Micro-Businesses in Inland Southern California

Creating Meaningful Jobs

A project of the Microenterprise Collaborative of Inland Southern California and the Inland Empire Women’s Business Center
Micro-businesses create jobs – good jobs – in the U.S. economy. According to the Association for Enterprise Opportunity, the national association of micro-business development organizations, micro-businesses in the United States employed almost 35 million people or about 22% of private sector employment. The field of micro-business development is devoted to providing business services such as training, counseling, and microloans to help these businesses launch and grow. The nonprofits and government agencies providing these services had been focused on helping the business owners, often low or moderate-income women or people of color, increase income and build assets. Recently, business development programs are exploring how to help these business owners take the leap to become employers and create quality jobs for the economy.

The work done by the Aspen Institute with the Microbusinesses, Gainful Jobs initiative looks deeper into the quality of those jobs created by microenterprises. This study is modeled on that work and takes a closer look at the jobs created by micro-businesses in the Inland Southern California region AND at the quality of those jobs. This information informed the development of special programs that focused on helping business owners gain skills to become employers and grow businesses to create jobs while expanding income and contributing to the local economy.

Surveys were sent to 1,238 clients of the Inland Empire Women’s Business Center and Coachella Valley Women’s Business Center. Responses were received from 103 micro-business owners. This research report looks at the quality of jobs created by micro-businesses and the barriers that may prevent a business owner from becoming an employer. The economic value of business to business transactions with local contractors who are micro-business owners themselves is also noted here.

This study has another point of interest. Responses were collected just prior to the onset of the COVID-19 pandemic in February of 2020, before the mandated business shutdowns that followed. This data can serve as a baseline for employer needs and behavior of micro-businesses in Inland Southern California and could be used as a comparative dataset to see how micro-businesses recover to pre-COVID-19 levels. This information also guides the business services development that supports the re-tooling of business models so employers can operate successfully within a changed environment and hire or re-hire to aid with the economic recovery.

“Good jobs” are defined in the Microbusinesses, Gainful Jobs report as a job that enables a worker to have a basic level of economic stability – decent wages, consistent scheduling, benefits – AND provide opportunities to gain skills and relevant experience that will help them advance.

CATHERINE MARSHALL
EXECUTIVE DIRECTOR

1 Micro-businesses are those businesses with fewer than ten employees.
2 Data compiled by Association for Enterprise Opportunity, Bigger than You Think: The Economic Impact of Microbusiness in the United States. https://aeoworks.org/our-work/research/
3 http://www.gainfuljobs.org/
In 2019, the 103 microenterprises responding to the survey created 197 full-time jobs and 117 part-time jobs.

The average wage for full-time jobs was about $18 per hour, while the average wage for part-time jobs was almost $13 an hour.

The full-time wages are in line with pay scales for other small businesses in California. The average wage for small firms across California in 2017 was $19.38 per hour.\(^5\)

It appears that many micro-business owners would like to hire more employees, but do not have the sales to support additional staff. (Figure 1)

Most employees of the businesses surveyed fell into the 55–65 age bracket. This is slightly older than the average for small businesses across the state, where workers ages 25–54 account for about two-thirds of the workforce. (Figure 2)

\(^5\) Data taken from Quarterly Workforce Indicators.
Small business defined as fewer than 20 employees.
In addition to full and part time staff, these micro-businesses used contractors to provide goods and services to their customers. Most turned to local contractors, possibly other small businesses, for assistance. (Table 1)

| TABLE 1 |
| CONTRACTORS USED BY MICRO-BUSINESSES |
| Full-Time Local | 14 |
| Part-Time Local | 71 |
| Full-Time Non Local | 15 |
| Part-Time Non Local | 25 |

The racial distribution of employees was fairly even: one-third Black/African American, one-third white and one-third all other races. (Figure 3)

The racial makeup of employees in this micro-enterprise cohort is significantly different than statewide data. For California small businesses in 2017, 71% of employees were white, 19% Asian, 5% African American and 5% other races.

For all races, in terms of ethnicity, employees were split about 50/50, with 52% non-Hispanic or non-Latinx and 48% Hispanic or Latinx. (Figure 4)

*Ethnicity and race are different ways to describe diversity. People of different races can be identified as Hispanic/Latinx.

When I started my business in 2009 I had zero knowledge on starting a business. I attended a workshop and participated in monthly business consulting offered by the Inland Empire Women’s Business Center. Now SocializeLA has helped over 1,000 companies through our services, workshops, events and online courses. Over the past 12 years we have created about 20 jobs and I’m proud to share that two of my six team members have been with me for almost 5 years.

*Margaret Hernandez Brown, CEO + Founder, SocializeLA*
Quality of Jobs

One of the objectives of this study was to determine the quality of the jobs created by microenterprises in the region.

Almost 52% of the responding companies with full or part-time employees offered one or more benefit(s) to those employees.

The study looked specifically at some of the factors defined in the Microbusinesses, Gainful Jobs report as indicators of quality jobs. Work from home was the most often cited benefit, followed by training/learning opportunities and flexible work schedule. A few reported offering more traditional benefits such as vacation, dental, health and retirement. (Figure 5)

The study also looked at how microenterprises in the region contribute to employment in their own neighborhoods. More than half of employees (56%) traveled less than 5 miles to work. (Figure 6)

Working at a restaurant may be a stepping stone on a career path. We at Beola’s Southern Cuisine understand this and support our staff with very flexible hours, opportunities to grow into higher level jobs, support of outside jobs and commitments, and support of our staff’s entrepreneurial ventures. We are proud that we support the “whole” person and their future dreams regardless of where they have been and currently are in life.

Elizabeth McSwain, Beola’s Southern Cuisine
Most of the companies surveyed were more than a year old. The largest segment of companies was 2-5 years old, however, almost 40% had been in business a year or less. Eight percent had been in business more than 10 years. (Table 2)

### TABLE 2
**LENGTH OF TIME IN BUSINESS**

<table>
<thead>
<tr>
<th>Time Frame</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1 Year</td>
<td>6</td>
<td>8%</td>
</tr>
<tr>
<td>1 Year</td>
<td>22</td>
<td>31%</td>
</tr>
<tr>
<td>2-5 Years</td>
<td>26</td>
<td>37%</td>
</tr>
<tr>
<td>6-10 Years</td>
<td>11</td>
<td>16%</td>
</tr>
<tr>
<td>&gt; 10 Years</td>
<td>6</td>
<td>8%</td>
</tr>
</tbody>
</table>

In addition to asking age of business, the survey also solicited information about business stage (Figure 7). Most noted they were in the early stages of startup.

### FIGURE 7
**STAGE OF BUSINESS**

- I recently started my business and am still working out some of the details.
- My business is up and running and I am trying to grow it.
- I am formulating my business idea but have not officially launched.
- My business has been in operation for a few years and I am ready to expand (e.g. new products, additional staff or location).
- My business has been in operation for a while and I have staffing, systems and marketplace share I need.
- I am ready to phase out of my business.

The most frequently noted annual sales range was $10,000 to $50,000. Thirteen of the companies listed no revenue at all. (Figure 8)

### FIGURE 8
**ANNUAL SALES REVENUE**

The companies surveyed represent a broad range of industries, with most providing services or in retail. (Figure 9)

### FIGURE 9
**INDUSTRIES**

- Other Services (except Public Administration)
- Retail Trade
- Educational Services
- Arts, Entertainment and Recreation
- Professional, Scientific and Technical Services
- Finance and insurance
- Health Care and Social Assistance
- Accommodation and Food Services
- Real Estate, Rental, Leasing
- Information
- Manufacturing
- Management of Companies and Enterprises
- Administration, Support, Waste Management, Remediation
I began working with IEWBC in 2005 while in the process of establishing an Express Employment Professionals franchise. I have returned to IEWBC consistently over the years for assistance and consider the organization a valued and trusted advisor! Today, I own a building and have achieved success despite the recession and COVID. I am proud to share that we have provided over 16,000 jobs in the region and thus contributed to the direct growth of the companies we serve.

Palbinder Badesha, Owner, Express Employment Professionals

In addition to collecting information about the companies themselves, this research project also collected information about the owner/founder. 94% of the owners/founders work in the business.

Almost all had some college or a degree, with more than 67% attaining a four-year degree, a professional degree or a doctorate. (Table 3)

The education levels of the respondents were higher than rates for San Bernardino and Riverside counties. Almost all of the respondents (99%) earned a high school degree or GED compared to 80% in San Bernardino County and 82% in Riverside County. Similarly, 67% of respondents had a bachelor’s degree or better, compared to 20% in San Bernardino County and 22% in Riverside County.

The Inland Empire and Coachella Valley Women’s Business Centers have a stated mission to reach underserved communities, and it appears their efforts have been successful.

Owners/founders were asked to rate their competency on a range of leadership/management activities. Most ranked themselves high in terms of customer service and low on raising capital. (Figure 10)

<table>
<thead>
<tr>
<th>TABLE 3</th>
<th>EDUCATION LEVEL OF OWNER/FOUNDER</th>
</tr>
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<tbody>
<tr>
<td>Less than High School</td>
<td>1</td>
</tr>
<tr>
<td>High School or GED</td>
<td>1</td>
</tr>
<tr>
<td>2 Year Degree</td>
<td>5</td>
</tr>
<tr>
<td>Some College</td>
<td>21</td>
</tr>
<tr>
<td>4 Year Degree</td>
<td>28</td>
</tr>
<tr>
<td>Professional Degree</td>
<td>22</td>
</tr>
<tr>
<td>Doctorate</td>
<td>7</td>
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<table>
<thead>
<tr>
<th>FIGURE 10</th>
<th>RATING OF BUSINESS COMPETENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>Operations</td>
</tr>
<tr>
<td>Low</td>
<td>Medium</td>
</tr>
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Bethany Smith came to Coachella Valley Women’s Business Center in 2014 to take part in the “It’s Your Time” Program after seeing an article in the local paper. She says, “It was a direct answer to prayer” to find a program that addressed the specific needs of female entrepreneurs. After writing a business plan and graduating from the program, she took LEAP (Local Entrepreneurs Attaining Prosperity) and Ignite, business expansion programs. The center provided her with support, focus, and resources to assist in her growth and development. Lift Your Table* manufactures a product that lifts folding tables from seated height to counter height or higher; a product developed out of a need uncovered in their catering business where folding tables were simply too low to work from in a standing position. Since founding B Team Solutions, Bethany has shattered goals every year: she has more than doubled her previous year’s sales each year she has been in business. The company is certified through WBENC and through National Minority Supplier Development Council. To date, the company has created nine jobs and with the assistance of an EIDL loan, was able to increase her business in profits and in units sold during the COVID 19 pandemic.