: Tabulations by (continued...)"

Small Business Owners

This section provides statistics on small business ownership rates for women, racial, and ethnic groups. It also reports data on small business owners' income and wealth.

What Role Do Women Play in Small Business Ownership?

Slightly less than 17% of small employer firms were female-owned in 2002, and women own half or more of 30% of employer firms.¹⁰ Women's ownership of businesses decreases as a percentage as the number of employees increases. For example, women owned 20% of the firms that had no employees and 8% of the small businesses with 100-499 employees. Women owned half or more of 33% of employer firms without employees and 13% of employer firms with 100-499 employees.

What Are the Racial and Ethnic Characteristics of Business Owners?

In 2002, whites owned 87% of businesses with employees, blacks owned 5%, American Indians and Alaska Natives owned 0.9%, Asians owned 4.8%, and Native Hawaiians and Other Pacific Islanders owned 0.1%.¹¹ Hispanics or Latinos owned 7%.

How Does the Economic Status of Small Business Owners Compare to Nonowners?

In 2004, the mean (average) household income for small business owners was \$143,000 and for nonowners was \$56,000, according to a 2007 study supported by the SBA.¹² Mean household wealth was \$1.4 million for small business owners and \$256,000 for nonowners. Between 1989 and 2004, the income gap between households with a small business and those without widened.

How Many Businesses Do Veterans Own?

Veterans own 14% of all firms.¹³ Disabled veterans own 1% of firms. Veterans make up 11% of the nation's population 18 or more years old, and disabled veterans make up 3%.¹⁴

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Employer Size," *Monthly Labor Review*, February 2006, pp. 3-22.

¹⁰ U.S. Census Bureau, *Survey of Business Owners: 2002*, Table P.

¹¹ U.S. Census Bureau, *Survey of Business Owners: 2002* Table A. Hispanic or Latino are ethnic categories independent of the race of the individual.

¹² George W. Haynes, *Income and Wealth: How Did Households Owning Small Businesses Fare from 1989 to 2004?* Small Business Administration, April 2007, available at <http://www.sba.gov/advo/research/rs300tot.pdf>.

¹³ U.S. Census Bureau, *Characteristics of Business Owners: 2002*. Table 4, available at <http://www.census.gov/prod/ec02/sb0200csbo.pdf>. This section refers to all businesses, not just small businesses, but most businesses owned by individuals are small.

¹⁴ U.S. Census Bureau, *American Fact Finder: 2005*, "Veterans Status," available at <http://factfinder.census.gov/> (continued...)

Small Business Employees

This section provides a brief look at the economic characteristics of small business employees.

What Is the Economic Status of Small Business Employees?

In 2006, 69% of private sector workers receiving public assistance worked for small businesses and 62% of private sector workers not receiving public assistance worked for small businesses.¹⁵ Looking at the statistics from a different perspective, 99% of small business private sector workers (and 99% of non-small business private sector workers) did not receive public assistance.

Small Business Administration

What Has Been the Loss Rate on SBA Loans?

According to the SBA, the overall loss rate for FY2006 was 6.1%.¹⁶ The loss rate on business loans in FY2006 was 6.2%. The SBA experience much higher loss rates on direct loans than on guaranteed loans: for direct business loans and those with immediate SBA participation, the FY2006 loss rate was 19.5%; the loss rate on guaranteed loans was 5.7%. The SBA's FY2006 loss rate on disaster loans was 9.2%.

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¹⁵ U.S. Census Bureau, *Current Population Survey: March 2006*, available at <http://www.census.gov/cps/>.

¹⁶ U.S. Small Business Administration, *FY 2006 Loss Report*, available at <http://www.sba.gov/aboutsba/sbaprograms/cfo/reports/index.html>. This included the 7(a), 8(A), FIS 8a, Small Business Energy, Handicap Assistance, Veterans, Pollution Control, Import Export, USCAIP (NAFTA) and RFC Business loans.