

Welcome Building A Brighter Future Summit



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Latino Policy Analyst



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Latino Entrepreneurship in Massachusetts: Barriers and Opportunities

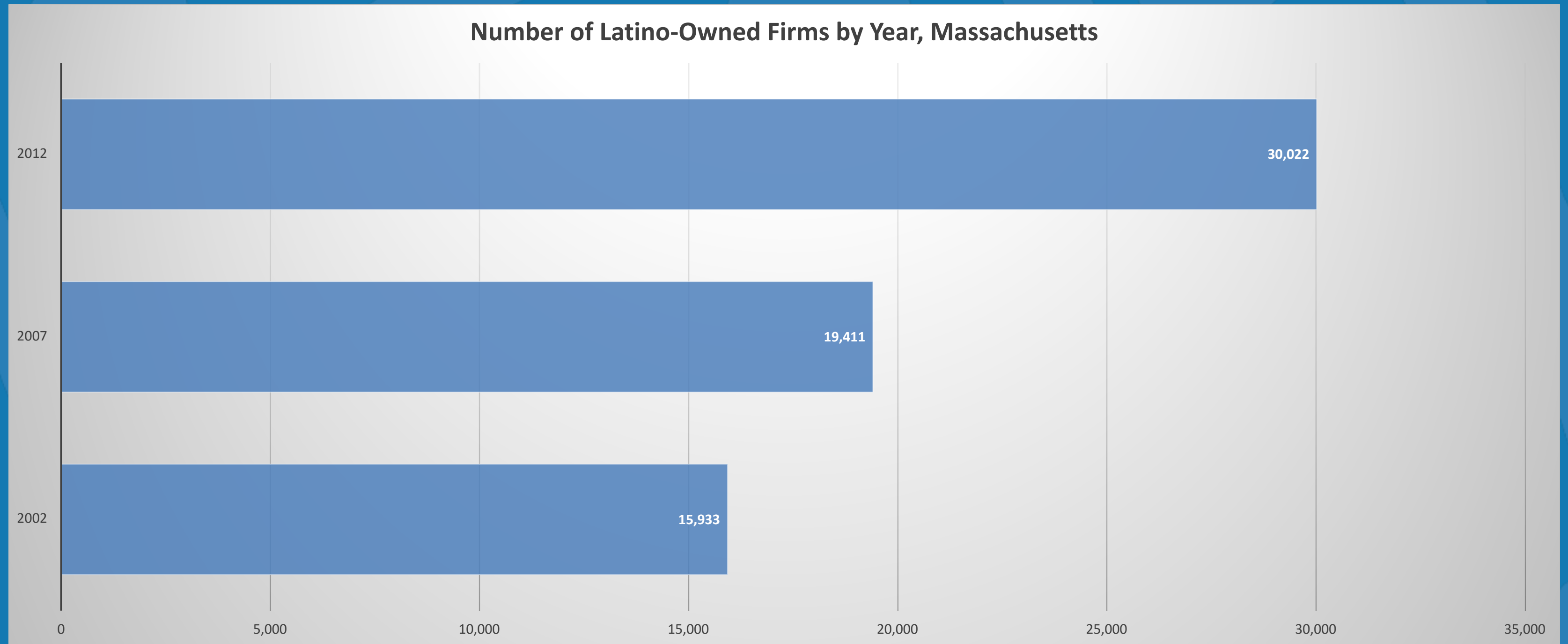
Bianca Ortiz-Wythe, MS
Latino Policy Analyst

January 31, 2023



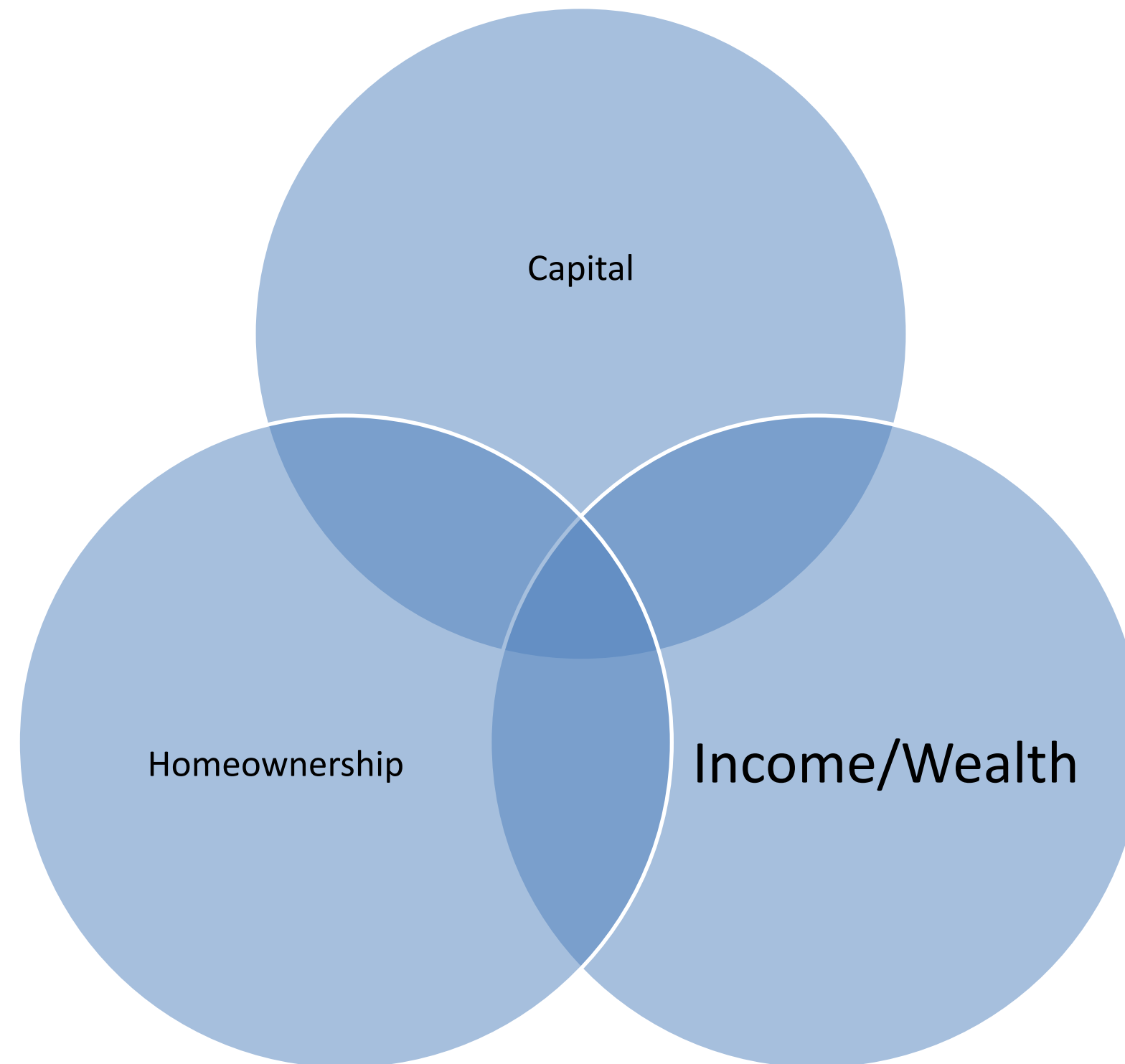
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Latino Entrepreneurship in Massachusetts



Source: U.S. Census Bureau, 2002, 2007, & 2012 Survey of Business Owners

Racial Disparities and the Capital Access Gap



Homeownership Rate by Race and Ethnicity in Massachusetts



Chart: Gastón Institute • Source: 2021 American Community Survey • Created with Datawrapper

Source: Granberry, Phillip; Martins, Victor Luis; and Borges, Michelle, "The Growing Latino Population of Massachusetts: A Demographic and Economic Portrait" (2023).

Median Wage Income by Race and Ethnicity in Massachusetts



Chart: Gastón Institute · Source: 2021 American Community Survey · Created with Datawrapper

Source: Granberry, Phillip; Martins, Victor Luis; and Borges, Michelle, "The Growing Latino Population of Massachusetts: A Demographic and Economic Portrait" (2023).

Racial Gap in Access to Capital



63% of Latino-owned businesses use personal savings or credit cards to start up their businesses



The odds of a Latino-owned business getting a bank loan was 60% less than a similarly situated white-owned business

Source: "2023 Report on Startup Firms Owned by People of Color: Findings from the 2022 Small Business Credit Survey." 2023. Small Business Credit Survey. Federal Reserve Banks.

Barriers

- Financing a primary challenge
- Latino businesses face higher demands for collateral from lenders and are turned down more often than their white counterparts
- Many Latinos face barriers navigating banking systems, receiving loans, formalizing or scaling their operation due to language barriers, immigration status, prejudice within traditional financial institutions, and limited technical support

Small Businesses are the Heart & Soul of our Communities

Latino Small-business display high drive for entrepreneurship

Latino small-business owners more likely to hire within the community

Contribute to the revitalization of their neighborhoods



Source: Torres-Ardila, Fabián; Rivera, Lorna; Rojas-Pion, Carolina; Bravo, Daniela; and Chavez, Henry, "Sustainable Pathways for Successful Small Businesses in Chelsea, Massachusetts" (2021).

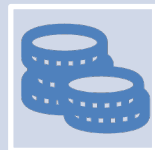
Policy Solutions



Increase access to small business loans



Increase access to grants, equity investments, and alternative financing structures



Regulate the small business financing sector



Seeding and establishing community-led institutions that can provide funding to Latino entrepreneurs, like community development financial institutions (CDFIs), Latino Social Ventures, and non-profits

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Thank you!



Dr. Marcos Luna

Salem State University

Professor of Geography and Sustainability graduate
Geo-Information Science Coordinator



Pandemic Aid and Micro-business in Massachusetts

Marcos Luna, PhD

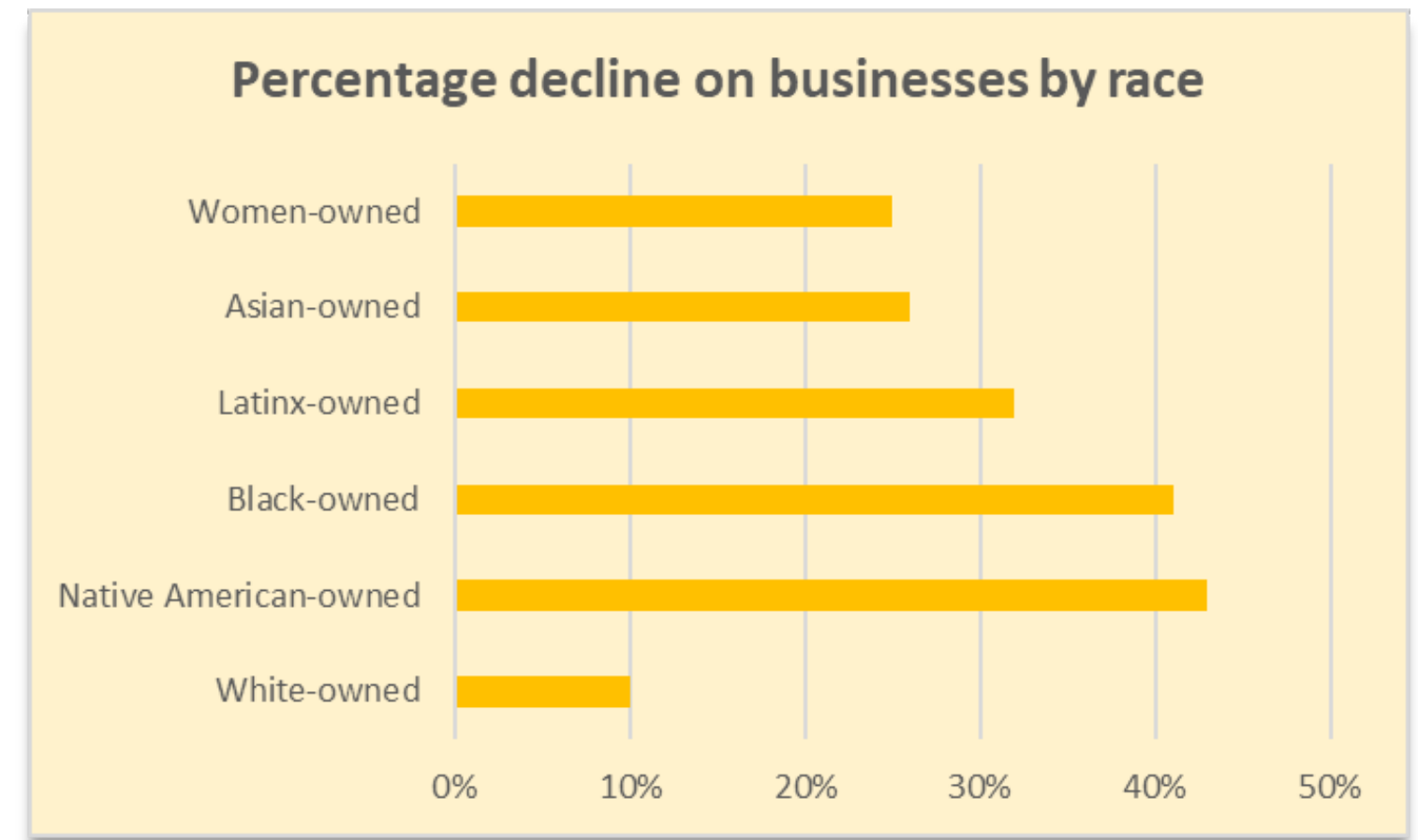
Amina Miliani

Salem State University, Geography and Sustainability Department, Geo-Information Science
Graduate Program, Center for Economic Development and Sustainability

January 31, 2024

COVID-19 Impacts to small businesses

- The COVID-19 pandemic resulted in widespread economic disruption, especially for smaller businesses and businesses owned by historically disadvantaged groups, such as women, people of color, and immigrants.
 - Between February 2020 and April 2020, the COVID-19 pandemic caused 22% of businesses (3.3 million) in the US to close, the largest such drop on record.



PPP (Paycheck Protection Program) Loans



The largest loan program implemented by Congress, part of the U.S. Coronavirus Aid, Relief, and Economic Security (CARES) Act which was signed into law in late March 2020



Congress allocated funding for up to \$814 billion in PPP loans earmarked for small businesses, which was authorized in several phases between March 2020 and March 2021



The purpose of PPP loans was to provide “small businesses with the resources they need to maintain their payroll, hire back employees who may have been laid off, and cover applicable overhead.”



PPP loans would be forgiven if the businesses met certain conditions and, in particular, documented their ability to maintain or rehire employees.



The program stopped accepting loan applications in May 2021, although the US Small Business Administration (SBA) was permitted to continue processing loan applications through August 2021.



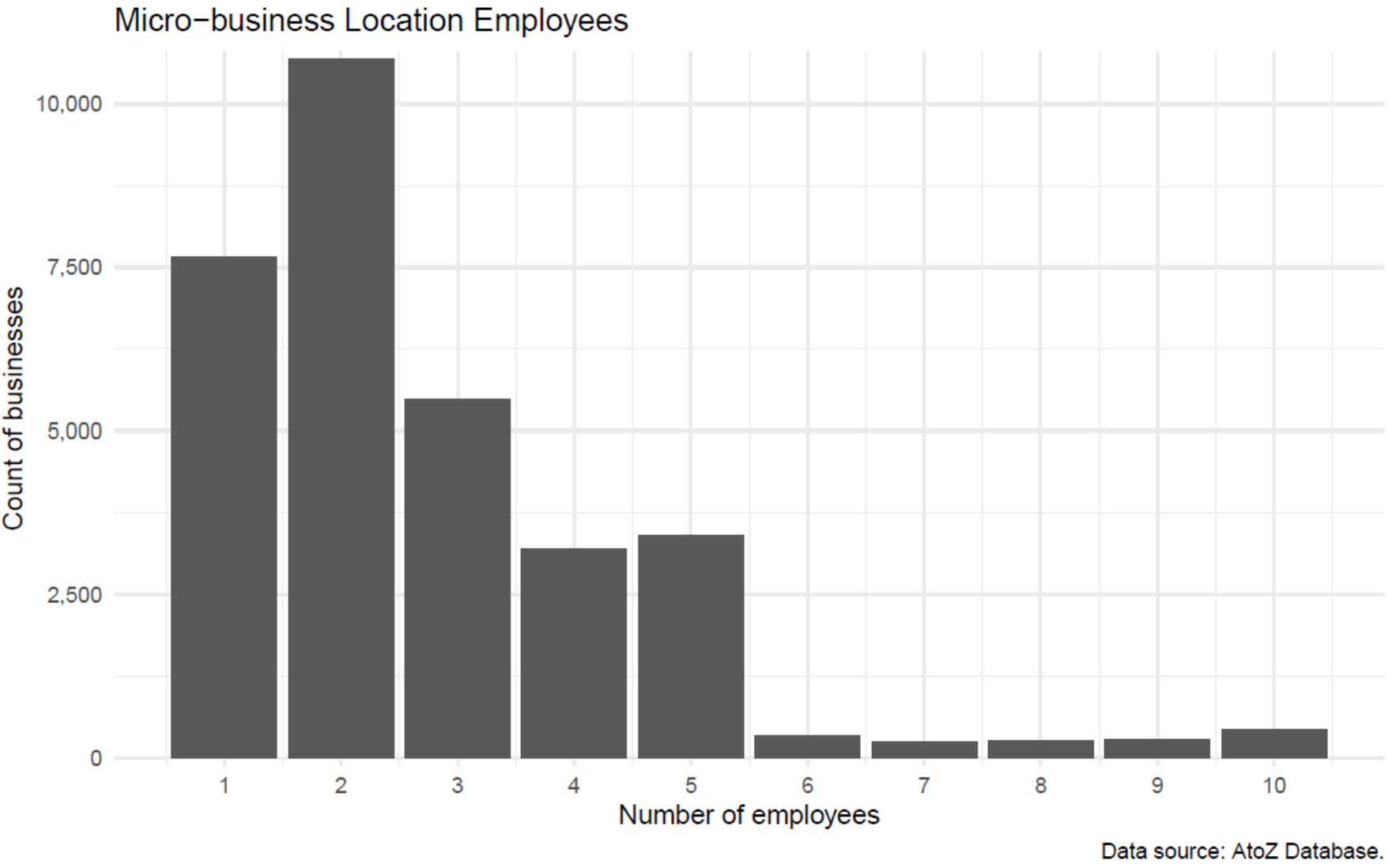
Analysis of PPP distribution in Massachusetts

How was PPP aid distributed to micro-businesses in Massachusetts, especially to those operated by historically marginalized populations, such as women and people of color?

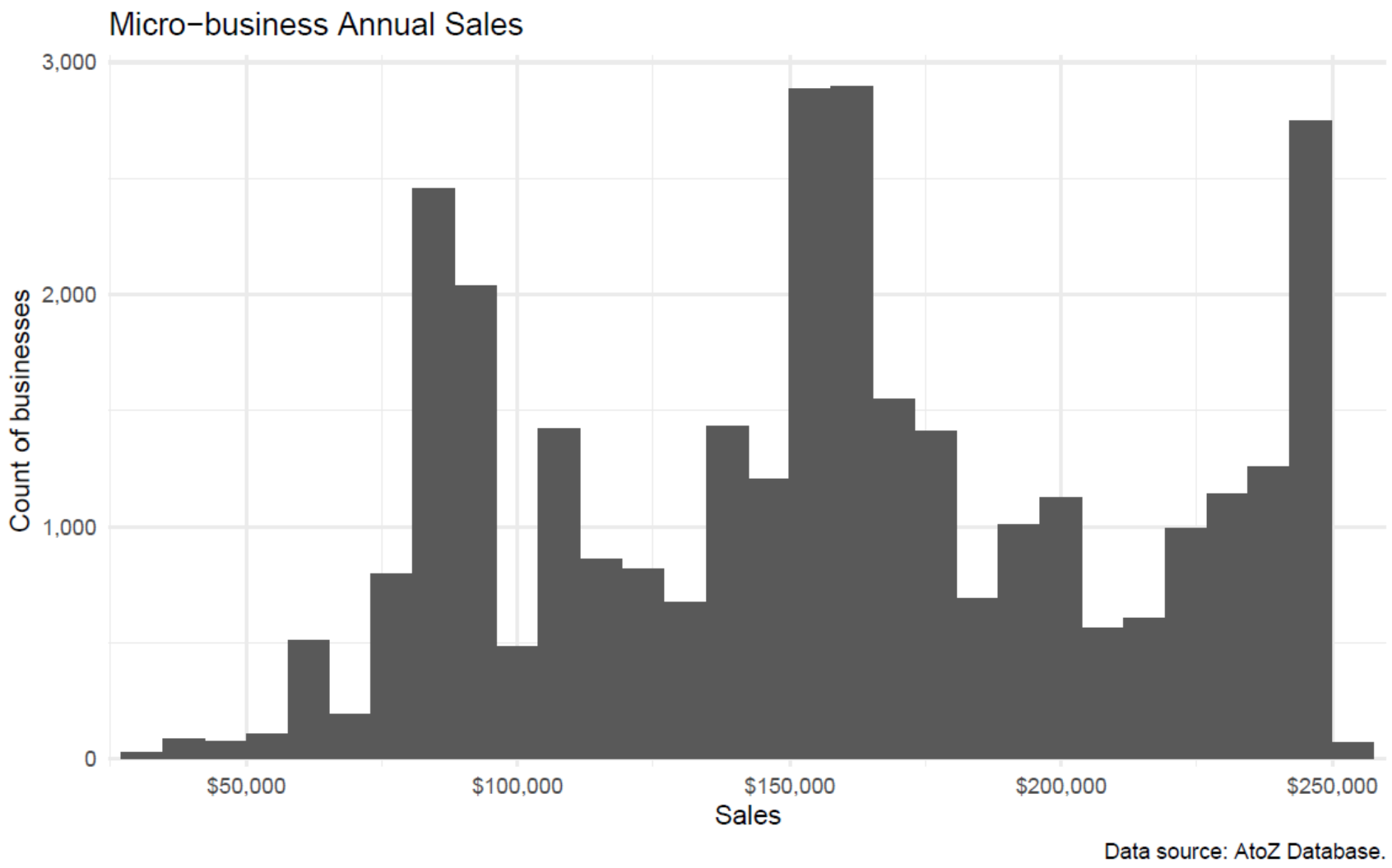
- A “micro-business” is a business entity, which has its principal place of business in the commonwealth, is independently owned and operated as a sole proprietorship, partnership, or corporation, with 10 or fewer employees in full-time positions and with a level of gross income from operations of not more than \$250,000 annually.

Micro-business Statistics and Patterns

- As of May 17, 2023, there were 32,106 micro-businesses across the Commonwealth, representing approximately 8.9% of all businesses in the state that are privately owned and operated as a sole proprietorship, partnership, or corporation.



Histogram of micro-business location sales in 2023.



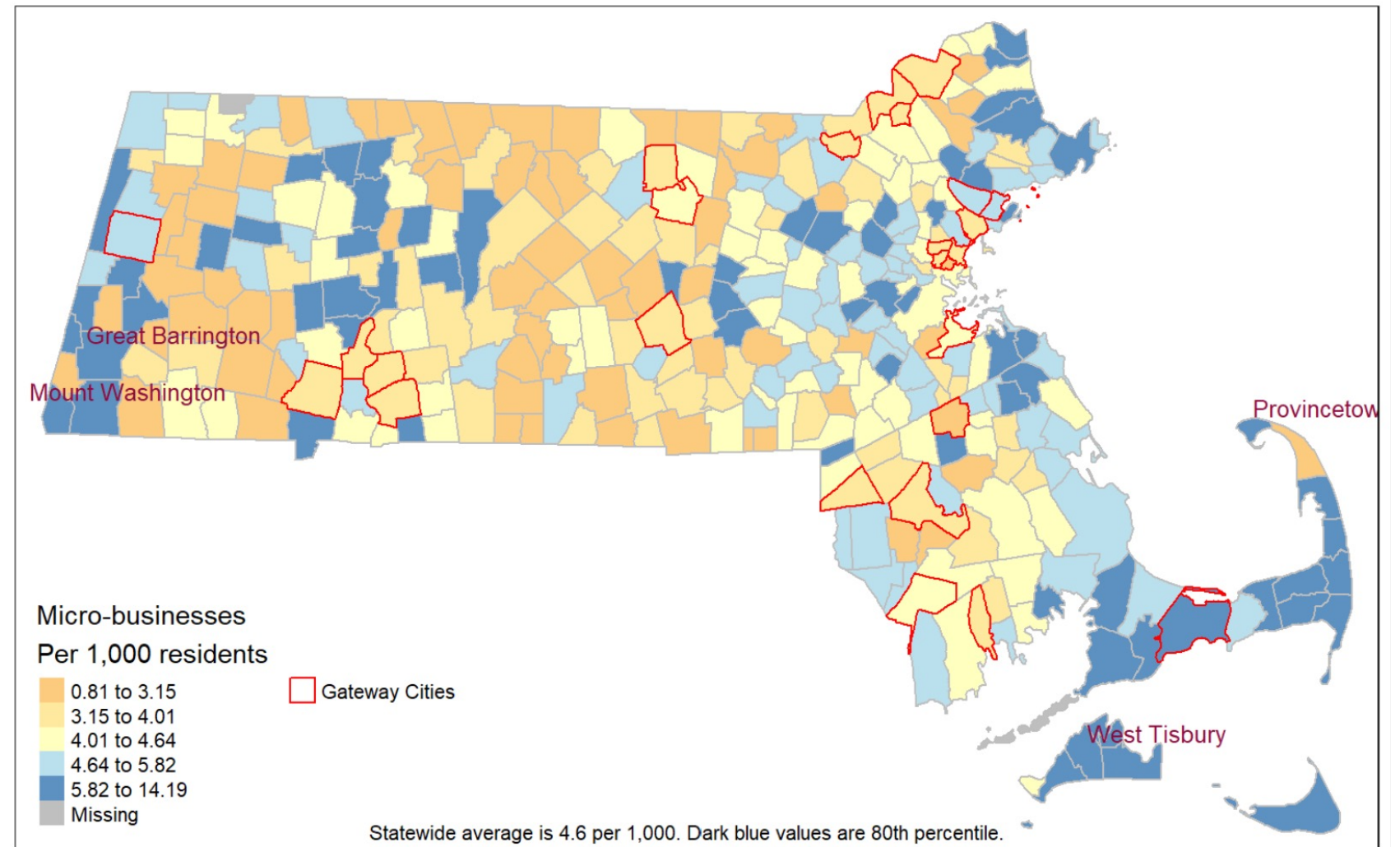
Histogram of micro-business employee counts in 2023.

Geography of Microbusinesses

Micro-businesses in Gateway Cities

Municipalities		Population		Microbusinesses		
Designation	Count	Count	Pct	Count	Pct	Per 1,000 People
Original Gateway Cities						
GC	11	1,059,764	15.1%	3,921	12.2%	3.7
Non-GC	340	5,970,153	84.9%	28,165	87.8%	4.7
Current Gateway Cities						
GC	26	1,927,945	27.4%	7,046	23.1%	3.8
Non-GC	325	5,101,972	72.6%	24,680	76.9%	4.8

Micro-businesses are underrepresented in gateway cities when comparing the percentage of the population living in these communities and the percentage of micro-businesses in those communities.



Micro-businesses per 1,000 Residents by Municipality

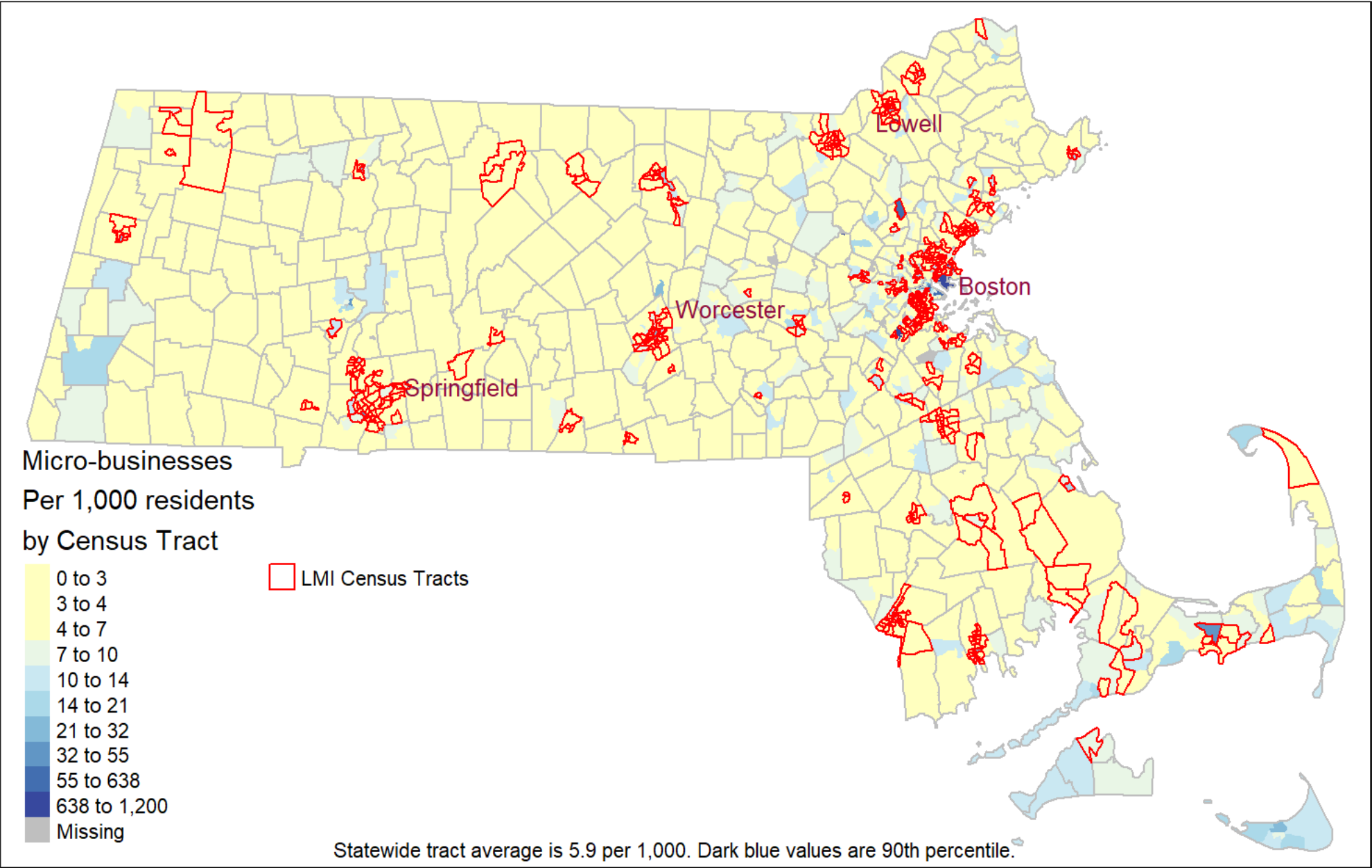
By municipality (i.e., city or town), Boston has the largest total number of micro-businesses (3,000), followed somewhat distantly by Worcester (811), Newton (634), Cambridge (634), and Springfield (501). Highest micro-business densities per 1,000 residents are in Provincetown, Great Barrington, Mount Washington in western Massachusetts, and West Tisbury on the island of Martha's Vineyard.

Micro-businesses in Low and Moderate Income(LMI) communities

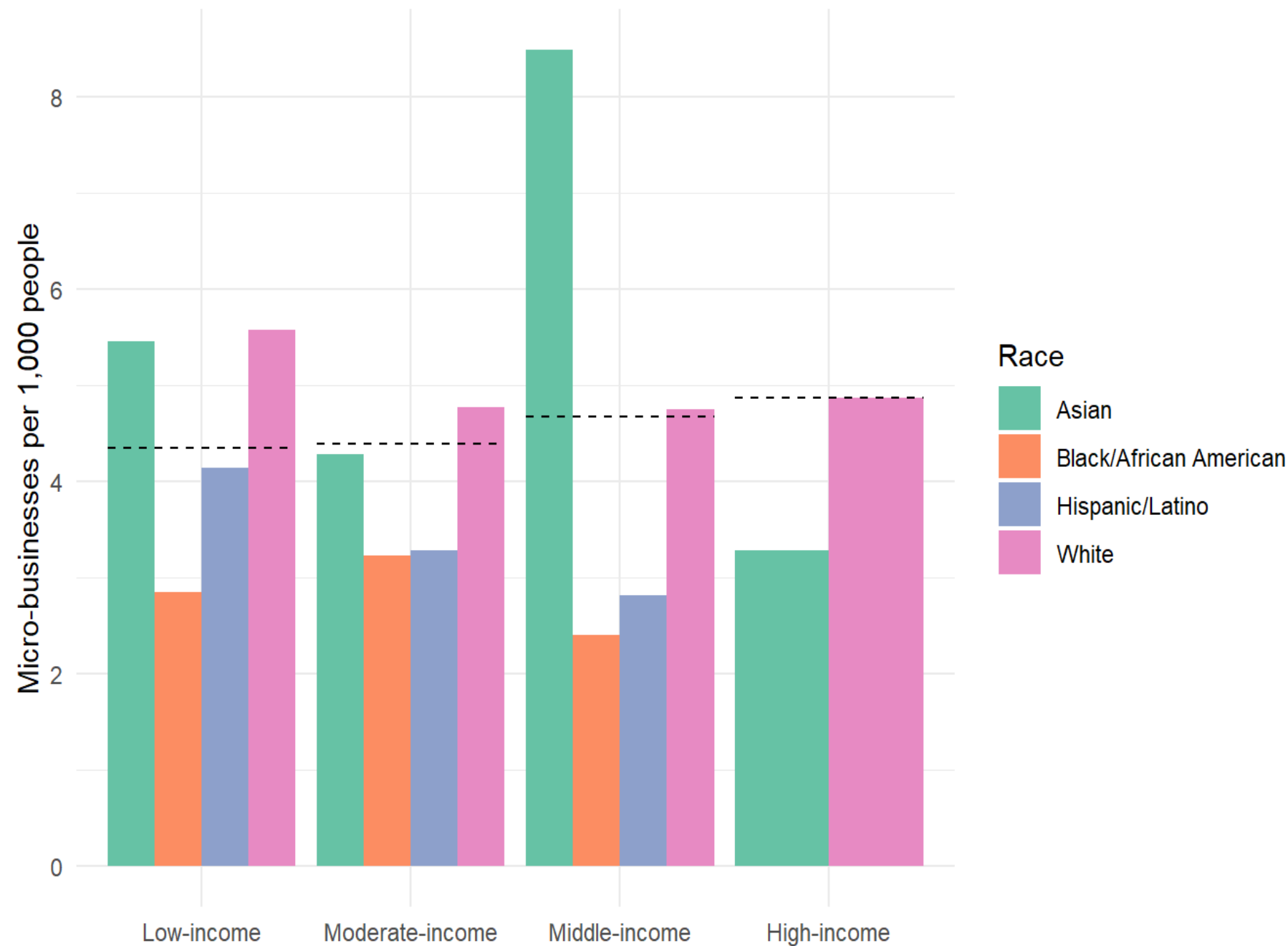
Approximately 1.9 million people in Massachusetts (27.3%) live in LMI communities. By comparison, 8,207 micro-businesses (25.6%) are located in LMI communities. Micro-businesses are therefore slightly underrepresented in LMI communities.

Census Tracts			Microbusinesses		
Census tract income level	Count	Pct	Count	Pct	Per 1,000 People
Low-income	171	10.6%	2,726	8.5%	4.3
Moderate-income	298	18.5%	5,481	17.1%	4.4
Middle-income	600	37.2%	12,311	38.4%	4.7
High-income	489	30.3%	11,087	34.6%	4.9

Micro-businesses in Massachusetts by census tract income level



Micro-businesses in underserved communities



Micro-business density by community race and income

- Census tracts in which Black or African American residents are the largest racial group have consistently the lowest micro-business density.
- Black or African American and Hispanic census tracts consistently have below average micro-business densities in their respective income categories
- By contrast, White-dominated census tracts exhibit consistently above average micro-business densities, across all income categories.

Analysis of Paycheck Protection Program Statistics and Patterns in Massachusetts

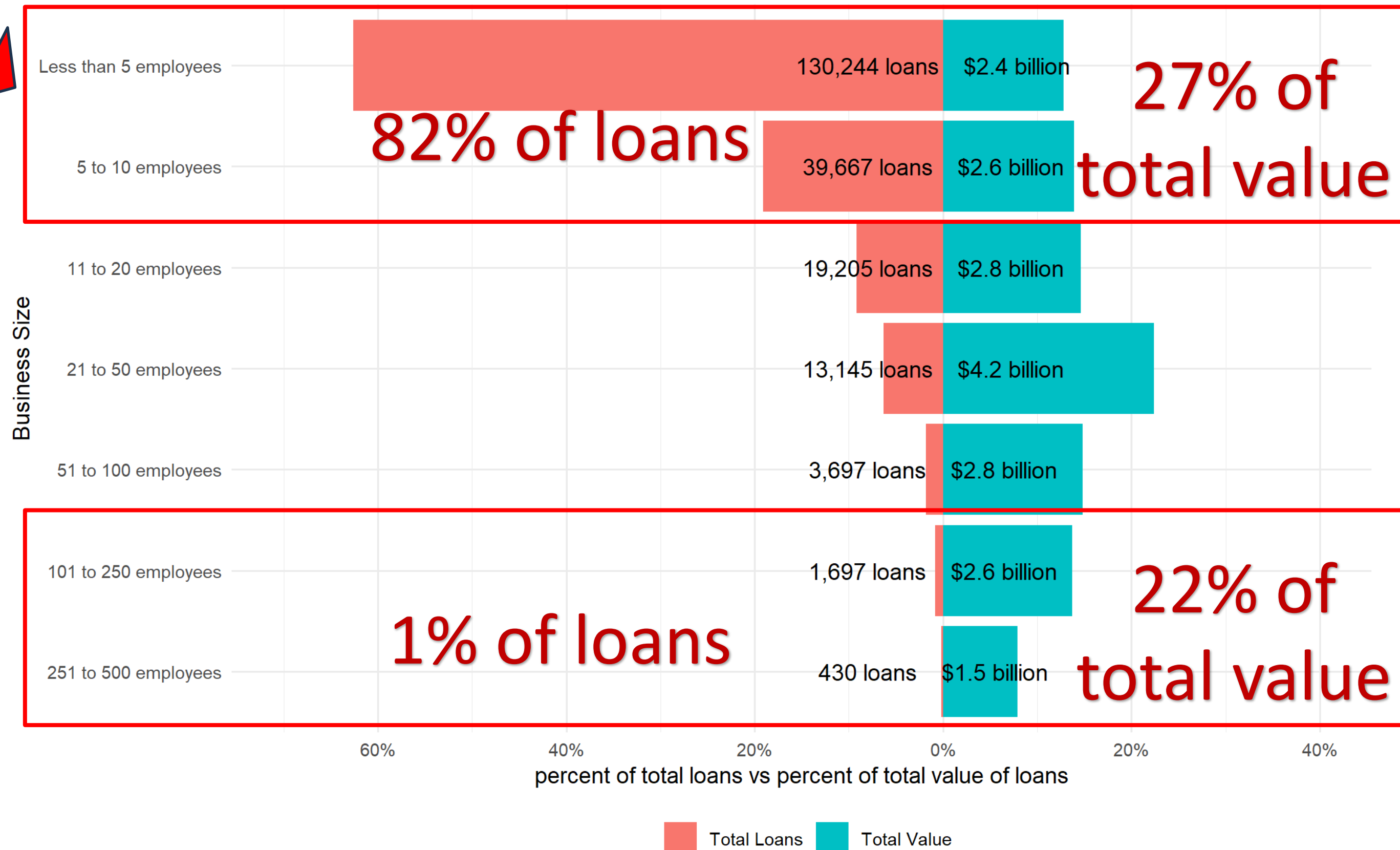
- Between April 3, 2020 and June 30, 2021, 207,139 PPP loans were approved to for-profit businesses in Massachusetts across two draw periods. These loans had a total value of \$18,912,928,927.

Loan Phase	Count	Min	Max	Avg	Median	Total
1st Draw	146,101	\$1,002	\$10,000,000	\$91,923	\$20,833	\$13,429,988,080
2nd Draw	61,038	\$1,002	\$2,000,000	\$89,817	\$27,310	\$5,482,277,517
All	207,139	\$1,002	\$10,000,000	\$91,302	\$20,833	\$18,912,265,597

Note: Excludes loans with initial approval amounts below \$1,000

Micro-businesses

Massachusetts PPP loans by business size, number of loans, and total value of loans



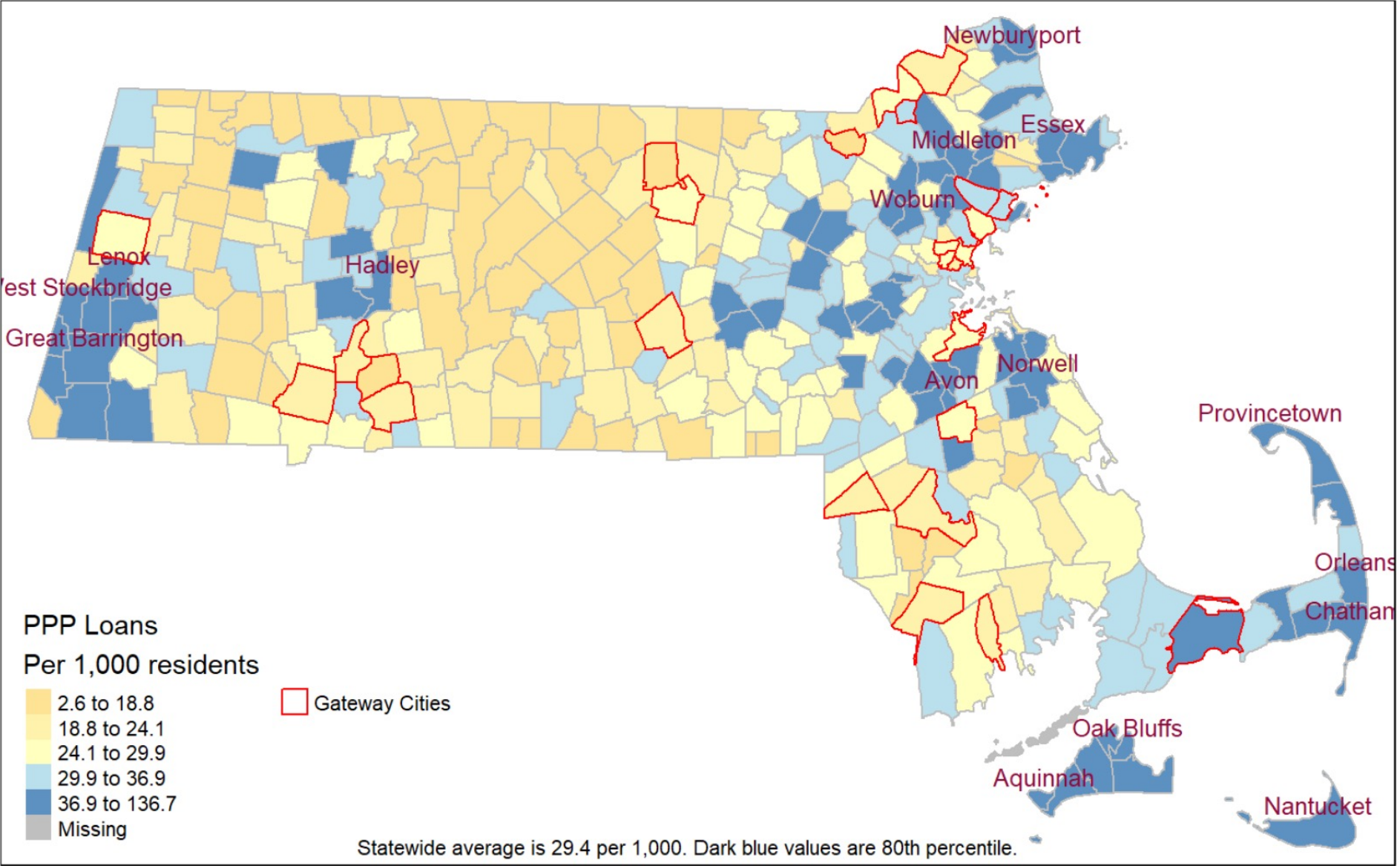
- Micro-businesses, those with 10 or fewer employees, accounted for 82% of all PPP loans in the state; almost two-thirds went to businesses with five or fewer employees
- Micro-businesses captured 27% of total PPP loan value in Massachusetts
- The largest “small businesses,” those with more than 100 employees, accounted for only 1% of PPP loans in the state, but captured 22% of total loan value

Geography of PPP loans

Designation	Loans	Pct of Loans	Per 1,000	Median Loan	Total Loan Value	Pct of All Firms
Original Gateway Cities						
GC	23,819	11.5%	22.5	\$20,800	\$1,908,779,868	10.7%
Non-GC	182,691	88.5%	30.6	\$20,833	\$16,889,220,487	89.3%
Current Gateway Cities						
GC	46,965	22.7%	24.4	\$20,700	\$3,615,625,585	21.2%
Non-GC	159,545	77.3%	31.3	\$21,700	\$15,182,374,770	78.8%

The percentage of PPP loans received by gateway cities slightly exceeds their share of employer firms in the Commonwealth.

However, the density of PPP loans in gateway cities (i.e., loans per 1,000 residents) was consistently lower than that of non-gateway cities. In addition, the median loan size was also smaller.



PPP Loans per 1,000 Residents by Municipality

By municipality (i.e., city or town), Boston received the largest total number of PPP loans (23,025), followed somewhat distantly by Worcester (4,569), Cambridge (3,575), Newton (3,531), and Brockton (3,158). PPP loan density (per 1,000 residents) was highest in Provincetown, Nantucket, Tisbury, Chatham and Great Barrington

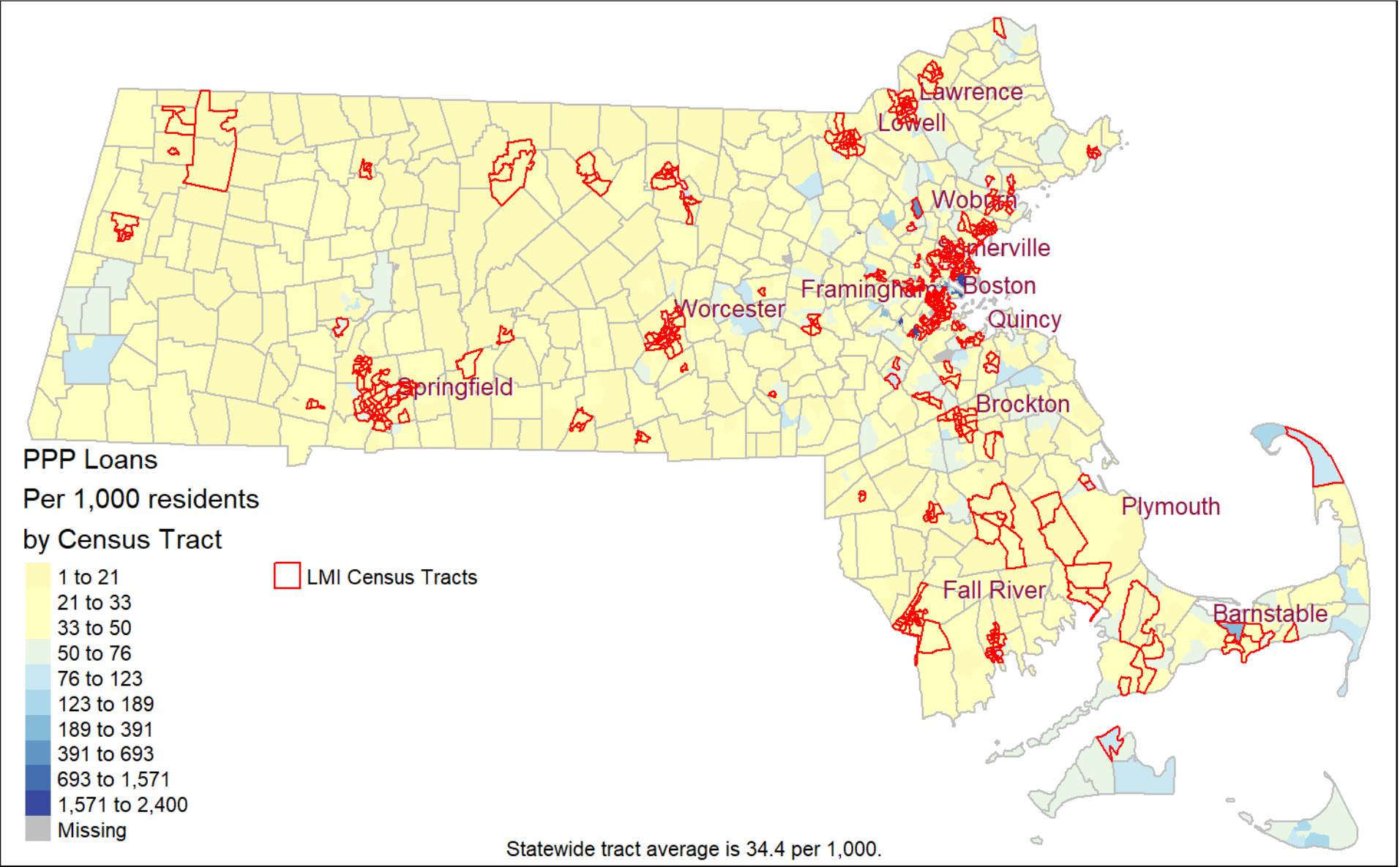
PPP Loans in Low and Moderate Income (LMI) communities

More than two-thirds of PPP loans went to Middle- and High-income census tracts. The higher the income level, the larger the median loan value.

The total value of loans that went to Middle- and High-income census tracts was more than three times as large as that which went to LMI census tracts.

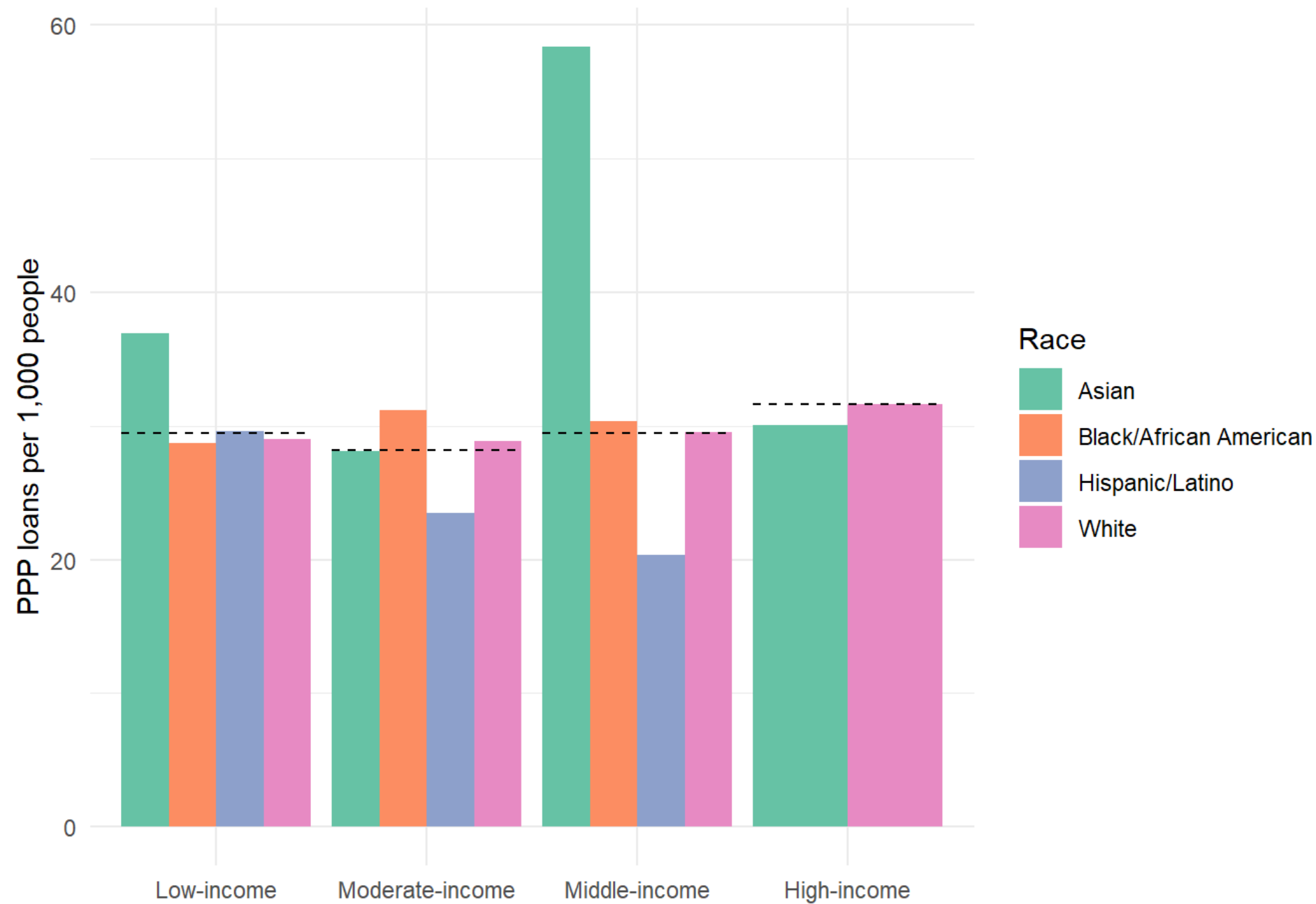
Census tract income level	Loans	Pct of Loans	Per 1,000	Median Loan	Total Loan Value
Low-income	18,457	8.9%	2.7	\$20,276	\$1,291,434,291
Moderate-income	35,172	17%	5.1	\$20,832	\$2,800,081,374
Middle-income	77,570	37.6%	11.3	\$20,833	\$7,088,290,093
High-income	71,985	34.9%	10.5	\$23,537	\$7,246,778,931

PPP loans in Massachusetts by census tract income level



PPP Loans per 1,000 Residents by Census Tract and LMI Tracts

PPP Loans in underserved communities

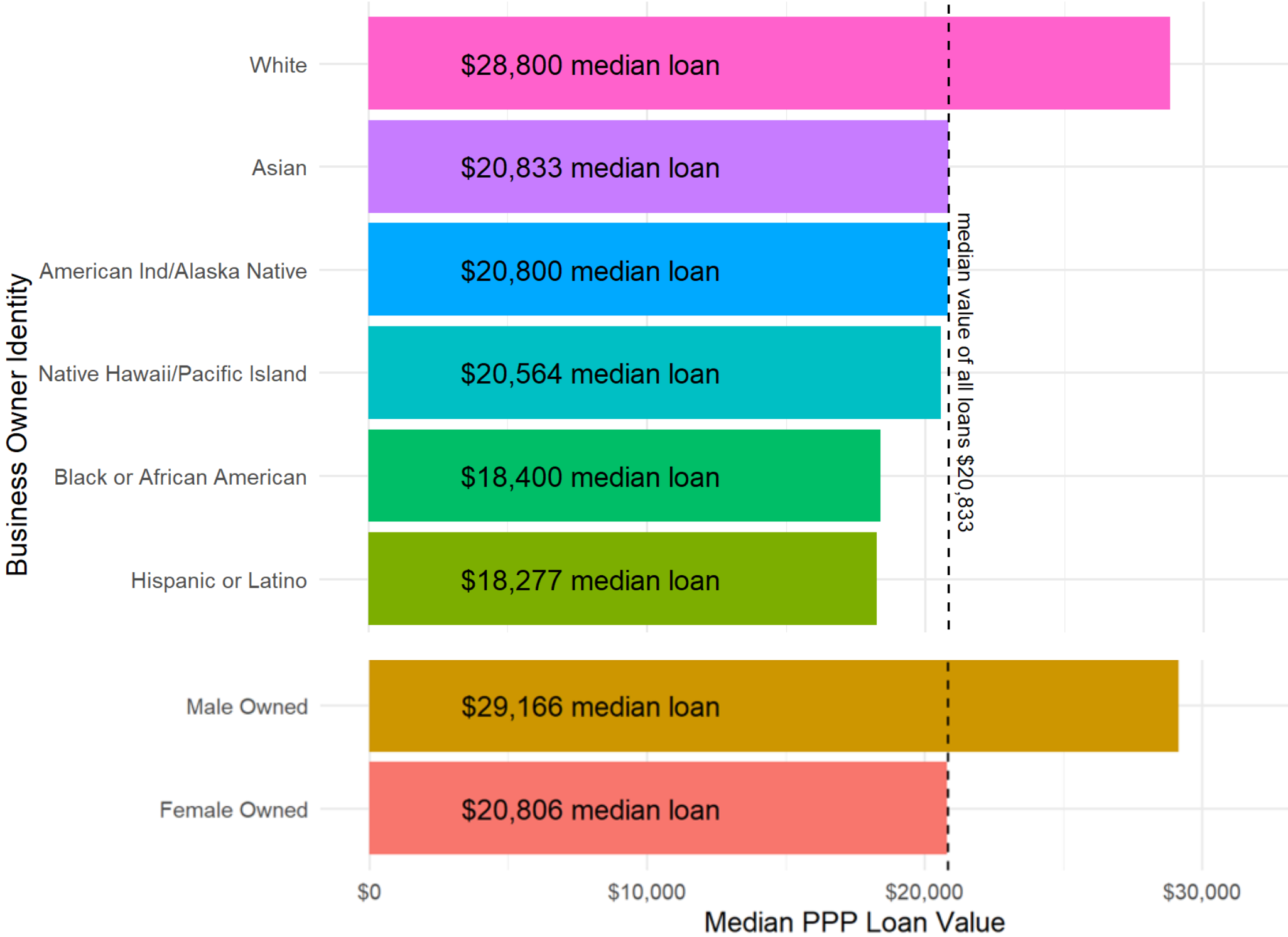


PPP loan density by community race and income

- Middle- and Low-income Asian communities show the highest loan densities.
- White communities show PPP loan densities at or above average for every income category, except for Low-income communities.
- Black or African American communities meet or exceed the PPP loan densities of White communities in the same income categories.
- Hispanic communities show average loan densities for Low-income, but well below average in Moderate- and Middle-income categories

Race, ethnicity, and gender of business owners who received PPP loans

PPP Loan Distribution by Race/Ethnicity



Business Owner Characteristics of PPP Loan Recipients in Massachusetts. Source: US Small Business Administration
Note: Based on 25% of respondents who answered questions about race or ethnicity, and 41% who answered questions about gender

Thank you!

Dr. Raul Fernandez

Boston University
Senior Lecturer

Brookline for Racial Justice & Equity
Executive Director



Panel Discussion

Empowering Futures

**A Multifaceted Dialogue on Latino Political Influence
and Economic Prosperity in Massachusetts**

Panelists

Dr. Marcos Luna
Salem State University

Adam Gomez
MA state Senator – Hampden District

Dr. Jay Rao
Babson College

Phineas Baxandall
MassBudget

Bianca Ortiz-Whyte, MS
Gaston Institute at UMass Boston



Dr. Jay Rao

Babson College
Professor of Strategy & Innovation



The World Has a Scale-Up Problem!

NOT A STARTUP PROBLEM!

2021 Data

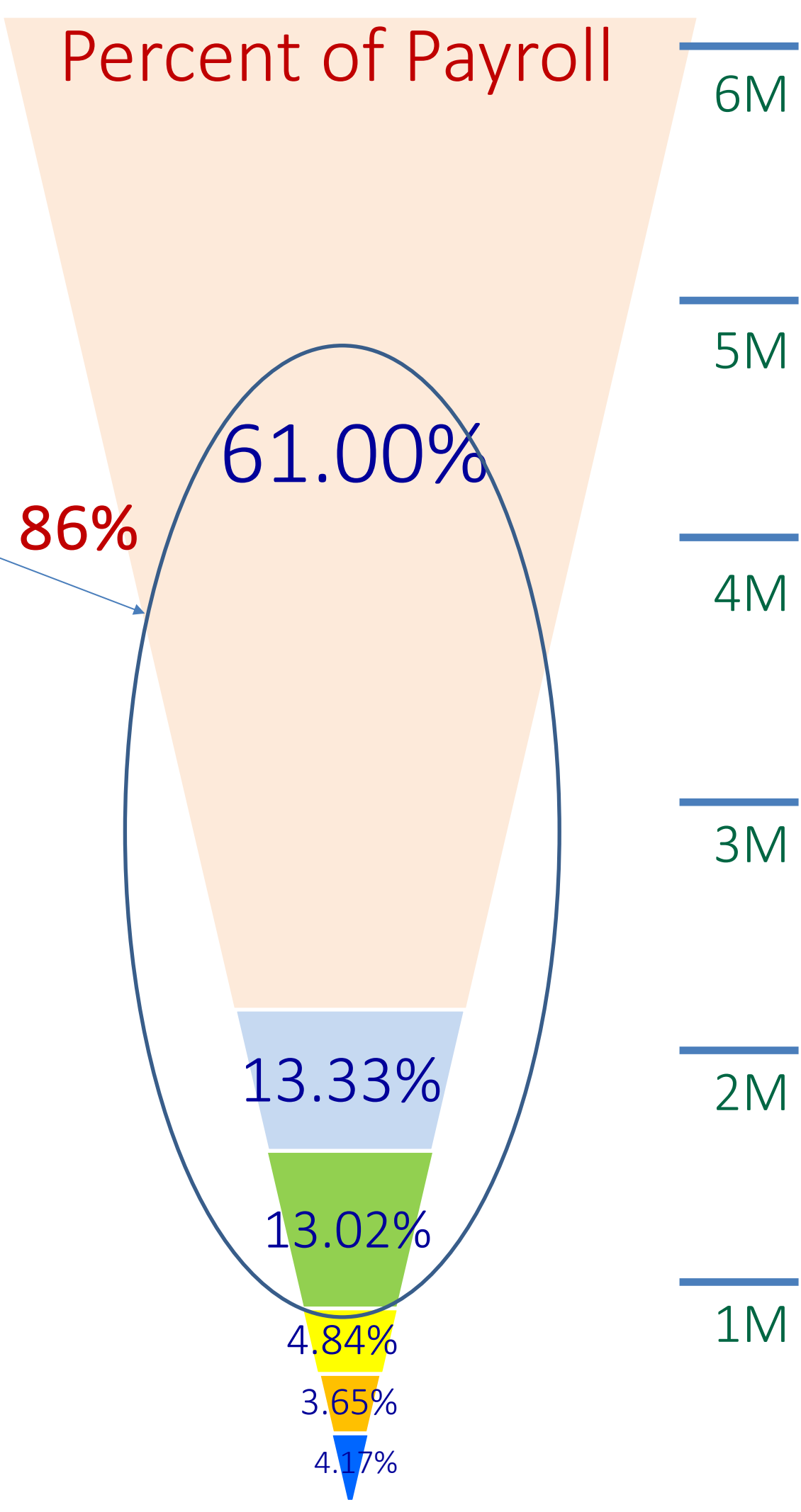
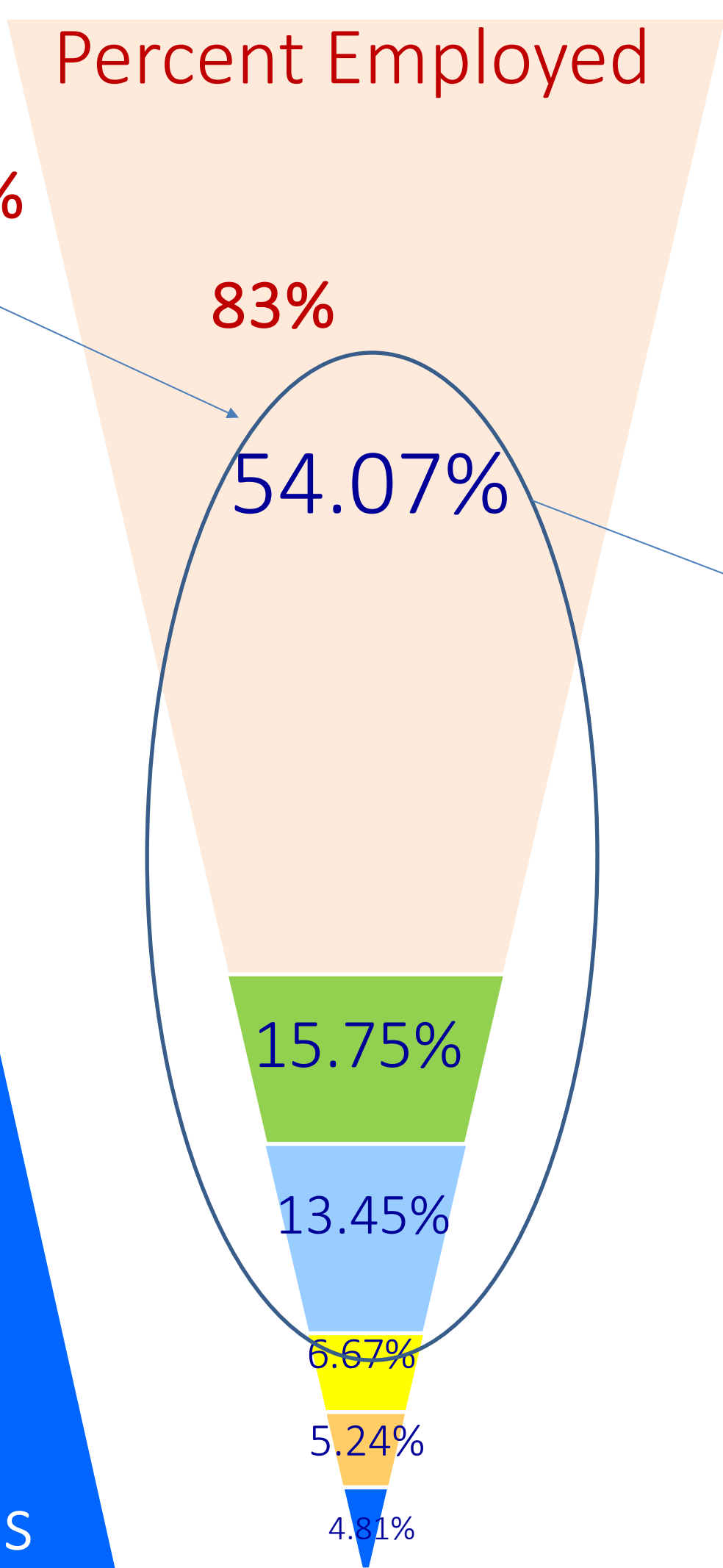
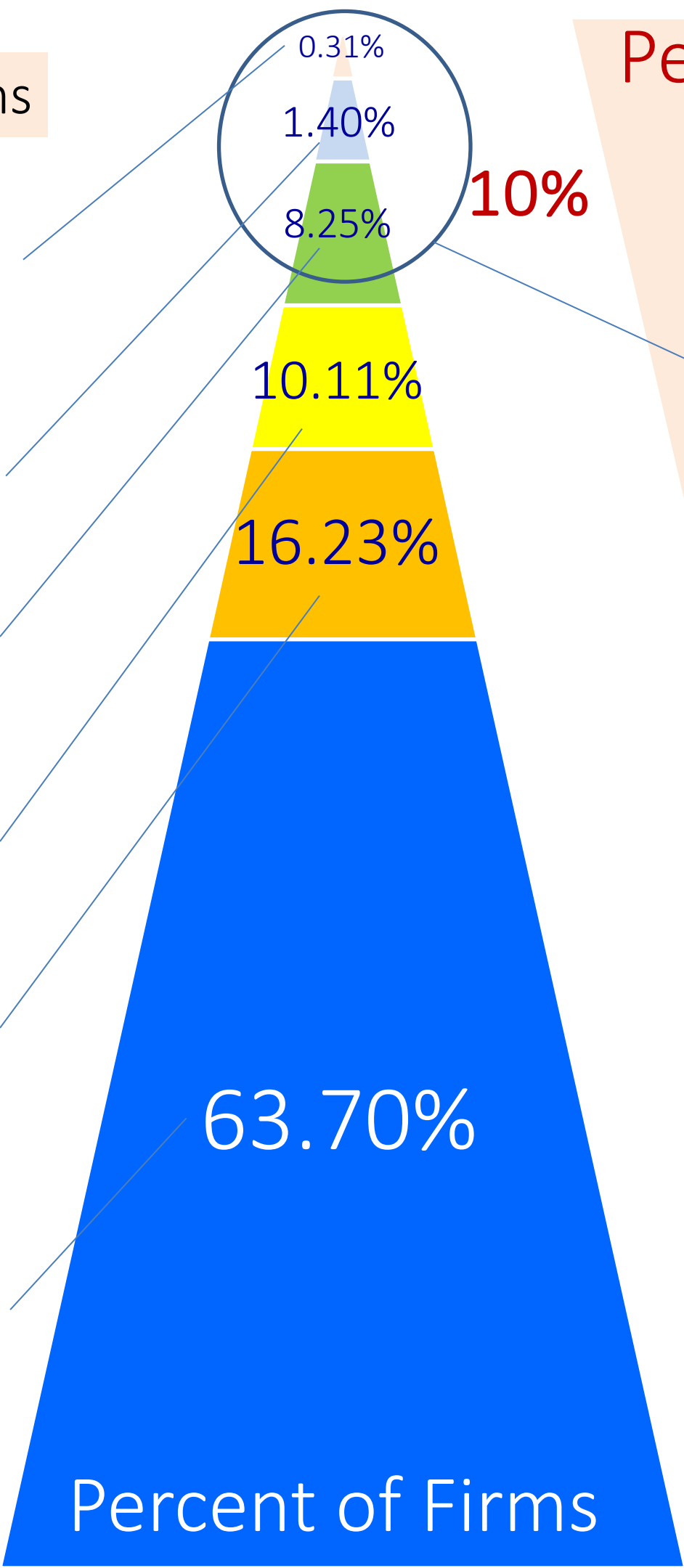
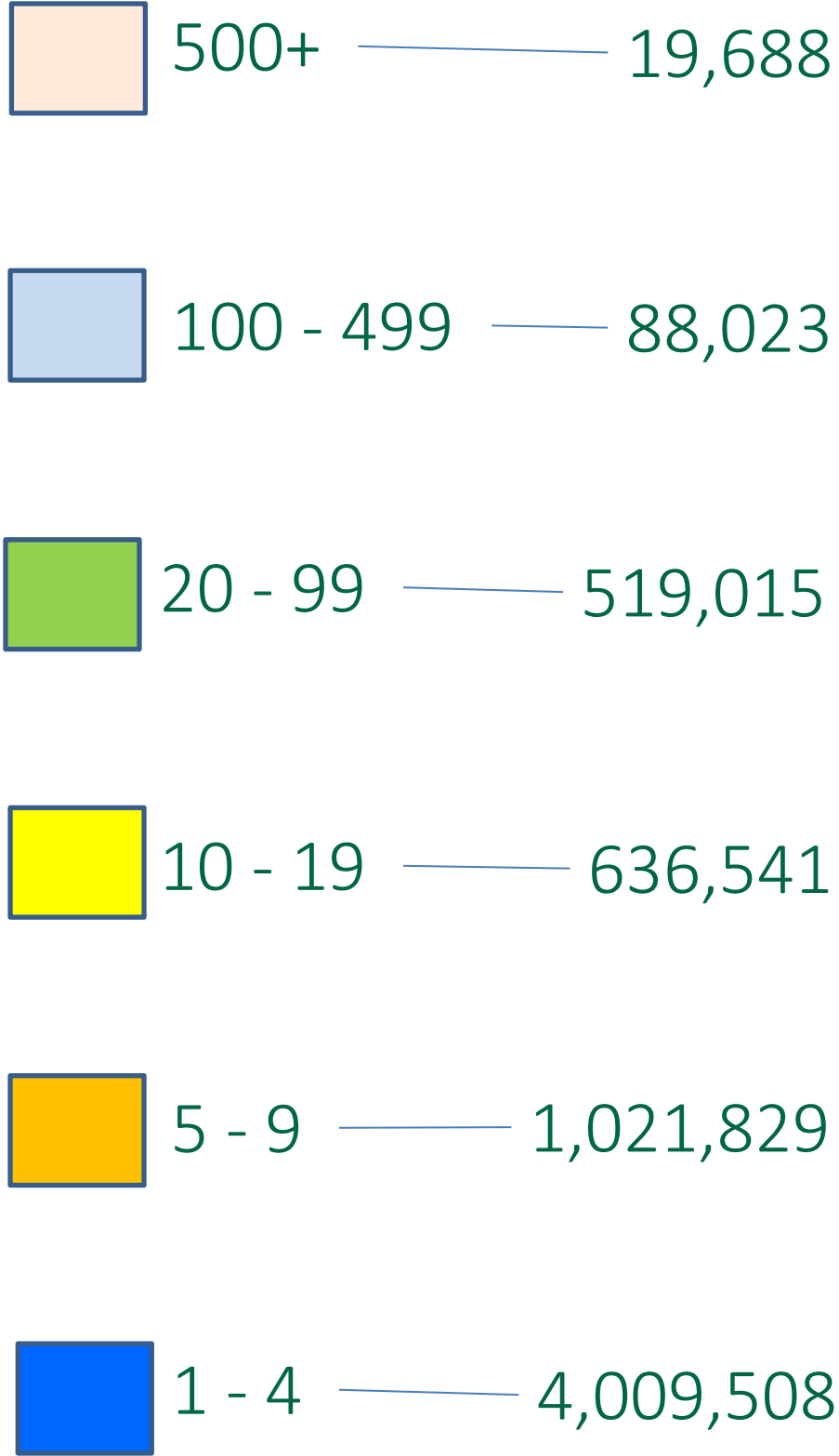
U.S. Firms: Number, employment & payroll

Employment Size	# of Firms	# Employed	Annual Payroll	% of Firms	% of Employed	% of Payroll
Total FTEs	6,294,604	128,346,299	8,278,573,947			
1-4	4,009,508	6,178,498	344,920,532	63.70%	4.81%	4.17%
5-9	1,021,829	6,726,092	301,779,028	16.23%	5.24%	3.65%
10-19	636,541	8,559,070	400,743,270	10.11%	6.67%	4.84%
20-99	519,015	20,219,046	1,077,643,283	8.25%	15.75%	13.02%
100-499	88,023	17,268,572	1,103,595,973	1.40%	13.45%	13.33%
500+	19,688	69,395,021	5,049,891,861	0.31%	54.07%	61.00%

FTE = Full Time Employees
Annual Payroll is in 1000s

of Employees
in the firm

of Firms



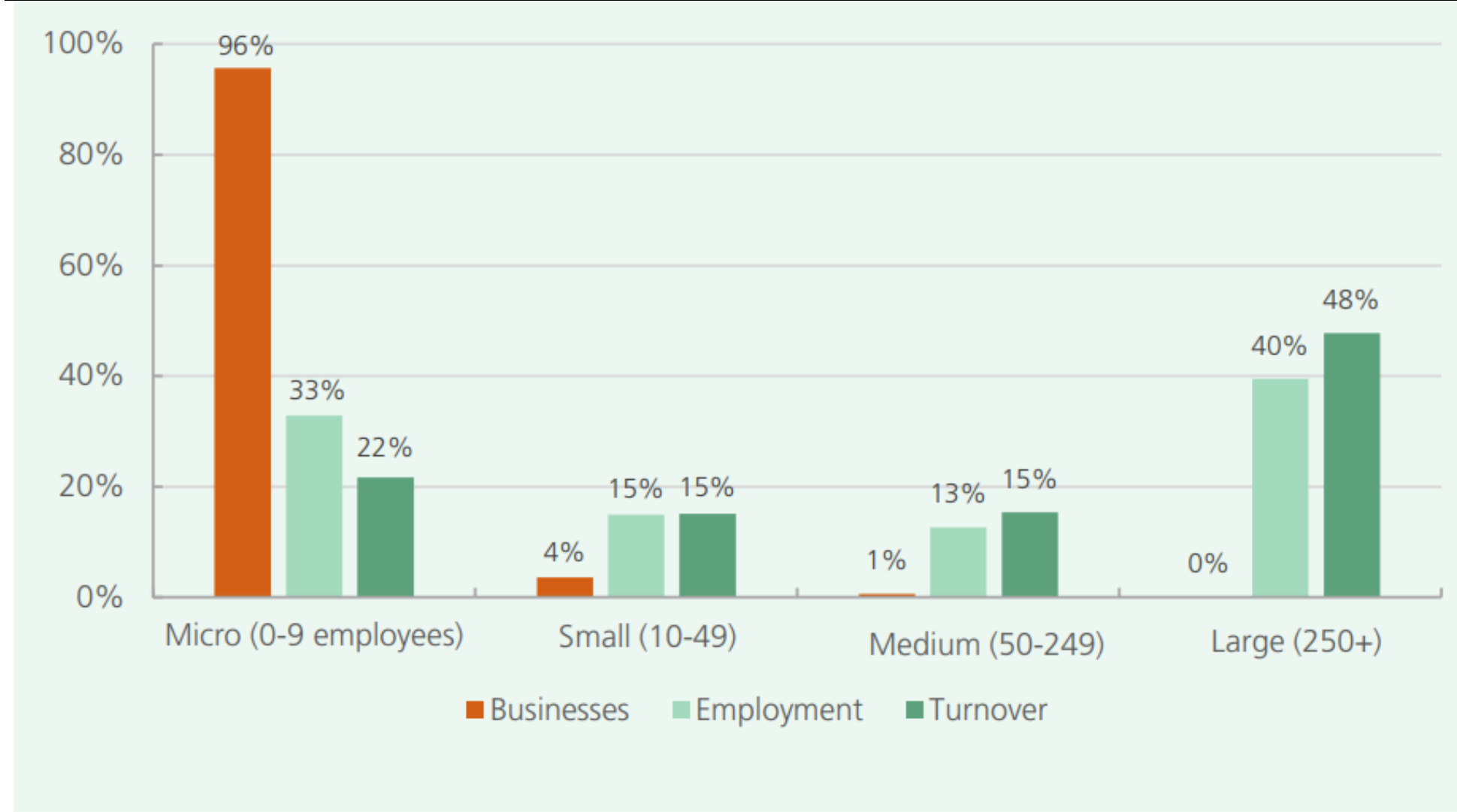
Source: 2021 Statistics of US Bizs;
US Census Bureau; Data for 2021

Micro-businesses have 0-9 employees. There were 5.6 million micro-businesses in the UK in 2019, accounting for 96% of all businesses.

Although the vast majority of businesses in the UK employ fewer than 10 people, this sort of business only accounts for 33% of employment and 22% of turnover.

There are 8,000 large businesses, with more than 250 employees, accounting for 0.1% of businesses but 40% of employment and 48% of turnover, as the following chart shows.

2019 UK FIRM STATISTICS



Source: BEIS, [Business Population Estimates](#), 2019, Table 1

FIRMS FEWER THAN 10 EMPLOYEES

95.65% of firms
32.88% of Employment
21.69% of Turnover

FIRMS WITH 10-49 EMPLOYEES

3.6% of firms
14.97% of Employment
15.16% of Turnover

FIRMS WITH 50-249 EMPLOYEES

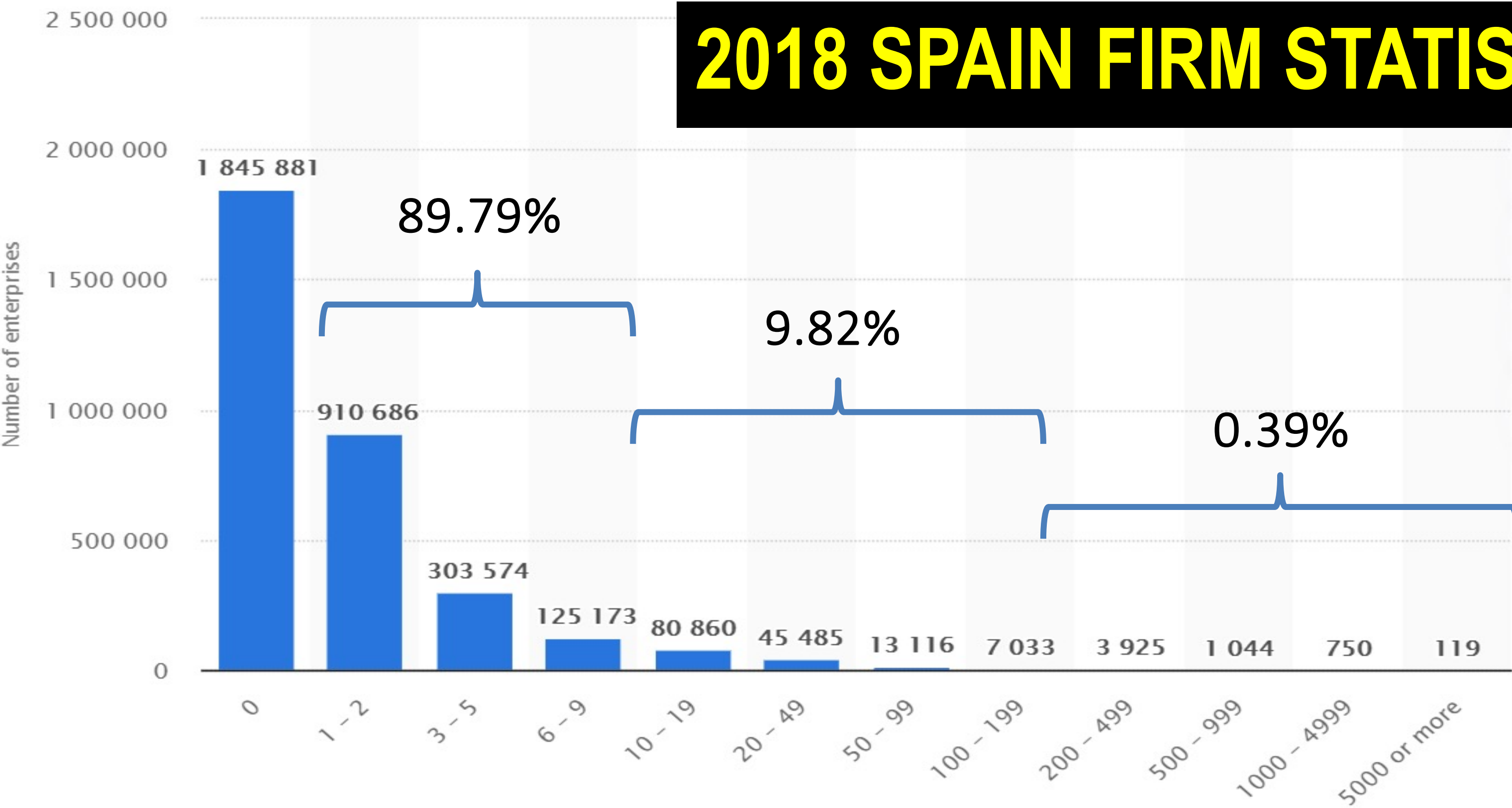
0.61% of firms
12.63% of Employment
15.4% of Turnover

FIRMS MORE THAN 250 EMPLOYEES

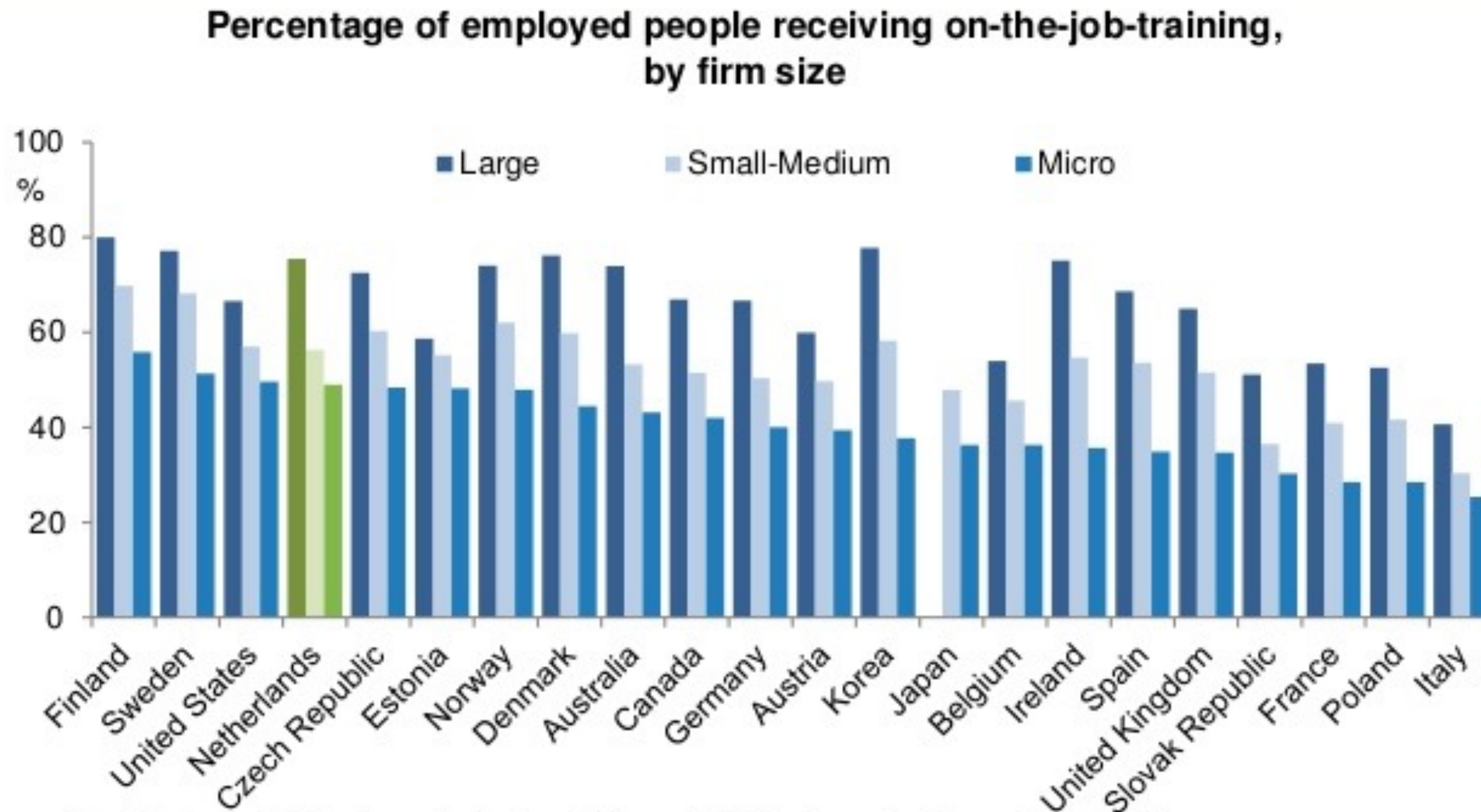
0.14% of firms
39.52% of Employment
47.76% of Turnover

Number of enterprises in Spain in 2018, by number of employees

2018 SPAIN FIRM STATISTICS



Small Firms Invest Less in Worker Skills

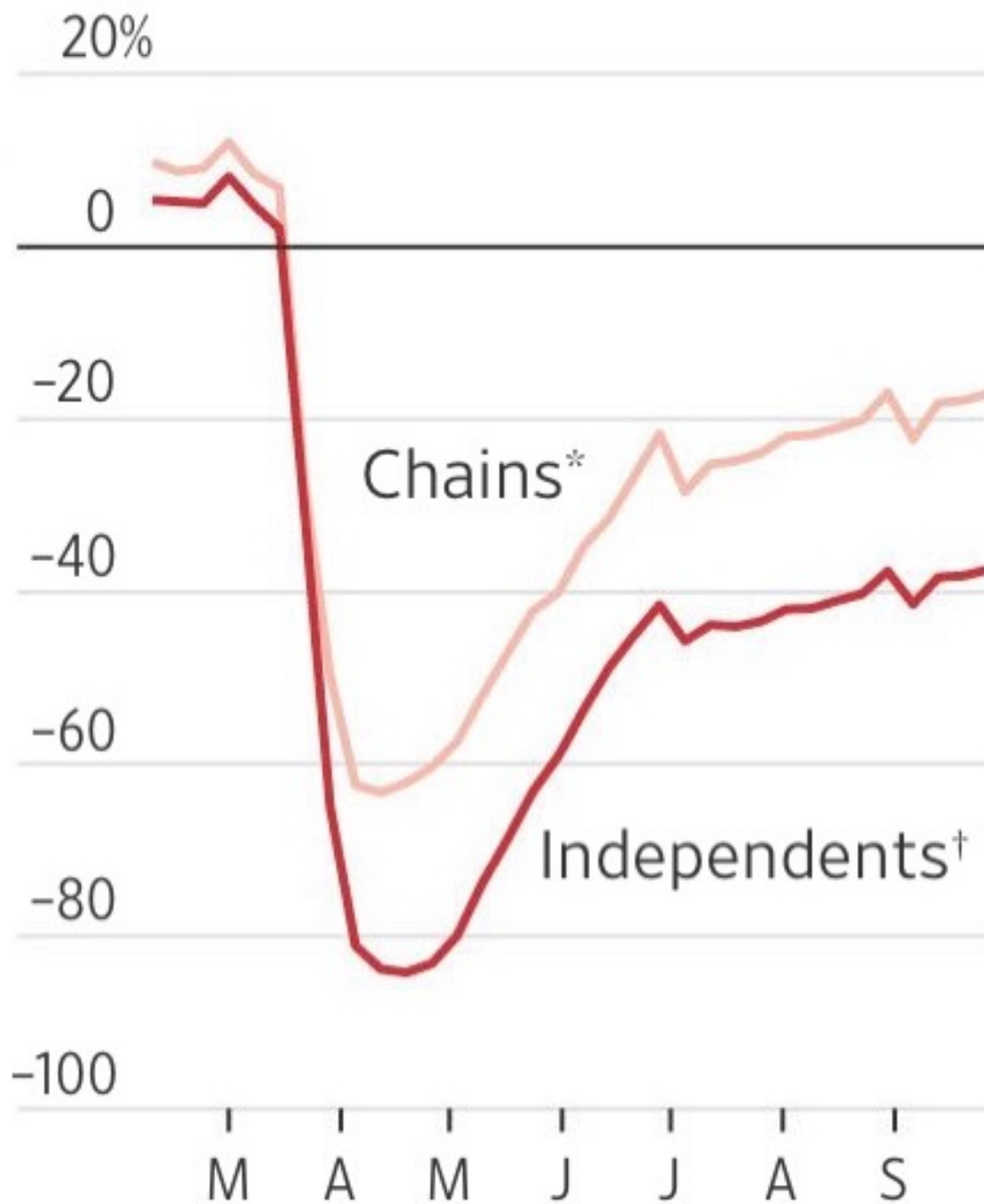


Notes: Micro firms employ 1-10 workers, small and medium-sized firms employ 11-250 workers, and large firms employ more than 250 workers. Figures refer to the market sector and exclude agriculture, constructions and finance, because of data availability issues.
Source: OECD (2015), OECD Science, Technology and Industry Scoreboard 2015: Innovation for growth and society, Figure 1.29, OECD Publishing, Paris, http://dx.doi.org/10.1787/sti_scoreboard-2015-en.

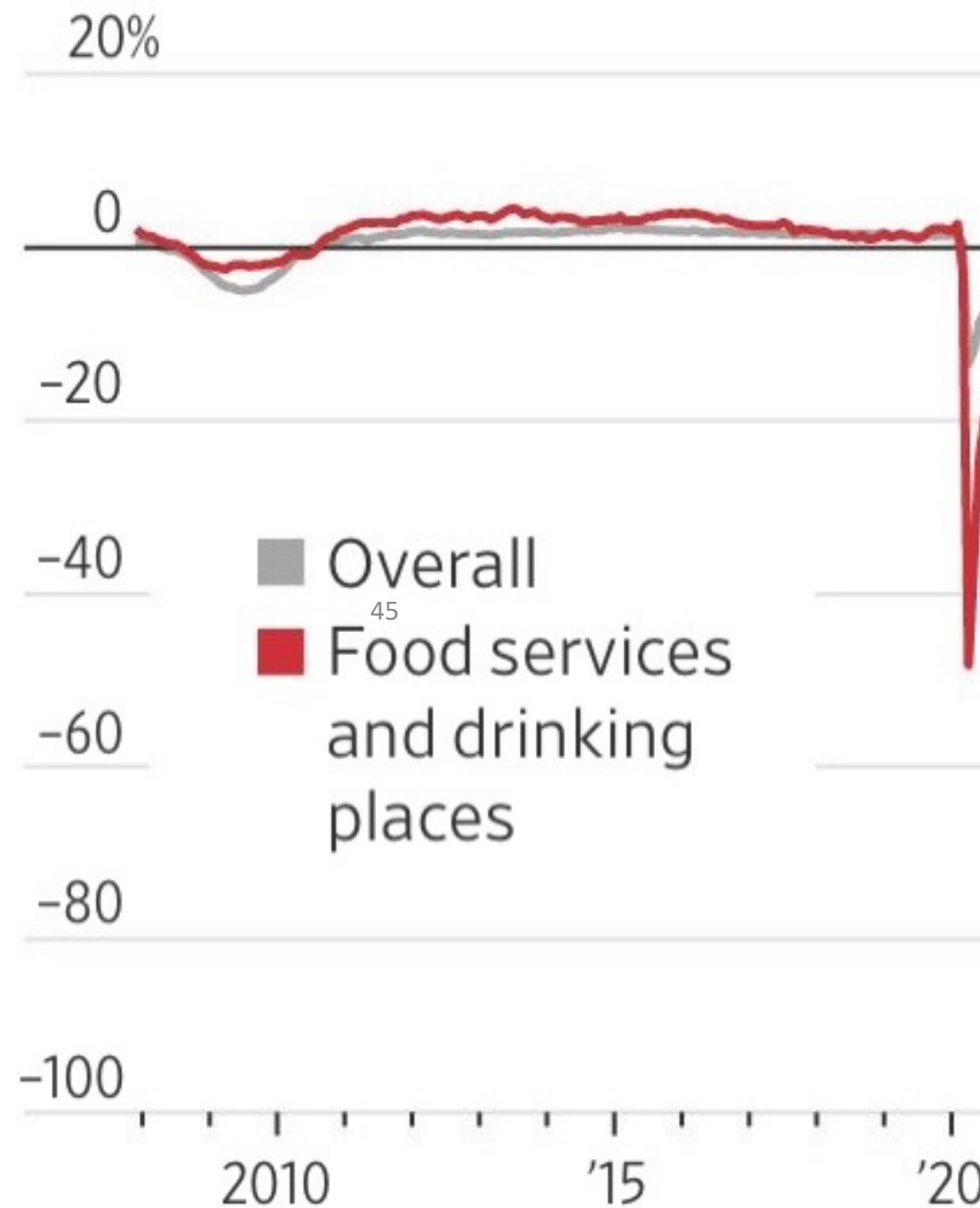


LARGER FIRMS SURVIVE DEEP DOWNTURNS BETTER

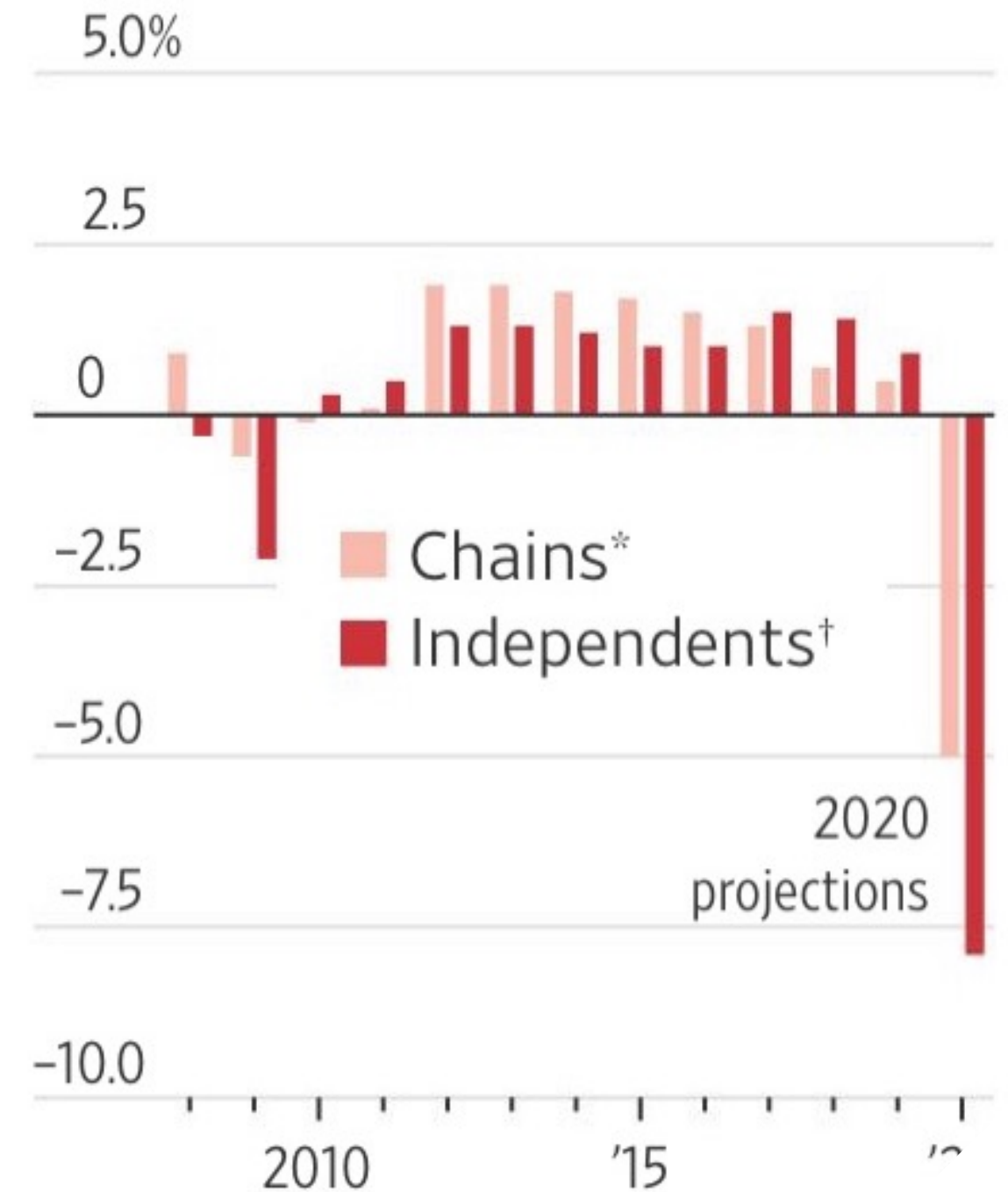
Scheduled U.S. restaurant employees, change from previous year



U.S. payrolls, change from previous year



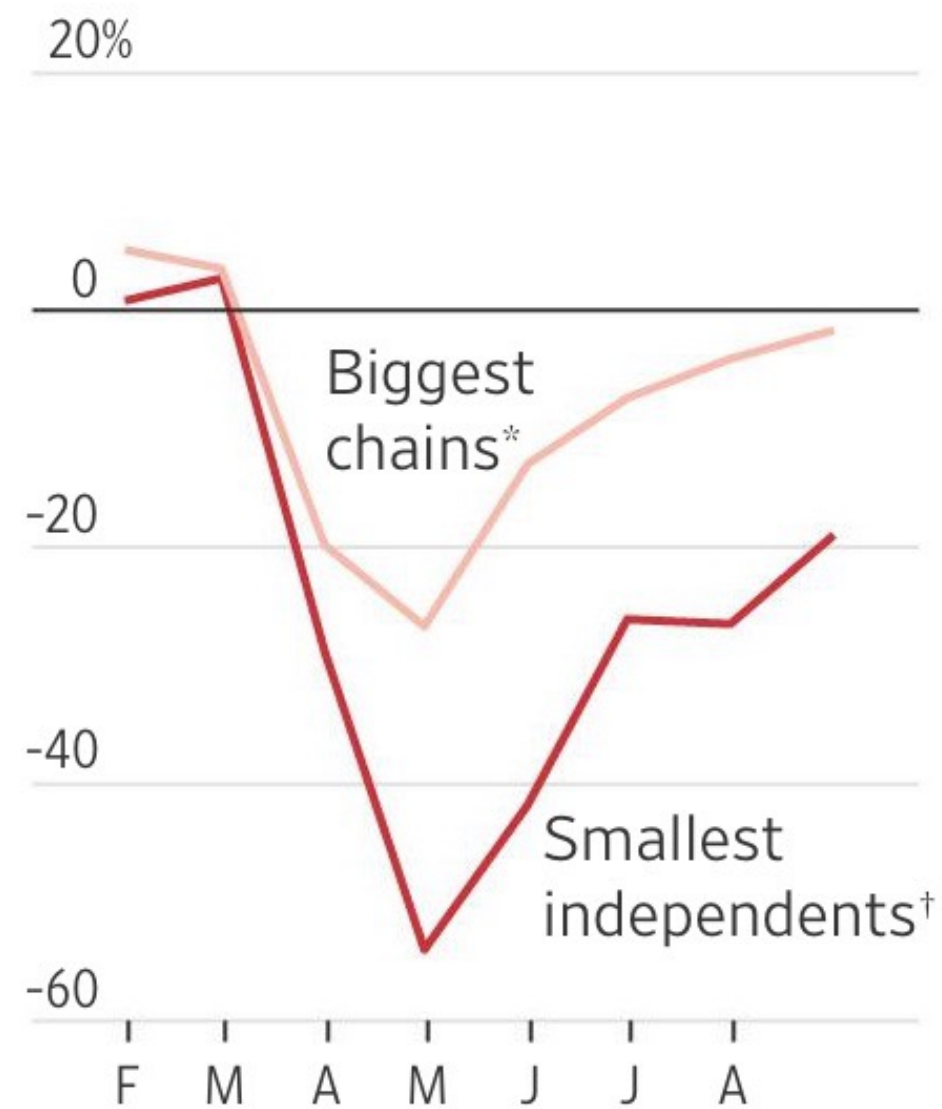
U.S. food service outlets, change from previous year



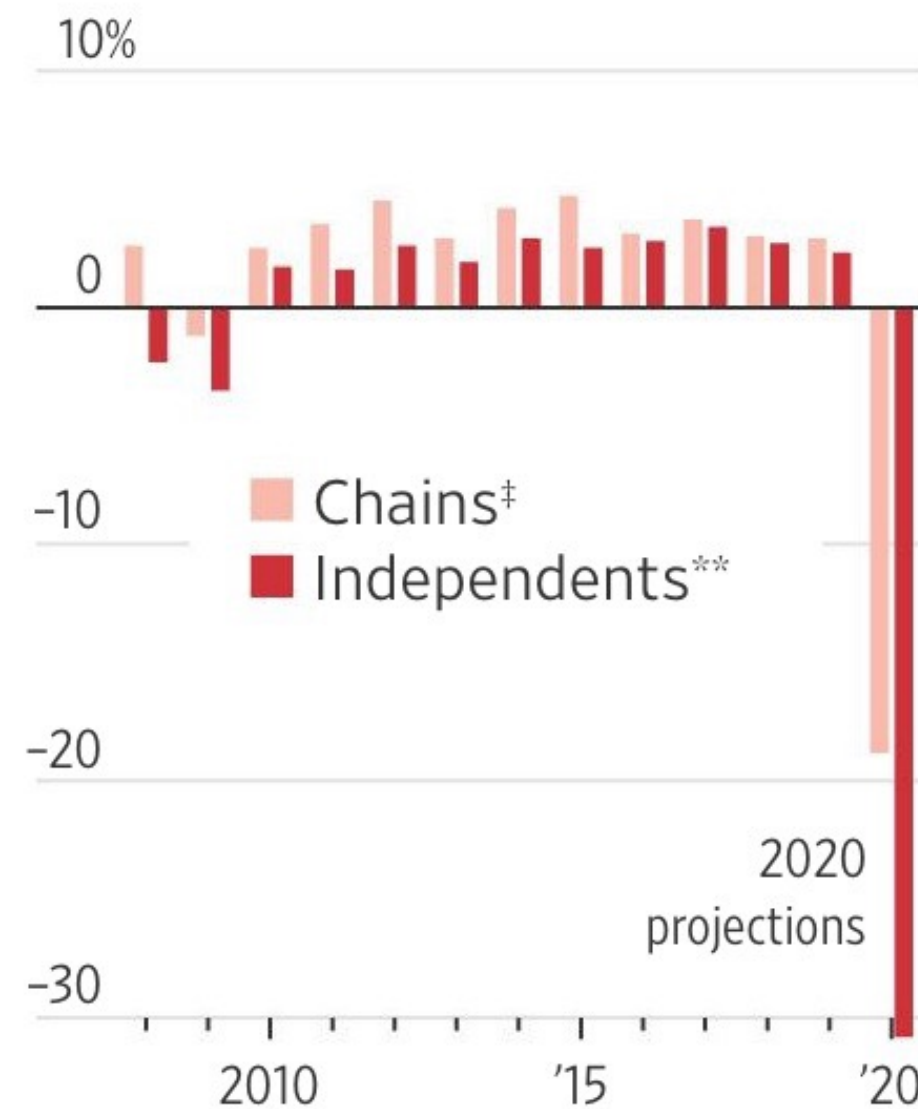
LARGER FIRMS SURVIVE DEEP DOWNTURNS BETTER

ones, straining the finances of many businesses.

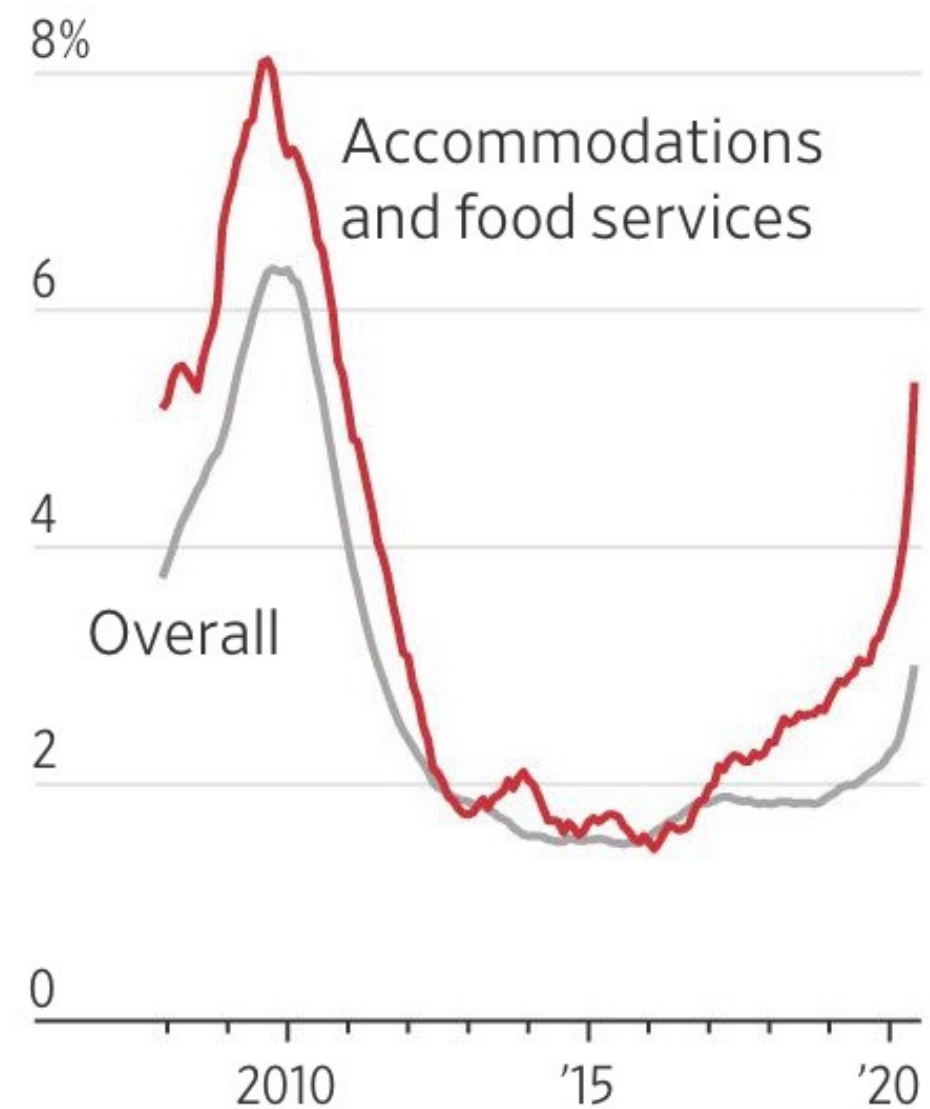
U.S. restaurant consumer spending, change from previous year



U.S. food service sales, change from previous year



Small U.S. businesses' default rate on loans and leases



*250 or more locations †One or two locations ‡Ten or more locations **One to nine locations

Note: Sales are consumer retail selling price.

Sources: the NPD Group/CREST (consumer spending); Euromonitor International (sales); PayNet (default rate)

Thank you!



Family child care program (FCCs) providers face unique challenges as educators and small business owners

- Educators provide child care services out of a private residence and serve up to 10 children at a time
- Daily reimbursement rates paid to providers fall far below federal recommendations and do not reflect true costs
 - More than half of these providers earn an income that is less than the equivalent of the Massachusetts state minimum wage
- Support for FCC providers has significant equity implications
 - Providers are disproportionately likely to be Black.
 - Program slots are disproportionately likely to exist in socially vulnerable communities

Robust support of FCCs will help to ensure equitable expansion of Massachusetts's child care sector.

Jouveth Shortel

Founder & Owner



Eneida Román

Amplify LatinX
President & CEO



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Thank you!

+

¡Gracias!



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