
Small Business Profile: CALIFORNIA

Small businesses make a significant contribution to the U.S. economy, and in 2003, they were the engine of California's economic performance. Nationally, half of U.S. non-farm private output and employment is generated by small firms with 500 or fewer employees; in California, small business owners—including women, minorities, and home based individuals—were leaders in the state's economy in 2003. The Office of Advocacy's *Small Business Profile* reports on small businesses in the state using the most currently available data.

Number of Businesses. The estimated total number of small businesses in California in 2003 was 3,202,800.¹ Of the 1,063,230 employer firms in 2003, 99.1 percent or an estimated 1,053,700 were small firms. The estimated number of employer businesses increased by 4 percent in 2003. The most recent data available show that non-employer businesses numbered 2,149,145 in 2001. Self-employment increased by 3.2 percent, from 1,516,636 in 2002 to 1,565,698 in 2003. (Source: 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 Businesses. Self-employment by women decreased by 1.9 percent, from 595,445 in 2002 to 584,017 in 2003 and represented 37.2 percent of self-employed persons in the state. Women-owned businesses generated \$121.2 billion in revenues, employed 932,462 workers, and constituted 700,500 firms or 27.3 percent of all firms in 1997. (Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau.)

Minority-Owned Businesses. In 1997, 20.6 percent or 152,200 of the minority-owned businesses in the state were employer firms, and they generated 87.7 percent of the total minority-owned business revenue of \$182.9 billion. There were 336,400 Hispanic-owned businesses; 79,100 Black-owned businesses; 316,000 Asian and Pacific Islander-owned businesses; and 26,600 American Indian and Alaskan Native-owned businesses in 1997. (Source: U.S. Dept. of Commerce, Census Bureau.)

Business Turnover. The estimated number of new employer businesses was 113,500 in 2003, which is 13.3 percent less than the previous year. Business bankruptcies decreased by 12.4 percent, and totaled 4,501 in 2003. Business terminations decreased by 10.5 percent and numbered 140,435 in 2003. (Source: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Census Bureau.)

Employment. Small businesses with fewer than 500 employees numbered 662,327 in 2001 and employed 6,994,470 people or 52.8 percent of the state's non-farm private workforce (Table 1).² Total net employment gain in the state amounted to 356,522 between 2000 and 2001. Of that number, 334,474 are attributable to MSAs (metropolitan statistical areas). During the same time period, firms with fewer than 20 employees gained 196,422 jobs. (Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses. Note: Urban (MSA) and rural (non-MSA) employment data is available at: www.sba.gov/advo/stats/data.html.)

Small Business Income. Small business proprietors' income in 2003 increased by 6 percent, from \$129.7 billion in 2002 to \$137.5 billion in 2003. (Source: U.S. Dept. of Commerce.)

Finance. Small firms typically use commercial bank lenders and rely on local bank services. Over the last five years there has been a gradual decline in the number of banks in California (Table 3). The Office of Advocacy has identified banks in each state that make the most loans to small businesses. This information is available in its banking studies available at www.sba.gov/advo/stats.

To learn more about the Office of Advocacy's research, data, and analyses of small businesses, visit www.sba.gov/advo, call (202) 205-6533 or email advocacy@sba.gov.

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¹ The Office of Advocacy's estimate of the total number of state small businesses is based on the percent of small businesses (2001 Census Bureau firm size data) multiplied by the total number of employer businesses in 2003 (Dept. of Labor). To this total, we add the 2001 number of non-employer firms (Census Bureau).

² The number of employers listed in Table 1 is not directly comparable to the figures listed in the *Number of Businesses* section due to different data sources.

Table 1. Firms and Employment in California by Industry and Firm Size, 2001 (Thousands)

Industry	Non-employer Firms	Employer Firms			Employment		
		Total	< 100	< 500	Total	< 100	< 500
Total	2,149.15	668.07	649.3	662.33	13,239.62	4,967.24	6,994.47
Agriculture, forestry, fishing, and hunting	12.61	2.31	2.24	2.3	26.58	15.51	23.44
Mining	3.8	0.78	0.69	0.72	23.07	6.26	9.62
Utilities	1.12	0.58	0.51	0.53	46.25	3.06	5.23
Construction	165.71	66.87	65.66	66.64	795.84	512.41	678.07
Manufacturing	39.57	46.08	42.21	44.69	1,740.75	584.32	957.05
Wholesale trade	52.27	50.61	47.77	49.35	829.92	47.77	564.66
Retail trade	197.72	74.62	72.72	73.92	1,531.60	72.72	679.56
Transportation and warehousing	78	14.76	14.04	14.45	421.2	14.04	172.66
Information	44.58	14.85	13.94	14.44	565.28	109.13	177.28
Finance and insurance	83.42	25.03	24.01	24.52	649.56	131.54	200.62
Real estate; rental and leasing	226.23	33	32.36	32.74	288.92	156.91	288.92
Professional, scientific, and technical services	402.06	90.58	88.38	89.73	1,177.67	496.41	662.01
Management of companies and enterprises	N/A	3.12	1.18	2.04	297.55	9.6	36.67
Admin., support, waste mngt., and remed., services	152.05	36.43	34.7	35.78	1,108.90	34.7	461.34
Educational services	38.7	8.37	7.92	8.26	278.02	92.33	144.05
Health care and social assistance	192.31	71.59	70.04	71.17	1,374.63	474.67	674.77
Arts, entertainment, and recreation	128.2	14.52	14.05	14.38	261.09	96.93	150.7
Accommodation and food services	28.35	49.23	47.85	48.88	1,137.79	534.93	710.76
Other services	302.48	62.07	61.14	61.76	566.86	383.21	462.05
Auxiliary, except corp, subsidiary, and regional managing offices	N/A	0.94	0.17	0.42	103.77	1.32	8.02
Unclassified	N/A	10.01	10.01	14.39	14.39	14.39	14.39

*Data suppressed to protect the confidentiality of individual firms.

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

Table 2. Non-farm Establishment Job Gains and Losses by Firm Size, 2000–2001 (Thousands)

	Firm Size (Number of Employees)			
	Total	1–19	1–499	500+
Job Gains:				
New establishments	828.48	247.75	484.5	343.98
Expanding establishments	1,554.73	404.35	954.2	600.53
Job Losses:				
Downsized establishments	-1,294.22	-238.06	-668.87	-625.35
Closed establishments	-732.47	-217.62	-453.97	-278.5
Net change in employment	356.52	196.42	315.86	40.66

Source: U.S. Department of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 2001.

Table 3. Number of Banks in California by Asset Size, 1995 – 2003

Number of Banks Per Year					Number of Banks by Asset Size, 2003				
1995	2000	2001	2002	2003	Below \$100M	\$100M–\$500M	\$500–\$1B	\$1B–\$10B	Over \$10B
395	315	300	288	281	81	126	29	41	4

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Reserve Board.

The full list of small-business-friendly banks can be found on the Office of Advocacy's website at www.sba.gov/advocacy/lending.