

Section V

Enhancing Small Business Development and Operations

California’s dominance in many economic areas is based, in part, on the significant role small businesses play in the state’s \$2.9 trillion economy. Two separate studies, one by the U.S. 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 positive economic impacts of trade within the California economy.

- In 2016 (most recent full set of data), of the 4.2 million establishments in California, there were 3.2 million **nonemployer establishments** as compared to 922,477 employer establishments.
- In 2017, there were 3.3 million nonemployer firms, and 3 million of these were sole proprietorships. The top three industry sectors in 2017 with the largest numbers of nonemployer sole proprietorships included professional, scientific, and technical services (516,883 establishments); transportation and warehousing (347,600); and other services, excluding public administration (476,818).
- Total revenues for nonemployer sole proprietorships, across all industry sectors, were \$118 billion in receipts in 2017.

The chart below displays 2016 data (most recent) information on California businesses with employees, including payrolls, employment, and number of firms, which may be comprised of one or more establishments.

California Businesses by Size (2016)				
Enterprise Employment Size	Number of Firms	Number of Establishments	Employment	Annual Payroll (\$1,000)
0-4	465,078	465,846	731,400	43,110,073
5-9	124,595	125,830	819,252	33,834,977
10-19	76,973	80,213	1,028,048	43,740,209
<20	666,646	671,889	2,578,700	120,685,259
20-99	65,829	81,348	2,509,428	120,108,727
100-499	13,316	38,031	2,041,076	117,356,679
<500	745,791	791,268	7,129,204	358,150,665
500+	6,191	131,209	7,471,145	528,493,258
<ul style="list-style-type: none"> • 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: U.S. Census, SUSB Series				

Businesses with less than five employees are classified as microenterprises. In 2016, California is reported to have had over 465,000 microenterprises which had one or more employees.

Excerpt from 2019 JEDE Mid-Session Report

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:

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

Excluding nonemployer establishments, businesses with less than 20 employees comprise over 88.3% of all businesses and employ approximately 18.2% of all workers. Businesses with less than 100 employees represent 97.3% of all businesses and employ 35.8% of the workforce.

These non-employer and smallest employer firms create jobs, generate taxes, support important industry sectors, and revitalize communities. Since the recession, these businesses have become increasingly important because their small size allows them to be more flexible in meeting niche foreign and domestic market needs.

However, their small size also results in certain market challenges, including 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.

Business Terms Defined

An establishment is a single physical location at which business is conducted or services or industrial operations are performed.

A company or enterprise may consist of one or more establishments.

When two or more activities are carried on at a single location, all activities generally are grouped together as a single establishment, which is classified on the basis of its major activity.

Establishment counts represent the number of locations with paid employees any time during the year.

Source: U.S. Census, Statistics

The 2012 Survey of Business Owners

In August 2015, the U.S. Census Bureau 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.

The Gender Differences in U.S. Businesses chart (below) shows selected data from the 2012 Survey of Small Business Owners. Among other findings, the data show a 27.5% increase in woman-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. Woman-owned businesses also experienced the greatest increases in the number of people they employed and in wages paid.

Excerpt from 2019 JEDE Mid-Session Report

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

In California, business ownership by women was up 27% from 2007 with 1.3 million firms, which was the highest number of firms among all states. Woman-owned businesses in California represented 13.4% of all woman-owned firms in the U.S in 2012. As a comparison, in Texas, woman-owned businesses owned 8.8%; Florida, 8.2%; New York, 7.3%; and Illinois, 4.2%.

Gender Differences in U.S. Businesses: Percent Change Between 2007 and 2012			
	Percent Change 2007-2012, Woman- Owned Firms	Percent Change 2007-2012, Man-and- Woman-Owned Firms	Percent Change 2007-2012, Man-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			

California also had the highest number of Hispanic and Asian American woman-owned firms. For businesses owned by Black women, Georgia had the largest number of firms, and California had the fifth largest number.

A significant majority (90%) of woman-owned firms in California were legally organized as sole proprietorships in 2012 and had no employees. The 10% of woman-owned businesses that did have employees in 2012 employed over one million workers and paid \$37 billion in wages (21.7% increase from 2007).

Woman-owned businesses in California generated \$201.7 billion in receipts in 2012. The industry sectors which included the highest numbers of woman-owned firms included:

- 247,000 businesses in the other services sector (\$8.4 billion in revenues in 2012);
- 217,000 businesses in the health care and social assistance sector (\$18.6 billion);
- 215,000 businesses in the professional, scientific, and technical services sector (\$22 billion);
- 137,000 businesses in the administrative support and waste management sector (\$11.5 billion);
and
- 120,000 businesses in the retail trade sector (\$27.7 billion)

The *Comparison of Business Growth by Race, Ethnicity, and Veterans* chart on the following page displays additional information from the 2012 Survey of Business Owners. The largest percentage changes in business ownership were by Hispanic women, where the number of firms grew by 87.3% between 2007 and 2012. As a comparison, male Hispanic-owned firms grew by 39.3%.

Excerpt from 2019 JEDE Mid-Session Report

Comparison of California Business Growth by Race, Ethnicity, and Veterans	
Business Ownership	Percent Change 2007-2012, 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%
Source: 2012 Survey of Business Owners	

Women entrepreneurs, according to the Ewing Marion Kauffman Foundation, have unique skill sets that set them apart from other business owners and set them up for success.

Among other advantages, the Kauffman Foundation states that women entrepreneurs have a more nuanced understanding of a business' risk/reward profile. On average, 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.

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