

Small Businesses Are Big Part of Indiana Economy

Small businesses made up 97% of all employers in Indiana in 1998, according to statistics recently released by the U.S. Small Business Administration.

Of Indiana's 124,400 businesses with employees, the SBA estimated

more than 120,500 were small businesses. (Small businesses are defined as firms with fewer than 500 employees.)

In addition, there were an estimated 207,000 self-employed persons in Indiana in 1998.

Small businesses dominate employment growth

In 1996, the latest year for which a detailed breakdown by firm size is available, small businesses dominated employment growth in the state, according to the SBA's analysis. From 1995 to 1996, small businesses added a net total of 26,800 employees (see Table 1), which accounted for essentially the entire amount of private nonfarm employment growth in Indiana.

The net change in the state's employment comes from combining employment gains at new establishments and expanding establishments with employment losses at downsized or closed establishments.

Small businesses produced more than half the employment gains from new establishments and 63% of the total expanding establishment gain.

Firm size varies across sectors

The mix of firm size varies across sectors of the Indiana economy. As measured by employment, some sectors consist mainly of small firms. In others, such as manufacturing, two-thirds or more of the jobs are in large firms.

In 1997, the SBA found that small businesses accounted for 50.5% of the state's 2.5 million nonfarm employees. The percentage was much higher, though, in construction and wholesale trade (see Figure 1). In fact, about 90% of all employees in the construction industry worked for small businesses. The share in wholesale trade was 68%.

The services sector had 58% of its employees in small business. Some

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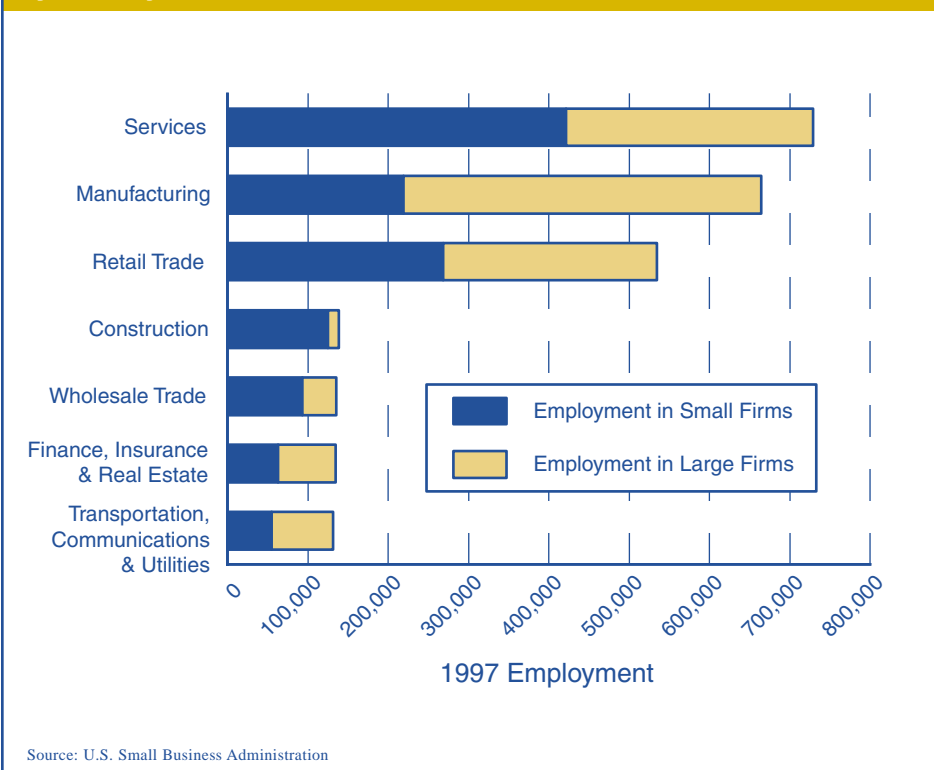
Table 1: Nonfarm Job Gains and Losses by Firm Size, 1996

	Total	Small Businesses	Percent
Gains			
New establishments	127,800	70,200	55%
Expanding establishments	225,400	142,400	63%
Losses			
Downsized establishments	(220,500)	(121,500)	55%
Closed establishments	(106,600)	(64,300)	60%
Net change in employment	26,100	26,800	

Source: U.S. Small Business Administration

Figure 1: Small Businesses' Share of Indiana Employment

By industry, 1997



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(continued from page 11)

service sectors, however, had much higher concentrations of employment in small businesses. For example, automotive repair services and social services both were above 80%. In the finance, insurance and real estate sector, small businesses produced 83% of real estate jobs and 75% of insurance agent employment.

The picture was much different in manufacturing. Just 33% of manu-

facturing employment was found at small businesses. Employment in the transportation equipment sector was 16% in small business.

In retail trade, 81% of employment at auto dealers was found at small businesses. But small businesses claimed only 2% of employment at general-merchandise stores. Transportation also exhibited variations. Small businesses accounted for 56% of motor freight employment but only 10% in air transportation.

IN Depth:

For all the latest state and county figures and complete time series data sets related to the Indiana economy, visit the following Internet sites:

- www.ibrc.indiana.edu/incontext
- www.stats.indiana.edu
- www.indianacommerce.com
- www.dwd.state.in.us

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