Benchmarking Philadelphia: Small businesses and wages

Pre-pandemic status, trends, and comparisons
Philadelphia’s economic context

Job Growth and Decline, 2009-19

- 2009: -1.6%
- 2010: -0.7%
- 2011: 0.5%
- 2012: 0.4%
- 2013: 0.5%
- 2014: 1.6%
- 2015: 1.9%
- 2016: 2.1%
- 2017: 2.0%
- 2018: 1.5%
- 2019: 2.4%

Philadelphia
U.S.
Philadelphia’s economic context

Poverty and Deep Poverty in Philadelphia, 2008-18

Poverty rate:
- 2008: 24.1%
- 2009: 25.0%
- 2010: 26.7%
- 2011: 28.4%
- 2012: 26.9%
- 2013: 26.3%
- 2014: 26.0%
- 2015: 25.8%
- 2016: 25.7%
- 2017: 24.5%

Deep poverty rate:
- 2008: 11.1%
- 2009: 12.0%
- 2010: 13.5%
- 2011: 13.1%
- 2012: 12.3%
- 2013: 12.2%
- 2014: 12.3%
- 2015: 12.2%
- 2016: 12.3%
- 2017: 11.1%
Small and midsize business landscape

Minimum wage comparisons

Focus on Philadelphia and current implications
Small and midsize business landscape

Minimum wage comparisons

Focus on Philadelphia and current implications
### What we studied and why it matters

<table>
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Baltimore (city)  
Boston (Suffolk)  
Denver (Denver)   
Indianapolis (Marion)  
Jacksonville (Duval)  
Lexington (Fayette)  
Philadelphia (Philadelphia)

Nashville-Davidson (Davidson)  
New Orleans (Orleans)  
New York City (5 counties)  
San Francisco (San Francisco)  
St. Louis (city)  
Washington DC (city)
What we studied and why it matters

- Employers
- Sellers and innovators
- Neighborhood and community institutions
- Personal/family/community wealth builders
- Avenue of opportunity for diverse groups
- Local conditions and impact
How important are small and midsize businesses (SMBs)?
Small and midsize business density across cities

<table>
<thead>
<tr>
<th>City</th>
<th>Density</th>
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<tbody>
<tr>
<td>Philadelphia</td>
<td>18.2</td>
</tr>
<tr>
<td>Baltimore</td>
<td>20.5</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>23.3</td>
</tr>
<tr>
<td>New Orleans</td>
<td>24.4</td>
</tr>
<tr>
<td>Boston</td>
<td>24.7</td>
</tr>
<tr>
<td>Jacksonville, FL</td>
<td>26.2</td>
</tr>
<tr>
<td>Nashville-Davidson County, TN</td>
<td>26.2</td>
</tr>
<tr>
<td>Lexington, KY</td>
<td>26.9</td>
</tr>
<tr>
<td>Washington</td>
<td>30.7</td>
</tr>
<tr>
<td>New York</td>
<td>31.3</td>
</tr>
<tr>
<td>Denver</td>
<td>36.2</td>
</tr>
<tr>
<td>San Francisco</td>
<td>38.7</td>
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</table>

Median city: 26.2

Source: U.S. Census Bureau, Statistics of U.S. Businesses and American Community Survey
Higher SMB density associated with income

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<td>36.2</td>
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<td>San Francisco</td>
<td>38.7</td>
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<tr>
<td>Median city</td>
<td>26.2</td>
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</tbody>
</table>

Source: U.S. Census Bureau, Statistics of U.S. Businesses and American Community Survey
Small and Midsize Businesses in Traded or Local Category, 2015

- St. Louis: 18% Traded, 82% Local
- Philadelphia: 19% Traded, 81% Local
- Baltimore: 23% Traded, 77% Local
- Jacksonville, FL: 24% Traded, 76% Local
- Lexington, KY: 24% Traded, 76% Local
- New Orleans: 24% Traded, 76% Local
- Indianapolis: 26% Traded, 74% Local
- New York: 28% Traded, 72% Local
- Nashville-Davidson County, TN: 29% Traded, 71% Local
- Boston: 30% Traded, 70% Local
- Washington: 33% Traded, 67% Local
- Denver: 33% Traded, 67% Local
- San Francisco: 36% Traded, 64% Local

Source: U.S. Census Bureau, County Business Patterns
Business formation steadily rose in most cities

Net business formation rate (birth rate minus death rate)

Source: U.S. Census Bureau, Statistics of U.S. Businesses
Business formation steadily rose in most cities

Net business formation rate (birth rate minus death rate)

Source: U.S. Census Bureau, Statistics of U.S. Businesses
Financial health took a hit and was recovering

Average business rating on timeliness in payments

Source: D&B ratings via National Establishment Time Series
Financial health took a hit and was recovering

Average business rating on timeliness in payments

Source: D&B ratings via National Establishment Time Series
Key takeaways

• Pre-pandemic, small and midsize establishments were increasing and reached their highest number since 1990.

• Philadelphia underperformed 12 other cities on business formation, self-employment, and other measures.

• Poverty translates into fewer people with training, access to capital, and networks to succeed in businesses.
Small and midsize business landscape

Minimum wage comparisons

Focus on Philadelphia and current implications
Sources of Variation in the Minimum Wage
Sources of Variation in the Minimum Wage

- Federal rate applies
- State rate applies
- Pre-empted by state from setting a local rate
The local minimum wage in major American cities

- *Philadelphia
- *Pittsburgh
- *San Antonio
- Oklahoma City
- Nashville
- Milwaukee
- Memphis
- Louisville
- Indianapolis
- Houston
- El Paso
- Dallas
- Austin
- Jacksonville
- Columbus
- Las Vegas
- Detroit
- Baltimore
- Phoenix
- Boston
- Denver
- San Diego
- Portland
- Chicago
- Washington
- New York
- Los Angeles
- San Jose
- Seattle

Federal rate applies
State rate applies
Local rate applies
Pre-empted by state
Comparing minimum wages to regional median wages
Changes in minimum wages, 2006-2020
Small and midsize business landscape

Minimum wage comparisons

Focus on Philadelphia and current implications
Forty percent of employed Philadelphians earn less than $15 per hour.
Share of employed Philadelphians earning minimum wage or less
The Demographics of Philadelphia Residents Earning the Minimum Wage or Less Compared With the City’s Total Working Population

<table>
<thead>
<tr>
<th>Gender</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>57%</td>
</tr>
<tr>
<td>Male</td>
<td>43%</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hispanic white</td>
<td>25%</td>
</tr>
<tr>
<td>Black</td>
<td>45%</td>
</tr>
<tr>
<td>Asian</td>
<td>10%</td>
</tr>
<tr>
<td>Other/two or more</td>
<td>2%</td>
</tr>
<tr>
<td>Hispanic (any race)</td>
<td>18%</td>
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</table>

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>16-19</td>
<td>7%</td>
</tr>
<tr>
<td>20-24</td>
<td>24%</td>
</tr>
<tr>
<td>25-34</td>
<td>30%</td>
</tr>
<tr>
<td>35-44</td>
<td>15%</td>
</tr>
<tr>
<td>45-54</td>
<td>12%</td>
</tr>
<tr>
<td>55-64</td>
<td>9%</td>
</tr>
<tr>
<td>65+</td>
<td>3%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than high school</td>
<td>15%</td>
</tr>
<tr>
<td>High school</td>
<td>38%</td>
</tr>
<tr>
<td>Some college</td>
<td>31%</td>
</tr>
<tr>
<td>Bachelor’s or higher</td>
<td>16%</td>
</tr>
</tbody>
</table>
Characteristics of the clusters of Philadelphia residents earning $7.25 or less

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Percentage of earners</th>
<th>Age</th>
<th>Household Income</th>
<th>Sex</th>
<th>Race</th>
<th>Educational attainment</th>
<th>Marital Status</th>
<th>Nativity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>24%</td>
<td>29</td>
<td>$24,732</td>
<td>Male</td>
<td>Black</td>
<td>High school</td>
<td>Single</td>
<td>U.S.</td>
</tr>
<tr>
<td>2</td>
<td>19%</td>
<td>25</td>
<td>$43,787</td>
<td>Female</td>
<td>Black</td>
<td>Some college</td>
<td>Single</td>
<td>U.S.</td>
</tr>
<tr>
<td>3</td>
<td>15%</td>
<td>55</td>
<td>$25,031</td>
<td>Female</td>
<td>Black</td>
<td>High school</td>
<td>Single</td>
<td>U.S.</td>
</tr>
<tr>
<td>4</td>
<td>15%</td>
<td>28</td>
<td>$43,752</td>
<td>Female</td>
<td>White</td>
<td>Some college</td>
<td>Single</td>
<td>U.S.</td>
</tr>
<tr>
<td>5</td>
<td>12%</td>
<td>32</td>
<td>$32,765</td>
<td>Female</td>
<td>Hispanic</td>
<td>High school</td>
<td>Single</td>
<td>Non-U.S.</td>
</tr>
<tr>
<td>6</td>
<td>11%</td>
<td>46</td>
<td>$36,585</td>
<td>Male</td>
<td>Asian</td>
<td>Less than high school</td>
<td>Married</td>
<td>Non-U.S.</td>
</tr>
</tbody>
</table>
Percent of SMB employees by industry sector

- Health: 23.0%
- Food: 16.2%
- Prof/SG/tech: 15.7%
- Retail: 13.4%
- Other services: 13.4%
- Manuf: 9.6%
- Education: 7.6%
- Admin/wage: 7.8%
- Wholesale: 5.0%
- Construction: 4.4%
- Finance: 4.4%
- Real estate: 4.0%
- Arts/recreation: 2.7%
- Transport/whs: 2.2%
- Other: 3.0%

Source: U.S. Census Bureau, County Business Patterns
Increasing median wage

Change in Number of Workers in Philadelphia, by Sector
The Percentage of Philadelphians Earning the Minimum Wage or Less and of Workers Overall in Sectors of the Local Economy

- Accommodation and food services: 20%
- Health care and social assistance: 18%
- Retail trade: 16%
- Educational services: 8%

Percentages among all workers in each category
Median Wage and Percentage of Philadelphians in Various Sectors
Questions?
Thank you