

Small Business Profile: UNITED STATES

Small businesses are the heart of the United States economy. Research by the Office of Advocacy shows that small businesses create most of the nation's net new jobs, and they bring dynamic ideas, innovative services, and new products to the marketplace. They account for almost all of the nation's employer firms and generate half of non-farm private output. New business creation is key to the ability to increase gross national product, personal income, and total employment.¹ This small business profile uses the most recent data available to demonstrate the valuable contributions that small businesses make to the economic health of the United States.

Number of Businesses. The nation had an estimated total of 26.8 million small businesses in 2006.² The number of employer firms grew 1.4 percent, to 6.1 million. All but 17,000 of these were small, representing 99.7 percent of all employer firms. Self-employment (incorporated and unincorporated) totaled 16.1 million in 2006, an increase from 15.8 million in 2005. Non-employer firms totaled 20.4 million in 2005, an increase of 4.4 percent since 2004. (Sources: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Census Bureau; U.S. Dept. of Labor, Bureau of Labor Statistics.)

Women-owned Firms. In 2002, businesses owned by women numbered 6.5 million, represented 28.2 percent of the nation's 23 million businesses, and generated \$940.8 billion in revenues. Employer firms owned by women totaled 916,700, an increase of 8.3 percent since 1997. Women numbered 5.4 million or 33.7 percent of the nation's self-employed persons in 2006, an increase of 3.2 percent from 2005. (Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau.)

Minority-owned Firms.³ In 2002, Asian-owned firms totaled 1.1 million, and 319,500 of them were employer firms; Black-owned firms numbered 1.2 million, and 94,500 of them were employer firms; Hispanic-owned firms totaled 1.6

million, and 199,500 were employer firms. In 2002, American Indian and Alaska Native-owned firms numbered 201,400, and 24,500 of them were employer firms; Native Hawaiian and other Pacific Islander-owned businesses numbered 28,900, and 3,700 were employer firms. (Source: U.S. Dept. of Commerce, Census Bureau.)

Business Turnover. An estimated 649,700 new employer firms were created in 2006, which is 0.5 percent less than the number created in 2005. Business bankruptcies totaled 19,700 in 2006, down from 39,200 the previous year, while business terminations increased from 543,700 in 2005 to 564,900 in 2006. (Sources: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Census Bureau.)

Employment. Small firms employed 50.9 percent of the nation's non-farm private labor force in 2004.⁴ These 5.9 million firms accounted for 99.7 percent of the nation's employer businesses, and they employed 58.6 million people (Table 1). Small businesses added a total of 1.9 million net new jobs between 2003 and 2004 (Table 2). (Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses.)

Small Business Income. Non-farm proprietors' income, which is a share of small business income, increased by 5.5 percent, from \$940.4 billion in 2005 to \$992.5 billion in 2006.⁵ (Source: U.S. Dept. of Commerce.)

Finance. Commercial banks and savings institutions continued to be important sources of small business financing. The number of lending institution branches in the nation increased in 2006 (Table 3). For a list of financial institutions that make the most loans to small businesses, visit www.sba.gov/advo/research/lending.html.

To learn more about the Office of Advocacy's data and analyses of small business, visit www.sba.gov/advo/research, call (202) 205-6533, or email advocacy@sba.gov.

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¹ Small businesses are defined as having fewer than 500 employees. Their economic contribution is documented in research published by the Office of Advocacy: www.sba.gov/advo/research.

² This estimate is based on the percent that small businesses are of total U.S. businesses (see Table 1, 2004 firm size data). This percentage is multiplied by the total number of employer businesses in 2006 (Dept. of Labor). The projected number of non-employer firms for 2006 is added to this total (Census Bureau).

³ The groups should not be added together or double counting will result, since owners may belong to more than one minority group.

⁴ The latest year for which data by firm size exist.

⁵ Income data for 2006 are based on preliminary data.

Table 1. Firms and Employment in the United States by Industry and Firm Size, 2004 and 2005 (Non-farm, Thousands)

Industry	Non-Employer Firms (2005)	Employer Firms (2004)			Employment (2004)		
		Total	1-99 Employees	1-499 Employees	Total	1-99 Employees	1-499 Employees
Total	20,392.10	5,885.80	5,782.20	5,868.74	115,074.92	41,839.70	58,597.45
Agriculture, forestry, fishing, and hunting	231.03	24.87	24.57	24.78	*	*	*
Mining	99.74	18.61	17.82	18.29	470.28	145.71	211.12
Utilities	15.31	6.70	6.21	6.50	634.73	59.61	107.51
Construction	2,530.89	751.10	743.63	750.12	6,647.64	4,651.73	5,745.60
Manufacturing	297.53	293.46	275.34	289.43	13,821.98	3,581.57	6,080.50
Wholesale trade	381.14	337.64	326.94	334.66	5,907.05	2,643.56	3,637.30
Retail trade	1,881.12	734.98	723.69	732.71	15,351.43	5,144.41	6,471.68
Transportation and warehousing	962.35	164.80	159.20	162.68	4,098.87	1,092.05	1,570.95
Information	290.98	75.27	72.20	74.13	3,472.43	579.45	908.90
Finance and insurance	741.93	251.97	246.22	250.25	6,481.30	1,403.18	2,107.75
Real estate, and rental and leasing	2,441.60	282.77	279.16	281.56	2,086.09	1,142.66	1,442.09
Professional, scientific, and technical services	2,853.63	734.91	725.46	732.03	7,569.98	3,630.02	4,660.51
Management of companies and enterprises	N/A	26.63	11.63	19.83	2,824.79	87.74	342.55
Admin., support, waste mgt., and remed. serv.	1,416.71	310.26	298.66	306.94	8,708.05	2,092.57	3,582.94
Educational services	454.31	71.23	67.01	70.13	2,893.35	781.62	1,329.65
Health care and social assistance	1,669.04	588.19	569.24	584.48	15,814.81	4,747.33	7,665.65
Arts, entertainment, and recreation	972.45	111.31	108.19	110.69	1,889.04	855.84	1,279.22
Accommodation and food services	279.39	453.43	442.84	451.68	10,749.81	4,978.79	6,567.67
Other services	2,872.93	671.35	665.54	669.98	5,416.19	4,035.53	4,672.54
Unclassified	N/A	41.16	41.15	41.15	*	*	*

Source: U.S. Dept. of Commerce, Census Bureau. See www.sba.gov/advo/research/data.html.

*Data suppressed to protect the confidentiality of individual firms. N/A = not available.

Table 2. Job Gains and Losses in the United States by Firm Size, 2003-2004 (Non-farm, Thousands)

	Total	Firm Size (Number of Employees)		
		1-19	1-499	500+
Job gains:				
New establishments	6,249.7	1,895.3	3,563.5	2,686.2
Expanding establishments	11,702.2	3,353.4	6,798.6	4,903.5
Job losses:				
Downsized establishments	-10,380.4	-2,001.1	-5,314.8	-5,065.6
Closed establishments	-5,895.6	-1,623.0	-3,157.3	-2,738.3
Net change in jobs	1,675.9	1,624.6	1,890.1	-214.2

Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses. See www.sba.gov/advo/research/data.html.

Note: Components may not sum to totals because of rounding.

Table 3. Number of Bank and Savings Institution Branches in the United States, 2002-2006

2002	2003	2004	2005	2006
86,578	87,790	89,785	92,046	94,752

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Deposit Insurance Corporation, Summary of Deposits.

Note: Data for year ending June 30. A full list of small business lending banks collected by the Federal Reserve Board can be found on the Office of Advocacy's website at www.sba.gov/advo/research/lending.html.