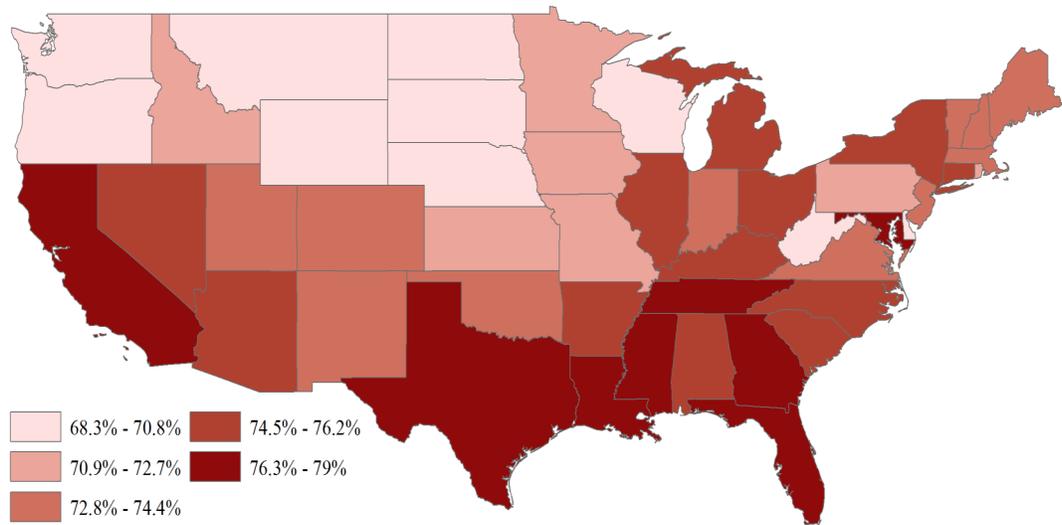


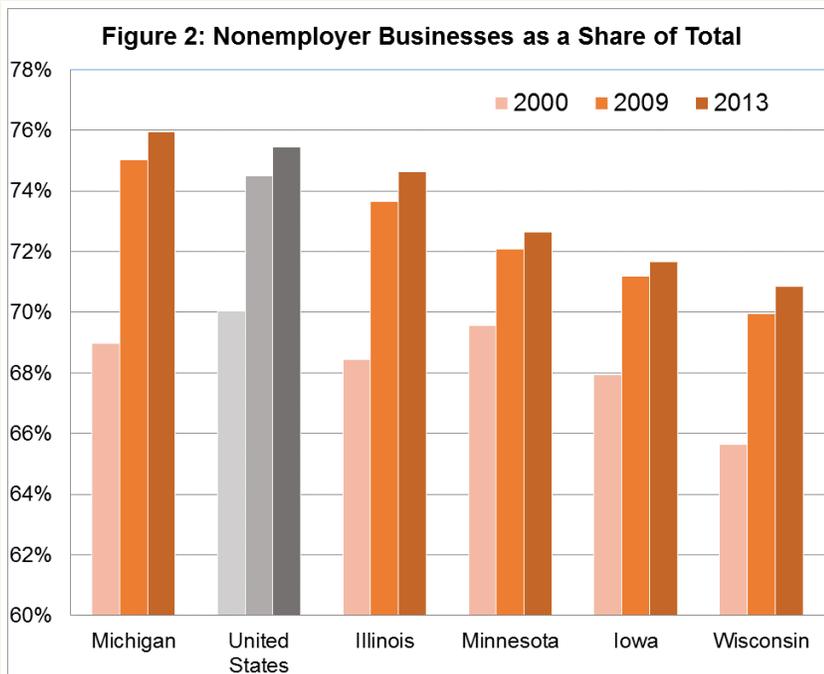
## The Smallest of Businesses in Wisconsin and the Nation

As we think about economic growth in Wisconsin we tend to focus on job growth and the unemployment rate. An alternative way to think about growing the economy is to focus on the nature of the businesses that make up the Wisconsin economy. In 2013, the most recent year which we have data, there were 474,700 separate businesses in Wisconsin, but 335,200 or 71% were “nonemployer” businesses, or hired no employees outside the proprietor-owner of the business. Compared to 2000, 65.4% of all businesses in Wisconsin were nonemployer businesses. Over the 2000 to 2013 time period the number of nonemployee businesses increased by 25% while the number of businesses with wage-salary employees decreased by almost 2%. Clearly, Wisconsin is dominated by very small businesses. Or is it?

If we compare Wisconsin to the other states we find that Wisconsin has one of the lowest nonemployer business rates in the U.S. (Figure 1). In 2013 Wisconsin ranks 41<sup>st</sup> in terms of nonemployer businesses as a share of all businesses. Compared to our immediate neighbors Wisconsin consistently has the lowest share of businesses that are classified as nonemployer (Figure 2). The geographic concentrations of nonemployer businesses generally fall in the lower and coastal U.S., perhaps reflecting relatively large immigrant populations that tend to be especially entrepreneurial. In general, states that are considered entrepreneurial such as California, Colorado, North Carolina, and New York, also tend to have relatively high shares of nonemployer establishments.

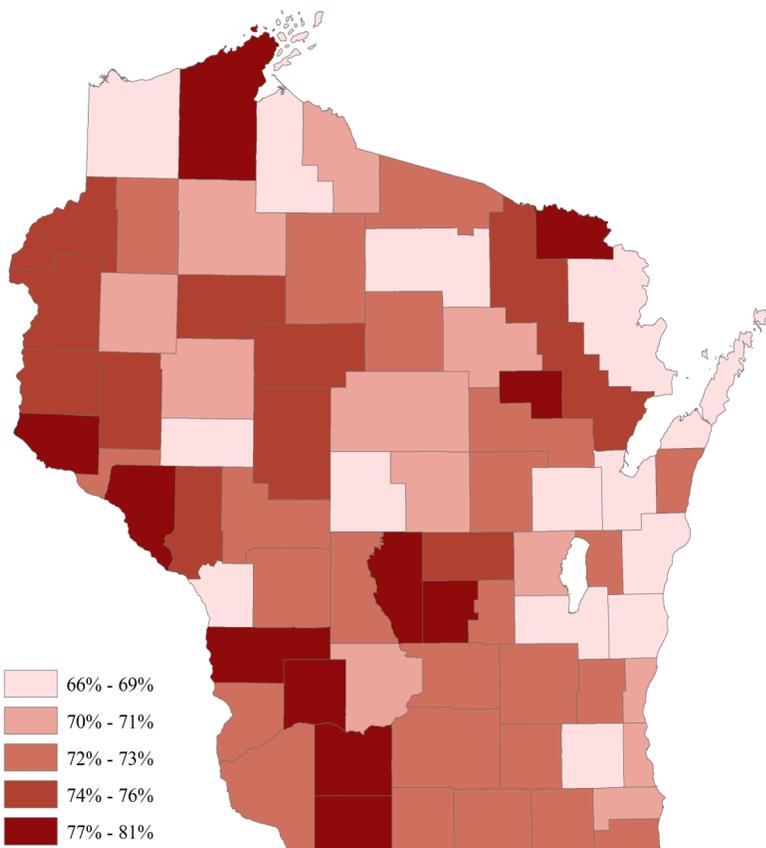
Figure 1: Nonemployer Businesses as a Share of Total, United





Even within counties across Wisconsin, nonemployers represent the majority of businesses ranging from roughly to two-thirds of businesses in Outagamie, Brown and La Crosse counties to over 80% in Menominee County. The only clear spatial pattern is the lower levels of nonemployer businesses in the eastern area of Wisconsin which tends to be the more concentrated urban part of the state. Still, there is no Wisconsin county where businesses with wage-salaried employees accounted for more than 40% of all businesses.

**Figure 3: Nonemployer Businesses as a Share of Total, Wisconsin Counties 2013**



Despite the large share of Wisconsin businesses being small Wisconsin lags behind the nation and our immediate neighbors. Is this a strength or a weakness? Some may argue that this is a weakness in that high concentrations of small businesses is an indirect measure of entrepreneurship. This interpretation would be consistent with the Kauffman Foundation's ranking of Wisconsin as one of the lowest entrepreneurial states in the U.S. Alternatively, it could be that Wisconsin is more economically conservative and tends to avoid risky business enterprises. In either case, community economic development efforts must be cast in light of the predominance of small businesses. How can communities help these smallest of businesses become more profitable and successful in their enterprises?