



## New Business Start Up Trends: 2007-2012 A Comparison of Springfield with Four Benchmark Communities

January 12, 2016

Based upon new data from the U.S. Bureau of the Census' *Survey of Business Owners*, analysis by *Governing.com*<sup>1</sup> identified areas of the country where more businesses are being established. *Governing* found that more than half a million new businesses were established nationwide over the five-year period studied (2007-2012, marking the most recent data available), and that several cities registered sizable gains in new businesses fueled in large part by growth in minority-owned companies. The SSCRPC looked to this data to determine if Springfield showed similar gains during the period covered, but found that it did not.

### The Data

The data provided and used here allows for the comparison of firms with paid employees versus those without (such as small sole proprietorships and partnerships), and the growth or decline in minority-owned firms over the period. *Governing* noted that increases in the growth of firms in a number of the cities could be explained by such factors as being in areas benefitting from strong regional economies or industries that support many small businesses, such as construction and real estate. However, *Governing* found that overall the number of firms with paid employees (those with hourly or salaried workers) dropped by over 5% nationally. In comparison, the national tally of all businesses rose by 2% from 2007 to 2012.

Given the results of the SSCRPC's recent study of long-term economic trends in the region that found a number of weaknesses<sup>2</sup>, the Commission looked at the data provided by *Governing* to determine if it confirmed any of the results the Commission found. Unfortunately, and within the limitations of the data used, ***the new Census data appears to show similar weaknesses in the local economy to those found previously in the SSCRPC's study***<sup>1</sup>.

The SSCRPC's previous study considered Sangamon County as an economic area, but the data provided by *Governing* considers only cities, so only Springfield is considered here in comparison to four other similar Central Illinois communities.

### Growth of Firms in Springfield with Paid Employees

Table 1, below, provides the data related to the growth of firms with paid employees in Springfield compared to four other Central Illinois benchmark communities: Bloomington, Champaign, Decatur, and Peoria. ***During the five year period studied, only Springfield and Decatur showed a decrease in the number of firms with paid employees: a decline of 8.32% for Springfield and 9.61% for Decatur.***

The Census Bureau estimates that the number of firms with paid employees declined by about 5% nationwide between 2007 and 2012, and a slight majority of larger cities lost these firms, with a decline averaging -1.6% over the period. This being the case, Bloomington, Champaign and Peoria fared better than the nation as a whole, while Springfield and Decatur lost not quite twice as many of these firms as the nation. Given that the five Illinois communities are roughly similar in size (see attached charts for each city provided by *Governing.com*) and are not

<sup>1</sup> Maciag, Mike (Dec. 28, 2015). *Where New Businesses Are Starting Up*. *Governing.Com*:

[http://www.governing.com/topics/mgmt/gov-business-ownership-survey-census.html?utm\\_medium=email&utm\\_source=Act-On+Software&utm\\_content=email&utm\\_campaign=Where%20Businesses%20Are%20Starting%20Up%2C%20Declining%20Corporate%20Tax%20Revenues&utm\\_term=Where%20New%20Businesses%20Are%20Starting%20Up](http://www.governing.com/topics/mgmt/gov-business-ownership-survey-census.html?utm_medium=email&utm_source=Act-On+Software&utm_content=email&utm_campaign=Where%20Businesses%20Are%20Starting%20Up%2C%20Declining%20Corporate%20Tax%20Revenues&utm_term=Where%20New%20Businesses%20Are%20Starting%20Up).

<sup>2</sup> Sims, Norm (2015). *Planning for Growth: Reviewing Economic Growth Trends in the Springfield-Sangamon County Economic Area*. SSCRPC. Springfield: Illinois.

among larger U.S. cities, they should not have been affected to the same extent as the larger urban areas identified by *Governing*.

	Springfield	Bloomington	Champaign	Decatur	Peoria
2007 Total	2,896	1,867	1,578	1,551	2,723
2012 Total	2,655	1,943	1,685	1,402	2,812
Total Increase/ [Decrease]	[241]	76	107	[149]	89
% Change	[8.32%]	4.07%	6.78%	[9.61%]	3.27%

*Governing* points out that the 2007 Census survey occurred slightly before the “official” start of the Great Recession, and 2012 marked a period when unemployment at the national level was still above 8%. Even so, the expectation is that all of the Illinois cities included here should have been equally affected by the recession, yet ***the data indicates that the impact of the recession was not evenly distributed in Central Illinois as three of the communities studied performed better than Springfield and Decatur.***

### Growth of Firms in Springfield without Paid Employees

Table 2, below, shows the change in number of firms without paid employees (again, small entrepreneurship) over the five year period. This analysis is important as, according to *Governing*, only about one-fifth of all businesses reported having paid employees. This means that “most of the new businesses are small firms operated by self-employed individuals, providing them with a primary or secondary source of income.” Nationwide, the Census Bureau estimates that these small non-employer firms grew by 4% from 2007 to 2012. So how did the five Central Illinois communities perform?

	Springfield	Bloomington	Champaign	Decatur	Peoria
2007 Total	6,990	4,320	4,189	3,528	5,248
2012 Total	6,351	4,615	4,201	3,641	5,241
Total Increase/ [Decrease]	[639]	295	12	113	[7]
% Change	[9.14%]	6.83%	0.29%	3.20%	[0.13%]

***Springfield did not share in the gain seen nationwide, losing 9.14% of these small firms, underperforming all of the other Central Illinois comparison communities.*** Bloomington gained small firms well above the national average for the period (6.83%), while Decatur’s showing was only slightly less than the national rate (3.20%). While Champaign showed a slight gain (0.29%) and Peoria a slight loss (-0.13%), these amounts were negligible, showing a more static response to small firm growth over the period in these two communities. Of the five cities compared here, only Springfield showed a significant *loss* at more than twice what the nation as a whole *gained*.

This result for Springfield is troubling for two reasons.

First, results from the SSCRPC’s long-term study of the regional economy found a bright spot in the rate of increase in the number of those employed in small non-farm proprietorships compared to wage and hourly jobs, indicating

the potential for the growth of entrepreneurship in this area.<sup>3</sup> The Census Bureau results do not confirm this potential, at least for the snapshot that the 2007-2012 data provides. Second, and as reported by *Governing*, some non-employer firms likely reflect individuals who became self-employed because they couldn't find jobs due to the recession and started a small business to make up for lost income. This becomes additionally relevant in considering the growth of minority owned firms.

### Growth in Springfield of Minority-Owned Firms

Table 3 shows changes in totals for racial and ethnic minority-owned businesses in the five cities for the period considered. The data is provided for paid-employee firms rather than non-paid employee ones as *Governing* indicates that much of the gains identified at the national level came from these firms. For example, at the national level the number of black-owned firms grew by about 34%, Asian-owned by 24%, and Hispanic-owned by 46%. However, a good amount of this growth was in larger metros, and the data suggests that some of the minority ownership may be due to an overrepresentation of these minority and ethnic groups in certain industries; e.g., Hispanic-owned administrative support, waste management, and remediation businesses.

	Springfield	Bloomington	Champaign	Decatur	Peoria
2007 Total	156	141	110	54	146
2012 Total	135	210	197	71	243
Total Increase/ [Decrease]	[21]	69	87	17	97
% Change	[13.46%]	48.94%	79.09%	31.48%	66.44%

Based upon the data provided by *Governing.com*, ***Springfield performed much worse than the other benchmark communities, with a decline of 13.46% in the number of minority-owned paid-employee firms between 2007 and 2012; the only one of the five communities showing a decline.*** In comparison, the number of these firms in Decatur grew by over 31%, Bloomington's by almost 50%, Peoria by over 66%, and Champaign by almost 80%.

While the growth of White non-Hispanic firms also declined in Springfield during the 2007-2012 period, this decline was about half of that found for minority firms (-13.46% compared to -7.20%) as shown in Table 4. Notably all of the other cities showed growth rates of minority firms greater than that of White Non-Hispanic ones, including Decatur, which also showed a decline in non-minority firms; a decline greater than that of Springfield (-11.08%).

	Springfield	Bloomington	Champaign	Decatur	Peoria
2007 Total	2,082	1,365	1,062	1,191	2,012
2012 Total	1,932	1,419	1,114	1,059	2,077
Total Increase/ [Decrease]	[150]	54	52	[132]	65
% Change	[7.20%]	3.96%	4.90%	[11.08%]	3.23%

<sup>3</sup> Sims (2015). Pp. 46-47.

## In Conclusion

Overall, and based upon the data provided by *Governing.com* drawn from the Census Bureau's report, Springfield performed more poorly in all of the areas of firm-growth considered than did the four benchmark communities, indicating weaknesses similar to those found in the Commission's long-term review of the regional economy.

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### About the Springfield-Sangamon County Regional Planning Commission

The Springfield-Sangamon County Regional Planning Commission (SSCRPC) serves as the joint planning body for the City of Springfield and Sangamon County, as well as the Metropolitan Planning Organization for transportation planning in the region.

It is committed to its on-going mission of providing the professional expertise and objective analysis that communities in the region need to assess their opportunities, sharpen their visions, and design the strategies they will need to achieve them.

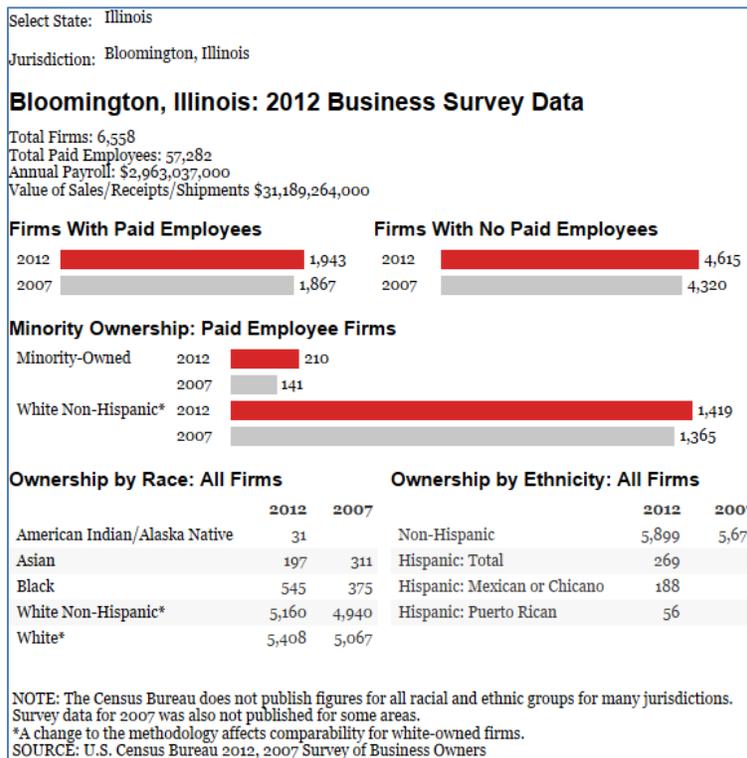
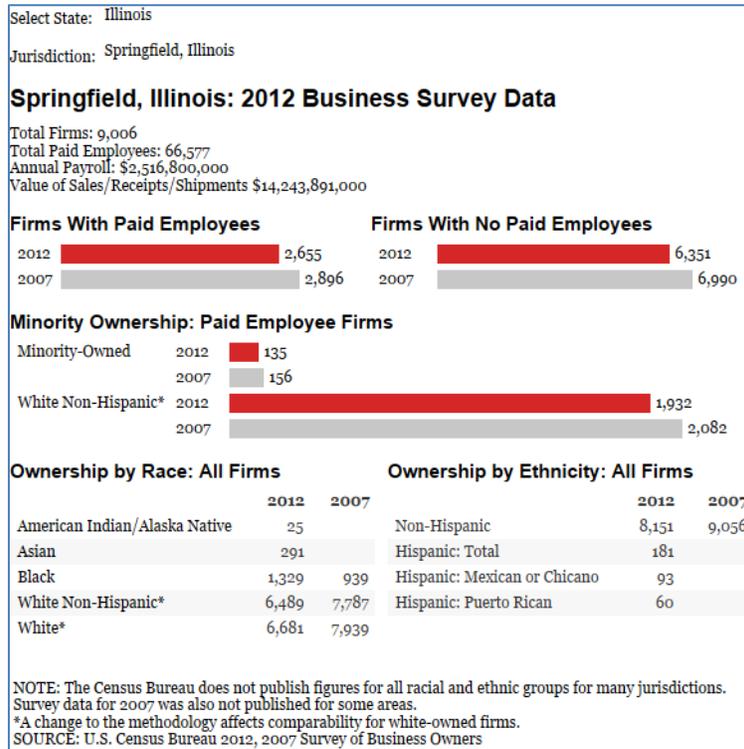
In carrying out its mission, the Commission works with other public and non-profit agencies throughout the area to promote orderly growth and redevelopment, and assists Sangamon County communities with their planning needs. Through its professional staff, the SSCRPC brings its research, analytic and planning expertise to bear on such important matters as land use, housing, recreation, transportation, economic growth and development, hazard mitigation, and environmental protection.

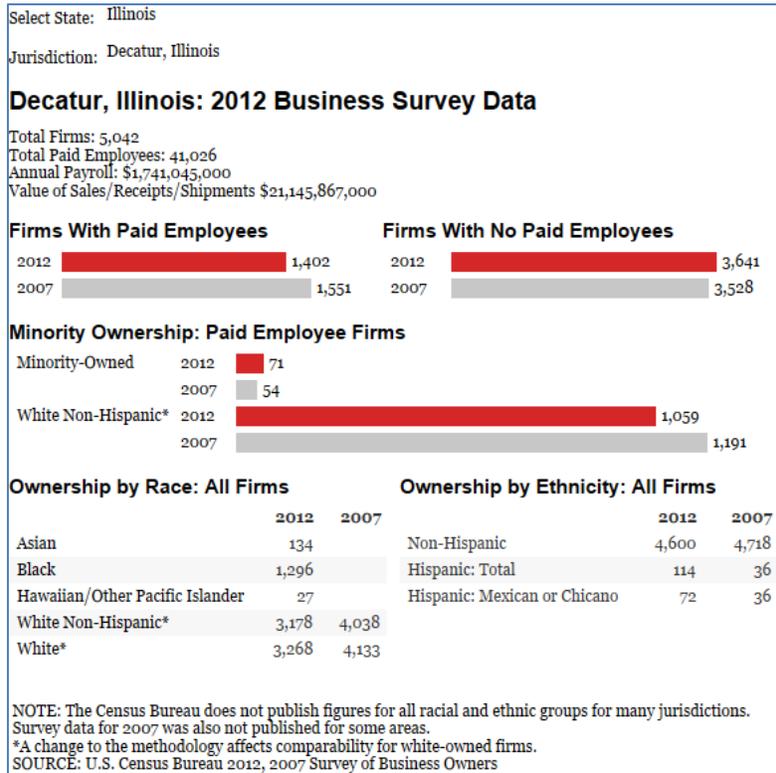
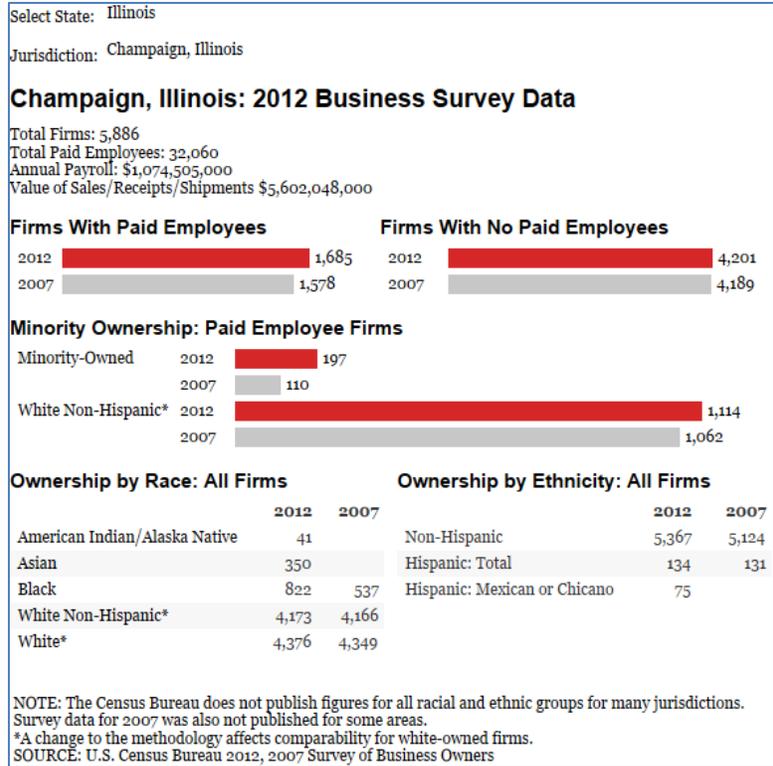
Along with publications such as this report, the SSCRPC produces many reports and studies of regional and community interest. These can be found on the Commission's website: [www.sscrpc.com](http://www.sscrpc.com).

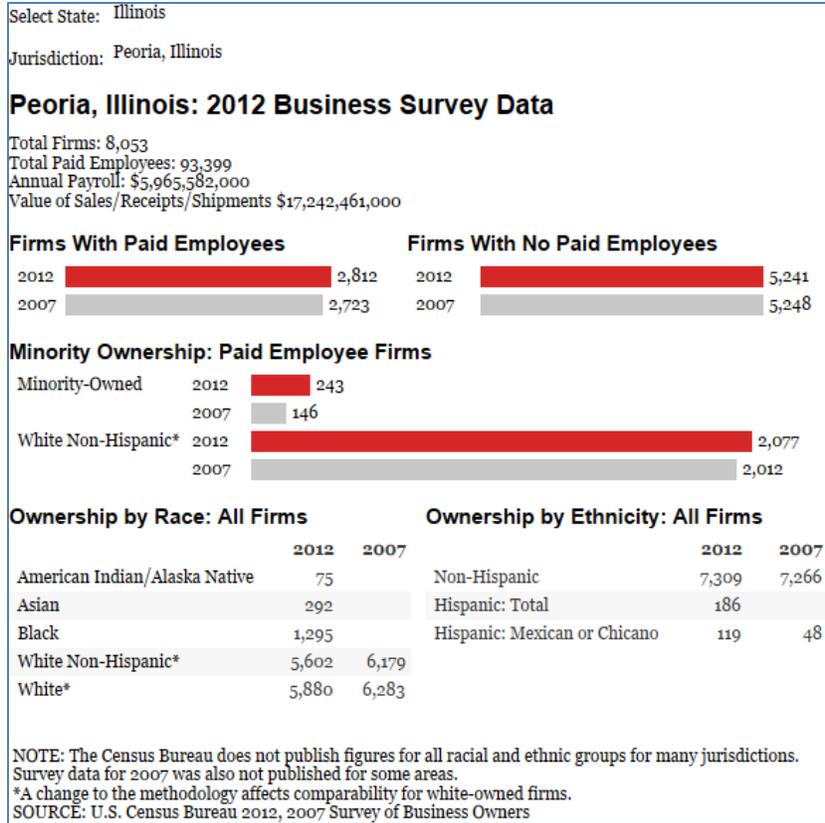
The Commission also keeps resident up-to-date on happenings in the field through its Facebook page. Parties interested in the SSCRPC's work are encouraged to visit the Commission on Facebook.

ATTACHMENT

Following Graphics and Data Courtesy of Governing.com (<http://www.governing.com>.)







**Data Notes:** Results for some cities were either not published or were suppressed. The Survey of Business Owners is conducted for companies or firms rather than for individual establishments (locations). The Census Bureau estimates numbers of businesses from a sample of different datasets; a complete census of all businesses is not conducted. A change to the methodology affects comparability from prior surveys for “white” and “some other race” ownership categories.



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