

THE IMPACT OF LATINO-OWNED BUSINESS ON LOCAL ECONOMIC PERFORMANCE

Craig Carpenter, PhD

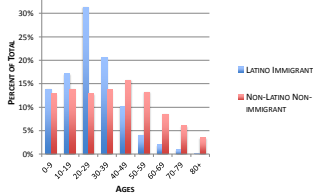


2 Outline


- Introduction
 - Current state of Latino immigration
 - Importance of self-employment for new immigrants
- My research
- Conclusions and implications

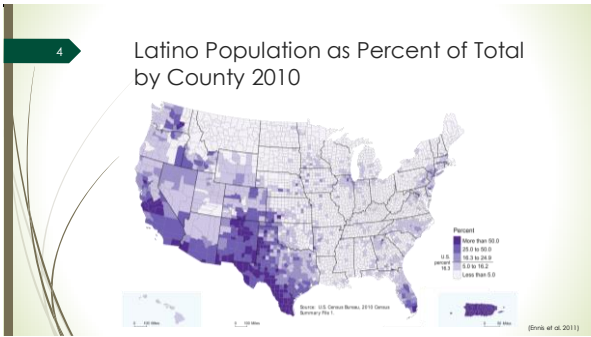
3 Introduction

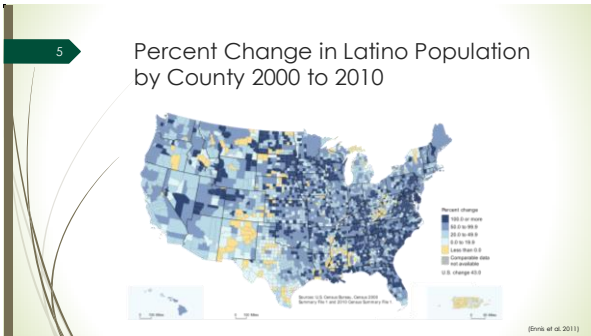
Latino Immigrant vs. Non-Latino Non-Immigrant Ages



Ages	Latino Immigrant (%)	Non-Latino Non-Immigrant (%)
0-9	12	13
10-19	17	14
20-29	32	13
30-39	21	15
40-49	10	14
50-59	4	12
60-69	2	8
70-79	1	6
80+	1	4







6 Context of Research


- Growth in self-employment over the past 20 years
- Small businesses and microenterprises account for approximately 18% of employment
 - Create 1 million jobs a year in the U.S. (Ramirez de Miess 2009).
- The Hispanic population disproportionately contributes to the self-employed population (Carpenter 2016)



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Context of Research (cont.)


- 35-40% of new arrivals are undocumented immigrants from Mexico and Central America with low education and limited English skills (Passel 2005)
- Latino immigrants younger and less educated than natives on average
- Common to promote minority-owned businesses as a local development strategy
- Less known of contributions of such businesses (especially LOB) to economic performance



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Context of Research (cont.)


- Latinos concentrate in vulnerable sectors
- Latino-owned business (LOB) associated with low-barrier industries because they lack financial capital for high-barrier
 - High barrier industries require more education and capital
 - includes professional services and finance or insurance.
 - Low barrier industries include food services and construction



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Limitations of Existing Research

- Lack of a sufficiently large dataset (Robles and Cordero-Guzmán 2007)
- Limited examination of geographic differences relative to the success of immigrant entrepreneurs (Bates and Lofstrom 2009)



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Data and the Census Research Data Center (RDC)

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Data

- Restricted access microdata:
 - Survey of Business Owners (SBO)
 - Longitudinal Business Database (LBD)
 - Integrated Longitudinal Business Database (ILBD)
- Publicly available county-level data:
 - The Bureau of the Census data
 - The Bureau of Economic Analysis data
 - The U.S. Department of Agriculture data

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Methods


- I use the following regression equation at the county-level:

$$g_{i(t-\tau,t)} = \alpha_i + \beta y_{i,t-\tau} + \gamma L_{i,t-\tau} + \delta X_{i,t-\tau} + \epsilon_{i,t}$$
 - $g_{i(t-\tau,t)}$ is the average dependent variable for county i from period $t - \tau$ to t
 - $y_{i,t-\tau}$ is the convergence variable
 - $L_{i,t-\tau}$ is **employment share by LOB**
 - $X_{i,t-\tau}$ is a vector of other initial conditions

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Results


LOB share in NAICS	Income Growth Rate	Employment Growth Rate	Poverty Growth	Population Growth Rate
11: Agriculture, Forestry, Fishing, and Hunting	-0.04** (0.02)	0.04* (0.02)	0.01 (0.01)	0.03 (0.02)
23: Construction	0.05* (0.03)	-0.01 (0.03)	-0.00 (0.01)	-0.02 (0.02)
51: Information	-0.00 (0.05)	-0.14** (0.06)	-0.03* (0.02)	-0.20** (0.07)
54: Professional, Scientific, and Technical Services	0.08*** (0.03)	0.05 (0.03)	-0.01 (0.01)	0.00 (0.03)
55: Management of Companies and Enterprises	0.11*** (0.04)	0.04 (0.05)	-0.01 (0.01)	-0.07** (0.03)
81: Other Services	-0.07** (0.03)	-0.04 (0.03)	0.02* (0.01)	-0.04** (0.02)



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Summary


- LOB employment has no impact on local economic performance on average
- LOB industries with negative effect on income:
 - Agriculture, forestry, fishing, and hunting
 - Real estate and rental and leasing
 - Other services industries
- LOB industries with positive effect on income:
 - Utilities
 - Construction
 - Professional, scientific, and technical services
 - Management of companies and enterprises



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Conclusions and Implications

- Supports past result that owners with large personal capital able to open faster-growing businesses in a high-barrier industry
 - Exception of construction industry
- Contradict results that immigrant inflows do not imply selective out-migration by natives
- Future Research:
 - Further disaggregate industries
 - Control for country of origin employment share



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Policy Implications and Moving Forward


- Need discussion to move beyond "high-barrier" and "low-barrier" industries
- Latino-owned business in the construction industry may deserve different support
 - Need for further disaggregation to investigate



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Thanks! Questions?

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 - carpe224@msu.edu
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Methods (cont.)

- Spatial Durbin Model (SDM)

$$g_i = \rho W g_i + \theta W X_i + \beta X_i + \alpha_i + \varepsilon$$

$$\varepsilon \sim N(0, \sigma^2 I)$$
 - g_i denotes an $n \times 1$ vector of the dependent variables
 - X_i represents an $n \times k$ matrix containing the determinants of the dependent variable including the LOB and convergence variables
 - W is an $n \times n$ inverse-distance spatial weighting matrix
 - $\rho W g_i$ and $\theta W X_i$ are dependent variable and explanatory variables from neighboring counties, respectively
 - ρ and θ estimate the extent to which the dependent and independent variables of nearby counties influence economic performance in the original county
