

2018 SMALL BUSINESS PROFILE

OFFICE OF ADVOCACY

REGULATION • RESEARCH • OUTREACH

CALIFORNIA



3.9 million Small Businesses
99.8% of California Businesses

7.0 million Small Business Employees
48.8% of California Employees

EMPLOYMENT
283,452
net new jobs

DIVERSITY
1.6 million
minority-owned
businesses

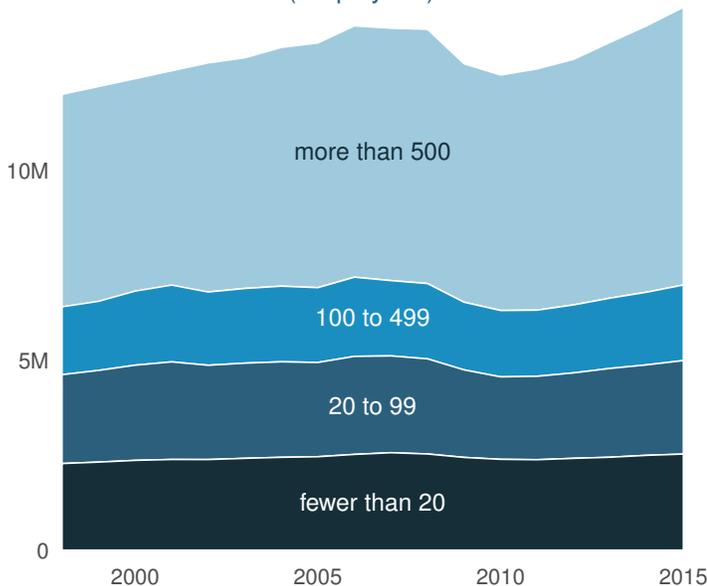
TRADE
70,350
small business
exporters

OVERALL CALIFORNIA ECONOMY

- In the third quarter of 2017, California grew at an annual rate of **3.4%**, which was the same as the overall US growth rate. California's 2016 growth rate of **3.3%** was down from the 2015 rate of **4.4%**. (Source: [BEA](#))
- In January 2018, the unemployment rate was **4.4%**, down from **5.2%** in January 2017. This was above the January 2018 national unemployment rate of **4.1%**. (Source: [CPS](#))

EMPLOYMENT

Figure 1: California Employment by Business Size (Employees)



- California small businesses employed **7.0 million** people, or **48.8%** of the private workforce, in 2015. (Source: [SUSB](#))
- Firms with fewer than 100 employees have the largest share of small business employment. Figure 1 provides further details on firms with employees. (Source: [SUSB](#))
- Private-sector employment increased **1.9%** during the 12-month period ending in January 2018. This was above the increase of **1.5%** during the prior 12-month period. (Source: [CPS](#))
- The number of proprietors increased in 2016 by **2.7%** relative to the previous year. (Source: [BEA](#))
- Small businesses created **283,452** net jobs in 2015. Firms employing fewer than 20 employees experienced the largest gains, adding **174,952** net jobs. The smallest gains were in firms employing 100 to 499 employees, which added **53,170** net jobs. (Source: [SUSB](#))

The Small Business Profiles are produced by the US Small Business Administration's Office of Advocacy. Each report incorporates the most up-to-date government data to present a unique snapshot of small businesses. Small businesses are defined for this profile as firms employing fewer than 500 employees. Net small business job change, minority small business ownership, and exporter share statistics are based on the 2015 Statistics of US Businesses (SUSB), 2012 Survey of Business Owners (SBO), and 2015 International Trade Administration (ITA) data, respectively.

INCOME AND FINANCE

- The number of banks decreased by 11 between June 2016 and June 2017 to 174 banks. (Source: FDIC)
- In 2016, 941,892 loans under \$100,000 (valued at \$13.5 billion) were issued by California lending institutions reporting under the Community Reinvestment Act. (Source: FFIEC)
- The median income for individuals self-employed at their own incorporated businesses was \$57,420 in 2016. For individuals self-employed at their own unincorporated firms, this figure was \$25,034. (Source: ACS)

Median income represents earnings from all sources. Unincorporated self-employment income includes unpaid family workers, a very small percent of the unincorporated self-employed.

EMPLOYER BUSINESS OWNER DEMOGRAPHICS

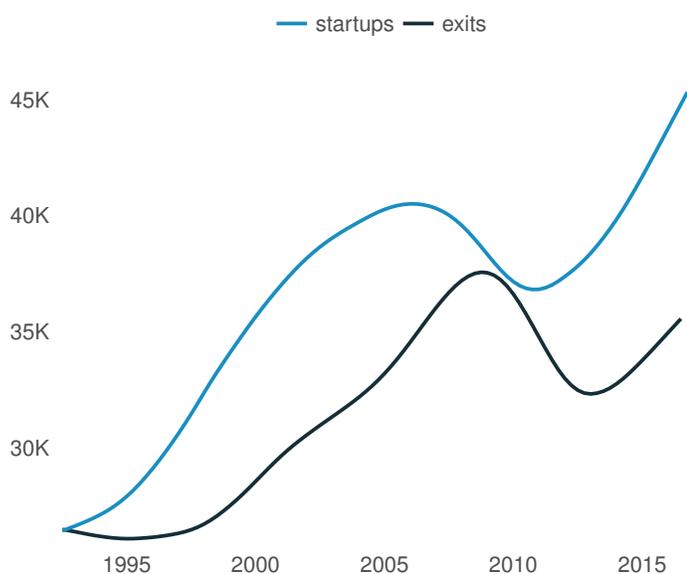
Figure 2: California Employees per Business by Owner's Demographic, 2015



Figure 2 shows the average number of employees per employer business by owner's demographic group according to the Annual Survey of Entrepreneurs (ASE).

TURNOVER AMONG ESTABLISHMENTS WITH EMPLOYEES

Figure 3: California Quarterly Startups and Exits



- In the third quarter of 2016, 47,250 establishments started up, generating 135,472 new jobs in California. Startups are counted when business establishments hire at least one employee for the first time. (Source: BDM)
- In the same period, 34,630 establishments exited resulting in 107,257 jobs lost. Exits occur when establishments go from having at least one employee to having none, and then remain closed for at least one year. (Source: BDM)
- Figure 3 displays quarterly startups and exits from 1992 to 2016. Each series is smoothed across multiple quarters to highlight long-run trends. (Source: BDM)

The BLS data covers only business establishments with employees. BLS refers to startups as births and exits as deaths. These terms are distinct from the BLS openings and closings categories. Openings include seasonal re-openings and closings include seasonal shutterings. Quarterly startup and exit values may not align with Figure 3 due to smoothing.

INTERNATIONAL TRADE

- A total of 73,528 companies exported goods from California in 2015. Of these, 70,350, or 95.7%, were small firms; they generated 43.2% of California's \$152.1 billion in total exports. (Source: ITA)

SMALL BUSINESS EMPLOYMENT BY INDUSTRY AND COUNTY

Table 1: California Employment by Industry, 2015

 Industry	 Small Business Employment	 Total Private Employment	 Small Business Employment Share
Accommodation and Food Services	1,017,850	1,609,306	63.2
Health Care and Social Assistance	886,496	1,873,857	47.3
Professional, Scientific, and Technical Services	689,638	1,258,225	54.8
Manufacturing	619,509	1,162,646	53.3
Retail Trade	597,980	1,690,005	35.4
Construction	569,882	686,757	83.0
Wholesale Trade	516,385	854,203	60.5
Other Services (except Public Administration)	469,936	575,034	81.7
Administrative, Support, and Waste Management	422,106	1,389,206	30.4
Educational Services	217,156	414,712	52.4
Real Estate and Rental and Leasing	203,671	286,606	71.1
Finance and Insurance	195,866	591,037	33.1
Transportation and Warehousing	172,203	486,149	35.4
Information	167,977	684,853	24.5
Arts, Entertainment, and Recreation	167,405	332,743	50.3
Management of Companies and Enterprises	44,915	315,604	14.2
Agriculture, Forestry, and Fishing and Hunting	19,658	26,336	74.6
Mining, Quarrying, and Oil and Gas Extraction	8,640	24,380	35.4
Utilities	4,871	59,668	8.2
Industries not classified	4,050	4,050	100.0
Total	6,996,194	14,325,377	48.8

Figure 4: California Small Business Employment by County, 2015

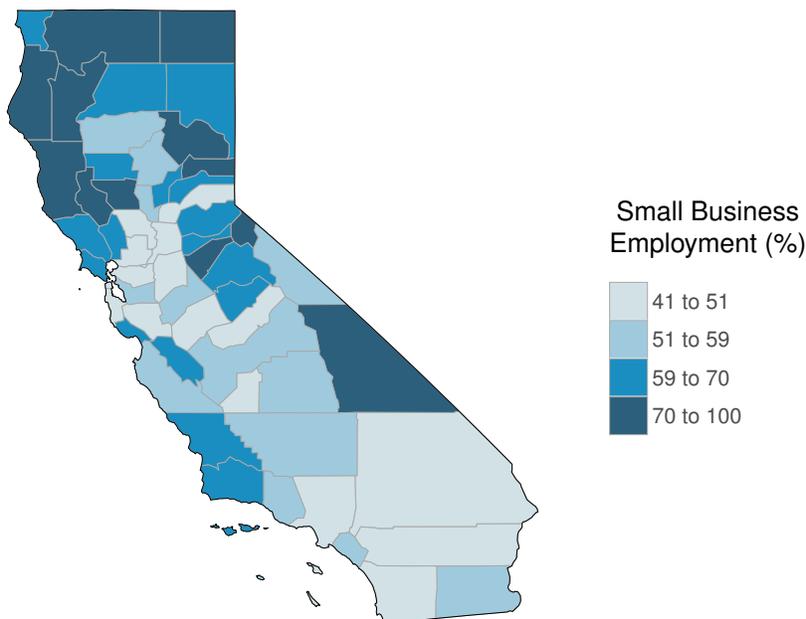


Table 2: California Small Businesses by Industry and Firm Size, 2015

Industry	1-499 Employees	1-20 Employees	Nonemployer Firms	Total Small Firms
Professional, Scientific, and Technical Services	112,446	104,922	548,841	661,287
Health Care and Social Assistance	90,191	82,057	270,162	360,353
Retail Trade	69,266	63,031	236,204	305,470
Construction	68,623	62,392	222,031	290,654
Other Services (except Public Administration)	66,292	61,262	489,079	555,371
Accommodation and Food Services	63,456	49,241	46,460	109,916
Wholesale Trade	50,495	43,661	62,926	113,421
Real Estate and Rental and Leasing	41,346	39,350	324,150	365,496
Administrative, Support, and Waste Management	36,101	31,524	251,710	287,811
Manufacturing	35,088	27,151	47,837	82,925
Finance and Insurance	28,170	26,195	87,348	115,518
Arts, Entertainment, and Recreation	22,276	20,434	210,277	232,553
Transportation and Warehousing	18,373	16,102	241,833	260,206
Information	15,903	13,989	61,246	77,149
Educational Services	12,112	9,498	88,655	100,767
Agriculture, Forestry, and Fishing and Hunting	1,815	1,587	12,994	14,809
Mining, Quarrying, and Oil and Gas Extraction	540	436	3,616	4,156
Utilities	477	419	1,589	2,066
Total	734,243	656,542	3,206,958	3,941,201

Figure 4 and Tables 1 and 2 display data from the 2015 SUSB. Table 2 includes additional data from the 2015 Nonemployer Statistics (NES).

REFERENCES

The Small Business Profiles, source data, and methodology are available at <https://go.usa.gov/xQT4w>.

- ASE Annual Survey of Entrepreneurs, US Census Bureau
- BEA Bureau of Economic Analysis, US Department of Commerce
- BDM Business Employment Dynamics, BLS
- BLS Bureau of Labor Statistics, US Department of Labor
- CPS Current Population Survey, BLS
- FDIC Call Reports, Federal Deposit Insurance Corporation
- FFIEC Federal Financial Institutions Examination Council
- ITA International Trade Administration, US Department of Commerce
- NES Nonemployer Statistics, US Census Bureau
- SBO Survey of Business Owners, US Census Bureau
- SUSB Statistics of US Businesses, US Census Bureau