Get Smart on Small Business: The Backbone of the U.S. Economy

Small Business and the U.S. Economy:

- Small business produces roughly half of the private Gross Domestic Product (GDP) and creates, on average, about two-thirds of net new jobs annually.¹
- Small businesses are the greatest source of new employment in inner cities, comprising more than 99 percent of establishments and 80 percent of total employment.²
- American small business is the world’s second largest economy, trailing only the United States as a whole.³
- Small businesses employ more than half of private sector employees.⁴ Ninety percent of small businesses employ fewer than 20 people.⁵
- Small firms represent 99.7 percent of all employers.⁶
- Nearly 16 million people operate a small business as their primary occupation in a year.⁷
- Women-owned firms have grown at around two times the rate of all firms; minority-owned firms have grown at around four times the rate of all firms.⁸
- More than 70 percent of adults think small business owners work harder than government workers, big corporation employees and corporate CEOs.¹⁰

Healthcare and the U.S. Economy:

- The U.S. spends nearly $100 billion per year to provide the uninsured with healthcare, often for preventable diseases that physicians could treat more efficiently with earlier diagnosis.¹¹
- Chronic illnesses account for more than 75 percent of total U.S. healthcare spending.¹²
- Healthcare expenditures in the U.S. totaled $27.5 billion in 1960; in 2006, $2.1 trillion.¹³
- Healthcare spending is predicted to nearly double to $4.3 trillion over the next decade – healthcare spending will account for 19.5 percent of U.S. GDP by 2017.¹⁴

Small Business and Rising Healthcare Costs:

- Small employers provide coverage to nearly 68 million people annually.¹⁵,¹⁶
- Since 1999 health insurance premiums for small firms have increased by 113 percent.¹⁷
- From 2000 to 2005, the median cost of health insurance relative to payroll increased 43.5 percent for businesses with fewer than 25 employees.¹⁸
• The nation’s smallest firms pay an average of 18 percent more in health insurance premiums for the same benefits than those in the largest firms.  

• Owners of new firms are reluctant to offer health benefits because they fear the coverage will become too expensive to maintain.

• 47 percent of small businesses offer health insurance to employees. Of those, 24 percent made changes in the last year to offset rising premiums.

• Fewer than half (45%) of the smallest firms in the U.S. with three to nine workers can afford to offer health benefits to their employees.

• Since 2001, premiums for family coverage have increased 78 percent, while wages have gone up 19 percent and inflation has risen 17 percent.

• 47 percent of small business owners worry they will be unable to pay for medical costs of a serious illness or accident.

The No. 1 Small Business Issue:

Since 1986, the National Federation of Independent Business’ members have said that healthcare costs are their No.1 concern.

• “Healthcare costs and availability” ranks 1st as the most important issue facing Americans (32 percent), small business voters (38%) and small business owners (25%).

• 80.6 percent of small business owners say that finding affordable healthcare for themselves and their employees is a challenge;
  o 16.3 percent saying it is their greatest challenge,
  o 35 percent saying it is one of their top challenges, and
  o 29.3 percent saying it is a challenge.

• 58 percent of small business owners and 51 percent of the small business healthcare voting bloc say their company has had difficulty keeping up with the cost of healthcare.

• 43 percent of small business owners and 78 percent of the small business healthcare voting bloc report that their company has had to make hard choices because of the cost of healthcare.

• Of the nearly 46 million Americans without healthcare, more than 26 million are small business owners, employees and their dependents.

To learn more about the Solutions Start Here campaign, please visit www.FixedForAmerica.com. For more information about the National Federation of Independent Business, visit www.NFIB.com.

Small Business and the U.S. Economy:

1: U.S. Small Business Administration, Small Business Share of Economic Growth, 2001
2: U.S. Small Business Administration, State of the Inner City Economies: Small Businesses in the Inner City, 2005
3-4: U.S. Small Business Administration, Small Business Share of Economic Growth, 2001
5: U.S. Small Business Administration, Employer Firms, Establishments, Employment, and Annual Payroll Small Firm Size Classes, 2005
6: U.S. Small Business Administration, Small Business Share of Economic Growth, 2001
10: Rasmussen Report, Adults Say Small Business Owners are the Hardest Workers, September 2008
Healthcare and the U.S. Economy:
11: Institute of Medicine, Hidden Costs, Values Lost: Uninsurance in America, June 2003
12: Dartmouth Institute for Health Policy and Clinical Practice, Dartmouth Atlas of Health Care, April 2008
13-14: Centers for Medicare and Medicaid Services, National Health Expenditure Data, February 2008

Small Business and Rising Healthcare Costs:
19: Commonwealth Fund, Benefits and Premiums in Job-Based Insurance, May 2006
24: Wells Fargo/Gallup, Small-Business Index Quarterly survey, January 2008

The No. 1 Small Business Issue:
25-27: NFIB National Survey (February 15-19, 2008), sample size = 1200 registered voters plus additional oversample of 27 small business owners, margin of error (sample)= ± 2.8%, margin of error (oversample) = ± 4.9%
28: U.S. Census Bureau, Poverty and Health Insurance Coverage in the United States: 2006, August 2007