

BETTER BUSINESS:

**HOW HISPANIC ENTREPRENEURS
ARE BEATING EXPECTATIONS AND
BOLSTERING THE U.S. ECONOMY**

APRIL 2014



THE PARTNERSHIP FOR A NEW AMERICAN ECONOMY

brings together more than 500 Republican, Democratic, and Independent mayors and business leaders united in making the economic case for streamlining, modernizing, and rationalizing our immigration system.



THE LATINO DONOR COLLABORATIVE

a 501 (c)(3) non-profit organization was co-founded by Sol Trujillo and Henry Cisneros. The LDC is dedicated to reshaping the perception of Latinos as part of the American social mainstream. This non-partisan, national leadership organization is dedicated to rebuilding the Latino brand and advancing a more accurate, fact-based portrayal of Latinos and their significant contribution to America's cultural, economic and national security leadership.

BETTER BUSINESS:

HOW HISPANIC ENTREPRENEURS ARE BEATING EXPECTATIONS AND BOLSTERING THE U.S. ECONOMY

APRIL 2014

EXECUTIVE SUMMARY

REPORT AUTHORS

ALBERTO DÁVILA

**PROFESSOR OF ECONOMICS AND CHAIR OF DEPARTMENT OF
ECONOMICS AND FINANCE, THE UNIVERSITY OF TEXAS - PAN AMERICAN**

MARIE T. MORA

**PROFESSOR OF ECONOMICS
THE UNIVERSITY OF TEXAS - PAN AMERICAN**

ANGELA MAREK ZEITLIN

**DIRECTOR OF RESEARCH
PARTNERSHIP FOR A NEW AMERICAN ECONOMY**

COPYRIGHT 2014 PARTNERSHIP FOR A NEW AMERICAN ECONOMY.

The more than 50 million Hispanic residents living in the United States contribute to the country in countless ways. Hispanics who are U.S. citizens come out in large numbers in the voting booth, often casting the deciding votes in critical state, local, and national elections. Latinos today also account for more than 70,000 of the country's CEOs, 50,000 of our physicians and surgeons, and a record 38 members of the U.S. Congress.^{1 2} These individuals are role models to Americans of all backgrounds.

Until recent decades, however, there was one area where Hispanic-Americans played a smaller role than would be expected: entrepreneurship. In 1992, for instance, just five percent of all U.S. firms were owned by Hispanics, despite them making up roughly 9 percent of the U.S. population. Both then and now, numerous barriers discouraged Hispanic Americans from founding their own businesses. Language

difficulties, limited credit history, and a potential shortage of role models presented challenges to some aspiring Hispanic business owners. Many Hispanic immigrants also find it more difficult to access bank loans and federal small business financing—capital that is completely out of reach for much of the undocumented population.³

This report uses data from the U.S. Census, American Community Survey, and the Survey of Business Owners to examine the role Hispanics played in entrepreneurship from 1990 to 2012. During that period, Hispanic Americans, particularly immigrants, founded new businesses at increasingly higher rates that exceeded expectations. Notably, the number of Hispanic owned businesses surged even during the decade that included the recent recession, a period when their country needed them most.

KEY FINDINGS

In recent decades, the number of Hispanic entrepreneurs has grown exponentially. From 1990 to 2012, the number of Hispanic entrepreneurs in America more than tripled, going from 577,000 to more than 2.0 million. This surge far outstripped population growth among the working-age Hispanic American population. It also dwarfed the growth in the number of self-employed non-Hispanics during that period, which grew by just 14.0 percent—roughly one eighteenth as fast as the Hispanic rate.

Hispanic immigrants, particularly those from Mexico, played a key role in this growth. Between 1990 and 2012, the number of Hispanic immigrant entrepreneurs more than quadrupled, going from 321,000 to 1.4 million. At the same time, the number of self-employed Mexican immigrants grew by a factor of 5.4, reaching 765,000. Entrepreneurship became so established among Mexican immigrants that by 2012 more than one in 10 such immigrants were entrepreneurs.

There are far more Hispanic entrepreneurs today than expected. In 2012 the rate of Hispanic-American entrepreneurship was more than one whole percentage point higher than we would expect based on factors like population growth, language proficiency, and family structure.⁴ Hispanic immigrants overcame obstacles that hinder entrepreneurship at even greater rates: Among that population, the entrepreneurship rate was 2.1 percentage points higher than expected, resulting in an estimated 251,000 additional entrepreneurs in 2012.

Hispanic entrepreneurs helped power the economy during the recent recession. While entrepreneurship rates among non-Hispanic, U.S.-born individuals dropped during the decade that included the recent recession, the number of Hispanic entrepreneurs grew by 71.5 percent. That made a notable difference on the U.S. unemployment rate: If the 581,000 Hispanic immigrant entrepreneurs who created businesses from 2000 to 2010 were instead unemployed in 2010, the unemployment rate would likely have been 0.4 percentage points higher, topping 10 percent.

As entrepreneurship levels have dropped in recent years, Hispanics have increasingly focused on founding new businesses. In 2012, the rate of self-employment dropped to its lowest point in decades, reaching 10.0 percent. Between 2010 and 2012 alone, the number of total entrepreneurs in the country dropped by 250,000 people. Hispanics, however, showed no signs of slowing their levels of entrepreneurship: From 2010 to 2012, the number of Hispanic entrepreneurs grew by 160,000 people. For the entire 1990 to 2012 period, Hispanics added new entrepreneurs almost 10 times faster than the population overall.

Hispanic immigrants are now more likely to start new businesses than the U.S. population overall. While in 1990 and 2000, Hispanic immigrants had lower self-employment rates than the broader U.S. population, by 2010, they were exceeding the country's overall entrepreneurship rate. While 10.2 percent of the U.S. population were entrepreneurs in 2010, that figure was 11.0 percent for Hispanic immigrants. By 2012, that gap had widened to 10.0 percent and 11.7 percent, respectively.

The decision by more and more Hispanic Americans to pursue entrepreneurship could have a real and lasting impact on the U.S. economy. In the past few decades, young businesses have played an enormous role in U.S. economic growth: All the net new job creation in the last 30 years in America can be attributed to businesses less than five years old.⁵ In the coming decades Hispanics will also become a larger part of the U.S. population overall. While today more than one in six Americans are Latino, the U.S. Census Bureau has estimated one in three Americans will be Hispanic by 2060.⁶

But whether the strong growth in Hispanic American entrepreneurship will continue into the future is far from certain. If Congress passes immigration reform that addresses the 11 million undocumented immigrants currently in the country and fixes the long wait times many families experience trying to reunite through the legal immigration system, more Hispanic immigrants could decide to make a long term commitment to the U.S. as business owners. As recently as 2007, Hispanic-owned businesses contributed more than \$350 billion in revenues to the U.S. economy. Making America more friendly and welcoming to Hispanic immigrant entrepreneurs will make it likely that in the coming years that figure looks like little more than the starting point for future growth.

INTRODUCTION

When Rosa Macias and her husband, Venancio, moved to the United States from Mexico in 1990, they faced numerous hurdles that could have blocked their success. Rosa, a trained accountant, says she spoke “not a word of English” and had only been to the country once, to visit Disneyland. But the couple had a powerful motivation. “We didn’t know anything about the American system—education, taxes, the economy, nothing,” Rosa says, “but we knew what we wanted for our kids.” She says they dreamed of giving their two young children a better education and more opportunities than the generation before them had had—and a chance to truly succeed.

But Rosa didn’t have to wait for her children to grow up to embrace the opportunities America offered. Shortly after arriving in El Paso, Texas, she and Venancio began selling furniture at weekend swap meets, sometimes braving incredibly cold weather to do so. By the early 1990s, the couple had moved to Phoenix, Arizona, and partnered with a family member to open a 2,700 square foot furniture shop on the east side of town. Catering largely to Hispanic customers, and distinguishing themselves by offering shoppers in-store credit to buy merchandise, the store was quickly a success. “Our motto in English has always been ‘furnishing dreams,’” Macias explains, “We don’t only sell furniture, but we also create dreams for people—helping them integrate into a big credit system that might not be familiar to them.” By 1997, Rosa and

Venancio had opened their own store, Muebleria Del Sol, and created an independent financing company. Today, the Del Sol Group, which includes four large furniture stores, a credit operation, and a commercial real estate business with 13 tenants, brings in \$6 million in revenue per year.⁷

In the years since 1990, the Hispanic population in the United States has changed rapidly. Between 1990 and 2010, the number of Hispanics in America more than doubled, growing from 22.4 million to more than 50 million. Hispanics today make up more than one in six people living in the United States, compared to just nine percent in 1990. While Hispanic migration has slowed somewhat in recent years, immigration accounted for more than 30 percent of the Hispanic population growth from 2000 to 2010.

While this population growth has rapidly changed the U.S. workforce, it has been less clear how many Hispanics like Rosa and Venancio are contributing to the United States as entrepreneurs—and how those figures differ from what demographers would expect. This paper expands on research previously conducted by the first two authors—most notably for their book *Hispanic Entrepreneurs in the 2000s*,⁸ and quantifies the huge growth in Hispanic entrepreneurship for the entire 1990 to 2012 period. We further examine the rates of entrepreneurship among various subgroups in the Hispanic population living in America, including immigrants from Mexico

IN THE LAST 25 YEARS, AMERICA HAS EXPERIENCED AN EXPLOSION IN THE NUMBER OF HISPANIC ENTREPRENEURS THAT FAR EXCEEDS THEIR UNDERLYING POPULATION GROWTH. ALL ACROSS AMERICA, HISPANIC IMMIGRANTS OVERCAME OBSTACLES TO PURSUE ENTREPRENEURSHIP AT FAR HIGHER RATES THAN EXPECTED.

and Cuba, as well as the Puerto Rican population, since 1990. Using demographic factors such as education level, hours worked, and family size, we also predict the number of self-employed Hispanics we would expect to have existed in 2000, 2010, and 2012 (based on 1990 patterns) and the amount we would expect them to earn.

Our numbers paint a compelling picture of the state of Hispanic American entrepreneurship. In the last 25 years, America has experienced an explosion in the number of Hispanic entrepreneurs that far exceeds their underlying population growth. All across America, Hispanic immigrants like Rosa and Venancio overcame obstacles to pursue entrepreneurship at far higher rates than expected. The huge surge in Hispanic entrepreneurship appears to have lessened

the impact of the economic recession in the late 2000s, speeding the country’s recovery. Hispanics made these contributions despite the fact they earned less than other self-employed individuals for their work.

Rosa and Venancio Macias in many ways exemplify the current crop of Hispanic entrepreneurs. After arriving in 1990, they worked almost every weekend for more than a decade building their business. The Del Sol Group today employs 70 people. “When you really have a passion and a goal, you don’t see all the details and obstacles in your path,” Rosa says. That type of “can-do” spirit has made Hispanic American entrepreneurship a major bright spot in the U.S. economy in recent years—and one that could continue fueling job creation and economic growth in the years to come.⁹

ROSA MACIAS

“OUR MOTTO IN ENGLISH HAS ALWAYS BEEN ‘FURNISHING DREAMS.’ WE DON’T ONLY SELL FURNITURE, BUT WE ALSO CREATE DREAMS FOR PEOPLE—HELPING THEM INTEGRATE INTO... [THE] CREDIT SYSTEM.”

**BORN IN:
MEXICO**

**IMMIGRATED TO AMERICA:
1990**

**COMPANY:
DEL SOL GROUP**

**HEADQUARTERS:
PHOENIX, AZ**

**2013 REVENUE:
\$6 MILLION**

**2013 EMPLOYEES:
70**

READ MORE: PNAE.US/ROSA ▶



GROWTH IN HISPANIC ENTREPRENEURSHIP

Because the Hispanic population in the United States has grown so much in recent decades, it comes as little surprise that the country has also become home to a rising number of Hispanic entrepreneurs. How rapid is this growth? And, does it eclipse the underlying growth rate among the Hispanic population in America in recent years? To answer these questions, our survey examines data from the 1990 and 2000 U.S. Decennial Censuses as well as the 2010 and 2012 American Community Surveys, focusing on the numbers of self-employed individuals, a key measure of entrepreneurship. Our figures look exclusively at the typical working-age population, defined as those ages 25 to 64.

These figures show that since 1990, the growth in the number of self-employed Hispanics has been dramatic. From 1990 to 2012, the number of Hispanic entrepreneurs of working age in the U.S. more than tripled, going from 577,000 to more than 2 million. The growth rate was strong during each of the full decades considered in our study. While the growth rate was slightly higher in the 1990s, when the number of Hispanic entrepreneurs grew by more than 83 percent, there was a slightly larger number of new Hispanic entrepreneurs in the 2000s, a period when 773,000 Hispanics joined the self-employed workforce. In the two years that followed, the number of Hispanic entrepreneurs grew by an additional 160,000 people, putting it on pace to exceed the growth rate for the 2000 to 2010 period by the end of the decade.

TABLE 1: THE SIZE AND GROWTH OF THE SELF-EMPLOYED HISPANIC WORKFORCE FROM 1990-2012 AS COMPARED TO BROADER WORKFORCE GROWTH

Population	1990 (in 1,000s)	2000 (in 1,000s)	2010 (in 1,000s)	2012 (in 1,000s)	Growth Rate: 1990-2012 (in 1,000s)	Growth Rate: 1990-2000 (in 1,000s)	Growth Rate: (in 1,000s)
SELF-EMPLOYED WORKERS							
Hispanics	577	1,081	1,854	2,014	249.00%	87.30%	71.50%
Hispanic Immigrants	321	715	1,296	1,399	335.80%	122.70%	81.30%
Hispanic U.S. Natives	256	366	558	615	140.20%	43.00%	52.50%
Non-Hispanics	10,538	12,059	12,429	12,010	14.00%	14.40%	3.10%
Non-Hispanic Immigrants	843	1,277	1,689	1,706	102.40%	51.50%	32.30%
Non-Hispanic U.S. natives	9,695	10,782	10,740	10,304	6.30%	11.20%	-0.4
Total U.S. Population	11,115	13,140	14,274	14,024	26.20%	18.20%	8.60%
ALL WORKERS							
Hispanics	8,386	13,745	20,420	21,371	154.80%	63.90%	48.60%
Hispanic immigrants	4,215	7,942	11,743	11,959	183.70%	88.40%	47.90%
Hispanic U.S. Natives	4,171	5,803	8,677	9,412	125.70%	39.10%	49.50%
Non-Hispanics	102,814	114,706	119,729	119,446	16.20%	11.60%	4.40%
Non-Hispanic Immigrants	6,996	10,667	13,614	14,063	101.00%	52.50%	27.60%
Non-Hispanic U.S. Natives	95,818	104,039	106,116	105,383	10.00%	8.60%	2.00%
Total U.S. Population	111,200	128,451	140,149	140,816	26.60%	15.50%	9.10%

Source: Authors' estimates using data from the 1990 and 2000 decennial censuses and the 2010 and 2012 ACS, available in the IPUMS.
Note: Only civilian workers ages 25-64 who resided outside of group quarters are included.

FROM 1990 TO 2012, THE NUMBER OF HISPANIC ENTREPRENEURS OF WORKING AGE IN THE U.S. MORE THAN TRIPLED, GOING FROM 577,000 TO MORE THAN 2 MILLION. HISPANICS GREW THEIR NUMBERS OF ENTREPRENEURS ALMOST 10 TIMES FASTER THAN THE U.S. POPULATION OVERALL.

These figures dramatically outstripped the growth rate among the Hispanic working population as a whole during the same period. From 1990 to 2012, the number of Hispanic entrepreneurs more than tripled, growing 249 percent, while the overall Hispanic working population roughly doubled, growing by almost 155 percent. The growth in the number of Hispanic entrepreneurs also was considerably more dramatic than the growth in self-employment among the non-Hispanic population. During the 1990 to 2012 period, the number of non-Hispanic entrepreneurs grew by 14.0 percent, or roughly an eighteenth the Hispanic rate. Hispanics also grew their numbers of entrepreneurs almost 10 times faster than the U.S. population overall.

To fully understand the growth in Hispanic business generation, a phenomenon we've discussed elsewhere,¹⁰ it

is also useful to look at the rate of entrepreneurship, or the share of the overall Hispanic population opting to become self-employed. In recent decades, this figure has lagged behind the entrepreneurship rate among the U.S. population overall. In the last 25 years, however, the gap between the two figures has shrunk considerably. In 1990, almost 7 percent of the Hispanic-American population was self-employed, compared to a 10 percent rate among the broader U.S. population. By 2010, the Hispanic entrepreneurship rate had risen to 9.1 percent—1.1 points behind the 10.2 percent entrepreneurship rate among the population as a whole. By 2012, however, the gap had narrowed to be within a single percentage point: While 9.4 percent of Hispanics were self-employed during that period, the entrepreneurship rate for the entire U.S. working-age population dropped to 10.0 percent.

TABLE 2: SELF-EMPLOYMENT RATES OF HISPANIC AND NON-HISPANIC WORKERS, AGES 25-64, 1990-2012

Population	1990	2000	2010	2012
Hispanics	6.90%	7.90%	9.10%	9.40%
Hispanic Immigrants	7.60%	9.00%	11.00%	11.70%
Hispanic U.S. Natives	6.10%	6.30%	6.40%	6.50%
Non-Hispanics	10.30%	10.50%	10.40%	10.10%
Non-Hispanic Immigrants	12.00%	12.00%	12.40%	12.10%
Non-Hispanic U.S. Natives	10.10%	10.40%	10.10%	9.80%
Population Overall	10.00%	10.20%	10.20%	10.00%

Source: The self-employment rates for Hispanics in 2000 and 2010 are from Dávila and Mora (see Footnote 8); the remaining numbers are the authors' estimates using data from the 1990 and 2000 decennial censuses and the 2010 and 2012 ACS, available in the IPUMS. Notes: Only civilian workers ages 25-64 who resided outside of group quarters are included.

As the number and rate of Hispanic entrepreneurship has mushroomed in recent years, the number of Hispanic-owned firms—and the revenues generated by them—have surged as well. To examine the rates of Hispanic business ownership, we turn to the Survey of Business Owners, a study conducted by the U.S. Census as part of its Economic Census every five years. This survey defines Hispanic-owned firms as those where Hispanics represent more than 50 percent of the primary owners. In 1997, the survey counted more than 1.1 million Hispanic-owned firms in the country, businesses that generated \$186.3 billion in annual revenues. By 2007, just one decade later, both those figures had roughly doubled, with revenues exceeding \$350 billion.

Payroll is also a valuable measure of the success of Hispanic owned firms. The average Hispanic-owned firm has fewer employees than the average firm in the economy overall.¹¹ Despite that, Hispanic-owned firms were significantly growing their payroll and total number of employees in the period from 1997 to 2007. During that decade, the payroll of Hispanic-owned firms came close to doubling, going from \$29.8 billion to \$54.3 billion. The firms also grew their total number of employees by 37.4 percent. Both these figures outpaced the growth rates seen for employer firms in the country overall during that period. Payroll for Hispanic-owned firms, in fact, grew more than six times faster than it did for entrepreneurs overall.

TABLE 3: CHARACTERISTICS OF HISPANIC-OWNED BUSINESSES: 1997, 2002, AND 2007

Population	1997	2002	2007	Growth Rate: 1997-2007
Total Number (in 1,000s)	1,120	1,573	2,260	101.8%
Total Revenue (in \$1,000,000s)	\$186,275	\$221,927	\$350,661	88.2%
Total Payroll of Firms with Employees (in \$1,000,000s)	\$29,830	\$36,712	\$54,296	82.0%

Source: For 2002 and 2007, estimates are based on the analysis by Davila and Mora (see Footnote 8) using data from the Survey of Business Owners; the 1997 figures are the authors' estimates from the 1997 Economic Census: Minority- and Women-Owned Businesses, United States, Interactive Tables (<http://www.census.gov/epcd/mwb97/us/us.html>). Note: Dollar values are not adjusted for inflation.

Although the U.S. Census Bureau has not yet made more recent data on Hispanic-owned businesses available, there is some evidence that the incredible growth of the 1997 to 2007 period continues today. The consulting firm Geoscape

projected that by the end of 2013, there would be 3.2 million Hispanic-owned businesses in America. It was estimated that those firms would generate \$468 billion in revenues—a figure more than \$200 billion higher than their revenues in 2002.¹²

THE ROLE OF IMMIGRANTS

Edith Barco, immigrant from El Salvador, originally came to the United States in the late 1990s, taking a job—like many of Iowa's immigrants—in one of the state's meatpacking plants. Her real passion, however, was not processing food, but preparing it. Within a few years, Barco had started selling tacos and pupusas from a truck in her backyard. She also began a delivery business, taking her home cooked meals to workplaces and corporate lunches. "People were really going crazy for her food," says her nephew, Leo Esquivel. So in 2009, at the urging of customers, Barco decided to start her own restaurant—El Buen Gusto, a popular Salvadorian café that serves hundreds of people a week in Perry, Iowa, a town with a population of 8,000 people.¹³

In the years since 1990 the U.S. has experienced enormous growth in the size of its population of Hispanic entrepreneurs. The figures show, however, that one critical group is most responsible for that explosive growth: Hispanic immigrants like Barco who arrived in the U.S. in recent years eager to embrace the American dream. In the period between 1990 and 2012, the number of Hispanic immigrant entrepreneurs of working age more than quadrupled—going from 321,000 to almost 1.4 million. That figure far exceeded the growth in the Hispanic immigrant working-age population during that time,

which grew by 184 percent—or roughly half as fast. It also eclipsed the growth in the number of native-born Hispanic entrepreneurs, which grew by a factor of roughly 1.5 during the same period.

In some ways, the large number of Hispanic immigrants choosing to start small businesses isn't a surprise. A recent study by the Partnership for a New American Economy found that immigrants are now more than twice as likely as the native born to start a business. The study also reported that immigrants founded more than one in four, or 28 percent, of new businesses in 2011, even though they made up 12.9 percent of the population.¹⁴ Our figures show, however, that in the last several decades, it is foreign-born Hispanics who have been a key driving force behind immigrant entrepreneurship growth. The population of self-employed, immigrant Hispanics rose by almost 1.1 million people between 1990 and 2012. During that same period, non-Hispanic immigrants added 214,000 fewer new entrepreneurs. And while working-age Hispanic immigrants added entrepreneurs at a rate much faster than their underlying population growth, non-Hispanic immigrants barely added enough new entrepreneurs to keep pace with their growing numbers.



EDUARDO GONZALEZ

BORN IN:
CUBA

IMMIGRATED TO AMERICA:
1960

COMPANY:
**FERRAGON
CORPORATION**

HEADQUARTERS:
CLEVELAND, OH

2013 REVENUE:
\$50 MILLION

2013 EMPLOYEES:
30

“I’D ALWAYS WANTED TO BE AN ENTREPRENEUR, AND AFTER WATCHING THE OWNER OF THE STEEL COMPANY I WORKED FOR, I FELT LIKE I COULD DO THINGS BETTER.”

READ MORE: PNAE.US/EDUARDO ►

**BETWEEN 1990 TO 2012,
THE NUMBER OF
HISPANIC IMMIGRANT
ENTREPRENEURS
OF WORKING AGE
MORE THAN
QUADRUPLED.**

Once again, when we turn to the rate of entrepreneurship among Hispanic immigrants, the magnitude of recent trends becomes clear. While just 7.6 percent of Hispanic immigrants were self-employed in 1990, by 2012 that figure had reached 11.7 percent. Hispanic immigrants are now more likely to be entrepreneurs than the average member of the U.S. population, a fact that wasn't true as recently as 2000.¹⁵ The increase in the self-employment rate is also notable among immigrants from Mexico. In 2012 more than one in ten Mexican immigrants were self-employed, a figure that exceeded the rate for the population overall by 0.6 percentage points. This is despite the fact that many Mexican immigrants face more barriers to entrepreneurship than the general population due to legal status. In 2010, more than half of America's Mexican immigrants were unauthorized, a group that is largely shut out from many sources of financing and business capital.¹⁶

Our analysis also looked at entrepreneurship growth among the two largest subsets of Hispanic immigrants: Mexicans and Cubans. Mexican immigrants experienced the larger growth in entrepreneurship rates: While just 6.3 percent of that population was self-employed in 1990, 10.6 percent

were by 2012. This means that between 1990 and 2012, the number of Mexican entrepreneurs grew by more than a factor of five. Cuban nationals, meanwhile, had considerably higher entrepreneurship rates than the U.S. population overall during the entire period of our study. In 2010 and 2012, more than one in seven Cuban immigrants were entrepreneurs.

Eduardo Gonzalez is one such Cuban immigrant entrepreneur. Gonzalez, who immigrated to the U.S. with his parents as a child, says he learned an incredible amount watching his parents rebuild their lives and find new careers on U.S. soil. The experience motivated him at a young age. After working for several years in the steel industry after college, Gonzalez used \$35,000 he'd saved—and money he cobbled together from friends and family—to buy a bankrupt steel processor at age 28. "I'd always wanted to be an entrepreneur," Gonzalez says, "and after watching the owner of the steel company I worked for, I felt like I could do things better." Today, his firm, Farragon Corporation, and its subsidiaries bring in \$50 million in annual revenues and provide jobs to 300 Americans, spread across locations in Kentucky, Mississippi, Cleveland, and Detroit.¹⁷

TABLE 4: THE SIZE AND GROWTH OF THE SELF-EMPLOYED MEXICAN-AMERICAN, PUERTO-RICAN, AND CUBAN WORKFORCE FROM 1990-2012 AS COMPARED TO BROADER WORKFORCE GROWTH

Population	1990 (in 1,000s)	2000 (in 1,000s)	2010 (in 1,000s)	2012 (in 1,000s)	Growth Rate: 1990-2012 (in 1,000s)
SELF-EMPLOYED WORKERS					
Mexican Americans	302	566	1,072	1,133	275.20%
Mexican immigrants	142	370	724	765	438.70%
Mexican American U.S. natives	160	196	349	368	130.00%
Puerto Ricans	39	66	85	107	174.40%
Cubans	63	75	113	114	81.00%
Cuban immigrants	56	65	83	87	55.40%
Cuban U.S. Natives	7	10	29	27	285.70%
ALL WORKERS					
Mexican Americans	4,835	7,791	12,635	13,098	170.90%
Mexican immigrants	2,244	4,689	7,189	7,234	222.40%
Mexican American U.S. natives	2,590	3,102	5,447	5,865	126.40%
Puerto Ricans	914	1,285	1,758	1,868	104.40%
Cubans	511	601	830	878	71.80%
Cuban immigrants	448	485	573	587	31.00%
Cuban U.S. natives	62	116	257	291	369.40%

Source: Authors' estimates using data from the 1990 and 2000 decennial censuses and the 2010 and 2012 ACS, available in the IPUMS.
Note: Only civilian workers ages 25-64 who resided outside of group quarters are included.

SURPASSING EXPECTATIONS

Hispanics, like many minority groups, can face obstacles when pursuing entrepreneurship. New immigrants to the country, with limited credit histories or language skills, may find it difficult to obtain bank loans or relevant business permits. And even U.S.-born Hispanics can face some challenges. For example, as a population they have less education than the national average, and education itself can open doors to credit and business contacts.

This section aims to put the growing numbers of Hispanic entrepreneurs in context. Looking at how factors like language proficiency and education affected entrepreneurship in 1990, and accounting for overall population growth, we predict the share of working-age Hispanics we would expect to be entrepreneurs in 2000, 2010, and 2012. Our figures show that in all three years, Hispanics—both native-born and immigrants—overcame potential barriers and pursued entrepreneurship at higher rates than anticipated, resulting in tens of thousands of additional entrepreneurs, as well as more jobs for American workers.

Tables 5 and 6 on the next page show the magnitude of this “unexpected” entrepreneurship. In 2000, the actual rate of entrepreneurship was 0.5 percentage points higher than expected for the Hispanic population overall. By 2010, the Hispanic entrepreneurship rate was 0.9 percentage points higher than expected, and the gap between actual and expected continued to grow in 2012: By that year, we would

expect 8.3 percent of the Hispanic population overall to pursue entrepreneurship; in reality, 9.4 percent did, resulting in an estimated 240,000 additional entrepreneurs.¹⁸

Once again, the trend was more pronounced among the immigrant population. In 2000, the actual rate of self-employment among Hispanic immigrants exceeded the predicted rate by almost a whole percentage point, a figure that grew to 1.6 percentage points by 2010 and to 2.1 percentage points by 2012. That translated into 72,000 unexpected immigrant entrepreneurs in 2000, 194,000 by 2010, and 251,000 by 2012—large numbers by any measure.

When broken down into individual ethnic subgroups, the high growth rate of Mexican immigrant entrepreneurs in recent years again becomes clear. The rate of actual Mexican immigrant self-employment exceeded the predicted rate by 2 percentage points in 2010, and by 2.3 percentage points in 2012, the highest of any subgroup studied. This meant that 166,000 more self-employed Mexican immigrants were in the economy in 2012 than anticipated, contributing to both U.S. business revenues and American job creation. Some ethnic subgroups, however, fell short of their projected self-employment rates. While U.S.-born Cuban Americans were projected to have a self-employment rate of 16.4 percent in 2012, the actual rate was only 9.4 percent. U.S.-born Hispanics also pursued entrepreneurship at slightly lower rates than expected.

TABLE 5: ACTUAL AND PREDICTED SELF-EMPLOYMENT RATES OF HISPANIC AND NON-HISPANIC WORKERS, AGES 25-64, FROM 1990-2012

Population	1990	2000	2010	2012
ACTUAL SELF-EMPLOYMENT RATES				
Hispanics	6.9%	7.9%	9.1%	9.4%
Hispanic immigrants	7.6%	9.0%	11.0%	11.7%
Hispanic U.S. natives	6.1%	6.3%	6.4%	6.5%
Non-Hispanics	10.3%	10.5%	10.4%	10.1%
Non-Hispanic immigrants	12.0%	12.0%	12.4%	12.1%
Non-Hispanic U.S. natives	10.1%	10.4%	10.1%	9.8%
PREDICTED SELF-EMPLOYMENT RATES (BASED ON 1990 STRUCTURES)				
Hispanics	---	7.4%	8.2%	8.3%
Hispanic immigrants	---	8.1%	9.4%	9.6%
Hispanic U.S. natives	---	6.6%	6.6%	6.7%
Non-Hispanics	---	12.4%	10.6%	10.6%
Non-Hispanic immigrants	---	13.5%	13.0%	13.1%
Non-Hispanic U.S. natives	---	12.3%	10.4%	10.4%

Source: The actual self-employment rates for Hispanics in 2000 and 2010 are from Dávila and Mora (see footnote 8); the remaining numbers are the authors' estimates using data from the 1990 and 2000 decennial censuses and the 2010 and 2012 ACS, available in the IPUMS. Notes: Only civilian workers ages 25-64 who resided outside of group quarters are included. See the Methodology section for details on how the predicted self-employment rates were estimated.

TABLE 6: ACTUAL AND PREDICTED NUMBER OF SELF-EMPLOYED HISPANICS AND HISPANIC IMMIGRANTS, AGES 25-64, 1990-2012

Population	1990 (in 1,000s)	2000 (in 1,000s)	2010 (in 1,000s)	2012 (in 1,000s)
ACTUAL NUMBER OF SELF-EMPLOYED INDIVIDUALS				
Hispanics	577	1,081	1,854	2,014
Hispanic Immigrants	321	715	1,296	1,399
Hispanic U.S. Natives	256	366	558	615
Non-Hispanics	10,538	12,059	12,429	12,010
Non-Hispanic Immigrants	843	1,277	1,689	1,706
Non-Hispanic U.S. Natives	9,695	10,782	10,740	10,304
Population Overall	11,115	13,140	14,274	14,024
PREDICTED NUMBER OF SELF-EMPLOYED INDIVIDUALS				
Hispanics	---	1,017	1,676	1,774
Hispanic immigrants	---	643	1,102	1,148
Hispanic U.S. natives	---	382	574	631
Non-Hispanics	---	14,256	12,734	12,661
Non-Hispanic immigrants	---	1,436	1,772	1,842
Non-Hispanic U.S. natives	---	12,778	11,006	10,960
NUMBER OF UNEXPECTED SELF EMPLOYED INDIVIDUALS				
Hispanics	---	64	178	240
Hispanic immigrants	---	72	194	251
Hispanic U.S. natives	---	-16	-16	-16
Non-Hispanics	---	-2,197	-305	-651
Non-Hispanic immigrants	---	-159	-83	-136
Non-Hispanic U.S. natives	---	-1,996	-266	-656

Source: Authors' estimates using data from the 1990 and 2000 decennial censuses and the 2010 and 2012 ACS, available in the IPUMS. Notes: Only civilian workers ages 25-64 that resided outside of group quarters are included. See the Methodology section for details on how the predicted self-employment rates were estimated. The figures for immigrants and natives are also generated using two separate models. For this reason, aggregate figures (for Hispanics or Non-Hispanics) do not always match the sum of the individual components (immigrant and native-born). Please see footnote 4 for a complete description of the methods used and its limitations.

TABLE 7: ACTUAL AND PREDICTED SELF-EMPLOYMENT RATES OF MEXICAN AMERICANS, PUERTO RICANS, AND CUBANS, 1990-2012

Population	1990	2000	2010	2012
ACTUAL SELF-EMPLOYMENT RATES				
Mexican Americans	6.20%	7.30%	8.50%	8.70%
Mexican immigrants	6.30%	7.90%	10.10%	10.60%
Mexican American U.S. natives	6.20%	6.30%	6.40%	6.30%
Puerto Ricans	4.20%	5.10%	4.90%	5.70%
Cubans	12.40%	12.40%	13.60%	13.00%
Cuban immigrants	12.60%	13.30%	14.60%	14.70%
Cuban U.S. natives	10.70%	8.60%	11.50%	9.40%
U.S. Population Overall	10.00%	10.20%	10.20%	10.00%
PREDICTED SELF-EMPLOYMENT RATES (BASED ON 1990 STRUCTURES)				
Mexican Americans	---	6.70%	7.50%	7.60%
Mexican immigrants	---	6.90%	8.10%	8.30%
Mexican American U.S. natives	---	6.60%	6.70%	6.70%
Puerto Ricans	---	4.90%	4.60%	4.60%
Cubans	---	15.70%	14.50%	14.50%
Cuban immigrants	---	15.20%	13.70%	13.80%
Cuban U.S. natives	---	18.90%	17.10%	16.40%

Source: The actual self-employment rates for 2000 and 2010 are from Dávila and Mora (see Footnote 8); the remaining numbers are the authors' estimates using data from the 1990 and 2000 decennial censuses and the 2010 and 2012 ACS, available in the IPUMS. Notes: Only civilian workers ages 25-64 that resided outside of group quarters are included. See the methodology section for details on how the predicted self-employment rates were estimated.

While Hispanics overall outperformed expectations as entrepreneurs, it is notable that this did not happen for America's non-Hispanic population. In 2010 the rate of actual self-employment among the non-Hispanic population was 0.2 percentage points lower than expected. By 2012 it had

reached half a percentage point, resulting in an estimated 651,000 fewer entrepreneurs. Some of this effect may be due to the slowing rate of entrepreneurship among non-Hispanics during the Great Recession,¹⁹ a factor we talk about in more detail in the following section.

HISPANIC ENTREPRENEURS DURING THE GREAT RECESSION

Entrepreneurship is a force driving U.S. job creation and overall economic health. So it is little surprise that during the decade that included the Great Recession entrepreneurship in America began to slow. Between 2000 and 2009, startups created a lower percentage of U.S. jobs than they had in the two decades prior.²⁰ And in 2010, new business generation reached the lowest rate in the 30-year history of recorded data.²¹

During this period, however, Hispanics, driven by immigrants, continued to accelerate their rates of entrepreneurship, contributing to the U.S. economy when the country needed them most—a trend the first two authors have discussed elsewhere.²² For Hispanics, more new self-employed workers joined the workforce between 2000 and 2010 than had in the 1990s. This was not true, however, for non-Hispanic, U.S. natives. From 2000 to 2010, a period when the number of Hispanic entrepreneurs grew by 773,000 people, the number of U.S.-born non-Hispanic entrepreneurs fell by 42,000.

This same trend plays out in the rate of entrepreneurship seen among Hispanic and non-Hispanic groups during the decade. In both 2000 and 2010, the rate of entrepreneurship among the entire U.S. population was 10.2 percent. Among non-Hispanics, however, the rate of entrepreneurship declined. Within this group, it fell most dramatically among the non-Hispanics born in America, dropping by 0.3 percentage points in a single decade. But while that represented a troublesome development for the U.S. economy, entrepreneurship among Hispanics during that decade remained a bright spot. From 2000 to 2010, the rate of self-employment among Hispanic immigrants grew by 2 percentage points. For Hispanics overall, entrepreneurship rates grew by 1.2 points. In both cases, these numbers were greater than the equivalent figure for the 1990s, indicating ever larger shares of Hispanics were becoming entrepreneurs during a difficult economic period.

CARMEN & JOSE TALAVERA

**“WHEN OTHERS
MEXICANS
HERE SEE THAT
WE’VE STARTED
SOMETHING
SUCCESSFUL,
THEY WANT
TO START
THEIR OWN
BUSINESSES
TOO.”**

**BORN IN:
MEXICO**

**IMMIGRATED TO AMERICA:
1981 & 1977**

**COMPANY:
CARNICERIA
SONORA #3**

**HEADQUARTERS:
FRUITA, CO**

**POPULAR PRODUCTS:
CARNE ASADA,
QUESO FRESCO,
HOMEMADE PICO
DE GALLO**

[READ MORE: PNAE.US/TALAVERA](#) ▶



Our figures show that the growth in the number of Hispanic entrepreneurs from 2000 to 2010 made a real difference in the American economy, likely speeding the country's recovery from the recession. If the 773,000 Hispanic immigrants who founded businesses from 2000 to 2010 were instead unemployed, we estimate the 2010 U.S. unemployment rate of 9.6 percent would likely have been half a percentage point higher, topping 10 percent. Unemployment would have also

been in the double digits if the 581,000 Hispanic immigrants who founded businesses during that period had failed to find work. These figures, of course, underestimate the full impact of self-employed Hispanics on U.S. job creation. They model only what would have happened if the entrepreneurs themselves were unemployed, without taking into account all the American workers dependent on Hispanic business owners for their jobs.

TABLE 8: THE ESTIMATED EFFECT OF NEW HISPANIC ENTREPRENEURS* ON THE U.S. UNEMPLOYMENT RATE IN 2000 AND 2010

Population	2000	2010
ACTUAL LABOR MARKET NUMBERS		
Unemployed workers, ages 16+ (in 1,000s)	5,692	14,825
Total Workforce Size (in 1,000s)	142,583	153,889
Unemployment rate	3.99%	9.63%
IMPUTED LABOR MARKET FIGURES IF NEW HISPANIC ENTREPRENEURS WERE INSTEAD UNEMPLOYED		
Unemployed workers, ages 16+ (in 1,000s)	6,169	15,598
Unemployment rate	4.33%	10.14%
IMPUTED LABOR MARKET FIGURES IF NEW HISPANIC IMMIGRANT ENTREPRENEURS WERE INSTEAD UNEMPLOYED		
Unemployed workers, ages 16+	6,086	15,406
Unemployment rate	4.27%	10.01%

*New immigrant entrepreneurs here are defined as the net number of new entrepreneurs in the decade leading up to the year specified. (ie: All the new immigrant entrepreneurs in 2010 started businesses between 2000-2010).

From 2010 to 2012, Hispanics continued to contribute as entrepreneurs during a period when the country struggled to create jobs and entrepreneurship in the country as a whole waned. Between 2010 and 2012, the rate of self-employment for the population as a whole fell dramatically, reaching 10.0 percent. During that same period, the number of entrepreneurs in the country overall also fell, dropping by 250,000 people. Hispanics, however, continued the same pattern of rapid growth in entrepreneurship that characterized the prior decade. From 2010 to 2012, the self-employment rate for Hispanics overall climbed from 9.1 to 9.4 percent. For Hispanic immigrants, the figures jumped from 11.0 to 11.7 percent. In those two years, the ranks of Hispanic entrepreneurs grew by 160,000 people.

The Hispanic entrepreneurs who contributed to the U.S. in recent years did so even though they received fewer financial rewards than their non-Hispanic counterparts. This was true before the recession, but in more recent years, the Hispanic earnings gap has only worsened. In 1990, self-employed Hispanics on average earned almost 25 percent less than their non-Hispanic peers. By 2000, that gap had widened to 30.4 percent, and by 2012, Hispanic entrepreneurs were earning 43.1 percent less than the average non-Hispanic entrepreneur. Although in 1990 and 2000 all of this gap could be explained by observable characteristics like hours worked per week, education level, or language proficiency, in both 2010 and 2012, Hispanics overall were earning less than such traits would lead us to expect.

TABLE 9: THE SIZE OF THE EXPECTED, UNEXPECTED, AND ACTUAL HISPANIC/NON-HISPANIC EARNINGS GAP AMONG SELF-EMPLOYED WORKERS IN 1990, 2000, AND 2010

Population	1990	2000	2010	2012	Change between 1990 and 2012
SELF-EMPLOYED WORKERS					
Hispanics	9.341	9.694	9.766	9.807	0.466
Non-Hispanics	9.589	9.998	10.157	10.238	0.649
Actual earnings gap (%)	-24.7	-30.4	-39.1	-43.1	-18.4
Expected earnings gap based on observable characteristics (%)	-37.5	-37	-38.8	-42.5	-5
Unexplained earnings gap (%)	12.8	6.6	-0.3	-0.6	-13.4

Source: Authors' estimates using data from the 1990 and 2000 decennial censuses and the 2010 and 2012 ACS, available in the IPUMS. Notes: Only civilian self-employed workers ages 25-64 who resided outside of group quarters and worked at least 20 hours per week in the previous year are included. Positive figures in the unexplained earnings row indicates years when Hispanics earned more than expected based on observable characteristics.

FROM 2010 TO 2012, HISPANICS CONTINUED TO CONTRIBUTE AS ENTREPRENEURS DURING A PERIOD WHEN ENTREPRENEURSHIP IN THE COUNTRY OVERALL BEGAN TO WANE. IN THOSE TWO YEARS, THE RANKS OF HISPANIC ENTREPRENEURS GREW BY 160,000 PEOPLE.

Like many Hispanics, the recession didn't slow down the entrepreneurial drive of Jose and Carmen Talavera. In 2008 the couple, who emigrated from Mexico in the 1970s, decided to open Carniceria Sonora #3, a grocery store in the small town of Fruita, Colorado. Its mix of Mexican grocery staples—like queso fresco, homemade pico de gallo, and ranchera meats—quickly earned the store a loyal following, including customers who drive over the border from Utah just to

purchase their meat. “There have been tough moments,” Jose says, “but I never thought when I started a business we'd make money right away.” Jose still works full-day shifts in construction, and his wife has a sewing job at a local sleeping bag factory. Their store, meanwhile, has become a success: Today it brings in thousands of dollars in profits each year and provides full-time jobs to their two employees.²³

CONCLUSION

As this report demonstrates, in the years since 1990, one of the great economic success stories in America has been the rapid growth of entrepreneurship among the Hispanic American population. In a period of just 22 years, the number of Hispanic entrepreneurs in the U.S. more than tripled. Hispanics became entrepreneurs at far higher numbers than expected, and sped up their contributions to the U.S. economy during the decade that included the Great Recession, a period when their country needed them most. This profound shift in small business creation was led mainly by immigrants. Since 1990, the number of working-age Hispanic immigrant entrepreneurs has more than quadrupled, far exceeding that group's underlying population growth.

The increase in the share of Hispanic Americans pursuing entrepreneurship could have a powerful effect on the future health of the U.S. economy. While today more than one in six Americans are Latino, the U.S. Census Bureau estimates that one in three Americans will be Hispanic by 2060.²⁴ Encouraging entrepreneurship among that population will help ensure that America has the jobs it needs to power

its economy in the future. It will also strengthen U.S. cities and towns by giving Hispanic Americans more disposable income to spend at the local businesses like grocery stores, boutiques and auto repair businesses that employ countless American workers. A recent study released by the United States Hispanic Chamber of Commerce and Geoscape found that Hispanics who own their own businesses are more than three times more likely to have household incomes over \$150,000 a year than the broader Hispanic population. Such entrepreneurs are also twice as likely to contribute to charity as Hispanic-Americans without their own companies.²⁵

This report also shows, however, that U.S. policymakers could be doing more to promote the success of self-employed Hispanics. Despite their hard work, self-employed Hispanics earn less on average than non-Hispanic business owners. And although they've grown their payroll rapidly in recent years, Hispanic-owned firms are also more likely to be small—with fewer employees—than companies founded by their non-Hispanic counterparts.²⁶ The U.S.'s broken immigration system is one factor that could be contributing

THE ENTREPRENEURS OF THE FUTURE WILL INCREASINGLY BE HISPANIC. IF OUR COUNTRY WANTS TO CONTINUE ITS RUN OF ECONOMIC SUCCESS, WE MUST DO EVERYTHING WE CAN TO INCUBATE AND SUPPORT THEM.

to this gap in Hispanic earnings and business size. Unlike countries such as the United Kingdom and Singapore, the U.S. currently lacks a workable entrepreneurship visa that would allow the average Hispanic immigrant a pathway to citizenship when he or she contributes to U.S. job creation. The closest program, the EB5 investors' visa, provides green cards to entrepreneurs who spend \$500,000 to \$1 million of their own funds on an American business venture—a barrier of entry high enough that few Hispanic immigrants have actually participated.²⁷ And because of backlogs and country quotas, Mexican Americans hoping to sponsor adult sons

and daughters for permanent residency in the U.S. can wait more than 20 years for the privilege.²⁸

Such a flawed system likely discourages Hispanic immigrants from establishing strong roots in America as business owners, or taking the risk to grow the businesses they already have. The entrepreneurs of the future will increasingly be Hispanic. If our country wants to continue its run of economic success, we must do everything we can to incubate and support them.

METHODOLOGY

The primary self-employment statistics we use in our empirical analyses come from nationally representative data from the Public Use Microdata Samples of the 1990 and 2000 decennial censuses, as well as the 2010 and 2012 American Community Surveys, each of which contains samples of approximately one percent of the U.S. population. Both the PUMS and ACS are made available in the Integrated Public Use Microdata Series (IPUMS) by Ruggles et al. As in some of our recent work,²⁹ our main analyses focus on civilian workers of traditional working ages, defined as ages 25-64, who were not residing in group quarters at the time of the survey. We identify the self-employed as those individuals who reported working for their own enterprises on the basis of the worker classification variable.

To calculate the number of Hispanic-owned firms in the country—as well as the growth in their revenue and payroll in recent years—we relied on the Survey of Business Owners (SBO), a survey conducted by the U.S. Census as part of its required Economic Census every five years. It should be noted that information for Hispanic-owned firms in the 1992 version is not necessarily comparable to subsequent versions of the data because of changes in sampling methodology by the Census Bureau. For example, information on race/ethnicity and gender was only collected for a subset of firms in 1992. As such, we focus most of our discussion on the 1997-2007 time period.

Analysis on the Number of Expected Entrepreneurs
In the section discussing the number of entrepreneurs that we would expect to exist after 1990, we consider whether changes in the observable characteristics often considered in academic literature to be determinants of self-employment can explain the huge growth in self-employment rates of Hispanics since 1990. Specifically, we first estimate the following equation only for 1990:

1. Self-Employed = f(Human Capital, Demographic, Occupation, Geographic, Family),

where Self-Employed equals one for the self-employed and zero for other workers. The variable Human Capital includes education, experience (estimated using the convention of age-education-5), experience-squared, and limited-English proficiency (LEP)—a binary variable equal to one for individuals who do not speak the English language well and zero otherwise. The Demographic vector includes a series of binary variables: one distinguishing between immigrants and U.S. natives, another identifying recent immigrants (defined as those who migrated to the U.S. within the past five years), a third distinguishing between women and men, and finally a set indicating race [White (base), Black, Asian, Native American, and mixed or other race]. The Occupation vector includes a set of binary variables for six different groups of occupations [services (base); executive, professional, and

managerial; technical and administrative support; sales; agriculture; and blue collar].

To capture regional changes in entrepreneurial opportunities, the Geographic vector includes binary variables identifying seven geographic regions [New England, North Central, South Central, Middle Atlantic, South Atlantic, Mountain, and Pacific (base)], as well as a continuous variable measuring the share of Hispanics among the state's population. The purpose of including the latter variable is to capture how potential Hispanic consumers in the general area relate to the likelihood of being self-employed. Finally, given that previous work reports that family structure affects self-employment propensities,³⁰ the Family vector contains a set of variables for marital status and the number of one's own children residing in the household.

Upon obtaining the probit regression results from estimating Equation (1) for 1990 (details available from the authors), we then apply these coefficients to predict the self-employment rates of Hispanics between the ages of 25 and 64 in 2000, 2010, and 2012, given their characteristics. These predicted self-employment rates can be used to estimate how many Hispanics in this age range should have been self-employed if the relationship between observable characteristics and the likelihood of being self-employed remained unchanged after 1990. We conduct this exercise first for all Hispanic workers, and then replicate the analysis separately for immigrants and U.S. natives. For comparison, we also analyze the self-employment odds of non-Hispanics as well.

Immigrant Earnings Analysis

For our analysis of immigrant earnings, we use the PUMS and ACS data from the IPUMS described above. To capture a sample of workers with stronger ties to labor market activities, we once again looked just at workers of traditional working ages (i.e., 25-64), but only included individuals who worked at least 20 hours per week in the year before the census (or in the 12 months prior to the ACS survey).

The explained versus unexplained earnings differentials can be estimated using the familiar Oaxaca-type wage decomposition method.³¹ Specifically, as in some of our previous work,³² we first estimate a typical earnings function solely for self-employed non-Hispanics to obtain the structure of labor market income that existed for members of that ethnic group in each year:

$$2. \quad \ln(\text{Earnings}) = (\text{Human Capital}) \beta_1 + \text{Demographic} \beta_2 + \text{Occupation} \beta_3 + \text{Region} \beta_4 + \text{Work-time} \beta_5 + e.$$

The variables contained in the vectors Human Capital, Demographic, and Occupation are described above (recall Equation (1)), while Region includes a set of binary variables distinguishing seven geographic regions (with the Pacific region the designated base group here). Because annual earnings also clearly relate to the amount of time people work, the vector Work-time includes a binary variable equal to one for individuals who worked less than 40 weeks in the previous year (and equals zero otherwise). The β_i terms represent vectors of coefficients to be estimated, while e denotes the normally distributed error term.

Using the estimated coefficients in β_i (which can be obtained from the authors), the wages of self-employed Hispanics can be imputed to estimate how much they should have earned, given their characteristics, if they faced the same earnings structure as non-Hispanics. The difference between these predicted earnings and the earnings of non-Hispanic workers (in natural logarithms) measures how much of the Hispanic earnings penalty can be explained by differences in human capital and other measurable facets. The gap between the actual earnings and predicted earnings (in natural logarithms) of Hispanics indicates how much of their earnings penalty was attributed to differences in the returns to observable characteristics between Hispanics and non-Hispanics. That is, this difference reflects the Hispanic earnings penalty that skill differentials and other characteristics did not explain.

ENDNOTES

1. Geoscape and the United States Hispanic Chamber of Commerce, "Hispanic Businesses & Entrepreneurs Drive Growth in the New Economy" (2013). http://www.geoscape.com/HBR/pdf/Geoscape_HispanicBusinessOwners_FINAL.pdf.
2. Jennifer E. Manning, Congressional Research Service, "Membership of the 113th Congress: A Profile" (Aug. 5 2013). Available here: <http://www.senate.gov/CRSReports/crs-publish.cfm?pid=%260BL%2BR%5CC%3F%0A>.
3. SBA Loan Eligibility Requirements, FindSBAloan.com. Available here: <http://findsbaloan.com/SBA-Loan-Eligibility.html>.
4. Our models for unexpected entrepreneurship looked at how much the actual self-employment rate exceeded what was expected, first for all Hispanics and then separately for immigrants and U.S.-born Hispanics. To approximate the number of unexpected entrepreneurs, the difference between the actual and expected self-employment rates was multiplied by the size of the population. Because the expected entrepreneurship rates for immigrants, natives, and the total population were generated using separate models (one for each group), the aggregate figures for Hispanics and Non-Hispanics do not always equal the sum of the parts (e.g., in the case of Hispanics, Hispanic immigrants + Hispanic native-born).
5. Tim Kane, Ewing Marion Kauffman Foundation (2010), "The Importance of Startups in Job Creation and Job Destruction.". Available here: http://www.kauffman.org/uploadedfiles/firm_formation_importance_of_startups.pdf.
6. Laura Meckler, The Wall Street Journal, "Hispanic Future in the Cards," Dec. 12, 2012. Available here: <http://online.wsj.com/article/SB10001424127887323981504578175284228844590.html>.
7. Telephone Interview conducted by Angela Marek Zeitlin with Rosa Macias (Sept. 6, 2012).
8. Dávila, Alberto, and Marie T. Mora. 2013. Hispanic Entrepreneurs in the 2000s: An Economic Profile and Policy Implications. Stanford, CA: Stanford University Press.
9. Telephone interview with Rosa Macias (see footnote 7).
10. See footnote 8.
11. See footnote 8.
12. See footnote 1.

13. Telephone Interview conducted by Angela Marek Zeitlin with Leo Esquivel (July 27, 2012).
14. Robert W. Fairlie, The Partnership for a New American Economy (July 2012), "Open for Business: How Immigrants are Driving Small Business Creation in the United States." Available here: <http://www.renewoureconomy.org/wp-content/uploads/2013/07/openforbusiness.pdf>.
15. For a discussion of factors driving the growth in Hispanic immigrant entrepreneurship after 2000, see Dávila and Mora (Footnote 8), particularly Chapter 3.
16. Jeffrey S. Passel and D'Vera Cohen, Pew Research Center (Feb 2011), "Unauthorized Immigrant Population: National and State Trends, 2010." Available here: <http://www.pewhispanic.org/2011/02/01/unauthorized-immigrant-population-brnational-and-state-trends-2010/>.
17. Telephone Interview conducted by Angela Marek Zeitlin with Eduardo Gonzalez (July 24, 2012).
18. Our method of estimating additional entrepreneurs derives from two separate models. Please see footnote 4 for more information.
19. See Footnote 8.
20. E.J. Reedy and Robert E. Litan, Ewing Marion Kauffman Foundation (July 2011), "Starting Smaller, Staying Smaller: America's Slow Leak in Job Creation," page 3. Available here: http://www.kauffman.org/uploadedfiles/job_leaks_starting_smaller_study.pdf.
21. Press Release, Ewing Marion Kauffman Foundation, Number of New Firms Continues to Slide, According to New Census Bureau Data (May 2, 2012). Available here: <http://www.kauffman.org/newsroom/number-of-firms-continues-to-slide-according-to-new-census-bureau-data.aspx>.
22. See Footnote 8.
23. Telephone Interview conducted by Angela Marek Zeitlin with Jose and Danny Talavera (July 20, 2012).
24. See footnote 5.
25. See footnote 1.
26. See footnote 8.
27. Dávila, Alberto, and Marie T. Mora. 2013. *Hispanic Entrepreneurs in the 2000s: An Economic Profile and Policy Implications*. Stanford, CA: Stanford University Press, pp. 147-50.
28. U.S. Department of State, Bureau of Consular Affairs, U.S. Visa Bulletin for October 2013. Available here: http://travel.state.gov/visa/bulletin/bulletin_6062.html.
29. See footnote 8.
30. For example, see: Sanders, Jimmy M., and Victor Nee. "Immigrant Self-Employment: The Family as Social Capital and the Value of Human Capital." *American Sociological Review* 61 (1996): 231-49.
31. Oaxaca, Ronald. "Male-Female Wage Differentials in Urban Labor Markets." *International Economic Review* 14 (1973): 693-709.
32. See footnote 8.

RENEWOURECONOMY.ORG