



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 32,540,953 million small businesses in the U.S.

- 81 percent, or 26,485,532 firms, have no employees (termed “nonemployer firms”) and 19 percent, or 6,055,421 firms, have paid employees (termed “employer firms”).
- There are 20,516 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 26.5 million in 2018 (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
- 97.4% of exporters (280,496)
- 46.8% of private sector employees (61 million)
- 43.5% of gross domestic product
- 39.7% of private sector payroll
- 35.6% of private sector receipts (\$13.3 trillion)
- 31.6% of known export value (\$460 billion)

Source: SUSB, NES, ITA, SBGDP

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

From 1995 to 2020, small businesses created 12.7 million net new jobs while large businesses created 7.9 million (Figure 2). Small businesses have accounted for 62% of net new job creation since 1995. Figure 3 displays quarterly small business job gains, losses, and net new jobs since 2000. 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.

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 2018 Statistics of U.S. Businesses (SUSB), released in 2021, and 2018 Nonemployer Statistics (NES), released in 2020. 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 1. Number of Small Businesses (SUSB, NES)

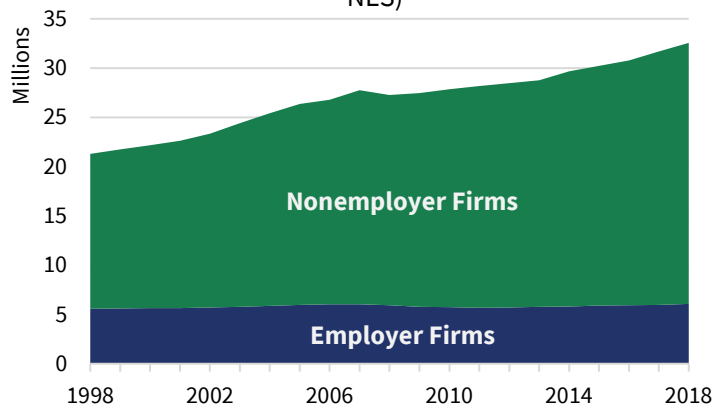


Figure 2: Net New Jobs, 1995-2020 (BED)

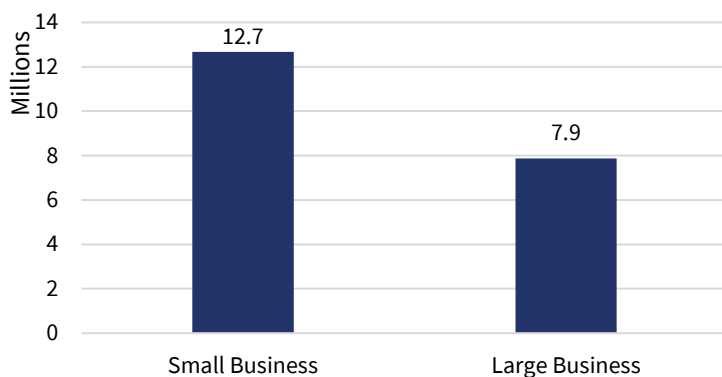
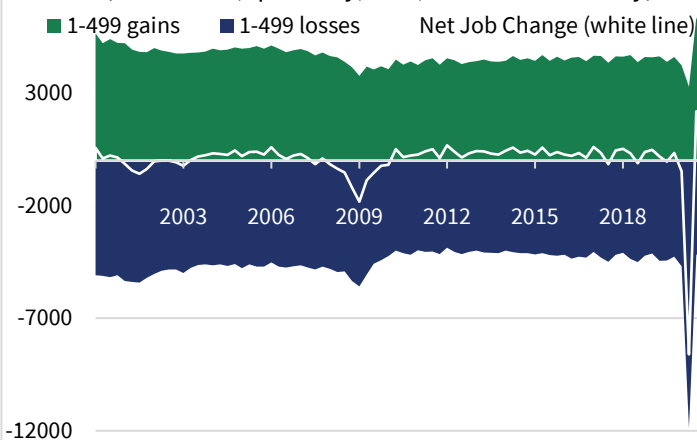


Figure 3. Quarterly Small Business Job Gains, Job Losses, and Net Job Change 2000-2020
(thousands; quarterly; BED, Office of Advocacy)



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. From 2000-2019, small businesses generated about two-thirds of net new jobs. Volatility from the 2020 recession altered long term trends.

6. What is the impact of COVID-19 on small businesses?

The COVID-19 pandemic still negatively impacts many small businesses. However, Figure 5 illustrates the improvement small businesses have made since the beginning of the pandemic. The percentage of small businesses negatively impacted by the pandemic declined from 51.4 percent in April 2020 to 25.2 percent in July 2021. Despite this significant progress, 54.7 percent of accommodations and food service small businesses were still negatively impacted by the pandemic in July 2021.

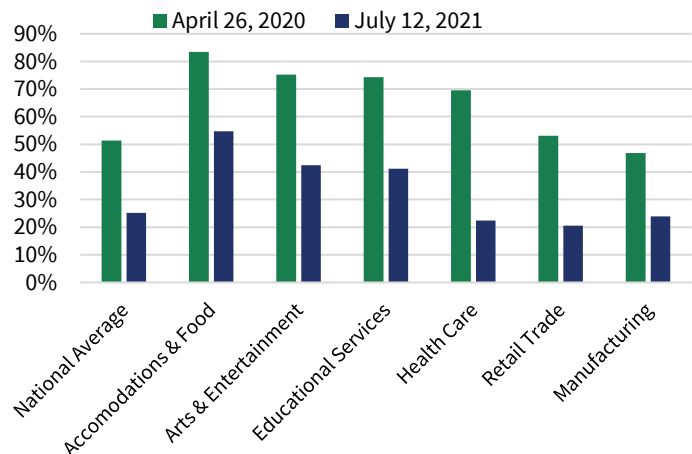
Source: SBPS

7. What is the new business survival rate?

From 1994-2019, an average of 67.6% of new employer establishments survived at least two years. During the same period, the five-year survival rate was 48.9%, the ten-year survival rate was 33.6%, and the fifteen-year survival rate was 25.7%. Survival rates by owner demographic showed slight differences. The 2016-2018 two-year survival rate for young employer establishments (2-3-year-old firms surviving to at least 4-5 years old) was 71 percent. Women (67 percent), Black (65 percent), Hispanic (64 percent) and Asian (70 percent) led firms were below the national rate. Veteran-owned businesses (63 percent) were also below the national rate.

Source: BED, BDS; Office of Advocacy calculations

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



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

In 2019, prior to the pandemic, 1.04 million business establishments opened, and 928,000 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 2019, startup employment averaged 3.3 employees per establishment. Average employment at establishments of all ages was 15.3 employees.

Source: ABS

Figure 4: Establishment Births and Deaths 2008-2019 (BED)

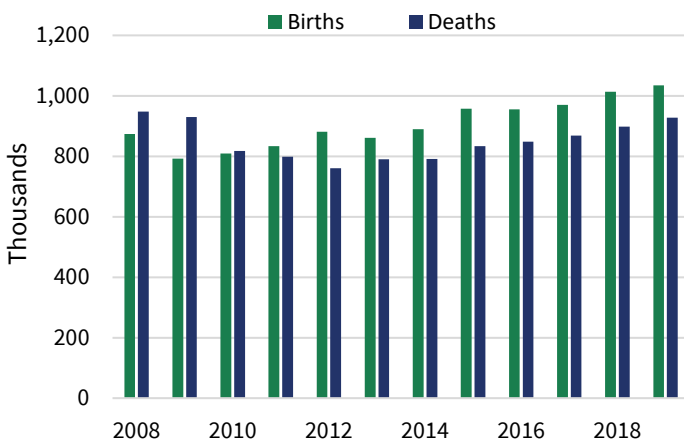


Figure 6: Percent Establishment Births and Deaths 2008-2019 (BED)

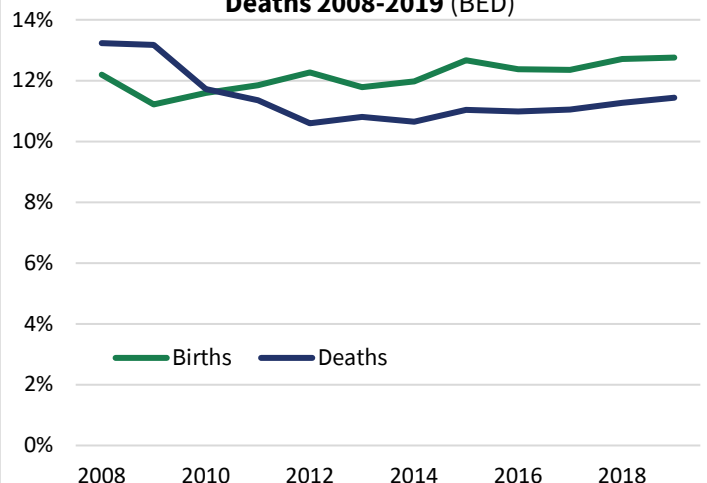


Table 1: Business Owner Demographics, Employer and Nonemployer Firms (ABS, CPS, NES-D, SBO)

Demographic Category	Percent of Total Population	2018 Employer Firms	Percent of Total Employer Firms	2017 Nonemployer Firms	Percent of Nonemployer Firms	Total Firms
Minority	39.9%	1,048,323	18.3%	8,169,000	32.3%	9,217,323
Female	50.8%	1,141,410	19.9%	10,550,000	41.7%	11,691,410
Black	13.4%	124,551	2.2%	2,951,000	11.7%	3,075,551
American Indian and Alaskan Native	1.3%	24,433	0.4%	84,500	0.3%	108,933
Asian American	5.9%	577,835	10.1%	1,960,000	7.7%	2,537,835
Equally Minority and Nonminority		86,633	1.5%	75,000	0.3%	161,633
Hispanic	18.5%	331,625	5.8%	3,635,000	14.4%	3,966,625
Native Hawaiian and Other Pacific Islander	0.2%	6,653	0.1%	38,500	0.2%	45,153
Veteran	5.6%	337,934	5.9%	1,421,000	5.6%	1,758,934

10. How many employer firms do minorities own?

In 2018, 18.3% of employer firms were minority-owned, totaling about 1 million firms. Of employer firms, 5.8% were Hispanic-owned, 2.2% were Black-owned, 10.1% were Asian-owned, 0.4% were American Indian or Alaska Native-owned, and 0.1% were Native Hawaiian or other Pacific Islander-owned. Minority business ownership lags their overall 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 1.1 million employer firms in 2018, which represented 20 percent of all employers. Women also owned 10.6 million nonemployer firms in 2017, or 42 percent of all nonemployer firms, putting them closer to parity with men (Table 1).

Source: ABS

12. How many businesses do veterans own?

In 2018, veterans owned about 338,000 employer firms, or 5.9% of all U.S. employers. Veterans also owned about 1.4 million nonemployer firms in 2017, or 5.6% of all nonemployer firms. Both figures are roughly in line with the 5.6% of the U.S. population that identify as veterans (Table 1).

Source: ABS

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

In 2018, 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 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)

15. What percent of firms are family-owned?

About 29% of employer firms were family-owned in 2018. Family-owned firms employed 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 (50%) and utilities (47%), while health care and social assistance (16%) was the lowest.

Source: ABS

16. What percent of employees work from home?

The COVID-19 pandemic changed where many employees worked on a typical day. According to the Bureau of Labor Statistics, the percentage of employees that worked from home on an average day increased from 19.4 percent in December 2019 to 39.5 percent in December 2020. Employees in the management, business, and financial operations and the financial activities sectors had the highest percentage of employees working from home. Almost all employer businesses in these industries were small. 99.3 percent of finance businesses and 99.6 percent of professional, scientific, and technical services businesses had less than 500 employees.

Source: ATUS

17. How are most small businesses legally organized?

86.6 percent of nonemployer firms are sole proprietorships while 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. How many establishments are franchises?

In 2017, there were roughly 500,000 franchise establishments with a combined 9.6 million employees. Of those, the industries with the most franchise establishments were limited-service restaurants (144,941), full-service restaurants (31,418), hotels (31,244), and new car dealers (21,637).

Source: FSR

19. How are small businesses financed?

Business financing comes from either internal financing (family, friends, or personal savings) or external financing (bank loans). Over three quarters (77%) of businesses used business earnings as their primary source of funding in 2019, compared with 64% in 2016. Many small businesses utilized capital access resources from the SBA during the COVID-19 pandemic. By the end of 2020, about 73% of small single location employer firms had received financial assistance from the Paycheck Protection Program (PPP).

Source: SBCS, SBPS

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

In Fiscal Year 2020, 26.02% of contracting dollars went to small businesses, down slightly from 26.50% in Fiscal Year 2019. Of agencies with at least \$1 billion in eligible contract dollars, the Small Business Administration (80.18%), the Department of Interior (60.11%), and the General Services Administration (49.43%) 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.



Table 2. Legal Form of Organization, 2018

(percent of all firms, SUSB & NES)

Type of business	Non-employer	Small employer	Large Employer
Sole Proprietorship	86.6%	13.7%	5.7%
Partnership	7.4%	11.9%	25.2%
S-corporation	4.5%	52.1%	30.9%
C-corporation and other	1.5%	22.5%	76.2%
Corporation		15.3%	51.2%
Government		0.02%	2.7%
Nonprofit		7.1%	18.9%
Other		0.1%	3.5%
Total	100.0%	100.0%	100.0%

Data Sources

ABS	Annual Business Survey 2019, Data Year 2018, 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
ATUS	American Time Use Survey, Bureau of Labor Statistics, https://www.bls.gov/news.release/atus.t05.htm
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
FSR	Franchise Statistics Report From 2017 Economic Census, US Census Bureau, https://www.census.gov/newsroom/press-releases/2021/franchise-statistics-report-economic-census.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
SBO	Survey of Business Owners 2012, US Census Bureau, www.census.gov/programs-surveys/sbo.html
SBCS	Small Business Credit Survey, Federal Reserve https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/2021-sbcs-employer-firms-report
SBGDP	Small Business GDP 1998-2014, SBA Office of Advocacy https://cdn.advocacy.sba.gov/wp-content/uploads/2018/12/21060437/Small-Business-GDP-1998-2014.pdf
SBPS	Small Business Pulse Survey 2020, US Census Bureau, portal.census.gov/pulse/data/
SBRS	Small Business Reporting Scorecard FY 2020, Small Business Administration, https://www.sba.gov/sites/default/files/2021-07/F20-SB-Procurement%20Scorecard_Agency%20View_Summary%20_20210722-508.pdf
SUSB	Statistics of US Businesses 2018, US Census Bureau, www.census.gov/programs-surveys/susb.html