The Big Impact of Small Businesses on Urban Job Creation: Evidence from 10 Cities

UPDATED AND EXPANDED EDITION • JULY 2019

Introduction

Small businesses are the backbone of urban economies, providing critical jobs for local residents. This report offers compelling data on the jobs created by businesses with less than 250 employees in 10 cities (Chicago, Dallas, Detroit, Houston, Los Angeles, Miami, New York City, San Francisco/Oakland, Seattle, and Washington, D.C.), making a strong case for city leaders to support the growth of small businesses with the same resources and intentionality as they do with the attraction and retention of large businesses.

We also find that small businesses are especially important to the inner city – economically distressed neighborhoods characterized by high poverty and high unemployment rates. Our research highlights the extent of the unemployment problem in each city's inner city and shows that small business growth in inner cities is an important part of the solution.

Key findings of this report include:

- ***Although the distribution of businesses by size is similar across the 10 cities, the cities differed in terms of the share of jobs created by small businesses.***
- ***In all 10 cities, small businesses create most of the jobs in the city overall as well as in distressed inner city neighborhoods, an outcome driven by small businesses with 5 to 249 employees.***
- ***In seven of the 10 cities, the importance of small businesses as a source of jobs is greater in distressed inner city neighborhoods than in the city overall.***
- ***A modest increase in the number of employees hired by existing small businesses (about one to three employees per business) could create enough employment opportunities for all currently unemployed inner city residents.***

Measuring the Job Creation Impact of Small Businesses

The goal of this report is to provide an accessible evaluation of the current state of jobs associated with small businesses in cities, especially in distressed inner city neighborhoods, to better inform urban economic development practice.

To that end, we measure the job shares associated with small businesses in a single time period, but refer to this measure colloquially as "job creation."[1]

We define businesses with fewer than 250 employees as small businesses and analyze three different business size categories: 1 to 4, 5 to 249, and 250 or more employees (large businesses). We consider "micro-businesses" (those with 1 to 4 employees, which includes the self-employed) separately since they account for the majority of businesses in cities.[2]

Our analysis is focused on 10 cities: Chicago, Dallas, Detroit, Houston, Los Angeles, Miami, New York City, San Francisco/Oakland, Seattle, and Washington, D.C. While certainly not a representative sample, the cities we chose represent different regions in the U.S., different sizes, and different urban economies (Table 1).

New York City and Los Angeles are the largest cities, with 8.6 million and 3.9 million residents, respectively. Chicago has 2.7 million residents, Houston has 2.3 million residents, Dallas has 1.3 million residents, and San Francisco/Oakland has 1.3 million residents. Detroit, Miami, Seattle, and Washington, D.C., have fewer than one million residents. New York City has the strongest economy as measured by Gross Metropolitan Product ($1,717.7 billion), with Detroit trailing the group with $260.6 billion.

Of the 10 cities, Detroit faces the greatest challenges, with the highest rates of poverty and unemployment and the largest share of residents living in distressed inner city neighborhoods. The poverty rates for all cities except San Francisco/Oakland (13 percent) and Seattle (10 percent) were higher than the national average (14 percent). Poverty rates in cities other than San Francisco/Oakland and Seattle ranged from 16 percent in Washington, D.C., to over double that in Detroit (37 percent). Unemployment rates in Dallas (6 percent), San Francisco/Oakland (6 percent), and Seattle (5 percent) were lower than the national average (7 percent). The other cities had unemployment rates at or above the national average, ranging from 7 percent in Houston to nearly three times that (20 percent) in Detroit.

INNER CITY DEFINITION

ICIC defines an inner city as a set of contiguous census tracts in a city that have higher poverty and unemployment rates than the surrounding MSA and, in aggregate, represent at least five percent of a city's population. Each inner city census tract must meet either of two criteria: (1) an absolute poverty rate of at least 20 percent or (2) a relative poverty rate that is at least 150 percent or greater than that of the MSA, as long as the unemployment rate is at least 150 percent or greater than that of the MSA and/or the median household income is 50 percent or less than that of the MSA. Applying ICIC's inner city definition to 2017 American Community Survey data for all U.S. cities with populations greater than 75,000, we identify 364 inner cities.

In Detroit, 91 percent of the population lives in inner city neighborhoods, with only a few pockets of non-inner city neighborhoods scattered throughout the city (Map 1). This is significantly higher than 69 percent in Miami, where the inner city neighborhoods are largely concentrated in northern, inland parts of the city (Map 7). Houston's inner city neighborhoods are predominately located in eastern and southwestern parts of the city and they account for 58 percent of all residents (Map 6). Dallas' inner city, where 50 percent of residents live, is largely concentrated in South Dallas (Map 2). In Chicago, the inner city is mostly concentrated in its southern (South Side, Southwest Side, Far Southwest Side, and Far Southeast Side) and West Side neighborhoods, where 37 percent of residents live (Map 4).

Washington, D.C.'s, inner city neighborhoods are predominately located in the northeast and southeast parts of the city and they account for 37 percent of D.C.'s residents (Map 3). In Los Angeles, the inner city is largely concentrated near downtown neighborhoods and is home to 37 percent of residents (Map 5). New York City's inner city residents account for 34 percent of the population. Its inner city neighborhoods are mostly located in large portions of the Bronx, Upper Manhattan, and southern and eastern parts of Brooklyn (Map 8). In San Francisco/Oakland, 22 percent of the population resides in the inner city, which is mostly located in East and West Oakland (Map 10). Finally, Seattle's inner city population accounts for 5 percent of the population. Its inner city is concentrated in southeastern parts of the city (Map 9).

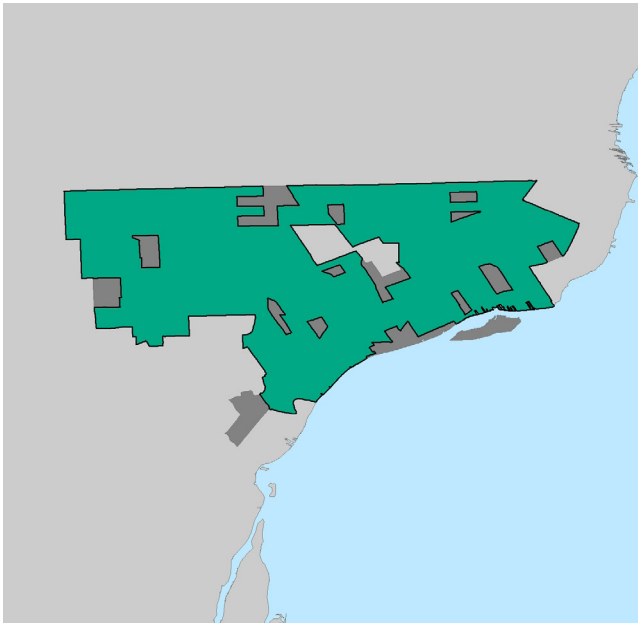
This set of cities provides a snapshot of urban small business job creation across the nation. It also allows us to explore whether their differences seem to matter in terms of small business job creation or whether small businesses have a similar impact in terms of job creation across all cities. For example, do cities vary by their business distribution—the mix of businesses in terms of size? One might expect that smaller cities, or cities in northern, unionized states, attract fewer large businesses than their counterparts, but does this translate into a smaller share of large businesses? If so, this would suggest that smaller businesses might create a greater share of jobs in smaller cities.

Table 1. Key Characteristics of 10 Cities, 2017

City	Population (Million)	GMP ($Billion)	Poverty Rate	Unemployment Rate	Percentage of Inner City Residents
Chicago	2.7	$679.7	20%	10%	37%
Dallas	1.3	$535.5	21%	6%	50%
Detroit	0.68	$260.6	37%	20%	91%
Houston	2.3	$490.1	20%	7%	58%
Los Angeles	3.9	$1,043.7	19%	8%	37%
Miami	0.44	$344.9	26%	8%	69%
New York City	8.6	$1,717.7	19%	8%	34%
San Francisco/Oakland	1.3	$500.7	13%	6%	22%
Seattle	0.69	$356.6	10%	5%	5%
Washington, D.C.	0.67	$530.0	16%	8%	37%
U.S.	**321.0**	—	**14%**	**7%**	**11%**

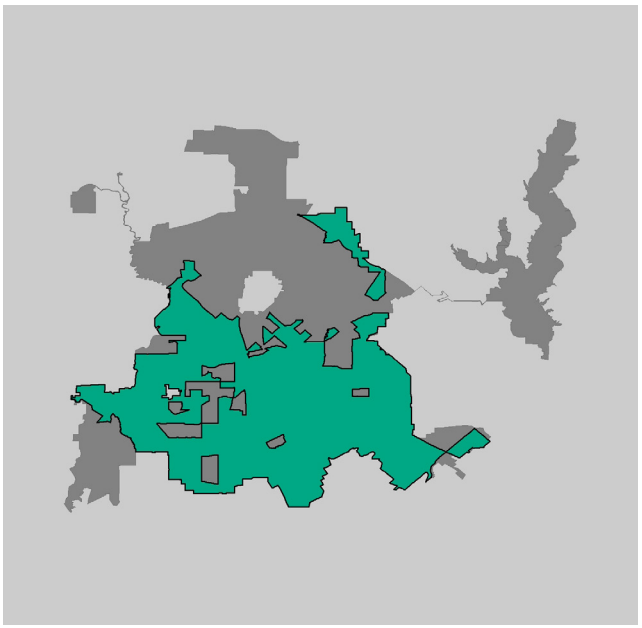
Notes: GMP represents real Gross Metropolitan Product for each city's Metropolitan Statistical Area. Poverty rate excludes student populations (undergraduate, graduate or professional students). Inner city is defined by ICIC using data from the 2017 American Community Survey 5-Year Estimates. National statistics for percentage of inner city residents is the average percentage of inner city residents in the 364 cities with an inner city. **Source:** U.S. Bureau of Economic Analysis; U.S. Census Bureau 2017 American Community Survey 5-Year Estimates.

Map 1. Detroit and Its Inner City



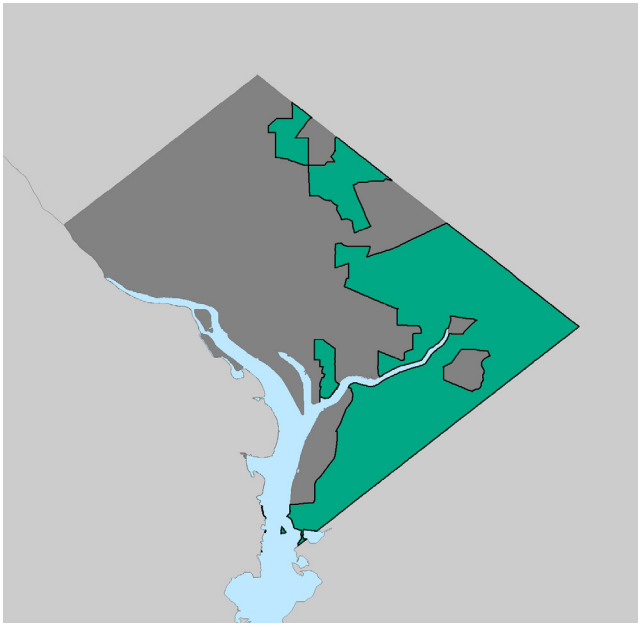
Inner City City Rest of Metro

Map 2. Dallas and Its Inner City



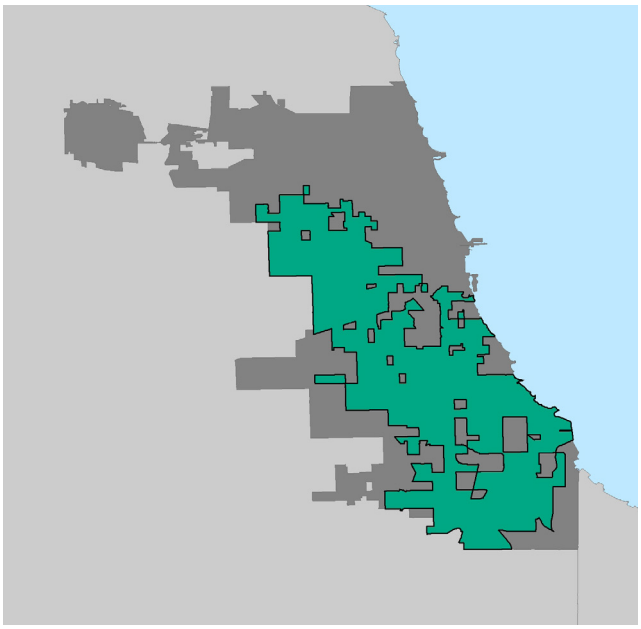
Inner City City Rest of Metro

Map 3. Washington, D.C., and Its Inner City



Inner City City Rest of Metro

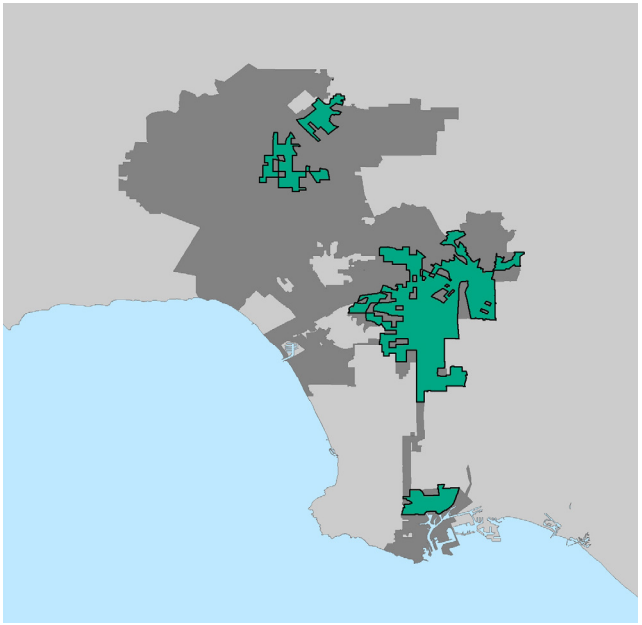
Map 4. Chicago and Its Inner City



Inner City City Rest of Metro

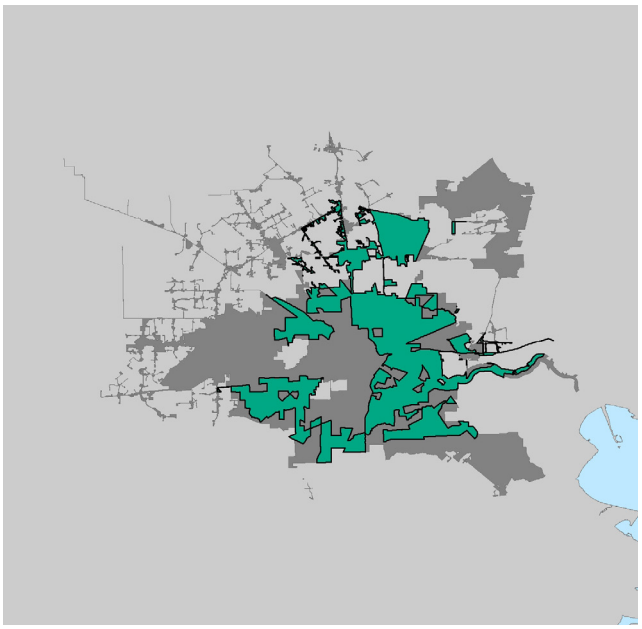
Notes: Inner city boundary was defined using 2017 American Community Survey 5-Year Estimates and ICIC's inner city definition. Green shows census tracts that qualify as inner city in 2017. **Source:** U.S. Census Bureau 2017 American Community Survey 5-Year Estimates.

Map 5. Los Angeles and Its Inner City



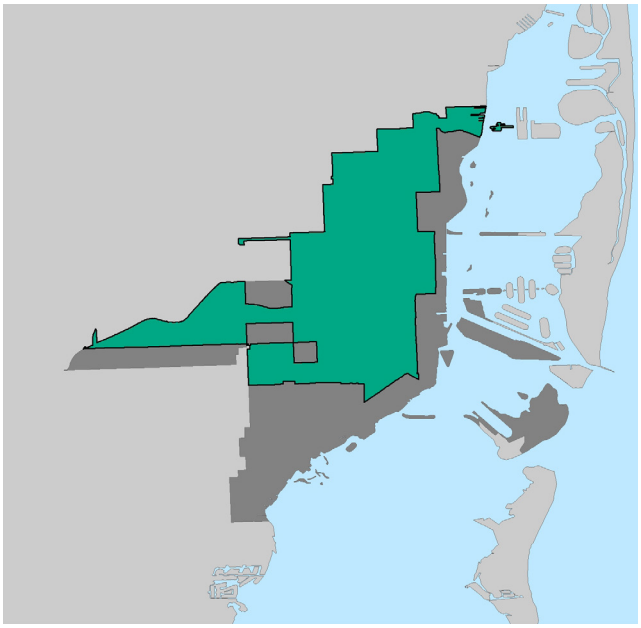
Inner City City Rest of Metro

Map 6. Houston and Its Inner City



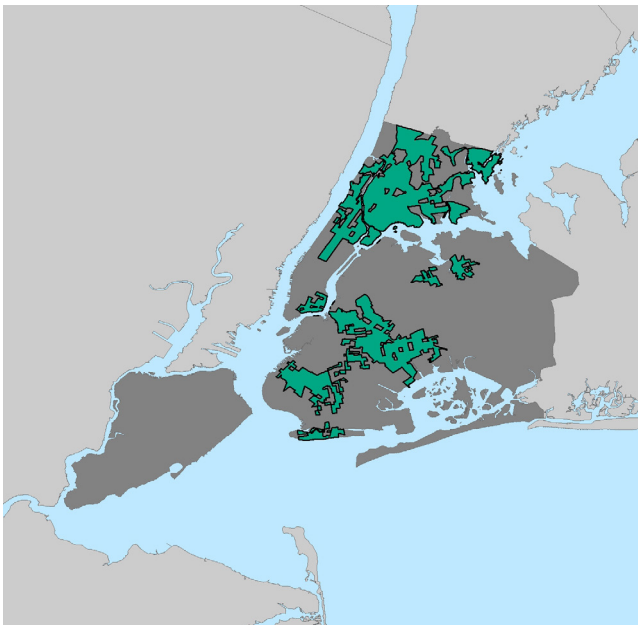
Inner City City Rest of Metro

Map 7. Miami and Its Inner City



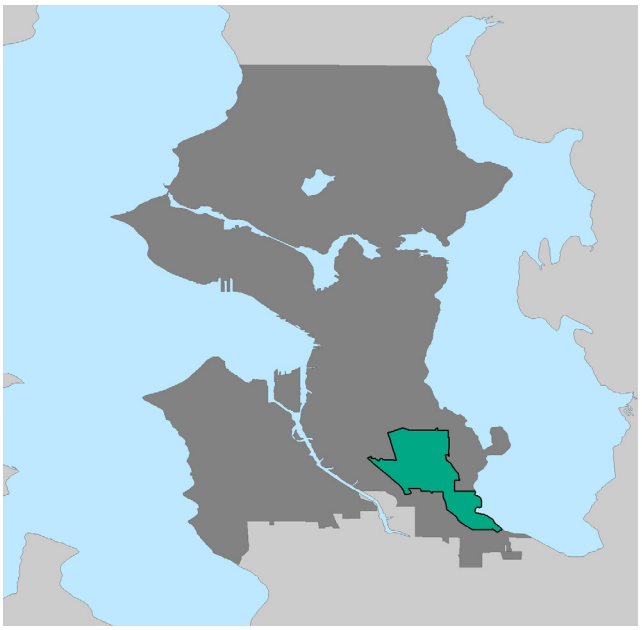
Inner City City Rest of Metro

Map 8. New York City and Its Inner City

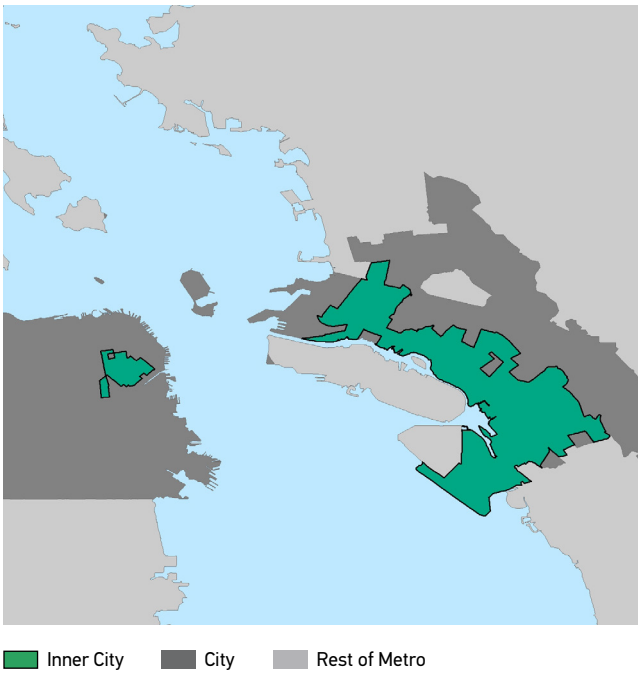


Inner City City Rest of Metro

Map 9. Seattle and Its Inner City



Map 10. San Francisco/Oakland and Its Inner City



Small Business Job Creation

Our research surfaced four interesting insights about small business job creation. Although the distribution of businesses by size is similar across the 10 cities (e.g., businesses with 5 to 249 employees represent about 30 percent of all businesses), the cities differed in terms of the share of jobs created by small businesses. In all 10 cities, small businesses create most of the jobs in the city overall as well as in distressed inner city neighborhoods, an outcome driven by small businesses with 5 to 249 employees. In addition, except in Dallas and San Francisco/Oakland, the importance of small businesses as a source of jobs is the same or greater in the inner city than in the city overall. Finally, a modest increase in the number of employees hired by existing small businesses could create enough employment opportunities for all currently unemployed inner city residents.

URBAN SMALL BUSINESS DISTRIBUTION AND JOB CREATION

In all 10 cities, the distribution of businesses (share of small and large) is similar: large businesses (those with 250 or more employees) represent one percent or less of businesses, businesses with 5 to 249 employees represent about 30 percent of all businesses, and micro-businesses (1 to 4 employees) comprise the remaining, roughly 70 percent (Table 2). Interestingly, despite their similar business distributions, the share of jobs created by small businesses varies across the 10 cities. New York City has the lowest percentage of jobs created by small businesses (51 percent). Chicago, Dallas, Detroit, Houston, Seattle, and Washington, D.C., all have roughly 60 percent of jobs created by small businesses. San Francisco/Oakland, Miami, and Los Angeles have the highest percentages of jobs created by small businesses (72 percent, 71 percent, and 70 percent, respectively).

The share of small businesses is the same in New York City and San Francisco/Oakland, but the share of jobs created by small businesses in each city differs by 21 percent. These differences may be explained by the distribution of employment within the 5 to 249 employee range. Some cities, such as San Francisco/Oakland, may have more medium-sized businesses (those closer to the 249 employee cutoff), while others, such as New York City, have more businesses closer to the five employee mark. This may be due to differences in each city's small business environment or in programs that target the growth of small businesses, versus startups. However, it may also be due to the types of industries that make up the city's economy. Small businesses within certain industries may hire more employees and have greater growth opportunities than businesses in other industries.

Table 2. Business Composition Overview by City

	Small Businesses			Large Businesses
	1 to 4 Employees	5 to 249 Employees	1 to 249 Employees	250 or More Employees
CHICAGO				
Total number of businesses	77,635	37,904	115,539	827
	67%	33%	99%	1%
Total aggregate jobs	156,319	851,911	1,008,230	627,459
	10%	52%	62%	38%
DALLAS				
Total number of businesses	63,686	25,140	88,826	453
	71%	28%	99%	1%
Total aggregate jobs	128,952	560,926	689,878	409,069
	12%	51%	63%	37%
DETROIT				
Total number of businesses	14,677	6,770	21,447	132
	68%	31%	99%	1%
Total aggregate jobs	28,679	150,078	178,757	119,839
	10%	50%	60%	40%
HOUSTON				
Total number of businesses	108,440	47,930	156,370	1,012
	69%	30%	99%	1%
Total aggregate jobs	222,488	1,092,978	1,315,466	792,773
	11%	52%	62%	38%
LOS ANGELES				
Total number of businesses	88,761	31,042	119,803	469
	74%	26%	100%	<1%
Total aggregate jobs	176,616	641,023	817,639	352,041
	15%	55%	70%	30%

	Small Businesses			Large Businesses
	1 to 4 Employees	5 to 249 Employees	1 to 249 Employees	250 or More Employees
MIAMI				
Total number of businesses	29,051	8,912	37,963	95
	76%	23%	100%	<1%
Total aggregate jobs	60,092	159,416	219,508	90,238
	19%	51%	71%	29%
NEW YORK CITY				
Total number of businesses	111,145	56,614	167,759	1,464
	66%	33%	99%	1%
Total aggregate jobs	227,030	1,306,068	1,533,098	1,452,986
	8%	44%	51%	49%
SAN FRANCISCO/OAKLAND				
Total number of businesses	63,306	25,783	89,089	380
	71%	29%	100%	<1%
Total aggregate jobs	126,766	531,342	658,108	261,028
	14%	58%	72%	28%
SEATTLE				
Total number of businesses	39,042	14,985	54,027	278
	72%	28%	99%	1%
Total aggregate jobs	78,814	313,917	392,731	262,815
	12%	48%	60%	40%
WASHINGTON, D.C.				
Total number of businesses	31,582	14,421	46,003	336
	68%	31%	99%	1%
Total aggregate jobs	60,526	339,290	399,816	241,244
	9%	53%	62%	38%

Notes: Data estimates are for the entire city, including the inner city. Business numbers represent business establishments located in the city. An establishment is defined as a single physical location where business is conducted or services or industrial operations are performed. A company may consist of one or several establishments (a company with ten branches would be recorded as one company and ten establishments). Jobs are measured for business establishments located in the city (if a business has multiple establishments in multiple cities, we only count employment from establishments located in the city). **Source**: Dun and Bradstreet (2019).

THE IMPORTANCE OF SMALL BUSINESS JOBS IN CITIES

In all 10 cities, small businesses provide more than half of all jobs in the city. In San Francisco/Oakland, the very high percentage of small business jobs (72 percent) may be due in part to the fact that small businesses are particularly critical to the city's high technology industries. Similarly, Los Angeles' very high small business job percentage (70 percent) may be due in part to the importance of small businesses to the city's film and entertainment industry. In Washington, D.C., small businesses are often overshadowed by the federal government and the large companies that contract with them. Yet, small businesses create almost 400,000 jobs. In Detroit, small businesses represent over half of all jobs (60 percent) and are increasingly viewed as the key to the city's economic recovery.

THE IMPORTANCE OF SMALL BUSINESS JOBS IN INNER CITY NEIGHBORHOODS

Within inner city neighborhoods in all 10 cities, small businesses also provide most of the jobs: 60 percent in Dallas; 68 percent in New York City; 69 percent in Detroit; 70 percent in Chicago, Los Angeles, and Washington, D.C.; 71 percent in San Francisco/Oakland; 73 percent in Houston; 74 percent in Miami; and 96 percent in Seattle. Small business job creation is even more important in these inner cities than in their surrounding city. For example, in New York City, small businesses account for just 51 percent of jobs in the city overall.

In Dallas and San Francisco/Oakland, small businesses account for a slightly smaller share of jobs in the inner city than in the surrounding city. Small businesses create 60 percent of jobs in inner city Dallas but 63 percent of jobs in Dallas as a whole. The corresponding percentages for San Francisco/Oakland are 71 percent for the inner city and 72 percent for the city as a whole. In Los Angeles, the small business percentage of jobs is the same (70 percent) in the inner city as in the city as a whole.

JOBS CREATED BY MICRO-BUSINESSES

There are more than twice as many micro-businesses as all other small businesses in all 10 cities, but they don't account for more jobs. Businesses with 5 to 249 employees create more jobs than micro-businesses: 44 percent in New York City (versus 8 percent for micro-businesses), 48 percent in Seattle (versus 12 percent), 50 percent in Detroit (versus 10 percent), 51 percent in Dallas (versus 12 percent), 51 percent in Miami (versus 19 percent), 52 percent in Chicago (versus 10 percent), 52 percent in Houston (versus 11 percent), 53 percent in Washington, D.C. (versus 9 percent), 55 percent in Los Angeles (versus 15 percent), and 58 percent in San Francisco/Oakland (versus 14 percent). Small businesses with 5 to 249 employees also create more jobs than micro-businesses in distressed inner city neighborhoods (Table 3).

We also find that most employed inner city residents work in businesses located outside of the inner city. The share of employed inner city residents that actually work in the inner city is relatively low: 4 percent in Seattle; 9 percent in Washington, D.C.; 15 percent in Chicago; 18 percent in Miami; 22 percent in Los Angeles; 23 percent in Detroit; 24 percent in San Francisco/Oakland, Dallas, and Houston; and 25 percent in New York City (Table 4). In Chicago, Houston, New York City, Seattle, and Washington, D.C., the greatest share of employed inner city residents works in businesses in the surrounding city. In Dallas, Detroit, Los Angeles, Miami, and San Francisco/Oakland, the greatest share of employed inner city residents travels even farther to work in businesses located outside of the city limits. This trend is most pronounced for Miami, where 69 percent of employed inner city residents work in businesses located outside of the city, and for Detroit, where the corresponding percentage is 68 percent.

Table 3. Business Composition Overview by Inner City

	Small Businesses			Large Businesses
	1 to 4 Employees	5 to 249 Employees	1 to 249 Employees	250 or More Employees
CHICAGO INNER CITY				
Total number of businesses	15,060	6,984	22,044	109
Share of inner city businesses	68%	32%	100%	<1%
Total aggregate jobs	29,729	152,306	182,035	78,161
Share of inner city jobs	11%	59%	70%	30%
DALLAS INNER CITY				
Total number of businesses	19,028	9,250	28,278	179
Share of inner city businesses	67%	33%	99%	1%
Total aggregate jobs	38,496	215,420	253,916	167,312
Share of inner city jobs	9%	51%	60%	40%
DETROIT INNER CITY				
Total number of businesses	11,897	5,464	17,361	78
Share of inner city businesses	68%	31%	100%	<1%
Total aggregate jobs	23,260	118,350	141,610	62,484
Share of inner city jobs	11%	58%	69%	31%
HOUSTON INNER CITY				
Total number of businesses	34,225	15,948	50,173	260
Share of inner city businesses	68%	32%	99%	1%
Total aggregate jobs	70,438	357,791	428,229	156,204
Share of inner city jobs	12%	61%	73%	27%
LOS ANGELES INNER CITY				
Total number of businesses	30,504	11,967	42,471	187
Share of inner city businesses	72%	28%	100%	<1%
Total aggregate jobs	61,288	251,408	312,696	132,074
Share of inner city jobs	14%	57%	70%	30%

	Small Businesses			Large Businesses
	1 to 4 Employees	5 to 249 Employees	1 to 249 Employees	250 or More Employees
MIAMI INNER CITY				
Total number of businesses	12,155	3,605	15,760	28
Share of inner city businesses	77%	23%	100%	<1%
Total aggregate jobs	25,026	66,969	91,995	32,646
Share of inner city jobs	20%	54%	74%	26%
NEW YORK CITY INNER CITY				
Total number of businesses	11,237	4,348	15,585	54
Share of inner city businesses	72%	28%	100%	<1%
Total aggregate jobs	22,374	88,365	110,739	52,397
Share of inner city jobs	14%	54%	68%	32%
SAN FRANCISCO/OAKLAND INNER CITY				
Total number of businesses	11,648	6,062	17,710	88
Share of inner city businesses	65%	34%	100%	<1%
Total aggregate jobs	23,798	131,780	155,578	62,605
Share of inner city jobs	11%	60%	71%	29%
SEATTLE INNER CITY				
Total number of businesses	1,017	277	1,294	1
Share of inner city businesses	79%	21%	100%	<1%
Total aggregate jobs	2,006	4,470	6,476	258
Share of inner city jobs	30%	66%	96%	4%
WASHINGTON, D.C. INNER CITY				
Total number of businesses	5,526	1,990	7,516	34
Share of inner city businesses	73%	26%	100%	<1%
Total aggregate jobs	10,215	44,966	55,181	23,243
Share of inner city jobs	13%	57%	70%	30%

Notes: Inner city is defined by ICIC using data from the 2017 American Community Survey 5-Year Estimates. Business numbers represent business establishments located in the inner city. An establishment is defined as a single physical location where business is conducted or services or industrial operations are performed. A company may consist of one or several establishments (a company with ten branches would be recorded as one company and ten establishments). Jobs are measured for business establishments located in the inner city (if a business has multiple establishments in multiple cities, we only count employment from establishments located in the inner city). **Source:** Dun and Bradstreet (2019).

Table 4. Inner City Employment

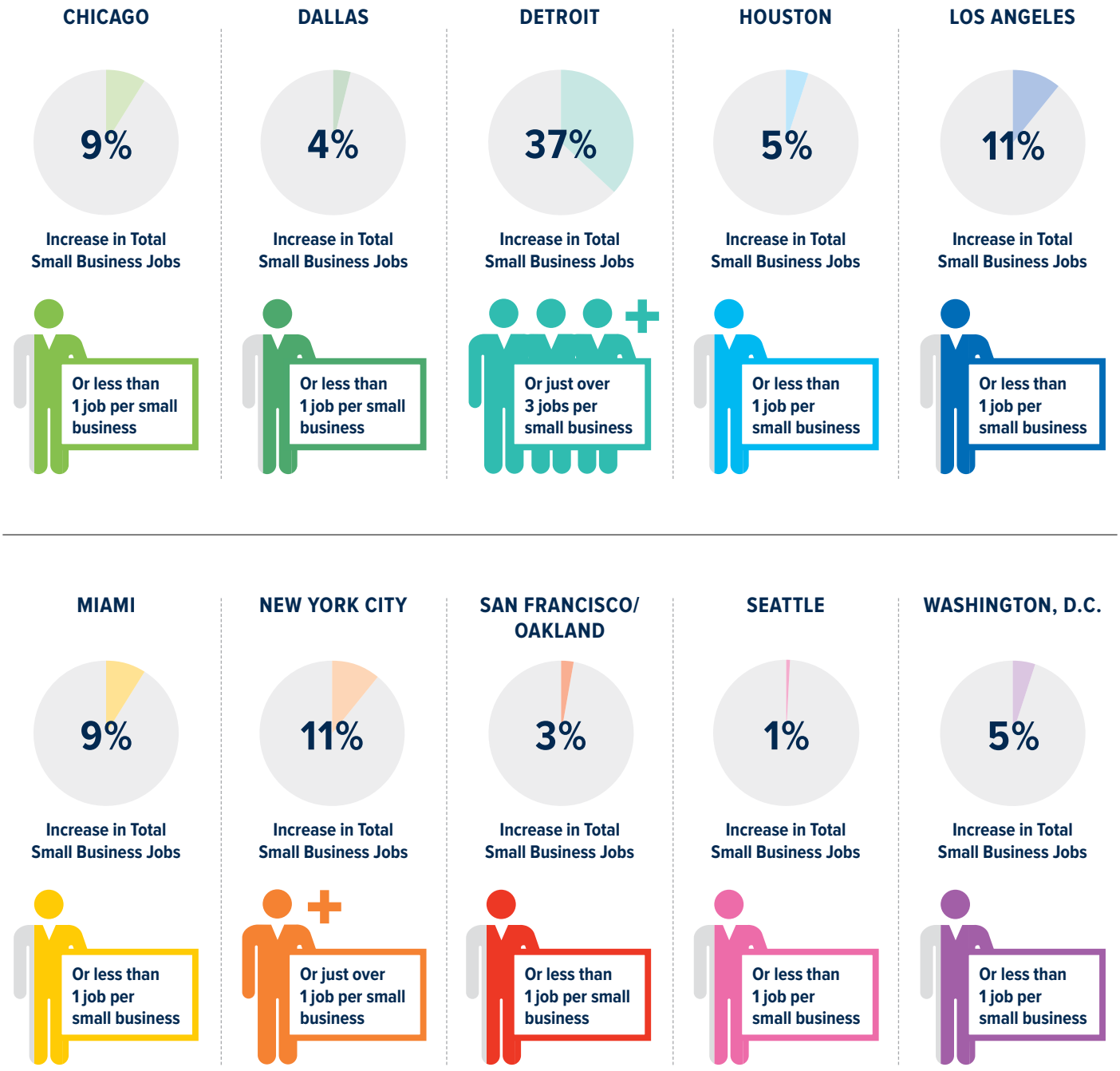
	Chicago	Dallas	Detroit	Houston	Los Angeles	Miami	New York City	San Francisco/ Oakland	Seattle	Washington, D.C.
Total inner city jobs	260,196	421,228	204,094	584,433	444,770	124,641	163,136	218,183	6,734	78,424
Inner city labor force	428,131	269,808	237,407	434,831	583,778	110,081	1,201,979	137,008	18,429	115,323
Employed inner city residents	336,185	240,377	171,885	372,213	495,364	89,774	1,031,834	119,862	16,277	95,072
Inner city residents employed in the inner city	51,268 (15%)	56,592 (24%)	39,836 (23%)	90,838 (24%)	109,563 (22%)	15,881 (18%)	256,830 (25%)	28,840 (24%)	601 (4%)	8,697 (9%)
Inner city residents employed in the rest of the city	160,105 (48%)	66,924 (28%)	15,466 (9%)	167,604 (45%)	141,211 (29%)	12,295 (14%)	674,373 (65%)	34,986 (29%)	8,957 (55%)	53,300 (56%)
Inner city residents employed outside of the city	124,812 (37%)	116,861 (49%)	116,583 (68%)	113,771 (31%)	244,590 (49%)	61,598 (69%)	100,631 (10%)	56,036 (47%)	6,719 (41%)	33,075 (35%)
Unemployed inner city residents	91,946	29,431	65,522	62,618	88,414	20,307	170,145	17,146	2,152	20,251
Inner city employment gap (jobs minus labor force)	-167,935	151,420	-33,313	149,602	-139,008	14,560	-1,038,843	81,175	-11,695	-36,899

Notes: Inner city is defined by ICIC using data from the 2017 American Community Survey 5-Year Estimates. For total inner city jobs, jobs are measured for business establishments located in the inner city (if a business has multiple establishments in multiple cities, we only count employment from establishments located in the inner city). **Source:** Dun and Bradstreet (2019). To calculate the inner city labor force we added the total employed (2015 U.S. Census Bureau OnTheMap data) and unemployed (2015 ACS 5-Year Estimates) residents. OnTheMap does not include data on the unemployed. Unemployed is defined by the Census as all civilians 16 years old and over that "(1) were neither "at work" nor "with a job but not at work" during the reference week, and (2) were actively looking for work during the last 4 weeks, and (3) were available to accept a job. Also included as unemployed are civilians who did not work at all during the reference week, were waiting to be called back to a job from which they had been laid off, and were available for work except for temporary illness." Place of employment uses data from U.S. Census Bureau OnTheMap (2015). OnTheMap contains origin (place of residence)-destination (place of work) pairs for residents. The term "outside of the city" is defined as all census blocks located outside of the city limits.

In some cities, inner city residents may be pushed to find work outside of their neighborhoods because of a lack of jobs located in the inner city. Data support this premise in six of the 10 cities. In Chicago, Detroit, Los Angeles, New York City, Seattle, and Washington D.C., the inner city labor force exceeds the number of jobs located within the inner city.[3] This inner city "employment gap" is greatest in New York City (-1,038,843 jobs), followed by Chicago (-167,935), Los Angeles (-139,008), Washington, D.C. (-36,899), Detroit (-33,313), and Seattle (-11,695). In contrast, in Dallas, there are 151,420 more jobs in the inner city than inner city residents employed or actively seeking work, which may reflect the fact that there are more large employers in the inner city of Dallas than in all but two other inner cities (Houston and Los Angeles). Further, several designated business parks and part of the Central Business District are also located in the inner city of Dallas.

An insufficient number of inner city jobs is not the only possible reason why the inner city labor force exceeds the number of inner city jobs in most of the 10 cities. Inner city residents also may be working in other areas because that is where they find more accessible jobs (requiring lower educational or skill levels).

Figure 1. Growth in Small Business Jobs Required to Eliminate Inner City Unemployment



THE POTENTIAL IMPACT OF SMALL BUSINESS GROWTH ON INNER CITY UNEMPLOYMENT

A modest increase in the number of jobs created by existing small businesses (one to three jobs per business) *could* create enough employment opportunities for all currently unemployed inner city residents (Figure 1). For example, in Chicago, small businesses already employ 1,008,230 people. It would only require a 9 percent increase in small business jobs, or less than one job per existing small business, to eliminate that city's inner city unemployment. Slightly more aggressive growth in Detroit's small business jobs would be needed because the city's small businesses are relatively smaller and the city has relatively high inner city unemployment numbers.

It is important to recognize that the majority of small businesses have fewer than five employees. Hiring one additional employee represents significant growth for these businesses, especially those that are sole proprietorships. In addition, we are basing this analysis on job share numbers and not accounting for true job creation dynamics (growth and loss). Since many small businesses also go out of business, the number of jobs each small business would need to create would in reality likely be higher. With that said, our simple analytical exercise highlights the significant impact small businesses can have on inner city unemployment and that the problem is not insurmountable. Further, the concept of helping small businesses hire one additional employee as a solution to unemployment has precedence (e.g., the National Association of Workforce Boards' Just Add One initiative and the Association for Enterprise Opportunity's One in Three Campaign).

We also assume that all new jobs would be filled by inner city residents, regardless of where the small businesses were located. If small businesses were located within the inner city, the gains for the inner city labor force may be even greater. Commuting costs for inner city residents would be decreased, making these jobs more attractive to some residents, especially those with limited transportation options. ICIC's research also finds that inner city businesses are more likely to invest in and hire inner city residents than businesses located in non-distressed areas (Initiative for a Competitive Inner City [ICIC], 2010). However, inner city businesses also find local hiring challenging because of mismatches in skills or other factors (e.g., incarceration records or drug use). This reinforces the need for workforce programs to support the growth of inner city businesses.

Endnotes

1 We recognize that job creation is measured dynamically and more formally in academic studies (e.g., Neumark, Wall, and Zhang, 2011) using new jobs, destroyed jobs, and continuing jobs over a certain time period. This is beyond the scope of our report, but would be an important extension of our research.

2 An academic study also found that net job creation, measured formally, is highest for smallest businesses (0 to 19 employees) and decreases sharply with business size (Neumark, Wall, and Zhang, 2011).

3 To calculate the inner city labor force we added the total employed (2015 U.S. Census Bureau OnTheMap data) and unemployed (2015 ACS 5-Year Estimates) residents. OnTheMap does not include data on the unemployed. Unemployed is defined by the Census as all civilians 16 years old and over that "(1) were neither "at work" nor "with a job but not at work" during the reference week, and (2) were actively looking for work during the last 4 weeks, and (3) were available to accept a job. Also included as unemployed are civilians who did not work at all during the reference week, were waiting to be called back to a job from which they had been laid off, and were available for work except for temporary illness." Source: Definitions. (n.d.). Retrieved May 1, 2019, from the U.S. Census Bureau website: https://www.census.gov/glossary/#term_Unemployed.

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