

Small Business GDP: Update 2002-2010

by

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for



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The statements, findings, conclusions, and recommendations found in this study are those of the authors and do not necessarily reflect the views of the Office of Advocacy, the United States Small Business Administration, or the United States government.

Executive Summary	1
I. Introduction and Background	4
II. Small Business Shares by Industry—1998 to 2010	5
A. Employment Distributions by Industry and Firm Size.....	5
B. Small Business Share of GDP and its Components	10
i. Results Through 2008	10
ii. Discontinuity Between Pre and Post 2002 data.....	15
iii. Results for 2009 and 2010	21
III. Summary and Conclusions.....	24
IV. Data and Methodology for Calculating the Shares.....	25
A. Compensation Components through 2008	27
i. Wages	27
ii. Benefits (Wage Supplements)	27
B. Noncompensation Components through 2008.....	30
C. Estimates for 2009 and 2010	34
V. Appendix A—Detailed Tables.....	35
VI. Bibliography.....	45

Executive Summary

Despite producing a somewhat smaller share of the overall GDP than it did a decade ago, small businesses continue to be incubators for innovation and employment growth during the current recovery. Small businesses produced 46 percent of the private nonfarm gross domestic product (GDP) in 2008 (the most recent year for which the source data are available to make these estimates).¹ That is down from the 48 percent share of GDP produced by small businesses in 2002. Preliminary information indicates that the weak business conditions through early 2009 affected small businesses about as much as large businesses resulting in only a minor change to the shares.² However, starting in late 2009 and early 2010, small businesses appear to have been more negatively affected by business conditions than large businesses. Corporate profits recovered more quickly than non-corporate profits in 2010. Since a larger share of corporations are large businesses, that likely resulted in a further weakening of the small business share of GDP.³

The net job gains of small businesses matched those of large businesses during the last half of 2010 and the gross job gains of small businesses outpaced those of large businesses by about 3 to 1, including virtually all the job gains from new businesses. While extremely important to the process of restructuring the economy to meet new challenges, this entrepreneurial edge is also quite volatile, resulting in many businesses

¹ For purposes of this paper small businesses are firms that employ fewer than 500 people.

² The 2009 payroll shares can be calculated from the Census Bureau's *Statistics of U.S. Businesses* but the IRS data needed to calculate the business size share of GDP are not yet available for 2009.

³ Analyzing corporate and non-corporate data is only a proxy for determining business size allocations because there are businesses of both sizes that use each type of organizational form. However, Census Bureau data show that large businesses make up about 69 percent of corporate employment and 76 percent of corporate receipts, while small businesses make up 73 percent of non-corporate employment and 77 percent of non-corporate receipts. (See Table 2) For this reason, looking at the differences between corporate and non-corporate profits provides a proxy for business size breakdowns.

failing. Accordingly, the net job gains of small businesses about matched those of large businesses.

Looking at longer term trends in the economy, the small business share of many of the industry sectors has been slowly declining. For example, the small business share of the trade sector has declined from over 50 percent in 1998 to about 44 percent by 2008. The professional and technical services sector has gone from about 70 percent small business in 1998 to roughly 60 percent in 2008. About 56 percent of the health services sector output was produced by small businesses in 1998 compared to about 52 percent by the end of the decade. Yet at the same time, some of the sectors with relatively large numbers of small businesses are becoming a larger share of the economy. For example, the total market share for health care and social services is now almost 9 percent of the U.S. economy compared with 7.2 percent in 1998. Therefore, despite the fact that the small business share of the health services output has declined somewhat, that decline has been partially offset by the growth in that industry relative to other industry sectors. Unfortunately, the construction sector is an example of both factors working towards reducing the share of small businesses in the economy. First, the small business share of the construction industry has declined from about 88 percent in 1998 to about 84 percent in 2008. Furthermore, the construction industry also ends up with a lower share with respect to the rest of the economy during this recession.

The general methodology used to calculate the 2002-2008 shares is largely the same as that used to produce earlier estimates of small business GDP for the Small

Business Administration.⁴ The calculations begin with the BEA's GDP by industry data. Those data show current dollar GDP broken down into major industries, and by major components of income. However, BEA does not show any of its data by firm size. Consequently, to make estimates of small business GDP requires the division of each of the BEA components into small and large business shares.

The calculation of the compensation shares uses source data on payrolls from the annual *Statistics of U.S. Businesses* (SUSB) produced by the Census Bureau. That is combined with information on benefits costs by firm size from the *Medical Expenditure Panel Survey* and IRS *Statistics of Income*. The noncompensation components are estimated using information from *Statistics of Income* combined with data by legal form of organization produced for the SUSB.

The small business portion of compensation and each of the small business noncompensation components are summed to produce a small business GDP estimate for each industry. When that small business total is divided by the industry GDP total, it produces the small business share for that industry. Also, each of the components is summed across all industries to produce small and large business shares of compensation for the total nonfarm private economy, and small and large business shares of the noncompensation components. Summing the compensation and noncompensation components for each size group produces the small and large business shares of total GDP.

⁴ *The Small Business GDP, 1998-2004*, SBA-HQ-05M0413, April 2007. Earlier SBA-sponsored reports on GDP by firm size are listed in the bibliography of this paper. See Joel Popkin and Company (1988, 1997, 2001 and 2002).

I. Introduction and Background

Small businesses produced 46 percent of private nonfarm gross domestic product (GDP) in 2008, down about two percentage points from 2002. Preliminary information indicates that the weak economy may have affected small businesses to a greater extent than large businesses in late 2009 and 2010, and resulted in a further decline in that share by 2010. These later estimates are less precise than the estimates through 2008 because only a small portion of the source data used to make the estimates is available for 2009-2010.⁵

Despite small firms' slightly smaller role overall in the economy (46 percent in 2008 and 48 percent in 2002), improved measurement of business dynamics shows that small businesses still play an important role in job creation. The most recent data show that since March of 2010, small businesses have provided slightly more than half of the net job gains in the private sector economy.⁶

GDP is defined as the market value of the goods and services produced by labor and property in the United States. In short, it is the measure of production of the U.S. economy. The Bureau of Economic Analysis (BEA) estimates the growth in the overall economy each quarter and estimates the industry distribution of GDP once a year. However, BEA does not estimate the share of output that is produced by small businesses. This paper provides new annual estimates of small business GDP for the period 2003 to 2008. It also revises previously calculated estimates for 1998 to 2002, and

⁵ The 2009 payroll shares are available from the Census Bureau but none of the source data from the IRS are available for 2009 or 2010. The 2010 estimates are based on proxy data that were used to indicate relative direction of change. Those proxies are discussed further in Section II. B. iii.

⁶ Business Employment Dynamics, Fourth Quarter 2010, August 2, 2011. Bureau of Labor Statistics, U.S. Department of Labor.

provides preliminary estimates for 2009 and 2010. The estimates for 2009 and 2010 are based on very preliminary data. The calculation of the small business shares of GDP continues earlier work done for the Small Business Administration.⁷

II. **Small Business Shares by Industry—1998 to 2010**

In analyzing the small business share of GDP it is helpful to think about two major factors that ultimately determine the importance of small businesses in the economy. The first is how important small businesses are in each of the major industry sectors of the economy over time. The second is the changing role in the economy of the industry sectors with large numbers of small businesses. Together these factors determine the share small businesses contribute to overall economic growth.

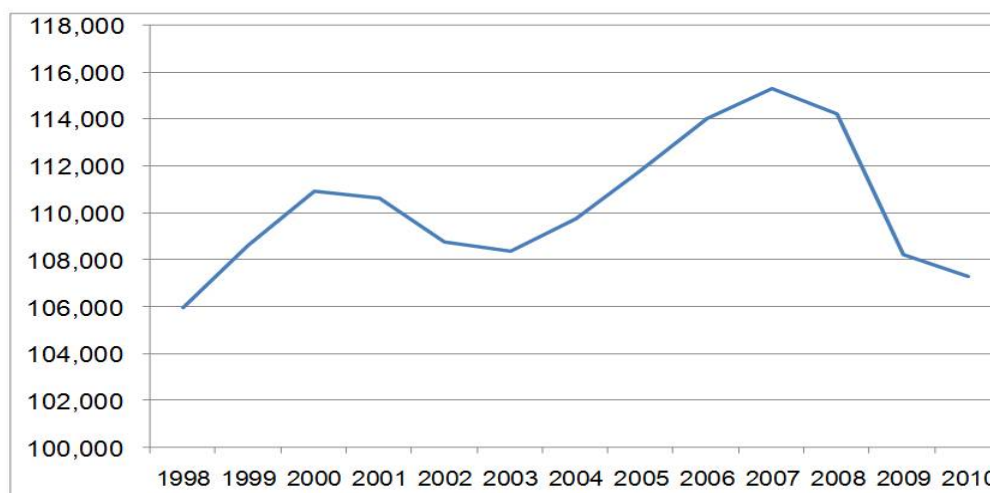
These two trends are influenced by both cyclical patterns in the economy and long-term changes in economic structure. Cyclical patterns, such as which industries are hardest hit by a business downturn, may cause a temporary shift in the relative shares of large and small business. However, more frequently, cyclical impacts hasten longer-run shifts in the structure of the economy.

A. ***Employment Distributions by Industry and Firm Size***

These small business GDP shares are estimated for the period 1998 to 2010. This period covers two recessions, the first from March 2001 to November 2001, and the second from December 2007 through June 2009. However, both of these recession periods were followed by periods of sluggish employment growth. Chart 1 shows the increases and decreases in total private nonfarm employment during this time period.

⁷ See *The Small Business Share of Economic Growth* (December 2001), *Small Business Share of NAICS Industries* (June 2002), and *The Small Business Share of GDP, 1998-2004* (April 2007).

Chart 1: Private Nonfarm Employment from 1998-2010
(thousands)

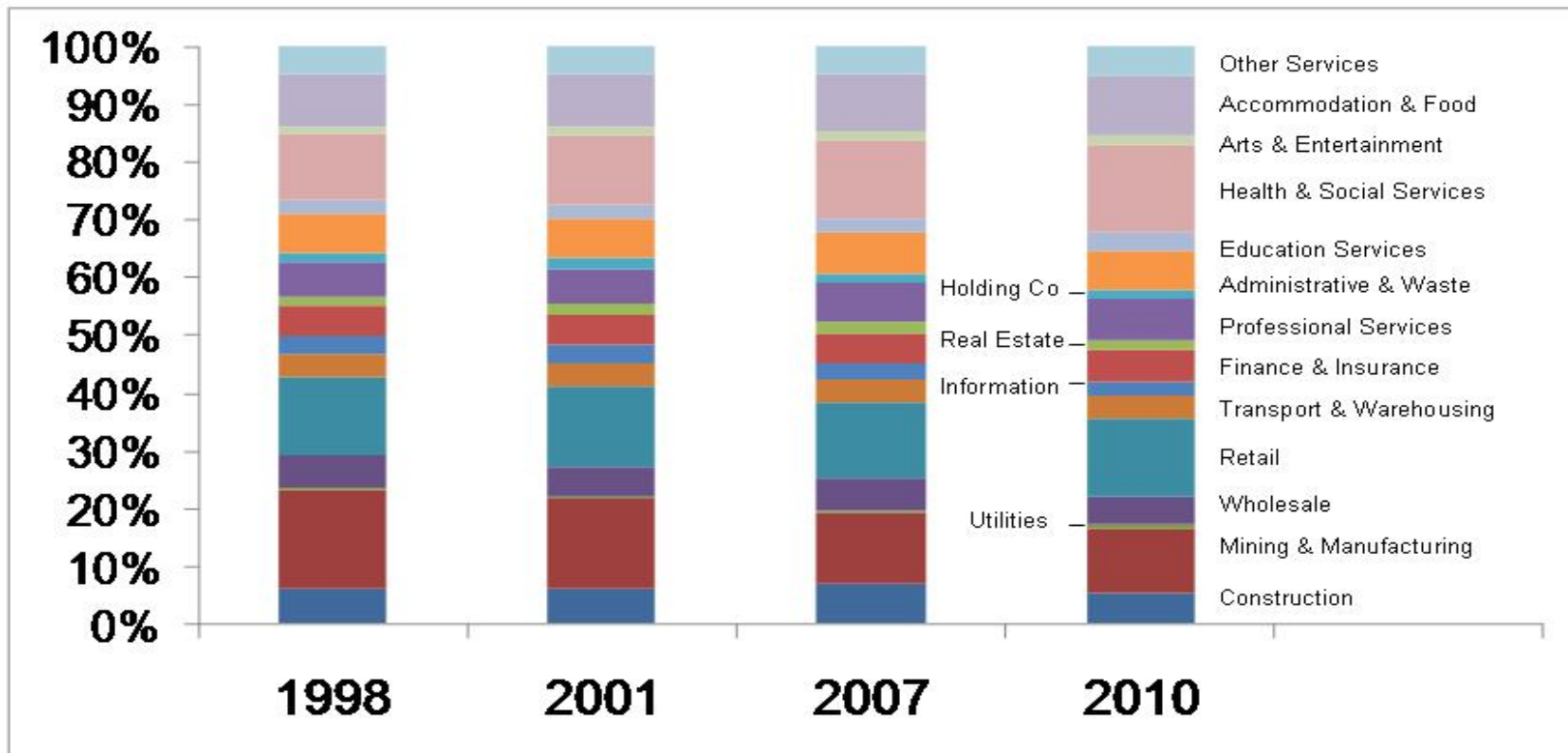


Bureau of Labor Statistics, CES

The first recession, which started in March 2001, began in manufacturing and spread to the services sectors, following the impact of September 11th, 2001, on the transportation and travel sectors. Construction and manufacturing were most heavily affected by the second recession, which started in December 2007. Chart 2 shows the distribution of employment among the industry sectors of the private nonfarm economy for 1998, 2001 (first recession), 2007 (peak employment for this time period), and 2010 (the most recent full year of employment data).

While the 2007 recession reduced employment across almost all industry sectors, it had the greatest effects on construction (an industry sector whose employment is predominately in small businesses), and manufacturing (an industry sector whose employment is more heavily skewed toward large businesses). Manufacturing and mining employment declined from just over 17 percent of private nonfarm employment in 1998 to just over 11 percent in 2010. The sector with the largest gain in its share

Chart 2: Distribution of Private Nonfarm Employment in 1998, 2001, 2007 and 2010



Bureau of Labor Statistics, CES

during this period is the health care and social services industry (about half of its employment is in small businesses), which increased from 11.5 percent of the private nonfarm economy to just over 15 percent.

Along with the cyclical changes in the economy, and the further shifts in the long-term movement from a goods-producing to a service-producing economy, there have also been longer term changes in the average size of businesses. As Table 1 shows, the small business share of employment has been falling in most industry sectors. In the two industries with the largest percentage of employees in small businesses, construction and “other services”, the small business shares declined between 1998 and 2008.⁸ Real estate and leasing, another significant sector of small business employment, saw its small business share decline by almost 6 percentage points. However, the large- business-dominated manufacturing and mining sectors have seen some increases in their small business employment share between 1998 and 2008.

The health and social services industry has showed a relatively constant share of employees in small businesses over the 1998 to 2008 period, just over 50 percent. However, since that sector has been increasing as an overall share of the economy, it means that small businesses in that sector have added employment at about the same pace as large businesses. Thus, the small businesses in the health care field have become an increasingly important part of the overall economy.

⁸ The shares in the table are based on data from the Census Bureau’s Statistics of U.S. Businesses (SUSB).

Table 1: Share of Employment in Private Nonfarm Small Businesses
(small businesses are those with fewer than 500 employees)
(percent)

Industry	98	99	00	01	02	03	04	05	06	07	08
Manufacturing and Mining ⁹	41.5	41.1	41.4	41.7	42.4	43.2	44.0	44.2	44.4	44.2	44.6
Utilities	15.2	15.3	16.0	16.2	17.1	17.0	16.9	17.2	17.8	17.7	17.0
Construction	88.3	87.5	86.3	85.1	85.0	86.0	86.4	86.1	85.4	85.2	84.1
Wholesale Trade	65.4	64.2	63.6	62.9	62.8	62.1	61.6	60.9	61.1	61.0	59.9
Retail Trade	44.9	44.1	43.7	43.4	42.9	43.1	42.2	41.1	40.0	39.0	38.5
Transportation & Warehousing	43.5	42.0	41.1	41.5	41.6	38.2	38.3	38.1	37.8	36.8	36.5
Information	28.7	28.2	28.1	26.5	25.6	25.6	26.2	26.2	26.3	25.8	26.7
Finance & Insurance	32.6	32.1	32.1	31.1	30.6	31.9	32.5	33.1	32.9	32.6	32.2
Real Estate & Leasing	72.2	70.6	69.9	68.6	68.8	69.3	69.1	68.2	68.6	67.6	65.8
Professional, Scientific & Professional	66.3	65.1	64.7	64.1	64.2	61.9	61.6	61.7	61.6	61.1	61.1
Management-Holding Companies	37.3	37.3	34.9	37.3	35.5	40.7	40.5	34.5	36.7	33.7	36.8
Administrative, Support & Waste Remediation	43.1	40.4	38.1	38.9	39.6	40.7	41.1	39.0	37.3	37.3	36.8
Educational Services	47.0	47.0	47.1	47.4	47.2	47.0	46.0	45.0	44.8	44.9	44.8
Health Care & Social Services	51.3	51.3	51.8	51.6	51.9	52.0	52.3	52.1	52.0	51.4	51.5
Arts, Entertainment & Recreation	70.0	69.1	67.9	67.0	66.2	67.5	67.7	66.1	65.8	65.4	64.3
Accommodation & Food Service	61.4	60.7	60.3	60.2	60.6	60.8	61.1	60.0	60.2	59.3	58.7
Other Services	86.3	86.0	85.9	85.5	86.2	86.4	86.3	85.6	85.4	84.7	84.6

Source: Statistics of U.S. Businesses, U.S. Census Bureau

Management of businesses in this table covers only the holding companies portion of NAICS category 55 and health care excludes government hospitals. These categories are narrowed to better match the BEA private nonfarm business categories that are used in the small business GDP calculations.

⁹ Mining and Manufacturing are shown as combined sector because of the issues related to petroleum refining companies that have some establishments in each category.

B. *Small Business Share of GDP and its Components*

i. **Results Through 2008**

Between 1998 and 2010, GDP grew 27.3 percent between 1998 and 2010 in real terms (adjusted for inflation). In nominal terms (not adjusted for inflation) it grew 65.2 percent. Chart 3 shows the annual growth rates of nominal and real GDP. Real GDP declined during two years of the most recent recession and nominal GDP declined only one of those years.

Chart 3: Annual Percent Change in Real and Nominal Gross Domestic Product 1998-2010

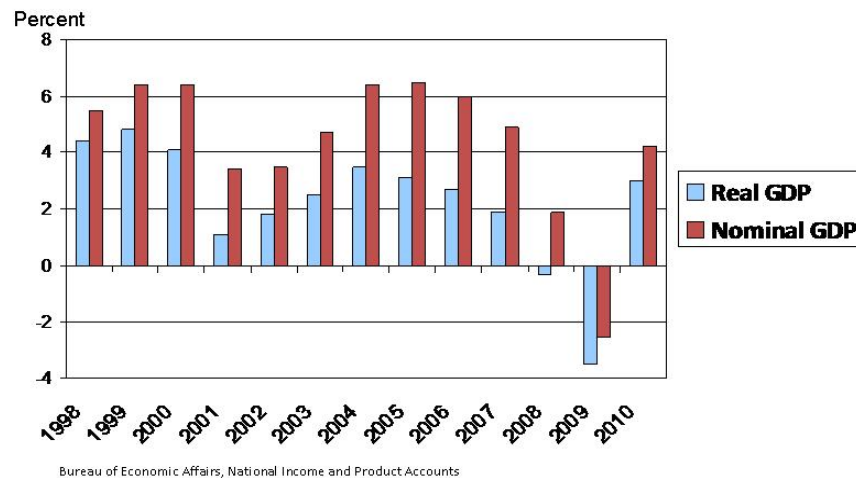


Chart 4 shows 2008 nominal private nonfarm GDP broken down by the industry that produces it. While mining and manufacturing declined from 20 percent of private nonfarm GDP in 1998 to 17.5 percent in 2008, respectively; it remains the single largest sector of the economy. Trade is the second largest sector, making up 14.8 percent of private nonfarm GDP in 2008. The professional and technical services industry is third, making up 9.9 percent, followed by finance and insurance, and health and social services

which each generated 8.7 percent of private nonfarm GDP in 2008. That represents an increase in share for health services which was 7.2 percent of GDP in 1998, whereas finance and insurance has gained only about 0.6 percentage point in the past decade.

Chart 4: Distribution of Private Nonfarm GDP by Industry Sector, 2008

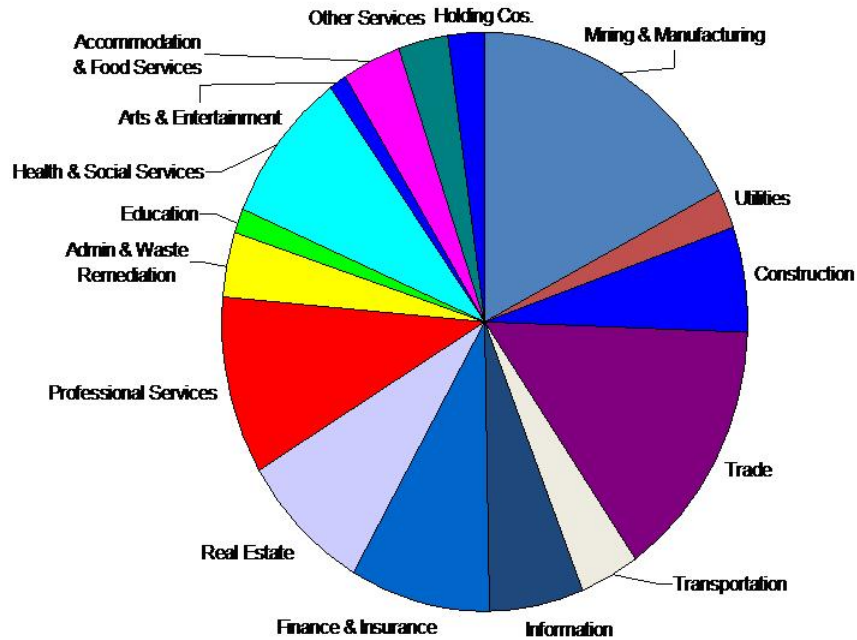


Table 3 shows small and large business private nonfarm GDP, the full set of tables showing the industry detail are shown in Section V-Appendix A. As noted in the table heading, there was a change in the methodology related to non-corporate businesses (specifically partnerships) starting in 2002. That change is discussed immediately following Table 3.

The compensation and noncompensation components of GDP are shown separately in Table 3 and then summed to obtain the total. Industry GDP is calculated from the source data used for the income side of the National Income and Product

Accounts (NIPAs). Therefore, the subcomponents for each industry are broken down into compensation components (consisting of wages, salaries and benefits) and noncompensation components (consisting of business transfer payments, business taxes on production and imports, net interest, depreciation, and net income.) Firm-size estimates of GDP are calculated only in nominal terms because there are no reliable measures of price changes in small versus large businesses within each industry sector.

The share of GDP generated by small businesses stayed relatively constant from 1998 through 2001, at slightly more than 50 percent. Between 2002 and 2004, the small business share showed a small decline, but the share dropped noticeably in 2005. This is partly due to the relative strength in corporate profits during the recovery from the 2001 recession. A comparison of the growth in corporate profits to the growth non-corporate income is only a proxy for firm size allocations. However, it is not an unreasonable proxy. As can be seen in Table 2, large businesses account for a much larger proportion of corporate employment and receipts than do small businesses. Small businesses dominate the employment and receipts of non-corporate businesses.

Table 2: Nonfarm Corporate and Non-corporate Shares of Receipts and Employment-2007					
	Receipts			Employment	
	Small Business	Large Business		Small Business	Large Business
Corporate	24.3%	75.7%		31.0%	69.0%
Non-corporate	76.6%	23.4%		73.3%	26.7%
Total	30.2%	69.8%		48.8%	51.2%
Source: <i>Statistics of U.S. Businesses, 2007</i> and <i>Nonemployer Statistics</i> . U.S. Census Bureau					

Chart 5 shows corporate profits (with inventory valuation and capital consumption adjustments) grew faster during this period than proprietors' income. Since most large businesses are corporations; this proxy suggests that large firms' profits grew faster than those of small firms, a larger percentage of which are non-corporate businesses.

Chart 5: Comparison of Corporate Profits and Proprietors' Income
1998-2010
(billions of nominal dollars)

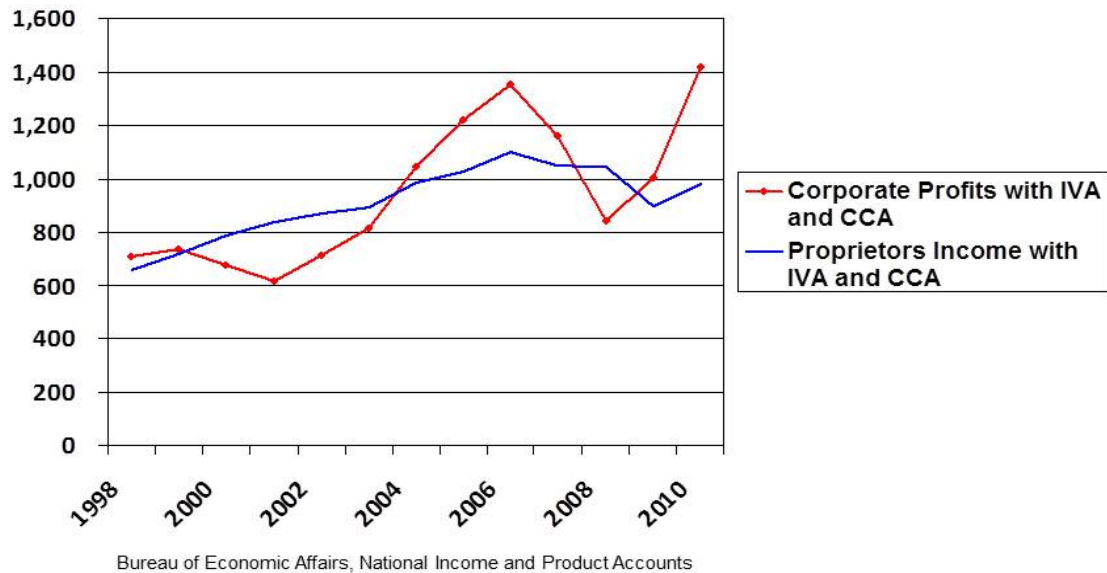


Table 3: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)
(Millions of Nominal Dollars and Business Size Percent of Total)

	1998		1999		2000		2001		2002		2003		2004	
	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct
PRIVATE NONFARM GDP														
Small Business GDP	3,578,026	50.5%	3836070	50.5%	4,068,879	50.3%	4,190,264	50.3%	4,139,771	48.3%	4,299,941	48.1%	4,522,139	47.5%
Compensation	1,951,708	48.3%	2076019	47.7%	2,231,086	47.2%	2,287,128	46.9%	2,334,808	47.3%	2,410,676	47.0%	2,520,466	46.9%
Nonlabor Components	1,626,318	53.4%	1760051	54.3%	1,837,793	54.8%	1,903,136	55.0%	1,804,963	49.5%	1,889,265	49.5%	2,001,673	48.3%
Large Business GDP	3,506,662	49.5%	3757240	49.5%	4,016,765	49.7%	4,143,305	49.7%	4,439,604	51.7%	4,646,881	51.9%	4,998,306	52.5%
Compensation	2,089,914	51.7%	2276711	52.3%	2,498,680	52.8%	2,586,543	53.1%	2,599,265	52.7%	2,719,761	53.0%	2,852,510	53.1%
Nonlabor Components	1,416,748	46.6%	1480529	45.7%	1,518,085	45.2%	1,556,762	45.0%	1,840,339	50.5%	1,927,120	50.5%	2,145,796	51.7%

	2005		2006		2007		2008		2009		2010	
	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct
PRIVATE NONFARM GDP												
Small Business GDP	4,698,197	46.3%	4,948,040	46.1%	5,182,230	46.2%	5,217,082	45.8%	5,080,329	46.0%	5,210,469	44.6%
Compensation	2,650,841	46.7%	2,788,759	46.3%	2,902,857	45.9%	2,951,310	45.7%	2,772,211	45.2%	2,809,979	44.8%
Nonlabor Components	2,047,356	45.9%	2159281	45.9%	2,279,373	46.6%	2,265,772	46.0%	2,308,118	47.0%	2,400,490	44.4%
Large Business GDP	5,443,589	53.7%	5,781,123	53.9%	6,025,888	53.8%	6,165,202	54.2%	5,971,081	54.0%	6,465,158	55.4%
Compensation	3,029,170	53.3%	3,234,894	53.7%	3,418,722	54.1%	3,505,231	54.3%	3,365,906	54.8%	3,455,528	55.2%
Nonlabor Components	2,414,419	54.1%	2,546,229	54.1%	2,607,166	53.4%	2,659,971	54.0%	2,605,175	53.0%	3,009,630	55.6%

Note: The industry detail underlying these estimates is shown in Appendix A—Section V.

ii. **Discontinuity Between Pre and Post 2002 data**

It should be noted that the methodology used to produce the GDP shares by firm size was changed for the estimates generated from 2002 forward. This has resulted in a discontinuity in the series between 2001 and 2002. The result of the change in the methodology is a reduction in the overall small business share of private nonfarm GDP of almost 2 percentage points in 2002.

Under the old methodology, still used to produce the 1998-2001 estimates, the noncompensation components of all businesses that are sole proprietorships or partnerships were assumed to be small businesses.¹⁰ That assumption was a generalization since there were always some firms among those legal forms of organization that employed 500 or more people, mostly in partnerships. However, because general partners' personal assets are at risk for business-related liabilities, most large companies became corporations.

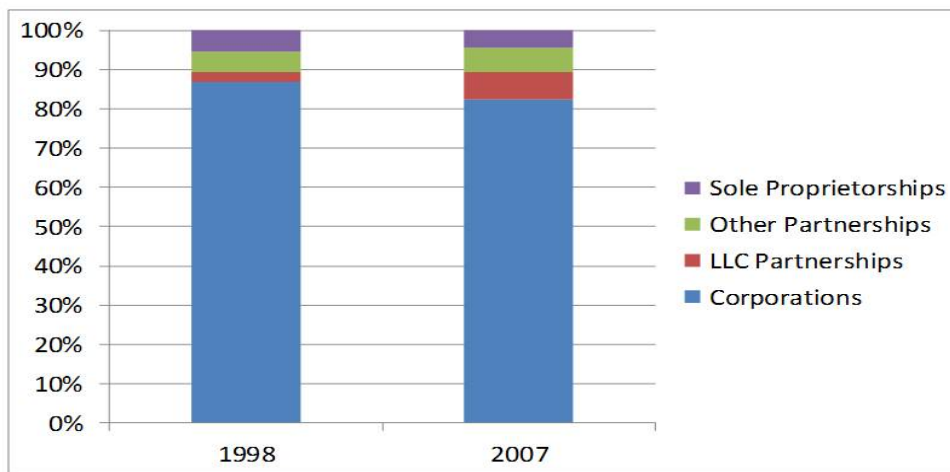
The last time the GDP by firm size estimates were calculated, it was clear that the assumption that all partnerships were small businesses was likely to be increasingly inaccurate. At that time, ECS requested that the Census Bureau produce a table that showed the 2002 Statistics of U.S. Businesses (SUSB) data by firm size and by legal form of organization in order to obtain a more accurate assessment of the percentage of employment, payroll, and receipts of partnerships that were allocatable to large businesses. Since then, the Census Bureau has produced a similar table for the 2007 SUSB, and the 2008 SUSB. With information for 2002 and 2007, it was possible for the

¹⁰ The compensation components were being correctly allocated since the payroll shares are directly allocated to firm size without regard to legal form of organization. It was only the noncompensation components, which were allocated using tax statistics based on legal form of organization that were impacted.

first time to estimate the trend of large partnership receipts.¹¹ Those data showed that the large business share of partnership receipts and payroll have been inching up.

This increasing share of partnerships that are large businesses reflects a 1988 IRS ruling that recognized a new form of partnership, the limited liability company or LLC. In an LLC the income passes through the partnership and is taxed at the tax rate of the individual partners, but the partners no longer have all their personal assets at risk. They are only liable to third-party business-related creditors up to the amount of their investment in the partnership. By 1997, LLCs were recognized in all 50 states and the District of Columbia.¹² That change in the law resulted in a growing number of businesses choosing to become LLCs (see Chart 6).¹³

Chart 6: Distribution of Receipts by Legal Form of Organization, 1998 and 2007



Source: IRS, Statistics of Income

¹¹ Using the receipts shares it was possible to allocate the partnerships' noncompensation components by business size. That will be more fully discussed in the Data and Methodology section of this report.

¹² *The Effects of Tax Reform on the Structure of U.S. Business*, by Ellen Legel, Kelly Bennett and Michael Parisi, Internal Revenue Service, p. 65.

¹³ During the early 1990s the top marginal tax rate for corporations was higher than the top tax rate for individuals. This encouraged a change to a legal form of organization that taxed the partners at individual rates. Currently, the top marginal tax rate for individuals is the same as the top rate for corporations, 35 percent.

Table 4 shows this shift in legal form of organization by major industrial sector. In 1998, 20 percent of businesses were corporations covering almost 87 percent of business receipts. About 8 percent of businesses and receipts were generated by partnerships, and 72 percent of businesses, generating 5 percent of receipts were sole proprietorships. The number of businesses filing tax returns grew by a third between 1998 and 2007. However, the share of businesses that were corporations declined from 20 percent in 1998 to 18 percent in 2007, and 82 percent of business receipts were generated by corporations in 2007 compared with 1998's 87 percent share. The share of businesses that are sole proprietorships was almost exactly the same as in 1998, 72 percent with slightly less than 5 percent of business receipts. But partnerships grew to about 10 percent of businesses with 13 percent of receipts, and most of that growth was in LLCs. In 1998, LLCs were 2 percent of all businesses with about 2 percent of business receipts. By 2007, LLCs were 6 percent of businesses producing 7 percent of receipts. In some industry sectors the LLC form of organization has grown much faster. For example, real estate and leasing went from 6 percent of receipts in LLCs in 1998 to 23 percent in 2007. In professional, scientific and technical services, LLCs generated 4 percent of receipts in 1998 and over 9 percent in 2007. In the accommodation and food service industry, and the arts and entertainment sectors the LLC form of organization has increased from about 5 percent of receipts in 1998 to about 15 percent in 2007.

The data for the pre-2002 period cannot be easily recalculated to match the post-2002 period because we do not know the share of partnership business receipts and payrolls that were associated with large businesses in 1997. The information in Table 4

indicates that the share was probably relatively small in 1997 since the large growth in LLCs took place after the tax law changed. However, care should be used when drawing conclusions about the change in small business share between 1998 and 2008 since the methodology used to calculate those two periods is somewhat different.

Table 4. Number of Businesses, Business Receipts by Industry for 1998 and 2007, and Distribution by Legal Form of Organization

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Form of business, item	All industries	Mining	Utilities	Construction	Manufacturing	Wholesale and retail trade	Transportation and warehousing	Information	Finance and insurance
All businesses-1998									
Number of businesses.....	24,113,045	179,941	17,662	2,920,802	706,002	3,813,207	969,101	335,332	1,026,302
Business receipts.....	17,285,188,902	147,677,818	499,833,981	1,109,402,772	4,865,936,073	5,041,650,550	543,877,331	771,910,696	1,435,257,053
All businesses-2007									
Number of businesses.....	32,087,881	205,274	21,782	3,920,255	683,844	3,992,587	1,401,934	508,286	1,285,639
Business receipts.....	29,388,832,943	464,473,437	799,160,648	2,123,348,731	8,060,450,540	8,504,791,050	948,974,392	1,215,669,837	2,230,898,741
Corporations-1998									
Number of businesses.....	4,848,888	31,467	8,067	551,935	309,912	956,803	159,646	100,977	218,193
	20.1%	17.5%	45.7%	18.9%	43.9%	25.1%	16.5%	30.1%	21.3%
Business receipts.....	15,010,264,802	116,905,970	450,830,225	859,139,558	4,591,071,027	4,516,670,915	469,626,605	667,610,273	1,285,017,559
	86.8%	79.2%	90.2%	77.4%	94.4%	89.6%	86.3%	86.5%	89.5%
Corporations-2007									
Number of businesses.....	5,868,849	39,114	7,661	780,606	273,771	995,846	200,651	122,370	251,331
	18.3%	19.1%	35.2%	19.9%	40.0%	24.9%	14.3%	24.1%	19.5%
Business receipts.....	24,217,396,005	351,159,165	664,918,890	1,587,919,987	7,174,961,969	7,336,983,720	747,983,663	974,080,849	1,963,080,012
	82.4%	75.6%	83.2%	74.8%	89.0%	86.3%	78.8%	80.1%	88.0%
Partnerships-1998									
Number of businesses.....	1,855,348	29,098	2,448	125,823	34,836	130,288	19,193	21,900	209,150
	7.7%	16.2%	13.9%	4.3%	4.9%	3.4%	2.0%	6.5%	20.4%
Business receipts.....	1,356,655,904	25,711,768	48,837,758	106,320,658	247,438,628	304,069,914	31,009,687	98,387,504	88,996,302
	7.8%	17.4%	9.8%	9.6%	5.1%	6.0%	5.7%	12.7%	6.2%
LLC-1998									
Number of businesses.....	470,657	5,951	1,376	39,424	12,729	36,109	7,957	6,479	32,425
	2.0%	3.3%	7.8%	1.3%	1.8%	0.9%	0.8%	1.9%	3.2%
Business receipts.....	423,101,069	6,991,649	16,478,925	39,151,981	88,963,496	97,087,516	14,417,841	15,049,755	24,640,479
	2.4%	4.7%	3.3%	3.5%	1.8%	1.9%	2.7%	1.9%	1.7%
Partnerships-2007									
Number of businesses.....	3,096,334	39,581	3,991	208,538	47,683	220,076	46,464	34,206	308,307
	9.6%	19.3%	18.3%	5.3%	7.0%	5.5%	3.3%	6.7%	24.0%
Business receipts.....	3,847,033,858	100,780,006	133,676,544	304,593,676	856,240,254	918,479,016	118,852,310	231,380,826	173,834,352
	13.1%	21.7%	16.7%	14.3%	10.6%	10.8%	12.5%	19.0%	7.8%
LLC-2007									
Number of businesses.....	1,818,681	14,953	2,037	141,048	28,378	119,307	30,687	25,498	136,692
	5.7%	7.3%	9.4%	3.6%	4.1%	3.0%	2.2%	5.0%	10.6%
Business receipts.....	2,062,483,341	43,971,310	46,088,687	182,289,061	481,012,365	483,951,205	45,617,737	102,307,491	107,877,330
	7.0%	9.5%	5.8%	8.6%	6.0%	5.7%	4.8%	8.4%	4.8%
Nonfarm sole proprietorships-1998									
Number of businesses.....	17,408,809	119,376	7,147	2,243,044	361,254	2,726,116	790,262	212,455	598,959
	72.2%	66.3%	40.5%	76.8%	51.2%	71.5%	81.5%	63.4%	58.4%
Business receipts.....	918,268,196	5,060,080	165,998	143,942,556	27,426,418	220,909,721	43,241,039	5,912,919	61,243,192
	5.3%	3.4%	0.0%	13.0%	0.6%	4.4%	8.0%	0.8%	4.3%
Nonfarm sole proprietorships-2007									
Number of businesses.....	23,122,698	126,578	10,131	2,931,110	362,390	2,776,664	1,154,819	351,710	726,002
	72.1%	61.7%	46.5%	74.8%	53.0%	69.5%	82.4%	69.2%	56.5%
Business receipts.....	1,324,403,080	12,534,266	565,214	230,835,068	29,248,316	249,328,313	82,138,420	10,208,162	93,984,377
	4.5%	2.7%	0.1%	10.9%	0.4%	2.9%	8.7%	0.8%	4.2%

Source: IRS, Statistics of Income

Table 4. Number of Businesses, Business Receipts by Industry for 1998 and 2007, and Distribution by Legal Form of Organization (cont.)

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Form of business, item	Real estate and rental and leasing	Professional, scientific, and technical services	Management of companies (holding companies)	Administrative and support and waste management and remediation services	Educational services	Health care and social assistance	Arts, entertainment, and recreation	Accommodation, food services, and drinking places	Other services
All businesses-1998									
Number of businesses.....	2,205,935	3,173,498	42,918	1,479,954	334,469	1,851,412	1,110,054	606,023	2,221,313
Business receipts.....	260,368,200	796,236,596	92,627,484	320,982,170	27,931,863	497,570,878	102,238,841	407,944,777	220,892,768
All businesses-2007									
Number of businesses.....	3,539,336	4,245,926	71,444	2,587,375	657,704	2,489,527	1,461,519	806,355	3,108,743
Business receipts.....	506,807,743	1,487,701,222	223,941,363	613,142,157	53,699,485	866,653,370	170,974,042	608,775,571	317,380,213
Corporations-1998									
Number of businesses.....	521,917	623,784	30,931	200,449	36,959	307,258	92,966	245,334	300,313
Business receipts.....	175,701,248	540,924,209	90,497,966	263,655,627	23,196,929	357,156,938	60,387,702	295,686,536	143,395,451
	23.7%	19.7%	72.1%	13.5%	11.1%	16.6%	8.4%	40.5%	13.5%
	67.5%	67.9%	97.7%	82.1%	83.0%	71.8%	59.1%	72.5%	64.9%
Corporations-2007									
Number of businesses.....	656,946	835,838	47,866	274,370	49,240	405,587	123,386	287,949	372,048
Business receipts.....	267,855,554	973,735,766	199,680,891	483,754,119	40,438,008	590,016,966	91,332,663	423,999,361	205,346,816
	18.6%	19.7%	67.0%	10.6%	7.5%	16.3%	8.4%	35.7%	12.0%
	52.9%	65.5%	89.2%	78.9%	75.3%	68.1%	53.4%	69.6%	64.7%
Partnerships-1998									
Number of businesses.....	812,404	118,340	11,987	28,268	4,697	37,767	30,319	57,912	63,763
Business receipts.....	41,348,441	147,764,823	2,129,518	22,840,826	1,073,235	59,773,854	22,156,807	78,969,307	14,128,213
	36.8%	3.7%	27.9%	1.9%	1.4%	2.0%	2.7%	9.6%	2.9%
	15.9%	18.6%	2.3%	7.1%	3.8%	12.0%	21.7%	19.4%	6.4%
LLC-1998									
Number of businesses.....	200,566	41,587	4,966	11,457	1,864	12,613	10,629	18,425	13,629
Business receipts.....	15,538,476	33,578,249	1,471,957	10,835,496	531,973	19,218,553	5,877,211	22,480,681	5,388,790
	9.1%	1.3%	11.6%	0.8%	0.6%	0.7%	1.0%	3.0%	0.6%
	6.0%	4.2%	1.6%	3.4%	1.9%	3.9%	5.7%	5.5%	2.4%
Partnerships-2007									
Number of businesses.....	1,488,966	175,546	23,578	62,004	11,605	67,522	54,867	106,954	68,949
Business receipts.....	167,997,357	344,692,757	24,260,472	69,044,834	4,186,674	161,104,541	48,597,715	136,983,966	23,717,193
	42.1%	4.1%	33.0%	2.4%	1.8%	2.7%	3.8%	13.3%	2.2%
	33.1%	23.2%	10.8%	11.3%	7.8%	18.6%	28.4%	22.5%	7.5%
LLC-2007									
Number of businesses.....	931,420	105,786	16,410	36,468	7,793	43,699	32,855	69,293	33,304
Business receipts.....	116,813,953	137,183,122	13,873,009	50,715,938	3,576,715	95,758,803	26,923,065	92,222,178	13,804,766
	26.3%	2.5%	23.0%	1.4%	1.2%	1.8%	2.2%	8.6%	1.1%
	23.0%	9.2%	6.2%	8.3%	6.7%	11.0%	15.7%	15.1%	4.3%
Nonfarm sole proprietorships-1998									
Number of businesses.....	871,614	2,431,374	N/A	1,251,237	292,813	1,506,387	986,769	302,777	1,857,237
Business receipts.....	43,318,511	107,547,564	N/A	34,485,717	3,661,699	80,640,086	19,694,332	33,288,934	63,369,104
	39.5%	76.6%		84.5%	87.5%	81.4%	88.9%	50.0%	83.6%
	16.6%	13.5%		10.7%	13.1%	16.2%	19.3%	8.2%	28.7%
Nonfarm sole proprietorships-2007									
Number of businesses.....	1,393,424	3,234,542	N/A	2,251,002	596,859	2,016,418	1,283,267	411,451	2,667,745
Business receipts.....	70,954,832	169,272,699	N/A	60,343,203	9,074,803	115,531,863	31,043,663	47,792,244	88,316,204
	39.4%	76.2%		87.0%	90.7%	81.0%	87.8%	51.0%	85.8%
	14.0%	11.4%		9.8%	16.9%	13.3%	18.2%	7.9%	27.8%

Source: IRS, Statistics of Income

iii. Results for 2009 and 2010

The source data used to calculate the small business share of GDP is complete through 2008; but the information for 2009 and 2010 is only just now starting to become available. It is clear the recession had a major negative effect on both large and small businesses. What is less clear is how much the downturn impacted the relative shares of production of the business size classes.

The most up-to-date information available on employment changes by firm size are from the Bureau of Labor Statistics' Business Employment Dynamics (BED). These data compare snapshots of the economy at different points in time and compare the employment in firms of different sizes. Table 5 shows net employment changes for the four quarters ending in March (this time period was selected because the SUSB data used for the small business payroll estimates are tabulated as of March each year).

Total of the four quarters ended in March:	Small < 500 employee firms	Large >=500 employee firms	Total private sector
2008	-61	158	97
2009	-3,802	-2,063	-5,865
2010	-1,663	-1,032	-2,695
March-Dec. 2010	1,709	1,648	3,357
Source: Business Employment Dynamics, Bureau of Labor Statistics			

These data indicate that the small firms lost employment at a faster pace than did the large firms during 2009 and 2010. The BLS' annual tables show that at the end of March 2010, the employment share of small businesses had fallen over half a percentage point from its level in March 2007. Most of that change in the share occurred in the 20-

499 size classifications.¹⁴ However, the data in Table 5 show that since March 2010, the small business size groups have added employment, on net, about as fast as large businesses, accounting for just over 50 percent of the net gains.

The BED data are also useful for understanding the importance of small businesses not only in the net job gains in the economy but also in the dynamics of the constant churn in employment that takes place in the economy. Small businesses create many more jobs than do large businesses. During the period from March to December 2010, gross job gains in small businesses were 13.6 million (20 percent of those were from businesses opening) compared with 4.3 million from large businesses (0.2 percent of those were from businesses opening). Quite logically, small businesses are creating the vast majority of the jobs that come about due to new businesses opening because few businesses have 500 or more employees when they open their doors. These young businesses represent the volatile edge of entrepreneurship where new ideas and concepts are tested. However, a large percentage of young firms fail; consequently, overall net job gains in small businesses were roughly on par with those of large businesses during the March to December 2010 period because gross job losses in small businesses are also quite high. But this is the vital core of the process that generates the longer-term changes in the structure of the economy.

There is only one data source that provides some indication of change in employment shares by firm size and industry for the 2009 to 2010 time period. The Medical Expenditure Panel Survey has been completed and published through 2010. One of the tables produced from that survey estimates private sector employment by industry grouping and firm size. Unfortunately, the MEPS data set combines all the information it

¹⁴ Table F of the BED annual data tables, Bureau of Labor Statistics.

has about the companies with 100-999 employees in one category, which prevents an easy calculation of the above and below 500 employee shares that are used for this analysis. However, for 2008 and 2010 the share of employment in firms with 1000 or more employees was calculated, and the share of employment in firms with fewer than 100 employees was calculated. Each 2010 share was compared to its matching share in 2008. When the 1000 plus category showed an increase and the firms with fewer than 100 employees showed a decrease, that was considered an indicator that large businesses probably had an increasing share of payrolls. When the share in the 1000 or more category became smaller and the share of employment in firms with fewer than 100 employees grew, that was considered a signal that the payroll share of small business had increased. If there was no change or mixed information, it was assumed that only minor changes in shares had taken place. This information guided the industry- by-industry trends for 2009 and 2010.¹⁵

In addition to the toll on employment taken by the recession, indications are that small businesses also suffered disproportionate financial losses. One measure of the financial toll on small businesses is a comparison of the net worth of nonfinancial corporate businesses with the net worth of nonfinancial non-corporate businesses. As can be seen in Table 2 above, both of these categories of businesses have a mix of small and large businesses in them, non-corporate business has a much higher proportion of small businesses than does the corporate sector. The net worth of the non-corporate sector peaked in 2006 and fell 36 percent between 2006 and 2009; it recovered about 7 percent of its value in 2010, before falling again in the first quarter of 2011. Corporate

¹⁵ The 2009 SUSB employment and payroll shares were released just as this paper was being finalized. Those shares were entered into the 2009 calculations, and for the most part confirmed the shares that had been estimated from the MEPS. The MEPS were still used to guide the extrapolation of the 2010 shares.

businesses' net worth peaked in 2007 and then fell about 19 percent between 2007 and 2009; it recovered by 14 percent in 2010 and grew slightly in the first quarter of 2011.¹⁶ Looking back at Chart 5, corporate and non-corporate income during this period showed a slightly different pattern, with corporate profits falling faster than non-corporate incomes during the early part of the recession and non-corporate income hit harder in 2009 and growing much more slowly than corporate profits in 2010.¹⁷ An additional indicator of the impact on small businesses is the finding of the Federal Reserve Board's 2009 *Survey of Consumer Finances* showing the median value of family business equity declined by almost 24 percent from \$103,600 to \$94,500 between 2007 and 2009.

When all the information was combined, it showed that the small business share probably stayed roughly constant through early 2009 then appear to have weakened in late 2009 and early 2010. The rebound in corporate profits in 2010 is indicative of stronger gains in the large business sector; consequently, the small business share is estimated to have declined somewhat further in 2010.

III. **Summary and Conclusions**

The small business share of the private nonfarm economy was 46 percent in 2008 compared with 48 percent in 2002. That is down from slightly more than 50 percent in 1998, although a change in the methodology for handling partnerships means those numbers are not directly comparable. In general, the small business employment share has declined over time in most of the sixteen industry sectors for which the data are examined. However, partly offsetting that is the relative growth in some sectors that

¹⁶ *Flow of Funds, 2011Q1*, Federal Reserve Board, June 9, 2011.

¹⁷ Net worth is a much broader measure of economic value than is net income. Net worth compares total assets and liabilities at different points in time. Net income measures receipts minus expenses during a specific period of time, such as a quarter or a year.

have many small businesses. For example, the health care industry has about half of its employment in small businesses and has grown as a share of the overall economy.

Unfortunately, one of the sectors that was predominately made up of small businesses, construction, was hard hit during the most recent recession and has shrunk as a share of the overall economy. Overall, preliminary data indicate that both large and small businesses were hit hard by the recession and the small business share appears to have held almost constant through early 2009. However, the small business share is likely to have fallen somewhat further in 2010 as corporate businesses recovered more quickly than noncorporate businesses. The numbers for 2009 and 2010 are still highly speculative since the source data are not yet available to make a full analysis of the business size share breakdown of GDP for that period.

IV. Data and Methodology for Calculating the Shares

The general methodology used to calculate the 2002-2008 shares is the same as that used to produce the prior set of estimates of small business GDP on a NAICS basis, except for a change in the calculation of the noncompensation components of partnerships.¹⁸ The calculations begin with the BEA's GDP by industry data. Those data show nominal GDP broken down into major industries, and by major component of income.¹⁹ However, BEA does not show any of its data by firm size. Consequently, to make estimates of small business GDP requires the division of each of the BEA

¹⁸ *Small Business GDP*, SBA-HQ-05M0413, April 2007.

¹⁹ While BEA does produce estimates of real GDP by industry, this analysis is focused on the nominal numbers. The components of GDP are always shown in nominal dollars; only the overall industry GDP number is deflated. Consequently, using this methodology, the nominal shares would need to be produced first and summed to the business size GDP measure and that level deflated to produce real measures of output. Unfortunately, there are no data on which to base different price indexes for the large business and small business GDP. Consequently, deflating these measures would likely cause somewhat misleading results.

components into the small and large business share. Once all of the components are estimated for each industry, the small business portions of compensation and each of the noncompensation components are summed for each industry. When that small business total is divided by the industry GDP total, it produces the small business share for that industry. Also, each of the components is summed across all industries to produce a small and large business shares of compensation for the total nonfarm private economy, and small and large business shares of the noncompensation components. Summing the compensation and noncompensation components for each size group produces the small and large business shares of total GDP.

BEA now uses the input-output data as the foundation for industry GDP rather than the NIPA estimates that it used to do the industry accounts on the SIC basis.²⁰ However, since all the industries must total to GDP, some rebalancing of the data has to be done. For that reason, the BEA stopped producing separate estimates of each capital component in the income estimates.

That change complicated the methodology for producing the small business estimates of GDP, since the methodology depends on allocating each of the separate nonlabor components to the appropriate business size. To make the small and large business estimates, it is necessary to disaggregate the BEA's measure of "other gross operating income" into some of its more detailed components. The annual national income by industry tables were used to determine the distributions for separating "other gross operating income" into three components: net interest; corporate profits and depreciation; and noncorporate depreciation, rental income and proprietor's income.

²⁰The input-output data were preferred conceptually because they are on an establishment basis, and provide the detailed information on intermediate inputs that help in doing the deflation of the industry series.

Following is a discussion of how each of the components is divided between its large business and small business shares.

A. *Compensation Components through 2008*

i. Wages

The calculation of the compensation shares by industry and firm size will be discussed first. BEA provides industry compensation in two parts, wages and salaries and what it calls supplements, which are mostly employers' costs associated with the benefits provided to employees.²¹ Separating the wages and salaries by firm size was relatively straightforward. Payroll shares for large and small businesses were calculated for each of the sixteen industries for each year from 1998 through 2008 directly from the Census Bureau's SUSB data. Those payroll shares were used to separate each industry's wages and salaries between the two business size classes.

ii. Benefits (Wage Supplements)

The benefits shares were more difficult to estimate. If benefits were allocated to firm size group according to the payroll shares it would overestimate the small business share of benefits. Several studies have shown that small businesses provide fewer pension and health insurance benefits than do large businesses.²²

The BEA separates its benefits data into two categories: those that are considered government social insurance (such as Social Security and Medicare taxes) and those that are voluntary, such as health insurance and pensions. BEA publishes some industry detail for benefits paid for the social insurance programs. Separately, the total

²¹ The BEA data used were the annual data through 2010 by industry that were released in early August 2011.

²² *The Cost of Employee Benefits in Small and Large Businesses*, Joel Popkin and Company, August 2005.

amount paid by private business for health insurance, life insurance, pensions and workers compensation insurance is also provided, but with no industry detail.

The calculations of the benefits started with the supplements totals for each industry and separated them into two groups. BEA had already provided the industry detail for the social insurance portion. Consequently, those only needed to be allocated to large and small business. That was done using the industry payroll shares since most of the social insurance taxes are calculated as a specific percentage of payroll.

Once the social insurance portion had been subtracted from the total supplements, it left other benefits by industry. Those included health insurance, life insurance, pension and retirement payments made by companies, and workers' compensation costs. In order to determine how much of each industry's "other supplements" should be allocated to each of these categories, the Bureau of Labor Statistics' data from *Employer Costs for Employee Compensation* was consulted. Those data show the average cost per hour paid for each of these benefits across all employers in an industry sector. The health insurance, life insurance, pension and workers' compensation numbers were summed for each industry sector for each year. Then the percentages that pension costs, health and life insurance costs, and workers' compensation were of that total were calculated. Those shares were used to allocate the "other supplements" to their respective types. Once these allocations were done, each type of supplement was separated between its large business component and its small business component. Workers' compensation was allocated according to payroll shares since, like social insurance, it tends to be calculated from payroll amounts. The other two categories were more complicated to

separate by firm size, since health insurance and pension/retirement savings contributions are voluntary and vary by employer.

The Medical Expenditure Panel Survey (MEPS) data for the periods from 1998 to 2009 were used to estimate the small and large business shares of the health insurance benefits that were provided. The MEPS data were used to calculate an average premium cost per employee by industry and firm size group. This was done by calculating the total bill for employees covered by insurance for each firm size and industry group, then dividing the total by the total number of employees (covered and not covered).²³ That cost per employee was then multiplied by the employees in the various industry and firm size groupings in the SUSB to produce a health insurance bill benchmarked to the SUSB employment totals. That health insurance bill was divided into its large and small business components to determine the shares that should be used to allocate the health insurance costs.²⁴

The final component of benefits was pensions. Unfortunately, there are no good data on pension expenses by company size as there are for medical insurance expenditures. However, there is one method for approximating these figures. The IRS provides information on the deductions companies take for payments into pension and retirement savings plans in its *Statistics of Income*. Those data were collected following the procedures discussed below for the noncompensation components, and used to allocate the pension payment totals by industry to large and small business. Once all

²³ The MEPS data were not produced for 2007. Consequently, the 2007 shares were calculated by averaging the 2006 and 2008 cost per employee for each industry/size cell combined with the 2007 employee distribution from the SUSB data.

²⁴ Life insurance was allocated using the same shares as health insurance. That was somewhat arbitrary, but the two types of insurance are often offered at the same time. Life insurance is a very small part of the total benefits package and its allocation is unlikely to cause any major change in the compensation shares.

three categories of the “other” benefits were separately allocated to large and small businesses, they were combined with the social insurance benefits and produced an estimate of total supplements for each firm size and industry group.

Once the wages, salaries and benefits were separated between large and small business for each industry, they could be added together to determine a compensation total for small and large business for each industry. The compensation totals for small business for all industries were totaled to determine a small business share of overall compensation for the private nonfarm economy.

B. *Noncompensation Components through 2008*

The calculation of the small business shares of the noncompensation components is a multi-step process that uses data from SUSB combined with IRS statistics. There are five noncompensation components for each industry from the BEA data that need to be divided into large and small business components. Three of those components are shared out with the corporate and noncorporate information combined, but the corporate depreciation and net income component is shared out separately from the noncorporate depreciation and net income component.

The Internal Revenue Service’s *Statistics of Income* data provide tax return detail for the three major taxpaying forms of legal organization: corporations, partnerships and sole proprietorships. It shows detailed tax-related information for these businesses, such as the amount of business receipts, interest paid, depreciation and net income (or loss) for each year by industry. For corporations, it shows all of these components by major industry category broken down by major receipts size classes. This latter set of tables is used to estimate the small and large business shares of corporate payments.

In general, the GDP components “indirect business taxes” and “business transfer payments” are divided based on the portion of SOI business receipts that are allocated to large and small businesses because those components are often determined by receipts. The GDP component “net interest payments” is allocated to business size using the SOI’s large and small business shares of interest paid for all three legal forms of organization. The GDP component “other gross operating income” for corporations is divided between large and small business using the sum of the depreciation and net income (less deficit) lines from the SOI corporate tax tables. The noncorporate “other gross operating income” was assumed to be entirely small businesses through 2001. From 2002 onward, that component was split between large and small business by assuming that all the depreciation and net income of the sole proprietorships should be allocated to small businesses, and allocating the partnership information based on the large and small business receipts shares for partnerships that were calculated from the SUSB data showing the legal form of organization.

The IRS data have detailed information on the different components of a business’s income but the data are not known by the employment size of that business. Consequently, the first step in the methodology is to use the Census Bureau’s SUSB data to produce a share of receipts for each industry sector associated with the companies that have 500 or more employees for two benchmark years from the Census Bureau’s data. For this update, the data from the 2002 and 2007 SUSB data were used.²⁵ For these two benchmark years, the Census Bureau estimates receipts by business size group for the employer businesses included in the SUSB data. To use the IRS statistics to their fullest

²⁵ Receipts share are included in the SUSB only in years when the economic censuses have been conducted. The shares for the 1998 through 2002 period had been calculated when the estimates were produced for the 2005 estimates. Those shares continued to be used for that time period.

advantage, one needs the SUSB data further disaggregated by legal form of organization. The Census Bureau produced tables that show employment, payroll, and receipts data (the latter only for 2002 and 2007) by legal form of organization for each major industry separated by the employment size of the firms. This information was used to calculate the large business share of receipts for (taxpaying) corporate businesses in 2002 and 2007. A straight line trend was used to calculate the intervening years between 2002 and 2007.

Once the large business share of corporate receipts was calculated for each year, the IRS *Statistics of Income* data could be used to make share estimates for the detailed noncompensation components of GDP.

To calculate the corporate business size shares from the SOI tables, the large business share of corporate receipts is used to determine the average receipts size of a large business. For each industry, the large business share is applied to the business receipts total and then the different categories of business receipts sizes are subtracted, starting from the largest one, until the large business receipts amount is fully accounted for. That provides the breakpoint in the distribution of the other components by business size that approximates what should be allocated to large corporate businesses and what should be allocated to small corporate businesses.

In the past, the amount allocated to small business corporations has been added to the total amount reported for partnerships and sole proprietorships in order to produce an estimate of the total small business payments for each of the SOI proxies that are used to divide the noncompensation components of GDP. However, the Census tables showing legal form of organization provided more information about partnerships and sole

proprietorships than has been available in the past. For the most part, sole proprietorships are overwhelmingly small businesses. Consequently, the SOI data for sole proprietorships has continued to be allocated to small businesses. However, partnerships are increasingly being used by larger and larger businesses. Having both a 2002 and 2007 SUSB table by legal form of organization provided a basis to calculate how much of the partnership information should be allocated to large businesses. The SOI does not distribute its partnership data by receipts size as it does the corporate data. Consequently, the business receipts share for the partnerships in each industry had to be used to split all the partnership components by firm size.

Once each of the shares was calculated from the IRS SOI tables they could be used to proxy the large and small business shares of the BEA data. The calculated SOI shares were applied directly to the corporate business components of the GDP by industry data. This is a different methodology than was used in making earlier estimates of GDP by business size.²⁶ When the SIC-based estimates were calculated, the SOI shares were first benchmarked to a special SBA study that had allocated the IRS SOI data by firm employment size with the firm size being determined by payroll tax form 941. That study is now quite old and was done only on the SIC basis. Therefore, it could not be used to benchmark these numbers. But to the extent that the SOI proxies over- or underestimate the shares by business size of the corporate business GDP component, that could impact the small business share of noncompensation components of the calculations.

²⁶ Joel Popkin and Company. *Small Business Gross Product Originating 1958-1982* (SBA-1040-OA-86), *Small Business Gross Product Originating 1982-1992* (SBAHQ-95-C-0021), and *Small Business Share of Economic Growth*.

It is likely that a larger share of small business income than of large business income is allocated to the noncompensation shares because the wage income of partners and proprietors is allocated to profit-type income for noncorporate businesses, whereas the wages of corporate owners are considered part of compensation. Also, the distribution between corporate and noncorporate depreciation and profits, as measured in the GDP numbers, weights the noncorporate side more heavily than it is weighted in the IRS statistics. This may be because the BEA makes estimates for underreporting of income and that is somewhat more likely to occur in the noncorporate sector.

C. Estimates for 2009 and 2010

Both the BLS and the Census Bureau are using relatively new data sets to track employment data by firm size, although those data sets do not provide reliable data by both industry and firm size as yet. The BLS is currently planning on releasing employment and payroll information by firm size and industry in 2012. The MEPS data, primarily used for tracking health insurance coverage and costs, were used to provide indications about the direction of the trendline for payrolls for each industry for 2009 and 2010. Just as this paper was being finalized, the SUSB payroll shares for 2009 were released, and those tended to confirm the shares estimated from the MEPS data. Table 3 currently incorporates the SUSB data through 2009 and uses the MEPS data to extrapolate 2010.

The information on the relative movement of net worth indicated that in general, small business shares of the corporate noncompensation components tended to decline. However, little data are available on which to judge the magnitude of such changes until

the 2009 IRS statistics for corporations are published. Consequently, these estimates are much more speculative than those for the earlier years.

V. **Appendix A—Detailed Tables**

Following are the detailed industry estimates that were used to produce Table 3 above. Mining and manufacturing are shown as a combined sector because of the issues related to petroleum refining companies that have some establishments in each category. The wholesale and retail sectors' noncompensation components are combined because the IRS data show only a single corporate sector for those industries. Only a portion of NAICS industry 55 is shown because holding companies are the only part of that industry covered by the IRS and BEA.

Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)

(Millions of Nominal Dollars and Business Size Percent of Total)

	1998		1999		2000		2001		2002		2003		2004	
	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct
Mining & Manufacturing														
Small Business GDP	430,855	30.8%	446,885	31.0%	481,085	31.8%	474,602	32.4%	424,204	29.0%	442,979	29.4%	487,247	29.7%
Compensation	293,563	34.7%	302,951	34.5%	321,840	34.7%	321,104	35.2%	317,033	35.5%	325,414	35.5%	335,470	36.3%
Nonlabor Components	137,292	24.9%	143,934	25.6%	159,245	27.2%	153,498	27.9%	107,171	18.8%	117,565	19.9%	151,777	21.2%
Large Business GDP	965,984	69.2%	993,430	69.0%	1,032,942	68.2%	988,624	67.6%	1,040,792	71.0%	1,065,795	70.6%	1,154,752	70.3%
Compensation	552,350	65.3%	576,153	65.5%	606,314	65.3%	591,159	64.8%	576,408	64.5%	591,747	64.5%	589,051	63.7%
Nonlabor Components	413,634	75.1%	417,277	74.4%	426,628	72.8%	397,465	72.1%	464,384	81.2%	474,048	80.1%	565,701	78.8%
Utilities														
Small Business GDP	18,011	10.9%	19,487	11.3%	22,439	12.9%	24,269	13.7%	21,969	12.1%	24,393	12.7%	26,986	13.0%
Compensation	4,404	10.9%	4,830	10.7%	5,169	10.9%	5,739	11.1%	6,477	11.9%	6,146	11.5%	6,530	11.6%
Nonlabor Components	13,607	10.9%	14,657	11.5%	17,270	13.7%	18,530	14.7%	15,492	12.2%	18,247	13.2%	20,456	13.5%
Large Business GDP	147,136	89.1%	153,256	88.7%	151,469	87.1%	153,309	86.3%	159,005	87.9%	167,459	87.3%	181,015	87.0%
Compensation	36,107	89.1%	40,108	89.3%	42,371	89.1%	45,868	88.9%	47,832	88.1%	47,474	88.5%	49,883	88.4%
Nonlabor Components	111,029	89.1%	113,148	88.5%	109,098	86.3%	107,441	85.3%	111,173	87.8%	119,985	86.8%	131,132	86.5%
Construction														
Small Business GDP	336,982	88.6%	375,093	88.1%	402,203	86.6%	421,999	86.0%	418,037	84.6%	436,076	84.5%	464,317	83.7%
Compensation	212,555	85.4%	234,181	84.9%	252,060	82.8%	267,433	82.2%	268,838	82.0%	281,608	82.9%	296,476	83.0%
Nonlabor Components	124,427	94.5%	140,912	93.9%	150,143	93.8%	154,566	93.7%	149,199	89.6%	154,468	87.7%	167,841	85.2%
Large Business GDP	43,444	11.4%	50,858	11.9%	62,285	13.4%	68,527	14.0%	76,290	15.4%	79,853	15.5%	90,117	16.3%
Compensation	36,195	14.6%	41,696	15.1%	52,402	17.2%	58,069	17.8%	58,996	18.0%	58,255	17.1%	60,895	17.0%
Nonlabor Components	7,249	5.5%	9,162	6.1%	9,883	6.2%	10,458	6.3%	17,294	10.4%	21,598	12.3%	29,222	14.8%
Wholesale Trade														
Small Business-Compensation	172,859	59.2%	173,979	57.5%	186,515	56.9%	182,951	55.4%	187,032	56.7%	185,338	54.7%	193,835	54.0%
Large Business-Compensation	118,954	40.8%	128,423	42.5%	141,321	43.1%	147,155	44.6%	143,019	43.3%	153,423	45.3%	164,934	46.0%
Retail Trade														
Small Business-Compensation	185,575	51.3%	191,495	50.4%	200,724	49.7%	204,011	49.1%	207,022	48.4%	213,358	47.9%	217,239	47.3%
Large Business-Compensation	176,206	48.7%	188,502	49.6%	203,524	50.3%	211,876	50.9%	221,052	51.6%	231,790	52.1%	242,068	52.7%
Trade Combined														
Small Business GDP	629,746	53.2%	645,705	52.4%	674,000	51.7%	674,026	51.2%	649,379	48.2%	666,127	47.3%	689,383	46.6%
Nonlabor Components	271,312	51.1%	280,231	50.9%	286,761	50.2%	287,064	50.3%	255,325	43.4%	267,431	42.9%	278,309	42.1%
Large Business GDP	554,434	46.8%	586,779	47.6%	629,879	48.3%	643,173	48.8%	696,670	51.8%	740,861	52.7%	789,811	53.4%
Nonlabor Components	259,274	48.9%	269,854	49.1%	285,034	49.8%	284,142	49.7%	332,599	56.6%	355,648	57.1%	382,809	57.9%

Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)

(Millions of Nominal Dollars and Business Size Percent of Total)

	2005		2006		2007		2008		2009		2010	
	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct
Mining & Manufacturing												
Small Business GDP	497,570	28.3%	551,379	29.3%	562,445	28.8%	608,321	30.7%	514,088	28.6%	534,845	28.0%
Compensation	346,412	36.5%	361,425	36.8%	367,771	36.7%	378,550	37.3%	336,718	36.7%	340,979	36.4%
Nonlabor Components	151,158	18.6%	189,954	21.2%	194,674	20.5%	229,771	23.8%	177,370	20.1%	193,866	20.0%
Large Business GDP	1,262,513	71.7%	1,329,106	70.7%	1,390,630	71.2%	1,371,166	69.3%	1,283,588	71.4%	1,371,949	72.0%
Compensation	601,708	63.5%	621,578	63.2%	633,403	63.3%	636,083	62.7%	580,685	63.3%	595,404	63.6%
Nonlabor Components	660,805	81.4%	707,528	78.8%	757,227	79.5%	735,083	76.2%	702,903	79.9%	776,545	80.0%
Utilities												
Small Business GDP	27,338	13.3%	29,963	12.7%	33,713	13.6%	33,661	12.9%	29,693	11.4%	29,000	10.5%
Compensation	6,632	11.7%	7,075	11.7%	7,749	12.6%	7,744	11.6%	7,864	11.6%	7,408	10.8%
Nonlabor Components	20,706	13.9%	22,888	13.0%	25,964	13.9%	25,917	13.4%	21,829	11.3%	21,592	10.4%
Large Business GDP	178,332	86.7%	206,204	87.3%	215,084	86.4%	226,987	87.1%	231,594	88.6%	247,113	89.5%
Compensation	49,890	88.3%	53,349	88.3%	53,744	87.4%	59,181	88.4%	60,175	88.4%	60,899	89.2%
Nonlabor Components	128,442	86.1%	152,855	87.0%	161,340	86.1%	167,806	86.6%	171,419	88.7%	186,214	89.6%
Construction												
Small Business GDP	505,424	82.6%	537,380	82.5%	555,091	84.5%	528,164	84.5%	439,288	83.9%	424,850	83.5%
Compensation	322,269	82.5%	347,002	81.5%	359,303	81.3%	351,419	79.8%	299,120	79.3%	279,321	78.8%
Nonlabor Components	183,155	82.9%	190,378	84.5%	195,788	90.9%	176,745	95.8%	140,168	95.7%	145,529	94.1%
Large Business GDP	106,227	17.4%	113,716	17.5%	102,135	15.5%	96,690	15.5%	84,513	16.1%	84,241	16.5%
Compensation	68,461	17.5%	78,825	18.5%	82,449	18.7%	88,892	20.2%	78,235	20.7%	75,081	21.2%
Nonlabor Components	37,766	17.1%	34,891	15.5%	19,686	9.1%	7,798	4.2%	6,278	4.3%	9,160	5.9%
Wholesale Trade												
Small Business-Compensation	204,399	53.5%	219,368	53.9%	234,743	54.4%	230,602	52.6%	210,493	51.2%	213,542	51.2%
Large Business-Compensation	177,316	46.5%	187,773	46.1%	196,382	45.6%	207,897	47.4%	200,242	48.8%	203,178	48.8%
Retail Trade												
Small Business-Compensation	222,128	46.5%	222,131	45.1%	223,421	44.1%	215,400	43.0%	197,041	41.3%	200,983	41.5%
Large Business-Compensation	255,512	53.5%	270,869	54.9%	283,053	55.9%	285,608	57.0%	280,307	58.7%	283,516	58.5%
Trade Combined												
Small Business GDP	721,219	46.1%	749,144	45.6%	769,047	45.3%	733,707	44.3%	686,340	43.3%	703,034	43.4%
Nonlabor Components	294,692	41.8%	307,645	41.3%	310,883	40.8%	287,705	40.1%	278,806	40.0%	288,509	40.1%
Large Business GDP	842,843	53.9%	895,463	54.4%	930,359	54.7%	923,691	55.7%	898,311	56.7%	917,752	56.6%
Nonlabor Components	410,015	58.2%	436,821	58.7%	450,924	59.2%	430,186	59.9%	417,762	60.0%	431,058	59.9%

Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)

(Millions of Nominal Dollars and Business Size Percent of Total)

	1998		1999		2000		2001		2002		2003		2004	
	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>
Transportation and Warehousing														
Small Business GDP	111,978	40.6%	114,180	39.8%	119,632	39.7%	127,289	42.1%	122,452	40.5%	120,220	37.6%	131,102	37.8%
Compensation	63,503	35.6%	66,580	35.0%	69,288	34.3%	70,166	34.0%	70,626	34.6%	65,316	31.1%	70,430	31.6%
Nonlabor Components	48,475	49.8%	47,600	49.1%	50,344	50.8%	57,123	59.5%	51,826	52.7%	54,904	49.9%	60,672	48.8%
Large Business GDP	163,594	59.4%	172,919	60.2%	181,758	60.3%	175,302	57.9%	179,953	59.5%	199,534	62.4%	215,931	62.2%
Compensation	114,663	64.4%	123,617	65.0%	132,968	65.7%	136,412	66.0%	133,398	65.4%	144,386	68.9%	152,299	68.4%
Nonlabor Components	48,931	50.2%	49,302	50.9%	48,790	49.2%	38,890	40.5%	46,555	47.3%	55,148	50.1%	63,632	51.2%
Information														
Small Business GDP	93,638	24.3%	101,595	23.2%	87,638	21.0%	79,839	17.7%	54,717	11.0%	74,524	14.7%	76,449	13.6%
Compensation	47,037	25.0%	52,650	24.3%	59,514	24.6%	53,682	22.3%	49,809	22.2%	49,133	21.5%	52,147	22.1%
Nonlabor Components	46,601	23.5%	48,945	22.0%	28,124	16.0%	26,157	12.4%	4,908	1.8%	25,391	9.1%	24,302	7.4%
Large Business GDP	292,498	75.7%	336,954	76.8%	330,190	79.0%	371,240	82.3%	444,977	89.0%	434,082	85.3%	487,676	86.4%
Compensation	141,088	75.0%	163,805	75.7%	182,676	75.4%	187,109	77.7%	174,527	77.8%	179,343	78.5%	183,395	77.9%
Nonlabor Components	151,410	76.5%	173,149	78.0%	147,514	84.0%	184,131	87.6%	270,450	98.2%	254,739	90.9%	304,281	92.6%
Finance and Insurance														
Small Business GDP	202,636	31.9%	228,860	33.6%	256,740	33.7%	278,207	33.2%	331,878	38.4%	331,067	36.7%	339,161	36.5%
Compensation	96,192	27.9%	101,629	27.3%	110,060	27.0%	116,661	26.4%	121,089	27.1%	129,550	27.7%	136,266	27.4%
Nonlabor Components	106,444	36.7%	127,231	41.1%	146,680	41.3%	161,546	40.8%	210,789	50.6%	201,517	46.2%	202,895	47.0%
Large Business GDP	432,062	68.1%	452,888	66.4%	505,272	66.3%	560,471	66.8%	531,659	61.6%	572,082	63.3%	590,086	63.5%
Compensation	248,093	72.1%	270,567	72.7%	296,994	73.0%	325,640	73.6%	326,227	72.9%	337,783	72.3%	361,110	72.6%
Nonlabor Components	183,969	63.3%	182,321	58.9%	208,278	58.7%	234,831	59.2%	205,432	49.4%	234,299	53.8%	228,976	53.0%
Real Estate and Leasing														
Small Business GDP	442,893	76.5%	485,878	75.9%	520,679	76.3%	559,701	77.1%	539,877	73.9%	550,479	72.9%	558,262	72.6%
Compensation	44,466	69.7%	49,805	68.2%	53,114	67.3%	53,560	66.0%	57,358	66.6%	58,230	66.5%	62,917	66.0%
Nonlabor Components	398,427	77.4%	436,073	76.9%	467,565	77.5%	506,141	78.5%	482,519	74.9%	492,249	73.7%	495,345	73.5%
Large Business GDP	135,783	23.5%	153,981	24.1%	161,880	23.7%	165,960	22.9%	190,831	26.1%	204,710	27.1%	210,699	27.4%
Compensation	19,328	30.3%	23,229	31.8%	25,803	32.7%	27,579	34.0%	28,816	33.4%	29,325	33.5%	32,380	34.0%
Nonlabor Components	116,455	22.6%	130,752	23.1%	136,077	22.5%	138,381	21.5%	162,015	25.1%	175,385	26.3%	178,319	26.5%

Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)

(Millions of Nominal Dollars and Business Size Percent of Total)

	2005		2006		2007		2008		2009		2010	
	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>
Transportation and Warehousing												
Small Business GDP	139,790	37.8%	147,783	37.4%	147,127	36.3%	150,352	36.2%	137,365	35.4%	140,836	34.9%
Compensation	75,079	32.1%	77,949	32.0%	78,946	30.9%	80,953	31.4%	74,708	30.6%	75,140	30.1%
Nonlabor Components	64,711	47.6%	69,834	45.9%	68,181	45.4%	69,399	44.0%	62,657	43.7%	66,001	42.7%
Large Business GDP	229,878	62.2%	247,698	62.6%	258,287	63.7%	265,444	63.8%	250,505	64.6%	262,234	65.1%
Compensation	158,682	67.9%	165,464	68.0%	176,159	69.1%	176,994	68.6%	169,779	69.4%	174,216	69.9%
Nonlabor Components	71,196	52.4%	82,234	54.1%	82,128	54.6%	88,450	56.0%	80,726	56.3%	87,713	57.3%
Information												
Small Business GDP	91,340	15.4%	88,657	14.9%	86,691	13.7%	89,999	13.8%	78,248	12.5%	74,738	11.7%
Compensation	52,660	22.2%	53,458	21.8%	55,445	21.5%	57,222	22.0%	52,652	21.3%	51,213	20.7%
Nonlabor Components	38,680	10.9%	35,199	10.1%	31,246	8.3%	32,777	8.4%	25,596	6.7%	24,477	6.3%
Large Business GDP	501,223	84.6%	504,618	85.1%	546,647	86.3%	561,593	86.2%	548,700	87.5%	564,026	88.3%
Compensation	184,828	77.8%	192,295	78.2%	202,926	78.5%	202,697	78.0%	194,022	78.7%	196,651	79.3%
Nonlabor Components	316,395	89.1%	312,323	89.9%	343,721	91.7%	358,896	91.6%	354,678	93.3%	366,423	93.7%
Finance and Insurance												
Small Business GDP	359,434	34.9%	362,441	32.8%	373,802	33.7%	288,594	27.0%	452,186	38.4%	513,139	33.7%
Compensation	148,970	27.5%	160,425	27.5%	165,065	27.0%	161,756	26.5%	161,413	28.4%	168,026	28.7%
Nonlabor Components	210,464	43.2%	202,016	38.8%	208,737	41.7%	126,838	27.7%	290,773	47.7%	345,837	36.9%
Large Business GDP	669,082	65.1%	743,109	67.2%	736,630	66.3%	780,213	73.0%	725,086	61.6%	1,007,540	66.3%
Compensation	392,830	72.5%	423,996	72.5%	445,210	73.0%	448,679	73.5%	406,543	71.6%	416,648	71.3%
Nonlabor Components	276,252	56.8%	319,113	61.2%	291,420	58.3%	331,534	72.3%	318,543	52.3%	590,168	63.1%
Real Estate and Leasing												
Small Business GDP	533,580	68.5%	550,545	70.9%	615,880	75.7%	675,754	76.2%	696,211	75.2%	651,873	75.4%
Compensation	66,624	65.5%	70,377	64.9%	72,395	64.3%	68,762	62.1%	65,092	63.1%	66,117	63.3%
Nonlabor Components	466,956	69.0%	480,168	71.9%	543,485	77.5%	606,992	78.3%	631,119	76.7%	585,840	77.1%
Large Business GDP	245,369	31.5%	225,523	29.1%	197,674	24.3%	210,533	23.8%	229,896	24.8%	212,209	24.6%
Compensation	35,116	34.5%	38,065	35.1%	40,135	35.7%	41,986	37.9%	37,992	36.9%	38,276	36.7%
Nonlabor Components	210,253	31.0%	187,458	28.1%	157,539	22.5%	168,547	21.7%	191,904	23.3%	173,849	22.9%

Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)
(Millions of Nominal Dollars and Business Size Percent of Total)

	1998		1999		2000		2001		2002		2003		2004	
	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>
Professional and Technical Services														
Small Business GDP	410,606	72.6%	443,614	71.8%	464,413	68.9%	492,595	69.1%	470,734	64.4%	477,892	63.0%	516,801	62.6%
Compensation	236,228	64.7%	254,171	63.0%	286,313	61.9%	293,003	61.5%	288,897	61.5%	277,445	57.8%	291,837	57.4%
Nonlabor Components	174,378	87.0%	189,443	88.1%	178,100	84.1%	199,592	84.4%	181,837	69.4%	200,447	71.8%	224,964	71.0%
Large Business GDP	154,671	27.4%	174,545	28.2%	209,590	31.1%	220,335	30.9%	260,673	35.6%	280,939	37.0%	308,256	37.4%
Compensation	128,670	35.3%	148,979	37.0%	175,985	38.1%	183,384	38.5%	180,497	38.5%	202,360	42.2%	216,481	42.6%
Nonlabor Components	26,001	13.0%	25,566	11.9%	33,605	15.9%	36,951	15.6%	80,176	30.6%	78,579	28.2%	91,775	29.0%
Administration and Waste Management Services														
Small Business GDP	118,816	50.8%	125,105	49.0%	135,527	47.8%	142,440	48.3%	142,405	47.3%	154,157	47.9%	159,953	48.0%
Compensation	79,037	44.5%	81,833	42.6%	88,957	40.6%	89,586	40.0%	90,786	39.9%	96,109	40.1%	100,779	40.6%
Nonlabor Components	39,779	70.4%	43,272	68.9%	46,570	72.3%	52,854	74.5%	51,619	70.2%	58,048	70.8%	59,174	69.6%
Large Business GDP	115,215	49.2%	129,993	51.0%	147,741	52.2%	152,554	51.7%	158,638	52.7%	167,519	52.1%	173,275	52.0%
Compensation	98,491	55.5%	110,468	57.4%	129,902	59.4%	134,459	60.0%	136,696	60.1%	143,629	59.9%	147,473	59.4%
Nonlabor Components	16,724	29.6%	19,525	31.1%	17,839	27.7%	18,095	25.5%	21,942	29.8%	23,890	29.2%	25,802	30.4%
Education Services														
Small Business GDP	31,539	43.2%	34,698	43.7%	37,375	43.5%	38,185	43.1%	42,016	42.5%	45,649	43.0%	48,930	42.2%
Compensation	26,781	41.9%	29,194	42.1%	31,325	42.2%	33,600	42.1%	36,869	41.5%	39,719	42.0%	41,642	40.6%
Nonlabor Components	4,758	52.4%	5,504	54.0%	6,050	52.2%	4,585	51.1%	5,147	51.4%	5,930	51.7%	7,288	54.1%
Large Business GDP	41,427	56.8%	44,757	56.3%	48,478	56.5%	50,507	56.9%	56,839	57.5%	60,415	57.0%	67,064	57.8%
Compensation	37,100	58.1%	40,076	57.9%	42,948	57.8%	46,116	57.9%	51,972	58.5%	54,877	58.0%	60,891	59.4%
Nonlabor Components	4,327	47.6%	4,681	46.0%	5,530	47.8%	4,391	48.9%	4,867	48.6%	5,538	48.3%	6,173	45.9%
Health Services														
Small Business GDP	284,737	56.3%	313,414	56.1%	329,888	55.7%	358,423	56.0%	376,560	54.5%	405,865	54.8%	427,265	54.1%
Compensation	210,877	51.5%	235,273	51.5%	251,084	51.7%	269,278	51.7%	288,776	51.2%	308,673	50.7%	323,593	49.8%
Nonlabor Components	73,860	76.5%	78,141	76.8%	78,804	73.7%	89,145	74.8%	87,784	69.2%	97,192	73.2%	103,672	73.4%
Large Business GDP	221,395	43.7%	245,605	43.9%	262,256	44.3%	282,078	44.0%	314,382	45.5%	335,335	45.2%	363,112	45.9%
Compensation	198,717	48.5%	221,936	48.5%	234,152	48.3%	251,977	48.3%	275,382	48.8%	299,805	49.3%	325,554	50.2%
Nonlabor Components	22,678	23.5%	23,669	23.2%	28,104	26.3%	30,101	25.2%	39,000	30.8%	35,530	26.8%	37,558	26.6%

Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2004

(Millions of Nominal Dollars and Business Size Percent of Total)

	2005		2006		2007		2008		2009		2010	
	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>
Professional and Technical Services												
Small Business GDP	549,454	61.7%	589,845	60.9%	633,167	60.5%	675,296	59.7%	618,740	58.0%	644,253	57.7%
Compensation	318,183	57.2%	343,680	56.6%	364,891	55.8%	382,137	55.0%	359,938	53.6%	368,066	53.2%
Nonlabor Components	231,271	69.0%	246,165	68.2%	268,276	68.3%	293,159	67.1%	258,802	65.4%	276,187	64.9%
Large Business GDP	341,539	38.3%	378,856	39.1%	413,788	39.5%	455,935	40.3%	448,511	42.0%	472,905	42.3%
Compensation	237,662	42.8%	263,826	43.4%	289,080	44.2%	312,029	45.0%	311,292	46.4%	323,636	46.8%
Nonlabor Components	103,877	31.0%	115,030	31.8%	124,708	31.7%	143,906	32.9%	137,219	34.6%	149,269	35.1%
Administration and Waste Management Services												
Small Business GDP	164,933	44.8%	177,030	46.0%	183,886	44.4%	180,106	43.2%	174,692	43.9%	186,604	44.4%
Compensation	107,443	39.1%	110,604	37.8%	115,886	37.4%	114,338	36.3%	105,858	36.3%	112,423	36.6%
Nonlabor Components	57,490	61.3%	66,426	71.7%	68,000	65.2%	65,768	64.1%	68,834	64.8%	74,269	65.5%
Large Business GDP	203,562	55.2%	207,989	54.0%	230,602	55.6%	237,154	56.8%	222,853	56.1%	233,637	55.6%
Compensation	167,221	60.9%	181,812	62.2%	194,304	62.6%	200,283	63.7%	185,400	63.7%	194,492	63.4%
Nonlabor Components	36,341	38.7%	26,177	28.3%	36,298	34.8%	36,871	35.9%	37,453	35.2%	39,057	34.5%
Education Services												
Small Business GDP	49,488	41.2%	52,950	41.2%	56,416	41.1%	59,231	40.4%	60,989	39.3%	67,266	39.7%
Compensation	42,177	39.7%	44,584	39.3%	47,788	39.4%	50,304	39.0%	51,644	38.1%	53,290	37.9%
Nonlabor Components	7,311	52.4%	8,366	54.8%	8,628	53.5%	8,927	50.5%	9,345	48.2%	13,976	49.0%
Large Business GDP	70,582	58.8%	75,711	58.8%	80,888	58.9%	87,368	59.6%	94,084	60.7%	101,959	60.3%
Compensation	63,943	60.3%	68,821	60.7%	73,391	60.6%	78,604	61.0%	84,024	61.9%	87,405	62.1%
Nonlabor Components	6,639	47.6%	6,890	45.2%	7,497	46.5%	8,764	49.5%	10,060	51.8%	14,554	51.0%
Health Services												
Small Business GDP	445,617	53.5%	465,597	52.5%	488,420	51.9%	524,350	52.1%	536,596	51.1%	551,558	51.0%
Compensation	341,765	49.7%	358,029	48.8%	371,795	48.0%	394,754	47.8%	404,134	46.9%	412,070	46.6%
Nonlabor Components	103,852	71.2%	107,568	70.1%	116,625	69.8%	129,596	71.2%	132,462	70.3%	139,488	71.0%
Large Business GDP	387,721	46.5%	420,918	47.5%	452,571	48.1%	482,788	47.9%	514,041	48.9%	529,801	49.0%
Compensation	345,667	50.3%	375,146	51.2%	402,024	52.0%	430,257	52.2%	458,096	53.1%	472,748	53.4%
Nonlabor Components	42,054	28.8%	45,772	29.9%	50,547	30.2%	52,531	28.8%	55,945	29.7%	57,053	29.0%

Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)
(Millions of Nominal Dollars and Business Size Percent of Total)

	1998		1999		2000		2001		2002		2003		2004	
	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct
Arts and Entertainment														
Small Business GDP	64,307	79.2%	71,492	78.6%	76,242	77.4%	71845	75.8%	75,473	73.9%	78,843	74.6%	83,972	74.1%
Compensation	33,730	73.8%	36,227	72.8%	38,629	70.1%	40663	70.3%	42,476	69.2%	44,919	70.0%	47,549	70.4%
Nonlabor Components	30,577	86.1%	35,265	85.6%	37,613	86.6%	31182	84.3%	32,997	81.0%	33,924	81.5%	36,423	79.6%
Large Business GDP	16,935	20.8%	19,473	21.4%	22,322	22.6%	22971	24.2%	26,667	26.1%	26,910	25.4%	29,319	25.9%
Compensation	11,991	26.2%	13,517	27.2%	16,492	29.9%	17161	29.7%	18,903	30.8%	19,226	30.0%	19,977	29.6%
Nonlabor Components	4,944	13.9%	5,956	14.4%	5,830	13.4%	5810	15.7%	7,764	19.0%	7,684	18.5%	9,342	20.4%
Accommodation and Food Services														
Small Business GDP	145,715	60.8%	157,361	59.5%	171,404	60.6%	173396	58.5%	172,893	56.0%	173,194	53.9%	184,346	53.7%
Compensation	84,041	56.3%	90,859	55.3%	95,023	54.3%	99790	54.5%	104,426	55.5%	107,293	54.2%	115,466	54.5%
Nonlabor Components	61,674	68.1%	66,502	66.4%	76,381	70.7%	73606	64.9%	68,467	56.7%	65,901	53.4%	68,880	52.3%
Large Business GDP	94,122	39.2%	107,072	40.5%	111,639	39.4%	122961	41.5%	136,117	44.0%	147,971	46.1%	159,079	46.3%
Compensation	65,290	43.7%	73,478	44.7%	79,953	45.7%	83202	45.5%	83,768	44.5%	90,547	45.8%	96,335	45.5%
Nonlabor Components	28,832	31.9%	33,594	33.6%	31,686	29.3%	39759	35.1%	52,349	43.3%	57,424	46.6%	62,744	47.7%
Other Services (excluding govt)														
Small Business GDP	214,711	87.4%	227651	87.8%	241,269	86.9%	226,446	85.7%	246,449	86.5%	249,026	86.0%	259,753	85.7%
Compensation	125,275	83.1%	131190	83.2%	139,677	82.1%	143,689	81.8%	154,320	82.5%	160,294	82.5%	168,399	82.1%
Nonlabor Components	89,436	94.4%	96461	94.8%	101,592	94.5%	82,757	93.6%	92,129	94.0%	88,732	92.9%	91,354	93.3%
Large Business GDP	30,839	12.6%	31690	12.2%	36,319	13.1%	37,747	14.3%	38,517	13.5%	40,645	14.0%	43,227	14.3%
Compensation	25,548	16.9%	26450	16.8%	30,462	17.9%	32,043	18.2%	32,650	17.5%	33,913	17.5%	36,636	17.9%
Nonlabor Components	5,291	5.6%	5240	5.2%	5,857	5.5%	5,704	6.4%	5,867	6.0%	6,732	7.1%	6,591	6.7%
Holding Cos.														
Small Business GDP	40,856	29.6%	45052	30.4%	48,345	28.3%	47,002	26.9%	50,728	28.4%	69,450	36.1%	68,212	33.6%
Compensation	35,585	30.5%	39172	31.4%	41,794	28.6%	42,212	28.2%	42,974	28.3%	62,131	37.9%	59,891	34.6%
Nonlabor Components	5,271	24.8%	5880	25.3%	6,551	26.3%	4,790	19.2%	7,754	29.6%	7,319	25.9%	8,321	27.7%
Large Business GDP	97,123	70.4%	103040	69.6%	122,745	71.7%	127,546	73.1%	127,594	71.6%	122,771	63.9%	134,887	66.4%
Compensation	81,123	69.5%	85707	68.6%	104,413	71.4%	107,334	71.8%	109,122	71.7%	101,878	62.1%	113,148	65.4%
Nonlabor Components	16,000	75.2%	17333	74.7%	18,332	73.7%	20,212	80.8%	18,472	70.4%	20,893	74.1%	21,739	72.3%

Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)
(Millions of Nominal Dollars and Business Size Percent of Total)

	2005		2006		2007		2008		2009		2010	
	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct	Dollars	Pct
Arts and Entertainment												
Small Business GDP	84,040	71.7%	90,065	71.2%	94,807	70.5%	91,563	69.3%	89,233	68.7%	93,034	68.8%
Compensation	47,471	68.6%	51,577	68.0%	53,897	66.9%	53,613	66.3%	52,536	65.3%	53,580	65.3%
Nonlabor Components	36,569	76.0%	38,488	75.9%	40,910	76.0%	37,950	73.9%	36,697	74.2%	39,454	74.1%
Large Business GDP	33,234	28.3%	36,505	28.8%	39,622	29.5%	40,642	30.7%	40,620	31.3%	42,234	31.2%
Compensation	21,707	31.4%	24,312	32.0%	26,690	33.1%	27,261	33.7%	27,889	34.7%	28,429	34.7%
Nonlabor Components	11,527	24.0%	12,193	24.1%	12,932	24.0%	13,381	26.1%	12,731	25.8%	13,805	25.9%
Accommodation and Food Service												
Small Business GDP	189,509	52.0%	203,485	52.9%	216,028	52.6%	208,681	51.8%	203,061	52.6%	216,980	52.7%
Compensation	119,315	53.7%	124,261	53.7%	134,374	53.0%	132,637	52.8%	128,501	53.4%	135,912	53.6%
Nonlabor Components	70,194	49.3%	79,224	51.7%	81,654	52.0%	76,044	50.2%	74,560	51.3%	81,068	51.3%
Large Business GDP	174,799	48.0%	181,219	47.1%	194,746	47.4%	193,967	48.2%	183,018	47.4%	194,591	47.3%
Compensation	102,680	46.3%	107,150	46.3%	119,310	47.0%	118,395	47.2%	112,141	46.6%	117,479	46.4%
Nonlabor Components	72,119	50.7%	74,069	48.3%	75,436	48.0%	75,572	49.8%	70,877	48.7%	77,112	48.7%
Other Services (excluding govt)												
Small Business GDP	271,672	85.3%	282,145	85.0%	291,005	84.4%	284,371	83.6%	282,600	84.1%	290,734	84.3%
Compensation	170,731	81.5%	177,225	81.4%	185,977	80.7%	192,179	80.4%	189,285	80.9%	191,959	81.2%
Nonlabor Components	100,941	92.6%	104,920	91.9%	105,028	92.0%	92,192	91.1%	93,315	91.3%	98,775	91.2%
Large Business GDP	46,781	14.7%	49,864	15.0%	53,616	15.6%	55,786	16.4%	53,623	15.9%	53,973	15.7%
Compensation	38,765	18.5%	40,582	18.6%	44,427	19.3%	46,818	19.6%	44,746	19.1%	44,472	18.8%
Nonlabor Components	8,016	7.4%	9,282	8.1%	9,189	8.0%	8,968	8.9%	8,877	8.7%	9,501	8.8%
Holding Cos.												
Small Business GDP	67,789	31.1%	69,631	29.7%	74,706	29.0%	84,932	32.6%	80,999	33.3%	85,675	33.4%
Compensation	58,583	31.5%	59,589	29.7%	63,412	28.9%	78,940	35.5%	75,214	35.9%	79,950	35.9%
Nonlabor Components	9,206	28.8%	10,042	29.9%	11,294	29.8%	5,992	15.9%	5,785	17.2%	5,725	16.9%
Large Business GDP	149,904	68.9%	164,624	70.3%	182,610	71.0%	175,245	67.4%	162,138	66.7%	171,147	66.6%
Compensation	127,182	68.5%	141,031	70.3%	156,036	71.1%	143,567	64.5%	134,338	64.1%	142,998	64.1%
Nonlabor Components	22,722	71.2%	23,593	70.1%	26,574	70.2%	31,678	84.1%	27,800	82.8%	28,149	83.1%

Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)
(Millions of Nominal Dollars and Business Size Percent of Total)

	<u>1998</u>		<u>1999</u>		<u>2000</u>		<u>2001</u>		<u>2002</u>		<u>2003</u>		<u>2004</u>	
	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>
PRIVATE NONFARM GDP														
Small Business GDP	3,578,026	50.5%	3836070	50.5%	4,068,879	50.3%	4,190,264	50.3%	4,139,771	48.3%	4,299,941	48.1%	4,522,139	47.5%
Compensation	1,951,708	48.3%	2076019	47.7%	2,231,086	47.2%	2,287,128	46.9%	2,334,808	47.3%	2,410,676	47.0%	2,520,466	46.9%
Nonlabor Components	1,626,318	53.4%	1760051	54.3%	1,837,793	54.8%	1,903,136	55.0%	1,804,963	49.5%	1,889,265	49.5%	2,001,673	48.3%
Large Business GDP	3,506,662	49.5%	3757240	49.5%	4,016,765	49.7%	4,143,305	49.7%	4,439,604	51.7%	4,646,881	51.9%	4,998,306	52.5%
Compensation	2,089,914	51.7%	2276711	52.3%	2,498,680	52.8%	2,586,543	53.1%	2,599,265	52.7%	2,719,761	53.0%	2,852,510	53.1%
Nonlabor Components	1,416,748	46.6%	1480529	45.7%	1,518,085	45.2%	1,556,762	45.0%	1,840,339	50.5%	1,927,120	50.5%	2,145,796	51.7%

Appendix A: Gross Domestic Product by Industry and Business Size on a NAICS Industry basis, 1998-2001 (Old methodology), 2002- 2010 (New methodology)
(Millions of Nominal Dollars and Business Size Percent of Total)

	<u>2005</u>		<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>	<u>Dollars</u>	<u>Pct</u>
PRIVATE NONFARM GDP												
Small Business GDP	4,698,197	46.3%	4,948,040	46.1%	5,182,230	46.2%	5,217,082	45.8%	5,080,329	46.0%	5,210,469	44.6%
Compensation	2,650,841	46.7%	2,788,759	46.3%	2,902,857	45.9%	2,951,310	45.7%	2,772,211	45.2%	2,809,979	44.8%
Nonlabor Components	2,047,356	45.9%	2159281	45.9%	2,279,373	46.6%	2,265,772	46.0%	2,308,118	47.0%	2,400,490	44.4%
Large Business GDP	5,443,589	53.7%	5,781,123	53.9%	6,025,888	53.8%	6,165,202	54.2%	5,971,081	54.0%	6,465,158	55.4%
Compensation	3,029,170	53.3%	3,234,894	53.7%	3,418,722	54.1%	3,505,231	54.3%	3,365,906	54.8%	3,455,528	55.2%
Nonlabor Components	2,414,419	54.1%	2,546,229	54.1%	2,607,166	53.4%	2,659,971	54.0%	2,605,175	53.0%	3,009,630	55.6%

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