THE STATE OF SMALL AND MICRO BUSINESSES IN RHODE ISLAND

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The Economic Progress Institute

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INTRODUCTION

The core mission of the Economic Progress Institute (EPI) is to expand opportunity through research and advocacy, especially for Rhode Islanders living in poverty. EPI advocates for low-income and modest-income Rhode Islanders who struggle to meet their most basic needs, find opportunities to thrive, and build generational wealth. The reality is that many of Rhode Island's small and micro business owners and entrepreneurs earn modest or low incomes and share these challenges.

According to the United States Small Business Association's Office of Advocacy, in 2018 self-employed Rhode Islanders with their own incorporated businesses had median income of $53,794. For those self-employed at their own unincorporated businesses, the median income was $32,639.[1] For a 4-person family in 2018, this income amounted to 214% of the Federal Poverty Level (FPL) for self-employed individuals with incorporated businesses and 130% FPL for unincorporated. While some business owners earn high incomes, the median income numbers mean that half earned below these amounts.

Not all small and micro business owners are the same. Businesses come in many different sizes, across many different industries, and in different parts of the state. Business owners have different needs and backgrounds. Some are seeking to grow their businesses, while others aim to maintain what they have. Most business owners have no employees besides themselves.

In addition to generating income, most business owners hope to build wealth as well. Many Americans build wealth through entrepreneurship and business activity, in addition to home ownership. The racial wealth gap – for each $1 in wealth possessed by White families, Black families have 12 cents in wealth and Hispanic/Latino families have 21 cents in wealth – is an intergenerational crisis caused, in part, by decades of policy choices.[2] While 8% of White families have negative wealth, meaning they owe more than they have, the same is true for 12% of Hispanic/Latino families and 18% of Black families, nearly one in five.[3] The accumulation of wealth is cyclical, making it easier for people with access to wealth to start businesses and purchase homes, thereby building more wealth to invest or transfer to children or other family members.

One means of addressing racial wealth disparities is through changing policies and regulations to help people without access to such resources start and grow businesses. In Rhode Island and across the nation, public and private resources – both financial and technical – to support business creation and growth have rarely been directed equitably along racial or ethnic lines, though there have been attempts, in Rhode Island and elsewhere, to increase equity.

The Economic Progress Institute has long advocated for policies that strengthen the minimum wage, bolster public assistance programs, increase tax fairness, and increase racial, ethnic, and gender equity. Just as these other policies and programs can help Rhode Islanders meet their basic needs and lay the groundwork for broad prosperity, so too policies and programs aimed at supporting small and micro business owners — especially those from traditionally underserved communities — also can be beneficial.

To produce this report, we have held in-depth conversations with key stakeholders representing various organizations and groups, especially ones representing and/or providing assistance to small and micro businesses owners, including those from various racial, ethnic, and national communities.[4] This is far from a comprehensive report on small businesses in Rhode Island. We wanted to produce a report that will be accessible and will be read and considered, not only by policymakers but also by the very same small and micro business owners this report discusses.[5]

SECTION 1: RHODE ISLAND'S SMALL & MICRO BUSINESS LANDSCAPE

What Do We Consider a Business and How Do We Count Businesses?

Counting businesses is difficult. After all, business owners do not go to a single place to register their businesses (see sidebar on "Business Registration"). There are indirect ways to count businesses, through tax filings, for example, but none of these methods count all businesses, and the various attempts often result in different counts.

Additionally, some unknown number of businesses are not being counted anywhere. In some cases, individuals may see their homegrown businesses as hobbies and are happy to keep them that way. In some cases, the rules and regulations may seem challenging to navigate, or individuals may simply be unaware of them, including taxation requirements. In some cases, with what has been called "subsistence entrepreneurship" or "businesses of necessity," one finds individuals doing what they can and need to make ends meet, especially following the loss of employment, whether during the COVID pandemic or otherwise. To understand the different ways owners can organize their businesses, see the sidebar on "Business Structures."

Although still a small part of the economy, worker cooperatives appear to be gaining attention as a model, as seen in discussions over recreational cannabis legalization in Rhode Island in recent years. Worker cooperatives also blur the lines between owners and employees, as the same people who work at an establishment own it collectively. There are close to a dozen worker cooperatives in Rhode Island, most with fewer than ten co-owners.[6] Worker coops have some difficulty accessing traditional funding sources including loan guarantees, perhaps because of the lack of a single owner or limited number of owners to represent


Worker cooperatives like Westminster Street's White Electric appear to be gaining steam as a business model.

Business Registration

Many business owners, including many Sole Proprietors, register with municipalities or other local governments, but no agency compiles such registrations across the state. Incorporated businesses – including LLCs, S-Corps, and C-Corps – must register with the Office of the Secretary of State. And some individuals – for example, some people holding real estate – register with the Secretary of State, presumably for legal protections or tax benefits, when they are not engaged in what most of us would think of as entrepreneurship or business or commercial activity. Some of these same individuals will file the Schedule C tax form, which is also filed by individuals we would commonly think of as entrepreneurs, including those starting and operating a business out of their kitchen or garage. As Sole Proprietorships are not incorporated, their owners will not register with the Secretary of State but might still file tax forms, indicating they are operating as businesses. Businesses with employees will generally interact with the Rhode Island Department of Labor and Training, which manages the state's unemployment insurance system, and be counted for state and federal purposes.

the business for such financial transactions. Fuerza Laboral has championed the establishment and recognition of worker cooperatives in Rhode Island. Worker cooperatives may also provide one model for addressing the "silver tsunami" or "succession" crisis, when older business owners have no one ready to inherit a business.

Finally, when counting businesses, there are some questions about the difference between independent contractors who would count as business owners without employees and individuals who are basically employees but treated as if they were managing businesses. For example, we tend to think of sole practitioners, including lawyers and professional consultants, as entrepreneurs or small business owners who are contracting out their services, even when they are engaged in the same exact work they did previously as the employee of a company.

Business Structures

Sole Proprietorships: Unincorporated businesses. Although some municipalities might require or request registration of such businesses, Sole Proprietors do not register with the state or federal government. Their existence can in part be detected through the filing of tax forms for business income, including the federal Schedule C. Such businesses are still required to collect and forward sales taxes. Sole Proprietorships can actually have employees, though this is uncommon, because what incorporation or other formal business formation does is separate a business owner and their assets, such as a house, from the business. If a Sole Proprietor is sued, their personal property and wealth can be at stake. This is why some individuals without employees will create a Limited Liability Company (LLC). However, some Sole Proprietorships have employees.

Limited Liability Company (LLC): A formal means of setting up a business structure without filing paper of incorporation. LLCs allow the owner(s) to keep their personal possessions and wealth apart from the business while allowing the business profits to pass through to them to be paid as personal income tax.

Partnerships: Business structures where individuals make an agreement to run a business together, contributing to the business, and sharing in the profits or losses. Any profits pass through to the partners, as the Partnership does not itself pay taxes. With General Partnerships (GP), the co-owners remain fully liable to any claims against the business. A Limited Partnership (LP) includes at least one partner who is fully liable, while other partners can have limited liability to claims. A Limited Liability Partnership (LLP) provides liability protections to all co-owners.

C-Corporation: A business that pays taxes as a business for the business and owned by shareholders.

S-Corporation: A business that does not directly pay taxes, but passes profits through to its shareholders, so they can pay taxes as personal income (usually at lower rate than corporate taxes).

There are some questions about the difference between, on the one hand, independent contractors who would count as business owners without employees and, on the other hand, individuals are basically employees but treated as if they were managing businesses.

Yet rideshare drivers perhaps present a different case. Are they truly independent contractors, in the way we might think of a construction subcontractor or graphic designer or lawyer genuinely operating a small business, or are they basically employees? The ABC test (see "Worker Misclassification & the ABC Test") helps distinguish between employees and independent contractors, and this test suggests it would make sense to consider such so-called "gig" workers, like rideshare drivers, employees rather than independent contractors and business owners, because they do all the things employees do.

Worker Misclassification & the ABC Test

According to the ABC test (https://www.epi.org/publication/misclassification-the-abc-test-and-employee-status-the-california-experience-and-its-relevance-to-current-policy-debates/), for an individual to truly be an independent contractor and not an employee, the following three conditions must be fulfilled:

(A) The work is done without the direction and control of the employer.
(B) The work is performed outside the usual course of the employer's business.
(C) The work is done by someone who has their own, independent business or trade doing that kind of work.

That is, an employer must be able to show all three are true for the hired individual to be an independent contractor rather than an employee. To most people, the work of the rideshare drivers is the usual work for their employers, and one or both of the other conditions would likely also require a negative answer from the employer.

When workers are misclassified, the workers lose out on employee protections and the state loses out on revenue, and employers who do not play by the rules gain an unfair advantage.

Rhode Island is Home to Over 100,000 Businesses

By any count, Rhode Island, with its population of just over a million, is home to over 100,000 businesses – most of which are the smallest of small businesses, Sole Proprietorships without any employees.

According to the United States Census Bureau's Non-Employer Statistics-Demographics (NES-D) series, **there were 105,517 businesses in Rhode Island in 2020**. Of these, 23,017 were Employer Firms, and 82,500 were Non-Employer Firms. These terms might seem a bit odd. An Employer Firm is one where the owner or owners employ other people, thereby making the owners employers. A Non-Employer Firm is one where the owner or owners do not employ other people; it's sort of like if we called a household with no children a Non-Parent Family. In any case, this means that **close to 4 out of 5 Rhode Island businesses** have no employees.

**With just over 1 million people, RI has over 100,000 businesses.
4 out of 5 RI businesses have no employees.**

Combining the data for employer and non-employer businesses for 2020, we see that the balance between the two types varies by race, ethnicity, and gender. Table 1 shows that fewer than one in ten Black-owned or Native American-owned businesses have employees, while for Asian-owned and White-owned businesses, over two in ten have employees.

United States Census Bureau's Non-Employer Statistics-Demographics (NES-D) (2020)	Number and Percentages in Rhode Island of Employer and Non-Employer Firms by Race of Owners				
	Count of Non-Employer Firms	Percentage Non-Employer Firms	Count of Employer Firms	Percentage Employer Firms	Count of Employer and Non-Employer Firms
American Indian and Alaska Native	850	96.0%	35	4.0%	885
Black or African American	5,900	92.9%	454	7.1%	6,354
Asian	3,100	77.8%	883	22.2%	3,983
White	71,500	78.3%	19,805	21.7%	91,305
Unreported/Unknown	1,150	38.5%	1,840	61.5%	2,990
Total RI	**82,500**	**78.2%**	**23,017**	**21.8%**	**105,517**

TABLE 1

A similar difference characterizes Latino-owned businesses compared with those owned by non-Latinos:[7]

United States Census Bureau's Non-Employer Statistics-Demographics (NES-D) (2020)	Number and Percentages in Rhode Island of Employer and Non-Employer Firms by Ethnicity of Owners				
	Count of Non-Employer Firms	Percentage Non-Employer Firms	Count of Employer Firms	Percentage Employer Firms	Count of Employer and Non-Employer Firms
Hispanic	13,000	93.4%	924	6.6%	13,924
Non-Hispanic	67,500	77.0%	20,128	23.0%	87,628
Equally Hispanic/Non-Hispanic	100	*	*	*	*
Unreported/Unknown	1,900	47.9%	1,965	49.6%	3,965
Total RI	**82,500**	**78.2%**	**23,017**	**21.8%**	**105,517**

TABLE 2

And just over one in ten businesses owned by women have employees, as compared with one in four owned by men, as shown in Table 3:

United States Census Bureau's Non-Employer Statistics-Demographics (NES-D) (2020)	Number and Percentages in Rhode Island of Employer and Non-Employer Firms by Gender of Owners				
	Count of Non-Employer Firms	Percent-age Non-Employer Firms	Count of Employer Firms	Percentage Employer Firms	Count of Employer and Non-Employer Firms
Women	33,000	87.9%	4,538	12.1%	37,538
Men	45,000	76.0%	14,196	24.0%	59,196
Equally Women/Men	2,200	47.9%	2,397	52.1%	4,597
Unreported/Unknown	2,300	54.9%	1,886	45.1%	4,186
Total RI	**82,500**	**78.2%**	**23,017**	**21.8%**	**105,517**

TABLE 3

The story here is that businesses owned by men – particularly by White men – in Rhode Island are more likely to have employees and are presumably larger (even among small businesses). This suggests that targeted financial and technical assistance may help other entrepreneurs scale up their businesses. Before learning more about businesses with employees, we first need to consider and clarify how we define businesses by their size.

Businesses owned by men – and particularly by White men – in Rhode Island are more likely to have employees and are presumably larger (even among small businesses).

Most Rhode Island Businesses are Micro Businesses

In America and in Rhode Island we celebrate small business owners. Yet there is no commonly agreed upon definition of what a small business is. The U.S. Small Business Administration (SBA) defines a small business as having under 500 employees.[8] Rhode Island's Commerce Corporation identifies as small businesses those with 200 or fewer employees. The Newport Chamber of Commerce uses a more modest definition of under 100 employees. Others might adopt an even lower number, perhaps under 50.

Some people have tried to avoid the problem of misclassifying large or medium-size businesses as small ones by using the term "Micro Business." Here again, there is no formal definition, though most people seem to cap micro businesses at 10, perhaps including the owner or owners. The SBA Office of Advocacy has defined "microbusiness employers" as having between one and nine employees.[9]

Although this report focuses on small and micro businesses, one must note that large businesses (whether headquartered in or out of Rhode Island) employ approximately half of the state's workforce. Starting with the SBA's definition of small businesses as those with under 500 employees, in 2020 only 1.1% of business firms in Rhode Island were large ones, though they employed 217,739 individuals, or 48.8% of the workforce. Small businesses accounted for 98.9% of all businesses and employed 228,107 individuals, or 51.2% of workers.

However, even if we use the somewhat narrower definition of small businesses as having fewer than 100 employees, small business firms would still have figured as 98.3% of all firms in Rhode Island and employed 36.9% of workers, while business firms with 100 or more employees would have accounted for 1.7% of business firms and employed 63.1% of workers.

Micro businesses, those with no employees plus those with fewer than 10 employees, accounted for 93.9% of all businesses. They employed only 48,359, or 10.8% of workers, but this does not include the approximately 82,340 owners of the businesses without employees.[10] Taken together, 130,699 individuals had a source of income through micro businesses.

According to Rhode Island's Department of Labor and Training (DLT), in 2022 there were 31,373 Rhode Island businesses each employing 10 or fewer workers, and collectively employing 88,754 workers.[11] Of these, 26,508 businesses employed 5 or fewer individuals. Another 4,995 businesses were active in the DLT system but had zero employees during the period when the data were collected; these could, for example, be seasonal businesses. Table 4, organized by county and municipality, shows the counts of businesses, along with counts of employees, and total wages reported.[12]

Only 1.1% of RI companies are large, but they employ 48.8% of the workforce — 217,739 workers. Small & micro businesses constitute 98.9% of RI companies but employ 51.2% of the workforce — 228,107 workers.

Rhode Island's Small Employers with Ten or Fewer Workers by City and Town				
Municipality	County	Number of Establishments	Total Employment	Total Annual Wages
Barrington	Bristol	605	1,236	$93,842,578
Bristol	Bristol	543	1,581	$82,044,422
Warren	Bristol	341	1,060	$55,393,451
Coventry	Kent	637	1,806	$90,307,357
East Greenwich	Kent	769	2,230	$142,108,025
Warwick	Kent	2,409	7,739	$420,181,189
West Greenwich	Kent	165	467	$27,538,688
West Warwick	Kent	460	1,427	$63,009,735
Jamestown	Newport	183	483	$31,897,723
Little Compton	Newport	121	371	$19,181,604
Middletown	Newport	539	1,788	$99,057,769
Newport	Newport	1,100	3,287	$193,475,752
Portsmouth	Newport	499	1,383	$76,461,379
Tiverton	Newport	363	1,097	$49,983,065
Burrillville	Providence	284	761	$39,719,503
Central Falls	Providence	285	791	$28,642,694
Cranston	Providence	2,106	6,375	$328,429,811
Cumberland	Providence	834	2,226	$142,325,846
East Providence	Providence	1,151	3,547	$199,099,957
Foster	Providence	103	240	$10,414,118
Glocester	Providence	176	557	$23,561,857
Johnston	Providence	861	2,719	$128,611,408
Lincoln	Providence	628	1,938	$115,115,171
North Providence	Providence	614	1,853	$83,455,096
North Smithfield	Providence	342	998	$52,796,579
Pawtucket	Providence	1,308	3,899	$176,079,259
Providence	Providence	5,028	14,204	$834,348,879
Scituate	Providence	252	662	$30,823,271
Smithfield	Providence	667	2,095	$116,396,278
Woonsocket	Providence	676	1,984	$94,647,803
Charlestown	Washington	220	578	$37,746,201
Exeter	Washington	162	475	$31,485,842
Hopkinton	Washington	177	495	$23,082,657
Narragansett	Washington	372	1,018	$65,381,126
New Shoreham	Washington	157	429	$20,960,443
North Kingstown	Washington	922	2,674	$164,515,988
Richmond	Washington	111	358	$16,836,415
South Kingstown	Washington	896	2,611	$137,776,156
Westerly	Washington	705	2,149	$118,071,055
Statewide		3,120	6,540	$761,542,132
Unknown		482	623	$59,449,122
Totals		**31,373**	**88,754**	**$5,285,797,404**
Provided by: Department of Labor and Training - Labor Market Information Division Source: Quarterly Census of Employment and Wage Program				

TABLE 4

The data here demonstrate that Rhode Island is home to a large number of micro businesses. Although larger businesses (including small businesses with more than 10 individuals) employ many more Rhode Islanders in total, the number of owners of micro businesses is substantial and much larger. And these DLT numbers do not include the tens of thousands of Sole Proprietorships and other micro businesses without employees.

Whichever way one defines micro businesses and whether or not a definition in statute or regulation is necessary (see sidebar on "Rhode Island's Micro Business Act"), the term does help identify and distinguish a subset of the small business community in need of particular attention, recognition, and support. This group includes many businesses without employees (aside from the owner) and likely encompasses many entrepreneurs from communities facing structural barriers and who are seeking to launch businesses or move them to the next level. The term helps prevent confusion between genuinely small businesses and businesses with hundreds of employees. Even when discussing businesses with fewer than 100 employees, there are no doubt important differences in needs and priorities between businesses with 10 or fewer employees and those with, say, 50 to 99 employees. When allocations of tens of millions of dollars or more in funding are at stake at the Rhode Island Statehouse, and especially when spokespersons from organizations claiming to represent small business owners make their voices heard, such distinctions are important.

For these smallest of businesses, there are patterns within various ethnic, national, and geographic communities. For example, what is called the cottage industry of people preparing food in their own kitchens and selling this food has been particularly prominent in Southeast Asian communities in Rhode Island. With legislation enacted in 2022, it became possible to register with the state as a Cottage Food Manufacture, so long as annual gross sales do not exceed $50,000.[13] And creating and selling craft goods and doing masonry work have been prominent among members of Tribal Nations. Unfortunately, no census or reliable study exists to quantify such enterprises. Nevertheless, this part of the "informal economy" is significant and ought to draw greater attention and support, including financial assistance to help these entrepreneurs, if they wish, to transform their businesses into more formal ones and to scale them up.

Rhode Island's Micro Business Act

Although not widely known, Rhode Island policymakers enacted into statute a Micro Business Act in 2016 (see http://webserver.rilegislature.gov//Statutes/TITLE37/37-14.2/INDEX.htm). This Act defined a micro business as "a Rhode Island-based business entity, regardless of whether it is in the form of a corporation, limited liability company, limited partnership, general partnership, or sole proprietorship, that has a total of ten (10) or fewer members, owners, and employees and has gross sales totaling five hundred thousand dollars ($500,000) or less."

Although the legislation required the creation of a micro business registration database (based on voluntary registration), the submission of annual reports to the Governor and General Assembly, and the assignment of responsibilities to a Micro Business Coordinator, it is not clear that any funding was set aside for such purposes, and it does not appear that the provisions of the Act were ever implemented.

In 2024, the Governor's proposed budget for Fiscal Year 2025 called for the repeal of the Micro Business Act, and representatives of the Administration have explained that it is currently not feasible to collect statewide data on micro businesses, in large part due to the fact that registration of such businesses takes place on a municipal level and is done differently across the state. The enacted FY2025 budget includes repeal of the Act. However, in late 2023 and in 2024, the Department of Administration (DOA) and the Department of Labor and Training (DLT) responded to inquiries from EPI and kindly shared for this report what micro business data they could locate.

The Number of Black-Owned and Latino-Owned Rhode Island Businesses with Employees Grew – and then Declined

According to the Census Bureau's Annual Business Survey (ABS), Rhode Island is home to over 23,000 employer businesses, or businesses with employees. The story these data tell for Rhode Island businesses for the years 2017 to 2021 is that **Black-owned and Latino-owned employer businesses demonstrated dramatic increases before the coronavirus pandemic struck, and that the first year of the pandemic reversed some of those gains**.

The number of Black-owned businesses with employees in Rhode Island almost doubled from 2018 to 2019 and increased significantly again in 2020. However, it appears that the first full year of COVID-19 brought about a major drop, back to the 2017 level, as Table 5 makes clear:

United States Census Bureau's Annual Business Survey (ABS) (2017-2021)	Number of Black or African American Owned Employer Firms in Rhode Island				
Year	**2017**	**2018**	**2019**	**2020**	**2021**
Count	287	168	320	454	295
Year-Over-Year Change		**-41.5%**	**90.5%**	**41.9%**	**-35.0%**

TABLE 5

Before continuing, it is important to note at the outset a few important points concerning the Census Bureau data presented just above and throughout this section:

- The counts are for firms, and a firm may include multiple establishments spread over multiple states.
- Each firm counted here has at least one establishment operating in Rhode Island, but some of the firms could be headquartered out-of-state; the data do not tell us how many are headquartered in Rhode Island.
- This means, for example, that not all the Black or African American owners of the 295 firms doing business in Rhode Island in 2021 lived in Rhode Island and ran their businesses from here.

Given this, we cannot be certain that the increases in Black-owned businesses from 2018 to 2020 – or the drop from 2020 to 2021 – were primarily driven by Black Rhode Island business owners. However, from the experience of the Rhode Island Black Business Association (RIBBA), it appears unlikely that a large percentage of Black-owned businesses operating in Rhode Island are based out-of-state. Therefore, it is unlikely – but not certain – that such dramatic changes were caused by businesses based out of state. This same framing applies to what follows in this section for business ownership data by race, ethnicity, and gender.

Over five years, the number of Asian-owned businesses in the state first increased and then declined, including during the onset of the COVID-19 era:

United States Census Bureau's Annual Business Survey (ABS) (2017-2021)	Number of Black or Asian American Owned Employer Firms in Rhode Island				
Year	**2017**	**2018**	**2019**	**2020**	**2021**
Count	776	938	872	883	829
Year-Over-Year Change		**20.9%**	**-7.0%**	**1.3%**	**-6.1%**

TABLE 6

The number of employer businesses owned by Indigenous Rhode Islanders has remained steady during the years for which data are available. For two of the years, the data are unavailable:[14]

United States Census Bureau's Annual Business Survey (ABS) (2017-2021)	Number of American Indian/Alaska Native Owned Employer Firms in Rhode Island				
Year	**2017**	**2018**	**2019**	**2020**	**2021**
Count	28	34	*	35	*
Year-Over-Year Change		**-41.5%**	**90.5%**	**41.9%**	**-35.0%**

TABLE 7

By contrast, the number of Veteran-owned businesses took a significant drop, of 35% in a single year, a decline that appears to have continued during the pandemic:

United States Census Bureau's Annual Business Survey (ABS) (2017-2021)	Number of Military Veteran Owned Employer Firms in Rhode Island				
Year	**2017**	**2018**	**2019**	**2020**	**2021**
Count	1,566	1,572	1,662	1,080	986
Year-Over-Year Change		**0.4%**	**5.7%**	**-35.0%**	**-8.7%**

TABLE 8

The continued decline in 2021 suggests that the drop from 2019 to 2020 was not a fluke in the data. It is worth exploring whether the very early months of the pandemic adversely affected Rhode Island's Veterans more than other groups.

By contrast, Table 9 shows how the number of Hispanic/Latino-owned businesses (inclusive of all identifications by race) increased dramatically from 2019 to 2020, as we saw with Black-owned businesses:[15]

United States Census Bureau's Annual Business Survey (ABS) (2017-2021)	Number of Hispanic Owned Employer Firms in Rhode Island by Gender of Owner				
Year	**2017**	**2018**	**2019**	**2020**	**2021**
Count - Total	660	*	572	924	679
Year-Over-Year Change		*****	*****	**61.5%**	**-26.5%**
Count - Men	470	291	269	395	376
Count - Women	124	*	*	*	*
Count - Men & Women Equally	67	*	*	*	142

TABLE 9

For Hispanic/Latino-owned businesses, 2020 showed a 61.5% increase from 2019. Similar to Black-owned businesses, 2021 brought a noticeable drop in the count. Although the Census did not report counts of businesses owned by Hispanic women, the numbers provided for men and overall suggest that the number of women-owned businesses likely increased at a higher rate in 2020 and dropped at a greater rate in 2021.

For White-owned businesses, there was a slight decrease of 2.3% from 2019 to 2020:

United States Census Bureau's Annual Business Survey (ABS) (2017-2021)	Number of White Owned Employer Firms in Rhode Island				
Year	**2017**	**2018**	**2019**	**2020**	**2021**
Count	20,108	19,822	20,265	19,805	20,335
Year-Over-Year Change		**-1.4%**	**2.2%**	**-2.3%**	**2.7%**

TABLE 10

However, in contrast to Black-owned and Latino-owned businesses, this drop was followed by a 2.7% rebound in 2021, suggesting perhaps that White business owners were more likely than other business owners to get access to federal pandemic assistance early in the pandemic. At the time, there was some discussion of this, concerning the pandemic-era Paycheck Protection Program (PPP), that Black and Brown business owners were less likely to receive these forgivable loans.[16]

Looking at employer-owned businesses in Rhode Island by gender alone, the data in Table 11 show decreases in counts from 2019 to 2020 for those owned by men and those owned equally by men and women, but an increase for businesses for which women were the only owners or the majority of owners. That was followed by a dramatic increase of 62.1% in a single year, from 2020 to 2021, of businesses with equal female and male ownership, a phenomenon that is difficult to explain.

United States Census Bureau's Annual Business Survey (ABS) (2017-2021)	Number of Employer Firms in Rhode Island by Gender of Owner				
Year	**2017**	**2018**	**2019**	**2020**	**2021**
Count - Women	4,084	*	4,298	4,538	4,073
Year-Over-Year Change		*	*	**5.6%**	**-10.2%**
Count - Men & Women Equally	2,695	2,290	2,908	2,397	3,886
Year-Over-Year Change		**-15.0%**	**27.0%**	**-17.6%**	**62.1%**
Count - Men	14,406	14,627	14,371	14,196	13,633
Year-Over-Year Change		**1.5%**	**-1.8%**	**-1.2%**	**-4.0%**

TABLE 11

In contrast to Black-owned and Latino-owned businesses, the drop in the number of White-owned businesses was followed by a 2.7% rebound in 2021, suggesting perhaps that White business owners were more likely than other business owners to get access to federal pandemic assistance early in the pandemic.

Again, the data for women-owned businesses in 2018 are not fully reported. Table 12 shows the same breakout by gender for Black-owned businesses:

United States Census Bureau's Annual Business Survey (ABS) (2017-2021)	Number of Black or African American Owned Employer Firms in Rhode Island by Gender of Owner				
Year	**2017**	**2018**	**2019**	**2020**	**2021**
Count - Women	95	63	74	141	106
Year-Over-Year Change		-33.7%	17.5%	90.5%	-24.8%
Count - Men & Women Equally	*	*	*	*	*
Year-Over-Year Change		*	*	*	*
Count - Men	184	98	240	293	174
Year-Over-Year Change		-46.7%	144.9%	22.1%	-40.6%

TABLE 12

This table shows that after declines in counts from 2017 to 2018, there were increases from 2018 to 2019 and again from 2019 to 2020. For businesses owned by Black men, the 2018 to 2019 increase was 144.9%, though a much more modest 22.1% the following year. For Black women-owned businesses, the data show almost the reverse, an increase of 17.5% the first year and then 90.5%, almost a doubling, in the next year. The first full year of the pandemic shows declines for both women and men, and a somewhat larger decline for the businesses owned by men.

Although another year or two of data might change how we tell and understand this story, the increase and decline in Black-owned and Latino-owned businesses appears clear through 2021. Although 2022 and 2023 have already passed, targeted investments could shape the data and story going forward.

For businesses owned by Black men, the 2018 to 2019 increase was 144.9%, though a much more modest 22.1% the following year. For Black women-owned businesses, the data show almost the reverse, an increase of 17.5% the first year and then 90.5%, almost a doubling, in the next year. The first full year of the pandemic shows declines for both women and men, and a somewhat larger decline for the businesses owned by men.

State Contracting & the Minority Business Enterprise Program

One important effort in advancing opportunities for Black, Latino, Indigenous, and other business owners can be found with the state's Minority Business Enterprise program, part of the Department of Administration's Division of Equity, Diversity & Inclusion (DEDI), formerly the Office of Diversity, Equity and Opportunity (ODEO).

The Minority Business Enterprise Compliance Office (MBECO), under DEDI, manages a directory of businesses certified as Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), and Veteran Business Enterprises (VBEs). As of May 2024, the directory includes 733 businesses, of which 274 were MBEs, 325 were WBEs, and 133 qualified as both MBEs and WBEs. There were 60 MBEs that are owned by Rhode Islanders of Portuguese descent, although a few of these have owners, whether the same or different owners, who would qualify for MBE status otherwise (see the sidebar on next page).[17] A separate directory includes 24 VBEs, of which at least 10 appear to also be MBEs.[18]

A major purpose of the office and directory is to connect minority-owned businesses with state contracting opportunities, and legislation enacted in 2023 increased from 10% to 15% the percentage of state contracting dollars required to go to certified organizations, with 7.5% going to MBEs and 7.5% going to WBEs. Table 13, using data provided by the MBECO, shows the breakout of state contracting dollars by group:

Projected MBE/WBE Utilization in Rhode Island State Contracts (FY2015-FY2022)

	FY 2015		FY 2016		FY 2017		FY 2018	
Firm Ownership by Race/Ethnicity*	Dollars	% of MBE/ WBE Dollars	Dollars	% of MBE/ WBE Dollars	Dollars	% of MBE/ WBE Dollars	Dollars	% of MBE/ WBE Dollars
Black	$5,919,583	17.3%	$12,669,760	23.4%	$8,033,262	15.9%	$19,046,526	18.4%
Hispanic	$1,848,478	5.4%	$1,917,972	3.5%	$4,877,524	9.6%	$6,215,100	6.0%
Native American	$4,000	0.0%	$0	0.0%	$588,266	1.2%	$1,323,623	1.3%
Asian	$1,308,186	3.8%	$3,148,898	5.8%	$4,388,360	8.7%	$2,996,133	2.9%
Portuguese	$9,207,291	26.9%	$7,323,791	13.5%	$9,033,317	17.8%	$20,630,621	19.9%
White Female	$15,978,789	46.6%	$29,179,591	53.8%	$23,688,618	46.8%	$53,504,380	51.6%
Total Projected MBE/WBE Contracting Dollars	$34,266,328		$54,240,011		$50,609,346		$103,716,383	
Total Projected MBE/WBE Dollars (as % of All Contracting Dollars)	4.1%		6.3%		7.7%		14.7%	

	FY 2019		FY 2020		FY 2021		FY 2022	
Firm Ownership by Race/Ethnicity*	Dollars	% of MBE/ WBE Dollars	Dollars	% of MBE/ WBE Dollars	Dollars	% of MBE/ WBE Dollars	Dollars	% of MBE/ WBE Dollars
Black	$14,785,243	14.1%	$13,624,637	17.3%	$12,520,637	17.4%	$4,879,055	16.3%
Hispanic	$9,634,791	9.2%	$8,789,069	11.2%	$6,589,069	9.2%	$2,554,746	8.5%
Native American	$1,801,578	1.7%	$1,985,863	2.5%	$1,450,863	2.0%	$45,619	0.2%
Asian	$6,468,081	6.2%	$2,098,578	2.7%	$2,075,078	2.9%	$1,624,043	5.4%
Portuguese	$19,334,423	18.4%	$17,082,447	21.7%	$16,082,237	22.4%	$8,735,994	29.2%
White Female	$52,859,147	50.4%	$35,070,976	44.6%	$33,070,567	46.1%	$12,125,568	40.5%
Total Projected MBE/WBE Contracting Dollars	$104,883,264		$78,651,570		$71,788,451		$29,965,025	
Total Projected MBE/WBE Dollars (as % of All Contracting Dollars)	13.1%		7.9%		7.8%		13.2%	

* Terms are those provided by the Minority Business Enterprise Compliance Office; joint MBE/WBE firms are counted in the appropriate MBE category, so the counts for White Female WBEs do not include all WBEs.

TABLE 13

As the data show, close to half of the MBE/WBE dollars have gone to businesses owned by White women. The goal of the newly enacted legislation is to ensure that half goes to WBEs, regardless of the race or ethnicity of the owners. In most years, including the last three, between 20% and 30% of all MBE/WBE contracting dollars has gone to business owners of Portuguese descent. In all years but one since State Fiscal Year 2015, this has accounted for the largest share of MBE contracting dollars (see sidebar on "Rhode Island's Minority Business Enterprise Program and Rhode Islanders of Portuguese Descent").

In no year has the new overall target of 15% of contracting dollars been reached, although the 10% target was surpassed in State Fiscal Years 2018, 2019, and 2022. The Rhode Island Black Business Association (RIBBA) has argued that for the system to work well, much more funding must be dedicated to developing a pipeline of MBEs to compete for state contracts.

One important effort in advancing opportunities for Black, Latino, Indigenous, and other business owners can be found with the state's Minority Business Enterprise program, part of the Department of Administration's Division of Equity, Diversity & Inclusion (DEDI), formerly the Office of Diversity, Equity and Opportunity (ODEO).

RI's Minority Business Enterprise Program and Rhode Islanders of Portuguese Descent

Rhode Island's Minority Business Enterprise Program has been in existence for 40 years. One, sometimes controversial, aspect of the program is the inclusion of Rhode Islanders of Portuguese descent as an eligible minority population. This categorization might be unique to Rhode Island. There is a difference of opinion as to whether Rhode Islanders of Portuguese descent ought to be included within the broader category of Rhode Islanders of White European descent. Data from the table in this section shows that a considerable amount of state contracting dollars going to MBEs has gone to businesses owned by those of Portuguese descent. In 2020 and 2021, Representative Anastasia Williams introduced legislation to remove the Portuguese designation from the eligible groups in Rhode Island statute.

Care Economy Businesses, Women-Owned Businesses, & Business Sector Diversity

While Rhode Island's Division of Equity, Diversity & Inclusion and its Minority Business Enterprise Program promote women-owned businesses, these offices are focused on state contracting. The WBE, MBE, and VBE registries are for companies bidding for state contract opportunities, which extend beyond construction but do not involve direct care agencies. When we look more broadly at the diversity of Rhode Island's more than 100,000 businesses, we notice the prominence of care economy jobs and businesses, and we notice how many of these businesses are owned by women. Table 14 presents the statewide counts of firms and employees by industry for 2019 through 2021:

Care Economy, Hospitality, and Retail are the Industry Sectors with the Most Employees in Rhode Island						
United States Census Bureau's Annual Business Survey (ABS) (2019-2021)	2019		2020		2021	
	Count of employer firms	Count of employees	Count of employer firms	Count of employees	Count of employer firms	Count of employees
Health care and social assistance	2,059	78,465	1,912	74,974	2,181	83,336
Retail trade	2,877	44,125	3,028	47,502	2,562	52,941
Accommodation and food services	2,680	54,552	2,550	51,338	2,600	39,611
Professional, scientific, and technical services	2,963	27,478	2,854	24,960	3,140	38,172
Manufacturing	1,300	45,361	1,201	35,658	1,135	36,932
Finance and insurance	878	31,912	717	32,389	883	34,913
Construction	3,106	19,422	3,113	14,628	3,342	30,562
Educational services	313	29,691	424	31,958	311	27,417
Administrative and support and waste management and remediation services	1,919	26,631	1,780	20,808	1,807	18,711
Wholesale trade	1,157	20,187	1,170	21,691	1,124	14,805
Transportation and warehousing	710	11,037	650	12,852	690	12,730
Management of companies and enterprises	*	*	*	*	76	9,989
Other services (except public administration)	1,581	10,469	1,857	8,248	1,699	8,097
Information	303	7,213	270	6,582	295	6,134
Arts, entertainment, and recreation	568	6,615	510	9,678	554	5,902
Real estate and rental and leasing	1,035	3,614	1,070	4,825	1,121	4,541
Utilities	21	1,278	19	1,354	19	1,510
Mining, quarrying, and oil and gas extraction	14	164	13	168	13	116
Industries not classified	23	55	19	31	24	29
Agriculture, forestry, fishing and hunting	*	*	*	*	*	*
Total for all sectors	**23,406**	**434,811**	**23,017**	**410,458**	**23,437**	**426,589**

TABLE 14

The 2019 data perhaps provide the best understanding of Rhode Island's economy by industrial sector before the pandemic resulted in significant cuts in the hospitality world. Whether before or during the pandemic, the table above demonstrates that **the care economy (understood as the "Health care and social assistance" category and including healthcare, child care, and elder care occupations)** ***leads all employment categories in terms of number of employees***, while consistently ranking a respectable fifth for total number of businesses operating in the state. (For sheer number of businesses, "Construction" is the leader, followed by "Professional, scientific, and technical services," "Retail trade," and hospitality, as defined by "Accommodation and food services.")

By breaking out the data by gender for 2019, Table 15 deepens our understanding of the state's economy and industrial diversity:

Care Economy, Hospitality, and Retail are the Industry Sectors with the Most Employees in Rhode Island						
United States Census Bureau's Annual Business Survey (ABS) (2019-2021)	Female-Owned Firms (Count of Firms)	Female-Owned Firms (Count of Employees)	Male-Owned Firms (Count of Firms)	Male-Owned Firms (Count of Employees)	Equally Female-/ Male-Owned Firms (Count of Firms)	Equally Female-/ Male-Owned Firms (Count of Employees)
Health care and social assistance	694	5,701	893	11,215	100	2,733
Accommodation and food services	648	11,094	1,297	24,796	667	7,511
Professional, scientific, and technical services	513	1,788	2,039	18,065	263	1,410
Retail trade	393	2,417	1,687	10,489	525	3,156
Construction	392	1,344	2,563	16,274	-	-
Manufacturing	127	1,622	-	-	-	-
Finance and insurance	102	386	624	4,811	-	-
Wholesale trade	79	676	735	6,436	-	-
Transportation and warehousing	52	164	502	4,694	123	717
Information	22	54	163	3,364	20	66
Administrative and support and waste management and remediation services	-	-	1,080	10,040	-	-
Arts, entertainment, and recreation	-	-	-	-	-	-
Educational services	-	-	-	-	-	-
Industries not classified	-	-	18	47	-	-
Mining, quarrying, and oil and gas extraction	-	-	-	-	-	-
Other services (except public administration)	-	-	-	-	-	-
Real estate and rental and leasing	-	-	588	1,771	-	-
Utilities	-	-	-	-	-	-
Agriculture, forestry, fishing and hunting	-	-	-	-	-	-
Management of companies and enterprises	-	-	-	-	-	-
Total for all sectors	**4,298**	**36,630**	**14,371**	**141,213**	**2,908**	**24,234**

TABLE 15

Perhaps most remarkable from the above table is that the "Health care and social assistance" sector provides the top category for count of women-owned businesses, whereas for businesses owned by men, there are at least five other sectors with higher counts of firms.[19]

Many business reports and financial incentives focus on high-tech industries, such as those in biotech and the blue economy, which includes such things as sustainable aquaculture, shipping, tourism, defense, and offshore wind (see sidebar on "High-Tech Businesses & Jobs"). They call for education and retraining for high-paying jobs of the future. While these jobs and industries are important for the health of Rhode Island's economy, they offer too narrow a focus for economic development and business assistance. The truth remains that most people work – and will be needed and will continue to work – in other essential sectors of the economy, such as the care economy, for us to function as a society. **Most of the businesses operating in the care economy, as elsewhere, are small businesses**. Furthermore, **most care economy small businesses owners are women, and many are people of color**, and they need greater acknowledgement, respect, attention, and support than they have traditionally received.

Undue focus on high-tech jobs risks leaving out the majority of Rhode Island business owners and their employees alike. With the care economy encompassing 2,000 businesses (close to 10% of employer businesses) and 80,000 or so Rhode Island jobs, and the need only increasing as the state's population ages, this is a sector of the economy deserving considerable attention and support.[20] There should certainly be investment in training and retraining of Rhode Islanders for high-tech jobs, but business support ought to be broadly conceived, to create and expand businesses in the sectors where most Rhode Islanders actually work and will continue to work.

High-Tech Businesses & Jobs

Although high-tech jobs, such as those in the blue economy and life sciences cannot easily be separated out from the traditional Annual Business Survey categories, one would expect them to fall within Professional, scientific, and technical services and Manufacturing. The highly valued (and often high-income) high-tech jobs are a small percent within these broad categories.

According to the "Rhode Island Innovates 2.0" report, published in 2021, approximately 9% of Rhode Islanders work in the blue economy. That report endorses a focus on five Advanced Industry Clusters: Advanced Business Services (employment of 40,194 in 2017, with 48% of these labeled "good jobs" – although the report does not clearly define what "good jobs" are, it appears they are ones with "livable wages" and not "low-skilled"); Biomedical Innovation (36,288, 50% good jobs); Defense, Shipbuilding, and Maritime (19,513, 57% good jobs); IT-Software, Cyber-Physical Systems (14,296, 49% good jobs); and Design, Food, and Custom Manufacturing (10,581, 34% good jobs). While the report focuses on the growth of these five industries, it does not remark on the portion of the economy they represent. Covering roughly 120,000 jobs, these clusters are an important part of the economy but still relatively small compared to the entire economy and all jobs (and even the report identifies only about half of these as "good jobs").

SECTION 2: BUSINESS ASSISTANCE IN RHODE ISLAND

There are Two Types of Business Assistance: Financial and Technical

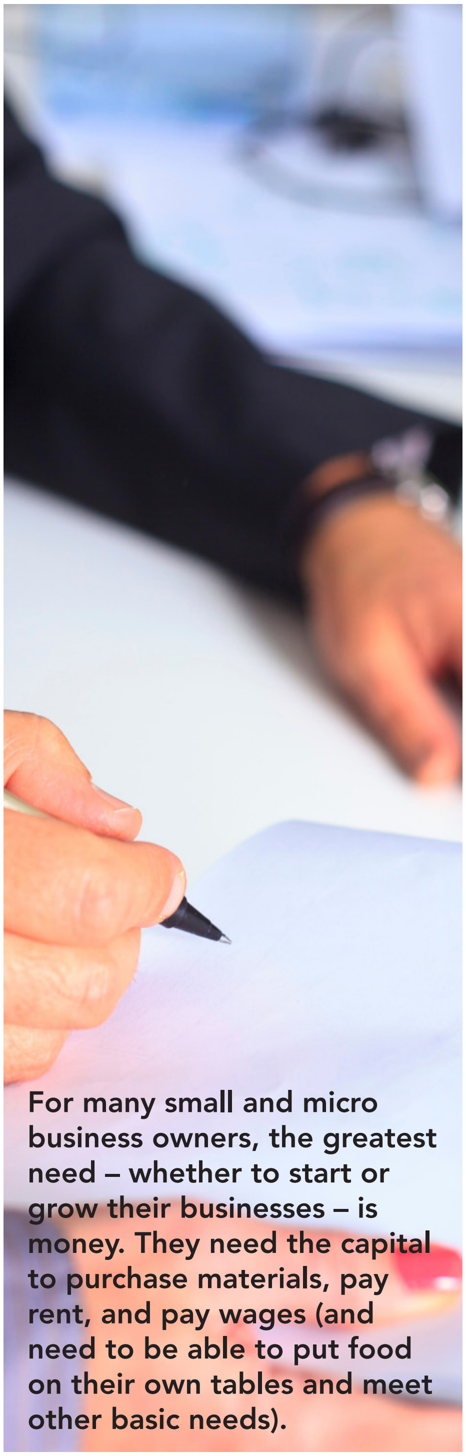
There is broad agreement among policymakers in Rhode Island that the state and federal governments should help people start and expand businesses.[21] The number and variety of programs to aid small businesses, the dollars directed into these programs, and the rhetoric in support of business, especially small businesses and their owners, provides strong evidence of such broad agreement. **The basic assumption is that by helping to start and grow businesses, the state's economy will grow, employing more people and generating broadly felt prosperity.** Despite agreement in this regard across much of the political spectrum, there remain many questions concerning whether the varieties of business assistance currently available are adequate to the task, and whether what is available matches the needs of small and micro business owners, especially those from Black, Latino, Asian, and Indigenous communities.

There are basically two general types of business assistance: *financial* and *technical*. In Section 2 of this report, we consider the different types of assistance within these categories and the types of organizations providing them, as well as some overarching concerns and challenges across the business assistance landscape.

The basic assumption is that by helping to start and grow businesses, the state's economy will grow, employing more people and generating broadly felt prosperity. Despite agreement in this regard across much of the political spectrum, there remain many questions concerning whether the varieties of business assistance currently available are adequate to the task, and whether what is available matches the needs of small and micro business owners, especially those from Black, Latino, Asian, and Indigenous communities.

Financial Assistance

For many small and micro business owners, the greatest need – whether to start or grow their businesses – is money. They need the capital to purchase materials, pay rent, and pay wages (and need to be able to put food on their own tables and meet other basic needs). Historically, racism has played some role in lack of access to financial assistance, such as loans. This includes the pandemic-era forgivable Paycheck Protection Program (PPP) loans.[22] This section presents the different kinds of financial assistance.



For many small and micro business owners, the greatest need – whether to start or grow their businesses – is money. They need the capital to purchase materials, pay rent, and pay wages (and need to be able to put food on their own tables and meet other basic needs).

Direct Grants

Few programs provide business owners financial assistance in the form of direct grants (assistance not requiring repayment). The PPP program, although technically a loan program, was designed in such a way as to make the majority of loans forgivable, making the funds, in effect, grants. The Rhode Island Commerce Corporation does manage a few grant programs: the RI Rebounds Small Business Grant Program; the Hospitality, Tourism and Events Grant Program; and Innovate Rhode Island Small Business Grants. The first two have used federal American Rescue Plan Act funds to help businesses that faced losses due to the COVID-19 pandemic. The last one is targeted at businesses with fewer than 50 employees to apply for science and technology awards and pay interns. Another program, Innovation Vouchers, provides grants of up to $50,000 for research and development. Clearly, not all of these are targeted at micro business owners.

The lack of grant programs makes funding micro businesses particularly difficult. Although many Sole Proprietors and other micro business owners do not need large amounts of money, they often cannot put up collateral to secure loans; or their profit margins are too low to generate enough income to pay back loans in a timely fashion. Many of these businesses simply do not have – and are not likely to create – a revenue stream that would justify issuing loans substantial enough to make a difference, particularly in terms of scaling up a business. It should be noted that Sole Proprietors (while not generally incorporated as LLCs or Partnerships) are not excluded, by statute or regulation, from receiving government support. For such entrepreneurs, a system of small grants might be necessary to cultivate and grow businesses. A grant fund might make a significant difference in the creation and growth of hundreds or thousands of the smallest Rhode Island businesses.

Loans & Microloans

Business owners and aspiring entrepreneurs can, of course, also seek out traditional business loans from banks and credit unions. Entrepreneurs can apply to the Small Business Administration for loan guarantees. The Rhode Island Black Business Association's analysis of SBA loan guarantee data has indicated that Black-owned Rhode Island businesses have received disproportionately fewer and smaller loans than White-owned businesses.

One solution for helping micro businesses could be microloans. Microloans are often thought of in terms of international aid, for example providing funds for someone to purchase a goat or cow to begin a business. While some programs for microloans distribute up to tens of thousands of dollars per recipient, others disburse much smaller amounts. In Rhode Island, there are some microloan programs at the municipal level, such as Newport's Micro-Enterprise Grants, East Providence's Department of Planning and Economic Development's Commercial Microloan Program (with loans between $1,000 and $10,000), and Providence's Micro-Enterprise Loan Program (with loans between $5,000 and $35,000 for Providence businesses with between one and five employees). The nonprofit Providence Revolving Fund offers loans of up to $5,000 for micro businesses. The Center for Southeast Asians (CSEA) runs a 1% microloan program. Social Enterprise Greenhouse runs a Microgrant Fund in addition to its regular Loan Fund.

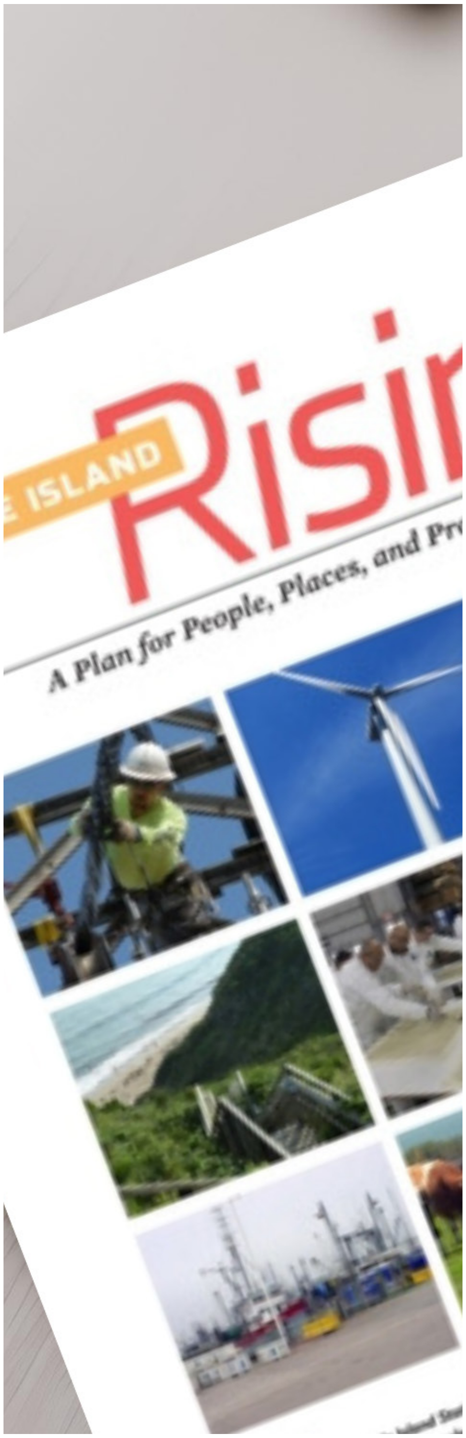
Community Development Financial Institutions (CDFIs)

Community Development Financial Institutions (CDFIs) combine access to capital with expertise in technical assistance. CDFIs are federally certified organizations that receive federal funding as "mission-driven financial institutions that take a market-based approach to supporting economically disadvantaged communities."[23] This is a public-private partnership model aiming to bring private capital to low-income communities, with expertise and knowledge of the local communities.[24]

Over recent years, a number of business reports, including the Rhode Island Statewide Planning Program's December 2014 "Rhode Island Rising: A Plan for People, Places, and Prosperity" report," the 2021 "Rhode Island Innovates 2.0" report, and the January 2022 Rhode Island Foundation and Rhode Island Commerce Corporation's "Rhode Island BIPOC Small Business Ecosystem Assessment" have strongly recommended the creation of CDFIs in Rhode Island. Although Rhode Island is already home to a few CDFIs – Local Initiatives Support Corporation (LISC), the Providence Revolving Fund, and the Capital Good Fund – these institutions have not provided extensive financial assistance to small businesses. The Commerce Corporation has been exploring bringing in a Massachusetts-based CDFI to help set up a new one in Rhode Island. In March 2024, the board of the Commerce Corporation voted to spend approximately $40,000 to hire the Council of Development Finance Agencies to develop a CDFI implementation plan.

Neighborhood Trusts

A novel means of funding business projects is the Neighborhood Trust approach recommended in the 2021 Make It Happen report, a Rhode Island Foundation-led initiative in partnership with the Economic Progress Institute, the Rhode Island Public Expenditure Council, and the Foundation's Make it Happen Steering Committee. The report, a blueprint for spending the state's $1.1 billion in ARPA funds, urged investing a relatively modest $50 million, or less than 5% of the funds.



Over recent years, a number of business reports have strongly recommended the creation of CDFIs in Rhode Island.

According to the report:

> A neighborhood trust is a collection of funds, pooled and held in trust for the benefit of a specific neighborhood, to be directed by people who live in that place. These trusts would allow communities to pool funds, including allocations by other funders and small-dollar investments by residents themselves, into large-scale efforts to revitalize and improve their communities. Strategic investments made by the community would generate social and, ideally, financial returns, resulting in a regeneration of funds. Decisions on how the trust is allocated would be made by members of the community themselves, through the creation of democratic and transparent governance structures.[25]

Such a trust would empower people who live in, and know, their own communities best to determine where to invest. Whereas most financial assistance to small businesses is provided directly to individual businesses, a broader ecosystem strategy focused on communities might prove a more effective and more transformative approach to supporting small and micro businesses and expanding economic opportunity and activity.

Tax Credits

Tax credits provide an indirect way of helping businesses. Most tax credits are offered in the context of economic development, including for job creation and retention. A considerable portion of the tens of millions of dollars spent each year by Rhode Island for such programs goes to larger businesses, including some of the largest businesses in the state.

There is a genuine policy debate that ought to be held about the most effective ways of investing these state resources. A key concept in this regard is the "but for" consideration. For example, let's say the state provides tax credits for jobs created and retained: One ought to ask how many jobs a company would have created or kept in Rhode Island without the tax credit incentive and how many it would not have created or kept in the state "but for" the incentive. This is difficult to measure, but the fact is that any funds paid to a company for creating a job or undertaking a business expansion it would have done anyway may be a waste of funding. It is an investment of state dollars in something that would have happened regardless.

Even assuming tax credit incentives lead directly to job creation, the per job cost is often high. In 2018, the scholar Timonthy J. Bartik concluded that in the United States, it costs $16,600 in government tax incentives per job-year created (that is, not a one-time incentive for creating a job that continues, but as an ongoing cost). Business tax cuts are even worse, costing $46,600 per job-year created.[26]

It is critical that policymakers regularly evaluate tax credit incentive programs to determine whether they are providing a return on investment. They should regularly assess which programs should be continued, which should be modified, and which should be ended. All such programs need stated purposes, as well as sunset dates to motivate serious evaluation. Fortunately, Rhode Island's Office of Revenue Analysis regularly produces thoughtful reports employing sophisticated modeling software.[27] We just need policymakers to use these reports to make informed program decisions, especially with tens of millions of dollars at stake each year, some of which might be put to more productive use to support small and micro businesses.

Help Accessing Capital, Including Federal Dollars

Federal business support programs provide tens of millions of dollars to Rhode Island. The State Small Business Credit Initiative (SSBCI), run by the United States Department of the Treasury, received reauthorization and an expansion as part of the American Rescue Plan. Of the close to $10 billion dollars in funding, Rhode Island is receiving over $60 million: $31.5 million through the Venture Capital Program which "provides equity investments to underserved startups and investors;" $26.9 million through the Loan Participation Program which purchases portions of loans so as to provide credit support; and the $3.3 million through the Capital Access Program which helps establish a "loan loss reserve fund" as a type of insurance.[28] The Commerce Corporation is administering the program in Rhode Island.

The financial assistance landscape includes organizations which help connect business owners with grants and loans, including from federally funded programs. Such organizations are generally called Economic Development Organizations (EDOs). In Rhode Island, these include Compete RI and Polaris MEP, as well as the Local Initiatives Support Corporation (LISC), which makes community investments in part to leverage other funding for development.

Technical Assistance

Technical assistance for small business owners encompasses a broad range of activities, from providing general guidance on business planning to helping people navigate systems to teaching specific skills. Different organizations tend to focus on different areas of technical assistance, though some try to provide all of these, or at least to connect business owners with resources for them. The truth is that there are so many different organizations operating along various dimensions in this space that the business assistance landscape can feel confusing or overwhelming, to business owners and to observers. As we discuss below, there have been repeated calls for the creation of a "one-stop shop" – whether in the form of an organization, a guide, or a map.

Planning

A formal business plan can help entrepreneurs secure financing by persuading bankers that issuing a loan would not be taking an undue risk. Research for this report indicated that having a dream is not enough. For example, someone might dream of starting a food truck business, but if the market is already saturated, a beautiful dream and a quality product might not be enough to guarantee success. As one person explained to us, "Generating enthusiasm is not a substitute for providing guidance."

Mentoring

Considered by some to be a foundational and underappreciated dimension of technical assistance, mentorship from experienced business owners can prove the difference between success and failure for a new or prospective entrepreneur. Such mentorship must be more than advice and should include guidance for such things as implementing a business plan and helping new business owners make informed decisions.

Accounting

Many new (and even some experienced) business owners do not possess sufficient knowledge of what they need to track and document to comply with federal and state tax and other regulations. With various rules around tax withholding for employees and the payment of wages, the technical understanding of basic accounting principles can be critical.

Legal

Given that there are many types of business formations, including a variety of types of Limited Liability Companies (LLCs), not all aspiring business owners – especially those aiming to scale up from a Sole Proprietorship to a business with employees – understand the options. Beyond business formation, there are potentially numerous other legal issues, including licensing and zoning requirements.

Marketing

Many old and new business owners, whether selling goods or services or both, could benefit from marketing assistance. Marketing has become only more important in the internet age, when so much commerce takes place online. This assistance can include research into what to produce, as well as how to advertise and reach customers. Conducting market research during the planning stages of a business would help entrepreneurs identify a consumer base before investing too much money or time.

Technological

Some people lack the equipment and technical skills to be as successful as they could be. Those skills include the knowledge of basic office software, such as spreadsheets. Having affordable access to high-speed internet is also important.

Networking

Some organizations, especially chambers of commerce, provide opportunities for business owners to connect with peers, some of whom can provide mentorship. These opportunities can take the form of learning or social activities.

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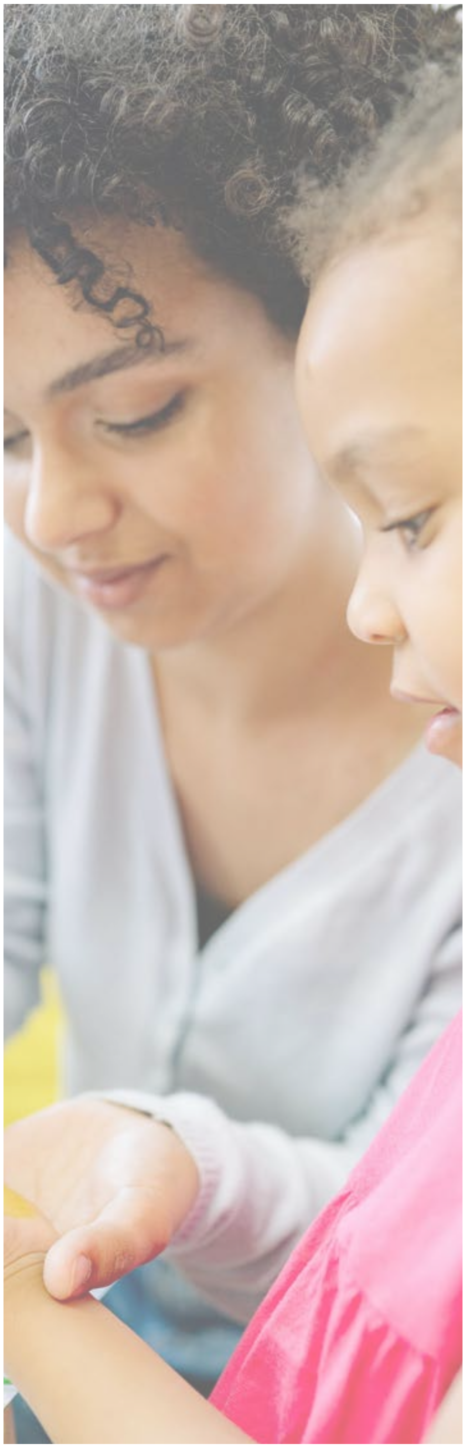
Organizations Supporting Rhode Island's Small & Micro Businesses



Many organizations – federal, state, and local, as well as public and private – work to support small and micro businesses. It is possible, even likely, that we have missed naming a number of organizations active in this space. We hope to provide at least a good overview of the types of organizations doing the work of providing financial and/or technical assistance to Rhode Islanders who hope to start, maintain, and expand businesses.

Federal Agencies

The Small Business Administration and the linked but separate SBA Office of Advocacy both provide assistance and information to small and micro businesses. The Center for Women and Enterprise is part of the SBA network, as is the largely volunteer SCORE (formerly known as the Service Corps of Retired Executives), which provides mentoring. URI hosts the SBA's Small Business Development Center, which offers information, workshops, and consulting for new businesses and expanding ones. Some of the SBA's work is regional, including the Veterans Business Outreach Center of New England. The U.S. Department of Commerce's Minority Business Development Agency describes itself as "the only federal agency solely dedicated to the growth and global competitiveness of minority business enterprises."[29]

State and Municipal Government Agencies and Offices

A number of state agencies interact with business owners, and these include the Executive Office of Commerce, the Office of the Secretary of State, the Department of Revenue (which includes the Division of Taxation), the Department of Administration (which includes the Minority Business Enterprise Program), the Department of Labor, the Department of Environmental Management, and the Department of Business Regulation.

Much business assistance at the state level is coordinated by the quasi-governmental Commerce Corporation, which runs and funds many programs that provide financial and technical assistance to businesses. The agency's Engagement Team can provide assessments and referrals for individuals seeking to start or grow businesses. In addition to managing the grant programs noted above, the Commerce Corporation coordinates the Small Business Loan Fund, which provides gap financing. Through the Small Business Assistance Program, Commerce works with the Rhode Island Black Business Association, Social Enterprise Greenhouse, the Community Investment Corporation, BDC Capital, the Business Development Company, and the South Eastern Economic Development (SEED) Corporation to provide loans to small businesses at interest rates no higher than 8%, and some of these loan funds can be used to pay for technical assistance.

Commerce Corporation also partners with over a dozen companies through a Minority Business Accelerator program to provide a wide selection of technical assistance to Minority-Owned and Women-Owned Businesses: CIC Venture Cafe Global Institute; EForAll – RI; Innovation Studio & Biz Bodega; New England Medical Innovation Center; RI Builders Association; Rhode Island Hispanic Chamber of Commerce; RI Small Business Development Center at URI; RWU Minority Business Law Collaborative; SCORE RI; Skills for RI; the Rhode Island Black Business Association; Social Enterprise Greenhouse; Branchfood; Fuerza Laboral; Hope & Main; and Urban Ventures.

The Commerce Corporation, along with the state's Division of Statewide Planning, coordinated the state's Comprehensive Economic Development Strategy (CEDS), a periodic process for long-term planning. With the help of a council and public meetings and input, the "Ocean State Accelerates" report and plan was produced in 2023, providing a blueprint for economic development, including for small businesses, and framing the entire state as an Economic Development District for federal funding.[30]

Many city governments also maintain offices (or at least small business liaison officers) and programs to promote economic development and provide assistance. Central Falls, for example, employs someone to focus on Small Business Assistance & Workforce Development. Warwick has a Department of Economic Development, and Cranston has an Office of Economic Development. Newport runs a Department of Planning and Economic Development, while Westerly has an Economic Development Commission. Providence maintains Offices of Economic Development and Economic Opportunity. Although it is not clear that anyone in the state maintains a list of all of the municipal offices and officials tasked with economic development and small business assistance, such offices and officials can be found across the state.

Public-Private Partnerships

Many technical assistance providers find their funding through federal and state contracting awards. One of these providers, likely the largest in the state, is Skills for Rhode Island's Future, which offers a wide range of services to thousands of businesses each year and seeks to connect employers with unemployed and underemployed Rhode Islanders. During the pandemic, they were granted federal funds to build a Small Business Resource Hub. Polaris MEP helps connect government and corporate partners, along with providing technical assistance. Compete RI seeks to draw into the state federal funds to help businesses.

Community Organizations

A number of organizations specialize in reaching out to various ethnic and national communities. These include Progreso Latino, the Center for Southeast Asians, the Hispanic Chamber of Commerce, and the Rhode Island Black Business Association. Some community organizations focus

Many city governments also maintain offices (or at least small business liaison officers) and programs to promote economic development and provide assistance.

on municipalities. These include the Downtown Woonsocket Collaborative. Grow Smart RI does not provide direct services to businesses, but does work to promote sustainable and environmentally-friendly economic development on the neighborhood level, including on Main Streets at the centers of Rhode Island's cities and towns. Some organizations are based at the state's institutions of higher education. The Roger Williams University School of Law, in particular, has played a role in helping small businesses, through the Business Start-up Clinic which offers legal services to small businesses, including nonprofit organizations, and the recently established Minority Business Law Collaborative.

Incubators and More

A variety of programs provide not only technical and financial assistance, but also physical space for businesses to sprout and bloom. These include Hope & Main, an incubator for food service businesses. Based in Warren, RI, 40% of the businesses operating out of the incubator's kitchens are minority-owned ones. Innovate Newport, involving the Greater Newport Chamber of Commerce and Social Enterprise Greenhouse and a number of other partners, provides coworking space and more. The Diversity Business Exhibit is a New England regional effort producing business fairs, workshops, and other programming targeted at racially diverse businesses, including nonprofits. Polaris MEP provides technical support and solutions to small manufacturing businesses, with focused outreach to Latino, Black, and women entrepreneurs. Both traditional fairs and more recent pop-ups provide many micro business owners with opportunities to showcase and sell what they produce. Through workshops and consultation, Biz Bodega focuses on getting new businesses launched. The group Local Return is exploring innovative mechanisms, including an "investment cooperative," for Rhode Islanders to invest in local businesses and build community wealth, especially in neighborhoods historically not targeted for investment.

Chambers of Commerce

The various Chambers of Commerce provide networking and educational services, and also engage in lobbying on behalf of businesses. These chambers include the Greater Providence Chamber of Commerce, the Greater Newport Chamber of Commerce, the Northern Rhode Island Chamber of Commerce, the East Bay Chamber of Commerce, the Southern Rhode Island Chamber of Commerce, the Central Rhode Island Chamber of Commerce, the North Kingstown Chamber of Commerce, the Charlestown Chamber of Commerce, the Greater Cranston Chamber of Commerce, the East Greenwich Chamber of Commerce, the Narragansett Chamber of Commerce, the Ocean Community Chamber of Commerce, the Block Island Chamber of Commerce, the East Providence Area Chamber of Commerce, and the Pawtuxet Valley Chamber of Commerce. Traditionally, the chambers have not provided direct technical assistance service or sought funding for this. Chambers are nonprofit 501(c)(6) organizations with dues-paying members. Typically, chambers provided networking opportunities for members and discounts, while directing them to educational opportunities and technical assistance.

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Which Organizations Represent Rhode Island's Small and Micro Businesses?

The Chambers of Commerce represent businesses, though in their advocacy and lobbying activity, some chambers present themselves as representing all businesses, regardless of size or industry, yet not all business owners necessarily share the same interests. While the Greater Providence Chamber of Commerce better fits the common perception of an organization representing businesses, including some of the largest in the state, the Northern Rhode Island Chamber of Commerce and the Greater Newport Chamber of Commerce represent mostly smaller businesses.

It is worth taking note of some other players inhabiting the small business landscape, especially at the Rhode Island Statehouse and other places where policies relevant to small business owners are forged. The Rhode Island Business Coalition Industry Alliance promotes policies it identifies as improving economic competitiveness and business climate in the state. There are various local and national merchant/trade/industry associations that are organized by geography, such as those for Broad Street and Hope Street in Providence, or by industry, for example, the Rhode Island Hospitality Association. Although the larger industry associations generally ally with the chambers of commerce and oppose the positions of unions, the success of business owners and their employees are intertwined, and their interests ought not to be seen as irreconcilable. For those who consider themselves to be pro-business and want to improve the "business climate" it is important that they do not focus on too narrow a slice of the economy of state policy.[31]

In terms of national groups, the NFIB (also known as the National Federation of Independent Businesses) is active in statehouses across the country, including in Rhode Island. Although it presents itself as non-partisan and representing mom and pop businesses, it has a long history of advocating for conservative causes and candidates championed by large business interests.

Other national groups, including Main Street Alliance and Small Business Majority, seek to represent small businesses that might have different interests and priorities from those of the larger corporations that tend to fund much business advocacy and lobbying.

Although some organizations already exist to represent various underserved communities, the January 2022 Rhode Island Foundation and Rhode Island Commerce "Rhode Island BIPOC Small Business Ecosystem Assessment" recommended the "creation of a statewide network, the Rhode Island Minority Business Coalition, composed of BSOs [Business Support Organizations] and other advocates for BIPOC business development" to be modeled upon similar organizations in Massachusetts and Cincinnati. Such an organization would "coordinate service delivery to local businesses and share best practices"; "aggregate services and programs to ensure effective support of the marketplace"; "share data and results on their customers and refer customers to BSOs across the network"; "host events and activities to strengthen the area's ecosystems"; and "advocate for BIPOC businesses via research, events, and other activities."[32]

In March 2022, with federal funding from the SBA's Community Navigator Pilot Program and state funding from the Commerce Corporation, the Rhode Island Business Empowerment Network (RIBEN) was launched. The initiative was relaunched in November 2023 as the Business Empowerment Alliance of Rhode Island (BEARI), a "'business concierge', where Business Support Organization (BSO) staff help business owners easily access a diverse array of services from multiple sources and act to break barriers for historically excluded entrepreneurs." Members of the Alliance are the Center for Southeast Asians, Rhode Island Hispanic Chamber of Commerce, Rhode Island Black Business Association, Hope & Main, Center for Women and Enterprise, Fuerza Laboral, Rhode Island Small Business Development Center, and Social Enterprise Greenhouse. This organization has the potential to become an important advocate for small business owners and aspiring entrepreneurs from various communities neglected by the traditional systems of business support.

Concerns and Challenges Across the Small and Micro Business Assistance Landscape

Taken together, the wide variety of business assistance organizations benefits thousands or tens of thousands of Rhode Island businesses and business owners each year. Yet, more can always be done to improve the state's business assistance landscape. Over the years, many reports – including those noted elsewhere in this report and some not noted – have contributed useful information and recommendations on business assistance and economic development. However, at least one person interviewed for this report lamented the accumulation of reports that sit on shelves, which he described as "recommendations to no one." Without trying to replicate these reports and while not denying their value, we are going to try something a little different here, and to do so in a brief, readable, and constructive way.

We are sharing some of the challenges and concerns voiced to us in dozens of discussions with people from organizations active across Rhode Island's business assistance landscape – these are people actively engaged with many small and micro business owners and aspiring entrepreneurs.[33] While we do not have data to substantiate all these concerns, we present them with the aim of generating further discussion among business owners and business assistance providers and policymakers. In some cases, we present policy recommendations or suggestions. In other cases, we hope to trigger thoughts and discussions that themselves could lead to better policies and programs which could expand economic opportunities for Rhode Islanders.

A Comprehensive Guide or Map

The research for this report revealed that there are dozens of organizations operating in the business assistance landscape. Identifying and categorizing all these overlapping organizations is not a straightforward task. And if the landscape is confusing for the researcher, it is likely similarly confusing for business owners or new entrepreneurs trying to figure out what services are available to them. We need a comprehensive guide or map to organizations and services available to Rhode Island businesses. As one small business owner explained, they "need a resource to navigate the resources."

While the Office of the Secretary of State provides a guide for registering a business, a truly comprehensive resource would identify all the public agencies and private organizations involved with providing business assistance and make clear which groups offer which services. Such a guide might even help identify redundancies in services. One individual told us that the state lacks a systematic approach to business assistance, and this includes how legislators at the General Assembly approach policies and programs on a piecemeal basis. Another characterized the non-systemic approach as lacking a "managed care" system for small and micro business owners – and said that our system is not broken because we do not have a system. A comprehensive guide would be of great benefit to business owners and policymakers alike.

Transparency and Measuring Success

Currently, there is no organization, department, or agency that is responsible for measuring success and identifying which approaches improve outcomes, promote equity, and reduce historic disparities. The lack of systematic measurement makes it likely that individual businesses being redirected for technical assistance from one organization to another and possibly a third are being counted for each touch, obscuring the true reach of technical assistance. We then risk mismeasuring success by the number of touches, rather than, for example, by the actual number of business starts or business growth.

Any such measurement effort ought to be transparent and available for public review, possibly through a website with a regularly updated dashboard. This would help policymakers and business assistance providers, as well as business owners and other planners.

Alienation/Abandonment, Trust, Geographical Diversity, and Reaching People Where They Are

We were told that many business owners and aspiring business owners feel alienated from and do not trust the people and institutions holding power and money. Some of this could be addressed through greater cultural awareness or overcoming language barriers. There could also be greater efforts to site business assistance activities – whether permanent offices or individual events – in the neighborhoods where people live and run their businesses, instead of expecting people to get, for example, to downtown Providence. Relatedly, many folks outside of the greater Providence area feel that other parts of the state are often neglected when problems are analyzed, and policies and programs are developed.

Outside of communities based on race and ethnicity, there are other ones whose members have also had experiences and feelings of neglect. These include people with disabilities, veterans, and the formerly incarcerated, all of whom face obstacles to accessing the full range of financial and technical assistance.

The consideration of small and micro businesses must also recognize the substantial contributions of immigrants with or without United States citizenship. Immigrants have long been risk-takers and engineers of economic growth, and business support efforts need to include them. Immigrants without citizenship contribute a considerable amount in tax revenue despite being ineligible for benefits funded by this revenue.

Gatekeeping and Decision-Making

Each year in Rhode Island, tens of millions of dollars – if not hundreds of millions of dollars – are spent on economic development and business support. Too often, individuals from historically disadvantaged communities are not in the rooms where decisions are made to allocate the funds. Nor are they sitting at the tables where regulations are

Small and micro business owners of color face the same institutional racism and other barriers to opportunity that people of color encounter everywhere else in society. This has an impact. We were told that many small business owners and aspiring business owners feel alienated and do not trust the people and institutions holding power and money.

developed to guide or limit the use of these funds. Or sometimes, individuals are invited to advise without being given authority. As one person noted to us, there is a critical difference between advising and making decisions.

To improve assistance and decision-making for small and micro businesses, we might consider the experience of the federal Justice40 Initiative, which was created through a 2021 Executive Order. As explained by the Urban Institute, this program "aims to deliver 40 percent of the benefits of certain federal investments to communities identified as 'disadvantaged' based on factors such as exposure to pollution and other environmental hazards, vulnerability to the impacts of climate change, and levels of socioeconomic distress." Although not directed specifically at small businesses, the program does focus on federal loans, grants, and direct payments for climate change, transportation, housing, and pollution clean-up, among other areas.

Importantly, the project makes "procedural equity" and community involvement central to the process:

> Justice40's goal of delivering 40 percent of benefits from select federal investments to "disadvantaged" communities is a form of distributive equity, which is concerned with the fair allocation of resources. But it is equally important to attend to procedural equity in the processes and mechanisms through which distribution decisions are made. Community members, particularly those with lived experience of economic and environmental injustices, have access to information and context that is often not available to those outside of the community, and can offer insights that even the most robust quantitative data fail to capture. Embedding their input and expertise within all stages of Justice40 programs and projects can lead to more effective and sustainable solutions to local needs, and is critical to advancing equity, climate action, and economic health.[34]

Such a model of community expertise and input certainly could be incorporated into Rhode Island's approach to small business support, funding, and decision-making.

Non-Traditional Assistance for Businesses

By non-traditional assistance, we do not mean non-traditional businesses. Rather we mean assistance that falls outside of the financial and technical services outlined above. We mean something like how to help a Sole Proprietor or other micro business owner who is confronted with caretaking responsibilities for an ailing parent or who welcomes a new child. The lack of resources, whether financial or otherwise, could result in the collapse of such businesses. Imaginative policymakers might consider how to make paid family leave apply better to the smallest of our businesses. And yet few of us think of such things as falling within the category of business assistance. Nor do we think of mental health services – even something like mindfulness training – as business assistance. We certainly rarely understand our entire childcare system or the public transit system and their funding as part of the business assistance landscape. But such policy and funding matters could be thought of as critical to setting up small and micro businesses for success.

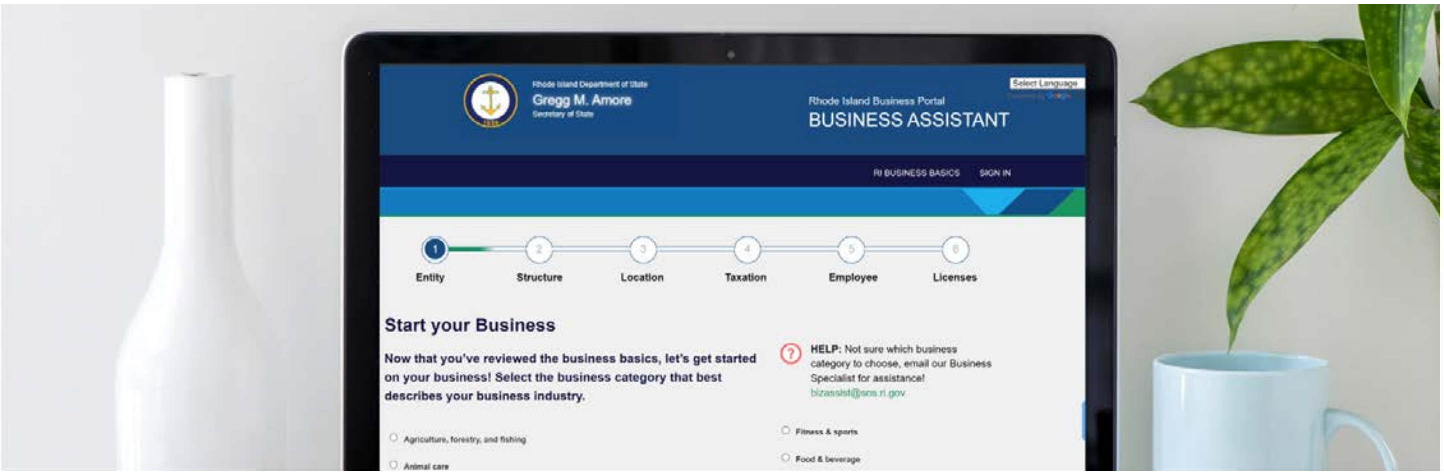
A One-Stop Shop

There has long been talk of creating a one-stop shop for existing and aspiring business owners where they could access in a single place all the information, guidance, and assistance they need. A one-stop shop would exist in addition to a comprehensive guide and should include information on how to navigate government regulations and multiple agencies, as well as link with sources of technical and financial assistance. It would not replace existing organizations, but rather help direct traffic in a more effective way. Although some organizations, such as Skills for RI, do provide an extensive range of services and connect people with close to the full range of business assistance, no one provider organization can manage this for all businesses and potential business owners seeking assistance.

The Business Services Division of the Office of the Secretary of State has been building such a one-stop shop – and it should be available to both prospective and existing business owners shortly after the publication of this report. Although the Division and its website already offer most or possibly all of the pieces of a one-stop shop, the new version will improve upon what is available and include everything in a single application.

In 2018, the Rhode Island Foundation launched the RIBizBuilder website meant to provide a directory and foundation for a one-stop shop. This effort was transferred to the Commerce Corporation and then to the Office of the Secretary of State. The Business Services Division of the Office offers guidance in two forms. The first, the Business Basics website, includes separate pages devoted to business planning and goals, naming a business, business structures, costs and fees, choosing a business location, and having a business with employees. Information is available in English and Spanish. The chart for different types of business structures and what distinguishes one type of business structure from another is particularly useful.

The second part is the Business Assistant portal (https://www.ri.gov/SOS/businessassistant/wizard/business_categories) that provides a six-step questionnaire for aspiring business owners to learn what further actions they need to take and what the likely costs are. The portal provides individualized information particular to the type of business and planned location. As of this report's publication, the Business Services Division is testing and planning to launch an expanded Business Assistant portal that will incorporate more of the functionality of RIBizBuilder, individualizing recommendations for technical and financial assistance. Although the Office of the Secretary of State is primarily focused on incorporated businesses required to register with the state, the information in general and the Business Assistant portal are intended even for Sole Proprietors and other business owners not seeking to incorporate and register with the state. The hope is that other players in the business assistance landscape will be able to direct people to the Secretary of State's website as a one-stop shop.



CONCLUSION

Small and micro businesses and their owners play a critical role in Rhode Island's economy. This report has highlighted their importance and diversity, their successes and challenges, and the supports they need to thrive.

As the data show, Rhode Island is home to over 100,000 businesses, and most of these are micro businesses – entrepreneurs with no employees or those with fewer than 10 employees.

The data also suggest that Rhode Island's Black-owned and Latino-owned businesses, among others, have been negatively affected by the pandemic, yet also show that there is great potential for business creation and growth.

This report shows that there are a multitude of varied organizations operating in the state to help business owners. Yet, in order to do the most to help micro businesses thrive, there is a need to map and measure this work, to obtain a clearer picture of what resources are available – and to share this with micro business owners and policymakers alike.

Without seeking to be comprehensive in either its account or recommendations, this report nonetheless seeks to describe the landscape of small and micro businesses in Rhode Island and to provide a sense of the scope of assistance available – and to make some modest yet practical recommendations for improvement.

Such recommendations would include those proposed by individuals with whom we spoke as well as in other reports over the years:

- the completion of a one-stop shop
- the creation of a comprehensive map or guide
- the development of one or more Community Development Financial Institutions (CDFI) with expertise in assisting small businesses
- the launch of a Neighborhood Trust and other innovative funding mechanisms
- an increase in cultural awareness and outreach to small and micro business owners in the communities in which they live and are building their businesses
- bringing in a more diverse group of community voices to help make critical decisions, including funding decisions
- an increase in attention to and investment in the care economy and care economy business owners
- a greater investment in the smallest businesses owned by Black, Latino, Indigenous, and Asian Rhode Islanders, as well as those owned by Rhode Islanders with Disabilities and those owned by Rhode Island's Women and Veterans – to help build the pipeline of business with employees to apply for state contracting and other opportunities
- a consideration of ways to incorporate child care and other indirect assistance into small and micro business support
- greater transparency and an expansion of measurement – so we understand better what works and what does not in supporting Rhode Island's small and micro business owners and promoting equity and diversifying success across the state

We can help Rhode Island's micro and small business owners meet their most basic needs and thrive. We can do so in ways that pay attention to the needs and challenges of the state's many groups defined by race, ethnicity, national origin, and more. We can do so in equitable ways that decrease income and wealth gaps and build intergenerational wealth.

ENDNOTES

[1] U.S. Small Business Association Office of Advocacy, "2020 Small Business Profile: Rhode Island" (https://advocacy.sba.gov/wp-content/uploads/2020/06/2020-Small-Business-Economic-Profile-RI.pdf). Data are from the United States Census Bureau's American Community Survey, but not directly from published tables.
[2] Wealth gap data are for *median wealth*, meaning that half the families in each group have less and half more. In some cases, the gap has resulted from organized, physical violence. For example, when Black entrepreneurs have achieved success, there has often been backlash, such as the June 1921 Tulsa massacre (and of which some of us learned about only over the last few years), when White rioters burned and looted 35 city blocks containing the city's thriving Black business district and killed as many as 300 people (see, e.g., https://www.tulsahistory.org/exhibit/1921-tulsa-race-massacre/#flexible-content). And, sometimes, policy generates its own sort of violence. In Rhode Island, as Keith W. Stokes and Theresa Guzman Stokes document in their A Matter of Truth report, hundreds of Black families and dozens of Black-owned businesses in Providence were forcefully relocated in the 1950s and 1960s, in the name of so-called "urban redevelopment," or what the authors quite reasonably call Neighborhood Deconstruction. Rhode Island Black Heritage Society and 1696 Heritage Group, A Matter of Truth: The Struggle For African Heritage & Indigenous People Equal Rights in Providence, Rhode Island (1620-2020), (Rhode Island Black Heritage Society and 1696 Heritage Group, 2021), https://aaagpvd.com/wp-content/uploads/2021/06/UPDATED-Matter-of-Truth2.pdf; the report was researched and written by Keith W. Stokes and Theresa Guzmán Stokes, edited by W. Paul Davis, and developed with the Mayor's African American Ambassador Group, during the administration of Providence Mayor Jorge Elorza.
[3] These are national data from the 2019 Survey of Consumer Finances, as analyzed by the Federal Reserve Bank of St. Louis. See Ana Hernández Kent and Lowell R. Ricketts, "Wealth Gaps between White, Black and Hispanic Families in 2019," (Federal Reserve Bank of St. Louis, On the Economy Blog, January 5, 2021), https://www.stlouisfed.org/on-the-economy/2021/january/wealth-gaps-white-black-hispanic-families-2019. We do not have wealth disparity data specific to Rhode Island.
[4] Although we developed and released an online survey (including a Spanish-language version) with the goal of soliciting responses to help us characterize the diversity of Rhode Island's small and micro business owners and their various needs, in the end, out of nearly 1,000 responses, all but two or three dozen were determined to be spam or other inauthentic responses.
[5] This report from the Economic Progress Institute (EPI) seeks to build upon other, foundational reports – including the Rhode Island Statewide Planning Program's December 2014 "Rhode Island Rising: A Plan for People, Places, and Prosperity" report (https://planning.ri.gov/sites/g/files/xkgbur826/files/documents/Econdev/2015/RhodeIslandRisingFinal3_10_15.pdf), the Latino Policy Institute's October 2016 "Engaging Latinos in Rhode Island Small Business Initiatives" (https://www.rwu.edu/sites/default/files/downloads/lpi/lpi_specialreport_fall16.pdf), the State of Rhode Island's July 2021 "Disparity Study" (https://dedi.ri.gov/sites/g/files/xkgbur811/files/documents/RI-Disparity-Study---Final-Report---July-19-2021.pdf), and the January 2022 Rhode Island Foundation and Rhode Island Commerce Corporation "Rhode Island BIPOC Small Business Ecosystem Assessment" (https://assets.rifoundation.org/documents/20220225-Final-Report-BIPOC-Small-Business-Assessment-RI-Foundation.docx_2022-03-24-154922_dzyd.pdf) – to describe Rhode Island's small business landscape and small business assistance landscape, and along the way to make some practical and implementable policy recommendations to improve and expand opportunities for small business owners and for entrepreneurs seeking to launch new businesses.
[6] Raul Figueroa from Fuerza Laboral provided data on worker cooperatives in Rhode Island.
[7] For the asterisks in this table and others in this section, the Census Bureau does not report data for the following reasons: "Estimate does not meet publication standards because of high sampling variability, poor response quality, or other concerns about the estimate quality. Unpublished estimates derived from this table by subtraction are subject to these same limitations and should not be attributed to the U.S. Census Bureau."
[8] While under 500 is its general definition, the SBA actually presents, in its more detailed tables, different cut-offs for businesses in different industries, ranging from 100 for some wholesalers to 1,500 for some manufacturers. See U. S. Small Business Administration, "Table of Small Business Size Standards Matched to North American Industry Classification System Codes," https://www.sba.gov/sites/sbagov/files/2023-06/Table%20of%20Size%20Standards_Effective%20March%2017%2C%202023%20%282%29.pdf; in some cases, the SBA defines small businesses in terms of annual receipts instead of number of employees. For the annual "state profile" reports produced by the SBA's Office of Advocacy, the under 500 employees standard is used.

[9] See https://advocacy.sba.gov/2017/08/01/the-role-of-microbusiness-employers-in-the-economy/.
[10] See the U.S. Census Bureau's Statistics of U.S. Businesses (SUSB) tables for 2020, particularly the table for detailed employment sizes: https://www.census.gov/data/tables/2020/econ/susb/2020-susb-annual.html.
[11] Please note that the DLT numbers do not match exactly the SBA and Census Bureau numbers. This could be due to differences in data collection methods or definitions.
[12] Although a small state, Rhode Island is a diverse place and not limited to the Providence metro area. To understand some of the geographic diversity in Rhode Island, here are counts of business establishments by county for 2021:

Count of establishments, 2021 Community Business Patterns (Table CB2100CBP)	Rhode Island	Newport County	Kent County	Providence County	Washington County	Bristol County
All establishments	28,989	2,784	4,678	16,116	3,724	1,309
Establishments with less than 5 employees	16,466	1,632	2,491	8,990	2,290	815
Establishments with 5 to 9 employees	5,252	522	882	2,926	635	232
Establishments with 10 to 19 employees	3,517	324	625	1,952	437	146
Establishments with 20 to 49 employees	2,446	217	441	1,428	249	88
Establishments with 50 to 99 employees	722	54	134	453	63	14
Establishments with 100 to 249 employees	412	24	84	248	35	12
Establishments with 250 to 499 employees	107	6	12	77	9	*
Establishments with 500 to 999 employees	44	5	7	26	3	*
Establishments with 1,000 employees or more	23	*	*	16	3	*
*Not reported						

Although Providence County unsurprisingly is home to the most businesses, including most of those with 250 or more employees, policymakers cannot ignore the contributions of businesses across the state. One might also consider the differences across the state for percentages of smaller businesses:

Count of establishments, 2021 Community Business Patterns (Table CB2100CBP)	Rhode Island	Newport County	Kent County	Providence County	Washington County	Bristol County
Establishments with less than 10 employees	21,718	2,154	3,373	11,916	2,925	1,047
% of Establishments with less than 10 employees	74.9%	77.4%	72.1%	73.9%	78.5%	80.1%

This table demonstrates that Newport, Washington, and Bristol counties contain a higher percentage of what could be identified as micro businesses (not including Sole Proprietorships) as compared with Kent and Providence counties. That the totals here differ from the municipal-level counts of micro-businesses shared in the report are a result of different data sources and different rules and approaches to data collection; the earlier data were from Rhode Island's Department of Labor and Training and reflected businesses in the DLT system, whereas these data are from the Census Bureau's Community Business Patterns series.
[13] See the Rhode Island Department of Health's "Frequently Asked Questions About Cottage Food Manufacturing in Rhode Island," https://health.ri.gov/publications/frequentlyaskedquestions/FAQs-Cottage-Food-Manufacturing-in-RI.pdf.
[14] Some have expressed skepticism of the accuracy of Census Bureau data for indigenous people, as survey responses are self-reported and might include individuals who do not actually have indigenous heritage. For the asterisks in this table and others in this section, the Census Bureau does not report data for the following reasons: "Estimate does not meet publication standards because of high sampling variability, poor response quality, or other concerns about the estimate quality. Unpublished estimates derived from this table by subtraction are subject to these same limitations and should not

be attributed to the U.S. Census Bureau."
[15] We show additional rows here because as explained in the previous note, here too the Census Bureau did not report a total estimate for 2018. Keeping in mind that the Census Bureau does not approve of deriving estimates through subtraction using reported numbers, please note that the Census did report a count of employer-owned businesses for Hispanic men – and given the trend across years, it would seem reasonable to think that the total number of Hispanic-owned businesses for 2018 could fall somewhere in the range of 600 (here we are using the term "Hispanic," because this is the term used by the Census Bureau).
[16] For an analysis of application, approvals, and racism in the PPP, see Sergey Chernenko, Nathan Kaplan, Asani Sarkar, and David Scharfstein, "Applications or Approvals: What Drives Racial Disparities in the Paycheck Protection Program?" Federal Reserve Bank of New York Staff Reports, no. 1060, May 2023.
[17] A full directory can be viewed or downloaded here: https://dedi.ri.gov/divisions-units/minority-business-enterprise-compliance-office/minority-business-enterprise-mbe. As recently as September 2023, this directory contained only 469 businesses, compared with the May 2024 count of 733, a 65% increase. A savvy reader might notice that the total count of MBE, WBE, and joint MBE/WBE businesses equals 732 and not 733. This is because one business qualifies as a Disadvantaged Business Enterprise, or DBE, a business owned by a Disadvantaged Individual. According to federal regulations, "Socially and economically disadvantaged individual means any individual who is a citizen (or lawfully admitted permanent resident) of the United States and who has been subjected to racial or ethnic prejudice or cultural bias within American society because of his or her identity as a member of a group and without regard to his or her individual qualities. The social disadvantage must stem from circumstances beyond the individual's control." See https://www.ecfr.gov/current/title-49/subtitle-A/part-26. Actually, of the 733 businesses in the directory, 352 are categorized as DBEs, but only one business is characterized as such without also being characterized as a WBE, MBE, or both.
[18] See https://dedi.ri.gov/divisions-units/minority-business-enterprise-compliance-office/veteran-business-enterprise-vbe.
[19] It is unclear why the number of Manufacturing firms owned by men is not reported, nor why the number of women-owned firms in the Administrative group is not reported. Because the Census Bureau's Annual Business Survey provides few data points broken out by race, ethnicity, or veteran status (not enough for tables similar to the one for gender), we share the following highlights:

- For 2019, out of the 572 Hispanic-owned businesses employing 3,740 people, the Annual Business Survey reports only that 110 were in Construction (with 306 employees) and 28 in Professional, scientific, and technical services (with 122 employees).
- For the 872 Asian-owned businesses employing 8,783 people, the data only report 264 Retail trade firms (with 1,714 employees) and 11 Manufacturing firms (with 136 employees).
- For the 320 Black-owned businesses employing 2,263 people, the data only report 32 firms in Professional, scientific, and technical services (with 108 employees).
- For the 1,662 Veteran-owned businesses employing 24,610 people, the data report 79 firms in the Transportation and warehousing sector (with 406 employees).

There were insufficient data to report any breakouts for businesses owned by Indigenous Rhode Islanders. Likewise, the data were inadequate to present cross-sections by gender with race or ethnicity. Nevertheless, from the little data available, one can detect some differences between groups in terms of business focus.
[20] See especially pages 33, 35, and 93 of "Rhode Island Innovates 2.0": https://commerceri.com/wp-content/uploads/2021/06/Rhode-Island-Innovates-2.0.pdf.
[21] Perhaps only libertarians object in principle to providing government support to business owners, though many others object to what might be characterized as "corporate welfare," giving millions of dollars to large businesses that have no need of public assistance to create jobs or grow their companies.
[22] For an analysis of application, approvals, and racism in the PPP, see Sergey Chernenko, Nathan Kaplan, Asani Sarkar, and David Scharfstein, "Applications or Approvals: What Drives Racial Disparities in the Paycheck Protection Program?" Federal Reserve Bank of New York Staff Reports, no. 1060, May 2023.
[23] See https://www.cdfifund.gov/.
[24] See https://www.cdfifund.gov/sites/cdfi/files/documents/cdfi_infogrpahic_v03aaf.pdf.
[25] Rhode Island Foundation, "Make it Happen: Investing for Rhode Island's Future," (October 2021), pp. 42-43; see https://assets.rifoundation.org/images/Impact/RIF_MakeItHappen_DIGITAL_vF2_SinglePgs.pdf.
[26] Timothy J. Bartik, "Helping Manufacturing-Intensive Communities: What Works?" (May 9, 2018), Center on Budget and Policy Priorities, https://www.cbpp.org/research/full-employment/helping-manufacturing-intensive-communi-

ties-what-works.
[27] See https://dor.ri.gov/revenue-analysis/reports.
[28] See "State Small Business Credit Initiative: Fact Sheet June 2023," pp. 1, 14, https://home.treasury.gov/system/files/256/State-Small-Business-Credit-Initiative-SSBCI-Fact-Sheet.pdf.
[29] See https://www.mbda.gov/who-we-are/overview.
[30] See https://commerceri.com/wp-content/uploads/2023/12/00_OceanStateAccelerates_Strategy_FINAL.APPROVED_optimized.pdf.
[31] For example, some people focus narrowly on tax policy. Our attention is easily captured by the click-bait of business climate rankings, the most notorious of which is the Tax Foundation's Business Tax Climate Index. Unlike some rankings that take a broader view of business climate, this most famous one focuses on tax policy to the exclusion of numerous other factors, some of which (such as the actual climate, the weather in New England) are beyond anyone's control. Too many people use these flawed rankings to complain about Rhode Island as a place to start and grow businesses, when instead they could celebrate the state's strengths. One worries that the repeated complaints have become a self-fulfilling prophecy of sorts, encouraging people to believe Rhode Island is much worse for business than it actually is. For a critique of the business climate rankings, see Alan Krinsky, "Top 10 Reasons Business Climate Rankings Don't Matter," Economic Progress Institute (April 10, 2024), https://economicprogressri.org/publications/top-10-reasons-business-climate-rankings-dont-matter.
[32] "Rhode Island BIPOC Small Business Ecosystem Assessment: Supporting the Startup, Sustainability, and Growth of BIPOC Businesses in Rhode Island" (January 2022), p. 19; see https://assets.rifoundation.org/documents/20220225-Final-Report-BIPOC-Small-Business-Assessment-RI-Foundation.docx_2022-03-24-154922_dzyd.pdf. *Note: BIPOC stands for Black, Indigenous, and other People Of Color.*
[33] We had hoped originally to bolster this with robust survey data and multiple focus group sessions with small and micro business owners.
[34] Samantha Fu and Anna Shipp, "Positioning Justice40 for Success: A Policy and Practice Playbook," Urban Institute (November 2022), https://www.urban.org/sites/default/files/2022-11/Positioning_Justice40_for_Success.pdf.

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