

VIEWPOINT

The Importance of Entrepreneurship in Black and Latino Communities in Massachusetts

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Entrepreneurship opens up opportunities that are hard to come by in minority communities. In Massachusetts, public schools can encourage it by exposing young people to its life-changing possibilities.

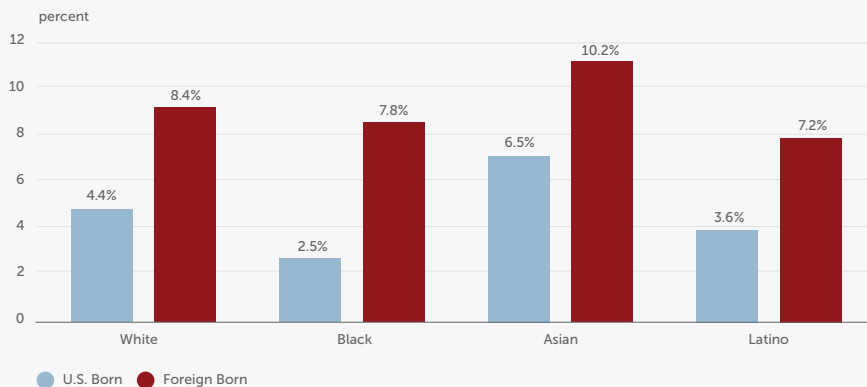
Recent data from the U.S. Census Bureau note a concerning fact regarding entrepreneurship in Black and Latino communities in Massachusetts: the number and proportion of Black and Latino-owned employer businesses,¹ as well as rates of Black and Latino entrepreneurship, are relatively weak.² While several studies highlight the important contributions of Black and Latino entrepreneurs in Massachusetts, entrepreneurship in these communities could still use a boost. The benefits of vigorous Black and Latino entrepreneurship are significant: businesses owned by Blacks and Latinos tend to hire residents in these same communities at higher rates than nonminority businesses do. Further, entrepreneurship can help connect youth to their communities, showing them how to tap their creativity and initiative by starting or looking forward to owning their own businesses. Even encouraging youth to think about starting a business and considering what is involved in such a process can be empowering.

What the Data Show

The U.S. Census Bureau's 2014 Annual Survey of Entrepreneurs reported that "more than one third (36 percent) of the 50 most populous metropolitan statistical areas had approximately 20 percent or more minority ownership of their employer businesses."³ Boston-Cambridge-Newton is the tenth-most-populated metropolitan statistical area in the United States, but can only count 9.6 percent of its employer businesses as minority owned.⁴ Drilling down into the term "minority" shows that Blacks and Latinos own a relatively low number of employer businesses. The survey reported that there were 130,710 employer firms in Massachusetts in 2014, with a combined employment base of 2.9 million workers and annual payroll of more than \$177.6 billion. Among those, Black-owned firms represented just 1.2 percent and Latino-owned firms only 2.4 percent. By contrast, Asian-descent businesses made up 5.7 percent of all employer businesses in Massachusetts in 2014.⁵ Combined, the paid employment base for all Black and Latino employer businesses in Massachusetts was about 33,981 workers.⁶

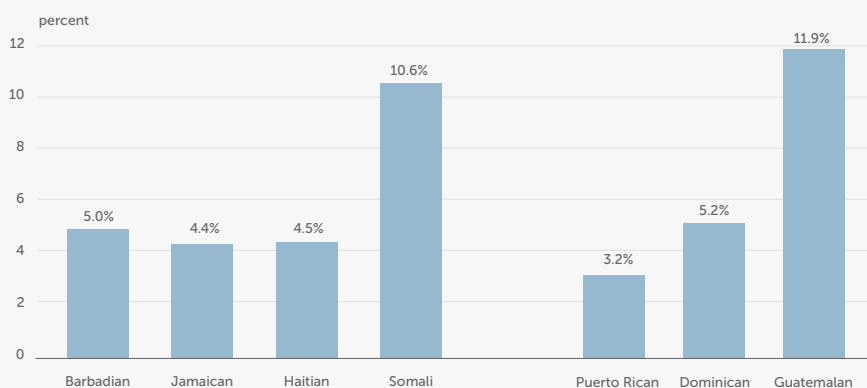
These figures align with reported self-employment rates for these groups, and indeed, self-employment rates are typically a proxy for entrepreneurship and vary by race and ethnicity. There are also evident differences in entrepreneurship within Black and Latino communities depending on gender and place of birth (in the United States or elsewhere). Those reporting themselves as foreign born, for example, are more likely to be entrepreneurs (7.2 percent

Self-Employment by Race, Ethnicity, and U.S. Birth Status



Source: U.S. Census Bureau, 2014 Annual Survey of Entrepreneurs.

Self-Employment Rate by Select Ancestry and Origin



Source: U.S. Census Bureau, 2014 Annual Survey of Entrepreneurs.

of all foreign-born employed persons) than are U.S.-born persons (3.6 percent). (See “Self-Employment by Race, Ethnicity, and U.S. Birth Status.”)

There are also other variations within the broad categories of “Black” and “Latino.” For example, among Latinos reporting Mexican ancestry, entrepreneurship rates between U.S.-born and foreign-born persons do not differ substantially, but among Latinos reporting Panamanian ancestry, the rate of entrepreneurship for those born in the United States is much higher (9.3 percent) than the rate for those born elsewhere (2.9 percent). Similarly, entrepreneurship rates differ among ancestry groups. (See “Self-Employment Rate by Select Ancestry and Origin.”)

How Local Government and Schools Can Help

Regardless of these differing rates, the bottom line is that Black and Latino entrepreneurship rates and the number of employer businesses have to increase dramatically to ensure that these communities can

take advantage of economic opportunities. At least two actors—local government and public schools—can play an essential role.

Local and state government can help to expand the capacity of current Black and Latino employer businesses and to increase their numbers by prioritizing minority-owned business growth and diversification strategies within larger economic development plans and policies. Industry diversification is especially important, as Black and Latino entrepreneurs in Massachusetts are largely concentrated within only a few industries. Self-employed Blacks in Massachusetts, for example, are found in only 30 of the 267 industries categorized by the Census Bureau’s North American industry classification system.⁷ For example, almost half of all self-employed Blacks in the state are in taxi and limousine service; this is followed by construction, child day care services, truck transportation, and what is described as “financial nondepository credit and related activities,” which can include check-cashing or credit-lending operations.⁸ (See “Black Entrepreneurs by Industry Classification.”)

Public schools can be effective venues for teaching and nurturing entrepreneurship. They can expose students to opportunities within the wide range of entrepreneurial industries in today’s economy. This can be done through curricula, internships, and introduction of students to local business leaders. Additionally, schools and business partnerships could sponsor contests for innovative ideas and projects through which groups of high school students could win prizes or recognition.

But informal conversations with community leaders and educators in Massachusetts suggest that youth in Black and Latino communities are not being introduced to or prepared for entrepreneurship. Haywood Fennell, a local historian and activist in Boston, believes that public schools are overlooking a rich history of Black innovation that could inspire and encourage greater entrepreneurship among young people. This history could be motivational for youth. He notes that he “never sees the *Wall Street Journal* in school libraries. Youth should be taught about earlier and current successful Black business leaders, including local giants like Ken Guscott and John B. Cruz. After learning about these individuals, they should be surveyed about ideas they may

have about starting businesses and then taught the basic steps in terms of how to proceed.”

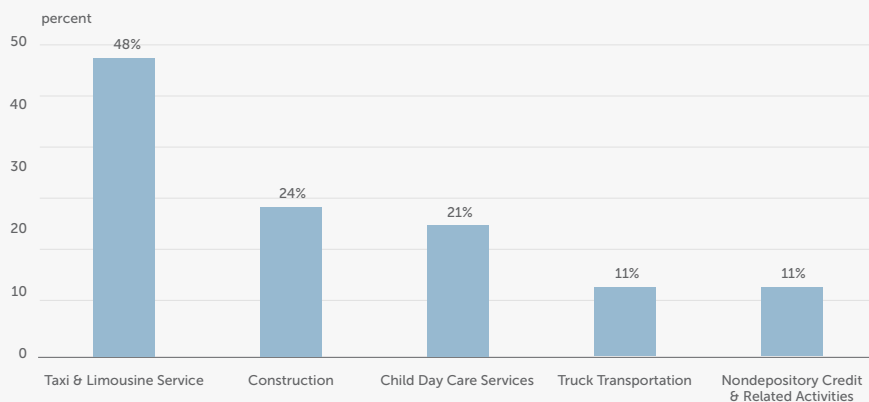
Ana Luna, executive director of ACT Lawrence, a community development corporation in Lawrence, MA, believes that financial literacy—a critical component of entrepreneurship—is missing from too many public schools. She states that “at a minimum, public schools should provide financial literacy for all students. This can include school activities like writing a business plan, understanding competition, reading financial statements, and in places like Lawrence, being introduced to the licensing required for starting different types of businesses.”

Young people equipped with an entrepreneurial orientation and skills today can make social and economic contributions tomorrow. Entrepreneurship also goes hand in hand with critical thinking and other skills that youth need to excel, including the desire to raise questions about potential opportunities and the ability to gather information and put it to work. These are lifelong skills that enhance entrepreneurship readiness among our youth and should be part of a quality education for young people.⁹

The community leaders I spoke with believe that Black and Latino youth have to be more directly introduced to learning about entrepreneurship and how it can be applied in a range of settings. SkyLab, an educational organization based in Roxbury, MA, is taking this charge seriously. Bridgette Wallace, founder of this organization, described its mission: “SkyLab works in partnership with local organizations to introduce youth of color to the importance of entrepreneurship to learn firsthand about the risk and rewards of operating a small business.” SkyLab provides instructive and hands-on opportunities for the residents of Roxbury to learn about and use the latest technologies, strategies, and business skills required to launch new ventures or sustain existing ones. Wallace stresses that “entrepreneurship being taught in the classroom and in the neighborhoods is an imperative that cannot be overlooked in communities surrounded by high-growth institutions. Organizations must work to create pathways for African American and Latino youth to take risks and dare to dream in neighborhoods where few opportunities exist.” Wallace’s call is especially urgent given the changing demography in Boston and other Massachusetts cities where Black and Latino populations are growing in numbers.

Entrepreneurship is not a panacea for achieving economic improvement and better quality of life. Nevertheless, state and local government and public schools should not ignore its importance and the impacts it can have on youth and our future entrepreneurs.

Black Entrepreneurs by Industry Classification



Source: U.S. Census Bureau, 2014 Annual Survey of Entrepreneurs.

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Endnotes

- ¹ “Employer businesses” are businesses that hire employees.
- ² Census data sources include the 2014 Annual Survey of Entrepreneurs (released in 2016), the 2010–2015 Five-Year Estimates of the American Community Survey, and the Public Use Microdata Sample (PUMS) of 2010–2014. The Annual Survey of Entrepreneurs is a new survey developed by the U.S. Census Bureau, the Kauffman Foundation, and the Minority Business Development Agency with the aim of providing more detailed and timely data about employer businesses than is provided by the Survey of Business Owners, which is issued every five years. PUMS is “a set of untabulated records about individual people or housing units. The Census Bureau produces the PUMS files so that data users can create custom tables that are not available through pretabulated (or summary) ACS data products” (see <https://www.census.gov/programs-surveys/acs/technical-documentation/pums.html>).
- ³ U.S. Census Bureau, “Nearly 1 in 10 Businesses With Employees Are New, According to Inaugural Annual Survey of Entrepreneurs,” news release, September 1, 2016, <https://www.census.gov/newsroom/press-releases/2016/cb16-148.html>.
- ⁴ U.S. Census Bureau, 2014 Annual Survey of Entrepreneurs, 2016.
- ⁵ Ibid.
- ⁶ Ibid.
- ⁷ Ibid.
- ⁸ Ibid.
- ⁹ See Richard Paul and Linder Elder, “The Miniature Guide to Critical Thinking, Concepts and Tools” (report, Foundation for Critical Thinking, Dillon Beach, CA, 2008), http://www.criticalthinking.org/files/Concepts_Tools.pdf.

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