

# California Small Businesses in the Pandemic

Robert Fairlie  
Professor of Economics  
University of California, Santa Cruz

Assembly Select Committee on Small Business & Entrepreneurship  
Build Back Better: Pandemic Recovery for Small Businesses

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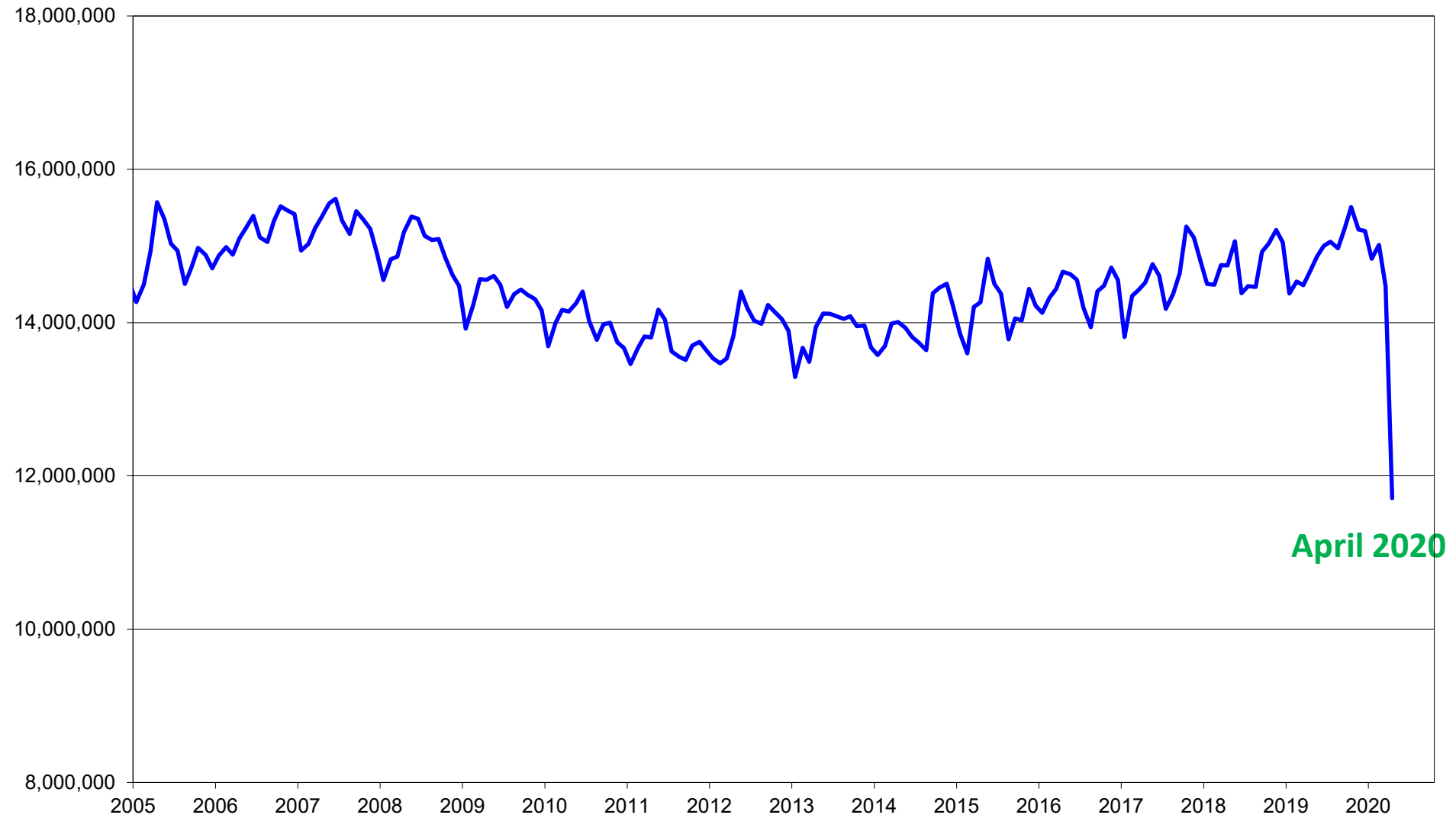
# Background

- I am a Professor of Economics at the University of California, Santa Cruz and have studied entrepreneurship, racial inequality and small business policy for over 25 years.
- Obtaining up-to-date and accurate information on the effects of the pandemic has been extremely difficult.
- I have spent the past year compiling and analyzing data to investigate what happened to small business owners, especially minority business owners.
- Most of my research has focused on the nation as a whole, but I have calculated estimates for California for this hearing.

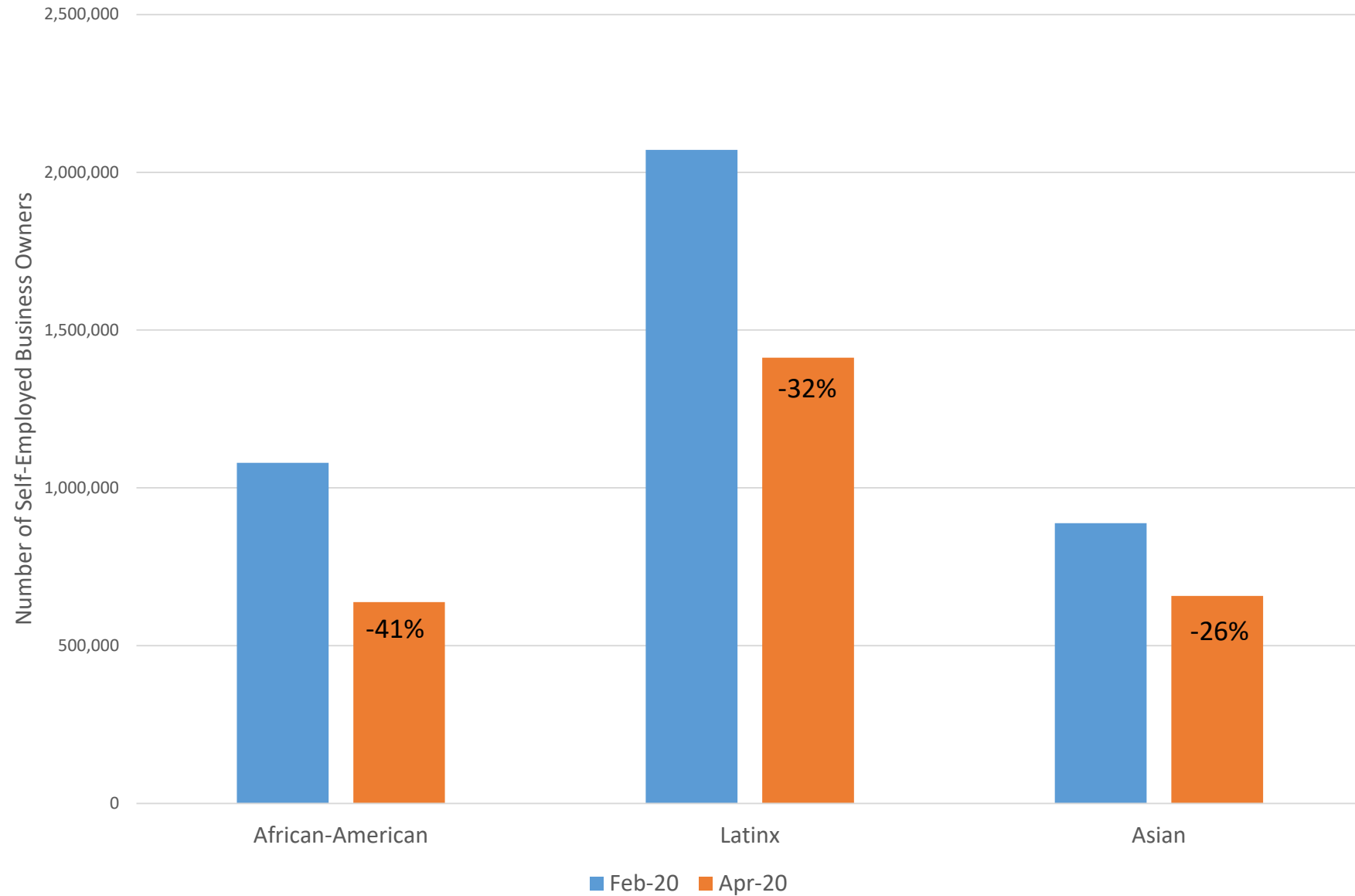
# COVID-19 and Small Business Owners

- March 11, 2020: The World Health Organization (WHO) declared COVID-19 a pandemic.
- By early April: most states imposed social distancing restrictions
- What happened to small business owners?

Number of Active Business Owners in the United States (January 2005 - April 2020)

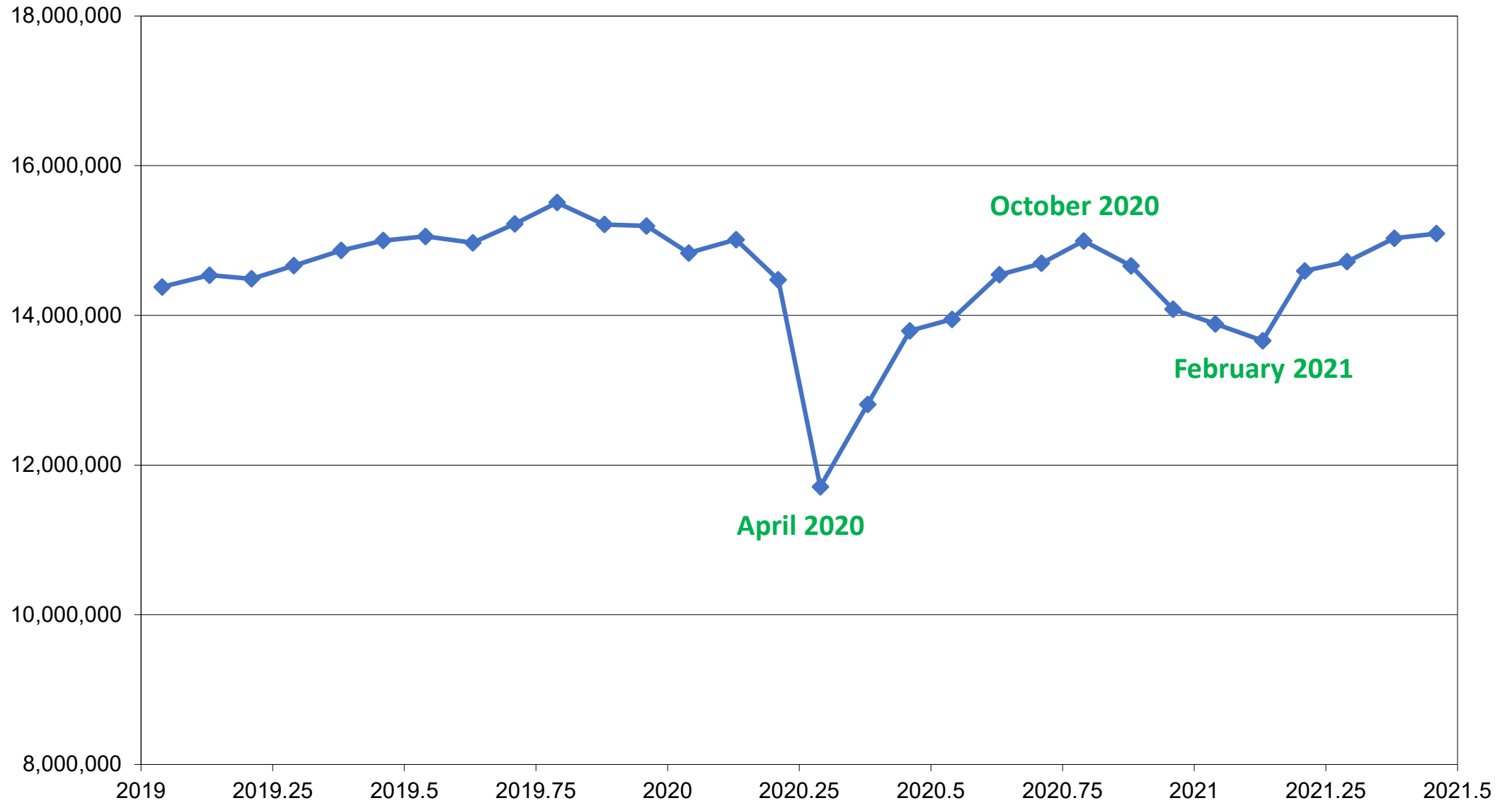


## Number of Active Business Owners before and after COVID-19 (Racial Minority Groups)

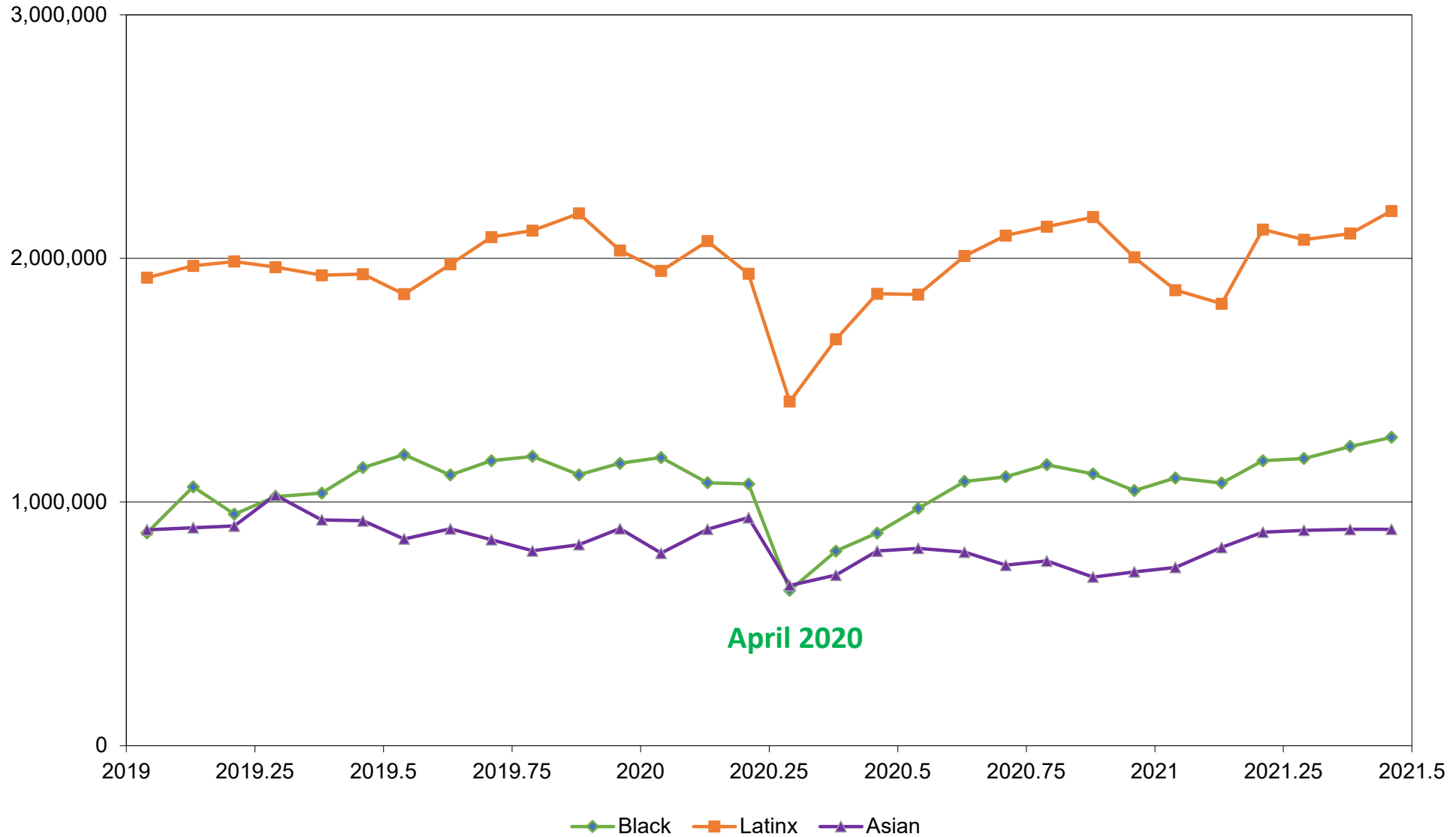


# What Happened since April?

**Figure 1**  
**Number of Active Business Owners in the United States (Jan. 2019 - June 2021)**



Number of Active Business Owners in the United States by Race (Jan. 2019 - June 2021)





# What Happened in California?

Figure 1: Number of Active Business Owners in California (Jan. 2019 - June 2021)

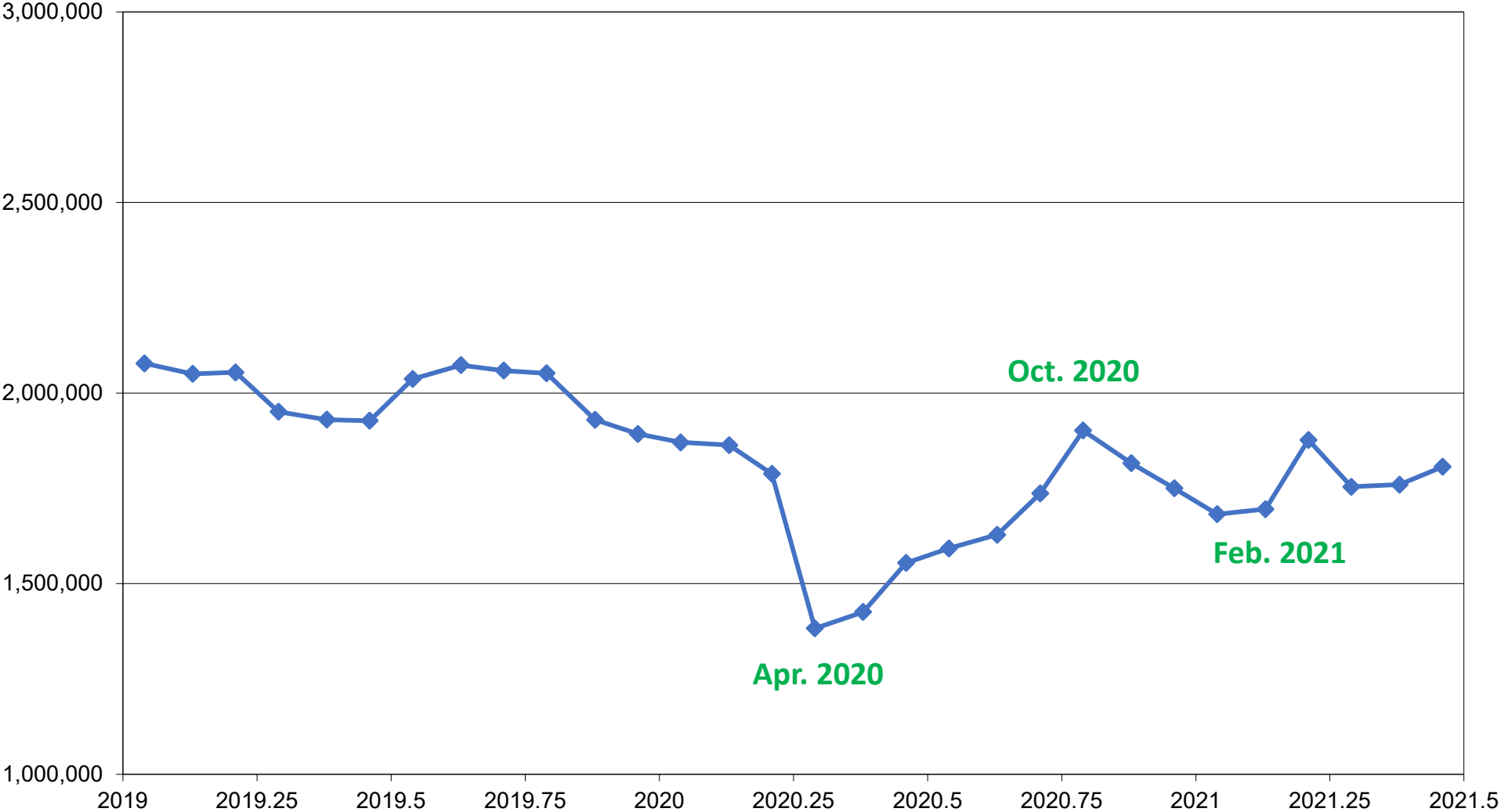
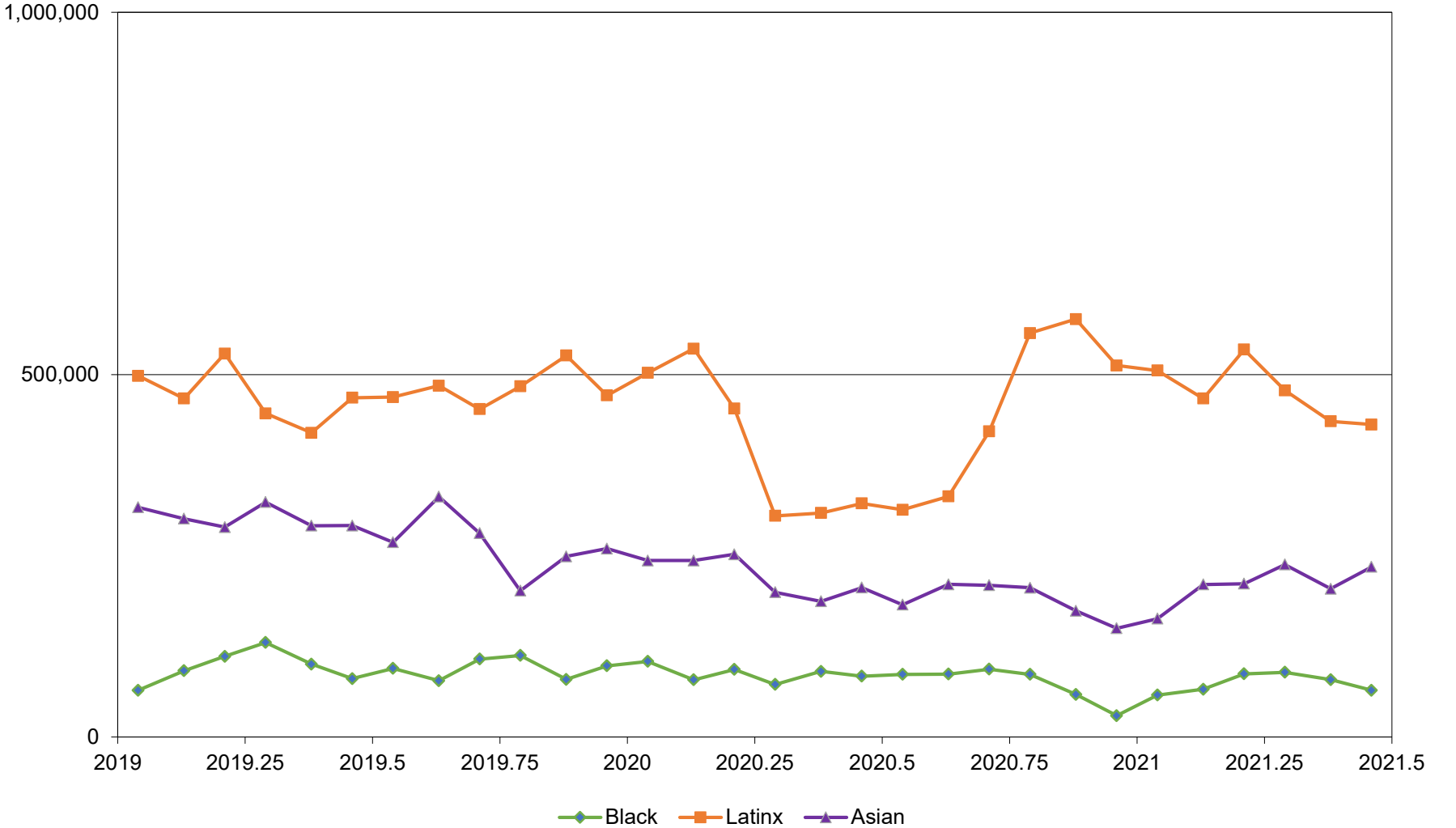


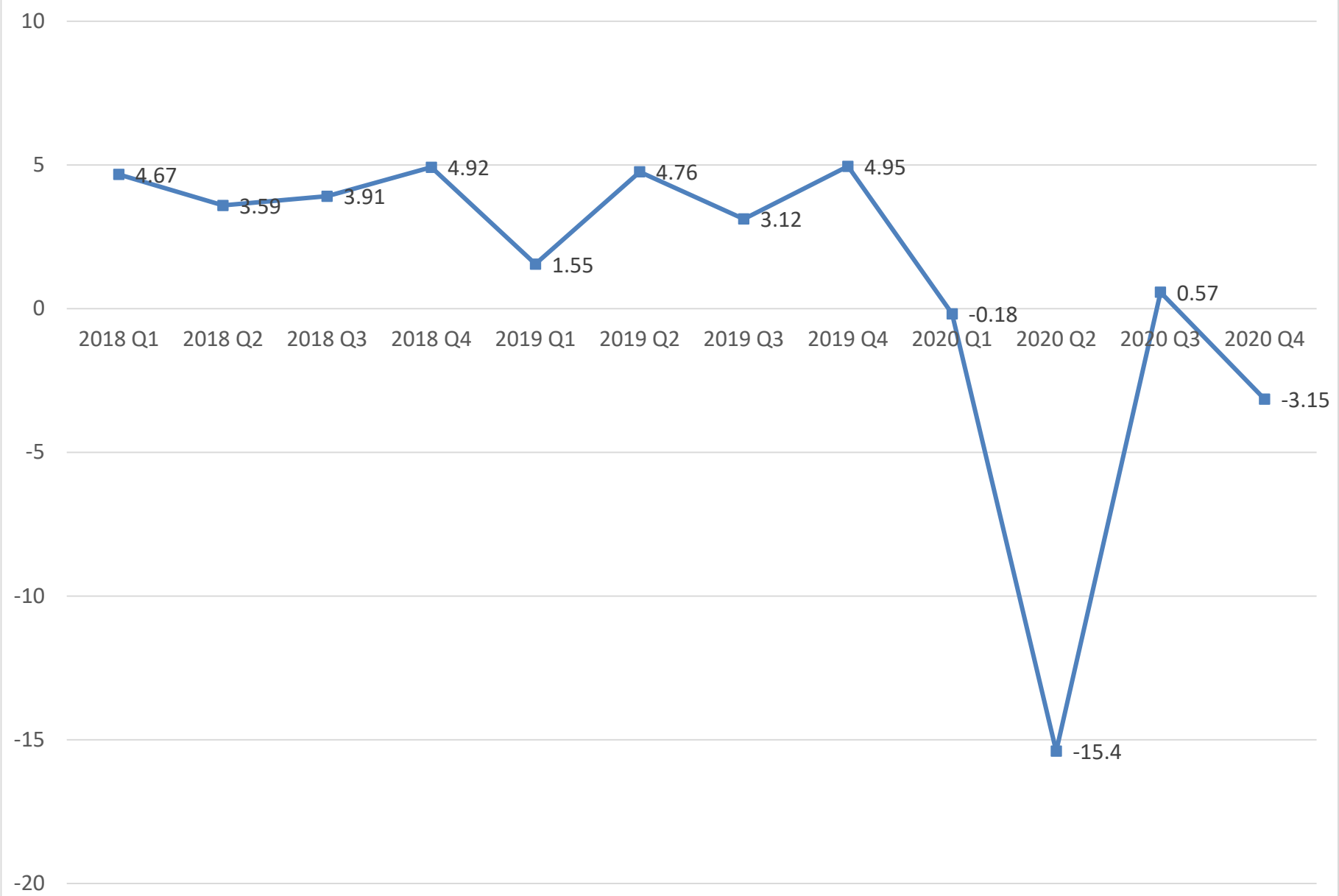
Figure 2: Number of Active Business Owners in California by Race (Jan. 2019 - June 2021)



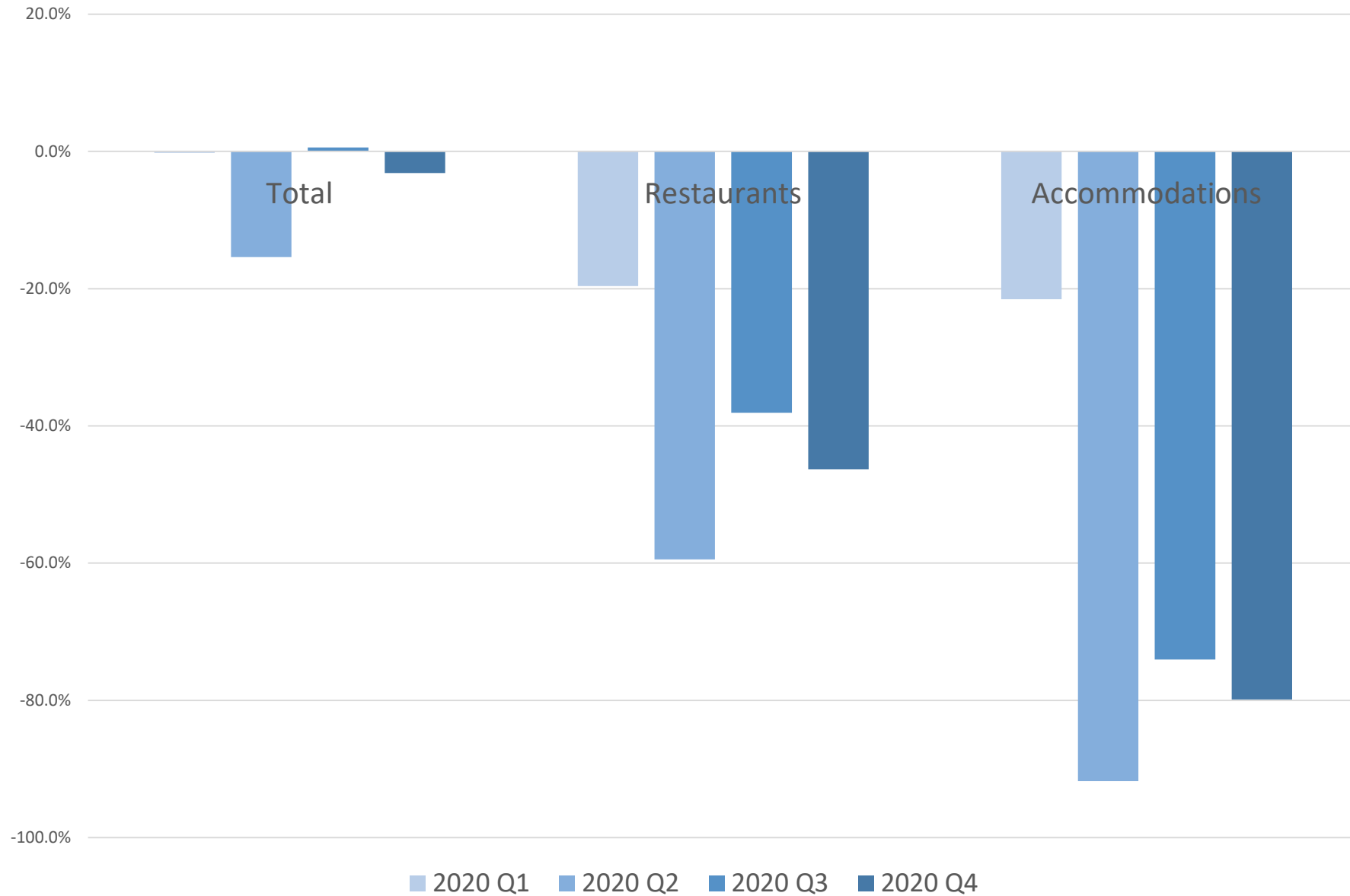
# Sales Losses in California

- It has been especially difficult to figure out how much small businesses have lost in sales and revenues in the pandemic.
- We suspect that losses have been great but data on actual losses in sales are very difficult to find.
- Using taxable sales data from the California Department of Tax and Fee Administration (CDTFA), we examined average sales losses in the second quarter of 2020.

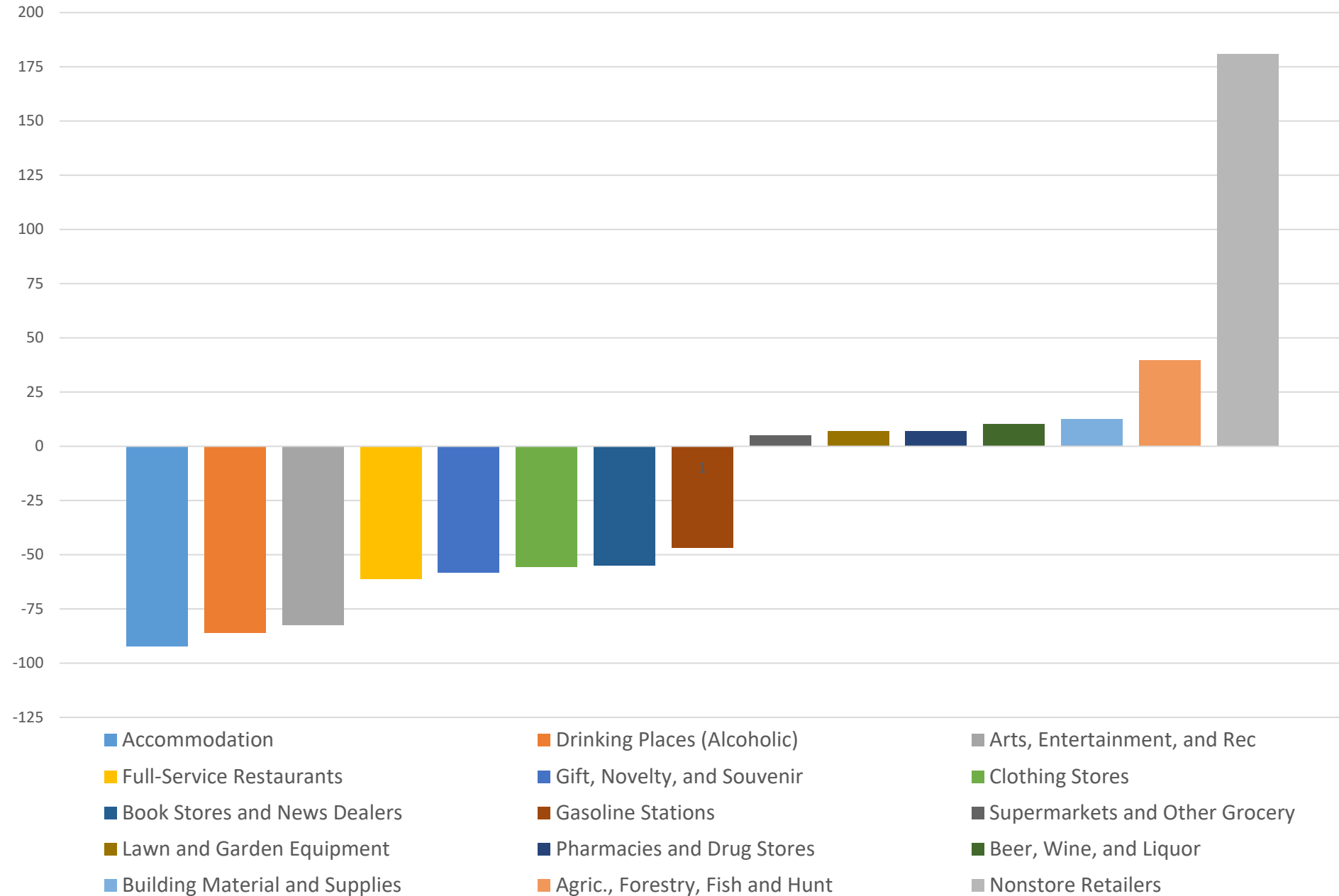
California Taxable Sales (Year-over-Year Change) 2018 Q1 to 2020 Q4



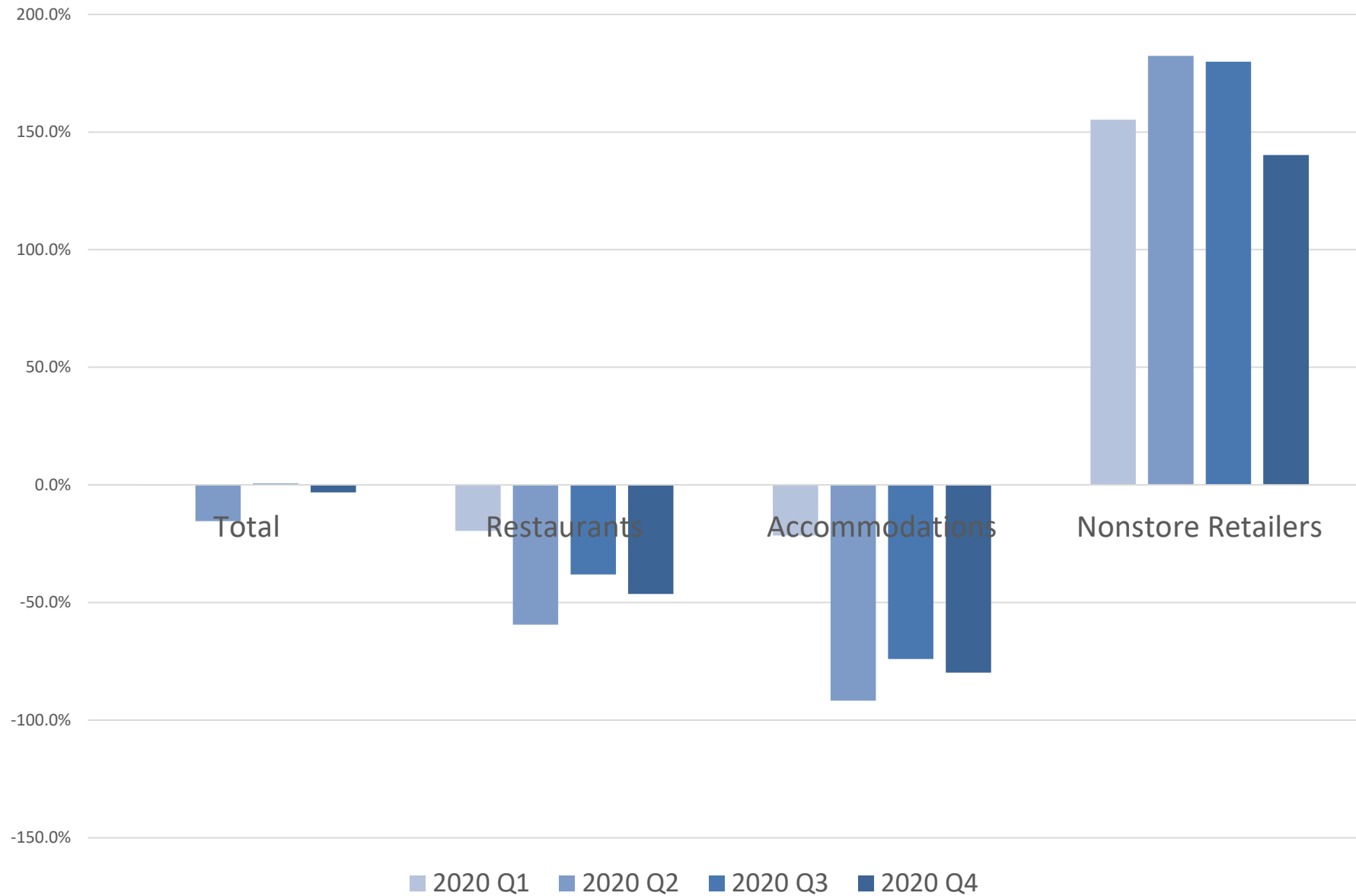
# YOY Sales Losses by Quarter 2019 to 2020



Sales Growth Percent (2019Q2 to 2020Q2)  
Selected Business Types with Large Losses and Gains



# YOY Sales Losses by Quarter 2019 to 2020





# What Can We Do to Move Forward?

1. More financial assistance is needed for small business owners especially for minority-owned businesses.
  - Median net worth of black families is \$9,567 and Latinx families is \$25,000
2. We need to slow down the extensive shift to online shopping which was happening prior to the pandemic. Shop local!
3. Small businesses need to have more of an online presence. Aid in the form of web page assistance could be useful.
4. Search engines could prioritize local small businesses instead of online retailers and big box stores.

# References

Fairlie, Robert W. 2020. "The impact of COVID-19 on small business owners: The first three months after social-distancing restrictions." *Journal of Economics & Management Strategy*, 29(4): 727-740.

Fairlie, Robert, and Frank Fossen. 2021. "Sales Losses in the First Quarter of the COVID-19 Pandemic: Evidence from California Administrative Data," NBER Working Paper No. 28414.

Fairlie, Robert, and Frank Fossen. 2021. "Did the \$660 Billion Paycheck Protection Program and \$220 Billion Economic Injury Disaster Loan Program Get Disbursed to Minority Communities in the Early Stages of COVID-19?" NBER Working Paper No. 28321.

Ongoing Small Business Activity Tracking: <https://people.ucsc.edu/~rfairlie/recent/>