

Business Owners of Color in Wisconsin: Representation, Profitability, and Growth

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| | |
|-----------|--|
| 1 | INTRODUCTION |
| 5 | SECTION 1 ALL WISCONSIN BUSINESS |
| 12 | SECTION 2 EMPLOYER BUSINESSES IN WISCONSIN |
| 25 | SECTION 3 NONEMPLOYER BUSINESSES IN WISCONSIN |
| 32 | EFFECTS OF THE COVID-19 PANDEMIC |
| 35 | LOOKING FORWARD |
| 36 | APPENDIX |
| 40 | REFERENCES |
| 43 | METHODOLOGY |

EXECUTIVE SUMMARY

Wisconsin follows the nationwide trend of a relatively small yet growing number of diverse business owners. This recent growth suggests a promising and economically important future for diverse business owners despite evidence that they face significant challenges.

Over 48,000 of Wisconsin's businesses are owned by people of color. They employ nearly 55,000 workers and contribute over \$1,600,000,000 in payroll receipts. These businesses provide specific products and services, generate income for themselves and their employees, create meaningful establishments in their communities, contribute to broader economic development, and aid in wealth accumulation in their communities.

In Wisconsin, the growth of businesses owned by people of color has been dramatic. From 1997 to 2012, American Indian business ownership grew by 33.2% while Asian ownership more than doubled, Latino ownership nearly tripled, and Black ownership virtually quadrupled. For comparison, nonminority-owned businesses grew by 10.7% during the same period.

Despite substantial growth in the last few decades, Wisconsin may be missing out on additional economic benefits from businesses owned by people of color because they remain underrepresented. Businesses owned by people of color represented 10.9% of total businesses in 2019, despite people of color representing 19.2% of the state's total population at the time. Across states, Wisconsin ranks 50th for the rate of business ownership among minorities.

Business owners of color more typically own businesses without paid employees, called "nonemployer" businesses. Nonminority business owners are nearly 2 times more likely to run a business with employees. The prevalence of nonemployer businesses among business owners of color may signal barriers to growth and/or barriers to entry in some sectors such as large capital requirements.

In the wake of the pandemic when entrepreneurial activity has reached historically high levels, it is important to create inclusive business ecosystems that provide opportunities for wealth building, social and economic mobility growth, and community development.

INTRODUCTION

Business ownership is an important tool for economic advancement. Through business ownership, individuals can create wealth, generate jobs, promote innovation, and support the quality of life for the surrounding community. It is especially important for communities of color that encounter economic inequities resulting from systemic racism that has limited asset accumulation, employment, and education (Baboolall, Cook, Noel, Stewart, & Yancy, 2020; Klein, 2017; Liu & Parilla, 2020; Maxwell, Hamilton, Perry, & Solomon, 2020). Growing the number of business owners of color could help close the racial wealth gap by providing a livelihood for the owners themselves and by offering employment to other community members. Entrepreneurship also tends to lead to more entrepreneurship in a reinforcing process (Conroy & Weiler, 2019). Business owners of color can stimulate more entrepreneurship by revealing information about what works and what doesn't work as well as adding to a circle of peers to support others in their own business pursuits.

Common obstacles to business ownership in communities of color are a lack of capital, lending discrimination further exacerbating the inaccessibility of capital, and less exposure to business development resources which can culminate in limited business knowledge and weaker support networks (Baboolall, Cook, Noel, Stewart, & Yancy, 2020; De Zeeuw, 2019; Klein, 2017). By removing the barriers that limit the growth and success of businesses owned by people of color, there is potential to better utilize a source of economic growth that could promote wealth accumulation, support households, and strengthen the broader economy.

Given the opportunity for economic advancement offered through business ownership, it is important to assess the current state of business ownership for different groups. Across the United States, there is a disparity in businesses owned by people of color. For reference, the share of American businesses owned by minority groups is 33.3% despite representing 40.1% of the population,

A NOTE ON TERMINOLOGY

We use the terms “people of color (POC),” “communities of color,” “entrepreneurs of color,” and “businesses owners of color” to refer to groups who have been identified as nonwhite. When referring to a specific group, we use specific terminology (e.g., Black business owners). When citing sources, we try to adhere to the terminology as used by the original source. This is especially relevant in our use of Census data which uses the term “minority” that identifies racial and ethnic groups which are classified as any race or ethnicity other than non-Hispanic white. The following terms included in this definition are: Hispanic or Latino of any race, Black or African American, American Indian and Alaska Native, Asian, and Native Hawaiian and Other Pacific Islander (U.S. Census Bureau, 2018b). While these terms are not entirely agreed upon and consistently evolving, our intention is to employ terminology that causes the least harm to communities of color as possible. Our choice of language is informed by the American Psychological Association guidelines and The Associated Press Stylebook.

indicating underrepresentation. In contrast, nonminorities own 66.1% of businesses but account for 60.0% of the population.¹ The underrepresentation of businesses owned by people of color is more severe when considering sales. Despite comprising 33.3% of the country's businesses, businesses owned by people of color only make up 11.4% of total sales while nonminority owned businesses make up 87.7% of total sales (U.S. Census Bureau, 2019b; U.S. Census Bureau, 2019d).² The gap in business ownership and performance is likely the result of several factors including the industries in which these businesses operate, a lack of capital, financial challenges, and supply-chains that favor large companies that are more typically nonminority-owned (Baboolall, Cook, Noel, Stewart, & Yancy, 2020; Burton, 2021; De Zeeuw, 2019; Klein, 2017). It is also important to note that these numbers are from 2019, so they are the most current available but still do not account for recent changes, particularly the pandemic and the toll it took on businesses owned by people of color.

Despite the challenges to business ownership for people of color, the growth and potential of this segment of the entrepreneurial community is remarkable. According to a report by the Kauffman Foundation, in 2019, 42% of new entrepreneurs were non-white, up 19.1 percentage points from 1996 when 22.9% of new entrepreneurs were non-white. The top driver of this growth was the increase of Latino entrepreneurs, followed by growth in the share of Asian entrepreneurs and then Black entrepreneurs. As a reflection of the growth in entrepreneurs of color, minority business ownership has increased in recent decades as well. Between 2002 and 2012, the number of Asian-owned businesses grew by 74% and the number of Black- and Latino-owned businesses more than doubled, whereas the number of nonminority-owned firms grew by just 4% (Toussaint-Comeau & Williams, 2020). There is also evidence to suggest that businesses owned by people of color have outpaced nonminority-owned firms in employment growth, narrowing a large and persistent performance gap (Toussaint-Comeau & Williams, 2020). The growth of businesses owned by people of color indicates that in addition to being a source of wealth and employment for the owner, these businesses make a significant contribution to the broader economy – providing over 9 million employment opportunities to communities nationwide and around 54,500 jobs to communities across Wisconsin (U.S. Census Bureau, 2019a).

“DESPITE THE CHALLENGES TO BUSINESS OWNERSHIP FOR PEOPLE OF COLOR, THE GROWTH AND POTENTIAL OF THIS SEGMENT OF THE ENTREPRENEURIAL COMMUNITY IS REMARKABLE.”

Looking specifically at Wisconsin, the growth of entrepreneurship among people of color has been substantial. From 1997 to 2012, a period that spanned two recessions, the number of American Indian owned businesses in the state grew by roughly one-third while Asian-owned businesses more than doubled, Latin-owned businesses nearly tripled, and Black-owned businesses virtually quadrupled. In the more recent period from 2012 to 2020, the number of businesses owned by people of color that reached the important growth stage of hiring employees grew by 27.1%. Despite this growth, business

¹ In accordance with the Census' definition of minority, the minority population was found by subtracting the non-Hispanic white population – which the Census defines as nonminority – from the country's total population. Then, the share of minority and nonminority businesses was found by adding the number of employers and nonemployers owned by each group and dividing by the total number of classifiable employer and nonemployer firms. The two estimates of business ownership for each group do not add up exactly to 100% because we calculated them as a percentage of total classifiable firms, which includes a small number of businesses that are not reported as either minority or nonminority owned.

² Same methodology as above except with total sales.

owners of color are still underrepresented in the state and there is progress to be made. Businesses owned by people of color represented 10.9% of total businesses in 2019, despite people of color representing 19.2% of the state's total population at the time. When comparing to other states and the District of Columbia, Wisconsin ranks 50th for the rate of business ownership among minorities (U.S. Census Bureau, 2019b; U.S. Census Bureau, 2019d).³ From this current position, the potential for growing the number of entrepreneurs in the state is high and could have meaningful economic impacts for both individual business owners and the broader economy.

Entrepreneurs of color are especially important to consider given the population trends in Wisconsin. While racial and ethnic minorities currently represent a relatively small proportion of the population in Wisconsin when compared to the U.S. as a whole, their population shares are on the rise (see Appendix A and B). When looking at diverse populations by age, the younger age groups are more diverse than the older ones, indicating that the state will become more diverse over time. People of color also live all throughout the state, even if concentrated in urban areas (see Appendix C). Given the growth and spread of diverse populations, the economic well-being of these residents is an increasingly important part of the overall health of the economy.

Addressing the economic opportunities available for these populations in Wisconsin may also become a key factor in attracting new residents to the state. According to reports from Wisconsin-based research organization, Forward Analytics, the state's population grew 3.6% from 2010 to 2020, which is among the lowest in the country and marks the lowest growth rate over a 10-year span in state history (Knapp, 2021). Furthermore, without increased migration to the state, it is estimated that the number of working-age Wisconsinites will decrease by 130,000 by 2030 (Dospoy, 2022). As both the state and nation diversify, creating supportive entrepreneurial ecosystems could not only enhance economic opportunities for entrepreneurs and business owners but could also contribute to making Wisconsin a more desirable place for in-migrants.

This report will take a detailed approach to evaluate business ownership in Wisconsin for people of color in terms of the number of businesses owned and their economic significance in terms of sales and employment. We'll be looking at individual racial and ethnic groups that make up the total minority population to get a clearer picture of where each group is situated in terms of ownership. In addition to assessing Wisconsin on its own, we'll be looking at how Wisconsin compares with neighboring Midwestern states and the rest of the country. Differences in the size and sector of businesses will also be accounted for as we divide the report into three sections looking at all Wisconsin businesses, then employer businesses, and lastly, businesses without paid employees. Overall, we aim to show the status of business owners of color in Wisconsin and consider pathways for increasing equity and growing the economic presence of these firms. In the corresponding policy brief, we then present potential next steps to take to support these businesses.

We look specifically at the recent, yet primarily pre-pandemic, state of business ownership among people of color in Wisconsin. Importantly the data available does not yet account for the disproportionate loss experienced by business owners of color during the COVID-19 pandemic. One study that looked at business data from the early months of the pandemic reported that the share of business closures between February and April 2020 were disproportionately owned by people of

³ This ranking includes the District of Columbia. We found this rate of ownership using 2019 data from U.S. Census Bureau's Annual Business Survey (ABS), Nonemployer Statistics by Demographics (NES-D), and American Community Survey (ACS) 1-year estimates. For more information about our calculations, look at the methodology for Figures 10 and 25. For Vermont, there was no 2019 data on the number of minority-owned employers, so we found the total number of firms by adding the number of nonemployer firms in 2019 and number of employer firms in 2020 (U.S. Census Bureau, 2020b).

color (Misera, 2020). The uneven effect of the pandemic on businesses is often attributed to the concentration of minority-owned businesses in industries that were hardest hit by the pandemic, the inequitable distribution of emergency funding like PPP funds, and the already-disadvantaged position of minority-owned businesses prior to the pandemic (Misera, 2020). For instance, before the onset of the pandemic, minority-owned firms were more likely to report facing financial challenges than white-owned firms. In 2018, 78% of Black-owned firms and 69% of Latino- and Asian-owned firms reported having some level of financial troubles while 62% of white-owned firms reported the same. These and other observations on how the pandemic impacted business owners of color are discussed at the end of the report.

A NOTE ON THE DATA

For our original analysis featured in this report, we use data from the U.S. Census Bureau. While fulfilling a fundamental role in understanding trends across the United States, we recognize weaknesses of the data and how they may influence the accuracy of our reporting. The Census has a history of undercounting racial and ethnic minorities as well as other groups considered to be “hard-to-count” populations, such as young children, low-income individuals, non-English speakers, those experiencing homelessness, renters, residents of multi-family housing, those living in remote areas, and undocumented immigrants. Conversely, the Census tends to overcount non-Hispanic white populations and more affluent groups (Cai, 2020; Georgetown Center on Poverty and Inequality, 2018; Kight & Brown, 2019). These different patterns may lead the data to tell a skewed story that disproportionately represents more affluent or white Americans, which is important since this data is used to inform decision-making in policy. While we mainly focus on Census data, these inaccuracies can also apply to the data from other sources, so when we report statistics from other studies and sources, it is important to keep these discrepancies in mind.

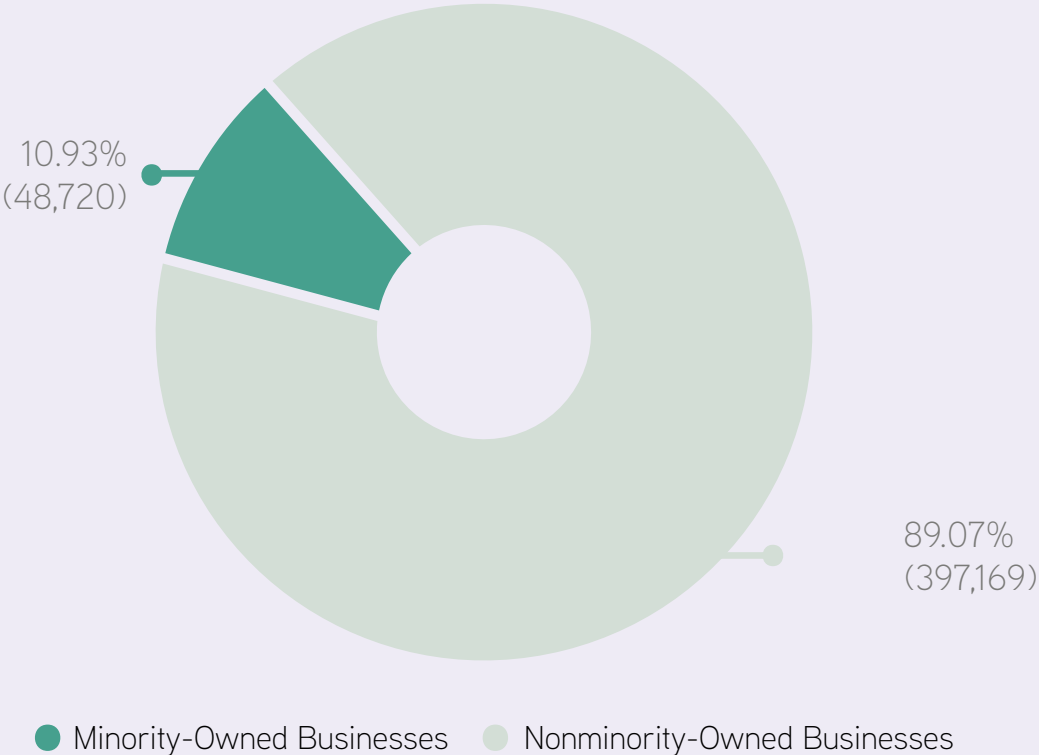
In addition to undercounting/overcounting certain groups, other information may also be underreported within the datasets. For instance, the data on employees or payroll receipts may be different than reality as business owners may informally pay family members or friends to contribute to the business. Therefore, while the data may show that a group of business owners may provide their community with a lower level of employment or income generation, it is important to recognize that the data will not account for more informal measures. Overall, while researchers – us included – try to achieve the highest level of accuracy, it is still important to understand that every dataset has limitations, and these limitations are often relevant to understanding overlooked groups such as people of color or low-income individuals.

SECTION 1: ALL WISCONSIN BUSINESSES

REPRESENTATION AND GROWTH

To begin, consider all Wisconsin businesses – both employer and nonemployer firms – owned by people of color. In Figure 1, we show the breakdown of minority and nonminority business ownership as a share of all businesses in Wisconsin using data from the U.S. Census. The Census defines nonminority as those classified as non-Hispanic white, which means that those categorized as minority are those who do not identify as non-Hispanic white. The Census’ definition of minority populations accounts for American Indians, Asian Americans, Black or African Americans, and Latino Americans. As seen in Figure 1, over 48,000 of Wisconsin’s businesses, representing 10.9% of total businesses in 2019, were owned by these minority groups despite representing 19.2% of the state’s total population at the time.

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



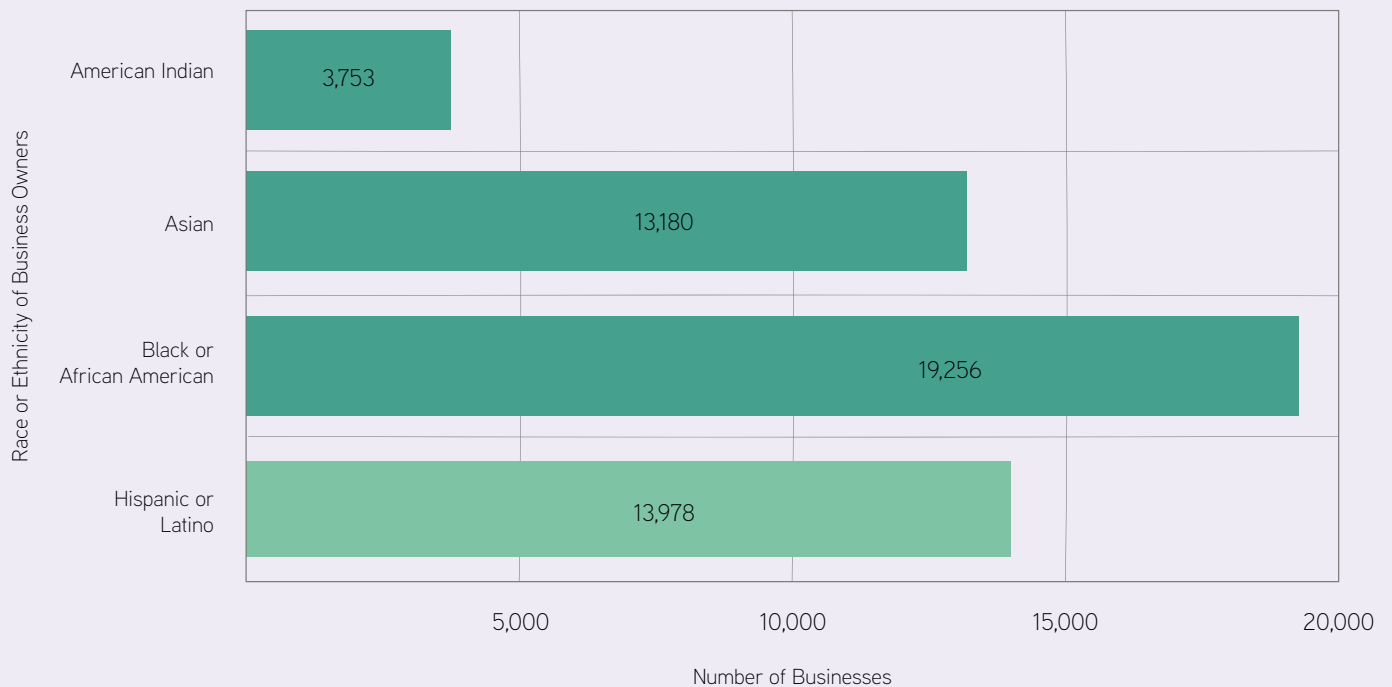
EMPLOYER AND NONEMPLOYER BUSINESSES

Employer firms are businesses which have paid employees. Although these firms are not the most common type of businesses, they do represent most people’s standard conception of a business, such as small retail shops or local restaurants. Given that they employ workers, they are typically larger in size and earn more in sales than those without employees.

Nonemployer establishments are businesses which do not have any paid workers, meaning that these enterprises are usually comprised of an individual owner or a partnership. Nonemployers make up the large majority of businesses in the country. They come in a variety of forms, such as individuals contracting out their own services, two friends operating an online retail store, a family-owned business operating with unpaid family members as workers, and more.

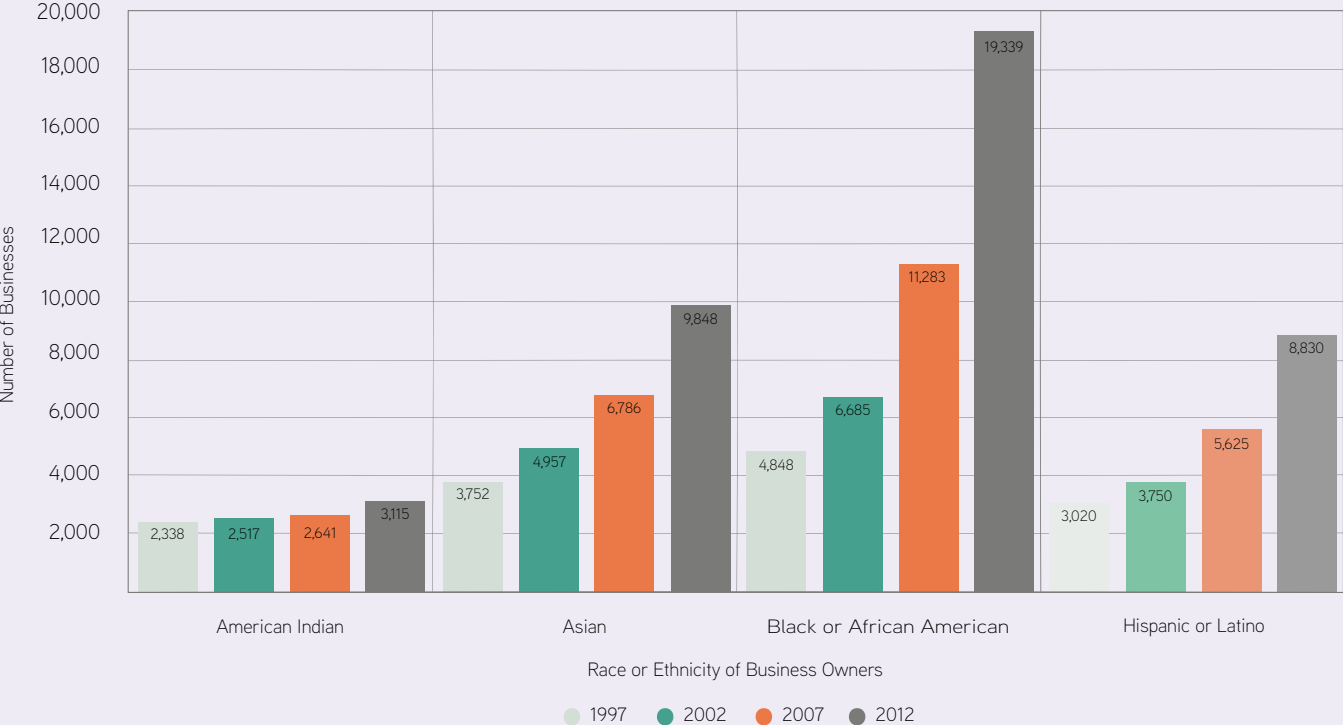
The classifications of minority and nonminority can be helpful in understanding general trends, however, it is necessary to consider each racial and ethnic population separately to learn about the distinct experiences of each group. In Figure 2, we disaggregate businesses owned by people of color into their respective racial and ethnic groups. At over 19,000 businesses, Black Americans own the most businesses among people of color in Wisconsin, followed then by Asian and Latino entrepreneurs who own a comparable number of businesses, and lastly, American Indians own the fewest businesses.

**FIGURE 2 | BUSINESS OWNERSHIP BY RACE AND ETHNICITY
WISCONSIN 2019**



The current number of businesses owned by people of color in Wisconsin is a product of substantial growth in recent decades. As detailed in the introduction, the number of diverse entrepreneurs and business owners has been on the rise throughout the U.S. over the past few decades. Similarly, as seen in Figure 3, the number of businesses owned by people of color grew significantly in Wisconsin from 1997 to 2012. The growth in Wisconsin was not only persistent but also dramatic. American Indian business ownership grew by roughly one-third while Asian ownership more than doubled, Latino ownership nearly tripled, and Black ownership virtually quadrupled. For comparison, nonminority-owned businesses grew by 10.7% during the same period (U.S. Census Bureau, 1997; U.S. Census Bureau, 2012b). While we were unable to accurately relate this trajectory of growth to 2019 levels due to data limitations, Figure 3 captures important growth in the recent period that has resulted in a significant presence of business owners of color.⁴

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



⁴ We are unable to include more recent data onto this graph because the Census shifted away from the Survey of Business Owners (SBO) which surveys all business owners in favor of the ABS for employer data and NES-D for nonemployer data. The last SBO publication was in 2012. Given the differences in data collection and the recording of estimates, it is impossible to accurately compare the data from the SBO to the combined data of the 2019 ABS & NES-D.

Despite the growth of minority business ownership shown in Figure 3, business owners of color are still underrepresented in Wisconsin. As a measure of underrepresentation, for most minority groups, their share of the total number of Wisconsin businesses is smaller than their share of the state’s population (Figure 4). The only exception to this trend is Asian business owners, whose share of business ownership is slightly larger than their population share. Non-Hispanic white-owned businesses are more substantially overrepresented as they make up 89.5% of the state’s total businesses yet non-Hispanic white residents represent 80.8% of the state’s population (U.S. Census Bureau, 2019b; U.S. Census Bureau, 2019d). This disparity between the minority share of the population and the share of business ownership could reflect barriers to entrepreneurship for people of color that constrain business activity in the state.

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



Another way of understanding the disparities seen in Figure 4 is through the ratio of the share of business ownership to the share of population. As seen in Figure 5, these ratios are helpful when comparing the magnitude of over- or underrepresentation across racial and ethnic groups. A ratio equal to one would indicate parity—the share of business ownership is equal to the share of the population for the group in question. A higher ratio indicates a larger share of businesses owned by the group in comparison to their population, or overrepresentation in the business community. Conversely, a ratio less than one indicates that the share of business ownership is less than the share of the population, or underrepresentation.

FIGURE 5 | RATIO OF NONEMPLOYER BUSINESS SHARE TO POPULATION SHARE

*The higher the ratio, the more businesses a group has in proportion to their population.

| | |
|---------------------------|-------|
| American Indian | 0.894 |
| Asian | 1.024 |
| Black or African American | 0.668 |
| Hispanic or Latino | 0.440 |
| Non-Hispanic White | 1.108 |

The groups with the lowest ratios, or furthest from parity, are Latino Americans, followed by Black Americans, then Native Americans, who are close to parity, and lastly, Asian Americans who are actually slightly overrepresented in business ownership relative to their population. Both Figures 4 and 5 demonstrate how underrepresentation in business ownership is especially acute for Black and Latino owners, which reveals the importance of looking at populations of color individually to examine the distinct obstacles to business ownership they face.

EMPLOYER AND NONEMPLOYER BUSINESSES

Another important distinction to make when looking at business ownership is if a business is classified as an employer or nonemployer firm. As indicated by their titles, employer businesses have paid employees while nonemployers are sole proprietorships or partnerships that do not employ any paid workers. Nonemployers can be individuals who independently contract out their own services or very small businesses operated solely by the owner, possibly with the help of unpaid family members. While employers represent a more conventional idea of business and comprise the majority of sales and employment, nonemployers make up a much larger share of total businesses in the economy and are critical for the growth of entrepreneurship though they typically have a smaller economic footprint (McDermott & Conroy, 2021.) For reference, 17.6% of all businesses in the U.S. are employers with the nonemployer share making up 82.4% of businesses (U.S. Census Bureau, 2019d).

As seen in Figures 6 and 7, just 11.7% of minority-owned businesses have paid employees compared to 23.0% of nonminority-owned businesses. That is, nonminority business owners are nearly 2 times more likely to run a business with employees. The difference in employer and nonemployer ownership signals important differences in the growth trajectory between minority- and nonminority-owned businesses. Based on this disparity, we infer that businesses owned by nonminority individuals have more sales and provide jobs to the surrounding community beyond the owner.

EMPLOYER - NONEMPLOYER BUSINESSES

WISCONSIN 2019

FIGURE 6: MINORITY-OWNED BUSINESSES

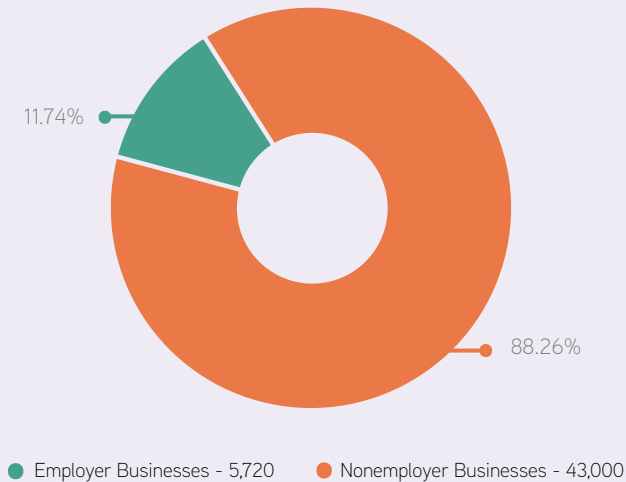
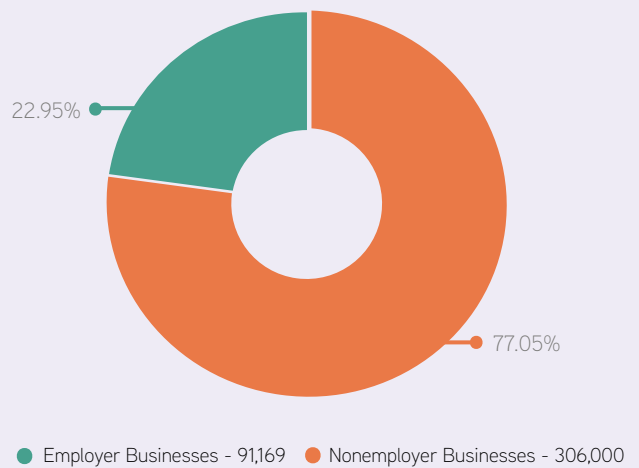
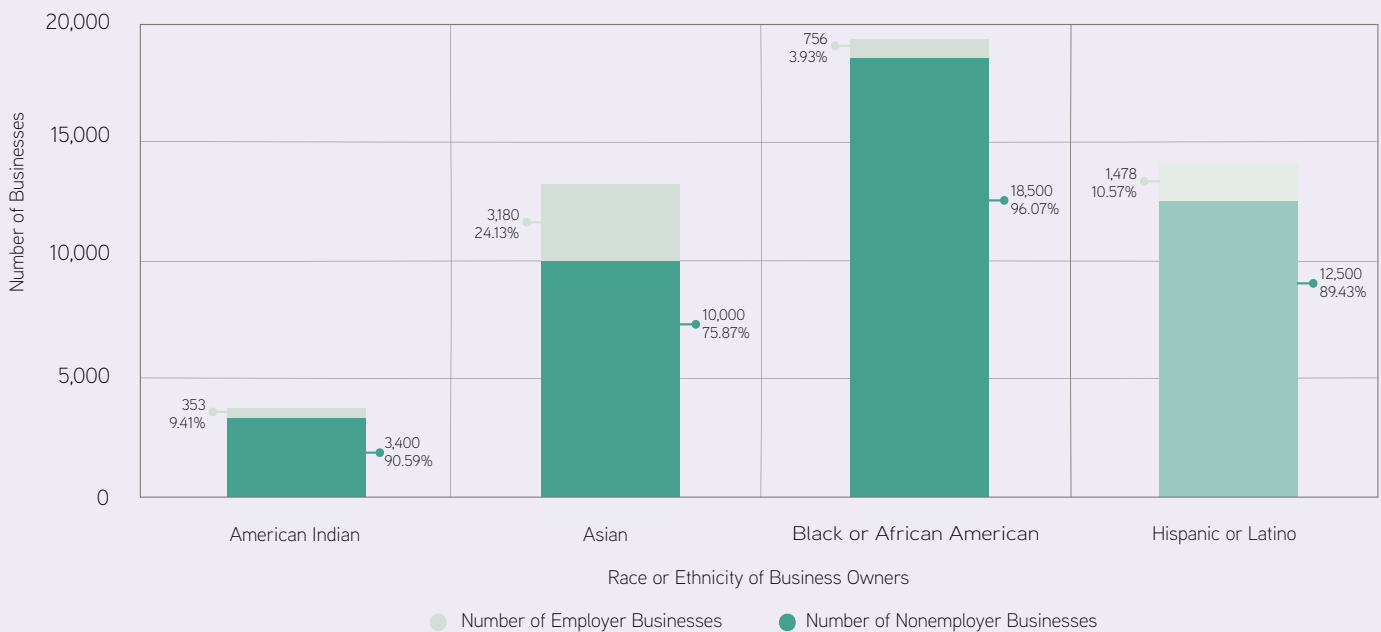


FIGURE 7: NONMINORITY-OWNED BUSINESSES



We look at employer and nonemployer businesses owned by people of color separately in the following sections, but to premise that analysis, we show the split of employer and nonemployer ownership for each racial and ethnic group in Figure 8. Black-owned businesses are the group with the lowest share of employer businesses as only 3.9% have employees. Following Black-owned businesses, only 9.4% of American Indian-owned and 10.6% of Latino-owned businesses have paid employees. In contrast, 24.1% of Asian-owned businesses are employer businesses, slightly exceeding the nonminority share of 23.0%. Therefore, when comparing these national statistics, Wisconsin’s Native-, Black-, and Latino-owned businesses are especially underrepresented in employer ownership while Asian-owned businesses seem to do relatively well in terms of reaching a larger size.

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



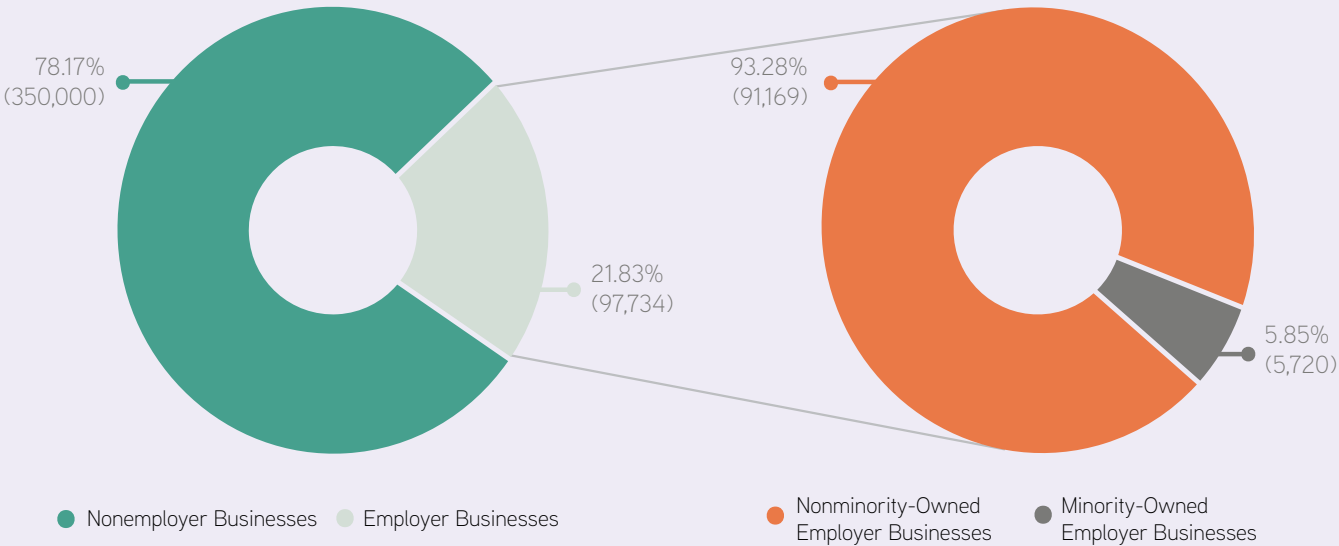
These differences in employer and nonemployer ownership may be rooted in many different elements of entrepreneurship from the personal preferences of the owners to the inability to overcome inequities faced by owners of color, such as discrimination in financing to businesses. With these disparities of employer and nonemployer business ownership in mind, we move on to the next section diving deeper into the state of employer ownership in Wisconsin.

SECTION 2: EMPLOYER BUSINESSES IN WISCONSIN

REPRESENTATION

Although nonemployer businesses are the large majority of Wisconsin’s businesses at 78.2% of the total (Figure 9), the state’s employer businesses are vital to the economy given their sales and employment. Among these businesses with a larger economic presence, only 5.9% are minority-owned.⁵ With Wisconsin’s minority population of 19.2% of the state, minority-owned businesses are more severely underrepresented among these larger businesses.

FIGURE 9 | MINORITY AND NONMINORITY OWNERSHIP OF EMPLOYER BUSINESSES WISCONSIN 2019

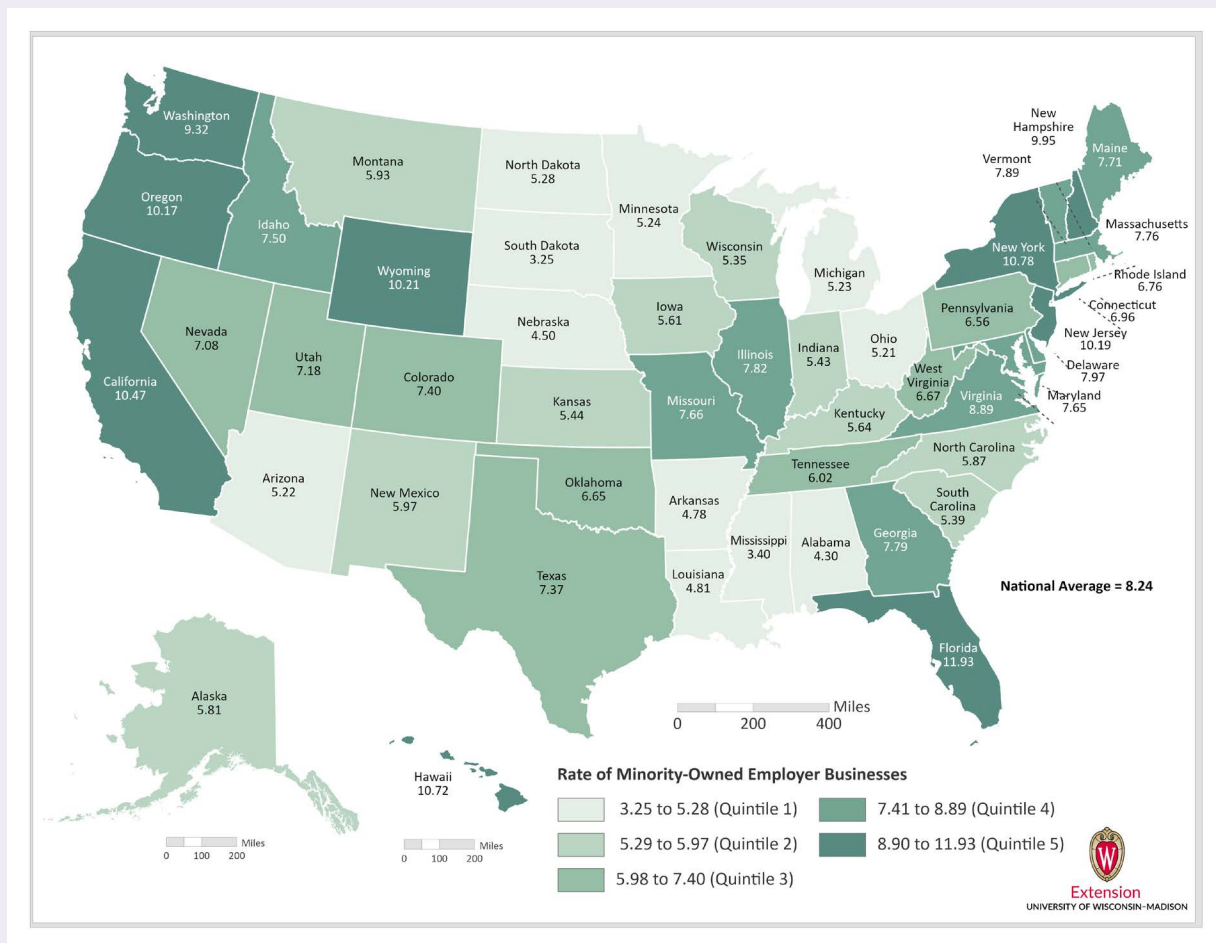


⁵ These statistics do not add up exactly to 100% of total employer firms because there is a small number of employer firms with unknown minority status.

While people of color are especially underrepresented among owners of employer businesses in Wisconsin, it is useful to compare rates across states. To look at how Wisconsin compares nationally, we calculate the rate of minority business ownership, or the number of businesses owned by people of color per 1000 people who identify as a minority. Calculating the rate of minority business ownership allows for comparison across states with varying populations and economies as seen in Figure 10. Using 2020 data, we found that Wisconsin has a low rate of minority employer ownership at 5.35 minority-owned employer businesses per 1000 minority population. This rate of business ownership is well under the national average of 8.24 minority-owned employer businesses. Overall, Wisconsin ranks 40th in the country for employer ownership among owners of color.⁶

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

2020



Keep in mind that Wisconsin trails behind in business ownership in general. Wisconsin’s rate of nonminority employer ownership is 18.81 nonminority-owned businesses per 1000 nonminority population while the national rate is 22.39 businesses. Thus, for both nonminority and minority business ownership rates, Wisconsin is lower than the national average. Yet comparing the two rates, these numbers indicate that a non-Hispanic white individual is over 3 times more likely than a person of color to own an employer business, indicating significant barriers for business owners of color.

6 This ranking includes the District of Columbia.

The underrepresentation of people of color as owners of employer firms is also demonstrated in the comparison of the share of business ownership to the share of the population for each racial and ethnic group. In parity, we would expect the share of the population to be the same as the share of businesses owned by each group. As seen in Figure 11, American Indians represent a share of the state’s population that is over double the share of American Indian-owned employers. The Latino share of the population is over 4 times the share of Latino-owned employer businesses, and the Black or African American share of the population well exceeds 8 times the share of employer businesses led by Black owners. The one exception to these extreme disparities in employer ownership is Asian Americans who make up 3.3% of Wisconsin’s employer firms (larger than all other minority groups combined) while only making up 2.9% of the state’s population.

FIGURE 11 | SHARE OF EMPLOYER BUSINESSES AND SHARE OF POPULATION BY RACE OR ETHNICITY

WISCONSIN 2019



As in the previous section, we also compare the ratio of the population share to the employer business ownership share of each race and ethnicity to show the magnitude of the differences in Figure 12. A ratio equal to one implies that the population share is equal to the share of business owners for a given racial or ethnic group, less than one indicates underrepresentation, and more than one, overrepresentation. Non-Hispanic white employers own 93.9% of employers and make up 80.8% of the population, resulting in a ratio of 1.16. The Asian demographic follows non-Hispanic white owners in overrepresentation with a ratio of 1.13. The ratios for American Indian, Black or African American, and Latino populations are all less than one, indicating significant underrepresentation in the ownership of Wisconsin’s employers for these demographic groups.

**FIGURE 12 | RATIO OF EMPLOYER BUSINESS SHARE TO POPULATION SHARE
WISCONSIN 2019**

| | |
|---------------------------|-------|
| American Indian | 0.384 |
| Asian | 1.130 |
| Black or African American | 0.120 |
| Hispanic or Latino | 0.213 |
| Non-Hispanic White | 1.162 |

*The higher the ratio, the more businesses a group has in proportion to their population

The variation across racial and ethnic groups is important to keep in mind when assessing all minority-owned businesses together. Aggregating across groups can hide substantial variation. As in this case, other graphics that encompass all minority-owned employers may be misleading, in that the Asian-owned employer businesses tend to be above the average for all minorities when pooled together, while Native-, Black-, and Latino-owned businesses are well below.

WISCONSIN'S ENTREPRENEURIAL PERFORMANCE IN THE MIDWEST

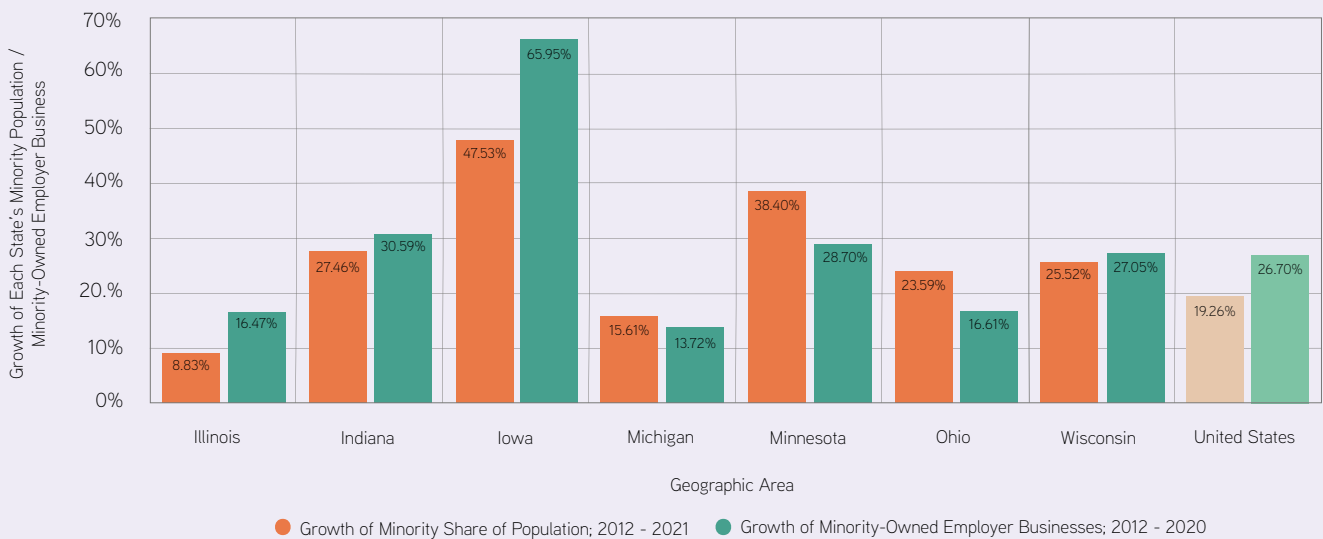
Next, we compare Wisconsin to other Midwestern states. In Figure 13, we examine how the growth of minority-owned businesses in Wisconsin and other Midwestern states compares to population growth. While the growth of businesses owned by people of color has been substantial, it may simply reflect changing demographics in the state and a growing diverse population.

As seen in Figure 13, the growth in minority-owned employer businesses outpaced the growth of the minority population for nearly all states between 2012 and 2020.⁷ However, it is important to note that there is no single story for all Upper Midwest states. Each state had a different initial position and generally a different demographic composition. For instance, although Illinois had lower growth of the minority population and minority-owned businesses, this may be skewed by the historically large diverse population in the state. As the home to Chicago, it makes sense that an eight-year change wouldn't yield as large of growth rates because of the larger initial levels in comparison to Indiana, Iowa, Minnesota, or Wisconsin.

The growth of the minority-owned employer businesses in Wisconsin has slightly outpaced the growth of the state's minority population. The number of minority-owned employers in Wisconsin grew by 27.1%, which is comparable to the national rate of 26.7%. Relative to these Midwestern states, Wisconsin's minority employer growth is in the middle of the pack with only Iowa experiencing significantly higher levels of growth. When looking closer at the data, we found that a significant portion of the growth occurred beginning in 2017.⁸

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

MIDWESTERN STATES 2012 - 2020



⁷ Although we previously stated in regard to Figure 5 that we are unable to compare the 1997 - 2012 SBO data to the combined 2019 ABS and NES-D data, the main discrepancy between the two datasets is the collection and reporting of data about nonemployer businesses on the NES-D. Therefore, we compare data from the 2012 SBO and 2019 ABS since the two datasets are closer in methodology; however, we are still exercising caution when reporting on the data.

⁸ This pattern corresponds with other sources reporting on the data and suggests a promising trend of Wisconsin experiencing accelerated growth in entrepreneurial activity in recent years (Minority Business Development Agency, 2018).

SECTOR

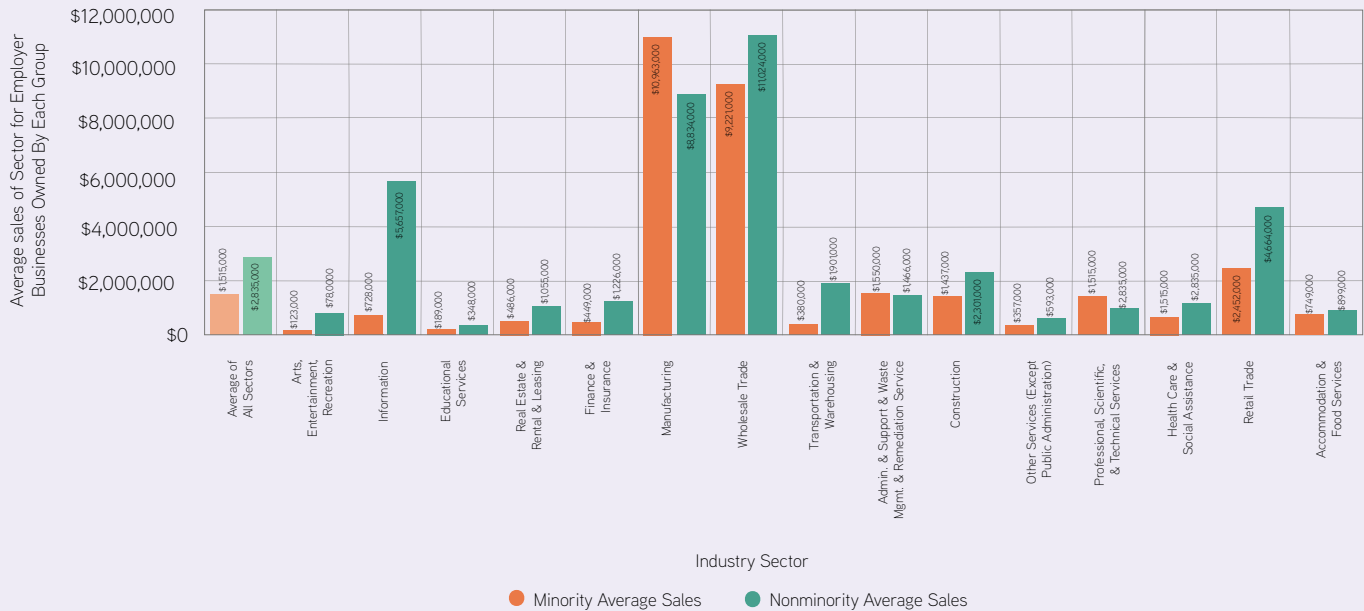
Another key consideration in the analysis of business ownership is the sectoral breakdown of businesses owned by people of each racial and ethnic background. Identifying the industries in which these businesses are concentrated can lend insight into patterns of representation. The most common sector classifications for each group reveal information about what the typical businesses look like for each group of business owners. Sectoral composition plays a role in determining average sales, the amount of financial and human capital necessary to surpass barriers to entry, the employment opportunities offered by the businesses, and the risk level of each industry (Baboolall, Cook, Noel, Stewart, & Yancy, 2020; Klein, 2017.) The element of risk has been especially relevant since the onset of the pandemic as certain sectors were more vulnerable to both the health and economic impacts. This element of vulnerability was further exacerbated for business owners of color who are more typically experiencing financial distress (Federal Reserve Bank, 2021; Toussaint-Comeau & Williams, 2020.)

With the significance of industry in mind, we take a closer look at the industrial composition of employer businesses owned by people of color in Wisconsin. We compare both industry concentration and average sales per sector of minority- and nonminority-owned employer firms in Figures 14 and 15. The largest industries for employers of color are Accommodation & Food Services; Retail Trade; and Health Care & Social Assistance. These sectors can have lower capital requirements making them more accessible categories for business ownership; however, the lower capital requirement typically corresponds to lower average sales for businesses.

FIGURE 14 | DISTRIBUTION OF FIRMS BY SECTOR
WISCONSIN 2017



**FIGURE 15 | AVERAGE SALES BY SECTOR FOR EMPLOYER BUSINESSES
WISCONSIN 2017**



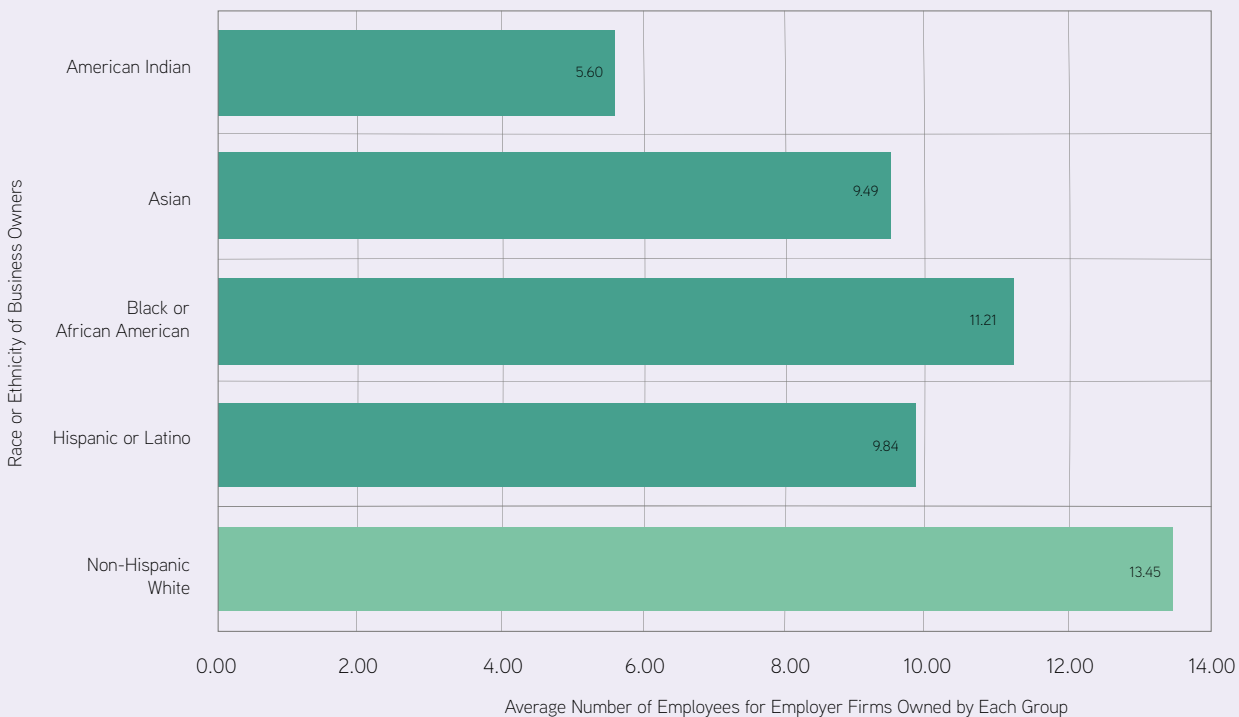
As seen in Figure 15, nonminority-owned employer firms earn higher average sales – \$2,835,000 for all sectors compared to \$1,515,000 for minority-owned firms. Figures 14 and 15 contextualize this significant difference in average sales in two distinct ways. For one, nonminority-owned firms generate higher average sales than minority-owned firms in nearly all sectors, indicating that they grow larger regardless of industry. Second, the sectors with the most minority-owned employers have lower sales than the overall average for minority-owned firms (\$1,515,000). This indicates that minority-owned businesses tend to be concentrated in relatively low-earning sectors while a smaller share of high-earning minority-owned businesses pull overall average sales up. There is complexity to these trends as Retail Trade – a large sector for minority-owned employers – has a relatively high average sales for minority employers; however, these sales are still low when compared to those of the nonminority-owned firms in the same sector.

Nonminority-owned firms are concentrated in higher grossing sectors, such as Manufacturing, Wholesale Trade, and Construction. For instance, although Manufacturing is one of the only sectors where the average sales of minority-owned firms (\$10,963,000) are significantly higher than those of nonminority-owned firms (\$8,834,000), only 2.0% of minority-owned employer firms (116 firms) are in the sector relative to 7.7% of nonminority-owned firms (6,905 firms). The case of Manufacturing demonstrates the growth potential of minority-owned businesses as well as the possible barriers they experience given the small number in this category. To look closer at these differences in sectoral concentration, we include a more detailed table in the Appendix of the corresponding policy brief. In the brief, we also go into more detail about overcoming limitations associated with certain sectors as well as how to increase access to more profitable sectors for entrepreneurs of color.

EMPLOYMENT

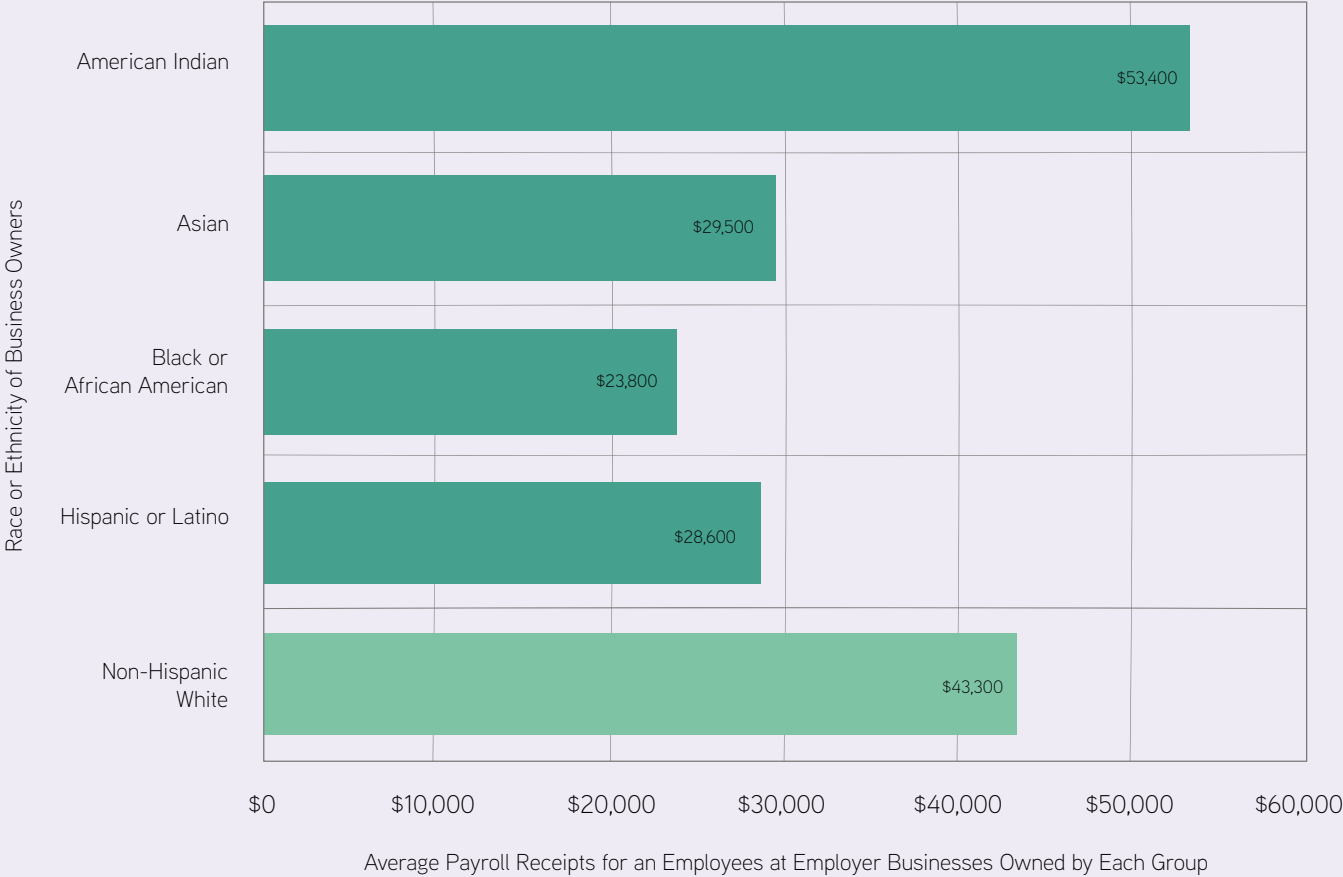
Next, we look at the average number of employees for employers owned by each racial and ethnic group of business owners. One of the key reasons that employer ownership is critical for economic advancement is the employment opportunities and incomes that they offer their surrounding communities. As seen in Figure 16, there is some variation in the average number of employees working at firms owned by each racial and ethnic group. Non-Hispanic white-owned employers have the largest number of average employees at 13.5, followed by Black employers with an average of 11.2 employees. Latino-owned firms are the next highest with 9.8 average employees, then Asian-owned firms with 9.5 average employees, and American Indian-owned businesses employ the smallest number on average with 5.6 workers. Given that businesses owned by people of color are more likely to hire employees of color, these numbers speak to the positive economic impact which employer businesses have through job creation, wealth building, and potential opportunities for the community to grow through exposure to entrepreneurship, educational experiences, and mentorship by successful business owners (Bates, 2006; Bates, Farhat, & Casey, 2022; De Zeeuw, 2019; Klein, 2017).

**FIGURE 16 | AVERAGE NUMBER OF EMPLOYEES PER FIRM BY RACE AND ETHNICITY
WISCONSIN 2019**



In a similar vein, Figure 17 shows the average payroll receipt per employee for each demographic of business owners. Despite having the lowest average number of employers, American Indian employers have the highest level of payroll receipts per worker at \$53,400. They are followed by non-Hispanic white employers at \$43,300, then Asian employers at \$29,500, Latino employers at \$28,600, and Black employers at \$23,800. Overall, this measurement reflects the level of income being generated by employees for businesses owned by each group, highlighting how these businesses contribute to broader wealth generation in the surrounding community.

FIGURE 17 | AVERAGE PAYROLL PER EMPLOYEE BY RACE AND ETHNICITY
WISCONSIN 2019



REVENUE

Next, we shift our focus to revenue generation for employers of color. Figure 18 shows the distribution of minority-owned employer businesses by sales revenue in 2020. As seen on the bar chart, the revenue size of \$1,000,000 or more has the highest number of minority firms (1,922). This suggests that despite substantial underrepresentation, there is a large cohort of businesses owned by people of color that have a substantial economic impact. The two revenue cohorts with the next highest number of businesses are \$100,000 - \$249,999 (1,354) and \$250,000 - \$499,999 (1,277), but a relatively lower number of businesses in the \$500,000 - \$999,999 (926). This finding indicates that even though minority-owned businesses are smaller compared to nonminority-owned businesses, there are many relatively large businesses and many more with growth potential. The corresponding policy brief will offer ways for entrepreneurs, organizations, and policy makers to support the growth of these businesses.

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

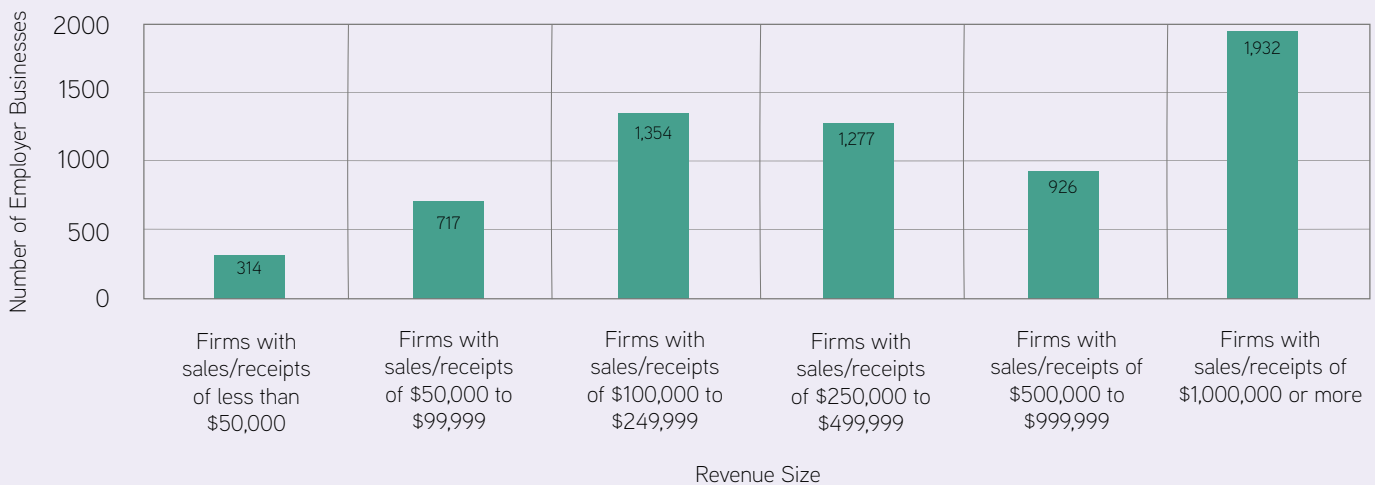
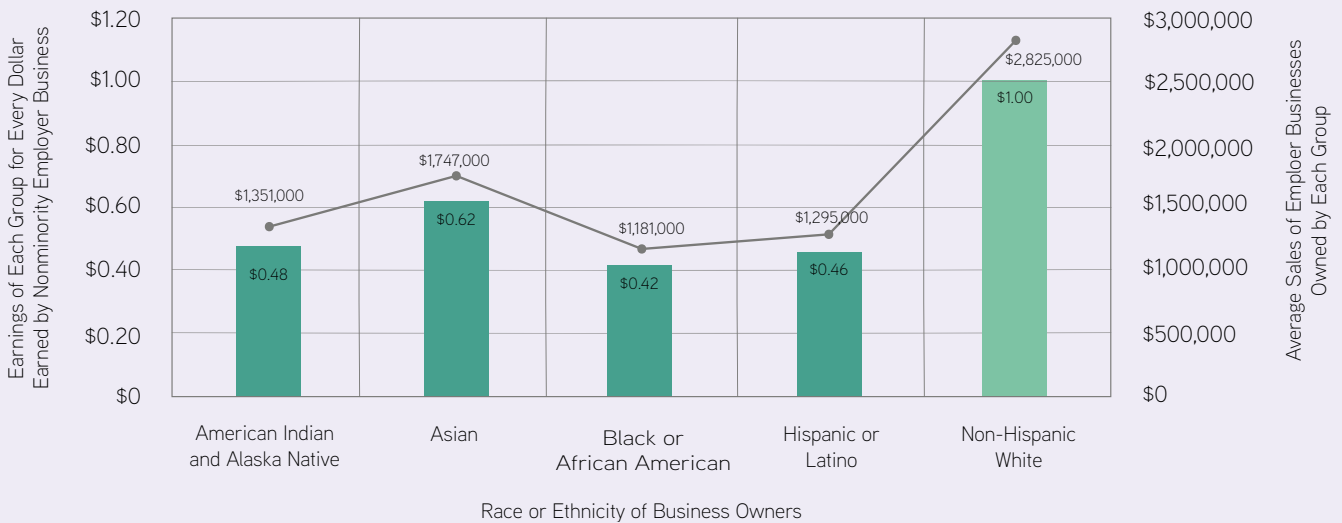


Figure 19 offers a different perspective on sales, reporting both the average sales for each group and their average sales as a ratio to average sales in non-Hispanic white owned firms. The average sales for employers of each demographic are reported with a dash corresponding to values on the right-hand axis. The ratio of earnings is visualized with a bar chart corresponding to the left-hand axis. For every \$1.00 that the average non-Hispanic white-owned firm earns, the average American Indian-owned firm earns \$0.48, the average Asian-owned firm earns \$0.62, the average Black-owned firm earns \$0.42, and the average Latino-owned firm earns \$0.46. Therefore, even for minority-owned businesses that overcame barriers of entry, there are still likely obstacles in growing their businesses. Some obstacles that may result in disparities in sales are sector, financing, location, contract opportunities, or other symptoms of racism in the economy (Baboolall, Cook, Noel, Stewart, & Yancy, 2020; Burton, 2021; De Zeeuw, 2019; Klein, 2017; Misera, 2020; Perry, Rothwell, & Harshbarger, 2020).

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



WOMEN BUSINESS OWNERS

Another interesting aspect of employer ownership among diverse populations is the relatively large share of businesses that are owned by women. As shown in Figures 20 and 21, women of color own 30.4% of minority-owned employer businesses while nonminority women own only 18.3% of nonminority-owned employers. Joint male/female ownership of employer firms is also less common among minority-owned employers than nonminority-owned firms, suggesting that where nonminority women are more likely to have male business partners, minority women are more likely to operate their businesses themselves or with other women.

GENDER BREAKDOWN OF EMPLOYER BUSINESSES WISCONSIN 2019

FIGURE 20: MINORITY-OWNED BUSINESSES

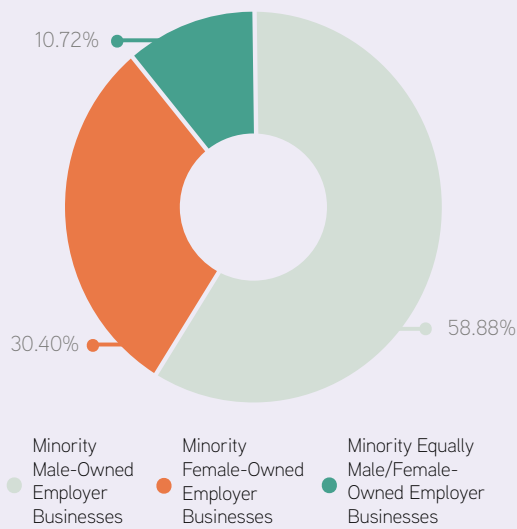
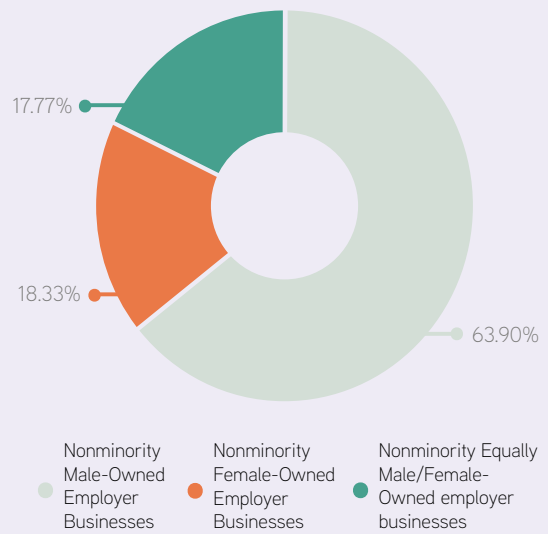


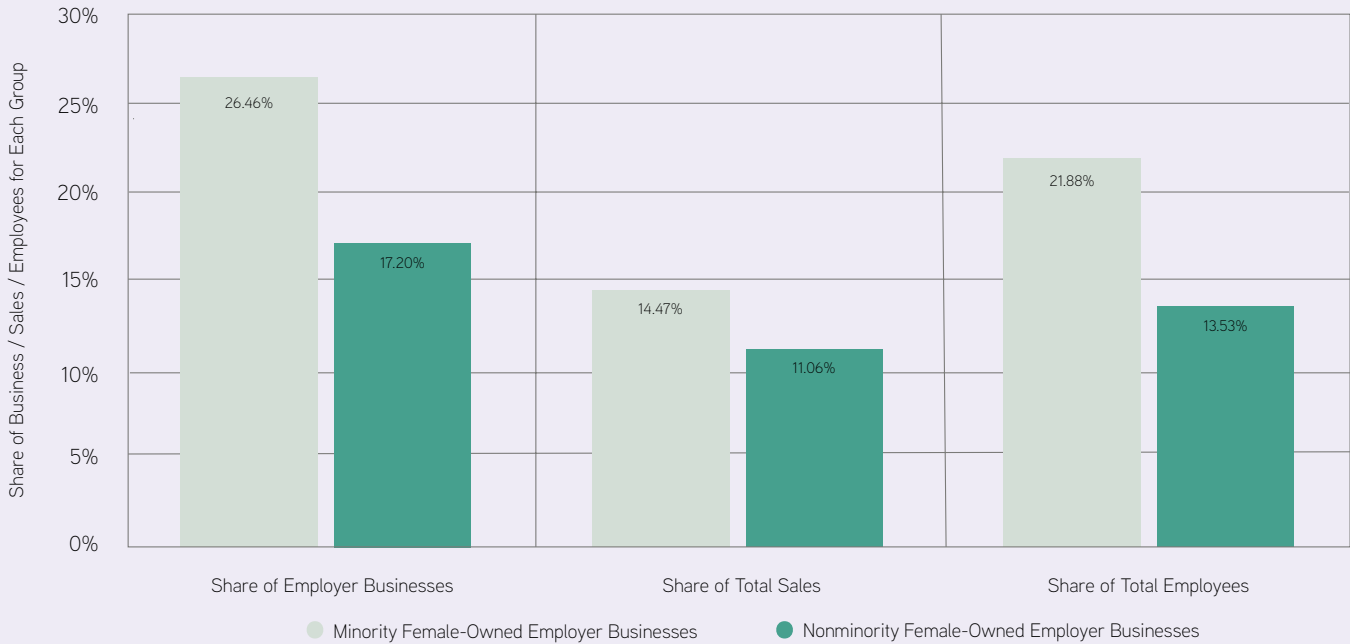
FIGURE 21: NONMINORITY-OWNED BUSINESSES



Not only do women of color own a relatively large share of minority-owned employer businesses, but they also earn a larger share of sales and employ a larger share of workers compared to nonminority women (Figure 22).⁹ Differences in these key indicators suggest that businesses owned by women of color have a greater economic presence than white woman-led businesses relative to overall business activity for each of their respective categories. Yet women-owned businesses, whether minority or nonminority-owned, are underrepresented relative to men. Figure 22 highlights that while women-led minority businesses make up 26.5% of total minority-owned businesses, they only account for 14.5% of total sales. This difference, which exists on a smaller scale for nonminority women business owners, indicates that female-owned businesses are systematically smaller than their male- or co-ed-owned counterparts. The third section of the bar chart shows the share of total employees for each group, highlighting that both minority and nonminority women-owned businesses employ a smaller share of workers relative to their share of businesses, which means that women-owned businesses provide disproportionately fewer jobs. These results highlight potential challenges for women in general as well as barriers that may be unique to women who identify as a racial or ethnic minority.

FIGURE 22 | SHARE OF EMPLOYER BUSINESSES, SALES, AND EMPLOYMENT FOR FEMALE-OWNED FIRMS

WISCONSIN 2017



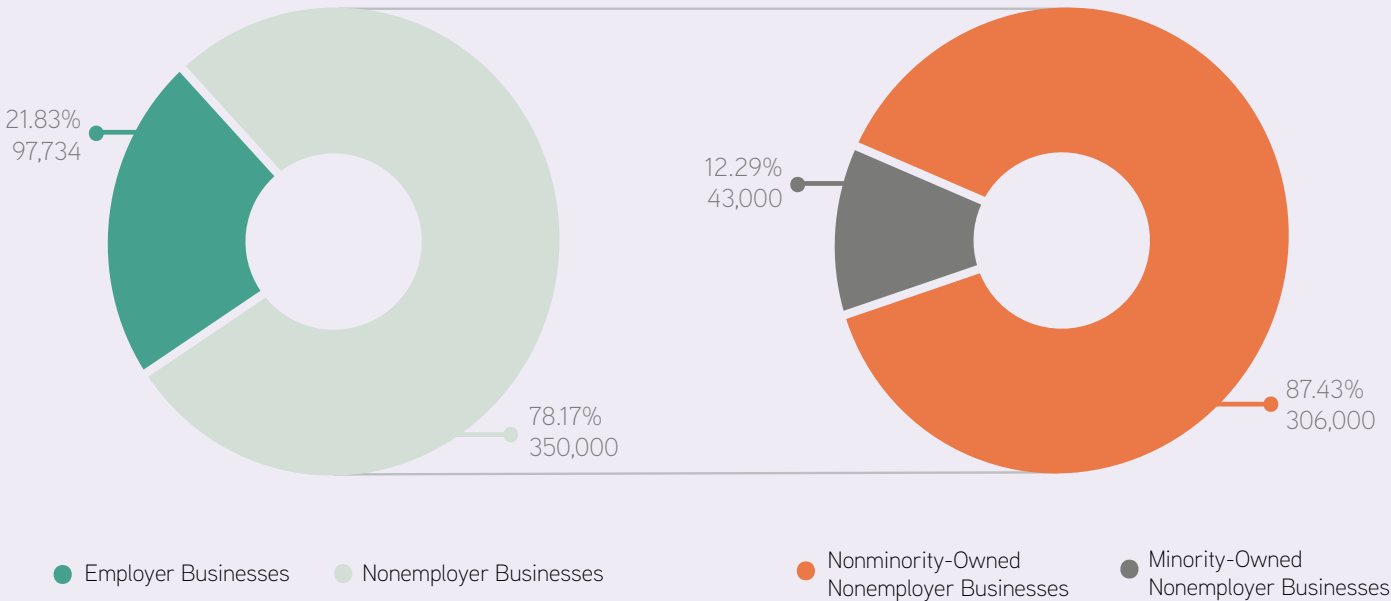
⁹ Please note that Figure 22 uses 2017 data whereas Figures 20 and 21 use 2020 data. This is due to the limited detail in the more recent data. As a result, we resort to the more comprehensive 2017 data for additional comparisons.

SECTION 3: NONEMPLOYER BUSINESSES IN WISCONSIN

REPRESENTATION

This section details nonemployer businesses owned by people of color in Wisconsin. As explained above, the majority of businesses in the state are nonemployers but they are much smaller in size, in terms of sales than employer businesses, and of course have no employees. They are typically micro-businesses or self-employed individuals contracting out their own services. As seen in Figure 23, the minority-nonminority breakdown of nonemployers is more equitable than the breakdown of employers as 12.3% of nonemployers are owned by minorities compared to 5.9% for employer businesses (shown in Figure 9). Although minority business owners make up a larger share of nonemployers, they are still underrepresented in nonemployer ownership.

FIGURE 23 | MINORITY AND NONMINORITY OWNERSHIP OF NONEMPLOYERS WISCONSIN 2019



To look at nonemployer ownership among people of color in more detail, Figure 24 shows the number of businesses and share of nonemployer businesses owned by each racial and ethnic group. Black or African Americans own the most nonemployer businesses, followed by Latinos, then Asians, and lastly, American Indians. Nonemployer businesses make up 96.1% of Black or African American-owned businesses, 90.6% of American Indian-owned businesses, 89.4% of Latino-owned businesses, and 75.9% of Asian-owned businesses (Also shown in Figure 8). The differences across groups further demonstrate the importance of assessing each population as each has a distinct position in the business community. For instance, higher shares of nonemployer ownership for Black, Native, and Latino entrepreneurs compared to white entrepreneurs may indicate that these groups encounter unique or more limiting challenges when trying to grow their businesses.

FIGURE 24 | NONEMPLOYER BUSINESSES BY RACE AND ETHNICITY
WISCONSIN 2019

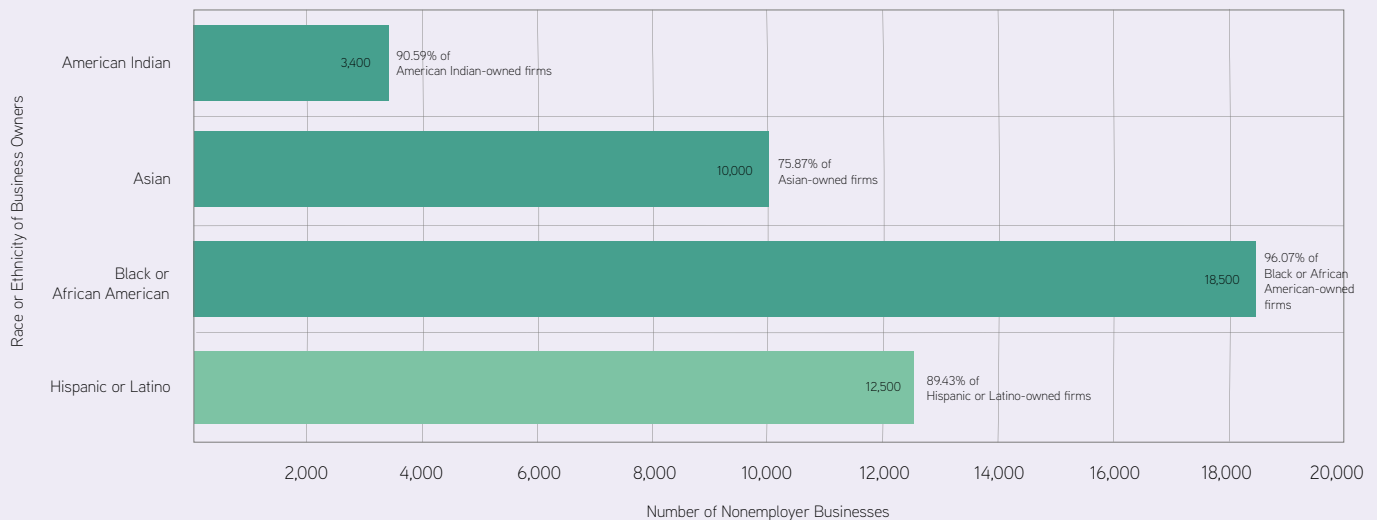
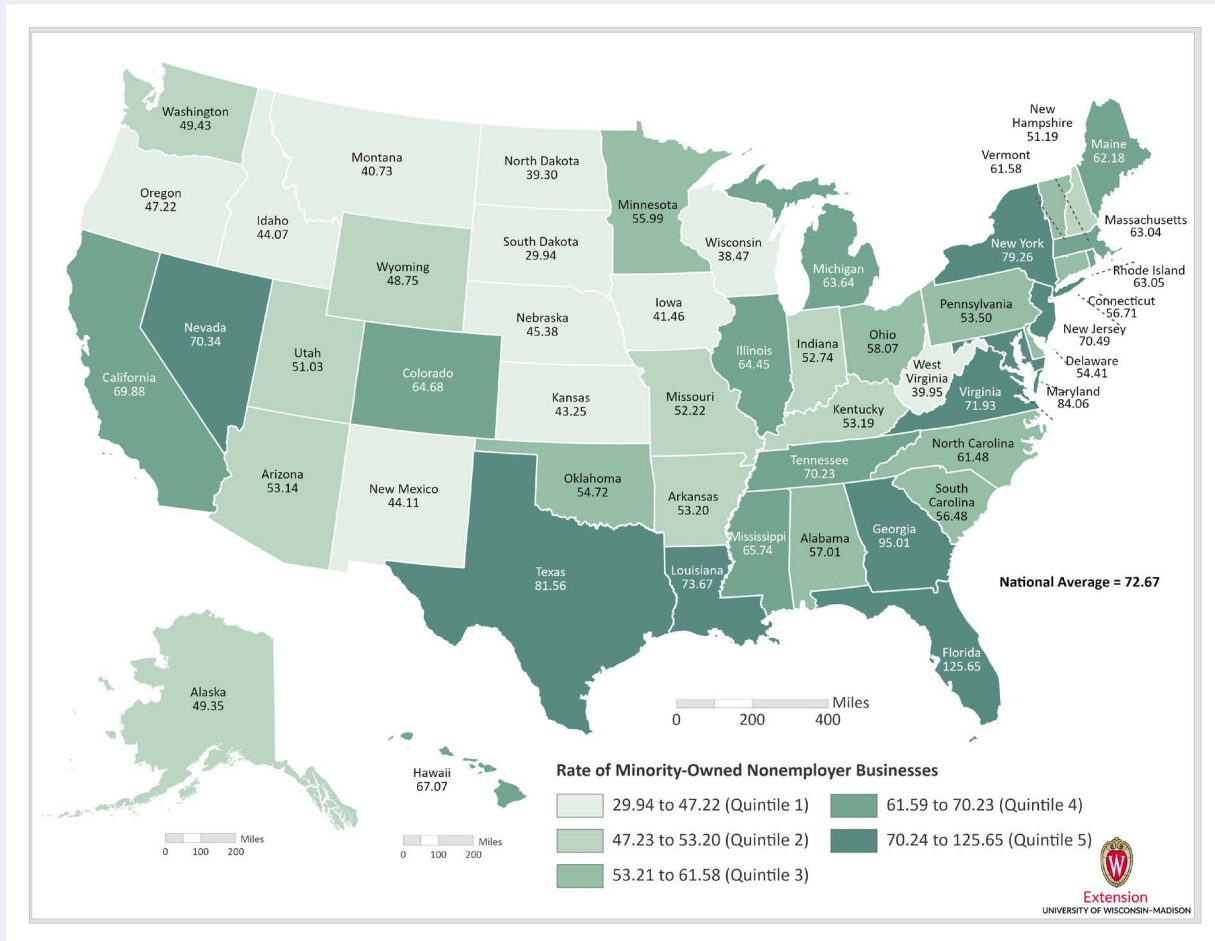


Figure 25 illustrates the minority rate of nonemployer ownership by state. Wisconsin has the second lowest rate of minority nonemployer ownership at 38.47 businesses per 1000 people of color. This rate of minority nonemployer ownership is nearly half of the national average of 72.67 businesses per 1000 people of color.¹⁰ As for rates of nonminority nonemployer ownership, there are 65.04 nonminority-owned nonemployers per 1000 nonminority population in Wisconsin and 84.96 nonemployers per 1000 nonminority population across the United States. Although the overall rate of nonemployer ownership in Wisconsin is notably lower than the national average, these significant disparities between the rates of minority and nonminority nonemployer ownership stress the inequities that exist throughout Wisconsin, as well as the rest of the country.

¹⁰ This ranking includes the District of Columbia.

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

2019



SECTOR

As previously mentioned, the sectoral breakdown of minority-owned businesses is important since sectors – groups of similar industries – vary in capital requirements, flexibility, growth potential, and health risks among other factors. We show the share of minority and nonminority-owned businesses in each sector and their average sales in Figures 26 and 27. The most common sectors for nonemployer establishments owned by people of color are Other Services; Transportation & Warehousing; Professional, Scientific, & Technical Services; and Health Care & Social Assistance. The average sales of minority-owned firms in these industries are \$22,500, \$31,700, \$30,600, and \$28,000, respectively. With average sales for all minority-owned nonemployers of \$32,900, this indicates that the top four industries for nonemployer owners of color are making less than the average.

FIGURE 26 | DISTRIBUTION OF FIRMS BY SECTOR
WISCONSIN 2019

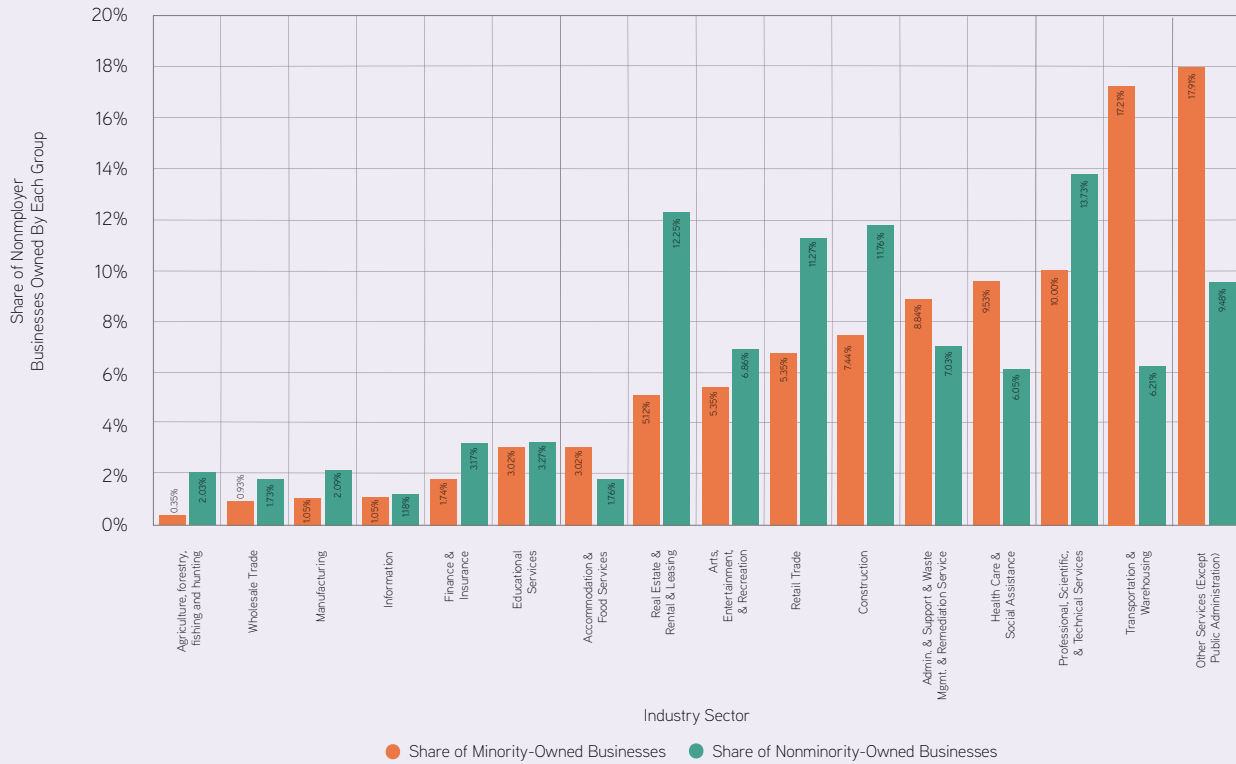
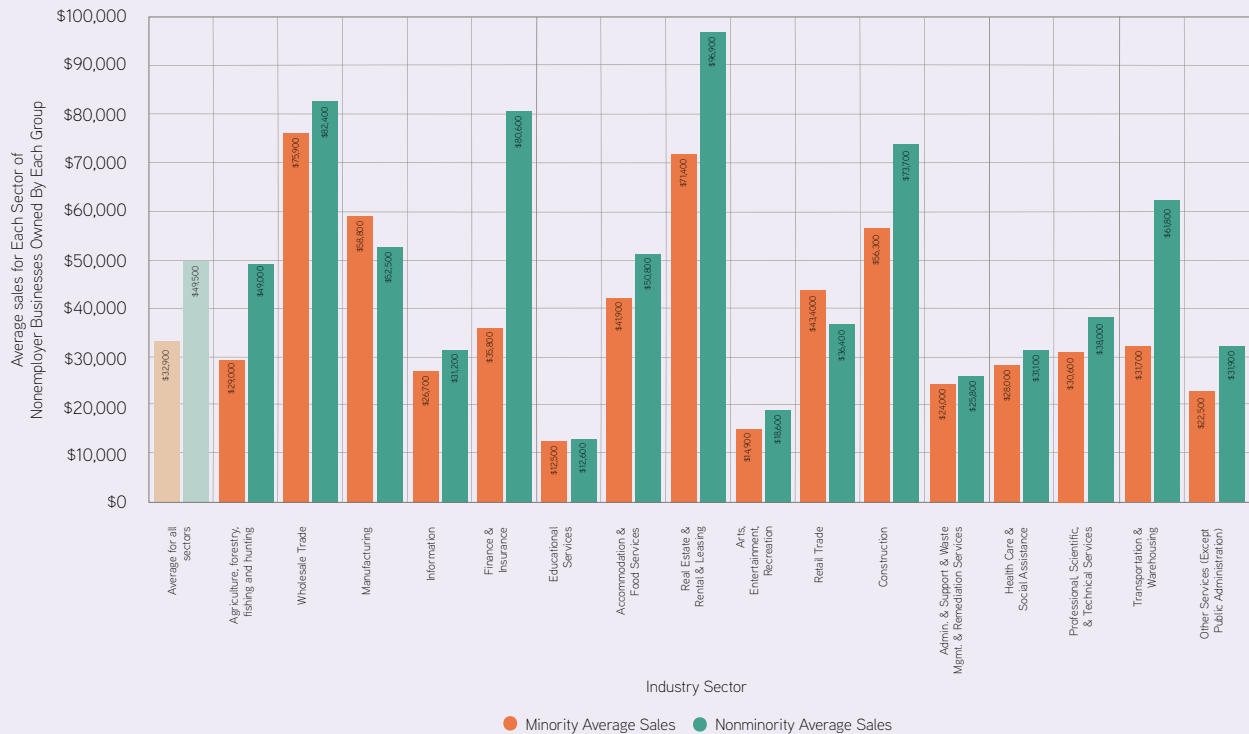


FIGURE 27 | AVERAGE SALES BY SECTOR FOR NONEMPLOYER BUSINESSES
WISCONSIN 2019



Nonminority-owned nonemployers tell a different story since their top sectors are Professional, Scientific, & Technical Services; Real Estate & Rental & Leasing; Construction; and Retail Trade. The average sales for nonminority nonemployers in these sectors are \$38,000, \$96,900, \$73,700, and \$36,400, respectively. Overall, the average sales of nonminority nonemployers across industries is \$49,500 – significantly higher than the average sales of all nonemployers led by people of color (\$32,900). The disparity in average sales is consistent across most sectors as well with average sales of nonminority nonemployers greater than those of nonemployers of color in 14 of 16 industries. Also, sectors with higher average sales have greater shares of nonminority nonemployers relative to minority nonemployers – Finance & Insurance; Real Estate & Rental & Leasing; and Construction. These patterns exemplify why industry selection is important for understanding performance gaps and could be a strategic consideration to advance the success of minority-owned businesses.

REVENUE

Next, we look at Figure 28 which shows the number of nonemployer establishments by revenue size. The vast majority of nonemployers owned by people of color generate less than \$25,000 in revenue and 43.3% of them earn less than \$10,000 in revenue. When looking closer at differences in revenue size between each demographic of nonemployers, the share of businesses earning less than \$25,000 in sales varies across groups: 80.5% of Black-owned firms, 75.8% of American Indian-owned firms, 66.6% of Latino-owned firms, and 60.5% of Asian-owned businesses. Only Asian-owned nonemployers have a smaller share of businesses under the \$25,000 threshold than non-Hispanic white firms at 61.8% (U.S. Census Bureau, 2019c). This is consistent with the finding that Asian- and non-Hispanic white-owned nonemployers tend to be more profitable than Native-, Black-, and Latino-owned nonemployers. While owners of these small microbusinesses may differ in their ambitions and growth goals, a report from 2019 highlights that 71% of nonemployers are looking to expand their business, and 63% act as the owners’ primary or sole source of income. Therefore, despite the small size of most minority-owned nonemployer businesses, many are the owners’ main source of income and are likely looking to grow (Federal Reserve Bank of New York, 2019).

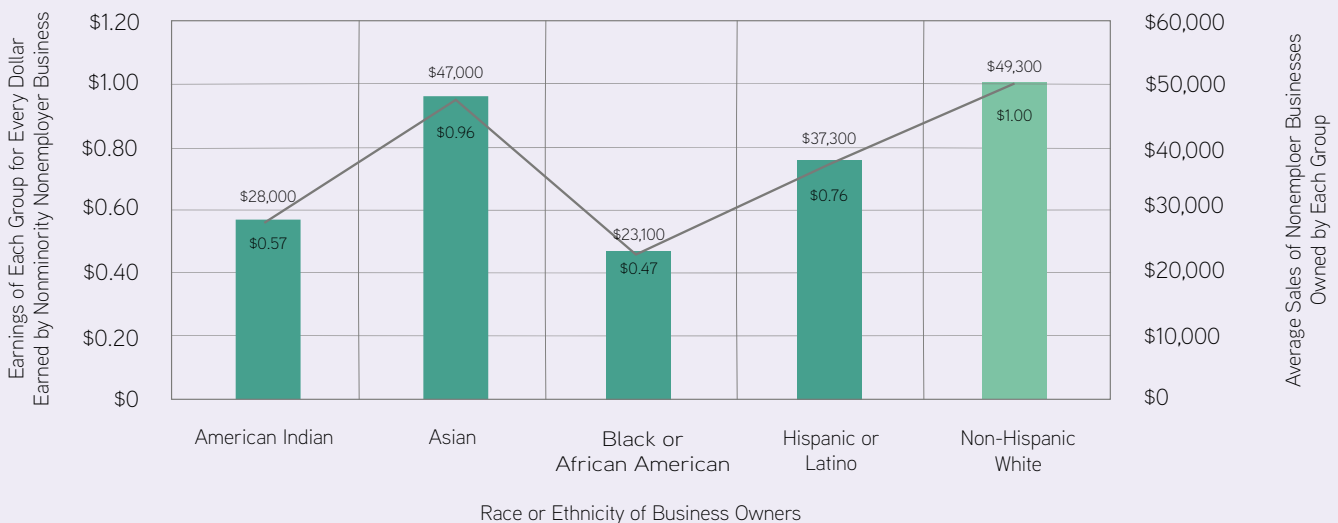
FIGURE 28 | NUMBER OF MINORITY-OWNED NONEMPLOYER BUSINESSES BY REVENUE SIZE WISCONSIN 2019



For a more detailed perspective on the sales disparity, we consider the earnings of nonemployers owned by all minority groups compared to the earnings of non-Hispanic white-owned nonemployers (Figure 29). Similar to Figure 19, the bar chart illustrates both average sales of each demographic and the ratio to average nonminority sales. The disparities are still high though not as extreme as they were with employer ownership: the average nonemployer firm led by Black, American Indian, and Latino owners respectively earn \$0.47, \$0.57, and \$0.76 relative to \$1 earned by the typical nonminority business. In fact, the average Asian nonemployer firm earns nearly as much as the average nonminority-owned nonemployer by making \$0.96 for every \$1 earned by their nonminority counterpart. These differences show that despite nonemployer businesses having a greater representation of minority entrepreneurs, disparities still exist particularly for Black, American Indian, and Latino business owners.

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

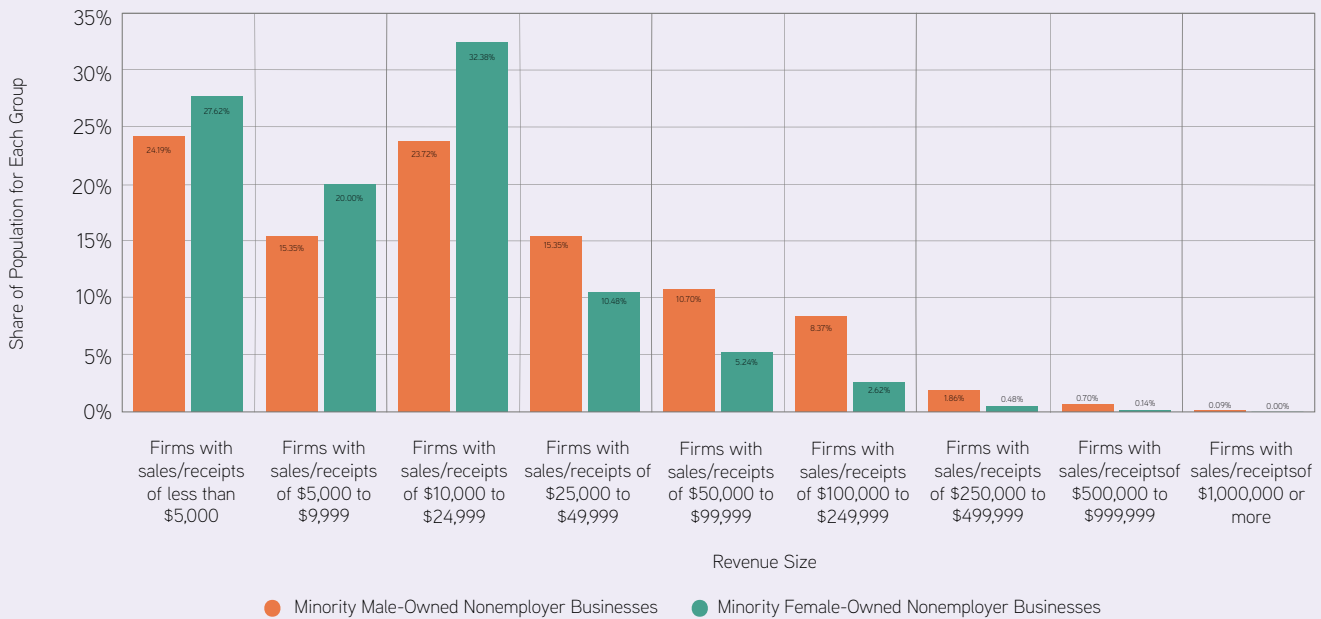
WISCONSIN 2019



To conclude our section about minority-owned nonemployer businesses, we look at the concentration of minority-owned nonemployers across revenue sizes while accounting for gender.¹¹ As seen in Figure 30, the majority of minority female-owned nonemployers generate less than \$25,000 in revenue while minority male-owned nonemployers are more evenly distributed among the revenue sizes. The differences in distribution between male and female ownership of nonemployers owned by people of color suggest that female business owners of color may encounter constraints based on race and gender that compound each other making for an especially challenging growth trajectory.

FIGURE 30 | SHARE OF NONEMPLOYER BUSINESSES BY REVENUE SIZE FOR MINORITY MALE AND FEMALE OWNERS

WISCONSIN 2019



11 Since nonemployers are typically owned by one individual, there are significantly fewer nonemployers owned by the equally male/female group which is different than employer ownership

EFFECTS OF THE COVID-19 PANDEMIC

While all small businesses confronted (and continue to confront) major problems brought on by COVID-19, business owners of color were disproportionately affected by the social-distancing measures and temporary closures at the beginning of the pandemic. Combined with the ongoing challenges for these businesses, the effects of the pandemic for many business owners have resulted in greater hardship. Between February and April of 2020, there was a 41% decline in Black-owned businesses, a 32% decline in Latino-owned businesses, and a 26% decline in Asian-owned businesses – all while there was only a 17% decline in white-owned businesses (Misera, 2020). Overall, businesses owned by people of color reported larger declines in revenue, employment, and business operations, which affects not only the owners but their employees and the communities in which these businesses are located (Federal Reserve Bank, 2021).

This decline in opportunities for wealth creation for both owners and employees brought on by the pandemic further impedes the ability to close the racial and ethnic wealth gap (Fairlie, 2020). In addition to these economic issues faced by the owners, employees, and customers of businesses owned by people of color, the health risk of the pandemic has posed a greater threat to minority groups. Indigenous communities were particularly affected by the pandemic given their underserved health systems which resulted in the lack of accessibility to health services and adequate infrastructure (Artiga, Garfield, & Orgera, 2020; Gawthrop, 2023). While the Wisconsin-specific data that we work with in the corresponding policy brief and include in this report was primarily recorded before the pandemic, we believe that it is important to include this section about how minority-owned businesses were impacted by the recent pandemic. In the context of the COVID-19 pandemic, the sectoral composition of businesses owned by people of color played a role in how they fared. The industries that were more likely to face the effects of the pandemic rely more heavily on in-person contact, particularly services sectors like food services, accommodations, and personal services. Some businesses in these high-risk sectors are retail stores, restaurants, hotels, construction companies, and transportation services (Fairlie, 2020; Liu & Parilla, 2020). Many industries that were at a higher risk for hardship have larger shares of businesses owned by people of color relative to industries considered to be less at risk of the pandemic's effects (Misera, 2020; Toussaint-Comeau & Williams, 2020). While the sectoral distribution was different among racial and ethnic groups, one report found that 22% of businesses owned by people of color are classified as being in a “high-risk” industry whereas only 13% of white-owned businesses were classified as such (Misera, 2020).

The national trend of businesses owned by people of color belonging to high-risk sectors is consistent with Wisconsin. A study from the Federal Reserve Bank of Philadelphia published early in the pandemic outlined the hardest hit industries by COVID-19 – Retail Trade (except grocery and pharmacy); Transportation; Employment Services; Travel Arrangements; Arts, Entertainment, & Recreation; and Accommodation & Food Services (Ding & Sánchez, 2020). As of 2017, around 43% of Wisconsin's minority-owned employer businesses were concentrated in these high-risk sectors, particularly Accommodation & Food Services (U.S. Census Bureau, 2017). Similarly, roughly 27% of the state's minority-owned nonemployers were concentrated in these sectors according to 2018 data (U.S. Census Bureau, 2018b).¹²

¹² These calculations were found by finding the share of minority-owned businesses classified under the following NAICS codes: 44-45 (other than Grocery Stores, Specialty Food Stores, and Health & Personal Care Stores), 48-49 (other than Couriers & Messengers and Warehousing & Storage), 5613, 5615, 71, 72.

In addition to sector concentration, the size and profitability of businesses owned by people of color can influence their recovery. With lower sales and greater financial challenges, they are less equipped to survive large economic downturns. Unfortunately, the money available to business owners to help alleviate these exact challenges, through programs like the Payment Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL), was distributed in a way that was problematic for people of color. Relative to white-owned businesses, business owners of color are more likely to do business with non-banking institutions like community development financial institutions, credit unions, and online lenders. For the first round of PPP distribution, these institutions were either not certified lenders by the Small Business Administration (SBA) or had fewer funds to lend compared to banks (Misera, 2020).¹³ As a result, business owners of color were less likely than white business owners to be able to access this funding after the initial shock of the pandemic.

A report from 2021 which looked in-depth at the distribution of emergency loans confirmed that people of color were awarded less in loans initially; however, it also found that the second round of PPP distribution was focused on communities of color, which suggests a change in the structure of the program along with more help provided to business owners of color through the application process. Even with this finding, the report did see that the size of loans per employee at applicant firms was lower in areas that had a larger population of people of color. While the Wisconsin-specific data that we work with in this report and corresponding policy brief was primarily recorded before the pandemic, we believe that it is important to include this section about how minority-owned businesses were impacted by the recent pandemic. The EIDL distribution was a different story. The same 2021 report found a strong positive relationship between the share of people of color in an area and the size of the loans per business and employee distributed in the area. While the success of the EIDL program and adjustments made to PPP lending suggests that the pandemic emergency funding ultimately resulted in equitable distribution, the lag in receiving funding between the first and second round of PPP distribution may have affected the survival of businesses owned by people of color (Fairlie & Fossen, 2022). Another consideration is that nonemployer businesses, which are disproportionately owned by people of color, were less likely to apply for PPP loans, and out of those which did apply, white-owned nonemployers were more likely to be approved for all of their funding relative to Black-, Asian-, and Latino-owned businesses (Federal Reserve Bank, 2021).

Overall, emergency lending during the pandemic, namely through the PPP and EIDL programs, highlighted existing disparities in financing services which led to an initial unequal distribution of funds. The trial-and-error process of PPP funding significantly relates to everyday lending systems. Although the initial PPP standards were not written to be explicitly exclusionary or discriminatory, they still resulted in racially inequitable outcomes due to how they accounted only for the white-dominated traditional banking processes. This speaks to the significance of restructuring lending programs and simplifying the application process to improve accessibility so as to include all businesses regardless of certain characteristics that have previously been deemed as the proper qualifications to receive funding (Atkins, Cook, & Seamans, 2022; Fairlie & Fossen, 2022).

¹³ For the first round of PPP distribution, these institutions were either not certified lenders by the Small Business Administration (SBA) or had fewer funds to lend compared to banks (Misera, 2020).

Despite the early negative impact of the pandemic, there is evidence that entrepreneurship increases in response to economic downturns (Haltiwanger, 2021). Preliminary data on entrepreneurship during the pandemic shows the same pattern. Although the initial downturn of the pandemic decreased business formation and self-employment substantially, there has been a surge in entrepreneurial activity since late 2020 (Julian, Callon, & Conroy, 2022). This rise in entrepreneurship rates through the pandemic may be a reaction to higher unemployment rates. The trend could also be linked to other changes brought on by the pandemic, including new innovations and niche markets (Haltiwanger, 2021). One study links the growth in entrepreneurship to the federal stimulus provided by the government during the pandemic, particularly in Black communities (Bui, 2021). Therefore, although communities of color have been hit harder by the pandemic relative to white communities, the pattern of rising entrepreneurship offers a promising trend.

LOOKING FORWARD

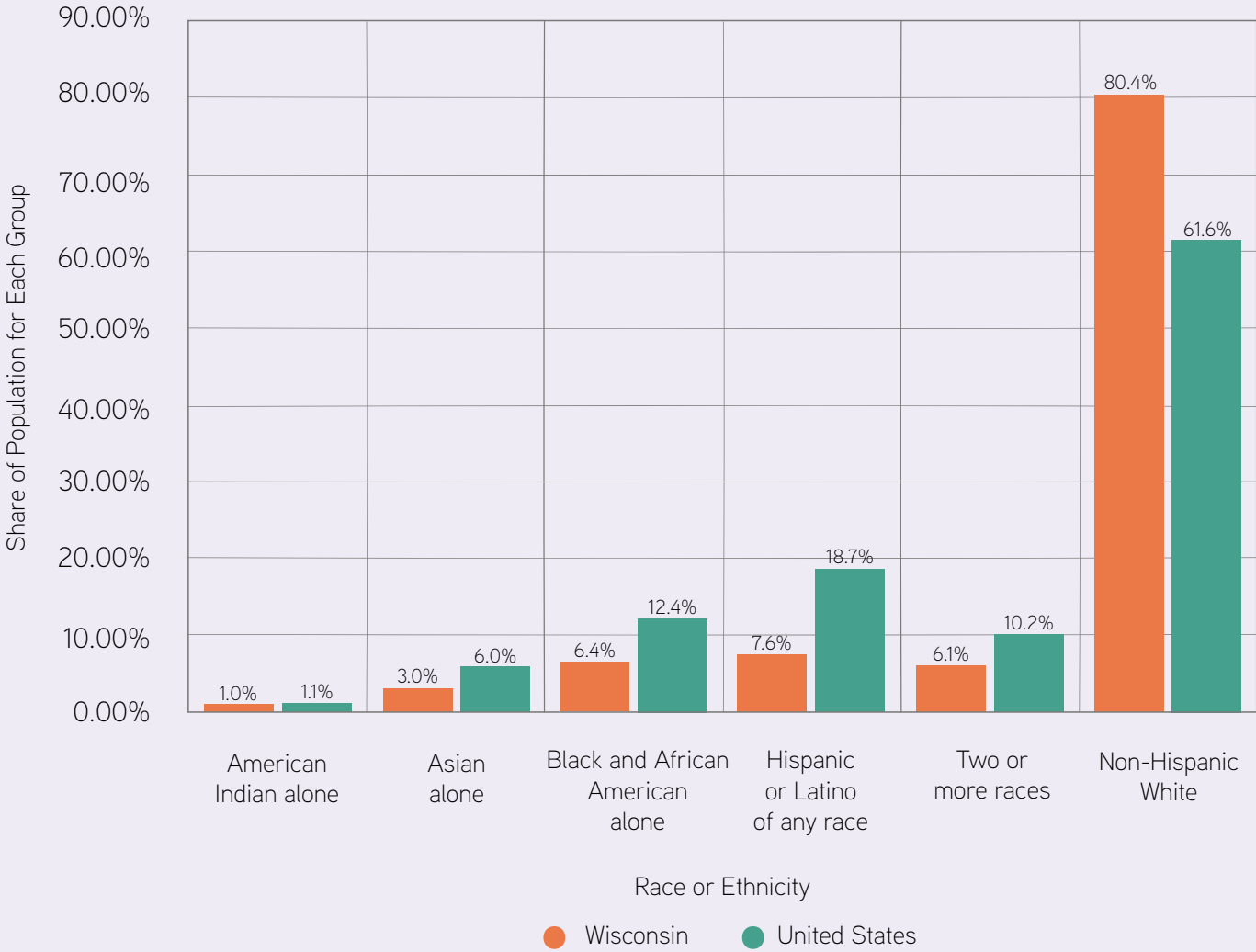
Taken together, these graphics and statistics looking at the recent pre-pandemic state of business ownership among people of color in Wisconsin correspond with the nationwide trend of a relatively small yet growing number of diverse business owners. This recent growth suggests a promising and economically important future for diverse business owners despite evidence that they face important challenges. In the corresponding policy brief, we further examine the current situation of diverse business owners in Wisconsin and the potential next steps to take to support these businesses.

While we do not have detailed information about the pandemic's long-term effect on current businesses and levels of potential entrepreneurship, as mentioned above, there is a recently published report that provides evidence of a recent uptick in entrepreneurship (Haltiwanger, 2021). The report does not break down the statistics on a racial or ethnic level, yet it documents a record-breaking increase in entrepreneurial activity that began in the later months of 2020 and has been on the rise. The increase in potential entrepreneurship – measured by the increase in the number of applications for employer and nonemployer businesses – is significant, particularly in historical comparison to the low levels of new entrepreneurs in the period after the Great Recession. Although the pandemic cannot be compared directly to the 2008 recession and financial crisis due to the vastly different circumstances, the recent spike in entrepreneurship indicates a level of entrepreneurial intent not seen before, during, or since the Great Recession and also suggests an economy in the process of restructuring as new business models and practices are being explored (Haltiwanger, 2021).

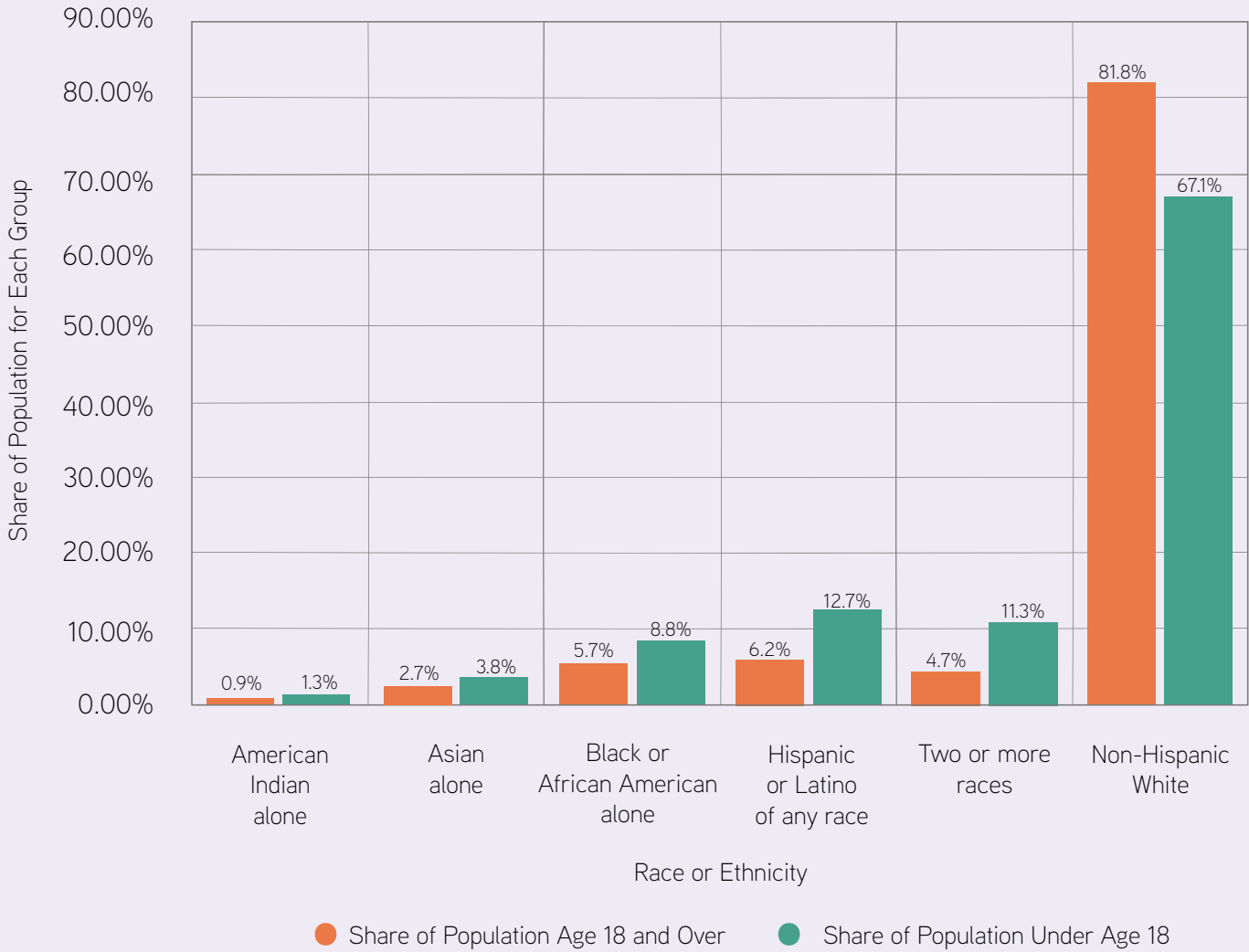
The rise in entrepreneurial activity makes the opportunity for equitable access to business support in the post-pandemic economy even more important. Especially in the wake of the pandemic and at a time when wealth inequality is rising, it is important to create inclusive business ecosystems that provide the opportunity for wealth building, social and economic mobility, growth, and community development.

APPENDIX

APPENDIX A | SHARE OF POPULATION BY RACE AND ETHNICITY WISCONSIN AND UNITED STATES 2020

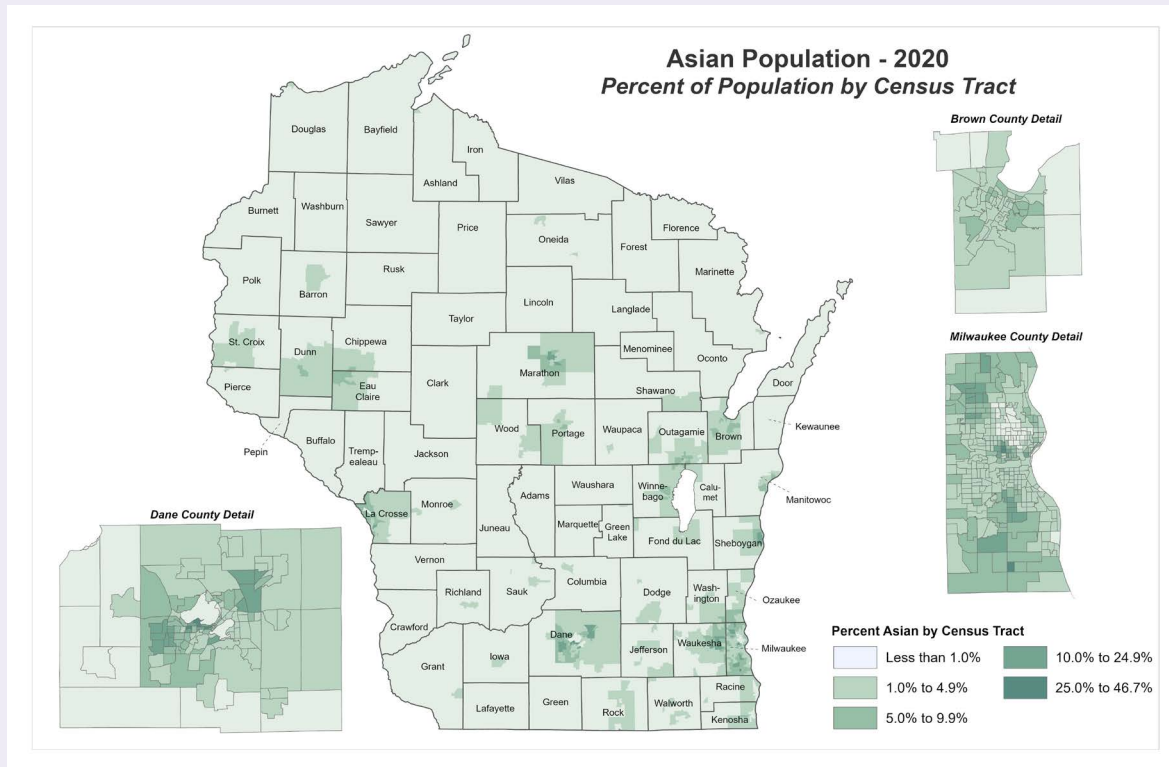
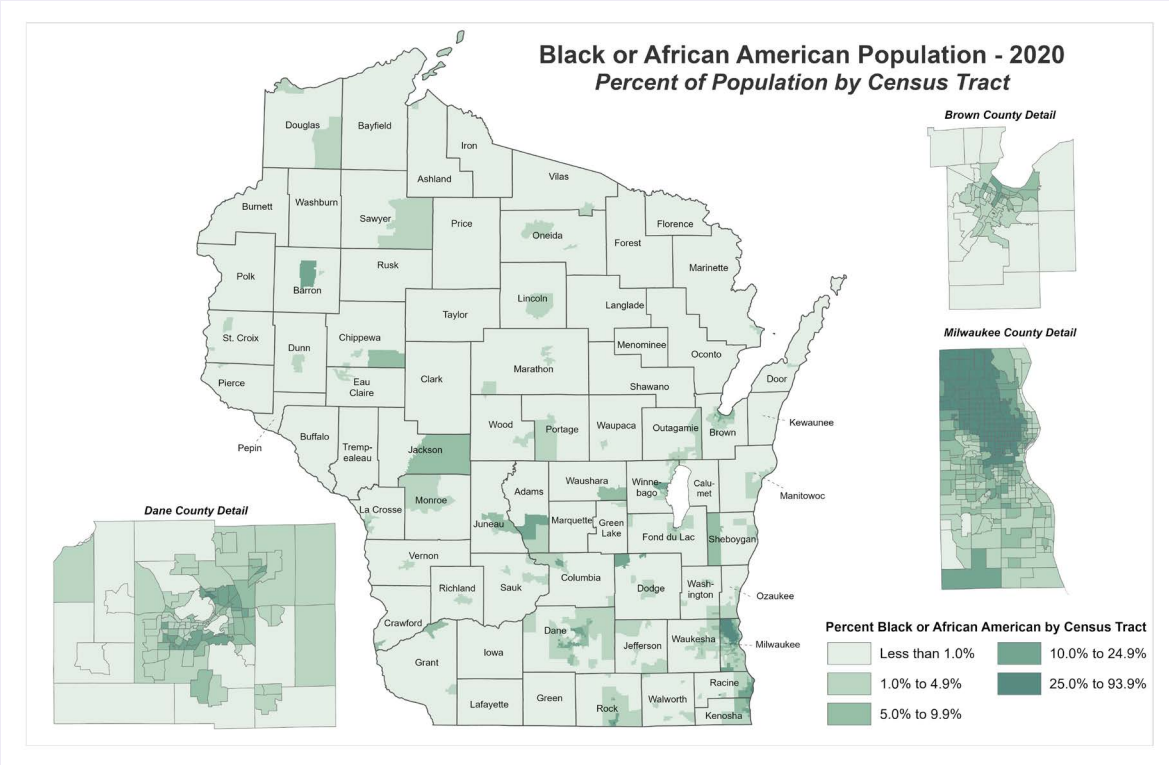


**APPENDIX B | SHARE OF POPULATION OVER AND UNDER AGE 18 BY RACE AND ETHNICITY
WISCONSIN 2020**

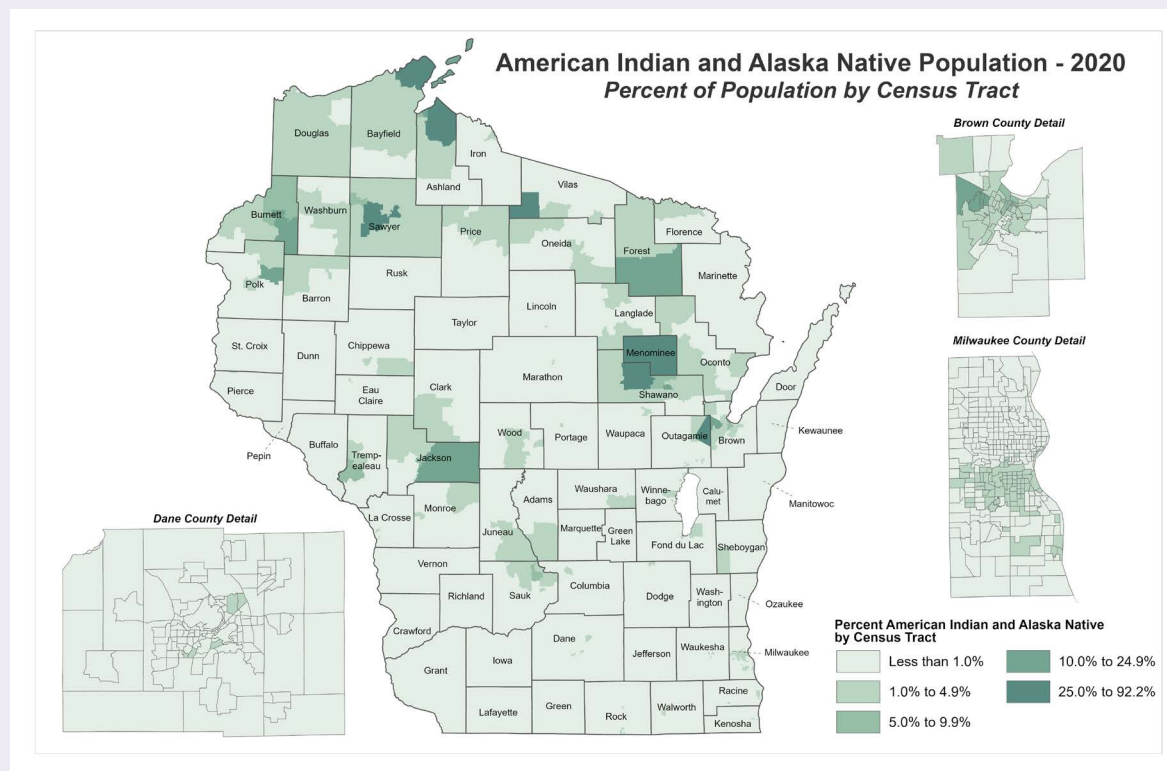
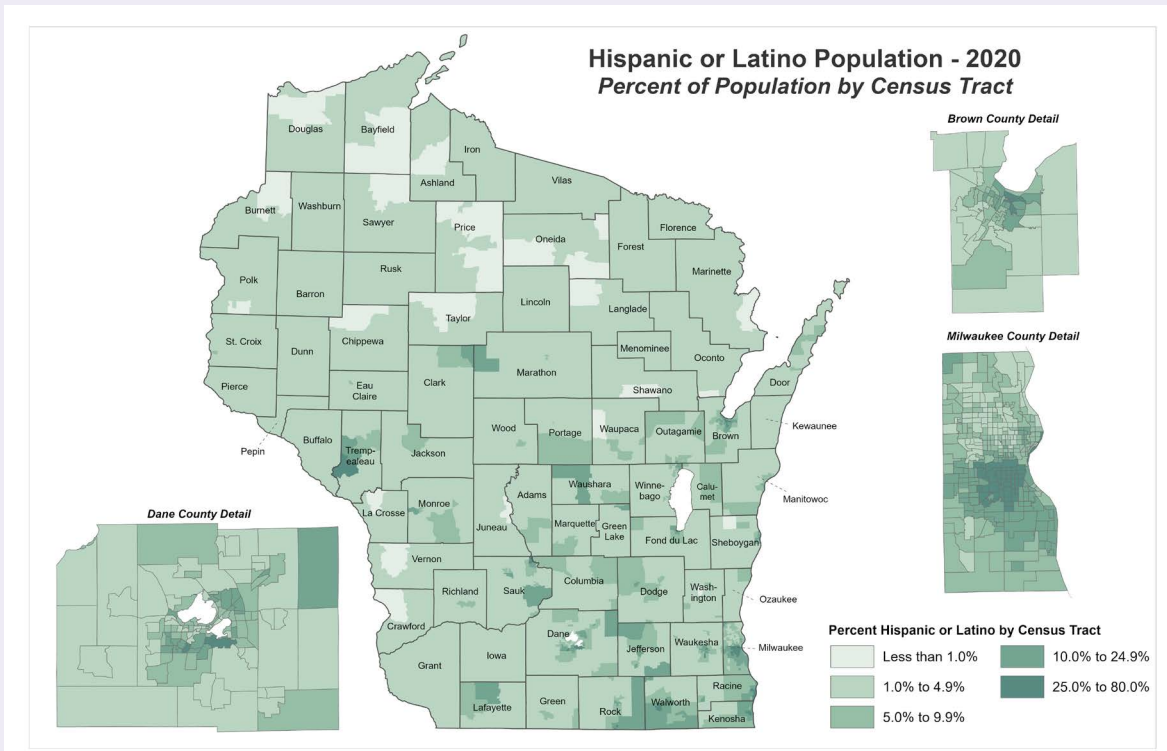


APPENDIX C | MAPS OF RACE AND ETHNICITY CONCENTRATION

WISCONSIN 2020



APPENDIX C [CONTINUED] | MAPS OF RACE AND ETHNICITY CONCENTRATION WISCONSIN 2020



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METHODOLOGY

The main data source for this report is the U.S. Census' Annual Business Survey program, which includes the Annual Business Survey dataset (ABS) and the Nonemployer Statistics by Demographics series (NES-D). At the time of creating these figures, we used the most recent data available for the specific variables we report in the figures. For both Section 1 and 3, the majority of figures are using data from 2019 because it is the most recent year which the NES-D, the dataset on nonemployer firms, is available. The data for Section 2 on employer firms uses a range from 2017 – 2020, depending on the specific measure and the most recent year available. For data on race and ethnicity, we used the American Community Survey 1-year estimates. For races, we used the data based on the “One race” rather than “Alone or in combination;” therefore, the specific classifications of each group would be: “American Indian and Alaska native alone,” “Asian alone,” “Black or African American alone,” “Hispanic or Latino of any race,” and “non-Hispanic white.” Though this is a simplification for computational purposes, the vast majority of the minority population are counted in the “race alone” categories. In the remainder of the methodology section, we cite where and when the data was released and how we used that data to generate each figure.

Figure 1 is calculated using data on employer and nonemployer firms from the Census' 2019 NES-D series on employer and nonemployer firms. The numbers in this figure are the sum of total classifiable employer and nonemployer firms owned by minority and nonminority owners. The Census classifies nonminority as anyone who identifies as non-Hispanic white and minority as any person who does not identify as being non-Hispanic white (U.S. Census Bureau, 2019d).

Figure 2 is calculated with data from the Census' 2019 NES-D series. The numbers featured in the figure are the sum of total employer and nonemployer firms owned by each demographic. The Hispanic or Latino bar is a lighter shade to distinguish it as an ethnic group rather than a racial group like the American Indian, Asian, and Black or African American bars (U.S. Census Bureau, 2019d).

Figure 3 is calculated with data from the 1997, 2002, 2007 and 2012 Survey of Business Owners (SBO) from the Census. The numbers inside of the bars in the figure are the number of firms owned by each group in Wisconsin for that year. We calculated the growth rate of the number of firms owned by each group for every 5-year period, which is the number above each bar for the year ending (U.S. Census Bureau, 1997; U.S. Census Bureau, 2002; U.S. Census Bureau, 2007; U.S. Census Bureau, 2012b).

Figure 4 is calculated with the Census' 2019 American Community Survey (ACS) 1-year estimates and 2019 NES-D series. The share of the population is calculated using population estimates of each group from the ACS and dividing them by Wisconsin's population in 2018. The share of firms is calculated using the total number of firms for each group and dividing them by the total number of firms in Wisconsin. The Hispanic or Latino bar is a lighter shade to distinguish it as an ethnic group rather than a racial group like the American Indian, Asian, and Black or African American bars (U.S. Census Bureau, 2019b; U.S. Census Bureau, 2019d).

Figure 5 is calculated with the 2019 ACS 1-yr estimates and 2019 NES-D series from the Census. For each demographic, we divide their share of business ownership by their share of the population to find the ratio of ownership to population (U.S. Census Bureau, 2019b; U.S. Census Bureau, 2019d).

Figures 6 and 7 are calculated with the Census' 2019 NES-D series. Figure 6 uses the number of minority-owned employer and nonemployer firms from each dataset and Figure 7 uses the number of nonminority-owned employer and nonemployer firms from each (U.S. Census Bureau, 2019d).

Figure 8 is calculated with the Census' 2019 NES-D series. For each demographic, we separately display the number and share of employer and nonemployer firms owned by each group. The Hispanic or Latino bar is a lighter shade to show that it represents an ethnic group rather than a racial group like the American Indian, Asian, and Black or African American bars (U.S. Census Bureau, 2019d).

Figure 9 is calculated with the Census' 2019 NES-D series. The numbers on the left pie chart are the sum of minority- and nonminority-owned employer and nonemployer firms. The numbers on the right pie chart are the total numbers of minority- and nonminority-owned employer firms. The right pie chart does not add up exactly to 100% because there is a small number of classifiable employer firms with unknown minority status (U.S. Census Bureau, 2019d).

Figure 10 is calculated with the Census' 2020 ABS and 2021 ACS 1-yr estimates. There is no ACS 1-year estimate dataset for 2020, so we use data from the 2021 ACS for population estimates since we consider the 1-year estimates to be the most accurate in terms of recording population data. We calculated the rate of minority employer ownership for all 50 states, the District of Columbia, and the United States. We used the same calculation of dividing the number of minority-owned employer firms by the minority population and then multiplying the quotient by 1000. With these calculations of the number of minority-owned firms per 1000 people classified as a minority, we mapped out the rate of minority ownership across the contiguous United States to create Figure 10 (U.S. Census Bureau, 2020b; U.S. Census Bureau, 2021).

Figure 11 is calculated with the 2019 ABS and 2019 ACS 1-yr estimates from the Census. To create the bar chart, we find the share of the state's population of each demographic group and compare it to the share of total employer firms owned by the corresponding demographic group. The Hispanic or Latino bar is a lighter shade to distinguish it as an ethnic group rather than a racial group like the American Indian, Asian, and Black or African American bars (U.S. Census Bureau, 2019a; U.S. Census Bureau, 2019b).

Figure 12 uses the 2018 ABS and 2018 ACS 1-yr estimates from the Census. The ratio for each demographic is calculated by dividing the group's share of employer business ownership by the group's share of the population (U.S. Census Bureau, 2019a; U.S. Census Bureau, 2019b).

Figure 13 is calculated with the Census' 2012 SBO, 2020 ABS, 2012 ACS 1-yr estimates, and 2021 ACS 1-year estimates. Although we are unable to compare the early SBO data with the combination of the 2020 ABS and NES-D data, the main discrepancy between the two datasets is the collection and reporting of data about nonemployer establishments on the

NES-D. Therefore, we compare data from the 2012 SBO and 2020 ABS on employer firms since the two datasets are closer in methodology. Using the 2012 SBO and 2020 ABS data, we find the growth rate of minority employer business ownership and compare it to the growth of the minority population (found with the 2012 and 2021 ACS) throughout select Midwestern states and the United States overall. There is no ACS 1-year estimate dataset for 2020, so we use data from the 2021 ACS for population estimates since we consider the 1-year estimates to be the most accurate in terms of recording population data. The United States bar is a lighter shade to show its different geographic classification, representing the national average of minority business ownership (U.S. Census Bureau, 2012a; U.S. Census Bureau, 2012b; U.S. Census Bureau, 2020b; U.S. Census Bureau, 2021). Figure 14 uses the Census' 2017 ABS data on the number of employer firms in each sector. We look at each sector based on its two-digit North American Industry Classification System (NAICS) code, which is the official industry classification code. We calculated the share of total businesses in each sector for both minority- and nonminority-owned employer firms. We arrange these sectors from lowest to highest in terms of the sector's share of all minority-owned employers (U.S. Census Bureau, 2017).

Figure 15 uses with the Census' 2017 ABS data on the sales of employer firms in each sector, which is based on its two-digit NAICS code. We find the average sales for both minority and nonminority employers in each sector by dividing the total sales of each sector for each group by the number of businesses owned by each demographic in each sector. Similar to Figure 14, we arrange the sectors from lowest to highest in terms of the sector's share of all minority-owned employers. Indicated by the bars in lighter shades, we also include our calculations of the average sales for all minority- and nonminority-owned employer establishments (U.S. Census Bureau, 2017).

Figure 16 is calculated with data from the 2019 ABS from the Census. We find the average number of employees for each group by dividing the total number of employees for each demographic by the total number of employer firms owned by the same group. The non-Hispanic white bar is a lighter shade to signify that it is what the other demographics are being compared to (U.S. Census Bureau, 2019a).

Figure 17 is calculated with data from the 2019 ABS from the Census. We find the average payroll receipt per employee for each group by dividing total payroll receipts by total number of employees for each demographic. The non-Hispanic white bar is a lighter shade to signify that it is what the other demographics are being compared to (U.S. Census Bureau, 2019a).

Figure 18 is calculated with the Census' 2020 ABS dataset which stratifies employer firms by receipt size. To create Figure 18, we used the number of minority-owned employer firms in each revenue group, represented by the number in each bar (U.S. Census Bureau, 2020a).

Figure 19 is calculated using data from the Census' 2017 ABS. To find the earnings ratio of each group, we calculate average sales by dividing the total sales of all employer firms for each demographic by the number of employer firms owned by each group. Our calculations for the average sales of each demographic are included above each bar. Then, we divide average sales for every group by the average sales of non-Hispanic white-owned employer firms, which results in the average

earnings for each minority group relative to \$1 in revenue for nonminority-owned employer firms. The non-Hispanic white bar is a lighter shade to signify that it is what the other demographics are being compared to (U.S. Census Bureau, 2017).

Figures 20 and 21 are calculated using data from the Census' 2020 ABS. We made these pie charts with the data on gender for both minority and nonminority employer owners. The data did not give information on non-binary employer owners, or those who do not identify exclusively as male or female, so we only look at men and women owners (U.S. Census Bureau, 2020b).

Figure 22 is calculated from the Census' 2017 ABS. Each share is calculated by dividing the number of firms, total sales, and total number of employees for both minority and nonminority female employer owners by the totals for each category for all minority and nonminority employer owners (U.S. Census Bureau, 2017).

Figure 23 is calculated from the Census' 2019 NES-D series on employer and nonemployer firms. The pie chart on the left is made using the total number of employer firms from the ABS and the total number of nonemployer firms from the NES-D. The pie chart on the right is made with NES-D estimates of the total number of nonemployer firms owned by minority and nonminority owners (U.S. Census Bureau, 2019d).

Figure 24 is calculated from the Census' 2019 NES-D series. The bar chart is made with estimates of the number of nonemployer firms owned by each demographic, which are the numbers featured in the bars. The Hispanic or Latino bar is a lighter shade to distinguish it as an ethnic group rather than a racial group like the American Indian, Asian, and Black or African American bars (U.S. Census Bureau, 2019d).

Figure 25 is calculated from the Census' 2019 NES-D series and 2019 ACS 1-year estimates. Similar to Figure 10, we calculate the rate of minority nonemployer business ownership for all 50 states, the District of Columbia, and the United States by dividing the area's total number of minority-owned nonemployer firms by the area's minority population. We then multiply the result of this division by 1000. We then mapped out these rates of ownership onto a map of the contiguous United States (U.S. Census Bureau, 2019b; U.S. Census Bureau, 2019d).

Figure 26 uses the Census' 2019 NES-D data on the number of nonemployer firms in each sector. We look at each sector based on its two-digit North American Industry Classification System (NAICS) code, which is the official industry classification code. We calculated the share of total businesses in each sector for both minority- and nonminority-owned nonemployer firms. We arrange these sectors from lowest to highest in terms of the sector's share of all minority-owned nonemployers (U.S. Census Bureau, 2019d).

Figure 27 uses the Census' 2019 NES-D data on the number of nonemployer firms in each sector, which is based on its two-digit NAICS code. We find the average sales for both minority and nonminority employers in each sector by dividing the total sales of each sector for each group by the number of businesses owned by each demographic in each sector. Similar to Figure 26, we arrange the sectors from lowest to highest in terms of the sector's share of all minority-owned nonemployers.

Indicated by the bars in lighter shades, we also include our calculations of the average sales for all minority- and nonminority-owned nonemployer firms (U.S. Census Bureau, 2019d).

Figure 28 is calculated from the Census' 2019 NES-D dataset that stratifies types of nonemployer firms by the size of receipts. To make Figure 28, we used the number of minority-owned nonemployer firms at each revenue level, represented by each bar (U.S. Census Bureau, 2019c).

Figure 29 is calculated from the Census' 2019 NES-D series. Similar to Figure 19, we found the earnings ratio of each group by calculating average sales for each demographic by dividing the total sales of all nonemployer firms for each demographic by the number of nonemployer firms owned by each group. Our calculations for average sales for each group are included above each bar. Then, we divide average sales for every group by the average sales of non-Hispanic white-owned nonemployer firms, which results in the average earnings for each minority group relative to \$1 in revenue for nonminority-owned nonemployer firms. The non-Hispanic white bar is a lighter shade to indicate it as a point of reference for other groups (U.S. Census Bureau, 2019d).

Figure 30 is calculated from the Census' 2019 NES-D dataset that looks at nonemployer firms by the size of receipts. Using this data, we found these shares in the bar chart by dividing the number of firms owned by the gender at that revenue level by the total number of firms owned by each gender. Given that there are significantly fewer nonemployer firms owned by two or more owners relative to employer establishments, we do not include data on joint male and female-owned nonemployer establishments. Also, the data did not give information on non-binary employer owners, so we only look at men and women owners (U.S. Census Bureau, 2019c).

ABOUT THE WISCONSIN ECONOMY SERIES

The Wisconsin Economy Series is a publication of the University of Wisconsin-Madison Economic Development Administration (EDA) University Center, which is housed at the Division of Extension, University of Wisconsin-Madison.

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