

2003 State Small Business Profile: UNITED STATES

In 2002-2003, gross domestic product continued to rise nationwide, while growth in employment remained slow to recover. Small businesses continued to be a source of economic strength. Research from the Office of Advocacy shows that half of U.S. private non-farm output and employment stem from small firms with 500 or fewer employees. Women and minority entrepreneurs are also significant participants in the U.S. economy. Advocacy uses a variety of data bases to document the contributions of small, minority-, and women-owned businesses to the U.S. economy.

Number of Businesses. The number of employer businesses in 2002 decreased by 0.6 percent and numbered 5,595,200. The number of self-employed individuals decreased an estimated 1.8 percent in 2002. Across the United States, 99.7 percent of businesses were small (with fewer than 500 employees based on 2000 firm size data) (Source: 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 Businesses. In 2002, self-employed women totaled 3,657,292, or 38 percent of self-employed U.S. workers (Source: U.S. Dept. of Labor, Bureau of Labor Statistics). Women-owned businesses totaled 5,417,000, of which 15.6 percent had employees. They generated \$818.7 billion in revenues in 1997 (Source: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau).

Minority-Owned Businesses. Minority-owned businesses represented 14.6 percent of U.S. businesses and generated \$591.3 billion in revenues in 1997. Of these minority-owned businesses, 20.2 percent had employees (Source: U.S. Dept. of Commerce, Census Bureau).

Business Turnover. Between 2001 and 2002, new employer firms increased 1.9 percent to 550,100. Business bankruptcies decreased by 5.6 percent, and totaled 37,506 in 2002. Business terminations increased by 2.9 percent, and totaled 584,500 in 2002 (Source: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Census Bureau).

Employment. In 2000, businesses with fewer than 500 workers employed 50.1 percent of the nation's 114,064,976 non-farm sector employees (see Table 1). The industry with the most small business employees was manufacturing. Between 1999 and 2000, small businesses added a net total of 2,505,712 employees; they represented 75 percent of net non-farm employment change in the United States (see Table 2) (U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses).

Small Business Income. Non-farm proprietors' income—a partial measure of small business income—increased by 4.2 percent in 2002 and amounted to \$759.8 billion (Source: U.S. Dept. of Commerce).

Finance. Small businesses traditionally depend on local bank services and use commercial bank lenders. The number of banks in the United States has decreased. The largest concentration of banks by asset size was in the less than \$100 million category. A list of small-business-friendly banks in the United States has been published by the Office of Advocacy in its banking studies and is available on the website at www.sba.gov/advoc/stats/lending. (See Table 3 for the number of banks by asset size.) Small businesses seeking loans should also consider lenders that participate in the SBA's preferred or certified loan programs; for a list of these lenders, call the Small Business Answer Desk at (800) 827-5722.

To obtain more information about the Office of Advocacy's data, research reports, and analyses of small business, go to: www.sba.gov/advoc/stats or call (202) 205-6530. Special thanks to Ryan Miller, Advocacy intern, for his work drafting this report along with Victoria Williams.

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Note: Data on women- and minority-owned firms are not comparable between 1992 and 1997, so growth rates are not available.

Table 1. Firms and Employment in the United States by Industry and Firm Size (Thousands), 2000

| Industry | Non-employer Firms | Employer Firms | | Employment | |
|---|-----------------------|----------------|---------|------------|----------|
| | | Total | <500 | Total | <500 |
| Total | 16,530.0 | 5,652.5 | 5,635.3 | 114,065.0 | 57,124.0 |
| Agriculture, forestry, fishing, and hunting | 223.2 | 25.5 | 25.4 | 183.6 | 161.8 |
| Mining | 85.6 | 18.8 | 18.4 | 456.1 | 200.5 |
| Utilities | 13.9 | 7.0 | 6.8 | 655.2 | 104.7 |
| Construction | 2,014.0 | 701.9 | 700.9 | 6,572.8 | 5,675.1 |
| Manufacturing | 285.1 | 306.3 | 301.6 | 16,474.0 | 6,801.9 |
| Wholesale trade | 388.3 | 354.2 | 350.9 | 6,112.0 | 3,886.5 |
| Retail trade | 1,743.5 | 731.4 | 729.0 | 14,840.8 | 6,491.6 |
| Transportation and warehousing | 746.5 | 157.3 | 156.2 | 3,790.0 | 1,556.1 |
| Information | 238.4 | 79.6 | 78.5 | 3,545.7 | 996.5 |
| Finance and insurance | 691.8 | 227.0 | 225.4 | 5,963.4 | 1,914.3 |
| Real estate; rental and leasing | 1,696.3 | 244.5 | 243.2 | 1,942.0 | 1,357.9 |
| Professional, scientific, and technical services | 2,420.0 | 670.1 | 667.8 | 6,816.2 | 4,408.2 |
| Management of companies and enterprises | N/A | 26.8 | 20.1 | 2,873.5 | 307.6 |
| Admin., support, waste mgnt., and remed. services | 1,032.3 | 299.3 | 296.1 | 9,138.1 | 3,477.5 |
| Educational services | 283.2 | 60.9 | 60.0 | 2,532.3 | 1,193.2 |
| Health care and social assistance | 1,317.4 | 532.0 | 528.6 | 14,108.7 | 6,707.6 |
| Arts, entertainment, and recreation | 781.7 | 97.1 | 96.5 | 1,741.5 | 1,183.1 |
| Accommodation and food services | 218.4 | 412.8 | 411.1 | 9,880.9 | 5,954.1 |
| Other services | 2,350.2 | 661.7 | 660.5 | 5,293.4 | 4,544.7 |
| Auxiliary, except corp, subsidiary, and regional managing offices | N/A | 5.4 | 3.0 | 1,001.0 | 57.6 |
| Unclassified | N/A | 99.0 | 99.0 | 143.6 | 143.6 |

Source: U.S. Department of Commerce, Census Bureau.

Table 2. Non-farm Establishment Job Gains and Losses by Firm Size (Thousands), 1999–2000

| | Total | Firm Size | |
|--------------------------|-----------|-----------|-----------|
| | | 1–19 | 1–499 |
| Gains: | | | |
| New establishments | 6,535.7 | 1,808.5 | 3,507.7 |
| Expanding establishments | 12,550.7 | 3,363.3 | 7,267.8 |
| Losses: | | | |
| Downsized establishments | (9,742.2) | (1,902.6) | (4,931.4) |
| Closed establishments | (5,984.8) | (1,675.7) | (3,338.4) |
| Net change in employment | 3,359.4 | 1,593.5 | 2,505.7 |

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 2000.

Table 3. Number of Banks in the United States by Asset Size, 1998–2002

| | | | | | Number of Banks by Asset Size, 2002 | | | | |
|-------|-------|-------|-------|-------|-------------------------------------|---------------|-------------|------------|------------|
| 1998 | 1999 | 2000 | 2001 | 2002 | Below \$100M | \$100M–\$500M | \$500M–\$1B | \$1B–\$10B | Over \$10B |
| 8,966 | 8,659 | 8,459 | 8,158 | 7,949 | 4,369 | 2,839 | 353 | 311 | 77 |

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Reserve Board.

The full list of small-business-friendly banks can be found on the Office of Advocacy's website at www.sba.gov/advo/stats/lending.