



Office of Advocacy  
Regulation. Research. Outreach.

OFFICE OF ECONOMIC RESEARCH

# ANNUAL REPORT

FY2023

[advocacy.sba.gov](https://advocacy.sba.gov)

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## Introduction

The Office of Advocacy (Advocacy) was created by Congress to promote policies to support the development, growth, and health of small business. Advocacy's founding mandate requires the office to "examine the role of small business within the American economy and the contribution which small business can make in improving competition, encouraging economic and social mobility."<sup>1</sup> Advocacy's Office of Economic Research (OER) supports this mission through its research publications, economic presentations in the field, and economic analysis of federal agency regulation for small business considerations during policymaking.

During fiscal year 2023, from October 2022 to September 2023, OER expanded the reach of its research products and provided timely analysis of important small business issues outlined in this report. In FY2023, OER produced 20 research publications, gave 14 economic presentations to stakeholder groups, worked with Advocacy's attorneys to review hundreds of federal agency regulatory proposals, described small business economic impacts in Advocacy's public comment letters, and helped save small businesses \$91.3 million in cost savings through economic analysis and recommendations for relief in the federal regulatory development process.

Throughout the year, OER's economists contributed towards advancing advocacy of small businesses for the office and stakeholders in the field. For example, OER created new research products to further represent small businesses of all types, including a new small business profile of major metropolitan areas and a new infographic series of business owner demographics using the latest data. OER also informed stakeholders on several office-wide initiatives including analysis in Advocacy's report on SME adoption of digital tools to the U.S.-E.U. Technology and Trade Partnership.

OER research products range from in-depth and detailed analysis in economic research studies and state small business profiles to shorter, timely trends such as fact sheets and issues briefs. FY 2023 research publications are listed and described in this report by the following categories:

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<sup>1</sup> Public Law 94-305, 1976.

- Business Dynamics
- Business Owner Demographics
- General Small Business
- Regulation & Technology

Advocacy partners with other federal agencies such as the U.S. Census Bureau to collect and publish important small business data. Advocacy economists use this data to conduct economic analysis of federal regulations during the regulatory development process and to produce economic research on small businesses. Detailed in the Data Access section of this report, OER co-sponsors data series with the Census Bureau on small businesses. In FY23, data coverage was expanded to include firm age characteristics of nonemployers and market concentration statistics by industry.

The publications listed in this report, as well as previous research, is located on Advocacy's research webpage, [advocacy.sba.gov/category/research](https://advocacy.sba.gov/category/research). Research is navigable by the following categories:

- [Facts About Small Business](#) (OER infographics, FAQs, bulletins, and fact sheets)
- [State Profiles](#) (OER's annual publication on small business statistics by state)
- [Economic Reports](#) (issue briefs and contracted economic studies)
- [Data on Small Business](#) (links to public economic datasets on small businesses)

## Advocacy Research Reports by Topic, FY 2023

The Office of Economic Research produced 20 publications for FY2023, which are presented by topic and release date.

### Business Dynamics

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#### [Business Dynamics During COVID-19](#)

**Author:** Tyler Richards

**Released:** January 2023

**Description:** COVID-19 affected every business, but the effects varied by sector, firm size, and geography. In some sectors, like Leisure and Hospitality, businesses were hit hard and have yet to fully recover. The pandemic also hurt states that rely heavily on tourism. The Transportation and Warehousing sector, however, recovered quickly. The smallest American businesses created nearly a million jobs in the first year of COVID-19, while other businesses shed over six million jobs. Business applications increased significantly in mid-2020, and record-high levels persist in late 2022. The Retail sector (especially Nonstore) contributed the most, but applications grew across sectors. Preliminary results suggest that small businesses helped soften the economic blow of COVID-19, and they may have helped the economy innovate and adapt. Further research on the relationships between performance, business applications, startup rates, and job quits during COVID-19 could shed light on the importance of small businesses in combating and recovering from economic crises.

### Business Demographics

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#### [Hispanic Ownership Statistics](#)

**Author:** OER Staff

**Released:** September 2023

**Description:** Hispanics own more than 4.5 million businesses and employ over 2.9 million people. Advocacy's infographics use the most recent Census Bureau data to show the contributions of Hispanic-owned businesses to the U.S. economy.

### **Small Business Facts: Small Businesses in Rural Areas**

**Author:** Daniel Wilmoth

**Released:** August 2023

**Description:** Small businesses are important to rural counties. They operate 84.8% of establishments and employ 54.3% of workers. However, rural employment by small businesses has grown more slowly than total employment. Between 2012 and 2019, rural small business employment grew only by 1%, while rural large business employment grew 12.9%.

### **Family Farm Ownership Statistics**

**Author:** OER Staff

**Released:** August 2023

**Description:** 88 percent of all farms in the United States are family farms, and these farms produce billions in crops every year. Advocacy's infographics use the most recent Census Bureau data to show the contributions of family-owned farms to the American economy.

### **Asian American and Native Hawaiian and Pacific Islander Ownership Statistics**

**Author:** OER Staff

**Released:** May 2023

**Description:** Asian Americans own more than 2.9 million businesses, while Native Hawaiian and Pacific Islanders own almost 90,000. Advocacy's infographics use the most recent Census Bureau data to show the contributions of Asian American and Native Hawaiian and Pacific Islander-owned businesses to the U.S. economy.

### **Deconstructing the Change in Veteran Business Ownership**

**Author:** Victoria Williams

**Released:** May 2023

**Description:** Veteran-owned businesses are generally owned by older veterans. As they age out of the workforce, the number of veteran firms is decreasing. From 2014 to 2020, veteran ownership declined from 11% of businesses to 8.1% of businesses. At the same time, the composition of veterans is shifting toward women and minority groups. This issue brief explores the changing demographic trends impacting veteran-owned businesses.

### **Small Business Facts: An Analysis of Immigrant Employer Ownership**

**Author:** Ira Gotliboym

**Released:** April 2023

**Description:** Immigrant employer ownership increased from 15.08 percent in 2012 to 19.03 percent in 2020. At the same time, the share of foreign-born workers increased from 7.29 percent to 8.6 percent. For most business owner demographic categories, the share of immigrant employers is higher than the share of U.S.-born employers.

### **Black Ownership Statistics**

**Author:** OER Staff

**Released:** February 2023

**Description:** Black business owners own over 3 million businesses and employ almost 1.2 million people. The infographic uses the most recent Census Bureau data to show the contributions of Black-owned businesses in the U.S.

### **Veteran Ownership Statistics**

**Author:** Ira Gotliboym

**Released:** November 2022

**Description:** Veterans own almost two million businesses and employ over five million Americans. The infographic uses the most recent Census Bureau data to show the contributions of veteran small businesses.

### **Small Business Facts: An Overview of Immigrant Business Ownership**

**Author:** Ira Gotliboym

**Released:** October 2022

**Description:** Immigrant owners consist of roughly 18 percent of business owners with employees and almost 23 percent of business owners without employees. Immigrant-owned businesses are found in every sector of the U.S. economy. Immigrants made up 36.8% of employer businesses in Accommodation and Food Services. Transportation and warehousing had the largest share of immigrant nonemployer business owners at 46%.

## General Small Business

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### [Annual Report of the Office of Economic Research, FY 2022](#)

**Author:** OER Staff

**Released:** September 2023

**Description:** This annual report consists of timely research and analyses on the state of small businesses, including the economic impacts and recovery from the pandemic. During FY 2022, OER issued twenty products, including the third annual Small Business Profiles for Congressional Districts, providing congressional offices with a valuable resource for understanding the small business makeup of their district. Studies and fact sheets covering African American entrepreneurship and pandemic impacts on business earnings by owner race and ethnicity along with small business innovation trends were produced.

### [Small Business Profiles for Major Metropolitan Areas](#)

**Author:** Daniel Wilmoth

**Released:** July 2023

**Description:** Advocacy launched a new profile in Advocacy's small business geographic profile series. The metropolitan area profiles provide user-friendly snapshots of national, state, and local small business statistics. The metropolitan profiles use the latest government data to answer questions like: how many small businesses are in my metropolitan area? How many people do small businesses employ? What are the metropolitan area trends for small businesses and the self-employed?

### [Small Business Economic Bulletin](#)

**Authors:** Brian Headd and Victoria Williams

**Released:** June 2023

**Description:** Advocacy's summer economic bulletin analyzes the current state of the small business economy. Most small business indicators, including the number of firms and job creation numbers, look positive. However, instability in lending and banking markets coupled with increasing interest rates are concerning trends.



### **Frequently Asked Questions About Small Business 2023**

**Author:** Ira Gotliboym

**Released:** March 2023

**Description:** Advocacy's most popular publication, Frequently Asked Questions About Small Business, gathers the most up-to-date statistics about American small businesses in one place. The FAQ about Small Business is a convenient place to find facts about the state of the small business economy.

### **What's New with Small Business?**

**Author:** OER Staff

**Released:** March 2023

**Description:** This infographic is based on the Frequently Asked Questions About Small Businesses and gathers the most up-to-date statistics about American small businesses in one place.

### **Women Ownership Statistics**

**Author:** OER Staff

**Released:** March 2023

**Description:** Women business owners own over 12 million businesses and employ over 10.1 million workers. Advocacy's infographic uses the most recent Census Bureau data to show the contributions of women-owned businesses to the U.S. economy.

### **Small Business Economic Bulletin**

**Authors:** Brian Headd and Victoria Williams

**Released:** December 2022

**Description:** Advocacy's winter economic bulletin examines the continued recovery from the COVID-19 recession. Small business variables like self-employment, income, loan delinquencies, and loan balances have trends that represent pre-COVID-19 trends. However, demand for loans by small firms has decreased quickly, despite a recent increase in startups.

### **Small Business Facts: Reasons for Running a Business**

**Author:** Brian Headd

**Released:** November 2022

**Description:** While there are multiple reasons to own a small business, most firm owners cite wanting to be their own boss and making more money as important

reasons for owning their own business. Self-employment is mostly driven by opportunity, with 56% of owners with employees saying that starting a business was the best avenue to make their own products. The top reason for women to become a business owner was work and family balance. The reasons to own a business have not changed much over time, with data from 2019 matching that from 2014.

## **Regulation and Technology**

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### **Report on the Regulatory Flexibility Act, FY 2022**

**Author:** Advocacy Staff

**Released:** May 2023

**Description:** Advocacy's efforts at ensuring federal agency compliance with the Regulatory Flexibility Act (RFA) resulted in ongoing conversations and changes to rules that reduced the regulatory burden for small businesses. The report provides the regulatory cost savings achieved for small businesses in FY 2022 through Advocacy's efforts.

### **U.S. SME Access and Use of Digital Tools**

**Author:** Advocacy Staff

**Released:** February 2023

**Description:** This report summarizes Advocacy's findings on American small and medium-sized enterprise (SME) access to and use of digital tools. The report analyzes research and data from the U.S. Census Bureau and Organization for Economic Co-operation and Development) to note the benefits, characteristics, and barriers of digital technologies for SMEs. Furthermore, the report contains summaries of three Advocacy-led roundtables with SMEs in the United States, which can inform the U.S. – E.U. Trade and Technology Council's TTC focus on how to increase small business uptake of digital tools that can grow their business.

## Small Business Data Resources

The Office of Advocacy provides links to the latest publicly available economic data on small businesses from federal sources on its [Data on Small Business](#) webpage. The data covers small businesses, those with employees (employer firms) and those without employees (non-employer firms). Non-employer firms make up the bulk of small businesses, but employer firms contain the larger share of sales. For comparison purposes, statistics are also provided for large firms in the datasets. The employer data contains information for large firms. For research purposes, Advocacy defines a small business as an independent business having fewer than 500 employees.

In addition, banking data on small businesses is assembled in Advocacy's [small lending report series](#). While the employment size of a firm is used to define a small business, the banking data uses loan size of \$1 million or less to define small business loans.

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

Advocacy offers the small business community a list of hyperlinked [Small Business Data Resources](#) useful for researchers and policymakers. This invaluable research tool links to the main small business databases from federal agencies and the private sector. Data series cover a range of key topics such as demographics, employment, exports, finance, firm size data, income, geography, and industry.

### Small Business Economic Data

Data on employer firms by size of business are provided annually in Census Bureau's Statistics of U.S. Businesses (SUSB) and Business Dynamics Statistics (BDS) data series, as well as quarterly in the Bureau of Labor Statistics Business Employment Dynamics (BED) program. BDS and BED also provide data on age of business. The data programs are based on the universe of private-sector businesses in the U.S.

Detailed data on owner and business characteristics of employer firms are available from the Annual Business Survey (ABS) conducted by the Census Bureau. The ABS replaced the Annual Survey of Entrepreneurs (ASE) and the Census Bureau's Survey of Business Owners (SBO). Owner demographic data of nonemployer firms is now available in Census Bureau's Nonemployer Statistics by Demographics.

## **Statistics of U.S. Businesses**

Advocacy partially funds the Statistics of U.S. Businesses (SUSB) program, an employer firm size annual data series produced by the U.S. Census Bureau. An employer firm is defined as an aggregation of all establishments owned by a parent company. 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.

Industry information is available at the NAICS 6-digit level, providing data 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 this data tends to be aggregated to a relatively high industry level.

## **Business Dynamics Statistics**

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

## **Business Employment Dynamics**

The Bureau of Labor Statistics' Business Employment Dynamics (BED) data program provides quarterly data with a focus on employment changes from establishment entry, growth, decline, and exit. BLS presents the data in two ways to capture 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 in job creation and destruction tables, but a considerable amount of BED is establishment-based and does not contain an establishment or firm size component. These quarterly data date from 1992.

## **Nonemployer Statistics**

Census Bureau's Nonemployer Statistics provides data on the number of businesses without employees and receipts by state, metropolitan statistical area, and county with industry detail. A nonemployer firm is defined as one that has no paid employees, has annual business receipts of \$1,000 or more, and is subject to federal income taxes. Nonemployers account for about three percent of business receipts, and about 80 percent of all businesses.

Nonemployer businesses can have more than one owner and referring to nonemployers as self-employed (a class of worker) is not entirely accurate.

### **Nonemployer Statistics by Demographics (NES-D)**

The Office of Advocacy partially funds the Census Bureau's Nonemployer Statistics by Demographics (NES-D); a relatively new data program providing annual estimates of the number and receipts of nonemployer business owners by race, ethnicity, sex, and veteran status.

The NES-D dataset spotlights the owners of nonemployers, which are businesses without employees. The data set illustrates how different groups fare in an important type of entrepreneurship. This annually released data is an important benchmark for tracking impacts of the COVID-19 pandemic on differing owner demographics. Tables for the NES-D data program are available for owner characteristics, sales size of firm, and legal form of organization. Additionally, the NES-D data series offers both industry detail and state and metro area breakdowns. NES-D is in the process of adding business age data to its data releases.

### **Annual Business Survey**

The Annual Business Survey (ABS) is conducted by the U.S. Census Bureau and the National Science Foundation's National Center for Science and Engineering Statistics. The ABS provides annual data on select economic and demographic characteristics of employer businesses. The ABS replaced the Annual Survey of Entrepreneurs (ASE). The ABS provides information similar to the ASE on demographic characteristics for employer businesses and their owners. Data covers all nonfarm employer businesses for the number of businesses, receipts, annual payroll, and employment by sex, race, ethnicity, and veteran status. Industry information is available at the 2-digit NAICS level for demographic and veteran status by state, and the top 50 metropolitan statistical areas. ABS data versions reference the prior year.

### **The Business Trends and Outlook Survey (BTOS)**

Census' Business Trends and Outlook Survey (BTOS) is a bi-weekly survey of businesses resulting in a new economic indicator on businesses performance and expectations. With industry and geographic data and being so close to having data released in real time, policy makers can better understand the plight of small businesses in the face of adversity which can result in timely assistance to mitigate issues. Additionally, one could evaluate policy actions with such rich data.

The BTOS started in mid-2022, and in some ways BTOS is a natural evolution of the defunct Census Small Business Pulse Survey which was invaluable in understanding the small business economy in the time of Covid. BTOS tracks revenues, employment, inventories, the supply chain, closures, prices, impacts from disasters and other relevant business variables.

### **Call Report and Community Reinvestment Act Data**

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

### **Other Small Business Data Sources**

Other small business data sources used to study small businesses are the American Community Survey ([ACS](#)), Current Population Survey ([CPS](#)), 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 in the United States. The CPS is a household monthly survey that is conducted by the Census Bureau, and contains supplemental data on earnings, education, health insurance coverage, contingent workers, unemployment insurance, and veteran status. The SCF is a household survey that is normally sponsored by the Federal Reserve in cooperation with the Department of the Treasury every three years. This survey provides information on the balance sheets, pensions, income, and demographic characteristics of U.S. families over time.