

Business Ownership in Philadelphia and Other Major U.S. Cities: Glossary and Methodology

Glossary

Business density: This is the number of firms in an area divided by the area's population of residents ages 16 and older. That number is then multiplied by 1,000 to get the density per 1,000 residents. This gives researchers a population-adjusted metric, allowing them to compare business ownership in various locations and across different demographic groups and time periods. Individuals ages 16 and older are most likely to hold jobs or ownership stakes in businesses.

Employer firm: This refers to a company with at least one employee on payroll at one or more establishments or locations, excluding its owners. This report compiled its data from the U.S. Census Bureau's Annual Business Survey (ABS), which is limited to employer firms that had annual receipts of \$1,000 or more (\$1 or more in the construction sector). Employer firms were found in every sector except public/government administration; crop and animal production; rail transportation; financial funds and trusts; and some nonprofit services. Details are available in the Census Bureau's [Annual Business Survey Methodology](#).

Nonemployer firm: A business entity that had no employees and filed Internal Revenue Service tax forms for sole proprietorships (Form 1040, Schedule C), partnerships (Form 1065), or certain corporations (Form 1120 series). This includes firms such as contractors, freelancers, "gig" businesses, and various holding companies. ABS data is limited to nonemployer firms that had annual receipts of \$1,000 or more and were found in every sector except public/government administration; crop and animal production; rail transportation; financial funds and trusts; and a variety of nonprofit services. Details are available in the Census Bureau's [Nonemployer Statistics by Demographics Methodology](#).

Classifiable firms: These are companies whose owners could be identified individually by sex, race, ethnicity, and veteran status, based on administrative records, tax records, decennial census records, surveys, or marketing material contained in the Census Bureau's Business Register database. Pew's analysis of the ABS' 2022 dataset found that classifiable employer firms accounted for roughly 80% to 90% of total employer firms, and classifiable nonemployer firms accounted for roughly 92% to 98% of total nonemployer firms.

ABS data on ownership characteristics is limited to companies with at least one owner who held 10% or more of a company's stock or equity. Taken together, these criteria exclude most nonprofit organizations, government-owned businesses, and large shareholder-owned corporations, including publicly traded ones. A detailed description of ABS data collection and processing methods is available in the Census Bureau's [Annual Business Survey Methodology](#).

Revenue: Gross receipts refer to the revenue that a business receives from the sale of goods or services and from other revenue-producing activity before making its payments for payroll, materials, rent, taxes, and other expenses. This report uses the ABS variable "sales, value of shipments, or revenue."

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Comparison localities: Using the Census Bureau's 2022 and 2017 Annual Business Survey (ABS) and 2012 and 2007 Survey of Business Owners (SBO, a predecessor survey replaced by the ABS in 2017), this report compares Philadelphia with 12 other localities. Those datasets include owner demographic data at the level of counties, county equivalents, or independent cities only once every five years. Pew limited the comparison localities to jurisdictions with cities that had at least 250,000 residents who represented at least 85% of the population of the county or independent city, or whose residents represented at least 95% of the labor force of the county or independent city. Thirteen localities, including Philadelphia, met these criteria: the city of Baltimore; Davidson County, Tennessee (Nashville); Denver County, Colorado (Denver); Washington, D.C.; Duval County, Florida (Jacksonville); Fayette County, Kentucky (Lexington); Marion County, Indiana (Indianapolis); New York City; Orleans Parish, Louisiana (New Orleans); Philadelphia County, Pennsylvania (Philadelphia); San Francisco County, California (San Francisco); Suffolk County, Massachusetts (Boston); and the city of St. Louis.

Employer and Nonemployer Firm Density by Select Locality (Figure 1): Using the Census Bureau's [ABS Table CSA01](#) for 2022, Pew found the count of classifiable employer and nonemployer firms in the 13 selected localities and across the nation. Pew then divided the number of firms by each jurisdiction's population of residents ages 16 and older, and multiplied the result by 1,000—a methodology that was employed throughout this study.

Population figures were obtained from the Census Bureau's 2022 American Community Survey one-year estimates via [IPUMS USA](#) microdata. The margin of error on the underlying business counts ranged from plus or minus 0.6 to plus or minus 3.5 businesses per 1,000 residents, depending on the jurisdiction, meaning the difference in rank between close densities may not be truly different from each other. The finding that density rose most dramatically between 2017 and 2022 is based solely on the density of employer firms, because the ABS did not publish county-level nonemployer data by race and ethnicity in 2017.

Black-owned (Figure 2), Asian-owned (Figure 4), and White-owned (Figure 5) business density: Pew used ABS tables for [2022](#) and SBO tables for [2012](#) and 2007. (Pew holds historic SBO data from previous research; it's no longer readily available from Census Bureau websites.) For racial breakdowns, Pew relied upon each locality's count of classifiable employer firms and nonemployer firms, collated by race and year. Race is determined by the race of individuals who held at least 51% of the ownership stake—often described as “majority” ownership, although this report omits the term “majority owners” for brevity.

Importantly, ABS local-level race data does not distinguish between Hispanic and non-Hispanic ethnicity, meaning the numbers could represent owners of particular racial groups who identified as either Hispanic or non-Hispanic. To arrive at the business density for each racial group, Pew divided the total number of businesses in a locality (employer and nonemployer) by that group's population ages 16 and older in a given place and year, and then multiplied the result by 1,000. Margins of error on the underlying business counts ranged across cities, racial groups, and time periods from plus or minus 0.7 to plus or minus 23.0 businesses. That means differences between densities closer than those margins may not be truly different from one another.

The analysis of business ownership by race differed in a key way from ethnicity and sex: In the ABS and SBO datasets, the Census Bureau includes owners in its “race alone or in combination” category, in which it assigns individuals to every racial group they selected, including multi-race, and then assigns their firms to each of those racial categories. For example, a business whose majority owner identified as

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Black and Native American would be counted in both of those categories, even though there was just one business. To minimize overcounting when calculating business density, Pew used the “race alone or in combination” population figures for each group, obtained from IPUMS USA microdata one-year estimates.

Hispanic-owned business density (Figure 3): Pew used ABS tables for [2022](#) and SBO tables for [2012](#) and 2007 (2017 was omitted because the ABS did not publish county-level demographic data on nonemployer firms that year). Pew found each locality’s count of classifiable employer and nonemployer firms by Hispanic and non-Hispanic ethnicity of any race by year. Ethnicity is determined by the ethnicity of individuals who held at least 51% of the business ownership stake. (A third grouping, “equally Hispanic and non-Hispanic,” was very small and was disregarded for this report.) Importantly, ABS local-level ethnicity data does not distinguish between races, meaning the numbers could represent Hispanic or non-Hispanic owners of any race. Pew divided each ethnicity group’s total number of businesses (both employer and nonemployer firms) by that group’s population ages 16 and older in the jurisdiction, then multiplied the result by 1,000, to arrive at each ethnicity group’s total business density per 1,000 residents in each place and year. Population figures were obtained from IPUMS USA microdata. Margins of error varied significantly among localities and across years, from plus or minus 1.8 to plus or minus 8.6 businesses, meaning that differences between densities closer than those margins may not be truly different.

Female-owned (Figure 6) and male-owned (Figure 7) business density: Pew used ABS tables for [2022](#) and SBO tables for [2012](#) and 2007 (2017 was omitted because the ABS did not publish county-level demographic data on nonemployer firms that year). The Census Bureau identifies owners by their biological or anatomical sex—female or male—and not gender. Pew compiled this information from each locality’s count of classifiable employer and nonemployer firms with female or male owners by year. Sex is determined by the sex of individuals who held at least 51% of the ownership stake. (A third grouping, “equally female and male,” was small and was disregarded for this report.) Pew divided the total business count (including both employer and nonemployer firms) for each sex by each jurisdiction’s female and male resident populations ages 16 and older, then multiplied the result by 1,000, to arrive at each group’s business density per 1,000 female or male residents. Population figures were obtained from IPUMS USA microdata. Margins of error ranged across cities and years from plus or minus 0.7 to plus or minus 4.1 businesses, meaning that differences closer than those margins may not be truly different.

Nonemployer firms by demographic group (Figure 8): Pew used ABS tables for [2022](#) and SBO tables for [2012](#) and 2007 (2017 was omitted because the ABS did not publish county-level demographic data on nonemployer firms that year). Using the same methodologies described above for each sex or racial or ethnicity group, Pew calculated the business densities of nonemployer firms in Philadelphia separately from those of employer firms. The Census Bureau’s ABS tables do not provide margins of error on nonemployer data.

Average revenue of employer firms by owner race and ethnicity (Figure 9): Using ABS tables for [2022](#), variable “Sales, value of shipments, or revenue,” Pew found the total revenue generated by employer firms owned by each racial and ethnicity group, then divided it by the number of classifiable employer firms of each group to arrive at the average business revenue of employer firms for each group in each locality and the nation. To compare Philadelphia to the full set of other localities, Pew calculated the median of average business revenue found in the other localities.