
Small Business Profile: WASHINGTON

Small businesses make a significant contribution to the U.S. economy, and in 2003, they were the engine of Washington'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 Washington, 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 Washington in 2003 was 529,600.¹ Of the 206,699 employer firms in 2003, 98.1 percent or an estimated 202,800 were small firms. The estimated number of employer businesses increased by 2.9 percent in 2003. The most recent data available show that non-employer businesses numbered 326,821 in 2001. Self-employment increased by 7 percent, from 225,650 in 2002 to 241,345 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 increased by 2.9 percent, from 92,622 in 2002 to 95,316 in 2003 and represented 39.2 percent of self-employed persons in the state. Women-owned businesses generated \$15.1 billion in revenues, employed 139,032 workers, and constituted 123,000 firms or 27.5 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, 26.6 percent or 11,400 of the minority-owned businesses in the state were employer firms, and they generated 90.7 percent of the total minority-owned business revenue of \$11.3 billion. There were 10,000 Hispanic-owned businesses; 5,600 Black-owned businesses; 23,300 Asian and Pacific Islander-owned businesses; and 4,700 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 36,136 in 2003, which is 3.8 percent less than the previous year. Business bankruptcies increased by 5.6 percent, and totaled 737 in 2003. Business terminations decreased by 13.3 percent and numbered 35,345 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 135,071 in 2001 and employed 1,252,480 people or 54.6 percent of the state's non-farm private workforce (Table 1).² Total net employment gain in the state amounted to 28,067 between 2000 and 2001. Of that number, 27,547 are attributable to MSAs (metropolitan statistical areas). During the same time period, firms with fewer than 20 employees gained 19,897 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 6.1 percent, from \$16.5 billion in 2002 to \$17.5 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 Washington (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 Washington by Industry and Firm Size, 2001 (Thousands)

| Industry | Non-employer Firms | Employer Firms | | | Employment | | |
|---|--------------------|----------------|---------------|---------------|-----------------|---------------|-----------------|
| | | Total | < 100 | < 500 | Total | < 100 | < 500 |
| Total | 326.82 | 137.71 | 132.41 | 135.07 | 2,294.29 | 922.84 | 1,252.48 |
| Agriculture, forestry, fishing, and hunting | 8.34 | 1.68 | 1.64 | 1.67 | 15.35 | 9.27 | 12.75 |
| Mining | 0.16 | 0.17 | 0.15 | 0.15 | 2.96 | * | 1.5 |
| Utilities | 0.3 | 0.24 | 0.22 | 0.22 | 6.21 | * | 1.61 |
| Construction | 29.17 | 20.89 | 20.66 | 20.8 | 153.1 | 115 | 135.78 |
| Manufacturing | 7.64 | 7.15 | 6.41 | 6.81 | 316.23 | 75.55 | 127.76 |
| Wholesale trade | 7.85 | 8.31 | 7.35 | 7.73 | 125.31 | 7.35 | 83.17 |
| Retail trade | 36.25 | 16 | 15.29 | 15.57 | 317.05 | 15.29 | 144.66 |
| Transportation and warehousing | 10.77 | 3.67 | 3.38 | 3.51 | 79.36 | 3.38 | 32.26 |
| Information | 5.05 | 1.89 | 1.62 | 1.7 | 103.8 | 13.91 | 22.64 |
| Finance and insurance | 12.28 | 4.94 | 4.54 | 4.69 | 101.12 | 23.32 | 37 |
| Real estate; rental and leasing | 39.32 | 6.7 | 6.48 | 6.58 | 50.29 | 27.98 | 50.29 |
| Professional, scientific, and technical services | 54.68 | 15.73 | 15.17 | 15.42 | 141.64 | 76.96 | 99.22 |
| Management of companies and enterprises | N/A | 0.7 | 0.25 | 0.43 | 49.77 | 1.75 | 6.85 |
| Admin., support, waste mngt., and remed., services | 18.55 | 7.37 | 6.99 | 7.14 | 125.28 | 6.99 | 60.48 |
| Educational services | 7.16 | 1.73 | 1.63 | 1.7 | 40.72 | 15.45 | 24 |
| Health care and social assistance | 27.34 | 13.38 | 12.91 | 13.22 | 287.25 | 101.19 | 156.01 |
| Arts, entertainment, and recreation | 17.38 | 2.21 | 2.09 | 2.18 | 48.17 | 19.47 | 34.77 |
| Accommodation and food services | 3.64 | 10.6 | 10.26 | 10.45 | 203.04 | 111.87 | 139.25 |
| Other services | 40.96 | 13.88 | 13.65 | 13.77 | 106.79 | 81.33 | 94.41 |
| Auxiliary, except corp, subsidiary, and regional managing offices | N/A | 0.21 | 0.04 | 0.08 | 18.24 | * | 1.26 |
| Unclassified | N/A | 2.21 | 2.21 | 2.61 | 2.61 | * | 2.61 |

*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 | 133.32 | 45.51 | 78.8 | 54.52 |
| Expanding establishments | 236.56 | 70.51 | 141.16 | 95.39 |
| Job Losses: | | | | |
| Downsized establishments | -227.65 | -52.15 | -130.48 | -97.17 |
| Closed establishments | -114.16 | -43.97 | -77.04 | -37.13 |
| Net change in employment | 28.07 | 19.9 | 12.44 | 15.62 |

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

Table 3. Number of Banks in Washington 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 |
| 88 | 83 | 76 | 79 | 79 | 34 | 31 | 9 | 5 | 0 |

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/advo/lending.