

E: Small Business Pulse Survey Content and Uses

Background:

The Census Bureau proposes to collect the Small Business Pulse Survey (SBPS) in order to supplement its existing collections in order to provide timely information on the state of businesses in the U.S. economy in order to fulfill its mission “to serve as the nation's leading provider of quality data about its people and economy.” The SBPS is intended to complement existing Census business collections by providing high-frequency detailed information on a business sub-population especially impacted by the response to the coronavirus (COVID-19) pandemic. As such, the results from the SBPS will be particularly useful to policymakers as they seek to address some of the challenges faced by small businesses. In addition, the information will be useful to businesses making decisions and researchers studying the impact of the response to COVID-19.

The Census Bureau will provide tabulated data based on each of the questions included in the spreadsheet provided. Also, the Census Bureau will match the SBPS data to its extensive microdata (the Business Register, Annual Business Survey, Economic Census, etc.) in order to develop additional insights into the experience of businesses and business owners. The Census Bureau will also look at these data in the longer run to establish if answers to these questions, or an index based on these questions, can be used to predict important business outcomes including business failures (exit or deaths).

Overview of content:

Questions 1-8 and 17 focus on the operations of the business. Subjective measure of well-being as well as changes in employment and hours, re-hiring laid off employees, changes in hours worked from home, changes in operating status and operating revenues all serve to provide an indication of how well small businesses are performing in the prior week. Questions 4-8 will provide critically important measures of the margins by which small businesses are adjusting their labor use (by shutdowns, employment, hours, re-hiring, or employees working from home). The choice of margin(s) has profound implications for the U.S. workforce. By asking this question weekly about the experience of the business in the prior week, the SBPS will provide a high frequency measure of small business performance. Question 17 asks businesses about a change in the use of online platforms to offer goods and services since the declaration of the national emergency.

Questions 9-10 focus on challenges that small businesses may face including supply chain problems and a variety of factors that affect the ability to offer goods and services including physical distancing of employees, customers or clients as well as the availability of Personal Protective Equipment (PPE) or other supplies. Asked weekly, these questions will provide high

frequency information on the types of challenges businesses face. This index may be compared with answers to Question 1 to also assess if the subjective responses are in line with overall responses to components of impact.

Question 11 asks how respondents business's operating capacity relative to one year ago.

Questions 12-16 center on finance issues for small business (and include liquidity, loan and other defaults, and applications for and receipt of financial assistance). The question on liquidity asks about the current status of the business. The remaining finance questions ask about the experience of the business since the onset of the pandemic, providing a cumulative view of these concepts each week. These questions may also be used to design a financial stress index to assess the overall financial stress/need a business faces.

Question 18 asks businesses about their future program needs. Businesses are asked what kinds of assistance they might need in the next six months including financial assistance or additional capital, help developing new customers or websites, or help permanently closing, for example.

Question 19 asks about the expectation of when the business may return to normal levels of operations. This forward-looking question will allow for the measurement of expectations over the survey period. These subjective expectations by businesses about their own operations will provide insights into future operations that will be useful to policymakers in considering the timing of assistance policies. Businesses will also find it useful in making their decisions to be informed of the expectations of other businesses.

Question 19 response bins are updated from phase 1 of the SBPS to include responses that allow for the return to normal as well as permanent closure. While the SBPS phase 1 did see an increase in response shares towards the “more than 6 months” bin across the nine weeks of the survey, the phase 2 survey does not add increasingly longer response bins for phase 2. This decision was made in order to preserve the comparability of data between phases 1 and 2, but also because mechanically the rotation of the panels and the delay between phases 1 and 2 automatically extends the time horizon of this question, given we are repeating panels between phases 1 and 2.

By providing data at the sub-national level (state and select MSA), these questions will provide information on disparate effects of the emergency across states/MSA. Sector detail will provide information on the disparate effects of the emergency across industries.

Justification of survey content by question:

Q1: Subjective well being

Answers provide a subjective view of the effect of the response to COVID-19 on the business. This measure can be used to help validate the responses to other questions in the survey and vice-versa. If we find widespread disagreement between the subjective measure of the impact on

the business and the objective measures in (Q2-8), we will conduct de-briefing to determine if existing concepts need to be revised or additional concepts need to be added. Together with Q19, this question may provide information on the overall well-being of businesses and the speed at which the economy may resume/recover.

Q2: Total operating revenues

This is the only question within the SBPS that gives insight to the scale of the business through a quantitative measure. The question asks for the respondent to select one bin to provide a “best estimate”. This is a different approach than our standard surveys which emphasize the use of write-in boxes and require more precise responses based on records, thus reducing burden on the respondent. Responses to this question will aid in assessing and adjusting imputation methods for economic indicator programs. Indicator surveys rely on small sample sizes in order to process data on a very short time schedule. High nonresponse is anticipated for several months during the pandemic, which will reduce the quantity of data available to form the imputation bases used to estimate data for nonresponding firms. Responses to Q2 may be used to augment the existing indicator response data, along with Q3 and Q4, and will be used to support analysis of the indicator estimates. In addition, responses to this question will be used to support development of a new monthly experimental retail sales product by state.

Q3: Change in operating revenues

With Q2, this question will be used to support analysis and publication of indicator program data including experimental retail sales by state data.

This question will also provide a high-frequency indication of small business performance and changes in performance in the aggregate over time.

Q4: Operating status

This question will provide a high-frequency indication of small business performance and changes in performance in the aggregate over time.

Q5: Change in #paid employees

This question will provide a high-frequency indication of small business performance and changes in performance in the aggregate over time.

Q6: Re-hiring employees

This question will provide a high-frequency indication of the degree to which small businesses are re-hiring laid off or furloughed employees. It will allow the Census Bureau to infer the rate at which small businesses have cumulatively laid off or furloughed their employees since the onset of the national emergency.

Q7: Change in #hours paid employees

This question will also provide a high-frequency indication of small business performance and changes in performance in the aggregate over time.

The BLS are interested in this item, as “staff are working with the BLS Productivity program to assess different adjustments that will need to be made to the OPT measures that adjust hours to account for the difference between hours paid and hours worked. Right now they get that adjustment from the National Compensation Survey, but if there is higher nonresponse among smaller establishments in the NCS in the June quarter, we will be interested in external sources of data to use in the hours worked versus hours paid adjustments.”

Policy-makers would also be interested in businesses’ ability to retain workers by adjusting hours. The federal Unemployment Insurance system has programs intended to encourage businesses to retain workers by instead adjusting labor by hours rather than number of workers.

Q8: Work from home

This question will measure the degree to which working from home has changed. This question will provide a high frequency measure of changes due to rapidly evolving business conditions.

Q9: Supply chain

This question will provide a high-frequency indication of a potential challenge small businesses are facing that will impact their current and future performance.

Factors that disruption the supply-chain are also indicative of challenges that other businesses are facing and help us to understand how these disruptions are propagated throughout the economy.

Q10: Operating capacity factors

Question 10 primes respondents to think about factors that might affect their business’s operating capacity. Question 10 is useful cognitively in priming respondents to think about differences between former and current operating capacity; it also includes information that helpful in further understanding the challenges small businesses are facing, including the ability of businesses to provide enough PPE for their workers and the impact of physical distancing on capacity.

Q11: Operating capacity changes

Question 11 asks respondents to compare their current operating capacity to their operating capacity one year ago. Along with Q10, this question will help understand the operating constraints (and thus limitation on potential output) businesses are facing. This is also a new measurement concept (expanding production capability from manufacturing into other sectors) for the Census Bureau to research and test.

Q12: Cash on hand

Together with Q13, Q14, Q15, and Q16, this question will give an indication of the financial stress that small businesses are currently facing as well as how this is changing over time.

Cash on hand may signal time-to-failure for small businesses in the absence of financial assistance and may be of interest to policymakers.

Q13: Missed payments – loans

Together with Q12, Q14, Q15, and Q16, this question will give an indication of the financial stress that small businesses are currently facing as well as how this is changing over time.

Loan defaults may signal time-to-failure for small businesses in the absence of financial assistance and may be of interest to policymakers.

The Federal Reserve Board of Governors (FRB) produce statistics on loan defaults and specifically suggested this content for small businesses. See <https://www.federalreserve.gov/releases/chargeoff/delallsa.htm>

Q14: Missed payments - other

Together with Q12, Q13, Q15, and Q16, this question will give an indication of the financial stress that small businesses are currently facing as well as how this is changing over time.

Payment defaults may signal time-to-failure for small businesses in the absence of financial assistance and may be of interest to policymakers.

Q15: Application for assistance

Together with Q12, Q13, Q15, and Q16, this question will give an indication of the financial stress that small businesses are currently facing as well as how this is changing over time.

The responses for Q15 include three federal programs for small businesses listed on the website: <https://www.coronavirus.gov/smallbusiness/>. These are Paycheck Protection Program, Economic Injury Disaster Loans (EIDL), and SBA Loan Forgiveness. The responses also include the Federal Reserve Main Street Lending program as well as one federal tax deferral program and two federal tax credit programs: Deferral of Federal Employment Tax Deposits and Payments, Federal Sick and Family Leave Tax Credits, and Federal Employee Retention Tax Credit. Application rate by geography and industry will be of interest to policymakers including the Office of Tax Analysis (OTA), Department of Treasury; the SBA; and FRB.

Understanding how federal program applications are supplemented with other types of assistance may also be important to policymakers.

Q16: Receipt of assistance

Together with Q12, Q13, Q14, and Q15, this question will give an indication of the financial stress that small businesses are currently facing as well as how this is changing over time.

Receipt of assistance by geography and industry will be of interest to policymakers including the OTA, SBA and FRB.

The responses for Q16 focus on four federal assistance and loan programs and three federal tax programs listed in Q15. Having these as separate responses will enable us to compare these results to published tabulations of disbursements by state. See <https://content.sba.gov/sites/default/files/2020-04/PPP%20Report%20SBA%204.14.20%20%20-%20%20Read-Only.pdf>

Q17: Online platforms

This question asks businesses how their use of online platforms to offer goods and services has changed since the onset of the national emergency. This change by small businesses into/out of the online marketplace will provide a measure of adaptability. This may also inform Census Bureau e-commerce programs.

Q18: Future needs

Developed with the Small Business Administration, this question asks respondents about future program needs.

Q19: Subjective return to normal

The survey ends with a forward-looking question intended to elicit the respondents' subjective business expectations. Similar to the more holistic approach in Question 1, this question asks an open-ended question about the expected time frame for the business to return to functioning as it did prior to the pandemic. It does not require the respondent to anchor this assessment to a particular variable (such as employment) since the pandemic shock is unprecedented in both size and scope and we are hoping to capture a more-encompassing measure.

A similar forward-looking approach occurs when the Census Bureau collects subjective business expectations through the *Management and Organizational Practices Survey* (MOPS) supplement to the *Annual Survey of Manufactures*. In this case, respondents are asked to anchor their expectation to four concepts (shipments, employment, materials, and investment). Research conducted on these expectations and their realizations has found that these expectations provide important information about the future plans of businesses.

The Census Bureau has been conducting research into expanding collection of these measures of subjective business expectations into other sectors of the economy and has consulted with the

Federal Reserve Board (FRB) and the Bureau of Economic Analysis (BEA) on these efforts. We believe that these questions concerning subjective business expectations will also be of interest to the FRB and BEA. The Atlanta Federal Reserve Bank collects subjective business expectations through its monthly *Survey of Business Uncertainty* (SBU).¹ The Office of National Statistics (ONS) in the U.K. also includes questions concerning business expectations as part of its *Business Impact of Coronavirus Survey* (BICS).

Note that the Census Bureau and the Bureau of Economic Analysis (BEA) collected information about subjective business expectations for decades as part of the *Plant and Equipment Survey* whose results were published as a principal economic indicator.

Businesses will also find it useful in making their decisions to understand the expectations of other businesses. Two organizations focused on small businesses regularly collect information about business expectations. The *Small Business Index* published quarterly by METLife and the US Chamber Commerce asks about business expectations for revenue, hiring, and investment.² The National Federation of Independent Business also collects forecasts and expectations on its monthly *Small Business Economic Trends*.³ These both have about 1000 businesses as respondents.

¹ <https://www.frbatlanta.org/research/surveys/business-uncertainty.aspx>

² https://www.uschamber.com/sbindex/pdf/sbi_reports/SBI_2020_Q1.pdf

³ <https://www.nfib.com/assets/SBET-PDF-March-2020.pdf>