THE SMALL BUSINESS ADVOCATE
U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY
REGULATION • RESEARCH • OUTREACH

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2016 State Small Business Profiles Released with Fresh Design

By Richard Schwinn, PhD, Research Economist

The Small Business Profiles are the Office of Advocacy's annual report on the state of America's small businesses. The 2016 redesign is updated and streamlined for better data visualization and digestibility. It is also the first of its kind in terms of reproducibility. Specifically, it can be easily reproduced from scratch using free software.

Redesign

Statistics and design can come together to simplify important but technical information. Statistics are a form of data reduction. One of the purposes behind all statistics, from averages to standard errors, are to make large amounts of data easier to absorb and interpret. Similarly, aesthetics aim to draw in attention and to improve experiences. Balancing utilitarian function with aesthetics in the new State Profiles, helps to broaden their appeal, draw in attention, and improve the presentation of a copious amount of small business data and analysis.

New data visualizations and adaptive icons are intended to engage the reader. Figure one (page 1 on profile) consolidates two decades of detailed small business employment data into a river-like graphic. Page two's bubble and square charts balance substance and aesthetics. Both figures perform the same job: they compare percentages across categories. Stylistic variation allows each to convey unique substance. Next, startup and exit rates illuminate the impact of the financial crisis. And finally on page four of the profile, a county-level map richly displays 2015 employment changes.

Reproducibility

The most profound changes are found under the hood of the profiles. Cutting edge tools of reproducible research form the foundation of the 2016 redesign. Put simply, reproducible research refers to analyses that are published along with their data and code so that others can easily verify the findings and build upon them.

Why prioritize reproducibility now?

There are many reasons:

(1) Barriers to Entry: The barriers to entry have fallen. New programming languages and free software make easy reproducibility possible for the first time. Specifically, R, the standard software for PhD statisticians, is free and extremely adaptable. And Markdown, the report generating language that can be learned in an afternoon, makes understanding others' work easier than ever.

(2) Data: The world is awash in data. The Bureau of Economic Analysis, Bureau of Labor Statistics, Census, and many others are scrambling to make their data instantly available to software developers via application programming interfaces, or APIs. APIs let anyone reproducing Advocacy's analysis access the data in the background. This means that there is no need to visit multiple websites or to keep track of dozens of downloaded spreadsheets.

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Advocacy Representing Small Business Concerns Around the World

By Rosalyn Steward, Assistant Chief Counsel

In the spring of 2013, the U.S. Trade Representative (USTR) invited the Office of Advocacy to participate with the Small and Medium Sized Enterprise (SME) chapter of the Transatlantic Trade and Investment Partnership (TTIP) negotiations that commenced that summer. The TTIP is the trade agreement that the U.S. is currently negotiating with the European Union. Advocacy's ability to offer our unique perspective to both the U.S. and E.U. delegations on the regulatory impacts on U.S. small businesses has been particularly welcomed throughout the negotiations, as there are no other small business regulatory specialists on the SME team.

Advocacy's international trade team consists of Assistant Chief Counsels Rosalyn Steward and Major Clark, Director of Interagency Affairs Charles Maresca, Law Clerk Daniel Kane, and Economist Patrick Delehanty. In February, Assistant Chief Counsels Steward and Clark traveled to Brussels, Belgium, for the 12th round of TTIP negotiations.

In addition to Advocacy, the TTIP U.S. SME delegation consists of Christina Sevilla, the Assistant United States Trade Representative who leads the negotiations, plus representatives of the SBA Office of International Trade, the Department of State, and the U.S. Department of Commerce's Office of the European Union. Each round, the SME chapter negotiation usually goes for one to two days. During this time, the SME chapter negotiators discuss the concerns of U.S. and E.U. small businesses and work together to distill ongoing cooperation into the chapter text. The SME chapter negotiators have also asked the lead negotiators for some of the other chapters to present on the small business issues specific to their subject matter (for example, customs and trade facilitation and intellectual property rights).

Small business concerns cut across nearly all chapters of the trade agreement, and Advocacy has developed relationships with negotiators in other chapters to help inform them of the small business perspective. The U.S. and E.U. both have a strong desire to accelerate the work that is done between rounds, and Advocacy will be traveling to Estonia and the Czech Republic later this summer to participate in the 7th E.U.-U.S. SME Best Practices Workshop. This annual dialogue focuses on support for SMEs and startups in the transatlantic space, to improve access to finance, as well as opportunities and resources for cluster collaboration.

The 13th round of TTIP negotiations is taking place in New York City the week of April 25, and Assistant Chief Counsel Clark will be participating on behalf of Advocacy. That same week, Assistant Chief Counsel Steward will travel to Germany to represent Advocacy at Hannover Messe, the world's largest industrial fair.

SMALL BUSINESS PROFILE

U.S. SMALL BUSINESS ADMINISTRATION
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UNITED STATES

28.8 million	Small Businesses	**56.8 million**	Small Business Employees
99.7%	of US Businesses	**48.0%**	of US Employees

EMPLOYMENT
1.1 million
net new jobs[1]

DIVERSITY
38.1%
increase in minority ownership[2]

TRADE
97.7%
of US exporters[3]

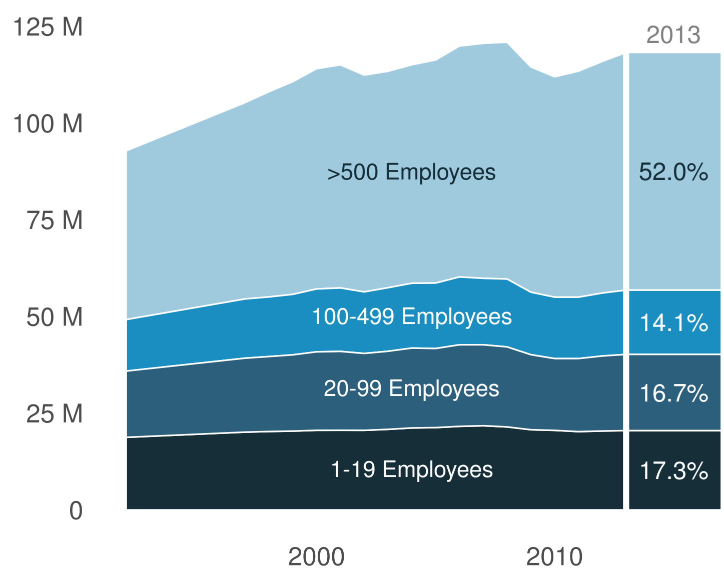
Overall US Economy

- Multiple economic indicators, including real gross domestic product (GDP), consistently signaled a strengthening US economy in 2015. In the third quarter of 2015, the United States grew at an annual rate of 1.9%. By comparison, the United States's 2014 growth of 4.1% was up from the 2013 level of 3.2%. (Source: BEA)
- The employment situation in the United States improved. At the close of 2015, unemployment was 5.0%, down from 5.6% at the close of 2014. (Source: CPS)

Employment

- US small businesses employed 56.8 million people, or 48.0% of the private workforce, in 2013. (Source: SUSB)
- Firms with fewer than 100 employees have the largest share of small business employment. See Figure 1 for further details on firms with employees. (Source: SUSB)
- Private-sector employment increased 2.2% in 2015. This was below the previous year's increase of 2.5%. (Source: CES)
- The number of proprietors increased in 2014 by 1.3% relative to the previous year. (Source: BEA)
- Small businesses created 1.1 million net jobs in 2013. Among the seven BDS size-classes, firms employing 250 to 499 employees experienced the largest gains, adding 257,245 net jobs. The smallest gains were in firms employing 5 to 9 employees which added 84,020 net jobs. (Source: BDS)

Figure 1: US Employment by Firm Size



The Small Business Profiles are produced by the US Small Business Administration's Office of Advocacy. Each report incorporates the most up-to-date government data to present a unique snapshot of small businesses. ***Small businesses are defined as firms employing fewer than 500 employees****. Hyperlinks to data sources and report generation information are provided in Table 3.*

[1,3] *Net small business jobs change and exporter share are based on newly released 2013 BDS and 2012 ITA data.*

[2] *Diversity statistic tracks changes between 2007 and 2012 based on the Survey of Business Owners (SBO) 2015 release.*

Income and Finance

- The number of banks reported in the Call Reports between June 2014 and June 2015 declined. (Source: FDIC)
- In 2014, 5.2 million loans under $100,000 (and valued at $73.6 billion) were issued by US lending institutions reporting under the Community Reinvestment Act. (Source: FFIEC)
- The median income[4] for individuals who were self-employed at their own incorporated businesses was $49,204 in 2014. For individuals self-employed at their own unincorporated firms, this figure was $22,209. (Source: ACS)

[4] Median income represents earnings from all sources. Unincorporated self-employment income includes unpaid family workers, a very small percent of the unincorporated self-employed.

Business Owner Demographics

Figure 2: US Changes in Business Ownership by Demographic Group

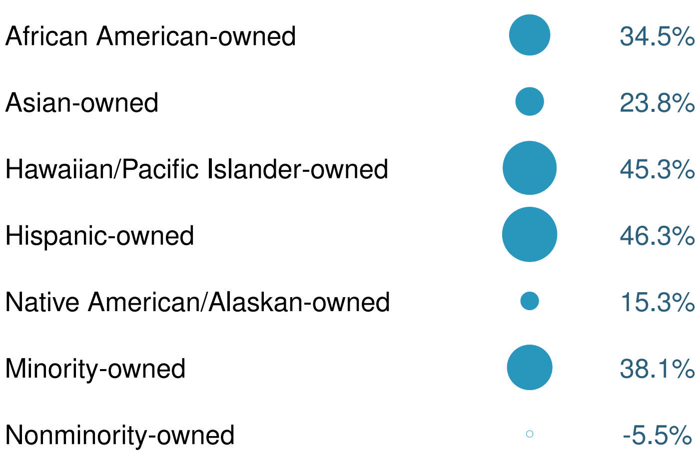
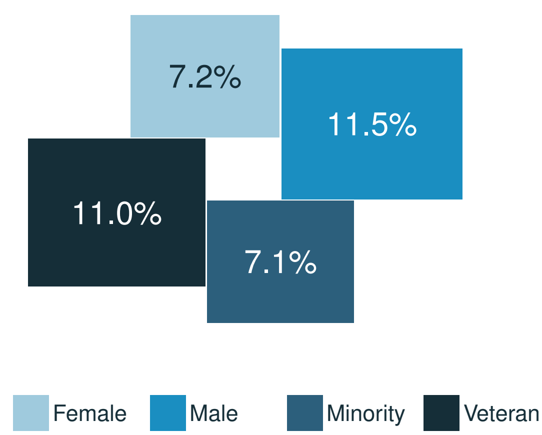


Figure 3: US Self-Employment within Demographic Group



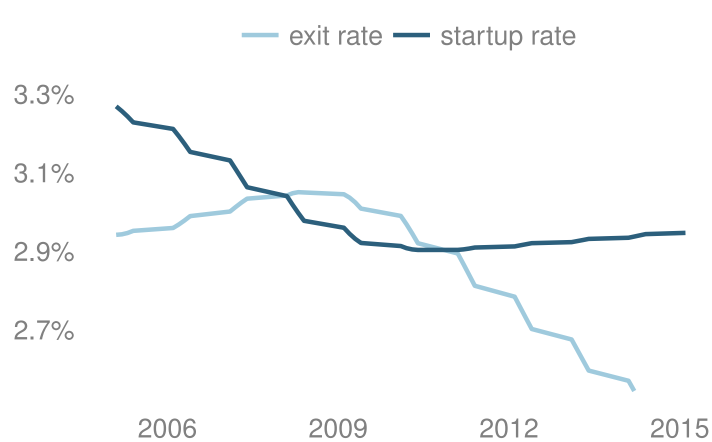
- Figure 2 displays the change in overall firm ownership for each demographic group from 2007 to 2012 based on the Survey of Business Owners (SBO) for the United States, released in December 2015.
- Figure 3 displays the percent of each demographic group identified as self-employed according to the 2014 American Community Survey (ACS) 5-year estimates.

Business Turnover

- In the second quarter of 2014, 220,000 establishments started up[5] in the United States and 205,000 exited.[6] Startups generated 805,000 new jobs while exits caused 717,000 job losses. (Source: BDM)
- Figure 4 displays startup and exit rates from 2005 to 2015. Each series is smoothed across multiple quarters to highlight long-run trends. (Source: BDM)

*[5] **STARTUPS** are counted when business establishments hire at least one employee for the first time. The BLS terms these **births**, as distinct from the BLS **openings** category which includes seasonal re-openings.*
*[6] **EXITS** occur when establishments go from having at least one employee to having none, and then remain closed for at least a year. The BLS terms these events **deaths**, as distinct from the **closings** category which includes seasonal shutterings.*

Figure 4: US Private Startup and Exit Rates



International Trade

- A total of 304,223 companies exported goods from the United States in 2013. Among these, 297,343, or 97.7%, were small firms; they generated 33.6% of the United States's total known export value. (Source: ITA)

Small Businesses by Industry

Table 1: US Small Firms by Industry, 2013
(sorted by small employer firms)

Industry	1 – 499 Employees	1 – 19 Employees	Nonemployer Firms	Total Small Firms
Professional, Scientific, and Technical Services	778,090	731,341	3,235,906	4,013,996
Other Services (except Public Administration)	670,468	626,850	3,583,742	4,254,210
Retail Trade	649,764	595,280	1,906,597	2,556,361
Construction	645,479	598,039	2,368,442	3,013,921
Health Care and Social Assistance	642,586	561,706	1,959,723	2,602,309
Accommodation and Food Services	502,076	397,330	346,280	848,356
Administrative, Support, and Waste Management	325,474	289,799	2,032,516	2,357,990
Wholesale Trade	309,568	267,370	406,469	716,037
Real Estate and Rental and Leasing	275,298	262,850	2,448,282	2,723,580
Manufacturing	248,155	188,964	343,025	591,180
Finance and Insurance	233,184	216,130	706,394	939,578
Transportation and Warehousing	167,496	149,262	1,102,255	1,269,751
Arts, Entertainment, and Recreation	116,159	100,867	1,256,694	1,372,853
Educational Services	85,151	67,144	616,952	702,103
Information	70,792	61,051	326,526	397,318
Mining, Quarrying, and Oil and Gas Extraction	21,594	18,222	106,610	128,204
Agriculture, Forestry, Fishing and Hunting	21,323	19,997	239,863	261,186
Utilities	5,715	4,511	19,344	25,059
Total	**5,768,372**	**5,156,713**	**23,005,620**	**28,773,992**

Totals for Tables 1 and 2 differ from SUSB's nationwide tallies due to firms with establishments in more than one industry and the omission of industry classifications not reported by NES. (Source: NES and SUSB)
s Indicates samples deemed too small to represent the population according to SUSB.

Table 2: US Employment by Industry and Firm Size, 2013
(sorted by small firm employment)

Industry	Small Business Employment	Total Private Employment	Small Business Employment Share
Health Care and Social Assistance	8,515,106	18,598,711	45.8%
Accommodation and Food Services	7,454,788	12,395,387	60.1%
Retail Trade	5,370,419	15,023,362	35.7%
Manufacturing	5,059,759	11,276,438	44.9%
Professional, Scientific, and Technical Services	4,869,277	8,275,350	58.8%
Other Services (except Public Administration)	4,536,340	5,282,688	85.9%
Construction	4,526,389	5,470,181	82.7%
Administrative, Support, and Waste Management	3,523,802	10,185,297	34.6%
Wholesale Trade	3,463,622	5,908,763	58.6%
Finance and Insurance	1,918,122	6,063,761	31.6%
Transportation and Warehousing	1,585,539	4,287,236	37.0%
Educational Services	1,532,214	3,513,469	43.6%
Real Estate and Rental and Leasing	1,361,352	1,972,105	69.0%
Arts, Entertainment, and Recreation	1,315,721	2,112,000	62.3%
Information	871,065	3,266,084	26.7%
Mining, Quarrying, and Oil and Gas Extraction	288,789	732,186	39.4%
Agriculture, Forestry, Fishing and Hunting	132,812	154,496	86.0%
Utilities	110,352	638,575	17.3%
Total	**56,435,468**	**115,156,089**	**49.0%**

Figure 5: US County-Level Job Changes, 2015 (CEW)

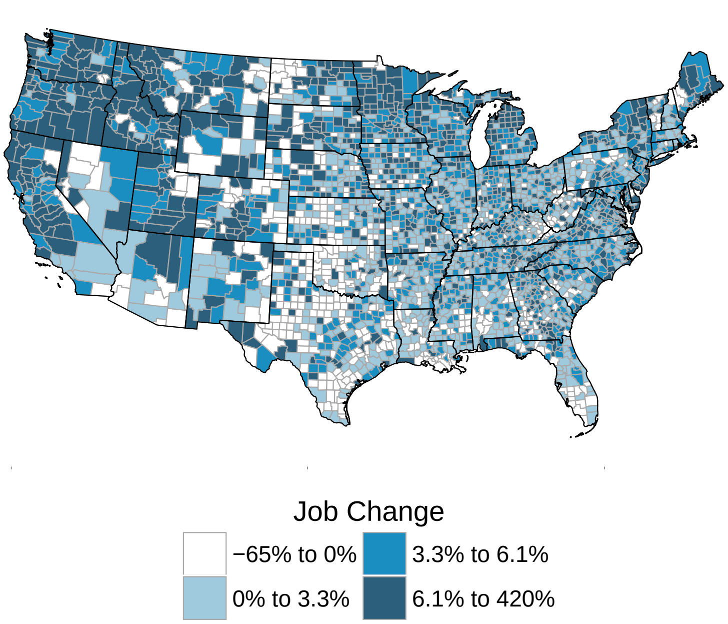


Table 3: Abbreviations and Resources

ACS	American Community Survey, US Census Bureau
BEA	Bureau of Economic Analysis
BDM	Business Employment Dynamics, BLS
BDS	Business Dynamics Statistics, US Census Bureau
BLS	Bureau of Labor Statistics, US Department of Labor
CES	Current Employment Statistics, BLS
CEW	Census of Employment and Wages, BLS
CPS	Current Population Survey, BLS
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
ITA	International Trade Administration
NES	Nonemployer Statistics, US Census Bureau
SBO	Survey of Business Owners, US Census Bureau
SUSB	Statistics of US Businesses, US Census Bureau

All profiles, source data, methodology notes, and county-level employment statistics are available at http://go.usa.gov/cfKMd

SBA OFFICE OF ADVOCACY

Message From the Chief Counsel

Advocacy Releases Updated Legislative Priorities

By Darryl L. DePriest, Chief Counsel for Advocacy

This month, the Office of Advocacy released its statement of Legislative Priorities. These priorities are meant to highlight the important areas of the Regulatory Flexibility Act (RFA) that I, in consultation with Advocacy staff, believe could be strengthened. It has been slightly more than 35 years since the signing of the RFA and much in our regulatory system has changed. At the Office of Advocacy we continue to strive to be the most effective voice for small business. These additions and alterations to the RFA will, if enacted into law, give small businesses a stronger voice. The legislative priorities are briefly summarized below.

Indirect Effects

Under the RFA, agencies are only required to examine entities directly impacted by the rule. Advocacy believes that indirect effects should be part of the RFA analysis, but that the definition of indirect effects be specific and limited so the analytical requirements of the RFA remain reasonable.

Scope of the RFA

In some cases, federal agencies use different rulemakings than the more familiar notice and comment. I believe that requiring RFA analysis on interim final rules, and expanding the analysis to include special conditions for the IRS would allow for greater small business consideration in federal rulemakings.

"It has been slighty more than 35 years since the signing of the RFA and much in our regulatory system has changed."

Quality of Analysis

Currently agencies are not required to estimate cost savings in their Final Regulatory Flexibility Analysis (FRFA). I believe that federal agencies should not only include these estimates but also clearly state the elements of the Initial Regulatory Flexibility Analysis and FRFA in the preamble to the proposed and final rule, respectively.

Quality of Certification

Some of the most frequent comment letters that Advocacy writes concern the improper certification of a rule under the RFA. If agencies were required to publish a threshold analysis, supported by data, as part of the factual basis for the certification, improper certifications would occur less often.

SBREFA Panels

SBREFA (Small Business Regulatory Enforcement Fairness Act) panels have proven to be extremely beneficial to the small business community during rulemakings at the EPA, OSHA and CFPB. Adding the Fish and Wildlife Service to the list of cov -ered agencies would improve that agency's rulemakings Furthermore, requiring covered agencies to provide better information in advance of the panel would give rise to better discussion and better rules.

Retrospective Review

We have all heard of old or outdated regulations currently in effect that no longer serve a purpose. Strengthening section 610 and the RFA would require agencies to prioritize petitions for review that seek to reduce the regulatory burden on small business and provide for more thorough consideration of alternatives.

To find Advocacy's Legislative Priorities in their entirety, please visit our website. I look forward to improving the regulatory environment for our nation's small businesses in the months ahead.

State Profiles, *from page 1*

(3) Education: This year's profiles can serve as an educational tool. It's not necessary to understand thereport before attempting to verifyit. Researchers can simply open our text file in R and run each line of code alongside comments that explain what is happening. First they'll learn how the data are downloaded and combined. Next they'll learn how each statistic is calculated, each figure is generated, and how the report's language adapts to economic information.

(4) Time: Reproducibility techniques are a tremendous time-saver. While producing one report for just one state is an order of magnitude more time intensive than using traditional tools, generating the remaining 51 reports, is easy and requires less than a minute of computing time each.

The 2016 Small Business Profiles are on Advocacy's webpage at https://www.sba.gov/advocacy/small-business-profiles-states-and-territories-2016

Advocacy News

Advocacy Welcomes New Research Fellow

Michael McManus has joined Advocacy as a research fellow in the Office of Economic Research.

Michael most recently worked as a regulatory studies fellow for the Office of Information and Regulatory Affairs (OIRA). At OIRA, he collaborated with the Office of Management and Budget and agency staff to help improve the regulatory analysis and maximize the efficiency of significant regulations. Previously, McManus worked as a legislative specialist for the AARP and was a public policy intern at WorldatWork, both in Washington, D.C.

Michael is a graduate of George Washington University (GWU), where he earned his bachelor of arts in political science with a focus on public policy and a minor in theatre in 2014. He then received his master's in public policy in 2015, also from GWU.

Research Fellow Michael McManus

Comment Letters Filed

- 2/29/16 – Comment Letter to the Department of Defense: Interim Rule, Defense Federal Acquisition Supplement: Network Penetration Reporting and Contracting for Cloud Services
- 3/1/2016 – Comment Letter to the Department of Labor: Establishing Paid Sick Leave for Federal Contractors; Proposed Rule
- 3/2/2016 – Comment Letter to the Fish and Wildlife Service: Listing Salamanders Due to Risk of Salamander Chytrid Fungus
- 4/12/16 – Comment letter to NOAA: Magnuson-Stevens Fishery Conservation and Management Act; Seafood Import Monitoring Program

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The Small Business Advocate

The Small Business Advocate newsletter is published by the U.S. Small Business Administration's Office of Advocacy. It is distributed electronically to 35,000 subscribers.

The Office of Advocacy is the independent voice for small business in the federal government. The office is the watchdog of the Regulatory Flexibility Act (RFA) and the source of small business statistics. Advocacy advances the views and concerns of small business before Congress, the White House, the federal agencies, the federal courts, and state policymakers.

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