



**MINORITY BUSINESS
DEVELOPMENT AGENCY**
U.S. DEPARTMENT OF COMMERCE



THE STATE OF MINORITY BUSINESS ENTERPRISES

An Overview of the 2012 Survey of Business Owners





THE STATE OF MINORITY BUSINESS ENTERPRISES:

AN OVERVIEW OF THE 2012 SURVEY OF BUSINESS OWNERS

U.S. Department of Commerce
Minority Business Development Agency
Office of Policy Analysis and Development

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FOREWORD

Changing demographics are creating tremendous opportunities for minority business enterprises (MBEs). As key drivers of economic growth, MBEs have a unique role to play in catalyzing inclusive growth in their communities. We must embrace this role. It is a national imperative that MBEs make the economy work better for all Americans.

Even as the national economy grows at historic rates, many communities face elevated poverty and the continued loss of local jobs and businesses. Now, more than ever, MBDA must address societal challenges and leverage minority business development to solve them. The American economy cannot remain healthy without the continued development of minority businesses.

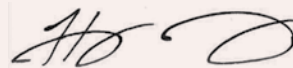
As MBDA prepares to celebrate its 50th anniversary in 2019, I find myself reflecting on the legacy of MBDA's half-century of dedicated public service to minority business development. During the past five decades, MBDA has undertaken significant long-term initiatives focused on creating greater economic opportunity for all Americans. We have leveraged our mission as the only Federal Government agency solely dedicated to the growth and global competitiveness of MBEs to help businesses become resilient and create lasting change.

This report, the third and final installment of *The State of Minority Business Enterprises*, summarizes statistics from three consecutive—and now complete—U.S. Census Bureau's Survey of Business Owners datasets. In addition, we have

developed a companion web-based information platform that provides filtered and searchable access to all of the data used in this report, for both minority and nonminority businesses, and which incorporates new interactive visualization tools that provide user-customizable graphical access to the data. Visit www.mbda.gov to access the data and visualization tools.

This report embodies a sense of renewal and progress in line with the themes of our 50-year anniversary celebration. It combines time-tested MBDA reporting methodologies with new technologies, representing our continued development as an agency, our transition to becoming the national leader in evidence-based policy development and analysis for MBEs, and our determination to embrace new technologies in pursuit of these goals.

Contemplating MBDA's legacy fills me with a deep sense of pride in the agency's achievements. It also makes me grateful for the extraordinary dedication, passion, and talents of all our staff over this half-century of significant, impactful, and dedicated public service. I am tremendously proud of MBDA's rich history. And I look forward to MBDA continuing to be the leader in minority business development for the next 50 years.



Henry Childs II
National Director
Minority Business Development Agency



ACRONYMS

- CSA**..... combined statistical area
- MBDA**..... Minority Business Development Agency
- MBE**..... minority business enterprises
- MSA**..... micropolitan statistical area
- NAICS**..... North American Industry Classification System
- OMB**..... U.S. Office of Management and Budget
- OPAD**..... Office of Policy Analysis and Development
- RSE**..... relative standard error
- SBA**..... U.S. Small Business Administration
- SBO**..... U.S. Census Bureau Survey of Business Owners
- SGI**..... Strategic Growth Initiative

A fountain pen with a green and gold finish lies on a document featuring a bar chart. The chart has several vertical bars of varying heights, and the y-axis is labeled with numbers like 150, 200, and 250. The overall scene is a professional, business-oriented setting.

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EXECUTIVE SUMMARY

Since its inception in 1969, the Minority Business Development Agency (MBDA), a bureau of the U.S. Department of Commerce, has been dedicated to the support and advancement of minority business enterprises (MBEs).

MBDA has traditionally pursued these goals through a range of research activities, community and business engagement, and through hands-on MBE support programs. Building on this rich history, MBDA is entering an exciting new chapter, using its knowledge and institutional capital with an expanding role in public policy development and analysis.

This report, *The State of Minority Business Enterprises: An Overview of the 2012 Survey of Business Owners*, constitutes an element of MBDA's ongoing commitment to public engagement in research. The report offers an overview of key descriptive data drawn from the Survey of Business Owners (SBO) published by the U.S. Census Bureau in 2002, 2007, and 2012. These data include statistics for both employer firms (i.e., firms with paid employees) and non-employer firms (i.e., firms without paid employees), and the report discusses a range of metrics and descriptive statistical measures.

Empirical evidence shows that minority communities continue to be overrepresented in disadvantaged social and economic cohorts. Understanding their challenges is both an opportunity and an imperative.

The *opportunity* lies in the insights that can be drawn from the successes and failures of minority entrepreneurs. Research suggests that 70 to 80 percent of the disparity in economic outcomes for minority entrepreneurs is related to a few key factors, with restricted access to capital chief among them.¹ This

research also points to a range of causative factors that underlie restricted capital access, including individual and firm traits, credit worthiness, and personal and family wealth. These factors impact all business development, but are disproportionately found in minority communities: for example, a significant negative impact on profitability from restricted access to financial capital is reported by 10.1 percent of nonminority firms, 28.4 percent of Black or African American firms, and 17.5 percent of Hispanic or Latino firms.² Because the minority entrepreneurial experience brings these factors into sharper empirical focus, the opportunity exists to leverage this data in designing policy for the economic advancement of minority communities and the Nation as a whole.

The *imperative* is reflected in the economic data. According to widely accepted recent population projections, the demographic transition underway in the United States will see minority communities comprise the majority of the U.S. population by the middle of this century.³ The future of capital formation, employment, and economic growth for all Americans—in addition to the potential for the U.S. economy to respond to a rapidly changing global economic and geopolitical landscape—will increasingly depend on the success and dynamism of minority-owned enterprises.

Economic development is *not a zero-sum game*. By proactively addressing market distortions that create barriers to MBE (and non-MBE) business growth through research, policy, and programmatic support, an opportunity exists to better support sustainable U.S. economic growth, and ensure improved outcomes in economic well-being and social justice for all Americans.

¹ For example, see David Blanchflower, Phillip Levine and David Zimmerman, "Discrimination in the Small Business Credit Market," *The Review of Economics and Statistics* 85, no. 4 (March 16, 2006), 930-943.

² U.S. Census Bureau, *2014 Annual Survey of Entrepreneurs*.

³ William H. Frey, *Diversity Explosion: How New Racial Demographics Are Remaking America* (Washington, D.C.: The Brookings Institution, 2015).

REPORT KEY FINDINGS

National Picture

- In 2012, there were 7.95 million MBEs in the United States, comprising 29.3 percent of all classifiable firms. These MBEs generated \$1.38 trillion in annual gross receipts.
- The data reveal that the growth in the number of MBEs (particularly in non-employer firms) was relatively strong in both absolute and relative terms from 2007 to 2012. However, a concurrent decline in other key performance metrics such as average gross receipts per firm implies a change in the distribution of firm size toward smaller firms in most minority subgroups.
- Between 2007 and 2012, MBE average gross receipts per firm decreased 2.5 percent, in sharp contrast with a non-MBE percentage increase of 13.9 percent. Moreover, average minority firm gross receipts in 2012, at \$173,552, is roughly one-third of that for nonminority firms, at \$550,472 (Table 2).
- High growth rates in MBE performance metrics are usually associated with comparatively low starting base levels. Thus, while the direction and rate of change in MBE performance metrics are positive signs, there remains a significant distance to the achievement of full business potential.
- For example, MBEs with paid employees reveal higher growth rates in average gross receipts per firm, but in absolute terms, nonminority firms performed better due to their higher average starting base levels. Consequently, the average gross receipts per firm of \$1.3 million for employer MBEs still lags the corresponding nonminority firm average of \$2.3 million.
- Data suggest that, assuming current trend rates of growth continue unabated into the foreseeable future, it would take almost 70 years for MBEs to achieve statistical parity in paid employment, and more than a century to achieve statistical parity in gross receipts levels.⁴

Geographic Picture

- Minority business enterprises can be found in all 50 states and the District of Columbia.
- Five states represented 59.1 percent of all U.S. MBEs and comprised 50.4 percent of the Nation's total minority population in 2012 (Table 6). In 2012 these five states were California (1,619,857), Texas (1,070,392), Florida (926,112), New York (709,021), and Georgia (371,588). This group of five states was unchanged from 2007.
- Data for the proportion of minority populations to the number of firms tend to be closely correlated at the state level.
- The analysis of *proportional gaps*—defined as the percentage-point gap between the minority share of the population and the minority share of the metric under examination—⁵ shows that while data reveal that there is a clear relationship between state minority shares and state proportional gaps, the same pattern is not as strong when considering national shares.
- With respect to statistical parity ratios, only two states—Florida and Hawaii—reveal outcomes above the national average across all three metrics (i.e., number of firms, number of paid employees, and gross receipts).
- The data also reveal a great deal of variation at the state level regarding MBE performance growth in the number of firms and gross receipts between 2007 and 2012. Among the potential factors at play are differences in starting base levels (a purely numerical factor) as well as a potentially off-trend bias towards small, non-employer firms driven by limited employment opportunities in labor markets during the Great Recession of 2007-2009.
- Key questions that arise from the 2012 data include: to what degree does comparatively high growth in the number of non-employer MBE firms reflect intentional, voluntary entrepreneurial activity; and to what extent does that growth otherwise reflect labor force spillover

⁴ This example is not a forecast and is based only on linear extrapolations for illustrative purposes.

⁵ For example, if the minority share of the population is 40 percent and the MBE share of the number of firms is 30 percent, the proportional gap is 33.3 percent.

from an underperforming labor market and from the resulting reduced job opportunities among some of the Nation's most economically vulnerable citizens?

- Lastly, combined statistical areas (CSAs) provide a complementary picture of the distribution of minority-owned firms across states, and allow a more nuanced understanding of the geographical concentration of minority populations and MBEs.
- In 2012, the five CSAs with the largest number of MBEs were Los Angeles-Long Beach, CA CSA; New York-Newark, NY-NJ-CT-PA CSA; Miami-Fort Lauderdale-Port St. Lucie, FL CSA; Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA; and Houston-The Woodlands, TX CSA. Together, these five regions contained nearly 3.2 million MBEs, accounting for 39.6 percent of all MBEs in the United States (Table 11).

Industry Picture

- The distribution of minority and nonminority firms—that is, the MBE and non-MBE comparative industry concentration—varies markedly between industries, with MBEs clustered around a smaller number of industry groups.
- MBEs are relatively clustered in the following (NAICS 2-digit)⁶ industry sectors: *Other Services (except Public Administration)*;⁷ *Health Care and Social Assistance*; *Administrative and Support and Waste Management and Remediation Services*; *Transportation and Warehousing*; and *Accommodation and Food Services*.
- In comparison, the number of nonminority firms by industry as a share of total nonminority firms is more concentrated in other sectors such as *Professional, Scientific, and Technical Services*; *Real Estate Rental and Leasing*; and *Finance and Insurance*.

- From 2007 to 2012, the degree of industry concentration of MBE firms increased: the five industries containing the largest numbers of minority firms in 2012 accounted for 64 percent of MBEs (Table 13) compared with 60.1 percent in 2007. The data also reveal that increasing industry concentration occurred within each minority subgroup.

MBDA Strategic Growth Initiative

- The data suggest that growth between 2007 and 2012 in the number of Strategic Growth Initiative (SGI) firms—defined as MBEs with gross receipts above \$500,000—was not as strong as growth in firm numbers for non-SGI firms.
- Comparatively lower growth in SGI minority firm numbers might reflect in part the relationship we observe between non-SGI firms and labor markets: when economic growth stalls and unemployment increases (such as in the aftermath of the 2008 financial crisis), many turn to self-employment as a means to get-by, but over time many also reenter the labor market as the economy improves. Further research could illuminate this statistical finding.
- Although higher growth rates were evident in the 2007-2012 data for average gross receipts of SGI firms, the *level* of gross receipts in 2012, at \$3.1 million, was still around two-thirds of the level of gross receipts for nonminority firms of comparable size (Table 15).
- The growth in overall SGI revenue stems from an increase in the number of SGI firms rather than growth in the size of existing firms.

⁶ “The North American Industry Classification System (NAICS) is a 2- through 6-digit hierarchical classification system, offering five levels of detail. Each digit in the code is part of a series of progressively narrower categories, and the more digits in the code signify greater classification detail. The first two digits designate the economic sector, the third digit designates the subsector, the fourth digit designates the industry group, the fifth digit designates the NAICS industry, and the sixth digit designates the national industry. The 5-digit NAICS code is the level at which there is comparability in code and definitions for most of the NAICS sectors across the three countries participating in NAICS (the United States, Canada, and Mexico). The 6-digit level allows for the United States, Canada, and Mexico each to have country-specific detail. A complete and valid NAICS code contains six digits.” Source: U.S. Census Bureau, available at <https://www.census.gov/eos/www/naics/faqs/faqs.html>.

⁷ The category “Other Services” includes establishments not provided for elsewhere in the classification system that are engaged in activities such as equipment and machinery repair, promoting religious activities, grant-making, advocacy, providing dry-cleaning and laundry services, personal care services, and dating services. “Other services” does not include Public Administration.



INTRODUCTION

Since its inception in 1969, the Minority Business Development Agency (MBDA), a bureau of the U.S. Department of Commerce, has been dedicated to the support and advancement of minority business enterprises (MBEs).⁸

MBDA has traditionally pursued these goals through a range of research activities, community and business engagement, and through hands-on MBE support programs. Building on this rich history, MBDA is beginning an exciting new chapter by expanding its role in public policy development and analysis.

Importantly, while the Agency's focus is on the advancement of minority-owned business, its research and other programs provide valuable insights into the challenges facing all businesses.

Fundamental demographic change continues to play out in the United States. Indeed, population growth in the United States is now almost entirely driven by growth in the minority population.⁹ Moreover, as has widely been projected and reported, the share of the population comprised by minority groups will likely surpass 50 percent before the mid-twenty-first century.¹⁰

Thus, the future of capital formation, employment, and the growth potential of the U.S. economy will be increasingly tied to the fortunes of minority population subgroups, and by extension, to the prospects of minority-owned businesses.

In addition, the experience of minority entrepreneurs relative to nonminority business owners is related more to the formation of new business than to the maintenance and evolution of existing commercial structures. As the

Nation continues to confront the challenges of rapid global economic and geopolitical change, along with looming technological watersheds in areas like energy technologies, artificial intelligence, and automation, the inherent dynamics embodied in new enterprise development will increasingly underpin the success of the domestic economy.

Undeniably, the issues are complex, as are the potential solutions. Minority business development is tied—as is true for all businesses—to the experience, skills, resources, and entrepreneurial spirit of business owners, as well as to the opportunities afforded by the domestic and international economic and social systems. In a range of areas—such as family wealth accumulation, opportunities in educational attainment, and entrepreneurial experience—minority groups are overrepresented in particularly disadvantaged cohorts, which directly affects prospects for participation in the economy as successful entrepreneurs and wealth builders.

But while these challenges are particularly prevalent in minority communities, they also impact the success of all businesses in the United States. There is an important opportunity, therefore, to research and learn from the experience of MBEs to understand the hurdles facing minority entrepreneurs, in addition to leveraging the data and findings to develop solutions and policies that benefit business development across the broader community.

There is, then, both an economic *opportunity* and an *imperative*.

The opportunity lies in the lessons and insights that can be drawn from the experiences of a growing portion of

⁸ In this report, the terms *MBE*, *minority-owned firm*, and *minority firm* are used interchangeably. Similarly, the terms *nonminority-owned firms*, *nonminority firms*, and *non-MBEs* share the same meaning.

⁹ William H. Frey, *Diversity Explosion: How New Racial Demographics Are Remaking America* (Washington, D.C.: The Brookings Institution, 2015).

¹⁰ William H. Frey, *Diversity Explosion: How New Racial Demographics Are Remaking America* (Washington, D.C.: The Brookings Institution, 2015).

the population whose prospects will increasingly and disproportionately come to underpin new enterprise development and capital formation in the United States. MBEs are more often confronted with the sorts of challenges all firms must navigate as they progress through the start-up phase and beyond. Thus, the opportunities for research—and the insights it may provide—have the potential to enhance the formation of smart, effective policy solutions that support the development of all businesses in the United States. This would assist, therefore, to support capital formation, income growth, and wealth-building for all Americans.

The imperative is clear: the future of U.S. economic growth, and therefore the enhancement of living-standards for all Americans, will be increasingly driven by the success of minority-owned business development. Economic development is not a zero-sum game, and the removal of market distortions that create barriers to business formation and growth provide a source of low-hanging fruit in the pursuit of sustainable U.S. economic development.

Research is a key component of successfully pursuing MBDA's mandate and its growing focus on evidence-based policy development. Fundamental to this research agenda is empirical evidence: a comprehensive understanding of the starting point is a precondition for plotting a course towards the future.

This report, *The State of Minority Business Enterprises: An Overview of the 2012 Survey of Business Owners*, is a component of MBDA's empirical research agenda. This update provides an overview and summary of the data on minority business enterprises operating in 2002, 2007, and 2012; as well as in movements in these statistical metrics across these years.

The data addressed in this report are drawn from the Survey of Business Owners (SBO), published by the U.S. Census Bureau in 2002, 2007, and 2012. They include statistics for both employer firms (i.e., firms with paid employees), and non-employer firms (i.e., firms without paid employees), which are used to provide a range of metrics and descriptive statistical measures.

For the purposes of distinguishing between minority group participation, this report focuses on data limited to *classifiable firms*: that is, all U.S. firms that can be classified in terms of race and ethnicity. This definition does not include publicly-held, foreign-owned, non-profit, or public administration entities. Nonetheless, this empirical coverage is comprehensive in terms of total firm numbers, as classifiable firms represent 98.4 percent of all U.S. business entities.

This report is not intended to be exhaustive, nor does it delve deeply into analytics. The intention is to provide a descriptive overview of the SBO data to provide insights into the state of play of MBE development. Statistics such as number of firms, gross receipts, number of employees, and other firm performance measures are included, along with comparative trends in these measures for MBE and non-MBE entities, and for large and small firms.

The report also assesses the statistical parity of MBEs, using a high-level examination of the various comparative performance metrics that allows a degree of normalization across population groups through consideration of the minority share of the adult population.

The data reveal that while the growth in the number of MBEs was relatively strong in both absolute and relative terms, declines in key performance metrics such as average firm-level gross receipts are also evident.

As in all things, context is key: in most cases, high growth rates are associated with comparatively low starting base levels.¹¹ While there is cause for celebration in the direction and rate of change, it seems there is still much work to be done in the pursuit of parity in economic success.

This report is a summary of high-level descriptive statistics of data from the 2012 Survey of Business Owners. As is true when dealing with any aggregated data, variation between sub-groups within each racial category is not readily apparent when data is summed. In some subgroups (for example, subgroups within the Asian group) there is a significant degree of variation between (for example) people of Cambodian and Japanese heritage for performance metrics.

¹¹ For example, assume cohort A starts the year with 10 firms, and cohort B starts with 100 firms. If cohort A adds 10 new firms during the year and cohort B adds 20 new firms, the annual growth rate for cohort A is $100 \times (20 - 10) / 10 = 100\%$, and the annual growth rate for cohort B is $100 \times (120 - 100) / 100 = 20\%$. Cohort A adds half-as-many new firms but has a higher growth rate in firms because the base level from which the percent-change is calculated is comparatively small.



NATIONAL PICTURE

KEY FINDINGS

- In 2012, there were 7.95 million MBEs in the United States, comprising 29.3 percent of all classifiable firms. These MBEs generated \$1.38 trillion in annual gross receipts.
- The data reveal that the growth in the number of MBEs (particularly in non-employer firms) was relatively strong in both absolute and relative terms from 2007 to 2012. However, a concurrent decline in other key performance metrics such as average gross receipts per firm implies a change in the distribution of firm size toward smaller firms in most minority subgroups.
- Between 2007 and 2012, MBE average gross receipts per firm decreased 2.5 percent, in sharp contrast with a non-MBE percentage increase of 13.9 percent. Moreover, average minority firm gross receipts in 2012, at \$173,552, is roughly one-third of that for nonminority firms, at \$550,472 (Table 2).
- High growth rates in MBE performance metrics are usually associated with comparatively low starting base levels. Thus, while the direction and rate of change in MBE performance metrics are positive signs, there remains a significant distance to the achievement of full business potential.
- For example, MBEs with paid employees reveal higher growth rates in average gross receipts per firm, but in absolute terms, nonminority firms performed better due to their higher average starting base levels. Consequently, the average gross receipts per firm of \$1.3 million for employer MBEs still lags the corresponding nonminority firm average of \$2.3 million (Table 3).
- Data suggest that, assuming current trend rates of growth continue unabated into the foreseeable future, it would take almost 70 years for MBEs to achieve statistical parity in paid employment, and more than a century to achieve statistical parity in gross receipts levels.¹²

¹² This example is not a forecast and is based only on linear extrapolations for illustrative purposes.

GROWTH IN NUMBER OF FIRMS *Employer and Non-Employer Firms*

In 2012, there were 7.95 million MBEs in the United States, comprising 29.3 percent of all classifiable firms. These MBEs generated \$1.38 trillion in annual gross receipts and averaged \$173,552 in gross receipts per firm. There were 908,800 MBE employer firms¹³ with \$1.16 trillion in total gross receipts and 7.165 million employees. On average, MBE employer firms averaged \$1.278 million in gross receipts per firm.

From 2007 to 2012, the number of MBEs grew in both absolute and relative terms. The number of MBEs increased by 38.1 percent, compared to a 45.5 percent increase during the previous five-year period (Figure 1). Specifically, MBEs grew from 5.76 million to 7.95 million from 2007 to 2012, an increase from 21.9 percent to 29.3 percent of all classifiable firms (Table 1). In comparison, there was a 6.4 percent decline in nonminority firms¹⁴ over this period, from 20.536 million to 19.227 million, compared to a 10.9 percent increase during the previous five-year period (Table 1).

Similarly, from 2007 to 2012, the number of MBE employer firms increased from 766,533 to 908,800, an increase from 14.8 to 17.7 percent of all classifiable employer firms (Table 3). MBE employer firms also exhibited improved performance in terms of total gross receipts, number of employees, and average gross receipts per firm.

The data reveal that, although growth in the number of MBEs was relatively strong in both absolute and relative terms, there was weaker growth in key performance metrics such as average gross receipts per firm. Further, relatively high growth rates for MBEs are associated with comparatively low starting base levels. This relationship suggests that, while there is some cause for optimism in terms of the direction and rate of change, there is still much work to be done to achieve parity in economic performance for minority entrepreneurs.

¹³ Employer firms are defined as firms with paid employees.

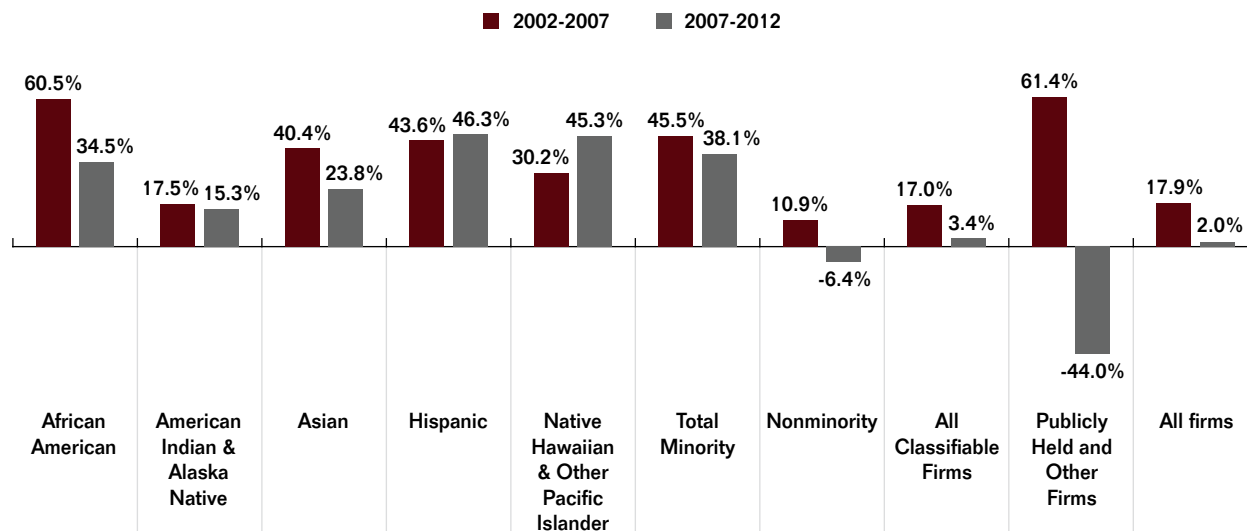
¹⁴ In this report, “nonminority firms” are defined as all firms except publicly held, not-for-profit or foreign-owned firms, and excluding minority firms. This definition differs from the U.S. Census definition of “nonminority firms” that excludes firms that are owned equally by minority and nonminority owners. That is, the definition used in this report includes firms owned equally by minority and nonminority owners in the nonminority totals. The definition used in this report is consistent with definitions for data used in this and prior MBDA reports.

Table 1: Number of Firms in 2002, 2007, and 2012

Group	Year	Number of Firms (millions)
AFRICAN AMERICAN	2012	2.584
	2007	1.922
	2002	1.198
AMERICAN INDIAN & ALASKA NATIVE	2012	0.273
	2007	0.237
	2002	0.201
ASIAN	2012	1.918
	2007	1.550
	2002	1.104
HISPANIC	2012	3.306
	2007	2.260
	2002	1.573
NATIVE HAWAIIAN & OTHER PACIFIC ISLANDER	2012	0.055
	2007	0.038
	2002	0.029
TOTAL MINORITY	2012	7.952
	2007	5.759
	2002	3.959
NONMINORITY	2012	19.227
	2007	20.536
	2002	18.522
ALL CLASSIFIABLE FIRMS	2012	27.179
	2007	26.295
	2002	22.480
PUBLICLY HELD & OTHER FIRMS	2012	0.447
	2007	0.798
	2002	0.494
ALL FIRMS	2012	27.626
	2007	27.093
	2002	22.975

Sources: U.S. Census Bureau, Survey of Business Owners — Geographic Area Series, Economywide Estimates of Business Ownership by Gender, Hispanic or Latino Origin, and Race, 2002; Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2007, 2012. Note: These data include employer and non-employer firms. Relative standard errors (RSEs) are reported in Appendix B (Table A). NB. The U.S. Census Bureau tabulates the data to show totals for all minority firms as well as values for each racial/ethnic group. These totals do not equal the sum of the component values for each racial/ethnic group because survey respondents can select more than one racial/ethnic category. According to Office of Management and Budget guidelines, each business owner/survey respondent can select more than one race; therefore, businesses can be tabulated in more than one race group, and owners reporting more than one race may be counted more than once in this report.

Figure 1: Percent-Change in Number of Firms, 2002-2007 and 2007-2012



Sources: U.S. Census Bureau, Survey of Business Owners — Geographic Area Series, Economywide Estimates of Business Ownership by Gender, Hispanic or Latino Origin, and Race, 2002; Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2007, 2012. Note: These data include employer and non-employer firms. It should be noted the U.S. Census Bureau made a change to the form in 2007 that caused more businesses than expected to be classified as public. In 2012, the form was redesigned to correct the problem identified with the 2007 form; please refer to the 2012 SBO methodology available at <https://www.census.gov/programs-surveys/sbo/technical-documentation/methodology.2012.html>.

It is important to note that the U.S. Census Bureau tabulates the data to show totals for all minority firms as well as values for each racial/ethnic group. These totals do not equal the sum of the component values for each racial/ethnic group because survey respondents can select more than one racial/ethnic category. According to Office of Management and Budget guidelines, each business owner/survey respondent can select more than one race; therefore, businesses can be tabulated in more than one race group, and owners reporting more than one race may be counted more than once in this report.

Figure 1 plots the percent-change in the number of employer and non-employer firms, by minority group over two five-year periods, 2007 to 2012, and 2002 to 2007. Overall, when compared to the previous 2002-2007 period, most minority groups experienced slower firm growth from 2007 to 2012, an unsurprising result given that this period covers the period of the Great Recession of 2007-2009.

Despite the impact of the economic downturn, data for all minority groups reveal growth in the number of firms, albeit at quite different rates. From 2007 to 2012, the number of African American MBEs increased 34.5 percent, American Indian & Alaska Native MBEs increased 15.3 percent, and Asian MBEs increased 23.8 percent.

Hispanic and Native Hawaiian & Other Pacific Islanders had the highest percentage increase at 46.3 percent and 45.3 percent, respectively, and were the only minority groups with higher growth in firm numbers between 2007 and 2012 than between 2002 and 2007. The Hispanic subgroup is the largest single minority group among MBEs with 3.31 million firms.¹⁵

GROWTH IN GROSS RECEIPTS *Employer and Non-Employer Firms*

Growth in gross receipts is an important indicator of firm performance because it speaks more directly to revenue performance, growth in firm size, and typically, the ability

¹⁵ In this report, the term “Hispanic” refers to the U.S. Office of Management and Budget (OMB)’s standard definition of “Hispanic or Latino.” Similarly, the term “African American” refers to OMB’s standard definition of “Black or African American.”

of firms to employ workers and to support improved labor market outcomes. Table 2 reports total annual gross receipts and average firm-level gross receipts, by group, for 2002, 2007, and 2012. Figure 2 and Figure 3 show percent-changes in those measures, respectively, between 2002 and 2007 and between 2007 and 2012.

In 2012, the total annual gross receipts of minority firms were \$1.38 trillion. The average minority firm generated gross receipts of \$173,552, roughly one-third of average nonminority firm gross receipts of \$550,472.

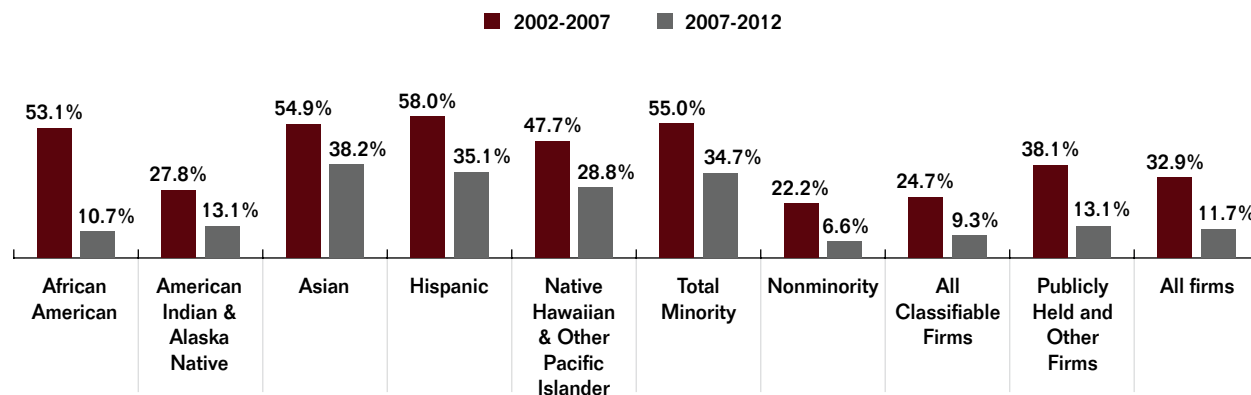
Average gross receipts varied widely across minority subgroups. For example, African American-owned firms

Table 2: Gross Receipts and Average Gross Receipts per Firm in 2002, 2007, and 2012

Group	Year	Annual Gross Receipts (\$ billion)	Average Gross Receipts per Firm
AFRICAN AMERICAN	2012	\$ 150.2	\$ 58,119
	2007	\$ 135.7	\$ 70,629
	2002	\$ 88.6	\$ 74,018
AMERICAN INDIAN & ALASKA NATIVE	2012	\$ 38.8	\$ 142,306
	2007	\$ 34.4	\$ 145,142
	2002	\$ 26.9	\$ 133,439
ASIAN	2012	\$ 699.5	\$ 364,717
	2007	\$ 506.0	\$ 326,575
	2002	\$ 326.7	\$ 296,002
HISPANIC	2012	\$ 473.6	\$ 143,271
	2007	\$ 350.7	\$ 155,141
	2002	\$ 221.9	\$ 141,044
NATIVE HAWAIIAN & OTHER PACIFIC ISLANDER	2012	\$ 8.1	\$ 148,614
	2007	\$ 6.3	\$ 167,680
	2002	\$ 4.3	\$ 147,837
TOTAL MINORITY	2012	\$ 1,380.1	\$ 173,552
	2007	\$ 1,024.8	\$ 177,941
	2002	\$ 661.1	\$ 167,015
NONMINORITY	2012	\$ 10,583.9	\$ 550,472
	2007	\$ 9,924.7	\$ 483,289
	2002	\$ 8,122.4	\$ 438,535
ALL CLASSIFIABLE FIRMS	2012	\$ 11,964.1	\$ 440,190
	2007	\$ 10,949.5	\$ 416,411
	2002	\$ 8,783.5	\$ 390,722
PUBLICLY HELD & OTHER FIRMS	2012	\$ 21,572.8	\$ 48,263,392
	2007	\$ 19,082.1	\$ 23,910,915
	2002	\$ 13,820.1	\$ 27,953,369
ALL FIRMS	2012	\$ 33,536.8	\$ 1,213,944
	2007	\$ 30,031.5	\$ 1,108,464
	2002	\$ 22,603.7	\$ 983,852

Sources: U.S. Census Bureau, Survey of Business Owners — Geographic Area Series, Economywide Estimates of Business Ownership by Gender, Hispanic or Latino Origin, and Race, 2002; Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2007, 2012. Note: These data include employer and non-employer firms. RSEs are available in Appendix B (Table A).

Figure 2: Percent-Change in Gross Receipts, 2002-2007 and 2007-2012



Sources: U.S. Census Bureau, Survey of Business Owners — Geographic Area Series, Economywide Estimates of Business Ownership by Gender, Hispanic or Latino Origin, and Race, 2002; Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2007, 2012. Note: These data include employer and non-employer firms. It should be noted the U.S. Census Bureau made a change to the form in 2007 that caused more businesses than expected to be classified as public. In 2012, the form was redesigned to correct the problem identified with the 2007 form; please refer to the 2012 SBO methodology available at <https://www.census.gov/programs-surveys/sbo/technical-documentation/methodology.2012.html>.

generated the lowest average gross receipts with \$58,119, while Asian American-owned firms generated the highest average gross receipts with \$364,717.

As shown in Figure 2, the increase in total gross receipts was lower in the 2007 to 2012 period in comparison to the previous five-year period across all firms. This outcome was seen in both minority and nonminority firms. Again, the historical context of the Great Recession is key in interpreting this result.

From 2007 to 2012, percent-change in total gross receipts for minority firms was 34.7 percent compared to 6.6 percent for nonminority firms. Asian and Hispanic MBE groups exhibited the largest increases in total gross receipts at 38.2 percent and 35.1 percent, respectively. African American MBEs had the lowest percent-change rates in total gross receipts at 10.7 percent. Total gross receipts increased 13.1 percent for American Indian & Alaska Native MBEs, and 28.8 percent for Native Hawaiian & Other Pacific Islander MBEs.

Between 2007 and 2012, the number of MBEs increased at a faster rate relative to their total gross receipts. As a result, average MBE gross receipts per firm exhibited a 2.5 percent decrease, in sharp contrast with the positive growth

experienced in the previous five-year period of 6.5 percent. Comparatively, the average non-MBE firm experienced a 13.9 percentage increase in average gross receipts per firm versus the previous five-year period (10.2 percent) (Figure 3).

There were marked differences across minority groups in the growth of gross receipts per firm during the 2007-2012 period. The average Asian-owned MBE was the only group to experience growth in this metric (11.7 percent). All other minority groups experienced declines in average gross receipts by firm across the same period (Figure 3).

Across all minority cohorts, growth in average MBE gross receipts per firm from 2007 to 2012 was -2.5 percent.

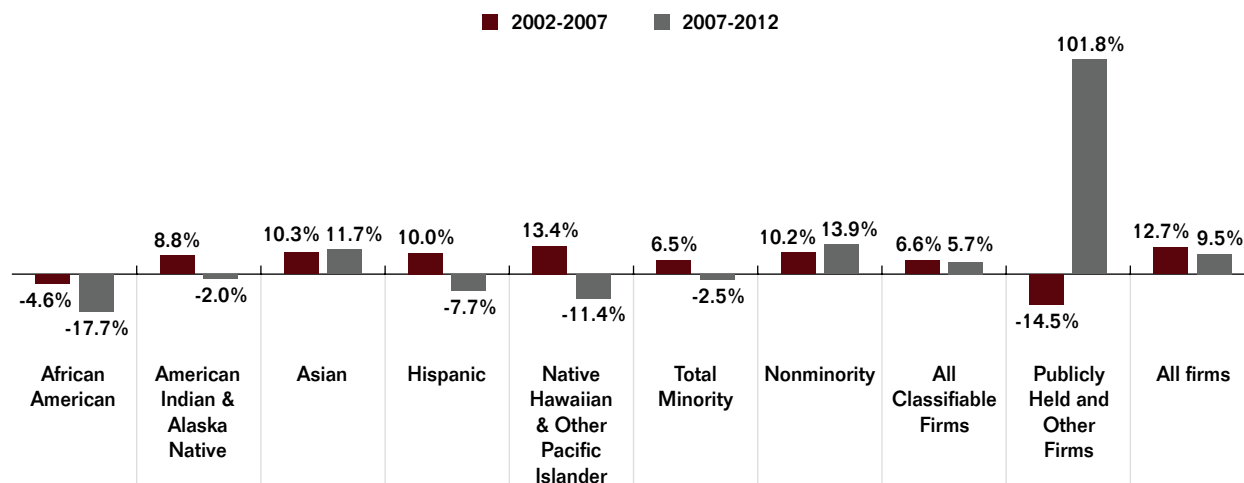
EMPLOYER FIRMS

The U.S. Small Business Administration (SBA) reports that over 99 percent of all firms in the United States are small businesses, but that only one in five small businesses has paid employees.¹⁶ The SBA defines a non-employer firm as one that has no paid employees, has annual business receipts of \$1,000 or more (\$1 or more in the construction sector), and is subject to federal income taxes.¹⁷

¹⁶ U.S. Small Business Administration, "Frequently Asked Questions", sba.gov, <https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2017-WEB.pdf>.

¹⁷ U.S. Small Business Administration, "Frequently Asked Questions", sba.gov, <https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2017-WEB.pdf>.

Figure 3: Percent-Change in Average Gross Receipts per Firm, 2002-2007 and 2007-2012



Sources: U.S. Census Bureau, Survey of Business Owners — Geographic Area Series, Economywide Estimates of Business Ownership by Gender, Hispanic or Latino Origin, and Race, 2002; Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2007, 2012. Note: These data include employer and non-employer firms. It should be noted the U.S. Census Bureau made a change to the form in 2007 that caused more businesses than expected to be classified as public. In 2012, the form was redesigned to correct the problem identified with the 2007 form; please refer to the 2012 SBO methodology available at <https://www.census.gov/programs-surveys/sbo/technical-documentation/methodology.2012.html>.

The difference between an employer and non-employer firm is economically meaningful. As small businesses grow, one of the major thresholds they encounter is the need to hire employees. A key consideration for an owner is whether current and projected revenues are sufficient to cover the extra expenses of employing staff. Administratively, being an employer entails a range of regulatory and legal requirements with financial consequences that include such things as workers' compensation, unemployment insurance, and the ongoing burden of making payroll.¹⁸

Table 3 reports several performance measures for minority and nonminority employer firms, including the number of firms, annual gross receipts, number of employees, and gross receipts per firm, for 2002, 2007, and 2012.

In 2012, there were 908,800 minority employer firms, together generating nearly \$1.2 trillion in total gross receipts, supporting around 7.2 million employees, and averaging nearly \$1.3 million in gross receipts per firm.

In comparison, there were 4.2 million nonminority employer firms in 2012, generating \$9.8 trillion in total gross receipts and with nearly 49 million employees. Nonminority employer firms generated average gross receipts of \$2.3 million.

Across minority groups, Asian American-owned employer firms comprised the largest share (52.9 percent) of this firm type with 481,026 employer firms in 2012. By comparison, there were 287,501 Hispanic employer firms, 109,137 African American employer firms, 26,179 American Indian & Alaska Native employer firms, and 4,706 Native Hawaiian & Other Pacific Islander employer firms.

Statistics for the total number of employees per minority group largely reflects the trends found in data for the number of firms: Asian employer firms have the largest number of employees (3.57 million), followed by Hispanic employer firms (2.33 million), African American employer firms (975,052), American Indian & Alaska Native (208,178), and Native Hawaiian & Other Pacific Islander (39,001).

¹⁸ U.S. Small Business Administration, "Crossing the Employer Threshold: Determinants of Firms Hiring their First Employee," by Robert W. Fairlie, (Santa Cruz, December 2013), <https://www.sba.gov/sites/default/files/rs418tot.pdf>.

There is a high degree of similarity across different minority groups in terms of average employees per firm: 7.43 employees per firm for Asian employer firms, 8.10 for Hispanic employer firms, 8.93 for African American employer firms, 7.95 for American Indian & Alaska Native employer firms, and 8.29 for Native Hawaiian & Other Pacific Islander employer firms.

Data for gross receipts per firm across minority groups, however, reveal a slightly different ranking. Native Hawaiian & Other Pacific Islander employer firms had, on average, the highest gross receipts per firm (\$1.37 million), followed by Hispanic employer firms (\$1.32 million), Asian employer firms (\$1.30 million), American Indian & Alaska Native employer firms (\$1.21 million), and African American employer

Table 3: Number of Firms, Receipts, and Employees for Employer Firms in 2002, 2007, and 2012

Group	Year	Number of Employer Firms	Annual Gross Receipts (\$ billion)	Number of Employees	Average Gross Receipts per Firm
AFRICAN AMERICAN	2012	109,137	\$ 103.5	975,052	\$ 947,905
	2007	106,566	\$ 97.1	909,552	\$ 911,594
	2002	94,518	\$ 65.8	753,978	\$ 696,158
AMERICAN INDIAN & ALASKA NATIVE	2012	26,179	\$ 31.7	208,178	\$ 1,209,143
	2007	23,662	\$ 27.5	185,037	\$ 1,161,951
	2002	24,498	\$ 22.0	191,270	\$ 897,489
ASIAN	2012	481,026	\$ 627.5	3,572,577	\$ 1,304,571
	2007	397,426	\$ 453.6	2,807,771	\$ 1,141,280
	2002	319,468	\$ 291.2	2,213,948	\$ 911,399
HISPANIC	2012	287,501	\$ 380.0	2,329,553	\$ 1,321,717
	2007	248,852	\$ 279.9	1,908,161	\$ 1,124,848
	2002	199,542	\$ 179.5	1,536,795	\$ 899,600
NATIVE HAWAIIAN & OTHER PACIFIC ISLANDER	2012	4,706	\$ 6.5	39,001	\$ 1,374,831
	2007	4,151	\$ 5.3	37,801	\$ 1,264,828
	2002	3,693	\$ 3.5	29,319	\$ 948,323
TOTAL MINORITY	2012	908,800	\$ 1,161.4	7,165,151	\$ 1,277,983
	2007	766,533	\$ 860.5	5,816,114	\$ 1,122,577
	2002	629,831	\$ 557.8	4,675,382	\$ 885,593
NONMINORITY	2012	4,227,404	\$ 9,803.2	48,893,412	\$ 2,318,954
	2007	4,423,435	\$ 9,154.7	50,810,440	\$ 2,069,580
	2002	4,542,233	\$ 7,481.5	50,692,834	\$ 1,647,093
ALL CLASSIFIABLE FIRMS	2012	5,136,204	\$ 10,964.6	56,058,563	\$ 2,134,765
	2007	5,189,968	\$ 10,015.1	56,626,555	\$ 1,929,712
	2002	5,172,064	\$ 8,039.3	55,368,216	\$ 1,554,361
PUBLICLY HELD & OTHER FIRMS	2012	288,255	\$ 21,530.7	59,190,444	\$ 74,693,163
	2007	545,594	\$ 19,043.7	60,683,564	\$ 34,904,500
	2002	352,720	\$ 13,797.0	55,398,389	\$ 39,116,003
ALL FIRMS	2012	5,424,458	\$ 32,495.3	115,249,007	\$ 5,990,509
	2007	5,735,562	\$ 29,058.8	117,310,118	\$ 5,066,431
	2002	5,524,784	\$ 21,836.2	110,766,605	\$ 3,952,417

Sources: U.S. Census Bureau, Survey of Business Owners — Geographic Area Series, Economywide Estimates of Business Ownership by Gender, Hispanic or Latino Origin, and Race, 2002; Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2007, 2012. RSEs are available in Appendix B (Table B). NB. The U.S. Census Bureau tabulates the data to show totals for all minority firms as well as values for each racial/ethnic group. These totals do not equal the sum of the component values for each racial/ethnic group because survey respondents can select more than one racial/ethnic category. According to Office of Management and Budget guidelines, each business owner/survey respondent can select more than one race; therefore, businesses can be tabulated in more than one race group, and owners reporting more than one race may be counted more than once in this report.

firms (\$947,905). Again, while some degree of variation is evident, the values are similar across minority groups. Of course, comparisons made based on aggregates and averages are inherently prone to aggregation bias and can be misleading, but the degree of similarity is notable nonetheless.

Table 4 reports the percentage changes in the number of firms, annual gross receipts, and employees for employer firms between 2007 and 2012 and between 2002 and 2007. For the 2007 to 2012 period, minority employer firms had stronger growth than nonminority firms across all the measures.

Once again, however, these growth rates should be placed into perspective: growth rates for employer MBEs are based on significantly lower starting base levels when compared to nonminority employer firms. For example, between 2007 and 2012, MBE average gross receipts per firm increased at a higher rate than did non-MBE averages, but in terms of absolute dollar amounts, non-MBE average gross receipts per firm increased by a larger amount.

The number of minority employer firms grew by 18.6 percent compared to a 4.4 percent decline in nonminority employer firms in the five-year period from 2007 to 2012. Annual gross receipts for minority employer firms increased 35.0 percent compared to 7.1 percent for non-MBEs. The number of employees for minority employer firms increased 23.2 percent compared to a 3.8 percent decline for non-MBEs. Gross receipts per firm for MBEs grew 13.8 percent compared to 12.0 percent growth for non-MBEs.

Across minority groups, Asian employers had strong growth in terms of number of firms (21.0 percent), gross receipts (38.4 percent), and employees (27.2 percent). Hispanic firms had the highest growth in gross receipts per firm (17.5 percent), followed by Asian firms (14.3 percent), Native Hawaiian & Other Pacific Islander groups (8.7 percent), American Indian & Alaska Native groups (4.1 percent), and African American (4.0 percent).

Table 4: Percent-Change in Number of Firms, Receipts, and Employees for Employer Firms, 2002-2007 and 2007-2012

Group	Year	Number of Employer Firms	Annual Gross Receipts	Number of Employees	Average Gross Receipts per Firm
AFRICAN AMERICAN	2007-2012	2.4%	6.5%	7.2%	4.0%
	2002-2007	12.7%	47.6%	20.6%	30.9%
AMERICAN INDIAN & ALASKA NATIVE	2007-2012	10.6%	15.1%	12.5%	4.1%
	2002-2007	-3.4%	25.0%	-3.3%	29.5%
ASIAN	2007-2012	21.0%	38.4%	27.2%	14.3%
	2002-2007	24.4%	55.8%	26.8%	25.2%
HISPANIC	2007-2012	15.5%	35.8%	22.1%	17.5%
	2002-2007	24.7%	55.9%	24.2%	25.0%
NATIVE HAWAIIAN & OTHER PACIFIC ISLANDER	2007-2012	13.4%	23.2%	3.2%	8.7%
	2002-2007	12.4%	49.9%	28.9%	33.4%
TOTAL MINORITY	2007-2012	18.6%	35.0%	23.2%	13.8%
	2002-2007	21.7%	54.3%	24.4%	26.8%
NONMINORITY	2007-2012	-4.4%	7.1%	-3.8%	12.0%
	2002-2007	-2.6%	22.4%	0.2%	25.7%
ALL CLASSIFIABLE FIRMS	2007-2012	-1.0%	9.5%	-1.0%	10.6%
	2002-2007	0.3%	24.6%	2.3%	24.1%
PUBLICLY HELD & OTHER FIRMS	2007-2012	-47.2%	13.1%	-2.5%	114.0%
	2002-2007	54.7%	38.0%	9.5%	-10.8%
ALL FIRMS	2007-2012	-5.4%	11.8%	-1.8%	18.2%
	2002-2007	3.8%	33.1%	5.9%	28.2%

Sources: U.S. Census Bureau, Survey of Business Owners — Geographic Area Series, Economywide Estimates of Business Ownership by Gender, Hispanic or Latino Origin, and Race, 2002; Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2007, 2012.

Statistical parity is a representative benchmark for the economic potential of MBEs. If a minority group comprises, say, 20 percent of the adult population, statistical parity would be achieved in (for example) number of firms when minority-owned businesses account for 20 percent of all classifiable firms. The achievement of statistical parity implies that the actual-to-parity ratio—i.e. the ratio of the MBE share in a given performance metric (such as in number of firms, gross receipts, or paid employees) over the minority share in total adult population—is equal to 100 percent:

$$\text{Actual-to-Parity Ratio} = \frac{\text{MBE Share in a Total Performance Metric}}{\text{Minority Share in Total Adult Population}}$$

In terms of the number of employees per firm, nonminority employer firms tend to be larger, averaging 11.6 employees compared to 7.9 employees for minority employer firms.

STATISTICAL PARITY

In this report, the term *statistical parity* is used as a representative benchmark for the untapped economic potential of MBEs. We intentionally refer to this metric as a statistical parity and make no further claims as to its information content at a more detailed and nuanced level: it is meant only to provide a starting point for further exploration.

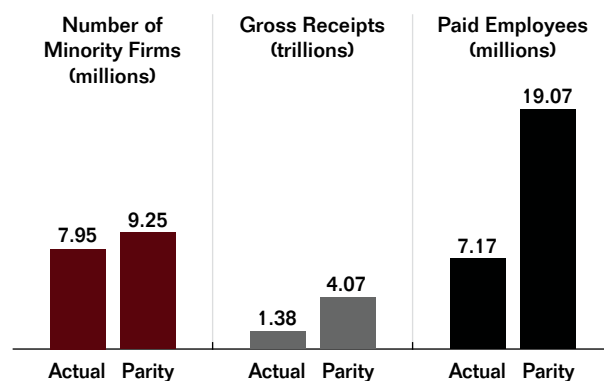
The overarching objective of using a metric like statistical parity is to provide a degree of normalization for the data on minority and nonminority entrepreneurship for the purpose of inter-cohort comparability. For example, should a certain minority group constitute 20 percent of the adult population,¹⁹ other things being equal (including similar access to capital, markets, and knowledge), the same minority population if *statistical parity held* would present with a 20 percent share of number of firms, gross receipts, and paid employees.

In 2012, the minority population 18 years and older totaled 81.7 million, or 33.9 percent of the total U.S. adult population (up from 31.5 percent in 2007). Minority-owned businesses accounted for 29.2 percent of all classifiable firms (7.95 million of 27.2 million), up from 28 percent in 2007.

Minority firms generated 11.5 percent of gross receipts for all classifiable firms (\$1.38 trillion of \$11.96 trillion) and employed 12.8 percent (7.165 million) of all classifiable firms' paid employees.

Figure 4 charts both actual values and statistical parity benchmarks for the number of firms, gross receipts, and paid employees for all minority firms in 2012. Statistical parity in these cases reflects a value for each metric we would expect to see if relative minority representation in these metrics was on par with the minority share of the adult population. Put another way, when the actual share is less than the parity share, minorities have less than proportional representation in the statistics on firm numbers and performance.

Figure 4: Actual Values and Parity Benchmarks for Number of Minority Firms, Total Receipts, and Paid Employees, 2012



Sources: Derived from U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012; U.S. Census Bureau American Community Survey PUMS, 2012. Note: Data for number of firms and receipts are for employer and non-employer firms. Data for employment is for employer firms. Statistical Parity is a benchmark for the economic potential of MBEs and defined as a rate comparable to the percentage of minorities in the U.S. adult population.

¹⁹ Individuals under the age of 18 (i.e. the non-adult population) in the United States were excluded due to their unlikelihood of being business owners and to more accurately reflect statistical parity. The minority population is also calculated from the U.S. Census Bureau Population estimates as total population less non-Hispanic, white populations.

The bar chart on the left of **Figure 4** shows the actual number of minority firms (7.95 million) and the implied number of minority firms under statistical parity (9.25 million). The middle bar chart shows that actual minority firm gross receipts were 1.38 trillion in 2012, while the parity benchmark was 4.07 trillion. The bar chart on the right of **Figure 4** shows that minority firms had 7.17 million paid employees in 2012 while the parity benchmark would have been 19.07 million paid employees.

In comparing historical trends, the actual-to-parity ratio (expressed in percentage terms) is a reasonable indication of how close minority firms are to parity. **Table 5** reports the actual levels, parity benchmarks, and actual-to-parity ratios across time for all three measures of statistical parity (i.e., number of firms, gross receipts, and paid employees).

The first three rows in **Table 5** show these figures for the number of firms. These rows show that actual-to-parity ratios for number of firms have increased over time, from 60.7 percent in 2002, to 70.2 percent in 2007, to 86.0 percent in 2012.

The second group of three rows in **Table 5** report these data for firm gross receipts. In 2012, the actual-to-parity ratio for

gross receipts was 33.9 percent, compared with 30.0 percent in 2007, and 26.0 percent in 2002. These figures indicate that the gap between actual and parity benchmarks for MBEs in terms of gross receipts is still quite large. The gap has been closing, yet the low convergence rates imply that it would take decades for the gap to close purely on the basis of statistical inertia.

The third set of rows in **Table 5** reports these figures for paid employees. In 2012, MBEs had 7.17 million paid employees compared with a parity benchmark of 19.07 million, providing an actual-to-parity ratio of 37.6 percent. In 2007, the ratio was 32.9 percent, and in 2002 it was 32.9 percent. These figures again suggest that, in terms of paid employees, the gap between actual and parity benchmarks has been closing but at a relatively slow rate, and that there remains quite a distance between the reality and statistical parity.

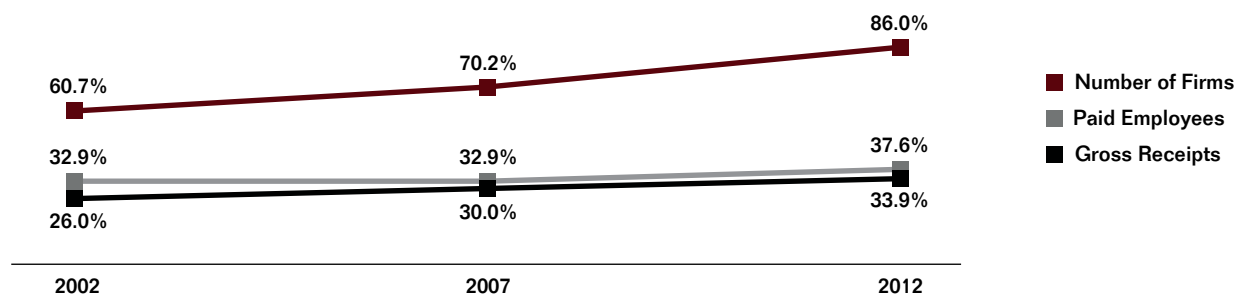
Figure 5 provides a visual representation of the MBE data in **Table 5** on actual-to-parity ratios for 2002, 2007, and 2012. The chart shows that while minority firms are approaching statistical parity in terms of the number of firms—and doing so relatively rapidly—these firms lag further behind in terms of gross receipts and number of paid employees, as well as in terms of the rate of convergence.

Table 5: Actual Levels, Statistical Parity Benchmarks, and Actual-to-Parity Ratios for Minority Firms in 2002, 2007, and 2012

Number of Firms	Actual Levels (million)	Parity Benchmarks (million)	Actual-to-Parity Ratios
2012	7.95	9.25	86.0%
2007	5.76	8.21	70.2%
2002	3.96	6.52	60.7%
Gross Receipts	Actual Levels (trillion)	Parity Benchmarks (trillion)	Actual-to-Parity Ratios
2012	1.38	4.07	33.9%
2007	1.02	3.42	30.0%
2002	0.66	2.55	26.0%
Paid Employees	Actual Levels (million)	Parity Benchmarks (million)	Actual-to-Parity Ratios
2012	7.17	19.07	37.6%
2007	5.82	17.68	32.9%
2002	4.68	14.21	32.9%

Sources: Derived from U.S. Census Bureau, Survey of Business Owners — Geographic Area Series, Economywide Estimates of Business Ownership by Gender, Hispanic or Latino Origin, and Race, 2002; Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2007, 2012; U.S. Census Bureau American Community Survey PUMS, 2002, 2007, 2012. Note: Data for number of firms and receipts are for employer and non-employer firms. Data for employment is for employer firms. Statistical Parity is equal to the percentage share of the minority population 18 and over applied to the number of firms, gross receipts, and number of paid employees of classifiable firms. The Actual-to-Parity ratio can be interpreted as the ratio between the MBE share in a total performance metric (such as in number of firms, gross receipts, or paid employees) over the minority share in total adult population.

Figure 5: Actual-to-Parity Ratios for Number of Firms, Paid Employees, and Gross Receipts for Minority Firms in 2002, 2007, and 2012



Sources: Derived from U.S. Census Bureau, Survey of Business Owners — Geographic Area Series, Economywide Estimates of Business Ownership by Gender, Hispanic or Latino Origin, and Race, 2002; Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2007, 2012; U.S. Census Bureau American Community Survey PUMS, 2002, 2007, 2012. Note: Data for number of firms and receipts are for employer and non-employer firms. Data for employment is for employer firms. Statistical Parity is equal to the percentage share of the minority population 18 and over applied to the number of firms, gross receipts, and number of paid employees of classifiable firms. The Actual-to-Parity ratio can be interpreted as the ratio between the MBE share in a total performance metric (such as in number of firms, gross receipts, or paid employees) over the minority share in total adult population.

As discussed above, MBEs went from 60.7 percent of statistical parity in 2002 for the number of firms, to 70.2 percent in 2007, and 86.0 percent in 2012.²⁰ It is possible that the relatively large jump between 2007 and 2012 reflects, at least in part, the historical context of the Great Recession of 2007-2009. As economic growth falters and unemployment rises, some newly unemployed workers are pushed into self-employment, establishing themselves as non-employer firms through economic necessity.²¹

In this regard, the analyses of statistical parity in gross receipts and paid employees provide a more representative indication of MBE performance. As stated above, in terms of gross receipts, between 2002 and 2012, data on minority owned firms moved from 26.0 percent of parity to 33.9 percent. Similarly, in terms of paid employees, these data indicate an increase from 32.9 to 37.6 percent of parity.

To put these outcomes into context, if the growth rates implied by these data continued, it would take almost

70 years for MBEs to match nonminority firms in terms of paid employment and more than a century to achieve statistical parity in gross receipts levels.²²

Figure 6 charts the percentage of the adult population by minority group, along with their percentage of classifiable MBE firms, gross receipts, and employees. Figure 6 shows that all minorities represent 33.9 percent of the adult population but comprise smaller shares of the number of firms (29.3 percent), gross receipts (11.5 percent), and paid employees (17.7 percent). These variables are also reported by each minority subgroup.

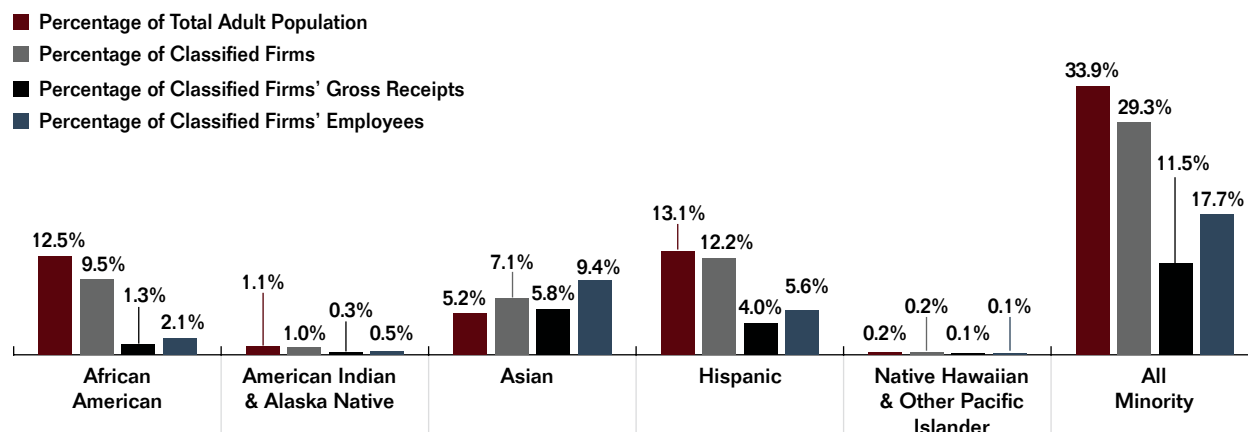
African Americans, for example, comprise 12.5 percent of the adult population, but African-American-owned firms account for only 9.5 percent of classifiable firms, 1.3 percent of firms' gross receipts, and 2.1 percent of employees. These figures suggest that African American enterprises are closer to statistical parity in terms of firm numbers, and further from statistical parity in terms of gross receipts and paid employees.

²⁰ The number of firms here includes both employer and non-employer firms.

²¹ See Julia Beckhusen, "Employment Transitions among the Self-Employed during the Great Recession," (Working Paper no. 267, U.S. Census Bureau, Survey of Income and Program, Washington, D.C.); Robert W. Fairlie, "Entrepreneurship, Economic Conditions, and the Great Recession," *Journal of Economics & Management Strategy* 22 no. 2, (April 4, 2013), 207-231.; Roy A. Thurik, et al. "Does self-employment reduce unemployment?" *Journal of Business Venturing* 23 no. 6, (November 2008), 673-686.

²² These calculations are for illustrative purposes only and not a forecast by any means.

Figure 6: Percentage of Minority Adult Population, Number of Firms, and Gross Receipts by Minority Group, 2012



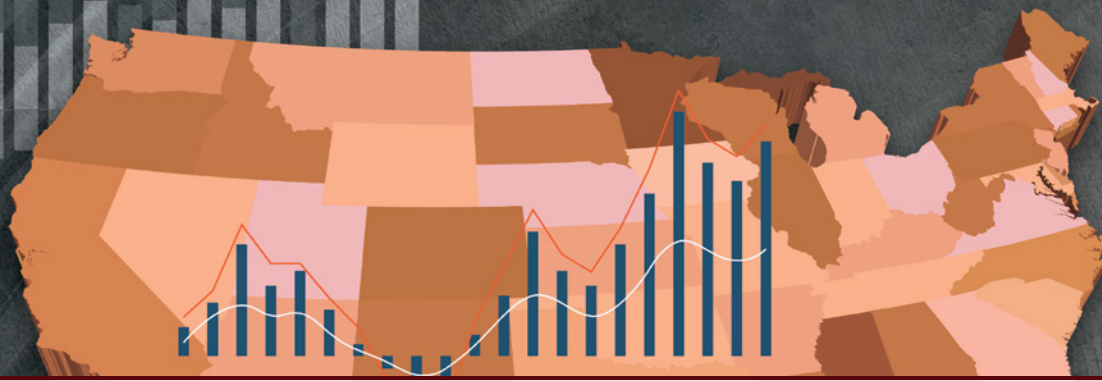
Sources: U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012; U.S. Census Bureau American Community Survey, 2012. Note: Data for number of firms and receipts are for employer and non-employer firms. Data for employment is for employer firms. Adult population refers to 18 years old and over.

By comparison, Hispanics comprise 13.1 percent of the adult population and Hispanic-owned firms account for 12.2 percent of the number of firms; yet these firms generate only 4.0 percent of gross receipts and employ 5.6 percent of paid employees.

The same pattern is revealed in data for American Indian & Alaska Natives and Native Hawaiian & Other Pacific Islander groups, who are nearly on par for number of firms, but less so in terms of gross receipts or paid employees.

Data on Asian firms, however, reveal a different pattern. Asian firms exceed statistical parity on every measure. Asian Americans represent 5.2 percent of the total adult population, compared to 7.1 percent of firms, 5.8 percent of gross receipts, and 9.4 percent of paid employees.

However, it is important to understand the impact of data aggregation when interpreting these findings. For example, while the aggregated group “Asian firms” exceeds statistical parity on every measure, there is disparity within the Asian American Pacific Islander (AAPI) designation across all categories (i.e. education, household income, language access, etc.). Further analysis using disaggregated data is necessary to better understand the nuances among AAPI sub-ethnic groups.



GEOGRAPHIC PICTURE

KEY FINDINGS

- Minority business enterprises can be found in all 50 states and the District of Columbia.
- Five states represented 59.1 percent of all U.S. MBEs and comprised 50.4 percent of the Nation's total minority population in 2012. In 2012 these five states were California (1,619,857), Texas (1,070,392), Florida (926,112), New York (709,021), and Georgia (371,588). This group of five states was unchanged from 2007.
- Data for the proportion of minority populations to the number of firms tend to be closely correlated at the state level.
- The analysis of *proportional gaps*—defined as the percentage-point gap between the minority share of the population and the minority share of the metric under examination—²³ shows that while data reveal that there is a clear relationship between state minority shares and state proportional gaps, the same pattern is not as strong when considering national shares.
- With respect to statistical parity ratios, only two states—Florida and Hawaii—reveal outcomes above the national average across all three metrics (i.e., number of firms, number of paid employees, and gross receipts).
- The data also reveal a great deal of variation at the state level regarding MBE performance growth in the number of firms and gross receipts between 2007 and 2012. Among the potential factors at play are differences in starting base levels (a purely numerical factor) as well as a potentially off-trend bias towards small, non-employer firms driven by limited employment opportunities in labor markets during the Great Recession of 2007-2009.
- Key questions that arise from the 2012 data include: to what degree does comparatively high growth in the number of non-employer MBE firms reflects intentional, voluntary entrepreneurial activity; and to what extent does that growth otherwise reflect labor force spillover from an underperforming labor market and from the resulting reduced job opportunities among some of the Nation's most economically vulnerable citizens?
- Lastly, combined statistical areas (CSAs) provide a complementary picture of the distribution of minority-owned firms across states, and allow a more nuanced understanding of the geographical concentration of minority populations and MBEs.
- In 2012, the five CSAs with the largest number of MBEs were Los Angeles-Long Beach, CA CSA; New York-Newark, NY-NJ-CT-PA CSA; Miami-Fort Lauderdale-Port St. Lucie, FL CSA; Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA; and Houston-The Woodlands, TX CSA. Together, these five regions contained nearly 3.2 million MBEs, accounting for 39.6 percent of all MBEs in the United States.

²³ For example, if the minority share of the population is 40 percent and the MBE share of the number of firms is 30 percent, the proportional gap is 33.3 percent.

ANALYSIS BY STATE

This section examines the distribution of MBEs across the United States. It includes data on sub-state regions known as *combined statistical areas* (CSAs)²⁴ that have the largest number of minority-owned firms. The CSA data provide a more nuanced picture of the concentration of minority firms by reporting smaller, sub-state statistical regions.

Minority business enterprises can be found in all 50 states and the District of Columbia. **Table 6** provides data on the five states with the largest number of MBEs in 2012: as was also true in 2007, these five states were California (1,619,857), Texas (1,070,392), Florida (926,112), New York (709,021), and Georgia (371,588).

These five states represented 59.1 percent of all U.S. MBEs and contain 50.4 percent of the Nation's total minority population. Both shares are slightly lower than they were in 2007, but each of the five states continued to contain minority shares above the national average in 2012 for the total population and MBE shares of total classifiable firms (**Table 7**).

As might be expected, data for the shares of minority populations and number of firms tend to be correlated at the state level.²⁵ That is, the greater the minority proportion of a state's population, the greater the MBE proportion of classifiable firms.

Of more interest is a measure of the *proportional gap*, defined as the percentage-point gap between the minority share of the population and the minority share of the metric under examination.²⁶ For example, if the minority share of the population is 40 percent and the MBE share of the number

of firms is 30 percent, the proportional gap is 33.3 percent. These proportional gaps are used only for comparative purposes.

Figure 7 plots the proportional gaps using state and national levels.

As might be expected, there is evidence of a clear relationship between the minority population and the proportional gap at the state level: that is, the higher the minority population, the lower the increase in the MBE share of all classifiable firms required to reach the corresponding minority population share (**Figure 7.i**). Moreover, almost all states reveal minority population shares higher than their respective MBE shares, with Florida as the only exception (with an MBE share of 44.7 percent and a population share of 43.2 percent).

The comparisons based on the national shares of the minority population in **Figure 7.ii** reveal two points of interest.

First, the relationship between minority shares and proportional gaps at the national level is not as evident as the relationship at the state level.

Second, states such as California, Texas, Florida, and New York—all with large national minority population shares—have negative proportional gap values, which means that their MBE shares are above their minority population shares at the national level. Furthermore, these states are outliers compared to the rest of the states, which can be seen by their comparative detachment from the clustered dots representing other states with low minority national representation and positive proportional gaps.

²⁴ Combined statistical areas (CSAs) are combinations of adjacent Metropolitan and/or Micropolitan Statistical Areas (MSAs) that retain their own designations as Metropolitan or Micropolitan Statistical Areas within the larger area.

²⁵ The correlation coefficient between the state level share of the minority population and the MBE share of classifiable firms is 0.97.

²⁶ Proportional Gap = $\frac{\text{Minority Population Share}}{\text{MBE Share of All Classifiable Firms}} - 1$

Table 6: Top Five States for Minority Firms by Minority Group, 2012

State Ranking	State	Number of Firms	Percentage of Firms in Minority Group
Total Minority			
1	California	1,619,857	20.4%
2	Texas	1,070,392	13.5%
3	Florida	926,112	11.6%
4	New York	709,021	8.9%
5	Georgia	371,588	4.7%
	Total	4,696,970	59.1%
African American			
1	Georgia	256,848	9.9%
2	Florida	251,216	9.7%
3	New York	219,036	8.5%
4	Texas	217,343	8.4%
5	California	177,302	6.9%
	Total	1,121,745	43.4%
American Indian & Alaska Native			
1	California	41,254	15.1%
2	Oklahoma	27,450	10.1%
3	Texas	22,192	8.1%
4	New York	13,243	4.9%
5	Florida	11,873	4.4%
	Total	116,012	42.5%
Asian			
1	California	604,870	31.5%
2	New York	243,105	12.7%
3	Texas	155,784	8.1%
4	New Jersey	81,898	4.3%
5	Florida	80,938	4.2%
	Total	1,166,595	60.8%
Hispanic			
1	California	815,304	24.7%
2	Texas	687,570	20.8%
3	Florida	604,128	18.3%
4	New York	266,624	8.1%
5	New Jersey	93,336	2.8%
	Total	2,466,962	74.6%
Native Hawaiian & Other Pacific Islander			
1	Hawaii	14,537	26.6%
2	California	14,446	26.4%
3	Florida	3,082	5.6%
4	New York	2,760	5.0%
5	Texas	2,220	4.1%
	Total	37,045	67.7%

Source: U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012. Note: These data include employer and non-employer firms. RSEs are in Appendix B (Table C). NB. The U.S. Census Bureau tabulates the data to show totals for all minority firms as well as values for each racial/ethnic group. These totals do not equal the sum of the component values for each racial/ethnic group because survey respondents can select more than one racial/ethnic category. According to Office of Management and Budget guidelines, each business owner/survey respondent can select more than one race; therefore, businesses can be tabulated in more than one race group, and owners reporting more than one race may be counted more than once in this report.

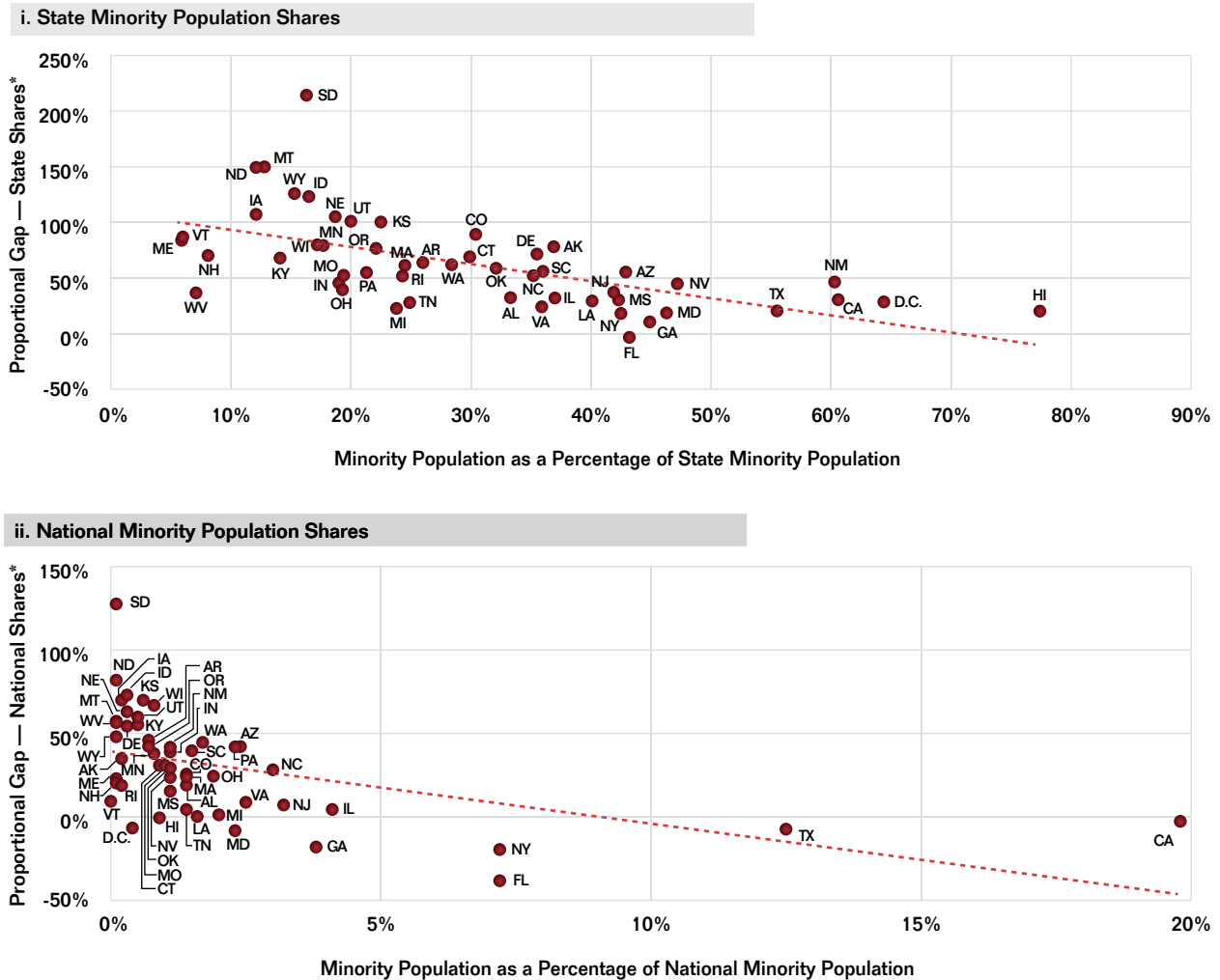
Table 7: Share of Minority Firms and Minority Population by State, 2012*

State	Minority Firms	Minority Firms as a Percentage of All State Classifiable Firms	Minority Population	Minority Population as a Percentage of State Population
CALIFORNIA	1,619,857	46.4%	23,037,574	60.6%
TEXAS	1,070,392	46.1%	14,477,613	55.5%
FLORIDA	926,112	44.7%	8,355,602	43.2%
NEW YORK	709,021	36.0%	8,327,580	42.5%
GEORGIA	371,588	40.6%	4,447,430	44.9%
ILLINOIS	311,684	28.0%	4,756,738	37.0%
NEW JERSEY	237,242	30.5%	3,714,665	41.9%
MARYLAND	203,394	39.0%	2,724,354	46.3%
VIRGINIA	185,043	28.9%	2,939,633	35.9%
NORTH CAROLINA	183,380	23.2%	3,434,982	35.2%
MICHIGAN	158,946	19.4%	2,350,254	23.8%
ARIZONA	135,313	27.6%	2,810,467	42.9%
PENNSYLVANIA	131,512	13.8%	2,726,653	21.3%
LOUISIANA	126,100	31.0%	1,846,814	40.1%
OHIO	122,653	13.8%	2,230,233	19.3%
TENNESSEE	105,234	19.4%	1,605,027	24.9%
WASHINGTON	92,807	17.6%	1,960,569	28.4%
ALABAMA	92,219	25.2%	1,603,558	33.3%
MASSACHUSETTS	89,967	15.2%	1,629,744	24.5%
COLORADO	85,849	16.0%	1,575,615	30.4%
SOUTH CAROLINA	83,233	23.1%	1,697,673	36.0%
MISSISSIPPI	74,824	32.4%	1,262,023	42.3%
HAWAII	74,208	64.4%	1,077,557	77.4%
NEVADA	71,864	32.6%	1,297,843	47.2%
OKLAHOMA	64,875	20.2%	1,225,863	32.1%
INDIANA	61,252	13.1%	1,243,440	19.0%
MISSOURI	61,035	12.7%	1,167,391	19.4%
NEW MEXICO	60,622	41.1%	1,255,578	60.3%
CONNECTICUT	56,113	17.7%	1,072,979	29.9%
MINNESOTA	47,302	9.9%	953,450	17.7%
OREGON	41,456	12.5%	861,757	22.1%
WISCONSIN	40,507	9.6%	987,243	17.2%
ARKANSAS	35,982	15.9%	767,225	26.0%
DISTRICT OF COLUMBIA	29,983	50.1%	408,998	64.4%
KENTUCKY	27,258	8.4%	618,115	14.1%
KANSAS	26,127	11.2%	648,612	22.5%
UTAH	24,423	9.9%	570,399	20.0%
RHODE ISLAND	14,737	16.0%	255,736	24.3%
IOWA	14,707	5.8%	371,766	12.1%
NEBRASKA	14,571	9.1%	347,032	18.7%
DELAWARE	14,440	20.7%	325,714	35.5%
ALASKA	13,688	20.7%	269,928	36.9%
IDAHO	10,592	7.4%	263,158	16.5%
NEW HAMPSHIRE	6,111	4.8%	107,410	8.1%
WEST VIRGINIA	5,777	5.2%	132,137	7.1%
MONTANA	5,578	5.1%	128,222	12.8%
MAINE	4,339	3.2%	77,923	5.9%
SOUTH DAKOTA	4,101	5.2%	136,412	16.3%
WYOMING	4,077	6.8%	88,194	15.3%
NORTH DAKOTA	3,190	4.8%	84,784	12.1%
VERMONT	2,354	3.2%	37,603	6.0%
USA	7,952,386	29.3%	116,297,270	37.0%

*Ranked by Number of Minority Firms.

Sources: U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012; U.S. Census Bureau American Community Survey, 2012. Note: These firm data include employer and non-employer firms; the population data refers to all ages. RSEs are in Appendix B (Table D). NB: According to the U.S. Census Bureau, "Firms with more than one domestic establishment are counted in each industry and geographic area in which they operate, but only once in the total for all sectors and the totals at the national and state levels." Therefore, the sum of minority firms at the state level may exceed the total value for minority firms at the national level.

Figure 7: Proportional Gaps at the State and National Level, 2012



*Proportional Gap is the percentage growth needed for the MBE share of all classifiable firms to catch up with the corresponding minority population share.

Sources: Derived from U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012; U.S. Census Bureau American Community Survey, 2012. Note: Data for number of firms and receipts are for employer and non-employer firms. Data for employment is for employer firms

Table 8 reports the number of MBEs by state and minority group.

Minority groups tend to be geographically concentrated in different regions of the country. Excluding the large states that have relatively large numbers of each minority group (California, Florida, New York, and Texas), several regions stand out.

As might be expected, Native Hawaiian & Other Pacific Islanders tend to be concentrated in Hawaii and the Northwest region. However, by comparison, Hispanics are more evenly distributed in relative terms across states, including significant populations in the Midwest. Areas with larger American Indian & Alaska Native populations include Oklahoma, North Carolina, Arizona, Michigan, New Mexico, and Alaska. For African Americans, the most populated

Table 8: Number of Minority Firms, by State and Minority Group, 2012

State	Total Minority	African American	American Indian & Alaska Native	Asian	Hispanic	Native Hawaiian & Other Pacific Islander
ALABAMA	92,219	73,015	3,895	9,353	6,725	211
ALASKA	13,688	1,281	7,489	3,033	2,091	247
ARIZONA	135,313	15,341	10,946	22,088	89,383	1,026
ARKANSAS	35,982	20,556	3,069	4,753	7,982	153
CALIFORNIA	1,619,857	177,302	41,254	604,870	815,304	14,446
COLORADO	85,849	12,286	5,904	18,629	51,141	769
CONNECTICUT	56,113	17,720	1,665	13,799	23,996	272
DELAWARE	14,440	7,767	297	3,854	2,722	70
DISTRICT OF COLUMBIA	29,983	22,097	455	3,974	4,169	57
FLORIDA	926,112	251,216	11,873	80,938	604,128	3,082
GEORGIA	371,588	256,848	6,079	56,856	56,339	702
HAWAII	74,208	1,460	1,497	60,967	5,544	14,537
IDAHO	10,592	571	1,486	2,354	6,265	183
ILLINOIS	311,684	144,780	5,616	72,665	92,231	871
INDIANA	61,252	34,036	2,436	12,192	13,559	219
IOWA	14,707	4,918	1,057	4,310	4,695	101
KANSAS	26,127	7,198	2,465	6,464	10,076	151
KENTUCKY	27,258	13,548	1,572	7,019	5,236	255
LOUISIANA	126,100	94,450	3,577	14,459	14,829	238
MAINE	4,339	916	1,033	1,621	906	43
MARYLAND	203,394	124,729	3,508	41,634	37,319	600
MASSACHUSETTS	89,967	23,108	2,818	33,875	30,022	365
MICHIGAN	158,946	106,457	8,284	26,672	19,890	457
MINNESOTA	47,302	19,889	4,118	15,486	8,781	328
MISSISSIPPI	74,824	65,295	1,218	5,447	3,334	101
MISSOURI	61,035	36,230	3,674	13,022	8,802	304
MONTANA	5,578	258	2,987	947	1,487	104
NEBRASKA	14,571	4,558	989	3,189	6,048	55
NEVADA	71,864	15,430	2,310	21,717	33,678	1,072
NEW HAMPSHIRE	6,111	816	757	2,749	1,913	96
NEW JERSEY	237,242	63,686	3,503	81,898	93,336	892
NEW MEXICO	60,622	2,096	8,738	4,312	46,477	152
NEW YORK	709,021	219,036	13,243	243,105	266,624	2,760
NORTH CAROLINA	183,380	112,892	11,669	27,112	34,894	724
NORTH DAKOTA	3,190	493	1,511	678	576	19
OHIO	122,653	81,244	4,601	21,679	16,012	468
OKLAHOMA	64,875	13,935	27,450	9,643	14,632	277
OREGON	41,456	5,076	4,770	16,173	15,437	1,028
PENNSYLVANIA	131,512	56,748	3,833	39,602	34,808	513
RHODE ISLAND	14,737	3,364	673	2,937	8,439	62
SOUTH CAROLINA	83,233	61,943	2,357	9,492	10,265	191
SOUTH DAKOTA	4,101	528	2,017	790	830	11
TENNESSEE	105,234	73,688	3,947	14,364	13,743	276
TEXAS	1,070,392	217,343	22,192	155,784	687,570	2,220
UTAH	24,423	1,808	1,590	6,286	13,735	1,332
VERMONT	2,354	391	425	870	684	13
VIRGINIA	185,043	80,124	4,382	58,390	43,856	606
WASHINGTON	92,807	14,828	7,373	46,054	24,440	1,840
WEST VIRGINIA	5,777	2,275	646	1,988	943	42
WISCONSIN	40,507	19,339	3,115	9,848	8,830	155
WYOMING	4,077	350	720	802	2,471	85
USA	7,952,386	2,584,403	272,919	1,917,902	3,305,873	54,749

Source: U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012. Note: These data include employer and non-employer firms. RSEs are in Appendix B (Table E). NB: According to the U.S. Census Bureau, "Firms with more than one domestic establishment are counted in each industry and geographic area in which they operate, but only once in the total for all sectors and the totals at the national and state levels." Also note that the U.S. Census Bureau tabulates the data to show totals for all minority firms, as well as values for each racial/ethnic group. These totals, however, do not equal the sum of the values for each racial/ethnic group because survey reporters can select more than one racial/ethnic category. Therefore, the sum of minority group values and state values may exceed the values for Total Minority at the state and national levels.

states include Georgia, Illinois, Maryland, Michigan, North Carolina, and Louisiana.

Table 9 reports the actual-to-parity ratios by state for the number of firms, gross receipts, and paid employees. These data suggest that there is considerable variation in the gap between actual and parity levels across states. For example, the average actual-to-parity ratio for the number of firms is 86.0 percent for the entire U.S., but at the state level this value ranges from 39.6 percent (South Dakota) to 111.7 percent (Florida). For data on gross receipts, the U.S. average actual-to-parity ratio is 33.9 percent, while at the state level the value ranges from 13.8 percent (Mississippi) to 80.2 percent (Washington). For data on the number of paid employees, the U.S. average is 37.6 percent, and at the state level ranges from 17.9 percent (Mississippi) to 69.5 percent (Hawaii).

Once again, the figures above speak to variation in firm size between minority and nonminority groups. For example, in Florida, the ratio of the number of minority firms to the minority population exceeds that of the nonminority population, while ratios for gross-receipts by firm and number of paid employees are less than half those of the nonminority populations. The variation between these metrics suggests, for example, a relatively large number of small MBEs in Florida compared to the distribution of firm size in the nonminority population.

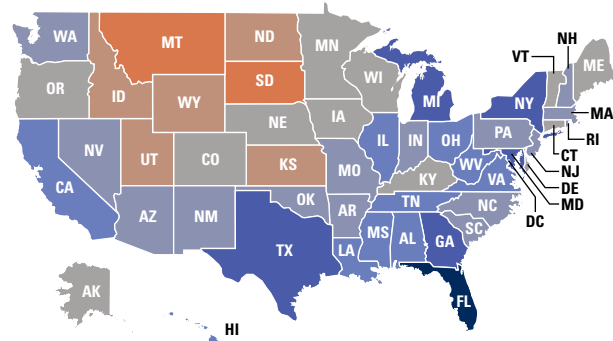
Only two states (Florida and Hawaii) exhibited actual-to-parity ratios above the national average across all three metrics.

To aid with visualization, in Figure 8 the actual-to-parity ratios evident in 2012 are presented in color coded maps of the United States. The three maps provide a comparative snapshot of the different levels of MBE statistical parity across states in number of firms, gross receipts, and number of paid employees.

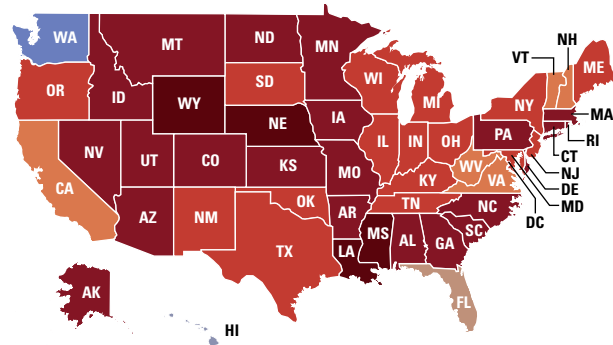
These charts reinforce the notion that data for number of firms, while a necessary component of an assessment of minority business enterprise statistical parity, can be potentially misleading when used outside of the context of complementary data like that for gross receipts and number of employees—both of which indicate that, overall, minority firms lag significantly behind that of nonminority firms.

Figure 8: Actual-to-Parity Ratios, U.S. Map by State, 2012

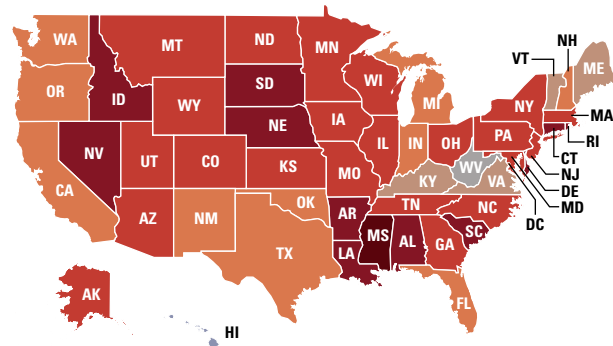
i. Number of Minority Firms



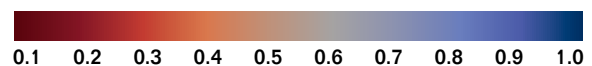
ii. Gross Receipts



iii. Paid Employees



Parity Ratio



Sources: Derived from U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012; U.S. Census Bureau American Community Survey PUMS, 2012. Note: Data for number of firms and receipts are for employer and non-employer firms. Data for employment is for employer firms.

Table 9: Actual-to-Parity Ratios by State, 2012

State	Number of Minority Firms	Gross Receipts	Paid Employees
ALABAMA	81.1%	22.7%	24.2%
ALASKA	62.8%	20.5%	32.5%
ARIZONA	73.1%	26.2%	29.9%
ARKANSAS	68.7%	22.4%	24.9%
CALIFORNIA	81.8%	41.0%	45.3%
COLORADO	59.8%	25.7%	32.4%
CONNECTICUT	65.4%	20.1%	26.6%
DELAWARE	64.5%	21.8%	26.8%
DISTRICT OF COLUMBIA	81.5%	35.8%	47.1%
FLORIDA	111.7%	51.6%	42.5%
GEORGIA	96.8%	26.8%	31.1%
HAWAII	86.3%	72.8%	69.5%
IDAHO	52.4%	21.7%	25.7%
ILLINOIS	82.6%	28.6%	33.5%
INDIANA	78.5%	30.8%	38.1%
IOWA	59.9%	23.5%	34.6%
KANSAS	57.7%	22.8%	34.6%
KENTUCKY	67.4%	34.7%	51.8%
LOUISIANA	82.1%	17.6%	23.5%
MAINE	67.1%	28.1%	52.8%
MARYLAND	89.2%	31.3%	37.8%
MASSACHUSETTS	68.1%	26.0%	35.1%
MICHIGAN	90.2%	31.2%	38.3%
MINNESOTA	67.7%	21.6%	35.5%
MISSISSIPPI	81.8%	13.8%	17.9%
MISSOURI	72.8%	22.6%	35.1%
MONTANA	47.0%	22.1%	31.9%
NEBRASKA	59.0%	16.4%	21.7%
NEVADA	76.4%	27.4%	27.0%
NEW HAMPSHIRE	69.1%	42.0%	47.5%
NEW JERSEY	77.0%	36.8%	36.3%
NEW MEXICO	73.8%	32.8%	39.5%
NEW YORK	88.7%	29.1%	33.1%
NORTH CAROLINA	71.7%	21.2%	28.7%
NORTH DAKOTA	48.9%	22.7%	37.9%
OHIO	79.9%	31.3%	36.2%
OKLAHOMA	71.9%	30.8%	39.3%
OREGON	66.5%	35.5%	47.5%
PENNSYLVANIA	72.5%	26.8%	30.2%
RHODE ISLAND	75.2%	19.6%	24.6%
SOUTH CAROLINA	68.8%	21.5%	24.7%
SOUTH DAKOTA	39.6%	30.2%	19.6%
TENNESSEE	86.1%	29.0%	31.7%
TEXAS	89.6%	31.2%	41.8%
UTAH	55.1%	21.7%	28.1%
VERMONT	61.7%	40.7%	49.8%
VIRGINIA	85.9%	41.2%	49.3%
WASHINGTON	70.4%	80.2%	41.6%
WEST VIRGINIA	81.2%	43.2%	61.1%
WISCONSIN	67.2%	28.7%	31.9%
WYOMING	51.1%	14.4%	30.7%
USA	86.0%	33.9%	37.6%

Sources: Derived from U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012; U.S. Census Bureau American Community Survey PUMS, 2012. Note: Data for number of firms and receipts are for employer and non-employer firms. Data for employment is for employer firms.

GROWTH IN NUMBER OF FIRMS AND GROSS RECEIPTS

As previously noted (Figure 1), from 2007 to 2012 the nationwide increase in the number of MBEs (38.1 percent increase) outpaced that of non-MBEs (6.4 percent decline). Such a relatively rapid increase in the number of firms during a period of historically significant economic turmoil seems incongruous. This period includes the Great Recession of 2007-2009 and the most difficult years of the long economic recovery that followed. Hence, given that MBEs are relatively oversampled in non-employer firms, it is likely that growth in MBE numbers in this period disproportionately reflects spillover from labor markets as high unemployment rates persisted. This is potentially a direct effect of labor-shedding associated with declining nonminority business numbers.

Indeed, between 2007 and 2012, the number of non-employer MBEs grew from 4.99 to 7.04 million firms; whereas during the same period, the number of employer MBEs grew from 766,533 to 908,800 firms.

The data also reveal significant variation at the state level. **Table 10** reports state-level data for the percentage increase in the number of MBEs, MBE gross receipts, and minority population between 2007 and 2012. Statistically, Iowa and North Dakota stand-out among the states as exhibiting larger percentage increases across all three measures.

The five states with the highest growth rates in the number of minority firms were Iowa (80.9 percent), North Dakota (79.9 percent), Nebraska (65.3 percent), Mississippi (59.9 percent), and Arizona (58.8 percent). Mississippi and Arizona each had an above-average number of MBE firms and minority share of population.

The five states with the highest growth rates in MBE gross receipts were South Dakota (126.6 percent), North Dakota (122.0 percent), Washington (109.7 percent), Iowa (98.7 percent), and Arkansas (91.8 percent).

We suggest some caution in interpreting these data. Many of these states have small minority populations and are starting from low base levels. The natural statistical variation around comparatively small numbers limit the power of such high-level observations.

With respect to comparisons of firm numbers across states, underlying growth rates in populations should be taken into account. The five states with the highest growth rates in the minority population were Wyoming (33.1 percent), Iowa (32.9 percent), North Dakota (31.8 percent), Maine (30.3 percent), and Minnesota (28.5 percent).

Some of the states with the highest MBE firm growth were also among those with lower minority population growth. For instance, Mississippi and Arizona each had relatively high MBE growth (59.9 and 58.8 percent, respectively); yet, were among the states with the lowest minority population growth rates (5.2 and 8.3 percent, respectively). These figures suggest that a relatively large number of minority entrepreneurs already living in those states turned to entrepreneurship, as opposed to new businesses opened by new minority entrepreneurs in the state. This sort of deeper-level insight is often more informative than raw growth rates and provides better context for assessing the minority entrepreneurial experience across the United States.

In addition, most states experienced lower percentage changes in MBE gross receipts than in number of MBE firms, suggesting that these states displayed a decline in average revenue performance per minority firm.²⁷

²⁷ Only 21 out of 50 states had higher percentage changes in MBE gross receipts than in the number of MBE firms: In alphabetical order, these were Alabama, Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Massachusetts, New Jersey, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Virginia, Washington, West Virginia, and Wisconsin.

Table 10: Percent-Change in the Number of Minority Firms, Gross Receipts, and Minority Population, 2007-2012

State	Number of Minority Firms	Gross Receipts	Paid Employees
ALABAMA	30.7%	72.5%	10.4%
ALASKA	16.5%	16.3%	16.5%
ARIZONA	58.8%	26.4%	8.3%
ARKANSAS	52.2%	91.8%	12.7%
CALIFORNIA	32.7%	23.9%	10.1%
COLORADO	43.9%	14.9%	13.1%
CONNECTICUT	40.9%	27.8%	19.5%
DELAWARE	27.2%	14.9%	20.5%
DISTRICT OF COLUMBIA	33.2%	19.7%	3.1%
FLORIDA	36.2%	26.2%	16.8%
GEORGIA	41.1%	26.9%	12.3%
HAWAII	8.3%	3.6%	11.5%
IDAHO	55.4%	18.5%	21.8%
ILLINOIS	39.8%	43.2%	5.7%
INDIANA	50.5%	55.9%	19.0%
IOWA	80.9%	98.7%	32.9%
KANSAS	43.2%	46.5%	21.0%
KENTUCKY	34.8%	48.0%	21.4%
LOUISIANA	51.4%	37.3%	14.0%
MAINE	27.9%	23.3%	30.3%
MARYLAND	23.9%	29.1%	15.6%
MASSACHUSETTS	38.4%	55.3%	24.6%
MICHIGAN	45.9%	35.0%	4.0%
MINNESOTA	52.2%	41.5%	28.5%
MISSISSIPPI	59.9%	33.0%	5.2%
MISSOURI	42.8%	11.3%	12.3%
MONTANA	30.1%	18.1%	13.6%
NEBRASKA	65.3%	49.5%	26.6%
NEVADA	57.8%	39.6%	20.3%
NEW HAMPSHIRE	26.3%	25.0%	22.9%
NEW JERSEY	30.0%	41.0%	13.0%
NEW MEXICO	23.8%	9.6%	10.5%
NEW YORK	31.9%	25.4%	8.7%
NORTH CAROLINA	39.2%	29.0%	16.8%
NORTH DAKOTA	79.9%	122.0%	31.8%
OHIO	48.9%	62.1%	12.4%
OKLAHOMA	44.4%	50.0%	20.3%
OREGON	30.9%	56.8%	17.8%
PENNSYLVANIA	36.7%	29.7%	20.4%
RHODE ISLAND	50.0%	35.0%	16.8%
SOUTH CAROLINA	44.6%	37.9%	10.9%
SOUTH DAKOTA	42.3%	126.6%	26.2%
TENNESSEE	54.3%	59.5%	14.5%
TEXAS	48.0%	49.3%	16.2%
UTAH	52.2%	29.5%	21.9%
VERMONT	31.2%	9.9%	28.4%
VIRGINIA	33.8%	46.9%	16.4%
WASHINGTON	29.9%	109.7%	26.6%
WEST VIRGINIA	30.3%	37.9%	14.6%
WISCONSIN	55.6%	63.2%	20.7%
WYOMING	53.6%	35.8%	33.1%
USA	38.1%	34.7%	13.3%

Sources: U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2007, 2012; U.S. Census Bureau American Community Survey, 2007, 2012.
Note: These data include employer and non-employer firms.

COMBINED STATISTICAL AREAS

Combined statistical areas (CSAs) provide a complementary picture of the distribution of minority-owned firms across states. This more disaggregated data comes with pros and cons: on the one hand, their tighter geographical focus potentially allows for a more nuanced, localized interpretation of the geographical concentration of minority populations and MBEs;²⁸ on the other hand, at very low levels of disaggregation, the relatively small numbers of observations within CSAs can result in misleading statistical variations.

In 2012, the five CSAs with the largest number of MBEs were Los Angeles-Long Beach, CA CSA; New York-Newark, NY-NJ-CT-PA CSA; Miami-Fort Lauderdale-Port St. Lucie, FL CSA; Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA; and Houston-The Woodlands, TX CSA. Together, these five regions contained nearly 3.2 million MBEs, accounting for 39.6 percent of all MBEs in the United States (**Table 11**).

The data also suggest that:

- Hispanic and Asian firms are the most geographically clustered among all minority groups. Nearly 49 percent of all Hispanic firms and nearly 52 percent of all Asian firms were clustered in five CSAs.
- Native Hawaiian & Other Pacific Islander firms are mostly concentrated in Hawaii and the West Coast; 44.3 percent of these firms are in five CSAs.
- American Indian & Alaska Native firms are the least geographically concentrated. Just 22.0 percent of these firms are in five CSAs, ranging from the West Coast to the East Coast, and including the Midwest and Southern regions.

- African American firms are less geographically concentrated than other minority cohorts. Approximately 34 percent of these firms are in five CSAs: New York-Newark, NY-NJ-CT-PA CSA; Atlanta-Athens-Clarke County-Sandy Springs, GA CSA; Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA; Chicago-Naperville, IL-IN-WI CSA; and Miami-Fort Lauderdale-Port St. Lucie, FL CSA.

Between 2007 and 2012, the data reveal a slight decrease in the geographical concentration of MBEs. The top five regions represented 40.7 percent of all MBEs in 2007 and 39.6 percent in 2012. The decrease in geographical concentration occurred across all minority groups.

There was some relative redistribution of regional concentration in the data as well. For instance, in 2012, the San Jose-San Francisco-Oakland, CA CSA dropped out of the top five CSAs, and Houston-The Woodlands, TX CSA entered the top five.

Turning to within-group variation, we also see some comparative differences.

The top five CSAs for African American MBEs did not change (except in ranking order) and overall African American MBEs became less geographically concentrated: from 37.4 percent of all African American MBEs in 2007, down to 34.4 percent in 2012.

Looking at American Indian & Alaska Native MBEs, their geographical dispersion became more pronounced, with the Dallas-Fort Worth, TX CSA joining the top five CSAs for the first time for this MBE subgroup.

The top five CSAs for Hispanic MBEs remained the same but accounted for a smaller share of Hispanic MBEs. These top five CSAs represented 63.5 percent of Hispanic MBEs in 2007 and just 48.9 percent in 2012.

²⁸ Miami-Fort Lauderdale-Pompano Beach, FL, and Honolulu, HI, are MSAs and not CSAs. Due to the number of firms in these MSAs, we can assume that they would not have been ranked at or near the top of the CSAs, based on aggregation.

Table 11: Top Five Combined Statistical Areas (CSAs) for Minority Firm Concentration, 2012

CSA Ranking	CSA	Number of Firms	Percentage of Firms in Minority Group
Total Minority			
1	Los Angeles-Long Beach, CA CSA	985,586	12.4%
2	New York-Newark, NY-NJ-CT-PA CSA	925,931	11.6%
3	Miami-Fort Lauderdale-Port St. Lucie, FL CSA	580,073	7.3%
4	Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA	332,137	4.2%
5	Houston-The Woodlands, TX CSA	328,330	4.1%
	Total	3,152,057	39.6%
African American			
1	New York-Newark, NY-NJ-CT-PA CSA	268,287	10.4%
2	Atlanta-Athens-Clarke County-Sandy Springs, GA CSA	183,249	7.1%
3	Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA	169,406	6.6%
4	Chicago-Naperville, IL-IN-WI CSA	136,437	5.3%
5	Miami-Fort Lauderdale-Port St. Lucie, FL CSA	131,165	5.1%
	Total	888,544	34.4%
American Indian & Alaska Native			
1	Los Angeles-Long Beach, CA CSA	19,634	7.2%
2	New York-Newark, NY-NJ-CT-PA CSA	14,688	5.4%
3	Tulsa-Muskogee-Bartlesville, OK CSA	9,985	3.7%
4	San Jose-San Francisco-Oakland, CA CSA	7,947	2.9%
5	Dallas-Fort Worth, TX-OK CSA	7,788	2.9%
	Total	60,042	22.0%
Asian			
1	Los Angeles-Long Beach, CA CSA	333,578	17.4%
2	New York-Newark, NY-NJ-CT-PA CSA	314,530	16.4%
3	San Jose-San Francisco-Oakland, CA CSA	184,260	9.6%
4	Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA	87,533	4.6%
5	Chicago-Naperville, IL-IN-WI CSA	68,791	3.6%
	Total	988,692	51.6%
Hispanic			
1	Los Angeles-Long Beach, CA CSA	531,667	16.1%
2	Miami-Fort Lauderdale-Port St. Lucie, FL CSA	430,276	13.0%
3	New York-Newark, NY-NJ-CT-PA CSA	365,712	11.1%
4	Houston-The Woodlands, TX CSA	167,819	5.1%
5	Dallas-Fort Worth, TX-OK CSA	120,220	3.6%
	Total	1,615,694	48.9%
Native Hawaiian & Other Pacific Islander			
1	Urban Honolulu, HI Metro Area	8,487	15.5%
2	Los Angeles-Long Beach, CA CSA	6,300	11.5%
3	San Jose-San Francisco-Oakland, CA CSA	4,348	7.9%
4	New York-Newark, NY-NJ-CT-PA CSA	3,591	6.6%
5	Seattle-Tacoma, WA CSA	1,503	2.7%
	Total	24,229	44.3%

Source: U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012. Note: These data include employer and non-employer firms. RSEs are available in Appendix B (Table F). NB: According to the U.S. Census Bureau, "Firms with more than one domestic establishment are counted in each industry and geographic area in which they operate, but only once in the total for all sectors and the totals at the national and state levels." Also note that the U.S. Census Bureau tabulates the data to show totals for all minority firms, as well as values for each racial/ethnic group. These totals, however, do not equal the sum of the values for each racial/ethnic group because survey reporters can select more than one racial/ethnic category. Therefore, the sum of minority group values may exceed the total value for Total Minority.



INDUSTRY PICTURE

KEY FINDINGS

- The distribution of minority and nonminority firms—that is, their comparative industry concentration—varies markedly between industries, with MBEs clustered around a smaller number of industry groups.
- MBEs are relatively clustered in the following (NAICS 2-digit) industry sectors: *Other Services (except Public Administration)*; *Health Care and Social Assistance*; *Administrative and Support and Waste Management and Remediation Services*; *Transportation and Warehousing*; and *Accommodation and Food Services*.
- In comparison, the number of nonminority firms by industry as a share of total nonminority firms is more concentrated in other sectors such as *Professional, Scientific, and Technical Services*; *Real Estate Rental and Leasing*; and *Finance and Insurance*.
- From 2007 to 2012, the degree of industry concentration of MBE firms increased: the five industries containing the largest numbers of minority firms in 2012 accounted for 64 percent of MBEs compared with 60.1 percent in 2007. The data also reveal that increasing industry concentration occurred within each minority subgroup.

Minority firms are an important and integral part of the industrial structure of the U.S. economy, participating in a wide range of economic activities. Data from the *2012 Survey of Business Owners* show that minority firms are represented in all 19 classifiable industry sectors (i.e., excluding *Public Administration*)²⁹ designated by the North American Industry Classification System (NAICS) at the 2-digit level of aggregation.³⁰ **Table 12** reports the number of firms in 2012 by NAICS 2-digit industry sector and minority group, showing minority firm participation in all categories.

Nevertheless, the distribution of minority and nonminority firms—i.e., their comparative industry concentration—varies markedly between industries. **Figure 9** charts the comparative distribution of minority and nonminority firms by industry in 2012, with industries sorted in descending order by the share of total minority business enterprises in each industry. The three industries containing the largest number of minority firms in 2012 were *Other Services (except Public Administration)* (20.1 percent of all MBEs),³¹ *Health Care and Social Assistance* (13.2 percent), and *Administrative and Support and Waste Management and Remediation Services* (11.6 percent). These three industries account for nearly half (44.9 percent) of the total number of minority firms in the entire United States economy.

The three industries for which the number of nonminority firms was largest in 2012 were *Professional, Scientific, and Technical Services* (representing 16.1 percent of all nonminority firms), *Construction* (11.6 percent), and *Real Estate Rental and Leasing* (11.3 percent). These three industries account for 39.0 percent of the total number of nonminority firms.

One implication of these comparative shares is that minority firms are more concentrated in a small number of industries.

Industries for which the share of MBEs is more predominant than the share of nonminority firms were *Other Services (except Public Administration)*, *Health Care and Social Assistance*,

Administrative and Support and Waste Management and Remediation Services, *Transportation and Warehousing*, and *Accommodation and Food Services*.

Comparatively, industry groups in which the number of nonminority firms as share of total nonminority firms is more pronounced are *Professional, Scientific, and Technical Services*; *Real Estate Rental and Leasing*; and *Finance and Insurance*. For example, *Professional, Scientific, and Technical Services* contains 9.9 percent of total MBE firms and 16.1 percent of non-MBEs firms. Similarly, *Real Estate Rental and Leasing* contains 4.8 percent of total MBE firms and 11.3 percent of non-MBE firms.

Table 13 provides a summary of the data, listing for each minority group and the total minority cohort the top five industries by number of firms in 2012. The data reveal that approximately 64 percent of MBEs were concentrated in five of the 19 NAICS 2-digit industries, although industry concentration varied significantly across minority groups. For example:

- African American-owned firms were most concentrated in *Other Services (except Public Administration)* (25.1 percent), *Health Care and Social Assistance* (19.1 percent), *Administrative and Support and Waste Management and Remediation Services* (11.4 percent), *Professional, Scientific, and Technical Services* (8.0 percent), and *Transportation and Warehousing* (7.1 percent).
- The largest numbers of American Indian & Alaska Native-owned firms were found in *Other Services (except Public Administration)* (16.0 percent), *Construction* (13.2 percent), *Professional, Scientific, and Technical Services* (11.3 percent), *Administrative and Support and Waste Management and Remediation Services* (10.7 percent), and *Health Care and Social Assistance* (10.7 percent).

²⁹ Public Administration is not classified either as a minority or nonminority sector.

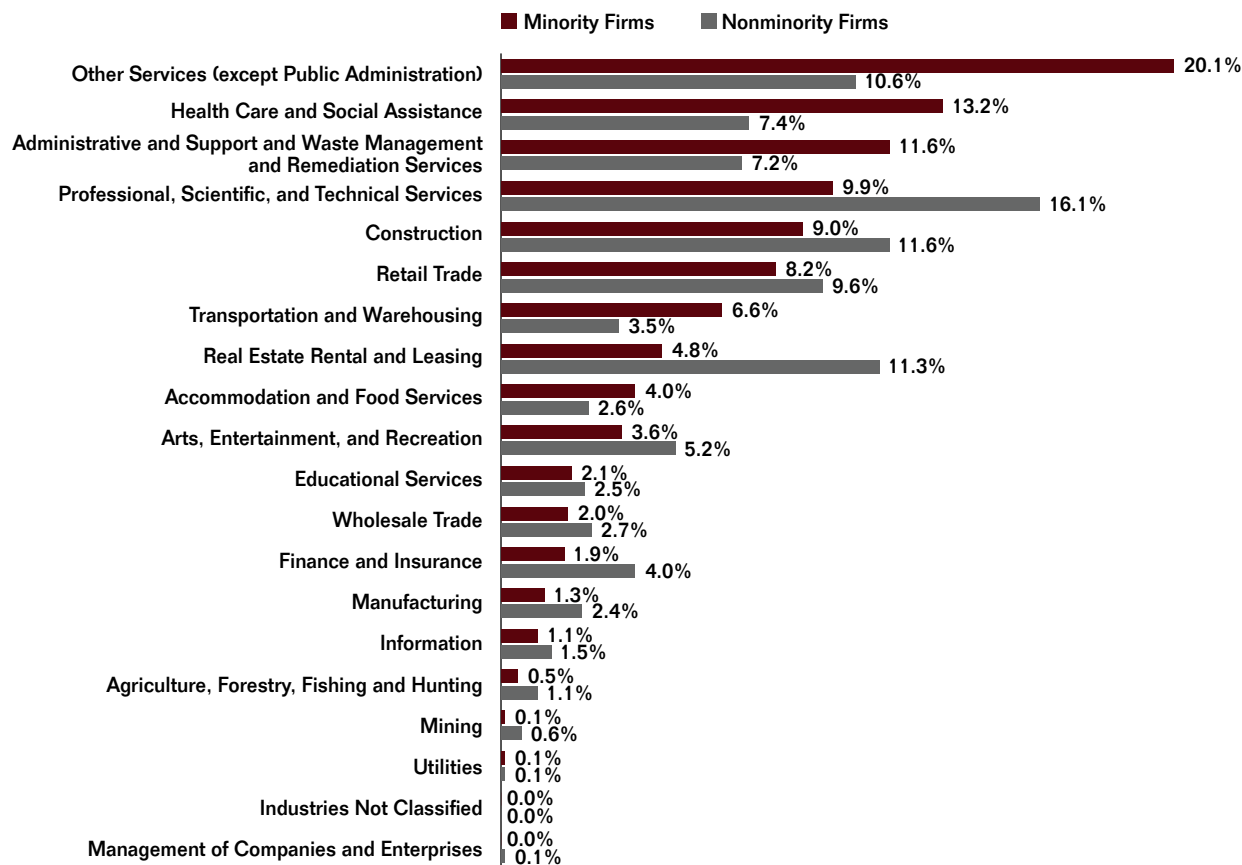
³⁰ "The North American Industry Classification System (NAICS) is a 2- through 6-digit hierarchical classification system, offering five levels of detail. Each digit in the code is part of a series of progressively narrower categories, and the more digits in the code signify greater classification detail. The first two digits designate the economic sector, the third digit designates the subsector, the fourth digit designates the industry group, the fifth digit designates the NAICS industry, and the sixth digit designates the national industry. The 5-digit NAICS code is the level at which there is comparability in code and definitions for most of the NAICS sectors across the three countries participating in NAICS (the United States, Canada, and Mexico). The 6-digit level allows for the United States, Canada, and Mexico each to have country-specific detail. A complete and valid NAICS code contains six digits." Source: U.S. Census Bureau, available at <https://www.census.gov/eos/www/naics/faqs/faqs.html>.

³¹ The category "Other Services" includes establishments not provided for elsewhere in the classification system that are engaged in activities such as equipment and machinery repair, promoting religious activities, grant-making, advocacy, providing dry-cleaning and laundry services, personal care services, and dating services. "Other services" does not include Public Administration.

- Asian American-owned firms were more concentrated in *Other Services (except Public Administration)* (20.1 percent), *Professional, Scientific, and Technical Services* (14.4 percent), *Retail Trade* (11.4 percent), *Health Care and Social Assistance* (10.6 percent), and *Accommodation and Food Services* (8.2 percent). Asian American-owned firms were the only minority group for which *Retail Trade* and *Accommodation and Food Services* appears in the top five industries.
- Hispanic-owned firms were most concentrated in *Other Services (except Public Administration)* (16.7 percent), *Administrative and Support and Waste Management and Remediation Services* (16.0 percent), *Construction* (14.4 percent), *Health Care and Social Assistance* (10.5 percent), and *Professional, Scientific, and Technical Services* (8.4 percent). Hispanic firms had the largest concentration in *Construction*.
- For Native Hawaiian & Other Pacific Islander-owned firms, the five industries containing the largest numbers of firms were *Other Services (except Public Administration)* (15.8 percent), *Health Care and Social Assistance* (12.1 percent), *Administrative and Support and Waste Management and Remediation Services* (11.8 percent), *Professional, Scientific, and Technical Services* (11.5 percent), and *Construction* (10.1 percent).

From 2007 to 2012, the degree of industry concentration slightly increased for MBE firms: the five industries containing the largest numbers of minority firms in 2012 accounted for 64 percent of MBEs, compared with 60.1 percent in 2007. The data further reveal that the increase in industry concentration also occurred within each minority group.

Figure 9: The Distribution of Minority Firms and Nonminority Firms, by Industry, 2012*



*Ranked in order of minority firm shares.

Source: U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012. Note: These data include employer and non-employer firms. RSEs are available in Appendix B (Table G).

Table 12: Number of Firms by Industry Sector and Minority Group, 2012

Industry	Nonminority	All Minority	African American	American Indian & Alaska Native	Asian	Hispanic	Native Hawaiian & Other Pacific Islander
TOTAL FOR ALL SECTORS	19,226,994	7,952,386	2,584,403	272,919	1,917,902	3,305,873	54,749
ACCOMMODATION AND FOOD SERVICES	498,021	320,808	60,329	5,770	156,391	100,176	1,454
ADMINISTRATIVE AND SUPPORT AND WASTE MANAGEMENT AND REMEDIATION SERVICES	1,372,433	920,463	294,977	29,100	86,064	527,608	6,435
AGRICULTURE, FORESTRY, FISHING AND HUNTING	217,442	36,552	5,465	6,998	6,385	17,590	632
ARTS, ENTERTAINMENT, AND RECREATION	1,006,355	289,684	124,286	15,980	54,857	101,624	3,541
CONSTRUCTION	2,215,667	712,348	136,729	35,969	76,883	475,472	5,551
EDUCATIONAL SERVICES	476,705	167,585	67,399	7,437	42,744	53,510	1,316
FINANCE AND INSURANCE	768,680	152,062	43,649	6,199	48,148	55,392	1,227
HEALTH CARE AND SOCIAL ASSISTANCE	1,430,308	1,049,683	492,983	29,099	203,471	347,955	6,635
INDUSTRIES NOT CLASSIFIED	5,643	1,567	606	37	549	366	11
INFORMATION	293,748	83,915	28,459	3,457	23,031	30,315	626
MANAGEMENT OF COMPANIES AND ENTERPRISES	15,174	1,138	196	56	481	376	8
MANUFACTURING	466,961	106,357	22,649	5,991	27,590	51,380	962
MINING	117,683	8,450	1,026	1,407	1,144	4,849	44
OTHER SERVICES (EXCEPT PUBLIC ADMINISTRATION)	2,028,237	1,595,222	649,896	43,573	385,583	553,065	8,674
PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES	3,084,942	783,716	206,942	30,966	276,960	278,066	6,292
REAL ESTATE RENTAL AND LEASING	2,196,657	383,081	78,011	10,925	149,452	142,696	2,791
RETAIL TRADE	1,849,596	650,346	160,276	22,433	218,054	255,837	4,702
TRANSPORTATION AND WAREHOUSING	678,358	525,734	184,777	11,370	93,554	243,123	2,566
UTILITIES	13,937	5,461	1,646	296	525	3,188	23
WHOLESALE TRADE	524,701	160,511	24,465	5,946	67,062	64,063	1,283

Source: U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012. RSEs in Appendix B. Note: These data include employer and non-employer firms. "Other Services" includes establishments not provided for elsewhere in the classification system that are engaged in activities such as equipment and machinery repairing, promoting religious activities, grant-making, advocacy, providing dry-cleaning and laundry services, personal care services, and dating services. It does not include Public Administration. RSEs are in Appendix B (Table H). NB: According to the U.S. Census Bureau, "Firms with more than one domestic establishment are counted in each industry and geographic area in which they operate, but only once in the total for all sectors and the totals at the national and state levels." Also note that the U.S. Census Bureau tabulates the data to show totals for all minority firms, as well as values for each racial/ethnic group. These totals, however, do not equal the sum of the values for each racial/ethnic group because survey reporters can select more than one racial/ethnic category. Therefore, the sum of minority group values may exceed the total value for Total Minority.

Table 13: Top Five Industry Sectors by Minority Group, 2012

Industry Sector Ranking	Industry Sector	Number of Firms	Percentage of Firms in Minority Group
Total Minority			
1	Other Services (except Public Administration)	1,595,222	20.1%
2	Health Care and Social Assistance	1,049,683	13.2%
3	Administrative and Support and Waste Management and Remediation Services	920,463	11.6%
4	Professional, Scientific, and Technical Services	783,716	9.9%
5	Construction	712,348	9.0%
	Total	5,061,432	63.6%
African American			
1	Other Services (except Public Administration)	649,896	25.1%
2	Health Care and Social Assistance	492,983	19.1%
3	Administrative and Support and Waste Management and Remediation Services	294,977	11.4%
4	Professional, Scientific, and Technical Services	206,942	8.0%
5	Transportation and Warehousing	184,777	7.1%
	Total	1,829,575	70.8%
American Indian & Alaska Native			
1	Other Services (except Public Administration)	43,573	16.0%
2	Construction	35,969	13.2%
3	Professional, Scientific, and Technical Services	30,966	11.3%
4	Administrative and Support and Waste Management and Remediation Services	29,100	10.7%
5	Health Care and Social Assistance	29,099	10.7%
	Total	168,707	61.8%
Asian			
1	Other Services (except Public Administration)	385,583	20.1%
2	Professional, Scientific, and Technical Services	276,960	14.4%
3	Retail Trade	218,054	11.4%
4	Health Care and Social Assistance	203,471	10.6%
5	Accommodation and Food Services	156,391	8.2%
	Total	1,240,459	64.7%
Hispanic			
1	Other Services (except Public Administration)	553,065	16.7%
2	Administrative and Support and Waste Management and Remediation Services	527,608	16.0%
3	Construction	475,472	14.4%
4	Health Care and Social Assistance	347,955	10.5%
5	Professional, Scientific, and Technical Services	278,066	8.4%
	Total	2,182,166	66.0%
Native Hawaiian & Other Pacific Islander			
1	Other Services (except Public Administration)	8,674	15.8%
2	Health Care and Social Assistance	6,635	12.1%
3	Administrative and Support and Waste Management and Remediation Services	6,435	11.8%
4	Professional, Scientific, and Technical Services	6,292	11.5%
5	Construction	5,551	10.1%
	Total	33,587	61.3%

Source: U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012. Note: These data include employer and non-employer firms. "Other Services" includes establishments not provided for elsewhere in the classification system that are engaged in activities such as equipment and machinery repairing, promoting religious activities, grant-making, advocacy, providing dry-cleaning and laundry services, personal care services, and dating services. It does not include Public Administration. RSEs are in Appendix B (Table I). NB: According to the U.S. Census Bureau, "Firms with more than one domestic establishment are counted in each industry and geographic area in which they operate, but only once in the total for all sectors and the totals at the national and state levels." Also note that the U.S. Census Bureau tabulates the data to show totals for all minority firms, as well as values for each racial/ethnic group. These totals, however, do not equal the sum of the values for each racial/ethnic group because survey reporters can select more than one racial/ethnic category. Therefore, the sum of minority group values may exceed the total value for Total Minority.

AVERAGE GROSS RECEIPTS

The six industries with the highest average gross receipts for minority-owned firms in 2012 were *Management of Companies and Enterprises*, *Wholesale Trade*, *Manufacturing*, *Mining*, *Retail Trade*, and *Accommodation and Food Services*.

This ranking differs in a variety of ways from that depicted in **Figure 9** for data on the number of firms. For example, the industry with the largest minority firm average gross receipts, *Management of Companies and Enterprises*, is at the bottom of the ranking for MBEs by number of firms (representing just 0.01 percent of all minority firms).

These data also indicate a significant disparity in the relative size of MBE and non-MBE entities. The average gross receipts for non-MBEs were more than three times greater than that of MBEs, with average gross receipts for all MBEs at \$173,552 per firm, compared to \$550,472 for non-MBEs (Table 2). This could reflect several factors, including (but not limited to) the industry concentration in each group, the intra-industry nature of firms (that is, within in each industry at such a high level of aggregation, there is a large variety of firm structures, technologies and product/market focus), the age of firms, and the geographic location of firms.

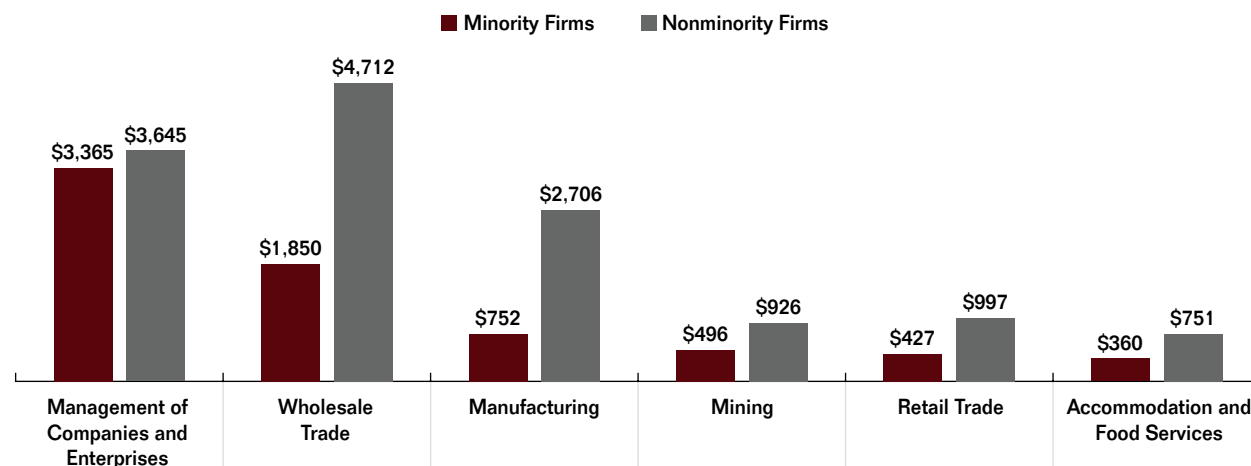
Drawing comparisons in a similar way to **Figure 9**, **Figure 10** charts a ranking in descending order of industry

groups with the highest average gross receipts for MBEs and non-MBEs in 2012. For example, *Management of Companies and Enterprises* is the industry group with the highest average gross receipts per minority firms at \$3.4 million, a level comparable to the \$3.6 million for non-MBEs in that industry. In the *Wholesale Trade* sector—the second ranked industry group for MBEs by average gross receipts—MBEs generated on average \$1.85 million, compared to \$4.7 million for non-MBEs. This figure is 2.5 times larger than the average MBE gross receipts.

A final word of caution on cross-industry comparisons: like most statistical classification systems, NAICS does not enforce *a priori* cross-sectoral comparability on the way that data is reported. For example, NAICS (as we would expect) does not require that 2-digit sectors contain similar numbers of firms, firms with similar size, or any other normalizing factor that might enhance comparability for the purposes of this report.

To put these findings in context, consider the following: according to the 15-sector aggregation of the U.S. Input-Output tables produced by the Bureau of Economic Analysis, the 2012 industries with the highest shares of total gross output in the U.S. economy were *Manufacturing* (20.4 percent), *Finance, Insurance, Real Estate, Rental, and Leasing* (16.7 percent), *Professional and Business Services* (10.6 percent), *Educational*

Figure 10: Industries with the Highest Average Gross Receipts per Firm, Minority and Nonminority Firms (\$1,000s), 2012



Source: U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for U.S., States, Metro Areas, Counties, and Places, 2012. Note: These data include employer and non-employer firms. RSEs are in Appendix B (Table J).

Services, Health Care, and Social Assistance (7.8 percent), and *Retail Trade* (5.1 percent). These five industries together comprise 60.6 percent of total U.S. gross receipts.

In comparison, using value-added to rank industries (a much better indication of their contribution to U.S. Gross Domestic Product), the ordering was *Finance, Insurance, Real Estate, Rental, and Leasing* (20.0 percent), *Manufacturing* (12.3 percent), *Professional and Business Services* (11.8 percent), *Educational Services, Health Care, and Social Assistance* (8.3 percent), and *Wholesale Trade* (6.0 percent). All five together accounted for 58.4 percent of total U.S. value-added in 2012.³²

Finally, consider a ranking by the compensation of employees. Here it would be *Professional and Business Services* (16.0 percent), *Educational Services, Health Care, and Social Assistance* (13.1 percent), *Manufacturing* (10.7 percent), *Finance, Insurance, Real Estate, Rental and Leasing* (8.6 percent), and *Retail Trade* (5.9 percent). Taken together these comprise 54.3 percent of total employee compensation.

These data illustrate that the classification of sectors leads to inherent size differences. When we rank minority and nonminority firms by sector, similar lessons apply: some sectors are bigger than others and this will influence rankings that rely on comparative size metrics.

³² “Value-added” is used by economists to define economic activity. The cost to a firm of producing a product is the sum of the costs of (for example) labor, capital, and “intermediate” inputs (i.e. materials and services produced by and purchased from other firms). The final price the firm charges (gross receipts) reflects the sum of these costs: however, the firm only “adds value” to the new product over and above the cost of other firms’ activities (embodied in the intermediate inputs) through the activities of its capital and labor and by paying sales and production taxes to government. When we sum these “value-added” activities across the economy (including the taxes), we calculate GDP: if we instead summed across total revenue, because it includes intermediate inputs made by other firms, we would double-count the value of activity of many firms. Therefore, the definition of GDP when calculated from the “income-side” of the economy is defined as the sum of labor costs, gross operating surplus (i.e. returns to capital and other fixed factors), and indirect taxes (mostly sales taxes).



MBDA STRATEGIC GROWTH INITIATIVE (SGI) FIRMS

KEY FINDINGS

- The data suggest that growth between 2007 and 2012 in the number of Strategic Growth Initiative (SGI) firms—defined as MBEs with gross receipts above \$500,000—was not as strong as growth in firm numbers for non-SGI firms.
- Comparatively lower growth in SGI minority firm numbers might reflect in part the relationship we observe between non-SGI firms and labor markets: when economic growth stalls and unemployment increases (such as in the aftermath of the 2008 financial crisis), many turn to self-employment as a means to get-by, but over time many also reenter the labor market as the economy improves. Further research could illuminate this statistical finding.
- Although higher growth rates were evident in the 2007-2012 data for average gross receipts of SGI firms, the *level* of gross receipts in 2012, at \$3.1 million, was still around two-thirds of the level of gross receipts for nonminority firms of comparable size.
- In addition, much of the growth in overall SGI revenue stems from an increase in the number of SGI firms rather than growth in the size of existing firms.

This section considers MBE performance by firm size. Businesses are divided into two groups: those that generated \$500,000 or more in annual gross receipts, and those that generated less than \$500,000. This categorization addresses the importance of firm size, and considers growth in the number of firms, gross receipts, average gross receipts, and number of paid employees for each group. Both employer and non-employer firms are included in the data.

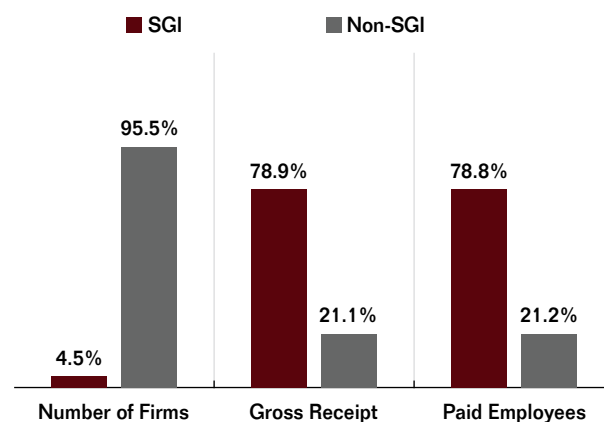
Under the MBDA Strategic Growth Initiative (SGI), MBEs with sales of \$500,000 or more are considered to have high potential for future growth in revenues and hiring. These firms are more likely to be employer firms and are more commonly found in high-growth, high-value-added sectors such as advanced manufacturing, health care, and energy.

Non-SGI firms—defined as MBEs with less than \$500,000 in annual gross receipts—are smaller, with few or no employees (apart from the owner of the firm). Examples of a non-SGI firm would be a gardening or lawn care company, or other type of service firm usually offered by a sole proprietor. These firms are found in sectors such as *Other Services*, as is reflected in this sector’s place at the top of the data for number of firms in comparison to its position near the bottom in the ranking of average firm gross receipts.

In terms of statistical information content, we would also expect a higher degree of consistency and similarity in SGI firms across time. A relatively higher share of firms in the SGI category have passed-through and survived the comparatively risky start-up phase of business development. This results in a degree of additional stability and improved across-period comparability in the time-series data from a business lifecycle perspective, and individual firms are more likely to appear in consecutive data sets. Having said that, there is also a risk of important information being removed: failed start-ups are less reported in these data.

The data suggest that SGI firm growth between 2007 and 2012 was not as strong as for non-SGI firms. In 2012, there were 354,402 SGI firms and in 2007 there were 276,441 SGI firms. Comparing these figures to the total number of minority firms in each year, we see that SGI firms accounted for 4.8 percent of all minority firms in 2007 and 4.5 percent in 2012.

Figure 11: SGI and Non-SGI Firms as a Percentage of Minority Firms, 2012



Source: U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Race, and Receipts Size of Firm for the U.S and States, 2012. Note: Data for number of firms and gross receipts are for both employer and non-employer firms; data for employment is for employer firms. SGI are defined as MBEs annual gross receipts higher than \$500,000.

While not explicit in this data, this likely reflects in part the relationship we observe between non-SGI firms and labor markets: when economic growth stalls and unemployment increases (such as in the aftermath of the recession of 2008/9), many workers turn to self-employment as a means to get by, but over time many also re-enter the labor market as the economy improves. At this end of the firm-size spectrum, interactions between labor markets and movements in MBE data are an important consideration.

SGI firms account for the bulk of gross receipts and employment by minority firms. **Figure 11** indicates that SGI firms in 2012 accounted for 4.5 percent of the number of minority firms, 78.9 percent of gross receipts, and 78.8 percent of employees of minority firms. These firms generated \$1.088 billion in gross receipts (up from \$794 million in 2007) and employed 5.6 million workers (up from 4.4 million in 2007). These numbers reflect average growth across the five-year period 2007-2012 of 6.7 percent for gross receipts and 4.9 percent for employees.

For context, it is important to note that the same pattern is evident in nonminority firms, i.e., a relatively small share of firms generate a relatively large share of gross receipts and employment.

By comparison, while nonminority firms with gross receipts above \$500,000 comprise a higher share of total nonminority firms' numbers, gross receipts, and employees, the numbers do not scale in a linear way. That is, the share of nonminority businesses with gross receipts above \$500,000 is more than twice the share for minority SGI firms (221.7 percent larger), but the gross receipts and employee shares are, respectively, 114.1 percent and 111.3 percent larger. This data again implies the comparative underlying distribution of firm size within the SGI cohort for each group, with minority SGI firms being significantly smaller on average.

GROWTH IN NUMBER OF FIRMS, GROSS RECEIPTS, AVERAGE GROSS RECEIPTS, AND PAID EMPLOYEES

Table 14 shows the percentage increases in the number of firms, gross receipts, average gross receipts, and paid employees for minority and nonminority firms, isolating firms with receipts greater or less than \$500,000.

The number of SGI firms (i.e., minority firms with gross receipts greater than \$500,000) increased by 28.2 percent from 2007 to 2012, compared to a 1.7 percent decline for comparable nonminority firms.

Between 2007 and 2012, SGI firm data reveals higher growth than non-SGI firms in total gross receipts, average gross receipts per firm, and number of employees. For

example, growth in total gross receipts for SGI firms was 37.2 percent compared to 26.1 percent for non-SGI firms. Average gross receipts per firm were 7.0 percent higher for SGI firms compared to a 9.0 percent decline for non-SGI firms. Employment increased 29.2 percent for SGI firms, compared to 5.0 percent for non-SGI firms.

These relationships hold for nonminority firms as well. Nonminority firms with annual gross receipts above \$500,000 also exhibited greater growth in gross receipts than nonminority firms with annual revenues below \$500,000.

Overall, gross receipts for all MBEs increased 34.7 percent between 2007 and 2012, compared to a 6.6 percent increase for non-MBEs. As always, context is key: as nonminority firms began with an average gross receipt base-level over nine times larger in 2007, these rates of change reflect an absolute increase in gross receipts of \$355.3 million for MBEs and \$659.3 million for nonminority firms during the period. That is, while the implied growth rate in gross receipts for minority SGIs was significantly larger than for nonminority SGIs, the significantly larger starting level for nonminority firms more than offsets the impact of growth rates in terms of absolute dollar gains.

Growth in gross receipts for minority-owned SGI firms was higher than for comparable nonminority firms. From 2007 to 2012, SGI firm gross receipts increased 37.2 percent compared to 7.8 percent for nonminority firms in the same size category.

Table 14: Percent-Change in the Number of Firms, Gross Receipts, and Paid Employment for Minority and Nonminority Firms, 2007-2012

	Minority Firms			Nonminority Firms		
	All Firms	Gross Receipts greater than \$500,000 (SGI)	Gross Receipts less than \$500,000 (non-SGI)	All Firms	Gross Receipts greater than \$500,000	Gross Receipts less than \$500,000
NUMBER OF FIRMS	38.1%	28.2%	38.6%	-6.4%	-1.7%	-6.9%
GROSS RECEIPTS	34.7%	37.2%	26.1%	6.6%	7.8%	-3.1%
AVERAGE GROSS RECEIPTS PER FIRM	-2.5%	7.0%	-9.0%	13.9%	9.7%	4.1%
PAID EMPLOYEES	23.2%	29.2%	5.0%	-3.8%	-1.7%	-16.4%

Sources: U.S. Census Bureau, Survey of Business Owners — Statistics for All U.S. Firms by Industry, Race, and Size of Firm for the U.S. and States, 2007, 2012. Note: Data for number of firms and receipts are for employer and non-employer firms. Data for employment is for employer firms.

In 2012, the average gross receipts of SGI firms were \$3.1 million, compared to \$5.0 million for nonminority firms of comparable size (data not shown in the table). Between 2007 and 2012, average gross receipts of minority-owned SGI firms increased 7.0 percent, compared to 9.7 percent for comparable nonminority firms. Placing these rates in the context of the previous few paragraphs, the implication is that growth in overall SGI revenue stems more from an increase in the number of SGI firms, rather than growth in the size of existing firms, when compared to comparable nonminority firms.

For non-SGI firms, average gross receipts in 2012 were approximately \$38,357, as opposed to \$60,832 for nonminority firms.

The data also reveal that hiring rates for minority firms grew faster than for nonminority firms for both the SGI and non-SGI groups. For the SGI firms, employment increased 29.2 percent from 2007 to 2012, as opposed to a 1.7 percent decline for nonminority firms. For the non-SGI firms, employment increased 5.0 percent compared to a 16.4 percent *decline* for the nonminority firms.



CONCLUSIONS

This report provides a descriptive overview of the SBO data to deliver fresh insights into the state of play of MBE development. Statistics such as number of firms, gross receipts, number of employees, and other firm performance measures are included, along with comparative trends in these measures for MBE and non-MBE entities, and for large and small firms.

The report also assesses the statistical parity of MBEs, which is a high-level examination of the various performance metrics that adds a degree of normalization (i.e., the ability to make comparisons across population groups).

Overall, the data highlight the increasing share of MBEs among all classifiable firms throughout the 2002 to 2012 period. This data also supports the notion that an understanding of minority business enterprises is important for gaining insights into the underlying forces shaping business development more broadly in the United States.

Although the growth in the number of MBEs (particularly in non-employer firms) was relatively strong in both absolute and relative terms, the data reveal a decline in key performance metrics such as average firm-level gross receipts, as well as slow catch-up rates in key statistical parity metrics.

The sort of descriptive statistics presented here typically do not answer questions, but they can inspire them. For example, to what degree does the substantial growth in the number of non-employer MBE firms over the 2007 to 2012 period reflect a more robust entrepreneurial landscape, and to what extent does it reflect a troubled and underperforming

labor market? Was it easier and less costly for minority entrepreneurs to start and grow businesses, or was it that reduced job opportunities for some of the Nation's most economically vulnerable citizens forced them into self-employment?

These data, and the questions they motivate, can help direct efforts to fertile areas of future research.

Since its inception in 1969, the Minority Business Development Agency has been working for the advancement of minority business enterprises, fomenting applied research, and assisting minority firms across the country.

As part of the Agency's mission, MBDA understands that investigating and supporting MBE development provides both an economic opportunity and an imperative for effective public policymaking.

As the economic barriers that affect all business enterprises are more accentuated in the MBE cohort, lessons and insights drawn from minority experiences have the potential to enhance policy solutions that will support capital formation, income growth, and wealth-building for all Americans.

The minority population growth is already driving the bulk of U.S. population growth. This suggests that the success of minority businesses will become increasingly intertwined with our Nation's prosperity. Thus, further investigation into market distortions that create barriers to MBE (and non-MBE) formation and growth is an important area of focus for policy development in the pursuit of sustainable U.S. economic growth.



APPENDIX A: RESEARCH METHODOLOGY

DEFINITIONS

This report is part of a 10-year series investigating the state of minority business enterprises, drawing data from the U.S. Census Bureau's *2012 Survey of Business Owners* (2012 SBO), *2007 Survey of Business Owners* (2007 SBO), and the *2002 Survey of Business Owners* (2002 SBO). In addition, it also uses estimates from the corresponding U.S. Census Bureau's *American Community Survey* to determine total population and minority population by state.

This report consistently maintains the same research methodology and definitions used in prior MBDA reports on *The State of Minority Business Enterprises*. For convenience, we reproduce here, with a few changes when appropriate, the research methodology description available at *The State of Minority Business Enterprises: An Overview of the 2007 Survey of Business Owners*.³³

Minority-Owned Firms

The definition of "minority-owned firm" for this report was extracted from the 2002, 2007, and 2012 SBO datasets. In this report, the terms minority-owned firm, MBE, and minority firm are used interchangeably. The U.S. Census Bureau tabulates the data to show totals for all minority firms, as well as values for each racial/ethnic group. These totals, however, do not equal the sum of the values for each racial/ethnic group because survey reporters can select more than one racial/ethnic category. In 2007, and in accordance with the Office of Management and Budget guidelines, each business owner/survey respondent had the option of selecting

more than one race; therefore, businesses could be tabulated in more than one racial group. Thus, owners that reported more than one race may be counted more than once in this report.

Nonminority-Owned Firms

In this report, nonminority-owned firms, nonminority firms, and non-MBEs are used interchangeably. Nonminority-owned firms are defined as all classifiable firms excluding minority-owned firms.³⁴ In consistency with previous MBDA reports on the State of Minority Business Enterprises, our definition differs from the U.S. Census Bureau's definition of nonminority firms. In their case, the nonminority definition excludes firms that are owned equally by minority and nonminority owners. The definition used in this report, however, includes firms owned equally by minority and nonminority owners in the nonminority totals. The U.S. Census did not publish data on nonminority firms in their 2002 SBO.

Minority Population

Minority population is calculated from the U.S. Census Bureau Population estimates as total population less non-Hispanic white alone (i.e., single race) population. The racial classification used in this report adheres to the Office of Management and Budget (OMB), "Statistical Directive No. 15: Race and Ethnic Standards for Federal Agencies and Administrative Reporting," Federal Register 43:19269-19270, May 4, 1978. New standards were adopted by OMB in

³³ U.S. Department of Commerce, Minority Business Development Agency, "The State of Minority Business Enterprises: An Overview of the 2007 Survey of Business Owners," by Sumiye Obuko and Mark Planting, (Washington, D.C. 2015).

³⁴ Classifiable firms are all U.S. firms that can be classified in terms of race, ethnicity or gender. This definition does not include publicly-held, foreign-owned, non-profit, or public administration entities.

October 1997 and were implemented by all federal agencies on January 1, 2003. The categories are American Indian & Alaska Native, Asian, Black or African American, Native Hawaiian & Other Pacific Islander, and White. There are also two categories for data on ethnicity: "Hispanic or Latino" and "Not Hispanic or Latino." MBDA adheres to the U.S. Census definition of nonminority, single race Non-Hispanic White.

RELIABILITY OF ESTIMATES

The values in this report are, in part, estimated from a sample, and will differ from the figures that would have been obtained from a complete census.³⁵ Two types of possible errors are associated with estimates based on data from sample surveys: sampling errors and non-sampling errors. The accuracy of a survey result depends not only on the sampling errors and non-sampling errors measured, but also on the non-sampling errors not explicitly measured. For particular estimates, the total error may exceed the measured error. The following is a description of the sampling and non-sampling errors associated with this tabulation.

Sampling variability. The particular sample used for this survey is 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 the different samples would differ from each other. The relative standard error (RSE) and standard error are measures of the variability among the estimates from *all possible* samples. The estimated relative standard errors and estimated standard errors presented in the tables reflect the sampling variability, and thus measure the precision with which an estimate from the particular sample selected for this survey approximates the average result of all possible samples. Relative standard errors and standard errors are applicable only to those published cells in which sample cases are tabulated. A relative standard error is an expression of the standard error as a percent of the quantity being estimated.

The sample estimate and an estimate of its relative standard error can be used to estimate the standard error and then

construct interval estimates with a prescribed level of confidence that the interval includes the average results of all samples. To illustrate, if all possible samples were surveyed under essentially the same condition, and estimates calculated from each sample, then:

1. Approximately 68 percent of the intervals from one standard error below the estimate to one standard error above the estimate would include the average value of all possible samples.
2. Approximately 90 percent of the intervals from 1.6 standard errors below the estimate to 1.6 standard errors above the estimate would include the average value of all possible samples.

Thus, for a particular sample, one can say with specified confidence that the average of all possible samples is included in the constructed interval.

Example of a confidence interval. Suppose the estimate is 51,707 and the estimated relative standard error is 2 percent. The standard error is then 2 percent of 51,707 or 1,034. An approximate 90 percent confidence interval is found by first multiplying the standard error by 1.6 and then adding and subtracting that result from the estimate to obtain the upper and lower bounds. Since $1.6 \times 1,034 = 1,654$, the confidence interval in this example is $51,707 + \text{or} - 1,654$ or the range 50,053 to 53,361.

For the *Characteristics of Businesses and Characteristics of Business Owners* datasets, some data are expressed as percentages with standard errors rather than relative standard errors as indicated above. Construction of the confidence interval is illustrated by the following example.

Example of a confidence interval for percentage data. Suppose the estimate is 76.9 and the estimated standard error is 0.4 percent. An approximate 90 percent confidence interval is found by first multiplying the standard error by 1.6 and then adding and subtracting that result from the estimate to obtain the upper and lower bounds. Since $1.6 \times 0.4 = 0.64$, the confidence interval in this example is $76.9 + \text{or} - 0.64$ or the range 76.26 to 77.54.

³⁵ For more information on the SBO methodology, see U.S. Census Bureau, "Methodology - 2012 Survey of Business Owners," [census.gov, https://www.census.gov/programs-surveys/sbo/technical-documentation/methodology/2012-sbo-methodology.html](https://www.census.gov/programs-surveys/sbo/technical-documentation/methodology/2012-sbo-methodology.html).

Non-sampling errors. All surveys and censuses are subject to non-sampling errors. Non-sampling errors are attributable to many sources, including the inability to obtain information for all cases in the universe, imputation for missing data, data errors and biases, mistakes in recording or keying data, errors in collection or processing, and coverage problems. While explicit measures of the effects of these non-sampling errors are not available, adjustments are made to the published relative standard errors to account for error associated with imputation of missing data. It is believed that most of the important operational and data errors were detected and corrected through an automated data edit designed to review the data for reasonableness and consistency. Quality control techniques were used to verify that operating procedures were carried out as specified.

Unpublished estimates. Some unpublished estimates can be derived directly from datasets by subtracting published estimates from their respective totals. However, the estimates obtained by such subtraction would be subject to poor response, high sampling variability, or other factors that may make them potentially misleading.

This report. The data comparisons in this report, except where noted, are significant at the 90 percent confidence

interval. Where data were computed from U.S. Census data and the standard errors were not available, the standard errors were estimated as the square root of the sum of each of the standard errors times the estimate squared. The 2002 standard errors were not available for total minority estimates. The standard error for total nonminority is estimated as the square root of the standard error for white firms (times) the number of white firms (squared) (plus) the standard error for Hispanic firms multiplied by the number of Hispanic firms squared. When testing comparisons between total minority and nonminority estimates, the Census standard error for total nonminority was used as a proxy for the standard error of this report's computed value for total nonminority.

The U.S. Census Bureau population statistics used in this report did not include measures of standard error; therefore, no tests for significance could be made for these data. For information on the reliability of individual minority group estimates and their relative standard errors, please visit the U.S. Census Bureau website.

A detailed description of the RSEs for select tables is included in Appendix B. The standard error was not available where data was calculated from U.S. Census data rather than taken from Census reports; these areas are marked "NA."

APPENDIX B: RELATIVE STANDARD ERROR TABLES

Table A: Relative Standard Error (percent) for Number of Firms, Gross Receipts in 2002, 2007, and 2012 (Table 1 and Table 2)

Group	Year	RSE of Estimate (percent) for Number of Firms	RSE of Estimate (percent) for Annual Gross Receipts
AFRICAN AMERICAN	2012	0.1	1.3
	2007	0.0	3.0
	2002	1.0	1.0
AMERICAN INDIAN & ALASKA NATIVE	2012	0.5	6.7
	2007	1.0	3.0
	2002	2.0	6.0
ASIAN	2012	0.2	0.7
	2007	0.0	1.0
	2002	0.0	2.0
HISPANIC	2012	0.1	1.3
	2007	0.0	2.0
	2002	0.0	3.0
NATIVE HAWAIIAN & OTHER PACIFIC ISLANDER	2012	1.8	2.9
	2007	4.0	6.0
	2002	6.0	5.0
TOTAL MINORITY	2012	0.1	0.5
	2007	0.0	1.0
	2002	NA	NA
NONMINORITY	2012	0.1	0.4
	2007	0.0	0.0
	2002	NA	NA
ALL CLASSIFIABLE FIRMS	2012	0.1	0.4
	2007	0.0	0.0
	2002	NA	NA
PUBLICLY HELD & OTHER FIRMS	2012	0.5	0.4
	2007	0.0	0.0
	2002	0.0	0.0
ALL FIRMS	2012	0.1	0.2
	2007	0.0	0.0
	2002	0.0	0.0

Sources: U.S. Census Bureau, Survey of Business Owners, 2002, 2007, 2012.

Table B: Relative Standard Error (percent) for Number of Employer Firms, Gross Receipts of Employer Firms in 2002, 2007, and 2012 (Table 3)

Group	Year	RSE of Estimate (percent) for Number of Firms	RSE of Estimate (percent) for Annual Gross Receipts
AFRICAN AMERICAN	2012	1.0	3.0
	2007	1.2	1.8
	2002	1.0	1.0
AMERICAN INDIAN & ALASKA NATIVE	2012	2.0	4.0
	2007	2.3	8.8
	2002	2.0	4.0
ASIAN	2012	0.0	1.0
	2007	0.4	0.9
	2002	1.0	2.0
HISPANIC	2012	1.0	2.0
	2007	0.8	1.8
	2002	1.0	3.0
NATIVE HAWAIIAN & OTHER PACIFIC ISLANDER	2012	6.0	7.0
	2007	5.3	3.6
	2002	7.0	10.0
TOTAL MINORITY	2012	0.0	1.0
	2007	0.5	0.7
	2002	0.0	1.0
NONMINORITY	2012	0.0	0.0
	2007	0.2	0.5
	2002	NA	NA
ALL CLASSIFIABLE FIRMS	2012	0.0	0.0
	2007	0.1	0.4
	2002	NA	NA
PUBLICLY HELD & OTHER FIRMS	2012	0.0	0.0
	2007	0.4	0.4
	2002	0.0	0.0
ALL FIRMS	2012	0.0	0.0
	2007	0.1	0.2
	2002	0.0	0.0

Sources: U.S. Census Bureau, Survey of Business Owners, 2002, 2007, 2012.

Table C: Relative Standard Error (percent) for Top Five States for Minority Firms by Minority Group, 2012 (Table 6)

State Ranking	State	RSE of Estimate (percent) for Number of Firms
Total Minority		
1	California	0.7
2	Texas	1.0
3	Florida	1.3
4	New York	1.3
5	Georgia	1.4
African American		
1	Georgia	2.7
2	Florida	5.8
3	New York	5.3
4	Texas	4.3
5	California	3.4
American Indian & Alaska Native		
1	California	5.2
2	Oklahoma	5.5
3	Texas	7.2
4	New York	7.7
5	Florida	15.8
Asian		
1	California	1.2
2	New York	1.5
3	Texas	1.0
4	New Jersey	2.2
5	Florida	3.4
Hispanic		
1	California	1.6
2	Texas	1.5
3	Florida	1.3
4	New York	2.5
5	New Jersey	2.9
Native Hawaiian & Other Pacific Islander		
1	Hawaii	7.6
2	California	16.7
3	Florida	32.5
4	New York	21.1
5	Texas	22.1

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

Table D: Relative Standard Error (percent) for the Share of Minority Firms and Minority Population by State, 2012 (Table 7)

State	RSE of Estimate (percent) Number of Firms	State	RSE of Estimate (percent) Number of Firms
ALABAMA	2.7	MONTANA	12.2
ALASKA	3.8	NEBRASKA	4.4
ARIZONA	1.8	NEVADA	2.8
ARKANSAS	5.1	NEW HAMPSHIRE	8.0
CALIFORNIA	0.7	NEW JERSEY	2.0
COLORADO	2.6	NEW MEXICO	3.3
CONNECTICUT	3.7	NEW YORK	1.3
DELAWARE	4.4	NORTH CAROLINA	3.0
DISTRICT OF COLUMBIA	3.5	NORTH DAKOTA	12.0
FLORIDA	1.3	OHIO	2.3
GEORGIA	1.4	OKLAHOMA	2.8
HAWAII	1.7	OREGON	3.6
IDAHO	6.1	PENNSYLVANIA	2.3
ILLINOIS	1.8	RHODE ISLAND	5.8
INDIANA	4.1	SOUTH CAROLINA	2.5
IOWA	5.5	SOUTH DAKOTA	7.5
KANSAS	4.6	TENNESSEE	3.3
KENTUCKY	4.8	TEXAS	1.0
LOUISIANA	2.4	UTAH	4.4
MAINE	17.2	VERMONT	9.0
MARYLAND	1.7	VIRGINIA	2.1
MASSACHUSETTS	1.5	WASHINGTON	2.0
MICHIGAN	2.3	WEST VIRGINIA	9.1
MINNESOTA	4.3	WISCONSIN	3.3
MISSISSIPPI	2.3	WYOMING	10.0
MISSOURI	2.0	USA	0.5

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

Table E: Relative Standard Error (percent) for Number of Minority Firms, by State and Minority Group, 2012 (Table 8)

State	RSE of Estimate (percent)					
	Total Minority	African American	American Indian & Alaska Native	Asian	Hispanic	Native Hawaiian & Other Pacific Islander
ALABAMA	2.7	5.7	16.7	4.3	5.0	33.6
ALASKA	3.8	17.5	11.0	4.0	14.5	17.1
ARIZONA	1.8	10.9	11.8	2.8	2.5	35.9
ARKANSAS	5.1	7.3	19.6	4.1	7.4	38.5
CALIFORNIA	0.7	3.4	5.2	1.2	1.6	16.7
COLORADO	2.6	5.7	10.2	3.2	3.4	32.2
CONNECTICUT	3.7	9.5	28.6	3.8	5.5	53.4
DELAWARE	4.4	18.2	32.3	5.5	17.1	71.7
DISTRICT OF COLUMBIA	3.5	5.2	18.9	4.4	15.0	0.0
FLORIDA	1.3	5.8	15.8	3.4	1.3	32.5
GEORGIA	1.4	2.7	17.1	0.7	6.0	52.6
HAWAII	1.7	25.3	26.9	2.5	17.4	7.6
IDAHO	6.1	45.1	19.6	10.2	8.7	48.3
ILLINOIS	1.8	4.2	16.6	1.9	3.3	24.7
INDIANA	4.1	8.9	21.5	3.6	6.8	58.2
IOWA	5.5	23.8	45.9	7.3	9.7	113.1
KANSAS	4.6	18.1	14.5	6.3	7.3	61.9
KENTUCKY	4.8	9.0	44.6	3.7	13.8	65.5
LOUISIANA	2.4	5.6	16.3	2.9	4.8	31.5
MAINE	17.2	53.4	37.3	15.2	40.1	0.0
MARYLAND	1.7	3.6	17.8	1.5	5.2	20.7
MASSACHUSETTS	1.5	8.6	22.8	3.1	8.7	100.0
MICHIGAN	2.3	3.9	16.6	4.1	9.3	58.6
MINNESOTA	4.3	16.0	22.5	4.7	9.9	70.3
MISSISSIPPI	2.3	4.3	26.9	3.3	10.7	70.9
MISSOURI	2.0	4.0	17.7	4.2	8.9	28.6
MONTANA	12.2	51.9	20.4	18.1	14.8	77.9
NEBRASKA	4.4	10.5	35.7	9.8	11.3	0.0
NEVADA	2.8	7.8	15.2	4.6	4.5	34.0
NEW HAMPSHIRE	8.0	33.5	27.1	6.5	16.1	0.0
NEW JERSEY	2.0	6.4	18.6	2.2	2.9	37.8
NEW MEXICO	3.3	15.0	11.2	7.5	4.8	54.6
NEW YORK	1.3	5.3	7.7	1.5	2.5	21.1
NORTH CAROLINA	3.0	2.3	10.3	5.4	5.7	85.8
NORTH DAKOTA	12.0	36.4	21.5	21.4	35.2	0.0
OHIO	2.3	5.5	26.1	2.7	12.4	47.5
OKLAHOMA	2.8	6.9	5.5	4.5	6.5	69.6
OREGON	3.6	16.6	22.0	4.3	8.0	26.9
PENNSYLVANIA	2.3	5.8	30.2	3.5	9.4	0.0
RHODE ISLAND	5.8	12.5	53.9	7.1	7.1	0.0
SOUTH CAROLINA	2.5	4.8	19.7	4.3	14.4	0.0
SOUTH DAKOTA	7.5	41.0	13.7	12.8	36.6	0.0
TENNESSEE	3.3	5.8	18.6	4.0	8.7	46.3
TEXAS	1.0	4.3	7.2	1.0	1.5	22.1
UTAH	4.4	25.4	32.6	13.2	6.5	31.6
VERMONT	9.0	47.3	32.6	8.6	37.6	0.0
VIRGINIA	2.1	3.6	20.4	1.9	4.5	28.0
WASHINGTON	2.0	6.1	7.8	2.5	4.5	16.4
WEST VIRGINIA	9.1	26.0	52.2	8.8	24.5	0.0
WISCONSIN	3.3	11.4	15.1	7.0	10.5	40.2
WYOMING	10.0	41.1	26.2	20.5	14.4	56.0
USA	0.5	1.2	2.3	0.4	0.8	5.3

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

Table F: Relative Standard Error (percent) for Top Five Combined Statistical Areas (CSAs) for Minority Firm Concentration, 2012 (Table 11)

CSA Ranking	CSA	RSE of Estimate (percent) for Number of Firms
Total Minority		
1	Los Angeles-Long Beach, CA CSA	0.3
2	New York-Newark, NY-NJ-CT-PA CSA	0.2
3	Miami-Fort Lauderdale-Port St. Lucie, FL CSA	0.2
4	Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA	0.3
5	Houston-The Woodlands, TX CSA	0.7
African American		
1	New York-Newark, NY-NJ-CT-PA CSA	0.2
2	Atlanta-Athens-Clarke County-Sandy Springs, GA CSA	0.4
3	Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA	0.3
4	Chicago-Naperville, IL-IN-WI CSA	0.2
5	Miami-Fort Lauderdale-Port St. Lucie, FL CSA	0.2
American Indian & Alaska Native		
1	Los Angeles-Long Beach, CA CSA	0.3
2	New York-Newark, NY-NJ-CT-PA CSA	0.2
3	Tulsa-Muskogee-Bartlesville, OK CSA	2.0
4	San Jose-San Francisco-Oakland, CA CSA	0.4
5	Dallas-Fort Worth, TX-OK CSA	0.5
Asian		
1	Los Angeles-Long Beach, CA CSA	0.3
2	New York-Newark, NY-NJ-CT-PA CSA	0.2
3	San Jose-San Francisco-Oakland, CA CSA	0.4
4	Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA	0.3
5	Chicago-Naperville, IL-IN-WI CSA	0.2
Hispanic		
1	Los Angeles-Long Beach, CA CSA	0.3
2	Miami-Fort Lauderdale-Port St. Lucie, FL CSA	0.2
3	New York-Newark, NY-NJ-CT-PA CSA	0.2
4	Houston-The Woodlands, TX CSA	0.7
5	Dallas-Fort Worth, TX-OK CSA	0.5
Native Hawaiian & Other Pacific Islander		
1	Urban Honolulu, HI Metro Area	0.8
2	Los Angeles-Long Beach, CA CSA	0.3
3	San Jose-San Francisco-Oakland, CA CSA	0.4
4	New York-Newark, NY-NJ-CT-PA CSA	0.2
5	Seattle-Tacoma, WA CSA	0.5

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

Table G: Relative Standard Error (percent) for the Distribution of Minority Firms and Nonminority Firms, by Industry, 2012 (Figure 9)

Industry	RSE of Estimate (percent) for Minority Firms	RSE of Estimate (percent) for Nonminority Firms
TOTAL FOR ALL SECTORS	0.5	0.2
ACCOMMODATION AND FOOD SERVICES	0.5	0.3
ADMINISTRATIVE AND SUPPORT AND WASTE MANAGEMENT AND REMEDIATION SERVICES	1.3	0.3
AGRICULTURE, FORESTRY, FISHING AND HUNTING	6.7	0.9
ARTS, ENTERTAINMENT, AND RECREATION	3.5	0.5
CONSTRUCTION	2.1	0.4
EDUCATIONAL SERVICES	2.4	0.5
FINANCE AND INSURANCE	2.0	0.5
HEALTH CARE AND SOCIAL ASSISTANCE	1.4	0.4
INDUSTRIES NOT CLASSIFIED	4.3	3.5
INFORMATION	3.7	1.1
MANAGEMENT OF COMPANIES AND ENTERPRISES	8.4	2.5
MANUFACTURING	1.7	0.4
MINING	11.1	1.4
OTHER SERVICES (EXCEPT PUBLIC ADMINISTRATION)	0.7	0.4
PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES	0.8	0.3
REAL ESTATE RENTAL AND LEASING	2.8	0.3
RETAIL TRADE	0.8	0.4
TRANSPORTATION AND WAREHOUSING	1.6	0.5
UTILITIES	13.2	3.6
WHOLESALE TRADE	0.7	0.5

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

Table H: Relative Standard Error (percent) for Number of Firms by Industry Sector, 2012 (Table 12)

Industry	RSE of Estimate (percent)						
	Nonminority	All Minority	African American	American Indian & Alaska Native	Asian	Hispanic	Native Hawaiian & Other Pacific Islander
TOTAL FOR ALL SECTORS	0.2	0.5	1.2	2.3	0.4	0.8	5.3
ACCOMMODATION AND FOOD SERVICES	0.3	0.5	6.1	6.1	0.9	1.4	23.4
ADMINISTRATIVE AND SUPPORT AND WASTE MANAGEMENT AND REMEDIATION SERVICES	0.3	1.3	1.4	10.8	4.1	2.0	29.2
AGRICULTURE, FORESTRY, FISHING AND HUNTING	0.9	6.7	8.3	20.4	18.2	12.9	0.0
ARTS, ENTERTAINMENT, AND RECREATION	0.5	3.5	8.2	16.4	6.6	3.9	22.8
CONSTRUCTION	0.4	2.1	4.9	5.8	3.5	2.4	17.5
EDUCATIONAL SERVICES	0.5	2.4	7.7	13.1	2.6	6.3	43.1
FINANCE AND INSURANCE	0.5	2.0	5.6	8.9	2.9	3.3	27.9
HEALTH CARE AND SOCIAL ASSISTANCE	0.4	1.4	2.7	7.6	1.5	2.4	18.8
INDUSTRIES NOT CLASSIFIED	3.5	4.3	8.5	23.3	6.2	8.0	69.1
INFORMATION	1.1	3.7	7.0	16.1	3.7	7.0	32.3
MANAGEMENT OF COMPANIES AND ENTERPRISES	2.5	8.4	16.6	48.7	9.1	12.6	0.0
MANUFACTURING	0.4	1.7	8.3	7.1	2.2	2.6	18.9
MINING	1.4	11.1	23.8	24.6	23.5	14.0	107.8
OTHER SERVICES (EXCEPT PUBLIC ADMINISTRATION)	0.4	0.7	2.9	10.8	1.0	2.6	17.7
PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES	0.3	0.8	2.1	4.7	1.2	2.1	13.3
REAL ESTATE RENTAL AND LEASING	0.3	2.8	4.4	12.2	4.0	3.5	25.2
RETAIL TRADE	0.4	0.8	4.5	5.6	1.1	1.8	11.3
TRANSPORTATION AND WAREHOUSING	0.5	1.6	3.2	8.2	3.5	2.0	16.4
UTILITIES	3.6	13.2	0.0	45.2	34.9	17.9	0.0
WHOLESALE TRADE	0.5	0.7	9.4	12.2	1.5	2.1	22.1

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

Table I: Relative Standard Error (percent) for Top Five Industry Sectors by Minority Group, 2012 (Table 13)

Industry Sector Ranking	Industry Sector	RSE of Estimate (percent) for Number of Firms
Total Minority		
1	Other Services (except Public Administration)	0.7
2	Health Care and Social Assistance	1.4
3	Administrative and Support and Waste Management and Remediation Services	1.3
4	Professional, Scientific, and Technical Services	0.8
5	Construction	2.1
African American		
1	Other Services (except Public Administration)	2.9
2	Health Care and Social Assistance	2.7
3	Administrative and Support and Waste Management and Remediation Services	1.4
4	Professional, Scientific, and Technical Services	2.1
5	Transportation and Warehousing	3.2
American Indian & Alaska Native		
1	Other Services (except Public Administration)	10.8
2	Construction	5.8
3	Professional, Scientific, and Technical Services	4.7
4	Administrative and Support and Waste Management and Remediation Services	10.8
5	Health Care and Social Assistance	7.6
Asian		
1	Other Services (except Public Administration)	1.0
2	Professional, Scientific, and Technical Services	1.2
3	Retail Trade	1.1
4	Health Care and Social Assistance	1.5
5	Accommodation and Food Services	0.9
Hispanic		
1	Other Services (except Public Administration)	2.6
2	Administrative and Support and Waste Management and Remediation Services	2.0
3	Construction	2.4
4	Health Care and Social Assistance	2.4
5	Professional, Scientific, and Technical Services	2.1
Native Hawaiian & Other Pacific Islander		
1	Other Services (except Public Administration)	17.7
2	Health Care and Social Assistance	18.8
3	Administrative and Support and Waste Management and Remediation Services	29.2
4	Professional, Scientific, and Technical Services	13.3
5	Construction	17.5

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

Table J: Relative Standard Error (percent) for Industries with the Highest Average Gross Receipts per Firm, Minority and Nonminority Firms, 2012 (Figure 10)

Industries with the Highest Average Gross Receipts per Firm	RSE of Estimate (percent) for Minority Firms	RSE of Estimate (percent) for Nonminority Firms
MANAGEMENT OF COMPANIES AND ENTERPRISES	7.4	1.9
WHOLESALE TRADE	2.5	1.0
MANUFACTURING	2.2	0.7
MINING	10.4	3.4
RETAIL TRADE	2.2	1.2
ACCOMMODATION AND FOOD SERVICES	1.6	1.2

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



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ABOUT THE MINORITY BUSINESS DEVELOPMENT AGENCY

The U.S. Department of Commerce's Minority Business Development Agency (MBDA) is the only federal agency solely dedicated to the growth and global competitiveness of minority-owned businesses in America. Established in 1969, MBDA provides services to African American, Asian American, Hasidic Jew, Hispanic American, Native American/Alaskan, Native Hawaiian and Pacific Islander entrepreneurs.

MBDA's mission is to promote the growth and sustainability of minority-owned businesses through the mobilization and advancement of public and private sector programs, policy, and research. The Agency coordinates and leverages a nationwide network of more than 40 MBDA Business Centers and a wide range of domestic and international strategic partners in support of its mission.

Over the past several years, MBDA has focused on providing business development services to minority entrepreneurs who are pursuing federal contracts, emerging industries, alternative sources of capital, and expansion to global markets. These services, and other Agency programs and initiatives, continue to position minority entrepreneurs to build size, scale and capacity, create jobs, and strengthen the U.S. economy.

ABOUT THE U.S. DEPARTMENT OF COMMERCE

The U.S. Department of Commerce promotes job creation, economic growth, sustainable development, and improved standards of living for all Americans by working in partnership with businesses, universities, communities, and our Nation's workers. The department touches the daily lives of the American people in many ways, with a wide range of responsibilities in the areas of trade, economic development, technology, entrepreneurship and business development, environmental stewardship, and statistical research and analysis.





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