

MINNESOTA'S WOMEN-OWNED BUSINESSES

A report by the Minnesota Legislative Office on the Economic Status of Women.

August 2016
(Based on 2012 Data)

E-mail: oesw@oesw.leg.mn
Web: <http://www.oesw.leg.mn/>
Phone: (651) 296-0711

95 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

About the Data.....	Page 2
Report Highlights.....	Page 3
Part I: Overall analysis of Minnesota’s women-owned businesses, in comparison to all Minnesota businesses and to Minnesota’s men-owned businesses.....	Page 7
Part II: How Minnesota’s women-owned businesses compare nationally, including analysis of changes between 2007 and 2012.....	Page 17
Part III: Minnesota’s women-owned businesses by race and ethnicity.....	Page 20
Part IV: Conclusion.....	Page 28

About the Data

Data are from the U.S. Census Bureau *Survey of Business Owners* (SBO) for the years 2012¹ and 2007. The SBO is conducted every five years, gathering data about the characteristics of the businesses and their owners. Approximately 1.75 million businesses nationally were surveyed for the 2012 SBO. All nonfarm businesses filing IRS tax forms as individual proprietorships, partnerships, or any type of corporation, and with receipts of \$1,000 or more are eligible for the SBO, including for-profit and not-for-profit companies, companies with and without employees, publicly held and privately owned firms, and foreign-owned U.S. corporations. The government/public sector is not included in the SBO. The SBO combines data collected from surveying businesses and business owners with the U.S. Census Bureau main economic census and administrative records.

The racial or ethnic demographic groups in this report are “alone” (e.g., White alone, Black or African American alone), except for American Indian or Alaska Native, where the demographic group includes those who identify as American Indian or Alaska Native alone, and those who identify as American Indian or Alaska Native in combination with one or more other “races.”

¹ <http://www.census.gov/library/publications/2012/econ/2012-sbo.html>

REPORT HIGHLIGHTS

Women-owned businesses are important to Minnesota's economy. Minnesota's 157,821 women-owned businesses employ 182,229 people, have an annual payroll of over \$5 billion, and generate \$24.6 billion in annual revenue.

However, in some important economic measurements, Minnesota's women-owned businesses lag behind the state's men-owned businesses:

- Although women-owned businesses are 32 percent² of all Minnesota businesses, they
 - employ only 8 percent of paid employees,
 - generate only 4 percent of payroll, and
 - account for 4 percent of Minnesota's business revenue.
- By comparison, Minnesota's men-owned businesses are 55 percent² of all Minnesota businesses, and
 - employ 33 percent of paid employees,
 - generate 29 percent of payroll, and
 - 29 percent of business revenue.

Number of Firms

Increases in the number of businesses owned by women³ continue to outpace those owned by other categories⁴, both nationally and in Minnesota. Between 2007 and 2012, the number of all U.S. businesses increased by 2 percent and all Minnesota businesses decreased by 1 percent. In these years, the number of women-owned businesses increased nationally by 27 percent and in Minnesota by 18 percent.

Business Revenue⁵

The average annual revenue for a Minnesota women-owned business is one-fifth of that of a men-owned business (\$156,007 vs. \$749,086). Average revenue of women-owned businesses is significantly lower than that of men-owned businesses in every industry sector, ranging from 10 percent (retail trade sector) to 78 percent (construction sector) of their male peers. In the two industry sectors where the average revenue of women-owned firms approaches that of

² Thirty-two percent of Minnesota businesses are majority women-owned; 55 percent are majority men-owned; and the remaining 13 percent are publicly owned businesses, businesses owned equally by men and women, and businesses that don't fit into any of these ownership categories.

³ Increases in the number of businesses in any ownership category do not necessarily equate to the same number of business start-ups. For example, a woman could assume ownership of her family business, or a woman could purchase an existing business.

⁴ "Other categories" include men-owned businesses, publicly owned businesses, businesses owned equally by men and women, and businesses that don't fit into any of these ownership categories.

⁵ "Revenue," in the context of this document, means sales, receipts, or value of shipments.

men-owned firms—the construction and transportation/warehousing sectors—women-owned businesses are vastly under-represented.

- The average annual revenue of Minnesota’s women-owned construction businesses is 78 percent of that of men-owned construction businesses, but women own only 7 percent of construction businesses.
- The average annual revenue of Minnesota’s women-owned transportation/warehousing businesses is 74 percent of that of men-owned transportation/warehousing businesses, but women own only 12 percent of businesses in the transportation/warehousing sector.

In the period from 2007 to 2012, women-owned businesses in Minnesota have done better than nationally in terms of average revenue: Minnesota’s women-owned businesses slightly increased average revenue from 2007 - 2012 by 1 percent (from \$154,760 to \$156,010, in 2012 dollars), whereas nationally, the average revenue of women-owned businesses *decreased* by 15 percent (from \$170,050, to \$143,730, in 2012 dollars).

Payroll

Total annual payroll of Minnesota’s women-owned businesses is significant: over \$5 billion. However, the average annual payroll of Minnesota’s women-owned firms is 56 percent of men-owned firms: \$275,243 for women-owned firms vs. \$495,353 for men-owned firms.

Paid Employees

The number of paid employees employed by Minnesota’s women-owned businesses increased by 30 percent from 2007 to 2012, from 140,384 to 182,229—an increase of 41,845. In contrast, the number of paid employees employed by Minnesota’s men-owned businesses increased by only 1 percent during that same time period, from 793,348 to 802,896—an increase of 9,548.

Nationally, the number of paid employees employed by women-owned businesses increased by 12 percent.

Type of Businesses Women Tend to Own

The two industry sectors with the largest percentage of women-owned firms are the health care and social assistance sector (64 percent of the firms are women-owned) and the educational services sector (52 percent of the firms are women-owned). Of particular significance is that in the two industry sectors where the average revenue of women-owned firms approaches that of men-owned firms (construction sector: women-owned businesses’ average revenue is 78 percent of that of men-owned businesses, and transportation/warehousing sector: women-owned businesses’ average revenue is 74 percent of that of men-owned businesses), women-owned businesses are vastly under-represented. Minnesota’s women-owned businesses comprise only 7 percent of Minnesota’s businesses in

the construction industry sector, and only 12 percent of businesses in the transportation/warehousing sector.

Businesses Owned by Minnesota's Women of Color

The rate of increase in the number of businesses owned by women of color is much greater than that of businesses owned by White women or by men—both nationally and in Minnesota. However, businesses owned by women of color lag behind in other measurements.

- The rate of increase in the number of Minnesota businesses owned by women of color and American Indian women has eclipsed the rate of increase of other Minnesota businesses. From 2007 – 2012,
 - the number of businesses owned by Black or African American women increased by 79 percent (from 4,883 to 8,748),
 - the number of businesses owned by owned by Asian women increased by 70 percent (from 3,762 to 6,725),
 - the number of businesses owned by owned by Hispanic women increased by 52 percent (from 2,122 to 3,612),
 - the number of businesses owned by owned by American Indian women increased by 79 percent (from 1,232 to 1,867).
- By comparison, from 2007 – 2012 the number of Minnesota businesses owned by White women increased by 13 percent (from 124,641 to 141,071) and the number of businesses owned by men increased by 7 percent (from 251,840 to 268,710). Nationally, the number of businesses owned by White women increased by 13 percent and the number of businesses owned by men increased by 7 percent.
- White women, who in 2012 comprised 88 percent of Minnesota women over age 18, own 89 percent of Minnesota's women-owned businesses, and White women-owned businesses account for 95 percent of all revenue generated by Minnesota's women-owned businesses.
- Minnesota businesses owned by White or Asian women are more likely to have paid employees than businesses owned by Hispanic, Black or African American, or American Indian women. (Men-owned businesses are more likely to have paid employees than women-owned businesses.)
- Minnesota businesses owned by White women generate, on average, far greater revenue than those owned by women of color, with the exception of businesses owned by Asian women, which generate 82 percent of White women-owned businesses' average annual revenue. Black women-owned businesses generate, on average, only 15 percent of the annual revenue of businesses owned by White women, Hispanic women-owned businesses 38 percent, and American Indian women-owned businesses 37 percent.
- Average annual revenue of businesses owned by Minnesota's Black or African American women, American Indian/Alaska Native women, and Hispanic women decreased significantly from 2007 to 2012—decreases respectively of -45 percent, -50 percent, and -53 percent. (See page 26 for dollar amounts of these decreases.) By contrast, average

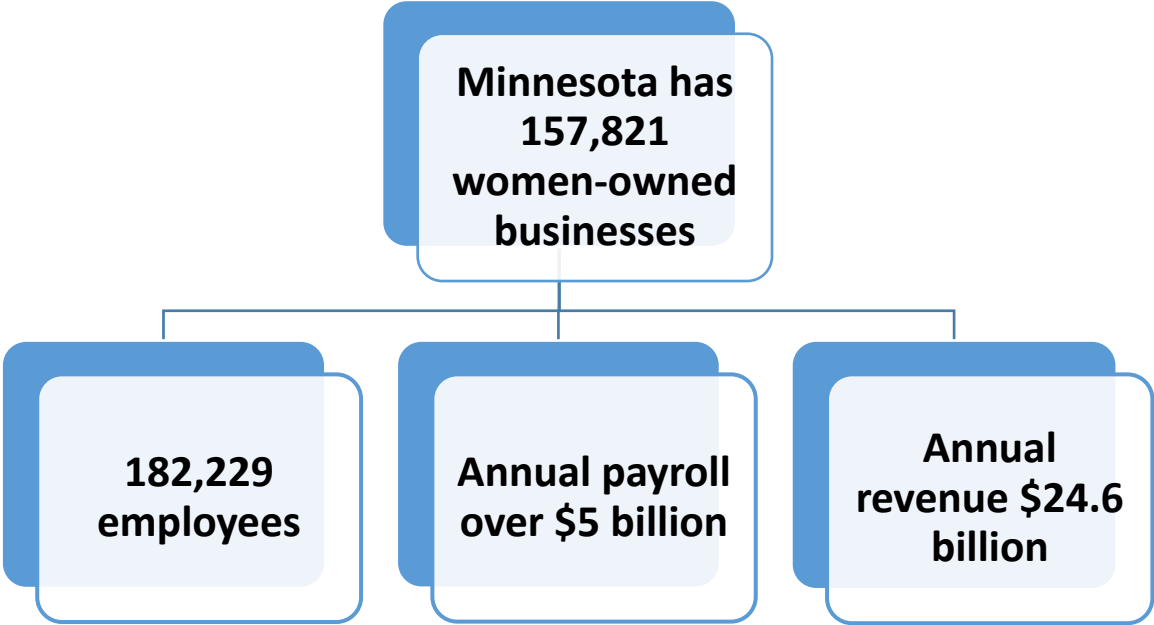
annual revenue for businesses owned by Minnesota's Asian women increased by 33 percent in this time frame; White women business owners saw a modest increase of 4 percent.

- A similar trend was seen in payroll. Average annual payroll for Minnesota businesses owned by Hispanic women decreased by – 55 percent from 2007 to 2012, and by -27 percent for businesses owned by American Indian/Alaska Native women. Businesses owned by Black or African American women saw a modest decrease of – 4 percent in that time frame, whereas businesses owned by Asian women saw a 61 percent *increase* in average payroll; White women business owners saw a modest increase of 9 percent. (See page 27 for actual dollar amounts.)
- Possible causes of the decreases in revenue and payroll from 2007 – 2012 for businesses owned by women of color are (1) the large percentage of new businesses in these categories (new businesses generally have lower revenue in their first years of operation), although the number of businesses owned by Asian women also had a high rate of increase from 2007 – 2012 and they experienced a sizable increase in average annual revenue and payroll in that time span;⁶ (2) less capital for start-up and expansion—due to fewer assets (e.g. savings, homeownership) for self-financing or business loan collateral, and to limited access to external sources of capital; (3) lower levels of relevant owner business knowledge—in terms of education levels and experience in family-owned businesses; (4) the type of businesses women of color tend to own; and (5) more limited market access—including the tendency to focus on co-ethnic rather than broader markets.

⁶ It is important to note that Minnesota's Asian Pacific residents represent over 40 countries. Thus the data for businesses owned by Asian women partially reflect women from, for example, India or Pakistan, who may have advanced STEM degrees and have started businesses in that high-revenue and high-growth industry sector. The data also partially reflect, for example, immigrants in the Hmong, Lao, or Vietnamese communities, who have started businesses in the more typically female-dominated industry sectors.

PART I: OVERALL ANALYSIS OF MINNESOTA’S WOMEN-OWNED BUSINESSES

Women-Owned Businesses are important to Minnesota’s economy.



However, women-owned businesses overall lag behind men-owned businesses.

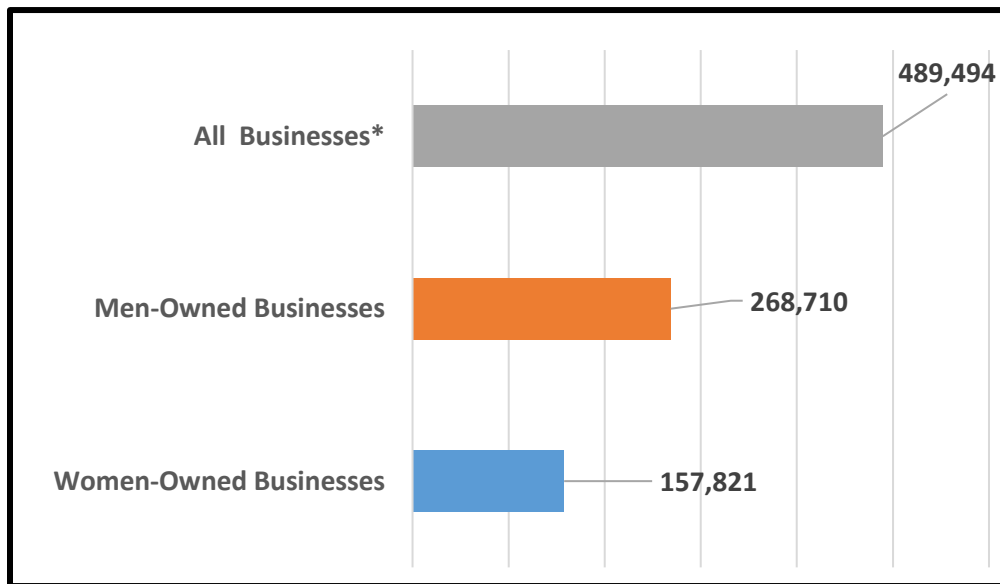
Women-Owned Businesses

- 32 percent of all Minnesota businesses⁷
- Employ 8 percent of all Minnesota paid employees
- Generate 4 percent of Minnesota payroll
- Generate 4 percent of Minnesota's business revenue⁸

Men-Owned Businesses

- 55 percent of all Minnesota businesses⁵
- Employ 33 percent of all Minnesota paid employees
- Generate 29 percent of Minnesota payroll
- Generate 29 percent of Minnesota's business revenue

Number of Minnesota Businesses
(with and without paid employees)



* Includes businesses that are majority women- and men-owned, publicly owned, equally women- and men-owned, and businesses that don't fit into other categories.

⁷ Thirty-two percent of Minnesota businesses are majority women-owned; 55 percent are majority men-owned; and the remaining 13 percent are publicly owned businesses, businesses owned equally by men and women, and businesses that don't fit into any of these ownership categories.

⁸ Sales, receipts, or value of shipments.

Women are disproportionately under-represented in business ownership.

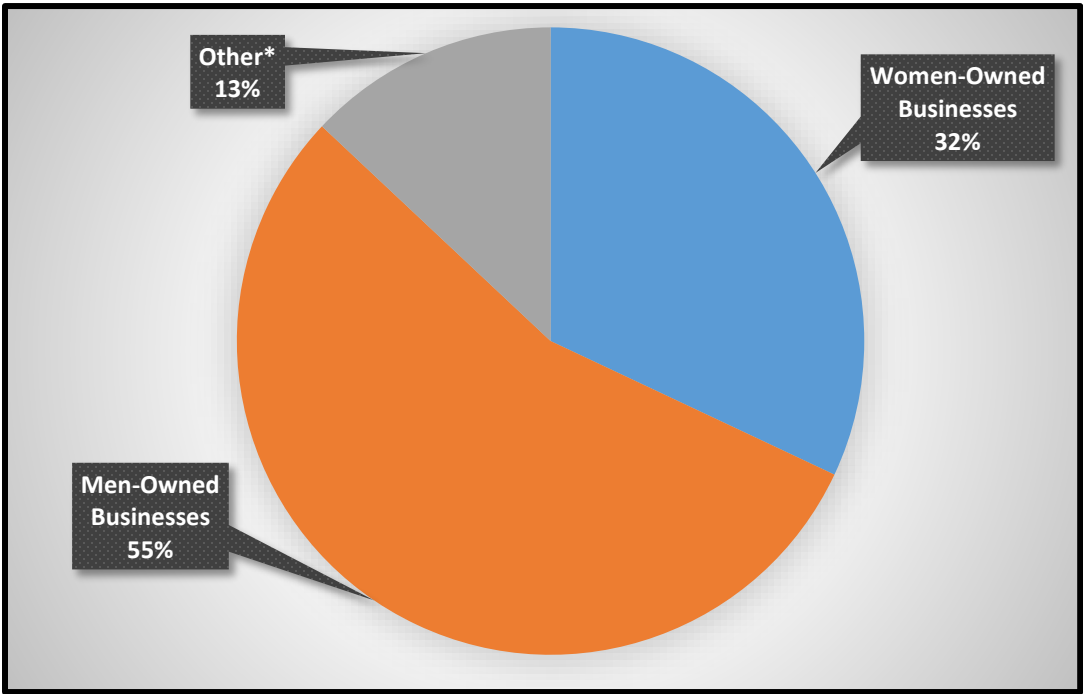
Males

- 49 percent of Minnesota’s age 18+ population
- Own 55 percent of Minnesota businesses

Females

- 51 percent of Minnesota’s 18+ population
- Own 32 percent of Minnesota businesses

Minnesota Business Ownership

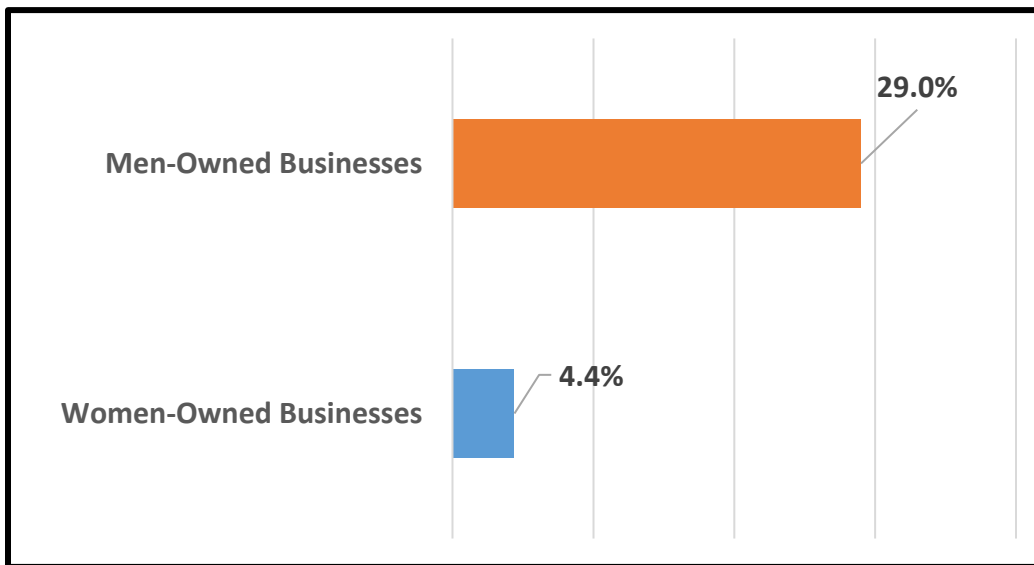


*"Other" includes publicly owned, equally men and women owned, and businesses that don't fit into other categories.

Women-owned businesses generate less revenue⁹

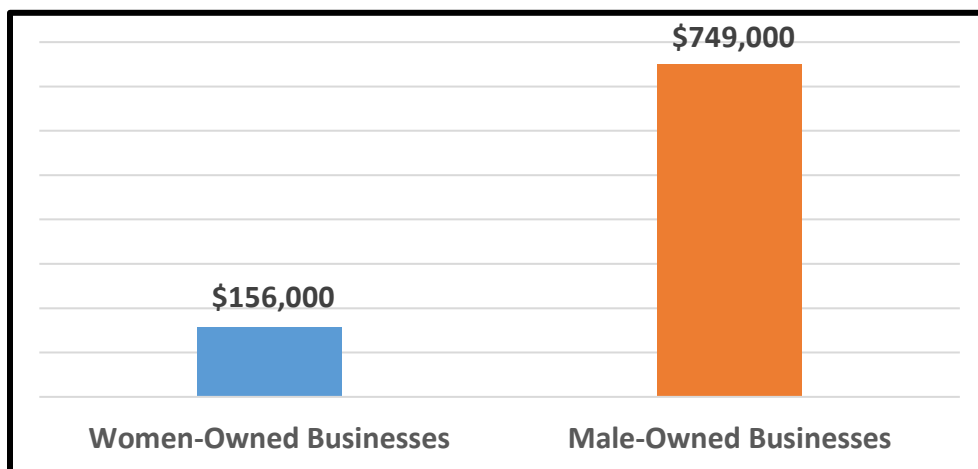
Although 32 percent of Minnesota’s businesses are owned by women, women-owned businesses account for only 4.4 percent of Minnesota’s corporate revenue. In comparison, 55 percent of Minnesota’s businesses are owned by men, and men-owned businesses generate 29.0 percent of Minnesota’s corporate revenue.

Percent of All Corporate Sector Revenue



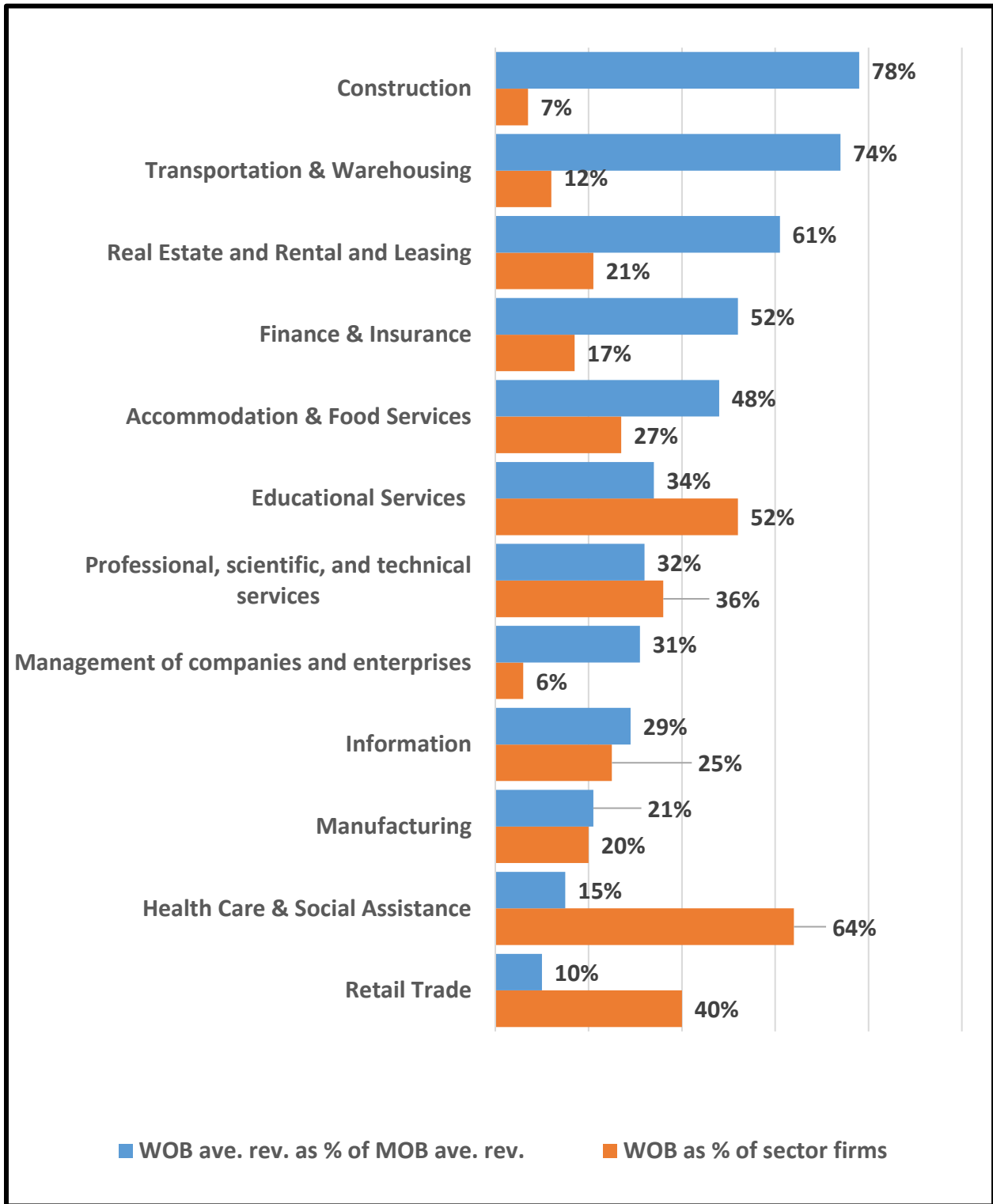
In addition, on average, women-owned businesses generate one-fifth of the revenue that men-owned businesses generate.

Average Annual Revenue



⁹ “Revenue,” in the context of this document, means sales, receipts, or value of shipments.

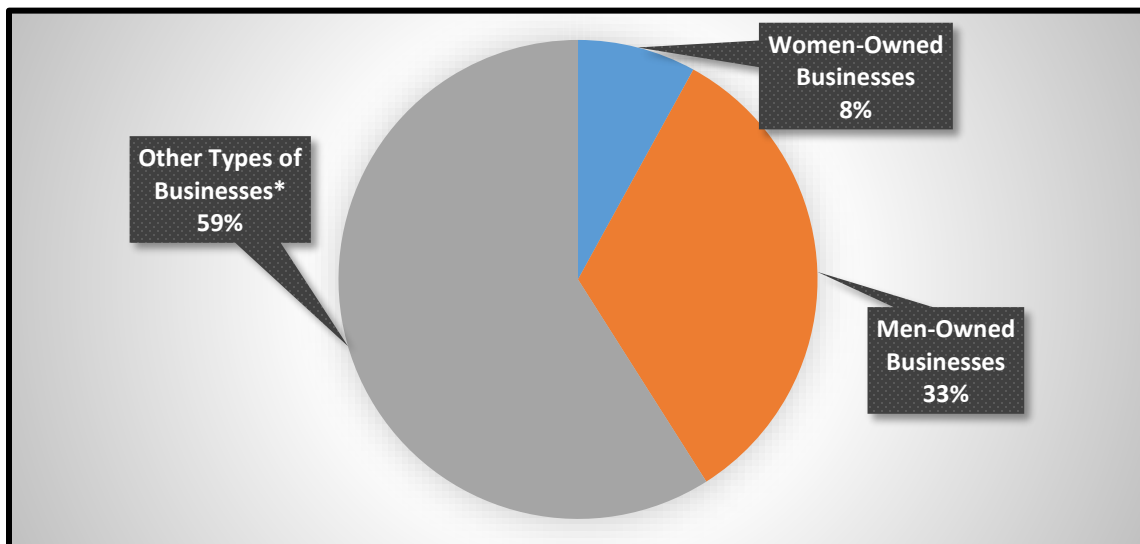
Comparison of Average Revenue of Women-Owned Businesses to Men-Owned Businesses, by Industry Sector



Women-owned businesses have fewer paid employees.

Women-owned businesses have, on average, fewer paid employees than male-owned businesses. Men-owned businesses are twice as likely to have paid employees, and the average number of paid employees for men-owned businesses is more than twice that for women-owned businesses (3 vs. 1.2 employees/firm—considering businesses with and without paid employees.)

Percent of Total Corporate Paid Employees

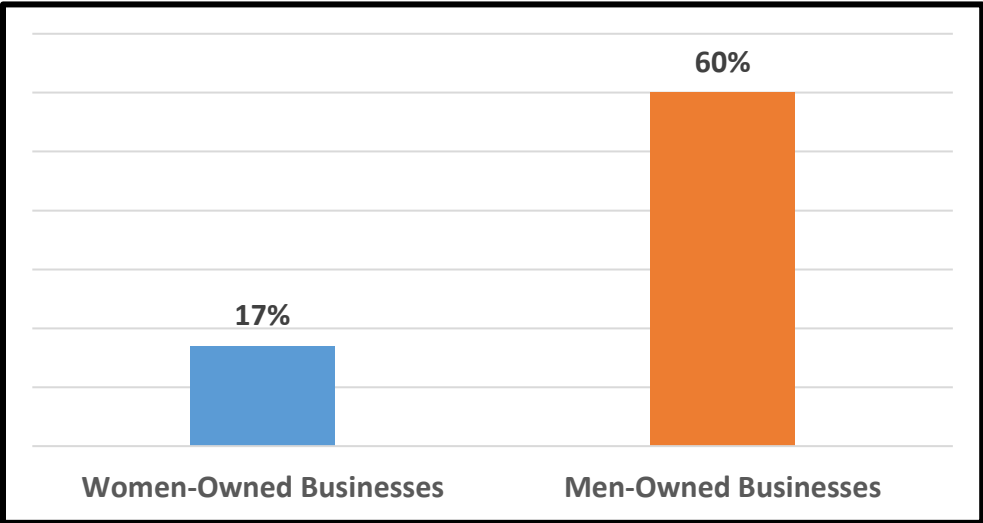


*"Other" includes publicly owned, equally men- and women-owned, and businesses that don't fit into other categories.

Although 32 percent of Minnesota businesses are owned by women, women-owned businesses employ only 8 percent of corporate paid employees. By comparison, 55 percent of Minnesota businesses are owned by men, and men-owned businesses employ 33 percent of corporate paid employees.

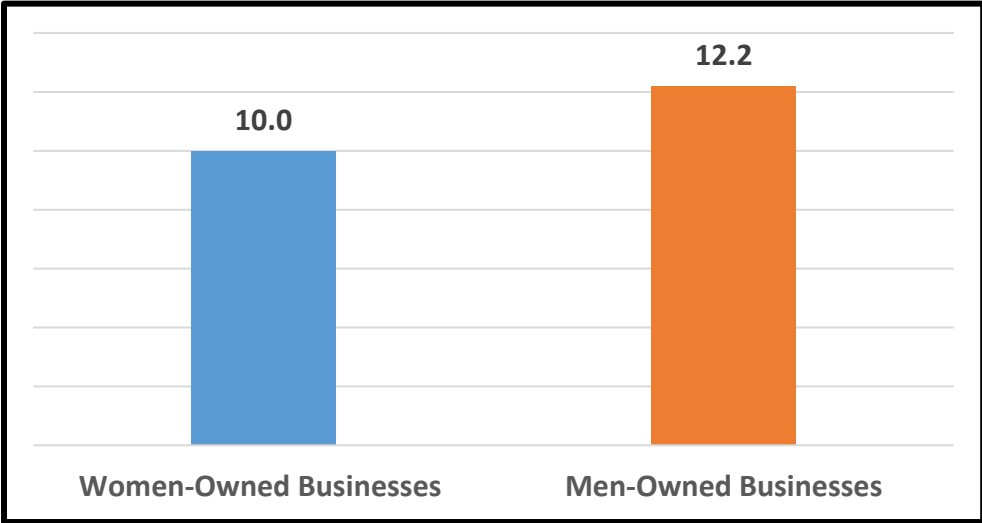
In general, women-owned firms are less likely to have paid employees than men-owned firms: 17 percent of Minnesota’s women-owned firms have paid employees, vs. 60 percent of men-owned firms.

Percent of Firms with Paid Employees



When looking just at those businesses that have paid employees, the average number of paid employees per business is comparable for men- and women-owned businesses. Men-owned businesses that have paid employees average 12.2 employees per firm. Women-owned businesses that have paid employees average 10.0 employees per firm.

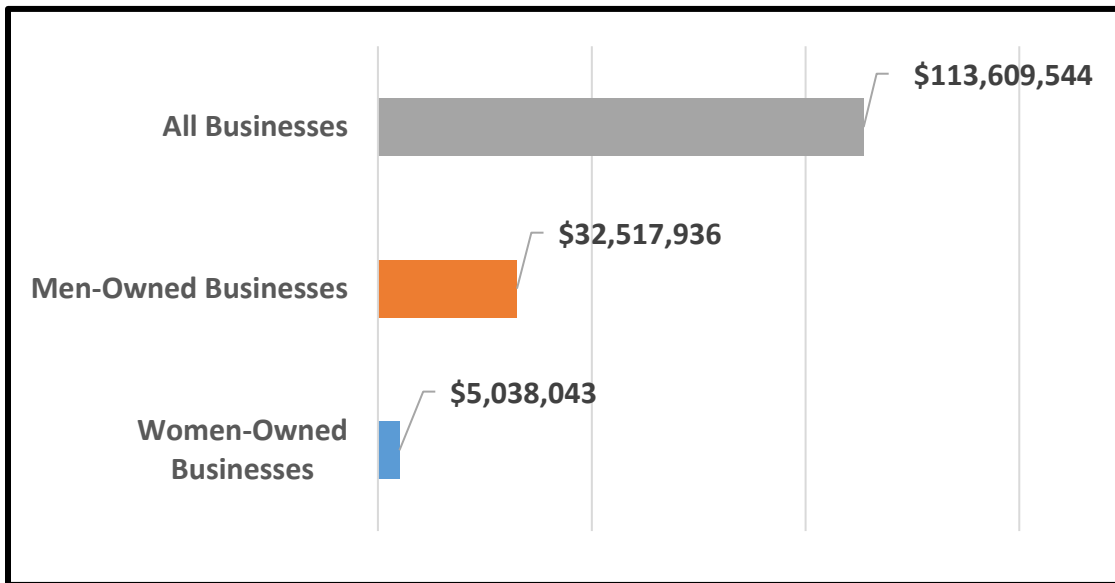
Average Number of Paid Employees
(businesses that have paid employees)



Women-owned businesses have a smaller average payroll.

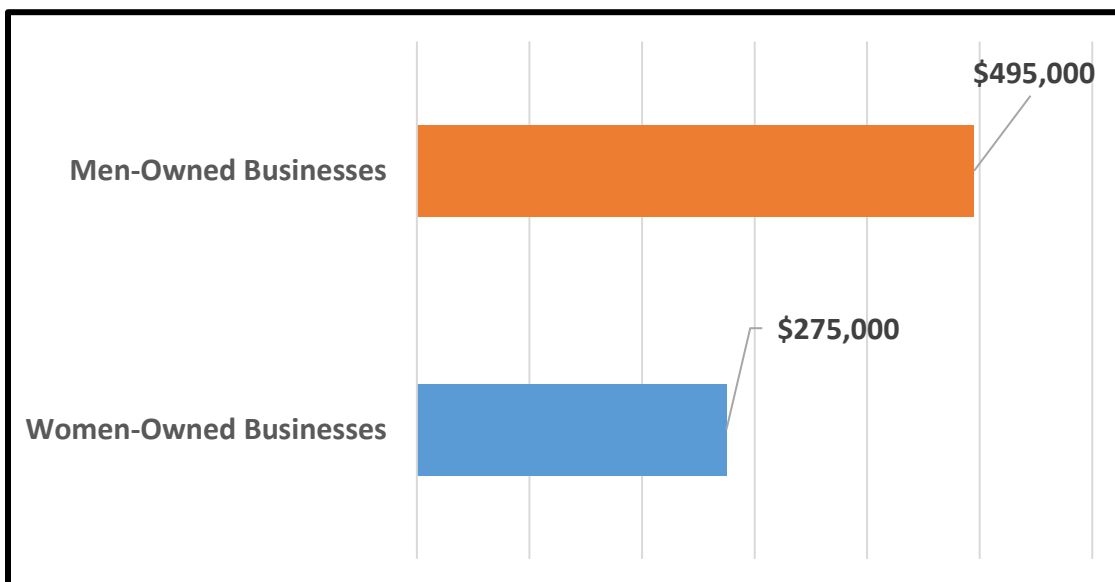
Total annual payroll of Minnesota's women-owned businesses is significant: over \$5 billion. The total annual payroll of men-owned businesses is \$32.5 billion, bearing in mind that there are over 110,000 more men-owned businesses (268,710, vs. 157,821 women-owned businesses).

Total Annual Payroll (X \$1,000)



Average annual payroll of Minnesota's women-owned firms is 56 percent of men-owned firms: \$275,000 for women-owned firms vs. \$495,000 for men-owned firms.

Average Annual Payroll



Industry Sector Analysis of Women-Owned Businesses

Industry Sector	Average Revenue of Men-Owned Businesses	Average Revenue of Women-Owned Businesses	Women-Owned Businesses as % of Sector Firms
Construction	\$ 567,129	\$ 440,499	7%
Manufacturing	\$ 4,933,974	\$ 1,029,043	20%
Retail Trade	\$ 1,401,721	\$ 137,173	40%
Transportation & Warehousing	\$ 383,203	\$ 285,260	12%
Information	\$ 612,062	\$ 177,892	25%
Finance & Insurance	\$ 420,925	\$ 220,050	17%
Real Estate and Rental and Leasing	\$ 196,356	\$ 118,868	21%
Professional, scientific, and technical services	\$ 265,035	\$ 84,551	36%
Management of companies and enterprises	\$ 4,277,419	\$ 1,309,633	6%
Educational Services	\$ 106,028	\$ 35,737	52%
Health Care & Social Assistance	\$ 581,993	\$ 85,266	64%
Accommodation & Food Services	\$ 916,827	\$ 439,573	27%

The choice of type of businesses can be masked by the large industry sector classifications used in the census.¹⁰ The large sectors include construction; manufacturing; retail trade; transportation and warehousing; information; finance and insurance; professional, scientific, and technical services; educational services; health care and social assistance; and accommodation and food services.

It is useful instead to look at subsectors. For example, the manufacturing industry sector includes large pulp mills, breweries, distilleries, pet food manufacturers, and the small retail bakery or small maker of natural ingredient hand soap. The transportation and warehousing sector includes Great Lakes' freight shipping companies and horse-drawn carriage rides for tourists and weddings. The educational services sector includes computer programming schools and a small ballet or fine art school. The professional/scientific/technical services sector includes large law offices and engineering firms and a small interior design shop. The health care and social assistance sector includes physicians' offices, medical laboratories, and a

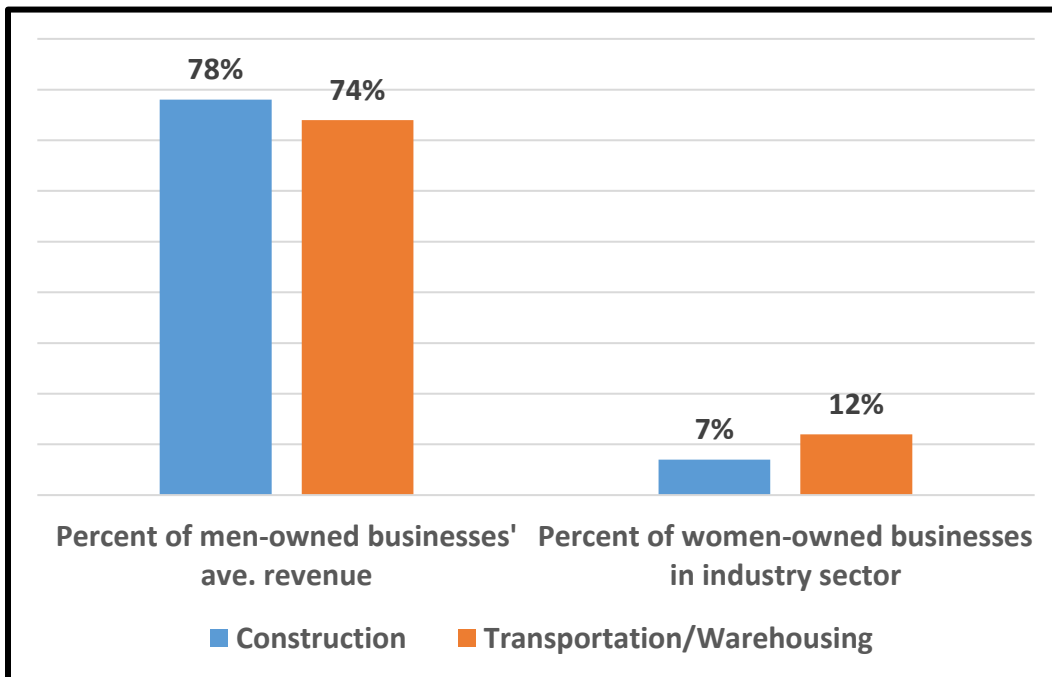
¹⁰ The U.S. Census Survey of Business Owners uses the North American Industry Classification System (NAICS). <http://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart=2012>

midwife service, or herbalist business. The finance and insurance sector ranges from commercial or investment banking firms and mortgage brokers to small, customized financial services. The construction sector encompasses both large residential or industrial building construction firms and small carpet installation or wood floor finishing businesses.

Women-owned businesses dominate the subsectors of apparel manufacturing, health and personal care stores, miscellaneous store retailers, non-store retailers (likely to be internet retailers that require little capital for start-up and operation), and specialized design services.

Of particular significance is that in the two industry sectors where the average revenue of women-owned firms approaches that of men-owned firms (construction sector—women-owned businesses' average revenue is 78 percent of that of men-owned businesses, and transportation/warehousing sector—women-owned businesses' average revenue is 74 percent of that of men-owned businesses), women-owned businesses are vastly under-represented. Minnesota's women-owned businesses comprise only 7 percent of Minnesota's businesses in the construction industry sector, and only 12 percent of businesses in the transportation/warehousing sector.

Women-Owned Businesses in Construction and Transportation/Warehousing Sectors



PART II: HOW HAVE MINNESOTA’S WOMEN-OWNED BUSINESSES CHANGED OVER TIME, AND HOW DO THEY COMPARE NATIONALLY?

Women-Owned Businesses, Minnesota Compared to U.S.

2012	Minnesota	U.S.
As percent of all firms ¹¹	32%	36%
Paid employees as percent of all paid employees ¹²	8%	7%
Average revenue	\$156,007	\$143,731
Increase/Decrease in average revenue, 2007-2012 ¹³	+1%	-18%
Average number paid employees	1.2	0.9

Minnesota is roughly in-line with national trends between 2007 and 2012 in the number of women-owned businesses as a percent of all firms and the number of paid employees of women-owned businesses as a percent of all paid employees.

Minnesota’s women-owned businesses have done better than the nation as a whole in terms of average revenue: Minnesota’s women-owned businesses have slightly increased their average revenue from 2007 – 2012, by 1 percent, whereas nationally, average revenue of women-owned businesses *decreased* by 18 percent.

Number of Minnesota Firms

	2007	2012	Change in Number	% Change, Minnesota	% Change, U.S.
All firms ¹⁴	496,657	489,494	-7,163	-1%	+2%
Women-Owned Businesses	133,260	157,821	+24,561	+18%	+27%
Men-Owned Businesses	251,840	268,710	+16,870	+7%	+7%

Percent of Total Firms

	2007		2012	
	Minnesota	U.S.	Minnesota	U.S.
Women-Owned Businesses	27%	29%	32%	36%
Men-Owned Businesses	51%	51%	55%	54%

¹¹ All nonfarm businesses filing IRS tax forms as individual proprietorships, partnerships, or any type of corporation, and with receipts of \$1,000 or more, including for-profit and not-for-profit companies, companies with and without employees, publicly held and privately owned firms, and foreign-owned U.S. corporations. The government/public sector is not included.

¹² Ibid.

¹³ 2012 dollars.

¹⁴ “All firms” include firms with and without paid employees; businesses that are majority women- and men-owned, publicly owned, equally women- and men-owned; and businesses that don’t fit into other categories.

Number of Paid Employees, Minnesota

	2007	2012	Change in Number	% Change, Minnesota	% Change, U.S.
All firms	2,381,498	2,422,065	+40,567	+2%	-2%
Women-Owned Businesses	140,384	182,229	+41,845	+30%	+12%
Men-Owned Businesses	793,348	802,896	+9,548	+1%	0%

Average Number of Paid Employees, Per Firm

	2007		2012	
	Minnesota	U.S.	Minnesota	U.S.
All firms	4.8	4.3	4.9	4.2
Women-Owned Businesses	1.1	1.0	1.2	0.9
Men-Owned Businesses	3.2	3.0	3.0	2.8

Employees as Percent of Total Paid Employees

	2007		2012	
	Minnesota	U.S.	Minnesota	U.S.
Women-Owned Businesses	6%	6%	8%	7%
Men-Owned Businesses	33%	35%	33%	36%

Total Revenue, Minnesota Businesses

(2012 dollars)

	2007	2012	% Change
Women-Owned Businesses	\$ 20.6 billion	\$ 24.6 billion	+19%
Men-Owned Businesses	\$193.6 billion	\$201.3 billion	+4%

Average Annual Revenue

(2012 dollars)

	2007		2012		% Change	
	Minnesota	U.S.	Minnesota	U.S.	Minnesota	U.S.
All Firms	\$1,331,270	\$1,227,420	\$1,419,402	\$1,213,944	+7%	-1%
Women-Owned Businesses	\$154,760	\$170,050	\$156,007	\$143,731	+1%	-15%
Men-Owned Businesses	\$768,590	\$675,380	\$749,086	\$637,676	-3%	-6%

Total Payroll, Minnesota Businesses

(2012 dollars)

	2007	2012	% Change
Women-Owned Businesses	\$ 4.0 billion	\$ 5.0 billion	+25%
Men-Owned Businesses	\$32.7 billion	\$32.5 billion	-1%

Average Annual Payroll

(2012 dollars)

	2007		2012		% Change	
	Minnesota	U.S.	Minnesota	U.S.	Minnesota	U.S.
All Firms	\$223,760	\$197,110	\$232,100	\$189,550	+4%	-4%
Women-Owned Businesses	\$29,780	\$30,510	\$31,920	\$26,700	+7%	-12%
Men-Owned Businesses	\$129,660	\$120,320	\$121,010	\$110,740	-7%	-8%

Have Minnesota's women-owned businesses made progress?

- Increases in the number of businesses owned by women¹⁵ continue to outpace those owned by other categories,¹⁶ both nationally and in Minnesota. Between 2007 and 2012, the number of all U.S. businesses increased by 2 percent and all Minnesota businesses decreased by 1 percent. In these years, the number of women-owned businesses increased nationally by 27 percent and in Minnesota by 18 percent.
- The rate of increase in number of businesses owned by Minnesota's women of color and American Indian women has eclipsed that of other businesses. From 2007 – 2012,
 - the number of businesses owned by Black or African American women increased by 79 percent,
 - the number of businesses owned by owned by Asian women increased by 70 percent,
 - the number of businesses owned by owned by Hispanic women increased by 52 percent,
 - the number of businesses owned by owned by American Indian women increased by 79 percent.

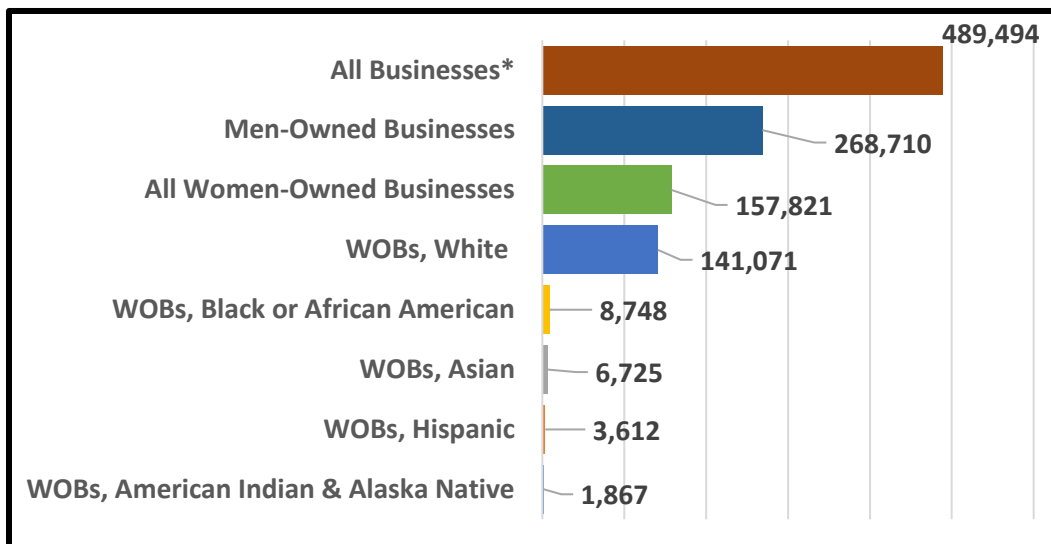
Compare this to the increase of 13 percent in the number of Minnesota businesses owned by White women and 7 percent of businesses owned by men.

¹⁵ Increases in the number of businesses in any ownership category do not necessarily equate to the same number of business start-ups. For example, a woman could assume ownership of her family business, or a woman could purchase an existing business.

¹⁶ "Other categories" include men-owned businesses, publicly owned businesses, businesses owned equally by men and women, and businesses that don't fit into any of these ownership categories.

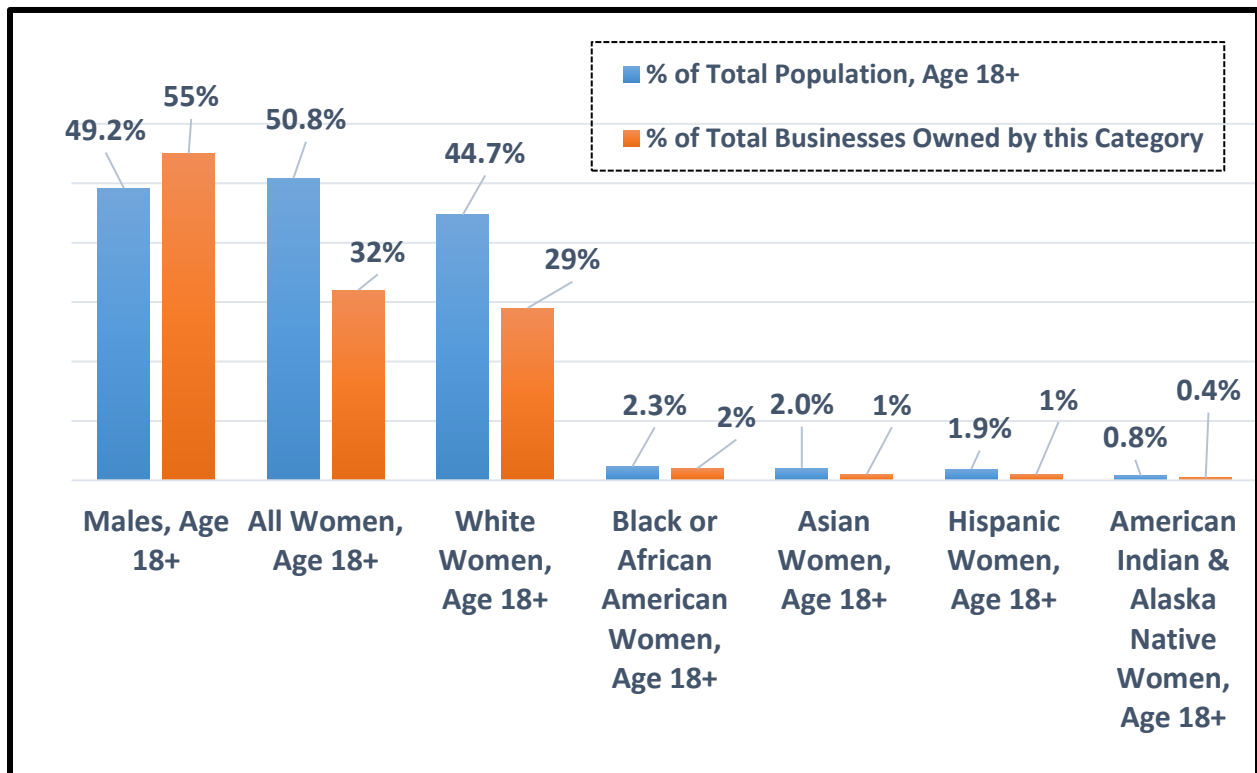
PART III: MINNESOTA’S WOMEN-OWNED BUSINESSES BY RACE AND ETHNICITY

Number of Businesses



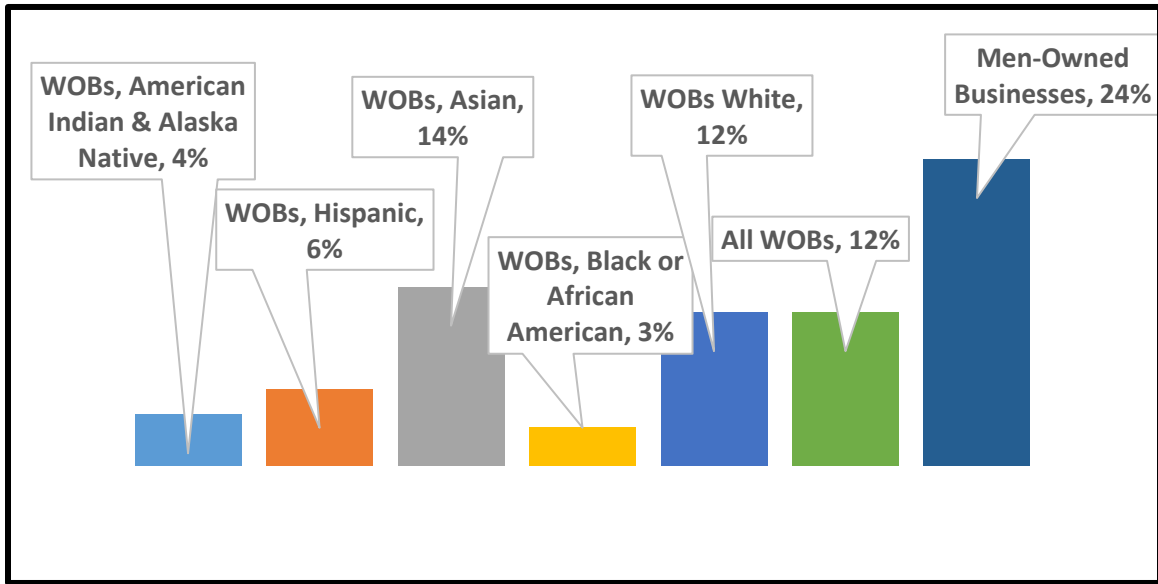
*With and without paid employees. Includes businesses that are majority women- and men-owned, publicly owned, equally women- and men- owned, and businesses that don't fit into other categories.

Percent Businesses Owned, Compared to Population Share*

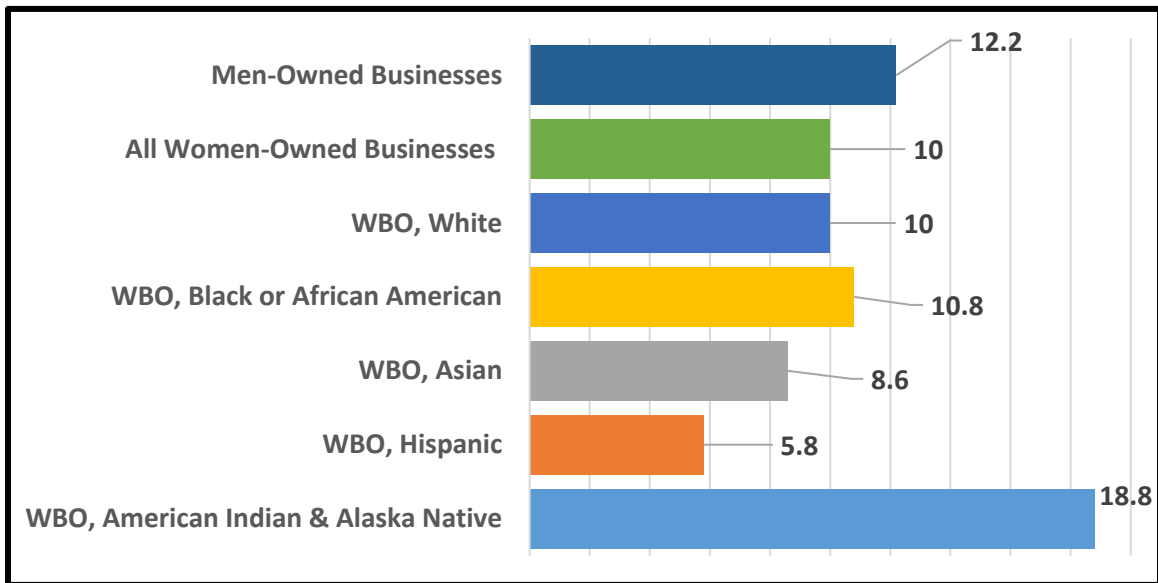


*Population data based on 2012 American Community Survey, 1-Year Estimates

Percent of Firms in Each Demographic Category that have Paid Employees

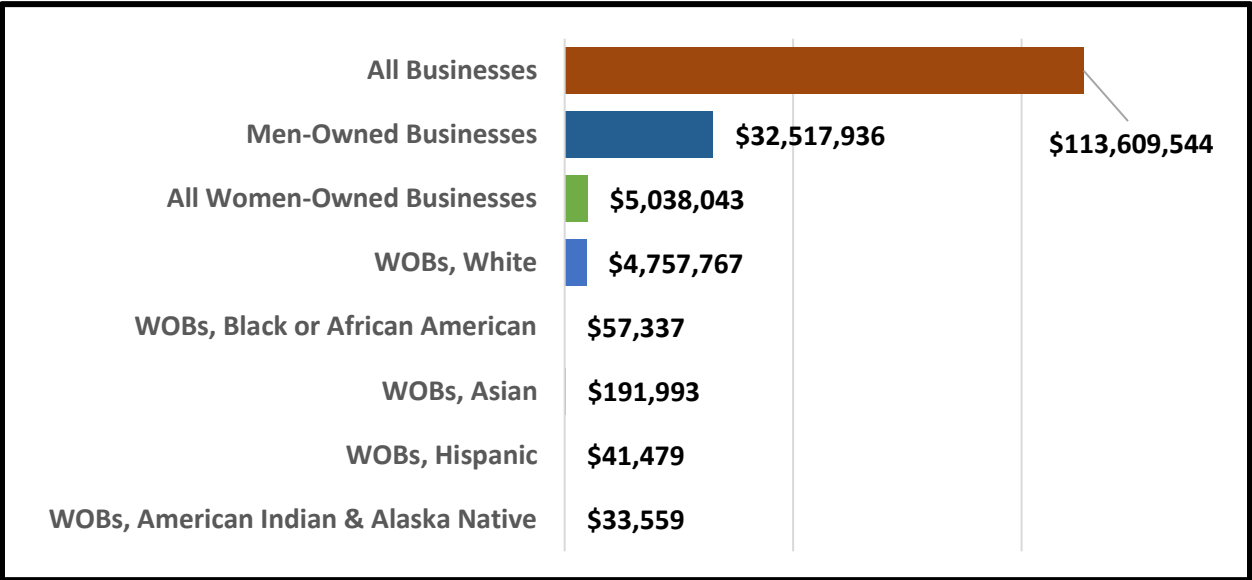


Average Number of Paid Employees per Minnesota Business
(businesses with paid employees)

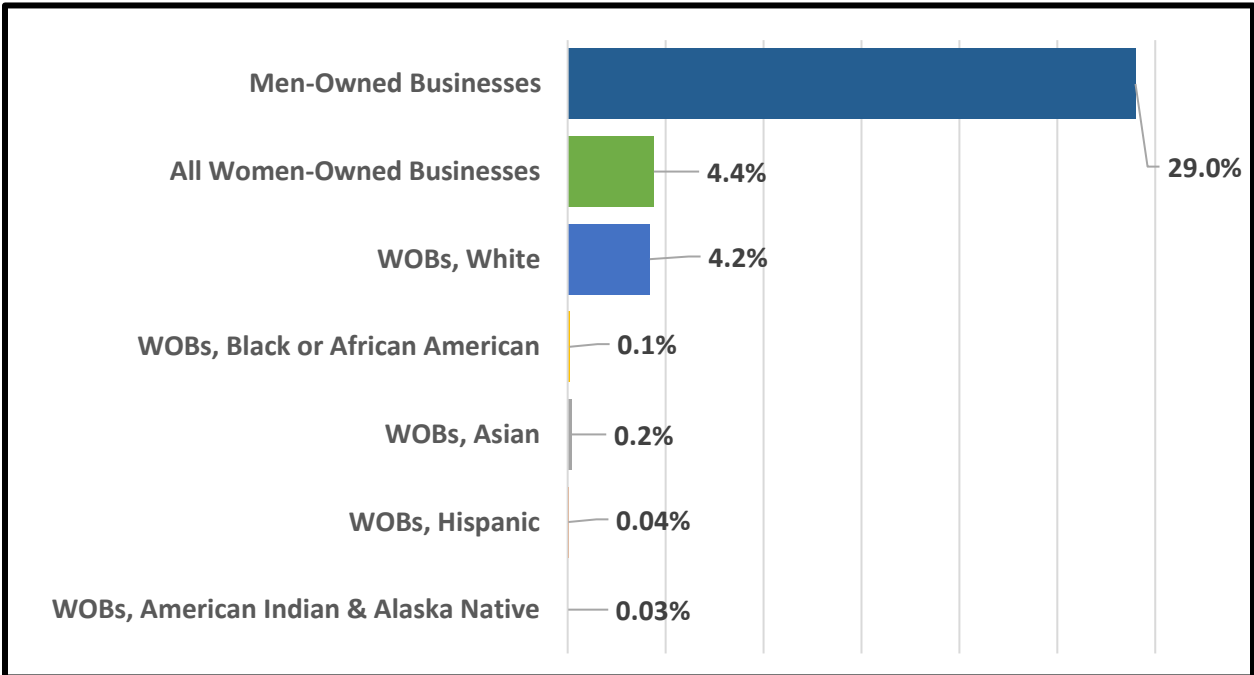


Minnesota businesses owned by Hispanic women have significantly fewer paid employees (5.8 per firm); businesses owned by American Indian women have significantly more paid employees (18.8 per firm).

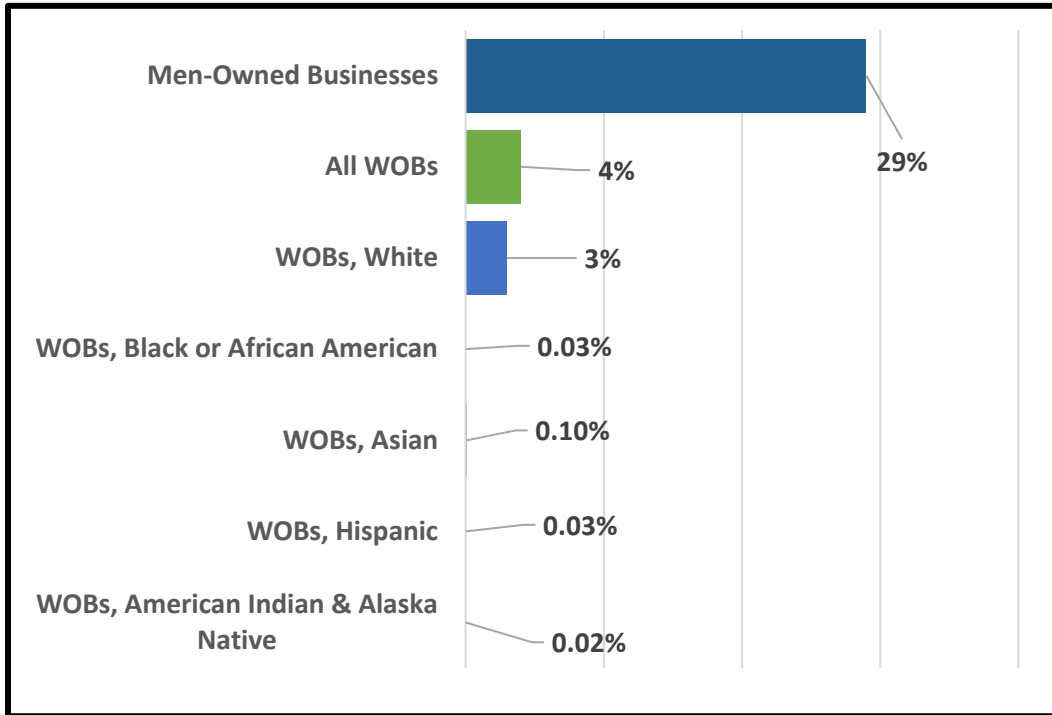
Annual Payroll (X \$1,000)
(Minnesota businesses)



Percent of All Corporate Annual Payroll
(Minnesota businesses)

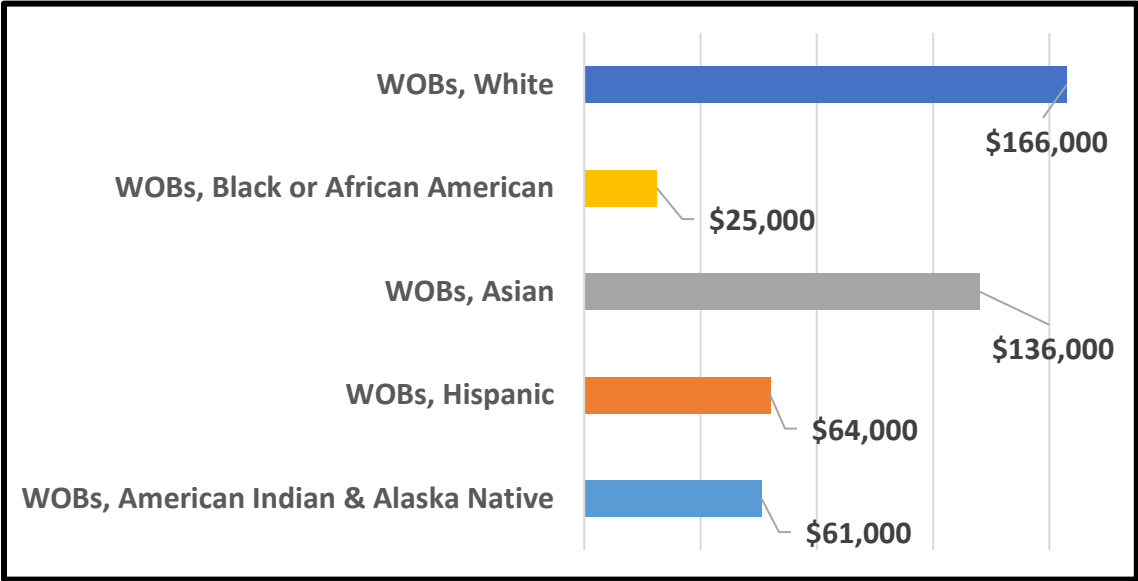


Percent of All Corporate Annual Revenue*
(Minnesota businesses)

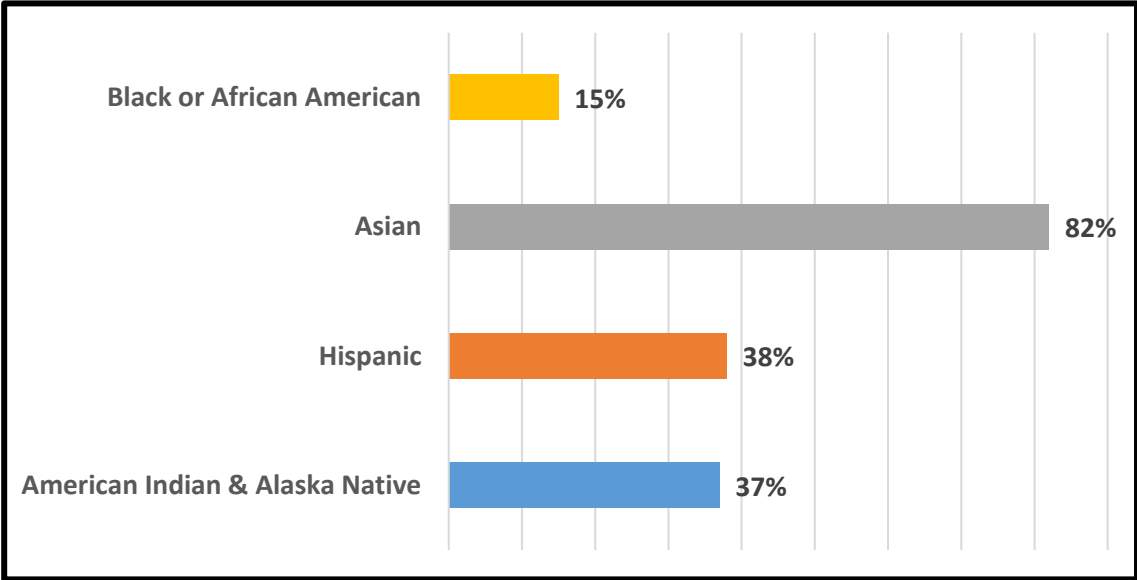


* "Revenue," in the context of this report, means sales, receipts, or value of shipments.

Average Annual Revenue, Minnesota’s Women-Owned Businesses

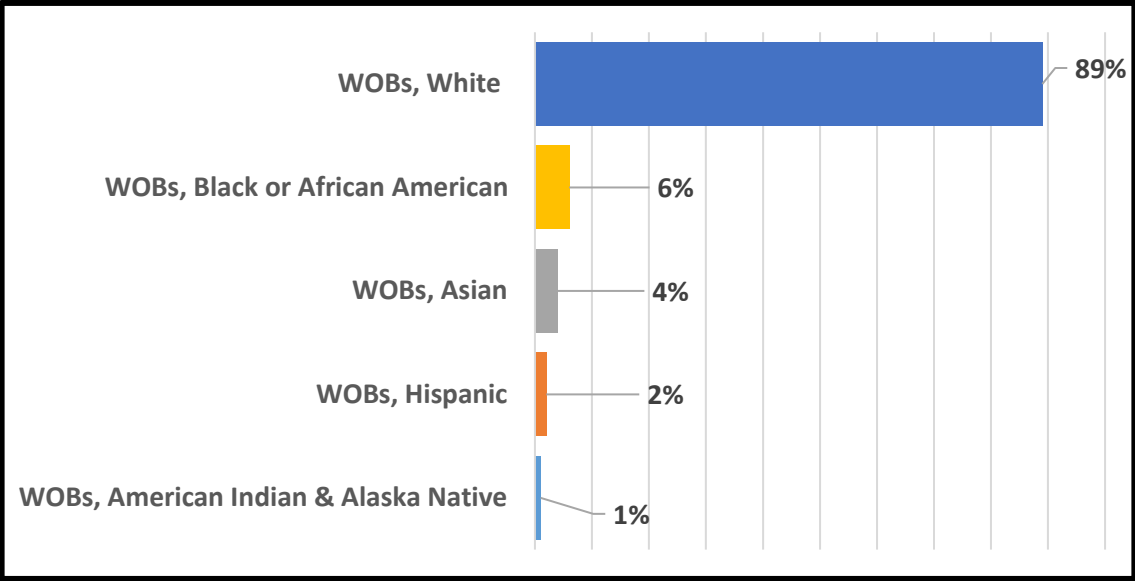


Percent of Average Revenue of Minnesota’s White Women-Owned Businesses



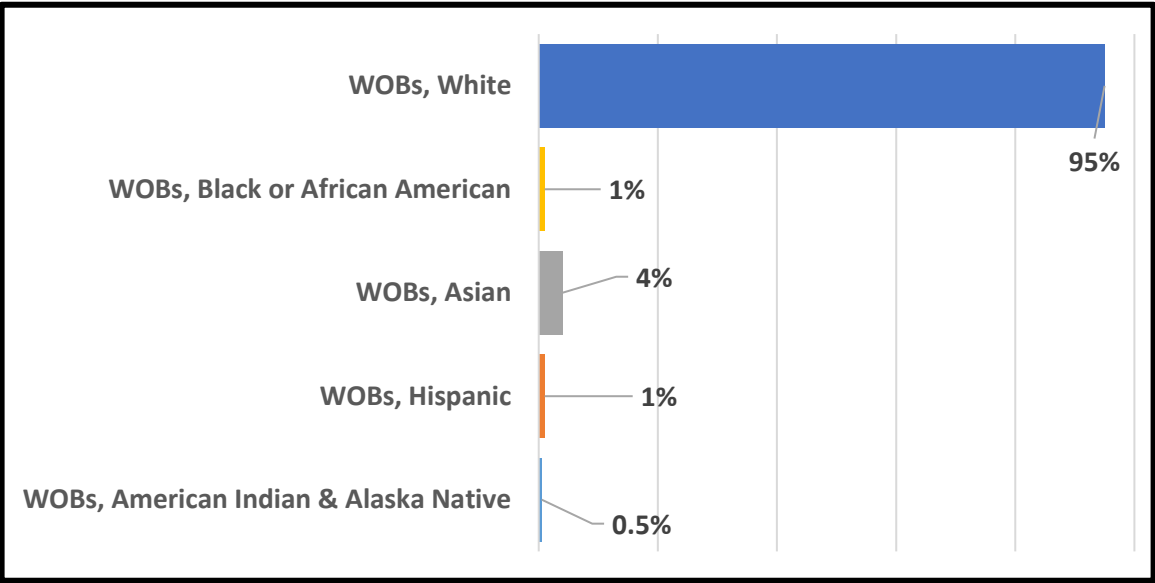
Businesses owned by White women generate, on average, far greater revenue than those owned by women of color, with the exception of businesses owned by Asian women, which generate 82 percent of a White women-owned business’ annual revenue. Black women-owned businesses generate, on average, only 15 percent of the annual revenue of businesses owned by White women, Hispanic women-owned businesses 38 percent, and American Indian women-owned businesses 37 percent.

Percent of All Minnesota Women-Owned Businesses



Eighty-nine percent of Minnesota’s women-owned businesses are owned by White women (who in 2012 comprised 88 percent of Minnesota women over age 18), and White women-owned businesses account for 95 percent of all revenue generated by Minnesota’s women-owned businesses.

Percent of All Women-Owned Business Revenue



Number of Minnesota Women-Owned Businesses, 2007 vs. 2012

	2007	2012	Percent Change
White	124,641	141,071	+13%
Black/African American	4,883	8,748	+79%
American Indian/Alaska Native	1,232	1,867	+52%
Asian	3,762	6,725	+79%
Hispanic	2,121	3,612	+70%

Number of Paid Employees, Minnesota Women-Owned Businesses 2007 vs. 2012

	Total Paid Employees			Ave. # Paid Employees	
	2007	2012	Percent Change	2007	2012
White	135,544	170,266	+26%	1.1	1.2
Black/African American	1,571	2,757	+75%	0.3	0.3
American Indian/Alaska Native	1,264	1,319	+4%	1.0	0.7
Asian	3,099	7,946	+156%	0.8	1.2
Hispanic	1,744	1,252	-28%	0.8	0.3
Men-Owned Businesses	793,348	802,896	+1%	3.2	3.0

Average Revenue, Minnesota Women-Owned Businesses, 2007 vs. 2012*
(2012 dollars)

	2007	2012	Percent Change
White	\$160,010	\$165,723	+4%
Black/African American	\$ 45,920	\$ 25,442	-45%
American Indian/Alaska Native	\$122,161	\$ 61,087	-50%
Asian	\$102,540	\$136,375	+33%
Hispanic	\$135,270	\$ 63,599	-53%
Men-Owned Businesses	\$768,590	\$749,086	-3%

Average Annual Payroll, Minnesota Women-Owned Businesses, 2007 vs. 2012*
(2012 dollars)

	2007	2012	Percent Change
White	\$ 30,940	\$ 33,730	+9%
Black/African American	\$ 6,840	\$ 6,550	-4%
American Indian/Alaska Native	\$ 24,680	\$ 17,970	-27%
Asian	\$ 17,780	\$ 28,550	+61%
Hispanic	\$ 25,320	\$ 11,480	-55%
Men-Owned Businesses	\$129,660	\$121,010	-7%

*Note the significant decreases in average annual revenue and payroll for businesses owned by Black or African American women, American Indian women, and Hispanic women. It is beyond the scope of this report to analyze what caused these decreases, but possible causes are (1) the large percentage of new businesses in these categories (new businesses generally have lower revenue in their first years of operation), although the number of businesses owned by Asian women also had a high rate of increase from 2007 – 2012 and they experienced a sizable increase in average annual revenue and payroll in that time span; (2) less capital for start-up and expansion—due to fewer assets (e.g. savings, homeownership) for self-financing or business loan collateral, and to limited access to external sources of capital; (3) lower levels of relevant owner business knowledge—in terms of education levels and experience in family-owned businesses; (4) the type of businesses women of color tend to own; and (5) more limited market access—including the tendency to focus on co-ethnic rather than broader markets.

It also must be noted that Minnesota’s Asian Pacific residents represent over 40 countries. Thus the data for businesses owned by Asian women partially reflect women from, for example, India or Pakistan, who may have advanced STEM degrees and have started businesses in that high-revenue and high-growth industry sector. The data also partially reflect, for example, immigrants in the Hmong, Lao, or Vietnamese communities, who have started businesses in the more typically female-dominated industry sectors.

PART IV: CONCLUSION

Women-owned businesses add significantly to Minnesota's state's economy, with 182,299 paid employees, annual payroll of over \$5 billion and total annual revenue of \$24.6 billion.

Minnesota's women-owned businesses, especially those owned by women of color, have increased in number at a far greater rate than men-owned businesses or all Minnesota firms. Women-owned businesses are also adding paid employees to Minnesota's workforce at a higher rate than men-owned businesses.

However, Minnesota's women-owned businesses lag behind men-owned businesses in number of paid employees, payroll, and business revenue. One possible reason is the type of businesses that women tend to own. The two industry sectors with the largest percentage of women-owned firms are the health care and social assistance sector and the educational services sector. In the two industry sectors where the average revenue of women-owned firms approaches that of men-owned firms; the construction and transportation/warehousing sectors, women-owned businesses are vastly under-represented. Minnesota's women-owned businesses comprise only 7 percent of Minnesota's businesses in the construction industry sector, and only 12 percent of businesses in the transportation/warehousing sector.

Women of color are becoming business owners at a much greater rate than that of businesses owned by White women or by men—both nationally and in Minnesota. However, businesses owned by women of color are behind in other measurements.

Minnesota businesses owned by White women generate, on average, far greater revenue than those owned by women of color, with the exception of businesses owned by Asian women. Black women-owned businesses generate only 15 percent of the average annual revenue of businesses owned by White women, Hispanic women-owned businesses 38 percent, and American Indian women-owned businesses 37 percent.

Average annual revenue of businesses owned by Minnesota's Black or African American women, American Indian/Alaska Native women, and Hispanic women decreased significantly from 2007 to 2012. Two possible causes of these decreases are (1) the type of businesses these demographic categories of women tended to start or (2) the large percentage of new businesses in these categories (new businesses generally have lower revenue in their first years of operation).

A similar downward trend for Minnesota businesses owned by Hispanic and American Indian/Alaska Native women was seen in payroll.

Reasons for overall lower performance of women-owned businesses are varied and complex. A separate review of research on those reasons is available on the website of the Office of the Economic Status of Women. <http://www.oesw.leg.mn/>