

Fast Facts about California Small Business

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
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Small businesses play an essential role in California's regional economies and industry sectors, generating an annual payroll of \$204.1 billion in 2012.¹ Definitions of small businesses often vary by program and industry. Small businesses are in some cases defined by their number of employees and in other cases they are defined by gross receipts and/or other financial data. In this fact sheet, we use three small business definitions: non-employer, 0-5 employees, and 0-99 employees. The committee has also prepared a separate fact sheet using the federal definition of small business (1-499 employees).

California Economy

- In 2014, California's gross state product GDP was \$2.3 trillion,² as compared to the U.S. total GDP of \$17.3 trillion.³
- If California were a country, its 2014 GDP would place it 8th among the top 10 economies in the world.⁴
- In May 2015, California had a labor force of 19 million people and an unemployment rate of 6.4%.⁵
- California has nine economic regions: Northern California, Northern Sacramento Valley, Greater Sacramento, Bay Area, Central Coast, San Joaquin Valley, Central Sierra, Southern California, and Southern Border.⁶
- California ranks 3rd among 50 states in the 2014 Milken Institute's State Science and Technology Index. The index ranks states based on research and development dollars, number of patents issued, venture capital investment, and business startups.⁷
- California ranked 1st in the nation for number of patents issued by the U.S. Patent and Trademark Office in 2014, with a total 43,679 patents granted. This accounts for 13.3% of all patents granted in 2104 to U.S. and foreign country of origin applications.⁸
- The San Francisco-San Mateo-Redwood City region was ranked #1 in the Best-Performing Cities Index over 2014. The professional, scientific, and technical services sector accounted for 45% of all jobs created over the five years ending in 2013.⁹
- In the 2015 State Business Tax Climate Index and Component Tax, California ranks 48th overall in the nation. California ranked 34th in corporate tax rates, 50th in individual income tax, 42th in sales tax, 14th in property tax, and 14th in unemployment insurance tax.¹⁰

Small Business Facts in the United States (2012)

- There were 5.6 million small businesses (with 0-99 employees) in the United States, constituting 98.2% of all private firms in the nation.¹¹
- California, New York, Florida, and Texas had the largest numbers of small businesses in the nation, and constitute 34% of all U.S. small business.¹²
- California ranked 1st in the nation in the number of small businesses (with 0-99 employees), accounting for 684,183 (12%) of small business in the nation.¹³
- Small businesses (with 0-99 employees) in the United States employed 39.8 million employees, 34% of all private-sector employees in the nation. In California alone, small businesses employed 4.7 million employees, 36% of all California private-sector employment.¹⁴

Small Business Facts in California (2012)

- Among all private sector employers in California, small businesses (0-99 employees) consist of 684,183 firms (97.5%) of all firms in the state.¹⁵
- Small businesses (with 0-99 employees) employed 36% of all California's private sector employees and paid 29% of the state's private sector payrolls.¹⁶
- Change in Small Business Employment in California (from the year 2002 to 2012):
 - The number of small businesses (0-99 employees) increased from 656,371 to 684,183 experiencing a 4.2% increase.¹⁷⁻¹⁸
 - The number of paid employees employed by small businesses (0-99 employees) decreased from 4.9 million to 4.7 million, experiencing a 4.3% decrease.¹⁹⁻²⁰
- In 2012, there were 554,472 (79%) businesses with 9 or less employees; 624,718 (89%) with 19 or less employees; and 684,183 (98%) with 99 or less employees.²¹

- Below is a table of business employment size and annual payroll for all business in California from 2012. ²²

California Business Employment Size and Annual Payroll						
No. of Employees	0-4	5-9	10-19	20-99	100-499	500+
Percent of All Firms	62.2%	16.8%	10%	8.5%	1.7%	0.81%
Employment	5.5%	6.0%	7.2%	17.4%	13.9%	50.0%
Annual Payroll	\$38 billion	\$29 billion	\$37 billion	\$100 billion	\$93 billion	\$403 billion

Source: 2012 County Business Partners

- Top three industry sectors for California small businesses (employing 0-99 employees) by number of businesses: *This data does not include non-employer firm statistics
 - The Real Estate and Rental and Leasing sector had the highest percentage of small businesses in California, consisting of 99% of the firms in the sector. ²³
 - The Professional, Scientific, and Technical Services Sector had the second highest percentage of small businesses in California, consisting of 96.6% of the firms in the sector. ²⁴
 - The Health Care and Social Assistance sector had the third highest percentage of small businesses in California, consisting of 97.8% of the firms in the sector ²⁵
- Top three industry sectors for California small businesses (employing 0-99 employees) by number of employees: *This data does not include non-employer firm statistics
 - The Accommodation and Food Services sector had the highest number of workers employed by small businesses in California, with a total of 676,837 employees, consisting of 48% of employment in the sector. ²⁶
 - The Health Care and Social Assistance sector had the second highest number of workers employed by small businesses in California, with a total of 574,968 employees, consisting of 33% of employment in the sector. ²⁷
 - The Professional, Scientific, and Technical Services had the third highest number of workers employed by small businesses in California, with a total of 488,362 employees, consisting of 43% of employment in the sector. ²⁸

Microenterprises in California (fewer than 5 employees and non-employer firms)

- In 2013, there were approximately 3.6 million businesses in the state. ²⁹⁻³⁰
- Of the 3.6 million businesses, 2.9 million (80.9%) were non-employer firms and 436,757 (11.8%) were microbusinesses (less than 5 employees), accounting for 3.4 million (92.8%) of all businesses in the state. ³¹⁻³²

Features of All California Businesses *2007: latest available data, includes non-employer firms

- 1.6 million businesses were male-owned, 49.2% of all business in the state. ³³
- 1 million businesses were female-owned, 30.3% of all business in the state. ³⁴
- 596,670 businesses were jointly male/female owned, 17.4% of all business in the state. ³⁵
- 137,875 businesses were African American-owned, 4.0% of all business in the state. ³⁶
- 509,670 businesses were Asian-owned, 14.9% of all business in the state. ³⁷
- 566,567 businesses were Hispanic-owned, 16.5% of all business in the state. ³⁸
- 45,734 businesses were Native American/Alaskan-owned, 1.3% of all business in the state. ³⁹
- 9,339 businesses were Hawaiian/Pacific Islander-owned, 0.3% of all business in the state. ⁴⁰
- 239,658 businesses were Veteran-owned, 7.0% of all business in the state. ⁴¹

Investing in California Microbusinesses

- Early access to capital is one of the chief obstacles to small business development. ⁴²
- Investing in the success of microenterprises strongly enhances job creation. A December 2014 survey conducted by the California Association of Micro Enterprise Opportunity (CAMEO) found that providing entrepreneurship training and small loans for a pool of 12,000 microbusinesses effectively created 24,000 new jobs and created \$888 million in economic activity throughout California. ⁴³

- From 2007 to 2010, California micro-businesses (0-4 employees) created a net of 329,400 jobs, while the largest businesses (100+ employees) lost 781,051 jobs during the same period.⁴⁴
- In the fiscal year 2013-14, the state awarded \$8.7 billion dollars in contract, with over \$2.2 billion dollars awarded to small businesses.⁴⁵
- Investment in microenterprise development affords much higher returns in job creation, as compared to venture capitalist investments. Microenterprise development organizations invest about \$18 per new job created, while venture capitalists invest an average of \$1,833 per job created.⁴⁶

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