THE STATE OF SMALL BUSINESS

A REPORT OF THE PRESIDENT

1998

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THE STATE OF SMALL BUSINESS

A REPORT OF THE PRESIDENT

The State of Small Business:
A Report of the President

To the Congress of the United States:

I am pleased to present my sixth annual report on the state of small business. In 1997, the year covered by this report, 23.7 million business tax returns were filed and a record 885,416 new small employers opened their doors. Industries dominated by small firms created jobs at a rate almost 60 percent faster than those dominated by large businesses. Consumer confidence hit a 28-year high—an important trend for small businesses, which depend on consumer purchases of goods and services for more than two-thirds of their jobs.

What makes the American economy work? One of the essential elements is small business—a dynamic agent for change in the innovative process. Small businesses are the door to economic self-sufficiency and market power for countless individuals who start with little more than a dream. And they create jobs for the entire spectrum of American workers—the old, the young, men and women, minorities of all ethnic backgrounds, those at the top of the economic ladder and those struggling to find work.

America's Innovators

A great strength of small business is its role in renewing the American economy. New and small firms play a key role in the experimentation and innovation that leads to technological change and economic growth. They are continual sources of new ideas that might otherwise remain untapped—and their experimental efforts are an essential part of the organic and ever-changing American economy.

In the research and development stages, before any product is developed or marketed, small high-technology businesses can find themselves in dire need of capital. At this stage, the Government can provide an important bridge by simply directing some of its already planned research to small business sources.

Small business' share of Federal research and development has been increasing steadily in recent years, thanks in part to programs like the Small Business Innovation Research (SBIR) Program. The SBIR program, which encourages small businesses to help meet our Nation's need for groundbreaking research, has resulted in more than $7.7 billion in research awards going to small firms over the first 15 years of the program.

Getting Startup Money to Small Business

America's small business owners and potential entrepreneurs often have the ideas, the energy, and the willingness to work hard, but face an almost insurmountable challenge in finding the capital they need when it can make a difference—in the early stages. Financing can be especially costly or more difficult for small firms to find.

Banks are important sources for small firms, but the banking market has been changing rapidly, and small firms are watching to see how the trends in mergers and acquisitions will affect their access to capital. Through studies based on new information available through new Community Reinvestment Act requirements, my Administration has been monitoring these trends carefully.

I am proud that we have been able to bring new investment to areas that are especially in need of capital through our empowerment zones and enterprise communities. We've also begun a new markets initiative—a public/private partnership to provide tax credits, investment capital and credit, and technical assistance to stimulate business formation and job creation in inner city areas.

Relieving Tax and Regulatory Burdens

Taxation and regulation, applied equally to large and small entities, can be more burdensome to small businesses, which have fewer resources to meet the same overhead costs of their larger counterparts.

I'm pleased that we've been able to reduce the burdens on small firms, first of all by eliminating the budget deficit that has burdened us all.

And today more than 90 percent of small businesses can take advantage of tax reductions through the increased small business expensing limit and capital gains tax relief targeted to small firms.

Through the implementation of the Small Business Regulatory Enforcement Fairness Act, my Administration has made progress in fine-tuning new rules or exempting small businesses from the most burdensome regulations. The law also provides for regulatory compliance assistance and legal remedies when agencies fail to address small business concerns in the regulatory process.

The Government as Consumer

One of the most direct ways for the Government to move capital to small firms is through its purchases of goods and services. And the level of procurement from small, minority-owned, and women-owned businesses is rising. In fiscal year 1997, small businesses won $63.7 billion in contract awards from the Federal Government, up from the previous year. In December 1997, we increased from 20 to 23 percent the percentage of goods and services that Federal agencies must purchase from small firms, so we expect future reports to reflect more Federal dollars purchasing goods from small firms.

Small Business: Tapping the Power of Individuals

Small firms represent opportunity for many who have traditionally had little access to economic power—including minorities, immigrants, and women. The numbers of women and minorities in business have been rising as never before. In 1997, an estimated 8 million women and 3.2 million minorities owned small, noncorporate businesses. Of the self-employed, more than one-third were women; African American, Hispanic, and Asian American minorities each owned between 5 and 6 percent of noncorporate businesses.

We've heard it before and it's still true—small businesses are dynamic job creators. In 1997, industries dominated by small firms created almost two-thirds of the new jobs. The people who work in America's small businesses represent the full spectrum of the American populace. In 1997, the small business workforce consisted of 45.5 percent women, 13.1 percent Hispanics, 9.7 percent African Americans, and 4.5 percent Asian Americans, Pacific Islanders, American Indians or Aleut Eskimos. Small businesses hire both older and younger workers in disproportionate numbers, and they put to work more employees who have been on public assistance.

I am pleased that small businesses are taking a leadership role in moving workers off welfare and on to productive and more satisfying lives in the workforce. Our welfare to work initiative is working: through the nonprofit Welfare to Work partnership, thousands of businesses of all sizes have hired many thousands of former welfare recipients.

But small businesses were already doing that, and I am confident they will continue to be a force for change, providing opportunities for Americans, whatever their circumstances, into the new millennium.

William J. Clinton

THE WHITE HOUSE

THE ANNUAL REPORT ON SMALL BUSINESS AND COMPETITION

U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY

Letter of Transmittal

Dear Mr. President:

The United States Small Business Administration herewith submits its 1998 Report on Small Business and Competition in accordance with the Small Business Economic Policy Act of 1980. The report was prepared by the Office of Advocacy of the U.S. Small Business Administration.

We are pleased to present this report and to work with you on behalf of this important sector of the economy.

Respectfully submitted,

AIDA ALVAREZ
Administrator

JERE W. GLOVER
Chief Counsel for Advocacy

Executive Summary

Nineteen ninety-seven was an excellent year for the economy and for small business. The economy gained almost 3 million payroll jobs and real gross domestic product increased by 3.9 percent. The unemployment rate fell from 5.4 percent in 1996 to 4.9 percent in 1997. Consumer prices remained stable, while corporate profits and employment compensation both increased.

A record 885,416 new small firms with employees opened their doors in 1997 and new incorporations hit a record high for the third straight year. More than 23.6 million business tax returns were filed. Business bankruptcies remained low for the fourth consecutive year.

Corporate profits increased in 1997 for the seventh year in a row. Employment compensation and proprietorship earnings also increased significantly.

Small-business-dominated industries added jobs to the economy at a rate almost 60 percent faster than large-business-dominated industries. However, more than one-third of the job increase was in sectors dominated by neither small nor large firms. Of particular note, 1997 saw a revival in manufacturing employment—more than 229,000 new jobs in all industries.

Consumer confidence in December 1997 reached 134.5, the highest reading in 28 years and a harbinger of continued good economic news for 1998. The Consumer Confidence Index is important to small firms: more than two-thirds of small firm jobs come from consumer purchases of goods or services.

New Data for Analysis of Small Business Job Creation

Small businesses created three-fourths of the net new jobs from 1990 to 1995. Overall, employment in establishments owned by small firms grew 10.5 percent over the period, compared with 3.7 percent employment growth in establishments owned by firms with more than 500 employees.

How does it happen, then, that while small firms had much higher job growth rates than large firms, their share of overall employment actually fell slightly, from 53.7 percent in 1990 to 52.5 percent in 1995?

To understand this paradox is to understand why static data cannot be used to measure dynamic change. The static data usually used to portray small and large businesses' relative shares of employment are based on snapshots at two points in time. These data do not give a clue to the immense dynamic activity behind the scenes—activity that turns high-growth small firms into large firms.

With the Business Information Tracking Series (BITS) file, a new longitudinal database covering all U.S. establishments with employees, it is now

feasible to study the underlying dynamics of business births, deaths, expansions, and contractions. The BITS allows the tracking of establishments over time, including shifts in the firm size classes of growing small businesses or downsizing large businesses. It provides a picture, for example, of how a small computer firm can expand so quickly it becomes a giant within the period of observation.

The database also allows businesses to be tracked in more detail, including their locations and industries. Over the 1990-1995 period, establishments in the smaller firm size classes grew fastest in services, agricultural services, and transportation, communications, and public utilities.

Why Small Firms Are Important

A quiet evolution has revolutionized the American economy in its transition from the industrial age to the information age. The purpose here is to document the role of small- and medium-sized enterprises in the new American evolution by asking a fundamental question, "Are small firms important?"

The response to this question requires an understanding of change in the economy as a dynamic process. Viewed through an evolutionary lens, small firms make two indispensable contributions to the American economy:

- First, they are an integral part of the renewal process that pervades and defines market economies. New and small firms play a crucial role in experimentation and innovation that leads to technological change and productivity growth. In short, small firms are about change and competition because they change market structure. The U.S. economy is a dynamic organic entity always in the process of becoming, rather than an established one that has arrived.

- Second, small firms are the essential mechanism by which millions enter the economic and social mainstream of American society. Small businesses enable millions, including women, minorities, and immigrants, to access the American Dream. A great source of American strength has always been the dream of economic growth, equal opportunity, upward mobility. In this evolutionary process, community plays the crucial and indispensable role of providing the "social glue" and networking opportunities that bind small firms together in both high tech and "Main Street" activities. The American economy is a democratic system, as well as an economic system, that invites change and participation.

The crucial barometer for economic and social well-being is the continued high level of creation of new and small firms in all sectors of the economy by all segments of society.

Characteristics of Small Business Owners and Employees

Small firms represent business ownership opportunities for women, minorities, the young and the elderly, as well as the population in their prime working years. Ownership opens doors for women and minorities to move into the economy less encumbered by traditional barriers to economic achievement.

Small firms are also more likely than large businesses to hire individuals that are on the margin of the labor force. By giving entry-level positions to the young and individuals on public assistance, for example, they help create the skills needed to move the society and economy forward. To understand these small business contributions, it is useful to look at the characteristics of small business owners, their businesses, and the small business labor force.

In 1997, according to Current Population Survey data, 11.5 million Americans had some self-employment earnings. A total of 7.2 million men; 4.3 million women; 500,000 Asians, Pacific Islanders, American Indians, and Aleut Eskimos; almost 700,000 blacks; 10.3 million whites; and almost 700,000 Hispanics were self-employed.

Women- and minority-owned businesses are rising in importance in our nation's economy. They are represented in every type of industry and in every form of business. Based on data from the Census Bureau's Survey of Women-Owned Businesses and Survey of Minority-Owned Business Enterprises, the U.S. Small Business Administration's Office of Advocacy estimates that in 1997 there were almost 8 million women-owned businesses (8.5 million with C corporations) and 3.2 million minority-owned businesses. Their numbers have been increasing steadily, and more rapidly, than those in the economy as a whole.

Small businesses also employ thousands of individuals of all races, genders, and ages. In 1997, the small business work force consisted of 54.5 percent males, 45.5 percent females. It represented diverse ethnic and racial groups: 4.5 percent Asians, Pacific Islanders, American Indians, and Aleut Eskimos; 9.7 percent blacks; 85.8 percent whites; and 13.1 percent Hispanics. Small businesses hire a larger proportion of younger and older workers, part-time employees, employees with lower educational attainment, and individuals that receive public assistance than large businesses.

Small Business Financing

The U.S. financial markets continued to perform well in 1997, despite some uncertainty stemming from the Asian financial crisis. Overall borrowing showed stronger growth than expected, increasing by 5.0 percent, compared with 3.6 percent in 1996. Large increases in the demand for credit from the business and state and local government sectors were only slightly offset by decreases in demand from households and the federal government. The business sector

was the biggest borrower, increasing net borrowing from $196 billion in 1996 to a record $311 billion in 1997. The large growth in business demand reflected strong expansion in capital spending, especially in outlays for computers and other types of equipment.

U.S. banks had another excellent year in 1997, with high profitability and growth in assets. A total of 7.9 million small business loans of less than $1 million were outstanding from 9,293 reporting banks as of June 1997. The number of the smallest business loans—those under $100,000—increased very significantly, by 27 percent, in 1997. The percentage increase in the dollar amount was far less, an indication that more of the larger loans in this category may have been cleared from the books and more very small loans extended. Total assets continued to be concentrated in the largest banks, partly because of the overall growth of banking assets over time and partly because of increased merger and acquisition activity.

While the number of loans made through the SBA's loan guaranty programs declined in 1997, the dollar amount increased significantly, from $7.7 billion to $9.5 billion. The large increase was made possible by reduced subsidy rates, which enabled more SBA-guaranteed lending at the same total subsidy level authorized by the Congress.

Equity markets continued to be favorable for small businesses in 1997. The initial public offering market stepped back from the boom of the previous year, but the average offering size increased slightly for small IPOs, from $19 million to $20.4 million in 1997. Fundraising by venture capital funds prospered, and disbursements by small business investment companies increased significantly—by 25 percent.

Recent analysis of the National Survey of Small Business Finances (NSSBF) indicates that in 1993 small businesses accounted for about 25 percent of credit market debt in the United States. According to the NSSBF data, some 5 million small firms in the Dun & Bradstreet small business population had $668 billion outstanding in six traditional types of financing. Lines of credit were the most significant for small firms, accounting for 42 percent, or $280 billion. Nearly three-quarters of women-owned firms had access to some type of credit in 1993. Women-owned firms were more likely than firms overall to use personal credit cards and loans from the owners themselves. Relatively fewer minority-owned firms—two-thirds—used some type of credit in 1993. Only 13.9 percent of minority-owned firms said they used owner loans, but more than one-third used personal credit cards and more than one-quarter used business credit cards.

Procurement from Small Firms

The federal government spends about $200 billion a year on the procurement of goods and services. Small firms annually receive more than 20 percent of all prime contract dollars and another 10–14 percent of the federal

procurement pie in subcontracts. Large firms receive more than 60 percent of all federal procurement dollars.

Federal contract markets are changing at an unparalleled pace. Two laws, the Federal Acquisition Streamlining Act (FASA), enacted in 1994, and the Federal Acquisition Reform Act (FARA) or Clinger-Cohen Act, enacted in 1996, have had an unprecedented impact on the federal procurement process. Additional reforms were enacted in December 1997 in the HUBZone and contract bundling legislation.

The 1994 and 1996 laws were designed to make the government operate more like a commercial buyer and make it easier and more appealing for businesses to participate in government markets. Many of the implemented changes are benefiting small firms, although some longstanding small business protections have been weakened or eliminated in the process.

In FY 1997, small businesses won $63.7 billion in federal contract awards, including $41.2 billion in direct contract awards from the federal government and an additional $22.5 billion in subcontracts from prime contractors working directly for the federal government.

The $63.7 billion total represents 32.6 percent of the $195.3 billion in contract actions awarded by the federal government in FY 1997, a slight decrease from the previous year's 34 percent small business share. Prime contract dollars awarded to small businesses increased very slightly, from $41.1 billion in FY 1996 to $41.3 billion in FY 1997. The overall share decreased by more than 1 percent because a smaller share of subcontract dollars were awarded to small firms.

The percentage of prime contracts awarded in FY 1997 to small minority- and women-owned businesses remained at levels consistent with FY 1996. In FY 1997, minority-owned firms were awarded $11.1 billion in prime contracts or 5.7 percent of total federal contract dollars. Women-owned firms were awarded $3.6 billion in prime contracts or 1.8 percent of federal buys for the same period.

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Chapter 1

The State of Small Business

Synopsis

Nineteen ninety-seven was an excellent year for the economy and for small business. The economy gained more than 3 million payroll jobs and real gross domestic product increased by 3.9 percent. The unemployment rate fell from 5.4 percent in 1996 to 4.9 percent in 1997. Consumer prices remained stable, while corporate profits and employment compensation both increased.

A record 885,416 new small firms with employees opened their doors in 1997 and new incorporations hit a record high for the third straight year. More than 23.6 million business tax returns were filed. Business bankruptcies remained low for the fourth consecutive year.

Corporate profits increased in 1997 for the seventh year in a row. Employee compensation and proprietorship earnings also increased significantly.

The industries dominated by small firms added jobs to the economy at a rate almost 60 percent faster than large-business-dominated industries. However, more than one-third of the job increase was in sectors dominated by neither small nor large firms. Of particular note, 1997 saw a revival in manufacturing employment—more than 162,000 new jobs in all industries.

Consumer confidence in December 1997 reached 136.2, the highest reading in 28 years and a harbinger of continued good economic news for 1998. The consumer confidence index is important to small firms: more than two-thirds of small firm jobs come from consumer purchases of goods or services.

Introduction

The economy continued to grow in 1997 for the sixth consecutive year.[1] Major economic indicators reflected steady and sustainable economic growth (Table 1.1). Small businesses contributed to and shared in the benefits of the growing economy.

The production of goods and services, adjusted for inflation, grew 3.9 percent in 1997, while the unemployment rate declined from 5.4 to 4.9 percent. The economy added 3.08 million private sector jobs to nonfarm

[1] A comprehensive discussion of the performance of the U.S. economy appears in the *Economic Report of the President: Transmitted to the Congress February 1999* (Washington, D.C.: U.S. Government Printing Office, 1999).

Table 1.1 *Selected Indicators of Economic Performance, 1996–1997*

Indicator	1996	1997	Percent Change
Gross Domestic Product (Billions of Dollars)	7,661.6	8,110.9	5.9
Real Gross Domestic Product (Billions of 1992 Dollars)	6,994.8	7,269.8	3.9
Unemployment Rate (Percent)	5.4	4.9	−9.3
Nonagricultural Employment (Millions of Workers)	126.7	129.6	2.3
Compensation of Employees (Billions of Dollars)	4,409.0	4,687.2	6.3
Nonfarm Proprietors' Income (Billions of Dollars)	488.8	515.8	5.5
Corporate Profits (Billions of Dollars)	750.4	817.9*	9.0
Consumer Price Index (Urban) (1982–1984=100)	156.9	160.5	2.3
Consumer Confidence Index	114.2	136.2	19.3
Federal Surplus or Deficit (Billions of Dollars)	−107.5	−21.9	−79.6
Interest Rates on:			
U.S. Treasury Security Yield—30 year	6.71	6.61	−1.5
U.S. Treasury Security Yield—3 month	5.02	5.07	1.0
Federal Funds	5.30	5.46	3.0
High-Grade Corporate Securities	7.37	7.26	−1.4
Housing Starts (Thousands)	1,476.8	1,474.0	−0.2

* With inventory valuation and capital consumption adjustments.

Source: Council of Economic Advisers, *Economic Indicators,* January 1998 and GDP from the U.S. Department of Commerce, Bureau of Economic Analysis, March 1999.

payrolls. Compensation of employees increased by 6.3 percent, a significant gain. This expansion occurred without igniting inflation: the Consumer Price Index rose by only 2.3 percent and long-term interest rates declined.

While the federal deficit declined almost 80 percent to $21.9 billion (the lowest since the 1960s), corporate profits grew by 9.0 percent and nonfarm proprietors' income—an important measure of the health of the small business sector—rose from $488.8 billion to $515.8 billion, an increase of 5.5 percent. The Conference Board's index of consumer confidence rose to 136.2 in December 1997, an increase of 22.0 percentage points since December 1996 and the highest level since 1969.[2]

[2] The Conference Board, Consumer Confidence Index, February 1998.

The Number of Small Businesses

The number of businesses that filed tax returns increased by 2.2 percent in 1996 and reached 23.7 million (Table 1.2). Over the 16-year span from 1981 to 1997, the number of business tax returns grew at a compound rate of 3.5 percent per year. Of the total, about 6 million are small employer businesses with between one and 500 workers. About 15,000 employ more than 500 workers and the remainder have no employees.

Business Formation and Dissolution

A record 885,416 new small firms with employees opened their doors in 1997—a significant 5.1 percentage point increase over 1996 (Table 1.3 and Chart 1.1).[3] The number of these firms has increased fairly steadily over the past decade, reaching successive new highs in 1993, 1994, 1995, 1996 and 1997. Over the 1982–1997 period, the total number of firms with employees increased at a rate of just over 1.9 percent per year.[4]

Although the net annual increase between 1982 and 1997 averages just 1.9 percent, the level of activity in business formation and closure is actually much higher. Each year about 14 percent of small firms with employees drop from the unemployment insurance rolls, while the number of new and successor firms added is equal to about 16 percent of the total. Thus, the net annual gain is just under 2 percent.

A high rate of business formation and dissolution is characteristic of a dynamic economy. Changing tastes and preferences, new technologies, and changes in demography and geography are all accommodated by the entry and exit of firms. New small businesses answer many of the needs, entering the marketplace with new products and services, at new locations, and with new and different methods of distribution.

The formation and dissolution of businesses varies by region across the United States (Table 1.4). Region IX (the Pacific states of California, Arizona, Hawaii, and Nevada) showed the largest net growth in the number of firms during 1997, posting a net gain of more than 4.5 percent. Regions III, IX, and

[3] See Chapter 2 for a discussion of new Census firm-size data on establishments and employment. No such data are available; however, for 1997; the latest available are for 1995. The United States has no formal annual survey of new business formation. For this 1997 review, three proxies are used instead: the change in the total number of tax returns filed, the count of new firms with employees, and new incorporations. Good records of the number and size of new businesses with employees are available through the reports of employment and unemployment insurance tax liabilities to state employment security agencies. Casual business activities are less likely to be included in this measure than in the tax return total. The number of firms filing these reports is reported by the U.S. Department of Labor. Larger firms often report in more than one state, so the nationwide employment security count is about 10 percent higher than the Bureau of the Census count for the same year (Table A.6). Data from the Bureau of the Census are available only after a two-year delay, while the employment security data are available on a current basis, which makes these data particularly useful.

[4] Data on mergers and acquisitions are not broken out separately in data provided by the Department of Labor.

Table 1.2 *Nonfarm Business Tax Returns, 1981–1997 (Thousands)*

Year	Corporations (Forms 1120 and 1120S)	Partner-ships (Form 1065)	Proprietor-ships (Schedule C)	Total	Annual Percentage Increase
1997[P]	5,199	1,712	16,754	23,655	2.20
1996	5,005	1,679	16,471	23,155	2.66
1995	4,818	1,580	16,157	22,555	2.26
1994	4,667	1,558	15,831	22,056	2.22
1993	4,516	1,567	15,495	21,578	1.64
1992	4,518	1,609	15,066	21,230	2.79
1991	4,374	1,652	14,626	20,653	1.05
1990	4,320	1,751	14,149	20,439	4.78
1989	4,197	1,780	13,529	19,506	2.78
1988	4,027	1,826	13,126	18,979	3.79
1987	3,829	1,824	12,633	18,286	4.50
1986	3,577	1,807	12,115	17,499	3.18
1985	3,437	1,755	11,767	16,959	4.88
1984	3,167	1,676	11,327	16,170	6.40
1983	3,078	1,613	10,507	15,198	5.96
1982	2,913	1,553	9,877	14,343	5.38
1981	2,813	1,458	9,345	13,616	—
Compound Average Annual Growth Rate (Percent)	3.9	1.0	3.7	3.5	

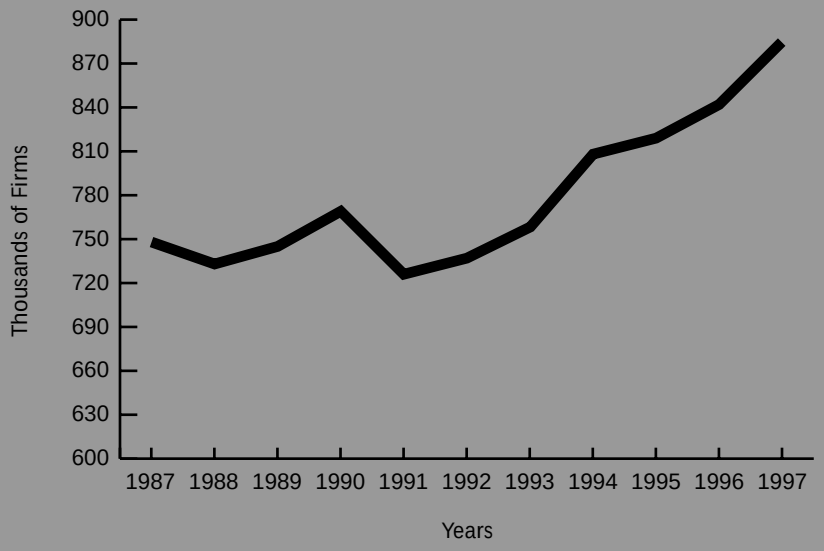
P=Projected from the *SOI Bulletin,* Fall 1997, 225, Table 21. Data exclude tax-exempt organizations.
Source: U. S. Department of the Treasury, Internal Revenue Service, *Statistics of Income Bulletin* (Fall 1997), Table 21.

Table 1.3 *Change in the Number of U.S. Businesses with Employees, Fiscal Years 1982–1997 (Thousands)*

Year	Firms at End of Year	Successor Firms	New Firms	Sum: New and Successor	Termi-nations	Net Annual Percent Increase
1997	6,330	168	885	1,053	857	2.25
1996	6,191	176	842	1,018	850	1.40
1995	6,105	164	819	983	864	1.16
1994	6,035	137	807	944	803	2.29
1993	5,900	136	758	894	803	1.88
1992	5,791	138	737	875	819	0.89
1991	5,740	140	726	866	820	0.89
1990	5,689	146	769	915	838	2.18
1989	5,568	153	745	898	830	1.00
1988	5,513	153	733	886	763	1.72
1987	5,420	163	748	911	724	3.63
1986	5,230	175	725	899	809	1.71
1985	5,142	166	715	880	748	2.66
1984	5,009	164	691	855	680	3.56
1983	4,837	171	633	804	728	1.26
1982	4,777	185	595	781	717	1.55
Average	5,579	158	746	904	791	1.88

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Labor, Employment and Training Administration, based upon state employment security agencies' quarterly unemployment insurance reports, 1997.

Chart 1.1 *New Firms with Employees, 1987–1997*



Source: U.S. Small Business Administration, Office of Advocacy, based upon U.S. Department of Labor, Employment and Training Administration.

X all exceeded the average growth rate in new firms by wide margins. Regions II, V, and VIII had the largest percentage increases in terminations.

The level of dissolution almost always mirrors the level of firm formation. In every region except Region IX, the number of firm dissolutions was well within 10,000 firms of the number of business formations.

New Business Incorporations

Corporations represent more than 60 percent of businesses with employees and account for nearly 90 percent of the nation's sales and employment.[5] The number of new business incorporations increased by 1.9 percent in 1997 to 798,917—another new record (Table 1.5).

Region IX led the nation in the growth in new incorporated firms in 1997, with an increase of 7.1 percent, about three times the national rate (Table 1.6). Nevada and Washington led Regions IX and X with double-digit increases in new incorporations.

[5] The business incorporation series of the Dun and Bradstreet Corporation measures firms that choose to incorporate in each state and operate as corporations.

Table 1.4 *All Firms, New Firms, Terminations, by SBA Region, 1996–1997*

	All Firms		New Firms		Terminations	
	Number at End of 1997	Percent Change from 1996	Number at End of 1997	Percent Change from 1996	Number at End of 1997	Percent Change From 1996
U.S. Total	**6,330,117**	**2.25**	**885,416**	**5.11**	**857,073**	**0.85**
Region I	381,532	2.61	44,399	7.98	43,886	1.02
Region II	658,868	−0.16	83,965	−0.14	89,375	9.61
Region III	601,659	1.54	80,414	11.62	78,244	−9.92
Region IV	1,096,404	2.16	162,752	7.84	168,028	7.21
Region V	1,071,850	1.17	117,535	−1.09	114,671	9.91
Region VI	637,532	1.83	85,855	0.49	89,955	−2.05
Region VII	301,785	3.52	31,942	1.68	39,684	1.14
Region VIII	255,823	3.99	41,266	3.78	34,585	12.10
Region IX	1,001,210	4.51	178,428	8.35	143,102	5.54
Region X	323,454	3.58	58,860	8.86	55,543	−1.65

Note: Firms represent the number of establishments owned by a parent company within a state. Because existing firms appear as "new firms" when they enter a new state, the number of new firms nationwide is overcounted. A termination is a firm that ceases to exist. A buyout or merger would create a termination and a successor firm. Successor firms are not listed. SBA regions are defined as follows: Region I: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont; Region II: New Jersey, New York; Region III: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia; Region IV: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee; Region V: Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin; Region VI: Arkansas, Louisiana, New Mexico, Oklahoma, Texas; Region VII: Iowa, Kansas, Missouri, Nebraska; Region VIII: Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming; Region IX: Arizona, California, Hawaii, Nevada; and Region X: Alaska, Idaho, Oregon, Washington.

Source: U.S. Small Business Administration, Office of Advocacy, from annual data provided by the U.S. Department of Labor, Employment and Training Administration.

Table 1.5 *New Business Incorporations, 1981–1997*

Year	Incorporations	Percent Change
1997	798,917	1.9
1996	786,482	2.4
1995	768,180	3.6
1994	741,657	5.0
1993	706,537	6.0
1992	666,800	6.1
1991	628,580	−2.9
1990	647,366	−4.3
1989	676,567	−1.2
1988	685,095	−0.1
1987	685,572	−2.4
1986	702,101	5.0
1985	668,904	5.3
1984	634,991	5.8
1983	600,400	5.9
1982	566,942	−2.5
1981	581,661	—

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from the Dun and Bradstreet Corporation, *New Business Incorporations* (various issues).

Table 1.6 *Measures of Business Formation by SBA Region, 1996 and 1997*

	New Employer Firms			New Business Incorporations		
	1996	1997	Percent Change	1996	1997	Percent Change
U.S. Total	**842,357**	**885,416**	**5.1**	**786,482**	**798,917**	**1.6**
Region I	41,116	44,399	8.0	27,071	25,492	−5.8
Region II	84,086	83,965	−0.1	109,283	108,746	−0.5
Region III	72,043	80,414	11.6	112,287	113,385	1.0
Region IV	150,918	162,752	7.8	185,744	193,360	4.1
Region V	118,829	117,535	−1.1	122,527	120,805	−1.4
Region VI	85,440	85,855	0.5	67,726	68,525	1.2
Region VII	31,415	31,942	1.7	22,963	23,338	1.6
Region VIII	39,762	41,266	3.8	29,843	30,830	3.3
Region IX	164,681	178,428	8.3	83,210	89,108	7.1
Region X	54,067	58,860	8.9	25,828	25,328	−1.9

Note: Because existing firms appear as "new firms" when they open an establishment in a new state, the number of new firms nationwide is overcounted. SBA regions are defined as follows: Region I: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont; Region II: New Jersey, New York; Region III: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia; Region IV: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee; Region V: Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin; Region VI: Arkansas, Louisiana, New Mexico, Oklahoma, Texas; Region VII: Iowa, Kansas, Missouri, Nebraska; VIII: Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming; Region IX: Arizona, California, Hawaii, Nevada; and Region X: Alaska, Idaho, Oregon, Washington.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by The U.S. Department of Labor, Employment and Training Administration, and Dun and Bradstreet Corporation.

New incorporations declined from the previous year in SBA Regions I, II, V and X. While most regions have displayed healthy growth in new incorporations during the past several years, there was some slowdown in this indicator of business formation along the East Coast and in the far western quadrant of the nation during 1996. For example, in Regions I and II, all states except Maine and New York showed declines in the number of new incorporations in 1996. It appears that these states did not sustain the very high business formation rates of the recent past.

Business Bankruptcies and Failures

Over the 1994–1996 period, the levels of both failures and bankruptcies remained relatively steady, and down sharply from the periods of increasing failures and bankruptcies at the beginning of the decade (Table 1.7 and Chart 1.2). With record levels of new business formation from 1993 to 1997, it is hardly surprising to find some increases in both bankruptcies and failures in 1997. The largest source of changes in the levels of business failures and bankruptcies are the levels of new business formation, frequently with a lag of two or three years.

Business bankruptcies rose 1.2 percent in 1997 across the United States, excluding Guam, the Virgin Islands and Puerto Rico.[6] Business failures as reported by the Dun and Bradstreet Corporation increased 15.9 percent in 1997. Failures rose by more than 25 percent in the services and transportation sectors, areas of much new business activity over the last several years. Single-digit increases or declines in failures were found in the Southeast and mid-Atlantic regions. Other regions reported increases in failures of 12–39 percent (Table 1.8).

Most firms dissolve in their early years. For a given cohort, about 20 percent of the remaining firms dissolve in each of the first and second years after startup. The rate of dissolution decreases year by year; by the ninth or tenth year only about 7 or 8 percent of the remaining firms fail. Fewer than half of all new firms are in operation after five years.[7]

The business termination rate dropped for the second year in a row in 1997 (Table 1.9 and Chart 1.3).

Business Earnings

Corporate profits for all businesses increased in 1997 for the eighth consecutive year, the longest string of increases in at least two decades (Table 1.10). The 9.0 percent increase in corporate profits builds upon increases of 11.6 percent, 17.9 percent, 15.8 percent and 15.1 percent in 1996, 1995,

[6] Business failure data are not available for those areas on a comparable basis; therefore the data are not shown.

[7] Based upon research conducted by Alfred Nucci and published as a working paper by the U.S. Bureau of the Census, Center for Economic Studies.

Table 1.7 *Measures of Business Failure, 1984–1997*

Year	Bankruptcies	Percent Change
1997	53,843	1.2
1996	53,214	5.3
1995	50,516	−0.6
1994	50,845	−17.7
1993	61,799	−11.5
1992	69,848	−1.1
1991	70,605	10.5
1990	63,912	2.3
1989	62,449	−0.6
1988	62,845	−22.9
1987	81,463	1.9
1986	79,926	12.2
1985	71,277	11.0
1984	64,211	2.9

Year	Failures	Percent Change
1997	83,384	15.9
1996	71,931	1.0
1995	71,194	−0.5
1994	71,558	−16.8
1993	85,982	−11.4
1992	97,069	10.1
1991	88,140	45.8
1990	60,432	20.0
1989	50,361	−11.8
1988	57,099	−6.8
1987	61,236	−0.6
1986	61,601	7.6
1985	57,253	9.9
1984	52,078	—

Sources: For failures, adapted by the U.S. Small Business Administration, Office of Advocacy, from the Dun and Bradstreet Corporation, *Business Failure Record* (various issues); for bankruptcies, from data provided by the Administrative Office of the U.S. Courts, Statistical Analysis and Reports Division.

Chart 1.2 *Business Failures, 1987–1997*

Note: A business failure is an establishment that ceases operation with a loss to one or more creditors.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Dun & Bradstreet corporation.

1994 and 1993. Employee compensation increased 6.3 percent in 1997, the largest increase since 1990.

Nonfarm proprietors' income, an important measure of the health of the small business sector, rose by 5.5 percent during 1997.[8] Approximately 85 percent of small businesses are legally organized as proprietorships or partnerships.

Employment Growth in 1997

From December 1996 to December 1997, private nonfarm employment grew by 2.9 percent, or 2.97 million jobs, rising to 104.1 million (Table 1.11). Service jobs accounted for 45 percent of that growth (1.35 million jobs), followed by retail trade at 19 percent (568,000). Manufacturing, construction, transportation, finance, and wholesale trade contributed 6–8 percent each, and agricultural services and mining contributed the remaining jobs.

[8] Nonfarm proprietorship earnings are estimates because the income tax statements on which they are based are delayed in both their receipt and analysis. As used here, proprietors' income includes partnership income as well.

Table 1.8 *Measures of Business Dissolution by SBA Region, 1996 and 1997*

	Terminations			Bankruptcies			Failures		
	1996	1997	Percent Change	1996	1997	Percent Change	1996	1997	Percent Change
U.S. Total	**849,839**	**857,073**	**0.9**	**53,207**	**53,826**	**1.2**	**71,931**	**83,384**	**15.9**
Region I	43,441	43,886	1.0	1,953	2,011	3.0	3,064	3,445	12.4
Region II	81,538	89,375	9.6	4,330	4,265	−1.5	7,406	7,695	3.9
Region III	86,857	78,244	−9.9	5,363	5,600	4.4	6,071	5,926	−2.4
Region IV	156,726	168,028	7.2	7,357	7,560	2.8	8,090	8,275	2.3
Region V	127,283	114,671	−9.9	8,099	8,274	2.2	8,787	11,404	29.8
Region VI	91,839	89,955	−2.1	6,353	6,432	1.2	9,318	10,930	17.3
Region VII	39,237	39,684	1.1	1,932	1,931	−0.1	3,005	3,724	23.9
Region VIII	30,851	34,585	12.1	1,763	1,697	−3.7	3,173	4,408	38.9
Region IX	135,591	143,102	5.5	13,244	12,569	−5.1	18,760	22,560	20.3
Region X	56,476	55,543	−1.7	2,813	3,487	24.0	4,257	5,017	17.9

Note: Because existing firms appear as "new firms" when they open an establishment in a new state, the number of new firms nationwide is overcounted. SBA regions are defined as follows: Region I: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont; Region II: New Jersey, New York; Region III: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia; Region IV: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee; Region V: Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin; Region VI: Arkansas, Louisiana, New Mexico, Oklahoma, Texas; Region VII: Iowa, Kansas, Missouri, Nebraska; VIII: Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming; Region IX: Arizona, California, Hawaii, Nevada; and Region X: Alaska, Idaho, Oregon, Washington.

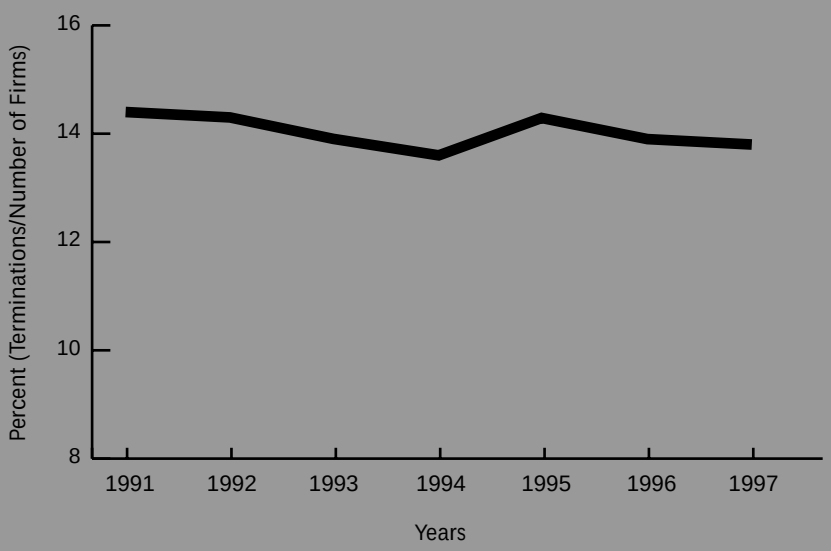
Source: Bankruptcies adapted by the U.S. Small Business Administration, Office of Advocacy, from the Administrative Office of the U.S. Courts, Statistical Analysis and Reports Division. Failures adapted by the U.S. Small Business Administration, Office of Advocacy, from Dun and Bradstreet Corporation, various press releases. Terminations adapted by the U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Labor, Employment and Training Administration.

Table 1.9 *Business Termination Rate, 1990–1997*

Year	Number of Firms	Number of Terminations	Termination Rate
1997	6,330,117	857,073	13.8
1996	6,190,907	849,839	13.9
1995	6,105,470	863,699	14.5
1994	6,035,538	803,290	13.6
1993	5,900,156	802,702	13.9
1992	5,791,214	819,336	14.3
1991	5,740,233	820,445	14.4
1990	5,689,402	837,511	14.7

Source: The number of firms and terminations are derived by the U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Labor, Employment and Training Administration, based upon state employment security agencies' quarterly unemployment insurance reports.

Chart 1.3 *Business Termination Rate, 1991–1997*



Note: A business termination is a closure of a business with employees.
Source: U.S. Small Business Administration, Office of Advocacy, based upon U.S. Department of Labor, Employment and Training Administration.

Table 1.10 *Employment Compensation, Nonfarm Proprietors' Income, and Corporate Profits, 1982–1997 (Billions of Dollars)*

	Employment Compensation [1]		Nonfarm Proprietors' Income		Pre-Tax Corporate Profits [2]	
Year	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
1997	4,687.2	6.3	515.8	5.5	817.9	9.0
1996	4,409.0	4.8	488.8	5.0	750.4	11.6
1995	4,208.9	4.9	465.6	7.1	672.4	17.9
1994	4,012.0	5.2	434.7	3.9	570.5	15.8
1993	3,814.9	4.7	418.4	8.2	492.8	15.1
1992	3,644.9	5.4	386.7	11.4	428.0	4.1
1991	3,457.9	3.1	347.2	2.5	411.3	3.6
1990	3,352.8	6.4	338.6	5.5	397.1	4.5
1989	3,151.6	5.8	321.1	4.3	380.0	–0.5
1988	2,973.9	7.8	307.8	12.5	382.1	14.7
1987	2,757.7	7.2	273.6	7.2	333.2	13.4
1986	2,572.4	6.0	255.3	4.2	293.8	–3.4
1985	2,425.7	7.5	245.0	8.6	304.0	4.8
1984	2,257.0	10.4	225.5	20.0	290.1	23.3
1983	2,044.2	6.0	187.8	13.7	235.2	29.0
1982	1,927.6		165.1		182.3	

[1] Includes employee contributions for Social Security insurance.
[2] Includes inventory valuation and capital consumption adjustment.
Note: The data are seasonally adjusted at annual rates.
Source: Council of Economic Advisers, *Economic Indicators,* March 1999.

While the service sector generated the most new jobs, agricultural services—a relatively small but important sector—expanded fastest, by 6.7 percent, as farm-related industries had an excellent year. Employment in construction expanded 4.1 percent and transportation, communications and utilities expanded 3.0 percent, led by significant increases in telecommunications.

Renewed job growth in manufacturing is one of the success stories of 1997. After losing jobs or growing slowly during a period of significant restructuring over the last several years, the manufacturing sector generated dramatic job growth in 1997. The job increases were well distributed across sectors, regardless of firm size dominance.

A convenient way to view the role of small business in the economy is to compare sectors dominated by small businesses with those dominated by large businesses. Some 52.5 percent of all nonfarm private sector employment in 1995 (the latest year for which data are available) was in firms with fewer than 500 employees, down slightly from the 53.1 percent in 1993 (Table 1.12).[9]

[9] While small firms continue to generate large numbers of new jobs in the economy, some new firms become large firms by growing very rapidly. Because of this phenomenon, the "static" share of small business employment remains constant. For an explanation of the differences between static and dynamic measures of employment, see Zoltan J. Acs and Bruce D. Phillips, "Why Does the Relative Share of Employment Stay Constant?" *Frontiers of Entrepreneurship Research, 1997* (Wellesley, Mass.: Babson College, 1998). See also *The Small Business Advocate,* January/February 1998 (http://www.sba.gov/advo).

The ideal starting point for measuring job growth by firm size would be time series data on individual firms. Because such data are not available on a current basis, a cost-effective proxy is to allocate industry employment data by firm size dominance.[10]

Using Bureau of the Census firm size data, industries are defined as small- or large-business-dominated or indeterminate.[11] These industries are then grouped together by firm size dominance within the nine major industry categories.

Job Creation in Small- and Large-Business-Dominated Sectors

Increasingly, job growth appears to be tied to high-growth industries regardless of firm size dominance. Small-firm-dominated sectors were responsible for 1.22 million jobs in 1997—about 60 percent more than sectors dominated by large firms, which created 758,000. Sectors dominated by neither large nor small firms generated 989,000 new jobs—about one-third of the new jobs created.

In 1997, small-firm-dominated service industries had the largest employment increase, creating 579,500 new jobs, especially in service sectors like engineering, public relations, management consulting, amusement and recreation services, and social services (Table 1.11). Within the small-firm-dominated sector, services contributed 47 percent of the employment increase. Retail trade accounted for 19 percent, with eating and drinking places contributing the most new jobs. The construction sector contributed 15 percent. The other sectors—agricultural services, mining, manufacturing, transportation and financial services—collectively contributed the remaining 19 percent of new jobs within small-firm-dominated sectors.

Within large-firm-dominated sectors, growth in service sectors accounted for 42 percent of the total increase, while retail trade accounted for 27 percent. Increases in large-firm-dominated manufacturing sectors added 85,000 new jobs, particularly in the manufacture of transportation equipment. Manufacturing increases made up 11 percent of total employment increases in the large-firm-dominated sector.

Sectors dominated by neither small nor large firms contributed almost one-third of new jobs in 1997—about 989,000. Within this indeterminate sector, service industries contributed almost half of the new jobs. Many of the

[10] Employment data by firm size are available for no later than 1995. Employment data by industry but not by firm size are available through 1997. The percentage of employment by firm size is calculated from the 1995 employment data and is used to classify industries by firm size dominance.

[11] Within the major industrial sectors, the individual industries are classified by the percentage of employment in firms with fewer than 500 employees. The classifications are small-business-dominated (industries with at least 60 percent of employees in small firms), large-business-dominated (industries with at least 60 percent of employees in large firms), and indeterminate (industries with between 40 and 60 percent of employment in small and large firms). Because the industries are defined by firm size dominance, small-business-dominated industries will include large businesses and vice versa.

Table 1.11 *Employment Change in Small- and Large-Business-Dominated and Indeterminate Industries by Major Industry, December 1996—December 1997*

	Total Change		Small-Business-Dominated Change		Large-Business-Dominated Change		Indeterminate Industry Change	
	Jobs (Thousands)	Percent Change	Jobs (Thousands)	Percent Change	Jobs (Thousands)	Percent Change	Jobs (Thousands)	Percent Change
Total—All Industries	**2,971.0**	**2.9**	**1,223.6**	**3.2**	**758.2**	**2.3**	**989.2**	**3.2**
Agricultural Services	39.2	6.7	30.4	8.4	—	—	8.8	3.9
Mining	2.0	0.4	0.6	1.7	−10.3	−3.9	11.7	4.3
Construction	220.0	4.1	188.2	4.1	—	—	31.8	3.6
Manufacturing	229.0	1.2	51.3	1.6	85.4	1.0	92.3	1.4
Transportation, Communications, and Public Utilities	190.0	3.0	29.7	3.4	45.5	1.8	114.8	3.9
Wholesale Trade	188.0	2.9	86.7	2.7	15.9	3.2	85.4	2.9
Retail Trade	568.0	2.5	228.9	2.0	205.3	2.5	133.8	5.0
Finance, Insurance, and Real Estate	189.0	2.7	28.3	1.9	95.4	2.6	65.3	3.8
Services	1,345.8	3.9	579.5	4.4	321.0	3.7	445.3	3.6

Note: U.S. Department of Labor, Bureau of Labor Statistics (BLS) data do not track firms over time and therefore cannot measure net job creation by firm size.
Sources: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Labor, Bureau of Labor Statistics, and the U.S. Department of Commerce, Bureau of the Census.

Table 1.12 *Estimated Employment in Small and Large Businesses by Major Industry, December 1997 (Thousands of Jobs)*

	Total		Small Business		Large Business	
	Employment	Percent of Total	Employment	Percent Small	Employment	Percent Large
Total, All Industries	**104,564.0**	**100.0**	**54,982.3**	**52.5**	**49,581.7**	**47.5**
Agricultural Services	626.5	0.6	557.0	88.9	69.5	11.1
Mining	572.0	0.5	221.6	38.7	350.4	61.3
Construction	5,640.0	5.4	5,036.9	89.3	603.1	10.7
Manufacturing	18,698.0	17.9	7,197.4	38.5	11,500.6	61.5
Transportation, Communications, and Public Utilities	6,555.0	6.3	2,381.4	36.3	4,173.6	63.7
Wholesale Trade	6,748.0	6.5	4,524.1	67.0	2,223.9	33.0
Retail Trade	23,109.0	22.1	12,016.2	52.0	11,092.8	48.0
Finance, Insurance, and Real Estate	7,131.0	6.8	3,065.5	43.0	4,065.5	57.0
Services	35,484.5	33.9	19,982.1	56.3	15,502.4	43.7

Note: U.S. Department of Labor, Bureau of Labor Statistics (BLS) data can not measure net job creation by firm size, as they do not track firms over time. However, using current data provided by BLS and the most recent percentages of small (fewer than 500 employees) and large business employment from the Bureau of Census, this table estimates current employment in small and large businesses by major industry.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Labor, Bureau of Labor Statistics and the U.S. Department of Commerce, Bureau of the Census.

new jobs were in the business and health services sectors—including prepackaged software, security systems and general computer programming, temporary agencies, and hospitals (Table 1.11). Retail trade industries of indeterminate size dominance expanded 5.0 percent, creating 13.5 percent of the total new jobs, while transportation sectors added 12 percent.

A look at the small- and large-business-dominated industries that created the most jobs and grew the fastest provides some insight into patterns of employment growth in the United States in 1997.

Industries Generating the Most New Jobs

The 10 small-business-dominated sectors generating the most new jobs created about 1.14 million, or 38 percent of the total employment increase (Table 1.13). Six of the 10 sectors were in service industries—frequently in the "producer services" group that includes engineering and management services, with 188,500 new jobs, and management and public relations with 81,000. Positions in amusement and recreation services, social services, and doctors' offices and clinics also increased significantly. Special trade contractors (electricians, plumbers) added more than 158,000 new positions in 1997. The distributive trade for durable goods created more than 150,000 new jobs. Eating and drinking places—always a prolific job creator—added about 138,000 new jobs.

More than half of the new jobs in large-firm-dominated sectors in 1997 came from four sectors: the personnel and help supply agencies (277,000 new jobs in the two industries combined), general merchandise stores (116,000), and department stores (105,000). The air transportation sector (both manufacturing and transportation of people), hospitals, and food stores also contributed new jobs.

Sectors dominated by neither small nor large firms created significant numbers of new jobs in health and business services, and in prepackaged software and firms specializing in providing security for homes and businesses.

Fastest Growing Industries

The picture of job growth that emerges from looking at the industries with the fastest rates of job growth reveals considerable concentration by industrial sector. In both small- and large-business-dominated sectors, some of the fastest growing industries were in transportation (aircraft, automobiles, and trucks), computers and data processing, information retrieval services, and some parts of the service sector related to recreation, such as physical fitness facilities, motion picture production, and videotape rental outlets.

Three small-business-dominated business service sectors had rates of employment growth in excess of 10 percent between December 1996 and December 1997: public relations services, computer programming services, and management consulting services (Table 1.14). Mattresses and bedsprings and employment agencies each grew almost 10 percent, and management

Table 1.13 *Industries Generating the Most Jobs, December 1996 and December 1997 (Thousands)*

SIC Codes (1987)	Industry	December 1996	December 1997	Absolute Change 1996–1997	Percent Change 1996–1997
Small-Business-Dominated Industries					
8700	Engineering and Management Services	2,892.8	3,081.3	188.5	6.5
1700	Special Trade Contractors	3,421.3	3,579.6	158.3	4.6
5000	Wholesale Trade—Durable Goods	3,854.0	4,006.0	152.0	3.9
5800	Eating and Drinking Places	7,500.1	7,637.6	137.5	1.8
7900	Amusement and Recreation Services	1,323.7	1,424.6	100.9	7.6
8300	Social Services	2,433.5	2,526.6	93.1	3.8
8740	Management and Public Relations	908.2	989.3	81.1	8.9
7990	Miscellaneous Amusement and Recreation Services	963.2	1,041.4	78.2	8.1
8010	Offices and Clinics of Medical Doctors	1,707.9	1,785.4	77.5	4.5
5940	Miscellaneous Shopping Goods Stores	1,134.7	1,204.3	69.6	6.1
Large-Business-Dominated Industries					
7360	Personnel Supply Services	2,762.7	2,916.8	154.1	5.6
7363	Help Supply Services	2,440.4	2,563.1	122.7	5.0
5300	General Merchandise Stores	3,068.0	3,184.2	116.2	3.8
5310	Department Stores	2,676.5	2,781.3	104.8	3.9
8060	Hospitals	3,839.5	3,919.3	79.8	2.1
3700	Transportation Equipment	1,804.5	1,880.0	75.5	4.2
8062	General Medical and Surgical Hospitals	3,543.5	3,614.6	71.1	2.0
4500	Transportation by Air	1,183.5	1,254.5	71.0	6.0
4510	Air Transportation, Scheduled	1,021.9	1,081.6	59.7	5.8
5400	Food Stores	3,530.7	3,589.2	58.5	1.7

Note: Small-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with fewer than 500 employees. Large-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with 500 or more employees. Industries with between 40 and 60 percent of employment in small and large firms are classified as indeterminate.

Source: U.S. Small Business Administration, Office of Advocacy, from employment data provided by the U.S. Department of Labor, Bureau of Labor Statistics, and firm size data provided by the U.S. Department of Commerce, Bureau of the Census.

and public relations, videotape rental, used merchandise stores, miscellaneous automotive dealers, and physical fitness facilities each increased industry employment almost 9 percent in 1997.

The fastest growing large-business-dominated industry in 1997 was also the smallest in the top ten and a manufacturing industry, raw cane sugar. Three subsets of the aircraft manufacturing sector were among the fastest growing: aircraft parts and equipment, not elsewhere classified (a 15.3 percent increase), aircraft and parts (a 9.8 percent increase), and aircraft manufacture (a 9.2 percent increase). Other large-firm-dominated business services sectors that grew very rapidly in 1997 included information retrieval services (10.8 percent), and data processing and preparation (10.2 percent). The rental of passenger cars increased by 9.4 percent, and employment in motion picture production rose by 9.0 percent.

Table 1.14 *Fastest Growing Industries, December 1996 to December 1997 (Thousands of Jobs)*

SIC Codes (1987)	Industry	December 1996	December 1997	Absolute Change 1996–1997	Percent Change 1996–1997
Small-Business-Dominated Industries					
8743	Public Relations Services	36.8	42.5	5.7	15.5
7371	Computer Programming Services	284.4	327.1	42.7	15.0
8742	Management Consulting Services	317.5	357.3	39.8	12.5
2515	Mattresses and Bedsprings	32.2	35.4	3.2	9.9
7361	Employment Agencies	322.3	353.7	31.4	9.7
8740	Management and Public Relations	908.2	989.3	81.1	8.9
7840	Videotape Rental	159.5	173.7	14.2	8.9
5590	Automotive Dealers, NEC	9.3	10.1	0.8	8.6
5930	Used Merchandise Stores	109.7	119.1	9.4	8.6
7991	Physical Fitness Facilities	159.2	172.8	13.6	8.5
Large-Business-Dominated Industries					
2061	Raw Cane Sugar	6.4	8.2	1.8	28.1
3533	Oil and Gas Field Machinery	41.8	49.3	7.5	17.9
3715	Truck Trailers	33.6	39.3	5.7	17.0
3728	Aircraft Parts and Equipment, NEC	127.2	146.6	19.4	15.3
7375	Information Retrieval Services	71.2	78.9	7.7	10.8
7374	Data Processing and Preparation	240.6	265.2	24.6	10.2
3720	Aircraft and Parts	480.3	527.2	46.9	9.8
7514	Passenger Car Rental	128.8	140.9	12.1	9.4
3721	Aircraft	255.3	278.8	23.5	9.2
7810	Motion Picture Production and Services	226.6	247.1	20.5	9.0

NEC = Not elsewhere classified.

Note: Small-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with fewer than 500 employees. Large-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with 500 or more employees. Industries with between 40 and 60 percent of employment in small and large firms are classified as indeterminate.

Source: U.S. Small Business Administration, Office of Advocacy, from employment data provided by the U.S. Department of Labor, Bureau of Labor Statistics, and firm size data provided by the U.S. Department of Commerce, Bureau of the Census.

Two other large-firm-dominated industries merit mention in this category: securities and commodities brokers, which expanded 8.1 percent in response to the continued favorable performance in the equity markets, and nondepository institutions, including mortgage brokers, credit card issuers, and consumer finance companies, which increased employment 5.4 percent.

The Changing Industrial Structure: Job Losses by Sector

The changing structure of industry can also be seen in the industries losing the most jobs (Table 1.15). These job losses may reflect absolute employment declines, productivity gains, or exporting of jobs. A range of industries across the manufacturing, retail trade, and service sectors showed employment declines.

Industries Losing the Most Jobs

In general, job losses in 1997 were confined to well-defined sectors, with large-firm-dominated industries generally losing more jobs than any other category. At the two- digit SIC code level of detail, the largest job losses occurred in several large-business-dominated and indeterminate textile and apparel sectors. In particular, apparel and other textile products and textile mill products were among the largest job losers, dropping a total of about 56,000 jobs. Many of these jobs may have been exported or replaced as a result of technological advances. The reasons are not known and are subjects for further research. Components of these major sectors, such as knitting mills and men's and boys' furnishings, are also shedding large numbers of jobs.

Other labor-intensive and historically large-business-dominated apparel industries—particularly women's leather footwear and other leather goods, as well as men's and boys' shirts—also continued to downsize. Other large-business-dominated sectors losing at least 5,000 jobs in 1997 included the delivery of electric services—an industry undergoing restructuring—and the mining of crude petroleum, metal and natural gas.

Within small-business-dominated industries, very few sectors lost jobs in 1997, but there were a few. Employment in fresh fruit and vegetable stores declined by 7,200 jobs; it is likely that supermarkets took over these functions. Some personal service sectors, such as barber shops, beauty shops, laundries, and funeral establishments, have been subject to consolidation, and some inefficient units have closed. About 8,200 personal service jobs were lost in 1997.

Industries With the Fastest Rates of Employment Loss

Eight specific categories of the apparel industry were among the ten four-digit SIC code industries losing jobs at the fastest rates in 1997 (Table 1.16). These included women's footwear, a large-business-dominated sector; two indeterminate industries knitting underwear; and girls' and children's blouses and dresses, a small-business-dominated sector. The manufacture of ordnance, a large-business-dominated sector, also lost 7.5 percent of its employment in 1997—probably among the final outcomes of the defense diversification movement of the 1990s.

Table 1.15 *Industries Losing the Most Jobs, December 1996 and December 1997 (Thousands of Jobs)*

SIC Code (1987)	SIC Level	Industry	December 1996	December 1997	Absolute Change 1996–1997	Percent Change 1996–1997	Firm Size Dominance
Two-Digit SIC Level Industries							
2300	2	Apparel and Other Textile Products	837.5	793.2	−44.3	−5.3	Indeterminate
4900	2	Electric, Gas, and Sanitary Services	875.3	859.9	−15.4	−1.8	Large
2200	2	Textile Mill Products	614.9	603.3	−11.6	−1.9	Large
7200	2	Personal Services	1,176.6	1,168.4	−8.2	−0.7	Small
3100	2	Leather and Leather Products	94.3	88.4	−5.9	−6.3	Indeterminate
1200	2	Coal Mining	93.6	90.1	−3.5	−3.7	Large
2900	2	Petroleum and Coal Products	138.0	135.3	−2.7	−2.0	Large
1000	2	Metal Mining	53.9	52.0	−1.9	−3.5	Large
2600	2	Paper and Allied Products	679.3	677.5	−1.8	−0.3	Large
3900	2	Miscellaneous Manufacturing Industries	386.3	384.8	−1.5	−0.4	Small
Three-Digit SIC Level Industries							
2320	3	Men's and Boys' Furnishings	218.2	203.2	−15.0	−6.9	Large
7290	3	Miscellaneous Personal Services	137.5	127.1	−10.4	−7.6	Indeterminate
2250	3	Knitting Mills	174.3	166.7	−7.6	−4.4	Large
1310	3	Crude Petroleum and Natural Gas	138.3	130.8	−7.5	−5.4	Large
4910	3	Electric Services	381.1	374.1	−7.0	−1.8	Large
5620	3	Women's Clothing Stores	320.3	314.4	−5.9	−1.8	Large
3940	3	Toys and Sporting Goods	112.2	106.5	−5.7	−5.1	Indeterminate
3140	3	Footwear, except Rubber	43.5	38.5	−5.0	−11.5	Large
4920	3	Gas Production and Distribution	145.0	140.0	−5.0	−3.4	Large
3650	3	Household Audio and Video Equipment	83.0	78.4	-4.6	−5.5	Large
Four-Digit SIC Level Industries							
2339	4	Women's and Misses' Outerwear, NEC	156.4	144.0	−12.4	−7.9	Small
5148	4	Fresh Fruits and Vegetables	108.5	101.3	−7.2	−6.6	Small
3585	4	Refrigeration and Heating Equipment	142.1	136.9	−5.2	−3.7	Large
2325	4	Men's and Boys' Trousers and Slacks	73.3	69.4	−3.9	−5.3	Large
2321	4	Men's and Boys' Shirts	45.3	41.8	−3.5	−7.7	Large
2253	4	Knit Outerwear Mills	53.5	50.0	−3.5	−6.5	Large
3949	4	Sporting and Athletic Goods, NEC	71.7	68.2	−3.5	−4.9	Indeterminate
3731	4	Ship Building and Repairing	97.7	94.3	−3.4	−3.5	Large
2341	4	Women's and Children's Underwear	29.1	25.7	−3.4	−11.7	Indeterminate
2254	4	Knit Underwear Mills	17.3	14.3	−3.0	−17.3	Indeterminate

NEC = Not elsewhere classified.

Note: Small-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with fewer than 500 employees. Large-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with 500 or more employees. Industries with between 40 and 60 percent of employment in small and large firms are classified as indeterminate.

Source: U.S. Small Business Administration, Office of Advocacy, from employment data provided by the U.S. Department of Labor, Bureau of Labor Statistics, and firm size data provided by the U.S. Department of Commerce, Bureau of the Census.

Table 1.16 *Industries with Largest Percentage Losses in Employment, December 1996 and December 1997 (Thousands of Jobs)*

SIC Code (1987)	SIC Level	Industry	December 1996	December 1997	Absolute Change 1996–1997	Percent Change 1996–1997	Firm Size Dominance
Two-Digit SIC Level Industries							
3100	2	Leather and Leather Products	94.3	88.4	−5.9	−6.3	Indeterminate
2300	2	Apparel and Other Textile Products	837.5	793.2	−44.3	−5.3	Indeterminate
1200	2	Coal Mining	93.6	90.1	−3.5	−3.7	Large
1000	2	Metal Mining	53.9	52.0	−1.9	−3.5	Large
2100	2	Tobacco Products	44.6	43.7	−0.9	−2.0	Large
2900	2	Petroleum and Coal Products	138.0	135.3	−2.7	−2.0	Large
2200	2	Textile Mill Products	614.9	603.3	−11.6	−1.9	Large
4900	2	Electric, Gas, and Sanitary Services	875.3	859.9	−15.4	−1.8	Large
4600	2	Pipelines, except Natural Gas	14.3	14.2	−0.1	−0.7	Large
7200	2	Personal Services	1,176.6	1,168.4	−8.2	−0.7	Small
Three-Digit SIC Level Industries							
5450	3	Dairy Products Stores	22.5	18.8	−3.7	−16.4	Small
2360	3	Girls' and Children's Outerwear	32.8	28.6	−4.2	−12.8	Indeterminate
3140	3	Footwear, except Rubber	43.5	38.5	−5.0	−11.5	Large
2340	3	Women's and Children's Undergarments	39.8	35.3	−4.5	−11.3	Indeterminate
3170	3	Handbags and Personal Leather Goods	9.9	9.0	−0.9	−9.1	Indeterminate
7290	3	Miscellaneous Personal Services	137.5	127.1	−10.4	−7.6	Indeterminate
3480	3	Ordnance and Accessories, NEC	45.2	41.8	−3.4	−7.5	Large
2320	3	Men's and Boys' Furnishings	218.2	203.2	−15.0	−6.9	Large
3650	3	Household Audio and Video Equipment	83.0	78.4	−4.6	−5.5	Large
1310	3	Crude Petroleum and Natural Gas	138.3	130.8	−7.5	−5.4	Large
Four-Digit SIC Level Industries							
3144	4	Women's Footwear, except Athletic	12.6	10.1	−2.5	−19.8	Large
2254	4	Knit Underwear Mills	17.3	14.3	−3.0	−17.3	Indeterminate
2361	4	Girls' and Children's Dresses and Blouses	12.7	10.6	−2.1	−16.5	Small
2341	4	Women's and Children's Underwear	29.1	25.7	−3.4	−11.7	Indeterminate
2391	4	Curtains and Draperies	20.0	17.9	−2.1	−10.5	Small
2342	4	Brassieres, Girdles, and Allied Garments	10.7	9.6	−1.1	−10.3	Large
3483	4	Ammunition, except for Small Arms, NEC	23.9	21.9	−2.0	−8.4	Large
2339	4	Women's and Misses' Outerwear, NEC	156.4	144.0	−12.4	−7.9	Small
2321	4	Men's and Boys' Shirts	45.3	41.8	−3.5	−7.7	Large
2331	4	Women's and Misses' Blouses and Shirts	26.0	24.0	−2.0	−7.7	Small

NEC = Not elsewhere classified.

Note: Small-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with fewer than 500 employees. Large-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with 500 or more employees. Industries with between 40 and 60 percent of employment in small and large firms are classified as indeterminate.

Source: U.S. Small Business Administration, Office of Advocacy, from employment data provided by the U.S. Department of Labor, Bureau of Labor Statistics, and firm size data provided by the U.S. Department of Commerce, Bureau of the Census.

Conclusion

It is hard to imagine a better year for both the economy and small business than 1997. The gross domestic product increased 3.9 percent in real terms; the economy added more than 3 million net new private nonfarm payroll jobs; and unemployment fell from 5.4 percent in December 1996 to 4.9 percent in December 1997. Consumers realized real income gains, as employee compensation rose 6.3 percent while inflation remained at about 2 percent. The income of smaller sole proprietorships and partnerships also increased 5.5 percent, significantly above the rate of inflation. The rate of consumer confidence was at its highest level since 1969.

The economy had very balanced employment growth in 1997. Small-business-dominated sectors added jobs about 60 percent faster than large-business-dominated sectors. Many of these new opportunities were in business service sectors like engineering, management consulting and public relations. In large-firm-dominated sectors, temporary help agencies, information technology, and leisure-based industries like motion pictures added many new jobs. For the first time in eight years, the manufacturing sector added jobs in many areas, particularly in transportation equipment.

As industries in the trade and service sectors restructure, many are no longer dominated by small or large firms. In 1997, one-third of the new jobs were created in industries not dominated by small or large business. This is especially true in segments of the health and business services sector as successful small firms become large firms or are bought out by other organizations of varying sizes.

While new business formation continued to set record levels in 1997, business failures increased and business bankruptcies—more indicative of small business distress—rose a modest 1 percent. Business closings are tied to, and lag behind, business formations; some increases in business dissolution are expected, given the very high levels of business formation over the last several years.

Chapter 2

New Data for Analysis of Small Business Job Creation

Synopsis

Small businesses created three-fourths of the net new jobs from 1990 to 1995. Overall, employment in establishments owned by small firms grew 10.5 percent over the period, compared with 3.7 percent employment growth in establishments owned by firms with more than 500 employees.

How does it happen, then, that while small firms had much higher job growth rates than large firms, their share of overall employment actually fell slightly, from 53.7 percent in 1990 to 52.5 percent in 1995?

To understand this paradox is to understand why static data cannot be used to measure dynamic change. The static data usually used to portray small and large businesses' relative shares of employment are based on snapshots at two points in time. These data do not give a clue to the immense dynamic activity behind the scenes—activity that turns high-growth small firms into large firms.

With the Business Information Tracking Series (BITS) file, a new longitudinal database covering all U.S. establishments with employees, it is now feasible to study the underlying dynamics of business births, deaths, expansions, and contractions. The BITS allows the tracking of establishments over time, including shifts in the firm size classes of growing small businesses or downsizing large businesses. It provides a picture, for example, of how a small computer firm can expand so quickly it becomes a giant within the period of observation.

The database also allows businesses to be tracked in more detail, including their locations and industries. Over the 1990–1995 period, establishments in the smaller firm size classes grew fastest in services, agricultural services, and transportation, communications, and public utilities.

Background

Historically, measurement of job generation has been hampered by the lack of accurate and comprehensive data able to track businesses over time. Government statistics have typically covered only net changes in employment totals, usually by industry or region, not by firm size. Net data do not reveal the large number of jobs created or destroyed. To improve this situation, the

U.S. Small Business Administration contracted with the Bureau of the Census to develop better methods of producing firm size data beginning in 1991.

Static analysis takes snapshots of the economy at two different times and then compares the snapshots. From 1990 to 1995, the share of employment in small firms—those with fewer than 500 employees—fell slightly, from 53.7 percent to 52.5 percent, and the share of establishments belonging to small firms declined from 88.2 percent to 87.7 percent.[1] The share of firms that are small has remained steady at 99.7 percent from 1988 to 1995 (the years for which data are available).

However, these static data on the distribution of employment by firm size do not show the growth and job-creating ability of small firms. This is because many successful small firms become large firms or are acquired by larger firms, while many less successful large firms become small firms. The small firm share of total employment tends to remain relatively constant, regardless of small firms' higher growth rates.

Compared with the snapshots depicted in static data, dynamic data are like a motion picture that captures the wide-ranging movements in the economy. In a dynamic framework, it is possible to see what happens to establishments and jobs over time, including how their firm size classes shift. The action not seen in the static data, such as births of new establishments, deaths of existing establishments, and contractions and expansions of continuing establishments, is occurring simultaneously in different establishments within a size class.[2] Studies have shown a high incidence of establishments jumping up one or two firm size classes, or falling to smaller size classes. This underlying activity of job creation, destruction, and reorganization of firms is most illustrative of the dynamic U.S. economy.

The dynamic and continuous "churning" of the business population and its employment produces the net changes commonly cited to indicate the overall performance of the U.S. economy. Much of this churning reflects the reshuffling of factors of production to improve efficiency and competitiveness. An active economy requires a massive flow of transactions—measured in dynamic, longitudinal data on jobs—and associated with these, an ongoing process of firm entry and exit, and labor hiring and firing. Only longitudinal microdata that track business establishments through time can provide a basis for measuring and analyzing the gross flows in business establishment populations and their employment. The result is a better understanding of how the U.S. economy grows and adapts to changes.

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[1] For the purposes of this discussion, except as noted otherwise, small firms are defined as those with fewer than 500 employees, large firms as those with 500 or more employees.

[2] It is important to note the distinction between the birth of an establishment and the birth of a firm. A birth of an establishment to an existing firm is not a new firm, but rather an additional location of the original firm. An establishment birth that is a single independent unit not owned by another firm is a new firm. Over the 1990–1995 period in the U.S. economy, 78.5 percent of the establishment births were new firm births and 21.5 percent were births of establishments of existing firms. About 53 percent of the employment generation from establishment births belonged to new firm births and 47 percent belonged to births of establishments in existing firms.

The only federal longitudinal database on which most previous research has been based is the Longitudinal Research Database (LRD) of the U.S. Department of Commerce, Bureau of the Census. While study of the LRD has shed some light on the underlying movements in the economy, these data are limited to the manufacturing sector and exclude businesses with fewer than five employees, where much of the dynamics of firm births, deaths, expansions, and contractions occurs.

The development of a new longitudinal file with data on establishments and the firms that own them, including those with fewer than five employees, has been a joint project of the U.S. Census Bureau and the U.S. Small Business Administration's Office of Advocacy since 1996. This Business Information Tracking Series (BITS) currently consists of data on all U.S. establishments with positive payroll in 1990, 1994, and 1995, in all nonfarm sectors of the economy.[3] Additional years of data are expected to be added to the file so that annual longitudinal data will be available for 1989 through 1996.

The Magnitude of Change

While static data can provide a picture of the relative small and large business shares of the economy at various points in time, they mask the immense underlying changes—births, deaths, expansions and contractions—of firms and establishments and the concurrent changes in their employment. A look, using dynamic longitudinal data, at establishment and employment change by firm size over two different time spans (1994–1995 and 1990–1995) gives a sense of both the magnitude and the sources of change.

Establishment Change

Over the 1994–1995 period, small firms were responsible for 83.8 percent of 108,000 net new establishments, as well as more than 80 percent of establishment expansions and contractions (Chart 2.1 and Table 2.1). Behind these summary statistics is a motion picture of sweeping change. Of the 5.8 million establishments with employees that existed in 1994, almost 1.8 million (30.7 percent) expanded, 1.5 million (25.5 percent) contracted, and nearly 600,000 went out of business. Just one-third—1.9 million—existed until 1995 without registering a change in their employment. Nearly 700,000 new establishments were formed—a number equal to 12.1 percent of the 1994 total.

Over the five-year period, small businesses were responsible for 90.1 percent of the 372,000 new establishments, as well as 86.6 percent of establishment expansions and 83.8 percent of establishment contractions (Table 2.2). Behind the scenes, of the 5.5 million establishments that existed in 1990, some 1.5 million expanded, 1.4 million contracted, and more than 1.9 million went out of business by 1995. Only 13.7 percent—760,000—remained unchanged.

[3] The BITS was initially called the Longitudinal Establishment and Enterprise Microdata (LEEM) file, so a few earlier studies will identify the database by that name.

Almost 2.3 million new establishments were started, a birth rate of almost 8 percent annually.

The turnover of establishments is usually described as being equal to the sum of births and deaths of establishments over a time period. In the one-year period, some 600,000 new firms (original locations) and 100,000 new establishments in existing firms (secondary locations) started up, for a total of 700,000, or 12 percent of the 5.8 million-establishment base (Table 2.1). On the other side of the ledger, 500,000 original locations and 90,000 secondary locations—10 percent of the total—went out of business. Thus the total turnover in 1994–1995 was almost 1.3 million establishments—1.1 million original locations and 200,000 secondary locations (about 22 percent of the base).

Over the five-year period, 1.8 million new original locations and 500,000 new secondary locations started in 1990 or later and survived through 1995 (Table 2.2). Closings numbered 1.5 million original locations and almost 400,000 secondary establishments. Thus the total 1990–1995 turnover was 4.2 million establishments—3.3 million original locations and almost 900,000 secondary locations (about 76 percent of the 1990 base).

Employment Change

The net change in employment is the difference between job creation and job destruction. When the difference is positive, it is called job generation. This job generation is usually given as a percentage of the base year employment.[4] The 1994–1995 job generation totaled 3.7 percent of the 1994 base year employment (Chart 2.2 and Table 2.1). Small firms increased jobs by 5.1 percent, compared with 2.1 percent in large firms.

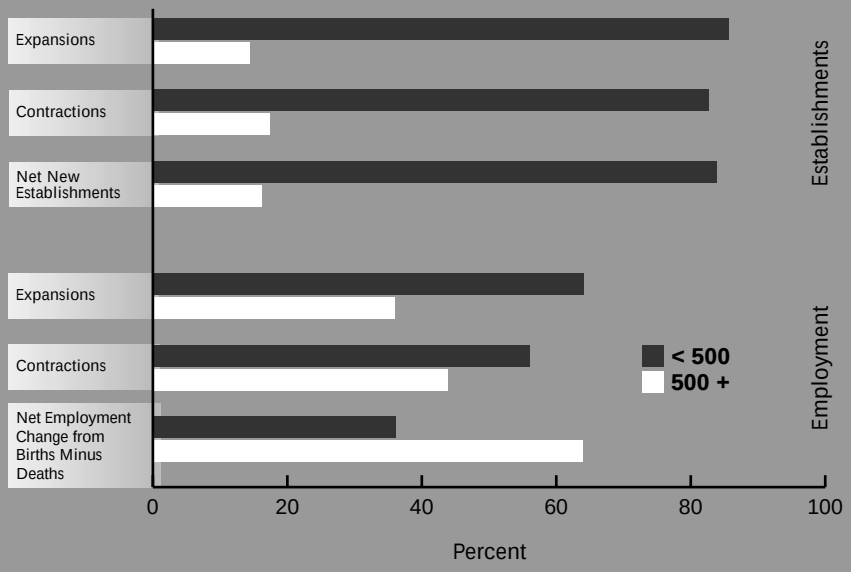
In that one-year period, small businesses with fewer than 500 employees generated just under three-fourths (72.7 percent) of the 3.6 million net new jobs, and establishments with fewer than five employees generated about 29 percent. The 3.6 million-job net gain was the result of much more extensive activity: 10.6 million jobs gained through expansions, more than 8 million lost through contractions, almost 6 million gained in new establishments, and 4.5 million lost in business closings.

Over the five-year period, job generation totaled 7.3 percent of 1990 employment (Chart 2.3 and Table 2.2). The job generation rate in small firms was 10.5 percent, almost three times the 3.7 percent rate in large firms.

Over the 1990–1995 period, small firms with fewer than 500 employees again generated about three-fourths (76.4 percent) of the 6.9 million new jobs and firms with four or fewer employees generated about 27 percent. Behind the job generation total were 16 million new jobs as a result of expansions, 14 million lost to contractions, 25 million in new establishments, and more than 20 million lost to business closings.

Adding together the gross job creation and destruction rates gives a gross reallocation or churning rate. This is the portion of jobs that turned over in a period, or the portion of employees in jobs that were created or destroyed during the period. In the economy as a whole, the churning rate totaled 30 percent

Chart 2.1 *Small and Large Business Shares of Establishment and Employment Change, 1994–1995*



Source: U.S. Small Business Administration, Office of Advocacy, Business Information Tracking Series, from data provided by the U.S. Department of Commerce, Bureau of the Census.

for the one-year (1994–1995) period and almost 81 percent over the five-year (1990–1995) interval (Tables 2.1 and 2.2). The five-year reallocation rate was much higher for the smaller firm size classes, ranging from 130 percent in the 1–4-employee size class to 81 percent in the 100–499-employee size class, and 70 percent in the over-500-employee size class. Even in the one-year period, firms with 1–4 employees experienced a reallocation rate of 60 percent, twice the economy-wide rate.

Where the Jobs are Generated

Employment creation can come from three sources: the birth of a new firm or primary establishment, the birth of a new secondary establishment to an existing firm, or expansion in the work force of an existing establishment. Likewise, employment destruction can come from deaths of establishments and firms, or contractions of continuing establishments. Large firms add most

[4] However, the net change is classified by firm size. The firm size can be calculated using initial year firm size or the mean of the initial year and ending year firm sizes. This is discussed further in Appendix B of this chapter. In this discussion, net change is allocated to the firm size in the initial year.

Table 2.1 *Establishment and Employment Changes from Establishment Expansions, Contractions, Births, and Deaths, by Firm Size, 1994–1995*

		Employment Size of Firm (1994)						
Data Type	Total	1–4	5–9	10–19	20–99	100–499	500+	<500
Establishments in 1994	**5,770,090**	**2,518,825**	**980,828**	**607,104**	**627,603**	**278,039**	**757,691**	**5,012,399**
Establishment Changes Resulting from:								
Continuing Establishments without Employment Change	1,940,739	1,222,759	254,054	107,682	105,827	60,514	189,903	1,750,836
Continuing Establishments with Employment Expansions	1,769,311	584,948	323,178	232,967	262,375	110,656	255,187	1,514,124
Continuing Establishments with Employment Contractions	1,472,703	338,518	332,602	229,374	225,669	90,766	255,774	1,216,929
Births, New Firms (Original Locations)	594,369	447,091	84,782	37,023	22,741	2,482	250	594,119
Births, Existing Firms (Secondary Locations)	101,288	499	593	1,127	7,851	17,106	74,112	27,176
Deaths, Original Locations	−497,246	−370,769	−68,630	−33,042	−21,759	−2,674	−372	−496,874
Deaths, Secondary Locations	−90,091	−1,831	−2,364	−4,039	−11,973	−13,429	−56,455	−33,636
Establishments in 1995	**5,878,410**	**2,593,815**	**995,209**	**608,173**	**624,463**	**281,524**	**775,226**	**5,103,184**
Net Change, 1994–1995	**108,320**	**74,990**	**14,381**	**1,069**	**-3,140**	**3,485**	**17,535**	**90,785**
As a Percentage of Base Year Establishments	1.9	3.0	1.5	0.2	-0.5	1.3	2.3	1.8
Percentage of Net Change Resulting from:								
Births and Deaths of New Firms (Original Locations)	89.7	101.8	112.3	372.4	−31.3	−5.5	−0.7	107.1
Birth and Deaths of Establishments of Existing Firms (Secondary Locations)	10.3	−1.8	−12.3	−272.4	131.3	105.5	100.7	−7.1

Employment in Establishments								
Employment in Establishments in 1994	**96,687,346**	**5,311,360**	**6,325,466**	**7,537,382**	**17,685,901**	**14,113,903**	**45,713,334**	**50,974,012**
Employment Changes Resulting from:								
Continuing Establishments with Employment Expansions	10,593,050	1,302,175	936,448	985,529	2,068,486	1,497,688	3,802,724	6,790,326
Continuing Establishments with Employment Contractions	−8,234,378	−428,175	−675,598	−746,936	−1,543,133	−1,228,192	−3,612,344	−4,622,034
Births, New Firms (Original Locations)	3,322,001	803,500	544,323	488,330	823,180	390,123	272,545	3,049,456
Births, Existing Firms (Secondary Locations)	2,441,599	2,426	3,178	6,184	86,909	308,682	2,034,220	407,379
Deaths, Original Locations	−2,822,627	−648,100	−441,102	−427,350	−747,930	−369,105	−189,040	−2,633,587
Deaths, Secondary Locations	−1,708,078	−2,879	−6,673	−17,497	−111,095	−240,091	−1,329,843	−378,235
Employment in Establishments in 1995	**100,278,913**	**6,340,307**	**6,686,042**	**7,825,642**	**18,262,318**	**14,473,008**	**46,691,596**	**53,587,317**
Net Change, 1994–1995	**3,591,567**	**1,028,947**	**360,576**	**288,260**	**576,417**	**359,105**	**978,262**	**2,613,305**
As a Percentage of Base Year Employment	3.7	19.4	5.7	3.8	3.3	2.5	2.1	5.1
Percentage of Net Change Resulting from:								
Births and Deaths of New Firms (Original Locations)	13.9	15.1	28.6	21.2	13.1	5.9	8.5	15.9
Birth and Deaths of Establishments of Existing Firms (Secondary Locations)	20.4	0.0	−1.0	−3.9	−4.2	19.1	72.0	1.1
Expansions and Contractions	65.7	84.9	72.3	82.8	91.1	75.0	19.5	83.0

Notes: Represents activity from March 1994 to March 1995. Longitudinal data for private establishments active (payroll) in the first quarter of the year. (Establishments with no employment in the first quarter were excluded). New firm births are classified by their employment size at the first quarter. Continuing firms are establishments that began before the period and ended alive (ownership changes are considered continuing firms).

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Table 2.2 *Establishment and Employment Changes from Establishment Expansions, Contractions, Births and Deaths, by Firm Size, 1990–1995*

		Employment Size of Firm (1990)						
Data Type	Total	1–4	5–9	10–19	20–99	100–499	500+	<500
Establishments in 1990	**5,506,863**	**2,391,967**	**968,846**	**598,583**	**587,789**	**249,239**	**710,439**	**4,796,424**
Establishment Changes Resulting from:								
Continuing Establishments without Employment Change	757,129	523,232	99,285	35,788	25,984	17,871	55,049	702,080
Continuing Establishments with Employment Expansions	1,465,376	549,133	267,500	177,135	186,286	80,925	204,397	1,260,979
Continuing Establishments with Employment Contractions	1,366,600	306,996	316,672	222,112	219,464	80,930	220,426	1,146,174
Births, New Firms (Original Locations)	1,797,117	1,200,693	320,476	158,662	103,910	11,920	1,456	1,795,661
Births, Existing Firms (Secondary Locations)	492,188	3,330	8,638	23,964	95,336	95,074	265,846	226,342
Deaths, Original Locations	−1,546,705	−1,006,057	−274,320	−145,663	−105,996	−12,971	−1,698	−1,545,007
Deaths, Secondary Locations	−371,053	−6,549	−11,069	−17,885	−50,139	−56,542	−228,869	−142,184
Establishments in 1995	**5,878,410**	**2,583,384**	**1,012,571**	**617,661**	**630,900**	**286,720**	**747,174**	**5,131,236**
Net Change, 1990–1995	**371,547**	**191,417**	**43,725**	**19,078**	**43,111**	**37,481**	**36,735**	**334,812**
As a Percentage of Base Year Establishments	6.7	8.0	4.5	3.2	7.3	15.0	5.2	7.0
Percentage of Net Change Resulting from:								
Births and Deaths of New Firms (Original Locations)	67.4	101.7	105.6	68.1	−4.8	−2.8	−0.7	74.9
Birth and Deaths of Establishments of Existing Firms (Secondary Locations)	32.6	−1.7	−5.6	31.9	104.8	102.8	100.7	25.1

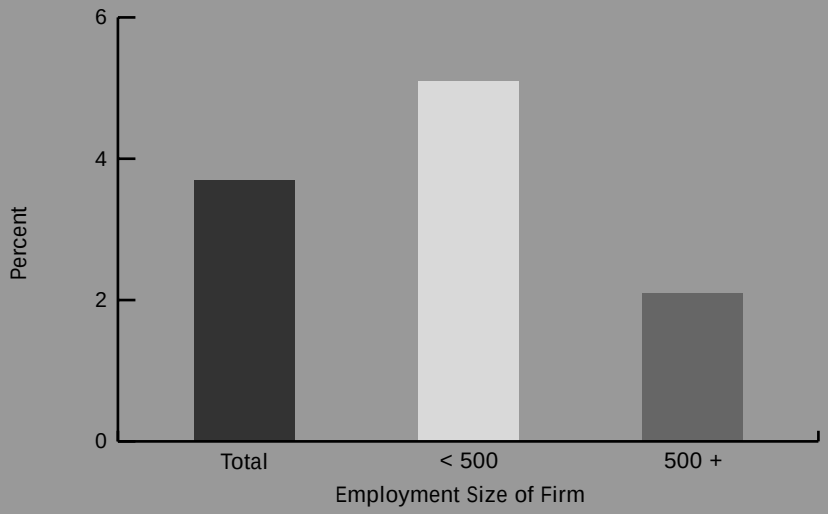
Employment in Establishments

Employment in Establishments in 1990	**93,425,129**	**5,108,303**	**6,242,213**	**7,534,444**	**17,696,242**	**13,541,449**	**43,302,478**	**50,122,651**
Employment Changes Resulting from:								
Continuing Establishments with Employment Expansions	15,995,309	1,919,563	1,386,285	1,462,029	3,151,430	2,216,497	5,859,505	10,135,804
Continuing Establishments with Employment Contractions	−13,914,523	−422,184	−827,565	−1,088,071	−2,692,529	−2,173,404	−6,710,770	−7,203,753
Births, New Firms (Original Locations)	13,304,645	2,345,524	2,076,217	2,092,641	3,755,026	1,857,199	1,178,038	12,126,607
Births, Existing Firms (Secondary Locations)	11,795,155	7,185	25,982	116,048	935,436	1,879,963	8,830,541	2,964,614
Deaths, Original Locations	−11,808,721	−1,960,701	−1,766,868	−1,884,399	−3,726,113	−1,775,068	−695,572	−11,113,149
Deaths, Secondary Locations	−8,518,081	−9,841	−30,351	−81,598	−482,906	−1,063,948	−6,849,437	−1,668,644
Employment in Establishments in 1995	**100,278,913**	**6,987,849**	**7,105,913**	**8,151,094**	**18,636,586**	**14,482,688**	**44,914,783**	**55,364,130**
Net Change, 1990–1995	**6,853,784**	**1,879,546**	**863,700**	**616,650**	**940,344**	**941,239**	**1,612,305**	**5,241,479**
As a Percentage of Base Year Employment	7.3	36.8	13.8	8.2	5.3	7.0	3.7	10.5
Percentage of Net Change Resulting from:								
Births and Deaths of New Firms (Original Locations)	21.8	20.5	35.8	33.8	3.1	8.7	29.9	19.3
Birth and Deaths of Establishments of Existing Firms (Secondary Locations)	47.8	−0.1	−0.5	5.6	48.1	86.7	122.9	24.7
Expansions and Contractions	30.4	79.7	64.7	60.6	48.8	4.6	−52.8	55.9

Notes: Represents activity from March 1990 to March 1995. Longitudinal data for private establishments active (payroll) in the first quarter of the year. (Establishments with no employment in the first quarter were excluded.) New firm births are classified by their employment size at the first quarter. Continuing firms are establishments that began before the period and ended alive (ownership changes are considered continuing firms).

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Chart 2.2 *Job Generation Rates by Firm Size, 1994–1995*



Source: U.S. Small Business Administration, Office of Advocacy, Business Information Tracking Series, from data provided by the U.S. Department of Commerce, Bureau of the Census.

of their new jobs by adding establishments to existing firms, while small firms add jobs primarily through internal expansions.

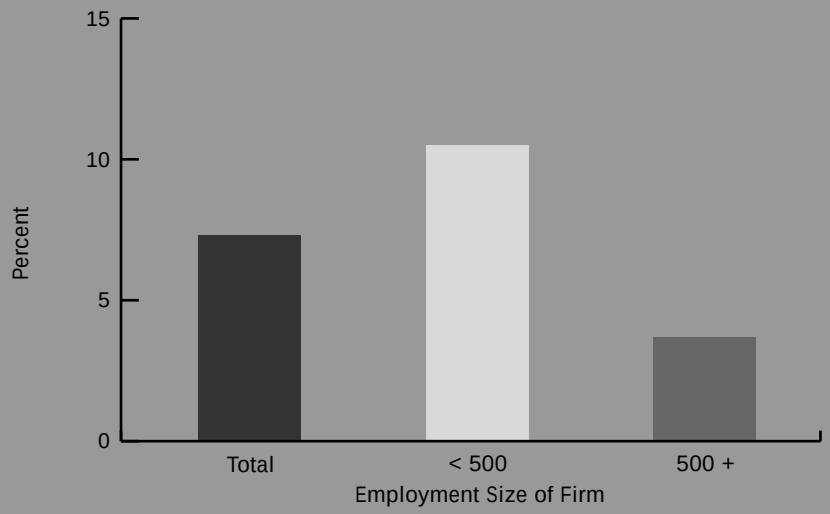
Expansions and Contractions

Expansions within existing establishments were responsible for two-thirds of the net job growth over the one-year period and 30.4 percent over the five-year period (Tables 2.1 and 2.2). Net expansions drive much of the job growth in smaller firms: 83 percent of small firm job growth over the one-year period and 56 percent over the five-year period came from expansions. In contrast, large firms gained just 20 percent of job growth from expansions over the one-year period and lost 53 percent of the net job growth to net contractions over the five-year period. Overall, employment grew faster in small businesses, where expansions were the major contributor of employment change.

Firm and Establishment Births and Deaths

Firm and establishment births and deaths generally account for a smaller proportion of employment change in a one-year period than expansions and contractions. Nevertheless, such turnover plays a very important role in the dynamics of the economy. The flexibility to start and close businesses allows the economy to adapt to new markets and changes in demand, while encouraging innovation.

Chart 2.3 *Job Generation Rates by Firm Size, 1990–1995*



Source: U.S. Small Business Administration, Office of Advocacy, Business Information Tracking Series, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Over the one-year period, net establishment births in both original and secondary locations accounted for almost 35 percent of the net increase in employment (Table 2.1). All of the net increase in the number of establishments in firms with fewer than 20 employees came in the form of entire new firms. In contrast, in firms with more than 20 employees, all of the net increase came from new secondary establishments within existing firms. The number of establishments increased faster for large businesses than for small businesses over this one-year period, and this establishment increase was the driving force for growth in large business employment.

Over the 1990–1995 period, almost 70 percent of the employment growth came from net establishment births (Table 2.2).[5] Almost one-half of the net employment increase was in establishments added to existing firms, while 22 percent came from net births of new firms. In the firms with fewer than 10 employees, all of the new establishments were original locations, while in firms with 20 or more employees, the new establishments were additions to existing firms. In the 10–19-employee firm size class, about two-thirds of the new establishments were new original locations.

[5] In the five-year (1990–1995) interval, a "birth" is any establishment born after 1990 and in or before 1995, so the average age of the birth when measured in 1995 is 2½ years. Employment from these firms born after 1990 is attributed to a birth rather than an expansion. The five-year interval also completely misses firms that are born after 1990 and die before the end of the period. A one-year interval gives a much clearer picture of the proportion of net growth that can be allocated to births of new establishments versus expansions of those already in existence.

Table 2.3 *Employment Change by Industry and Firm Size, 1994–1995*

Industry		Total	Employment Size of Firm 1–4	5–9	10–19	20–99	100–499	500+
Total	**Employment in 1994**	**96,687,346**	**5,311,360**	**6,325,466**	**7,537,382**	**17,685,901**	**14,113,903**	**45,713,334**
	Net Change, 1994–1995	**3,591,567**	**1,028,947**	**360,576**	**288,260**	**576,417**	**359,105**	**978,262**
	Percent Change							
	Total (Net) Change	3.7	19.4	5.7	3.8	3.3	2.5	2.1
	From Job Creation	16.9	39.7	23.5	19.6	16.8	15.6	13.4
	From Job Destruction	−13.2	−20.3	−17.8	−15.8	−13.6	−13.0	−11.2
	From Job Reallocation	30.1	60.0	41.2	35.4	30.4	28.6	24.6
Manufacturing	**Employment in 1994**	**18,094,984**	**229,480**	**403,263**	**700,275**	**2,658,788**	**2,977,200**	**11,125,978**
	Net Change, 1994–1995	**498,515**	**64,047**	**44,603**	**52,753**	**126,323**	**104,677**	**106,112**
	Percent Change							
	Total (Net) Change	2.8	27.9	11.1	7.5	4.8	3.5	1.0
	From Job Creation	12.1	49.3	27.4	21.0	15.6	13.2	9.2
	From Job Destruction	9.4	−21.3	−16.4	−13.4	−10.8	−9.7	−8.2
	From Job Reallocation	21.5	70.6	43.8	34.4	26.4	23.0	17.4
Retail Trade	**Employment in 1994**	**20,314,005**	**1,044,120**	**1,466,656**	**1,843,066**	**4,190,824**	**2,130,910**	**9,638,429**
	Net Change, 1994–1995	**734,056**	**160,838**	**46,801**	**35,127**	**89,096**	**32,099**	**370,095**
	Percent Change							
	Total (Net) Change	3.6	15.4	3.2	1.9	2.1	1.5	3.8
	From Job Creation	18.1	38.0	22.7	19.5	16.6	16.1	16.1
	From Job Destruction	−14.5	−22.5	−19.5	−17.6	−14.5	−14.6	−12.3
	From Job Reallocation	32.6	60.5	42.1	37.1	31.1	30.7	28.4

Finance, Insurance, and Real Estate	**Employment in 1994**	**6,989,431**	**490,468**	**373,651**	**378,085**	**938,983**	**832,050**	**3,976,194**
	Net Change, 1994–1995	**−15,982**	**51,356**	**1,935**	**−3,335**	**−3,907**	**−21,663**	**−40,368**
	Percent Change							
	Total (Net) Change	−0.2	10.5	0.5	−0.9	−0.4	−2.6	−1.0
	From Job Creation	15.7	29.1	18.7	15.9	14.7	14.6	14.2
	From Job Destruction	−15.9	−18.6	−18.2	−16.8	−15.1	−17.2	−15.2
	From Job Reallocation	31.6	47.7	36.8	32.7	29.8	31.8	29.3
Services	**Employment in 1994**	**33,248,422**	**2,221,625**	**2,493,492**	**2,638,087**	**5,767,565**	**5,816,055**	**14,311,598**
	Net Change, 1994–1995	**1,486,219**	**392,557**	**129,946**	**102,656**	**258,102**	**200,390**	**402,568**
	Percent Change							
	Total (Net) Change	4.5	17.7	5.2	3.9	4.5	3.4	2.8
	From Job Creation	17.4	35.6	21.0	18.6	17.7	16.5	13.9
	From Job Destruction	−12.9	−18.0	−15.8	−14.7	−13.2	−13.0	−11.1
	From Job Reallocation	30.3	53.6	36.8	33.2	30.9	29.5	25.0

Notes: Longitudinal data for establishments active (payroll) in first quarter of the year (establishments with 0 employment in the first quarter were excluded). New firm births are classified by their employment size at the first quarter. Job reallocation equals job creation plus job destruction. Represents private establishments, excluding railroad, domestic, and farms.
Source: U.S. Small Business Administration, Office of Advocacy from Statistics of U.S. Businesses provided by the U.S. Department of Commerce, Bureau of the Census.

Table 2.4 *Employment Change by Industry and Firm Size, 1990–1995*

Industry		Total	Employment Size of Firm 1–4	5–9	10–19	20–99	100–499	500+
Total	**Employment in 1990**	**93,425,129**	**5,108,303**	**6,242,213**	**7,534,444**	**17,696,242**	**13,541,449**	**43,302,478**
	Net Change, 1990–1995	**6,853,784**	**1,879,546**	**863,700**	**616,650**	**940,344**	**941,239**	**1,612,305**
	Percent Change							
	Total (Net) Change	7.3	36.8	13.8	8.2	5.3	7.0	3.7
	From Job Creation	44.0	83.6	55.9	48.7	44.3	44.0	36.6
	From Job Destruction	−36.7	−46.8	−42.0	−40.5	−39.0	−37.0	−32.9
	From Job Reallocation	80.6	130.5	97.9	89.3	83.3	81.0	69.6
Manufacturing	**Employment in 1990**	**19,174,359**	**220,723**	**406,313**	**726,921**	**2,784,427**	**3,078,633**	**11,957,342**
	Net Change, 1990–1995	**−690,522**	**107,722**	**88,697**	**91,724**	**106,138**	**−18,571**	**−1,066,232**
	Percent Change							
	Total (Net) Change	−3.6	48.8	21.8	12.6	3.8	−0.6	−8.9
	From Job Creation	27.5	98.6	63.5	49.5	37.4	30.7	20.5
	From Job Destruction	−31.1	−49.8	−41.6	−36.9	−33.6	−31.3	−29.4
	From Job Reallocation	58.6	148.4	105.1	86.3	71.0	62.1	49.9
Retail Trade	**Employment in 1990**	**19,856,601**	**1,060,825**	**1,514,219**	**1,920,975**	**4,270,255**	**2,134,371**	**8,955,956**
	Net Change, 1990–1995	**1,353,120**	**230,817**	**61,690**	**19,079**	**62,100**	**108,981**	**870,453**
	Percent Change							
	Total (Net) Change	6.8	21.8	4.1	1.0	1.5	5.1	9.7
	From Job Creation	46.4	73.9	51.1	46.2	44.1	46.3	43.5
	From Job Destruction	−39.6	−52.2	−47.0	−45.2	−42.7	−41.2	−33.8
	From Job Reallocation	86.0	126.1	98.0	91.3	86.8	87.4	77.4

Finance, Insurance, and Real Estate	**Employment in 1990**	**6,984,055**	**476,800**	**373,504**	**393,457**	**984,304**	**864,044**	**3,891,946**
	Net Change, 1990–1995	**12,853**	**127,750**	**25,663**	**14,420**	**−16,214**	**−1,004**	**−137,762**
	Percent Change							
	Total (Net) Change	0.2	26.8	6.9	3.7	−1.6	−0.1	−3.5
	From Job Creation	45.9	71.3	48.6	45.4	43.1	47.7	42.9
	From Job Destruction	−45.7	−44.5	−41.8	−41.7	−44.7	−47.8	−46.5
	From Job Reallocation	91.6	115.7	90.4	87.0	87.8	95.5	89.4
Services	**Employment in 1990**	**28,880,280**	**2,103,223**	**2,365,307**	**2,472,445**	**5,282,742**	**5,002,905**	**11,653,658**
	Net Change, 1990–1995	**5,809,614**	**879,923**	**436,837**	**389,953**	**936,904**	**972,087**	**2,193,910**
	Percent Change							
	Total (Net) Change	20.1	41.8	18.5	15.8	17.7	19.4	18.8
	From Job Creation	52.7	83.0	55.1	51.9	53.3	53.9	46.2
	From Job Destruction	−32.6	−41.1	−36.7	−36.1	−35.6	−34.5	−27.4
	From Job Reallocation	85.3	124.1	91.8	88.0	88.9	88.4	73.5

Notes: Longitudinal data for establishments active (payroll) in first quarter of the year (establishments with 0 employment in the first quarter were excluded). New firm births are classified by their employment size at the first quarter. Job reallocation equals job creation plus job destruction. Represents private establishments excluding railroad, domestic, and farms.
Source: U.S. Small Business Administration, Office of Advocacy, from Statistics of U.S. Businesses provided by the U.S. Department of Commerce, Bureau of the Census.

In summary, small firms added most of their jobs by growing internally, while large firms added the overwhelming majority of theirs through new establishments. In small firms, expansions accounted for 56 of every 100 net new jobs, births of establishments to existing firms accounted for 25, and births of new firms produced 19. In large firms, for every 100 net new jobs added over the 1990–1995 period, 120 came from births of establishments to existing firms, 30 were added from births of new firms, and 50 were lost because large firms more often contract than expand.

Employment Changes Across Industries

In both the one-year and five-year periods, establishments in small firms grew faster than those in large firms in all industries except mining and retail trade. In 1994–1995, small firm establishments grew more than twice as fast as large firm establishments, at 5.1 and 2.1 percent respectively (Table 2.5 and Chart 2.4). Establishments in the smallest size class (1–4 employees) had job growth rates ranging from 10.5 percent in finance, insurance, and real estate to 31.1 percent in construction. Increases in the 5–9-employee size class ranged from .5 percent in finance to 11.1 percent in manufacturing.

Over the longer 1990–1995 period, the small business job generation rate was almost triple the large business rate—10.5 percent, compared with 3.7 percent (Table 2.6 and Chart 2.5). Small firms grew fastest in agricultural services; general services; and transportation, communications, and public utilities.

The three largest U.S. industries—manufacturing, retail trade, and services—accounted for about three-quarters of all employment in 1995. In both the one-year and five-year periods, employment in the manufacturing and services industries grew faster in small firms than in large firms. Employment in small manufacturing firms grew 5.6 percent in 1994–1995 and 5.2 percent in 1990–1995, compared with a gain of 1.0 percent and a loss of 8.9 percent, respectively, in large firms. Employment in small service firms grew 5.7 percent and 21.0 percent over the one- and five-year periods respectively, compared with 2.8 percent and 18.8 percent in large firms.

Employment growth in retail trade from 1994 to 1995 was similar for establishments in small and large firms, up 3.4 percent and 3.7 percent respectively. In the five-year period however, employment in large retail firms grew 9.7 percent—more than twice the small firm rate of 4.4 percent.

Firm Size Changes

A chart of the movement of establishments across firm sizes reveals how the static share of employment in small businesses remains relatively constant in spite of small businesses' higher growth rates (Chart 2.6). This illustration uses longitudinal data for all establishments that survived from 1990 to 1994 and had employment in both years. Births and deaths of establishments are excluded.

Table 2.5 *Employment Changes across Industries: 1994–1995*

			Firm Size Class						
		Total	1–4	5–9	10–19	20–99	100–499	500+	<500
All									
	Total Employment in 1994	96,687,346	5,311,360	6,325,466	7,537,382	17,685,901	14,113,903	45,713,334	50,974,012
	Total Net Change, 1994–1995	3,591,567	1,028,947	360,576	288,260	576,417	359,105	978,262	2,613,305
	Net Change as a Percent of Total	3.7	19.4	5.7	3.8	3.3	2.5	2.1	5.1
	Total Employment in 1995	100,278,913	6,340,307	6,686,042	7,825,642	18,262,318	14,473,008	46,691,596	53,587,317
Agricultural Services									
	Total Employment in 1994	585,601	99,706	119,912	121,585	131,502	50,389	62,507	523,094
	Total Net Change, 1994–1995	42,180	29,177	6,473	3,762	−3	−1,729	4,500	37,680
	Net Change as a Percent of Total	7.2	29.3	5.4	3.1	0.0	−3.4	7.2	7.2
	Total Employment in 1995	627,781	128,883	126,385	125,347	131,499	48,660	67,007	560,774
Mining									
	Total Employment in 1994	607,689	20,904	22,975	34,207	91,363	77,686	360,554	247,135
	Total Net Change, 1994–1995	20,701	2,949	1,055	282	−910	−1,866	19,191	1,510
	Net Change as a Percent of Total	3.4	14.1	4.6	0.8	−1.0	−2.4	5.3	0.6
	Total Employment in 1995	628,390	23,853	24,030	34,489	90,453	75,820	379,745	248,645
Construction									
	Total Employment in 1994	4,707,263	622,737	702,219	791,961	1,451,577	619,873	518,896	4,188,367
	Total Net Change, 1994–1995	320,001	193,912	69,656	50,610	27,625	−12,712	−9,090	329,091
	Net Change as a Percent of Total	6.8	31.1	9.9	6.4	1.9	−2.1	−1.8	7.9
	Total Employment in 1995	5,027,264	816,649	771,875	842,571	1,479,202	607,161	509,806	4,517,458
Manufacturing									
	Total Employment in 1994	18,094,984	229,480	403,263	700,275	2,658,788	2,977,200	11,125,978	6,969,006
	Total Net Change, 1994–1995	498,515	64,047	44,603	52,753	126,323	104,677	106,112	392,403
	Net Change as a Percent of Total	2.8	27.9	11.1	7.5	4.8	3.5	1.0	5.6
	Total Employment in 1995	18,593,499	293,527	447,866	753,028	2,785,111	3,081,877	11,232,090	7,361,409

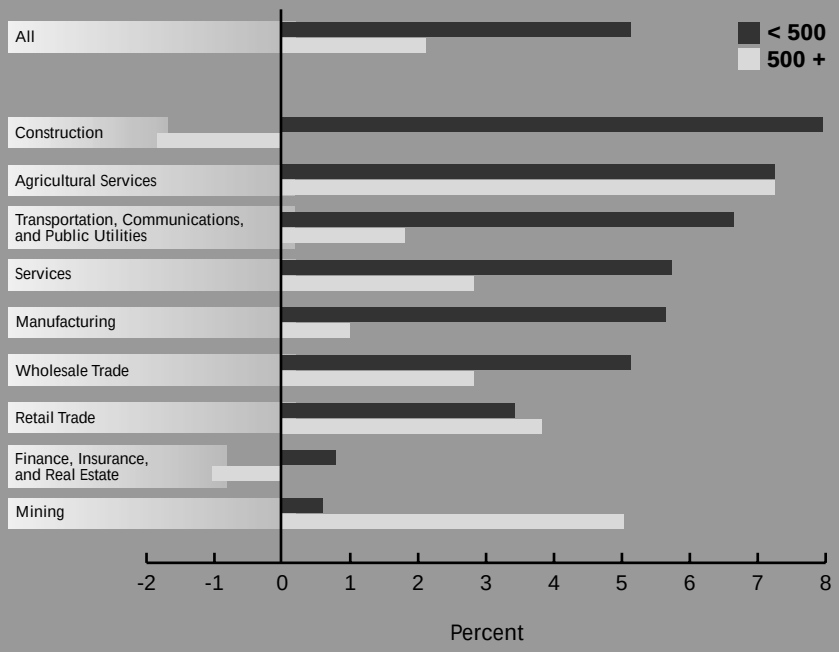
Table 2.5 *Employment Changes across Industries: 1994–1995*—Continued

	Total	Firm Size Class						
		1–4	5–9	10–19	20–99	100–499	500+	<500
Transportation, Communications, and Public Utilities								
Total Employment in 1994	5,713,138	190,689	214,976	290,973	768,789	595,838	3,651,873	2,061,265
Total Net Change, 1994–1995	201,015	49,356	20,128	17,818	26,188	22,027	65,498	135,517
Net Change as a Percent of Total	3.5	25.9	9.4	6.1	3.4	3.7	1.8	6.6
Total Employment in 1995	5,914,153	240,045	235,104	308,791	794,977	617,865	3,717,371	2,196,782
Wholesale Trade								
Total Employment in 1994	6,366,180	364,761	513,956	729,135	1,677,694	1,013,329	2,067,305	4,298,875
Total Net Change, 1994–1995	276,163	72,482	32,777	25,790	51,438	36,163	57,513	218,650
Net Change as a Percent of Total	4.3	19.9	6.4	3.5	3.1	3.6	2.8	5.1
Total Employment in 1995	6,642,343	437,243	546,733	754,925	1,729,132	1,049,492	2,124,818	4,517,525
Retail Trade								
Total Employment in 1994	20,314,005	1,044,120	1,466,656	1,843,066	4,190,824	2,130,910	9,638,429	10,675,576
Total Net Change, 1994–1995	734,056	160,838	46,801	35,127	89,096	32,099	370,095	363,961
Net Change as a Percent of Total	3.6	15.4	3.2	1.9	2.1	1.5	3.8	3.4
Total Employment in 1995	21,048,061	1,204,958	1,513,457	1,878,193	4,279,920	2,163,009	10,008,524	11,039,537
Finance, Insurance, and Real Estate								
Total Employment in 1994	6,989,431	490,468	373,651	378,085	938,983	832,050	3,976,194	3,013,237
Total Net Change, 1994–1995	−15,982	51,356	1,935	−3,335	−3,907	−21,663	−40,368	24,386
Net Change as a Percent of Total	−0.2	10.5	0.5	−0.9	−0.4	−2.6	−1.0	0.8
Total Employment in 1995	6,973,449	541,824	375,586	374,750	935,076	810,387	3,935,826	3,037,623
Services								
Total Employment in 1994	33,248,422	2,221,625	2,493,492	2,638,087	5,767,565	5,816,055	14,311,598	18,936,824
Total Net Change, 1994–1995	1,486,219	392,557	129,946	102,656	258,102	200,390	402,568	1,083,651
Net Change as a Percent of Total	4.5	17.7	5.2	3.9	4.5	3.4	2.8	5.7
Total Employment in 1995	34,734,641	2,614,182	2,623,438	2,740,743	6,025,667	6,016,445	14,714,166	20,020,475

Notes: Represents activity from March 1990 to March 1995. Longitudinal data for private establishments active (payroll) in the first quarter of the year. (Establishments with no employment in the first quarter were excluded). New firm births are classified by their employment size at the first quarter. Existing establishments with ownership changes are not considered new firms.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of Census.

Chart 2.4 *Job Generation by Industry and Firm Size, 1994–1995*



Source: U.S. Small Business Administration, Office of Advocacy, Business Information Tracking Series, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Of the 76.2 million jobs in the 1990 establishments that survived to 1994, 39.2 million were in small firm establishments and 37 million in large firms. By 1994, the number of jobs in small firms had fallen to 38.9 million and the number in large firms had risen to 37.6 million. Yet the 1990 small firms had a net job gain and the 1990 large firms had a net job loss. How can this be?

What happened to the small firm jobs? Almost 96 percent of the 39.2 million jobs in firms that were small in 1990 remained in firms that were small in 1994. These establishments experienced a net employment growth rate of about 2 percent. But more than 4 percent of the small firm jobs ended up in firms that were large in 1994. About half of this change was attributable to establishments in small firms being acquired by large firms; the other half to small firms growing into a larger size class.[6] The acquired group increased employment by about 18 percent; the other group by more than 75 percent. The combined employment growth rate in establishments that were in firms classified as small in 1990 but large in 1994 was about 46 percent.

[6] See U.S. Small Business Administration, Office of Advocacy, *Mergers and Acquisitions in the United States, 1990–1994* (Springfield, Va.: National Technical Information Service, 1998).

Table 2.6 *Employment Changes across Industries: 1990–1995*

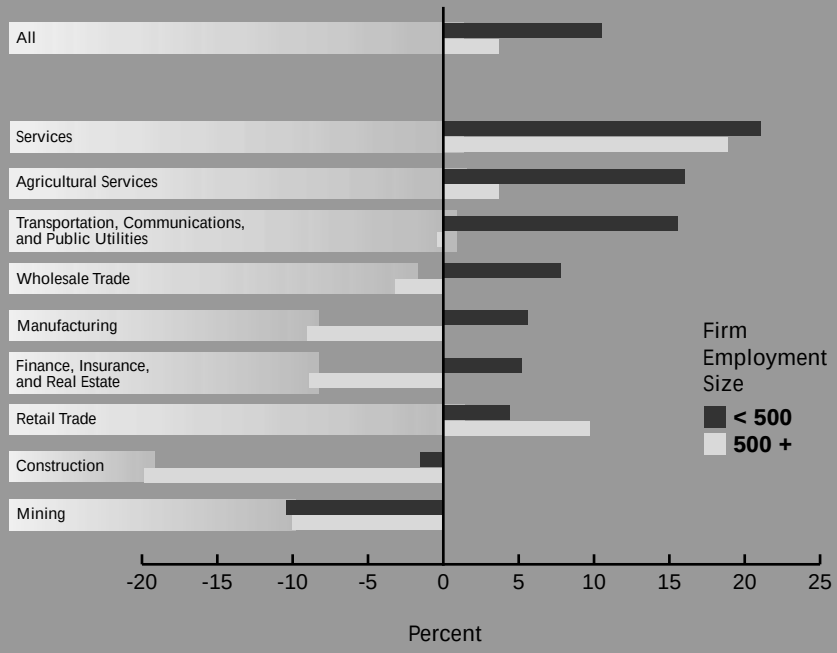
			Firm Size Class						
		Total	1–4	5–9	10–19	20–99	100–499	500+	<500
All									
	Total Employment in 1990	93,425,129	5,108,303	6,242,213	7,534,444	17,696,242	13,541,449	43,302,478	50,122,651
	Total Net Change, 1990–1995	6,853,784	1,879,546	863,700	616,650	940,344	941,239	1,612,305	5,241,479
	Net Change as a Percent of Total	7.3	36.8	13.8	8.2	5.3	7.0	3.7	10.5
	Total Employment in 1995	100,278,913	6,987,849	7,105,913	8,151,094	18,636,586	14,482,688	44,914,783	55,364,130
Agricultural Services									
	Total Employment in 1990	537,968	86,384	105,955	106,570	127,826	50,273	60,960	477,008
	Total Net Change, 1990–1995	78,548	52,742	27,290	8,667	−9,491	−2,923	2,263	76,285
	Net Change as a Percent of Total	14.6	61.1	25.8	8.1	−7.4	−5.8	3.7	16.0
	Total Employment in 1995	616,516	139,126	133,245	115,237	118,335	47,350	63,223	553,293
Mining									
	Total Employment in 1990	723,257	21,590	25,810	41,182	111,608	87,278	435,789	287,468
	Total Net Change, 1990–1995	−73,480	4,497	−36	−4,505	−15,932	−13,996	−43,508	−29,972
	Net Change as a Percent of Total	−10.2	20.8	−0.1	−10.9	−14.3	−16.0	−10.0	−10.4
	Total Employment in 1995	649,777	26,087	25,774	36,677	95,676	73,282	392,281	257,496
Construction									
	Total Employment in 1990	5,255,777	603,882	724,212	843,445	1,662,128	791,514	630,596	4,625,181
	Total Net Change, 1990–1995	−194,897	222,561	83,867	10,650	−199,381	−187,438	−125,156	−69,741
	Net Change as a Percent of Total	−3.7	36.9	11.6	1.3	−12.0	−23.7	−19.8	−1.5
	Total Employment in 1995	5,060,880	826,443	808,079	854,095	1,462,747	604,076	505,440	4,555,440
Manufacturing									
	Total Employment in 1990	19,174,359	220,723	406,313	726,921	2,784,427	3,078,633	11,957,342	7,217,017
	Total Net Change, 1990–1995	−690,522	107,722	88,697	91,724	106,138	−18,571	−1,066,232	375,710
	Net Change as a Percent of Total	−3.6	48.8	21.8	12.6	3.8	−0.6	−8.9	5.2
	Total Employment in 1995	18,483,837	328,445	495,010	818,645	2,890,565	3,060,062	10,891,110	7,592,727

Transportation, Communications, and Public Utilities								
Total Employment in 1990	5,593,428	169,239	209,563	286,355	761,674	552,785	3,613,812	1,979,616
Total Net Change, 1990–1995	291,929	97,201	53,943	39,412	50,962	65,002	−14,591	306,520
Net Change as a Percent of Total	5.2	57.4	25.7	13.8	6.7	11.8	−0.4	15.5
Total Employment in 1995	5,885,357	266,440	263,506	325,767	812,636	617,787	3,599,221	2,286,136
Wholesale Trade								
Total Employment in 1990	6,332,723	334,495	500,022	728,882	1,693,542	977,326	2,098,456	4,234,267
Total Net Change, 1990–1995	264,035	151,273	83,490	47,761	30,212	18,807	−67,508	331,543
Net Change as a Percent of Total	4.2	45.2	16.7	6.6	1.8	1.9	−3.2	7.8
Total Employment in 1995	6,596,758	485,768	583,512	776,643	1,723,754	996,133	2,030,948	4,565,810
Retail Trade								
Total Employment in 1990	19,856,601	1,060,825	1,514,219	1,920,975	4,270,255	2,134,371	8,955,956	10,900,645
Total Net Change, 1990–1995	1,353,120	230,817	61,690	19,079	62,100	108,981	870,453	482,667
Net Change as a Percent of Total	6.8	21.8	4.1	1.0	1.5	5.1	9.7	4.4
Total Employment in 1995	21,209,721	1,291,642	1,575,909	1,940,054	4,332,355	2,243,352	9,826,409	11,383,312
Finance, Insurance, and Real Estate								
Total Employment in 1990	6,984,055	476,800	373,504	393,457	984,304	864,044	3,891,946	3,092,109
Total Net Change, 1990–1995	12,853	127,750	25,663	14,420	−16,214	−1,004	−137,762	150,615
Net Change as a Percent of Total	0.2	26.8	6.9	3.7	−1.6	−0.1	−3.5	4.9
Total Employment in 1995	6,996,908	604,550	399,167	407,877	968,090	863,040	3,754,184	3,242,724
Services								
Total Employment in 1990	28,880,280	2,103,223	2,365,307	2,472,445	5,282,742	5,002,905	11,653,658	17,226,622
Total Net Change, 1990–1995	5,809,614	879,923	436,837	389,953	936,904	972,087	2,193,910	3,615,704
Net Change as a Percent of Total	20.1	41.8	18.5	15.8	17.7	19.4	18.8	21.0
Total Employment in 1995	34,689,894	2,983,146	2,802,144	2,862,398	6,219,646	5,974,992	13,847,568	20,842,326

Notes: Represents activity from March 1990 to March 1995. Longitudinal data for private establishments active (payroll) in the first quarter of the year. (Establishments with no employment in the first quarter were excluded). New firm births are classified by their employment size at the first quarter. Existing establishments with ownership changes are not considered new firms.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of Census.

Chart 2.5 *Job Generation by Industry and Firm Size, 1990–1995*



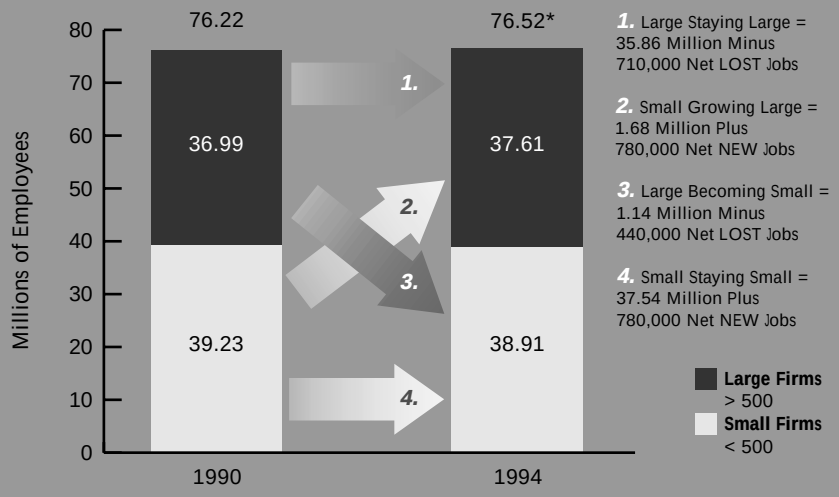
Source: U.S. Small Business Administration, Office of Advocacy, Business Information Tracking Series, from data provided by the U.S. Department of Commerce, Bureau of the Census.

What about the jobs in large firms? Of the 37 million jobs in large firms in 1990, 97 percent remained in large firms in 1994. These firms had a net job loss of 2 percent. About 1 million ended up in firms that were small in 1994. These establishments lost almost 39 percent of their 1990 employment. Part of this change was attributable to divestitures of large firms, another portion to large firms downsizing to a smaller size class.

The net result? The establishments that were in small firms in 1990 created jobs, whether they were acquired or not, and the large firm establishments lost jobs over the period. Despite more jobs having been created by small firms, small business' net employment share shifted very slightly downward—from 51.5 percent in 1990 to 50.8 percent in 1994—because of shifts in the size classifications of some establishments.[7]

[7] Note that the inclusion of employment gained and lost in firm and establishment births and deaths—excluded in this example—would add to the net small firm job growth, also without markedly changing the respective shares of small and large firm employment.

Chart 2.6 Small Firms are Prolific Job Creators, So Why Doesn't their *Share* of All Jobs Increase? Because the Job Gains Come from Small Firms Growing to Large*



* Not counted here are jobs gained and lost because of business births and deaths during the 1990–1994 period. If these figures were included, the small firm share of jobs in 1994 would be somewhat larger.

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

Source: U.S. Small Business Administration, Office of Advocacy, Business Information Tracking Series, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Conclusion

With the new BITS database, it is now possible to examine the whole economy and the role small businesses play in job creation and destruction. Small businesses grew more than twice as fast as large businesses in both the 1994–1995 and 1990–1995 periods. Underlying the relatively constant share of employment in small businesses is a dynamic economy experiencing firm and establishment births, deaths, expansions, and contractions that lead to changes in the size classifications of the businesses undergoing change.

The BITS already supports a wide variety of additional research that is contributing to a better understanding of how the American economy works, especially the dynamics of changes in the structure and employment of a business.[8] Among the questions that will be answered using this file are the following:

[8] The BITS may be used for noncommercial research at any location of the Census' Center for Economic Studies. Each project proposal must be approved by the CES staff, and researchers must become "special sworn employees" of the Bureau of the Census in order to maintain the confidential nature of the data. Data from many other Census programs may be linked to the BITS data to enrich the database for special analyses.

- How can one account for the differences in business birth rates?
- Are there differences between rural and urban areas in the patterns of business development?
- Are growth and survival patterns in businesses owned by women different from those in businesses owned by men?
- What are the new growth centers within various industries?
- In what areas are small retail businesses successfully resisting the increasing concentration of retail business into large firms?
- What is the impact of mergers and acquisitions on growth in small and large businesses?[9]

The specific exploration of the patterns of change now possible using the BITS will enable policymakers to better understand the roles small businesses play in the economy and to implement policies that support their growth and success.

Appendix A: The New BITS File

The Business Information Tracking Series (BITS), formerly Longitudinal Establishment and Enterprise Microdata or LEEM, has multiple years of data for each U.S. private sector (nonfarm) business with employees. The current BITS file facilitates tracking employment, payroll, enterprise affiliation, and employment size for the more than 9 million establishments that existed at some time during 1990, 1994, or 1995. A time series of 1989–1996 is under development. The file was constructed by the U.S. Department of Commerce, Bureau of the Census from its SBA-funded Statistics of U.S. Business (SUSB) files and the associated Longitudinal Pointer File, which facilitates tracking establishments over time, even when they change their identification numbers.

Each establishment is represented by a record that includes the start year of the establishment and three years of annual information extracted from the 1989–1995 Longitudinal Pointer File and from the three appropriate annual SUSB Tabulation files. The annual information for an establishment includes its Census File Numbers (CFN), Standard Industrial Classification, state, county, metropolitan statistical area (MSA), enterprise employment, establishment employment, and annual payroll in thousands.

Strengths of the BITS

As the only federal source of longitudinal data on the population of U.S. nonfarm businesses with employment, the BITS has a number of advantages over

[9] See *Mergers and Acquisitions in the United States.*

its alternatives—the cross-sectional Standard Statistical Establishment List (SSEL) and the County Business Patterns (CBP) microdata. The file:

- reduces the number of missing values in industry codes;
- is more precise in coding auxiliaries to industry firm;
- identifies Metropolitan Statistical Areas (MSAs);
- calculates firm employment data;
- is the only nationwide longitudinal database covering all industries;
- covers all establishments in almost all industries with any annual payroll (only farms, railroads, and government are excluded);
- includes better start year data (based on Longitudinal Pointer File back to 1989, then SSEL); and
- tracks establishments across years as well as across ownership and legal changes, even allowing for mid-year changes.

Weaknesses in the BITS

Several characteristics of the data might introduce errors into a cross-sectional analysis of the BITS if they were not handled carefully. The file:

- excludes the payroll and employment of partners and owners, resulting in a probable understatement of average employment and wages for unincorporated firms;
- includes no data on the self-employed who have no employees; and
- reflects employment only for the March 12 pay period (like all Census economic data), thereby omitting data for many part-year businesses.

In addition, for analysis of longitudinal aspects of the BITS, the investigator must keep in mind several limitations of the BITS data:

1. Imperfections (missed linkages) may occur in tracking establishments changing legal form and ownership, especially those moving from single units to multi-unit firms.
2. A few false linkages exist between establishments that are not the same.
3. Employment is frequently estimated, especially for multi-unit establishments, so year-to-year employment comparisons are imperfect (depend on the estimation method).

Appendix B: Alternative Methods of Classifying Growth by Size of Business

There are several ways to classify establishments by firm size, and the preferred method varies with the research goals. In most SBA publications, establishments are classified by initial firm size or, in the case of births of new

firms (which do not exist in the initial year of a comparison over two points in time), by the ending year firm size. This is appropriate for predicting future behavior based on current firm size. However, using the initial size class has the problem of "regression-to-the-mean bias." Changes in employment that are temporary (or reporting errors) and are subsequently reversed may bias an analysis based on initial size because such changes will, on average, attribute increases to the smaller size classes and decreases to the larger size classes. However, little evidence has been found that such vacillations (or errors) are prevalent among employment changes.[10] Furthermore, only a tiny portion of such changes would involve crossing the boundaries of the rather large firm size classes usually used for SBA analysis.

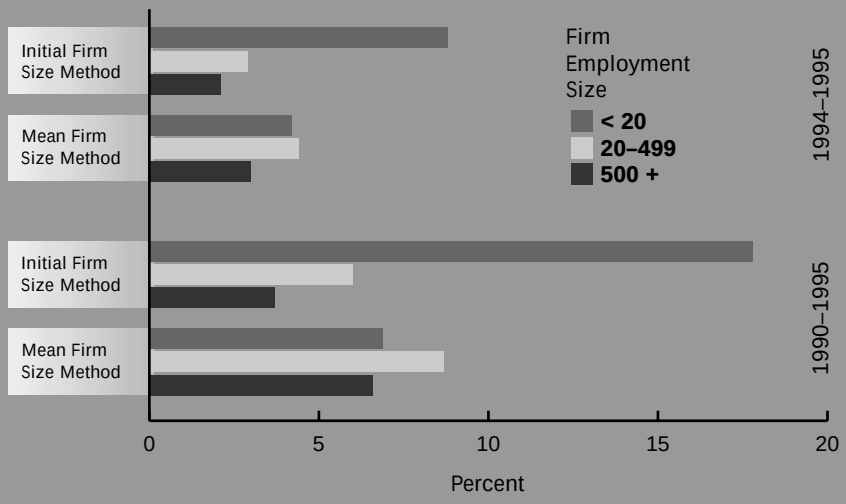
However, to avoid the risk of bias due to regression to the mean, some researchers prefer to use the mean firm size, or the average of the beginning and ending year firm sizes. This is appropriate for a static-equilibrium analytical framework that assumes a long-run optimum firm size with temporary disturbances. The primary drawback of this method is that in the case of a birth or death of an establishment that is a single-unit firm, the firm size attributable to that birth or death is half of the actual firm size, since it is counted as zero before or after it exists. Use of mean firm size, rather than initial firm size, tends to shift job generation toward the larger size classes as a result of including the expanded establishments in the mean, and to shift job destruction to the smaller size classes as a result of including the resulting shrunken establishments in the mean for their classification.

The net growth in employment by firm size from 1990 to 1995 and from 1994 to 1995 is different depending on the methodology used (Chart 2.7 and Table 2.7). For the one-year period, the overall growth rate was 3.7 percent. Using the initial firm size method, firms with fewer than 20 employees registered a growth rate of 8.8 percent. This compares with a growth rate of 4.2 percent using the mean firm size method. For firms with 20 to 499 employees, the growth rates were 2.9 percent and 4.4 percent respectively. And for firms with more than 500 employees, the growth rates were 2.1 percent using the initial firm size method and 3.0 percent using the mean firm size method.

In the five-year period, the differences were greater. For firms with fewer than 20 employees, the growth rate was 17.8 percent using initial firm size and 6.9 percent using mean firm size. For large firms, these percentages were 3.7 percent and 6.6 percent, respectively. Yet both methods still find greater total net employment growth in firms with fewer than 500 employees than in those with more than 500. Comparing the initial size method with mean size for 1994 to 1995 yields 5.1 and 4.4 percent growth for small firms and 2.1 percent and 3.0 percent for large firms. For the five-year period, the percentages are 10.5 and 8.0 for small firms and 3.7 and 6.6 for large firms.

[10] See Per Davidson, Leif Lindmark, and Christer Olofsson, "The Overestimation of Small Firm Job Creation—An Empirical Examination of the Regression Bias," *Small Business Economics* (v. II no.1, 1998), 87–100. In estimating the regression-to-the-mean bias, the authors conclude that using initial versus mean firm size leads to "relatively insignificant distortions and has not led researchers to draw qualitatively false conclusions."

Chart 2.7 *A Comparison of Methodologies for Analyzing Net Job Growth, 1994–1995 and 1990–1995*



Source: U.S. Small Business Administration, Office of Advocacy, Business Information Tracking Series, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Table 2.7 *A Comparison of Methodologies: Measuring Job Generation*

	1994–1995								
	Initial Firm Size Method				Mean Firm Size Method				
	<20	20–499	<500	500+	<20	20–499	<500	500+	All Firms
Total Employment in 1994	19,174,208	31,799,804	50,974,012	43,713,334	19,289,610	31,318,149	50,607,759	46,079,587	96,687,346
Net Change (Percent of 1994 Employment)									
From Births and Deaths	1.6	0.4	0.9	1.7	1.5	0.2	0.7	1.9	1.3
From Expansions and Contractions	7.2	2.5	4.3	0.4	2.7	4.3	3.7	1.1	2.4
Total	8.8	2.9	5.1	2.1	4.2	4.4	4.4	3.0	3.7
Total Employment in 1995	20,851,991	32,735,326	53,587,317	46,691,596	20,106,889	32,711,634	52,818,523	47,460,390	100,278,913

	1990–1995								
	Initial Firm Size Method				Mean Firm Size Method				
	<20	20–499	<500	500+	<20	20–499	<500	500+	All Firms
Total Employment in 1990	18,884,960	31,237,691	50,122,651	43,302,478	19,002,692	30,093,736	49,096,428	44,328,701	93,425,129
Net Change (Percent of 1990 Employment)									
From Births and Deaths	4.9	4.4	4.6	5.7	4.8	3.1	3.7	6.6	5.1
From Expansions and Contractions	12.9	1.6	5.8	−2.0	2.2	5.6	4.3	0.0	2.2
Total	17.8	6.0	10.5	3.7	6.9	8.7	8.0	6.6	7.3
Total Employment in 1995	22,244,856	33,119,274	55,364,130	44,914,783	20,106,889	32,711,634	52,818,523	47,460,390	100,278,913

Notes: Represents activity from March 1990, March 1994, and March 1995. Longitudinal data for private establishments active (payroll) in the first quarter of the year. (Establishments with no employment in the first quarter were excluded).

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of Census.

Chapter 3

The New American Evolution: The Role and Impact of Small Firms

Synopsis

A quiet evolution has revolutionized the American economy in its transition from the industrial age to the information age. The purpose here is to document the role of small- and medium-sized enterprises in the new American evolution by asking a fundamental question, "Are small firms important?"

The response to this question requires an understanding of change in the economy as a dynamic process. A static view misses the point completely by asking the wrong question or asking the question wrongly. Viewed through an evolutionary lens, small firms make two indispensable contributions to the American economy:

- First, they are an integral part of the renewal process that pervades and defines market economies. New and small firms play a crucial role in experimentation and innovation that leads to technological change and productivity growth. In short, small firms are about change and competition because they change market structure. The U.S. economy is a dynamic organic entity always in the process of becoming, rather than an established one that has arrived. It is about prospects for the future, not about the inheritance of the past.
- Second, small firms are the essential mechanism by which millions enter the economic and social mainstream of American society. Small businesses enable millions, including women, minorities, and immigrants, to access the American Dream. The greatest source of American strength has always been the American Dream of economic growth, equal opportunity, upward mobility. In this evolutionary process, community plays the crucial and indispensable role of providing the "social glue" and networking opportunities that bind small firms together in both high tech and "Main Street" activities. The American economy is a democratic system, as well as an economic system, that invites change and participation.

The crucial barometer for economic and social well-being is the continued high level of creation of new and small firms in all sectors of the economy by all segments of society. This examination of small firms' role is divided into six segments: the performance of the U.S. economy in the 1990s; historical

background about small firms; a theoretical framework for understanding the role of small firms in the economy; the impact of small businesses on innovation, new firm startups and job creation; how small firms interact with the fabric of American society by creating opportunities for women, minorities and immigrants; and how community and the evolutionary process jointly connect Americans to the global economy.

The Macroeconomy in the 1990s

At the time of the 1992 presidential election, one of the main issues in the public debate was competitiveness. A common perception was that U.S. industry was losing the global economic race. If government didn't respond, living standards would suffer. In that recession year, then Under Secretary of Commerce Jeffrey E. Garten summed up the conventional economic thinking about the state of affairs:[1]

> Relative to Japan and Germany, our economic prospects are poor and our political influence is waning. Their economic underpinnings—trends in investment, productivity, market share in high technology, education and training—are stronger. Their banks and industry are in better shape; their social problems are far less severe than ours.[2]

By 1996 it had become apparent to experts and others that profound change had occurred and the economic anxiety of four years earlier was no longer to be found in the electorate. After a quarter century of painful ups and downs, the U.S. economy was doing extraordinarily well. According to Lawrence H. Summers, deputy treasury secretary, "The economy seems better balanced than at any time in my professional lifetime."[3]

Unemployment in 1998 is just under 5 percent, the economy is growing at 3 percent a year, inflation is at bay, manufacturing productivity is rising by 4 percent a year, the dollar is strong, and the Dow Jones Industrial Average is breaking records almost as a matter of course. It seems clear that the U.S. economy has restructured, moving from an industrial economy to an information one, and has made the transition to the 21st century.

The impressive recent performance of the United States may be contrasted with the rather lackluster performance in both Europe and Japan, where GNP has grown at less than 1.5 percent per annum in the last five years. In the European Union (EU) the unemployment rate has remained stubbornly in double digits, and in Japan the stock market has been stagnant since the early 1990s at half of its previous level.

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[1] Jeffrey E. Garten, *A Cold Peace: America, Japan, Germany, and the Struggle for Supremacy* (New York: Times Books, 1992).

[2] See also Laura D'Andrea Tyson, *Who's Bashing Whom? Trade Conflict in High Technology Industries* (Washington, D.C.: Institute for International Economics, 1992) and Lester Thurow, *Head to Head: The Coming Battle Among Japan, Europe, and America* (New York: William Morrow and Company, 1992).

[3] "U.S. Sails on Tranquil Economic Seas," *The Washington Post,* December 2, 1996, 1.

But a comparison of only the last few years may be heavily influenced by cyclical elements that may distort more long-term developments. It is instructive, therefore, to compare the macroeconomic experience in Europe and the United States over the last few decades. In the 1960–1984 period, GNP grew at almost identical rates in Europe and the United States: by 3.3 percent annually in the European Union and 3.1 percent in the United States. But beneath this superficial similarity lie some fundamental differences. While total EU employment was virtually unchanged, it increased by 33 million in the United States. (Another 25 million jobs were added between 1983 and 1996.) At the same time, the capital stock increased by 3.5 percent per year in the European Community and by 2.4 percent in the United States.[4] From 1960 to 1984, labor productivity rose much more rapidly in Europe than in the United States—but so did unemployment. The unemployment rate hovered around 5 percent in the United States from 1960 to 1975, while it stayed below 3 percent in the European Community. By 1982 it rose rapidly on both sides of the Atlantic to about 10 percent. The unemployment rate has remained around 10 percent in Europe while it has been cut in half, to less than 5 percent, in the United States.

What explains this divergent macroeconomic behavior?[5] While a number of factors can be cited, one is certainly differences in competition, entrepreneurship and new firm startups. The U.S. economy has had extremely strong performance by new firms. Between 1960 and 1983, the number of corporations and partnerships in the United States more than doubled (from 2.0 million to 4.5 million) while the number of companies in Europe stagnated.[6] It declined in Sweden, Denmark, the Netherlands, and Britain and increased only slightly in West Germany, France, Switzerland, and Italy.[7]

Between 1990 and 1997, this trend has continued in the United States. The number of corporations and partnerships increased from 6.1 million in 1990 to 6.9 million in 1997.[8] The number of sole proprietorships also increased from 14.1 million to 16.8 million. The difference in business formation rates, in turn, reflects a number of other economic factors, such as consistently higher return on investment in the United States than in Europe, higher productivity levels, and lower unit labor costs. Other institutional factors such as less rigid labor and capital markets, freer competition, and lower

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[4] H.W. De Jong, "Free Versus Controlled Competition," in B. Carlsson (ed.), *Industrial Dynamics: Technological, Organizational, and Structural Changes in Industries and Firms* (Boston, Dordrecht and London: Kluwer Academic Publishers, 1989).

[5] This exploration is based in part on a conference sponsored by the Office of Advocacy of the U.S. Small Business Administration on May 9, 1997, entitled "Are Small Firms Important: Their Role and Impact." The discussion does not deal with the question of entrepreneurial finance, which is, however, according to many, a barrier to entry. For a discussion of the issues, see D. Blanchflower and A. Oswald, "What Makes a Young Entrepreneur," *Journal of Labor Economics,* 1998; J. Lerner, "The Government as Venture Capitalist," Working Paper #96–038, (Boston, Mass.: Harvard Business School, 1996); and John Freear, Jeffrey E. Sohl, and William E. Wetzel, *Creating New Capital Markets for Emerging Ventures,* prepared for the U.S. Small Business Administration, Office of Advocacy, under contract no. SBAHQ–95–m–1062 (Springfield, VA: National Technical Information Service, 1996).

[6] This trend may be changing. See "Startups to the Rescue," *Business Week* (March 23, 1998), 50.

[7] DeJong, "Free Versus Controlled Competition."

[8] See Chapter 1 for more detail.

industrial subsidies also play a role. According to Gary S. Becker, the 1992 Nobel laureate, "Europe's regulatory roadblocks and onerous taxation keep the job growth enjoyed by the U.S. out of reach."[9]

How did the U. S. economy reinvent itself? It did so by fostering and promoting entrepreneurial activity.[10] There are at least three entrepreneurial stories to the U.S. success. First, large firms that existed in mature industries have adapted, downsized, restructured, and reinvented themselves during the 1980s and 1990s and are now thriving. Large businesses have adopted and learned from smaller firms as they have downsized. In a word, they have become more entrepreneurial. As large firms have become leaner, their sales and profits have increased sharply. For example, General Electric cut its work force by 40 percent, from more than 400,000 20 years ago to fewer than 240,000 in 1996, while sales increased fourfold, from less than $20 billion to nearly $80 billion. This was accomplished in many cases by returning to the firm's "core competencies" and by contracting out functions formerly done in-house to small firms.[11]

Second, while these large companies have been transforming themselves, new and small startup companies have been blossoming. Twenty years ago, Nucor Steel was a small steel manufacturer with a few hundred employees, which embraced a new technology called thin slab casting, allowing it to thrive while other steel companies were stumbling. In 1995, Nucor had 59,000 employees, sales of $3.4 billion, and a net income of $274 million. In fact, according to Lynch and Rothchild, 25 companies, some of which did not exist in 1975, have created 1.4 million jobs.[12]

Third, thousands of smaller firms have been founded, many by women, minorities, and immigrants. These new companies have come from every sector of the economy and every part of the country. Together these small firms also make a formidable contribution to the economy, as many firms hire one or two employees. The cumulative effect of this new firm formation was evident during the recovery from the 1991 recession. Between March 1992 and March 1993 small firms with fewer than five employees together created more than 1 million net new jobs. The last two entrepreneurial success stories overlap with the role of new and small firms in the economy. (Small firms are defined as those with fewer than 500 employees).

The Historical Background

With a few notable exceptions, for the better part of the history of the profession, economists have not spent much time studying small firms.[13]

[9] Gary S. Becker, "Make the World Safe for Creative Destruction," *Business Week* (February 23, 1998), 20.

[10] R. F. Hebert and Albert N. Link, "In Search of the Meaning of Entrepreneurship," *Small Business Economics* 1(1) (1989), 39–50.

[11] B. Harrison, *Lean and Mean* (New York: Basic Books, 1994).

[12] P. Lynch and John Rothchild, *Learn to Earn* (New York: Simon and Schuster, 1996).

[13] A notable early exception was the work of J. Steindl in *Small and Big Business* (Oxford: Basil Blackwell, 1945).

However, this has begun to change in the last 20 years. The twin oil shocks during the 1970s triggered an unexpected reappraisal of the role and importance of small- and medium-sized enterprises, because it undermined the mass production model. A surprising finding has been that small firms and entrepreneurship play a much more important role in economic growth than had been acknowledged previously.[14]

The Historical View

The view that the cornerstone of the modern economy is the large firm dates back to the onset of the industrial revolution. The concept of scale economies was proposed by Adam Smith with the famous passage on the pin factory.[15] The classical economist's approach to industrial competition was dominated by an environment where technology was constantly increasing the minimum average plant size in a static context. Unfortunately, it reached its zenith in the late 19th century with the dominance of the trusts in steel, oil, and automobiles. The subsequent passage of the Sherman Anti-Trust Act of 1890 was intended to stem the growth of monopoly power.

In this view, which has prevailed for the better part of this century, small firms were not seen to play an important role in the economy, except as suppliers to large firms, and their role was expected to diminish in the future.[16] This has been the case especially in the manufacturing sector where large and even giant firms dominated Western economies throughout most of the 20th century. The way to improve performance was to fully exploit economies of scale. As E. F. Schumacher pointed out: "I was brought up on the theory of 'economies of scale' . . . "[17] In country after country, official policies favored large units of production and mechanisms of ownership. These goals were pursued in free market and planned economies alike, as well as in developed and developing countries. Thus, for the better part of two centuries, there was a convergence of opinion on the relevance of firm size and economies of scale, and its importance for economic growth.[18]

Those interested in documenting the role of small firms in the 1970s found much talk but few facts. For years the small-firm sector remained ignored and poorly understood, even though many people worked for small firms. However, all that has begun to change as powerful computers and large data sets have enabled researchers to assemble a far better understanding of the economic role of small firms.

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[14] For reviews of the literature, see Zoltan Acs, *Small Firms and Economic Growth*, vols. I and II (Cheltenam: Edward Elgar, 1996); P.H. Admiraal, ed., *Small Business in the Modern Economy* (Oxford: Basil Blackwell, 1996); Organisation for Economic Cooperation and Development, *SMEs: Employment, Innovation and Growth:* (Paris: The Washington Workshop, 1996), and D.J. Storey, *Understanding the Small Business Sector* (London: Routledge, 1994).

[15] Adam Smith, *The Wealth of Nations* (Oxford: Clarendon Press, 1776), 54.

[16] John Kenneth Galbraith, *American Capitalism: The Concept of Countervailing Power,* revised edition (Boston, Mass.: Houghton Mifflin, 1956).

[17] E.F. Schumacher, *Small is Beautiful* (New York: Harper and Row, 1973).

[18] C. Pratten, *The Competitiveness of Small Firms* (Cambridge: Cambridge University Press, 1991).

In the first authoritative book on small businesses, *Small Business Economics,* Brock and Evans examined the changes in small businesses over time (Table 3.1).[19] Between 1958 and 1980, the number of businesses in the U.S. economy increased from 10.7 million to 16.8 million. But the relative economic importance of small business in the overall economy declined over this period. Between 1958 and 1977 the static share of employment accounted for by firms with fewer than 500 employees decreased from 55.5 percent to 52.5 percent. Between 1958 and 1979 the share of business receipts obtained by companies with less than $5 million in receipts declined from 51.5 percent to 28.7 percent, in part because the real value of the dollar declined. Between 1958 and 1977, the share of value-added contributed by firms with 500 or fewer employees decreased from 57 percent to 52 percent. The decline in the small business share of value-added was because of a shift in the small business share of value-added within industries. In other words, firms were getting bigger, and therefore the share of small firms was being reduced.[20]

However, by the early 1970s, cracks had begun to appear in the structure of the manufacturing sector in some developed countries, including some of the most important firms and industries. At the same time, casual evidence began to suggest that small firms in several countries were outperforming their larger counterparts. In some industries the impact of technological change was to reduce the minimum efficient scale of production. One example of this was the U.S. steel industry, where new firms entered in the form of "mini-mills" (for example, Nucor) and small firm employment expanded, while the incumbent large companies shut down plants and reduced employment in a number of countries. Other examples are found in industries characterized by rapid product innovation, such as electronics and software. This development, following the twin oil shocks, triggered an unexpected reappraisal of the role and importance of small manufacturing firms, resulting in a divergence of opinion on the importance of firm size.[21]

The New Evolution

In fact, several lines of research have found that something happened to the centuries-old trend toward larger business. Depending upon the measure of

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[19] Research and data for this project were provided by the U.S. Small Business Administration, Office of Advocacy.

[20] Joel Popkin and Company, *Small Business Gross Product Originating: 1958–1982*, report no. PB88–240692, prepared under contract for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va: National Technical Information Service, April 1988). Note that the small business share of value-added is the best measure of the relative importance of small business in the economy. Sales tend to understate the importance of small businesses, and employment tends to overstate the importance of small businesses because they are more labor-intensive than large businesses.

[21] Zoltan J. Acs, *The Changing Structure of the U.S. Economy* (New York: Praeger, 1984). Many of the issues raised in that book were examined by David B. Audretsch and Zoltan J. Acs at the Wissenschaftszentrum (WZB) in Berlin in the late 1980s. These findings are to be found in the inaugural issue of *Small Business Economics* 1(1) (1989), and in Acs and Audretsch, proceedings from the first Global Workshop on Small Business Economics in Berlin, 1990. Subsequent issues of *Small Business Economics* 6 (2) (1994); 8(3) and 8(5) (1996) have reported more recent research findings from the second and third Global Workshops.

Table 3.1 *Changes in the Small Business Share of Employment, Sales, and Gross Product Originating (Percent)*

	Employment[1] (1958–1977)	Business Receipts (1958–1979)	Gross Product Originating (1958–1977)
Total Change	**−6**	**−23**	**−4**
Change Due to Shifts in Industry Composition[2]	+4	−2	+3
Change Due to Shifts in Small Business Share Within Industries[3]	−9	−21	−7

[1] Excludes the construction industry.

[2] Calculated under the assumption that each industry's share of total employment, sales, or value-added, respectively, remained constant over the time period under consideration.

[3] Calculated under the assumption that small businesses' share of employment, sales, or value-added, respectively, remained constant for each industry over the time period under consideration.

Note: Small businesses are those with fewer than 500 employees for the employment and value-added measures and those with sales of under $5 million in 1958 dollars for the sales measure.

Source: Brook and Evans, *Economics of Small Firms* (1986), Table 2.11, p. 21.

business size examined, the trend decelerated, ceased, or reversed itself sometime between the late 1960s and late 1970s. Contrary to the conventional wisdom:

- David Birch found that," . . . whatever else they are doing, large firms are no longer the major providers of new jobs for Americans."[22]
- Davis showed that the typical nonfarm private-sector employee worked at increasingly larger establishments during the 1950s and 1960s but at increasingly smaller establishments in the late 1960s and 1970s.[23]
- Brock and Evans showed that the average gross national product per firm increased from $150,000 in 1947 to $245,000 in 1980, but then decreased to $210,000 in 1986.[24]
- Loveman and Sengenberger reported that average firm and establishment size began to decrease in most of the countries they examined in the 1970s after having increased from at least the end of World War II.[25]
- Acs and Audretsch showed that the small firm share of manufacturing employment increased in most OECD (Organisation for Economic Cooperation and Development) countries in the 1980s.[26]

[22] David Birch, "Who Creates Jobs?" *The Public Interest* 65 (1981), 8.

[23] S. Davis, "The Distribution of Employees by Establishment Size: Patterns of Change and Co-Movement in the United States, 1962–1985," working paper, University of Chicago, 1990.

[24] William A. Brock and David S. Evans, "Small Business Economics," *Small Business Economics* 1(1) (1989), 7–20.

[25] G. Loveman and W. Sengenberger, "The Re-emergence of Small-Scale Production: An International Comparison," *Small Business Economics* 3(1) (1991), 1–39.

[26] Zoltan J. Acs and David B. Audretsch, *Small Firms and Entrepreneurship: An East-West Perspective* (Cambridge: Cambridge University Press, 1993).

- Phillips found that the number of small firms in the high technology sectors increased during the 1980s.[27]
- Acs and Evans found that the increase in the self-employment rate after 1975 in most OECD countries came from structural change, the shift from manufacturing to services.[28]

Between 1982 and 1992, the formerly declining small firm share of value-added in the U.S. economy stabilized at 51 percent, peaking at 52 percent between 1985 and 1987 (Table 3.2).[29] This result is quite remarkable in light of the mega-mergers and consolidation in retail trade during the 1980s and the growth of giant global business service firms during the 1990s. The significant expansion of the service sector—and the role of growing small firms in it—helped end the decline in the small firm share of value-added. If the industrial makeup of the U.S. economy had remained constant at its 1982 distribution, the small business share of value-added would have declined from 51 percent in 1982 to 48 percent in 1992. Small service firms—many of them new startups in new industries—contributed to maintaining the aggregate small business output share during the 1980s and early 1990s.

While the small business output share has declined in some sectors during the past 10 years, declines have been counterbalanced by gains in other sectors. In construction, for example, small business value-added rose from 78 percent to 88 percent of the industry total during the 1982–1992 period. The small firm share of value-added in manufacturing and mining rose from 23 percent to 25 percent.

According to Piore and Sabel, the economic crisis of the 1970s resulted from the inability of firms and policymakers to maintain the conditions necessary to preserve mass production—that is, the stability of markets.[30] Their claim is that the deterioration in economic performance in the 1980s resulted from the limits of the model of industrial development found in mass production: the use of special-purpose machines and of semi-skilled workers to produce standardized products. In fact, if the Great Depression represented a macroeconomic crisis, the economic problems of 1970–1990 were essentially microeconomic in that the focus was on the choice of technologies and the organization of firms, industries, and markets. The emerging conventional wisdom seems to suggest that small firms and entrepreneurship are both necessary for macroeconomic prosperity.[31]

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[27] Bruce D. Phillips, "The Increasing Role of Small Firms in the High-Technology Sector: Evidence from the 1980s," *Business Economics* (January 1993), 40–47.

[28] Zoltan J. Acs and David S. Evans, "The Determinants of Variation in Self-Employment Rates Across Countries and Over Time," University of Maryland working paper, 1995.

[29] Joel Popkin and Company, *Small Business Share of Private, Nonfarm Gross Domestic Product,* report no. PB91–80723 prepared under contract for the U. S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, February 1997).

[30] M.J. Piore and C. F. Sabel, "Possibilities for Prosperity: International Keynesianism and Flexible Specialization," *The Second Industrial Divide* (New York: Basic Books, 1984), 251–280.

[31] OECD, *SMEs: Employment, Innovation and Growth,* The Washington Workshop, Paris, 1996.

Table 3.2 *Small Business Share of Private Nonfarm Gross Product, 1982–1992*

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Total Private Business	**51**	**51**	**51**	**52**	**52**	**52**	**51**	**51**	**51**	**51**	**51**
Mining and Manufacturing	23	23	24	25	25	25	24	24	24	25	25
Construction	78	81	83	84	86	87	88	88	88	88	88
Transportation, Communications and Public Utilities	22	21	22	23	23	23	23	23	24	24	24
Trade	70	69	68	67	66	65	64	64	63	61	62
Finance, Insurance, and Real Estate	62	60	60	58	56	55	54	52	51	50	51
Services	81	81	80	79	78	77	76	76	75	74	74

Source: Joel Popkin and Company, "Small Business Share of Private, Nonfarm Gross Product," prepared under contract for the U.S. Small Business Administration, Office of Advocacy, SBAHQ–95–C–0021, June 1997, Table 1, p.2.

Small Firms in Economic Theory

In thinking about the economic role of small firms, the obvious starting point is the theory of the firm.[32] The field of economics that focuses the most on links between the organization of firms in industries and economic performance has been industrial organization. It is the task of industrial organization scholars to sort out the perceived trade-off between economic efficiency on the one hand, and political and economic decentralization on the other. Two disparate views about the impact of small firms on economic efficiency have emerged in the economic literature: first, static theory suggests that large firms are efficient because it focuses on the status quo: second, dynamic theory suggests that small firms are efficient because it focuses on change.

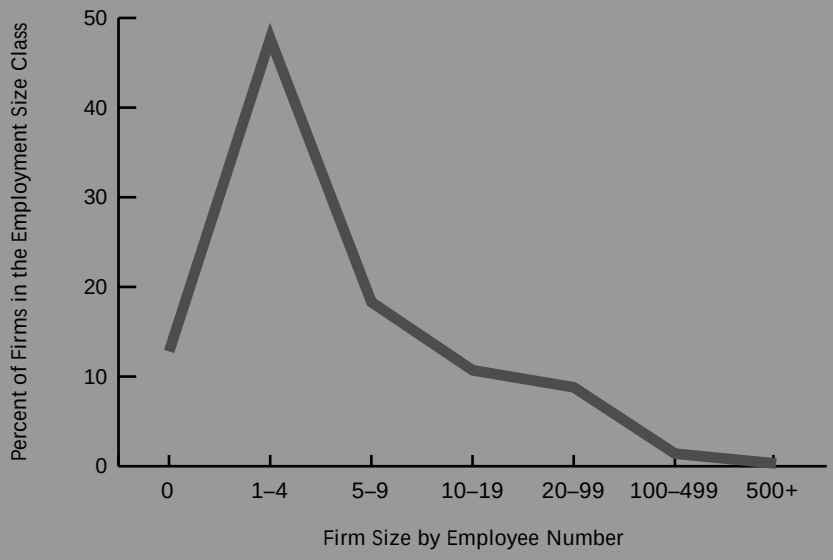
The Static View

One of the most striking findings emerging in the static view of industrial organization is that small firms generally operate at a level of output that is too small to sufficiently exhaust scale economies, even when the standard definition of a small firm employing fewer than 500 employees is applied. The importance of scale economies in the typical manufacturing industry relegated most small firms to being classified as sub-optimal. Almost 79 percent of firms in 1995 had fewer than 10 employees (Chart 3.1). Static theory argues for reducing the share of firms that are sub-optimal to increase efficiency.

Static analysis takes a snapshot of the economy at two different time periods and then compares different equilibrium points. Static theory assumes prompt adjustment to changes in the economic environment. It is not concerned with the time required for changes to take place, or the organizational and managerial structure needed for the change. Static theory is

[32] For a review of the literature on small firms in economic theory see J. You, "Small Firms in Economic Theory," *Cambridge Journal of Economics* 19 (1995), 441–462.

Chart 3.1 *Distribution of Employer Firms, 1995*



Note: Employment is measured in March, thus leading to firms with zero employment and some annual payroll.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

concerned with determining the direction in which economic variables move in response to other variables The two snapshots are compared and an assumption is made about the role of small or large firms, monopoly profits, market structure or efficiency.

Static theory favors large firms in the old raw-material-based economy because of economies of scale. For example, in the electric utility industry, if you doubled the size of a coal-fired utility plant, the output of electricity doubled, while the cost of building the plant went up only 70 percent. The building of larger and larger plants contributed to cheaper electricity rates.

What are the economic welfare implications? In static theory, the existence of small sub-optimal firms represented a loss in economic efficiency. Seen through the static lens provided by traditional industrial organization and labor economics, the economic welfare implication of the recent shift in economic activity away from large firms and toward small enterprises is unequivocal: overall economic welfare is decreased because productivity and wages will be lower in small firms than large. As Weiss argued in terms of efficiency and Brown, Hamilton, and Medoff in terms of employee compensation, the

implication for public policy is to implement polices to shift economic activity away from small firms and toward large enterprises.[33]

Dynamic Theory

Why do firms exist? Ronald Coase was awarded a Nobel Prize for explaining why a firm should exist.[34] His answer? To reduce transaction costs. But why should more than one firm exist in an industry? One answer is provided by the traditional economics literature focusing on industrial organization. An excess level of profitability induces entry into the industry. This is why the entry of new firms is interesting and important—because the new firms provide an equilibrating function in the market, in that the levels of price and profit are restored to the competitive levels.

But why do firms start up in industries where the incumbent firms are experiencing negative profits and a loss in market share to foreign companies? Traditional static theory would support either entry or exit, but not both at the same time. An alternative explanation was needed.[35] It was suggested that new firms entering the industry were not simply to increase output by being smaller replicas of large incumbent enterprises, but by serving as agents of change.

However, there is nothing unique about firms.[36] The firm is in no sense a natural unit of analysis. Only individuals can claim that distinction. All are potential entrepreneurs. It seems then that an economic theory of efficiency needs to build up from men and women rather than from firms. When the focus is shifted toward individuals and away from the firm as the relevant unit of observation, the question becomes, "How can entrepreneurs with a given endowment of new knowledge best appropriate the returns from that knowledge?"

Each economic agent must choose how best to appropriate the value of his or her endowment of economic knowledge by comparing the wages he or she would earn in continued employment with an incumbent enterprise to the expected net value of the profits accruing from starting a new firm.

An additional layer of uncertainty pervades a new enterprise. It is not known how competent the new firm really is, in terms of management, organization, and work force. At least incumbent enterprises know something about their underlying competencies from past experiences. A new enterprise is burdened with uncertainty as to whether it can produce and market the intended product as well as sell it. The degree of uncertainty will typically exceed that confronting incumbent enterprises.

Dynamic theory favors small firms because it shines the light on change. In the "new information economy," continued innovation and change is the

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[33] Leonard W. Weiss, "The Structure-Performance Paradigm and Antitrust," *University of Pennsylvania Law Review*, 127 (April 1979), 1104–1140 and C. Brown, et al., *Employers: Large and Small* (Cambridge: Harvard University Press, 1990).

[34] Ronald Coase, "The Nature of the Firm," *Economica* 4 (1937), 386–405.

[35] Zoltan J. Acs, *The Changing Structure of the U.S. Economy* (New York: Praeger, 1984).

[36] David B. Audretsch, "Small Firms and Efficiency," conference paper prepared for the U.S. Small Business Administration, Office of Advocacy, 1997.

rule. More than half of the sales of high technology firms come from products less than 18 months old. What emerges from the new evolutionary theories of new and small firms is that markets are in motion, with many new small firms entering an industry and many exiting. About 10–16 percent of firms are new each year and about 9–14 percent exit each year.[37]

The prevalence of small enterprises in the firm size distribution reflects the continuing entry of new firms into industries and not necessarily the permanence of such small and sub-optimal enterprises over the long run. Although the skewed distribution of firms (a few large firms and many small firms) persists with remarkable stability over long periods of time, a constant set of small and sub-optimal scale firms is not responsible for this skewed distribution. Instead, a changing set of new small firms provides an essential source of new ideas and experimentation that otherwise would remain untapped in the economy. A constant supply of new firms seems to replace existing ones.

What are the welfare implications of dynamic theory? With dynamic theory, the existence of small sub-optimal firms does not represent a loss in economic efficiency. Seen through the dynamic lens of evolutionary theory, the economic welfare implications of the recent shift in economic activity away from large firms and toward small enterprises is welfare-enhancing because new startups introduce change into the economy. As Schumpeter argued in terms of economic development, and Kirchhoff in terms of dynamics, the implication for public policy is to implement policies that encourage the entry of new firms, support their survival, and promote their growth.[38]

Community

How can an unrelated collection of small businesses prosper in the face of competition from large firms?[39] There are two mechanisms by which small firms can succeed. First, they can become part of the value chain of an industry. For example, small firms can write software for a larger project. Second, small firms can become part of a larger social community like the "Third Italy" or "Silicon Valley."

Community comes in many flavors—from the high tech communities of Silicon Valley to the Cuban immigrant communities of Miami. The essence of community is a shared set of values and customs concerning behavior and family. Community and evolution play the crucial and indispensable role of

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[37] Statistics of U.S. Business (SUSB), U.S. Small Business Administration, Office of Advocacy from data provided by the U.S. Department of Commerce, Bureau of the Census, Table 9S. See also Chapter 2 of this report for a discussion of job creation and destruction over the 1990–1995 period.

[38] Joseph A. Schumpeter, *The Theory of Economic Development* (Cambridge: Harvard University Press, 1934) and Bruce Kirchhoff, *Entrepreneurship and Dynamic Capitalism* (London: Praeger, 1994). Perhaps the most important determinant of the survival and growth of new firms is the availability of human and financial capital. See R. C. Cressey, "Are Business Startups Debt-Rationed?" *The Economic Journal* 106 (1996), 1253–1270.

[39] M. Lazerson, "Organizational Growth of Small Firms: an Outcome of Markets and Hierarchies?," *American Sociological Review* 53 (3) (1988), 330–342.

providing the social glue and networking that binds small firms together in both high tech and "Main Street" activities.

What holds a disparate collection of small firms together, then, is social capital. Social capital is a powerful force at work, recently recognized by economists. Economists are assessing how the social fabric affects individual choice and economic growth. The essential qualities of social capital, as opposed to physical or human capital, are that it reflects a community or group and that it impinges on individuals regardless of their independent choice. According to new research, what is important is the interplay between social dynamics in the community and economic performance over time. Strong community ties lead to strong commercial ties.[40]

Innovation, New Firm Startups, and Job Creation

What are the consequences of a dynamic economy? Underneath the smooth surface of macroeconomic aggregates is a very active microeconomic world. Massive reshuffling of factors of production is constantly taking place. Market economies seem to handle this overwhelming "churn" with remarkable success.[41] Small and new firms are an integral part of the renewal process that pervades and defines market economies. New and small firms play a crucial role in experimentation and innovation that leads to technological change and employment growth. In short, small firms are about change and competition because they change market structure.

Innovation

Almeida and Kogut rely on the semiconductor industry to explore the role of small firms and community in radical innovation.[42] They support the view that small firms play a key role in innovation and the evolution of markets, arguing that small firms' importance lies not only in the productivity of their research relative to large firms, but in the unique role they play in the innovative process. Small firms play a critical role in technological and economic development by exploring and innovating in new technological fields.

Almeida and Kogut use patent data to identify the patterns of innovation in large and small firms. Startups produce innovations in less crowded technological fields, while larger firms appear to succeed in more established fields. Discoveries for new small firms usually come just a few years after their

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[40] "The Ties That Lead to Prosperity," *Business Week* (December 15, 1997), 153.

[41] R.J. Caballero and L. Hammond, "On the Timing and Efficiency of Creative Destruction," *Quarterly Journal of Economics* 446 (3) (August 1996), 805–852 and Wilbur R. Maki and Paul D. Reynolds, *Business Volatility and Economic Growth*, report no. PB90–269226, prepared by Regional Economic Development Associates, Inc. under contract with the U. S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, 1990).

[42] Paul Almeida and B. Kogut, "The Exploration of Technological Diversity and Geographic Localization in Innovation: Start-up Firms in the Semiconductor Industry," *Small Business Economics* 9 (1) (1997).

founding. Therefore, small firms act as agents of change by providing an essential source of new ideas that otherwise would remain untapped.

The innovativeness of small firms and their ability to explore new technologies is, perhaps, surprising since often they are resource-poor and have small research and development (R&D) budgets and limited manpower. Small firms overcome their limited resources by turning to community networks. They often rely on regional knowledge networks for important inputs into the innovation process. Through this process of accessing and sharing knowledge with geographically proximate firms, small firms help the circulation and building of regional networks.[43]

In the Almeida-Kogut study, both large and small firms cited local patents significantly more than would be expected, indicating localization effects. These effects were most significant for the startup sample; that is, startup firms were much more closely tied to other firms within the same regional network than were larger firms.

New Firm Startups

The entry of new firms is impressive in most economies. Over a five-year period, entry in manufacturing industries accounts for almost half of the net new employment increase in both the United States and Canada. However, while the size of the entry population is impressive, the importance of entry is tied to its dynamic impact on innovation. Entrants play a key role in the entrepreneurial process that constantly offers consumers new goods and services. Entrants are often seen as providing the dynamic new force that leads to change in an industry. This process is costly. Many entrants fail soon after they enter—but some become the next Microsoft.

Baldwin surveyed a large number of startups to better understand the innovation process.[44] He examined firms' innovative and technological competencies and their human capital development. The survey focused on new entrants that emerged from their early years and survived to their teen years. The frame consisted of all entrants to the commercial sector (both goods and services) in the period 1983–1986 that survived to 1993.

The results helped generalize the importance of innovation to firms in all industries. Firms in the semiconductor and electronics industries are clearly innovative, but other firms have also developed the capacities needed for innovation in their particular industries. Innovations thus enhance firm survival. These capabilities often involve developing new technologies, nurturing worker skills, or devising products that are highly novel. The range and diversity of the innovative skills of new firms across all industries is remarkable.

The importance of the relationship between innovation and firm growth is also clear. The successful entrants that grow most are those that develop

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[43] A. Saxenian, "The Origins and Dynamics of Production Networks in Silicon Valley," *Research Policy* 20 (1994), 423–37.

[44] John R. Baldwin, "Innovation and Entry," conference paper prepared for the U.S. Small Business Administration, Office of Advocacy, 1997.

some type of innovative activity, whether in new products, technology, or human resources. The diffusion of new technologies throughout the economy plays a crucial role in keeping an economy vibrant and the small firm sector dynamic and productive. For example, the diffusion of computers has reduced costs in many small businesses.

Job Creation

What is the contribution of new establishments, startups and small firms to job creation? The public discourse about the role of employer size has focused primarily on the contribution of small businesses to job creation. However, there is less agreement about this aspect of the role of employer size than, for example, the role of small firms in innovation, compensation, or productivity. The widely cited claim that small businesses are the primary creators of jobs in the United States derives primarily from studies by David Birch and the U.S. Small Business Administration using the only data publicly available in the 1980s from Dun and Bradstreet.

What is the relationship between employer size and age?[45] Strong arguments can be made why employer age might be relevant. First and foremost, new and young businesses are inherently a part of the ongoing process of renewal that pervades market economies, as predicted by the dynamic model. The introduction of new ideas, products, and techniques involves a process of trial and error in which many new businesses fail, while others are dramatic successes. Just a few years ago, computers did not talk to each other either within or between offices.[46]

The new Business Information Tracking Series (BITS) file, jointly constructed by the Office of Advocacy of the U.S. Small Business Administration and the Bureau of the Census of the U.S. Department of Commerce, has the advantages of being longitudinal and of covering all private sector establishments with employment, even new firms in the 1–4 employee firm size class. This file takes over where the Longitudinal Research Datafile ends in the early 1990s, and currently covers the time period of 1990–1995.[47]

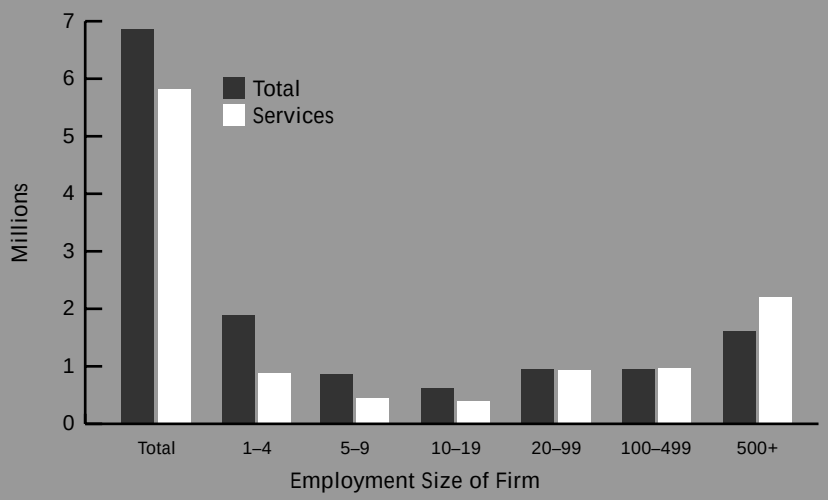
Indeed, for the whole economy, the smallest firm size is important. When firms were classified by their employment size in the beginning year of the period being observed, the largest percentage increase in employment was in the 1–4 employee firm size class where employment increased by 1,879,546 (36.8 percent) from 1990 to 1995 (Chart 3.2). This was even true in manufacturing, where employment in the 1–4 employee firm size class increased by 107,722. Of the net new jobs created in the whole economy, new establish-

[45] J. Haltiwanger and C. J. Krizan, "Small Business and Job Creation in the United States: The Role of New and Young Firms," conference paper prepared for the U.S. Small Business Administration, Office of Advocacy, 1997.

[46] While the Longitudinal Research Datafile (LRD) may be inadequate for the purposes of characterizing the role of employer size in job creation for the U.S. economy, it can be used effectively to characterize the role of employer size for U.S. manufacturing, which is useful in its own right. In so doing, it serves as a testing ground for methodological and conceptual issues.

[47] See Chapter 2 for more detail.

Chart 3.2 *Job Growth by Employment Size of Firm, 1990–1995*



Source: U.S. Small Business Administration, Office of Advocacy, from Statistics of U.S. Business provided by the U.S. Department of Commerce, Bureau of the Census.

ments accounted for 70 percent, compared with 30 percent for existing establishments. New firm startups (as distinguished from new establishments) that did not exist before 1990 created almost 22 percent of all net new jobs between 1990 and 1995. Using the new Census data it seems that both size and age are important determinants of employment growth.

The contribution of small firms to the economy may be summarized in terms of efficiency and dynamics. The essence of the *efficiency* argument is that there are certain things small firms do better than large firms. Through the division of labor between small and large firms, the efficiency of the economy is increased. This is especially important in production and innovation.[48]

The argument with respect to *dynamics* is that small firms are needed to provide the entrepreneurship and variety required for macroeconomic growth and stability. In fact, the connection between entrepreneurship and small business is interesting from an economic growth perspective. While the static effects of the division of labor between large and small firms may be tied to the vast majority of small firms, the dynamic aspects are tied to a subset of firms that are entrepreneurial.

[48] C. Pratten, *The Competitiveness of Small Firms* (Cambridge: Cambridge University Press, 1991) and Zoltan J. Acs and David B. Audretsch, "Innovation in Large and Small Firms,"*The American Economic Review* 78 (1988), 678-690.

Small firms provide the lion's share of entrepreneurship in the economy, and a high rate of new firm entry is associated with *dynamics*. This is because highly structured organizations are inefficient when dealing with changes in the environment. New small firms, therefore, are needed for the production of variety in the economy and the elimination of stagnation.[49]

Entrepreneurship, Women, Minorities, and Immigrants

While change is important for the economy—since it directly affects productivity and growth—the broader social and political issues are equally important. Small firms are the essential mechanism by which millions enter the economic and social mainstream of American society. Small business is the vehicle by which millions access the American Dream by creating opportunities. The American economy is a democratic system, as well as an economic system, that invites change and participation. What is the entrepreneurial role of women, minorities and immigrants in the economy?[50]

Women Business Owners

Less than half a century ago, the entire work force in the United States was composed of less than 26 percent women, who most often were employed as secretaries, nurses or teachers.[51] Regulatory events, notably the passage of the Civil Rights Act in 1964, the Equal Credit Opportunity Act in 1975, and the Affirmative Action Act in 1978, helped to remove structural barriers women faced in business ownership. Parallel to regulatory changes, the role of women in society also changed. As more women successfully created, managed and grew companies, and more women's advocacy groups were founded, greater recognition of their achievements was recorded by the media and government.

Why are women-owned businesses important? The role of women-owned businesses has changed dramatically over the past decade.[52] From 1987 to 1997, women-owned businesses are estimated to have increased by 89 percent, to almost 8.5 million.[53] One reason the U. S. economy has created so many new businesses in the past decades is that many women have chosen self-employment over wage employment. Despite the dramatic increase, there is relatively little research on women-owned businesses or the extent to which they have different needs.

The role of women-owned businesses can be better understood by taking a broader perspective on their role in society over time, and examining the social context influencing women business owners. Of particular importance is

[49] Bo Carlsson, "Entrepreneurship, Industry Evolution and the Macroeconomy," conference paper prepared for the U.S. Small Business Administration, Office of Advocacy, 1997.

[50] See Chapter 4 for detailed data covering women- and minority-owned businesses.

[51] B. Bergman, *The Economic Emergence of Women* (New York: Basic Books, 1986).

[52] Candida Brush and Robert D. Hisrich, "Women-Owned Businesses: Why Do They Matter?" conference paper prepared for the U.S. Small Business Administration, Office of Advocacy, 1997.

[53] See Chapter 4 for more detail.

the role of community, and paramount is the relationship between family and work. According to many authors, one of the key variables that has facilitated women starting businesses has been the change in technology. As the economy continues to shift toward an information base, innovations in telecommunications and computers have made it much easier to start home-based businesses, about a quarter of which are operated full-time. The socioeconomic context of many women-owned businesses is different from that of many businesses owned by men, but technology is creating greater diversity in the reasons for business startups, as well as their costs.

Judged from a static, efficiency perspective, many small women-owned businesses are sub-optimal. However, from an evolutionary and contextual social perspective, many of these small businesses turn out to be socially efficient. This is because being a woman entrepreneur fulfills a large number of social and economic needs. For example, raising children and self-employment seem to go together, and home-based firms have the capacity for both.

Ethnic Entrepreneurship

From another perspective, what is the role of ethnic entrepreneurship and its relationship to the concept of community? Like women-owned businesses, minority-owned businesses increased significantly, by more than 165 percent from 1982 to 1992.[54]

A clear distinction is made here among immigrant-owned businesses, minority-owned businesses, and ethnic entrepreneurship. Ethnic entrepreneurship has a very special meaning in this context, being defined as "a set of connections and regular patterns of interaction among people sharing a common national background or migration experiences."

The debate here is about the role of entrepreneurship in shaping a community—a debate with a long history. Butler and Green present three case studies describing three ethnic- or minority-owned business communities.[55] The case studies are drawn from different historical periods to clearly illustrate the dynamics of community entrepreneurship. Because community entrepreneurship has not always been driven by ethnicity or immigration, the exploration takes a page from the history of black America also. For these groups, business enterprise is a very important tool, contributing to the incorporation of ethnic immigrants into American society.[56]

Two important lessons may be drawn from these case studies consistent with the concept of small firms. First, just as there are two views of efficiency in industrial organization, there are also two views of efficiency in ethnic entrepreneurship. The static view would suggest that most of these businesses are sub-optimal, while a dynamic view suggests that these businesses are building

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[54] See Chapter 4 for more detail.

[55] John S. Butler and Patricia Gene Green, "Don't Call Me Small: The Contribution of Ethnic Enterprises to the Economic and Social Well Being of America," conference paper prepared for the U.S. Small Business Administration, Office of Advocacy, 1997.

[56] For another perspective see T. Bates, *Race Self-Employment and Upward Mobility: An Elusive American Dream* (Baltimore: The Johns Hopkins University Press, 1998).

a community and developing networks, and therefore will grow and prosper in the future. Ethnic entrepreneurs probably have inside information about business opportunities and community that they are able to exploit. This is especially true in the Asian communities. While this information could be transmitted outside the community, there could be disagreement about its value.

Second, just as community is important for small high technology firms, it important for ethnic entrepreneurship. In other words, small businesses—whether they are high tech or low tech—need a community to survive and grow. Community provides the instrumental networks, entrepreneurial apprenticeships, and sources of funds. The crucial barometer for economic and social well-being is the continued creation of new startup firms and establishments by all segments of society.

Evolution, Community, and the Global Economy

The world economy at the end of the 20th century is characterized by increasing cross-border awareness and interdependence among nations. Both international trade and investment have increased manifold. Total world trade increased from $629 billion (in 1995 dollars) in 1960 by eight times to $5 trillion by 1995, while world output grew only by 3.6 times.[57] Total world foreign investment went up faster than either world trade or world output.

Small firms make an important contribution to the U.S. role in the international community. What are the linkages among evolution, community and the global economy? What role do small and medium-sized firms' innovations play in the globalization process?[58] The question is linked to the question of why small firms are such radical innovators. Innovations arise only when property rights are properly aligned. Property rights may be less perfectly aligned in large firms than in small firms. Innovators in small firms can hold clear property rights.

Smaller firms can conduct international expansion on their own, or by collaborating with a multinational firm. The intermediated form of international expansion has certain advantages. The small firm benefits from having access to the multinational firm's global market reach. From the large firm's perspective, the arrangement enhances the value of its existing contributions to internationalization.[59]

The world is changing rapidly, and firm boundaries are blurred by competitive network connections. Large firms can now be thought of as coordinating transaction units rather than merely integrating production units. In this

[57] *The Economic Report of the President* (Washington, D.C.: U.S. Government Printing Office, 1997), 243.

[58] Zoltan J.Acs, Randall Morck, and Bernard Yeung, "Evolution, Community and the Global Economy," conference paper prepared for the U.S. Small Business Administration, Office of Advocacy, 1997.

[59] See Georgia S. Vozikis, *A Strategic Disadvantage Profile of the Stages of Development and the Stages of the Exporting Process: The Experience of the Small Business Exporters in Georgia*, report no. PB82–185224, prepared under contract for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, 1979).

way, regions and multinational global networks are interconnected, with small firms playing an important dynamic role as radical innovators.

Conclusion

Are small firms important? Yes. The impressive performance of the U.S. economy over the past six years can be contrasted with the rather lackluster performance in both Europe and Japan. This divergent macroeconomic performance can be explained in part by differences in competition, entrepreneurship and new firm startups. Small firms make two indispensable contributions to the American economy.

First, they are an integral part of the renewal process that pervades and defines market economies. New and small firms play a crucial role in experimentation and innovation, which leads to technological change and productivity growth. Small firms are about change and competition because they change market structure. The U. S. economy is a dynamic organization always in the process of becoming, rather than an established one that has arrived.

Second, small firms are the essential mechanism by which millions enter the economic and social mainstream of American society. Small business is the vehicle by which millions access the American Dream by creating opportunities for women, minorities, and immigrants. In this evolutionary process, community plays the crucial and indispensable role of providing the social glue and networking that binds small firms together in both high tech and "Main Street" activities. The American economy is a democratic system, as well as an economic system, that invites change and participation.

A successful entrepreneurial environment features continual "creative destruction," to use Joseph Schumpeter's apt term. New companies prosper and help the economy, in part by destroying the markets for semi-monopolistic industries. Nations that protect the markets and incomes of existing larger companies prevent the creative destruction so essential to progress. Therefore, the crucial barometer for economic and social well-being is the continued high level of creation of new and small firms in all sectors of the economy by all segments of society. Government policy facilitates that process when it eliminates barriers to entry, lowers transaction costs, and minimizes monopoly profits by large firms.

Chapter 4

Characteristics of Small Business Owners and Employees

Synopsis

Small firms represent business ownership opportunities for women, minorities, and the young and elderly, as well as the population in their prime working years. Ownership opens doors for women and minorities to move into the economy less encumbered by traditional barriers to economic achievement. Small firms are more likely than large businesses to hire individuals that are on the margin of the labor force. By giving entry-level positions to the young and individuals on public assistance, for example, they help create the skills needed to move the society and economy forward. To understand these small business contributions, it is useful to look at the characteristics of small business owners, their businesses, and the small business labor force.

In 1997, according to Current Population Survey data, 11.5 million Americans had some self-employment earnings. A total of 7.2 million men; 4.3 million women; 500,000 Asians, Pacific Islanders, American Indians, and Aleut Eskimos; almost 700,000 blacks; 10.3 million whites; and almost 700,000 Hispanics were self-employed.

Women- and minority-owned businesses are rising in importance in our nation's economy. They are represented in every type of industry and in every form of business. Based on data from the Census Bureau's Survey of Women-Owned Businesses and Survey of Minority-Owned Business Enterprises, the U.S. Small Business Administration's Office of Advocacy estimates that in 1997 there were almost 8 million women-owned businesses (8.5 million with C corporations) and 3.2 million minority-owned businesses. Their numbers have been increasing steadily, and more rapidly, than those in the economy as a whole.

Small businesses also employ thousands of individuals of all races, genders, and ages. In 1997, the small business work force consisted of 54.5 percent males, 45.5 percent females. It represented diverse ethnic and racial groups: 4.5 percent Asians, Pacific Islanders, American Indians, and Aleut Eskimos; 9.7 percent blacks; 85.8 percent whites; and 13.1 percent Hispanics. Small businesses hire a larger proportion of younger and older workers, part-time employees, employees with lower educational attainment, and individuals that receive public assistance than large businesses.

Characteristics of Business Owners

Small business owners can be viewed from a number of perspectives depending on the data collection techniques used.[1] For example, self-employment information is available from the Current Population Survey (CPS), which is a joint project of the U.S. Department of Commerce, Bureau of the Census, and the U.S. Department of Labor, Bureau of Labor Statistics. The CPS covers current employees of private firms, defining the self-employed as those who have any self-employment earnings during the year.[2]

The most comprehensive federal statistics on women- and minority-owned businesses are collected and disseminated every five years as part of the Survey of Minority-Owned Business Enterprises (SMOBE) and the Survey of Women-Owned Businesses (WOB), special programs of the Census Bureau's Economic Censuses. The most recent data available, for 1992, cover all such women- and minority-owned businesses, and include information about sole proprietorships, partnerships, and S corporations. The only major exclusions are C corporations and businesses with less than $500 in annual receipts.[3] The Characteristics of Business Owners (CBO) survey samples a subset of the SMOBE and WOB samples and asks detailed questions about various aspects of the owner and business, including questions about financing, survival, exporting, and franchising.

The Self-Employed

The 11.5 million individuals who had self-employment earnings in 1997 are a diverse group (Table 4.1). More than one-third—and the number is increasing—were women. White individuals accounted for 89.7 percent of

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[1] For analyses of all U.S. firms, the SBA's Office of Advocacy usually defines a small firm as a firm with fewer than 500 employees. Data for this chapter come from the U.S. Department of Commerce, Bureau of the Census, and the U.S. Department of Labor, Bureau of Labor Statistics (BLS). Census data include the *Characteristics of Business Owners,1992* (CBO), *Women-Owned Businesses, 1992, Asians and Pacific Islanders, American Indians, and Alaska Natives,1992, Black-Owned Businesses,1992,* and *Hispanic-Owned Businesses,1992*. The 1992 CBO was released in late 1997 and is available on the Internet at http://www.census.gov/prod/www/titles.html#econ. The CBO provides extensive detail about both business owners and their businesses.

[2] Self-employment and employee information in this report are based on the 1993–1997 March CPS, taken by the Census Bureau for BLS, which asks a variety of questions about employment and worker characteristics. While some self-employment figures cover only those unincorporated individuals who are self-employed as their primary occupation, there are also statistics on individuals who had any self-employment earnings during that year. The CPS survey asks a question about employer size, but inconsistencies may exist in the responses. For example, the respondents may not know the total number of employees of the firm, especially if it has more than one location. Franchise employees may or may not consider the entire franchise the employer.

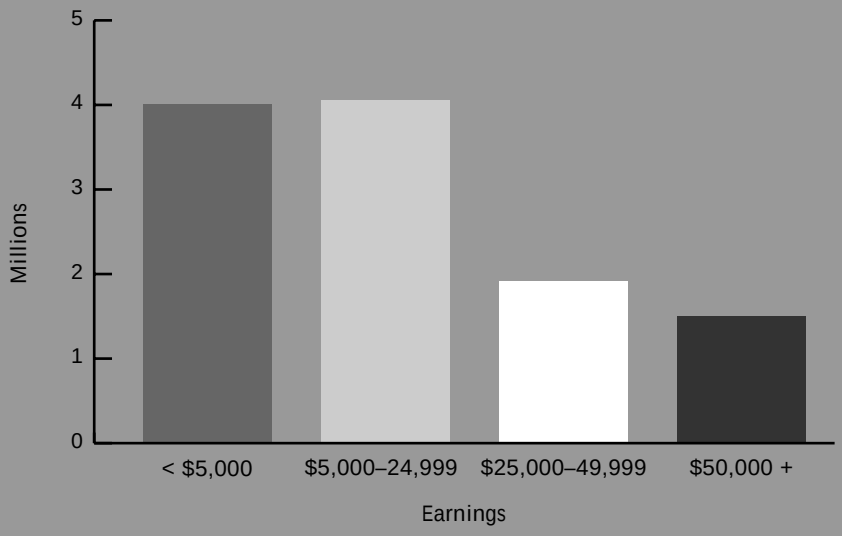
[3] A C corporation is a business organization that offers limited liability for corporate debts, free transfer of ownership of business interests, centralized management, and continuity of life. The largest businesses are usually C corporations. The exclusion of C corporations from the CBO makes comparisons between small and large businesses difficult. Because these large employers are excluded, the largest employment size class used here is 100 or more employees. An S corporation is a business organization similar to a C corporation but with a limited number of shareholders and less liability protection for corporate debts; S corporations pass all revenues through to shareholders. S corporations are included in the data base. The Office of Advocacy was able to project the 8.5 million summary number of women-owned businesses that includes C corporations because data on women-owned C corporations are available for 1992. Using the ratio of corporations to all other businesses, estimates were made for the number of women-owned C corporations in 1982 and 1987. These corporations are included in the estimates for the total number of women-owned businesses and receipts.

Table 4.1 *Characteristics of the Self-Employed, 1997*

Characteristic	Number	Percent
Total	**11,477,120**	**100.0**
Self-Employed as a Share of the Labor Force	—	8.4
Sex		
Female	4,251,717	37.0
Male	7,225,403	63.0
Race		
Asian/American Indian	512,711	4.5
Black	667,058	5.8
White	10,297,351	89.7
Origin or Descent		
Hispanic	669,015	5.8
Other	10,808,105	94.2
Age		
<25	482,359	4.2
25–34	1,958,543	17.1
35–44	3,460,141	30.1
45–54	3,101,292	27.0
55–64	1,741,141	15.2
65+	733,644	6.4
Educational Level		
High School or Less	4,517,894	39.4
Some College	3,191,266	27.8
Bachelors	2,303,301	20.1
Masters or Above	1,464,659	12.8
Earnings in the Previous Year (1997 Dollars)		
<$5,000	4,006,781	34.9
$5,000–24,999	4,056,993	35.3
$25,000–49,999	1,909,963	16.6
$50,000+	1,503,384	13.1
Industry		
Agriculture Services, Forestry, and Fishing	360,768	3.1
Mining	43,811	0.4
Construction	1,626,085	14.2
Manufacturing	780,625	6.8
Transportation, Communications, and Public Utilities	602,355	5.2
Wholesale Trade	376,730	3.3
Retail Trade	1,554,891	13.5
Finance, Insurance, and Real Estate	701,374	6.1
Services	5,209,515	45.4
Unknown	220,966	1.9

Note: Represents individuals with any self-employment earnings in the year.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Bureau of the Census, Current Population Survey.

Chart 4.1 *Number of Self-Employed by Earnings Category, 1997*



Note: Includes all individuals with any self-employment earnings during 1997.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

the self-employed; black individuals accounted for 5.8 percent; and Asian, Pacific Islander, American Indian, and Aleut Eskimo individuals accounted for 4.5 percent. By origin, Hispanic individuals accounted for 5.8 percent. The 1991 to 1997 period saw increases in the percentage of the self-employed who were women, Hispanics and all races except white. The CPS data provide more detail about the self-employed:

- Of the 11.5 million Americans with self-employment earnings in 1997, men constituted 63 percent (7.2 million); women, 37 percent (4.3 million). Some 8.4 percent of the civilian labor force (10.0 percent of men and 6.9 percent of women) were self-employed.
- Some 4.2 percent were under age 25 and 6.4 percent were 65 or older.
- A large proportion of the self-employed, 34.9 percent, received less than $5,000 for their business efforts; only 13.1 percent received more than $50,000 (Chart 4.1).
- By industry, most of the self-employed were in services (45.4 percent), retail trade (13.5 percent), and construction (14.2 percent).

Self-employment increased from 1996 to 1997, especially among 35- to 64-year-olds, nonminorities, men, and individuals with a high school education or less and relatively higher self-employment earnings.

Small Business Owners

Small business owners covered in the Characteristics of Business Owners survey consist of two groups: those with and without employees. In 1992, 80.8 percent of owners covered in the CBO owned firms without employees.

Women, blacks, and Hispanics were less likely than white males and Asians to own larger firms (Table 4.2). Women owned 35 percent of all firms without employees, but only 26.7 percent of firms with employees. Similarly, blacks and Hispanics' relative shares of firms without employees tended to be relatively more than their shares of firms with employees. Other findings include the following:

- In 1992, 90.6 percent of business owners in the CBO were born in the United States. The native-born percentage was higher for larger firms: 94.5 percent of the owners of firms with 100 or more employees were born in the United States.
- Owners in the CBO data base were older than those in the CPS, perhaps because the CBO's exclusion of tax returns with less than $500 in annual business receipts eliminates more of the younger self-employed.
- Prime working age adults were most likely to own larger firms: only the age categories of 45–54 and 55–64 had larger percentages of owners in the category of firms with 100 or more employees than firms without employees.

Characteristics of Businesses

The CBO also provides a unique opportunity to examine the characteristics of businesses. Because C corporations are excluded, almost all firms covered in the CBO are small. Survey questions included but were not limited to how the businesses were obtained, when they were started, and if they have survived until the survey.[4]

How Firms were Acquired

Business owners in the CBO acquired their firms in a variety of ways: three-fourths were original founders, about 11 percent received the firm as a gift, and another 11 percent purchased it (Chart 4.2). Only about 3 percent inherited their firms. Original founders and purchasers are less prevalent in the larger firm employment size classes. In fact, 41.3 percent of the firms with 100 or more employees received the firm as a gift, 29.8 percent were

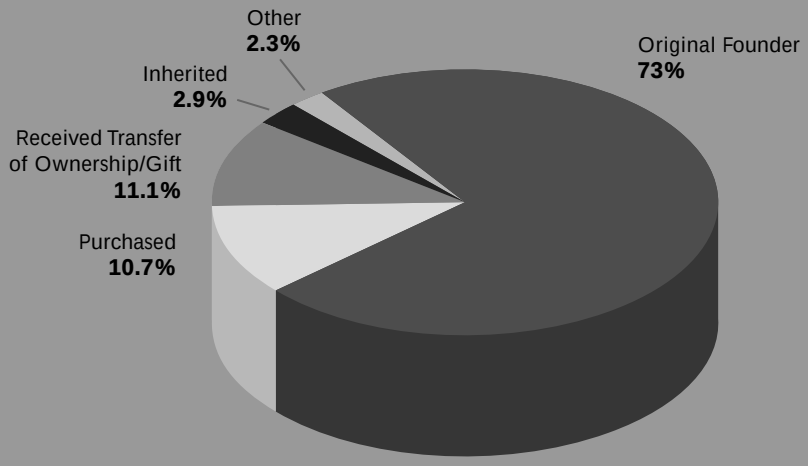
[4] In 1996, businesses existing in 1992 were surveyed. Because surviving companies are more likely to be found and to respond, survival rates, and thus firm age may be skewed. However, the intraindustry comparisons are still quite useful.

Table 4.2 *Gender, Race, and National Origin of Business Owners by Employment Size of Firm, 1992 (Percent)*

		Total	Without Employees	With Employees
Gender	Women	33.4	35.0	26.7
Race/Origin	Asian/American Indian	3.6	3.4	4.5
	Black	3.3	3.7	1.6
	White	88.9	88.4	90.8
	Hispanic	4.2	4.4	3.2

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, *Characteristics of Business Owners, 1992.*

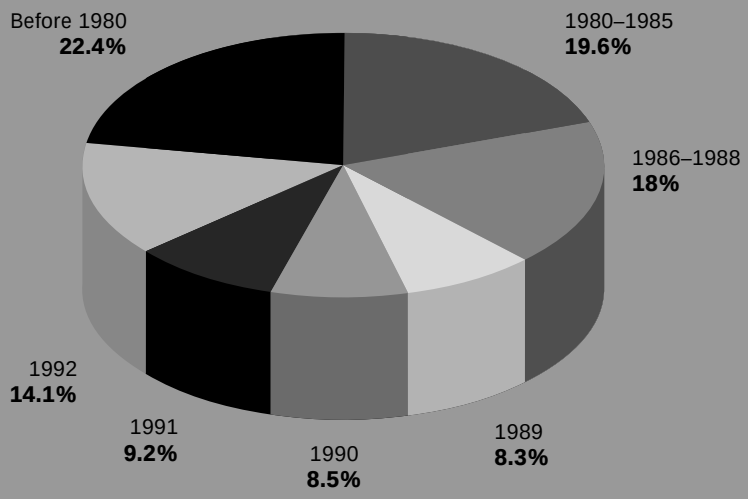
Chart 4.2 *How the Business was Acquired by the Owner, 1992*



Note: Survey excluded non-S corporations (often large companies), and business tax returns with less than $500 in business receipts during the year.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Chart 4.3 *Distribution of Firms by Start Year, 1992*



Note: Survey excluded non-S corporations (often large companies), and business tax returns with less than $500 in business receipts during the year.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

original founders, 22.5 percent inherited the firm, 6.3 percent purchased it, and the remaining 0.2 percent acquired it in another way.

Firm Age

In 1992, 23.3 percent of the CBO firms were started within the previous two years and 22.4 percent were started more than 12 years earlier (Chart 4.3). The year in which firms were started differed widely between firms with and without employees. Not surprisingly, firms without employees are often younger than firms with employees: of the firms without employees, 27.0 percent were started within the previous two years, compared with only 9.7 percent of firms with 1 to 4 employees. What is less obvious is that firms with 5 to 9 employees are similar in their age ranges to firms with 100 or more employees. The transportation, communications, and public utilities sector is the major industry group most represented by younger firms, while finance, insurance, and real estate is the industry most represented by older firms.

Survival Rates

Small firms' entry into and exit from the marketplace are vehicles for the introduction of new ideas and the reallocation of resources in the U.S. economy.

- More than three-quarters, 75.5 percent, of firms existing in 1992 survived four or more years until at least 1996.[5]
- Survival rates varied widely for firms with and without employees. Of firms without employees, 72.4 percent remained in business until at least 1996; the figure was 89.6 percent for firms with 1 to 4 employees.
- While firms without employees close more often than firms with employees, firms with employees have similar ranges of survival rates.
- By major industry, the finance, insurance, and real estate group had the highest survival rate (82.6 percent) and the transportation, communications, and public utilities group had the lowest survival rate (70.9 percent). The major industry figures are probably strongly influenced by the industry ratios of firms without employees to firms with employees.
- Of the owners whose firms did not survive the period, 38.2 percent said the business was successful at the time the decision was made to cease operations: the figure was 57.4 percent for firms with employees and 36.4 percent for firms without employees (Table 4.3). Figures were similar for women-owned firms, and somewhat lower for minority-owned businesses.

Industry Distribution

Business owners of various demographic groups tended to be concentrated in certain industries. Women-owned firms were reasonably represented in retail trade (44.1 percent) and the service industries (40.6 percent), but underrepresented in construction (10.0 percent). The Asian, Pacific Islander, American Indian, and Aleut Eskimo group was well represented in retail trade; black and Hispanic-owned firms were most often in transportation, communications, and public utilities; and white-owned firms were best represented in finance, insurance, and real estate.

[5] The *1992 Characteristics of Business Owners* was a survey conducted in 1996 on businesses and their activity in 1992, but a few questions were asked pertaining to the 1992–1996 period. Of course, companies that survived until 1996 were more likely to be located and to respond than those that had closed by that time; thus, some survival rate and firm age figures may be skewed.

Table 4.3 *Owners Who Said Their Business was Successful at the Time of Closing, 1992 (Percent)*

		Without Employees	With Employees
All Firms		**36.4**	**57.4**
Gender	Women	37.6	53.1
Race/Origin	Asian/American Indian	24.6	49.4
	Black	22.1	35.7
	White	37.9	58.7
	Hispanic	28.2	42.0

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, *Characteristics of Business Owners, 1992*.

Home-Based Businesses

The CBO also provides firm characteristics by employer size for home-based businesses:

- Home-based businesses were 53.4 percent of all businesses, with only a small percentage of home-based businesses moving out of the house—that is, percentages of firms that were home-based when first established do not differ much from percentages of firms that are currently home-based.
- Home-based business rates decline sharply as the firm employment size increases.
- Major industry figures for 1992 show that construction firms were the most likely to be home-based (81.9 percent); and finance, insurance, and real estate firms were least often home-based (36.0 percent).

Franchising

Franchising as a method of starting a small business is much less prevalent than starting a nonfranchised business:

- Franchised businesses were 3.1 percent of all businesses.
- The share of businesses that are franchised increases sharply as firm employment size increases.
- Retail trade firms were most often franchised (8.0 percent).

Exporting

Most U.S. exporting is occurring in a small percentage of firms, and more often in larger firms than in small firms:

- Exporting businesses were 1.7 percent of all businesses.
- The percentage of businesses that export increases sharply with firm employment size.
- The percentage of sales that are exports is less than 10 percent for most businesses that export; however, small exporters tend to export a larger percentage of their product than larger exporters.
- Manufacturing firms were most often exporters: 9.3 percent of manufacturing firms exported.

Women's Business Ownership

Women-owned businesses are rising in importance in the U.S. economy.[6] They are represented in every industry and form of business, and they account for one-third of all businesses. Their numbers have been increasing steadily and more rapidly than business ownership overall. As the new century approaches, evidence suggests that they will be an increasingly important segment of the economy.

Excluding C corporations, women-owned firms totaled nearly 6 million in 1992 (Table 4.4). Just 818,000 women-owned businesses (again excluding C corporations) had paid employees—about 14 percent of all women-owned firms; in comparison, 18 percent of all businesses had paid employees. Including C corporations, there were approximately 6.4 million women-owned businesses generating $1.6 trillion in business revenues (Chart 4.4). They accounted for about one-third of all businesses and generated 11.2 percent of revenues.

The number of women-owned businesses, excluding C corporations, grew rapidly—by 43 percent—from 1987 to 1992, while businesses overall increased by 26 percent. Women-owned business receipts increased 92 percent over the same period, compared with an increase of 38.5 percent for all businesses.

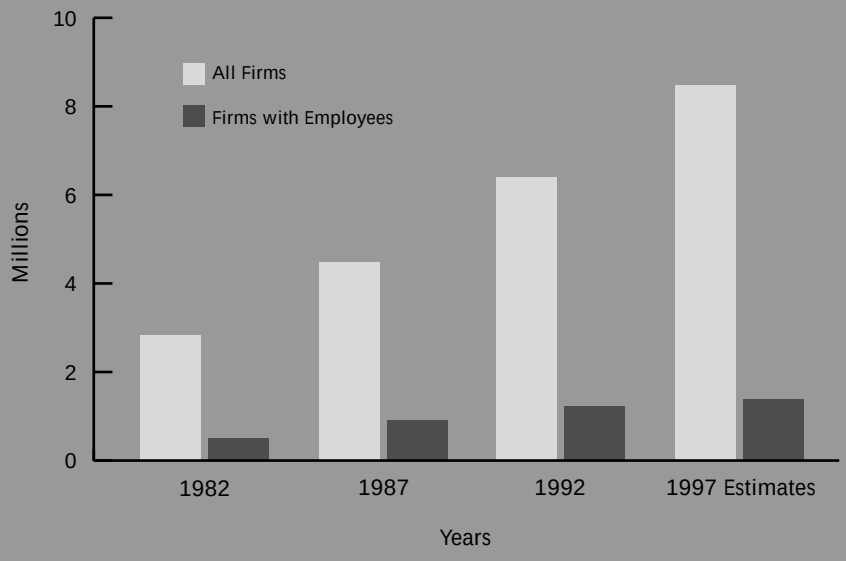
[6] See chapter 3 for a discussion of the importance of women-owned businesses' entrance in the economy. For more detail on women-owned businesses, see U.S. Small Business Administration, Office of Advocacy, *Women in Business* (Springfield, Va.: National Technical Information Service, 1998). Women-owned businesses are analyzed using figures from the Bureau of the Census collected and disseminated every five years in the Survey of Women-Owned Business (WOB). The most recent WOB data available, for 1992, were released in 1997. For the first time, the 1992 data include data on regular "C" corporations. Businesses with less than $500 in annual receipts were excluded beginning in 1987, and the Census Bureau subsequently adjusted the 1982 data for comparability. Because of inflation, fewer and fewer small firms have less than $500 in receipts; therefore, the growth rate is biased upwards slightly for the smaller firms. Other data bases available for analysis of women-owned business include data on self-employment from the Bureau of Labor Statistics and on sole proprietorships from the Internal Revenue Service. Self-employment and sole proprietorship data generally represent the smaller women-owned firms and firms without employees.

Table 4.4 *Women-Owned Businesses: Number of Firms, Receipts, and Employment, 1982, 1987, 1992, and 1997*

All Women-Owned Businesses	1982	1987	1992	1997[2]	Percent Change[3] 1982–1997	Percent Change[3] 1987–1997
Number of Businesses						
Total	**2,842,359**	**4,476,616**	**6,406,715**	**8,472,881**	**198.1**	**89.3**
C Corporations[1]	229,738	361,829	517,832	684,833		
Sole Proprietorships, Partnerships, and S Corporations	2,612,621	4,114,787	5,888,883	7,788,048		
Receipts of Businesses (Nominal Receipts in Thousands of Dollars)						
Total	**240,814,771**	**681,439,984**	**1,574,090,352**	**3,050,272,284**	**637.9**	**208.7**
C Corporations[1]	142,523,258	403,301,867	931,606,000	1,805,266,107		
Sole Proprietorships, Partnerships, and S Corporations	98,291,513	278,138,117	642,484,352	1,245,006,177		
Women-Owned Businesses with Employees						
Number of Businesses (Includes C Corporations)	474,275	940,749	1,244,454	1,376,366	190.2	46.3
Receipts of Businesses (Nominal Receipts in Thousands of Dollars)	175,003,870	599,900,314	1,474,067,116	2,763,241,994	829.9	221.1
Number of Employees (Includes C Corporations)	2,863,659	6,559,213	13,217,066	23,769,175	730.0	262.4

[1] C corporations were estimated for 1982 and 1987 using 1992 ratios.
[2] 1997 projections assume similar growth patterns for 1992–1997 as experienced between 1982 and 1992.
[3] Growth rates for receipts are calculated using constant 1992 dollars; they are real growth rates, adjusted for inflation.
Source: U.S. Small Business Administration, Office of Advocacy, based upon data published by the U.S. Department of Commerce, Bureau of the Census, *1992 Survey of Women-Owned Businesses.*

Chart 4.4 *Women-Owned Businesses, 1982–1997*



Note: 1997 was estimated by the Office of Advocacy using similar growth rates as 1982 to 1992. C corporations were estimated for 1982 and 1987 using 1992 ratios.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

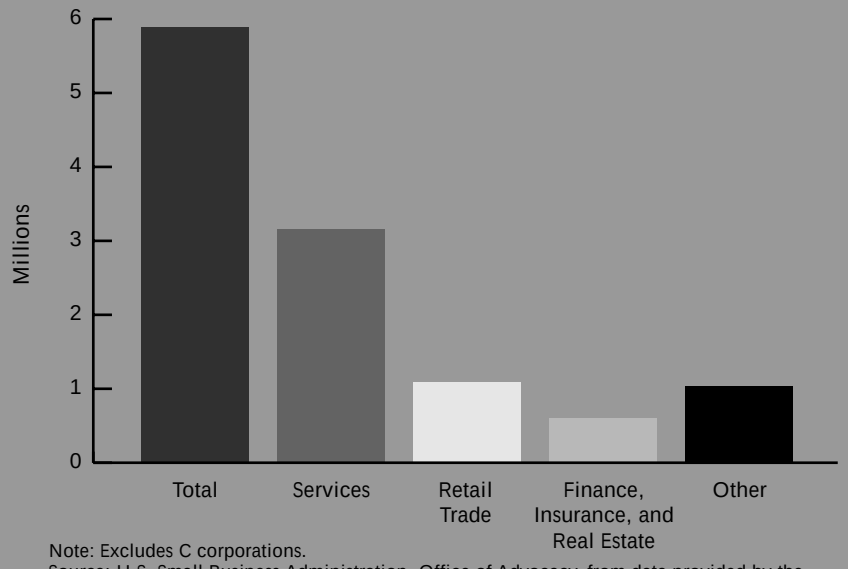
Using Census data for 1982, 1987, and 1992, the SBA's Office of Advocacy estimated the number of women-owned businesses, including C corporations, in 1997 at 8.5 million, an 89 percent increase over 1987.[7] Women's business receipts are estimated at $3.1 trillion after adjusting for inflation, a 209 percent increase. The number of women-owned businesses with employees is estimated at 1.4 million, with receipts of $2.8 trillion.

Other highlights include the following:

- Women-owned businesses constitute 34 percent of businesses as a whole, including 25 percent of businesses with paid employees and 36 percent of businesses with no paid employees.
- More than 72 percent of women-owned businesses are in services or retail trade (Chart 4.5). More than 10 percent are in finance, insurance, and real estate.

[7] Estimates for 1997 are based on the assumption that the growth patterns from 1982 to 1992 continued. Because of recession years in the 1982 to 1992 period, it is possible that these estimates underestimate the growth rates of women-owned businesses and the total number of businesses in 1997. Data on women-owned regular C corporations are available only for 1992. Using the ratio of corporations to all other businesses, estimates were made for the number of corporations in 1982 and 1987. These estimates were used with the 1992 data to project the number of corporations in 1997. While corporations represent only 8 percent of all women-owned businesses, they represent almost 60 percent of all business receipts. Corporations were included in the estimates of the total number of women-owned businesses and receipts.

Chart 4.5 *Women-Owned Businesses by Major Industry, 1992*



Note: Excludes C corporations.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

- Over the 1987 to 1992 period, women-owned businesses in construction, wholesale trade, and transportation, communications, and public utilities had the highest rates of growth (Table 4.5).
- Businesses in mining, manufacturing, wholesale trade, and finance had the highest rates of growth in receipts.
- By state, Nevada, Georgia, New Mexico, Florida, and Idaho had the highest growth rates in the number of women-owned firms (Table 4.6). Nevada, Georgia, and Florida also had high growth rates in firms overall, but New Mexico and Idaho had somewhat lower rankings for growth in the overall number of firms, an indication that women-owned firms led business growth in these states.

Women-Owned Sole Proprietorships

It is estimated that by the year 2000, there will be 7.1 million women-owned sole proprietorships (Table 4.7).[8] The number is expected to grow by 33.5 percent over 1990–2000, compared with an increase of 23.4 percent in sole

[8] Using Internal Revenue Service tax returns, tabulations of the number of sole proprietorships by gender are prepared for the Office of Advocacy by the Statistics of Income (SOI) division of the IRS. Then, using data for 1989–1995, future years were projected assuming similar growth rates.

Table 4.5 *Number and Receipts of Women-Owned Businesses by Industry, 1982, 1987, and 1992*

	1982		1987		1992		Percent Change		
	Number	Percent	Number	Percent	Number	Percent	1982–1992	1982–1987	1987–1992
Number of Businesses									
Total	**2,612,621**	**100.0**	**4,114,787**	**100.0**	**5,888,883**	**100.0**	**125.4**	**57.5**	**43.1**
Agricultural Services, Forestry, and Fishing	19,497	0.8	47,979	1.2	82,526	1.4	323.3	146.1	72.0
Mining	19,832	0.8	26,420	0.6	37,205	0.6	87.6	33.2	40.8
Construction	58,991	2.3	94,308	2.3	183,695	3.1	211.4	59.9	94.8
Manufacturing	44,909	1.7	93,960	2.3	152,346	2.6	239.2	109.2	62.1
Transportation, Communications, and Public Utilities	38,944	1.5	79,768	1.9	141,623	2.4	263.7	104.8	77.5
Wholesale Trade	32,059	1.2	82,513	2.0	154,542	2.6	382.1	157.4	87.3
Retail Trade	631,309	24.2	798,692	19.4	1,093,342	18.6	73.2	26.5	36.9
Finance, Insurance, and Real Estate	246,403	9.4	437,360	10.6	602,802	10.2	144.6	77.5	37.8
Services	1,284,837	49.2	2,269,028	55.2	3,158,444	53.7	145.8	76.6	39.2
Industry Unknown	235,840	9.0	184,759	4.5	282,358	4.8	19.7	−21.7	52.8
Total Receipts (1992 Dollars in Millions)									
Total	**140,016,400**	**100.0**	**334,702,909**	**100.0**	**642,484,352**	**100.0**	**222.1**	**101.9**	**59.5**
Agricultural Services, Forestry, and Fishing	976,821	0.7	2,325,894	0.7	4,987,572	0.8	258.4	101.1	78.2
Mining	3,163,739	2.3	2,327,102	0.7	6,905,374	1.1	53.2	−37.9	146.6
Construction	6,502,726	4.6	24,430,955	7.3	45,978,168	7.2	396.4	217.4	56.4
Manufacturing	7,553,956	5.4	37,201,070	11.1	90,634,753	14.1	742.3	316.0	102.5
Transportation, Communications, and Public Utilities	4,599,605	3.3	13,160,383	3.9	25,822,193	4.0	294.1	141.7	63.1
Wholesale Trade	13,090,490	9.3	51,509,697	15.4	124,847,093	19.4	569.5	232.4	101.4
Retail Trade	51,084,658	36.5	102,788,839	30.7	155,852,751	24.3	114.2	70.0	26.0
Finance, Insurance, and Real Estate	9,073,977	6.5	21,460,171	6.4	51,748,279	8.1	300.3	99.8	100.4
Services	37,432,694	26.7	73,554,067	22.0	130,745,314	20.3	145.2	66.0	47.7
Industry Unknown	6,537,734	4.7	5,944,730	1.8	4,962,855	0.8	−46.7	−23.2	−30.6

Note: The survey excluded non-S corporations (often large companies), and business tax returns with less than $500 in business receipts.

Source: U.S. Small Business Administration, Office of Advocacy, based on data from the U.S. Department of Commerce, Bureau of the Census, *Survey of Women-Owned Businesses, 1987* and *1992.*

Table 4.6 *Women-Owned Firms by State, 1987 and 1992*

	Women-Owned Firms				All Firms			
	1987	1992	Percent Change	Rank	1987	1992	Percent Change	Rank
United States	**4,114,787**	**5,888,883**	**43.1**		**13,695,480**	**17,253,143**	**26.0**	
Alabama	48,018	71,466	48.8	15	178,119	227,119	27.5	22
Alaska	19,380	13,976	-27.9	51	48,784	58,898	20.7	40
Arizona	60,567	93,300	54.0	6	191,908	248,337	29.4	15
Arkansas	35,469	50,440	42.2	25	134,766	159,820	18.6	45
California	559,821	801,487	43.2	23	1,809,252	2,259,327	24.9	26
Colorado	89,411	121,659	36.1	38	262,597	323,147	23.1	31
Connecticut	60,924	79,931	31.2	47	196,537	237,705	20.9	37
Delaware	9,727	14,904	53.2	7	30,976	42,228	36.3	3
District of Columbia	10,987	14,599	32.9	44	29,244	35,344	20.9	38
Florida	221,361	352,048	59.0	4	735,810	1,000,542	36.0	4
Georgia	88,050	143,045	62.5	2	305,382	425,118	39.2	2
Hawaii	21,696	29,743	37.1	36	60,928	79,050	29.7	13
Idaho	18,973	29,946	57.8	5	68,006	88,712	30.4	10
Illinois	177,057	250,613	41.5	26	573,973	726,974	26.7	24
Indiana	89,949	125,411	39.4	30	294,570	364,253	23.7	30
Iowa	53,592	71,040	32.6	45	169,593	191,262	12.8	50
Kansas	53,505	66,429	24.2	49	293,131	348,978	19.1	43
Kentucky	53,454	74,280	39.0	32	193,806	236,525	22.0	35
Louisiana	55,852	76,849	37.6	35	204,723	236,589	15.6	48
Maine	23,922	35,260	47.4	17	88,208	109,360	24.0	29
Maryland	81,891	121,777	48.7	16	244,071	328,403	34.6	5
Massachusetts	111,376	147,572	32.5	46	356,780	442,848	24.1	28
Michigan	133,958	193,820	44.7	21	426,656	551,091	29.2	16
Minnesota	88,137	124,143	40.9	28	280,249	358,921	28.1	20
Mississippi	28,976	40,879	41.1	27	112,245	135,497	20.7	41
Missouri	87,658	117,885	34.5	43	174,121	206,840	18.8	44
Montana	17,747	25,310	42.6	24	63,623	75,331	18.4	46
Nebraska	32,285	43,637	35.2	42	102,811	124,212	20.8	39
Nevada	18,831	32,430	72.2	1	59,784	87,786	46.8	1
New Hampshire	22,713	31,492	38.7	34	79,771	97,772	22.6	32
New Jersey	117,373	164,798	40.4	29	406,792	517,204	27.1	23
New Mexico	25,397	40,636	60.0	3	82,253	107,377	30.5	9
New York	284,912	395,944	39.0	31	930,669	1,159,700	24.6	27
North Carolina	93,532	142,516	52.4	10	329,373	439,301	33.4	6
North Dakota	12,689	15,355	21.0	50	42,717	48,368	13.2	49
Ohio	154,084	224,693	45.8	20	521,123	666,183	27.8	21
Oklahoma	63,690	82,894	30.2	48	223,676	246,936	10.4	51
Oregon	58,941	87,970	49.3	14	185,151	238,967	29.1	17
Pennsylvania	167,362	227,500	35.9	39	595,653	728,063	22.2	34
Rhode Island	14,517	21,353	47.1	18	52,780	67,641	28.2	19
South Carolina	42,604	64,812	52.1	11	149,190	197,330	32.3	7
South Dakota	13,374	18,215	36.2	37	47,829	57,084	19.4	42
Tennessee	67,448	101,134	49.9	13	251,255	325,371	29.5	14
Texas	298,138	414,179	38.9	33	1,025,617	1,256,121	22.5	33
Utah	29,810	45,626	53.1	8	100,186	129,202	29.0	18
Vermont	13,802	21,033	52.4	9	45,243	58,924	30.2	12
Virginia	94,416	138,494	46.7	19	297,541	391,451	31.6	8
Washington	90,285	136,337	51.0	12	286,224	372,975	30.3	11
West Virginia	22,549	30,644	35.9	40	78,026	94,912	21.6	36
Wisconsin	69,185	99,357	43.6	22	239,185	300,348	25.6	25
Wyoming	10,796	14,617	35.4	41	34,573	40,696	17.7	47

Note: The survey excluded non-S corporations and business tax returns with less than $500 in business receipts per year.

Source: U.S. Small Business Administration, Office of Advocacy, based upon data published by the U.S. Department of Commerce, Bureau of the Census, *1992 Survey of Women-Owned Businesses.*

Table 4.7 *Women-Owned Nonfarm Sole Proprietorships, 1980, 1989, 1991–2000*

	Number of Businesses			Receipts (Thousands of 1992 Dollars)			Average Receipts	
	Women-Owned	All	Women's Share	Women-Owned	All	Women's Share	Women-Owned	All
1980	2,535,240	9,730,019	26.06	60,226,109	680,804,161	8.85	23,756	69,969
1989	4,977,143	15,920,963	31.26	99,257,386	772,364,479	12.85	19,943	48,512
1991	5,548,514	16,957,636	32.72	108,459,185	738,336,288	14.69	19,547	43,540
1992	5,698,415	17,292,286	32.95	106,060,210	737,082,032	14.39	18,612	42,625
1993	5,851,514	17,714,120	33.03	108,756,108	738,026,756	14.74	18,586	41,663
1994	6,046,617	18,108,776	33.39	110,840,710	752,980,971	14.72	18,331	41,581
1995	6,135,898	18,391,237	33.36	113,472,337	750,337,954	15.12	18,493	40,799
1996*	6,397,581	18,881,927	33.88	112,018,658	735,448,475	15.23	17,510	38,950
1997*	6,582,489	19,281,645	34.14	113,248,267	731,107,363	15.49	17,204	37,917
1998*	6,767,398	19,681,362	34.38	114,477,877	726,766,251	15.75	16,916	36,927
1999*	6,952,306	20,081,080	34.62	115,707,487	722,425,139	16.02	16,643	35,975
2000*	7,137,214	20,480,797	34.85	116,937,096	718,084,027	16.28	16,384	35,061

	Percent Change			Percent Change			Percent Change	
	1980–1995	1990–1995	1990–2000*	1980–1995	1990–1995	1990–2000*	1990–2000	Average Receipts
Women	142.0	14.7	33.5	88.4	0.5	3.6	Women	−22.4
All	89.0	10.8	23.4	10.2	−3.9	−8.0	All	−25.5
Share	28.0	3.5	8.2	71.0	4.5	12.6		

*Note: 1995–2000 are projections by the U.S. Small Business Administration, Office of Advocacy.
Source: U.S. Small Business Administration, Office of Advocacy, with data from the U.S. Department of the Treasury, Internal Revenue Service, 1996.

proprietorships overall. Women's share of all sole proprietorships will increase from about 32 percent in 1990 to about 35 percent by 2000.

Receipts of women-owned sole proprietorships are expected to grow 3.6 percent, while those of all sole proprietorships are expected to fall by 8 percent. Women's share will increase 12.6 percent as a result. Average receipts have been falling steadily for both groups, but more for men.[9] And while the receipts gap between men and women persists, it has been diminishing over time. Average receipts of women-owned sole proprietorships, which were 47 percent of the average for men in 1990, were expected to exceed 51 percent by the year 2000.

Women's Self-Employment

In 1997, 3.9 million women declared their primary occupation to be self-employment, a 48 percent increase over 1983, compared with an increase of just 1.5 percent for men over the same period (Table 4.8).[10] Of these women, 3.6 million were self-employed in nonagricultural sectors, an increase of 46 percent from 1983 to 1997. Men's self-employment in nonagricultural sectors totaled 5.5 million in 1997, a 7 percent increase over 1983.

Projecting from 1983–1997 data, it is estimated that in 2000, about 4.2 million women will be primarily self-employed, with 3.8 million in nonagricultural sectors. About 6.8 million men will be primarily self-employed in 2000, bringing the total to almost 11 million.

By state, women's share of self-employment ranged from a low of 28 percent in Rhode Island to more than 46 percent in Arizona. Colorado, Hawaii, Wyoming, and the District of Columbia rounded out the top five, all with a women's share of more than 40 percent (Table 4.9).

The number of people who had any self-employment during the year is considerably larger than the number who are primarily self-employed. In 1997, 11.5 million people, 37 percent of them women, had some self-employment earnings (Table 4.10). From 1991 to 1997, however, the number of women claiming any self-employment earnings declined 3.5 percent—just over one-third of the 9.4 percent decline in self-employed men. In 1997, 6.7 percent of the female work force and 9.9 percent of the male work force received some self-employment earnings. Both groups have experienced a decline of more than 10 percent since 1991.

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[9] The decline in average receipts is probably tied to the increase in smaller startups.

[10] These figures are based on data from the Bureau of Labor Statistics. Self-employed incorporated women-owned firms are considered employees of their own corporations and not covered in self-employment figures here.

Table 4.8 *Primary Self-Employment by Gender, 1983–2005 (Thousands)*

Year	All			Nonagriculture		
	Male	Female	Total	Male	Female	Total
1983	6,494	2,649	9,143	5,136	2,439	7,575
1984	6,568	2,770	9,338	5,219	2,566	7,785
1985	6,452	2,817	9,269	5,207	2,603	7,810
1986	6,498	2,829	9,327	5,271	2,610	7,881
1987	6,617	3,007	9,624	5,423	2,778	8,201
1988	6,738	3,179	9,917	5,564	2,955	8,519
1989	6,729	3,279	10,008	5,562	3,043	8,605
1990	6,749	3,349	10,098	5,597	3,122	8,719
1991	6,886	3,388	10,274	5,700	3,150	8,850
1992	6,777	3,184	9,961	5,613	2,963	8,576
1993	7,011	3,269	10,280	5,894	3,065	8,959
1994	6,756	3,891	10,647	5,560	3,443	9,003
1995	6,599	3,883	10,482	5,461	3,440	8,901
1996	6,590	3,900	10,490	5,465	3,506	8,971
1997	6,590	3,923	10,513	5,506	3,550	9,056
1998	6,784	4,036	10,820	5,711	3,642	9,353
1999	6,798	4,129	10,928	5,740	3,720	9,460
2000	6,813	4,223	11,036	5,769	3,798	9,568
2001	6,827	4,316	11,143	5,798	3,877	9,675
2002	6,841	4,410	11,251	5,827	3,955	9,782
2003	6,855	4,503	11,359	5,857	4,033	9,890
2004	6,870	4,597	11,467	5,886	4,111	9,997
2005	6,884	4,690	11,574	5,915	4,190	10,104
	Percentage Changes					
1983–1997	1.5	48.1	15.0	7.2	45.6	19.6
1983–2005	6.0	77.1	26.6	15.2	71.8	33.4
1990–2000	0.9	26.1	9.3	3.1	21.7	9.7

Note: Includes only those with self-employment as their primary employment.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Bureau of Labor Statistics. 1998-2005 projections by the U.S. Small Business Administration, Office of Advocacy.

Characteristics of Women-Owned Firms

Data from the *1992 Characteristics of Business Owners* and other sources provide detail about the businesses owned by women:

- More than 60 percent of women-owned businesses were operated in a residence when they were first established (Table 4.11). Smaller firms were much more likely to have been home-based in the beginning than larger firms, as expected. Firms that stayed very small were more likely

Table 4.9 *Woman's Primary Self-Employment by State, 1997 (Thousands)*

	All Industries		Women as a Percent of Total	State Ranking of Women's Share
	Women	All		
United States	**3,923**	**10,513**	**37.3**	
Alabama	51	167	30.5	50
Alaska	13	35	37.1	29
Arizona	76	164	46.3	1
Arkansas	43	115	37.4	28
California	576	1,587	36.3	32
Colorado	84	184	45.7	2
Connecticut	34	108	31.5	49
Delaware	8	19	42.1	8
District of Columbia	6	14	42.9	5
Florida	156	458	34.1	44
Georgia	83	241	34.4	40
Hawaii	26	59	44.1	3
Idaho	27	68	39.7	15
Illinois	148	383	38.6	22
Indiana	66	183	36.1	33
Iowa	57	173	32.9	45
Kansas	54	134	40.3	14
Kentucky	56	136	41.2	12
Louisiana	53	149	35.6	37
Maine	26	71	36.6	31
Maryland	74	190	38.9	18
Massachusetts	90	221	40.7	13
Michigan	119	287	41.5	10
Minnesota	104	265	39.2	17
Mississippi	31	91	34.1	43
Missouri	102	246	41.5	11
Montana	26	67	38.8	21
Nebraska	41	109	37.6	25
Nevada	21	56	37.5	26
New Hampshire	23	61	37.7	24
New Jersey	71	192	37.0	30
New Mexico	36	86	41.9	9
New York	187	521	35.9	34
North Carolina	89	277	32.1	47
North Dakota	17	52	32.7	46
Ohio	143	361	39.6	16
Oklahoma	55	161	34.2	41
Oregon	74	175	42.3	7
Pennsylvania	150	440	34.1	42
Rhode Island	7	25	28.0	51
South Carolina	39	109	35.8	36
South Dakota	19	53	35.8	35
Tennessee	85	268	31.7	48
Texas	328	845	38.8	20
Utah	28	80	35.0	39
Vermont	15	40	37.5	27
Virginia	75	196	38.3	23
Washington	115	269	42.8	6
West Virginia	21	54	38.9	19
Wisconsin	82	232	35.3	38
Wyoming	13	30	43.3	4

Note: Includes women aged 16 and older. These data represent women who reported their primary occupation as "self-employed."

Source: U.S. Small Business Administration, Office of Advocacy, with data from the U.S. Department of Labor, Bureau of Labor Statistics, *Current Population Survey.*

Table 4.10 *Gender of the Self-Employed, 1991–1997*

	1991		1992		1993		1994		1995		1996		1997		Percent Change
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	1991–1997
Total Self-Employed	**12,379,419**	**100.0**	**12,701,563**	**100.0**	**12,313,766**	**100.0**	**12,908,189**	**100.0**	**11,603,584**	**100.0**	**11,303,095**	**100.0**	**11,477,120**	**100.0**	**−7.3**
Percent of Labor Force		9.8		9.9		9.5		9.8		8.8		8.4		8.4	
Female Self-Employed	4,406,835	35.6	4,445,346	35.0	4,572,388	37.1	4,949,179	38.3	4,406,421	38.0	4,226,242	37.4	4,251,717	37.0	−3.5
Percent of Female Labor Force		7.7		7.6		7.8		8.2		7.2		6.8		6.7	−12.0
Male Self-Employed	7,972,584	64.9	8,256,217	65.0	7,741,378	62.9	7,959,010	61.7	7,197,163	62.0	7,076,853	62.6	7,225,403	63.0	−9.4
Percent of Male Labor Force		11.5		11.8		11.0		11.2		10.1		9.8		9.9	−14.4

Notes: Represents individuals with any self-employment earnings in the year. Labor force numbers are annual averages.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, March Current Population Surveys.

Table 4.11 *Home-Based and Franchised Firms, 1992 (Percent of Women-Owned Firms)*

	Business Operated in a Residence		Franchised Firms
	When First Established	In 1992	
Total	**61.0**	**58.2**	**3.5**
Employer Size			
Zero	66.1	64.1	3.2
1–4	31.1	25.2	2.7
5–9	20.5	8.9	6.1
10–19	18.4	7.1	9.4
20–49	14.2	3.7	16.2
50–99	20.2	4.5	16.3
100+	11.1	0.1	10.3
Industry Average	**60.9**	**58.2**	**3.5**
Agricultural Services, Forestry, Fisheries, and Mining	62.2	58.2	3.4
Construction	78.9	73.1	0.9
Manufacturing	63.1	60.4	2.1
Transportation, Communications, and Utilities	55.3	51.2	3.6
Wholesale Trade	65.7	60.3	3.4
Retail Trade	57.7	54.6	6.9
Finance, Insurance, and Real Estate	39.7	37.3	8.2
Services	65.0	62.9	1.5
Not Classified	60.3	57.3	4.1

Notes: About 3 percent of the employer size category of 0 are firms that reported payroll but no employees. Survey excluded non-S corporations (often large businesses) and business tax returns with less than $500 in business receipts during the year. Includes allocations for nonresponding owners.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, *Characteristics of Business Owners, 1992.*

to continue to be home-based, whereas firms with more than 5 employees most often moved out of the home.

- The CBO estimates that 3.5 percent of all women-owned businesses are franchises (Table 4.11). The percentage varies dramatically by firm size, from about 3 percent in firms with fewer than 5 employees to more than 16 percent in firms with 20–100 employees. According to the 1987 and 1990 surveys by Women in Franchising, Inc., just under one-third of franchises are owned solely or in part by women (11 percent solely, 18 percent jointly by men and women). Women's representation in franchising is thus comparable to their representation in the business population overall.
- While women-owned businesses represent about one-third of all businesses in the United States, they received only 1.7 percent of federal procurement prime contract dollars in both FY 1996 and FY 1997 (Table 4.12).[11] However, women-owned businesses have been making

[11] See Appendix B, Procurement from Small Firms.

Table 4.12 *Federal Procurement from Women-Owned Businesses, Fiscal Years 1993–1997*

	FY 1993		FY 1994		FY 1995		FY 1996		FY 1997	
	Billions of Dollars	Percent	Billions of Dollars	Percent	Billions of Dollars	Percent	Billions of Dollars	Percent	Billions of Dollars	Percent
Prime Contract Dollars	**200.4**	**1.0**	**196.4**	**100.0**	**202.3**	**100.0**	**197.5**	**100.0**	**189.9**	**100.0**
Small Business	39.2	0.2	39.6	20.2	42.9	21.3	41.1	20.8	40.0	21.1
Women-Owned Small Business	2.7	0.0	3.1	1.6	3.6	1.8	3.4	1.7	3.3	1.7
Total Subcontracting Dollars	**55.8**	**1.0**	**57.5**	**100.0**	**56.9**	**100.0**	**61.2**	**100.0**	**NA**	**NA**
Small Business	20.8	0.4	22.0	38.3	23.8	41.9	25.3	41.4	NA	NA
Women-Owned Small Business	1.4	0.0	1.5	2.5	1.7	3.0	2.1	3.5	NA	NA

NA = Not available.
Source: U.S. Small Business Administration, Office of Advocacy, with data from the General Services Administration's Government-wide Information Systems Division.

gains over the last 15 years, even in some years of declining spending. Women fared better in subcontracting, receiving 3.5 percent of federal procurement subcontracting awards in 1996. Women's share of subcontracting has been increasing steadily over the years, for example, from 2.5 percent in FY 1994 to 3.0 percent in FY 1995 to 3.5 percent in FY 1996.

- Nearly three-quarters of all women-owned firms accessed some type of credit in 1993, according to the National Survey of Small Business Finances (Tables 4.13 and 4.14).[12] Half of all women-owned firms used traditional loans, and 60 percent used nontraditional sources for their credit needs. Types of loans women used frequently were vehicle loans (used by 22 percent of women-owned firms), lines of credit (19 percent), and equipment loans (12 percent).
- Commercial banks were the traditional source used most often by women business owners; 32 percent of women-owned firms used them, compared with 37 percent of businesses overall. Some 10 percent used each of the next most popular sources: finance companies and friends and family. Women-owned firms with more than 100 employees were more likely than their male-owned counterparts to use personal credit cards (38 percent compared with 21 percent). More than 27 percent of women-owned firms used some type of business credit card, and this percentage has probably risen slightly in recent years.[13]
- As a firm grows, so does its reliance on credit: 57 percent of women-owned firms with no employees used credit in 1993, compared with 99 percent of firms with 100–499 employees. Only 18 percent of women-owned firms with no employees obtain credit from commercial banks, compared with 80 percent of women-owned firms with 100–499 employees. Traditional loans are used by 31 percent of women-owned businesses with no employees and 95 percent of firms in the largest size class. Use of credit lines increases from 7 percent for the smallest firms to 67 percent for the largest.
- One-half of women-owned firms used traditional loans; 30 percent had only one type of loan and 21 percent had two or more. As more firms obtain credit lines (revolving credit that can be used multiple times in a given period), the frequency and significance of credit use becomes more difficult to measure.

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[12] To track the financing of women-owned businesses, the SBA's Office of Advocacy and the Board of Governors of the Federal Reserve System conducted a second National Survey of Small Business Finances in 1993–1994. (The first was conducted in 1987 and a third will be conducted in 1999). This survey asked business owners with employees about their financing patterns in 1993, in addition to various characteristics about their businesses.

[13] *Small Business Lending in the United States, 1997,* a study by the SBA Office of Advocacy, Office of Economic Research, indicates huge increases in the number and percentage of loans under $100,000 in 1997, much of it driven by credit card banks like American Express Centurion Bank, which has been distributing millions of credit cards to creditworthy business owners. The studies are on the SBA web site at www.sba.gov/advo/stats/lending.

[14] See Chapter 3 for a discussion of the importance of the entrance of minority-owned businesses in the economy.

Table 4.13 *Small Women-Owned Firms' Use of Credit by Type, 1993 (Percent of Small Women-Owned Firms)*

		Loan Type										
Category	Any Credit	Any Traditional Loan	Line of Credit	Mortgage	Vehicle	Equipment	Lease	Other	Any Nontraditional Loan	Owner Loan	Personal Credit Card	Business Credit Card
Any Firm	**73.6**	**50.3**	**18.5**	**7.0**	**21.8**	**11.7**	**7.0**	**12.3**	**59.7**	**15.2**	**42.2**	**27.3**
Number of Employees												
0	57.2	30.8	7.0	4.9	11.2	6.0	3.3	7.8	48.3	1.1	41.2	14.5
1–4	75.6	48.2	18.3	8.1	17.8	10.7	5.7	13.7	62.5	17.5	45.8	27.8
5–9	85.8	70.2	30.0	4.9	37.6	17.5	7.8	11.5	70.2	28.8	42.6	39.7
10–19	87.9	79.3	25.1	12.5	43.3	16.2	20.8	20.5	59.1	15.9	29.5	37.3
20–99	93.5	81.3	43.4	4.4	43.7	36.1	18.8	16.1	67.4	32.6	27.2	47.0
100–499	98.6	94.5	67.3	28.4	30.1	34.7	28.6	12.4	78.6	40.2	38.2	43.2
Total Sales (Dollars)												
Less than 25,000	64.4	37.6	11.4	4.4	13.1	9.1	3.2	6.6	51.7	10.5	41.9	17.6
25,000–49,999	76.9	51.7	7.3	12.3	23.7	10.1	4.6	11.2	63.0	7.9	53.7	22.8
50,000–99,999	71.4	42.7	13.6	7.2	17.2	9.8	6.5	16.0	60.9	12.9	43.4	32.1
100,000–249,999	72.7	53.6	20.0	12.3	21.3	13.7	8.2	13.2	61.4	18.6	44.1	29.6
250,000–499,999	83.0	64.5	26.0	2.1	34.8	13.0	10.2	18.6	63.5	17.7	34.3	33.7
500,000–999,999	87.6	69.9	34.4	6.7	37.4	16.5	10.9	16.1	73.0	23.2	45.4	38.4
1,000,000–2,499,999	88.6	58.4	34.5	3.3	25.3	4.4	11.4	11.2	70.6	23.9	40.1	48.4
2,500,000–4,999,999	94.5	83.0	46.1	4.3	53.4	29.3	26.3	27.4	66.4	28.8	15.2	40.4
5,000,000–9,999,999	99.3	82.5	66.7	8.1	51.5	31.2	17.0	25.5	86.5	55.8	34.5	67.7
10,000,000 or more	98.1	98.1	60.2	4.9	16.6	48.3	20.3	42.9	47.5	28.9	12.0	25.0
Standard Industrial Classification												
Mining and Construction	84.3	70.1	38.2	7.2	47.6	10.4	2.9	18.6	64.3	20.4	42.5	35.2
Manufacturing	72.6	52.9	21.6	2.8	23.1	24.7	14.5	10.3	58.3	24.6	40.0	33.2
Transportation	80.0	59.7	29.1	8.5	17.8	19.2	16.7	9.8	57.9	20.9	39.1	23.0
Wholesale Trade	77.3	45.5	30.3	4.1	24.9	7.7	13.1	11.4	66.2	24.5	31.2	41.4
Retail Trade	70.8	50.7	21.2	7.7	19.8	5.9	5.7	15.4	58.8	17.9	42.9	22.0
Finance, Insurance, and Real Estate	83.7	62.3	15.5	13.8	16.4	25.4	7.6	13.3	61.4	15.7	50.4	21.4
Services	71.8	45.6	11.3	6.7	19.5	12.3	5.6	9.9	58.8	9.6	43.1	27.4

Note: Owner loans are included for partnerships and corporations only.

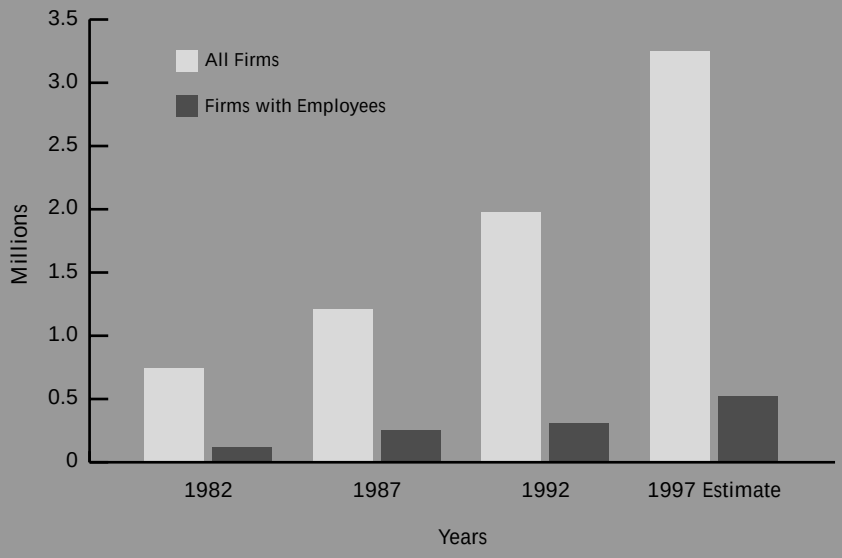
Source: U.S. Small Business Administration, Office of Advocacy, with data from the 1993 National Survey of Small Business Finances sponsored by the U.S. Small Business Administration and the Federal Reserve Board.

Table 4.14 *Small Women-Owned Firms' Use of Credit by Supplier, 1993 (Percent of Small Women-Owned Firms)*

			Lender										
			Depository Institutions		Nondepository Institutions		Nonfinancial Institutions						
Category	Any Credit	Any Traditional Loan	Any Depository Institution	Commercial Bank	Any Non-depository Institution	Finance Company	Any Non-financial Insitution	Family and Friends	Other Businesses	Any Non-traditional Credit	Owner Loans	Personal Credit Card	Business Credit Card
Any Firm	**73.6**	**50.3**	**34.8**	**31.5**	**17.6**	**10.3**	**14.3**	**9.8**	**4.8**	**59.7**	**15.2**	**42.2**	**27.3**
Number of Employees													
0	57.2	30.8	20.2	18.3	7.6	3.9	7.1	4.7	2.9	48.3	1.1	41.2	14.5
1–4	75.6	48.2	32.3	29.2	18.1	8.9	15.0	11.5	4.2	62.5	17.5	45.8	27.8
5–9	85.8	70.2	54.9	47.2	22.1	17.5	17.5	12.8	4.5	70.2	28.8	42.6	39.7
10–19	87.9	79.3	47.9	46.1	31.9	21.0	28.1	15.0	13.1	59.1	15.9	29.5	37.3
20–99	93.5	81.3	65.1	63.5	41.8	25.3	21.7	4.5	13.2	67.4	32.6	27.2	47.0
100–499	98.6	94.5	82.8	80.0	31.7	17.0	13.6	10.8	3.5	78.6	40.2	38.2	43.2
Total Sales (Dollars)													
Less than 25,000	64.4	37.6	25.5	23.6	11.7	6.6	7.1	3.7	3.2	51.7	10.5	41.9	17.6
25,000–49,999	76.9	51.7	28.5	20.9	20.5	11.0	17.1	15.0	3.6	63.0	7.9	53.7	22.8
50,000–99,999	71.4	42.7	27.9	24.4	12.4	7.9	17.6	12.4	3.3	60.9	12.9	43.4	32.1
100,000–249,999	72.7	53.6	39.1	36.7	17.7	8.5	17.0	14.7	5.6	61.4	18.6	44.1	29.6
250,000–499,999	83.0	64.5	43.7	37.1	27.7	16.1	19.5	12.4	5.5	63.5	17.7	34.3	33.7
500,000–999,999	87.6	69.9	53.2	50.9	19.8	16.3	20.9	11.9	9.0	73.0	23.2	45.4	38.4
1,000,000–2,499,999	88.6	58.4	43.6	39.2	21.6	13.4	10.1	8.1	1.6	70.6	23.9	40.1	48.4
2,500,000–4,999,999	94.5	83.0	59.1	57.3	45.9	29.9	38.6	14.0	18.6	66.4	28.8	15.2	40.4
5,000,000–9,999,999	99.3	82.5	75.4	74.1	44.4	34.6	7.7	2.2	4.7	86.5	55.8	34.5	67.7
10,000,000 or more	98.1	98.1	84.5	84.5	37.3	23.2	40.1	11.6	29.0	47.5	28.9	12.0	25.0
Standard Industrial Classification													
Mining and Construction	84.3	70.1	60.3	50.4	25.5	20.6	16.7	14.6	2.6	64.3	20.4	42.5	35.2
Manufacturing	72.6	52.9	32.3	30.2	32.1	18.0	19.3	6.6	10.7	58.3	24.6	40.0	33.2
Transportation	80.0	59.7	44.7	43.7	26.4	17.3	20.3	9.4	10.7	57.9	20.9	39.1	23.0
Wholesale Trade	77.3	45.5	32.0	29.5	20.6	14.8	13.6	4.3	7.4	66.2	24.5	31.2	41.4
Retail Trade	70.8	50.7	38.1	35.1	10.7	6.9	11.4	9.8	2.9	58.8	17.9	42.9	22.0
Finance, Insurance, and Real Estate	83.7	62.3	42.0	35.9	30.0	3.8	21.3	15.8	6.5	61.4	15.7	50.4	21.4
Services	71.8	45.6	28.4	25.7	16.1	9.2	14.0	9.8	4.5	58.8	9.6	43.1	27.4

Note: Owner loans are included for partnerships and corporations only.
Source: U.S. Small Business Administration, Office of Advocacy, with data from the 1993 National Survey of Small Business Finances.

Chart 4.6 *Minority-Owned Businesses, 1982–1997*



Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Minority Business Ownership

Minority-owned businesses are also rising in importance in the nation's economy.[14] The number of minority-owned firms jumped more than 168 percent from 1987 to 1997, even more than the increase in women-owned firms over the same period (Chart 4.6 and Table 4.15). By 1992, 4.5 percent of firms were owned by Hispanic business owners; 3.5 percent by Asians (or Pacific Islanders, American Indians, or Aleut Eskimos); and 3.6 percent by African Americans (Table 4.16). Population projections suggest, moreover, that minorities will be an increasingly important segment of the economy.

By industry, most minority-owned firms, like most other firms, were in services. Asian-owned firms were well represented in retail trade (5.3 percent), but accounted for only 1.5 percent of construction firms. Black-owned firms constituted 7.0 percent of the transportation, communications, and public utilities sector, but only 1.4 percent of wholesale trade. Hispanic-owned firms were also well represented in transportation, with 6.8 percent of the firms, but had only 2.5 percent of the finance, insurance, and real estate sector.

Minority Self-Employment

In 1998, Asian, Pacific Islander, American Indian, and Aleut Eskimo individuals accounted for 4.5 percent of the self-employed; black individuals for 5.2

Table 4.15 *Minority-Owned Businesses: Number of Firms, Receipts, and Employment, 1982, 1987, 1992, and 1997*

	1982	1987	1992	1997[1]	Percent Change 1982–1997[2]
All Minority-Owned Firms					
Number of Businesses					
All	736,064	1,211,017	1,979,056	3,245,127	168.0
Businesses with Employees	119,232	247,678	313,031	522,942	111.1
Nominal Receipts of Businesses (Thousands of Dollars)					
All	34,181,238	77,744,780	202,683,780	494,703,206	342.8
Businesses with Employees	21,820,541	56,394,339	159,252,282	430,647,362	431.5
Employees	445,840	837,158	1,877,690	3,868,649	362.1
Hispanic-Owned Firms					
Number of Businesses					
All	233,975	422,373	771,708	1,401,531	231.8
Businesses with Employees	39,272	82,908	115,364	202,037	143.7
Nominal Receipts of Businesses (Thousands of Dollars)					
All	11,759,133	24,731,600	72,824,270	183,799,941	416.8
Businesses with Employees	7,435,664	17,729,432	57,187,370	160,408,831	529.2
Employees	154,791	264,846	691,056	1,492,773	463.6
Black-Owned Firms					
Number of Businesses					
All	308,260	424,165	620,912	881,646	107.9
Businesses with Employees	37,841	70,815	64,478	89,686	26.6
Nominal Receipts of Businesses (Thousands of Dollars)					
All	9,619,055	19,762,876	32,197,361	59,303,334	109.1
Businesses with Employees	5,704,545	14,130,420	22,589,676	46,034,389	127.2
Employees	121,373	220,467	345,193	583,752	164.8
Asian-Owned Firms					
Number of Businesses					
All	201,264	376,711	606,426	1,055,641	180.2
Businesses with Employees	43,323	96,457	136,351	248,163	157.3
Nominal Receipts of Businesses (Thousands of Dollars)					
All	13,148,315	34,035,605	99,709,460	275,106,075	462.5
Businesses with Employees	8,900,741	25,104,127	81,083,845	245,293,007	580.0
Employees	174,179	360,301	860,408	1,917,244	432.1

[1] 1997 numbers were estimated assuming a 1992–1997 growth rate equal to the average of the previous two five-year periods, 1982–1987 and 1987–1992.

[2] Growth rates for receipts are calculated using constant 1992 dollars: they are real growth rates, adjusted for inflation.

Note: These numbers exclude C corporations and businesses with less than $500 in annual receipts.

Source: U.S. Small Business Administration, Office of Advocacy, based on data from the U.S. Department of Commerce, Bureau of the Census, *Survey of Minority-Owned Business Enterprises, 1982, 1987,* and *1992.*

Table 4.16 *Firms by Owner Characteristic, 1992 (Percent of Firms, unless noted)*

	Total Number of Firms	Ethnicity		Race		
		Hispanic[1]	Non-Hispanic	Black	Asian[2]	All Other
Total, All Firms	**17,253,143**	**4.5**	**95.5**	**3.6**	**3.5**	**92.9**
Employer Size						
0[3]	14,554,022	4.6	95.4	3.9	3.4	92.7
1–4	1,716,076	3.8	96.2	2.2	4.5	93.3
5–9	503,808	3.4	96.6	1.6	4.5	93.9
10–19	256,110	3.3	96.7	1.1	3.9	95.0
20–49	144,734	2.8	97.2	1.2	3.5	95.3
50–99	45,331	2.1	97.9	1.0	2.4	96.7
100+	33,062	2.0	98.0	1.0	2.1	96.8
Industry						
Agricultural Services, Forestry, Fishing, and Mining	583,253	5.6	94.4	1.8	2.6	95.6
Construction	1,829,620	5.3	94.7	2.4	1.5	96.1
Manufacturing	517,714	3.6	96.4	2.0	3.7	94.3
Transportation, Communications, and Public Utilities	698,903	6.8	93.2	7.0	3.5	89.5
Wholesale Trade	538,339	3.3	96.7	1.4	3.7	94.9
Retail Trade	2,478,045	4.4	95.6	3.5	5.3	91.1
Finance, Insurance, and Real Estate	1,941,029	2.5	97.5	2.1	3.3	94.6
Services	7,784,016	4.5	95.5	4.3	3.5	92.2
Not Classified	882,224	6.0	94.0	4.5	3.2	92.3

[1] "Hispanic" is an ethnic origin and can be of any race.
[2] "Asian" includes Asian Americans, Pacific Islanders, American Indians, and Alaska Natives.
[3] About 3 percent of the employer size category of "0" are firms that reported payroll but no employees on the date of the survey.
Note: Survey excluded C corporations and businesses reporting less than $500 in annual receipts.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, *Characteristics of Business Owners, 1992.*

Table 4.17 *Self-Employment by Race and Ethnic Origin, 1982–1998*

Year	Total	Race or Ethnic Origin			
		White	Black	Asian[1]	Hispanic[2]
1998	10,303	9,310	533	460	661
1997	10,513	9,550	507	456	674
1996	10,489	9,577	506	406	644
1995	10,482	9,635	512	335	567
1994	10,648	9,772	485	391	598
1993	10,279	9,487	468	324	543
1992	9,960	9,215	452	293	498
1991	10,274	9,512	475	287	500
1990	10,097	9,377	461	259	523
1989	10,008	9,291	411	306	530
1988	9,917	9,209	414	294	508
1987	9,624	8,956	403	265	455
1986	9,328	8,706	380	242	428
1985	9,269	8.659	379	231	372
1984	9,338	8,736	365	237	370
1983	9,140	8,581	345	214	322
1982	8,898	8,367	346	185	327
Percent of Self-Employed in 1998	100	90.4	5.2	4.5	6.4
Percent Change, 1988–1998	3.9	1.1	28.7	56.5	30.1

[1] "Asian" includes Asian Americans, Pacific Islanders, American Indians, and Alaska Natives. Due to the small sample size of this group, numbers should be viewed with caution.

[2] "Hispanic" is an ethnic origin and can be of any race.

Note: "Self-employment" means that it was identified as the primary occupation of survey respondents.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Labor, Bureau of Labor Statistics.

percent; and white individuals for 90.4 percent (Table 4.17). By origin, 6.4 percent were Hispanic. From 1992 to 1998, the percentage of the self-employed increased for women, Hispanics, and all races except white.

Characteristics of Minority-Owned Firms

Data from the *1992 Characteristics of Business Owners* and other sources provide detail about the businesses owned by minorities:

- Fifty percent or more of all owners started their firms in the home, except Asian owners, for whom the figure was 37.6 percent (Table 4.18). The share of black-owned firms with employees that were started in the home (43.3 percent) was larger than average (30.1 percent). For Asians, the comparable share was 16.4 percent. The percentages of firms without employees that were started in the home and remained in the home were similar, an indication that few such firms leave the home.
- Compared with an average franchise share of 3.1 percent, more Asian- and black-owned firms and fewer Hispanic-owned firms are franchises

Table 4.18 *Firm Characteristics, 1992 (Percent of Firms)*

	Total Number of Firms	Business Operated in a Residence		Franchised Firms	Exporting Firms
		When Established	In 1992		
Total, All Firms	**17,253,143**	**56.5**	**53.4**	**3.1**	**1.8**
With Employees	3,134,959	30.1	24.5	2.7	2.9
Without Employees	14,118,184	63.0	60.6	4.8	1.3
Hispanic-Owned[1]	771,708	51.6	49.2	2.8	2.5
With Employees	115,634	30.7	25.2	3.3	4.0
Without Employees	656,074	56.9	55.4	2.8	2.2
Black-Owned	620,912	57.0	55.6	4.1	0.8
With Employees	64,478	43.3	36.6	4.3	0.8
Without Employees	556,434	58.8	58.0	4.0	0.7
Asian-Owned[2]	606,426	37.6	36.1	4.8	2.3
With Employees	136,351	16.4	12.3	6.6	3.9
Without Employees	470,075	45.9	45.3	4.1	1.6

[1] "Hispanic" is an ethnic origin and can be of any race.
[2] "Asian" includes Asian Americans, Pacific Islanders, American Indians, and Alaska Natives.
Note: Survey excluded C corporations and businesses with less than $500 in receipts during the year. Includes allocations for non-responding owners.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, *Characteristics of Business Owners, 1992.*

(4.8, 4.1, and 2.8 percent respectively) (Table 4.18). The higher Asian share was driven by a 13.7 percent franchise rate for Asian-owned firms (compared with 4.7 percent for all firms) in the transportation, communications, and public utilities industries (Table 4.19).

- Of the firms in existence in 1992, 75.5 percent survived until 1996 (89.7 percent of firms with employees and 72.0 percent of firms without employees) (Table 4.20). The survival rates for firms overall were 79.2 percent for Asian-owned firms, 74.3 percent for Hispanic-owned firms, and 68.9 percent for black-owned firms.
- Of the owners of firms that closed, 38.2 percent said the business was successful at closure; the rates were 29.3 percent for Hispanic owners, 27.1 percent for Asian owners, and 22.8 percent for black owners.
- Of the $195 billion in 1997 federal prime contract dollars, 5.6 percent went to minority-owned businesses (Table 4.21). About 6 percent of the contract actions over $25,000 went to minority-owned businesses, as well as 2.6 percent of actions of $25,000 or less. These percentages were slightly higher than the 1996 percentages for the total and for actions over $25,000, but less for actions of $25,000 or less.
- The annual change in the dollar volume of contract actions over $25,000 from 1980 to 1997 shows only two years of declining contract awards to minority-owned businesses, even though the total has decreased in eight of those years (Table 4.22). From 1996 to 1997, the

Table 4.19 *Franchising by Owner Type, Firm Size, and Industry, 1992*

	Number of Firms (Thousands)				Percent of Firms Franchised			
	Total	Hispanic[1]	Black	Asian[2]	All	Hispanic[1]	Black	Asian[2]
Total, All Firms	**17,253.1**	**771.7**	**620.9**	**606.4**	**3.1**	**2.8**	**4.1**	**4.8**
Employment Size of Firm								
0[3]	14,554.0	675.9	570.2	490.1	2.9	2.7	4.0	4.2
1–4	1,716.1	64.6	37.6	76.6	2.9	2.3	2.7	4.6
5–9	503.8	16.9	7.9	22.9	3.5	2.8	7.4	7.6
10–19	256.1	8.6	2.8	10.1	9.9	8.4	5.4	10.2
20–49	144.7	4.1	1.7	5.0	14.0	9.2	17.3	16.9
50–99	45.3	0.9	0.4	1.1	21.0	14.2	51.0	10.7
100+	33.1	0.7	0.3	0.7	14.5	16.8	22.6	17.3
Industry								
Agricultural Services, Forestry, Fishing, and Mining	583.3	32.9	10.3	15.2	0.9	1.6	2.3	2.4
Construction	1,829.6	97.5	43.4	28.3	0.6	1.3	1.3	3.0
Manufacturing	517.7	18.5	10.5	19.0	1.4	1.9	2.6	2.9
Transportation, Communications, and Public Utilities	698.9	47.8	49.1	24.4	4.7	2.8	7.4	13.7
Wholesale Trade	538.3	17.7	7.6	20.0	3.5	3.4	4.7	2.4
Retail Trade	2,478.0	107.8	86.8	132.5	8.0	6.6	8.8	8.0
Finance, Insurance, and Real Estate	1,941.0	49.2	40.9	64.8	6.8	6.4	9.6	7.8
Services	7,784.0	347.3	333.0	273.8	1.5	1.5	2.0	2.8
Not Classified	882.2	52.9	39.4	28.5	2.4	4.8	6.4	2.8

[1] "Hispanic" is an ethnic origin and can be of any race.
[2] "Asian" includes Asian Americans, Pacific Islanders, American Indians, and Alaska Natives.
[3] About 3 percent of the employer size category of "0" are firms that reported payroll, but no employees on the date of the survey.
Note: The survey excluded C corporations and businesses with less than $500 in business receipts during the year. Includes allocations for non-responding owners.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, *Characteristics of Business Owners, 1992.*

Table 4.20 *Business Survival Rates of Firms Existing in 1992 (Percent of Firms)*

	Surviving until 1996	Year the Business Closed				Closed Successful
		1995	1994	1993	1992	
Total, All Firms	**75.5**	**4.7**	**5.8**	**6.7**	**7.3**	**38.2**
With Employees	89.7	2.9	2.6	1.9	3.0	57.4
Without Employees	72.0	5.2	6.6	7.8	8.4	36.4
Hispanic-Owned [1]	74.3	5.5	4.9	7.2	8.2	29.3
With Employees	91.2	2.7	2.4	2.4	1.3	42.0
Without Employees	70.0	6.1	5.6	8.4	9.9	28.2
Black-Owned	68.9	6.0	6.8	8.0	10.3	22.8
With Employees	86.7	3.7	4.1	3.0	2.5	35.7
Without Employees	66.5	6.3	7.3	8.7	11.2	22.1
Asian-Owned [2]	79.2	4.6	4.7	6.4	5.1	27.1
With Employees	92.1	2.2	1.9	2.0	1.9	49.4
Without Employees	73.9	5.6	5.9	8.2	6.4	24.6

[1] "Hispanic" is an ethnic origin and can be of any race.
[2] "Asian" includes Asians, Pacific Islanders, American Indians, and Alaska Natives.
Notes: The survey excluded C corporations and businesses with less than $500 in business receipts during the year. Includes allocations for non-responding owners. "Closed successful" means the owner believed the business was successful at the time of closure.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, *Characteristics of Business Owners, 1992.*

Table 4.21 *Total Prime Federal Contract Actions by Owner Type, FY 1996 and FY 1997 (Millions of Dollars)*

	Total		Actions over $25,000		Actions of $25,000 or Less	
	1996	1997	1996	1997	1996	1997
Total	**197,579.1**	**195,286.9**	**178,607.9**	**178,068.0**	**18,971.2**	**17,218.9**
Small Business	41,142.9	41,273.2	31,959.4	33,190.4	9,183.4	8,082.8
Percent of Total	20.8	20.9	17.9	18.6	48.4	42.6
Minority-Owned Business	10,926.5	11,132.6	10,292.6	10,640.8	622.6	491.9
Percent of Total	5.5	5.6	5.8	6.0	3.3	2.6

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, January 1997 and January 1998).

Table 4.22 *Annual Change in the Dollar Volume of Prime Federal Contract Actions over $25,000 by Owner Type, FY 1980–FY 1997 (Millions of Dollars)*

	Total, All Business			Small Business			Minority-Owned Business		
	Total Actions	Change from Prior Year		Total Actions	Change from Prior Year		Total Actions	Change from Prior Year	
		Dollars	Percent		Dollars	Percent		Dollars	Percent
1997	178,068.0	−539.9	−0.3	33,190.4	1,231.0	3.9	10,640.8	348.2	3.4
1996	178,607.9	−2,244.0	−1.2	31,959.4	152.2	0.5	10,292.6	−226.9	−2.2
1995	180,852.0	6,164.0	3.5	31,807.3	3,384.2	11.9	10,519.5	1,460.0	16.1
1994	174,688.0	−3,649.0	−2.0	28,423.0	475.6	1.7	9,059.5	255.5	2.9
1993	178,337.0	550.6	0.3	27,947.4	−282.3	−1.0	8,804.0	1,007.9	12.9
1992	177,786.4	−11,815.8	−6.2	28,229.7	−617.6	−2.1	7,796.1	1,309.8	20.2
1991	189,602.2	18,301.3	10.7	28,847.4	3,445.7	13.6	6,486.3	796.2	14.0
1990	171,300.9	2,605.9	1.5	25,401.6	1,685.5	7.1	5,690.1	356.2	6.7
1989	168,695.0	−5,402.6	−3.1	23,716.2	−1,955.1	−7.6	5,333.9	141.4	2.7
1988	174,097.6	−7,441.0	−4.1	25,671.3	−2,256.4	−8.1	5,192.5	343.4	7.1
1987	181,538.6	−2,111.6	−1.1	27,927.7	−852.4	−3.0	4,849.1	563.2	13.1
1986	183,650.2	−4,335.2	−2.3	28,780.1	2,077.4	7.8	4,285.9	401.3	10.3
1985	187,985.5	20,052.0	11.9	26,702.7	1,196.7	4.7	3,884.6	−119.5	−3.0
1984	167,933.5	12,345.4	7.9	25,506.0	3,426.0	15.5	4,004.1	817.0	25.6
1983	155,588.1	3,190.2	2.1	22,080.0	−1,478.6	−6.3	3,187.1	328.2	11.5
1982	152,397.9	23,533.1	18.3	23,558.6	3,489.8	17.4	2,858.9	223.9	8.5
1981	128,864.7	27,971.4	27.7	20,068.8	4,742.7	30.9	2,635.0	813.1	44.6
1980	100,893.4			15,326.1			1,821.9		

Source: Federal Procurement Data System, "Special Report S89522C" (prepared for the U.S. Small Business Administration, Office of Advocacy, June 12, 1989); and idem; *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, July 10, 1990, March 13, 1991, February 3, 1994, January 13, 1997, and January 1998).

dollar volume of contract actions over $25,000 awarded to minority businesses increased 3.4 percent, while the total volume of contract actions over $25,000 decreased slightly.

- The National Survey of Small Business Finances allows a detailed picture of the financing patterns of businesses owned by minorities. Some 67 percent of minority-owned businesses used some type of credit in 1993, compared with 76 percent of all businesses (Table 4.23). About 46.5 percent used traditional financing, less than the 55 percent average for all firms.[15] And 52.7 percent of businesses owned by minorities used nontraditional sources for their credit needs, compared with 58 percent of all businesses.
- Commercial banks were the traditional source used most often by minority-owned businesses: 26.6 percent used them, compared with 36.9 percent of all small firms (Table 4.24). Finance companies were the second most common traditional source at 11.1 percent. The types of traditional loans used most frequently were vehicle loans (used by 21.4 percent of minority-owned businesses), lines of credit (18.3 percent), and equipment loans (12.6 percent). More than one-quarter of minority-owned businesses used business credit cards and 36 percent of them used personal credit cards for all or part of their credit needs.

Characteristics of Small Business Employees

Small firms with fewer than 500 employees employed 55.4 percent of the 101.2 million private sector employees in 1997 (Table 4.25). Small firms are hiring a diverse work force.[16] Their willingness to hire younger and older workers, part-time workers, and workers on public assistance also serves the economy by providing employment to some workers who might otherwise be unemployed.[17]

Women

Small and large firms hire women in about equal proportions. About 45.5 percent of the small firm work force and 47.6 percent of the large firm work force are women (Table 4.26). Firms with fewer than 10 employees employ women at a slightly higher rate (47.9 percent) than firms with 25 to 99 employees (43.4 percent). Because small firms employ more of the private work force than large firms, they employ more women: 25.5 million in small firms compared with 21.5 million in large firms.

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[15] Traditional sources include commercial banks, credit unions, finance companies, thrifts, brokerages, leasing, family, friends, government, and other businesses. Nontraditional sources include owner loans, personal credit cards, and business credit cards.

[16] For many purposes, the Office of Advocacy defines a firm with fewer than 500 employees as small. Here, different employment size classes are presented to allow more detailed analysis of businesses by size.

[17] These differences between small and large firms in the work forces they hire should be considered in analyses of wage differentials by firm size.

Table 4.23 *Credit Use by Small Minority-Owned Firms, by Type of Loan, 1993 (Percent Reporting Use)*

		Traditional Credit							Nontraditional Credit			
Category	Any Credit	Any Traditional Loan	Line of Credit	Mortgage	Vehicle	Equipment	Lease	Other	Any Non-traditional Loan	Owner Loan*	Personal Credit Card	Business Credit Card
All Small Minority-Owned Firms	**67.0**	**46.5**	**18.3**	**4.6**	**21.4**	**12.6**	**6.5**	**10.9**	**52.7**	**13.9**	**36.0**	**25.9**
Number of Employees												
0	44.8	30.8	7.4	3.2	11.8	7.2	3.3	9.8	32.7	1.1	25.4	16.2
1–4	68.3	43.1	17.6	3.7	21.9	10.9	2.0	11.4	55.8	13.3	39.6	26.5
5–9	83.8	63.8	26.6	6.9	27.7	16.4	13.4	12.9	68.6	22.6	46.1	37.1
10–19	85.2	68.0	27.6	3.5	20.3	25.4	20.3	4.8	57.3	26.0	26.6	20.6
20–99	88.3	71.1	41.8	8.0	36.3	30.5	22.2	12.6	70.7	45.0	32.9	37.1
100–499	96.7	92.9	36.9	43.9	83.9	8.2	34.5	2.5	41.4	17.0	25.9	33.3
Industry												
Mining and Construction	67.4	45.3	21.8	1.3	30.6	15.8	7.1	5.5	56.1	15.2	31.2	36.1
Manufacturing	78.9	53.5	24.1	5.5	16.4	21.8	12.4	7.7	56.6	20.7	38.1	33.6
Transportation, Communications, and Public Utilities	75.8	40.3	11.7	2.9	22.9	9.5	6.5	12.0	64.0	17.8	43.2	25.4
Wholesale Trade	78.9	59.4	37.0	1.7	29.5	10.2	10.4	22.5	62.6	29.4	39.8	24.1
Retail Trade	58.8	38.0	15.7	3.1	13.1	5.2	5.2	12.8	44.2	15.8	27.9	15.6
Finance, Insurance, and Real Estate	77.5	46.9	21.9	20.2	25.6	7.7	2.3	7.7	68.9	16.4	62.4	40.3
Services	66.1	48.5	15.1	5.2	22.1	15.4	5.9	9.9	51.9	8.7	37.4	26.6

* Owner loans are included for partnerships and corporations only.
Source: U.S. Small Business Administration, Office of Advocacy, with data from the 1993 National Survey of Small Business Finances.

Table 4.24 *Credit Use by Small Minority-Owned Firms, by Source of Loan, 1993 (Percent Reporting Use)*

Category	Any Credit	Any Depository Institution	Commercial Bank	Any Non-Depository Institution	Finance Company	Any Non-Financial Insitituion	Family and Friends
All Small Minority-Owned Firms	**67.0**	**30.6**	**26.6**	**16.9**	**11.1**	**14.9**	**8.4**
Number of Employees							
0	44.8	13.6	9.3	14.3	9.8	8.5	7.5
1–4	68.3	29.3	26.1	12.4	8.3	16.0	10.0
5–9	83.8	47.2	39.1	24.5	16.1	21.8	9.0
10–19	85.2	41.4	41.2	24.7	11.6	9.5	1.1
20–99	88.3	55.3	55.3	35.7	24.7	22.1	5.9
100–499	96.7	82.8	75.8	38.3	33.3	3.6	
Industry							
Mining and Construction	67.4	33.1	32.8	18.4	17.5	12.3	5.9
Manufacturing	78.9	36.5	31.3	18.5	14.0	13.7	3.7
Transportation, Communications, and Public Utilities	75.8	32.5	30.5	27.7	25.6	2.9	0.2
Wholesale Trade	78.9	47.6	45.8	20.3	17.3	21.0	13.6
Retail Trade	58.8	24.2	21.1	10.3	6.7	11.8	8.4
Finance, Insurance, and Real Estate	77.5	38.8	28.4	18.8	10.0	16.2	12.7
Services	66.1	28.8	23.6	18.2	9.6	16.8	8.9

Note: Owner loans included for partnerships and corporations only.
Source: U.S. Small Business Administration, Office of Advocacy, with data from the 1993 National Survey of Small Business Finances.

Table 4.25 *Number of Employees in Private Firms by Employment Size of Firm, 1997*

Employment Size of Firm	All Employees		Full-Time Employees	
	Employees (Thousands)	Distribution (Percent)	Employees (Thousands)	Distribution (Percent)
Total	**101,216**	**100.0**	**81,667**	**100.0**
Under 10	14,940	14.8	10,198	12.5
10–24	10,720	10.6	8,169	10.0
25–99	15,300	15.1	12,821	15.7
100–499	15,140	15.0	12,999	15.9
500–999	6,276	6.2	5,398	6.6
1,000+	38,840	38.4	32,082	39.3
<500	56,100	55.4	44,187	54.1
500+	45,116	44.6	37,480	45.9

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, March Current Population Surveys.

Table 4.26 *Employee Characteristics by Employment Size of Firm, 1997 (Percent of Employees)*

Employment Size of Firm	Gender	Race			Origin
	Female	Asian[1]	Black	White	Hispanic[2]
Total	**46.4**	**4.6**	**11.3**	**84.1**	**11.1**
Under 10	47.9	4.6	7.9	87.5	14.5
10–24	44.4	4.2	9.1	86.7	13.8
25–99	43.4	4.3	9.2	86.5	13.5
100–499	46.2	5.0	12.2	82.8	11.0
500–999	47.7	4.3	13.9	81.7	9.8
1,000+	47.5	4.8	13.3	82.0	8.4
<500	45.5	4.5	9.7	85.8	13.1
500+	47.6	4.7	13.4	81.9	8.6

[1] "Asian" includes Asian Americans, Pacific Islanders, American Indians, and Alaska Natives.
[2] "Hispanic" is an ethnic origin and can be of any race.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, March Current Population Surveys.

Minorities

Larger firms hire relatively more black individuals and slightly more Asians than small firms, while small firms hire relatively more persons of Hispanic origin (Table 4.26). Overall, black individuals were 11.5 million of the 101.2 million private workers (11.3 percent), and their share of employment generally increases with firm size.

The race category of Asian / Pacific Islander or American Indian / Aleut Eskimo had similar employment rates in small and large firms. Overall, 4.7 million workers of Asian / Pacific Islander or American Indian / Aleut Eskimo were in the private work force (4.6 percent).

The percentage of Hispanic workers decreases as firm employment size increases. Hispanic individuals constituted 7.4 million of the 56.1 million small firm employees (13.1 percent), and 3.9 million of the 45.1 million large firm employees (8.6 percent). Very small firms (fewer than 10 employees) had a Hispanic worker ratio of 14.5 percent.

Age

Small firms hire a larger proportion than large firms of full-time workers under age 25 and workers age 65 and older (Table 4.27 and Chart 4.7).[18] In 1997, small firms with fewer than 500 employees employed about 7.2 million full-time workers under 25, while large firms employed about 5.0 million. Employees under age 25 were 14.0 percent of very small firms (fewer than 10 employees) and 11.2 percent of very large firms (1,000 employees or more).

Very small firms also have more than double the large firm ratio of employees over age 65 (2.2 percent and 1.0 percent, respectively). Small firms employed about 872,000 full-time employees age 65 or older and large firms employed about 449,700 in 1997.

Part-Time Employment

Overall, 21.1 percent (11.9 million) of small firm workers were part-time employees in 1997, compared with 16.9 percent (7.6 million) of large firm workers (Table 4.28). Small firms employed about 626,000 part-time workers who usually work full-time, while large firms employed about 361,000. Very small firms (fewer than 10 employees) hire part-time employees at a rate almost twice that of very large firms (1,000 or more employees) (Chart 4.8).[19] Very small firms also hire part-time employees who usually work full-time at a rate about twice that of very large firms.

The gap between large and small firms in the share of part-time workers has been narrowing. The small firm share declined every year from 1991 to

[18] For comparisons of the age distribution of workers by firm size, full-time employees were chosen to avoid distortions because of the distribution of part-time workers; that is, smaller firms have a higher proportion of part-time employment than large firms.

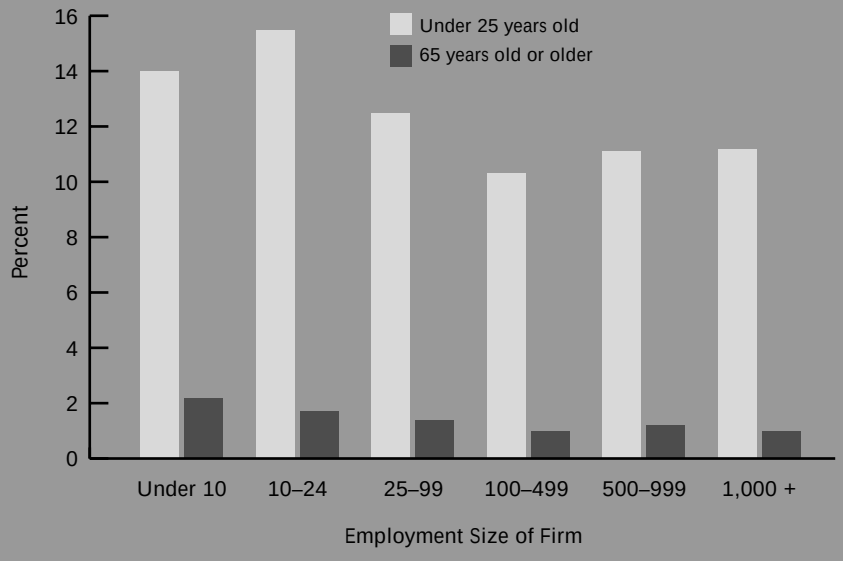
[19] Part-time employment is defined here as working less than 35 hours per week.

Table 4.27 *Age Distribution of Full-Time Employees by Employment Size of Firm, 1997 (Percent of Full-Time Employees)*

Employment Size of Firm	Under 25	25–34	35–44	45–54	55–64	65+
Total	**12.1**	**28.6**	**28.9**	**20.3**	**8.8**	**1.3**
Under 10	14.0	28.4	28.0	18.3	9.1	2.2
10–24	15.5	28.9	28.4	17.3	8.3	1.7
25–99	12.5	30.5	28.4	19.3	7.9	1.4
100–499	10.3	28.7	29.5	20.9	9.7	1.0
500–999	11.1	29.5	29.6	20.7	7.9	1.2
1,000+	11.2	27.8	29.2	21.8	9.0	1.0
<500	12.9	29.1	28.6	19.1	8.8	1.6
500+	11.2	28.0	29.3	21.7	8.9	1.0

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, March Current Population Surveys.

Chart 4.7 *Age of Full-Time Employees by Employment Size of Firm, 1997*



Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Table 4.28 *Part-Time Employment by Employment Size of Firm, 1997 (Percent of Employees)*

Employment Size of Firm	Part-Time	Part-Time for Economic Reasons, Usually Full-Time
Total	**19.3**	**1.0**
Under 10	31.8	1.6
10–24	23.8	1.1
25–99	16.2	0.8
100–499	14.1	1.0
500–999	14.0	0.7
1,000+	17.4	0.8
<500	21.1	1.1
500+	16.9	0.8

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, March Current Population Surveys.

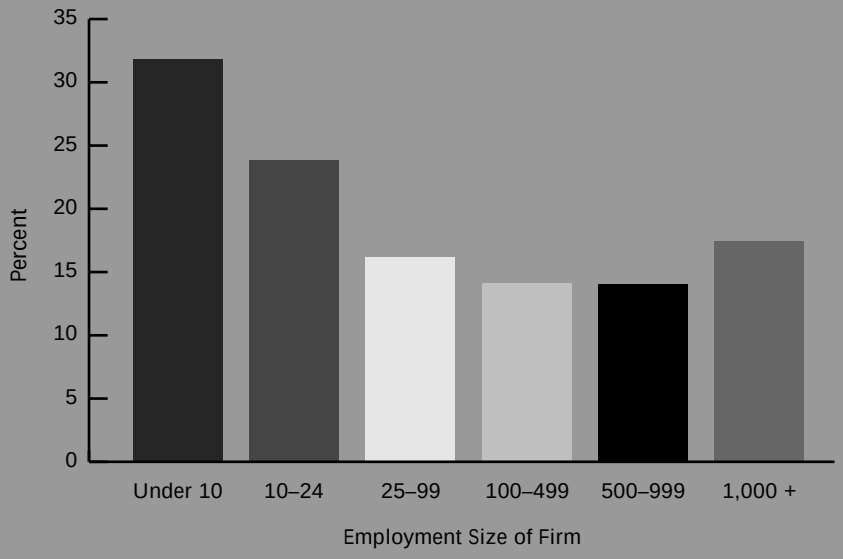
1996, from 22.3 percent at the beginning of the period to 20.5 percent at the end, but increased to 21.1 percent in 1997. The large firm share was relatively stable over the period.

Educational Attainment

Small firms have more employees with lower educational levels: 54.0 percent of small firm employees had a high school degree or less in 1997 compared with 44.4 percent of large firm employees (Table 4.29). Conversely, large firms have a higher ratio of employees with bachelor's and master's degrees and higher. In 1997, 57.6 percent of the work force in firms with fewer than 10 employees (8.6 million employees) had high school degrees or less and 4.2 percent (0.6 million employees) had degrees beyond bachelor's degrees. In contrast, 43.9 percent of the work force in firms with 1,000 or more employees (17.0 million employees) had high school degrees or less and 7.0 percent (2.7 million employees) had degrees beyond bachelor's degrees. The percentages were similar for employees with some college and bachelor's degrees: 41.2 percent in small firms (23.1 million employees) and 48.6 percent in large firms (21.9 million employees).

Employee age and industry structure may explain some of the differences between small and large firm employee educational attainment. The fact that small firms have a higher ratio than large firms of employees under age 25 could explain small firms' higher ratio of employees with educational attainments of high school and below. Note that the educational levels listed here are those reached by private workers at a point in time. During their lives, many of the workers (particularly younger workers) will reach higher educational levels.

Chart 4.8 *Part-Time Employment by Employment Size of Firm, 1997*



Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Table 4.29 *Employee Education Level by Employment Size of Firm, 1997 (Percent of Employees)*

Employment Size of Firm	Less than High School	High School Degree	Some College	Bachelor's Degree	Master's Degree	Professional/ Doctorate
Total	**15.6**	**34.1**	**28.6**	**15.9**	**4.0**	**1.8**
Under 10	22.7	34.8	26.4	11.8	2.5	1.7
10–24	21.3	34.7	27.9	12.4	2.1	1.5
25–99	16.8	36.3	28.0	14.1	3.3	1.7
100–499	14.8	35.2	27.5	16.4	4.5	1.6
500–999	12.2	35.3	29.0	16.5	5.0	2.1
1,000+	11.8	32.1	30.3	18.9	4.9	2.0
<500	18.7	35.3	27.4	13.8	3.2	1.6
500+	11.9	32.5	30.1	18.5	4.9	2.0

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, March Current Population Surveys.

The abundance of small doctors' offices and legal firms may help explain why small firms had as large a share of professional and doctorate level employees as large firms.

Overall, small firms are contributing to the economy by hiring some individuals with relatively lower educational levels who might otherwise be unemployed.

Public Assistance

Small firms are contributing to the economy by hiring more individuals who utilize public and financial assistance than large firms. In 1997, small firms employed about 468,000 individuals receiving financial assistance (money received from friends or relatives not living in the same household, excluding loans) and 719,000 individuals receiving public assistance (assistance received from government sources, excluding food stamps and SSI payments). Large firms employed about 341,000 individuals receiving financial assistance and 466,000 individuals receiving public assistance.

Very small firms with fewer than 10 employees had higher ratio of individuals receiving financial assistance than very large firms with 1,000 or more employees (1.14 percent versus 0.78 percent) (Table 4.30 and Chart 4.9).

From 1991 to 1997, the percentages of employees receiving assistance decreased for both small and large firms, while overall employment increased.[20] The private sector saw a 17 percent drop in the share of financially assisted workers (0.96 percent to 0.80 percent), and a 26 percent drop in the share of publicly assisted workers (1.43 percent to 1.17 percent).

Management and Administrative Workers

A larger percentage of small firm workers than of large firm workers produce the goods and services for the firm. Management and administrative support represented 26.5 percent of the work force in small firms and 30.9 percent in large firms in 1997 (Table 4.31). Small firms also had less of their work force in sales than large firms (10.6 percent versus 13.1 percent). From 1991 to 1997, there was a slight increase in management (from 12.9 percent to 14.7 percent) and a slight decrease in administrative support (from 16.2 percent to 13.8 percent).

Small Business Employee Benefits

Small firms continue to be less likely to offer employee benefits. Employees of very large firms (1,000 or more employees) were almost five times more likely to be employed in firms with pension plans than employees of very small firms (fewer than 10 employees) (Table 4.32). Overall in 1997, 16.8 million workers were receiving pension plan benefits from small firms, and 26.1

[20] Note, however, that the small numbers are subject to survey instability.

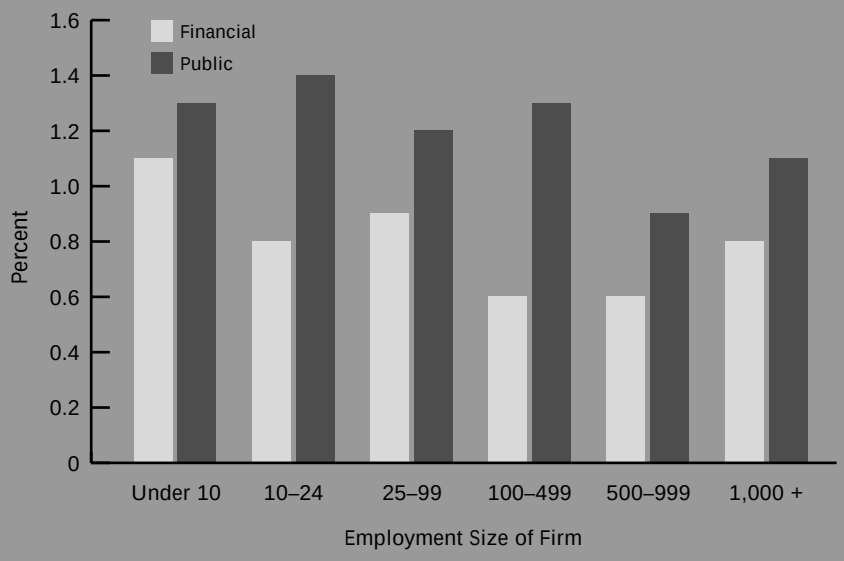
Table 4.30 *Employees on Financial and Public Assistance by Employment Size of Firm, 1997 (Percent of Employees)*

Employment Size of Firm	Financial Assistance	Public Assistance
Total	**0.80**	**1.17**
Under 10	1.14	1.29
10–24	0.78	1.39
25–99	0.85	1.20
100–499	0.57	1.28
500–999	0.61	0.87
1,000+	0.78	1.06
<500	0.83	1.28
500+	0.76	1.03

Note: Financial assistance is money (excluding loans) regularly received from outside the househould during the year. Public assistance is assistance (excluding food stamps and supplemental security income) received from the government at any time in the year.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, March Current Population Surveys.

Chart 4.9 *Employees on Financial and Public Assistance by Employment Size of Firm, 1997*



Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Table 4.31 *Occupation Distribution of Full-Time Employees by Employment Size of Firm, 1997 (Percent of Employees)*

Employment Size of Firm	Management	Administrative Support	Sales	Professional Specialty	Service	Manufacturing	Other
Total	**14.7**	**13.8**	**11.8**	**11.7**	**9.1**	**22.7**	**16.2**
Under 10	11.0	11.7	12.4	8.8	11.3	22.3	22.5
10–24	12.9	12.0	11.5	8.4	12.2	25.8	17.3
25–99	14.8	13.0	10.2	10.5	10.6	25.4	15.6
100–499	15.8	14.3	8.9	12.1	8.2	25.1	15.7
500–999	14.2	14.2	10.5	13.1	8.5	25.0	14.7
1,000+	16.2	15.1	13.6	13.6	7.3	19.9	14.3
<500	13.7	12.8	10.6	10.1	10.4	24.6	17.7
500+	15.9	15.0	13.1	13.6	7.5	20.6	14.4

Notes: Management includes executives, administrators, and managers; manufacturing includes specialists in precision products, craft, and repair, and machine operators, assemblers, and inspectors; other includes technicians and related support, transportation specialists and material movers, handlers, equipment cleaners, laborers, farmers, foresters, and fishers.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, March Current Population Surveys.

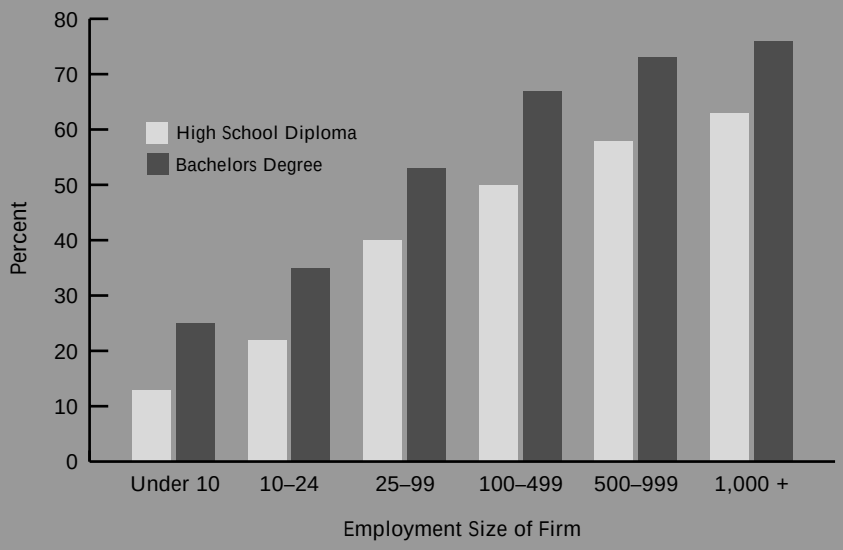
Table 4.32 *Employer Pension Plans by Employment Size of Firm, 1997 (Percent of Employees)*

	All Employees			Full-Time Employees				
	Firms with Plans			Firms with Plans			Included in Plan	
Employment Size of Firm	Included	Not Included	No Plan	Included	Not Included	No Plan	High School	Bachelor's Degree
Total	**42.3**	**13.9**	**43.8**	**48.3**	**11.7**	**40.1**	**45.5**	**59.3**
Under 10	11.9	5.7	82.4	15.0	5.0	80.0	13.2	25.1
10–24	20.6	7.7	71.8	25.0	7.0	68.0	21.6	34.6
25–99	35.8	11.8	52.4	40.5	10.5	49.0	39.6	53.1
100–499	47.5	15.1	37.4	53.0	12.6	34.4	49.6	66.7
500–999	56.3	16.7	27.0	62.3	13.6	24.1	57.7	73.2
1,000+	58.1	18.6	23.3	66.2	15.2	18.6	62.9	76.3
<500	29.9	10.3	59.8	34.3	9.0	56.7	32.0	46.0
500+	57.9	18.3	23.8	65.6	15.0	19.4	62.2	75.8

Notes: Employer pension plans include current and former employers, and unions. Total firms with plans represent the percentage of employees that worked for any employer during the year that offered a pension plan to any employee.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census, March Current Population Surveys.

Chart 4.10 *Full-Time Employees Included in Employer Pension Plans by Educational Attainment and Employment Size of Firm, 1997*



Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

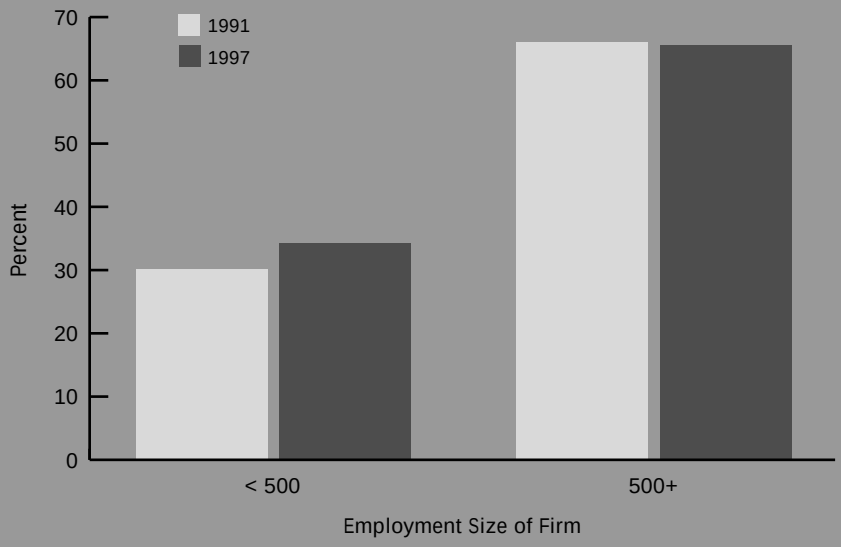
million workers were receiving benefits from large firms. Focusing on full-time employees increases rates of pension plan benefits, but yields similar results in comparisons between very small and very large firms.

Firm size differences in pension benefits could be from small firms' higher average costs for pension plans, and/or new firms (which are almost always small) not yet reaching the stage of maturity where they can offer employee benefits. Firms that grow to an employment size between 25 and 99 employees are more often able to overcome financial and regulatory barriers to offering pension plans. Educational level differences between the small and large firm work forces may also be a contributing factor. Overall, higher levels of pension and health benefits are correlated with higher levels of education and larger firm size (Chart 4.10).

Small firms appear to be slowly catching up to large firms with respect to pension plan coverage.[21] From 1991 to 1997, the percentage of employees with pension benefits in small firms increased from 25.9 percent to 29.9 percent; in large firms the share remained at 57.9 percent. For full-time employees, coverage increased from 30.1 percent to 34.3 percent in small

[21] Pursuant to the recommendations of the 1995 White House Conference on Small Business, the Small Business Job Protection Act of 1996 provided for simple pensions, especially for small businesses. It also reformed 401(k) plans, making them easier to use. The Taxpayer Relief Act of 1997 raises income limits for IRA deductions.

Chart 4.11 *Full-Time Employees Included in Employer Pension Plans by Employment Size of Firm, 1991 and 1997*



Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

firms, while in large firms it actually decreased from 66.0 percent to 65.6 percent (Chart 4.11).

Employees of smaller firms were generally less likely to belong to an employer's health plan than employees of larger firms (Table 4.33). Small firms had 46.1 percent of their work force in employer health plans (25.9 million employees), compared with 67.4 percent of the large firm work force (30.4 million employees). Reasons for this difference may be similar to reasons for differences in pension coverage: higher average costs, and new firms (which are almost always small) not yet reaching the stage of maturity where they can offer employee benefits. Small firms' higher utilization of part-time employees and employees on assistance may also mean that a larger number of small firm employees are insured under plans of a close relative or public plan. Again, higher benefit levels are correlated with higher education levels and larger firm sizes (Chart 4.12). Once firms grow to between 25 and 99 employees, they seem more able to surpass the financial and regulatory barriers to offering health insurance.

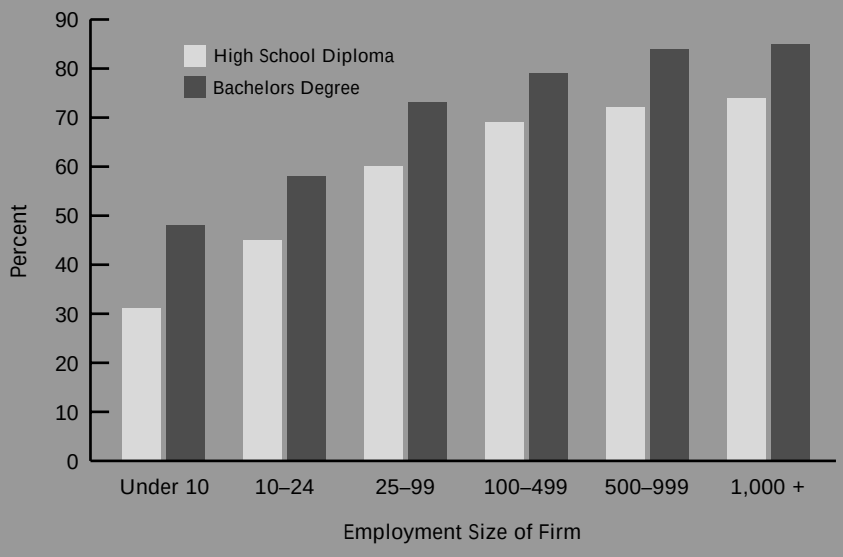
Table 4.33 *Health Insurance by Employment Size of Firm, 1997 (Percent of Employees Covered at Any Point in the Year)*

Employment Size of Firm	All Employees: Belonging to Employer's Plan	All Employees: Employer-Paid: All	All Employees: Employer-Paid: Some	All Employees: Employer-Paid: None	Full-Time Employees: Belonging to Employer's Plan	Full-Time Employees: Employer-Paid: All	Full-Time Employees: Employer-Paid: Some	Full-Time Employees: Employer-Paid: None	Full-Time Employees: Belonging to Employer's Plan: High School	Full-Time Employees: Belonging to Employer's Plan: Bachelor's Degree
Total	**55.6**	**15.3**	**37.4**	**3.0**	**63.5**	**17.5**	**42.7**	**3.2**	**61.7**	**73.9**
Under 10	26.3	11.1	12.0	3.2	33.0	14.2	15.5	3.3	31.4	48.0
10–24	38.4	14.3	21.3	2.7	46.5	17.2	26.2	3.0	45.0	58.4
25–99	53.8	17.0	34.2	2.6	60.8	19.4	38.7	2.7	59.7	73.4
100–499	62.8	16.5	43.1	3.2	70.0	18.4	48.2	3.4	69.1	78.6
500–999	67.9	16.2	47.8	4.0	74.5	17.8	52.6	4.2	71.8	84.1
1,000+	67.4	15.7	48.7	3.0	76.3	17.8	55.3	3.2	73.8	84.7
<500	46.1	14.8	28.4	2.9	53.4	17.4	32.9	3.1	52.1	65.3
500+	67.4	15.8	48.5	3.1	76.0	17.8	54.9	3.3	73.5	84.6

Notes: Employer health plans include current employers, former employers, and unions. Employees may belong to their employer's plan, another private plan, or a public plan.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureaus of the Census, March Current Population Surveys.

Chart 4.12 *Full-Time Employees with Employer Health Insurance by Educational Attainment and Employment Size of Firm, 1997*



Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Conclusion

Small, minority- and women-owned businesses are rising in importance in our nation's economy. They are represented in every type of industry and in every form of business.

Based on data from the Census Bureau's Survey of Women-Owned Businesses and Survey of Minority-Owned Businesses, there were an estimated 8.5 million women-owned and 3.2 million minority-owned businesses in 1997.[22] Their numbers have been increasing steadily, and more rapidly, than those in the economy as a whole. At the approach of the new century, evidence suggests that they will be an increasingly important segment of the economy.

Small businesses employ thousands of individuals of all races, genders, and ages. In 1997, the small business work force consisted of 54.5 percent males; 45.5 percent females; 4.5 percent Asians, Pacific islanders, American Indians, and Aleut Eskimos; 9.7 percent blacks; 85.8 percent whites; and 13.1 percent Hispanics. Small businesses hire a larger proportion of younger and older workers, part-time employees, employees with lower educational attainment, and individuals that receive public assistance than do large businesses.

[22] Note that these numbers are not strictly comparable since the women-owned business estimate includes C corporations and the minority-owned business estimate does not.

Chapter 5

Financing Small Business, 1997

Synopsis

The U.S. financial markets continued to perform well in 1997, despite some uncertainty stemming from the Asian financial crisis. Overall borrowing showed stronger growth than expected, increasing by 5.0 percent, compared with 3.6 percent in 1996. Large increases in the demand for credit from the business and state and local government sectors were only slightly offset by decreases in demand from households and the federal government. The business sector was the biggest borrower, increasing net borrowing from $196 billion in 1996 to a record $311 billion in 1997. The large growth in business demand reflected a strong expansion in capital spending, especially in outlays for computers and other types of equipment.

U.S. banks had another excellent year in 1997, with high profitability and growth in assets. A total of 7.9 million small business loans of less than $1 million were outstanding from 9,293 reporting banks as of June 1997. The number of the smallest business loans—those under $100,000—increased very significantly, by 27 percent, in 1997. The percentage increase in the dollar amount was far less, an indication that more of the larger loans in this category may have been cleared from the books and more very small loans extended. Total assets continued to be concentrated in the largest banks, partly because of the overall growth of banking assets over time and partly because of increased merger and acquisition activity.

While the number of loans made through the SBA's loan guaranty programs declined in 1997, the dollar amount increased significantly, from $7.7 billion to $9.5 billion. The large increase was made possible by reduced subsidy rates, which enabled more SBA-guaranteed lending at the same total subsidy level authorized by the Congress.

Equity markets continued to be favorable for small businesses in 1997. The initial public offering market stepped back from the boom of the previous year, but the average offering size increased slightly for small IPOs, from $19 million to $20.4 million in 1997. Fundraising by venture capital funds prospered, and disbursements by small business investment companies increased significantly—by 25 percent.

Recent analysis of the National Survey of Small Business Finances indicates that in 1993 small businesses accounted for about 25 percent of credit market debt in the United States. According to the NSSBF data, some 5 million small firms in the Dun & Bradstreet small business population had $668

billion outstanding in six traditional types of financing. Lines of credit were the most significant for small firms, accounting for 42 percent, or $280 billion. Nearly three-quarters of women-owned firms had access to some type of credit in 1993. Women-owned firms were more likely than firms overall to use personal credit cards and loans from the owners themselves. Relatively fewer minority-owned firms—two-thirds—used some type of credit in 1993. Only 13.9 percent of minority-owned firms said they used owner loans, but more than one-third used personal credit cards and more than one-quarter used business credit cards.

Credit Conditions For U.S. Businesses in 1997

The prevalence of business optimism during the latter part of 1996 extended into the new year, leading to continued rising interest rates and a booming stock market during the first half of 1997. And although U.S. financial markets showed signs of some uncertainty as the Asian financial crisis unfolded during the summer of 1997, the impact of the crisis on the U.S economy was, at least initially, more positive than negative. The "flight to safety" phenomenon that induced capital outflow from the affected nations to American capital markets, the recessionary impacts of these economies on commodity prices, and the favorable effects on U.S. import prices of the depreciation of Asian currencies against U.S. dollars produced further downward pressure on interest rates in the United States. Except for several sectors relying heavily on exports to the Asian markets, the U.S. economy remained strong and the financial markets performed well during the second half of 1997.

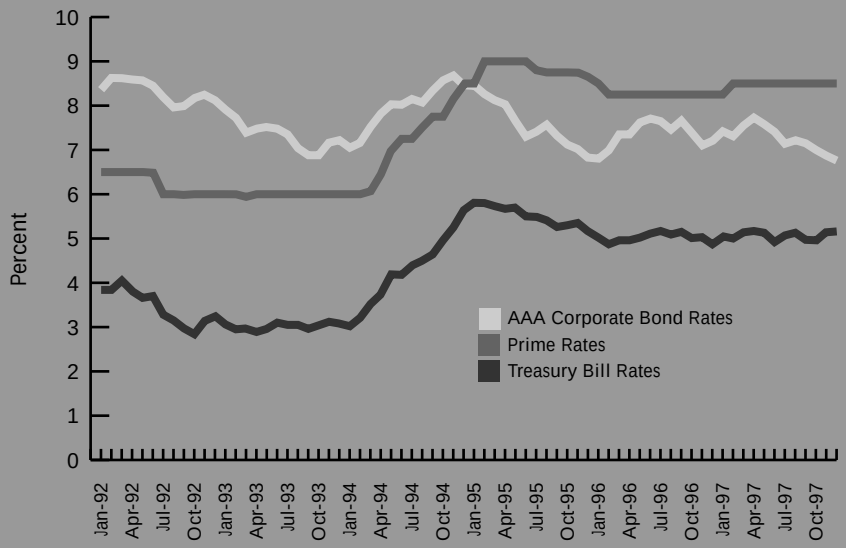
The Federal Reserve Board watched the developments in the financial markets with anxiety, but took little action. Interest rates moved downward after reaching a high in the spring of 1997 and declined steadily for the rest of the year. AAA corporate bond rates declined more than 100 basis points from 7.73 percent in April to 6.76 by year's end (Chart 5.1).

Uses of Funds by Major Sectors

Overall borrowing by U.S. domestic sectors showed stronger than expected growth in 1997, increasing by 5.0 percent, compared with 3.6 percent growth in 1996 (Table 5.1). Large increases in the demand for credit from the business and state and local government sectors were only slightly offset by decreased demand from the household sector and the federal government.

The federal government disappeared almost completely from the credit markets in 1997 because of the disappearance of deficits in the federal budget. The federal share of net borrowing was just $23 billion of the $764 billion total. State and local governments, on the other hand, increased net borrowing from $1.3 billion in 1996 to almost $60 billion in 1997.

Chart 5.1 *Movements in Interest Rates, January 1992–December 1997*



Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

The biggest borrower was the business sector, which increased net borrowing significantly, from $196 billion in 1996 to a record $311 billion in 1997. Business borrowing increased despite large increases in profits, reflecting a strong expansion in capital spending, especially in outlays for computers and other types of equipment (Tables 5.1 through 5.3). Business optimism remained high in spite of the Asian financial crisis. Financing related to merger and acquisition activities also contributed to the increased borrowing.

Small Business Borrowing in 1997

Although small business credit continued to expand in 1997, borrowing costs remained high. A profitable banking sector and bullish stock market provided a favorable environment for business borrowers, including small firms. While corporate bond rates declined significantly in the second half of 1997, borrowing costs paid by small firms showed little downward movement (Chart 5.1 and Tables 5.4 and 5.5).[1]

[1] Short-term and prime rates showed little movement in spite of the decline in long-term bond rates. Most rates for small loans by banks are determined either directly in a floating rate arrangement or indirectly in a fixed rate loan, by the prime rates.

Table 5.1 *Credit Market Borrowing by the Nonfinancial Sector 1985–1997 (Billions of Dollars)**

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Total Domestic Borrowing	**780.2**	**965.1**	**863.6**	**733.7**	**767.7**	**720.3**	**669.4**	**480.6**	**522.5**	**588.0**	**574.6**	**702.8**	**727.8**	**764.2**
Government														
Federal	197.2	225.7	216.0	143.9	155.1	146.4	246.9	278.2	304.0	256.1	155.9	144.4	145.0	23.1
State and Local	52.5	163.6	73.4	91.1	54.5	246.9	46.6	81.6	31.0	74.7	−32.3	−36.0	14.3	79.5
Business	307.5	275.1	313.2	92.6	299.0	253.4	112.1	−61.9	26.8	51.3	141.8	245.4	195.8	311.4
Farm	−0.4	−14.5	−17.4	−11.6	−10.2	0.6	1.0	2.1	0.5	2.6	4.4	2.9	4.8	63.5
Nonfarm Noncorporate	109.2	121.2	94.3	55.5	84.2	69.6	1.1	−11.0	−16.4	3.2	3.3	23.9	44.5	63.5
Nonfinancial Corporate	198.7	168.4	236.3	48.7	225.0	183.2	110.0	−53.0	42.7	45.5	134.1	218.6	146.5	241.5
Households	223.0	300.8	261.1	306.5	259.1	269.5	263.7	182.7	160.7	205.9	309.3	348.9	372.7	350.1
Foreign Borrowing in the United States	8.4	1.2	9.7	6.2	6.4	10.2	23.9	14.8	23.7	69.8	−14.0	71.1	70.5	51.5

*Excluding equity and borrowing by financial institutions. Major revisions were made in estimates for the household sector in 1993–1994 and the state and local government in 1996.

Source: Board of Governors of the Federal Reserve System, *Flow of Funds Accounts, Fourth Quarter, 1997: Flows and Outstandings* (March 1998).

Table 5.2 *Major Sources and Uses of Funds by Nonfarm, Nonfinancial Corporate Businesses, 1984–1997 (Billions of Dollars)*

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Before-Tax Profit	191.0	167.6	151.3	214.9	200.0	236.5	236.5	217.1	256.7	307.4	391.9	437.7	476.4	510.8
Domestic Undistributed Profit	46.4	21.7	−2.1	41.3	73.6	32.2	20.5	8.3	33.7	55.9	106.0	111.7	127.1	136.2
Depreciation with Capital Consumption Adjustment	279.1	310.7	312.8	324.0	338.3	349.3	354.3	364.3	373.7	384.4	418.6	430.7	461.1	489.3
Total Internal Funds, on Book Basis	329.1	336.7	315.5	370.1	418.4	384.8	377.9	372.6	407.3	440.3	524.5	542.4	588.1	625.6
Net Increase in Liability	318.9	379.7	190.0	273.9	443.7	347.4	183.5	67.1	161.3	217.9	241.6	390.8	346.2	362.9
Funds Raised in Credit Markets	198.7	168.4	236.3	148.7	225.0	183.2	110.0	−55.1	42.7	45.5	134.1	218.6	146.5	241.5
Net New Equity Issues	−79.0	−84.5	−85.0	−75.5	−129.5	−124.2	−63.0	18.3	27.0	21.3	−44.9	−58.3	−64.2	−114.8
Capital Expenditures	387.5	369.6	347.3	357.4	373.3	399.4	394.5	371.9	382.0	445.2	511.1	567.7	592.5	679.4
Net Financial Investment	−40.9	−105.6	−18.0	−39.4	−60.7	−113.9	−68.3	62.7	−8.9	124.1	41.7	42.7	52.1	−32.5

Note: Data revisions for 1992–1996.
Source: Board of Governors of the Federal Reserve System, *Flow of Funds Accounts, First Quarter 1998: Flows and Outstandings* (June 1998).

Table 5.3 *Major Sources and Uses of Funds by Nonfarm, Noncorporate Businesses, 1984–1997 (Billions of Dollars)**

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Net Income	274.3	298.1	306.7	331.9	378.2	407.0	434.9	464.1	441.0	473.9	495.3	534.2	557.9	575.8
Gross Investment	55.8	59.6	64.0	67.7	72.8	77.0	80.6	67.5	82.9	84.4	64.7	56.4	55.3	57.8
Fixed Capital Expenditures	92.6	104.1	106.6	107.4	112.9	118.0	106.4	91.1	96.8	93.5	94.6	99.2	98.0	97.7
Changes in Inventories	3.1	10.0	0.6	1.5	1.1	1.6	0.3	−0.1	0.1	1.3	2.5	1.9	1.2	3.1
Net Financial Investments	−39.9	−45.5	−43.1	−41.2	−41.2	−42.6	−26.1	−23.5	−14.1	−10.5	−32.5	−44.7	−43.9	−43.0
Net Increase in Credit Market Debt	109.2	111.6	48.1	25.7	87.6	61.1	13.8	−15.0	−16.4	3.2	3.3	23.9	44.5	63.5
Mortgages	83.8	109.1	82.7	39.9	68.5	56.1	4.1	−9.9	−15.1	−1.5	−13.8	−2.2	20.4	37.5
Net Investment by Proprietors	−23.3	−26.5	−53.1	−28.0	−15.6	−28.1	20.3	18.5	28.6	26.9	61.8	51.9	21.8	4.5

*Major revisions for 1992–1996.
Source: Board of Governors of the Federal Reserve System, *Flow of Funds Accounts, First Quarter 1998: Flows and Outstandings* (June 1998).

Table 5.4 *Short-Term and Long-Term Loan Rates for Small Loans, 1990–1997*

	Short-Term				Long-Term	
	Fixed	Floating	Prime Rate	Federal Funds Rate	Fixed	Floating
1997						
November	NA	9.73	8.50	5.52	9.78	NA
August	NA	9.55	8.50	5.54	9.88	NA
May	NA	9.67	8.50	5.50	9.94	NA
February	9.63	9.57	8.25	5.19	9.58	9.58
1996						
November	9.44	9.61	8.25	5.31	9.78	9.65
August	9.53	9.62	8.25	5.22	9.53	9.60
May	9.54	9.64	8.25	5.24	9.68	9.62
February	9.77	9.67	8.25	5.22	9.79	9.56
1995						
November	10.01	10.22	8.75	5.80	9.77	10.12
August	10.09	10.24	8.75	5.74	10.03	10.05
May	9.56	10.29	9.00	6.01	10.12	10.40
February	9.33	10.30	9.00	5.92	9.82	10.12
1994						
November	7.96	9.11	8.15	5.29	9.42	9.21
August	8.74	8.54	7.51	4.47	8.92	8.46
May	8.01	8.12	6.99	4.01	8.57	8.24
February	7.96	7.49	6.00	3.25	7.35	7.64
1993						
November	8.08	7.41	6.00	3.02	8.33	7.60
August	8.50	7.40	6.00	3.03	8.59	7.63
May	8.27	7.48	6.00	3.00	8.80	7.77
February	8.43	7.42	6.00	3.03	8.98	8.13
1992						
November	8.64	7.53	6.00	3.09	9.28	7.95
August	8.94	7.48	6.00	3.30	9.41	7.71
May	7.89	7.78	6.50	3.82	9.17	7.79
February	8.18	7.80	6.50	4.06	9.07	7.84
1991						
November	9.35	8.95	7.50	4.81	10.05	9.03
August	11.20	10.16	8.50	5.66	11.26	10.37
May	11.19	10.22	8.50	5.78	11.24	10.64
February	11.29	10.68	9.00	6.25	11.73	11.12
1990						
November	11.90	11.87	10.00	7.81	12.30	12.06
August	12.06	11.84	10.00	8.13	12.15	12.08
May	11.87	11.96	10.00	8.18	11.99	12.05

Note: Small loans refer to loans under $100,000.

Sources: Board of Governors of the Federal Reserve System, *Survey of Terms of Bank Lending,* Statistical Release E.2, various issues, and *Federal Reserve Bulletin,* various issues.

Table 5.5 *Loan Rates Charged by Banks by Loan Size, May 1997–November 1997*

Loan Size (Thousands of Dollars)	Fixed Rate Term Loans	Variable Rate Loans (2–30 days)	Variable Rate Loans (31–365 days)
November 1997			
1.0–99	9.78	9.73	9.77
100–499	9.26	8.83	8.84
500–999	8.23	8.00	7.67
Minimum Risk Loans	8.64	6.69	7.16
August 1997			
1.0–99	9.88	9.55	9.86
100–499	9.24	8.89	8.67
500–999	8.33	8.08	7.22
Minimum Risk Loans	7.77	6.50	6.59
May 1997			
1.0–99	9.94	9.67	9.97
100–499	9.07	8.89	8.46
500–999	8.89	8.19	7.48
Minimum Risk Loans	9.26	6.89	6.20

Note: "Minimum risk" loans are larger high-quality loans, as defined in the *Survey of Terms of Bank Lending,* May 1997.

Source: Board of Governors of the Federal Reserve System, *Survey of Terms of Bank Lending,* Statistical Release E2, various issues, and *Federal Reserve Bulletin,* various issues.

Lending to Small Businesses by Commercial Banks

U.S. banks had another excellent year in 1997, with high profitability and growth in total assets. All indicators pointed to increased small business lending by banks:[2]

• Survey results of bankers conducted by the Federal Reserve Board suggested strong demand for commercial and industrial loans by all sizes of businesses throughout 1997. Respondents attributed the increased demand to greater customer financing needs for plant and equipment and also to mergers and acquisitions.[3]

• Net credit use by the nonfarm, noncorporate sector also increased significantly in 1997 (Tables 5.1 and 5.3). A total of 7.9 million small business loans of less than $1 million were outstanding from 9,293 reporting banks as of June 1997. These loans, valued at $356 billion, accounted for 38.6 percent of total business loan dollars (Table 5.6).[4]

[2] Data on bank lending to small businesses became available with the June 1993 call reports filed with financial regulatory authorities by all commercial banks. All commercial banks are required to report in their June call report filings the number and dollar amount of their commercial and industrial loans and loans for nonresidential real estate by loan size.

[3] Federal Reserve Board, "Senior Loan Officer Opinion Survey on Bank Lending Practices," various issues.

[4] See studies on small business lending by commercial banks by the U.S. Small Business Administration, Office of Advocacy, including *Small Business Lending in the United States, Micro-Business-Friendly Banks in the United States,* and *The Bank Holding Company Study,* Three small business loan sizes are defined—under $100,000, under $250,000, and under $1 million.

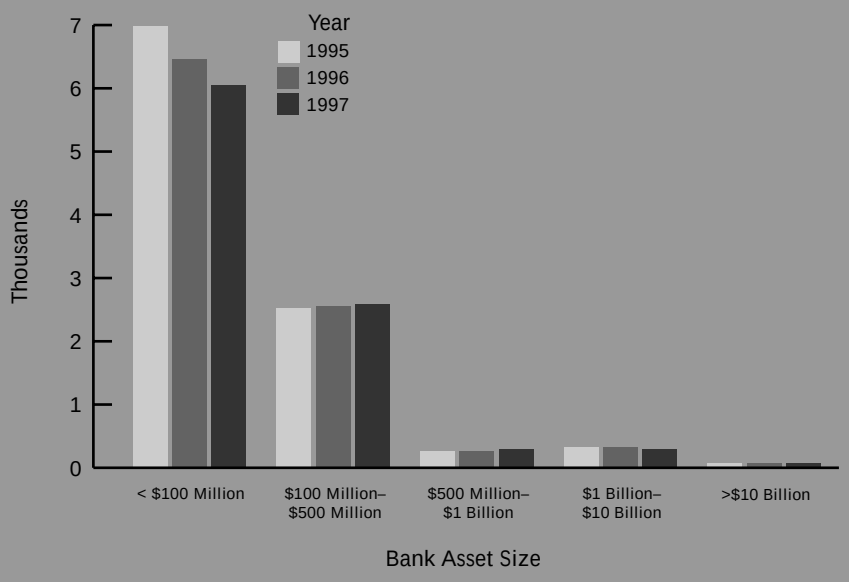
Table 5.6 *Number and Amount of Loans by Loan Size and Asset Size of Bank, June 30, 1997*

Bank Asset Size (Millions of Dollars)	Loan Sizes: Under $100,000 Number	Under $100,000 Amount (Billions of Dollars)	$100,000–$250,000 Number	$100,000–$250,000 Amount (Billions of Dollars)	$250,000–$1 Million Number	$250,000–$1 Million Amount (Billions of Dollars)	Under $1 Million Number	Under $1 Million Amount (Billions of Dollars)	Under $250,000 Number	Under $250,000 Amount (Billions of Dollars)	Over $1 Million Amount (Billions of Dollars)	All Sizes Total (Billions of Dollars)
Commercial and Industrial Loans												
All Banks	**5,961,770**	**80.17**	**358,328**	**37.25**	**280,315**	**77.76**	**6,600,413**	**195.18**	**6,320,098**	**117.43**	**403.04**	**598.22**
0–$100	899,912	16.99	33,328	3.61	16,510	4.66	949,750	25.25	933,240	20.60	1.27	26.52
$100–$500	1,145,259	20.77	84,697	8.96	53,575	15.01	1,283,531	44.73	1,229,956	29.73	9.87	54.61
$500–$1,000	269,300	5.17	26,841	2.80	18,614	5.71	314,755	13.69	296,141	7.98	8.03	21.71
$1,000–$10,000	1,733,977	13.69	91,637	8.39	71,820	20.20	1,897,434	42.28	1,825,614	22.08	86.52	128.80
Over $10,000	1,913,322	23.56	121,825	13.49	119,796	32.18	2,154,943	69.23	2,035,147	37.05	297.35	366.58
Nonfarm Nonresidential Real Estate Loans												
All Banks	**763,876**	**32.02**	**281,374**	**34.82**	**255,522**	**94.20**	**1,300,772**	**161.04**	**1,045,250**	**66.85**	**163.97**	**325.02**
0–$100	236,084	10.05	31,701	4.15	23,548	7.93	291,333	22.14	267,785	14.21	1.57	23.70
$100–$500	267,334	11.57	83,996	10.90	71,631	26.85	422,961	49.32	351,330	22.47	16.53	65.85
$500–$1,000	53,461	2.52	26,276	3.33	24,190	9.12	103,927	14.96	79,737	5.84	9.66	24.62
$1,000–$10,000	107,052	4.54	61,858	8.05	60,090	23.40	229,000	36.00	168,910	12.60	43.83	79.83
Over $10,000	99,945	3.33	77,543	8.39	76,063	26.90	253,551	38.63	177,488	11.72	92.39	131.02
Total Business Loans												
All Banks	**6,725,646**	**112.20**	**839,702**	**72.08**	**535,837**	**171.95**	**7,901,185**	**356.23**	**7,365,348**	**184.28**	**567.01**	**923.24**
0–$100	1,135,996	27.04	65,029	7.76	40,058	12.58	1,241,083	47.39	1,201,025	34.81	2.84	50.23
$100–$500	1,412,593	32.34	168,693	19.86	125,206	41.86	1,706,492	94.05	1,581,286	52.19	26.40	120.46
$500–$1,000	322,761	7.69	53,117	6.13	42,804	14.83	418,682	28.65	375,878	13.82	17.69	46.34
$1,000–$10,000	1,841,029	18.24	153,495	16.44	131,910	43.61	2,126,434	78.28	1,994,524	34.68	130.34	208.63
Over $10,000	2,013,267	26.89	199,368	21.88	195,859	59.08	2,408,494	107.85	2,212,635	48.77	389.74	497.60

Note: Loans are reported by loan size; loans under $1 million are assumed to represent small business lending.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from special tabulations of the June 1997 call reports (Consolidated Reports of Condition and Income for U.S. Banks) prepared by James Kolari, Texas A&M University, College Station, Texas.

Chart 5.2 *Changes in the Number of Reporting Banks by Bank Size, 1995–1997*



Source: U.S. Small Business Administration, Office of Advocacy, from call report data.

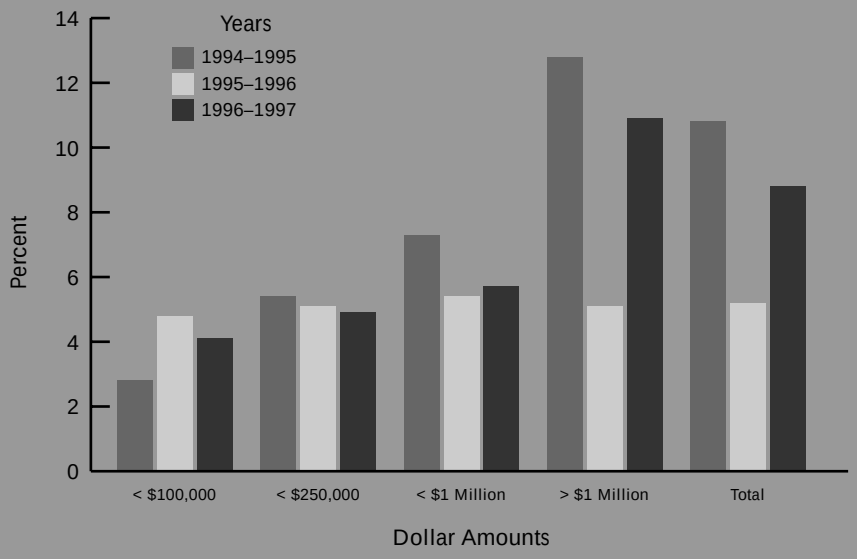
• While the number of reporting banks continued to decline in 1997, overall growth in business lending to small and large businesses continued (Chart 5.2).[5] Taking into consideration some reporting differences from 1996 for one bank, the Office of Advocacy estimates the growth in the dollar amount of small business loans at 4.1 percent for loans under $100,000, 4.9 percent for loans under $250,000 and 5.7 percent for loans under $1 million (Chart 5.3).[6] These growth rates were far smaller than the 10.9 percent growth rate for larger loans, however.

• The number of small business loans increased very significantly between June 1996 and June 1997. The largest increase was in the smallest loans under $100,000, which increased 27 percent (Chart 5.4). While the number of the smallest loans increased significantly, the percentage increase in the dollar amount of these loans was less than it was for larger loans, indicating a decrease in average loan size. Explanations for this development may include declining balances of older, larger loans on the books and/or smaller new loans having been extended in the June 1996—June 1997 period.

[5] While the number of reporting banks declined, the total number of banking offices did not. Also, the number of reporting banks may have declined because of consolidation in financial reporting by many multi-unit bank holding companies.

[6] Keycorp's figures for both 1996 and 1997 are excluded from these growth estimates. Keycorp informed the SBA of a discrepancy in their small business lending data that resulted in a significant overstatement of the dollar amount of small business lending.

Chart 5.3 *Growth in the Dollar Amounts of Business Loans Outstanding by Loan Size, 1994–1997*



Source: U.S. Small Business Administration, Office of Advocacy, from call report data.

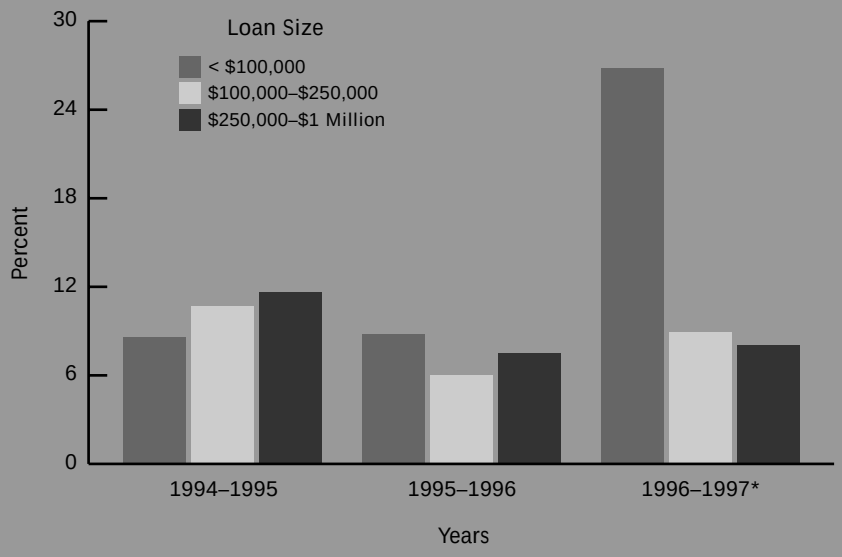
Bank consolidations have been the most important factor affecting the relative importance of banks of different sizes in the small business loan market. While the number of very small banks (assets of less than $100 million) declined throughout this period, changes in the number of banks in larger asset size groups varied greatly year by year.

Total assets continued to concentrate into the largest banks, partly because of the overall growth of banking assets over time and, more significantly in this period, because of merger and acquisition activity. The share of total assets held by the largest banks, those with assets of $10 billion or more, increased from 39 percent to 53 percent between 1994 and 1997 (Chart 5.5 and Table 5.7).

The relative share of small business loans under $250,000 also increased for this group of very large banks, from 13 percent to 26.5 percent (Table 5.7 and Chart 5.6). Large billion-dollar banks seemed to have increased their small business lending emphasis during the past four years. The ratios of small business loans to total assets and to total business loans both increased over the 1994–1997 period for these banks (Chart 5.7 and Table 5.8).[7] Part of this increase, however, may have come from the acquisition by larger banks of

[7] The ratios were calculated without excluding the data from Keycorp. However, the trend remains even with modified data.

Chart 5.4 *Growth in the Number of Small Business Loans by Loan Size, 1994–1997*



* Changes for 1996–1997 were calculated without data for Keycorp.
Source: U.S. Small Business Administration, Office of Advocacy, from call report data.

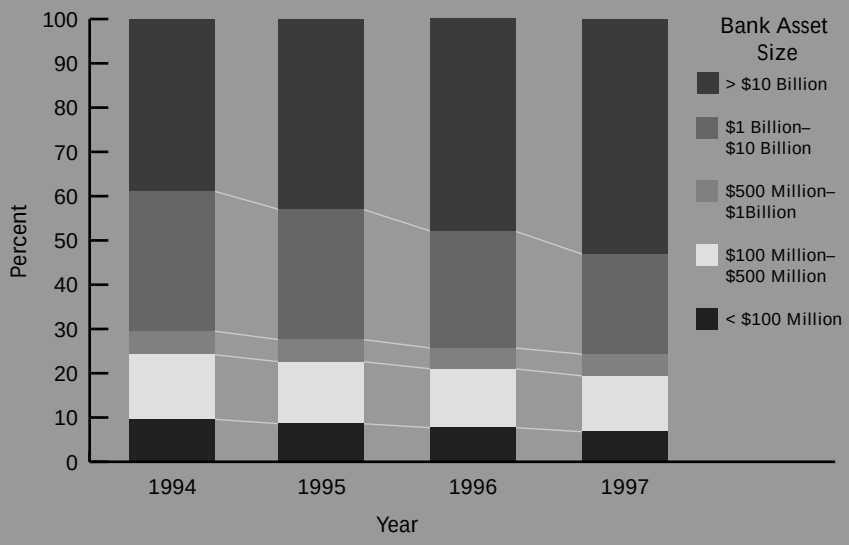
smaller banks with higher small-business-loan-to-asset ratios. In very large banks, these increases may also reflect the expansion of small business credit cards and small credit line programs, which have been promoted in many multi-state banks over the recent past.

Lending Under the SBA's Guarantee Programs

While the number of loans made under the loan guaranty programs of the U.S. Small Business Administration declined somewhat from 45,845 in FY 1996 to 45,288 in FY 1997, the dollar amount increased significantly, from $7.7 billion to $9.5 billion. Rapid increases in the smallest loans made through the low-doc and under-$100,000 loan programs came to a halt in 1996. A large increase in the volume of guaranteed loans was made possible by reduced subsidy rates, which enabled more SBA-guaranteed lending at the same total subsidy level authorized by the Congress.[8]

[8] By charging higher guarantee fees, improving the liquidation and collection procedures, and increasing the nonguaranteed portion of the loans, especially to the preferred lenders, SBA has been able to significantly reduce the subsidy rates during the past several years.

Chart 5.5 *Changes in the Share of Total Bank Assets by Bank Size Groups, 1994–1997*



Source: U.S. Small Business Administration, Office of Advocacy, from call report data.

Lending by Finance Companies

Overall business lending by finance companies continued to increase at a very slow annual rate of about 1.5 percent during the first nine months of 1997 (Table 5.9). Although finance companies have made attempts recently to penetrate banking markets, banks have fought back by expanding small-line-of-credit and business credit card programs.[9] Lack of data prevents an exploration of the changing dynamics of small business lending by finance companies.

Borrowing in the Public Issue Markets

Overall, the U.S. stock market continued to be healthy in 1997. The Dow Jones Industrial Average grew 24 percent during the first six months of 1997, only to retreat in the second half of the year, ending at around 7800, up from around 6600 at the beginning of the year.

The initial public offering market, however, stepped back from the boom of the previous year. The number and volume of common stock IPOs decreased 27 percent and 13 percent, respectively, to 630 offerings for $43.2

[9] Based on two editions of the National Survey of Small Business Finances (1987 and 1993) conducted for the Federal Reserve Board and the U.S. Small Business Administration. See Wolken and Cole, "Bank and Nonbank Competition," Table 9, 992.

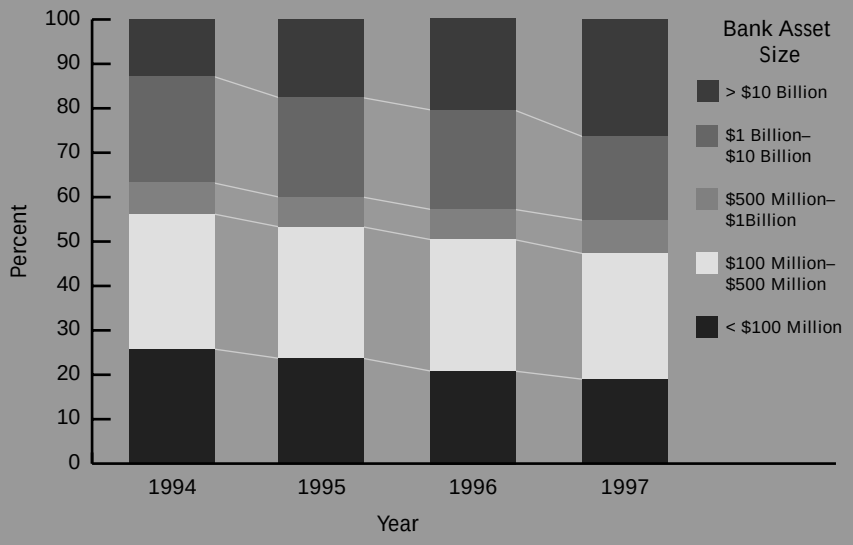
Table 5.7 *Share of Small Business Lending by Bank Size, 1994–1997 (Percent)*

	Bank Asset Size					
	Less than $100 Million	$100 Million–$500 Million	$500 Million–$1 Billion	$1 Billion–$10 Billion	More than $10 Billion	All Banks
1997						
Amount of Business Loans by Loan Size:						
Less than $100,000	24.1	28.8	6.9	16.3	24.0	100.0
Less than $250,000	18.9	28.3	7.5	18.8	26.5	100.0
Less than $1 Million	13.3	26.4	8.0	22.0	30.3	100.0
More than $1 Million	0.5	4.7	3.1	23.0	68.7	100.0
All Loans	5.4	13.0	5.0	22.6	53.9	100.0
Total Domestic Assets	6.8	12.6	4.9	22.6	53.2	100.0
Number of Banks	65.1	27.9	3.1	3.2	0.7	100.0
1996						
Amount of Business Loans by Loan Size:						
Less than $100,000	27.0	30.0	6.3	19.2	17.6	100.0
Less than $250,000	21.3	29.2	6.8	22.4	20.4	100.0
Less than $1 Million	14.9	26.9	7.3	25.9	24.9	100.0
More than $1 Million	0.5	4.8	2.9	26.7	65.1	100.0
All Loans	6.2	13.5	4.6	26.4	49.4	100.0
Total Domestic Assets	7.7	13.3	4.7	26.4	48.0	100.0
Number of Banks	66.9	26.3	2.7	3.4	0.7	100.0
1995						
Amount of Business Loans by Loan Size:						
Less than $100,000	29.9	30.5	5.9	19.3	14.5	100.0
Less than $250,000	23.6	29.6	6.7	22.4	17.7	100.0
Less than $1 Million	16.5	27.6	7.4	26.1	22.4	100.0
More than $1 Million	0.5	4.6	3.3	30.7	60.8	100.0
All Loans	6.7	13.6	4.9	28.9	45.8	100.0
Total Domestic Assets	8.6	14.0	5.0	29.4	43.0	100.0
Number of Banks	69.5	25.1	2.5	2.2	0.7	100.0
1994						
Amount of Business Loans by Loan Size:						
Less than $100,000	32.3	31.1	6.2	20.1	10.3	100.0
Less than $250,000	25.8	30.4	7.0	23.9	13.0	100.0
Less than $1 Million	18.1	28.3	7.7	28.4	17.5	100.0
More than $1 Million	0.6	5.2	4.0	34.9	55.3	100.0
All Loans	7.7	14.5	5.5	32.3	40.0	100.0
Total Domestic Assets	9.6	14.6	5.3	31.6	38.8	100.0
Number of Banks	70.6	23.5	2.4	3.0	0.5	100.0

Note: Loans are reported by loan size; loans under $1 million are assumed to represent small business lending.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from special tabulations of June call reports (Consolidated Reports of Condition and Income for U.S. Banks) prepared by James Kolari, Texas A&M University, College Station, Texas.

Chart 5.6 *Changes in the Share of Small Business Loans under $250,000 by Bank Asset Size, 1994–1997*



Source: U.S. Small Business Administration, Office of Advocacy, from call report data.

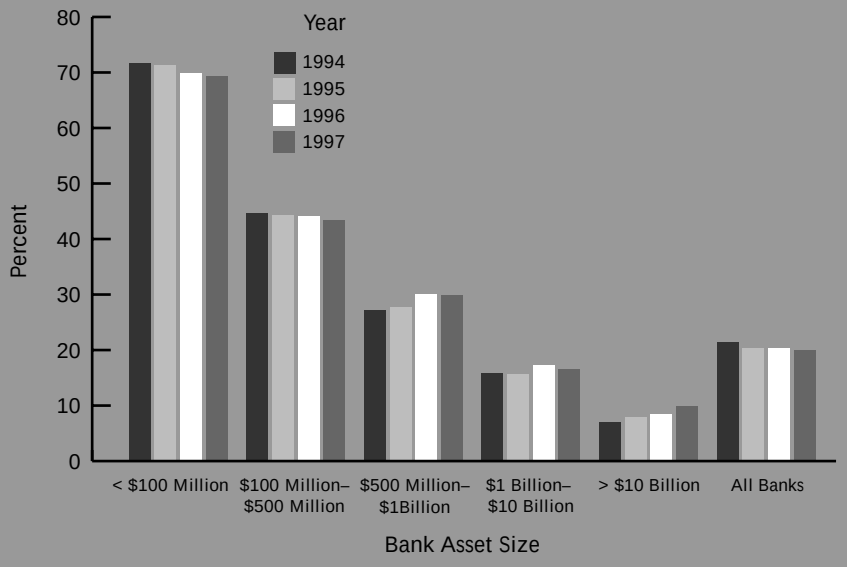
billion in 1997, compared with 870 issues for $49.8 billion in 1996 (Table 5.10). Offerings by small firms with less than $10 million in total assets before the public issue showed significant declines, decreasing from 304 to 154 issues and from $5.8 billion to $3.1 billion between 1996 and 1997. The average offering size increased slightly for small IPOs, from $19.0 million in 1996 to $20.4 million in 1997. IPO offerings by venture-backed companies declined from 276 in 1996 to 134 in 1997.

Venture Capital Funds

Despite sluggishness in the IPO market, which had been the engine of growth in venture capital markets over the past several years, fundraising by venture capital funds continued to prosper in 1997. Funds raised by venture capital firms increased by another 20 percent to $9 billion, surpassing a record high of $7.5 billion achieved in 1996 (Table 5.11).[10] Commitments from corporations continued to increase, from 13 percent of total contributions in 1996 to 30 percent in 1997 (Table 5.12). The share contributed by foundations/endowments and

[10] The 1996 figure was revised upward from $5.2 billion to $7.5 billion. The venture capital market hit bottom when total commitments amounted to $1.27 billion in 1991.

Chart 5.7 *Ratio of Small Business Loans to Total Business Loans by Bank Asset Size, 1994–1997*



Source: U.S. Small Business Administration, Office of Advocacy, from call report data.

financial institutions such as banks and insurance companies declined most, from 21 percent to 9 percent and from 5 percent to 1 percent respectively.

Disbursements to small businesses by small business investment companies (SBICs) continued to increase significantly—by 25 percent—from $1.85 billion in 1996 to $2.32 billion in 1997 (Table 5.13). All of the increase came from regular SBICs, as the SBA continued to promote the formation and expansion of larger SBICs.

Investment by specialized SBICs (301d companies or SSBICs), most of them very small, declined slightly in 1997. The volume of disbursements decreased from $117 million in 1996 to $113 million in 1997. The future of these SSBICs remains uncertain.

Patterns of Small Business Financing in 1993

Small businesses use a variety of financing sources, including internal resources such as owners' savings, business retained earnings, and depreciation; "informal" external sources, such as friends and business associates; financial intermediaries, such as banks and finance companies; and the public markets, where standardized financial instruments are sold to a large number of buyers. Although data are available on some financing sources, efforts

Table 5.8 *Ratios of Small Business Loans to Total Assets and Total Business Loans by Bank Size, 1994–1997*

	Bank Asset Size					
	Less than $100 Million	$100 Million–$500 Million	$500 Million–$1 Billion	$1 Billion–$10 Billion	More than $10 Billion	All Banks
1997						
Ratio of Small Business Loans to Total Assets by Loan Size:						
Under $100,000	9.9	6.4	3.9	2.0	1.2	2.8
Under $250,000	12.7	10.3	6.9	3.8	2.3	4.6
Under $1 Million	17.3	18.5	14.4	8.6	5.0	8.8
$1 Million and Over	1.0	5.2	8.9	14.3	18.1	14.0
Ratio of Small Business Loans to Total Business Loans by Loan Size:						
Under $100,000	53.8	26.8	16.6	8.7	5.4	12.2
Under $250,000	69.3	43.3	29.8	16.6	9.8	20.0
Under $1 Million	94.4	78.1	61.8	37.5	21.7	38.6
$1 Million and Over	5.6	21.9	38.2	62.5	78.3	61.4
1996						
Ratio of Small Business Loans to Total Assets by Loan Size:						
Under $100,000	9.8	6.3	3.7	2.0	1.0	2.8
Under $250,000	12.6	10.1	6.7	3.9	1.9	4.6
Under $1 Million	17.2	18.0	13.8	8.7	4.6	8.8
$1 Million and Over	0.9	4.9	8.5	13.8	18.6	13.7
Ratio of Small Business Loans to Total Business Loans by Loan Size:						
Under $100,000	54.1	27.6	16.8	9.0	4.4	12.4
Under $250,000	69.9	44.0	30.0	17.2	8.4	20.3
Under $1 Million	94.9	78.5	61.8	38.6	19.8	39.3
$1 Million and Over	5.1	21.5	38.2	61.4	80.2	60.7
1995						
Ratio of Small Business Loans to Total Assets by Loan Size:						
Under $100,000	9.8	6.2	3.3	1.9	0.9	2.8
Under $250,000	12.6	9.8	6.2	3.5	1.9	4.6
Under $1 Million	17.0	17.5	13.1	7.9	4.6	8.9
$1 Million and Over	0.8	4.6	9.2	14.4	19.5	13.8
Ratio of Small Business Loans to Total Business Loans by Loan Size:						
Under $100,000	55.2	27.9	14.8	8.3	3.9	12.5
Under $250,000	71.2	44.2	27.7	15.7	7.9	20.3
Under $1 Million	95.7	79.3	58.8	35.4	19.2	39.2
$1 Million and Over	4.3	20.7	41.2	64.6	80.8	60.8
1994						
Ratio of Small Business Loans to Total Assets by Loan Size:						
Under $100,000	9.7	6.2	3.4	1.8	0.8	2.9
Under $250,000	12.3	9.6	6.0	3.5	1.5	4.6
Under $1 Million	16.3	16.9	12.6	7.8	3.9	8.7
$1 Million and Over	0.8	4.6	9.6	14.2	18.3	12.9

Table 5.8 *Ratios of Small Business Loans to Total Assets and Total Business Loans by Bank Size, 1994–1997*—Continued

	Bank Asset Size					
	Less than $100 Million	$100 Million–$500 Million	$500 Million–$1 Billion	$1 Billion–$10 Billion	More than $10 Billion	All Banks
1994						
Ratio of Small Business Loans to Total Assets by Loan Size:						
Under $100,000	56.5	28.7	15.1	8.3	3.5	13.4
Under $250,000	71.7	44.6	27.1	15.8	6.9	21.3
Under $1 Million	95.2	78.6	56.8	35.6	17.6	40.4
$1 Million and Over	4.8	21.4	43.2	64.4	82.4	59.6

Note: Loans are reported by loan size; loans under $1 million are assumed to represent small business lending.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from special tabulations of June call reports (Consolidated Reports of Condition and Income for U.S. Banks) prepared by James Kolari, Texas A&M University, College Station, Texas.

Table 5.9 *Business Loans Outstanding from Finance Companies, December 31, 1980–September 30, 1997*

	Total Receivables Outstanding		Annual Change in Chain-Type[1] Price Index for GDP (Percent)
	Billions of Dollars	Change (Percent)	
September 30, 1997	313.1	1.5	1.8
December 31, 1996[2]	309.5	2.6	2.2
December 31, 1995[2]	301.6	9.7	2.4
December 31, 1994[2]	274.9	NA	2.5
December 31, 1993	294.6	−2.3	2.3
December 31, 1992	301.3	1.9	2.5
December 31, 1991	295.8	0.9	2.6
December 31, 1990	293.6	14.6	3.4
December 31, 1989	256.0	9.1	4.6
December 31, 1988	234.6	13.9	3.9
December 31, 1987	206.0	19.7	4.0
December 31, 1986	172.1	9.3	3.2
December 31, 1985	157.5	14.3	2.5
December 31, 1984	137.8	21.9	3.5
December 31, 1983	113.4	12.9	3.8
December 31, 1982	100.4	0.0	5.3
December 31, 1981	100.3	11.1	8.5
December 31, 1980	90.3		

[1] Changes from the fourth quarter of the year before.

[2] Major data revisions for 1994–1996. See Federal Reserve Board, *Federal Reserve Bulletin,* December 1997, A33.

Source: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin,* Table 1.52, various issues; U.S. Department of Commerce, Bureau of Economic Analysis, *Business Conditions Digest,* various issues; and idem., *Survey of Current Business,* various issues.

Table 5.10 *Common Stock Initial Public Offerings by All and Small Issuers, 1988–1997*

	Common Stock	
	Number	Amount (Millions of Dollars)
Offerings by All Issuers		
1997	630	43,238
1996	870	49,848
1995	581	30,047
1994	609	28,447
1993	707	41,283
1992	517	24,139
1991	368	16,846
1990	177	4,822
1989	209	6,082
1988	228	5,940
Offerings by Issuers with Assets of $10 Million or Less		
1997	154	3,136
1996	304	5,789
1995	193	3,174
1994	202	2,080
1993	203	2,798
1992	171	2,241
1991	116	1,334
1990	86	1,310
1989	89	584
1988	83	656
Offerings by Nonfinancial Issuers with Assets of $10 Million or Less		
1997	140	2,071
1996	291	5,686
1995	187	3,129
1994	190	1,975
1993	189	2,043
1992	164	1,919
1991	108	879
1990	67	951
1989	84	562
1988	71	366

*Excludes closed end funds. Registered offerings data from the Securities and Exchange Commission are no longer available. Data provided by Securities Data Company are not as inclusive as those registered with the SEC.

Source: Special tabulations prepared for the U.S. Small Business Administration, Office of Advocacy, by Securities Data Company, Inc., October 1998.

Table 5.11 *New Commitments, Disbursements, and Total Capital Pool of the Venture Capital Industry, 1982–1997*

Year	New Commitments to Venture Capital Firms (Billions of Dollars)	Disbursements to Funded Companies (Billions of Dollars)	Total Investment Number of Funded Companies	Capital Pool At End of Year* (Billions of Dollars)
1997	9.0	13.1	2,451	NA
1996	7.5	9.9	2,040	NA
1995	4.4	6.0	NA	NA
1994	3.8	5.3	1,011	34.1
1993	2.5	5.3	969	34.8
1992	2.5	4.9	1,207	31.1
1991	1.3	2.6	792	32.9
1990	1.8	3.8	1,176	36.0
1989	2.4	6.2	1,465	34.4
1988	2.9	5.9	1,530	31.1
1987	4.1	4.0	1,740	29.0
1986	3.3	3.2	1,512	24.1
1985	3.3	2.7	1,388	19.6
1984	4.2	2.7	1,410	16.3
1983	4.5	2.5	1,236	12.1
1982	1.7	1.9	828	6.7

NA = Not available.

*The capital pool at year end should equal the total pool at the end of the previous year plus new commitments, minus the amount of net withdrawal (or liquidation) from the funds. (For 1983, an additional $600 million was identified which had not been included in the prior estimate.)

Source: Capital Publishing Corporation, *Venture Capital Journal* (various issues).

to analyze changes over time in the sources and uses of small business financing are hampered by a lack of current time series statistics.

The 1993 National Survey of Small Business Finances indicates that in 1993 small businesses accounted for about 25 percent of credit market debt outstanding in the United States (Chart 5.8).[11]

Some 55 percent of small firms used selected traditional credit, 61 percent used trade credit, and 39 percent and 28 percent, respectively, used personal and business credit cards (Table 5.14).[12] The largest volume of financing used by small firms was in lines of credit. Commercial banks were the traditional financing source most often used by small firms: 36.9 percent used them (Table 5.15).

As of December 1993, some 5 million small firms in the Dun & Bradstreet small business population had $668 billion outstanding in six traditional types of financing (Table 5.16). Owners of partnerships and incorporated businesses

[11] Of a total of $3.2 trillion in debt instruments outstanding for all nonfinancial businesses in 1993, small firms obtained around $800 billion.

[12] A second nationwide survey of small business financing, the 1993 National Survey of Small Business Finances, was sponsored by the U.S. Small Business Administration and the Federal Reserve Board. Special tabulations were provided by Professor George Haynes of Montana State University. Details of the survey are available to the public: interested researchers may access the files through the Internet at www.bog.frb.fed.us/pubs/oss. For preliminary tabulations, see John Wolken and Rebel Cole "Financial Services Used by Small Businesses: Evidence from the 1993 National Survey of Small Business Finances," *Federal Reserve Bulletin* (July 1995).

Table 5.12 *Sources of Capital Committed to Independent Venture Funds, 1983–1997 (Percent)*

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Total (Billions of Dollars)	**3.4**	**3.2**	**2.3**	**3.3**	**4.2**	**2.8**	**2.4**	**1.8**	**1.3**	**2.5**	**2.5**	**3.8**	**4.4**	**7.5**	**9.0**
Share Distributed by:															
Pension Funds	31.0	34.0	33.0	50.0	39.0	46.0	36.0	53.0	42.0	42.0	59.0	46.0	38.0	43.0	40.0
Foreign Sources/Others*	16.0	18.0	23.0	11.0	13.0	14.0	13.0	7.0	12.0	11.0	4.0	2.0	3.0	8.0	7.0
Corporations	12.0	14.0	12.0	11.0	11.0	11.0	20.0	7.0	4.0	3.0	8.0	9.0	2.0	13.0	30.0
Endowments	8.0	6.0	8.0	6.0	10.0	12.0	12.0	13.0	24.0	19.0	11.0	21.0	22.0	21.0	9.0
Individuals	21.0	15.0	13.0	12.0	12.0	8.0	6.0	11.0	12.0	11.0	7.0	12.0	17.0	9.0	13.0
Banks/Insurance Companies	12.0	13.0	11.0	10.0	15.0	9.0	13.0	9.0	6.0	15.0	11.0	9.0	18.0	5.0	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Data may not add to 100 percent because of rounding.
Source: Capital Publishing Corporation, *Venture Capital Journal* (various issues).

Table 5.13 *Disbursements to Small Businesses by Small Business Investment Companies (SBICs) and 301(d) SBICs, 1980–1997 (Millions of Dollars)*

	Total		SBICs		301(d) [1]	
Year	Number	Amount	Number	Amount	Number	Amount
1997	2,634	2,315.7	1,866	2,202.7	768	113.0
1996	2,302	1,848.5	1,343	1,731.7	959	116.8
1995	2,173	1,184.4	1,045	1,036.7	1,128	148.3
1994	2,375	1,120.6	1,070	965.2	1,305	155.4
1993	2,302	923.6	986	784.9	1,316	138.7
1992	1,633	484.2	767	395.7	866	88.5
1991	2,044	460.1	1,036	364.2	1,008	95.9
1990	2,367	645.2	1,334	545.9	1,033	99.3
1989	3,322	690.0	1,876	542.4	1,446	147.6
1988	3,724	750.9	2,227	614.4	1,497	136.5
1987	4,128	680.5	2,522	537.9	1,606	142.6
1986	4,333	620.8	2,675	75.9	1,658	144.9
1985	4,205	542.3	2,756	434.6	1,449	107.7
1984	3,990	513.9	2,755	425.5	1,235	88.0
1983	3,247	468.8	2,464	412.9	783	55.9
1982	2,941	369.9	2,177	322.9	764	47.0
1981	3,176	387.1	2,434	332.7	742	54.4
1980	2,637	337.4	2,090	295.2	547	42.2

[1] 301(d) companies are minority or economically disadvantaged small business investment companies.
Source: U.S. Small Business Administration, Investment Division.

extended an additional $86 billion in credit to their own businesses. About $2.5 billion, a relatively insignificant amount, was in credit card debt, primarily in business credit cards.[13] Including owner's debt and credit card balances used for business purposes, total debt outstanding amounted to $756 billion.

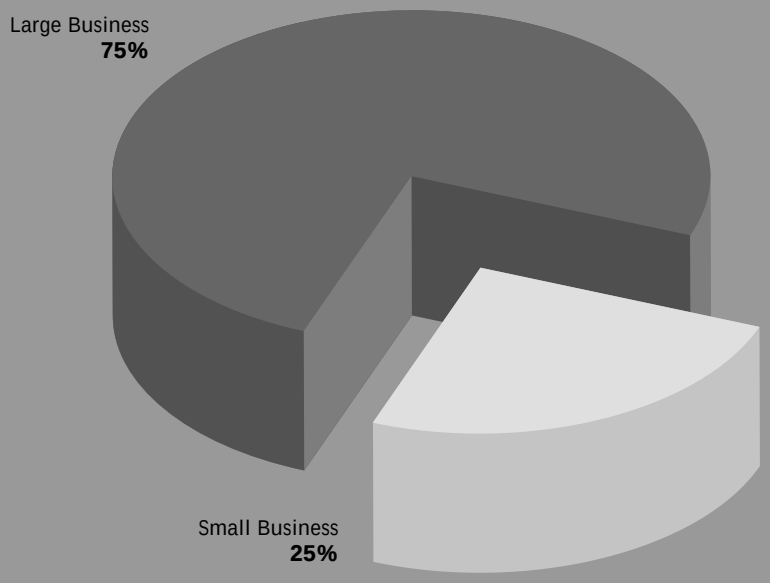
Of the six major types of financing, lines of credit were the most significant for small firms, accounting for 42 percent, or $280 billion (Table 5.16). Mortgage loans were second with a total volume of $166 billion.

Banks were the most important supplier of the six types of financing examined, contributing 54 percent, or $361 billion (Table 5.17). Finance companies were second, providing 13 percent of the total.

For many segments of the small business community, borrowing from the owners themselves is significant; however, this data base leaves out the use of owners' capital by sole proprietorships, covering only partnerships and corporations. For example, owners' capital is as important as vehicle loans as a financing source for regular corporations (Table 5.18).

[13] Credit card debt is likely to be underestimated because it is difficult to provide estimates of debt used for business purposes on personal credit cards. However, a preliminary Federal Reserve study concluded that most of the credit card usage by small firms was not for revolving credit purposes. In other words, small firms carried relatively little credit card debt forward on their books to the next pay period.

Chart 5.8 *Small Business Accounted for 25 Percent of Credit Market Borrowing in 1993*



Source: National Survey of Small Business Finances.

Financing of Women-Owned Firms

Nearly three-quarters of women-owned firms had access to some type of credit in 1993 (Table 5.19). Half used traditional loans and 60 percent used nontraditional sources for their credit needs. Some 18 percent used lines of credit; 22 percent, vehicle loans; and 12 percent, equipment loans.

Although commercial banks were the traditional financing source used most often by women, only 32 percent of women-owned businesses used them, compared with 37 percent of all firms (Tables 5.15 and 5.20). Finance companies and friends and family tied for a distant second, with 10 percent of women-owned firms using each of these sources. Women-owned firms with more than 100 employees were much more likely than other firms of the same size to use personal credit cards (38 percent of women compared with 21 percent overall). These larger women-owned firms also are more likely to use loans from the owners themselves.[14]

[14] Data on the use of loans from the owner are available only for partnerships and corporations. For this survey, the use of owner's capital by sole proprietorships was not considered debt financing.

Table 5.14 *Selected Credit Services Used by Small Firms, by Firm Size and Industry, 1993 (Percentage of Firms)*

			Traditional Credit							Nontraditional Credit			
Category	Sample Size (Number)	Any Credit	Any Traditional Loan	Lines of Credit	Mortgages	Vehicle Loans	Equipment Loans	Leasing	Other Traditional Loans	Any Nontraditional Loans	Owner Loans	Personal Credit Cards	Business Credit Cards
All Small Firms	**5,356**	**75.7**	**54.8**	**24.3**	**6.5**	**24.1**	**14.0**	**9.1**	**11.2**	**58.1**	**16.5**	**39.1**	**27.7**
Employment Size of Firm													
0	830	59.7	35.4	10.8	5.6	13.6	7.5	3.5	7.7	47.7	2.0	40.9	18.1
1–4	1,749	75.4	51.5	19.9	6.3	23.4	11.5	6.0	11.1	57.2	15.2	39.9	24.8
5–9	739	84.4	67.3	31.7	6.5	31.6	17.1	12.1	12.0	66.8	27.2	41.9	38.0
10–19	467	88.7	75.5	39.8	7.9	33.9	24.2	20.9	16.7	66.7	30.1	35.1	35.3
20–99	1,077	91.1	81.4	55.5	6.5	32.6	30.9	23.1	12.9	66.4	29.1	27.6	42.7
100–499	494	94.6	89.9	62.3	19.0	32.4	29.9	33.4	21.3	65.7	29.9	21.1	38.9
Industry													
Mining and Construction	620	79.2	60.4	26.6	5.3	37.1	14.0	4.0	8.6	56.3	13.2	37.1	32.3
Manufacturing	666	80.8	62.8	31.8	6.4	25.8	23.9	17.5	11.2	60.7	27.6	38.5	31.3
Transportation	215	85.2	67.4	26.5	6.1	36.4	22.1	18.8	12.3	64.6	26.5	42.8	26.0
Wholesale Trade	498	80.3	58.5	37.6	4.9	25.7	11.9	13.0	15.0	64.5	27.4	36.5	33.7
Retail Trade	1,161	73.1	55.9	25.1	6.9	22.6	10.1	7.6	15.1	54.6	19.2	34.8	22.5
Finance, Insurance, and Real Estate	370	74.4	52.3	20.4	15.6	14.8	9.5	6.9	11.1	53.9	15.7	38.7	22.7
Services	1,826	73.4	49.4	19.2	5.3	20.4	15.0	9.1	9.0	59.2	11.0	42.7	28.1

Note: Owner loans are included for partnerships and corporations only.

Source: Prepared by the U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

Table 5.15 *Suppliers of Credit Services Used by Small Firms, by Firm Size and Industry, 1993 (Percentage of Firms)*

			Traditional Credit									Nontraditional Credit			
				Depository Institutions		Nondepository Institutions			Nonfinancial Institutions						
Category	Sample Size (Number)	Any Credit	Any Traditional Loan	Any Depository Institution	Commercial Banks	Any Nondepository Institution	Finance Companies	Leasing Companies	Any Nonfinancial Institution	Family and Friends	Other Businesses	Any Nontraditional Credit	Owner Loans	Personal Credit Cards	Business Credit Cards
All Small Firms	**5,356**	**75.7**	**54.8**	**41.0**	**36.9**	**18.9**	**11.6**	**7.6**	**13.9**	**8.4**	**5.6**	**58.1**	**16.5**	**39.1**	**27.7**
Employment Size of Firm															
0	830	59.7	35.4	24.9	21.0	9.8	6.1	2.9	8.4	5.8	2.9	47.7	2.0	40.9	18.1
1–4	1,749	75.4	51.5	37.1	32.7	15.4	9.4	5.6	13.8	8.9	4.9	57.2	15.2	39.9	24.8
5–9	739	84.4	67.3	51.0	45.8	24.7	14.9	10.3	16.8	9.5	7.0	66.8	27.2	41.9	38.0
10–19	467	88.7	75.5	57.4	55.0	35.5	21.8	15.9	20.9	12.6	8.3	66.7	30.1	35.1	35.3
20–99	1,077	91.1	81.4	70.7	68.2	34.5	20.6	16.8	16.1	5.3	10.6	66.4	29.1	27.6	42.7
100–499	494	94.6	89.9	80.0	77.2	44.6	27.9	23.3	23.9	9.8	17.0	65.7	29.9	21.1	38.9
Industry															
Mining and Construction	620	79.2	60.4	46.7	39.5	20.1	16.2	4.7	13.4	9.0	4.5	56.3	13.2	37.1	32.3
Manufacturing	666	80.8	62.8	48.7	43.0	25.8	15.2	10.7	16.6	8.7	7.0	60.7	27.6	38.5	31.3
Transportation	215	85.2	67.4	52.3	48.5	32.1	24.6	9.5	16.0	8.6	7.4	64.6	26.5	42.8	26.0
Wholesale Trade	498	80.3	58.5	47.9	45.5	19.0	13.0	7.8	17.4	10.1	7.1	64.5	27.4	36.5	33.7
Retail Trade	1,161	73.1	55.9	41.5	37.7	17.3	12.0	5.8	13.6	9.3	4.6	54.6	19.2	34.8	22.5
Finance, Insurance, and Real Estate	370	74.4	52.3	41.2	35.1	16.6	5.9	5.8	13.5	9.6	4.5	53.9	15.7	38.7	22.7
Services	1,826	73.4	49.4	34.8	32.0	17.5	8.7	9.2	12.8	6.9	6.1	59.2	11.0	42.7	28.1

Note: Owner loans are included for partnerships and corporations only.

Source: Prepared by the U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

Table 5.16 *Aggregate Value of Small Firm Debt, by Type of Credit, Firm Size and Industry, 1993 (Billions of Dollars)*

			Traditional Credit							Nontraditional Credit		
Category	Sample Size (Number)	Any Credit	Any Traditional Loan	Lines of Credit	Mortgages	Vehicle Loans	Equipment Loans	Leasing	Other Traditional Loans	Any Nontraditional Loans	Owner Loans	Business Credit Cards
All Small Firms	**4,637**	**756**	**668**	**280**	**166**	**30**	**55**	**30**	**108**	**88**	**86**	**2**
Employment Size of Firm												
0	691	21	20	2	8	2	2	2	4	1	0	0
1–4	1,496	123	105	28	46	7	6	4	14	18	17	1
5–9	649	128	110	48	39	4	5	3	12	18	18	1
10–19	397	66	54	19	10	4	8	4	9	12	11	0
20–99	966	245	218	100	39	11	22	11	35	27	27	0
100–499	438	174	162	83	23	2	13	6	35	12	12	0
Industry												
Mining and Construction	551	62	56	32	7	4	5	2	7	6	5	0
Manufacturing	579	108	89	45	10	2	14	7	11	19	19	0
Transportation	182	51	47	8	4	6	6	4	19	4	4	0
Wholesale Trade	437	98	87	54	7	2	9	4	12	11	11	0
Retail Trade	1,004	143	125	63	16	9	7	4	26	18	17	1
Finance, Insurance, and Real Estate	315	177	159	43	98	1	1	2	14	17	17	0
Services	1,569	118	105	35	24	7	13	8	19	13	12	1

Note: Any nontraditional loan includes owner loans and personal and business credit cards with outstanding balances.

Source: Prepared by the U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

Table 5.17 *Aggregate Value of Small Firm Debt, by Supplier, Firm Size and Industry, 1993 (Billions of Dollars)*

			Traditional Credit								Nontraditional Credit		
				Depository Institutions		Nondepository Institutions			Nonfinancial Institutions				
Category	Sample Size (Number)	Any Credit	Any Traditional Loan	Any Depository Institution	Commercial Banks	Any Nondepository Institution	Finance Companies	Leasing Companies	Any Nonfinancial Institution	Family and Friends	Any Nontraditional Credit	Owner Loans	Credit Cards
All Small Firms	**4,637**	**756**	**668**	**388**	**361**	**165**	**87**	**19**	**75**	**33**	**88**	**86**	**2**
Employment Size of Firm													
0	691	21	20	12	11	4	1	0	3	3	1	0	0
1–4	1,496	123	105	64	52	25	12	2	12	9	18	17	1
5–9	649	128	110	57	54	30	5	2	9	6	18	18	1
10–19	397	66	54	32	31	15	8	2	6	4	12	11	0
20–99	966	245	218	121	114	58	44	8	28	9	27	27	0
100–499	438	174	162	101	99	32	17	4	16	2	12	12	0
Industry													
Mining and Construction	551	62	56	41	38	5	3	1	6	5	6	5	0
Manufacturing	579	108	89	60	57	18	11	4	6	3	19	19	0
Transportation	182	51	47	23	23	11	7	2	12	1	4	4	0
Wholesale Trade	437	98	87	63	62	15	7	2	6	2	11	11	0
Retail Trade	1,004	143	125	55	52	45	40	2	15	8	18	17	1
Finance, Insurance, and Real Estate	315	177	159	75	63	52	8	1	16	10	17	17	0
Services	1,569	118	105	71	66	20	10	8	14	5	13	12	1

Note: Owner loans are included for partnerships and corporations only.

Source: Prepared by the U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

Table 5.18 *Selected Credit Services Used by Small C Corporations, by Firm Size and Industry, 1993 (Percentage of Firms, except as noted otherwise)*

Category	Sample Size (Number)	Total Number of Corporations	Any Credit	Traditional Credit: Any Traditional Loan	Lines of Credit	Mortgages	Vehicle Loans	Equipment Loans	Leasing	Other Traditional Loans	Nontraditional Credit: Any Nontraditional Loans	Owner Loans	Personal Credit Cards	Business Credit Cards
All C Corporations	**1,946**	**1,403,736**	**83.4**	**63.2**	**33.3**	**4.3**	**28.8**	**17.6**	**14.1**	**12.6**	**64.6**	**28.6**	**34.7**	**33.7**
Aggregate Value (Billions of Dollars)	1,946	1,403,736	352.3	310.0	162.7	44.4	14.8	28.7	16.6	42.7	42.3	41.6	NA	NA
Employment Size of Firm														
0	13	14,238	78.1	19.1	3.2	2.8	13.0	10.4	0.0	3.5	65.0	27.4	54.2	21.9
1–4	438	558,553	77.8	48.8	20.8	3.1	24.3	10.7	7.9	9.5	63.2	24.7	37.5	25.7
5–9	360	380,071	84.6	68.3	35.5	4.8	32.6	15.6	14.3	12.7	65.4	32.1	37.2	38.3
10–19	249	223,132	88.5	75.4	39.0	4.7	32.9	22.5	21.1	18.0	65.2	30.4	31.7	36.7
20–99	608	196,439	89.8	80.0	55.4	5.1	29.9	34.1	20.9	13.2	66.0	30.4	27.1	44.3
100–499	278	31,302	94.1	88.3	64.1	10.7	35.8	29.0	36.8	30.4	65.5	32.6	16.9	39.2
Industry														
Mining and Construction	226	192,430	87.5	69.6	36.7	3.8	45.1	15.1	7.2	9.3	65.8	26.1	31.1	40.2
Manufacturing	331	143,447	84.7	77.4	44.1	8.1	30.6	29.5	24.1	15.0	63.7	37.7	37.4	34.5
Transportation	108	60,751	89.3	68.2	22.0	4.0	41.4	21.2	21.9	10.5	74.5	41.6	44.7	30.8
Wholesale Trade	244	172,833	80.9	60.0	45.2	3.3	23.2	10.1	14.4	19.9	66.3	41.6	31.0	37.3
Retail Trade	418	313,576	82.5	65.7	31.4	5.7	30.0	12.8	11.9	15.5	59.1	30.6	30.2	25.7
Finance, Insurance, and Real Estate	123	102,882	83.6	50.8	26.6	10.3	13.2	18.7	5.5	10.5	64.3	24.8	44.3	31.3
Services	496	417,818	81.8	57.3	27.8	1.0	24.2	20.5	16.3	9.0	66.3	18.9	36.6	36.1

Note: Information on owner loans is collected for partnerships and S and C corporations only.

Source: U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

Table 5.19 *Selected Credit Services Used by Small Women-Owned Firms, by Firm Size and Industry, 1993 (Percentage of Firms)*

Category	Sample Size (Number)	Total Number of Firms	Any Credit	Traditional Credit: Any Traditional Loan	Lines of Credit	Mortgages	Vehicle Loans	Equipment Loans	Leasing	Other Traditional Loans	Nontraditional Credit: Any Nontraditional Loans	Owner Loans	Personal Credit Cards	Business Credit Cards
All Small Women-Owned Firms	**1,013**	**1,089,542**	**73.6**	**50.3**	**18.5**	**7.0**	**21.8**	**11.7**	**7.0**	**12.3**	**59.7**	**15.2**	**42.2**	**27.3**
Employment Size of Firm														
0	220	305,485	57.2	30.8	7.0	4.9	11.2	6.0	3.3	7.8	48.3	1.1	41.2	14.5
1–4	385	492,788	75.6	48.2	18.3	8.1	17.8	10.7	5.7	13.7	62.5	17.5	45.8	27.8
5–9	154	174,087	85.8	70.2	30.0	4.9	37.6	17.5	7.8	11.5	70.2	28.8	42.6	39.7
10–19	85	78,898	87.9	79.3	25.1	12.5	43.3	16.2	20.8	20.5	59.1	15.9	29.5	37.3
20–99	119	33,991	93.5	81.3	43.4	4.4	43.7	36.1	18.8	16.1	67.4	32.6	27.2	47.0
100–499	50	4,293	98.6	94.5	67.3	28.4	30.1	34.7	28.6	12.4	78.6	40.2	38.2	43.2
Industry														
Mining and Construction	57	73,063	84.3	70.1	38.2	7.2	47.6	10.4	2.9	18.6	64.3	20.4	42.5	35.2
Manufacturing	93	68,487	72.6	52.9	21.6	2.8	23.1	24.7	14.5	10.3	58.3	24.6	40.0	33.2
Transportation	46	32,521	80.0	59.7	29.1	8.5	17.8	19.2	16.7	9.8	57.9	20.9	39.1	23.0
Wholesale Trade	81	73,949	77.3	45.5	30.3	4.1	24.9	7.7	13.1	11.4	66.2	24.5	31.2	41.4
Retail Trade	254	295,875	70.8	50.7	21.2	7.7	19.8	5.9	5.7	15.4	58.8	17.9	42.9	22.0
Finance, Insurance, and Real Estate	56	53,625	83.7	62.3	15.5	13.8	16.4	25.4	7.6	13.3	61.4	15.7	50.4	21.4
Services	426	492,023	71.8	45.6	11.3	6.7	19.5	12.3	5.6	9.9	58.8	9.6	43.1	27.4

Note: Owner loans are included for partnerships and corporations only.

Source: Prepared by the U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

Table 5.20 *Suppliers of Credit Services Used by Small Women-Owned Firms, by Firm Size and Industry, 1993 (Percentage of Firms)*

			Traditional Credit									Nontraditional Credit			
				Depository Institutions		Nondepository Institutions			Nonfinancial Institutions						
Category	Sample Size (Number)	Any Credit	Any Traditional Loan	Any Depository Institution	Commercial Banks	Any Nondepository Institution	Finance Companies	Leasing Companies	Any Nonfinancial Institution	Family and Friends	Other Businesses	Any Nontraditional Credit	Owner Loans	Personal Credit Cards	Business Credit Cards
All Small Women-Owned Firms	**1,013**	**73.6**	**50.3**	**34.8**	**31.5**	**17.6**	**10.3**	**6.7**	**14.3**	**9.8**	**4.8**	**59.7**	**15.2**	**42.2**	**27.3**
Employment Size of Firm															
0	220	57.2	30.8	20.2	18.3	7.6	3.9	2.3	7.1	4.7	2.9	48.3	1.1	41.2	14.5
1–4	385	75.6	48.2	32.3	29.2	18.1	8.9	8.0	15.0	11.5	4.2	62.5	17.5	45.8	27.8
5–9	154	85.8	70.2	54.9	47.2	22.1	17.5	4.6	17.5	12.8	4.5	70.2	28.8	42.6	39.7
10–19	85	87.9	79.3	47.9	46.1	31.9	21.0	15.2	28.1	15.0	13.1	59.1	15.9	29.5	37.3
20–99	119	93.5	81.3	65.1	63.5	41.8	25.3	18.9	21.7	4.5	13.2	67.4	32.6	27.2	47.0
100–499	50	98.6	94.5	82.8	80.0	31.7	17.0	16.9	13.6	10.8	3.5	78.6	40.2	38.2	43.2
Industry															
Mining and Construction	57	84.3	70.1	60.3	50.4	25.5	20.6	9.2	16.7	14.6	2.6	64.3	20.4	42.5	35.2
Manufacturing	93	72.6	52.9	32.3	30.2	32.1	18.0	12.2	19.3	6.6	10.7	58.3	24.6	40.0	33.2
Transportation	46	80.0	59.7	44.7	43.7	26.4	17.3	9.2	20.3	9.4	10.7	57.9	20.9	39.1	23.0
Wholesale Trade	81	77.3	45.5	32.0	29.5	20.6	14.8	8.0	13.6	4.3	7.4	66.2	24.5	31.2	41.4
Retail Trade	254	70.8	50.7	38.1	35.1	10.7	6.9	3.8	11.4	9.8	2.9	58.8	17.9	42.9	22.0
Finance, Insurance, and Real Estate	56	83.7	62.3	42.0	35.9	30.0	3.8	9.9	21.3	15.8	6.5	61.4	15.7	50.4	21.4
Services	426	71.8	45.6	28.4	25.7	16.1	9.2	6.7	14.0	9.8	4.5	58.8	9.6	43.1	27.4

Note: Owner loans are included for partnerships and corporations only.

Source: Prepared by the U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

More than 40 percent of women-owned firms used some type of credit card for business purposes. The fact that women-owned firms depend on credit cards and friends and family to a greater extent than other firms may be an indication that they face some barriers in accessing more traditional types of credit.

The more than 1 million women-owned small businesses had $64.6 billion in debt outstanding in the six traditional types of credit financing in 1993 (Table 5.21). With an additional $10.9 billion in owners' loans (in partnerships and corporations only), total business debt outstanding amounted to $75.8 billion for women-owned businesses—just 10 percent of all small business debt outstanding. The $26.2 billion in credit lines—the most important form of credit borrowing for women—accounted for 40.5 percent of total traditional women's business borrowing.

Among the six credit suppliers examined, banks were the most important, accounting for $34.4 billion, or 53.3 percent of traditional debt outstanding for women-owned firms (Table 5.22). Owner loans amounted to only $10.9 billion.

Financing of Minority-Owned Firms

Relatively fewer minority-owned firms—two-thirds, compared with more than three-fourths of all small firms—used some type of credit in 1993 (Tables 5.14 and 5.23).[15] Minority-owned firms used more nontraditional (52.7 percent) than traditional credit sources (46.5 percent); the corresponding figures for firms overall were 58 percent and 55 percent respectively. Again, the lower rates of credit use may be an indication of barriers minority-owned firms face in obtaining credit. Other frequently used types of credit were vehicle loans (21.4 percent), lines of credit (18.3 percent), and equipment loans (12.6 percent).

Commercial banks were the traditional source used most often by minority-owned firms, but only 26.6 percent used them, compared with 32 percent of women-owned firms and 37 percent of all firms (Tables 5.15, 5.20, and 5.24). Finance companies supplied just 11.1 percent; friends and family, 8.4 percent. Differences between minority-owned firms and all firms are significant: while 41 percent of all firms held debt with any depository institution, only 30.6 percent of minority firms did so. More than half of minority-owned businesses reported using some type of nontraditional credit. While only 13.9 percent said they used owner loans, more than one-third used personal credit cards and more than one-quarter used business credit cards.

The 590,000 minority-owned businesses had an estimated $41.2 billion outstanding in six traditional types of financing (Table 5.25). Owners of partnerships and corporations extended an additional $5.3 billion in loans to their businesses. Business debt totaled $46.8 billion, 6.2 percent of small business debt outstanding. The most important forms of credit borrowing were mortgage loans, totaling $12.4 billion, or 26.5 percent of the total, and credit lines, totaling $12.2 billion or 26 percent. While credit card debt in minority-owned

[15] An estimated 590,000 minority-owned businesses were found in the Dun and Bradstreet small business population in the 1993 survey.

Table 5.21 *Aggregate Value of Small Women-Owned Firm Debt, by Type of Credit, Firm Size and Industry, 1993 (Billions of Dollars)*

			Traditional Credit							Nontraditional Credit		
Category	Sample Size (Number)	Any Credit	Any Traditional Loan	Lines of Credit	Mortgages	Vehicle Loans	Equipment Loans	Leasing	Other Traditional Loans	Any Nontraditional Loans	Owner Loans	Any Credit Cards
All Small Women-Owned Firms	**840**	**75.8**	**64.6**	**26.2**	**12.8**	**3.9**	**5.3**	**4.9**	**11.5**	**11.3**	**10.9**	**0.4**
Employment Size of Firm												
0	185	2.4	2.3	0.3	0.5	0.3	0.2	0.1	0.9	0.1	0.0	0.1
1–4	300	24.0	19.2	8.6	4.7	0.9	0.6	0.7	3.8	4.8	4.5	0.2
5–9	139	8.7	7.0	1.4	0.6	0.9	1.4	1.0	1.7	1.7	1.7	0.1
10–19	67	13.5	11.9	5.7	3.2	0.5	0.3	0.6	1.7	1.6	1.6	0.0
20–99	108	20.7	18.0	7.2	2.3	1.2	1.7	2.3	3.3	2.7	2.7	0.0
100–499	41	6.6	6.1	2.9	1.5	0.1	1.2	0.3	0.2	0.4	0.4	0.0
Industry												
Mining and Construction	48	4.8	4.1	0.9	0.3	0.4	0.4	0.1	1.9	0.7	0.7	0.1
Manufacturing	81	5.5	3.9	1.9	0.3	0.2	0.9	0.4	0.2	1.6	1.6	0.0
Transportation	38	6.4	5.8	0.5	0.2	1.1	1.4	2.2	0.5	0.6	0.6	0.0
Wholesale Trade	69	14.0	13.0	10.0	0.6	0.3	0.1	0.2	1.7	1.0	1.0	0.0
Retail Trade	213	18.3	15.7	9.6	1.4	0.7	0.6	0.8	2.7	2.6	2.5	0.1
Finance, Insurance, and Real Estate	47	10.1	7.2	2.1	2.9	0.1	0.5	0.4	1.2	3.0	3.0	0.0
Services	344	16.6	14.9	1.2	7.1	1.1	1.4	0.8	3.4	1.7	1.5	0.2

Note: Any nontraditional loan includes owner loans and personal and business credit cards with outstanding balances.

Source: Prepared by the U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

Table 5.22 *Aggregate Value of Small Women-Owned Firm Debt, by Supplier, Firm Size and Industry, 1993 (Billions of Dollars)*

			Traditional Credit									Nontraditional Credit	
				Depository Institutions		Nondepository Institutions			Nonfinancial Institutions				
Category	Sample Size (Number)	Any Credit	Any Traditional Loan	Any Depository Institution	Commercial Banks	Any Nondepository Institution	Finance Companies	Leasing Companies	Any Nonfinancial Institution	Family and Friends	Other Businesses	Owner Loans	Credit Cards
All Small Women-Owned Firms	**840**	**75.8**	**64.6**	**37.3**	**34.4**	**16.2**	**7.5**	**2.6**	**6.7**	**4.3**	**1.1**	**10.9**	**0.4**
Employment Size of Firm													
0	185	2.4	2.3	1.9	1.8	0.2	0.1	0.1	0.2	0.1	0.0	0.0	0.1
1–4	300	24.0	19.2	12.1	10.3	1.6	0.4	0.4	2.8	2.5	0.1	4.5	0.2
5–9	139	8.7	7.0	3.5	2.7	1.6	1.1	0.5	1.3	1.0	0.2	1.7	0.1
10–19	67	13.5	11.9	5.9	5.8	5.4	0.3	0.2	0.7	0.2	0.4	1.6	0.0
20–99	108	20.7	18.0	9.0	9.0	6.9	5.4	1.2	1.6	0.3	0.3	2.7	0.0
100–499	41	6.6	6.1	4.9	4.9	0.5	0.2	0.3	0.1	0.1	0.0	0.4	0.0
Industry													
Mining and Construction	48	4.8	4.1	2.3	1.3	0.5	0.1	0.3	0.7	0.6	0.0	0.7	0.1
Manufacturing	81	5.5	3.9	3.1	2.9	0.5	0.1	0.3	0.3	0.0	0.1	1.6	0.0
Transportation	38	6.4	5.8	1.8	1.7	3.1	2.3	0.8	0.3	0.2	0.0	0.6	0.0
Wholesale Trade	69	14.0	13.0	6.2	6.2	5.6	0.4	0.2	0.7	0.3	0.4	1.0	0.0
Retail Trade	213	18.3	15.7	9.7	9.0	2.3	2.1	0.1	1.4	1.1	0.3	2.5	0.1
Finance, Insurance, and Real Estate	47	10.1	7.2	5.2	4.7	0.9	0.0	0.4	0.7	0.6	0.0	3.0	0.0
Services	344	16.6	14.9	9.0	8.5	3.3	2.4	0.5	2.6	1.4	0.2	1.5	0.2

Note: Owner loans are included for partnerships and corporations only.

Source: Prepared by the U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

Table 5.23 *Selected Credit Services Used by Small Minority-Owned Firms, by Firm Size and Industry, 1993 (Percentage of Firms)*

				Traditional Credit							Nontraditional Credit			
Category	Sample Size (Number)	Total Number of Firms	Any Credit	Any Traditional Loan	Lines of Credit	Mortgages	Vehicle Loans	Equipment Loans	Leasing	Other Traditional Loans	Any Nontraditional Loans	Owner Loans	Personal Credit Cards	Business Credit Cards
All Small Minority-Owned Firms	**1,252**	**595,371**	**67.0**	**46.5**	**18.3**	**4.6**	**21.4**	**12.6**	**6.5**	**10.9**	**52.7**	**13.9**	**36.0**	**25.9**
Employment Size of Firm														
0	241	151,913	44.8	30.8	7.4	3.2	11.8	7.2	3.3	9.8	32.7	1.1	25.4	16.2
1–4	542	277,884	68.3	43.1	17.6	3.7	21.9	10.9	2.0	11.4	55.8	13.3	39.6	26.5
5–9	224	100,611	83.8	63.8	26.6	6.9	27.7	16.4	13.4	12.9	68.6	22.6	46.1	37.1
10–19	112	33,677	85.2	68.0	27.6	3.5	20.3	25.4	20.3	4.8	57.3	26.0	26.6	20.6
20–99	103	26,460	88.3	71.1	41.8	8.0	36.3	30.5	22.2	12.6	70.7	45.0	32.9	37.1
100–499	30	4,827	96.7	92.9	36.9	43.9	83.9	8.2	34.5	2.5	41.4	17.0	25.9	33.3
Industry														
Mining and Construction	136	66,008	67.4	45.3	21.8	1.3	30.6	15.8	7.1	5.5	56.1	15.2	31.2	36.1
Manufacturing	94	34,465	78.9	53.5	24.1	5.5	16.4	21.8	12.4	7.7	56.6	20.7	38.1	33.6
Transportation	47	16,672	75.8	40.3	11.7	2.9	22.9	9.5	6.5	12.0	64.0	17.8	43.2	25.4
Wholesale Trade	131	45,136	78.9	59.4	37.0	1.7	29.5	10.2	10.4	22.5	62.6	29.4	39.8	24.1
Retail Trade	259	137,464	58.8	38.0	15.7	3.1	13.1	5.2	5.2	12.8	44.2	15.8	27.9	15.6
Finance, Insurance, and Real Estate	52	24,379	77.5	46.9	21.9	20.2	25.6	7.7	2.3	7.7	68.9	16.4	62.4	40.3
Services	533	271,247	66.1	48.5	15.1	5.2	22.1	15.4	5.9	9.9	51.9	8.7	37.4	26.6

Note: Owner loans are included for partnerships and corporations only.

Source: Prepared by the U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

Table 5.24 *Suppliers of Credit Services Used by Small Minority-Owned Firms, by Firm Size and Industry, 1993 (Percentage of Firms)*

			Traditional Credit									Nontraditional Credit			
				Depository Institutions		Nondepository Institutions			Nonfinancial Institutions						
Category	Sample Size (Number)	Any Credit	Any Traditional Loan	Any Depository Institution	Commercial Banks	Any Nondepository Institution	Finance Companies	Leasing Companies	Any Nonfinancial Institution	Family and Friends	Other Businesses	Any Nontraditional Credit	Owner Loans	Personal Credit Cards	Business Credit Cards
All Small Minority-Owned Firms	**1,252**	**67.0**	**46.5**	**30.6**	**26.6**	**16.9**	**11.1**	**6.4**	**14.9**	**8.4**	**6.1**	**52.7**	**13.9**	**36.0**	**25.9**
Employment Size of Firm															
0	241	44.8	30.8	13.6	9.3	14.3	9.8	5.4	8.5	7.5	2.0	32.7	1.1	25.4	16.2
1–4	542	68.3	43.1	29.3	26.1	12.4	8.3	3.5	16.0	10.0	5.2	55.8	13.3	39.6	26.5
5–9	224	83.8	63.8	47.2	39.1	24.5	16.1	8.1	21.8	9.0	11.9	68.6	22.6	46.1	37.1
10–19	112	85.2	68.0	41.4	41.2	24.7	11.6	11.9	9.5	1.1	8.1	57.3	26.0	26.6	20.6
20–99	103	88.3	71.1	55.3	55.3	35.7	24.7	22.8	22.1	5.9	15.8	70.7	45.0	32.9	37.1
100–499	30	96.7	92.9	82.8	75.8	38.3	33.3	34.5	3.6	0.0	2.1	41.4	17.0	25.9	33.3
Industry															
Mining and Construction	136	67.4	45.3	33.1	32.8	18.4	17.5	6.0	12.3	5.9	6.9	56.1	15.2	31.2	36.1
Manufacturing	94	78.9	53.5	36.5	31.3	18.5	14.0	4.6	13.7	3.7	10.0	56.6	20.7	38.1	33.6
Transportation	47	75.8	40.3	32.5	30.5	27.7	25.6	4.3	2.9	0.2	2.7	64.0	17.8	43.2	25.4
Wholesale Trade	131	78.9	59.4	47.6	45.8	20.3	17.3	5.7	21.0	13.6	8.4	62.6	29.4	39.8	24.1
Retail Trade	259	58.8	38.0	24.2	21.1	10.3	6.7	3.8	11.8	8.4	2.1	44.2	15.8	27.9	15.6
Finance, Insurance, and Real Estate	52	77.5	46.9	38.8	28.4	18.8	10.0	2.7	16.2	12.7	1.2	68.9	16.4	62.4	40.3
Services	533	66.1	48.5	28.8	23.6	18.2	9.6	8.6	16.8	8.9	7.7	51.9	8.7	37.4	26.6

Note: Owner loans are included for partnerships and corporations only.

Source: Prepared by the U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

Table 5.25 *Aggregate Value of Small Minority-Owned Firm Debt, by Type of Credit, Firm Size and Industry, 1993 (Billions of Dollars)*

Category	Sample Size (Number)	Total Number of Firms	Any Credit	Traditional Credit: Any Traditional Loan	Lines of Credit	Mortgages	Vehicle Loans	Equipment Loans	Leasing	Other Traditional Loans	Nontraditional Credit: Any Nontraditional Loans	Owner Loans	Any Credit Cards
All Small Minority-Owned Firms	**1,078**	**588,702**	**46.8**	**41.2**	**12.2**	**12.4**	**2.3**	**3.7**	**2.9**	**7.7**	**5.6**	**5.3**	**0.4**
Employment Size of Firm													
0	196	137,135	3.0	2.8	0.1	1.8	0.2	0.1	0.3	0.4	0.1	0.0	0.1
1–4	448	265,141	9.0	7.4	2.2	1.2	0.9	0.5	0.7	1.9	1.5	1.3	0.2
5–9	208	106,606	8.0	6.8	1.5	2.6	0.4	0.8	0.5	1.0	1.2	1.1	0.1
10–19	108	47,014	10.2	9.8	2.7	3.4	0.3	0.6	0.4	2.4	0.5	0.4	0.0
20–99	91	29,407	13.4	11.8	5.3	3.3	0.3	0.8	0.5	1.6	1.6	1.6	0.0
100–499	27	3,399	3.2	2.5	0.5	0.1	0.1	0.9	0.5	0.4	0.8	0.8	0.0
Industry													
Mining and Construction	121	71,908	3.0	2.3	0.8	0.2	0.4	0.4	0.2	0.4	0.7	0.6	0.0
Manufacturing	79	35,107	2.0	1.4	0.5	0.1	0.0	0.5	0.1	0.1	0.6	0.6	0.0
Transportation	39	18,182	2.4	2.2	0.1	0.1	0.3	1.0	0.5	0.1	0.2	0.2	0.0
Wholesale Trade	119	55,880	16.8	15.1	8.2	1.3	0.4	0.4	1.0	3.8	1.7	1.7	0.0
Retail Trade	217	127,137	4.7	3.8	0.5	0.9	0.2	0.4	0.2	1.7	0.9	0.8	0.1
Finance, Insurance, and Real Estate	43	16,460	5.0	4.8	0.7	3.5	0.1	0.0	0.0	0.5	0.2	0.2	0.0
Services	460	264,028	12.9	11.5	1.4	6.3	0.9	1.0	0.8	1.1	1.4	1.3	0.2

Note: Any nontraditional loan includes owner loans and personal and business credit cards with outstanding balances.

Source: Prepared by the U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

firms totaled only $395 million, the amount still exceeded the credit card debt of women-owned firms and represented three times the percentage of credit card debt in all firms. Minority-owned firms had much larger proportions of credit card debt than did women-owned firms and all firms.

Among the six suppliers examined, banks were most important, accounting for almost 60 percent of the value of traditional loans to minority-owned firms (Table 5.26). Finance companies ranked far behind with a paltry 6.7 percent. Owner loans accounted for almost 13 percent of all traditional borrowing in minority-owned firms.

Conclusion

Given a healthy economy with rising profits in both the business and banking sectors, small businesses found an ample supply of debt and equity capital in 1997. A very healthy banking system provided adequate small business loans, although still at relatively high interest rates. Relatively unsettled IPO markets discouraged IPO offerings during the second half of 1997. However, commitments to venture capital funds and their investments in companies continued. The availability of equity financing continued to expand, especially for fast-growing firms.

Table 5.26 *Aggregate Value of Small Minority-Owned Firm Debt, by Supplier, Firm Size and Industry, 1993 (Billions of Dollars)*

			Traditional Credit										Nontraditional Credit		
				Depository Institutions		Nondepository Institutions				Nonfinancial Institutions					
Category	Sample Size (Number)	Any Credit	Any Traditional Loan	Any Depository Institution	Commercial Banks	Any Nondepository Institution	Finance Companies	Leasing Companies	Other Nondepository Institutions	Any Nonfinancial Institution	Family and Friends	Other Businesses	Any Nontraditional Credit	Owner Loans	Any Credit Cards
All Small Minority-Owned Firms	**1,078**	**46.8**	**41.2**	**26.4**	**24.6**	**6.2**	**2.8**	**1.8**	**1.4**	**7.2**	**3.2**	**2.1**	**5.6**	**5.3**	**0.4**
Employment Size of Firm															
0	196	3.0	2.8	0.9	0.6	1.6	0.2	0.1	1.3	0.4	0.3	0.1	0.1	0.0	0.1
1–4	448	9.0	7.4	4.5	3.5	1.0	0.6	0.2	0.0	1.8	1.5	0.2	1.5	1.3	0.2
5–9	208	8.0	6.8	4.3	4.1	0.9	0.5	0.3	0.0	1.6	0.5	0.7	1.2	1.1	0.1
10–19	108	10.2	9.8	7.0	6.8	0.6	0.3	0.3	0.0	2.2	0.2	0.8	0.5	0.4	0.0
20–99	91	13.4	11.8	8.7	8.6	1.5	1.0	0.5	0.0	1.2	0.8	0.3	1.6	1.6	0.0
100–499	27	3.2	2.5	1.1	1.0	0.7	0.3	0.5	0.0	0.0	0.0	0.0	0.8	0.8	0.0
Industry															
Mining and Construction	121	3.0	2.3	1.7	1.7	0.4	0.2	0.1	0.0	0.2	0.1	0.1	0.7	0.6	0.0
Manufacturing	79	2.0	1.4	0.4	0.4	0.6	0.3	0.4	0.0	0.4	0.0	0.0	0.6	0.6	0.0
Transportation	39	2.4	2.2	0.4	0.4	0.9	0.6	0.2	0.0	0.3	0.0	0.2	0.2	0.2	0.0
Wholesale Trade	119	16.8	15.1	10.2	9.6	1.2	1.0	0.1	0.0	3.2	0.9	1.0	1.7	1.7	0.0
Retail Trade	217	4.7	3.8	2.8	2.2	0.4	0.2	0.1	0.1	0.7	0.5	0.1	0.9	0.8	0.1
Finance, Insurance, and Real Estate	43	5.0	4.8	2.4	2.3	1.3	0.0	0.0	1.3	1.0	0.9	0.0	0.2	0.2	0.0
Services	460	12.9	11.5	8.5	8.0	1.4	0.5	0.9	0.0	1.6	0.7	0.7	1.4	1.3	0.2

Note: Owner loans are included for partnerships and corporations only.

Source: Prepared by the U.S. Small Business Administration, Office of Advocacy, from data in the 1993 National Survey of Small Business Finances, sponsored by the U.S. Small Business Administration and the Board of Governors of the Federal Reserve System.

Appendix A

Supplementary Tables

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Table A.1 *Sources of Real GDP Growth, 1996 and 1997 (Billions of Chained 1992 Dollars)*

	1996	1997	Dollar Change 1996–1997	Percent Change 1996–1997
Gross Domestic Product	6,928.4	7,188.8	260.4	3.8
Personal Consumption	4,717.1	4,867.5	150.4	3.2
Gross Private Domestic Investment	1,068.8	1,193.5	124.7	11.7
Nonresidential	771.7	848.3	76.6	9.9
Residential	272.1	279.5	7.4	2.7
Change in Business Inventories	25.0	65.7	40.7	162.8
Net Exports	−114.5	−146.5	−32.0	27.9
Exports	857.0	962.7	105.7	12.3
Imports	971.5	1109.2	137.7	14.2
Government Purchases	1,257.9	1,269.7	11.8	0.9
Federal	464.2	457.0	−7.2	−1.6
State and Local	793.7	812.7	19.0	2.4

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from figures released by the Council of Economic Advisers, *Economic Indicators,* March 1998.

Table A.2 *Employer Firms, Establishments, Employment, Annual Payroll, and Estimated Receipts by Firm Size, 1988–1996*

			Employment Size of Firm								
Item	Year	Total	0	0–4	5–9	10–19	<20	20–99	100–499	<500	500+
Employer Firms	1996	5,478,047	717,991	3,327,783	996,356	585,844	4,909,983	476,312	76,136	5,462,431	15,616
	1995	5,369,068	688,584	3,249,573	981,094	576,866	4,807,533	469,869	76,222	5,353,624	15,444
	1994	5,276,964	691,141	3,208,235	964,985	563,097	4,736,317	452,383	73,267	5,261,967	14,997
	1993	5,193,642	671,306	3,139,518	962,481	559,602	4,661,601	445,900	71,512	5,179,013	14,629
	1992	5,095,356	644,453	3,075,280	945,802	551,912	4,572,994	439,084	69,156	5,081,234	14,122
	1991	5,051,025	NA	3,036,304	941,296	551,299	4,528,899	439,811	68,338	5,037,048	13,977
	1990	5,073,795	NA	3,020,935	952,030	562,610	4,535,575	453,732	70,465	5,059,772	14,023
	1989	5,021,315	NA	3,003,224	937,202	553,449	4,493,875	443,959	69,608	5,007,442	13,873
	1988	4,954,645	NA	2,979,905	923,580	540,988	4,444,473	430,640	66,708	4,941,821	12,824
Establishments	1996	6,738,476	720,241	3,338,051	1,013,353	624,610	4,976,014	636,285	280,635	5,892,934	845,542
	1995	6,612,721	690,772	3,259,795	998,264	618,268	4,876,327	638,616	283,993	5,798,936	813,785
	1994	6,509,065	693,992	3,218,076	982,695	608,804	4,809,575	631,324	283,782	5,724,681	784,384
	1993	6,401,233	673,408	3,147,991	980,865	608,922	4,737,778	631,873	285,184	5,654,835	746,398
	1992	6,319,300	646,065	3,082,325	964,863	606,276	4,653,464	634,713	283,719	5,571,896	747,404
	1991	6,200,859	NA	3,048,830	961,391	593,302	4,603,523	593,248	260,595	5,457,366	743,493
	1990	6,175,559	NA	3,032,253	970,580	599,529	4,602,362	590,496	254,747	5,447,605	727,954
	1989	6,106,922	NA	3,014,009	956,347	592,901	4,563,257	586,494	252,335	5,402,086	704,836
	1988	6,016,367	NA	2,989,964	943,442	583,301	4,516,707	581,622	244,697	5,343,026	673,341
Employment	1996	102,187,297	0	5,485,712	6,541,288	7,854,502	19,881,502	18,643,192	14,649,808	53,174,502	49,012,795
	1995	100,314,946	0	5,395,432	6,440,349	7,734,080	19,569,861	18,422,228	14,660,421	52,652,510	47,662,436
	1994	96,721,594	0	5,318,961	6,332,580	7,543,777	19,195,318	17,693,995	14,118,375	51,007,688	45,713,906
	1993	94,773,913	0	5,258,195	6,313,651	7,498,345	19,070,191	17,420,634	13,825,238	50,316,063	44,457,850
	1992	92,825,797	0	5,178,909	6,202,861	7,390,874	18,772,644	17,121,010	13,307,187	49,200,841	43,624,956
	1991	92,307,559	0	5,151,143	6,174,730	7,386,939	18,712,812	17,146,411	13,143,390	49,002,613	43,304,946
	1990	93,469,275	0	5,116,914	6,251,632	7,543,360	18,911,906	17,710,042	13,544,849	50,166,797	43,302,478
	1989	91,626,094	0	5,054,429	6,152,151	7,420,196	18,626,776	17,353,444	13,373,640	49,353,860	42,272,234
	1988	87,844,303	0	5,006,203	6,060,724	7,252,715	18,319,642	16,833,702	12,761,379	47,914,723	39,929,580

Annual Payroll	1996	2,848,623,049	27,583,182	150,825,321	144,692,446	185,490,873	481,008,640	465,229,685	384,229,685	1,330,258,327	1,518,364,722
(Thousands of Dollars)	1995	2,665,921,824	25,787,172	141,537,925	137,083,047	175,388,093	454,009,065	437,065,364	361,060,815	1,252,135,244	1,413,786,580
	1994	2,487,959,727	24,081,138	134,649,352	131,666,587	166,475,972	432,791,911	408,053,078	335,573,696	1,176,418,685	1,311,541,042
	1993	2,363,208,106	22,361,727	128,968,107	127,133,193	159,153,336	415,254,636	385,005,072	316,183,732	1,116,443,440	1,246,764,666
	1992	2,272,392,408	21,432,778	124,592,441	122,381,613	152,830,640	399,804,694	368,969,129	298,174,483	1,066,948,306	1,205,444,102
	1991	2,145,015,851	NA	118,233,813	116,794,212	146,516,583	381,544,608	352,032,797	279,436,898	1,013,014,303	1,132,001,548
	1990	2,103,971,179	NA	116,856,518	114,006,469	144,450,673	375,313,660	352,390,861	279,451,864	1,007,156,385	1,096,814,794
	1989	1,989,941,554	NA	112,462,139	108,002,714	136,794,734	357,259,587	332,733,188	264,144,335	954,137,110	1,035,804,444
	1988	1,858,652,147	NA	108,800,891	103,041,106	130,326,463	342,168,460	315,751,201	244,647,178	902,566,839	956,085,308
Estimated Receipts	1996	16,654,636,336	138,006,624	979,261,140	818,958,459	1,006,929,796	2,805,149,395	2,817,214,145	2,168,502,766	7,790,866,306	8,862,770,030
(Thousands of Dollars)	1995	15,751,365,178	129,711,136	919,734,985	778,863,865	965,258,998	2,663,857,848	2,678,292,849	2,062,235,050	7,404,385,747	8,346,979,431
	1994	14,840,452,031	122,784,184	880,763,759	752,675,397	928,380,448	2,561,819,604	2,531,402,508	1,930,758,304	7,023,980,416	7,816,471,615
	1993	14,098,572,035	116,064,572	846,812,139	730,360,041	891,635,409	2,468,807,589	2,394,813,062	1,816,354,667	6,679,975,318	7,418,596,717
	1992	13,605,183,510	110,778,665	820,739,417	705,146,922	859,446,404	2,385,332,743	2,292,331,108	1,717,787,820	6,395,451,671	7,209,731,839
	1991	12,961,443,722	NA	777,737,765	680,215,533	829,024,906	2,286,978,204	2,207,714,822	1,618,186,793	6,112,879,819	6,848,563,903
	1990	9,450,655,960	NA	626,678,614	569,639,860	681,191,539	1,877,510,013	1,715,442,516	1,316,747,423	4,909,699,952	4,540,956,008

NA=Not available

Notes: Employment is measured in March; thus, some firms will have no employment and some annual payroll. Nineteen ninety is the first year estimated receipts were reported. Establishments are locations with active payroll in any quarter. Firms are an aggregation of all establishments owned by a parent company. This table illustrates the changing importance of firm sizes over time. It does not illustrate job growth as firms can grow or decline and change firm size cells over time.

Source: U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Department of Commerce, Bureau of Census.

Table A.3 *Firms, Establishments, Employment, Annual Payroll, and Estimated Receipts by State, 1996 (Annual Payroll and Estimated Receipts in Thousands of Dollars)*

State		Total	Employment Size of Firm					
			0	<20	20–99	100–499	<500	500+
United States	Firms	5,478,047	717,991	4,909,983	476,312	76,136	5,462,431	15,616
	Establishments	6,738,476	720,241	4,976,014	636,285	280,635	5,892,934	845,542
	Employment	102,187,297	0	19,881,502	18,643,192	14,649,808	53,174,502	49,012,795
	Annual Payroll	2,848,623,049	27,583,182	481,008,640	465,229,685	384,020,002	1,330,258,327	1,518,364,722
	Estimated Receipts	16,654,636,336	138,006,624	2,805,149,395	2,817,214,145	2,168,502,766	7,790,866,306	8,863,770,030
Alaska	Firms	15,332	2,995	13,607	1,010	260	14,877	455
	Establishments	17,645	2,996	13,870	1,433	767	16,070	1,575
	Employment	183,484	0	51,429	35,840	30,811	118,080	65,404
	Annual Payroll	6,093,911	90,662	1,493,637	1,049,141	941,485	3,484,263	2,609,648
	Estimated Receipts	36,603,223	478,217	8,397,666	6,574,806	5,444,231	20,416,703	16,186,520
Alabama	Firms	80,443	8,962	69,423	7,254	1,694	78,371	2,072
	Establishments	98,172	8,969	70,179	9,366	4,344	83,889	14,283
	Employment	1,568,825	0	293,160	270,013	211,450	774,623	794,202
	Annual Payroll	36,708,111	273,865	5,911,642	5,842,156	4,587,858	16,341,656	20,366,455
	Estimated Receipts	221,702,230	1,369,396	35,624,753	38,071,634	27,525,079	101,221,466	120,480,764
Arkansas	Firms	52,086	6,132	45,454	4,237	973	50,664	1,422
	Establishments	61,335	6,142	45,923	5,696	2,483	54,102	7,233
	Employment	911,902	0	184,180	157,157	118,303	459,640	452,262
	Annual Payroll	19,295,966	164,661	3,436,953	2,980,531	2,342,367	8,759,851	10,536,115
	Estimated Receipts	119,916,912	841,341	21,420,910	20,931,314	14,933,915	57,286,139	62,630,773
Arizona	Firms	86,709	12,641	74,544	7,910	1,923	84,377	2,332
	Establishments	104,185	12,684	75,403	9,894	4,547	89,844	14,341
	Employment	1,599,275	0	304,047	293,348	224,552	821,947	777,328
	Annual Payroll	40,607,704	466,443	7,122,096	6,371,905	5,217,084	18,711,085	21,896,619
	Estimated Receipts	224,693,221	2,289,708	38,161,546	34,474,403	27,575,691	100,211,640	124,481,581
California	Firms	625,818	83,241	552,618	57,378	10,814	620,810	5,008
	Establishments	750,473	83,544	560,325	73,142	29,930	663,397	87,076
	Employment	11,131,054	0	2,225,672	2,194,711	1,614,363	6,034,746	5,096,308
	Annual Payroll	344,968,599	4,632,314	61,608,076	59,305,857	48,126,053	169,039,986	175,928,613
	Estimated Receipts	1,950,447,766	21,060,559	345,455,593	343,572,365	268,791,897	957,819,855	992,627,911

Colorado	Firms	105,483	15,749	92,480	8,499	2,010	102,989	2,494
	Establishments	122,451	15,772	93,379	10,506	4,407	108,292	14,159
	Employment	1,601,144	0	355,038	311,537	213,863	880,438	720,706
	Annual Payroll	43,726,556	512,969	8,662,489	7,577,707	5,558,083	21,798,279	21,928,277
	Estimated Receipts	251,849,649	2,572,748	48,293,562	42,816,076	30,400,101	121,509,739	130,339,910
Connecticut	Firms	79,228	9,326	68,711	6,893	1,705	77,309	1,919
	Establishments	91,925	9,353	69,488	8,458	3,573	81,519	10,406
	Employment	1,433,673	0	276,650	254,600	210,078	741,328	692,345
	Annual Payroll	49,428,999	414,746	8,515,725	8,102,061	6,437,460	23,055,246	26,373,753
	Estimated Receipts	296,851,580	2,268,459	47,874,261	45,021,240	37,452,549	130,348,050	166,503,530
District of Columbia	Firms	16,321	1,531	12,679	1,921	754	15,354	967
	Establishments	19,454	1,531	12,803	2,307	1,242	16,352	3,102
	Employment	387,023	0	54,255	64,740	70,058	189,053	197,970
	Annual Payroll	14,997,969	125,266	2,117,340	2,451,434	2,727,006	7,295,780	7,702,189
	Estimated Receipts	61,681,855	475,543	8,708,302	9,333,512	8,917,052	26,958,866	34,722,989
Delaware	Firms	18,447	2,570	15,170	1,624	502	17,296	1,151
	Establishments	21,578	2,581	15,345	1,965	982	18,292	3,286
	Employment	333,037	0	58,712	55,166	40,732	154,610	178,427
	Annual Payroll	10,262,278	128,662	1,436,396	1,399,394	1,034,620	3,870,410	6,391,868
	Estimated Receipts	63,528,911	618,134	7,657,137	7,161,457	5,609,903	20,428,497	43,100,414
Florida	Firms	341,595	47,436	308,143	24,632	5,133	337,908	3,687
	Establishments	407,355	47,623	311,364	31,019	13,280	355,663	51,692
	Employment	5,357,866	0	1,151,217	923,132	670,703	2,745,052	2,612,814
	Annual Payroll	127,960,155	1,751,620	27,560,681	21,369,310	15,817,450	64,747,441	63,212,714
	Estimated Receipts	714,057,099	8,588,434	153,578,349	121,776,941	86,447,711	361,803,001	352,254,098
Georgia	Firms	150,065	19,772	129,817	13,162	3,563	146,542	3,523
	Establishments	184,378	19,814	131,171	16,413	7,725	155,309	29,069
	Employment	3,036,609	0	523,830	477,192	386,447	1,387,469	1,649,140
	Annual Payroll	80,372,460	851,289	12,746,846	11,469,715	9,606,501	33,823,062	46,549,398
	Estimated Receipts	484,047,380	3,993,427	75,546,238	68,395,606	57,467,898	201,409,742	282,637,638
Hawaii	Firms	24,339	2,560	20,896	2,202	499	23,597	742
	Establishments	29,967	2,575	21,341	3,186	1,626	26,153	3,814
	Employment	424,116	0	89,596	80,811	66,586	236,993	187,123
	Annual Payroll	10,954,149	87,925	2,171,992	1,930,194	1,616,217	5,718,403	5,235,746
	Estimated Receipts	61,428,011	450,782	12,561,736	10,230,214	7,683,473	30,475,423	30,952,588

Table A.3 *Firms, Establishments, Employment, Annual Payroll, and Estimated Receipts by State, 1996 (Annual Payroll and Estimated Receipts in Thousands of Dollars)*—Continued

State		Total	Employment Size of Firm					
			0	<20	20–99	100–499	<500	500+
Iowa	Firms	65,699	7,289	56,845	5,972	1,387	64,204	1,495
	Establishments	79,347	7,304	57,579	8,581	4,020	70,180	9,167
	Employment	1,163,112	0	236,547	224,646	178,607	639,800	523,312
	Annual Payroll	26,452,175	161,272	4,343,760	4,722,986	3,855,851	12,922,597	13,529,578
	Estimated Receipts	189,107,549	865,513	29,245,519	38,833,314	26,390,206	94,469,039	94,638,510
Idaho	Firms	30,095	4,757	26,345	2,433	496	29,274	821
	Establishments	34,335	4,761	26,600	3,237	1,257	31,094	3,241
	Employment	393,699	0	105,349	85,656	50,742	241,747	151,952
	Annual Payroll	9,231,186	104,865	1,999,428	1,707,849	1,111,643	4,818,920	4,412,266
	Estimated Receipts	58,381,032	589,534	11,571,790	12,930,720	8,670,507	33,173,017	25,208,015
Illinois	Firms	248,983	30,906	215,474	23,700	5,719	244,893	4,090
	Establishments	297,383	30,958	217,940	29,485	12,467	259,892	37,491
	Employment	4,978,031	0	886,001	897,622	735,103	2,518,726	2,459,305
	Annual Payroll	151,936,652	1,294,896	23,997,059	24,843,411	20,948,065	69,788,535	82,148,117
	Estimated Receipts	892,627,123	6,112,537	141,127,474	150,195,573	116,624,343	407,947,390	484,679,733
Indiana	Firms	116,431	12,957	99,314	11,583	2,836	113,733	2,698
	Establishments	143,505	12,982	100,619	15,299	7,228	123,146	20,359
	Employment	2,433,107	0	432,490	436,135	374,530	1,243,155	1,189,952
	Annual Payroll	62,687,852	396,541	8,944,608	10,168,058	8,906,467	28,019,133	34,668,719
	Estimated Receipts	379,939,586	1,968,336	52,712,470	64,013,229	54,014,880	170,740,579	209,199,007
Kansas	Firms	60,353	6,759	51,788	5,511	1,323	58,622	1,731
	Establishments	72,017	6,779	52,521	7,540	3,244	63,305	8,712
	Employment	1,011,678	0	212,693	202,294	154,379	569,366	442,312
	Annual Payroll	24,613,884	182,005	4,216,267	4,395,958	3,457,255	12,069,480	12,544,404
	Estimated Receipts	166,650,260	920,096	27,055,481	31,167,895	20,351,931	78,575,307	88,074,953
Kentucky	Firms	71,619	7,913	61,118	6,845	1,633	69,596	2,023
	Establishments	86,884	7,934	61,747	8,835	4,117	74,699	12,185
	Employment	1,370,658	0	260,543	252,622	203,278	716,443	654,215
	Annual Payroll	32,118,385	229,664	5,057,125	5,279,996	4,284,583	14,621,704	17,496,681
	Estimated Receipts	210,550,592	1,325,505	30,864,116	34,807,482	25,589,352	91,260,950	119,289,642

Louisiana	Firms	81,042	8,715	69,358	7,958	1,783	79,099	1,943
	Establishments	98,227	8,734	70,194	10,205	4,462	84,861	13,366
	Employment	1,498,129	0	298,278	305,935	229,781	833,994	664,135
	Annual Payroll	35,602,741	301,491	6,130,167	6,380,535	5,069,060	17,579,762	18,022,979
	Estimated Receipts	240,901,280	1,638,701	36,016,540	37,381,802	29,791,429	103,189,771	137,711,509
Massachusetts	Firms	137,916	17,444	119,269	12,755	3,234	135,258	2,658
	Establishments	163,302	17,490	120,530	15,630	7,984	144,144	19,158
	Employment	2,778,508	0	484,842	483,016	439,497	1,407,355	1,371,153
	Annual Payroll	89,234,007	752,200	13,693,177	14,018,510	13,397,443	41,109,130	48,124,877
	Estimated Receipts	472,459,442	3,766,570	77,865,866	79,282,183	66,372,588	223,520,637	248,938,805
Maryland	Firms	103,269	13,338	89,040	9,629	2,256	100,925	2,344
	Establishments	123,911	13,370	90,094	12,148	5,021	107,263	16,648
	Employment	1,831,367	0	370,254	353,732	264,196	988,182	843,185
	Annual Payroll	52,254,431	481,590	9,430,586	9,123,361	7,436,355	25,990,302	26,264,129
	Estimated Receipts	281,924,426	2,163,798	49,623,905	49,409,144	39,044,617	138,077,666	143,846,760
Maine	Firms	32,298	5,115	28,644	2,342	539	31,525	773
	Establishments	36,930	5,118	28,916	3,113	1,479	33,508	3,422
	Employment	437,539	0	108,384	87,895	68,889	265,168	172,371
	Annual Payroll	10,282,374	126,226	2,196,941	1,889,033	1,495,735	5,581,709	4,700,665
	Estimated Receipts	63,032,243	602,498	12,376,712	11,710,971	9,639,294	33,726,977	29,305,266
Michigan	Firms	192,239	25,400	167,204	18,420	3,726	189,350	2,889
	Establishments	231,747	25,449	169,263	23,954	10,097	203,314	28,433
	Employment	3,757,958	0	714,683	699,180	544,763	1,958,626	1,799,332
	Annual Payroll	113,342,808	892,371	17,749,471	18,426,370	14,921,097	51,096,938	62,245,870
	Estimated Receipts	646,586,985	4,680,217	100,258,649	105,309,272	79,904,122	285,472,043	361,114,942
Minnesota	Firms	108,944	15,073	93,606	10,654	2,455	106,715	2,229
	Establishments	129,016	15,106	94,681	13,767	6,120	114,568	14,448
	Employment	2,134,778	0	385,770	406,179	347,257	1,139,206	995,572
	Annual Payroll	59,604,753	476,482	8,955,386	9,980,047	9,045,507	27,980,940	31,623,813
	Estimated Receipts	353,464,883	2,285,971	56,221,026	63,319,452	52,475,208	172,015,686	181,449,197
Missouri	Firms	118,232	13,946	102,311	10,885	2,486	115,682	2,550
	Establishments	142,077	13,987	103,632	14,202	6,174	124,008	18,069
	Employment	2,210,516	0	415,265	407,596	308,926	1,131,787	1,078,729
	Annual Payroll	56,832,981	420,826	8,893,738	9,357,859	7,349,249	25,600,846	31,232,135
	Estimated Receipts	346,782,158	2,193,472	54,192,397	59,008,259	44,586,426	157,787,082	188,995,076

Table A.3 *Firms, Establishments, Employment, Annual Payroll, and Estimated Receipts by State, 1996 (Annual Payroll and Estimated Receipts in Thousands of Dollars)*—Continued

State		Total	Employment Size of Firm					
			0	<20	20–99	100–499	<500	500+
Mississippi	Firms	48,292	5,291	41,942	3,965	947	46,854	1,438
	Establishments	58,106	5,308	42,398	5,150	2,881	50,429	7,677
	Employment	883,297	0	172,641	143,871	125,268	441,780	441,517
	Annual Payroll	18,407,432	135,508	3,083,790	2,870,450	2,420,727	8,374,967	10,032,465
	Estimated Receipts	116,400,644	720,764	19,428,608	20,933,201	13,876,241	54,238,050	62,162,594
Montana	Firms	26,766	4,344	23,990	1,866	344	26,200	566
	Establishments	30,046	4,347	24,210	2,471	963	27,644	2,402
	Employment	265,552	0	89,930	66,708	36,497	193,135	72,417
	Annual Payroll	5,276,886	81,309	1,546,800	1,194,556	741,151	3,482,507	1,794,379
	Estimated Receipts	36,840,294	416,181	9,624,592	9,061,086	4,254,756	22,940,434	13,899,860
North Carolina	Firms	153,581	19,050	134,298	13,190	3,065	150,553	3,028
	Establishments	187,939	19,119	135,918	17,264	8,272	161,454	26,485
	Employment	3,058,725	0	549,379	492,601	405,471	1,447,451	1,611,274
	Annual Payroll	75,048,563	595,846	11,850,874	11,176,821	9,057,663	32,085,358	42,963,205
	Estimated Receipts	448,281,959	3,065,993	71,200,158	69,628,427	52,442,809	193,271,394	255,010,565
North Dakota	Firms	17,659	2,127	15,195	1,576	379	17,150	509
	Establishments	20,439	2,131	15,437	2,122	976	18,535	1,904
	Employment	235,125	0	62,141	56,973	40,868	159,982	75,143
	Annual Payroll	4,768,269	38,509	1,076,009	1,009,815	810,403	2,896,227	1,872,042
	Estimated Receipts	37,053,335	198,022	8,938,251	8,494,304	5,603,546	23,036,101	14,017,234
Nebraska	Firms	40,362	4,553	34,854	3,524	795	39,173	1,189
	Establishments	47,606	4,558	35,313	4,893	2,144	42,350	5,256
	Employment	693,501	0	145,453	130,792	93,276	369,521	323,980
	Annual Payroll	15,604,267	109,809	2,723,197	2,709,740	2,133,189	7,566,126	8,038,141
	Estimated Receipts	112,196,611	638,365	17,473,621	22,074,352	15,530,632	55,078,605	57,118,006

New Hampshire	Firms	30,842	4,077	26,540	2,712	652	29,904	938
	Establishments	35,560	4,083	26,791	3,295	1,429	31,515	4,045
	Employment	482,052	0	106,359	97,461	71,597	275,417	206,635
	Annual Payroll	12,728,552	134,395	2,636,898	2,459,776	1,846,082	6,942,756	5,785,796
	Estimated Receipts	72,141,422	719,939	15,040,024	15,329,537	9,913,306	40,282,867	31,858,555
New Jersey	Firms	196,518	26,766	174,496	15,424	3,654	193,574	2,944
	Establishments	225,101	26,849	175,963	18,074	7,217	201,254	23,847
	Employment	3,208,801	0	654,929	573,758	458,460	1,687,147	1,521,654
	Annual Payroll	109,497,884	1,046,909	19,748,681	17,591,869	14,171,936	51,512,486	57,985,398
	Estimated Receipts	665,534,925	5,492,943	119,299,316	111,008,102	83,166,375	313,473,793	352,061,132
New Mexico	Firms	35,403	4,333	30,285	3,111	732	34,128	1,275
	Establishments	41,573	4,349	30,590	4,054	1,856	36,500	5,073
	Employment	519,801	0	124,224	111,685	78,611	314,520	205,281
	Annual Payroll	11,647,427	137,925	2,393,677	2,181,060	1,685,587	6,260,324	5,387,103
	Estimated Receipts	70,542,728	687,033	13,638,199	12,997,288	10,159,074	36,794,561	33,748,167
Nevada	Firms	33,963	5,287	28,394	3,195	947	32,536	1,427
	Establishments	39,466	5,292	28,683	3,816	1,778	34,277	5,189
	Employment	718,708	0	114,982	114,363	93,735	323,080	395,628
	Annual Payroll	18,426,847	298,239	3,120,552	2,908,016	2,467,381	8,495,949	9,930,898
	Estimated Receipts	93,251,094	1,341,015	15,957,492	16,046,819	12,924,929	44,929,240	48,321,854
New York	Firms	411,120	55,584	369,220	31,286	6,657	407,163	3,957
	Establishments	471,523	55,651	372,388	37,473	16,085	425,946	45,577
	Employment	6,789,494	0	1,359,734	1,183,578	1,026,869	3,570,181	3,219,313
	Annual Payroll	239,746,077	2,426,592	39,317,520	35,974,039	32,431,026	107,722,585	132,023,492
	Estimated Receipts	1,322,911,660	12,046,002	242,027,119	219,759,379	178,214,513	640,001,011	682,910,649
Ohio	Firms	213,707	24,526	183,769	21,612	4,799	210,180	3,527
	Establishments	266,924	24,576	186,434	28,333	12,741	227,508	39,416
	Employment	4,640,026	0	800,958	833,565	689,161	2,323,684	2,316,342
	Annual Payroll	124,141,252	774,930	18,178,303	20,176,901	17,236,083	55,591,287	68,549,965
	Estimated Receipts	717,210,348	3,900,256	103,094,603	121,831,771	93,877,190	318,803,564	398,406,784
Oklahoma	Firms	69,705	8,085	60,728	5,938	1,343	68,009	1,696
	Establishments	82,827	8,102	61,427	7,719	3,298	72,444	10,383
	Employment	1,084,717	0	243,367	219,116	163,924	626,407	458,310
	Annual Payroll	24,817,408	230,781	4,709,178	4,342,636	3,569,609	12,621,423	12,195,985
	Estimated Receipts	155,732,695	1,131,337	29,722,994	28,467,551	21,203,376	79,393,921	76,338,774

Table A.3 *Firms, Establishments, Employment, Annual Payroll, and Estimated Receipts by State, 1996 (Annual Payroll and Estimated Receipts in Thousands of Dollars)*—Continued

State		Total	Employment Size of Firm					
			0	<20	20–99	100–499	<500	500+
Oregon	Firms	82,417	11,270	72,062	6,984	1,543	80,589	1,828
	Establishments	95,867	11,281	72,790	9,017	4,318	86,125	9,742
	Employment	1,237,089	0	290,073	255,945	187,212	733,230	503,859
	Annual Payroll	32,525,787	297,589	6,232,839	6,139,154	4,848,086	17,220,079	15,305,708
	Estimated Receipts	191,026,926	1,549,453	36,717,926	38,308,015	29,693,940	104,719,881	86,307,045
Pennsylvania	Firms	234,883	25,074	204,231	22,082	4,975	231,288	3,595
	Establishments	287,009	25,202	207,035	28,312	13,099	248,446	38,563
	Employment	4,729,124	0	862,788	835,906	716,698	2,415,392	2,313,732
	Annual Payroll	129,568,788	934,064	19,875,593	20,856,212	18,203,739	58,935,544	70,633,244
	Estimated Receipts	737,238,060	4,651,179	113,917,010	127,396,013	96,306,443	337,619,466	399,618,594
Rhode Island	Firms	25,182	3,281	21,808	2,086	508	24,402	780
	Establishments	27,995	3,282	21,967	2,412	924	25,303	2,692
	Employment	381,463	0	82,166	77,132	57,754	217,052	164,411
	Annual Payroll	9,807,526	118,109	1,964,769	1,893,114	1,413,390	5,271,273	4,536,253
	Estimated Receipts	53,415,339	582,200	11,218,923	11,403,439	6,749,390	29,371,752	24,043,587
South Carolina	Firms	74,045	8,952	64,280	6,267	1,526	72,073	1,972
	Establishments	90,322	8,986	65,043	8,049	3,948	77,040	13,282
	Employment	1,433,051	0	266,810	227,016	179,301	673,127	759,924
	Annual Payroll	33,414,252	273,999	5,388,063	4,651,762	3,939,126	13,978,951	19,435,301
	Estimated Receipts	194,435,380	1,463,436	31,205,292	28,460,966	22,376,474	82,042,732	112,392,648
South Dakota	Firms	20,272	2,659	17,646	1,639	417	19,702	570
	Establishments	23,105	2,668	17,897	2,248	1,071	21,216	1,889
	Employment	272,216	0	70,320	58,826	44,136	173,282	98,934
	Annual Payroll	5,478,377	48,904	1,224,781	1,096,526	875,432	3,196,739	2,281,638
	Estimated Receipts	39,129,014	261,593	9,040,023	8,989,857	5,143,188	23,173,068	15,955,946
Tennessee	Firms	103,309	11,691	88,610	9,710	2,320	100,640	2,669
	Establishments	127,606	11,738	89,608	12,247	5,532	107,387	20,219
	Employment	2,193,159	0	369,183	364,316	288,698	1,022,197	1,170,962
	Annual Payroll	55,039,410	478,081	8,124,570	8,672,060	6,831,263	23,627,893	31,411,517
	Estimated Receipts	326,777,474	2,493,132	48,723,786	52,384,256	40,724,603	141,832,645	184,944,829

Texas	Firms	359,380	44,134	315,713	32,433	6,732	354,878	4,502
	Establishments	447,531	44,313	320,132	42,741	18,731	381,604	65,927
	Employment	6,952,556	0	1,292,848	1,226,051	903,807	3,422,706	3,529,850
	Annual Payroll	189,271,216	2,213,649	31,290,093	29,007,134	23,081,610	83,378,837	105,892,379
	Estimated Receipts	1,162,514,274	13,247,289	190,605,110	175,195,820	139,795,053	505,595,983	656,918,291
Utah	Firms	41,104	6,381	34,772	4,058	877	39,707	1,397
	Establishments	48,092	6,392	35,108	5,019	2,057	42,184	5,908
	Employment	781,890	0	146,558	150,165	101,128	397,851	384,039
	Annual Payroll	18,686,470	224,084	3,129,558	3,272,190	2,217,569	8,619,317	10,067,153
	Estimated Receipts	111,117,341	1,034,044	17,440,297	20,169,607	14,883,067	52,492,971	58,624,370
Virginia	Firms	133,698	16,420	116,200	11,818	2,863	130,881	2,817
	Establishments	165,545	16,443	117,628	15,519	7,149	140,296	25,249
	Employment	2,523,741	0	479,432	428,324	345,352	1,253,108	1,270,633
	Annual Payroll	67,894,416	540,225	11,028,123	10,802,345	9,172,213	31,002,681	36,891,735
	Estimated Receipts	378,891,919	2,552,486	58,976,780	59,882,935	46,811,564	165,671,279	213,220,640
Vermont	Firms	18,771	2,524	16,560	1,368	303	18,231	540
	Establishments	20,910	2,528	16,706	1,814	847	19,367	1,543
	Employment	225,169	0	63,860	49,230	37,848	150,938	74,231
	Annual Payroll	5,162,935	51,447	1,242,100	1,066,614	911,196	3,219,910	1,943,025
	Estimated Receipts	32,493,830	265,039	7,477,396	7,395,313	5,273,965	20,146,674	12,347,156
Washington	Firms	132,942	19,432	117,252	11,041	2,340	130,633	2,309
	Establishments	155,524	19,546	118,738	14,571	5,846	139,155	16,369
	Employment	2,003,304	0	459,059	404,347	284,145	1,147,551	855,753
	Annual Payroll	59,426,488	560,892	10,633,664	10,174,033	7,861,981	28,669,678	30,756,810
	Estimated Receipts	337,182,060	2,891,179	61,972,123	63,023,271	44,859,727	169,855,121	167,326,939
Wisconsin	Firms	114,041	13,829	97,732	11,684	2,486	111,902	2,139
	Establishments	135,621	13,850	98,965	15,214	6,467	120,646	14,975
	Employment	2,220,724	0	421,188	444,159	364,000	1,229,347	991,377
	Annual Payroll	56,776,804	376,154	9,007,615	10,101,837	8,826,999	27,936,451	28,840,353
	Estimated Receipts	348,330,016	1,783,560	51,377,617	63,518,659	51,891,362	166,787,638	181,542,378
West Virginia	Firms	34,292	3,819	29,760	2,800	681	33,241	1,051
	Establishments	41,079	3,821	30,120	3,661	1,884	35,665	5,414
	Employment	529,250	0	122,378	100,458	76,068	298,904	230,346
	Annual Payroll	12,321,334	89,902	2,159,547	2,044,114	1,496,859	5,700,520	6,620,814
	Estimated Receipts	77,760,667	458,750	12,988,473	14,253,582	7,934,273	35,176,328	42,584,339

Table A.3 *Firms, Establishments, Employment, Annual Payroll, and Estimated Receipts by State, 1996 (Annual Payroll and Estimated Receipts in Thousands of Dollars)*—Continued

State		Total	Employment Size of Firm					
			0	<20	20–99	100–499	<500	500+
Wyoming	Firms	15,499	2,255	13,663	1,074	257	14,994	505
	Establishments	17,561	2,270	13,818	1,416	546	15,780	1,781
	Employment	157,674	0	51,857	36,091	22,030	109,978	47,696
	Annual Payroll	3,567,296	44,480	930,260	713,533	479,208	2,123,001	1,444,295
	Estimated Receipts	27,010,925	295,938	5,631,664	5,471,731	3,188,567	14,291,962	12,718,963

Notes: Employment is measured in March; thus, some firms will have zero employment and some annual payroll. For state data, a firm is defined as an aggregation of all establishments owned by a parent company within a state. Establishments are locations with active payroll in any quarter. For more detailed data, see http://www.sba.gov/advo/stats/.
Source: U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Department of Commerce, Bureau of the Census.

Table A.4 *Firms and Employment by Metropolitan Area and Employment Size of Firm, 1996*

Metropolitan Statistical Area	Firms by Employment Size				Employment by Employment Size of Firm			
	Total	<20	<500	500+	Total	<20	<500	500+
Abilene, TX	3,150	2,471	2,866	284	47,034	10,071	27,079	19,955
Akron, OH	14,764	12,013	13,998	766	284,894	52,980	151,405	133,489
Albany, GA	2,579	1,917	2,268	311	45,158	8,783	24,645	20,513
Albany-Schenectady-Troy, NY	17,063	14,199	16,196	867	319,418	58,324	157,938	161,480
Albuquerque, NM	15,027	12,161	14,028	999	267,802	50,595	143,825	123,977
Alexandria, LA	2,746	2,104	2,482	264	43,941	9,186	26,174	17,767
Allentown-Bethlehem-Easton, PA	12,746	10,504	12,020	726	241,219	44,946	117,508	123,711
Altoona, PA	2,808	2,184	2,547	261	47,662	9,799	26,595	21,067
Amarillo, TX	4,935	3,923	4,522	413	77,515	16,307	42,521	34,994
Anchorage, AK	6,786	5,670	6,389	397	99,276	23,301	57,167	42,109
Ann Arbor, MI	12,110	10,001	11,536	574	208,336	41,872	113,014	95,322
Anniston, AL	2,278	1,796	2,062	216	38,934	7,286	18,850	20,084
Appleton-Oshkosh-Neenah, WI	7,675	5,960	7,134	541	175,045	27,014	81,846	93,199
Asheville, NC	5,564	4,460	5,097	467	89,095	17,917	47,148	41,947
Athens, GA	3,125	2,472	2,815	310	50,948	10,723	25,106	25,842
Atlanta, GA	82,963	69,987	79,989	2,974	1,766,165	272,249	760,391	1,005,774
Atlantic-Cape May, NJ	9,157	8,036	8,799	358	137,981	27,206	60,628	77,353
Augusta-Aiken, GA-SC	8,023	6,492	7,370	653	167,329	27,217	65,788	101,541
Austin-San Marcos, TX	24,090	19,905	22,822	1,268	427,140	78,988	214,227	212,913
Bakersfield, CA	9,271	7,568	8,660	611	134,544	32,034	79,510	55,034
Baltimore, MD	51,256	43,328	49,490	1,766	943,850	181,444	488,376	455,474
Bangor, ME	2,531	1,970	2,324	207	40,657	8,704	25,212	15,445
Barnstable-Yarmouth, MA	4,878	4,264	4,671	207	44,546	14,777	30,867	13,679
Baton Rouge, LA	12,200	9,686	11,416	784	236,369	42,615	127,659	108,710
Beaumont-Port Arthur, TX	7,116	5,740	6,580	536	123,849	24,484	62,250	61,599
Bellingham, WA	4,748	3,958	4,475	273	55,750	15,188	37,475	18,275
Benton Harbor, MI	3,691	2,973	3,454	237	61,433	12,646	36,559	24,874
Bergen-Passaic, NJ	40,731	35,496	39,631	1,100	587,546	129,392	340,782	246,764
Billings, MT	4,233	3,387	3,900	333	51,641	13,764	34,123	17,518
Biloxi-Gulfport-Pascagoula, MS	6,135	5,104	5,738	397	112,650	21,191	51,606	61,044
Binghamton, NY	4,437	3,496	4,078	359	94,115	15,367	41,874	52,241
Birmingham, AL	18,814	15,269	17,686	1,128	412,761	66,611	189,174	223,587

Table A.4 *Firms and Employment by Metropolitan Area and Employment Size of Firm, 1996*—Continued

Metropolitan Statistical Area	Firms by Employment Size				Employment by Employment Size of Firm			
	Total	<20	<500	500+	Total	<20	<500	500+
Bismarck, ND	2,680	2,110	2,499	181	36,893	8,575	23,995	12,898
Bloomington, IN	2,623	2,063	2,402	221	42,925	9,073	23,656	19,269
Bloomington-Normal, IL	3,083	2,309	2,727	356	70,114	9,828	25,975	44,139
Boise City, ID	10,008	8,202	9,399	609	163,311	33,532	85,399	77,912
Boston, MA-NH	81,243	69,022	79,081	2,162	1,772,640	281,010	846,066	926,574
Boulder-Longmont, CO	9,009	7,601	8,554	455	126,971	29,318	73,847	53,124
Brazoria, TX	3,299	2,653	3,024	275	56,682	11,028	26,611	30,071
Bremerton, WA	4,455	3,798	4,200	255	44,587	14,129	30,061	14,526
Bridgeport, CT	10,035	8,339	9,490	545	173,630	34,004	94,122	79,508
Brockton, MA	4,474	3,617	4,213	261	77,366	15,438	44,973	32,393
Brownsville-Harlingen-San Benito, TX	4,862	3,959	4,545	317	74,964	15,699	40,284	34,680
Bryan-College Station, TX	2,787	2,146	2,514	273	38,920	9,004	24,986	13,934
Buffalo-Niagara Falls, NY	23,306	19,422	22,320	986	467,311	82,881	241,951	225,360
Burlington, VT	5,236	4,281	4,895	341	77,914	17,712	47,866	30,048
Canton-Massillon, OH	8,554	6,895	8,069	485	159,780	30,097	90,067	69,713
Casper, WY	2,407	1,929	2,183	224	23,059	7,439	15,578	7,481
Cedar Rapids, IA	4,491	3,387	4,063	428	101,250	15,078	45,451	55,799
Champaign-Urbana, IL	3,571	2,725	3,231	340	64,574	11,577	33,647	30,927
Charleston-North Charleston, SC	10,894	8,913	10,176	718	177,854	37,658	92,753	85,101
Charleston, WV	5,917	4,679	5,373	544	101,269	20,038	50,147	51,122
Charlotte-Gastonia-Rock Hill, NC-SC	31,563	25,779	29,745	1,818	686,408	106,948	295,803	390,605
Charlottesville, VA	4,008	3,290	3,697	311	58,490	13,281	30,517	27,973
Chattanooga, TN-GA	9,457	7,531	8,749	708	186,709	32,768	91,357	95,352
Cheyenne, WY	2,067	1,642	1,863	204	24,317	6,705	15,900	8,417
Chicago, IL	169,629	144,970	166,122	3,507	3,560,003	590,596	1,759,967	1,800,036
Chico-Paradise, CA	4,142	3,434	3,889	253	48,633	13,811	32,375	16,258
Cincinnati, OH–KY–IN	32,513	26,268	30,914	1,599	754,729	114,520	362,703	392,026
Clarksville-Hopkinsville, TN–KY	3,181	2,522	2,881	300	49,143	10,507	26,346	22,797
Cleveland-Lorain-Elyria, OH	49,181	41,134	47,372	1,809	1,002,500	174,885	510,566	491,934
Colorado Springs, CO	10,866	9,013	10,185	681	175,367	34,803	87,760	87,607
Columbia, MO	3,293	2,587	2,990	303	56,137	10,763	28,050	28,087
Columbia, SC	11,142	8,896	10,259	883	211,364	37,553	96,590	114,774

Columbus, GA–AL	4,825	3,842	4,384	441	96,268	16,858	40,774	55,494
Columbus, OH	29,018	23,440	27,490	1,528	680,621	100,969	305,617	375,004
Corpus Christi, TX	7,715	6,164	7,136	579	118,700	25,679	65,515	53,185
Cumberland, MD–WV	2,116	1,726	1,944	172	28,199	7,520	16,181	12,018
Dallas, TX	69,290	57,605	66,579	2,711	1,578,019	234,598	682,252	895,767
Danbury, CT	5,829	4,885	5,491	338	80,871	17,979	44,935	35,936
Danville, VA	2,193	1,766	1,990	203	37,936	7,333	16,622	21,314
Davenport-Moline-Rock Island, IA–IL	7,861	6,152	7,274	587	149,224	27,226	78,729	70,495
Dayton-Springfield, OH	17,343	13,876	16,335	1,008	413,995	63,850	190,006	223,989
Daytona Beach, FL	10,002	8,662	9,522	480	130,076	32,533	71,950	58,126
Decatur, AL	2,923	2,319	2,674	249	47,927	9,605	22,920	25,007
Decatur, IL	2,524	1,922	2,275	249	52,345	8,383	23,137	29,208
Denver, CO	51,193	43,383	49,096	2,097	875,277	165,479	442,804	432,473
Des Moines, IA	10,609	8,256	9,796	813	236,866	35,761	109,949	126,917
Detroit, MI	86,073	73,155	83,922	2,151	1,847,098	314,301	894,845	952,253
Dothan, AL	3,155	2,478	2,858	297	55,311	10,369	27,626	27,685
Dover, DE	2,590	2,000	2,331	259	41,719	8,436	20,783	20,936
Dubuque, IA	2,326	1,775	2,118	208	47,701	7,899	26,020	21,681
Duluth-Superior, MN–WI	5,753	4,753	5,412	341	85,731	21,426	50,387	35,344
Dutchess County, NY	5,849	5,021	5,510	339	78,510	18,209	41,542	36,968
Eau Claire, WI	3,373	2,628	3,101	272	56,307	11,643	33,156	23,151
El Paso, TX	10,189	8,289	9,488	701	187,132	34,206	94,433	92,699
Elkhart-Goshen, IN	4,457	3,357	4,149	308	107,612	15,947	55,376	52,236
Elmira, NY	1,720	1,249	1,508	212	35,546	5,650	18,324	17,222
Enid, OK	1,588	1,229	1,416	172	20,437	5,305	13,202	7,235
Erie, PA	5,763	4,528	5,333	430	113,506	20,511	61,454	52,052
Eugene-Springfield, OR	8,541	7,088	8,127	414	109,710	29,570	76,288	33,422
Evansville-Henderson, IN–KY	6,791	5,301	6,257	534	138,593	23,840	69,380	69,213
Fargo-Moorhead, ND–MN	4,604	3,513	4,261	343	81,652	16,069	50,300	31,352
Fayetteville, NC	4,565	3,601	4,159	406	79,702	15,700	39,976	39,726
Fayetteville-Springdale-Rogers, AR	6,118	5,054	5,747	371	113,989	20,289	50,139	63,850
Fitchburg-Leominster, MA	2,833	2,263	2,639	194	44,165	NA	27,463	16,702
Flagstaff, UT–AZ	3,110	2,541	2,888	222	35,873	10,618	22,866	13,007
Flint, MI	7,853	6,429	7,399	454	153,416	28,144	71,093	82,323
Florence, AL	3,095	2,528	2,864	231	52,190	10,616	26,227	25,963
Florence, SC	2,900	2,200	2,590	310	52,465	9,478	25,745	26,720
Fort Collins-Loveland, CO	6,670	5,575	6,268	402	81,461	21,782	49,642	31,819
Fort Lauderdale, FL	42,797	37,820	41,530	1,267	555,329	130,294	308,606	246,723
Fort Myers-Cape Coral, FL	9,862	8,238	9,239	623	126,516	31,002	73,873	52,643

Table A.4 *Firms and Employment by Metropolitan Area and Employment Size of Firm, 1996*—Continued

Metropolitan Statistical Area	Firms by Employment Size				Employment by Employment Size of Firm			
	Total	<20	<500	500+	Total	<20	<500	500+
Fort Pierce-Port St. Lucie, FL	6,876	5,875	6,471	405	77,099	21,810	47,004	30,095
Fort Smith, AR–OK	4,407	3,493	4,075	332	86,910	14,891	39,279	47,631
Fort Walton Beach, FL	4,007	3,243	3,672	335	55,455	13,241	32,314	23,141
Fort Wayne, IN	10,749	8,449	10,022	727	238,725	38,325	119,745	118,980
Fort Worth-Arlington, TX	29,761	24,509	28,394	1,367	585,092	100,873	285,441	299,651
Fresno, CA	14,624	12,109	13,832	792	214,250	51,337	127,880	86,370
Gadsden, AL	1,982	1,560	1,792	190	32,575	6,768	16,428	16,147
Gainesville, FL	4,569	3,680	4,185	384	75,281	16,333	36,888	38,393
Galveston-Texas City, TX	4,092	3,277	3,739	353	63,969	12,788	31,643	32,326
Gary, IN	11,588	9,464	10,987	601	222,143	42,187	115,393	106,750
Glens Falls, NY	2,881	2,383	2,674	207	43,263	8,444	21,764	21,499
Goldsboro, NC	2,049	1,586	1,852	197	36,200	6,888	18,891	17,309
Grand Forks, ND–MN	2,381	1,828	2,204	177	34,749	8,336	24,452	10,297
Grand Junction, CO	3,103	2,537	2,883	220	37,192	10,448	24,514	12,678
Grand Rapids-Muskegon-Holland, MI	22,327	18,187	21,342	985	481,743	81,950	252,736	229,007
Great Falls, MT	2,284	1,817	2,100	184	26,044	7,252	16,471	9,573
Greeley, CO	3,330	2,742	3,095	235	49,421	10,975	25,010	24,411
Green Bay, WI	5,235	4,010	4,849	386	113,863	18,051	57,696	56,167
Greens.-Winston-Salem-High Point, NC	26,122	21,499	24,868	1,254	572,822	89,665	268,119	304,703
Greenville, NC	2,617	1,988	2,353	264	46,128	8,171	22,651	23,477
Greenville-Spartanburg-Anderson, SC	19,540	16,169	18,470	1,070	441,863	67,661	179,462	262,401
Hagerstown, MD	2,777	2,139	2,516	261	48,722	9,395	25,833	22,889
Hamilton-Middletown, OH	5,450	4,312	5,085	365	97,553	19,028	54,090	43,463
Harrisburg-Lebanon-Carlisle, PA	12,153	9,675	11,297	856	277,030	43,158	122,503	154,527
Hartford, CT	25,875	21,662	24,727	1,148	520,714	90,569	253,359	267,355
Hattiesburg, MS	2,460	1,930	2,215	245	37,608	8,415	20,611	16,997
Hickory-Morganton, NC	6,712	5,396	6,304	408	159,391	23,265	73,141	86,250
Honolulu, HI	17,428	14,653	16,726	702	319,923	63,294	172,624	147,299
Houma, LA	3,778	3,076	3,556	222	59,014	13,544	38,846	20,168
Houston, TX	76,268	64,437	73,745	2,523	1,589,024	262,791	724,533	864,491
Huntington-Ashland, WV–KY–OH	5,893	4,803	5,488	405	94,756	20,708	52,200	42,556
Huntsville, AL	6,918	5,468	6,349	569	136,393	22,316	62,957	73,436

Indianapolis, IN	33,076	26,956	31,397	1,679	713,434	116,697	344,608	368,826
Iowa City, IA	2,242	1,719	2,054	188	42,746	7,757	21,691	21,055
Jackson, MI	3,080	2,407	2,814	266	51,672	11,138	30,010	21,662
Jackson, MS	9,145	7,157	8,382	763	182,999	30,257	87,939	95,060
Jackson, TN	2,616	1,933	2,306	310	48,329	8,671	24,266	24,063
Jacksonville, FL	22,077	18,383	20,812	1,265	427,685	74,372	187,513	240,172
Jacksonville, NC	2,178	1,774	2,012	166	25,569	7,508	16,371	9,198
Jamestown, NY	2,858	2,322	2,650	208	45,720	9,589	23,290	22,430
Janesville-Beloit, WI	2,961	2,328	2,709	252	58,064	10,528	27,861	30,203
Jersey City, NJ	11,740	9,900	11,261	479	204,318	35,527	107,304	97,014
Johnson City-Kingsport-Bristol, TN–VA	8,659	7,171	8,106	553	171,135	30,413	77,636	93,499
Johnstown, PA	4,851	3,997	4,561	290	70,025	16,811	45,026	24,999
Jonesboro, AR	2,034	1,582	1,855	179	31,174	6,509	16,753	14,421
Joplin, MO	3,602	2,896	3,322	280	64,676	11,877	30,244	34,432
Kalamazoo-Battle Creek, MI	8,921	7,060	8,339	582	185,282	32,281	90,721	94,561
Kankakee, IL	2,124	1,648	1,898	226	50,479	7,089	16,800	33,679
Kansas City, MO–KS	38,299	31,545	36,579	1,720	776,757	131,581	387,562	389,195
Kenosha, WI	2,770	2,147	2,518	252	45,157	9,045	25,565	19,592
Killeen-Temple, TX	3,946	3,172	3,626	320	71,062	13,655	32,927	38,135
Knoxville, TN	15,459	12,590	14,498	961	279,992	52,639	139,705	140,287
Kokomo, IN	2,110	1,597	1,866	244	49,155	7,126	17,097	32,058
La Crosse, WI–MN	3,014	2,342	2,758	256	56,774	10,428	29,521	27,253
Lafayette, LA	8,331	6,749	7,860	471	125,769	29,110	80,834	44,935
Lafayette, IN	3,342	2,572	3,005	337	69,675	11,532	30,270	39,405
Lake Charles, LA	3,637	2,805	3,312	325	67,693	12,470	35,973	31,720
Lakeland-Winter Haven, FL	8,236	6,734	7,674	562	151,890	26,689	70,343	81,547
Lancaster, PA	9,611	7,587	9,043	568	190,234	34,072	112,399	77,835
Lansing-East Lansing, MI	8,859	7,024	8,262	597	158,764	31,599	85,544	73,220
Laredo, TX	3,340	2,706	3,073	267	40,404	11,054	25,625	14,779
Las Cruces, NM	2,834	2,258	2,610	224	32,315	9,383	22,116	10,199
Las Vegas, NV–AZ	22,897	18,778	21,737	1,160	518,619	77,418	224,106	294,513
Lawrence, KS	2,302	1,828	2,116	186	32,071	7,554	20,601	11,470
Lawrence, MA–NH	7,768	6,418	7,335	433	133,508	26,196	70,869	62,639
Lawton, OK	1,956	1,558	1,770	186	26,778	6,714	14,737	12,041
Lewiston-Auburn, ME	2,293	1,814	2,130	163	38,181	7,564	21,317	16,864
Lexington, KY	10,196	8,054	9,468	728	204,055	34,856	101,581	102,474
Lima, OH	3,456	2,681	3,123	333	66,411	12,438	31,305	35,106
Lincoln, NE	5,679	4,489	5,279	400	110,355	20,279	56,829	53,526
Little Rock-North Little Rock, AR	13,307	10,816	12,453	854	261,635	45,681	127,326	134,309

Table A.4 *Firms and Employment by Metropolitan Area and Employment Size of Firm, 1996*—Continued

Metropolitan Statistical Area	Firms by Employment Size				Employment by Employment Size of Firm			
	Total	<20	<500	500+	Total	<20	<500	500+
Longview-Marshall, TX	4,892	3,862	4,504	388	72,777	16,265	42,587	30,190
Los Angeles-Long Beach, CA	187,356	161,597	184,398	2,958	3,469,378	628,994	1,835,709	1,633,669
Louisville, KY–IN	21,979	17,687	20,770	1,209	475,638	76,932	237,350	238,288
Lowell, MA–NH	5,430	4,442	5,125	305	96,861	18,599	53,050	43,811
Lubbock, TX	5,753	4,499	5,277	476	87,681	19,108	52,301	35,380
Lynchburg, VA	4,605	3,726	4,257	348	85,224	15,313	41,517	43,707
Macon, GA	6,173	4,878	5,624	549	114,053	20,626	53,386	60,667
Madison, WI	10,042	7,858	9,412	630	201,340	35,044	112,081	89,259
Manchester, NH	5,066	3,936	4,605	461	88,545	16,451	46,871	41,674
Mansfield, OH	3,655	2,848	3,334	321	71,482	12,252	36,147	35,335
McAllen-Edinburg-Mission, TX	6,662	5,517	6,310	352	93,187	22,573	59,179	34,008
Medford-Ashland, OR	4,534	3,761	4,251	283	56,151	14,831	34,677	21,474
Melbourne-Titusville-Palm Bay, FL	9,651	8,209	9,100	551	139,568	31,826	67,389	72,179
Memphis, TN–AR–MS	19,741	15,549	18,371	1,370	478,408	69,267	212,819	265,589
Merced, CA	2,603	2,093	2,388	215	34,703	8,432	19,335	15,368
Miami, FL	60,580	54,072	59,236	1,344	820,740	192,505	464,829	355,911
Middlesex-Somerset-Hunterdon, NJ	28,003	23,756	26,779	1,224	550,244	89,214	244,241	306,003
Milwaukee-Waukesha, WI	33,155	26,948	31,793	1,362	741,527	119,162	384,728	356,799
Minneapolis-St. Paul, MN–WI	64,699	53,875	62,725	1,974	1,448,560	218,259	722,861	725,699
Mobile, AL	11,072	8,898	10,317	755	188,063	37,404	105,342	82,721
Modesto, CA	6,987	5,716	6,548	439	103,100	24,068	58,104	44,996
Monmouth-Ocean, NJ	25,092	22,486	24,457	635	282,922	80,644	175,361	107,561
Monroe, LA	3,653	2,865	3,349	304	58,011	12,669	34,173	23,838
Montgomery, AL	6,701	5,255	6,149	552	120,241	23,101	63,838	56,403
Muncie, IN	2,399	1,766	2,131	268	48,431	8,016	25,240	23,191
Myrtle Beach, SC	5,894	4,833	5,526	368	75,100	18,947	49,585	25,515
Naples, FL	6,900	5,932	6,550	350	73,305	21,124	47,463	25,842
Nashua, NH	4,589	3,595	4,225	364	83,400	14,523	41,063	42,337
Nashville, TN	26,466	21,690	24,983	1,483	580,090	89,647	256,169	323,921
Nassau-Suffolk, NY	78,636	71,107	77,415	1,221	985,352	248,775	576,946	408,406
New Bedford, MA	3,630	2,998	3,407	223	54,259	12,118	30,871	23,388
New Haven-Meriden, CT	12,951	10,789	12,310	641	226,653	43,562	115,625	111,028

New London-Norwich, CT–RI	6,371	5,332	6,013	358	113,254	21,817	53,584	59,670
New Orleans, LA	26,372	21,661	25,074	1,298	513,007	91,660	264,081	248,926
New York, NY	208,911	186,872	206,358	2,553	3,418,034	658,914	1,778,732	1,639,302
Newark, NJ	51,445	44,839	50,037	1,408	848,653	168,600	438,931	409,722
Newburgh, NY–PA	7,664	6,567	7,262	402	90,787	24,706	57,581	33,206
Norfolk-Va. Beach-Newport News, VA	26,542	22,094	25,324	1,218	509,128	96,655	255,917	253,211
Oakland, CA	47,066	39,570	45,347	1,719	825,589	161,310	430,737	394,852
Ocala, FL	4,672	3,819	4,288	384	61,947	14,511	32,615	29,332
Odessa-Midland, TX	6,359	5,177	5,912	447	82,272	21,809	50,722	31,550
Oklahoma City, OK	24,231	20,317	23,105	1,126	399,419	81,069	217,489	181,930
Olympia, WA	4,478	3,763	4,195	283	48,576	14,639	30,658	17,918
Omaha, NE–IA	15,356	12,296	14,391	965	342,527	51,643	156,320	186,207
Orange County, CA	62,488	52,110	60,478	2,010	1,169,947	213,593	620,675	549,272
Orlando, FL	34,369	28,925	32,750	1,619	666,338	109,255	290,012	376,326
Owensboro, KY	2,114	1,618	1,900	214	36,968	7,469	20,539	16,429
Panama City, FL	3,664	2,942	3,365	299	50,988	13,136	31,225	19,763
Parkersburg-Marietta, WV–OH	3,516	2,788	3,215	301	57,145	11,764	31,072	26,073
Pensacola, FL	7,298	5,955	6,732	566	120,556	24,201	56,825	63,731
Peoria-Pekin, IL	7,193	5,745	6,694	499	147,739	25,187	74,523	73,216
Philadelphia, PA–NJ	102,347	87,936	99,815	2,532	2,023,612	363,082	997,661	1,025,951
Phoenix-Mesa, AZ	55,678	46,715	53,584	2,094	1,138,425	188,157	544,523	593,902
Pine Bluff, AR	1,543	1,190	1,386	157	27,131	5,121	12,733	14,398
Pittsburgh, PA	48,583	41,177	46,947	1,636	976,666	174,706	489,500	487,166
Pittsfield, MA	2,362	1,869	2,169	193	NA	NA	NA	15,406
Pocatello, ID	1,664	1,265	1,489	175	21,443	5,670	12,460	8,983
Portland, ME	7,676	6,218	7,143	533	116,466	24,578	64,813	51,653
Portland-Vancouver, OR–WA	45,750	38,743	44,097	1,653	780,360	155,335	423,966	356,394
Portsmouth-Rochester, NH–ME	6,143	5,080	5,776	367	88,587	20,237	48,521	40,066
Providence-Fall River-Warwick, RI–MA	27,209	23,406	26,362	847	435,685	90,048	244,016	191,669
Provo-Orem, UT	5,440	4,386	5,123	317	116,096	18,991	54,453	61,643
Pueblo, CO	2,794	2,255	2,548	246	40,910	9,583	21,031	19,879
Punta Gorda, FL	2,575	2,166	2,377	198	28,905	8,128	15,359	13,546
Racine, WI	3,818	3,025	3,538	280	72,345	13,384	38,446	33,899
Raleigh-Durham-Chapel Hill, NC	25,030	20,864	23,738	1,292	495,222	84,607	221,735	273,487
Rapid City, SD	2,928	2,375	2,723	205	36,687	9,680	24,199	12,488
Reading, PA	6,931	5,533	6,467	464	138,279	24,950	70,878	67,401
Redding, CA	4,118	3,456	3,858	260	42,829	14,341	30,062	12,767
Reno, NV	9,078	7,336	8,395	683	150,877	29,367	73,810	77,067
Richland-Kennewick-Pasco, WA	3,785	2,999	3,468	317	61,297	12,344	28,833	32,464

Table A.4 *Firms and Employment by Metropolitan Area and Employment Size of Firm, 1996*—Continued

Metropolitan Statistical Area	Firms by Employment Size				Employment by Employment Size of Firm			
	Total	<20	<500	500+	Total	<20	<500	500+
Richmond-Petersburg, VA	21,140	17,279	19,924	1,216	429,155	72,794	194,082	235,073
Riverside-San Bernardino, CA	41,161	34,498	39,671	1,490	694,779	141,834	384,090	310,689
Roanoke, VA	5,962	4,614	5,387	575	123,641	19,239	56,232	67,409
Rochester, MN	2,454	1,821	2,190	264	62,446	7,901	24,327	38,119
Rochester, NY	19,791	16,516	18,879	912	450,509	68,870	198,992	251,517
Rockford, IL	7,747	6,139	7,207	540	156,809	26,903	80,269	76,540
Rocky Mount, NC	2,787	2,150	2,524	263	57,580	9,007	26,429	31,151
Sacramento, CA	29,212	24,604	27,977	1,235	462,321	100,510	240,454	221,867
Saginaw-Bay City-Midland, MI	8,185	6,576	7,658	527	150,814	29,932	78,260	72,554
St. Cloud, MN	3,927	3,105	3,653	274	73,455	13,761	39,109	34,346
St. Joseph, MO	2,356	1,826	2,124	232	38,276	7,685	20,146	18,130
St. Louis, MO–IL	54,758	45,993	52,868	1,890	1,143,030	193,155	552,408	590,622
Salem, OR	7,492	6,284	7,115	377	98,978	25,582	61,411	37,567
Salinas, CA	7,416	6,171	6,987	429	96,913	25,357	59,510	37,403
Salt Lake City-Ogden, UT	26,215	21,555	24,992	1,223	537,434	90,785	261,188	276,246
San Angelo, TX	2,314	1,816	2,111	203	32,524	7,296	18,253	14,271
San Antonio, TX	26,390	21,910	25,072	1,318	536,418	91,638	244,273	292,145
San Diego, CA	52,500	44,927	50,878	1,622	874,076	178,406	484,454	389,622
San Francisco, CA	52,247	44,435	50,720	1,527	883,390	175,001	472,446	410,944
San Jose, CA	36,474	30,077	35,024	1,450	845,089	124,419	377,779	467,310
San Luis Obispo-Atasc.-Paso Robles, CA	5,677	4,870	5,444	233	61,674	20,085	42,942	18,732
Santa Barbara-Santa Maria-Lompoc, CA	9,311	7,780	8,845	466	122,652	32,493	80,397	42,255
Santa Cruz-Watsonville, CA	6,015	5,156	5,766	249	70,051	20,734	47,581	22,470
Santa Fe, NM	4,442	3,724	4,167	275	48,569	14,537	32,135	16,434
Santa Rosa, CA	11,526	9,854	11,048	478	138,949	39,042	93,366	45,583
Sarasota-Bradenton, FL	14,137	12,202	13,461	676	189,927	43,890	100,407	89,520
Savannah, GA	6,230	4,838	5,645	585	108,893	20,662	53,825	55,068
Scranton-Wilkes-Barre-Hazleton, PA	12,839	10,633	12,229	610	238,414	42,599	130,468	107,946
Seattle-Bellevue-Everett, WA	62,428	53,474	60,545	1,883	1,072,021	208,914	553,489	518,532
Sharon, PA	2,573	2,010	2,341	232	42,503	8,859	24,867	17,636
Sheboygan, WI	2,256	1,752	2,084	172	51,278	8,169	24,902	26,376
Sherman-Denison, TX	2,252	1,796	2,027	225	35,053	7,374	17,230	17,823

Shreveport-Bossier City, LA	7,742	6,131	7,151	591	144,761	26,801	74,636	70,125
Sioux City, IA–NE	2,951	2,208	2,694	257	59,189	9,823	30,340	28,849
Sioux Falls, SD	4,732	3,641	4,337	395	90,782	15,455	46,616	44,166
South Bend, IN	5,763	4,388	5,239	524	116,525	20,103	59,819	56,706
Spokane, WA	10,044	8,163	9,461	583	153,967	34,136	91,655	62,312
Springfield, IL	4,966	3,907	4,535	431	78,592	16,296	40,850	37,742
Springfield, MO	8,118	6,598	7,606	512	135,211	26,987	69,926	65,285
Springfield, MA	11,390	9,375	10,814	576	215,075	40,948	113,225	101,850
Stamford-Norwalk, CT	13,337	11,219	12,691	646	208,242	41,862	107,622	100,620
State College, PA	2,724	2,116	2,501	223	44,841	9,002	26,223	18,618
Steubenville-Weirton, OH–WV	2,539	2,076	2,353	186	44,309	8,686	19,765	24,544
Stockton-Lodi, CA	8,706	7,016	8,111	595	132,449	28,809	75,565	56,884
Sumter, SC	1,665	1,278	1,482	183	34,296	5,743	16,105	18,191
Syracuse, NY	14,292	11,679	13,504	788	278,843	48,917	138,344	140,499
Tacoma, WA	13,061	10,927	12,465	596	182,656	43,313	109,101	73,555
Tallahassee, FL	5,991	4,770	5,477	514	92,097	19,973	48,483	43,614
Tampa-St. Petersburg-Clearwater, FL	49,597	42,984	47,830	1,767	892,869	162,046	398,925	493,944
Terre Haute, IN	3,090	2,425	2,794	296	57,172	10,536	27,086	30,086
Texarkana, TX-Texarkana, AR	2,510	1,942	2,281	229	37,872	8,602	21,707	16,165
Toledo, OH	12,450	9,865	11,683	767	272,853	45,015	135,839	137,014
Topeka, KS	4,103	3,163	3,746	357	77,006	13,190	39,455	37,551
Trenton, NJ	8,074	6,536	7,524	550	155,206	26,530	74,555	80,651
Tucson, AZ	15,193	12,508	14,365	828	253,420	53,347	144,463	108,957
Tulsa, OK	18,479	15,252	17,507	972	321,016	61,145	170,881	150,135
Tuscaloosa, AL	3,448	2,704	3,171	277	61,314	12,542	31,530	29,784
Tyler, TX	4,318	3,389	3,939	379	64,942	14,007	35,859	29,083
Utica-Rome, NY	5,531	4,628	5,186	345	98,717	18,770	51,617	47,100
Vallejo-Fairfield-Napa, CA	8,576	7,074	8,049	527	118,973	29,755	69,256	49,717
Ventura, CA	14,410	11,990	13,677	733	209,265	48,804	123,085	86,180
Victoria, TX	1,988	1,535	1,772	216	26,182	6,859	15,577	10,605
Vineland-Millville-Bridgeton, NJ	2,839	2,323	2,651	188	44,460	9,742	25,052	19,408
Visalia-Tulare-Porterville, CA	5,279	4,315	4,943	336	74,189	18,157	47,051	27,138
Waco, TX	4,277	3,331	3,877	400	80,357	14,211	38,586	41,771
Washington, DC–MD–VA–WV	98,398	83,922	95,954	2,444	1,900,513	344,990	987,539	912,974
Waterbury, CT	4,799	3,973	4,537	262	69,294	NA	43,885	25,409
Waterloo-Cedar Falls, IA	2,816	2,100	2,543	273	56,371	9,656	28,111	28,260
Wausau, WI	3,011	2,287	2,762	249	56,704	10,147	29,759	26,945
West Palm Beach-Boca Raton, FL	30,394	26,731	29,403	991	384,573	95,389	219,984	164,589
Wheeling, WV–OH	3,360	2,724	3,096	264	50,097	11,868	28,384	21,713

Table A.4 *Firms and Employment by Metropolitan Area and Employment Size of Firm, 1996*—Continued

Metropolitan Statistical Area	Firms by Employment Size				Employment by Employment Size of Firm			
	Total	<20	<500	500+	Total	<20	<500	500+
Wichita, KS	11,531	9,233	10,817	714	235,000	39,465	117,878	117,122
Wichita Falls, TX	3,195	2,541	2,903	292	47,565	10,628	24,839	22,726
Williamsport, PA	2,623	2,032	2,381	242	47,176	8,781	25,126	22,050
Wilmington-Newark, DE–MD	14,017	11,234	12,956	1,061	264,508	43,258	118,269	146,239
Wilmington, NC	6,350	5,227	5,935	415	82,274	21,255	49,112	33,162
Worcester, MA–CT	9,985	8,091	9,398	587	198,288	32,736	102,218	96,070
Yakima, WA	4,299	3,516	4,045	254	56,849	14,512	40,118	16,731
Yolo, CA	3,044	2,298	2,747	297	52,237	9,981	27,104	25,133
York, PA	6,867	5,411	6,388	479	146,714	24,303	75,063	71,651
Youngstown-Warren, OH	11,902	9,909	11,387	515	209,031	43,618	119,382	89,649
Yuba City, CA	2,280	1,855	2,101	179	24,600	7,312	15,943	8,657
Yuma, AZ	2,150	1,658	1,950	200	29,702	7,163	18,059	11,643

NA = Not available.

Notes: For metropolitan statistical area data, a firm is defined as an aggregation of all establishments owned by a parent company within an MSA. Establishments are locations with active payroll in any quarter. Employment is measured in March; thus, some firms will have no employment and some annual payroll. For more detailed data, see http://www.sba.gov/advo/stats/.

Source: U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Department of Commerce, Bureau of the Census.

Table A.5 *Employer Firms by Major Industry and Employment Size of Firm, 1996 (Annual Payroll and Estimated Receipts in Thousands of Dollars)*

Industry	Total	Employment Size of Firm					
		0	<20	20–99	100–499	<500	500+
Total, All Industries							
Firms	5,478,047	717,991	4,909,983	476,312	76,136	5,462,431	15,616
Establishments	6,738,476	720,241	4,976,014	636,285	280,635	5,892,934	845,542
Employment	102,187,297	0	19,881,502	18,643,192	14,649,808	53,174,502	49,012,795
Annual Payroll	2,848,623,049	27,583,182	481,008,640	465,229,685	384,020,002	1,330,258,327	1,518,364,722
Estimated Receipts	16,654,636,336	138,006,624	2,805,149,395	2,817,214,145	2,168,502,766	7,790,866,306	8,863,770,030
Agricultural Services, Forestry and Fishing							
Firms	111,513	24,936	106,313	4,671	386	111,370	143
Establishments	113,128	24,938	106,371	4,836	637	111,844	1,284
Employment	664,356	0	374,787	158,616	53,530	586,933	77,423
Annual Payroll	13,290,974	505,195	7,261,203	3,169,143	1,031,613	11,461,959	1,829,015
Estimated Receipts	40,701,517	1,625,058	20,599,356	8,549,901	3,627,597	32,776,854	7,924,663
Mining							
Firms	21,102	2,414	17,838	2,328	548	20,714	388
Establishments	26,874	2,424	18,038	2,840	1,476	22,354	4,520
Employment	574,328	0	73,098	86,295	77,995	237,388	336,940
Annual Payroll	26,489,852	164,622	2,278,619	3,021,095	3,284,976	8,584,690	17,905,162
Estimated Receipts	163,886,514	891,901	17,180,118	18,385,837	18,877,203	54,443,158	109,443,356
Construction							
Firms	651,915	106,730	601,725	44,897	4,631	651,253	662
Establishments	658,402	106,737	601,935	45,630	6,093	653,658	4,744
Employment	5,207,460	0	2,264,980	1,643,794	750,682	4,659,456	548,004
Annual Payroll	160,892,030	3,175,447	59,034,782	52,510,825	27,347,360	138,892,967	21,999,063
Estimated Receipts	726,935,549	14,705,333	281,025,572	223,963,410	120,959,118	625,948,100	100,987,449

Table A.5 *Employer Firms by Major Industry and Employment Size of Firm, 1996 (Annual Payroll and Estimated Receipts in Thousands of Dollars)*—Continued

Industry	Total	Employment Size of Firm					
		0	<20	20–99	100–499	<500	500+
Manufacturing							
Firms	332,565	29,008	244,110	67,057	16,475	327,642	4,923
Establishments	393,356	29,031	244,583	71,421	28,174	344,178	49,178
Employment	18,558,485	0	1,362,365	2,775,718	3,005,042	7,143,125	11,415,360
Annual Payroll	659,657,111	2,124,329	35,520,129	78,888,124	90,253,462	204,661,715	454,995,396
Estimated Receipts	3,546,269,039	12,563,794	160,297,454	361,221,182	480,765,372	1,002,284,008	2,543,985,031
Transportation, Communications, and Public Utilities							
Firms	217,710	31,210	191,306	20,805	3,942	216,053	1,657
Establishments	295,464	31,266	193,385	26,647	12,611	232,643	62,821
Employment	6,057,265	0	748,806	797,288	635,867	2,181,961	3,875,304
Annual Payroll	211,886,361	1,144,993	17,420,287	20,406,195	18,738,405	56,564,887	155,321,474
Estimated Receipts	1,078,776,322	4,909,717	82,764,634	86,120,959	81,235,978	250,121,571	828,654,751
Wholesale Trade							
Firms	416,958	43,407	358,215	47,232	8,159	413,606	3,352
Establishments	531,514	43,549	364,912	68,944	28,992	462,848	68,666
Employment	6,664,886	0	1,636,885	1,713,269	1,044,493	4,394,647	2,270,239
Annual Payroll	240,322,798	1,797,841	51,347,094	55,350,532	36,012,208	142,709,834	97,612,964
Estimated Receipts	4,045,198,787	32,177,510	924,044,623	1,004,232,674	602,298,331	2,530,575,628	1,514,623,159
Retail Trade							
Firms	1,103,549	138,428	970,910	116,297	13,305	1,100,512	3,037
Establishments	1,579,291	139,469	992,901	165,003	76,973	1,234,877	344,414
Employment	21,487,341	0	4,422,117	4,367,106	2,221,268	11,010,491	10,476,850
Annual Payroll	317,660,125	3,552,866	59,902,569	65,682,488	36,261,174	161,846,231	155,813,894
Estimated Receipts	2,424,796,916	23,702,023	491,803,022	546,173,234	302,825,673	1,340,801,929	1,083,994,987

Finance, Insurance, and Real Estate							
Firms	453,319	58,066	419,719	24,707	5,783	450,209	3,110
Establishments	650,131	58,263	427,346	44,928	29,559	501,833	148,298
Employment	7,185,291	0	1,303,771	942,724	820,996	3,067,491	4,117,800
Annual Payroll	284,755,623	2,425,992	38,641,722	31,624,997	29,824,247	100,090,966	184,664,657
Estimated Receipts	2,260,550,402	12,027,744	208,432,475	177,926,476	210,380,695	596,739,646	1,663,810,756
Services							
Firms	2,175,597	267,338	1,975,649	158,667	32,635	2,166,951	8,646
Establishments	2,461,303	268,024	1,997,740	205,826	96,120	2,299,686	161,617
Employment	35,747,905	0	7,660,695	6,152,400	6,039,935	19,853,030	15,894,875
Annual Payroll	932,959,203	12,341,737	208,948,086	154,521,463	141,266,557	504,736,106	428,223,097
Estimated Receipts	2,363,338,307	33,419,017	615,131,486	390,328,144	347,532,799	1,352,992,429	1,010,345,878
Unclassified							
Firms	29,013	16,540	28,803	210	0	29,013	0
Establishments	29,013	16,540	28,803	210	0	29,013	0
Employment	39,980	0	33,998	5,982	0	39,980	0
Annual Payroll	708,972	350,160	654,149	54,823	0	708,972	0
Estimated Receipts	4,182,983	1,984,527	3,870,655	312,328	0	4,182,983	0

Notes: Employment is measured in March; thus, some firms will have zero employment and some annual payroll. For industry data, a firm is defined as an aggregation of all establishments owned by a parent company within an industry. Establishments are locations with active payroll in any quarter. For more detailed data, see http://www.sba.gov/advo/stats/.
Source: U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Department of Commerce, Bureau of the Census.

Table A.6 *Employer Firms, Establishments, Employment, Payroll, and Receipts by Major Industry and Firm Size, 1996 (Annual Payroll and Estimated Receipts in Thousands of Dollars)*

			Estimated Receipt Size of Firm (Millions of Dollars)						
Industry		Total	<1	1–2.9	3–4.9	<5	5–7.49	7.5–99.9	100+
Total, All Industries	Firms	5,478,047	4,361,647	668,488	164,733	5,194,868	89,277	180,565	13,337
	Establishments	6,738,476	4,399,280	737,787	211,028	5,348,095	131,622	478,926	779,833
	Employment	102,187,297	16,953,892	11,081,179	5,108,073	33,143,144	3,981,359	21,614,703	43,448,091
	Annual Payroll	2,848,623,049	266,172,292	258,602,148	133,605,746	658,380,186	108,233,527	640,013,850	1,441,995,486
	Estimated Receipts	16,654,636,336	1,098,368,819	1,132,279,773	633,728,839	2,864,377,431	544,075,950	3,813,027,613	9,433,155,342
Agricultural Services, Forestry and Fishing	Firms	111,513	105,840	4,266	583	110,689	249	438	137
	Establishments	113,128	105,883	4,336	615	110,834	269	775	1,250
	Employment	664,356	397,792	101,331	29,371	528,494	16,860	NA	NA
	Annual Payroll	13,290,974	6,757,631	2,452,589	725,255	9,935,475	427,172	NA	NA
	Estimated Receipts	40,701,517	18,019,144	6,634,861	2,165,801	26,819,806	1,380,939	NA	NA
Mining	Firms	21,102	13,740	3,811	1,057	18,608	614	1,447	433
	Establishments	26,874	13,799	3,931	1,153	18,883	715	2,679	4,597
	Employment	574,328	50,168	45,417	20,801	116,386	17,297	111,489	329,156
	Annual Payroll	26,489,852	1,057,263	1,367,322	729,983	3,154,568	634,973	4,809,664	17,890,647
	Estimated Receipts	163,886,514	4,276,724	6,497,207	3,945,233	14,719,164	3,551,509	26,259,271	119,356,570
Construction	Firms	651,915	533,400	78,643	17,300	629,343	8,637	13,294	641
	Establishments	658,402	533,481	78,830	17,458	629,769	8,804	15,344	4,485
	Employment	5,207,460	1,638,598	1,081,956	463,962	3,184,516	334,726	1,182,465	505,753
	Annual Payroll	160,892,030	31,246,046	31,274,965	15,701,066	78,222,077	12,208,982	48,479,181	21,981,790
	Estimated Receipts	726,935,549	139,014,895	131,824,796	65,844,305	336,683,996	51,818,968	228,167,172	110,265,413
Manufacturing	Firms	332,565	200,131	62,760	20,871	283,762	12,809	31,340	4,654
	Establishments	393,356	200,360	63,473	21,768	285,601	13,799	47,108	46,848
	Employment	18,558,485	902,742	1,123,092	706,200	2,732,034	620,639	4,256,775	10,949,037
	Annual Payroll	659,657,111	15,901,505	27,755,339	19,514,970	63,171,814	17,981,586	130,585,837	447,917,874
	Estimated Receipts	3,546,269,039	63,022,645	110,030,113	79,787,274	252,840,032	76,667,648	648,809,347	2,567,952,012
Transportation, Communications, and Public Utilities	Firms	217,710	174,594	25,632	5,936	206,162	3,229	6,845	1,474
	Establishments	295,464	175,942	27,778	7,559	211,279	4,667	19,598	59,920
	Employment	6,057,265	624,521	457,054	219,118	1,300,693	173,356	902,195	3,681,021
	Annual Payroll	211,886,361	10,243,563	10,927,266	5,846,780	27,017,609	4,866,665	28,367,222	151,634,865
	Estimated Receipts	1,078,776,322	43,719,085	42,796,399	22,315,759	108,831,243	18,826,117	121,827,467	829,291,495

Wholesale Trade	Firms	416,958	158,461	111,619	45,783	315,863	28,675	66,000	6,420
	Establishments	531,514	158,891	113,237	47,875	320,003	31,225	100,680	79,606
	Employment	6,664,886	291,517	599,020	423,061	1,313,598	376,527	2,257,068	2,717,693
	Annual Payroll	240,322,798	4,392,451	13,711,444	12,128,265	30,232,160	11,875,177	81,361,981	116,853,480
	Estimated Receipts	4,045,198,787	65,198,438	202,664,254	176,579,776	444,442,468	173,301,933	1,329,190,766	2,098,263,620
Retail Trade	Firms	1,103,549	875,215	152,021	28,517	1,055,753	13,829	31,405	2,562
	Establishments	1,579,291	888,161	176,335	44,738	1,109,234	28,381	127,936	313,740
	Employment	21,487,341	4,171,904	2,715,513	952,585	7,840,002	665,980	3,298,549	9,682,810
	Annual Payroll	317,660,125	38,683,485	36,487,180	14,808,186	89,978,851	10,709,822	66,137,357	150,834,095
	Estimated Receipts	2,424,796,916	248,845,447	249,956,847	106,647,327	605,449,621	80,902,815	629,569,277	1,108,875,203
Finance, Insurance, and Real Estate	Firms	453,319	371,410	48,159	10,673	430,242	5,893	13,947	3,237
	Establishments	650,131	374,254	53,924	14,966	443,144	10,015	49,330	147,642
	Employment	7,185,291	931,210	541,705	247,866	1,720,781	199,604	1,160,078	4,104,828
	Annual Payroll	284,755,623	18,446,425	17,265,604	8,486,494	44,198,523	6,907,911	44,441,441	189,207,748
	Estimated Receipts	2,260,550,402	90,792,955	79,391,521	39,987,022	210,171,498	34,390,408	258,536,485	1,757,452,011
Services	Firms	2,175,597	1,901,959	184,406	36,322	2,122,687	17,519	31,351	4,040
	Establishments	2,461,303	1,919,998	215,518	54,854	2,190,370	33,728	115,462	121,743
	Employment	35,747,905	7,910,434	4,412,102	2,044,562	14,367,098	1,576,032	8,394,841	11,409,934
	Annual Payroll	932,959,203	138,981,951	117,246,046	55,638,313	311,866,310	42,602,093	234,537,130	343,953,670
	Estimated Receipts	2,363,338,307	422,715,703	301,818,776	136,304,192	860,838,671	103,126,827	565,452,200	833,920,609
Unclassified	Firms	29,013	28,511	425	42	28,978	19	14	2
	Establishments	29,013	28,511	425	42	28,978	19	14	2
	Employment	39,980	35,006	3,989	547	39,542	338	NA	NA
	Annual Payroll	708,972	461,972	114,393	26,434	602,799	19,146	NA	NA
	Estimated Receipts	4,182,983	2,763,783	664,999	152,150	3,580,932	108,786	NA	NA

NA = Not available.

Note: For industry data, a firm is defined as an aggregation of all establishments owned by a parent company within an industry. Establishments are locations with active payroll in any quarter. Employment is measured in March. For more detailed data, see http://www.sba.gov/advo/stats/.

Source: U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Department of Commerce, Bureau of Census.

Table A.7 *Business Income Tax Returns by Receipt Size of Tax Return, 1990–1996*

Receipts Size of Tax Return (Dollars)[1]	1990	1994	1995	1996
Total Returns	**20,052.9**	**21,990.2**	**22,446.0**	**23,240.7**
Under 25,000[2]	12,037.4	13,091.1	13,278.6	13,593.3
25,000–49,999	2,038.2	2,263.8	2,404.6	2,517.5
50,000–99,999	1,774.4	1,966.9	1,981.7	2,098.9
100,000–499,999	2,828.3	3,086.1	3,119.1	3,291.0
500,000–999,999	610.8	682.8	719.5	749.1
1,000,000 or more	763.8	899.5	942.5	990.9
Corporations, Total	**3,716.7**	**4,342.4**	**4,441.2**	**4,631.4**
Under 25,000[2]	878.7	1,028.9	1,030.0	1,059.7
25,000–49,999	252.0	275.3	288.4	286.0
50,000–99,999	358.9	427.3	446.8	480.4
100,000–249,999	661.7	744.9	736.1	798.4
250,000–499,999	500.0	611.1	623.9	645.7
500,000–999,999	416.0	488.6	512.7	520.8
1,000,000 or more	649.4	766.3	803.3	840.4
Partnerships, Total[3]	**1,553.6**	**1,493.9**	**1,580.9**	**1,654.2**
Under 25,000[2]	962.6	899.1	931.3	956.2
25,000–49,999	126.0	120.8	133.5	140.6
50,000–99,999	133.4	131.0	142.3	145.7
100,000–249,999	139.9	147.2	158.6	174.4
250,000–499,999	82.5	80.3	86.5	94.0
500,000–999,999	52.1	53.6	59.4	63.6
1,000,000 or more	57.1	61.9	69.3	79.7
Nonfarm Sole Proprietorships, Total	**14,782.6**	**16,153.9**	**16,423.9**	**16,955.1**
Under 2,500[2]	3,750.1	4,205.2	4,139.5	4,261.2
2,500–4,999	1,714.5	1,819.1	1,954.1	1,963.9
5,000–9,999	2,011.7	2,175.7	2,254.4	2,258.6
10,000–24,999	2,719.8	2,963.1	2,969.3	3,093.7
25,000–49,999	1,660.2	1,867.7	1,982.7	2,090.9
50,000–99,999	1,282.1	1,408.6	1,392.6	1,472.8
100,000–499,999	1,444.2	1,502.6	1,514.0	1,578.5
500,000–999,999	142.7	140.6	147.4	164.7
1,000,000 or more	57.3	71.3	69.9	70.8

[1] Size classes are based on the sum of business receipts (gross amounts from sales and operations and gross rents for all industries) except for the finance, insurance, and real estate industry. For this industry, positive net rental income is included, which is the sum of business receipts and investment income.

[2] Includes returns with no receipts as defined above.

[3] Total receipts include, in part, only the net income or loss from farming and rentals. An effort is made to include rental (although not farm) gross receipts in the receipts used for the size distribution.

Note: Business tax returns overcount the number of businesses when businesses file more than one tax return.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of the Treasury, Internal Revenue Service.

Table A.8 *Employer Firm Births and Deaths and Related Employment by Size of Firm, 1989–1996*

	Period	Industry	Total	Beginning Year Employment Size of Firm <20	<500	500+	Size Class as Percent of Total <20	<500
Firms	1995–1996	Firm Births	597,792	572,442	597,503	289	95.8	100.0
		Firm Deaths	512,402	485,509	512,024	378	94.8	99.9
		Net Change	85,390	86,933	85,479	−89	—	—
	1994–1995	Firm Births	594,369	568,896	594,119	250	95.7	100.0
		Firm Deaths	497,246	472,441	496,874	372	95.0	99.9
		Net Change	97,123	96,455	97,245	−122	99.3	—
	1993–1994	Firm Births	570,587	546,437	570,337	250	95.8	100.0
		Firm Deaths	503,563	476,667	503,125	438	94.7	99.9
		Net Change	67,024	69,770	67,212	−188	—	—
	1992–1993	Firm Births	564,504	539,601	564,093	411	95.6	99.9
		Firm Deaths	492,651	466,550	492,266	385	94.7	99.9
		Net Change	71,853	73,051	71,827	26	—	100.0
	1991–1992	Firm Births	544,596	519,014	544,278	318	95.3	99.9
		Firm Deaths	521,606	492,746	521,176	430	94.5	99.9
		Net Change	22,990	26,268	23,102	−112	—	—
	1990–1991	Firm Births	541,141	515,870	540,889	252	95.3	100.0
		Firm Deaths	546,518	516,964	546,149	369	94.6	99.9
		Net Change	−5,377	−1,094	−5,260	−117	—	—
	1989–1990	Firm Births	584,892	558,478	584,660	232	95.5	100.0
		Firm Deaths	531,400	502,685	530,991	409	94.6	99.9
		Net Change	53,492	55,793	53,669	−177	—	—
	1990–1995	Firm Births	1,797,117	1,679,831	1,795,661	1,456	93.5	99.9
		Firm Deaths	1,546,705	1,426,040	1,545,007	1,698	92.2	99.9
		Net Change	250,412	253,791	250,654	−242	—	—
Employment	1995–1996	Firm Births	3,255,676	1,844,516	3,055,596	200,080	56.7	93.9
		Firm Deaths	3,099,589	1,559,598	2,808,493	291,096	50.3	90.6
		Continuing Firms	1,711,158	1,150,535	1,212,409	498,749	67.2	70.9
		Net Change	1,867,245	1,435,453	1,459,512	407,733	76.9	78.2
	1994–1995	Firm Births	3,322,001	1,836,153	3,049,456	272,545	55.3	91.8
		Firm Deaths	2,822,627	1,516,552	2,633,587	189,040	53.7	93.3
		Continuing Firms	3,092,193	1,358,182	2,197,436	894,757	43.9	71.1
		Net Change	3,591,567	1,677,783	2,613,305	978,262	46.7	72.8
	1993–1994	Firm Births	3,105,753	1,760,322	2,889,507	216,246	56.7	93.0
		Firm Deaths	3,077,307	1,549,072	2,800,933	276,374	50.3	91.0
		Continuing Firms	1,916,014	1,100,290	1,504,776	411,238	57.4	78.5
		Net Change	1,944,460	1,311,540	1,593,350	351,110	67.5	81.9
	1992–1993	Firm Births	3,438,106	1,750,662	3,053,765	384,341	50.9	88.8
		Firm Deaths	2,906,260	1,515,896	2,697,656	208,604	52.2	92.8
		Continuing Firms	1,416,407	1,241,062	1,431,127	−14,720	87.6	—
		Net Change	1,948,253	1,475,828	1,787,236	161,017	75.8	91.7
	1991–1992	Firm Births	3,200,969	1,703,491	2,863,799	337,170	53.2	89.5
		Firm Deaths	3,126,463	1,602,579	2,894,127	232,336	51.3	92.6
		Continuing Firms	448,605	1,041,557	875,026	−426,421	—	—
		Net Change	523,111	1,142,469	844,698	−321,587	—	—

Table A.8 *Employer Firm Births and Deaths and Related Employment by Size of Firm, 1989–1996*—Continued

	Period	Industry	Total	Beginning Year Employment Size of Firm <20	<500	500+	Size Class as Percent of Total <20	<500
Employment	1990–1991	Firm Births	3,105,363	1,712,856	2,907,351	198,012	55.2	93.6
		Firm Deaths	3,208,099	1,723,159	3,044,470	163,629	53.7	94.9
		Continuing Firms	−1,058,980	561,228	−570,399	−488,581	—	—
		Net Change	−1,161,716	550,925	−707,518	−454,198	—	—
	1989–1990	Firm Births	3,211,064	1,886,311	3,090,643	120,421	58.7	96.2
		Firm Deaths	3,198,829	1,683,174	2,988,436	210,393	52.6	93.4
		Continuing Firms	1,830,946	1,313,100	1,300,511	530,435	71.7	71.0
		Net Change	1,843,181	1,516,237	1,402,718	440,463	82.3	76.1
	1990–1995	Firm Births	13,304,645	6,514,382	12,126,607	1,178,038	49.0	91.1
		Firm Deaths	11,808,721	5,611,968	11,113,149	695,572	47.5	94.1
		Continuing Firms	5,357,860	2,457,482	4,228,021	1,129,839	45.9	78.9
		Net Change	6,853,784	3,359,896	5,241,479	1,612,305	49.0	76.5

Notes: 1990–1995 represents firm births that survived until 1995, and firm deaths are firms that existed in 1990. The data represent activity from March of the beginning year to March of the ending year. Establishments with no employment in the first quarter of the beginning year were excluded. New firm births are classified by their employment size at the first quarter. Percent of size class is not calculated when size classes change in opposite directions. New firms represent new original establishments and deaths represent closed original establishments.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Table A.9 *Establishment and Employment Changes from Births and Deaths by Firm Size, 1995–1996*

Data Type	Total	Employment Size of Firm (1994)						
		1–4	5–9	10–19	20–99	100–499	500+	<500
Establishments								
Establishments in 1995	**5,878,957**	**2,562,699**	**996,249**	**617,026**	**635,628**	**278,239**	**789,116**	**5,089,841**
Changes Due to Establishment:								
Employment Expansions	1,714,598	574,590	315,078	222,668	242,076	101,134	259,052	1,455,546
Employment Contractions	1,571,826	346,063	348,125	246,276	253,980	99,602	277,780	1,294,046
Births, New Firms (Original Locations)	597,792	450,061	85,223	37,158	22,666	2,395	289	597,503
Births, Existing Firms (Secondary Locations)	99,665	428	444	999	6,609	16,009	75,176	24,489
Deaths, Original Locations	512,402	381,079	70,172	34,258	23,532	2,983	378	512,024
Deaths, Secondary Locations	94,024	1,979	2,500	4,063	11,500	12,991	60,991	33,033
Establishments in 1996	**5,969,988**	**2,630,130**	**1,009,244**	**616,862**	**629,871**	**280,669**	**803,212**	**5,166,776**
Net Change	91,031	67,431	12,995	−164	−5,757	2,430	14,096	76,935
Percent Change, Total	1.5	2.6	1.3	−0.0	−0.9	0.9	1.8	1.5
New Firms and Deaths of Original Locations	1.5	2.7	1.5	0.5	−0.1	−0.2	−0.0	1.7
Continuing Firms (Secondary Locations)	0.1	−0.1	−0.2	−0.5	−0.8	1.1	1.8	−0.2
Employment in Establishments								
Employment in Establishments in 1995	**100,282,036**	**5,387,315**	**6,432,580**	**7,727,492**	**18,413,574**	**14,658,639**	**47,662,436**	**52,619,600**
Changes Due to Establishment:								
Employment Expansions	10,284,766	1,274,425	906,962	926,632	1,887,431	1,356,247	3,933,069	6,351,697
Employment Contractions	9,330,604	435,933	704,280	804,057	1,771,845	1,433,422	4,181,067	5,149,537
Births, New Firms (Original Locations)	3,255,676	807,783	546,966	489,767	823,500	387,580	200,080	3,055,596
Births, Existing Firms (Secondary Locations)	2,652,623	2,733	3,398	7,916	72,889	286,502	2,279,185	373,438
Deaths, Original Locations	3,099,589	664,178	450,828	444,592	827,718	421,177	291,096	2,808,493
Deaths, Secondary Locations	1,895,627	2,985	6,900	17,376	106,618	229,310	1,532,438	363,189
Employment in Establishments in 1996	**102,149,281**	**6,369,160**	**6,727,898**	**7,885,782**	**18,491,213**	**14,605,059**	**48,070,169**	**54,079,112**
Net Change	1,867,245	981,845	295,318	158,290	77,639	−53,580	407,733	1,459,512
Percent Change, Total	1.9	18.2	4.6	2.0	0.4	−0.4	0.9	2.8
New Firms and Deaths of Original Locations	0.2	2.7	1.5	0.6	−0.0	−0.2	−0.2	0.5
Continuing Firms	1.7	15.6	3.1	1.5	0.4	−0.1	1.0	2.3

Notes: Represents activity from March 1995 to March 1996. Longitudinal data for private Establishments having active payroll in the first quarter of the year. (Establishments with no employment in the first quarter were excluded). New firm births are classified by their employment size at the first quarter. Existing establishments with ownership changes are not considered new firms.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census.

Table A.10 *Employer Firms and Self-Employment by SBA Region and State, 1996 and 1997*

	Employer Firms				Self-Employment (Thousands)			
	1996	1997	Percent Change	Rank	1996	1997	Percent Change	Rank
United States	**6,190,907**	**6,330,117**	**2.2**		**10,488**	**10,507**	**0.2**	
Region I								
Connecticut	92,941	94,289	1.5	31	125	108	−13.6	50
Maine	34,662	36,660	5.8	4	75	71	−5.3	40
Massachusetts	158,096	162,792	3.0	13	224	221	−1.3	31
New Hampshire	35,575	36,622	2.9	14	54	61	13.0	4
Rhode Island	30,816	31,155	1.1	39	24	25	4.2	16
Vermont	19,742	20,014	1.4	34	39	40	2.6	19
Region II								
New Jersey	214,648	212,820	−0.9	49	192	192	—	25
New York	445,277	446,048	0.2	46	506	521	3.0	17
Region III								
Delaware	22,739	24,116	6.1	3	21	19	−9.5	46
District of Columbia	23,409	23,050	−1.5	50	14	14	—	25
Maryland	121,932	125,755	3.1	12	174	190	9.2	7
Pennsylvania	236,276	238,308	0.9	43	408	440	7.8	8
Virginia	149,916	152,460	1.7	25	198	196	−1.0	29
West Virginia	38,253	37,970	−0.7	48	54	54	—	25
Region IV								
Alabama	85,797	86,841	1.2	37	151	167	10.6	5
Florida	348,339	355,429	2.0	21	453	458	1.1	23
Georgia	169,367	173,643	2.5	18	289	241	−16.6	51
Kentucky	78,044	78,958	1.2	38	136	136	—	25
Mississippi	49,916	50,852	1.9	22	85	91	7.1	9
North Carolina	154,759	159,745	3.2	11	291	277	−4.8	38
South Carolina	80,353	82,673	2.9	16	112	109	−2.7	34
Tennessee	106,644	108,263	1.5	29	263	268	1.9	22
Region V								
Illinois	266,358	270,471	1.5	27	374	383	2.4	21
Indiana	121,801	123,555	1.4	32	203	183	−9.9	47
Michigan	204,323	208,598	2.1	20	303	287	−5.3	39
Minnesota	124,514	121,688	−2.3	51	254	265	4.3	15
Ohio	225,489	228,772	1.5	30	358	361	0.8	24
Wisconsin	116,965	118,766	1.5	28	219	232	5.9	13
Region VI								
Arkansas	57,808	58,526	1.2	35	99	115	16.2	1
Louisiana	88,027	90,539	2.9	17	142	149	4.9	14
New Mexico	39,969	40,462	1.2	36	91	86	−5.5	41
Oklahoma	71,627	72,648	1.4	33	164	161	−1.8	32
Texas	368,663	375,357	1.8	23	854	845	−1.1	30
Region VII								
Iowa	66,971	67,453	0.7	45	195	173	−11.3	49
Kansas	64,074	65,155	1.7	26	137	134	−2.2	33
Missouri	117,612	125,833	7.0	1	255	246	−3.5	35
Nebraska	42,878	43,344	1.1	40	120	109	−9.2	45

Table A.10 *Employer Firms and Self-Employment by SBA Region and State, 1996 and 1997*—Continued

	Employer Firms				Self-Employment (Thousands)			
	1996	1997	Percent Change	Rank	1996	1997	Percent Change	Rank
Region VIII								
Colorado	114,521	120,898	5.6	5	206	184	−10.7	48
Montana	28,749	29,259	1.8	24	70	67	−4.3	37
North Dakota	18,667	18,831	0.9	42	54	52	−3.7	36
South Dakota	21,196	21,370	0.8	44	50	53	6.0	12
Utah	45,281	47,465	4.8	6	75	80	6.7	10
Wyoming	17,601	18,000	2.3	19	32	30	−6.3	42
Region IX								
Arizona	93,837	97,009	3.4	10	142	164	15.5	2
California	800,091	837,802	4.7	7	1,549	1,587	2.5	20
Hawaii	26,974	26,881	−0.3	47	52	59	13.5	3
Nevada	37,122	39,518	6.5	2	51	56	9.8	6
Region X								
Alaska	15,631	15,788	1.0	41	34	35	2.9	18
Idaho	34,626	36,003	4.0	9	73	68	−6.8	43
Oregon	94,384	97,147	2.9	15	191	175	−8.4	44
Washington	167,647	174,516	4.1	8	253	269	6.3	11

Notes: Employer firms and self-employment overlap as some of the self-employed have employees. Firms represent a summation of establishments owned by a parent company within a state; thus, some firms are double counted at the U.S. level when a firm is in more than one state. The self-employed include agricultural and nonagricultural industries. The self-employed are individuals aged 16 and over whose primary occupation is self-employment.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Labor, Employment and Training Administration for employer firms and Bureau of Labor Statistics for self-employment.

Table A.11 *New Employer Firms and New Incorporations by SBA Region and State, 1996 and 1997*

	New Employer Firms				New Business Incorporations			
	1996	1997	Percent Change	Rank	1996	1997	Percent Change	Rank
United States	**842,357**	**885,416**	**5.1**		**786,482**	**798,917**	**1.6**	
Region I	**41,116**	**44,399**	**8.0**		**27,071**	**25,492**	**−5.8**	
Connecticut	9,457	9,628	1.8	23	4,126	3,375	−18.2	51
Maine	4,461	5,297	18.7	3	2,873	2,823	−1.7	30
Massachusetts	16,635	17,708	6.5	13	12,808	12,437	−2.9	36
New Hampshire	4,961	6,135	23.7	2	3,070	2,791	−9.1	48
Rhode Island	3,416	3,367	−1.4	38	2,619	2,649	1.1	18
Vermont	2,186	2,264	3.6	19	1,575	1,417	−10.0	49
Region II	**84,086**	**83,965**	**−0.1**		**109,283**	**108,746**	**−0.5**	
New Jersey	27,315	26,837	−1.7	40	35,417	34,349	−3.0	37
New York	56,771	57,128	0.6	30	73,866	74,397	0.7	22
Region III	**72,043**	**80,414**	**11.6**		**112,287**	**113,385**	**1.0**	
Delaware	3,461	3,483	0.6	29	51,272	52,184	1.8	16
District of Columbia	4,087	3,225	−21.1	50	1,497	1,462	−2.3	34
Maryland	13,895	20,501	47.5	1	18,632	18,066	−3.0	38
Pennsylvania	25,433	28,945	13.8	5	19,459	20,900	7.4	7
Virginia	20,960	21,231	1.3	28	19,047	18,704	−1.8	31
West Virginia	4,207	3,029	−28.0	51	2,380	2,069	−13.1	50
Region IV	**150,918**	**162,752**	**7.8**		**185,744**	**193,360**	**4.1**	
Alabama	10,965	10,523	−4.0	41	7,686	7,742	0.7	21
Florida	49,870	56,283	12.9	7	104,113	108,268	4.0	13
Georgia	26,440	29,984	13.4	6	26,902	29,321	9.0	6
Kentucky	9,133	9,471	3.7	17	8,060	8,397	4.2	12
Mississippi	6,180	6,185	0.1	31	5,288	4,910	−7.1	46
North Carolina	21,857	23,084	5.6	15	17,861	19,078	6.8	9
South Carolina	10,856	11,040	1.7	24	8,049	8,149	1.2	17
Tennessee	15,617	16,182	3.6	18	7,785	7,495	−3.7	42
Region V	**118,829**	**117,535**	**−1.1**		**122,527**	**120,805**	**−1.4**	
Illinois	28,064	28,009	−0.2	32	36,210	36,090	−0.3	28
Indiana	14,260	14,471	1.5	26	12,620	12,734	0.9	19
Michigan	24,387	24,795	1.7	25	31,994	31,260	−2.3	33
Minnesota	13,557	13,469	−0.6	36	12,639	12,655	0.1	26
Ohio	25,795	24,102	−6.6	44	20,517	20,105	−2.0	32
Wisconsin	12,766	12,689	−0.6	35	8,547	7,961	−6.9	45
Region VI	**85,440**	**85,855**	**0.5**		**67,726**	**68,525**	**1.2**	
Arkansas	7,344	5,998	−18.3	49	6,010	6,994	16.4	2
Louisiana	10,087	10,897	8.0	11	11,531	11,152	−3.3	39
New Mexico	4,975	4,959	−0.3	33	3,042	2,919	−4.0	43
Oklahoma	9,003	9,213	2.3	21	8,105	8,162	0.7	23
Texas	54,031	54,788	1.4	27	39,038	39,298	0.7	24
Region VII	**31,415**	**31,942**	**1.7**		**22,963**	**23,338**	**1.6**	
Iowa	6,014	5,971	−0.7	37	4,589	4,695	2.3	14
Kansas	6,693	7,243	8.2	10	4,376	4,847	10.8	5
Missouri	14,763	14,540	−1.5	39	10,545	10,273	−2.6	35
Nebraska	3,945	4,188	6.2	14	3,453	3,523	2.0	15

Table A.11 *New Employer Firms and New Incorporations by SBA Region and State, 1996 and 1997*—Continued

	New Employer Firms				New Business Incorporations			
	1996	1997	Percent Change	Rank	1996	1997	Percent Change	Rank
Region VIII	**39,762**	**41,266**	**3.8**		**29,843**	**30,830**	**3.3**	
Colorado	20,317	22,463	10.6	9	16,749	15,670	−6.4	44
Montana	4,144	3,764	−9.2	47	2,325	3,219	38.5	1
North Dakota	1,668	1,526	−8.5	45	925	933	0.9	20
South Dakota	1,835	1,961	6.9	12	1,382	1,440	4.2	11
Utah	9,433	9,391	−0.4	34	6,295	7,301	16.0	4
Wyoming	2,365	2,161	−8.6	46	2,167	2,267	4.6	10
Region IX	**164,681**	**178,428**	**8.3**		**83,210**	**89,108**	**7.1**	
Arizona	13,920	13,135	−5.6	43	12,153	11,262	−7.3	47
California	138,726	153,412	10.6	8	44,043	47,055	6.8	8
Hawaii	3,992	3,622	−9.3	48	3,792	3,792	—	27
Nevada	8,043	8,259	2.7	20	23,222	26,999	16.3	3
Region X	**54,067**	**58,860**	**8.9**		**25,828**	**25,328**	**−1.9**	
Alaska	2,535	2,401	−5.3	42	1,103	1,063	−3.6	41
Idaho	5,242	5,502	5.0	16	2,504	2,489	−0.6	29
Oregon	14,995	15,275	1.9	22	9,267	9,289	0.2	25
Washington	31,295	35,682	14.0	4	12,954	12,487	−3.6	40

Notes: New firms are firms that plan to begin to hire employees. New business incorporations are firms that are either beginning as a corporation, or converting from a sole proprietorship or partnership.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by U.S. Department of Labor, Employment and Training Administration for new firms and the Dun & Bradstreet Corporation for new business incorporations.

Table A.12 *Business Terminations, Bankruptcies, and Failures by SBA Region and State, 1996 and 1997*

	Business Terminations				Business Bankruptcies				Business Failures			
	1996	1997	Percent Change	Rank	1996	1997	Percent Change	Rank	1996	1997	Percent Change	Rank
United States	**849,839**	**857,073**	**0.9**		**53,207**	**53,826**	**1.2**		**71,931**	**83,384**	**15.9**	
Region I	**43,441**	**43,886**	**1.0**		**1,953**	**2,011**	**3.0**		**3,064**	**3,445**	**12.4**	
Connecticut	12,598	11,481	−8.9	42	230	205	−10.9	46	536	635	18.5	24
Maine	4,529	4,263	−5.9	39	267	310	16.1	6	299	395	32.1	14
Massachusetts	14,702	15,479	5.3	17	1,041	965	−7.3	42	1,612	1,667	3.4	38
New Hampshire	5,141	6,025	17.2	6	92	187	103.3	1	375	417	11.2	28
Rhode Island	3,595	3,941	9.6	11	181	180	−0.6	30	134	183	36.6	11
Vermont	2,876	2,697	−6.2	40	142	164	15.5	8	108	148	37.0	9
Region II	**81,538**	**89,375**	**9.6**		**4,330**	**4,265**	**−1.5**		**7,406**	**7,695**	**3.9**	
New Jersey	25,898	26,054	0.6	30	1,067	1,112	4.2	19	2,460	2,641	7.4	34
New York	55,640	63,321	13.8	7	3,263	3,153	−3.4	37	4,946	5,054	2.2	39
Region III	**86,857**	**78,244**	**−9.9**		**5,363**	**5,600**	**4.4**		**6,071**	**5,926**	**−2.4**	
Delaware	2,528	3,786	49.8	1	239	214	−10.5	45	49	33	−32.7	51
District of Columbia	5,695	3,519	−38.2	50	119	100	−16.0	49	121	93	−23.1	50
Maryland	20,147	11,666	−42.1	51	1,468	1,678	14.3	9	1,621	1,480	−8.7	45
Pennsylvania	31,180	30,967	−0.7	32	1,870	1,885	0.8	27	2,922	3,124	6.9	35
Virginia	22,558	22,317	−1.1	33	1,342	1,356	1.0	26	1,058	877	−17.1	48
West Virginia	4,749	5,989	26.1	3	325	367	12.9	11	300	319	6.3	36
Region IV	**156,726**	**168,028**	**7.2**		**7,357**	**7,560**	**2.8**		**8,090**	**8,275**	**2.3**	
Alabama	11,458	11,741	2.5	26	772	876	13.5	10	542	635	17.2	25
Florida	54,191	63,768	17.7	5	2,026	2,162	6.7	16	2,676	2,583	−3.5	43
Georgia	24,441	25,187	3.1	24	1,801	1,642	−8.8	43	1,306	1,181	−9.6	46
Kentucky	9,359	10,068	7.6	15	431	449	4.2	20	642	568	−11.5	47
Mississippi	7,159	6,989	−2.4	36	281	299	6.4	17	183	147	−19.7	49
North Carolina	23,112	22,657	−2.0	35	703	720	2.4	22	1,038	1,031	−0.7	41
South Carolina	10,815	10,891	0.7	29	258	346	34.1	4	372	413	11.0	30
Tennessee	16,191	16,727	3.3	22	1,085	1,066	−1.8	34	1,331	1,717	29.0	16
Region V	**127,283**	**114,671**	**−9.9**		**8,099**	**8,274**	**2.2**		**8,787**	**11,404**	**29.8**	
Illinois	34,400	28,596	−16.9	45	1,806	1,788	−1.0	31	2,568	3,407	32.7	13
Indiana	14,838	15,434	4.0	20	756	683	−9.7	44	850	852	0.2	40

Michigan	26,059	19,368	−25.7	47	1,072	1,106	3.2	21	1,559	1,934	24.1	18
Minnesota	11,532	12,616	9.4	12	2,250	2,478	10.1	14	596	1,183	98.5	1
Ohio	26,330	25,276	−4.0	37	1,065	1,006	−5.5	40	2,280	2,823	23.8	19
Wisconsin	14,124	13,381	−5.3	38	1,150	1,213	5.5	18	934	1,205	29.0	15
Region VI	**91,839**	**89,955**	**−2.1**		**6,353**	**6,432**	**1.2**		**9,318**	**10,930**	**17.3**	
Arkansas	7,719	5,691	−26.3	48	486	539	10.9	12	1,005	1,117	11.1	29
Louisiana	13,634	11,242	−17.5	46	621	674	8.5	15	272	300	10.3	33
New Mexico	5,838	6,960	19.2	4	390	384	−1.5	33	423	645	52.5	6
Oklahoma	8,897	9,161	3.0	25	1,388	1,369	−1.4	32	1,560	1,546	−0.9	42
Texas	55,751	56,901	2.1	27	3,468	3,466	−0.1	29	6,058	7,322	20.9	21
Region VII	**39,237**	**39,684**	**1.1**		**1,932**	**1,931**	**−0.1**		**3,005**	**3,724**	**23.9**	
Iowa	7,507	7,465	−0.6	31	574	505	−12.0	48	458	506	10.5	31
Kansas	7,860	8,116	3.3	23	420	412	−1.9	35	1,095	1,249	14.1	26
Missouri	19,067	18,760	−1.6	34	663	733	10.6	13	1,060	1,490	40.6	8
Nebraska	4,803	5,343	11.2	8	275	281	2.2	24	392	479	22.2	20
Region VIII	**30,851**	**34,585**	**12.1**		**1,763**	**1,697**	**−3.7**		**3,173**	**4,408**	**38.9**	
Colorado	10,953	14,305	30.6	2	779	518	−33.5	51	2,254	3,082	36.7	10
Montana	4,324	4,481	3.6	21	219	278	26.9	5	179	189	5.6	37
North Dakota	1,968	1,831	−7.0	41	152	155	2.0	25	81	138	70.4	3
South Dakota	2,433	2,696	10.8	9	216	221	2.3	23	159	281	76.7	2
Utah	8,243	8,824	7.0	16	294	434	47.6	3	378	581	53.7	5
Wyoming	2,930	2,448	−16.5	44	103	91	−11.7	47	122	137	12.3	27
Region IX	**135,591**	**143,102**	**5.5**		**13,244**	**12,569**	**−5.1**		**18,760**	**22,560**	**20.3**	
Arizona	17,157	15,077	−12.1	43	880	846	−3.9	38	1,010	1,207	19.5	22
California	107,936	117,222	8.6	13	11,748	11,137	−5.2	39	16,879	20,089	19.0	23
Hawaii	3,746	3,933	5.0	18	187	187		28	395	630	59.5	4
Nevada	6,752	6,870	1.7	28	429	399	−7.0	41	476	634	33.2	12
Region X	**56,476**	**55,543**	**−1.7**		**2,813**	**3,487**	**24.0**		**4,257**	**5,017**	**17.9**	
Alaska	2,492	2,691	8.0	14	183	147	−19.7	50	184	177	−3.8	44
Idaho	5,431	5,696	4.9	19	460	532	15.7	7	539	677	25.6	17
Oregon	16,569	11,762	−29.0	49	751	1,434	90.9	2	839	1,186	41.4	7
Washington	31,984	35,394	10.7	10	1,419	1,374	−3.2	36	2,695	2,977	10.5	32

Notes: Business terminations are business closings (state unemployment insurance data). Business failures are business closings with a financial loss to one or more creditors. Business bankruptcies are firms that file for bankruptcy with the U.S. court system.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by U.S. Department of Labor, Employment and Training Administration for business terminations; Administrative Office of the U.S. Courts, Statistical Analysis and Reports Division, for business bankruptcies; and the Dun & Bradstreet Corporation for business failures.

Table A.13 *Nonfarm Sole Proprietorships and their Receipts by Gender of Owner and Industry Group, 1994 and 1995*

Industry	1994			1995			Percent Change, 1994–1995	
	All Nonfarm Businesses	Women-Owned Businesses	Women's Share of Total	All Nonfarm Businesses	Women-Owned Businesses	Women's Share of Total	All Nonfarm Businesses	Women-Owned Businesses
Nonfarm Sole Proprietorships								
U.S. Total	**18,108,776**	**6,046,617**	**33.4**	**18,391,237**	**6,135,898**	**33.4**	**1.6**	**1.5**
Agricultural Services, Forestry, and Fishing	555,138	100,035	18.0	580,093	99,417	17.1	4.5	−0.6
Mining, Construction, and Manufacturing	2,700,069	264,159	9.8	2,805,456	261,546	9.3	3.9	−1.0
Transportation, Communications, and Public Utilities	792,583	103,442	13.1	787,856	117,332	14.9	−0.6	13.4
Wholesale and Retail Trade	3,431,291	1,448,040	42.2	3,599,515	1,439,057	40.0	4.9	−0.6
Finance, Insurance and Real Estate	1,545,943	564,869	36.5	1,448,501	516,672	35.7	−6.3	−8.5
Services	9,083,752	3,566,073	39.3	9,169,816	3,701,874	40.4	0.9	3.8
Receipts (Thousands of Dollars)								
U.S. Total	**790,630,020**	**116,382,745**	**14.7**	**807,363,637**	**122,096,236**	**15.1**	**2.1**	**4.9**
Agricultural Services, Forestry, and Fishing	20,341,354	2,291,309	11.3	19,806,466	1,878,118	9.5	−2.6	−18.0
Mining, Construction, and Manufacturing	146,707,341	8,312,413	5.7	145,319,149	8,565,800	5.9	−0.9	3.0
Transportation, Communications, and Public Utilities	39,534,586	3,533,654	8.9	38,819,981	3,718,401	9.6	−1.8	5.2
Wholesale and Retail Trade	241,434,176	36,872,584	15.3	253,215,143	38,469,318	15.2	4.9	4.3
Finance, Insurance and Real Estate	58,405,768	12,141,812	20.8	59,369,042	13,529,855	22.8	1.6	11.4
Services	284,206,794	53,230,972	18.7	290,833,856	55,934,744	19.2	2.3	5.1

Note: Detail may not add to totals because of disclosure rules regarding the release of information for specific taxpayers.
Source: U.S. Small Business Administration, Office of Advocacy, from specific tabulations prepared by the U.S. Department of the Treasury, Internal Revenue Service, 1997.

Table A.14 *Women-Owned Firms by SBA Region and State, 1987 and 1992*

	Women-Owned Firms				All Firms			
	1987	1992	Percent Change	Rank	1987	1992	Percent Change	Rank
United States	**4,114,787**	**5,888,883**	**43.1**		**13,695,480**	**17,253,143**	**26.0**	
Region I	**247,254**	**336,641**	**36.2**		**819,319**	**1,014,250**	**23.8**	
Connecticut	60,924	79,931	31.2	47	196,537	237,705	20.9	37
Maine	23,922	35,260	47.4	17	88,208	109,360	24.0	29
Massachusetts	111,376	147,572	32.5	46	356,780	442,848	24.1	28
New Hampshire	22,713	31,492	38.7	34	79,771	97,772	22.6	32
Rhode Island	14,517	21,353	47.1	18	52,780	67,641	28.2	19
Vermont	13,802	21,033	52.4	9	45,243	58,924	30.2	12
Region II	**402,285**	**560,742**	**39.4**		**1,337,461**	**1,676,904**	**25.4**	
New Jersey	117,373	164,798	40.4	29	406,792	517,204	27.1	23
New York	284,912	395,944	39.0	31	930,669	1,159,700	24.6	27
Region III	**386,932**	**547,918**	**41.6**		**1,275,511**	**1,620,401**	**27.0**	
Delaware	9,727	14,904	53.2	7	30,976	42,228	36.3	3
District of Columbia	10,987	14,599	32.9	44	29,244	35,344	20.9	38
Maryland	81,891	121,777	48.7	16	244,071	328,403	34.6	5
Pennsylvania	167,362	227,500	35.9	39	595,653	728,063	22.2	34
Virginia	94,416	138,494	46.7	19	297,541	391,451	31.6	8
West Virginia	22,549	30,644	35.9	40	78,026	94,912	21.6	36
Region IV	**643,443**	**990,180**	**53.9**		**2,255,180**	**2,986,803**	**32.4**	
Alabama	48,018	71,466	48.8	15	178,119	227,119	27.5	22
Florida	221,361	352,048	59.0	4	735,810	1,000,542	36.0	4
Georgia	88,050	143,045	62.5	2	305,382	425,118	39.2	2
Kentucky	53,454	74,280	39.0	32	193,806	236,525	22.0	35
Mississippi	28,976	40,879	41.1	27	112,245	135,497	20.7	41
North Carolina	93,532	142,516	52.4	10	329,373	439,301	33.4	6
South Carolina	42,604	64,812	52.1	11	149,190	197,330	32.3	7
Tennessee	67,448	101,134	49.9	13	251,255	325,371	29.5	14
Region V	**712,370**	**1,018,037**	**42.9**		**2,335,756**	**2,967,770**	**27.1**	
Illinois	177,057	250,613	41.5	26	573,973	726,974	26.7	24
Indiana	89,949	125,411	39.4	30	294,570	364,253	23.7	30
Michigan	133,958	193,820	44.7	21	426,656	551,091	29.2	16
Minnesota	88,137	124,143	40.9	28	280,249	358,921	28.1	20
Ohio	154,084	224,693	45.8	20	521,123	666,183	27.8	21
Wisconsin	69,185	99,357	43.6	22	239,185	300,348	25.6	25
Region VI	**478,546**	**664,998**	**39.0**		**1,671,035**	**2,006,843**	**20.1**	
Arkansas	35,469	50,440	42.2	25	134,766	159,820	18.6	45
Louisiana	55,852	76,849	37.6	35	204,723	236,589	15.6	48
New Mexico	25,397	40,636	60.0	3	82,253	107,377	30.5	9
Oklahoma	63,690	82,894	30.2	48	223,676	246,936	10.4	51
Texas	298,138	414,179	38.9	33	1,025,617	1,256,121	22.5	33

Table A.14 *Women-Owned Firms by SBA Region and State, 1987 and 1992*—Continued

	Women-Owned Firms				All Firms			
	1987	1992	Percent Change	Rank	1987	1992	Percent Change	Rank
Region VII	**227,040**	**298,991**	**31.7**		**739,656**	**871,292**	**17.8**	
Missouri	87,658	117,885	34.5	43	174,121	206,840	18.8	44
Iowa	53,592	71,040	32.6	45	169,593	191,262	12.8	50
Kansas	53,505	66,429	24.2	49	293,131	348,978	19.1	43
Nebraska	32,285	43,637	35.2	42	102,811	124,212	20.8	39
Region VIII	**173,827**	**240,782**	**38.5**		**551,525**	**673,828**	**22.2**	
Colorado	89,411	121,659	36.1	38	262,597	323,147	23.1	31
Montana	17,747	25,310	42.6	24	63,623	75,331	18.4	46
North Dakota	12,689	15,355	21.0	50	42,717	48,368	13.2	49
South Dakota	13,374	18,215	36.2	37	47,829	57,084	19.4	42
Utah	29,810	45,626	53.1	8	100,186	129,202	29.0	18
Wyoming	10,796	14,617	35.4	41	34,573	40,696	17.7	47
Region IX	**660,915**	**956,960**	**44.8**		**2,121,872**	**2,674,500**	**26.0**	
Arizona	60,567	93,300	54.0	6	191,908	248,337	29.4	15
California	559,821	801,487	43.2	23	1,809,252	2,259,327	24.9	26
Hawaii	21,696	29,743	37.1	36	60,928	79,050	29.7	13
Nevada	18,831	32,430	72.2	1	59,784	87,786	46.8	1
Region X	**187,579**	**268,229**	**43.0**		**588,165**	**759,552**	**29.1**	
Alaska	19,380	13,976	−27.9	51	48,784	58,898	20.7	40
Idaho	18,973	29,946	57.8	5	68,006	88,712	30.4	10
Oregon	58,941	87,970	49.3	14	185,151	238,967	29.1	17
Washington	90,285	136,337	51.0	12	286,224	372,975	30.3	11

Note: The survey excluded non-S corporations and business tax returns with less than $500 in business receipts per year.

Source: U.S. Small Business Administration, Office of Advocacy, based upon data published by the U.S. Department of Commerce, Bureau of the Census, *1992 Economic Census, Women-Owned Businesses.*

Table A.15 *Minority-Owned Firms by SBA Region and State, 1987 and 1992*

	Black				Hispanic				Asians, Pacific Islanders, American Indians, and Alaska Natives				Total Minority-Owned			
	1987	1992	Percent Change	Rank	1987	1992	Percent Change	Rank	1987	1992	Percent Change	Rank	1987	1992	Percent Change	Rank
United States	**424,165**	**620,912**	**46.4**		**422,373**	**771,708**	**82.7**		**376,711**	**606,423**	**61.0**		**1,223,249**	**1,999,058**	**63.4**	
Region I	**9,769**	**14,216**	**45.5**		**5,798**	**13,978**	**141.1**		**7,116**	**12,904**	**81.3**		**22,683**	**41,098**	**81.2**	
Connecticut	4,061	5,714	40.7	38	2,235	4,502	101.4	23	2,051	3,485	69.9	26	8,347	13,701	64.1	18
Maine	131	235	79.4	5	139	427	207.2	1	233	483	107.3	5	503	1,145	127.6	2
Massachusetts	4,761	7,225	51.8	20	2,636	6,914	162.3	10	3,916	7,009	79.0	15	11,313	21,148	86.9	7
New Hampshire	229	46	−79.9	51	244	487	99.6	24	333	666	100.0	6	806	1,199	48.8	40
Rhode Island	489	857	75.3	8	426	1,297	204.5	3	472	987	109.1	4	1,387	3,141	126.5	3
Vermont	98	139	41.8	36	118	351	197.5	4	111	274	146.8	1	327	764	133.6	1
Region II	**50,845**	**71,449**	**40.5**		**40,348**	**72,799**	**80.4**		**48,922**	**86,169**	**76.1**		**140,115**	**230,417**	**64.4**	
New Jersey	14,556	20,137	38.3	41	12,094	22,198	83.5	36	12,665	23,116	82.5	12	39,315	65,451	66.5	16
New York	36,289	51,312	41.4	37	28,254	50,601	79.1	41	36,257	63,053	73.9	19	100,800	164,966	63.7	20
Region III	**9,674**	**12,171**	**25.8**		**9,420**	**22,391**	**137.7**		**25,143**	**42,416**	**68.7**		**44,237**	**76,978**	**74.0**	
Delaware	1,399	2,060	47.2	24	184	497	170.1	8	479	809	68.9	27	2,062	3,366	63.2	22
District of Columbia	8,275	10,111	22.2	49	762	1,452	90.6	29	807	1,393	72.6	20	9,844	12,956	31.6	48
Maryland	21,678	35,758	65.0	12	2,931	7,289	148.7	13	7,954	13,697	72.2	22	32,563	56,744	74.3	13
Pennsylvania	11,728	15,917	35.7	43	2,650	5,186	95.7	26	7,189	12,053	67.7	29	21,567	33,156	53.7	32
Virginia	18,781	26,100	39.0	40	2,716	7,654	181.8	7	8,163	13,752	68.5	28	29,660	47,506	60.2	24
West Virginia	727	1,093	50.3	21	177	313	76.8	43	551	712	29.2	48	1,455	2,118	45.6	42
Region IV	**35,612**	**55,078**	**54.7**		**69,273**	**131,611**	**90.0**		**22,663**	**42,674**	**88.3**		**127,548**	**229,363**	**79.8**	
Alabama	10,085	14,707	45.8	26	397	1,029	159.2	12	1,007	1,777	76.5	18	11,489	17,513	52.4	34
Florida	25,527	40,371	58.2	15	64,413	118,208	83.5	37	8,902	17,499	96.6	8	98,842	176,078	78.1	10
Georgia	21,283	38,264	79.8	3	1,931	5,501	184.8	6	4,221	8,961	112.3	3	27,435	52,726	92.2	6
Kentucky	3,738	5,097	36.4	42	359	752	109.5	22	899	1,614	79.5	14	4,996	7,463	49.4	39
Mississippi	9,667	14,067	45.5	28	308	660	114.3	20	1,178	1,765	49.8	40	11,153	16,492	47.9	41
North Carolina	19,487	29,221	50.0	22	918	2,802	205.2	2	3,827	6,155	60.8	33	24,232	38,178	57.6	27
South Carolina	12,815	18,343	43.1	33	393	1,057	169.0	9	965	1,877	94.5	9	14,173	21,277	50.1	37
Tennessee	10,423	14,920	43.1	32	554	1,602	189.2	5	1,664	3,026	81.9	13	12,641	19,548	54.6	30
Region V	**24,878**	**36,782**	**47.8**		**17,351**	**33,492**	**93.0**		**28,895**	**45,145**	**56.2**		**71,124**	**115,419**	**62.3**	
Illinois	19,011	28,433	49.6	23	9,636	18,368	90.6	28	14,872	21,743	46.2	44	43,519	68,544	57.5	28
Indiana	5,867	8,349	42.3	34	1,427	2,454	72.0	44	1,808	3,193	76.6	17	9,102	13,996	53.8	31
Michigan	13,708	19,695	43.7	31	2,654	5,036	89.8	30	4,729	7,409	56.7	36	21,091	32,140	52.4	35
Minnesota	1,448	2,785	92.3	2	751	1,583	110.8	21	2,024	3,168	56.5	37	4,223	7,536	78.5	9

Table A.15 *Minority-Owned Firms by SBA Region and State, 1987 and 1992*—Continued

	Black				Hispanic				Asians, Pacific Islanders, American Indians and Alaska Natives				Total Minority-Owned			
	1987	1992	Change	Rank	1987	1992	Change	Rank	1987	1992	Change	Rank	1987	1992	Change	Rank
Ohio	15,983	22,690	42.0	35	1,989	4,289	115.6	19	4,011	7,146	78.2	16	21,983	34,125	55.2	29
Wisconsin	2,381	3,446	44.7	29	894	1,762	97.1	25	1,451	2,486	71.3	24	4,726	7,694	62.8	23
Region VI	**19,723**	**26,050**	**32.1**		**113,590**	**186,033**	**63.8**		**32,054**	**55,038**	**71.7**		**165,367**	**267,121**	**61.5**	
Arkansas	4,392	5,738	30.6	47	324	701	116.4	18	658	1,214	84.5	11	5,374	7,653	42.4	44
Louisiana	15,331	20,312	32.5	46	2,697	4,983	84.8	35	2,808	4,826	71.9	23	20,836	30,121	44.6	43
New Mexico	587	925	57.6	16	14,299	21,586	51.0	48	2,155	4,608	113.8	2	17,041	27,119	59.1	26
Oklahoma	3,461	4,621	33.5	44	1,516	2,854	88.3	32	3,751	5,627	50.0	39	8,728	13,102	50.1	38
Texas	35,725	50,008	40.0	39	94,754	155,909	64.5	45	22,682	38,763	70.9	25	153,161	244,680	59.8	25
Region VII	**3,026**	**4,184**	**38.3**		**3,882**	**6,618**	**70.5**		**4,627**	**6,974**	**51.0**		**11,535**	**17,789**	**54.2**	
Iowa	703	1,106	57.3	17	475	859	80.8	40	617	1,011	66.0	30	1,795	2,989	66.5	15
Kansas	2,323	3,078	32.5	45	1,541	2,396	55.5	46	1,366	1,842	34.8	47	5,230	7,316	39.9	45
Missouri	7,832	9,973	27.3	48	1,247	2,216	77.7	42	2,193	3,451	57.4	35	11,272	15,640	38.8	46
Nebraska	863	1,350	56.4	18	619	1,147	85.3	34	451	670	48.6	41	1,933	3,167	63.8	19
Region VIII	**2,948**	**4,485**	**52.1**		**11,901**	**17,881**	**50.2**		**6,331**	**9,681**	**52.9**		**21,180**	**32,047**	**51.3**	
Colorado	2,871	4,372	52.3	19	9,516	13,817	45.2	49	3,543	5,788	63.4	31	15,930	23,977	50.5	36
Montana	77	113	46.8	25	304	568	86.8	33	612	845	38.1	46	993	1,526	53.7	33
North Dakota	57	117	105.3	1	88	116	31.8	50	329	385	17.0	50	474	618	30.4	49
South Dakota	63	111	76.2	7	109	239	119.3	17	375	555	48.0	42	547	905	65.4	17
Utah	202	354	75.2	9	1,300	2,375	82.7	38	1,239	1,746	40.9	45	2,741	4,475	63.3	21
Wyoming	81	97	19.8	50	584	766	31.2	51	233	362	55.4	38	898	1,225	36.4	47
Region IX	**49,539**	**71,904**	**45.1**		**145,050**	**274,644**	**89.3**		**183,832**	**279,685**	**52.1**		**378,421**	**626,233**	**65.5**	
Arizona	1,811	2,936	62.1	13	9,845	17,835	81.2	39	3,398	5,852	72.2	21	15,054	26,623	76.9	11
California	47,728	68,968	44.5	30	132,212	249,717	88.9	31	147,633	232,672	57.6	34	327,573	551,357	68.3	14
Hawaii	399	717	79.7	4	1,226	3,192	160.4	11	31,406	38,392	22.2	49	33,031	42,301	28.1	50
Nevada	1,002	1,736	73.3	10	1,767	3,900	120.7	16	1,395	2,769	98.5	7	4,164	8,405	101.8	4
Region X	**601**	**891**	**48.3**		**5,760**	**12,262**	**112.9**		**17,128**	**25,737**	**50.3**		**23,489**	**38,890**	**65.6**	
Alaska	507	739	45.8	27	502	766	52.6	47	5,034	3,916	−22.2	51	6,043	5,421	−10.3	51
Idaho	94	152	61.7	14	974	1,865	91.5	27	513	759	48.0	43	1,581	2,776	75.6	12
Oregon	848	1,447	70.6	11	1,598	3,538	121.4	15	3,340	5,414	62.1	32	5,786	10,399	79.7	8
Washington	2,583	4,575	77.1	6	2,686	6,093	126.8	14	8,241	15,648	89.9	10	13,510	26,316	94.8	5

Note: Survey excluded non-S corporations and business tax returns with less than $500 in business receipts during the year.
Source: U.S. Small Business Administration, Office of Advocacy, based upon data from the U.S. Department of Commerce, Bureau of the Census.

Table A.16 *Characteristics of Firms, 1992 (Percentage of Firms, unless Specified)*

	Firms (Number)	Year Closed 1992	1993	1994	1995	Survived until 1996	Home-Based	Exporter	Franchised
Total, All Firms	**17,253,143**	**7.3**	**6.7**	**5.8**	**4.7**	**75.5**	**56.6**	**1.8**	**3.1**
Number of Employees									
0[3]	14,554,022	8.3	7.7	6.5	5.1	72.4	60.3	1.6	2.9
1–4	1,716,076	3.7	1.4	2.1	3.2	89.6	27.3	2.2	2.9
5–9	503,808	1.0	1.6	2.6	3.3	91.5	13.6	2.7	3.5
10–19	256,110	1.4	1.3	2.3	2.2	92.9	8.2	4.3	9.9
20–49	144,734	0.4	1.4	3.7	2.4	92.1	6.1	6.9	14.0
50–99	45,331	1.1	1.0	1.7	1.7	94.4	1.4	11.6	21.0
100+	33,062	1.4	2.7	3.8	0.8	91.3	0.3	14.7	14.5
Race, Origin, and Gender									
Hispanic	771,708	8.2	7.2	4.9	5.5	74.3	49.2	2.7	2.8
Black	620,912	10.3	8.0	6.8	6.0	68.9	55.6	0.8	4.1
Other Minority	606,438	5.1	6.4	4.7	4.6	79.2	36.1	2.3	4.8
Women	5,888,883	8.5	7.0	5.9	5.1	73.5	58.2	1.1	3.5
Nonminority Male	10,114,456	6.6	6.5	5.9	4.6	76.4	51.9	2.1	2.9
Industry									
Agricultural Services, Forestry, Fishing, and Mining	583,253	8.3	3.9	4.0	7.0	76.8	57.7	1.6	0.9
Construction	1,829,620	7.9	9.2	4.3	6.8	71.8	77.5	0.3	0.6
Manufacturing	517,714	5.1	4.6	5.3	3.4	81.6	51.7	9.3	1.4
Transportation, Communications, and Public Utilities	698,903	8.5	7.2	5.7	7.6	70.9	52.4	1.5	4.7
Wholesale Trade	538,339	6.9	6.7	5.6	3.0	77.7	52.7	8.0	3.5
Retail Trade	2,478,045	6.9	4.8	5.5	5.0	77.8	41.6	1.5	8.0
Finance, Insurance, and Real Estate	1,941,029	3.6	3.9	6.3	3.7	82.6	35.5	1.0	6.8
Services	7,784,016	8.0	7.3	6.2	4.2	74.3	55.8	1.5	1.5
Not Classified	882,224	11.4	9.5	6.6	4.8	67.6	58.1	1.1	2.4

Note: About 3 percent of the employer size category of 0 are firms that reported payroll but no employees. The survey excluded non-S corporations (often large companies) and business tax returns with less than $500 in business receipts. Includes allocations for nonresponding owners. Other Minority includes Asian, Pacific Islander, American Indian, and Alaska Native.

Source: U.S. Small Business Administration, Office of Advocacy, based on data from the U.S. Department of Commerce, Bureau of the Census, *Characteristics of Business Owners, 1992.*

Table A.17 *Characteristics of Business Owners, 1992 (Percentage of Owners, unless Specified)*

	Owners (Number)	Year the Owner Acquired or Started the Firm: Before 1980	1980–1985	1986–1988	1989	1990	1991	1992	Owner's Age: Under 25	25–34	35–44	45–54	55–64	65+	Born in the U.S.
Total, All Firms	**19,287,649**	**22.4**	**19.6**	**18.0**	**8.3**	**8.5**	**9.2**	**14.1**	**2.4**	**15.0**	**28.7**	**24.3**	**18.5**	**11.0**	**90**
Number of Employees															
0	15,583,586	20.0	18.2	17.6	8.3	8.8	10.1	16.9	2.8	16.2	27.8	23.1	18.7	11.4	91
1–4	1,716,076	28.4	25.3	20.3	8.8	7.5	5.9	3.8	0.6	11.0	33.1	28.7	17.1	9.4	88
5–9	503,808	34.6	24.0	19.2	6.5	8.0	5.0	2.8	1.0	10.0	31.4	30.1	19.2	8.3	89
10–19	256,110	32.4	24.4	18.0	7.9	6.5	6.2	4.5	1.5	11.5	34.0	25.6	17.3	10.2	90
20–49	144,734	32.0	25.9	17.1	6.3	5.4	8.8	4.5	1.2	10.6	29.0	29.0	18.6	11.7	91
50–99	45,331	39.5	23.1	16.5	7.9	4.5	4.1	4.5	1.4	10.3	24.5	26.4	23.0	14.3	93
100+	33,062	35.1	31.1	19.8	4.0	4.0	2.2	3.9	2.1	8.0	26.7	32.0	20.3	11.0	94
Race, Origin, and Gender															
Hispanic	811,287	16.0	18.1	16.1	7.7	10.2	11.1	20.8	3.1	20.0	29.3	26.2	15.6	5.7	51
Black	638,203	20.1	17.3	15.5	8.0	8.8	10.7	19.6	1.7	13.2	28.8	26.9	19.1	10.3	90
Other Minority	697,710	15.5	18.7	16.4	9.2	10.4	11.8	18.1	3.1	14.7	32.6	27.7	15.4	6.5	32
Women	6,447,988	17.7	19.1	18.6	7.3	9.3	10.7	17.3	2.9	15.8	28.8	23.4	18.9	10.2	91
Nonminority Male	11,498,830	25.3	20.0	17.9	8.8	8.0	8.2	11.9	2.1	14.3	28.5	24.4	18.7	12.0	95
Industry															
Agricultural Services, Forestry, Fishing, and Mining	648,074	25.5	18.6	17.5	7.8	9.1	8.5	12.9	4.2	13.9	32.9	20.5	18.9	9.7	91
Construction	1,973,461	24.7	16.2	13.2	9.4	9.4	9.5	17.7	3.1	21.1	29.8	21.9	16.5	7.5	94
Manufacturing	639,469	26.2	20.7	17.4	6.4	7.8	9.0	12.5	1.6	15.3	29.5	21.9	18.9	12.9	90
Transportation, Communications, and Public Utilities	752,946	16.8	18.0	18.2	9.2	8.4	9.1	20.3	2.6	14.6	27.8	26.6	18.9	9.6	87
Wholesale Trade	648,722	24.2	18.9	19.0	7.5	9.3	10.6	10.5	1.8	11.1	27.8	28.0	18.1	13.2	90
Retail Trade	2,717,455	22.1	18.3	16.7	7.7	8.7	10.4	16.0	2.4	16.7	27.5	24.4	19.3	9.7	87
Finance, Insurance, and Real Estate	2,797,739	28.9	24.6	20.8	6.6	5.1	7.9	6.2	0.9	6.9	21.2	27.3	25.2	18.5	93
Services	8,216,918	19.6	19.8	18.7	9.1	9.6	9.1	14.2	2.4	16.4	31.3	23.6	16.6	9.7	90
Not Classified	892,865	16.1	15.0	16.5	7.0	7.8	10.7	26.9	6.5	15.1	29.8	23.5	15.0	9.9	90

Note: About 3 percent of the employer size category of 0 are firms that reported payroll but no employees. The survey excluded C corporations (often large companies) and business tax returns with less than $500 in business receipts. Includes allocations for nonresponding owners. Other Minority includes Asian, Pacific Islander, American Indian, and Alaska Native.

Source: U.S. Small Business Administration, Office of Advocacy, based on data from the U.S. Department of Commerce, Bureau of the Census, *Characteristics of Business Owners, 1992.*

Table A.18 *Business Dissolution Rates for New Firms Born between 1976 and 1978* (Percentage of Firms Closing)

Age of Business (Minimum Years)	All Firms	Firms Creating		
		No Jobs	1–4 Jobs	5+ Jobs
2	23.7	29.9	8.3	6.0
4	52.7	64.8	19.6	13.1
6	62.2	74.0	23.5	21.1
8	70.9	81.5	46.5	30.0

Note: Firms were traced beginning in 1976 and observed, if available, every other year beginning in 1978 and ending in 1986. Business dissolution includes businesses that disappear for any reason at all, including failure, bankruptcy, owner retirement, owner health, or the desire to enter a more profitable endeavor. It has been estimated that about 15 percent of business dissolutions represent actual failures.

Source: U.S. Small Business Administration, Office of Advocacy, Small Business Data Base, 1978–1990 USEEM file.

Table A.19 *Exporters of Goods by Firm Size and State, 1992*

		Employment Size of Firm						Small Business	
	Total	0	1–19	20–499	<500	500+	Total Rank	Percent	Rank
United States	**112,854**	**15,534**	**51,186**	**41,306**	**108,026**	**4,828**	**—**	**95.7**	**—**
Alabama	1,550	119	384	591	1,094	456	27	70.6	43
Alaska	328	22	78	103	203	125	51	61.9	51
Arizona	2,038	217	724	686	1,627	411	24	79.8	18
Arkansas	1,032	63	248	363	674	358	34	65.3	48
California	28,333	3,905	12,517	9,793	26,215	2,118	1	92.5	1
Colorado	2,389	229	901	806	1,936	453	22	81.0	17
Connecticut	3,367	314	1,166	1,301	2,781	586	16	82.6	11
Delaware	457	32	126	157	315	142	46	68.9	44
District of Columbia	328	26	94	120	240	88	51	73.2	38
Florida	12,757	2,360	6,254	3,129	11,743	1,014	3	92.1	2
Georgia	4,103	383	1,276	1,541	3,200	903	12	78.0	23
Hawaii	431	34	176	150	360	71	47	83.5	8
Idaho	575	51	165	212	428	147	43	74.4	36
Illinois	9,489	857	3,054	4,053	7,964	1,525	4	83.9	7
Indiana	3,255	240	764	1,444	2,448	807	17	75.2	33
Iowa	1,493	90	355	621	1,066	427	29	71.4	42
Kansas	1,318	88	365	540	993	325	31	75.3	32
Kentucky	1,732	128	379	678	1,185	547	25	68.4	46
Louisiana	1,550	144	529	536	1,209	341	27	78.0	22
Maine	1,020	66	310	395	771	249	35	75.6	30
Maryland	2,305	218	734	854	1,806	499	23	78.4	21
Massachusetts	6,293	636	2,174	2,579	5,389	904	10	85.6	6
Michigan	6,338	469	1,838	2,902	5,209	1,129	9	82.2	13
Minnesota	3,426	298	1,041	1,447	2,786	640	15	81.3	16
Mississippi	955	65	189	319	573	382	37	60.0	53
Missouri	2,674	200	693	1,114	2,007	667	20	75.1	34
Montana	390	25	109	157	291	99	49	74.6	35
Nebraska	784	50	187	324	561	223	38	71.6	41
Nevada	712	69	235	246	550	162	40	77.2	26
New Hampshire	1,308	121	408	505	1,034	274	32	79.1	19
New Jersey	8,842	902	3,281	3,501	7,684	1,158	6	86.9	5
New Mexico	583	49	204	197	450	133	42	77.2	28
New York	15,934	1,790	7,040	5,479	14,309	1,625	2	89.8	3
North Carolina	3,833	359	1,088	1,490	2,937	896	13	76.6	29
North Dakota	463	21	106	185	312	151	45	67.4	47
Ohio	6,754	495	1,938	3,112	5,545	1,209	8	82.1	14
Oklahoma	1,416	110	477	506	1,093	323	30	77.2	27
Oregon	2,762	248	978	1,076	2,302	460	19	83.3	9
Pennsylvania	7,106	563	2,199	3,059	5,821	1,285	7	81.9	15
Puerto Rico	708	61	179	282	522	186	41	73.7	37
Rhode Island	959	80	291	420	791	168	36	82.5	12
South Carolina	1,693	152	459	608	1,219	474	26	72.0	40
South Dakota	423	17	88	161	266	157	48	62.9	50
Tennessee	2,629	184	667	1,047	1,898	731	21	72.2	39
Texas	9,258	1,193	3,732	3,134	8,059	1,199	5	87.0	4
Utah	1,126	106	342	429	877	249	33	77.9	24
Vermont	759	46	212	315	573	186	39	75.5	31
Virgin Islands	144	11	36	52	99	45	53	68.8	45
Virginia	2,891	298	930	1,018	2,246	645	18	77.7	25
Washington	4,850	446	1,755	1,828	4,029	821	11	83.1	10
West Virginia	560	26	107	210	343	217	44	61.3	52
Wisconsin	3,443	269	936	1,516	2,721	722	14	79.0	20
Wyoming	378	22	81	143	246	132	50	65.1	49
Unknown	14,400	1,360	4,722	6,102	12,184	2,216	—	84.6	—

Notes: State totals do not add to the U.S. total as businesses can be in more than one state. Large firms are more likely than small firms to be in more than one state; the result is less small business representation in the states than in the United States overall. The data represents businesses within the state, and not necessarily products exported from the state

Source: U.S. Small Business Administration, Office of Advocacy, from data from the U.S. Department of Commerce, International Trade Administration.

Table A.20 *Nonfarm Proprietors' Income and Wage-and-Salary Income by SBA Region and State, 1996 and 1997*

	Nonfarm Proprietors' Income				Wage-and-Salary Income			
SBA Region/State	1996	1997	Percent Change	Rank	1996	1997	Percent Change	Rank
United States	**483,127**	**503,756**	**4.3**		**3,623,409**	**3,871,337**	**6.8**	
Region I	**27,959**	**29,314**	**4.8**		**213,273**	**229,882**	**7.8**	
Connecticut	8,263	8,747	5.9	4	59,337	64,259	8.3	8
Maine	2,018	2,060	2.1	47	13,432	14,239	6.0	30
Massachusetts	12,846	13,531	5.3	10	105,677	114,254	8.1	9
New Hampshire	2,329	2,393	2.7	40	15,449	16,734	8.3	7
Rhode Island	1,446	1,497	3.6	25	12,415	13,151	5.9	31
Vermont	1,058	1,086	2.6	41	6,963	7,247	4.1	47
Region II	**58,033**	**60,463**	**4.2**		**431,858**	**460,831**	**6.7**	
New Jersey	15,672	16,358	4.4	19	132,501	140,747	6.2	25
New York	42,361	44,105	4.1	22	299,357	320,084	6.9	20
Region III	**44,297**	**45,579**	**2.9**		**382,728**	**405,524**	**6.0**	
Delaware	1,843	1,901	3.1	32	11,929	12,897	8.1	10
District of Columbia	2,165	2,229	2.9	37	29,448	30,305	2.9	49
Maryland	7,420	7,604	2.5	44	70,667	75,737	7.2	16
Pennsylvania	22,579	23,295	3.2	30	157,228	165,518	5.3	37
Virginia	8,174	8,371	2.4	45	96,563	103,608	7.3	14
West Virginia	2,116	2,180	3.0	35	16,893	17,460	3.4	48
Region IV	**66,446**	**69,255**	**4.2**		**595,779**	**635,309**	**6.6**	
Alabama	5,285	5,438	2.9	39	48,185	50,490	4.8	44
Florida	17,940	18,498	3.1	34	171,163	182,170	6.4	22
Georgia	11,227	11,773	4.9	13	101,801	109,720	7.8	11
Kentucky	4,717	4,898	3.9	24	42,910	45,684	6.5	21
Mississippi	3,251	3,360	3.4	29	25,153	26,489	5.3	35
North Carolina	10,208	10,780	5.6	6	96,083	103,383	7.6	12
South Carolina	3,820	3,941	3.2	31	42,695	45,330	6.2	28
Tennessee	9,999	10,567	5.7	5	67,790	72,046	6.3	24
Region V	**71,259**	**74,342**	**4.**		**691,889**	**732,265**	**5.8**	
Illinois	22,390	23,819	6.4	2	182,879	194,539	6.4	23
Indiana	8,300	8,624	3.9	23	76,212	80,046	5.0	41
Michigan	10,932	11,139	1.9	50	139,438	147,199	5.6	32
Minnesota	7,261	7,666	5.6	7	72,179	76,643	6.2	27
Ohio	15,701	16,194	3.1	33	152,092	160,524	5.5	33
Wisconsin	6,676	6,900	3.4	27	69,089	73,314	6.1	29
Region VI	**67,434**	**70,402**	**4.4**		**365,237**	**394,784**	**8.1**	
Arkansas	3,492	3,565	2.1	48	25,121	26,435	5.2	39
Louisiana	6,320	6,595	4.4	20	46,122	48,991	6.2	26
New Mexico	2,196	2,251	2.5	43	17,830	18,621	4.4	46
Oklahoma	5,664	5,777	2.0	49	33,602	35,388	5.3	34
Texas	49,763	52,215	4.9	12	242,562	265,350	9.4	2
Region VII	**19,550**	**20,128**	**3.0**		**156,884**	**167,317**	**6.7**	
Iowa	4,329	4,429	2.3	46	33,825	35,565	5.1	40
Kansas	4,320	4,432	2.6	42	32,030	34,269	7.0	19
Missouri	8,099	8,334	2.9	38	70,153	75,147	7.1	17
Nebraska	2,803	2,933	4.7	16	20,876	22,337	7.0	18

Table A.20 *Nonfarm Proprietors' Income and Wage-and-Salary Income by SBA Region and State, 1996 and 1997*—Continued

	Nonfarm Proprietors' Income				Wage-and-Salary Income			
SBA Region/State	1996	1997	Percent Change	Rank	1996	1997	Percent Change	Rank
Region VIII	**16,478**	**17,225**	**4.5**		**109,730**	**118,191**	**7.7**	
Colorado	8,446	8,824	4.5	18	57,086	62,108	8.8	4
Montana	1,662	1,733	4.2	21	8,142	8,506	4.5	45
North Dakota	1,061	1,099	3.6	26	6,934	7,301	5.3	36
South Dakota	1,512	1,591	5.2	11	7,532	7,899	4.9	42
Utah	2,849	3,004	5.4	9	24,653	26,734	8.4	6
Wyoming	947	975	2.9	36	5,383	5,644	4.8	43
Region IX	**89,927**	**94,220**	**4.8**		**535,700**	**574,487**	**7.2**	
Arizona	6,214	6,559	5.5	8	52,870	57,620	9.0	3
California	77,899	81,618	4.8	15	440,619	472,326	7.2	15
Hawaii	2,464	2,478	0.6	51	16,941	17,398	2.7	50
Nevada	3,350	3,566	6.4	1	25,270	27,144	7.4	13
Region X	**21,745**	**22,829**	**5.0**		**140,334**	**152,747**	**8.8**	
Alaska	1,316	1,361	3.4	28	9,503	9,567	0.7	51
Idaho	2,564	2,687	4.8	14	12,403	13,055	5.3	38
Oregon	6,516	6,911	6.1	3	41,461	44,987	8.5	5
Washington	11,350	11,871	4.6	17	76,969	85,138	10.6	1

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of Economic Analysis.

Table A.21 *Fastest Growing Industries and Industries Generating the Most Jobs, December 1996 and December 1997 (Thousands)*

SIC Codes (1987)	Industry	December 1996	December 1997	Absolute Change 1996–1997	Percent Change 1996–1997	Firm Size Dominance of Industry
Fastest Growing Industries						
	Two-Digit SIC Level					
6700	Holding and Other Investment Offices	212.2	232.0	19.8	9.3	Indeterminate
6200	Security and Commodity Brokers	566.8	612.8	46.0	8.1	Large
7900	Amusement and Recreation Services	1,323.7	1,424.6	100.9	7.6	Small
7300	Business Services	7,488.1	7,979.0	490.9	6.6	Indeterminate
8700	Engineering and Management Services	2,892.8	3,081.3	188.5	6.5	Small
7800	Motion Pictures	530.6	562.9	32.3	6.1	Indeterminate
4500	Transportation by Air	1,183.5	1,254.5	71.0	6.0	Large
8900	Services, NEC	46.9	49.6	2.7	5.8	Small
6100	Nondepository Institutions	532.9	561.9	29.0	5.4	Large
5900	Miscellaneous Retail Establishments	2,974.8	3,122.4	147.6	5.0	Indeterminate
	Three-Digit SIC Level					
7370	Computer and Data Processing Services	1,258.9	1,424.1	165.2	13.1	Indeterminate
3720	Aircraft and Parts	480.3	527.2	46.9	9.8	Large
7810	Motion Picture Production and Services	226.6	247.1	20.5	9.0	Large
8740	Management and Public Relations	908.2	989.3	81.1	8.9	Small
7840	Video Tape Rental	159.5	173.7	14.2	8.9	Small
6280	Security and Commodity Services	114.9	124.9	10.0	8.7	Indeterminate
5590	Automotive Dealers, NEC	9.3	10.1	0.8	8.6	Small
5930	Used Merchandise Stores	109.7	119.1	9.4	8.6	Small
780	Landscape and Horticultural Services	362.4	392.8	30.4	8.4	Small
1380	Oil and Gas Field Services	175.4	190.0	14.6	8.3	Indeterminate

Table A.21 *Fastest Growing Industries and Industries Generating the Most Jobs, December 1996 and December 1997 (Thousands)*—Continued

SIC Codes (1987)	Industry	December 1996	December 1997	Absolute Change 1996–1997	Percent Change 1996–1997	Firm Size Dominance of Industry
	Four-Digit SIC Level					
2061	Raw Cane Sugar	6.4	8.2	1.8	28.1	Large
3533	Oil and Gas Field Machinery	41.8	49.3	7.5	17.9	Large
3715	Truck Trailers	33.6	39.3	5.7	17.0	Large
8743	Public Relations Services	36.8	42.5	5.7	15.5	Small
3728	Aircraft Parts and Equipment, NEC	127.2	146.6	19.4	15.3	Large
7371	Computer Programming Services	284.4	327.1	42.7	15.0	Small
7372	Prepackaged Software	207.3	237.9	30.6	14.8	Indeterminate
8742	Management Consulting Services	317.5	357.3	39.8	12.5	Small
7373	Computer Integrated Systems Design	148.4	166.3	17.9	12.1	Indeterminate
7382	Security Systems Services	54.4	60.5	6.1	11.2	Indeterminate
Industries Generating the Most Jobs						
	Two-Digit SIC Level					
7300	Business Services	7,488.1	7,979.0	490.9	6.6	Indeterminate
8000	Health Services	9,577.3	9,807.5	230.2	2.4	Indeterminate
8700	Engineering and Management Services	2,892.8	3,081.3	188.5	6.5	Small
1700	Special Trade Contractors	3,421.3	3,579.6	158.3	4.6	Small
5000	Wholesale Trade—Durable Goods	3,854.0	4,006.0	152.0	3.9	Small
5900	Miscellaneous Retail Establishments	2,974.8	3,122.4	147.6	5.0	Indeterminate
5800	Eating and Drinking Places	7,500.1	7,637.6	137.5	1.8	Small
5300	General Merchandise Stores	3,068.0	3,184.2	116.2	3.8	Large
7900	Amusement and Recreation Services	1,323.7	1,424.6	100.9	7.6	Small
8300	Social Services	2,433.5	2,526.6	93.1	3.8	Small

	Three-Digit SIC Level					
7370	Computer and Data Processing Services	1,258.9	1,424.1	165.2	13.1	Indeterminate
7360	Personnel Supply Services	2,762.7	2,916.8	154.1	5.6	Large
7380	Miscellaneous Business Services	1,652.5	1,772.6	120.1	7.3	Indeterminate
5310	Department Stores	2,676.5	2,781.3	104.8	3.9	Large
8740	Management and Public Relations	908.2	989.3	81.1	8.9	Small
8060	Hospitals	3,839.5	3,919.3	79.8	2.1	Large
7990	Miscellaneous Amusement and Recreation Services	963.2	1,041.4	78.2	8.1	Small
8010	Offices and Clinics of Medical Doctors	1,707.9	1,785.4	77.5	4.5	Small
5940	Miscellaneous Shopping Goods Stores	1,134.7	1,204.3	69.6	6.1	Small
4510	Air Transportation, Scheduled	1,021.9	1,081.6	59.7	5.8	Large
	Four-Digit SIC Level					
7363	Help Supply Services	2,440.4	2,563.1	122.7	5.0	Large
8062	General Medical and Surgical Hospitals	3,543.5	3,614.6	71.1	2.0	Large
7371	Computer Programming Services	284.4	327.1	42.7	15.0	Small
8742	Management Consulting Services	317.5	357.3	39.8	12.5	Small
7381	Detective and Armored Car Services	550.4	586.8	36.4	6.6	Indeterminate
8711	Engineering Services	653.5	688.4	34.9	5.3	Small
7361	Employment Agencies	322.3	353.7	31.4	9.7	Small
7372	Prepackaged Software	207.3	237.9	30.6	14.8	Indeterminate
4512	Air Transportation, Scheduled	516.6	542.9	26.3	5.1	Large
7997	Membership Sports and Recreation Clubs	293.3	318.3	25.0	8.5	Small

NEC=Not elsewhere classified

Note: Small-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with fewer than 500 employees. Large-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with 500 or more employees. The remaining industries are classified as indeterminate.

Source: U.S. Small Business Administration, Office of Advocacy, from employment data provided by the U.S. Department of Labor, Bureau of Labor Statistics, and employment firm size data provided by the U.S. Department of Commerce, Bureau of the Census.

Table A.22 *U.S. Business Measures, 1975–1996*

Year	Firms I	Firms II	Establishments[1]	Nonagricultural Self Employment	Business Tax Returns	New Firms	New Incorporations	Terminations	Bankruptcies	Failures[2]
1996	6,190,907	5,478,047	6,738,476	8,971,000	23,240,700	842,357	790,569	849,839	53,214	71,811
1995	6,105,470	5,369,068	6,612,721	8,901,000	22,446,000	819,477	770,206	863,699	50,516	71,194
1994	6,035,538	5,276,964	6,509,065	9,003,000	21,990,200	806,855	741,654	803,290	50,845	71,558
1993	5,900,156	5,193,642	6,401,233	8,959,000	23,552,722	757,529	706,537	802,702	62,399	85,982
1992	5,791,214	5,095,356	6,319,300	8,576,000	23,137,412	736,773	666,800	819,336	69,848	97,069
1991	5,740,233	5,051,025	6,200,859	8,850,000	22,799,565	726,437	628,604	820,445	70,605	88,140
1990	5,689,402	5,073,795	6,175,559	8,719,000	22,376,070	769,124	647,675	837,511	63,912	60,432
1989	5,568,000	5,021,315	6,106,922	8,605,000	21,921,715	744,654	676,567	830,478	62,449	50,361
1988	5,513,000	4,954,645	6,016,367	8,519,000	20,986,927	733,021	685,095	763,299	62,845	57,099
1987	5,420,000	NA	5,937,061	8,201,000	20,771,586	748,274	685,572	723,997	81,463	61,236
1986	5,230,000	NA	5,806,973	7,881,000	20,048,931	724,520	702,101	809,001	79,926	61,601
1985	5,142,000	NA	5,701,485	7,810,000	19,540,673	714,502	664,235	748,438	70,644	57,253
1984	5,009,000	NA	5,517,715	7,785,000	18,771,420	690,812	634,991	679,932	64,211	52,078
1983	4,837,000	NA	5,306,787	7,575,000	17,955,044	633,000	600,420	728,081	62,412	31,334
1982	4,777,000	NA	4,633,960	7,262,000	17,271,668	595,000	566,942	717,462	69,242	24,908
1981	NA	NA	4,586,510	7,097,000	16,599,292	NA	581,242	NA	48,086	16,794
1980	NA	NA	4,543,167	7,000,000	16,791,788	NA	533,520	NA	43,252	11,742
1979	NA	NA	4,535,653	6,791,000	16,192,000	NA	524,565	NA	NA	7,564
1978	NA	NA	4,409,223	6,429,000	15,629,000	NA	478,019	NA	NA	6,619
1977	NA	NA	4,352,295	6,114,000	14,741,000	NA	436,170	NA	NA	7,919
1976	NA	NA	4,142,809	5,783,000	14,536,000	NA	375,766	NA	NA	9,628
1975	NA	NA	4,114,262	5,705,000	13,979,000	NA	326,345	NA	NA	11,432

[1] Units with paid employees in the fourth quarter through 1982. 1983 on includes units active in any quarter of the year.
[2] Commercial and industrial failures through 1983. 1984 on includes all industries.

Sources: U.S. Small Business Administration, Office of Advocacy, from data provided by the following sources: Firms I from the U.S. Department of Labor, Employment and Training Administration (aggregation of state level firms). Firms II from the U.S. Department of Commerce, Bureau of the Census. Establishments from the U.S. Department of Commerce, Bureau of the Census. Nonagricultural self-employment from the U.S. Department of Labor, Bureau of Labor Statistics. Business tax returns from the U.S. Department of the Treasury, Internal Revenue Service. New firms from the U.S. Department of Labor, Employment and Training Administration (state-level firms that plan to begin to hire employees). New incorporations from the Dun & Bradstreet Corporation (new corporations or a redesignation by sole proprietorships and partnerships). Terminations from the U.S. Department of Labor, Employment and Training Administration (state-level business closings). Bankruptcies from the Administrative Office of the U.S. Courts, Statistical Analysis and Reports Division (business bankruptcy filings). Failures from the Dun & Bradstreet Corporation (state-level business closings while owing debts).

Appendix B

Procurement

Synopsis

The federal government spends about $200 billion a year on the procurement of goods and services. Small firms annually receive more than 20 percent of all prime contract dollars and another 10–14 percent of the federal procurement pie in subcontracts. Large firms receive more than 60 percent of all federal procurement dollars.

Federal contract markets are changing at an unparalleled pace. Two recent laws, the Federal Acquisition Streamlining Act (FASA), enacted in 1994, and the Federal Acquisition Reform Act (FARA) or Clinger-Cohen Act, enacted in 1996, have had an unprecedented impact on the federal procurement process. Additional reforms were enacted in December 1997 in the HUBZone and contract bundling legislation.

The 1994 and 1996 laws were designed to make the government operate more like a commercial buyer and make it easier and more appealing for businesses to participate in government markets. Many of the implemented changes are benefiting small firms, although some longstanding small business protections have been weakened or eliminated in the process.

In FY 1997, small businesses won $63.7 billion in federal contract awards, including $41.2 billion in direct contract awards from the federal government and an additional $22.5 billion in subcontracts from prime contractors working directly for the federal government.

The $63.7 billion total represents 32.6 percent of the $195.3 billion in contract actions awarded by the federal government in FY 1997, a slight decrease from the previous year's 34 percent small business share. Prime contract dollars awarded to small businesses increased very slightly, from $41.1 billion in FY 1996 to $41.3 billion in FY 1997. The overall share decreased by more than 1 percent because a smaller share of subcontract dollars were awarded to small firms.

The percentage of prime contracts awarded in FY 1997 to small minority- and women-owned businesses remained at levels consistent with FY 1996. In FY 1997, minority-owned firms were awarded $11.1 billion in prime contracts or 5.7 percent of total federal contract dollars. Women-owned firms were awarded $3.6 billion in prime contracts or 1.8 percent of federal buys for the same period.

Introduction

In fiscal year 1997, the federal government awarded $195.3 billion in contract actions for the purchase of goods and services, an amount equal to approximately 2.4 percent of the 1997 gross domestic product ($8 trillion) of the United States. This amount includes contracting for the purchase of goods and services such as research and development, educational and training courses, paint, tools, toiletries, military weapons, housing, and hardware. Costs associated with payment for these goods and services support federal civilian and military personnel around the world.

The government awarded small businesses $41.3 billion in prime contract dollars, including $33.2 billion in actions over $25,000 and $8.1 billion in actions of $25,000 or less (Tables B.1 and B.2, and Chart B.1).[1] Small businesses received about 21 percent of all prime contract dollars awarded, including those in contracts for foreign military sales, directed sources of supply (National Industries for the Blind/National Industries for the Severely Handicapped), and educational institutions, nonprofit organizations, and state and local governments. Adding the dollar value of small business subcontracts increases the total by an additional $22.5 billion to $63.7 billion. The small business share of this total in FY 1997 was 32.6 percent.[2]

Sources of Small Business Awards by Agency/Department

Some 62 percent ($20.6 billion) of the total $33.2 billion in prime contract dollars over $25,000 awarded to small businesses in FY 1997 resulted from Department of Defense (DOD) awards (Table B.3). The next largest source of federal contracting awards to small businesses was the General Services Administration, which accounted for 8.7 percent ($2.9 billion) of the total dollars awarded to small businesses in FY 1997, followed by the Department of Transportation with 5.1 percent ($1.7 billion), and the National Aeronautics and Space Administration with 3.4 percent ($1.1 billion).

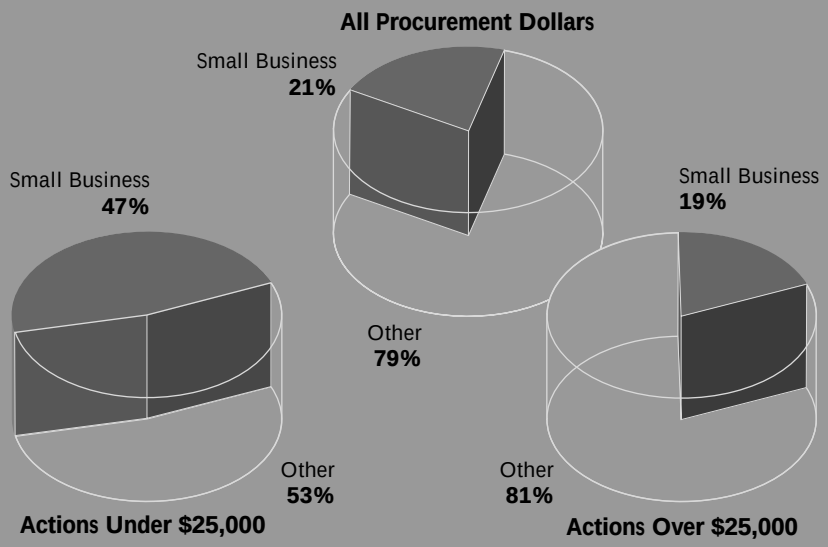
Small Business Share of Purchasing Agency Awards

The small business share of agency procurement budgets is one measure of small businesses' ability to win contracts from the principal procurement centers of the federal government. For example, although the Department of Defense accounted for 61.9 percent of all contract dollars over $25,000

[1] A small firm is defined for procurement purposes by size standards established by the U.S. Small Business Administration. Typically, for most purposes, the SBA's Office of Advocacy defines a small business as having fewer than 500 employees and not dominant in its field. For detailed definitions for procurement purposes, see SBA's small business size regulations at 13 CFR 121.9, published January 1, 1996.

[2] Data on subcontracting awards are based on federal agency reports required by Public Law 95–507, Section 221(h).

Chart B.1 *Federal Contract Dollars by Size of Contract Action, FY 1997*



Source: Federal Procurement Data System, *The FPDS Federal Procurement Report*, January, 1998.

awarded to small businesses in FY 1997 (Table B.3), this amounted to only 17.6 percent of DOD's total (Table B.5).

As measured by their share of agency budgets, small businesses were most successful in winning awards from the Department of the Interior, where they gained 49.4 percent of the agency's total award dollars, followed by the Department of Transportation (45.2 percent), the Department of Agriculture (44.4 percent), the Nuclear Regulatory Commission (42.6 percent), and the Smithsonian Institution (42.4 percent). Small businesses won less than 42 percent of prime contract award dollars in all other major federal agencies in FY 1997 (Table B.5).

Product/Service Categories

The federal contracting markets encompass three major categories of goods and services: supplies and equipment, research and development, and other services and construction (Table B.6). The volume of award dollars in each of the three major procurement categories shifted slightly as a percentage of total awards from FY 1996 to FY 1997.

The services and construction category, which includes activities as diverse as architectural and engineering services, data processing, telecommunications,

general construction, and management support services, increased slightly from 49.3 percent in FY 1996 to 49.8 percent in FY 1997. Expenditures for supplies and equipment, the second largest category, increased modestly, from 35.3 percent to 35.6 percent. Research and development (R&D) lost some ground, accounting for 14.6 percent of awards in FY 1997, compared with 15.4 percent in FY 1996.

Small businesses experienced a market share increase in two of the three major categories from FY 1996 to FY 1997. In research and development, the small business share increased slightly from 12.3 percent to 13.3 percent (Table B.7). Small firms also increased their market share of supplies and equipment from 14.9 percent to 15.4 percent. But their share of services and construction contract awards declined from 23.6 percent to 22.5 percent.

Size of Federal Contract Actions

The federal contracting process involves a relatively small number of very substantial purchases and a large number of smaller awards. Some 91 percent ($178.1 billion) of the FY 1997 federal procurement dollars were awarded in contract actions over $25,000 (Table B.1). These large transactions, however, accounted for only 3 percent of the contract actions executed during the period. Conversely, 97 percent of the total number of contract actions were issued in contract actions of $25,000 or less; these contracts were valued at $17.2 billion.[3]

Small businesses are significantly more successful in competing for smaller awards than they are in competing for larger contracts. They were awarded about one-half (46.9 percent) of total federal dollars in contract actions of $25,000 or less, but just 18.6 percent of the larger awards over $25,000. The financial returns are, of course, much greater for the small businesses that win larger awards.

The Federal Acquisition Streamlining Act of 1994 (FASA), signed into law on October 13, 1994, simplified the federal contracting process. Prior to enactment of FASA, only procurements of $25,000 or less could be set aside for small businesses with limited competition. Government procurement personnel may now follow a simplified small business acquisition process for purchases between $2,500 and $100,000 as long as there is a reasonable expectation of bids being received from two or more responsible small businesses whose bids are competitive and commensurate with market expectations.

[3] The Federal Procurement Data System (FPDS) has been publishing data on contract awards since FY 1979. From FY 1979 to FY 1983, the FPDS published detailed data on all contract awards over $10,000. Starting in FY 1983, the Department of Defense (DOD) increased its reporting threshold from $10,000 to $25,000; for civilian agencies, a similar change began in FY 1986. For FY 1994, the threshold has been raised to $100,000 for civilian agencies and the DOD. Unless otherwise stated, the discussions of federal procurement in this and subsequent sections of this report reflect contract actions over $25,000.

Small Business Innovation Research

FY 1997 was the fifteenth year of the Small Business Innovation Research (SBIR) program. Ten government agencies with extramural R&D obligations over $100 million participate by setting aside a small percentage of their external R&D budgets for the program.[4] The required percentage was 1.25 percent in FY 1992, 1.5 percent in FY 1993 and FY 1994, 2.0 percent in FY 1995 and FY 1996, and 2.5 percent beginning in FY 1997.

The SBIR program has three phases. Phase I is a limited effort, usually for six months, to determine the scientific and technical merit and feasibility of an idea. This phase has been restricted by legislation to ideas "that appear to have commercial potential." The amount that can be awarded in Phase I has been raised from $50,000 to $100,000.

Only those small businesses that win Phase I are eligible to apply for Phase II, the detailed research and development phase that lasts about two years and often ends with the development of a prototype product or process. Commercial potential also receives increased emphasis in Phase II. The amount that can be awarded in Phase II has been raised from $500,000 to $750,000.

Small businesses conduct Phase III with non-SBIR funds to pursue commercial applications of the R&D funded in Phases I and II. Phase III is the keystone of the program and involves private sector investment and support for introducing the innovation into the marketplace. Phase III may involve non-SBIR R&D or production contracts with a federal agency for products or processes intended for use by the federal government.

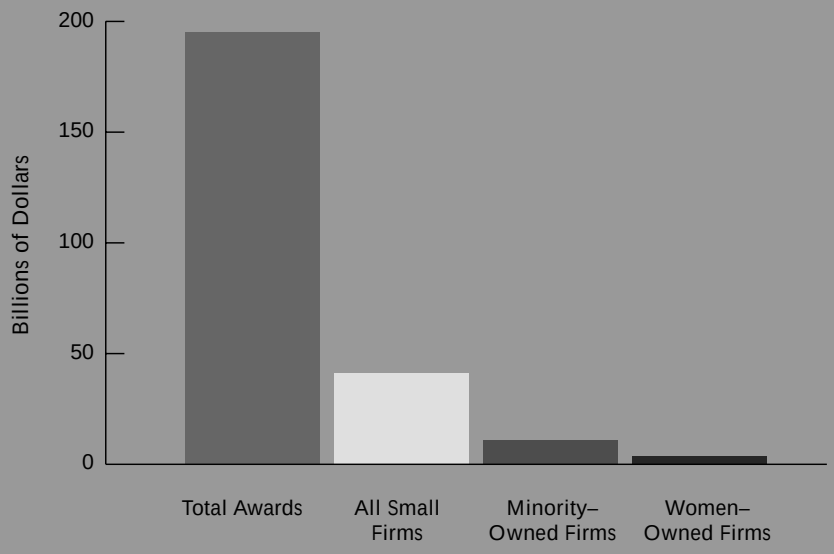
In the first 15 years of the program, almost $7.7 billion was awarded to small businesses in 45,200 Phase I and II projects (Table B.8). The program has been very competitive: on average, 7.75 proposals have been received for every Phase I award.

Agencies using SBIR contracts include the Departments of Commerce, Defense, Education, and Transportation, the Environmental Protection Agency, the National Aeronautics and Space Administration, the Nuclear Regulatory Commission and, initially, the Department of the Interior. SBIR awards are made in the form of grants at the Departments of Agriculture, Energy, and Health and Human Services, and the National Science Foundation, and thus are not included in any R&D data in other tables in this appendix.

In FY 1997, awards were made in every state, the District of Columbia, and Puerto Rico, with concentrations in technology-rich California and Massachusetts (Table B.9).

[4] The Small Business Innovation Research program began as a government-wide program in FY 1983. The program was extended in the Small Business Innovation Research Program Reauthorization Act of 1992. This act expanded the size of the program and reauthorized it for an additional seven years, through FY 2000.

Chart B.2 *Federal Contract Actions to Small, Minority–Owned, and Women–Owned Businesses, FY 1997*



Source: Federal Procurement Data System, *The FPDS Federal Procurement Report*, January 1998.

Procurement From Minority- and Women-Owned Businesses

Relative to their representation in the business population, small women- and minority-owned businesses still account for a small percentage of total federal award dollars (Chart B.2). The gap is greatest for women-owned businesses, which constitute approximately one-third of the total nonagricultural business population of the United States. Small women-owned businesses obtained only 1.8 percent of the FY 1997 federal contract dollars (Table

[5] For additional information, see Harry J. Chmelynski and Jonathan Skolnik, *The Pattern of Federal Procurement From Minority and Women-Owned Small Business,* report no. PB93–182582, prepared by Jack Faucett Associates for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, 1993). The Faucett study indicates that women-owned firms, after adjustments were made for comparable procurement/industry characteristics, competed for and won contracts over a five-year period with a value that exceeded the annual rate of growth in federal contracting overall and in the gross domestic product. Bureau of the Census data indicate that there were 5.9 million women-owned businesses in 1992 and 1.2 million minority-owned businesses in the United States in 1987. See also U.S. Department of Commerce, Bureau of the Census, *1987 Survey of Minority-Owned Business Enterprises, Summary* (Washington, D.C. : U.S. Government Printing Office, August 1991) and idem: *Women-Owned Business, 1992,* (Washington, D.C. : U.S. Government Printing Office, August 1990).

B.10). Minority-owned businesses make up 9 percent of the business population of the United States; however, small minority-owned businesses won just 5.7 percent of the award dollars.[5]

Of the FY 1997 dollar awards to small minority-owned businesses, 95.6 percent were in contract actions over $25,000; small women-owned firms received 82.7 percent of the value of their contract actions in this category. Conversely, 17.3 percent of award dollars to small women-owned businesses were in smaller awards of less than $25,000, compared with only 4.4 percent of minority-owned contractors' awards. The percentage of contract dollars awarded in FY 1997 to both women- and minority-owned businesses is consistent with the dollars awarded in FY 1996, although both groups increased their share slightly (Tables B.10 and B.11).

Changes in the Procurement Markets

Federal contract markets are changing at an unparalleled pace. The Federal Acquisition Streamlining Act (FASA), enacted in 1994, and the Federal Acquisition Reform Act (FARA), enacted in 1996, have had an unprecedented impact on the federal procurement process. Additional reforms were implemented in the December 1997 enactment of both HUBZone and contract bundling legislation.[6]

The 1994 and 1996 laws are designed to save money, reduce paperwork burdens on federal contractors, facilitate the acquisition of commercial products, enhance the use of simplified procedures for small purchases, transform the acquisition process to electronic commerce, and improve the efficiency of the laws governing the procurement of goods and services.

The Small Business Administration has instituted an electronic gateway to procurement information, the Procurement Marketing and Access Network, or Pro-Net. This Internet-based data base of information on more than 175,000 small, small disadvantaged, and women-owned businesses will serve as an automated source list for contracting officers, a marketing tool for small firms, and a link to procurement opportunities and important information on federal contracting.

[6] The Office of Advocacy in July of 1997 released a research study by Eagle Eye Publishers, Inc., *Bundled Contract Study FY91–FY95,* report no. PB97–180731, prepared for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va: National Technical Information Service, 1997). This study showed that contract consolidation by government agencies is increasing and causing harm to small businesses. The contract bundling legislation that was enacted is intended to restrict unnecessary contract consolidations. The HUBZone legislation is intended to provide federal contracting opportunities for small businesses located in historically underutilized business zones. Both the HUBZone and contract bundling provisions, which were introduced as individual bills initially, were included in the Small Business Reauthorization Act of 1997 (P.L. 105–135), signed by President Clinton on December 2, 1997.

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Table B.1 *Total Federal Contract Actions, FY 1997*

	Thousands of Dollars		Small Business Share (Percent)
	Total	Small Business	
Total	**195,286,941**	**41,273,181**	**21.1**
Actions under $25,000	17,218,902	8,082,760	46.9
Actions over $25,000 (Reported Individually)	178,068,039	33,190,421	18.6

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, January 1998).

Table B.2 *Federal Contract Actions over $25,000, FY 1984–FY 1997*

Fiscal Year	Thousands of Dollars		Small Business Share (Percent)
	Total	Small Business	
1997	178,068,039	33,190,421	18.6
1996	184,339,968	34,646,839	18.8
1995	185,424,009	34,518,628	18.6
1994	181,575,711	30,388,992	16.7
1993	184,419,699	30,608,569	16.6
1992	183,081,207	29,523,629	16.1
1991	193,550,425	30,121,644	15.6
1990	179,286,902	27,565,861	15.4
1989	172,612,189	25,753,580	14.9
1988	176,544,042	26,481,763	15.0
1987	181,750,326	28,046,374	15.4
1986	183,681,389	28,863,410	15.7
1985	188,186,629	26,708,810	14.2
1984	168,101,394	25,536,585	15.2

Note: Starting in FY 1983, the dollar threshold for reporting detailed information on DOD procurement actions increased from $10,000 to $25,000. For civilian agencies, a similar change was made starting in FY 1986.

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, February 7, 1995, January 29, 1996, January 13, 1997, and January 1998); and idem, "Special Report S89522C" (prepared for the U.S. Small Business Administration, Office of Advocacy, June 12, 1989).

Table B.3 *Distribution of Small Business Share of Dollars in Contract Actions over $25,000 by Procuring Agency Source, FY 1997*

	Total Small Business (Thousands of Dollars)	Small Business Distribution (Percent)	Rank
Total, All Agencies	**33,190,421**	**100.00**	**—**
Advisory Committee on Federal Prevailing Rate	80	48	
Agency for International Development	119,757	0.36	18
Commodity Futures Trading Commission	666	*43	
Consumer Product Safety Commission	654*	44	
Corporation for National and Community Service	306*	45	
Department of Agriculture	1,005,055	3.03	6
Department of Commerce	318,679	0.96	13
Department of Defense	20,550,349	61.92	1
Department of Education	84,947	0.26	19
Department of Energy	471,722	1.42	11
Department of Health and Human Services	737,900	2.22	8
Department of Housing and Urban Development	29,109	0.09	23
Department of the Interior	485,355	1.46	10
Department of Justice	738,432	2.22	7
Department of Labor	165,005	0.50	17
Department of State	186,951	0.56	14
Department of the Treasury	493,698	1.49	9
Department of Transportation	1,699,366	5.12	3
Department of Veterans Affairs	1,040,338	3.13	5
Environmental Protection Agency	179,386	0.54	15
Equal Employment Opportunity Commission	2,141*	34	
Executive Office of the President	6,553	0.02	28
Federal Communications Commission	(8)*	50	
Federal Election Commission	1,549*	39	
Federal Emergency Management Agency	55,800	0.17	20
Federal Trade Commission	4,745	0.01	29
General Services Administration	2,890,564	8.71	2
International Trade Commission	701*	42	
National Aeronautics and Space Administration	1,134,670	3.42	4
National Archives and Records Administration	4,590	0.01	30
National Capital Planning Commission	126*	47	
National Foundation on the Arts and the Humanities	1,021*	41	
National Labor Relations Board	2,391*	33	
National Mediation Board	1,188*	40	
National Science Foundation	13,391	0.04	27

Table B.3 *Distribution of Small Business Share of Dollars in Contract Actions over $25,000 by Procuring Agency Source, FY 1997*—Continued

	Total Small Business (Thousands of Dollars)	Small Business Distribution (Percent)	Rank
Selective Service System	229	*	46
Small Business Administration	17,352	0.05	25
Smithsonian Institution	26,709	0.08	24
Social Security Administration	169,715	0.51	16
Tennessee Valley Authority	458,089	1.38	12
U.S. Arms Control and Disarmament Agency	2,134	*	35
U.S. Holocaust Memorial Museum	44	*	49
U.S. Soldiers' and Airmen's Home	2,013	*	37
U.S. Trade and Development Agency	1,851	*	38
U.S. Information Agency	15,541	0.05	26

* Less than 0.01 percent.

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, January 1998).

Table B.4 *Procurement Dollars in Contract Actions over $25,000 by Major Agency Source, FY 1984–FY 1997*

Fiscal Year	Total (Billions of Dollars)	Percent of Total			
		DOD	DOE	NASA	Other
1997	178.1	65.6	8.9	6.3	19.2
1996	184.3	66.2	8.6	6.1	19.0
1995	185.4	64.0	9.1	6.3	20.5
1994	181.6	65.4	9.9	6.3	18.5
1993	184.4	66.7	10.0	6.4	16.8
1992	183.1	66.3	10.1	6.6	16.9
1991	193.6	70.2	9.5	6.1	14.2
1990	179.3	72.0	9.7	6.4	11.9
1989	172.6	75.0	8.8	5.7	10.6
1988	176.5	76.9	8.2	4.9	10.0
1987	181.8	78.6	7.7	4.2	9.5
1986	183.7	79.6	7.3	4.0	9.0
1985	188.2	80.0	7.7	4.0	8.3
1984	168.1	79.3	7.9	4.0	9.0

Note: Starting in FY 1983, the dollar threshold for reporting detailed information on DOD procurement actions increased from $10,000 to $25,000.For civilian agencies, a similar change was made starting in FY 1986

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, February 7, 1995, January 29, 1996, January 13, 1997); and idem, "Special Report 87458A" (prepared for the U.S. Small Business Administration, Office of Advocacy, May 19, 1988).

Table B.5 *Small Business Share of Dollars in Contract Actions over $25,000 by Major Procuring Agency, Fiscal Years 1996 and 1997*

	FY 1997 (Thousands of Dollars)		Small Business Share (Percent)		Share Rank
	Total	Small Business	1996	1997	1996
Total, All Agencies	**178,068,039**	**33,190,421**	**17.6**	**18.6**	**—**
Department of Defense	116,857,949	20,550,349	17.4	17.6	19
Department of Energy	15,849,351	471,722	2.8	3.0	25
National Aeronautics and Space Administration	11,182,066	1,134,670	9.2	10.1	23
General Services Administration	7,027,695	2,890,564	50.7	41.1	7
Tennessee Valley Authority	4,087,309	458,089	10.3	11.2	22
Department of Transportation	3,756,610	1,699,366	40.9	45.2	2
Department of Health and Human Services	2,945,968	737,900	22.3	25.0	15
Department of Veterans Affairs	2,941,924	1,040,338	31.5	35.4	11
Department of Justice	2,657,631	738,432	26.9	27.8	13
Department of Agriculture	2,263,241	1,005,055	45.1	44.4	4
Department of the Treasury	1,842,729	493,698	26.5	26.8	14
Department of the Interior	983,227	485,355	48.4	49.4	1
Environmental Protection Agency	926,048	179,386	17.8	19.4	17
Department of Labor	876,228	165,005	23.2	18.8	18
Department of Commerce	776,600	318,679	37.6	41.0	9
Department of Education	656,343	84,947	15.7	12.9	20
Department of State	569,651	186,951	32.2	32.8	12
Social Security Administration	376,974	169,715	28.5	45.0	3
Agency for International Development	291,442	119,757	24.6	41.1	8
Federal Emergency Management Agency	271,992	55,800	27.3	20.5	16
Department of Housing and Urban Development	249,775	29,109	22.4	11.7	21
National Science Foundation	231,303	13,391	5.2	5.8	24
Office of Personnel Management	80,488	30,464	36.5	37.8	10
Nuclear Regulatory Commission	69,500	29,605	50.4	42.6	5
Smithsonian Institution	62,956	26,709	28.7	42.4	6

All agencies are represented in the total dollars for FY 1996; the organizations listed are those agencies that awarded at least $100 million in individual contract actions over $25,000 in FY 1996

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, January 17, 1997, and January 1998)

Table B.6 *Distribution of Prime Contract Actions over $25,000 by Major Product or Service Category for FY 1996 and FY 1997 (Percent)*

Product/Service Category	FY 1996	FY 1997
Total	**100.0**	**100.0**
Research and Development	15.4	14.6
Other Services and Construction	49.3	49.8
Supplies and Equipment	35.3	35.6

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, January 29, 1996 and January 16, 1997).

Table B.7 *Small Business Share of Dollars in Contract Actions over $25,000 by Major Product or Service Category, FY 1996 and FY 1997*

Product/Service Category	FY 1996 Thousands of Dollars	FY 1996 Small Business Share (Percent)	FY 1997 Thousands of Dollars	FY 1997 Small Business Share (Percent)
Research and Development				
Total	28,313,561		26,001,140	
Small Business	3,470,871	12.3	3,447,847	13.3
Other Services and Construction				
Total	90,876,707		88,594,028	
Small Business	21,461,928	23.6	19,946,987	22.5
Supplies and Equipment				
Total	65,149,700		63,472,871	
Small Business	9,714,040	14.9	9,795,587	15.4

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, January 13, 1997, and January 1998)

Table B.8 *Small Business Innovation Research Program, FY 1983–FY 1997*

Fiscal Year	Phase I Number of Proposals	Phase I Number of Awards	Phase II Number of Proposals	Phase II Number of Awards	Total Awards in Millions of Dollars
Total	**256,131**	**33,121**	**27,422**	**12,079**	**7,653.9**
1997	19,585	3,371	2,420	1,404	1,066.7
1996	18,378	2,841	2,678	1,191	916.3
1995	20,185	3,085	2,856	1,263	981.7
1994	25,588	3,102	2,244	928	717.6
1993	23,640	2,898	2,532	1,141	698.0
1992	19,579	2,559	2,311	916	508.4
1991	20,920	2,553	1,734	788	483.1
1990	20,957	2,346	2,019	837	460.7
1989	17,233	2,137	1,776	749	431.9
1988	17,039	2,013	1,899	711	389.1
1987	14,723	2,189	2,390	768	350.5
1986	12,449	1,945	1,112	564	297.9
1985	9,086	1,397	765	407	199.1
1984	7,955	999	559	338	108.4
1983	8,814	686	127	74	44.5

Note: Phase I evaluates the scientific and technical merit and feasibility of an idea. Phase II expands on the results and further pursues the development of Phase I. Phase III commercializes the results of Phase II and requires the use of private or non-SBIR federal funding.The Phase II proposals and awards in FY 1983 were pursuant to predecessor programs that qualified as SBIR funding.

Source: U.S. Small Business Administration, Office of Innovation, Research and Technology (annual reports for FY 1983–FY 1997).

Table B.9 *SBIR Awards by State, FY 1997*

State	Phase 1 Awards	Phase 1 Dollars	Phase 2 Awards	Phase 2 Dollars	Total Awards	Total Dollars
Alabama	56	4,739	36	22,759	92	27,498
Alaska	2	155	0	0	2	155
Arizona	68	5,184	29	14,931	97	20,115
Arkansas	11	1,020	0	0	11	1,020
California	693	58,757	326	192,505	1,019	251,262
Colorado	146	11,993	55	33,193	201	45,186
Connecticut	79	6,385	39	24,498	118	30,883
Delaware	15	1,120	9	4,424	24	5,544
District of Columbia	8	649	6	3,856	14	4,505
Florida	76	6,391	35	20,454	111	26,845
Georgia	36	2,864	12	8,538	48	11,402
Hawaii	11	901	3	1,533	14	2,434
Idaho	3	193	1	749	4	942
Illinois	53	4,593	14	9,341	67	13,934
Indiana	14	1,158	11	6,143	25	7,301
Iowa	3	225	2	1,078	5	1,303
Kansas	6	569	3	1,699	9	2,268
Kentucky	8	655	3	3,352	11	4,007
Louisiana	6	459	2	480	8	939
Maine	3	190	2	1,389	5	1,579
Maryland	184	15,537	55	34,125	239	49,662
Massachusetts	508	43,007	202	123,124	710	166,131
Michigan	71	6,082	31	18,507	102	24,589
Minnesota	54	4,440	20	12,893	74	17,333
Mississippi	3	195	2	888	5	1,083
Missouri	15	1,260	5	2,323	20	3,583
Montana	5	330	0	0	5	330
Nebraska	6	485	3	921	9	1,406
Nevada	9	705	3	1,615	12	2,320
New Hampshire	39	3,233	24	14,860	63	18,093
New Jersey	97	8,002	40	24,982	137	32,984
New Mexico	58	4,505	24	13,440	82	17,945
New York	125	10,331	67	37,229	192	47,560
North Carolina	36	3,233	20	12,606	56	15,839
North Dakota	6	429	1	220	7	649
Ohio	121	10,369	41	25,834	162	36,203
Oklahoma	9	655	3	1,993	12	2,648
Oregon	43	3,703	24	14,018	67	17,721
Pennsylvania	114	9,494	56	32,895	170	42,389
Puerto Rico	1	70	0	0	1	70
Rhode Island	1	6	5	3,340	6	3,346
South Carolina	7	595	1	746	8	1,341
South Dakota	6	462	1	294	7	756
Tennessee	30	2,449	12	5,990	42	8,439
Texas	135	11,264	41	25,696	176	36,960
Utah	30	2,583	15	8,113	45	10,696
Vermont	14	1,133	1	750	15	1,883
Virginia	199	16,071	80	52,676	279	68,747
Washington	85	7,039	29	16,778	114	23,817
West Virginia	1	74	2	1,168	3	1,242
Wisconsin	32	2,800	12	7,683	44	10,483
Wyoming	3	204	4	1,944	7	2,148

Source: U.S. Small Business Administration, Office of Advocacy, based upon SBA's Office of Technology data.

Table B.10 *Total Federal Contract Actions to Small, Women-Owned, and Minority-Owned Businesses, FY 1997 (Thousands of Dollars)*

	Total	Actions Over $25,000	Actions of $25,000 or Less
Total	**195,286,941**	**178,068,039**	**17,218,902**
Small Business	41,273,181	33,190,421	8,082,760
Percent of Total	21.1	18.6	46.9
Women-Owned Business	3,590,307	2,968,462	621,845
Percent of Total	1.8	1.7	3.6
Minority-Owned Business	11,132,622	10,640,771	491,851
Percent of Total	5.7	6.0	2.9

Source: Federal Procurement Data System, *Federal Procurement Report,* (Washington, D.C.: U.S. Government Printing Office, January 1998).

Table B.11 *Annual Change in the Dollar Volume of Contract Actions over $25,000 Awarded to Small, Women-Owned, and Minority-Owned Businesses, FY 1980–FY 1997 (Thousands of Dollars)*

	Total, All Business			Small Business			Women-Owned Business			Minority-Owned Business		
	Total (Thousands of Dollars)	Change from Prior Year		Total (Thousands of Dollars)	Change from Prior Year		Total (Thousands of Dollars)	Change from Prior Year		Total (Thousands of Dollars)	Change from Prior Year	
		Dollars	Percent		Dollars	Percent		Dollars	Percent		Dollars	Percent
1997	195,286,941	17,218,902	9.7	41,273,181	8,082,760	24.4	3,590,307	621,845	20.9	11,132,622	491,851	4.6
1996	178,068,039	−2,783,936	−1.5	33,190,421	1,383,158	4.3	2,968,462	148,214	5.3	10,640,771	121,302	1.2
1995	180,851,975	6,164,024	3.5	31,807,263	3,384,230	11.9	2,820,248	508,700	22.0	10,519,469	1,459,981	16.1
1994	174,687,951	−3,649,028	−2.0	28,423,033	475,592	1.7	2,311,548	262,828	12.8	9,059,488	255,468	2.9
1993	178,336,979	550,598	0.3	27,947,441	−282,308	−1.0	2,048,720	56,155	2.8	8,804,020	1,007,913	12.9
1992	177,786,381	−11,815,839	−6.2	28,229,749	−617,609	−2.1	1,992,565	227,399	12.9	7,796,107	1,309,818	20.2
1991	189,602,220	18,301,330	10.7	28,847,358	3,445,732	13.6	1,765,166	287,272	19.4	6,486,289	796,229	14.0
1990	171,300,890	2,605,909	1.5	25,401,626	1,685,455	7.1	1,477,894	74,955	5.3	5,690,060	356,172	6.7
1989	168,694,981	−5,402,604	−3.1	23,716,171	−1,955,147	−7.6	1,402,939	75,215	5.7	5,333,888	141,382	2.7
1988	174,097,585	−7,441,007	−4.1	25,671,318	−2,256,401	−8.1	1,327,724	74,839	6.0	5,192,506	343,381	7.1
1987	181,538,592	−2,111,635	−1.1	27,927,719	−852,373	−3.0	1,252,885	56,034	4.7	4,849,125	563,200	13.1
1986	183,650,227	−4,335,239	−2.3	28,780,092	2,077,397	7.8	1,196,851	102,643	9.4	4,285,925	401,286	10.3
1985	187,985,466	20,051,980	11.9	26,702,695	1,196,672	4.7	1,094,208	238,077	27.8	3,884,639	−119,500	−3.0
1984	167,933,486	12,345,380	7.9	25,506,023	3,425,999	15.5	856,131	244,755	40.0	4,004,139	817,048	25.6
1983	155,588,106	3,190,222	2.1	22,080,024	−1,478,539	−6.3	611,376	60,775	11.0	3,187,091	328,180	11.5
1982	152,397,884	23,533,140	18.3	23,558,563	3,489,774	17.4	550,601	−534,772	−49.3	2,858,911	223,903	8.5
1981	128,864,744	27,971,359	27.7	20,068,789	4,742,668	30.9	1,085,373	297,844	37.8	2,635,008	813,087	44.6
1980	100,893,385	—	—	15,326,121	—	—	787,529	—	—	1,821,921	—	—

Source: Federal Procurement Data System, "Special Report S89522C" (prepared for the U.S. Small Business Administration, Office of Advocacy, June 12, 1989); and idem, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, July 10, 1990, March 13, 1991, February 3, 1994, and January 13, 1997).

THE ANNUAL REPORT ON FEDERAL PROCUREMENT PREFERENCE GOALS

THE
U.S. SMALL BUSINESS
ADMINISTRATION

OFFICE OF
GOVERNMENT
CONTRACTING AND
MINORITY ENTERPRISE
DEVELOPMENT

Letter of Transmittal

The President
The White House
Washington, DC 20500

Dear Mr. President:

We are pleased to present, for your consideration, the fiscal year 1997 report on participation in Federal procurement by small business concerns, including those owned and controlled by women and socially and economically disadvantaged individuals, and those firms participating in the 8(a) Business Development (8(a) BD) program. In fiscal year 1997, the Executive Branch of the Federal Government exceeded the government-wide small business goal of 23 percent and the small disadvantaged business (SDB) goal of 5 percent established by the Small Business Act 15(g)(1), but failed to achieve the 5 percent women-owned small business goal.

The agencies exceeded the small business prime contract goal by awarding 24.8 percent ($42.5 billion) to small businesses out of the $171.4 billion awarded in fiscal year 1997. The agencies exceeded the government-wide small disadvantaged business prime contract goal of 5 percent by awarding 7.0 percent ($12.1 billion, which includes SDB and 8(a) contracts) to those firms. Federal agencies, however, failed to achieve the 5 percent women-owned small business prime contract goal, awarding only 2.1 percent ($3.6 billion) to women-owned small businesses.

The Federal Government's large business prime contractors subcontracted $71.5 billion in fiscal year 1997. While there is no statutory government-wide small business subcontract goal, Federal prime contractors exceeded the aggregate proposed goal of 40.3 percent by awarding 41.1 percent ($29.4 billion) to small businesses. This represents nearly $8.2 billion more than projected. Also, Federal prime contractors exceeded the small disadvantaged business subcontracting goal of 5.9 percent by awarding 6.3 percent ($4.5 billion) to such firms. Large prime contractors failed to achieve the women-owned small business subcontracting goal of 5.0 percent, awarding 4.1 percent ($2.9 billion) to women-owned small firms.

Please note that while we are reporting the accomplishments of each of the departments and agencies that establish goals, we have restricted our analysis and comments to data from 20 Federal agencies with the largest contracting budgets. These 20 agencies represent approximately 99 percent of Federal prime and subcontracts awarded.

Respectfully submitted,

AIDA ALVAREZ
Administrator

Enclosure

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The Annual Report on Federal Procurement Preference Goals

Synopsis

By law, Federal agencies are required to provide small, women-owned small businesses and small disadvantaged businesses the "maximum practicable opportunity" to participate in Federal contracts for goods and services. To this end, agencies consult annually with the U.S. Small Business Administration (SBA) and set goals for the percentage of dollars to be awarded through prime contracts or subcontracts to small firms, small disadvantaged firms (including those participating in the 8(a) Business Development (8(a) BD) program, and small women-owned firms. At the end of the year, agencies report to the SBA on their success in meeting the goals. SBA has assigned "account executives" to the largest Federal agencies. These individuals work with the agencies to develop proactive strategies that will open new areas of opportunity to the small business community.

In fiscal year 1997, the Executive Branch of the Federal Government met or exceeded all of its small business prime contract goals with the exception of the women-owned small business goal. The agencies met their overall small business prime contract goal of 24.8 percent by awarding 24.8 percent ($42.5 billion) to small businesses out of the $171.4 billion total dollars awarded in fiscal year 1997; the agencies also met the 8(a) goal of 1.7 percent by awarding 1.7 percent ($2.9 billion) in prime contracts to 8(a) firms. Federal agencies exceeded the small disadvantaged business prime contract goal of 4.3 percent by awarding 5.3 percent ($9.2 billion) to small disadvantaged businesses. Despite a determined effort, Federal agencies failed to achieve the established women-owned small business prime contract goal of 4.6 percent by awarding those firms 2.1 percent ($3.6 billion) of prime contract awards.

Federal agencies also exceeded the small business subcontracting and small disadvantaged business subcontracting goals. The Federal Government's large business prime contractors subcontracted $71.5 billion in fiscal year 1997. Federal prime contractors exceeded the small business subcontract goal of 40.3 percent by awarding 41.1 percent ($29.4 billion) to small businesses. They exceeded the small disadvantaged business subcontracting goal of 5.9 percent by awarding 6.3 percent ($4.5 billion) of subcontract awards to small disadvantaged businesses. The Federal Government's large prime contractors failed to achieve the women-owned small business subcontracting goal of 5.0 percent, awarding 4.1 percent ($2.9 billion) to women-owned small business firms.

In this report, the SBA summarizes Federal agency performance in meeting their goals and provides detailed comments from the 20 Federal agencies with the largest contracting budgets. In the goal-setting process, agencies are

encouraged to set aggressive goals and make determined efforts to meet them. Most agencies were able to do that in many of the categories.

Introduction

The policy of the United States, as stated in the Small Business Act, is that small businesses, women-owned small businesses and small businesses owned and controlled by socially and economically disadvantaged individuals are to be provided with the maximum practicable opportunity to participate in the performance of contracts let by the Federal Government. To that end, Public Law 95–507, as amended, requires the head of each Federal agency, after consultation with the SBA, to establish aggressive, yet achievable, goals for the award of contracts to small, small disadvantaged and women-owned small businesses.

Overall goals are established on a government-wide basis. However, it is important to note that goals differ from agency to agency. Goals are established on an individual agency-by-agency basis because each agency has a different procurement mix based on its specific mission. For example, the Department of Defense (DOD) purchases a large number of aircraft, and there are not many small businesses providing this end product, whereas the General Services Administration (GSA) purchases common commodities like paper clips, paper, computers, etc., where there are numerous small business suppliers. It is therefore appropriate to establish different dollar and percentage goals for these agencies. It is the mission of the SBA to work with Federal agencies to establish challenging, yet meaningful, goals that will encourage agencies to take risks that will enhance the ability of small businesses to participate in the government's prime and subcontracting opportunities.

In establishing goals, agencies use judgment based on their careful consideration of a variety of factors such as historical performance, anticipated budget or mission changes affecting their procurement needs, changes in acquisition procedures and anticipated major acquisitions that will deviate from "usual" award practices. If these goals are not set at recommended levels consistent with the SBA's analysis, the SBA will not concur with the agency, and a goal at a more appropriate level will be negotiated and subsequently established.

SBA Guidance

Each year, Federal agencies provide the SBA with estimates of the total dollar amount of (1) all prime contracts to be awarded during the year and (2) subcontracts to be awarded by all of the agency's "reporting prime contractors."[1] All goals are expressed in terms of dollars and percentages. However, if there is a variance, up or down, from the projected base amounts upon

[1] "Reporting prime contractors" are defined in the Federal Government's Standard Form 295. See the appendix for detailed instructions provided to agencies.

which goals are established, the percentage goal is the controlling factor and will be used to measure actual attainment. The categories are:

- Prime contract awards to small businesses;
- Prime contract awards under the authority of Section 8(a) of the Small Business Act;
- Prime contract awards to small businesses owned and controlled by socially and economically disadvantaged individuals, other than 8(a);
- Prime contract awards to small businesses owned and controlled by women;
- Subcontracts awarded by prime contractors to small businesses;
- Subcontracts awarded by prime contractors to small businesses owned and controlled by socially and economically disadvantaged individuals; and,
- Subcontracts awarded by prime contractors to small businesses owned and controlled by women.

In the unlikely event that consultations between SBA and an agency fail to result in a mutually agreeable goal, the Office of Federal Procurement Policy (OFPP) at the Office of Management and Budget (OMB) shall make the final determination of what goals are appropriate under the circumstances.

At the end of each fiscal year, Public Law 95–507, as amended, requires the head of each agency to report to the SBA Administrator on the agency's achievement of goals for the year, with appropriate justification for failure to meet specific goals.[2]

Women-owned small businesses benefited significantly from procurement reform in 1994. The Federal Acquisition Streamlining Act of 1994 (P.L. 103–355 signed October 13, 1994), more commonly known as FASA, requires a 5 percent government-wide goal for women-owned small businesses. Women-owned small businesses are specifically incorporated into the procurement preference goaling process and added as a class for subcontract plan goals.

The SBA's detailed analysis and comments cover only the 20 Federal agencies with the largest contracting budgets. These 20 agencies represent approximately 99 percent of Federal procurement awards reported to the Federal Procurement Data Center. Tabular data on many of the smaller agencies are also included for FY 1997.

[2] Public Law 100-656 requires this information in the annual state of small business report.

Small Business Prime Contract Awards

In FY 1997, the Federal Government awarded 24.8 percent, or $42.5 billion of a total $171.4 billion, in prime contract dollars to small businesses (Tables 1 and 2). While the total dollar amount exceeded the projected goal, the percentage awarded to small businesses, 24.8 percent, met the projected goals: small firms gained almost $143 million more than had been estimated. For purposes of this report, the General Services Administration's Federal Supply Service (FSS) projections and achievements will be evaluated separately from the GSA's non-FSS projections and achievements, as appropriate.

The Departments of Commerce, Defense, Health and Human Services, Interior, State, Transportation, Treasury, the General Services Administration (Non-Federal Supply Service), National Aeronautics and Space Administration, and the Social Security Administration either met or exceeded their percentage goals for prime contracting to small business. Nine of those agencies also exceeded their dollar goals. The Departments of Justice, Veterans Affairs, the Tennessee Valley Authority and the Agency for International Development also exceeded the dollar value projection of awards to small business concerns.

The largest single agency percentage increase over the projected total came from the Department of Transportation, which awarded 33.5 percentage points more than projected, achieving 64 percent of its prime contract awards to small business. The next largest percentage gain was from the Social Security Administration, which awarded 51.1 percent—21.1 percentage points higher than projected.

The largest dollar increase over the projected total came from the Department of Veterans Affairs (DVA), despite the agency having missed the projected percentage goal by just 0.7 percentage point. It increased its dollar total for small business by $547.1 million, to more than $1.4 billion. The second largest dollar share gain was from the Department of Transportation, which awarded more than $971 million to small businesses—$455.5 million more than projected.

Agency Shortfalls

The Small Business Administration is charged in Public Law 95–507, as amended, with the responsibility to analyze and comment on shortfalls by major reporting agencies. The Departments of Agriculture, Education, Energy, Housing and Urban Development, Justice, Labor, Veterans Affairs, the Environmental Protection Agency, the General Services Administration (Federal Supply Schedule), the Tennessee Valley Authority, and the U.S. Agency for International Development missed their percentage goals for prime contract awards to small business concerns.

Department of Agriculture

The U.S. Department of Agriculture (USDA) failed to reach its small business prime contract goal of 51.0 percent by 14.8 percentage points. It also missed the dollar goal by $141.3 million. The actual prime contract dollars awarded to small businesses in FY 1997 were slightly less than $1.2 billion.

Department of Education

The Department of Education (DOEd) failed to reach its small business prime contract goal of 23.4 percent by 5.3 percentage points. DOEd just missed its small business prime contract dollar goal of $109 million by $1.7 million. The actual prime contract dollar total awarded to small businesses in FY 1997 was $107.3 million.

Department of Energy

The Department of Energy (DOE) failed to reach its small business prime contract goal of 20.0 percent by 2.5 percentage points. DOE also missed its small business prime contract dollar goal of $3 million by $349.7 million. The actual prime contract dollar total awarded to small businesses in FY 1997 was $2.65 million. According to DOE's report, the shortfall can be attributed to declines in awards to small businesses by maintenance and operations (M&O) contractors and the "corresponding centripetal forces for 'bundling' contracts."

Department of Housing and Urban Development

The Department of Housing and Urban Development (HUD) failed to reach its small business prime contract goal of 43.0 percent by 16.5 percentage points. HUD also missed its small business prime contract dollar goal of $330.9 million by $231.7 million. The actual small business prime contract dollar total awarded was $99.2 million. HUD's report stated that departmental awards to small, small disadvantaged businesses, and women-owned small businesses sharply declined in FY 1997 because of a substantial decrease (from $355 million in FY 1995 to $85 million in FY 1996 to $40 million in FY 1997) in field contracting activity, HUD's greatest source of small business contract awards.

Department of Justice

The Department of Justice (DOJ) missed its small business prime contract goal by 4.5 percent, awarding 30 percent of its prime contracts to small business concerns. However, DOJ exceeded its small business prime contract dollar goal of $707.2 million by $28.6 million. The actual prime contract dollar amount awarded to small businesses in FY 1997 was $735.8 million.

Department of Labor

The Department of Labor (DOL) failed to reach its small business prime contract goal of 23.8 percent by 4.2 percentage points. DOL also missed its small business prime contract dollar goal of $210.7 million by $11.6 million. The actual prime contract dollar total awarded to small businesses in FY 1997 was $199.1 million. DOL reported that the failure to reach the FY 1997 goals can be attributed to an increase in the number of large construction and operations contracts. Although this negatively impacted DOL's prime contract awards to small business concerns, it was matched by a marked increase in the agency's contractors' subcontracting to small business.

Department of Veterans Affairs

Despite failing to meet its percentage goal for small business prime contract awards by 0.7 percentage point, the Department of Veterans Affairs exceeded its goal for dollar awards by $547.1 million—by awarding more than $1.4 billion of its prime contract awards to small business.

Environmental Protection Agency

The Environmental Protection Agency (EPA) failed to reach its small business prime contract goal of 25.0 percent by 4.0 percentage points. EPA also missed its small business prime contract dollar goal of $300.0 million by $108.0 million. The actual prime contract dollar total awarded to small businesses in FY 1997 was $192.0 million.

General Services Administration (Federal Supply Service)

The General Services Administration's Federal Supply Service (GSA/FSS) missed its goal for small business prime contract awards by 45.5 percent. GSA/FSS also missed its goal for dollar awards to small business by $1.25 billion. GSA/FSS awarded more than $2.1 billion, or 31.1 percent, in prime contract dollar awards to small business in FY 1997.

Tennessee Valley Authority

The Tennessee Valley Authority (TVA) failed to reach its small business prime contract goal of 18.0 percent by 1.3 percentage points. However, TVA exceeded its small business prime contract dollar goal of $452.3 million by $59.8 million. The actual prime contract dollar amount awarded to small businesses in FY 1997 was $452.3 million.

U.S. Agency for International Development

The U.S. Agency for International Development (USAID) failed to reach its small business prime contract goal of 35.2 percent by 11.5 percentage points.

However, USAID exceeded its small business prime contract dollar goal of $160.3 million by $16.1 million. The actual prime contract dollar amount awarded to small businesses in FY 1997 was $176.4 million.

Small Business Subcontract Awards

Federal prime contractors awarded slightly less than $71.5 billion in Federal funds to subcontractors in FY 1997 (Tables 3 and 4). Of this total, approximately $29.4 billion—41.1 percent—went to small firms. This share was 0.8 percentage point higher than projected. Subcontracts awarded totaled $18.8 billion more than expected, and the dollar share to small businesses was nearly $8.2 billion more than projected.

Prime contractors to the 20 agencies with the largest contracting budgets awarded approximately 99.8 percent of both the total small business subcontract dollars and the small business subcontract percentage. The following agencies either met or exceeded their percentage subcontracting goals to small business: the Departments of Agriculture, Defense, Energy, Housing and Urban Development, Interior, State, Transportation, Treasury, Veterans Affairs; and the General Services Administration's Non-Federal Supply Service, the National Aeronautics and Space Administration, the Social Security Administration, the Tennessee Valley Authority, and the U.S. Agency for International Development. Ten of those agencies, the Departments of Defense, Energy, Housing and Urban Development, Interior, Transportation, Veterans Affairs, and the National Aeronautics and Space Administration, the Social Security Administration, the Tennessee Valley Authority, and the U.S. Agency for International Development, also exceeded the dollar goal for subcontract awards to small business concerns.

Despite missing their percentage goals for subcontract awards to small businesses, the Departments of Education, Justice and Labor exceeded their projected dollar goals.

The largest single agency percentage increase over the projected total came from the Social Security Administration, which awarded 42.6 percentage points more than projected—awarding 67.6 percent of its subcontract awards to small business. The next largest percentage gain was from the Department of State, which subcontracted 59.0 percent—19.0 percentage points more than projected.

The largest dollar increase over the projected total came from the Department of Defense, whose prime contractors increased the dollar total for small business by almost $6.6 billion, to $22.5 billion. The second largest dollar share gain was from the Department of Veterans Affairs. Its prime contractors awarded almost $1.7 billion to small business—$1.5 billion more than projected.

Of all the agencies, USAID achieved the highest percentage goal for small business subcontracts at 74.3 percent. The Social Security

Administration achieved the second highest percentage subcontract goal for small business at 67.6 percent.

Agency Shortfalls

The following agencies failed to meet their percentage goals for subcontract dollars to small business: the Departments of Commerce, Education, Health and Human Services, Justice, Labor, and the Environmental Protection Agency. Despite missing the percentage goal for small business subcontracts, the Departments of Education, Justice and Labor exceeded the dollar totals projected for small business subcontract awards. Only the Departments of Commerce, Health and Human Services and the Environmental Protection Agency missed both their percentage and dollar goals for subcontract awards to small business. The Departments of Agriculture, Transportation and Treasury and the General Services Administration's Non-Federal Supply Service met or exceeded their percentage goals but missed their dollar goals for subcontract awards.

Department of Agriculture

The Department of Agriculture exceeded its percentage goal for subcontract awards to small business concerns by 1.7 percent. However, USDA failed to meet its dollar goal for subcontract awards by $77.9 million. USDA's prime contractors awarded $276 million in subcontracts to small business concerns.

Department of Commerce

The Department of Commerce (DOC) failed to reach its small business subcontract goal of 44.0 percent by 3.9 percentage points. DOC also missed the dollar goal by $18.8 million. The actual dollar amount subcontracted to small business in FY 1997 was $54.7 million. DOC's explanation for this is that their inability to directly influence subcontract awards inhibits the agency's ability to unilaterally increase awards to small business subcontractors.

Department of Education

The Department of Education missed its percentage goal for small business subcontract awards by 18.8 percent. However, DOEd exceeded the dollar goal by $33.1 million. Its prime contractors reported small business subcontract awards totaling $36.9 million in FY 1997.

Department of Health and Human Services

The Department of Health and Human Services (DHHS) met neither its percentage nor its dollar goal for subcontract awards to small business concerns. DHHS missed its percentage goal by 17.3 percent and its dollar goal by

$113.5 million. However, DHHS's prime contractors did award almost $113 million in subcontracts—40 percent—to small business in FY 1997.

Department of Justice

The Department of Justice failed to reach its small business subcontract goal of 51.5 percent by 0.7 percentage points. However, DOJ exceeded its small business subcontract dollar goal of $417.6 million by $6.1 million. The actual dollar amount subcontracted to small business in FY 1997 was $423.7 million.

Department of Labor

The Department of Labor failed to reach its small business subcontract goal of 58.9 percent by 2.1 percentage points. However, DOL exceeded its small business subcontract dollar goal of $100.2 million by $26.6 million. The actual dollar amount subcontracted to small business in FY 1997 was $126.8 million.

Department of Transportation

The Department of Transportation (DOT) failed to reach its small business subcontract dollar goal of $64.3 million by $108 million. However, DOT exceeded its small business subcontract percentage goal of 50 percent by 13.1 percent. The actual percentage subcontracted to small business in FY 1997 was 63.1 percent.

Department of Treasury

The Department of the Treasury (Treasury) failed to reach its small business subcontract dollar goal of $141.1 million by $10.9 million. However, Treasury exceeded its small business subcontract percentage goal of 32.0 percent by 12.4 percent. The actual percentage amount subcontracted to small business in FY 1997 was 42.4 percent.

Environmental Protection Agency

The Environmental Protection Agency failed to reach its small business subcontract goal of 55.0 percent by 21.0 percentage points. EPA also failed to reach its small business subcontract dollar goal of $82.5 million by $22.5 million. The actual dollar amount subcontracted to small business in FY 1997 was $60 million.

General Services Administration (Non-Federal Supply Service)

The General Services Administration's Non-Federal Supply Service failed to reach its small business subcontract dollar goal of slightly more than $1.2 billion by $567.6 million. GSA/NFSS did exceed its percentage goal by 0.1

percent. GSA/NFSS awarded $662.4 million in subcontracts to small business in FY 1997. In its report, GSA stated the following reasons for not achieving its goals: contractors informed the agency that, because of economic problems, some of their small business vendors went bankrupt, merged with other companies, or were bought out by large business concerns during fiscal year 1997; some of the contractors reduced their discretionary spending in order to economize; GSA's prime contractors also produced more in-house rather than subcontracting out; and the public utility contracts have historically posed a problem to the small, small disadvantaged, and women-owned business programs. Because of the nature of service required, GSA has very little leverage to negotiate higher subcontracting goals in the small and disadvantaged categories.

Minority Small Business Awards: The 8(a) Program

The 8(a) Business Development (BD) program helps eligible small disadvantaged business concerns compete in the American economy through business development. The 8(a) BD program provides Federal Government contracts to small companies owned and controlled by socially and economically disadvantaged individuals who are certified by the U.S. Small Administration. Under the program, the SBA, which acts as the prime contractor in the process, works with other Federal agencies to identify requirements suitable for the 8(a) BD program. The Federal agencies, with SBA assistance, then negotiate subcontracts with certified 8(a) BD program participants.

The Federal Government awarded $2.9 billion (1.7 percent) of the total amount awarded in prime contracts through the SBA to firms participating in the 8(a) BD program in FY 1997 (Tables 5 and 6). The agencies met the percentage goal established for awards to 8(a) firms—1.7 percent, but fell just short of meeting the dollar goal established for awards to these firms. Dollar awards to 8(a) firms fell short of the goal by $85.6 million.

The 20 agencies with the largest contracting budgets awarded approximately 98.3 percent of the 8(a) contract dollars. Nine of the 20 agencies—the Departments of Commerce, Housing and Urban Development, Interior, Labor, State, Transportation and Veterans Affairs, the National Aeronautics and Space Administration, and Social Security Administration—either met or exceeded their percentage goals for 8(a). With the exception of the Departments of Housing and Urban Development and Interior, these agencies also exceeded their dollar goals. Despite missing their percentage goals, the Department of the Treasury and the U.S. Agency for International Development exceeded their dollar goals for awards to 8(a) firms.

The Department of Defense has, by specific legislation, a goal of 5.0 percent for participation of small disadvantaged business and it sets a single goal for total SDB participation, rather than separate goals for SDB and 8(a) awards.

When both 8(a) and SDB are combined, DOD achieved 6.3 percent, exceeding the SDB goal of 5.0 percent by 1.3 percentage points.

The largest single agency percentage increase over the projected total came from the Social Security Administration, which awarded 9.3 percentage points more than projected, achieving a 22.3 percent award rate to 8(a) firms. The next largest gain was from the Department of Veterans Affairs, which awarded 6.9 percent—4.4 percentage points more than projected.

The largest dollar increase over the projected total came from the Department of Veterans Affairs. It increased its dollar total for 8(a) contracts by $223.8 million, to $286.6 million. The second largest dollar share gain was from the Department of State, which awarded $91.1 million to 8(a) firms—$35.7 million more than projected.

Agency Shortfalls

The following agencies failed to achieve their percentage goals for 8(a) contracts: the Departments of Agriculture, Education, Energy, Health and Human Services, Housing and Urban Development, and Treasury, the Environmental Protection Agency, the General Services Administration's Non-Federal Supply Service, the Tennessee Valley Authority; and the U.S. Agency for International Development. The Departments of Agriculture, Education, Energy, Health and Human Services, Housing and Urban Development, and Interior, the Environmental Protection Agency, the General Services Administration's Non-Federal Supply Service, the Social Security Administration, and the Tennessee Valley Authority each missed their dollar goal for 8(a) contract awards.

Department of Agriculture

The Department of Agriculture missed both its 8(a) contract percentage and dollar goals. USDA projected a percentage goal of 6.0 percent of its prime contract awards to 8(a) firms, while only achieving a 2.7 percent goal. The agency anticipated making $155.9 million in prime contract awards to 8(a) firms; however, they just fell short of their goal by awarding $88.5 million in 8(a) prime contract awards—$67.4 million less than projected.

Department of Education

The Department of Education failed to reach its 8(a) goal of 5.0 percent by 1.7 percentage points. Education also missed its 8(a) contracts dollar goal of $23.3 million by $4.0 million. The actual dollar amount to 8(a) contracts was $19.3 million.

Department of Energy

The Department of Energy did not make its 8(a) contracts goal, missing it by 0.8 percentage point. DOE also failed to reach its 8(a) dollar goal of $450.0

million by $116.3 million. The actual dollar amount to 8(a) contracts in FY 1997 was $333.7 million.

Department of Health and Human Services

The Department of Health and Human Services failed to meet either its percentage or dollar goal for awards to 8(a) firms. DHHS projected 8.6 percent of its prime contract awards were to be made to 8(a) firms, but only 7.0 percent of their overall awards went to 8(a) firms. DHHS fell short of the $260.5 million projected for 8(a) awards. The agency awarded $224.0 million—$36.5 million less than projected.

Department of Housing and Urban Development

The Department of Housing and Urban Development exceeded its percentage goal for awards to 8(a) firms. However, HUD missed its dollar goal for awards to 8(a) firms by $30.3 million. HUD awarded $45.9 million in prime contracts to 8(a) firms.

Department of Treasury

The Department of the Treasury exceeded its dollar goal of prime contract awards to 8(a) firms by $3.9 million. Treasury awarded $125.3 million in prime contracts to 8(a) concerns, but missed its 8(a) percentage goal by 1.0 percent. Treasury awarded 10.0 percent of its prime contracts to 8(a) firms.

Environmental Protection Agency

The Environmental Protection Agency failed to reach its 8(a) contracts goal of 6.8 percent by 0.9 percentage point. EPA also missed its 8(a) contracts dollar goal of $81.6 million by $27.7 million. The actual dollar amount to 8(a) contracts was $53.9 million.

General Services Administration (Non-Federal Supply Service)

The General Services Administration's Non-Federal Supply Service missed both its percentage and dollar goals for awards to 8(a) firms. GSA/NFSS failed to meet its percentage goal by 3.2 percent, while missing its dollar goal by $164.2 million. GSA/NFSS awarded $443.8 million—6.3 percent—in prime contract awards to 8(a) firms.

Social Security Administration

The Social Security Administration (SSA) exceeded its percentage goal for awards to 8(a) firms by 9.3 percent, but missed its dollar goal by $7.9 million. In FY 1997, the SSA awarded $42 million to 8(a) firms.

Tennessee Valley Authority

The Tennessee Valley Authority missed its 8(a) percentage goal by 0.6 percentage point. TVA also missed its 8(a) contracts dollar goal of $18.3 million by $12.0 million. The actual dollar amount in 8(a) contracts was $6.3 million.

U.S. Agency for International Development

The U.S. Agency for International Development failed to reach its 8(a) contracts goal of 10.4 percent by 2.6 percentage points, but exceeded its 8(a) contracts dollar goal of $47.3 million by $11.2 million. The actual dollar amount in 8(a) contracts was $58.5 million.

Small Disadvantaged Business Prime Contracts

In FY 1997, the Federal Government awarded almost $9.2 billion, or 5.3 percent of the total $171.4 billion in prime contract dollars, to small disadvantaged businesses (SDBs). These accomplishments do not include contracts awarded through the 8(a) program (Tables 7 and 8). Subcontract awards to 8(a) firms are categorized as SDB subcontracts. The Federal agencies exceeded the projected percentage goal by one full percentage point. Even more impressive was the dollar achievement: the agencies exceeded the projected dollar amount for SDB firms by $1.9 billion in FY 1997. The 20 agencies with the largest contracting budgets awarded approximately 99.3 percent of the SDB prime contract dollars.

Thirteen of the 20 agencies—the Departments of Commerce, Defense, Education, Energy, Health and Human Services, Interior, State, Transportation, Treasury, and Veterans Affairs, the General Services Administration (both Federal Supply Service and Non-Federal Supply Service), National Aeronautics and Space Administration, and the Social Security Administration—met or exceeded their percentage goals for SDB. Twelve of these agencies also exceeded their dollar goals.

The largest single agency percentage increase over the projected total came from the Department of Health and Human Services, which awarded 8.3 percentage points more than projected, achieving 11.5 percent in SDB prime contracts. The next largest gain was from the Department of Education, which awarded 8.2 percent—5.7 percentage points more than projected.

The largest dollar increase over the projected total came from the Department of Defense. DOD increased its dollar total of prime contract awards to SDB firms by $1.06 million, awarding $6.69 million to SDB firms in FY 1997. The second largest dollar increase was posted by the General Services Administration's Federal Supply Schedule and Non-Federal Supply Schedule SDB prime contracts. GSA increased its dollar total of Federal supply schedule SDB prime contracts by $290.4 million, to $431.8 million, and increased its dollar total of Non-Federal Supply Schedule SDB prime contracts by $79.9 million, to $311.9 million.

Of all the agencies, the Department of Health and Human Services established the highest percentage goal for SDB prime contracts at 11.5 percent. It achieved 8.3 percentage points more than the projected amount.

Agency Shortfalls

The SBA has reviewed and provided specific comments on the reports of the six agencies that did not achieve either their percentage or dollar goals for SDB prime contracts in FY 1997: the Departments of Agriculture, Housing and Urban Development, Justice, and Labor, the Environmental Protection Agency and the Tennessee Valley Authority.

Although it exceeded its percentage goal for SDB prime contract awards, the Social Security Administration missed its dollar goal in FY 1997. The U.S. Agency for International Development, while exceeding its percentage goal, fell short of meeting its percentage goal for SDB prime contract awards.

Department of Agriculture

The Department of Agriculture failed to reach its SDB prime contract goal of 5.0 percent by 3.2 percentage points. USDA also missed its SDB prime contract dollar goal of $130.0 million by $72.2 million. The actual SDB prime contract dollar amount awarded was $57.8 million.

Department of Housing and Urban Development

The Department of Housing and Urban Development failed to reach its SDB prime contract goal of 3.0 percent by 1.4 percentage points. HUD also missed its SDB prime contract dollar goal of $23.1 million by $17.2 million. Actual SDB prime contract dollars awarded totaled $5.9 million. HUD stated in its report that departmental awards to small disadvantaged businesses declined sharply in FY 1997 because of a substantial decrease (from $355 million in FY 1995 to $85 million in FY 1996 to $40 million in FY 1997) in field contract activity contracts, historically HUD's greatest source of small business contract awards, including SDB competitive awards.

Field contracting consists primarily of the Office of Housing's Property Disposition Program, which manages and sells single- and multi-family properties nationwide. Because of several factors such as a steadily declining inventory of properties, a reduction in the holding time of properties, and the department deferring more work to purchasers, the requirement for contract support to operate the Property Disposition Program has decreased. Because this program accounts for a large share of small business awards, including competitive SDB awards, the Department's total dollar value and percentage of awards to SDBs declined sharply.

Department of Justice

The Department of Justice failed to reach its SDB prime contract goal of 2.5 percent by 0.8 percentage point. DOJ also missed its SDB prime contract dollar goal of $51.2 million by $8.4 million. The actual SDB prime contract dollar total awarded was $42.8 million.

Department of Labor

The Department of Labor failed to reach its SDB prime contract goal of 5.0 percent by 3.6 percentage points. DOL also missed its SDB prime contract dollar goal of $44.5 million by $30.2 million. The actual SDB prime contract dollars awarded totaled $14.3 million. DOL attributes the missed goal to a significant decline in small purchases from SDB firms.

Department of State

The Department of State exceeded its percentage goal for prime contract awards to SDB firms by one full percentage point—awarding 6.0 percent of its prime contracts to SDB firms. However, the department missed its dollar goal by $6.4 million. The State Department awarded $25.1 million in prime contracts to SDB firms in FY 1997. Because of a waiver granted by the Office of Federal Procurement Policy, the State Department is authorized to exclude certain SBA reporting requirements from its reporting data. According to the department's FY 1997 report, once the excluded categories were removed from consideration, it met its 6.0 percent goal for SDB prime contracts.

Environmental Protection Agency

The Environmental Protection Agency did not meet either its percentage or dollar goal for awards to SDB firms in FY 1997. EPA fell short by 1.2 percent of meeting its FY 1997 percentage goal of 3.0 percent and missed its dollar goal by $7.0 million, awarding $17.0 million to SDB firms in FY 1997.

Social Security Administration

The Social Security Administration exceeded its SDB prime contact goal of 5.4 percent by 1.9 percentage points, but missed its dollar goal of $20.7 million by $7.0 million. The actual SDB prime contract dollar amount awarded was $13.7 million.

Tennessee Valley Authority

The Tennessee Valley Authority missed both its SDB prime contract percentage goal of 2.7 percent by 0.9 percentage point and its dollar goal of $58.9 million by $10.5 million. The total SDB prime contract dollar amount awarded was $48.4 million.

U.S. Agency for International Development

Despite exceeding the dollar goal established for SDB firms by $5.2 million, the USAID did not meet its percentage goal for prime contract awards to these firms. The USAID missed its percentage goal of 5.5 percent by 1.5 percentage points, awarding 4.0 percent of its prime contracts to SDB firms. In its report on FY 1997 accomplishments, the USAID states that because of incomplete data collection from its overseas missions, both dollar awards and corresponding percentages are down. The agency is taking steps to address this issue and believes that this will eliminate future declines.

Small Disadvantaged Business Subcontracts

Federal prime contractors awarded almost $71.5 billion in Federal funds to subcontractors in FY 1997. Of this total, slightly less than $4.5 billion—6.3 percent—went to small disadvantaged business subcontractors (Tables 9 and 10). This share was 0.4 percentage points higher than projected. Subcontracts to SDBs totaled $1.37 billion more than projected.

Prime contractors to the 20 agencies with the largest contracting budgets awarded approximately 99.7 percent of the dollar value of these awards. Twelve of the 20 agencies—the Departments of Agriculture, Defense, Energy, Interior, State, Transportation, Treasury, and Veterans Affairs, the General Services Administration Non-Federal Supply Service, Social Security Administration, Tennessee Valley Authority, and U.S. Agency for International Development—either met or exceeded their percentage goals for SDB subcontracting. Twelve agencies also exceeded their dollar goals.

The largest single agency percentage increase over the projected total came from the Social Security Administration, which achieved 13.9 percentage points more than projected, awarding 18.9 percent for SDB subcontracting. The next largest percentage gain was from the Department of State. Its prime contractors made contracts worth 6.0 percentage points more than projected in subcontract awards to SDBs.

Of all the agencies, the Social Security Administration established the highest percentage goal for SDB subcontracting at 18.9 percent and exceeded its dollar goal by $6 million in FY 1997.

Agency Shortfalls

Eight of the 20 agencies missed their percentage goals for subcontract dollars to SDBs, including the Departments of Commerce, Education, Health and Human Services, Housing and Urban Development, Justice, and Labor, the Environmental Protection Agency, and the National Aeronautics and Space Administration. The Departments of Agriculture, Commerce, Health and Human Services, Housing and Urban Development, Interior, Justice, and Transportation, and the General Services Administration's Non-Federal Supply Service did not meet their dollar goals for FY 1997 subcontract awards. An

analysis and comments on the performance of agencies that missed their SDB subcontracting goals follows.

Department of Agriculture

The USDA exceeded its subcontract percentage goal by 0.3 percent, by awarding 5.3 percent of its subcontract opportunities to SDB firms. However, the USDA failed to meet its dollar goal to SDB firms by $8.1 million. USDA's prime contractors awarded $32.1 million in subcontracts to SDB firms in FY 1997.

Department of Commerce

The Department of Commerce failed to reach its SDB subcontracting goal of 18.0 percent by 5.4 percentage points. DOC also missed its SDB subcontract dollar goal of $30.1 million by $12.9 million. The actual dollar amount subcontracted to SDBs in FY 1997 was $17.2 million.

Department of Education

Despite missing its percentage goal for awards by its prime contractors to SDB firms by 1.8 percent, the DOEd exceeded its SDB subcontract dollar goal by $8.2 million. DOEd awarded 5.3 percent, or $8.9 million, of its subcontract opportunities to SDB firms in FY 1997.

Department of Health and Human Services

The DHHS failed to meet both its percentage and dollar goals for subcontract awards to SDB firms in FY 1997. DHHS fell short of its percentage goal of subcontract awards to SDBs by 4.4 percent and missed its dollar goal by $25.6 million. In FY 1997, DHHS awarded 7.0 percent, or $19.5 million, of its subcontracts to SDB firms.

Department of Housing and Urban Development

The HUD missed both its percentage and dollar goals for subcontract awards to SDB firms. HUD established a 20.0 percent goal for subcontract awards to SDB firms, while achieving 12.0 percent in subcontract awards to those firms—an 8.0 percent shortfall. DHHS fell short of its dollar goal by $5.1 million. The department's prime contractors awarded $14.1 million in subcontracts to SDB firms. In order to offset future declines, HUD will place greater emphasis on increasing subcontracting opportunities for SDBs.

Department of the Interior

The Department of the Interior (DOI) exceeded its SDB subcontract goal of 3.5 percent by 1.3 percentage points. However, DOI just missed its SDB subcontract

dollar goal of $3.5 million by $0.2 million. The actual dollar amount subcontracted to SDBs in FY 1997 was $3.3 million. DOI's report stresses that they will continue their efforts to afford maximum opportunities for the participation of SDB firms in the agency's procurement programs.

Department of Justice

The Department of Justice did not meet either its SDB subcontract percentage or dollar goal in FY 1997. DOJ projected that 5.5 percent of its SDB subcontract awards would be made to SDB firms but missed it by 0.8 percentage points. DOJ also missed its SDB subcontract dollar goal of $44.0 million by $5.3 million. The actual dollar amount subcontracted to SDB in FY 1997 was $38.7 million.

Department of Labor

The Department of Labor exceeded its SDB subcontract dollar goal of $26.1 million by $5.9 million but missed its percentage goal by 0.2 percentage points. The actual percentage amount subcontracted to SDBs in FY 1997 was 11.7 percent. DOL is taking steps to reverse the shortfalls.

Department of Transportation

The Department of Transportation exceeded its SDB subcontract percentage goal by 5.2 percent, but missed its SDB subcontract dollar goal by $20.7 million. The actual dollar amount subcontracted to SDB in FY 1997 was $15.5 million.

Environmental Protection Agency

The Environmental Protection Agency exceeded its projected dollar goal for SDB subcontract awards by $0.5 million, while missing its percentage goal by 1.8 percent. EPA's prime contractors awarded $17.0 million, or 9.2 percent of its subcontracts to SDB firms.

General Services Administration (Non-Federal Supply Service)

The General Services Administration's Non-Federal Supply Service subcontract awards to SDB firms totaled $88 million, falling short, by $62 million, of the $150 million projected for subcontract awards. GSA/NFSS exceeded its percentage goal for SDB subcontracts by 0.5 percent. GSA/NFSS saw 5.5 percent of its subcontract opportunities awarded to SDB firms. In its report, GSA stated that they are adding provisions to ensure expanded small business participation in the procurement process.

National Aeronautics and Space Administration

The National Aeronautics and Space Administration (NASA) exceeded the projected dollar value of SDB subcontract awards by $59.2 million. NASA's prime contractors awarded $680.2 million in subcontracts to SDB firms. However, NASA missed its percentage goal for SDB subcontracts by 1.4 percent, awarding 12.3 percent of its FY 1997 subcontracts to SDB firms. NASA states that an "unanticipated" increase of 22 percent in prime contractor outsourcing, without a comparable increase in SDB subcontract awards, caused the shortfall.

Women-Owned Small Business Prime Contracts

In FY 1997, the Federal Government awarded 2.1 percent, or $3.6 billion of a total of $171.4 billion, in prime contracts to women-owned small businesses (Tables 11 and 12). Both the total dollar amount and the percentage awarded to women-owned small businesses fell below the projected goals established by the agencies. Small women-owned firms received $4.3 billion less than projected and 2.5 percentage points less than the overall share goal of 4.6 percent.

The 20 agencies with the largest contracting budgets awarded approximately 99.0 percent of the women-owned small business (WOSB) prime contract dollars. Six of the 20 agencies—the Departments of Health and Human Services, Interior, State, Treasury, Veterans Affairs, and the National Aeronautics and Space Administration—either met or exceeded their percentage and dollar goals for prime contracting to WOSBs. The Social Security Administration, while missing its dollar goal for awards to WOSBs, exceeded its percentage goal.

The largest single agency percentage increase over the projected total came from the Department of State, which awarded 3.0 percentage points more than projected and achieved 8.0 percent to WOSBs. The next largest percentage gain was from the Department of Veterans Affairs, which awarded 6.1 percent—2.6 percentage points higher than projected.

The largest dollar increase over the projected total came from the Department of Veterans Affairs. It increased its dollar total for women-owned small businesses by $166.0 million. DVA awarded $253.5 million to WOSBs. The second largest dollar share gain was from the National Aeronautics and Space Administration. NASA awarded $157.7 million—$25.7 million more than the $132 million originally projected.

Agency Shortfalls

Thirteen of the 20 major agencies missed their percentage and/or dollar goals for prime contracts to women-owned small businesses: the Departments of Agriculture, Commerce, Defense, Education, Energy, Housing and Urban Development, Justice, Labor, and Transportation, the Environmental Protection

Agency, General Services Administration, Social Security Administration, Tennessee Valley Authority, and the U.S. Agency for International Development.

Department of Agriculture

The Department of Agriculture missed its percentage goal for prime contracts to WOSBs by 2.5 percent and missed its prime contract dollar goal of $130.0 million by $49.1 million. The actual prime contract dollar amount awarded to WOSBs in FY 1997 was $80.9 million.

Department of Commerce

The Department of Commerce failed to meet both its percentage and dollar goals for awards to WOSBs. DOC awarded 5.7 percent, 2.3 percent less than projected, in prime contracts to WOSBs. DOC missed its dollar goal by $15.5 million, awarding $46.3 million in prime contracts to WOSBs in FY 1997. Although the agency missed its WOSB prime contract goals, DOC points out that it exceeded its targets in the area of subcontract awards to these firms.

Department of Defense

The Department of Defense failed to reach its WOSB prime contract goal of 5.0 percent by 3.3 percent. DOD also missed its prime contract dollar goal of $5.6 billion by $3.8 billion. The actual prime contract dollars awarded to WOSBs in FY 1997 totaled $1.8 billion. In its report, DOD states that although the department did not achieve the prime contract goal for awards to WOSBs, it was able to maintain a respectable level of dollar awards to these firms despite a $2.6 billion decline in total business awards. Although DOD spending has decreased at an annual rate of 2.2 percent since 1985, prime contract awards to WOSBs have grown at a rate of 6.2 percent.

Department of Education

The Department of Education failed to reach its WOSB prime contract goal of 5.0 percent by 3.8 percentage points. DOEd also missed its WOSB contract dollar goal of $23.3 million by $16.1 million. The actual prime contract dollar amount awarded to WOSBs FY 1997 was $7.2 million.

Department of Energy

The Department of Energy missed its WOSB prime contract goal of 2.1 percent by 0.9 percentage point. DOE also missed its WOSB prime contract dollar goal of $450.0 million by $129.1 million. The actual prime contract dollar total awarded to WOSBs in FY 1997 was $320.9 million.

Department of Housing and Urban Development

The Department of Housing and Urban Development did not meet either its percentage or dollar goal for prime contract awards to WOSBs. HUD missed its percentage goal by 4.3 percent—awarding 1.7 percent of its prime contracts to WOSB firms. The department also failed to meet its dollar goal for prime contracts to WOSBs by $40 million. HUD awarded $6.2 million in prime contracts to WOSBs. In its report, HUD indicates that the decline in awards to WOSBs is attributable to a decrease in contracts in support for the Property Disposition Program. As this program accounts for a large share of small business awards, including those to WOSB firms, the dollar value and percentage of awards to WOSBs has decreased.

Department of Justice

The Department of Justice failed to reach its WOSB prime contract goal of 5.0 percent by 3.0 percentage points. DOJ also missed its WOSB prime contract dollar goal of $102.5 million by $54.7 million. The actual prime contract dollar total awarded to WOSB firms in FY 1997 was $47.8 million.

Department of Labor

The Department of Labor failed to reach its WOSB prime contract goal of 5.9 percent by 4.4 percentage points and missed its dollar goal of $52.0 million by $37.1 million. The actual prime contract dollar total awarded to WOSBs in FY 1997 was $14.9 million.

Department of Transportation

The Department of Transportation failed to reach its WOSB prime contract goal of 5.0 percent by 1.0 percentage point and missed its dollar goal of $84.5 million by $24.1 million. The actual prime contract dollars awarded to WOSBs in FY 1997 totaled $60.4 million.

Environmental Protection Agency

The Environmental Protection Agency missed its WOSB prime contract goal of 3.5 percent by 1.3 percentage points and its dollar goal of $36.0 million by $16.0 million. Prime contract dollars awarded to WOSBs in FY 1997 totaled $20.0 million.

General Services Administration (Non-Federal Supply Schedule)

The General Services Administration Non-Federal Supply Schedule contracts failed to reach the WOSB prime contract goal of 5.0 percent by 2.5 percentage points. GSA NFSS also missed its WOSB prime contract dollar goal of $321.6 million by $145.7 million. Prime contract dollars awarded to WOSBs

in FY 1997 totaled $175.9 million. GSA's Federal Supply Service also missed its WOSB prime contract percent goal of 7.0 percent by 4.8 percent and missed its dollar goal by $156.5 million, awarding $150.8 million to WOSBs in FY 1997. In FY 1997, GSA launched a number of new initiatives designed to showcase new procurement opportunities across the country. GSA believes that these initiatives will assist the small business community, including WOSB firms, in successfully contracting with the agency.

Social Security Administration

The Social Security Administration exceeded its WOSB prime contract goal of 5.0 percent by 0.2 percentage points. However, SSA missed its WOSB prime contract dollar goal of $19.2 million by $9.4 million. The actual prime contract dollars awarded to WOSBs in FY 1997 totaled $9.8 million.

Tennessee Valley Authority

The Tennessee Valley Authority came very close to its WOSB prime contract goal of 1.9 percent but missed it by 0.4 percentage point. TVA also came close to meeting its WOSB prime contract dollar goal of $41.2 million, awarding $39.9 million to WOSBs.

U.S. Agency for International Development

The U.S. Agency for International Development failed to reach its WOSB prime contract goal of 5.0 percent by 2.0 percentage points. USAID came close to meeting its WOSB prime contract dollar goal of $22.7 million, missing by only $0.5 million. The actual prime contract dollar amount awarded to WOSBs in FY 1997 was $22.2 million.

Women-Owned Small Business Subcontracts

Federal prime contractors awarded $71.5 billion in Federal funds to subcontractors in FY 1997 (Tables 13 and 14). Of this total, $2.9 billion—4.1 percent—went to women-owned small businesses. This share was 0.9 percentage point less than projected. However, subcontracts totaled $300 million more than initially projected.

Prime contractors to the 20 agencies with the largest contracting budgets awarded approximately 99.7 percent of the dollar value of these awards. Sixteen of the 20 agencies—the Departments of Commerce, Education, Energy, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, State, Transportation, Treasury, and Veterans Affairs, the Environmental Protection Agency, the National Aeronautics and Space Administration, the Social Security Administration, and the U.S. Agency for International Development—either met or exceeded their percentage and/or dollar goals for subcontracting to women-owned small businesses.

The largest single agency percentage increase over the projected total came from prime contractors to the Department of Transportation, who achieved 12.1 percent, awarding contracts valued at 7.1 percentage points more than projected to WOSBs. The next largest percentage gain was from the Department of Interior, which subcontracted 8.5 percent—6.5 percentage points higher than projected.

The largest dollar increase over the projected total came from the Department of Veterans Affairs. It increased its dollar total for subcontracts to WOSBs by $251.1 million, to $255.5 million. The second largest dollar share gain was from the National Aeronautics and Space Administration. It awarded $369.5 million in subcontracts to WOSBs—$97.5 million more than projected.

Of the 20 large agencies, the Department of Commerce set the highest percentage goal for subcontracts to WOSBs at 8.0 percent. DOC achieved 9.4 percent—1.4 percentage points over the projected amount.

Ten of the 20 agencies missed their percentage and/or dollar goals for subcontract dollars to WOSBs: the Departments of Agriculture, Commerce, Defense, Education, Labor, and Transportation, the Environmental Protection Agency, General Services Administration, Social Security Administration, and the Tennessee Valley Authority.

Agency Shortfalls

Department of Agriculture

The Department of Agriculture came close to meeting its percentage goal for subcontract awards to WOSBs. USDA's prime contractors awarded 4.8 percent—0.2 percentage point less than the 5.0 percent projected for award to WOSB firms. However, USDA missed its dollar goal by $11.2 million. USDA awarded $29.0 million in subcontracts to WOSBs in FY 1997.

Department of Commerce

The Department of Commerce exceeded its WOSB subcontract goal by 1.4 percent. DOC's subcontract awards to WOSBs totaled 9.4 percent. However, DOC failed to reach its WOSB dollar goal of $13.4 million by $0.6 million. The actual dollar amount subcontracted to WOSBs in FY 1997 was $12.8 million.

Department of Defense

The Department of Defense failed to reach its WOSB subcontract goal of 5.0 percent by 1.6 percentage points and its dollar goal of $1,976.8 million by $101.8 million. The actual dollar amount subcontracted to women-owned small businesses in FY 1997 was $1,875.0 million. DOD, in its report, noted that the FY 1997 results surpassed their FY 1996 achievement of $1.6 billion.

Department of Education

Although falling short of its percentage goal for subcontract awards to WOSBs, the Department of Education exceeded its dollar goal by $5.8 million. DOEd awarded $6.4 million in subcontracts to WOSB firms in FY 1997. However, the department failed to meet its percentage goal by 2.8 percent, awarding 3.8 percent of its subcontract dollars to WOSBs.

Department of Labor

The Department of Labor exceeded the dollar goal established for WOSB subcontract awards by $1.8 million. DOL's prime contractors awarded $10.8 million in subcontracts to WOSBs in FY 1997. DOL missed its percentage goal by just 0.5 percent, awarding 4.8 percent of its subcontracts to WOSB firms. In its report, DOL indicated the agency is analyzing the reasons for the shortfall and taking steps to reverse the decline.

Department of Transportation

The Department of Transportation exceeded its WOSB subcontract goal of 5.0 percent by 7.1 percentage points but missed its dollar goal of $17.2 million by $4.9 million. The actual dollar amount subcontracted to WOSB firms in FY 1997 was $12.3 million.

Environmental Protection Agency

The Environmental Protection Agency came very close to its WOSB subcontract goal but missed it by 0.1 percentage point. However, EPA exceeded its WOSB subcontract dollar goal of $4.9 million by $1.1 million. The actual dollar amount subcontracted to women-owned small businesses in FY 1997 was $6.0 million.

General Services Administration Non-Federal Supply Service

The General Services Administration Non-Federal Supply Service (NFSS) failed to reach its women-owned small business goal of 5.0 percent by 0.5 percentage point. GSA also missed its women-owned small business subcontract dollar goal of $150.0 million by $77.3 million. The actual dollar amount subcontracted to women-owned small businesses in FY 1997 was $72.7 million. In its report, GSA described its initiative to conduct focus groups and hold roundtable discussions within the small business community to develop information to increase small business participation, including WOSBs, as prime and subcontractors.

Social Security Administration

The Social Security Administration exceeded its dollar goal for subcontract awards to WOSBs. SSA awarded $1.6 million in WOSB subcontracts in FY 1997, exceeding its projected goal of $200,000. SSA also came close to meeting its percentage goal for WOSB subcontracts of 5.0 percent. SSA awarded 4.9 percent of its subcontracts to WOSB firms in FY 1997.

Tennessee Valley Authority

The Tennessee Valley Authority missed both its percentage and dollar goals for subcontract awards to WOSB firms in FY 1997. TVA failed to meet its percentage goal by 0.5 percentage point, awarding 3.5 percent of its subcontracts to WOSB firms. TVA also missed its dollar goal of $15.2 million by $3.6 million. In FY 1997, TVA's prime contractors awarded $11.6 million in subcontracts to WOSBs.

Appendix

Guidance on Goal Setting under Procurement Preference Programs

Background

Section 221 of Public Law 95–507 and Public Law 100–656, Sections 502 and 503, require the head of each Federal agency, after consultation with the Small Business Administration, to establish realistic goals for the award of contracts to small business concerns and to small business concerns owned and controlled by socially and economically disadvantaged individuals.

A government-wide goal of 20 percent of all prime contract awards for small business concerns was established, in addition to a government-wide goal of 5 percent of the total value of all prime contract and subcontract awards for each fiscal year for small business concerns owned and controlled by socially and economically disadvantaged individuals.

Public Law 103–355, dated October 13, 1994, established a government-wide goal of 5 percent of the total value of all prime contract and subcontract awards for small business concerns owned and controlled by women.

The SBA will not accept individual agency goals until the mandatory government-wide goals stated above are established.

Specific Guidance on Goal Setting Under Procurement Preference Programs

The head of each Federal agency having procurement powers shall submit to the Administrator of the Small Business Administration not later than December 20, 1996, the following information for fiscal year 1997:

(1) an estimate of the total dollar amount of all prime contracts regardless of dollar value to be awarded during the fiscal year, including awards to nonprofit organizations, educational institutions, all transportation services, and real property leases, but excluding foreign military sales, nonappropriated funds contracts, contracts to be awarded and performed entirely outside the United States and, except for the General Services Administration (see Special Instruction (2) on page 3), all Federal Supply Service Schedule Orders. Purchases made with credit cards are exempt (see Special Instruction (6) on page 3);

(2) a goal for prime contract awards to be made to small business concerns during the fiscal year, expressed in numbers, dollars, and as a percentage of (1) above (Note: This dollar goal includes the dollar goals in (3), (4), and (5) below.);

(3) a goal for prime contract awards to be made to the Small Business Administration under the authority of Section 8(a) of the Small Business Act, as amended, expressed in numbers, dollars, and as a percentage of (1) above (see Special Instruction (4) on page 3);

(4) a goal for prime contract awards to be made to small business concerns owned and controlled by socially and economically disadvantaged individuals, other than 8(a), expressed in numbers, dollars, and as a percentage of (1) above (see Special Instruction (9) on page 3;

(5) a goal for prime contract awards to be made to small business concerns owned and controlled by women, expressed in numbers, dollars, and as a percentage of (1) above;

(6) an estimate of the total dollar amount of subcontracts to be awarded by all of an agency's "reporting prime contractors" (as identified in Standard Form 295) during the fiscal year;

(7) a goal for subcontracts to be awarded by prime contractors to small business concerns, expressed in numbers, dollars, and as a percentage of (6) above (NOTE: This dollar amount includes dollar goals in (8) and (9) below.);

(8) a goal for subcontracts to be awarded by prime contractors to small business concerns owned and controlled by socially and economically disadvantaged individuals, expressed in numbers, dollars, and as a percentage of (6) above;

(9) a goal for subcontracts to be awarded by prime contractors to small business concerns owned and controlled by women, expressed in numbers, dollars, and as a percentage of (6) above;

(10) a detailed written presentation of the method used to establish the estimates and goals submitted pursuant to paragraphs (1) through (9), along with copies of the historical data upon which the estimates and goals are based. Information about the numbers of contracts involved in the estimates submitted pursuant to paragraphs (2) through (9) is required. This information is needed to evaluate the estimates and the goals related thereto. In establishing contracting goals, identification and justification should be provided for each class of contracts and the projected total value thereof determined by an agency to have little or no subcontract possibilities.

Special Instructions

(1) Fiscal year 1997 goals are expected to reflect measurable improvement.

(2) Do not include Federal Supply Service (FSS) Schedule contracting dollars in proposed goals. In line with the policy established in FY 1981, GSA will submit separate, consolidated proposed figures and goals, i.e., for items (1) through (5) above, for all FSS contracts which will include all order requirements of all Federal agencies.

(3) All goals are expressed in terms of numbers, dollars, and percentages. However, if there is any variance, up or down, from the projected base

amounts upon which goals are established, the percentage goal is the controlling factor and will be used to measure actual attainment.

(4) In an effort to broaden the distribution of 8(a) contracts with a special emphasis on firms that have never received a contract, agencies are reminded to express the numbers of 8(a) contracts as well as the dollars and percentages.

(5) In the event of extraordinary circumstances such as unexpected budget changes, requests for revised goals will be considered by SBA if received by December 31, 1996.

(6) Purchases paid with credit cards do not require the reporting of socioeconomic status of the supplier or vendor. Establishing a system to track these transactions for procurement preference goal setting and reporting may not be cost effective and could create an unreasonable administrative paperwork burden. Credit card purchases are therefore exempt; however, if agencies do have a system for tracking these transactions they may be included.

(7) The close of fiscal year 1996 marks the first year that a government-wide goal for business concerns owned by women has been in place. With the extraordinary growth in women-owned firms in the last few years, we believe that this goal has become even more important and achievable and we ask that you double your commitment to achieving this goal in fiscal year 1997.

(8) Reporting agencies are encouraged to coordinate goals required by Section 221(g) with the Minority Business Development Plans mandated by Executive Order 12432 dated July 14, 1983.

(9) Consistent with the Department of Justice affirmative action proposal published in the *Federal Register* last May, small disadvantaged business (SDB) (prime and subcontracting) goals may be adjusted in the latter part of this fiscal year, if appropriate, to reflect estimated industry benchmarks.

Referrals to OFPP

The Administrator of the Small Business Administration shall, within 30 days of receipt of the agency goals, respond to each agency expressing agreement or indicating reasons for disagreement. If interagency consultation fails to resolve differences, such cases of disagreement shall be submitted by the Administrator of the Small Business Administration to the Administrator of the Office of Federal Procurement Policy for final determination.

Reports on Agency Achievements Against Established Goals

1. The head of each Federal agency having procurement powers shall report to the Administrator of the Small Business Administration on the extent of achievements against the goals established in paragraphs (2) through (9). With the exception of subcontract goals, agency reports of goal achievements shall be based upon official SF279/SF281 data as recorded at the Federal Procurement Data Center. Agency reports of goal achievements in subcontracting shall be based upon official SF–295 data. These reports shall be submitted to the Small

Business Administration no later than April 30, 1998, for fiscal year 1997. The reports shall contain appropriate justification for failure to meet the goals established in the preceding paragraphs.

Section 503 of Public Law 100–656 also requires that the report to the President noted in paragraph 2 below include the number and dollar value of contracts awarded to small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals through noncompetitive negotiation, competition restricted to small business concerns owned and controlled by socially and economically disadvantaged individuals, competition restricted to small business concerns, and unrestricted competition. The numbers for each of these categories should be shown as follows: the number and dollar value of contracts awarded over $25,000, and the number and dollar value of contracts awarded under $25,000. Please be prepared to provide this information at the end of FY 1997. Include this information in two separate tables — one for small business concerns, and one for small disadvantaged business concerns. Each table must include information in all four categories listed above.

2. The Administrator of the SBA will analyze the reports submitted by the individual agencies and submit a consolidated report to the President, as required by Section 503 of Public Law 100–656.

Tables

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Table 1 *Small Business Share of Federal Prime Contracts: Performance by Major Federal Agencies, FY 1997 (Millions of Dollars)*

	Agency Projections			Actual Awards		
		SB Prime Contracts			SB Prime Contracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**170,916.0**	**42,363.1**	**24.8**	**171,418.1**	**42,506.0**	**24.8**
Agriculture	2,599.0	1,325.5	51.0	3,268.6	1,184.2	36.2
Commerce	772.4	339.9	44.0	812.6	378.4	46.6
Defense	112,695.0	24,454.8	21.7	106,905.0	24,476.0	22.9
Education	465.0	109.0	23.4	591.6	107.3	18.1
Energy	15,000.0	3,000.0	20.0	15,160.3	2,650.3	17.5
Health and Human Services	3,016.6	1,128.1	37.4	3,258.8	1,300.0	40.0
Housing and Urban Development	769.6	330.9	43.0	374.7	99.2	26.5
Interior	877.6	482.7	55.0	1,112.4	705.0	63.4
Justice	2,050.0	707.2	34.5	2,456.6	735.8	30.0
Labor	883.8	210.7	23.8	1,017.1	199.1	19.6
State	630.0	276.5	43.9	559.0	322.4	58.0
Transportation	1,690.3	515.5	30.5	1,517.6	971.0	64.0
Treasury	1,103.6	353.1	32.0	1,248.3	493.7	39.6
Veterans Affairs	2,500.0	887.5	35.5	4,122.9	1,434.6	34.8
Environmental Protection Agency	1,200.0	300.0	25.0	914.1	192.0	21.0
General Services Administration (Federal Supply Schedules)	4,890.5	3,380.7	77.0	6,771.7	2,130.3	31.5
General Services Administration (Non-Federal Supply Schedules)	6,414.2	2,566.0	40.0	7,061.2	2,963.8	42.0
National Aeronautics and Space Administration	9,400.0	987.0	10.5	9,605.0	1,090.8	11.4
Social Security Administration	383.5	115.0	30.0	188.2	96.1	51.1
Tennessee Valley Authority	2,180.6	392.5	18.0	2,717.0	452.3	16.7
U.S. Agency for International Development	455.6	160.3	35.2	743.3	176.4	23.7
All Other Agencies	938.7	340.2	36.2	1,012.1	347.3	34.3

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 2 *Small Business Share of Federal Prime Contracts: Performance by Other Federal Agencies, FY 1997 (Thousands of Dollars)*

	Agency Projections			Actual Awards		
		SB Prime Contracts			SB Prime Contracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**938,693.6**	**340,219.1**	**36.2**	**1,012,078.1**	**347,311.8**	**34.3**
American Battle Monuments Commission						
Commission on Civil Rights						
Commodity Futures Trading Commission	7,600.0	1,482.0	19.5			
Consumer Product Safety Commission	2,789.5	1,673.7	60.0	3,291.4	1,974.8	60.0
Corporation for National Service	26,981.8	20,301.0	75.2			
Equal Employment Opportunity Commission	10,600.0	6,360.0	60.0	8,132.0	2,921.0	35.9
Executive Office of the President	18,000.0	8,000.0	44.4	24,439.0	9,322.0	38.0
Export-Import Bank	3,902.4	1,365.8	35.0			
Farm Credit Administration*						
Federal Communications Commission	37,767.2	18,779.2	49.7	39,538.9	22,475.4	56.8
Federal Election Commission	2,816.0	925.0	32.8	4,835.0	1,704.0	35.2
Federal Emergency Management Agency	200,000.0	40,000.0	20.0	247,408.0	40,843.5	16.5
Federal Energy Regulatory Commission	14,423.0	4,737.0	32.8	17,922.5	5,938.3	33.1
Federal Maritime Commission	300.0	150.0	50.0	443.0	260.0	58.0
Federal Mediation and Conciliation Service	1,019.7	473.4	46.4	1,019.7	658.3	64.6
Federal Mine Safety and Health Review Comm.	175.0	100.0	57.1	262.0	262.0	100.0
Federal Trade Commission	8,000.0	5,200.0	65.0	8,000.0	5,400.0	66.0
International Trade Commission	3,426.0	685.0	20.0	3,426.0	685.2	20.0
Merit Systems Protection Board	1,000.0	800.0	80.0	801.0	500.0	62.4
National Archives and Records Administration	44,452.1	12,446.6	28.0	44,452.1	12,446.6	28.0
National Capital Planning Commission	300.0	90.0	30.0			
National Endowment for the Arts	1,000.0	800.0	80.0	954.0	915.0	96.0
National Endowment for the Humanities	950.0	665.0	70.0	1,360.0	1,125.0	83.0
National Labor Relations Board	3,726.0	2,671.0	72.0	4,976.4	2,411.0	48.4
National Science Foundation	185,860.0	14,490.0	7.8	199,210.0	12,480.0	6.3
National Transportation Safety Board	2,000.0	800.0	40.0	6,824.5	1,390.0	20.4
Nuclear Regulatory Commission	59,567.4	22,387.7	37.6	78,146.2	38,340.6	49.1
Occupational Safety and Health Review Comm.	300.0	180.0	60.0	362.2	243.0	67.1
Office of Personnel Management	115,174.0	84,164.0	73.0	145,342.0	100,486.0	69.2
Securities and Exchange Commission**						40.0
Selective Service System	818.5	458.4	56.0	1,408.0	692.0	49.1
Small Business Administration	25,000.0	13,750.0	55.0	37,339.0	25,414.0	68.0
Smithsonian Institution	110,000.0	60,500.0	55.0	59,746.0	26,946.0	45.1
U.S. Arms Control and Disarmament Agency	4,245.0	1,384.3	32.6	4,939.2	1,778.1	36.4
United States Information Agency	46,500.0	14,400.0	31.0	67,500.0	29,700.0	44.0

* FCA stated no appropriated funding in FY 97.

** No record of proposed goals.

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 3 *Small Business Share of Federal Subcontracts: Performance by Prime Contractors to Major Federal Agencies, FY 1997 (Millions of Dollars)*

	Agency Projections			Actual Awards		
		SB Subcontracts			SB Subcontracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**52,661.8**	**21,207.1**	**40.3**	**71,451.5**	**29,384.9**	**41.1**
Agriculture	804.2	353.9	44.0	604.1	276.0	45.7
Commerce	167.0	73.5	44.0	136.2	54.7	40.1
Defense	39,536.0	15,972.5	40.4	54,429.0	22,523.0	41.4
Education	9.3	3.8	40.7	168.6	36.9	21.9
Energy	800.0	320.0	40.0	1,516.2	824.4	54.4
Health and Human Services	395.2	226.4	57.3	282.2	112.9	40.0
Housing and Urban Development	95.5	40.1	42.0	120.4	51.3	43.0
Interior	100.0	40.0	40.0	69.8	40.0	57.3
Justice	800.0	417.6	52.2	822.5	423.7	51.5
Labor	170.2	100.2	58.9	222.9	126.8	56.8
State	60.0	24.0	40.0	74.4	44.0	59.0
Transportation	344.7	172.3	50.0	101.8	64.3	63.1
Treasury	441.0	141.1	32.0	307.5	130.2	42.4
Veterans Affairs *	400.0	136.0	34.0	4,661.1	1,683.3	36.1
Environmental Protection Agency	150.0	82.5	55.0	180.0	60.0	34.0
General Services Administration (Federal Supply Schedules)**						
General Services Administration (Non-Federal Supply Schedules)	3,000.0	1,230.0	41.0	1,610.8	662.4	41.1
National Aeronautics and Space Administration	4,534.0	1,587.0	35.0	5,517.0	1,973.0	35.8
Social Security Administration	3.5	0.9	25.0	32.6	22.0	67.6
Tennessee Valley Authority	380.0	133.0	35.0	330.3	133.2	40.0
U.S. Agency for International Development	8.1	4.2	51.8	54.6	40.6	74.3
All Other Agencies	463.1	148.1	31.9	209.5	102.2	48.8

*VA proposed dollars are based on planned new subcontracts and their achievements are the cumulative dollars for all new and existing subcontracts.

**GSA FSS did not submit any subcontract data.

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 4 *Small Business Share of Federal Subcontracts: Performance by Prime Contractors to Other Federal Agencies, FY 1997 (Thousands of Dollars)*

	Agency Projections			Actual Awards		
		SB Subcontracts			SB Subcontracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**463,107.0**	**148,113.9**	**32.0**	**209,545.1**	**102,215.4**	**48.8**
American Battle Monuments Commission						
Commission on Civil Rights						
Commodity Futures Trading Commission						
Consumer Product Safety Commission						
Corporation for National Service	665.5	630.5	94.7			
Equal Employment Opportunity Commission						
Executive Office of the President	1,400.0	500.0	36.0	1,134.0	871.6	77.0
Export-Import Bank						
Farm Credit Administration						
Federal Communications Commission						
Federal Election Commission						
Federal Emergency Management Agency	9,000.0	3,000.0	33.3	44,140.5	32,740.3	74.2
Federal Energy Regulatory Commission	1,366.0	571.0	41.8	13,364.9	5,478.9	41.0
Federal Maritime Commission						
Federal Mediation and Conciliation Service						
Federal Mine Safety and Health Review Comm.						
Federal Trade Commission						
International Trade Commission						
Merit Systems Protection Board						
National Archives and Records Administration	3,782.5	1,659.4	43.9	3,782.5	1,659.4	43.9
National Capital Planning Commission						
National Endowment for the Arts						
National Endowment for the Humanities						
National Labor Relations Board						
National Science Foundation	109,940.0	35,740.0	29.9	103,450.0	31,060.0	30.0
National Transportation Safety Board						
Nuclear Regulatory Commission	3,350.0	2,645.0	79.0	5,813.2	4,048.2	69.6
Occupational Safety and Health Review Comm.						
Office of Personnel Management	317,203.0	97,768.0	82.3	9,948.0	7,582.0	76.2
Securities and Exchange Commission						
Selective Service System						
Small Business Administration						
Smithsonian Institution	1,500.0	600.0	40.0	23,312.0	15,575.0	66.8
U.S. Arms Control and Disarmament Agency						
United States Information Agency	14,900.0	5,000.0	34.0	4,600.0	3,200.0	69.6

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 5 *8(a) Program Share of Federal Prime Contracts: Performance by Major Federal Agencies, FY 1997 (Millions of Dollars)*

	Agency Projections			Actual Awards		
		8(a) Prime Contracts			8(a) Prime Contracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**170,916.0**	**2,987.1**	**1.7**	**171,418.1**	**2,901.5**	**1.7**
Agriculture	2,599.0	155.90	6.0	3,268.6	88.5	2.7
Commerce	772.4	92.7	12.0	812.6	113.1	13.9
Defense*	112,695.0			106,905.0		
Education	465.0	23.3	5.0	591.6	19.3	3.3
Energy	15,000.0	450.0	3.0	15,160.3	333.7	2.2
Health and Human Services	3,016.6	260.5	8.6	3,258.8	224.0	7.0
Housing and Urban Development	769.6	76.2	9.9	374.7	45.9	12.2
Interior	877.6	79.0	9.0	1,112.4	105.2	9.5
Justice	2,050.0	164.0	8.0	2,456.6	171.5	7.0
Labor	883.8	31.3	3.5	1,017.1	42.5	4.2
State	630.0	55.4	8.8	559.0	91.1	12.0
Transportation	1,690.3	194.4	11.5	1,517.6	223.8	14.7
Treasury	1,103.6	121.4	11.0	1,248.3	125.3	10.0
Veterans Affairs	2,500.0	62.8	2.5	4,122.9	286.6	6.9
Environmental Protection Agency	1,200.0	81.6	6.8	914.1	53.9	5.9
General Services Administration (Federal Supply Schedules)**	4,890.5	1.8	0.0	6,771.7		
General Services Administration (Non-Federal Supply Schedules)	6,414.2	608.0	9.5	7,061.2	443.8	6.3
National Aeronautics and Space Administration	9,400.0	310.0	3.3	9,605.0	335.1	3.5
Social Security Administration	383.5	49.9	13.0	188.2	42.0	22.3
Tennessee Valley Authority	2,180.6	18.3	0.8	2,717.0	6.3	0.2
U.S. Agency for International Development	455.6	47.3	10.4	743.3	58.5	7.8
All Other Agencies	938.7	103.3	11.0	1,012.1	91.4	9.0

* DOD did not establish a separate 8(a) goal; it was combined with SDB goal.

** GSA FSS did not have any 8(a) competitive awards.

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 6 *8(a) Program Share of Federal Prime Contracts: Performance by Other Federal Agencies, FY 1997 (Thousands of Dollars)*

	Agency Projections			Actual Awards		
		8(a) Prime Contracts			8(a) Prime Contracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**938,693.6**	**103,350.5**	**11.0**	**1,012,078.1**	**91,384.2**	**9.0**
American Battle Monuments Commission						
Commission on Civil Rights						
Commodity Futures Trading Commission	7,600.0	625.0	8.2			
Consumer Product Safety Commission	2,789.5	697.4	25.0	3,291.4	822.9	25.0
Corporation for National Service	26,981.8	12,758.0	47.3			
Equal Employment Opportunity Commission	10,600.0	1,060.0	10.0	8,132.0	446.0	5.5
Executive Office of the President	18,000.0	3,000.0	17.0	24,439.0	4,627.0	19.0
Export-Import Bank	3,902.4	341.5	8.8			
Farm Credit Administration						
Federal Communications Commission	37,767.2	7,721.3	20.4	39,538.9	10,828.4	27.4
Federal Election Commission	2,816.0			4,835.0		
Federal Emergency Management Agency	200,000.0	15,000.0	7.5	247,408.0	9,708.5	3.9
Federal Energy Regulatory Commission	14,423.0	3,520.0	24.4	17,922.5	4,428.9	24.7
Federal Maritime Commission	300.0			443.0		
Federal Mediation and Conciliation Service	1,019.7	25.0	2.5	1,019.7		
Federal Mine Safety and Health Review Comm.	175.0			262.0		
Federal Trade Commission	8,000.0	960.0	12.0	8000.0	1,104.0	14.0
International Trade Commission	3,426.0	171.3	5.0	3,426.0	171.3	5.0
Merit Systems Protection Board	1,000.0	20.0	2.0	801.0	29.0	3.6
National Archives and Records Administration	44,452.1	755.7	1.7	44,452.1	755.7	1.7
National Capital Planning Commission	300.0	75.0	25.0			
National Endowment for the Arts	1,000.0	150.0	15.0	954.0	297.0	31.0
National Endowment for the Humanities	950.0			1,360.0		
National Labor Relations Board	3,726.0	1,390.0	37.0	4,976.4	1,798.3	36.1
National Science Foundation	185,860.0	4,890.0	2.6	199,210.0	4,690.0	2.4
National Transportation Safety Board	2,000.0	10.0	0.5	6,824.5	26.5	0.4
Nuclear Regulatory Commission	59,567.4	16,284.2	27.3	78,146.2	16,772.6	21.5
Occupational Safety and Health Review Comm.	300.0			362.2		
Office of Personnel Management	115,174.0	5,759.0	5.0	145,342.0	3,622.0	3.8
Securities and Exchange Commission						
Selective Service System	818.5	0.4	0.0	1,408.0	149.7	10.6
Small Business Administration	25,000.0	10,000.0	40.0	37,339.0	17,137.0	46.0
Smithsonian Institution	110,000.0	12,100.0	11.0	59,746.0	7,750.0	13.0
U.S. Arms Control and Disarmament Agency	4,245.0	336.7	7.9	4,939.2	619.5	12.5
United States Information Agency	46,500.0	5,700.0	12.3	67,500.0	5,600.0	8.3

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 7 *Small and Disadvantaged Business Share of Federal Prime Contracts: Performance by Major Federal Agencies, FY 1997 (Millions of Dollars)*

	Agency Projections			Actual Awards		
		SDB Prime Contracts			SDB Prime Contracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**170,916.0**	**7,292.9**	**4.3**	**171,418.1**	**9,162.2**	**5.3**
Agriculture	2,599.0	130.0	5.0	3,268.6	57.8	1.8
Commerce	772.4	46.3	6.0	812.6	49.4	6.1
Defense	112,695.0	5,634.8	5.0	106,905.0	6,697.0	6.3
Education	465.0	11.4	2.5	591.6	48.8	8.2
Energy	15,000.0	450.0	3.0	15,160.3	468.7	3.1
Health and Human Services	3,016.6	97.8	3.2	3,258.8	373.7	11.5
Housing and Urban Development	769.6	23.1	3.0	374.7	5.9	1.6
Interior	877.6	32.5	3.7	1,112.4	55.6	5.0
Justice	2,050.0	51.2	2.5	2,456.6	42.8	1.7
Labor	883.8	44.5	5.0	1,017.1	14.3	1.4
State	630.0	31.5	5.0	559.0	25.1	6.0
Transportation	1,690.3	38.8	2.0	1,517.6	73.1	4.8
Treasury	1,103.6	28.7	2.6	1,248.3	42.6	3.4
Veterans Affairs	2,500.0	62.8	2.5	4,122.9	165.7	4.0
Environmental Protection Agency	1,200.0	24.0	3.0	914.1	17.0	1.8
General Services Administration (Federal Supply Schedules)	4,890.5	141.4	3.2	6,771.7	431.8	6.4
General Services Administration (Non-Federal Supply Schedules)	6,414.2	232.0	3.6	7,061.2	311.9	4.4
National Aeronautics and Space Administration	9,400.0	89.0	1.0	9,605.0	141.4	1.5
Social Security Administration	383.5	20.7	5.4	188.2	13.7	7.3
Tennessee Valley Authority	2,180.6	58.9	2.7	2,717.0	48.4	1.8
U.S. Agency for International Development	455.6	25.0	5.5	743.3	30.2	4.0
All Other Agencies	938.7	18.5	2.0	1,012.1	47.3	4.7

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 8 *Small and Disadvantaged Business Share of Federal Prime Contracts: Performance by Other Federal Agencies, FY 1997 (Thousands of Dollars)*

	Agency Projections			Actual Awards		
		SDB Prime Contracts			SDB Prime Contracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**938,693.6**	**18,542.9**	**2.0**	**1,012,078.1**	**47,312.4**	**4.7**
American Battle Monuments Commission						
Commission on Civil Rights						
Commodity Futures Trading Commission	7,600.0					
Consumer Product Safety Commission	2,789.5	279.0	10.0	3,291.4	329.1	10.0
Corporation for National Service	26,981.8	609.3	2.3			
Equal Employment Opportunity Commission	10,600.0	530.0	5.0	8,132.0	1,202.0	14.8
Executive Office of the President	18,000.0	900.0	5.0	24,439.0	283.0	1.0
Export-Import Bank	3,902.4	41.0	1.1			
Farm Credit Administration						
Federal Communications Commission	37,767.2	550.0	1.5	39,538.9	195.8	0.5
Federal Election Commission	2,816.0			4,835.0		
Federal Emergency Management Agency	200,000.0	2,600.0	1.3	247,408.0	20,072.6	8.1
Federal Energy Regulatory Commission	14,423.0			17,922.5	421.6	2.4
Federal Maritime Commission	300.0			443.0		
Federal Mediation and Conciliation Service	1,019.7	21.1	2.1	1,019.7		
Federal Mine Safety and Health Review Comm.	175.0			262.0		
Federal Trade Commission	8,000.0	80.0	1.0	8,000.0	69.0	1.0
International Trade Commission	3,426.0	33.6	1.0	3,426.0	33.6	1.0
Merit Systems Protection Board	1,000.0	30.0	3.0	801.0	3.0	0.4
National Archives and Records Administration	44,452.1	866.8	2.0	44,452.1	866.8	2.0
National Capital Planning Commission	300.0	50.0	16.7			
National Endowment for the Arts	1,000.0	30.0	3.0	954.0	41.0	4.0
National Endowment for the Humanities	950.0	19.0	2.0	1,360.0	62.0	5.0
National Labor Relations Board	3,726.0	13.0	0.3	4,976.4	79.0	1.6
National Science Foundation	185,860.0	2,156.0	1.2	199,210.0	2,030.0	1.0
National Transportation Safety Board	2,000.0	10.0	0.5	6,824.5		
Regulatory Commission	59,567.4	202.0	0.3	78,146.2	647.8	0.8
Occupational Safety and Health Review Comm.	300.0			362.2		
Office of Personnel Management	115,174.0	2,085.0	2.0	145,342.0	5,583.0	2.5
Securities and Exchange Commission						
Selective Service System	818.5	98.2	12.0	1,408.0	60.0	4.3
Small Business Administration	25,000.0	2,500.0	10.0	37,339.0	4,663.0	13.0
Smithsonian Institution	110,000.0	3,300.0	3.0	59,746.0	5,934.0	9.9
U.S. Arms Control and Disarmament Agency	4,245.0	808.9	19.1	4,939.2	536.2	10.8
United States Information Agency	46,500.0	730.0	1.6	67,500.0	4,200.0	6.2

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 9 *Small and Disadvantaged Business Share of Federal Subcontracts: Performance by Prime Contractors to Major Federal Agencies, FY 1997 (Millions of Dollars)*

	Agency Projections			Actual Awards		
		SDB Subcontracts			SDB Subcontracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**52,661.8**	**3,125.5**	**5.9**	**71,451.5**	**4,497.6**	**6.3**
Agriculture	804.2	40.2	5.0	604.1	32.1	5.3
Commerce	167.0	30.1	18.0	136.2	17.2	12.6
Defense	39,536.0	1,976.8	5.0	54,429.0	3,024.0	5.6
Education	9.3	0.7	7.1	168.6	8.9	5.3
Energy	800.0	40.0	5.0	1,516.2	197.3	13.0
Health and Human Services	395.2	45.0	11.4	282.2	19.5	7.0
Housing and Urban Development	95.5	19.1	20.0	120.4	14.1	12.0
Interior	100.0	3.5	3.5	69.8	3.3	4.8
Justice	800.0	44.0	5.5	822.5	38.7	4.7
Labor	170.2	20.2	11.9	222.9	26.1	11.7
State	60.0	3.0	5.0	74.4	8.4	11.0
Transportation	344.7	36.2	10.0	101.8	15.5	15.2
Treasury	441.0	22.0	5.0	307.5	26.3	8.5
Veterans Affairs*	400.0	20.0	5.0	4,661.1	231.6	5.0
Environmental Protection Agency	150.0	16.5	11.0	180.0	17.0	9.2
General Services Administration (Federal Supply Schedules)**						
General Services Administration (Non-Federal Supply Schedules)	3,000.0	150.0	5.0	1,610.8	88.0	5.5
National Aeronautics and Space Administration	4,534.0	621.0	13.7	5,517.0	680.2	12.3
Social Security Administration	3.5	0.2	5.0	32.6	6.2	18.9
Tennessee Valley Authority	380.0	9.5	2.5	330.3	14.9	4.5
U.S. Agency for International Development	8.1	0.9	11.5	54.6	9.2	16.8
All Other Agencies	463.1	26.5	5.8	209.5	19.1	9.1

* VA proposed dollars are based on planned new subcontracts and their achievements are the cumulative dollars for all new and existing subcontracts.

** GSA FSS did not submit any subcontract data.

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 10 *Small and Disadvantaged Business Share of Federal Subcontracts: Performance by Prime Contractors to Other Federal Agencies, FY 1997 (Thousands of Dollars)*

	Agency Projections			Actual Awards		
		SDB Subcontracts			SDB Subcontracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**463,107.0**	**26,502.3**	**5.7**	**209,545.1**	**19,088.9**	**9.1**
American Battle Monuments Commission						
Commission on Civil Rights						
Commodity Futures Trading Commission						
Consumer Product Safety Commission						
Corporation for National Service	665.5	427.5	64.2			
Equal Employment Opportunity Commission						
Executive Office of the President	1,400.0	85.0	6.0	1,134.0	228.8	20.0
Export-Import Bank						
Farm Credit Administration						
Federal Communications Commission						
Federal Election Commission						
Federal Emergency Management Agency	9,000.0	500.0	5.6	44,140.5	5,599.0	12.7
Federal Energy Regulatory Commission	1,366.0	251.0	18.4	13,364.9	1,536.9	11.5
Federal Maritime Commission						
Federal Mediation and Conciliation Service						
Federal Mine Safety and Health Review Comm.						
Federal Trade Commission						
International Trade Commission						
Merit Systems Protection Board						
National Archives and Records Administration	3,782.5	112.3	3.0	3,782.5	112.3	3.0
National Capital Planning Commission						
National Endowment for the Arts						
National Endowment for the Humanities						
National Labor Relations Board						
National Science Foundation	109,940.0	6,780.0	6.2	103,450.0	6,220.0	6.0
National Transportation Safety Board						
Nuclear Regulatory Commission	3,350.0	617.0	18.4	5,813.2	693.9	11.9
Occupational Safety and Health Review Comm.						
Office of Personnel Management	317,203.0	16,677.0	18.7	9,948.0	668.0	6.7
Securities and Exchange Commission						
Selective Service System						
Small Business Administration						
Smithsonian Institution	1,500.0	52.5	3.5	23,312.0	4,013.0	17.2
U.S. Arms Control and Disarmament Agency						
United States Information Agency	14,900.0	1,000.0	6.7	4,600.0	17.0	0.4

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 11 *Women-Owned Small Business Share of Federal Prime Contracts: Performance by Major Federal Agencies, FY 1997 (Millions of Dollars)*

	Agency Projections			Actual Awards		
		WOSB Prime Contracts			WOSB Prime Contracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**170,916.0**	**7,869.5**	**4.6**	**171,418.1**	**3,634.7**	**2.1**
Agriculture	2,599.0	130.00	5.0	3,268.6	80.9	2.5
Commerce	772.4	61.8	8.0	812.6	46.3	5.7
Defense	112,695.0	5,634.8	5.0	106,905.0	1,845.0	1.7
Education	465.0	23.3	5.0	591.6	7.2	1.2
Energy	15,000.0	450.0	3.0	15,160.3	320.9	2.1
Health and Human Services	3,016.6	149.0	5.0	3,258.8	151.1	5.0
Housing and Urban Development	769.6	46.2	6.0	374.7	6.2	1.7
Interior	877.6	42.1	4.8	1,112.4	53.8	4.8
Justice	2,050.0	102.5	5.0	2,456.6	47.8	2.0
Labor	883.8	52.0	5.9	1,017.1	14.9	1.5
State	630.0	31.5	5.0	559.0	43.8	8.0
Transportation	1,690.3	84.5	5.0	1,517.6	60.4	4.0
Treasury	1,103.6	55.2	5.0	1,248.3	83.0	6.7
Veterans Affairs	2,500.0	87.5	3.5	4,122.9	253.5	6.1
Environmental Protection Agency	1,200.0	36.0	3.5	914.1	20.0	2.2
General Services Administration (Federal Supply Schedules)	4,890.5	307.3	7.0	6,771.7	150.8	2.2
General Services Administration (Non-Federal Supply Schedules)	6,414.2	321.6	5.0	7,061.2	175.9	2.5
National Aeronautics and Space Administration	9,400.0	132.0	1.4	9,605.0	157.7	1.6
Social Security Administration	383.5	19.2	5.0	188.2	9.8	5.2
Tennessee Valley Authority	2,180.6	41.2	1.9	2,717.0	39.9	1.5
U.S. Agency for International Development	455.6	22.7	5.0	743.3	22.2	3.0
All Other Agencies	938.7	39.1	4.3	1,012.1	43.6	4.3

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 12 *Women-Owned Small Business Share of Federal Prime Contracts: Performance by Other Federal Agencies, FY 1997 (Thousands of Dollars)*

	Agency Projections			Actual Awards		
		WOSB Prime Contracts			WOSB Prime Contracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**938,693.6**	**39,119.7**	**4.2**	**1,012,078.1**	**43,551.0**	**4.3**
American Battle Monuments Commission						
Commission on Civil Rights						
Commodity Futures Trading Commission	7,600.0					
Consumer Product Safety Commission	2,789.5	418.4	15.0	3,291.4	493.7	15.0
Corporation for National Service	26,981.8	3,120.0	11.6			
Equal Employment Opportunity Commission	10,600.0	742.0	7.0	8,132.0	634.0	7.8
Executive Office of the President	18,000.0	900.0	5.0	24,439.0	583.0	2.0
Export-Import Bank	3,902.4	41.0	1.1			
Farm Credit Administration						
Federal Communications Commission	37,767.2	96.0	0.3	39,538.9	8.9	0.0
Federal Election Commission	2,816.0	112.5	4.0	4,835.0	174.0	3.6
Federal Emergency Management Agency	200,000.0	4,500.0	2.3	247,408.0	8,904.6	3.6
Federal Energy Regulatory Commission	14,423.0	850.0	5.9	17,922.5	796.6	4.4
Federal Maritime Commission	300.0			443.0		
Federal Mediation and Conciliation Service	1,019.7			1,019.7		
Federal Mine Safety and Health Review Comm.	175.0	20.0	11.4	262.0	63.0	24.0
Federal Trade Commission	8,000.0	400.0	5.0	8,000.0	652.0	8.0
International Trade Commission	3,426.0	171.3	5.0	3,426.0	171.3	5.0
Merit Systems Protection Board	1,000.0	256.0	25.6	801.0	182.0	22.7
National Archives and Records Administration	44,452.1	755.7	1.7	44,452.1	755.7	1.7
National Capital Planning Commission	300.0	40.0	13.3			
National Endowment for the Arts	1,000.0	20.0	2.0	954.0	74.0	8.0
National Endowment for the Humanities	950.0	190.0	20.0	1,360.0	485.0	36.0
National Labor Relations Board	3,726.0	729.0	20.0	4,976.4	749.4	15.1
National Science Foundation	185,860.0	1,980.0	1.1	199,210.0	1,870.0	0.9
National Transportation Safety Board	2,000.0	100.0	5.0	6,824.5	153.6	2.3
Nuclear Regulatory Commission	59,567.4	6,281.4	10.5	78,146.2	9,471.5	12.1
Occupational Safety and Health Review Comm.	300.0	125.0	4.2	362.2	37.0	10.2
Office of Personnel Management	115,174.0	5,759.0	5.0	145,342.0	2,171.0	1.5
Securities and Exchange Commission						
Selective Service System	818.5	73.7	9.0	1,408.0	69.0	4.9
Small Business Administration	25,000.0	2,000.0	8.0	37,339.0	4,944.0	13.0
Smithsonian Institution	110,000.0	5,500.0	5.0	59,746.0	7,103.0	11.9
U.S. Arms Control and Disarmament Agency	4,245.0	238.7	5.6	4,939.2	304.8	6.1
United States Information Agency	46,500.0	3,700.0	8.0	67,500.0	2,700.0	4.0

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 13 *Women-Owned Small Business Share of Federal Subcontracts: Performance by Prime Contractors to Major Federal Agencies, FY 1997 (Millions of Dollars)*

	Agency Projections			Actual Awards		
		WOSB Subcontracts			WOSB Subcontracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**52,661.8**	**2,647.1**	**5.0**	**71,451.5**	**2,924.7**	**4.1**
Agriculture	804.2	40.2	5.0	604.1	29.0	4.8
Commerce	167.0	13.4	8.0	136.2	12.8	9.4
Defense	39,536.0	1,976.8	5.0	54,429.0	1,875.0	3.4
Education	9.3	0.6	6.6	168.6	6.4	3.8
Energy	800.0	32.0	4.0	1,516.2	115.5	7.6
Health and Human Services	395.2	6.7	1.7	282.2	12.9	5.0
Housing and Urban Development	95.5	4.8	5.0	120.4	12.4	10.0
Interior	100.0	2.0	2.0	69.8	5.9	8.5
Justice	800.0	52.0	6.5	822.5	67.9	8.3
Labor	170.2	9.0	5.3	222.9	10.8	4.8
State	60.0	3.0	5.0	74.4	8.2	8.0
Transportation	344.7	17.2	5.0	101.8	12.3	12.1
Treasury	441.0	22.0	5.0	307.5	24.0	7.8
Veterans Affairs *	400.0	4.0	1.0	4,661.1	255.1	5.5
Environmental Protection Agency	150.0	4.9	3.5	180.0	6.0	3.4
General Services Administration (Federal Supply Schedules)**			0.0			
General Services Administration (Non-Federal Supply Schedules)	3,000.0	150.0	5.0	1,610.8	72.7	4.5
National Aeronautics and Space Administration	4,534.0	272.0	6.0	5,517.0	369.5	6.7
Social Security Administration	3.5	0.2	5.0	32.6	1.6	4.9
Tennessee Valley Authority	380.0	15.2	4.0	330.3	11.6	3.5
U.S. Agency for International Development	8.1	0.4	5.0	54.6	4.8	8.8
All Other Agencies	463.1	20.7	4.5	209.5	10.3	4.9

*VA proposed dollars are based on planned new subcontracts and their achievements are the cumulative dollars for all new and existing subcontracts.

**GSA FSS did not submit any subcontract data.

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Table 14 *Women-Owned Small Business Share of Federal Subcontracts: Performance by Prime Contractors to Other Federal Agencies, FY 1997 (Thousands of Dollars)*

	Agency Projections			Actual Awards		
		WOSB Subcontracts			WOSB Subcontracts	
	Total Dollars	Dollars	Percent	Total Dollars	Dollars	Percent
Total	**463,107.0**	**20,676.1**	**4.5**	**209,545.1**	**10,310.5**	**4.9**
American Battle Monuments Commission						
Commission on Civil Rights						
Commodity Futures Trading Commission						
Consumer Product Safety Commission						
Corporation for National Service	665.5	35.1	5.3			
Equal Employment Opportunity Commission						
Executive Office of the President	1,400.0	135.0	10.0	1,134.0	116.8	10.0
Export-Import Bank						
Farm Credit Administration						
Federal Communications Commission						
Federal Election Commission						
Federal Emergency Management Agency	9,000.0	450.0	5.0	44,140.5	5,146.3	11.7
Federal Energy Regulatory Commission	1,366.0	10.0	0.7	13,364.9	473.0	3.5
Federal Maritime Commission						
Federal Mediation and Conciliation Service						
Federal Mine Safety and Health Review Comm.						
Federal Trade Commission						
International Trade Commission						
Merit Systems Protection Board						
National Archives and Records Administration	3,782.5			3,782.5		
National Capital Planning Commission						
National Endowment for the Arts						
National Endowment for the Humanities						
National Labor Relations Board						
National Science Foundation	109,940.0	2,530.0	2.3	103,450.0	2,060.0	1.99
National Transportation Safety Board						
Nuclear Regulatory Commission	3,350.0	517.0	15.4	5,813.2	796.5	13.7
Occupational Safety and Health Review Comm.						
Office of Personnel Management	317,203.0	16,477.0	15.6	9,948.0	1,105.0	11.1
Securities and Exchange Commission						
Selective Service System						
Small Business Administration						
Smithsonian Institution	1,500.0	75.0	5.0	23,312.0	587.0	2.5
U.S. Arms Control and Disarmament Agency						
United States Information Agency	14,900.0	447.0	3.0	4,600.0	26.0	0.6

Notes: Dollar or percentage figures may vary slightly because of rounding or necessary corrections of figures submitted. Where no figures are shown, the agency either did not set a goal in this category or did not submit an achievement report, or both.

Source: U.S. Small Business Administration, Office of Government Contracting, unpublished data.

Glossary

Actions, reported in bulk: federal procurement contract actions of $25,000 or less. Federal agencies are required to report a summary of such actions to the Federal Procurement Data Center each quarter.

Actions, reported individually: federal procurement contract actions over $25,000. Federal agencies are required to file a detailed report, Standard Form 2790, for each of these contract actions with the Federal Procurement Data Center. Prior to FY 1983 for the Department of Defense, and FY 1986 for civilian agencies, the dollar threshold for reporting detailed information on procurement contracts was $10,000.

Bankruptcy: condition in which a business cannot meet its debt obligations and petitions a federal district court for either reorganization of its debts or liquidation of its assets.

Business birth (entry): formation of a new establishment or enterprise.

Business dissolution: for enumeration purposes, the absence from any current record of a business that was present in the prior time period.

Business failure: the closure of a business causing a loss to at least one creditor.

Capital expenditures: business spending on additional plant, equipment, and inventory.

Code of Federal Regulations: codification of the general and permanent rules of the federal government published in the *Federal Register.*

Corporation: firm granted a state charter to incorporate, thereby limiting the liability of its owner(s).

Cost-type contract: a contract that provides for payment to the contractor of allowable and reasonable costs plus a profit. Under such an arrangement, there is less financial risk to the contractor.

Current Population Survey (CPS): monthly survey conducted by the Bureau of the Census that provides estimates of the number of persons working, the number unemployed, and related employment data.

Debt capital: business financing that normally requires periodic interest payments and repayment of the principal within a specified time.

8(a) program: program, authorized under the Small Business Act, that directs federal contracts to small businesses owned and operated by socially and economically disadvantaged individuals.

Enterprise: aggregation of all establishments owned by a parent company. An enterprise may consist of a single, independent establishment, or it can include subsidiaries or other branch establishments under the same ownership and control.

Equity capital: an investment in exchange for partial business ownership. The investor's financial return comes from dividend payments and from growth in the net worth of a business.

Establishment: a single-location business unit, which may be independent—called a single-establishment enterprise—or owned by a parent enterprise.

Financial intermediary: a financial institution that acts as the intermediary between borrowers and lenders. Banks, savings and loan associations, finance companies, and venture capital companies are major financial intermediaries in the United States.

Fixed-price contract: a contract that provides for a specified price (or, in some cases, an adjustable price) for the supplies or services being procured, usually within a stipulated contract period. Under this type or agreement, maximum risk and responsibility are placed upon the contractor.

Full-time workers: generally, workers who work a regular schedule or more than 35 hours per week.

Gross domestic product (GDP): the most comprehensive single measure of aggregate economic output. Represents the market value of the total output of goods and services produced by a nation's economy.

Incorporation: filing of a certificate of incorporation with a state's secretary of state, thereby limiting the business owner's liability.

Indeterminate industry: industry in which the small or large business share of employment or sales falls between 40 and 60 percent of total industry employment.

Informal capital: financing from an informal, unorganized source; includes informal debt capital such as trade credit or loans from friends and relatives and informal equity capital from informal investors.

Initial public offering (IPO): a public offering of securities by a first-time issuer.

Innovation: introduction of a new idea into the marketplace in the form of a new product or service or an improvement in organization or process.

Large-business-dominated industry: industry in which a minimum of 60 percent of employment is in firms with more than 500 workers.

Metropolitan Statistical Area (MSA): a geographic area defined by the Office of Management and Budget as a large population nucleus with at least 50,000 persons, together with adjacent communities that have a high degree of economic and social integration with that nucleus.

Minority-owned businesses: for the purposes of the Bureau of the Census' Characteristics of Business Owners (CBO) survey, businesses owned by members of the following minority groups: black, Hispanic, and other minority (primarily Asian, American Indian, and Alaska native).

North American Industrial Classification System (NAICS): The system used for classifying businesses by industry that will replace the Standard Industrial Classification (SIC) system. The new system is being implemented. The 1997 Economic Census will be based on NAICS, rather than SIC, classifications.

Partnership: two or more parties who enter into a legal relationship to conduct business for profit. Defined by the Internal Revenue Code as joint ventures, syndicates, groups, pools, and other associations of two or more persons organized for profit that are not specifically classified in the IRS code as corporations or proprietorships.

Part-time workers: employees working fewer than 35 hours per week.

Prime contract: contract awarded directly by the federal government.

Proprietorship: the most common legal form of business ownership; about 85 percent of all small businesses are proprietorships. The liability of the owner is unlimited in this form of ownership.

Public equity markets: organized markets for trading in equity shares such as common stocks, preferred stocks, and warrants. Includes markets for both regularly traded and non-regularly traded securities.

Public offering: a general solicitation for participation in an investment opportunity. The Securities and Exchange Commission supervises interstate public offerings.

Short-term interest rates: interest rates for short-term borrowing, usually for a term of one year or less.

Size standard: standard based on the amount of a business' annual gross receipts used to determine eligibility for small business set-aside programs in government procurement.

Small business: a business smaller than a given size as measured by its employment, business receipts, or business assets. The SBA's Office of Advocacy generally uses employment data as a basis for size comparisons, with firms having fewer than 100 or fewer than 500 employees defined as small.

Small-business-dominated industry: industry in which a minimum of 60 percent of employment is in firms with fewer than 500 workers.

Small-Business Innovation Development Act of 1982: federal statute requiring federal agencies with large extramural R&D budgets to allocate a certain percentage of these funds to small R&D firms. The program is designed to stimulate technological innovation and make greater use of small businesses in meeting national innovation needs.

Small Business Innovation Research (SBIR) program: program mandated by the Small Business Innovation Development Act of 1982, requiring federal agencies with $100 million or more of extramural R&D obligations to set aside 1.25 percent of these funds for small business.

Small business investment company (SBIC): privately owned company licensed and funded through the U.S. Small Business Administration and private sector sources to provide equity or debt capital to small business.

Socially and economically disadvantaged: individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member or a group, without regard to their qualities as individuals, and whose ability to compete is impaired because of diminished opportunities to obtain capital and credit.

Sole proprietorship: unincorporated, one-owner business, farm, or professional practice. See also proprietorship.

Standard Industrial Classification (SIC) codes: a classification system established by the federal government, used to categorize businesses by type of economic activity. The SIC system is being replaced by the North American Industrial Classification System.

Subcontract: contract between a prime contractor and a subcontractor or between subcontractors to furnish supplies or services for performance of a prime contract or a subcontract.

Survey of Income and Program Participation (SIPP): a longitudinal survey conducted by the Bureau of the Census, designed to collect information about cash and noncash income, assets and liabilities, and taxes paid, and a variety of labor market data.

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