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SMALL
BUSINESS
SECTION

ASIAN AMERICAN
INSTITUTE



MEMBER OF
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FOR ADVANCING JUSTICE

Asian Americans and Small Business

Most Asian American immigrants to the United States came in search of the “American Dream,” seeking a better life for themselves and their families. Asian American entrepreneurs have made progress towards fully participating in the mainstream American economy. However, Asian American-owned businesses lag behind their white counterparts, suggesting that Asian Americans still face unequal access to business opportunities. Like other minority groups, Asian Americans have been denied opportunities and advancement because of discrimination based on race, ethnicity, national origin, and other aspects.

To combat systemic discrimination, Asian Americans are working in partnership with other minority and women business owners to voice their collective concerns. Government minority-contracting programs are one strategy to remedy discrimination. Such programs are a type of affirmative action, meaning that they aim to level the playing field for all business owners. Locally, the pervasive discrimination against Asian American-owned businesses in the Chicago area prevents them from competing on equal footing for public contracts; this justifies their inclusion in government minority-contracting programs such as the City of Chicago’s Minority and Women-Owned Business Enterprise Program for construction contracts (“Chicago MBE Program”).¹ The MBE Program reflects the City of Chicago’s continued efforts to remedy past and existing discrimination against Asian American-owned businesses in the construction industry. As the Chicago City Council concluded in 2007 and again in 2009, there is indeed a sufficient evidentiary and legal basis for the continued inclusion of Asian Americans in the Chicago MBE Program.

Evidence of discrimination against Asian Americans is documented in various sources, including Asian American Institute’s July 10, 2009 testimony to the Chicago City Council.² Asian American-owned businesses continue to face discrimination in obtaining government contracts – as well as in obtaining bonding, credit, fair prices from suppliers, access to social networks, appropriate return on education, and information about contracting opportunities. Asian American-owned businesses also have concerns regarding enforcement and monitoring of government minority-contracting programs due to practices such as fraud and pass-throughs. Policymakers should undertake future research to further investigate the effect of such problems on Asian Americans as well as other minority and women business owners.

¹ Chicago Mun. Code ch. 2-92 § 2-92-690 (2010)
(Other provisions govern the MBE program and goals for non-construction contracts).

² Asian American Institute Testimony Before the Chicago City Council Subcommittee on MBE/WBE Affirmative Action Matters in Support of Proposed Amendment to MBE/WBE Program (Jul. 10, 2009), available at <http://aaichicago.org/PDF%20Files/AAI%20Written%20Testimony%20for%207-10-09%20Subcommittee%20Meeting.pdf>.

Even though Asian American-owned businesses have experienced significant discrimination both historically and in the present day, their inclusion in government minority-contracting programs is sometimes questioned or even dismissed. Unfortunately, the misperception that Asian American-owned businesses do not face discrimination and are not disadvantaged is still prevalent in the United States and in Chicago. Asian Americans were previously removed from the categories of presumptively socially disadvantaged minorities in the Chicago MBE Program.³ Even though they have subsequently been re-included, Asian American construction contractors in Chicago have suffered ongoing repercussions from previously being excluded. Confusion still exists among contractors and the general public regarding whether Asian Americans are considered a “minority” for the purpose of the Chicago MBE Program.

Asian Americans have a unique history of discrimination and, as such, a one-size-fits-all assessment will not sufficiently measure the discrimination that Asian Americans face. There are inherent limitations of traditional research in measuring discrimination against Asian Americans. Asian Americans in Chicago are quite diverse in terms of ethnicities, socio-economic status, languages spoken, and several other factors. In order for researchers and policymakers to obtain more comprehensive facts regarding discrimination against Asian American contractors, data on the subgroups within the Asian American community should be disaggregated.

Discrimination is indeed a significant barrier for Asian American-owned businesses. They should be included in affirmative action programs and they should have a voice in guiding research and policy formation moving forward.

Survey of Business Owners

The Survey of Business Owners (SBO) is conducted by the U.S. Census Bureau and is the only comprehensive, regularly collected data for businesses and business owners by gender, veteran status, and minority status, which includes race and ethnicity. Data has been collected every five years since 1972, for years ending in “2” and “7” as part of the economic census. For business ownership by race, categories of ownership are based on the race of the person or persons who owned 51 percent or more of the stock or equity in the business in 2007. Therefore, “Asian-owned” is defined as any firm with Asian owners holding a 51 percent or larger stake in the business. Estimates include the number of employer and nonemployer firms, sales and receipts, annual payroll, and employment. To learn more about the SBO visit the U.S. Census Bureau’s website at www.census.gov/econ/sbo.

Economy-Wide Estimates of Business Ownership by Race in the United States, 2007

	All firms (number)	Receipts (\$1,000)	Employer firms (number)	Employer receipts (\$1,000)	Employees (number)	Annual payroll (\$1,000)	Nonemployer firms (number)	Nonemployer receipts (\$1,000)
American Indian and Alaska Native	236,691	34,353,842	23,662	27,494,075	185,037	5,930,247	213,029	6,859,767
Asian	1,549,559	506,047,751	397,426	453,574,194	2,807,771	79,230,459	1,152,134	52,473,557
Black or African American	1,921,864	135,739,834	106,566	97,144,898	909,552	23,334,792	1,815,298	38,594,936
Hispanic or Latino	2,260,269	350,661,243	248,852	279,920,707	1,908,161	54,295,508	2,011,417	70,740,536
Native Hawaiian and Other Pacific Islander	37,687	6,319,357	4,151	5,250,301	37,801	1,217,138	33,536	1,069,056
White	22,595,146	10,240,990,714	4,639,743	9,406,549,498	52,518,201	1,824,109,379	17,955,403	834,441,216
Total	27,092,908	30,031,519,910	5,735,562	29,058,828,476	117,310,118	4,822,816,636	21,357,346	972,691,434

Figure 1.1: Economy-Wide Estimates of Business Ownership by Race in the United States, 2007

Source: U.S. Census Bureau, 2007 Survey of Business Owners

Definitions

Firm - A firm is a business organization or entity consisting of one domestic establishment (location) or more under common ownership or control. All establishments of subsidiary firms are included as part of the owning or controlling firm. For the economic census, the terms “firm” and “company” are synonymous.

Receipts - Includes the total sales, shipments, receipts, revenue, or business done by domestic establishments (excludes foreign subsidiaries) within the scope of the Survey of Business Owners.

Economy-Wide Estimates of Business Ownership by Race in Illinois, 2007

	All firms (number)	Receipts (\$1,000)	Employer firms (number)	Employer receipts (\$1,000)	Employees (number)	Annual payroll (\$1,000)	Nonemployer firms (number)	Nonemployer receipts (\$1,000)
American Indian and Alaska Native	5,391	690,412	547	527,612	4,420	108,716	4,844	162,800
Asian	59,367	18,485,950	16,006	16,558,993	102,991	3,223,116	43,360	1,926,957
Black or African American	106,626	6,840,718	3,998	5,081,283	45,295	1,375,287	102,628	1,759,435
Hispanic or Latino	56,567	10,337,194	7,632	8,830,601	77,449	2,103,708	48,935	1,506,593
Native Hawaiian and Other Pacific Islander	569	31,590	53	19,977	277	7,469	515	11,612
White	914,143	473,676,167	202,281	441,746,461	2,335,490	87,730,356	711,862	31,929,706
Total	1,123,817	1,473,210,665	250,933	1,435,668,963	5,302,469	233,661,304	872,884	37,541,702

Asians owned around 60,000 Illinois businesses operating in 2007, an increase of 33 percent from 2002

Asian-owned firms employed around 103,000 people in Illinois, which is approximately 2 percent of total employment in the state

Asian-owned firms accounted for 5.3 percent of all businesses in Illinois

Asian businesses generated \$18.5 billion in receipts, a 27 percent increase since 2002

Figure 1.2: Economy-Wide Estimates of Business Ownership by Race in Illinois, 2007

Source: U.S. Census Bureau, 2007 Survey of Business Owners

Company Statistics Series: Statistics for Asian-owned Businesses in Illinois by Ethnicity, 2007

	All firms (number)	Receipts (\$1,000)	Employer firms (number)	Employer receipts (\$1,000)	Employees (number)	Annual payroll (\$1,000)	Nonemployer firms (number)	Nonemployer receipts (\$1,000)
Asian Indian	18,693	8,219,832	6,383	7,480,653	42,343	1,519,416	12,311	739,179
Chinese	11,766	3,392,353	3,199	3,020,870	20,011	511,340	8,567	371,484
Filipino	8,595	1,363,599	1,328	1,162,038	11,370	403,351	7,267	201,561
Japanese	1,486	645,089	351	588,700	2,708	98,969	1,135	56,389
Korean	8,008	2,447,742	2,542	2,216,697	14,752	366,046	5,466	231,045
Vietnamese	4,281	328,980	547	180,884	2,366	46,776	3,734	148,095
Other Asian	7,092	2,059,832	1,658	1,873,640	8,811	257,349	5,434	186,191

Figure 1.3: Company Statistics Series: Statistics for Asian-owned Businesses in Illinois by Ethnicity, 2007
Source: U.S. Census Bureau, 2007 Survey of Business Owners

Growth in Illinois Businesses by Race, 2002 to 2007

	Number of Firms, 2002	Number of Firms, 2007	% Change
American Indian and Alaska Native	3,379	5,391	59.5%
Asian	44,477	59,367	33.5%
Black or African American	68,699	106,626	55.2%
Hispanic or Latino	39,539	56,567	43.1%
Native Hawaiian and Other Pacific Islander	656	569	-13.3%
White	813,342	914,143	12.4%
Total	958,120	1,123,817	17.3%

Figure 1.4: Growth in Illinois Businesses by Race, 2002 to 2007
Source: U.S. Census Bureau, 2002 and 2007 Survey of Business Owners

From 2002 to 2007, Asian-owned business ownership increased faster than Illinois'—33 percent versus 17 percent.

Economy-Wide Estimates of Asian-owned Business by Sector in Illinois, 2007

Sectors	All firms (number)	Receipts (\$1,000)	Employer firms (number)	Employer receipts (\$1,000)	Employees (number)	Annual payroll (\$1,000)	Nonemployer firms (number)	Nonemployer receipts (\$1,000)
Agriculture, forestry, fishing and hunting	14	367	0	0	0	0	14	367
Mining, quarrying, and oil and gas extraction	S	S	S	S	S	S	S	S
Utilities	11	356	0	0	0	0	11	356
Construction	1,507	448,399	281	385,050	1,899	101,965	1,227	63,350
Manufacturing	841	1,318,776	412	1,299,825	7,476	256,681	429	18,951
Wholesale trade	1,982	4,124,600	1,045	4,016,296	7,231	279,800	937	108,304
Retail trade	6,352	3,569,260	2,912	3,389,440	11,402	184,535	3,440	179,819
Transportation and warehousing	4,799	688,117	307	542,508	2,502	87,466	4,493	145,609
Information	584	244,952	98	226,512	998	66,444	486	18,440
Finance and insurance	1,886	334,894	344	230,628	1,502	48,231	1,542	104,266
Real estate and rental and leasing	3,745	500,804	244	195,758	1,084	37,520	3,501	305,046
Professional, scientific, and technical services	8,756	1,826,240	1,904	1,506,334	9,437	602,159	6,851	319,906
Management of companies and enterprises	8	1,167	8	1,167	231	12,606	0	0
Administrative and Support and Waste Mang and Remediation Svcs	2,672	344,722	457	292,550	5,714	141,380	2,215	52,173
Educational services	1,322	189,741	160	174,449	2,301	66,563	1,162	15,292
Health care and social assistance	8,771	2,594,082	2,755	2,344,936	18,580	879,122	6,016	249,146
Arts, entertainment, and recreation	1,508	53,326	S	S	S	S	1,409	32,883
Accommodation and food services	4,487	1,691,292	3,639	1,631,528	27,371	374,518	849	59,764
Other services (except public administration)	10,130	553,740	1,355	300,475	4,952	78,456	8,776	253,265
Industries not classified	S	S	S	S	S	S	S	S
Total for all sectors	59,367	18,485,950	16,006	16,558,993	102,991	3,223,116	43,360	1,926,957

Figure 1.5: Economy-Wide Estimates of Asian-owned Business by Sector in Illinois, 2007. Source: U.S. Census Bureau, 2007 Survey of Business Owners

S - Withheld because estimate did not meet publication standards