

ISSUE BRIEF

Small Businesses in Southwest Florida

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Introduction

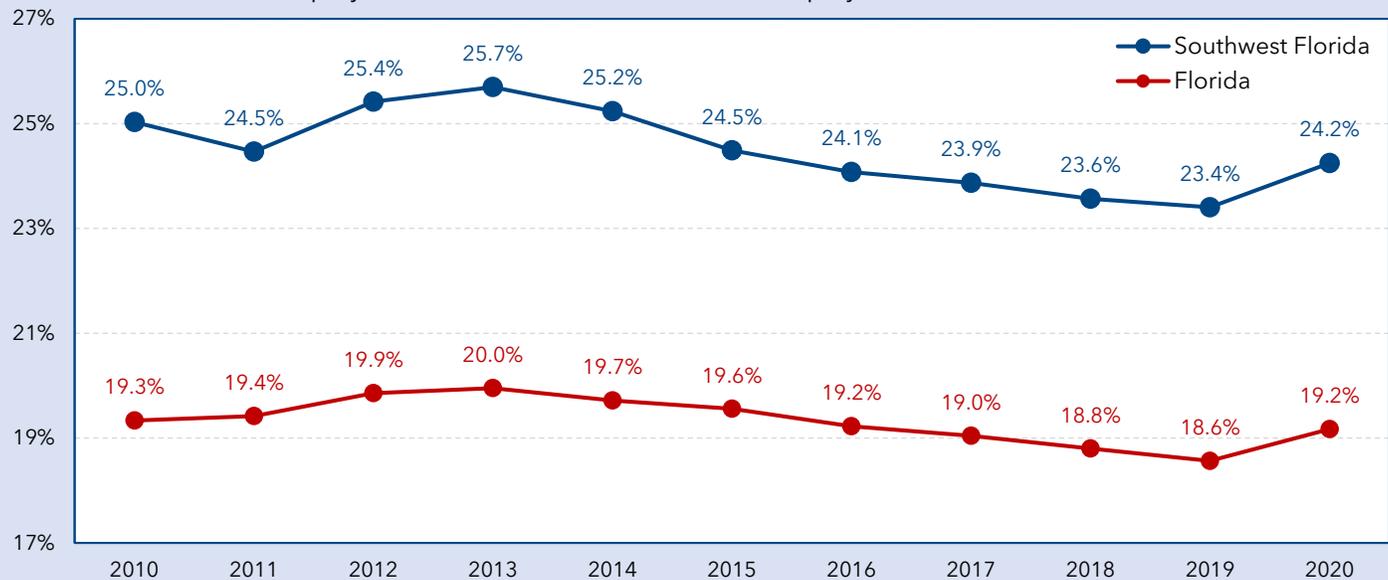
Small businesses are typically considered the main driver of local economies. They play a vital role in the development, growth and sustainability of any economy. A small business represents the beginning of a journey for many entrepreneurs, looking to anticipate the demands of consumers and bring new products to market. Many well-known companies all began as small enterprises, including Google, Amazon and Apple.

In this issue brief, we aim to illustrate the relative importance of small business in Southwest Florida (defined as Charlotte, Collier, Glades, Hendry and Lee counties). Using data from the Quarterly Workforce Indicators (QWI) dataset, we first analyze the share of employment that is generated by small business, here defined as firms with less than 20 employees. We then provide an industry-level analysis of employment, wages, and turnover rates for 2020. This descriptive analysis allows to gauge some of small business dynamics over time and differences across industries.

Overall, we notice that small businesses are a larger part of Southwest Florida compared to the state over the last 10 years. As expected the trend for the regional economy is more volatile than the state trend. The only industry with the majority of businesses considered as small is Other Services (except Public Administration). While the average monthly earnings between all industries was \$3,822, some industries have monthly earnings as high as \$9,448 (Management of Companies and Enterprises), and \$6,551 (Finance and Insurance). Turnover rates for small businesses in the region averaged 10 percent in 2020. Accommodations and Food industry is one of the main industries in Southwest Florida and it provides an interest case. For instance, only 14.9 percent of the businesses in this industry are considered a small business. The industry has the lowest monthly earning for small business (\$1,790) which represents 46.8 percent of the average small businesses monthly earnings. In addition, it has the highest turnover rate, measured at 14.6 percent in 2020.

Small Business Employment

Percent of total employment from firms with less than 20 employees



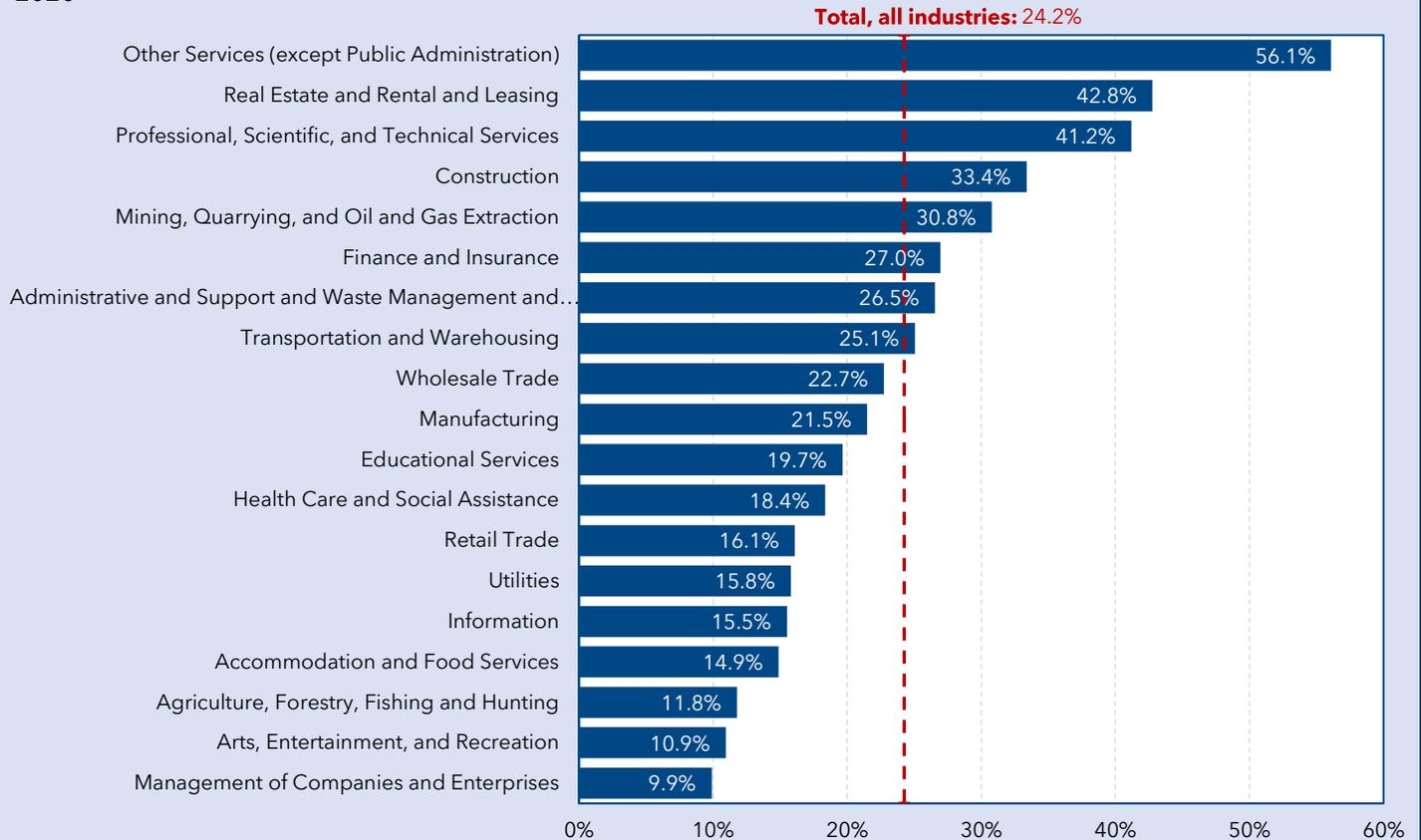
Source: U.S. Census Bureau, Quarterly Workforce Indicators
Prepared by the Regional Economic Research Institute

Southwest Florida and Florida Employment

Historically, the region has been more reliant on small business when compared to the state average. Since 2010, the share of employment from firms with less than 20 employees has varied between 23 and 26 percent in Southwest Florida, higher than the state average (ranging from 18 to 20 percent). The share for both the region and the state had been declining from 2013 to 2019, before increasing in 2020.

Employment by Industry

Percent of total employment from firms with less than 20 employees
2020



Source: U.S. Census Bureau, Quarterly Workforce Indicators
Prepared by the Regional Economic Research Institute

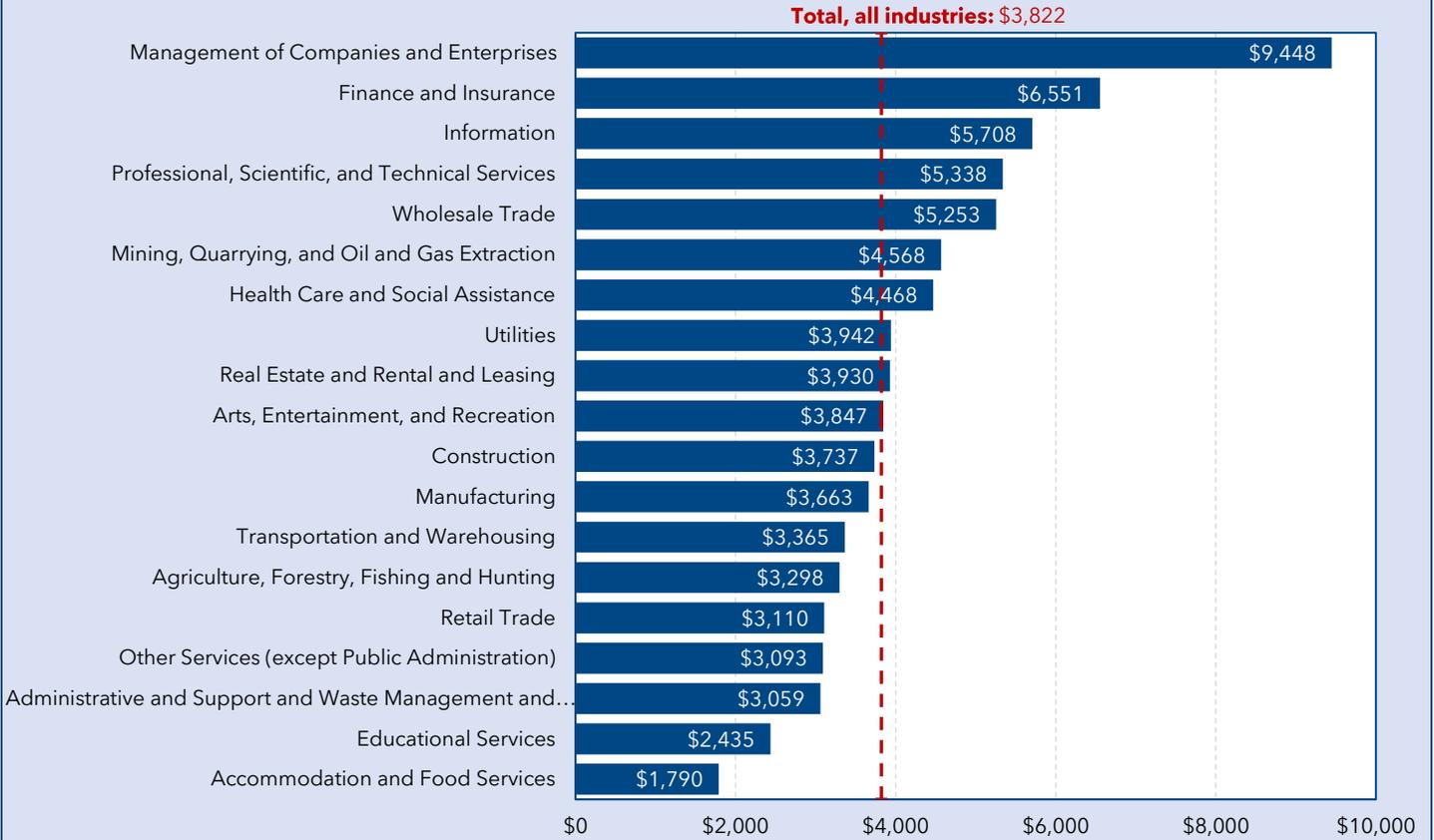
Employment by Industry

The chart above depicts the share of employment within each industry that is generated by firms with less than 20 employees in Southwest Florida. The other services industry¹ had the largest share of employment from small businesses, measured at 56.1 percent in 2020. The real estate and rental and leasing industry had the second highest share (measured at 42.8 percent), followed by professional, scientific, and technical services (41.2 percent), construction (33.4 percent) and mining, quarrying, and oil and gas extraction (30.8 percent). The industries with the smallest share of employees in small business included management of companies and enterprises (9.9 percent), arts, entertainment and recreation (10.9 percent), agriculture, forestry, fishing and hunting (11.8 percent), accommodation and food services (14.9 percent), and information (15.5 percent).

¹ This industry is typically comprised of businesses such as automotive care, personal and household goods repair and maintenance, and personal care services, among others.

Monthly Earnings by Industry

Monthly earnings from firms with less than 20 employees
2020



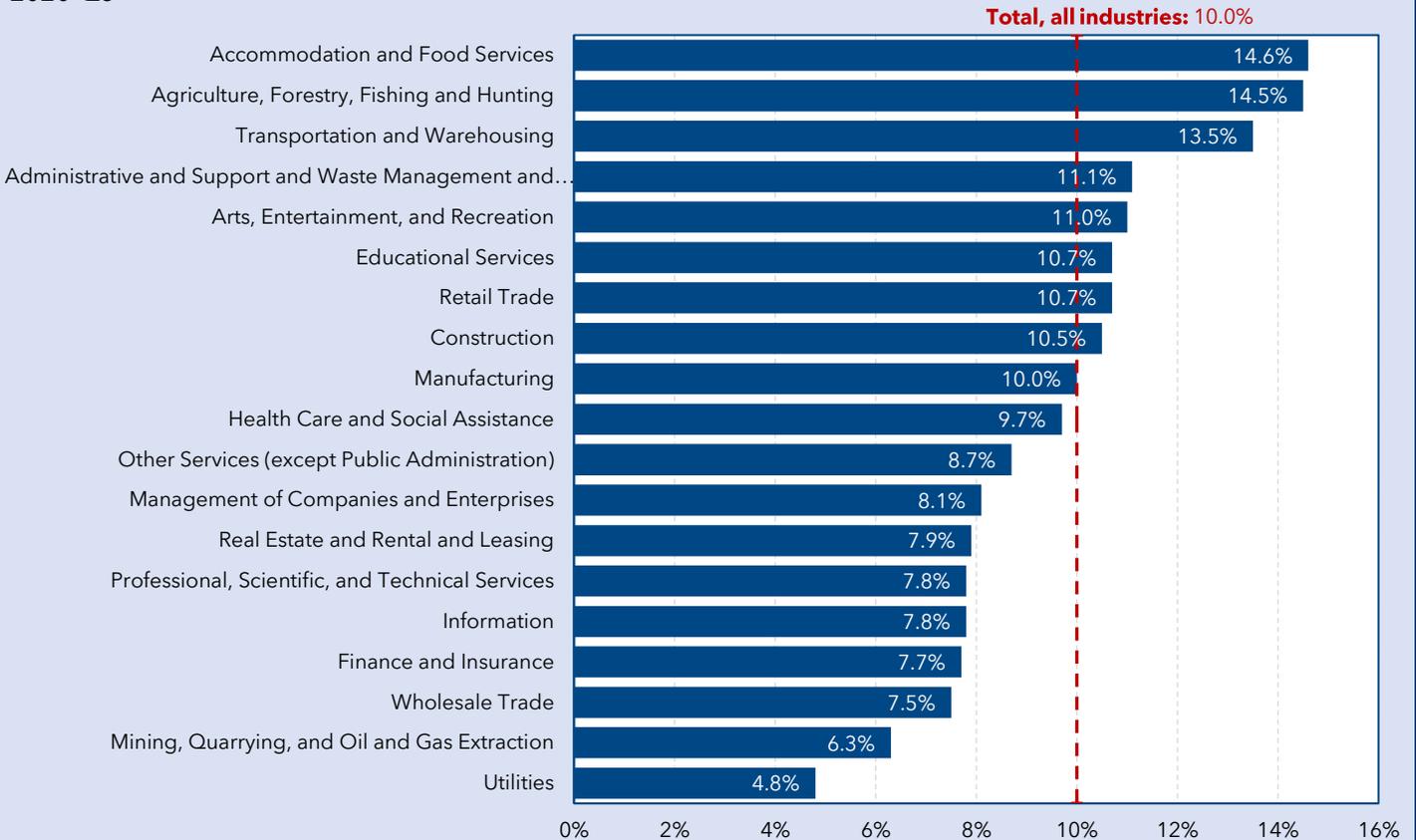
Source: U.S. Census Bureau, Quarterly Workforce Indicators
Prepared by the Regional Economic Research Institute

Monthly Earnings by Industry

Among small businesses in Southwest Florida, the average monthly earnings between all industries was \$3,822. The management of companies and enterprises industry had the highest monthly earnings (\$9,448 per month), followed by finance and insurance (\$6,551), information (\$5,708), professional, scientific, and technical services (\$5,338) and wholesale trade (\$5,253). The industries with the lowest monthly earnings included accommodation and food services (\$1,790 per month), educational services (\$2,435), administrative and support and waste management and remediation services (\$3,059), other services (\$3,093), and retail trade (\$3,110).

Turnover Rate by Industry

Turnover rate from firms with less than 20 employees
2020 Q3



Source: U.S. Census Bureau, Quarterly Workforce Indicators
Prepared by the Regional Economic Research Institute

Turnover Rate by Industry

The QWI also provides information on turnover rates for each industry. The turnover rates presented above represent the percentage of employees from firms with less than 20 employees that left their firm over a given period of time. This data was not available for all of 2020, so data for 2020 Q3 is reported above.

The turnover rate for all small businesses was 10 percent during the third quarter of 2020. Firms in the accommodation and food services industry experienced the highest turnover rate during this quarter (14.6 percent), followed by agriculture, forestry, fishing and hunting (14.5 percent), transportation and warehousing (13.5 percent), administrative and support and waste management and remediation services (11.1 percent), and arts, entertainment, and recreation (11.0 percent). The industries with the lowest turnover rates included utilities (4.8 percent), mining, quarrying, and oil and gas extraction (6.3 percent), wholesale trade (7.5 percent), finance and insurance (7.7 percent), and information (7.8 percent).