

## Dynamics of Minority-Owned Employer Establishments, 1997–2001

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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](mailto: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](http://www.sba.gov/advo). The statistical database is available there as well.

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