

TRENDS in ENTREPRENEURSHIP SERIES

Reporting on data from a wide range of sources to measure, track, and compare trends related to entrepreneurship | 2020, No. 1

ANNUAL RECEIPTS AMONG EMPLOYER BUSINESSES IN THE UNITED STATES

This brief explores trends in annual receipts among entrepreneurs who start employer businesses in the United States. In this brief, entrepreneurs are defined as employer business owners with at least 51% stock or equity in the business. Receipts are defined as the total sales, shipments, receipts, revenue, or business done by establishments with paid employees.

The source for the data is the 2016 Annual Survey of Entrepreneurs (ASE), conducted by the United States Census Bureau.¹

The data draw from approximately 290,000 employer businesses, with at least \$1,000 in annual receipts, across all geographies and demographics.² Trends in annual receipts are reported for the large sample, as well as for gender and the following race and ethnic groups for which data are available: White, African American, American Indian or Alaskan Native, Asian, Hispanic, and Native Hawaiian or other Pacific Islander.³

Highlights

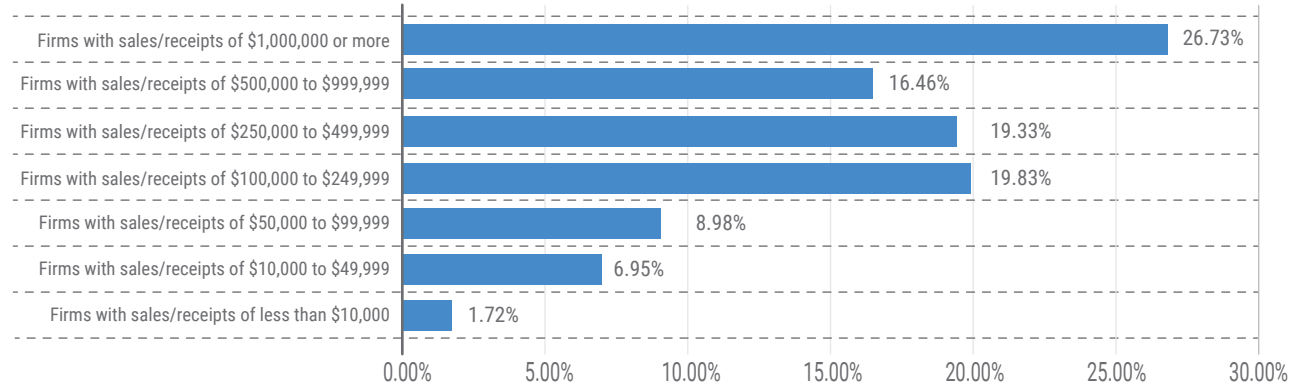
- **The majority of employer firms (more than 80%) had receipts in excess of \$100,000 in annual value.** Approximately 73% of entrepreneurs owned businesses with less than \$1,000,000 in annual receipts.
- **Male entrepreneurs (28.6%) were more than one-and-a-half times more likely to own firms with receipts greater than \$1,000,000 than female entrepreneurs (17.8%).** And female entrepreneurs were almost twice as likely (12.5%) to own a firm with less than \$50,000 in receipts than male entrepreneurs (7.7%).
- **White entrepreneurs (26.1%) were more than one-and-a-half times more likely than African American entrepreneurs (15.0%) to own a business with receipts greater than \$1,000,000.** And African American entrepreneurs (18.3%) were more than twice as likely than White entrepreneurs (8.8%) to own a business with receipts of less than \$50,000.



Annual Receipts Among All Entrepreneurs

Receipt size in the ASE is measured by the entrepreneur’s receipts for an annual period and is classified into one of seven receipt size categories. Looking at all entrepreneurs’ business receipts, regardless of gender, race, or ethnicity, the vast majority of employer firms (more than 80%) had receipts in excess of \$100,000 in annual value. In addition, approximately 73% of entrepreneurs owned businesses with less than \$1,000,000 in annual receipts. Figure 1 presents greater detail regarding receipt size for all entrepreneurs with paid employees.

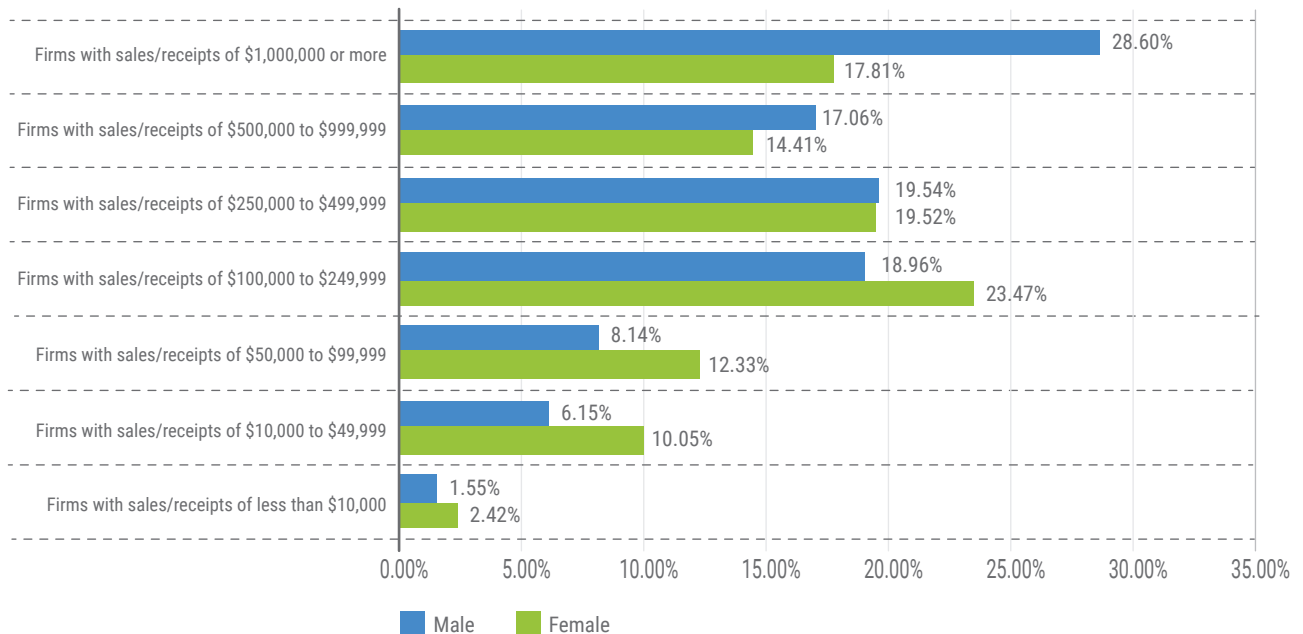
FIGURE 1: Firm Receipt Size for All Entrepreneurs



Firm Receipt Size by Entrepreneur Gender

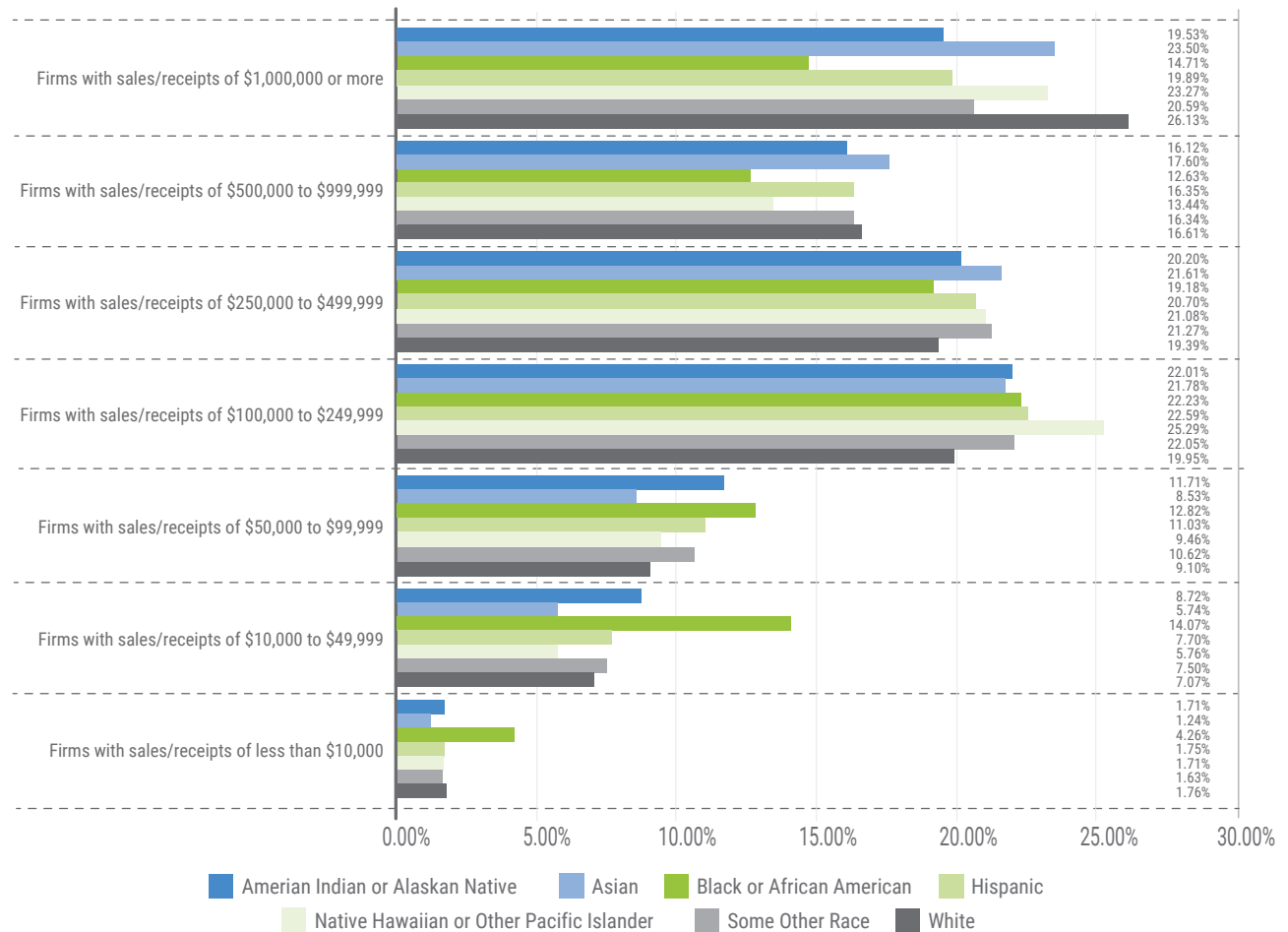
Among all firms classifiable by gender, ethnicity, race, and veteran status, there was considerable variation in receipt size between the businesses owned by male and female entrepreneurs. Male entrepreneurs were more than one-and-a-half times more likely to own firms with receipts of \$1,000,000 or more (28.6%) than female entrepreneurs (17.8%). Female entrepreneurs were most likely to own firms with receipts of \$100,000 to \$249,999 (23.5%), and they were more likely to own firms with sales/receipts of less than \$50,000 (12.47%) than male entrepreneurs (7.7%).

FIGURE 2: Firm Receipt Size, by Gender



Firm Receipt Size by Race and Ethnic Group

We consider variation by race and ethnic group for each category of firm receipt size in more detail below.



Less than \$10,000. African American entrepreneurs were almost two-and-a-half times more likely to have business receipts of less than \$10,000 than entrepreneurs of other race and ethnic backgrounds.

African American entrepreneurs were considerably more likely than other groups to own a business with **receipts of \$10,000 to \$49,999**. Roughly 14% of all African American entrepreneurs own a business of this size, considerably higher than all other race and ethnic groups.

The share of African American entrepreneurs with business **receipts between \$50,000 and \$99,999** (12.8%)

was higher than that for other groups, and Asian entrepreneurs had the smallest share in this category at 8.5%.

The share of all entrepreneurs with business **receipts between \$100,000 and \$249,999** was roughly 20% for all demographic groups, ranging from 20.0% among White entrepreneurs to 25.3% among Native Hawaiian or Other Pacific Islander entrepreneurs.

The share of entrepreneurs whose businesses had **receipts between \$250,000 and \$499,999** was relatively consistent across race and ethnic groups, ranging from 19.2% among African American entrepreneurs to

21.6% among Asian entrepreneurs at the high end.

The share of entrepreneurs with business **receipts between \$500,000 and \$999,999** was also relatively consistent across race and ethnic groups and ranged between 12.6% among African American entrepreneurs and 17.6% among Asian entrepreneurs.

\$1,000,000 or more. White entrepreneurs (26.1%) were most likely to operate a business of this size. American Indian or Alaskan Native and Hispanic entrepreneurs were similar (19.53% and 19.89%), and less likely were African American entrepreneurs (14.7%).

About the Data

The Annual Survey of Entrepreneurs (ASE) was conducted by the United States Census Bureau and was a partnership among the U.S. Census Bureau, the Ewing Marion Kauffman Foundation, and the Minority Business Development Agency. The ASE supplemented the Survey of Business Owners (SBO) that has been conducted every five years since 1972 as part of the Economic Census.

The ASE defined employer businesses as firms with paid employees. The ASE included all nonfarm businesses that filed IRS tax forms as individual proprietorships, partnerships, or any type of corporation, and that had annual receipts of \$1,000 or more. The ASE collected data from a sample of approximately 290,000 employer businesses that were in operation anytime during the survey year (2016 for the data used in this brief). Business ownership was defined as having 51% or more of the stock or equity in the business. The ASE offered extensive geographical, demographic, and firm characteristics coverage. Data are subject to sampling variability as well as nonsampling errors like errors of response, nonreporting, and coverage. For more on definitions, methodology, and limitations, see www.census.gov/programs-surveys/ase.html.

The U.S. Census Bureau collects data on race and ethnicity in accordance with guidelines provided by the U.S. Office of Management and Budget (OMB). Racial groups include

White, Black or African American, American Indian or Alaskan Native, Asian, and Native Hawaiian or other Pacific Islander. Ethnic groups include Hispanic or Latino, and Not Hispanic or Latino. For more information see <https://www.census.gov/programs-surveys/ase/about/glossary.html>. These data in the ASE were based on self-identification. Entrepreneurs may be tabulated in more than one racial group if (1) the sole owner was reported to be of more than one race, (2) the majority owner was reported to be of more than one race, or (3) a majority combination of owners was reported to be of more than one race.

The Annual Survey of Entrepreneurs is being folded into the Annual Business Survey, for which data collection began in June 2018. This new survey replaces the Survey of Business Owners, Annual Survey of Entrepreneurs, and Business Research and Development and Innovation Survey for Microbusinesses.

Notes:

1. The statistics presented in this brief are point estimates produced by the U.S. Census Bureau, which are subject to sampling and non-sampling errors. In particular, point estimates for populations which have smaller representations in the sample should be considered carefully, and may be only a rough estimate of the actual percentage of total employer businesses who fit into a specific category. Users of this briefing series are encouraged to review the definitions, limitations, and methodology of the Annual Survey of Entrepreneurs to ensure they have a full understanding of the preciseness of the estimates.
2. For more information, please see <https://www.census.gov/epcd/mwb97/sales.htm>. Data in this brief come from ASE, Table SE1600CSA04.
3. Survey and census results may contain measurement errors and sampling errors. Users can consider this information in their analyses as these errors could impact inferences.

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