

Minorities in Business: A Demographic Review of Minority Business Ownership

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This report provides information on minorities in the work force and minority-owned businesses, including statistics about the minority population, their labor force participation, age, education, occupation, work schedules, average personal and household income, business ownership, and business dynamics. It is an update of previous studies on minority-owned businesses* and primarily uses data from the 2002 Survey of Business Owners (SBO), the latest available data from the U.S. Census Bureau. The SBO defines minority-owned businesses as entities in which minorities own 51 percent or more of the stock or equity. There were six general demographic groups classified in the SBO: Hispanic, Black, White, American Indian or Alaska Native, Asian, Native Hawaiian or other Pacific Islander (Islander).

Highlights

- In 2002, minorities owned approximately 18 percent of the 23 million U.S. firms.
- Using a proxy for measuring minority business growth, Black-owned firms had the highest growth rate for several measures between 1997 and 2002: 45.4 percent for the number of firms; 24.5 percent of total receipts for the group; and 16.7 percent for employer firm receipts. Asians also experienced growth in the number of employer firms, at 12.6 percent, and in annual payroll, 25.3 percent. The number of American Indian and Native Alaskan businesses grew 2.1 percent.
- Hispanics or Latinos constituted the largest minority business community and owned 6.6 percent

of all U.S. firms, 3.7 percent of employer firms, and 7.4 percent of nonemployer firms.

- Blacks owned 5.0 percent of all U.S. firms, 1.8 percent of employer firms, and 5.9 percent of nonemployer firms. Asians and Islanders owned 4.7 percent of all U.S. firms, 6.1 percent of employer firms, and 4.3 percent of nonemployer firms. For comparison purposes, the percentages for Whites are 82.9, 88.0, and 81.4 respectively.

- Percentages of minority women owning businesses rose from 1997 to 2002: 29 percent of Black employer firms and 47 percent of Black nonemployer firms were women-owned in 2002. In contrast, women owned 17 percent of White employer firms and 31 percent of White nonemployer firms.

- More than half of Black-owned businesses had less than \$10,000 in business receipts in 2002, compared with one-third of White-owned firms and 28.8 percent of Asian-owned firms.

- On average, for every dollar that a White-owned firm made, Pacific Islander-owned firms made about 59 cents, Hispanic-, Native American-, and Asian-owned businesses made 56 cents, and Black-owned businesses made 43 cents.

- The distribution of firms varied by industry and race or ethnicity. For example, 16 percent of Native American-owned firms operated in construction; 20.5 percent of Black-owned firms were in health care and social assistance. Hispanic-owned businesses were concentrated in administrative and support, waste management, and remediation services, 13.2 percent, as were Islander-owned businesses, 11.6 percent.

- All minority-owned business categories had higher proportions than the non-minority-owned businesses in “other services,” such as personal services

* To review the previous Office of Advocacy research on minority-owned businesses, see www.sba.gov/advo/research/minority.html.

and repair and maintenance. Of Black-owned firms, 17.6 percent were in other services; for Asians, the share was 17.1 percent; for Hispanics, 15.8 percent; and for Native Americans, 13.2 percent.

- The ethnicities of Asian business owners were identified as Asian Indian, Chinese, Filipino, Japanese, Korean, Vietnamese, and other Asian. Among this group, Asian Indians had the highest ratio of employer firms to total firms (37 percent), followed by Koreans (36 percent), and Chinese (31 percent). Asian Indians also had the highest average receipts per nonemployer firm, \$56,792 followed by Koreans, \$56,320. Japanese had the highest receipts per employer firm, \$1,256,646, followed by Chinese, \$1,075,029. Asian Indians once again had the highest average annual payroll per employee, \$28,779, followed by Japanese at \$28,141.

- The ethnicities of Hispanic business owners were identified as Mexican, Mexican American, and Chicano; Puerto Rican; Cuban; and other Spanish/Hispanic/Latino. Among this group, Cubans had the highest ratio of employer firms to total firms, 18 percent; the highest average receipts per nonemployer firm, \$36,692; the highest receipts per employer firm, \$1,108,998; and the highest average annual payroll per employee, \$28,769. Mexicans, Mexican Americans, and Chicanos had the highest average number of employees per employer firm, 8.1, followed by other Spanish/Hispanic/Latino, 7.5.

- Of nonemployers, 58.3 percent were home-based, compared with 22.1 percent of employers. Home-based business rates decline sharply with firm employment size. Twenty-nine percent of all respondent employer firms with one to four employees were home-based and 0.2 percent of those with 500 or more employees.

- Home-based rates varied by ethnic and racial characteristic, a fact that may also be related to the industries in which these firms are concentrated. More than two-thirds of Asian business owners reported that they conducted business from nonresidential locations. Hispanics had a relatively smaller share of firms with one to four employees that were home-based, but a relatively large share—5.6 percent—of large firms based in the home.

- Owners use a variety of sources of capital to start or acquire businesses. Nonemployer firm owners generally use a less varied array of financing sources than owners of firms with employees. Higher percentages of male/female equally owned, male-owned, and White-owned employer firms than of other firm groups financed their startups or acquisitions

through business loans from banks. Higher percentages of Black- and Native American-owned employer businesses, as well as equally men- and women-owned employer firms used business loans from the government or government-guaranteed bank loans. More than all other groups, Islander employers used personal and business credit cards to finance their startups and acquisitions.

- The majority of Asians and Hispanics in the U.S. labor force are immigrants, either naturalized or not. Among self-employed Asians, 80.8 percent are immigrants, compared with 67.9 percent of Islanders and 56.8 percent of Hispanics. Asians tended to have the highest shares of naturalized citizens in all work categories (labor force, self-employment, professional, and moonlighter) and vied with Hispanics for the highest shares of non-U.S. citizens.

Scope and Methodology

Data sources include, but are not limited to the Current Population Survey, the American Community Survey, the Economic Census, and the Survey of Business Owners. See the report's appendix for detail on data and data limitations. This report was peer reviewed consistent with the Office of 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.

Ordering Information

The full text of this report and summaries of other studies performed under contract with the U.S. Small Business Administration's Office of Advocacy are available on the Internet at www.sba.gov/advo/research. Copies are available for purchase from:

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