

Small Business Profile: PENNSYLVANIA

Small businesses make a significant contribution to the U.S. economy, and in 2003, they were the engine of Pennsylvania'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 Pennsylvania, 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 Pennsylvania in 2003 was 906,500.¹ Of the 271,459 employer firms in 2003, 98.3 percent or an estimated 266,800 were small firms. The estimated number of employer businesses increased by 1 percent in 2003. The most recent data available show that non-employer businesses numbered 639,679 in 2001. Self-employment decreased by 1.4 percent, from 389,429 in 2002 to 383,994 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 6 percent, from 118,093 in 2002 to 125,154 in 2003 and represented 32.8 percent of self-employed persons in the state. Women-owned businesses generated \$34 billion in revenues, employed 257,841 workers, and constituted 203,000 firms or 24.2 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, 23.2 percent or 11,500 of the minority-owned businesses in the state were employer firms, and they generated 84.8 percent of the total minority-owned business revenue of \$8.6 billion. There were 7,900 Hispanic-owned businesses; 19,800 Black-owned businesses; 17,400 Asian and Pacific Islander-owned businesses; and 5,200 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 31,214 in 2003, which is 2.3 percent less than the previous year. Business bankruptcies decreased by 5.5 percent, and totaled 1,193 in 2003. Business terminations decreased by 8.2 percent and numbered 32,917 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 232,914 in 2001 and employed 2,534,390 people or 49.5 percent of the state's non-farm private workforce (Table 1).² Total net employment gain in the state amounted to 40,109 between 2000 and 2001, and 40,479 new jobs were created in MSAs (metropolitan statistical areas). During the same time period, firms with fewer than 20 employees gained 32,721 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 6.6 percent, from \$32.3 billion in 2002 to \$34.5 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 Pennsylvania (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 Pennsylvania by Industry and Firm Size, 2001 (Thousands)

Industry	Non-employer Firms	Employer Firms			Employment		
		Total	< 100	< 500	Total	< 100	< 500
Total	639.68	236.84	227.72	232.91	5,123.11	1,785.29	2,534.39
Agriculture, forestry, fishing, and hunting	6.72	0.67	0.66	0.66	2.84	*	2.66
Mining	2.87	0.77	0.71	0.74	16.78	7.13	9.72
Utilities	0.51	0.34	0.28	0.29	35.28	2.23	3.09
Construction	84.34	27.68	27.34	27.57	243.52	172.08	207.85
Manufacturing	12.87	15.37	13.44	14.48	780.27	199.91	351.23
Wholesale trade	15.58	14.25	12.88	13.44	244.4	12.88	156.7
Retail trade	79.6	31.33	30.08	30.71	670.45	30.08	309.19
Transportation and warehousing	27.62	6.07	5.66	5.85	171.75	5.66	71.92
Information	8.33	2.9	2.54	2.68	144.22	23.91	39.34
Finance and insurance	25.86	9.25	8.64	8.89	307.93	51.58	81.74
Real estate; rental and leasing	61.55	6.84	6.55	6.68	70.74	35.23	70.74
Professional, scientific, and technical services	92.48	25.73	24.86	25.28	302.49	145.87	190.23
Management of companies and enterprises	N/A	1.32	0.4	0.74	134.42	3.51	13.51
Admin., support, waste mngt., and remed., services	34.91	12.23	11.47	11.84	294.29	11.47	138.47
Educational services	12.89	2.56	2.29	2.46	203.76	32.12	60.14
Health care and social assistance	46.26	23.95	22.86	23.59	758.23	202.53	340.96
Arts, entertainment, and recreation	29.1	3.96	3.81	3.91	68.9	36.55	50.37
Accommodation and food services	9.63	19.9	19.34	19.68	367.31	190.92	238.88
Other services	88.58	32.93	32.49	32.74	252.53	186.76	216.04
Auxiliary, except corp, subsidiary, and regional managing offices	N/A	0.41	0.07	0.16	49.99	*	2.9
Unclassified	N/A	2.33	2.33	3.04	3.04	*	3.04

*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	274.22	61.93	126.33	147.89
Expanding establishments	458.27	111.61	244.84	213.43
Job Losses:				
Downsized establishments	-456.66	-82.41	-229.52	-227.14
Closed establishments	-235.72	-58.4	-122.83	-112.89
Net change in employment	40.11	32.72	18.82	21.29

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

Table 3. Number of Banks in Pennsylvania 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
235	192	182	177	172	31	95	24	19	3

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.