NATIONAL COUNCIL OF LA RAZA

The National Council of La Raza exists to improve life opportunities for the more than 20 million Americans of Hispanic descent. A nonprofit, tax-exempt organization incorporated in Arizona in 1968, the Council serves as an advocate for Hispanic Americans and as a national umbrella organization for its local "affiliates" -- Hispanic community-based groups which serve 32 states, Puerto Rico, and the District of Columbia -- and for other local Hispanic organizations nationwide. In addition to its Washington, D.C. headquarters, the Council maintains field offices in Los Angeles, Phoenix, and Edinburg, Texas. The Council's network includes more than 3,000 Hispanic organizations and individuals nationwide.

The Council has four major program focuses: applied research, policy analysis, and advocacy on behalf of all Hispanic Americans, carried out through the Policy Analysis Center; capacity-building assistance to Hispanic organizations, entrepreneurs, and public officials, to strengthen their self-help and human service efforts and help them meet the needs of their communities; public information activities designed to inform Hispanic communities and the general American public about Hispanic history and culture, contributions, status and needs; and catalytic special projects, including coalition efforts and innovative projects which can often be "spun off" to become independent entities.

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HISPANIC BUSINESS OWNERSHIP: A PROFILE

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This report is primarily an analysis of federal data on Hispanic business ownership in the United States, including comparisons with Black and overall business ownership. It is designed to provide an understanding of the current status of Hispanic business ownership. It identifies but does not attempt to offer an in-depth analysis of obstacles to Hispanic business formation, survival and growth. The information which is provided on factors affecting Hispanic business ownership draws upon an extensive unpublished internal analysis of Hispanic business ownership which was carried out for the National Council of La Raza by Mr. Carlos Carrero while he was a Policy Fellow at the Council; Mr. Carrero is now with the Neighborhood Reinvestment Corporation.

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HISPANIC BUSINESS OWNERSHIP: A PROFILE

I. SUMMARY

Hispanic Americans owned nearly a quarter of a million U.S. businesses in 1982, and the number of Hispanic-owned enterprises increased 13% between 1977 and 1982. However, Hispanics remained only about one-fourth as likely to be business owners as would be expected, given their proportion of the U.S. population. In addition, most Hispanic businesses were very small, unincorporated entities with no paid employees. The majority were service or retail establishments, which can be established with limited capital but are typically small and often economically marginal; only 3% were manufacturing or wholesale trade firms, which tend to be larger and more profitable. Thus while Hispanic business ownership represents an important mechanism for economic advancement and provides significant direct and indirect benefits to Hispanic communities, much more progress must be made before Hispanic business ownership will represent a major means of Hispanic economic advancement.

The 1982 Survey of Hispanic-Owned Business Enterprises, published by the Bureau of the Census late in 1986, provides a great deal of data -- but little analysis -- of the characteristics of Hispanic-owned firms. The Survey reports a probable undercount of Hispanic businesses of uncertain size, but represents the best available source of information on Hispanic business ownership.

An analysis of these data provides the following profile of Hispanic-owned businesses in the United States:

Hispanic-owned businesses are generally very small, with average gross receipts of just $60,354, compared to $533,136 for all U.S.firms.

More than one-third of Hispanic firms have gross annual receipts of less than $5,000 per year; these enterprises provide an income supplement to their owners rather than full-time employment.

Most Hispanic-owned businesses are individual or family operations with no paid employees; only about one in six Hispanic businesses had any employees in 1982. Those that were employer firms had an average of less than five workers.

The vast majority of Hispanic firm are unincorporated. Only about one of every 50 is a corporation; nearly 19 of 20 are sole proprietorships, and one in 25 is a partnership.

Nearly two-thirds of Hispanic businesses are service or retail establishments; Hispanic entrepreneurs are far less likely than White business owners to be engaged in finance, insurance, and real estate; wholesale trade; manufacturing; or mining.

Hispanic-owned firms are heavily concentrated in certain states, metropolitan areas, and central cities with large Hispanic populations.

California and Texas lead the nation in number of Hispanic businesses, and the top five cities are Los Angeles, New York, San Antonio, Miami, and Houston.

There are major subgroup differences in business ownership. The most striking are between "Other Hispanics" and all other subgroups. While Other Hispanics own only 2.3% of Hispanic businesses, these firms are about nine times as large as firms owned by other Hispanic subgroups in terms of gross receipts, more than twice as likely to have paid employees, and nine times as likely to be corporations. Among the identified Hispanic nationality groups, Cubans are more than twice as likely to be business owners as would be expected given their percentage of the Hispanic population, Puerto Ricans are only about one-third as likely, and both Mexicans and Central and South Americans are represented at about the same level expected given their proportion of the Hispanic population.

Blacks are even less likely than Hispanics to be business owners; they are only one-fifth as likely to be entrepreneurs as would be expected, given their proportion of the total U.S. population. Black firms also tend to be smaller in terms of gross receipts and are less likely to have paid employees. Black firms have characteristics somewhat similar to those of Puerto Rican firms, but Puerto Ricans only half as likely as Blacks to be business owners.

Many factors affect Hispanic business formation, growth, and survival. Two major obstacles are lack of access to capital and lack of business management skills and experience. Hispanics find it difficult to obtain investment capital from financial institutions or from special public or private entities and programs. In addition, most initial investment capital for small business formation comes from the entrepreneur or family members, and most Hispanics lack the income and net worth needed to start a business. This both discourages business development and leads most Hispanic entrepreneurs to start businesses that require limited capital, such as service and retail establishments. Unfortunately, such firms are especially likely to remain small or to fail financially.

Some of the public programs designed to encourage and assist minority business ownership have underserved Hispanics. For example, Hispanics accounted for only 0.4% of federal contracts in 1986. About two-thirds of minority contracts come through the Small Business Administration's 8(a) minority set-aside program; in 1986, Hispanic contracts under the 8(a) program were down by $79 million, or about 10%, according to a recent study.

Hispanics also suffer from a lack of business-related experience. As the most undereducated U.S. subgroup, they often lack formal education which would increase their probability of business success. In addition, Hispanics have had limited employment opportunities in positions which provide management and marketing experience. A lack of community role models continues to discourage young Hispanics from viewing business ownership as a real possibility for themselves.

Hispanic business ownership has increased in recent years, but Hispanics -- and especially Puerto Ricans -- remain severely underrepresented as business owners in the United States.

II. INTRODUCTION

A. Importance of Hispanic Business Ownership

Entities concerned with assessing minority economic progress in the United States can use a variety of measures to identify changes in economic status and opportunities. Such diverse socioeconomic indicators as median per capita and family income, weekly wages, employment and unemployment rates, poverty rates, home ownership, and receipt of cash and non-cash benefits help to suggest how well minorities are faring economically, especially when trends over time are determined and comparisons are made with the White or the general population. Other less direct measures are also helpful, such as educational attainment and life expectancy. Another indicator of special interest in a country which values free enterprise and entrepreneurship is business ownership. Increases in minority business development are typically viewed as demonstrations of educational, employment, and economic progress, and as proofs of progress towards the goal of equal economic opportunity.

Hispanic business ownership is important both to Hispanics and to the overall society. Small businesses play a key role in the nation's economy, both as sources of new jobs and as technological innovators. It has been estimated that in recent years, a majority -- perhaps as many as two-thirds -- of the new jobs created in the United States have been in businesses employing no more than 20 people. Small businesses (those with assets of less than $1 million) are also generally the most profitable U.S. firms.

Hispanic business ownership has a special significance for the Hispanic community, for several reasons. Such firms are most often located in metropolitan areas, where a majority of Hispanics live, and they are likely to create jobs and provide goods or services which are especially accessible to Hispanics. In addition, business development in a community is often associated with physical improvements which benefit its residents. Hispanic business owners also serve as valuable positive role models for Hispanic youth, and are often active community leaders. Thus statistics on Hispanic business ownership are often viewed by the Hispanic community as important indicators of economic and social progress.

However, minority business ownership is also a complex topic; changes in minority business ownership are not easily explained, and are influenced by a large number of personal, economic, and societal factors. As a result, rapid or slow increases in minority business ownership are open to various interpretations. Even so, comparisons between rates of ownership among various minorities and between minority and White Americans do provide a some indication of economic opportunity and progress. The National Council of La Raza therefore reviews the data from periodic surveys of Hispanic business ownership, compares data on Hispanic entrepreneurship with similar data on Black and White business ownership, and looks at changes in Hispanic business ownership over time.

B. Data Availability and Limitations

The principal source of information on minority business ownership is the Survey of Minority-Owned Business Enterprises, conducted by the Bureau of the Census every five years. The data from the most recent Survey, conducted in 1982, became available in late 1986; separate reports are published on Black, Hispanic (Spanish Origin), and other minority enterprises. Similar -- but not identical -- data on overall business enterprises in the U.S. are available from the annual Statistics of Income compiled by the Internal Revenue Service. Information on self-employment can be obtained from the 1980 Census.

These data sources have certain limitations. The minority business Survey attempts to count only current businesses at the time of the survey; it provides no data on business survival or failure. In addition, the Survey undercounts Hispanic businesses because it depends upon using administrative race codes and matching owner surnames to lists of known Hispanic surnames, an approach found to be subject to very high error rates in reporting. While the report provides some analysis of the undercount, it also indicates that "extreme caution is recommended" when using adjusted counts because they too are inexact. The Survey's comparability to other Economic Censuses is also limited, since its industrial scope is somewhat different. Thus precise comparisons to data on all U.S. business enterprises cannot be made.

Demographic differences also limit the precision of comparisons between Hispanics and other population groups. For example, since Hispanics are a young population and individuals usually do not become business owners at the beginning of their working lives, it might be expected that Hispanics would have slightly lower business ownership rates than Whites. On the other hand, this might be partially offset by the proportionately larger elderly and retired White population. Because of such limiting factors, identified differences in business ownership among Hispanics, Blacks, and the total U.S. population should be viewed as useful indicators rather than precise measures.

In spite of these limitations, the Survey of minority businesses provides the most complete information available on Hispanic-owned businesses, and provides data by Hispanic subgroup. Rough comparisons with similar economic censuses on all U.S. business enterprises yield useful information on major similarities and differences between Hispanic businesses and the overall business community.

C. Scope of the Report

This report provides a broad profile of Hispanic business ownership. It draws primarily upon the data from the 1982 Survey of Minority-Owned Business Enterprises, provides comparisons with the 1977 Survey, and also uses 1980 Census data and information from other economic censuses to contrast Hispanic businesses with all U.S. businesses. The report emphasizes analyses of statistical data on Hispanic business ownership. However, also included are summary discussions of some of the major factors which are believed to influence Hispanic business development and survival. The report is designed to focus on the current status of Hispanic entrepreneurship, and to suggest both indications of progress and areas of concern.

III. PROFILE OF HISPANIC BUSINESSES

A. Hispanic Businesses - 1982

1. Number and Underrepresentation

The 1982 Survey of Hispanic-Owned Business Enterprises identified a total of nearly a quarter of a million (248,141) Hispanic-owned businesses in the United States -- about 1.7% of all U.S. firms. Since Hispanics constituted at least 6.7% of the U.S. population in 1982, they appear to be only about one-fourth as likely to own businesses as would be expected given their proportion of the population, as shown in Figure 1.

These figures, however, are far from exact. The 1982 Survey reported that some Hispanic-owned businesses were not counted, while warning that its own undercount estimates were uncertain. Using figures adjusted from the Survey's undercount figures, the U.S. Hispanic Chamber of Commerce has estimated the number of Hispanic-owned businesses in 1982 upwards to 273,396; this would constitute 1.9% of all U.S. firms. In either case, the data indicate that Hispanics are significantly underrepresented as business owners.* Their business ownership rates would have to at least triple for Hispanics to achieve approximately equal representation as business owners.

Data from a different source support such a conclusion. An analysis of 1980 Census data on self-employment (Fratoe, 1986) found that all Hispanic nationality groups were below the national average in business participation rates. On the average, the rate of U.S. self-employment among individuals of a single identifiable nationality was 48.9 per 1,000 -- almost 49 of every 1,000 American adults who identified themselves as belonging to a single nationality group reported that they were self-employed. Self-employment is not identical to business ownership, but is the best available Census data "proxy" for it. Using this measure, Cubans had the highest rate of self-employment at 47.9 and ranked 34th among the top 50 nationality groups in business participation; Mexican Americans ranked 45th with a rate of 18.6, and Puerto Ricans 50th with a rate of just 10.6 (See Figure 2). These data suggest that Puerto Rican self-employment would have to be more than four times the current level -- and Mexican American self-employment more than two-and-one-half times the current level -- to reach the average U.S. rate of self-employment.

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* Because adjustments are uncertain, the remainder of this report uses the business ownership data presented in the 1982 Survey rather than the adjusted figures as estimated by the U.S. Hispanic Chamber of Commerce. This means that the data probably do represent an undercount, especially of businesses owned by European Spanish, Central and South American, and Other Hispanics.

FIGURE 1
NUMBER OF HISPANIC AND TOTAL U.S. BUSINESS ENTERPRISES, 1982

Industry Category	Number of Hispanic-Owned Businesses, 1982, Unadjusted[1]	Number of Hispanic-Owned Businesses, 1982, Adjusted[2]	Total Number of U.S. Businesses, 1982[3]
Agricultural Services, Forestry, Fishing, and Mining	7,540	8,619	749,000
Construction	26,699	29,346	1,551,000
Manufacturing	4,364	4,885	531,000
Transportation and Public Utilities	13,155	27,225	585,000
Wholesale Trade	3,623	4,142	590,000
Retail Trade	58,274	63,499	2,849,000
Finance, Insurance, and Real Estate	11,123	12,696	2,150,000
Selected Services	98,279	109,000	5,374,000
Not Classified	24,983	13,944	167,000
TOTAL	248,141	273,396	14,546,000
Hispanic Percent of Total U.S. Businesses	1.7	1.9	

Sources:
1. 1982 Survey of Minority-Owned Businesses Enterprises - Hispanic
2. Adjustments to Survey data made by United States Hispanic Chamber of Commerce in "Monitoring the Growth of Hispanic Enterprise: An Abstract," 1987
3. Statistics of Income, Internal Revenue Service, 1982, in Statistical Abstract of the United States, 1986, Table 876

FIGURE 2
BUSINESS PARTICIPATION RATES OF SELECTED U.S. ANCESTRY GROUPS, 1980*

Ranking	Ancestry Group	Business Participation Rate
1	Russian	117.4
5	Greek	94.9
10	Austrian	85.7
15	Welsh	72.4
20	Lithuanian	68.1
25	Italian	59.9
30	Polish	51.6
	NATIONAL AVERAGE	48.9
34	CUBAN	47.9
35	Asian Indian	47.1
40	COLOMBIAN	30.1
41	ECUADORIAN	22.7
45	MEXICAN	18.6
48	DOMINICAN	14.6
50	PUERTO RICAN	10.6

* Business participation rate is number of self-employed persons per 1,000 individuals of that nationality group, using self-employment data from the 1980 Census.

Source: "A Sociological Analysis of Minority Business," by Frank Fratoe, in The Review of Black Political Economy, Fall 1986

2. Characteristics of Hispanic Businesses

The 1982 Survey provides the following kinds of information about Hispanic-owned businesses: number of firms, industry classification, legal form, gross receipts, paid employees, location, and Hispanic subgroup (See Figure 3). Characteristics of Hispanic businesses in 1982 are summarized below.

Hispanic-owned businesses are generally very small. The 248,141 firms had total gross receipts of just under $15 billion ($14,976,337,000) in 1982, or average gross receipts of $60,354. More than one-third of Hispanic businesses (33.7%) had annual gross receipts of less than $5,000, which means that they did not provide full-time employment even for their owners. Less than 1% of Hispanic businesses (0.6%) had gross receipts of $1 million or more in 1982, but these firms accounted for more than one-third (35.2%) of total gross receipts.

Most Hispanic-owned businesses are individual or family operations with no paid employees. Only about one-sixth (16.1%) of businesses had any paid employees in 1982, but these firms accounted for more than 70% of total gross receipts. The employer firms had an average of less than five employees; only 3.6% of the businesses had 20 or more employees. Just 111 firms (0.04% of all

FIGURE 3
SUMMARY OF HISPANIC BUSINESS OWNERSHIP, 1982

NUMBER OF HISPANIC-OWNED BUSINESSES	248,141	
GROSS RECEIPTS		
Total Gross Receipts	$14,976,337,000	
Average Gross Receipts (Mean)	$60,354	
Gross Receipts below $5,000:		
Number of Businesses	83,694	
Percent of Businesses	33.7%	
Percent of Gross Receipts	1.1%	
Gross Receipts of $1 million or more:		
Number of Businesses	1,435	
Percent of Businesses	0.6%	
Percent of Gross Receipts	35.2%	
EMPLOYER FIRMS		
Number	39,917	
Percentage of All Hispanic Firms	16.1%	
Total Number of Employees	189,636	
Mean Number of Employees per Employer Firm	4.8	
Total Gross Receipts	$10,652,868,000	
Percentage of Total Gross Receipts	71.1%	
Number and Percent of Employee Firms with:		
0 employees (at time of survey)	4,658	11.7%
1 - 4 employees	25,866	64.8
5 - 9 employees	5,417	13.6
10 - 19 employees	2,522	6.3
20 - 49 employees	1,127	2.8
50 - 99 employees	217	0.5
100 or more employees	111	0.3
LEGAL FORM		
Sole Proprietorships:		
Number and Percent of Hispanic Firms	233,476	94.1%
Gross Receipts and Percent of Total	$8,422,488,000	56.2
Partnerships:		
Number and Percent of Hispanic Firms	9,418	3.8
Gross Receipts and Percent of Total	$1,602,653,000	10.7
Corporations:		
Number and Percent of Hispanic Firms	5,247	2.1
Gross Receipts and Percent of Total	$4,951,196,000	33.1

Source: 1982 Survey of Minority-Owned Business Enterprises - Hispanic, Bureau of the Census, 1986

firms and 0.3% of employer firms) had more than 100 employees, and these 111 accounted for nearly one-eighth (12%) of the total gross receipts for all Hispanic businesses.

Most Hispanic-owned firms are unincorporated. Hispanic businesses in 1982 were overwhelmingly sole proprietorships (94.1%); only 3.8% were partnerships and 2.1% were corporations. The small number of corporations accounted for one-third (33.1%) of gross receipts, while the sole proprietorships accounted for only a little more than half (56.2%) of gross receipts.

Most Hispanic businesses are small service or retail trade establishments, as shown in Figure 4.

FIGURE 4
AVERAGE GROSS RECEIPTS OF HISPANIC BUSINESSES BY INDUSTRY GROUP, 1982

Industry Category	Number of Businesses	Percent of Hispanic Businesses	Average Gross Receipts
Agric. Servs, Forestry, Fishing & Mining	7,640	3.1%	$31,346
Construction	26,699	10.8	54,921
Manufacturing	4,364	1.8	364,050
Transp. & Pub. Utils.	13,155	5.3	49,900
Wholesale Trade	3,623	1.5	501,416
Retail Trade	58,274	23.5	83,228
Finance, Insurance, & Real Estate	11,123	4.5	37,457
Selected Services	98,279	39.6	32,615
Not Classified	24,983	10.1	29,490
TOTAL	248,141	100.2*	60,354

* Does not add to 100.0% due to rounding.

Source: 1982 Survey of Minority-Owned Business Enterprises - Hispanic, Bureau of the Census, 1986

More than three-fifths (63.1%) of Hispanic businesses in 1982 were classified as selected services (39.6%) or retail trade (23.5%) (See Figure 5). These firms accounted for only a little over half (53.8%) of gross receipts. The average gross receipts for selected services firms was just $32,615; among the various industrial classifications of Hispanic firms, only agricultural services, forestry, fishing, and mining businesses (accounting for just 3.1% of Hispanic businesses) had lower average receipts at $31,346. Few Hispanic firms were involved in such activities as manufacturing or wholesale trade; they were the least common types of Hispanic-owned businesses in 1982 (See Figure 6). However, the 1.5% of firms which were involved in wholesale trade had average gross receipts of $501,416; the 1.8% of firms engaged in manufacturing had average receipts of $364,050.

FIGURE 5

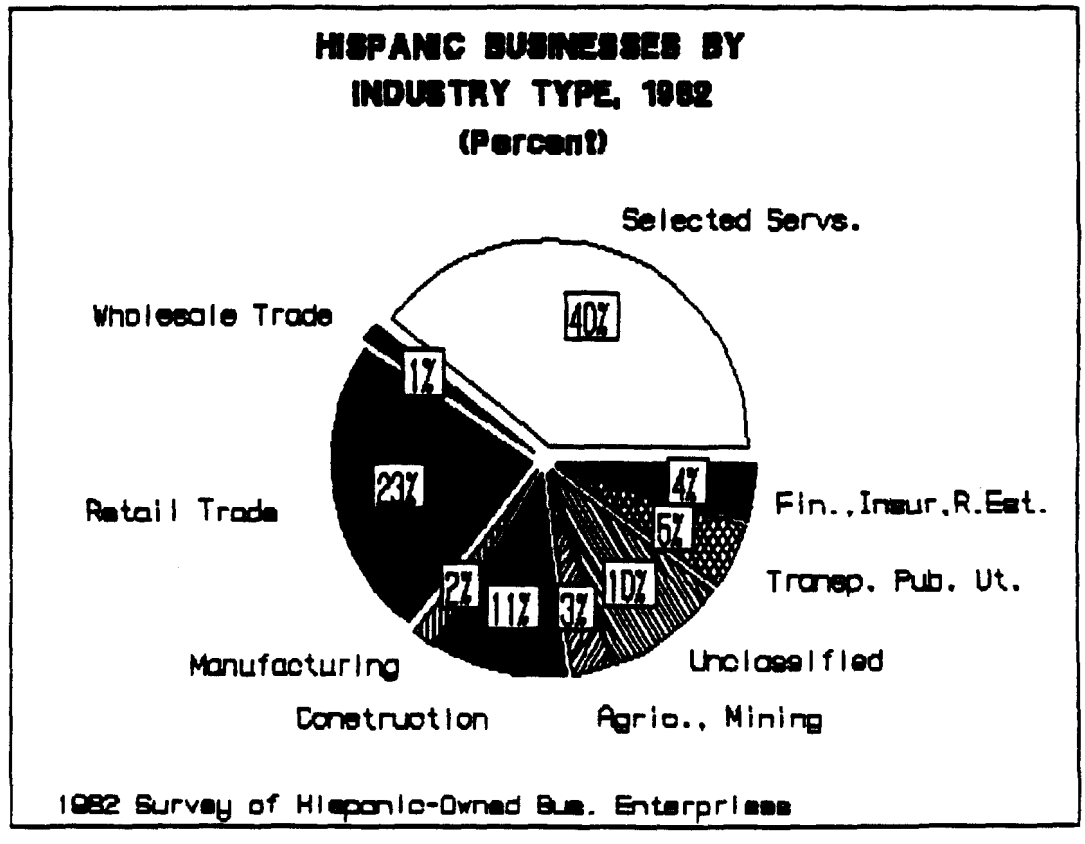


FIGURE 6
CHARACTERISTICS OF HISPANIC BUSINESSES BY INDUSTRY TYPE
(Listed in Descending Order of Number of Businesses)

Industry Type	Number	Percent Corporations	Percent with Gross Receipts Above $1 Million	Percent with Paid Employees
Selected Services	98,279	1.4	0.2	14.9
Retail Trade	58,274	2.5	0.9	22.7
Construction	26,699	2.2	0.5	19.2
Transportation and Public Utilities	13,155	2.0	0.5	10.4
Finance, Insurance and Real Estate	11,123	3.0	0.5	8.4
Agricultural Services, Forestry, Fishing and Mining	7,640	1.2	0.2	10.6
Manufacturing	4,364	13.5	4.5	34.9
Wholesale Trade	3,623	14.9	7.2	25.6
Not Classified	24,983	0.2	0.1	5.5
TOTAL	248,141	2.1	0.6	16.1

Source: 1982 Survey of Minority-Owned Business Entreprises - Hispanic, Bureau of the Census, 1986

A further review of the characteristics of different types of Hispanic-owned businesses shows that as of 1982, wholesale trade and manufacturing firms were much more likely than other types of businesses to be incorporated and to have gross receipts over $1 million per year. These two types of businesses along with retail trade and construction firms were also considerably more likely than other types of Hispanic firms to have paid employees.

B. Comparisons by Geographic Location

Hispanic-owned firms are concentrated in certain states and metropolitan areas, generally -- but not always -- in those with the largest Hispanic populations (See Figure 7).

FIGURE 7
CONCENTRATIONS OF HISPANIC-OWNED BUSINESSES:
TOP TEN STATES, CITIES, AND METROPOLITAN AREAS

Rank	State	City	Metropolitan Area
1.	California	Los Angeles, CA	Los Angeles-Long Beach, CA
2.	Texas	New York, NY	Miami, FL
3.	Florida	San Antonio, TX	New York, NY-NJ
4.	New York	Miami, FL	San Antonio, TX
5.	New Mexico	Houston, TX	Houston, TX
6.	Arizona	El Paso, TX	San Francisco-Oakland, CA
7.	New Jersey	Hialeah, FL	El Paso, TX
8.	Colorado	Chicago, IL	McAllen-Pharr-Edinburg, TX
9.	Illinois	Corpus Christi, TX	Anaheim-Santa-Garden Grove, CA
10.	Louisiana	San Jose, CA	Riverside, San Bernardino-Ontario, CA

Source: 1982 Survey of Minority-Owned Business Enterprises - Hispanic, Bureau of the Census, 1986

The top four states in Hispanic population -- California, Texas, New York, and Florida -- also were the top four in number of Hispanic businesses in 1982; however, Florida was fourth in total Hispanic population but third in number of Hispanic firms. Of the other six states among the top ten in number of Hispanic businesses, five were also in the top ten in Hispanic population. The exception was Louisiana, which ranked sixteenth in Hispanic population, but had the tenth largest number of Hispanic businesses. Of the ten cities with the largest number of Hispanic businesses in 1982, two were in California, four in Texas, two in Florida, and one each in New York and Illinois. Of these cities, eight were in the top ten in total Hispanic population; the exceptions were Corpus Christi, which ranked thirteenth, and Hialeah, which ranked fourteenth. As for Hispanic business concentrations by metropolitan areas, three of the top ten SMSAs were in the greater Los Angeles area. Four of the top ten were in California, four in Texas, one in Florida, and one in New York/New Jersey.

There were considerable differences by state in types of Hispanic-owned businesses, as shown in Figure 8. For example, about 30% of all Hispanic businesses in 1982 were located in California, but that state had more than half the Hispanic-owned businesses involved in agricultural services, forestry, fishing and mining, and more than 45% of the manufacturing firms. On the other hand, less than 20% of Hispanic-owned wholesale trade firms were located in California. About one-quarter of all Hispanic-owned businesses were in Texas, but that state had nearly two-fifths of all Hispanic-owned construction firms and less than one-eighth of the manufacturing and wholesale trade firms. Florida accounted for a little more than one-eighth of all Hispanic businesses, but nearly 30% of the wholesale trade firms and more than one-fifth of the financial, insurance, and real estate businesses. Among the other states, New York was especially likely to have wholesale trade and transportation and public utility firms, but had fewer construction firms than would be expected given the number of Hispanic-owned businesses in that state. New Jersey was especially likely to have wholesale trade establishments.

These differences in types of businesses are of particular interest to corporations and government entities concerned with providing opportunities for minority vendors.

C. Hispanic Subgroup Comparisons

There are major subgroup differences in Hispanic business ownership. The most striking differences are between "Other Hispanics" and the remaining subgroups (See Figure 9). Other Hispanic businesses have average annual gross receipts which are more than seven times as great as the average for all Hispanic firms ($461,643 versus $60,354), are more than twice as likely to be employer firms (35.1% versus 16.1%), and when they are employer firms have three times as many employees on the average (14.5 versus 4.8). They are also more than eight times as likely to be corporations (17.9% versus 2.1%). Finally, they are three times as likely as all Hispanics to own manufacturing firms, more than twice as likely to own wholesale trade firms, and somewhat less likely to own service firms.

When the 2.3% of Hispanic businesses owned by Other Hispanics are excluded from the total listing of Hispanic-owned enterprises, the profile of the remaining Hispanic businesses is considerably changed. For example:

- Average annual gross receipts drop from $60,354 to $50,718;
- The percentage of corporations drops from 2.1% to just 1.7%; and
- The percentage of firms with paid employees drops from 16.1% to 15.6%, and the average number of employees for employer firms drops from 4.8 to 4.2.

Who are the "Other Hispanics"? They are individuals who do not classify themselves as any of the other nationalities, and are thus a diverse group. However, state data indicate that 60% of them live in the five Southwestern states -- 22% of them live in New Mexico, 15% in California, 10% in Texas, 10%

FIGURE 8
HISPANIC BUSINESSES BY INDUSTRY TYPE - TOP TEN STATES
(NUMBER OF BUSINESSES AND PERCENT OF TOTAL BUSINESSES OF THAT INDUSTRY TYPE)

Industry Type	TOTAL	CA	TX	FL	NY	NM	AZ	NJ	CO	IL	LA
Agricultural Services, Forestry, Fishing and Mining	7,640	4,024	1,175	911	86	97	311	52	142	79	97
	100.0%	52.7%	15.4%	11.9%	1.1%	1.3%	4.1%	0.7%	1.9%	1.0%	1.3%
Construction	26,699	5,893	10,638	3,172	845	1,287	704	453	756	262	252
	100.0	22.1	39.8	11.9	3.2	4.8	2.6	1.7	2.8	1.0	0.9
Manufacturing	4,364	1,966	522	452	326	101	134	151	130	83	25
	100.0	45.1	12.0	10.4	7.5	2.3	3.1	3.5	3.0	1.9	0.6
Transportation and Public Utilities	13,155	2,905	4,181	2,025	1,412	354	232	528	182	200	77
	100.0	22.1	31.8	15.4	10.7	2.7	1.8	4.0	1.4	1.5	0.6
Wholesale Trade	3,623	701	414	1,065	532	75	58	287	32	72	17
	100.0	19.3	11.4	29.4	14.7	2.1	1.6	7.9	0.9	2.0	0.5
Retail Trade	58,274	19,765	13,733	5,289	3,221	2,317	1,766	1,759	1,489	1,650	388
	100.0	33.9	23.6	9.1	5.5	4.0	3.0	3.0	2.6	2.8	0.7
Finance, Insurance and Real Estate	11,123	3,386	2,032	2,300	438	376	341	288	282	250	144
	100.0	30.4	18.3	20.7	3.9	3.4	3.1	2.6	2.5	2.2	1.3
Selected Services	98,279	30,105	21,123	15,006	5,511	3,625	2,633	2,088	2,653	2,277	841
	100.0	30.6	21.5	15.3	5.6	3.7	2.7	2.1	2.7	2.3	0.9
Not Classified	24,983	6,252	7,721	3,296	2,107	1,122	427	861	311	345	286
	100.0	25.0	30.9	13.2	8.4	4.5	1.7	3.4	1.2	1.4	1.1
TOTAL	248,141	74,998	61,540	33,516	14,477	9,354	6,607	6,466	5,977	5,218	2,127
	100.0	30.2	24.8	13.5	5.8	3.8	2.7	2.6	2.4	2.1	0.9

FIGURE 9
BUSINESS OWNERSHIP AMONG HISPANIC SUBGROUPS

	Total Hispanic	Mexican	Puerto Rican	Cuban	Central/ South Am.	European Spanish	Other Hispanic	All Except Other Hispanic
Number	248,141	143,177	14,690	36,631	26,986	20,838	5,819	242,322
% of Hispanic Bus.	100.0	57.7	5.9	14.8	10.9	8.4	2.3	97.7
% of Hispanic Pop.	100	61	15	6	10	*	*	*
Average Gross Receipts	$60,354	$50,130	$45,151	$58,672	$41,256	$56,955	$461,643	$50,718
% Employer Firms	16.1	16.8	11.6	14.2	13.5	15.4	35.1	15.6
Average No. of Employees	4.8	4.4	3.3	4.3	3.3	4.1	14.5	4.2
Legal Form:								
% Sole Prop.	94.1	95.4	94.4	92.2	95.5	94.2	65.6	94.8
% Partnerships	3.8	3.7	2.8	2.8	3.0	4.0	16.5	3.5
% Corporations	2.1	0.8	2.8	5.0	1.5	1.8	17.9	1.7

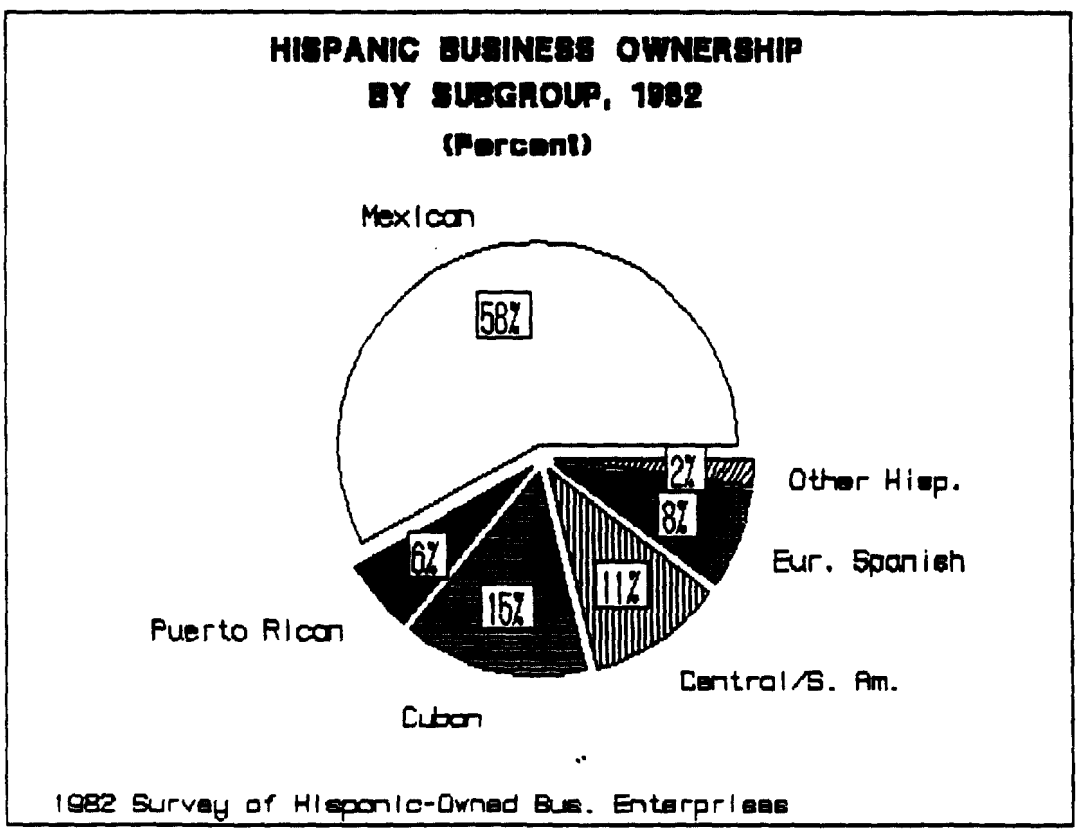
* Not separately available; together, European Spanish and Other Hispanics constitute about 8% of the Hispanic population

Source: 1982 Survey of Minority-Owned Business Enterprises - Hispanic, Bureau of the Census, 1986

in Colorado, and 3% in Arizona. This information, along with some research done by the Census Bureau concerning who tends to self-identify as "Other Hispanic," suggests that a large proportion of these individuals are descendants of Spanish settlers who have lived in the Southwest for many generations. While outsiders often identify these people as Mexican Americans, they often call themselves "Hispanos." The business ownership data suggest that these individuals are a part of the economic mainstream in the sense that their business ownership characteristics resemble those of White Americans more than Hispanics.

Differences among other Hispanic subgroups are less marked, but still substantial (See Figure 10). For example, Cubans are more likely than other Hispanic nationality groups to own businesses, while Puerto Ricans are far less likely to be entrepreneurs. In 1982, Cubans made up only about 10% of the Hispanic population but owned nearly 15% of the Hispanic businesses; Puerto Ricans were about 15% of Hispanics but owned only 6% of the businesses. Mexican Americans -- at about 61% of the Hispanic population and 58% of firms -- and Central and South Americans -- at about 10% of the population and 11% of the firms -- owned about the same percentage of Hispanic businesses that would be expected given their proportion of the Hispanic population. The Census combines data on European Spanish and Other Hispanics; together, they accounted for about 8% of the Hispanic population and nearly 11% of Hispanic firms.

FIGURE 10



Among the Hispanic subgroups, Puerto Ricans were most underrepresented as business owners, and their businesses and those of Central and South Americans had the lowest average gross receipts (both less than $46,000), lowest percentage of employer firms (both less than 14%), and lowest average number of employees for employer firms (both about 3.3). Perhaps surprisingly, Cuban-owned firms were only slightly more likely to have paid employees (14.2%), but they had the highest average gross receipts ($58,672) except for Other Hispanics. European Spanish firms ($56,955) were just below Cuban firms in average gross receipts. The firms owned by persons of Mexican descent had gross receipts of about $50,000, but had the highest rate of employer firms (16.8%) and the highest average number of employees within employer firms (4.4) except for Other Hispanics.

There were some differences in the types of businesses owned by various subgroups. For example, Puerto Ricans were only about half as likely as Mexican Americans to own construction firms, but were more likely than other Hispanic subgroups to own retail trade establishments. Except for Other Hispanics, Cubans were the most likely to own wholesale trade businesses and least likely to own retail trade establishments. Mexican Americans were least likely to own finance, insurance, and real estate firms and wholesale trade businesses, and most likely to be engaged in agricultural services, forestry and fishing and in construction.

D. Changes in Hispanic Business Ownership, 1977-82

Comparisons of the 1977 and 1982 Hispanic business Surveys show that there was substantial growth in the number of Hispanic businesses during the five-year period. The total number of Hispanic-owned business enterprises increased by 13%; however, the Hispanic population probably increased at about the same rate during that period. Average gross receipts increased by 27%. However, since total inflation over the five-year period was about 59%, there was a real loss of nearly 10% in the value of total gross receipts and about 20% in the value of average gross receipts.

The 1977 and 1982 data are not totally comparable due to some methodological changes; however, rough comparisons are helpful. The data indicate a mixed picture, with some progress made during the five-year period, and some reverses (See Figure 11). For example:

There were negative changes in employment by Hispanic-owned businesses. The proportion of Hispanic-owned businesses with paid employees decreased from 18.8% in 1977 to 16.1% in 1982, and the total number of employees decreased by about 8%. The average number of employees in employer firms also decreased, from 5.0 to less than 4.8. Given an increase of about 700,000 in the Hispanic work force between 1977 and 1982, this means that a considerably smaller proportion of Hispanic workers were employed in Hispanic-owned businesses in 1982 than in 1977. Excluding the business owners themselves (many of whom were not full-time employed in their businesses, given their low gross receipts), about 3.3% of employed Hispanics worked in Hispanic-owned businesses in 1982, down from about 5.2% in 1977.

FIGURE 11
HISPANIC BUSINESS OWNERSHIP, 1982 VERSUS 1977

	1982	1977	Change
NUMBER	248,141	219,355	+ 13.1%
GROSS RECEIPTS			
Total Gross Receipts	$14,976,337,000	$10,416,986,000	+ 43.8% unadjusted; - 9.7% adjusted for inflation
Average Gross Receipts (Mean)	$60,354	$47,489	+ 27.1% unadjusted; - 20.2% adjusted for inflation
EMPLOYER FIRMS			
% with Employees	16.1%	18.8%	- 14.4% Mean Number of Employees 4.8 5.0 - 4.0%
% of Total Gross Receipts	71.1%	68.5%	+ 3.8%
Number of Firms with 100 or more Employees	111	36	+ 208.3%
LEGAL FORM			
% Sole Prop.	94.1	93.1	Small changes
% Partnerships	3.8	4.9	
% Corporations	2.1	2.0	

Source: 1977 and 1982 Surveys of Minority-Owned Business Enterprises - Hispanic, Bureau of the Census, 1979 and 1986

The number of large Hispanic firms increased. The number of firms with gross receipts of $1 million or more grew by 226%, from just 440 in 1977 to 1435 in 1982. The number with 100 or more employees grew 208%, from 36 to 111.

There were small changes in the legal form of businesses. The percentage of partnerships decreased from 4.9% in 1977 to 3.8% in 1982; the percentage of corporations increased very slightly, from 2.0% to 2.1%; and the percentage of sole proprietorships increased slightly, from 93.1% to 94.1%.

The proportion of Hispanic businesses reportedly owned by persons other than Mexican Americans, Cubans, and Puerto Ricans increased considerably, from 14.1% to 21.6% of all Hispanic-owned businesses. It is likely, however, that part of that apparent increase was due to changes in methodology and reporting; the 1982 report separately categorized European Spanish for the first time.

There were only small changes in the proportion of Hispanic-owned businesses in various industrial categories, and geographical concentrations of Hispanic businesses also showed few changes. While the order changed slightly, the top ten cities in number of Hispanic businesses remained the same.

E. Comparisons with Black Business Ownership

Data on Hispanic business ownership make it clear that while entrepreneurship is increasing, Hispanics continue to be seriously underrepresented as business owners. However, the situation for Blacks is even worse than for most Hispanic subgroups; only Puerto Ricans face similar conditions. Comparisons with data from the 1982 Survey of Black-owned businesses indicates that Blacks were less likely than Hispanics to own businesses, had lower average gross receipts, were less likely to be employer firms, and were slightly less likely to be corporations (See Figure 12). For example:

Blacks are even less likely than Hispanics to own businesses. Blacks represented about 12% of the U.S. population in 1982, but owned only about 2.3% of all businesses. Thus they were less than one-fifth as likely to be business owners as would be expected given their percentage of the population. Hispanics were about one-fourth as likely to own businesses as would be expected from their proportion of the population.

Black businesses have lower average gross receipts. Average gross receipts for Black businesses were just $36,681 in 1982, compared to $60,354 for Hispanics. While about one-third (34%) of Hispanic businesses had gross receipts of less than $5,000 in 1982, nearly half (47%) of Black businesses grossed less than $5,000.

There are fewer large Black than Hispanic firms. While there were more than 91,000 more Black businesses than there were Hispanic firms in 1982, only 1,129 Black firms -- compared to 1,435 Hispanic ones -- had gross receipts of more than $1 million in 1982.

Black firms are even less likely than Hispanic firms to have paid employees. More than 16% of Hispanic firms had paid employees in 1982, compared to a little more than 11% of Black firms. Black firms also had slightly fewer employees on the average; the mean number of employees for Black employer firms was just 4.3, compared to 4.8 for Hispanic firms. There were more Black than Hispanic firms with 100 or more employees (136 compared to 111), but they represented a similar proportion of total firms -- just 0.04% for both Hispanics and Blacks.

The geographic concentrations of Black and Hispanic firms reflect the differing concentrations of the two populations, but there is also some overlap. In 1982, three of the top ten cities for Hispanic businesses were also in the top ten for Black businesses: Los Angeles, New York City, and Houston. Five states were in the top ten for both types of minority entrepreneurship: California, New York, Florida, Illinois, and Louisiana.

FIGURE 12
HISPANIC VERSUS BLACK BUSINESS OWNERSHIP, 1982

	Hispanic	Black
PERCENT OF U.S. POPULATION, 1982	6.7%	12.0%
NUMBER OF BUSINESSES	248,141	339,239
PERCENT OF U.S. BUSINESSES, 1982	1.7%	2.3%
Increase Needed for Proportionate Representation	294%	422%
GROSS RECEIPTS		
Total Gross Receipts	$14,976,337,000	$12,443,572,000
Average Gross Receipts (Mean)	$60,354	$36,681
Gross Receipts below $5,000:		
Number	83,694	158,672
Percent of Businesses	33.7%	46.8%
Percent of Gross Receipts	1.1%	2.3%
Gross Receipts of $1 million or more:		
Number	1,435	1,129
Percent	0.6%	0.3%
Percent of Gross Receipts	35.2%	35.6%
EMPLOYER FIRMS		
Number	39,917	38,631
Percentage of All Firms	16.1%	11.4%
Total Number of Employees	189,636	165,765
Mean Number of Employees	4.8	4.3
Total Gross Receipts	$10,652,868,000	$8,529,062,000
Percentage of Total Gross Receipts	71.1%	68.5%
Employee Firms with 100 or more employees		
Number	111	136
Percent of Employer Firms	0.3%	0.4%
Percent of All Firms	0.04%	0.04%
LEGAL FORM		
Percent Sole Proprietorships	94.1%	95.2%
Percent Partnerships	3.8%	3.0%
Percent Corporations	2.1%	1.8%

Source: 1982 Survey of Minority-Owned Business Enterprises - Hispanic and Black, Bureau of the Census, 1986

Comparisons of Black and Puerto Rican business ownership data reflect greater similarities, as shown in Figure 13.

FIGURE 13
BLACK VERSUS PUERTO RICAN BUSINESS OWNERSHIP, 1982

	Puerto Rican	Black
PERCENT OF U.S. POPULATION, 1982	1.0%	12.0%
NUMBER OF BUSINESSES	14,690	339,239
PERCENT OF U.S. BUSINESSES, 1982	0.1%	2.3%
Increase Needed for Proportionate Representation	900%	422%
GROSS RECEIPTS		
Total Gross Receipts	$663,270,000	$12,443,572,000
Average Gross Receipts (Mean)	$45,151	$36,681
EMPLOYER FIRMS		
Number	1,700	38,631
Percentage of All Firms	11.6%	11.4%
Total Number of Employees	5,528	165,765
Mean Number of Employees	3.3	4.3
LEGAL FORM		
Percent Sole Proprietorships	94.4%	95.2%
Percent Partnerships	2.8%	3.0%
Percent Corporations	2.8%	1.8%

Source: 1982 Survey of Minority-Owned Business Enterprises - Hispanic and Black, Bureau of the Census, 1986

For example:

Puerto Ricans are only about half as likely as Blacks to own businesses. In 1982, Puerto Ricans represented about 1% of the total U.S. mainland population (15% of the Hispanic population), but owned only about 0.1% of all businesses -- indicating that they would have to multiply their business ownership tenfold to be equitably represented as business owners. This means they were only half as likely as Blacks to own businesses.

Black and Puerto Rican firms are equally unlikely to have paid employees; only 11.6% of Puerto Rican firms and 11.4% of Black firms were

employers in 1982. The Puerto Rican firms with paid employees had fewer employees on the average than Black employer firms -- just 3.3 versus 4.3 for Black firms.

Puerto Rican firms have slightly higher average gross receipts than Black firms. The average for Puerto Rican firms was $45,151 in 1982; for Black firms it was $36,681.

F. Comparisons with U.S. Business Ownership Profiles

While the Hispanic Survey data are not entirely comparable to the various economic censuses of all U.S. businesses, the data are similar enough to permit rough comparisons. These analyses show that Hispanic businesses tend to be smaller and are much less likely to be corporations, as shown in Figure 14. They are also less concentrated in selected services and retail trade.

FIGURE 14
CHARACTERISTICS OF HISPANIC VERSUS ALL U.S. BUSINESSES

	Hispanic	All U.S. Businesses
NUMBER OF BUSINESSES	248,141	14,546,000
GROSS RECEIPTS		
Total Gross Receipts	$14.976 billion	$7,755 billion
Average Gross Receipts (Mean)	$60,354	$533,136
Gross Receipts below $25,000:		
Number	170,691	8,582,000
Percent of Businesses	68.8%	59.0%
Gross Receipts of $1 million or more:		
Number	1,435	524,000
Percent	0.6%	3.6%
LEGAL FORM		
Percent Sole Proprietorships	94.1%	69.5%
Percent Partnerships	3.8%	10.4%
Percent Corporations	2.1%	20.1%

Sources: 1982 Survey of Minority-Owned Business Enterprises - Hispanic, Bureau of the Census, 1986, and Statistics of Income, Internal Revenue Service, 1982, in Statistical Abstract of the United States, 1986, Table 876

The comparisons suggest that:

> U.S. businesses overall were about 10 times as likely as Hispanic-owned enterprises to be corporations.