



SMALL BUSINESS RESEARCH SUMMARY

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Development of Business Data: Tracking Firm Counts, Growth, and Turnover by Size of Firms

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Purpose

Just over a few decades ago, data on U.S. industries were mainly focused on agriculture and manufacturing; thus, comprehensive data on small business were not available. Tremendous efforts were undertaken by individuals and organizations to obtain the extremely valuable data by firm size that are taken for granted today. Documentation was needed to chronicle the creation of these data sources so that users could understand the strengths and weaknesses of the data and so that later efforts to produce new data sources could benefit from the previous experience.

Overall Findings

Creating firm size data on the dynamic U.S. economy has been difficult. Administrative data involve delays for the purposes of capturing births, closures, corporate restructuring, mergers and spin-offs. Within the last quarter century, great progress has been made by government data agencies in overcoming the challenges to develop dynamic firm size data that will allow policymakers and academics to understand the role of new and small businesses in the U.S. economy.

Highlights

- In the mid-1970s, the Small Business Administration's Office of Advocacy leased data from Dun & Bradstreet and contracted with the

Brookings Institution to edit, link, and produce firm size tables from the data. The biennial data were referred to as USEEM/USELM. The program was discontinued in the late 1980s because of cost and quality concerns.

- In the late 1980s, the U.S. Department of Commerce, Bureau of the Census, with partial funding from the Office of Advocacy, began creating firm links among its established County Business Pattern data to produce annual firm size data under the Statistics of U.S. Businesses (SUSB) program. Longitudinal linkages followed later, allowing for the preparation of figures on births and closures of businesses, along with data on job creation/destruction by firm size. SUSB is an example of the cooperative efforts to produce data undertaken by many government agencies.

- In the early 1990s, the Bureau of Labor Statistics (BLS) began working on a project to link the BLS internal establishment list longitudinally. This work contributed to the still evolving Business Employment Dynamics program, which produces establishment birth and death figures along with job creation/destruction figures. A business size database is in process, but has not yet been published.

- The experience of the Federal Reserve Board in collecting data for the Survey of Small Business Finances reflects issues that arise when a private list of businesses is used. Extensive time and effort are needed to screen the data for accuracy.

- Common to all of the longitudinal datasources are issues related to linking firm data through time and determining whether a record is closed or is simply not recorded for the period.

- Because most of the data sources contain very large confidential datasets, the author suggests that synthetic data be created to allow researchers to better understand the dynamics of the U.S. economy.

Scope and Methodology

The researcher relied upon firsthand knowledge for the report, as she was involved in the technical aspects of creating and evaluating many of the data sources. Older tabulations and reports were used as source documents.

This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the Director of Economic Research at advocacy@sba.gov or (202) 205-6533.

Ordering Information

The full text of this report and summaries of other studies performed under contract to the U.S. Small Business Administration's Office of Advocacy are available at www.sba.gov/advo/research. Copies are also available from:

National Technical Information Service
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