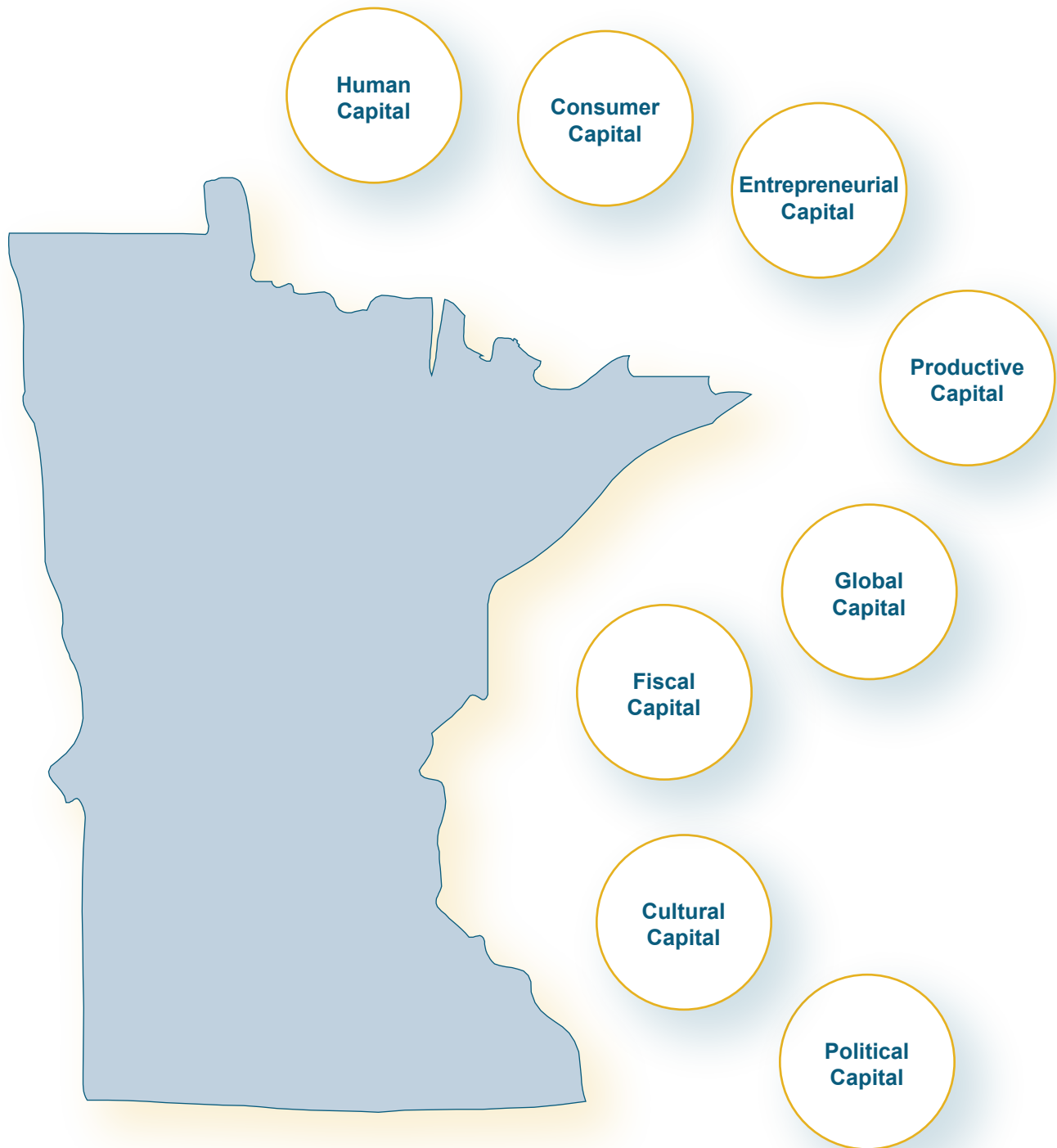


Ethnic Capital and Minnesota's Future

People of Liberian Origin in Minnesota



Minnesota 2030

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Abstract¹

Ethnic Capital and Minnesota's Future

People of Liberian Origin in Minnesota

Liberia has a special relationship with the United States, initially connected through the slave trade and now through the sharing of American values of democracy, markets and freedom². This historical relationship has brought Liberians to the United States and Americans to Liberia. This report will focus on the economic contributions of people of Liberian descent in the US economy and locally in Minnesota.

Though a small community Liberians in the United States and Minnesota have a significant impact on the national and local economy. This report will document the multidimensional economic contributions of Liberians in Minnesota and the nation. The local analysis in Minnesota can help estimate the national economic contributions of this community to the nation.

Consumer Capital

- Liberians in the United States have a buying power of over a billion dollars. This is equivalent to two times the GDP of Liberia in 2005.
- In Minnesota Liberian buying power is an estimated \$157 million dollars which is almost as large as the 2007-08 Liberian National Budget of \$199 million dollars.

Worker Capital

- Nationally and in Minnesota, Liberians have a higher labor force participation rates – 74 percent (nationally and locally).
- Liberian workers are concentrated in the health care sector – nationally and locally with 45 percent locally and 36 percent nationally in that sector. Almost 4000 Liberians work in the health care sector in Minnesota.

Fiscal Capital

- At the national level, Liberians pay an estimated 441 million dollars in personal taxes, almost equal to the GDP of Liberia.

- In Minnesota, Liberians pay an estimated 24 million dollars in state taxes and 22 million dollars in federal taxes.

Entrepreneurial Capital

- We do not have good data on Liberian businesses in Minnesota. However if we look at the growth in Black owned businesses in Brooklyn Park, the home of many African and Liberian immigrants we find that Black owned businesses grew over 100 percent during the period 1997-2002 from 205 to 437 and revenue of these firms grew over 70 percent during the same period, according to the Survey of Business Owners, 2002.

Global Capital

- Exports to Liberia from the US was 75 million dollars in 2007
- Liberia is an important source for Rubber imports to the US.
- Minnesota with exports to Liberia of 1.2 million dollars in 2007 was the 15th largest trading partner of the US with Liberia.
- Between 2002 and 2007 – trade between Liberia and Minnesota rose 1479 percent or over 14 times.

Economic Impact

- Liberian workers are a small but significant part of the Minnesotan economy. According to the EMSI model the employment of Liberian workers helped create over 12,000 jobs and increase overall earnings by 492 million dollars. This earnings increase is almost the size of the GDP of Liberia.
- Liberian workers have a powerful impact on the health care sector of Minnesota. According to the EMSI model, if the slightly over 3000 Liberian workers were to leave the local economy this would impact 7000 other workers in Minnesota and create a further earnings loss of over 300 million dollars in Minnesota.

Conclusion

Liberians in Minnesota and the nation are a small and significant part of the local and national economy. They influence the local and national economy in many ways – as consumers, workers, entrepreneurs, global and cultural capital. It is all the more important that the issue of the TPS of some Liberians expiring be given due policy consideration as a sudden labor shortage in a critical sector of the economy (health care) can have a significant on the economy of Minnesota.

Ethnic Capital and Minnesota's Future

People of Liberian Origin in Minnesota

Introduction

Liberia has a special relationship with the United States, initially connected through the slave trade and now through the sharing of American values of democracy, markets and freedom. This historical relationship has brought Liberians to the United States and Americans to Liberia. This report will focus on the economic contributions of people of Liberian descent in the US economy and locally in Minnesota.

In 2006 according to the American Community Survey, there were 64,100 Liberian foreign born people in the United States. People of Liberian ancestry make up the third largest group of African immigrants to Minnesota. According to the American Community Survey, 2006, IPUMS data there were 8,894 people of Liberian ancestry in Minnesota. Nationally according to Census 2000, 72 percent were not citizens with most entering the country in the 1990s. In Minnesota only 57 percent were not citizens.³ This compares with 66 percent of the African Foreign born in Minnesota who are not citizens.⁴ An important characteristics of Liberians as compared to other African immigrants is that a majority of them speak English only – 66 percent according to Census 2000.

Though a small community, Liberians in the United States and Minnesota have a significant impact on the national and local economy. This report will document the multidimensional economic contributions of Liberians in Minnesota and the nation. The local analysis in Minnesota can help estimate the national economic contributions of this community to the nation.

Consumer Capital

Liberians in the United States have a buying power of over a billion dollars. This is equivalent to two times the GDP of Liberia in 2005.

In Minnesota Liberian buying power is an estimated \$157 million dollars which is almost as large as the 2007-08 Liberian National Budget of \$199 million dollars.

We do not have any data on consumer habits in the Liberian community. However from national data from the Consumer Expenditure Surveys we find unique spending habits by ethnic groups. Since this market has not been well identified by mainstream marketing agencies its potential has been overlooked.

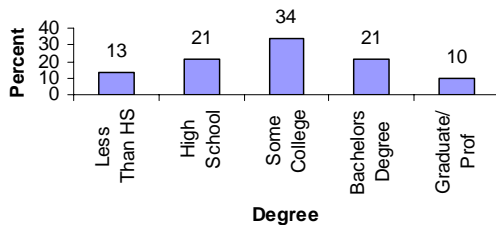
We do have information on homeownership. Nationally only 33 percent of Liberians own their homes with a median mortgage of \$1186⁵. Median rent for renters was \$648 nationally.

40 percent owned a car and 38 percent owned more than one car. 16 percent used public transportation to work. In Minnesota however we have a greater proportion of the community owning homes – 67 percent.⁶ In Minnesota according to the American Community Survey 2006, 34 percent had one vehicle and 64 percent had more than one vehicle.

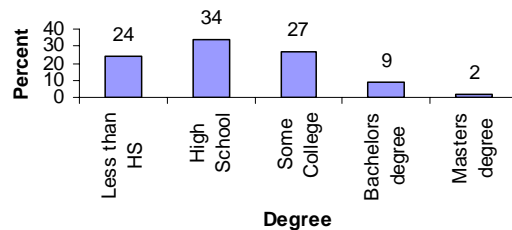
Liberian overseas sent \$163 million to relatives in Liberia – this amount is almost equal to the annual budget of Liberia and about quarter of its GDP.⁷ Economists have documented the strong role of remittances in reducing poverty and serving as a countercyclical force in the receiving country.⁸ The Liberian government considers remittances as a very important tool for economic development and currently is exploring ways to use this monetary flow more effectively. Recent research also suggests that reducing the high cost of sending money to African countries can help increase its investment potential by as much as 3 billion dollars.⁹

Human Capital

**Table 1: Educational Status:
Liberians USA, 2000**



**Table 2: Educational Status:
Liberians in MN, 2006**



Nationally 86 percent of Liberians had a high school education or greater degree with 31 percent having a Bachelor’s degree or advanced degree. 72 percent of Liberians in Minnesota had a degree of High School or above with 11 percent having a Bachelor’s or advanced degree. Nationally 14 percent of the population 25 years old and above do not have a high school degree. Liberians in Minnesota have a greater proportion without a high school degree as compared to the national average. Liberians nationally, as can be seen in the table below, have higher educational attainment than the overall US population. However in Minnesota they have a lower educational attainment than the overall population in Minnesota.

Table 3 Educational Attainment of 25 Years and Over

	Liberians MN 2006 ACS	Liberians MN 2005 ACS	Liberians National 2000	USA 2007 CPS
No high school diploma	24 %	10%	13%	14%
High school graduate (includes GED)	34%	28%	21%	32%
Some college, no degree	27 %	33%	34%	26%
Bachelor's degree	9%	21%	21%	19%
Graduate or professional degree	2 %	10%	10%	10%

Source: MN OHE, ACS 2006, Census 2000, ACS 2006 IUPMS, 2007 CPS

Worker Capital

Liberians nationally and locally have high labor participation rates. Nationally, according to Census 2000, 74 percent were in the labor force compared to 67 percent of the foreign born population. In Minnesota, Liberians had a 74 percent labor force participation rate.¹⁰

Table 4 shows the distribution of Liberian workers by industry in Minnesota according to the American Community Survey 2006, IPUMs data. 45 percent of Liberian workers were employed in the health care sector. The local data is also reflected in national data on Liberian employment, though there are slightly fewer

Liberians working in the health care sector – around 36 percent according to Census 2000 data. Occupations such as home health care aides and other health related occupations are very much in demand in Minnesota now and in the future. Only 18 percent of Liberians work in the Twin Cities – Minneapolis or Saint Paul according to the American Community Survey, 2006.

TABLE 4

INDUSTRIES (Minnesota)	Number of Liberians
Home health care services	1,209
Medical equipment and supplies	891
Nursing care facilities	859
Residential care facilities, without nursing	726
Household appliances	603
Department stores	566
Truck transportation	327
Banking and related activities	284
Clothing and accessories, except shoe, stores	284
Other health care services	185
Real estate	182
Not specified industries	139
Couriers and messengers	136
Machinery, n.e.c.	122
Hospitals	95
Administration of economic programs and space research	77
Religious organizations	63

Entrepreneurial Capital

There is no official information available on the number of African immigrant businesses including Liberians as the national Survey of Business Owners, 2002 does not disaggregate the data for Black businesses as they do for Asian and Latino businesses. A possible insight into the presence of African immigrant businesses is the data on Black businesses in Brooklyn Park, Minnesota, the home of many Liberians as well as other African immigrants. The Survey of Business Owners 2002 estimated 437 Black owned businesses with 11 million dollars in sales. One has to rely on anecdotal information in this case.

If we look at the growth in Black owned businesses in Brooklyn Park we find that Black owned businesses grew over 100 percent during the period 1997-2002 from 205 to 437 and revenue of these firms grew over 70 percent during the same period, according to the Survey of Business Owners, 2002.

On the web one can also find attempts at e-commerce activities by local Liberians. There is a lot of informal entrepreneurial activity that goes on that is not captured in official statistics.

Fiscal Capital

Liberians in Minnesota and nationally pay their share of taxes. We can estimate the tax payments of Liberians in Minnesota by using the State of Minnesota's Tax Incidence Study, 2007 that provides effective tax rates by income group and the Federal Effective Tax rates by the Congressional Budget Office, 2005. Using the income distribution for Liberian households as estimated by the American Consumer Survey 2006, IPUM data, we estimate an average Liberian personal tax rate of 23 percent with an average Minnesota tax rate of 12 percent and average effective Federal Tax rate of 11 percent.

Using these tax rates for Minnesota, Liberians pay an estimated 24 million dollars in state taxes and 22 million dollars in federal taxes or a total of 46 million dollars in personal taxes.

At the national level if we assume a 30 percent personal tax rate for Liberians then the total personal tax payment for Liberians is 441 million dollars or almost the GDP of the country of Liberia.

According to the American Community Survey, 2006, 61 percent of Liberians paid property taxes ranging from \$1600-2899 per year.

Cultural Capital

Liberians as with other African immigrants in Minnesota add to cultural capital through their unique food, art and cultural events. There are an estimated 25 Liberian churches in Minnesota. Liberian non profits and other community groups play an important role in connecting the community to Minnesota and adding a unique and important cultural voice to Minnesota.

Political/Civic Capital

Liberians in Minnesota also add to the civic and political capital of the community. The recent election of Paye Flomo as the Mayor of Hampton is an example. He and his wife Sonya are active members of that community. He is perhaps the first immigrant from Liberia to be elected Mayor of a city.

Global Capital

Liberians in Minnesota are part of the United States and Minnesota's Global Capital. For instance, recently the local community in Minnesota hosted an investment seminar on Liberia that featured high level officials from Liberia. Many

Liberians are active with multiple relationships with Liberia, trade being one of them.

Trade with Liberia and the USA has continued growing in recent years. In 2007, the USA had a 39 million dollar deficit in trade with Liberia. This is primarily because one import dominates trade with Liberia – Rubber. In most other products the USA had a trade surplus with Liberia. Exports to Liberia were 75 million dollars in 2007.

**TABLE 5
TRADE BALANCE WITH LIBERIA AND USA, 2007**

ITEM	2007
Total Trade Balance	-\$39,533,616
90--OPTIC; PHOTO ETC; MEDIC OR SURGICAL INSTRUMENTS ETC	\$15,429,495
87--VEHICLES; EXCEPT RAILWAY OR TRAMWAY; AND PARTS ETC	\$10,270,134
98--SPECIAL CLASSIFICATION PROVISIONS; NESOI	\$9,023,478
73--ARTICLES OF IRON OR STEEL	\$5,732,019
10--CEREALS	\$5,688,366
63--TEXTILE ART NESOI; NEEDLECRAFT SETS; WORN TEXT ART	\$4,564,108
19--PREP CEREAL; FLOUR; STARCH OR MILK; BAKERS WARES	\$4,097,162
21--MISCELLANEOUS EDIBLE PREPARATIONS	\$4,087,861
84--NUCLEAR REACTORS; BOILERS; MACHINERY ETC.; PARTS	\$3,400,991
85--ELECTRIC MACHINERY ETC; SOUND EQUIP; TV EQUIP; PTS	\$1,748,920
39--PLASTICS AND ARTICLES THEREOF	\$1,230,776
91--CLOCKS AND WATCHES AND PARTS THEREOF	\$1,159,192
40--RUBBER AND ARTICLES THEREOF	-\$113,501,987

<http://tse.export.gov/>

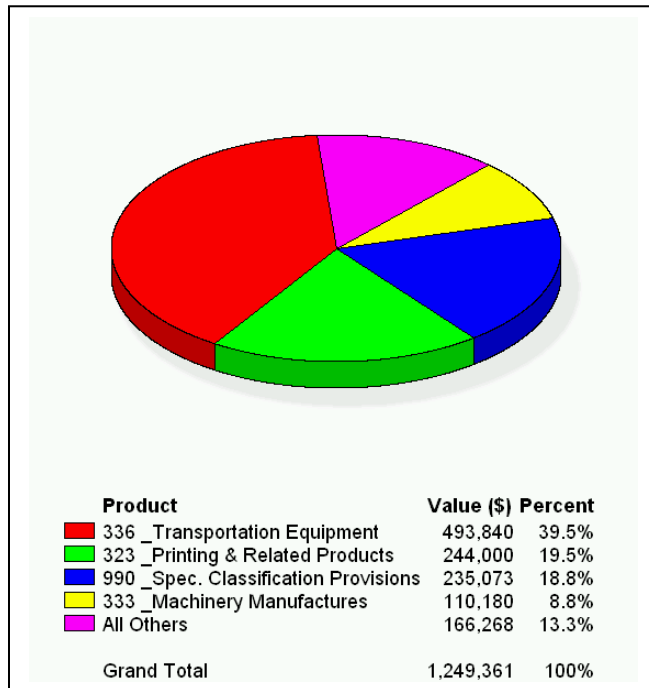
Table 6 presents data on the top states for exports to Liberia in 2007. Maryland topped the list with 22 million dollars in exports. Minnesota ranked 15th in the nation in exports to Liberia. The Chart below show that transportation equipment and printing were Minnesota’s top exports to Liberia. Between 2002 and 2007 exports to Liberia grew 1479 percent making Minnesota one of the top states in the growth in exports with Liberia.

**TABLE 6
STATE EXPORTS TO LIBERIA, 2007**

State	2007
U.S. Total	\$75,769,497
Maryland	\$22,679,304
Texas	\$8,342,952
New York	\$5,326,544
California	\$3,262,513
Pennsylvania	\$3,197,886
Virginia	\$3,017,541
Nebraska	\$2,955,916
New Jersey	\$2,955,818
Louisiana	\$2,860,514
Utah	\$2,827,502
Kansas	\$1,928,216
North Carolina	\$1,532,408
Michigan	\$1,269,944
Alaska	\$1,249,387
Minnesota	\$1,249,361
Massachusetts	\$1,219,440

<http://tse.export.gov/>

Chart – Distribution of MN Exports to Liberia, 2007



<http://tse.export.gov/>

Policy Simulation: Economic Impact of Liberians in Minnesotans

We can get a deeper insight into the economic contributions of Liberians in Minnesota by doing policy simulations of the impact of Liberian workers on the Minnesotan economy. A popular economic model, called the input-output model provides us a snapshot of economic impacts at a point of time. Using the EMSI model of the Minnesotan economy we can assess the impact of the small Liberian community on the Minnesotan economy.

Impact of 6464 Liberian Workers in MN	
Year	2007
Jobs Change	-12,266
Earnings Change (in thousands)	-492,664
Earnings/Worker Change	\$23.82
Sales Multiplier	1.96
Jobs Multiplier	1.94
Earnings Multiplier	2.04

Source: EMSI Complete Employment - March 2008

To simulate the economic impact of Liberian worker in Minnesota we pose the question to the model – What would happen if we lose 6464 Liberian workers in different sectors of the economy? The model predicts that this loss will in turn cause 12,266 other job losses in various sectors of the economy and a loss in earning of \$492 million dollars (almost the size of the GDP of Liberia). Every dollars lost in sales will cause a further loss of sales of 96 cents in the region. This simple simulation shows that the Liberian community is a small but important segment of the Minnesotan economy.

Policy Simulations: Loss of 3965 Health Care Jobs in Minnesota

Loss of 3965 Jobs	
Year	2006
Jobs Change	-7,082
Earnings Change (in thousands)	-300,916
Earnings/Worker Change	\$9.30
Sales Multiplier	1.97
Jobs Multiplier	1.92
Earnings Multiplier	1.92

Source: EMSI Complete Employment - March 2008

To simulate the economic impact of Liberians in Minnesota – we pose the question to the model – What would happened if we lose 3965 health care jobs in Minnesota? The EMSI model predicts that if we lose 3965 health care jobs this will cause a loss of 7082 other jobs in the area and an earning drop of 300 million dollars. Further every dollar lost in sales will cause 97 cents drop in sales in the region. This policy simulation shows that even though the Liberian community is very small there is a significant impact on the local economy because these jobs are concentrated in the Health Care sector.

There are two uses of this model. The first it illustrates the economic impact of Liberian Health Care workers on the Minnesotan economy. The second use of the model is that it illustrates the possible impact of a sudden labor shortage, for example, if a significant number of workers have to leave because their visa status of TPS expires. The second scenario is a very realistic scenario as nationally there are around 3500 Liberian whose visa status will run out in October. Unless renewed they will have to leave the country.

One might argue that the nature of this input-output model is unrealistic as it assumes no substitution of inputs – meaning it does not allow dynamic processes to occur. In this context it would mean that other workers would move into the health care sector. Given the high demand for health care workers (Table 7) in Minnesota one could argue that the model's assumption of no substitution of workers is reasonable as it will be very difficult for Minnesota to fill the gap in health care workers especially in the short term. While Minnesota is working on increasing the number of health care workers it is not ready for a sudden labor shortage that could cause a significant shock to the local economy already feeling the impact of economic decline.

Table 7

OCCUPATIONS IN HIGH DEMAND, MINNESOTA

SOC Title	Current Demand Rank	Current Demand Indicator	Median Wage	MN Growth Rate 2004-2014	MN Total Openings 2004-2014	Education and Training Requirements
Home Health Aides	8	*****	\$23,238/yr	Well Above Average	14,478	Short-term on-the-job training
Nursing Aides, Orderlies, and Attendants	9	*****	\$26,516/yr	Average	8,302	Short-term on-the-job training

Source: <http://www.deed.state.mn.us/lmi/tools/oid/Results.aspx>

Conclusion

Liberians in Minnesota and the nation are a small and significant part of the local and national economy. They influence the local and national economy in many ways – as consumers, workers, entrepreneurs, global and cultural capital. It is all the more important that the issue of the TPS of some Liberians expiring be given due policy consideration as a sudden labor shortage in a critical sector of the economy (health care) can have a significant on the economy of Minnesota.

LMSI MODEL DETAILS

Economic Impact – Liberians in Minnesota	
Year	2007
Jobs Change	-12,266
Earnings Change (in thousands)	-492,664
Earnings/Worker Change	\$23.82
Sales Multiplier	1.96
Jobs Multiplier	1.94
Earnings Multiplier	2.04

Source: EMSI Complete Employment - March 2008

NAICS Code	Description	% Change
335222	Household Refrigerator and Home Freezer Manufacturing	(42%)
339114	Dental Equipment and Supplies Manufacturing	(42%)
448150	Clothing Accessories Stores	(22%)
339111	Laboratory Apparatus and Furniture Manufacturing	(14%)
623990	Other Residential Care Facilities	(11%)
339113	Surgical Appliance and Supplies Manufacturing	(9%)
623312	Homes for the Elderly	(8%)
621610	Home Health Care Services	(8%)
333999	All Other Miscellaneous General Purpose Machinery Manufacturing	(7%)
339112	Surgical and Medical Instrument Manufacturing	(5%)

Source: EMSI Complete Employment - March 2008

LMSI Model Results – Health Care MN

Year	2006
Jobs Change	-7,082
Earnings Change (in thousands)	-300,916
Earnings/Worker Change	\$9.30
Sales Multiplier	1.97
Jobs Multiplier	1.92
Earnings Multiplier	1.92

Source: EMSI Complete Employment - March 2008

NAICS Code	Description	% Change
339114	Dental Equipment and Supplies Manufacturing	(59%)
339111	Laboratory Apparatus and Furniture Manufacturing	(13%)
623990	Other Residential Care Facilities	(11%)
339113	Surgical Appliance and Supplies Manufacturing	(9%)
623312	Homes for the Elderly	(8%)
621610	Home Health Care Services	(8%)
339112	Surgical and Medical Instrument Manufacturing	(5%)
339115	Ophthalmic Goods Manufacturing	(3%)
313311	Broadwoven Fabric Finishing Mills	(3%)
313312	Textile and Fabric Finishing (except Broadwoven Fabric) Mills	(3%)

Source: EMSI Complete Employment - March 2008

¹ Thanks to the Minneapolis Foundation for supporting this research. Thanks to Hil Albuquerque for the cover design.

² See the PBS special on Liberia-America's Stepchild and report at <http://www.pbs.org/wgbh/globalconnections/liberia/>. Also see <http://www.startribune.com/local/11608761.html> and the report for Minnesota Advocates for Human Rights done by the law firm Dorsey http://www.dorsey.com/files/upload/DorseyProBonoReport0807Liberia_is_not_Ready.pdf

³ American Consumer Survey, 2006, IPUMs data.

⁴ Corrie, Bruce, D. Johnson and M. Nelson (2008), African Immigrant Capital. 4th Annual Midwest Multicultural Marketing Conference. See www.ethnictrends.info

⁵ Census 2000

⁶ American Community Survey 2006, IPUMS data

⁷ IFAD, 2006, Sending Money Home. See also Sophie Briant (2005), The Remittance Sending Behavior of Liberians in Providence. M A Thesis. Brown University.

⁸ Gupta, Sanjeev et al (2007) Making Remittances work for Africa. Finance and Development 44(2). World Bank.

⁹ See World Bank

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/LIBERIAEXTN/0,,contentMDK:21678510~menuPK:356200~pagePK:2865066~piPK:2865079~theSitePK:356194,00.html>

¹⁰ American Consumer Survey, 2006, IPUMs data.