

Dynamics of Minority-Owned Employer Establishments, 1997-2001

An analysis of employer data from the Survey of Minority-Owned Business Establishments

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An analysis of employer data from the Survey of Minority-Owned Business Establishments

by Ying Lowrey, Ph.D.

Office of Advocacy
U.S. Small Business Administration
Washington, D.C.
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RESEARCH SUMMARY

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Dynamics of Minority-Owned Employer Establishments, 1997–2001

by Ying Lowrey, Ph.D.

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This report tracks the dynamics of minority-owned employer establishments that were in operation in 1997 over the period 1997-2001. The data used here track business closure, expansion, and contraction by the business owners' race or ethnicity and by their state and industry. To provide context for the discussion of business dynamics, the report also gives a summary of minority population and business growth between 1982 and 2002.

Overall Findings

Minority-owned employer establishments had lower survival rates than non-minority-owned employer establishments. At the same time, minority-owned establishments had higher expansion rates and lower contraction rates than non-minority-owned establishments. While there was an overall loss of employment due to business closures and contraction among employer establishments that were in operation in 1997, employer establishments owned by Hispanics and by American Indians and Alaska Natives offered a significant increase in new jobs during the 1997-2001 period.

Highlights

- Minorities' share of the total U.S. population increased from 21 percent in 1982 to 32 percent in 2002. The share of businesses owned by minorities rose from 6.8 percent of all U.S. businesses in 1982 to 15.1 percent in 1997.

- Hispanics were the fastest growing minority group between 1982 and 2002. The Hispanic share of U.S. population went from 7 percent in 1982 to 13.8 percent in 2002. Asian and Pacific Islanders grew second-fastest, from 1.9 percent in 1982 to 4.2 percent in 2002.

- American Indians/Alaska Natives were the fastest growing business group. The number of businesses owned by American Indians or Alaska Natives grew tenfold between 1982 and 1997, followed by Hispanic-owned businesses, the number of which quadrupled during this period.

- The four-year survival rates of the four minority-owned business categories were all lower than the survival rate for non-minority-owned business, which was 72.6 percent. Those for the minority categories were as follows:

- Asian- and Pacific Islander-owned: 72.1 percent;

- Hispanic-owned: 68.6 percent;

- American Indian and Native Alaskan-owned:
67.0 percent;

- Black-owned: 61.0 percent.

- During 1997-2001, the business expansion rates of three minority business groups were higher than that for non-minority-owned businesses. While 27.4 percent of non-minority owned establishments expanded during this period, 34.0 percent of Hispanic-owned employer establishments expanded, as did 32.1 percent of Asian and Pacific Islander-owned establishments, and 27.8 percent of American Indian/Alaska Native-owned establishments; 25.7

percent of the Black-owned employer establishments in operation in 1997 expanded their businesses.

- Hispanic- and Black-owned employer establishments had the lowest contraction rates (17.8 percent and 19.9 percent, respectively) between 1997 and 2001. By contrast, 21.1 percent of non-minority-owned businesses shrank, as did 22.4 percent of those owned by American Indian and Alaska Natives, and 22.9 percent of those owned by Asian and Pacific Islanders.

- Business closure, expansion, and contraction directly influenced total employment of firms operating in 1997. The U.S. employer establishments in operation in 1997 had lost 11.5 million jobs by 2001. (Again, this dataset does not include the new businesses that started in the period 1997-2001, nor the jobs they created.) Hispanic-owned businesses operating in 1997 had created a surplus of 136,964 new jobs by 2001, and American Indian/Alaska Native-owned businesses had created 26,050 new jobs.

- During 1997-2001, the survival rate of all U.S. businesses was highest in the manufacturing sector (74 percent), followed by services (72 percent), wholesale (71 percent), and agriculture (70 percent). The lowest rate was in non-classifiable establishments (21 percent). On average, Asian American-owned business establishments had the highest survival rate among minority establishments. Asian businesses were most resilient in the finance, insurance and real estate sector and the service sector, with 74 percent survival. The Hispanic business survival rate was highest in the manufacturing and retail sectors.

- The states with the highest survival rates for minority business groups for the period 1997-2001 were as follows. Delaware had the highest survival rate for American Indian/Alaska Native-owned employer establishments (93.8 percent); Wyoming

had the highest survival rate for Black-owned businesses (93.5 percent); South Carolina had the highest survival rate for Hispanic businesses (88.6 percent); New Mexico had the highest survival rate for Asian and Pacific Islander-owned firms (84.6 percent).

Data Sources and Methodology

The Census Bureau provided the Small Business Administration's Office of Advocacy with a series of statistical tabulations that track establishments belonging to minority-owned business enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE). The dataset has some significant limitations. First, it only contains information on employer establishments, not firms, which are a better measure of business ownership. Second, it contains no information on establishments that opened after 1997; it only tracks the fortunes of those in existence in 1997.

This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of economic research at advocacy@sba.gov or (202) 205-6533.

For More Information

The complete report, *Dynamics of Minority-Owned Employer Establishments, 1997-2001*, is available on the Office of Advocacy website at www.sba.gov/advo. The statistical database is available there as well.

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Executive Summary

This report tracks the dynamics of minority-owned employer establishments that were in operation in 1997 over the period 1997–2001. The data used here track business closure, expansion, and contraction by the business owners' race or ethnicity and by their state and industry. To provide context for the discussion of business dynamics, the report also gives a summary of minority population and business growth between 1982 and 2002.

Minority-owned employer establishments had lower survival rates than non-minority-owned employer establishments during the 1997-2001 period. At the same time, minority-owned establishments had higher expansion rates and lower contraction rates than non-minority-owned establishments. While there was an overall loss of employment due to business closures and contraction among employer establishments that were in operation in 1997, American Indian/Alaska Native-owned and Hispanic-owned employer establishments in operation during the period offered a significant increase in new jobs.

Here are the report's key findings:

- Minorities' share of the total U.S. population increased from 21 percent in 1982 to 32 percent in 2002. The share of businesses owned by minorities rose from 6.8 percent of all U.S. businesses in 1982 to 15.1 percent in 1997.
- Hispanics were the fastest growing minority group between 1982 and 2002. The Hispanic share of U.S. population went from 7 percent in 1982 to 13.8 percent in 2002. Asian and Pacific Islanders grew second-fastest, from 1.9 percent in 1982 to 4.2 percent in 2002.
- American Indians/Alaska Natives were the fastest growing business group. The number of American Indian/Alaska Native-owned businesses grew tenfold between 1982 and 1997, followed by Hispanic-owned businesses, the number of which quadrupled during this period.
- The four-year survival rates of the four minority-owned business categories were all lower than the survival rate for non-minority-owned business, which was 72.6 percent. Those for the minority categories were as follows:
 - Asian- and Pacific Islander-owned: 72.1 percent;
 - Hispanic-owned: 68.6 percent;
 - American Indian and Native Alaskan-owned: 67.0 percent; and
 - Black-owned: 61.0 percent.
- During 1997–2001, the business expansion rates of three minority business groups were higher than that for non-minority-owned businesses. While 27.4 percent of non-minority owned establishments expanded during this period, 34.0 percent of Hispanic-owned employer establishments expanded, as did 32.1 percent of Asian and Pacific Islander-owned establishments, and 27.8 percent of American Indian/Native Alaskan-owned establishments.

Only 25.7 percent of the Black-owned employer establishments in operation in 1997 expanded their businesses.

- Hispanic- and Black-owned employer establishments had the lowest contraction rates (17.8 percent and 19.9 percent, respectively) between 1997 and 2001. By contrast, 21.1 percent of non-minority-owned businesses shrank, as did 22.4 percent of those owned by American Indian and Alaska Natives, and 22.9 percent of those owned by Asian and Pacific Islanders.
- Business closure, expansion, and contraction directly influenced total employment of businesses operating in 1997. The U.S. employer establishments in operation in 1997 had lost 11.5 million jobs by 2001.¹ However, the Hispanic-owned businesses operating in 1997 had created 136,964 new jobs by 2001, and American Indian/Native Alaskan-owned businesses had created 26,050 new jobs. Taken as a whole, minority establishments underwent net job loss during the four-year period.
- During 1997–2001, the survival rate of all U.S. businesses was highest in the manufacturing sector (74 percent), followed by services (72 percent), wholesale (71 percent), and agriculture (70 percent). The lowest rate was in non-classifiable establishments (21 percent). On average, Asian American-owned business establishments had the highest survival rate among minority establishments. Asian businesses were most resilient in the finance, insurance and real estate sector and the service sector, with 74 percent survival. Hispanic business survival was highest in the manufacturing and retail sectors.
- The states with the highest survival rates for minority business groups for the period 1997-2001 were as follows. Delaware had the highest survival rate for American Indian/Native Alaskan-owned employer establishments (93.8 percent); Wyoming had the highest survival rate for Black-owned businesses (93.5 percent); South Carolina had the highest survival rate for Hispanic businesses (88.6 percent); New Mexico had the highest survival rate for Asian and Pacific Islander-owned establishments (84.6 percent).
- The dataset has some significant limitations. First, it only contains information on employer establishments, not firms, which are a better measure of business ownership. Second, it contains no information on establishments that opened after 1997; it only tracks the fortunes of those in existence in 1997.

¹ Again, this dataset does not include the 2 million new businesses that started in the period 1997-2001, nor the jobs they created.

I. Introduction

Closures, expansions, and contractions are routine in the lives of businesses; they are the results of cost-minimization or profit-maximization decisions. America is distinctive for its dynamic market conditions. In recent years, about a half million employer firms closed and about a half million new ones opened every year. (In 2001, for instance, 553,291 firms closed and 585,140 started.) Minority-owned businesses have been even more dynamic than non-minority-owned businesses. This paper provides demographic background of minority business owners with respect to business dynamics, including the size, industry and location characteristics of minority-owned businesses in operation in 1997, and it tracks these businesses' subsequent closures, expansion, or contraction through 2001.

This report predominantly draws from tabulations of 1997-2001 data capturing minority business dynamics—the number of establishments that closed, contracted or expanded and the change in employment due to closure, contraction or expansion. These data are based on the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).²

II. Growth of Minority-Owned Firms

Between 1982 and 2002, the shares of non-Hispanic Whites, Blacks, and American Indians/Native Alaskans in the total U.S. population dropped, while those of Asian-Americans and, especially, of Hispanic-Americans, rose. (See Table 1.) A similar trend in business ownership is also clear: the share of businesses owned by non-Hispanic Whites has decreased while those owned by minorities has increased.³

The share of minorities in the U.S. population increased from 21.1 percent in 1982 to 32.0 percent in 2002.⁴ At the same time, the share of minority-owned businesses increased from 6.8 percent in 1982 to 15.1 percent in 1997. Because of the large increase (4.7 percent) in the share of minority population in total U.S. population between 1997 and 2002, one can expect an increase in the share of minority-owned business in total business for the same period of time.

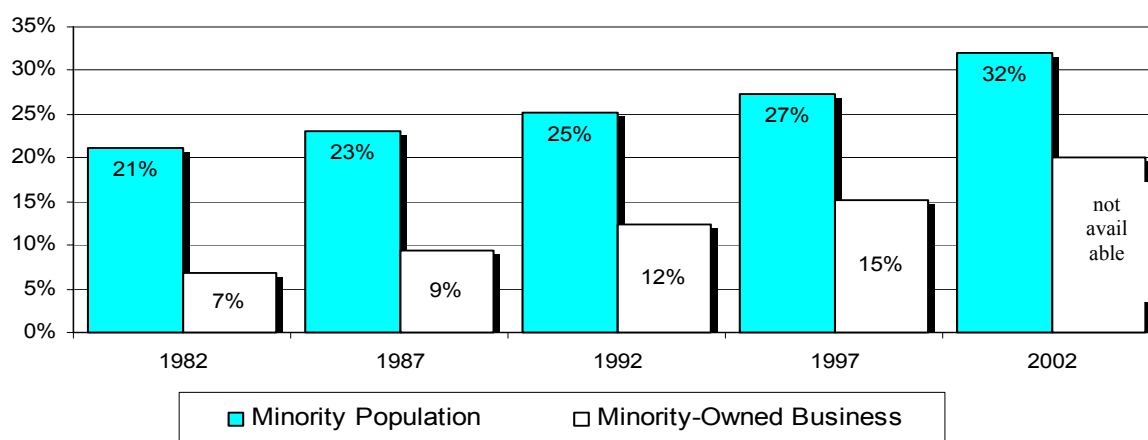
² The tabulations were provided by the Census Bureau to Office of Advocacy, U.S. Small Business Administration, and contain statistics that track a subset of establishments that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE). SMOBE data divides minority entrepreneurs into four groups: American Indians (including Alaska Natives), Asians and Pacific Islanders, Blacks (or American Africans), and Hispanics. The race and ethnic categories listed on the Bureau of the Census's survey questionnaires are consistent with those mandated by the Office of Management and Budget. These standards were developed by both the Executive Branch and Congress. See SMOBE 1997 <http://www.census.gov/prod/ec97/e97cs-7.pdf>, p. A-1.

³ Changes in the SMOBE database over the years have made historical comparisons difficult. Table 1 is the first attempt to make the Census's quinquennial SMOBEs between 1982 and 1997 comparable. It was made possible with the assistance of the Bureau of Census. For more information, see *Minorities in Business, 2001*, Office of Advocacy, U.S. Small Business Administration, <http://www.sba.gov/advo/stats/min01.pdf>.

⁴ The 2002 population data were collected from 2003 Current Population Survey, March Supplement. It classifies minorities into five groups: (1) "American Indian," including Native Indian and Eskimo or Aleut; (2) "Asian and Pacific Islander"; (3) "Black only"; (4) "Other races," including mixed races; (5) "Hispanic." Please note that persons of Hispanic origin may be of any race.

Table 1. Minority Composition of U.S. Population and Business Ownership, 1982-2002

| | 1982 | 1987 | 1992 | 1997 | 2002 /1 |
|---|-------|-------|-------|-------|----------|
| Share of Population (Percent) | | | | | |
| Non-Minority Population | 78.90 | 76.91 | 74.77 | 72.70 | 68.00 |
| Minority Population | 21.10 | 23.09 | 25.23 | 27.30 | 32.00 |
| Black | 11.59 | 11.70 | 11.90 | 12.07 | 12.08 /2 |
| American Indian and Alaska Native | 0.61 | 0.68 | 0.73 | 0.74 | 0.56 /2 |
| Asian and Pacific Islander | 1.89 | 2.47 | 3.06 | 3.53 | 4.21 /2 |
| Hispanic | 7.01 | 8.23 | 9.55 | 10.97 | 13.77 /2 |
| Share of Business Ownership (Percent) | | | | | |
| Non-Minority-Owned /3 | 93.16 | 90.68 | 87.54 | 84.88 | n.a. |
| Minority-Owned | 6.84 | 9.32 | 12.46 | 15.12 | n.a. |
| Black-Owned | 2.56 | 3.10 | 3.60 | 4.24 | n.a. |
| American Indian and Alaska Native-Owned | 0.14 | 0.18 | 0.59 | 1.02 | n.a. |
| Asian and Pacific Islander-Owned | 2.00 | 3.03 | 3.50 | 4.26 | n.a. |
| Hispanic-Owned | 2.35 | 3.58 | 5.00 | 6.08 | n.a. |



/1 2002 population was estimated by Current Population Survey, March Supplement, 2003 by the Census.

/2 Not including 1.38 percent population that were recorded as “Other Race” as indicated in Table 3.

/3 See footnote 6.

Source: U.S. Department of Commerce, Bureau of Census: Survey of Minority-Owned Business Enterprises 1982, 1987, 1992, and 1997, and *Statistical Abstract of the United States 1998*.

The share of minority business ownership for all groups rose between 1982 and 1997. (See Table 1.) Some minority groups have a higher concentration of business ownership than their share in the population.⁵ Asian and Pacific Islanders’ share of business ownership has always exceeded

⁵ Some economists use business density as a measure to analyze business ownership. Business density is defined as the number of businesses per 1,000 persons. In 1997, the business density for non-Hispanic whites was 91; for Asians, 90; for American Indians, 85; for Hispanics, 41 and for blacks, 24. For further detail, see Lowrey (2005), “Business Density, Entrepreneurship and Economic Well-Being,” presented to the 2005 American Economic Association Annual Meeting, http://www.aeaweb.org/annual_mtg_papers/2005/0107_0800_0401.pdf.

their share of total U.S. population (by 0.11 percent in 1982, 0.56 percent in 1987, 0.44 percent in 1992, and 0.73 percent in 1997). In 1997, the American Indian/Alaska Native share of business ownership (1.02 percent) exceeded their share of total population for the first time (0.74 percent).⁶ While the business ownership shares of Blacks and Hispanics lagged behind their shares of population in 1997, both groups' business ownership shares rose steadily between 1982 and 1997.

In 1997, the number of minority-owned non-farm businesses was more than 3 million (14.6 percent of all U.S. firms). Of these, 20 percent (615,222 firms) were employer firms, with 4.5 million employees and combined payroll of \$95.5 billion. (See Tables 2 and 3.) Firms owned by Asian and Pacific Islanders controlled 48 percent of total minority business payroll (and employed 49 percent of minority business employment); Hispanic-owned firms represented 33 percent of payroll and 33 percent of employment; Black-owned firms made up 15 percent of payroll and 16 percent of employment; and American Indian/Alaska Natives made of 7 percent of payroll and 7 percent of employment.

Table 2. Firms, Employment, and Payroll by Minority Group, 1997

| Firm Ownership | All Firms | | Employer Firms | | Employment | | Payroll | |
|-------------------------------------|------------|-----------|----------------|-----------|---------------------|-----------|--------------------|-----------|
| | Number | Share (%) | Number | Share (%) | Number of Employees | Share (%) | Amount (\$Million) | Share (%) |
| All U.S. Firms | 20,821,934 | 100.00 | 5,295,151 | 100.00 | 103,359,815 | 100.00 | 2,936,493 | 100.00 |
| Non-Minority-Owned | 17,782,901 | 85.40 | 4,679,929 | 88.38 | 98,845,116 | 95.63 | 2,840,964 | 96.75 |
| All Minority-Owned | 3,039,033 | 14.60 | 615,222 | 11.62 | 4,514,699 | 4.37 | 95,529 | 3.25 |
| Black-Owned | 823,499 | 3.96 | 93,235 | 1.76 | 718,341 | 0.69 | 14,322 | 0.48 |
| Asian and Pacific Islander-Owned | 912,959 | 4.38 | 290,000 | 5.48 | 2,203,080 | 2.13 | 46,180 | 1.57 |
| American Indian/Alaska Native-Owned | 197,300 | 0.94 | 33,277 | 0.63 | 298,661 | 0.28 | 6,624 | 0.23 |
| Hispanic-Owned | 1,199,896 | 5.76 | 211,885 | 4.00 | 1,388,746 | 1.34 | 29,830 | 1.02 |

Note: Percentages may not sum to 100 because Hispanics may be of any race and may, therefore, be double counted.
Source: U.S. Department of Commerce, Bureau of the Census, SMOBE, 1997.

⁶ The SMOBE and SWOBE, minority ownership of a business was based on the race or ethnicity of the person(s) owning majority interest in the business. Businesses in which ownership was shared among minority and non-minority groups, with no single racial/ethnic group having majority interest, were tabulated as 50-percent minority-/50-percent non-minority-owned in the company summary publication and were excluded from the minority business counts, but counted as part of non-minority-owned businesses of which those non-farm businesses filing tax forms as individual proprietorships, partnerships, or any type of corporation, and with receipts of \$1,000 or more and owned by non-minority individuals. For more information, see <http://www.census.gov/econ/overview/mu0200.html>.

Table 3. Composition of Minority-Owned Firms, Employment, and Payroll, 1997

| Firm Ownership | Share of Employer Firms in Total Firms | Share (Percent) | | | |
|---|--|-----------------|----------------|------------|---------|
| | | Firms | Employer Firms | Employment | Payroll |
| Non-Minority-Owned | 26 | 85 | 88 | 96 | 97 |
| All Minority-Owned | 20 | 15 | 12 | 4 | 3 |
| Black-Owned | 11 | 27 | 15 | 16 | 15 |
| Asian and Pacific Islander-Owned | 32 | 30 | 47 | 49 | 48 |
| American Indian and Alaska Native-Owned | 17 | 6 | 5 | 7 | 7 |
| Hispanic-Owned | 18 | 39 | 34 | 31 | 31 |

Note: The percentages may not sum to 100 because Hispanics may be of any race and may therefore be double counted.
Source: Based on U.S. Department of Commerce, Bureau of the Census, SMOBE, 1997.

Most U.S. firms are small; only 26 percent of non-minority-owned firms and 20 percent of minority-owned firms had paid employees in 1997 (Table 3). Nearly one-third of Asian-owned firms (32 percent) had paid employees in 1997; the ratios for other minority-owned businesses were lower, ranging from 11 to 18 percent. The average number of employees for non-minority-owned employer firms was 21 in 1997. Average employment of minority-owned employer firms was lower, ranging from 7 to 9 employees. Payroll per employee in 1997 averaged \$28,742 for non-minority-owned firms and ranged from \$20,000 to \$23,000 in minority-owned firms.⁷

Table 4. Growth of Minority-Owned Firms, 1982-1997

| Firm Ownership | Number of Firms | | | | Growth (Percent) | | |
|-------------------------------------|-----------------|------------|------------|------------|------------------|-----------|-----------|
| | 1982 | 1987 | 1992 | 1997 | 1982-1987 | 1987-1992 | 1992-1997 |
| All U.S. Firms | 12,059,950 | 13,695,480 | 17,253,143 | 18,431,456 | 14 | 26 | 7 |
| Non-Minority-Owned Firms | 11,234,999 | 12,419,170 | 15,103,959 | 15,645,358 | 11 | 22 | 4 |
| All Minority-Owned Firms | 824,951 | 1,343,910 | 2,149,184 | 2,786,098 | 55 | 68 | 30 |
| Black-Owned | 308,260 | 424,165 | 620,912 | 780,770 | 38 | 46 | 26 |
| American Indian/Alaska Native-Owned | 17,100 | 24,931 | 102,271 | 187,921 | 46 | 310 | 84 |
| Asian and Pacific Islander-Owned | 240,806 | 414,340 | 603,426 | 785,480 | 72 | 46 | 30 |
| Hispanic-Owned | 284,011 | 489,973 | 862,605 | 1,121,433 | 73 | 76 | 30 |

Note: Changes in the SMOBE database over the years have made historical comparisons difficult. This table represents the first attempt to make the Census's quinquennial SMOBEs between 1982 and 1997 comparable. It was made possible with the assistance of the Bureau of Census. For more information, see *Minorities in Business, 2001*, Office of Advocacy, U.S. Small Business Administration, <http://www.sba.gov/advo/stats/min01.pdf>.
Source: U.S. Small Business Administration, Office of Advocacy, based on data from the U.S. Department of Commerce, Bureau of the Census, Survey of Minority-Owned Business Enterprises (SMOBE), Company Statistics Series 1982, 1987, 1992, and 1997.

⁷ *Minorities in Business, 2001*, Office of Advocacy, U.S. Small Business Administration, 2001.

The number of minority-owned businesses has exploded since 1982 (Table 4). In 1982, fewer than 7 percent of U.S. firms were minority owned (Table 10). That share had grown to almost 15 percent in 1997.⁸ Minority-owned firms increased at rates between three and seven times those of non-minority-owned firms, by 55 percent from 1982 to 1987, 68 percent between 1987 and 1992, and 30 percent from 1992 to 1997.

This rapid business growth occurred across all minority groups (Table 4). Black-owned businesses increased by 38 percent from 1982 to 1987, by 46 percent from 1987 to 1992, and by 26 percent from 1992 to 1997. The quinquennial growth rates for Hispanic-owned businesses were 73 percent, 76 percent, and 30 percent. The number of Asian and Pacific Islander-owned businesses increased by 72 percent, 46 percent, and 30 percent over the three periods, respectively. The most striking percentage increases were in businesses owned by American Indians and Alaska Natives, which grew at about nine times the rate of U.S. firms overall. It is estimated that, excluding C corporations, the number of American Indian- and Alaska Native-owned businesses rose 47 percent from 1982 to 1987, 310 percent from 1987 to 1992, and 84 percent from 1992 to 1997 (Table 4).⁹ Because of the low starting points, the quinquennial growth rates of minority-owned businesses seem impressive. But when the significant minority population growth rates are taken into account (Table 5), minority-owned business growth is less striking.

Table 5. U.S. Minority Population Growth, 1982-1997

| Category | Number (Thousands) | | | | Growth (Percent) | | |
|-----------------------------------|--------------------|---------|---------|---------|------------------|---------|---------|
| | 1982 | 1987 | 1992 | 1997 | 1982-87 | 1987-92 | 1992-97 |
| U.S. Population | 231,664 | 242,289 | 255,002 | 267,636 | 4.6 | 5.2 | 5.0 |
| Non-Minority | 182,782 | 186,353 | 190,657 | 194,571 | 2.0 | 2.3 | 2.1 |
| Black | 26,856 | 28,351 | 30,333 | 32,298 | 5.6 | 7.0 | 6.5 |
| American Indian and Alaska Native | 1,420 | 1,654 | 1,856 | 1,976 | 16.5 | 12.2 | 6.5 |
| Asian and Pacific Islander | 4,367 | 5,985 | 7,794 | 9,443 | 37.1 | 30.2 | 21.2 |
| Hispanic | 16,240 | 19,946 | 24,361 | 29,348 | 22.8 | 22.1 | 20.5 |

Source: *Minorities in Business, 2001*, Office of Advocacy, U.S. Small Business Administration, 2001, <http://www.sba.gov/advo/stats/min01.pdf>.

⁸ Notice that changes in the SMOBE database over the years have made comparisons difficult. For instance, when data are adjusted to include only those groups covered in 1982, the 1997 minority business share is 15.1 percent rather than 14.6 percent as published by the Census in 1997 SMOBE. See *Minorities in Business, 2001*, Office of Advocacy, U.S. Small Business Administration, 2001.

⁹ A “C corporation” is a standard business corporation. It is called a C corporation because it is taxed under subsection C of the IRS code. An “S corporation” is limited to 75 or fewer shareholders, provides the benefits of incorporation, but it eliminates double taxation (when the profits of a corporation are taxed first as income to the corporation and then second as income to the shareholders after profits are distributed as dividends).

III. Dynamics of Minority-Owned Employer Establishments, 1997-2001

This section tracks the survival, contraction, and expansion of minority-owned establishments that were in existence in 1997. Since this is a closed set based on membership in 1997, it does not give any insight into new businesses that started after 1997. However, based on the previous section it is clear that minority business growth is very significant.¹⁰

The 615,222 minority-owned employer firms in existence in 1997 represent 628,741 employer establishments. (See Tables 2 and 6). Of those minority-owned employer establishments with at least one paid employee at any point during 1997, 47 percent (293,550) were owned by Asian or Pacific Islanders; 33 percent (209,128) were owned by Hispanics, 15 percent (93,452) were owned by Blacks, and 5 percent (32,611) by American Indian or Alaska Natives. Table 6 illustrates the changes in closure, expansion, and contraction of these minority-owned establishments.

Between 1997 and 2001, the survival rate of all minority-owned employer establishments was about 4 percentage points lower than that of non-minority-owned establishments. (For comparison's sake, the survival rate for non-minority-owned employer establishment was 72.6 percent.) The survival rates of the four minority categories (the percentage still in operation after four years) were as follows:

| | |
|------------------------------------|--------------|
| Asian and Pacific Islander: | 72.1 percent |
| Hispanic: | 68.6 percent |
| American Indian and Alaska Native: | 67.0 percent |
| Black: | 61.0 percent |

For the four-year period, 1997-2001, the rate of non-minority-owned businesses expansion was 27.4 percent. The most dynamic minority group (Hispanic) exceeded this rate by more than 6 percentage points. The expansion rates of the four minority groups were as follows:

| | |
|------------------------------------|--------------|
| Hispanic: | 34.0 percent |
| Asian and Pacific Islander: | 32.1 percent |
| American Indian and Alaska Native: | 27.8 percent |
| Black: | 25.7 percent |

Contraction rates among Hispanic- and Black-owned employer establishments were low (17.8 percent and 19.9 percent, respectively) compared to rates for non-minority establishments (21.1 percent), American Indians and Alaska Natives (22.4 percent), and Asian and Pacific Islanders (22.9 percent). Hispanic-owned employer establishments had the highest business expansion rate and lowest contraction rate over the four-year period, an impressively strong combination.

¹⁰ The dataset used here is based upon the special tabulation that was made under an interagency agreement between the Census Bureau and the Office of Advocacy on dynamic movements in the number and employment of minority-owned employer establishments by size of business sales or receipts, state and industry. This set of data contains statistics that track establishments identified as part of minority-owned business enterprises that responded to 1997 SMOBE. Establishments that were formed after 1997 are not included in the tabulation. Thus, references to changes in closures and employment refer to changes from 1997 to 2001 among only those existing establishments in 1997 and do not take into account new firm creation since that time.

Table 6. Four-Year Rates of Change in Number of Establishments, 1997-2001

| | Non-Minority | All Minority | Black | Asian and Pacific Islander | American Indian and Alaska Native | Hispanic |
|--|--------------|--------------|--------|----------------------------|-----------------------------------|----------|
| Number of U.S. Establishments in 1997 | 6,219,831 | 628,741 | 93,452 | 293,550 | 32,611 | 209,128 |
| Share of All U.S. Establishments in 1997 (Percent) | 90.8 | 9.2 | – | – | – | – |
| Share of All Minority Establishments in 1997 (Percent) | – | – | 15.0 | 47.0 | 5.0 | 33.0 |
| Survival Rate, 1997-2001 (Percent) | 72.6 | 69.0 | 61.0 | 72.1 | 67.0 | 68.6 |
| Expansion Rate, 1997-2001 (Percent) | 27.4 | 31.5 | 25.7 | 32.1 | 27.8 | 34.0 |
| Contraction Rate, 1997-2001 (Percent) | 21.1 | 20.7 | 19.9 | 22.9 | 22.4 | 17.8 |

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).

Table 7 gives a broad picture of the four-year changes in survival, expansion, and contraction by business-ownership group and business size (measured in terms of receipts). The table shows that the larger the business is, the better the possibility that it will survive. Businesses that made more than \$500,000 in total sales in 1997 had a survival rate of at least 75 percent. In contrast, small business had lower survival rates. This was especially apparent among Hispanic-owned establishments; more than 90 percent of the Hispanic businesses with less than \$5,000 receipts in 1997 had closed by 2001.

Business expansion was more evenly spread across establishments of different sizes; still, the larger ones had relatively higher rates. Expansion among Asian establishments was somewhat even; the rate varied from 25 percent for businesses making \$10,000 to \$24,999, rising to 41.3 percent for those making \$1 million. American Indian/Native Alaskan-owned establishments had the highest expansion rate among the smallest establishments (53 percent), while Hispanic-owned establishments had the lowest rate (4.2 percent).

The rate of overall business contraction was lower among minority-owned establishments than among all U.S. establishments, implying significant occurrences of non-minority-owned business contraction in 1997-2001. Over 25.4 percent of all U.S. establishments with receipts of over \$250,000 in 1997 reduced their business activities in the 1997-2001 period. Business contraction was also “size sensitive”—the contraction rate was higher among larger businesses and lower among smaller businesses.

Table 7. Survival, Expansion, and Contraction Rates by Minority Group and Business Size (Receipts), 1997-2001

| | All Firms | Less than \$5,000 | \$5,000-\$9,999 | \$10,000-\$24,999 | \$25,000-\$49,999 | \$50,000-\$99,999 | \$100,000-\$249,999 | \$250,000-\$499,999 | \$500,000-\$999,999 | \$1 Million or More |
|--|-----------|-------------------|-----------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Survival Rate, 1997-2001 | | | | | | | | | | |
| All U.S. Establishments | 69.8 | 34.6 | 30.2 | 41.5 | 46.8 | 56.2 | 67.8 | 75.6 | 79.0 | 77.0 |
| Black | 61.0 | 36.8 | 36.3 | 24.6 | 45.0 | 54.1 | 69.0 | 68.3 | 75.8 | 72.6 |
| Asian and Pacific Islander | 72.1 | 27.2 | 45.4 | 39.4 | 55.2 | 60.1 | 73.4 | 76.3 | 76.6 | 81.2 |
| American Indian and Alaska Native | 67.0 | 54.5 | 30.1 | 37.1 | 35.4 | 55.3 | 64.1 | 73.5 | 74.7 | 85.2 |
| Hispanic | 68.6 | 9.9 | 29.8 | 39.4 | 52.7 | 58.8 | 70.5 | 79.8 | 75.9 | 79.7 |
| Expansion Rate, 1997-2001 | | | | | | | | | | |
| All U.S. Establishments | 30.3 | 20.5 | 17.5 | 17.5 | 18.4 | 20.9 | 25.9 | 31.6 | 35.6 | 36.7 |
| Black | 25.7 | 35.1 | 23.5 | 13.2 | 17.2 | 21.6 | 27.5 | 28.6 | 30.7 | 34.1 |
| Asian and Pacific Islander | 32.1 | 26.3 | 35.2 | 25.0 | 32.2 | 26.1 | 27.7 | 32.8 | 34.4 | 41.3 |
| American Indian and Alaska Native | 27.8 | 53.0 | 12.9 | 16.0 | 16.2 | 16.3 | 25.9 | 25.1 | 34.0 | 43.1 |
| Hispanic | 34.0 | 4.2 | 24.1 | 19.7 | 24.7 | 28.1 | 34.1 | 39.8 | 38.5 | 41.5 |
| Contraction Rate, 1997-2001 | | | | | | | | | | |
| All U.S. Establishments | 23.0 | 3.8 | 2.0 | 5.1 | 7.5 | 11.9 | 19.1 | 25.4 | 28.9 | 30.5 |
| Black | 19.9 | 0.2 | 1.3 | 2.4 | 10.7 | 13.3 | 20.5 | 25.2 | 34.4 | 33.8 |
| Asian and Pacific Islander | 22.9 | 0.0 | 0.3 | 1.8 | 8.6 | 10.5 | 24.1 | 25.0 | 28.3 | 31.0 |
| American Indian and Alaska Native | 22.4 | 0.0 | 2.2 | 1.1 | 7.1 | 21.5 | 15.5 | 31.1 | 26.2 | 32.4 |
| Hispanic | 17.8 | 0.6 | 4.2 | 1.5 | 4.5 | 11.5 | 15.7 | 24.3 | 25.2 | 30.4 |
| Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE). | | | | | | | | | | |

Table 8 provides data that can be used to examine changes by industry sector. Establishments in the manufacturing sector had the highest survival rate (74 percent), followed by services (72 percent), wholesale (71 percent), and agriculture (70 percent). The lowest rate was in non-classifiable establishments (21 percent). On average, Asian-owned businesses had the highest survival rate, particularly in finance, insurance and real estate (FIRE) and services. Hispanic-owned businesses had survival rates above 70 percent in the wholesale, retail, and FIRE sectors.

One-third of agricultural and manufacturing establishments expanded, as did 32 percent of construction and 31 percent of services establishments. On average, Hispanic-owned establishments had the highest expansion rate (34 percent). A striking 50 percent of non-classifiable and 40 percent of construction establishments owned by Hispanics had expanded in 1997-2001. Asian-owned establishments also had remarkable rates of expansion, particularly in sectors such as transportation, communication and utilities (35 percent) and wholesale (34 percent).

Between 1997 and 2001, the manufacturing sector had the highest rate of business contraction (30 percent), followed by retail (26 percent), and mining (25 percent). In the mining sector, all groups had contraction rates of at least 25 percent, with the exception of establishments owned by American Indians and Alaska Natives. Their rate of contraction in mining was only 6 percent.

Table 9 presents the top and bottom five states with the highest and lowest survival rates for the period 1997-2001. North Dakota had the highest survival rate for all U.S. establishments (74.2 percent) while Nevada had the lowest rate (63.6 percent). American Indian/Native Alaskan-owned establishments had the highest survival rate in the following states:

| | |
|--------------|--------------|
| Delaware: | 93.8 percent |
| Wisconsin: | 89.4 percent |
| Vermont: | 88.8 percent |
| Mississippi: | 86.9 percent |
| Louisiana: | 85.9 percent |

The state with the lowest survival rate for American Indian/Native Alaskan-owned establishments was New Hampshire (39.7 percent). Black-owned employer establishments had a very high survival rate in Wyoming (93.5 percent), and their survival rate was lowest in Hawaii (12.7 percent).

Table 8. Survival, Expansion, and Contraction Rates by Minority Group and Industrial Sector, 1997-2001

| Industry | All U.S. | Black | Asian & Pacific Islander | American Indian & Alaska Native | Hispanic |
|--|----------|-------|--------------------------|---------------------------------|----------|
| Survival Rate, 1997-2001 | | | | | |
| All Industries | 70 | 61 | 72 | 67 | 69 |
| Agriculture, Ag.-Services, Forestry, Fishing | 70 | 65 | 83 | 62 | 65 |
| Mining | 68 | 47 | 41 | 68 | 57 |
| Construction | 68 | 58 | 66 | 62 | 69 |
| Manufacturing | 74 | 60 | 69 | 73 | 72 |
| Transportation, Communication, Utilities | 65 | 55 | 70 | 61 | 44 |
| Wholesale | 71 | 61 | 69 | 70 | 71 |
| Retail | 69 | 57 | 72 | 63 | 72 |
| Finance, Insurance, Real Estate | 67 | 71 | 74 | 68 | 71 |
| Services | 72 | 63 | 74 | 72 | 70 |
| Non-classifiable Establishments | 21 | 40 | 27 | 13 | 50 |
| Expansion Rate, 1997-2001 | | | | | |
| All Industries | 30 | 26 | 32 | 28 | 34 |
| Agriculture, Ag.-Services, Forestry, Fishing | 33 | 29 | 34 | 26 | 28 |
| Mining | 3 | 7 | 15 | 12 | 10 |
| Construction | 32 | 24 | 32 | 29 | 40 |
| Manufacturing | 33 | 24 | 32 | 29 | 33 |
| Transportation, Communication, Utilities | 29 | 21 | 35 | 30 | 25 |
| Wholesale | 31 | 25 | 34 | 21 | 34 |
| Retail | 30 | 23 | 32 | 24 | 35 |
| Finance, Insurance, Real Estate | 26 | 26 | 30 | 18 | 31 |
| Services | 31 | 28 | 32 | 33 | 33 |
| Non-classifiable Establishments | 16 | 26 | 27 | 13 | 50 |
| Contraction Rate, 1997-2001 | | | | | |
| All Industries | 23 | 20 | 23 | 22 | 18 |
| Agriculture, Ag.-Services, Forestry, Fishing | 19 | 18 | 31 | 18 | 13 |
| Mining | 25 | 33 | 25 | 6 | 38 |
| Construction | 22 | 22 | 19 | 22 | 16 |
| Manufacturing | 30 | 27 | 28 | 29 | 26 |
| Transportation, Communication, Utilities | 22 | 19 | 20 | 21 | 9 |
| Wholesale | 24 | 22 | 19 | 37 | 24 |
| Retail | 26 | 20 | 23 | 23 | 22 |
| Finance, Insurance, Real Estate | 20 | 15 | 16 | 15 | 13 |
| Services | 22 | 20 | 24 | 21 | 16 |
| Non-classifiable Establishments | 1 | 2 | n.a. | n.a. | n.a. |
| Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE). | | | | | |

Table 9. Top and Bottom Five States in Employer Establishment Survival, by Ownership Group, 1997-2001

| Rank* | All Establishments | | Black | | Asian and Pacific Islander | | American Indian and Alaska Native | | Hispanic | |
|--|--------------------|---------------|----------------------|---------------|----------------------------|---------------|-----------------------------------|---------------|----------------|---------------|
| | State | Survival Rate | State | Survival Rate | State | Survival Rate | State | Survival Rate | State | Survival Rate |
| | All U.S. | 69.8 | All U.S. | 61.0 | All U.S. | 72.1 | All U.S. | 67.0 | All U.S. | 68.6 |
| Top Five States | | | | | | | | | | |
| 1 | North Dakota | 74.2 | Wyoming | 93.5 | New Mexico | 84.6 | Delaware | 93.8 | South Carolina | 88.6 |
| 2 | Wisconsin | 74.0 | Utah | 76.9 | Rhode Island | 83.3 | Wisconsin | 89.4 | Kentucky | 81.9 |
| 3 | Iowa | 73.8 | District of Columbia | 76.0 | Connecticut | 81.2 | Vermont | 88.8 | Michigan | 80.6 |
| 4 | Vermont | 73.7 | North Dakota | 75.0 | New Hampshire | 80.7 | Mississippi | 86.9 | Massachusetts | 79.4 |
| 5 | Minnesota | 73.6 | Rhode Island | 72.7 | Maine | 79.9 | Louisiana | 85.9 | Delaware | 78.5 |
| Bottom Five States | | | | | | | | | | |
| 47 | Georgia | 67.0 | Connecticut | 45.0 | Mississippi | 64.2 | Connecticut | 47.9 | North Carolina | 54.7 |
| 48 | Utah | 66.4 | Oregon | 44.3 | Utah | 59.2 | North Dakota | 45.5 | Iowa | 54.2 |
| 49 | Arizona | 65.7 | Idaho | 42.9 | Idaho | 58.7 | Arkansas | 43.5 | Montana | 46.2 |
| 50 | Florida | 64.1 | Maine | 36.4 | Wyoming | 49.7 | Utah | 40.3 | Vermont | 38.0 |
| 51 | Nevada | 63.6 | Hawaii | 12.7 | South Dakota | 37.3 | New Hampshire | 39.7 | North Dakota | 32.3 |
| <p>*Rankings include the 50 states and the District of Columbia. Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).</p> | | | | | | | | | | |

IV. Job Creation and Loss in Minority-Owned Establishments

In 1997, minority-owned establishments provided than 4.2 million jobs, or 4 percent of total U.S. non-farm business sector employment (105 million) (Table 10). Of these 4.2 million jobs, 46.8 percent (nearly 2 million) were provided by Asian and Pacific Islander-owned businesses; 30.6 percent (about 1.3 million) by Hispanic-owned businesses; 16.1 percent (676,000) by Black-owned businesses, and 6.5 percent (275,000) by American Indian and Alaska Native-owned businesses.

Table 10. Total Employment by Minority-Owned Establishments, 1997

| | All U.S. | Non-Minority | Minority | Black | Asian and Pacific Islander | American Indian and Alaska Native | Hispanic |
|---|-------------|--------------|-----------|---------|----------------------------|-----------------------------------|-----------|
| Total Non-Farm Employment, 1997 | 105,260,491 | 101,054,307 | 4,206,184 | 676,068 | 1,969,672 | 275,088 | 1,285,356 |
| Share of Total U.S. Non-Farm Employment (Percent) | 100 | 96 | 4 | 0.64 | 1.87 | 0.26 | 1.22 |
| Share of Total Minority Employment (Percent) | | | 100 | 16.1 | 46.8 | 6.5 | 30.6 |

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).

Table 11 tracks employment gains and losses due to business closure, expansion, and contraction. Black-owned establishments had the greatest overall job losses due to closures: 28 percent. The sectors with the greatest losses were transportation, communication, and utilities (36 percent); mining (35 percent); manufacturing (30 percent); and retail (30 percent). The largest job loss due to closure in any sector was 56 percent for Asian and Pacific Islander-owned establishments in non-classifiable establishments.

Job creation due to expansion of all U.S. establishments was 20.8 percent between 1997 and 2001. Employment at Hispanic establishments grew by 45 percent, more than double the national rate. The most striking rate of job expansion was in the Hispanic-owned non-classifiable business sector, which grew by 4,164 percent, followed by a 113 percent increase in finance, insurance, and real estate; 55 percent in services; and 53 percent in construction.

Employment losses due to business contraction were less striking. The overall U.S. job loss due to contraction was 13.4 percent. The highest single reduction among minority-owned establishment took place in Asian-owned establishments in mining (44 percent) and agriculture (31 percent). Black-owned establishments cut employment by 22 percent in the construction sector and 20 percent in the wholesale sector.

Non-minority-owned establishments employed 96 percent of the total U.S. workforce in 1997. (See Appendix Table A2.) An examination of the changes in employment by establishment size gives the overall impression that small businesses underwent large percentage changes in employment, but large ones had significant changes in terms of absolute numbers. Over the four-year period, employment loss due to closures in minority-owned establishments with receipts of less than \$50,000 was 50 percent, and for establishments with less than \$5,000 in annual receipts, employment fell by 83 percent.

Table 11. Change in Employment Due to Closure, Expansion, and Contraction, by Minority Group and Industrial Sector, 1997-2001

| Industry | All U.S. | Black | Asian and Pacific Islander | American Indian and Alaska Native | Hispanic |
|--|----------|-------|----------------------------|-----------------------------------|----------|
| Change in Employment Due to Closure, 1997-2001 (Percent) | | | | | |
| All Industries | -18.4 | -28 | -22 | -19 | -21 |
| Agriculture, Ag.-Services, Forestry, Fishing | -19.3 | n.a. | -9 | n.a. | -27 |
| Mining | -22.0 | -35 | -8 | n.a. | -12 |
| Construction | -18.8 | -29 | -17 | -24 | -19 |
| Manufacturing | -13.2 | -30 | -24 | -14 | -20 |
| Transportation, Communication, Utilities | -19.6 | -36 | -17 | -24 | -24 |
| Wholesale | -19.7 | -21 | -21 | -15 | -20 |
| Retail | -19.9 | -30 | -22 | -23 | -17 |
| Finance, Insurance, Real Estate | -26.1 | -26 | -24 | -32 | -20 |
| Services | -17.8 | -27 | -21 | -16 | -26 |
| Non-classifiable Establishments | -86.0 | n.a. | -56 | n.a. | n.a. |
| Change in Employment Due to Expansion, 1997-2001 (Percent) | | | | | |
| All Industries | 20.8 | 36 | 29 | 39 | 45 |
| Agriculture, Ag.-Services, Forestry, Fishing | 31.2 | 33 | 34 | 19 | 37 |
| Mining | 22.3 | n.a. | 6 | n.a. | 14 |
| Construction | 33.5 | 28 | 38 | 32 | 53 |
| Manufacturing | 14.3 | 22 | 34 | 30 | 21 |
| Transportation, Communication, Utilities | 20.4 | 17 | 35 | 36 | 39 |
| Wholesale | 22.6 | 16 | 29 | 21 | 34 |
| Retail | 16.3 | 25 | 24 | 33 | 34 |
| Finance, Insurance, Real Estate | 22.7 | 26 | 29 | 31 | 113 |
| Services | 24.0 | 47 | 32 | 48 | 55 |
| Non-classifiable Establishments | 90.1 | n.a. | 191 | n.a. | 4,164 |
| Change in Employment Due to Contraction, 1997-2001 (Percent) | | | | | |
| All Industries | -13.4 | -17 | -17 | -11 | -13 |
| Agriculture, Ag.-Services, Forestry, Fishing | -13.9 | n.a. | -31 | -17 | -13 |
| Mining | -20.5 | n.a. | -44 | -5 | -27 |
| Construction | -14.8 | -22 | -14 | -16 | -16 |
| Manufacturing | -13.9 | -16 | -17 | -13 | -14 |
| Transportation, Communication, Utilities | -14.7 | -17 | -11 | -11 | -8 |
| Wholesale | -13.4 | -20 | -15 | -17 | -19 |
| Retail | -12.5 | -15 | -15 | -13 | -13 |
| Finance, Insurance, Real Estate | -15.0 | -14 | -18 | -11 | -9 |
| Services | -12.8 | -17 | -19 | -8 | -10 |
| Non-classifiable Establishments | -3.7 | -4 | n.a. | n.a. | n.a. |
| Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE). | | | | | |

Employment gains were made in all four minority categories (Table 12). Among the largest minority-owned businesses (more than \$1 million in receipts) American Indian/Native Alaskan-owned firms showed a 47.2 percent upsurge in employment due to business expansion, followed by Hispanic-owned businesses, at 39.6 percent. Employment increases were even more impressive for small minority-owned establishments. The highest percentage increase (531.9 percent) was seen in Black-owned business with less than \$5,000 in annual receipts, followed by Asian-owned business in the \$5,000-\$9,999 category (434.5 percent).

Again, compared with the job losses and gains created by business closures and expansions, changes in employment due to contractions were much less striking. The most significant job reductions occurred among businesses with annual receipts of \$50,000 or more.

Table 12. Change in Employment Due to Closure, Expansion, and Contraction by Minority Ownership Category and Business Size, 1997-2001

| | All Firms | Less than \$5,000 | \$5,000-\$9,999 | \$10,000-\$24,999 | \$25,000-\$49,999 | \$50,000-\$99,999 | \$100,000-\$249,999 | \$250,000-\$499,999 | \$500,000-\$999,999 | \$1,000,000 and More |
|--|-----------|-------------------|-----------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|----------------------|
| Change in Employment Due to Closure, 1997-2001 (Percent) | | | | | | | | | | |
| All U.S. | -18.4 | -48.7 | -71.8 | -54.1 | -51.3 | -42.7 | -31.6 | -24.3 | -20.6 | -16.5 |
| Black | -28.1 | -83.8 | -90.0 | -78.1 | -54.5 | -40.0 | -30.7 | -25.4 | -29.1 | -24.8 |
| Asian and Pacific Islander | -21.5 | -90.5 | -68.8 | -72.4 | -44.9 | -39.8 | -26.3 | -23.1 | -21.6 | -18.2 |
| American Indian and Alaska Native | -18.6 | n.a. | n.a. | -64.9 | -66.9 | -37.7 | -47.7 | -27.7 | -21.0 | -10.0 |
| Hispanic | -21.4 | -83.2 | -80.0 | -50.1 | -50.1 | -43.8 | -28.9 | -23.5 | -19.4 | -16.9 |
| Change in Employment Due to Expansion, 1997-2001 (Percent) | | | | | | | | | | |
| All U.S. | 20.8 | 98.4 | 133.7 | 67.0 | 61.4 | 43.6 | 32.2 | 27.5 | 24.9 | 18.8 |
| Black | 36.2 | 531.9 | 39.9 | 86.0 | 414.7 | 44.8 | 35.0 | 38.3 | 21.4 | 22.2 |
| Asian and Pacific Islander | 29.3 | 338.1 | 434.5 | 105.0 | 113.2 | 55.5 | 31.7 | 25.3 | 36.0 | 24.4 |
| American Indian and Alaska Native | 39.0 | n.a. | n.a. | 34.9 | 33.7 | 50.2 | 17.1 | 25.9 | 22.3 | 47.2 |
| Hispanic | 44.6 | 45.3 | 213.2 | 123.2 | 66.8 | 63.5 | 51.4 | 55.3 | 36.1 | 39.6 |
| Change in Employment Due to Contraction, 1997-2001 (Percent) | | | | | | | | | | |
| All U.S. | -13.4 | -13.0 | -5.1 | -7.9 | -9.6 | -11.8 | -14.0 | -13.9 | -13.5 | -13.4 |
| Black | -17.2 | -0.9 | -1.9 | -3.8 | -13.5 | -15.6 | -16.1 | -18.6 | -20.3 | -16.8 |
| Asian and Pacific Islander | -16.8 | 0.0 | -1.0 | -3.4 | -21.0 | -15.4 | -19.3 | -16.4 | -18.2 | -16.1 |
| American Indian and Alaska Native | -11.0 | 0.0 | -6.5 | -3.6 | -8.6 | -21.7 | -9.0 | -14.5 | -15.6 | -9.6 |
| Hispanic | -12.5 | -4.0 | -14.8 | -6.0 | -6.2 | -12.3 | -14.1 | -13.1 | -14.5 | -11.5 |
| Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE). | | | | | | | | | | |

Table 13 ranks the states that had net job gains among minority-owned establishments. Hispanic-owned establishments had the largest total job gain (157,751 jobs created in 22 states), as well as the largest gain in a single state (56,004 in Illinois). American Indian/Native Alaskan-owned establishments had a total job gain of 52,972 in 13 states, with the largest single-state gain of 44,614 in California. Employment by Asian and Pacific Islander-owned establishments increased by a total of 54,774 jobs in 11 states, with the largest gain of 29,212 in Maryland. Black-owned establishments had job gains in only seven states, but the total number was impressive: 55,488. Illinois had the largest net gain, 48,243, among black-owned establishments.

Table 13. Net Employment Gain by Minority-Owned Employers, 2001, by State

| | Net Job Gain Created by Hispanic-Owned Businesses | | Net Job Gain Created by American Indian/Native Alaskan-Owned Businesses | | Net Job Gain Created by Asian-Owned Businesses | | Net Job Gain Created by Black-Owned Businesses | |
|---|---|--------|---|--------|--|--------|--|--------|
| | State* | Number | State* | Number | State* | Number | State* | Number |
| 1 | Illinois | 56,004 | California | 44,614 | Maryland | 29,212 | Illinois | 48,243 |
| 2 | Texas | 50,927 | N. Carolina | 2,129 | New York | 15,369 | California | 4,844 |
| 3 | California | 24,796 | Washington | 2,008 | Massachusetts | 2,625 | New Hampshire | 1,307 |
| 4 | New York | 7,187 | Mississippi | 1,527 | New Mexico | 2,392 | Minnesota | 734 |
| 5 | Florida | 5,587 | Alaska | 881 | Georgia | 1,697 | Nevada | 272 |
| 6 | Massachusetts | 2,019 | Wisconsin | 495 | Nevada | 1,568 | Oklahoma | 81 |
| 7 | Virginia | 1,609 | Vermont | 316 | Connecticut | 994 | Alaska | 7 |
| 8 | Michigan | 1,456 | Nebraska | 280 | Wisconsin | 540 | | |
| 9 | Colorado | 1,442 | Indiana | 228 | New Hampshire | 174 | | |
| 10 | Connecticut | 1,151 | Missouri | 163 | Vermont | 121 | | |
| 11 | Georgia | 1,089 | Maine | 161 | South Carolina | 82 | | |
| 12 | Arizona | 950 | Louisiana | 133 | | | | |
| 13 | Wisconsin | 872 | South Dakota | 37 | | | | |
| 14 | Missouri | 724 | | | | | | |
| 15 | Kentucky | 699 | | | | | | |
| 16 | Rhode Island | 298 | | | | | | |
| 17 | New Hampshire | 245 | | | | | | |
| 18 | South Carolina | 198 | | | | | | |
| 19 | Alaska | 191 | | | | | | |
| 20 | Maine | 155 | | | | | | |
| 21 | Wyoming | 80 | | | | | | |
| 22 | Utah | 72 | | | | | | |
| <p>*States whose employer establishments (in operation in 1997 and still in operation in 2001) suffered net employment loss are not included. Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).</p> | | | | | | | | |

At the state level, all four minority business groups had net gains in employment due to business expansion. However, at the national level, only two groups had net job gains. Net employment by all U.S. Hispanic-owned establishments grew by 137,533 jobs in the 1997-2001 period, and net employment by all American Indian/Native Alaskan-owned establishments grew by 25,858

jobs. (See Appendix Table A4.) Overall, U.S. employer establishments lost 11.6 million jobs over the four-year period. Asian and Pacific Islander-owned establishments had a net job loss of 177,270, and Black-owned establishments lost 61,522 jobs. The net job change across all minority-owned establishments was a loss of 70,451.

Table 14. Summary: Survival, Expansion, and Contraction Rates and Change in Employment of U.S. Employer Establishments by Owners' Race or Ethnicity, 1997-2001

| Business Ownership | Change in Establishments (Percent) | | | Change in Employment (Percent) | | |
|---|------------------------------------|----------------|------------------|--------------------------------|------------------|--------------------|
| | Survival Rate | Expansion Rate | Contraction Rate | Due to Closure | Due to Expansion | Due to Contraction |
| 1997-1998 | | | | | | |
| All U.S. Establishments | 90 | 33 | 24 | -5 | 14 | -10 |
| Black | 87 | 32 | 24 | -6 | 22 | -16 |
| Asian & Pacific Islander | 93 | 35 | 24 | -4 | 22 | -14 |
| American Indian & Alaska Native | 90 | 34 | 25 | -5 | 25 | -10 |
| Hispanic | 91 | 38 | 22 | -4 | 37 | -12 |
| 1997-1999 | | | | | | |
| All U.S. Establishments | 82 | 33 | 25 | -10 | 17 | -12 |
| Black | 77 | 31 | 23 | -15 | 26 | -17 |
| Asian & Pacific Islander | 86 | 36 | 25 | -10 | 26 | -15 |
| American Indian & Alaska Native | 83 | 33 | 23 | -9 | 31 | -11 |
| Hispanic | 82 | 37 | 22 | -9 | 40 | -13 |
| 1997-2000 | | | | | | |
| All U.S. Establishments | 75 | 32 | 24 | -14 | 20 | -13 |
| Black | 68 | 29 | 21 | -22 | 31 | -17 |
| Asian & Pacific Islander | 79 | 35 | 24 | -16 | 28 | -16 |
| American Indian & Alaska Native | 75 | 30 | 23 | -13 | 38 | -11 |
| Hispanic | 75 | 35 | 19 | -16 | 40 | -13 |
| 1997-2001 | | | | | | |
| All U.S. Establishments | 70 | 30 | 23 | -18 | 21 | -13 |
| Black | 61 | 26 | 20 | -28 | 36 | -17 |
| Asian & Pacific Islander | 72 | 32 | 23 | -22 | 29 | -17 |
| American Indian & Alaska Native | 67 | 28 | 22 | -19 | 39 | -11 |
| Hispanic | 69 | 34 | 18 | -21 | 45 | -13 |
| <p>All percentage figures are calculated based on the accumulated changes divided by the 1997 numbers of establishments or employments by those establishments.</p> <p>Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).</p> | | | | | | |

Table 14 summarizes the dynamics of employer establishments in operation in 1997. After four years, 70 percent of all U.S. establishments survived; 30 percent had expanded their businesses, and 23 percent had contracted. There was an 18 percent employment reduction due to business closures and a 13 percent reduction due to contractions. At the same time, there was a 21 percent employment increase due to business expansion. Hence, by 2001 there was a net employment

loss of 10 percent, or about 11 million jobs. Of the 6.8 million U.S. employer establishments in operation in 1997, 2.1 million had closed. (Again, this dataset does not take into account the approximately 2 million firms created over the four-year period and the jobs they created.)

Among four minority business groups, Asian and Pacific Islander-owned employer establishments had the highest survival rate (72 percent), as well as the highest contraction rate (23 percent). In contrast, Black-owned employer establishments had the lowest survival rate (61 percent) and the lowest expansion rate (26 percent). Hispanic-owned employer establishments enjoyed the highest expansion rate (34 percent) and lowest contraction rate (18 percent) of any group. While all U.S. establishments had a 10 percent net job loss, Hispanic-owned employer establishments had an 11 percent net increase (or 141,000 jobs), and American Indian/Native Alaskan-owned employer establishments had a 9 percent net increase (or 25,000 jobs) by 2001.

Table 15 shows that for all U.S. establishments in operation in 1997, the marginal closure rate was 10 percent in 1998, 8 percent in 1999, 7 percent in 2000, and 5 percent in 2001. In general, there is a high closure rate for startups during the first year of operation.

Table 15. Marginal Closure Rates by Ownership Category, 1998-2001

| Ownership Category | 1998 | 1999 | 2000 | 2001 |
|-----------------------------------|------|------|------|------|
| All U.S. | 10 | 8 | 7 | 5 |
| Black | 13 | 10 | 9 | 7 |
| Asian and Pacific Islander | 7 | 7 | 7 | 7 |
| American Indian and Alaska Native | 10 | 7 | 8 | 8 |
| Hispanic | 9 | 9 | 7 | 6 |

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).

V. Conclusion

Of the minority-owned employer establishments in operation in 1997, Asian and Pacific Islander-owned establishments had the highest four-year survival rate of all minority groups and their survival rate topped the survival rate of U.S. business overall. Hispanic-owned establishments had the highest expansion rate and the lowest contraction rate of all minority groups and U.S. businesses, both. While all U.S. employer establishments in operation in 1997 suffered a net job loss of 11.6 million, minority-owned establishments had net job gains in 22 states. (Again, these data do not encompass businesses established after 1997, which generated tens of millions of new jobs.) Hispanic- and American Indian/Native Alaskan-owned establishments had net employment gains of 138,000 and 26,000 during the four-year period. Black-owned employer establishments experienced the highest closure rate by 2001 of any minority group and of U.S. businesses. As a result of their high closure rate and low expansion rate, Black-owned business experienced the greatest job loss of the four minority-owned business groups.

Appendix: Data and Methodology

Detailed information on the dynamics of minority-owned employer establishment between 1997 and 2001 are provided here. For the users' further reference, the complete dataset is posted on the website of Office of Advocacy, www.sba.gov/advo.

Data Source

The Census Bureau provided the Small Business Administration's Office of Advocacy with a series of tabulations containing statistics that track a subset of the establishments that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE). Information follows about the methods used for tracking the data and limitations in the scope and quality of the statistics.

Scope

These tabulations were designed to analyze the growth rates of those businesses that responded as minority-owned on the 1997 SMOBE survey. Establishments owned by the enterprises reported (not imputed) in the 1997 SMOBE file were extracted and matched to the 1997 data on the Business Information Tracking Series (BITS), a more comprehensive file containing linked establishment data from 1989 through 2001. Only those "minority-owned" establishments with matching entries in the BITS are included in these tabulations.

Caveats

The tabulations make no attempt to track changes in ownership for those businesses that were identified as minority owned in 1997. Thus, the tabulations include some establishments that were minority owned in 1997 but have changed ownership or undergone reorganization in subsequent years. These establishments are tabulated as expansions or contractions, depending upon employment change, but may no longer be minority owned. Likewise, the tabulations do not include any minority-owned establishment births or continuing establishments which became minority owned subsequent to 1997. The tabulations are not intended to make projections about the aggregate changes for minority-owned businesses subsequent to 1997; rather, they simply measure the changes in activity over subsequent years for those establishments that were identified as part of minority-owned business enterprises in 1997.

The tabulations are establishment-level only. The only enterprise-level measures provided in the tabulations are the receipts-size categories and the employment-size categories associated with the enterprises which own the establishments. The tabulations used weights that were developed for the 1997 SMOBE survey. These weights were assigned at the enterprise level for the SMOBE; for this project, the enterprise weight was assigned to each of the establishments belonging to the enterprise.

Sampling Error

The 1997 SMOBE estimates were derived from a sample survey that was subject to sampling error. This particular sample was one of a large number of all possible samples of the same size that could have been selected using the same sample design. Estimates derived from different samples would differ from each other. The relative standard error is a measure of the variability among the estimates from all possible samples.

The estimates in the tables are based on a nonprobabilistic subset of the establishments owned by the enterprises selected in the 1997 SMOBE sample. These estimates are also subject to sampling error; however, we are unable to quantify that error. We expect that the relative standard errors for comparable SMOBE estimates (see Tables 8 and 9, pages 128-147, of the 1997 SMOBE Summary publication) represent lower bounds for the relative standard errors of the special tabulation estimates.

Nonsampling Error

All surveys and censuses are subject to nonsampling errors. Nonsampling errors are attributable to many sources, including coverage problems, imputation for missing data, and errors in data collection. Explicit measures of the effects of these nonsampling errors are not available for the 1997 SMOBE and therefore are unavailable for these tabulations.

Definitions

Employer Firm. A firm that employed at least one paid employee sometime during a calendar year.

Establishment. A business or industrial unit at a single physical location which produces or distributes goods or performs services.

Firm. A business consisting of one or more domestic establishments that the reporting firm specified as being under its ownership or control at the end of the year. If a firm owns or controls other firms, all establishments of the subsidiaries are included as part of the owning or controlling company.

Firm Closure. To shut down or transfer the ownership of a firm. See 1989-2001 Employer Firm Births and Deaths by Employment Size of Firm at www.sba.gov/advo/stats/dyn_b_d8901.pdf.

Minority Owned Business Enterprise. The Bureau of the Census defines this as any business which is 51 percent or more owned by one or more minorities who meet the following criteria:

- have ultimate fiscal and legal responsibility for the business;
- manage the daily operations of the business; and
- were either the original majority owner(s) of the existing business or verified purchaser(s) of the existing business.

Transfer of ownership or purchase of an existing business by a minority owner from a nonminority owner who remains actively involved in the operation of the business does not qualify the business as a minority-owned business enterprise.

SMOBE data divides minority entrepreneurs into four groups: American Indians (including Alaska Natives), Asians and Pacific Islanders, Blacks, and Hispanics. The race and ethnic categories listed on the Bureau of the Census's survey questionnaires are consistent with those mandated by the Office of Management and Budget. These standards were developed by both the Executive Branch and Congress.

Table A1. Closure, Expansion, and Contraction of Minority-Owned Establishments in Operation in 1997 through 2001

| Category of Owner | 1997 Total | 1997 Share of Minority Establishments (Percent) | Number of Establishments | | | | 4-Year Percent Change Rate 1997-2001 | |
|---|------------|---|--------------------------|-----------|-----------|-----------|--------------------------------------|------|
| | | | 1997-1998 | 1997-1999 | 1997-2000 | 1997-2001 | | |
| Non-Minority-Owned | 6,219,831 | | | | | | | |
| Closures | | | 655,024 | 1,137,256 | 1,527,650 | 1,874,552 | Survival Rate | 72.6 |
| Expansions | | | 2,032,359 | 2,035,049 | 1,991,759 | 1,873,846 | Expansion Rate | 27.4 |
| Contractions | | | 1,521,737 | 1,552,040 | 1,491,910 | 1,447,510 | Contraction Rate | 21.1 |
| All Minority-Owned | 628,741 | 100 | | | | | | |
| Closures | | | 55,131 | 105,345 | 152,935 | 194,766 | Survival Rate | 69.0 |
| Expansions | | | 223,446 | 221,049 | 213,615 | 198,273 | Expansion Rate | 31.5 |
| Contractions | | | 146,877 | 149,393 | 137,962 | 130,224 | Contraction Rate | 20.7 |
| Black-Owned | 93,452 | 15 | | | | | | |
| Closures | | | 12,487 | 21,592 | 29,440 | 36,469 | Survival Rate | 61.0 |
| Expansions | | | 30,184 | 28,761 | 26,858 | 24,029 | Expansion Rate | 25.7 |
| Contractions | | | 22,499 | 21,327 | 19,839 | 18,595 | Contraction Rate | 19.9 |
| Asian and Pacific Islander-Owned | 293,550 | 47 | | | | | | |
| Closures | | | 21,069 | 41,144 | 62,947 | 81,842 | Survival Rate | 72.1 |
| Expansions | | | 103,417 | 104,384 | 102,937 | 94,131 | Expansion Rate | 32.1 |
| Contractions | | | 70,087 | 74,175 | 69,945 | 67,101 | Contraction Rate | 22.9 |
| American Indian and Alaska Native-Owned | 32,611 | 5 | | | | | | |
| Closures | | | 3,424 | 5,565 | 8,066 | 10,772 | Survival Rate | 67.0 |
| Expansions | | | 11,164 | 10,844 | 9,832 | 9,073 | Expansion Rate | 27.8 |
| Contractions | | | 8,187 | 7,655 | 7,585 | 7,309 | Contraction Rate | 22.4 |
| Hispanic-Owned | 209,128 | 33 | | | | | | |
| Closures | | | 18,151 | 37,044 | 52,482 | 65,683 | Survival Rate | 68.6 |
| Expansions | | | 78,681 | 77,060 | 73,988 | 71,040 | Expansion Rate | 34.0 |
| Contractions | | | 46,104 | 46,236 | 40,593 | 37,219 | Contraction Rate | 17.8 |

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).

Table A2. Change in Employment by Minority-Owned Establishments in Operation in 1997 Due to Closure, Expansion, and Contraction, 1997-2001

| Business Group | Total 1997 Employment | Net Employment Change | 1997-1998 | 1997-1999 | 1997-2000 | 1997-2001 |
|--|-----------------------|-----------------------|-------------|-------------|-------------|-------------|
| All U.S. Establishments | 105,260,491 | Due to Closures | -5,247,086 | -10,198,610 | -15,002,234 | -19,319,414 |
| | | Due to Expansions | 14,474,832 | 18,278,739 | 21,236,857 | 21,940,398 |
| | | Due to Contractions | -10,030,770 | -12,341,417 | -13,245,877 | -14,117,251 |
| Black | 676,068 | Due to Closures | -37,319 | -103,173 | -147,471 | -189,932 |
| | | Due to Expansions | 151,774 | 176,851 | 210,828 | 244,803 |
| | | Due to Contractions | -105,791 | -117,837 | -114,837 | -116,332 |
| Asian and Pacific Islander | 1,969,672 | Due to Closures | -70,795 | -198,623 | -308,548 | -424,069 |
| | | Due to Expansions | 434,021 | 516,343 | 557,668 | 578,075 |
| | | Due to Contractions | -269,887 | -296,336 | -305,708 | -331,798 |
| American Indian and Alaska Native | 275,088 | Due to Closures | -12,486 | -23,534 | -34,639 | -51,037 |
| | | Due to Expansions | 69,725 | 86,316 | 105,447 | 107,355 |
| | | Due to Contractions | -26,788 | -31,390 | -29,495 | -30,268 |
| Hispanic | 1,285,356 | Due to Closures | -49,961 | -111,660 | -199,316 | -275,654 |
| | | Due to Expansions | 474,272 | 512,008 | 517,308 | 572,763 |
| | | Due to Contractions | -159,248 | -165,262 | -160,686 | -160,145 |
| Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE). | | | | | | |

Table A3. Survival, Expansion, and Contraction Rates of Minority-Owned Establishments in Operation in 1997, by State

| State | Survival Rate, 1997-2001 (Percent) | | | | | Expansion Rate, 1997-2001 (Percent) | | | | | Contraction Rate, 1997-2001 (Percent) | | | | |
|----------------------|------------------------------------|-----------|--------------------------|---------------------------------|-----------|-------------------------------------|-----------|--------------------------|---------------------------------|-----------|---------------------------------------|-----------|--------------------------|---------------------------------|-----------|
| | All | Black | Asian & Pacific Islander | American Indian & Alaska Native | Hispanic | All | Black | Asian & Pacific Islander | American Indian & Alaska Native | Hispanic | All | Black | Asian & Pacific Islander | American Indian & Alaska Native | Hispanic |
| United States | 70 | 61 | 72 | 67 | 69 | 30 | 26 | 32 | 28 | 34 | 23 | 20 | 23 | 22 | 18 |
| Alabama | 69 | 62 | 71 | 63 | 66 | 28 | 25 | 28 | 17 | 27 | 25 | 23 | 29 | 23 | 21 |
| Alaska | 69 | 59 | 78 | 73 | 71 | 30 | 40 | 22 | 35 | 46 | 23 | 15 | 24 | 22 | 13 |
| Arizona | 66 | 56 | 69 | 81 | 72 | 30 | 25 | 33 | 29 | 37 | 22 | 23 | 24 | 22 | 17 |
| Arkansas | 68 | 48 | 70 | 44 | 71 | 29 | 18 | 27 | 23 | 18 | 23 | 16 | 26 | 12 | 50 |
| California | 69 | 64 | 70 | 77 | 69 | 32 | 26 | 32 | 43 | 38 | 22 | 15 | 22 | 21 | 16 |
| Colorado | 68 | 49 | 70 | 60 | 60 | 31 | 24 | 28 | 26 | 27 | 21 | 16 | 24 | 20 | 18 |
| Connecticut | 72 | 45 | 81 | 48 | 78 | 31 | 19 | 44 | 7 | 41 | 23 | 14 | 21 | 13 | 23 |
| Delaware | 69 | 52 | 68 | 94 | 78 | 29 | 27 | 18 | 78 | 17 | 22 | 18 | 33 | 6 | 43 |
| District of Columbia | 72 | 76 | 70 | 79 | 71 | 31 | 34 | 27 | 43 | 36 | 24 | 28 | 22 | 11 | 19 |
| Florida | 64 | 57 | 68 | 65 | 68 | 28 | 29 | 31 | 17 | 32 | 20 | 12 | 25 | 26 | 19 |
| Georgia | 67 | 60 | 72 | 64 | 70 | 30 | 25 | 34 | 18 | 35 | 22 | 20 | 25 | 25 | 17 |
| Hawaii | 72 | 13 | 79 | 81 | 76 | 29 | 3 | 28 | 25 | 30 | 25 | 2 | 29 | 28 | 29 |
| Idaho | 68 | 43 | 59 | 61 | 64 | 29 | 29 | 32 | 20 | 34 | 23 | 14 | 13 | 34 | 22 |
| Illinois | 72 | 71 | 76 | 62 | 71 | 30 | 27 | 29 | 30 | 33 | 24 | 23 | 25 | 20 | 16 |
| Indiana | 71 | 60 | 70 | 75 | 67 | 31 | 21 | 31 | 37 | 34 | 25 | 22 | 25 | 17 | 22 |
| Iowa | 74 | 51 | 77 | 60 | 54 | 30 | 23 | 19 | 16 | 20 | 25 | 17 | 48 | 17 | 32 |
| Kansas | 71 | 54 | 70 | 72 | 62 | 30 | 18 | 27 | 25 | 25 | 24 | 29 | 32 | 39 | 29 |
| Kentucky | 71 | 67 | 75 | 77 | 82 | 30 | 31 | 26 | 19 | 49 | 25 | 22 | 28 | 29 | 27 |
| Louisiana | 70 | 56 | 75 | 86 | 75 | 29 | 24 | 32 | 34 | 44 | 24 | 18 | 21 | 30 | 16 |
| Maine | 72 | 36 | 80 | 69 | 67 | 33 | 27 | 38 | 33 | 31 | 21 | 6 | 23 | 8 | 28 |
| Maryland | 70 | 63 | 73 | 63 | 68 | 31 | 27 | 32 | 32 | 25 | 23 | 24 | 23 | 15 | 22 |
| Massachusetts | 73 | 66 | 77 | 71 | 79 | 32 | 32 | 35 | 35 | 37 | 23 | 18 | 24 | 29 | 24 |
| Michigan | 71 | 62 | 72 | 68 | 81 | 30 | 27 | 27 | 24 | 41 | 25 | 24 | 29 | 30 | 23 |
| Minnesota | 74 | 71 | 68 | 73 | 72 | 33 | 33 | 29 | 33 | 29 | 23 | 14 | 25 | 28 | 20 |
| Mississippi | 69 | 59 | 64 | 87 | 70 | 29 | 23 | 25 | 45 | 32 | 24 | 19 | 21 | 18 | 24 |
| Missouri | 70 | 64 | 70 | 60 | 65 | 30 | 35 | 29 | 28 | 25 | 24 | 20 | 24 | 18 | 25 |
| Montana | 70 | 63 | 67 | 67 | 46 | 30 | 19 | 18 | 24 | 11 | 22 | 19 | 21 | 26 | 26 |
| Nebraska | 74 | 59 | 69 | 83 | 65 | 30 | 24 | 23 | 57 | 16 | 24 | 13 | 36 | 9 | 42 |
| Nevada | 64 | 69 | 68 | 51 | 70 | 29 | 40 | 34 | 19 | 32 | 22 | 16 | 19 | 29 | 25 |
| New Hampshire | 72 | 72 | 81 | 40 | 65 | 33 | 42 | 34 | 24 | 35 | 22 | 15 | 26 | 9 | 11 |

Table A3. Survival, Expansion, and Contraction Rates of Minority-Owned Establishments in Operation in 1997, by State (continued)

| State | Survival Rate, 1997-2001 (Percent) | | | | | Expansion Rate, 1997-2001 (Percent) | | | | | Contraction Rate, 1997-2001 (Percent) | | | | |
|----------------|------------------------------------|-------|--------------------------|---------------------------------|----------|-------------------------------------|-------|--------------------------|---------------------------------|----------|---------------------------------------|-------|--------------------------|---------------------------------|----------|
| | All | Black | Asian & Pacific Islander | American Indian & Alaska Native | Hispanic | All | Black | Asian & Pacific Islander | American Indian & Alaska Native | Hispanic | All | Black | Asian & Pacific Islander | American Indian & Alaska Native | Hispanic |
| New Jersey | 70 | 65 | 74 | 79 | 71 | 30 | 24 | 32 | 26 | 33 | 22 | 21 | 19 | 28 | 15 |
| New Mexico | 68 | 58 | 85 | 67 | 64 | 29 | 21 | 62 | 35 | 29 | 24 | 30 | 14 | 16 | 21 |
| New York | 71 | 62 | 73 | 82 | 76 | 29 | 24 | 34 | 21 | 37 | 22 | 20 | 17 | 49 | 17 |
| North Carolina | 70 | 62 | 69 | 75 | 55 | 31 | 25 | 34 | 33 | 28 | 24 | 24 | 23 | 24 | 15 |
| North Dakota | 74 | 75 | 73 | 46 | 32 | 29 | 25 | 51 | 14 | 10 | 25 | 25 | 15 | 25 | 6 |
| Ohio | 73 | 66 | 76 | 75 | 75 | 31 | 28 | 28 | 35 | 40 | 26 | 22 | 29 | 23 | 19 |
| Oklahoma | 69 | 63 | 70 | 58 | 63 | 29 | 32 | 31 | 28 | 33 | 23 | 16 | 22 | 17 | 20 |
| Oregon | 69 | 44 | 68 | 58 | 65 | 29 | 13 | 29 | 26 | 41 | 24 | 19 | 26 | 23 | 18 |
| Pennsylvania | 73 | 62 | 69 | 56 | 75 | 31 | 23 | 31 | 16 | 32 | 24 | 19 | 23 | 22 | 17 |
| Rhode Island | 73 | 73 | 83 | 85 | 70 | 31 | 27 | 40 | 22 | 50 | 23 | 35 | 24 | 36 | 8 |
| South Carolina | 69 | 61 | 73 | 57 | 89 | 31 | 22 | 35 | 15 | 36 | 23 | 23 | 22 | 10 | 21 |
| South Dakota | 72 | 57 | 37 | 70 | 60 | 30 | 43 | 11 | 16 | 23 | 23 | 14 | 22 | 37 | 33 |
| Tennessee | 69 | 62 | 72 | 70 | 61 | 29 | 27 | 33 | 33 | 24 | 25 | 21 | 27 | 32 | 31 |
| Texas | 67 | 54 | 72 | 52 | 66 | 30 | 23 | 38 | 19 | 33 | 23 | 20 | 21 | 13 | 17 |
| Utah | 66 | 77 | 59 | 40 | 66 | 29 | 19 | 17 | 26 | 32 | 23 | 19 | 31 | 8 | 13 |
| Vermont | 74 | 69 | 75 | 89 | 38 | 33 | 38 | 47 | 43 | 29 | 21 | 31 | 23 | 22 | 8 |
| Virginia | 70 | 60 | 73 | 55 | 65 | 31 | 27 | 31 | 14 | 29 | 23 | 22 | 25 | 25 | 21 |
| Washington | 68 | 55 | 72 | 57 | 67 | 30 | 21 | 29 | 31 | 32 | 22 | 19 | 23 | 20 | 22 |
| West Virginia | 71 | 60 | 73 | 81 | 58 | 28 | 25 | 18 | 46 | 24 | 26 | 20 | 38 | 15 | 22 |
| Wisconsin | 74 | 58 | 75 | 89 | 64 | 32 | 31 | 29 | 17 | 31 | 24 | 20 | 30 | 39 | 25 |
| Wyoming | 70 | 94 | 50 | 56 | 70 | 30 | 6 | 25 | 24 | 34 | 22 | n.a. | 13 | 7 | 22 |

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).

Table A4. Net Employment Change in 2001 by Minority-Owned Employer Establishments in Operation in 1997, by State

| State | All U.S. Establishments | State | Black | State | Asian & Pacific Islander | State | American Indian & Alaska Native | State | Hispanic |
|----------------------|-------------------------|----------------------|----------------|----------------------|--------------------------|----------------------|---------------------------------|----------------------|----------------|
| United States | -11,578,654 | United States | -61,522 | United States | -177,270 | United States | 25,858 | United States | 137,533 |
| Vermont | -5,810 | Illinois | 48,243 | Maryland | 29,212 | California | 44,614 | Illinois | 56,004 |
| Wyoming | -14,712 | California | 4,844 | New York | 15,369 | North Carolina | 2,129 | Texas | 50,927 |
| Alaska | -16,241 | New Hampshire | 1,307 | Massachusetts | 2,625 | Washington | 2,008 | California | 24,796 |
| New Hampshire | -17,412 | Minnesota | 734 | New Mexico | 2,392 | Mississippi | 1,527 | New York | 7,187 |
| North Dakota | -21,534 | Nevada | 272 | Georgia | 1,697 | Alaska | 881 | Florida | 5,587 |
| South Dakota | -23,725 | Oklahoma | 81 | Nevada | 1,568 | Wisconsin | 495 | Massachusetts | 2,019 |
| Montana | -23,799 | Alaska | 7 | Connecticut | 994 | Vermont | 316 | Virginia | 1,609 |
| Maine | -26,368 | Connecticut | -40 | Wisconsin | 540 | Nebraska | 280 | Michigan | 1,456 |
| District of Columbia | -38,441 | Vermont | -113 | New Hampshire | 174 | Indiana | 228 | Colorado | 1,442 |
| Rhode Island | -41,038 | West Virginia | -125 | Vermont | 121 | Missouri | 163 | Connecticut | 1,151 |
| Idaho | -43,271 | New Mexico | -164 | South Carolina | 82 | Maine | 161 | Georgia | 1,089 |
| Delaware | -48,712 | Massachusetts | -194 | Maine | -30 | Louisiana | 133 | Arizona | 950 |
| Hawaii | -54,100 | Nebraska | -332 | Rhode Island | -35 | South Dakota | 37 | Wisconsin | 872 |
| Nebraska | -69,403 | Arkansas | -336 | Nebraska | -75 | Wyoming | -80 | Missouri | 724 |
| West Virginia | -71,625 | Iowa | -358 | North Dakota | -85 | West Virginia | -85 | Kentucky | 699 |
| Nevada | -72,241 | Arizona | -378 | Montana | -99 | Minnesota | -107 | Rhode Island | 298 |
| New Mexico | -88,019 | Kentucky | -460 | Michigan | -174 | Iowa | -150 | New Hampshire | 245 |
| Iowa | -90,805 | Pennsylvania | -522 | Alaska | -283 | New Hampshire | -156 | South Carolina | 198 |
| Arkansas | -95,297 | Colorado | -667 | Wyoming | -315 | Rhode Island | -178 | Alaska | 191 |
| Utah | -119,416 | Rhode Island | -673 | Idaho | -363 | Illinois | -216 | Maine | 155 |
| Kansas | -126,934 | Kansas | -819 | Virginia | -468 | Ohio | -237 | Wyoming | 80 |
| Mississippi | -134,597 | Delaware | -997 | Delaware | -483 | North Dakota | -241 | Utah | 72 |
| Oklahoma | -137,548 | Tennessee | -1,291 | Missouri | -551 | Utah | -287 | Montana | -92 |
| Colorado | -149,062 | Oregon | -1,436 | Indiana | -607 | Maryland | -290 | Mississippi | -111 |
| Connecticut | -169,218 | Alabama | -1,704 | Arkansas | -626 | Massachusetts | -304 | Delaware | -143 |
| South Carolina | -170,917 | District of Columbia | -1,764 | Kansas | -639 | Georgia | -324 | Hawaii | -190 |
| Minnesota | -171,213 | Florida | -2,049 | Alabama | -693 | Montana | -345 | West Virginia | -207 |

Table A4. Net Employment Change in 2001 by Minority-Owned Employer Establishments in Operation in 1997, by State (continued)

| State | All U.S. Establishments | State | Black | State | Asian & Pacific Islander | State | American Indian & Alaska Native | State | Hispanic |
|----------------|-------------------------|----------------|---------|----------------------|--------------------------|----------------------|---------------------------------|----------------------|----------|
| Kentucky | -174,900 | Missouri | -2,060 | Louisiana | -865 | Arizona | -404 | Pennsylvania | -207 |
| Oregon | -178,284 | South Carolina | -2,211 | Iowa | -954 | Colorado | -435 | Indiana | -242 |
| Wisconsin | -200,388 | Mississippi | -2,767 | South Dakota | -966 | New Mexico | -439 | Nebraska | -256 |
| Maryland | -205,895 | New Jersey | -2,979 | Oklahoma | -1,120 | Idaho | -500 | Tennessee | -292 |
| Washington | -207,997 | Wisconsin | -3,117 | Mississippi | -1,159 | Nevada | -558 | Louisiana | -415 |
| Arizona | -210,885 | Indiana | -3,449 | New Jersey | -1,438 | Kansas | -584 | Iowa | -439 |
| Louisiana | -217,394 | North Carolina | -3,928 | Tennessee | -1,452 | New York | -591 | North Carolina | -501 |
| Virginia | -241,590 | Washington | -4,018 | Washington | -1,523 | Kentucky | -655 | Idaho | -520 |
| Alabama | -246,529 | New York | -4,664 | District of Columbia | -1,707 | South Carolina | -693 | Arkansas | -588 |
| Massachusetts | -257,291 | Georgia | -4,781 | Colorado | -1,835 | New Jersey | -697 | District of Columbia | -674 |
| Indiana | -261,123 | Louisiana | -5,797 | West Virginia | -2,241 | Oregon | -741 | Nevada | -694 |
| Missouri | -280,571 | Virginia | -6,335 | North Carolina | -2,283 | Arkansas | -1,071 | Kansas | -700 |
| Tennessee | -303,381 | Maryland | -6,541 | Arizona | -2,323 | Tennessee | -1,216 | Alabama | -850 |
| North Carolina | -354,658 | Michigan | -8,312 | Utah | -2,670 | Alabama | -1,291 | Washington | -883 |
| New Jersey | -356,356 | Ohio | -12,466 | Minnesota | -3,009 | Florida | -1,381 | Maryland | -966 |
| Georgia | -388,275 | Texas | -28,620 | Pennsylvania | -3,089 | Texas | -1,414 | Minnesota | -1,082 |
| Illinois | -498,701 | Hawaii | N.A. | Oregon | -3,094 | Virginia | -1,614 | New Jersey | -1,186 |
| Michigan | -503,435 | Idaho | N.A. | Ohio | -3,482 | Michigan | -1,673 | Ohio | -1,192 |
| Ohio | -541,439 | Maine | N.A. | Kentucky | -5,110 | Pennsylvania | -1,855 | Oklahoma | -1,308 |
| Pennsylvania | -542,064 | Montana | N.A. | Illinois | -7,622 | Oklahoma | -2,723 | Oregon | -1,559 |
| Florida | -698,972 | North Dakota | N.A. | Hawaii | -16,776 | Connecticut | -2,948 | New Mexico | -4,517 |
| New York | -703,114 | South Dakota | N.A. | Texas | -29,344 | Delaware | N.A. | North Dakota | N.A. |
| Texas | -884,065 | Utah | N.A. | Florida | -31,234 | District of Columbia | N.A. | South Dakota | N.A. |
| California | -982,590 | Wyoming | N.A. | California | -101,761 | Hawaii | N.A. | Vermont | N.A. |

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).