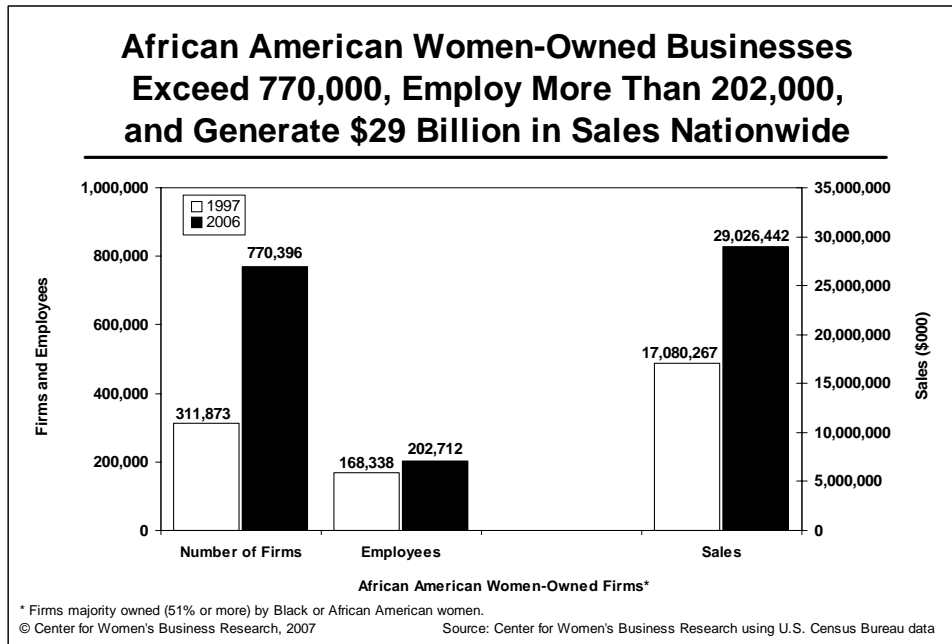




## **BUSINESSES OWNED BY AFRICAN AMERICAN WOMEN IN THE UNITED STATES, 2006: A Fact Sheet**

In this fact sheet, the Center for Women's Business Research presents the most up-to-date information currently available on privately-held<sup>1</sup> businesses owned by African American<sup>2</sup> women in the United States. Analyzing data provided by the U.S. Census Bureau, the Center projects the following statistical portrait of privately-held businesses owned by African American women in 2006.

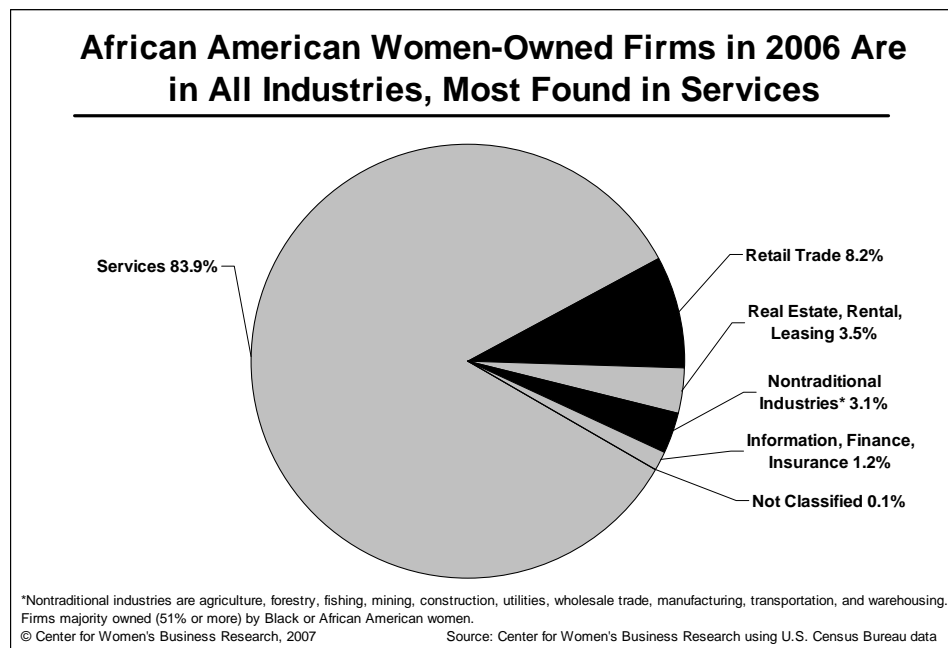
- As of 2006 there are an estimated 849,430 firms 50% or more owned by African American women in the U.S., employing 287,913 people and generating more than \$36 billion in sales.
- There are an estimated 770,396 firms majority owned (51% or more) by African American women in the U.S., employing 202,712 people and generating \$29 billion in sales.
- Between 1997 and 2006, the number of firms majority owned (51% or more) by African American women increased by 147.0 percent; the number of employees increased 20.4 percent; and sales increased 69.9 percent.



<sup>1</sup> Privately-held firms include firms with and without paid employees. These exclude publicly-held, foreign-owned and nonprofit businesses.

<sup>2</sup> Identified as "Black or African American" in the 2002 *Economic Census*.

- More than one-third (36.9%) of firms majority owned (51% or more) by women of color are majority owned by African American women. Firms majority owned by African American women now represent 10.0 percent of all majority women-owned firms in the U.S.
- Nearly half (48.2%) of all African American majority-owned firms are majority-owned by women. African American majority women-owned firms employ 24.3 percent of the workers in African American majority-owned firms and generate 26.3 percent of the sales.
- Eighty-four percent (83.8%) of African American majority women-owned (51% or more) firms are in the service sector; 8.2 percent are in retail trade; and 3.5 percent are in real estate, rental, and leasing.
- The greatest growth by industry in the number of African American majority women-owned (51% or more) firms from 1997 to 2006 was in services (283.8% growth). There was also substantial growth in wholesale trade (136.8%), and real estate, rental, and leasing (126.1%).



**Firms Majority Owned by African American Women in the U.S., 2006**

	African American Owned Firms		African American Women-Owned Firms	
	Women-Owned Firms	Men-Owned Firms	% Change 1997-2006	% Share of All African American Owned Firms
<b>Total U.S.</b>				
Number of Firms	770,396	731,102	147.0	48.2
Employment	202,712	560,429	20.4	24.3
Sales (\$000)	29,026,442	77,571,218	69.9	26.3

Ownership refers to majority (51% or more) ownership.

Source: Center for Women's Business Research using U.S. Census Bureau data.

<b>Firms Majority Owned by African American Women by Industry: 1997–2006</b>			
	<b>1997</b>	<b>2006</b>	<b>% Change 1997–2006</b>
<b>Total U.S.</b>			
Number of Firms	311,873	770,396	147.0
Employment	168,338	202,712	20.4
Sales (\$000)	17,080,267	29,026,442	69.9
<b>Industry</b>			
<b>Agriculture, Forestry, Fishing</b>			
Number of Firms	1,336	-	-
Employment	847	-	-
Sales (\$000)	75,914	40,394	-46.8
<b>Mining</b>			
Number of Firms	50	98	94.7
Employment	65	-	-
Sales (\$000)	8,321	148,459	1684.1
<b>Utilities</b>			
Number of Firms	1,420	-	-
Employment	1,820	-	-
Sales (\$000)	113,326	-	-
<b>Construction</b>			
Number of Firms	10,480	7,405	-29.3
Employment	9,072	4,128	-54.5
Sales (\$000)	969,684	1,495,257	54.2
<b>Manufacturing</b>			
Number of Firms	11,890	-	-
Employment	8,046	2,147	-73.3
Sales (\$000)	911,152	352,820	-61.3
<b>Wholesale Trade</b>			
Number of Firms	2,392	5,664	136.8
Employment	2,070	1,493	-27.9
Sales (\$000)	991,163	2,904,364	193.0
<b>Retail Trade</b>			
Number of Firms	32,918	62,992	91.4
Employment	17,055	-	-
Sales (\$000)	2,473,030	1,680,982	-32.0
<b>Transportation and Warehousing</b>			
Number of Firms	9,943	10,460	5.2
Employment	8,839	642	-92.7
Sales (\$000)	609,398	622,118	2.1

<b>Firms Majority Owned by African American Women by Industry: 1997–2006 (cont.)</b>			
	<b>1997</b>	<b>2006</b>	<b>% Change 1997–2006</b>
<b>Information</b>			
Number of Firms	13,552	-	-
Employment	8,488	-	-
Sales (\$000)	665,677	562,871	-15.4
<b>Finance and Insurance</b>			
Number of Firms	10,733	9,615	-10.4
Employment	3,483	2,679	-23.1
Sales (\$000)	670,832	669,022	-0.3
<b>Real Estate, Rental, Leasing</b>			
Number of Firms	12,061	27,266	126.1
Employment	6,724	-	-
Sales (\$000)	599,401	943,422	57.4
<b>Professional, Scientific, Technical Services</b>			
Number of Firms	32,114	57,867	80.2
Employment	18,939	16,348	-13.7
Sales (\$000)	1,524,536	3,587,910	135.3
<b>Management of Companies and Enterprises</b>			
Number of Firms	239	-	-
Employment	73	1,909	2512.3
Sales (\$000)	15,078	94,882	529.3
<b>Administrative, Support, Waste Mgmt, Remediation Services</b>			
Number of Firms	24,014	58,293	142.7
Employment	14,781	33,373	125.8
Sales (\$000)	1,173,174	2,123,659	81.0
<b>Educational Services</b>			
Number of Firms	12,794	16,994	32.8
Employment	7,522	2,302	-69.4
Sales (\$000)	602,141	185,087	-69.3
<b>Health Care and Social Assistance Services</b>			
Number of Firms	26,201	327,518	1150.0
Employment	15,474	116,189	650.9
Sales (\$000)	1,236,463	9,657,801	681.1

<b>Firms Majority Owned by African American Women by Industry: 1997–2006 (cont.)</b>			
	<b>1997</b>	<b>2006</b>	<b>% Change 1997–2006</b>
<b>Arts, Entertainment, Recreation Services</b>			
Number of Firms	24,522	14,202	-42.1
Employment	14,391	-	-119.0
Sales (\$000)	1,164,621	256,578	-78.0
<b>Accommodation, Food Services</b>			
Number of Firms	7,354	13,096	78.1
Employment	4,116	21,105	412.8
Sales (\$000)	409,895	1,303,029	217.9
<b>Other Services</b>			
Number of Firms	41,046	158,078	285.1
Employment	24,072	-	-
Sales (\$000)	1,943,663	2,367,563	21.8
<b>Industries Not Classified</b>			
Number of Firms	36,813	847	-97.7
Employment	2,462	398	-83.8
Sales (\$000)	922,796	30,226	-96.7

Ownership refers to majority (51% or more) ownership.

Source: Center for Women's Business Research using U.S. Census Bureau data.



## METHODS & LIMITATIONS

The Center for Women's Business Research's projections for women-owned firms in 2006 are based on data from the U.S. Census Bureau's Economic Census from the years 1997 and 2002, the latter of which was made available in 2006.

### Equally-Owned Firms

The data on equally women- and men-owned firms (equally-owned firms) were collected differently by the Census in 1997 than in 2002, which seems to have caused firms that had been classified as equally-owned in 1997 to become classified as either women- or men-owned in 2002. Since the data were collected differently, it is unclear whether the decline in equally-owned firms reflects an actual trend, or if firms had been categorized differently from one point to the next. Because of this ambiguity, the Center assumed no change in the category, using 2002 numbers for equally-owned firms as a proxy for 2006 projections.

### Projecting by Industry

Fine-tuning the methodology in 2006 to coincide with significant changes in industry classification, the Center projected numbers separately for each industry. In 1997, the Census reported industry data on women-owned firms using Standard Industrial Classification (SIC) codes. In 2002, the Census changed its format to the North American Industry Classification System (NAICS). There was a widespread redistribution of industries from one system to the next so, before projections could be made, it was necessary to redistribute firms in the 1997 Economic Census into NAICS. This was done by dividing each two-digit SIC code according to its distribution of corresponding six-digit NAICS codes. For example, if there were three NAICS codes for "construction" and two NAICS codes for "administrative services" within the SIC code for "construction," 60 percent of the 1997 SIC "construction" firms would continue to be identified as NAICS "construction" firms, but 40 percent would be identified as NAICS "administrative services" firms. A major assumption in this method is that firms that correspond to each SIC code are distributed equally among the NAICS codes. The amount of error due to this assumption is unknown, but it is a limitation in the methodology.

### Imputing Missing Data

There were a number of instances of missing data in the Economic Census reports. Where a range was given, the midpoint of the range was used in projections. Otherwise, data were imputed by applying the industry distribution of firms, sales, employees, or employer firms of all races to the segment that was unaccounted for in the race total. If the sum of the known industries was greater than the published total for the race, the minimum value of one was imputed.

### Industries Not Classified

There was a drop in the number of firms in "industries not classified" from 1997 to 2002, which was a category that could not be redistributed from SIC to NAICS using the method described above. Theoretically, a considerable number of the missing firms from 1997 were classified into NAICS industries in 2002, meaning that the drop in industry-unclassified firms was not an actual loss of firms. This presented a difficulty in establishing a growth rate for industries not classified. The 2006 projections were made by identifying the percent growth for all industry-classified firms from 2002 to 2006, and applying the same percentage growth to industries not classified.

### Adjustment for Inflation

All dollars were adjusted for inflation so that all dollar values reflect the USD value as of May 2006. This made a considerable change to the sales published for 1997. Inflation was not taken into account in previous updates to the Center's Census projections.

### Methodology

After redistributing 1997 firms, employees, employer firms, and sales into NAICS-based industries as described above, linear projections were made for each industry using 1997 and 2002 data points to establish growth rates (slope) and extend the growth to 2006. If the 2006 point was negative, the projection was determined to be 0. The overall number, employees, employer firms, and sales of the firms were determined by the sum of the industry projections. The overall number of firms, employees, employer firms, and sales of 50% or more women-owned firms were determined by the sum of the projections for 51% or more women owned firms, and the data for

equally-owned firms in 2002. This method assumes that growth among women-owned firms was linear from 1997 to 2002, and through 2006. The error due to this assumption is unknown, and it is a limitation in the methodology.

#### Racial/Ethnic Categories

For 2002, the Census Bureau made Hispanic/Latino origin a separate category and firms were identified as either Hispanic or non-Hispanic, independent of race. The racial categories were White, Black or African American, American Indian and Alaska Native, Asian, Native Hawaiian and Other Pacific Islander. In 1997 the Asian and Pacific Islander categories were combined, but Census later released separate 1997 data for each category. In 1997 Census published overall "Minority" numbers which the Center used to establish overall minority projections, but these numbers were not published in 2002. Consequently, overall minority estimates are simply the sum of all racial/ethnic minority categories. Given that firms are known to be classified in multiple categories, the overall minority projections are artificially high. Data are taken primarily from *Company Summary 1997* and *Company Summary 2002*.

