

More Minorities Owned Residential Construction Firms in 2012 than in 2007

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Recently released data from the U.S. Census Bureau shows an increase in the number of residential construction businesses (including single-family and multifamily home builders, as well as remodelers) owned by minorities between 2007 and 2012. In those five years, the share of these businesses that were owned by minorities went from 14 to 23 percent. The absolute number of minority-owned residential construction businesses also increased, even though the industry overall was contracting and the number of residential construction firms declined during that period. The increase was concentrated among one-person operations (businesses with no paid employees).

The same trends held for businesses owned specifically by Hispanics. The share and absolute number of residential construction firms owned by Hispanics both increased between 2007 and 2012, and again the increase was concentrated among firms with no paid employees. Meanwhile, the share of residential construction firms owned by women remained essentially unchanged at 7 percent. The share owned by males nevertheless managed to increase, due to a drop in the number of businesses reported to be equally owned by males and females.

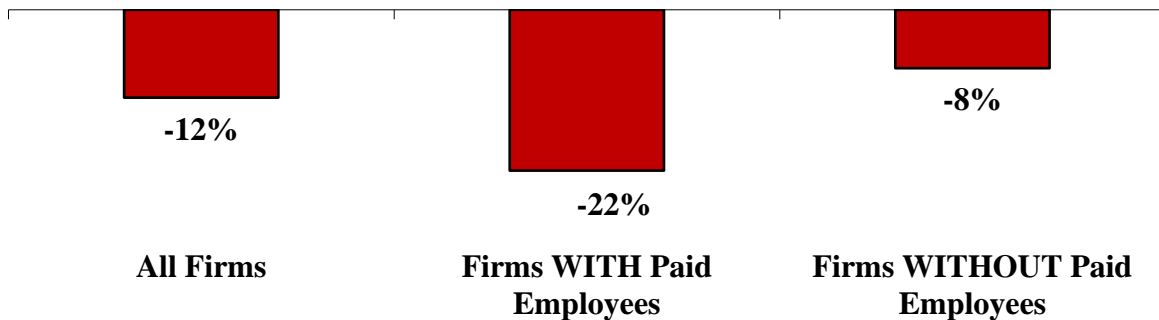
Background

The [Survey of Business Owners](#) (SBO) is conducted by the U.S. Census Bureau to collect economic and demographic characteristics of businesses and business owners in the US by gender, ethnicity, race, and veteran status. The Census collects the information every 5 years, in years ending in ‘2’ and ‘7.’ The data are released with a lag, so we were well into 2016 before information from the 2012 SBO became available.

This report focuses on the demographic composition of business owners in the residential building construction industry¹ (which includes businesses that are primarily single-family or multifamily builders or remodelers, but not land developers or trade contractors) in 2007 and 2012, as well as the changes in various categories during this 5-year period. SBO data are provided for the industry as a whole, but also separately for firms with paid employees and those without paid employees (i.e. 1-person independent contractors).

According to the SBO, the number of all residential construction firms went from 779,644 in 2007 to 689,309 in 2012, a 12% drop. The subset of these firms with paid employees saw a more substantial 22% decline (195,409 to 152,020 firms) than those without paid employees, whose number fell by 8% (584,234 to 537,288 firms) during this period (Exhibit 1).

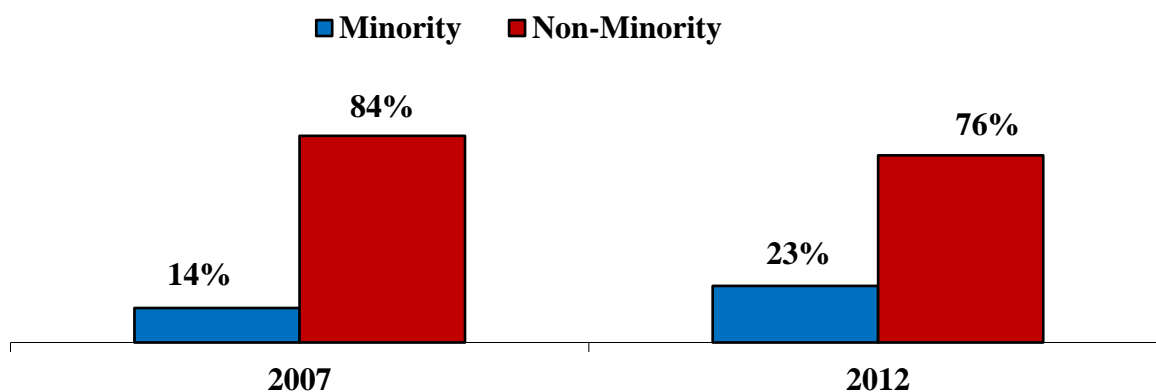
Exhibit 1. Change in # of Residential Construction Firms, 2007-2012



Overall Minority Ownership

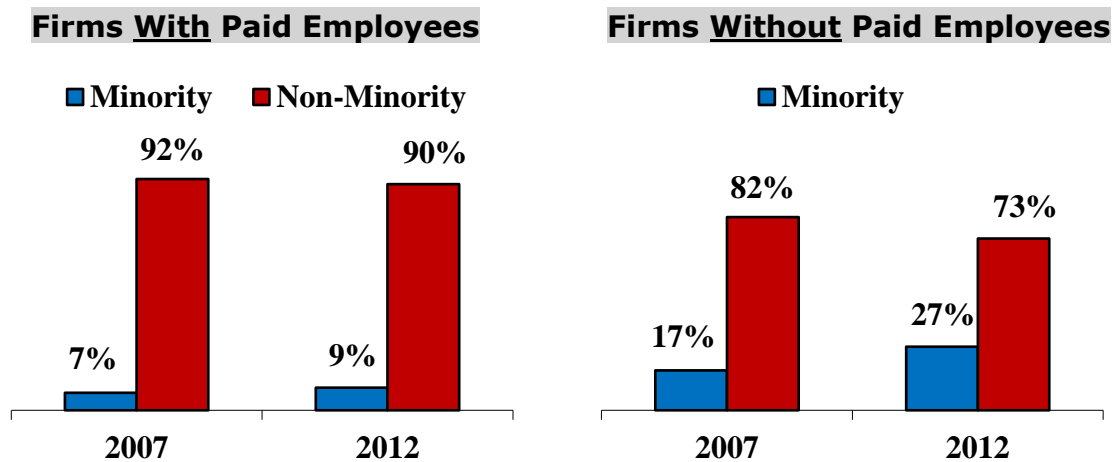
In 2007, 14% of all firms in the residential building construction industry were owned by minorities (in terms of race/ethnicity) and 84% were owned by non-minorities.² By 2012, the industry had changed: the share owned by minorities had increased to 23%, while the share owned by non-minorities had fallen to 76% (Exhibit 2).

Exhibit 2. Share of Residential Construction Firms by Owner's Minority Status



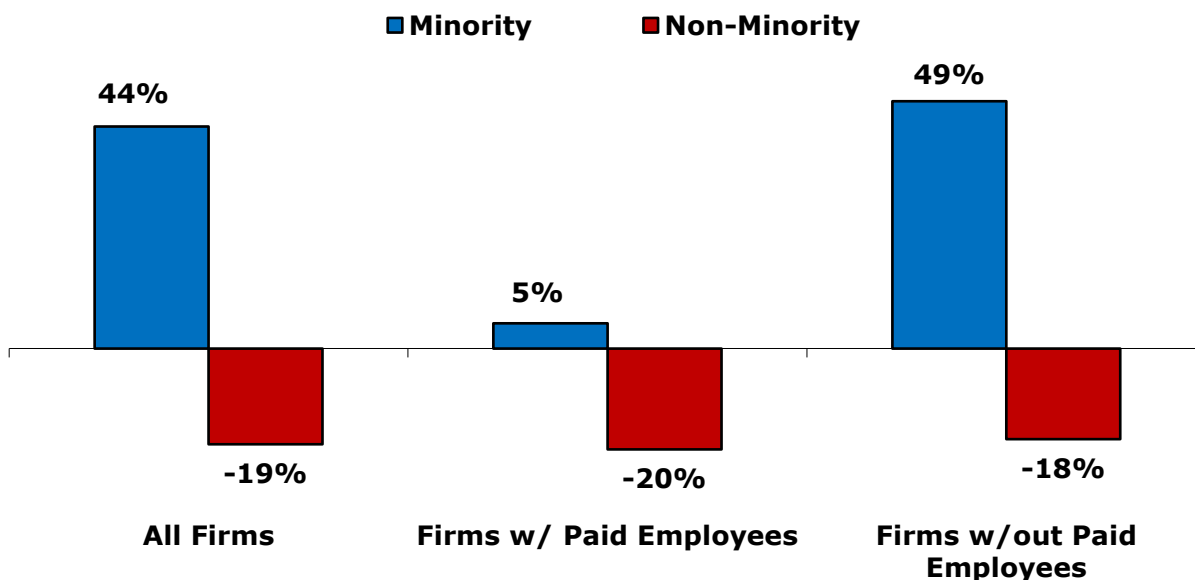
It is important to differentiate the change in minority-ownership between firms with and without paid employees. The subset of residential building construction firms with paid employees did not experience a dramatic shift when comparing 2007 and 2012: the non-minority share barely moved, at 92% and 90%, respectively, while the minority share went from 7% to 9%. Among the subset of firms without paid employees, on the other hand, the change was more significant: non-minorities went from representing 82% down to 73%, while the minority share increased from 17% to 27% (Exhibit 3).

Exhibit 3. Share of Residential Construction Firms by Owner's Minority Status & Presence of Employees



In addition to looking at the minority/majority breakdown within each of the survey years, it is also important to look at the growth (or lack thereof) in the sheer number of business owners in each category during the 5-year interval. As Exhibit 4 shows, the number of firms in the residential construction industry owned by minorities rose by 44% from 2007 to 2012, while the number owned by non-minorities declined by 19%. Among firms with paid employees, minority-owned businesses grew by 5% while non-minority-owned firms fell by 20%. The biggest increase of minority-owners took place among firms without paid employees, which jumped 49% from 2007 to 2012, while non-minorities fell by 18%.

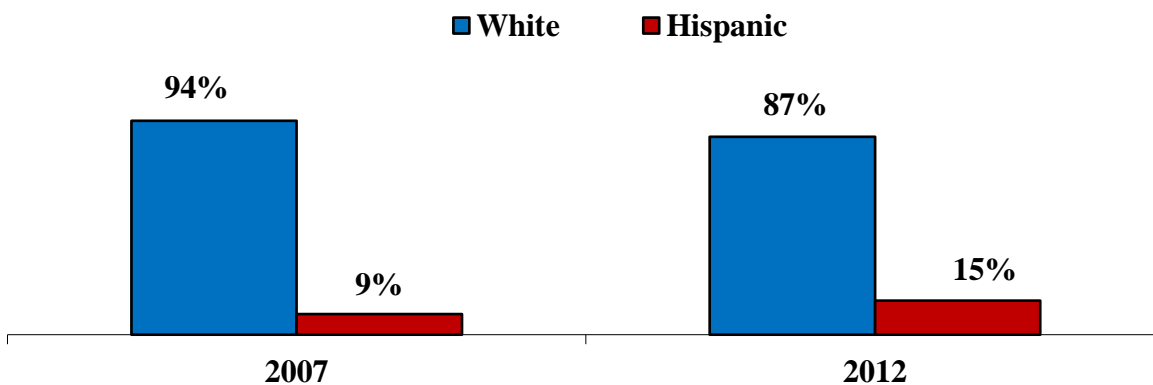
Exhibit 4. Change in # of Residential Construction Firms by Minority Status, 2007-2012



Hispanic Ownership

The Survey of Business Owners also provides a breakdown of business owners by more specific race and ethnicity categories. In 2007, 94% of all residential construction firm owners were White and only 9% were Hispanic.³ By 2012, the share of all such firms owned by Whites had fallen to 87%, and the share owned by Hispanics grown to 15% (Exhibit 5).

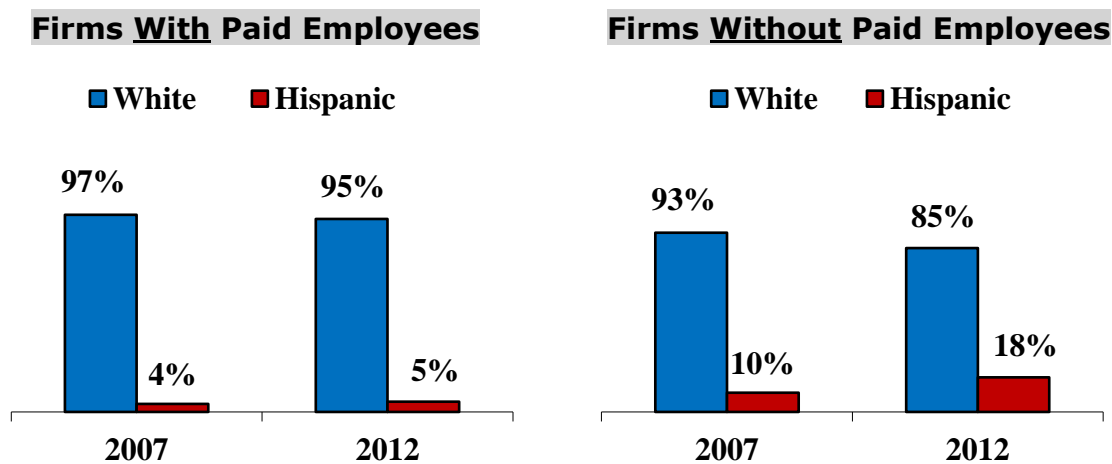
Exhibit 5. Share of Residential Construction Firms by Owner's Race/Ethnicity



These statistics vary significantly by whether the firm has paid employees or not, which is why the Census Bureau produces results for both types of businesses. Once again, the racial/ethnic breakdown of firms with paid employees did not change much between 2007 and 2012: the share owned by Whites remained essentially unchanged, at 97% and 95%, respectively, and the share owned by Hispanics was also stagnant, at 4% and 5% (Exhibit 6).

Meanwhile, the racial/ethnic composition of firms without paid employees experienced more significant changes during this period. Whereas 93% of them were owned by Whites in 2007, the share fell to 85% in 2012. In contrast, the share owned by Hispanics almost doubled during these five years, going from 10% to 18%.

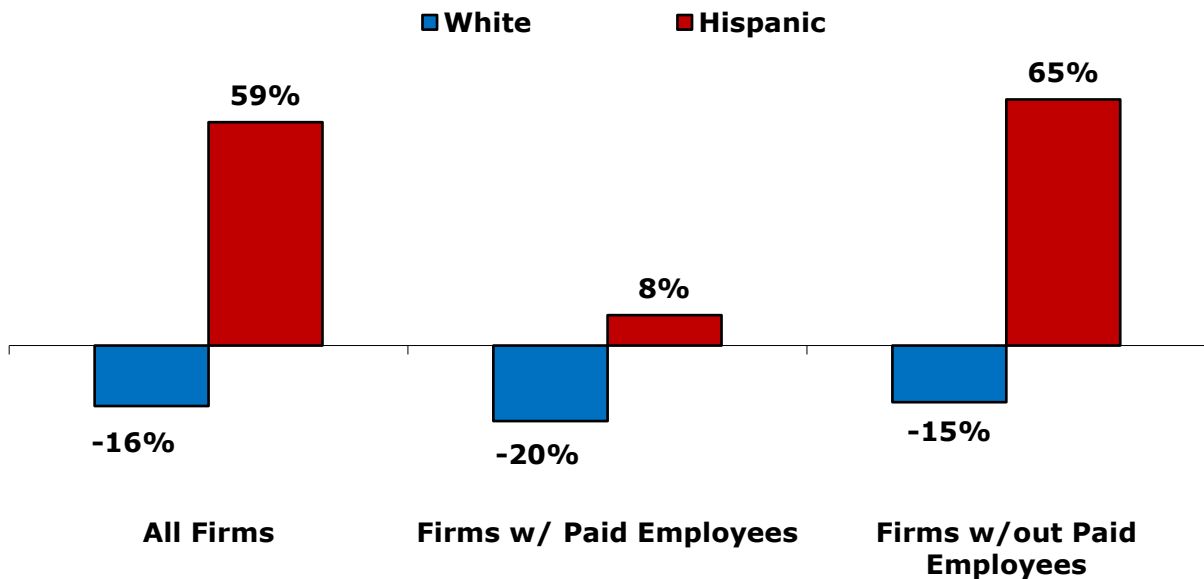
Exhibit 6. Share of Residential Construction Firms by Owner’s Race/Ethnicity & Presence of Employees



As mentioned before, it is critical to look at not only the demographic composition of business owners in a specific year, but also how much each category of owners grew (or not) between 2007 and 2012 in absolute numbers. As Exhibit 7 shows, the number of all firms in the residential construction industry owned by Whites dropped 16% from 2007 to 2012, while the number owned by Hispanics rose by 59%. Among firms with paid employees, the number of

White-owned businesses fell by 20%, while those owned by Hispanics rose a modest 8%. The most significant change, however, was in the number of Hispanic-owned residential construction firms without paid employees, which increased by 65% between 2007 and 2012. In contrast, the number of White-owned firms without paid employees fell 15% during this period.

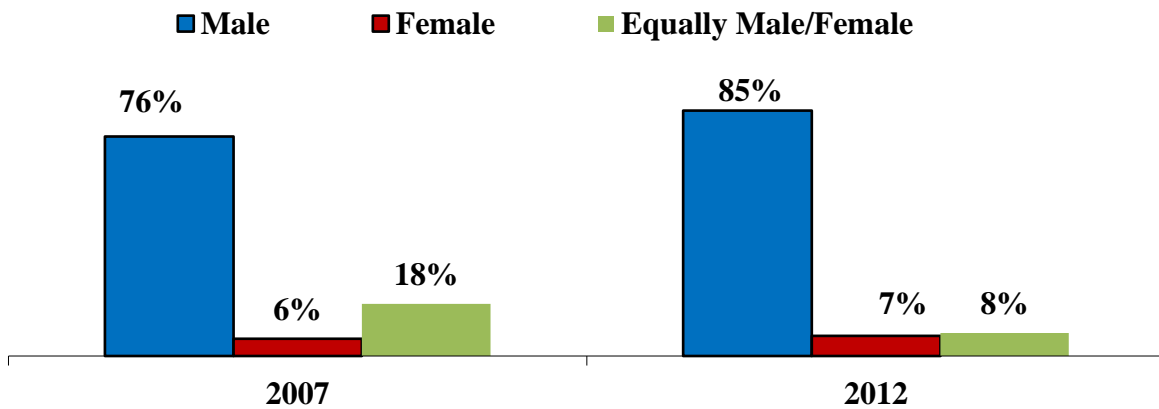
Exhibit 7. Change in # of Residential Construction Firms by Race/Ethnicity, 2007-2012



Ownership by Gender

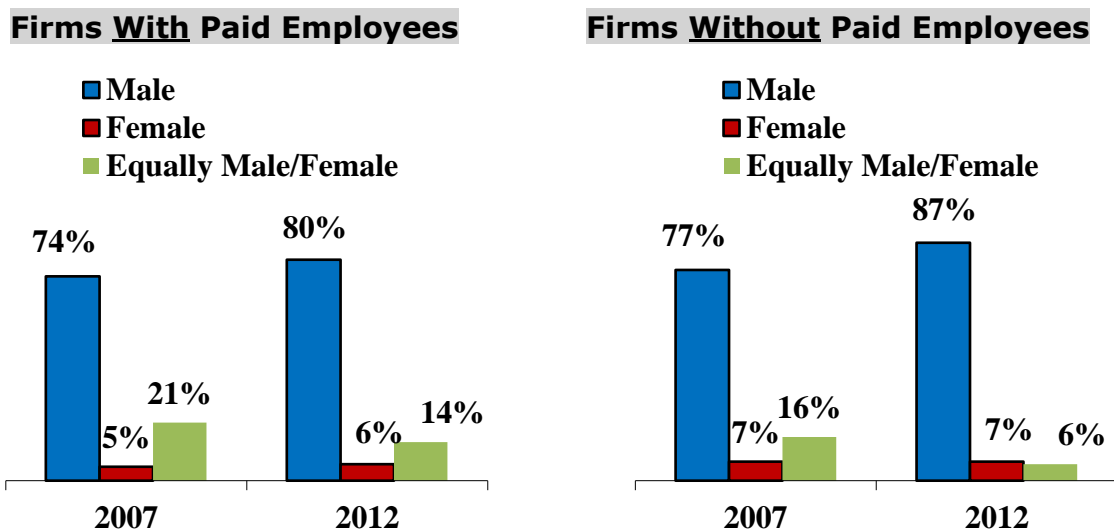
In 2007, 76% of all firms in the residential building construction industry were male-owned, 6% were female-owned, and 18% were equally male-/female-owned. By 2012, the share that were male-owned stood at 85%, the share equally-owned had fallen to 8%, and the share of female-owned firms remained largely unchanged, at 7% (Exhibit 8).

Exhibit 8. Share of Residential Construction Firms by Owner's Gender



Looking at the data by the presence/absence of paid employees shows similar patterns to the industry as a whole. The share of male-owned residential construction firms with and without paid employees was higher in 2012 than in 2007, the female-owned share remained largely unchanged, while the share equally-owned dropped among both types of businesses (Exhibit 9).

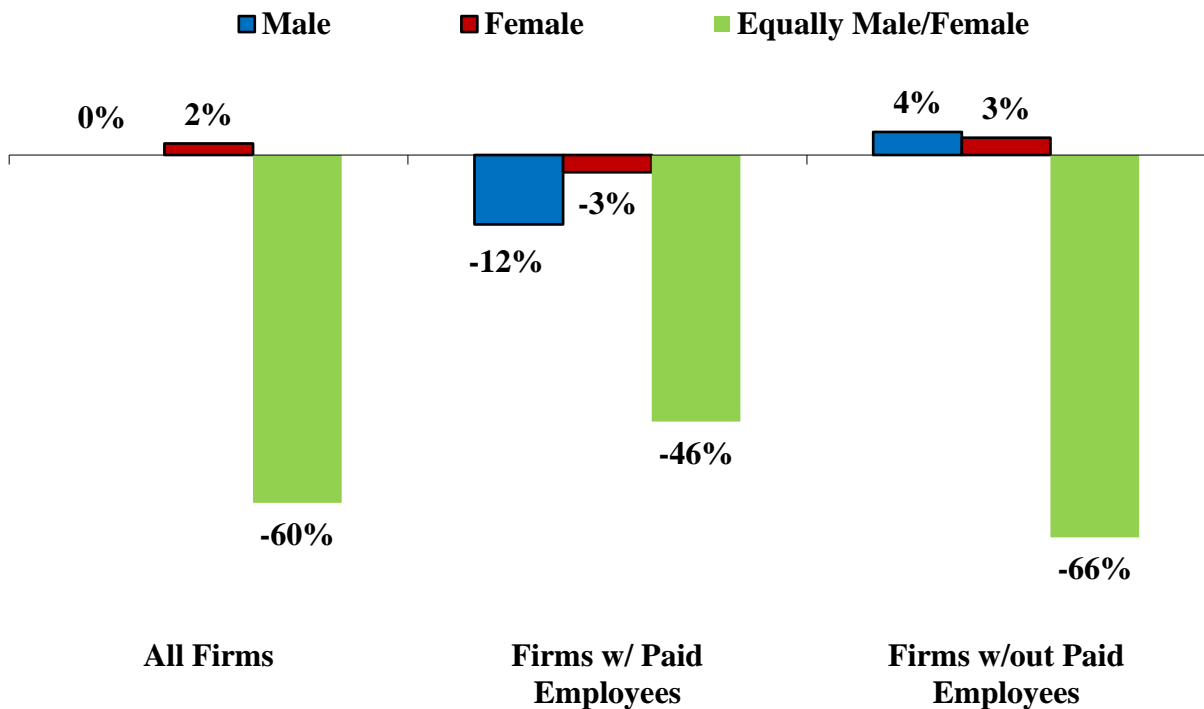
Exhibit 9. Share of Residential Construction Firms by Owner's Gender & Presence of Employees



Interestingly, although the share of residential construction firms owned by men was higher in 2012 than in 2007, further analysis shows the increase was not due to an increase in the absolute number of male-owned firms, but rather to the decline in the number of equally male/female-owned firms. As Exhibit 10 shows, the actual number of firms in the residential construction industry owned by men did not change from 2007 to 2012 (0% growth), while the number that were equally-owned declined by 60%, and the number that were female-owned rose a slight 2%.

Among firms with paid employees, the number of business owners declined across the board between 2007 and 2012: male-owned firms fell by 12%, female-owned by 3%, and equally-owned by 46%. Among firms without paid employees, the number of male-owned and female-owned firms rose modestly, 4% and 3%, respectively, but the number of equally-owned firms fell dramatically, by 66%.

Exhibit 10. Change in # of Residential Construction Firms by Gender, 2007-2012



Conclusion

Data from the U.S. Census Bureau's Survey of Business Owners comparing the demographic composition of business owners in the residential construction building industry show that in 2012 a larger share of owners in this industry were minorities, and more specifically Hispanics, than in 2007. In terms of growth in the actual number of residential building construction firms owned by various category of owners, the data showed that the number owned by non-minorities (Whites, specifically) declined during this period, while the number owned by minorities (Hispanics, particularly) rose quite substantially.

Further analysis showed that the growth in minority-owned residential construction businesses was concentrated in firms without paid employees. This provides more evidence that relatively small independent contracting businesses, which are sometimes overlooked, serve an important function in the construction industry.

¹ Technically, this is industry 2361 in the [North American Industry Classification System](#).

² About 1% were owned equally by minority/non-minority.

³ The categories are not mutually exclusive, as one is considered a "race" and the other an "ethnicity." Whites can be Hispanic or non-Hispanic, and Hispanics can be of any race, or combination of races.