

# **State of the Inner City Economies: Small Businesses in the Inner City**

by

**Initiative for a Competitive Inner City (ICIC)  
Boston, MA**

for



under contract number SBAHQ-03-M-0565

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### Note

This paper is the result of a larger project undertaken by the Initiative for a Competitive Inner City (ICIC). Other funders for this project include the U.S. Economic Development Administration, the John D. and Catherine T. MacArthur Foundation, and the Greater Kansas City Community Foundation.

### Purpose

Inner city neighborhoods are often found in the economic heart of metropolitan areas. Despite their central location, they are rarely considered competitive locations for developing unique markets and creating high-wage jobs. Outdated perceptions continue to obscure their positive realities. Inner city economies are larger and more active than is generally understood, especially among the small businesses that employ the vast majority of inner city workers. The State of the Inner City Economies (SOICE) project seeks to document the impact that small establishments have in the inner city. The goal of this analysis is to present the business potential of inner cities.

### Overall Findings

Inner city businesses are similar to businesses located in the rest of the metropolitan statistical area (MSA), exhibiting similar startup and bankruptcy rates. Small businesses are the greatest source of net new employment in inner cities – comprising more than 99 percent of establishments and 80 percent of total employment.

### Highlights

- America's inner cities are home to over 814,000 private employer establishments employing just

less than 9 million people (8 percent of U.S. private employment), a figure that grew 1 percent between 1995 and 2002. This figure lagged behind the job growth rate for the rest of the MSA, which was 1.9 percent over the same time period.

- Inner city residents hold only 22 percent of inner city jobs, while commuters hold 78 percent. This fact helps to explain why higher-wage inner city jobs do not correspond to higher median household income levels for many inner city residents. Wage growth between the inner city and the MSA has been competitive.

- About 5 percent of establishments with greater than \$2.5 million in revenues are located in the inner city.

- Ten inner cities experienced faster small business job growth than their surrounding MSA's from 1995 to 2002. These cities were: Jersey City, NJ; Tulsa, OK; Tampa, FL; Oakland, CA; St. Petersburg, FL; San Jose, CA; Mobile, AL; Portland, OR; Santa Ana, CA; and Augusta, GA. In addition, 51 inner cities gained small business jobs overall.

- Micro establishments in inner cities with under 20 employees showed an overall net job decrease of 75,000 jobs between 1995 and 2002. It is important to note that the SOICE project uses a static and not dynamic analysis of establishments; these micro establishments could have "graduated" beyond the 20 employee threshold.

- Service jobs dominated small business job growth in both inner cities and their surrounding regions.

- The most populous cities experienced more widespread employment growth than smaller cities. Job growth varied significantly by region, with larger growth in the West and the South outpacing smaller gains in the Northeast and Midwest.

## Scope and Methodology

The SOICE project utilizes comprehensive data sets such as the 2000 U.S. Census returns and ZIP Code Business Patterns, a compilation of national employment and establishment information at the ZIP code level. By combining these data sets, SOICE created profiles for the inner city economies of the nation's 100 largest urban areas. Analyzing these profiles reveals the drivers of inner city competitiveness and job growth, and illuminates trends in inner city populations and business activity on a national scale.

Inner cities are core urban areas that are economically distressed. For the purposes of this study, inner city areas are primarily defined as census tracts with a 20 percent or greater poverty rate, or those with 50 percent greater unemployment or poverty, or half the median income, of the surrounding MSA. The footprint of the inner city emerges by grouping contiguous census tracts that satisfy either of these two criteria and contain at least 5 percent of the city's total population (3 percent in the four largest cities). The 20 percent poverty threshold was selected based upon literature from the field that defines "distressed areas" or "high poverty tracts" at the 20 percent or more level. Census tracts considered part of the central business district (CBD) were included in the study if they met the inner city criteria because excluding these areas would leave out many distressed tracts where people live.

To define inner city boundaries, SOICE analyzed both 1990 and 2000 U.S. Census data. This data was also used to specify the number of residents living in poverty. Despite documented issues of the under-reporting of residents and income, census data remains the best available source of information on U.S. residents.

Two points about the data utilized in the SOICE project should be noted. First, establishment-level business data are being analyzed. This contrasts with other Office of Advocacy statistics from the U.S. Census Bureau that explore firm-level data. Second, SOICE pursues a "static evaluation" of establishment and employment trends from year to year.

This report was peer reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the Director of Economic Research at [advocacy@sba.gov](mailto:advocacy@sba.gov) or (202) 205-6533.

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## **Acknowledgments**

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## **Executive Summary**

- America's inner cities are home to over 814,000 private employer establishments employing just less than 9 million people (8 percent of U.S. private employment), an employment figure that grew by 1 percent between 1995 and 2002.
- Small businesses are the greatest source of new employment in inner cities—comprising more than 99 percent of establishments and 80 percent of total employment.
- Ten inner cities experienced faster small business job growth than their surrounding MSAs from 1995 to 2002, and 51 inner cities gained small business jobs overall.
- Inner city businesses are similar to businesses located in the rest of the MSA, exhibiting similar startup and bankruptcy rates. About 5 percent of establishments with greater than \$2.5 million in revenues are located in the inner city.
- Service jobs dominated small business job growth in both inner cities and their surrounding regions, including the Business Services cluster which added almost 70,000 inner city jobs from 1998-2001, an annual increase of 6.4 percent.
- The most populous cities experienced more widespread employment growth than smaller cities. Job growth varied significantly by region, with larger growth in the West and the South outpacing smaller gains in the Northeast and Midwest.
- Inner city residents hold only 22 percent of inner city jobs, while commuters hold 78 percent—a fact that explains why higher-wage inner city jobs do not correspond to higher median household income levels for inner city residents.

## Introduction

Inner city neighborhoods are often found in the economic heart of metropolitan areas. But despite their central location, they are rarely considered competitive locations for developing unique markets and creating high-wage jobs. Outdated perceptions continue to obscure their positive realities. However, inner city economies are larger and more active than is generally understood, especially among the small businesses that employ the vast majority of inner city workers. Through data analysis and interviews, an entirely different understanding of inner city economies—one based upon substantial assets and opportunity—emerges. Examples of productive inner city enterprises can be found across the country—from an electronic banking pioneer in San Francisco, to high-end apparel manufacturing in Brooklyn. Driving this new economic reality is the theory that inner cities hold untapped competitive advantages such as access to transportation like railways and ports, an available labor market, an underserved retail market, and close proximity to downtown centers of business and finance<sup>1</sup>.

To create a national portrait of inner city business activity, the State of the Inner City Economies (SOICE) is directing focus to inner city economies across the country—paying special attention to small establishments with 500 or fewer employees. These small businesses represent the bulk of establishments and jobs in both inner city and regional economies, as well as a significant portion of newly created jobs—making them essential to successful policy prescriptions.

The SOICE project was launched in 2003 by the Initiative for a Competitive Inner City (ICIC), a national, not-for-profit organization founded in 1994 by Harvard Business School Professor, Michael E. Porter. ICIC's mission is to spark new thinking about the business potential of inner cities, thereby creating jobs and wealth for inner city residents. The multi-phase State of the Inner City Economies project analyzes the competitiveness and assets of the inner cities of the 100 largest cities in the U.S., by population. The project's findings will generate new understanding about inner city economies and small businesses at city, regional and national levels—while supporting ICIC's mission to create jobs, income and wealth for inner city residents.

The SOICE project has the following goals:

- Serving as a standard source for assessing inner city economic performance and competitive position;
- Raising the profile of inner cities as competitive business locations;
- Generating insights into the role of small businesses in inner city economic opportunities; and
- Motivating and catalyzing change in inner cities.

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<sup>1</sup>Porter, M. E. (1995) The Competitive Advantage of the Inner City, *Harvard Business Review*, 74, pp.61-78.

As a data backbone, SOICE utilizes comprehensive data sets such as the 2000 U.S. Census returns and ZIP Code Business Patterns, a compilation of national employment and establishment information at the ZIP code level. By combining these data sets, SOICE created profiles for the inner city economies of the nation's 100 largest urban areas. Analyzing these profiles reveals the drivers of inner city competitiveness and job growth, and illuminates trends in inner city populations and business activity on a national scale. This paper will explain the methodology undertaken by the SOICE project, and will review the investigation's findings and trends for job-creating small businesses.

## **Defining Inner Cities**

Inner cities are core urban areas that are economically distressed. For the purposes of this study, inner city areas are primarily defined as census tracts with a 20 percent or greater poverty rate, or those with 50 percent greater unemployment or poverty, or half the median income, of the surrounding metropolitan statistical area (MSA). MSA is a U.S. Census geography term that encompasses urban areas and their surrounding suburbs. It roughly corresponds to television viewing markets. The footprint of the inner city emerges by grouping contiguous census tracts that satisfy either of these two criteria and contain at least five percent of the city's total population (three percent in the four largest cities). The 20 percent poverty threshold was selected based upon literature from the field that defines "distressed areas" or "high poverty tracts" at the 20 percent or more level.<sup>2</sup> Census tracts considered part of the central business district (CBD) were included in the study if they met the inner city criteria because excluding these areas would leave out many distressed tracts where people live.

To define inner city boundaries, SOICE analyzed both 1990 and 2000 U.S. Census data. This data was also used to specify the number of residents living in poverty. Despite documented issues of the under-reporting of residents and income, census data remains the best available source of information on U.S. residents.

## **Demographics of Inner City Residents**

The 21 million people residing in the inner cities of the America's largest 100 cities represent a population the size of Texas. A demographic snapshot using 2000 U.S. Census data shows that these 100 inner cities differ significantly from their surrounding MSAs. Compared to residents living in the surrounding metropolitan areas, inner city residents today are more likely to be of color (80 percent compared to 31 percent in the nation), foreign-born (23 percent compared to 11 percent in the U.S.), younger (42 percent under 25 years old compared to 35 percent), and have larger households (2.9 members compared to 2.1 members). Census data also confirmed that inner cities are more economically disadvantaged; unemployment is three times the level of the rest of the MSAs, college attainment lags significantly behind MSA rates, and inner city median household incomes are less than half those of surrounding areas.

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<sup>2</sup> J. Kasarda of the University of North Carolina, P. Jargowsky of the Brookings Institution.

Although differences dominate the comparison between inner cities and their surrounding regions, trends in the census data show that inner cities did make strides during the 1990s. Between 1990 and 2000 the growth in average household income (in constant dollars assuming an annualized inflation rate of 2.8%) for both inner cities and their surrounding MSAs was identical at 3.9 percent annually. In addition, in 2000, 33 percent of inner city households earned more than \$35,000 a year and 32 percent owned their own homes. Nationwide, close to 60 percent of households earned more than \$35,000 and 60 percent owned their own homes.

Since inner cities are defined as places of economic distress rather than by political or historic geographies, their boundaries can shift over time. Between 1990 and 2000 the total U.S. inner city population grew from 17 million to 21 million, an increase of 24 percent. This gain of four million people occurred even as the inner city poverty rates of the 100 largest cities declined from 35 percent to 31 percent. This means that overall poverty became more geographically dispersed between 1990 and 2000 as the boundaries of inner cities grew for the 100 largest central cities. Further analysis revealed that over 90 percent of the growth in inner city population came from the addition of new urban areas identified as inner cities, primarily in the West and Northeast.

To achieve a consistent “apples to apples” comparison when determining drivers of income growth, SOICE fixed inner city boundaries in 2000 and examined the corresponding economic and demographic data for 1990. Trend analysis between 1990 and 2000 includes tracts that did not qualify as inner cities in 1990, but experienced enough demographic change to qualify by the year 2000.

### **Drivers of Inner City Income Growth**

What were the drivers behind the 1990s growth in inner city household income that matched rates in the rest of the MSAs? SOICE analysis determined that the 18 percent increase in inner city college attainment between 1990 and 2000 (from 10.3 percent to 12.5 percent) was the most important variable associated with income growth. As the percentage of college educated population increased by one percentage point, their associated income grew by approximately 1.2 percentage points. The increase of high school attainment from 55 percent in 1990 to 61 percent in 2000, though a positive trend, registered as a neutral factor influencing income growth. A 2 percent increase in high school graduates yielded only a 0.2 percent increase in income. Higher levels of college attainment were recorded by inner cities in the West and South, while the Northeast and Midwest experienced more significant gains in high school attainment rates.

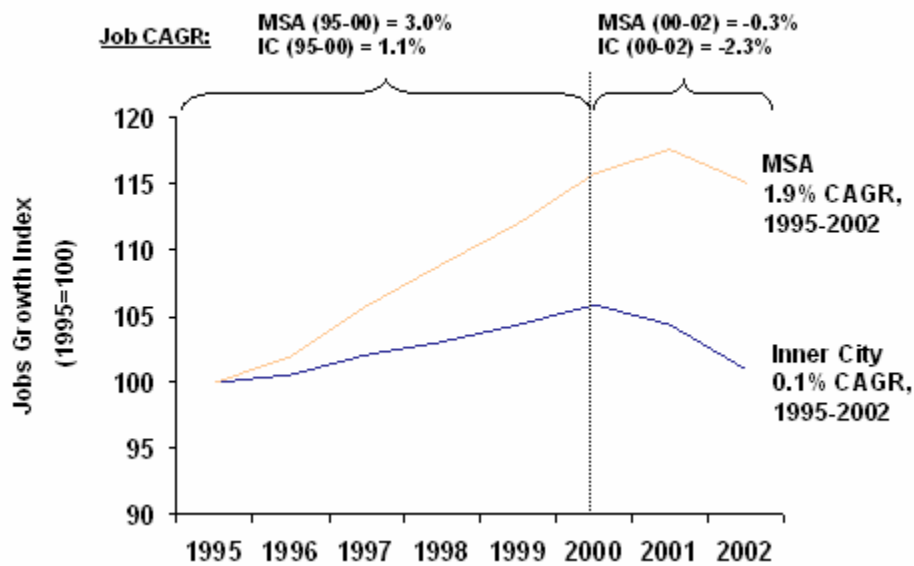
As a general rule, educational levels grew faster in cities that were more highly educated to begin with, meaning “the smart got smarter in the 1990s.” Other factors impacting income gains included the growth of the inner city workforce, an increase in the inner city white, non-Hispanic population, and the growth of immigrants in the inner city. All of

these factors are correlated with the readiness and availability of the inner city workforce.

### The Business Base of the Inner City

The inner city economies of the 100 largest cities represent a substantial and growing portion of the U.S. economy. Contrary to conventional assumptions that inner cities contain only marginal business activity, SOICE research has found that inner cities are home to over 814,000 private employer establishments, employing more than 9 million people (8 percent of U.S. private employment). Overall, the job growth among all establishments in inner cities between 1995 and 2002 produced a 0.1 percent CAGR, (Compound Annual Growth Rate), which represents the annualized percentage change of a multi-year trend. However, this growth rate lagged behind the MSA growth of 1.9 percent CAGR.

**Figure 1: Inner City Job Growth Compared to MSA and Rest of City Job Growth**



Job growth varied significantly by region, with larger increases in the West and the South outpacing smaller gains in the Northeast and Midwest. Like the rest of the U.S. economy, most inner city establishments are small businesses with fewer than 500 employees.

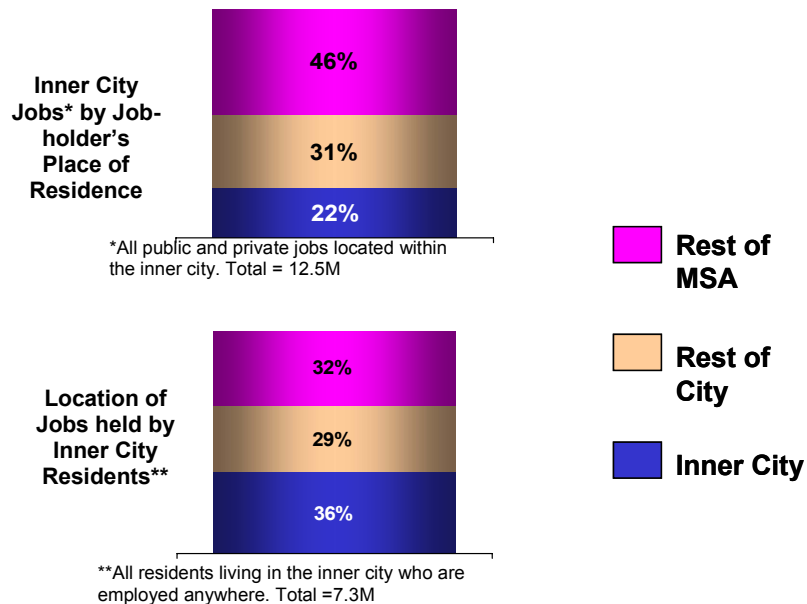
This section will provide an overall analysis of the inner city economies, of which small businesses comprise the vast majority of establishments and jobs. An establishment is a body of employees with a unique location of operation. It can be a company or a company's branch, subsidiary, or franchise. A firm is a name or designation under which a company conducts business, such as McDonald's. Firms, therefore, may consist of many establishments.



Although inner city job growth lags behind the rest of the MSAs, wages and wage growth in inner cities are very competitive. Average inner city wages in 2002 were \$38,688, over \$1,000 more than the average wage in the rest of the MSA. Furthermore, real wage growth in the inner city reached 1.7 percent between 1995 and 2002, very close to the 1.9 percent seen in the rest of the MSAs.

Further analysis confirmed that average wages and employment rolls generally grow together in inner cities. However, suburban commuters and other persons living outside the central city hold the majority of those inner city jobs. Analysis of 2000 U.S. Census data shows that inner city residents work in only 22 percent of jobs located in the inner city, while commuters to the inner city hold 78 percent of those jobs. Correspondingly, the median household income gap between the inner city and rest of MSA demonstrates that non-inner city residents are more likely to hold the higher-wage inner city jobs.

**Figure 2: Where Inner City Residents Work, and Where Inner City Jobholders Live (2000)**



Even though inner city jobs pay similar, and sometimes higher, wages than jobs in the rest of the MSA, the disconnect between inner city residents and jobs depresses median household incomes in the inner city. However, inner city residents are somewhat more likely to work in the inner city than in the rest of the MSA. Thirty-six percent of those living in the inner city also work in the inner city. Twenty-nine percent find employment in the rest of the city, and 32 percent work elsewhere in the MSA.

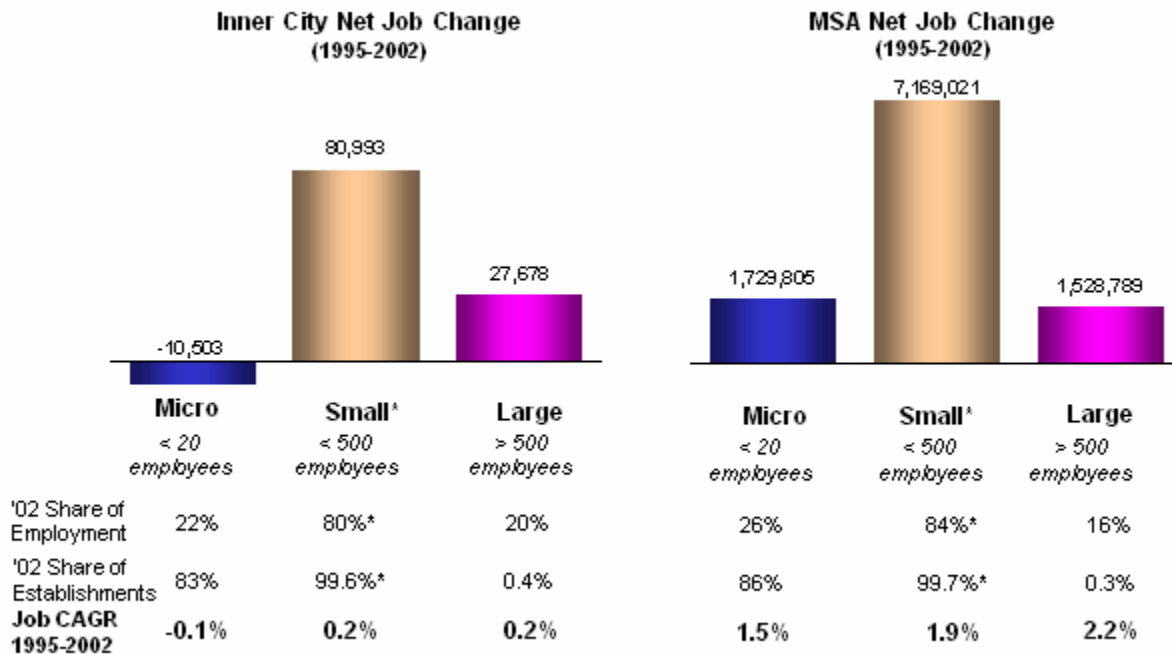
Despite demographic differences, inner city businesses show similarities to businesses located in the rest of their MSAs. They both experience similar startup and bankruptcy rates, though MSAs perform somewhat better. In both inner cities and metropolitan areas, about 5 percent of establishments have greater than \$2.5 million in revenue. Inner cities and MSAs also support similar proportions of traded cluster jobs—31 percent and 32 percent, respectively.

SOICE analysis of the inner cities in the top 100 U.S. cities by population determined several important drivers of improved economic performance. From a demographic perspective, increased college attainment and immigration are significantly related to improving inner cities. Comparing results from among the 100 cities also demonstrates that job creation, wage growth and increases in household income rise together in inner cities that experience positive trends in these economic metrics.

### Top Inner Cities for Small Businesses

Small businesses added the most jobs to both inner city and rest of MSA economies during the late 1990s, although growth rates differed significantly by city and region. As a whole, the inner cities located within the most populous 100 U.S. cities gained both residents and jobs during the 1990s, but most individual inner city economies lagged their metropolitan counterparts in employment growth.

**Figure 3: Inner City and MSA Net Job Changes among Establishments, 1995 to 2002**



\*Includes Micro

In 10 cities (Jersey City, NJ; Tulsa, OK; Tampa, FL; Oakland, CA; St. Petersburg, FL; San Jose, CA; Mobile, AL; Portland, OR; Santa Ana, CA; and Augusta, GA), the total number of inner city jobs grew more quickly than jobs in the rest of their metropolitan areas. These cities tended to be located in fast-growing regions of the nation such as the South and West, although some were transforming, post-industrial cities like Jersey City. Further analysis of job growth statistics also confirmed that strong inner city economies have strong MSA economies across all regions.

Small businesses with fewer than 500 employees account for 99.6 percent of all establishments in the inner city and 80 percent of total employment.<sup>3</sup> Between 1995 and 2002, inner city small establishments demonstrated a greater net job increase (81,000 jobs) than the net job increase among large establishments (28,000 jobs). The average job growth rate for small businesses was comparable to that of large businesses with over 500 employees (0.2 percent CAGR for both). This similarity extends to the rest of the MSA, where a 2.2 percent CAGR for large establishments compares to the 1.9 percent employment CAGR for small establishments. Small establishments account for more overall jobs, and more newly created jobs in both the inner cities and rest of MSAs, but are adding jobs at comparable rates to large establishments.

Inner city economies also include a higher share of large establishments than the rest of the MSAs. Business locations with over 500 employees comprise only 0.4 percent of overall inner city establishments; yet make up 19 percent of inner city jobs, and only 15 percent of jobs in the rest of the MSA, where they represent 0.3 percent of establishments. Many of these large inner city establishments are anchor institutions such as public utilities, hospitals, and universities that provide stable employment opportunities and are unlikely to move away.

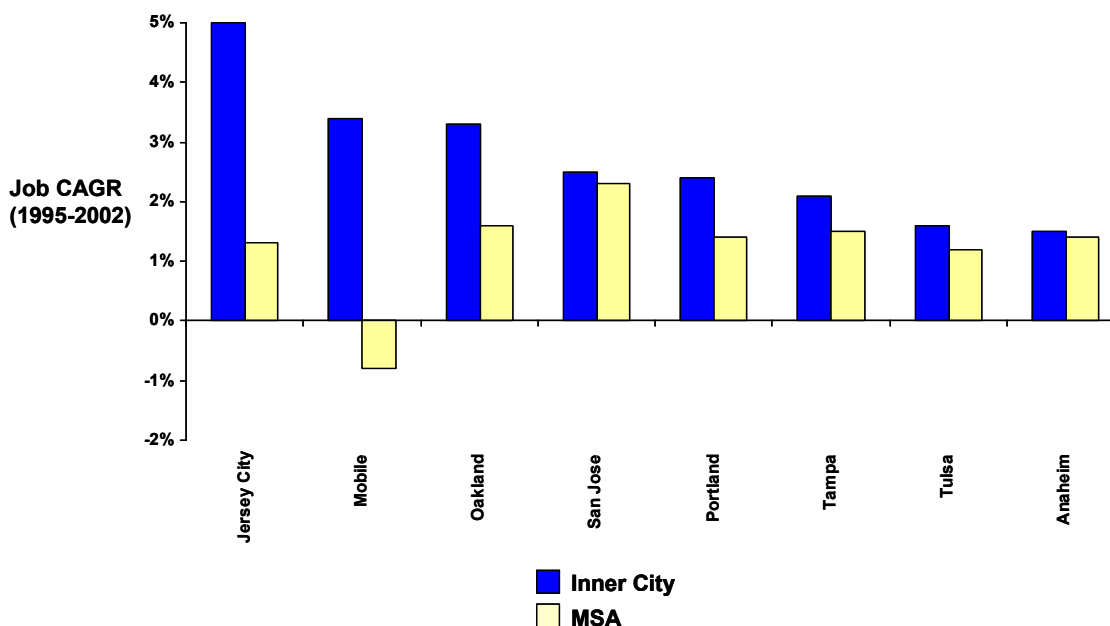
The majority of inner city job growth between 1995 and 2002 occurred in small businesses (establishments with under 500 employees), a result mirrored by the rest of the metro regions. This performance difference may partly be explained by the growth of smaller businesses into larger ones. However, eight inner cities (Jersey City, NJ; Mobile, AL; Oakland, CA; Portland, OR; San Jose, CA; Tampa, FL; Tulsa, OK; and Anaheim, CA) increased small business employment at higher rates than their metro areas.

A total of 51 inner cities gained jobs in small establishments between 1995 and 2002, a net gain of 300,000 jobs in these inner cities. In Jersey City small establishment jobs grew nearly four times as fast as those in the surrounding MSA; and in Oakland, more than 23,000 jobs were added between 1995 and 2002.

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<sup>3</sup> Note that there is a difference between data for firms versus establishments. The Office of Advocacy of the U.S. Small Business Administration regularly reports firm size data, both static and dynamic, based on data tabulations obtained from the U.S. Census Bureau's Statistics of U.S. Business division. For more information on this, please see the Appendix to this report or the Office of Advocacy's website (<http://www.sba.gov/advo/research/data.html#us>).

**Figure 4: Inner Cities Gaining Jobs Faster than Rest of MSA  
(Small establishments)**

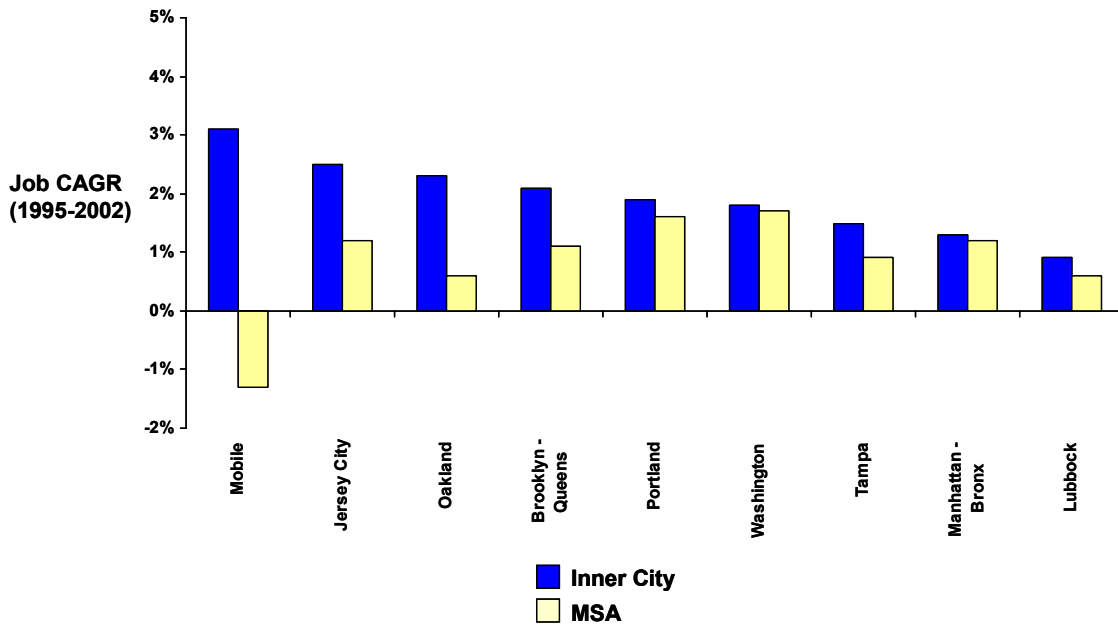
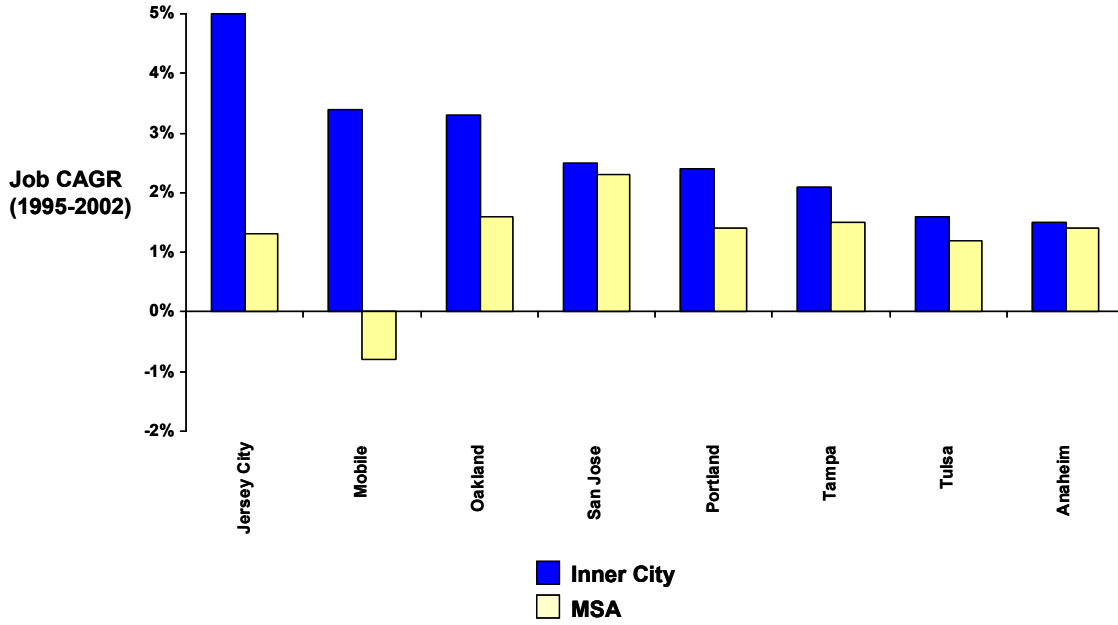


**Top Inner Cities for Micro Businesses**

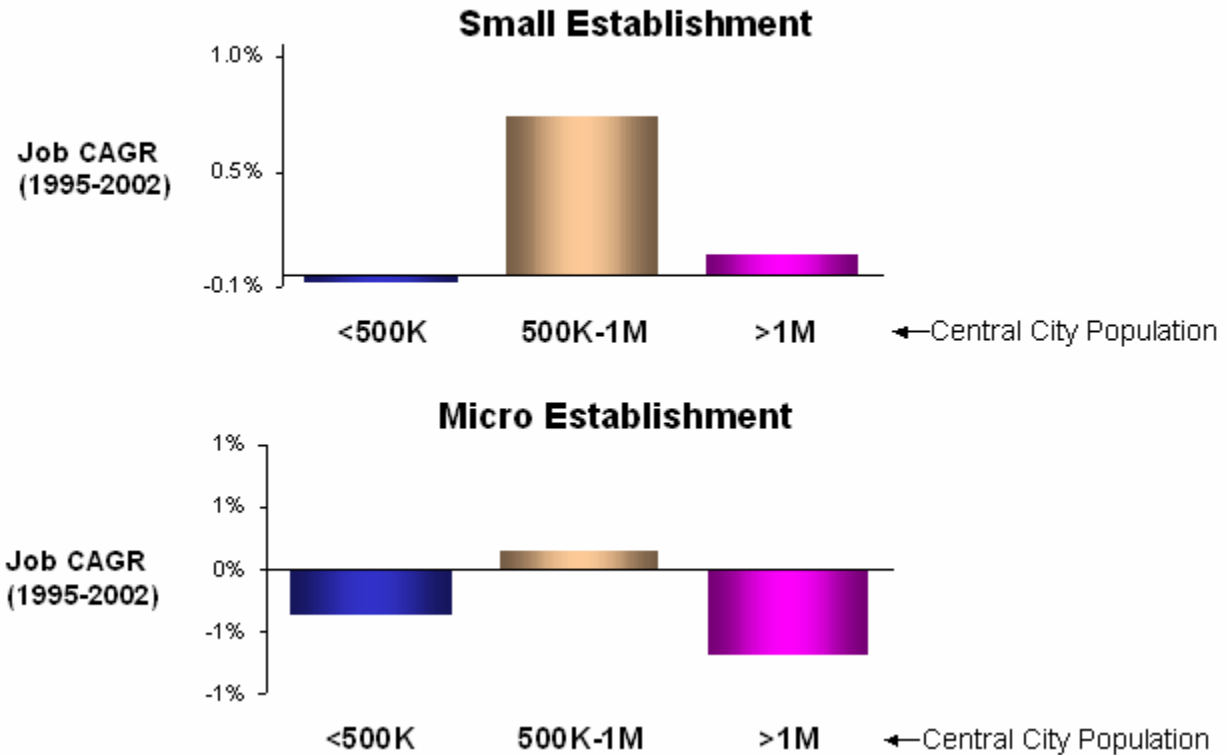
Micro establishments (establishments with under 20 employees) in inner cities showed an overall net job decrease, losing 75,000 jobs between 1995 and 2002. However, 42 of the 100 cities examined showed positive growth in inner city micro establishment employment between 1995 and 2002, adding 64,000 jobs. In nine inner cities—Brooklyn-Queens, NY; Manhattan-Bronx, NY; Oakland, CA; Washington, DC; Portland, OR; Mobile, AL; Tampa, FL; Jersey City, NJ; and Lubbock, TX—micro-establishments gained jobs faster than their MSAs.

Since this was a static analysis, it could not take into account the micro businesses that “graduated” into the small business category by crossing the threshold of 20 employees between 1995 and 2002. There are several possible explanations for the net job loss. The net loss suggests that either there are fewer micro startup enterprises or that the average start-up employs fewer people than other micro businesses. Other factors could include job loss among existing micro businesses or a higher failure rate. It may be that much of the job growth among small businesses came from micro businesses that were bent upon growing to scale. It is most likely that some combination of these factors is at work.

**Figure 5: Inner Cities Gaining Jobs Faster than Rest of MSA  
(Micro establishments)**



**Figure 6: Average Annual Inner City Job Growth by Central City Population Size**



The distribution of both jobs and establishments remained similar for both inner cities and the rest of the MSAs, with 99 percent of establishments in both geographies being small and micro businesses, providing approximately 80 percent of employment. Medium-sized cities (with an overall city population between 500,000 and one million) appear to be more fertile ground for developing small businesses in their inner cities, as shown in Figure 6.

**Cluster Trends for Small Businesses (1998-2001): Growth Areas**

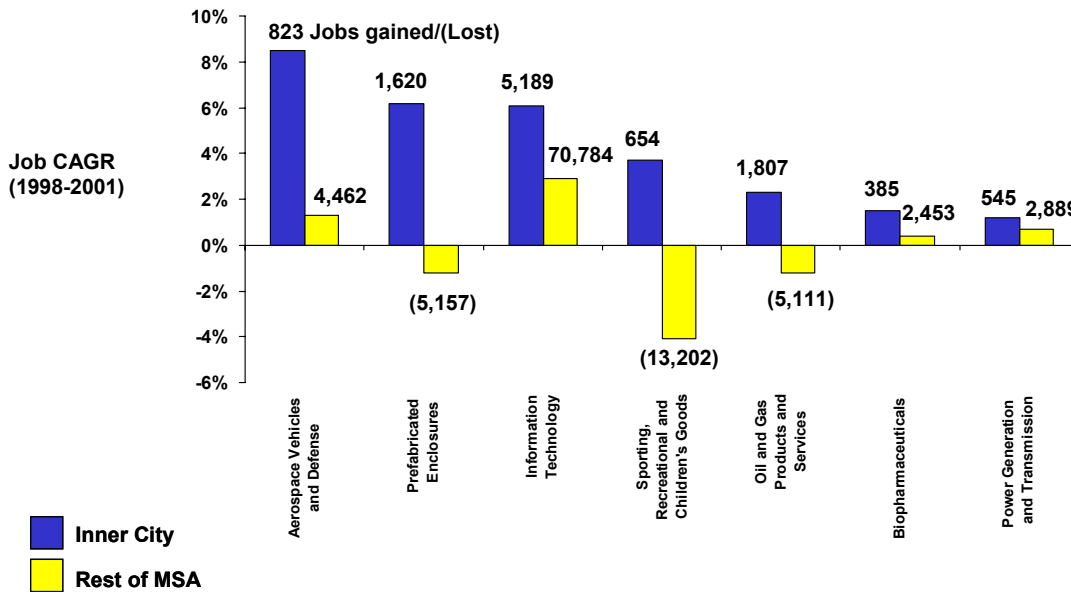
The growth of small business jobs paced the economic growth in the 1990s, so analyzing the performance of small businesses in specific clusters allows SOICE to pinpoint competitive advantages at both city and industry levels. Clusters are geographically concentrated groups of interconnected companies, universities, and related institutions that arise out of linkages or externalities across industries. The 58 clusters are divided into two categories, 'Traded' and 'Local'. Traded industries sell products and services across economic areas, so they are concentrated in the specific regions where they choose to locate production due to the competitive advantages afforded by these locations. Thus, employment levels in individual traded clusters vary greatly by region, and are not linked to regional population levels. Nationally, the largest clusters in inner cities tend to be local clusters, which contain industries such as health

and commercial services that provide goods and services almost exclusively for the area in which they are located.

Between 1998 and 2001, some inner city small businesses experienced larger job growth than establishments in identical clusters in the rest of the region—meaning that some inner city clusters likely benefited from the competitive advantages of their location. Due to data constraints of industry codes, we could only examine the three year period from 1998 and 2001, while the previous employment data covered 1995 to 2002.

The service sector dominated the newly created small business jobs in both the inner city and the MSA. Between 1998 and 2001, a period of general economic growth, the Business Services cluster generated the most jobs in small establishments across all geographies. Inner cities added almost 70,000 new Business Services jobs, an annual increase of 6.4 percent. The rest of the region also experienced strong annual growth of 7.4 percent and 1.4 million new Business Services jobs. A related service-oriented cluster, Financial Services, also experienced significant growth rates in the inner city, adding 6,500 jobs in small establishments at 0.8 percent CAGR. Likewise, Information Technology added 5,000 jobs while growing at an annual rate of 6.1 percent, outpacing this cluster’s employment growth rate in the rest of the MSA.

**Figure 7: Clusters where Inner City Job Gains Outpace the Rest of the MSA (Small establishments)**



For the most part, local clusters provided the most job creation in inner cities. Local Community and Civic Organizations, and Education and Knowledge Creation—two clusters with a strong neighborhood presence—added 40,000 and 26,000 inner city jobs, respectively. These clusters trailed performance in the rest of the region in terms of growth rate but still generated a substantial number of new jobs.

The overall top performers of growing inner city clusters reflect the importance of the small business service industry that caters to adjacent larger industries. In addition to Business Services, these growing clusters include Local Hospitality Establishments, Local Education and Training, and Local Personal Services. Anchor institutions such as hospitals (Local Health Services) and utilities tend to have less dynamic employment rates, yet still provide a substantial base of inner city jobs.

### **Cluster Trends in Small Businesses (1998-2001): Declining Areas**

There are also trends among the inner city clusters that lost jobs in small businesses. This decline is dominated by industrial and manufacturing clusters, the sectors most affected by labor force reductions caused by outsourcing and overseas manufacturing. The most notable decline occurred in the Apparel cluster, which lost 24,000 inner city jobs, a CAGR of -9.3 percent. Other manufacturing decliners included Processed Food, Production Technology (e.g., industrial patterns, industrial trucks and tractors, machine tools and accessories, etc.), and Metal Manufacturing. Industrial clusters located in the rest of the MSA followed the trend of inner cities and also experienced significant small business employment declines. Only specialized, high-value manufacturing clusters, such as Medical Devices, Publishing and Printing, and Communications Devices experienced modest small business job growth in the surrounding regions. Analyzing data from individual cities confirms that weaker inner city economies have a higher share of older declining clusters, while stronger inner city economies are more diversified in the growing service-oriented clusters.

For seven clusters, inner city job gains in small establishments outpaced growth in the same clusters located in the rest of the MSA. All of these clusters are traded clusters, and three—Aerospace Vehicles and Defense, Prefabricated Enclosures, and Information Technology—grew at annual rates greater than five percent.

Unlike manufacturing clusters that generally experienced employment losses in both inner cities and the rest of the MSA, retail clusters declined in inner cities but grew in the MSA. Local Commercial Services dropped 11,000 jobs in the inner city, a decline of -0.4 percent, while similar jobs increased by 440,000 in the rest of the MSA, an annual job increase of 1.5 percent. Other clusters followed similar patterns. Local Retail Clothing and Accessories lost 8,400 jobs (a -1.4 percent CAGR) in inner cities, while retail establishments in the surrounding regions added 240,000 jobs and grew at an annual rate of 2 percent. Local Food and Beverage Processing and Distribution, which includes food wholesaling, retail food stores, and bottled and canned soft drinks, exhibited an almost identical pattern, as did Local Logistical Services. Despite the underserved retail market in urban areas, these cluster trends reflected the



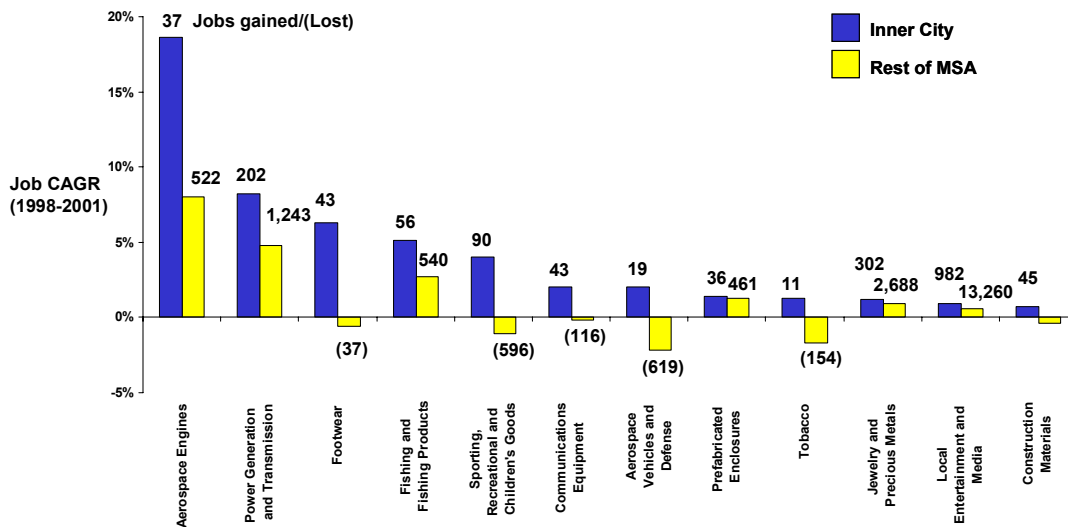
decentralization of retail dominated by large-footprint big-box stores and marketing strategies that cater to ex-urban residents.

Overall, the inner cities' worst performing clusters, a mixture of local service clusters and old-line manufacturing clusters, lost 114,000 jobs in small establishments between 1998 and 2001, with an average annual CAGR of – 4.0 percent. Small establishments for the same clusters located in the rest of the MSA added over 800,000 jobs and grew at a CAGR of 4.2 percent.

### Cluster Trends in Micro Establishments

Among micro establishments (businesses with fewer than 20 employees), more inner city clusters experienced declining employment than among small establishments. Business Services continued to lead the way in job growth, posting 9,000 new jobs and a 3 percent annual growth rate. Other growing clusters included niche enterprises such as Local Entertainment and Media, and small traded manufacturing sectors like Jewelry and Precious Metals, Power Generation and Transmission, and Sporting, Recreational, and Children's Goods. None of these clusters, however, experienced growth rates that exceeded the increase of jobs in the MSA. For micro establishments, twelve inner city clusters had job gains that outpaced gains in the rest of the MSA. These clusters were located primarily in niche manufacturing industries such as Aerospace Engines and Footwear.

**Figure 8: Clusters where Inner City Job Gains Outpace the Rest of the MSA (Micro establishments)**



Local service-oriented clusters experienced the greatest job losses, even more than manufacturing clusters, and often in the face of significant job gains in the rest of the MSA. Local Commercial Services lost 10,000 jobs at a rate of –1.5 percent CAGR. Local Real Estate, Construction and Development lost 8,000 jobs, while the rest of the MSA added 180,000 jobs at an annual growth rate of 1.5 percent. The top 10 declining clusters lost 50,000 jobs between 1998 and 2001, with an adjusted average annual CAGR of –1.9 percent. All but one of these declining local clusters have a service orientation. Micro establishments for the same clusters located in the rest of MSA added almost a million jobs at a CAGR of 0.8 percent.

## **Conclusion**

This SOICE report is intended to be a first look at the economic performance of inner cities located in the largest 100 U.S. cities, by population. The initial findings show that inner cities are a large and growing sector of the American economy, supporting 21 million residents and 9 million jobs. Although inner cities lag behind the surrounding metro areas in many areas, including median household income and educational attainment, they also experienced comparable gains in household incomes—which rose at the same 3.9 percent as metro areas during the 1990s. SOICE analysis also determined several drivers of inner city economic performance, most notably rising college attainment, followed by increases in immigrant populations.

Small establishments with fewer than 500 employees were the major source of employment growth in both inner cities and the rest of the MSAs. Micro establishments with fewer than 20 employees performed less well in inner cities, although their status could be the result of micro businesses growing enough to “graduate” and become small establishments, and hence disappear from the micro establishment comparison. Job growth varied significantly by region, with larger growth in the West and the South outpacing smaller gains in the Northeast and Midwest.

Service industry jobs dominated the employment gains in both inner cities and MSAs, with the Business Services cluster adding the most jobs at small and micro establishments for both geographies. Similar clusters, such as Financial Services and Information Technology, also posted positive employment figures for small establishments, although their gains were more than offset by significant declines in traditional manufacturing clusters. Other growth areas for inner cities were local clusters with a strong neighborhood presence, mainly Local Community and Civic Organizations, and Education and Knowledge Creation, which added 40,000 and 26,000 inner city jobs, respectively.

The losses in manufacturing employment impacted both the inner cities and the MSAs. Only specialized, high-value manufacturing clusters, such as Medical Devices, Publishing and Printing, and Communications Devices experienced modest job growth among micro establishments in the inner city, and also within the surrounding regions. However, MSAs posted employment growth in local service clusters that declined in inner cities, especially retail-oriented clusters like Local Commercial Services and Local Retail Clothing and Accessories. Inner cities experienced job losses in small

establishments for these same clusters, likely reflecting the decentralization of retail and services into “big box” and strip mall formats.

In addition to reviewing economic data, another way to measure inner city economic trends and forecast future performance, is to interview the chief executives of businesses located there. The Inner City 100 project, a division of ICIC, conducts annual interviews with the CEOs of inner city businesses defined using the same metrics as the SOICE project. For the six months ending March 2004, the overall level of inner city CEO Confidence rose to 68 on a 100 point scale, up from 59 one year prior. (A reading of more than 50 points reflects more positive than negative responses about economic conditions.) This measure is similar to the national Conference Board Measure of CEO Confidence of 73 for the three-month period ended March 2004, which rose from 53 one year earlier. Inner city CEOs responding to the survey were cautiously optimistic about the performance of their industry and the economy as a whole in the year ahead. Taken together with the economic data reviewed in this report, the CEO predictions indicate that there is plenty of opportunity within the quiet engine of the inner city economy.

## **Appendix A: Methodology**

### **Zip Code Business Pattern Data**

State of the Inner City Economies utilizes comprehensive data sets such as the 2000 U.S. Census returns and ZIP Code Business Patterns, a compilation of national employment and establishment information at the ZIP code level. The U.S. Census ZIP Code Business Patterns (ZCBP) source compiles data on the total number of establishments, employment and payroll for more than 40,000 5-digit ZIP Code areas nationwide. Most employment and other business data are collected by ZIP code. SOICE overlaid ZIP codes on inner city areas (census tracts) and prorated data based on the land area proportion of each ZIP code falling within the inner city boundaries, a conservative estimate of inner city jobs.

ZIP Code Business Patterns displays employment data showing the number of establishments falling within certain employment ranges due to suppression of data for business and confidentiality reasons. For example, it provides the number of establishments in a ZIP code having “between 1 and 5,” or “between 6 and 10” employees. To calculate the total jobs within each establishment category for each ZIP code, SOICE multiplied the number of establishments in each range by the midpoint of the job range. For the category “between 1 and 5,” the midpoint would be “3.” For “1,000 employees and above,” SOICE used 1,500 as an estimate. The total number of U.S. jobs calculated using this estimation formula was comparable (only slightly higher) to the overall U.S. figure reported by ZIP Code Business Patterns. .

### **Special Note on Small Business Statistics**

The SOICE project analyzes establishment-level business data, where an establishment is a unique business location (a front door that an employee walks through). For example, employment levels at the dozens of Pathmark grocery stores located in inner cities are recorded by individual store. SOICE’s ZIP Code Business Patterns dataset does not aggregate firm-level employment data by specific ZIP codes, a factor important for separating inner city business data from the rest of their regions.

The Office of Advocacy of the U.S. Small Business Administration (SBA) utilizes a data set developed in partnership with the U.S. Census Bureau that is comprised of U.S. Business Statistics and records employment at the firm level, totaling all of the establishment level jobs into a single firm-wide figure. This U.S. Census Bureau data is developed from the universe of employer firms and is derived from survey data. For example, the Census Bureau’s Statistics of U.S. Business division combines the employment at individual Pathmark grocery stores into a much larger figure for the entire Pathmark firm.

SOICE also pursues a “static evaluation” of establishment and employment trends from year to year. This static method reports data on the number of establishments and employment size range at a single point in each year. Those establishments that gain or lose employees between years can shift between employee size ranges. For example, a micro-establishment with 15 employees one year could increase its staff to 25 in the next year and “graduate” to become a small establishment. This establishment’s gain of 10 employees would not be recorded in either the micro or small establishment category because it would be counted in two separate size categories in each year.

Due to the fluidity of some establishments shifting between size categories, the static method does not accurately determine the performance of specific employee size ranges. However, the static analysis can determine the changing performance of size ranges over time, allowing SOICE to document the importance of small establishments. An alternative technique, known as “dynamic evaluation,” often found in the U.S. Business Statistics dataset developed by the U.S. Census Bureau and used by the Office of Advocacy, classifies all establishments into employee and payroll size ranges at the beginning of each year. These establishments remain in their initial size categories, and the survey tracks their expansion or contraction over the course of the year. For example, an establishment that grows from 10 to 50 employees will not “graduate” from a micro to a small establishment, but its job growth will be recorded in the micro establishment category. As a result, the dynamic evaluation method can illuminate the trends within specific employment size categories.

In addition, due to the confidentiality restrictions of the Zip Code Business Patterns dataset, SOICE uses midpoints to estimate the employment size of each establishment. For example, an establishment with the range of between 50 and 99 employees would be recorded as having 74.5 jobs. An establishment with over 1,000 employees is recorded as having 1,500 jobs. Comparisons between employment totals using midpoints and commercially available datasets with actual employment figures have demonstrated that the two are remarkably consistent.

The varying business data analysis methods—recording employment by establishments or firms, estimating employment by midpoints or actual figures, and measuring static or dynamic data trends—likely accounts for the variance in employment trends between studies by ICIC’s SOICE and the U.S. Census Bureau data cited in reports by the Small Business Administration.

Since SOICE uses establishment-level business data, causing large corporations with many establishments to disaggregate their total employment among individual stores or factories, changes in small business employment is biased upward to include jobs that would otherwise be recorded in larger firms.

For small establishments with fewer than 500 employees, SOICE data shows the addition of 4.1 million jobs in both inner cities and the rest of MSAs from 1998 to 2001. Advocacy-utilized Statistics of U.S. Business figures for the same small business category, however, show a gain of 5.4 million net new jobs for the same period.<sup>4</sup> This difference of 1.3 million jobs can be attributed first to Advocacy's coverage of the entire U.S. versus SOICE's coverage of the 84 Metro areas of the 100 largest central cities, and second to the "dynamic evaluation" method applied by the SBA data—which captures both the employment gains of new firms, and the expansion of existing firms, showing the dynamic employment situation for each year in the under 500-employee category.

SOICE data shows micro establishments in both inner cities and the rest of MSAs gaining 350,000 jobs between 1998 and 2001. The Statistics of U.S. Businesses data used by the SBA indicates that micro establishments added 4 million jobs during the same time period.<sup>5</sup>

One reason that SOICE analysis undercounts the growth in micro establishment employment is that growing micro businesses exceeding the 20-employee threshold are lost in the year-to-year "static" comparison. However, the gains of micro establishments that grow to scale are recorded in the "dynamic evaluation" of the U.S. Census business data utilized by the SBA—as it measures the net change within individual years. The employment growth in micro establishments is especially vulnerable to undercounting by the static evaluation method, as many businesses are able to exceed the 20-employee threshold each year.

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<sup>4</sup> The 5.4 million-gain in small business employment (1998-2001) is cited from the Office of Advocacy, U.S. Small Business Administration, from data provided by the U.S. Bureau of the Census, Statistics of U.S. Business.

<sup>5</sup> The 4 million-gain in micro business employment (1998-2001) is cited from the Office of Advocacy, U.S. Small Business Administration, from data provided by the U.S. Bureau of the Census, Statistics of U.S. Business.

## Appendix B: Data Tables

While inner city employment and establishment data are computed in aggregate for all 100 inner cities, the inner city rankings shown are for those inner cities with more than 50,000 people (83 inner cities).

**Table 1: 1995-2002 Inner Cities Ranked by Net Job Growth (CAGR) for establishments with fewer than 20 employees**

Rank	Inner City	Job Growth (Total Jobs Gained) for Est.<20	Job Growth (in CAGR %) for Est.<20
1	Mobile	2,346	3.1%
2	Jersey City	1,187	2.5%
3	Raleigh	810	2.3%
4	Oakland	4,527	2.3%
5	Brooklyn - Queens	9,708	2.1%
6	Portland	2,444	1.9%
7	Washington	3,143	1.8%
8	Tampa	2,276	1.5%
9	Austin	2,051	1.4%
10	Manhattan - Bronx	6,676	1.3%
11	Los Angeles	9,769	1.1%
12	Boston	1,979	1.0%
13	Newark	1,019	1.0%
14	Oklahoma City	1,554	0.9%
15	Lubbock	340	0.9%
16	Santa Ana	646	0.8%
17	Charlotte	1,006	0.8%
18	Chicago	2,883	0.8%
19	San Jose	765	0.8%
43	Albuquerque	(437)	-0.4%
44	Augusta-Richmond County	(283)	-0.5%
45	Birmingham	(662)	-0.5%
46	Baton Rouge	(351)	-0.5%
47	San Antonio	(1,409)	-0.6%
48	Fort Wayne	(220)	-0.6%
49	Omaha	(341)	-0.6%
50	Fort Worth	(881)	-0.6%
51	Nashville-Davidson	(923)	-0.7%
52	Cleveland	(1,539)	-0.8%
53	Buffalo	(1,239)	-0.9%
54	St. Louis	(1,484)	-0.9%
55	Pittsburgh	(1,646)	-0.9%
56	Indianapolis	(1,684)	-1.0%
57	Kansas City	(1,354)	-1.0%
58	Philadelphia	(3,452)	-1.0%
59	Spokane	(1,348)	-1.0%
60	Milwaukee	(1,730)	-1.1%
61	San Francisco	(2,893)	-1.1%

20	Anaheim	369	0.7%
21	Denver	1,841	0.7%
22	Sacramento	948	0.5%
23	Tulsa	479	0.5%
24	Corpus Christi	302	0.4%
25	Tucson	605	0.4%
26	El Paso	661	0.3%
27	Houston	1,862	0.3%
28	Winston-Salem	64	0.3%
29	Stockton	144	0.2%
30	Atlanta	335	0.2%
31	Columbus OH	269	0.2%
32	St. Paul	25	0.0%
33	Akron	17	0.0%
34	San Diego	19	0.0%
35	Tacoma	(142)	-0.1%
36	Phoenix	(410)	-0.1%
37	Seattle	(347)	-0.2%
38	St. Petersburg	(61)	-0.2%
39	Dallas	(1,170)	-0.3%
40	Minneapolis	(484)	-0.3%
41	Bakersfield	(194)	-0.3%
42	Richmond	(407)	-0.4%

62	Norfolk	(482)	-1.1%
63	Shreveport	(827)	-1.2%
64	Rochester	(1,299)	-1.2%
65	Detroit	(3,056)	-1.3%
66	San Bernardino	(864)	-1.4%
67	Wichita	(1,217)	-1.4%
68	Louisville	(1,808)	-1.4%
69	Fresno	(1,971)	-1.4%
70	New Orleans	(3,002)	-1.5%
71	Memphis	(2,468)	-1.5%
72	Arlington TX	(791)	-1.5%
73	Las Vegas	(1,548)	-1.8%
74	Toledo	(1,490)	-1.8%
75	Baltimore	(4,934)	-1.9%
76	Cincinnati	(2,879)	-2.0%
77	Des Moines	(1,415)	-2.0%
78	Jacksonville	(2,715)	-2.1%
79	Miami	(4,591)	-2.4%
80	Montgomery	(758)	-2.5%
81	Long Beach	(2,972)	-3.5%
82	Grand Rapids	(2,153)	-3.6%
83	Amarillo	(1,893)	-4.4%

**KEY**

Est.= Establishments  
Emp.= Employment  
Est.<20= Establishments w/ less than 20 employees  
Est.<500= Establishments w/less than 500 employees  
Est.>500= Establishments w/ greater than 500 employees



**Table 2: 1995-2002 Inner Cities Ranked by Net Job Growth (CAGR) for establishments with fewer than 500 employees**

Rank	Inner City	Job Growth (Total Jobs Gained) for Est.<500	Job Growth (in CAGR %) for Est.<500
1	Jersey City	9,092	5.0%
2	Mobile	9,090	3.4%
3	Oakland	23,485	3.3%
4	Washington	18,269	2.9%
5	Raleigh	3,342	2.9%
6	San Jose	8,862	2.5%
7	Portland	10,847	2.4%
8	Tampa	12,408	2.1%
9	Sacramento	11,369	2.1%
10	San Diego	7,991	2.0%
11	Tulsa	5,372	1.6%
12	Phoenix	20,052	1.6%
13	Anaheim	3,361	1.5%
14	Houston	32,804	1.5%
15	Columbus OH	9,208	1.4%
16	San Bernardino	2,741	1.3%
17	Augusta-Richmond County	2,556	1.3%
18	Stockton	2,355	1.2%
19	Brooklyn - Queens	14,432	1.2%
20	Manhattan - Bronx	15,248	1.2%
21	Oklahoma City	7,197	1.1%
22	Santa Ana	2,803	1.1%
23	Denver	10,227	1.0%
24	Lubbock	981	0.9%
25	Dallas	14,370	0.8%
26	Boston	7,170	0.8%
27	Austin	4,059	0.8%
28	Tucson	3,054	0.6%
29	Corpus Christi	1,223	0.5%
30	Atlanta	3,726	0.5%
31	Newark	2,170	0.5%
32	St. Petersburg	542	0.4%
43	Minneapolis	(763)	-0.1%
44	San Francisco	(1,661)	-0.2%
45	Bakersfield	(366)	-0.2%
46	Pittsburgh	(1,963)	-0.3%
47	Chicago	(3,698)	-0.3%
48	Los Angeles	(8,415)	-0.3%
49	Louisville	(1,789)	-0.3%
50	Arlington TX	(841)	-0.4%
51	Fort Wayne	(592)	-0.4%
52	Akron	(1,616)	-0.6%
53	Birmingham	(3,057)	-0.6%
54	Tacoma	(2,230)	-0.6%
55	Wichita	(1,777)	-0.6%
56	Milwaukee	(4,457)	-0.7%
57	Spokane	(3,010)	-0.7%
58	Albuquerque	(2,922)	-0.8%
59	Omaha	(2,133)	-0.8%
60	Rochester	(3,707)	-0.9%
61	Philadelphia	(9,512)	-0.9%
62	St. Louis	(7,054)	-0.9%
63	Norfolk	(1,455)	-0.9%
64	Montgomery	(977)	-0.9%
65	Kansas City	(5,582)	-1.0%
66	Las Vegas	(2,908)	-1.1%
67	Fresno	(4,385)	-1.1%
68	Des Moines	(3,593)	-1.2%
69	New Orleans	(8,742)	-1.2%
70	Cincinnati	(7,743)	-1.2%
71	Buffalo	(6,785)	-1.3%
72	Baltimore	(13,086)	-1.3%
73	Toledo	(4,498)	-1.4%
74	Baton Rouge	(3,143)	-1.4%

33	Fort Worth	1,977	0.4%
34	El Paso	2,181	0.4%
35	Charlotte	1,195	0.2%
36	San Antonio	1,568	0.2%
37	Seattle	1,163	0.1%
38	Indianapolis	579	0.1%
39	Richmond	283	0.1%
40	Winston-Salem	7	0.0%
41	St. Paul	(69)	0.0%
42	Nashville-Davidson	(403)	-0.1%

75	Jacksonville	(7,745)	-1.6%
76	Shreveport	(3,493)	-1.6%
77	Long Beach	(4,526)	-1.6%
78	Memphis	(13,874)	-2.0%
79	Cleveland	(15,862)	-2.0%
80	Detroit	(17,235)	-2.1%
81	Miami	(12,974)	-2.4%
82	Grand Rapids	(6,605)	-2.9%
83	Amarillo	(4,728)	-3.6%

**KEY**  
 Est.= Establishments  
 Emp.= Employment  
 Est<20= Establishments w/ less than 20 employees  
 Est.<500= Establishments w/less than 500 employees  
 Est.>500= Establishments w/ greater than 500 employees

**Table 3: Clusters Ranked by Net Inner City Job Growth for Establishments with Greater than 500 Employees**

Rank	Cluster	2001 Total Inner City Employment	1998-01 Job Growth (in Jobs)	1998-01 Job Growth (in CAGR %)	1998-01 Job Growth (in CAGR %) Est.<20 Emp.	1998-01 Job Growth (in CAGR %) Est.<500 Emp.	1998-01 Job Growth (in CAGR %) Est.>500 Emp.
1	Aerospace Vehicles and Defense	11,278	73	0.2%	2.0%	8.5%	-3.1%
2	Business Services	480,622	94,382	7.6%	3.0%	6.4%	15.3%
3	Prefabricated Enclosures	10,571	2,370	8.8%	1.4%	6.2%	NA
4	Information Technology	43,998	11,970	11.2%	-4.5%	6.1%	31.6%
5	Education and Knowledge Creation	231,156	23,807	3.7%	3.2%	5.4%	2.0%
6	Local Education and Training	137,037	12,340	3.2%	-1.1%	4.1%	-8.4%
7	Entertainment	131,686	27,016	8.0%	0.2%	4.0%	24.1%
8	Sporting, Recreational and Children's Goods	6,265	-96	-0.5%	4.0%	3.7%	-100.0%
9	Local Community and Civic Organizations	486,000	47,264	3.5%	0.7%	3.1%	9.3%
10	Oil and Gas Products and Services	37,523	1,998	1.8%	-2.0%	2.3%	0.7%
11	Local Personal Services (Non-Medical)	177,830	13,247	2.6%	-0.4%	2.3%	31.9%
12	Heavy Construction Services	194,815	15,609	2.8%	-0.6%	2.1%	6.7%
13	Local Utilities	253,879	425	0.1%	5.1%	1.7%	-2.4%
14	Local Entertainment and Media	211,087	5,622	0.9%	0.9%	1.6%	-0.4%
15	Biopharmaceuticals	13,303	-4,101	-8.6%	-2.0%	1.5%	-20.8%
16	Aerospace Engines	6,132	846	5.1%	18.6%	1.4%	7.7%
17	Local Real Estate, Construction, and Development	715,133	41,787	2.0%	-1.2%	1.3%	17.5%
18	Power Generation and Transmission	31,787	-3,827	-3.7%	8.2%	1.2%	-7.8%
19	Hospitality and Tourism	262,360	5,345	0.7%	-0.2%	1.0%	-0.2%
20	Financial Services	413,871	15,264	1.3%	-0.7%	0.8%	2.0%
21	Local Hospitality Establishments	688,875	20,550	1.0%	-0.5%	0.8%	28.5%
22	Distribution Services	170,624	13,422	2.8%	-1.7%	0.7%	33.3%
23	Local Household Goods and Services	132,581	857	0.2%	-1.8%	0.5%	-10.6%
24	Local Financial Services	327,902	-2,741	-0.3%	-3.5%	0.2%	-1.5%
25	Jewelry and Precious Metals	16,412	38	0.1%	1.2%	0.1%	NA
26	Building Fixtures, Equipment and Services	52,166	1,822	1.2%	-1.5%	0.0%	16.6%
27	Local Motor Vehicle Products and Services	299,929	1,261	0.1%	-1.2%	0.0%	24.9%
28	Local Health Services	1,217,455	-20,424	-0.6%	-1.0%	0.0%	-1.2%
29	Local Commercial Services	1,221,844	9,681	0.3%	-1.5%	-0.4%	3.4%

**Table 3: Clusters Ranked by Net Inner City Job Growth for Establishments with Greater than 500 Employees (continued)**

Rank	Cluster	2001 Total Inner City Employment	1998-01 Job Growth (in Jobs)	1998-01 Job Growth (in CAGR %)	1998-01 Job Growth (in CAGR %) Est.<20 Emp.	1998-01 Job Growth (in CAGR %) Est.<500 Emp.	1998-01 Job Growth (in CAGR %) Est.>500 Emp.
30	Natural Endowment Industries	22,913	591	0.9%	0.6%	-0.5%	5.2%
31	Transportation and Logistics	182,478	1,037	0.2%	-4.5%	-0.6%	1.4%
32	Forest Products	13,089	-3,346	-7.3%	-1.5%	-1.0%	-31.3%
33	Communications Equipment	12,481	-1,836	-4.5%	2.0%	-1.2%	-9.1%
34	Local Logistical Services	243,263	837	0.1%	-1.6%	-1.3%	8.6%
35	Local Food & Beverage Processing/Distribution	349,174	-11,838	-1.1%	-0.9%	-1.3%	2.8%
36	Local Retail Clothing and Accessories	206,735	-3,968	-0.6%	-1.0%	-1.4%	9.8%
37	Textiles	12,352	-1,794	-4.4%	-0.2%	-1.9%	-16.8%
38	Publishing and Printing	91,913	-6,957	-2.4%	-3.4%	-2.1%	-6.0%
39	Local Industrial Products and Services	199,090	-16,213	-2.6%	-2.5%	-2.3%	-9.8%
40	Furniture	17,412	-3,190	-5.5%	0.2%	-2.5%	-29.6%
41	Construction Materials	8,831	-713	-2.6%	0.7%	-2.6%	NA
42	Metal Manufacturing	95,529	-12,720	-4.1%	-2.4%	-3.0%	-10.6%
43	Automotive	63,200	-8,099	-3.9%	-4.6%	-3.1%	-5.3%
44	Lighting and Electrical Equipment	18,590	-1,791	-3.0%	-5.8%	-3.2%	-0.6%
45	Motor Driven Products	11,263	-1,775	-4.8%	0.2%	-3.3%	-12.6%
46	Analytical Instruments	22,282	-3,059	-4.2%	-5.9%	-3.6%	-5.8%
47	Agricultural Products	11,098	-677	-2.0%	1.0%	-3.6%	6.3%
48	Processed Food	156,026	-13,210	-2.7%	-3.5%	-3.6%	0.6%
49	Chemical Products	34,973	-3,906	-3.5%	-1.3%	-3.8%	-0.5%
50	Leather and Related Products	13,454	-2,149	-4.8%	-4.4%	-4.5%	-36.2%
51	Plastics	42,734	-4,654	-3.4%	-1.9%	-4.8%	14.5%
52	Tobacco	2,957	-1,738	-14.3%	1.3%	-5.0%	-33.3%
53	Fishing and Fishing Products	4,312	-1,975	-11.8%	5.1%	-5.2%	-20.7%
54	Heavy Machinery	14,068	-1,528	-3.4%	-2.4%	-5.7%	14.3%
55	Medical Devices	15,772	-2,388	-4.6%	-4.0%	-6.4%	-0.3%
56	Footwear	3,985	365	3.3%	6.3%	-6.5%	14.5%
57	Production Technology	29,886	-7,406	-7.1%	-3.6%	-7.6%	-2.6%
58	Apparel	78,747	-30,600	-10.4%	-2.3%	-9.3%	-18.8%

**Table 4: 1998-2001 Net Job Growth by Cluster for Establishments with fewer than 20 employees**

Rank	Cluster	Job Growth (Total) Est. <20 Emp.	Job Growth (in CAGR%) Est.<20 Emp.
1	Business Services	8,996	3.0%
2	Local Community and Civic Organizations	3,125	0.7%
3	Local Utilities	3,121	5.1%
4	Education and Knowledge Creation	1,652	3.2%
5	Local Entertainment	982	0.9%
6	Jewelry and Precious Metals	302	1.2%
7	Power Generation and Transmission	202	8.2%
8	Entertainment	99	0.2%
9	Sporting, Recreation and Transmission	90	4.0%
10	Fishing and Fishing Products	56	5.1%
11	Natural Endowment Industries	56	0.6%
12	Agricultural Products	54	1.0%
13	Construction Materials	45	0.7%
14	Footwear	43	6.3%
15	Communications Equipment	43	2.0%
16	Aerospace Engines	37	18.6%
17	Prefabricated Enclosures	36	1.4%
18	Aerospace Vehicles and Defense	19	2.0%
19	Furniture	19	0.2%
20	Tobacco	11	1.3%
21	Motor Driven Products	5	0.2%
22	Textiles	(17)	-0.2%
23	Biopharmaceuticals	(46)	-2.0%
24	Forest Products	(65)	-1.5%
25	Chemical Products	(142)	-1.3%
26	Hospitality and Tourism	(146)	-0.2%
27	Heavy Machinery	(157)	-2.4%
28	Medical Devices	(197)	-4.0%
29	Plastics	(251)	-1.9%
30	Leather and Related Products	(305)	-4.4%
31	Oil and Gas Products and Services	(331)	-2.0%
32	Analytical Instruments	(382)	-5.9%
33	Lighting and Electrical Equipment	(388)	-5.8%

34	Building Fixtures, Equipment and Services	(395)	-1.5%
35	Production Technology	(494)	-3.6%
36	Local Education and Training	(554)	-1.1%
37	Heavy Construction Services	(563)	-0.6%
38	Information Technology	(672)	-4.5%
39	Automotive	(851)	-4.6%
40	Processed Food	(905)	-3.5%
41	Metal Manufacturing	(965)	-2.4%
42	Financial Services	(1,076)	-0.7%
43	Local Personal Services (Non-Medical)	(1,094)	-0.4%
44	Apparel	(1,249)	-2.3%
45	Local Logistical Services	(1,865)	-1.6%
46	Publishing and Printing	(2,073)	-3.4%
47	Distribution Services	(2,309)	-1.7%
48	Local Retail Clothing and Accessories	(2,377)	-1.0%
49	Local Hospitality Establishments	(2,540)	-0.5%
50	Local Beverage Processing and Distribution	(2,798)	-0.9%
51	Transportation and Logistics	(3,098)	-4.5%
52	Local Household Goods and Services	(3,256)	-1.8%
53	Local Motor Vehicle Products and Services	(5,344)	-1.2%
54	Local Health Services	(5,729)	-1.0%
55	Local Industrial Products and Services	(5,373)	-2.5%
56	Local Financial Services	(7,459)	-3.5%
57	Local Real Estate Construction and Development	(8,684)	-1.2%
58	Local Commercial Services	(10,291)	-1.5%

**KEY**  
 Est.= Establishments  
 Est<20= Establishments w/ less than 20 employees  
 Emp.= Employment