

# The Importance of Small and Micro Businesses in Boston

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# Agenda:

- **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**

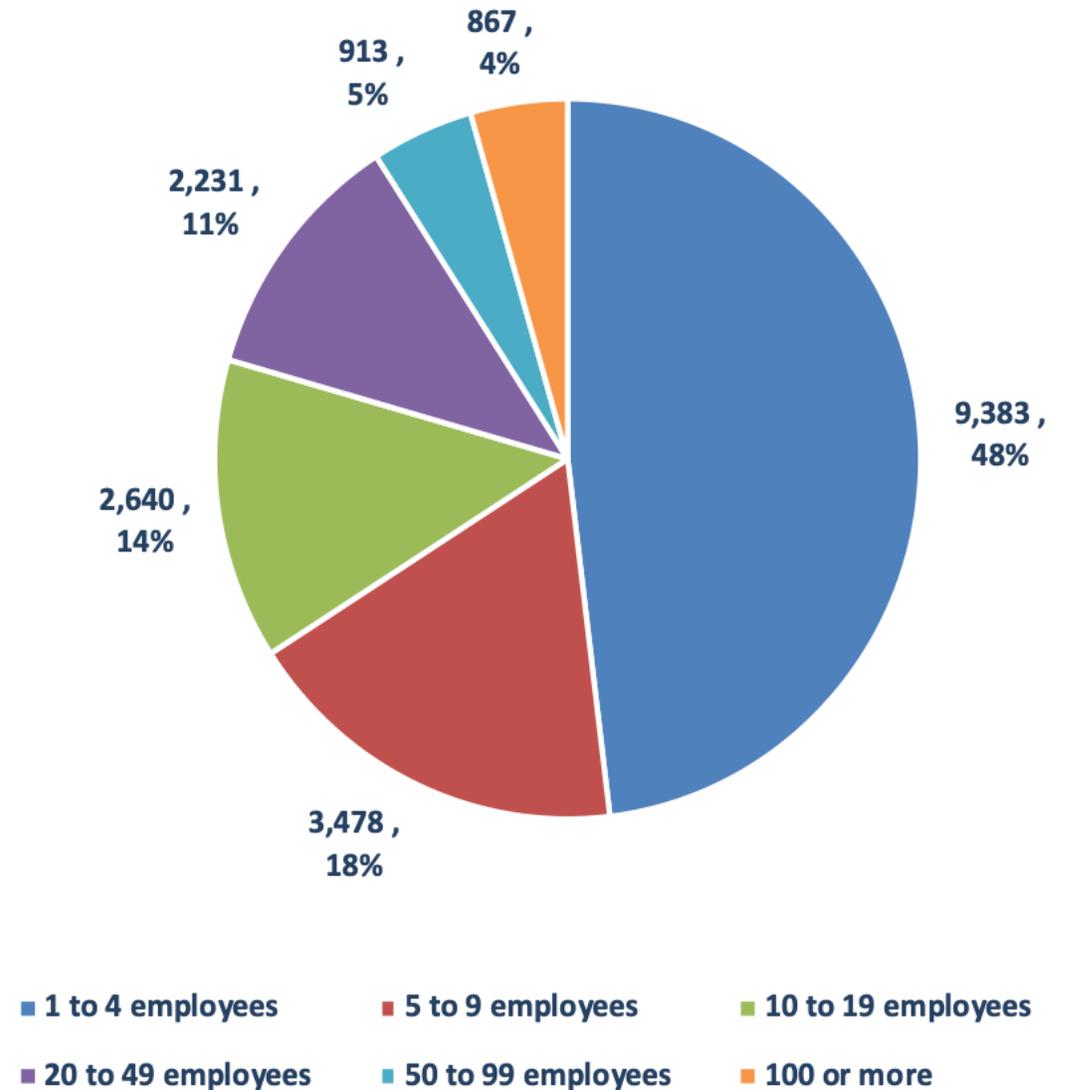
## **AND AS IMPORTANT**

- **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**

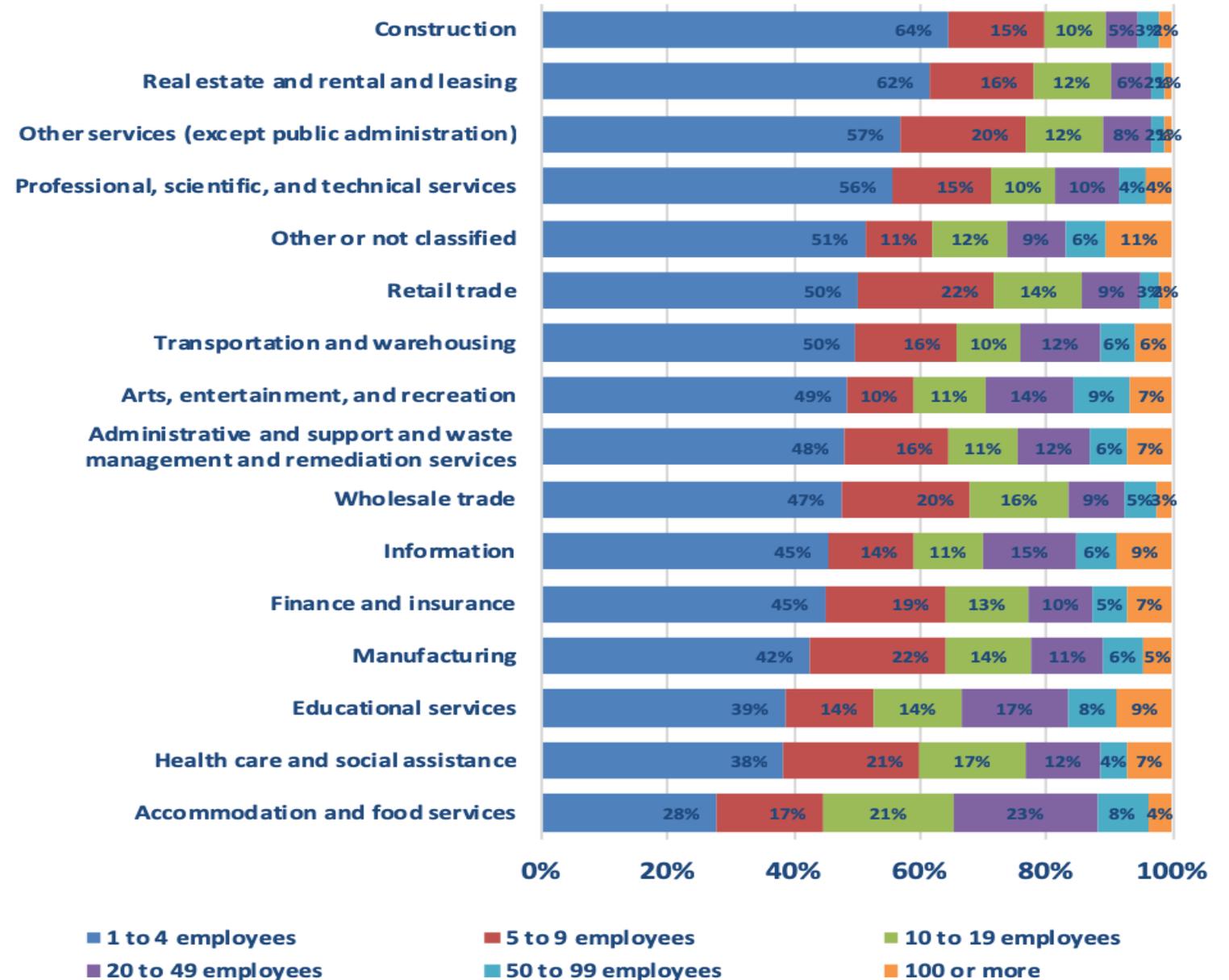
- **Of the 17,732 Micro and Small establishments:**

- **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**



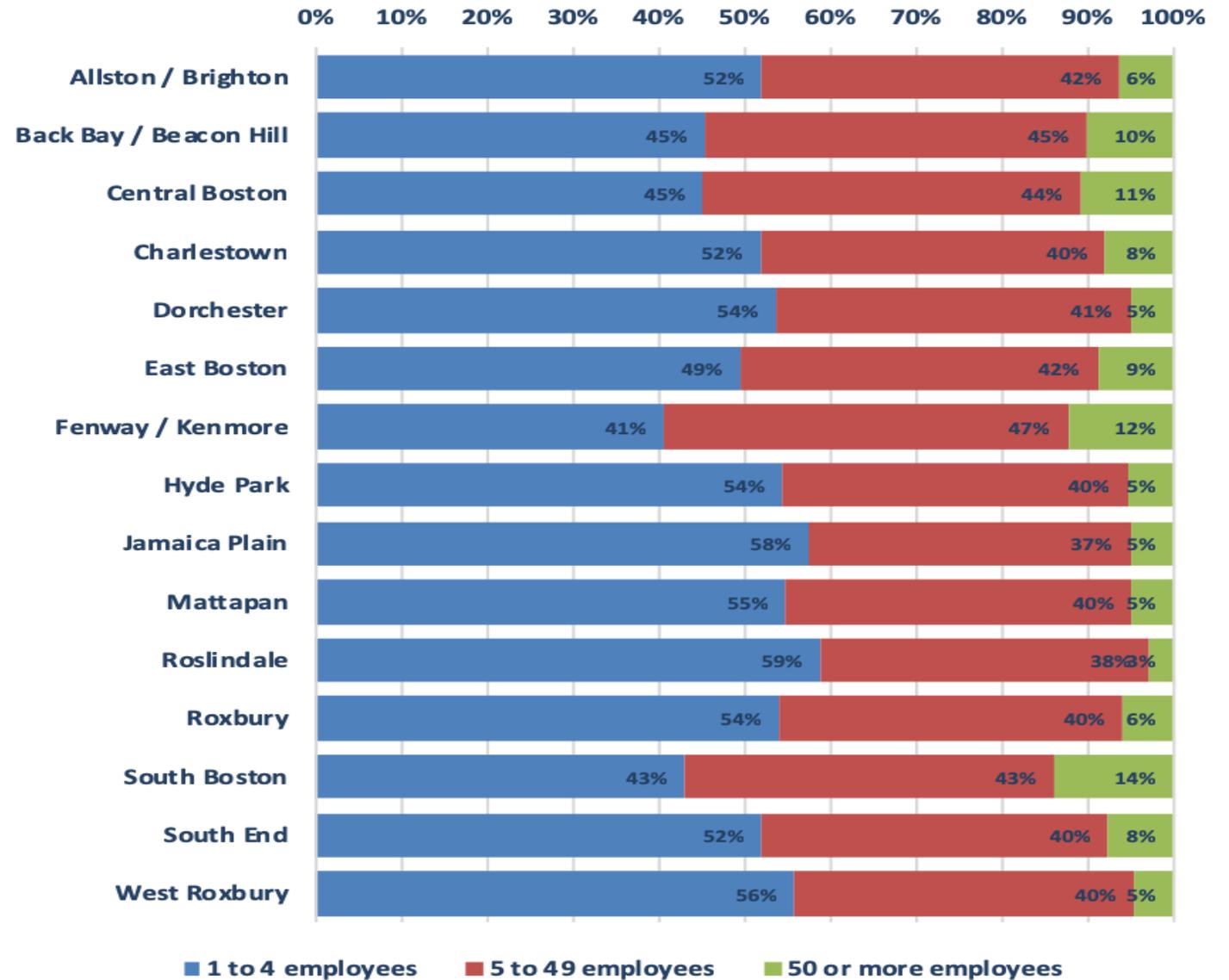
## Share of Establishments by Size and Industry



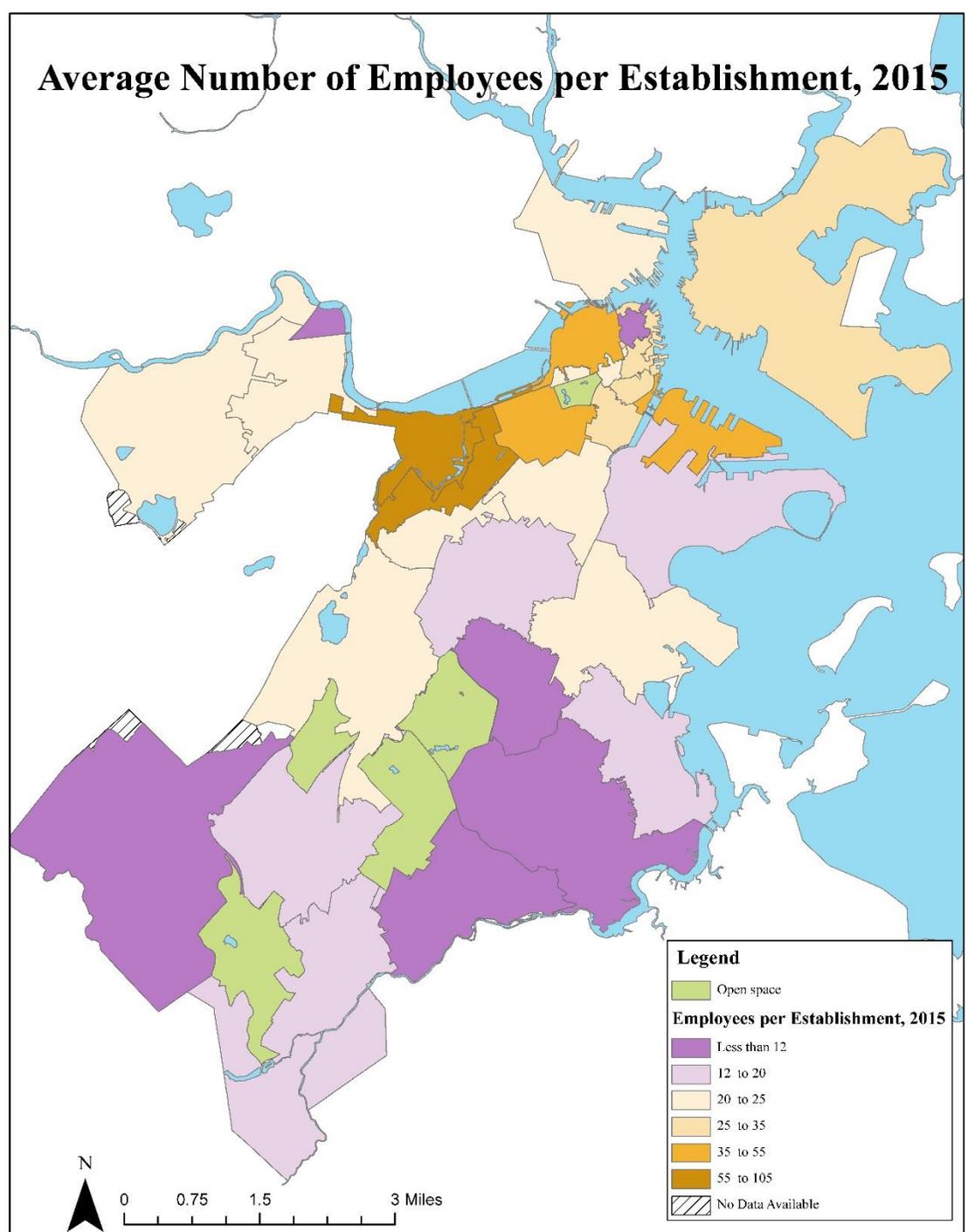
Together, Micro and Small businesses, make up the majority of establishments in all industries

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

## Establishments by Size and Neighborhood



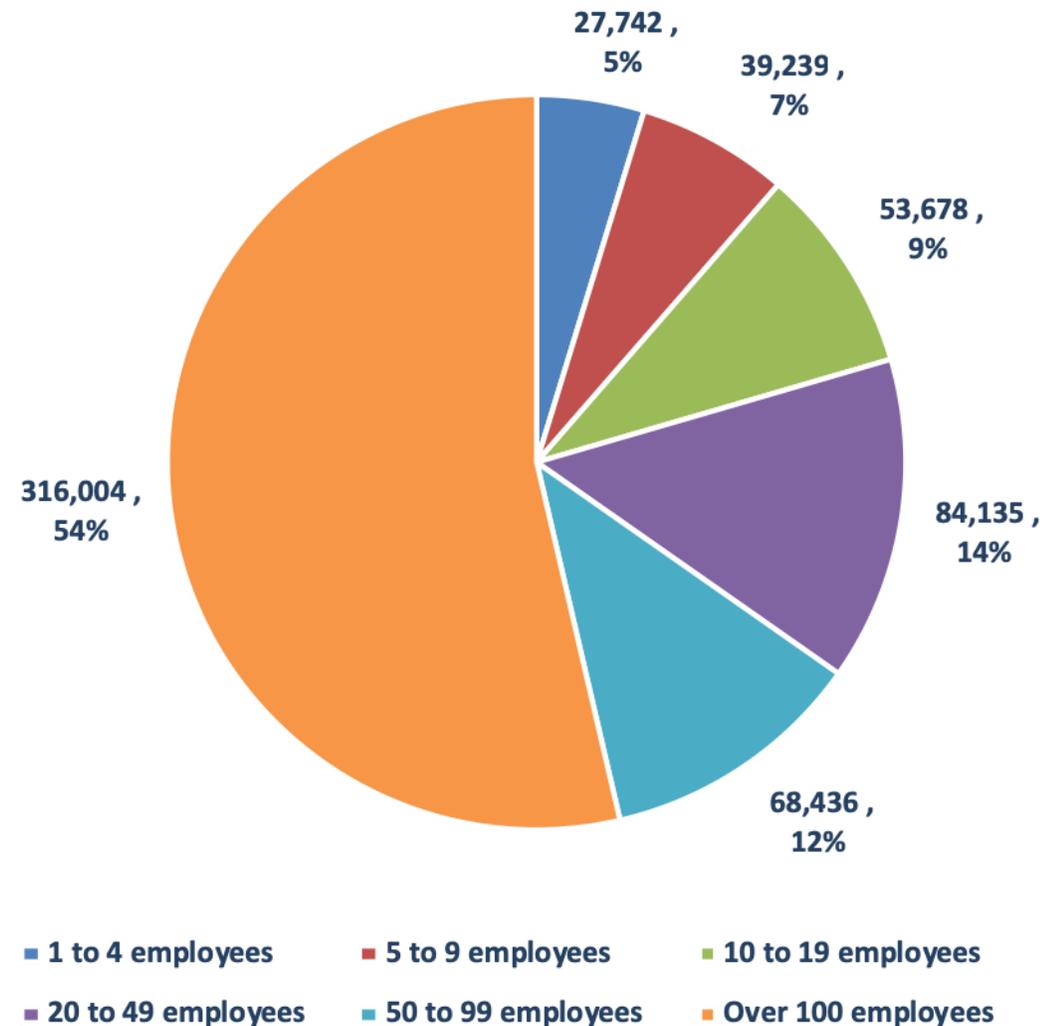
- Fenway/Kenmore and parts of Back Bay have the largest business establishments with an average number of employees over 100
- In contrast, West Roxbury and parts of Mattapan, Dorchester, and Roxbury average around 10 employees per establishment



- 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

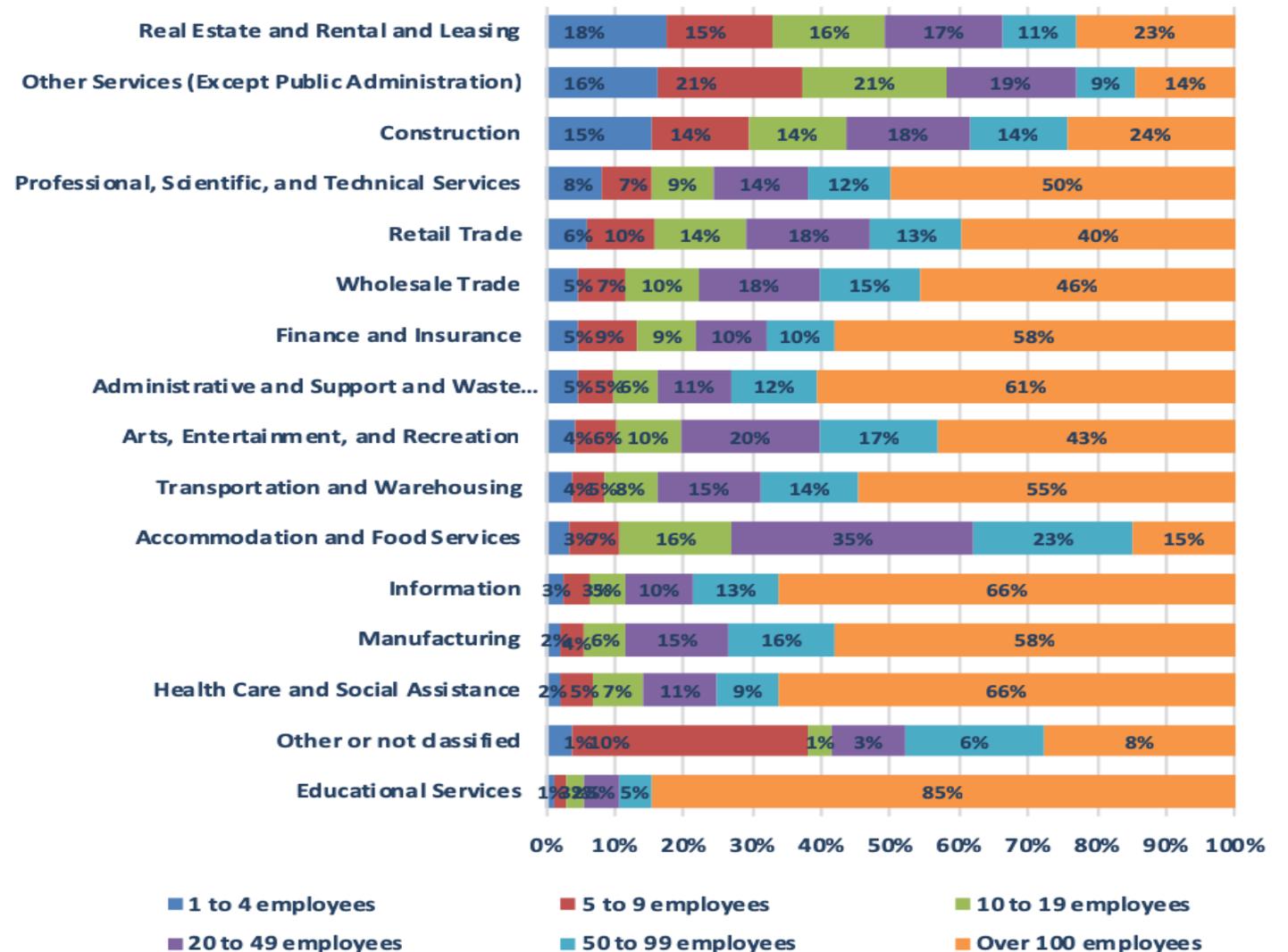
Share of Employees by Establishment Size



# 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

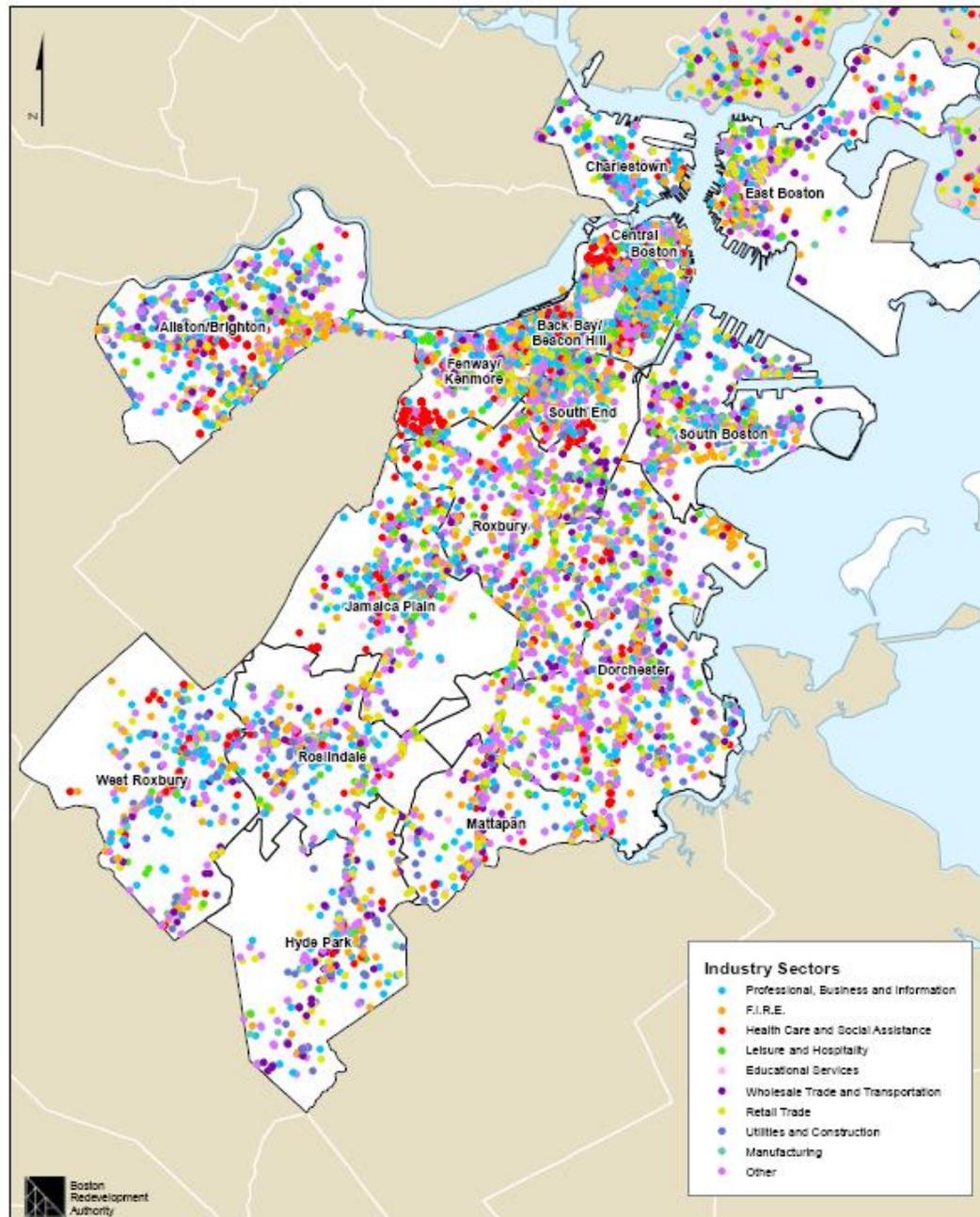


# Types of micro and small businesses:

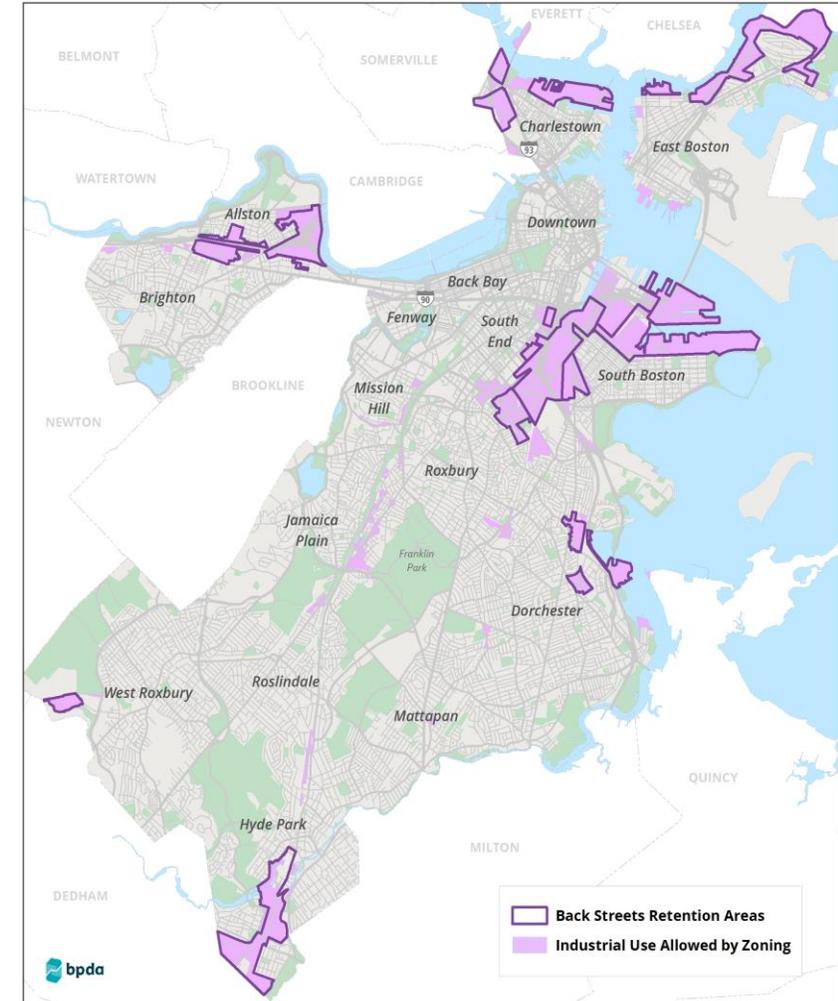
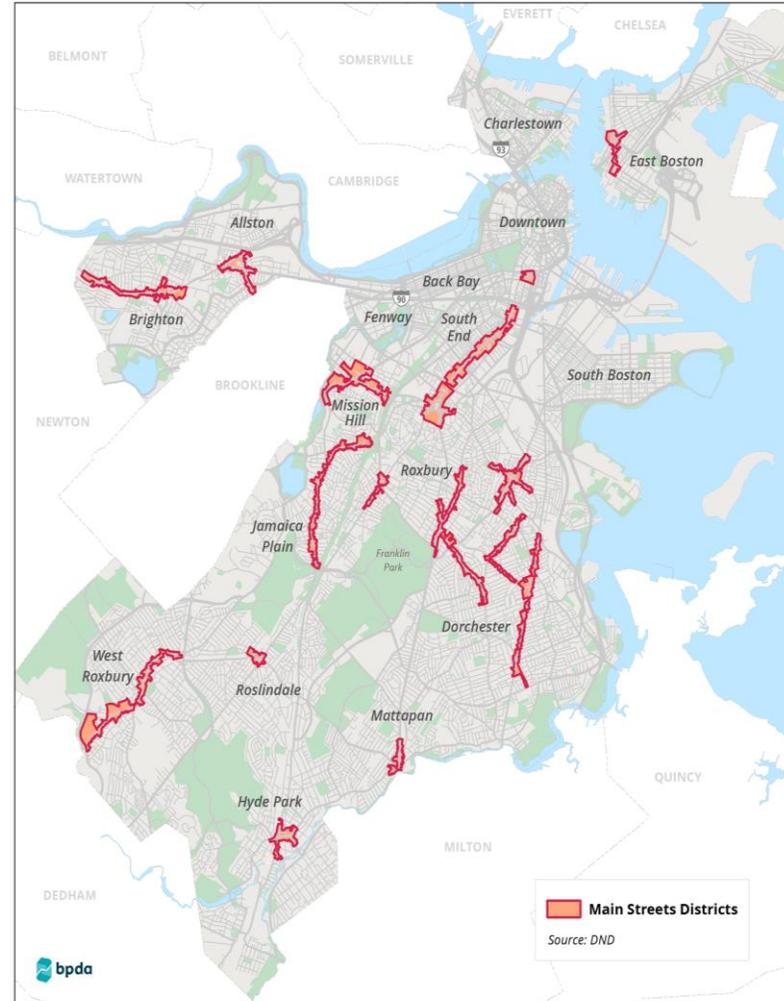
- ✓ **Communications**
- ✓ **Computer Dealers, Repair & Training**
- ✓ **Construction & Demolition**
- ✓ **Business Consultants**
- ✓ **Convenience Stores**
- ✓ **Copying & Duplicating Services**
- ✓ **Cosmetics & Perfumes Retail**
- ✓ **Credit & Debit Counseling**
- ✓ **Dance Companies & Instructions**
- ✓ **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**

Establishments with < 5 Jobs in Boston by Industry Sector



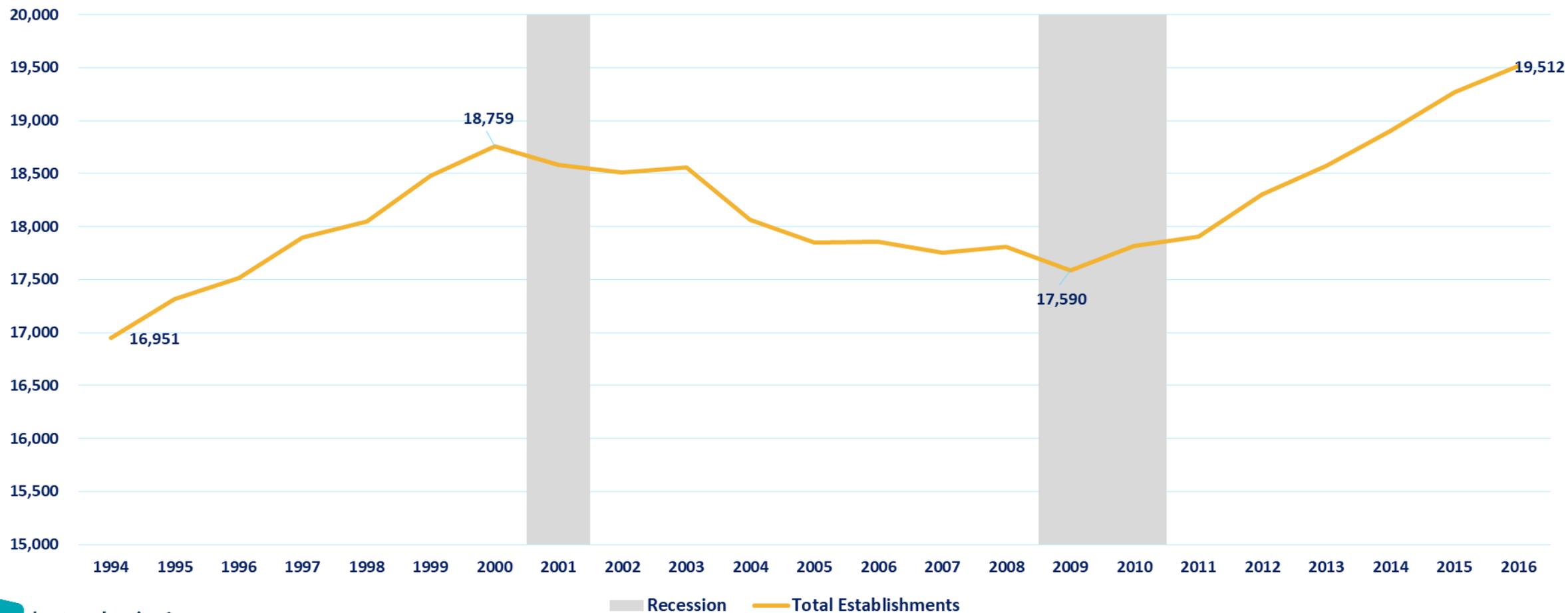
# They are concentrated within the Main Streets & the Back Streets Districts



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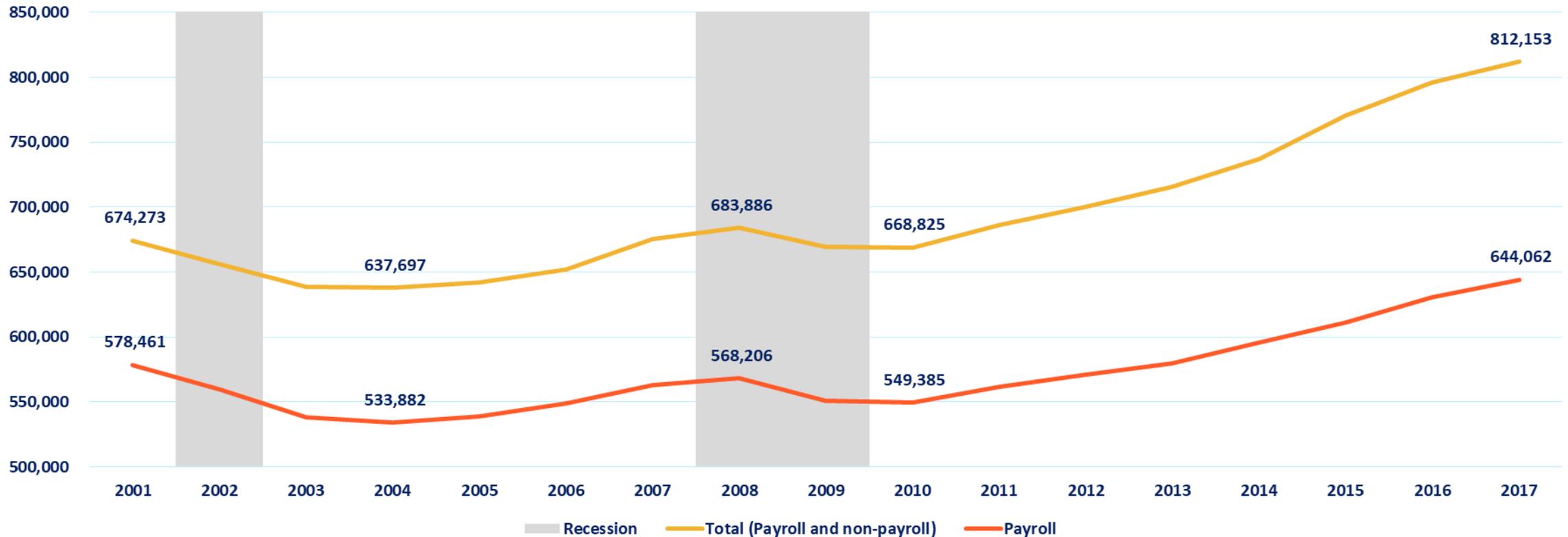
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- The number of business establishments in Boston fell from 2000 to 2009, but rose from 2009 to 2016
- In 2016, there were 19,512 establishments in Boston, up from 17,590 in 2009

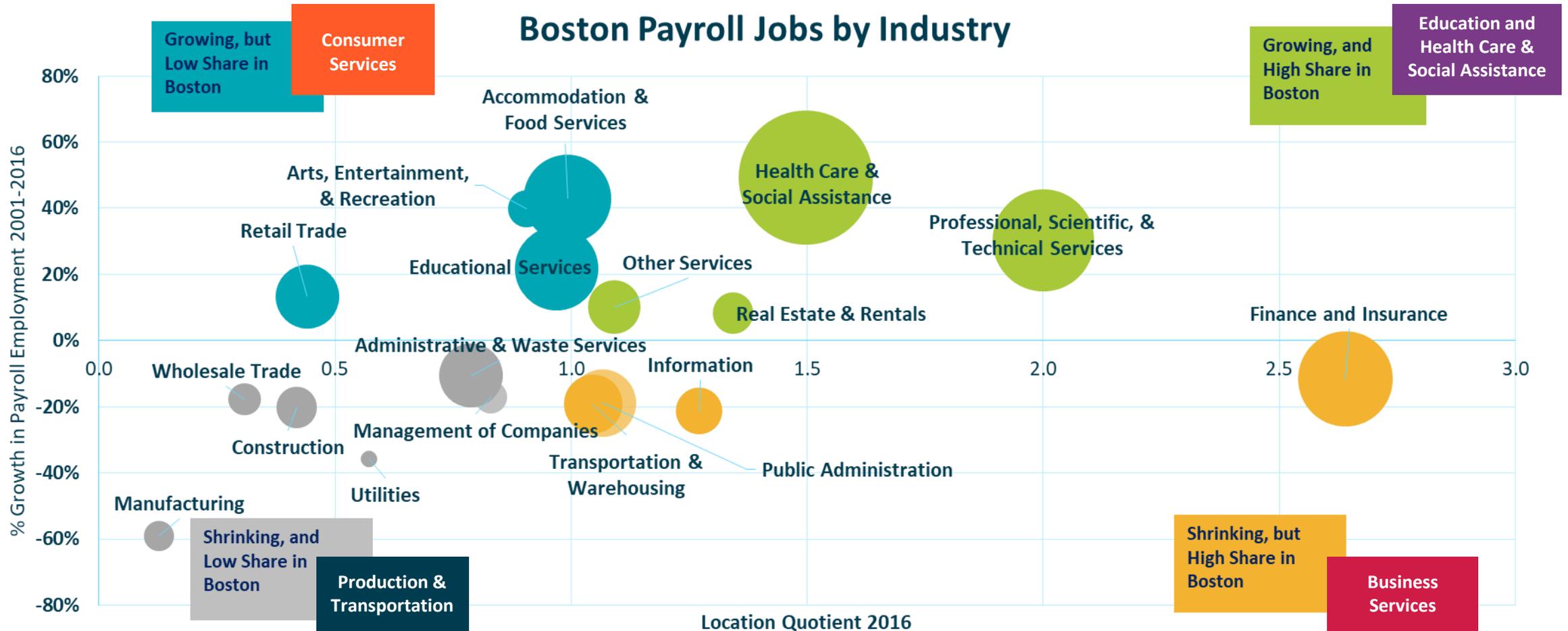


- In 2017, Boston's total payroll and non-payroll jobs increased to 812,153, continuing the trend of strong job growth since 2010. Total jobs are forecast to reach 829,000 by 2030
- Payroll jobs reached a total of 644,062 in 2017, while self-employment jobs reached 168,091

**Boston Total and Payroll Jobs, 2001-2017**



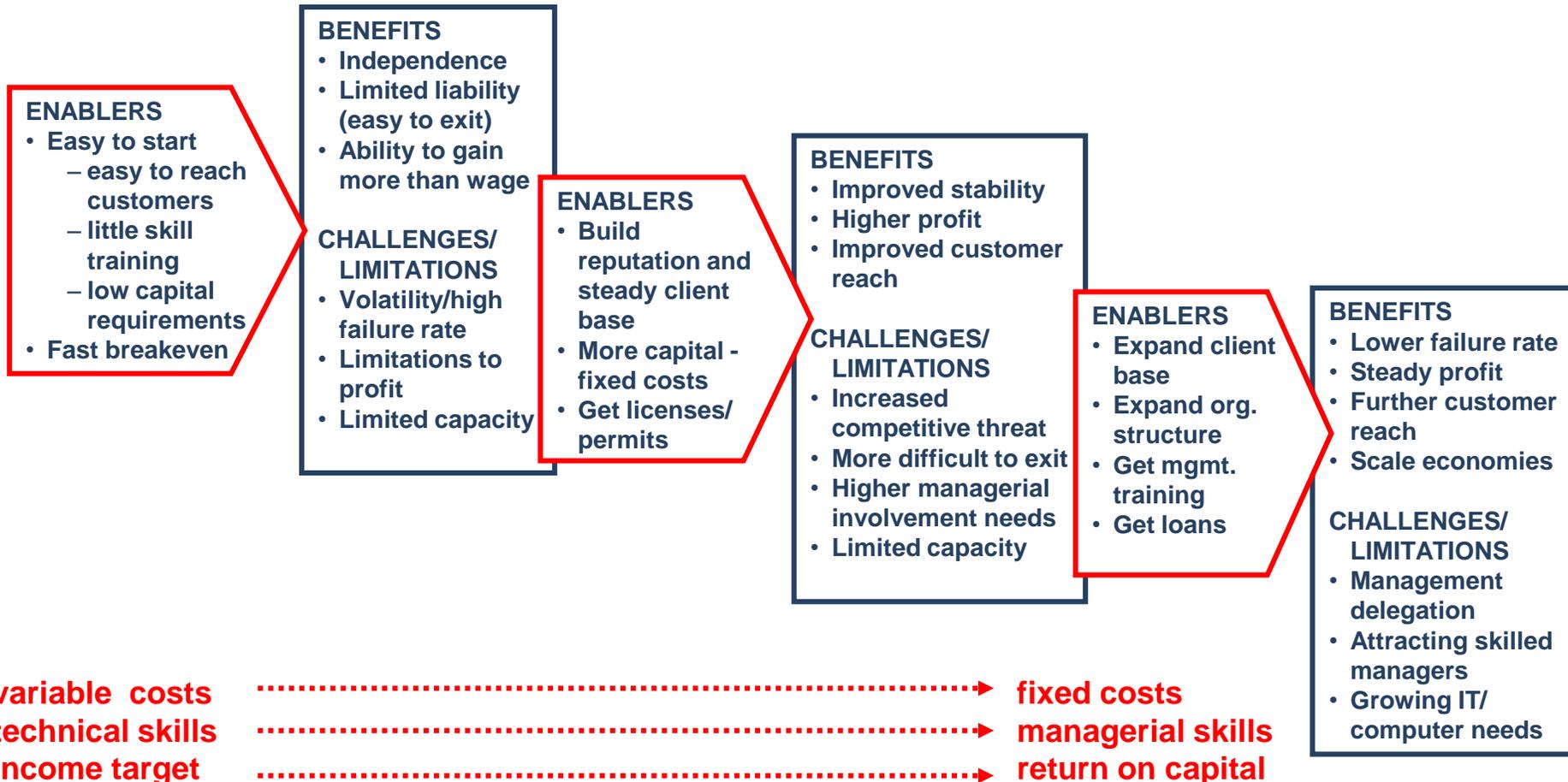
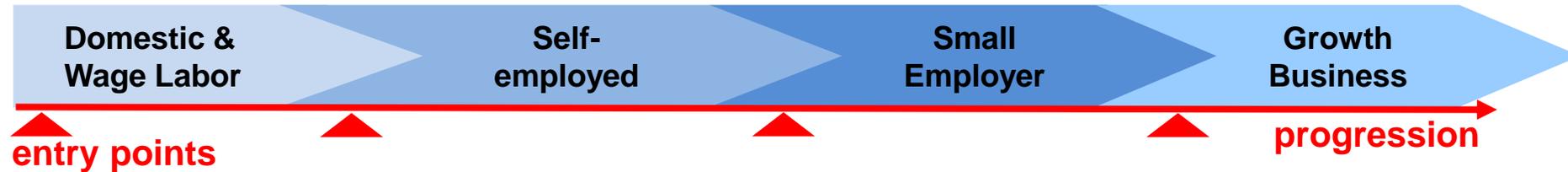
- Health Care & Social Assistance is the largest and one of the fastest growing industries in Boston
- Despite recent declines, Boston still has more than 2.5 times the employment share in Finance and Insurance than the national average
- Employment in Professional, Scientific, and Technical Services 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



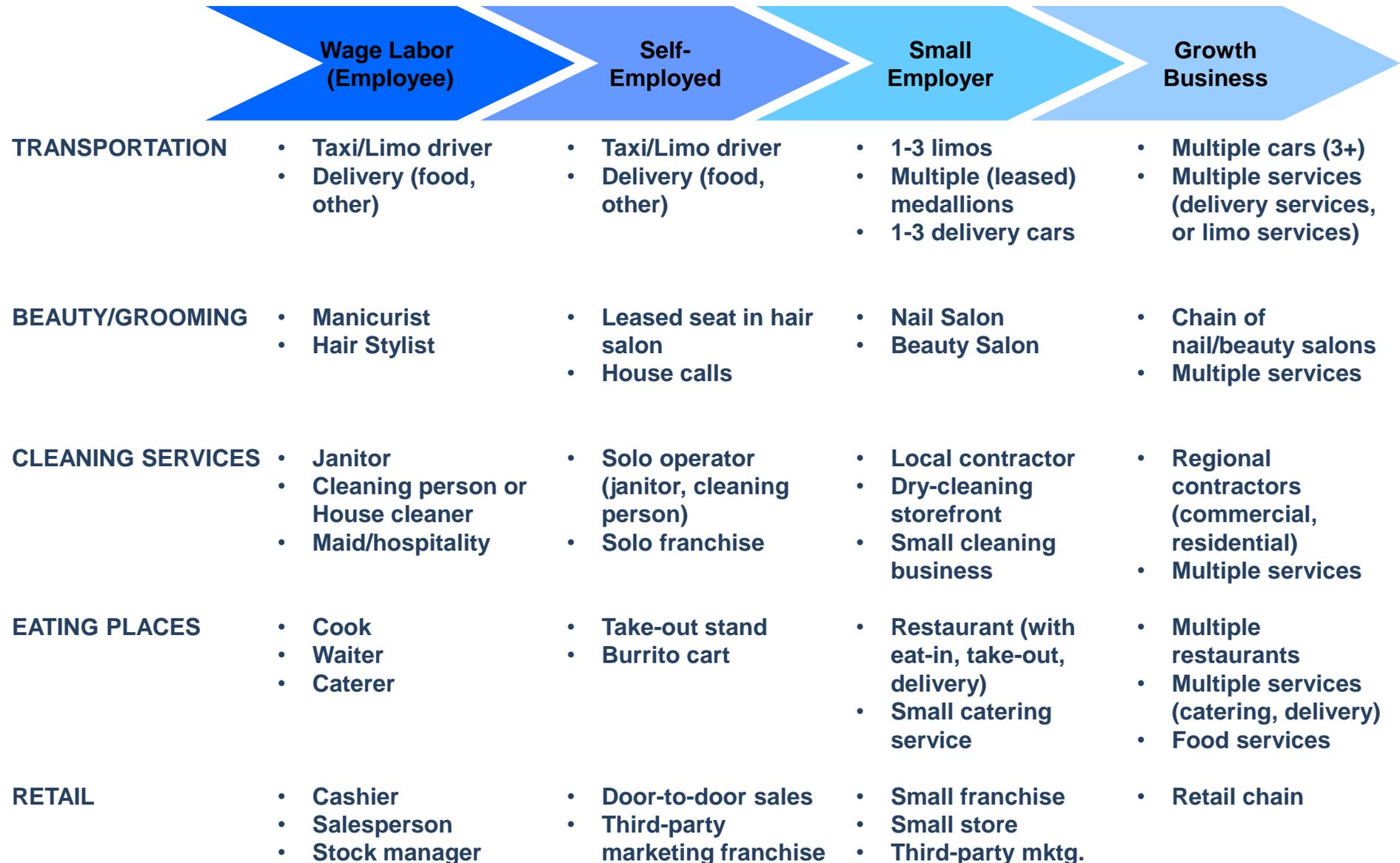
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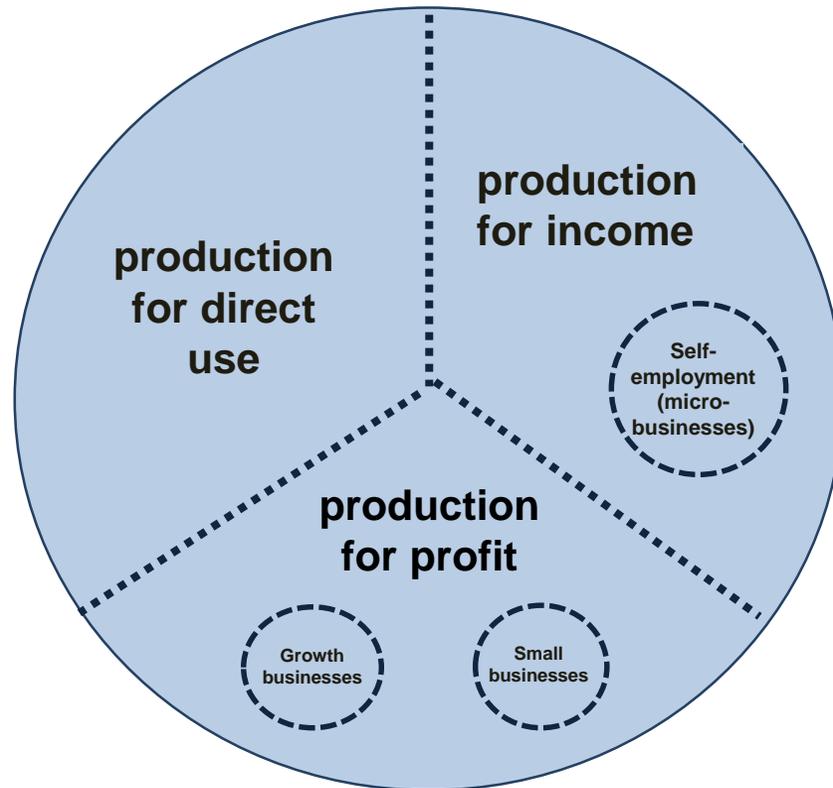
# Business Development Framework



# Business Development Framework - Example



# 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