While significant attention has been paid to the growth of the Latino population and its contribution to the U.S. labor market, less scholarly and popular media attention has focused on Latino self-employment, entrepreneurship, and business growth. A review of interdisciplinary research literature on Latino entrepreneurship over the past twenty-five years indicates a gap in our knowledge about the accelerated growth in Latino small business ownership across the United States. The authors provide an overview of the current state of research on Latino entrepreneurial activities and recommend a broader research agenda that includes community-based organizations as part of the entrepreneurship landscape in urban and rural high-density Latino communities.

**Keywords:** Latino entrepreneurs; small business owners; self-employment; community-based organizations; country of origin; transnationalism; biculturalism

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**Latino Self-Employment and Entrepreneurship in the United States: An Overview of the Literature and Data Sources**

**By**

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NOTE: This research was supported by a grant from the Kauffman Foundation. We benefited from presentations and discussions surrounding minority business and entrepreneurship research at summer conferences hosted by the University of North Carolina at Chapel Hill.

DOI: 10.1177/0002716207303541
Introduction: Latinos and Entrepreneurship

The Latino population in the United States displays considerable diversity by national origin and dynamic generational status from recent arrivals to families that have lived in the United States for generations. In 2005, the U.S. Census reported more than 42.7 million Latinos residing in the United States (14 percent of the total U.S. population) and projects a Latino population of 102.6 million by 2050 (24 percent of the total U.S. population). Traditional Latino communities in the United States (Phoenix, New York, Los Angeles, Miami, San Antonio, and Chicago) continue to report in-migration, while new urban and rural areas have begun to attract Latino families. These new Latino gateway areas have experienced high growth rates (Raleigh-Durham, Las Vegas, Atlanta, and Des Moines) with a corresponding increase in Latino self-employment and small business formation.

The most recent results from the Hispanic-Owned Firms: 2002 (U.S. Department of Commerce 2006a) indicate that 1.57 million Hispanic-owned businesses operate in the United States (see tables 1 and 2). The significant growth rate of 31 percent (three times the rate of the national average, 10 percent) between 1997 and 2002 among Latino establishments has outpaced all other U.S. populations. Hispanic-owned firms generate more than $222 billion dollars in receipts and sales. Despite this growth, only 29,184 (1.8 percent) Hispanic-owned firms report receipts of $1 million or more. Hispanic-owned firms encompass country of origin diversity where 44 percent are Mexican, 10 percent Cuban, 7 percent Puerto Rican, 38 percent “Other Hispanic/Latino/Spaniard” (U.S. Department of Commerce 2006b). Additionally, of the 1.57 million Hispanic-owned businesses, 13 percent (199,601) have paid employees and employ approximately 1.5 million workers. The data indicate that the bulk of Latino-owned firms and small businesses are heavily represented in the nonemployer segment of the Latino entrepreneurship universe. Clearly, very different policy prescriptions are required for such diverse segments of the Latino entrepreneurial community.

Our article sets out to provide a brief overview of the interdisciplinary research examining Latino entrepreneurial activity spanning the past twenty-five years. Since the topic is not limited to one discipline, we profile the various data sources most commonly employed in conducting research on Latino business and self-employment measures. Although we conclude our review by indicating the substantive limitations in both current data availability and previous policy initiatives, we are encouraged by the debate among Latino small business scholars who have pioneered investigating Latino entrepreneurial activity in the United States. We end our article with recommendations that include a broader scope of research and policy designed to (1) acknowledge the financial capital start-up and expansion needs of experienced corporate and business-trained Latino entrepreneurs; and (2) connect the less educated, nonemployer Latino micro-entrepreneur with community-based organizations offering basic financial resource and entrepreneurial support services.
We believe an important contribution to understanding the accelerating growth in Latino entrepreneurial activity is to catalog the strands of research that capture Latino entrepreneurship in its various formulations. This entails assessing scholarly work in the areas of economic and business development, migration, small business, firm behavior/organizational studies, sociology, economic anthropology, cultural geography, community studies, the informal economy, and studies of micro-enterprise lending. To date, the scant research within economics, business, and sociology tends to focus on Latino entrepreneurship with attention to immigrant versus native-born ethnic self-employment rates and small business formation. Recent research on micro-enterprises and the informal economy has begun to emerge that focuses less on the immigrant and native-born...
divide and more on the contribution of micro-businesses in the formal and informal economies of Latino neighborhoods and ethnic enclaves.

**Self-employment studies**

The literature appearing in economic and business journals (Bates 1987, 1990, 1997; Olson, Zuiker, and Montalto 2000; Fairlie and Meyer 2003; Fairlie 2004; Lofstrom 2002; Flota and Mora 2001; Mora and Davila 2006) assess the labor market barriers to Hispanic populations and focus on self-employment rates of the native-born and foreign-born as well as describing business owner characteristics. Educational attainment rates, individual or family personal wealth, customer demographics, age of enterprise, age of owner, and particularly access to financial capital have been identified as significant variables in explaining Latino self-employment rates and business ownership success and failure. Many of the studies report that barriers in traditional labor markets and low human capital acquisition tend to be the driving forces behind the growth of self-employment activity among Latinos, especially the foreign-born. These studies trace out the connections between mainstream labor market opportunities and challenges and provide empirical evidence comparing Latino self-employed earnings to Latino worker earnings. The results have been mixed: for particular socioeconomic groups (disadvantaged male youth), self-employment produces higher earnings than wage-work; however, these results do not hold for female disadvantaged youth. Further research may provide more information about intergenerational links to self-employment income as well as spatial (community) characteristics linking self-employment outcomes directly to place-based factors.

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Many of the studies report that barriers in traditional labor markets and low human capital acquisition tend to be the driving forces behind the growth of self-employment activity among Latinos, especially the foreign-born.

Bates (1990) described Mexican American self-employment and argued that the aggregate grouping of “Hispanic” may inappropriately mask the intragroup differences in human and financial capital resources of Latino/Hispanic small business start-ups. The diversity among the various countries of origin communities
combined with their unique immigrant experiences are important features driving the Latino entrepreneurial landscape (Delgado 1998; Ruiz-Vargas 2000; Carvajal 2004; Mora and Davila 2006). From the Mexican-origin studies, findings and recommendations require a degree of consideration for culturally based entrepreneurial behaviors. One cannot simply extrapolate and predict similar entrepreneurial patterns without taking into account the country of origin, transnational ties to the home country, location of business (ethnic enclaves versus mainstream markets), and parallel sociodemographic profiles of the group in question. There is a significant difference between exporting patterns of Latino firms when assessing intragroup comparisons. Latino self-employment and small business studies have consistently focused on the native-born and immigrant differences among the Latino populations in the United States (Fairlie 2004, 2005; Lofstrom 2002; Toussaint-Comeau 2005). From these studies emerge recommendations that include thoughtful policy actions focused on human capital remediation or acquisition, access to financial resource information and planning, mentoring programs to expand business ownership in areas other than the service sector, and a greater cultivation of a diverse customer base and increased entrepreneurship programs at universities and community colleges.

**Small business credit market studies**

An equally important research literature on the small firm market (minority and nonminority), business credit and channels of financial capital access, provides evidence of low rates of capitalization for small businesses with particular characteristics and located in certain industry sectors. Small business lending decisions by suppliers of credit, information technology embedded in automated credit scoring, and market forces that have changed the nature of location-based banking relationships between banker and business owner appear as important areas of study in this literature. These market studies provide information on the variables that hinder access to formal commercial credit by minority-owned firms and small businesses. Not surprisingly, many of the same variables that appear in self-employment studies also appear as explanatory variables in models of commercial credit accessibility studies. Although these studies do not focus exclusively on Latino-owned firms and small businesses, they do include information about aggregate Hispanic access to commercial credit markets and government guaranteed small business loan programs (Cavalluzzo and Wolken 2005; Cavalluzzo, Cavalluzzo, and Wolken 2002; Blanchflower, Levine, and Zimmerman 2003; Bitler, Robb, and Wolken 2001; Craig, Jackson, and Thomson 2006).

**Firm organizational studies**

A growing literature has arisen on the characteristics and behaviors of entrepreneurs, their decision making within firms and small businesses, and particularly
nascent entrepreneurial and firm expansion decision making. This area of research has relied on a combination of small area surveys, gender-based surveys (Latina entrepreneurship), and industry sector data. What most of these studies have in common is a descriptive assessment of Latino entrepreneurs; they seek to answer the question, Who are Latino business owners? From small survey (generally mail-in or telephone-respondent-based) data, they profile the “typical” Hispanic entrepreneur. What emerges from these studies are acculturation and degree of ethnic identification metrics, business problem-solving and performance measures, identifying life-cycle growth and/or structural stages of the business, and working capital and financing decisions (Vincent 1996; Shim, Eastlick, and Lotz 2000; Raijman and Tienda 2000; Ruiz-Vargas 2000). These studies also tend to characterize entrepreneurial performance and characteristics along gender lines (Sarason and Koberg 1994; Shim and Eastlick 1998; Zuiker et al. 2003; Pearce 2005).

Entrepreneurship, ethnic enclaves, and economic/community development studies

A complementary strand of literature that parallels the self-employment and small business studies appears in the sociological, informal economy, and community studies literature. These studies describe characteristics of Latino ethnic enclave business owners and ethnic niche markets while focusing on similar measures examined in the self-employment literature. Additionally, variables that incorporate intergenerational dimensions of entrepreneurial skills, family and community social networks, neighborhood resources, and nonprofit organizations that support ethnic and immigrant economic adaptation and civic engagement appear with varying degrees as important resources for initiating entrepreneurial activities (Aldrich and Waldinger 1990; Logan, Alba, and McNulty 1994; Sanders and Nee 1996; Raijman 2001; Fortes, Haller, and Guarnizo 2002; Edgcomb and Armington 2003; Cordero-Guzmán 2005; Pearce 2005; Robles 2002, 2004). Although most of the studies focus on the linkages between Latino or ethnic community resources and entrepreneurship, economic development and community studies of distressed local economies also recognize the importance of minority small business viability for local economy and community development (Rondinelli, Johnson, and Kasarda 1998; Light and Gold 2000; Valenzuela 2001; Johnson 2002; Robles 2006; Cordero-Guzmán and Anspos 2006; Cordero-Guzmán and Becerra 2007) (see Table 3).

Latino Data Sources: Aggregate and Country of Origin Identifiers

Scholars conducting research on Latino self-employment and entrepreneurship have employed a wide variety of governmental data sources that include but
<table>
<thead>
<tr>
<th>Table 3: Literature Survey for Latino Entrepreneurial Activity by Author and Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Latino Immigrant</strong></td>
</tr>
</tbody>
</table>

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Entrepreneurship

Sanders and Nee (1996);
Raijman and Tienda;
(2000); Raijman (2001);
Valenzuela (2001);
Portes, Haller, and
Guarnizo (2002);
Cordero-Guzmán
(2005); Kasarda and
Johnson (2006); Mora
and Davila (2006);
Cordero-Guzmán and
Becerra (2007)

Valenzuela (2001); Mora
and Davila (2006)

Aldrich and Waldinger
(1990); Rochin et al.
(1998); Raijman and
Tienda (2000);
Raijman (2001); Gold
and Light (2001);
Mora and Davila
(2005); Cordero-
Guzmán (2005);
Robles (2006);
Cordero-Guzmán
and Auspos (2006)

Rochin et al. (1998);
Raijman and Tienda
(2000); Raijman
(2001); Gold and
Light (2001);
Ruiz-Vargas (2001);
Morawska (2004);
Lippard (2005);
Mora and Davila
(2006)

Shim and
Eastlick
(1998)
are not limited to the Survey of Small Business Finances (SBF; Federal Reserve Board of Governors), Panel Study of Income Dynamics (PSID; University of Michigan, Ann Arbor), Public Use Microdata Dicennial Surveys at the 1 and 5 percent levels (PUMS; U.S. Census Bureau), Current Population Survey (CPS; U.S. Census Bureau), Characteristics of Business Owners (CBO; U.S. Census Bureau and IRS-proprietary), Survey of Income and Program Participation (SIPP; U.S. Census Bureau), Non-Employer Statistics (NES; U.S. Census Bureau), and National Youth Longitudinal Survey (NYLS; U.S. Bureau of Labor Statistics). Other researchers have turned to private data sources such as Dun and Bradstreet, the National Federation of Independent Businesses, as well as small sample surveys based on national and local Hispanic Chamber of Commerce member lists.

The data collected on Latino business owners and the self-employed have improved over time. Continuing analyses of the available data, however, creates further questions arising from scholarly findings for this particular community.

The data collected on Latino business owners and the self-employed have improved over time. Continuing analyses of the available data, however, create further questions arising from scholarly findings for this particular community. For example, does successful management of small or micro-businesses despite low levels of education and low family wealth relate to a family member (especially an extended family member) having owned a business? We know business training has an important impact on probable business success, but for particular communities, Puerto Rican and Dominican, family business operations may serve the role of corporate or university education. Since Hispanic sample sizes within these business owner data sets are limited to begin with, it is very difficult to assess the country of origin business characteristics of El Salvadorans, Dominicans, and other Latino groups. For researchers seeking to understand the entrepreneurial activities of particular Latino groups, the PUMS and CPS are the only large data sources that specifically capture Latino country of origin data. Table 4 outlines some of the characteristics and limitations of the available databases that include a Latino sample.
TABLE 4
SURVEY OF LATINO ENTREPRENEURSHIP DATA SOURCES

<table>
<thead>
<tr>
<th>Available Data Sets</th>
<th>PUMS&lt;sup&gt;a&lt;/sup&gt;</th>
<th>CPS&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Survey of Business Owners</th>
<th>Characteristics of Business Owners&lt;sup&gt;b,c&lt;/sup&gt;</th>
<th>NLSY&lt;sup&gt;b,a&lt;/sup&gt;</th>
<th>SBF/Federal Reserve&lt;sup&gt;b,c&lt;/sup&gt;</th>
<th>Survey of Consumer Finances&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Small Surveys&lt;sup&gt;b,c&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency of data collection</td>
<td>Every 10 years</td>
<td>Annual</td>
<td>Every 5 years</td>
<td>Discontinued (?)</td>
<td>–Every 5 years</td>
<td>Every 3 years</td>
<td>Proprietary</td>
<td></td>
</tr>
<tr>
<td>Selected variables</td>
<td>Hispanic</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Native</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Foreign-born</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Year of entry</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Country of origin</td>
<td>X</td>
<td>X</td>
<td>X&lt;sup&gt;d&lt;/sup&gt;</td>
<td>X&lt;sup&gt;d&lt;/sup&gt;</td>
<td>X&lt;sup&gt;d&lt;/sup&gt;</td>
<td>X&lt;sup&gt;d&lt;/sup&gt;</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Gender</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>X</td>
</tr>
</tbody>
</table>

NOTE: PUMS = Public Use Micro Sample 1 and 5 percent of decennial census; CPS = Current Population Survey, annual; NLSY = National Longitudinal Survey of Youth—NLSY79 has years 1979-2004 (rounds 1-21) and NLSY97 has years 1997-2005 (rounds 1-8); SBF = Survey of Small Business Finances.

a. Surveys designed for socioeconomic and demographic responses.
b. Small or limited sample size of Hispanic respondents.
c. Surveys specifically designed for small business responses.
d. Hispanic country of origin breakdown is limited to Mexican, Puerto Rican, Cuban, and Other.
Assessing Latino Country of Origin Self-Employment: 
A PUMS Data Example

One of the continuing issues among Latino entrepreneurship researchers is the lack of sufficiently large data samples for specific country of origin analysis. The PUMS at the 1 and 5 percent levels from the decennial census provides sufficient observations to increase our understanding of the self-employment experiences of individual Hispanic groups. The most compelling reason for employing this data source is the degree of detail provided on a state-by-state, county-by-county, and urban/rural geographical level of the various Latino subpopulations engaged in self-employment, either full-time or part-time. Moreover, it provides information on educational attainment levels as well as immigrant versus native-born characteristics.

Using the 1 percent database for New York City, we find that South Americans, specifically Peruvians (11 percent) and Colombians (12 percent), have the highest rates of self-employment, with Cubans (10 percent) and Dominicans (8 percent) displaying the next highest rates, and Mexican (7 percent) and Puerto Rican (6 percent) rates trailing. However, when parsing the data by educational attainment, it turns out that Mexican college graduates (11 percent) have one of the highest self-employment rates, with Dominicans just under 10 percent and Puerto Rican college graduates at 6 percent. We find, as have other researchers, the Latino self-employed are more likely to be foreign-born and in New York, Latino self-employment increases with educational attainment. Finally, we find that in New York, the average Latino self-employed have higher annual earnings ($25,658) than do the average Latino workers ($19,357). This higher average earnings outcome has a downside: in New York, the average self-employed Latino works more hours per week and more weeks per year than the average Latino worker.

Clearly, the self-employed as described in the PUMS database are only one segment of a very diverse Latino entrepreneurial landscape. However, we note that the largest segment of the Latino business community is the nonemployer segment (87 percent); thus, the more we know about this sector by country of origin, the better able we are to assess local impact and craft national policies.

Conclusions and Recommendations

From our overview of Latino self-employment and entrepreneurship research, a consistent set of findings emerge that help explain both the accelerated growth of Latino entrepreneurial activity while capturing the barriers to successful small business life-cycle transitions. In particular, the literature suggests that (1) low educational attainment continues to be statistically significant and may be a driving force in creating the push into self-employment while contributing to the marginal existence of many Latino small businesses, (2) lack of financial resources (either personal wealth or access to capital) for operation and expansion purposes contributes to blocked business stage growth, and (3) Latino entrepreneurial activity...
continues to be concentrated in the service sector. The last finding is directly related to findings (1) and (2). These three persistent indicators have not changed significantly for the Latino population over the past twenty-five years. Policies crafted in a one-size-fits-all mold, however well intentioned, have contributed to the unchanging nature of the Latino business community indicators.

Research that continues uncovering the facets of the social and community links between the micro-entrepreneur and self-employed sector with the economic realities of community revitalization, gentrification, sustainable urbanism, transnational migration, ethnic biculturalism, and the permeable boundaries of the ethnic enclave would provide us with a deeper understanding of the role of the smallest entrepreneur in Latino communities and mainstream markets.

The growing college-educated pool of Latino entrepreneurs are becoming more visible and require researchers to recognize the bimodal nature of policy application for different entrepreneurial stakeholders within the Latino business community. Policy prescriptions aimed at the Latino college-educated entrepreneurial population anchored in university-business partnerships and collaborative programs that bring more entrepreneurship-skills programs and business leadership mentoring into the postgraduate, university, and community college environment could prove to have more permanent and positive outcomes. In addition, policies that include a pipeline component that creates linkages to community-based, Latino-serving organizations engaged in micro-enterprise lending and financial education outreach services would provide an upwardly mobile avenue for the less educated aspiring entrepreneur.

Notes

1. The latest Census data indicate the Latino population in the United States has the following characteristics by country of origin: 64 percent Mexican, 10 percent Puerto Rican, 3 percent Cuban, 3 percent Dominican, and 3 percent El Salvadoran, with the remaining percentages distributed among other Central and South American countries or other Hispanic or Latino origins.

2. The estimate was produced July 26, 2006, by the U.S. Census Bureau, Hispanic Heritage Month Facts, 2006 and does not include the 3.9 million residents of Puerto Rico (see http://www.census.gov/Press-Release/www/2006/cb06ff-14.pdf).

3. Bates (1997) reminded us that policies to promote minority business development in distressed local economies have a long history of repeating failed strategies.

4. Many of the studies focus on Mexican-origin populations, males in particular, given the larger sample sizes over time for this population.

References


