

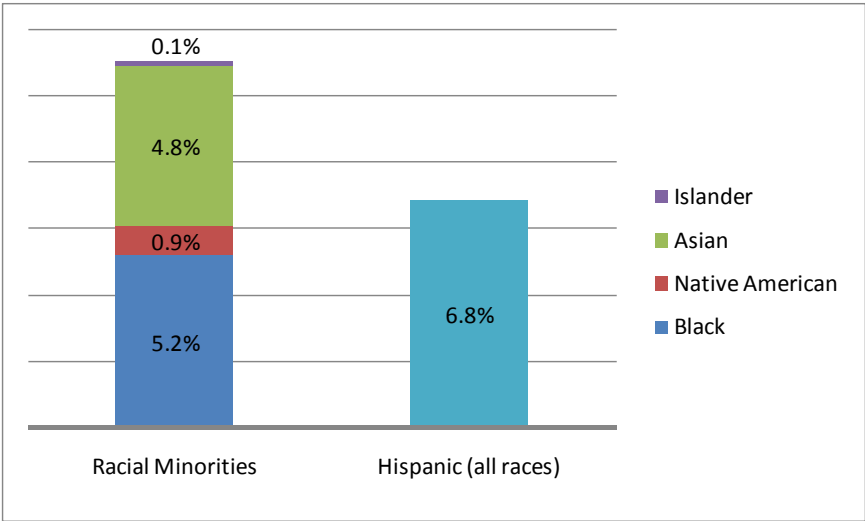
# Minorities in Business: A Selected Overview of U.S. and Iowa Surveys of Business Owners

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Every five years the U.S. Department of Commerce conducts a Survey of Business Owners. Those data are eventually made available to policy makers and scholars on a scheduled basis. Most of the 2002 data were not released until 2006 – hence there is at least a three year lag in the data. The 2007 survey will yield data, then, by 2011. We are therefore required to look at the 2002 data to determine the major characteristics of minority business activity in Iowa. In this brief report we are looking at selected national and Iowa characteristics.

Figure 1 gives us a sense of which minority groups constitute business owners in the U.S. Blacks were 5.2 percent and Asians were 4.8 percent. We must analyze Hispanics separately because they can be of any race. All Hispanics are 6.8 percent of U.S. business owners. The three primary dimensions of minority business ownership in the U.S. are, therefore, Blacks, Asians, and Hispanics.

Figure 1: Percent of Businesses by Minority Type



Blacks were 12.7 percent of the population in 2002, so their rates of business ownership lag their population shares severely. The same holds for Hispanics where they were 13.4 percent of the

population. Among Asians, however, the pattern was different. They were 3.9 percent of the population, but accounted for 4.8 percent of business owners in 2002.

Figure 2 compares Iowa with the national pattern for the state's major minority groups. The differences are stark and underscore the comparatively homogeneous nature of Iowa's population. As fractions of the national norm, Iowa's Asian ownership is 6 times less, Black ownership is almost 7.5 times less, and Hispanic ownership is over 11 times less. In all, the incidence of minority ownership in Iowa is very small.

**Figure 2: Minority Business Ownership as a Percentage of Total, U.S. and Iowa, 2002**

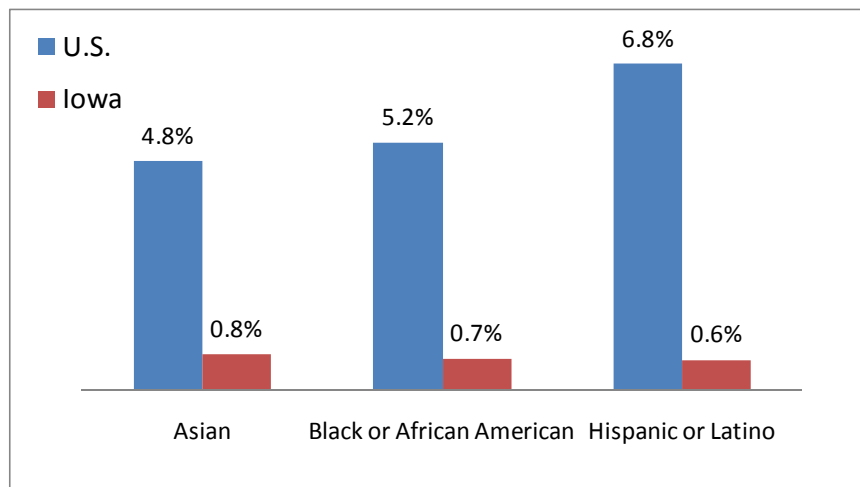


Figure 3 tells us about the types of businesses that different racial or ethnic groups have. There are two types of firms that are measured. The first type is called employer firms. These are firms that have paid employees *besides the owner*. Employer firms will, by definition, be larger than the other type of firm, non-employee firms or firms with no paid employees. Those are firms in which the owner is the only person involved in the business. When we look at the percentage of the total number of business firms that are employer firms, we are getting at both a quantitative and qualitative sense of minority business activity.

Nationally, for all U.S. white business owners, nearly a quarter of all firms had paid employees. That incidence is much different for our minority groups, however. Hispanic rates were just 13 percent, and Black rates were a full third of the average for all businesses. Native Americans were half the overall average, but the Asian score was higher at 29 percent.

**Figure 3: U.S. Employer Firms as a Percent of Total Firms, 2002**

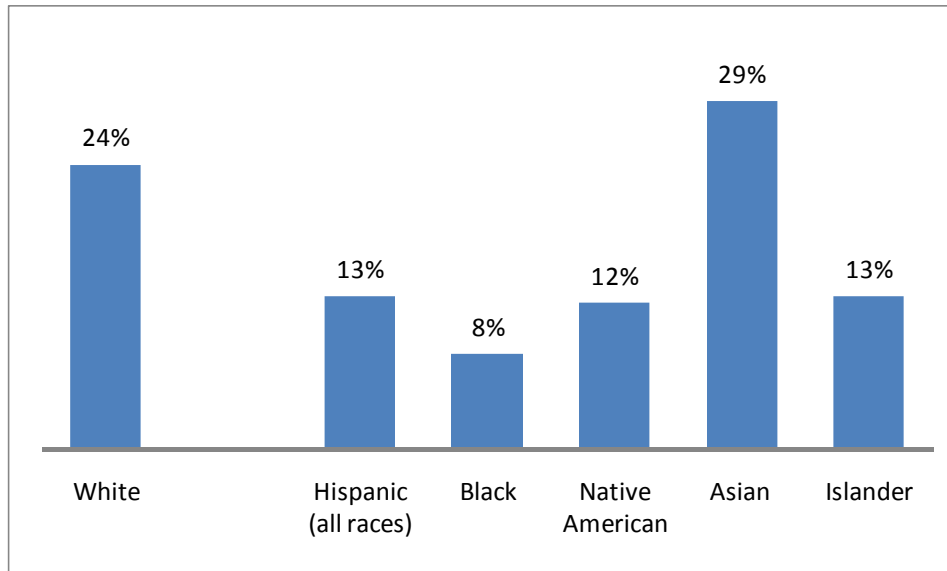
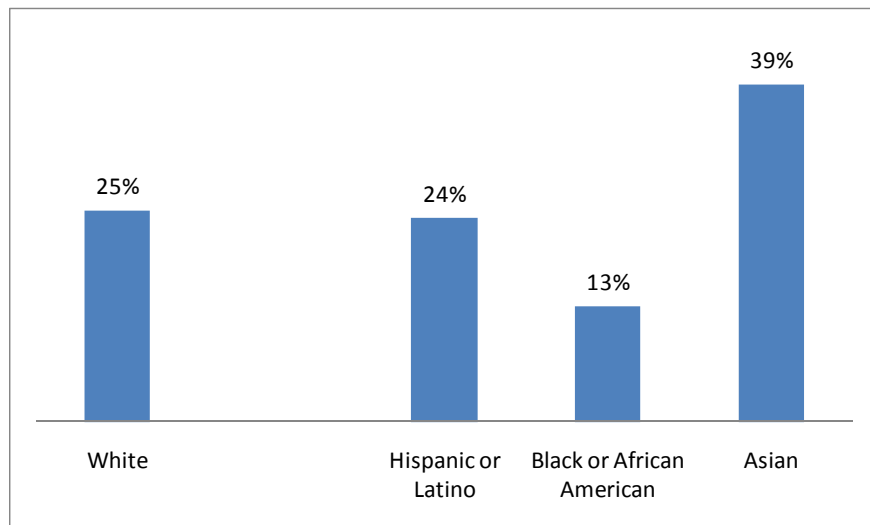


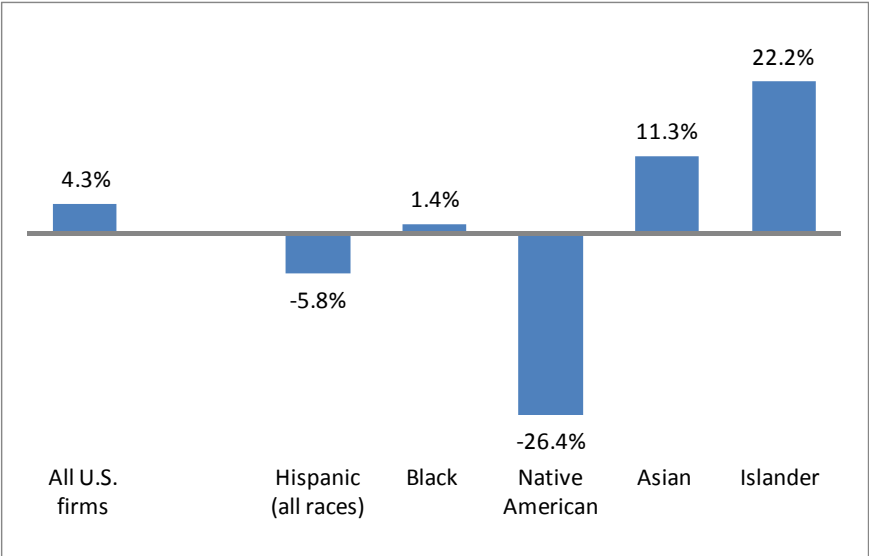
Figure 4 shows the same characteristics in employer firm ownership for Iowa major racial or ethnic groups. While the percentage of employer firm ownership among whites is similar to the U.S. average, the survey tells us that the incidences for Hispanics is twice as high as the national norm, the rate for Blacks is more than half as much higher, and the Asian rate exceeds the national rate by 10 percentage points.

**Figure 4: Iowa Employer Firms as a Percent of Total Firms, 2002**



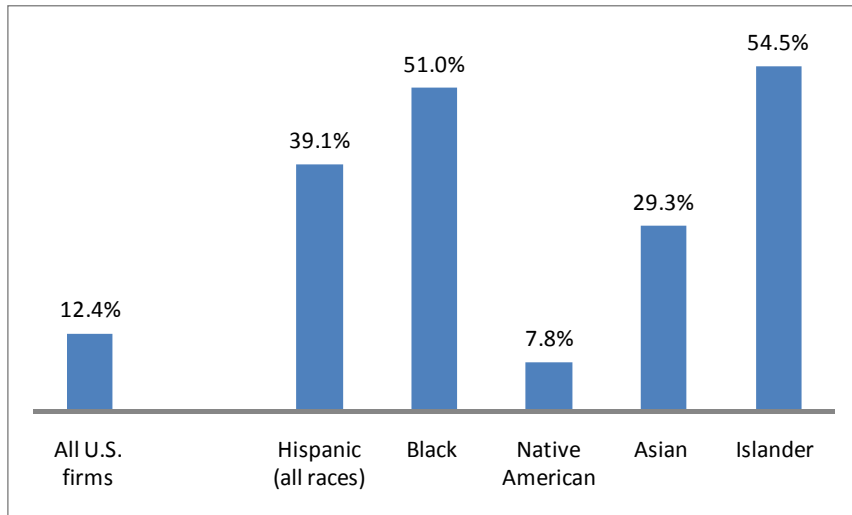
The pattern of change in recent years indicates that minority business ownership is declining for several groups. In Figure 5 we see that there were 4.3 percent more U.S. business firms in 2002 than there were in 1997. Hispanic firms declined by 5.8 percent, but the number owned by Native Americans plummeted by over 26 percent. There was an increase in Black owned firms of 1.4 percent just over a quarter of the national average. Asian firms and Pacific Islander firms grew much more than the national average. In particular, again, we look at the Asian firm growth because it represents a stronger and growing fraction of minority businesses over time. We do not have comparable statistics comparing Iowa with the nation on this indicator.

**Figure 5: Change in U.S. Business Firms, 1997 to 2002**



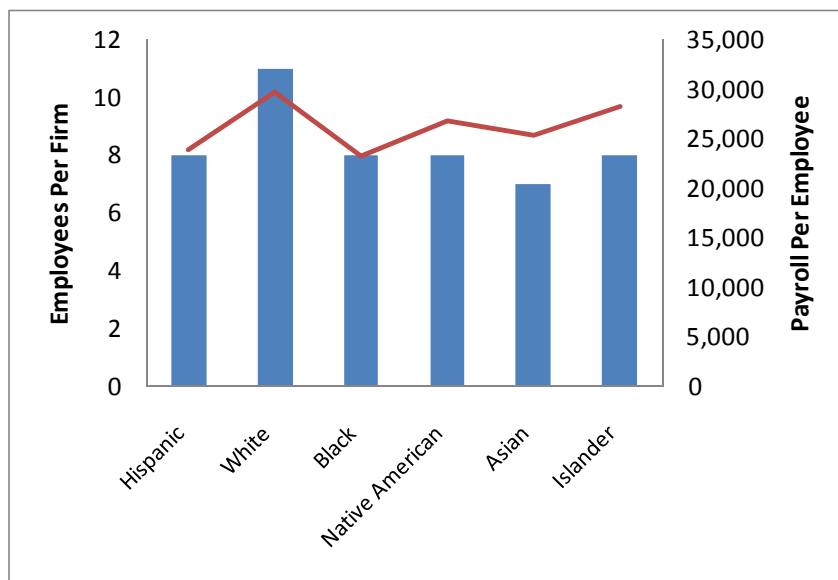
The next figure revisits firms without paid employees. While all firms grew by 4.3 percent, the number of nonemployer firms grew, nationally, by 12.4 percent. Even though Hispanic firms declined, their nonemployer numbers grew by 39 percent and Blacks and Islanders grew by 51 percent and 54.5 percent, respectively. The rate of growth for Asians was nearly 30 percent. Only Native Americans posted a rate below the national average. It might be tempting to look at these numbers and conclude that entrepreneurship is alive and well in the business world and for minorities, but substantial evidence suggests that abnormal rates of nonemployer firm growth is an indication of overall wage stagnation. People are required to pick up “side work” to make ends meet. It is often the case that nonemployer firm growth is an indication of broad economic stress, not success. Again, we do not have comparable Iowa statistics for this indicator.

**Figure 6: Change in Nonemployer Firms, 1997 to 2002**



Firm size and the earnings realized by workers are an indication of the overall profitability and the skill demands of businesses. Figure 7 has two sets of indices displayed. The bars indicate the number of employees per employer firm. White firms are larger with an average of 11 workers, and Asian firms are lowest with an average of seven. Hispanic, Black, Native American, and Islander firms averaged eight workers. On the right axis we can see average payroll per employee. The white-owned firms averaged just under \$30,000 per employee. Hispanic firms 20 percent less than white-owned firms, and Blacks averaged 25 percent less.

**Figure 7: U.S. Business Size and Average Payroll Per Employee, 2002**



These same variables have both similarities and divergences when we look just at the state of Iowa in Figure 8. The average white-owned firm was slightly smaller than the national average, but the remaining categories were quite similar to the national patterns of size. Employee payroll numbers were quite different, however. First, the highest average earning per employee of \$28,274 was posted for Black-owned firms. White firms were second highest. In comparison to national numbers, those in Figure 7, the differences are profound. First, Iowa's surveyed Black businesses paid 40 percent more than the national norm. That advantage was not evident, however, among all other groups. Iowa's white firms paid just 56 percent, Hispanics 60 percent, and Asians 43 percent of their respective national counterparts.

**Figure 8: Iowa Business Size and Average Payroll Per Employee, 2002**

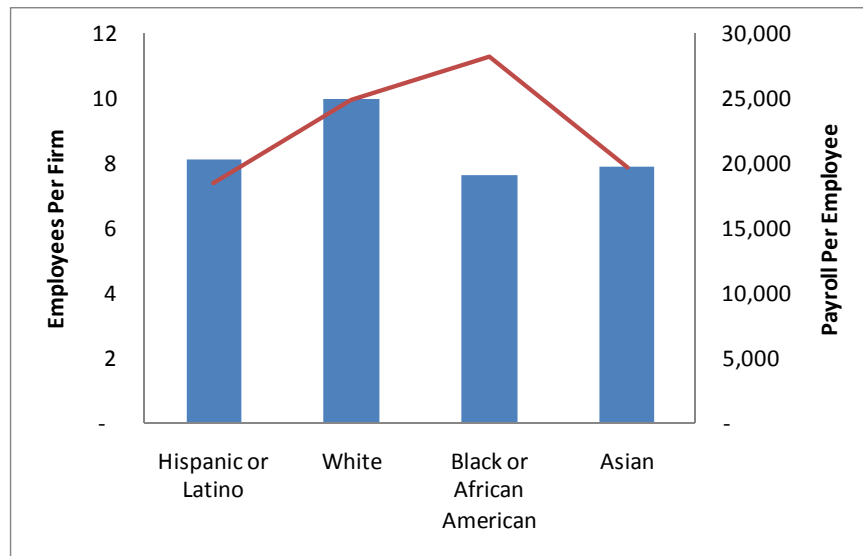


Figure 9 displays the average receipts for firms without employees. White-owned firms had \$44,384 in average receipts. Asians were slightly higher. Hispanics and Islanders averaged 30 percent fewer than White firms, Native American firms averaged 38 percent fewer, and Black firms with no employees averaged 53 percent fewer gross receipts than white-owned firms.

**Figure 9: U.S. Average Receipts for Firms Without Employees, 2002**

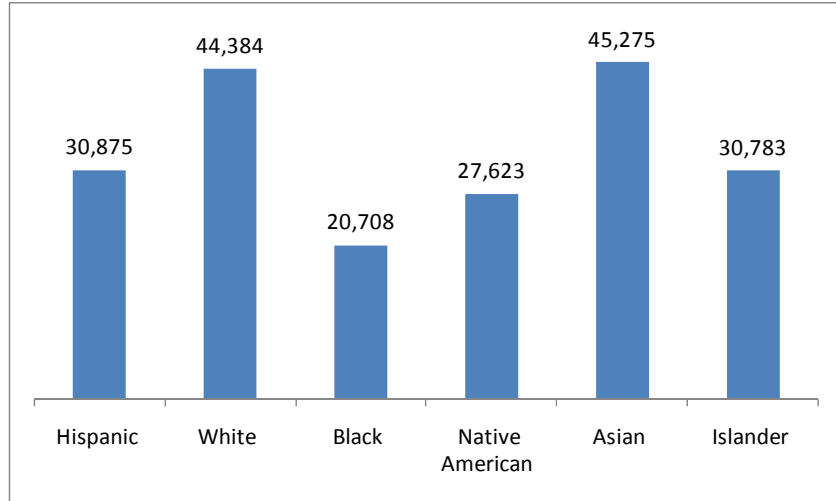


Figure 10 gives the Iowa nonemployer firm results. The highest receipts were from Asian owners at \$42,438 and the lowest was among Black owners at \$19,727. Compared to the U.S., Iowa's Asian nonemployer firms were just over 6 percent lower than the national norm for Asians. Hispanics in Iowa were about 4 percent higher, Whites were 27 percent lower, and Black firms were about 5 percent lower.

**Figure 10: Iowa Average Receipts for Firms Without Employees, 2002**

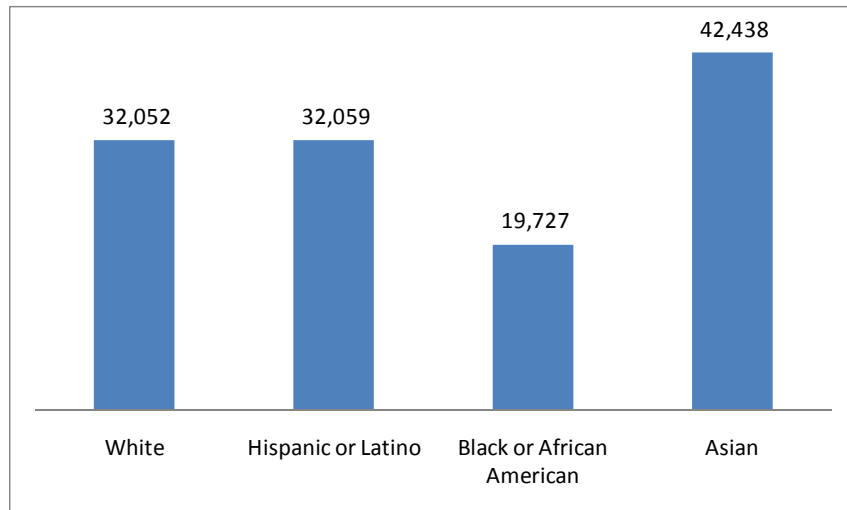


Table 1 displays the distribution of minority-owned firms in the U.S. and compares them to white-owned firms. Values in pink are substantially lower than the values for Whites, and values in light green are substantially higher. The largest single category for Whites is professional, scientific, and technical services at almost 15 percent, followed by construction, retail trade, and services. Among Hispanics, the highest category was in all other services at 15.2 percent followed by construction, administrative services, and health care and social assistance. For Blacks, over 20 percent were in health care and social assistance, followed by other services, administrative services, and professional and scientific services. Nationally, for Asians, other services were highest at 17 percent followed by professional and scientific, retail trade, and health care and social assistance.

**Table 1: The Distribution of U.S. Minority Businesses by Major Industry Type**

	U.S. 2002 Data			
	White-owned firms	Hispanic-owned firms	Black-owned firms	Asian-owned firms
Forrest, fish, & ag support	1.1%	0.6%	0.3%	0.6%
Mining	0.5%	0.1%	0.0%	0.0%
Utilities	0.1%	0.0%	0.0%	0.0%
Construction	13.2%	13.5%	6.3%	3.5%
Manufacturing	2.6%	2.0%	0.8%	2.1%
Wholesale trade	3.1%	2.2%	1.0%	4.2%
Retail trade	11.4%	9.6%	8.5%	13.7%
Transportation & warehousing	4.0%	8.0%	8.3%	4.7%
Information	1.3%	0.9%	1.2%	1.1%
Finance & insurance	4.0%	2.1%	2.4%	2.7%
Real estate & rental & leasing	9.5%	4.4%	4.4%	6.8%
Professional, scientific, & technical services	14.9%	8.8%	9.7%	14.0%
Management of companies & enterprises	0.1%	0.0%	0.0%	0.0%
Administrative & support & waste management & remediation service	6.8%	13.2%	10.1%	4.8%
Educational services	1.7%	1.2%	2.1%	1.4%
Health care & social assistance	7.8%	11.5%	20.5%	11.2%
Arts, entertainment, & recreation	4.3%	2.8%	4.5%	2.4%
Accommodation & food services	2.6%	3.1%	2.1%	9.5%
Other services (except public administration)	11.2%	15.8%	17.6%	17.1%

Table 2 gives the same distributions for Iowa. Values in pink are substantially lower than the values for Whites, and values in light green are substantially higher. For Whites, nearly 15 percent were retail, followed by construction, other services, and health care and social assistance firms. Iowa's Hispanics led with 15.4 percent in health care and social assistance followed very closely by construction, accommodation and food services, and professional and technical services. Among Blacks, 34 percent of the firms were in health care and social assistance, followed by other services, professional and technical services, and administrative services. Finally for Iowa's Asian respondents, 23 percent were in foods services and accommodations, trailed by other services, health care and social assistance, and professional and scientific services.

**Table 2: The Distribution of Iowa Minority Businesses by Major Industry Type, 2002**

	Iowa 2002 Data			
	White-owned firms	Hispanic-owned firms	Black-owned firms	Asian-owned firms
Forrest, fish, & ag support	1.7%	*	0.2%	*
Mining	0.0%	*	*	*
Utilities	0.1%	0.1%	0.1%	*
Construction	14.2%	15.2%	4.3%	*
Manufacturing	2.4%	1.0%	0.9%	0.5%
Wholesale trade	2.6%	1.1%	1.1%	2.4%
Retail trade	14.9%	*	7.5%	13.5%
Transportation & warehousing	5.3%	2.9%	5.2%	1.8%
Information	1.0%	0.9%	*	0.8%
Finance & insurance	4.5%	2.7%	*	0.6%
Real estate & rental & leasing	7.5%	3.3%	1.8%	5.2%
Professional, scientific, & technical services	9.5%	10.0%	9.6%	12.4%
Management of companies & enterprises	0.1%	0.1%	*	*
Administrative & support & waste management & remediation service	6.0%	6.1%	7.7%	2.5%
Educational services	1.3%	1.8%	4.2%	2.5%
Health care & social assistance	9.7%	15.4%	33.9%	14.8%
Arts, entertainment, & recreation	3.4%	*	*	2.8%
Accommodation & food services	3.1%	11.3%	2.6%	23.1%
Other services (except public administration)	12.9%	9.6%	11.7%	14.8%

Note: \* indicates data that are suppressed. Consequently, detail do not add to 100 percent.

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