UTILIZATION OF MINORITY EMPLOYEES IN SMALL BUSINESS: A COMPARISON OF NONMINORITY AND BLACK-OWNED URBAN ENTERPRISES

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Structural changes in the urban economy are causing African-American workers in blue collar occupations to rely increasingly upon the small business sector for employment. This study finds that most of the nonminority-owned small businesses operating in large urban areas do not employ minorities. Even among the businesses physically located within minority communities, the majority of the workers in the nonminority small firms are white. Black-owned businesses, in contrast, rely largely on minority workers even when their firms are located outside of minority neighborhoods.

INTRODUCTION

This study examines the employment composition of small businesses owned by blacks and nonminorities operating in 28 large metropolitan areas. Nonminority owners of small businesses are found to exclude minority employees (including blacks, Asians, and Latinos) quite often while black owners—even when their firms are located outside of minority communities—consistently employ minorities.

Affirmative action employment policies are of little help in combating the aversion many nonminority small business owners exhibit to employing minorities. Negative white attitudes towards blacks show up regularly in survey data: 65 percent of whites, for example, characterize blacks as lazier than whites. Neckerman and Kirshenman have shown that race serves as a signal of presumed work habits and job suitability for many employers, based upon their general negative stereotypes of blacks. In light of this reality, an alternative strategy for opening up job opportunities in the small business sector is to promote creation and
The expansion of firms owned by the group—black employers—that has already demonstrated its commitment to minority hiring.

The fact that most nonminority-owned small business employers have no minority employees may or may not reflect discriminatory hiring patterns. The geographic distribution of minority and nonminority populations in the United States varies greatly, and minorities live disproportionately in large urban areas. Among Hispanics, 88 percent reside within very large Standard Metropolitan Statistical Areas (SMSAs). Only 27 percent of white labor force participants reside in central cities, versus nearly two thirds of the nation's African-American workers. This study examines the employment patterns of small businesses within 28 large metropolitan areas, and these areas are subdivided, in turn, into minority residential neighborhoods and other urban areas. The purpose of this focus is to examine the employment patterns of white and black-owned small businesses in a manner that reduces uncertainty about geographic proximity of minority employees to jobs. The key finding of this study is that minorities are largely excluded from the payrolls of nonminority-owned small businesses. Even those white-owned small business employers whose firms are physically located in inner-city minority communities employ a work force that is predominantly white. Roughly one third of all such firms in minority neighborhoods employ no minorities whatsoever.

Black-owned firms operating in inner-city neighborhoods, in contrast, employ a labor force that consists almost entirely of minority workers. This study finds that 96.2 percent of the black employer firms operating in urban minority communities rely upon a work force composed largely of minorities. While black firms located outside of minority neighborhoods rely largely upon minority workers, most white-owned businesses in these same areas have no minority employees.

THE GROWING IMPORTANCE OF SMALL BUSINESS EMPLOYERS

Declining blue-collar employment at the nation's largest corporations, and the interrelated phenomenon of shrinking employment of less-skilled workers in manufacturing generally, is weakening employment prospects for such groups as African-Americans traditionally reliant upon industrial jobs. Net creation of low-skilled and blue-collar employment opportunities in recent years has been most pronounced in the small business arena.