

NOTES ON 2020 SMALL BUSINESS PROFILES DATA AND METHODOLOGY

U.S. SMALL BUSINESS ADMINISTRATION

OFFICE OF ADVOCACY

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1. What new data are used in the 2020 edition of the Small Business Profiles?

The 2020 Small Business Profiles includes new data on net job change, self-employment, and Puerto Rico's national accounts.

- Net job change is measured by the Bureau of Labor Statistics' ([BLS](#)) Business Employment Dynamics Research Statistics program. The estimates provided in the profiles reflect the employment base size technique defined [here](#).
- Self-employment is measured by the Census Bureau's 2018 American Community Survey ([ACS](#)) 5-Year Estimates. The Census Bureau's [MDAT](#) interface provides self-employment by demographic group data for 2018. The self-employment rate is calculated as the ratio of the number self-employed to the total labor force. The number self-employed is the sum of the following categories:
 - **Self-employed in own not incorporated business** - Includes people who worked for profit or fees in their own unincorporated business, profession, or trade, or who operated a farm.
 - **Self-employed in own incorporated business, professional practice, or farm** - Includes people whose business was incorporated with private wage-and salary-workers because they are paid employees of their own companies. For further information, see the [ACS 2018 Subject Definitions](#).
- Due to data limitations, the national accounts data source for Puerto Rico was changed from prior years. Gross domestic product (GDP), per capita income, imports, and exports are now sourced from The World Bank's World Development Indicators ([WDI](#)).

2. How is the small business percent of all businesses calculated for my state?

The small business percent of all businesses is calculated as the sum of small employer and nonemployer businesses divided by the sum of all employer and nonemployer businesses.

$$\text{small business percent of all businesses} = \frac{\text{small employer businesses} + \text{nonemployer businesses}}{\text{all employer businesses} + \text{nonemployer businesses}}$$

3. How is the unemployment rate defined?

The unemployment rate is measured by [BLS](#)' Current Population Survey program and is defined [here](#).

4. How is the number of banks calculated for my state?

The [FDIC](#) provides state banking data based on the location of banks' headquarters. The bank counts in the profiles include only banks headquartered in the state. Changes in the total number of banks reflect bank closings, bank openings, and/or bank mergers. Declines in the number of banks with assets under \$1 billion may exceed the change in the total number of banks due to mergers and asset balance changes. For example, a bank with assets under \$1 billion could grow to have assets of more than \$1 billion. This

would result in a decrease in the number of banks with assets under \$1 billion while leaving the overall total unchanged.

5. Do "Nonminority" and "Non-Hispanic White" mean the same thing?

Yes. The terms “Nonminority” and “Non-Hispanic White” are synonymous. Figure 2 uses the “Non-Hispanic White” estimates provided by the [ACS](#).

6. How were the values in Figure 3 processed?

The Business Employment Dynamics' ([BDM](#)) startup and exit data measure quarterly startups and exits of establishments. The raw series span the years 1992 to 2019. To make trends easier to discern, the data was smoothed using a weighted moving-average filter.

7. In Table 1, why is the difference between columns 1 and 2 sometimes less than 500 employees?

Employment and firm level tabulations by firm-size and industry are provided by the Statistics of U.S. Businesses ([SUSB](#)). When a firm with more than 500 employees has establishments in multiple industries, it is possible for fewer than 500 of its employees to be counted in a single industry, even though they are classified as large-firm employees. For this reason, total employment in certain industries sometimes exceeds small business employment by fewer than 500 employees.

8. What is the "other services (except public administration)" industry?

According to Census, the "other services (except public administration)" sector comprises establishments who provide services not specifically categorized elsewhere in the classification system. These establishments are primarily engaged in activities such as equipment and machinery repairing, promoting or administering religious activities, grantmaking, and advocacy. The sector also includes dry-cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

9. In the Territory profiles, what are the size categories described in Figure 1?

The unit of analysis in Figure 1 of the Territory profiles is establishments. According to the Census Bureau's County Business Patterns ([CBP](#)), an establishment is defined as a single physical location at which business is conducted or services or industrial operations are performed. An establishment is not necessarily equivalent to a firm, which may consist of one or more establishments. The size categories describe the number of employees working at establishments having fewer than 20 employees, 20 to 49 employees, 50 to 99 employees and 100 to 499 employees. Establishments having more than 500 employees are not shown. See the [CBP website](#) for further details.

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

The Small Business Profiles uses the most up-to-date government data to present a unique snapshot of small businesses. The [BLS](#) employment estimates capture the early stages of the pandemic. All other sources reflect data collected prior to the pandemic. For a summary of early research on the impact of the pandemic on small businesses, please see Advocacy's web post [here](#). For high frequency tracking of small business impacts, see Census Bureau's [Small Business Pulse Survey](#), and visit Advocacy's [research page](#) for our latest studies.