

**Hispanic Business Ownership and Industry
Concentration in Michigan:
A Comparison to National Patterns**

By

Rene Perez Rosenbaum, Ph.D.

*Faculty Associate, JSRI
Assistant Professor, Resource Development*

April 1995

A Publication of

Julian Samora Research Institute
Michigan State University
112 Paolucci Building
East Lansing, MI 48824-1110
Phone: (517) 432-1317 • **Fax:** (517) 432-2221
E-Mail: jsamorai@msu.edu
Web Page: <http://www.jsri.msu.edu>



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Michigan State University
East Lansing, Michigan



Julian Samora Research Institute
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SUGGESTED CITATION

Rosenbaum, Rene Perez, April 1995. "Hispanic Business Ownership and Industry Concentration in Michigan: A Comparison to National Patterns," *Statistical Brief No. 3*, The Julian Samora Research Institute. Michigan State University, East Lansing, Michigan. Reprinted July 2000.

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Hispanic¹ Business Ownership and Industry Concentration in Michigan: A Comparison to National Patterns

Introduction

The minority-owned business problem has been defined as the relatively low rate of participation in business ownership by minorities². In Michigan, the business problem is worse for Hispanic-owned firms (HOFs) where there are only 14 HOFs per thousand Hispanics as compared to the rate of HOFs for the nation as a whole (19 per 1,000 Hispanics). Nonetheless, Michigan has the nation's 14th largest concentration of Hispanic-owned firms.

This Statistical Brief presents data that examines, in slightly greater detail, Hispanic business ownership in Michigan. Census data on the stock of HOFs are combined with population data to compare the patterns of Hispanic business ownership in the state to those of the nation. State and national patterns in business ownership are examined for all HOFs, for women and male-owned HOFs, and for HOFs categorized by Hispanic subgroup. The state and national patterns in the concentration of HOFs in several industries are also examined. Among the questions to be addressed are the following:

1. What is Michigan's share of the nation's stock of Hispanic-owned firms (HOFs) and what has happened to HOFs over time?
2. Given the stock of HOFs in Michigan and the U.S., what is the gender distribution of Michigan HOFs and how does it compare to the gender distribution of U.S. HOFs?
3. What is the rate of participation in business ownership for Michigan Hispanics and how does it compare to the national business ownership rate for Hispanics?
4. What are the respective business ownership rates for Hispanic men and women in Michigan and how do they compare to the respective business ownership rates for Hispanic men and women in the nation as a whole?

5. What is the distribution of Michigan HOFs among people of Mexican, Cuban, and other Hispanic origin and how does it compare to the national Hispanic subgroup distribution of HOFs?
6. What are the business ownership rates for people of Mexican, Cuban, and other Hispanic origin and how do they compare to the national ownership rates of these Hispanic subgroups?
7. What is the industry concentration of Michigan HOFs and how does it compare to the industry concentration of U.S. HOFs?

Answers to these questions are of particular relevance to Hispanic entrepreneurs and the state and private institutions which support private business. If we find, for instance, a concentration of Hispanic businesses in particular industries, then we would want to know if this concentration is related to the general types of businesses in Michigan as a whole. If we find that female headed HOFs are underrepresented, then we would want to explore the particular factors conducive to their potential success in private enterprise as a whole. If we find that the proportion of HOFs relative to the Hispanic population is low, then measures to increase Hispanic representation would warrant more attention. In short, since the representation of HOFs is critical to the success of Hispanic-Americans in the economy, a knowledge of their participation rates in various sectors is also important. Given the dramatic Hispanic growth in population in the Michigan,³ a proportionate representation in private enterprise would also indicate a positive trend.

The Data

The most current and comparable source of information on Hispanic-owned firms (HOFs) is the report issued April 1991 by the Bureau of the Census as part of its 1987 Survey of Minority-Owned Business Enterprises series.⁴

Table 1. Number of HOFs in the United States and Michigan - 1982, 1987

# OF HOF'S	UNITED STATES			MICHIGAN			MI/U.S.	
	1987	1982	%	1987	1982	%	1987	1982
All Firms	422,373	233,975	80.52	2,654	1,616	64.23	.63	.69
Firms W/Paid Employees	82,908	39,272	111.11	464	285	62.81	.56	.73
Firms W/O Paid Employees	339,465	194,703	74.35	2,190	1,331	64.54	.65	.68

Source: Computed from *Chartbook of Minority and Women-Owned Businesses in Michigan Based on Statistics From the 1987 Economic Census Reports*, Feb., 1994. Tables 16, pp.166, Table 19, pp. 169, Table 29, pp. 179

Included in the Census Bureau's survey is information from Internal Revenue Service forms 1040, Schedule C (sole proprietorships and self employed); 1065 (partnerships); or 1120S (subchapter S corporation). In addition, only firms with over \$500 in sales were covered in the survey. Larger corporations were not included in the survey because they typically have hundreds of shareholders which makes determination of ownership extremely complex. In general, HOFs are defined by the criteria that the firms have a majority ownership by a self-identified Hispanic.

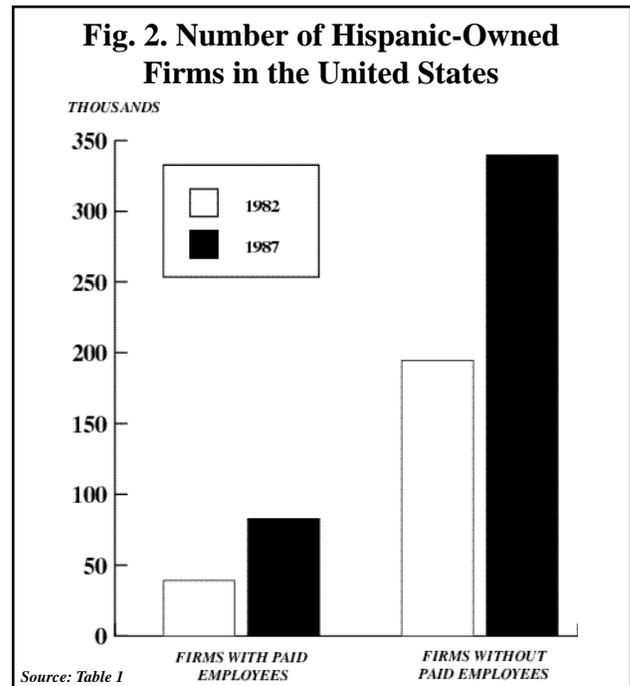
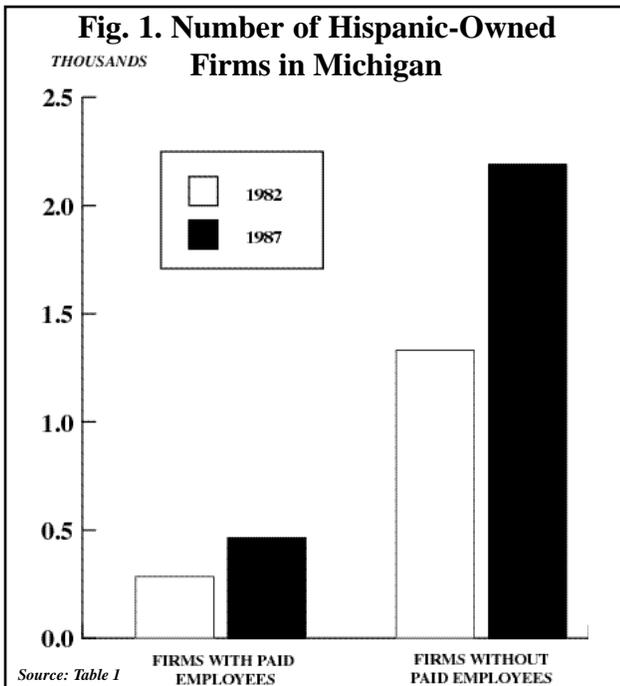
Michigan's Share of the Nation's Stock of HOFs

Table 1 provides the number of Hispanic-owned firms (HOFs) in the U.S. and Michigan for 1982 and 1987. Of the country's 422,373 HOFs in 1987, 2,654 or .63% were listed in Michigan.

These Michigan firms represent a 64% increase in the number of HOFs in the state since 1982, rising from 1,616 to 2,654 over the 1982-1987 period. This growth compares to an 81% increase in HOFs over the same period for the nation as a whole, from 233,975 to 422,373.

During the 5-year period, the number of HOFs grew at an annual growth rate of 10.43% in Michigan and 12.54% nationally.⁵ The result was a wider gap between the relative number of HOFs in Michigan and those in the U.S. (Figs. 1 and 2). Hence, there was a decline in the proportion of HOFs in Michigan from .69% in 1982 to .63% in 1987.

As shown in Table 1, the decrease in Michigan's share of the nation's stock of HOFs applies for firms both with and without paid employees. The number of HOFs without paid employees grew by 65% (from



1,331 to 2,190) in Michigan, but nationally, like firms grew by 74.35% (from 194,703 to 339,465). In the case of HOFs with paid employees, the number grew by 63% in Michigan and by 111% nationally.

The Distribution of HOFs by Gender

Table 2 shows the stock of Michigan and U.S. HOFs owned by men and women in 1987. As is the case for the stock of all U.S. firms, men owned the overwhelming share of the stock of HOFs in Michigan and the nation. Table 2 shows that men owned nearly three quarters of the 422,373 U.S. HOFs and over 67% of Michigan's 2,654 HOFs. Women-owned HOFs accounted for over 27 and 32% of U.S. and Michigan HOFs respectively.

Michigan, women owned 32.63% of the state's stock of HOFs. Nationally, women owned 27.23% of all HOFs. The proportion of all HOFs accounted for by women was greater in Michigan than the U.S. for firms both with and without paid employees.

Hispanic Business Ownership

A question can be asked if Michigan's low Hispanic business rate can be attributed to having a younger Hispanic population on the average? That is, with a relatively more younger population of Hispanics compared to the nation's population, we would not expect to find as many HOFs as in a region with older people. Estimates in Table 3 suggest that the number of Hispanics in business, as a proportion of

Description	UNITED STATES		MICHIGAN	
	Number of Firms	Percent	Number of Firms	Percent
<i>All Firms:</i>	422,373	100.00	2,654	100.00
Women-Owned	115,025	27.23	866	32.63
Men-Owned	307,348	72.77	1,788	67.37
<i>Firms w/Paid Employees:</i>	82,908	100.00	464	100.00
Women-Owned	16,001	19.30	110	23.71
Men Owned	66,907	80.70	354	76.29
<i>Firms w/o Paid Employees</i>	339,465	100.00	2,190	100.00
Women Owned	99,024	29.17	756	34.52
Men-Owned	240,441	70.83	1,434	65.48

Source: Computed from the U.S. Department of Commerce, Bureau of the Census, Survey of Minority-Owned Business Enterprises-Summary 1987 Aug. 1991, Table 2, pp.18, 22.

In both Michigan and the U.S., the share of male-owned HOFs without paid employees was lower than the share of male-owned HOFs with paid employees. Conversely, for both Michigan and the U.S., the share of women-owned HOFs with paid-employees was lower than the share of women-owned HOFs without paid employees. Thus, in addition to accounting for a relatively small share of all HOFs, women-owned HOFs in both Michigan and the U.S. have a greater likelihood than male-owned HOFs of being firms without paid employees.

In addition to the preceding Michigan and U.S. comparison of the stock of men and women-owned HOFs, we can compare women-owned HOFs in Michigan and the U.S. As Table 2 shows, the share of Michigan HOFs owned by women exceeded the proportion of HOFs in the country owned by women. In

the number of Hispanics above age 19, is lower for the state than for the nation. Based on 1990 population figures in Table 3 and the 1987 business figures in Table 2, computed business ownership rates in Table 3 for Michigan Hispanics suggest there were 24.81 HOFs per 1,000 Hispanics over age 19. For U.S. Hispanics the rate was 31.46 HOFs per every 1,000 Hispanics over age 19. Business ownership rates were lower in Michigan than the U.S. for HOFs both with and without paid employees, after accounting for age.

Table 3 also shows that the business ownership rates were actually lower in Michigan than the U.S. for both Hispanic men and women above the age of 19. In the case of women, the rate in Michigan was 16.45 HOFs per 1,000 Hispanic women over age 19; in the U.S., the rate was 17.27. Hispanic women actu-

Table 3. Business Ownership Rates for Hispanics, by Gender: U.S. and Michigan - 1987

Category	Population Over 19 Years	BUSINESS OWNERSHIP RATE		
		All Firms	Firms with Paid Employees	Firms without Paid Employees
UNITED STATES				
Men	6,766,854	45.52	9.89	35.53
Women	6,658,567	17.27	2.40	14.87
Total	13,425,420	31.46	6.18	25.29
MICHIGAN				
Men	53,340	32.90	6.51	26.39
Women	52,635	16.45	2.09	14.36
Total	106,975	24.81	4.34	20.47

Source: Computed from the U.S. Department of Commerce, Bureau of the Census Social and Economic Characteristics (1990 CP-2-1) and U.S. Department of Commerce, Bureau of the Census, Survey of Minority-Owned Enterprises-Summary 1987, Aug. 1991, Table 2, pp. 18, 22.

ally experienced lower business ownership rates in Michigan than the U.S. in firms both with and without paid employees. For HOFs with paid employees, the women business ownership rate was 2.4 in the U.S. and 2.09 in Michigan. In the case of HOFs without paid employees, women had ownership rates of 14.87 and 14.36 in the U.S. and Michigan, respectively.

The differentials in business ownership rates between Hispanics in Michigan and those in the U.S. were greater for Hispanic men than they were for women. Table 3 shows that while there was less than one percentage point difference in the business ownership rate of U.S. and Michigan Hispanic women, there was over a 12 percentage point differential in the business ownership rate of U.S. and Michigan Hispanic men. This greater disparity in the business participation rate of men was true for firms both with and without paid employees.

Distribution of HOFs by Hispanic Subgroup

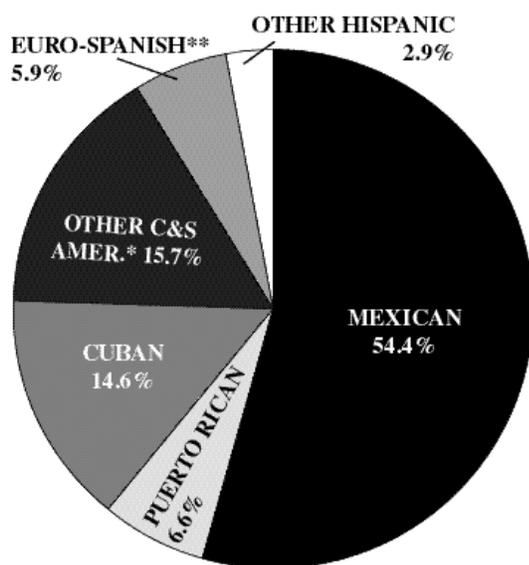
The Census survey of business owners asked business owners to describe the majority of partners or shareholders in their firms in terms of Spanish or Hispanic background or origin. "Spanish" and "Hispanic" refers to people of Mexican, Cuban, Puerto Rican, Hispanic Latin American, or other Spanish or Hispanic origin or culture, regardless of race. We could expect to find, as seen in Table 4 and Figures 3 and 4, the majority of HOFs in both Michigan and the U.S. are owned by people of Mexican origin. Mexican-owned firms accounted for 64.21% and 54.39% of HOFs in the state and nation respectively. As in the case of Mexican-owned firms, the share of HOFs in Michigan owned by Puerto Ricans, European Spanish and Other Hispanics exceeded the proportion of HOFs owned by these groups nationally. These groups respectively accounted for 7.38%, 8.21%, and

Table 4. Number of HOFs by Hispanic Subgroup: United States and Michigan - 1987

Hispanic Subgroup	UNITED STATES		MICHIGAN	
	Number	Percent	Number	Percent
Mexican	229,706	54.39	1,704	64.21
Puerto Rico	27,697	6.56	196	7.38
Cuban	61,470	14.55	131	4.94
Other Central and South American	66,356	15.71	293	11.04
European Spanish	24,755	5.86	218	8.21
Other Hispanic	12,389	2.93	112	4.22
TOTAL	422,373	100.00	2,654	100.00

Source: Computed from the U.S. Department of Commerce, Bureau of the Census, Survey of Minority-Owned Business Enterprises-Hispanic, 1987, April 1991 Table 5, pp. 28, 30.

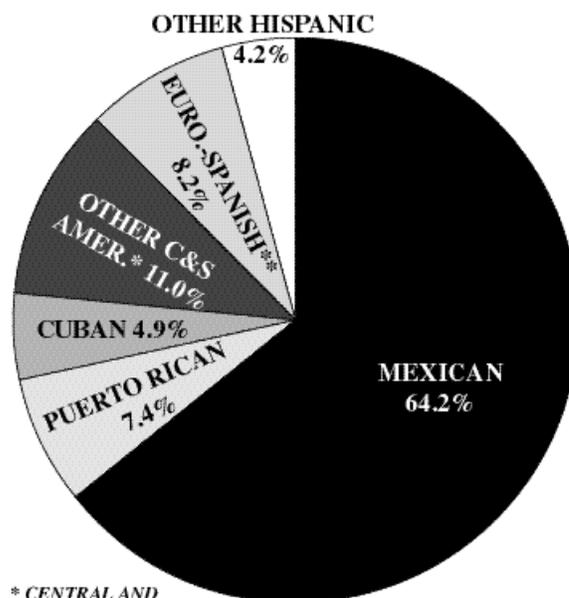
Fig. 3. Number of HFOs by Hispanic Subgroup in the U.S., 1987



* CENTRAL AND SOUTH AMERICAN ** EUROPEAN

Source: Computed from the U.S. Department of Commerce, Bureau of the Census, Survey of Minority-Owned Business Enterprises-Hispanic, 1987, April 1991 Table 5, pp. 28, 30. Business Ownership by Hispanic Subgroup

Fig. 4. Number of HFOs by Hispanic Subgroup in Michigan, 1987



* CENTRAL AND SOUTH AMERICAN
** EUROPEAN SPANISH

Source: See Table 4

4.22% of all Michigan HOFs and for 6.56%, 5.86%, and 2.93% of all HOFs nationally. On the other hand, the share of Michigan HOFs owned by Cubans, and Central and South Americans, was lower than the share of HOFs owned by these groups nationally. Cubans accounted for 4.94% of all Michigan HOFs, but for 14.55% of all HOFs in the nation. Other Central and South Americans owned 11.04% of the HOFs in Michigan and 15.71% of the HOFs nationwide.

The business ownership rate for Michigan and U.S. Hispanic subgroups is presented in Table 5 and Figure 5. The table shows that Central and South Americans in Michigan registered the highest business ownership rate among the different Hispanic subgroups in the state. Their rate of 41.36 firms per 1,000 people above age 19 was higher than their national rate of 33.43. Cubans, who in Michigan registered a business ownership rate of 35.37 firms per thousand people over age 19, registered a business ownership rate over twice that amount nationally (73.47 firms per 1,000 people above the age of 19-the highest of all subgroups groups). Mexicans above the age of 19 registered business ownership rates of 19.41 and 29.57 in Michigan and the U.S., respectively. Puerto Ricans had the lowest ownership rates in both Michigan and the U.S. with 17.25 and 17.49,

respectively. Thus, it can be said that within Michigan, the ownership rate varied significantly across the different ethnic subgroups. The comparison of the Hispanic subgroup business ownership rates for the state and the nation also indicates that a wide variation also exists within subgroups.

Industry Concentration of HOFs

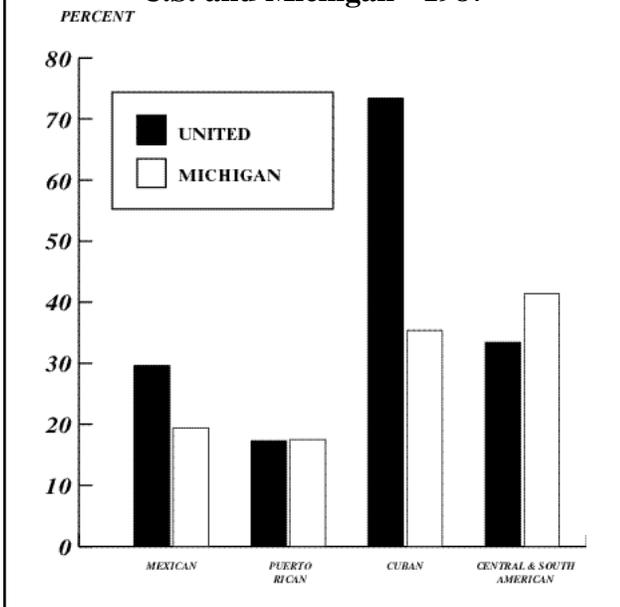
We can observe from Table 6 that slightly over half (50.68%) of the HOFs in the state and 43.65% of HOFs in the country were in the service industries. Retail trade accounted for 17.37% of all HOFs in Michigan and for 16.56% of all HOFs in the country. The only other industry with a double digit share of Michigan and U.S. HOFs was construction. Unlike in services and retail trade, the share of Michigan HOFs in construction exceeds the national average of HOFs in this sector. Michigan HOFs in construction accounted for 10.89% of all state HOFs but for 13.14% of all HOFs in the country. Transportation, finance, insurance, and real estate (FIRE), agriculture, manufacturing, and industries not classified, accounted for less than 25% of all HOFs in both Michigan and the U.S. As in the case of construction, the share of HOFs in each of these industry divisions was less for Michigan than for the U.S. Also discern-

Table 5. Business Ownership Rates by Hispanic Subgroup: United States and Michigan - 1987

Hispanic Subgroup	UNITED STATES			MICHIGAN		
	Pop > 19	# of Firms	B.O.R.	Pop > 19	# of Firms	B.O.R.
Mexican	7,767,082	229,706	29.57	87,797	1,704	19.41
Puerto Rico	1,605,611	27,697	17.25	11,209	196	17.49
Cuban	836,721	61,470	73.43	3,704	131	35.37
Other Central and South American	1,984,688	66,356	33.43	7,084	293	41.36

Source: Computed from the U.S. Department of Commerce, Bureau of the Census, *Social and Economic Characteristics (1990 CP-2-1)* for U.S. and Michigan and, *Survey of Minority-Owned Enterprises-Hispanic 1987*, April 1991, Table 5, pp. 18-30.

Fig. 5. Business Ownership Rates by Hispanic Subgroup, U.S. and Michigan - 1987



able from Table 6 is the significant disparity that exists between the Michigan and U.S. shares of HOFs operating in agriculture, transportation, and wholesale trade.

At a more aggregate level, the data from Table 6 indicates that in 1987 over three-fourths of HOFs in both Michigan and the U.S. were concentrated in three industry divisions: services, retail trade, and construction. The preponderance of Michigan and U.S. HOFs in services, retail trade, and construction relates directly to equally significantly high shares of sales and receipts, employees, and annual payroll accounted for by Michigan and U.S. HOFs in these three industry divisions. As Table 7 and Figures 8 and 9 show, Michigan HOFs in these sectors accounted for nearly 80% of all HOFs sales and receipts, and nearly 85% of HOFs employees and annual payroll. U.S. HOFs in these sectors accounted for nearly 70% of all HOFs sales and receipts, three-fourths of all HOFs employees, and 71.49% of HOFs annual payroll.

Table 6. Number of HOFs by Industry Group: United States and Michigan - 1987

Industry	UNITED STATES		MICHIGAN	
	Number	Percent	Number	Percent
Agriculture*	17,194	4.07	61	2.30
Construction	55,516	13.14	289	10.89
Manufacturing	11,090	2.63	65	2.45
Transportation**	26,955	6.38	111	4.18
Wholesale Trade	10,154	2.40	37	1.39
Retail Trade	69,911	16.56	461	17.37
FIRE***	22,106	5.23	135	5.09
Services	184,372	43.65	1,345	50.68
Industries, NC	25,075	5.94	150	5.65
TOTAL	422,373	100.00	2,654	100.00

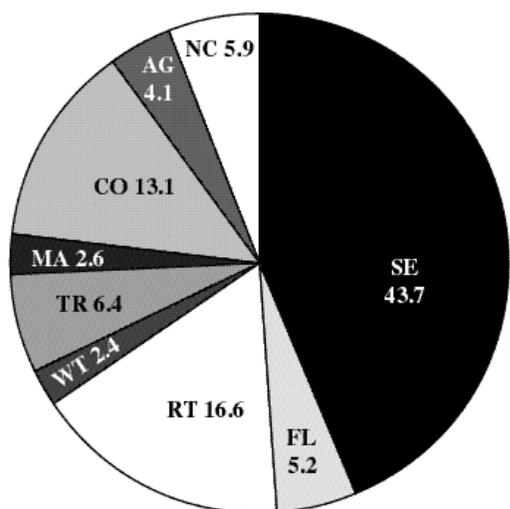
*Note: Agriculture Services, Forestry, and Mining.

**Note: Transportation and Utilities.

***Note: FIRE = Finance, Insurance and Real Estate.

Source: Computed from the U.S. Department of Commerce, Bureau of the Census, *Survey of Minority-Owned Enterprises-Hispanics, 1987*, April 1991, Table 4, pp. 20, 23.

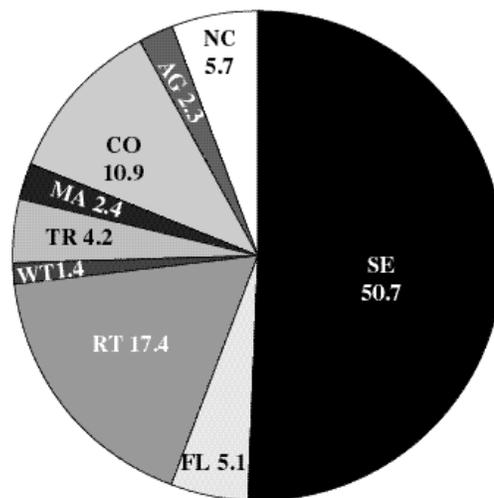
Fig. 6. Number of HFOs by Industry Group in U.S. - 1987



AG — Agriculture; CO — Construction; MA — Manufacturing; TR — Transportation; WT — Wholesale Trade; RT — Retail Trade; FI — Fire; SE — Services; NC — Industries

Source: Table 6

Fig. 7. Number of HFOs by Industry Group in Michigan - 1987



AG — Agriculture; CO — Construction; MA — Manufacturing; TR — Transportation; WT — Wholesale Trade; RT — Retail Trade; FI — Fire; SE — Services; NC — Industries

Source: Table 6

Conclusion

Over the 1980-1990 period, the Hispanic population grew by 24% in Michigan and by 53% nationally. If these state and national trends in population growth continue, and if Hispanics in Michigan continue to experience a relatively lower business ownership rate than the rate nationwide, it is expected that Michigan's share of the nation's stock of HOFs will continue to decline. While the disparity in Michigan and U.S. population growth rates is not problematic, the relatively lower business participation rates for Hispanics in Michigan does raise questions about the support for and feasibility of increasing the number of Michigan Hispanics in business across the different industries. Public policy questions also abound about equity and efficiency in the utilization in Michigan of Hispanic entrepreneurship.

Conceptually, the relatively lower business ownership rates seen for Hispanics in Michigan can be explained by lower business formation rates and higher business failure rates than that of the Hispanic population nationally.⁶ However, studies have not been conducted on Michigan Hispanic business enterprises and entrepreneurs to better understand the Hispanic cultural factors and/or characteristics of receiving communities and industries that relate to the formation, success, and failure of Hispanic business enterprises. Nor has research examined elements of credit availability, social capital and participation by Hispanics in business schools, and the attention given by Chambers of Commerce to assist Hispanic businesses. This is one area of public policy research that the Julian Samora Research Institute will continue to work on in the coming years.

Table 7. Share of Sales and Receipts, Number of Employees and Annual Payroll of HOFs By Industry: United States and Michigan - 1987

Industry	UNITED STATES Percentage of Total			MICHIGAN Percentage of Total		
	Sales and Receipts	Number of Employees	Annual Payroll	Sales and Receipts	Number of Employees	Annual Payroll
Services	24.39	28.10	29.30	39.15	37.69	53.60
Retail Trade	30.91	34.20	22.99	31.26	46.73	21.80
Construction	13.90	13.10	19.47	9.47	4.81	8.50

Source: Computed from U.S. Department of Commerce, Bureau of the Census, *Survey of Minority-Owned Business Enterprises-Hispanic, 1989*, Table 4, pp. 20,23.

Fig. 8. Share of Sales and Receipts, Number of Employees, and Annual Payroll in U.S.- 1987

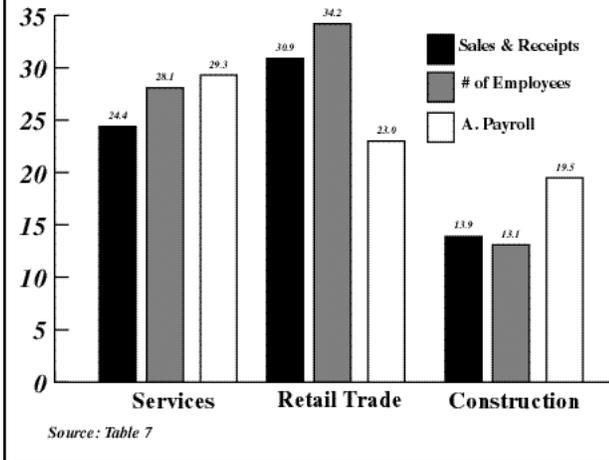
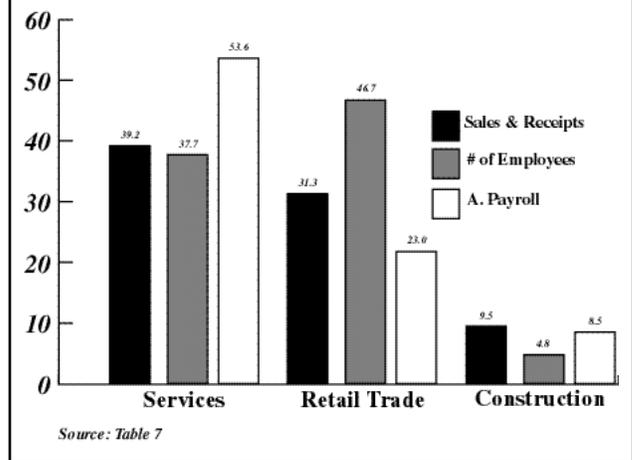


Fig. 9. Share of Sales and Receipts, Number of Employees, and Annual Payroll in Michigan - 1987



Endnotes

1. The term “Hispanic” was chosen over others because it is used by the Bureau of the Census to identify business ownership.
2. Gavin Chen, Norman Hurwitz, Bruce Kirchoff, and Richard Stevens. “Minority Business Today; Problems and Their Causes” (*NTIS Report No. PB-82-194986*), Report Division, Minority Business Development Agency, U.S. Department of Commerce, Washington, D.C.: January 1982.
3. Readers may wish to consult Aponte, R. and M.E. Siles, “Michigan’s Hispanics: A Socio-Economic Profile,” Julian Samora Research Institute *Statistical Brief No. 1*.
4. U.S. Department of Commerce, Bureau of the Census, “Survey of Minority-owned Business Enterprises-Hispanic, 1987” (MB7-2), April 1991.
5. Rosenbaum, R.P. and M. Siles, “Chartbook of Minority and Women-Owned Business in Michigan Based on Statistics from the 1987 Economic Census Reports,” Julian Samora Research Institute *Research Paper No.7*, 1994. (East Lansing, Michigan: Michigan State University)
6. Gavin, et. al., *Minority Business Today: Problems and Their Causes*.