

Small Business Profile: CALIFORNIA

Small businesses are the heart of California's economy. Research by the Office of Advocacy shows that small businesses create most of the nation's net new jobs, and they bring dynamic ideas, innovative services, and new products to the marketplace. They account for almost all of the nation's employer firms and generate half of non-farm private output. New business creation is key to a state's ability to increase its gross state product, state personal income, and total state employment.¹ This small business profile uses the most recent data available to demonstrate the valuable contributions that small businesses make to California's economic health.

Number of Businesses. California had an estimated total of 3,675,700 small businesses.² Employer firms totaled 1,146,300 in 2006, up 6.6 percent from the previous year. Of this total, an estimated 99.2 percent, or 1,137,100 were small. Self-employment (incorporated and unincorporated) totaled 2,377,000 in 2006, an increase from 2,224,600 in 2005. Non-employer firms totaled 2,609,300 in 2005, an increase of 4.0 percent since 2004. (Sources: 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 Firms. In 2002, businesses owned by women numbered 870,500, represented 29.9 percent of the state's 2.9 million businesses, and generated \$137.7 billion in revenues. Employer firms owned by women totaled 115,700, an increase of 12.6 percent since 1997. Women numbered 831,800 or 35.0 percent of the state's self-employed persons in 2006, an increase of 7.0 percent from the previous year. (Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau.)

Minority-owned Firms.³ In 2002, Asian-owned firms totaled 371,400, and 102,600 of them were employer firms; Black-owned firms numbered 112,900, and 10,000 were employer firms; Hispanic-owned firms totaled 427,700, and 47,600 were employer firms. American Indian and Alaska Native-owned

firms numbered 38,100, and 3,700 of them were employer firms; while Native Hawaiian and other Pacific Islander-owned businesses numbered 7,100, and 1,000 were employer firms. (Source: U.S. Dept. of Commerce, Census Bureau.)

Business Turnover. An estimated 115,684 new employer firms were created in 2006, which is 4.8 percent less than the number created in 2005. Business bankruptcies totaled 2,098 in 2006, down from 4,236 the previous year, while business terminations decreased from 151,900 in 2005 to 149,200 in 2006. (Sources: 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 firms employed 52.5 percent of the state's non-farm private labor force in 2004, which was above the national average of 50.9 percent.⁴ These 690,900 firms accounted for 99.2 percent of the state's employer businesses, and they employed 6.9 million people (Table 1). Small businesses added a total of 152,000 net new jobs between 2003 and 2004 (Table 2). (Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses.)

Small Business Income. Non-farm proprietors' income, which is a share of small business income, increased by 4.2 percent, from \$144.9 billion in 2005 to \$151.0 billion in 2006.⁵ (Source: U.S. Dept. of Commerce.)

Finance. Commercial banks and savings institutions continued to be important sources of small business financing. The number of lending institution branches in the state increased in 2006 (Table 3). For a list of financial institutions in the state that make the most loans to small businesses, visit www.sba.gov/advo/research/lending.html.

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

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¹ Small businesses are defined as having fewer than 500 employees. Their economic contribution is documented in research published by the Office of Advocacy: www.sba.gov/advo/research.

² This estimate is based on the percent that small businesses are of the state's total businesses (see Table 1, 2004 firm size data). This percentage is multiplied by the total number of employer businesses in 2006 (Dept. of Labor). The 2005 number of non-employer firms is added to this total (Census Bureau).

³ The groups should not be added together or double counting will result, since owners may belong to more than one minority group.

⁴ The latest year for which data by firm size exist.

⁵ Income data for 2006 are based on preliminary data.

Table 1. Firms and Employment in California by Industry and Firm Size, 2004 and 2005 (Non-farm, Thousands)

Industry	Non-Employer Firms (2005)	Employer Firms (2004)			Employment (2004)		
		Total	1-99 Employees	1-499 Employees	Total	1-99 Employees	1-499 Employees
Total	2,609.30	696.30	677.90	690.85	13,264.92	4,969.65	6,965.33
Agriculture, forestry, fishing, and hunting	12.73	2.20	2.14	2.18	24.60	15.16	21.43
Mining	4.55	0.65	0.56	0.59	18.78	5.29	7.31
Utilities	1.16	0.52	0.46	0.48	*	*	*
Construction	207.21	71.01	69.66	70.75	834.74	520.85	706.84
Manufacturing	41.25	43.34	40.05	42.11	1,476.21	519.69	815.98
Wholesale trade	56.53	51.57	48.94	50.45	801.78	389.54	530.47
Retail trade	219.50	75.47	73.53	74.81	1,662.33	527.20	696.81
Transportation and warehousing	111.32	15.82	14.70	15.21	448.08	120.73	167.63
Information	52.34	13.91	13.09	13.53	503.74	91.46	144.97
Finance and insurance	89.09	29.14	28.00	28.61	699.09	147.12	225.87
Real estate, and rental and leasing	337.82	38.62	37.96	38.35	302.01	168.52	211.76
Professional, scientific, and technical services	456.89	97.08	94.83	96.15	1,239.25	482.86	628.39
Management of companies and enterprises	N/A	3.05	1.10	1.98	289.88	9.36	37.94
Admin., support, waste mgt., and remed. serv.	182.59	34.73	32.96	34.11	981.64	262.78	452.45
Educational services	53.80	9.27	8.76	9.14	305.42	99.07	157.92
Health care and social assistance	234.61	78.79	77.11	78.35	1,512.34	536.09	757.04
Arts, entertainment, and recreation	153.72	17.04	16.56	16.90	285.23	99.82	154.92
Accommodation and food services	34.15	53.56	52.10	53.21	1,240.07	579.49	770.53
Other services	359.99	63.32	62.40	63.03	572.10	384.45	464.09
Unclassified	N/A	5.24	5.24	5.24	*	*	*

Source: U.S. Dept. of Commerce, Census Bureau. See www.sba.gov/advo/research/data.html.

*Data suppressed to protect the confidentiality of individual firms. N/A = not available.

Table 2. Job Gains and Losses in California by Firm Size, 2003–2004 (Non-farm, Thousands)

	Total	Firm Size (Number of Employees)		
		1-19	1-499	500+
Job gains:				
New establishments	799.3	248.2	462.1	337.1
Expanding establishments	1,505.8	389.0	826.5	679.3
Job losses:				
Downsized establishments	-1,255.7	-249.7	-684.7	-571.0
Closed establishments	-779.2	-221.0	-451.9	-327.3
Net change in jobs	270.2	166.4	152.0	118.2

Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses. See www.sba.gov/advo/research/data.html.

Note: Components may not sum to totals because of rounding.

Table 3. Number of Bank and Savings Institution Branches in California, 2002–2006

2002	2003	2004	2005	2006
6,269	6,318	6,423	6,621	6,894

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Deposit Insurance Corporation, Statistics on Banking.

Note: Data for year ending June 30. A full list of small business lending banks collected by the Federal Reserve Board can be found on the Office of Advocacy's website at www.sba.gov/advo/research/lending.html.