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 percent)
Rachel Vilsack

MINORITY-OWNED FIRMS


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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

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.

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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. These timely data should allow us to track minority-owned business trends — and policy changes aimed at increasing minority-owned businesses — more closely.

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**TABLE 2**

<table>
<thead>
<tr>
<th></th>
<th>Growth in Total Number of Firms, 2007-2012</th>
<th>Growth in Total Sales of Firms, 2007-2012</th>
<th>Firms with Paid Employees</th>
<th>Firms without Paid Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Firms</td>
<td>-1.4%</td>
<td>16.4%</td>
<td>-5.4%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Minority-owned Firms</td>
<td></td>
<td></td>
<td>53.1%</td>
<td>57.9%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>60.3%</td>
<td>88.5%</td>
<td>87.2%</td>
<td>94.4%</td>
</tr>
<tr>
<td>American Indian or Alaska Native</td>
<td>43.7%</td>
<td>34.6%</td>
<td>20.0%</td>
<td>33.8%</td>
</tr>
<tr>
<td>Asian</td>
<td>36.8%</td>
<td>76.7%</td>
<td>14.3%</td>
<td>80.5%</td>
</tr>
<tr>
<td>Native Hawaiian and Other Pacific Islander</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Some other race</td>
<td>931.4%</td>
<td>483.8%</td>
<td>309.6%</td>
<td>383.4%</td>
</tr>
<tr>
<td>Hispanic-owned Firms</td>
<td>77.2%</td>
<td>20.5%</td>
<td>36.7%</td>
<td>13.2%</td>
</tr>
</tbody>
</table>

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