

Appendix C

Small Businesses Drive the California Economy

[Excerpt from [2021 Priorities for an Inclusive Economic Recovery](#)]

California’s dominance in many economic areas is based, in part, on the significant role small businesses play in the state’s \$3.1 trillion economy. Two separate studies, one by the US Census Bureau and another by the Kaufman Foundation, found that net job growth was strongest among businesses with less than 20 employees. Among other advantages, small businesses are crucial in the state’s international competitiveness and are an important means for dispersing the economic positive impacts of trade within the California economy.

- In 2017 (most recent full set of data), of the 4.1 million firms in California, there were 3.3 million nonemployer firms as compared to 763,803 employer firms.
- Total revenues for nonemployer sole proprietorships, across all industry sectors, were \$118 billion in receipts in 2017.
- Businesses with less than five employees are classified as microenterprises. In 2017, there were 473,641 microenterprises which had one or more employees.
- Microenterprises, including both nonemployer and up-to-5-employee businesses, comprise the single largest segment of the California business community, representing 92.9% (3.8 million) of all businesses in the state.

Chart California Employer Business by Size, displays 2017 data (most recent full set of data) on California employer businesses, including payrolls, employment, and number of firms, which may be comprised of one or more establishments.

California Employer Businesses by Size (2017)				
Enterprise Employment Size	Number of Firms	Number of Establishments	Employment	Annual Payroll
0-4	473,641	474,301	737,168	\$45.0 billion
<20	676,913	682,756	2,605,213	\$125.5 billion
0-99	743,830	768,456	5,143,522	\$250.5 billion
100-499	13,628	39,757	2,081,423	\$125.0 billion
<500	757,458	808,213	7,224,945	\$375.6 billion
500+	6,345	133,164	7,671,680	\$579.4 billion
Total All Employers	763,803	941,377	14,896,625	\$955.0 billion
<ul style="list-style-type: none"> ▪ An establishment is a single physical location at which business is conducted or performed by one or more paid employees. ▪ A company or enterprise may consist of one or more establishments. ▪ An establishment with 0 employment is an establishment with no paid employees in the mid-March pay period but with paid employees at some time during the year. ▪ This series excludes government establishments except for wholesale liquor establishments (NAICS 4248), retail liquor stores (NAICS 44531), federally-chartered savings institutions (NAICS 522120), federally-chartered credit unions (NAICS 522130), and hospitals (NAICS 622). 				
Source: US Census, SUSB Series				

Excluding sole proprietorships, businesses with less than 20 employees comprise over 88.6% of all businesses and employ approximately 17.4% of all workers. Businesses with less than 100 employees represent 97.3% of all businesses and employ 34.5% of the workforce.

Microenterprises have many unique features and provide important benefits to local communities, according to a recent study from the Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD) at the Aspen Institute. These benefits include:

- Providing products and services tailored to meet local and neighborhood needs.
- Stimulating an inflow of revenues to and within local communities.
- Serving as catalysts for neighborhood reengagement.
- Revitalizing neighborhoods that may otherwise have vacant storefronts.
- Providing role models and support for future entrepreneurs.

These non-employer and small employer firms create jobs, generate taxes, support important industry sectors, and revitalize communities. While their small size allows them to be more flexible in meeting niche foreign and domestic market needs, it also results in certain market challenges. These challenges include having difficulty in meeting the procedural requirements of the state’s complex regulatory structure and the traditional credit and collateral requirements of mainstream financial institutions. Specialized technical assistance, access to credit enhancements, and targeting of state procurement activities help many small businesses overcome or at least minimize these difficulties.

2012 Survey of Business Owners

In August 2015, the U.S. Department of Census published initial data from the *2012 Survey of Business Owners*. The last survey was made in 2007. While the data significantly trails real-time, it is the most comprehensive source for tracking trends in entrepreneurship, including ownership by women and individuals of color.

Gender Differences in U.S. Businesses			
	Percent Change 2007 to 2012 Women-Owned Firms	Percent of Change 2007 to 2012 Man and Women-Owned Firms	Percent Change 2007 to 2012 Men-Owned Firms
U.S. Firms	27.5%	-45.8%	7.9%
Receipts from all firms (employer and nonemployer)	35.1%	6.7%	33.8%
Employer Firms	15.7%	-25.8%	5.3%
Receipts from Employer Firms	35.4%	13.2%	34.9%
Employment	19.4%	-11.9%	11.5%
Payroll	35.3%	-0.9%	25.8%

Source: National Women’s Business Council

The **Gender Differences in Business Chart** shows selected data from the 2012 Survey of Small Business Owners. Among other findings, the data shows a 27.5% increase in women-owned businesses between 2007 and 2012, as compared to a 7.9% increase in businesses owned by men and a -45.8% decrease in firms owned equally by men and women. Women-owned businesses also experienced the greatest increase in the number of people they employed and wages paid.

States with the highest percentage of women-owned firms included District of Columbia, Georgia, Maryland, New Mexico, and Florida. Delaware, Alaska, North Dakota, Maine, and New Jersey were the states where women-owned firms collected the highest amount of receipts.

Women entrepreneurs, according to the Ewing Marion Kauffman Foundation, have unique skill sets, which both set them apart from other business owners and make them successful entrepreneurs. Among other advantages, the Kauffman Foundation states that women entrepreneurs have a more nuanced understanding of businesses risk/reward profile. Women are more comfortable with financial risks, but

more sensitive about risks that may seem foolhardy. The Kauffman Foundation also believes that there is a correlation between a rise in women entrepreneurs and increased business returns and payout ratios.

In California, business ownership by women was up 13.7%, which was the highest among states with the largest number of women-owned businesses. In Texas, women-owned businesses were up 8.7%; Florida, 8.18%; New York, 7.3%; and Illinois, 4.23%. California also had the highest number of Hispanic and Asian American women-owned firms. For businesses owned by Black women, Georgia had the largest number of firms, California had the fifth largest number.

The Comparison of Business Growth by Race, Ethnicity, and Veterans Chart shows additional information from the 2012 Survey of Business Owners relative to race and ethnicity. The largest percentage changes in business ownership were by Hispanic women, where the number of firms grew by 87.3% between 2007 and from 20012. As a comparison, male Hispanic-owned firms grew by 39.3%.

Comparison of Business Growth by Race, Ethnicity, and Veterans	
Business Ownership	Percent Change 2007 to 2012 Number of all Firms
Asian American Women	44.3%
Asian American Men	25.7%
Black Women	67.5%
Black Men	18.8%
Hispanic Women	87.3%
Hispanic Men	39.3%
White Women	10.1%
Veteran Women	29.6%
Veteran Men	7.7%
<small>Source: 2012 Survey of Business Owners</small>	