

United States (Financing SMEs and Entrepreneurs 2016: An OECD Scoreboard)

The SBA broadly classifies small businesses as any firm with 500 or fewer employees. The SBA has two different approaches for defining small firms. The first approach is to define any firm with less than 500 employees as “small.” This practice was first established by the Small Business Act of 1953. However, the same Act required the SBA to establish a size standard that “should vary to account for differences among industries.” Second, the Act called on the SBA to “assist small businesses as a means of encouraging and strengthening their competitiveness in the economy.” These two considerations are the basis for the SBA current methodology for establishing small business size standards. For further details see The US Small Business Administration (2009) SBA Size Standard Methodology.. These firms account for more than 28 million businesses, or 99.9% of all firms. They employ about half of the private sector’s employees, pay about 42% of the total private sector payroll, generate about 63% of net new private sector jobs, and create about 46% of the private-sector output. For more details on the importance of small businesses in the US economy see The US Small Business Administration, Frequently Asked Questions.

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