



SECTOR RESEARCH BRIEF | WORKFORCE NEEDS OF SMALL BUSINESSES IN HEALTH CARE

San Diego County

November 2015

Introduction

This research brief is one of the companion documents to *Workforce Needs of Small Businesses in San Diego*, a comprehensive labor market report developed and published in partnership between the San Diego and Imperial Counties (SDIC) Regional Consortium of Community Colleges representing the San Diego and Imperial Counties Community Colleges Association (SDICCCA), the Regional Center of Excellence for Labor Market Research (COE) and the San Diego Workforce Partnership (SDWP).¹ The comprehensive study examines the workforce needs of small businesses across San Diego County in general and specifically in priority and emergent sectors including Advanced Manufacturing, Health Care, Advanced Transportation, Life Sciences/Biotechnology (Biotech) and Information and Communication Technologies (ICT). The study combines secondary data analyses and the findings from the survey of 347 small businesses across the sectors in San Diego region.

This research brief summarizes survey findings for small businesses that operate within the Health Care sector. It presents information about current and projected employment for these businesses, skills and education requirements, training preferences and other workforce related topics.

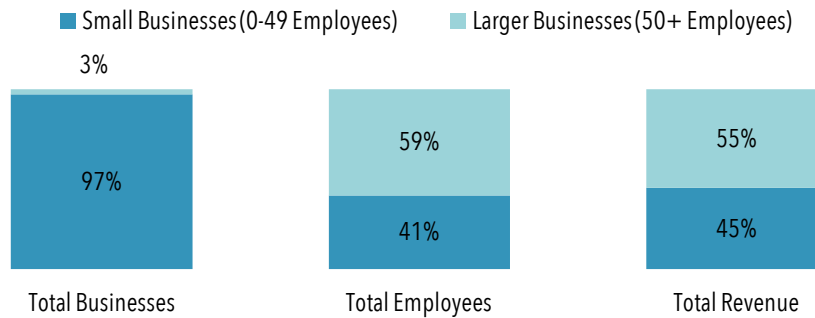
Impact of Small Businesses

There are estimated 8,500 small businesses operating in the Health Care sector in the San Diego area, which is about 9 percent of all small businesses. These businesses play a key role in Health Care, accounting for significant portions of businesses, employees and annual revenue.² As Figure 1 demonstrates, 97 percent of all Health Care businesses are businesses with fewer than 50 employees. Small businesses in this sector also account for 41% of all employees and for 45 percent of all generated annual revenue.

¹ Full study report and other sector-specific research briefs can be accessed at workforce.org/reports.

² This is the COE estimate based on the analysis of NAICS codes, business database from Infogroup, and survey incidence rates.

Figure 1. Small Businesses in Health Care, by Business County, Employment and Revenue

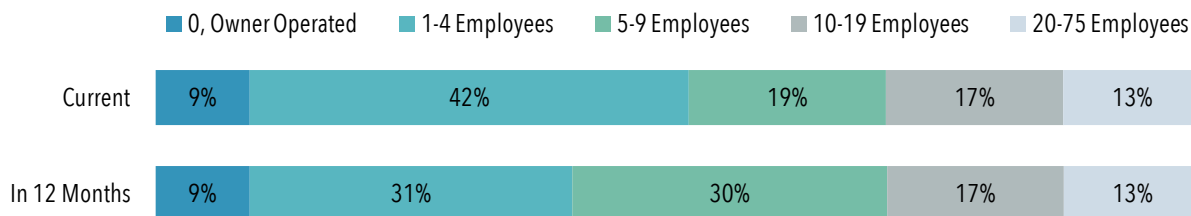


Current and Projected Employment

Of the 347 small businesses who participated in the survey, 53 were identified to be part of the Health Care sector based on their industry code.

Average employment for small businesses in Health Care was nine workers per firm. Within the next 12 months, the average number of employees is expected to grow to 11. Employment growth is expected exclusively in the 1 to 4 employment size category (Figure 2). Health Care owner operated firms comprise a smaller portion of the sector small businesses (9 percent) compared to owner operated firms in other sectors (16 percent).

Figure 2. Health Care Small Businesses by Employment Size



In 2015, Health Care small businesses (including owner-operated firms) are estimated to employ approximately 50,600 workers. By 2016, total employment in these small businesses is expected to grow by 16 percent, or 7,900 new positions (Table 1).

Table 1. Estimated Employment Projections for Health Care Small Businesses in San Diego into 2016

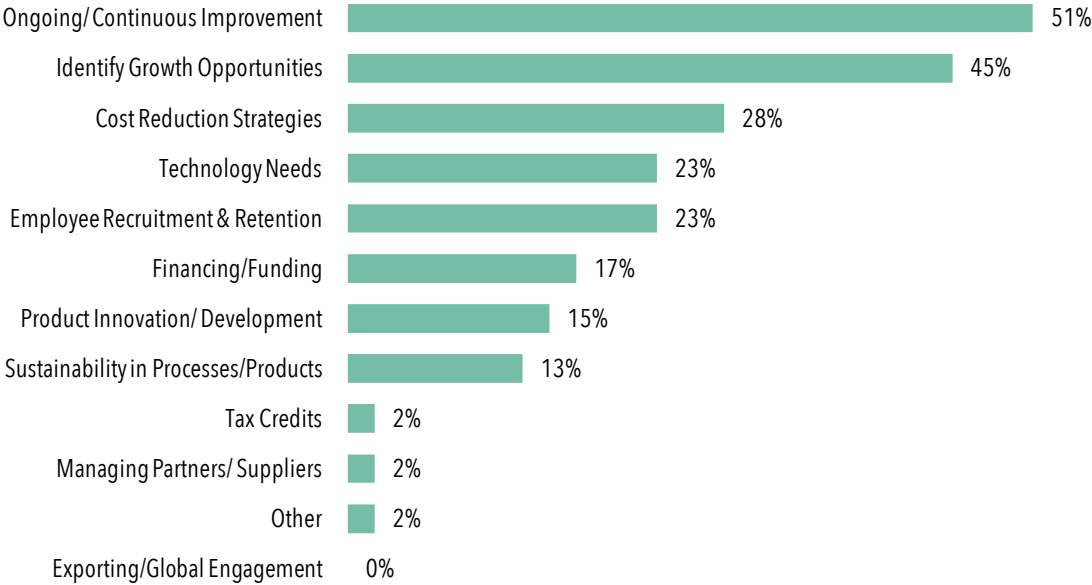
| Size of Business | Current Employment | Employment in 12 Months | Change | % Change |
|------------------|--------------------|-------------------------|--------------|------------|
| 0-4 Employees | 9,400 | 12,400 | 3,000 | 31% |
| 5-9 Employees | 7,400 | 8,600 | 1,200 | 16% |
| 10-19 Employees | 11,000 | 12,300 | 1,300 | 12% |
| 20-75 Employees | 22,800 | 25,200 | 2,400 | 10% |
| Total | 50,600 | 58,500 | 7,900 | 16% |

As Table 1 shows, small businesses in Health Care with only 0-4 employees are expected to grow at the fastest rate (31 percent), adding approximately 3,000 jobs in the next 12 months in San Diego region³. This growth will be experienced specifically by businesses with 1-4 employees, as owner-operated establishments in Health Care are not expected to expand their employment. Health Care small businesses with 20-75 employees are expected to add the second highest number of new jobs, 2,400, and grow at a rate of 10 percent into 2016.

Challenges for Small Business

The Health Care small businesses anticipate that their top challenges over the next one to two years will include ongoing/continuous improvement (over half of firms reported this as one of their three challenges), identification of growth opportunities (45 percent) and cost reduction strategies (28 percent). These concerns mirror the top challenges of small business across sector, with only technology needs ranked slightly higher among Health Care sector employers (Figure 3).⁴

Figure 3. Top Challenges of Small Businesses in Health Care (n=53)

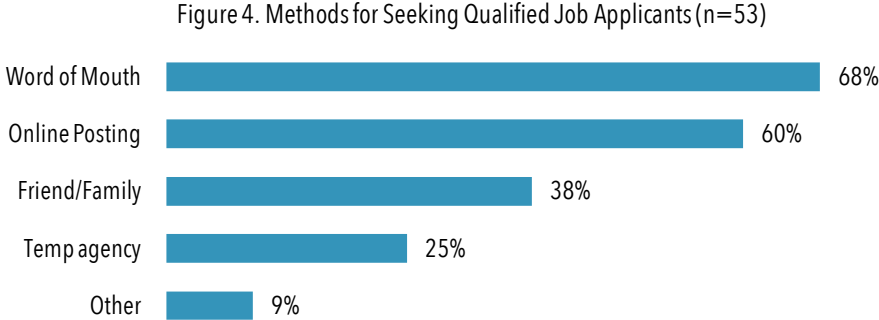


³ The complete methodology for how these estimates were obtained is available in Appendix A of *Workforce Needs of Small Businesses in San Diego* report.

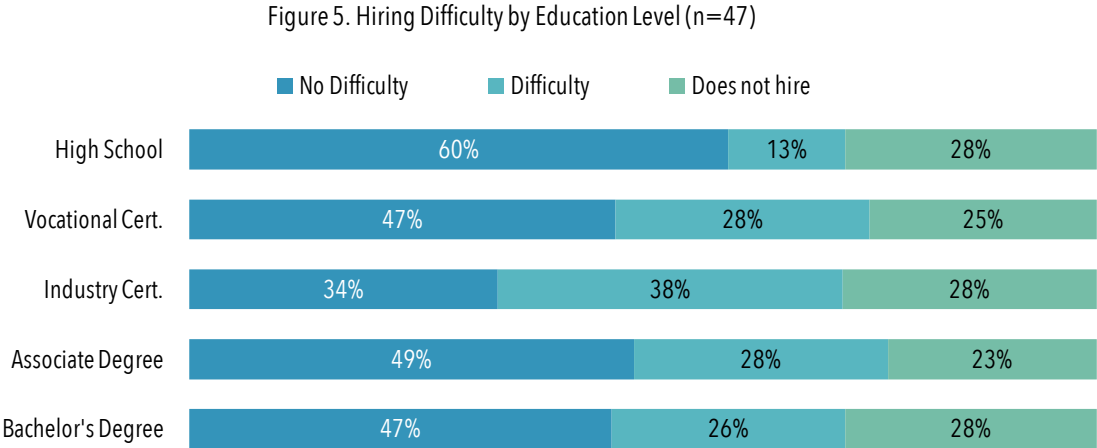
⁴ Percentages will not add to 100 due to businesses selecting more than one option

Hiring Practices and Difficulties

Over two out of three Health Care businesses use word-of-mouth or networking to recruit job candidates and about 60 percent of them also use online job postings. The least commonly-used method was temporary (placement) agencies. These are the same recruiting methods as small businesses across all sectors utilize. Employers who selected “other” tended to use print media such as classified ads in newspapers and other local publications (Figure 4).



Overall, most small businesses in the Health Care sector tend to hire workforce from a variety of educational backgrounds. These employers did not face difficulty when hiring individuals with a high school education and faced the most difficulty hiring those with an industry certificate, with 38 percent of small businesses reporting such difficulty (Figure 5).



Thirty-eight percent of the Health Care employers had hired applicants with a degree or certificate from one of the California Community Colleges.

Opportunities and Resources for Small Businesses

Respondents were asked about the various resources that are available to small businesses and whether or not they access these resources. The majority of the small businesses in Health Care are unaware of the various resources available, with over half of the businesses surveyed not utilizing any of the resources listed (table 2). The most commonly accessed resources were the Chambers of Commerce (11 businesses), the Small Business Development Council (6 businesses) and the Better Business Bureau (5 businesses).

Table 2. Number of Small Businesses Utilizing Available Resources

| Resource | Number of Businesses |
|--|----------------------|
| Chambers of Commerce | 11 |
| Small Business Development Council (SBDC) | 6 |
| Better Business Bureau | 5 |
| U.S. Small Business Administration | 5 |
| San Diego Workforce Partnership or America's Job Center of California (AJCC) | 2 |
| San Diego Center for International Trade | 1 |
| ACCION | 0 |
| Asian Business Association | 0 |
| Economic Development Council/Corporations (EDC) | 0 |
| Governors' Office of Business | 0 |
| Industry Incubators | 0 |
| None | 28 |

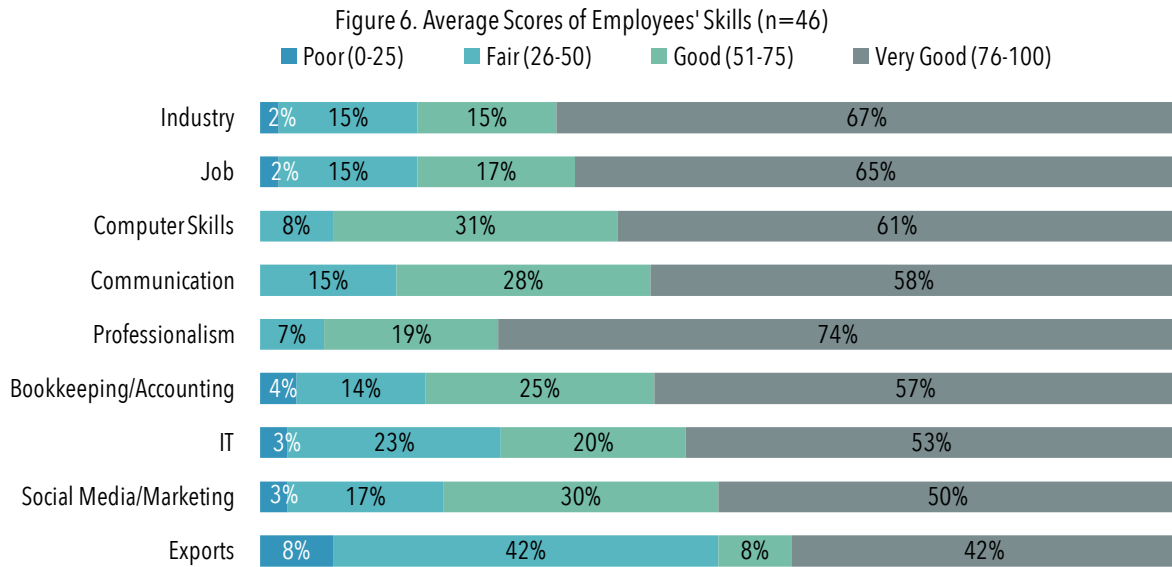
Workforce Needs of Small Business

Health Care small businesses place the highest value on previous work experience and technical skills in the applicants they hire. This is based on the responses from employers who ranked the following attributes of job candidates in order of importance: previous work experience, soft skills (e.g., written and oral communication), technical skills and post-secondary education (Table 3). Preferences of Health Care small businesses are reflective of the general trend among all small firms.

Table 3. Top Skills for New Hires (n=47)

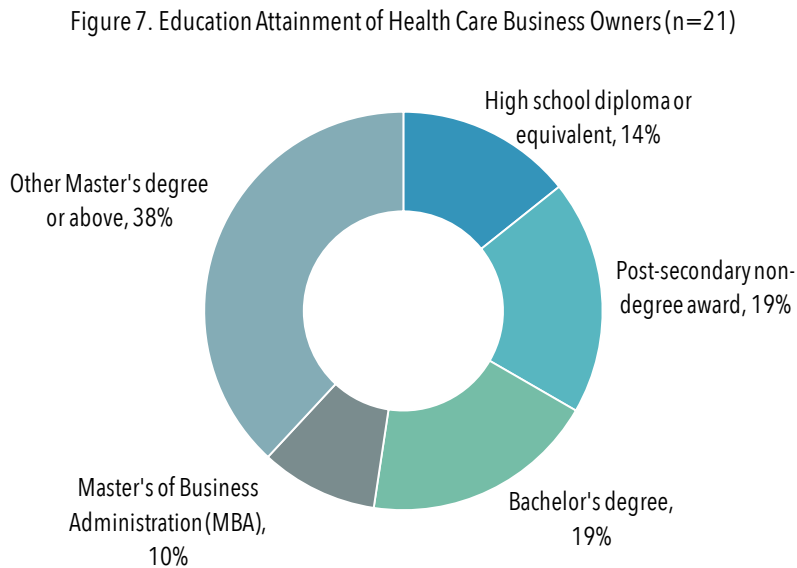
| Rank | Skill |
|------|--------------------------|
| 1 | Previous Work Experience |
| 2 | Technical Skills |
| 3 | Soft Skills |
| 4 | Post-Secondary Education |

Small business employers in Health Care also ranked the proficiency of their employees in various skills. The skills were ranked from 0 to 100 (lowest to highest) where 0 to 25 is poor, 26 to 50 is fair, 51 to 75 is good and 76 to 100 is very good. Health Care small businesses felt their employees were proficient in their job and in the industry in general. The area they felt they could use improvement was exports, followed by IT and social media/marketing. Because small businesses have so few employees, it is important for the workers to possess knowledge and skills across multiple roles to help contribute to the business while keeping costs down (Figure 6).



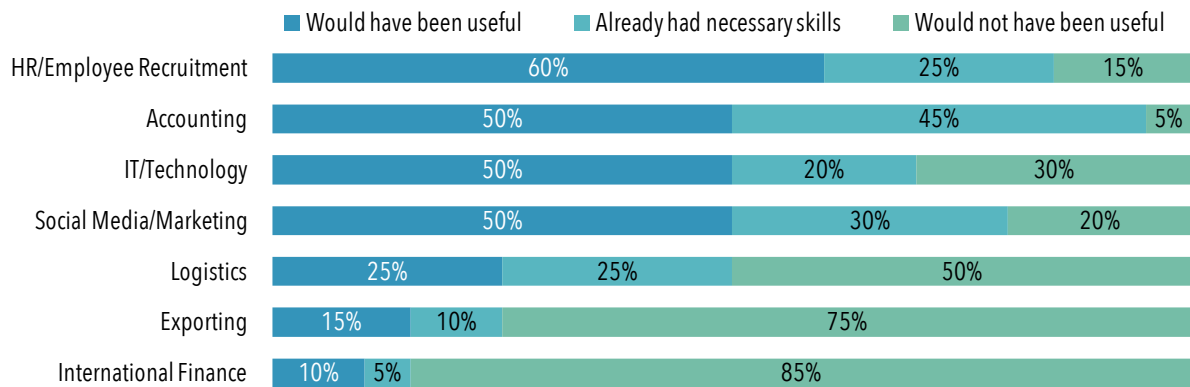
Business Owner Education & Skills

Among the surveyed small business owners in Health Care, the overwhelming majority were highly educated, with 19 percent holding Bachelor's Degrees and 48 percent holding Master's or above (Figure 7).



Health Care small business owners find that HR/employee recruitment, accounting and IT/technology are the most useful knowledge areas and skills for starting a business. Accounting was also a knowledge area that 45 percent of business owners already possessed (Figure 8). Just like for small businesses across all sectors, small businesses in Health Care require workers, including the owner, to have strong competencies across all fields to keep the business running.

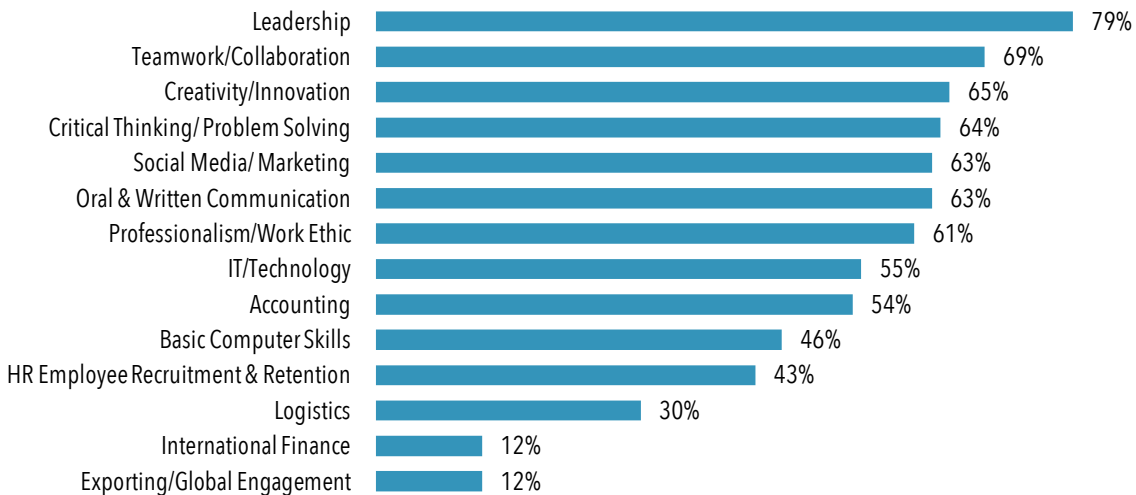
Figure 8. Usefulness of Skills When Starting a Business (n=20)



Training Needs

The top training topics of interest for Health Care small business are leadership, teamwork/collaboration, , creativity/innovation, and critical thinking/problem solving. While these are generally the same most useful topics as for all small businesses, leadership and teamwork/collaboration are ranked significantly higher by Health Care businesses than businesses in all other sectors. (Figure 9).

Figure 9. Useful Workshops for Health Care Small Businesses (n=53)



Since small businesses operating in Health Care industries generally show similar patterns in workforce and education/training needs, the same conclusions and recommendations as provided in the main report apply.⁵

⁵ The Conclusion and Recommendations section can be found on pages 20-22 of the Workforce Needs of Small Businesses in San Diego report (workforce.org/reports).