



Issue in Brief

Prepared by the National Women's Business Council

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Trends in African American Women-Owned Employer Establishments: 1997 to 2000

The NWBC has entered into a ground-breaking agreement with the Census Bureau to produce annual tabulations on trends in the number and employment of women-owned employer establishments by state and industry. These are the only data available annually between Census years, and allow us to provide a detailed, more up-to-date picture of trends in women's entrepreneurship. In January 2004, the NWBC published an issue in brief which examined changes between 1997 and 2000 among all women-owned employer firms, looking at two key measures: survival and changes in employment. These measures allow us to examine the stability and growth of existing businesses and their locations.

The current issue in brief examines the same measures among African American women-owned employer firms. It is one of a series of five briefs that are being released simultaneously and which examine patterns of survival and growth among minority women-owned establishments. The other briefs examine Asian American, Latina, and Native American Women-Owned Employer Establishments, as well as a minority summary report which consolidates the findings from each of these individual reports. These issues in brief look at establishments – or locations – in total, rather than focusing on individual businesses at the enterprise level.

Background¹

In 1997, African American women owned 312,884 non-farm businesses, generating \$13.6 billion in business revenues.² Seven percent (6.6%) of these business enterprises³ had at least one paid employee other than the owner, employing in total nearly 170,000 people. Fully 69% of the total receipts from African American women-owned firms were generated by these employer firms. In comparison, 15.6% of all women-owned firms had at least one paid employee other than the owner, with these firms accounting for 88% of total receipts among women-owned firms.

¹ The Census Bureau's Economic Census is the major source of detailed information about the structure and functioning of the Nation's economy. Title 13 of the United States Code directs the Census Bureau to take the economic census every 5 years, covering years ending in 2 and 7. The most recently available statistics come from the 1997 Economic Census, published in 2001.

² Women-owned firms include only privately-held firms with 51% or more ownership by a woman or women. African American women-owned firms include only privately-held firms with 51% or more ownership by a woman or women AND 51% or more ownership by an African American or African Americans.

³ An enterprise is a business organization consisting of one or more domestic establishments (locations) that were specified under common ownership or control.

This Issue in Brief describes trends among just those enterprises with at least one paid employee at any point during 1997 and focuses on business establishments – or locations.⁴ Comparisons are made to all establishments, which also include only those with at least one paid employee during 1997.

Business Establishment Survival

More than two-thirds (68%) of the African American women-owned employer business locations in existence in 1997 were still in operation three years later. Among all women-owned employer establishments, 75% remained in business over the period.

The ten states⁵ with the highest survival rates from 1997 to 2000 among African American women-owned employer establishments were:

⁴ The following example illustrates the difference between establishments and enterprises: if a business consolidated multiple locations and employees into a single location, we would see a decrease in the number of establishments without a corresponding decrease in either enterprises or employment. This is important to consider, as an establishment "death" does not necessarily equate to a business enterprise closure.

⁵ When looking at state-level information throughout this report, only those states with at least 35 African American women-owned firms were included.

- Oklahoma (89% survival);
- New York (87%);
- Arizona (83%);
- Maryland (81%);
- Nebraska (81%);
- Alabama (79%);
- Michigan (78%);
- Wisconsin (78%);
- Pennsylvania (77%); and
- Washington (77%).

Five of these states (Oklahoma, New York, Maryland, Nebraska, and Pennsylvania) also ranked in the top ten based on survival rates among all women-owned employer establishments.⁶ Interestingly, Arizona ranked in the top ten states from 1997 to 2000 among African American women-owned employer establishments based on survival rate, while it ranked last among all states based on survival among all women-owned employer establishments.

Two of the top ten states based on survival (New York and Maryland) are also among the most populous states for African American women-owned employer firms.

The ten states with the lowest survival rates from 1997 to 2000 among African American women-owned employer establishments were:

- Iowa (22%);
- Colorado (28%);
- Tennessee (40%);
- Massachusetts (44%);
- Oregon (45%);
- Alaska (46%);

⁶ It is interesting to note that the best-performing states do not necessarily correlate to the fastest-growing states for women-owned businesses, as discussed in recent research. The rankings discussed here are based on the stability and growth of existing businesses and locations, as opposed to new business growth. Additionally, this issue brief examines only enterprises with employees.

- Mississippi (48%);
- Delaware (51%);
- Texas (53%); and
- Kansas (53%).

Four of these states (Tennessee, Oregon, Alaska, and Delaware) also ranked in the bottom ten based on survival rates among all women-owned establishments.

Survival rates between 1997 and 2000 were highest for African American women-owned employer establishments in these industries:

- Finance/ Insurance/ Real Estate (76% survival);
- Wholesale Trade (74%);
- Agriculture/ Forestry/ Fishing (72%);
- Services (69%); and

- Transportation/ Communications/ Utilities (68%).

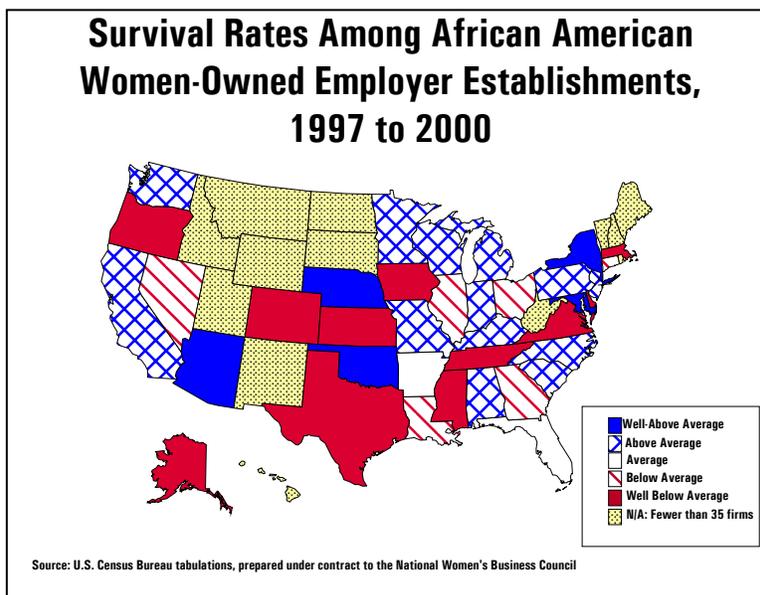
Among all women-owned employer establishments, survival rates were strongest in Agriculture/Forestry Fishing (79%), Wholesale Trade (79%), Manufacturing (78%), and Finance/ Insurance/Real Estate (78%).

Trends in Employment

In addition to examining survival, business health may also be measured by employment growth.

Looking at those African American women-owned employer firms that were in business in 1997, there was a net loss of employment of 21.8% between 1997 and 2000.⁷ Among all women-owned employer firms, the decline in employment was 4.2% over the period. Therefore, the overall decline in employment from 1997 to 2000 was much larger among African American women-owned

⁷ Establishments that were formed after 1997 are not included in these tabulations. Thus, references to changes in employment refer to changes from 1997 to 2000 among only those establishments in existence in 1997 and do not take into account new firm creation since that time. According to a new Census Bureau working paper, start-ups in the first two years of operation accounted for virtually all of the net new jobs in the economy.



The industries with the smallest declines in employment from 1997 to 2000 among African American women-owned establishments were:

- Manufacturing (3% decline in employment)
- Agriculture/Forestry/Fishing (-3.8%);
- Construction (-4.1%);
- Retail Trade (-14.6%); and
- Wholesale Trade (-18.6%).

Conclusions and Recommendations

African American women-owned employer establishments showed lower rates of survival compared to all women-owned employer establishments from 1997 to 2000, with two-thirds (68%) of African American women-owned establishments still in existence after three years, compared to 75% of all women-owned employer establishments. There are wide variations in survival across the country, ranging from a high of 89% survival in Oklahoma to a low of just 22% survival in Iowa. Similarly, variations can be seen in survival of African American women-owned employer establishments by industry, from a high of 76% survival in Finance/Insurance/Real Estate to a low of 57% survival in Manufacturing.

In every industry, African American women-owned employer establishments had lower survival rates than did women-owned employer establishments overall. On the state level, 10 states showed stronger survival rates among African American women than among all women-owned employer establishments. Therefore, we cannot simply state that African American women-owned employer establishments are less likely to survive over three years than are women-owned employer establishments overall. There are some states that are clearly outperforming others in terms of survival, and it would be a worthwhile exercise to determine what is making the difference in those states.

Employment among African American women-owned establishments that were in existence in 1997 decreased by 21.8% between 1997 and 2000, compared to a loss of just 4.2% among all women-owned establishments. The growth in employment among African American and all

women-owned establishments that expanded – that is, those establishments with more employees in 2000 than in 1997 – was unable to fully offset losses in employment from those establishments that either closed or contracted (decreased employment between 1997 and 2000). It is important to note, however, that when we examine changes in employment among just those firms that survived from 1997 to 2000, African American women-owned employer firms showed the same growth as all women-owned employer firms (13.5% vs. 13.7%). Thus, while there are fewer African American women-owned employer firms surviving than women-owned firms overall, those that do survive have similar employment growth as all surviving women-owned firms.

Seventeen (17) states saw either greater employment gains or lower employment losses among African American women-owned employer firms than among all women-owned employer firms. Again, it is important to remember that a decrease in the number of *establishments* does not necessarily equate to the closure of a business *enterprise*, as consolidations and the like may explain *establishment* “deaths.”

Among those employer establishments that were still in business in 2000, similar percentages of African American women-owned and all women-owned employer establishments increased employment. Among the surviving employer firms – both African American women and all women-owned – establishments that expanded employment outnumbered those that shed jobs.

We continue to recommend that in-between Census years there would be great benefit in examining new firm creation, even if only among businesses with employees. We recommend that this data be collected and made available for analysis, in order to provide an even richer understanding of establishment dynamics and sources of employment gains and losses.

Future analysis of the data that have been provided to us by the Census Bureau will delve into such issues as establishment size to examine potential impacts on survival and employment change.

Table 1: Survival Rates and Change in Employment for Women-Owned Employer Establishments By State								
	Survival Rate 1997-2000		% Change in Employment 1997-2000		Rank in Survival Rate By State		Rank in % Change in Employment By State	
	African American	All	African American	All	African American	All	African American	All
U.S.	68	75	-21.8	-4.2				
Alabama	79	72	15.5	-5.3	6	38	7	23
Alaska	46	71	-37.2	-11.8	33	42	34	43
Arizona	83	68	-37.2	-2.8	3	51	34	14
Arkansas	68	68	-12.4	-8.4	20	49	21	35
California	73	77	17.9	-6.9	14	8	6	31
Colorado	28	73	-17.3	-6.0	37	35	24	28
Connecticut	60	79	-0.6	-4.6	26	3	17	19
Delaware	51	69	12.1	-0.4	31	46	8	8
District of Columbia	67	75	0.7	-13.9	21	23	14	48
Florida	69	71	-27.2	-8.0	19	43	29	33
Georgia	65	72	-13.6	-6.8	22	37	22	30
Hawaii	*	77	*	-12.7	*	12	*	44
Idaho	*	71	*	-13.0	*	41	*	46
Illinois	62	78	-60.3	-2.2	24	6	37	12
Indiana	73	73	-28.4	-5.8	14	28	30	26
Iowa	22	74	9.8	-1.9	38	25	10	11
Kansas	53	76	-40.9	-3.4	29	19	36	15
Kentucky	75	74	3.0	-7.8	13	27	13	32
Louisiana	62	76	-25.5	-16.8	24	17	28	51
Maine	*	76	*	14.3	*	18	*	2
Maryland	81	78	0.5	-4.1	4	4	16	17
Massachusetts	44	77	-29.2	-2.4	35	13	31	13
Michigan	78	76	30.4	-11.3	7	15	4	42
Minnesota	71	77	74.7	-5.2	17	11	1	22
Mississippi	48	73	-22.7	-5.1	32	29	27	21
Missouri	71	73	-15.5	-4.4	17	32	23	18
Montana	*	72	*	-0.4	*	40	*	7
Nebraska	81	77	46.1	-10.8	4	10	2	41
Nevada	59	69	-34.3	-4.9	27	47	33	20
New Hampshire	*	80	*	-1.1	*	2	*	10
New Jersey	76	78	5.5	22.3	11	5	12	1
New Mexico	*	70	*	-13.4	*	45	*	47
New York	87	81	-8.2	8.1	2	1	18	3
North Carolina	76	76	0.7	-9.7	11	20	14	37
North Dakota	*	73	*	-16.3	*	33	*	50
Ohio	65	75	-11.2	-5.8	22	21	19	25
Oklahoma	89	78	24.5	-6.0	1	7	5	27
Oregon	45	71	-33.7	-10.1	34	44	32	38
Pennsylvania	77	77	9.3	4.2	9	9	11	4

	Survival Rate 1997-2000		% Change in Employment 1997-2000		Rank in Survival Rate By State		Rank in % Change in Employment By State	
	African American	All	African American	All	African American	All	African American	All
	Rhode Island	*	77	*	2.9	*	14	*
South Carolina	72	74	-22.0	-9.5	16	26	26	36
South Dakota	*	76	*	-10.7	*	16	*	40
Tennessee	40	68	-12.0	-13.9	36	50	20	49
Texas	53	75	-73.3	-6.2	29	24	38	29
Utah	*	72	*	-3.8	*	39	*	16
Vermont	*	69	*	-12.8	*	48	*	45
Virginia	56	73	11.0	-0.1	28	31	9	6
Washington	77	73	-21.5	-5.5	9	34	25	24
West Virginia	*	73	*	-10.4	*	30	*	39
Wisconsin	78	75	34.9	-0.9	7	22	3	9
Wyoming	*	73	*	-8.1	*	36	*	34

* Fewer than 35 African American women-owned employer firms in these states

	Survival Rate 1997-2000		% Change in Employment 1997-2000	
	African American	All	African American	All
	Total, All Industries	68	75	-21.8
Agriculture/Forestry/Fishing	72	79	-3.8	7.4
Construction	63	74	-4.1	6.4
Finance/Insurance/Real Estate	76	78	-21.1	-5.5
Manufacturing	57	78	-3.0	-7.6
Mining	*	67	*	-26.0
Retail Trade	65	75	-14.6	-11.1
Services	69	75	-21.8	-1.2
Transportation/Communications/Utilities	68	71	-63.5	-7.8
Wholesale Trade	74	79	-18.6	-2.9

* Fewer than 35 African American women-owned employer firms in this industry

Methodology

The data used in this analysis was provided by the Census Bureau, utilizing data based on the 1997 SWOBE⁸ survey. Establishments⁹ owned by the enterprises reported in the 1997 SWOBE file were extracted and matched to the 1997 data on the Business Information Tracking Series (BITS), a database containing longitudinal data (annual data from 1989 through 2000) on virtually all non-farm U.S. business establishments with paid employees. Only those women-owned establishments with matching entries in the BITS are included in these tabulations. Using the BITS file, the Census Bureau was able to create longitudinal tabulations, which are tabulations that provide a study of business entities across a span of years.

The tabulations make no attempt to track changes in ownership for those businesses that were identified as women-owned in 1997. Thus, the tabulations may include some establishments that were women-owned in 1997 but have changed ownership or undergone reorganization since 1997. Likewise, the tabulations do not include any women-owned establishment births or existing establishments which became women-owned after 1997. While the tabulations are at the establishment level, weights that were developed for the 1997 SWOBE survey were used. These weights were assigned at the enterprise level for the SWOBE; for this project, the enterprise weight was assigned to each of the establishments belonging to the enterprise.

The 1997 SWOBE estimates were derived from a sample survey that was subject to sampling error. The sample size (which includes both SWOBE and SMOBE – The Survey of Minority-Owned Business Enterprises) was 2,532,911.

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

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

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The National Women's Business Council is a bi-partisan Federal government body created to serve as an independent source of advice and policy recommendations to the President, Congress, and the U.S. Small Business Administration on economic issues of importance to women business owners. Members of the Council are prominent women business owners and leaders of women's business organizations. For more information about the Council, its mission and activities, contact: National Women's Business Council, 409 3rd Street, SW, Suite 210, Washington, DC 20024; phone: 202-205-3850; fax: 202-205-6825; e-mail: nwbc@sba.gov, web site: <http://www.nwbc.gov>.

⁸ The Survey of Women-Owned Business Enterprises (SWOBE) provides basic economic data on businesses owned by women.

⁹ An establishment is a single, physical location where business is conducted or where services or industrial operations are performed.