

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

**James Noon (presenter), U.S. Census Bureau**

**Adela Luque, U.S. Census Bureau**

**Kevin Rinz, U.S. Census Bureau**

**Michaela Dillon, U.S. Census Bureau**

**Renuka Bhaskar, U.S. Census Bureau**

**Victoria Udalova, U.S. Census Bureau**

**FedCASIC Virtual Meeting**

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The Census Bureau's Disclosure Review Board has approved all statistics and estimates presented today for public release under approval number CBDRB-FY20-390.

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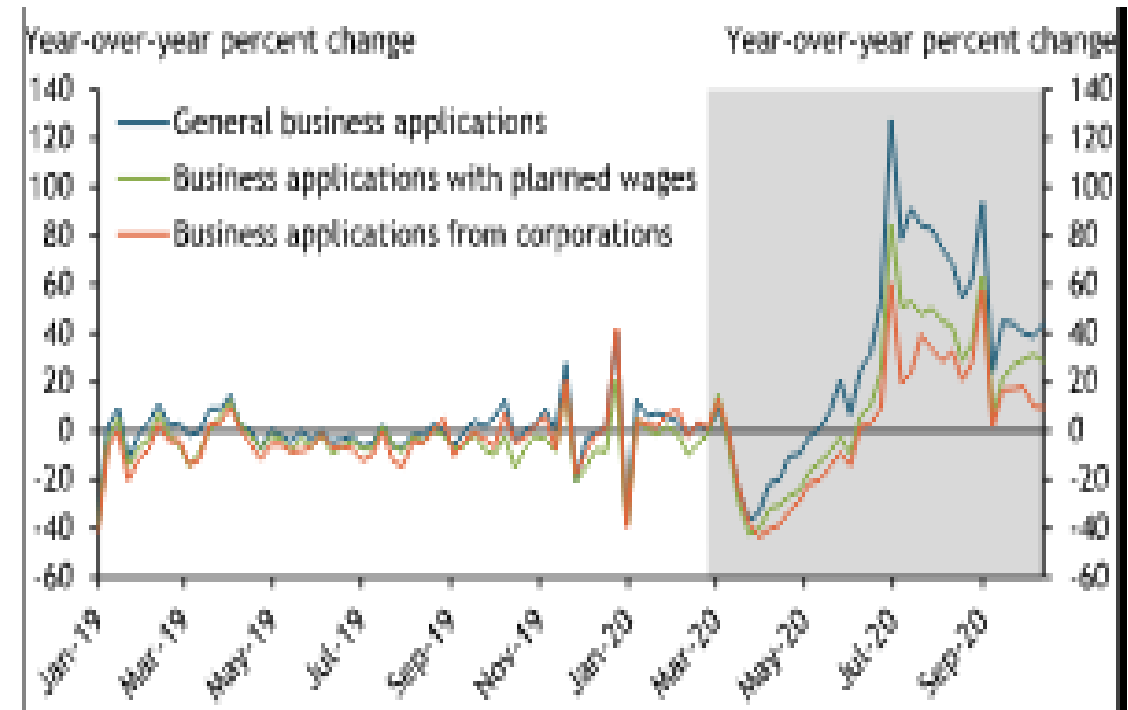
# What is NES-D?

- New annual data series that provides **demographic characteristics** of businesses with no paid employees (nonemployers) with **first official release of 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, lower imputation rates, and lower costs than predecessor (quinquennial Survey of Business Owners)

\*Excluding C-corporations

# What are nonemployer businesses & why are they relevant?

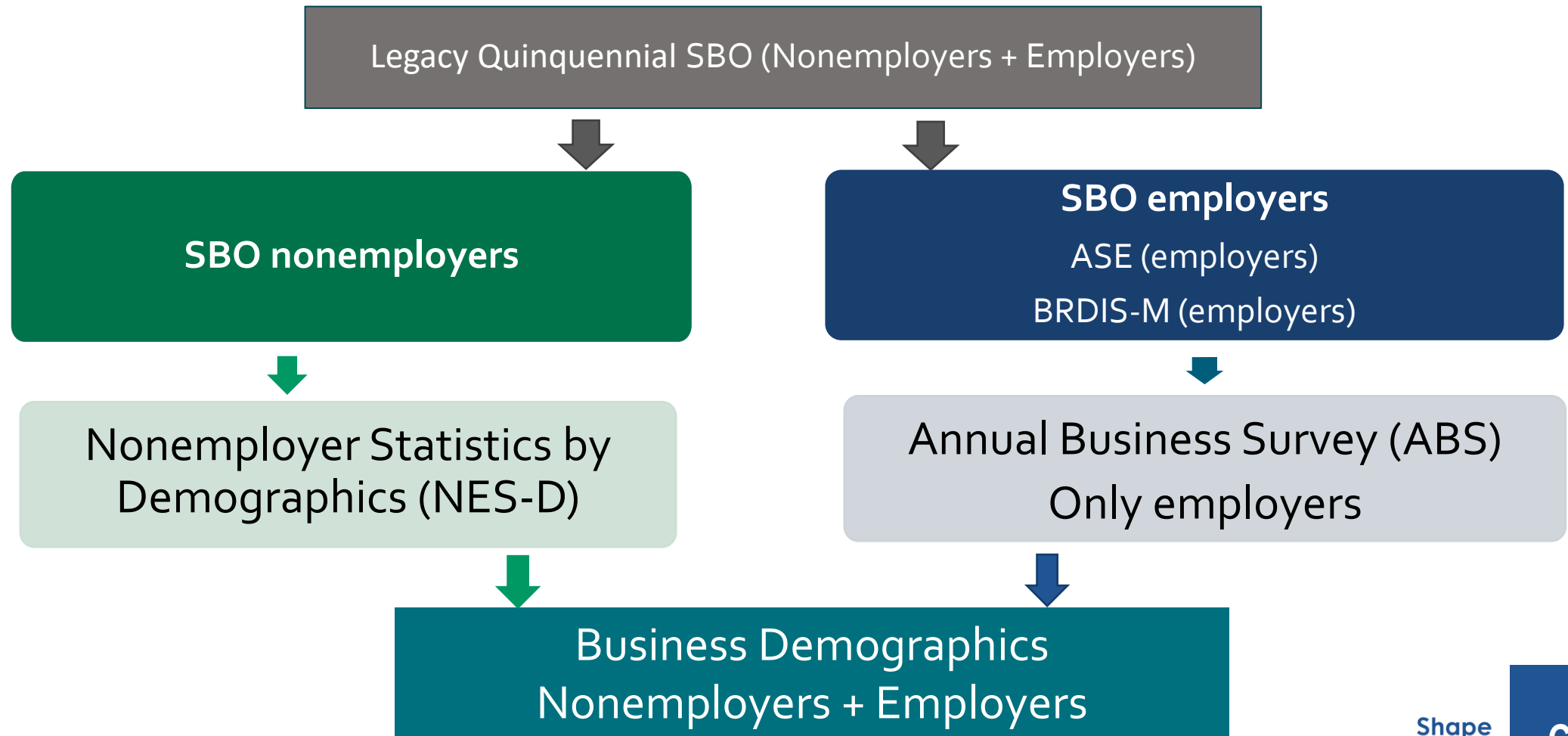
- Nonemployers: businesses w/ no paid employment, subject to federal income taxes, & w/ annual receipts of \$1,000 or more (\$1 or more for Construction sector)
- As of 2017, there were approximately 26 million nonemployers accounting for about 83 percent of all businesses but only about 3 percent of receipts
  - Approximately 87% 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.

# Annualization of business demographics statistics & business survey consolidation

In response to declining response rates & increasing respondent burden & operational costs....



# How are demographics linked to business owners?

- Unique person identifiers called Protected Identification Keys (PIKs) facilitate linkage of records across data sources
- Source of PIKs
  - Sole proprietors – Tax form 1040
  - Partnerships & S-corporations – Schedule K1 (Forms 1065 & 1022S)
- Owners of U.S. nonemployer C-corporations cannot be identified with tax or AR data (only 2% of nonemployers & 4% of receipts)
  - Evaluating feasibility of imputation
- Missing demographics are imputed

# How well do NES-D AR sources cover nonemployer business owners?

- PIK information available for approximately **99 percent of nonemployer firms** – not including C-corps
- Availability of sex, age, place of birth & citizenship for approximately 98-99 percent of owners (w/ PIKs)
- Availability of race and ethnicity data for approximately 90-95 percent of owners (w/ PIKs)
- Approximately 90-95 percent** of owners (w/ PIKs) are **not missing any demographics**
  - Only about 1 percent are missing 3 or more demographics
- Research shows **consistent coverage over time** (2014-2017 nonemployers)

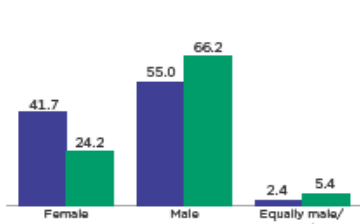
# Illustration of 2017 Results

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

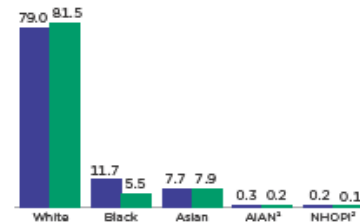
NES-D provides annual data on nonemployer business demographics (e.g., sex, ethnicity, race and veteran status) from existing administrative records and U.S. Census Bureau data.

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

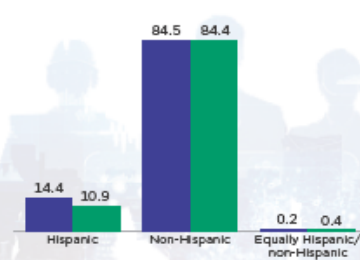
Share of nonemployer businesses and receipts by owners' sex



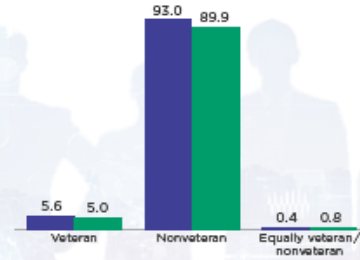
Share of nonemployer businesses and receipts by owners' race



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.



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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

# 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?



# Thank you

<https://www.census.gov/programs-surveys/abs/data/nesd.html>

[James.Noon@census.gov](mailto:James.Noon@census.gov)

[Adela.Luque@census.gov](mailto:Adela.Luque@census.gov)

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