



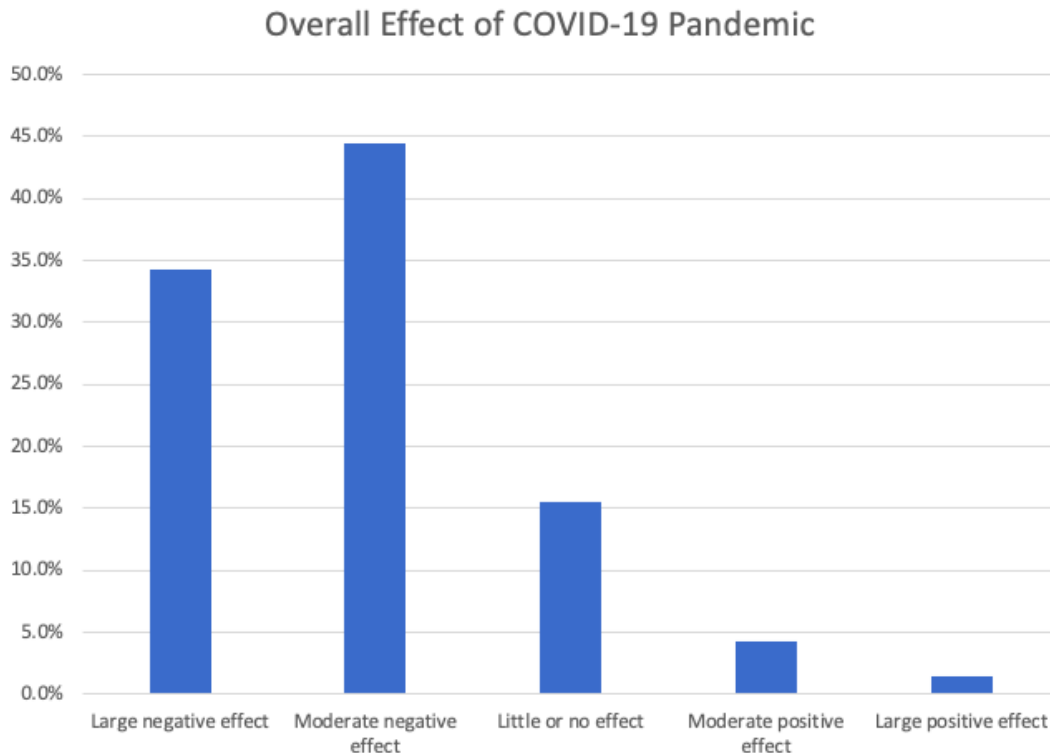
The Daily Dish

A Statistical Review of the Small Business Sector

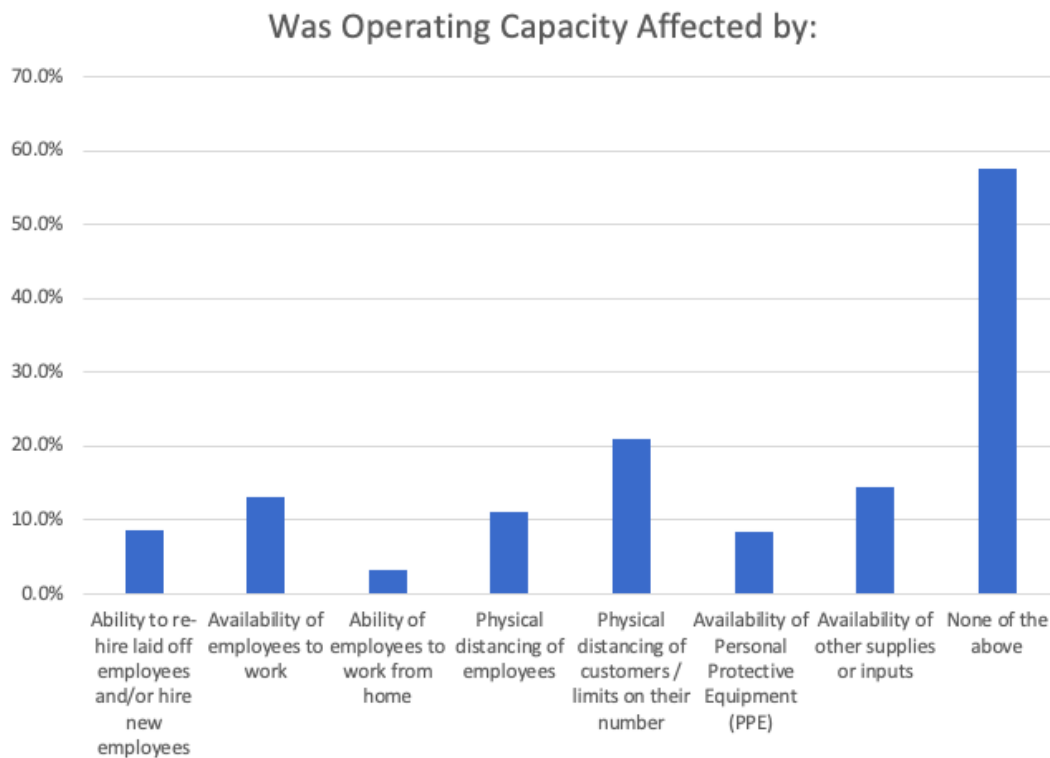
DOUGLAS HOLTZ-EAKIN | AUGUST 24, 2020

Eakinomics: A Statistical Review of the Small Business Sector

The Census Bureau has released its second “[Small Business Pulse Survey](#),” a survey conducted between August 9th and August 15th. It is concentrated on nonfarm, single-location businesses with between 1-499 employees and receipts of \$1,000 or more. To say that the COVID-19 pandemic and recession has had a big impact is the greatest of understatements. As seen below, nearly 80 percent of small businesses describe the impact as either a large or a moderate negative effect.

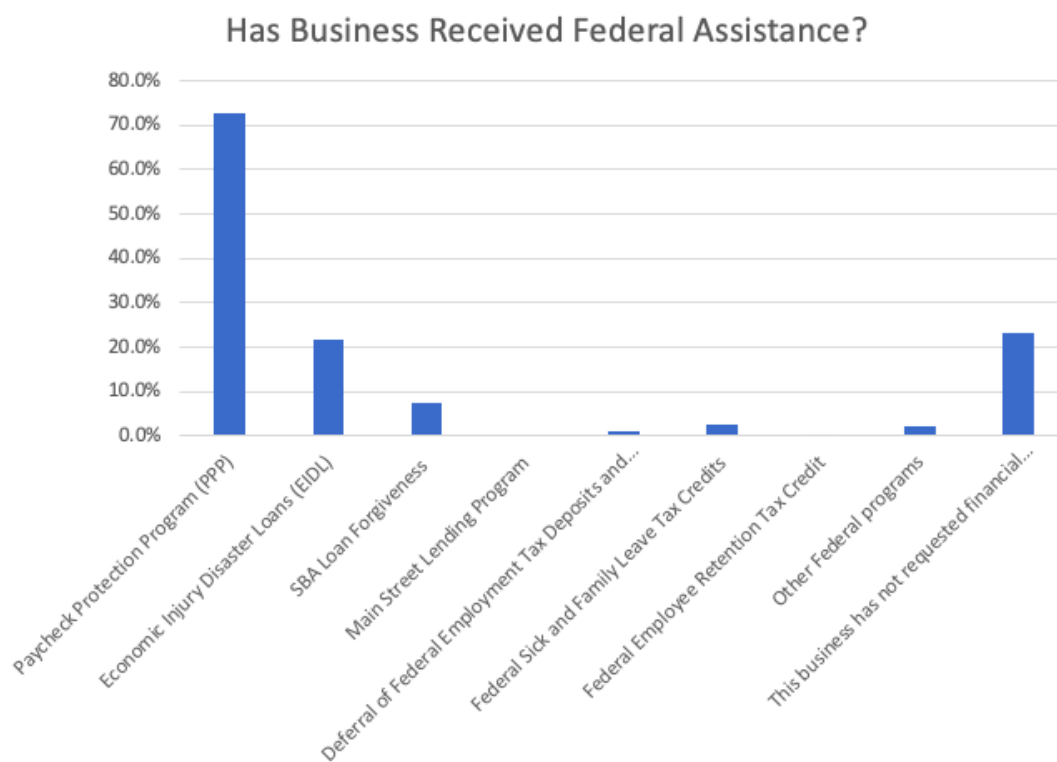


This is perhaps unsurprising. But what are the symptoms of their distress? As shown in the next graph, between roughly 10 and 20 percent of firms have some impingement from the physical layout of the production and sales process – ability of employees to work from home, social distancing of employees, distancing of customers, availability of personal protective equipment.



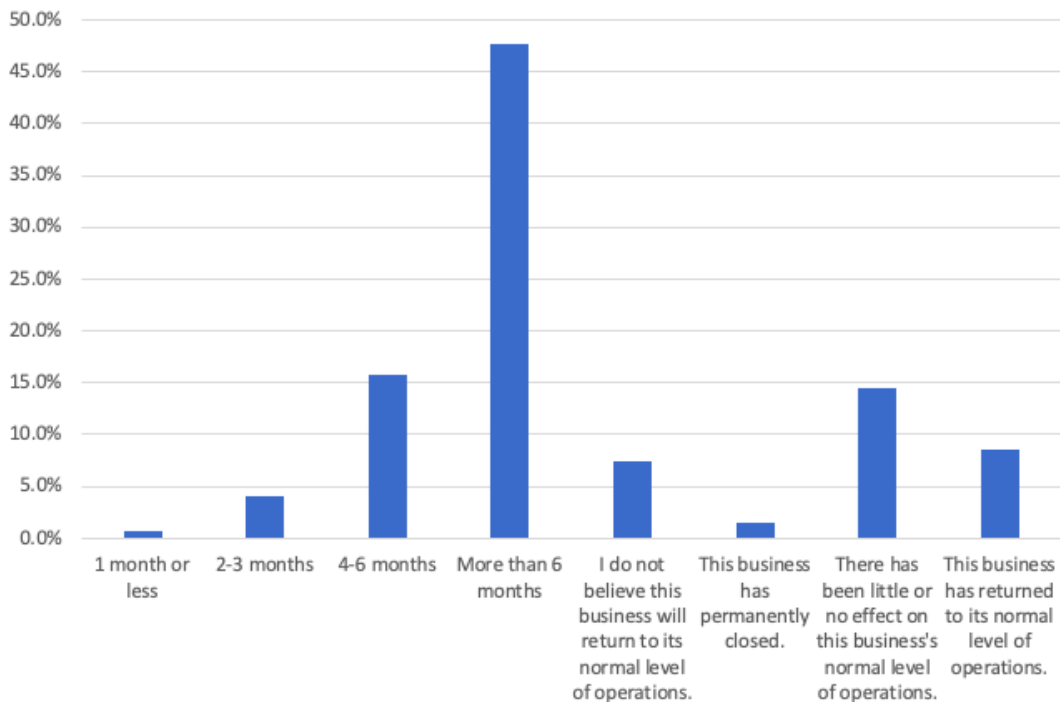
These data reinforce the desirability of a [tax credit](#) to offset part of the cost of protecting employees and reconfiguring workplaces. The former would consist of employee COVID-19 testing, deep cleaning and disinfectants, and personal protection equipment for employees. The latter would include expenses for reconfiguring places regularly used by customers or employees to bring them up to standards. (The proposed Health, Economic Assistance, Liability Protection and Schools (HEALS) Act in the Senate has such a tax credit.)

Effective federal assistance is important, as the small business sector has already displayed a clear need for help. Over 70 percent report having received funds from the Paycheck Protection Program and another 20 percent have received funds from an Economic Injury Disaster Loan. Small numbers of firms have taken other types of assistance as well.



Is it urgent to provide more assistance? Perhaps not if business is expected to snap back quickly. As seen below, this is hardly the expectation of the small business sector. A very small number of firms expect business to return to normal in the next three months. Only 15 percent believe that it will require 4-6 months. Instead, nearly half believe that it will be 6 months or more.

Time Until Business Returns to Normal?



These data should be concerning as Congress and the administration continue to fail to reach a compromise on the next piece of federal support for the economy. Despite the existence of the Paycheck Protection Program, the small business sector is suffering serious duress that requires federal assistance to help it manage its operations in the face of the ongoing coronavirus threat.