From mom-and-pop corner stores to medical practices to computer software start-ups, small businesses play a vital role in New York’s economy. While an enterprise can be classified as a small business based upon its number of employees, its annual income or both, the U.S. Small Business Administration (SBA) and this report primarily define a small business as one with fewer than 500 employees.¹

Over the last five years for which data are available, employment at New York’s small businesses rose by 9.2 percent, slightly faster than the national pace, as shown in Figure 1. Total payroll showed strong growth, rising to $212.6 billion in New York, and the number of firms rose both in the State and nationally.²

**Firms and Employment**

Among the more than 465,000 businesses in New York in 2016, 99 percent were small businesses. In addition, the State was home to over 1.7 million non-employer businesses, which largely comprise self-employed individuals.³

Of the small businesses with paid employees in 2016, almost two-thirds had fewer than five employees, with over 81 percent having fewer than 10 employees, as shown in Figure 2. These 374,000 microbusinesses provided over 957,000 jobs with total payroll close to $43 billion.⁴

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¹ The SBA uses various standards for determining small business status based on numbers of employees, ranging from 50 to 1,500 depending on industry sector. In New York, Section 131 of the Economic Development Law defines a small business as one that has fewer than 100 employees and is independently owned and operated.

² Data for this report is drawn primarily from the U.S. Census Bureau, Statistics of U.S. Businesses (latest annual data 2016).

³ As defined by the U.S. Census Bureau, a non-employer business is one that has no paid employees, has annual business receipts in excess of $1,000, and is subject to federal income taxes. The information and data in this report do not encompass non-employer businesses.

⁴ The U.S. Bureau of Labor Statistics defines microbusinesses as those with fewer than 10 employees.
All together, small businesses accounted for just over half of all private sector jobs in New York in 2016, providing over 4.1 million jobs. In addition, these businesses provided over $212 billion in payroll, nearly 40 percent of the total private sector payroll. Figure 3 shows small business employment by firm size.

The smallest firms in New York, those with four or fewer employees, provided nearly 488,000 jobs with total payroll of $23.3 billion, an average of $47,742 per job. Businesses with 20 to 49 employees provided more than 809,000 jobs, almost one-fifth of all small business employment and 10 percent of all private sector employment. These firms had total payroll of over $39 billion in 2016. Small businesses with over 200 employees provided 693,000 jobs and had the highest total and average payroll per job (nearly $43 billion and $61,994, respectively).

Industry Sectors

Small businesses account for the vast majority of firms in every industry sector in New York. In 2016, over 95 percent of all the firms in each industry sector were small businesses.

Three of the 12 industry sectors account for almost half of all small businesses in New York, as shown in Figure 4. With

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**FIGURE 3**

**FIGURE 4**
Small Businesses by Industry, New York, 2016 (Percentage of Total Small Businesses)

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5 As defined by the U.S. Census Bureau, payroll includes all forms of compensation paid to all employees, such as salaries, wages, commissions, bonuses, vacation allowance, and sick leave pay.
almost 87,000 firms, the trade sector, which includes both retail and wholesale establishments ranging from grocery stores to car dealerships, accounted for nearly 19 percent of all small businesses in New York. Close behind was professional services with approximately 18 percent. This sector includes accounting and law firms as well as research and development and computer design businesses. Firms involved in leisure activities, such as restaurants and theaters, accounted for 12.6 percent of all small businesses.

The industry sector with the largest number of small business jobs, over 677,000 or 16.5 percent, was leisure activities, as shown in Figure 5.

Trade and professional services firms were also among the top industries for small business employment in 2016, together comprising almost one-third of all small business employment. The health care industry was fourth largest in terms of jobs, primarily driven by firms with over 100 employees.

Small businesses in the financial activities sector had the highest average annual payroll per employee, at more than $117,000. This sector includes investment firms as well as insurance and real estate companies. Small businesses in the professional services sector ranked third in terms of overall employment and also had comparatively high average payrolls per employee, 28 percent above the overall average of $51,700. Small businesses in the information sector had the second highest average payroll per employee, over 50 percent higher than the average, but accounted for less than 2 percent of small business jobs. Average payroll per employee for small businesses in construction was almost 27 percent above the overall average.

**FIGURE 5**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Firms</th>
<th>Employment</th>
<th>Average Payroll per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure Activities</td>
<td>58,295</td>
<td>677,358</td>
<td>$27,514</td>
</tr>
<tr>
<td>Trade</td>
<td>86,718</td>
<td>638,867</td>
<td>$46,384</td>
</tr>
<tr>
<td>Professional Services</td>
<td>82,666</td>
<td>636,707</td>
<td>$66,527</td>
</tr>
<tr>
<td>Health Care</td>
<td>43,737</td>
<td>603,220</td>
<td>$42,761</td>
</tr>
<tr>
<td>Other Services</td>
<td>55,198</td>
<td>334,664</td>
<td>$35,369</td>
</tr>
<tr>
<td>Construction</td>
<td>48,035</td>
<td>324,963</td>
<td>$65,644</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>44,876</td>
<td>287,368</td>
<td>$117,262</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>14,555</td>
<td>248,021</td>
<td>$47,881</td>
</tr>
<tr>
<td>Education</td>
<td>7,392</td>
<td>151,963</td>
<td>$39,022</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>11,302</td>
<td>111,492</td>
<td>$40,847</td>
</tr>
<tr>
<td>Information</td>
<td>7,603</td>
<td>84,435</td>
<td>$78,272</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>816</td>
<td>5,395</td>
<td>$53,771</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau
New York State and Small Businesses

The Office of the State Comptroller invests in New York’s small businesses through the New York State Common Retirement Fund (CRF). Through its In-State Private Equity Program, the CRF has committed $1.8 billion to private equity investment in New York as of February 28, 2019. Some $1.2 billion has been invested in 406 companies, putting public pension fund dollars to work in startup, emerging and established businesses in every region of the State, with a concentration of investments in New York’s burgeoning high-tech sector.⁶

The CRF’s lending partnership with the New York Business Development Corporation (NYBDC) provides capital for small business loans throughout the State. As of March 31, 2018, 1,139 loans totaling $393 million had been made through NYBDC to companies providing a total of more than 23,000 jobs. Historically, about 40 percent of NYBDC loans funded with CRF investments have been for Minority- and Women-Owned Business Enterprises (MWBEs). In 2017, 46 percent were for MWBEs.

Conclusion

Small businesses are an important part of every industry sector in the State, from construction and manufacturing to educational services and high technology. Smaller companies face a variety of challenges in a continually changing marketplace, including access to capital, hiring and retaining skilled employees, rising expenses, and the competitive demands of an increasingly global economy. Providing many good paying jobs and nearly half of all private employment, small businesses drive economic growth and contribute to the quality of life in communities across New York and the nation.

⁶ Information on the Office of the State Comptroller’s In-State Private Equity Program is available at http://www.osc.state.ny.us/pension/instate/index.htm.

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