



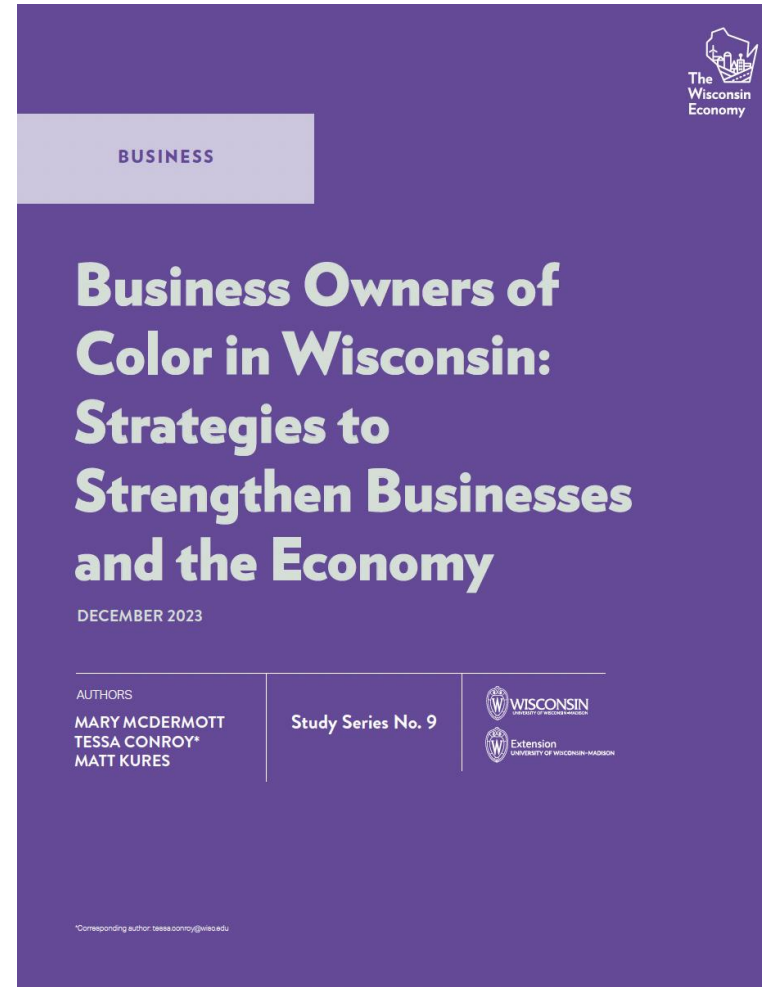
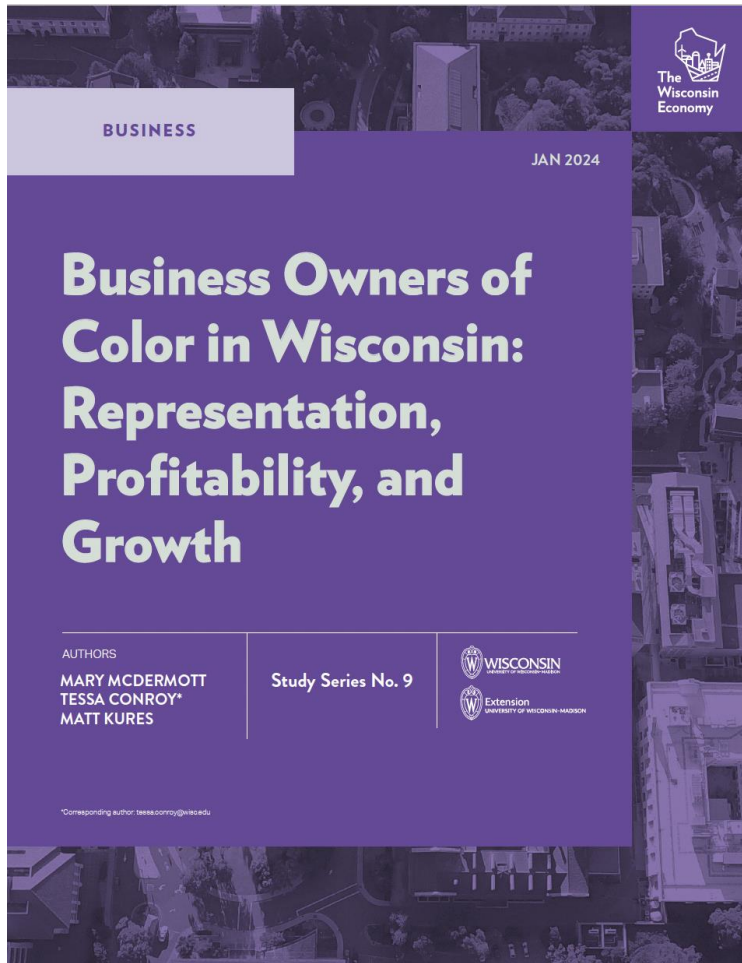
Business Owners of Color in Wisconsin: Trends and Outcomes

Tessa Conroy

Matt Kures

Mary McDermott

The Wisconsin Economy: Business Owners of Color



- Report
 - Data-focused
 - Descriptive
- Policy Brief
 - Strategies
 - Examples
- Special Features (forthcoming)
 - Black and African Americans
 - Hispanic
 - Asian American
 - Native American

The Wisconsin Economy

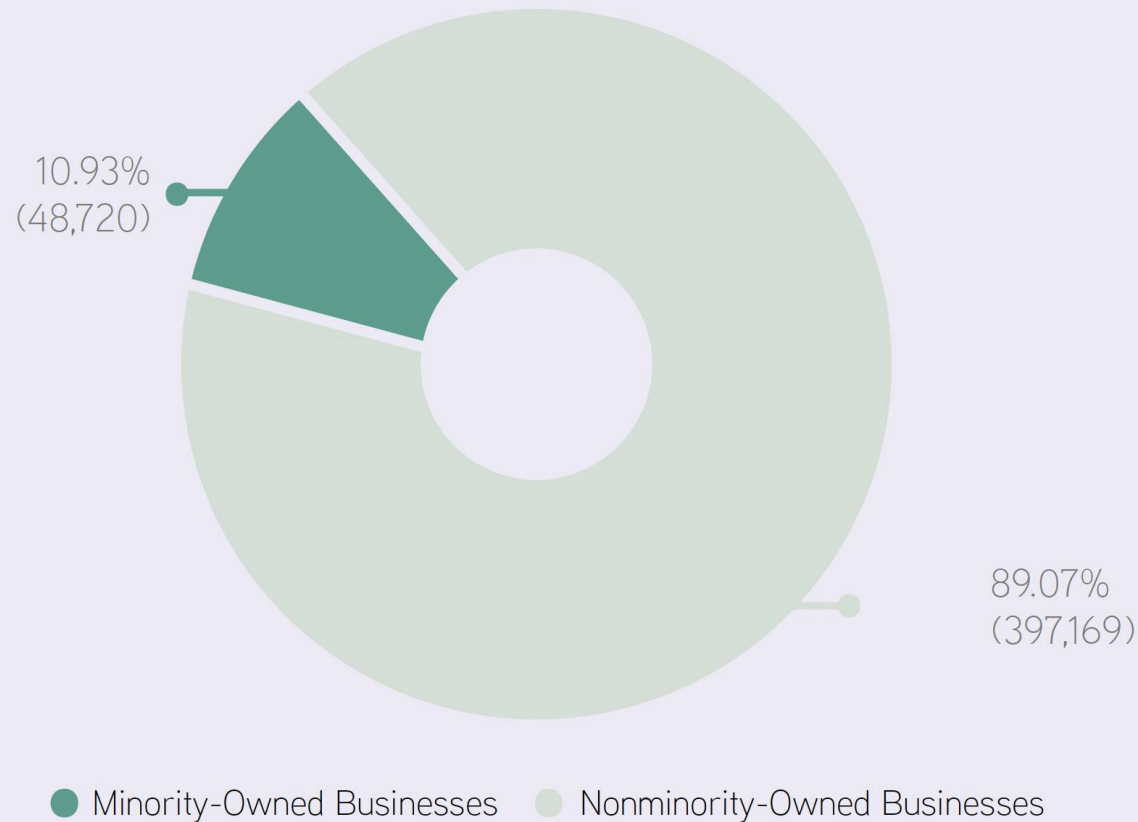
- A deep-dive into an important economic topic for Wisconsin.
- **What** to support with economic development efforts?
- **Why** we should support it?
- How to support it?

The Wisconsin Economy: Business Owners of Color

- **What** to support with economic development efforts? And **Why**?
- Diversifying Population
 - By age cohort, Wisconsin's population is increasingly diverse.
 - Diverse populations are distributed across the state.
- Diverse populations are a key source of growth
 - Placemaking and quality-of-life
 - In-migration
 - Footloose entrepreneurs

Businesses owned by people of color are a large and growing piece of the economy.

FIGURE 1 | MINORITY AND NONMINORITY BUSINESS OWNERSHIP FOR ALL FIRMS
WISCONSIN 2019



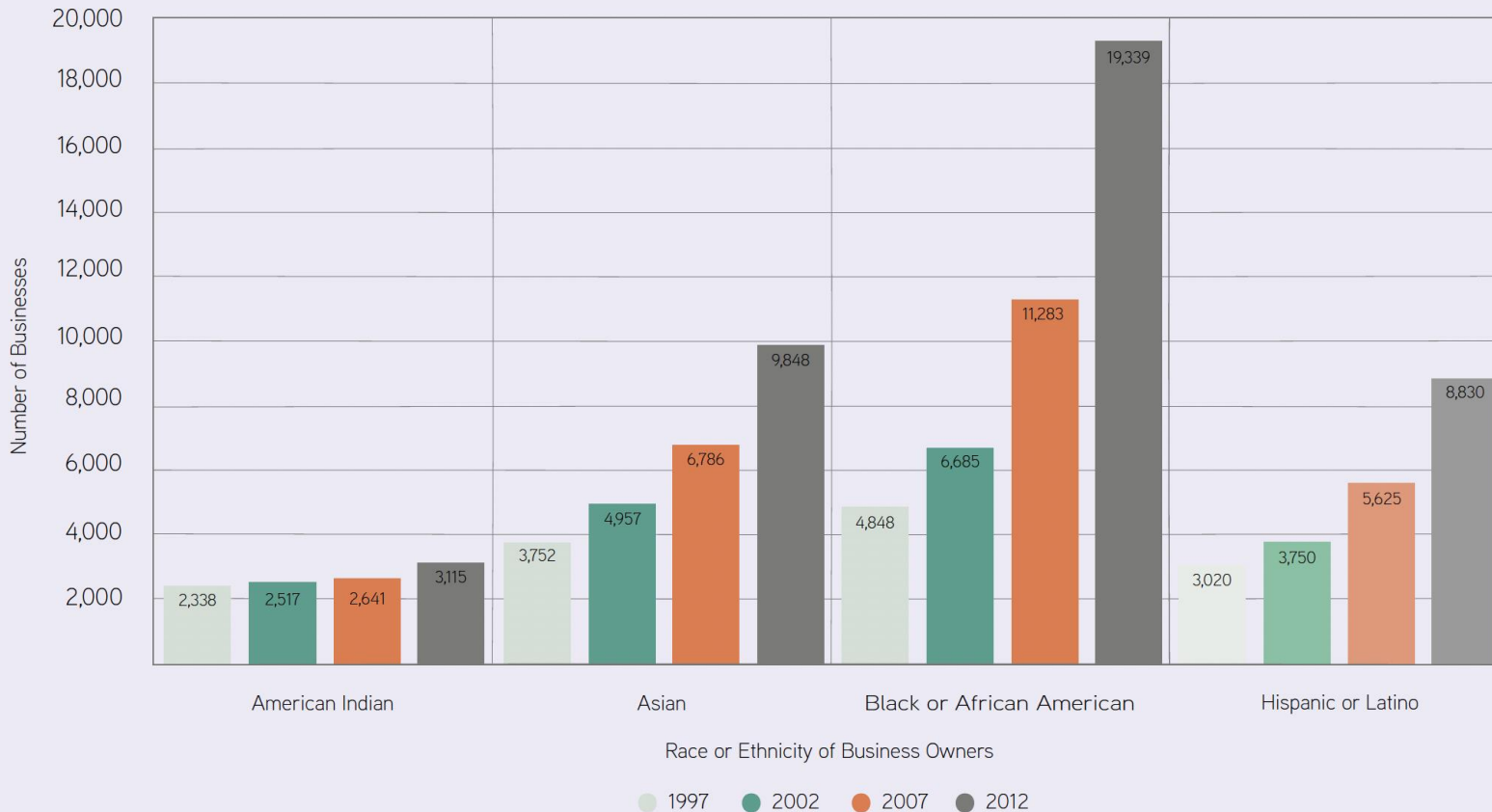
- 48,000 businesses (11% of total)
- 55,000 workers
- 1.6 B payroll

U.S. Census Bureau Annual Business Survey

- Replaces the Survey of Business Owners - Data are sourced from a combination of responses to the survey, data from the Economic Census, and administrative records data. Lags in data collection to data release;
- Selected economic and demographic characteristics for businesses and business owners by gender, ethnicity, race, and veteran status. Limited geographic coverage and issues with data suppression;
- Measures firms (not establishments) operating during the reference year with receipts of \$1,000 or more;
- May not capture or may undercount informal business operators, undocumented operators, those who are English Language Learners or individuals distrustful of government forms;
- Other data sources include U.S. Census Bureau ACS PUMS, Certified MBEs, Federal Procurement/Contracting Data; SBA Small Disadvantaged Businesses and 8(a) Businesses

We saw a remarkable period of growth pre-pandemic.

FIGURE 3 | BUSINESS GROWTH BY RACE AND ETHNICITY
WISCONSIN 1997 - 2012



- Early 2000s (includes recessionary periods)
 - American Indian owned businesses grew by at least 1/3
 - Asian-owned doubled
 - Latino-owned tripled
 - Black-owned nearly quadrupled
 - Non-Hispanic white-owned grew by 10%

Entrepreneurship as a Community Economic Development Strategy

Types of Entrepreneurs

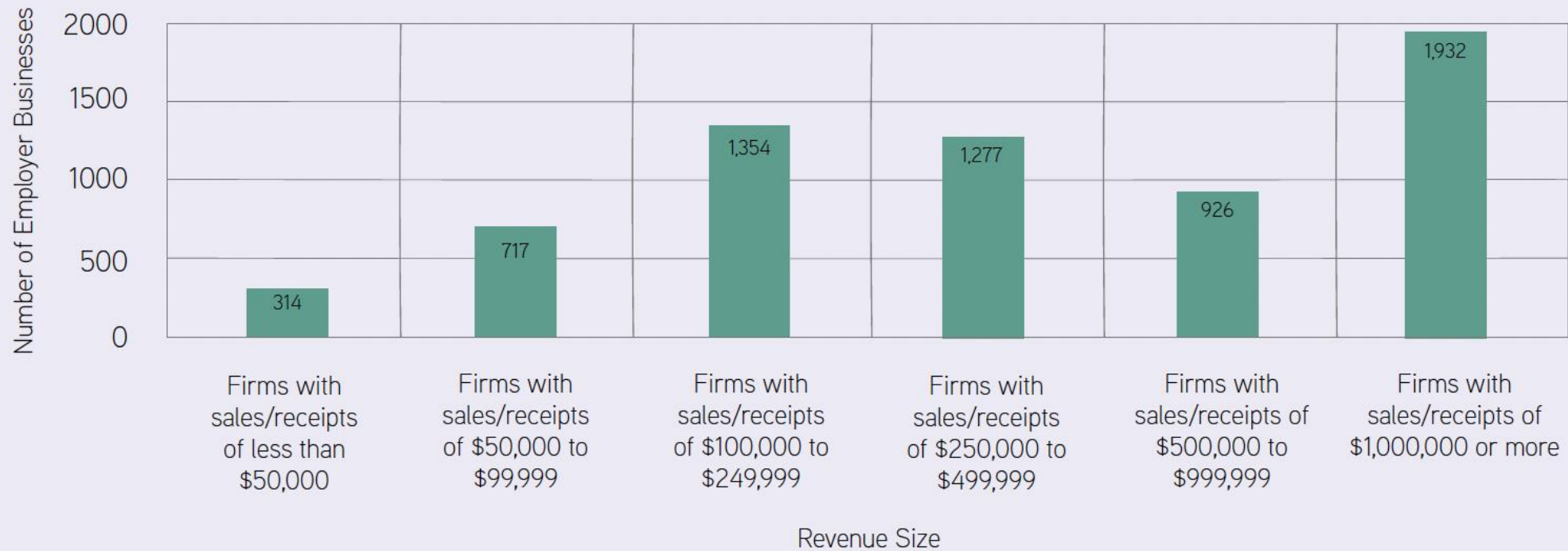
- Pre-venture/Aspiring
- Survival
- Social
- Lifestyle
- High Growth
- Serial
- Etc., etc., etc.

Benefits

- Income Growth and Poverty Reduction
- Regional Stability
- Innovation
- Sense of Community
- Job Creation

People of color own many large businesses in WI.

**FIGURE 18 | NUMBER OF MINORITY-OWNED EMPLOYER FIRMS BY REVENUE SIZE
WISCONSIN 2020**



There are significant benefits in parity.

REACHING PARITY IN WISCONSIN

We estimate that if entrepreneurs of color owned businesses at the same rate as white entrepreneurs, there would be...

Additional nonemployer firms	29,706
Additional employer firms	15,942
Additional jobs provided by employer firms	151,892
Additional income provided by employer firms (payroll receipts)	\$4,487,418,000

* *We find these estimates by calculating the ratio of non-Hispanic white-owned employer businesses to the non-Hispanic white population of Wisconsin using 2019 data. Using this ratio and the state's minority population, we then calculate how many additional POC-led businesses would need to exist in Wisconsin to achieve parity in the business-to-population ratio with non-Hispanic white population. We then use this parity estimate to calculate the number of additional employment opportunities and payroll dollars that would be made available to the state's economy by taking our estimate for the additional number of employers and multiplying it by the average number of employees and payroll dollars for Wisconsin's POC-owned businesses. While we understand that these are rough calculations, we believe that these estimates give some insight into what the state's economy would look like if businesses owned by people of color were equally represented to non-Hispanic white-owned businesses (U.S. Census Bureau, 2019a; U.S. Census Bureau, 2019b).

There are challenges for business owners of color.

FIGURE 4 | SHARE OF BUSINESSES AND SHARE OF POPULATION WISCONSIN 2019



- Represent 11% of businesses but 19% of the population
- WI ranks 50th for the rate of business ownership among people of color
- Much less likely to own businesses w/ employees
- Tend to be concentrated in low-sales sectors and earn lower-than-average sales(services)

FIGURE 13 | GROWTH OF MINORITY POPULATION AND GROWTH OF MINORITY-OWNED EMPLOYER BUSINESSES

MIDWESTERN STATES 2012 - 2020



FIGURE 10 | NUMBER OF MINORITY-OWNED EMPLOYER BUSINESSES PER 1,000 RESIDENTS CLASSIFIED AS MINORITY

2020

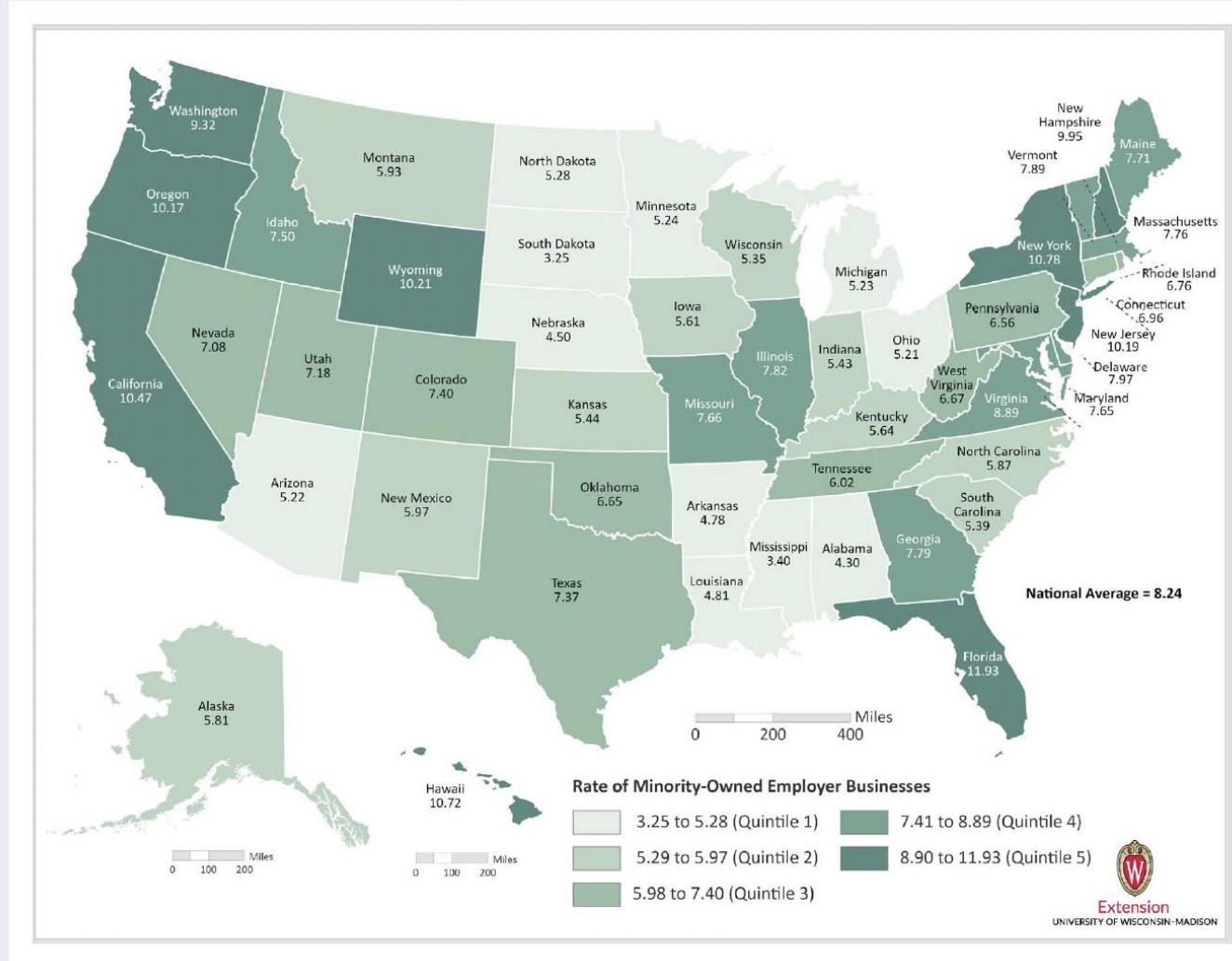
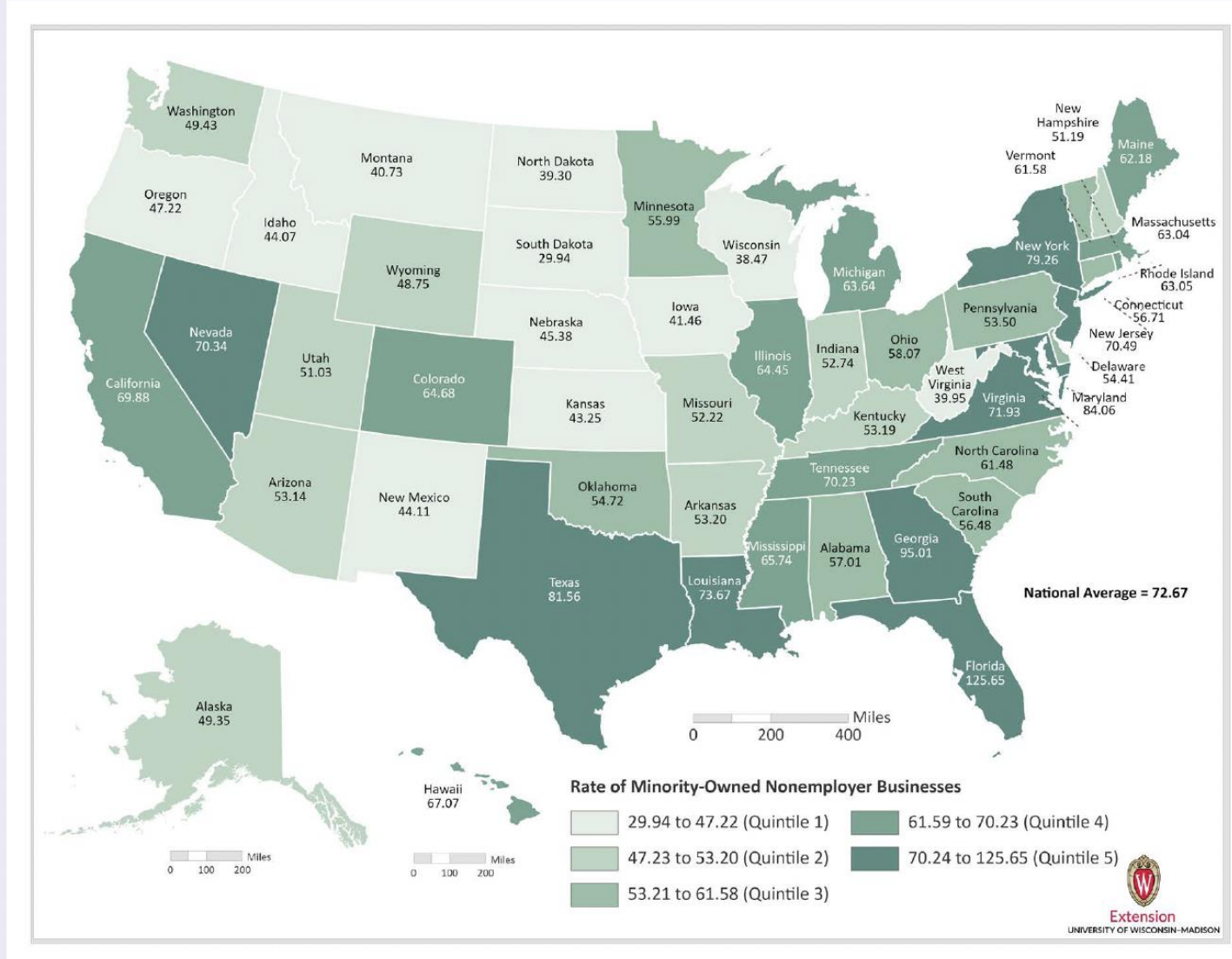


FIGURE 25 | NUMBER OF MINORITY-OWNED NONEMPLOYER BUSINESSES PER 1,000 RESIDENTS CLASSIFIED AS MINORITY

2019



EMPLOYER - NONEMPLOYER BUSINESSES

WISCONSIN 2019

FIGURE 6: MINORITY-OWNED BUSINESSES

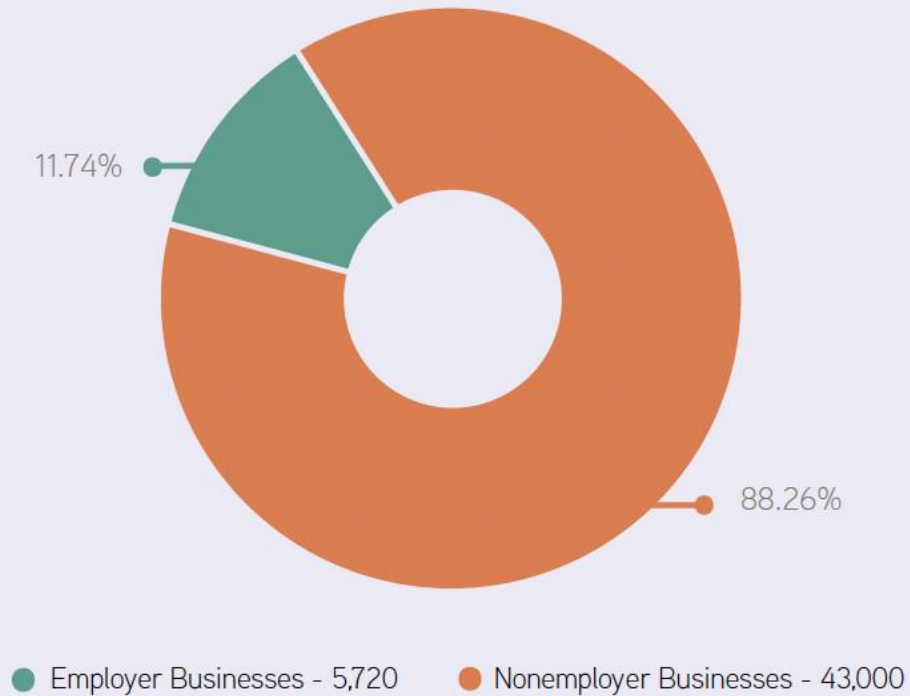
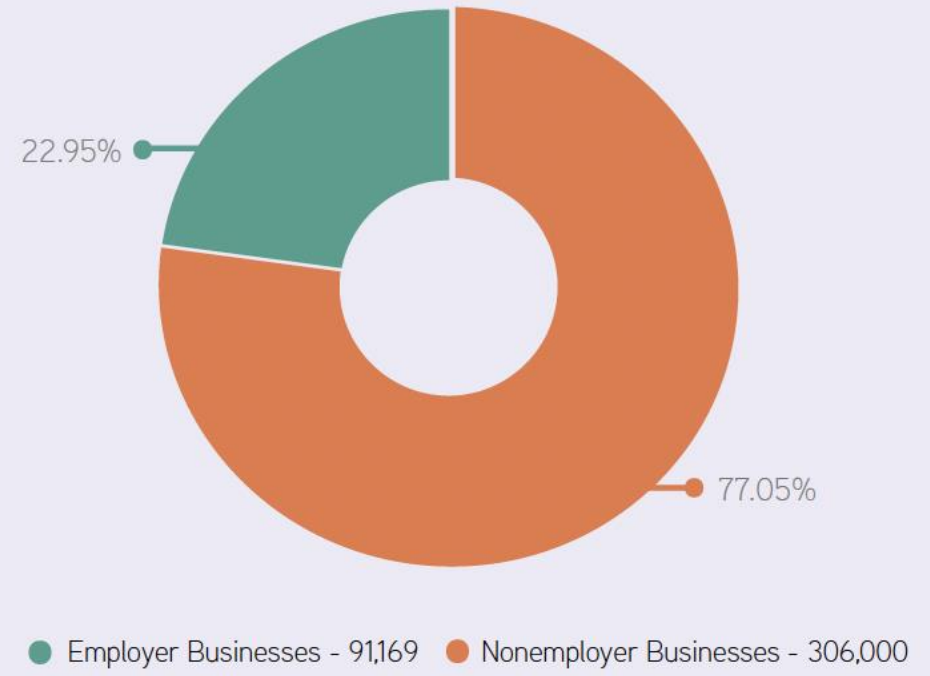


FIGURE 7: NONMINORITY-OWNED BUSINESSES



**FIGURE 8 | EMPLOYER AND NONEMPLOYER OWNERSHIP BY RACE AND ETHNICITY
WISCONSIN 2018**



FIGURE 14 | DISTRIBUTION OF FIRMS BY SECTOR
WISCONSIN 2017

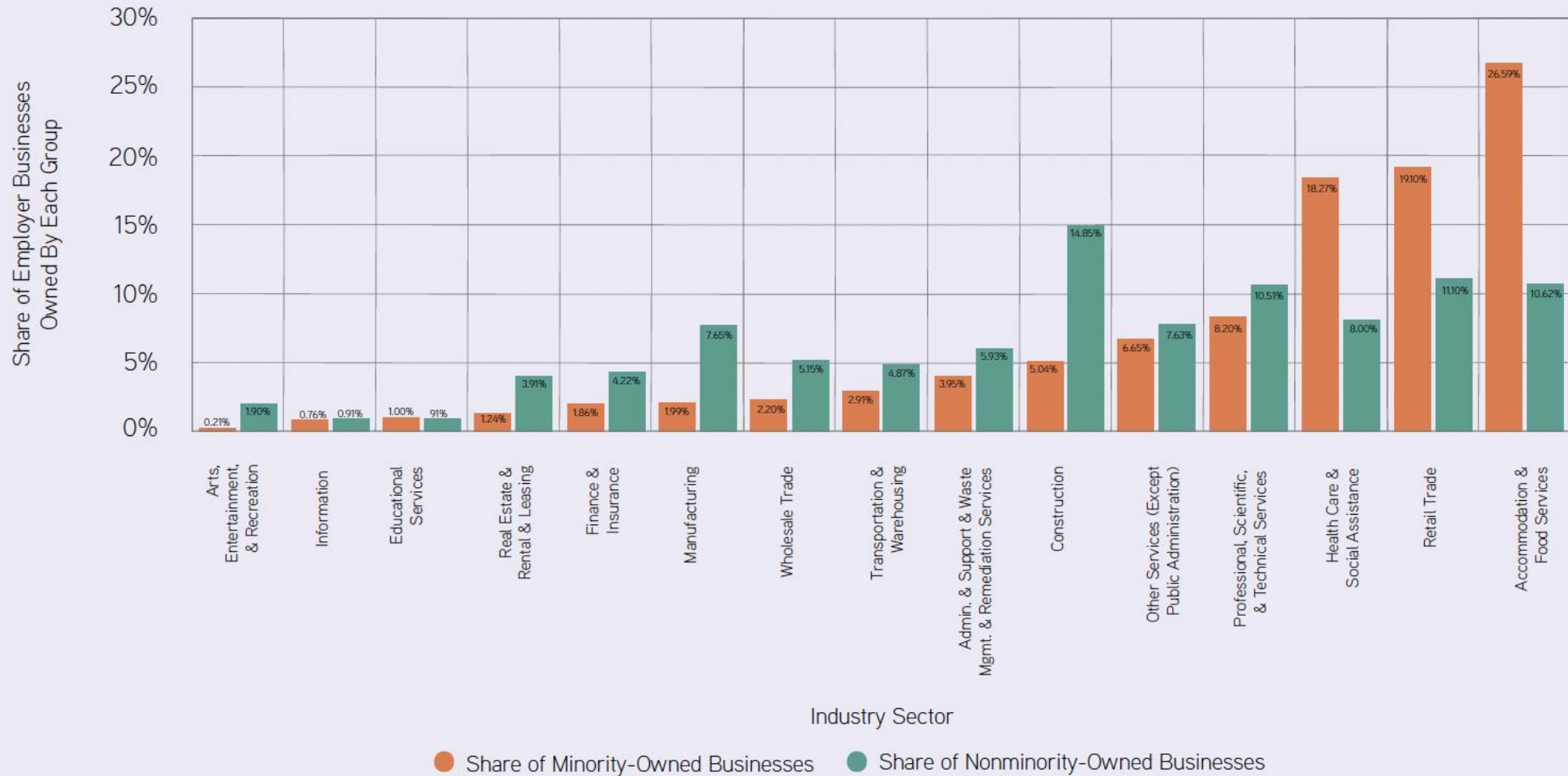


FIGURE 15 | AVERAGE SALES BY SECTOR FOR EMPLOYER BUSINESSES

WISCONSIN 2017



FIGURE 19 | EARNINGS RATIO AND AVERAGE SALES BY RACE AND ETHNICITY
WISCONSIN 2017

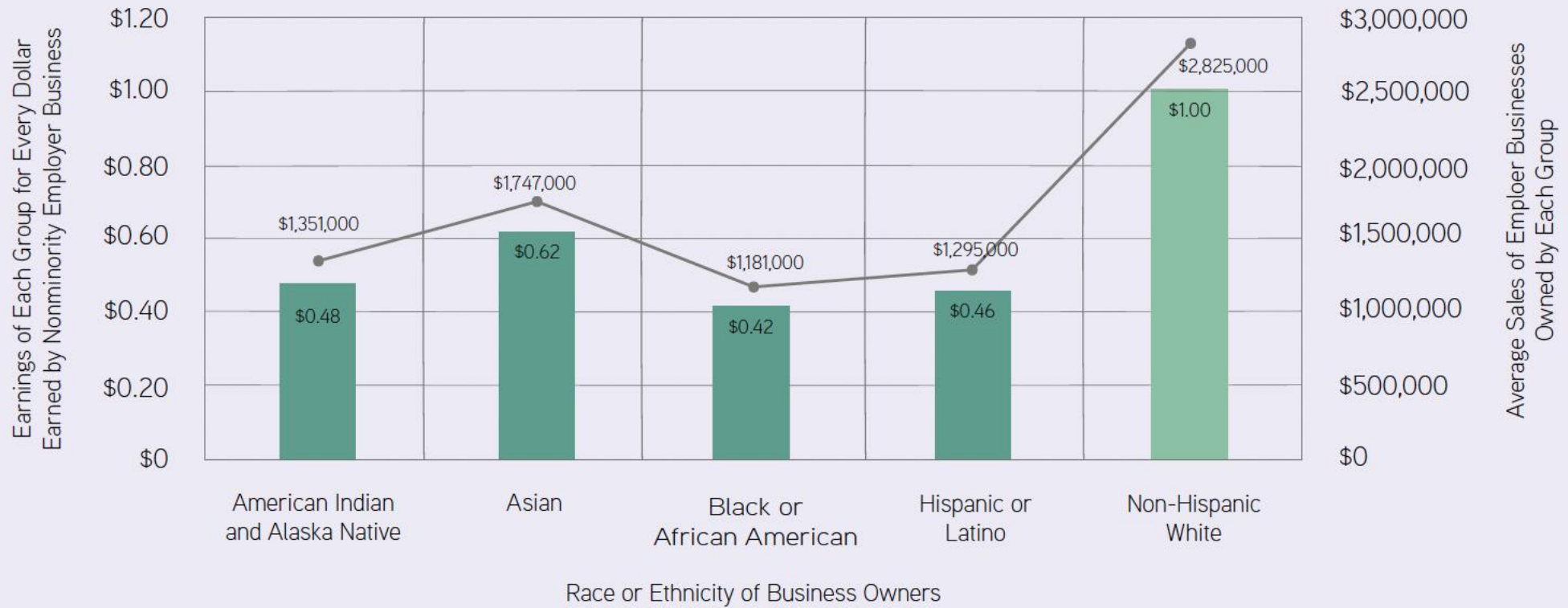


FIGURE 26 | DISTRIBUTION OF FIRMS BY SECTOR
WISCONSIN 2019

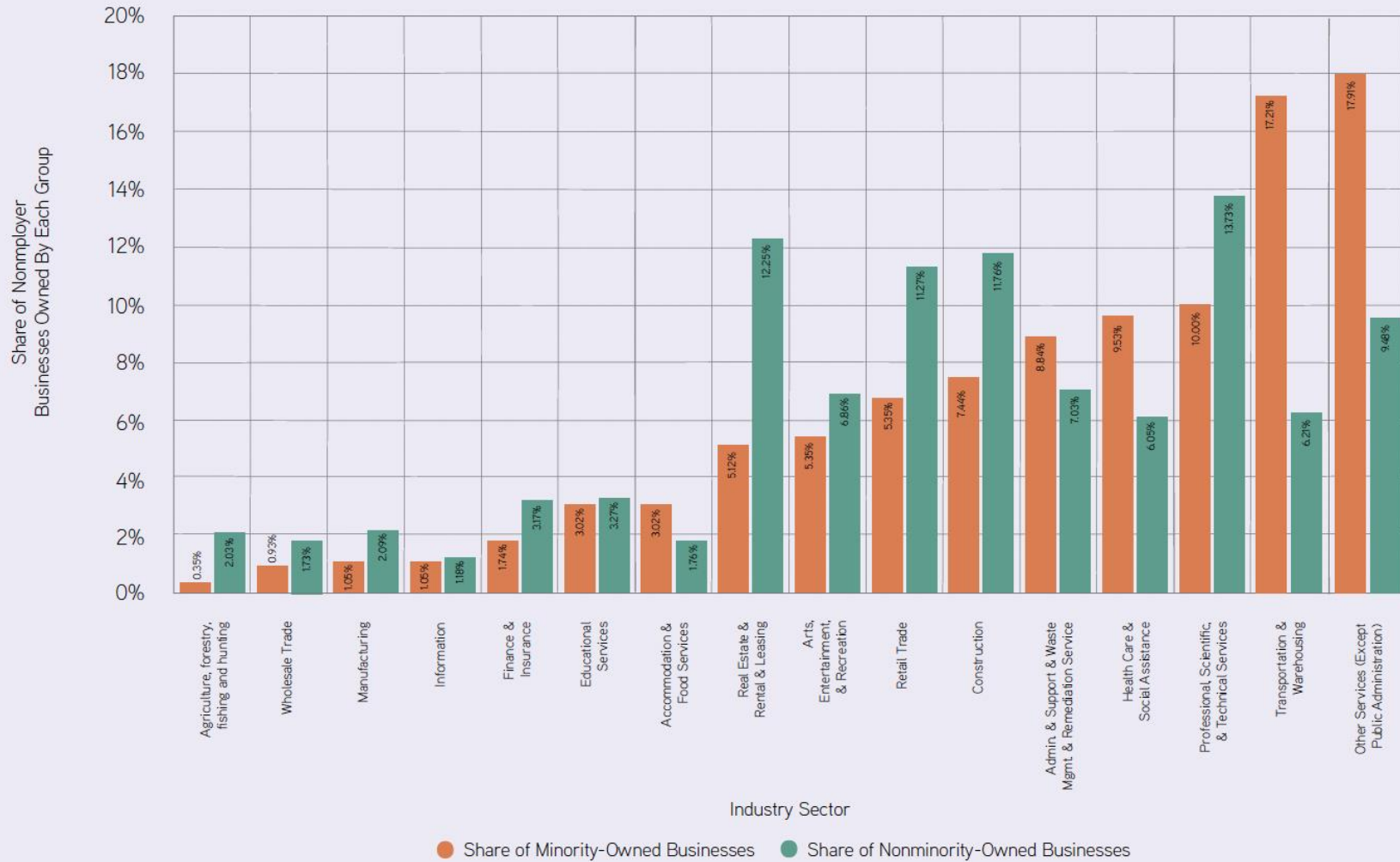


FIGURE 27 | AVERAGE SALES BY SECTOR FOR NONEMPLOYER BUSINESSES

WISCONSIN 2019

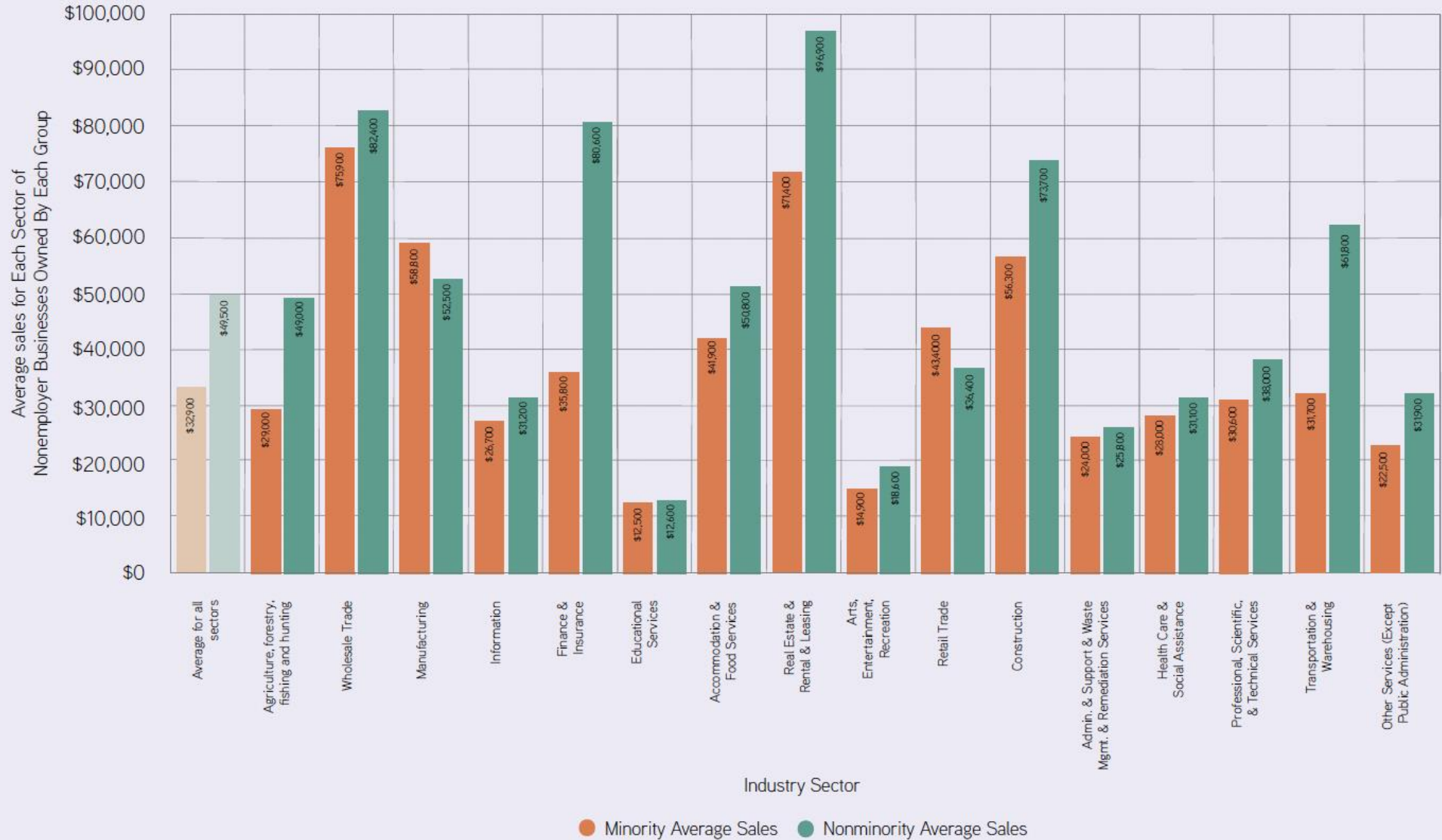
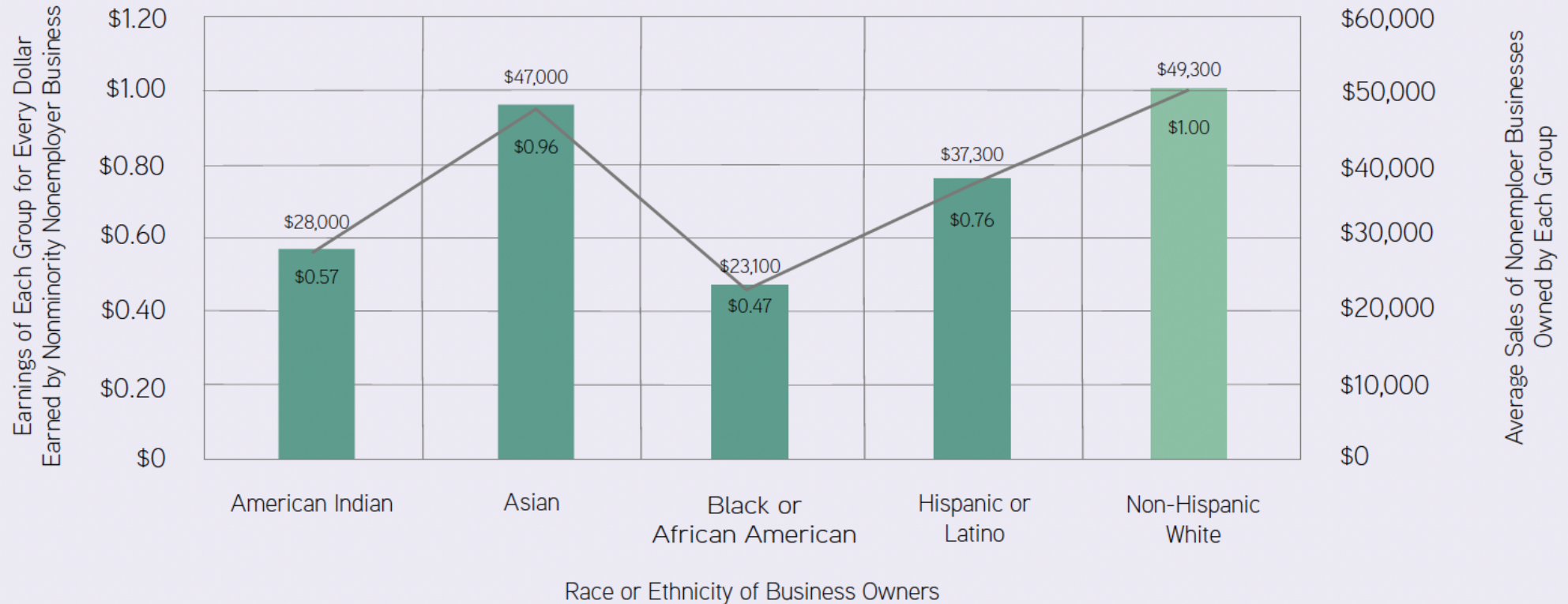


FIGURE 29 | EARNINGS RATIO AND AVERAGE SALES OF NONEMPLOYER BUSINESSES BY RACE AND ETHNICITY

WISCONSIN 2019



Looking Forward

- Pre-pandemic trend: small but growing number of businesses owned by people of color.
- BUT there are challenges.
- Promising and economically important future.
 - Recent record-breaking increase in entrepreneurial activity.
- Rise in entrepreneurial activity makes equitable access to business support even more important...

- Next time: Strategies for Growth

Contact Information

Matt Kures

Distinguished Community Economic Development Specialist

Phone 608-265-8258 matthew.kures@wisc.edu

Tessa Conroy

Economic Development Specialist

Phone 608-265-4327 tessa.conroy@wisc.edu

Economic Development Administration University Center

Community Development Institute

Division of Extension

University of Wisconsin-Madison

432 N. Lake St, Madison, WI 53706

[https://extension.wisc.edu/community-development/economicdevelopment/
@uwexccd](https://extension.wisc.edu/community-development/economicdevelopment/@uwexccd)



Extension

UNIVERSITY OF WISCONSIN-MADISON