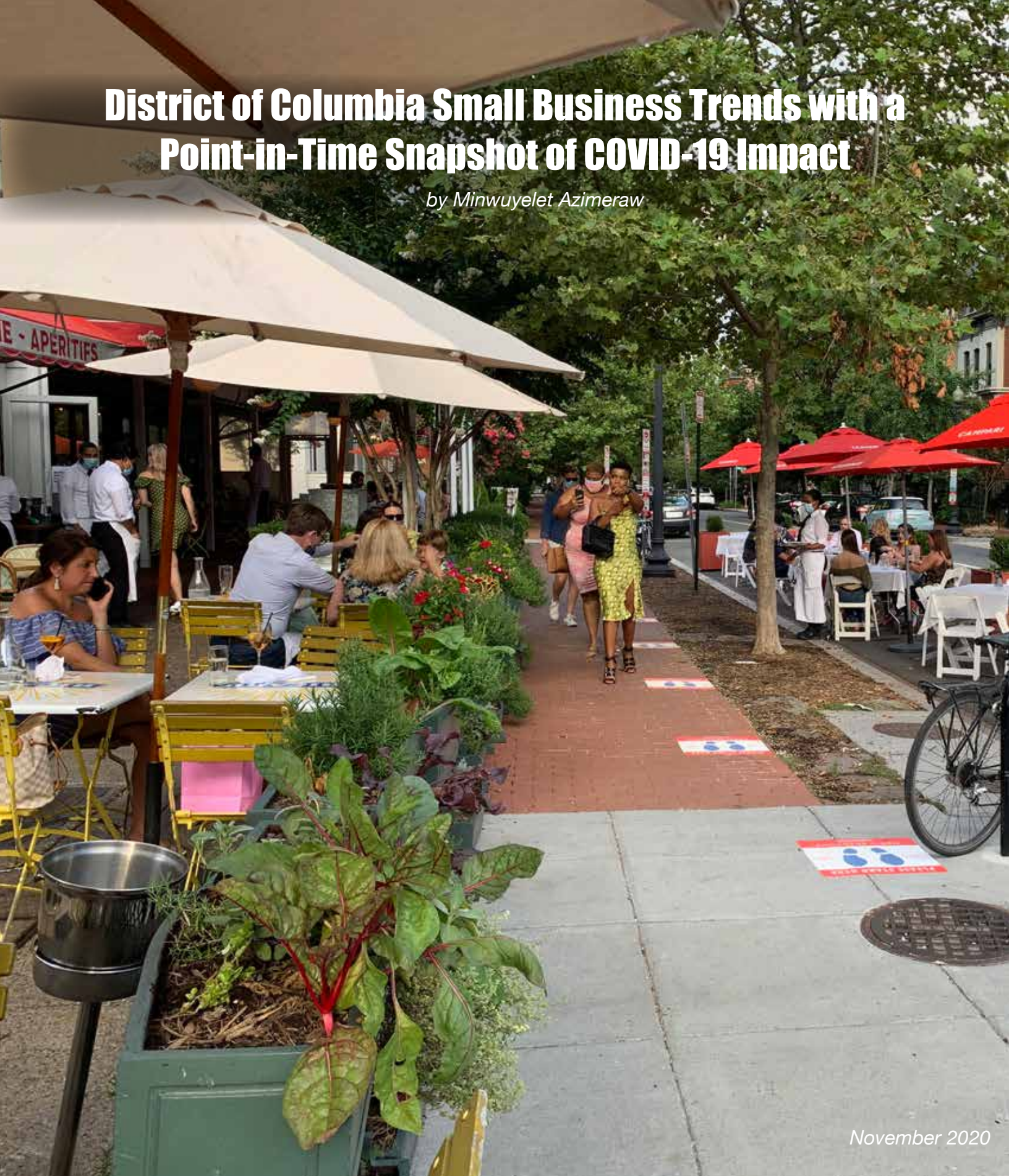


# District of Columbia Small Business Trends with a Point-in-Time Snapshot of COVID-19 Impact

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## ABSTRACT

Using the U.S. Census Bureau 2012 and 2017 County Business Patterns (CBP), this report analyzes trends in the number of establishments, employment, and annual payroll of the District of Columbia's small businesses by industry type. In addition, since the COVID-19 pandemic has affected small businesses in the District of Columbia and around the country, this report highlights the effects of COVID-19 pandemic on the District of Columbia small businesses as of the week of May 24-30, 2020 and week of August 30 - September 5, 2020 as reported by the U.S. Census Bureau Small Business Pulse Survey.

## INTRODUCTION

This report analyzes trends in the number of establishments, employment, and annual payroll of the District of Columbia's small businesses by industry type using data from the U.S. Census Bureau 2012 and 2017 County Business Patterns (CBP)<sup>1</sup>. Given the significant impact that the COVID-19 pandemic has had on small businesses nation-wide, this report also presents the impact of the COVID-19 pandemic on District of Columbia small businesses as reported by the U.S. Census Bureau Small Business Pulse Survey (SBPS) for a selected two weeks, May 24-30, 2020 and August 30 - September 5, 2020.

CBP is an annual series that provides subnational economic data by industry. This data is useful for studying the economic activity of small areas; analyzing economic changes over time; and as a benchmark for other statistical series, surveys, and databases between economic censuses.

The U.S. Census Bureau is conducting a new SBPS<sup>2</sup> to measure the changes in business conditions on small businesses during the COVID-19 pandemic. This is in response to the fact that businesses,

especially small businesses, around the country and in the District of Columbia are and have been substantially impacted by the COVID-19 pandemic. The COVID-19 pandemic is not only a public health emergency but also an economic crisis. Phase 1

**Small Business:** A small business is a single business location with 1 to 499 employees and at least \$1,000 in annual revenue.

of the SBPS was conducted between April 26 and June 27, 2020 on a weekly basis for 9 weeks and Phase 2 began on August 9, 2020 through October 10, 2020 on a weekly basis, another 9 weeks.

## SUMMARY FINDINGS

### Pre-COVID-19

- The number of small business establishments in the District of Columbia has increased by 9.2 percent between 2012 and 2017 – from 22,508 to 23,494.
- The District's small businesses employed 397,695 people (75.5 percent of the total private workforce) in 2017. The top three industries for the small business employment were Professional, Scientific, and Technical Services (22.2 percent), Accommodation and Food Services (17.6 percent), and Health Care and Social Assistance (9.8 percent).
- Small businesses with more than 100 employees were the main drivers of employment in the District, employing 39.2 percent of all small business employees.
- Small businesses in the District created 36,229 net new jobs between 2012 and 2017. The top three industries in job creation

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<sup>1</sup>Released on November 21, 2019 and most current dataset for small businesses by number of establishments, employment, and annual payroll.

<sup>2</sup>For more information about survey results, see <https://portal.census.gov/pulse/data/>

were Accommodation and Food Services (12,784 jobs), Professional, Scientific, and Technical Services (10,397 jobs), and Health Care and Social Assistance (3,606 jobs).

- Between 2012 and 2017, three small business industries experienced job losses including Administrative and Support and Waste Management and Remediation (-2,267 jobs), Wholesale Trade (-348 jobs), and Utilities (-18 jobs).

### COVID-19 Impacts

- As the COVID-19 pandemic continued, the negative impact on small businesses overall became less severe, in general.
- More than half (52.9 percent) of small businesses in the District experienced a decline in revenues as a result of COVID-19 pandemic, according to the U.S. Census Bureau SBPS conducted from May 24-30, 2020. The decline in revenue was reduced to 27.5 percent by the week of August 30 - September 5, 2020.
- SBPS data for the week of May 24-30, 2020 reports that 91.5 percent of small businesses in the District did not miss loan payments since the COVID-19 pandemic District emergency was declared on March 24, 2020. However, 18.2 percent reported that they have missed other scheduled payments including rent, utilities, and payroll. By the week of August 30 - September 5, 2020, 94.7 percent reported that they have not missed loan payments since the COVID-19 emergency was declared. The proportion of small businesses which reported missing other scheduled payments including rent, utilities, and payroll increased to 24 percent by the week of August 30 - September 5, 2020.
- Nearly half (47.1 percent) of small businesses in the District temporarily closed a location at least for one day in one week preceding the survey period of May 24-30, 2020. The Census Bureau did not include a survey question for temporary closure in the second phase of the SBPS.

## THE DISTRICT'S SMALL BUSINESS LANDSCAPE

### Number of Small Business Establishments<sup>3</sup>

- Small businesses make up a significant portion of the District's business ecosystem. In 2017, there were 23,494 small businesses in the District of Columbia, accounting for 99.6 percent of all employer businesses (Table 1). Professional, Scientific, and Technical Services (24.8 percent), Accommodation and Food Services (11.6 percent), and Health Care and Social Assistance (9.3 percent) were the top three industries accounting for nearly half (45.7 percent) of the District's total small business establishments.

### Employment

- Small businesses in the District employed 397,695 people (75.5 percent of the total private workforce) in 2017 (Table 1). The top three industries by total employment were Professional, Scientific, and Technical Services (22.2 percent), Accommodation and Food Services (17.6 percent), and Health Care and Social Assistance (9.8 percent). The Professional, Scientific, and Technical Services Industry alone employed 88,411 people in 2017 with annual payroll totaling \$11.5 billion (36.9 percent of the total small businesses annual payroll).

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<sup>3</sup>An establishment is a single physical location at which business is conducted or services or industrial operations are performed.

**Table 1. District of Columbia Small Businesses by Industry, 2017**

| Industry   | Establishment |       | Employment |       | Annual Payroll (\$1,000) |       |
|--|---------------|-------|------------|-------|--------------------------|-------|
|  | Number        | %     | Number     | %     | Number                   | %     |
| <b>Total</b>   | 23,494        | 100.0 | 397,695    | 100.0 | 31,177,805               | 100.0 |
| Professional, scientific, and technical services                         | 5,815         | 24.8  | 88,411     | 22.2  | 11,508,887               | 36.9  |
| Accommodation and food services  | 2,734         | 11.6  | 69,883     | 17.6  | 2,012,434                | 6.5   |
| Health care and social assistance  | 2,192         | 9.3   | 39,023     | 9.8   | 1,851,013                | 5.9   |
| Retail trade   | 1,783         | 7.6   | 22,304     | 5.6   | 695,621                  | 2.2   |
| Real estate and rental and leasing                                       | 1,335         | 5.7   | 10,135     | 2.5   | 827,455                  | 2.7   |
| Administrative and support and waste management and remediation services | 1,148         | 4.9   | 27,185     | 6.8   | 1,280,783                | 4.1   |
| Finance and insurance  | 1,015         | 4.3   | 10,454     | 2.6   | 1,873,960                | 6.0   |
| Information  | 767           | 3.3   | 16,111     | 4.1   | 2,010,377                | 6.4   |
| Educational services   | 607           | 2.6   | 17,514     | 4.4   | 944,587                  | 3.0   |
| Construction   | 449           | 1.9   | 8,477      | 2.1   | 584,268                  | 1.9   |
| Wholesale trade  | 404           | 1.7   | 3,824      | 1.0   | 289,427                  | 0.9   |
| Arts, entertainment, and recreation                                      | 389           | 1.7   | 6,069      | 1.5   | 206,182                  | 0.7   |
| Management of companies and enterprises                                  | 205           | 0.9   | 4,046      | 1.0   | 646,222                  | 2.1   |
| Transportation and warehousing   | 157           | 0.7   | 2,792      | 0.7   | 134,578                  | 0.4   |
| Manufacturing  | 113           | 0.5   | 828        | 0.2   | 38,490                   | 0.1   |
| Utilities  | 52            | 0.2   | 165        | 0.0   | 39,977                   | 0.1   |
| Industries not classified  | 29            | 0.1   | 18         | 0.0   | 622                      | 0.0   |
| Other services (except public administration)                            | 4,289         | 18.3  | 66,897     | 16.8  | 5,772,345                | 18.5  |

Source: U.S. Census Bureau, 2017 County Business Patterns (CBP)

## Employment Size

In 2017, small businesses with fewer than 5 employees accounted for 49.6 percent of all small businesses and employed 20,864 people (5.2 percent of the total small business employment) with a total annual payroll of \$1.9 billion (Table 2). In contrast, small businesses with 100 to 499 employees accounted for 3.4 percent of all small

businesses and employed 155,923 people (39.2 percent of the total small business employment) with a total annual payroll of \$13.2 billion. Hence, small businesses with more than 100 employees were the main drivers of employment among small businesses in the District.

**Table 2. District of Columbia Small Businesses by Employment Size, 2017**

| Employment Size        | Establishment |       | Employment |       | Annual Payroll (\$1,000) |       |
|------------------------|---------------|-------|------------|-------|--------------------------|-------|
|                        | Number        | %     | Number     | %     | Number                   | %     |
| <b>Total</b>           | 23,494        | 100.0 | 397,695    | 100.0 | 31,177,805               | 100.0 |
| Fewer than 5 employees | 11,646        | 49.6  | 20,864     | 5.2   | 1,961,026                | 6.3   |
| 5 to 9 employees       | 4,308         | 18.3  | 28,540     | 7.2   | 2,095,107                | 6.7   |
| 10 to 19 employees     | 3,111         | 13.2  | 42,440     | 10.7  | 3,132,248                | 10.0  |
| 20 to 49 employees     | 2,606         | 11.1  | 80,246     | 20.2  | 5,656,952                | 18.1  |
| 50 to 99 employees     | 1,027         | 4.4   | 69,682     | 17.5  | 5,148,490                | 16.5  |
| 100 to 249 employees   | 611           | 2.6   | 92,190     | 23.2  | 7,592,304                | 24.4  |
| 250 to 499 employees   | 185           | 0.8   | 63,733     | 16.0  | 5,591,678                | 17.9  |

Source: U.S. Census Bureau, 2017 County Business Patterns (CBP)

## SMALL BUSINESS TRENDS IN THE DISTRICT FROM 2012 TO 2017

### Changes in the Number of Small Business Establishments

The number of small business establishments in the District of Columbia increased by 9.2 percent between 2012 and 2017 (Table 3). The Arts, Entertainment, and Recreation industry

experienced the highest percentage growth at 28.8 percent between 2012 and 2017, followed by the Real Estate and Rental and Leasing industry at 20.5 percent, and Professional, Scientific, and Technical Services industry at 15.8 percent. In contrast, some industries experienced decline between 2012 and 2017 with the largest decline being Transportation and Warehousing at -18.7 percent, and Wholesale Trade at -7.3 percent.

**Table 3. Small Business Establishments by Industry, 2012 and 2017**

| Industry   | Establishment |        |                      |       |
|--|---------------|--------|----------------------|-------|
|  | 2017          | 2012   | Change, 2012 to 2017 |       |
|  | Number        | Number | Number               | %     |
| Total  | 23,494        | 21,508 | 1,986                | 9.2   |
| Professional, scientific, and technical services                         | 5,815         | 5,020  | 795                  | 15.8  |
| Accommodation and food services  | 2,734         | 2,363  | 371                  | 15.7  |
| Health care and social assistance  | 2,192         | 2,059  | 133                  | 6.5   |
| Retail trade   | 1,783         | 1,744  | 39                   | 2.2   |
| Real estate and rental and leasing                                       | 1,335         | 1,108  | 227                  | 20.5  |
| Administrative and support and waste management and remediation services | 1,148         | 1,134  | 14                   | 1.2   |
| Finance and insurance  | 1,015         | 1,013  | 2                    | 0.2   |
| Information  | 767           | 709    | 58                   | 8.2   |
| Educational services   | 607           | 528    | 79                   | 15.0  |
| Construction   | 449           | 424    | 25                   | 5.9   |
| Wholesale trade  | 404           | 436    | -32                  | -7.3  |
| Arts, entertainment, and recreation                                      | 389           | 302    | 87                   | 28.8  |
| Management of companies and enterprises                                  | 205           | 186    | 19                   | 10.2  |
| Transportation and warehousing   | 157           | 193    | -36                  | -18.7 |
| Manufacturing  | 113           | 114    | -1                   | -0.9  |
| Utilities  | 52            | 48     | 4                    | 8.3   |
| Industries not classified  | 29            | 38     | -9                   | -23.7 |
| Other services (except public administration)                            | 4,289         | 4,086  | 203                  | 5.0   |

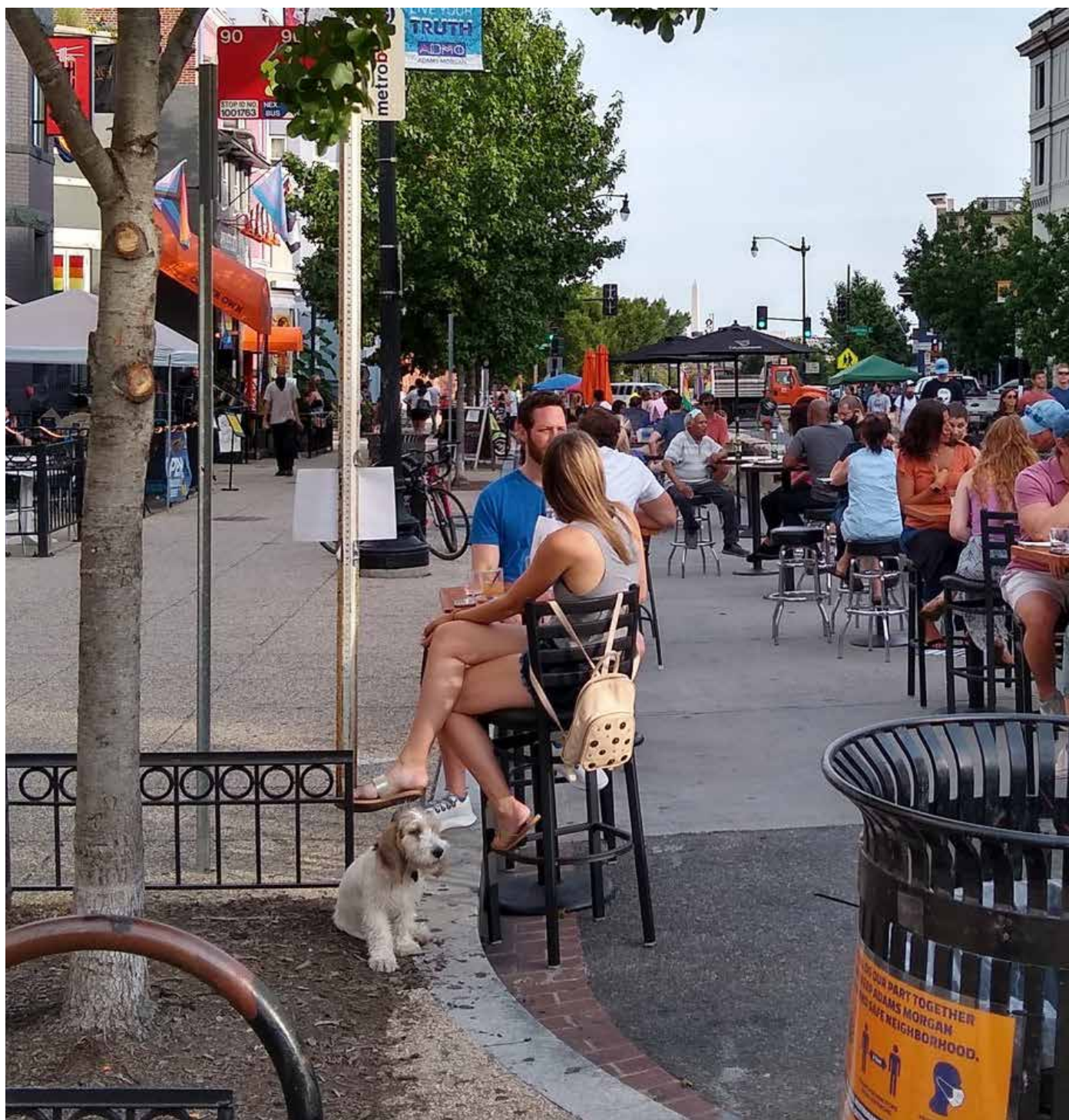
Source: U.S. Census Bureau, 2012 and 2017 County Business Patterns (CBP)



## Changes in Small Business Employment

Small businesses in the District created 36,229 net new jobs between 2012 and 2017 (Table 4). The Accommodation and Food Services industry experienced the largest gain, adding 12,784 jobs, followed by the Professional, Scientific, and Technical Services industry (10,397 jobs)

and the Health Care and Social Assistance industry (3,606 jobs). The largest job loss was in Administrative and Support and Waste Management and Remediation at -2,267 jobs.



**Table 4. Small Business Employment by Industry, 2012 and 2017**

| Industry   | Employment |         |                      |       |
|--|------------|---------|----------------------|-------|
|  | 2017       | 2012    | Change, 2012 to 2017 |       |
|  | Number     | Number  | Number               | %     |
| <b>Total</b>   | 397,695    | 361,466 | 36,229               | 10.0  |
| Professional, scientific, and technical services                         | 88,411     | 78,014  | 10,397               | 13.3  |
| Accommodation and food services  | 69,883     | 57,099  | 12,784               | 22.4  |
| Health care and social assistance  | 39,023     | 35,417  | 3,606                | 10.2  |
| Retail trade   | 22,304     | 20,420  | 1,884                | 9.2   |
| Real estate and rental and leasing                                       | 10,135     | 8,747   | 1,388                | 15.9  |
| Administrative and support and waste management and remediation services | 27,185     | 29,452  | -2,267               | -7.7  |
| Finance and insurance  | 10,454     | 9,228   | 1,226                | 13.3  |
| Information  | 16,111     | 14,842  | 1,269                | 8.6   |
| Educational services   | 17,514     | 14,181  | 3,333                | 23.5  |
| Construction   | 8,477      | 6,123   | 2,354                | 38.4  |
| Wholesale trade  | 3,824      | 4,172   | -348                 | -8.3  |
| Arts, entertainment, and recreation                                      | 6,069      | 5,710   | 359                  | 6.3   |
| Management of companies and enterprises                                  | 4,046      | 2,287   | 1,759                | 76.9  |
| Transportation and warehousing   | 2,792      | 2,072   | 720                  | 34.7  |
| Manufacturing  | 828        | 751     | 77                   | 10.3  |
| Utilities  | 165        | 183     | -18                  | -9.8  |
| Industries not classified  | 18         | 22      | -4                   | -18.2 |
| Other services (except public administration)                            | 66,897     | 64,848  | 2,049                | 3.2   |

Source: U.S. Census Bureau, 2012 and 2017 County Business Patterns (CBP)



## Changes in Employment Size

In terms of employment size, small businesses with 50 to 99 employees experienced the largest job gain between 2012 and 2017, adding 10,347 net new jobs (17.4 percent growth) (Table 5).

Small businesses with 20 to 49 employees

created 9,533 jobs between 2012 and 2017 (13.5 percent growth), while small business with fewer than 5 employees created 1,087 jobs and grew by 5.5 percent.

**Table 5. Small Business Establishments by Employment Size 2012 and 2017**

| Employment size        | 2017    |       | 2012    |       | Change, 2012 to 2017 |      |
|------------------------|---------|-------|---------|-------|----------------------|------|
|                        | Number  | %     | Number  | %     | Number               | %    |
| <b>Total</b>           | 397,695 | 100.0 | 361,466 | 100.0 | 36,229               | 10.0 |
| Fewer than 5 employees | 20,864  | 5.2   | 19,777  | 5.5   | 1,087                | 5.5  |
| 5 to 9 employees       | 28,540  | 7.2   | 26,507  | 7.3   | 2,033                | 7.7  |
| 10 to 19 employees     | 42,440  | 10.7  | 40,475  | 11.2  | 1,965                | 4.9  |
| 20 to 49 employees     | 80,246  | 20.2  | 70,713  | 19.6  | 9,533                | 13.5 |
| 50 to 99 employees     | 69,682  | 17.5  | 59,335  | 16.4  | 10,347               | 17.4 |
| 100 to 249             | 92,190  | 23.2  | 85,774  | 23.7  | 6,416                | 7.5  |
| 250 to 499 employees   | 63,733  | 16.0  | 58,885  | 16.3  | 4,848                | 8.2  |

Source: U.S. Census Bureau, 2012 and 2017 County Business Patterns (CBS)

## THE EFFECTS OF COVID-19 PANDEMIC ON THE DISTRICT OF COLUMBIA'S SMALL BUSINESSES

Small businesses in the District of Columbia and around the country have been significantly affected by the COVID-19 pandemic. The US Census Bureau's SBPS aimed to capture the impact of the COVID-19 pandemic on small businesses through a weekly online survey. Data from the week of May 24-May 30, 2020 and week of August 30 - September 5, 2020 revealed that small businesses in the District have experienced several negative impacts because of COVID-19 pandemic.

## Changes in Revenue

The COVID-19 pandemic has substantially impacted small businesses in the District of Columbia. More than half (52.9 percent) of small businesses surveyed by the SBPS in the District of Columbia reported experiencing a decline in revenues in one week preceding the survey period of May 24 to May 30, 2020. This decline in revenue only impacted 27.5 percent of small businesses by the week of August 30 - September 5, 2020.

## Changes in Employee Hours

Nearly one-third (29.9 percent) of small businesses surveyed by the SBPS in the District of Columbia during the survey period of May 24-30, 2020 reported a decline in the total number of hours worked by paid employees. During the survey period of August 30- September 5, 2020, 18.5 percent of small businesses reported a decline in total number of hours worked by paid employees.

## Payments of Loans and Other Payments

Most small businesses surveyed during the survey period of May 24- 30, 2020 in the District of Columbia (91.5 percent) reported that they have not missed loan payments since the COVID-19 pandemic District emergency was declared on March 24, 2020. However, 18.2 percent of surveyed small businesses reported that they have missed other scheduled payments including rent, utilities, and payroll. By the week of August 30 - September 5, 2020, 94.7 percent of small businesses reported that they have not missed loan payments since COVID-19 pandemic District emergency was declared on March 24, 2020. The proportion of small businesses reported missing of other scheduled payments including rent, utilities, and payroll increased to 24 percent by the week of August 30 - September 5, 2020.

## Temporary Closings

Nearly half (47.1 percent) of the small businesses surveyed by the SBPS in the District of Columbia temporarily closed a location at least for one day in one week preceding the survey (May 24-30, 2020). The Census Bureau did not include a survey question for temporary closure in the second phase of the Small Business Pulse Survey.

## Cash on Hand

About 16.6 percent of small businesses surveyed by the SBPS in the District of Columbia reported that they have cash on hand for 3 to 4 weeks of business operations, 27.6 percent have 1 to 2 months, and 29.7 percent have 3 or more months of business operations. By the week of August 30 - September 5, 2020, 23 percent reported that they have cash on hand for 1 to 2 months of business operations and 42.3 percent reported cash on hand for 3 or more months of business operations.

## Financial Assistance

During the survey period of May 24-30, 2020, two-thirds (66 percent) of small businesses surveyed by the SBPS in the District of Columbia have applied for Paycheck Protection Program (PPP), 29 percent requested for Economic Injury Disaster Loans (EIDL), and 25.2 percent have not requested financial assistance from any sources since March 13, 2020. (Note that businesses could have reported that they applied for both the PPP and the EIDL loans). Approximately 60.8 percent of small businesses surveyed reported that they have received PPP assistance, 17.5 percent reported that they have received EIDL, and 32.7 percent reported that they have not received financial assistance from any federal program since March 24, 2020.

By the week of August 30 - September 5, 2020, 83.6 percent of small businesses reported that they have applied for Paycheck Protection Program (PPP), 32.7 percent requested for Economic Injury Disaster Loans (EIDL), 19.6 percent for Small Business Administration (SBA) loan forgiveness, and 18.7 percent for local government programs. For this same period, 79.8 percent of small businesses reported that they have received PPP assistance, 22.7 percent received EIDL, and 17.6 percent reported that

they have not received financial assistance from any federal program since March 24, 2020.

## Outlook

The SBPS asked small businesses about their opinion about the future of their businesses. About half (52 percent) of small businesses surveyed reported that it will take more than 6 months before their business returns to its normal level of operations relative to one year ago, approximately 20.3 percent reported it would take about 4-6 months to return to normal, and 15.2 percent reported that there has been little or no effect on their business's normal level of operations relative to one year ago. For the survey period of August 30 - September 5, 2020, 50.7 percent said more than 6 months, 17.5 percent 4 to 6 months, and 18.4 percent reported that there has been little or no effect on their business's normal level of operations relative to one year ago.

## Overall Impact

A majority (80.9 percent) of small businesses surveyed in the District of Columbia during the survey period of May 24 to May 30, 2020 experienced a negative effect from the COVID-19 pandemic. Slightly more than half (51.5 percent) of small businesses reported experiencing a large negative effect and 29.4 percent reported experiencing a moderate negative effect, while 16.8 percent reported experienced little or no effect of COVID-19 pandemic. For the survey period of August 30 - September 5, 2020, 60.7 percent reported a large negative effect, 24.7 percent moderate negative effect, and 11.3 percent reported little or no effect of COVID-19 pandemic.

## Conclusion

The five-year trend in small businesses in the District of Columbia between 2012 and

2017 according to the U.S. Census Bureau CBP revealed a few changes. The largest percentage increase in employment between 2012 and 2017 was small businesses with 50 to 99 employees. The number of small business establishments have increased overall by industry except for the decline in Transportation and Warehousing, and Wholesale Trade. The top three industries remained the same in terms of the number of establishments and employment. There were three sectors of employment loss with the single sector categorized as Administrative and Support and Waste Management and Remediation Services experiencing the largest decline.

As the COVID-19 pandemic continued, the negative impact on small businesses overall became less severe according to the SBPS for the early period of May 24-30, 2020 compared to the later period of August 30 - September 5, 2020. The decline in revenues impacted a smaller percentage of small businesses as the pandemic extended and more businesses reopened. Small business employees lost a lower number of hours worked. While a smaller percentage of businesses missed loan payments, a larger percentage missed other schedule payments like rent, utilities and payroll. A larger share of businesses had cash in hand for 3 or more months. More businesses applied for and received Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL). There was relatively no change in the time it will take for businesses to return to normal for the comparative two periods as gathered from the opinion of small business owners.

Given that the COVID-19 pandemic is still occurring as this report is completed, the overall impact on small businesses in terms of number of establishments, employment and payroll is uncertain and may impact the next



five-year trend. In addition, the prediction from the health field that the number of COVID-19 cases will increase in the winter months of 2020/2021, coupled with the absence of a vaccine at this time, may trigger a return to some form of lockdown once again. If a lockdown occurs, the pattern of small businesses impacts as regards revenues, employee hours, loan and other payments, closing and the need for more financial assistance may change once more.

## References

1. U.S. Census Bureau, 2017 County Business Patterns (CBP), <https://data.census.gov/cedsci/>
2. U.S. Census Bureau, 2012 Community Business Patterns (CBP), <https://data.census.gov/cedsci/>
3. U.S. Census Bureau new Small Business Pulse Survey (SBPS), conducted from May 24-30, 2020 and August 30 – September 5, 2020, <https://portal.census.gov/pulse/data/#data>