



1999 SMALL BUSINESS PROFILE: MASSACHUSETTS

By any measure, small businesses are critical to the economic well-being of Massachusetts. They create new businesses (and the new jobs that go with them); bring new and innovative services and products to the marketplace; and provide business ownership opportunities to diverse (and traditionally underrepresented) groups. These contributions are clearly established in the statistical portrait contained in this *Small Business Profile* compiled by the U.S. Small Business Administration's Office of Advocacy.

Number of Businesses. In 1998 there were 164,300 businesses with employees, of which approximately 98 percent were small businesses (fewer than 500 employees). The number of small businesses with employees increased by 0.9 percent from 162,800 in 1997. There were 239,000 self-employed persons in 1998. While there is some overlap between these two groups (firms with employees and self-employed persons), a rough calculation puts the total number of businesses at 403,300. (Sources: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Bureau of the Census; U.S. Dept. of Labor, Bureau of Labor Statistics)

Women-Owned Businesses. There were 90,000 self-employed women in 1998, representing 37.7 percent of total self-employment in the state. (Source: U.S. Dept. of Labor, Bureau of Labor Statistics)

Minority-Owned Businesses. According to the latest figures available, there were 20,749 minority-owned businesses in 1992, including 7,225 Black-owned businesses; 6,914 Hispanic-owned firms; and 7,000 firms owned by Asians, Pacific Islanders, American Indians, and Alaskan Natives. (Data may not add to the total because an owner may be a member of more than one minority group.). Of these businesses, 2,641 had employees, with employment totaling 17,700. (Source: U.S. Dept. of Commerce, Bureau of the Census)

Business Turnover. In 1998, 16,700 new employer firms were formed, 5.7 percent fewer than the number formed in 1997. There were 17,500 business terminations in 1998, a 13.2 percent increase from 1997. Business bankruptcies totaled 700 in 1998, a 23.4 percent decrease from 1997. (Sources: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Bureau of the Census)

Employment. In 1996, businesses with fewer than 500 employees accounted for 1,407,400 employees, or 50.7 percent of the state's 2,778,500 private-sector non-farm employment. Small-business employment was concentrated in the following sectors: construction, wholesale trade, and retail trade (see Table 1). Small businesses added a net total of 47,400 employees between 1995 and 1996, accounting for all of the total private non-farm employment growth in the state (see Table 2). The industries with the greatest percentage increases in employment among small businesses were: educational services; industrial machinery and equipment; and auto repair, services, and parking (see Table 3). (Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses)

Recent figures show that small firm job growth has continued. According to data prepared for the SBA's Office of

Advocacy by Cognetics, Inc., non-farm businesses added 219,100 net new jobs in the state between 1994 and 1998. In almost all industries, the most prolific job creators were firms with fewer than five employees. (Source: Cognetics, Inc.)

Small Business Income. There is no single measure of small business profitability because firms may operate as sole proprietorships, partnerships, or corporations. A partial measure — non-farm proprietors' income — totaled \$14.7 billion in 1998, an increase of 5.8 percent from \$13.9 billion in 1997. (Source: U.S. Dept. of Commerce)

Finance. The SBA's Office of Advocacy ranked the 46 banks in the state that filed "call reports" with federal banking regulators on the basis of dollar value, number, and percentage of small commercial loans (under \$1 million) outstanding on June 30, 1998. (See Table 4 for the top-ranking small-business-friendly banks.) In addition to these banks, small businesses seeking loans should consider lenders that participate in the SBA's loan programs (so-called "preferred" or "certified" lenders); for a list of these lenders, call the Small Business Answer Desk at (800) 827-5722. Small businesses looking for qualified investors can also turn to the Access to Capital Electronic Network (*ACE-Net*). For more information, contact an *ACE-Net* operator at (617) 253-2337 or via e-mail at bard@realitywave.com.

To learn more about the Office of Advocacy's data, analyses, and research reports on small business, call (202) 205-6530 or visit the office's Web site at www.sba.gov/adv.

TABLES

Table 1. Employment by Industry and Firm Size, 1996 (thousands)

<i>Industry</i>	<i>Total</i>	<i>Firm Size by Number of Employees</i>		<i>< 500 as Percent of Industry Total</i>
		<i>1-19</i>	<i>1-499</i>	
Total non-farm employment	2,778.5	484.8	1,407.4	50.7
Agricultural services	11.7	8.2	*	*
Mining	1.4	0.4	*	*
Construction	92.0	46.2	83.5	90.7
Manufacturing	461.6	36.8	211.6	45.8
Transportation, communications, and utilities	132.7	15.0	47.6	35.9
Wholesale trade	163.5	37.9	107.5	65.8
Retail trade	529.5	114.0	271.0	51.2
Finance, insurance, and real estate	234.4	30.5	88.5	37.8
Services	1,151.1	195.2	585.1	50.8
Unclassified	0.6	0.6	0.6	*

* Data not available due to disclosure restrictions.

Source: U.S. Dept. of Commerce, Bureau of the Census.

Table 2. Non-Farm Job Gains and Losses by Firm Size, 1995–1996 (thousands)

	<i>Total</i>	<i>Firm Size</i>	
		<i>1–19</i>	<i>1–499</i>
Gains:			
New establishments	125.7	37.8	70.8
Expanding establishments	279.9	78.8	171.9
Losses:			
Downsized establishments	(224.4)	(43.5)	(119.6)
Closed establishments	(144.0)	(31.9)	(75.8)
Net change in employment	37.3	41.1	47.4

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 1999.

Table 3. Fastest Small Business Employment Growth by Industry, 1995–1996 (thousands)

<i>Industry</i>	<i>SIC</i>	<i>Small Business Employment 1996</i>	<i>Net Change*</i>	<i>Percent Change</i>
Total, all industries		1,407.4	11.9	0.9
Educational services	8200	37.5	2.2	6.1
Industrial machinery and equipment	3500	29.8	1.6	5.5
Auto repair, services, and parking	7500	19.5	1.0	5.2
Engineering and management services	8700	68.8	3.0	4.6
Building construction	1500	19.7	0.9	4.5

* Net change in Table 2 differs by definition from net change in Table 3. Table 2 uses dynamic data to track changes in individual businesses over time, whereas Table 3 uses static data to take snapshots of the universe of businesses at two different points in time.

Note: Table shows the top five industries. Includes only businesses with fewer than 500 employees. Industries with less than 1 percent change in small business employment are not included.

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 1999.

Table 4. Small-Business-Friendly Banks, 1998

<i>Bank Name</i>	<i>Location</i>
Bank of Western Massachusetts	Springfield
Enterprise Bank and Trust Company	Lowell
Slades Ferry Trust Company	Somerset
Milford National Bank and Trust Company	Milford
Mercantile Bank and Trust Company	Boston
Cape Cod Bank and Trust Company	Hyannis
Beverly National Bank	Beverly
Gloucester Bank and Trust Company	Gloucester
Atlantic Bank and Trust Company	Boston
Century Bank and Trust Company	Somerville
Bankboston, N.A.	Boston

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Reserve Board.

The full list of small-business-friendly banks can be found on the Office of Advocacy's Web site at www.sba.gov/advo/lending/inus2.html.