



Promoting Latino and Women Entrepreneurial Development in Idaho

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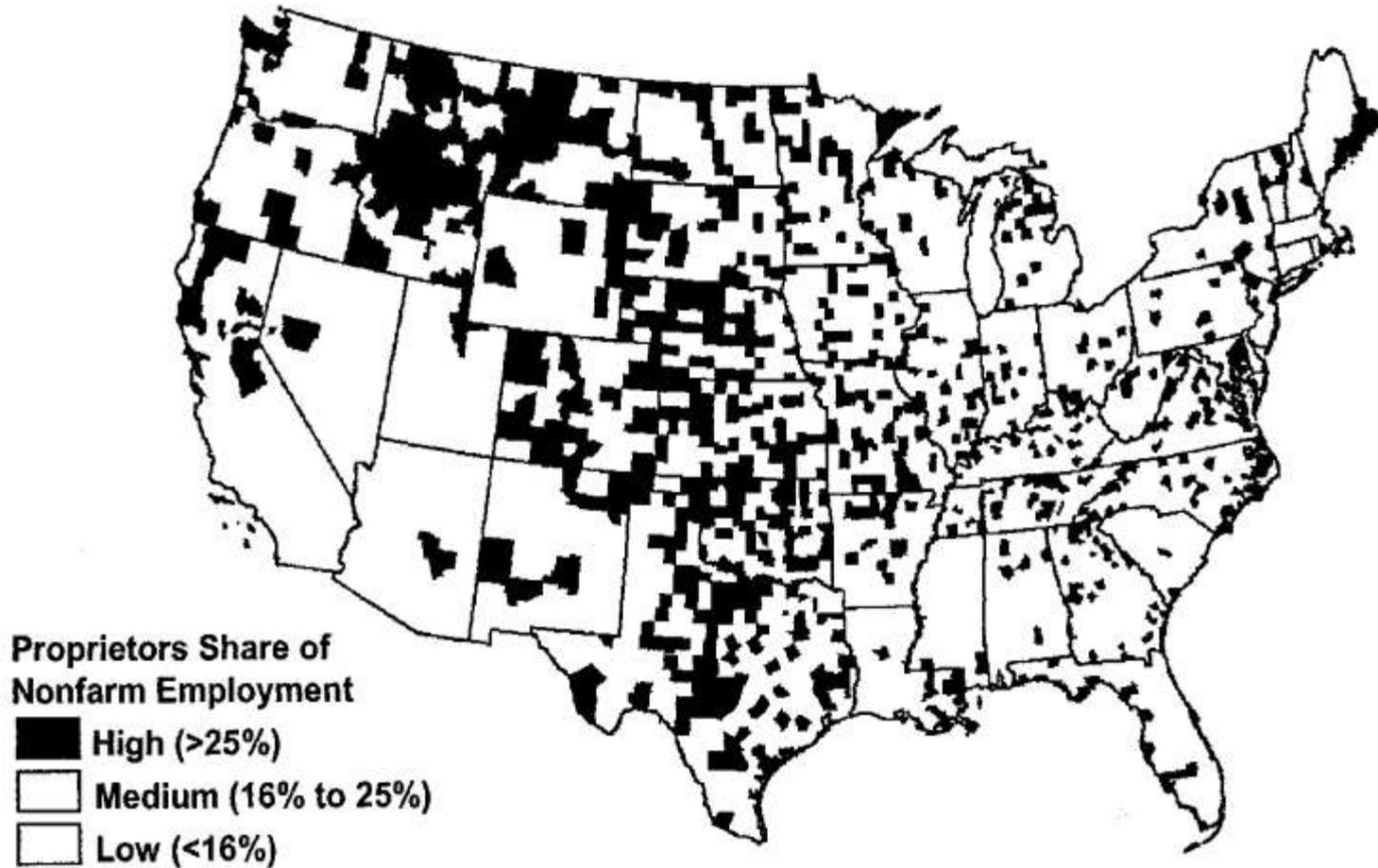


Figure 5.2. Entrepreneurial Breadth, 2001

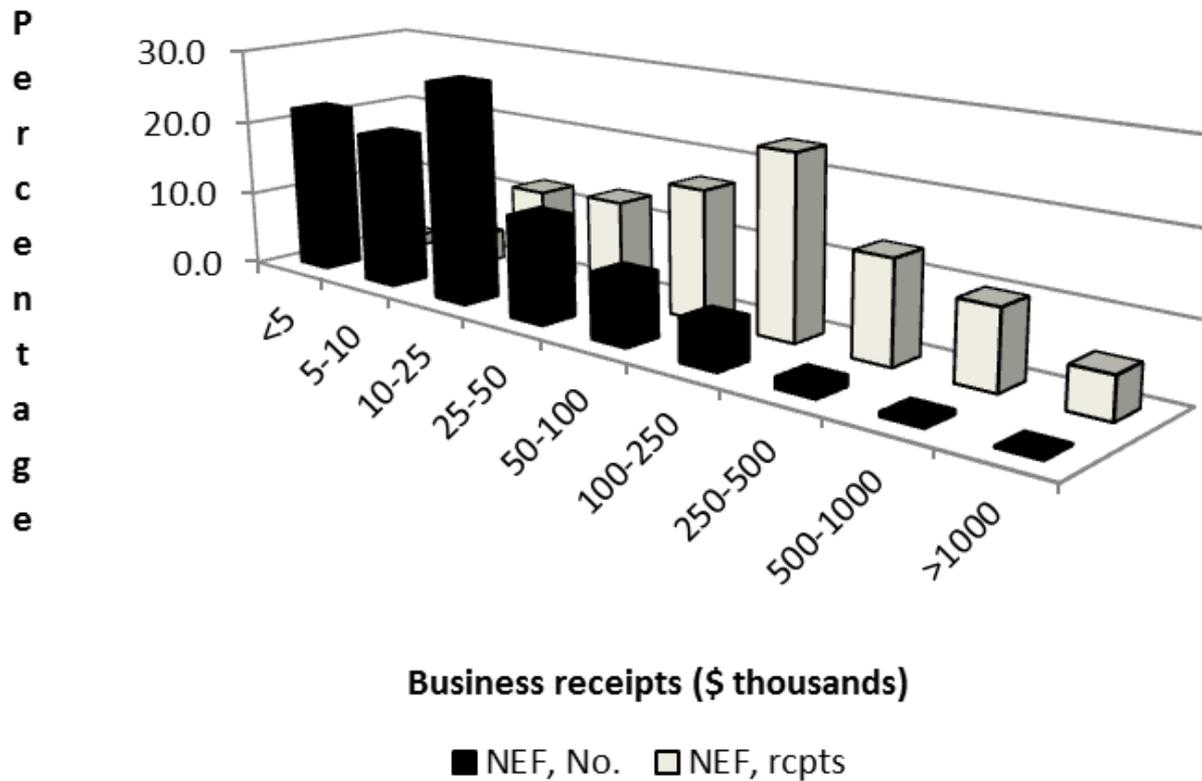


Figure 1. Hispanic businesses in the US, percentage of the number of non-employer firms (NEF, No.) and percentage of receipts of non-employer firms (NEF, rcpts). Source: Survey of Business Owners, 2007.

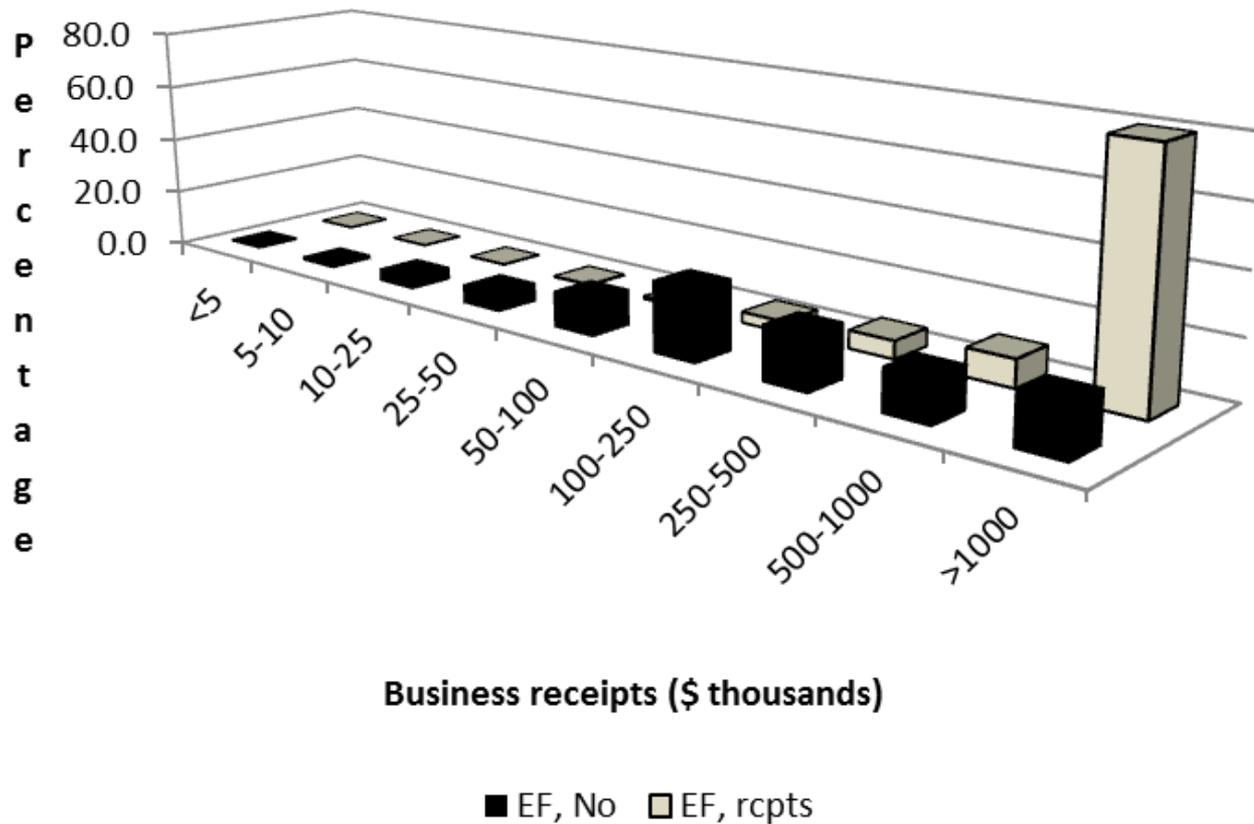


Figure 2. Latino businesses in the US, percentage of the number of employer firms (EF, No) and percentage of receipts of employer firms (EF, rcpts).

Source: Survey of Business Owners, 2007.

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.

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

Fairlie and Robb, 2008. *Race and Entrepreneurial Success* (MIT Press)

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

		Non-Latinos		Latinos	
		Male	Female	Male	Female
SEI	(\$/year)	33,549	17,213	26,481	15,460
Gender	(fem/male)	0.513		0.584	
Ethnic	(Lat/ NL)	0.789		0.898	

American Community Survey, 2005-2007

Two questions

- ▶ What factors contribute to the probability of being an entrepreneur?
- ▶ What factors contribute to self-employment earnings?

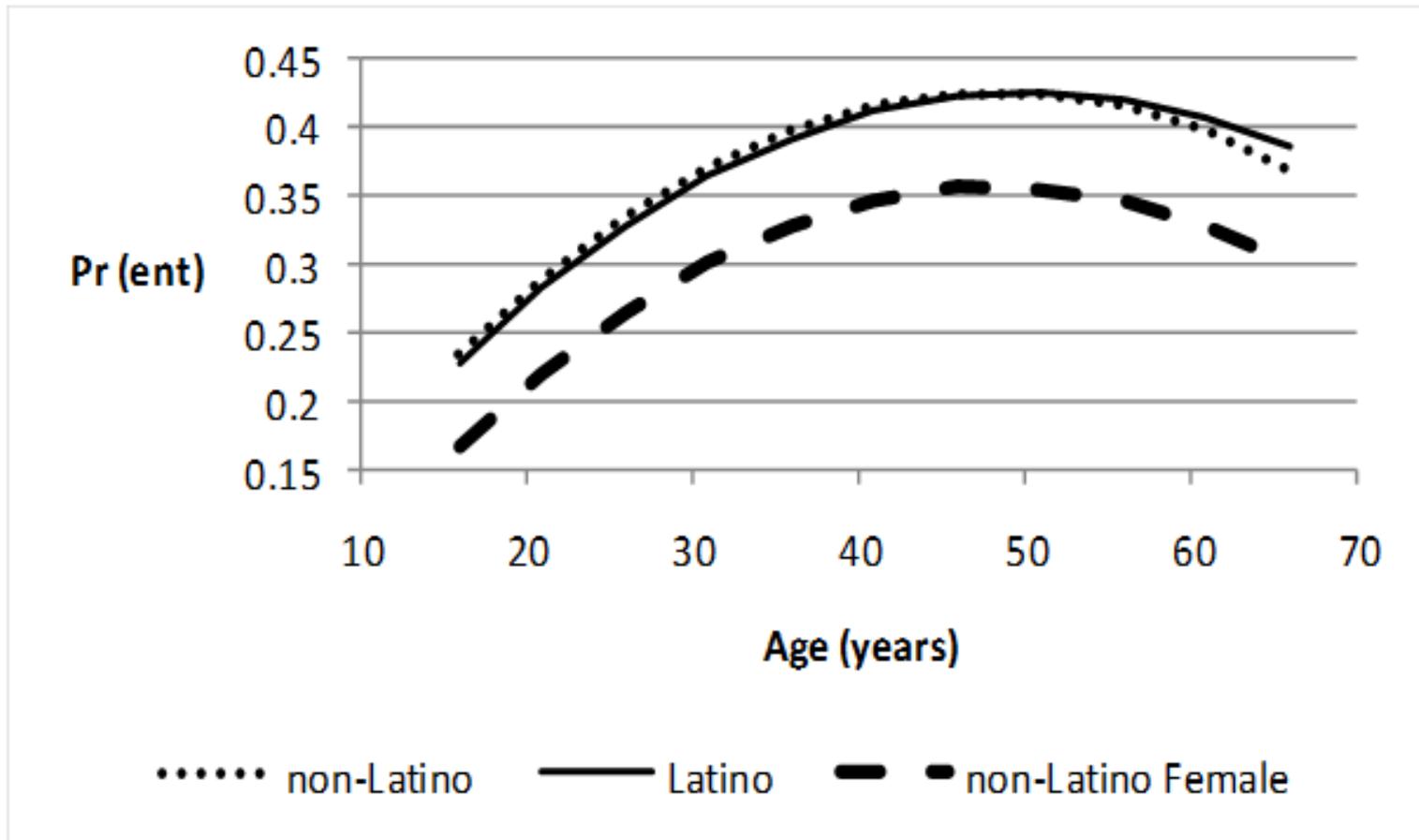


Figure 3. Probability of being an entrepreneur with respect to age in Idaho, 2005–2007.

Table 5. Non-linear decomposition of the probability of being self-employed: Latinos vs. non-Latinos in Idaho, 2005-2007.

	Females	Males
Difference	0.0308	0.0751
Explained difference	Percentage	
Age	12.3	17.2
Proportion metro population	-1.7	-4.9
Marital status	4.1	2.0
Educational attainment	31.9	3.9
Occupation	4.5	-1.8
Citizenship	20.6	23.4
Wealth	17.9	16.9
Total explained difference	89.7	56.9

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



Size and
Age of business

Churchill and Lewis, 1983 (Harvard Business Review)

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”

Blind reliance in relationships



- ▶ 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.

Policy recommendations

Mentorships from female role models should be encouraged.

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