

Small Business Profile: MICHIGAN

Entrepreneurs, innovators, and small businesses are key players in the economy of Michigan. They make up most of the employer firms in the state, and their contribution is indispensable. Their diverse composition and the spectrum of opportunities they offer are captured in this *Small Business Profile*, using the most current federal data available.

Number of Businesses. The state had an estimated total of 822,000 small businesses based on the most recent data.¹ Firms with employees numbered 214,316 in 2005, of which an estimated 98.4 percent or 210,887 were small firms (fewer than 500 employees). Self-employment (including incorporated) increased by 4.1 percent, from 468,024 in 2004 to 487,349 in 2005.² In 2004, non-employer firms increased by 4.9 percent and numbered 611,018. (Sources: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Census Bureau; U.S. Dept. of Labor, Bureau of Labor Statistics.)

Women-Owned Firms. Firms owned by women increased 18 percent between 1997 and 2002, from 184,590 to 217,674; they represented 29.6 percent of the state's total businesses in 2002. These firms (with and without paid employees) generated \$29.3 billion in revenues in 2002. Of the total number of women-owned firms, 13.3 percent or 28,999 firms were employer firms. In 2005, self-employed women totaled 160,268, a decrease of 2.8 percent from 2004, and they represented 32.9 percent of self-employed persons in the state. (Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau.)

Minority-Owned Firms.³ In 2002, Asian-owned firms totaled 15,286 and generated \$5.1 billion in receipts; Black-owned firms numbered 44,366 and generated \$4.3 billion in receipts; and Hispanic-owned businesses totaled 9,842 and created \$3.2 billion in receipts. American Indian- and Alaska Native-owned firms numbered 5,361, and they generated \$700 million in receipts; the number of Native Hawaiian- and other Pacific Islander-owned firms was 196, and they generated \$37 million in receipts in 2002. (Source: U.S. Dept. of Commerce, Census Bureau.)

¹ The Office of Advocacy's estimated total of state small businesses is based on the percent of small businesses (2003 Census firm size data) multiplied by the state's total number of employer businesses in 2005 (Dept. of Labor). The 2004 number of non-employer firms is added to this total (Census Bureau).

² The definition of self-employment has changed; as a result, statistics in the *Small Business Profiles* before 2004 are not comparable.

³ Minority owners may belong to more than one minority group, so adding the different groups will result in double counting.

Business Turnover. New employer businesses in 2005 were estimated at 24,642, which is 0.1 percent more than the previous year. Business bankruptcies increased by 57.3 percent, to 1,071 in 2005, while business terminations increased by 9.7 percent, to 26,971 during the same period. (Sources: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts.)

Employment. There were 189,311 employer firms with fewer than 500 employees in 2003;⁴ they provided 2,001,591 jobs in the state. These firms represented 98.4 percent of the employer businesses in the state and employed 51.5 percent of the state's non-farm private sector workforce (Table 1). Between 2002 and 2003, total small business net new jobs amounted to 51,606 (Table 2). (Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses.)

Small Business Income. Non-farm proprietors' income, which is a partial measure of small business income, increased by 7.4 percent to \$29.1 billion in 2005. (Source: U.S. Dept. of Commerce.)

Finance.⁵ Two important sources of small business financing are commercial banks and savings and loan institutions, which owners rely on for their financial needs. The total number of operating bank and savings bank branches in the state increased in 2005 (Table 3). A list of financial institutions in each state that make loans to small businesses has been compiled by the Office of Advocacy and is available at: www.sba.gov/advo/research/lending.html.

To learn more about the Office of Advocacy's data and analyses of small business, visit www.sba.gov/advo/research, call (202) 205-6533, or email advocacy@sba.gov. Sign up at <http://web.sba.gov/list> for email delivery of:

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⁴ The latest year for which the data by size classification exist.

⁵ This year's edition of *Small Business Profiles* covers the state's number of branches of commercial banks and savings institutions. Previous reports covered a smaller number of financial institutions—only parent banks, not their branches or those of savings institutions.

Table 1. Firms and Employment in Michigan by Industry and Firm Size, 2003 and 2004 (Thousands)

| Industry | Non-Employer Firms (2004) | Employer Firms (2003) | | | Employment (2003) | | |
|--|---------------------------|-----------------------|---------------|---------------|-------------------|----------------|-----------------|
| | | Total | < 100 | < 500 | Total | < 100 | < 500 |
| Total | 611.0 | 192.31 | 185.27 | 189.31 | 3,885.22 | 1,418.3 | 2,001.59 |
| Agriculture, forestry, fishing, and hunting | 5.3 | 0.64 | 0.63 | 0.63 | 3.19 | 2.61 | 3.07 |
| Mining | 2.5 | 0.39 | 0.35 | 0.37 | 5.48 | 2.32 | 2.74 |
| Utilities | 0.4 | 0.13 | 0.10 | 0.11 | 24.22 | 0.91 | 1.37 |
| Construction | 81.0 | 26.26 | 26.06 | 26.19 | 168.65 | 137.66 | 156.34 |
| Manufacturing | 10.7 | 13.40 | 11.99 | 12.82 | 679.64 | 167.54 | 288.29 |
| Wholesale trade | 11.0 | 10.63 | 9.58 | 10.00 | 174.2 | 79.18 | 108.08 |
| Retail trade | 62.6 | 26.31 | 25.39 | 25.83 | 521.13 | 190.79 | 240.35 |
| Transportation and warehousing | 21.7 | 4.55 | 4.14 | 4.30 | 100.41 | 26.15 | 39.29 |
| Information | 7.3 | 2.07 | 1.79 | 1.88 | 95.52 | 14.68 | 21.56 |
| Finance and insurance | 19.3 | 7.27 | 6.82 | 7.00 | 172.81 | 45.46 | 66.13 |
| Real estate, and rental and leasing | 74.9 | 7.15 | 6.92 | 7.02 | 57.08 | 31.58 | 40.05 |
| Professional, scientific, and technical services | 72.6 | 20.63 | 19.83 | 20.25 | 299.64 | 107.87 | 152.39 |
| Management of companies and enterprises | N/A | 1.07 | 0.37 | 0.65 | 123.12 | 3.41 | 11.78 |
| Admin., support, waste mgt., and remed. serv. | 38.8 | 10.25 | 9.42 | 9.95 | 304.61 | 75.29 | 158.62 |
| Educational services | 13.1 | 1.81 | 1.69 | 1.76 | 64.53 | 20.12 | 32.55 |
| Health care and social assistance | 65.9 | 19.74 | 19.05 | 19.54 | 521.73 | 167.36 | 258.86 |
| Arts, entertainment, and recreation | 24.7 | 3.45 | 3.33 | 3.41 | 56.35 | 27.99 | 37.94 |
| Accommodation and food services | 7.4 | 14.77 | 14.30 | 14.59 | 331.09 | 171.03 | 218.4 |
| Other services | 91.7 | 23.05 | 22.73 | 22.90 | 178.87 | 143.35 | 160.81 |
| Unclassified | N/A | 1.54 | 1.54 | 1.54 | 2.97 | 2.97 | 2.97 |

*Data suppressed to protect the confidentiality of individual firms. N/A = not available.

Source: U.S. Dept. of Commerce, Census Bureau.

Table 2. Non-Farm Establishment Job Gains and Losses by Firm Size, 2002–2003 (Thousands)

| | Total | Firm Size (Number of Employees) | | |
|---------------------------------|-------------|---------------------------------|-------------|--------------|
| | | 1–19 | 1–499 | 500+ |
| Job gains: | | | | |
| New establishments | 202.9 | 55.3 | 119.5 | 83.4 |
| Expanding establishments | 384.5 | 117.9 | 245.3 | 139.2 |
| Job losses: | | | | |
| Downsized establishments | -406.1 | -75.6 | -203.4 | -202.7 |
| Closed establishments | -185.6 | -50.7 | -109.8 | -75.9 |
| Net change in employment | -4.3 | 46.9 | 51.6 | -55.9 |

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses.

Table 3. Number of Bank and Savings Institution Branches in Michigan, 2001–2005

| 2001 | 2002 | 2003 | 2004 | 2005 |
|-------|-------|-------|-------|-------|
| 2,828 | 2,766 | 2,810 | 3,057 | 3,116 |

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by Federal Deposit Insurance Corporation, Statistics on Banking.

Note: A full list of small business lending banks collected by the Federal Reserve Board can be found on the Office of Advocacy's website at www.sba.gov/advo/research/lending.html.