



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 sector firms in 2008. Using the SBA's definition:

- In New York State, 99.7 percent, or 517,237, of the 518,632 firms were small businesses. On average, these firms employed about 9 people each.
- Only one-third of one percent of all firms employed more than 500 people. However, these 1,395 firms had an average of about 850 employees each.

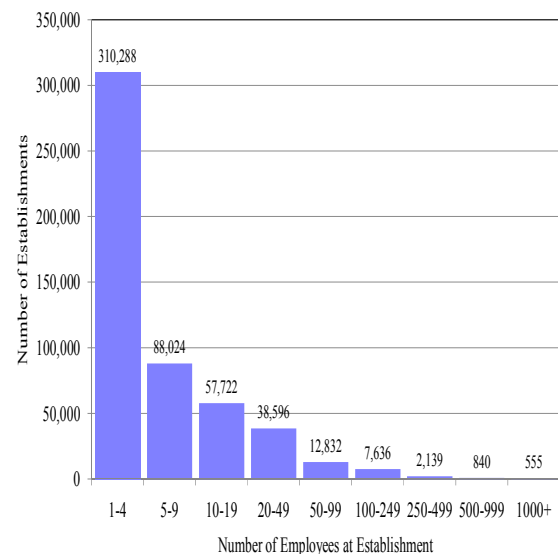
Small businesses with fewer than 20 employees made up 87.9 percent (456,034) of all firms in New York State.

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

As can be seen in the chart below, nearly 60 percent of all businesses in New York State have four or fewer employees.

Distribution of Businesses in New York State in 2008

(By Size and Number of Establishments)



Source: U.S. Census Bureau

Business Sectors

Small businesses, including firms with fewer than 20 employees, play a key role in New York's leading business sectors. In 2008, these leading sectors were as follows:

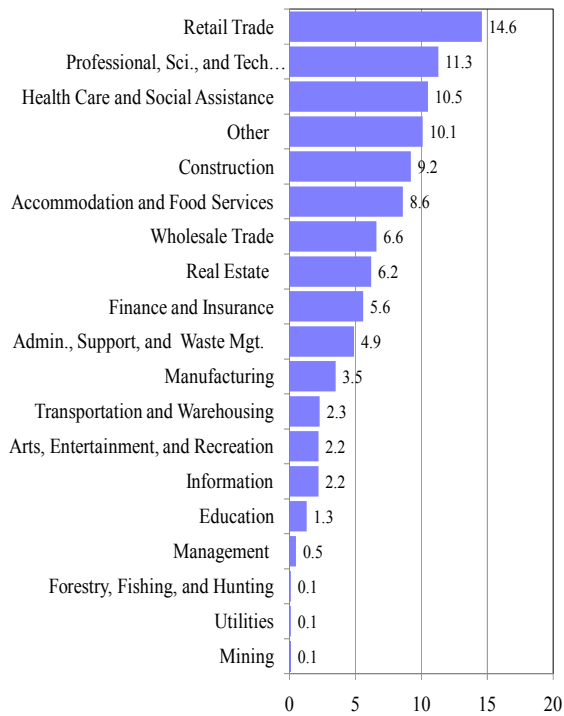
- *Retail trade*: Of the 518,632 business establishments in New York State in 2008, some 75,853, or 14.6 percent, were in retail trade. This is the largest single business sector in the nation as well. Of all retail establishments, 87.9 percent were small businesses with fewer than 20 employees.
- *Professional, scientific and technical services*: In 2008, 58,518 firms, or 11.3 percent, were in this sector. Of these, 92.3 percent had fewer than 20 employees.

- *Health care and social assistance*: Firms in this sector made up 10.5 percent (54,459) of all firms in New York in 2008, and 84.9 percent had fewer than 20 employees.

The following chart depicts the various business sectors in New York in 2008:

Distribution of Establishments in New York State by Sector

(As a Percentage of all Establishments)



Source: U.S. Census Bureau

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 \$971 million committed to private equity investment in New York. To date, \$481 million has been invested in 155 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” \$261 million in State bank deposits to 957 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 on deposit at eight banks in New York as a result of this program.
- **New York Business Development Corporation Program** – The CRF provides funds for small business loans with favorable terms for working capital, equipment or real property. This program has made 867 loans totaling \$255 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; 29 BDDs hold \$370 million in deposits.