

## Minneapolis-Specific Small Business Conditions

Minneapolis has a dynamic small business community and immigrant and systemically marginalized entrepreneurs play an important role in this ecosystem. These businesses in Minneapolis share many of the challenges facing immigrant and systemically marginalized small businesses elsewhere in the country but also contend with unique local challenges. The ongoing difficulties of maintaining a business during the pandemic and Minneapolis' attempts to recover from civil unrest present lingering obstacles. It is important to support immigrant and systemically marginalized businesses in Minneapolis because they are a major source of employment and wealth generation in their communities, in addition to contributing to the vibrance of the city. Helping small businesses operate can improve job quality for working families in the City.

### Who Are Minneapolis' Immigrant and Systemically Marginalized Communities and Entrepreneurs?

#### *The Communities*

The City of Minneapolis is growing and becoming more diverse, with 42% identifying as non-White in the 2020 census. Of non-White residents the largest groups are Black (19%), Latinx (11%), and Asian (6%). Both Minneapolis' immigrant population (15%) and percent of households which do not speak English at home (21.6%) are slightly above the national average (13.5% foreign born and 21.5% non-English speaking). Minnesota's immigrant and systemically marginalized populations are struggling compared to the white majority given the historical marginalization of these communities. Evaluating poverty in the State, around a quarter of African Americans and Mexicans, a fifth of Hmong, and half of Somalis live in poverty compared to just 1 in 10 white Minnesotans. Additionally, the large number of refugees in this population (110,000 people in the last 40 years, who make up 30% of immigrants during that period) generates unique challenges and opportunities for the State and Twin Cities.<sup>1</sup>

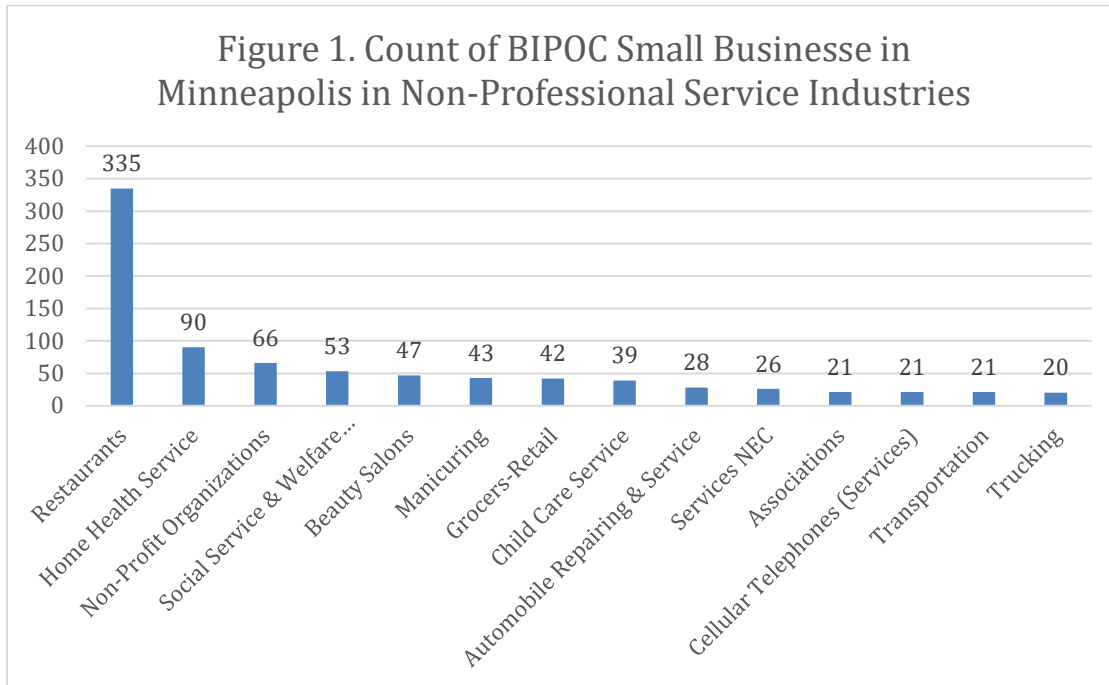
#### *The Entrepreneurs*

Minneapolis' immigrant and systemically marginalized communities are a vital source of economic and job growth in the City. Many immigrant and systemically marginalized Minneapolitans have taken up entrepreneurship, providing essential services and jobs for their communities. There are 138,178 firms with fewer than 100 employees employing 797,489

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<sup>1</sup> MN Chamber of Commerce. "The Economic Contribution of immigrants in Minnesota: Demographic Analysis." March 23, 2021. <https://www.mnchamber.com/blog/economic-contributions-immigrants-minnesota-demographic-analysis>

people in the Minneapolis-St. Paul-Bloomington MSA. Of small businesses in Minneapolis, 23% are Black, Indigenous, and People of Color (BIPOC) owned.<sup>2</sup>

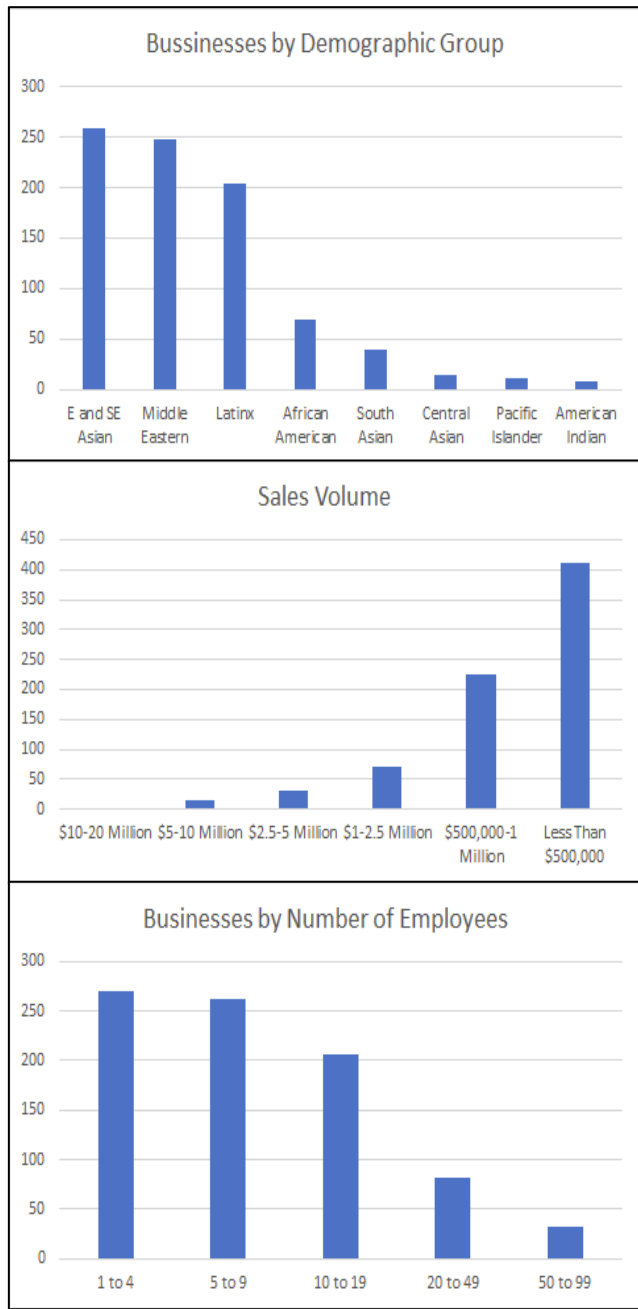


Based on evidence from the Data Axle business database, there are 852 BIPOC owned businesses in Minneapolis employing between 1 to 100 people and operating in non-professional services in industries with at least 20 businesses. These represent our target population. By far the largest group is restaurants followed by care services, non-profit or welfare organizations, beauty services, and grocery-retail (Figure 1). Of BIPOC entrepreneurs in the City, East and Southeast Asians are the largest racial group, followed closely by Middle Easterners and Latinx.

Most of these businesses are very small. About a third employ 1 to 4 workers, another third employs 5 to 9 workers, and a quarter employ 10 to 19 workers. Based on sales, 55% percent of BIPOC businesses in Minneapolis earn less than \$500,000 annually and 84% earn less than \$1 million (Figure 2). These businesses are concentrated in BIPOC communities and nearly perfectly overlap with the City’s cultural district program which aims to target greater investment in these communities (Figure 3). The greatest concentration of firms owned by immigrants and systemically marginalized people are in Philips, the neighborhoods along Lake Street, Cedar Riverside-Longfellow, the North Side, and the Central City neighborhoods.

<sup>2</sup> U.S. Census Bureau. “County Business Patterns: 2019.” <https://www.census.gov/data/datasets/2019/econ/cbp/2019-cbp.html>

**Figure 2. Characteristics of BIPOC Small Businesses in Minneapolis**



**Figure 3. Location of BIPOC Small Businesses by ZIP code**

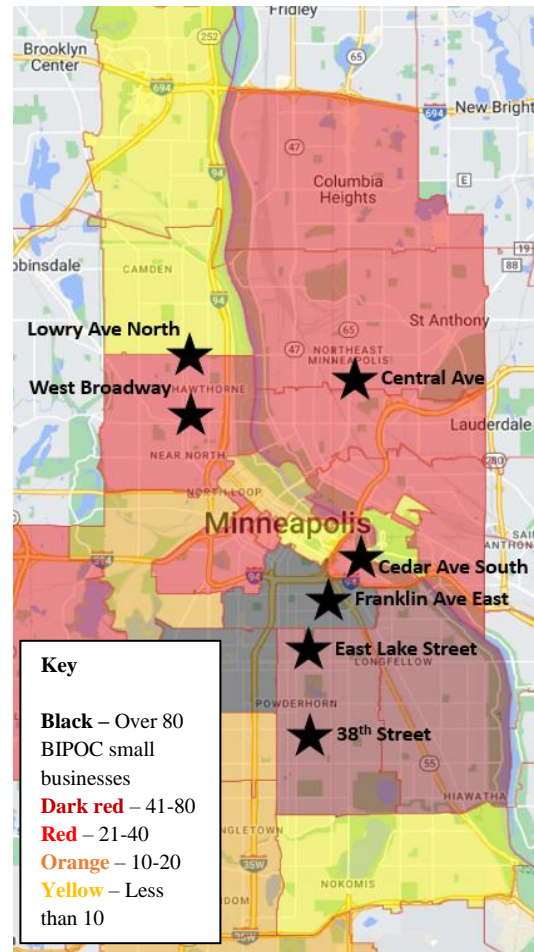
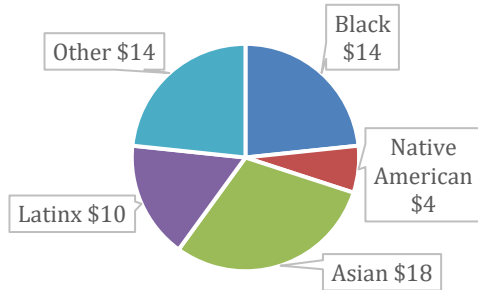


Figure 4. Immigrant and Systemically Marginalized Groups Economic Impact (\$ in Billions)



According to an analysis by Empowering Strategies, systemically marginalized and immigrant communities have built 47,000 businesses and contributed \$60 billion to the state’s economy, resulting in \$3 billion in additional taxes and 27,000 jobs with an annual payroll of \$700 million (Figure 4).<sup>3</sup> The impact of these businesses is targeted as immigrant and systemically marginalized businesses are concentrated within their communities.

### Minneapolis immigrant and systemically marginalized small businesses face common problems

Much like their counterparts across the country, immigrant and systemically marginalized small businesses in the City face common problems. Systemic racism, xenophobia, and exclusion mean these businesses have less resources, less support, and less connection to networks which can help them grow. Major challenges include:

- **Lack of access to financing:** Raising capital to start or grow a small business is a major barrier for Minneapolis’ immigrant and systemically marginalized small businesses. A 2018 study commissioned by Minneapolis small business associations found that 1/3rd of systemically marginalized-owned businesses in Minnesota find it is hard to obtain capital,<sup>4</sup> even during COVID when the government attempted to help small businesses to a greater degree. Of Minnesota small businesses who received less than \$150k in PPP loans, only 5.8% were BIPOC-owned.<sup>5</sup>
- **Lack of access to contracting:** Despite establishing numerous programs and goals, the City and State still struggle to achieve equitable contracting to immigrant and systemically marginalized small businesses. An analysis of the City’s procurement found that BIPOC and women owned businesses received only 11.17% of City procurement

<sup>3</sup> Corrie, Bruce. 2020. “ALANA Economic Contributions - \$60 billion in Minnesota.” *Empowering Strategies*. July, 25. <https://empoweringstrategies.org/alana-economic-contributions-60-billion-in-minnesota/>

<sup>4</sup> Cunningham, Gary L. 2019. “Minnesota needs to leverage its minority businesses.” *StarTribune*. May 10. <https://www.startribune.com/minnesota-needs-to-leverage-its-minority-businesses/509766332/?refresh=true>

<sup>5</sup> Corrie, Bruce. 2020. “Minnesota Data Suggests Poor PPP Loan Access by Minority Businesses.” *Empowering Strategies*. July 31. <https://empoweringstrategies.org/minnesota-data-reveals-poor-ppp-loan-access-by-minority-businesses/>

dollars compared to the 17.6% one would expect given the market availability of WMBE in the City. The greatest disparities were for African American and Latinx businesses.<sup>6</sup>

- **Lack of HR Support:** In our initial research and interviews with immigrant and systemically marginalized small businesses in Minneapolis, many report finding it difficult to obtain adequate business support. These businesses lack the HR departments, payroll systems, accountants, lawyers, and networks of larger and white-owned firms.
- **Lack of access to mentorship:** In our interviews, immigrant and systemically marginalized small businesses indicate that they have found access to government and non-profit support programs challenging. These businesses lament the “one-and-done” nature of these programs expressing a desire for on-going support and mentorship.
- **Too small:** Many immigrant and systemically marginalized entrepreneurs find financing, contracting, and support programs closed to them because they are “too small” or operate in “marginal” industries. Many Minneapolis small business programs still have sales thresholds too great for these businesses.

All these problems make it difficult for these small businesses to grow or expand beyond their communities. They are caught in a Catch-22 where they cannot grow nor improve job quality without more support but cannot access this support without growing.

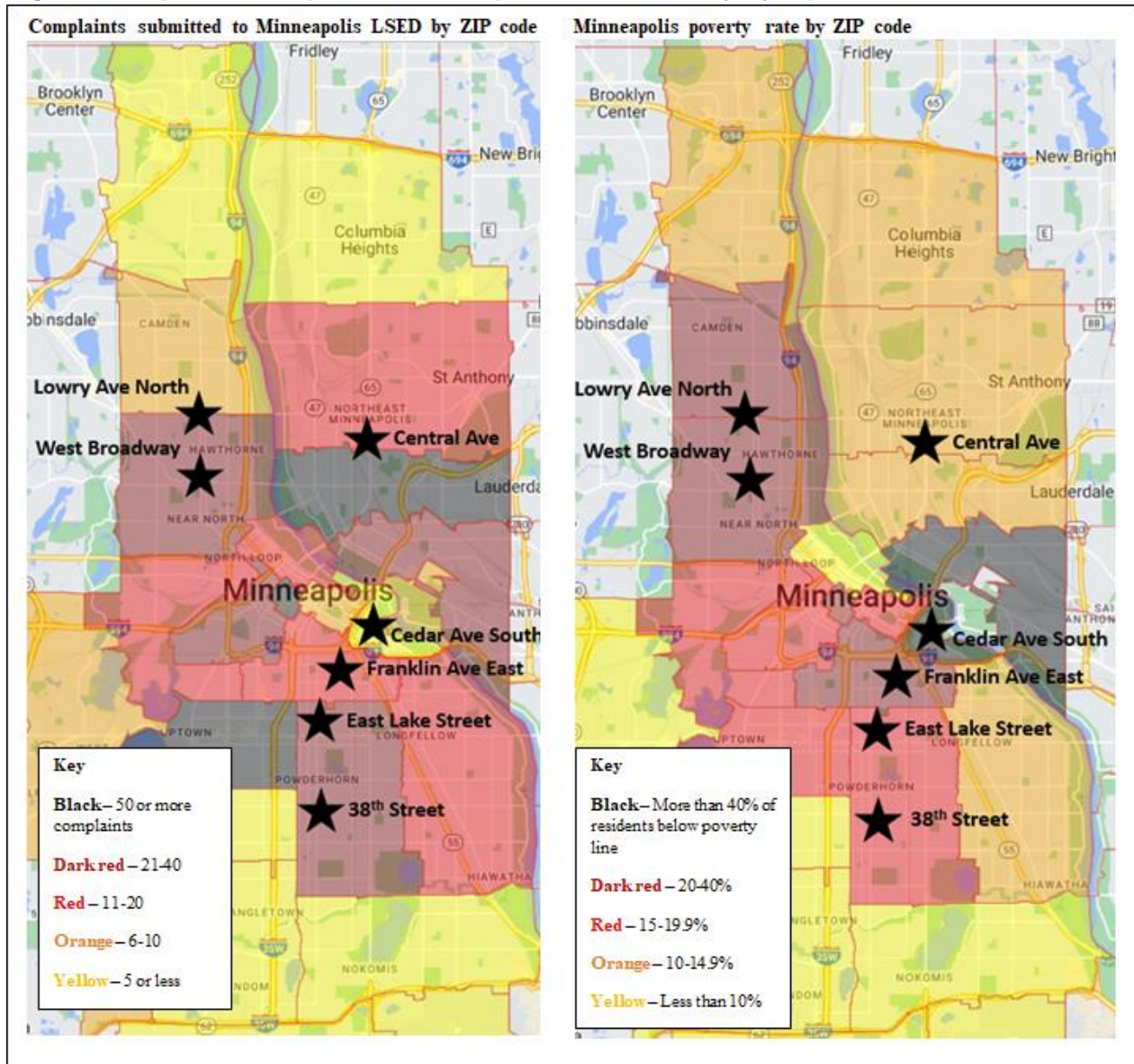
### **The Link Between Not Supporting Small Businesses and Job Quality**

The failure to provide adequate support for Minneapolis’ immigrant and systemically marginalized small businesses leaves these employers without adequate resources to improve job quality for their workers. Compliance data from the Minneapolis Labor Standards Enforcement Division supports this. Employment standards violation complaints are concentrated in the same communities where immigrant and systemically marginalized businesses are concentrated; they largely overlap with the cultural districts and parts of the city with the highest rates of poverty (Figure 5). The highest violation neighborhoods, in order, are Central Minneapolis, Northeast Park, West Lake Street, University District, Near North, and East Lake Street.

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<sup>6</sup> Kenn Independent Research LLC. 2018. “2017 Minnesota Joint Disparity Study City of Minneapolis Draft Report.” *City of Minneapolis*. January 29.  
[https://mn.gov/admin/assets/Keen%20Independent%20Minneapolis%20Disparity%20Study%20draft%20full%20report%2001292018\\_tcm36-325262.pdf](https://mn.gov/admin/assets/Keen%20Independent%20Minneapolis%20Disparity%20Study%20draft%20full%20report%2001292018_tcm36-325262.pdf)

**Figure 5. Map of Minneapolis with Complaints and Poverty by Zip Code**



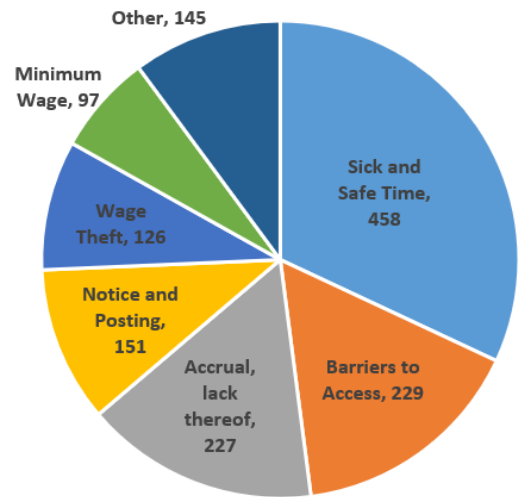
Similarly, complaints are more common in sectors such as food service and care industries, where immigrant and systemically marginalized entrepreneurs have greater opportunity (Table 1). Complaints are most common when laws are newer and require greater technical and procedural hurdles for compliance (Figure 6). They newer laws have fewer institutionalized implementation supports available, such as sick and safe time (Figure 6). These laws could be more difficult for immigrant and systemically marginalized businesses to comply with given their relatively diminished resources. The complaint data draws a picture showing that the same industries and communities where immigrant and systemically marginalized people are most present have higher labor violation complaints. Additionally, the most common complaints are

with laws which businesses that lack HR support would struggle to comply. This hints that capacity and lack of support plays a prominent role in driving violations for these businesses.

**Table 1. Industries with most complaints submitted to Minneapolis LSED**

Industry	Complaints	Workers Effected	Remedies
Accommodation and Food Services	199	3695	\$275,801
Health Care and Social Assistance	80	920	\$143,656
Transportation and Warehousing	56	2089	\$11,212
Retail Trade	43	839	\$42,431
Manufacturing	27	232	\$173
Other Services (except Public Administration)	21	807	\$10,500
Educational Services	18	399	0
Administrative and Support and Waste Management and Remediation Services	18	123	\$18,000
Professional, Scientific, and Technical Services	18	219	\$5,430
Arts, Entertainment, and Recreation	14	93	\$771.11

**Figure 6. Complaints submitted to Minneapolis LSED by violation type**



**NOTE: Each complaint may include more than one type of alleged violation**