

Small Business Profile: MASSACHUSETTS

Small businesses make a significant contribution to the U.S. economy, and in 2003, they were the engine of Massachusetts'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 Massachusetts, 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 Massachusetts in 2003 was 585,300.¹ Of the 175,827 employer firms in 2003, 98 percent or an estimated 172,300 were small firms. The estimated number of employer businesses increased by 1.1 percent in 2003. The most recent data available show that non-employer businesses numbered 412,941 in 2001. Self-employment increased by 4.1 percent, from 216,784 in 2002 to 225,688 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 13.5 percent, from 75,550 in 2002 to 85,730 in 2003 and represented 38.1 percent of self-employed persons in the state. Women-owned businesses generated \$16.8 billion in revenues, employed 155,191 workers, and constituted 142,700 firms or 26.6 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, 19.5 percent or 7,600 of the minority-owned businesses in the state were employer firms, and they generated 87.9 percent of the total minority-owned business revenue of \$7 billion. There were 12,700 Hispanic-owned businesses; 11,800 Black-owned businesses; 12,700 Asian and Pacific Islander-owned businesses; and 3,400 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 18,984 in 2003, which is 10.7 percent less than the previous year. Business bankruptcies increased by 4.2 percent, and totaled 396 in 2003. Business terminations increased by 6.5 percent and numbered 21,870 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 146,038 in 2001 and employed 1,552,310 people or 49.6 percent of the state's non-farm private workforce (Table 1).² Total net employment gain in the state amounted to 45,311 between 2000 and 2001. Of that number, 44,471 are attributable to MSAs (metropolitan statistical areas). During the same time period, firms with fewer than 20 employees gained 25,566 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 4.5 percent, from \$20.6 billion in 2002 to \$21.6 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 Massachusetts (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 Massachusetts by Industry and Firm Size, 2001 (Thousands)

Industry	Non-employer Firms	Employer Firms			Employment		
		Total	< 100	< 500	Total	< 100	< 500
Total	412.94	149.03	142.56	146.04	3,129.98	1,063.96	1,552.31
Agriculture, forestry, fishing, and hunting	5.43	0.39	0.39	0.39	*	*	*
Mining	0.1	0.09	0.08	0.09	*	*	*
Utilities	0.42	0.11	0.08	0.08	13.92	0.43	1.21
Construction	54.16	16.3	16.09	16.23	130.25	92.34	113.72
Manufacturing	5.99	8.56	7.59	8.08	390.35	114.1	187.76
Wholesale trade	8.03	8.76	7.8	8.16	161.79	7.8	98.82
Retail trade	29.56	18.09	17.34	17.63	352.12	17.34	155.86
Transportation and warehousing	13.85	3.03	2.76	2.89	72.01	2.76	34.93
Information	6.98	2.53	2.17	2.32	130.72	22.49	40.38
Finance and insurance	15.75	5.44	4.95	5.15	215.09	36.73	62.62
Real estate; rental and leasing	40.77	4.89	4.69	4.78	47.01	24.05	47.01
Professional, scientific, and technical services	83.72	20.43	19.58	20.02	257.58	111.48	159.23
Management of companies and enterprises	N/A	0.78	0.22	0.43	78.9	1.85	8.69
Admin., support, waste mngt., and remed., services	23.4	8.42	7.89	8.15	211.98	7.89	96.32
Educational services	12.28	2.06	1.82	1.99	168.12	22.6	48.44
Health care and social assistance	38.26	12.26	11.54	12.04	454.04	105.36	196.58
Arts, entertainment, and recreation	25.2	2.53	2.42	2.5	45.36	23.34	37.25
Accommodation and food services	4.71	11.69	11.35	11.55	236.35	123.55	151.89
Other services	44.33	15.7	15.41	15.57	126.57	91.81	108.87
Auxiliary, except corp, subsidiary, and regional managing offices	N/A	0.22	0.04	0.09	22.91	0.38	1.47
Unclassified	N/A	8.8	8.8	12.68	12.68	*	12.68

*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	158.81	39.87	80.2	78.61
Expanding establishments	331.52	72.51	178.74	152.78
Job Losses:				
Downsized establishments	-290.28	-51.4	-137.8	-152.48
Closed establishments	-154.74	-35.42	-79.33	-75.4
Net change in employment	45.31	25.57	41.8	3.51

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

Table 3. Number of Banks in Massachusetts 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
52	44	42	41	39	6	17	8	6	2

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.