

Racial Disparities in Business Outlined

Investment would yield big employment gains

African Americans aren't getting the same boost from self-employment that Asians and whites enjoy, largely because they lack financial capital, education, and opportunities to work in a family-owned business before setting out on their own, says a leading expert on entrepreneurship.

Business ownership has been the ticket to a higher standard of living for millions of entrepreneurs, but these persistent racial disparities hamper would-be African American business owners, according to economist Robert Fairlie, who says targeted support programs would yield big employment gains for African Americans and other minorities.

"If black business ownership and performance improved to white levels, total earnings inequality in this country would drop by roughly 20 percent," said Fairlie, a professor of economics at the University of California, Santa

Cruz, and coauthor of the new book *Race and Entrepreneurial Success: Black-, Asian-, and White-Owned Businesses in the United States*.

"If we're serious about wanting to reduce wealth inequality in this country, helping black entrepreneurs succeed is a worthwhile investment," he added.

Minority-owned businesses currently employ almost 5 million people in the United States, but with a little encouragement, they could be the source of 2 million new jobs, at least half of which would go to minorities, said Fairlie.

Race and Entrepreneurial Success is the first comprehensive examination of why some racial groups succeed in business while others struggle. Fairlie and coauthor Alicia M. Robb, a research associate in economics at UCSC, conclude that the lack of startup money for black businesses and the lack of pre-business work experience



Robert Fairlie

severely hamper African American entrepreneurial success.

"Nearly half of all black families have less than \$6,000 in total wealth, so the lack of capital is a huge impediment," said Fairlie. "And it's a catch-22, because without black-owned businesses, family members can't get the experience that turns out to be a vital factor in business survival and performance."

Entrepreneurs who work in a family business before start-

ing their own company have business outcomes that are 10 to 40 percent better than those who lack that experience, said Fairlie. The authors used both business longevity and perfor-

• Racial patterns in business outcomes have remained largely unchanged over the past two decades.

• A 10 percent increase in both the number of minority-

of targeted policy initiatives designed to open the door to business ownership for more minorities," said Fairlie. One of the goals of government programs that promote minority-owned businesses is to reduce wealth inequality, he noted.

Fairlie suggests the creation of programs that would:

• Promote educational attainment to overcome disparities between Asians and black business owners (Asian business owners are twice as likely to have a college degree as are black business owners);

• Provide mentoring, internships, or apprenticeship-type training to help would-be business owners acquire necessary and relevant skills, as a substitute for the lack of opportunities to work in a family business.

"An added benefit of these initiatives is that they would improve business performance for all entrepreneurs, not just those from minority groups," noted Fairlie.

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mance to determine business outcomes.

Other highlights of *Race and Entrepreneurial Success* include:

• Black business ownership rates are 45 percent of white rates, and average sales among black-owned firms are one-sixth white levels. (White-owned firms have average sales of \$440,000, compared to only \$75,000 for black-owned firms.)

owned firms and the average number of employees per firm would create nearly 1 million new jobs for minorities and an additional 1 million more jobs for nonminorities.

• About one in 10 workers in the United States owns a business, yet business owners hold nearly 40 percent of total wealth in this country.

"The concentration of wealth among entrepreneurs underscores the social value

Technical Assistance Project Serves Small Businesses

The Hispanic Metropolitan Chamber has added a Business Development Coordinator to serve small business owners in Portland.

Carlos Calderon will oversee the effort as part of the "Small Business Technical Assistance Project" funded by the city of Portland.

The purpose of this project is to increase the capabilities of Portland small businesses

by providing technical assistance services in the areas such as: marketing, management, financing and contract procurement. These services will be provided to local businesses throughout Portland and will include: one-on-one advising, business education workshops, assistance in procurement and contracting, and educating clients regarding other business resources in



Carlos Calderon

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the city.

Gale Castillo, the president of the Hispanic Chamber, said "We are very pleased to offer a new program that will serve all the residents of Portland

and to add a person with so much experience in business and finance."

Calderon has worked in both the public and private sector. He worked for Chase

Bank in New York City and Puerto Rico and also the Royal Bank of Canada.

Calderon also served as the Treasurer and Executive Vice President for the Government Development Bank for Puerto Rico.

Small businesses can contact Calderon for an appointment at 503-222-0280 or e-mail him at ccalderon@hmc.org.

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