

2020 Small Business Profile

United States



31.7 million Small Businesses
99.9% of United States Businesses

60.6 million Small Business Employees
47.1% of United States Employees



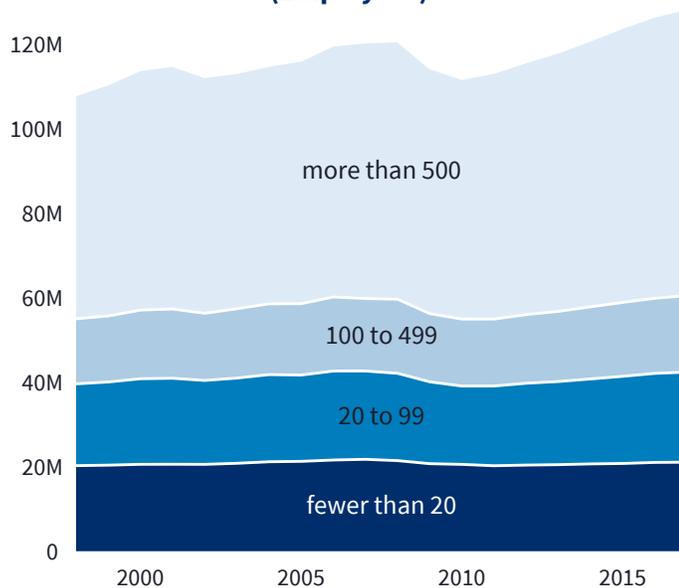
A note on COVID-19: This report uses the most up-to-date government data to present a unique snapshot of small businesses. The BLS employment estimates capture the early stages of the pandemic. All other sources reflect data collected prior to the pandemic.

Overall Economy

- In the fourth quarter of 2019, the United States grew at an annual rate of **2.1%**. The United States' 2019 overall growth rate of **2.3%** was down from the 2018 rate of **2.9%**. (Source: [BEA](#))
- In April 2020, the unemployment rate was **14.7%**, up from **3.6%** in April 2019. (Source: [CPS](#))

Employment

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



- United States small businesses employed **60.6 million** people, or **47.1%** of the private workforce, in 2017. (Source: [SUSB](#))
- Firms with 20 to 99 employees have the largest share of small business employment. Figure 1 provides further details on firms with employees. (Source: [SUSB](#))
- Private-sector employment decreased **14.6%** during the 12-month period ending in April 2020. This was below the increase of **1.6%** during the prior 12-month period. (Source: [CES](#))
- The number of proprietors increased in 2018 by **3.1%** relative to the previous year. (Source: [BEA](#))
- Small businesses created **1.6 million** net jobs in 2019. 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 **249,900** net jobs. (Source: [BDM](#))

The Small Business Profiles are produced by the US Small Business Administration's Office of Advocacy (<http://advocacy.sba.gov>). These profiles define small businesses as firms with fewer than 500 employees. Net small business job change, self-employed minorities, and exporter share statistics are based on 2019 Business Employment Dynamics (BDM), 2018 American Community Survey (ACS), and 2018 International Trade Administration (ITA) data, respectively.

Income and Finance

- The median income for self-employed individuals at their own incorporated businesses was **\$51,816** in 2018. For self-employed individuals at their own unincorporated firms, median income was **\$26,084**. (Source: [ACS](#))
- The total number of banks decreased by **239** between June 2018 and June 2019 to **5,303** banks. During the same period, the number of banks with assets under \$1 billion decreased by **261** to **4,511** banks. (Source: [FDIC](#))
- In 2018, United States lending institutions reporting under the Community Reinvestment Act issued **6.6 million** loans under \$100,000, a total value of **\$98.2 billion**. (Source: [FFIEC](#))

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

Self-Employment Demographics

Figure 2: United States Self-Employment Rates by Gender & Demographic, 2018

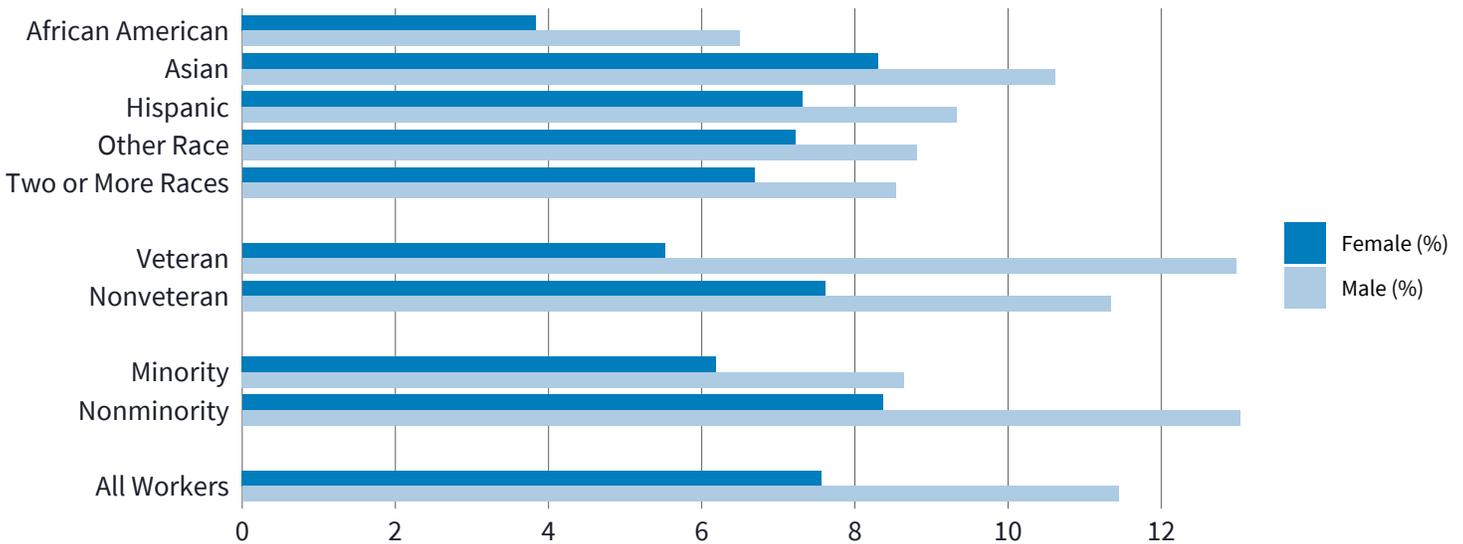
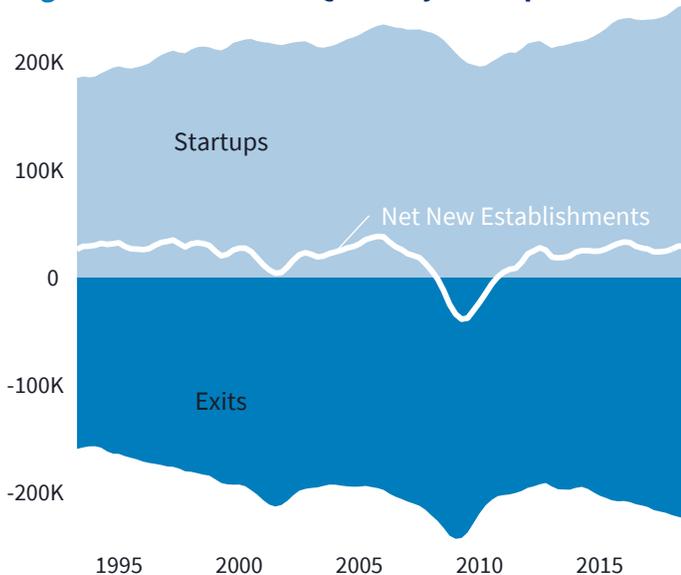


Figure 2 shows the self-employment rate for each demographic group by gender according to the 2018 American Community Survey (ACS). Other Race includes those who selected Alaska Native, American Indian, Native Hawaiian, Pacific Islander, or Some Other Race.

Turnover among Establishments with Employees

Figure 3: United States Quarterly Startups and Exits



- In the fourth quarter of 2018, **249,000** establishments started up, generating **863,000** 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, **222,000** establishments exited, resulting in **762,000** 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 1993 to 2018. Each series is smoothed across multiple quarters to highlight long-run trends. (Source: [BDM](#))

The BDM data covers only business establishments with employees. BDM refers to startups as births and exits as deaths. These terms are distinct from the BDM 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 292,793 firms exported goods from the United States in 2018. Of these, 285,334, or 97.5%, were small firms, which generated 32.0% of the United States' \$1.5 trillion in total exports. (Source: ITA)

Small Business Employment by Industry and Self-Employment by County

Table 1: United States Employment by Industry, 2017

Industry	Small Business Employment	Total Private Employment	Small Business Employment Share
Health Care and Social Assistance	8,984,159	20,241,438	44.4
Accommodation and Food Services	8,542,661	14,088,211	60.6
Retail Trade	5,526,296	15,705,808	35.2
Construction	5,373,702	6,533,061	82.3
Professional, Scientific, and Technical Services	5,190,980	8,905,549	58.3
Manufacturing	5,039,772	11,721,785	43.0
Other Services (except Public Administration)	4,697,878	5,534,978	84.9
Administrative, Support, and Waste Management	3,754,463	11,897,056	31.6
Wholesale Trade	3,413,157	6,115,476	55.8
Finance and Insurance	1,909,993	6,408,168	29.8
Transportation and Warehousing	1,685,388	4,866,282	34.6
Educational Services	1,645,962	3,688,541	44.6
Real Estate and Rental and Leasing	1,451,546	2,148,006	67.6
Arts, Entertainment, and Recreation	1,428,531	2,368,928	60.3
Information	984,379	3,507,966	28.1
Management of Companies and Enterprises	423,295	3,462,498	12.2
Mining, Quarrying, and Oil and Gas Extraction	244,367	578,098	42.3
Agriculture, Forestry, and Fishing and Hunting	136,591	164,046	83.3
Utilities	111,747	644,703	17.3
Industries Not Classified	11,214	11,214	100.0
Total	60,556,081	128,591,812	47.1

Figure 4: United States Self-Employment Rates by County, 2018

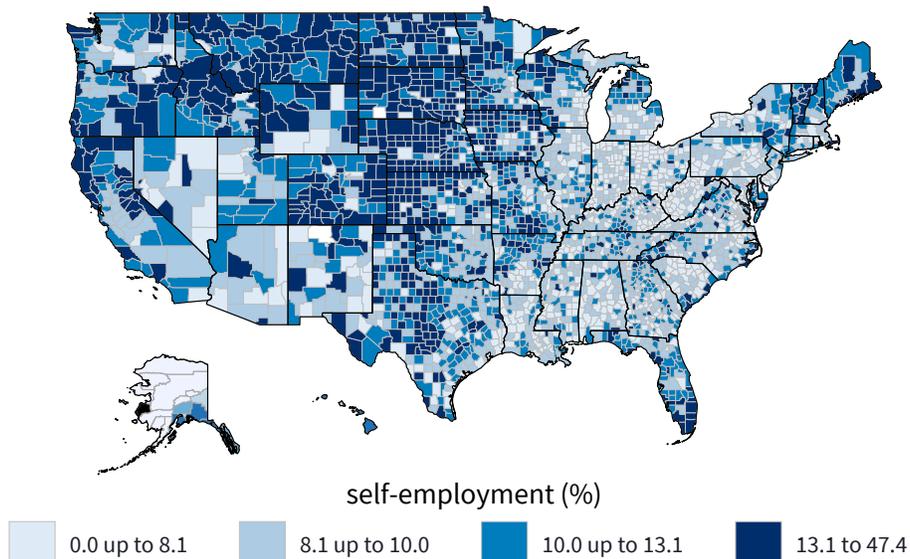


Table 2: United States Small Businesses by Industry and Firm Size, 2017

				
Industry	1–19 Employees	1–499 Employees	Nonemployer Firms	Total Small Firms
Other Services (except Public Administration)	649,612	695,268	3,740,305	4,435,573
Professional, Scientific, and Technical Services	757,638	807,932	3,535,071	4,343,003
Construction	643,304	700,393	2,494,089	3,194,482
Real Estate and Rental and Leasing	295,084	308,106	2,784,753	3,092,859
Retail Trade	589,200	645,685	2,093,459	2,739,144
Health Care and Social Assistance	561,991	650,689	1,941,097	2,591,786
Administrative, Support, and Waste Management	305,247	343,791	2,143,437	2,487,228
Transportation and Warehousing	163,167	182,688	2,205,648	2,388,336
Arts, Entertainment, and Recreation	112,643	129,287	1,436,152	1,565,439
Finance and Insurance	220,285	236,657	732,196	968,853
Accommodation and Food Services	413,464	537,443	402,772	940,215
Educational Services	73,163	92,148	741,870	834,018
Wholesale Trade	253,458	294,909	399,261	694,170
Manufacturing	185,612	244,098	348,476	592,574
Information	67,876	78,430	349,905	428,335
Agriculture, Forestry, and Fishing and Hunting	21,184	22,535	250,537	273,072
Mining, Quarrying, and Oil and Gas Extraction	15,808	18,720	88,882	107,602
Utilities	4,535	5,752	13,761	19,513
Total	5,339,918	5,976,761	25,701,671	31,678,432

Tables 1 and 2 display data from the 2017 Statistics of U.S. Businesses (SUSB). Table 2 includes additional data from the 2017 Nonemployer Statistics (NES). Figure 4 provides estimates of the rate of self-employment among employed civilians, 16 years and over, including both incorporated and unincorporated businesses, from the 2018 American Community Survey (ACS). Data for areas 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/xvSPA>.

- ACS American Community Survey, 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
- CES Current Employment Statistics, BLS
- CPS Current Population Survey, BLS
- FDIC Federal Deposit Insurance Corporation
- FFIEC Federal Financial Institutions Examination Council
- ITA International Trade Administration, US Department of Commerce
- NES Nonemployer Statistics, US Census Bureau
- SUSB Statistics of US Businesses, US Census Bureau



1. What is a small business?

The Office of Advocacy generally defines a small business as an independent business having fewer than 500 employees. For industry-level small business size standards used in government programs and contracting, see <https://www.sba.gov/document/support--table-size-standards>.

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

There are 31.7 million small businesses in the U.S.

- 81 percent, or 25.7 million, have no employees (termed “nonemployers”) and 19 percent, or 6 million, have paid employees.
- There are 20,139 large businesses.
- The number of small employers has increased after a decline during the Great Recession. The number of nonemployers has gradually increased, from 15.4 million in 1997 to 25.7 million in 2017 (Figure 1).

Source: SUSB, NES

3. What is the role of small businesses in the economy?

Small businesses comprise:

- 99.9% of all firms
- 99.7% of firms with paid employees
- 97.5% of exporters (285,334)
- 32.0% of known export value (\$473 billion)
- 47.1% of private sector employees (61 million)
- 40.3% of private sector payroll

Source: SUSB, NES, ITA

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

From 2000 to 2019, small businesses created 10.5 million net new jobs while large businesses created 5.6 million (Figure 2). Small businesses have accounted for 65.1% of net new job creation since 2000. Figure 3 displays quarterly small business job gains, losses, and net new jobs since 2000.

Source: BED

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 2017 Statistics of U.S. Businesses (SUSB) released in 2020 and 2017 Nonemployer Statistics (NES) released in 2019. The Census Bureau’s Small Business Pulse Survey (SBPS) captures impacts of the COVID-19 pandemic on small businesses. All other sources reflect data collected prior to the COVID-19 pandemic.

Figure 1. Number of Small Businesses, 1997-2017 (Millions; SUSB, NES)

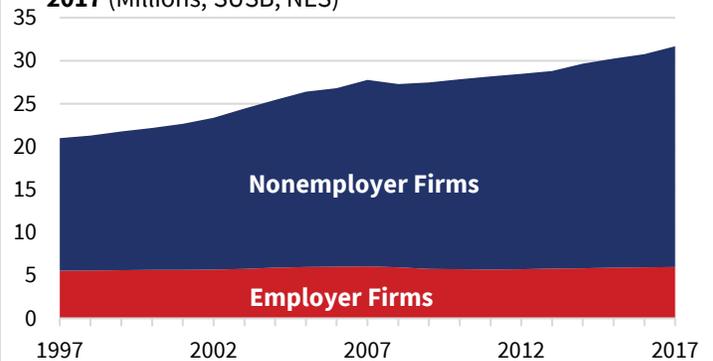


Figure 2: Net New Jobs, 2000-2019 (Millions; BED, Office of Advocacy)

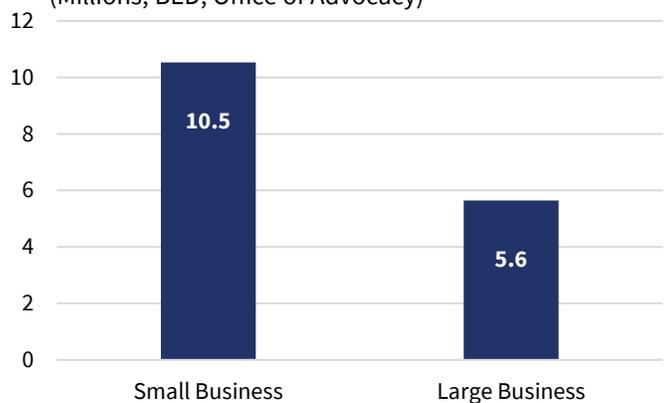
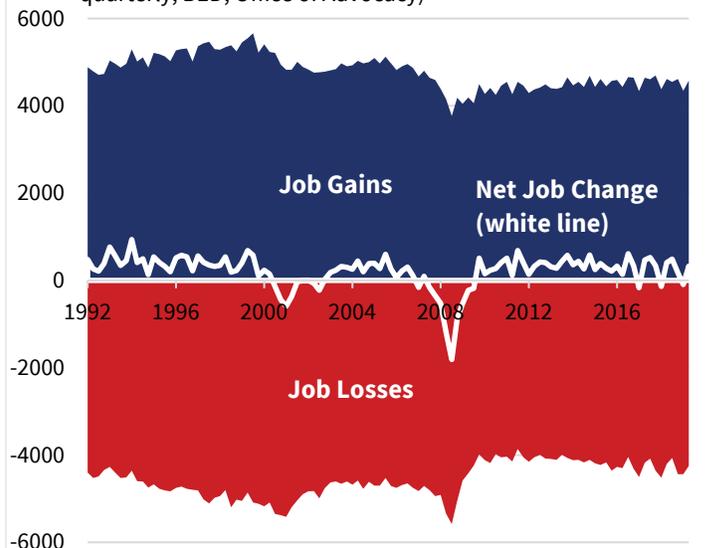


Figure 3. Quarterly Small Business Job Gains, Job Losses, and Net Job Change 1992-2019 (Millions; quarterly; BED, Office of Advocacy)



5. How can small businesses generate two-thirds of net new jobs, but their share of employment is less than 50%?

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

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

While the effects of the COVID-19 pandemic are still not fully known, the economic impacts have been particularly difficult on small businesses so far. According to the U.S. Census Bureau Small Business Pulse Survey, 34.2% of all businesses surveyed through the second week of August reported being financially impacted by the pandemic. During the beginning of the pandemic, businesses with between 20 to 49 employees had the largest employment decline of any size group. Also, the decline in business activity among Black owners has been nearly three times the decline among other owners.

The pandemic has affected some industries more than others. As Figure 5 shows, Accommodation and Food Services along with Arts and Recreation are some of the hardest hit industries so far.

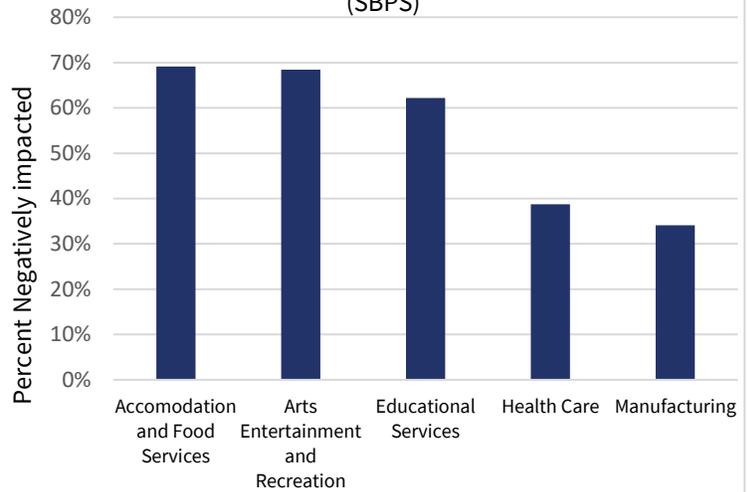
Source: SBEP, SBPS, SBF

7. What is the new business survival rate?

From 1994-2018, an average of 67.6% of new employer establishments survived at least two years. During the same period, the five-year survival rate was 48.8%, the ten-year survival rate was 33.6%, and the fifteen-year survival rate was 25.7%.

Source: BED, BDS; Office of Advocacy calculations

Figure 5: Industries Most Impacted By COVID-19 (SBPS)



Source Note: Survey was for week of August 9th-15th

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

In 2017, 1 million business establishments opened, and 898,000 establishments closed (Figure 4). About 13 percent of business establishments are startups (Figure 6).

Source: BED

9. What is the size of business startups?

In 2017, startup employment averaged 4.4 employees per firm. Average employment at firms of all ages in 2017 was 22.2 employees per firm.

Source: ABS

Figure 4: Establishment Births and Deaths 2008-2018 (Thousands; BED)

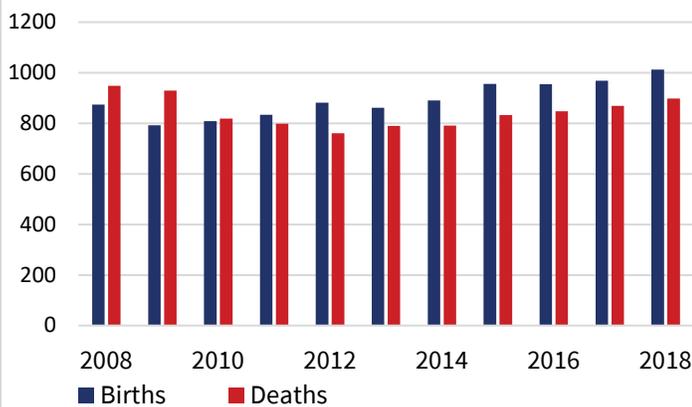


Figure 6: Percent Establishment Births and Deaths 2008-2018 (BED)

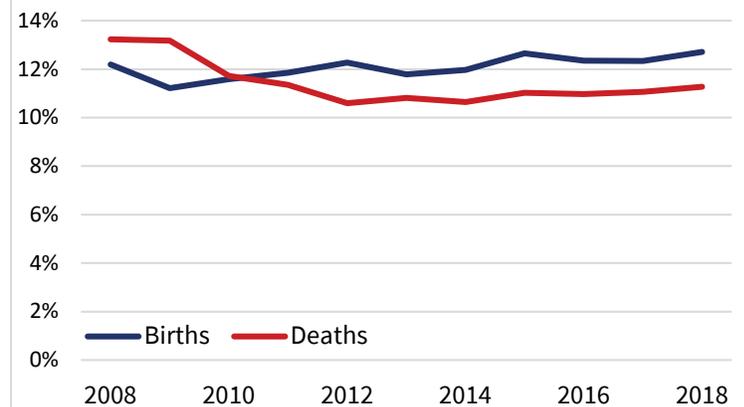


Table 1: Business Owner Demographics, Employer and Nonemployer Firms (ABS, NES-D, SBO)

Demographic Category	2017 Employer Firms	Percent of Total	2016 Nonemployer Firms
Total	5,744,643	100.0%	24,813,000
Female	1,134,549	19.7%	10,140,000
Minority	1,014,958	17.7%	7,643,000
Asian	555,638	9.7%	1,866,000
Veteran	351,237	6.1%	2,079,000 (2012)
Hispanic	322,076	5.6%	3,338,000
Black or African American	124,004	2.2%	2,806,000
Equally minority/nonminority	88,611	1.5%	73,000
American Indian and Alaska Native	24,503	0.4%	78,000
Native Hawaiian and Other Pacific Islander	6,847	0.1%	36,000

10. How many businesses do minorities own?

In 2017, 17.7% of employer firms were minority owned, totaling about 1 million businesses. Of employer firms, 5.6% were Hispanic-owned, 2.2% were Black (African American) owned, 9.7% were Asian-owned, 0.4% were owned by American Indians and Alaska Natives, and 0.1% were owned by Native Hawaiians and other Pacific Islanders. (Table 1)

Source: ABS

11. How many businesses do women own?

Women own 10.1 million nonemployer firms (2016) or 41 percent of all nonemployers, close to parity relative to men business owners. However, their 1.1 million employer firms (2017) represented only 20 percent of all employers. (Table 1)

Source: ABS

12. How many businesses do veterans own?

In 2017, veterans owned 351,237 employer businesses, or 6.1% of U.S. employer firms. (Table 1)

Source: ABS

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

In 2017, about one in six (17%) of business owners with employees were immigrants. The industries with the greatest share of immigrant owners were Accommodation and Food Services (37%) and Retail Trade (23%).

Source: ABS

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

According to Census Bureau data, the share of self-employed Americans (including incorporated and unincorporated) age 30 or under increased slightly from 6.7% in 2013 to 7.4% in 2018. During the same time frame, the share of self-employed age 65 and over increased from 14.0% to 16.3%.

Source: CPS, March supplement,
<https://data.census.gov/mdat/#/>

15. What percent of firms are family-owned?

About one in three firms with employees (31%) were family-owned in 2017. Family-owned firms averaged 14 employees per firm, making them slightly bigger than non-family-owned firms which employed 10 employees per firm. The industries with the highest share of family-owned firms were Agricultural Services (46%) and Management of Companies and Enterprises (46%), while Health Care and Social Assistance (18%) was the lowest.

Source: ABS

16. What percent of firms are home-based?

About a quarter of employer firms (24%), were home-based in 2016. By industry, almost half of construction firms (47%), and business services (45%) were home-based. The share of home-based employer firms decreases as the firm age increases (for example, 32% for firms 2 years or younger vs. 17% for firms 16 and over). According to older data, when including businesses without employees, about half of all businesses are home-based.

Source: ASE, SBO

17. How are most small businesses legally organized?

86.6 percent of nonemployers are sole proprietorships while only 14 percent of small employer firms are sole proprietorships. More than half of small employer firms are S-corporations (Table 2).

Source: SUSB, NES

18. What percent of firms are franchises?

In 2016, about one in 20 firms with employees (5%) were franchises. Franchises were more common in younger firm categories. 7% of firms younger than 2 years old were franchises. Although franchises had more annual sales than non-franchises (\$6.5 million vs \$4.7 million, respectively, in 2016), franchises are on average younger. This indicates franchises may not survive as long as non-franchises. The industries with the highest share of franchises were Accommodation and Food Services (20%) and Management of Companies and Enterprises (14%), while Agricultural Services (1%) was the lowest.

Source: ASE

19. How are small businesses financed?

The most common source of capital to start a business is personal and family savings (64.4% of small employer firms), followed by a business loan from a bank or financial institution (16.5%), personal credit cards (9.1%), and personal family assets other than savings of the owner (8.7%).

Source: ASE. For more information, see “Frequently Asked Questions about Small Business Finance”

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

In fiscal year 2019, 25.8% of contracting dollars went to small businesses, up from 25.1% in FY 2018 and 23.9% in FY 2017. Of agencies with at least \$1 billion in eligible contract dollars, the Department of Agriculture (57.97%), Department of Interior (57.06%), the Environmental Protection Agency (43.25%) and the Department of Commerce (42.73%) awarded the highest share of contracting dollars to small businesses.

Source: FPDS

The Office of Advocacy and Small Business Data

The Office of Advocacy was created by Congress in 1976. The office’s mission includes conducting policy studies and economic research on issues of concern to small businesses. The office also publishes data on small firm characteristics and contributions. Our website, <https://advocacy.sba.gov>, contains numerous databases and links to other sources. Have more questions? Email us at advocacy@sba.gov.



Table 2. Legal Form of Organization, 2017

(percent of all establishments, SUSB & NES)

Type of business	Nonemployer	Small employer	Large Employer
Sole Proprietorship	86.6%	12.9%	1.4%
Partnership	7.4%	11.8%	9.3%
S-corporation	4.6%	50.5%	8.1%
C-corporation and other	1.5%	24.8%	81.2%
Corporation		16.8%	74.2%
Government		0.0%	0.1%
Nonprofit		7.8%	6.2%
Other		0.2%	0.7%
Total	100.0%	100.0%	100.0%

Data Sources

ABS	Annual Business Survey 2018, Data Year 2017, US Census Bureau, www.census.gov/data/tables/2018/econ/abs/2018-abs-characteristics-of-owners.html
ASE	Annual Survey of Entrepreneurs 2016, US Census Bureau, www.census.gov/data/tables/2016/econ/ase/2016-ase-characteristics-of-businesses.html
BED	Business Employment Dynamics, Bureau of Labor Statistics, www.bls.gov/bdm
BDS	Business Dynamics Statistics, US Census Bureau, www.census.gov/programs-surveys/bds.html
FPDS	Federal Procurement Data System, FY 2019, www.fpds.gov/fpdsng_cms/index.php/en/reports.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 (NES-D): Exploring Longitudinal Consistency and Sub-national Estimates, 2018 https://www2.census.gov/ces/wp/2019/CES-WP-19-34.pdf
SBEP	Small Business Employment Plummetts, 2020, advocacy.sba.gov/2020/06/01/small-business-facts-small-business-employment-plummetts/
SBF	Small Business Facts: Black Business Owners Hit Hard By Pandemic, 2020 https://advocacy.sba.gov/2020/08/31/small-business-facts-black-business-owners-hit-hard-by-pandemic/
SBO	Survey of Business Owners 2012, US Census Bureau, www.census.gov/programs-surveys/sbo.html
SBPS	Small Business Pulse Survey 2020, US Census Bureau, portal.census.gov/pulse/data/
SUSB	Statistics of US Businesses 2017, US Census Bureau, www.census.gov/programs-surveys/susb.html