



Small Business Fact Sheet

Updated April 2, 2014

Impact of Small Business on the Economy and Job Market:

- A small business is generally described as an independent company having fewer than 500 employees. ([Small Business Administration](#)). For the small business definition by industry used in government programs and contracting, see www.sba.gov/content/small-business-size-standards. There are estimated to be nearly 28 million small businesses in the United States. ([Census Bureau](#))
- Small businesses represent 99.7 percent of all businesses having employees, or employer businesses ([SBA](#)).
- America's small businesses are the engines of job creation. Small businesses employ about half (49 percent) of all private sector employees, create more than half of the nonfarm private gross domestic product and are responsible for 42 percent of the private sector payroll in the U.S. ([Small Business Administration](#))
- Generally, 60 to 80 percent of all new jobs come from small businesses. This number fluctuates year-by-year when some small companies grow enough to become classified as large firms, and when new businesses are created. For example, from 1999 to 2000, small businesses accounted for 75 percent of all new jobs created. Small businesses have generated 65 percent of net new jobs over the past 17 years, and 67 percent following the 2009 recession. ([Small Business Administration](#))
- The so-called "gazelle" firms (ages three to five years) comprise less than one percent of all companies, yet generate roughly 10 percent of new jobs in any given year. The "average" firm in the top one percent of all companies contributes 88 jobs per year, and most end up with between 20 and 249 employees. ([Kauffman Foundation](#))
- Small businesses are innovators. They produce 16.5 times more patents per employee than large firms. ([Small Business Administration](#))
- From 1992 through 2010, small businesses outperformed large firms in net job creation 75% of the time, according to [the SBA Office of Advocacy's Small Business Economy 2011 report](#) (released March 21, 2012).
- The U.S. ranks 20th in [ease of starting a business](#) in the world according to a World Bank report. In 2007, the U.S. ranked 3rd.

Small Business Sentiment

- In February 2014, small business optimism dropped again, and has been up and down over the past year, but never recovered fully from the recession of 2009, according to the survey by the National

Federation of Independent Business. The NFIB [monthly optimism index](#), released in March 2014, identifies economic uncertainty as a major concern.

- Employment in small businesses with 20 or fewer employees remained flat in February 2014, according to Intuit's [Small Business Employment and Revenue Index](#).
- The October 2013 [BNA Economic Outlook Survey](#) found that 3 out of 4 midsized small businesses have no plans to add employees, citing economic uncertainty and optimism was down from the spring.
- The Chamber of Commerce quarterly [Small Business Outlook Survey](#) from April 2013 found the vast majority of small businesses (79%) think our country is on the wrong track, and 27% lost employees in the past year, while 87% of small businesses are looking for more certainty, instead of more assistance from Washington. Also, 78% viewed the national debt and deficits as a threat to their success, and 79% favor comprehensive tax reform. A [Nov. 2013 poll](#) commissioned by the Chamber found that small businesses are cutting jobs to prepare for new health law requirements.
- In order to address America's high unemployment, Washington must provide more certainty and relief for small businesses that are continually burdened by threats of tax increases, the inconsistent flow of credit, unstable energy costs, unnecessarily burdensome federal regulations (including requirements from the health care law), and the dark cloud of an outrageous national debt over the economy.

Federal Contracting

- The federal government is required by law to send 23% of contract dollars to small businesses but announced July 2, 2013, a 7th straight year of failing to reach that goal, instead the SBA announced the administration reached [22.25%](#) in fiscal year 2012. The Small Business Committee has passed a bill that would raise that goal to 25%.

Exporting

- The National Small Business Association's [2013 Small Business Exporting Survey](#) reports an uptick in small business participation in world markets, and great interest by small firms in considering international trade. Still, just 1% of small companies currently export, while 95% of the world purchasing market is outside the U.S. The survey reveals that most small businesses are not sure what federal agencies they need to contact, since 20 different agencies have a role in exporting.

High Energy Prices Harm Small Business Job Creation

- Fluctuating and spiking gas prices are problematic for small business budgets. Gas prices are approaching the summer season again, and are at their highest in 6 months, according to [AAA](#).
- The median commercial sector industry has a small business energy cost per sales ratio that is 2.7 times greater than that of larger businesses, which hinders their ability to compete during times of elevated energy prices, according to the [SBA Office of Advocacy](#).
- Half of U.S. adults consider gas prices to be "too high" when it reaches \$3.44 per gallon, according to the AAA [consumer index](#). Forty-six percent of adults believe gas is too high when it reaches \$3.00 per gallon; 61 percent believe it is too high when it reaches \$3.50 per gallon; and 90 percent believe gas is too high when it reaches \$4.00 per gallon.

Regulatory Impediments Strangle Small Business Job Creation

- Small firms bear a regulatory cost of \$10,585 per employee, which is 36% higher than the cost of regulatory compliance for large businesses. ([2010 SBA study, The Impact of Regulatory Costs on Small Firms](#))
- Compliance with environmental regulations costs small businesses four times more than large firms. ([2010 SBA study, The Impact of Regulatory Costs on Small Firms](#))

Tax Increases Harm Small Business Job Growth

- The [SBA reports](#) that the average tax compliance cost per employee for small businesses is almost three times the per employee cost for the average large firm.
- According to the NFIB, 75 percent of businesses operate as pass-through entities subject to personal income tax rates.