



# News Release

409 3rd Street, SW, Suite 210 ★ Washington, DC 20024 ★ 202-205-3850 (p) ★ 202-205-6825 (f) ★ [www.nwbc.gov](http://www.nwbc.gov)

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**Contact:** Julie Weeks,  
(202) 205-6828  
[julie.weeks@sba.gov](mailto:julie.weeks@sba.gov)

## **Firms Owned By Women of Color Show Staying Power *African American Firms Lag Somewhat Behind***

**Washington, DC** – Between 1997 and 2000, employer establishments owned by women of color showed similar survival rates and changes in employment when compared with all women-owned employer establishments during the period. The exception was seen among firms owned by African American women, which showed somewhat lower rates of survival and greater job losses during the period compared to employer establishments owned by Asian American, Latina and Native American women.

This new information is contained in a new series of *Issues in Brief*, being published today by the National Women's Business Council (NWBC). As the result of a ground-breaking agreement made with the Census Bureau, the NWBC is now producing the first-ever annual tabulations on trends in the number and employment of women-owned employer establishments by state and industry.<sup>1</sup> These are the only such data available annually between Census years, and will allow the NWBC to provide more detailed and timely intelligence on trends in women's entrepreneurship. The five reports being published today are companion pieces to the *Issue in Brief* published by the Council in January of this year, which summarized trends in establishment survival and employment growth among all women-owned firms with employees. The briefs published today – separate reports for African American, Asian American, Latina and Native American women-owned employer establishments as well as a minority summary report – feature detailed tables by state and industry.

“These new reports provide extremely useful information to the women's business community and to public policy makers,” said Marilyn Carlson Nelson, Chairman and CEO of Carlson Companies and Chair of the National Women's Business Council. “Understanding differences in business survival and growth among segments of the women-owned business population is vital to making informed policy and program decisions. These reports show that paying particular attention to firms owned by women of color, and learning more about possible barriers to their growth, is vitally important.”

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In 1997, women were the majority owners of more than 5.4 million non-farm businesses. Seventeen percent (17%) of these businesses – 923,403 firms – were owned by a woman or women of color. Among those businesses, fourteen percent (13.5%) had at least one paid employee other than the owner, employing in total nearly 780,000 people. The briefs published today describe trends among just those enterprises with at least one paid employee at any point during 1997 and focuses on business establishments – or locations.<sup>2</sup>

More than three-quarters (77%) of Asian American women-owned employer business locations in existence in 1997 were still in operation three years later, compared with 75% of Native American, 73% of Latina, and 68% of African American women-owned employer business locations. Among all women-owned employer establishments, 75% remained in business over the period. Thus, most employer establishments owned by a woman or women of color – with the exception of those owned by African American women – showed similar rates of survival compared to all women-owned employer establishments during the 1997 – 2000 period.

The *Issues in Brief* also examined changes in employment during the 1997-2000 period. Native American women-owned employer establishments saw a robust 36% increase in employment between 1997 and 2000, due in large part to enormous growth in Texas and California (114% and 93% growth in employment, respectively). In comparison, Asian American women-owned employer establishments saw a 1.7% decline in employment over the period, Latina-owned employer firms saw a 4.6% decline, and African American women-owned employer firms saw a 21.8% decline in employment. Among all women-owned employer firms, the decline in employment was 4.2% over the period. Therefore, the overall decline in employment from 1997 to 2000 was much larger among African American women-owned employer firms than among other women-owned employer firms – minority and non-minority alike – and the growth in employment was much stronger among Native American women-owned employer firms.

The *Issues in Brief* examined differences in survival and employment growth by state and industry, and found much variation on a state-by-state basis, with most showing variations among the racial/ethnic groups. There are few across-the-board “best” or “worst” states when it came to the stability and growth of minority women-owned employer firms. Maryland, Nebraska, and Washington were the most likely to appear among the top 10 states across the four minority groups based on both survival and employment growth between 1997 and 2000. California showed average or above-average performance among all four minority groups on both survival and employment growth, while Kentucky and New Jersey both showed above-average survival rates among all four minority groups. Additional regional and industry details are available in the individual minority briefs.

The NWBC continues to recommend that in-between Census years there would be great benefit in examining new firm creation, even if only among businesses with employees. We recommend that this data be collected and made available for analysis, in order to provide an even richer understanding of establishment dynamics and sources of employment gains and losses.

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The complete set of new *Issues in Brief* may be found on the NWBC's web site, [www.nwbc.gov](http://www.nwbc.gov).

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### **Methodology**

The data used in this analysis was provided by the Census Bureau, utilizing data based on the 1997 SWOBE<sup>3</sup> survey. Establishments owned by the enterprises reported in the 1997 SWOBE file were extracted and matched to the 1997 data on the Business Information Tracking Series (BITS), a database containing longitudinal data (annual data from 1989 through 2000) on virtually all non-farm U.S. business establishments with paid employees. Only those women-owned establishments with matching entries in the BITS are included in these tabulations. Using the BITS file, the Census Bureau was able to create longitudinal tabulations, which are tabulations that provide a study of business entities across a span of years.

The tabulations make no attempt to track changes in ownership for those businesses that were identified as women-owned in 1997. Thus, the tabulations may include some establishments that were women-owned in 1997 but have changed ownership or undergone reorganization since 1997. Likewise, the tabulations do not include any women-owned establishment births or existing establishments which became women-owned after 1997.

While the tabulations are at the establishment level, weights that were developed for the 1997 SWOBE survey were used. These weights were assigned at the enterprise level for the SWOBE; for this project, the enterprise weight was assigned to each of the establishments belonging to the enterprise.

The 1997 SWOBE estimates were derived from a sample survey that was subject to sampling error. The sample size (which includes both SWOBE and SMOBE – The Survey of Minority-Owned Business Enterprises) was 2,532,911.

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.

All surveys and censuses are subject to non-sampling errors. Non-sampling 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 non-sampling errors are not available for the 1997 SWOBE and therefore are unavailable for these tabulations.

We are extremely grateful to Ruth Runyan, Valerie Strang and Trey Cole at the Census Bureau for their assistance on this project.

### **The National Women's Business Council**

The National Women's Business Council is a bi-partisan Federal government council created to serve as an independent source of advice and counsel to the President, Congress, and the U.S. Small Business Administration on economic issues of importance to women business owners. Members of the Council are prominent women business owners and leaders of women's business organizations. The National Women's Business Council is committed to conducting research on issues of importance to women business owners and their organizations; to communicating these findings widely; to connecting the women's business community to public policy makers; and to providing programs and platforms for change in order to expand and improve opportunities for women business owners and their enterprises. For more information about the Council, its mission and activities, contact: National Women's Business Council, 409 3<sup>rd</sup> Street, SW, Suite 210, Washington, DC 20024; phone: 202-205-3850; fax: 202-205-6825, e-mail: [nwbc@sba.gov](mailto:nwbc@sba.gov); web site: [www.nwbc.gov](http://www.nwbc.gov).

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1. Establishments that were formed after 1997 are not included in these tabulations. Thus, references to changes in employment refer to changes from 1997 to 2000 among only those establishments in existence in 1997 and do not take into account new firm creation since that time. According to a new Census Bureau working paper, start-ups in the first two years of operation accounted for virtually all of the net new jobs in the economy. Factoring in new firm formation, overall employment grew by 5.3% between December 1997 and December 2000, according to the U.S. Department of Labor's Bureau of Labor Statistics.

2. An establishment is a single, physical location where business is conducted or where services or industrial operations are performed. In 1997, more than 97% of businesses with paid employees – both women-owned and in total – consisted of a single establishment. Single establishment firms accounted for 78% of employment among women-owned firms and 47% of employment among all firms in 1997.

3. The Survey of Women-Owned Business Enterprises (SWOBE) provides basic economic data on businesses owned by women.