

Dynamics of Minority-Owned Employer Establishments, 1997-2001

An analysis of employer data from the Survey of Minority-Owned Business Establishments

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An analysis of employer data from the Survey of Minority-Owned Business Establishments

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Executive Summary

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.

Minority-owned employer establishments had lower survival rates than non-minority-owned employer establishments during the 1997-2001 period. 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, American Indian/Alaska Native-owned and Hispanic-owned employer establishments in operation during the period offered a significant increase in new jobs.

Here are the report's key findings:

- 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 American Indian/Alaska Native-owned businesses 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; and
 - 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/Native Alaskan-owned establishments.

Only 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 businesses operating in 1997. The U.S. employer establishments in operation in 1997 had lost 11.5 million jobs by 2001.¹ However, the Hispanic-owned businesses operating in 1997 had created 136,964 new jobs by 2001, and American Indian/Native Alaskan-owned businesses had created 26,050 new jobs. Taken as a whole, minority establishments underwent net job loss during the four-year period.
- 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. Hispanic business survival 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/Native Alaskan-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 establishments (84.6 percent).
- 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.

¹ Again, this dataset does not include the 2 million new businesses that started in the period 1997-2001, nor the jobs they created.

I. Introduction

Closures, expansions, and contractions are routine in the lives of businesses; they are the results of cost-minimization or profit-maximization decisions. America is distinctive for its dynamic market conditions. In recent years, about a half million employer firms closed and about a half million new ones opened every year. (In 2001, for instance, 553,291 firms closed and 585,140 started.) Minority-owned businesses have been even more dynamic than non-minority-owned businesses. This paper provides demographic background of minority business owners with respect to business dynamics, including the size, industry and location characteristics of minority-owned businesses in operation in 1997, and it tracks these businesses' subsequent closures, expansion, or contraction through 2001.

This report predominantly draws from tabulations of 1997-2001 data capturing minority business dynamics—the number of establishments that closed, contracted or expanded and the change in employment due to closure, contraction or expansion. These data are based on the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).²

II. Growth of Minority-Owned Firms

Between 1982 and 2002, the shares of non-Hispanic Whites, Blacks, and American Indians/Native Alaskans in the total U.S. population dropped, while those of Asian-Americans and, especially, of Hispanic-Americans, rose. (See Table 1.) A similar trend in business ownership is also clear: the share of businesses owned by non-Hispanic Whites has decreased while those owned by minorities has increased.³

The share of minorities in the U.S. population increased from 21.1 percent in 1982 to 32.0 percent in 2002.⁴ At the same time, the share of minority-owned businesses increased from 6.8 percent in 1982 to 15.1 percent in 1997. Because of the large increase (4.7 percent) in the share of minority population in total U.S. population between 1997 and 2002, one can expect an increase in the share of minority-owned business in total business for the same period of time.

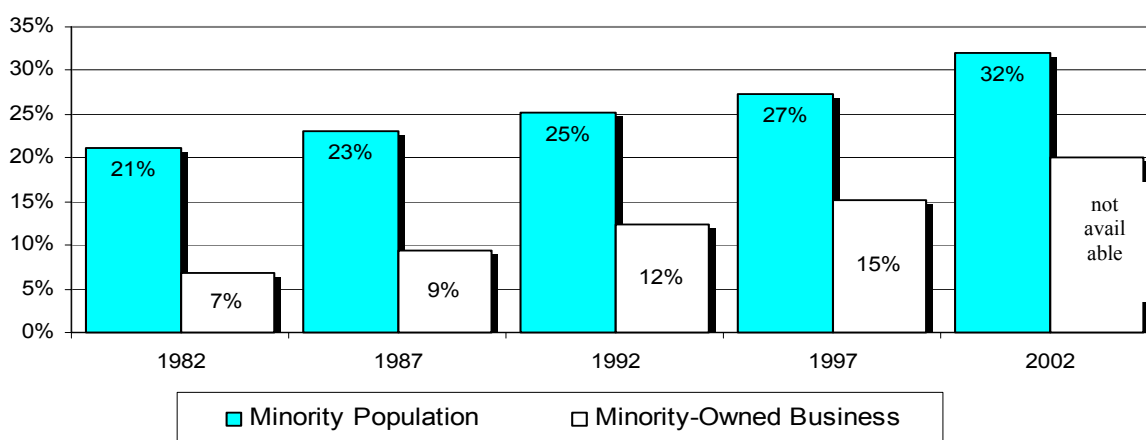
² The tabulations were provided by the Census Bureau to Office of Advocacy, U.S. Small Business Administration, and contain statistics that track a subset of establishments that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE). SMOBE data divides minority entrepreneurs into four groups: American Indians (including Alaska Natives), Asians and Pacific Islanders, Blacks (or American Africans), and Hispanics. The race and ethnic categories listed on the Bureau of the Census's survey questionnaires are consistent with those mandated by the Office of Management and Budget. These standards were developed by both the Executive Branch and Congress. See SMOBE 1997 <http://www.census.gov/prod/ec97/e97cs-7.pdf>, p. A-1.

³ Changes in the SMOBE database over the years have made historical comparisons difficult. Table 1 is the first attempt to make the Census's quinquennial SMOBEs between 1982 and 1997 comparable. It was made possible with the assistance of the Bureau of Census. For more information, see *Minorities in Business, 2001*, Office of Advocacy, U.S. Small Business Administration, <http://www.sba.gov/advo/stats/min01.pdf>.

⁴ The 2002 population data were collected from 2003 Current Population Survey, March Supplement. It classifies minorities into five groups: (1) "American Indian," including Native Indian and Eskimo or Aleut; (2) "Asian and Pacific Islander"; (3) "Black only"; (4) "Other races," including mixed races; (5) "Hispanic." Please note that persons of Hispanic origin may be of any race.

Table 1. Minority Composition of U.S. Population and Business Ownership, 1982-2002

	1982	1987	1992	1997	2002 /1
Share of Population (Percent)					
Non-Minority Population	78.90	76.91	74.77	72.70	68.00
Minority Population	21.10	23.09	25.23	27.30	32.00
Black	11.59	11.70	11.90	12.07	12.08 /2
American Indian and Alaska Native	0.61	0.68	0.73	0.74	0.56 /2
Asian and Pacific Islander	1.89	2.47	3.06	3.53	4.21 /2
Hispanic	7.01	8.23	9.55	10.97	13.77 /2
Share of Business Ownership (Percent)					
Non-Minority-Owned /3	93.16	90.68	87.54	84.88	n.a.
Minority-Owned	6.84	9.32	12.46	15.12	n.a.
Black-Owned	2.56	3.10	3.60	4.24	n.a.
American Indian and Alaska Native-Owned	0.14	0.18	0.59	1.02	n.a.
Asian and Pacific Islander-Owned	2.00	3.03	3.50	4.26	n.a.
Hispanic-Owned	2.35	3.58	5.00	6.08	n.a.



/1 2002 population was estimated by Current Population Survey, March Supplement, 2003 by the Census.

/2 Not including 1.38 percent population that were recorded as “Other Race” as indicated in Table 3.

/3 See footnote 6.

Source: U.S. Department of Commerce, Bureau of Census: Survey of Minority-Owned Business Enterprises 1982, 1987, 1992, and 1997, and *Statistical Abstract of the United States 1998*.

The share of minority business ownership for all groups rose between 1982 and 1997. (See Table 1.) Some minority groups have a higher concentration of business ownership than their share in the population.⁵ Asian and Pacific Islanders’ share of business ownership has always exceeded

⁵ Some economists use business density as a measure to analyze business ownership. Business density is defined as the number of businesses per 1,000 persons. In 1997, the business density for non-Hispanic whites was 91; for Asians, 90; for American Indians, 85; for Hispanics, 41 and for blacks, 24. For further detail, see Lowrey (2005), “Business Density, Entrepreneurship and Economic Well-Being,” presented to the 2005 American Economic Association Annual Meeting, http://www.aeaweb.org/annual_mtg_papers/2005/0107_0800_0401.pdf.

their share of total U.S. population (by 0.11 percent in 1982, 0.56 percent in 1987, 0.44 percent in 1992, and 0.73 percent in 1997). In 1997, the American Indian/Alaska Native share of business ownership (1.02 percent) exceeded their share of total population for the first time (0.74 percent).⁶ While the business ownership shares of Blacks and Hispanics lagged behind their shares of population in 1997, both groups' business ownership shares rose steadily between 1982 and 1997.

In 1997, the number of minority-owned non-farm businesses was more than 3 million (14.6 percent of all U.S. firms). Of these, 20 percent (615,222 firms) were employer firms, with 4.5 million employees and combined payroll of \$95.5 billion. (See Tables 2 and 3.) Firms owned by Asian and Pacific Islanders controlled 48 percent of total minority business payroll (and employed 49 percent of minority business employment); Hispanic-owned firms represented 33 percent of payroll and 33 percent of employment; Black-owned firms made up 15 percent of payroll and 16 percent of employment; and American Indian/Alaska Natives made of 7 percent of payroll and 7 percent of employment.

Table 2. Firms, Employment, and Payroll by Minority Group, 1997

Firm Ownership	All Firms		Employer Firms		Employment		Payroll	
	Number	Share (%)	Number	Share (%)	Number of Employees	Share (%)	Amount (\$Million)	Share (%)
All U.S. Firms	20,821,934	100.00	5,295,151	100.00	103,359,815	100.00	2,936,493	100.00
Non-Minority-Owned	17,782,901	85.40	4,679,929	88.38	98,845,116	95.63	2,840,964	96.75
All Minority-Owned	3,039,033	14.60	615,222	11.62	4,514,699	4.37	95,529	3.25
Black-Owned	823,499	3.96	93,235	1.76	718,341	0.69	14,322	0.48
Asian and Pacific Islander-Owned	912,959	4.38	290,000	5.48	2,203,080	2.13	46,180	1.57
American Indian/Alaska Native-Owned	197,300	0.94	33,277	0.63	298,661	0.28	6,624	0.23
Hispanic-Owned	1,199,896	5.76	211,885	4.00	1,388,746	1.34	29,830	1.02

Note: Percentages may not sum to 100 because Hispanics may be of any race and may, therefore, be double counted.
Source: U.S. Department of Commerce, Bureau of the Census, SMOBE, 1997.

⁶ The SMOBE and SWOBE, minority ownership of a business was based on the race or ethnicity of the person(s) owning majority interest in the business. Businesses in which ownership was shared among minority and non-minority groups, with no single racial/ethnic group having majority interest, were tabulated as 50-percent minority-/50-percent non-minority-owned in the company summary publication and were excluded from the minority business counts, but counted as part of non-minority-owned businesses of which those non-farm businesses filing tax forms as individual proprietorships, partnerships, or any type of corporation, and with receipts of \$1,000 or more and owned by non-minority individuals. For more information, see <http://www.census.gov/econ/overview/mu0200.html>.

Table 3. Composition of Minority-Owned Firms, Employment, and Payroll, 1997

Firm Ownership	Share of Employer Firms in Total Firms	Share (Percent)			
		Firms	Employer Firms	Employment	Payroll
Non-Minority-Owned	26	85	88	96	97
All Minority-Owned	20	15	12	4	3
Black-Owned	11	27	15	16	15
Asian and Pacific Islander-Owned	32	30	47	49	48
American Indian and Alaska Native-Owned	17	6	5	7	7
Hispanic-Owned	18	39	34	31	31

Note: The percentages may not sum to 100 because Hispanics may be of any race and may therefore be double counted.
Source: Based on U.S. Department of Commerce, Bureau of the Census, SMOBE, 1997.

Most U.S. firms are small; only 26 percent of non-minority-owned firms and 20 percent of minority-owned firms had paid employees in 1997 (Table 3). Nearly one-third of Asian-owned firms (32 percent) had paid employees in 1997; the ratios for other minority-owned businesses were lower, ranging from 11 to 18 percent. The average number of employees for non-minority-owned employer firms was 21 in 1997. Average employment of minority-owned employer firms was lower, ranging from 7 to 9 employees. Payroll per employee in 1997 averaged \$28,742 for non-minority-owned firms and ranged from \$20,000 to \$23,000 in minority-owned firms.⁷

Table 4. Growth of Minority-Owned Firms, 1982-1997

Firm Ownership	Number of Firms				Growth (Percent)		
	1982	1987	1992	1997	1982-1987	1987-1992	1992-1997
All U.S. Firms	12,059,950	13,695,480	17,253,143	18,431,456	14	26	7
Non-Minority-Owned Firms	11,234,999	12,419,170	15,103,959	15,645,358	11	22	4
All Minority-Owned Firms	824,951	1,343,910	2,149,184	2,786,098	55	68	30
Black-Owned	308,260	424,165	620,912	780,770	38	46	26
American Indian/Alaska Native-Owned	17,100	24,931	102,271	187,921	46	310	84
Asian and Pacific Islander-Owned	240,806	414,340	603,426	785,480	72	46	30
Hispanic-Owned	284,011	489,973	862,605	1,121,433	73	76	30

Note: Changes in the SMOBE database over the years have made historical comparisons difficult. This table represents the first attempt to make the Census's quinquennial SMOBEs between 1982 and 1997 comparable. It was made possible with the assistance of the Bureau of Census. For more information, see *Minorities in Business, 2001*, Office of Advocacy, U.S. Small Business Administration, <http://www.sba.gov/advo/stats/min01.pdf>.
Source: U.S. Small Business Administration, Office of Advocacy, based on data from the U.S. Department of Commerce, Bureau of the Census, Survey of Minority-Owned Business Enterprises (SMOBE), Company Statistics Series 1982, 1987, 1992, and 1997.

⁷ *Minorities in Business, 2001*, Office of Advocacy, U.S. Small Business Administration, 2001.

The number of minority-owned businesses has exploded since 1982 (Table 4). In 1982, fewer than 7 percent of U.S. firms were minority owned (Table 10). That share had grown to almost 15 percent in 1997.⁸ Minority-owned firms increased at rates between three and seven times those of non-minority-owned firms, by 55 percent from 1982 to 1987, 68 percent between 1987 and 1992, and 30 percent from 1992 to 1997.

This rapid business growth occurred across all minority groups (Table 4). Black-owned businesses increased by 38 percent from 1982 to 1987, by 46 percent from 1987 to 1992, and by 26 percent from 1992 to 1997. The quinquennial growth rates for Hispanic-owned businesses were 73 percent, 76 percent, and 30 percent. The number of Asian and Pacific Islander-owned businesses increased by 72 percent, 46 percent, and 30 percent over the three periods, respectively. The most striking percentage increases were in businesses owned by American Indians and Alaska Natives, which grew at about nine times the rate of U.S. firms overall. It is estimated that, excluding C corporations, the number of American Indian- and Alaska Native-owned businesses rose 47 percent from 1982 to 1987, 310 percent from 1987 to 1992, and 84 percent from 1992 to 1997 (Table 4).⁹ Because of the low starting points, the quinquennial growth rates of minority-owned businesses seem impressive. But when the significant minority population growth rates are taken into account (Table 5), minority-owned business growth is less striking.

Table 5. U.S. Minority Population Growth, 1982-1997

Category	Number (Thousands)				Growth (Percent)		
	1982	1987	1992	1997	1982-87	1987-92	1992-97
U.S. Population	231,664	242,289	255,002	267,636	4.6	5.2	5.0
Non-Minority	182,782	186,353	190,657	194,571	2.0	2.3	2.1
Black	26,856	28,351	30,333	32,298	5.6	7.0	6.5
American Indian and Alaska Native	1,420	1,654	1,856	1,976	16.5	12.2	6.5
Asian and Pacific Islander	4,367	5,985	7,794	9,443	37.1	30.2	21.2
Hispanic	16,240	19,946	24,361	29,348	22.8	22.1	20.5

Source: *Minorities in Business, 2001*, Office of Advocacy, U.S. Small Business Administration, 2001, <http://www.sba.gov/advo/stats/min01.pdf>.

⁸ Notice that changes in the SMOBE database over the years have made comparisons difficult. For instance, when data are adjusted to include only those groups covered in 1982, the 1997 minority business share is 15.1 percent rather than 14.6 percent as published by the Census in 1997 SMOBE. See *Minorities in Business, 2001*, Office of Advocacy, U.S. Small Business Administration, 2001.

⁹ A “C corporation” is a standard business corporation. It is called a C corporation because it is taxed under subsection C of the IRS code. An “S corporation” is limited to 75 or fewer shareholders, provides the benefits of incorporation, but it eliminates double taxation (when the profits of a corporation are taxed first as income to the corporation and then second as income to the shareholders after profits are distributed as dividends).

III. Dynamics of Minority-Owned Employer Establishments, 1997-2001

This section tracks the survival, contraction, and expansion of minority-owned establishments that were in existence in 1997. Since this is a closed set based on membership in 1997, it does not give any insight into new businesses that started after 1997. However, based on the previous section it is clear that minority business growth is very significant.¹⁰

The 615,222 minority-owned employer firms in existence in 1997 represent 628,741 employer establishments. (See Tables 2 and 6). Of those minority-owned employer establishments with at least one paid employee at any point during 1997, 47 percent (293,550) were owned by Asian or Pacific Islanders; 33 percent (209,128) were owned by Hispanics, 15 percent (93,452) were owned by Blacks, and 5 percent (32,611) by American Indian or Alaska Natives. Table 6 illustrates the changes in closure, expansion, and contraction of these minority-owned establishments.

Between 1997 and 2001, the survival rate of all minority-owned employer establishments was about 4 percentage points lower than that of non-minority-owned establishments. (For comparison's sake, the survival rate for non-minority-owned employer establishment was 72.6 percent.) The survival rates of the four minority categories (the percentage still in operation after four years) were as follows:

Asian and Pacific Islander:	72.1 percent
Hispanic:	68.6 percent
American Indian and Alaska Native:	67.0 percent
Black:	61.0 percent

For the four-year period, 1997-2001, the rate of non-minority-owned businesses expansion was 27.4 percent. The most dynamic minority group (Hispanic) exceeded this rate by more than 6 percentage points. The expansion rates of the four minority groups were as follows:

Hispanic:	34.0 percent
Asian and Pacific Islander:	32.1 percent
American Indian and Alaska Native:	27.8 percent
Black:	25.7 percent

Contraction rates among Hispanic- and Black-owned employer establishments were low (17.8 percent and 19.9 percent, respectively) compared to rates for non-minority establishments (21.1 percent), American Indians and Alaska Natives (22.4 percent), and Asian and Pacific Islanders (22.9 percent). Hispanic-owned employer establishments had the highest business expansion rate and lowest contraction rate over the four-year period, an impressively strong combination.

¹⁰ The dataset used here is based upon the special tabulation that was made under an interagency agreement between the Census Bureau and the Office of Advocacy on dynamic movements in the number and employment of minority-owned employer establishments by size of business sales or receipts, state and industry. This set of data contains statistics that track establishments identified as part of minority-owned business enterprises that responded to 1997 SMOBE. Establishments that were formed after 1997 are not included in the tabulation. Thus, references to changes in closures and employment refer to changes from 1997 to 2001 among only those existing establishments in 1997 and do not take into account new firm creation since that time.

Table 6. Four-Year Rates of Change in Number of Establishments, 1997-2001

	Non-Minority	All Minority	Black	Asian and Pacific Islander	American Indian and Alaska Native	Hispanic
Number of U.S. Establishments in 1997	6,219,831	628,741	93,452	293,550	32,611	209,128
Share of All U.S. Establishments in 1997 (Percent)	90.8	9.2	–	–	–	–
Share of All Minority Establishments in 1997 (Percent)	–	–	15.0	47.0	5.0	33.0
Survival Rate, 1997-2001 (Percent)	72.6	69.0	61.0	72.1	67.0	68.6
Expansion Rate, 1997-2001 (Percent)	27.4	31.5	25.7	32.1	27.8	34.0
Contraction Rate, 1997-2001 (Percent)	21.1	20.7	19.9	22.9	22.4	17.8

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).

Table 7 gives a broad picture of the four-year changes in survival, expansion, and contraction by business-ownership group and business size (measured in terms of receipts). The table shows that the larger the business is, the better the possibility that it will survive. Businesses that made more than \$500,000 in total sales in 1997 had a survival rate of at least 75 percent. In contrast, small business had lower survival rates. This was especially apparent among Hispanic-owned establishments; more than 90 percent of the Hispanic businesses with less than \$5,000 receipts in 1997 had closed by 2001.

Business expansion was more evenly spread across establishments of different sizes; still, the larger ones had relatively higher rates. Expansion among Asian establishments was somewhat even; the rate varied from 25 percent for businesses making \$10,000 to \$24,999, rising to 41.3 percent for those making \$1 million. American Indian/Native Alaskan-owned establishments had the highest expansion rate among the smallest establishments (53 percent), while Hispanic-owned establishments had the lowest rate (4.2 percent).

The rate of overall business contraction was lower among minority-owned establishments than among all U.S. establishments, implying significant occurrences of non-minority-owned business contraction in 1997-2001. Over 25.4 percent of all U.S. establishments with receipts of over \$250,000 in 1997 reduced their business activities in the 1997-2001 period. Business contraction was also “size sensitive”—the contraction rate was higher among larger businesses and lower among smaller businesses.

Between 1997 and 2001, the manufacturing sector had the highest rate of business contraction (30 percent), followed by retail (26 percent), and mining (25 percent). In the mining sector, all groups had contraction rates of at least 25 percent, with the exception of establishments owned by American Indians and Alaska Natives. Their rate of contraction in mining was only 6 percent.

Table 9 presents the top and bottom five states with the highest and lowest survival rates for the period 1997-2001. North Dakota had the highest survival rate for all U.S. establishments (74.2 percent) while Nevada had the lowest rate (63.6 percent). American Indian/Native Alaskan-owned establishments had the highest survival rate in the following states:

Delaware:	93.8 percent
Wisconsin:	89.4 percent
Vermont:	88.8 percent
Mississippi:	86.9 percent
Louisiana:	85.9 percent

The state with the lowest survival rate for American Indian/Native Alaskan-owned establishments was New Hampshire (39.7 percent). Black-owned employer establishments had a very high survival rate in Wyoming (93.5 percent), and their survival rate was lowest in Hawaii (12.7 percent).

Table 8. Survival, Expansion, and Contraction Rates by Minority Group and Industrial Sector, 1997-2001

Industry	All U.S.	Black	Asian & Pacific Islander	American Indian & Alaska Native	Hispanic
Survival Rate, 1997-2001					
All Industries	70	61	72	67	69
Agriculture, Ag.-Services, Forestry, Fishing	70	65	83	62	65
Mining	68	47	41	68	57
Construction	68	58	66	62	69
Manufacturing	74	60	69	73	72
Transportation, Communication, Utilities	65	55	70	61	44
Wholesale	71	61	69	70	71
Retail	69	57	72	63	72
Finance, Insurance, Real Estate	67	71	74	68	71
Services	72	63	74	72	70
Non-classifiable Establishments	21	40	27	13	50
Expansion Rate, 1997-2001					
All Industries	30	26	32	28	34
Agriculture, Ag.-Services, Forestry, Fishing	33	29	34	26	28
Mining	3	7	15	12	10
Construction	32	24	32	29	40
Manufacturing	33	24	32	29	33
Transportation, Communication, Utilities	29	21	35	30	25
Wholesale	31	25	34	21	34
Retail	30	23	32	24	35
Finance, Insurance, Real Estate	26	26	30	18	31
Services	31	28	32	33	33
Non-classifiable Establishments	16	26	27	13	50
Contraction Rate, 1997-2001					
All Industries	23	20	23	22	18
Agriculture, Ag.-Services, Forestry, Fishing	19	18	31	18	13
Mining	25	33	25	6	38
Construction	22	22	19	22	16
Manufacturing	30	27	28	29	26
Transportation, Communication, Utilities	22	19	20	21	9
Wholesale	24	22	19	37	24
Retail	26	20	23	23	22
Finance, Insurance, Real Estate	20	15	16	15	13
Services	22	20	24	21	16
Non-classifiable Establishments	1	2	n.a.	n.a.	n.a.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).					

Table 9. Top and Bottom Five States in Employer Establishment Survival, by Ownership Group, 1997-2001

Rank*	All Establishments		Black		Asian and Pacific Islander		American Indian and Alaska Native		Hispanic	
	State	Survival Rate	State	Survival Rate	State	Survival Rate	State	Survival Rate	State	Survival Rate
	All U.S.	69.8	All U.S.	61.0	All U.S.	72.1	All U.S.	67.0	All U.S.	68.6
Top Five States										
1	North Dakota	74.2	Wyoming	93.5	New Mexico	84.6	Delaware	93.8	South Carolina	88.6
2	Wisconsin	74.0	Utah	76.9	Rhode Island	83.3	Wisconsin	89.4	Kentucky	81.9
3	Iowa	73.8	District of Columbia	76.0	Connecticut	81.2	Vermont	88.8	Michigan	80.6
4	Vermont	73.7	North Dakota	75.0	New Hampshire	80.7	Mississippi	86.9	Massachusetts	79.4
5	Minnesota	73.6	Rhode Island	72.7	Maine	79.9	Louisiana	85.9	Delaware	78.5
Bottom Five States										
47	Georgia	67.0	Connecticut	45.0	Mississippi	64.2	Connecticut	47.9	North Carolina	54.7
48	Utah	66.4	Oregon	44.3	Utah	59.2	North Dakota	45.5	Iowa	54.2
49	Arizona	65.7	Idaho	42.9	Idaho	58.7	Arkansas	43.5	Montana	46.2
50	Florida	64.1	Maine	36.4	Wyoming	49.7	Utah	40.3	Vermont	38.0
51	Nevada	63.6	Hawaii	12.7	South Dakota	37.3	New Hampshire	39.7	North Dakota	32.3
<p>*Rankings include the 50 states and the District of Columbia. Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).</p>										

IV. Job Creation and Loss in Minority-Owned Establishments

In 1997, minority-owned establishments provided than 4.2 million jobs, or 4 percent of total U.S. non-farm business sector employment (105 million) (Table 10). Of these 4.2 million jobs, 46.8 percent (nearly 2 million) were provided by Asian and Pacific Islander-owned businesses; 30.6 percent (about 1.3 million) by Hispanic-owned businesses; 16.1 percent (676,000) by Black-owned businesses, and 6.5 percent (275,000) by American Indian and Alaska Native-owned businesses.

Table 10. Total Employment by Minority-Owned Establishments, 1997

	All U.S.	Non-Minority	Minority	Black	Asian and Pacific Islander	American Indian and Alaska Native	Hispanic
Total Non-Farm Employment, 1997	105,260,491	101,054,307	4,206,184	676,068	1,969,672	275,088	1,285,356
Share of Total U.S. Non-Farm Employment (Percent)	100	96	4	0.64	1.87	0.26	1.22
Share of Total Minority Employment (Percent)			100	16.1	46.8	6.5	30.6

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).

Table 11 tracks employment gains and losses due to business closure, expansion, and contraction. Black-owned establishments had the greatest overall job losses due to closures: 28 percent. The sectors with the greatest losses were transportation, communication, and utilities (36 percent); mining (35 percent); manufacturing (30 percent); and retail (30 percent). The largest job loss due to closure in any sector was 56 percent for Asian and Pacific Islander-owned establishments in non-classifiable establishments.

Job creation due to expansion of all U.S. establishments was 20.8 percent between 1997 and 2001. Employment at Hispanic establishments grew by 45 percent, more than double the national rate. The most striking rate of job expansion was in the Hispanic-owned non-classifiable business sector, which grew by 4,164 percent, followed by a 113 percent increase in finance, insurance, and real estate; 55 percent in services; and 53 percent in construction.

Employment losses due to business contraction were less striking. The overall U.S. job loss due to contraction was 13.4 percent. The highest single reduction among minority-owned establishment took place in Asian-owned establishments in mining (44 percent) and agriculture (31 percent). Black-owned establishments cut employment by 22 percent in the construction sector and 20 percent in the wholesale sector.

Non-minority-owned establishments employed 96 percent of the total U.S. workforce in 1997. (See Appendix Table A2.) An examination of the changes in employment by establishment size gives the overall impression that small businesses underwent large percentage changes in employment, but large ones had significant changes in terms of absolute numbers. Over the four-year period, employment loss due to closures in minority-owned establishments with receipts of less than \$50,000 was 50 percent, and for establishments with less than \$5,000 in annual receipts, employment fell by 83 percent.

Table 11. Change in Employment Due to Closure, Expansion, and Contraction, by Minority Group and Industrial Sector, 1997-2001

Industry	All U.S.	Black	Asian and Pacific Islander	American Indian and Alaska Native	Hispanic
Change in Employment Due to Closure, 1997-2001 (Percent)					
All Industries	-18.4	-28	-22	-19	-21
Agriculture, Ag.-Services, Forestry, Fishing	-19.3	n.a.	-9	n.a.	-27
Mining	-22.0	-35	-8	n.a.	-12
Construction	-18.8	-29	-17	-24	-19
Manufacturing	-13.2	-30	-24	-14	-20
Transportation, Communication, Utilities	-19.6	-36	-17	-24	-24
Wholesale	-19.7	-21	-21	-15	-20
Retail	-19.9	-30	-22	-23	-17
Finance, Insurance, Real Estate	-26.1	-26	-24	-32	-20
Services	-17.8	-27	-21	-16	-26
Non-classifiable Establishments	-86.0	n.a.	-56	n.a.	n.a.
Change in Employment Due to Expansion, 1997-2001 (Percent)					
All Industries	20.8	36	29	39	45
Agriculture, Ag.-Services, Forestry, Fishing	31.2	33	34	19	37
Mining	22.3	n.a.	6	n.a.	14
Construction	33.5	28	38	32	53
Manufacturing	14.3	22	34	30	21
Transportation, Communication, Utilities	20.4	17	35	36	39
Wholesale	22.6	16	29	21	34
Retail	16.3	25	24	33	34
Finance, Insurance, Real Estate	22.7	26	29	31	113
Services	24.0	47	32	48	55
Non-classifiable Establishments	90.1	n.a.	191	n.a.	4,164
Change in Employment Due to Contraction, 1997-2001 (Percent)					
All Industries	-13.4	-17	-17	-11	-13
Agriculture, Ag.-Services, Forestry, Fishing	-13.9	n.a.	-31	-17	-13
Mining	-20.5	n.a.	-44	-5	-27
Construction	-14.8	-22	-14	-16	-16
Manufacturing	-13.9	-16	-17	-13	-14
Transportation, Communication, Utilities	-14.7	-17	-11	-11	-8
Wholesale	-13.4	-20	-15	-17	-19
Retail	-12.5	-15	-15	-13	-13
Finance, Insurance, Real Estate	-15.0	-14	-18	-11	-9
Services	-12.8	-17	-19	-8	-10
Non-classifiable Establishments	-3.7	-4	n.a.	n.a.	n.a.
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).					

Employment gains were made in all four minority categories (Table 12). Among the largest minority-owned businesses (more than \$1 million in receipts) American Indian/Native Alaskan-owned firms showed a 47.2 percent upsurge in employment due to business expansion, followed by Hispanic-owned businesses, at 39.6 percent. Employment increases were even more impressive for small minority-owned establishments. The highest percentage increase (531.9 percent) was seen in Black-owned business with less than \$5,000 in annual receipts, followed by Asian-owned business in the \$5,000-\$9,999 category (434.5 percent).

Again, compared with the job losses and gains created by business closures and expansions, changes in employment due to contractions were much less striking. The most significant job reductions occurred among businesses with annual receipts of \$50,000 or more.

Table 12. Change in Employment Due to Closure, Expansion, and Contraction by Minority Ownership Category and Business Size, 1997-2001

	All Firms	Less than \$5,000	\$5,000-\$9,999	\$10,000-\$24,999	\$25,000-\$49,999	\$50,000-\$99,999	\$100,000-\$249,999	\$250,000-\$499,999	\$500,000-\$999,999	\$1,000,000 and More
Change in Employment Due to Closure, 1997-2001 (Percent)										
All U.S.	-18.4	-48.7	-71.8	-54.1	-51.3	-42.7	-31.6	-24.3	-20.6	-16.5
Black	-28.1	-83.8	-90.0	-78.1	-54.5	-40.0	-30.7	-25.4	-29.1	-24.8
Asian and Pacific Islander	-21.5	-90.5	-68.8	-72.4	-44.9	-39.8	-26.3	-23.1	-21.6	-18.2
American Indian and Alaska Native	-18.6	n.a.	n.a.	-64.9	-66.9	-37.7	-47.7	-27.7	-21.0	-10.0
Hispanic	-21.4	-83.2	-80.0	-50.1	-50.1	-43.8	-28.9	-23.5	-19.4	-16.9
Change in Employment Due to Expansion, 1997-2001 (Percent)										
All U.S.	20.8	98.4	133.7	67.0	61.4	43.6	32.2	27.5	24.9	18.8
Black	36.2	531.9	39.9	86.0	414.7	44.8	35.0	38.3	21.4	22.2
Asian and Pacific Islander	29.3	338.1	434.5	105.0	113.2	55.5	31.7	25.3	36.0	24.4
American Indian and Alaska Native	39.0	n.a.	n.a.	34.9	33.7	50.2	17.1	25.9	22.3	47.2
Hispanic	44.6	45.3	213.2	123.2	66.8	63.5	51.4	55.3	36.1	39.6
Change in Employment Due to Contraction, 1997-2001 (Percent)										
All U.S.	-13.4	-13.0	-5.1	-7.9	-9.6	-11.8	-14.0	-13.9	-13.5	-13.4
Black	-17.2	-0.9	-1.9	-3.8	-13.5	-15.6	-16.1	-18.6	-20.3	-16.8
Asian and Pacific Islander	-16.8	0.0	-1.0	-3.4	-21.0	-15.4	-19.3	-16.4	-18.2	-16.1
American Indian and Alaska Native	-11.0	0.0	-6.5	-3.6	-8.6	-21.7	-9.0	-14.5	-15.6	-9.6
Hispanic	-12.5	-4.0	-14.8	-6.0	-6.2	-12.3	-14.1	-13.1	-14.5	-11.5
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).										

Table 13 ranks the states that had net job gains among minority-owned establishments. Hispanic-owned establishments had the largest total job gain (157,751 jobs created in 22 states), as well as the largest gain in a single state (56,004 in Illinois). American Indian/Native Alaskan-owned establishments had a total job gain of 52,972 in 13 states, with the largest single-state gain of 44,614 in California. Employment by Asian and Pacific Islander-owned establishments increased by a total of 54,774 jobs in 11 states, with the largest gain of 29,212 in Maryland. Black-owned establishments had job gains in only seven states, but the total number was impressive: 55,488. Illinois had the largest net gain, 48,243, among black-owned establishments.

Table 13. Net Employment Gain by Minority-Owned Employers, 2001, by State

	Net Job Gain Created by Hispanic-Owned Businesses		Net Job Gain Created by American Indian/Native Alaskan-Owned Businesses		Net Job Gain Created by Asian-Owned Businesses		Net Job Gain Created by Black-Owned Businesses	
	State*	Number	State*	Number	State*	Number	State*	Number
1	Illinois	56,004	California	44,614	Maryland	29,212	Illinois	48,243
2	Texas	50,927	N. Carolina	2,129	New York	15,369	California	4,844
3	California	24,796	Washington	2,008	Massachusetts	2,625	New Hampshire	1,307
4	New York	7,187	Mississippi	1,527	New Mexico	2,392	Minnesota	734
5	Florida	5,587	Alaska	881	Georgia	1,697	Nevada	272
6	Massachusetts	2,019	Wisconsin	495	Nevada	1,568	Oklahoma	81
7	Virginia	1,609	Vermont	316	Connecticut	994	Alaska	7
8	Michigan	1,456	Nebraska	280	Wisconsin	540		
9	Colorado	1,442	Indiana	228	New Hampshire	174		
10	Connecticut	1,151	Missouri	163	Vermont	121		
11	Georgia	1,089	Maine	161	South Carolina	82		
12	Arizona	950	Louisiana	133				
13	Wisconsin	872	South Dakota	37				
14	Missouri	724						
15	Kentucky	699						
16	Rhode Island	298						
17	New Hampshire	245						
18	South Carolina	198						
19	Alaska	191						
20	Maine	155						
21	Wyoming	80						
22	Utah	72						
<p>*States whose employer establishments (in operation in 1997 and still in operation in 2001) suffered net employment loss are not included. Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).</p>								

At the state level, all four minority business groups had net gains in employment due to business expansion. However, at the national level, only two groups had net job gains. Net employment by all U.S. Hispanic-owned establishments grew by 137,533 jobs in the 1997-2001 period, and net employment by all American Indian/Native Alaskan-owned establishments grew by 25,858

jobs. (See Appendix Table A4.) Overall, U.S. employer establishments lost 11.6 million jobs over the four-year period. Asian and Pacific Islander-owned establishments had a net job loss of 177,270, and Black-owned establishments lost 61,522 jobs. The net job change across all minority-owned establishments was a loss of 70,451.

Table 14. Summary: Survival, Expansion, and Contraction Rates and Change in Employment of U.S. Employer Establishments by Owners' Race or Ethnicity, 1997-2001

Business Ownership	Change in Establishments (Percent)			Change in Employment (Percent)		
	Survival Rate	Expansion Rate	Contraction Rate	Due to Closure	Due to Expansion	Due to Contraction
1997-1998						
All U.S. Establishments	90	33	24	-5	14	-10
Black	87	32	24	-6	22	-16
Asian & Pacific Islander	93	35	24	-4	22	-14
American Indian & Alaska Native	90	34	25	-5	25	-10
Hispanic	91	38	22	-4	37	-12
1997-1999						
All U.S. Establishments	82	33	25	-10	17	-12
Black	77	31	23	-15	26	-17
Asian & Pacific Islander	86	36	25	-10	26	-15
American Indian & Alaska Native	83	33	23	-9	31	-11
Hispanic	82	37	22	-9	40	-13
1997-2000						
All U.S. Establishments	75	32	24	-14	20	-13
Black	68	29	21	-22	31	-17
Asian & Pacific Islander	79	35	24	-16	28	-16
American Indian & Alaska Native	75	30	23	-13	38	-11
Hispanic	75	35	19	-16	40	-13
1997-2001						
All U.S. Establishments	70	30	23	-18	21	-13
Black	61	26	20	-28	36	-17
Asian & Pacific Islander	72	32	23	-22	29	-17
American Indian & Alaska Native	67	28	22	-19	39	-11
Hispanic	69	34	18	-21	45	-13
<p>All percentage figures are calculated based on the accumulated changes divided by the 1997 numbers of establishments or employments by those establishments.</p> <p>Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).</p>						

Table 14 summarizes the dynamics of employer establishments in operation in 1997. After four years, 70 percent of all U.S. establishments survived; 30 percent had expanded their businesses, and 23 percent had contracted. There was an 18 percent employment reduction due to business closures and a 13 percent reduction due to contractions. At the same time, there was a 21 percent employment increase due to business expansion. Hence, by 2001 there was a net employment

loss of 10 percent, or about 11 million jobs. Of the 6.8 million U.S. employer establishments in operation in 1997, 2.1 million had closed. (Again, this dataset does not take into account the approximately 2 million firms created over the four-year period and the jobs they created.)

Among four minority business groups, Asian and Pacific Islander-owned employer establishments had the highest survival rate (72 percent), as well as the highest contraction rate (23 percent). In contrast, Black-owned employer establishments had the lowest survival rate (61 percent) and the lowest expansion rate (26 percent). Hispanic-owned employer establishments enjoyed the highest expansion rate (34 percent) and lowest contraction rate (18 percent) of any group. While all U.S. establishments had a 10 percent net job loss, Hispanic-owned employer establishments had an 11 percent net increase (or 141,000 jobs), and American Indian/Native Alaskan-owned employer establishments had a 9 percent net increase (or 25,000 jobs) by 2001.

Table 15 shows that for all U.S. establishments in operation in 1997, the marginal closure rate was 10 percent in 1998, 8 percent in 1999, 7 percent in 2000, and 5 percent in 2001. In general, there is a high closure rate for startups during the first year of operation.

Table 15. Marginal Closure Rates by Ownership Category, 1998-2001

Ownership Category	1998	1999	2000	2001
All U.S.	10	8	7	5
Black	13	10	9	7
Asian and Pacific Islander	7	7	7	7
American Indian and Alaska Native	10	7	8	8
Hispanic	9	9	7	6

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).

V. Conclusion

Of the minority-owned employer establishments in operation in 1997, Asian and Pacific Islander-owned establishments had the highest four-year survival rate of all minority groups and their survival rate topped the survival rate of U.S. business overall. Hispanic-owned establishments had the highest expansion rate and the lowest contraction rate of all minority groups and U.S. businesses, both. While all U.S. employer establishments in operation in 1997 suffered a net job loss of 11.6 million, minority-owned establishments had net job gains in 22 states. (Again, these data do not encompass businesses established after 1997, which generated tens of millions of new jobs.) Hispanic- and American Indian/Native Alaskan-owned establishments had net employment gains of 138,000 and 26,000 during the four-year period. Black-owned employer establishments experienced the highest closure rate by 2001 of any minority group and of U.S. businesses. As a result of their high closure rate and low expansion rate, Black-owned business experienced the greatest job loss of the four minority-owned business groups.

Appendix: Data and Methodology

Detailed information on the dynamics of minority-owned employer establishment between 1997 and 2001 are provided here. For the users' further reference, the complete dataset is posted on the website of Office of Advocacy, www.sba.gov/advo.

Data Source

The Census Bureau provided the Small Business Administration's Office of Advocacy with a series of tabulations containing statistics that track a subset of the establishments that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE). Information follows about the methods used for tracking the data and limitations in the scope and quality of the statistics.

Scope

These tabulations were designed to analyze the growth rates of those businesses that responded as minority-owned on the 1997 SMOBE survey. Establishments owned by the enterprises reported (not imputed) in the 1997 SMOBE file were extracted and matched to the 1997 data on the Business Information Tracking Series (BITS), a more comprehensive file containing linked establishment data from 1989 through 2001. Only those "minority-owned" establishments with matching entries in the BITS are included in these tabulations.

Caveats

The tabulations make no attempt to track changes in ownership for those businesses that were identified as minority owned in 1997. Thus, the tabulations include some establishments that were minority owned in 1997 but have changed ownership or undergone reorganization in subsequent years. These establishments are tabulated as expansions or contractions, depending upon employment change, but may no longer be minority owned. Likewise, the tabulations do not include any minority-owned establishment births or continuing establishments which became minority owned subsequent to 1997. The tabulations are not intended to make projections about the aggregate changes for minority-owned businesses subsequent to 1997; rather, they simply measure the changes in activity over subsequent years for those establishments that were identified as part of minority-owned business enterprises in 1997.

The tabulations are establishment-level only. The only enterprise-level measures provided in the tabulations are the receipts-size categories and the employment-size categories associated with the enterprises which own the establishments. The tabulations used weights that were developed for the 1997 SMOBE survey. These weights were assigned at the enterprise level for the SMOBE; for this project, the enterprise weight was assigned to each of the establishments belonging to the enterprise.

Sampling Error

The 1997 SMOBE estimates were derived from a sample survey that was subject to sampling error. This particular sample was one of a large number of all possible samples of the same size that could have been selected using the same sample design. Estimates derived from different samples would differ from each other. The relative standard error is a measure of the variability among the estimates from all possible samples.

The estimates in the tables are based on a nonprobabilistic subset of the establishments owned by the enterprises selected in the 1997 SMOBE sample. These estimates are also subject to sampling error; however, we are unable to quantify that error. We expect that the relative standard errors for comparable SMOBE estimates (see Tables 8 and 9, pages 128-147, of the 1997 SMOBE Summary publication) represent lower bounds for the relative standard errors of the special tabulation estimates.

Nonsampling Error

All surveys and censuses are subject to nonsampling errors. Nonsampling errors are attributable to many sources, including coverage problems, imputation for missing data, and errors in data collection. Explicit measures of the effects of these nonsampling errors are not available for the 1997 SMOBE and therefore are unavailable for these tabulations.

Definitions

Employer Firm. A firm that employed at least one paid employee sometime during a calendar year.

Establishment. A business or industrial unit at a single physical location which produces or distributes goods or performs services.

Firm. A business consisting of one or more domestic establishments that the reporting firm specified as being under its ownership or control at the end of the year. If a firm owns or controls other firms, all establishments of the subsidiaries are included as part of the owning or controlling company.

Firm Closure. To shut down or transfer the ownership of a firm. See 1989-2001 Employer Firm Births and Deaths by Employment Size of Firm at www.sba.gov/advo/stats/dyn_b_d8901.pdf.

Minority Owned Business Enterprise. The Bureau of the Census defines this as any business which is 51 percent or more owned by one or more minorities who meet the following criteria:

- have ultimate fiscal and legal responsibility for the business;
- manage the daily operations of the business; and
- were either the original majority owner(s) of the existing business or verified purchaser(s) of the existing business.

Transfer of ownership or purchase of an existing business by a minority owner from a nonminority owner who remains actively involved in the operation of the business does not qualify the business as a minority-owned business enterprise.

SMOBE data divides minority entrepreneurs into four groups: American Indians (including Alaska Natives), Asians and Pacific Islanders, Blacks, and Hispanics. The race and ethnic categories listed on the Bureau of the Census's survey questionnaires are consistent with those mandated by the Office of Management and Budget. These standards were developed by both the Executive Branch and Congress.

Table A1. Closure, Expansion, and Contraction of Minority-Owned Establishments in Operation in 1997 through 2001

Category of Owner	1997 Total	1997 Share of Minority Establishments (Percent)	Number of Establishments				4-Year Percent Change Rate 1997-2001	
			1997-1998	1997-1999	1997-2000	1997-2001		
Non-Minority-Owned	6,219,831							
Closures			655,024	1,137,256	1,527,650	1,874,552	Survival Rate	72.6
Expansions			2,032,359	2,035,049	1,991,759	1,873,846	Expansion Rate	27.4
Contractions			1,521,737	1,552,040	1,491,910	1,447,510	Contraction Rate	21.1
All Minority-Owned	628,741	100						
Closures			55,131	105,345	152,935	194,766	Survival Rate	69.0
Expansions			223,446	221,049	213,615	198,273	Expansion Rate	31.5
Contractions			146,877	149,393	137,962	130,224	Contraction Rate	20.7
Black-Owned	93,452	15						
Closures			12,487	21,592	29,440	36,469	Survival Rate	61.0
Expansions			30,184	28,761	26,858	24,029	Expansion Rate	25.7
Contractions			22,499	21,327	19,839	18,595	Contraction Rate	19.9
Asian and Pacific Islander-Owned	293,550	47						
Closures			21,069	41,144	62,947	81,842	Survival Rate	72.1
Expansions			103,417	104,384	102,937	94,131	Expansion Rate	32.1
Contractions			70,087	74,175	69,945	67,101	Contraction Rate	22.9
American Indian and Alaska Native-Owned	32,611	5						
Closures			3,424	5,565	8,066	10,772	Survival Rate	67.0
Expansions			11,164	10,844	9,832	9,073	Expansion Rate	27.8
Contractions			8,187	7,655	7,585	7,309	Contraction Rate	22.4
Hispanic-Owned	209,128	33						
Closures			18,151	37,044	52,482	65,683	Survival Rate	68.6
Expansions			78,681	77,060	73,988	71,040	Expansion Rate	34.0
Contractions			46,104	46,236	40,593	37,219	Contraction Rate	17.8

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).

Table A2. Change in Employment by Minority-Owned Establishments in Operation in 1997 Due to Closure, Expansion, and Contraction, 1997-2001

Business Group	Total 1997 Employment	Net Employment Change	1997-1998	1997-1999	1997-2000	1997-2001
All U.S. Establishments	105,260,491	Due to Closures	-5,247,086	-10,198,610	-15,002,234	-19,319,414
		Due to Expansions	14,474,832	18,278,739	21,236,857	21,940,398
		Due to Contractions	-10,030,770	-12,341,417	-13,245,877	-14,117,251
Black	676,068	Due to Closures	-37,319	-103,173	-147,471	-189,932
		Due to Expansions	151,774	176,851	210,828	244,803
		Due to Contractions	-105,791	-117,837	-114,837	-116,332
Asian and Pacific Islander	1,969,672	Due to Closures	-70,795	-198,623	-308,548	-424,069
		Due to Expansions	434,021	516,343	557,668	578,075
		Due to Contractions	-269,887	-296,336	-305,708	-331,798
American Indian and Alaska Native	275,088	Due to Closures	-12,486	-23,534	-34,639	-51,037
		Due to Expansions	69,725	86,316	105,447	107,355
		Due to Contractions	-26,788	-31,390	-29,495	-30,268
Hispanic	1,285,356	Due to Closures	-49,961	-111,660	-199,316	-275,654
		Due to Expansions	474,272	512,008	517,308	572,763
		Due to Contractions	-159,248	-165,262	-160,686	-160,145
Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).						

Table A3. Survival, Expansion, and Contraction Rates of Minority-Owned Establishments in Operation in 1997, by State

State	Survival Rate, 1997-2001 (Percent)					Expansion Rate, 1997-2001 (Percent)					Contraction Rate, 1997-2001 (Percent)				
	All	Black	Asian & Pacific Islander	American Indian & Alaska Native	Hispanic	All	Black	Asian & Pacific Islander	American Indian & Alaska Native	Hispanic	All	Black	Asian & Pacific Islander	American Indian & Alaska Native	Hispanic
United States	70	61	72	67	69	30	26	32	28	34	23	20	23	22	18
Alabama	69	62	71	63	66	28	25	28	17	27	25	23	29	23	21
Alaska	69	59	78	73	71	30	40	22	35	46	23	15	24	22	13
Arizona	66	56	69	81	72	30	25	33	29	37	22	23	24	22	17
Arkansas	68	48	70	44	71	29	18	27	23	18	23	16	26	12	50
California	69	64	70	77	69	32	26	32	43	38	22	15	22	21	16
Colorado	68	49	70	60	60	31	24	28	26	27	21	16	24	20	18
Connecticut	72	45	81	48	78	31	19	44	7	41	23	14	21	13	23
Delaware	69	52	68	94	78	29	27	18	78	17	22	18	33	6	43
District of Columbia	72	76	70	79	71	31	34	27	43	36	24	28	22	11	19
Florida	64	57	68	65	68	28	29	31	17	32	20	12	25	26	19
Georgia	67	60	72	64	70	30	25	34	18	35	22	20	25	25	17
Hawaii	72	13	79	81	76	29	3	28	25	30	25	2	29	28	29
Idaho	68	43	59	61	64	29	29	32	20	34	23	14	13	34	22
Illinois	72	71	76	62	71	30	27	29	30	33	24	23	25	20	16
Indiana	71	60	70	75	67	31	21	31	37	34	25	22	25	17	22
Iowa	74	51	77	60	54	30	23	19	16	20	25	17	48	17	32
Kansas	71	54	70	72	62	30	18	27	25	25	24	29	32	39	29
Kentucky	71	67	75	77	82	30	31	26	19	49	25	22	28	29	27
Louisiana	70	56	75	86	75	29	24	32	34	44	24	18	21	30	16
Maine	72	36	80	69	67	33	27	38	33	31	21	6	23	8	28
Maryland	70	63	73	63	68	31	27	32	32	25	23	24	23	15	22
Massachusetts	73	66	77	71	79	32	32	35	35	37	23	18	24	29	24
Michigan	71	62	72	68	81	30	27	27	24	41	25	24	29	30	23
Minnesota	74	71	68	73	72	33	33	29	33	29	23	14	25	28	20
Mississippi	69	59	64	87	70	29	23	25	45	32	24	19	21	18	24
Missouri	70	64	70	60	65	30	35	29	28	25	24	20	24	18	25
Montana	70	63	67	67	46	30	19	18	24	11	22	19	21	26	26
Nebraska	74	59	69	83	65	30	24	23	57	16	24	13	36	9	42
Nevada	64	69	68	51	70	29	40	34	19	32	22	16	19	29	25
New Hampshire	72	72	81	40	65	33	42	34	24	35	22	15	26	9	11

Table A3. Survival, Expansion, and Contraction Rates of Minority-Owned Establishments in Operation in 1997, by State (continued)

State	Survival Rate, 1997-2001 (Percent)					Expansion Rate, 1997-2001 (Percent)					Contraction Rate, 1997-2001 (Percent)				
	All	Black	Asian & Pacific Islander	American Indian & Alaska Native	Hispanic	All	Black	Asian & Pacific Islander	American Indian & Alaska Native	Hispanic	All	Black	Asian & Pacific Islander	American Indian & Alaska Native	Hispanic
New Jersey	70	65	74	79	71	30	24	32	26	33	22	21	19	28	15
New Mexico	68	58	85	67	64	29	21	62	35	29	24	30	14	16	21
New York	71	62	73	82	76	29	24	34	21	37	22	20	17	49	17
North Carolina	70	62	69	75	55	31	25	34	33	28	24	24	23	24	15
North Dakota	74	75	73	46	32	29	25	51	14	10	25	25	15	25	6
Ohio	73	66	76	75	75	31	28	28	35	40	26	22	29	23	19
Oklahoma	69	63	70	58	63	29	32	31	28	33	23	16	22	17	20
Oregon	69	44	68	58	65	29	13	29	26	41	24	19	26	23	18
Pennsylvania	73	62	69	56	75	31	23	31	16	32	24	19	23	22	17
Rhode Island	73	73	83	85	70	31	27	40	22	50	23	35	24	36	8
South Carolina	69	61	73	57	89	31	22	35	15	36	23	23	22	10	21
South Dakota	72	57	37	70	60	30	43	11	16	23	23	14	22	37	33
Tennessee	69	62	72	70	61	29	27	33	33	24	25	21	27	32	31
Texas	67	54	72	52	66	30	23	38	19	33	23	20	21	13	17
Utah	66	77	59	40	66	29	19	17	26	32	23	19	31	8	13
Vermont	74	69	75	89	38	33	38	47	43	29	21	31	23	22	8
Virginia	70	60	73	55	65	31	27	31	14	29	23	22	25	25	21
Washington	68	55	72	57	67	30	21	29	31	32	22	19	23	20	22
West Virginia	71	60	73	81	58	28	25	18	46	24	26	20	38	15	22
Wisconsin	74	58	75	89	64	32	31	29	17	31	24	20	30	39	25
Wyoming	70	94	50	56	70	30	6	25	24	34	22	n.a.	13	7	22

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).

Table A4. Net Employment Change in 2001 by Minority-Owned Employer Establishments in Operation in 1997, by State

State	All U.S. Establishments	State	Black	State	Asian & Pacific Islander	State	American Indian & Alaska Native	State	Hispanic
United States	-11,578,654	United States	-61,522	United States	-177,270	United States	25,858	United States	137,533
Vermont	-5,810	Illinois	48,243	Maryland	29,212	California	44,614	Illinois	56,004
Wyoming	-14,712	California	4,844	New York	15,369	North Carolina	2,129	Texas	50,927
Alaska	-16,241	New Hampshire	1,307	Massachusetts	2,625	Washington	2,008	California	24,796
New Hampshire	-17,412	Minnesota	734	New Mexico	2,392	Mississippi	1,527	New York	7,187
North Dakota	-21,534	Nevada	272	Georgia	1,697	Alaska	881	Florida	5,587
South Dakota	-23,725	Oklahoma	81	Nevada	1,568	Wisconsin	495	Massachusetts	2,019
Montana	-23,799	Alaska	7	Connecticut	994	Vermont	316	Virginia	1,609
Maine	-26,368	Connecticut	-40	Wisconsin	540	Nebraska	280	Michigan	1,456
District of Columbia	-38,441	Vermont	-113	New Hampshire	174	Indiana	228	Colorado	1,442
Rhode Island	-41,038	West Virginia	-125	Vermont	121	Missouri	163	Connecticut	1,151
Idaho	-43,271	New Mexico	-164	South Carolina	82	Maine	161	Georgia	1,089
Delaware	-48,712	Massachusetts	-194	Maine	-30	Louisiana	133	Arizona	950
Hawaii	-54,100	Nebraska	-332	Rhode Island	-35	South Dakota	37	Wisconsin	872
Nebraska	-69,403	Arkansas	-336	Nebraska	-75	Wyoming	-80	Missouri	724
West Virginia	-71,625	Iowa	-358	North Dakota	-85	West Virginia	-85	Kentucky	699
Nevada	-72,241	Arizona	-378	Montana	-99	Minnesota	-107	Rhode Island	298
New Mexico	-88,019	Kentucky	-460	Michigan	-174	Iowa	-150	New Hampshire	245
Iowa	-90,805	Pennsylvania	-522	Alaska	-283	New Hampshire	-156	South Carolina	198
Arkansas	-95,297	Colorado	-667	Wyoming	-315	Rhode Island	-178	Alaska	191
Utah	-119,416	Rhode Island	-673	Idaho	-363	Illinois	-216	Maine	155
Kansas	-126,934	Kansas	-819	Virginia	-468	Ohio	-237	Wyoming	80
Mississippi	-134,597	Delaware	-997	Delaware	-483	North Dakota	-241	Utah	72
Oklahoma	-137,548	Tennessee	-1,291	Missouri	-551	Utah	-287	Montana	-92
Colorado	-149,062	Oregon	-1,436	Indiana	-607	Maryland	-290	Mississippi	-111
Connecticut	-169,218	Alabama	-1,704	Arkansas	-626	Massachusetts	-304	Delaware	-143
South Carolina	-170,917	District of Columbia	-1,764	Kansas	-639	Georgia	-324	Hawaii	-190
Minnesota	-171,213	Florida	-2,049	Alabama	-693	Montana	-345	West Virginia	-207

Table A4. Net Employment Change in 2001 by Minority-Owned Employer Establishments in Operation in 1997, by State (continued)

State	All U.S. Establishments	State	Black	State	Asian & Pacific Islander	State	American Indian & Alaska Native	State	Hispanic
Kentucky	-174,900	Missouri	-2,060	Louisiana	-865	Arizona	-404	Pennsylvania	-207
Oregon	-178,284	South Carolina	-2,211	Iowa	-954	Colorado	-435	Indiana	-242
Wisconsin	-200,388	Mississippi	-2,767	South Dakota	-966	New Mexico	-439	Nebraska	-256
Maryland	-205,895	New Jersey	-2,979	Oklahoma	-1,120	Idaho	-500	Tennessee	-292
Washington	-207,997	Wisconsin	-3,117	Mississippi	-1,159	Nevada	-558	Louisiana	-415
Arizona	-210,885	Indiana	-3,449	New Jersey	-1,438	Kansas	-584	Iowa	-439
Louisiana	-217,394	North Carolina	-3,928	Tennessee	-1,452	New York	-591	North Carolina	-501
Virginia	-241,590	Washington	-4,018	Washington	-1,523	Kentucky	-655	Idaho	-520
Alabama	-246,529	New York	-4,664	District of Columbia	-1,707	South Carolina	-693	Arkansas	-588
Massachusetts	-257,291	Georgia	-4,781	Colorado	-1,835	New Jersey	-697	District of Columbia	-674
Indiana	-261,123	Louisiana	-5,797	West Virginia	-2,241	Oregon	-741	Nevada	-694
Missouri	-280,571	Virginia	-6,335	North Carolina	-2,283	Arkansas	-1,071	Kansas	-700
Tennessee	-303,381	Maryland	-6,541	Arizona	-2,323	Tennessee	-1,216	Alabama	-850
North Carolina	-354,658	Michigan	-8,312	Utah	-2,670	Alabama	-1,291	Washington	-883
New Jersey	-356,356	Ohio	-12,466	Minnesota	-3,009	Florida	-1,381	Maryland	-966
Georgia	-388,275	Texas	-28,620	Pennsylvania	-3,089	Texas	-1,414	Minnesota	-1,082
Illinois	-498,701	Hawaii	N.A.	Oregon	-3,094	Virginia	-1,614	New Jersey	-1,186
Michigan	-503,435	Idaho	N.A.	Ohio	-3,482	Michigan	-1,673	Ohio	-1,192
Ohio	-541,439	Maine	N.A.	Kentucky	-5,110	Pennsylvania	-1,855	Oklahoma	-1,308
Pennsylvania	-542,064	Montana	N.A.	Illinois	-7,622	Oklahoma	-2,723	Oregon	-1,559
Florida	-698,972	North Dakota	N.A.	Hawaii	-16,776	Connecticut	-2,948	New Mexico	-4,517
New York	-703,114	South Dakota	N.A.	Texas	-29,344	Delaware	N.A.	North Dakota	N.A.
Texas	-884,065	Utah	N.A.	Florida	-31,234	District of Columbia	N.A.	South Dakota	N.A.
California	-982,590	Wyoming	N.A.	California	-101,761	Hawaii	N.A.	Vermont	N.A.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Census Bureau to the Office of Advocacy tracking minority-owned businesses enterprises that responded to the 1997 Survey of Minority-Owned Business Enterprises (SMOBE).