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CONTACT: Christine Sullivan  
Enterprise Center  
Phone: (978) 542-7528  
Fax: (978) 542-7061  
[csullivan@enterprisectr.org](mailto:csullivan@enterprisectr.org)

## **GROWTH OF MICRO-BUSINESSES AND PROPRIETORS OFFERS HOPE FOR AMERICAN ECONOMY**

June 25, 2009, Salem MA -- Research conducted for The Enterprise Center at Salem State College has found that, while wage-and-salary employment has indeed declined, self-employed proprietors and micro-business employment may actually be growing.

Using data from the U.S. Census Bureau ([www.census.gov](http://www.census.gov)) and the U.S. Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov)), Dr. Laurence E. Goss authored *Proprietor Trends in Massachusetts and Essex County: 2001-2006* available at [www.enterprisectr.org](http://www.enterprisectr.org) His findings led him to look more closely at national trends, where he found that

- Proprietor employment grew seven times faster than wage-and-salary employment nationwide between 2001 and 2007. The latter rose just 4.3 percent nationwide, but non-farm proprietor employment rose 30.9 percent.
- The number of American businesses increased 14.2 percent between 2002 and 2006, even though wage-and-salary employment grew just 5.6 percent. The increase was fueled by sole proprietors and micro-businesses, which grew 17.7 percent and 15.6 percent, respectively.
- In fact, there were 34,496,600 proprietors in the US in 2006 including 20,768,555 sole proprietors and 13,728,045 proprietors with wage and salary employees
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- In Massachusetts, as in the U.S., roughly one in five workers is self-employed.

When asked if the recession that has occurred since 2006, the most recent period for which most data were available in Massachusetts, invalidates the findings, Dr. Goss replied, "Recessions traditionally produce an increase in proprietors as laid-off workers opt for self-employment. What it points out is the need for better access to more current data."

Why are these findings important? Because they signal a dramatic change in change in how America works, suggests Christine Sullivan, Executive Director of the Enterprise Center. "You can run a global business with a desk and a laptop today. That couldn't have happened 20 years ago," she says. "More people are opting for self-employment, especially in this economy, and more people will be self employed at some time in their career."

The findings are also important because these one- to five-person businesses need support if they are to acquire the critical mass that could make them the next eBay—also founded during a recession. There is little research into their needs, but it is fair to surmise a need for better access

to credit, skills-based courses in running a business, networking opportunities, tax breaks, and health insurance at rates comparable to other groups.

“Proprietors and micro-business are the lifeblood of the economy,” says Sullivan. But they are ignored or undervalued because their revenues are insignificant compared to those of large corporations and because economic reporting systems fail to capture their data in employment reports.<sup>i</sup> “We count employees, but we do not count the self-employed, even though proprietors and micro-businesses comprised 88 percent of all U.S. businesses in 2006.”

She went on to say that in Massachusetts, and probably the U.S., one in five workers is self-employed. “The household income of millions of families depends on self-employment. And they’re not counted in most employment reports. How can we ignore that many people? How can we ignore their economic potential? Micro-businesses may be small today, but so was Monster.com when it began during a recession.”

Micro-businesses appear to be flying under the radar virtually everywhere. In addition to the nationwide statistics cited above. The Enterprise Center found the same pattern in a sampling of states: Maine, New York, Louisiana, Missouri, Utah and California.

The findings also highlight the opportunity, at national, state and local levels to focus economic development efforts on proprietors and micro-businesses. Sullivan puts it this way: “As long as we focus primarily on making big business bigger, we lose an equally legitimate focus on helping small companies become big ones. The Googles of the future come from small companies. What could we do if we actually looked at how to grow the self-employment option?”

The [data tables](#) supporting the national trends indicated, along with the complete Massachusetts study are available at [www.enterprisectr.org](http://www.enterprisectr.org).

The Enterprise Center at Salem State College ([www.enterprisectr.org](http://www.enterprisectr.org)) is a leader in helping proprietors and small businesses grow. As Massachusetts’ preeminent provider of support services to this critical economic sector, it offers incubator space and numerous free programs, including skills-based workshops and one-on-one consulting. Its highly successful initiatives include CEO groups, the *128 Venture North Breakfast* series, the *Million Dollar Women Symposium* and the annual *North of Boston Business Plan Competition*.

Dr. Laurence E. Goss is a professor in the Salem State College Department of Geography and is affiliated with the college’s Center for Economic Development and Sustainability. He was assisted by Moumita DuttaGupta, a graduate research assistant in the Department of Geography.

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<sup>i</sup> Proprietor revenues are tracked through Schedule Cs filed annually with the owner’s Federal tax return. While wage-and-salary earnings are reported monthly and available almost immediately in Massachusetts, for example, there is an 18-month lag in availability of proprietor data, which appears without fanfare on the website of the U.S. Census Bureau ([www.census.gov](http://www.census.gov)) and that of the U.S. Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov)).

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