

Demographic Makeup of SMEs in the United States and United Kingdom

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This EBOT explores the demographic makeup of U.S. and UK small- and medium-sized enterprises (SMEs) owners, whose firms may be affected by a potential U.S.-UK trade agreement. A large portion of U.S. and UK women-owned SMEs operate in the services industries and, specifically, in sectors that are not typically traded or export-oriented. As a result, a U.S.-UK trade agreement may have limited direct impact on women-owned firms. However, new U.S. and U.K. policy objectives aim to increase women's involvement in international supply chains.

SMEs, gender, and trade background.

The United States and the United Kingdom include a focus on SMEs in their negotiating objectives for a U.S.-UK trade agreement.¹ The UK also identifies the importance of trade and women's economic empowerment in its objectives for the potential agreement. The White House has established an interagency Gender Policy Council, whose efforts include advancing gender equality via trade policies and trade agreements.² The U.K. commissioned the Alison Rose Review of Female Entrepreneurship, an independent review of female entrepreneurship. Based on the results of this review, the UK set a goal to add an additional 600,000 female entrepreneurs by 2030 by incentivizing entry into the international supply chain through improvements in online advice for entrepreneurs, setting up female-focused investment funds and mentorship programs, and promoting entrepreneurship among 15-18 year-old female students.

SMEs in the United States.

According to the U.S. Small Business Administration (SBA), SMEs make up 99.9 percent of all U.S. businesses and employ approximately 60.6 million people, or 47.1 percent of the private workforce.³ Of the approximately 28 million SMEs operating in the United States, 39 percent are women-owned.⁴ In terms of revenue, most women-owned businesses in the United States generate revenues less than \$100,000. In 2018, there were 10,775,600 women-owned businesses (i.e. 88 percent of all U.S. women-owned businesses) that fell within this revenue category.⁵ Half of all women-owned businesses are concentrated in three categories – “other services” (22 percent); healthcare and social assistance (15 percent); and professional, scientific, and technical services (13 percent).⁶ Only a small share of all U.S.

¹ U.S. objectives includes maintaining domestic preferential government procurement purchasing programs such as preference programs for small businesses, women and minority owned businesses, service-disabled veterans, and distressed areas.

² This is not the first time gender has been highlighted in a trade agreement or trade policy, as evidenced by the inclusion of a Trade and Gender Chapter in the 2017 modernized Canada-Chile Free Trade Agreement and the 2020 Global Trade and Gender Arrangement signed by Canada, Chile and New Zealand. These initiatives aim to provide a framework and platform to engage in activities that improve the conditions and capacity for women to access and benefit from opportunities created by investment and trade.

³ The SBA defines small businesses as firms with fewer than 500 employees. SBA, Office of Advocacy, “[2019 Small Business Profile](#).” U.S. small business and employment data by industry and firm size is from the U.S. Census Bureau, [2017 Statistics of U.S. Businesses](#).

⁴ The SBA's entrepreneurial development programs provide training and management services to small businesses, including the Women Business Centers and the National Women's Business Council. The SBA also manages the Microloan Technical Assistance Program and the Step Trade and Export Promotion (STEP) Pilot Grant program, which offers assistance to eligible small businesses with exporting.

⁵ In 2018, women-owned businesses generating annual revenues between \$100,000 and \$249,999 accounted for 5 percent of all women-owned businesses (638,800 firms); \$250,000 and \$499,999 accounted for 2.4 percent (298,209 firms); \$500,000-\$999,999 1.6 percent (193,100 firms); more than \$1 million 1.7 percent (207,900 firms). Due to rounding these percentages, along with the 88 percent in the main text, do not add up to 100 percent.

⁶ Of these three sectors, trade is most likely in professional, scientific, and technical services, while the other two are not very tradeable and refer significantly to non-business services. Between 2014 and 2019, the following industries experienced the largest increases in women-owned firms: utilities (160 percent); construction (68 percent); information (36 percent); other services (29

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services firms export, and services SMEs are less likely than larger services firms to engage in trade.⁷ According to BEA's analysis of trade in selected services by small multinational enterprises – those with 500 or fewer employees – small parent firms accounted for only five percent of exports and four percent of imports in selected services in 2017.⁸ Similarly, small U.S. affiliates accounted for four percent of exports and six percent of imports of selected services.⁹ In 2017, the largest category of exports for small U.S. parent firms was financial services, followed by other business services, and charges for the use of intellectual property. The top export destination for small U.S. parent firms was the UK Islands, Caribbean, and the top source of imports was the UK.

SMEs in the United Kingdom.

U.K. SMEs' share of total exports have declined over the last decade; however, the United Kingdom's goal to invest in female entrepreneurship could provide opportunities for women's involvement in traded goods and services in the future. In 2019, there were 5.9 million privately owned businesses in the United Kingdom. According to the United Kingdom's Department for Business, Energy & Industrial Strategy, 99 percent of privately owned businesses were classified as SMEs – accounting for 60 percent of private sector jobs.¹⁰ A report by the British Business Bank found that SMEs accounted for 32 percent of U.K. exports in 2018 – down from more than 50 percent in 2008 and 2009. The highest percentage of U.K. female entrepreneurs are found in these categories: gifts and occasions (68 percent), consumables (64 percent), wellness (63 percent), and general health and medical (55 percent). The Alison Rose Review, mentioned previously, found that one in three U.K. entrepreneurs are female, and firms are half the size of male-led firms on average. The review also found that increasing female-led businesses and scaling revenues up to stay in line with male-led businesses could add nearly \$348 billion to the U.K. economy. While many U.K. women-owned SMEs are in non-traded sectors, the U.K.'s investment in female entrepreneurship has a goal to create opportunities for more gender inclusive international commerce in the future.

Government of Canada. "[Canada-Chile](#)"; SCORE "[The Megaphone](#)"; American Express, "[The 2019](#)" and "[The 2018](#)"; U.S. Census Bureau, "[North American](#)"; Bureau of Economic Analysis, "[U.S. Trade](#)"; Savvy, "[UK SME](#)"; Basquill, John, "[UK government](#)"; Correa, Guillermina, "[UENI's 2020](#)"; The Alison Rose Review, "[The Alison](#)"; HM Treasury, "[Landmark review](#)"; U.S. Chamber of Commerce, "[Special Report](#)"; Kisner, Jordan, "[The Lockdown](#)"; Ewing-Nelson, Claire, "[All of](#)"; Andrew, Allison, "[Parents, especially](#)"; Government of U.K. "[U.K.'s top](#)"; CRS, "[Small Business Administration](#)".

percent); and arts, entertainment, and recreation (23 percent). However, apart from other services, each of these industries represents a small share of women-owned businesses – 5 percent or less. The other services (except public administration) category includes repair and maintenance; personal and laundry services; religious, grantmaking, civic, professional, and similar organizations; and private households.

⁷ USITC, [U.S. SME Exports](#), p. 24; Melter, "Using the Internet to Promote Services Exports," February 2015, 4; WTO; *Levelling the Trading Field for SMEs*, 2016, 21.

⁸ Small multinational enterprises (MNEs) accounted for over 90 percent of both selected services exports and imports in 2017. Small firms likely account for a larger share of non-MNEs trade in services than their share of MNEs trade given that non-MNEs tend to be smaller than MNEs. The selected services cover most international services traded between businesses, with 57 percent of total U.S. services exports and 51 percent of services imports in 2017. The service types include insurance services, financial services, intellectual property fees, telecommunications, computer and information services, and other business services. The remainder of trade in services consists of travel, which includes transactions involving individual persons; government goods and services; and transport and maintenance and repair services.

⁹ BEA defines U.S. parent firms as persons – residents in the U.S. – that own or control at least 10 percent, directly or indirectly, of a foreign business enterprise, which is referred to as a foreign affiliate. U.S. affiliates are U.S. business enterprises that are owned or controlled at least 10 percent, directly or indirectly, by a foreign resident. In this analysis, the term "U.S. affiliate" refers to U.S. business enterprise that is majority owned, directly or indirectly, by a foreign resident.

¹⁰ 0.6 percent of businesses were classified as medium sized and 99.3 percent were classified as small businesses.

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