EXECUTIVE SUMMARY

According to the 2020 Census, Latinos now make up 19% of the total U.S. population, or 62.1 million people having grown 23% since 2010. In addition to representing a formidable consumer base, with Latino consumption totaling $1.85 trillion, Latinos continue to start businesses at a faster rate than all others — 44% growth in the number of businesses in the last 10 years compared to just 4% for non-Latinos. These growing consumption and business ownership trends result in $2.75 trillion of total economic output by Latinos in the United States. As Latinos continue to play an important role in the U.S. economy through business ownership and job creation, we highlight below key findings on the opportunities and challenges facing this fast-growing segment of the business population. All data reported henceforth refer to Latino-owned employer businesses (LOBs), with at least one paid employee other than the owner, and White-owned employer businesses (WOBs), unless stated otherwise.

Latinos are important job creators, growing their number of employees at a faster rate than White-owned employer businesses.

The number of Latino-owned employer firms has grown 35% in the last 10 years compared to 4.5% among White-owned businesses, with job growth outpacing growth in the number of new businesses. The number of employees at LOBs has grown 55% since 2007, compared to 8% job growth among WOBs. Among the roughly 5 million LOBs in the U.S. 9% are employer businesses. This subset of 400,000-450,000 LOBs employs over 2.9 million people. The average LOB has about 8 employees, providing an important and growing source of employment across the United States. This year’s research finds that Latino business owners are more likely to provide opportunities for the growth and advancement of their employees than White business owners.

Opportunities for employee growth and advancement are indicators of a good job. Using components to create indices for overall employee benefits and opportunities, we find that, on average, LOBs are more likely to provide their employees with benefits and opportunities, including promotions, employer paid benefits, above minimum wage jobs, the development of skills, and training.

Latino-owned employer businesses are as likely as White-owned businesses to be tech businesses.

The overall industry distributions of LOBs and WOBs are similar, though LOBs over-index in food services and WOBs in professional services. Last year, we reported on the fast growth in the number of LOBs across virtually all industries. Contrary to stereotypes about the industries in which Latino-owned businesses operate, we find that among employer businesses, Latinos are equally likely as their White counterparts to own tech companies.

Latinos are more likely to be required to provide collateral to secure funding despite Latino-owned employer firms having credit characteristics similar to White-owned employer firms.

We explore the financing of Latino-owned employer businesses through the characteristics of credit that are commonly used to evaluate borrowers. LOBs and WOBs show no statistically significant difference in low risk credit scores (720+), with 60% of LOBs and 63% of WOBs reporting this credit range. Although LOBs demonstrate similar overall financial viability to WOBs, when we examine several characteristics of credit worthiness, LOBs are more likely to be asked to provide collateral, such as personal guarantees and putting up personal and business assets, when taking out loans.
PPP funding provided a greater lifeline for Latino-owned businesses during the pandemic despite some challenges in accessing it.

Although more LOBs were interested in the PPP than WOBs, 57% compared to 49%, a similar share of LOBs and WOBs ended up applying for the PPP, 31% and 30% respectively. Prior research on the PPP has shown that there were racial disparities in the propensity to extend PPP loans across different lending institutions. Our research last year corroborated these findings as our data showed that in the early stages of the PPP, LOBs had their PPP loans approved at nearly half the rate of WOBs. In February 2021, SBA implemented rule changes in later rounds to prioritize lending to the smallest businesses and those that are minority-owned. We find that, when we consider the full time frame of the PPP and only those that applied, 30% of LOBs received funding compared to 23% among WOBs. However, LOBs report more challenges than WOBs in accessing the PPP, including a lack of response from banking providers or lack of guidance on how to apply.

Latinos are more likely to report making proactive strategic business changes in response to the business challenges created by the pandemic.

The pandemic had significant negative impacts for both Latino and White owned businesses, with supply chain disruptions, reduced revenues, and increased costs showing up as important challenges for both groups. Latino business owners reported a greater number of specific negative consequences to their businesses (e.g., temporary business closures and lack of financing). However, they were more likely to report making proactive efforts to combat the challenges of the pandemic. Chief among these was a propensity for LOBs to more frequently initiate technology-based solutions and strategies as they sought to adapt their businesses to the demands and opportunities created by the pandemic.

Latinos were more likely to tap into their personal savings and max out on credit cards and their home equity in order to weather the pandemic.

The pandemic exacerbated many of the pre-existing financing challenges that Latino-owned businesses faced prior to the pandemic. Chief among these challenges is the lack of available financing, resulting in high use of credit cards and other sources that leave business owners personally vulnerable. Compared to White business owners, Latinos were more likely to report tapping into their personal savings, using business and personal credit cards, soliciting loans from banks, and taking out home equity loans. These debt sources create greater risks to the Latino entrepreneurship community, possibly impacting their growth prospects.

Both Latino and White business owners are generally optimistic about their ability to rebound from the pandemic.

Both LOBs and WOBs reported confidence that their businesses will recover from the pandemic, with 79% and 77%, respectively, sharing this outlook. This confidence has remained high for both groups relative to 2020 confidence levels despite the many twists and turns of the pandemic. The pandemic has also fundamentally changed the workplace whereby more than half of all LOBs indicate some combination of remote work and in-person for employees. Among employer businesses, 19% of LOBs and 23% of WOBs indicate that all employees can work remotely post-pandemic.