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Hispanic Entrepreneurship in Nebraska: Trends and Economic Profile

Lisette Aliaga-Linares, Office of Latino/Latin American Studies
University of Nebraska at Omaha
December 2014

Introduction

The growth of the Hispanic population in Nebraska was accompanied by a significant increase in Hispanic entrepreneurship at the beginning of the 2000s. From 2002 to 2007, the 3,065 Hispanic-owned businesses constituted a small but dynamic and resilient segment of business growth in the state. Did participation in self-employment decrease for Hispanics after the economic crisis of 2008? What are the characteristics of Hispanic-owned businesses and Hispanics business-owners in Nebraska? Do some of these characteristics reveal social or economic barriers that could prevent these businesses from succeeding?

Based on the analysis of several sources of publicly available U.S. Census Bureau data, this brief describes trends in Hispanic entrepreneurship in Nebraska up to 2012 and provides a preliminary economic profile of Hispanic-owned businesses and business owners. Estimates of the Hispanic self-employed population by legislative districts, from ACS 2008-2012 data, are also provided in the Appendix section. At the end of this brief, some policy implications are discussed.

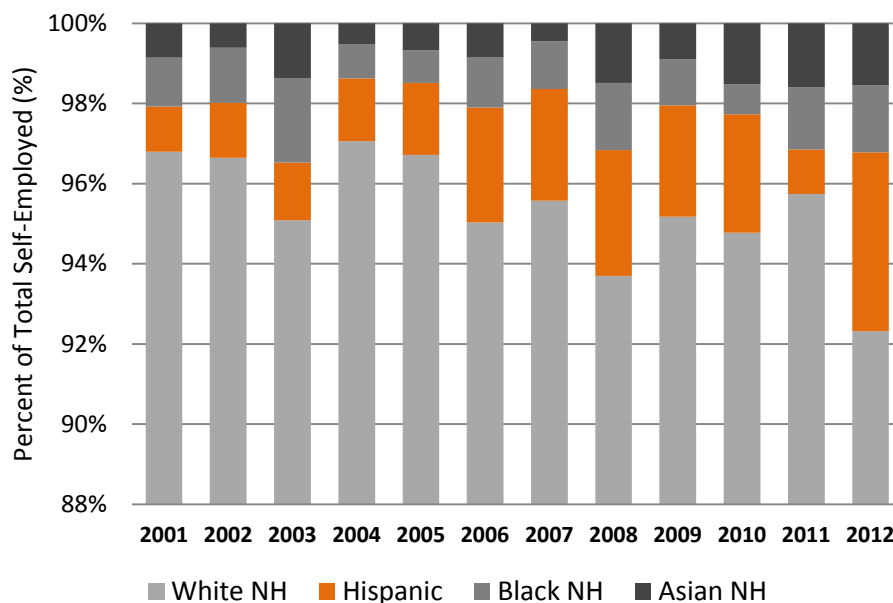
Hispanic Entrepreneurship Trends in Nebraska, 2001-2012

To document the trends in Hispanic self-employment and earnings in Nebraska, this brief examines data from the American Community Survey (ACS) from 2001 to 2012. The ACS provides yearly representative data at the state level regarding employment status and earnings that could be disaggregated by different categories of workers. This section examines three basic trends in Nebraska: (1) Racial and ethnic composition of the self-employed population, (2) Hispanic participation in self-employment by nativity, and (3) the evolution of earnings by type of worker among the Hispanic population.

Racial and ethnic composition of Self-employment

As shown in Figure 1, Hispanics have steadily increased their representation in the total self-employed population in Nebraska over the last decade. In 2001, Hispanics represented only 1% of the total self-employed civilian population aged 16 years and older in Nebraska. This percentage rose to 2% in 2003 and increased to 3% in 2006. Despite the sudden drop in 2011, as of 2012, the percentage of Hispanics among the self-employed population in the state rose to 4%, doubling the share of other minority racial and ethnic groups.

Figure 1. Self-employed Civilian Population 16 years and older by Race and Ethnicity, Nebraska: 2001-2012

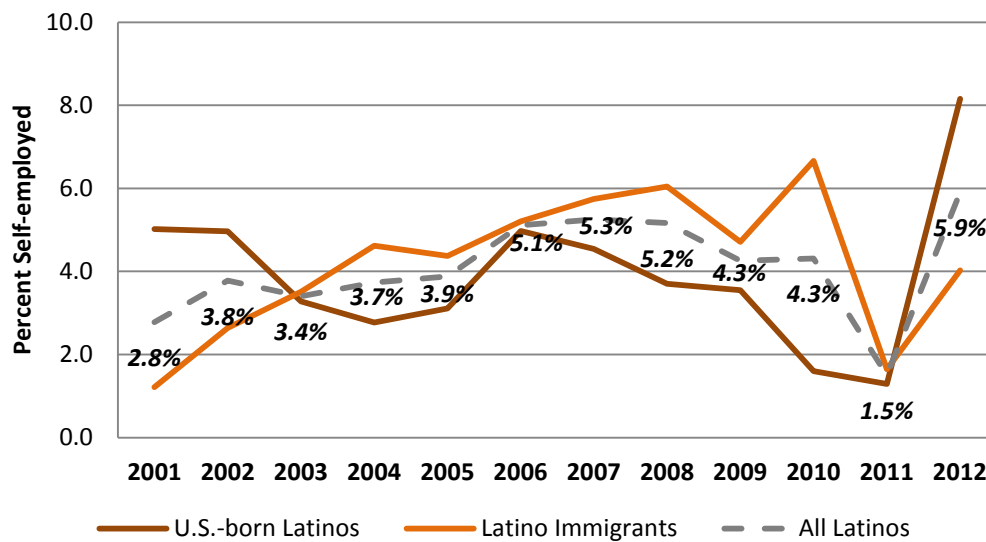


Source: U.S. Census Bureau, American Community Survey 2001-2012; prepared by Office of Hispanic/Latin American Studies (OLLAS), November 2014. Non-Hispanic Native American and Non-Hispanic Other represented less than 1% of the total self-employed population under the period of study.

Hispanic Participation in Self-employment by Nativity

Immigrant self-employment has contributed significantly to the rise of Hispanic self-employment rates for most of the last decade. The self-employment rate represents the percentage of the total employed population that is self-employed. As of 2012, the Hispanic self-employment rate is 5.9%, which is double the rate of 2.8% in 2001. The self-employment rate for immigrant Hispanics in 2012 (4%) is four times the rate of 2001. As shown in Figure 2, self-employment rates for Hispanic immigrants rose steadily from 2001 to 2007. Up to 2005, this increase compensated for the falling self-employment rates for U.S.-born Hispanics. From 2004 to 2010, Hispanic immigrants had higher self-employment rates than their U.S.-born Hispanic counterparts. After 2008, immigrant and U.S.-born Hispanic self-employment rates declined, hitting a record low in 2011. Nonetheless, a sharp increase in self-employment rates was registered in 2012 for foreign- and particularly for U.S.-born Hispanics.

Figure 2. Hispanic Self-employed Rates by Nativity, Nebraska: 2001-2012

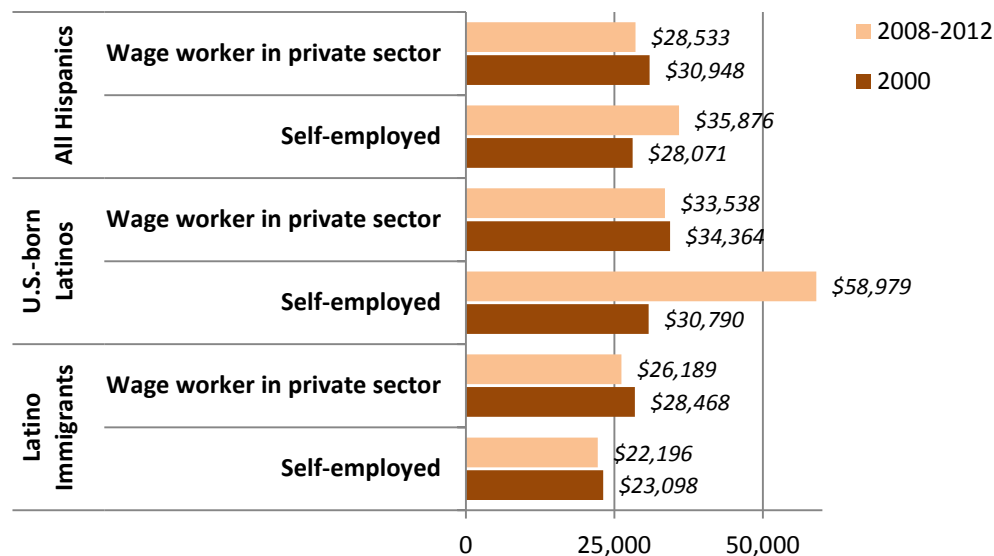


Source: U.S. Census Bureau, American Community Survey 2001-2012; prepared by the Office of Latino/Latin American Studies (OLLAS), November 2014. Includes all civilian employed population 16 years and older self-identified as Hispanic.

Earnings from Self-employment

For the employed Hispanic population, the decline in personal earnings was more significant for wages from employment in the private sector than for self-employment earnings. From 2000 to the period of 2008-2012, wages for private sector Hispanic employees decreased by 8%. As shown in Figure 3, this decrease affected Hispanic immigrants the most. In contrast, self-employment earnings for the Hispanic employed population increased by 28% for the same period. US-born Hispanics have benefited the most by the rise of self-employment earnings with an increase of 91%. For Hispanic immigrants, self-employment earnings decreased by 4%. Yet, this decrease was less significant compared to the 8% decline in wages from private sector employment for Hispanic immigrants.

Figure 3 Hispanic Earnings by Type of Worker, Nebraska: 2000 and 2008-2012



Source: U.S. Census Bureau, Census 2000 (5% Sample) and American Community Survey 2008-2012; prepared by the Office of Latino/Latin American Studies (OLLAS), November 2014. Includes the earnings reported by the employed population ages 25-64 that self-identified as Hispanic. All dollar amounts were adjusted to 2012 dollars.

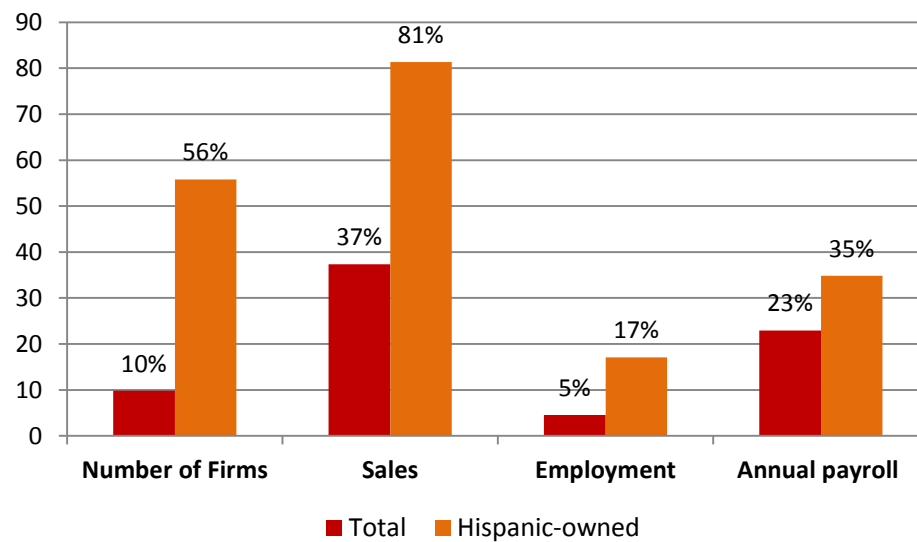
Economic Profile

Business Growth and Establishments Performance 2002-2007

This section provides a preliminary look at the business growth and performance of Hispanic-owned businesses in Nebraska. Business growth is measured by calculating growth rates in the number of firms, sales, employment and payroll for the period 2002-2007—the latest period from which data is available. Another set of indicators was calculated based on establishments' performance such as survival, expansion and job retention rates. These indicators were calculated from the U.S. Census Bureau special tabulations that followed businesses from 2002 to 2006.

The period of 2000-2007 was characterized by a sharp increase in Hispanic entrepreneurship in Nebraska, mostly due to the increase in immigrant participation in self-employment. Indicators of business growth show the dynamism of this segment of business. From 2002 to 2007, the rate of growth of Hispanic-owned firms was five times larger than the overall growth of firms in the state (56% versus 10%). Growth rates in sales, employment, and payroll for Hispanic-owned businesses also outpaced by far state-wide rates (81% versus 37%, 17% versus 37%, and 35% versus 23%, respectively) (See Figure 4).

Figure 4. Total and Hispanic-owned Businesses' Growth Rates, Nebraska: 2002-2007



Source: U.S. Census Bureau, 2002 and 2007 Survey of Business Owners-Summary Tables A1; prepared by the Office of Latino/Latin American Studies (OLLAS), November 2014.

During this period, Hispanic-owned establishments, which constitute the sub-sample of Hispanic-owned businesses with a physical location to operate, showed significant contributions to employment against the odds. Of the total Hispanic-owned establishments in operation in 2002, 63% survived into 2006. This survival rate was considerably lower than the average for establishments in Nebraska (73%). Similarly, the expansion rate for Hispanic-owned establishments (23%) lagged behind the overall expansion rate in Nebraska (28%) for the period of 2002-2006. Nonetheless, the remaining Hispanic-owned establishments retained 95% of the jobs they created during that period. That is a job retention rate that surpassed the Nebraska and the United States rates for all establishments, respectively at 87% and 91%. Also, the average expansion for Hispanic-establishments created 10 jobs, four jobs more than the average expansion in Nebraska and three more than the average expansion for Hispanic-owned establishments in the United States (See Table 1).

Table 1. Selected Indicators for Total and Hispanic-owned Establishments, United States and Nebraska: 2002-2006

	United States		Nebraska	
	Total	Hispanic	Total	Hispanic
Survival rate	70.4%	66.1%	72.8%	62.7%
Expansion rate	28.5%	29.6%	27.9%	23.4%
Job Retention rate	90.7%	91.8%	87.3%	95.3%
Average jobs created per expansion	8.1	7.4	6.1	9.6

Source: U.S. Census Bureau, Special Tabulations of the 2002 Survey of Business Owners and 1989-2006 Business Information Tracking Series, prepared by the Office of Latino/Latin American Studies (OLLAS), November 2014.

Characteristics of Hispanic business owners and Hispanic-owned businesses

This section of the brief is a summarized version of the report “Latino businesses in Nebraska: A preliminary look” published by the Office of Latino/Latin American Studies (OLLAS) at the University of Omaha (See references). To identify the key characteristics of Hispanic-owned business, this section uses the latest available Survey of Business Owners–Public Use Microdata (SBO-PUMS). The SBO-PUMS for 2007 was released in August 2012. The SBO is the only source of information from the U.S. Census Bureau that allows for the connecting of economic characteristics of businesses to the demographic characteristics of their business owners. The 2007 data serves to provide a preliminary economic profile of Hispanic-owned businesses in Nebraska before the onset of the economic crisis of 2008. The 2012 SBO will be released at the end of 2015.

Some of the key characteristics of Hispanic business owners are summarized in Table 2. Among Hispanic-owned business, the proportion of female owners (41.1%) does not differ from their Non-Hispanic-owned businesses counterparts. However, immigrant status, levels of educational attainment and previous experience as self-employed differ greatly from the population of non-Hispanic businesses owners in Nebraska. Thirty-five percent (35.0%) of Hispanic business owners are foreign-born as compared to 2.1% of non-Hispanic business owners. Hispanic business owners have lower levels of educational attainment. Almost twenty-two percent (21.7%) have less than a high school diploma compared to 2.3% of non-Hispanic business owners. Only 22.4% of Hispanic business owners have completed high school and 36.2% had studied a degree beyond high school. In contrast, more than a half of non-Hispanic business owners in Nebraska (57.6%) have beyond a high school education. In terms of previous experience, only 19.7% of Hispanic business owners were previously self-employed compared to 27.2% of non-Hispanic business owners in Nebraska. These indicators point out the need for more business management-related training and understanding the effect of immigration on the overall experiences of Hispanic business owners.

Table 2. Selected Characteristics for All Non-Hispanic Business Owners and Hispanic Business-owners, Nebraska: 2002-2007

Selected Characteristics		Hispanic	All Non-Hispanic business owners
General	Female	41.9%	40.3%
	Foreign-born	35.0%	2.1%
Education	Less than High school	21.7%	2.3%
	High School	22.4%	19.0%
	Beyond High school	36.2%	57.6%
Experience	Previously self-employed	19.7%	27.2%

Source: U.S. Census Bureau, 2007 Survey of Business Owners Tracking Series, prepared by the Office of Latino/Latin American Studies (OLLAS), November 2014. Percentages do not add up to 100% due to unreported cases.

Table 2 summarizes key characteristics of Hispanic-owned firms as compared to the total businesses in Nebraska. In terms of type of firms, Hispanic-owned businesses are less likely to have paid employees. About fifteen percent (15.3%) of Hispanic-owned businesses are employer firms or hire paid employees compared to 23.0% of all firms in Nebraska. Hispanic-owned employer firms are also smaller in size compared to all Nebraska firms. Nearly fifty percent (49.9%) of Hispanic-owned businesses have up to 4 paid employees, 21.2% have between 5 to 9 employees and only 14.6% have more than 10 employees. The top five industries of Hispanic-owned businesses are: health care/social assistance (22.0%), other services (14%), construction (13.4%), waste management (10.5%) and retail trade (7.5%). For Nebraska as a whole, three of these five industries also have significant proportion of firms, namely construction (13.6%), retail trade (12.1%), and health care/ social assistance (10.6%).

In terms of employment quality, Hispanic-owned firms lag behind when compared to all the businesses in Nebraska. Similar to the proportion of all employer firms in Nebraska, 70.0% of Hispanic-owned employer businesses offer full-time employment. Nonetheless, 23.7% of Hispanic-owned firms with employees offer health insurance in contrast to 37.2% of all employer firms in the state. Moreover, 51.9% of Hispanic-owned businesses with paid employees do not offer any type of social benefits to their workers. In Nebraska as whole, around 35.1% of employer firms do not offer any type of social benefits to their workers.

Hispanic-owned businesses also have less access to strategic resources for their businesses when compared to the overall businesses in the state. The proportion of Hispanic-owned businesses that have a website (15.5%) is slightly smaller than the overall proportion of businesses in Nebraska (18.5%). Similarly, a smaller proportion of Hispanic-owned businesses used a bank loan to finance their startups (12.3% versus 17.7% for all firms in Nebraska). More importantly, the proportion of Hispanic-owned businesses that used a bank loan for expansion (7.6%) is significantly lower than the proportion of firms in Nebraska that used this same source of funding (13.2%).

Table 3. Selected Characteristics for All Businesses and Hispanic-owned Businesses, Nebraska: 2002-2007

Selected Characteristics		Hispanic	All Businesses
Type of Firms and Employer firm Size	Employer firms	15.3%	23.0%
	1-4 paid employees	49.9%	45.2%
	5-9 paid employees	21.2%	18.6%
	10 or more	14.6%	22.1%
Industry	Top Five industries	Health Care and Social Assistance 22% Other Services 14% Construction 13.4% Waste management 10.5% Retail trade 7.5%	Construction 13.6% Other Services 12.5% Retail trade 12.1% Professional and Management 10.7% Health Care/Social Assistance 10.6%
Employment quality in employer firms	Full time employment	70.0%	71.7%
	Offer health insurance	23.1%	37.2%
	Offer no benefits	51.9%	35.1%
Access to strategic resources	Have a website	15.5%	18.5%
	Used bank loans for start-ups	12.3%	17.7%
	Used bank loans for expansion	7.6%	13.2%

Source: U.S. Census Bureau, 2007 Survey of Business Owners Tracking Series, prepared by the Office of Latino/Latin American Studies (OLLAS), November 2014. Percentages do not add up to 100% due to unreported cases.

Conclusions

The analysis of this data point to the following conclusions:

- Despite the downturn of the economic crisis, Hispanic participation in self-employment continues to increase in Nebraska at a faster pace than any other minority group.
- Hispanic immigrant self-employment played an important role in the overall increase of Hispanic self-employment rates in the last decade.
- Among the Hispanic employed population, earnings from self-employment show a relative advantage compared to earnings from wages in the private sector.
- From 2002 to 2007, Hispanic-owned businesses were the fastest segment of business growth in Nebraska.
- From 2002 to 2006, Hispanic-owned establishments were economically resilient. They retained most of the jobs they created and created a significant number of jobs through expansions, despite being the most likely to go out of business and least likely to expand compared to the average establishment in Nebraska.
- Despite the remarkable growth and strength of Hispanic businesses, observed between 2002 and 2007, Hispanic-owned businesses in 2007 faced important barriers. A few of those documented in this brief are:

- a. Hispanic business-owners' low educational attainment and little former experience as self-employees
- b. Hispanic business-owners' limited capacity to provide benefits to their workers
- c. Hispanic business-owners' limited access to strategic resources such as financial capital and use of technology.

Policy Implications

Despite the downturn of the economic crisis, the findings of this brief suggest that Hispanic entrepreneurship in Nebraska could be expected to increase in the coming years. Self-employment has served to counterbalance the negative effects in the reduction of wage earnings for the Hispanic employed population in the state.

Although Hispanic-owned businesses in Nebraska showed considerable economic resilience and strength in the early 2000s, their economic profile in 2007 identified three limitations that could help explain the relative drop in self-employment rates for Hispanics after 2008. These limitations were: the low educational attainment of Hispanic business owners, the limited access to financial capital to support expansions, and the limited capacity to offer better employment conditions for their workers. These limitations point to some critical needs that should be addressed in order to support these businesses.

Some of the following actions should be considered to encourage growth and expand the positive effects of Hispanic and other minority-owned businesses in Nebraska. These include:

- (1) Promote applied research to identify the factors inhibiting business expansion among Hispanic-owned and other minority-owned businesses in the state. Critical areas of research include: the role of migratory status, identification of barriers to use existing business service and training programs, etc.
- (2) Implement strategies that could help increase the outreach of existing business service, training, and financial programs in the state. These strategies could include the strengthening of existing partnerships between business service programs and community-based organizations, increasing bilingual staff in relevant agencies of government working with minority businesses, or promoting association of Hispanic and other minority business owners.
- (3) Design policies to promote Hispanic and minority-owned business with a focus on initiatives aimed at generating community wealth. Some strategies could include the expansion of low-cost or tax-deferred financial products that could increase savings for either business investment or college funds for children, the implementation of business succession programs that could encourage startups across different communities in Nebraska or the promotion of expansion with a focus on creating better employment opportunities within small businesses.

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Appendix: Estimates of Hispanic self-employment by Legislative Districts in Nebraska 2008-2012

	Total Self-employed Population 16 years and older			Hispanic/Latino Self-employed Population 16 years and older			% Hispanic/Latino Self-employed		
	Male	Female	TOTAL	Male	Female	Total	Male	Female	Total
Nebraska	69,962	34,085	104,047	1,793	1,274	3,067	3	4	3
District 1	2,186	786	2,972	13	6	19	1	1	1
District 2	1,438	791	2,229	11	5	15	1	1	1
District 3	564	479	1,043	39	46	84	7	10	8
District 4	1,296	566	1,862	12	14	26	1	2	1
District 5	504	422	926	124	112	235	25	26	25
District 6	1,394	492	1,886	9	15	25	1	3	1
District 7	455	308	763	177	129	306	39	42	40
District 8	1,120	394	1,514	28	27	55	2	7	4
District 9	571	500	1,071	50	50	101	9	10	9
District 10	1,171	694	1,865	15	20	35	1	3	2
District 11	510	297	807	29	25	54	6	8	7
District 12	932	460	1,392	32	39	71	3	9	5
District 13	593	368	961	22	26	49	4	7	5
District 14	824	592	1,416	14	33	46	2	6	3
District 15	1,199	702	1,901	37	18	55	3	3	3
District 16	2,035	702	2,737	14	6	20	1	1	1
District 17	1,194	359	1,553	96	40	136	8	11	9
District 18	1,010	560	1,570	15	17	32	2	3	2
District 19	1,198	645	1,843	48	26	74	4	4	4
District 20	1,276	663	1,939	15	20	35	1	3	2
District 21	940	762	1,702	51	24	75	5	3	4
District 22	1,569	743	2,312	48	31	78	3	4	3
District 23	1,999	811	2,810	55	24	79	3	3	3
District 24	2,113	755	2,868	13	3	17	1	0	1
District 25	1,490	738	2,228	12	10	22	1	1	1
District 26	978	611	1,589	17	16	33	2	3	2
District 27	880	673	1,553	65	40	106	7	6	7
District 28	1,265	741	2,006	41	25	67	3	3	3
District 29	1,041	722	1,763	23	22	44	2	3	3
District 30	1,580	690	2,270	5	6	11	0	1	0
District 31	1,158	837	1,995	13	11	24	1	1	1
District 32	2,358	918	3,276	35	14	49	1	2	2
District 33	1,571	649	2,220	35	14	50	2	2	2
District 34	1,861	974	2,835	45	24	69	2	2	2
District 35	779	728	1,507	117	69	186	15	9	12
District 36	2,102	773	2,875	94	44	138	4	6	5
District 37	1,349	766	2,115	32	20	52	2	3	2
District 38	2,761	1,098	3,859	13	10	23	0	1	1
District 39	1,610	696	2,306	7	10	17	0	1	1
District 40	3,369	1,227	4,596	13	7	20	0	1	0
District 41	3,236	1,061	4,297	7	2	9	0	0	0
District 42	1,167	818	1,985	27	17	44	2	2	2
District 43	2,529	1,180	3,709	22	9	30	1	1	1
District 44	2,806	993	3,799	15	9	24	1	1	1
District 45	776	430	1,206	39	35	74	5	8	6
District 46	467	323	790	45	23	69	10	7	9
District 47	2,362	922	3,284	22	11	33	1	1	1
District 48	1,292	878	2,170	80	57	137	6	7	6
District 49	1,084	788	1,872	7	10	17	1	1	1

About the Methodology

The American Community Survey- Public Use Microdata Sample (ACS-PUMS) calculates that 3,067 Hispanics were self-employed for the period of 2008-2012. Using a confidence interval of 90%, the standard error for this estimate is ± 314 . According to these parameters, the total number of Hispanics who were self-employed for the period under study is expected to fluctuate between 2,553 and 3,581.

In order to approximate Hispanic self-employment counts per legislative districts in Nebraska, Hispanic self-employment rates by sex were calculated from PUMAS. PUMAS are the lowest level of disaggregation available in the ACS PUMS. Given the differences in population and sampling sizes, PUMAS grouped in densely populated counties can provide better estimates. In Nebraska, this means that three of the biggest counties (Douglas, Sarpy and Lancaster) could be well approximated by grouping PUMAS.

Hispanic self-employment rates by sex for the population 16 years-old and older were calculated for:

- (1) Douglas and Sarpy counties: rates were combined given the unique effect of South Omaha in both jurisdictions
- (2) Lancaster, and
- (3) All the remaining PUMAS

These sex-specific Hispanic self-employment rates were applied to the corresponding legislative districts' totals of Hispanic employed civilian population 16 years of age and older (Table C230021). The number of estimated self-employed Hispanics was re-scaled in each jurisdiction to approximate the total state counts. The share of Hispanic self-employment for each legislative district was approximated by computing the proportion of these estimates against the total counts of self-employed individuals 16 years of age and older by sex reported by the U.S. Census Bureau (Table B24080).

Caution is advised in the interpretation of these estimates. Since they are estimates for a period of 5 years, they encompass several fluctuations of self-employment rates. Therefore, they cannot provide a reference point to compare previous estimates based on different survey methodologies such as the Survey of Business Owners 2007.

The overall objective of these estimations is to provide indicators that could help us illustrate the importance of Hispanic self-employment across legislative districts in the state.