



# Philadelphia's Minority Business Ecosystem

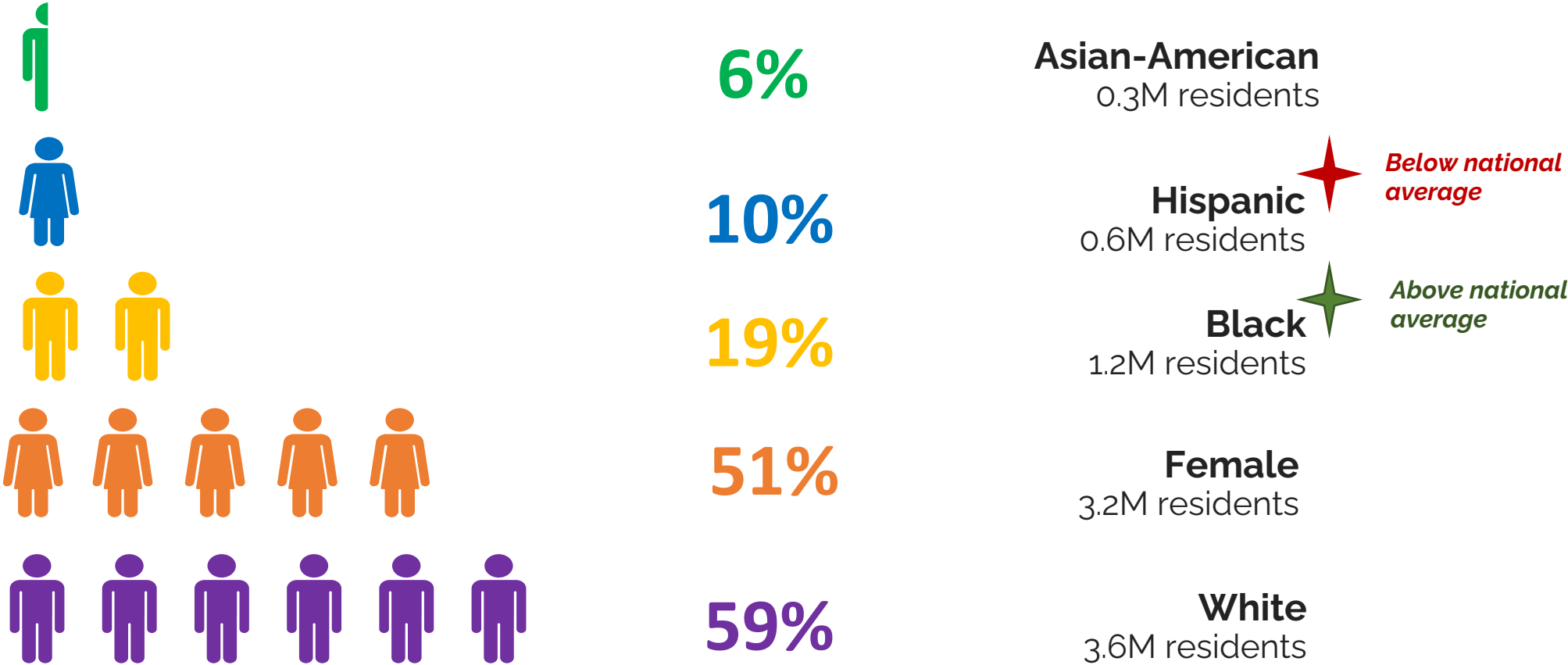
Prepared for The Enterprise Center's March 16 Mayoral Forum

# Agenda

1. **General Baseline**
2. Business ownership disparities
3. Sectoral Breakdown
4. COVID-19 early effects
5. Public Procurement
6. Additional metrics: capital & commercial corridors
7. Data caveats

# Philadelphia is one of the top metros with the highest presence of minority-owned business

With 6.2M residents, Philadelphia is **the seventh largest metro in the US**



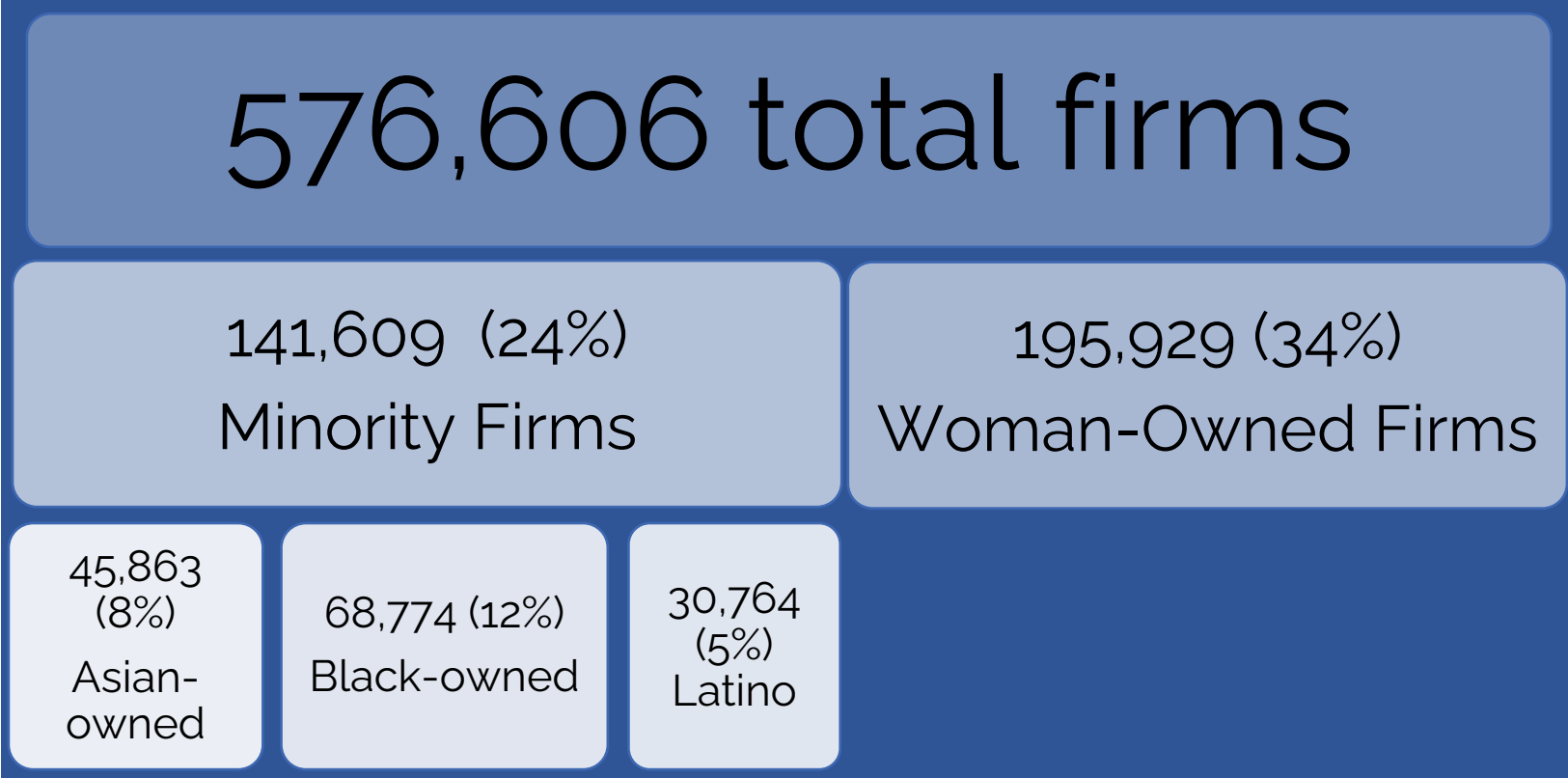
Source: 2021 ACS

# Philadelphia is one of the top metros with the highest presence of minority-owned business

Philadelphia is the metro with the **ninth-largest** number of businesses in the country

Nonemployer firms represent approximately **80% of this total** (slightly below the national average of 82%)

In Philadelphia, **1 in every four firms is minority-owned**, ranking 12 among metros with more minority-owned firms.



Notes: Sectoral data is for Philadelphia-Camden-Wilmington, MSA. Source: 2018 ABS and 2018 ACS.

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# There are racial, ethnic and gender disparities in Philadelphia's businesses ownership, measured on a per—resident basis

## EMPLOYER BUSINESSES

### Latino-owned businesses baseline

# of Employer Businesses	
4	Latino firms per 1,000 Latinos
19	Non-Latino firms per 1,000 non-Latino residents

x5 gap

### Black-owned businesses baseline

# of Employer Businesses	
2	Black firms per 1,000 Black residents
22	White firms per 1,000 White residents

x10 gap

The ownership is lowest among Black residents

### Woman-owned businesses baseline

# of Employer Businesses	
6	Black firms per 1,000 Black residents
24	White firms per 1,000 White residents

x6 gap

### Asian American-owned businesses baseline

# of Employer Businesses	
33	Asian-owned firms per 1,000 Asian Residents
23	White firms per 1,000 White residents

Inv gap

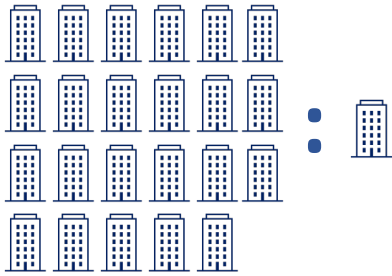
Asian-American-owned businesses surpass their white counterparts in employer firms



However, employer firms represent only 20% of all firms in Philadelphia with Black-owned firms having the highest nonemployer to employer firms disparity ratio

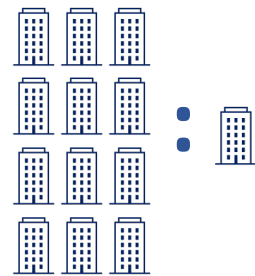
*Ratios of nonemployer to employer firms*

**Black**



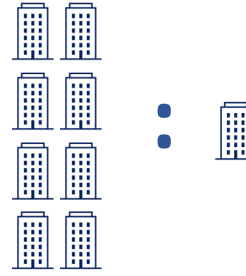
**23 : 1**

**Hispanic**



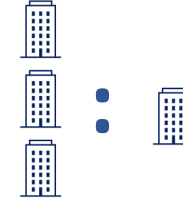
**12 : 1**

**Woman**



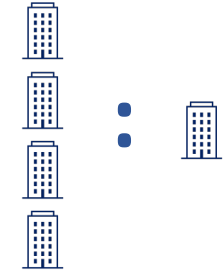
**8 : 1**

**Asian**



**3 : 1**

**White**



**4:1**

In Philadelphia, there are four white-owned nonemployer firms for every white-owned employer firm. On the other hand, there are 23 nonemployer Black-owned businesses for every Black-owned employer firms

This ratio is striking but in line with national numbers of 95% of all Black businesses being nonemployer firms—**a huge opportunity to grow Black wealth.**

**Notes:** Nonemployer businesses are sole proprietors, ranging from individuals with additional income from a side hustle to businesses that haven't yet officially hired employees and instead issue 1099s. Sectoral data is for Philadelphia-Camden-Wilmington, MSA. **Source:** 2018 -2020 ABS and 2020 ACS.

# The high presence of minorities make ownership disparities much smaller among non-employer firms

## NONEMPLOYER BUSINESSES

### Latino-owned businesses baseline

# of Nonemployer Businesses	
44	Latino firms per 1,000 Latinos
72	Non-Latino firms per 1,000 non-Latino residents

X1.6 gap

### Black-owned businesses baseline

# of Nonemployer Businesses	
56	Black firms per 1,000 Black residents
89	White firms per 1,000 White residents

X1.6 gap

This gap is six times smaller than the one encountered in employer firms

### Woman-owned businesses baseline

# of Nonemployer Businesses	
55	Black firms per 1,000 Black residents
82	White firms per 1,000 White residents

X1.5 gap

### Asian American-owned businesses baseline

# of Nonemployer Businesses	
89	Asian-owned firms per 1,000 Asian Residents
89	Non-Latino firms per 1,000 non-Latino residents

No gap

Asian-American-owned businesses keep pace with their white counterparts in nonemployer firms

Notes: Sectoral data is for Philadelphia-Camden-Wilmington, MSA. Source: 2018 ABS and 2020 ACS.



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# Minorities' top industries are low-wage while non-minorities concentrate in high-wage industries.

*Top 5 industries by minority status  
(based on total number of firms)*

	Nonminority firms			Minority Firms		
	Sector	Share	Avg annual wage	Sector	Share	Avg annual wage
1	Professional Services	17%	\$97K	Accommodation & Food Services	21%	\$14K
2	Construction	14%	\$75K	Retail Trade	19%	\$23K
3	Retail Trade	9%	\$37K	Health Care & Social Assistance	12%	\$27K
4	Health Care & Social Assistance	9%	\$42K	Professional Services	13%	\$80K
5	Administration & Waste Mgmt	7%	\$41K	Administration & Waste Mgmt	4%	\$31K

**Low wage** – below minority avg
  **Medium wage** – Above minority avg & below total avg
  **High wage** – Above total avg

- Four of the top 5 non-minority industries (based on the number of businesses) are high-wage industries. **For minorities, only 1 top industry is high-wage**
- Even when comparing the same sectors, wages are higher for nonminority businesses. For professional services, **the average annual wage among minority businesses is 20% lower** than among nonminority businesses.

**Notes:** Sectoral data is for Philadelphia-Camden-Wilmington/ High-wage industries were defined as those with avg annual wages of \$31K (the average for minority businesses), MSA. **Source:** 2018-2020 ABS and 2019 ACS.

# Consistent with national trends, B2B-oriented sectors provide the highest wages for minority employer businesses

*Top 5 industries by group  
(based on total number of **employer** firms)*

Black	Hispanic	Asian	Woman	Nonminority
<b>Health Care &amp; Social Assistance</b>	<b>Retail Trade</b>	<b>Accommodation &amp; Food Services</b>	<b>Professional Services</b>	<b>Professional, Services</b>
33%	23%	26%	17%	17%
\$23	\$21	\$ 14	\$ 77	\$ 97
<b>Professional Services</b>	<b>Accommodation &amp; Food Services</b>	<b>Retail Trade</b>	<b>Health Care &amp; Social Assistance</b>	<b>Construction</b>
12%	17%	22%	16%	14%
\$73	\$ 14	\$ 22	\$34	\$75
<b>Administration &amp; Waste Mgmt</b>	<b>Administration &amp; Waste Mgmt</b>	<b>Professional Services</b>	<b>Retail Trade</b>	<b>Retail Trade</b>
9%	11%	13%	12%	9%
\$ 22	\$ 33	\$ 83	\$ 17	\$ 37

**Professional services** stands out as the best-paid industry accessible for Black and Asian-American entrepreneurs

**Low wage –** below minority avg
  **Medium wage –** Above minority avg & below total avg
  **High wage-** Above total avg

**Notes:** Sectoral data is for Philadelphia-Camden-Wilmington, MSA. **Source:** 2018-2020 ABS and 2019 ACS.

# Minority nonemployer firms have a greater presence in medium-wage industries

*Top 5 industries by group  
(based on total number of **nonemployer** firms)*

**Transportation and Warehousing** stands out as the top industry for minorities in nonemployer firms

Black	Hispanic	Asian	Woman	Non Minority
<b>Transportation &amp; Warehousing</b>	<b>Transportation &amp; Warehousing</b>	<b>Transportation &amp; Warehousing</b>	<b>Professional Services</b>	<b>Professional Services</b>
27%	20%	21%	17%	19%
\$40.12	\$42.11	\$26.39	\$59.17	\$ 80.81
<b>Health Care &amp; Social Assistance</b>	<b>Administration &amp; Waste Mgmt</b>	<b>Professional Services</b>	<b>Health Care</b>	<b>Real Estate</b>
17%	14%	14%	16%	14%
\$30**	\$45**	\$70.61	\$ 30.27	\$98.80
<b>Professional Services</b>	<b>Construction</b>	<b>Real Estate</b>	<b>Retail Trade</b>	<b>Construction</b>
13%	11%	13%	10%	10%
\$43.84	\$ 35.19	\$45**	\$ 31.06	\$ 74.59

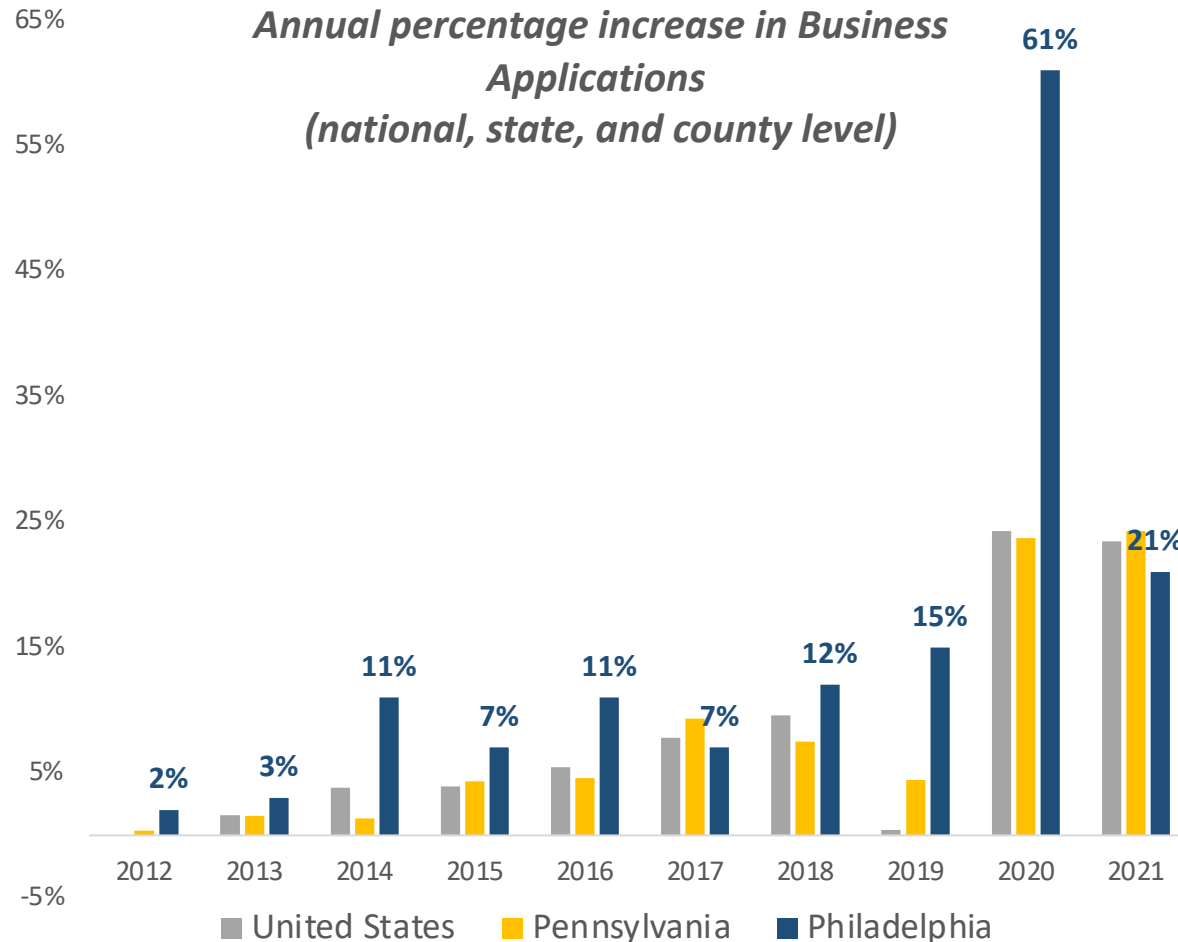
**Low wage** – below minority avg
  **Medium wage** – Above minority avg & below total avg
  **High wage**- Above total avg

**Notes:** \*\* Due to missing data these average wages were approximated with the average for all minorities **Source:** 2018 ABS

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# The wave of entrepreneurial activity that the pandemic unleashed across the country was even stronger in Philadelphia.



- **In 2020, Philadelphia business applications grew by 61%, a significantly higher rate than the 24% rate observed statewide and nationally.**
- That same year, Pennsylvania ranked as the 17th state with the highest number of business applications. The percentage of **Pennsylvania's filings coming from Philadelphia increased from 15% in 2012 to 27% in 2021.**
- Unfortunately, there is no data on the race and ethnicity of the entrepreneurs filling out these applications.

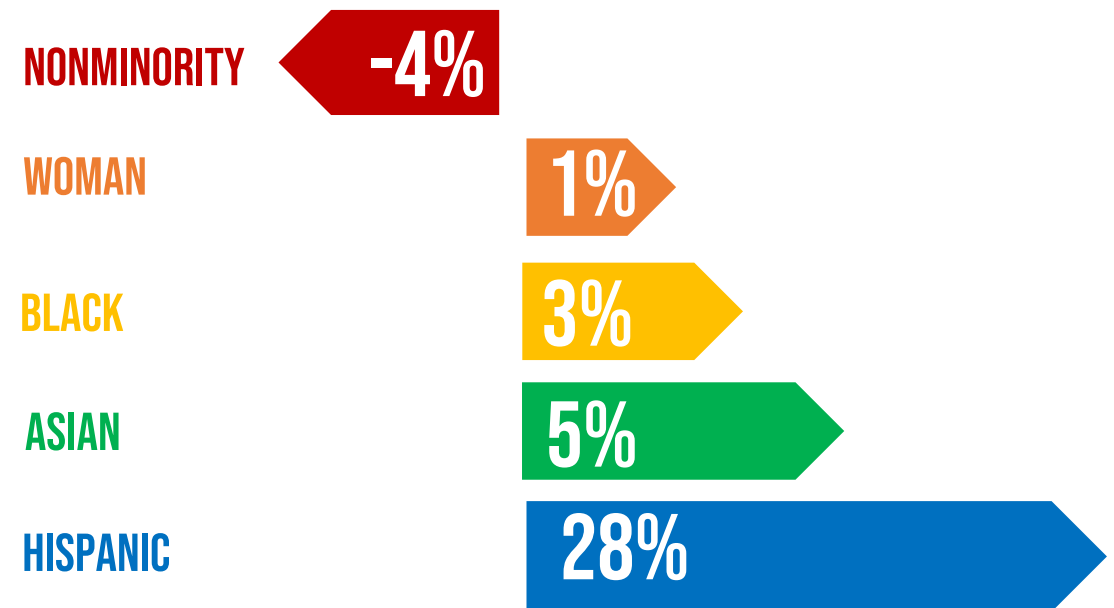


The biggest gains in business were driven by minority groups, who were heavily affected by the pandemic.

While **minority businesses increased by 7% in 2020, nonminority businesses decreased by 4%**. Latino firms saw the largest increase (28%)

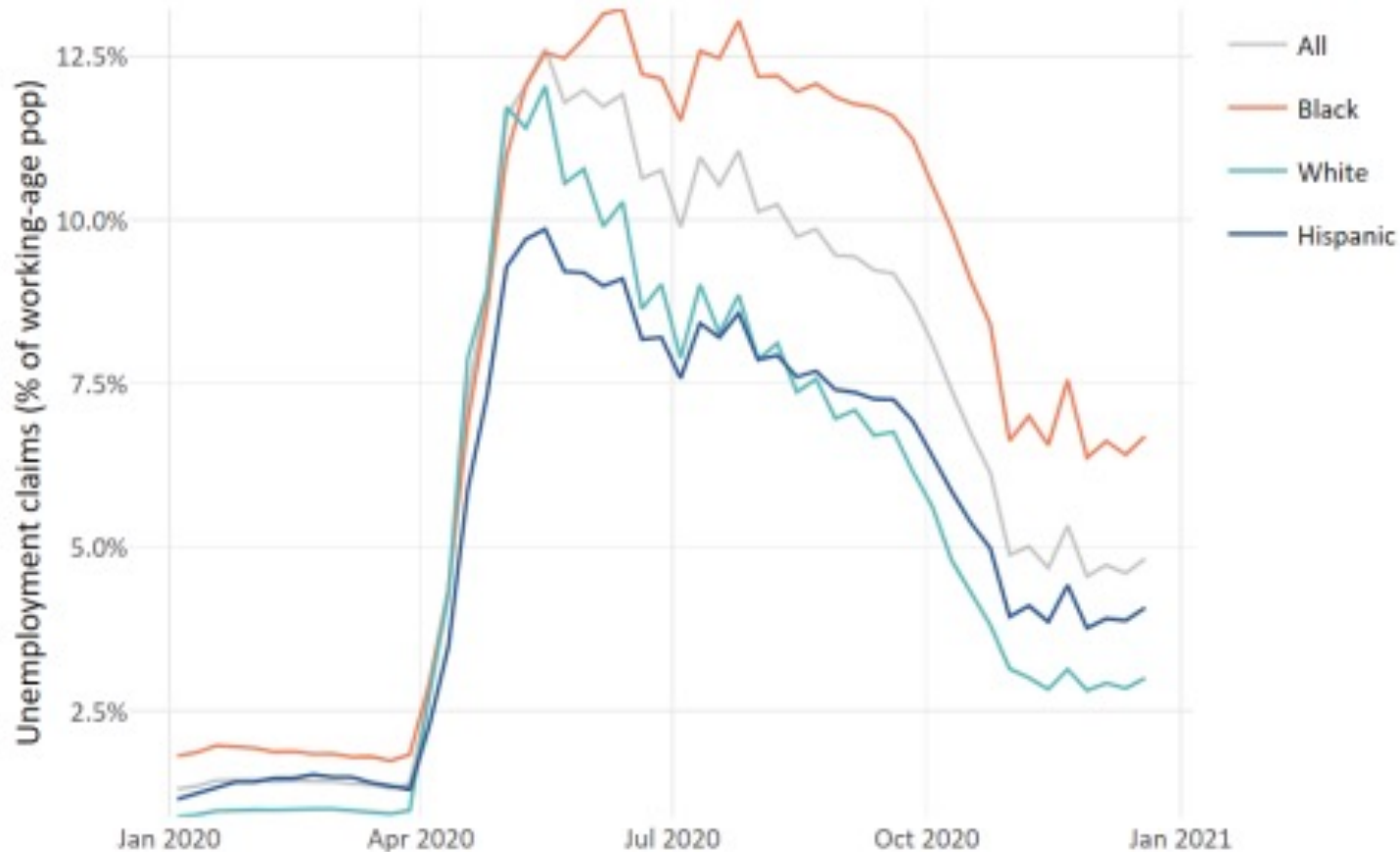
Part of this increase could be related with demographic trends: Pennsylvania is the 10<sup>th</sup> state in the US experiencing the fastest growth in the Latino Population (173%) while the total population grew in 4%

*Change in the total number of firms by group*



# The biggest gains in business formation were driven by minority groups, who were severely affected by layoffs

Unemployment assistance by race/ethnicity, 2020.

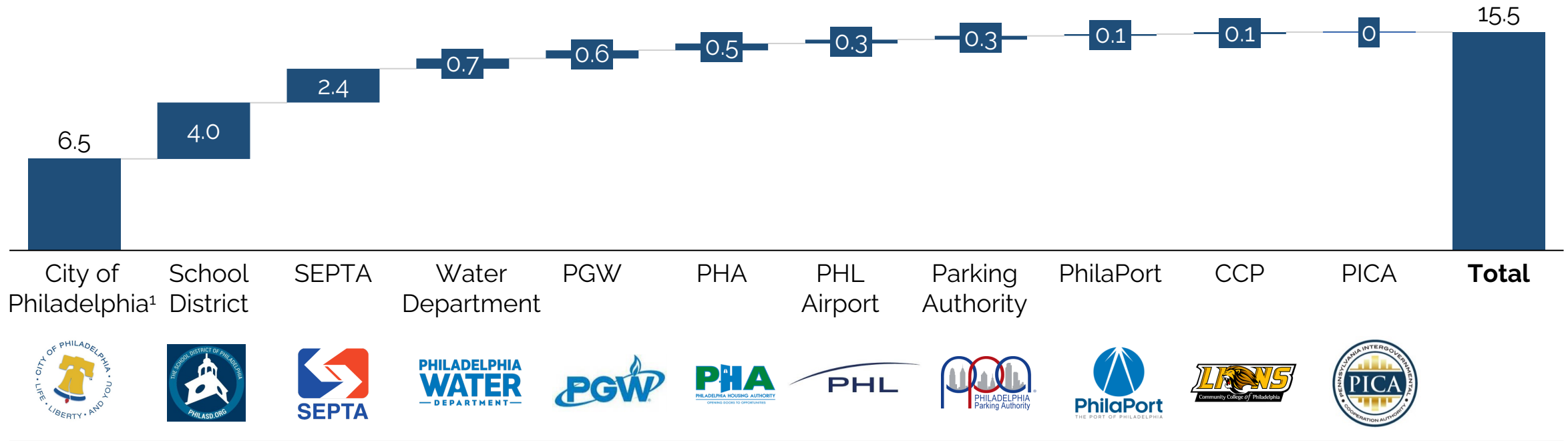


- Although unemployment peaked in all groups, recovery was slower for minority groups.
- From January to May 2020 unemployment assistance increased from 1.9% to 12.% for Black workers, from 1.5% to 9.9% for Latino workers and from 1% to 12% for White workers
- By December 2030 6.7% of Black workers, 4.1% of Hispanic workers, and 3% of White workers were receiving unemployment assistance

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# The full spectrum of public and quasi-public spend in Philadelphia totals to \$15.5B annually

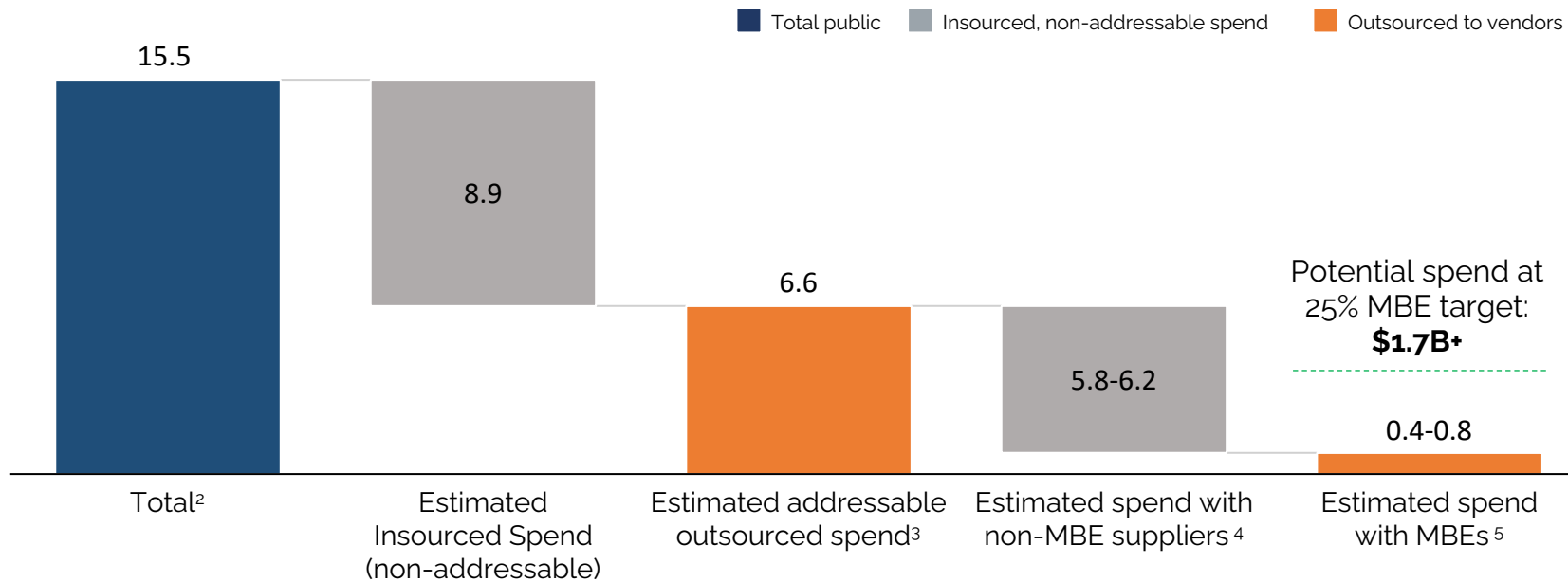


To calculate total outsourced spend potentially available to MBEs in Philadelphia, we have consolidated capital and operations expenditures across public and quasi-public entities in Philadelphia

**Note: 1-** Excludes Aviation (PHL Airport) and Water which are listed separately given individual procurement processes

**From this spend, \$6.6B is outsourced annually. Only 15% gets to MBEs, which is below targets set by the city and its agencies.**

**Estimated Annual Philadelphia Public Sector Outsourced Spend Overview<sup>1</sup>**  
 \$B, 2020



Philadelphia's public and quasi-public sector spends ~\$6.6B per year with third parties, from which ~**6-13%** (~\$0.4-0.8B) is with MBEs

To achieve the City's target of 25% MBE participation would require **an incremental \$0.8-1.3B in spend to minority businesses by public agencies**

**Notes:** Reaching an MBE target spend of 25% would drive \$1.7B+ to MBEs

Despite the pandemic, the share of M/WBE utilization increased in the public in the city's FY2021, towards the stated 35% goal.

Top 10 Women Business Enterprise (MBE) Firms - Dollars Awarded			
Ranking	Business Name	Business Classification	Total Contract Dollars (Prime and Sub)
1	Clinical Solutions, LLC	White Female	\$2,929,017.00
2	Duffield Associates, LLC	White Female	\$1,540,000.00
3	Resilient Business Solutions, LLC	White Female	\$1,500,000.00
4	Momentum, Inc.	White Female	\$1,144,000.84
5	Hunt Engineering Co.	White Female	\$1,125,000.00
6	Turtle & Hughes Inc.	White Female	\$1,050,000.00
7	Duffield Associates, Inc.	White Female	\$890,000.00
8	It Takes A Village, Inc	White Female	\$834,500.00
9	Cocco Contracting Corp.	White Female	\$777,533.00
10	Merkin Shotland, PC	White Female	\$750,000.00

Top 10 Minority Business Enterprise (MBE) Firms - Dollars Awarded			
Ranking	Business Name	Business Classification	Total Contract Dollars (Prime and Sub)
1	U.S. Facilities, Inc.	African American Male	\$18,499,114.66
2	Timi Pharmaceuticals, Inc.	African American Female	\$5,445,442.00
3	Creative Management Technology, Inc.	African American Male	\$4,445,824.00
4	Arora Systems Group	Asian Male	\$3,857,616.64
5	U.S. Facilities, Inc.	African American Male	\$3,657,085.00
6	Tri-Force Consulting	Asian Male	\$3,566,550.98
7	Scotlyard Security Svc	African American Male	\$2,894,513.00
8	Correctional Dental Association	African American Male	\$2,762,400.00
9	First Choice Home and Community Services	African American Male	\$2,439,601.00
10	Mil Ray Food Co.	African American Female	\$2,439,601.00

Figure 1: FY 2020 vs. FY 2021 M/WBE Utilization in City Contracts



FY 2021 M/WBE Utilization in City Contracts

**32.5%**

Up from 30.1% in FY 2020

M/WBE Spending by Ethnicity or Gender for All City Contracts



Distribution of M/WBE Spending for All City Contracts by M/WBE Sub-Category





It is unclear, however, the degree to which B2G procurement helps local MBEs in the city of Philadelphia, given the location of registered diverse businesses.

Figure 8: OEO Registry by Location

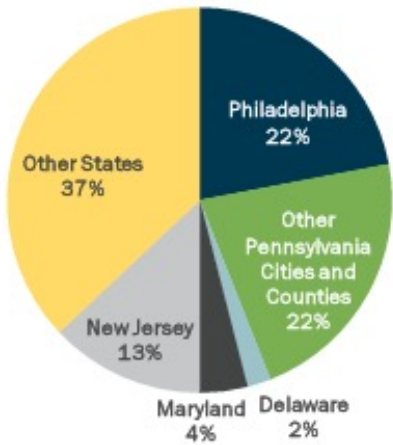
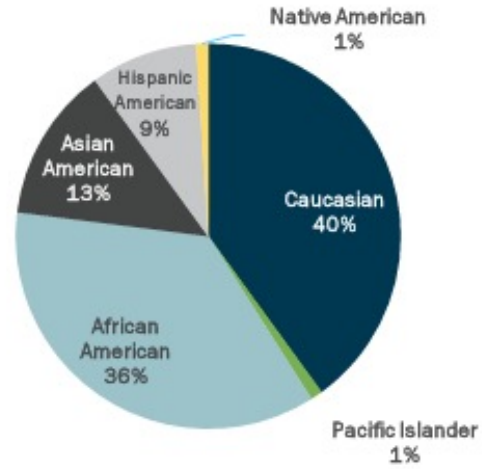


Figure 9: Count of Diverse Businesses



## OEO REGISTRY DETAIL

Business Count Broken down by Race/Ethnicity and Gender			
Race/Ethnicity	Gender	Number of Firms	Percentage
African American	Female	316	11.8%
	Male	652	24.3%
Asian American	Female	113	4.2%
	Male	244	9.1%
Caucasian	Female	1053	39.2%
	Male	16	0.6%
Hispanic American	Female	80	3.0%
	Male	174	6.5%
Native American	Female	11	0.4%
	Male	14	0.5%
Pacific Islander	Female	5	0.2%
	Male	10	0.4%
<b>Total</b>		<b>2,688</b>	

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The amount share of gov't small business funding is not proportionate to the amount of majority nonwhite Census tracts in the MSA.

## Philadelphia – Camden— Wilmington, PA-NJ-DE-MD Metro Area

Small Business Lending Programs*	Share of program funding in majority nonwhite tracts (%)	Location share of majority nonwhite tracts in MSA (%)	Program Year(s) captured
<b>PPP</b>	14%	27%	2020
<b>CRA Small Business Lending</b>	12%	27%	2012-19
<b>SBA 7(A)</b>	14%	27%	2012-20
<b>SBA 504</b>	13%	27%	2012-20

Source: [The Federal Reserve Bank of St. Louis, Community Investment Explorer 2.0](#)

Note\*: Programs are typically administered by banks and CDFIs

With more data, it may be possible to say that while West Philly's corridors have a higher overall vacancy rate, they are declining at a *slower* rate.

## Commercial Corridor Vacancy Rate in Philadelphia, pre-pandemic baseline\*

Geography	2017 Commercial Corridor Average Vacancy Rate	2017 Commercial Corridor Median Vacancy Rate	2003 Commercial Corridor Average Vacancy Rate	2003 Commercial Corridor Median Vacancy Rate	Median Vacancy % Change 2003 - 2017
West Philly	24.6%	25%	28.7%	23.5%	<b>6.4% increase</b>
Non-West Philly	16.8%	18.2%	14.4%	12.5%	<b>45.6% increase</b>

West Philly Zip Codes: 19104, 19131, 19139, 19143, 19151

Non-West Philly Zip Codes: 19082, 19118, 19119, 19138, 19144

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# Data caveats

- **General baseline:**
  - The Annual Business survey is only available at the MSA level. The information portrayed in the baseline represents the Philadelphia-Camden-Wilmington MSA.
- **Ownership ratios**
  - These were calculated with data from 2018 (the most recent data with this disaggregation). Ratios for employer firms were obtained for 2018 and 2020, showing no change among them.
- **Sectoral breakdown:**
  - Missing values were abundant when disaggregating by sectors for Black and Latino Companies in 2020.
  - For employer firms, these numbers for these groups were approximated using data from 2018-2018
  - For nonemployer firms, number come from 2018, limiting a 1 to 1 comparison with employer firms
- **Business applications:** Census Business Formation Statistics are not disaggregated by race, Ethnicity and gender, limiting analysis for specific groups.
- **Small business lending numbers** are not Philly-specific but relevant to the MSA.



# Data caveats

- **Corridors:** the median value is analyzed to account for missing some missing values and some outliers where the vacancy rate is reported at 0%. The vacancy rate is chosen to approximate the business context specifically, not just built environment measures. The average is useful here for corridors because the denominator is the sum of corridors. The recency of the data is also challenging, and only 2017 was chosen to analyze, given the range of surveys from 2011 – 2017. The unevenness of the data makes it difficult to determine rates of decline conclusively, but the data available generally point to a trend.
- **Agency procurement**
  - Agencies vary both in their targets and methodologies for calculating MBE participation. Current spend estimate includes women owned and disadvantaged businesses because of reporting granularity variances across agencies (e.g., SEPTA only counts DBEs, School District combines M/WBES). As a result, MBE will be used hereafter to refer to the prevailing classification in the pages that follow.
  - Where possible, analysis used reported outsourcing spend. Where outsourcing data was unavailable, an assumption of 45% of total spend being outsourced was used given Philadelphia and comparable city and agency data.
  - Where possible, analysis used agency reporting. Where unavailable, MBE participation rate estimates of 11% were used
  - Reaching an MBE target spend of 25% would drive \$1.7B+ to MBEs