The Importance of Small and Micro Businesses in Boston

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Importance of Micro and Small Businesses

The Boston Economy – The Background for Growth

A Business Development Framework





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Small businesses – establishments with less than 50 employees – are a key element of the Boston economy:

- In Boston, there are more than 17,000 small businesses making up 91% of all private establishments
- They account for 35% of Boston's private employment representing 204,795 direct jobs and more than \$14.2 billion in personal income
- Their annual contribution to the gross regional product is over \$29.5 billion

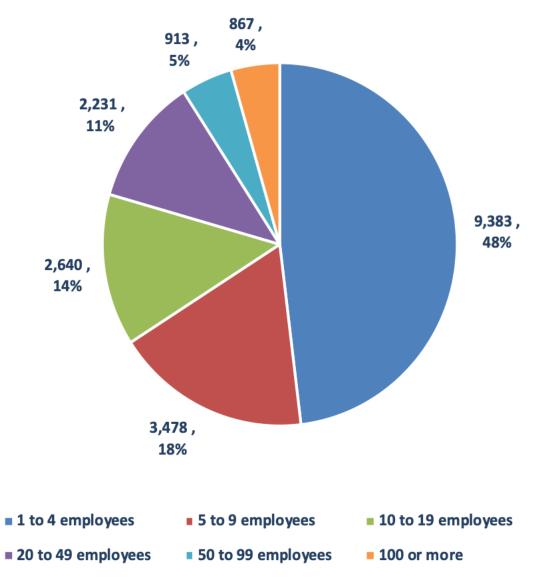
AND AS IMPORTANT

- They provide entry level jobs and entrepreneurial opportunities to immigrant, minority and low income populations
- They supply needed goods and services to all neighborhoods of Boston
- They are crucial for the maintenance of existing physical infrastructure
- They create "social capital" in communities that need to build "strong ties," particularly among immigrant communities

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- Of the 17,732 Micro and Small establishments:
 - 48% (9,383) are Micro businesses (1-4 employees)
 - 43% (8,349) are Small businesses (5-49 employees)
 - Together, Micro and Small make up 91% of all establishments

Share of Establishments by Establishment Size





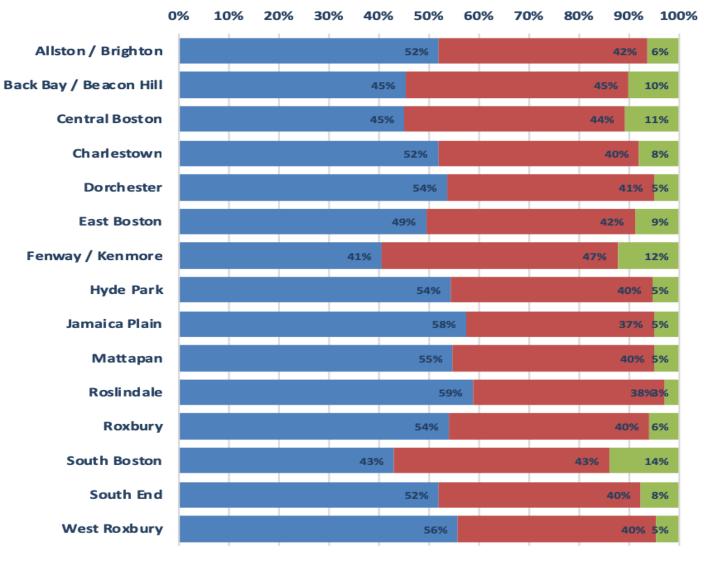
Share of Establishments by Size and Industry

Construc	tion					64%		15%	10%	5% <mark>3%</mark> %
Real estate and rental and lea	sing					62%	1	6%	12%	6%2 <mark>1</mark> %
Other services (except public administrat	tion)				5	7%	20	%	12%	8% 2 <mark>9</mark> %
Professional, scientific, and technical serv	vices				50	5%	15%	10%	109	6 <mark>4%</mark> 4%
Other or not class	ified				51%	11%	12%	9%	6%	11%
Retailt	rade				50%		22%	149	%	9% 3 <mark>2%</mark>
Transportation and warehou	ising				50%	16	% 10	% :	L2%	6% <mark>6%</mark>
Arts, entertainment, and recrea	ntion				49%	10%	11%	14%	9	7%
Administrative and support and wa management and remediation serv					48%	169	11 9	6 1	2%	<mark>6%</mark> 7%
Who lesale to	rade			4	47%	2	0%	16%	93	% <mark>5%3</mark> %
Informa	tion			45	5%	14%	11%	15%	6	<mark>% 9%</mark>
Finance and insura	ance			45	%	19%	13	% :	L0%	5% <mark>7%</mark>
Manufactu	ring			42%		22%	14	%	11%	6% <mark>5%</mark>
Educational serv	vices			39%	14%	149	6	17%	89	6 <mark>9%</mark>
Health care and social assista	ance			38%		21%	17%		12%	4% <mark>7%</mark>
Accommodation and food serv	vices		28%	17	%	21%		23%		8% <mark>4%</mark>
	0%	5 20	0%	40)%	60	%	80	%	100%
1 to 4 employees	5 to 9	5 to 9 employees = 10 to 19 employees					es			
20 to 49 employees	50 to	o 99 emplo	oyees			1 0	0 or n	nore		

Together, Micro and Small businesses, make up the majority of establishments in all industries

Heal Accom 1 to 4 em boston planning & 20 to 49 employees development agencv Source: U.S. Census Bureau, Zip Code Business Patterns, 2016, BPDA Research Division Analysis.

Establishments by Size and Neighborhood



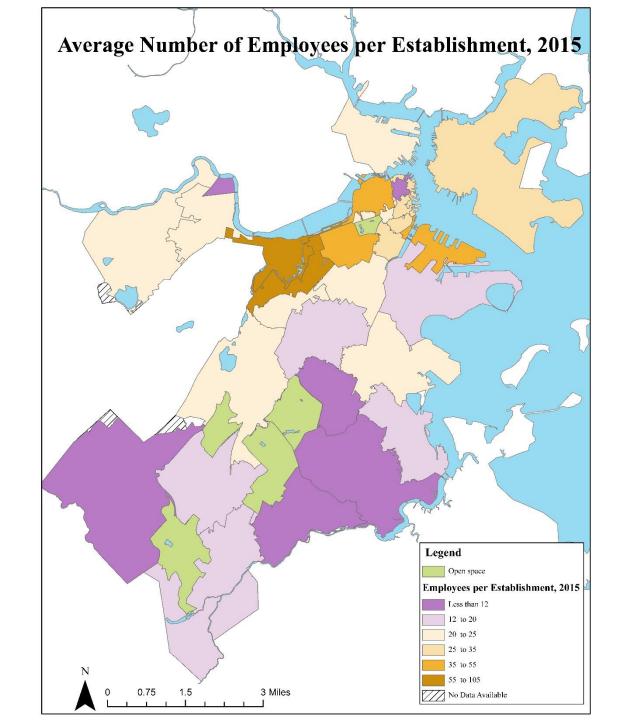
1 to 4 employees
5 to 49 employees

es 🔰 50 or more employees

Together, Small and Micro businesses make up the majority of establishments in all neighborhoods

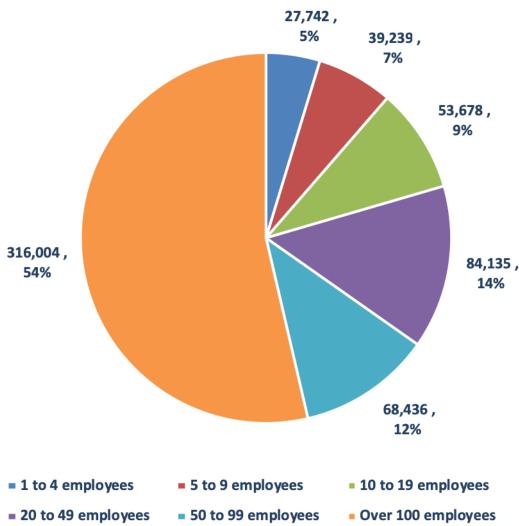


- Fenway/Kenmore and parts of Back Bay have the largest business establishments with an average number of employees over 100
- In contrast, West Roxbury and parts of Mattapan, Dorchester, and Roxbury average around 10 employees per establishment



- Out of 589,235 people employed in the private sector, 35% or 204,795 are employed by micro and small businesses:
 - 5% (27,742) are employed in Micro businesses
 - 30% (177,053) are employed in Small businesses





Micro and Small businesses make up the majority of employment in the following industries:

- Real Estate and Rental and Leasing
- Other Services
- Construction
- Accommodation and Food Services
- Other

Share of Employees by Establishment Size and Industry

Real Estate and Rental and Leasing	18%		15%	1	6%	17%	6 1	.1%	23	%
Other Services (Except Public Administration)	16%	2	1%		219	6	19%	5	9%	14%
Construction	15%	1	4%	14%		18%	149	%	249	6
Professional, Scientific, and Technical Services	8%	<mark>7%</mark> 99	6 1	4%	12%			50%		
Retail Trade	6% <mark>1</mark>	0% 1	L4%	18%	6	13%		4(0%	
Whole sale Trade	5 <mark>% 7</mark> %	<mark>6</mark> 10%	1	8%	15%	6		46%		
Finance and Insurance	5 <mark>%9%</mark>	6 9%	10%	10%			5	8%		
Administ rative and Support and Waste	5 <mark>%5%</mark>	6% 1	1%	12%			61	%		
Arts, Entertainment, and Recreation	4 <mark>%6%</mark>	6 10%	20)%	17	%		439	%	
Transportation and Warehousing	<mark>4%5</mark> %	8%	15%	14%	6			55%		
Accommodation and Food Services	3%7%	169	6		35%			23%		15%
Information	3 <mark>% 35%</mark>	6 10%	13%	6			66%			
Manufacturing	2 <mark>%4%</mark> 6%	159	%	16%			5	8%		
Health Care and Social Assistance	2 <mark>% 5%</mark> 7	% 11	% 9	%			66%			
Other or not dassified	1 <mark>%10</mark> %	%		19	<mark>%</mark> 3%		6%		8%	
Educational Services	1 <mark>%225</mark> %	<mark>5%</mark>				85%	6			
c	0% 10	1% 20	1% 30	0% 40	% 5	0% 60	0% 70)% 8 ()% 9	0% 100
1 to 4 employees	■ 5 to 9 employees ■ 10 to 19					19 er	nploye	ees		
20 to 49 employees	50 to 99 employees				/ee s					

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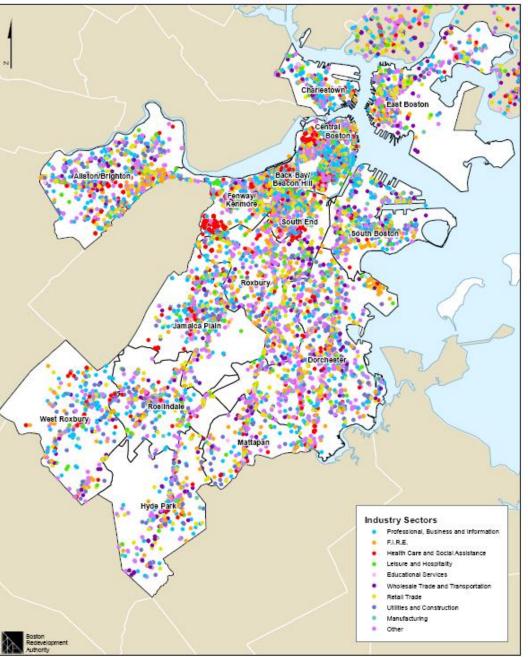
*Total employees for Suffolk County is provided by industry but not by establishment size. Therefore, Suffolk employees within an industry are allocated by establishment size based upon state level proportions. The counts are then reduced based upon the share of Suffolk jobs by industry located in Boston calculated from employment totals provided by the MA Executive Office of Labor and Workforce Development. Source: U.S. Census Bureau, County Business Patterns, 2016, BPDA Research Division Analysis.

Types of micro and small businesses:

- ✓ Communications
- ✓ Computer Dealers, Repair & Training
- Construction & Demolition
- ✓ Business Consultants
- ✓ Convenience Stores
- ✓ Copying & Duplicating Services
- ✓ Cosmetics & Perfumes Retail
- ✓ Credit & Debit Counseling
- ✓ Dance Companies & Instructions
- ✓ Data Processing Services
- ✓ Day Care Centers
- ✓ Dentists
- ✓ Delivery Services
- ✓ Designers
- ✓ Driving Instruction
- ✓ Economic Research Analysis
- ✓ Educational Consultants
- ✓ Electric Contractors
- ✓ Employee Benefits & Compensation Plans
- ✓ Employment Agencies & Opportunities

- ✓ Entertainers
- ✓ Events
- ✓ Executive Search
- ✓ Exercise & Physical Fitness
- ✓ Exporters
- ✓ Manufacturers
- ✓ Facilities Management
- ✓ Fashion Designers
- ✓ Financial Advisory Services
- ✓ Floor Laying Refinishing & Resurfacing
- ✓ Florists
- ✓ Food Markets
- ✓ Lawyers
- ✓ Fruits, Vegetables & Produce
- ✓ Fuel Management
- ✓ Fund Raising Counselors
- ✓ Funeral Homes
- ✓ Garbage Collection
- ✓ General Contractors
- ✓ AND THE LIST GOES ON.....

Micro and Small businesses are spatially distributed across the city

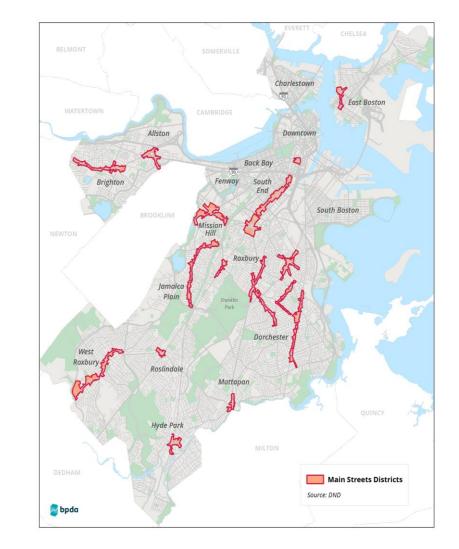


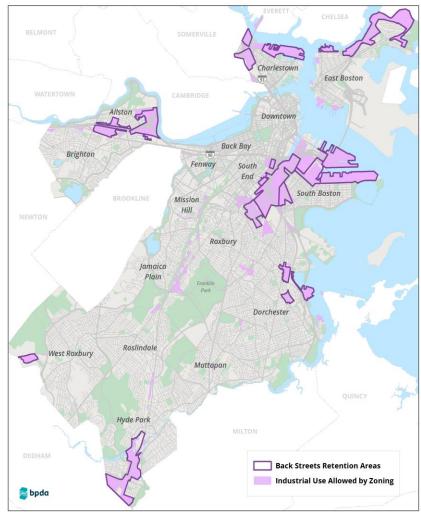


Sources: American Business Index 2008, BRA Research Division Analysis, BRA Office of Digital Cartography & GIS

Establishments with < 5 Jobs in Boston by Industry Sector

They are concentrated within the **Main Streets** & the Back **Streets Districts**









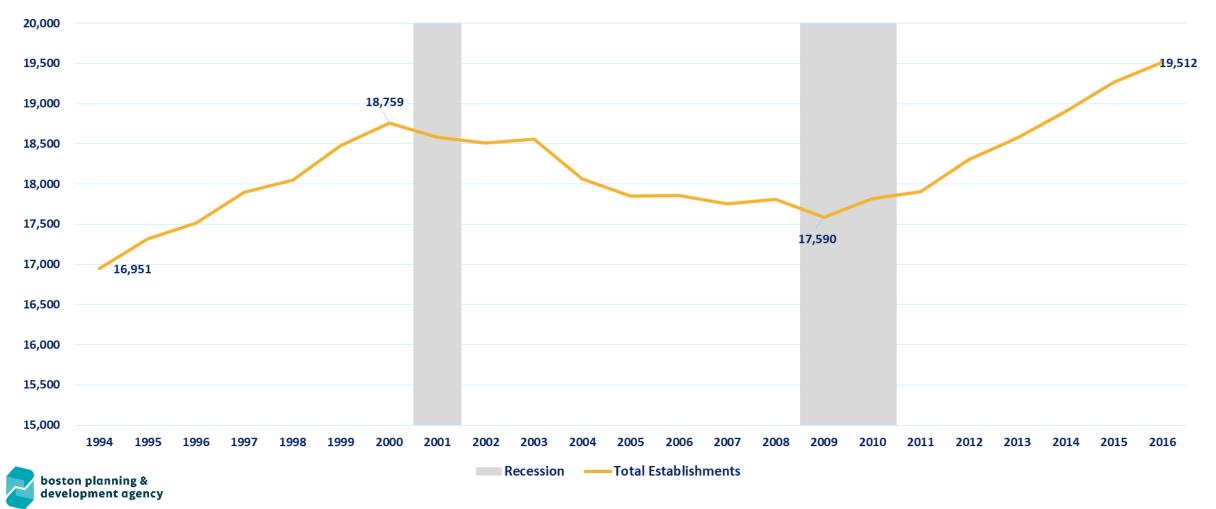
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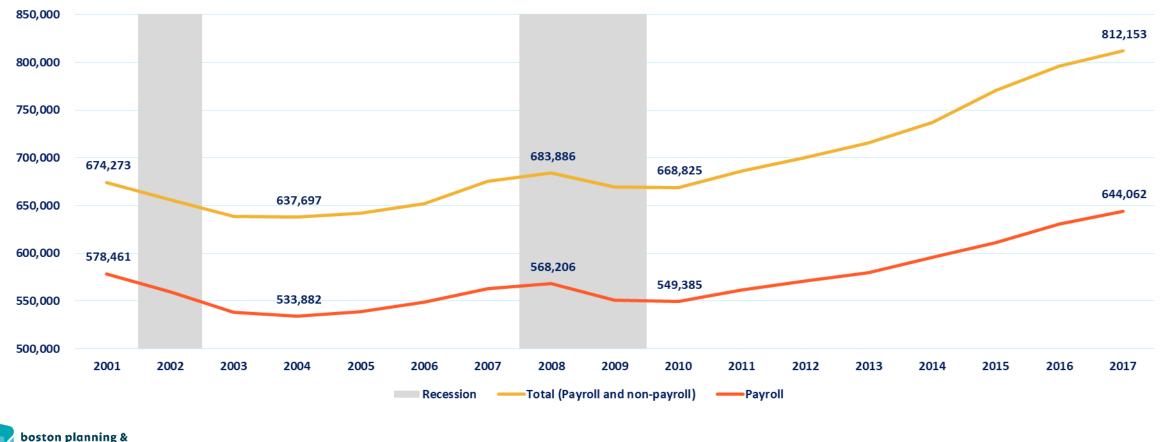


- The number of business establishments in Boston fell from 2000 to 2009, but rose from 2009 to 2016
- In 2016, there were 19,512 establishments in Boston, up from 17,590 in 2009



Source: U.S. Census, 1994 – 2016 Zip Code Business Patterns, BPDA Research Division Analysis An establishment consists of a single location or facility. A firm may consist of many establishments.

- In 2017, Boston's total payroll and non-payroll jobs increased to 812,153, continuing the trend of strong job growth since 2010. Total jobs are forecast to reach 829,000 by 2030
- Payroll jobs reached a total of 644,062 in 2017, while self-employment jobs reached 168,091

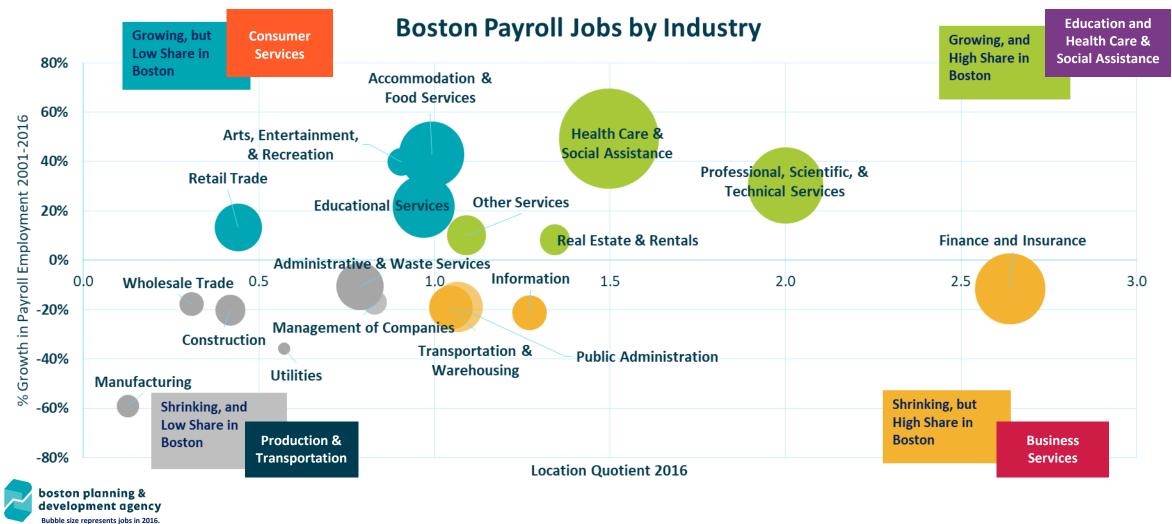


Boston Total and Payroll Jobs, 2001-2017

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Note: Shading signifies recession. Source: U.S. Bureau of Economic Analysis (BEA), Massachusetts Executive Office of Labor and Workforce Development (EOLWD), BPDA Research Division Analysis

- Health Care & Social Assistance is the largest and one of the fastest growing industries in Boston
- Despite recent declines, Boston still has more than 2.5 times the employment share in Finance and Insurance than the national average
- Employment in Professional, Scientific, and Technical Services has grown by 30% from 2001 to 2016 and is double the national share of employment
- Manufacturing employment has fallen by almost 60% from 2001 to 2016 and represents a much smaller share of Boston employment than the national average



Source: Bureau of Labor Statistics (BLS), Massachusetts Executive Office of Labor and Workforce Development (EOLWD), BPDA Research Division Analysis

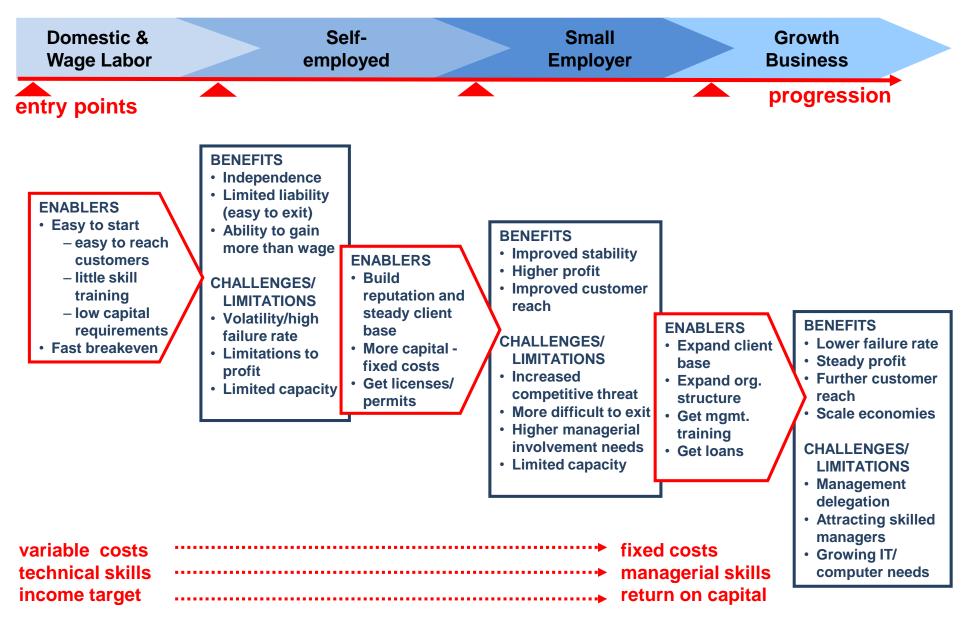


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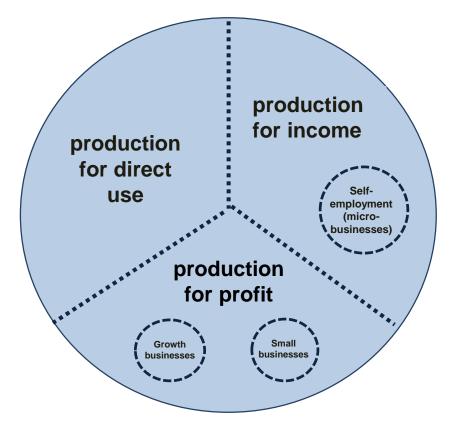
Business Development Framework



Business Development Framework - Example

	Wage Labor (Employee)	Self- Employed	Small Employer	Growth Business
TRANSPORTATION	 Taxi/Limo driver Delivery (food, other) 	 Taxi/Limo driver Delivery (food, other) 	 1-3 limos Multiple (leased) medallions 1-3 delivery cars 	 Multiple cars (3+) Multiple services (delivery services, or limo services)
BEAUTY/GROOMING	ManicuristHair Stylist	 Leased seat in hair salon House calls 	Nail SalonBeauty Salon	 Chain of nail/beauty salons Multiple services
CLEANING SERVICES	 Janitor Cleaning person or House cleaner Maid/hospitality 	 Solo operator (janitor, cleaning person) Solo franchise 	 Local contractor Dry-cleaning storefront Small cleaning business 	 Regional contractors (commercial, residential) Multiple services
EATING PLACES	CookWaiterCaterer	 Take-out stand Burrito cart 	 Restaurant (with eat-in, take-out, delivery) Small catering service 	 Multiple restaurants Multiple services (catering, delivery) Food services
RETAIL	CashierSalespersonStock manager	 Door-to-door sales Third-party marketing franchise 	 Small franchise Small store Third-party mktg. 	Retail chain

A framework to understand micro and small businesses development by looking at social forms of production:



Production for Profit – How do they differ? ✓ Ownership Structure 1. Single owner or not incorporated 2. Independently or family owned 3. Limited liability & more complex legal structure ✓ Employment & Revenue Size & Capital Structure 1. 1-2 people & < 10K & < \$100K 2. < 500 people & < \$20M ... 3. > 500 people ... ✓ Financial Structure & Ability to Leverage 1. Simple cash flow & no ability to leverage 2. Bank financing 3. External financing, investors, VC, investment banks ✓ Management Structure 1. Hands-on worker & control everything 2. Management across all functions 3. Professional management, board, investors ✓ Skill Sets 1. Finding & servicing customers 2. Detailed understanding of industry 3. Financial and organizational skills ✓ Employment Size & Structure ✓ Technology, Production & Markets 1. Low to no technology 2. Single technology, production & markets 3. Multiple products, technology & markets ✓ Success 1. Make enough individual income & control lifestyle 2. Salary & Profits & Value of Company 3. IPO/share price