

**ACA INTERNATIONAL WHITE PAPER**

# Small Businesses in the Collection Industry in 2019

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## Introduction

Prior research has shown that the majority of ACA International’s member organizations fall into the small business category based on a number of criteria, including employee size and total annual receipts. Data collected earlier this year as part of the 2019 annual membership renewal process show a continuation of that trend. Additionally, while debt collection has not traditionally been portrayed as a diverse industry, the data show a growing segment of the industry is now composed of women- and minority-owned agencies.

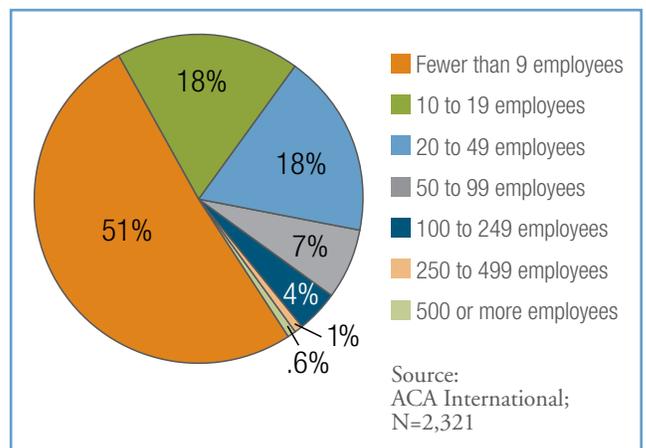
## Executive Summary

- » 51% of member organizations (1,182 companies) have fewer than nine employees. Additionally, 87% of members (2,016 companies) have 49 or fewer employees and 94% of members (2,184 companies) have 99 or fewer employees.
  - » The top five states that employ the largest number of individuals in the collection industry are Texas (9,781), New York (6,379), California (4,709), Florida (4,578), and Ohio (4,076).
  - » The five states with the highest average number of employees per organization are Kansas (87), South Carolina (68), Massachusetts (65), Texas (59), and New Hampshire (56). The average number of employees for all members is 32; the median number of employees across all organizations is 9.
  - » The Small Business Administration has set the size standard at \$15 million in average annual receipts for debt collection agencies to qualify as small businesses. Based on this standard, 85% of ACA members qualify as small businesses. Almost half of ACA members (45%) indicated that between 50% - 100% of their customers are also small business clients.
- » As of 2018, 27% of responding ACA members indicated that they were woman-owned businesses while 6% reported that they were minority-owned businesses; an additional 2% indicated that they were both woman- and minority-owned.

## Small Businesses in the Collection Environment

The Small Business Administration (SBA) Office of Advocacy defines a small business as “an independent business having fewer than 500 employees.” [1] Figure 1 shows the percentage of ACA member organizations by number of employees. Just over half (51%) of member organizations (1,182 companies) have fewer than nine employees. Furthermore, 87% of members (2,016 companies) have 49 or fewer employees and 94% of members (2,184 companies) have 99 or fewer employees. By way of comparison, only 0.6% of ACA members reported having in excess of 500 employees.

Figure 1: Percentage of Organizations by Reported Number of Employees



ACA has members in every state throughout the U.S. Table 1 shows the number of member organizations in each state as well as the total number of individuals employed by those organizations and the average number of employees per organization. The top five states with the most collection agencies are California (205), Texas (166), New York (144), Florida (121), and Illinois (110). Several of those states also employ the largest number of individuals in the collection industry including Texas (9,781), New York (6,379),

California (4,709), Florida (4,578), and Ohio (4,076). Table 1 also indicates the average number of employees per organization in each state. The five states with the highest average number of employees per organization are Kansas (87), South Carolina (68), Massachusetts (65), Texas (59), and New Hampshire (56). The average number of employees for all members is 32; the median number of employees across all organizations is 9.

**Table 1. Number of Organizations, Total Employees, and Average Number of Employees per Organization by State.**

State	Number of Organizations*	Total Number of Employees**	Average Number of Employees Per Organization***
AL	27	557	21
AK	6	87	15
AZ	54	1,250	23
AR	21	620	30
CA	205	4,709	23
CO	57	1,239	22
CT	20	206	10
DE	19	762	40
DC	4	55	14
FL	121	4,578	38
GA	95	2,054	22
HI	13	201	15
ID	18	189	11
IL	110	3,320	30
IN	64	1,376	22
IA	20	277	14
KS	35	3,051	87
KY	18	875	49
LA	23	389	17
ME	4	68	17
MD	37	723	20
MA	26	1,702	65
MI	59	1,019	17
MN	72	3,587	50

\* Highlighted columns indicate states with the largest number of organizations.

\*\* Highlighted columns indicate states with the largest number of employees across all organizations.

\*\*\* Highlighted columns indicate states with the largest average number of employees per organization.

State	Number of Organizations*	Total Number of Employees**	Average Number of Employees Per Organization***
MS	22	395	18
MO	64	1,601	25
MT	23	227	10
NE	24	571	24
NV	41	637	16
NH	11	621	56
NJ	56	1,579	28
NM	7	86	12
NY	144	6,379	44
NC	38	1,215	32
ND	13	121	9
OH	103	4,076	40
OK	22	675	31
OR	52	963	19
PA	77	1,669	22
RI	2	4	2
SC	17	1,153	68
SD	22	443	20
TN	55	2,455	45
TX	166	9,781	59
UT	32	741	23
VT	2	17	9
VA	49	1,093	22
WA	93	2,106	23
WV	7	51	7
WI	52	2,284	44
WY	6	73	12

Source: ACA International; N=2,328

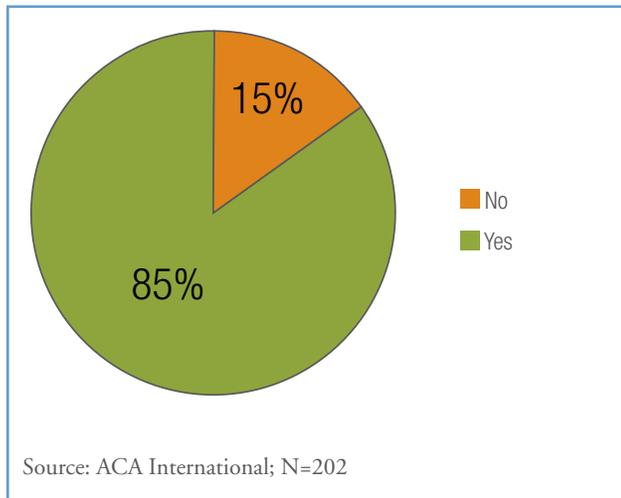
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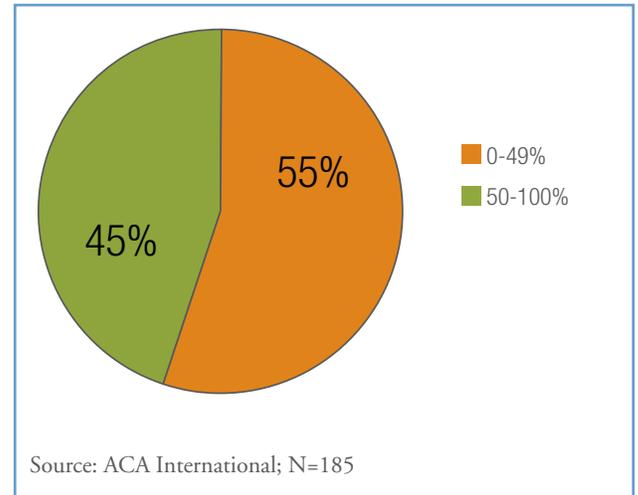
Rather than establishing size standards in number of employees for debt collection agencies, the SBA has set the size standard at \$15 million in average annual receipts. [2] As such, member organizations were asked to indicate whether their business has less than \$15 million in average annual receipts. Based on the responses to this question and the SBA criterion for debt collectors, 85% of ACA members qualify as small businesses (see Figure 2).

**Figure 2: Percentage of Organizations Responding “Yes” to the Question “Does your business have less than \$15 million in average annual receipts?”**



Data collected by ACA suggests that members are not only part of the small business community, but also provide an essential service for small business clients. Member organizations were asked what percentage of their business serves small business clients. Almost half of the respondents (45%) indicated that between 51% - 100% of their customers are small business clients (see Figure 3). As such, not only are the majority of ACA members small businesses, but they also provide an important service to small businesses to help them remain viable and competitive in the marketplace.

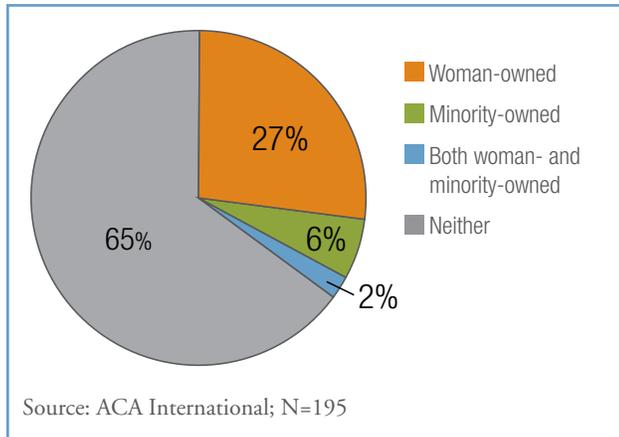
**Figure 3. Percentage of Member Responses to the Question “What percentage of your business serves small business clients?”**



Beyond providing services to small businesses in local communities, the debt collection industry also offers employment for a large and diverse workforce. According to prior research on the demographics of the collection industry, ACA found that although women compose roughly 47% of the overall workforce in the U.S., the collection industry is overwhelmingly female, with women making up 70% of the total debt collection workforce. [3]

This diversity is also increasingly found in the ownership of collection agencies. As of 2018, 27% of responding ACA members indicated that they were woman-owned businesses while 6% reported that they were minority-owned businesses; an additional 2% indicated that they were both woman- and minority-owned (Figure 4). The overwhelming majority of these businesses also qualify as small businesses.

**Figure 4. Percentage of Responding Organizations That Are Woman- or Minority-owned Businesses, or Both.**



The collection industry is a diverse field, employing individuals across a broad range of sociodemographic groups. The vast majority of these individuals are also employed by small businesses working in their local communities. These small businesses are an important part of local economies, creating employment opportunities, generating tax revenue, and providing services for other area businesses.

## Sources:

[1] U.S. Small Business Administration. 2014. [Frequently Asked Questions](#).

[2] U.S. Small Business Administration. 2016. [Table of Small Business Size Standards Matched to North American Industry Classification System Codes](#).

[3] ACA International. 2016. [Diversity in the Collections Industry: An Overview of the Collections Workforce](#).