Small Businesses in Large Numbers

A little more than half of all Hoosiers employed in the private nonfarm sector work in business establishments with less than 100 employees. The largest size class is establishments with between 20 and 49 employees, employing 17 percent, or 432,100 people (see **Figure 1**).

These data come from the 2004 County Business Patterns, published by the U.S. Census Bureau. This data set includes only establishments with paid employees in the private nonfarm sector (thereby omitting government, farming and sole propietorships). Note that these data are at the establishment-level, which is an individual place of work. For example, Wal-Mart is going to show up in the data with numerous individual establishments.
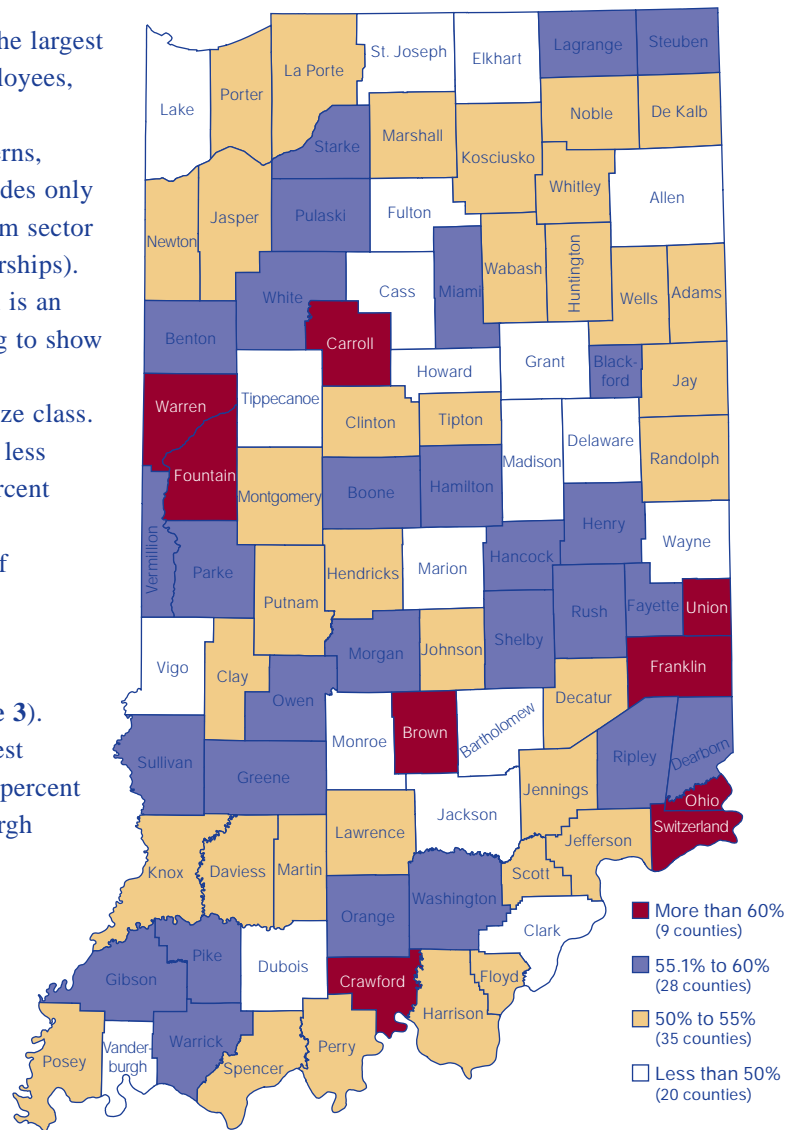
Figure 2 shows the breakdown of establishments by size class. In the United States, over half of all establishments have less than five workers (54.4 percent). That number is 49.7 percent in Indiana, a difference of 4.7 percentage points. Among Indiana's neighbors, Illinois has the highest percentage of small businesses as a percent of all establishments (54.2 percent), while Ohio has the lowest (49.2 percent).

Small businesses make up at least 50 percent of all establishments in 72 of Indiana's 92 counties (see **Figure 3**). At 65 percent, Union and Warren counties have the highest percentage of small businesses. Meanwhile, less than 45 percent of establishments in Bartholomew, Elkhart and Vanderburgh counties have less than five employees.
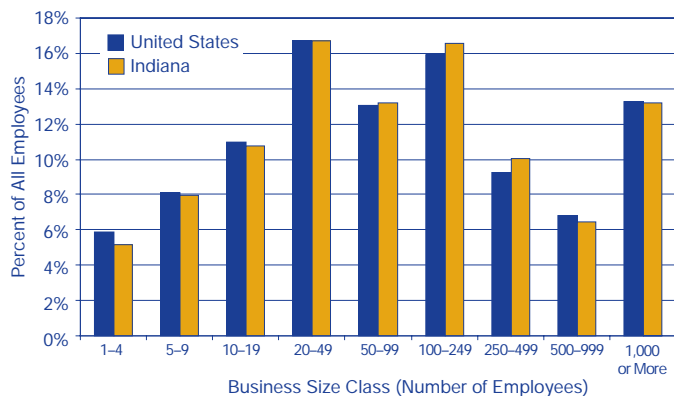
Size by Sector

Which industry sectors are more apt to have lots of small businesses? As seen in **Figure 4**, over 65 percent of all establishments in the following sectors have less than five employees: forestry, fishing and hunting (200 establishments); real estate, rental and leasing (3,981 establishments); and professional,

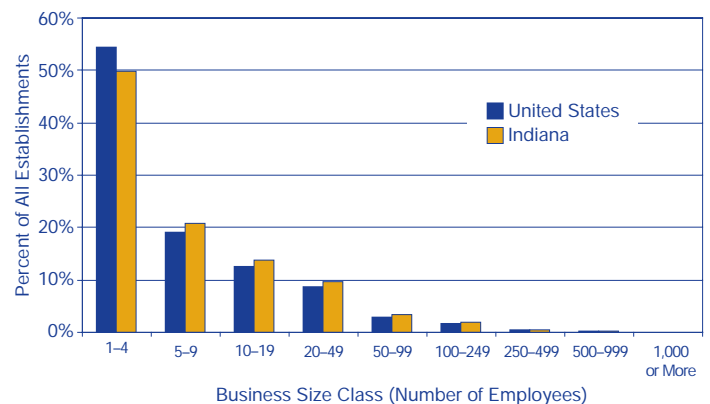**FIGURE 3: PERCENT OF ESTABLISHMENTS WITH LESS THAN FIVE EMPLOYEES**

Legend:
- More than 60% (9 counties)
- 55.1% to 60% (28 counties)
- 50% to 55% (35 counties)
- Less than 50% (20 counties)

Source: IBRC, using U.S. Census Bureau data

FIGURE 1: PERCENT OF ALL EMPLOYMENT BY SIZE CLASS, 2004

Source: IBRC, using U.S. Census Bureau data

FIGURE 2: PERCENT OF ALL ESTABLISHMENTS BY SIZE CLASS

Source: IBRC, using U.S. Census Bureau data

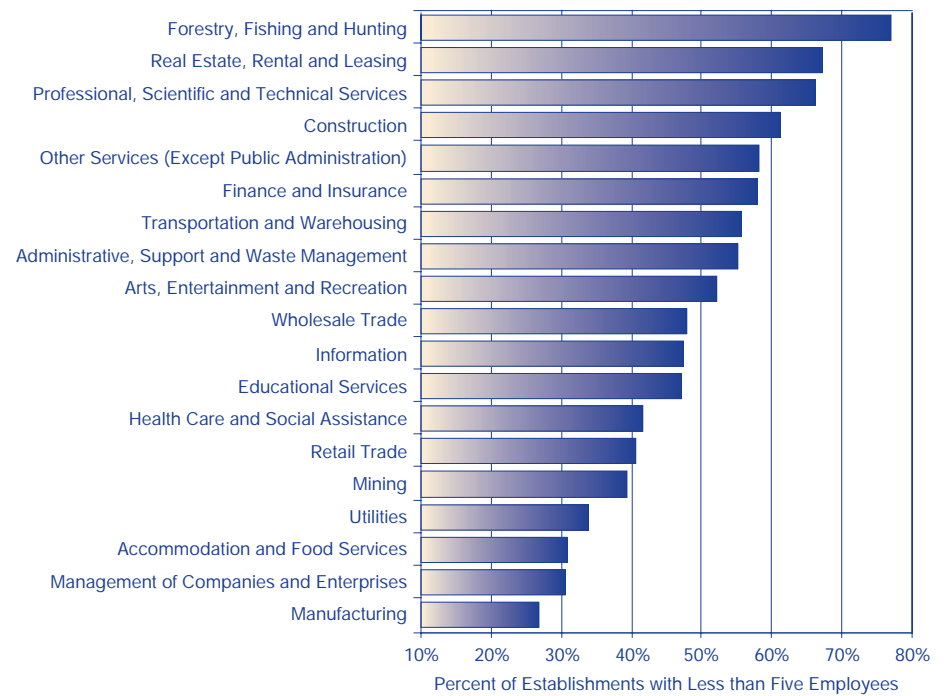scientific and technical services (8,299 establishments).

At the other end of the spectrum, establishments with 1,000 employees or more make up less than 1 percent of all establishments across all sectors. Not surprisingly, manufacturing and health care had the most large establishments (see **Figure 5**). Manufacturing had 62 establishments with at least 1,000 employees, employing a total of almost 117,500—or 0.7 percent of the entire sector. Health care and social assistance followed with 41 establishments in the top size class, employing over 89,600 workers—or 0.3 percent of the entire sector.

Recent Changes

Between 2003 and 2004, Indiana gained a total of 1,834 establishments—an increase of 1.2 percent. This was slightly less than the nation's 1.8 percent increase in establishments. Compared to its neighboring states, Indiana's percent change in establishments fell one tenth of a percentage point below Illinois and Kentucky, but was more than double that of Ohio and Michigan (see **Table 1**). When looking at employment, Indiana far outpaced its neighbors in the past year, adding almost 46,000 employees.
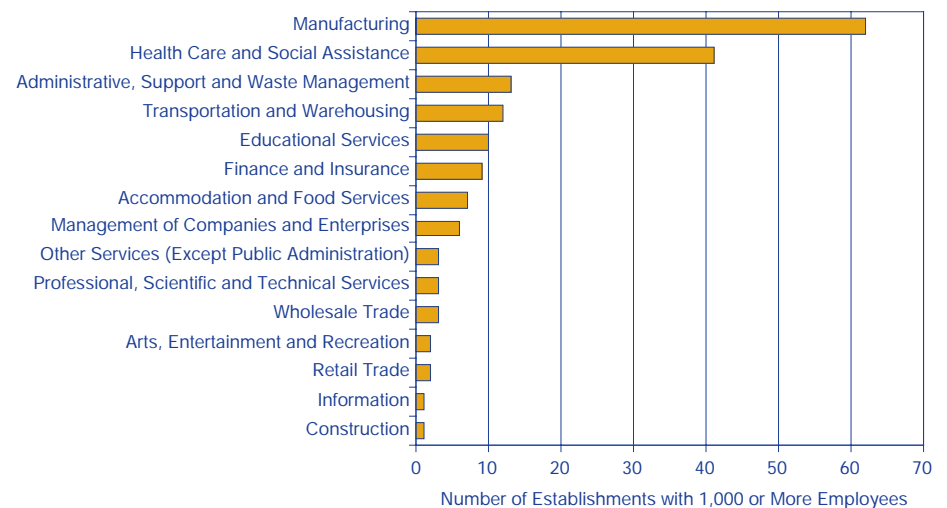
—Rachel Justis, Managing Editor, Indiana Business Research Center, Kelley School of Business, Indiana University

FIGURE 4: SMALL BUSINESSES BY SECTOR, 2004

Percent of Establishments with Less than Five Employees

Source: IBRC, using U.S. Census Bureau data

FIGURE 5: LARGE BUSINESSES BY SECTOR, 2004

Number of Establishments with 1,000 or More Employees

Source: IBRC, using U.S. Census Bureau data

TABLE 1: CHANGE IN ESTABLISHMENTS AND EMPLOYMENT, 2003 TO 2004

State	Establishments			Employees		
	Number	Change	Percent Change	Number	Change	Percent Change
Indiana	149,381	1,834	1.2%	2,586,799	45,960	1.8%
Illinois	315,854	4,140	1.3%	5,217,160	11,703	0.2%
Kentucky	91,797	1,146	1.3%	1,489,497	17,619	1.2%
Michigan	237,984	862	0.4%	3,895,914	10,693	0.3%
Ohio	271,733	1,478	0.5%	4,762,205	-8,078	-0.2%
United States	7,387,724	132,979	1.8%	115,074,924	1,676,881	1.5%

Source: IBRC, using U.S. Census Bureau data