

## Why are small businesses so important to the United States?

### They create the vast majority of all net new jobs!

Recent data from the U.S. Bureau of Census and the Office of Advocacy, U.S. Small Business Administration,<sup>1</sup> show that small businesses (with less than 500 employees) created *over 92 percent* of the net new jobs in the U. S. between 1989 and 2003! Remarkably, the smallest of these companies, those with fewer than 20 employees, created *85 percent* of the net new jobs over the 14 years for which the Bureau of Census reported the data (data from 2003-2004 should be available later in 2007). Other data show small business creating about 70% of net new jobs.

The Small Business Technology Council (SBTC) is working hard to get these facts in front of Congress, the Administration, and state and local governments. If our elected officials know who generates net new jobs in the U.S., they can better understand the impact of their legislation.

The year-by-year reliability of new job creation by very small businesses (< 20 employees) is shown in Figure 2. In each of the 14 years, these very small businesses created jobs – over 1 million jobs in 12 of the 14 years; over 1.5 million jobs in 6 years; and over 550,000 (90-91) and 850,000 (01-02) jobs in the 2 worst years!

Contrast that record with the fact that large companies (>500 employees) *eliminated* more jobs than they created in 5 of the 14 years. In 2001-2002 large businesses eliminated 2.2 million jobs; and in 2002-2003 they eliminated almost 1 million jobs. In the 14 years of data captured by the Bureau of Census, the very small businesses (<20 employees) have always created more jobs than either medium-sized small companies (20 to 500 employees) or large-sized companies (>500 employees). In 11 of the 14 years, these very small companies created more jobs than the other two categories combined!

Clearly, policies that promote: small business start-ups, financing and growth; fairness in obtaining government contracts; and fairness in regulatory burden are good for the country. Small businesses are truly the engine of our national economy. They provide the new jobs that fuel our economic growth.

Figure 1. Net Employment Growth  
 By Company Size at Start of Year:  
 Cumulative Net Employment Growth - 1989 to 2003

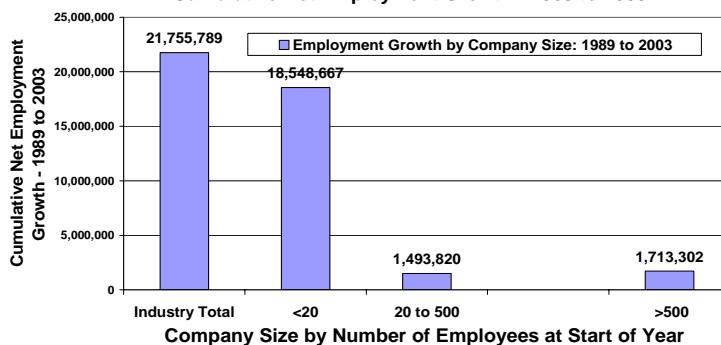
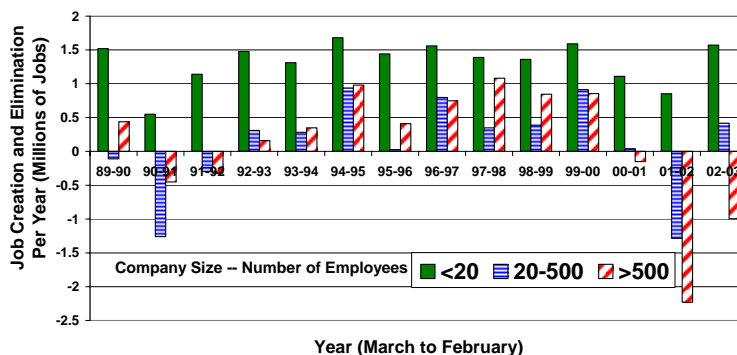


Fig. 2. Net Job Creation and Elimination Per Year By Company Size  
 (Number of Employees At Start of Year)  
 For The Fourteen Years 1989-1990 to 2002-2003  
 (Only years full data available)



<sup>1</sup> Source: Office of Advocacy, U.S. Small Business Administration, from data provided by the U.S. Bureau of the Census, Statistics of U.S. Business. [[http://www.sba.gov/advo/research/dyn\\_b\\_d8903.pdf](http://www.sba.gov/advo/research/dyn_b_d8903.pdf)]. For a discussion on why small businesses remain about 50 percent of the U.S. employment with their effectiveness in new job creation, see the Advocacy 1998 study by Alicia Robb, [[http://www.sba.gov/advo/stats/m\\_a.pdf](http://www.sba.gov/advo/stats/m_a.pdf)], on acquisitions and mergers.