Small Business Profile - California

3.7 million
99.2%
Small Businesses of California Businesses

6.7 million
49.6%
Small Business Employees of California Employees

Employment
244,926 net new jobs

Diversity
32.7% increase in minority ownership

Trade
95.8% of California exporters

Overall California Economy

- In the third quarter of 2015, California grew at an annual rate of 2.1% which was faster than the overall US growth rate of 1.9%. By comparison, California’s 2014 growth of 4.1% was down from the 2013 level of 4.3%. (Source: BEA)

- The employment situation in California improved. At the close of 2015, unemployment was 5.9%, down from 6.9% at the close of 2014. This was above the national unemployment rate of 5.0%. (Source: CPS)

Employment

- California small businesses employed 6.7 million people, or 49.6% of the private workforce, in 2013. (Source: SUSB)

- Firms with fewer than 100 employees have the largest share of small business employment. See Figure 1 for further details on firms with employees. (Source: SUSB)

- Private-sector employment increased 3.2% in 2015. This was below the previous year’s increase of 3.3%. (Source: CES)

- The number of proprietors increased in 2014 by 1.2% relative to the previous year. (Source: BEA)

- Small businesses created 244,926 net jobs in 2013. Among the seven BDS size-classes, firms employing 100 to 249 employees experienced the largest gains, adding 47,050 net jobs. The smallest gains were in firms employing 5 to 9 employees which added 22,865 net jobs. (Source: BDS)
**INCOME AND FINANCE**

- The number of banks reported in the Call Reports between June 2014 and June 2015 declined. (Source: FDIC)

- In 2014, 836,919 loans under $100,000 (and valued at $11.7 billion) were issued by California lending institutions reporting under the Community Reinvestment Act. (Source: FFIEC)

- The median income$^4$ for individuals who were self-employed at their own incorporated businesses was $56,099 in 2014. For individuals self-employed at their own unincorporated firms, this figure was $24,454. (Source: ACS)

$^4$ Median income represents earnings from all sources. Unincorporated self-employment income includes unpaid family workers, a very small percent of the unincorporated self-employed.

**BUSINESS OWNER DEMOGRAPHICS**

<table>
<thead>
<tr>
<th>Ownership Type</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American-owned</td>
<td>28.6%</td>
</tr>
<tr>
<td>Asian-owned</td>
<td>18.8%</td>
</tr>
<tr>
<td>Hawaiian/Pacific Islander-owned</td>
<td>57.5%</td>
</tr>
<tr>
<td>Hispanic-owned</td>
<td>43.9%</td>
</tr>
<tr>
<td>Native American/Alaskan-owned</td>
<td>-9.5%</td>
</tr>
<tr>
<td>Minority-owned</td>
<td>32.7%</td>
</tr>
<tr>
<td>Nonminority-owned</td>
<td>-8.8%</td>
</tr>
</tbody>
</table>

Figure 2: California Changes in Business Ownership by Demographic Group

Figure 3: California Self-Employment within Demographic Group

- Figure 2 displays the change in overall firm ownership for each demographic group from 2007 to 2012 based on the Survey of Business Owners (SBO) for California, released in December 2015.

- Figure 3 displays the percent of each demographic group identified as self-employed according to the 2014 American Community Survey (ACS) 5-year estimates.

**BUSINESS TURNOVER**

- In the second quarter of 2014, 36,329 establishments started up$^5$ in California and 33,139 exited.$^6$ Startups generated 107,132 new jobs while exits caused 87,828 job losses. (Source: BDM)

- Figure 4 displays startup and exit rates from 2005 to 2015. Each series is smoothed across multiple quarters to highlight long-run trends. (Source: BDM)

$^5$ STARTUPS are counted when business establishments hire at least one employee for the first time. The BLS terms these births, as distinct from the BLS openings category which includes seasonal re-openings.

$^6$ EXITS occur when establishments go from having at least one employee to having none, and then remain closed for at least a year. The BLS terms these events deaths, as distinct from the closings category which includes seasonal shutterings.
• A total of 75,175 companies exported goods from California in 2013. Among these, 72,032, or 95.8%, were small firms; they generated 44.6% of California’s total known export value. (Source: ITA)

### Small Businesses by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>1 – 499 Employees</th>
<th>1 – 19 Employees</th>
<th>Nonemployer Firms</th>
<th>Total Small Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>108,107</td>
<td>100,947</td>
<td>515,814</td>
<td>623,921</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>87,547</td>
<td>79,771</td>
<td>269,490</td>
<td>357,037</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>68,138</td>
<td>62,062</td>
<td>228,534</td>
<td>296,672</td>
</tr>
<tr>
<td>Construction</td>
<td>65,022</td>
<td>59,354</td>
<td>218,993</td>
<td>284,015</td>
</tr>
<tr>
<td>Other Services (except Public Administration)</td>
<td>64,052</td>
<td>59,098</td>
<td>468,857</td>
<td>532,909</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>59,986</td>
<td>47,421</td>
<td>41,792</td>
<td>101,778</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>50,210</td>
<td>43,271</td>
<td>60,876</td>
<td>111,086</td>
</tr>
<tr>
<td>Real Estate and Rental and Leasing</td>
<td>39,122</td>
<td>37,127</td>
<td>306,663</td>
<td>345,785</td>
</tr>
<tr>
<td>Administrative, Support, and Waste Management</td>
<td>35,380</td>
<td>30,928</td>
<td>253,127</td>
<td>288,507</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>34,736</td>
<td>26,801</td>
<td>46,090</td>
<td>80,826</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>27,170</td>
<td>25,178</td>
<td>81,873</td>
<td>109,043</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>20,182</td>
<td>18,409</td>
<td>195,103</td>
<td>215,285</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>16,876</td>
<td>14,664</td>
<td>139,243</td>
<td>156,119</td>
</tr>
<tr>
<td>Information</td>
<td>14,923</td>
<td>13,035</td>
<td>59,681</td>
<td>74,604</td>
</tr>
<tr>
<td>Educational Services</td>
<td>11,376</td>
<td>8,875</td>
<td>78,286</td>
<td>89,662</td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing and Hunting</td>
<td>1,848</td>
<td>1,624</td>
<td>13,529</td>
<td>15,377</td>
</tr>
<tr>
<td>Mining, Quarrying, and Oil and Gas Extraction</td>
<td>562</td>
<td>443</td>
<td>4,550</td>
<td>5,112</td>
</tr>
<tr>
<td>Utilities</td>
<td>467</td>
<td>411</td>
<td>1,495</td>
<td>1,962</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>705,704</strong></td>
<td><strong>629,419</strong></td>
<td><strong>2,983,996</strong></td>
<td><strong>3,689,700</strong></td>
</tr>
</tbody>
</table>

Totals for Tables 1 and 2 differ from SUSB’s statewide tallies due to firms with establishments in more than one industry and the omission of industry classifications not reported by NES. (Source: NES and SUSB)

s Indicates samples deemed too small to represent the population according to SUSB.
Table 2: California Employment by Industry and Firm Size, 2013
(sorted by small firm employment)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Small Business Employment</th>
<th>Total Private Employment</th>
<th>Small Business Employment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation and Food Services</td>
<td>924,893</td>
<td>1,464,639</td>
<td>63.1%</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>846,728</td>
<td>1,786,656</td>
<td>47.4%</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>653,687</td>
<td>1,148,692</td>
<td>56.9%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>615,131</td>
<td>1,146,841</td>
<td>53.6%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>575,556</td>
<td>1,595,788</td>
<td>36.1%</td>
</tr>
<tr>
<td>Construction</td>
<td>515,112</td>
<td>613,955</td>
<td>83.9%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>511,810</td>
<td>833,961</td>
<td>61.4%</td>
</tr>
<tr>
<td>Other Services (except Public Administration)</td>
<td>455,736</td>
<td>554,877</td>
<td>82.1%</td>
</tr>
<tr>
<td>Administrative, Support, and Waste Management</td>
<td>400,529</td>
<td>1,261,891</td>
<td>31.7%</td>
</tr>
<tr>
<td>Educational Services</td>
<td>204,161</td>
<td>390,823</td>
<td>52.2%</td>
</tr>
<tr>
<td>Real Estate and Rental and Leasing</td>
<td>197,181</td>
<td>277,273</td>
<td>71.1%</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>195,534</td>
<td>590,753</td>
<td>33.1%</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>165,035</td>
<td>445,742</td>
<td>37.0%</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>158,043</td>
<td>303,635</td>
<td>52.1%</td>
</tr>
<tr>
<td>Information</td>
<td>154,169</td>
<td>582,259</td>
<td>26.5%</td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing and Hunting</td>
<td>18,667</td>
<td>24,906</td>
<td>74.9%</td>
</tr>
<tr>
<td>Mining, Quarrying, and Oil and Gas Extraction</td>
<td>9,608</td>
<td>25,806</td>
<td>37.2%</td>
</tr>
<tr>
<td>Utilities</td>
<td>4,416</td>
<td>s</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,605,996</strong></td>
<td><strong>13,048,497</strong></td>
<td><strong>50.6%</strong></td>
</tr>
</tbody>
</table>

Figure 5: California County-Level Job Changes, 2015 (CEW)

Table 3: Abbreviations and Resources

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACS</td>
<td>American Community Survey, US Census Bureau</td>
</tr>
<tr>
<td>BEA</td>
<td>Bureau of Economic Analysis</td>
</tr>
<tr>
<td>BDM</td>
<td>Business Employment Dynamics, BLS</td>
</tr>
<tr>
<td>BDS</td>
<td>Business Dynamics Statistics, US Census Bureau</td>
</tr>
<tr>
<td>BLS</td>
<td>Bureau of Labor Statistics, US Department of Labor</td>
</tr>
<tr>
<td>CES</td>
<td>Current Employment Statistics, BLS</td>
</tr>
<tr>
<td>CEW</td>
<td>Census of Employment and Wages, BLS</td>
</tr>
<tr>
<td>CPS</td>
<td>Current Population Survey, BLS</td>
</tr>
<tr>
<td>FDIC</td>
<td>Federal Deposit Insurance Corporation</td>
</tr>
<tr>
<td>FFIEC</td>
<td>Federal Financial Institutions Examination Council</td>
</tr>
<tr>
<td>ITA</td>
<td>International Trade Administration</td>
</tr>
<tr>
<td>NES</td>
<td>Nonemployer Statistics, US Census Bureau</td>
</tr>
<tr>
<td>SBO</td>
<td>Survey of Business Owners, US Census Bureau</td>
</tr>
<tr>
<td>SUSB</td>
<td>Statistics of US Businesses, US Census Bureau</td>
</tr>
</tbody>
</table>

All profiles, source data, methodology notes, and county-level employment statistics are available at http://go.usa.gov/cfKMd