

Minority-Owned Firms in Minnesota

Minority-owned firms grew by 53.1 percent in Minnesota between 2007 and 2012, with revenue up 57.9 percent over that period.



For many Minnesotans of color, starting a small business enables them to step out of a traditional job and pursue their career passion.

Likewise, many immigrant families see businesses as a way to become self-sufficient and provide a necessary – and often missing – service to their community. Whether it’s a small employer or an entrepreneur, their contribution can be significant.

In all, 47,565 businesses in Minnesota (nearly 10 percent of the state’s 489,494 firms) were minority-owned in 2012, according to the national Survey of Business Owners conducted every five years by the U.S. Census Bureau.¹

Minority-owned firms in Minnesota² generated more than \$8.7 billion in sales. The vast majority (88 percent) had no paid employees (see Table 1).

Nationally, nearly three times as many firms as in Minnesota were minority-owned (28.9 percent). Just 1.8 percent of firms in Minnesota were owned by Hispanics in 2012, compared with 12 percent of U.S. firms. Black-owned firms (19,964) and Asian-owned firms (15,553) accounted for seven out of 10 minority-owned firms in Minnesota.

Nationally, Minnesota and other Midwestern states rank near the bottom in the percentage of minority-owned firms. That is not surprising since Minnesota is less racially diverse than many other states and the nation as a whole. In 2012, minorities accounted for 17.7 percent of Minnesota’s total population.

About one in 20 people of color in Minnesota (5 percent) owned a business. That puts us in the lower one-third of states on this measure. Florida (11.2 percent), New York (8.5 percent) and Georgia (8.4 percent) ranked as the top three states in the proportion of minority-owned firms. South Dakota (3.1

Characteristics of Minnesota Businesses, 2012

TABLE 1

	All Firms		Firms with Paid Employees				Firms without Paid Employees	
	Total Number of Firms	Total Sales of Firms (\$1,000s)	Number of Firms	Sales of Firms (\$1,000s)	Number of Paid Employees	Annual Payroll (\$1,000)	Number of Firms	Sales of Firms (\$1,000s)
All Firms	489,494	694,788,651	109,736	677,657,170	2,422,065	113,609,544	379,758	17,131,480
Minority-owned Firms	47,565	8,722,470	5,651	7,619,296	63,360	1,765,131	41,913	1,103,174
Black or African American	19,964	1,729,430	1,155	1,324,500	21,261	515,770	18,809	404,930
American Indian or Alaska Native	4,152	724,233	456	638,316	6,402	206,312	3,696	85,907
Asian	15,553	4,163,621	2,995	3,774,405	27,255	720,977	12,558	389,216
Native Hawaiian and Other Pacific Islander	328	65,151	44	57,161	407	7,239	284	8,000
Some other race	3,806	502,498	340	397,280	2,194	67,020	3,465	105,218
Hispanic-owned Firms	8,865	1,940,095	1,009	1,687,202	8,174	296,089	7,856	252,893

In some instances, detailed categories may not add to total due to rounding or because a Hispanic firm may be of any race. Moreover, each owner had the option of selecting more than one race and therefore is included in each race selected.

Source: U.S. Census Bureau, Survey of Business Owners, 2012

percent), North Dakota (3.8 percent), and Idaho and Iowa (tied at 4 percent) ranked among the bottom of states.

Industry

More than half of all minority-owned firms in Minnesota were in the following industries: other services (8,195), health care and social assistance (6,886), professional and technical services (5,920), and

transportation and warehousing (5,392) (see Figure 1).³

The largest share of minority-owned firms with paid employees, however, was in the accommodation and food services sector. With 1,335 firms and 18,195 employees in 2012, this sector accounted for 29 percent of minority-owned firms with employees in Minnesota. Professional and technical services was second with 855

firms with paid employees, followed by health care and social assistance with 817 firms.

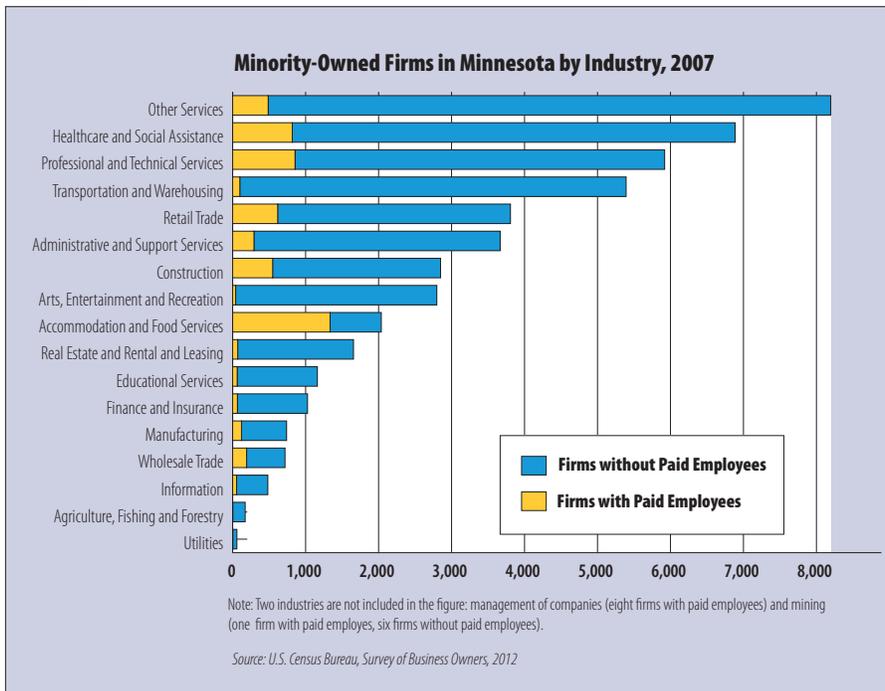
Another way to look at these data is to focus on the concentration of minority-owned firms. Nearly 23 percent of all transportation and warehousing firms in Minnesota were minority-owned in 2012. One in six (16.3 percent) accommodation and food services firms and one in

¹Preliminary estimates from the 2012 Survey of Business Owners were released in August 2015. More expanded data will be released in December 2015.

²Ethnicity and race are treated as separate concepts in the federal statistical system. Respondents are instructed to treat both the Hispanic origin and race questions as separate categories. Minority-owned firms include Hispanics, blacks or African Americans, American Indians and Alaska Natives, Asians, Native Hawaiians and Other Pacific Islanders, and/or persons of some other race not classified as "non-Hispanic White" who own 51 percent or more of the equity, interest or stock of the business.

³The other services industry includes repair and maintenance (automotive, electronic, equipment, commercial, machinery and household goods); personal and laundry services (hair, nail and skin care, death care services, drycleaning and laundry services, pet care, photofinishing and parking lots and garages); religious, grantmaking, civic, professional and similar organizations; and private households.

FIGURE 1



seven (15.2 percent) of other services firms in Minnesota were minority-owned.

When an expanded data set is released in December 2015, we will be able to see more detail on the types of other services, health care, and professional and technical service firms that are owned by minorities. What determines the type of business that someone chooses to start could involve many factors, like a personal passion, work experiences, or an observed unmet need or service in one’s community.

Growing Presence

The number of firms in Minnesota – those with and

without paid employees – declined between 2007 and 2012. This finding is not surprising, given that the Great Recession and an economic recovery lasting several years occurred during this period.

Despite this setback, firms owned by Minnesota minorities are growing. Minority-owned firms grew by 53.1 percent in Minnesota between 2007 and 2012, with revenue up 57.9 percent over the period (see Table 2).

The strong growth in minority-owned firms between 2007 and 2012 reflects a long-term trend. Between 2002 and 2012, minority-owned businesses in Minnesota increased by more

than 25,800 firms, a 118 percent growth rate that far surpasses the modest 10.3 percent rise in all firms.

There are many reasons for this growth. Certainly the minority population has grown in Minnesota, so more minority-owned firms is a natural consequence of a more diverse population. Between 2000 and 2012, Minnesota’s minority population grew 64 percent, compared with a 9.4 percent increase in the population as a whole. This is likely true for many Midwestern states, which had smaller proportions of minority-owned firms in 2012 but strong growth among those firms between 2007 and 2012.

While minority populations are growing in the state, Minnesota remains less racially and ethnically diverse than the rest of the country. Recent data from the Census Bureau’s American Community Survey show that 15.6 percent of Minnesota’s population in 2012 was people of color, compared with 26.6 percent of the U.S. population.

We also have seen significant growth in Minnesota in the number of minority-owned, self-employed businesses (that is, firms without paid employees) and the value of their sales. While this growth is strong and these businesses add to the economic strength

of Minnesota, it is unknown if these self-employed businesses constitute a stable and full-time job for the owner or if they function primarily to generate supplemental income. Firms with employees have an added economic benefit because staff members generate payroll taxes.

More Timely Data

With data on minority-owned businesses available only twice a decade, the outcome of policy changes aimed at increasing minority businesses aren't known

at this point. Nor do the data allow us to more closely link changes in business ownership with the business climate, economic cycle or local economic conditions.

This year a public-private partnership was created to address this need. The Census Bureau, the Ewing Marion Kauffman Foundation and the Minority Business Development Agency have partnered and begun data collection for the first Survey on Entrepreneurs.

This new annual survey will create more timely data on entrepreneurs and industries in the United States. Data collection also will be expanded to include more details on barriers to growth, financing and firm demographics.⁴ These timely data should allow us to track minority-owned business trends – and policy changes aimed at increasing minority-owned businesses – more closely. **T**

TABLE 2

Changes in Minnesota Business Ownership, 2007 to 2012

	Growth in Total Number of Firms, 2007-2012	Growth in Total Sales of Firms, 2007-2012	Firms with Paid Employees		Firms without Paid Employees	
			Growth in Number of Firms, 2007-2012	Growth in Sales of Firms, 2007-2012	Growth in Number of Firms, 2007-2012	Growth in Sales of Firms, 2007-2012
All Firms	-1.4%	16.4%	-5.4%	16.5%	-0.2%	11.5%
Minority-owned Firms	53.1%	57.9%	29.5%	57.0%	137.2%	163.0%
Black or African American	60.3%	88.5%	87.2%	94.4%	58.9%	71.3%
American Indian or Alaska Native	43.7%	34.6%	20.0%	33.8%	47.3%	40.5%
Asian	36.8%	76.7%	14.3%	80.5%	43.5%	46.6%
Native Hawaiian and Other Pacific Islander	NA	NA	NA	NA	NA	NA
Some other race	931.4%	483.8%	309.6%	383.4%	NA	NA
Hispanic-owned Firms	77.2%	20.5%	36.7%	13.2%	84.2%	112.5%

Source: U.S. Census Bureau, Survey of Business Owners, 2007 & 2012

⁴"Kauffman and Census Announce Major Expansion of Annual Data on American Entrepreneurs," Jan. 27, 2015, www.kauffman.org/blogs/data-maven/2015/01/kauffman-and-census-announce-major-expansion-of-annual-data-on-american-entrepreneurs.