

2019 Small Business Profile

California



4.0 million Small Businesses
99.8% of California Businesses

7.1 million Small Business Employees
48.8% of California Employees



EMPLOYMENT
249,508
net new jobs



DIVERSITY
2.1 million
minority-owned
business employees



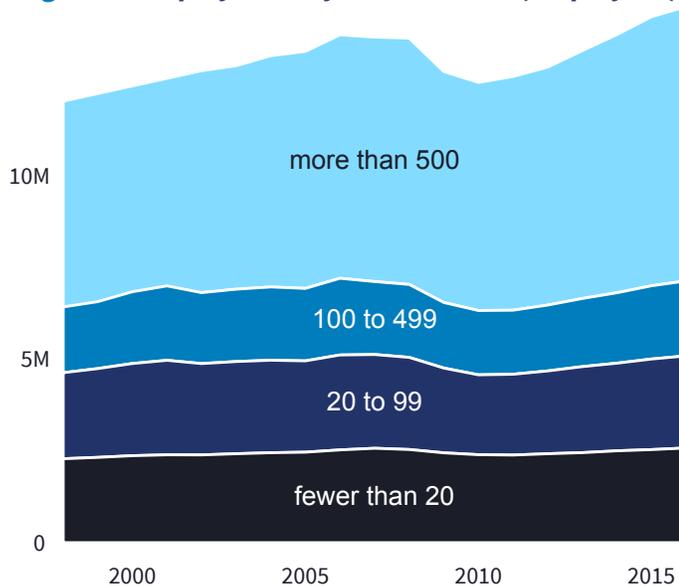
TRADE
69,387
small business
exporters

Overall California Economy

- In the third quarter of 2018, California grew at an annual rate of **3.5%**, which was faster than the overall US growth rate of **3.4%**. California's 2017 growth rate of **3.0%** was down from the 2016 rate of **3.1%**. (Source: [BEA](#))
- In February 2019, the unemployment rate was **4.2%**, down from **4.3%** in February 2018. This was above the February 2019 national unemployment rate of **3.8%**. (Source: [CPS](#))

Employment

Figure 1: Employment by Business Size (Employees)



- California small businesses employed **7.1 million** people, or **48.8%** of the private workforce, in 2016. (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 **1.7%** during the 12-month period ending in February 2019. This was above the increase of **1.5%** during the prior 12-month period. (Source: [CPS](#))
- The number of proprietors increased in 2017 by **2.0%** relative to the previous year. (Source: [BEA](#))
- Small businesses created **249,508** net jobs in 2016. Firms employing fewer than 20 employees experienced the largest gains, adding **176,744** net jobs. The smallest gains were in firms employing 20 to 99 employees, which added **25,931** net jobs. (Source: [SUSB](#))

The Small Business Profiles are produced by the US Small Business Administration's Office of Advocacy (<http://advocacy.sba.gov>). 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, employees of minority-owned businesses, and exporter share statistics are based on the 2016 Statistics of US Businesses (SUSB), 2016 Annual Survey of Entrepreneurs (ASE), and 2016 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 2017, **976,373** loans under \$100,000 (valued at **\$14.4 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 **\$60,641** in 2017. For individuals self-employed at their own unincorporated firms, this figure was **\$26,443**. (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

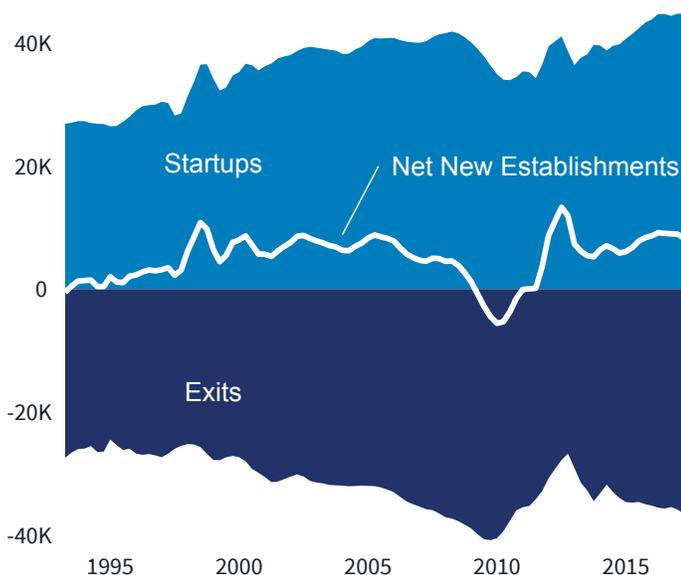
Figure 2: California Employees per Business by Owner's Demographic, 2016



Figure 2 shows the average number of employees per employer business by owner's demographic group according to the 2016 Annual Survey of Entrepreneurs (ASE).

Turnover among Establishments with Employees

Figure 3: California Quarterly Startups and Exits



- In the third quarter of 2017, **44,965** establishments started up, generating **128,156** 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, **36,259** establishments exited resulting in **106,510** 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 1993 to 2017. 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 72,665 companies exported goods from California in 2016. Of these, 69,387, or 95.5%, were small firms; they generated 43.0% of California's \$151.1 billion in total exports. (Source: ITA)

Small Business Employment by Industry and Self-Employment by County

Table 1: California Employment by Industry, 2016

Industry	Small Business Employment	Total Private Employment	Small Business Employment Share
Accommodation and Food Services	1,056,102	1,671,180	63.2
Health Care and Social Assistance	906,686	1,928,468	47.0
Professional, Scientific, and Technical Services	714,381	1,190,717	60.0
Manufacturing	610,542	1,154,342	52.9
Retail Trade	608,609	1,711,363	35.6
Construction	596,094	723,574	82.4
Wholesale Trade	509,655	843,285	60.4
Other Services (except Public Administration)	476,410	586,153	81.3
Administrative, Support, and Waste Management	427,597	1,457,869	29.3
Educational Services	220,946	422,749	52.3
Real Estate and Rental and Leasing	207,346	292,748	70.8
Finance and Insurance	197,927	611,298	32.4
Transportation and Warehousing	175,959	505,066	34.8
Information	170,175	711,680	23.9
Arts, Entertainment, and Recreation	169,434	338,705	50.0
Management of Companies and Enterprises	45,766	339,153	13.5
Agriculture, Forestry, and Fishing and Hunting	19,892	27,481	72.4
Mining, Quarrying, and Oil and Gas Extraction	7,370	20,933	35.2
Utilities	4,329	59,601	7.3
Industries not classified	3,984	3,984	100.0
Total	7,129,204	14,600,349	48.8

Figure 4: California Self-Employment Rates by County, 2017

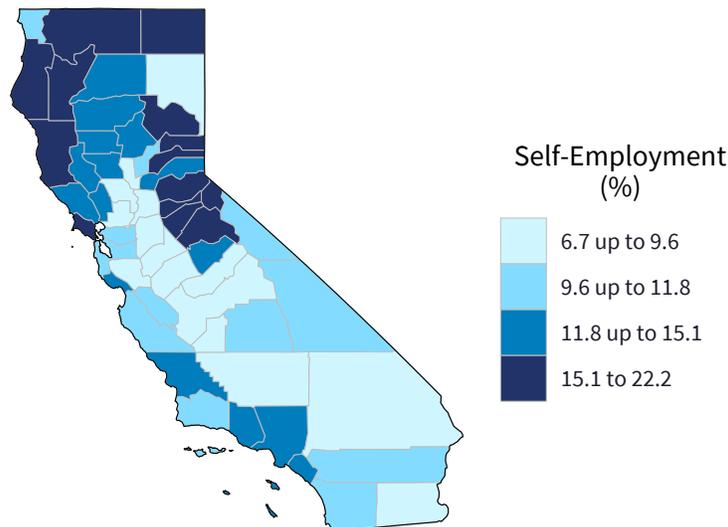


Table 2: California Small Businesses by Industry and Firm Size, 2016

				
Industry	1-499 Employees	1-19 Employees	Nonemployer Firms	Total Small Firms
Professional, Scientific, and Technical Services	114,535	106,793	554,028	668,563
Other Services (except Public Administration)	67,652	62,615	485,315	552,967
Real Estate and Rental and Leasing	42,647	40,613	327,862	370,509
Health Care and Social Assistance	91,056	82,608	262,480	353,536
Transportation and Warehousing	19,077	16,808	308,642	327,719
Retail Trade	69,453	63,125	236,905	306,358
Construction	70,656	64,176	221,871	292,527
Administrative, Support, and Waste Management	36,757	32,129	249,705	286,462
Arts, Entertainment, and Recreation	23,310	21,464	215,558	238,868
Finance and Insurance	28,474	26,496	87,937	116,411
Accommodation and Food Services	65,108	50,196	47,721	112,829
Wholesale Trade	50,095	43,415	61,924	112,019
Educational Services	12,369	9,716	89,905	102,274
Manufacturing	34,655	26,858	46,459	81,114
Information	16,220	14,300	63,372	79,592
Agriculture, Forestry, and Fishing and Hunting	1,842	1,628	13,078	14,920
Mining, Quarrying, and Oil and Gas Extraction	497	400	3,042	3,539
Utilities	490	439	1,611	2,101
Total	745,791	666,646	3,277,415	4,023,206

Tables 1 and 2 display data from the 2016 SUSB. Table 2 includes additional data from the 2016 Nonemployer Statistics (NES). Figure 4 provides estimates of the rate of self-employment among employed civilians, 16 years and over, including both incorporated and unincorporated businesses, from the 2017 American Community Survey (ACS).

References

The Small Business Profiles, source data, and methodology are available at <https://go.usa.gov/xmb5R>.

- ACS** American Community Survey, US Census Bureau
- 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
- SUSB** Statistics of US Businesses, US Census Bureau