

Why Support Small Business?

When entrepreneurs find community based services to support their endeavors, they are typically grateful. In reality, it is the community who should be thanking these entrepreneurs who are coming to us for help. We should be thanking them for taking the huge risk of starting a small business as they are the backbone of the U.S. economy.

While we often look to large corporations as the movers and shakers and the driving force of the economy, in reality, a healthy economy is one that has a healthy balance among large, medium, small and even micro businesses.

- Did you know that the U.S. Small Business Administration reports that small business in the private sector make up at least 50% of the U.S. gross domestic product (GDP)? ¹

Money Multiplier

When we support the success of small and micro entrepreneurs we are really supporting our own economy. When we support local small business, we are supporting the growth of our local economy. Dollars spent at local small businesses in San Diego are dollars put back into the San Diego economy. When a local small business owner is successful, it increases the consumer spending of the owner and the employees, who will also spend locally, increasing the income and employment of others, leading to further consumer spending, and so on and so on. Therefore, \$1 spent can actually equate to \$4 in the economy, \$10 to \$40, and \$100 to \$400.

Why Support Women Entrepreneurs?

Women entrepreneurs and small business owners seem to be growing at unprecedented rates. While more and more women are finding themselves as the head of the household, or an equal or primary breadwinner, women are still being paid less on average than men in the traditional work force.

- In 2004 the U.S. Department of Labor Bureau of Labor Statistics reported that in 2003 there still remained a significant gap in male versus female median incomes, 2003 earnings reported that women were earning only 80% of the median male income.²

Are Women Taking Matters Into Their Own Hands?

The rate at which women are entering the workforce, out of both necessity and desire, is growing faster than the closing of the income gap, and is perhaps the driving force behind the surge in women business ownership. Although many women possess the education and/or experience necessary for well-paying jobs, they often lack the work experience due to also being the primary caregivers for children and relatives.

¹ Small Business Share of Economic Growth, Small Business Research Summary, No. 211, January 2002, by Joel Popkin and Company. 2001, Washington D.C., contracted by the U.S. Small Business Administration, Office of Advocacy, <http://www.sba.gov/advo/research/rs2111.pdf>.

² Highlights of Women's Earnings in 2003, U.S. Department of Labor Bureau of Labor Statistics, September 2004, Report 978, <http://www.bls.gov/cps/cpswom2003.pdf>.

Women as Caregivers in 2002

- 70 percent of **women** in dual-earner couples report taking greater responsibility for routine child care than their male partners in 2002. 70 percent of **women** also report responsibility for taking time off work because of children's needs, in comparison with 30 percent of men (Families and Work Institute)
- More than 20 percent of households are responsible for some or all of the care of elderly relatives (US Department of Labor). According to a 1997 survey, 72 percent of family members providing elder care are **women** (National Caregiving Alliance)³

Women as Business Owners in 2002

* The number of women-owned businesses grew 20 percent between 1997 and 2002, twice the national average for all businesses

- Women owned 6.5 million nonfarm U.S. businesses in 2002, employing 7.1 million persons and generating \$939.5 billion in business revenues
- There were 7,231 firms with 100 employees or more which accounted for \$274.5 billion in gross receipts (34.2 percent of the total receipts of women-owned employer firms)
- There were 116,985 women-owned firms with receipts of \$1 million or more
- **California** had the most women-owned firms at 870,496 or 13.4 percent, with receipts of \$137.7 billion or 14.7 percent⁴

A Glimpse at Women Business Ownership in San Diego County

2006 Estimates from the Center for Women's Business Research

- 117,024 privately-held, 50% or more women-owned firms in San Diego-Carlsbad-San Marcos
- These firms generate more than \$22 billion in sales and employ 157,378 people
- They account for 41.8% of all privately-held firms in the metropolitan area
- 88,761 are 51% or more majority woman-owned accounting for 31.7% of all firms in the area
- The 88,761 firms generate nearly \$12 billion in sales and employ 86,630 people
- Among the top metropolitan statistical areas (MSAs) San Diego-Carlsbad-San Marcos ranks:
 - 16th in the number of privately-held, majority women-owned firms in 2006, 13th in employment and 20th in sales
 - 25th in the growth of the number of privately-held majority women-owned firms between 1997 and 2006⁵

³ The Way Women Work, March 2004, New America Foundation, Work & Family Program, www.newamerica.net/files/archive/Doc_File_1504_1.pdf

⁴ Survey of Business Owners – Women-Owned Firms: 2002, U.S. Census Bureau, <http://www.census.gov/csd/sbo/womensummaryoffindings.htm>

⁵ Women-Owned Businesses in San Diego-Carlsbad-San Marcos CA, 2006: A Fact Sheet, Center for Women's Business Research, http://www.cfwbr.org/assets/517_sandiegocarlsbadmetro2006.pdf

Impact of Minority-Owned Small Business by Race

Black-Owned Firms: 2002

- In 2002, there were 1.2 million black-owned firms in the U.S., employing nearly 754 thousand persons and generating nearly \$89 billion in business revenues
- There were 969 firms with 100 employees or more which accounted for \$16 billion in gross receipts
- There were 10,716 black-owned firms with receipts of \$1 million or more
- **California** was second in accounting for black-owned U.S. firms with 9.4 percent or 112,815, and with receipts of almost \$9.8 billion or 11 percent ⁶

American Indian- and Alaska Native-Owned Firms: 2002

- American Indians and Alaska Natives owned nearly 201,400 nonfarm U.S. businesses in 2002, employed about 191,300 persons, and generated \$26.9 billion in business revenues
- There were 178 American Indian- and Alaska Native-owned firms with 100 employees or more, generating almost \$5.3 billion in gross receipts
- There were 3,631 American Indian- and Alaska Native-owned firms with receipts of \$1 million or more
- Five states, **California**, Oklahoma, Texas, New York, and Florida, accounted for 45.9 percent or 92,507 American Indian- and Alaska Native-owned firms in 2002. These same five states accounted for 40.5 percent or \$10.9 billion of all American Indian- and Alaska Native-owned business revenue ⁷

Asian-Owned Firms: 2002

- In 2002, there were 1.1 million Asian-owned nonfarm businesses in the U.S., employing over 2.2 million persons and generating more than \$326 billion in business revenues
- There were 1,866 firms with 100 employees or more which accounted for \$52 billion in gross receipts
- There were 49,636 Asian-owned firms with receipts of \$1 million or more
- **California** had the most Asian-owned firms at 371,530 or 33.7 percent, with receipts of \$125.8 billion or 38.5 percent
- 59 percent of Chinese-owned firms; 37 percent of Asian Indian-owned firms; and 47 percent of Korean-owned firms were located in **California** and New York. **California** and Texas accounted for 51 percent of all Vietnamese-owned firms; while **California** and Hawaii accounted for the largest number of Filipino- and Japanese-owned firms, 54 percent and 65 percent respectively. Fifty-one percent of Other Asian-owned firms were located in just three states: **California**, New York, and Texas. ⁸

⁶ Survey of Business Owners - Black-Owned Firms: 2002, U.S. Census Bureau, <http://www.census.gov/csd/sbo/blacksmaryoffindings.htm>.

⁷ Survey of Business Owners - American Indian- and Alaska Native-Owned Firms: 2002, U.S. Census Bureau <http://www.census.gov/csd/sbo/aiansummaryoffindings.htm>.

⁸ Survey of Business Owners - Asian-Owned Firms: 2002: U.S. Census Bureau <http://www.census.gov/csd/sbo/asiansummaryoffindings.htm>.

Hispanic-Owned Firms: 2002

- Hispanics owned 1.6 million nonfarm U.S. businesses in 2002, employing 1.5 million persons and generating \$222.0 billion in business revenues
- Hispanic-owned firms with paid employees accounted for 12.7 percent of the total number of Hispanic-owned firms and 80.9 percent of gross receipts
- There were 1,508 firms with 100 employees or more which accounted for \$42.0 billion in gross receipts
- There were 29,168 Hispanic-owned firms with receipts of \$1 million or more
- **California** had the most Hispanic-owned firms at 427,678 or 27.2 percent, with receipts of \$57.2 billion or 25.8 percent⁹

Native Hawaiian- and Other Pacific Islander-Owned Firms: 2002

- Native Hawaiians and Other Pacific Islanders owned almost 29,000 nonfarm U.S. businesses in 2002, employing over 29,000 persons, and generating about \$4.3 billion in business revenues
- Thirteen percent of all Native Hawaiian- and Other Pacific Islander-owned firms had paid employees and accounted for 81.8 percent of gross receipts. The average receipts for these employer firms was \$948,323
- There were 28 Native Hawaiian- and Other Pacific Islander-owned firms with 100 employees or more, generating more than \$698 million in gross receipts
- There were 727 Native Hawaiian- and Other Pacific Islander-owned firms with receipts of \$1 million or more
- Hawaii had the most Native Hawaiian- and Other Pacific Islander-owned firms at 8,359 or 28.9 percent, with receipts of \$1.4 billion or 33.6 percent. **California** was second with 7,074 firms or 24.4 percent, with receipts of \$1.2 billion or 28.8 percent¹⁰

Home Based Businesses: Economic Impact and Demographics

At one time not taken as a serious business venture, the home-based business is a powerful economic force in the 21st century, successfully built by groups typically marginalized. Technological advancements should further home-based opportunities for the disabled. Census Bureau Director Louis Kincannon states "Home-based businesses collectively generate a remarkable amount of economic activity, especially for women and minorities." Also noted is the fact that most home-based businesses are self-financed.¹¹

⁹ Survey of Business Owners - Hispanic-Owned Firms: 2002: U.S. Census Bureau
<http://www.census.gov/csd/sbo/hispanicsummaryoffindings.htm>

¹⁰ Survey of Business Owners - Native Hawaiian- and Other Pacific Islander-Owned Firms: 2002, U.S. Census Bureau
<http://www.census.gov/csd/sbo/nhpisummaryoffindings.htm>

¹¹ Half of U.S. Businesses Are Home-Based, Majority of Firms Self-Financed, Census Bureau Reports, U.S. Census Bureau News, U.S. Department of Commerce, http://www.census.gov/Press-Release/www/releases/archives/business_ownership/007537.html.

Success Rates

Given the powerful economic impact of small business, longevity and prosperity are important to all taxpayers, not only the small business owner. Traditionally, survival rates for small business have been low. Funding for programs such as the WBCC has increased in order to improve the survival and prosperity rates of small business. The U.S. Small Business Administration's latest statistics report that two-thirds of new employer establishments survive at least two years, and 44 percent survive at least four years. Factors contributing to survival rates are:

- Ample supply of capital
- Being large enough to have employees
- Owner's education level
- Owner's reason for starting the business in the first place¹²

Small Business is Everyone's Business

Helping small and micro business owners and entrepreneurs succeed is not only "nice" business, it's good business. If successful small businesses benefit the economy, then unsuccessful small businesses also cost the economy, passing those costs along eventually to all taxpayers. For the entrepreneurs that take the risks in the first place, the community must work together to offer assistance and increase success rates for the benefit of all.

Programs such as the WBCC that focus on minority groups are not meant to exclude, but to include. The WBCC is open to everyone, regardless of gender, race, religion, or any other demographic. It is important, however, that organizations address the needs of specific groups that traditionally have been marginalized. Barriers to resources; difficulties caused by culture, language, or disabilities; and stereotypes have driven minority groups to entrepreneurialism and as a result have become a driving economic factor in local communities as well as the overall economy.

¹² Frequently Asked Questions, U.S. Small Business Administration Office of Advocacy, <http://www.sba.gov/advo/stats/sbfaq.pdf>