

# Introducing the New Nonemployer Statistics by Demographics Series (NES-D)

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**Census Scientific Advisory Committee – 2021 Spring Virtual Meeting**

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# Agenda

- **2017 NES-D program summary**
- **Illustration of 2017 results**
- **Background refresher**
- **Timeline**
- **Next steps**
- **Questions**

# Program Summary

- Annual data series with **first official release December 17, 2020** (2017 reference year)
- **Content:**
  - Counts & receipts of nonemployer businesses by race, Hispanic origin, sex and veteran status of business owners
  - Counts of nonemployer business owners by race, ethnicity, sex, veteran status, place of birth, citizenship & age
- **Detail:** Geography & industry detail, receipt-size class, and legal form of organization
  - Current Geo Detail: U.S., state, MSA
  - Current Industry Detail: All sectors, 2 and 3-digit NAICS
- **Coverage:** Nonemployer universe\*
- **Data sources:** Leverages existing administrative records (AR) and Census data (i.e., IRS tax data, Decennial Census, American Community Survey, Business Register, SSA Numident, AR from DVA) -- **Not a survey**
- **Frequency:** Annual
- **Additional features:** No additional respondent burden, more frequent, more timely, lower imputation rates and costs than predecessor (quinquennial Survey of Business Owners)

\*Excluding C-corporations

# NES-D addresses Stakeholders' Needs

## “Small Business Administration’s Office of Advocacy Celebrates Census’ Inaugural Nonemployer Business Owner Demographic Data Release”

“Advocacy is pleased to support the Census Bureau as they illustrate the role that **entrepreneurship** plays for **underserved demographics**”

“NES-D will be an **improvement on the timing and frequency** of the SBO which was available every five years with a lag of about three years”

...“annual demographic data on the owners of nonemployer businesses with **detailed geographic and industry information**”

NES-D “provides the **National Women’s Business Council** with comprehensive data and a clearer picture of the women’s business enterprise landscape”

“**Approximately 90% of women-owned businesses are nonemployer firms**”

Tabulations on **women-owned employer and nonemployer firms** from both NES-D and the Annual Business Survey (employer firms)... “are **critical**. We cannot measure what we cannot count.”

From the **Minority Business Development Agency**’s National Director:

“These data provide an **essential benchmark** on the strength of the minority business sector prior to COVID-19,”

“The new **annual** data will help identify and analyze the **state of minority businesses** more precisely, and will better guide the creation and deployment of federal resources **to support minority entrepreneurs.**”

“...Opportunity to enhance cooperation, collaboration, and coordination among communities, entrepreneurs and business leaders.”

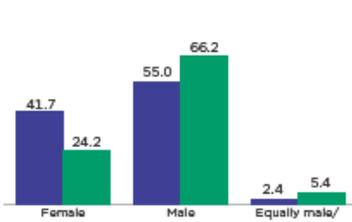
# Illustration of 2017 Results

## Introducing the New Annual Nonemployer Demographics Statistics (NES-D)

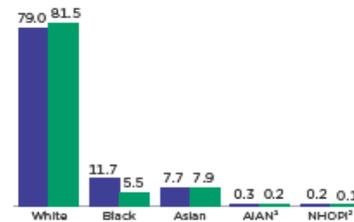
NES-D provides annual data on nonemployer business demographics (e.g., sex, ethnicity, race and veteran status) from existing administrative records and U.S. Census Bureau data.

■ Percent of total nonemployer businesses ■ Percent of total nonemployer business receipts

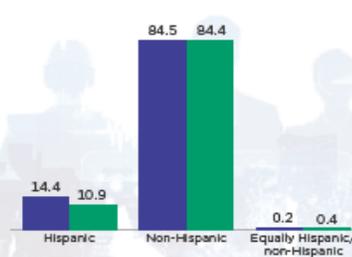
Share of nonemployer businesses and receipts by owners' sex



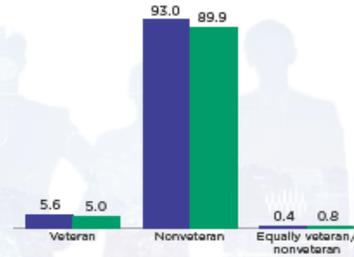
Share of nonemployer businesses and receipts by owners' race



Share of nonemployer businesses and receipts by owners' Hispanic origin



Share of nonemployer businesses and receipts by owners' veteran status



<sup>1</sup> American Indian and Alaska Native.  
<sup>2</sup> Native Hawaiian or Other Pacific Islander.  
 Notes: Excludes nonemployer C-corporations, which account for approximately 2% of nonemployer businesses and 4% of receipts. Less than 1% of nonemployer businesses are not eligible for demographic classification for reasons such as being owned exclusively by other businesses (i.e., having no person owners). These unclassifiable businesses account for about 4% of receipts. The Census Bureau has reviewed this product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied. Approval ID: CBDRB-FY20-390.



U.S. Department of Commerce  
 U.S. CENSUS BUREAU  
 CENSUS.GOV

Source: 2017 NES-D

[www.census.gov/programs-surveys/abs.html](http://www.census.gov/programs-surveys/abs.html)

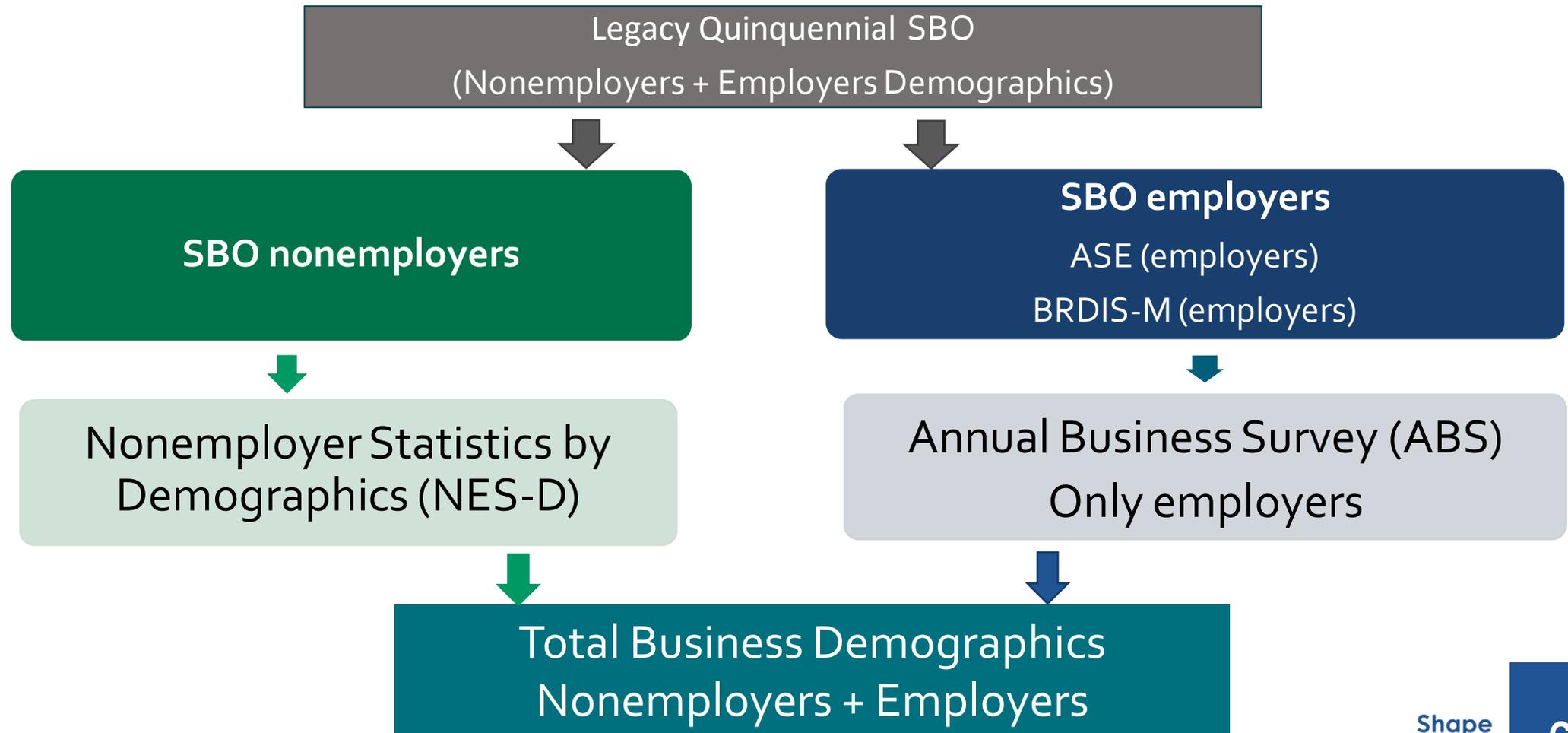
Table 1 - Statistics for Nonemployer Firms by Industry, Sex, Ethnicity, Race, and Veteran Status for the U.S., States, and Metro Areas: 2017

Geographic Area Name	2017 NAICS Code	Meaning of 2017 NAICS Code	Meaning of Sex Code	Meaning of Ethnicity Code	Meaning of Race Code	Meaning of Veteran Code	Year	Noise Flag	Number of Nonemployer Firms	Sales, Value of Shipments, or Revenue of Nonemployer Firms (\$1,000)
U.S.	00	Total for all sectors	Female	Hispanic	White	Total	2017	G	1,327,000	30,348,513
U.S.	00	Total for all sectors	Female	Hispanic	Black or African American	Total	2017	G	138,000	2,389,886
U.S.	00	Total for all sectors	Female	Hispanic	American Indian or Alaska Native	Total	2017	G	14,000	288,708
U.S.	00	Total for all sectors	Female	Hispanic	Asian	Total	2017	G	75,500	1,588,476
U.S.	00	Total for all sectors	Female	Hispanic	Native Hawaiian or Other Pacific Islander	Total	2017	G	4,200	82,410
U.S.	00	Total for all sectors	Female	Non-Hispanic	Total	Total	2017	G	8,987,000	251,044,653
U.S.	00	Total for all sectors	Female	Non-Hispanic	Total	Veteran	2017	G	130,000	2,890,712
U.S.	00	Total for all sectors	Female	Non-Hispanic	Total	Equally veteran/nonveteran	2017	G	1,300	86,163
U.S.	00	Total for all sectors	Female	Non-Hispanic	Total	Nonveteran	2017	G	8,856,000	248,067,778
U.S.	00	Total for all sectors	Female	Non-Hispanic	White	Total	2017	G	6,765,000	201,848,190
U.S.	00	Total for all sectors	Female	Non-Hispanic	Black or African American	Total	2017	G	1,423,000	21,151,609
U.S.	00	Total for all sectors	Female	Non-Hispanic	American Indian or Alaska Native	Total	2017	G	24,000	487,381
U.S.	00	Total for all sectors	Female	Non-Hispanic	Asian	Total	2017	G	760,000	27,001,753
U.S.	00	Total for all sectors	Female	Non-Hispanic	Native Hawaiian or Other Pacific Islander	Total	2017	G	12,500	300,394
U.S.	00	Total for all sectors	Female	Equally Hispanic/non-Hispanic	Total	Total	2017	G	3,700	312,353
U.S.	00	Total for all sectors	Female	Equally Hispanic/non-Hispanic	Total	Veteran	2017	H	< 15	751
U.S.	00	Total for all sectors	Female	Equally Hispanic/non-Hispanic	Total	Equally veteran/nonveteran	2017	G	100	7,885
U.S.	00	Total for all sectors	Female	Equally Hispanic/non-Hispanic	Total	Nonveteran	2017	G	3,600	303,717

DRB Approval ID CBDRB-FY20-390

# Background (1/2)

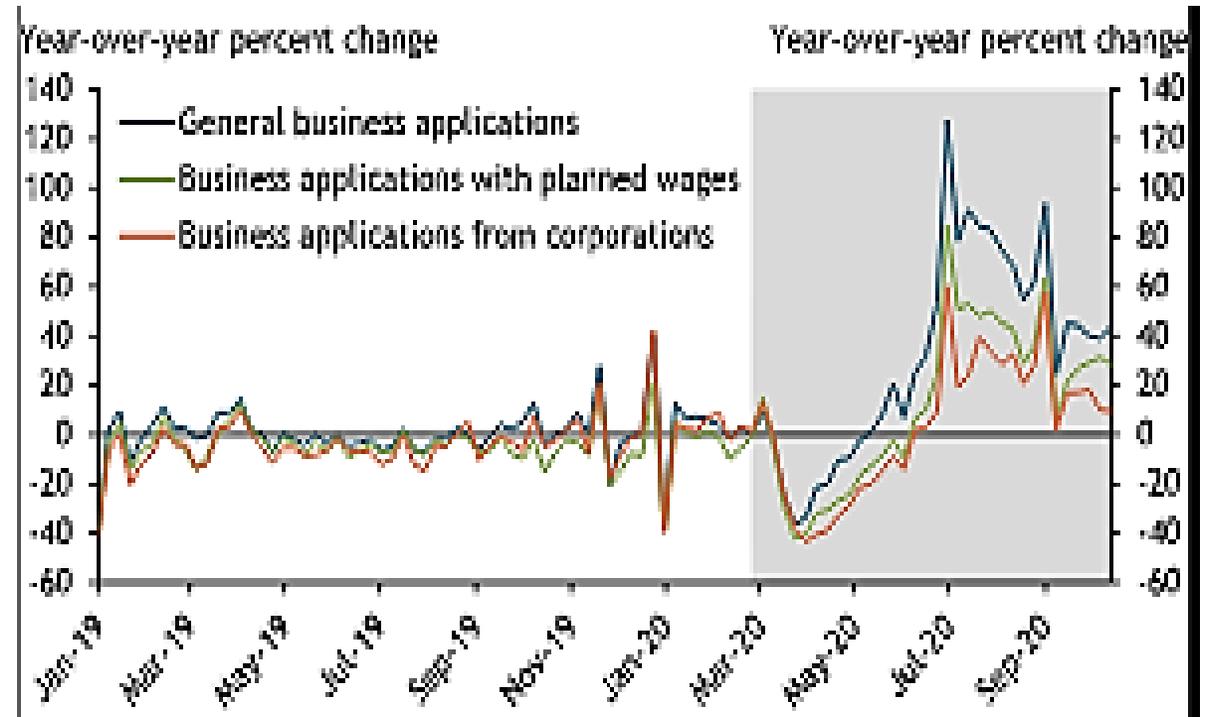
## Annualization of Business Demographics Statistics & Business Survey Consolidation



# Background (2/2)

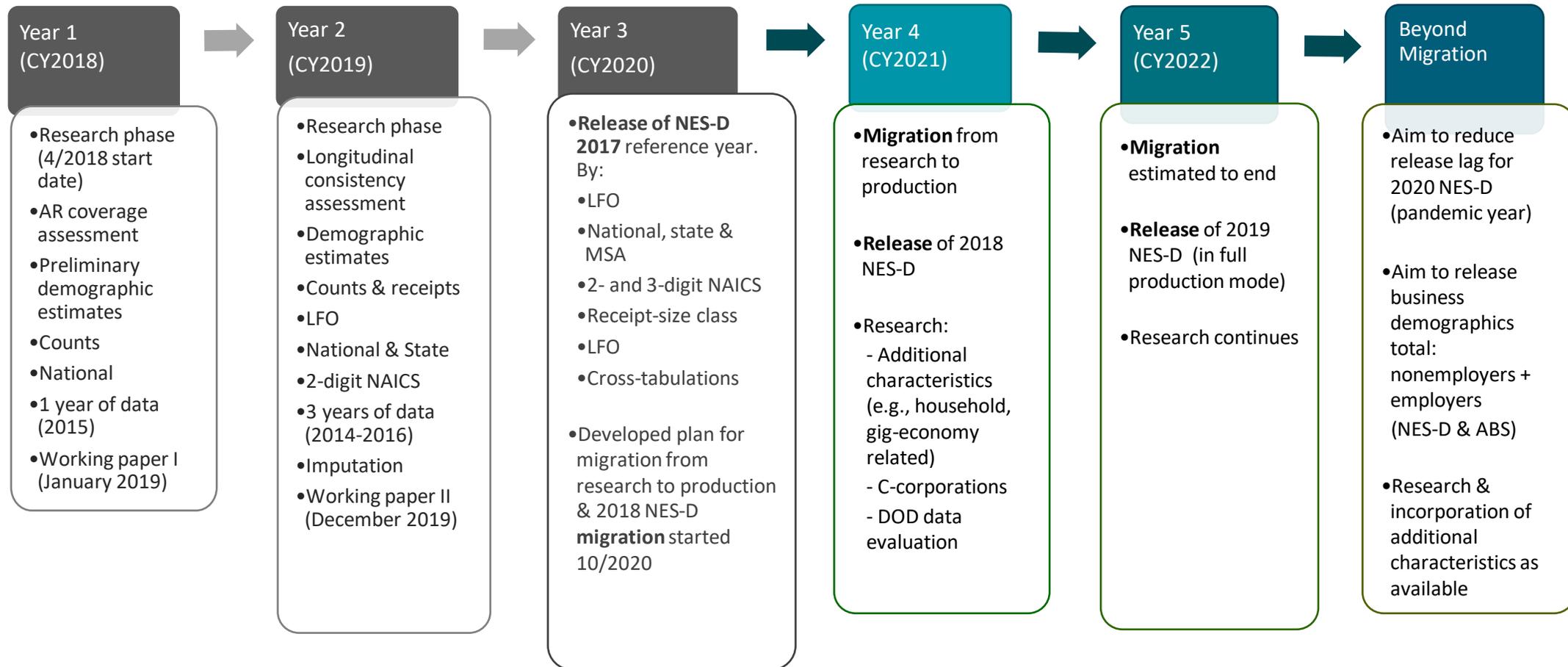
## Nonemployers Basics

- Nonemployers: businesses w/ no paid employment, subject to federal income taxes, & w/ annual receipts of \$1,000 or more (\$1 or more for Construction sector)
- As of 2017, there were approximately 26 million nonemployers accounting for about 83 percent of all businesses but only about 3 percent of receipts
  - Approximately 87 percent of nonemployers are sole proprietors (i.e., businesses with only 1 owner, usually thought-of as self-employed persons)
- Nonemployer growth outpacing that of employers
  - From 2014 to 2018, number of nonemployers grew by approximately 11 percent and employer firms by approximately 3.5 percent
- Unprecedented increase in business applications during pandemic (see graph) – will they become nonemployer businesses?



Sources: Business Formation Statistics, U.S. Census Bureau.

# Timeline



# Next Steps

- **Total business demographics:** Release combined nonemployer + employer demographics -- NES-D is part of total business demographics
- **Increase level of detail:**
  - Geo detail: Potentially down to county level in future releases as disclosure-avoidance rules allow
  - Industry detail: Potentially down to 6-digit NAICS in future releases as disclosure-avoidance rules allow
- **Shorten dissemination lag from 3 to 2 years -- more timely**
- **Additional characteristics, including:**
  - Household (e.g., marital status)
  - Related to gig-economy (e.g., does nonemployer also work for a wage? Does nonemployer use contractors?)
  - Transitions to employer status
  - Firm age, patenting activity, exporter/importer status
- **C-corporation demographics** – AR do not identify C-corporation owners. Impute demographics?
- **Department of Defense data evaluation** – Can we better align AR-based (NES-D) & survey-based (Annual Business Survey, employer firms) veteran concepts?

# Questions

- Plans to improve/enhance NES-D --increase geo & industry detail, decrease dissemination lag, expand number & scope of nonemployers characteristics leveraging AR, etc.... but cannot implement everything at the same time because of limited resources....
  - How would you use enhanced NES-D data? How would you prioritize?
- **Stakeholders' support** is strong but requires negotiations with multiple stakeholders with different interests & priorities in a given year....
  - Are there strategies for addressing different requests equitably given limited resources?
- Some loss of content on items hard or infeasible to obtain through AR (e.g., sources of business financing)**
  - What are potential strategies to obtain that type of info?

# Thank you

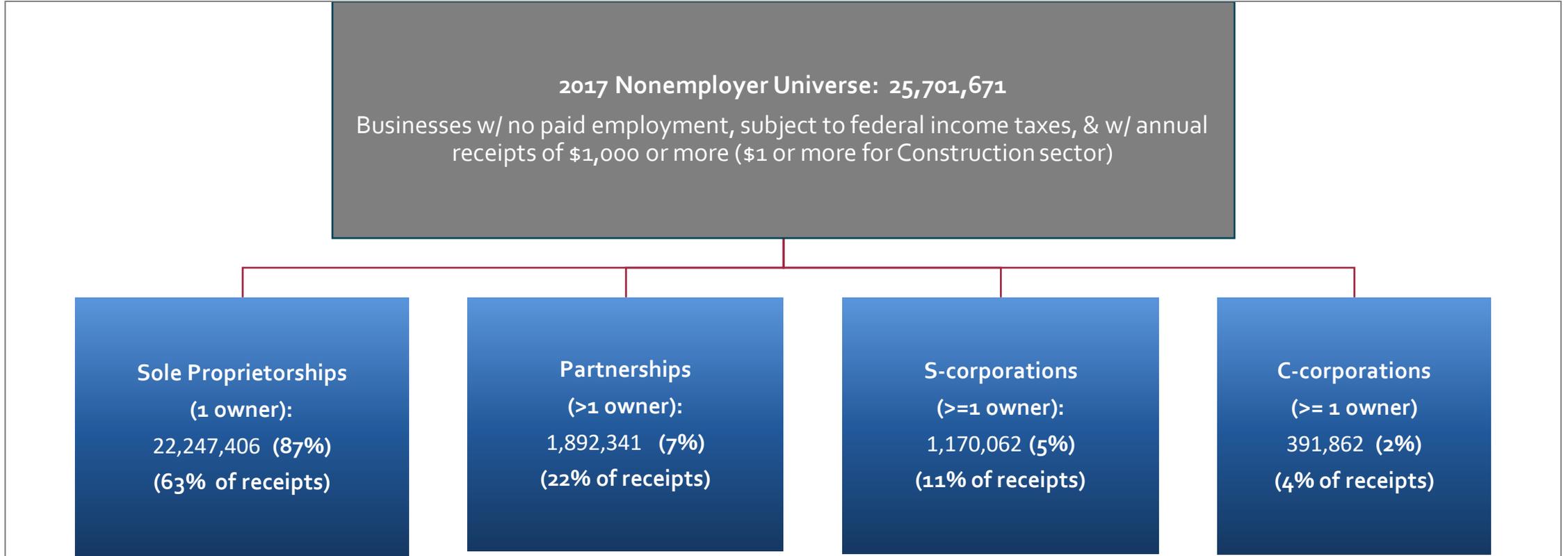
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# Nonemployers at a Glance



## Tables & Level of Detail (1/2)

TABLE 1: Number & receipts of nonemployer firms by demographics, geography (U.S., state & MSA), industry (All sectors, 2-digit and 3-digit NAICS).

Includes cross-tabulations as indicated below				
Demographics include sex, race, Hispanic origin, minority status, and veteran status				
Geo	Industry	Demographics	Receipt-size	Legal Form of Organization (LFO)
US	ALL SECTORS	3-way cross tabs	NO	NO
US	2-digit NAICS	3-way cross tabs	NO	NO
US	3-digit NAICS	No cross tabs	NO	NO
STATE	ALL SECTORS	3-way cross tabs	NO	NO
STATE	2-digit NAICS	3-way cross tabs	NO	NO
STATE	3-digit NAICS	No cross tabs	NO	NO
MSA	ALL SECTORS	2-way cross tabs	NO	NO
MSA	2-digit NAICS	No cross tabs	NO	NO

TABLE 2: Number & receipts of nonemployer firms by demographics, receipt-size class, geography (U.S., state, MSA), industry (All sectors, 2-digit NAICS).

Includes cross-tabulations as indicated below				
Demographics include sex, race, Hispanic origin, minority status, and veteran status				
Geo	Industry	Demographics	Receipt-size	Legal Form of Organization (LFO)
US	ALL SECTORS	2-way cross tabs	YES	NO
US	2-digit NAICS	2-way cross tabs	YES	NO
STATE	ALL SECTORS	2-way cross tabs	YES	NO
STATE	2-digit NAICS	No cross tabs	YES	NO
MSA	ALL SECTORS	No cross tabs	YES	NO

## Tables & Level of Detail (2/2)

TABLE 3: Number & receipts of nonemployer firms by demographics, LFO, geography (U.S., state, MSA), industry (All sectors, 2-digit NAICS).

Includes cross-tabulations as indicated below

Demographics include sex, race, hispanic origin, minority status, and veteran status

Geo	Industry	Demographics	Receipt-size	Legal Form of Organization (LFO)
US	ALL SECTORS	2-way cross tabs	NO	YES
US	2-digit NAICS	2-way cross tabs	NO	YES
STATE	ALL SECTORS	2-way cross tabs	NO	YES
STATE	2-digit NAICS	No cross-tabs	NO	YES
MSA	ALL SECTORS	No cross-tabs	NO	YES
MSA	2-digit NAICS	No cross tabs	NO	YES

TABLE 4: Owner-level table. Number of owners by demographics\* at U.S. level by 2-digit NAICS.

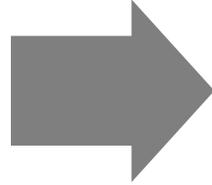
\*Demographics include the ones in Tables 1-3, plus age of owner, foreign-born & citizenship status.

Geo	Industry	Demographics	Receipt-size	Legal Form of Organization (LFO)
US	ALL SECTORS	3-way cross tabs	N/A	N/A
US	2-digit NAICS	2-way cross tabs	N/A	N/A
STATE	ALL SECTORS	Non-core demographics	N/A	N/A
MSA	ALL SECTORS	Non-core demographics	N/A	N/A

# Nonemployer Demographics – Past & Present

## Previously: Collected as Part of SBO

- Survey (2012) – sample size approx. 800,000 nonemployer firms
- Every five years
- 3-year dissemination lag from reference year
- Low response rate => high imputation rate & costs
- High respondent burden



## Currently: NES-D -- AR & Census Data

- **Not a survey** - Nonemployer universe (approx. 26 mill. as of 2018)
- Leverages AR & Census data to assign demographics to business owners
- Annual – **higher frequency**
- Aims to shorten dissemination lag to 2 years (from reference year) – **more timely**
- **No additional respondent burden**
- Reduces imputation & costs => **higher quality**
- First official release 12/17/2020 with 2017 reference year (when 2017 SBO would have been released)