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The State of Black-Owned Businesses in Milwaukee: Uneven Progress, Fragile Gains

A Center for Economic Development Issue Brief

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Introduction

Since the early 1990s, studies have consistently shown that Milwaukee lags behind other cities and metropolitan areas in the development of black-owned businesses. In 1992, for example, Milwaukee ranked last among the nation's 50 largest metropolitan areas in black "business participation rates;"¹ in 1997, Milwaukee had only slightly improved, to 48th of the nation's 50 largest metros.²

What is the state of black-owned business development in Milwaukee today? Unfortunately, the most up-to-date data on black-owned businesses, from the U.S. Census Bureau's 2012 *Survey of Business Owners*, is not scheduled for release until August 2015. The most recent available data is from 2007 – not only six years ago, but also right on the eve of the Great Recession that presumably devastated black-owned businesses along with the rest of the economy.

Nevertheless, the 2007 data do give us the most recent snapshot of where Milwaukee stands compared to other metropolitan areas in the development of black-owned businesses. There has been obvious progress since the 1990s. The number of black-owned firms more than doubled in Milwaukee between 1997³ and 2007; sales, payroll, and employment at black-owned firms also increased. Yet, despite these improvements, black-owned business development in Milwaukee continues to lag national rates and, compared to the largest metropolitan areas in the country, Milwaukee continues to rank near the bottom on the key metric of the black business participation rate (BPR). The state of black-owned business in Milwaukee has improved in many ways since the 1990s. But Milwaukee continues to trail behind other regions on several indicators of black-owned business development, the overall situation is fragile, and nurturing a critical mass of black-owned businesses in the region remains very much a work-in-progress.

Key Indicators of Black-Owned Business Development in Milwaukee

On all major indicators of business development, black-owned enterprises in Milwaukee experienced clear growth between 1997-2007. As Tables 1 and 2 show, the number of black-owned businesses in Milwaukee more than doubled during the decade, from 3,872 to 8,054 in the metro area. Sales/receipts and payroll at black-owned firms, adjusted for inflation, also increased during the decade, as did employment (climbing from 6,320 to 9,801).

¹ The U.S. Department of Commerce defines the "Business Participation Rate" (BPR) as the number of business owners in a specific race/ethnic group for every 1,000 persons in that same group. See: http://www.mbd.gov/sites/default/files/milwaukee_SMOBE_Profile_reformat.pdf

² Marc V. Levine and Lisa Heuler Williams, *Minority Business Ownership in Metropolitan Milwaukee in the 1990s: Some Statistical Indicators and Comparisons to the Nation's Largest Metropolitan Areas* (Milwaukee: UW-Milwaukee Center for Economic Development, 2001).

³ We use 1997 instead of 1992 or earlier years as a benchmark, as the Census bureau cautions "comparisons with 1992 [or earlier] should be carried out with extreme caution due to changes in tax laws causing inconsistencies between 1992 and 1997 data." The upshot of these changes was to include additional types of businesses in the survey after 1997, making pre- and post-1997 comparisons not exactly "apples-to-apples."

Nevertheless, these gains should be kept in perspective. As Table 3 shows, growth in the number of black-owned firms, as well as the sales and receipts of those firms in Milwaukee, lagged behind national growth rates during the 1997-2007 period. And, although the pace of payroll and employee growth in Milwaukee’s black-owned businesses ran well ahead of the national rate during the decade, two factors somewhat mitigate the good news on that front. First, the *vast majority* of black-owned firms in Milwaukee –almost 90 percent of them-- report having “no employees.” Black-owned businesses in Milwaukee remain overwhelmingly “Mom and Pop” operations. Consequently, this employment increase, starting from a very low base, looks more impressive than it is, having taken place at a tiny number of firms and ultimately involving a very small number of employees (under 10,000 in 2007) Thus, even with this increase, employees of black-owned firms represented just a little over 1.3 percent of metro Milwaukee’s employment in 2007, and just 2.6 percent of employment in the city of Milwaukee.

**Table 1:
Growth in Black-Owned Businesses in Metro Milwaukee:
1997-2007**

Indicator	1997	2007
Number of black-owned firms	3,872	8,054
Real sales/receipts* (000)	491,549	664,946
Real payroll* (000)	123,866	174,161
Number of paid employees	6,320	9,801

*in 2007 inflation-adjusted dollars

Source: U.S. Bureau of the Census, *Survey of Business-Owners (2007)*; U.S. Bureau of the Census, *Survey of Minority-Owned Business Enterprises (1997)*.

**Table 2:
Growth in Black-Owned Businesses in the City of Milwaukee:
1997-2007**

Indicator	1997	2007
Number of black-owned firms	3,325	7,100
Real sales/receipts* (000)	331,480	466,498
Real payroll* (000)	76,744	114,019
Number of paid employees	5,023	7,225

*in 2007 inflation-adjusted dollars

**Table 3:
Growth in Milwaukee's Black-Owned Businesses in
National Perspective: 1997-2007**

Location	# of black-owned firms	Real sales and receipts	Real annual payroll	# of employees
United States (all)	+133.4%	+47.5%	+26.2%	+26.6%
Metro Milwaukee	+95.7%	+35.3%	+40.6%	+55.1%
City of Milwaukee	+113.4%	+40.7%	+48.6%	+43.8%

Source: Same as Table 1

Table 4 shows the economic sectors in which black-owned businesses in Milwaukee were concentrated in 2007.⁴ Black-owned businesses have a scant presence in such high value-added sectors as manufacturing, construction, finance, and professional, scientific, and technical services. These are sectors with high capital requirements, high barriers to entry, and established supplier and consumer networks that inhibit the development of minority-owned enterprises. On the other hand, a disproportionate share of black-owned businesses (29% compared to 11% for all firms) are found in the “other services” category -- the sector that comprises establishments in such areas as promoting or administering religious activities, providing drycleaning and laundry services, personal care services, pet care services, and temporary parking services (among others). Clearly, the growth in black-owned businesses in Milwaukee has a long way to go before its sectoral composition resembles the structure of the overall economy.

⁴ Unfortunately, comparisons between 1997 and 2007 are problematic because of the shift in data classification from the SIC system (pre-1998) to the NAICS system (post-1998).

**Table 4:
Sectoral Breakdown of Black-Owned Businesses
In Milwaukee: 2007**

Sector	Black-owned firms	All firms
All sectors	100%	100%
Construction	3.9%	9.8%
Transportation and Warehousing	5.0%	3.5%
Information	1.1%	1.5%
Retail Trade	5.5%	10.3%
Manufacturing	Undisclosed	3.8%
Wholesale Trade	Undisclosed	3.5%
Finance and Insurance	2.7%	5.2%
Real Estate, Rental, Leasing	4.6%	9.9%
Professional, Scientific, and Technical	6.1%	14.9%
Administration Support/Waste Mgmt	7.2%	6.3%
Accommodation/Food Services	1.6%	3.1%
Other Services	29.4%	11.1%

Source: Same as Table 1

Perhaps the best way to gauge the state of black business ownership in Milwaukee is to compare the “business participation rate” (BPR) here to other metro areas. The BPR, as noted earlier, calculates ethnic and racial group business ownership rates, controlling for the size of these groups in the overall population. Why is this important? Take Milwaukee, San Diego, and Greensboro, NC. In all three metro areas, a little over 8,000 black-owned businesses were operating in 2007. But Milwaukee’s black population is over 50 percent larger than either of the other two regions; thus, if black businesses were operating in Milwaukee at a rate proportionate to the black population, one would expect *higher* numbers of black-owned firms here than in these other metro areas. Consequently, when we calculate the BPR (the number of business owners per 1,000 population of particular ethnic or racial groups), Milwaukee’s “business participation rate” for black owners (32.5) is substantially below San Diego’s (55.5) and Greensboro’s (51.3), indicating that both of the latter metro areas have significantly higher *rates* of African American business ownership than does Milwaukee.

In fact, as Chart 1 (below) shows, despite all the growth in black-owned businesses between 1997-2007 in Milwaukee, the metro area continues to post among the lowest BPRs for African Americans in the country – the same state of affairs that prevailed in the 1990s. Chart 1 arrays the BPRs for African Americans in the 50 largest metropolitan areas in 2007 for which census data were available. Only Pittsburgh and Buffalo posted lower black BPRs in 2007 than Milwaukee.

Moreover, there remains a huge racial disparity in BPRs in metro Milwaukee. In 1997, the white BPR was 78.1 in Milwaukee, while the black BPR was 16.1.⁵ In 2007, although that enormous gap had closed somewhat, it nevertheless remained imposing: the BPR for white Milwaukeeans was 86.7, almost triple the black BPR (32.5) in the region.

It is beyond the scope of this issue brief to analyze the myriad of causes behind the lag in black business development in Milwaukee. Racial discrimination, unequal access to capital, entrepreneurial deficits, and other barriers to entry would surely figure prominently in a full analysis and have been discussed in the academic literature as well as in the policy arena. However, one factor should be mentioned here: the degree to which metro Milwaukee's widely acknowledged hypersegregation impedes the growth of black enterprise. Milwaukee remains among American's most racially segregated metropolitan areas; indeed, a University of Michigan-Brookings Institution analysis of 2010 census data reported Milwaukee with the highest rate of black-white segregation in the country.⁶ Among the nation's large metropolitan areas, Milwaukee has the lowest rate of black residential suburbanization.

Similarly, in business development, black ownership in Milwaukee remains highly concentrated in the central city. As Table 5 shows, 88.2 percent of black-owned firms in metro Milwaukee in 2007 were located in the central city; this is the highest percentage in the country. By contrast only 12.1 percent of black-owned business in metro Atlanta, 16.5 percent of black businesses in metro Washington, D.C, 33.4 percent of black businesses in metro Minneapolis, and 37.4 percent of black businesses in metro Baltimore were located in the central city. Moreover, the "suburbanization gap" between black-owned firms versus "all firms" was wider in Milwaukee than anywhere else. The bulk of economic growth in metro Milwaukee –as elsewhere—has been occurring in the suburbs since the late 1970s. Thus, the degree to which hypersegregation in metro Milwaukee impedes the ability of black-owned firms to establish a presence in suburban markets may be an important obstacle to black business development in the region.

⁵ U.S. Department of Commerce, Minority Business Development Agency, "The State of Minority Business in the Milwaukee, WI MSA." *Op. cit.*; and Levine, "Minority Business Ownership in Metropolitan Milwaukee," p. 11.

⁶ William Frey, "New Racial Segregation Measures for Large Metropolitan Areas: Analysis of 1990-2010 Decennial Census," University of Michigan Population Studies Center, Institute for Social Research. Accessed at: <http://www.psc.isr.umich.edu/dis/census/segregation2010.html>

Chart 1: Business Participation Rates (BPRs) for African Americans: 2007

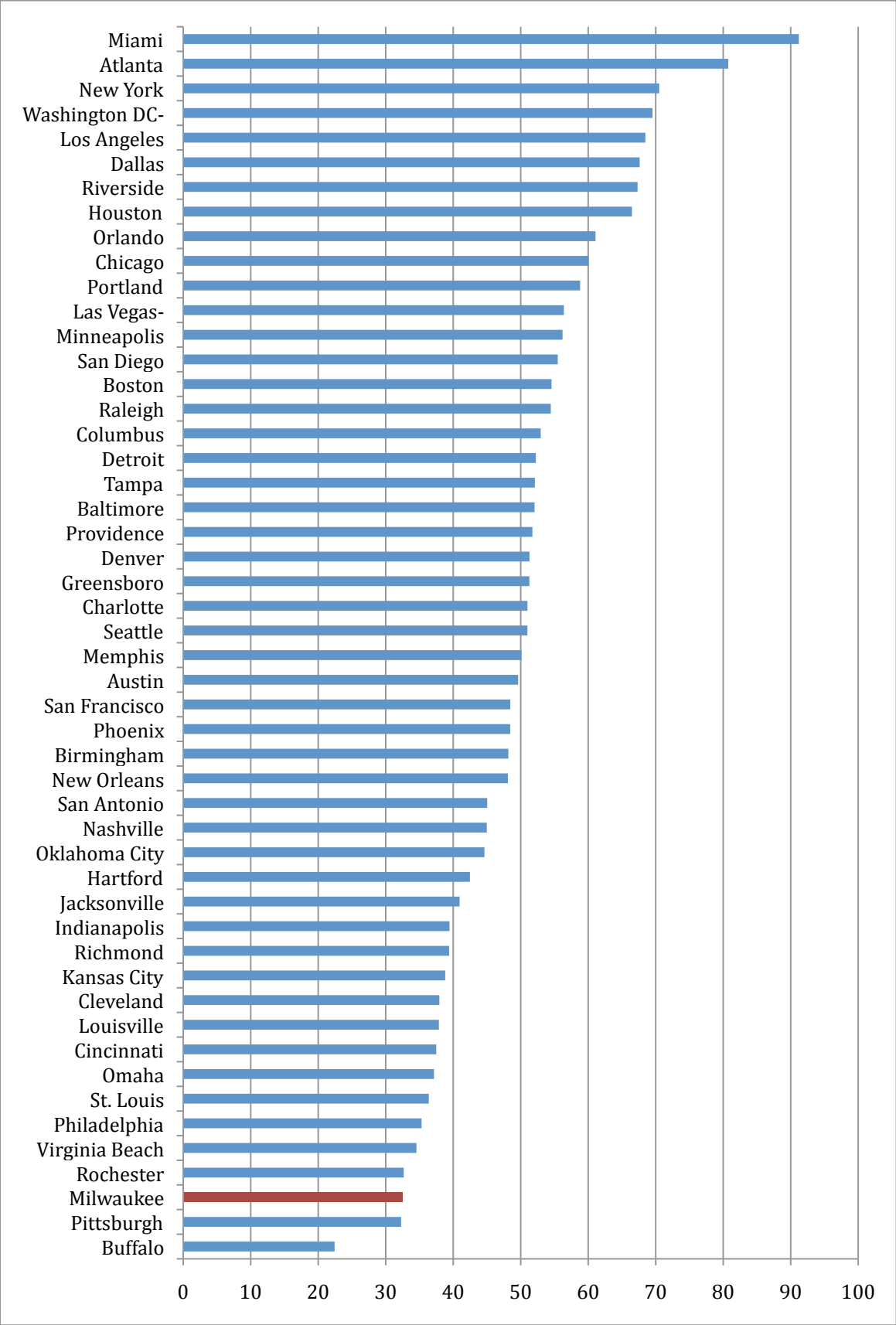


Table 5:
Share of Metro Area Firms Located in Central City:
Selected Metropolitan Areas, 2007

Metro Area	% black firms in city	% all firms in city	Suburbanization gap
Milwaukee	88.2	28.3	59.9
Detroit	60.9	13.7	47.2
Cincinnati	51.9	15.7	36.2
Kansas City	51.1	20.7	30.4
Cleveland	44.5	15.0	29.5
Philadelphia	47.7	18.4	29.3
Chicago	57.5	29.2	28.3
Boston	35.6	11.5	24.1
Portland, OR	59.6	36.2	23.4
San Francisco	45.9	23.1	22.8
Charlotte	65.8	44.5	21.3
Minneapolis	33.4	12.5	20.9
Memphis	69.8	49.9	19.9
Baltimore	37.3	17.8	19.5
Denver	43.4	25.2	18.2
Dallas	42.5	29.8	12.7
Houston	53.8	42.1	11.7
Seattle	31.1	24.4	6.7
Washington, D.C.	16.5	10.5	6.0
Atlanta	12.1	9.2	2.9
Las Vegas	37.3	35.9	1.4
Miami	15.2	14.4	0.8

Conclusion

Although black-owned businesses have grown in number and size in metro Milwaukee since the 1990s, the evidence through 2007 suggests that the progress has been uneven and the state of black-owned business in the region remains precarious. The most important indicator of the status of black business development – the “business participation rate” – reveals that black business ownership has grown in Milwaukee (the BPR in 2007 was double the rate in 1997), but that Milwaukee ranked 47th among the nation’s 50 largest metro areas in 2007, virtually unchanged from 1997 and a scant improvement from 1992 when, albeit with the census bureau using a slightly different way of counting firms, Milwaukee’s BPR ranked dead last among the nation’s 50 largest metro areas.

Since 2007, of course, the Milwaukee economy, like the rest of the nation, has suffered the effects of the “Great Recession.” Real GDP growth in metro Milwaukee since 2007 has been *zero* (through 2012), and employment in the region in 2012 remained 30,000 below what it was before the recession began; in the city of Milwaukee, employment shrank by 16,000 between 2007-2012. Under these circumstances, it seems likely that the 2012 *Survey of Business Owners* will reveal some erosion in the position of all businesses in Milwaukee, but particularly among the fragile black-owned enterprises. Building a network of strong and viable black-owned businesses in Milwaukee remains a slow and challenging process, and major gains remain elusive.