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Yanneli Llamas

University of Nevada, Las Vegas, yanneli.llamas@unlv.edu

Madison Frazee-Bench

University of Nevada, Las Vegas, madison.frazee@unlv.edu

Caitlin J. Saladino

The Lincy Institute and Brookings Mountain West, caitlin.saladino@unlv.edu

William E. Brown Jr.

Brookings Mountain West, william.brown@unlv.edu

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MINORITY OWNED BUSINESSES IN THE SOUTHWEST MEGAPOLITAN TRIANGLE

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Prepared by: Yanneli Llamas, Madison Frazee-Bench, Caitlin J. Saladino, and William E. Brown, Jr.

PURPOSE:

This fact sheet presents the potential impact of COVID-19 on minority owned businesses, using data originally published by Brookings researchers Sifan Liu and Joseph Parilla in “Businesses owned by women and minorities have grown. Will COVID-19 undo that?”¹ As noted in the original report, the coronavirus pandemic will shock a variety of industries and communities, but minority-owned businesses are likely to be hardest hit.

ABOUT THE DATA:

This fact sheet specifically explores the change in disparity ratio from 2007 to 2012 in the Southwest Megapolitan Triangle,² which consists of three metropolitan statistical areas (MSAs): the Las Vegas-Henderson-Paradise, NV MSA; Los Angeles-Long Beach-Anaheim, CA MSA; and Phoenix-Mesa-Chandler, AZ MSA. “Disparity ratio” refers to “the ratio of business ownership share to population share.”³ A disparity ratio of 100% indicates complete equity, or “the share of people of color that own businesses is the same as the share of people of color in the overall metro area’s population.”⁴

Using this metric, the original report defines immediate risk and near-term risk as the relative risk factor of various industries due to the COVID-19 outbreak. “Immediate risk” industries include industries such as retail and hospitality, while “near-term risk” industries consist of occupations like construction and manufacturing.⁵ The research shows that “20% of businesses in immediate-risk industries are run by Asian American or Black owners, compared to 7% of businesses in industries at near-term risk and 12% at long-term risk.”⁶ This highlights how minority owned businesses may be disproportionately vulnerable to the economic downturn experienced from COVID-19.

KEY FINDINGS:

1. Within the Southwest Megapolitan Triangle, the Phoenix-Mesa-Chandler, AZ MSA has the most inequity in business ownership with a disparity ratio of 34 percent.
2. Conversely, the Los Angeles-Long Beach-Anaheim, CA MSA has the least inequity in business ownership with a disparity ratio of 53 percent.
3. The Las Vegas-Henderson-Paradise, NV MSA ranks in the middle of the two other metros in minority business ownership with a disparity ratio of 39 percent.

¹ Liu, S. & Parilla, J. (2020, April 14). Businesses owned by women and minorities have grown. Will COVID-19 undo that?. <https://www.brookings.edu/research/businesses-owned-by-women-and-minorities-have-grown-will-covid-19-undo-that/>

² Nelson, Arthur, and Robert Lang. Megapolitan America. Routledge, 2018.

³ Liu, S. & Parilla, J. (2020, April 14). Businesses owned by women and minorities have grown. Will COVID-19 undo that?. <https://www.brookings.edu/research/businesses-owned-by-women-and-minorities-have-grown-will-covid-19-undo-that/>

⁴ Ibid

⁵ Parilla, J., Liu, S., and Whitehead, B. “How local leaders can stave off a small business collapse from COVID-19” Brookings, April 3, 2020. www.brookings.edu/research/how-local-leaders-can-stave-off-a-small-business-collapse-from-covid-19/

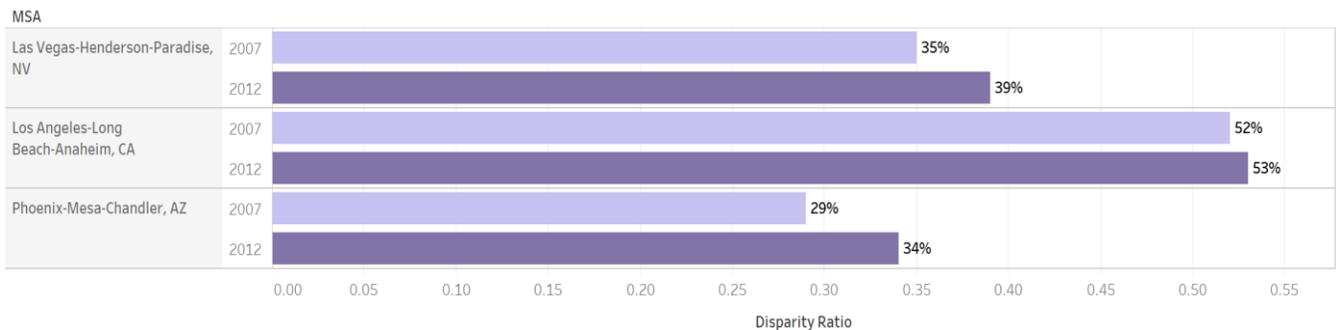
⁶ Liu, S. & Parilla, J. (2020, April 14). Businesses owned by women and minorities have grown. Will COVID-19 undo that?. <https://www.brookings.edu/research/businesses-owned-by-women-and-minorities-have-grown-will-covid-19-undo-that/>

Figure 1 shows the change in the disparity ratio from 2007 to 2012 for the metros in the Southwest Megapolitan Triangle. During the time period, all three metros improved their disparity ratios, moving closer to 100% and therefore closer to complete equity. In other words, minority-owned businesses helped drive economic recovery in the wake of the Great Recession (2007-2009).

The Los Angeles metro showed the least improvement in its disparity ratio, increasing just 1 percent from 2007 to 2012. However, the Los Angeles metro leads the Southwest Megapolitan Triangle with the highest disparity ratio among major metros in the region.

Out of the three metro areas, the Phoenix-Mesa-Chandler, AZ MSA had the lowest disparity ratio in both 2007 (29%) and 2012 (34%), indicating greater inequity in business ownership. Nevertheless, the Phoenix MSA saw the greatest improvement in disparity ratio (+5% points) between 2007 and 2012.

Figure 1: Disparity Ratios in The Southwest Megapolitan Triangle, 2007 - 2012



*Adapted from Liu, S. & Parilla, J. (2020, April 14). Businesses owned by women and minorities have grown. Will COVID-19 undo that?