Measuring the Small Business Economy

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BEA's Small Business Initiative



Most U.S. businesses are small businesses. They create jobs and employ millions of Americans

Policymakers, businesspeople, investors, researchers, and other data users frequently request additional small-business statistics

Despite the user demand and the economic importance of these businesses, there is no **consistent and comprehensive measure** of the economic activity of small businesses

BEA's Small Business Initiative



BEA is working to develop a consistent time series of economic statistics for small businesses, including small business gross domestic product (GDP)

These statistics can answer questions such as:

- o How much do small businesses contribute to economic growth?
- Which industries are driving growth for small businesses?
- How does growth for small businesses compare to large businesses?
- o How do small businesses' employment and wages compare?

BEA's Small Business Initiative



Experimental estimates of small business wages, employment, and gross output are presented in two BEA working papers

- "Experimental Estimates of Wages and Gross Output by Business Size and Industry, 2002–2012" (2017)
- 2. "Measuring the Small Business Economy" (2020)

Co-authors: Richard Cao (BEA), Richard Schwinn (Small Business Administration), Richard Prisinzano (University of Pennsylvania), and Danny Leung (Statistics Canada)

Two main challenges: defining "small business" and accessing source data

Defining Small Business



Businesses can refer to stand-alone establishments or multi-establishment enterprises

Business size classes are often determined using the following characteristics:

- Number of employees
- Financial values such as revenue, assets, or income
- A combination of employment and financial values

Different Motivations Determine which Characteristics are Used to Define Small Business



	Employment	rii pio yiiiciit	

Organization	Size class criteria
Australian Bureau of Statistics	Small = 0-19 (<i>micro</i> = 0-4)
ADP Research Institute	Small = 1-49 (very small = 1-19)
Statistics Canada	Small = 0-99

Financial

("Methodology to Identify Small Businesses")
University of Minneapolis and Minneapolis Fed ("What Do Survey Data Tell Us about US Businesses?")

U.S. Treasury, Office of Tax Analysis

Small = Bottom quintile of firms ranked by the book value of assets

Small = Income and deductions below < \$10m

Both

European Commission	Small and medium =< 250 employees and annual turnover < €50m or balance sheet total < €43m		
U.S. Small Business Administration	Varies by NAICS, based on employment or revenue		

BEA Working Papers Data, 2002-2016



Census Survey of U.S. Businesses (SUSB)

- Payroll, employment, and receipts by industry and size (receipts available 2002, 2007, 2012)
- Enterprise-level size classes

Census Nonemployer Statistics receipts by industry

BEA national wages, employment, and nominal gross output by industry

BEA Working Papers Methods



BEA's industry estimates are allocated to the Census distribution of wages, employment, and receipts by industry and enterprise size

Business size classes determined from existing research, source data availability, and stakeholder input

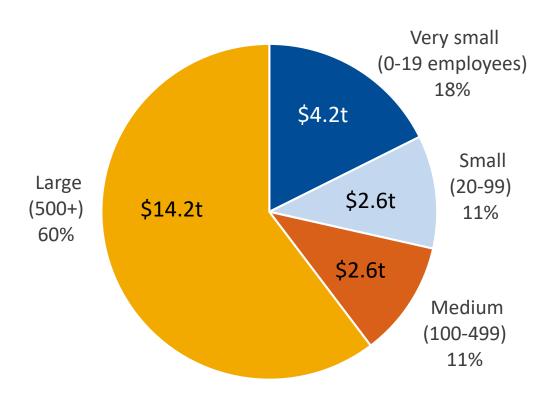
	Very small	Small	Medium small*	Medium	Large
Number of employees in the enterprise	0-19	20-49	50-99	100-499	500+

^{*}Note: category introduced in 2020 working paper

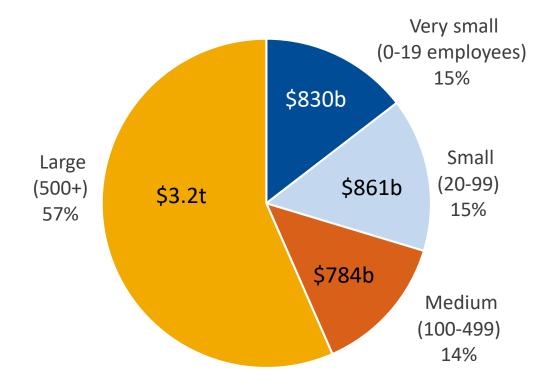
BEA 2017 Working Paper Results



Gross Output, 2012



Wages, 2012



BEA 2017 Working Paper Results



Wage and gross output growth over the period was slowest for very small businesses (<20 employees) and fastest for large businesses (500+ employees)

Average Annual Growth Rates for Wages and Nominal Gross Output by Business Size, 2002-2012 (%)

Enterprise Size	Wages	Gross Output	
Very small (0-19 employees)	2.3	3.2	
Small (20-99)	2.6	3.7	
Medium (100-499)	3.7	5.3	
Large (500+)	4.8	5.6	
Total private nonfarm businesses	3.9	4.8	

BEA 2020 Working Paper Results



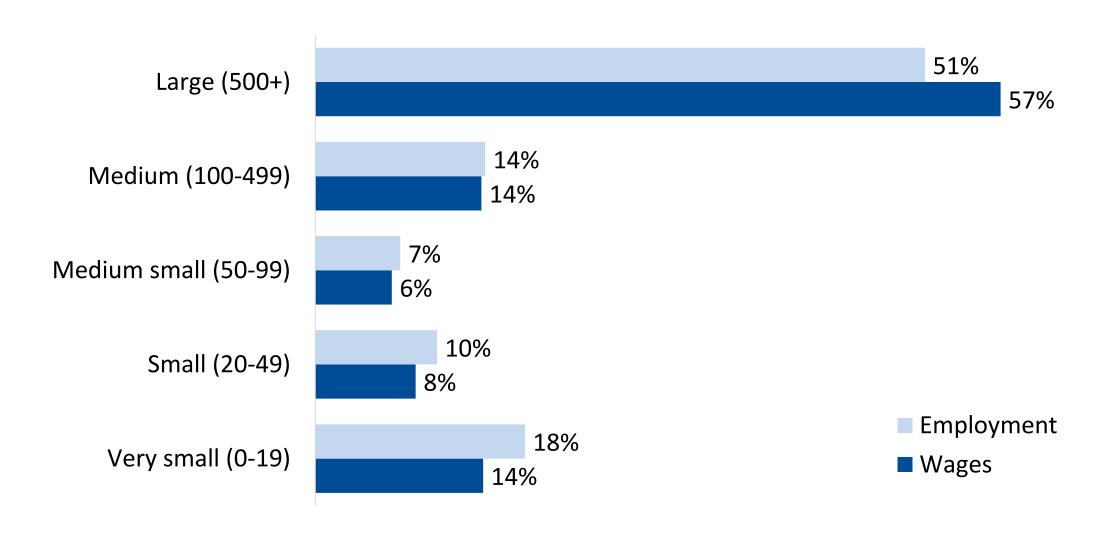
Wage and employment growth over the period was faster for small businesses (20-49 employees) compared to medium small businesses (50-99 employees)

Average Annual Growth in Wages and Employment by Business Size, 2012–2016 (%)

Enterprise Size	Wages	Employment
Very small (0–19 employees)	3.0	0.7
Small (20–49)	3.6	2.3
Medium small (50–99)	3.4	1.9
Medium (100–499)	4.5	2.3
Large (500+)	4.8	2.8
Total private nonfarm business	4.3	2.3

Shares of Private Non-Farm Employment and Wages by Business Size, 2016





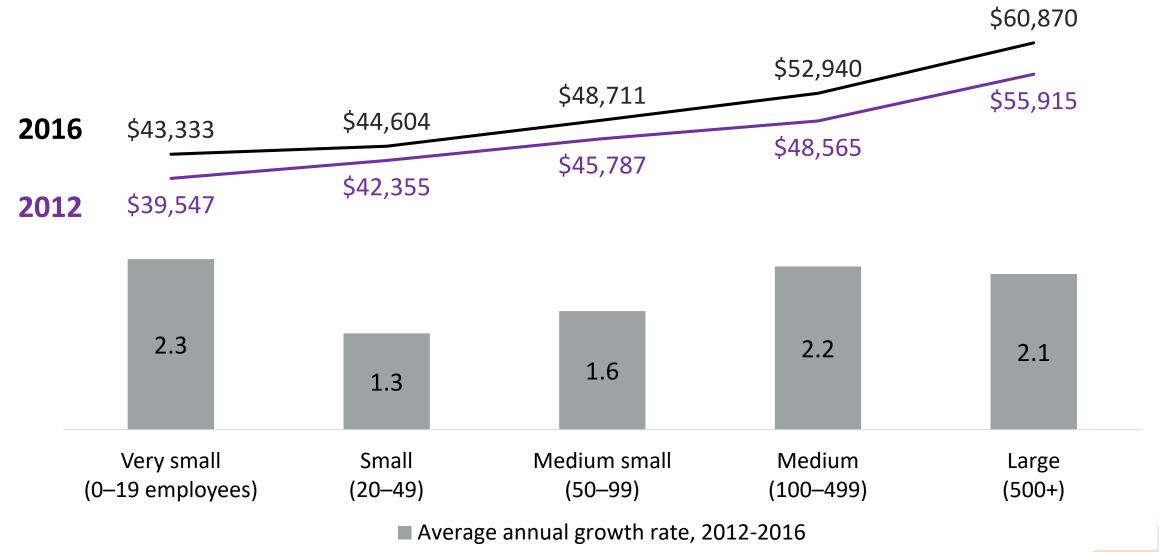
Industry Composition by Business Size, 2016 Private Non-Farm Employment (%)



Select Industries	Very small (0-19 employees)	Small (20-49)	Medium small (50-99)	Medium (100-499)	Large (500+)
Agriculture, forestry, fishing, and hunting	42	16	9	17	16
Utilities	3	3	4	8	83
Construction	36	18	11	17	18
Retail trade	15	7	5	8	66
Transportation and warehousing (excluding rail)	12	7	5	11	65
Information	7	5	4	11	74
Finance and insurance	11	4	4	11	70
Real estate, rental, and leasing	34	11	7	15	32
Management of companies	0	1	1	9	88
Administrative services	9	6	5	12	68
Other services	46	17	9	12	15

Wages per Employee by Business Size, 2012 and 2016





Previous BEA Estimates by Business Size



BEA and its predecessor periodically published economic statistics by business size in the 1940s-1970s

Business size categorized by different variables:

- Assets
- Sales
- Investments

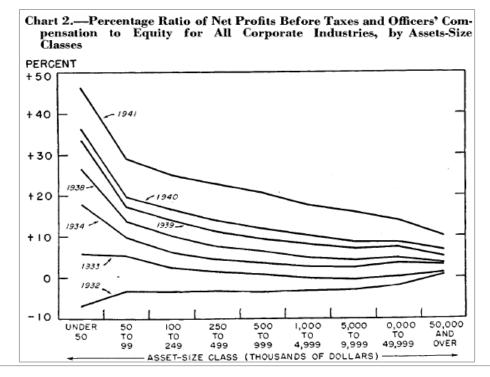


Table 6.—New and Established Manufacturing Firms: Stock-Sales Ratios, 1947 and 1948, by Industry and Size of Firm 1 Established Established New firms New firms Iudustry Me-Medium dium Small Large Large Small Large Large and 1.32 1.03 1, 22 0.92All industries..... 1, 51 2,05 1. 00 2. 10 1. 21 1. 50 1. 72 1. 66 . 96 2. 27 1, 22 Food and kindred products... . 90 Textile-mill products_____ 1.72 Apparel and related products...

Lumber and timber basic

products

Next Steps for BEA



Developing revenue-based small business statistics using public IRS data

Census demonstration project to potentially add annual revenue to SUSB

Pursuing access to microdata

BEA is committed to developing economic statistics by business size subject to funding and data constraints

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Discussion Questions



1. Should BEA pursue definitions using both employment and revenue? What are advantages of having multiple definitions?

2. What employment and/or revenue values should BEA use to classify businesses by size?

3. Are enterprise-level statistics preferable to establishment-level? If so, why?

4. What statistics are most important for BEA to focus on?