Small Business Data in the United States and the United Kingdom

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Research on small firms has burgeoned in the 1980s not only because small firms have become increasingly important subjects to research, but because data on small firms have become more prevalent and because the costs of analyzing data on thousands of small firms has declined precipitously. The three papers in this special section of *Small Business Economics* illustrate the kinds of data available to researchers and the creative uses to which they may be put.

Increasingly, panel data sets that allow researchers to track the birth, growth, and death of firms over time have become available in several countries. David Birch pioneered the development and analysis of such data in the United States, using matched Dun and Bradstreet data. The Dun and Bradstreet data have drawn criticism concerning their reliability, the limited information they contain, and their accessibility to the general research community. Several alternative data sources address these problems. Dunne, Roberts, and Samuelson (1988) have used matched Census of Manufacturers data from 1963 to 1982 to study firm and establishment entry, exit, and growth. The advantage of the Census data is that they are probably the most accurate data available, cover a lengthy time period, and contain a fair amount of financial information about the firm. These data, unfortunately, are not easily accessible and pretty much require the user to reside at Census. Another alternative are data based on unemployment insurance records. As part of the unemployment insurance system in the United States, all states require businesses with at least one employee to file information on employment and payroll. Several states have created longitudinal files that track firms and establishments and have made these files available to the research community. Charles Brown and his coauthors discuss the development and use of these data for Michigan.

Although Dun and Bradstreet, U.S. Bureau of the Census, and state unemployment insurance data are very helpful for examining the birth, growth, and death of firms, they contain no information on the people most responsible for these firms: the entrepreneur. There are two major alternative sources of data on firm owners. Basic demographic, education, experience, and financial information are available for self-employed individuals through the various data sources used by labor economists. In the United States, Decennial Census data, monthly Current Population Survey data, and special surveys such as the National Longitudinal Surveys and the Survey of Income and Program Participation contain a great deal of information that can be used to study individuals who own and operate their own businesses. Many of these datasets are longitudinal and allow researchers to track switches from wage work to small-business ownership. While these data are sufficient for many purposes, they contain rather sparse information on a number of important characteristics of business owners — the source of their capital, their previous business and managerial experience, and detailed financial information on their businesses. The Characteristics of Business Owners (CBO) dataset discussed by Richard Boden and Alfred Nucci provides such detailed information.

Many of the datasets that have been used in the United States have counterparts in Europe. Dun and Bradstreet data are available in Europe and

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researchers have used these data to construct databases that are similar to those used by David Birch in the United States. Government census data are also available; several countries have developed matched census files that allow researchers to track firm birth, death, and growth over time. Finally, most countries have labor-market data that enable researchers to study self-employment as has been done in the United States. David Storey and Steven Johnson provide an overview of the data that are available in the United Kingdom and the questions that these data have been used to address.

Reference

Dunne, Timothy, Mark J. Roberts, and Larry Samuelson, 1988, 'Patterns of Firm Entry and Exit in U.S. Manufacturing Industries', *Rand Journal of Economics* **19** (Winter), 495–515.