



The Role of Small Business in New York State's Economy

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By any measure, New York's economy depends heavily on small businesses. Using the definition established by the federal Small Business Administration (SBA)—any firm with fewer than 500 employees—small businesses account for more than half of all private sector jobs and the vast majority of the private sector firms in New York.

Employment

Small businesses employed 3.9 million people in 2006. These jobs represented 51.7 percent of the 7.5 million private sector jobs in New York. Establishments with fewer than 20 employees accounted for almost 1.5 million jobs, or 19.4 percent of all employment in the State. Small businesses employ comparable shares of the workforce in the nation as a whole.

Number of Firms

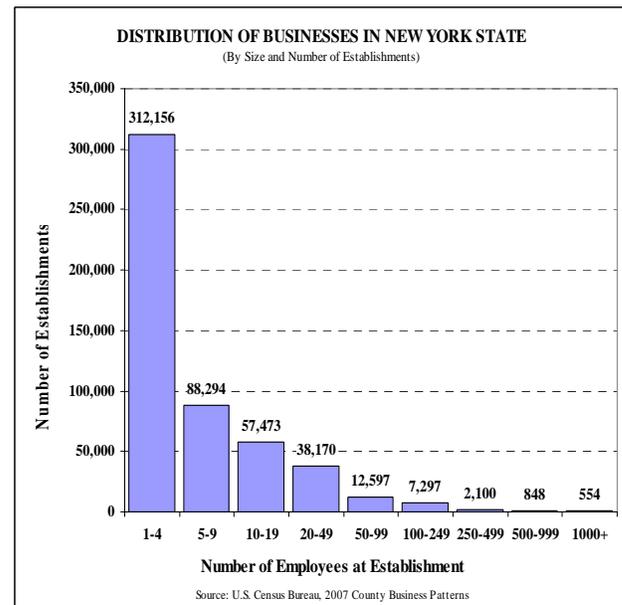
Although small businesses provide just over half of all private sector jobs, they account for nearly all the private firms. Using the SBA's definition:

- In 2007, 99.7 percent, or 518,087, of the 519,489 firms in New York State were small businesses. On average, these firms employed 7.5 people each.
- Only one-third of one percent of all firms employed more than 500 people. However, these 1,402 firms had an average of nearly 2,570 employees each.

Small businesses with fewer than 20 employees make up 457,923, or 88.1 percent, of all firms in New York State.

There were also over 1.5 million firms without employees in New York in 2007. Most of these are proprietor-owned firms that can be considered small businesses.

As can be seen in the chart below, a large part of all businesses in New York are small, having four or fewer employees. The total number of such establishments is 312,156, or 60.1 percent of the total.



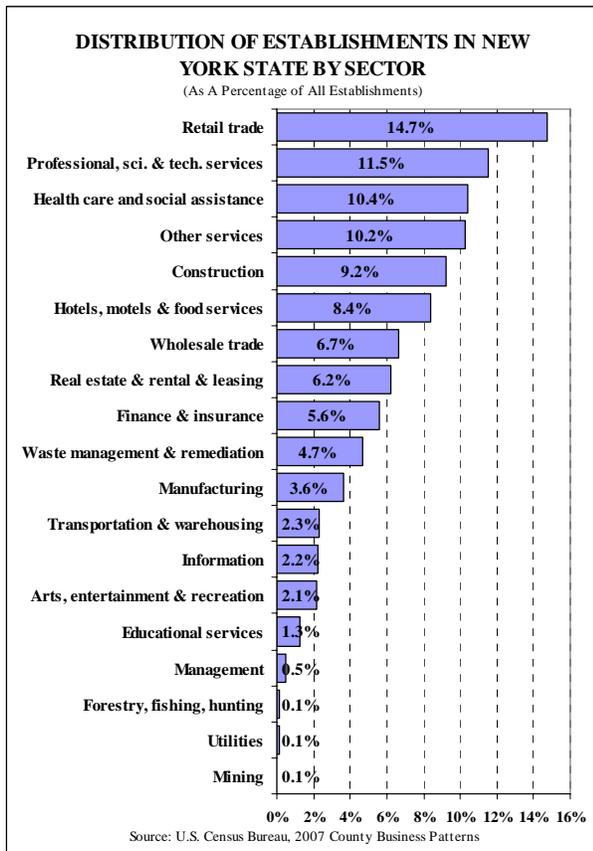
Business Sectors

Small businesses, including firms with fewer than 20 employees, play a key role in New York's leading business sectors. In 2007, these leading sectors were as follows:

- *Retail trade*: Of the 519,480 business establishments in New York State in 2007, some 76,516, or 14.7 percent, were in retail trade. This is the largest single business sector in the nation as well. Of all retail establishments, 88 percent are small businesses with fewer than 20 employees.
- *Professional, scientific and technical services*: 11.5 percent of all firms were in this sector. Of these firms, 92.4 percent have fewer than 20 employees.

- *Health care and social assistance*: Firms in this sector made up 10.4 percent of all firms in New York; 85.2 percent have fewer than 20 employees.

The following chart depicts the various business sectors in New York in 2007:



Challenges Facing Small Businesses

Small businesses face many challenges, such as paying for health insurance and other fringe benefits, finding qualified employees, managing energy costs and dealing with decreased demand due to the economic slowdown.

Even in good economic times, small businesses typically pay higher loan rates than larger businesses do. Since the near-collapse of the financial sector in the fall of 2008, the availability of loans to small businesses has declined significantly, exacerbating the challenges facing small businesses.

New York State & Small Businesses

Many economists believe that nationally and in New York, small businesses are a key to economic recovery. To ensure the viability of this crucial sector of the economy, New York should make a determined effort to address the challenges faced by small businesses including: expanding services to small businesses, making health care insurance more affordable, improving access to capital and promoting the use of innovative technology.

The Office of the State Comptroller invests in New York's small businesses through a variety of programs, including:

- **In-State Private Equity Program** – The Common Retirement Fund (CRF) has \$956 million committed to private equity investment in New York. To date, \$449 million has been invested in 145 New York companies.
- **Excelsior Linked Deposit Program** – This program helps banks provide loans to qualifying businesses at 200 to 300 basis points below usual rates. The program has “linked” \$298 million in State bank deposits to 1,056 loans statewide.
- **Community Bank Deposit Program** – This program deposits State funds in banks that have a history of meeting community needs. There is currently \$76 million in deposits at eight banks in New York State as a result of this program.
- **NY Business Development Corporation Program** – The CRF provides funds for small business loans with more favorable terms for working capital, equipment or real property. This program has made 854 loans totaling \$248 million since it began.
- **Banking Development District (BDD) Program** – Banks that branch into underserved areas are eligible for up to \$10 million in below-market rate deposits and up to \$25 million in market rate deposits; 31 BDDs hold \$405 million in deposits.