**REVIEW BY**

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**FOR THE BOARD OF THE NCWHCC**

**ON THE**

**SURVEY OF LATINO BUSINESS OWNERS IN NORTH CENTRAL & NORTHEAST WASHINGTON**

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**EXECUTIVE SUMMARY**

* **First Study to document the contribution of Latinos as entrepreneurs, innovators & Job creators in Washington State;**
* Study reports on findings from interviews onsite, by phone and email
* Latino Business Owners were interviewed
* **Target Area location was Counties of Adams, Chelan, Douglas, Grant & Spokane;**
* Interviews were conducted in July, August, & first part of September, 2013;
* Interviews were conducted by two native Spanish Speakers;

List of Latino Businesses was provided by:

* North Central Washington Hispanic Chamber of Commerce
* Supplemental list of business owners gathered through searching
  + Websites
  + Databases
  + Referrals from Latino Businesses

The study was based on a representative sample from every business sector under the North American Industry Classification (NAICS) & through Latino Businesses that were contacted at random often identified when staff drove to and from the interviews.

There were 104 Latino Businesses contacted. There were 46 interviews conducted. The response rate was 44%. The businesses represented were:

* Manufacturing
* Construction
* Wholesale & retail trade
* Agriculture
* Transportation & warehousing
* Finance & insurance
* Information (radio, newspaper, publishing)
* Real estate
* Professional, Scientific, Technical, & Educational Services
* Accommodation
* Entertainment

**The broad range of Latino businesses proportionate to their population are UNDERREPRESENTED in business ownership as high as 42%.** Educations & Economic levels of these owners were a broad range from middle income, college education, to humble beginnings with little to no education. Some business owners were first generation immigrants. They represented 65% of the overall sample. Second & Third generations represented the remaining 35%. Some businesses started working as laborers. Others entrepreneurs built their businesses from the ground up.

**Economically, these businesses had a 61% of their work force as full time. 87% of these Latino Entrepreneurs started their own business using their own personal savings WITHOUT ASSISTANCE from financial institutions.**

During 2008, during the Great Recession, approximately 75% of Latino Entrepreneurs experienced revenue increases ranging from zero to 60%. Overall, Latinos Entrepreneurs managed a steady growth in the numbers of employees hired and business growth.

**A stereotype is that Latinos take advantage of governmental services BUT 95% of Latino business owners DID NOT take advantage of assistance offered by government or other community organizations.**

78% of Latino businesses interviewed purchased over 80% of their supplies from non-Hispanic customers (suppliers) and almost 40% of their clientele being non-Hispanic.

**65% of Latino entrepreneurs regard the political climate in the state of Washington as indifferent and antagonistic for their business.**

**Negative stereotypes of Latinos amongst “the dominate group” were cited as a factor that was making the growth of their business more challenging. Immigration issues were a key amongst Latino business owners that were interviewed.**

An Antidote from a Latino Business owner shared that more than 40% of its tax returns were from undocumented clients showing they were contributing to the community.

Latino Entrepreneurs said:

* **Lack of access to capital from financial institutions, excessive regulations, lack of training & orientation by local organizations are factors that stalled their business growth.**
* **The passage of any reforms (access to capital, excessive regulations) would be positive to their growth.**
* NCWHCC & Wenatchee Valley Chamber of Commerce purpose is defined as - to assist small business owners grow in their business.
* Barriers that limited the growth of their business were the lack of education, implementation of technology into their business and language barrier.

**Strong Latino Republicans stated they disagree with their party position on immigration because it had a negative impact on their business.**

Latino Business Owners perceived the need for an educated work force with bilingual and bicultural skills to take advantage of opportunities for business growth in the:

* Health
* Education
* Legal
* Translation
* Home purchasing and
* Service industry.

**Also, Latino Business Owners perceive the need for greater access to capital for Latino Business Owners to expand or start new business was critical.**

It is perceived that New Latino business growth will comes as a result of:

* Additional training and education,
* Additional language skills,
* Implementation of new technology,
* Creative Marketing, Health services.

**BACKGROUND**

Population is a major factor in this study. Based on counties the following information is show. It is as follows:

USA

**US 2000 Census** states that “Latinos are the fastest growing minority group in the region and the United States” which currently is 53 million or 17% nationally.

Washington State

About 790,000 Latinos live in the state or **12% of the population.**

Adams County

In 2000 the Latino population was 7,732 or 47%. **By 2010 the Latino population (11,099) passed the size of the Anglo population to a total of 59%.**

Chelan County

In 2000, the Latino population was 12,831 or 19%. **By 2010, the Latino population grew to** **18,713 or 26%.**

Douglas County

In 2000, the Latino population was 6,433 or 20%. By 2010, the Latino population grew to 11,013 **or 29%.**

Grant County

In 2000, the Latino population was 22,476 or 30%. **By 2010, the Latino population grew to 34,163 or 38%.**  Grant County had the largest Latino population within this study.

Spokane County

In 2000, the Latino population was 11,561 or 3%. **By 2010, the Latino population grew to 21,260 or 5% based on the US Census in 2013.**

There is more to the understanding of Latino Start-up and ongoing business activities than population. Other primary characteristics are also key to this study. These characteristics are:

* Products and services offered
* The generational status of the owner,
* How s/he came to start the business,
* The type of financing used to start the business,
* Recent growth of the business,
* Exposure to local business organizations,
* Whether s/he used the services of state & national governed agencies
* Opinions of immigration reform
* Assessment of future challenges & opportunities.

Secondary questions related to:

* The Great Recession of 2008-2009 and how Latino businesses faired during that time compared to 2013,
* Integration or absence of Latino entrepreneurs to the wider, regional economy
* Perceptions of them (Latino Business Owners) by the Anglo community,
* The ethnicity of their clientele, suppliers and attitudes,
* Engagement in the political process and influence by Latino business owners had in the policy making circles.

SUMMARY OF LATINO/HISPANIC BUSINESS OWNERS & ENTREPRENEURS

The most recent Latino Business Owners studies cite strong entrepreneurial ability, creativity, resilience, and resourcefulness amongst this group.

The recent Latino Business studies were cites in this study was:

* Davila & Mora 2013, on pages 1, 4, 39, 57, 65, 82, 84, 85, 107, 109,
* US Census Survey of Business Owners (SBO)
* Valdez, 2011, p. 6
* Butler, Morales, & Torres 2009
* Larsen 2012, p.38, 39,
* Lofstrom & Bates 2009
* Fairlie & Robb 2009
* Kwon, Heflin and Ruef 2013, p.1000
* Kuzni, 2012, p. 37
* Martinez & Avila, 2011

During the Great Recession of 2008, their self-employment rates continued to rise while those of non-Hispanic whites fell (Davila & Mora, 2013). Other factors like labor market discrimination & ethnic-based social capital were cited as additional factors for higher self-employment rates among Latinos during the Great Repression (Davila & Mora, Valdez, 2011).

METHODS

The study obtained a base representative sample of the various types of business bases on the North American Industry Classification System (NAICS) from the North Central Washington Hispanic Chamber of Commerce (NCWHCC) AND the rest was supplemented by personal knowledge of the researchers. There were 104 businesses identified. The overall response rate was 44% with total number of 46 interviews. A 30 question instrument was used that was in English and Spanish. Interviews were conducted in-person, by telephone and through the internet.

Under the heading of 4.6 Relationships with Government & Business Organizations, the report said “The Hispanic Chamber of Commerce was reported as doing much better at reaching out to Latino businesses, with 33% of owners interviewed reporting themselves as members”. Additionally, the report said. “It was also learned a certain dissatisfaction and belief in the lack of expertise within these organizations was also evident…..”

RESULTS

The report broke down the results into

Sector listed below. They were:

4.1 Socio-Economic Characteristics of the Five Counties

Adams – Latino businesses owned sample of 37% in the report

1. Foreign born population was 24.6%
2. 23.1% Living below the poverty level
3. Per capita income of $37,357 (2012)
4. 50% population speaking another language other than English
5. 66% of the adult population had a High school education
6. 12% of the adult population had a Bachelor’s degree or higher

Chelan – largest number of Latino businesses owned sample of 48% in the report

1. Foreign born population was 12% (2012)
2. With 14.4% Living below the poverty level
3. Per capita income of $39,797 (2012)
4. 23.1% population speaking another language other than English
5. 83.7% of the adult population had a High school education
6. 20.6% of the adult population had a Bachelor’s degree or higher

Douglas – largest number of Latino businesses owned sample of 48% in the report

1. Foreign born population was 16.1%
2. 16.4% Living below the poverty level
3. Per capita income of $31,954
4. 27.3% population speaking another language other than English
5. 80.5% of the adult population had a High school education
6. 17.4% of the adult population had a Bachelor’s degree or higher

Grant – Latino businesses owned sample of 37% in the report

1. Foreign born population was 19.5%
2. 19.2% Living below the poverty level
3. Per capita income of $32,342 (2012)
4. \_unreported\_\_\_% population speaking another language other than English
5. \_unreported\_\_\_\_% of the adult population had a High school education
6. \_unreported\_\_\_\_% of the adult population had a Bachelor’s degree or higher

Spokane – Latino businesses owned sample of 15% in the report

1. Foreign born population was 5.2%
2. 15.9% Living below the poverty level
3. Per capita income of $37,653
4. 8.1% population speaking another language other than English
5. 92.6% of the adult population had a High school education
6. 27.4% of the adult population had a Bachelor’s degree or higher

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4.2 Essential Statistics of the Businesses Covered by the Study

Years in Operation by county/region

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Latino Business Owners by Generation in the U.S.

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Gender of Latino Business Owners Interviewed

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Years in Business by Owner’s Gender

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4.3 Start-up Financing

4.4 Characteristics of the Labor Force of businesses Interviewed

4.5 Business Relations & Recent Experience

4.6 Relationships with Government & Business Organizations

4.7 Current outlook of the Interviewed Business Owners

4.7.1 Assessment of the Business Climate

4.7.2 Political Involvement

4.7.3 Views on Immigration reform

4.7.4 Perceived Obstacles to Growth

DISCUSSIONS AND CONCLUSIONS

There were several findings and conclusions made through this report. They are listed as:

* **It is evident that significant progress needs to be made in the services being offered by government, non-profits and profit organizations charged with assisting Latino entrepreneurs.**
* Policy makers should be concerned that 65% of Latino entrepreneurs have never contributed nor participated in any political campaign in the state.
* Latino entrepreneurs believe adopting policies that are friendly to the undocumented brings important economic benefits to the state.
* 97% among Latino entrepreneurs believe that a passage of an immigration reform was critical for the growth of their business.
* **Latino entrepreneurs are concentrated in the service economy; very few have entered the manufacturing sector of the economy. Policy makers can create opportunities that would encourage Latino entrepreneurs to penetrate this industry sector by making loans more accessible, providing training and information for Latino entrepreneurs.**
* **Latino entrepreneurs are still grossly underrepresented in most business sectors in all 5 counties (Adams, Chelan, Douglas, Grant, Spokane)**
  + **Adams - 59% Latino population but only 16.3 owned by Latinos,**
  + **Grant - 39.2% Latino population but only 10.9 owned by Latinos,**
  + **Douglas - 29.5% Latino population but only 8.4 owned by Latinos,**
  + **Chelan - 26% Latino population but only 3.6. owned by Latinos,**
  + **Spokane - 5% Latino population but only 1.2 owned by Latinos.**
* The business sector with the highest (91%) share of full time employment was retail trade;
* Latino Entrepreneurs owned firms in business sectors that are the most vulnerable to the downturns of the economy;
* Latinos entrepreneurs in the information and media industry continue to struggle to make significant inroads in firm ownership & funding & opportunities;
* Profit and productivity could greatly improve with more education, training, and the use of technology to run their businesses. This point was confirmed by another study, Davila and Mora 2013 showing a profit increase of 50%;
* **Latino Entrepreneurs make a significant contribution to the Washington State economy, they can be increase quickly if Latinos are provided with tools and opportunities needed to open up businesses;**
* Important to note, that 21.7% of Latina entrepreneurs own businesses in these five counties which is behind the national average of 34.9% of women owned businesses.

THOUGHTS FOR FUTURE RESEARCH

This is the tip of the iceberg. There should be other studies that would:

* an increased number of interviews,
* increased regions of the state,
* increased number of participants
* There should be specific areas of inquiry such as industries.
* What additional factors hinder or contribute Latino business ownership such as the overall economy, population increases, access to capital, local/state business regulations?

Sandoval Analysis

There are key points brought out by this report. From my perspective as a founding member and past Chair of the Association of Washington State Hispanic Chamber of Commerce and a member of the original Washington State Hispanic Chamber of Commerce, a report of this nature is long overdue and greatly anticipated.

The noteworthy points brought to the public’s attention are:

* Latino businesses ADDS to the economy of our state;
* Latino immigrants, legal and undocumented pay local, state & national TAXES;
* Anglos have a misconception that Latino businesses take advantage of governmental services even thought this study has shown this is not true;
* Latinos have strong entrepreneurial ability, creativity, resilience and resourcefulness;
* Latino business and entrepreneurs are overlooked by policymakers, political parties and policy circles;
* First Study to document the contribution of Latinos as entrepreneurs, innovators & Job creators in Washington State;
* Latino businesses proportionate to their population are UNDERREPRESENTED in business ownership;
* Latino Entrepreneurs started their own business using their own personal savings WITHOUT ASSISTANCE from financial institutions;
* Latino Entrepreneurs support immigration reforms;
* Latino businesses purchased over a majority of their supplies from non-Hispanic customers (suppliers) and almost half of their clientele being non-Hispanic.
* Immigration issues were a key amongst Latino business owners.

Sandoval recommendations:

* All financial institutions that are licensed in Washington state must ensure the inclusion of Latinos businesses, continuing and start-up, in the lending policies;
* Latino Hispanic Chambers (Eastern & Western Washington) must be involved with Washington State Government to oversee business policies that allow Latinos, existing businesses and start-up entrepreneurs access to financial resources and services;
* The NCWHCC shall meet with:
  + Washington State Governor Jay Inslee & his staff & cabinet agencies to begin oversight activities through the ORIA and the SBLT;
  + State Senators Murray (D), Cantwell (D) &, Representative Reichert (R), State Senator Parlette (R), Representative Hawkins (R) & Condotta (R) to ensure National & State involvement & support;
  + Chelan County Commissioners, City of Wenatchee and the Wenatchee Valley Chamber of Commerce to improve working relations & secure funds for training, assessment, support of continuing and start-up businesses.
  + National, state, & local financial institutions (banks and credit unions) to secure funds for training, assessment, support of continuing and start-up businesses.
* The NCWHCC with the Wenatchee Valley Chamber of Commerce will seek funding of a pilot project to address the needs of Latino start-up and existing Businesses.
* The NCWHCC will work with banks and credit unions on a pilot project to address the needs of Latino start-up and existing businesses.