



FOREWORD

Since 1937, the National Small Business Association has been the nation's leading small-business advocate. As part of NSBA's mission to address the needs and represent the concerns of the small business community, we are pleased to provide you with the findings of the 2008 NSBA Survey of Small Business.

The scope of the survey is large, and the sample of businesses surveyed is diverse and representative of the entire U.S. small business community. Small businesses were asked important questions on economic outlook, employee benefits, access to capital, and presidential politics, to name a few. The results to these questions, along with valuable benchmarking data, are provided in this survey report. Information from this year's study is compared with studies from past NSBA surveys, providing a wealth of useful trend information.

Although the 2008 survey shows that small-business owners have a significantly worse outlook for the overall economy from 2007, there was only a slight dip in the confidence they expressed about their own business outlook. Clearly, the self-reliance, optimism and persistence necessary for entrepreneurial success are alive and well.

As the nation focuses on the 2008 election cycle, small business remains one of the most important yet least talked about voting blocks. Thus, NSBA launched the Small Business: 70 Million Strong...And Voting campaign which seeks to educate lawmakers, candidates and the public on the importance of small business. The results of this survey, along with data collected from the U.S. Census and Small Business Administration Office of Advocacy, will highlight the importance of the small-business community throughout the coming months.

With unemployment on the rise, more and more people will look to entrepreneurship as a meaningful way to make a living. The economic slowdown we find ourselves in makes it absolutely crucial to have government policies that foster entrepreneurial growth. The findings of this survey are presented to members of the media and policy makers so that they can make informed decisions when working on key small business issues vital to our nation's continued growth and development.

We hope you find this survey useful, and welcome your feedback as we plan future surveys and research projects.

Todd McCracken
President

Marilyn Landis
2008 Chair

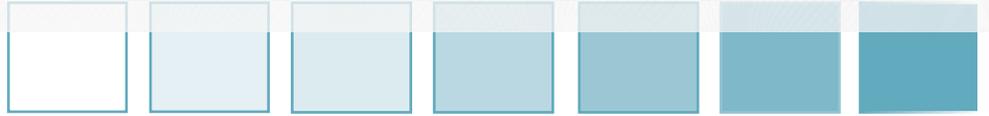


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EXECUTIVE SUMMARY

America's small businesses are waving the yellow flag. They are extremely anxious about the economy and fear a recession on the horizon. The past year has not been a good one for the small-business economy, and projections for the next twelve months are even less optimistic.

ECONOMIC OUTLOOK

America's small-business owners perceive a dramatic shift in the economic climate and express anxiety over a looming recession. Across a host of economic measures, small-business owners express significant trepidation about what is in store:

- Seven out of ten (71 percent) business owners say the economy is worse today than five years ago. This represents a significant shift from just one year ago, when 43 percent of businesses surveyed said the economy is worse.
- Nearly half of all business owners (45 percent) expect a recession in the next year, while an equal number (45 percent) expect a flat economy. Just 9 percent say they anticipate economic expansion.
- Fifty percent (50 percent) of those surveyed say "economic uncertainty" is one of the most significant challenges they face to the growth and survival of their business.

On a slightly more encouraging note, small-business owners remain confident in their own futures.

- Seventy percent (70 percent) of all business owners say they are confident in the future of their business. However, this does mark a noteworthy drop from last year, when 81 percent of business owners said they were confident in their business' future.
- Confidence is not shared equally, with only 64 percent of companies with four or fewer employees expressing confidence in their future.

Expecting much growth in sales, profits, or jobs created is not likely to happen, at least for now. Companies are asked whether they have experienced in the last year, or expect changes in the next year across these economic indicators:

- Gross Sales Revenue
- Net Profits
- Number of Employees
- Employee Compensation
- Sales and profits are down, and fewer jobs are being created in 2008 than at any period over the last 15 years during which this survey has been conducted.
- Equally as concerning, the outlook of business owners

for the next twelve months is less optimistic that at any point since 1993. Fewer companies report expectations for increases in sales or profits, and fewer than one out of four companies expect to bring on more employees.

LABOR AND EMPLOYMENT ISSUES

Economic conditions also take a toll on employee compensation. Small businesses struggle to keep up with the benefits workers want. Health care insurance continues to be the dominant concern.

- Seven out of ten (69 percent) small-business owners say "health/medical insurance" is the most important benefit to prospective employees.
- But, just one in four companies (25 percent) with four or fewer employees is able to offer a health benefit.
- Overall, the significant trend of fewer companies offering health benefits continues. In the 2000 survey, 51 percent of companies surveyed were offering a health benefit. This figure dropped to 41 percent in 2007, and to a low of 38 percent in 2008.
- Bigger small businesses that are more likely to provide a health benefit (71 percent) are aggressively seeking ways to trim costs, including being forced to pass more of the costs on to their employees, or changing policies to ones with higher deductibles and co-pays.

FINANCING

Businesses of all sizes are feeling the impact of the credit crunch. More than half (55 percent) of business owners surveyed said they have faced difficulty securing credit over the last year.

- Despite signs of the economic downturn, 70 percent of companies surveyed say they are able to obtain adequate financing, which is essentially no different from 2007 (67 percent).
- But, America's smallest companies do face bigger hurdles – over one-third (35 percent) of companies with four or fewer employees say they cannot get the financing they need.

Half of American businesses are living on loans.

- Fifty-four percent (54 percent) of small businesses have some type of business loan. To leverage these loans, business owners look to credit cards, personal savings, and their homes as primary sources.
- In a 21st Century trend, credit cards continue to be one of the primary sources of financing for small businesses.



- Forty-four percent (44 percent) of small businesses have used a credit card in the last twelve months to help finance their capital needs. America's smallest companies are most reliant on credit cards.

Certainly, if capital were more widely available, companies would be making new investments.

- Of the 72 percent of companies that said they would make changes to their company if they had additional capital, the top three strategies include: investing in advertising; hiring additional employees; and investing in a new plant or equipment.

PUBLIC POLICY

Facing more economic uncertainty this year, small-business owners want the next President to reduce the tax burden.

- Asked to name the issue most important for the next President to address, 40 percent say it is reducing the tax burden, followed by addressing health care costs (32 percent).

Business owners remain adamantly opposed to an employer mandate in health care.

- While small-business owners want the issue of health care to be addressed, 70 percent reject the idea of an employer mandate. They are more receptive to an individual mandate (66 percent favor).

Energy prices are also placing a heavy toll on American business, and have created a ripple effect in our economy.

- Fully 77 percent of business owners surveyed say rising energy prices have had a negative effect on their business. In response to rising costs, 37 percent of businesses have increased their prices, 33 percent have reduced their business travel, 11 percent have cut their production schedule, and 10 percent have reduced their workforce.
- On a more positive note, 18 percent of these companies have taken steps to invest in more energy efficient equipment or upgrades.

METHODOLOGY

On behalf of the National Small Business Association, Public Opinion Strategies conducted a national Internet survey of 500 small and mid-sized business owners from February 15-25, 2008. To ensure results represented a proper distribution by company size for the small and mid-sized business market, the results were weighted by 2004 U.S. Census Bureau of the Census data.

Profile of Respondents

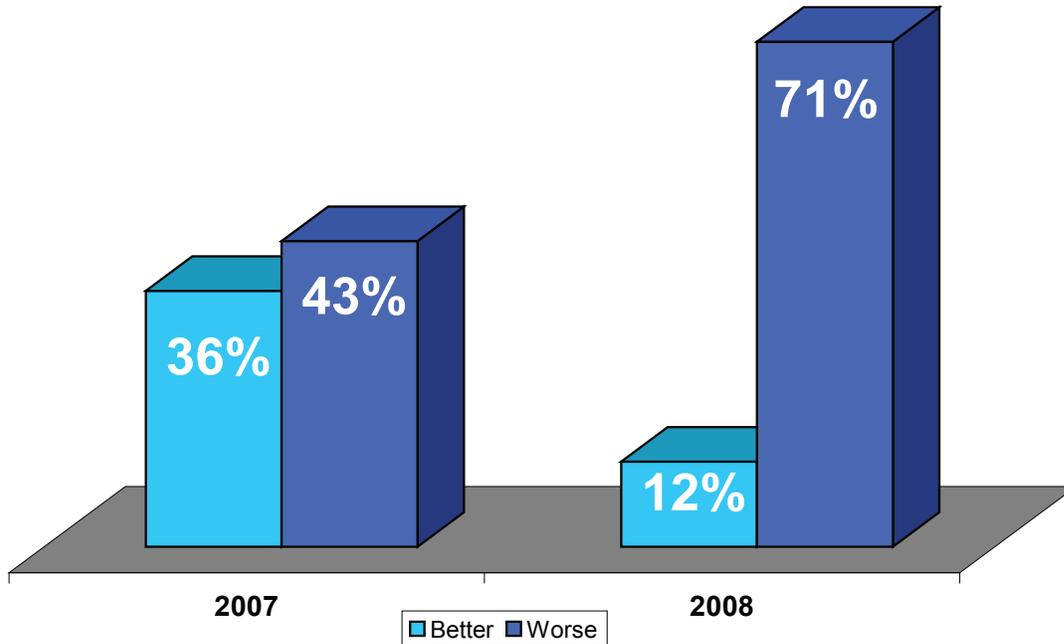
Profile of Respondents	
Number of Personnel	
0	7%
1-4	54%
5-19	28%
20-99	9%
100-499	2%
Number of Years in Business	
Less than 1 year	5%
1-3 years	11%
4-6 years	16%
7-10 years	18%
11-15 years	13%
More than 16 years	38%
Revenues for Most Recent Fiscal Year	
Less than \$100K	35%
\$100K-\$500K	26%
\$500K-\$1M	14%
\$1M-\$5M	16%
\$5M-\$25M	5%
\$25M-\$75M	1%
\$75M-150M	1%
More than \$150M	1%
Location of Business	
Northeast	23%
Midwest	22%
South	31%
West	24%



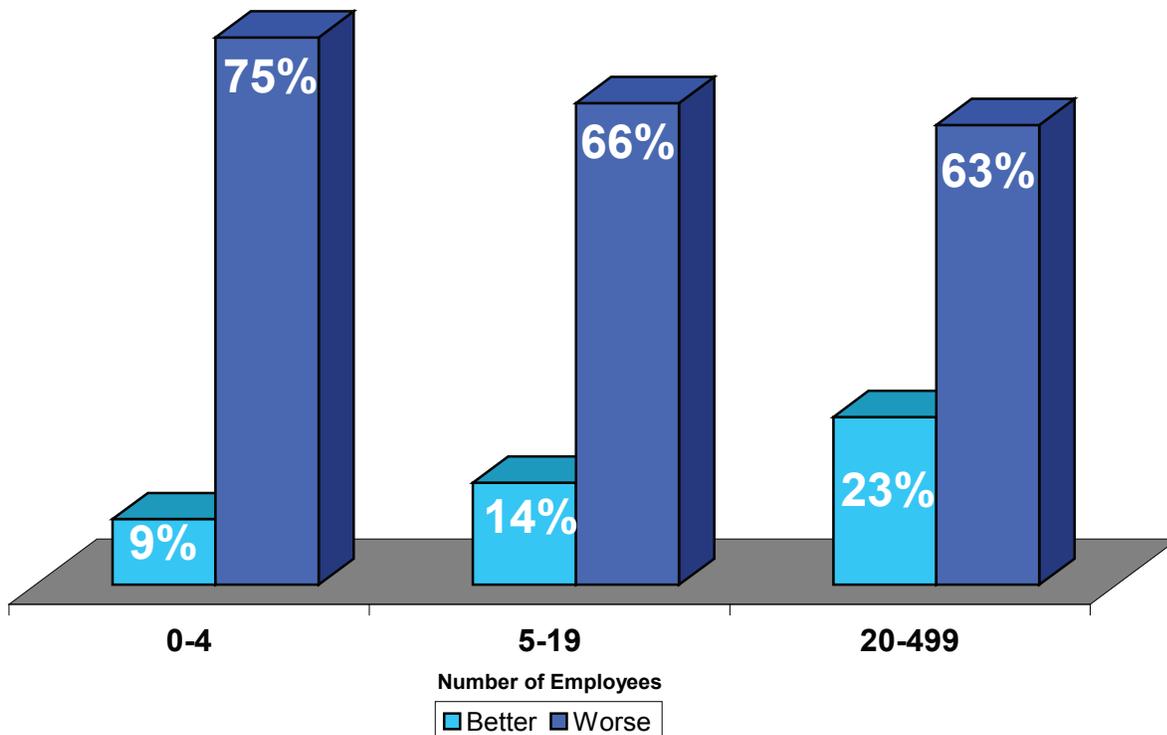
BUSINESS ENVIRONMENT

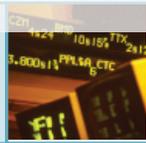
In a little less than a year, perceptions about the national economy have shifted quite dramatically.

“Compared to five years ago, would you say the national economy is...”



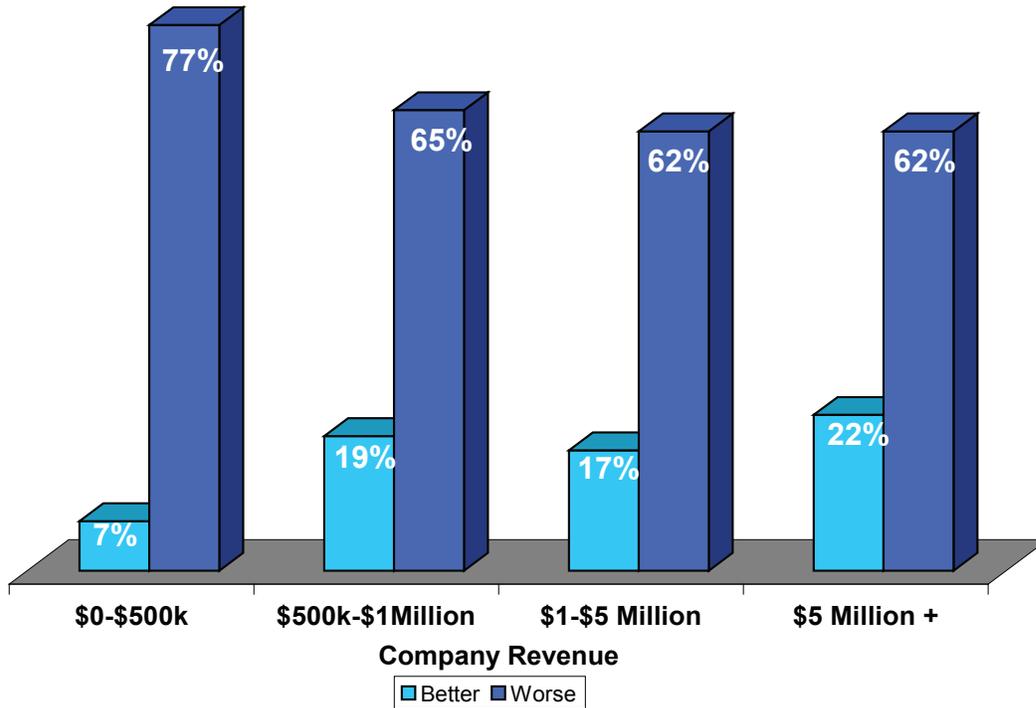
Companies of all sizes recognize a slumping economy, but smaller firms have a more negative outlook.





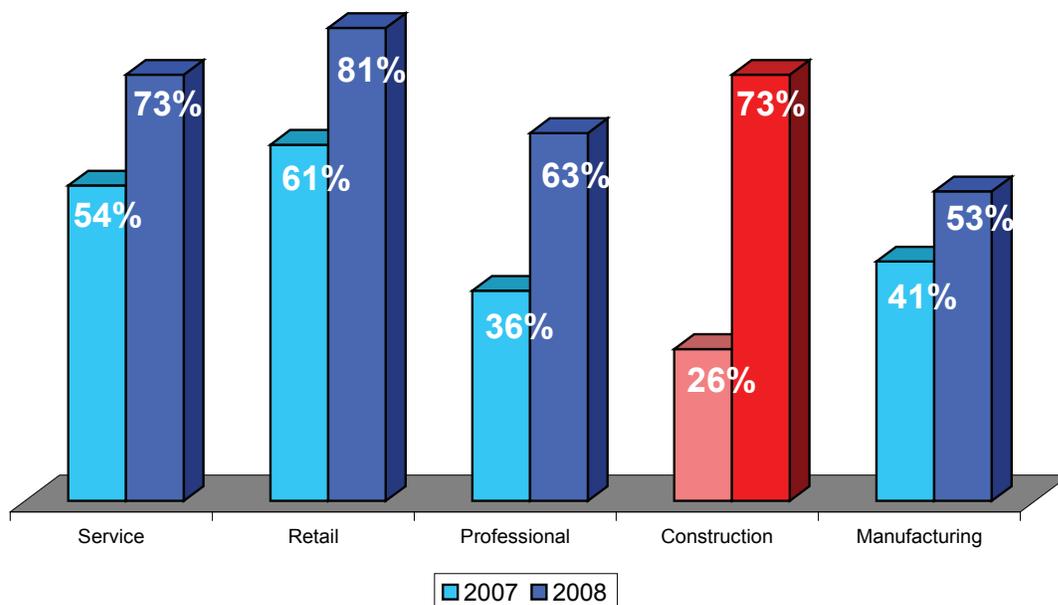
Companies with less revenue also perceive the economy to be worse.

“Compared to five years ago, would you say the national economy is...”



The construction industry’s economic outlook is vastly different from last year’s, a likely indicator of the housing market crash and slumping economy

Total Worse

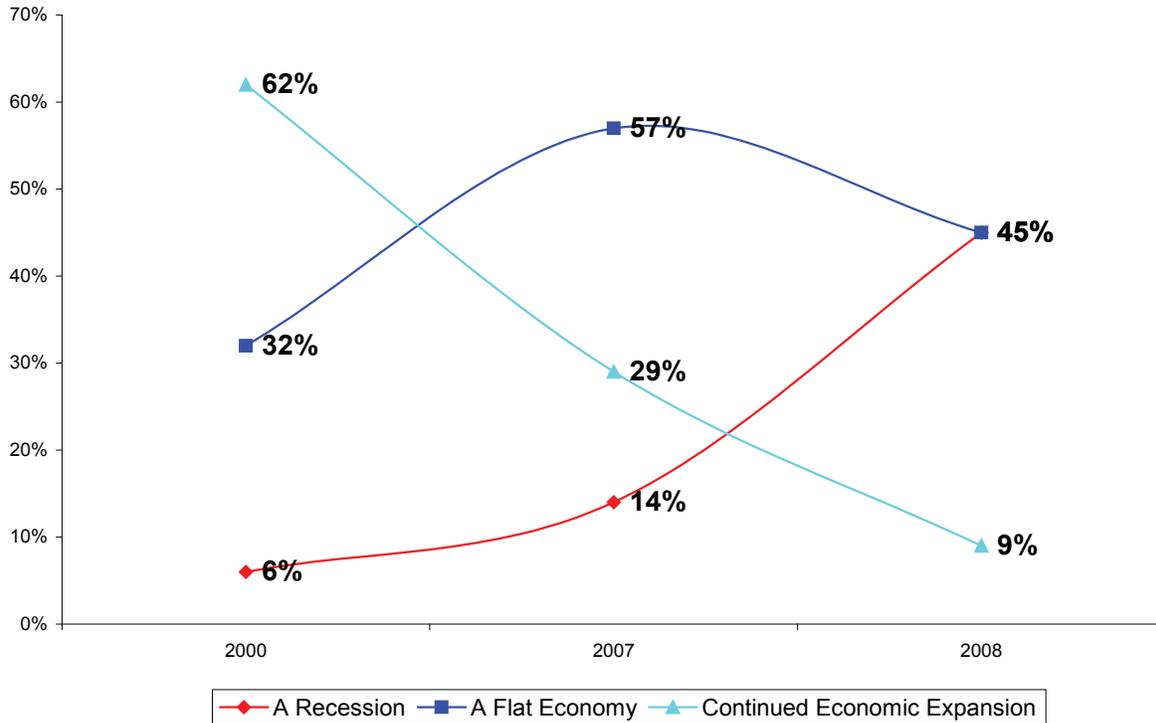




ECONOMIC OUTLOOK

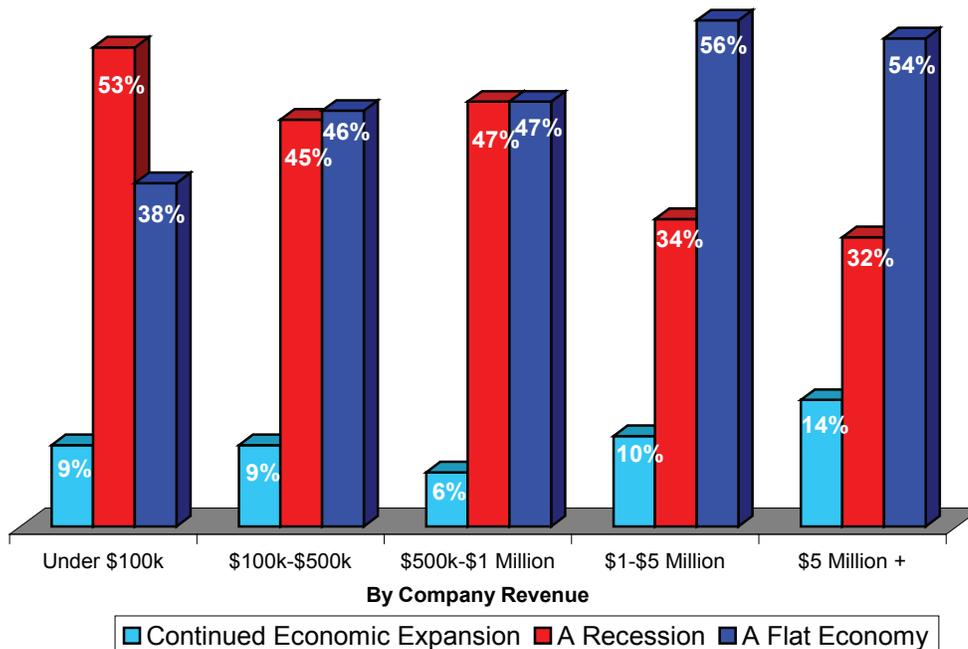
Optimism has plunged since 2000.

“Thinking about the upcoming year... In 2000, 2007 and 2008, do you anticipate...”



The companies with the least revenue express most concern that a recession is on the horizon.

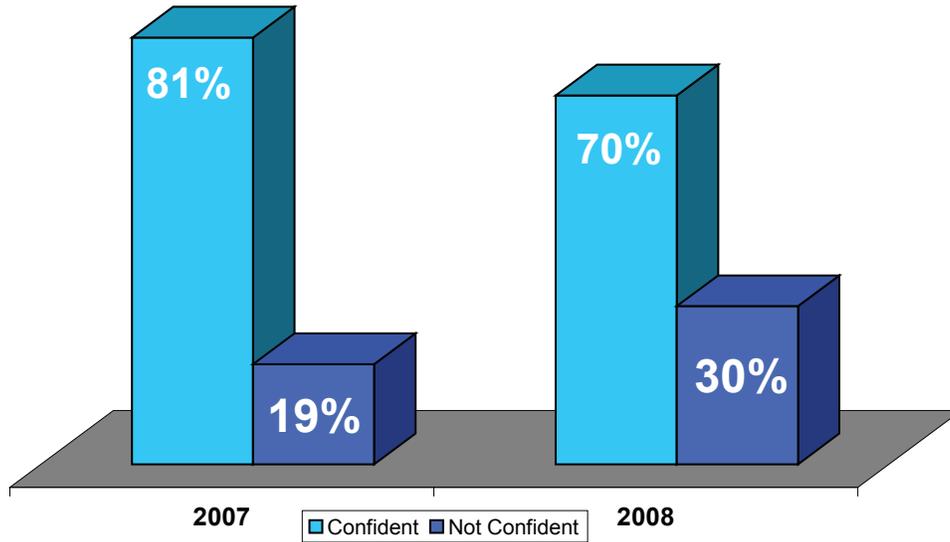
“Thinking about the upcoming year... In 2008, do you anticipate...”





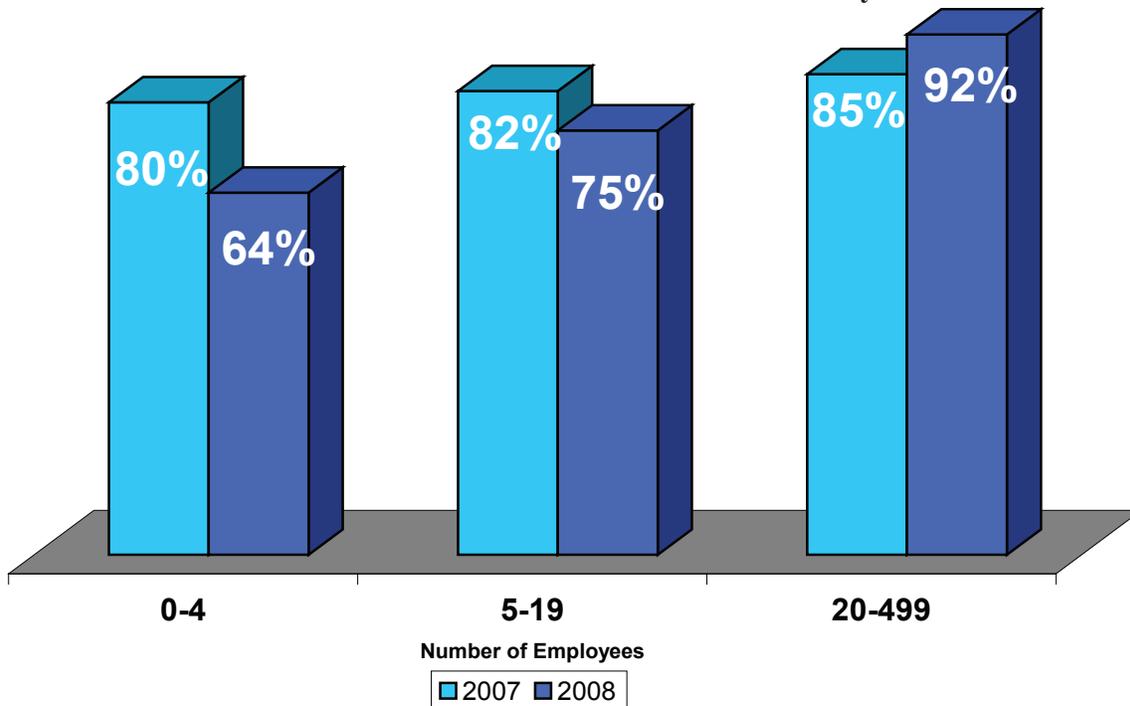
Although seven out of ten small-business owners remain confident about their business future, one-third expressed concern about their survival.

“From a financial perspective, how do you feel right now about the future for your business? “



Confidence is lowest among the smallest companies...

Percent Confident About Future for Business By Size

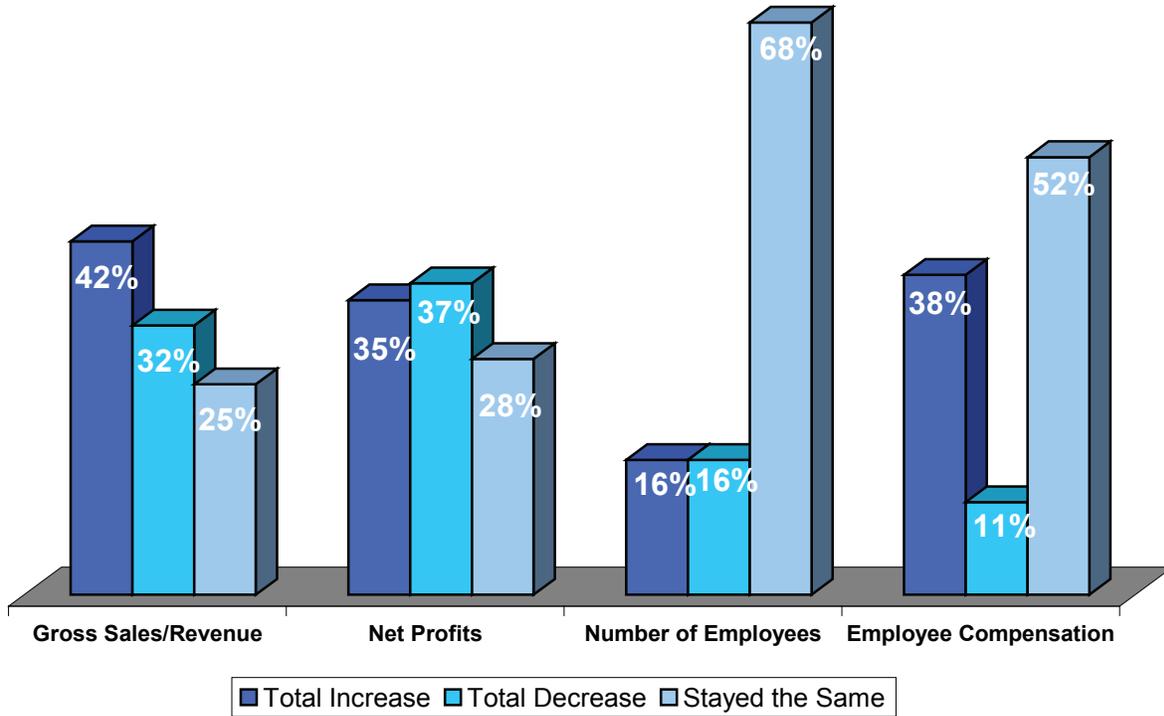




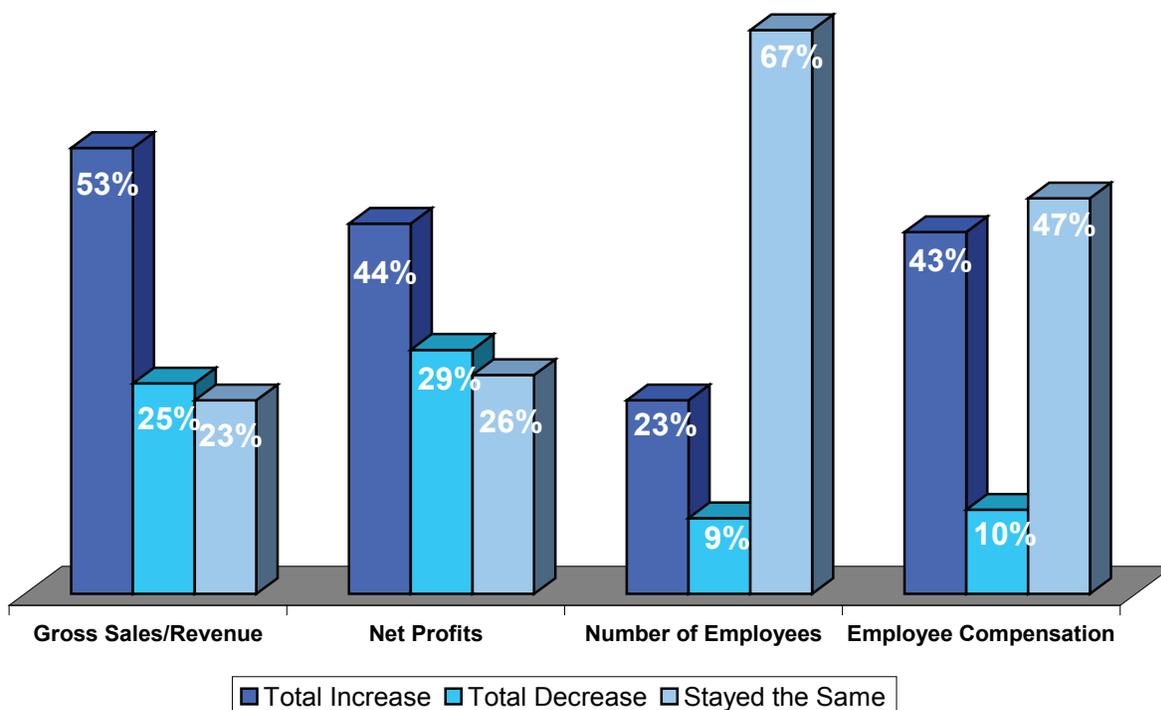
ECONOMIC OUTLOOK

Business growth in the past 12 months and projected growth for the coming year is down significantly.

“In your business, how have the following four areas changed over the LAST 12 MONTHS?”



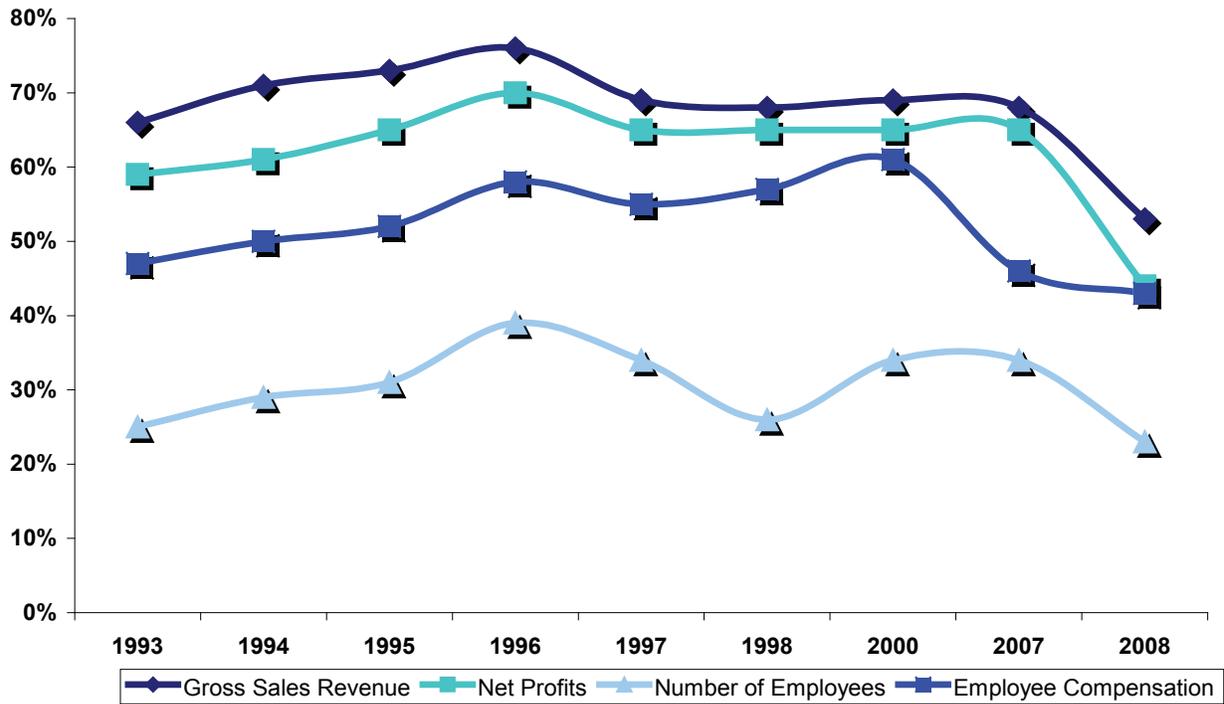
“In your business, how much do you expect the following four areas to change over the NEXT 12 MONTHS?”



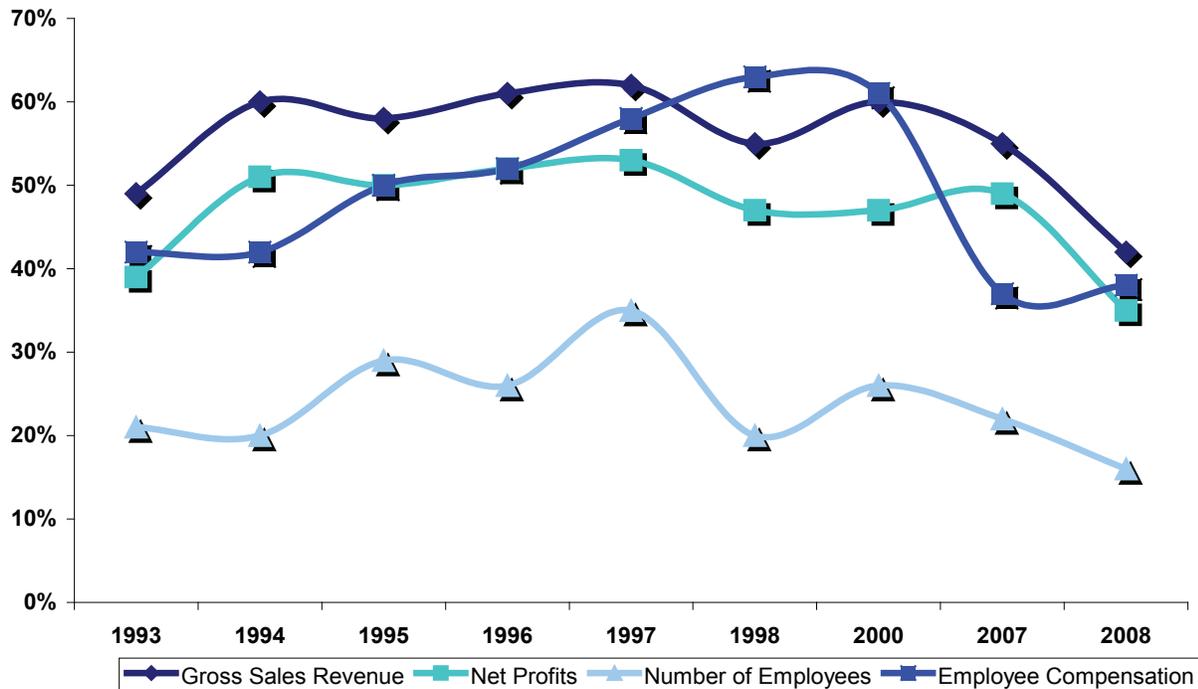


The 2008 growth numbers are the lowest measured since this survey began in 1993.

“In your business, how have the following four areas changed over the LAST 12 MONTHS ?”



“In your business, how much do you expect the following four areas to change over the NEXT 12 MONTHS ?”

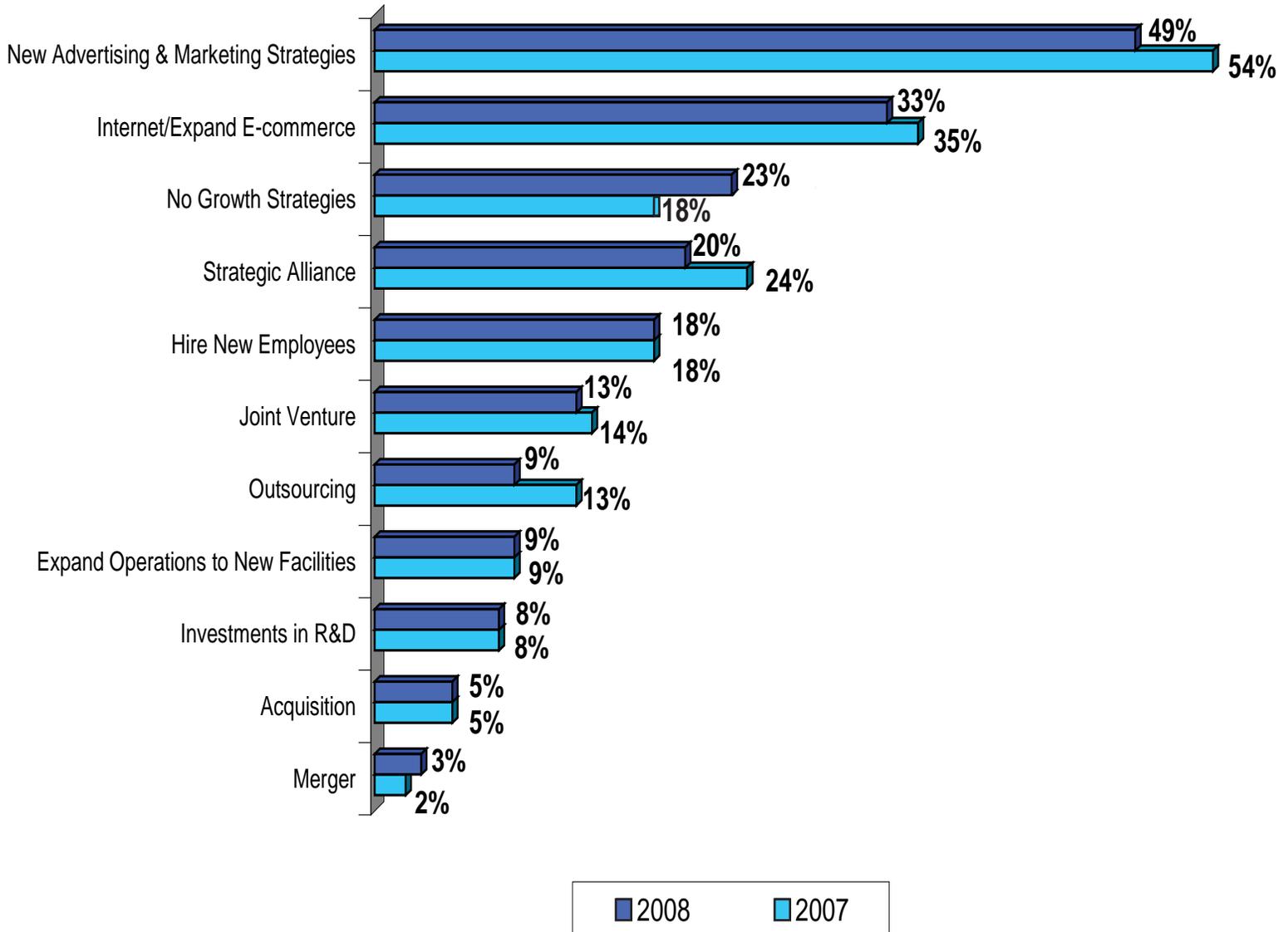




ECONOMIC OUTLOOK

Companies are looking at more constricted growth strategies compared to a year ago.

“Which of the following growth strategies will you use in the next 12 months?”





ENTREPRENEURS

“While the 2008 NSBA Small Business Survey finds that small businesses have a very **negative outlook** about the **economy** as a whole, they remain somewhat **optimistic** about their own **prospects**. This tracks closely with what we’d expect to see from self-starting entrepreneurs.”

-Glen Bolger, partner and co-founder of Public Opinion Strategies

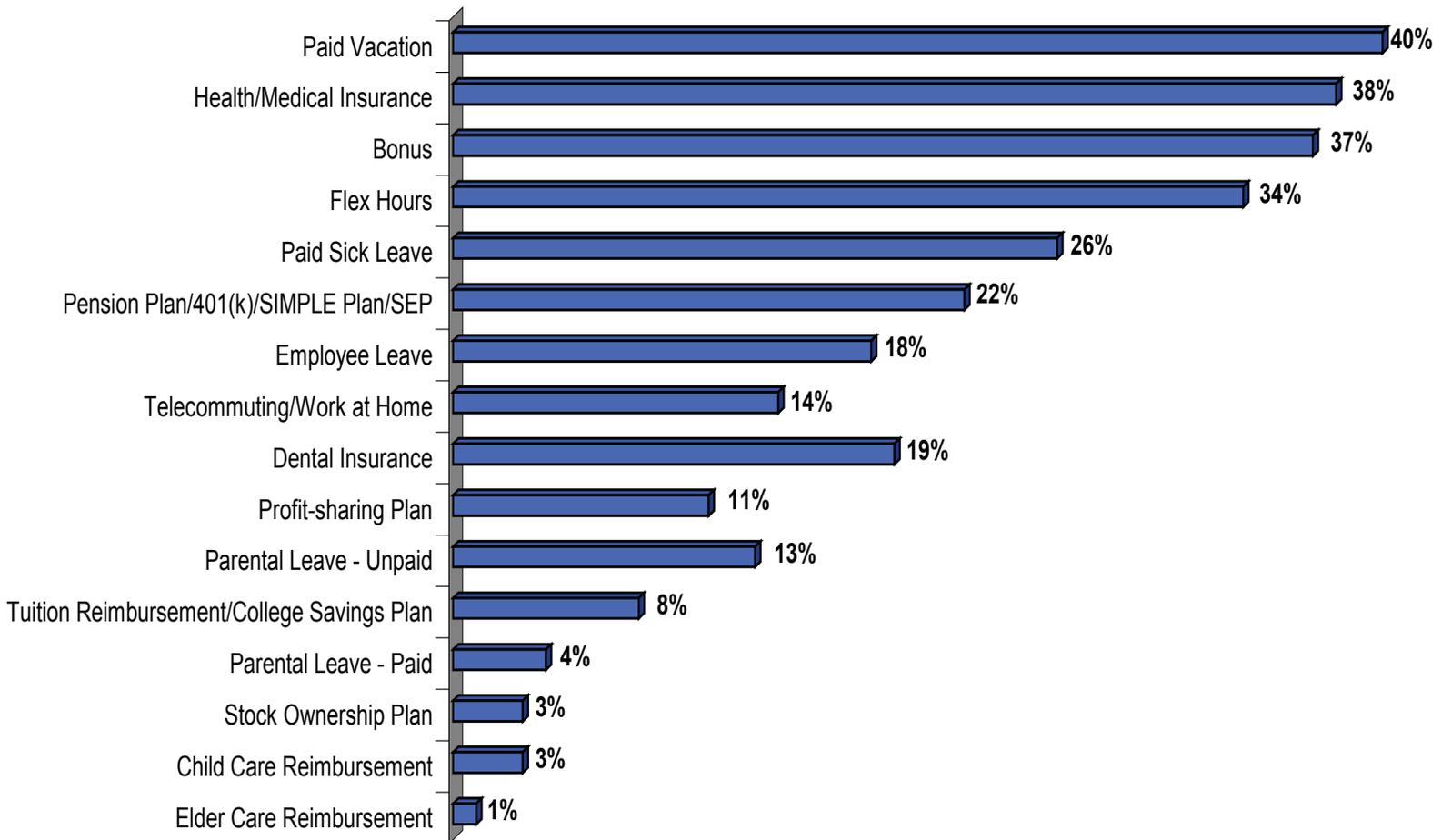
SURVEY



EMPLOYEE & LABOR ISSUES

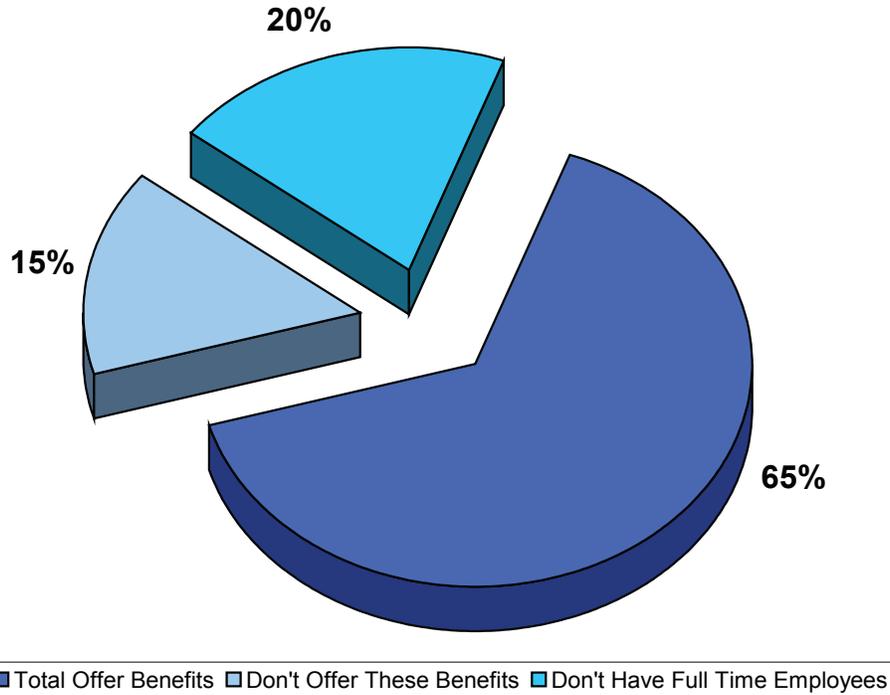
Although the number of employers offering some type of employee benefit is down slightly from last year, a majority continue to provide employee benefits.

“Thinking now about employee benefits, which of the following do you offer to your full-time employees?”





More than six out of ten companies offer some type of employee benefit.



The drop-off since 1993 in companies offering health benefits is significant.

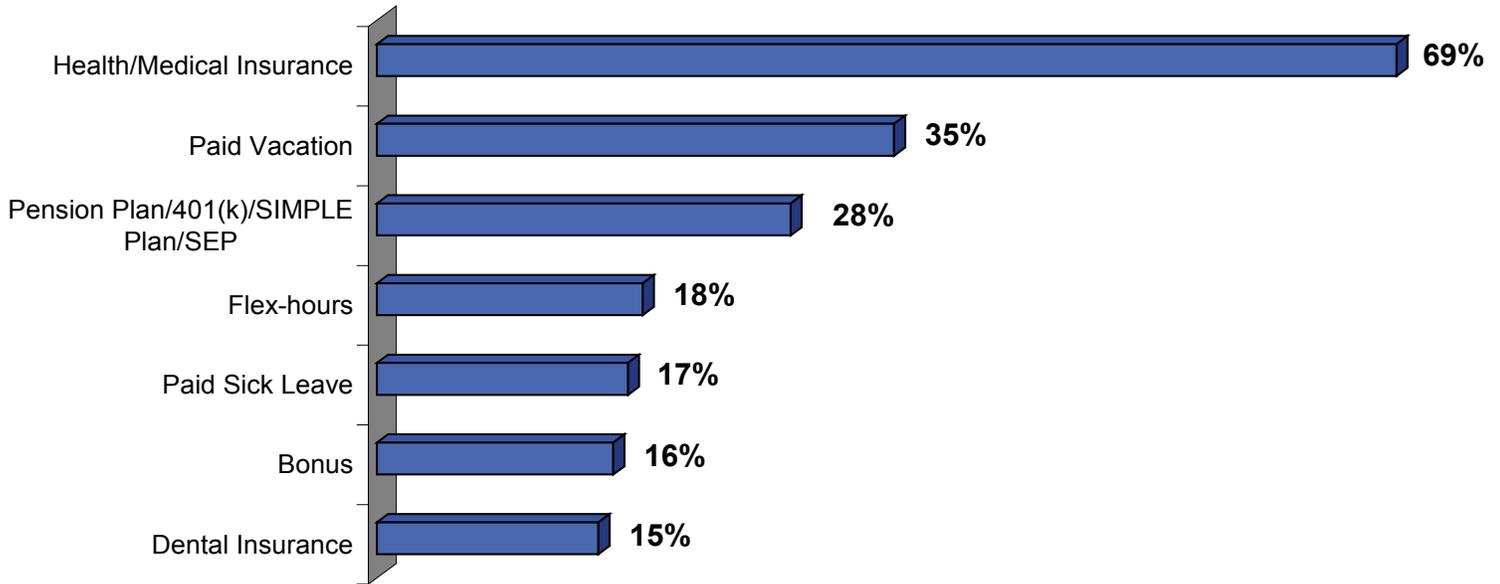
Employee Benefits	1993	1994	1995	1995	1997	2000	2007	2008	Change from 2007-2008
Health/Medical Insurance	61%	63%	67%	63%	58%	51%	41%	38%	-3%
Bonus	43%	47%	49%	53%	55%	*	39%	37%	-2%
Flex-hours	34%	34%	32%	35%	36%	41%	35%	34%	-1%
Paid Sick Leave	44%	48%	52%	45%	45%	*	28%	26%	-2%
Pension Plan/401(k)	21%	29%	28%	29%	28%	28%	22%	22%	0%
Employee Leave	18%	21%	22%	15%	19%	27%	19%	18%	-1%
Work at Home	*	*	*	9%	12%	16%	19%	14%	-5%
Dental Insurance	22%	25%	25%	26%	*	*	17%	19%	2%
Profit-Sharing Plan	16%	20%	20%	23%	19%	15%	12%	11%	-1%
Parental Leave - Unpaid	17%	20%	18%	17%	16%	16%	12%	13%	1%
Tuition Reimbursement	15%	17%	19%	19%	14%	*	8%	8%	0%
Parental Leave - Paid	5%	5%	7%	6%	*	*	4%	4%	0%
Stockownership Plan	4%	6%	6%	4%	3%	3%	3%	3%	0%
Childcare Reimbursement	2%	3%	2.5%	1.8%	3%	3%	1%	3%	2%
Elder Care Reimbursement	*	1%	0.5%	0.1%	0.3%	1%	1%	1%	0%



EMPLOYEE & LABOR ISSUES

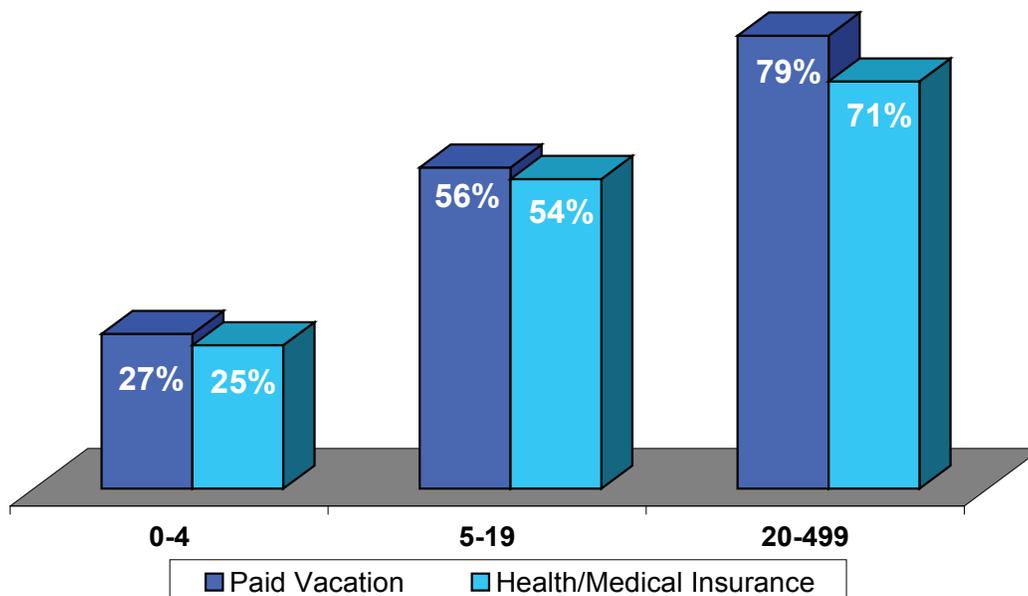
As has been the case in past surveys, health insurance is the benefit employers most want to provide their employees.

“What would you say are the two or three most important benefits, regardless of whether your company is currently able to provide the benefit, to prospective employees at your company?”



Smaller companies are struggling to keep up with the benefits workers want.

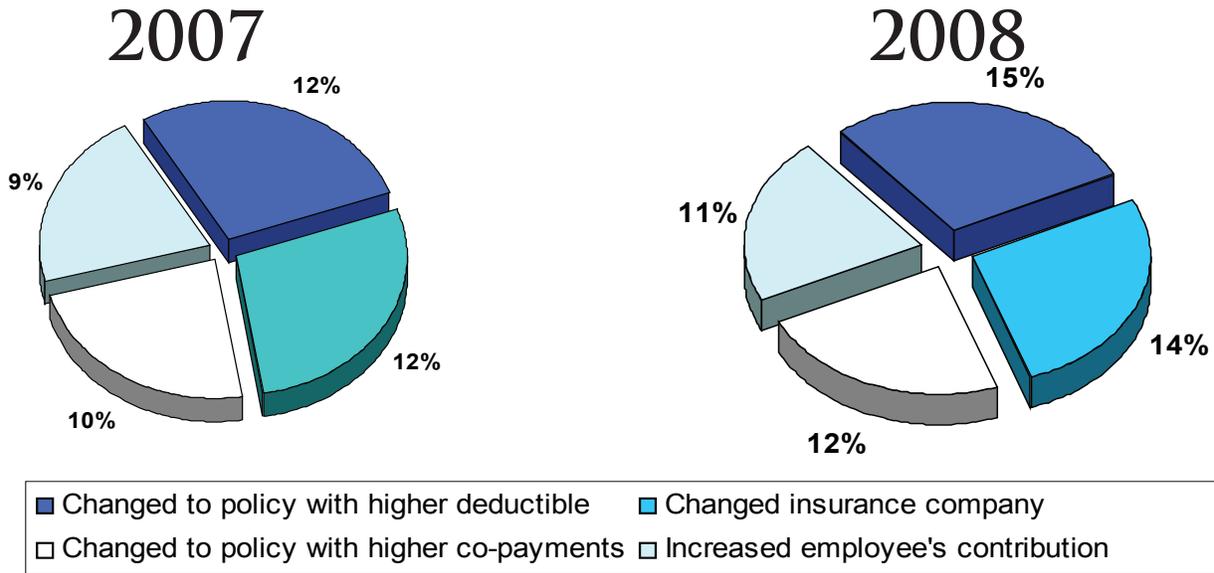
“Which of the following do you offer to your full-time employees?”





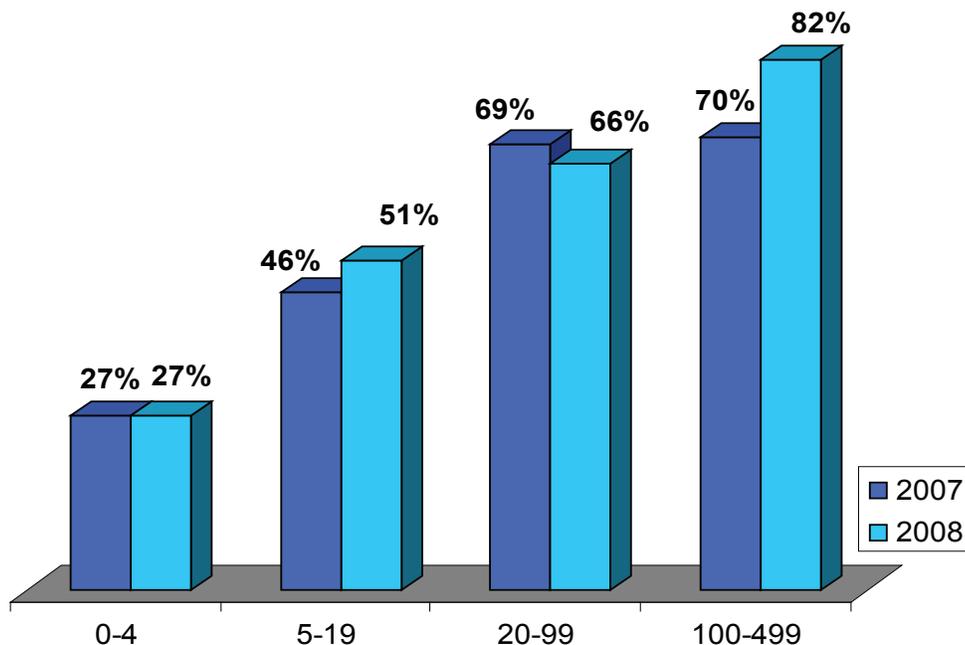
Companies are being forced to pass their costs on to their employees.

“In order to better manage health care costs, has your company done any of the following within the LAST 12 MONTHS?”



The bigger companies are the ones more aggressively seeking ways to trim costs, and are the ones most likely to be offer health benefits.

Percent Cutting Health Care Costs by Company Size

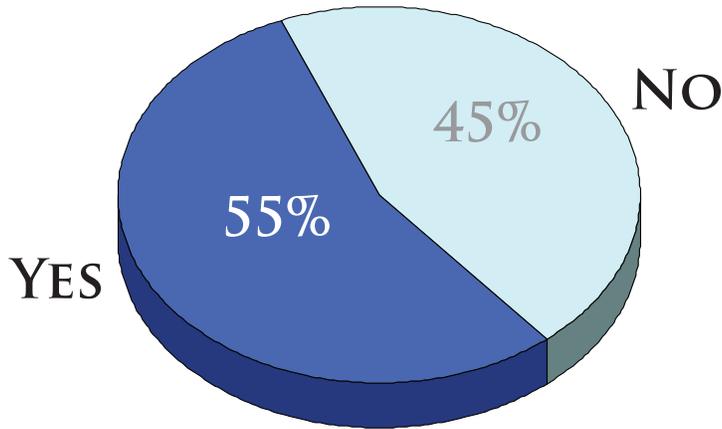




FINANCING

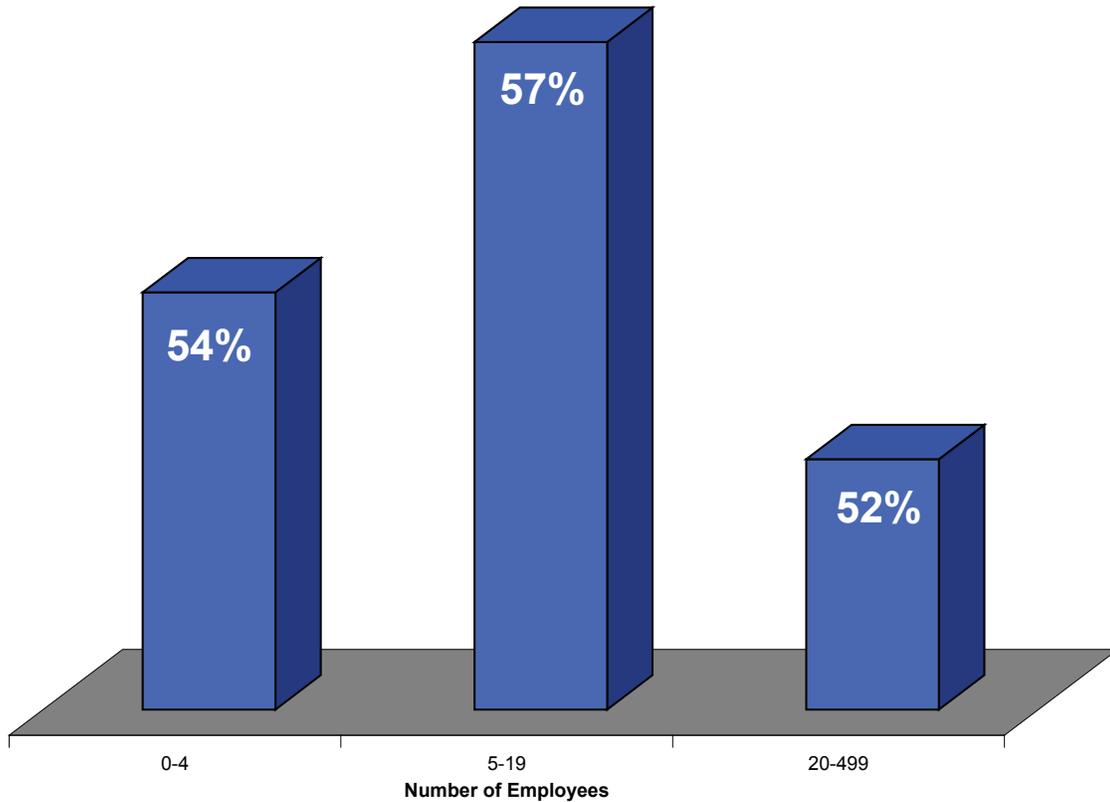
More than half of businesses surveyed have felt the impact of the credit crunch.

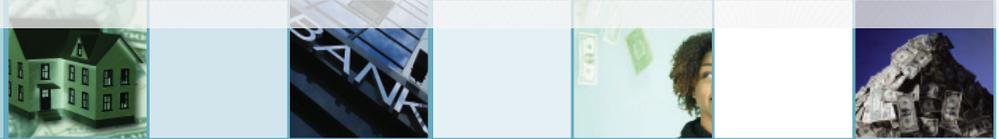
“In the last six months, has your business had difficulty securing credit?”



The impact of the credit crunch is being felt across companies of all sizes.

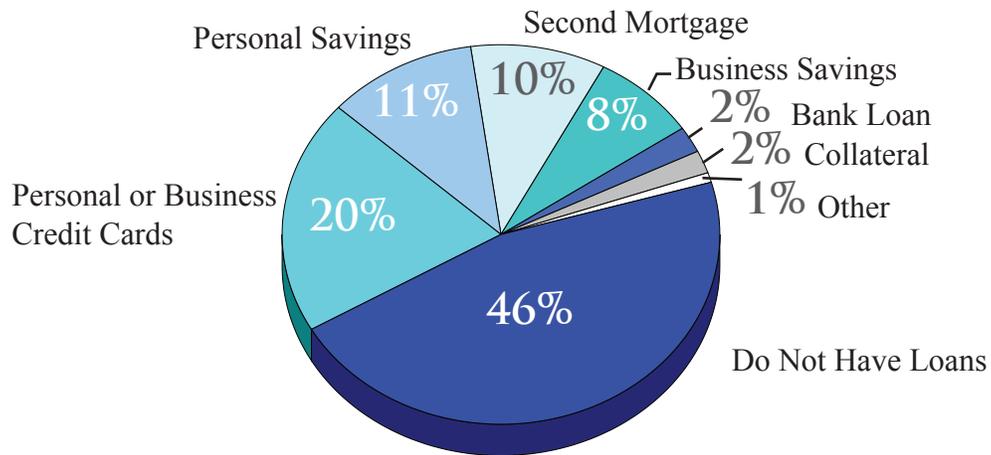
Difficulty Securing Credit- Percent Yes



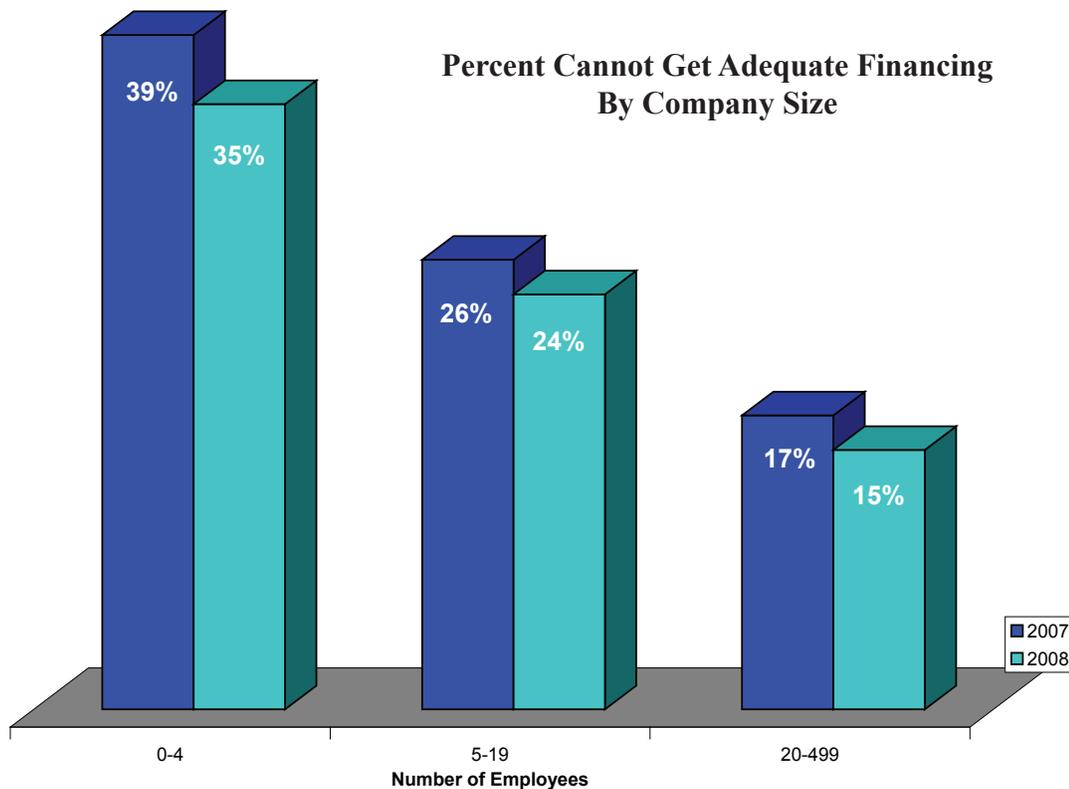


More than half (54 percent) of the companies surveyed have some type of business loan. Those companies with loans look to credit cards, savings and their homes as primary sources to leverage their loans.

“How do you leverage your business loans?”



Financing continues to be more of a challenge for America’s smallest businesses.

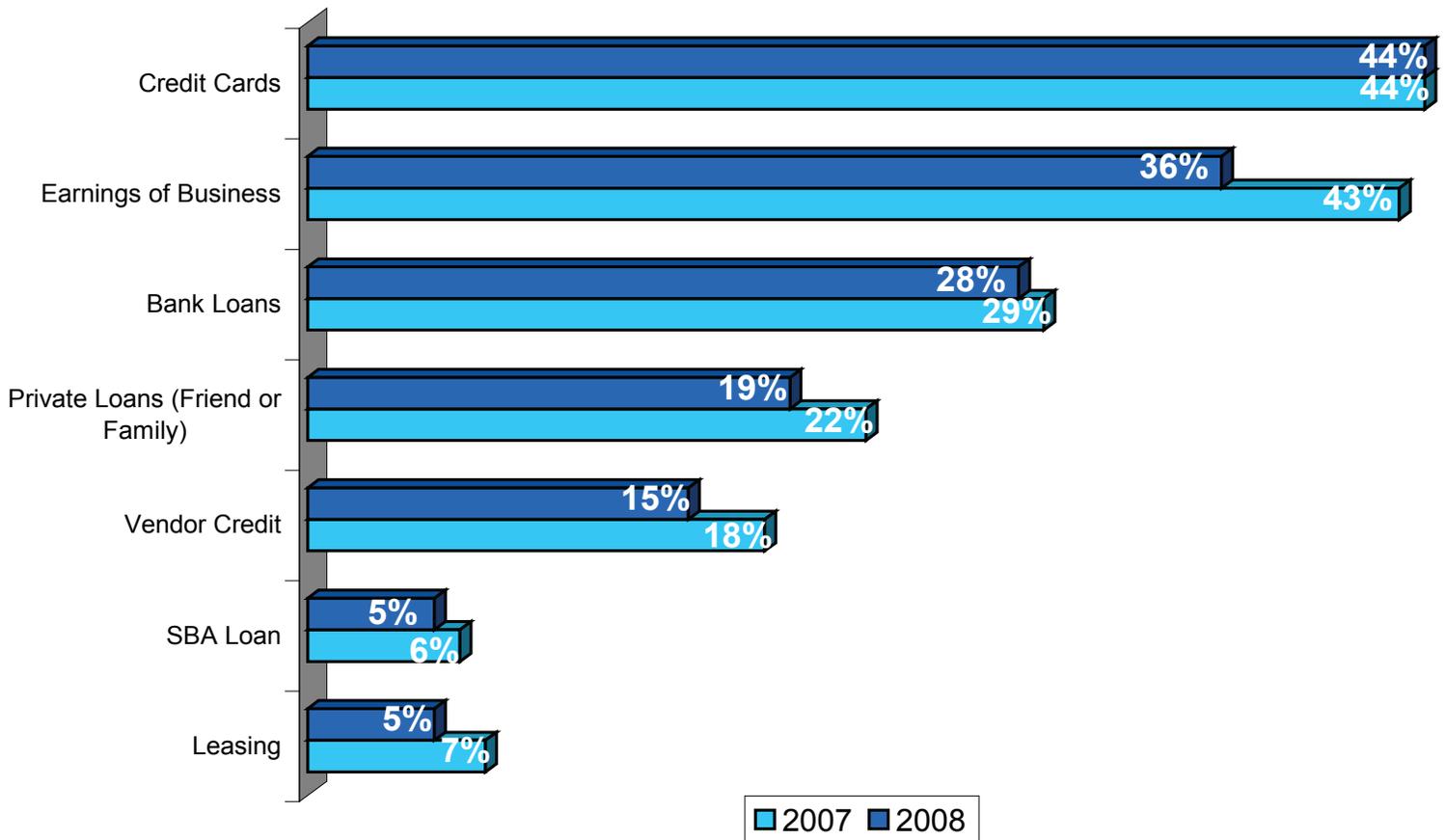




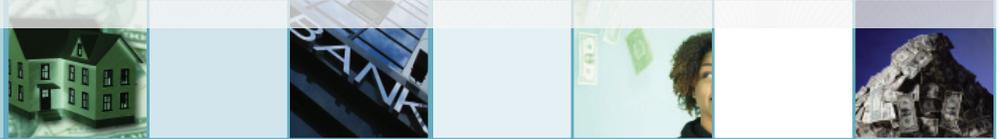
FINANCING

Businesses use a multitude of financing options to meet their capital needs, with credit cards topping the list.

“What types of financing has your company used within the LAST 12 MONTHS to meet your capital needs?”

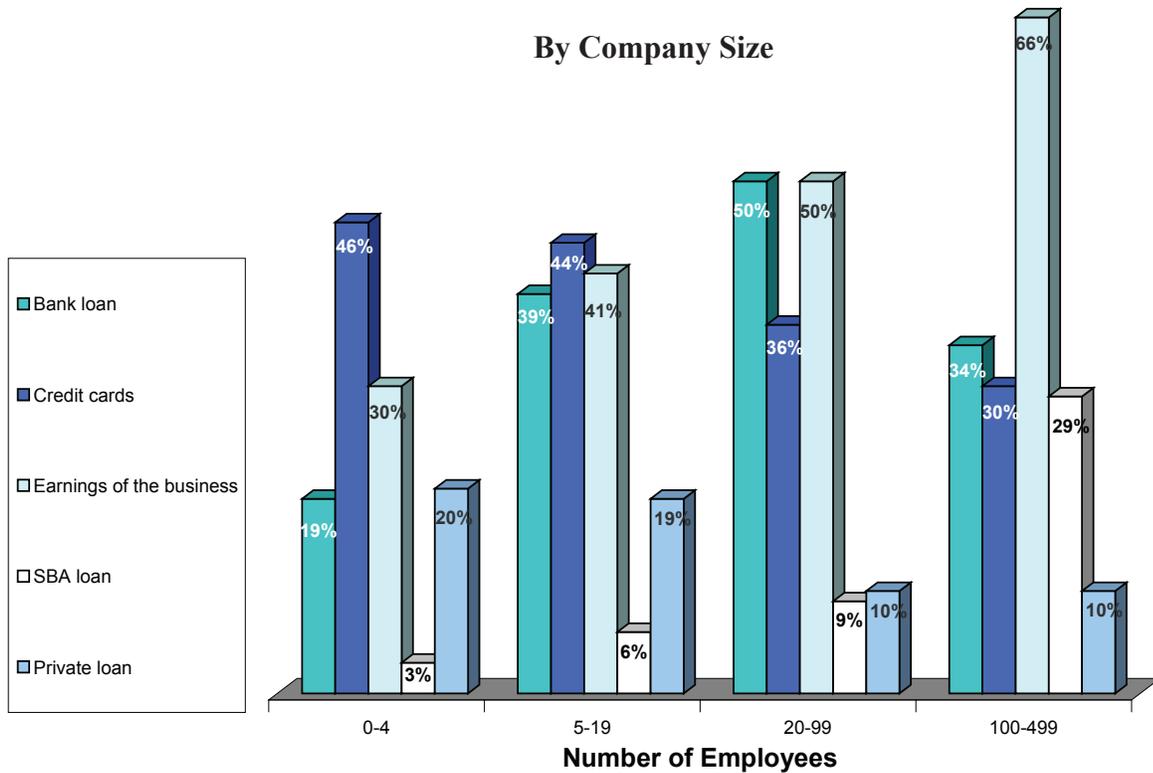


Credit cards are the only source of financing that did not decrease between 2007 and 2008.

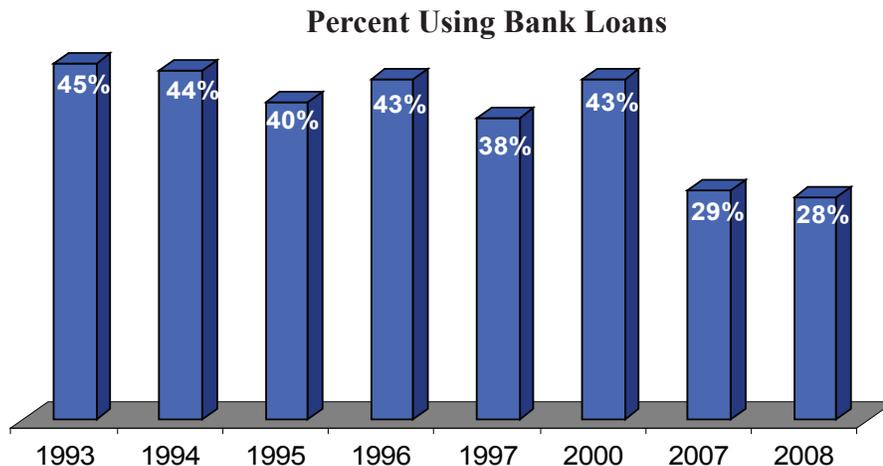


Bigger businesses can rely on bank loans and their earnings, while smaller companies come to depend more on credit cards and private loans.

“What types of financing has your company used within the LAST 12 MONTHS to meet your capital needs?”



Small businesses using bank loans for financing has reached an all time low.

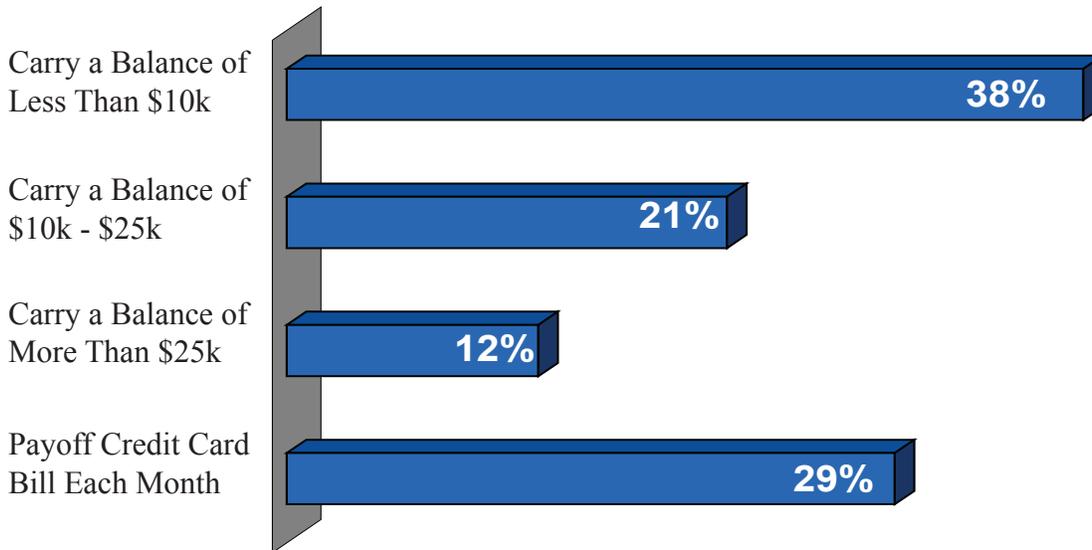




FINANCING

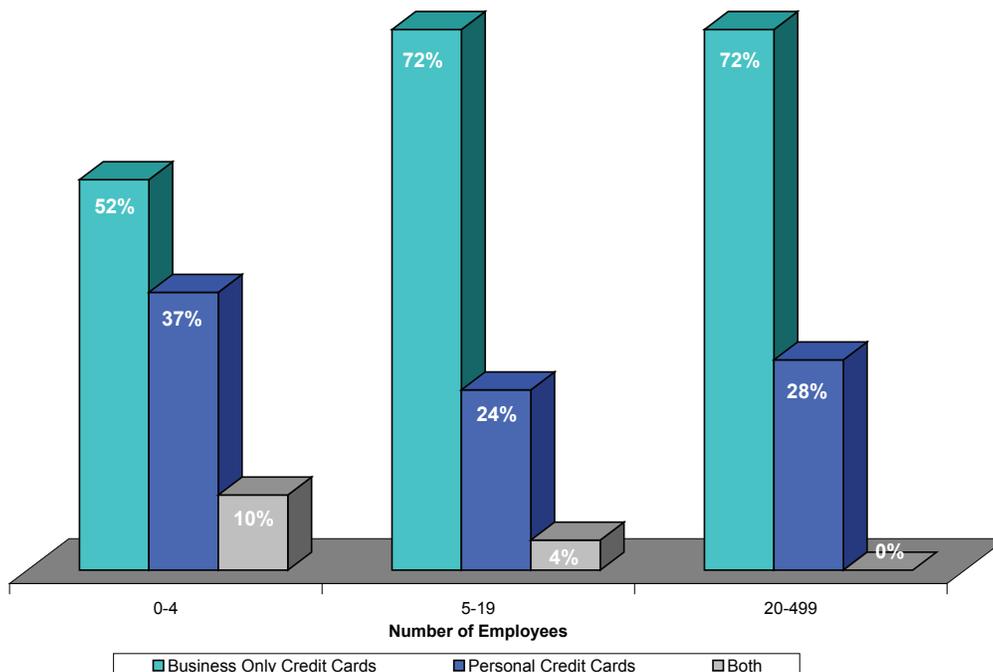
For companies using credit cards, they are carrying sizable balances.

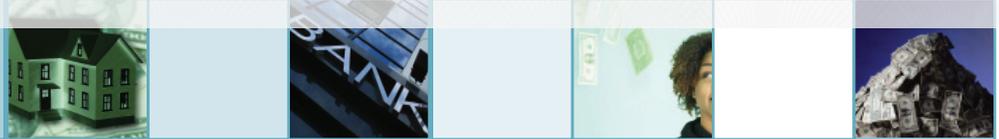
“Thinking about your business’ credit cards... Do you carry a balance of less than \$10,000, carry a balance of \$10,000-\$25,000, carry a balance of more than \$25,000, or pay off your credit card bill each month?”



Companies with less revenue are forced to rely more on personal credit cards

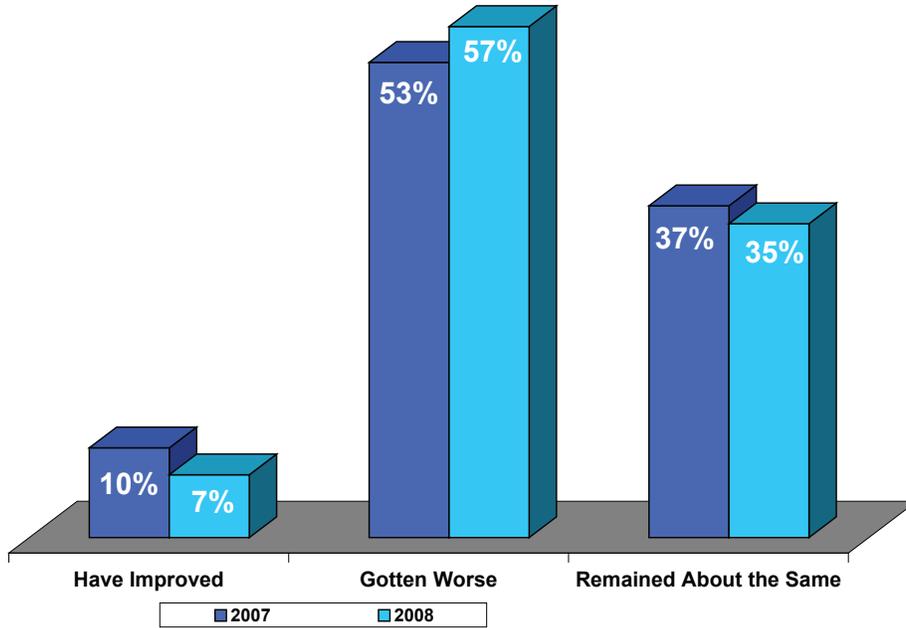
“What kinds of credit cards do you use?”



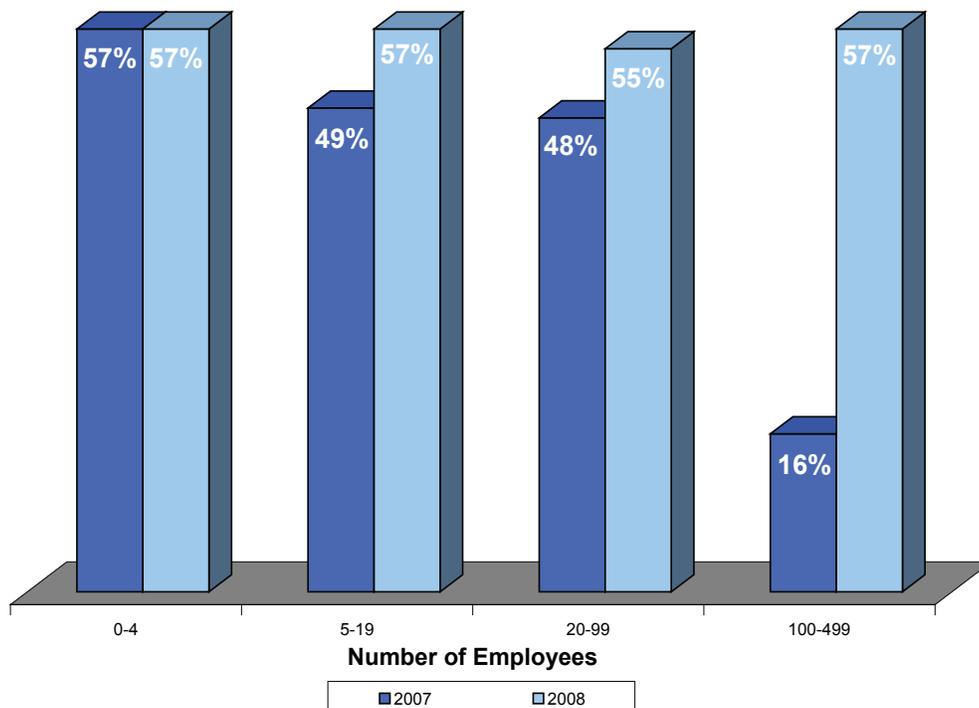


Although interest rates decreased slightly for business credit cards, the small-business owners believe their credit card terms are getting worse.

“Do you believe that the terms on your business credit cards, including interest rates, late fees, time to pay in full, etc., have improved, gotten worse, or remained about the same over the last five years?”



Medium-sized businesses report the greatest jump in worsening credit card terms.

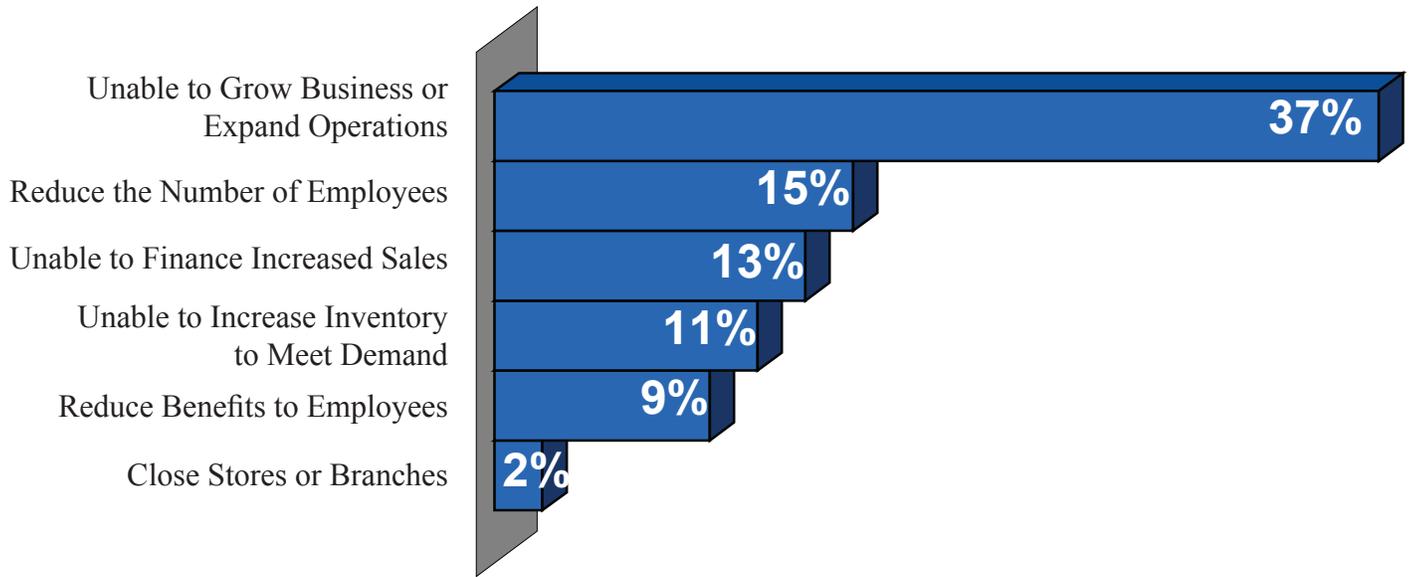




FINANCING

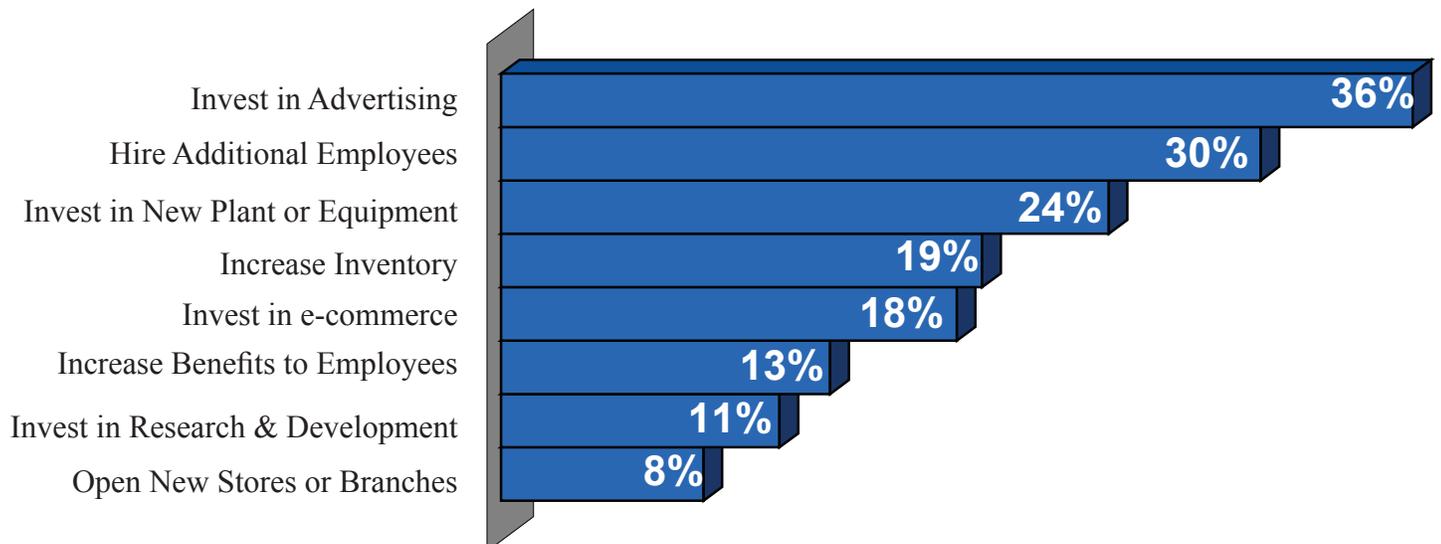
Simply put, the lack of capital means these businesses just don't grow.

“If capital availability is a problem for your business, what is the effect on your operations?”



Businesses impaired by an inability to access financing would grow their business if additional capital was available

“If you were able to obtain additional capital for your business, what are the first three actions that you would take?”





SMALL BUSINESS

ECONOMIC

“Our survey shows plain and clear how the **economic slowdown** is affecting small business. When asked last year about their economic outlook, a majority of **small-business owners** responded positively. This year, a whopping 71 percent have a negative outlook on the economy—clearly small business is **feeling the pinch.**”

- NSBA President Todd McCracken

SLOWDOWN

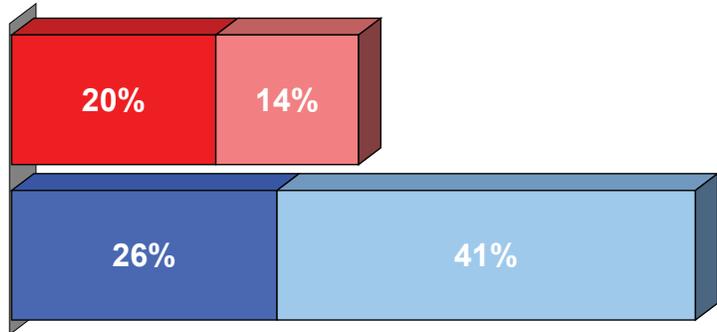


PUBLIC POLICY

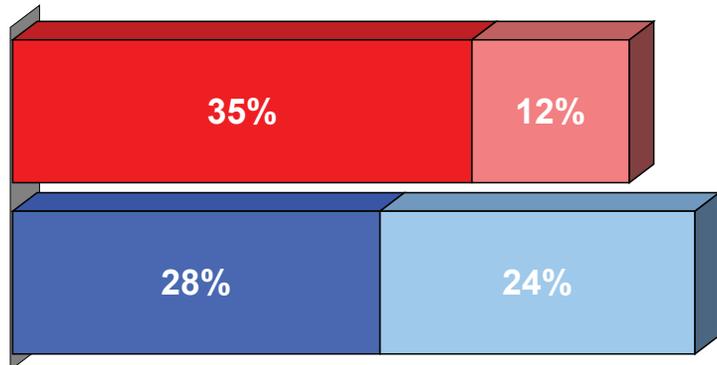
Small businesses support health care reform that would ensure every individual has health coverage, but reject a government mandate on businesses to provide it.

Respondents were asked to rate their support of the following health care reform proposals:

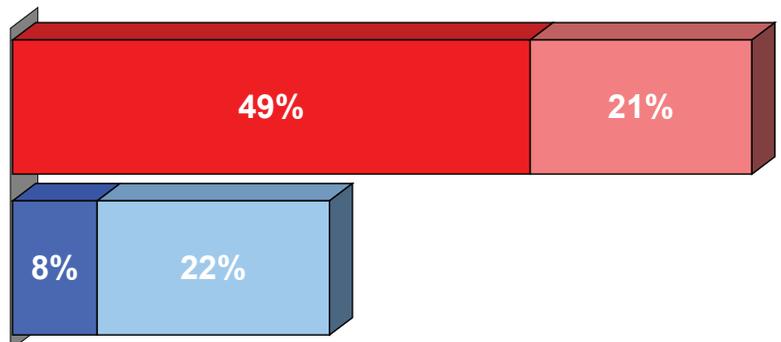
- *Require that every individual in this country secure a basic health care coverage package. To assist with this, insurance companies would be required to offer coverage to people with pre-existing conditions, and individuals and families would be provided with federal financial assistance to pay for health care premiums based on income.*



- *A federally-funded, government-administered health care system financed through taxes in which everyone has health care coverage for all medically necessary treatment and procedures.*



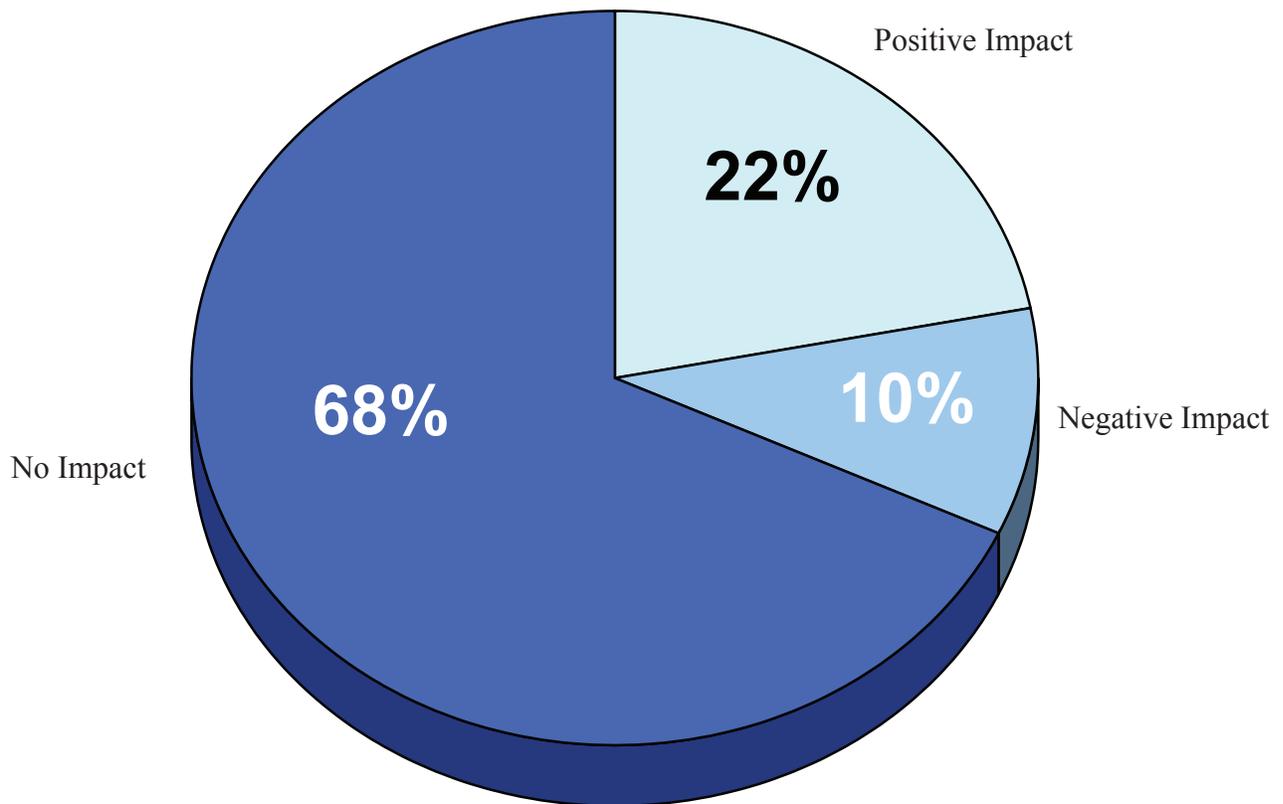
- *A requirement that all employers must provide health insurance benefits to all employees.*





The positive outcomes to estate tax reform far outweigh negatives for small business.

“If estate tax reform included an exemption on estates up to \$7.5 million, how would your business be impacted?”

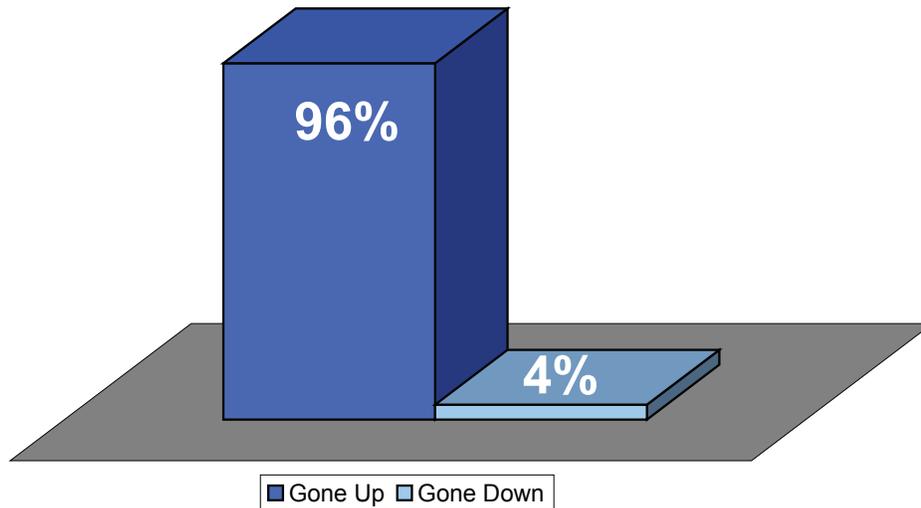




PUBLIC POLICY

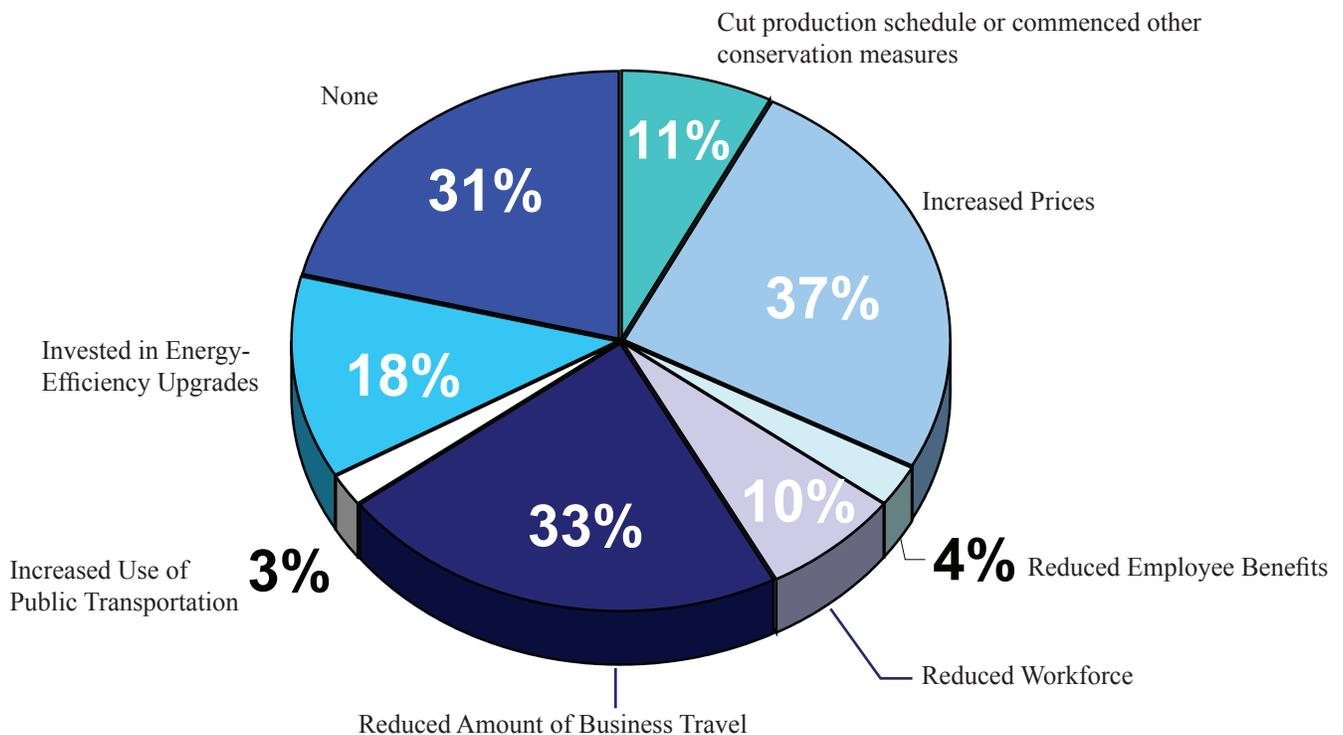
The overwhelming majority of small businesses have faced higher energy costs.

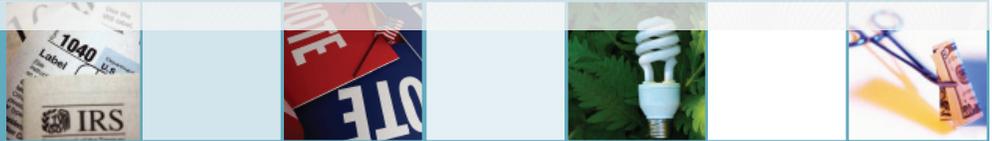
“In the last 12 months, have the prices you pay for the energy consumed at your business gone up or gone down?”



Businesses have been forced to take steps to mitigate the impact of higher energy prices.

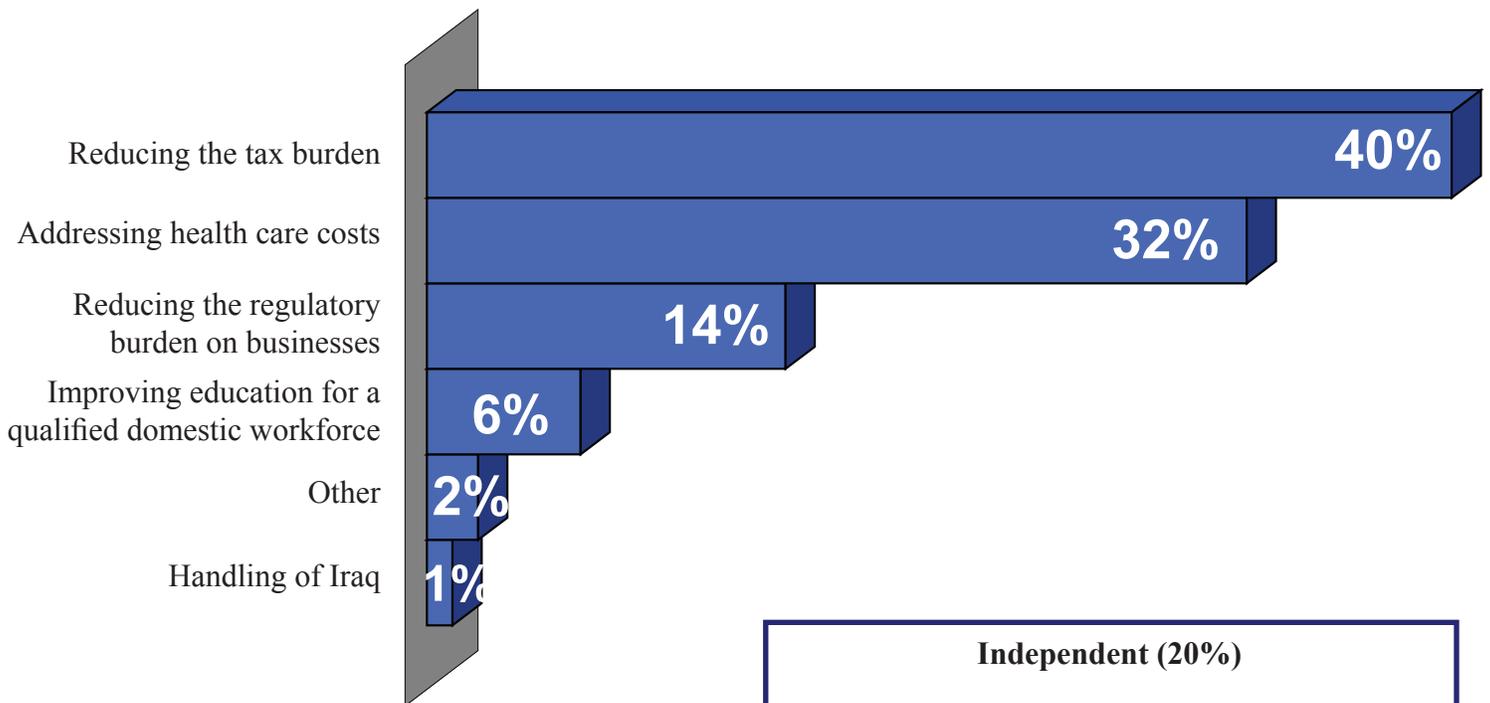
“In response to rising energy costs, which of the following steps have you taken?”





When considering who to vote for in the upcoming election, taxes and health care are the most important issues to small businesses.

“Which one of the following issues would be most important to your business as you consider who you might vote for in the next election for President?”



Independent (20%)	
Reducing the Tax Burden	(36%)
Addressing Healthcare Costs	(34%)
Reducing the Regulatory Burden of Business	(12%)

Democrat (33%)	
Reducing the Tax Burden	(49%)
Addressing Healthcare Costs	(24%)
Reducing the Regulatory Burden of Business	(11%)

Republican (48%)	
Reducing the Tax Burden	(54%)
Addressing Healthcare Costs	(19%)
Reducing the Regulatory Burden of Business	(16%)



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