

Annual Report of the Office of Economic Research, FY 2022



U.S. Small Business
Administration

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Introduction

The Office of Advocacy (Advocacy) was created by Congress to promote policies to support the development, growth, and health of small business. One of Advocacy’s mandates is to “examine the role of small business within the American economy and the contribution which small business can make in improving competition, encouraging economic and social mobility ... and providing an avenue through which new and untested products and services can be brought to the marketplace.”¹ Advocacy’s Office of Economic Research (OER) supports this mission through its research publications, economic presentations to stakeholders, and providing economic analysis to federal agencies for consideration during policymaking.

In fiscal year 2022, from October 1, 2021, through September 30, 2022, the Office of Economic Research continued to provide stakeholders and policymakers with timely research and analyses of the impacts and recovery from the pandemic and the state of small businesses. Throughout the year, OER economists were involved in important initiatives in analyzing small business access to digital tools, small business considerations in regulatory modernization, and barriers of underserved businesses. OER made 24 economic presentations at forums and events, providing analyses and data of important trends concerning veteran-owned businesses, international trade, federal procurement, and conducting small business impact analyses. In addition, OER regulatory economists assisted federal agency economists in Regulatory Flexibility Act (RFA) trainings throughout the year. Their analytical evaluations contributed to reducing small business compliance burden during regulatory development.

During FY 2022, OER issued the third annual Small Business Profiles for Congressional Districts, providing congressional offices with a valuable resource for understanding the small business makeup of their district. OER released research products on the following topics, including two economic studies covering African-American entrepreneurship and pandemic impacts on business earnings by owner race and ethnicity and two fact sheets on small business innovation trends.

- Business Owner Demographics
- Employment
- Small Business Finance
- Regulation & Technology

This report summarizes and provides links to all OER research publications in FY 2022. The Office of Advocacy partners with other federal agencies such as the U.S. Census Bureau to

¹ Public Law 94-305, 1976.

produce and circulate important small business data. Advocacy economists use this data to conduct economic analysis of federal regulations during the regulatory development process and produce research reports and fact sheets on small business issues. Advocacy expanded small business economic data available to the public in FY22 by continuing to co-sponsor two critical Census Bureau data series, Statistics of U.S. Businesses and Nonemployer Statistics by Demographics. The publications listed in this report, as well as prior Advocacy research, can be found at: advocacy.sba.gov/category/research/, which is navigable by the following categories:

- [Small Business Facts](#) (OER infographics, FAQs, bulletins, and fact sheets)
- [State Profiles](#) (OER's annual publications on small business statistics by geographic area)
- [Economic Reports](#) (issue briefs and contracted economic studies)
- [Data on Small Business](#) (links to public economic datasets on small businesses)

Advocacy Research Reports by Topic, FY 2022

In FY 2022, the Office of Economic Research produced 20 publications, which are presented below by topic and release date.

Business Demographics

The Impacts Of COVID-19 On Racial Disparities in Small Business Earnings

Author: Robert Fairlie

Released: August 2022

Description: New research from Advocacy indicates that the COVID-19 pandemic led to greater earnings losses for business owners of color than white business owners. Black business owners suffered the largest losses. Both Latinx and Asian business owners also had higher losses on average, suggesting widening inequality. The analysis shows that industry and geographic concentrations placed minority-owned businesses at a higher risk of experiencing disproportionate business earnings losses. The report provides new evidence of how the pandemic affected different business owners and insight into small business challenges for weathering future crises.

African-American Entrepreneurs: Contributions and Challenges

Author: Xopolis LLC

Released: May 2022

Description: African-Americans are underrepresented among self-employed workers. When African-Americans own firms, they are less likely to have employees, operate with less financing, and are more likely to become discouraged enough to forego applying for loans. This study examines long-term trends in African-American entrepreneurship and the racial gaps in financing and self-employment among business owners. After controlling for owner and firm characteristics, a lack of financing leads to the shortfall between White and African-American firms. Despite the financial constraints African-American owned firms operate under, when they do receive financing, they consistently do more with less. The authors conclude that targeted financial programs like the Community Reinvestment Act may be a useful tool for policymakers when seeking to reverse these trends.

U.S. Census Bureau 2018 Non-employer Statistics by Demographics

Author: OER Staff

Released: December 2021

Description: The U.S. Census Bureau released the 2018 Nonemployer Statistics by Demographics (NES-D), a data program providing annual estimates of the number and receipts of nonemployer business owners by race, ethnicity, sex, and veteran status. NES-D is partially funded by the Office of Advocacy, an independent office within the U.S. Small Business Administration. The NES-D dataset spotlights nonemployers, which are businesses without employees. The data set illustrates how different demographic groups fare in business ownership.

Employment

Facts About Small Business: Small Business Hiring Needs

Author: Daniel Brown, Advocacy Economist

Released: May 2022

Description: New data from the U.S. Census Bureau indicates that the tightening labor market is disproportionately impacting smaller businesses. 23.4 percent of small businesses cited labor needs in August 2020, which increased to over 40 percent at the end of March 2022. At the end of 2021, small establishments with 10-49 employees had over 3 million job openings, more than any other size group.

Small Business Facts: Small Business Job Creation

Author: Daniel Wilmoth, Advocacy Economist

Released: April 2022

Description: Despite losing 9.1 million jobs in the first two quarters of 2020, small businesses job growth rebounded swiftly following the COVID-19 recession. In the four quarters following, small businesses have gained 5.5 million jobs, making up for 60 percent of the decline during the early pandemic. Small businesses have generated 12.9 million net new jobs over the past 25 years, accounting for two out of every three jobs added to the economy.

Finance

Small Business Lending in the United States, 2020

Author: Victoria Williams, Advocacy Economist

Released: July 2022

Description: The report examines FDIC data to determine the state of bank lending to small businesses. This report, which analyzes loan data from June 2019 to June 2020, examines the small business lending market at the beginning of the COVID-19 pandemic. Small business loans (loans below \$1 million) increased by nearly 40% from 2019 to 2020, largely due to the newly enacted Paycheck Protection Program.

Frequently Asked Questions About Small Business Finance

Author: OER Staff

Released: February 2022

Description: This five-pager details a broad range of finance data concerning small businesses in the United States. The FAQ is a convenient place to find information on small business financing, types and amounts of capital used by small businesses, the role that different lending options play for small businesses, and trends and characteristics of capital access by business owner demographic.

General Small Business

Annual Report of the Office of Economic Research, FY 2021

Author: Patrick Delehanty, Director of Economic Research

Released: September 2022

Description: In FY 2021, OER published 23 research products, including [research on the COVID-19 pandemic](#). OER evaluated the factors harming small businesses in fact sheets and economic bulletins and released economic studies on veteran entrepreneurship, international trade, and small business lending. OER also revamped the small business profile series for states, territories, and congressional districts to include new graphics and data covering business dynamics, demographics, and small business lending. They also produced a new timely small business lending report focused on the initial period of the pandemic covering trends in lending by lender and loan type.

Small Business Data Resources Guide

Author: Ira Gotliboym, Research Fellow

Released: August 2022

Description: This two-pager provides links to small business economic data by topic and frequency to main public datasets.

2022 Small Business Profiles for the States, Territories, and Nation

Author: Daniel Wilmoth, Advocacy Economist

Released: August 2022

Description: Advocacy's annual State Profiles gather the latest federal economic data into state-by-state snapshots of small business economic activity. The 2022 State Profiles are the first to contain data gathered during the COVID-19 pandemic. Three sections – business dynamics, small business loans, and small business exports – reflect 2020 data. The profiles also represent the first state by state breakdown of small business openings and closings during the pandemic as well as changes to employment.

Small Business Economic Bulletin, June 2022

Author: Brian Headd and Victoria Williams

Released: June 2022

Description: The Office of Advocacy's bi-annual Economic Bulletin examines how small businesses continue to recover from the COVID-19 recession. Recent trends show small businesses have weathered the pandemic, but new challenges have arisen. Currently, the demand for small business lending has outpaced supply, and fewer small firms are receiving full amounts of requested financing sought.

Annual Report of the Office of Economic Research, FY 2020

Author: OER Staff

Released: March 2022

Description: In fiscal year 2020, OER published 21 research products, including a series on pandemic impacts found in this report. In the wake of the COVID-19 pandemic, OER economists used real-time economic datasets to help produce economic products that better informed policymakers about the impact of the pandemic on the small business community. Additionally, in FY 2020, the Census Bureau continued to make progress in its partnership with Advocacy to produce the Non-Employer Statistics by Demographics data series, an important data program in providing annual comprehensive statistics on women-owned, minority-owned, and veteran-owned businesses. OER also published the second consecutive year of the congressional district small business profiles, which spotlighted key statistics on small businesses in each congressional district.

2021 Small Business Profiles for the U.S. Territories

Author: Daniel Wilmoth, Advocacy Economist

Released: December 2021

Description: The territories' profiles are part of Advocacy's state profile series, which provides user-friendly snapshots of small business statistics by geographic area. Each profile shows the impact of small businesses in the U.S. territories such as the total number of small employers and their industry breakout. The profiles, based on data from the U.S. Census Bureau, cover the 5 territories and use the latest small business economic data available at the territory level from government sources. However, the data were collected before the COVID-19 pandemic.

2021 Small Business Profiles for the Congressional Districts

Author: Daniel Wilmoth, Advocacy Economist

Released: December 2021

Description: The congressional district profiles are part of Advocacy's state profile series, which provides user-friendly snapshots of national, state, and congressional district small business statistics. Each profile shows the impact of small businesses in 436 congressional districts. Readers can find the congressional district's total number of small employers and their industry breakout. Additionally, the profiles show the number of workers employed by small businesses and a map showing the share and distribution of self-employed workers across the district. The profiles, based on data from the U.S. Census Bureau, cover the 436 congressional districts in the 50 states and the District of Columbia. Advocacy uses the latest small business economic data available at the congressional district level from government sources. However, the data were collected before the COVID-19 pandemic. District lines are based on the 116th Congress.

Frequently Asked Questions About Small Business, 2022

Author: OER Staff

Released: December 2021

Description: This popular publication gathers the most up-to-date statistics about American small businesses in one place. Updated annually, the FAQ is a convenient place to find facts about the total number of small businesses, their share of employment and net new jobs, and their overall contribution to the U.S. economy.

Small Business Economic Bulletin, November 2021

Author: Brian Headd and Victoria Williams

Released: November 2021

Description: Two crucial small business indicators, self-employment, and proprietors' income, had historic declines in 2020. Both experienced very fast recoveries by early 2021. These indicators match the National Bureau of Economic Research's conclusion that the two-month contraction in 2020 was the shortest recession on record. Meanwhile, the impacts of the 2020 recession on small business financing and banks were muted compared to the Great Recession.

What's New with Small Business?

Author: OER Staff

Released: November 2021

Description: A handy counterpart to Advocacy's FAQ about small businesses, the "What's New with Small Business" infographic is a great source for several of the most commonly answered questions about small business.

Regulation and Technology

Report on the Regulatory Flexibility Act, FY2021

Author: Office of Advocacy

Released: April 2022

Description: Advocacy's annual Report on the Regulatory Flexibility Act summarizes federal agencies' compliance with considering small businesses in their rulemakings in FY 2021. OER and Advocacy's Interagency Affairs attorneys worked to evaluate the economic analyses of federal agency rules, emphasizing sound economic analysis, understanding of small business impacts, and cost-effective alternative approaches. The report provides the regulatory cost savings achieved for small businesses in FY 2021 through Advocacy's efforts.

Small Business Facts: Small Business Innovation Measure by Patenting Activity

Author: Tyler Richards, Advocacy Economist

Released: September 2022

Description: Experts often use patenting activity as a proxy for innovation. Data from the National Science Foundation show that small businesses that engage in R&D generate more patents per employee than larger businesses that engage in R&D. However, small business patenting activity fell significantly following 2010. The decline is now reversing. Small businesses recovered to two-thirds of peak patent application levels from 2015 to 2018 and recovered to half of peak patents received levels in the same timeframe.

Small Business Facts: Small Business Contributions to Research and Development

Author: Tyler Richards, Advocacy Economist

Released: September 2022

Description: In 2019, small businesses with 10–499 employees performed \$70.6 billion worth of R&D work and employed over 500,000 R&D workers. Among businesses engaged in R&D, small businesses spend a much higher percentage of their sales on R&D than do large businesses. About two-thirds of small business R&D spending goes to development, about a quarter to applied research, and the remaining tenth to basic research.

Data Access

The Office of Advocacy provides links to the latest downloadable data on small businesses from federal sources on its [Data on Small Business](#) webpage. The data covers small businesses, those with employees (employer firms) and those without employees (non-employer firms). Non-employer firms make up the bulk of small businesses, but employer firms contain the larger share of sales. For comparison purposes, statistics are also provided for large firms in the datasets. The employer data contains information for large firms. For research purposes, Advocacy defines a small business as an independent business having fewer than 500 employees.

In addition, banking data on small businesses is assembled in Advocacy's [small lending report series](#). While the employment size of a firm is used to define a small business, the banking data uses loan size of \$1 million or less to define small business.

The data are provided in a user-friendly format that allows researchers, policymakers, small business trade associations, small businesses, and the media to obtain the data needed to investigate the role and status of small firms in the economy.

Small Business Data Resources

Advocacy offers the small business community a list of hyperlinked [Small Business Data Resources](#) useful for researchers and policymakers. This invaluable research tool links to the main small business databases from federal agencies and the private sector. Data series cover a range of key topics such as demographics, employment, exports, finance, firm size data, income, geography, and industry.

Small Business Economic Data

Data on employer firms by size of business are provided annually in Census Bureau's Statistics of U.S. Businesses (SUSB) and Business Dynamics Statistics (BDS) data series, as well as quarterly in the Bureau of Labor Statistics Business Employment Dynamics (BED) program. BDS and BED also provide data on age of business. The data programs are based on the universe of private-sector businesses in the U.S.

Detailed data on owner and business characteristics are available from the Annual Business Survey (ABS) conducted by the Census Bureau. The ABS replaces the Annual Survey of Entrepreneurs (ASE), and the Census Bureau's Survey of Business Owners (SBO). Owner

demographic data of nonemployer firms is now available in the Census Bureau's Nonemployer Statistics by Demographics.

Statistics of U.S. Businesses

Advocacy partially funds the Statistics of U.S. Businesses (SUSB) program, an employer firm-size annual data series produced by the U.S. Census Bureau. An employer firm is defined as an aggregation of all establishments owned by a parent company. The SUSB's employer data include the number of firms, number of establishments, employment, and annual payroll for employment firm size categories by location and industry. In addition to firm size data, receipt data, and size categories are available, but only in years ending in 2 or 7.

Industry information is available at the NAICS 6-digit level, providing data for over 1,000 industries. Geographic data for some of the data items is also available at the county and metropolitan statistical area level, but this data tends to be aggregated to a relatively high industry level.

Business Dynamics Statistics

Census Bureau's Business Dynamics Statistics (BDS) provides another source of employer firm data, but by the age of the firm. BDS contains annual data for states, major industry, and some metropolitan statistical area data. The data series provides historical data going back to 1977, but the most current data lags a few years. BDS provides the number of firms, establishments, and employment by firm age, along with some dynamics so firm and job creation can be analyzed.

Business Employment Dynamics

The Bureau of Labor Statistics' Business Employment Dynamics (BED) data program provides quarterly data with a focus on employment changes from establishment entry, growth, decline, and exit. BLS presents the data in two ways to capture seasonal firms by listing establishment openings, establishments that did not exist in the previous quarter, and establishment births, establishments that did not exist in the previous year. Classifications are similar for closings and deaths. Some employment data are by firm size such as in job creation and destruction tables, but a considerable amount of BED is establishment-based and does not contain an establishment or firm size component. These quarterly data date from 1992.

Nonemployer Statistics

Census Bureau's Nonemployer Statistics provides data on the number of businesses without employees and receipts by state, metropolitan statistical area, and county with industry

detail. A nonemployer firm is defined as one that has no paid employees, has annual business receipts of \$1,000 or more, and is subject to federal income taxes. Nonemployers account for about three percent of business receipts, and about 80 percent of all businesses.

Nonemployer businesses can have more than one owner and are not a direct proxy for the self-employed (a class of worker) who can own businesses with and without employees.

Nonemployer Statistics by Demographics (NES-D)

The Office of Advocacy partially funds the Census Bureau's Nonemployer Statistics by Demographics (NES-D); a relatively new data program providing annual estimates of the number and receipts of nonemployer business owners by race, ethnicity, sex, and veteran status.

The NES-D dataset spotlights the owners of nonemployers, which are businesses without employees. The data set illustrates how different groups fare in an important type of entrepreneurship. This annually released data is an important benchmark for tracking impacts of the COVID-19 pandemic on differing owner demographics. Tables for the NES-D data program are available for owner characteristics, sales size of firm, and legal form of organization. Additionally, the NES-D data series offers both industry detail and state and metro area breakdowns.

Annual Business Survey

The Annual Business Survey (ABS) is conducted by the U.S. Census Bureau and the National Science Foundation's National Center for Science and Engineering Statistics. The ABS provides annual data on select economic and demographic characteristics of employer businesses. The ABS replaced the Annual Survey of Entrepreneurs (ASE). The ABS provides information similar to the ASE on demographic characteristics for employer businesses and their owners. Data covers all nonfarm employer businesses for the number of businesses, receipts, annual payroll, and employment by sex, race, ethnicity, and veteran status. Industry information is available at the 2-digit NAICS level for demographic and veteran status by state, and the top 50 metropolitan statistical areas. ABS data versions reference the prior year.

Call Report and Community Reinvestment Act Data

The Federal Deposit Insurance Corporation provides comprehensive banking data for all FDIC insured institutions on a quarterly basis. Unlike the previous databases, the definition of a small business differs since it is defined by loan size as opposed to the size of the firm. Both the Call Report and CRA data define a small business loan as loans of \$1 million or less. The data contains the lending institution's name, geographic location, loan size, and assets.

Other Small Business Data Sources

Other small business data sources used to study small businesses are the Business Trends and Outlook Survey ([BTOS](#)), American Community Survey ([ACS](#)), Current Population Survey ([CPS](#)), and Survey of Consumer Finances ([SCF](#)). The BTOS is a new timely, bi-weekly survey on economic conditions and performance of single-location employer businesses, replacing the previous real-time survey, the Small Business Pulse Survey ([SBPS](#)). The ACS is a yearly household survey that is conducted by the Census Bureau that provides information on jobs, occupations, and education attainments in the United States. The CPS is a household monthly survey that is conducted by the Census Bureau and contains supplemental data on earnings, education, health insurance coverage, contingent workers, unemployment insurance, and veteran status. The SCF is a household survey that is normally sponsored by the Federal Reserve in cooperation with the Department of the Treasury every three years. This survey provides information on the balance sheets, pensions, income, and demographic characteristics of U.S. families over time.