
THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

February 5, 2018

Ms. Kerrie Leslie
Statistical and Science Policy Office
Office of Information and Regulatory Affairs
Office of Management and Budget
Washington, DC

Via: Kerrie.L.Leslie@omb.eop.gov and OIRA_submission@omb.eop.gov

Re: Annual Business Survey (OMB Control No. 0607-XXXX)

Dear Ms. Leslie,

I am pleased to submit this letter in response to the Census Bureau's request for comments on the proposed new Annual Business Survey (ABS), as published in the *Federal Register* on December 28, 2017 (82 FR 61534).

As a public policy research professor at George Washington University, I provide professional staff support to the American Economic Association's [Economic Statistics Committee](#) (AEASat). AEASat is encouraging economists to provide input to federal program agencies and OMB regarding proposed data collections. To that end, AEASat is hosting a [webpage](#) of current opportunities to comment on proposed federal data collections.

The new ABS—integrating the Survey of Business Owners, the Annual Survey of Entrepreneurs, and the Business R&D Survey for microbusinesses – has great potential to facilitate research and improve understanding of the nation's entrepreneurial and small business sectors.

Particularly exciting is the Census Bureau's proposal to include a rotating topical module, which would allow economic researchers to serially explore connected dimensions of business characteristics and activity. For instance, questions from the Census Bureau's periodic [Management and Organizational Practices Survey](#) (MOPS) could be incorporated into a module. At a lunch hosted by AEASat at the recent Allied Social Science Associations annual meeting, research economists and Census staff explored the idea of designing an ABS module to collect information on business uses of robotics, artificial intelligence, and automation. Further, my understanding is that the Census Bureau is open to considering modules that are targeted to specific subsets of the survey sample (such as women-owned businesses or firms that export).

While Census Bureau staff recognize the multiple possibilities for productive module content and sample designs, my understanding is that staff have not yet worked out the combination of modules they would undertake over the next few years. In light of the modules' substantial research potential, I consequently ask OMB to encourage the Census Bureau to meet with AEA member economists to identify and discuss topical module options.

I appreciate the opportunity to provide comments on the ABS and hope you find them of value.

Sincerely,

A handwritten signature in black ink that reads "Andrew Reamer". The signature is written in a cursive, flowing style.

Andrew Reamer
Research Professor

Fw: [EXTERNAL] U.S. Census Bureau proposed survey redesign - RECOMMENDATIONS

FN-OMB-OIRA-Submission <OIRA_Submission@omb.eop.gov>

Tue 2/6/2018 1:31 PM

To: Leslie, Kerrie L. EOP/OMB <Kerrie.L.Leslie@omb.eop.gov>;

Hope this is yours.

Mabel

From: Jeff Koenig <jeff@openfour.com>

Sent: Thursday, February 1, 2018 1:01 PM

To: FN-OMB-OIRA-Submission

Subject: [EXTERNAL] U.S. Census Bureau proposed survey redesign - RECOMMENDATIONS

To Whom It May Concern:

It is a smart decision to combine and update your past surveys into this one being proposed. Hopefully, you are also simplifying and clarifying the final result as well because Americans are heavily surveyed about their businesses by local communities and trade associations. Over-surveying decreases survey returns and accuracy of answers decreases with length and complexity of surveys.

As a multiple business owner, trade association executive and small business consultant, I hope that you are not put off by the depth and detail of this response and consider carefully what I am offering. I have taken a particular interest in this because, as a consultant, we are in critical need of better and more current data on micro-businesses which are the hardest to identify and measure.

By the way, this survey is long and dense enough that you should probably indicate page numbers with all instructions to skip to future sections on paper versions of the survey in order to reduce survey fatigue and frustration.

On page 4 – sources of sales and revenue, “Rents” should be added, as not including this separately will distort results – some will put this income under services while others may choose Other.

Our NAICS code system is always far behind the pace of evolution of new business categories and combinations of business activity. Yet, I suspect you may be using page 5 for survey processors to make an assignment based on the description. I suggest adding a question asking respondents to report which NAICS code they believe BEST describes their business, and up to 3 or 4 others that they believe also apply (linking them to reference resources online with an intelligent key-word search that leverages synonymous terms and helps them find

applicable codes). Keep the open-ended response box as well. With this information, the government would have all it needed to annually review and update the NAICS code system and make it much easier to use as well as vastly improve the quality of reporting. Businesses that offer multiple NAICS codes are an instant indicator that a new code may need to be created.

In general, questions that ask for answers based on pre-determined lists with choices that can be perceived to overlap or be incomplete can badly skew survey result accuracy. For any such question where there is not high confidence that each choice is distinct and all possible answers are represented, consider offering an open-ended answer option so that confused respondents don't either skip the question or provide inaccurate answers. Through annual processing, this will lead you to update the survey each year as newer prevalent choices develop in the marketplace for a given question topic. An example of a well-designed question is on page 9 "Education Prior to Owning the Business".

For a simple example of a problematic question, look to the top of page 8 "Initial Acquisition". What about an employee who earns significant ownership through an employment agreement over time (sweat equity)? A respondent could be confused over whether the 2nd or 4th choice offered is the best answer.

Questions with lists of answers that provide *too much* descriptive detail can also lead to survey inaccuracy from possibilities which become excluded by the details. For example, "Job Functions" in the middle of page 8 should be limited in words used to Operational Management, Production, Financial Management while adding R&D, Human Resources, Supply Chain Management, and a fill-in "Other" option should also be made available. (An example of an already well-designed question is on page 9 "Prior Business Ownership-Continued".)

On page 8 "Average Number of Hours Worked" I would change 60 hours or more to 60-69, add 70-79, and 80 or more. When you see the actual results you will understand why, particularly for the smallest and yet most numerous of micro-business owners.

Also on page 8 "Primary Income Source" this should be more specific depending your goal for the question. Should the respondent include spouse or family income sources which some may consider part of their own income? Should the respondent consider sources of unearned income like rental real estate or investments? Would it be possible to ask for a percentage of income which would add a layer of usefulness to the data?

On page 9 "Field Of Highest Degree Prior To Owning the Business" is an example of problematic listing of answers that are constantly evolving and being redefined in the marketplace. I believe, (given an ongoing effort to improve the organization of the NAICS system) that you should either align response choices according to top-level NAICS category families so that you can study movement between industries and relationships to education using a common system, or you should provide no choices and leave the answer open-ended, allowing processors to organize and re-organize the provided answers later according to bureau reporting goals.

On page 10 "Age" should add more breakdown above 65 – Americans are working until increasingly older ages and we want to see more age bands to measure this.

On page 10 "U.S. Citizenship" it may be very useful to change this to "Domestic Status" and add more legal categories like permanent resident, work visa, non-resident, etc. How do you plan to understand situations like one I am passively invested in where the managing owner lives in Chicago with a green card, and a co-owner is an Indian national who runs off-shore operations from a center in Mumbai of an otherwise Illinois-organized and

registered American small business? As the question is currently designed, you will simply get “No” answers with no understanding of the circumstances that could otherwise be useful from a survey perspective and help to inform immigration policy tremendously.

On page 10 “Reasons for Owning the Business” this may be the best example of not attempting to predetermine answers – just leave the question open-ended to be scored and categorized by processors. These reasons are far too subjective and change over time. Perception and interpretive biases get introduced, clouding the results whereas it is easier to control the interpretation of a trained group of processors. It adds significant time to how long a survey takes for a respondent because of all the extra reading, contemplation and “my answer isn’t here” frustrations that respondents experience.

The first question on innovation on page 12 is a further example of the same problem. I would expect results of this question, as currently presented, to be very unreliable as most any business owners’ kneejerk reaction will be to consider all of the listed responses to be very important, and find many other important answers going unasked. Importance in and of itself is not that useful to measure, but ranking from most to least important is far more useful to policy thinkers and initiative developers.

For example, a top response to industry surveys of late has been focusing on leveraging internet selling (eCommerce). Where is that found in your pre-determined list of answers for this question? You will not have captured or trended a major area of investment spending as it rose through the 2000s and 2010s. I strongly suggest removing all pre-conceived answers and providing perhaps 5 open-ended spaces, asking for their top 5 strategies in respondents’ own words. You will be adding multiple orders of magnitude of usefulness to the data that can be derived from this, and actually making the survey faster to complete for the respondents who get frustrated and confused with pre-determined lists of answers that don’t quite hit them where their thoughts currently sit.

I found the rest of the Innovation section of the survey to be very interesting and unlike any other surveying I have seen. I congratulate you on the design and eagerly anticipate the usefulness of the data it will generate.

On page 16 “Public Financial Support For Innovation Activities” I suggest expanding this to capture all sources of financing for innovation activities. You will come away with what you are looking for and more. Include internal (owner sources), institutional, private grant, angel, VC, offering public securities, crowdfunding, and leave an open-ended response choice. This will be very useful to helping us understand the problem of access to capital that has been a top-3 concern for small businesses in other current surveys and also something the SBA is very interested in understanding better.

On page 17 “Organizational and Marketing Innovation” there should be a choice for changing product/service offerings, for moving/relocating or expanding locations of operations, and for financing the business.

You are going to lose respondents with dense instructions like those in bold that straddle pp. 17-18. Trust me, they will get frustrated and give up. I really hope that very few owners actually take this survey on paper in an un-interviewed format. This should be primarily delivered online so that which question to proceed to gets coded in and that you use field interviewers who know the survey’s structure to interview owners who don’t easily respond online.

On pages 18-19, all of these questions face similar challenges to answering as I outlined for page 9 above. First of all, questions asking whether something is very/somewhat/not at all important will frustrate someone who is stuck between somewhat and not-at-all important. Further, the responses are not very useful without some sense of ranking vs. one another. However, I do think in the case of these questions that offering some prewritten answers is useful to prompt the kind of answer that is being sought. You might consider providing 3-5 blank lines at the bottom of each question, and then turning the response grid into a ranking box, allowing respondents to rank their top five most important answers, open ended, by filling in boxes with numerals 1-5 (or up to any number you wish to ask for) that also allows them to provide their own responses if none of the prewritten ones fit their response needs. We simply cannot anticipate the breadth and depth of possibilities, but wouldn't we like to know what they are when they become statistically significant (enough respondents offering a similar answer that we had not thought of)? Otherwise, by predetermining the only possible answers, we can arrive at different conclusions and choose resulting actions as a matter of public policy that don't actually solve the problems in the marketplace being experienced, which is rapidly changing over time.

Going on through page 29, I think anyone reading my comments to this point will understand the mindset and approach I am offering and can continue to analyze the survey design and structure without me taking more time here to point out additional examples.

I am very encouraged about the financial surveying being conducted beginning at page 30. Frankly, this is where the national dataset needs the most improvement. Sentiment is inconstant but numbers don't lie. The key is getting accurate and complete financial numbers and trending them over time. IRS data has proved insufficient because their form/field designs are ancient and horribly organized for the way business is financially conducted today.

Understanding true profitability is key. First of all, most owners don't really understand what profitability is. That may seem counter-intuitive or even alarming, but I can prove this is true from years of my own research. Business owners will consider their businesses profitable based on the most meager of wages they pay themselves, even if those wages are lower than they would be paid doing the same work for someone else. They will consider a business profitable while foregoing necessary maintenance, insurance, licensing, taxation and other necessary or required expenditures. They will consider a business profitable that relies significantly upon unpaid (volunteer) labor in some cases.

The profitability question on page 34 should be expanded and better defined to extract useful information. I believe it would be incredibly insightful to ask owners what they believe their industry's average net profitability is after all reasonable and customary expenses *whether they are being spent on or not*. Then respondents should be asked what they believe their average *net* profit has actually been, as a percentage of sales, averaged over the last 3 or 5 years (or otherwise their business life if shorter). By asking in this fashion, we can get a much better sense of true profitability in a relatively short form. We can trend profitability over time, across industries, and across other various demographic factors like location regions, business size, and more.

That said, we would be far better off by developing this into a larger section and asking for the following based on having already asked for top-line revenue figures earlier in the survey:

(Note: ask for respondents to provide either in raw dollars or % of sales, whichever they find easier.)

What is your COGS (\$ or %-of-sales)

What is your non-COGS labor expense?

What is your location-related expense?

What is your marketing expense?

What is your general & administrative expense?

(This means all operating expense that don't fit better into labor, location or marketing above.)

What is your depreciation & amortization expense?

(This is good to separate as it affect tax revenues but is non-cash.)

What do you spend on fixed assets and capital improvements?

(This is good to separate to understand actual cash-flow independently of profit & loss.)

What is your non-operational expense?

(Define this as large one-time losses, costs of borrowing & financing, moving expenses, consulting expenses, etc.)

(This keeps such expenditures, which can be large, from skewing core (internal) profitability which is more useful to know.)

What is your net taxable profit.

If the respondent is choosing to use percentages, then force responses to equal 100%. If using dollars, it will be interesting to compare the dollars added up to the dollars of revenue they earlier reported and analysis can be applied to measure how well owners actually understand their business financials in order to measure their educational needs or the results of educational programs being offered over time.

It may be necessary to inform and warrant that this information will be kept strictly for statistical research and not shared with any other government agency nor be available for discovery in any legal proceeding, etc. in order to get respondents to provide this information. But if you can get and report on this level of detail, you will have cracked a historically very tough nut that we have been desperately needing better data on. This data can *potentially* (depending on policy boundaries) become revenue-generating for the agency as other private sources of this information purchased by universities, consultants, industry researchers and others is expensive and still insufficient. In fact, private sources of such data are heavily skewed to the positive and unreliable for reasons I explain below going to methods of data collection.

Finally, I would like to address methods of survey data collection. It has been my increasing belief as I scour the market for research data with which to inform my clients that data on our business success is inaccurately *skewed toward the positive*. This is rooted in understanding that only better-managed companies are easier to identify and reach, respond to surveys, and respond accurately. Companies and owners who are struggling, who are in newer businesses and industries, and who are poor managers tend to suffer from lack of sufficient measurement of their own businesses, don't fully understand how they succeed and fail, and often are harder to identify and survey. A significantly lower rate of response from this *statistically larger number of total businesses in operation* is a major cause of results looking far rosier in most all survey results I read than my experience on the ground working with these owners reveal that conditions *actually are*.

Even when you find them, they are spending every moment trying to stay afloat, often for many years, and don't quickly respond to surveys for a perceived lack of time and lack of direct value received for making the effort. The matter is further complicated by having no central required registration of sole proprietors (even with employees) that report via Schedule C, short of IRS data, which I imagine your access to is problematic.

I would appreciate a response from someone in your office to explain how survey responses will be generated to make sure we are capturing a true cross-section of all micro-businesses. Using accountants, industry

organizations, chambers of commerce, and dissemination of the survey through general advertising is all insufficient and still leaves massive numbers of owners struggling for viability unreached and unmeasured.

I believe that innovative survey collection methods will be needed to solve this problem. One strategy may be feet on-the-ground going to communities to locate and gather responses by hand, interviewing owners who may be willing to answer verbally on-the-go as opposed to written responses. Another strategy may be social network datamining to find micro-owners and invite them to respond to an online version of the survey. (For example, using Facebook "funnel marketing".) Have you thought of incentives? The public is increasingly unwilling to give information for the "general good" – what incentives, even non-monetary ones, can be offered that do not necessarily need to be equal in value but that cross a psychological barrier for many people who don't want to work for nothing? A good example of this with little add-on cost would be a partnership with the SBA offering free admission to any future full-day or shorter SBDC class offered in the respondent's area that would normally require a fee. Most will never redeem the reward, and you will be helping those who do to obtain education that will help them to operate better businesses in our collective national interest.

A last offered suggestion: this is a BIG survey. You are trying to capture a lot of information as you know. Survey fatigue is a real problem for accuracy and completion. Long surveys get gradually less accurate on answers toward their end, and some of the most useful data is at the end of this survey. You should consider stepping outside the box and doing this in a phased approach. The more respondents and the less fatigued they are with each question posed, the more accurate the data will be. What if you broke the year of data collection up into phases around an annual cycle?

The first phase might be the basics (demographics & business categories, revenue, types of activity, etc.). The goal of the first phase is to simply define who is out there and gather enough response from as wide a cross-section of industries as possible while simultaneously beginning to process and organize the data. There will already be indications of unreliability and you can drop those records and respondents from continuing to the next phase while counting to ensure you are getting a broad enough representation of respondents across all demographic and industry cross-sections, continuing with phase I until you hit necessary response levels. Key is asking phase I respondents for permission to continue with phase II, and setting their expectation that you will contact them in a while with the next phase of the survey. (And giving them a break in between sections so it doesn't take half a day to take this survey.)

The second phase can be one or more topical detail rounds based on the nature of the answers each continuing respondent provided in the first phase. Those who participated online in the first round would be invited to continue with future phases online, while telephone, written/mailed & field interviewed respondents continue in those fashions to maintain broad representation of different businesses without technological bias favoring one survey method.

The final phase could be the financial details phase I suggested expanding upon above. For each respondent, notify them at the conclusion of their last phase II survey that this will be the last phase coming. Notify them in detail about what will be asked for the previous year(s) of their business performance, so that they can be prepared. (90+% of owners don't know their numbers – seriously. They will need to get their bookkeepers to run reports or try to do some homework themselves to calculate the answers.)

By the time you complete collection and coincidental processing of one annual cycle, the next cycle will ramp up to begin. It will spread out the work allowing your own labor resources to be more efficient and cost-effective.

It will allow you to do phased-release of results themselves throughout every year so that the marketplace isn't flooded with a dense dataset which can dissuade a broader audience from taking advantage of and benefitting from it. It will feed you material that your communications departments can be blogging on throughout the year. I think it will add *tremendous value* to your office.

Frankly, I believe the SBDC offices of the SBA could either be or supervise your field surveyors. These SBDC employees know their local marketplace of small businesses and can reach broad swaths of those that national communication efforts cannot reach.

Thank you for considering this feedback I have offered, sacrificially of time. I hope it will be given the close examination that went into producing it.

Best regards,

Jeff Koenig
Manhattan, KS
319-331-3757



February 2, 2018

VIA ELECTRONIC SUBMISSION

Ron Jarmin
Acting Director
U.S. Census Bureau
4600 Silver Hill Road
Suitland, MD 20746

Re: Annual Business Survey (ICR 201712-0607-001), 82 FR 61534 (December 28, 2017)

Dear Acting Director Jarmin,

The U.S. Small Business Administration's Office of Advocacy (Advocacy) submits the following comments in response to the U.S. Census Bureau's proposed information collection, "Annual Business Survey (ABS)."¹ Advocacy believes that timely business data is vital to understanding the state and needs of small businesses, and it is crucial for Advocacy in achieving its mandate to "examine the role of small businesses in the American economy."² Since these proposed changes in business data collection may lead to timelier and higher quality business data, Advocacy supports the Census Bureau's development of the ABS. However, non-employer businesses, which are 80% of all small businesses, are excluded from the ABS.³ Advocacy recommends the Census Bureau continue to produce this critical data for non-employer businesses by an alternative method or additional information collection.

The Office of Advocacy

Congress established Advocacy under Public Law 94-305 to represent the views of small entities before Federal agencies and Congress. Advocacy is an independent office within the U.S. Small Business Administration (SBA); as such the views expressed by Advocacy do not necessarily reflect the views of the SBA or the Administration. Congress assigned Advocacy the task of examining "the role of small business in the American economy and the contribution which small business can make in improving competition."⁴ Over the years, Advocacy has supported this mission through several channels, such as small business economic research studies, issue briefs, fact sheets, conferences, and forums. Further,

¹ See Department of Commerce, U.S. Census Bureau, *Submission for OMB Review; Comment Request: Annual Business Survey*, 82 Fed. Reg. 61,534 (Dec. 28, 2017).

² See 5 U.S.C. § 634(b).

³ See U.S. Small Business Administration, Office of Advocacy, *Frequently Asked Questions About Small Business*, Aug. 2017, <https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2017-WEB.pdf>.

⁴ See 15 U.S.C. § 634b.



Advocacy partners with the Census Bureau to produce small business data, such as the Statistics of U.S. Businesses data series, used extensively in regulatory analysis by Federal agencies, academic research, and Advocacy research products.

Background

On January 5, 2018, the U.S. Census Bureau submitted a new Information Collection Request titled *Annual Business Survey*, which has been designed to combine three Census Bureau business surveys and is expected to lower respondent burden, increase data quality, reduce operational costs, and create operational efficiencies.⁵ The Annual Business Survey (ABS) will collect economic and demographic characteristics of employer businesses and their owners for survey years 2017-2021, and replaces the five-year Survey of Business Owners (SBO), the Annual Survey of Entrepreneurs (ASE), and the Business R & D and Innovation for Microbusinesses (BRDI-M) survey.

Data collection of demographic characteristics of employer business owners and non-employer business owners by gender, ethnicity, race, and veteran status had been conducted in the SBO, conducted only once every 5 years. The more recent Annual Survey of Entrepreneurs (ASE) helped fill this gap for employer firms on a more frequent basis. As the replacement of the SBO and ASE, the new ABS will continue data collection of demographic characteristics of only employer business owners. Non-employer business owners will not be in scope for the ABS. The 2012 SBO will be the last full count of small businesses by gender, ethnicity, race, and veteran status unless an additional collection is planned or an alternative method developed.

Advocacy's comments on the ABS

Advocacy believes the ABS may provide for positive improvements in data quality and ability to conduct timely analysis on small businesses. However, Advocacy recommends the Census Bureau continue to produce business data that encompasses a comprehensive representation of small businesses, both small employer firms and non-employer firms.

On January 18, 2018, Advocacy hosted a meeting with the Census Bureau's Division on Economic Reimbursable Surveys and Center for Administrative Records Research & Applications to provide an opportunity for small business stakeholders to learn more about the Census Bureau's plans for business data collection, and provide feedback on how the changes may affect their data needs. In addition, the Census Bureau presented an initial plan to produce non-employer demographic data by leveraging existing government administrative records. Small business participants, representing veteran-owned, women-owned, and minority-owned businesses, reiterated the need and importance of demographic data of non-employer business owners.

Since non-employers represent over 80% of small businesses, information on demographic characteristics of this important segment of small businesses is crucial. Non-employer businesses are a vital part of the small business community. Important groups, like female-, veteran- and minority-owned businesses, are also more likely to be non-employer businesses.⁶ Without vital statistics on these businesses, our

⁵ See 82 Fed. Reg. at 61,534.

⁶ See Michael McManus, U.S. Small Business Administration, Office of Advocacy, *Women's Business Ownership: Data from the 2012 Survey of Business Owners*, May 2017, <https://www.sba.gov/sites/default/files/advocacy/Womens-Business-Ownership-in-the-US.pdf>; see also Michael McManus, U.S. Small Business Administration, Office of Advocacy, *Minority Business Ownership: Data from the 2012 Survey of Business Owners*, September 2016, <https://www.sba.gov/sites/default/files/advocacy/Minority-Owned-Businesses-in-the-US.pdf>; Joseph Sobota, U.S. Small Business Administration, Office of Advocacy,

understanding of a large group of entrepreneurs will be limited. To achieve Advocacy's mandate to research issues salient to veteran-owned, minority-owned, and women-owned small businesses, we use non-employer demographic data from the SBO in several research products such as the annual Small Business Profiles for the States and Territories.⁷

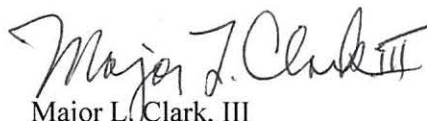
With the ABS, Census has consolidated multiple separate collections into one single survey. Advocacy supports this consolidation in that it will likely lower confusion among small business respondents and alleviate paperwork burden on them without sacrificing data quality.

Conclusions and Recommendations

Advocacy is pleased with the Census Bureau's continued commitment to producing data on small businesses. The new Annual Business Survey will bolster the work of Advocacy, researchers, and small businesses as well as help inform policymakers on small business-related issues. Advocacy encourages the Census Bureau to develop an alternative method to produce non-employer demographic data so Advocacy and policymakers can continue to have a holistic understanding of the state and needs of all small businesses. The Office of Advocacy is hopeful that the Census Bureau will continue to develop its plan to produce non-employer demographic data by leveraging existing government administrative records. The Office of Advocacy looks forward to working with the Census Bureau to advance this effort.

If you have any questions or require additional information, please contact me or Acting Director of Economic Research Patrick Delehanty at (202) 205-7123 or by email at patrick.delehanty@sba.gov.

Sincerely,



Major L. Clark, III
Acting Chief Counsel
Office of Advocacy
U.S. Small Business Administration

Copy to: The Honorable Neomi Rao
Administrator
Office of Information and Regulatory Affairs
Office of Management and Budget

Veteran-Owned Businesses and Their Owners: Data from the U.S. Census Bureau's Survey of Business Owners, April 2017, <https://www.sba.gov/advocacy/veteran-owned-businesses-and-their-owners>.

⁷ U.S. Small Business Administration, Office of Advocacy, *Small Business Profiles for the States and Territories*, Jan. 8, 2017. <https://www.sba.gov/advocacy/2017-small-business-profiles-states-and-territories>



GERI STENGEL
PRESIDENT

January 26, 2018

Department of Commerce
U.S. Census Bureau
Attention: Sheleen Dumas, Department PRA Lead
4600 Silver Hill Road
Suitland, MD 20746

To: Ron Jarmin and the U.S. Census Bureau

I am the founder and president of Ventureneer. We provide content, research and training that entrepreneurs and small business owners need to grow. For entrepreneurs we provide practical how-tos and focused research to guide and motivate them to take their next bold step. For corporations and government agencies we provide industry research analyzing trends in entrepreneurship and best practices. The research is used to advocate and develop policy recommendations on behalf of business owners. We also develop curriculum, facilitate classes and hold events. Classes and events provide real-world, actionable insights that motivate and guide entrepreneurs next steps.

I attended the January 18 meeting organized by the National Women's Business Council with the Census Bureau. It is vitally important that we understand why minority- and women-owned businesses are growing in number but not in size. Analyzing nonemployer data in combination with employer data provide the keys to unlocking underrepresented groups success as entrepreneurs. This will increase innovation, economic growth, job creation and prosperity for all.

At the meeting, I learned how the Census is changing its methodology in collecting data on nonemployer firms. It will continue to collect much of the same information just in a different way — using administrative records instead of surveys. At the same time, the Census will be able to reduce cost, increase the frequency of data collection and increase the accuracy of the information. Kudos to the Bureau.



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To confirm, the Census will use administrative records to provide numbers on nonemployer firms by gender, race and ethnicity, age of business owner, revenue, geography (not just state and city, but county) and industry. Will the Census be able to combine the nonemployer data from administrative records with employer data from the American Business Survey? It is critical to be able to combine nonemployer and employer data for trending purposes by the demographics mentioned.

There are a couple of questions in the Survey of Business Owners that administrative records can not provide.

- **Number of hours worked:** The question is important because analysis of this data provides insights into why the number of women-owned firms are growing but not the size of their businesses. The Census suggested that it might be able to use administrative records to track whether nonemployer firms are a primary or supplement source of income. I encourage you to explore ways to include some way of measuring this.
- **Use of subcontractors:** The way business is being done has changed dramatically over the course of the past couple of decades. Understanding the rise in use of freelancers and how different entrepreneurial segments including nonemployers use subcontractors is key. I want to encourage the Census to include on the list of data to be collected from administrative records a way to track use of subcontractors.

The Census spokespeople mentioned that it will also go back in time to compare the results of the past to the new methodology. Recalculating data based on the new methodology will allow researchers to trend data as well project data into the future. The further back in time the Census can go the better.

Many thanks for continuing to provide invaluable data on entrepreneurs and business owners.

Sincerely,

Geri Stengel



January 25, 2018

Department of Commerce
U.S. Census Bureau
Attention: Sheleen Dumas, Department PRA Lead
4600 Silver Hill Rd
Suitland, MD 20746

To Director Ron Jarmin and the U.S. Census Bureau:

The National Women's Business Council (NWBC or the Council) is a non-partisan federal advisory council created to serve as an independent source of advice and counsel to the White House, Congress, and U.S. Small Business Administration on economic issues of impact and importance to women business owners and entrepreneurs. The NWBC was established as part of the Women's Business Ownership Act of 1988 as an advisory body, charged to identify barriers to, as well as opportunities for, success among women-owned businesses and reports annually to the U.S. Small Business Administration, the White House and Congress on its findings. It has continued a plethora of efforts under this charge for thirty years, and remains committed to conducting research on issues important to women business owners, developing actionable policy recommendations derived from this research, and communicating findings and recommendations widely. To meet research and policy demands and objectives of a rapidly evolving entrepreneurial and business ecosystem, survey efforts to improve and measure business dynamics in the United States is of great value.

The Council is writing to support the U.S. Census Bureau's proposed development of the Annual Business Survey. According to the Census Bureau "[i]n an effort to improve the measurement of business dynamics in the United States, the Census Bureau plans to conduct the Annual Business Survey (ABS). The ABS is a new survey designed to combine Census Bureau firm-level collections to reduce respondent burden, increase data quality, reduce operational costs, and operate more efficiently. The ABS replaces the five-year Survey of Business Owners (SBO) for employer businesses, the Annual Survey of Entrepreneurs (ASE), and the Business R&D and Innovation for Microbusinesses (BRDI-M) surveys. ABS estimates will include the number of firms, sales/receipts, annual payroll, and employment by gender, ethnicity, race, and veteran status as well as R&D and Innovation and various other relevant topics." The NWBC strongly supports this data collection effort as it demonstrates a commitment by the Census Bureau to increase the breadth and depth of government data and expand access to existing government data on women-owned and women-led businesses to advance the ability to conduct timely, relevant research. Though such efforts by the Census Bureau significantly improves the state of data related to women business owners, the NWBC would like to call attention to salient issues to ensure that data collection efforts are holistic and reflect pertinent data points for women entrepreneurs.

Various issues regarding data analysis arise when discussing the two most salient surveys regarding women-owned firms. The Survey of Business Owners and Self-Employed Persons (SBO) is widely recognized as the most comprehensive, regularly collected source of information on selected economic and demographic characteristics for businesses and business owners by gender, ethnicity, race, and veteran status; and the Annual Survey of Entrepreneurs (ASE) provides current data related to employer firms. These surveys are valuable sources of data on women's business ownership in this country; however, these efforts are limited in their utility. For example, at present, the SBO is fielded once every 5 years with results reported on a several-year lag. Additionally, the ASE is limited in scope as it is focused specifically on employer firms which results in the vast majority of women-owned firms being excluded from analysis. This limited scope is best demonstrated by an analysis of the 2012 SBO which demonstrates that 89.5 percent of women-owned firms have no employees other than the owner. Thus, the ASE does not provide for holistic representation of current data on women-owned firms in the U.S. Given these limitations, the Council is hopeful that alternative data collection efforts



will bring about needed enhancements in regards to timeliness and a more comprehensive data to best capture the state of women-owned firms.

On January 18, 2018 the National Women's Business Council held a roundtable discussion with special guests from the U.S. Census Bureau's Governments and Business Owners Program in the Economic Reimbursable Surveys Division, the U.S. Census Bureau's Center for Administrative Records Research and Applications, and various stakeholders throughout the women's entrepreneurial ecosystem who utilize the SBO and ASE in their research and policy development. The Council commends the Census' initiative to meet with stakeholders and hold an open discussion regarding the Annual Business Survey. Independent of this roundtable discussion, the Council has done extensive research on surveys pertaining to entrepreneurship and survey gaps via literature reviews and stakeholder conversations. The following recommendations embody both the sentiments presented in the most recent roundtable conversation as well as NWBC research on survey development.

NWBC recommends the collection and consideration of the additional data points:

Consider the Role of Local Policies/Geography. The provision of economic incentives for entrepreneurship to stimulate growth in lagging geographic regions is a widely advocated policy tool. Recent literature has pointed to the strong influence of locational characteristics in business success. Specifically, building on regional technology strengths is key to business growth.

Incorporate Employee Characteristics: Stakeholder communities have advocated for greater collection efforts regarding the use of 1099 employees, types of insurance and benefits provided by employers including health, dental, life, child and elder care, disability, flexible schedules, teleworking, paid and unpaid sick leave, paternal leave, and employee fringe benefits such as tuition assistance or reimbursement, loans, discounts, and perk allowance e.g. metro or gas allotments.

Incorporate Business Owner Characteristics: The NWBC understands that the new data collection efforts will examine business structure. Yet, the Council would like to reiterate that S Corp, C Corp, LLC, sole proprietorship, etc. should be collected to allow for research pertaining to the tax code.

Consider Barriers, Needs and Support Systems for Business Owners. Recent research on women business ownership and management, released by the Center for Women in Business (2014), discusses barriers, needs and support for startups by women and subsequent business growth. Over the last 15 years, women-owned firms have increased at a rate 2-1/2 that of the national average and now account for almost 40 percent of all privately-held businesses.

Incorporate Questions Related to the Role of Education, Resources, and Mentorship. Entrepreneurial education is widely regarded as an important dimension to enable individuals to start their own businesses. Additionally, the entrepreneurial ecosystem is diverse and therefore a thorough understanding of the role of resources available through the U.S. Small Business Administration and other support entities should be considered to evaluate outreach and utility of said resources. NWBC research demonstrates that women have higher student debt burden which could be affecting rates of entrepreneurship. The Council strongly encourages data collection efforts regarding student debt.

Consider an Expansive Module on Patenting and STEM Commercialization. The literature provides several motivations for patenting, including preventing competition on the part of software entrepreneurs, using patents for "strategic" reasons such as gaining leverage in cross-licensing negotiations, and "signaling" reasons, such as improving the chances of securing investment.



Additional Considerations and Comments:

According to SBO analysis from 2007 to 2012, women of color have seen very high growth rates in the percentage increase in the numbers of firms. While the number of white women-owned businesses has increased by 10.1% since 2007, the number of companies owned by Asian women has increased by 44.3%; black women-owned businesses have grown by 67.5%; and Hispanic women-owned operations have increased by 87.5%. Across all ethnicities, the number of women-owned firms is increasing even faster than the number of men-owned businesses. The SBO permits for more granular geographic analysis of women of color, however the ASE does not allow for such analysis.

Therefore, NWBC strongly urges that the Census Bureau consider demographic intersectionality as a vital component to understanding the trends and unique experiences of women entrepreneurs. Specifically, the NWBC suggests that gender by race and ethnicity, as well as other demographics at a national and state level should be available for both employer and non-employer firms. This data is essential to understanding the changing demographics of women business owners and entrepreneurs throughout the United States.

As previously discussed, the ASE does not in fact survey the vast majority of women-owned firms due to its limited scope of employer firms. Non-employer firms are vital components of the U.S. economy and represent over 8.8 million women business owners. The Council reemphasizes the importance that that the Annual Business Survey ensures regular data efforts for employer and non-employer firms.

Lastly, the Council applauds the U.S. Census Bureau's desire to improve data collection efforts to provide more timely and high quality data. The NWBC supports continued or increased funding to the U.S. Census Bureau's business data collection efforts, particularly funding that will improve data validity, geographic specificity, or collection frequency.

The NWBC believes that this new survey will make a substantive contribution to the field, and that the Annual Business Survey will provide stakeholders with the necessary data to develop strong research that provides critical insights for policy and programmatic decisions that meet the needs of business owners throughout the United States.

As a diverse council of women business owners and members of women's business organizations, the NWBC is uniquely positioned to provide independent, non-partisan consultation based on rigorous research of issues regarding women's entrepreneurship and economic participation. The Council will continue to be a pipeline for the collective voices of women business owners and additional parties. We are honored to have the privilege of advising the U.S. Census Bureau, and look forward to working closely as it relates to advancing data collection efforts for women business owners. Please do not hesitate to let us know if we can be of assistance.

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