

Annual Report of the Office of Economic Research

FY 2017

U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY

REGULATION • RESEARCH • OUTREACH

Created by Congress in 1976, the Office of Advocacy of the U.S. Small Business Administration is an independent voice for small business within the federal government. Appointed by the President and confirmed by the U.S. Senate, the Chief Counsel for Advocacy directs the office. The Chief Counsel advances the views, concerns, and interests of small business before Congress, the White House, federal agencies, federal courts, and state policymakers. Economic research, policy analyses, and small business outreach help identify issues of concern. Regional Advocates and an office in Washington, D.C., support the Chief Counsel's efforts.

Advocacy's primary functions include small business research. Advocacy's founding legislation, Public Law 94-305, directs the office to

examine the role of small business in the American economy and the contribution which small business can make in improving competition, encouraging economic and social mobility for all citizens, restraining inflation, spurring production, expanding employment opportunities, increasing productivity, promoting exports, stimulating innovation and entrepreneurship, and providing an avenue through which new and untested products and services can be brought to the marketplace. . .

To learn more about the Office of Advocacy, visit <https://advocacy.sba.gov> or call 202-205-6533. To receive email notices of the office's latest research and news, visit <https://www.sba.gov/content/connect-us-0>.

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Foreword

For more than four decades, the Office of Economic Research (OER) has supported the Office of Advocacy’s mission by producing small business research and statistics. OER continues to answer the call to Public Law 94-305, which gave Advocacy the special task of examining “the role of small business in the American economy.” Through several channels such as economic research studies, issue briefs, fact sheets, conferences, and forums, OER provides policymaking insights into small business issues and increases the understanding of the small business economic climate.

In fiscal year 2017, OER produced and disseminated 20 research reports to the public. It also continued work with the U.S. Census Bureau to make data and statistics on small business more accessible to the public and policymakers.

OER also convened six research dialogues through its speaker series the “Small Business Economic Research Forum,” which gave economists and researchers an opportunity to present relevant and timely small business issues. The small business community, which included small business stakeholders, policymakers, and researchers, came together to exchange ideas about economics, small business, and policy. These discussions also inform Advocacy’s staff and research agenda of the cutting-edge issues that are affecting small businesses.

In 2017, a renewed effort was launched to reach out to small businesses to receive input on regulatory reform. OER participated in 11 of Advocacy’s Regional Regulatory Reform Roundtables and numerous small business site visits throughout the nation in order to assist the office’s effort in gathering small business input to give to federal agencies for regulatory reform under Executive Orders 13771 and 13777. These events were an opportunity to inform and educate the small business community on how Advocacy’s research can be a tool in creating better policies for small businesses.

OER was also active in Advocacy’s effort to facilitate greater consideration of small business issues during international trade negotiations. OER economists assisted in analyzing the contributions and challenges of small businesses involved in international trade for the NAFTA modernization. Additionally, OER economists gave 28 presentations on small business research in FY17, and, along with Advocacy’s attorneys, provided Regulatory Flexibility Act training for nearly 200 federal officials, and helped achieve regulatory cost savings for small businesses in the regulatory development process by emphasizing sound economic analysis.

Major L. Clark, III
Acting Chief Counsel for Advocacy

Patrick Delehanty
Acting Director of Economic Research

Introduction

The Office of Advocacy of the U.S. Small Business Administration (SBA) directs its Office of Economic Research (OER) to advance Advocacy’s core mandate “to examine the role of small business in the American economy and the contribution which small business can make in improving competition, encouraging economic and social mobility.”¹

This annual report lists OER’s Fiscal Year 2017 research publications, small business economic research forums held, and an overview of the most widely used publicly available data series on small businesses. During FY 2017 (October 1, 2016, to September 30, 2017), OER participated in numerous roundtables and conferences, and produced timely and relevant small business research illuminating the economic landscape for small businesses. To meet the needs of small business stakeholders, OER highlighted the contributions and challenges of small businesses in the following topics:

- Access to Capital
- Employment
- Entrepreneurship
- Regulations
- Women’s Business Ownership
- Veterans’ Business Ownership

In FY 2017, OER emphasized reproducible research and data visualization to make complex information digestible, accessible, and transparent as illustrated in the following research products:

“Small Business State Profiles” (see Appendix A), Dissecting Access to Capital (Appendix B), and The Role of Microbusiness Employers in the Economy (Appendix C). Additionally, OER resumed providing the Small Business Quarterly Bulletin, combining it with the previous publication, Quarterly Lending Bulletin, and published research products that ranged from economic studies, issue briefs, and fact sheets.

Along with in-house research, OER periodically funds contracts on small business research from experts in the field. OER’s research contract program provides an avenue to leverage specific expertise and capabilities from top small business researchers. For more information on research funding opportunities, go to Advocacy’s website or Federal Business Opportunities (www.FBO.gov).

While Advocacy is not a statistical data collection agency, OER partners with the U.S. Census Bureau to sponsor the production and dissemination of data on small businesses by industry, business size, and geographic area. This data is used by federal agencies during policy development to inform decisions that affect small businesses. It is also used by OER and the research community to examine small

¹ Public Law 94-305, 1976.

business issues. OER provides this data in downloadable files, along with its research and statistics on small businesses, on its website at www.sba.gov/advocacy.

Advocacy Research Reports, FY 2017

This report records all publications produced by the Office of Economic Research for FY 2017. All of the research products listed can be found on Advocacy's website. The publications are listed by subject with the newest items first.

Access to Capital

Interest Rates and Non-Bank Lending To Small Businesses

Author: Office of Economic Research

Released: August 2017

Description: This installment of the Alternative Finance Series provides an overview of non-bank lending for small business capital needs.

Small Business Quarterly Bulletin

Author: Office of Economic Research

Released: August 2017

Description: This quarterly bulletin provides an update on the health of the small business sector with the latest available data through charts on self-employment, job creation, new business creation, and small business finance.

Dissecting Access to Capital

Author: Michael McManus, Advocacy Economist

Released: August 2017

Description: This fact sheet provides answers to questions on the source, amount, and financing options of startup capital that is available to employer firms based on the new 2015 Annual Survey of Entrepreneurs produced by the U.S. Census Bureau.

Small Business Lending in the United States 2014-2015

Author: Victoria Williams, Advocacy Economist

Released: June 2017

Description: This report provides information on developments in the small business credit markets. It captures information on the online lending market, and provides detailed information on traditional bank lending activities to small businesses. The report uses the Consolidated Reports of Condition and Income (Call Reports) and the Community Reinvestment Act (CRA) reports to analyze the loan activities of lenders geographically.

Employment

The Role of Microbusiness Employers in the Economy

Author: Brian Headd, Advocacy Economist
Released: August 2017
Description: This fact sheet outlines the role microbusiness employers, firms with fewer than 10 employees, play in employment and job creation.

Small Business Job Creation Deconstructed

Author: Office of Economic Research
Released: August 2017
Description: This fact sheet provides information on job creation, small business shares, and types of small businesses, new business creation, and business owner demographics.

Entrepreneurship

Entrepreneurship in Low Income Areas

Author: Maurice Kugler, Marios Michaelides, Neha Nanda, and Cassandra Agbayan
Released: September 2017
Description: This study describes entrepreneurship in low-income areas. It focuses on three things: the characteristics of self-employed workers in low-income areas, the income sources of these workers, and the characteristics of businesses operating in low-income areas.

The Retreat of the Rural Entrepreneur

Author: Daniel Wilmoth, Advocacy Economist
Released: September 2017
Description: In 1988, more than a fourth of the self-employed lived in rural areas. By 2016, that share had fallen to less than 1 in 6. This report shows that the decline was caused by a population shift away from rural areas and a fall in the rural rate of self-employment. Between 1988 and 2016, the rural rate of self-employment fell by over 20 percent. Despite that decline, the rate of self-employment has remained higher in rural areas than in other areas.

Explaining the Emergence of the Immigrant Entrepreneur

Author: Daniel Wilmoth, Advocacy Economist
Released: January 2017
Description: This is the fourth in a series of reports on trends in entrepreneurship by the Office of Advocacy. This report found an explanation for the growth in the number of immigrant entrepreneurs. Put simply, age is related to self-employment, and immigrants are getting older. In addition, as the native-born Baby Boomers age and retire, the number of self-employed will decline.

The Arrival of the Immigrant Entrepreneur

Author: Daniel Wilmoth, Advocacy Economist

Released: October 2016

Description: This is the third in a series of reports on trends in entrepreneurship. Over the last 20 years, the role of immigrant entrepreneurs has grown. The percentage of the self-employed who were born abroad more than doubled between 1994 and 2015, growing from 8.6 percent to 19.5 percent. This report shows that the growth was caused by three changes—an increase in the size of the population born abroad, an increase in self-employment among those born abroad, and a decrease in self-employment overall.

General Small Business

Frequently Asked Questions about Small Business

Author: Office of Economic Research

Released: August 2017

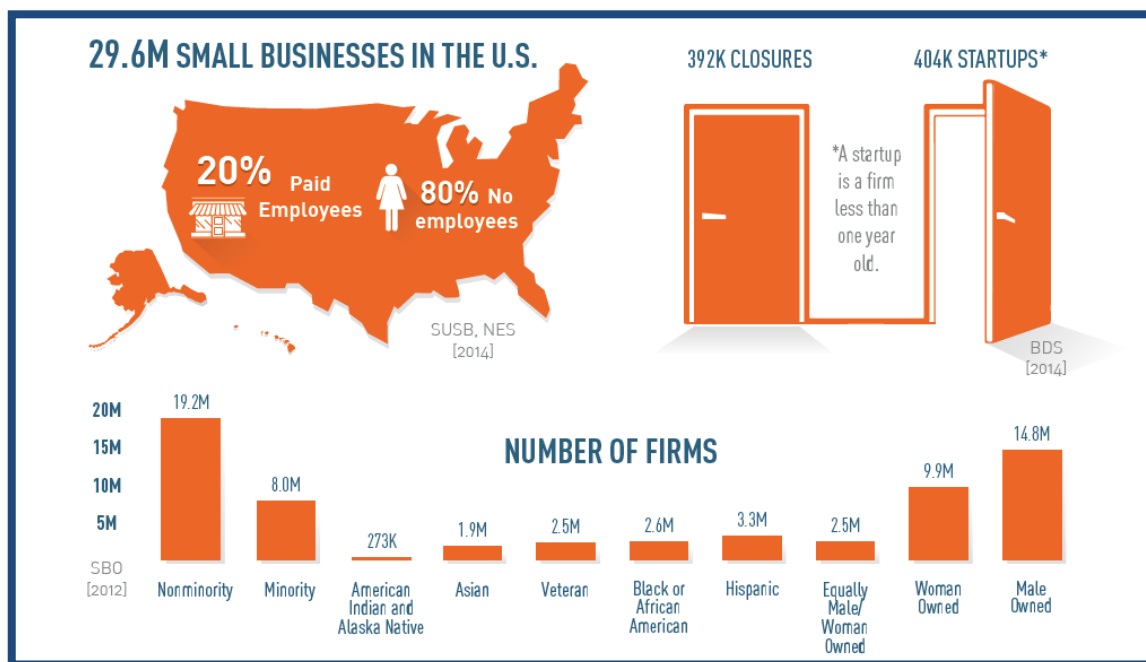
Description: This annual, widely used publication gathers dozens of the latest statistics about America's small business in one place including the total number of small businesses, their share of employment and net new jobs, business owner demographics, and trends in business dynamism.

Infographic: What's New with Small Business?

Author: Office of Economic Research

Released: August 2017

Description: This infographic depicts key points from the Small Business FAQ – including number and percent of small businesses, job creation, and business owner demographics.



3 Reasons to Love Your Region

Author: Office of Economic Research

Released: September 2017

Description: This set of 10 regional infographics provides selected regional facts on any of the following: economic growth, entrepreneurial spirit, innovation, international movers, and fun fact for the region.

Annual Report of the Office of Economic Research, FY 2016

Author: Office of Economic Research

Released: January 2017

Description: This report details 26 OER publications and eight Small Business Economic Research Forums that were produced during fiscal year 2016, October 1, 2015, through September 30, 2016. That year, OER produced research on the following topics: access to capital, employment, innovation, minority- and women-owned businesses, and veteran-owned businesses.

2017 State Small Business Profiles

Author: Office of Economic Research

Released: January 2017

Description: These user-friendly data-rich profiles capture vital information on the U.S. and state-level economic growth, industry, and jobs using completely reproducible data from the leading government statistical agencies. The set contains individual reports on the United States, the 50 states, the District of Columbia, and five U.S. territories.

Regulation

How to Comply with the Regulatory Flexibility Act: A Guide for Government Agencies: Small Business Data Appendix

Author: Office of Economic Research

Released: August 2017

Description: This appendix supplements the Office of Advocacy's Guide to RFA Compliance with an overview of the small business data publicly available for analyzing the regulatory impacts on small businesses.

Women's Business Ownership

Get the Facts on Women Business Owners

Author: Michael McManus, Advocacy Economist

Released: July 2017

Description: This guest blog post by an Advocacy economist was published on the U.S. Department of Labor's blog. It documents the importance of women-owned businesses in the U.S. economy, and highlights key findings and characteristics of women business owners in Census Bureau's 2012 Survey of Business Owners.

Infographic: Women-Owned Business Spotlight

Author: Office of Economic Research

Released: August 2017

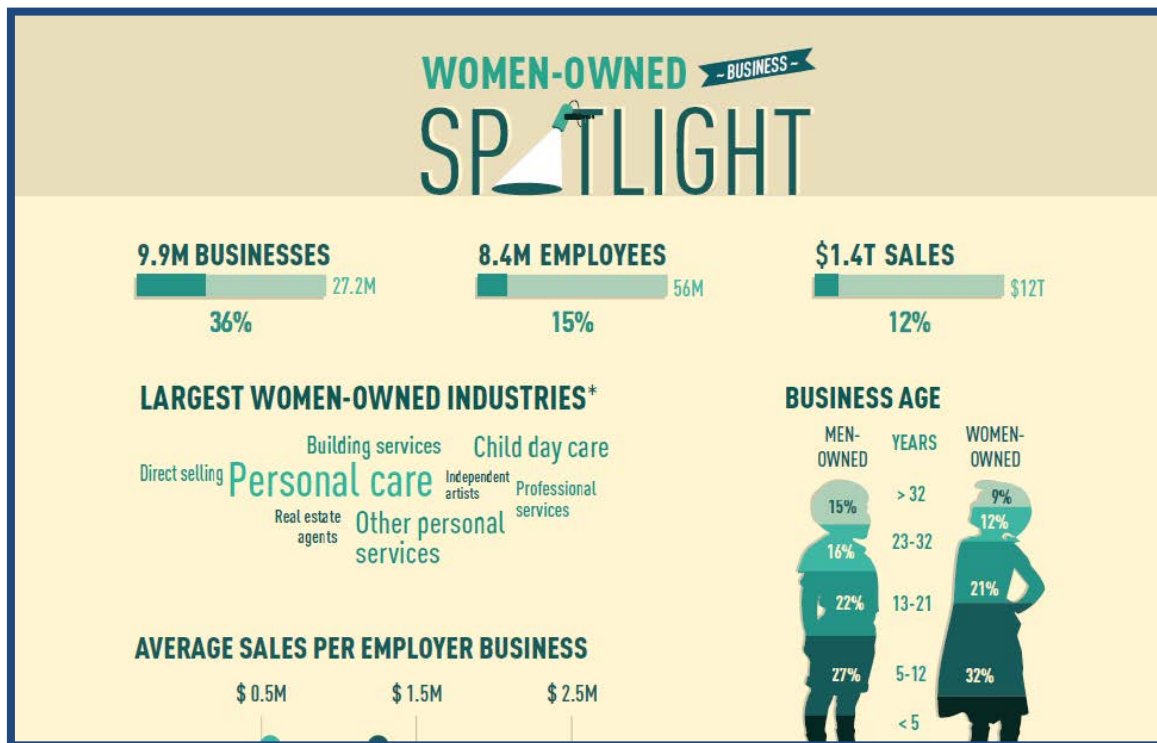
Description: This infographic visualizes key statistics on women-owned businesses including industry sectors, age of business, sales, and women's share of minority businesses.

Women's Business Ownership: Data from the 2012 Survey of Business Owners (Issue Brief 13)

Author: Michael McManus, Advocacy Economist

Released: May 2017

Description: This issue brief shows the major economic contribution of women-owned businesses, in spite of their average smaller size when compared to male-owned firms. This new research takes a closer look at important factors regarding the longstanding differences between male- and women-owned firms' sales and employment. Among other items, the report evaluates the industry distribution and business characteristics, like age and financing, of women-owned businesses. Featuring interactive charts, users can now easily understand the gender composition and performance of women-owned businesses in hundreds of industries. The report uses the most recent Census Bureau 2012 Survey of Business Owners data to create a highly detailed portrait of this group, including their role in minority business communities.



Veterans

Veteran-Owned Businesses and Their Owners

Author: Joseph Sobota, Assistant Advocate

Released: April 2017

Description: The report gives a detailed profile of this robust business population based on the latest available data, the U.S. Census Bureau's 2012 Survey of Small Business Owners. The report uses data from the U.S. Census Bureau's Survey of Business Owners. It is one of the only large-scale compilations of data on veteran-owned businesses in the United States, and it provides valuable data for analytical and policymaking.

Small Business Economic Research Forums

In FY 2017, the Office of Economic Research hosted six Small Business Economic Research Forums. Experts were invited to discuss a key economic topic on current or emerging issues affecting the small business landscape. These forums are useful in keeping Advocacy's staff abreast of recent research and data from other agencies and researchers. A list of the forums held in this fiscal year follows, with the most recent appearing first.

**Cash is King: Flows, Balances, and Buffer Days; and
The Ups and Downs of Small Business Employment**

Speaker: Chris Wheat, Director of Business Research, JPMorgan Chase Institute

Date: July 12, 2017

Description: Wheat presented two topics. The first presentation focuses on a sample of 597,000 small businesses, and 470 million anonymized transactions to produce a daily view of cash inflows, cash outflows, and end-of-day balances from February 2015 to October 2015. The second presentation focuses on small business employment using a sample of 45,260 small businesses that hold Chase Business Banking deposit accounts and meet criteria for small, core metropolitan employer businesses.

Commodity Shocks, Firm-level Responses and Labor Market Dynamics

Speakers: Felipe Saffie and Sergio Urzua, Assistant Professors, University of Maryland

Date: June 14, 2017

Description: This paper studies the role of labor markets in the transmission of commodity price super cycles. The authors study the case of Brazil between 1999 and 2013, a period in which large commodity price fluctuations provided a clean quasi-natural experiment. They use linked employer-employee data to build regional commodity prices and regional sectoral employment and wages. The empirical evidence shows that regional skill premium decreases during a commodity boom. Interestingly, the skill premium does not decrease during the bust, pointing to downward rigidities in wages. Moreover, they document extensive cross sectoral spillovers. In fact, employment in the non-tradable and commodity sector expands while tradable non commodity employment decreases. There is a similar pattern in the net entry of business and firm level employment. They build a three-sector model of a small open economy with firm heterogeneity, entry and exit decisions, and skilled and unskilled labor to explain this novel transmission mechanism. They show that during the boom, the commodity and non-tradable sectors expand, the skill wage premium narrows, and the non-commodity export sector contracts. During the bust, on the other hand, downward wage rigidity generates dynamic misallocation between sectors, triggering a persistent recession

characterized by unemployment and a sluggish recovery of non-commodity exporters. This opens a door for precautionary policy during the boom.

Using Small Business Data to Improve Regulatory Analysis

Speakers: Jonathan Porat, Regulatory Economist, SBA Office of Advocacy
Richard Schwinn, Research Economist, SBA Office of Advocacy

Date: May 18, 2017

Description: Porat and Schwinn introduce a new data visualization tool for analyzing the effects of potential regulations on small businesses. Using the data visualization software, Tableau, and Census Bureau's data series Statistics of U.S. Businesses, Porat and Schwinn demonstrate a tool to access and visualize important elements in regulatory analysis, for instance the number and percent of small businesses by industry, and revenues of firms of different sizes. Additionally, they discuss how advances in statistics and data visualization can be used to improve the regulatory review process.

Still the Same: New Venture Job Creation and Workforce Segregation

Speaker: Chris Rider, Associate Professor of Strategy,
McDonough School of Business, Georgetown University

Date: April 12, 2017

Description: Rider proposes that new ventures create jobs but also accentuate workforce segregation because demographically-similar people typically found and then shape the evolution of new organizations. Focusing specifically on the tendency of new venture personnel to have worked for the same prior employer (e.g., spinoffs), Rider's team analyzes the evolution of 280 Danish municipalities' workforces and two national cohorts of new ventures from 1996 to 2008. Several findings support their arguments. First, the gender and ethnic segregation of a community's workforce increases with the proportion of local workers employed by new ventures. Second, new ventures are less demographically diverse than established organizations; this is especially true of new ventures staffed by personnel who worked for few prior employers. Third, new ventures tend to maintain demographic homogeneity through differential retention, as opposed to differential hiring. The findings have implications for entrepreneurship research as well as public policies that promote entrepreneurship to create jobs.

Entrepreneurship Prospects for Disadvantaged Populations: Existing Evidence and Future Research Agenda

Speaker: Maurice Kugler

Date: November 9, 2016

Description: This recent study aims to close research gaps on entrepreneurship in low-income areas. The paper examines the characteristics and income sources of self-employed workers in low-income areas, as well as the characteristics of businesses operating in low-income

areas. The analyses rely on survey and administrative data that provide information on the characteristics of self-employed workers and businesses operating in the United States in 2013. The author also places the findings in context using his company's past research evaluating entrepreneurship programs for disadvantaged populations. Finally, he discusses remaining open questions and how a future research agenda could be shaped to furnish evidence instrumental for the design of programs that enhance entrepreneurship opportunities.

Global Ignition: Connecting U.S. Technology Startups to the Next 2 Billion Customers

Speaker: Cary Ingram, Senior International Trade Specialist
International Trade Administration, U.S. Department of Commerce

Date: October 12, 2016

Description: Over the past 2-3 years, the U.S. Department of Commerce, International Trade Administration (ITA) set out to determine what the U.S. government can do to improve export and market development assistance to tech startup companies and innovative entrepreneurs. ITA is an agency that specializes in providing support and assistance to U.S. companies seeking to expand into international markets. However, it was discovered that ITA may not be effectively reaching startups entrepreneurs with current product and service models. Technology startup companies are engines of economic growth, innovation, and job creation in the U.S. economy, and is a client base that ITA could not afford to continue missing.

Global Ignition: A Strategic Primer on Accelerating Startups to International Markets

tells the story of ITA's efforts achieve the goal of connecting startup companies to the next 2 billion customers. The culmination of over two years of extensive research and engagement with stakeholders throughout the United States, Global Ignition examines institutional information gaps, describes some of the key challenges and barriers for startups in international markets, and provides a high-level framework for promoting the export potential, or global-readiness, of startup tech companies at earlier stages of development than ITA assistance models currently envisage.

Data Access

While Advocacy is not a data collection agency, in FY 2017 it continued to organize downloadable data related to small businesses and provide links to data on its [website](#). Businesses with and without employees — employer and non-employer firms — are covered in the data. A large percentage of small businesses are non-employer firms; but employer firms contain a larger share of the receipts and payroll. The majority of employer firms are small firms, but for comparison purposes, data are also provided on large firms. The Office of Advocacy defines a small business for research purposes as an independent business having fewer than 500 employees.

In addition, banking data for small businesses is also compiled by the Office of Advocacy. While the employment size of a firm is often used to define a small business, the banking data uses loan size. Business loans of \$1 million or less is defined as a small business loan in the banking data as opposed to the size of the firm.

All of these data are provided in a user-friendly format that allows researchers, policymakers, small business trade associations, small businesses, and members of the media interested in small businesses to obtain the data to investigate the role and status of small firms in the economy.

Small Business Data Resources

Advocacy offers a list of hyperlinked Small Business Data Resources that is useful for small business researchers and policy makers. This valuable research tool lists small business databases by both federal agencies and the private sector with links to their websites. This information contains key topics, which include demographics, employment, exports, finance, firm size data, health care, taxes, pension coverage, and training.

The list captures many of the most widely used data resources, but Advocacy notes that inclusion of any specific database on the list does not constitute an endorsement by the Office of Advocacy or the Small Business Administration.

Downloadable Firm Size Data

Advocacy defines a small business as an independent business having fewer than 500 employees for research purposes, and posts firm size data from a number of sources on its website. Firm size data for employer firms are from the Statistics of U.S. Businesses (SUSB), Business Dynamics Statistics (BDS), and Business Employment Dynamics (BED) programs. Non-employer data are available from the Non-Employer Statistics (NES) program. These data are provided annually from the U.S. Census Bureau, except for the Business Employment Dynamics, which is quarterly from the U.S. Department of Labor, Bureau of Labor Statistics. BDS and BED also have an age component providing data on small businesses by their years in business. All of the data programs are essentially based on the universe of private-sector businesses.

Detailed data on owner and business characteristics are available from the U.S. Census Bureau’s Survey of Business Owners (SBO) in years ending in 2 or 7. The SBO, which is part of the Economic Census, provides data and a microdata set for activity in 2007. To supplement the SBO data in the other years, the Annual Survey of Entrepreneurs (ASE) conducted by the Census Bureau provides similar information to the SBO.

Statistics of U.S. Businesses

Annually, the Office of Advocacy partially funds the Statistics of U.S. Businesses (SUSB) program— an employer firm size database produced by the U.S. Census Bureau. A firm is defined as an aggregation of all establishments owned by a parent company (within a geographic location and/or industry) with some annual payroll.

The SUSB’s employer data include the number of firms, number of establishments, employment, and annual payroll for employment firm size categories by location and industry. In addition to firm size data, receipt data and size categories are available, but only in years ending in 2 or 7.

The data also consist of static and dynamic data. Static data provide a “snapshot” of firms at a point in time, while dynamic data follow firms from year to year and report job creation and destruction as well as business births and deaths. Much of the data is listed in time series format with some data available as far back as 1988, but the latest data available lags a few years.

Detail industry information is available at the NAICS 6-digit level, meaning that data is available for over 1,000 industries. Geographic data for some of the data items is also available at the county and metropolitan statistical area level, but data this detailed tends to be aggregated to a relatively high industry level.

Business Dynamics Statistics

Business Dynamics Statistics (BDS) provides another source of employer firm data, but by the age of the firm.² BDS contains annual data for states, major industry, and some metropolitan statistical area data. Census provides a plethora of historical data for BDS with data going back to 1977, but the most current data lags a few years. BDS provides the number of firms, establishments, and employment, along with some dynamics, so firm and job creation can be analyzed.

Business Employment Dynamics

The Business Employment Dynamics (BED) employer database is a Bureau of Labor Statistic program that provides quarterly data with a focus on employment changes from establishment entry, growth,

²See the background paper, Business Formation and Dynamics by Business Age: Results from the New Business Dynamics Statistics, by John Haltiwanger, Ron Jarmin, and Javier Miranda for information on the data program, ces.census.gov/docs/bds/bds_paper_CAED_may2008_dec2.pdf.

decline, and exit. BLS presents the data in two ways to capture the seasonal firms by listing establishment openings—establishments that did not exist in the previous quarter—and establishment births—establishments that did not exist in the previous year. Classifications are similar for closings and deaths. Some employment data are by firm size such as job creation and destruction, but much of BED is establishment-based and does not contain an establishment or firm size component. These quarterly data date from 1992.³

Non-Employer Statistics

The Census Bureau provides non-employer data, which contains information on the number of non-employer firms and receipts by state, metropolitan statistical area, and county with industry detail. A non-employer firm is defined as one that has no paid employees, has annual business receipts of \$1,000 or more (\$1 or more in the construction industries), and is subject to federal income taxes. Non-employers account for about three percent of business receipts, and about three quarters of all businesses. Note that non-employer businesses can have more than one owner and are a business. Thus, referring to the non-employer data as self-employed data (which is the occupation of someone) is not entirely accurate.

In the recent years, the U.S. Census Bureau has begun using noise infusion for disclosure avoidance for non-employer and SUSB data. This allows the agency to provide more data instead of merely providing a disclosed code for a data cell.

County Business Patterns

This annual data series comes from the Census Bureau. The CBP provides data on establishments, employment, first quarter payroll, and annual payroll at the county level. It also contains geography and industry level by establishment size.

Survey of Business Owners (SBO)

The Survey of Business Owners (SBO) is the only comprehensive source of information that provides certain economic and demographic characteristics for businesses and their business owners by gender, ethnicity, race, and veteran status. Detailed data on owner and business characteristics are available from the U.S. Census Bureau's Survey of Business Owners (SBO) every five years, in years ending in 2 or 7. The SBO, which is part of the Economic Census, also provides data and a microdata set for activity in 2007. Data includes sales and receipts, annual payroll, and employment. Data aggregates are presented by gender, ethnicity, race, and veteran status for the United States by 2012 North American Industry Classification System (NAICS), states, metropolitan and micropolitan statistical areas, counties, places, and employment and receipts size.

³See the background paper Measuring Job and Establishment Flows with BLS Longitudinal Microdata by Timothy Pivetz, Michael Seanson, and James Spletzer for information about the data program, bls.gov/opub/mlr/2001/04/art2full.pdf.

Annual Survey of Entrepreneurs (ASE)

The Annual Survey of Entrepreneurs (ASE) is a new yearly survey conducted by the Census Bureau to supplement SBO data. Similarly to the SBO, the ASE provides information on the demographic characteristics for businesses and their owners. Included are all nonfarm businesses filing Internal Revenue Service tax forms under all types of business organization with receipts of \$1,000 or more. The ASE is conducted at the firm level as opposed to the establishment level. Estimates are generated for employer businesses number of firms, sales, receipts, annual payroll, and employment. Industry information is available at the 2-digit NAICS level for demographic and veteran status by state, and the top 50 metropolitan statistical areas. The first estimates were available in 2016.

Call Report and Community Reinvestment Act Data

The Federal Deposit Insurance Corporation provides comprehensive banking information for all FDIC insured institutions on a quarterly basis. Unlike the previous databases mentioned, the definition of a small business differs since it is defined by loan size as opposed to the size of the firm. Both the Call Report and Community Reinvestment Act data define a small business as loans of \$1 million or less. The data contains the lending institution's name, geographic location, loan size, number, and assets.

Other Small Business Data Sources

Additional databases used to study small businesses are: The American Community Survey, (ACS), Current Population Survey (CPS), Statistics of Income (SOI), and Survey of Consumer Finances (SCF). The ACS is a yearly household survey that is conducted by the Census Bureau that provides information on jobs, occupations, and education attainments, and veteran in the U.S. at the household level. The Current Population Survey (CPS) is a household monthly survey that is conducted by the Census Bureau. Supplemental inquiries vary monthly and are added to the basic questions. Typically, supplements are conducted annually or biannually and provide information on earnings, education, health insurance coverage, contingent workers, unemployment insurance, veterans, etc.

The Survey of Consumer Finances (SCF) is a household survey that is normally sponsored by the Federal Reserve in cooperation with the Department of the Treasury every three years. The survey has contained a panel element over two periods. Respondents to the 1983 survey were re-interviewed in 1986 and 1989. Respondents to the 2007 survey were re-interviewed in 2009. This survey provides information on the balance sheets, pensions, income, and demographic characteristics of U.S. family's overtime.

The Statistics of Income (SOI) is a quarterly dataset published by the Internal Revenue Service. This publication contains data for both households and businesses and is an invaluable source of statistical information. Data on business firms are generally classified by receipt size class for proprietorships, partnerships, and corporations. For sole proprietorships and partnerships, only data on net income are available. For small business corporations, more data are available. The IRS Source Book for

Corporations contains data for corporations by asset size class. Balance sheet and income statement information is available for corporations in different asset classes.

Conclusion

The Office of Economic Research within Advocacy has addressed several research topics pertaining to small business in the last four decades. In 2017, OER continued to address small business concerns through its regulatory process and research activities. Advocacy's economists continue to engage in its stakeholders by using various mediums including forums, roundtables, conferences, and seminars throughout the country.

Since timely and reliable research are the underpinning that shape policy decisions, OER continues to partner with other federal agencies and parties in the pursuit of reliable and timely small business data and research.

Appendixes

Appendix A: [Small Business State Profiles](#)

Appendix B: [Dissecting Access to Capital](#)

Appendix C: [The Role of Microbusiness Employers in the Economy](#)

2018 SMALL BUSINESS PROFILE

OFFICE OF ADVOCACY

REGULATION • RESEARCH • OUTREACH

UNITED STATES



30.2 million Small Businesses
99.9% of United States Businesses

58.9 million Small Business Employees
47.5% of United States Employees



EMPLOYMENT
1.9 million
net new jobs



DIVERSITY
8.0 million
minority-owned
businesses



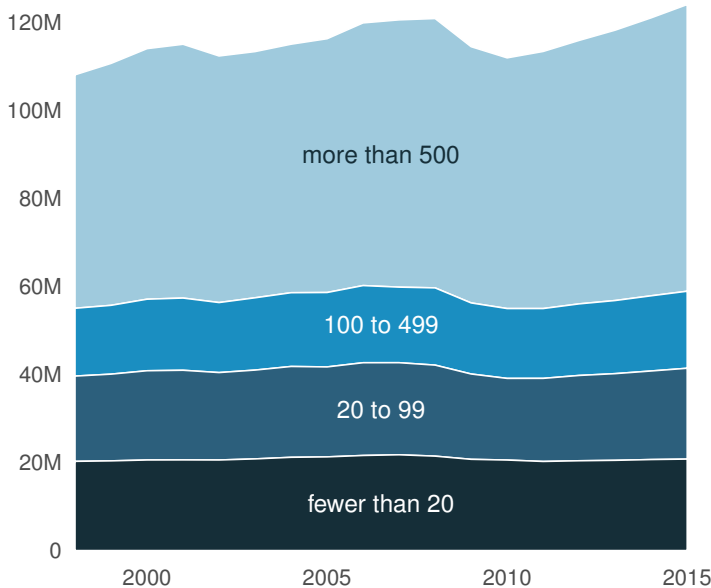
TRADE
287,835
small business
exporters

OVERALL UNITED STATES ECONOMY

- Multiple economic indicators consistently signaled a strengthening US economy in 2017. In the third quarter of 2017, the United States grew at an annual rate of **3.4%**. The United States's 2016 growth rate of **1.5%** was down from the 2015 rate of **2.7%**. (Source: [BEA](#))
- The employment situation in the United States continued to improve. In February 2018, the unemployment rate was **4.1%**, down from **4.7%** in February 2017. (Source: [CPS](#))

EMPLOYMENT

Figure 1: United States Employment by Business Size (Employees)



- United States small businesses employed **58.9 million** people, or **47.5%** of the private workforce, in 2015. (Source: [SUSB](#))
- Firms with fewer than 100 employees have the largest share of small business employment. Figure 1 provides further details on firms with employees. (Source: [SUSB](#))
- Private-sector employment increased **1.8%** during the 12-month period ending in February 2018. This was above the increase of **1.0%** during the prior 12-month period. (Source: [CPS](#))
- The number of proprietors increased in 2016 by **2.3%** relative to the previous year. (Source: [BEA](#))
- Small businesses created **1.9 million** net jobs in 2015. Firms employing fewer than 20 employees experienced the largest gains, adding **1.1 million** net jobs. The smallest gains were in firms employing 100 to 499 employees, which added **387,874** net jobs. (Source: [SUSB](#))

The Small Business Profiles are produced by the US Small Business Administration's Office of Advocacy. Each report incorporates the most up-to-date government data to present a unique snapshot of small businesses. Small businesses are defined for this profile as firms employing fewer than 500 employees. Net small business job change, minority small business ownership, and exporter share statistics are based on the 2015 Statistics of US Businesses (SUSB), 2012 Survey of Business Owners (SBO), and 2015 International Trade Administration (ITA) data, respectively.

INCOME AND FINANCE

- The number of banks decreased by 271 between June 2016 and June 2017 to 5,787 banks. (Source: FDIC)
- In 2016, 5.7 million loans under \$100,000 (valued at \$82.6 billion) were issued by United States lending institutions reporting under the Community Reinvestment Act. (Source: FFIEC)
- The median income for individuals self-employed at their own incorporated businesses was \$50,347 in 2016. For individuals self-employed at their own unincorporated firms, this figure was \$23,060. (Source: ACS)

Median income represents earnings from all sources. Unincorporated self-employment income includes unpaid family workers, a very small percent of the unincorporated self-employed.

EMPLOYER BUSINESS OWNER DEMOGRAPHICS

Figure 2: United States Employees per Business by Owner's Demographic, 2015

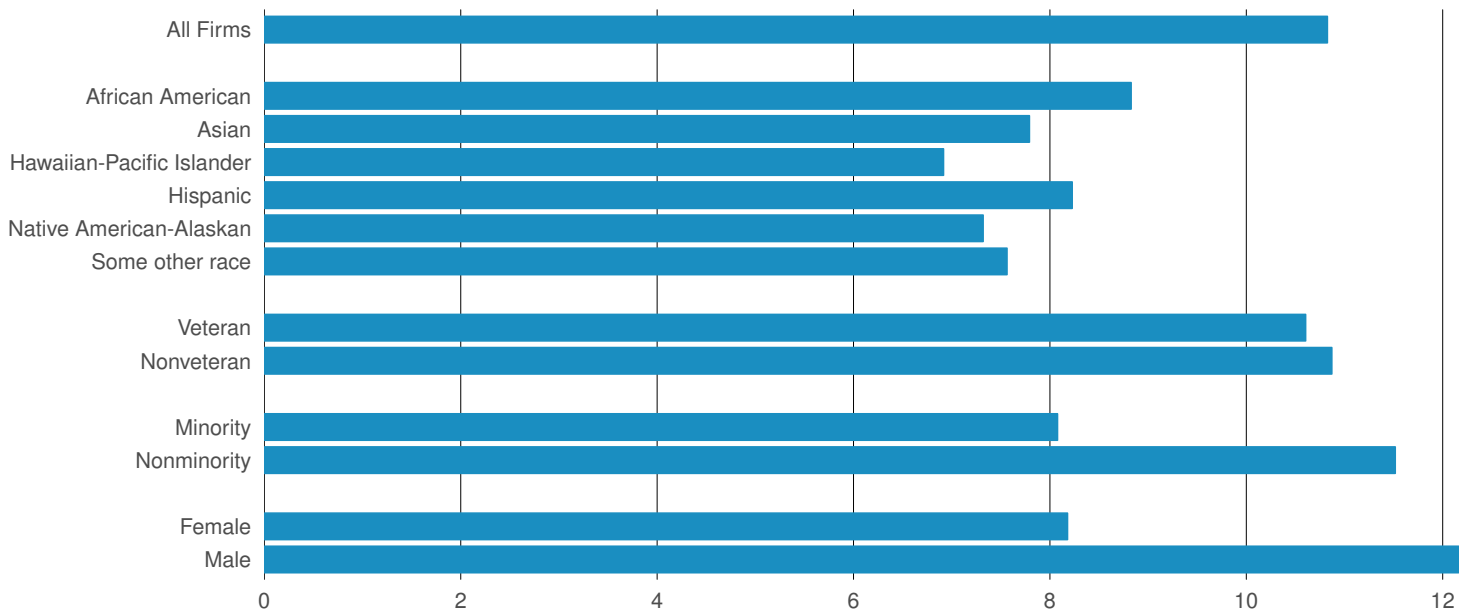
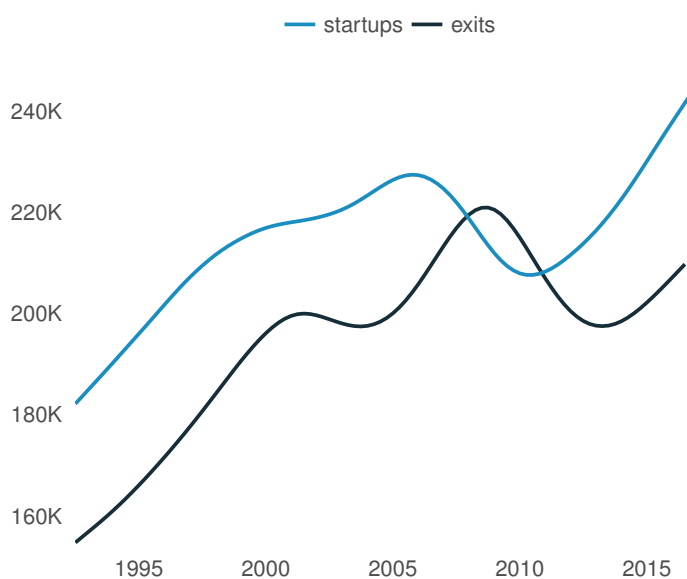


Figure 2 shows the average number of employees per employer business by owner's demographic group according to the Annual Survey of Entrepreneurs (ASE).

TURNOVER AMONG ESTABLISHMENTS WITH EMPLOYEES

Figure 3: United States Quarterly Startups and Exits



- In the third quarter of 2016, 240,000 establishments started up, generating 872,000 new jobs in the United States. Startups are counted when business establishments hire at least one employee for the first time. (Source: BDM)
- In the same period, 215,000 establishments exited resulting in 749,000 jobs lost. Exits occur when establishments go from having at least one employee to having none, and then remain closed for at least one year. (Source: BDM)
- Figure 3 displays quarterly startups and exits from 1992 to 2016. Each series is smoothed across multiple quarters to highlight long-run trends. (Source: BDM)

The BLS data covers only business establishments with employees. BLS refers to startups as births and exits as deaths. These terms are distinct from the BLS openings and closings categories. Openings include seasonal re-openings and closings include seasonal shutterings. Quarterly startup and exit values may not align with Figure 3 due to smoothing.

INTERNATIONAL TRADE

- A total of 294,834 companies exported goods from the United States in 2015. Of these, 287,835, or 97.6%, were small firms; they generated 32.9% of the United States's \$1.3 trillion in total exports. (Source: ITA)

SMALL BUSINESS EMPLOYMENT BY INDUSTRY AND COUNTY

Table 1: United States Employment by Industry, 2015





 Industry	 Small Business Employment	 Total Private Employment	 Small Business Employment Share
Health Care and Social Assistance	8,687,568	19,221,864	45.2
Accommodation and Food Services	7,997,654	13,196,892	60.6
Retail Trade	5,514,378	15,704,167	35.1
Manufacturing	5,155,086	11,605,501	44.4
Professional, Scientific, and Technical Services	5,075,601	8,798,260	57.7
Construction	4,944,116	6,008,286	82.3
Other Services (except Public Administration)	4,626,826	5,401,233	85.7
Administrative, Support, and Waste Management	3,625,057	11,112,465	32.6
Wholesale Trade	3,486,807	6,076,109	57.4
Finance and Insurance	1,920,066	6,135,914	31.3
Transportation and Warehousing	1,650,009	4,616,568	35.7
Educational Services	1,603,707	3,642,170	44.0
Real Estate and Rental and Leasing	1,410,530	2,065,427	68.3
Arts, Entertainment, and Recreation	1,370,194	2,230,822	61.4
Information	897,225	3,394,317	26.4
Management of Companies and Enterprises	404,386	3,308,759	12.2
Mining, Quarrying, and Oil and Gas Extraction	296,005	743,660	39.8
Agriculture, Forestry, and Fishing and Hunting	136,254	160,144	85.1
Utilities	112,523	639,234	17.6
Industries not classified	24,155	24,155	100.0
Total	58,938,147	124,085,947	47.5

Figure 4: United States Small Business Employment by County, 2015

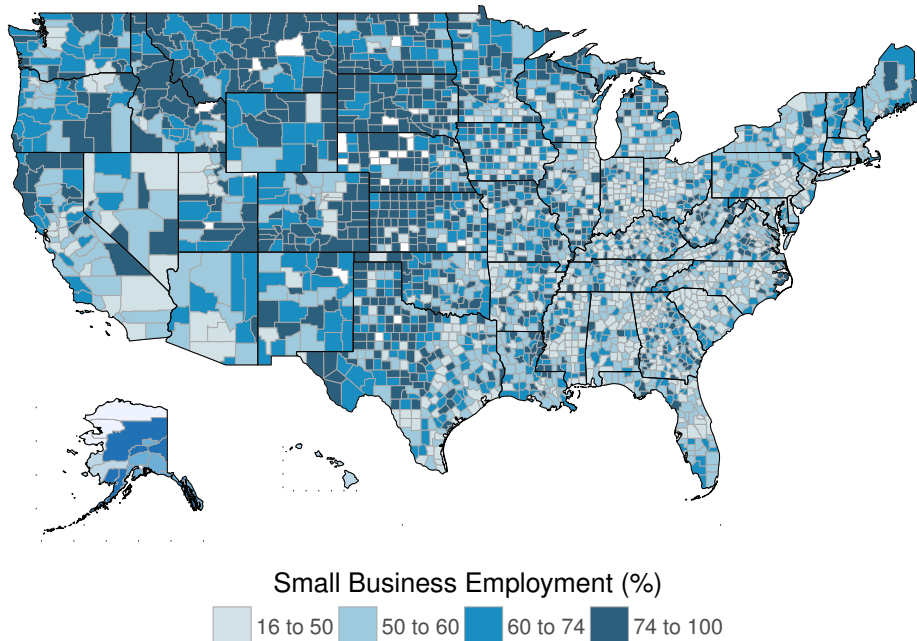
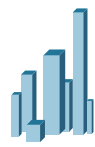


Table 2: United States Small Businesses by Industry and Firm Size, 2015



Industry



1-499 Employees



1-20 Employees



Nonemployer
Firms



Total Small Firms

Industry	1-499 Employees	1-20 Employees	Nonemployer Firms	Total Small Firms
Professional, Scientific, and Technical Services	796,737	747,952	3,410,855	4,207,592
Other Services (except Public Administration)	680,783	635,810	3,695,012	4,375,795
Construction	668,196	615,701	2,430,014	3,098,210
Health Care and Social Assistance	652,900	569,088	1,978,850	2,631,750
Retail Trade	650,133	594,267	1,985,553	2,635,686
Accommodation and Food Services	515,566	401,142	371,413	886,979
Administrative, Support, and Waste Management	331,964	295,202	2,069,144	2,401,108
Wholesale Trade	304,031	262,019	417,272	721,303
Real Estate and Rental and Leasing	290,173	277,338	2,635,780	2,925,953
Manufacturing	247,961	187,862	355,467	603,428
Finance and Insurance	235,726	218,939	718,472	954,198
Transportation and Warehousing	177,150	157,974	1,528,264	1,705,414
Arts, Entertainment, and Recreation	122,089	106,357	1,341,733	1,463,822
Educational Services	88,826	70,210	710,383	799,209
Information	73,028	63,321	328,995	402,023
Mining, Quarrying, and Oil and Gas Extraction	21,657	18,157	98,134	119,791
Agriculture, Forestry, and Fishing and Hunting	21,584	20,212	236,094	257,678
Utilities	5,706	4,493	19,968	25,674
Total	5,881,267	5,265,682	24,331,403	30,212,670

Figure 4 and Tables 1 and 2 display data from the 2015 SUSB. Table 2 includes additional data from the 2015 Nonemployer Statistics (NES). Data for counties shown in white in Figure 4 were withheld by the Census Bureau because they do not meet publication standards or could disclose information regarding individual businesses.

REFERENCES

The Small Business Profiles, source data, and methodology are available at <https://go.usa.gov/xQT4w>.

ASE	Annual Survey of Entrepreneurs, US Census Bureau
BEA	Bureau of Economic Analysis, US Department of Commerce
BDM	Business Employment Dynamics, BLS
BLS	Bureau of Labor Statistics, US Department of Labor
CPS	Current Population Survey, BLS
FDIC	Call Reports, Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
ITA	International Trade Administration, US Department of Commerce
NES	Nonemployer Statistics, US Census Bureau
SBO	Survey of Business Owners, US Census Bureau
SUSB	Statistics of US Businesses, US Census Bureau

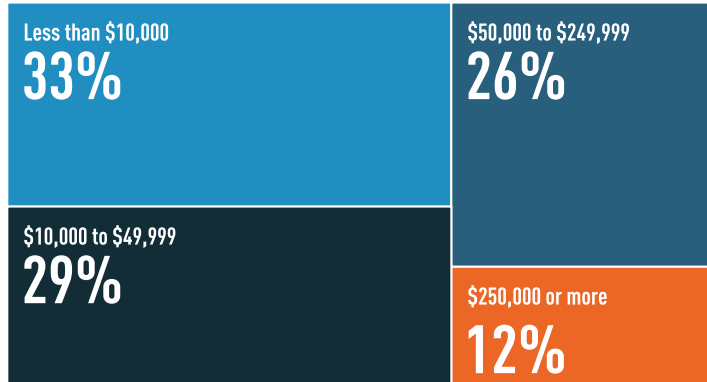
Dissecting Access to Capital

September, 2017. By Michael J. McManus, Regulatory Economist

How much capital do businesses start with?

New businesses can start with a wide range of capital. While the majority of business start with less than \$50,000, a sizeable number, 12%, use over \$250,000. (Chart 1)

Chart 1: Amount of Startup Capital for Employer Firms



Where does start-up capital come from?

New business owners are often very dependent on their own resources for start-up capital. Three fourths of businesses report using personal or family savings when starting. Only 12% of businesses use a business loan for startup capital. The other top sources are personal credit cards (13%), personal assets (11%) and business credit cards (7%). All other sources, like venture capital and grants, are used by fewer than 6% of businesses.

After start-up, how do businesses finance themselves year to year?

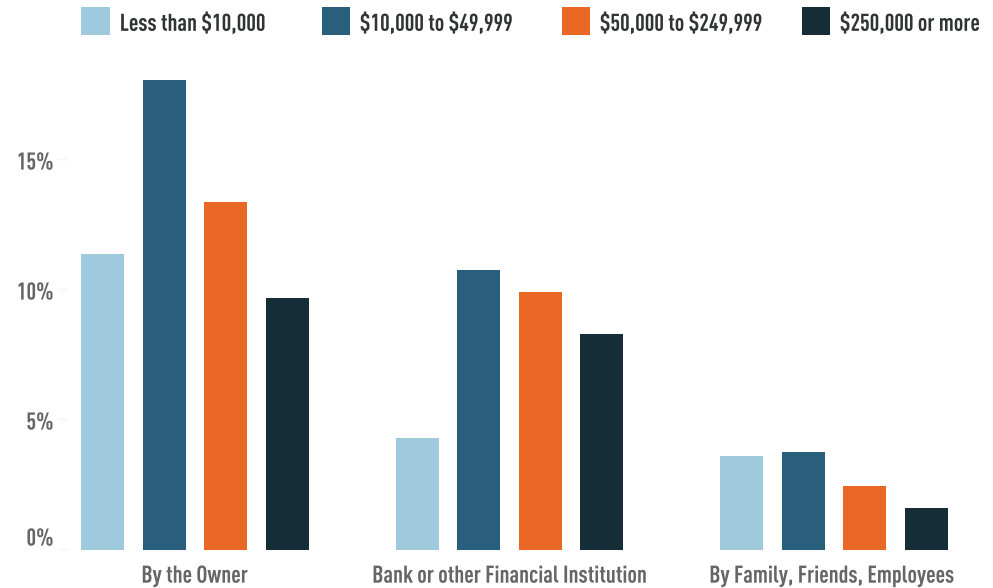
Financing is a constant need for businesses to stay open and grow. The most common sources of this financing are from the owners and banks. Over half of businesses (53%) report receiving additional funding from their owners last year. Often owners' investment can be quite substantial, with almost a quarter (23%) providing over \$50,000 in funding. (Chart 2)

Are businesses seeking new financing options?

Yes, businesses are often looking for new financing relationships. 13% of businesses report forming a new connection with a bank or financial institution within the last year. After forming a relationship, 74% of those businesses

receive the full funding requested. Credit cards are another popular new financing option (10%), and are similarly successful at providing the full funding requested (83%). (Chart 3)

Chart 2: Amount of Annual Financing by Source for Employer Firms

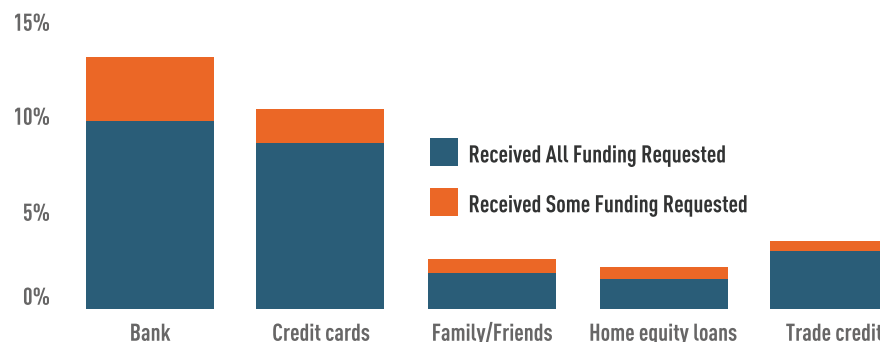


How does a lack of affordable capital affect businesses?

Businesses, especially younger businesses, with trouble accessing financing or have high related costs report being impacted. 15% of new businesses under the age of 2 report financing costs impacting profitability negatively. Half as many older businesses (7%), 16 years or older, report financing being a negative impact on profits.

Source: 2015 Annual Survey of Entrepreneurs; U.S. Census Bureau. Released July, 2017.

Chart 3: Percent of Employer Firms Establishing New Financial Relationships



SMALL BUSINESS FACTS

THE ROLE OF MICROBUSINESS EMPLOYERS IN THE ECONOMY

August, 2017. By Brian Headd, Economist

Microbusiness employers (firms with 1-9 employees) are the most common kind of employer firm, but they account for a relatively small share of employment.

America's 3.8 million microbusiness employers made up 74.8 percent of all private-sector employers in 2016, and they provided 10.3 percent of the private-sector jobs (Chart 1). In addition to the microbusiness employers, there were another 24 million nonemployer businesses in 2015.

(Source: Bureau of Labor Statistics, Business Employment Dynamics, Census Bureau, Nonemployer statistics)

Microbusiness employers' share of employment is declining.

Microbusiness employers' share of private-sector employment dropped from over 14 percent in 1985 to 11 percent (or 13 million employees) in 2014 (Chart 2).

(Source: Census Bureau, Business Dynamics Statistics, Initial Firm Size)

Most microbusiness employer firms are more than five years old.

In 2014, 64 percent of microbusinesses were over five years old, and these firms held 67 percent of the microbusiness employment.

(Source: Census Bureau, Business Dynamics Statistics, Initial Firm Size)

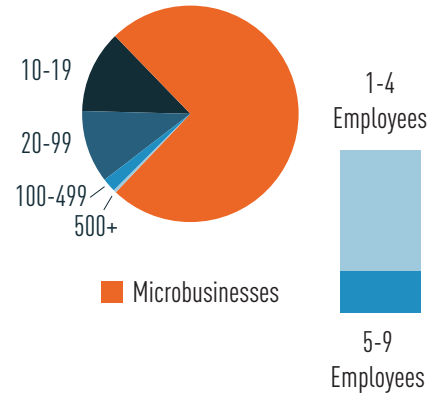
Microbusiness hiring has an oversized role in employment

Microbusiness employers accounted for 11 percent of the 13.7 million private-sector net job gains from 2010 to mid-2016, with 70 percent of the microbusiness employers gains coming from business turnover (new firm job gains minus closure job losses) as opposed to existing firms.

(Source: Bureau of Labor Statistics, Business Employment Dynamics)

Chart 1: Microbusiness Firm and Employment Shares

Employer Firms



Employment

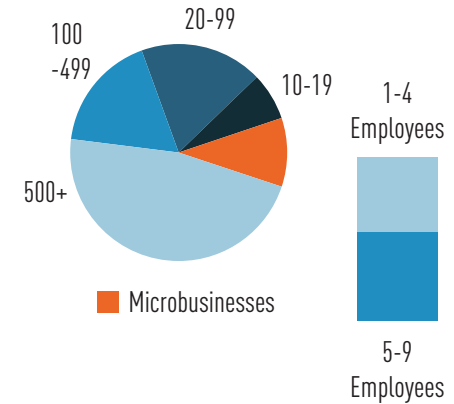
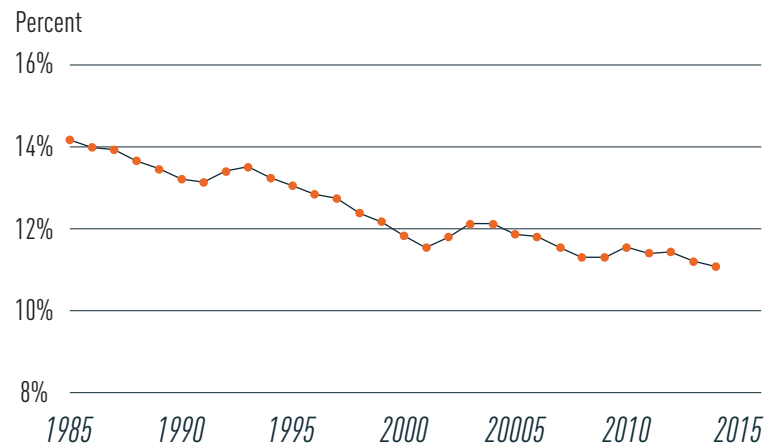


Chart 2: Microbusiness Employment Share Trend



While no definitive definition exists, microbusinesses are defined here as **employers with fewer than 10 employees** (initial year firm size).

Source: Census Bureau, Business Dynamics Statistics.

Finance, Insurance and Real Estate has the highest share of microbusinesses.

In 2014, the "finance, insurance and real estate" industry had the highest share of microbusiness employers at 86 percent and "agriculture, forestry, and fishing (minus farms)" had the highest share of employment at 31 percent.

(Source: Census Bureau, Business Dynamics Statistics, Initial Firm Size)

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