

FREQUENTLY ASKED QUESTIONS

JULY 2024



1. What is a small business?

The Office of Advocacy generally defines a small business for research purposes as an independent business with fewer than 500 employees. For industry-level small business standards used for small business eligibility in government programs and contracting, see SBA's Table of Size Standards, <https://www.sba.gov/document/support-table-size-standards>.

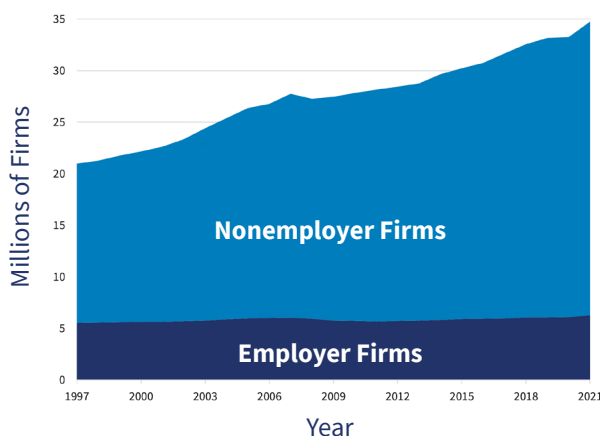
2. How many small businesses are there in the U.S.?

There are 34,752,434 small businesses in the U.S.

- 81.9 percent, or 28,477,518 firms, have no employees (termed “nonemployer firms”), and 18.1 percent, or 6,274,916 firms, have paid employees (termed “employer firms”).
- There are 19,688 large businesses.
- The number of small employer firms has increased each year since 2011. The number of nonemployer firms has increased by 84% since 1997 (Figure 1).

Source: SUSB, NES

Figure 1: Number of Small Businesses



3. What role does small business play in the economy?

Small businesses comprise:

- 99.9% of all firms
- 99.7% of firms with paid employees
- 97.4 % of exporters (271,241 businesses)
- 45.9 % of private sector employees (59.0 million workers)
- 43.5% of gross domestic product
- 39.0 % of private sector payroll (\$3.2 trillion)
- 38.9 % of private sector receipts (\$14.6 trillion)
- 34.9 % of known export value (\$541.6 billion)

Source: SUSB, NES, ITA, SBGDP, Advocacy US Profile

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

From January 1995 to June 2023, small businesses created 20.2 million net new jobs while large businesses created 12.8 million (Figure 2). Small businesses have accounted for 61.1 percent of net new job creation since 1995. Figure 3 displays quarterly small business job gains, losses, and net new jobs since 1995. Employment changes were volatile in 2020, with a loss of over 15 million jobs between Q1 and Q2. 9.1 million of these were small business job losses. However, small business employment grew quickly after the COVID-19 recession, recovering the lost jobs by Q3 of 2022 and adding 1.6 million jobs on top.

Source: BED

Figure 2: Net New Jobs, 1995 – 2023

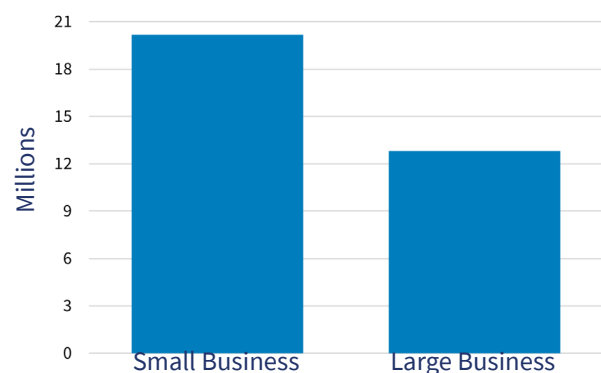
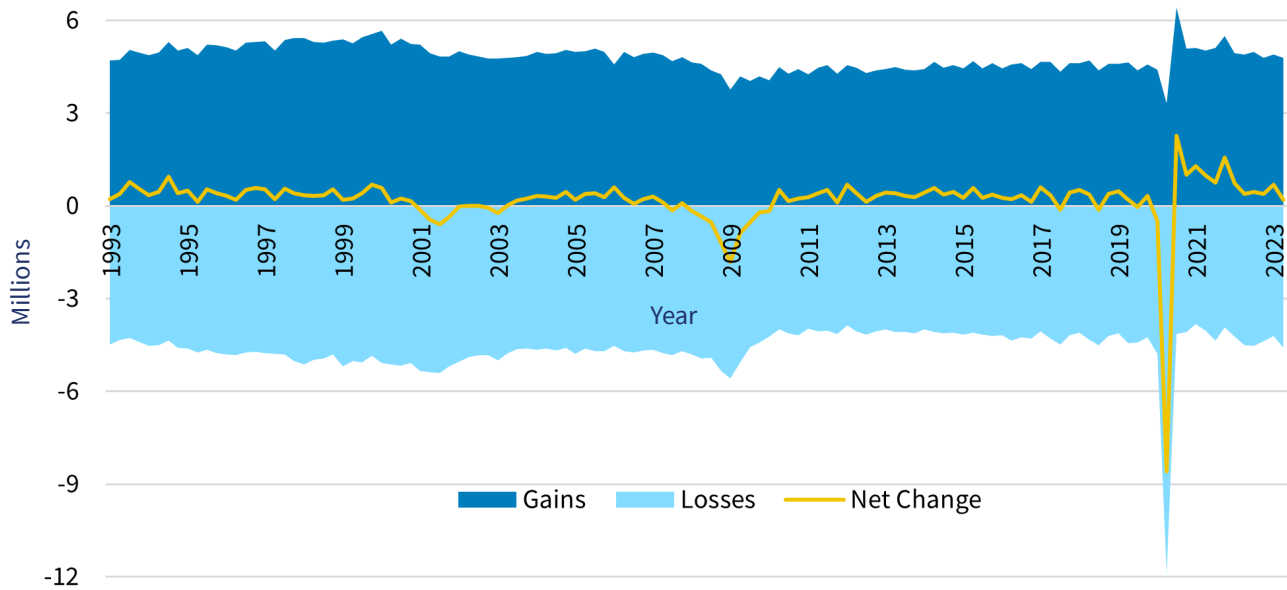


Figure 3: Quarterly Changes in Small Business Jobs, 1995 - 2023



5. How can small businesses generate over 60 percent of net new jobs, but their share of employment is less than 50 percent?

As small firms grow, their growth counts toward small firm job gains and they change employment size classes. If they pass the 500-employee mark, their employment gains are classified as large firm employment.

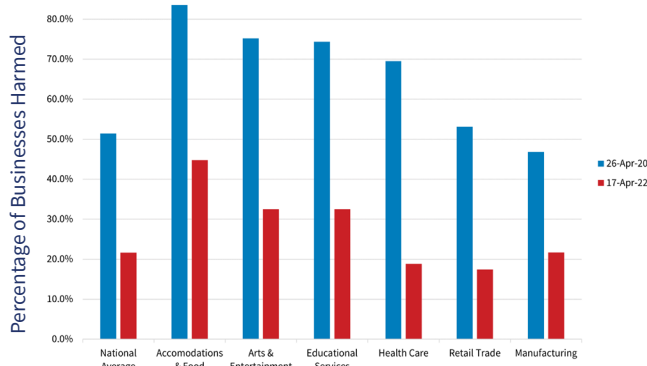
6. How have small businesses been faring post COVID-19?

The COVID-19 pandemic had adverse financial impacts for most small businesses. However, the percentage of small businesses negatively impacted by the pandemic declined from 51.4 percent in April 2020 to 21.6 percent in April 2022. Despite this progress, 44.7 percent of Accommodations and Food Service small businesses were still negatively impacted by the pandemic in April 2022.

By 2022, the most significant obstacles for small businesses were hiring and supply chain challenges. In April 2022, 40.3 percent of firms were looking to hire employees and 24.2 percent sought to identify new supply chain options.

Source: SBPS

Figure 4: Industries Most Impacted by COVID-19



7. What is the new business survival rate?

From 1994-2021, an average of 67.9 percent of new employer establishments survived at least two years. During the same period, the five-year survival rate was 49.2 percent, the ten-year survival rate was 33.8 percent, and the fifteen-year survival rate was 25.6 percent. As firms establish themselves, their survival rates increase.

While more than half of establishments close before five years, more than two-thirds (69.5 percent) that reach five years reach ten. The survival rate increases further after that as well, with 76.5 percent of establishments that reach ten years also reaching fifteen.

Source: ABS, BED; Office of Advocacy calculations

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

In 2022, 1.4 million business establishments opened for the first time, and about 1.2 million establishments closed permanently (Figure 5). Startups made up 15.7 percent of business establishments 2022 compared to 12.5% in 2019. (Figure 6)

Source: BED

Figure 5: Establishment Births & Deaths, 2012-2022

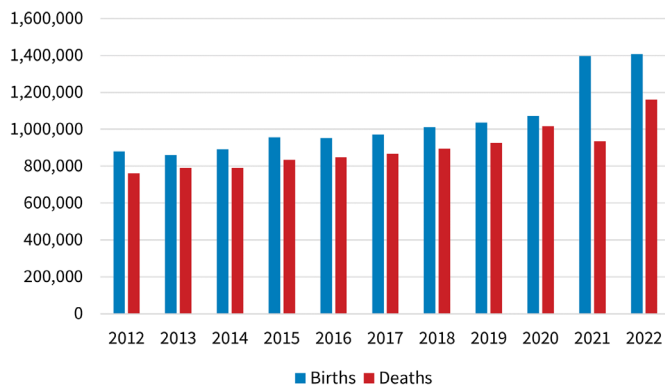
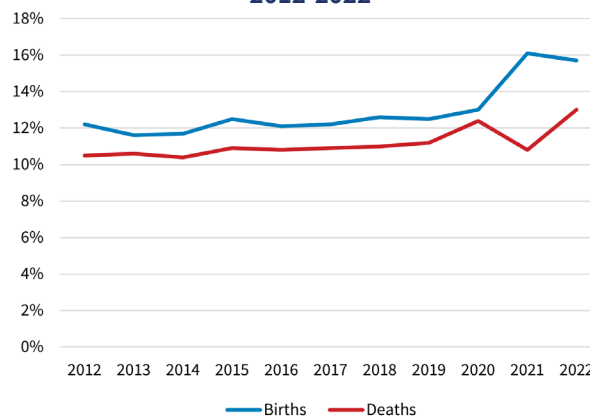


Figure 6: Percent Establishment Births & Deaths, 2012-2022



9. What is the average size of a business with employees?

In 2021, the average employer firm had 24 employees. By size, small firms averaged 11 employees and large firms averaged 3,302 employees. New firms (less than two years old) averaged 6 employees while firms older than 20 years averaged 58 employees.

Source: BDS

10. How many businesses do minorities own?

In 2021, 20.9 percent of employer firms were owned by minorities, totaling about 1.2 million firms. Of employer firms, 6.9 percent were Hispanic-owned, 2.7 percent were Black-owned, 10.9 percent were Asian-owned, 0.8 percent were American Indian or Alaska Native-owned, and 0.1 percent were Native Hawaiian or other Pacific Islander-owned. Minority business ownership lagged the minority share of the population. Figure 7 and Table 1 show each demographic's share of the U.S. population to place business owner representation into context.

Source: ABS

11. How many businesses do women own?

Women owned 1.3 million employer firms in 2021, which represented 21.6 percent of all employers. Women also owned about 12.5 million nonemployer firms in 2019, or 43.0 percent of all nonemployer firms, closer to parity with men (Table 1).

Source: ABS

12. How many businesses do veterans own?

In 2021, veterans owned about 304,823 employer firms, or about 5.2 percent of all U.S. employers. Veterans also owned about 1.5 million nonemployer firms in 2019, or 5.1 percent of all nonemployer firms. Both figures are roughly in line with the 4.9 percent of the U.S. population that identify as veterans (Table 1).

Source: ABS, NES-D

Figure 7: Business Owner Demographic Percent Share

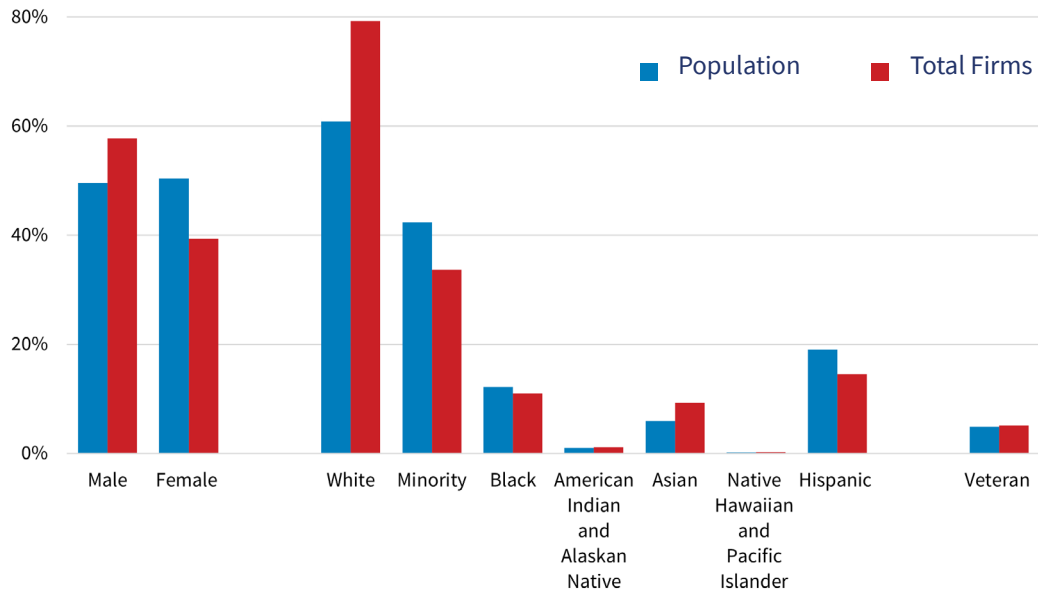


Table 1. Business Owner Demographics, Employer and Nonemployer Firms

Demographic Category	Percent of Total Population	2021 Employers (Millions)	Percent of Employer	2020 Nonemployers (Millions)	Percent of Nonemployer	Total Firms (Millions)	Percent of Total Firms
Male	49.58%	3.60	61.01%	16.52	57.02%	20.12	57.70%
Female	50.42%	1.28	21.64%	12.45	42.98%	13.73	39.37%
Equally Male and Female	-	0.81	13.74%	-	-	0.81	2.32%
White	60.88%	4.84	82.04%	22.80	78.70%	27.64	79.27%
Minority	42.35%	1.23	20.88%	10.49	36.21%	11.72	33.62%
Black	12.18%	0.16	2.73%	3.68	12.69%	3.84	11.01%
American Indian and Alaskan Native	0.96%	0.05	0.82%	0.35	1.22%	0.40	1.15%
Asian	5.91%	0.64	10.91%	2.60	8.96%	3.24	9.29%
Native Hawaiian and Other Pacific Islander	0.20%	0.01	0.14%	0.09	0.31%	0.10	0.28%
Equally Minority and Non-minority	-	0.10	1.69%	-	-	0.10	0.29%
Hispanic	19.07%	0.41	6.89%	4.66	16.08%	5.07	14.53%
Non-Hispanic	80.93%	5.22	88.55%	24.31	83.91%	29.53	84.70%
Equally Hispanic and Non-Hispanic	-	0.036	0.96%	-	-	0.06	0.16%
Veteran	4.86%	0.30	5.17%	1.48	5.12%	1.79	5.13%
Non-Veteran	95.14%	5.25	89.14%	27.48	94.86%	32.73	93.89%
Equally Veteran and Non-Veteran	-	0.12	2.09	-	-	0.12	0.35%

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

In 2021, immigrants owned 18.5 percent of employer firms. The industries with the greatest share of immigrant owners were accommodation and food services (37.0%) and health care and social services (23.9%).

Source: ABS, NES-D

14. What are the self-employment trends by owner age?

According to Census Bureau data, the share of self-employed (incorporated and unincorporated) age 65 and over increased from 13.0 percent in 2013 to 16.3 percent in 2023. Those under age 30 increased slightly, from 8.8 to 10.5 percent. Overall, 9.7 percent of workers were self-employed in 2023. This is unchanged from the rate 10 years prior.

Source: CPS (March supplement)

15. What percent of firms are family-owned?

About 27.3 percent of employer firms were family-owned in 2021. Family-owned firms employed 14 individuals per firm, while non-family-owned firms employed 10 individuals per firm. The industries with the highest share of family-owned firms were Management of Companies and Enterprises (41%) and Mining, Quarrying, and Oil and Gas Extraction (41%), while Professional, Scientific, and Technical Services (18%) and Health Care and Social Assistance (15%) were the lowest.

Source: ABS

16. How are small business adopting artificial intelligence?

Between March 2023 and February 2024, 4.6 percent of all businesses used artificial intelligence (AI). The most likely businesses to use A.I. were those with more than 250 employees—6.3 percent—followed by those with fewer than five employees—5.0 percent. These percentages will likely increase over time as 6.6 percent of businesses plan to use A.I. in the next six months.

Source: BTOS

17. How are most small businesses legally organized?

Sole proprietorships make up 86.3 percent of nonemployer firms and 13.0 percent of small employer firms. More than half of small employer firms are S-corporations (Table 2).

Source: SUSB, NES

Table 2. Legal Form of Organization, 2021
(Percent of respective firm sizes, SUSB & NES)

Type of business	Nonemployer	Small Employer	Large Employer
Sole Proprietorship	86.3%	13.0%	5.7%
Partnership	7.5%	12.2%	24.7%
S-corporation	4.7%	53.0%	30.3%
C-corporation and other	1.6%	14.8%	51.9%
Nonprofit	-	7.0%	18.3%
Government	-	0.02%	2.6%
Other	-	0.2%	3.4%
Total	100.0%	100.0%	100.0%

NOTE: Some firms often file under multiple legal forms of organization. As such, the “type of business” columns may not add up precisely to 100 percent.

18. How are small businesses financed?

Business financing comes from either equity financing (family, friends, or personal savings) or debt financing (bank loans). Federal Reserve data shows that 71 percent of small employers had outstanding debt in 2023. This is below the 2020 peak of 79 percent and similar to the levels before the COVID-19 pandemic. In addition to debt financing, approximately 33 percent of small businesses sought and received equity financing, most of which was composed of owner investments and loans from friends and family. Finally, many small businesses utilized capital access resources from the Small Business Administration. In 2023, 28 percent of employer firms received pandemic-related financial assistance in the prior 12 months, which is a decrease from 87 percent in 2020.

Source: ABS, SBCS

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

In FY 2022, 26.5 percent of federal contracting dollars went to small businesses, which exceeded the government's 23 percent goal. Of agencies with at least \$1 billion in eligible contract dollars, the Department of Agriculture (64.8%), the Department of the Interior (63.3%), and the Department of Commerce (49.7%) awarded the highest share of contracting dollars to small businesses.

Source: SBRS

The Office of Advocacy and Small Business Data

The Office of Advocacy was created by Congress in 1976. Advocacy's mission includes conducting economic studies and research on issues of concern to small businesses. The office also publishes statistics on small firm characteristics and contributions. Links to the small businesses economic data sources used here are below and on our website, <https://advocacy.sba.gov>, which contains numerous databases and links to other sources.

Have more questions? Email us at advocacy@sba.gov.

Data Sources

- ABS Annual Business Survey 2022, Data Year 2021, US Census Bureau, <https://www.census.gov/data/tables/2022/econ/abs/2022-abs-company-summary.html>
- AUSP 2023 Small Business Profile: United States, Office of Advocacy, <https://advocacy.sba.gov/wp-content/uploads/2023/11/2023-Small-Business-Economic-Profile-US.pdf>
- BED Business Employment Dynamics, Bureau of Labor Statistics, <https://www.bls.gov/bdm>
- BDS Business Dynamics Statistics, US Census Bureau, www.census.gov/programs-surveys/bds.html
- BTOS Business Trends and Outlook Survey, US Census Bureau, <https://www.census.gov/hfp/btos/data>
- CPS Current Population Survey, US Census Bureau, <https://www.census.gov/programs-surveys/cps.html>
- ITA International Trade Administration, <http://www.trade.gov>
- NES Nonemployer Statistics, US Census Bureau, www.census.gov/programs-surveys/nonemployer-statistics.html
- NES-D Nonemployer Statistics by Demographics, US Census Bureau, <https://www.census.gov/programs-surveys/abs/data/nese.html>
- SBCS Small Business Credit Survey, Federal Reserve, <https://www.fedsmallbusiness.org/reports/survey/2023/2023-report-on-employer-firms>
- SBGDP Small Business GDP 1998-2014, SBA Office of Advocacy, <https://advocacy.sba.gov/2018/12/19/advocacy-releases-small-business-gdp-1998-2014>
- SBPS Small Business Pulse Survey, US Census Bureau, <https://portal.census.gov/pulse/data/>
- SBRS Small Business Reporting Scorecard FY 2021, Small Business Administration, <https://www.sba.gov/agency-scorecards/scorecard.html?agency=GW&year=2021>
- SUSB Statistics of US Businesses 2021, US Census Bureau, <https://www.census.gov/programs-surveys/susb/data/tables.html>

This report uses the most recent available data from government sources. Statistics on the number of small businesses are based on the Census Bureau's 2021 Statistics of U.S. Businesses (SUSB) and 2021 Nonemployer Statistics (NES), released in 2023 and 2024, respectively. The Census Bureau's Small Business Pulse Survey (SBPS) and Bureau of Labor Statistics Business Employment Dynamics (BED) capture impacts of the COVID-19 pandemic on small businesses.

WHAT'S NEW WITH SMALL BUSINESS?

JULY 2024

WHAT IS A SMALL BUSINESS?



A small business is generally defined as an independent business with fewer than 500 employees.

NET NEW JOBS

65.3%

Small businesses accounted for 65.3% of net new jobs. BED [Jan 2000-June 2023]

SMALL BUSINESS COMPRISE

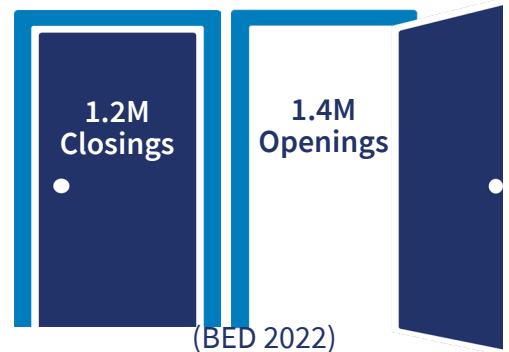
SUSB, NES, ITA

ALL FIRMS	ALL FIRMS with paid employees	EXPORTING FIRMS	KNOWN EXPORT VALUE	PRIVATE SECTOR EMPLOYEES	SMALL BUSINESS % OF GDP	PRIVATE SECTOR PAYROLL
99.9%	99.7%	97.4%	34.9%	45.9%	43.5%	39.0%

34.8M SMALL BUSINESSES IN THE U.S.

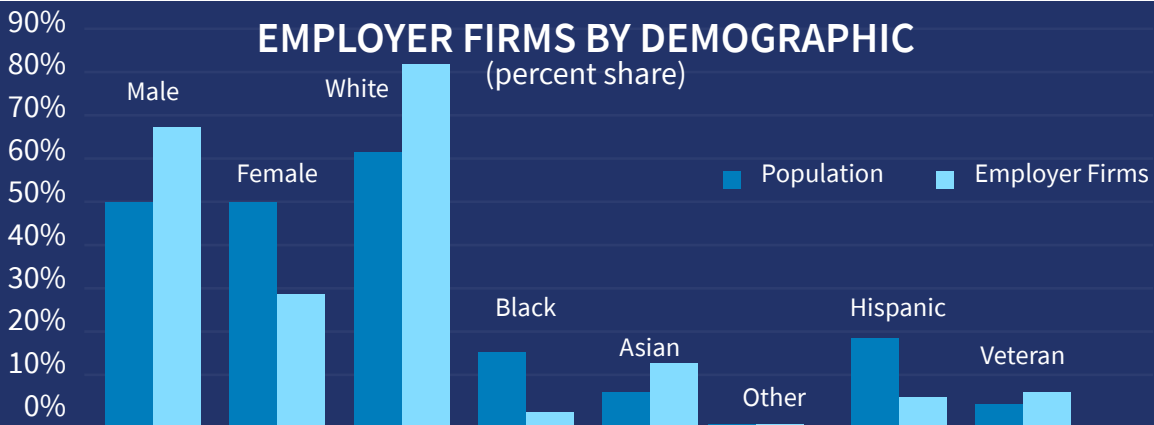


CHANGE IN ESTABLISHMENTS



EMPLOYER FIRMS BY DEMOGRAPHIC

(percent share)



SOURCES

ABS Annual Business Survey
BED Business Employment Dynamics
PIEC Profile of U.S. Importing and Exporting Companies

NES Nonemployer Statistics
SUSB Statistics of US Businesses
For more information, visit advocacy.sba.gov.



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