



# Data Insights on Black Business Owners in Wisconsin

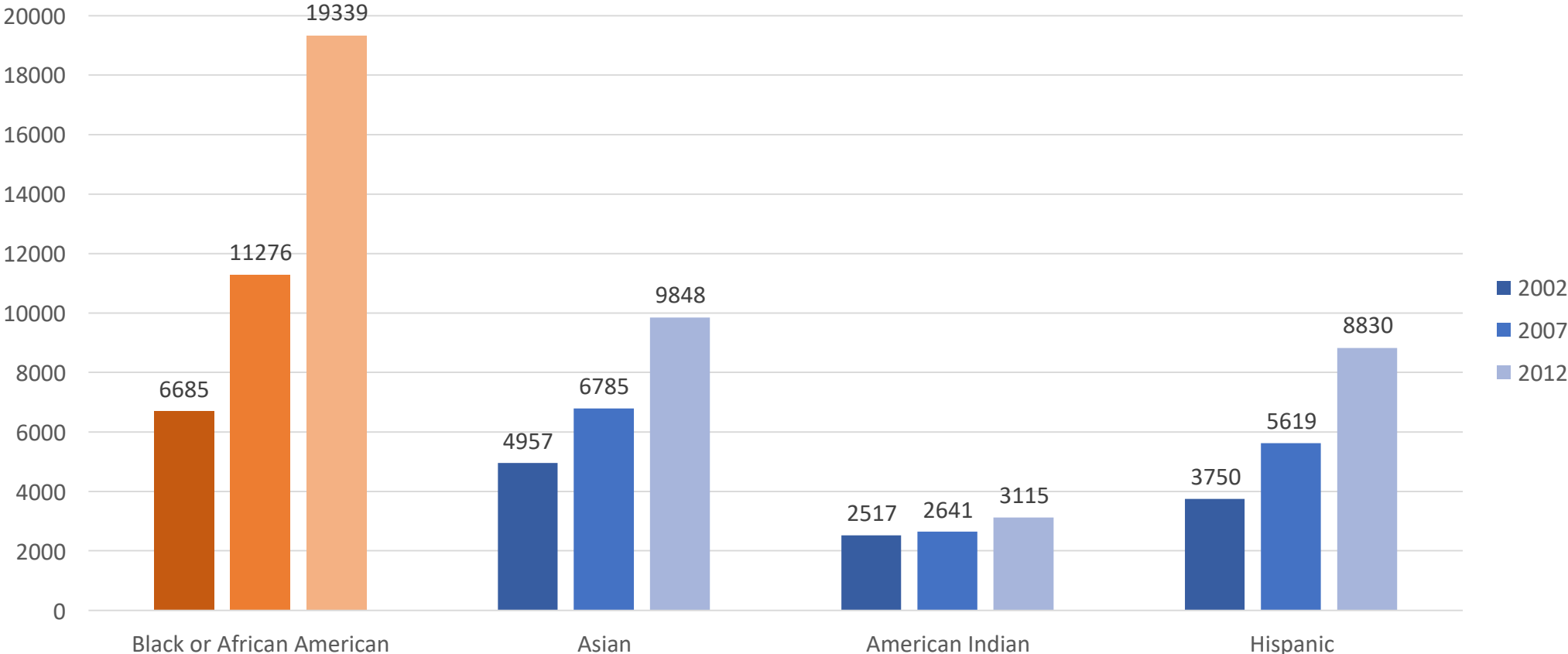
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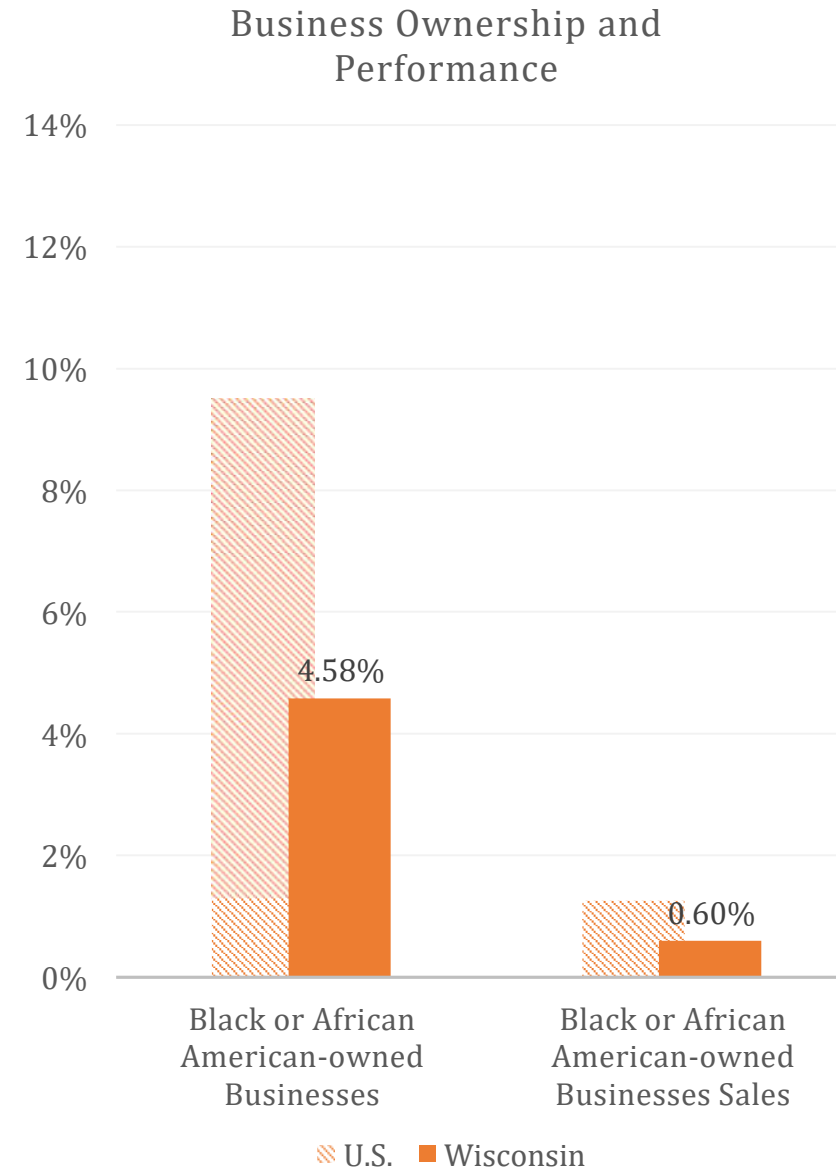
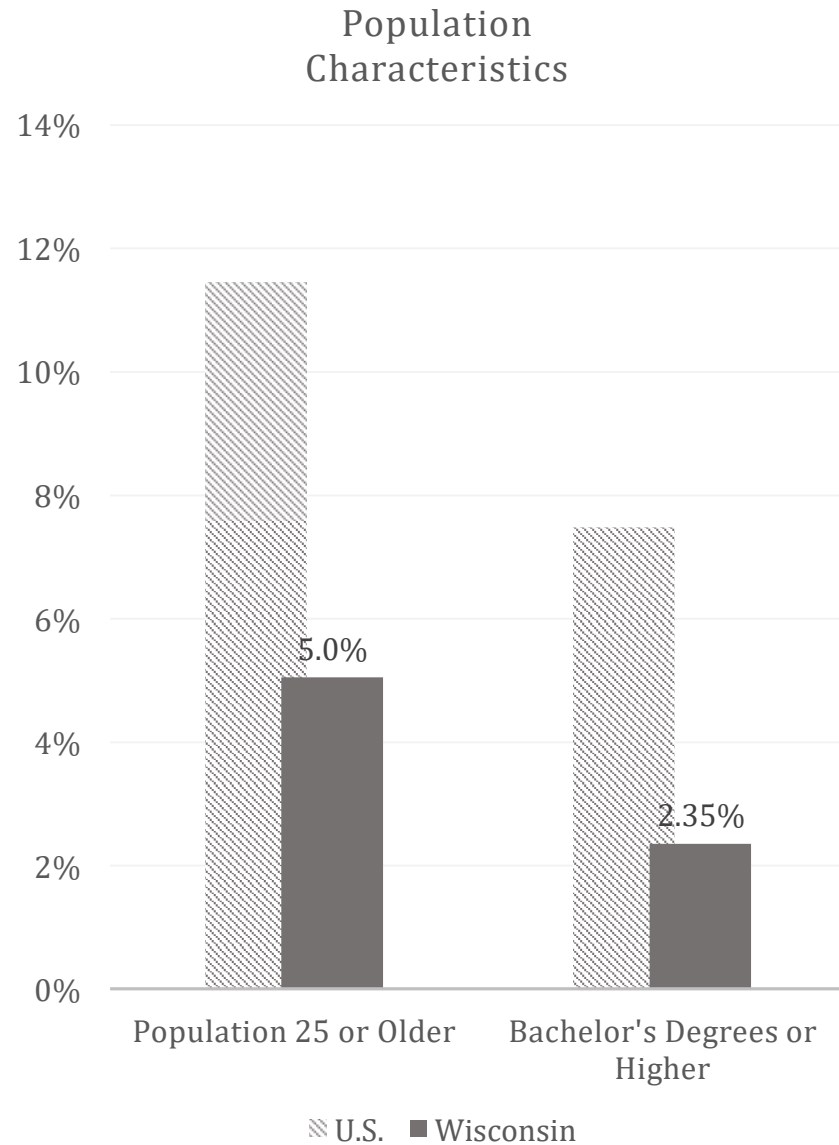
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# Black or African American-owned businesses have grown substantially in number.

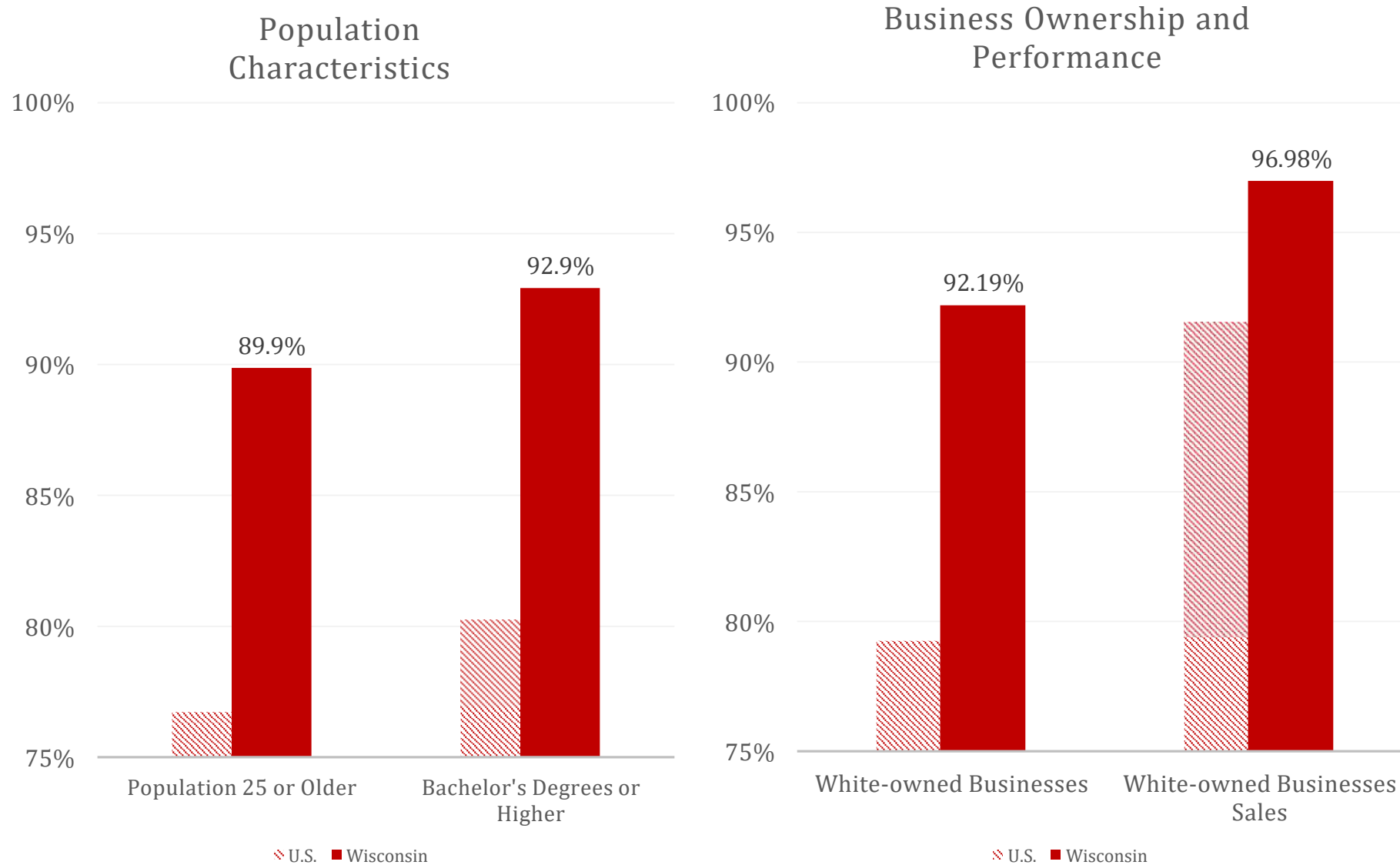
Businesses Owned by People of Color  
Wisconsin



# Black or African American 2012-Parity

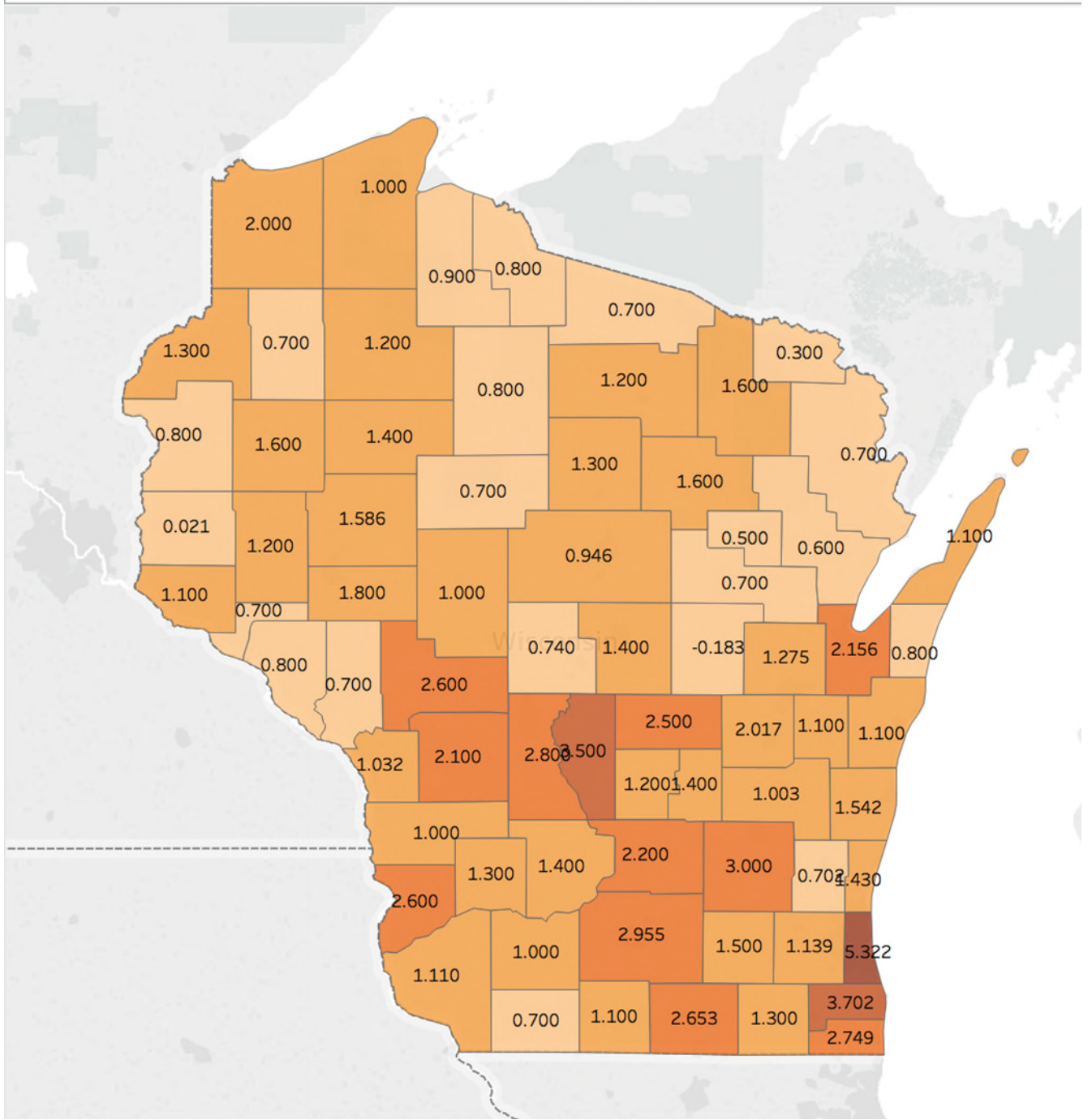


# White 2012-Parity



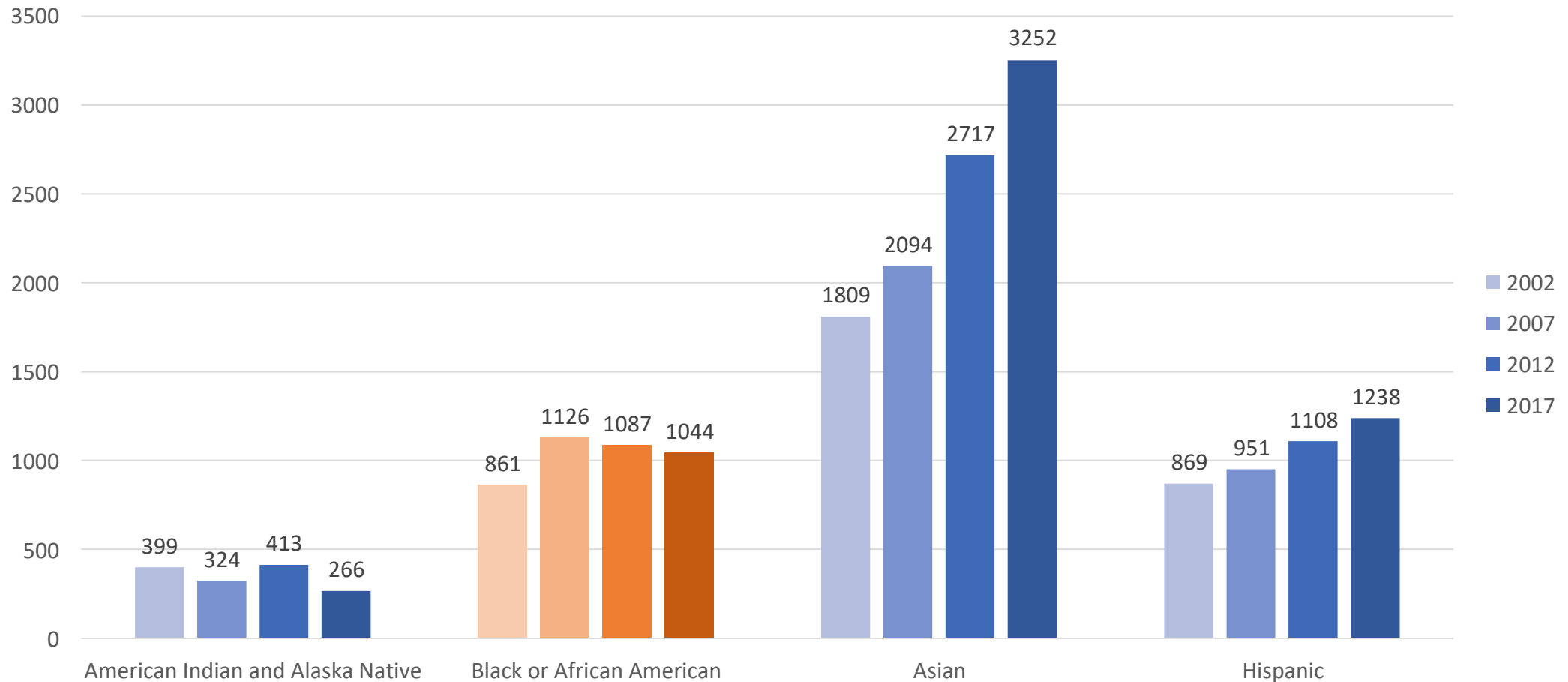
Black or African American-owned businesses are located throughout the state but face disparity most everywhere.

Population to Business Ownership Disparity-Black or African American



# Black and African American business ownership has slowed.

Firms with Paid Employees  
Wisconsin



Questions or comments so far? Local observations?

## Black and African American business ownership is crucial to wealth accumulation.

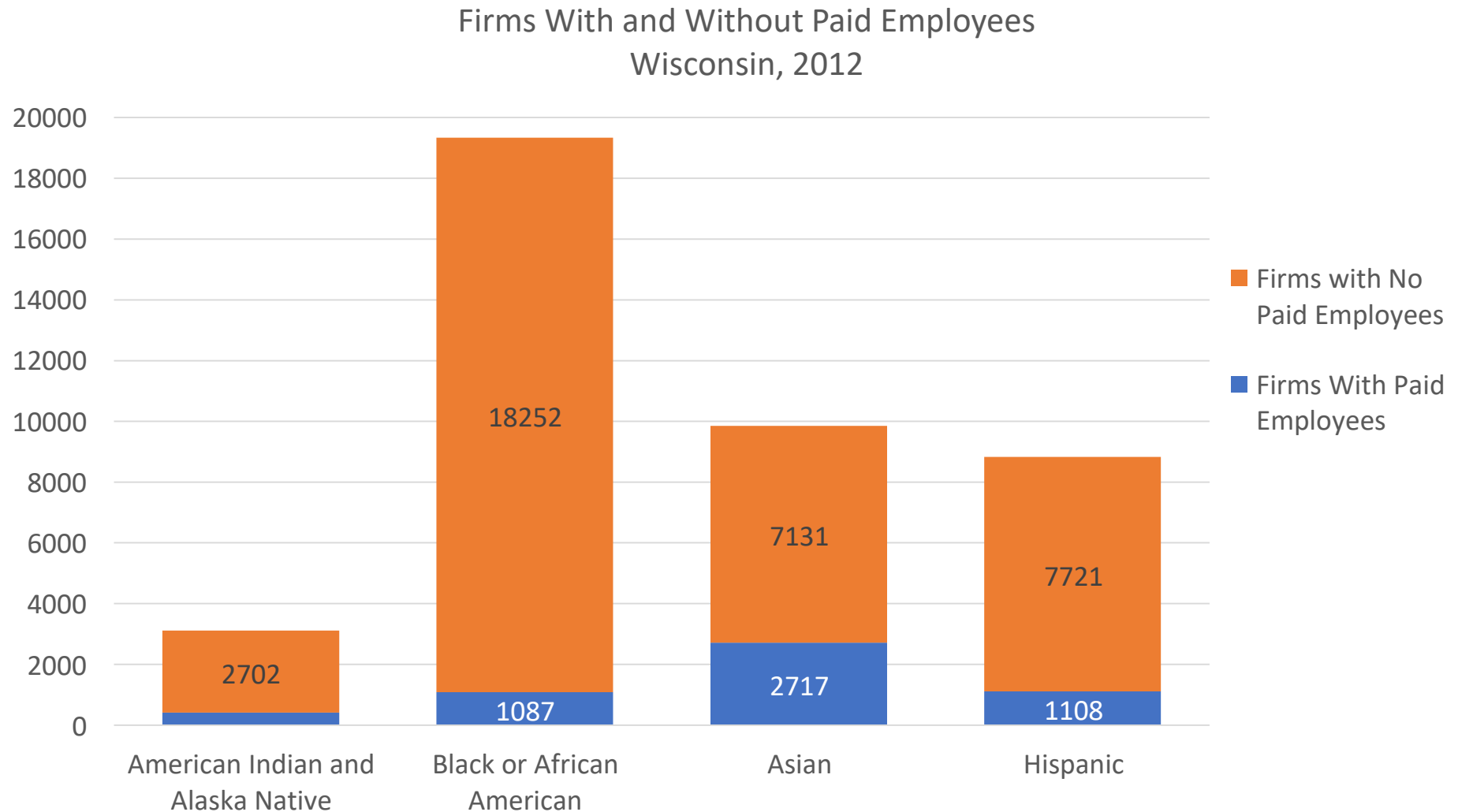
- Black-owned business could be essential for closing the Black-white wealth gap.
- The median white family's wealth is 10x the median Black family.
- McKinsey projects this gap costs \$1-1.5 Trillion per year.
  - ~\$300 B opportunity to grow wealth by achieving parity in business revenue.



## COVID-19 likely most challenging for Black or African-American-owned businesses.

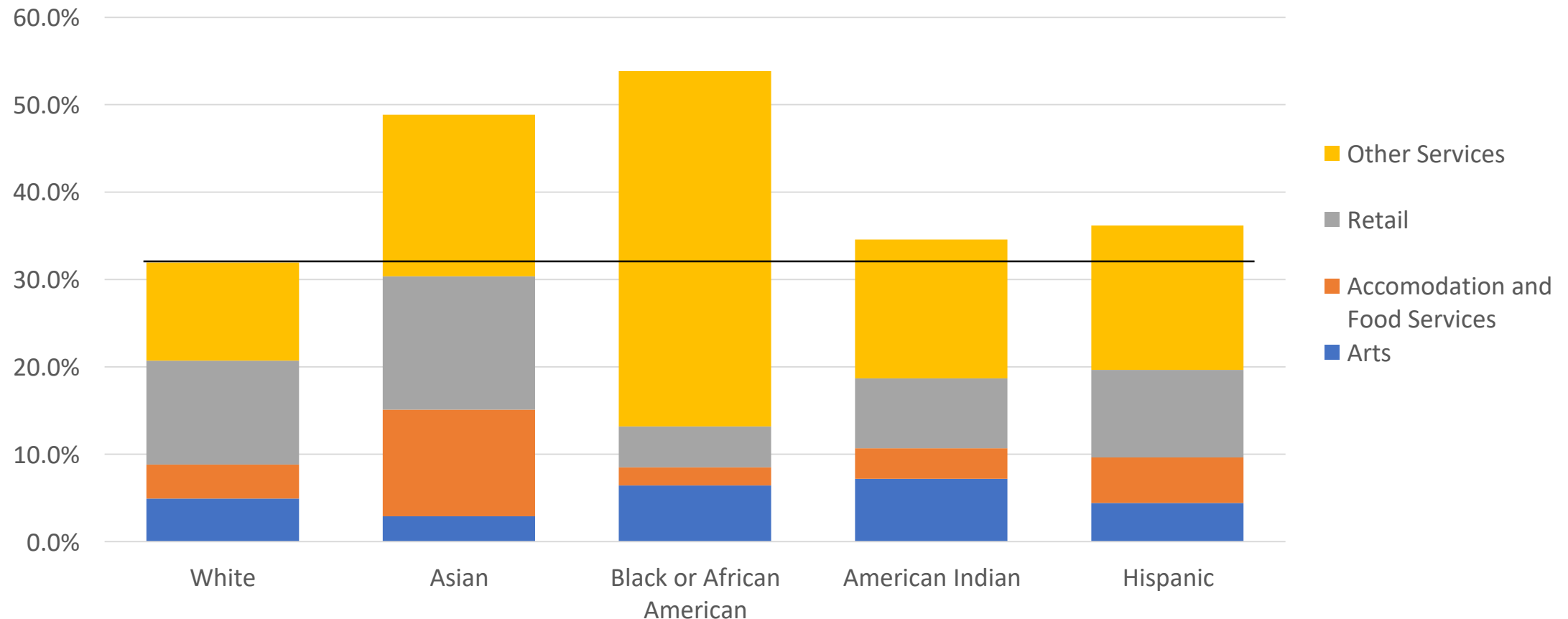
- Largest share in vulnerable sectors.
- Least likely to have employees.
- Smallest average sales.
- Most likely to be financially distressed (2019).
- Least likely to be profitable (2019).
- Lowest credit scores (2019).

# Most Black or African-American-owned businesses have no paid employees.



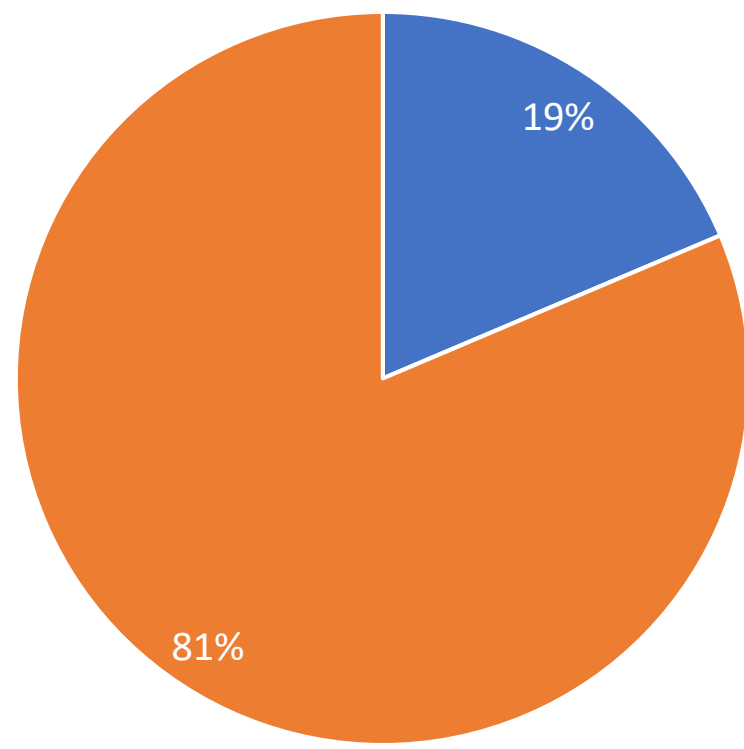
# Black or African American-owned businesses are concentrated in the sectors vulnerable to the negative impacts of COVID-19.

Share of Businesses in Vulnerable Sectors  
By Race and Ethnicity, 2012

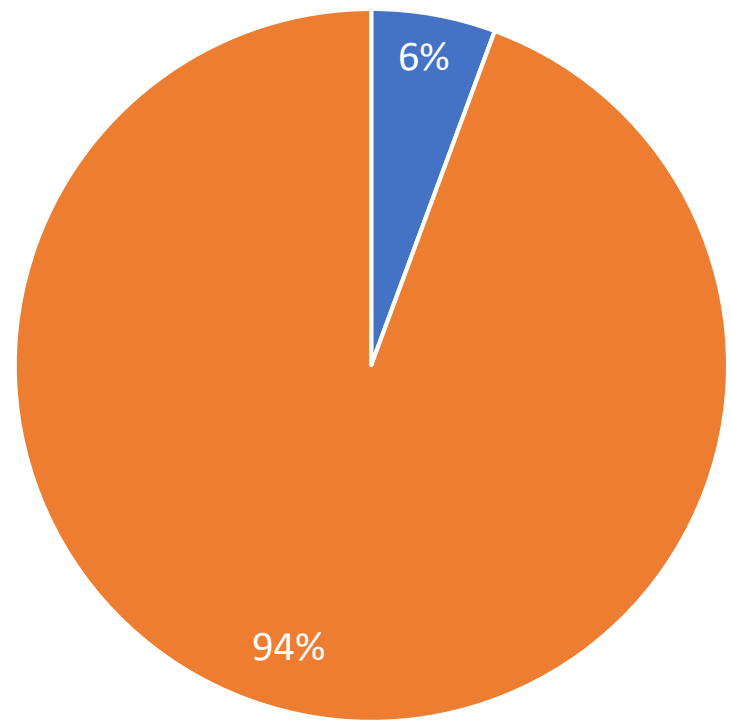


# White-owned businesses are 3x more likely to have employees compared to Black or African-American Owned businesses.

Non-Hispanic White-Owned Businesses  
2012

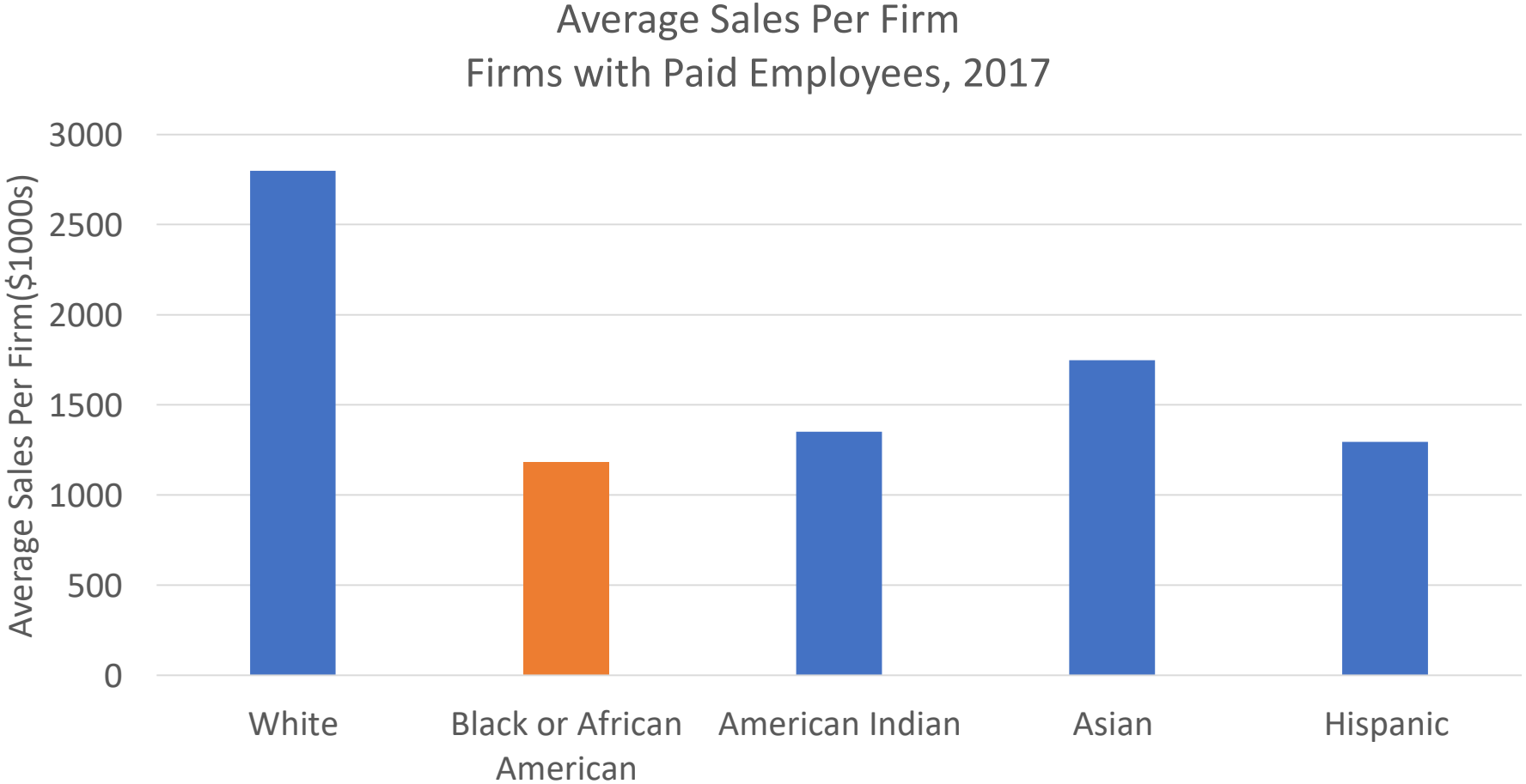


Black or African-American Owned Businesses  
2012

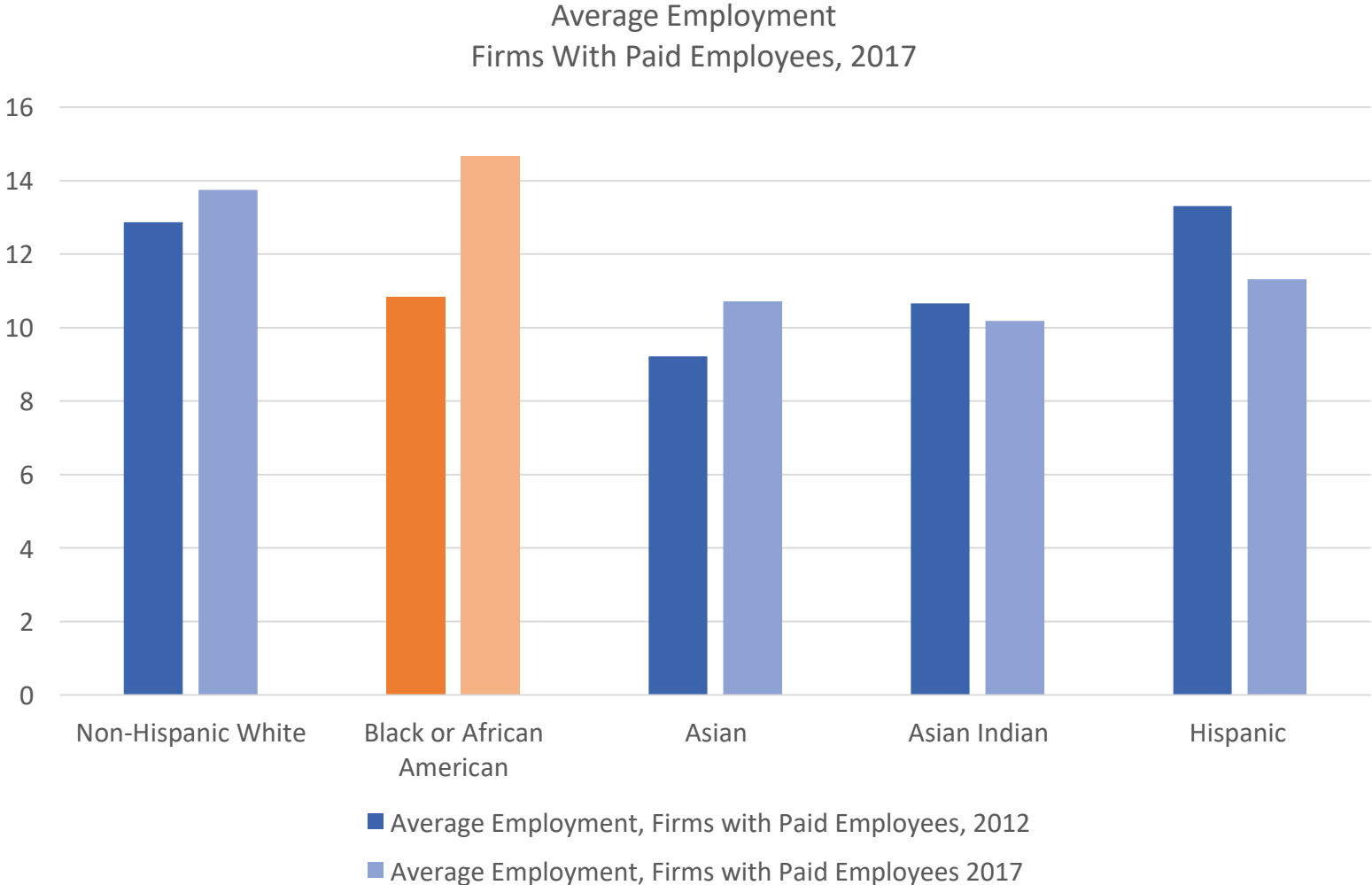


- Firms with paid employees
- Firms without paid employees

Black or African American-owned businesses generate lower sales on average.



Those businesses that do have employees are comparable in size to White-owned businesses.



Black and African American business owners were more vulnerable to the negative effects of the pandemic.

- Disproportionately concentrated in the sectors most negatively impacted by COVID-19.
- In addition, their small size or “nonemployer” status can make it more difficult...
  - To secure a loan.
  - To weather a financial downturn.
  - To incur the costs of doing business during COVID-19.
    - Touchless technology, extra sanitation, online platforms, social media training

## Example

- For the PPP program, lenders earn an origination fee equal to:
  - 5% of the loan balance for loans under \$350,000,
  - 3% for loans between \$350,000 and \$2,000,000, and
  - 1% for loans above \$2,000,000.
- For a loan of \$40,000, a lender would make just \$2,000.
- Ruth's Chris Steakhouse rec'd \$20 million, yielding \$200,000 in fees.

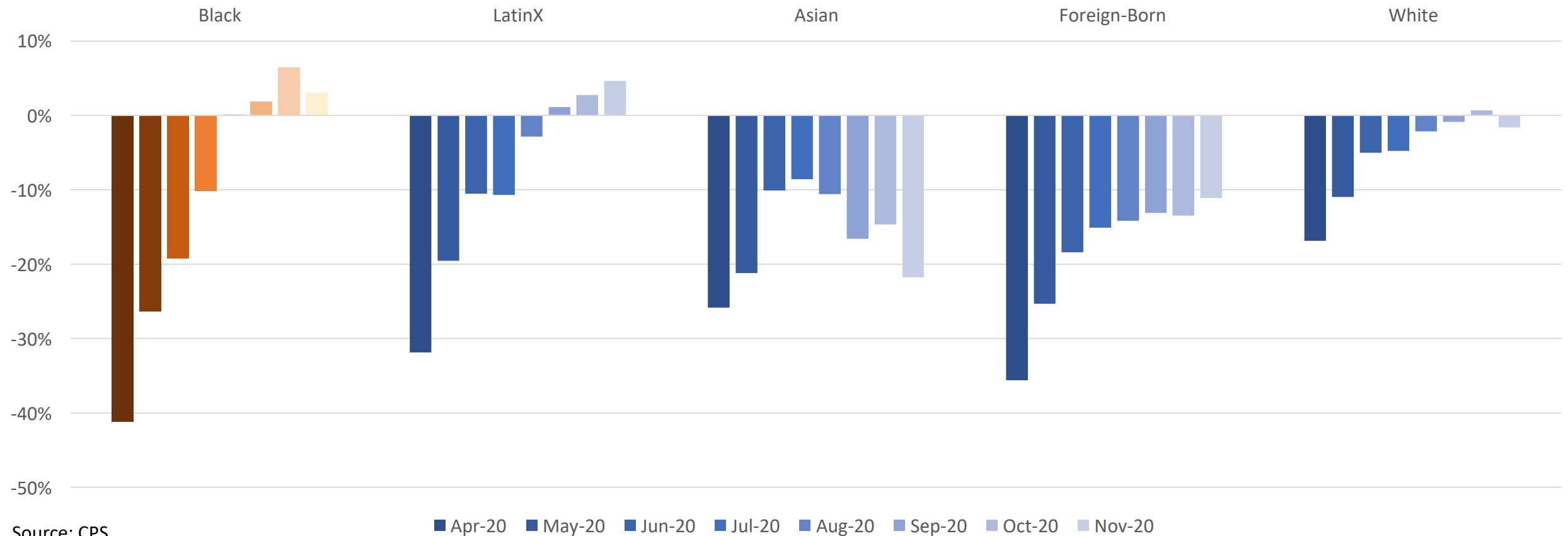


## Black and African American business owners are especially under-financed.

- 58% of Black-owned businesses were at risk of financial distress before the pandemic, compared to 27% of white-owned (Mills and Battisto, 2020).
- 36% of Black versus 29% of all respondents indicated difficulty accessing credit (McKinsey and Company, 2020).
- Marginalized groups, including Black business owners, are about half as likely as their white counterparts to receive full financing (Federal Reserve, 2016).
- 30 percent of Black owners of employer firms (businesses with at least one paid employee) hold an advanced degree, which is true of 22 percent of their white peers (2016 annual survey of entrepreneurs, US Census Bureau).

# Black and African American self-employment declined the most during the pandemic...and had the strongest recovery.

Active Self-Employed  
Change from February 2020  
By Race/Ethnicity/Citizenship  
U.S.



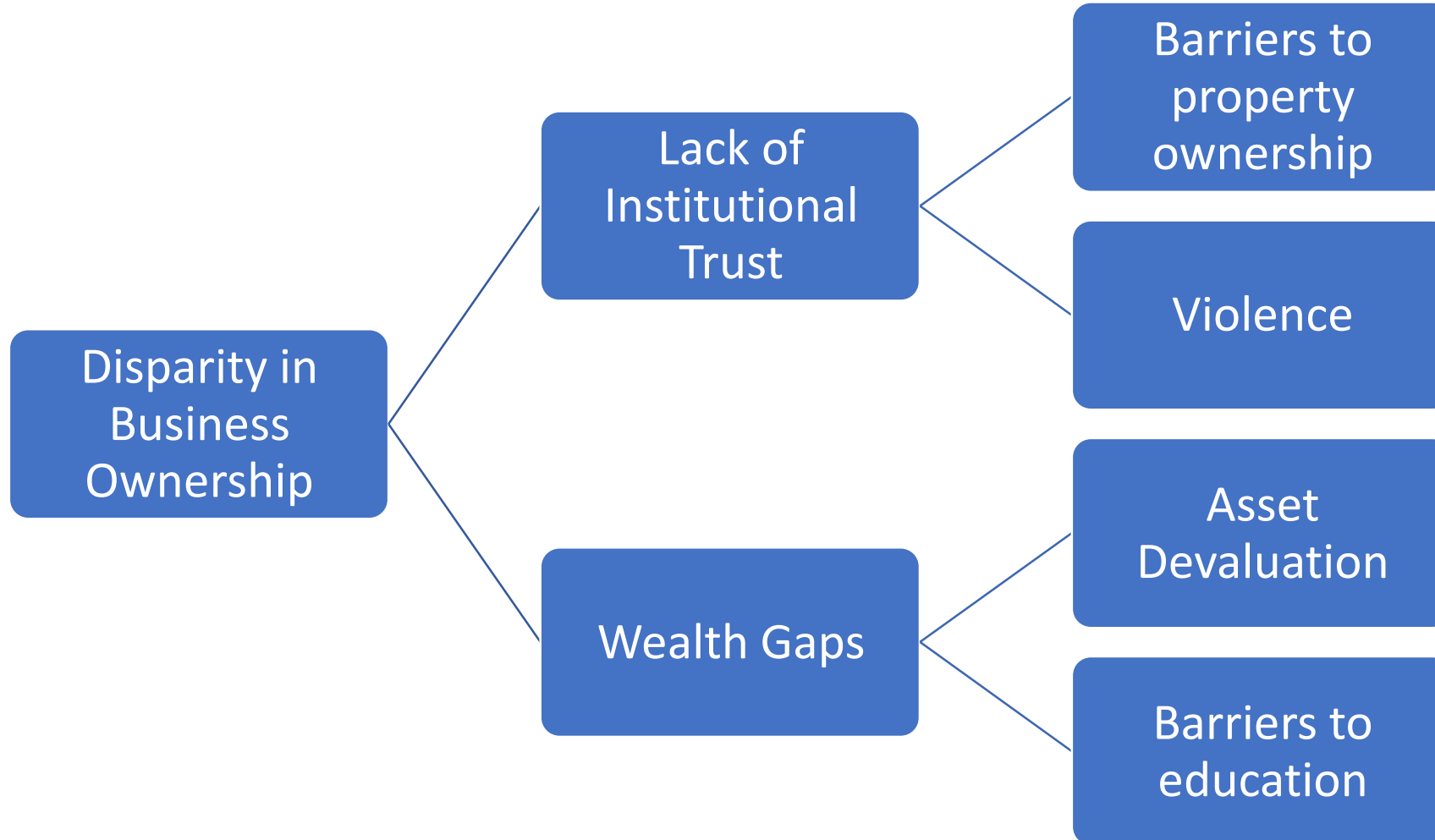
Source: CPS

# In Black communities, small business surged during the pandemic.

- Black business owners declined by 41% Feb-April 2020 compared to 22% overall.
- Following initial decline, entrepreneurial activity more than recovered during the pandemic.
- Areas with a larger share of Black residents had higher business formation rates (Fazio et. al 2021).
  - Especially higher income Black neighborhoods.
- Increases in entrepreneurial activity followed Federal spending packages like the CARES Act.
- Is this a story about necessity entrepreneurship or wealth creation?

Can you think of new businesses that you saw during the pandemic?

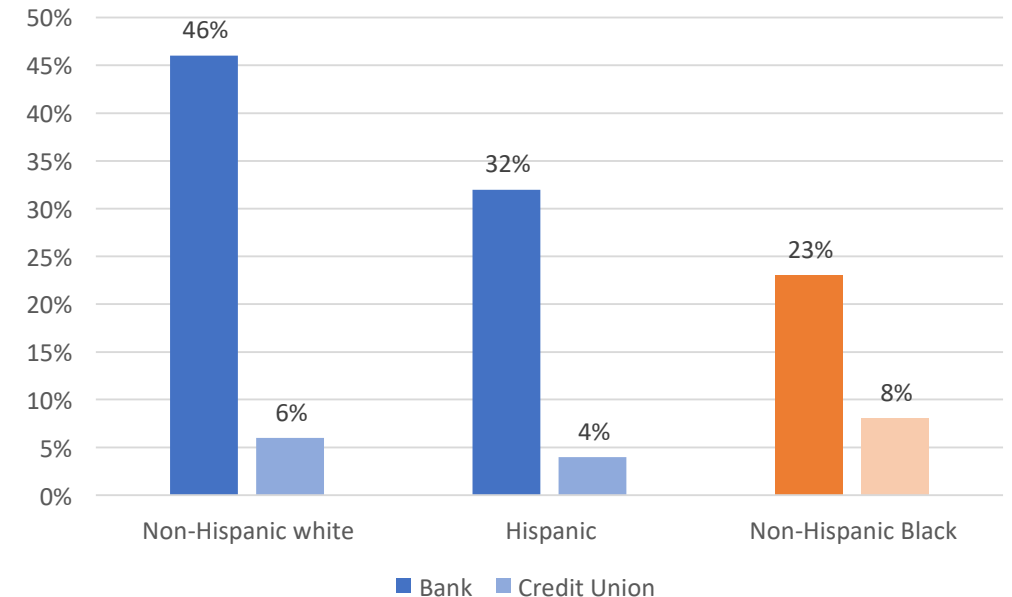
# Considering Historical Factors



## Example (cont): Additional Barriers to PPP

- Business owners of color are less likely to have existing relationships with banks.
- Business owners who have been involved with the criminal legal system, including people who have been charged but not tried or convicted of a crime, excluded.
- No SBA guidelines for awarding loans to under-served, rural, and women-owned businesses.

Funding Sources Used in the Last Five Years  
Share of Employer Firms



What historical factors come to mind that could help us understand the struggles or the successes of Black and African-American-owned businesses?

# Considerations for more equitable outcomes

- Financing
  - Direct applications and partnerships.
    - Apply directly to WEDC.
    - Partnering with CDFIs, MDIs, Credit Unions.
  - Technical assistance, simplified applications, and eligibility.
  - Guidelines and incentives.
- Supplier Diversity
- Anchor Institution Leadership



# Considerations for more equitable outcomes

- Wrap-around services
- Broadband and Digital Equity
  - Evidence that BB enhances entrepreneurship—especially for the smallest types of businesses.

# Additional Resources

- McKinsey: [Building supportive ecosystems for Black-owned US businesses](#)
- Federal Reserve of Cleveland: [An Uphill Battle: COVID-19's Outsized Toll on Minority-Owned Firms](#)
- Federal Reserve of Atlanta: [Report on Minority-Owned Firms-Small Business Credit Survey](#)
- Federal Reserve of New York: [Double Jeopardy: COVID-19's Concentrated Health and Wealth Effects in Black Communities](#)
- National Bureau of Economic Research: [The Impact of Covid-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey](#)
- Brookings Institute: [Five-star reviews, one-star profits: The devaluation of businesses in Black communities](#)
- Center for Responsible Lending: [The Paycheck Protection Program Continues to be Disadvantageous to Smaller Businesses, Especially Businesses Owned by People of Color and the Self-Employed](#)
- Fazio et. al (2021). [How is COVID Changing the Geography of Entrepreneurship? Evidence from the Startup Cartography Project](#)
- Federal Reserve Banks: [Small Business Credit Survey](#)