



Public Policy Associates



# Michigan Microbusiness Coalition White Paper

CODIFYING “MICROENTERPRISE” OR “MICROENTERPRISE BUSINESS”

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**New Economy Initiative**  
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# Overview

Supporting Michigan's microbusinesses, those with fewer than 10 employees, fuels the state's economy by creating jobs, diversifying industries, and revitalizing local communities. These businesses foster entrepreneurship and innovation, generate increased tax revenue, promote economic growth, and strengthen local communities, collectively contributing to a more robust and resilient Michigan economy.

## **The Challenge**

Michigan's current economic development framework relies heavily on a broad definition of "small business," encompassing firms from sole proprietorships with no employees to organizations with up to 500 employees. This prevents targeted policy support and funding from reaching the state's smallest businesses, which are critical drivers of local economies and job creation.

Microbusinesses, typically requiring minimal start-up capital and often owner-operated, represent the overwhelming majority of businesses in Michigan. This segment serves as the backbone of Michigan's "Main Streets" approach, which emphasizes commercial corridors and placemaking, yet the resource requirements of larger businesses frequently overshadow their needs.

Codifying a clear, statutory definition of a "microenterprise" or "microenterprise business," separate from a broader "small business" designation, is an essential first step toward creating a more small-business-friendly climate for Michigan's smallest businesses. However, a codified definition, along with dedicated state-level support, such as grant or loan funding or a certification process, would further solidify Michigan's leadership in supporting these businesses.

More specifically, having a "microenterprise" designation or definition would have been helpful when updating and implementing Michigan's Minimum Wage and Earned Sick Time Act (ESTA), which phased in requirements for businesses with fewer than 10 employees.

**This paper urges Michigan's decision-makers to formally recognize and define "microenterprises" or "microenterprise businesses," enabling the creation of tailored policies and access to funding to foster future growth and resilience.**



## Targeting Michigan's Smallest Businesses

There are several essential reasons Michigan should codify the term “Microenterprise Business.” They include:

- **Targeted Support and Resources:** Codification would allow the State to specifically design and allocate resources, grants, loans, and programs tailored to the unique needs of microbusinesses (those with fewer than 10 employees). This could lead to more effective development initiatives aimed at this specific segment of the business community.
- **Simplified Regulations and Compliance:** The State could create streamlined regulations and compliance requirements specifically for microbusinesses, recognizing their limited resources and capacity compared to larger small businesses. This would reduce administrative burdens and foster even more growth.
- **Improved Access to Funding:** With a legal definition, microbusinesses might find it easier to access specific funding opportunities, loans, and investment programs designed for their scale. This could be through state-backed initiatives or by making them eligible for specific federal programs.
- **Increased Recognition and Visibility:** Codifying the term would formally recognize the significant role microbusinesses play in Michigan's economy. This could increase public awareness and support for these very small enterprises.
- **Standardization and Clarity:** A legal definition would provide a clear and consistent understanding of what constitutes a microbusiness across different state agencies and programs, avoiding confusion and ensuring consistent policy application.
- **Potential for Alignment:** If Michigan's definition aligns with federal definitions or programs related to microbusinesses, it will make it easier for Michigan microbusinesses to access federal resources and support in the future.

Ultimately, codifying the term “Microenterprise” or “Microenterprise Businesses” in Michigan statute would provide a framework for more effectively supporting and fostering the growth of these vital small enterprises, contributing to overall economic development and job creation in the state.



# The Proposal

Michigan must adopt a clear, statutory definition of a “Microenterprise” or “Microenterprise Business” as a business employing fewer than 10 FTEs. This alignment with national efforts will enable the state to move beyond generic small-business support, helping to create programs optimized for hyper-local impact and scalable growth from the bottom up.

Microbusinesses are the lifeblood of our local communities. From Monroe to Ironwood and from Au Gres to Manistee, these local businesses enhance the culture of our towns and cities by offering unique goods, noteworthy foods, and specialized services. They also fuel the vibrant destinations that Michigan vacationers adore and create exciting communities Michiganders love to call home. However, these businesses are not merely “small;” they have unique unmet needs that require a distinct legal and policy framework to ensure their financial longevity.

Unlike larger small businesses with established support structures and advocacy groups that have access to capital and technical assistance centers, microbusinesses face distinct challenges. For example, they frequently operate with razor-thin margins and rely heavily on the owner-operator’s investment, skills, and time. Also, because microentrepreneurs often “wear multiple hats,” they frequently struggle to access specialized expertise, scale operations, and navigate complex regulatory burdens.

These businesses are essential stabilizers, particularly in communities facing high unemployment or disinvestment, by providing accessible employment opportunities and fostering economic self-sufficiency. Research has consistently demonstrated the potential for inherent job creation in the microbusiness sector. The primary hurdle for these businesses is not a lack of demand, but a lack of capacity to scale.

## The Michigan Microbusiness Coalition

Founded in 2022, the Michigan Microbusiness Coalition (MMC) works to increase statewide support for Michigan’s smallest businesses, specifically those with fewer than 10 employees, and develop new strategies for emerging entrepreneurs and small businesses writ large. The Coalition recognizes that microbusinesses are essential drivers of local economic growth and job creation, and that the state needs new tools to support them.

Although the MMC has generated positive momentum around the idea of more tailored support for these businesses, there has been little action to address the issues they face. The recent economic development realignment in the state’s FY25-26 budget and



upcoming gubernatorial election provide Michigan with an optimal opportunity to reimagine its approach.

## The Insufficiency of a One-Size-Fits-All “Small Business” Definition

When you think of a small business, you might think of the local diner around the corner or your favorite neighborhood food truck. However, when it comes to policy, these tiny ventures are often grouped with businesses that have up to 500 employees.

Three distinct data sets currently measure the size of a business in Michigan: the U.S. Census Bureau, the U.S. Small Business Administration (SBA), and the Michigan Department of Technology, Management & Budget (DTMB). All three define a small business as one that employs fewer than 500 employees. Although each data set categorizes its data a bit differently, the evidence shows that microbusinesses make up the bulk of small businesses in the state (Table 1).

**TABLE 1: MICROENTERPRISES IN MICHIGAN BY DATA SET**

U.S. Census Bureau (2021)	<ul style="list-style-type: none"><li>• <b>59.42 percent</b> (102,005) of businesses in Michigan have <b>less than five employees</b>.</li><li>• <b>17.47 percent</b> (29,989) of businesses in Michigan have <b>5 to 9 employees</b>.</li></ul>
Small Business Administration (2024)	<ul style="list-style-type: none"><li>• <b>81.85 percent</b> (774,125) of businesses in Michigan have <b>no employees</b>.</li></ul>
The Michigan Department of Technology, Management & Budget (DTMB)	<ul style="list-style-type: none"><li>• <b>70 percent</b> (215,284) of businesses in Michigan have <b>four or fewer employees</b>.</li><li>• <b>12.45 percent</b> (34,087) of businesses in Michigan have <b>5 to 9 employees</b>.</li></ul>

*\*To view the entire breakdown of businesses by data set, see Appendix A.*

Large-dollar incentive packages have dominated Michigan’s recent economic strategy through programs like the Strategic Outreach and Attraction Reserve (SOAR) Fund, designed to attract large-scale manufacturing and critical industry projects. While these large-scale projects promise thousands of jobs, they often require hundreds of thousands of dollars in incentives per job and concentrate investment in a few select geographic sites.

Most importantly, the data show that, whatever data set you choose, microbusinesses likely make up between 70 percent and 81 percent of Michigan’s small businesses. In our current landscape, distinguishing between a “microenterprise” and a small business with hundreds of employees is critical for designing impactful policy.



## Codifying “Microenterprise”

The first and most crucial step to supporting microbusinesses in Michigan is to systematize, classify, and standardize the term into state law by creating a statutory definition.

Under such an action, the term “Microenterprise” or “Microenterprise Business” would be defined as:

*“a new or existing business that is headquartered in this state with fewer than 10 full-time employees and includes startup businesses, home-based businesses, and self-employed individuals.”*

Further, we also suggest that the following be considered in the definition:

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*“Full-time employees” or “FTEs” are considered employees who, for a calendar month, are employed an average of at least 30 hours of service per week (120 hours per month).*

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# Appendix A

**TABLE 1. MICROENTERPRISE IN MICHIGAN WITH U.S. CENSUS BUREAU DATA (2021)**

MEASURE	NUMBER	PERCENTAGE
Establishments with fewer than five employees	102,005	59.42%
Establishments with 5 to 9 employees	29,989	17.47%
Establishments with 10 to 19 employees	19,157	11.16%
Establishments with 20 to 99 employees	16,684	9.72%
Establishments with 100 to 249 employees	3,828	2.23%
<b>Total</b>	<b>171,663</b>	

**TABLE 2. MICROENTERPRISE IN MICHIGAN WITH SMALL BUSINESS ASSOCIATION DATA (2024)**

MEASURE	NUMBER OF BUSINESSES	PERCENTAGE OF TOTAL
No Employees*	774,125	81.85%
1-19 Employees	151,151	15.98%
20-499 Employees	20,512	2.17%
<b>Total</b>	<b>945,788</b>	

\* Most small businesses start as sole proprietors. Sole proprietors own all the assets of the business and the profits generated by it.

**TABLE 3. MICHIGAN EMPLOYMENT BY FIRM SIZE (FIRST QUARTER 2024)**

NUMBER OF EMPLOYEES	NUMBER OF FIRMS	PERCENTAGE OF TOTAL	TOTAL EMPLOYMENT
4 or fewer	191,620	70.00%	215,284
5 through 9	34,087	12.45%	221,357
10 through 19	22,610	8.26%	301,721
20 through 49	15,747	5.75%	468,845
50 through 99	5,332	1.95%	362,048
100 through 249	3,293	1.20%	493,854
250 through 499	1,036	0.38%	353,696
<b>Total</b>	<b>273,725</b>		



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