Promoting Latino and Women Entrepreneurial Development in Idaho

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The Drivers of Regional Entrepreneurship in Rural and Metro Areas

Proprietors Share of Nonfarm Employment

- High (>25%)
- Medium (16% to 25%)
- Low (<16%)

Calculations based on BEA data

Figure 5.2. Entrepreneurial Breadth, 2001
Figure 1. Hispanic businesses in the US, percentage of the number of non-employer firms (NEF, No.) and percentage of receipts of non-employer firms (NEF, rcpts). Source: Survey of Business Owners, 2007.
Figure 2. Latino businesses in the US, percentage of the number of employer firms (EF, No) and percentage of receipts of employer firms (EF, rcpts).
LOB = Latino-owned businesses

STON ratio = Growth in sales of LOB / growth in numbers of LOB

STON ratio in PNW <1.0
    nationwide WA (32), ID (42), OR (45)

What is a favorable business environment for all firms is not favorable for Hispanic-owned firms in the PNW.

The small share of receipts of Latino-owned firms in the PNW (0.4%) is 25 times smaller than the proportion of Hispanics in the region.

Survey of Business Owners (2007)
Rodriguez and Devadoss (2011)
Latino-owned businesses have lower average sales, are less likely to hire employees, and have fewer employees than white-owned businesses.

Trends in minority business outcomes do not indicate improvement relative to white business outcomes in the last two decades.

In the period 2005–2007 6.1% of Hispanics were self-employed in Idaho compared to 12.8% of non-Latinos.

Out of the 6.1% self-employed Latinos 41.2% were women.
## Gender and Ethnic Divide in Self-employment Income, Idaho

<table>
<thead>
<tr>
<th></th>
<th>Non-Latinos</th>
<th></th>
<th>Latinos</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td><strong>SEI ($/year)</strong></td>
<td>33,549</td>
<td>17,213</td>
<td>26,481</td>
<td>15,460</td>
</tr>
<tr>
<td><strong>Gender (fem/male)</strong></td>
<td>0.513</td>
<td></td>
<td>0.584</td>
<td></td>
</tr>
<tr>
<td><strong>Ethnic (Lat/ NL)</strong></td>
<td>0.789</td>
<td></td>
<td>0.898</td>
<td></td>
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</tbody>
</table>

American Community Survey, 2005-2007
Two questions

- What factors contribute to the probability of being an entrepreneur?
- What factors contribute to self-employment earnings?
Figure 3. Probability of being an entrepreneur with respect to age in Idaho, 2005–2007.

<table>
<thead>
<tr>
<th>Difference</th>
<th>Females</th>
<th>Males</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference</td>
<td>0.0308</td>
<td>0.0751</td>
</tr>
<tr>
<td>Explained difference</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>12.3</td>
<td>17.2</td>
</tr>
<tr>
<td>Proportion metro population</td>
<td>-1.7</td>
<td>-4.9</td>
</tr>
<tr>
<td>Marital status</td>
<td>4.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Educational attainment</td>
<td>31.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Occupation</td>
<td>4.5</td>
<td>-1.8</td>
</tr>
<tr>
<td>Citizenship</td>
<td>20.6</td>
<td>23.4</td>
</tr>
<tr>
<td>Wealth</td>
<td>17.9</td>
<td>16.9</td>
</tr>
<tr>
<td>Total explained difference</td>
<td>89.7</td>
<td>56.9</td>
</tr>
</tbody>
</table>

Age: age, agesq
Marital status: married, divorced, single
Educational attainment: hsgrad, hstobsgrad, pstgrad
Occupation: agforfsh, cnstr, manf, transcom, whlsl, retail, FIRE, bussrv, persrv, entrec, repair, other
Citizenship: usnat, nonus
Wealth: wlth_low, wlth_med
Self-employment Income (SEI)

- Age
- Gender
  - SEI is 55% (39%) below the earnings of their male counterparts for non-Latinas (Latinas)
- Wealth
  - Low (medium) level of wealth reduces SEI by 47% (28%) relative to the wealthiest NL
  - Low (medium) level of wealth reduces SEI by 62% (52%) relative to the wealthiest Latinos
Role models
For example, non-Latinos in wholesale businesses earn 51% more than non-Latinos in professional services but

Latinas in wholesale businesses earn 273% more than Latinos and Latinas in professional services.
Where are you?

- I hate my boss!
- Employed but considering a business?
- Unemployed?
- I love my job but I want to be free, more creative and possibly make more money
Reality check

- Drive
- Skills
- Information about the process
- Capital
- Ability to pay / out of debt
The Five Stages of Small Business Growth

- I. Existence
- II. Survival
- III. Success
- IV. Take-off
- V. Resource maturity

Income gap between non-Latinos and Latinos can only be narrowed by increasing wage and self-employment income

*(Latino Econ. Dev. Center & U. of Idaho)*

Depending on location
- NEF====⇒ EF
- (85%) (15%)
- Immigrants 70%
- Native-born 30%

**Wage plus**
- Unemployment Insurance
- FICA
- Medicare
- General Liability

**Total Benefits = wages + (27%-42%)**

**Socioeconomic and cultural factors**
- Banking
- Blind reliance in relationships
- From self-employed to employer status
Banking

- Less prone to use banking services
- Prefer cash
- Attitude towards scarcity
- Aversion to credit
- Limited knowledge of banking system
- Banks “do not want to help”
Personal loyalty dominates over competence.
LOB are at risk of being exploited by those they trust.
Informal business norms vs. formal ones.
Intergenerational business transition at risk.
From Self-employed to Employer

- Averse to hire employees
- Do not want to share knowledge or trade secrets
- Wages + 27% - 42% additional cost!!
- Previous employers were informal in hiring them (1099s)
- Cannot separate business from personal finance
What about the gaps?

- Education is the most important factor that explains the difference in likelihood of being entrepreneur between Latino women and non-Latino women in Idaho.
- Research is needed to explain gender gaps for Latinos and non-Latinos.
Mentorships from female role models should be encouraged.

Access capital for startups and business expansion needs to be complemented with entrepreneurial education and mentorship.