

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

OCTOBER 2016

Introduction to Urban Job Growth Strategies

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 five distinct cities (Chicago, Dallas, Detroit, Los Angeles 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 five cities, the cities differed in terms of the share of jobs created by small businesses.*
- *In four of the five 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 four of the five 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 (one to three employees per business) could create enough employment opportunities for all currently unemployed inner city residents.*

Every city is armed with an arsenal of strategies to attract and retain large businesses, but city leaders will need to adopt new tools and develop a comprehensive small business plan to effectively support the growth of small businesses. Small business support in most cities is an uncoordinated, unfocused set of programs implemented by a disparate group of private and public organizations. In this report we outline a playbook with five critical strategies city leaders should implement to maximize the job creation of small businesses in their cities.

This includes investing in businesses that are part of strong regional clusters, which will maximize job creation.

Our research was informed by empirical analysis of public and proprietary data, a thorough literature review that included relevant reports on small businesses in each city, and interviews with 52 business owners, economic development professionals, and representatives from chambers of commerce, small business development organizations, community development organizations, workforce development boards and community colleges. Interview responses are woven in throughout the report to enrich insights drawn from our quantitative analysis.

The remainder of this report is divided into four sections:

- Measuring the job creation impact of small businesses, p. 1;
- Small business job creation, p. 4;
- A playbook for supporting urban small business job creation p. 8; and
- Policy implications and future research, p. 13.

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 less 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 five cities: Chicago, Dallas, Detroit, Los Angeles and Washington, D.C. While certainly not a representative sample, the cities represent different regions in the U.S., different sizes, and different urban economies (Table 1).

Table 1. Key Characteristics of Five Cities, 2014

City	Population (Million)	GMP (\$Billion)	Poverty Rate	Unemployment Rate	Percentage of Inner City Residents
Chicago	2.7	\$610.5	22%	13%	42%
Dallas	1.2	\$504.4	23%	9%	55%
Detroit	0.70	\$236.5	39%	27%	85%
Los Angeles	3.9	\$866.7	21%	12%	34%
Washington, D.C.	0.63	\$471.6	17%	11%	44%
U.S.	314.1	—	15%	9%	31%

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 2011 American Community Survey 5-Year Estimates. National statistics for percentage of inner city residents is the average percentage of inner city residents in the 328 cities with an inner city. **Source:** U.S. Bureau of Economic Analysis; U.S. Census Bureau 2014 American Community Survey 5-Year Estimates.

Los Angeles and Chicago are the largest cities, with 3.9 million and 2.7 million residents, respectively. Dallas has 1.2 million inhabitants and Detroit and Washington, D.C. both have fewer than one million residents. Los Angeles has the strongest economy as measured by Gross Metropolitan Product (GMP) (\$866.7 billion), with Detroit trailing the group with \$236.5 billion. The Los Angeles economy is supported by several strong sectors, including the film and entertainment industry, apparel and textiles, and financial services. Chicago is investing heavily in diversifying its economy, including in high-tech industries, and its economy is bolstered by strong sectors such as education, transportation and logistics, and financial services. Dallas is a fast-growing city with an economy based on financial services, transportation and logistics, as well as the oil and gas industry. Detroit is in the midst of an economic comeback, trying to create a more diverse economy supported by traditionally strong automotive, transportation and logistics, and metal manufacturing sectors. And finally, Washington D.C. represents a unique economy—one that is heavily dependent on federal, public-sector jobs and is supported by strong business services and education sectors.

Of the five 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 five cities were higher than the national average (15 percent), ranging from 17 percent in Washington, D.C. to over double that in Detroit (39 percent). Their unemployment rates were also the same as or higher than the national average (9 percent), ranging from 9 percent in Dallas to three times that in Detroit (27 percent).

In Detroit, 85 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

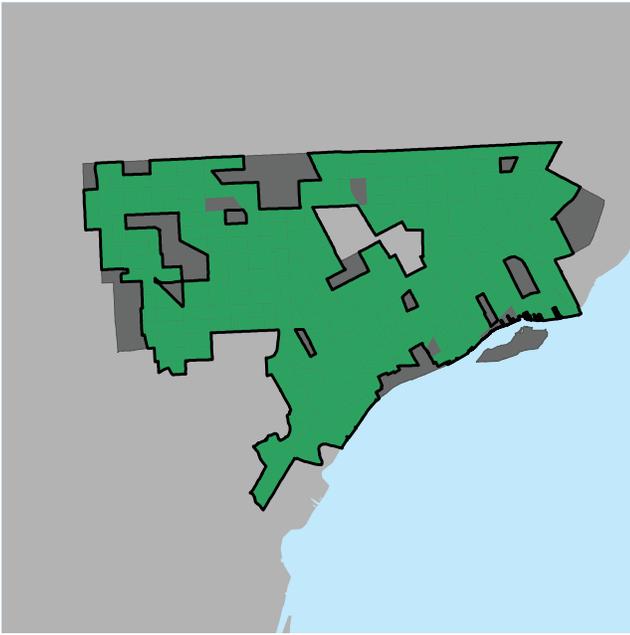
significantly higher than 55 percent in Dallas, where the inner city neighborhoods are largely concentrated in South Dallas (Map 2). Washington, D.C.'s inner city neighborhoods are predominately located in the northeast and southeast parts of the city and they account for 44 percent of D.C.'s residents (Map 3). Chicago's inner city, where 42 percent of the population lives, is largely concentrated in its southern (South Side, Southwest Side, Far Southwest Side, and Far Southeast Side) and West Side neighborhoods (Map 4). In Los Angeles, the inner city is largely concentrated near downtown neighborhoods and is home to 34 percent of the population (Map 5). All of the cities have a higher percentage of their population living in the inner city than the average for all cities (31 percent).

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 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 2011 American Community Survey data for all U.S. cities with populations greater than 75,000, ICIC identifies 328 inner cities.

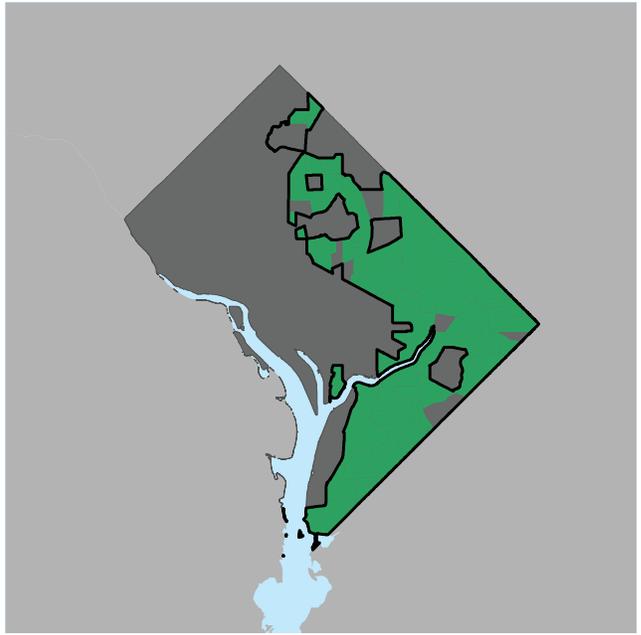
This set of cities provides a snapshot of urban small business job creation across the nation. It also allows us to explore whether their differences seem to matter in terms of small business job creation or whether small businesses have a

Map 1. Detroit and Its Inner City



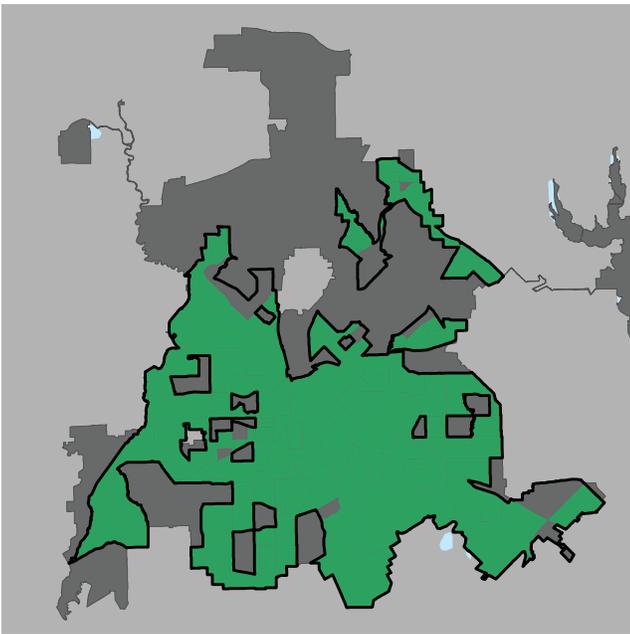
Inner City City Rest of Metro

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



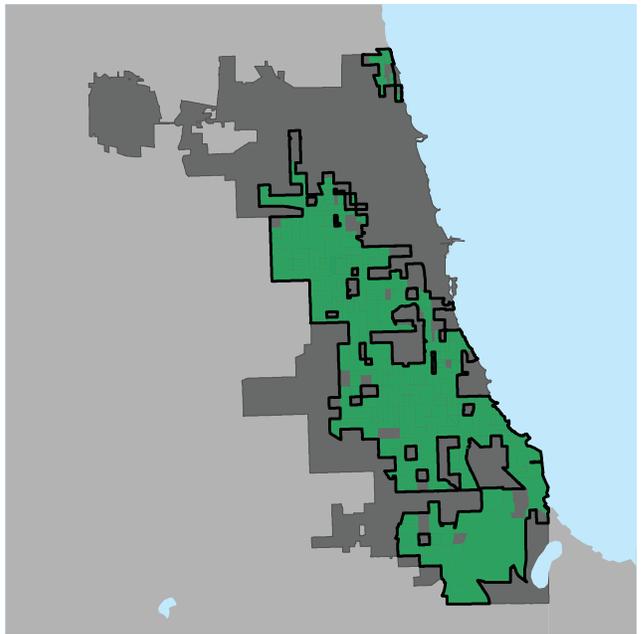
Inner City City Rest of Metro

Map 2. Dallas and Its Inner City



Inner City City Rest of Metro

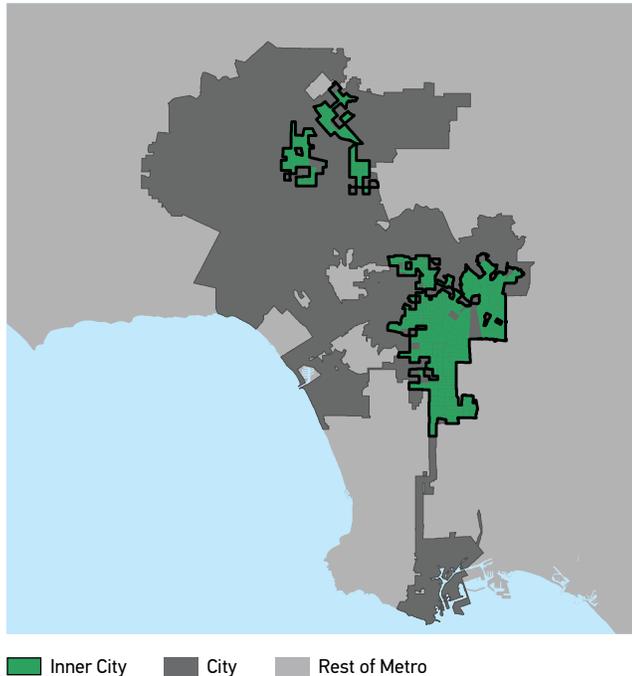
Map 4. Chicago and Its Inner City



Inner City City Rest of Metro

Notes: Inner city boundary was defined using 2011 American Community Survey 5-Year Estimates and ICIC's inner city definition. Green shows census tracts within the 2011 inner city that qualify as inner city in 2014. Source: U.S. Census Bureau 2014 American Community Survey 5-Year Estimates.

Map 5. Los Angeles and Its Inner City



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.

SMALL BUSINESSES AND LOCAL CLUSTERS

In the first report in this series, *The Missing Link: Clusters, Small Business Growth and Vibrant Urban Economies* (2014), we explored the connection between traded clusters, small businesses and urban economic growth. A cluster is a set of closely related and interconnected industries operating within a particular region (Delgado, Porter & Stern, 2012). Industries are considered to be part of a certain cluster if they are linked by externalities of various types (e.g., customers, workforce, and technology). Every cluster includes core industries as well as other industries that form a mutually beneficial business ecosystem.

Clusters are divided into two types—traded and local—based on the geography of their market. Traded clusters are groups of industries that export goods and services out of the region. Local clusters sell products and services primarily for the local market and are located in every region. There are 51

traded clusters and 16 local clusters defined by the U.S. Cluster Mapping Portal.³ While traded clusters vary by city, the same 16 local clusters are prevalent in every metro area, regardless of their competitive advantages (Clusters 101, n.d.). Small businesses exist in both traded and local clusters, since they serve both local and non-local markets.

Small Business Job Creation

Our research surfaced four interesting new insights about small business job creation. Although the distribution of businesses by size is similar across the five cities (e.g., businesses with 5 to 249 employees represent about 25 percent of all businesses), the cities differed in terms of the share of jobs created by small businesses. In four of the five 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, in these four cities, the importance of small businesses as a source of jobs is 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 five 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 25 percent of all businesses, and micro-businesses (1 to 4 employees) comprise the remaining share, roughly 75 percent (Table 2).

Interestingly, despite their similar business distribution, the share of jobs created by small businesses varies across the five cities: 48 percent in Dallas, 53 percent in Detroit, 58 percent in Chicago, 62 percent in D.C., and 74 percent in Los Angeles. For example, the difference in the share of small businesses in Dallas and Los Angeles is only one percent, but the share of jobs created by small businesses in each city differs by 26 percent. This suggests that some cities, such as Los Angeles, have more medium-sized businesses (those closer to the 249 employee cutoff), while others, such as Dallas, 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, or in industries that are part of a city's strong clusters, 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	67,738 72%	25,228 27%	92,966 99%	943 1%
Total aggregate jobs	135,881 14%	438,953 44%	574,834 58%	419,360 42%
DALLAS				
Total number of businesses	60,898 76%	18,342 23%	79,240 99%	734 1%
Total aggregate jobs	122,681 14%	303,412 35%	426,093 48%	453,119 52%
DETROIT				
Total number of businesses	14,322 74%	4,902 25%	19,224 99%	134 1%
Total aggregate jobs	28,261 14%	80,204 39%	108,465 53%	96,413 47%
LOS ANGELES				
Total number of businesses	86,506 78%	23,817 21%	110,323 100%	510 <1%
Total aggregate jobs	171,793 23%	366,678 50%	538,471 74%	193,410 26%
WASHINGTON, D.C.				
Total number of businesses	27,390 74%	9,364 25%	36,754 99%	256 1%
Total aggregate jobs	52,053 15%	168,732 47%	220,785 62%	138,107 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 Hoover's Database (2016).

THE IMPORTANCE OF SMALL BUSINESS JOBS IN CITIES

In four of the five cities—Detroit, Chicago, Washington, D.C., and Los Angeles—small businesses provide more than half of all jobs in the city. In Los Angeles, the very high percentage of small business jobs (74 percent) may be due in part to the fact that small businesses are particularly critical to the city’s film and entertainment industry. As one small business development expert there noted, “There are a lot of small businesses in the entertainment industry. The studios outsource a lot—almost everything. There is a real symbiosis between major entertainment studios and the small businesses that serve them.” 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 over

220,000 jobs. In Detroit, while small businesses represent just over half of all jobs (53 percent), they are increasingly viewed as the key to the city’s economic recovery. As one Detroit chamber of commerce professional explained, “Detroit is an automotive town and small businesses often get lost in the conversation. But small businesses are the bread and butter of the economy.”

Dallas is the only city where large businesses support more jobs in the city than small businesses. Historically, Dallas has relied heavily on attracting large businesses to the city to drive growth, which may explain this finding. The business services cluster, the region’s largest traded cluster, and the oil and gas production cluster both include large businesses, such as Xerox, Hitachi Consulting and Alon U.S.A., although the clusters also comprise numerous small businesses.⁴ And those we interviewed in Dallas said that many large companies are increasingly relying on small businesses for products and services, especially in the high-tech industry. There has been a recent explosion in the number of high-tech startups in Dallas with support from at least 14 accelerators and incubators, such as Bootstrap Dallas, the Dallas Entrepreneur Center and DFW Excellerator (Texas Wide Open for Business, 2015). One industry expert in Dallas noted that large companies will often look to these startups for new and innovative technology solutions to improve their operations.

THE IMPORTANCE OF SMALL BUSINESS JOBS IN INNER CITY NEIGHBORHOODS

Within distressed inner city neighborhoods in four of the five cities, small businesses also provide most of the jobs: 64 percent in Detroit, 70 percent in Chicago, 74 percent in D.C., and 77 percent in Los Angeles (Table 3). Small business job creation is even more important in these inner cities than in their surrounding city. For example, in Chicago, small businesses account for just 58 percent of jobs in the city overall.

JOBS CREATED BY MICRO-BUSINESSES

There are nearly three times more micro-businesses than all other small businesses in all five cities, but they don’t account for more jobs. Businesses with 5 to 249 employees create more jobs than micro-businesses: 35 percent in Dallas (versus 14 percent for micro-businesses), 39 percent in Detroit (versus 14 percent), 44 percent in Chicago (versus 14 percent), 47 percent in D.C. (versus 15 percent), and 50 percent in Los Angeles (versus 23 percent). Small businesses with 5 to 249 employees also create more jobs than micro-businesses in distressed inner city neighborhoods (Table 3).

In Dallas, the opposite is true: small businesses account for a smaller share of jobs in the inner city (38 percent) than in

the surrounding city (48 percent). This suggests that in cities where large businesses create more jobs than small businesses in the city overall (and *vice versa*), the same also holds in the inner city. In other words, inner city job creation reflects and is not distinct from job creation in the surrounding city.

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: 11 percent in D.C., 17 percent in Chicago, 22 percent in Los Angeles, 23 percent in Detroit and 25 percent in Dallas (Table 4). In Chicago and Washington, D.C., the greatest share of employed inner city residents works in businesses in the surrounding city. In Dallas, Detroit and Los Angeles, 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 Detroit, where 67 percent of employed inner city residents work in businesses located outside of the city. On average, the distance from the inner city to the city limits is four miles in D.C., 12 miles in Chicago, 10 miles in Los Angeles, and six miles in Detroit and Dallas.⁵

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 supports this premise in four of the five cities. In Chicago, Detroit, Los Angeles and D.C., the inner city labor force exceeds the number of jobs located within the inner city.⁶ This inner city “employment gap” is greatest in Chicago (-315,340 jobs), followed by Los Angeles (-267,319 jobs), Detroit (-105,905), and D.C. (-93,282). In contrast, in Dallas, there are 64,542 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 the other four inner cities. Further, several designated business parks and part of the Central Business District are also located in the inner city of Dallas.

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	14,319	5,741	20,060	100
Share of inner city businesses	71%	28%	100%	<1%
Total aggregate jobs	29,126	94,195	123,321	52,305
Share of inner city jobs	17%	54%	70%	30%
DALLAS INNER CITY				
Total number of businesses	15,904	5,764	21,668	140
Share of inner city businesses	73%	26%	99%	1%
Total aggregate jobs	32,601	97,742	130,343	209,840
Share of inner city jobs	10%	29%	38%	62%
DETROIT INNER CITY				
Total number of businesses	9,771	3,433	13,204	69
Share of inner city businesses	74%	26%	99%	1%
Total aggregate jobs	19,359	55,894	75,253	43,061
Share of inner city jobs	16%	47%	64%	36%
LOS ANGELES INNER CITY				
Total number of businesses	28,510	9,230	37,740	197
Share of inner city businesses	75%	24%	99%	1%
Total aggregate jobs	58,408	147,164	205,572	60,521
Share of inner city jobs	22%	55%	77%	23%
WASHINGTON, D.C. INNER CITY				
Total number of businesses	5,573	1,548	7,121	29
Share of inner city businesses	78%	22%	100%	<1%
Total aggregate jobs	10,550	24,964	35,514	12,660
Share of inner city jobs	22%	52%	74%	26%

Notes: Inner city is defined by ICIC using data from the 2011 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 Hoover’s Database (2016).

Table 4. Inner City Employment

	Chicago	Dallas	Detroit	Los Angeles	Washington, D.C.
Total inner city jobs	175,626	340,183	118,314	266,093	48,174
Inner city labor force	490,966	275,641	224,219	533,412	141,456
Employed inner city residents	388,227	241,362	155,722	446,345	116,219
Inner city residents employed in the inner city	64,891 (17%)	59,593 (25%)	35,499 (23%)	99,970 (22%)	12,391 (11%)
Inner city residents employed in the rest of the city	175,675 (45%)	53,525 (22%)	15,338 (10%)	129,260 (29%)	63,148 (54%)
Inner city residents employed outside of the city	147,661 (38%)	128,244 (53%)	104,885 (67%)	217,115 (49%)	40,680 (35%)
Unemployed inner city residents	102,739	34,279	68,497	87,067	25,237
Inner city employment gap (jobs minus labor force)	-315,340	64,542	-105,905	-267,319	-93,282

Notes: Inner city is defined by ICIC using data from the 2011 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 Hoover's Database (2016). To calculate the inner city labor force we added the total employed (2014 U.S. Census Bureau OnTheMap data) and unemployed (2014 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 start 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 (2014). 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.

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). A study of 100 metro areas finds a higher share of accessible jobs in the suburbs than in the city (Tomer et al., 2011). A recent study in Detroit shows that the city suffers from a lack of entry-level job opportunities, which often forces residents to seek employment outside of the city (Coxen et al, 2016). Further, there is also a stark skills gap between Detroit residents and available middle-skill jobs (i.e., jobs that require more education and training than a high school diploma but less than a four-year degree). Middle-skill occupations are expected to grow over the next decade, but 22 percent of Detroit residents age 25 and over lack a high school diploma or GED (JPMorgan Chase, 2015a). No studies have shown that jobs in the surrounding city and metro area pay more or offer more benefits than inner city jobs. ICIC's analysis of inner city firms finds that on average they pay their employees (excluding management) \$56,860 in annual wages and 70 percent offer both healthcare and retirement benefits.⁷

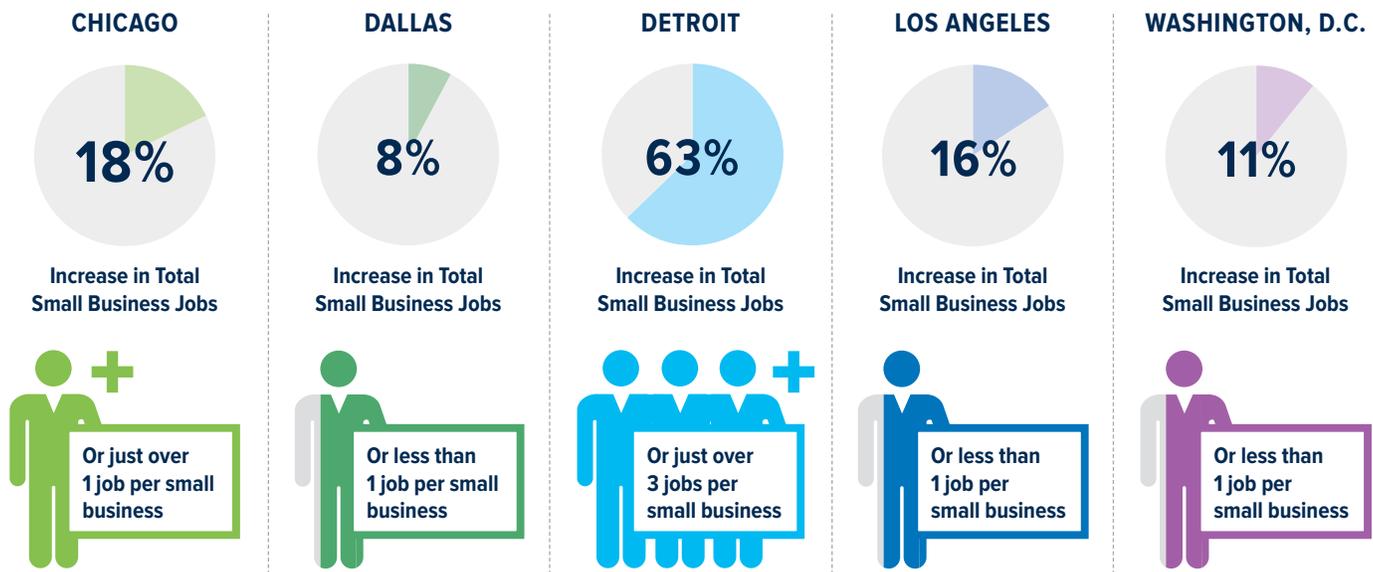
THE POTENTIAL IMPACT OF SMALL BUSINESS GROWTH ON INNER CITY UNEMPLOYMENT

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 Washington, D.C., small businesses already employ 220,785 people. It would only require an 11 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 higher 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 our 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).

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



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. As one Detroit economic development expert explained in our interview, “Public transportation in Detroit is not great. You either have to rely on taking a bus or drive or walk. So getting to work needs to be worthwhile in terms of salary.” 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], 2010a). 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.

A Playbook for Supporting Urban Small Business Job Creation

As they do with large businesses, city leaders can influence the growth of the small businesses in their city, in terms of number of establishments and employment, just as they currently do with large businesses. But this requires an intentional approach and new strategies for small businesses beyond those used for supporting large businesses. Too frequently, urban small business programs focus on building

the capacity of entrepreneurs through educational programs and not on the business environment. But the latter matters as much as the former. In addition, the strategies cities are currently using (e.g., innovation districts) may not be supporting businesses in the right sectors for their economy. Not every city will be the next San Francisco or Boston. We recommend five specific levers city leaders can engage to maximize the growth of their city’s small businesses. The five cities we studied have implemented some, but not all, of the recommendations. When they have been implemented, we highlight compelling examples under each recommendation.

1. CREATE A COMPREHENSIVE SMALL BUSINESS PLAN BASED ON ECONOMIC ASSETS

Cities need a comprehensive plan for supporting small businesses. Not all small businesses are poised for growth and, as our analysis shows, those with more than five employees create the most urban jobs. Businesses of this size need to be at the core of any small business plan. Typically, programs designed for supporting small businesses do not differentiate by business size. In addition, these programs are often not tailored to address the unique challenges faced by small businesses at different stages of growth or those located in distressed inner city neighborhoods.

These plans also need to be connected to the city’s broader economic development plan, and most importantly, informed by regional and city economic assets (i.e., strong industries or clusters) (see *The Missing Link*). Aligning small business initiatives with traded cluster strategies should increase their

effectiveness because it would provide a strategic direction that connects small business growth to a city's unique competitive advantages. In turn, this effort should strengthen the effectiveness of a city's cluster development strategy because traded clusters include many small businesses. Finally, recent research shows that employment, including in the inner city, is maximized when the same strong regional, city, and inner city clusters are connected (Delgado and Zeuli, 2016).

While none of the cities we studied have a comprehensive small business plan, all have economic development plans that align with cluster growth strategies and include a focus on small businesses. Chicago's 2012 Plan for Economic Growth and Jobs completely aligns its economic growth plans with cluster growth strategies. It is focused on business growth for both small- and medium-sized businesses and large corporations (World Business Chicago, 2012).

Dallas' Strategic Engagement economic development plan adopted by the Dallas City Council in 2013 includes six economic development goals including supporting small business growth (City of Dallas Office of Economic Development, 2013). Its cluster initiatives are not explicitly aligned with its small business initiatives. The plan supports small businesses of all types by providing entrepreneurship support and building a strong small business and startup environment.

FINDINGS FROM THE MISSING LINK: CLUSTERS, SMALL BUSINESS GROWTH AND VIBRANT URBAN ECONOMIES

This study argues that cities should align their cluster development plans with small business development strategies. Interconnected businesses mutually benefit from a skilled workforce and advances in technology, which spurs local economic growth. Nearly half of high performing clusters in the nation's ten largest metro areas grew roughly three times faster than the metro economies between 2003 and 2011. Small businesses, especially early in their life cycle, uniquely benefit from the way clustering initiatives, such as small business incubators, provide low-cost or free access to research, development and new markets. Part of the intrinsic value of clustering strategies is that they allow for the sharing of ideas and access to relevant business education. Finally, cluster-based small business growth tends to deliver outsized job growth.

In Los Angeles, the City aligns its small business initiatives with its cluster development strategies. For example, as we wrote in *The Missing Link*, the City recognizes that the most effective method for growing its aerospace and defense cluster is by helping small businesses grow because the industry's few large firms are supported by numerous smaller firms. The most recent Los Angeles County Economic Development

Corporation (LAEDC) five-year strategic plan establishes seven main goals, the third of which is to accelerate innovation and entrepreneurship (Los Angeles County Economic Development Corporation [LAEDC], 2016). Small business growth is a key component of this goal. The report identifies several initiatives to work towards this goal, including supporting a culture of entrepreneurship, invention, and startups and leveraging the region's strengths in ethnic diversity in entrepreneurship. The plan also includes business friendly local government best practices to reduce the challenges businesses face and broadly support business success and growth. These best practices include a reduction in bureaucratic processes and improved accessibility to resources and information for businesses. The plan also highlights the importance of procurement to help connect businesses (from startups to established firms) to leading industry clusters and government contracts.

The Detroit Future City (DFC) Strategic Framework, generated through a collaborative process that included input from the City of Detroit, nonprofit and philanthropic organizations, and over 1,000 Detroit residents, is a comprehensive guide that outlines the City's plan for sustainable development (Detroit Future City, 2013). One of the Framework's five planning elements focuses on economic development through place-based strategies, local and minority business participation, workforce development and land use strategies. The Framework targets the growth of ten clusters by aligning implementation strategies, such as workforce training, to the clusters, and establishing cluster-based collaboration with labor market intermediaries.

In January 2014, the DFC Implementation Office opened to steward the 50-year Strategic Framework plan. One of the DFC Implementation Office's priorities is to encourage local entrepreneurship and minority business participation by making recommendations for updates to the zoning codes to support small businesses, providing more resources for existing small businesses (university collaboration, funding, and other resources), and supporting the development of low-cost shared spaces for clusters with high levels of self-employment. The plan also includes applying a wide spectrum of strategies and investments to transform and stabilize commercial corridors in Detroit to support local small businesses.

Washington, D.C.'s 2012 Five-Year Economic Development Strategy for the District of Columbia outlines both sector- or cluster-specific growth strategies and small business growth strategies (Office of [former] Mayor Vincent C. Gray, 2012). The plan targets five sectors and identifies loosely defined clusters (e.g., cybersecurity, technology) within them. The plan is designed to support both large and small businesses;

however, many small business strategies are aligned with specific sectors. For example, the plan identifies helping small businesses in the federal government and federal contractors sector by encouraging proximity clauses in federal contracts and helping businesses obtain federal certifications. Within the technology sector, the plan identifies leveraging accelerators, developing a program to provide affordable office space to early-stage tech entrepreneurs and providing meeting space and mentorship opportunities. The plan supports creative and culinary businesses in the hospitality sector by establishing a creative corridor for creative and arts professionals and organizations and by establishing a culinary incubator. Similar initiatives, such as expanding procurement opportunities and developing office space, exist across the other sectors to support small businesses. The City is currently holding public convenings to inform its new economic development strategy.

2. EXPAND CONTRACTING OPPORTUNITIES FOR SMALL BUSINESSES

Small businesses often do not have the same advantages as larger companies in identifying and winning contracts with government, large companies, or anchor institutions. Such contracting opportunities are important drivers of growth because they provide a guaranteed revenue stream. A recent study in Newark, New Jersey found that just a ten percent increase in anchor institution contracts with local, small businesses would result in an additional \$33 million flowing to these businesses annually (Zeuli, Ferguson, & Nijhuis, 2014).

One example of the type of program that is needed to support local purchasing is Chicago Anchors for a Strong Economy (CASE). The program, led by World Business Chicago and 15 anchors (universities, hospitals, government agencies and large corporations), aims to build a local business-to-business supplier network and provides small businesses with capacity-building workshops to better prepare businesses for doing business with anchors (Chicago Anchors for a Strong Economy, n.d.).

In Detroit, a similar initiative, the D2D (Detroit-to-Detroit) program, led by Detroit Economic Growth Corporation, connects Detroit companies with local suppliers with the goal of increasing the levels of local purchasing and building the capacity of local suppliers to respond to new growth opportunities. The program targets \$1 billion in Detroit-to-Detroit business spending (About D2D, n.d.).

In D.C., another type of anchor initiative focused on “inclusive innovation” was launched by American University’s Center for Innovation in the Capitol in partnership with the Deputy Mayor of Greater Economic Opportunity in May 2016. Project 500 will connect 500 small businesses in disadvan-

tagged areas with training and resources. The program will focus on upscaling businesses in Washington D.C.’s Southeast neighborhood by providing technical assistance, workshops, one-on-one mentoring and sources of funding (Medici, 2016). Training is provided by the Center and small businesses will have access to additional university and city resources (Acosta, 2016).

To help small businesses compete against larger businesses in their County contract bidding process, Los Angeles County offers a Local Small Business Enterprise (LSBE) Preference program, administered by the Department of Consumer and Business Affairs (DCBA). LSBE certified businesses are eligible for a 15 percent bid price reduction during the evaluation process to make them more competitive with larger businesses that can afford to submit lower bids (County of Los Angeles Department of Consumer and Business Affairs, n.d.). Certified LSBEs are also entitled to receive payment within 15 days of receipt of an undisputed invoice. In order to better prepare small businesses for government contracting, the DCBA also operates the Los Angeles County Procurement Technical Assistance Center (PTAC). PTAC provides counseling services, workshops, and training to small businesses on selling goods and services and on county, state and federal certification processes (About Small Business Services, n.d.).

A similar program to the LSBE Preference program also exists in Washington, D.C. The Certified Business Enterprise (CBE) Program provides preferences for D.C.-headquartered firms pursuing D.C. government contracts. The CBE program provides a percentage of price reduction or preference points up to 12 percent or 12 points (Get Certified, n.d.). Although these programs make small businesses more competitive in a bidding process, they typically require financial statements, which some small businesses may not have or may not be willing to provide the government.

3. DESIGN WORKFORCE PROGRAMS FOR SMALL BUSINESSES

Given the importance of small businesses to urban employment, it is essential to develop workforce programs to support them, especially those businesses located in distressed inner city neighborhoods. Typically, small businesses neither have the internal resources to recruit employees from non-traditional pipelines nor the resources or capacity to train new employees, especially those lacking foundational job skills. Workforce organizations also need to develop programs specifically for the inner city labor force, which may need more comprehensive skills-based training.

Workforce Development Boards (WDBs), which exist at state and local levels, are the primary resource guiding workforce development in urban areas.⁸ They provide oversight for a

system of federally-funded job placement centers and direct federal, state and local funding to workforce development programs. The job placement centers are designed as “one-stop shops” offering a comprehensive array of employment services to a range of job-seekers, including matching them to employers. WDBs need to make sure that the centers meet the specific needs of small businesses and that small business owners are made aware of the services available at these centers and through other workforce development programs. An economy of scale continues to shape how workforce development organizations design outreach to the business community. Few have targeted strategies designed to support small businesses looking for workforce solutions. As one workforce development professional shared, “With small businesses, it requires a longer engagement over time, and you see fewer big outcomes than say, connecting with Chipotle and placing 20 people.”

In Chicago, the Chicago Cook Workforce Partnership, which implements federally-funded workforce programs in the City of Chicago and Cook County, has been very intentional in its engagement with small businesses. According to a representative at the Partnership, the organization’s primary strategy is to build partnerships with local chambers of commerce and business associations. The Partnership has also streamlined the processes and paperwork required by small business owners looking to engage its services. Popular services for small businesses include On-the-Job Training (a program that reimburses employers up to 50 percent for job training costs for individuals hired through the public workforce program), creating job descriptions, pre-screening candidates, and assisting with the interview process. Looking to grow its small business outreach, the Partnership is also currently exploring a partnership with Small Business Majority, a national small business advocacy organization.

Numerous types of workforce development programs and resources exist in every city. Some cities have started to map their workforce ecosystems to identify gaps in programming and opportunities for collaboration, and to provide a comprehensive set of resources for all businesses. In Dallas, for example, Workforce Solutions Greater Dallas (Dallas County’s WDB), launched an effort to map the city’s workforce ecosystem in 2014 (JPMorgan Chase, 2015b). It also continuously monitors and analyzes the needs of the region’s workforce and businesses in order to develop its workforce training programs. Like other cities, it has created industry-specific programs and targets occupations in eight industries or clusters (Workforce Solutions Greater Dallas, 2016). Programs are not targeted for businesses of a certain size, but approximately 70 percent of businesses in Dallas that work with Workforce Solutions Greater Dallas employ fewer than 250 employees.⁹

Many residents of distressed inner city neighborhoods require more intensive models of training and workforce readiness beyond what traditional workforce development programs can offer. The small businesses we interviewed try to hire a significant proportion of their employees from local neighborhoods, but many voiced their frustration with trying to find employees with the necessary hard and soft skills. In Washington, D.C., several initiatives and programs have been created to address this situation. The “One City One Hire” initiative, supported by the Department of Employment Services, uses tax incentives, wage subsidies, pre-employment training, and work-readiness preparation to close gaps between job seekers’ skills and opportunities (Office of [former] Mayor Vincent C. Gray, 2012). Between 2011 and 2014, over 10,000 Washington, D.C. residents were hired through the program (DeBonis, 2014). The initiative is citywide, but emphasis is placed on providing additional job training to residents in neighborhoods with higher rates of unemployment (Mallory, 2011). The program has been credited for helping to improve unemployment in Washington, D.C.’s inner city (Wards 5, 7 and 8) (Wright, 2012).

In addition, the D.C. First Source Employment Program connects economically-disadvantaged residents with new jobs generated by government contracts. Established in 1984 by then Mayor Marion Barry, First Source requires that at least 51 percent of all new jobs created on government-assisted projects be filled by D.C. residents (District of Columbia Department of Employment Services, n.d.). The program, administered by the Department of Employment Services, helps businesses recruit, pre-screen and refer qualified applicants to new job openings (Liu and Damewood, 2013). First Source exists in cities across the country, but the only other city in our sample that supports this program is Los Angeles.

The inner city labor force also includes those deemed “hard to employ” because of marginal job skills, incarceration, drug use, or homelessness. Transitional job programs have been created that offer intensive skills training and support services. Some of the inner city small business owners we interviewed found success partnering with transitional job programs. In Los Angeles, for example, LA:RISE (Los Angeles Regional Initiative for Social Enterprise) has helped one of the businesses hire formerly incarcerated individuals. LA:RISE, funded by a \$6 million grant from the Department of Labor’s Workforce Innovation Fund, is an employer-driven workforce development program led by the Los Angeles Economic and Workforce Development Department that works with nonprofit social enterprises and for-profit employers to transition homeless, chronically unemployed, and formerly incarcerated individuals to unsubsidized employment. Launched as a five-year demonstration project in 2014,

LA:RISE is designed to ultimately match 500 residents with jobs (LA:RISE, n.d.). Participants in the program are currently engaged in transitional social enterprise jobs, but over the next year LA:RISE hopes to transition at least 250 participants into permanent, unsubsidized jobs. Such resource intensive programs, however, can prove difficult to scale and their results have been uneven. They have yet to make a big dent in the very large problem of transitioning the “hard to employ” into full-time jobs.

4. COORDINATE RESOURCES AND EASE BURDENSOME REGULATIONS

Small business development initiatives are often comprised of an uncoordinated set of programs developed by a disparate group of private and public organizations, limiting their effectiveness (ICIC, 2014). The lack of coordination makes it difficult for businesses to navigate the business assistance landscape. Often there is not a shortage of resources, but a shortage of information. City leaders need to streamline these programs, eliminate redundancies and fill gaps in support across public and private sectors. They also need to make sure regulations, especially around hiring and contracts, are not unduly burdensome for small businesses.

For example, one business owner in Los Angeles says she often ends up reading online, and “praying” that she is in compliance with laws and regulations regarding employee benefits and insurance. Large companies, she notes, often have one or two people entirely dedicated to creating the systems necessary to ensure compliance. When people suggest to this business owner that she go to her local Small Business Administration (SBA) office, she says, “I don’t have time to do that, I am running a business!” Though resources often already exist, the ability to find and take advantage of services is critical for small businesses.

The Dallas Office of Economic Development launched Dallas B.R.A.I.N. (Business Resource and Information Network) to provide centralized resources and information for Dallas small businesses, especially micro-businesses. A business resource and information network, it helps to coordinate the 127 small business assistance organizations in the Dallas area (Connect to Resources, n.d.). This tool is maintained by SourceLink, which operates similar Resource Navigators in other cities including Baltimore and Kansas City (SourceLink Resource Identification and Assessment Tools, n.d.). According to one small business development expert, the Dallas small business support community has historically been fragmented, but has become more coordinated with the launch of B.R.A.I.N. As one Dallas business owner noted, “I don’t know of any resource that is missing. The programs and resources

are there to support small business growth.” Dallas B.R.A.I.N. began online but now also has a physical location at the Dallas Public Library. It is beginning to expand to neighborhood libraries in order to make resources more accessible for inner city businesses and entrepreneurs. Neighborhood assistance is tailored to the business needs of businesses located in each neighborhood.

Detroit BizGrid, an online directory designed to help entrepreneurs navigate the landscape of business assistance organizations in Detroit, includes 54 organizations supporting Detroit-based small businesses (Detroit BizGrid, 2013). In addition, the Detroit Economic Growth Corporation is working to transition from the delivery of disparate small business programs to a more cohesive and integrated strategy (Detroit Economic Development Corporation, 2016).

In Chicago, the City has recognized that it can often create bottlenecks due to outdated regulations that can get in the way of business growth. Mayor Rahm Emanuel prioritized business regulation reform in his second term and launched the Small Business Center (SBC) as a “one-stop-shop” where businesses can access city services for zoning, health, fire and licenses (About SBC, n.d.). Previously, business owners had to access several different departments to find these services. A report by the Harvard Kennedy School found that these efforts have been generally very effective in supporting small businesses. Express lanes at the SBC allow 25 percent of walk-ins to be addressed in under ten minutes, and the addition of staff members who have expertise in zoning and health regulations has eliminated frustrations experienced by business owners as they apply for new licenses. The City has emphasized strong training for SBC staff to help business owners. The report concludes that the Chicago regulatory reform strategy has been a success, as “small business owners report that the licensing process is more streamlined, efficient, and user-friendly” (Goldsmith, 2015).

In 2016, the SBC launched a new initiative, “Small Business Center on The Road.” It is a series of five free expos in neighborhoods throughout Chicago that is part of the Mayor’s agenda to support neighborhood businesses and economic development. The initiative offers entrepreneurs and business owners the opportunity to consult, network and gather information from more than 40 government and nonprofit agencies in one location (Stambaugh, 2016).

5. UPGRADE THE INNER CITY BUSINESS ENVIRONMENT

Cities need to make sure that there is a supportive business environment in inner cities for small businesses. This includes upgrading infrastructure (buildings, technology, and transportation), reducing crime, and adding amenities

such as restaurants. Inner city infrastructure quality is often worse than the rest of the city and region (ICIC, 2010b). Inner city neighborhoods may also have higher crime rates and lack amenities, making them less competitive places for businesses. In a recent survey, inner city business owners cited crime, parking and traffic problems, and negative perceptions of their neighborhood as the main disadvantages they face being located in the inner city.¹⁰ Cities need to identify the specific business environment improvements needed in their inner cities that would support small business growth and attract more businesses to these areas.

None of the five cities we studied had specific City-led plans for investing in comprehensive, inner city business environment improvements. However, every city has plans for inner city job creation and economic development plans for specific inner city neighborhoods. For example, the City of Chicago passed an ordinance this year that will allow developers to obtain additional square footage for downtown construction projects in exchange for investments to support neighborhoods in need of jobs and economic growth. The new ordinance is expected to increase commercial development projects in Chicago's inner city neighborhoods (Mayor's Press Office, 2016). Washington, D.C. has created Small Area Plans for each of the city's wards that include infrastructure and capital investments, such as façade or streetscape improvements, and commercial development projects for small neighborhoods or corridors located in each ward. Since most of Detroit comprises distressed inner city neighborhoods, the Detroit Future City (DFC) Strategic Framework implicitly includes investment plans in these areas. Dallas stands out for their comprehensive strategy for economic development in the city's distressed neighborhoods located in south Dallas. The GrowSouth initiative, launched by the City in 2012, focuses on neighborhood development projects to bring infrastructure and capital improvements to jumpstart growth in key neighborhoods (The GrowSouth Plan, n.d.).

Policy Implications and Future Research

The findings outlined in this report strongly suggest that city leaders need 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 find that in terms of job creation, small businesses rival the impact of large businesses, and for most of the cities in our sample, small businesses create an even greater share of jobs in high poverty, high unemployment inner city neighborhoods. Cities should focus on scaling small-to-medium sized businesses, especially those located in inner cities.

This will require city leaders to adopt new tools and a comprehensive small business plan. Small business support in most cities is an uncoordinated, unfocused set of programs implemented by a disparate group of private and public organizations. We outline a playbook with five critical strategies city leaders should implement to maximize the job creation of small businesses in their cities. This playbook builds on findings from the first report in the series, *The Missing Link: Clusters, Small Business Growth and Vibrant Urban Economies* (2014).

Four key findings about urban small business job creation emerged from our research. ***Although the distribution of businesses by size is similar across the five cities, the cities differed in terms of the share of jobs created by small businesses.*** In all five cities, large businesses (250 or more employees) represent one percent or less of all businesses, businesses with 5 to 249 employees represent about 25 percent of all businesses, and micro-businesses (1 to 4 employees) comprise the remaining, roughly 75 percent of all businesses. However, the share of jobs created by small businesses varies across the five cities: 48 percent in Dallas, 53 percent in Detroit, 58 percent in Chicago, 62 percent in D.C., and 74 percent in Los Angeles. This suggests that some cities, such as Los Angeles, have more medium-sized businesses, those closer to the 249 employee cutoff, while others, such as Dallas, have more businesses closer to the five employee mark. More research is needed to better understand the external drivers behind these differences and to consider narrower subsets of small businesses within the 5 to 249 employee category.

In four of the five 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 spite of the large number of micro-businesses, we found that the “medium-sized” small businesses (5 to 249 employees) create more jobs than micro-businesses in every city we studied. Dallas is the only city we analyzed where large businesses supported more jobs in the city than small businesses. More research is needed to understand why the share of jobs supported by small businesses varies across cities, including the impact of cluster dynamics and regional economies. A deeper dive into the Dallas economy and small business ecosystem could uncover important implications for supporting small business growth in other cities with similar characteristics.

In four of the five cities, the importance of small businesses as a source of jobs is greater in distressed inner city neighborhoods than in the city overall. Dallas is the only city in our sample where large businesses create more jobs in the inner city than small businesses. This suggests that in cities where large businesses create more jobs than small businesses in the city overall (and *vice versa*), the same also holds in the inner city. In other words, inner city job creation reflects and is not distinct from job creation in the surrounding city.

A modest increase in the number of employees hired by existing small businesses (one to three employees per business) could create enough employment opportunities for all currently unemployed inner city residents. We understand that this is a provocative statement, based on strong assumptions and static data. Yet, our simple analytical exercise shows that inner city unemployment is not insurmountable and small businesses could be an important part of the solution. We also recognize that connecting unemployed residents in distressed inner city neighborhoods to jobs is one of our nation's greatest challenges and stronger workforce development programs will be needed to turn job growth into employment opportunities for inner city residents.

Our research will hopefully stimulate additional inquiry into urban small business job creation. An important extension of our work would be to measure job creation more formally, building on the work of academic studies (e.g., Neumark, Wall and Zhang, 2011) using new jobs, destroyed jobs, and continuing jobs. In addition, recent research finds that net job creation is a factor of business age (the youngest businesses create the most jobs) and not business size (Haltiwanger, Jarmin, and Miranda, 2013). Further research is needed to look at the relationship between job share, business size and business age. Finally, more research is needed to understand the spatial dynamics of small business employment. A cursory analysis of relevant data suggests that more people may be employed by small businesses in urban areas than in the suburbs.

Small businesses also create jobs indirectly, by supporting the growth of larger employers through business-to-business transactions and from the spending of the employees working at the businesses.¹¹ Small businesses play an important role in the supply chains of larger businesses and significantly contribute to the overall growth of employment and wages (Delgado and Mills, 2016). Many of those we spoke to also mentioned that small businesses serve as critical subcontractors, helping other companies fulfill large contracts. Further,

small businesses that serve consumers (e.g., restaurants, retail, and local services, such as dry cleaners) create amenities that make neighborhoods more attractive places to do business (Cortright & Mahmodi, 2016). Additional research is needed to fully analyze the importance of large corporate supply chains to growth opportunities for small businesses.

As one economic development professional we interviewed stated, "When cities are thinking about economic development, they are thinking about generating tax revenue. To generate tax revenue, you need businesses of a certain size and scope. Economic developers are far more excited about bringing a Wal-Mart in because it will create sales tax revenue in a big way." Indeed, in our sample of cities, the revenue generated by small businesses represented a relatively small share of total aggregate business revenue, ranging from six percent in Detroit to 27 percent in Los Angeles. However, the revenue figures of large businesses may represent revenue generated by the entire business and not just for operations within the city. As a result, the revenue impact in a city from large businesses with multiple establishments may be overstated. We would also argue that potential revenue gains need to be weighed against total potential job creation impacts—direct and indirect—when city leaders decide how best to allocate resources to support small and large business growth.

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 A recent academic study also found that net job creation, measured formally, is highest for the smallest businesses (0 to 19 employees) and decreases sharply with business size (Neumark, Wall, and Zhang, 2011).
- 3 The U.S. Cluster Mapping Portal is a national economic initiative based at the Institute for Strategy and Competitiveness at Harvard Business School. Source: What are local and traded clusters? (n.d.). Retrieved August 29, 2016 from the U.S. Cluster Mapping website: <http://clustermapping.us/content/faq#localvstraded>.
- 4 ICIC analysis using 2014 U.S. Cluster Mapping Portal data, 2016 Dun and Bradstreet Hoover's Database and cluster definitions from Delgado, Porter and Stern (2013). Source: Delgado, M., Porter, M.E., & Stern, S. (2013). Defining clusters of related industries. Working Paper. Retrieved from the U.S. Cluster Mapping website: <http://www.clustermapping.us>
- 5 Distance from inner city to city limits is calculated as the average distance between the geographic center of the inner city and the perimeter of the city.
- 6 To calculate the inner city labor force we added the total employed (2014 U.S. Census Bureau OnTheMap data) and unemployed (2014 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 start 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 September 1, 2016 from the U.S. Census Bureau website: www.census.gov/people/laborforce/about/acs_employ.html.
- 7 Data collected from 162 businesses for the 2014 business year as part of ICIC's 2015 Inner City 100 program, which analyzes the fastest growing inner city businesses from across the country (www.icic.org). Average annual wage is for all full-time salaried positions, excluding senior management.
- 8 The Workforce Investment Act (WIA), passed in 1998, is the largest single source of federal funding for workforce development activities. It also established a system of one-stop career centers, which provides access to training and employment services for a range of workers. In 2014, the Workforce Innovation and Opportunity Act (WIOA) was signed into law, reauthorizing WIA for six years. Source: Workforce Innovation and Opportunity Act. (n.d.). Retrieved September 24, 2016 from National Skills Coalition website: <http://www.nationalskillscoalition.org/federal-policy/workforce-investment-act>.
- 9 Data provided by staff from Workforce Solutions Greater Dallas on August 24, 2016.
- 10 Data collected from 162 businesses for the 2014 business year as part of ICIC's 2015 Inner City 100 program.
- 11 Technically, these are indirect and induced effects. Small and local businesses spend at other businesses, purchasing their goods and services (indirect) and their employees also purchase goods and services at other businesses (induced).

References

- About D2D. (n.d.). Retrieved September 5, 2016 from the D2D website: <http://d2dbusiness.org/about/>
- About SBC. (n.d.). Retrieved September 22, 2016 from the City of Chicago Small Business Center website: https://www.cityofchicago.org/city/en/depts/bacp/sbc/contact_us.html.
- About Small Business Services. (n.d.). Retrieved September 1, 2016 from Los Angeles County Office of Small Business Procurement Technical Assistance Center website: <http://osb.lacounty.gov>
- Acosta, E. (2016). American University's Center for Innovation in the Capital Partners with D.C. Government to Support Small Business Development. Retrieved September 1, 2016 from the American University website: https://www.american.edu/kogod/auici/upload/Project500-AU-News_Release.pdf
- Chicago Anchors for a Strong Economy. (n.d.). Retrieved September 5, 2016 from the World Business Chicago website: <http://www.worldbusinesschicago.com/case/>
- City of Dallas Office of Economic Development. (2013). *Strategic Engagement 2013: Goals, Objectives & Development Strategies*. Author.
- Clusters 101. (n.d.). Retrieved September 4, 2016 from the U.S. Cluster Mapping website: <http://www.clustermapping.us/content/clusters-101>
- Connect to Resources. (n.d.). Retrieved September 1, 2016 from the Dallas B.R.A.I.N website: <http://www.thedallasbrain.org>
- Cortright, J., & Mahmoudi, D. (2016, April). *City Report: The Storefront Index*. Portland, OR: City Observatory.
- Coxen, T., et al. (2016, January). *Detroit's Untapped Talent: Jobs and On-Ramps Needed*. JPMorgan Chase and Corporation for a Skilled Workforce.
- County of Los Angeles Department of Consumer and Business Affairs. (n.d.). *Local Small Business Enterprise Preference Program*. Author.
- DeBonis, M. (2014). Vincent Gray's 'One City, One Hire' finally meets its 10,000-job goal. Retrieved September 15, 2016 from The Washington Post website: <https://www.washingtonpost.com/blogs/mike-debonis/wp/2014/07/31/vincent-grays-one-city-one-hire-finally-meets-its-10000-job-goal/>
- Definitions. (n.d.). Retrieved September 1, 2016 from the U.S. Census Bureau website: www.census.gov/people/laborforce/about/acs_employ.html
- Delgado, M., & Mills, K. (2016). *A New Categorization of the U.S. Economy: The Role of Supply Chain Industries in Performance*. (Working Paper.)
- Delgado, M., Porter, M. E., & Stern, S. (2012). Clusters, convergence, and economic performance (NBER Working Paper No. 18250). Retrieved from the National Bureau of Economic Research website: <http://www.nber.org/papers/w18250.pdf>.
- Delgado, M., Porter, M.E., & Stern, S. (2013). Defining clusters of related industries. Working Paper. Retrieved from the U.S. Cluster Mapping website: <http://www.clustermapping.us>
- Delgado, M., & Zeuli, K. (2016). Clusters and Regional Performance: Implications for Inner Cities. *Economic Development Quarterly*, 30(2), 117-136.
- Detroit BizGrid. (2013). *The BizGrid*. Author.
- Detroit Economic Development Corporation. (2016). *Powering Progress: 2016 Action Plan*. Author.
- Detroit Future City. (2013). *2012 Detroit Strategic Framework Plan*. Detroit, MI: Inland Press.
- District of Columbia Department of Employment Services. (n.d.). *First Source: Employment Agreement Program*. Author.
- Get Certified. (n.d.). Retrieved September 25, 2016 from the DC Department of Small and Local Business Development website: <http://dslbd.dc.gov/page/get-certified>
- Goldsmith, S. (2015). *Chicago Licensing and Permitting Reform*. Harvard Kennedy School Ash Center for Democratic Governance and Innovation.
- The GrowSouth Plan (n.d.). Retrieved September 24, 2016 from the Dallas GrowSouth website: <http://www.dallasgrow-south.com/category/growsouthplan/>
- Haltiwanger, J., Jarmin, R.S., & Miranda, J. (2013). Who creates jobs? Small versus large versus young. *Review of Economics and Statistics*, 95(2), 347-361.
- Initiative for a Competitive Inner City. (2010a). *The Inner City 100: A Ten-Year Perspective*. Author.
- Initiative for a Competitive Inner City. (2010b). *Infrastructure in America's Inner Cities*. Author.

-
- Initiative for a Competitive Inner City. (2014). *The Missing Link: Clusters, Small Business Growth and Vibrant Urban Economies*. Author.
- JPMorgan Chase (2015a, July). *Driving Opportunity in Detroit: Building a Middle-Skill Workforce to Strengthen Economic Recovery and Expand the Middle Class*. Author.
- JPMorgan Chase (2015b, July). *Strengthening Dallas-Fort Worth: Building a Middle-Skill Pipeline to Sustain Economic Growth and Expand Opportunity*. Author.
- LA:RISE. (n.d.). Retrieved September 4 from the Los Angeles Economic and Workforce Development website: <http://ewddlacity.com/index.php/employment-services/la-rise>
- Liu, K., & Damewood, R. (2013). *Local Hiring and First Source Hiring Policies: A National Review of Policies and Identification of Best Practices*. Pittsburgh, PA: Regional Housing Legal Services.
- Los Angeles County Economic Development Corporation. (2016). *Los Angeles County Strategic Plan for Economic Development 2016-2020*. Author.
- Mallory, K. (2011, September 8). D.C. Asks Area Employers to Each Hire One City Resident Through New Initiative. Retrieved September 15, 2016 from Politic365 website: <http://politic365.com/2011/09/08/d-c-asks-area-employers-to-each-hire-one-city-resident-through-new-initiative/>
- Mayor's Press Office. (2016, May 18). City Council Passes Mayor Emanuel's Major Initiative to Further Drive Neighborhood Development Throughout Chicago. Retrieved September 28, 2016 from City of Chicago website: <https://www.cityofchicago.org/content/dam/city/depts/mayor/Press%20Room/Press%20Releases/2016/May/5.18.16CouncilPassesNeighborhoodDevelopment.pdf>
- Medici, A. (2016, May 4). D.C., American U. want to help 500 small businesses overcome innovation obstacles. Retrieved September 1, 2016 from Washington Business Journal website: <http://www.bizjournals.com/washington/blog/techflash/2016/05/d-c-american-u-want-to-help-500-small-businesses.html>
- Neumark, D., Wall, B., & Zhang, J. (2011). Do small businesses create more jobs? New evidence for the United States from the National Establishment Time Series. *The Review of Economics and Statistics*, 93(1), 16-29.
- Office of [former] Mayor Vincent C. Gray. (2012). *The Five-Year Economic Development Strategy for the District of Columbia*. Washington, DC: Government of the District of Columbia.
- SourceLink Resource Identification and Assessment Tools. (n.d.). Retrieved September 22, 2016 from SourceLink website: <http://www.joinsourcelink.com/identify>
- Stambaugh, M. (2016, April 29). City takes the Small Business Center 'ON THE ROAD' to Pilsen. Retrieved August 25, 2016 from City of Chicago website: <http://www.cityofchicago.org/city/en/depts/bacp/provdrs/edu/news/2016/april/smallbusinessexpo.html>
- Texas Wide Open for Business. (2015). *2015 Texas Business Incubators*. Texas Economic Development Corporation.
- Tomer, A., et al. (2011). *Missed Opportunity: Transit and Jobs in Metropolitan America*. Washington, DC: Brookings.
- What are local and traded clusters? (n.d.). Retrieved August 29, 2016 from the U.S. Cluster Mapping website: <http://clustermapping.us/content/faq#localvstraded>
- Workforce Innovation and Opportunity Act (n.d.). Retrieved September 24, 2016 from National Skills Coalition website: <http://www.nationalskillscoalition.org/federal-policy/workforce-investment-act>.
- Workforce Solutions Greater Dallas. (2016). *2016-2017 Targeted Occupations List*. Dallas, TX. Author.
- World Business Chicago. (2012). *A Plan for Economic Growth and Jobs*. Chicago, IL. Author.
- Wright, J. (2012, June 7). Gray's Jobs Program Puts People to Work. Retrieved September 15, 2016 from The Washington Informer website: <http://www2.baystatebanner.com/news/2012/jun/07/grays-jobs-program-puts-people-to-work/>
- Zeuli, K., Ferguson, L. & Nijhuis, A. (2014). *Creating an Anchored Local Economy in Newark*.

This research was made possible by JPMorgan Chase & Co. through *Small Business Forward*, a five year, \$30 million initiative to support small businesses by connecting them to critical resources that help them grow faster, create jobs and strengthen local economies. The views and opinions expressed in the report are those of the Initiative for a Competitive Inner City (ICIC) and do not necessarily reflect the views and opinions of JPMorgan Chase & Co. or its affiliates.

For inquiries about this report, please contact Kim Zeuli at kzeuli@icic.org. For more information about ICIC, please visit www.icic.org.