

# THE HIDDEN AND GROWING ECONOMY

SMALL MINORITY  
AND IMMIGRANT  
BUSINESSES SERVE  
AS ENGINES OF  
GROWTH IN  
GATEWAY CITIES



Hispanic American Institute  
175 McClellan Hwy, Suite 3  
Boston, MA 02128  
[www.hainst.org](http://www.hainst.org)

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# THE HIDDEN AND GROWING ECONOMY IN MASSACHUSETTS: EXECUTIVE SUMMARY

Small Minority & Immigrant Businesses serve as potential engines of growth in Gateway Cities



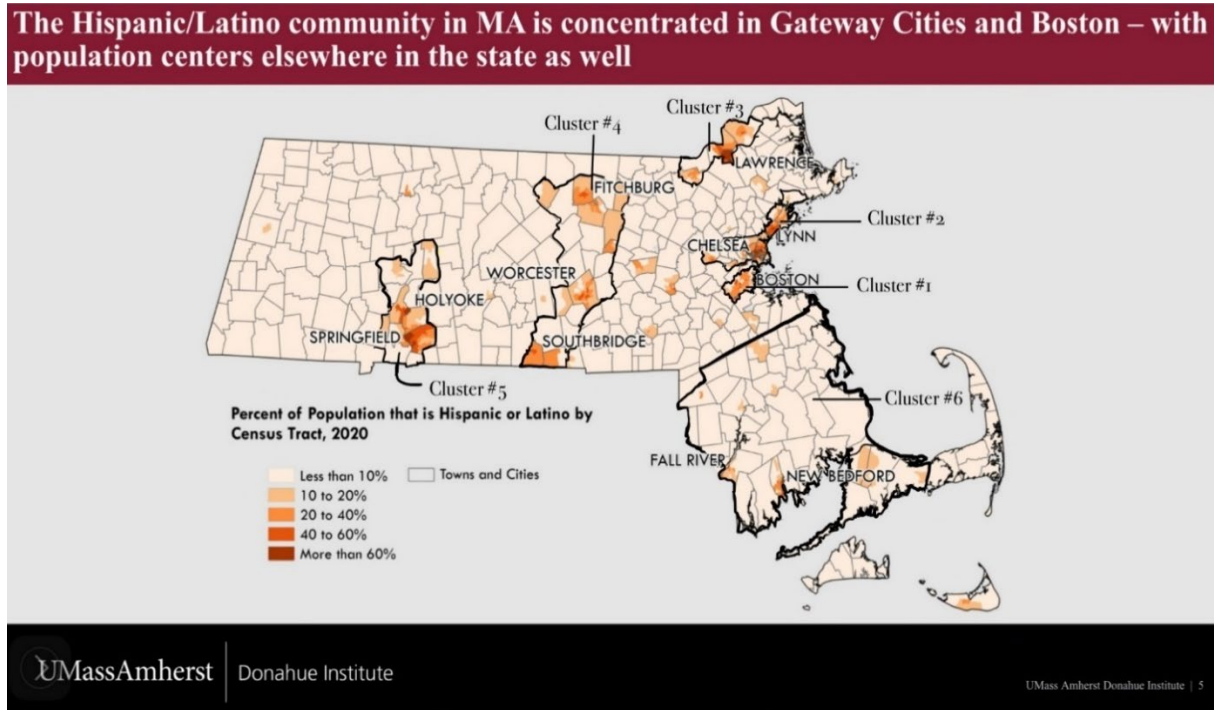
Figure 1 – Chelsea's Broadway Corridor (a section of the Downtown District)

Immigrants to the United States have been a historical force for growth and entrepreneurial drive. In Massachusetts, the case is repeated, especially in the last 20 years when a dramatic influx of immigrants from Latin America and other parts of the world has taken place. The Hispanic American Institute (HAI) has been working closely with immigrant entrepreneurs and business owners over the past six years helping them to access scarce resources, improve their capacity to plan and operate their businesses, educate them in English as a second language, leadership, management, accounting, marketing and serve as a trusted source of advice and mentorship. Latino immigrants arrive with “las ganas,” the desire, to succeed, but lack the knowledge, experience, and resources to establish and scale their businesses in their new country.

This working paper entitled *The Hidden and Growing Economy* characterizes the plight of small businesses started by immigrants from Latin America the Caribbean and other parts of the world. This paper seeks to shed some light on the opportunities presented by these businesses, which operate in Gateway Cities across this Commonwealth. We label these businesses “hidden” because they exist outside the mainstream of the American economy and remain hidden from policymakers, sources of capital, and resources available from local, State, and Federal government, and operate isolated in their

immigrant communities serving primarily residents of these communities. We will argue in this paper that this Hidden Economy provides a potential source of *growth and vitality* to underserved communities in MA and a solution to the socio-economic woes affecting these underserved communities.

The Hidden and Growing Economy exists in six (6) regions or clusters in MA. They are in the Greater Boston Metro area, the North Shore of Boston (Chelsea, Lynn), Lawrence and the Merrimack Valley, Central MA (Fitchburg, Worcester, Southbridge), Western MA (Springfield, Holyoke), and the Southeastern MA, the Cape, and the Islands. See the map and table below taken from a recent study from UMass Donahue Institute. The dark orange areas shown are census tracts with heavy concentration of Latinos, and minorities.



Cluster # & Designation	Population (2020)	Hispanic Population (2020)	Percent Hispanic (2020)	Minority Population (2020)	Percent Minority (2020)
1. Greater Boston	1,029,179	168,020	16.3%	485,259	47.15%
2. North Shore of Boston	418,535	129,641	31.0%	213,880	51.1%
3. Merrimack Valley	335,332	139,280	41.5%	193,379	57.67%
4. Central MA	497,079	120,277	24.2%	210,832	42.41%
5. Western MA	392,894	119,187	30.3%	166,766	42.45%
6. Southeastern MA, Cape & the Islands	567,309	68,366	12.1%	200,643	35.37%
<b>Total Clusters</b>	<b>3,240,328</b>	<b>744,711</b>	<b>23.0%</b>	<b>1,470,750</b>	<b>45.4%</b>

HAI has collected US Census and local economic data characterizing these clusters in terms of business formation, household income, educational attainment, demographics, poverty, and other factors. As shown in the table above, a total of 744,771 Latinos, or 85% of the 2020 Latino population in MA (887,685) live within these six clusters spanning an area of 757 square miles or less than 10% of the State's overall area. This concentration offers opportunities for innovation and targeted investments to uplift the economy of these areas. HAI strongly believes in the power of small business formation and entrepreneurship to lift local and regional economies and to give immigrants the tools, education, and resources to make this happen. We will show how *clustering* offers a powerful tool for planning and innovation in the hidden economy. The main findings and recommendations are listed below, with greater details and backup offered in the working paper that accompanies the Executive Summary.

## Demographics

- ***Explosive Growth in Hispanic Population-*** A total of 887,685 Latinos have been counted as residents of Massachusetts by the 2020 US Census (representing 12.8% of the State population). Over the past 50 years, the Commonwealth has experienced a remarkable growth in the Latino / Hispanic population: 41.4% growth since 2010 and over 13 times the 1970 numbers. In fact, the population of MA would have decreased if it were not for the Latino population growth.
- ***Immigration Leads to Clustering-*** Latinos like many other immigrants tend to settle where family or friends live. It is a natural human tendency to seek the familiar, especially when migrating to a foreign country where the customs and language are alien to them. This tendency leads to *clustering* in certain geographic areas as seen across the Commonwealth.

## Clustering

- ***Close to 90 % of Latinos( close to 800.000 Latinos) reside in 42 cities and towns in MA-*** Latinos are clustered into six regions in MA where they live and work: 1) Greater Metro Boston, 2) North Shore of Boston, 3) Lawrence and the Merrimack Valley, 4) Central MA (Fitchburg, Worcester, Southbridge), 5) Springfield and Western MA, and 6) Southeast MA, Cape, and the Islands.
- ***Similar Socio-Economic Characteristics-*** These six clusters, which expand 757 square miles (less than 10% of the MA area), share similar socio-economic characteristics such as household income, education attainment levels, economic activity, number of minority businesses, and population densities. This clustering allows opportunities for wise investment and resource allocation for economic development.
- ***Economic Planning Process-*** Five strategic initiative areas identified by the MA Executive Office of Economic Development (EOED) as part of their economic planning process started in the spring of 2023. One of the areas identified by EOED is *Key Clusters and Innovation*, which is the focus of this working paper.
- ***Immigrant business clusters start in one community-*** Clusters expand to neighboring communities over time as socio-economic conditions shift. Case in point is Chelsea, MA with a population of over 62% Latino, the 2nd largest population density among MA cities. An

average of 12,138 Latinos per square mile live in Chelsea in an area of 2.2 square miles. Chelsea serves as the “center of gravity” for other North Shore communities consisting of Revere, Everett, Malden, Lynn, Salem, and Peabody, where Latinos are moving to.

### **Latinos concentrate in Six Clusters**

- **High Population Growth Rates-** Four of the six clusters discussed in this paper exhibited population growth rates higher than the state average of 7.4%, ranging from 8.3% for the Southeastern MA cluster to 11.7% for the Greater Boston Metro cluster. The Lawrence and Merrimack Valley cluster and the Western MA cluster (Springfield, Holyoke) saw the least population increase, with 4.2% and 0.5%, respectively.
- **High Concentration of Latinos-** Five of the six clusters have large Latino communities ranging from 120,000 residents in the Western MA (Springfield and Holyoke) cluster to 156,000 in the Greater Boston Metro cluster. Latino concentration, measured as percent of the total city/town population ranges from 12% for the Southeast MA cluster to 41% for the Lawrence and the Merrimack Valley cluster.
- **High Concentration of Minority Population-** Considering the minority population (Black, Asian, and Latinos), a larger concentration for all clusters is evident from the data, ranging from 35% for Cluster #6 (Southeastern MA) to 58% for Cluster #3 (Lawrence and the Merrimack Valley).
- **High Density of Latino Residents-** Clusters #1, #2, and #3 combined, form the Northeast region of MA with a total area of 214 square miles (or 2.7% of the State’s area), which has 440,000 Latino residents or half of the Latino population in MA. This concentration presents a unique opportunity for *Latino-centric commercial areas*: malls, business districts, and other retail development opportunities.

### **Small Businesses Growth, Income, and Education**

- **High Propensity for Small Business Formation-** When combining minority, women, and veteran-owned businesses the numbers are revealing: 55,000 or close to 40% of the businesses in these clusters are minority, women, and veteran-owned. The concentration of minority businesses varies by cluster ranging from 58% (percent of total business) in Central MA – Fitchburg, Worcester, Southbridge (Cluster #4) to 75% for Cluster #3 - Lawrence and the Merrimack Valley.
- **High Retail Sales-** Retail sales in all these Clusters are higher than the MA average of \$13,980 per capita. The exceptions are Cluster #2 (No. Shore of Boston- Chelsea and Lynn) and Cluster #3 (Lawrence and Merrimack Valley) which are \$3,300 and \$5,400 below average. This trend is consistent with the lower per capita income in these communities.
- **Low Household and Per Capita Income Levels-** Income levels are lowest in Clusters #2 (North Shore Boston) and #3(Lawrence-Merrimack Valley), as stated above. Measured by median household income and per capita income for the last 12 months, average income levels in these two clusters - \$59,500 median household income and \$28,000 per capita income for the last 12 months - are well below the MA averages of \$77,378 for median household income

and \$41,794 for per capita income. Similarly, Cluster #5 – Western MA, Springfield, and Holyoke, with \$47,574 for median household income (38.5% below average) and \$26,700 (36.1 %) for per capita income.

- **Low Educational Achievement-** The educational attainment levels, as measured by high school and college graduation rates measured by percent of students 25 years+ graduating for these Clusters is also below the State averages of 90% for high school graduation and 43% for college graduation with a bachelor's degree. All clusters except for Greater Boston (Cluster#1) range from 60% to 80% for high school graduates and 14% to 28% for college graduates, well below the state averages.
- **High Poverty Rates-** poverty rates as measured by Federal guidelines in all these clusters are higher than the MA average of 10%, with Cluster #4 (Worcester and Central MA) having the highest rate of 27% - more than double the State average - to Cluster #2 (the North Shore of Boston- Chelsea and Lynn) with 15% or 1.5 times the average.

### What To Do

*Clustering* of the Latino and minority population and businesses presents unique opportunities, challenges, and needs.

- **Unique Economic Opportunity-** With the largest growth population rate (47% growth in the last decade) and a high propensity to start new businesses (44% of all small businesses nationwide), *Latinos offer the State a unique economic opportunity for Gateway Cities to grow.*
- **Smart Resource Allocation-** Having identified *six clusters* in the State where 90% of Latinos work and live, resources can be concentrated in these clusters to both help Latino businesses grow and strengthen the economies of these Gateway Cities.
- **High Propensity to Hire Latino Immigrants-** Moreover, immigrant-owned businesses are more likely to hire immigrants from their own countries thus ameliorating the recent migrant crises facing the Commonwealth. With vibrant business communities within these clusters, opportunities for employment will grow for the migrant population.
- **Micro-Businesses Challenges-** Many immigrant businesses are small (less than 5 employees) lack knowledge of the English language and are hidden from the resources available at the local, State, and Federal levels. Although the immigrant owners know how to run a restaurant, beauty salon, bodega, and other small enterprises as they did in their countries of origin, they lack the capital and knowledge to scale their businesses in their new country.
- **Tools For Business Growth-** Technical assistance, workshops, one-on-one counseling by bi-lingual / bi-cultural advisors, networking, and business forums are proven methods to strengthen immigrant businesses and assist them to scale.
- **Access To Capital-** Capital in the form of low-interest loans, grants, and other financial assistance offered by Mass. Growth Capital Corporation (MGCC), Mass Development, and other Business Service Organizations provide a lifeline to immigrant business owners for sustainability and growth.

## Recommendations

The *clustering* of the Latino population and businesses provides an opportunity to leverage investments and form coalitions of Business Service Organizations (BSOs) to deliver cost-effective technical assistance services, thereby assisting small businesses to flourish.

Below are several recommendations to achieve this aim:

- ***Formation Of BSO Coalitions-*** can serve these clusters under a regional approach rather than for single communities. Coalitions offer advantages and leverage for *resource allocation*. Programs such as EOED's Community Empowerment and Reinvestment Program (CERP) grant, One Stop for Growth, Urban Grant, and others are all candidates for regional coalitions.
- ***Small Business Incubators in The Six Clusters-*** provide a source of innovation and entrepreneurship among potential small businesses. Organizations such as E-for-All and other BSOs in the region provide workshops, training, and competition for business ideas for entrepreneurs and starting businesses.
- ***Small Business Technical Assistance Infrastructure Networks-*** for each region with topical versus geographic coverage. MGCC has gathered a cadre of BSOs across the State that are available to provide services to small business owners under the SBTA program. Collaboration amongst these BSOs on *topics versus geography* is an effective way to gain leverage and reach out to the maximum number of business owners.
- ***Strengthening a Network of BSOs Across the State Supported By MGCC-*** serves as an entry point for Latino and minority business owners to obtain much-needed services to sustain and scale their operations. This network needs to be strengthened and financed to provide much-needed Technical Assistance services to small businesses in the six clusters.
- ***State Community Colleges Provide a Valuable Resource for Business Education-*** Nine of the State's Community Colleges are in six clusters and provide an excellent resource for Latino and minority entrepreneurs to obtain business education in English language skills, accounting / QuickBooks, digital marketing, and other business skills. Springfield Technical Community College (Springfield), Bunker Hill Community College (Chelsea), Roxbury Community College (Boston), Holyoke Community College (Holyoke), Bristol Community College (Fall River), Cape Cod Community College (Barnstable), Quinsigamond Community College (Worcester), Northern Essex Community College (Haverhill), Massasoit Community College (Brockton).
- ***Access To Capital and Capital Formation-*** is key to growth. Offered by private lenders, CDFI's, MGCC, Mass Development, and other capital providers, immigrant business owners need to learn more about how to ask for a loan, how to build credit, how to shop around for interest and loan terms, how to read and prepare financial statements, how to learn QuickBooks and accounting to run their businesses effectively. All these topics are necessary for immigrant business owners to sustain and scale their businesses.





# The Hidden and Growing Economy

Small Minority & Immigrant Businesses serve as potential engines of growth in  
Gateway Cities

An HAI Working Paper

## Abstract

The Hidden and Growing Economy characterizes the plight of small businesses formed by immigrants from Latin America in MA and provides a potential source of growth to locally depressed economies in MA and elsewhere in the United States. Moreover, these growing businesses are clustered into six (6) regions following the high concentration of the Latino population within each cluster. The clusters consist of (1) the Boston Greater Metro area, (2) the North Shore of Boston, (3) Lawrence and the Merrimack Valley, (4) Central MA, (5) Western MA, and (6) the Southeast part of the State. The clustering of these businesses offers some definitive benefits with implications for investment and economic development. The following initial recommendations are offered as a basis for discussion going forward during the economic planning process undertaken by the State.

US Census and local economic data characterize these clusters in terms of business formation by minorities, household income, educational attainment, demographics, and other factors. As a business owner and immigrant from Cuba, the author strongly believes in the power of free business formation and entrepreneurship to lift local and regional economies. Clustering is a powerful tool for this objective. Immigrants to the United States have been a historical force of growth and entrepreneurial initiative. This working paper discusses the demographic shift that has occurred in recent years reflective of the US at large and specifically in MA resulting in the clustering of immigrant communities around Gateway cities. We explore the potential for growth and economic development offered by immigrant businesses and the social, cultural, and economic shifts driving these communities. These findings are supported by business and economic data shown in the appendix.

## Recommendations

The *clustering* of the Latino population and businesses provides an opportunity to leverage investments and form coalitions of Business Service Organizations (BSOs) to deliver cost-effective technical assistance services, thereby assisting small businesses to flourish.

Below are several recommendations to achieve this aim:

**Target public and private investments in the Central and Western parts of the State.** These parts offer potential opportunities for Latino and minority-owned businesses to succeed and flourish with the impact of attracting residents, employment, and the formation of culturally relevant retail and commercial projects.

- ***Formation of BSO Coalitions-*** Coalitions among BSOs should be encouraged, to serve these clusters under a regional approach rather than focusing on single communities. This approach offers advantages and can leverage scarce resources for maximum effectiveness. Programs sponsored by the Executive Office of Economic Development (EOED) such as EOED's Community Empowerment and Reinvestment Program (CERP) grant, One Stop for Growth, Urban Grant, and others are all candidates for a regional approach.
- ***Small Business Incubators in the Six Clusters-*** the clusters identified in this paper provide a source of innovation and entrepreneurship among potential small businesses. Organizations such as HAI, E-for-All, and other BSOs in the region provide workshops, training, and competitive awards for business ideas by entrepreneurs and start-ups.
- ***Small Business Technical Assistance (SBTA) Infrastructure Networks*** Massachusetts Growth Capital Corporation (MGCC) has gathered a network of BSOs across the State that are available to provide services to small business owners under the Small Business Technical Assistance (SBTA) program which is a statewide program in MA. Collaboration amongst these BSOs on business topics is an effective way to gain leverage, reach out to a greater number of business owners, and optimize the allocation of scarce resources.
- ***Strengthening a Network of BSOs Across the State Supported By MGCC-*** The network of BSOs, serves as an entry point for Latino and minority business owners to obtain much-needed services to sustain and scale their operations. This network needs to be strengthened and properly financed to provide much-needed Technical Assistance (TA) services to small businesses in the six clusters identified in this paper.
- ***State Community Colleges Provide a Valuable Resource for Business Education-*** Nine of the State's Community Colleges are in six clusters and provide an excellent resource for Latino and minority entrepreneurs to obtain business education in English language skills, accounting / QuickBooks, digital marketing, and other business skills. Springfield Technical Community College (Springfield), Bunker Hill Community College (Chelsea), Roxbury Community College (Boston), Holyoke Community College (Holyoke), Bristol Community College (Fall River), Cape Cod Community College (Barnstable), Quinsigamond Community College (Worcester), Northern Essex Community College (Haverhill), Massasoit Community College (Brockton).
- ***Access To Capital and Capital Formation-*** Capital is key to growth, and is offered by private lenders, Community Development Finance Institutions (CDFI's), MGCC, Mass Development, and other capital providers. Immigrant business owners need to learn more about how to ask for a loan, how to build credit, how to shop around for interest and loan terms, how to read and prepare financial statements, learn QuickBooks and accounting to run their businesses effectively. All these topics are necessary for immigrant business owners to sustain and scale their businesses.

## MA Economic Development Planning Council

Under the auspices of the Executive Office of Economic Development and Secretary Yvonne Hao, the **Economic Development Planning Council** established by the State is working to set long-term goals, and measurable benchmarks, and propose major economic development initiatives to guide Massachusetts's economic development policy over the next four years. Several engagement sessions were held as an integral part of this council to collect public input and feedback relative to the state's economic development needs and opportunities. (Ref.1)

These sessions allowed residents, municipal leaders, businesses, and organizations from the Greater Boston area to engage with state officials in the process of developing the economic plan, policy, and strategy for our state. At each session, breakout tables were formed to collect input in the general areas of:

- 1) Business Climate.
- 2) Community and Neighborhood Development.
- 3) **Key Clusters and Innovation.**
- 4) Workforce and Talent; and
- 5) Equity and Opportunity.

The outcome will be a strategy that promotes vibrant communities and growing businesses. With this economic plan, the State pledges to ensure residents of Massachusetts have the opportunity for a distinguished career, earn a living, build a family, and thrive here in the Commonwealth.

*The Hispanic American Institute has worked with Hispanic business owners over the past decade compiling experiences and lessons learned from business owners with whom we have worked and provided technical assistance. This work has allowed us to gather and experience collaborating directly with Latino-owned businesses in gateway cities. This working paper addresses the issues facing the Hispanic business community and offers some suggestions for its advancement.*

### **The Hidden and Growing Economy in MA – A Description**

There is a *hidden economy* in Massachusetts Gateway Cities. This economy is formed by Latino and other immigrant families who live, consume, and start small businesses in these cities. These businesses tend to cluster and are driven by culture, immigration laws, language, and income forces that have shaped the formation of these communities (Ref 2).

Our reason for preparing this working paper is to shed some light on these opportunities and forces that have shaped this hidden economy with the hope of educating policymakers, community leaders, and influencers on the potential economic opportunity for growth in the gateway cities. The Latino economy is hidden from the mainstream economy, government agencies (local and state), and institutions formed by larger companies, local municipalities, nonprofits, the federal government, and others, who lack an understanding of how these hidden economies evolve and grow, what resources are needed, what motivates immigrant business owners and their customers, and what are their aspirations and goals. There is a significant potential in these hidden economies

of gateway cities, which if nurtured can lead to growth and economic development for these underserved communities and the State.

The immigrant businesses of these gateway Cities are *hidden* because of the following factors:

- Hidden from the resources that are available and designated by local and state agencies, who are responsible for the allocation of these resources to underserved communities,
- Hidden from lending institutions, fiscal agencies, banks, CDFI's, and other sources of capital who are eager and capable of serving these underserved communities,
- Hidden to immigrant constituents, who are part of these communities, as business owners and consumers, and are functioning "under the radar" to agencies at the local, State, and Federal levels.
- Hidden to the technical services offered by dozens of Business Service Organizations (BSOs), Chambers of Commerce, and other non-profit organizations offer technical assistance to the underserved business community.
- Hidden to the legislature, city, and state officials, who are responsible for policy-making and enacting laws and allocating dollars to programs aimed at assisting these underserved communities.

Many small businesses in this hidden economy are started by immigrant families who settle in these gateway cities, form businesses, and help shape the downtown districts. Chelsea, MA, located North of Boston is an example of a hidden economy.

### **The City of Chelsea, MA – An Example of a Hidden Economy<sup>1</sup>**

The City of Chelsea is 1.8 square miles with a population of 39,272 people: 65.9% are Hispanic or Latino, 21.9% are White, 5.9% are Black or African American, and 3.4% are Asian. As of 2020, almost half, or 45.5% of residents were born outside of the country. The most common foreign languages spoken are Spanish and Portuguese. The median age for residents is 33 years and the poverty rate is 18.8%, compared to 11.8% nationally and 10% for the State. Recently, due to the recent influx of immigrants through the Southern Border, the relocation of hundreds of migrants to Chelsea and other cities in Massachusetts has had a significant financial and human services impact. This influx has taxed city services, and the Chelsea Chamber has launched an initiative called Employing Arriving Residents Now (EARN) with the aim of assembling business owners, City officials, state agencies, and other stakeholders to look for solutions to the problem. Starting a discussion about providing employment opportunities to local area migrants and informing local business owners about the issues are some of the initiatives undertaken by the EARN initiative.

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<sup>1</sup> Typical of a hidden economy is the Broadway business district in the City of Chelsea, with close to 100 small minority businesses located there. (Ref.6)



The Governor of Massachusetts, Maura Healey, has declared a state of emergency since relocation funds and housing have been exhausted and she is seeking relief from the Federal Government.



Chelsea has a large and thriving minority-owned business community located in the downtown district, which was acutely affected by the economic downturn caused by the COVID-19 pandemic. Over 100 businesses in downtown Chelsea are small enterprises created by immigrant families, mostly from Central America and the Caribbean, who rely on immigrant workers and residents for sustenance. Local and State resources, such as the ARPA funds and appropriations by the City Council of \$1 million for the Small Business Recovery efforts were made available during the height of the COVID-19 pandemic. Recently the City allocated over \$100,000 for the Chelsea Chamber for the downtown recovery effort. A quote given by Tom Ambrosino (former Chelsea’s City Manager) captures a common sentiment about Chelsea’s downtown:

“Strengthening Chelsea’s existing businesses, nurturing the entrepreneurial impulse of our residents, and advancing our workforce is imperative if we are to maintain community character and enable today’s community stakeholders to benefit from the neighborhood’s advancement.”

Chelsea is typical of the cities and towns referred to in this paper. Chelsea’s neighborhood-oriented central business district serves over 22,000 residents who live within a nine-minute walk. The district is easily accessed by several bus routes with heavy ridership such as the 101 and the new Silver Line connecting to downtown Boston. The majority of the area’s residents are immigrant families and about 67% of Chelsea’s residents identify as Latino. A quarter of Chelsea’s population lives in poverty, and pressures from increased housing costs in adjacent areas are starting to drive





new higher-income residents to the city resulting in gentrification. The images depicted above are from downtown Chelsea showing its great diversity.

## **The Latino Business in the United States– A Quick Scan<sup>2</sup>**

### **FASTEST GROWING SEGMENT OF THE U.S. BUSINESS POPULATION**

On January 28, 2022, the Stanford Latino Entrepreneurship Initiative (SLEI) released its seventh annual research report, *State of Latino Entrepreneurship*, exploring the impact, challenges, and opportunities of the fastest-growing business segment in the U.S. economy. The report includes survey data from SLEI’s largest sample to date: 15,000 businesses across the country – 7,500 Latino-owned businesses and 7,500 non-Latino-owned businesses used as a comparison group.

Latinos and immigrants are launching businesses at an unprecedented pace in the United States, but barriers — some long-standing, some brand new — keep them from reaching their potential. Latino-owned businesses play a key role in the U.S. economy. As the fastest-growing segment of the United States small business ecosystem, the number of Latino-owned businesses has grown 34% over the last 10 years, to just 1% for all other small businesses. Were it not for the growth in the number of Latino-owned firms, the total number of small businesses in the U.S. would have declined between 2007 and 2012.

There are powerful economic reasons to invest in a thriving Latino business sector. For one, Latinos make up about 19% of the U.S. population, up 23% since 2010, or about 62 million people, according to the 2020 census. That number is expected to rise to 30% by 2050. They are not only consumers but producers and employers as well.

The growth of Latino-founded businesses outpaces even its explosive population growth, making it the fastest-growing segment of small business in the country. In 1992, there were fewer than one million Latino-owned businesses (LOB) in the U.S., or about 5% of businesses overall, according to census data. There were more than 3.3 million in 2012, (about 12% of small businesses) and 5 million in 2020 (a 52% growth rate). Non-Latino-owned businesses (NLOB) grew about 4% in the same period, said Jerry Porras, Stanford professor emeritus and co-faculty director of the SLEI Research.

Key findings of the 2021 SLEI report include:

- Overall, Latinos’ total economic output in 2020 was \$2.7 trillion, about 13% of the U.S. GDP – equivalent to the seventh largest GDP in the world.
- The median household income is about 29% less than that of white households. If median incomes of Latino households rose to the same level as white households, it would generate

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<sup>2</sup> The Stanford Latino Entrepreneurship Initiative (SLEI) is a research and education collaboration between Stanford University and the Latino Action Network has been conducting research on the U.S. Latino Businesses since 2015. SLEI publishes an annual report on the *State of Latino Entrepreneurship in the United States* (Ref 3.).

trillions more for the U.S. GDP each year. Closing the gap between Latino-owned and non-Latino-owned businesses would generate another \$1.5 trillion.

- Latino-owned employer businesses are growing revenues at a faster rate than White-owned employer businesses.
- Latino-owned employer businesses are significantly less likely than White-owned employer businesses to have loan applications approved by national banks.
- For both Latino and White-owned businesses, those led by women were most negatively impacted by the pandemic.

“It behooves us as a country to make sure that this sector of our society is just as prosperous as everyone else,” Jerry Porras of SLEI said in the report’s [video presentation](#). “We believe that by these measures, Latinos should be considered an asset to the U.S., one that deserves significant investment to promote U.S. economic growth and impact.”

## Latino Businesses in Massachusetts

Massachusetts (MA) reflects the US trends. The State has seen an explosion in the Latino population during the last decades. Since 1970 the Latino population in MA grew by 13 times to a total of 887,685 in 2020, according to US Census data. The Latino growth has been concentrated in Gateway Cities, comprising six regions or clusters: Greater Boston and the North Shore in Eastern MA is home to over half the Latino population of the State (some 400,000) with a large concentration of Latino-owned businesses in their downtowns. Cities such as Chelsea, Revere, Lynn, Salem, Everett, Malden, Lawrence, Haverhill, and other North Shore communities have large concentrations of Latino-owned businesses driving the economy of these cities. These cities have active and diverse downtown districts with a conglomeration of small businesses such as Latino restaurants, coffee shops, retail shops (non-food), small bodegas and supermarkets, food processing outlets such as community kitchens, multi-service agencies, discount stores, and many others. These businesses not only cater to residents but also attract outside visitors seeking culturally relevant products, food, and services.

Massachusetts has seen an exponential growth in the Hispanic population in the last decade. This growth has had a significant impact on the economic and demographic landscape of the State. The recent 2020 census reported a rise of over 7.4 percent (%) in the State population reaching over 7 million residents. Meanwhile, the Hispanic population grew by an amazing 41.4% during the same period placing the number of Hispanics residing in the State close to 900,000. Over the last 20 years, the Latino population in MA *doubled* (from 427,340 to 887,685). In fact, if it were not for this growth in the number of Hispanics over this period, the overall population in Massachusetts would have grown by only 3% rather than the 10.7% actual growth rate evidenced since 2000.

The Latino population in these cities is highly diverse with emigres from Guatemala, Honduras, El Salvador, and other Central American countries, Puerto Rico, Dominican Republic, Haiti, and Cuba from the Caribbean, and from Colombia, Venezuela, Mexico, and other parts of South America. Thousands of immigrants continue to arrive in this country through the Southern Border and hundreds are relocated to Massachusetts. These immigrants lack work permits and many rely on government subsidies to get by. They face language, housing, economic, and access barriers that prevent them from becoming self-sufficient. Many rely on friends and family to get jobs with false documentation or work on a cash basis to get some income until they solve their immigration problems and obtain proper work authorization papers. Others may form their own self-proprietorship companies or work as contractors under 1099's to become self-sustained.

As Figure 1 depicts there are 40 cities and towns in Massachusetts with substantial Latino and minority populations and businesses. These cities account for 84 % of the Latino and 44% of the minority<sup>3</sup> population living in the state. A total of 887,685 Latinos and 1,454,908 minorities works in these communities according to the 2020 census. Moreover, the Latino community has *clustered* into six regions in the State with large concentrations of Latinos and other immigrants. These six clusters have 83.3% of the Latino population (or some ¾ of a million Latinos) with a high density and a large concentration of small businesses. The remaining 137,000 live across the state forming other clusters as the population grows. The count is underestimated by several thousand because Latinos do not register in the Census and remain hidden from official statistics. The upward trend is expected to continue, with shifts occurring due to gentrification housing costs, and other economic factors. (Ref.4)

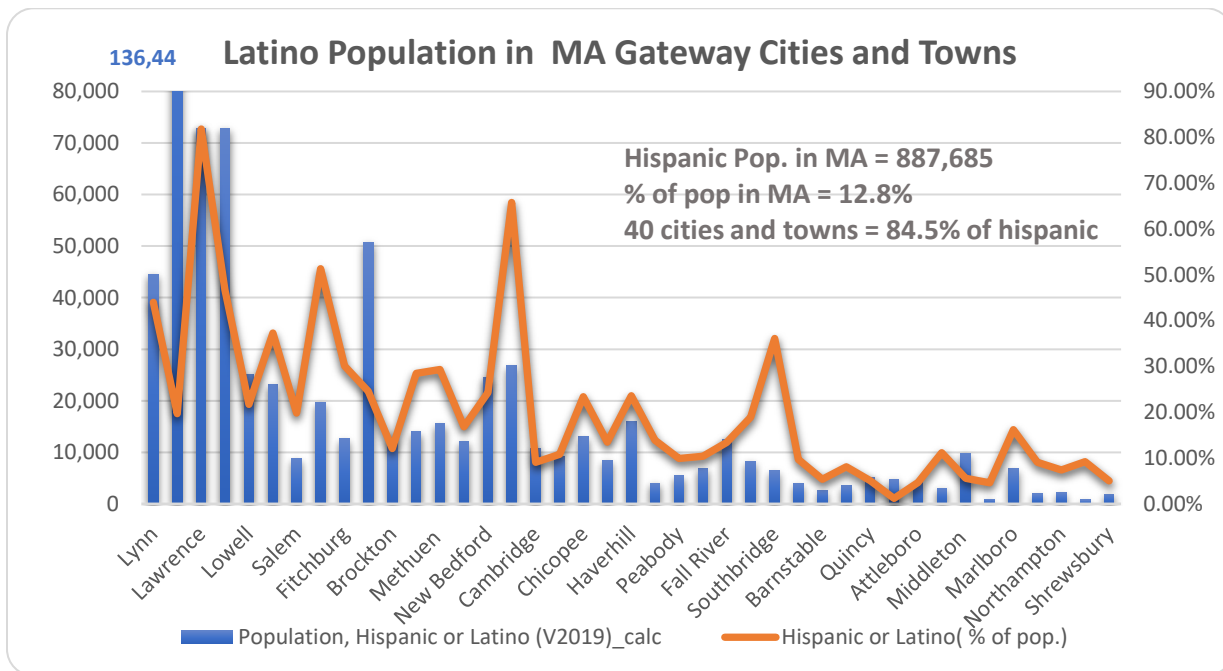


Figure 1 Latino demographic distribution in MA gateway Cities (Source: Ref4)

<sup>3</sup> Minority population in our context consists of Black, Latino, and Asian people.

## Clustering of Investments to Expand the Latino Business Base in Massachusetts

In Massachusetts, the concentration of Hispanics/Latinos has been in six regions (or clusters) in so-called “gateway cities.” The six regions or clusters are:

1. Greater Boston area
2. North Shore of Boston (Chelsea, Lynn, Revere, Everett, Peabody, Salem)
3. Merrimack Valley (Lawrence, Lowell, Haverhill)
4. Central MA (Fitchburg, Worcester, Leominster, Southbridge, Milford, Marlboro, and others)
5. Western MA (Springfield, West Springfield, and others)
6. South Shore, Cape & Islands (Brockton, Taunton, New Bedford, Barnstable, Nantucket, and others).

These business clusters grow with time and form around a high-population-density city/town that serves as the cluster center of gravity. These cities are Boston, Chelsea, Lawrence, Worcester, Springfield, and Brockton. Which serve as centers of gravity for their respective clusters. These six cities have driven the growth of these clusters from population, income, economy, and business formation perspectives.

These six business clusters (see map below) hold about 45% of the overall population of the State and 83.3% of the overall Hispanic population of the State. They extend for a total of 747 square miles (or about 9.5% of the overall MA land area) with 42 cities and towns (or 11.7% of the overall state). The population density of the six clusters is 4,224 population per square mile compared to 839 for the State (or 5 times as much).

**The Hispanic/Latino community in MA is concentrated in Gateway Cities and Boston – with population centers elsewhere in the state as well**

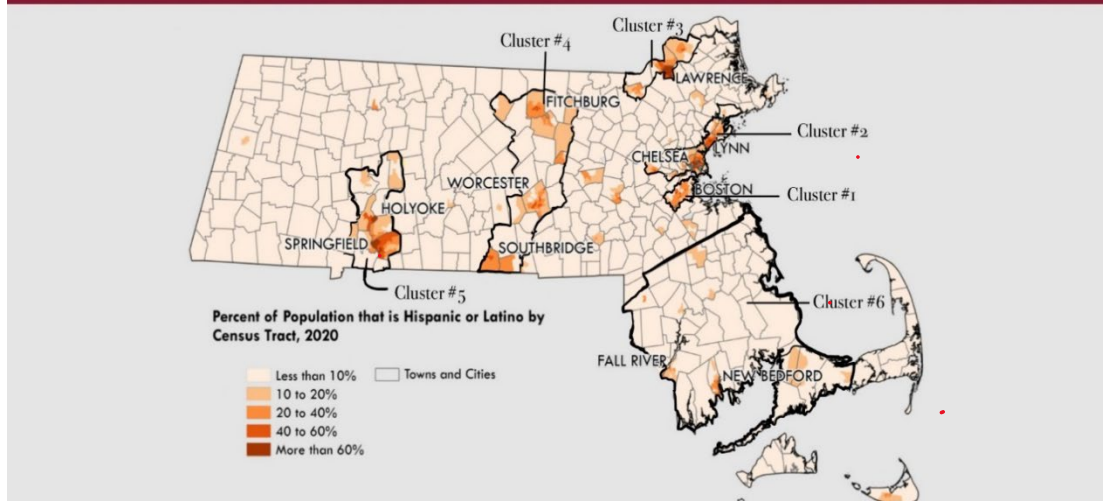


Figure 2 Clusters of the Latino population in MA (UMass Amherst, Donahue Institute) (Ref. 5)

Some observations follow:

- The high density of Latino and minority population in these six clusters allow for the concentration of technical assistance programs and capital resources with potential accrued benefits for the target populations.
- Clusters #1, #2, and #3 combined comprise 48% of the Latino population of the State, or some 425,305, who live in Greater Boston and the Northeast corner of the State, an area of some 200 square miles resulting in 8,192 people per square mile (a large density of people).
- The Central and Western clusters centered around Worcester and Springfield respectively have 28% Latinos and a 12.1% minority population of the State, with one-half the density of Greater Boston and the Northeast regions or 4,114 population per square mile.

The table below lists the cities and towns included within each of the six clusters. The criteria for inclusion is based on having a concentration of Latino population greater than 5% of the overall population of the town or city. A total of 42 cities and towns in MA fall into this category.

<b>Cluster # and Designations</b>	<b>Cluster Region</b>	<b>Cities &amp; Towns Included</b>	<b>Total Land Area (square miles)</b>	<b>Population Density (count/sq.mi)</b>
<b>1- Greater Boston</b>	Metro Boston within Rte. 128	Boston, Cambridge, Somerville, Waltham, Woburn	58.8	15,171
<b>2- North Shore of Boston</b>	Northeastern region of Metro Boston	Chelsea, Revere, Everett, Malden, Lynn, Peabody, Salem	52.9	7,907
<b>3- Merrimack Valley</b>	Cities in the Merrimack Valley	Lawrence, Methuen, Haverhill, Lowell, Middleton	89.2	3,760
<b>4- Central MA</b>	Central part of State from Chicopee (north), Worcester (central) to Southbridge (south)	Fitchburg, Gardner, Holden, Lancaster, Worcester, Shrewsbury, Leominster, Marlborough, Framingham, Milford, Southbridge	142.34	3,932
<b>5- Western MA</b>	The western part of MA, along the Connecticut River	Springfield, West Springfield, Holyoke, Northampton, Chicopee, Westfield, Pittsfield	179.8	2,189



<b>6- Southeastern MA, Cape &amp; the Islands</b>	South Shore of Boston, Cape, and Islands	Dedham, Brockton, Taunton, Attleboro, Quincy, New Bedford, Fall River	224.3	2,483
<b>Total Clusters</b>		42 Cities/towns	757	4224
<b>Massachusetts</b>		351 cities and towns	7,800	839

The table below shows the Hispanic population density and other demographics for each cluster.

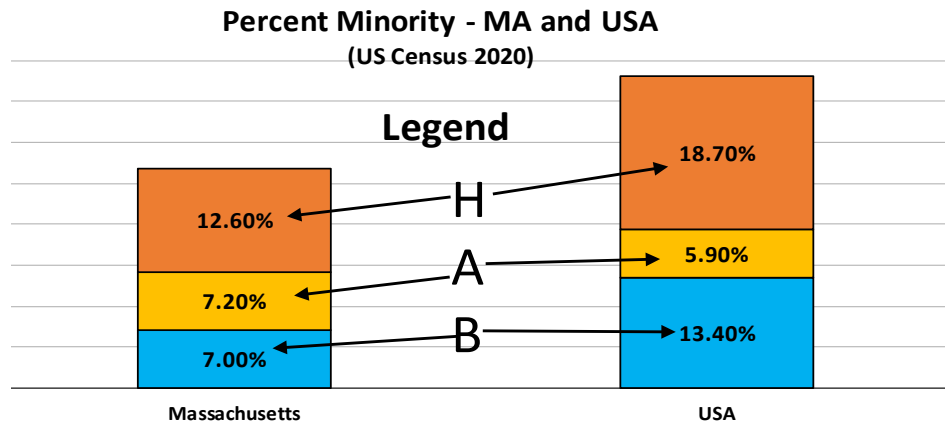
<b>Cluster # &amp; Designation</b>	<b>Population (2020)</b>	<b>Hispanic Population (2020)</b>	<b>Percent Hispanic (2020)</b>	<b>Minority Population (2020)</b>	<b>Percent Minority (2020)</b>
<b>1. Greater Boston</b>	1,029,179	168,020	16.3%	485,259	47.2%
<b>2. North Shore of Boston</b>	418,535	129,641	31.0%	213,880	51.1%
<b>3. Merrimack Valley</b>	335,332	139,280	41.5%	193,379	57.7%
<b>4. Central MA</b>	497,079	120,277	24.2%	210,832	42.4%
<b>5. Western MA</b>	392,894	119,187	30.3%	166,766	42.4%
<b>6. Southeastern MA, Cape &amp; the Islands</b>	567,309	68,366	12.1%	200,643	35.4%
<b>Total Clusters</b>	3,240,328	744,711	23.0%	1,470,750	45.4%

The concentration of Latinos and minorities in these clusters provides opportunities for targeted investments in small businesses, and workforce development, resulting in positive economic development outcomes. For example, with a population density of 3,760 people per square mile and a Latino and minority population concentration of 41.5% and 57.7%, respectively, Cluster #3 (Lawrence and the Merrimack Valley) offers a potential opportunity for smart culturally centric investments, creating economic opportunity and attracting more minorities to the area. As shown in Figure 4, Cluster#3 had the second-lowest population growth (4.2%) next to Springfield and Western MA with the lowest growth rate (0.5%).

## Minorities in Massachusetts

Minorities residing in the State have seen a significant rise in numbers, both in population and in new business start-ups. As shown in Figure 3, minorities (Black, Hispanic / Latinos, and Asian) over the last decade rose to 26.8% of the State population or close to 1.9 million people across the Commonwealth. Compared to the United States, MA lags in Latino and Black populations but is ahead in the Asian population by 1.7 percentage points. The Latino population in the United States stands at 18.7% in the 2020 Census, a significant increase driven by immigration from South and Central America and the Caribbean.

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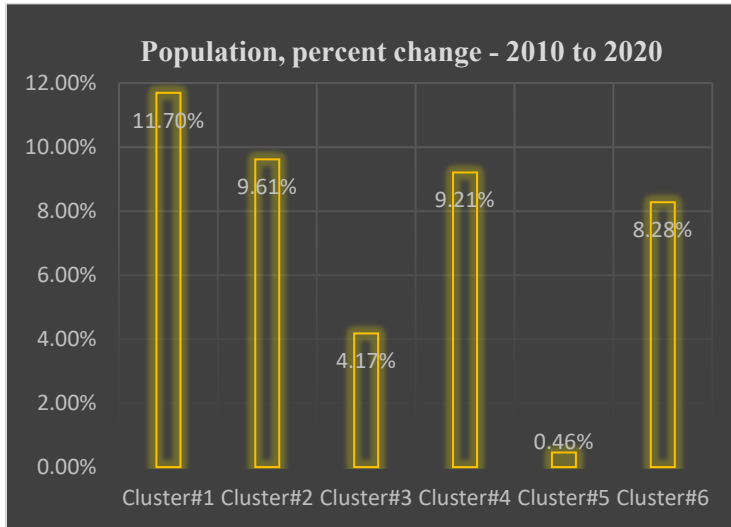


*Figure 3 – Minority Population in MA and USA*

**H – Hispanic      A – Asian      B – Black (non-Hispanic)**

## Population And Demographics

Figure 4 shows the general population changes over the last decade (2010 to 2020) within the identified six MA clusters. Greater Boston (Cluster #1) had the largest growth close to a 12% increase, followed by Clusters #2 (Northshore of Boston) and #4 (Central MA) with close to 10% growth, respectively. The Merrimack Valley (Cluster #3) and Western (Cluster #5) parts of the State had the lowest increase with just 4% and 0.5% growth, respectively. Cluster #6 (Southeast region, the Cape, and the islands) had a significant growth of over 8%.



- Cluster 1 Metro Boston
- Cluster 2 No. Shore of Boston  
Merrimack Valley (Northeast MA)
- Cluster 3 Central (Worcester County)
- Cluster 4 Western MA
- Cluster 5 South Shore, Cape & Islands

Figure 4 – Population Growth in Target Clusters in MA

The state’s population growth was driven by a dramatic Latino population increase. As shown in Figure 5, the largest concentration of Latino population in MA is in Cluster #1 (Greater Boston area) with close to 170,000 people and 17% concentration (percent of the overall population) in this cluster. Cluster #3 (Lawrence & Merrimack Valley) follows with 140,000 Latinos, comprising 40% of the population, and with the largest concentration among the six clusters. Clusters #2 (Northshore of Boston) and Cluster #4 (Central MA/Worcester County) are close to 130,000 each (over 40% of the population) in the Hispanic population count, and 30% and 25% Hispanic concentration, respectively. Western MA (Cluster #5) remains behind the rest of the state in Latino population numbers (with 120,000) with a large concentration (30%) of Latinos. (See Fig. 5.)

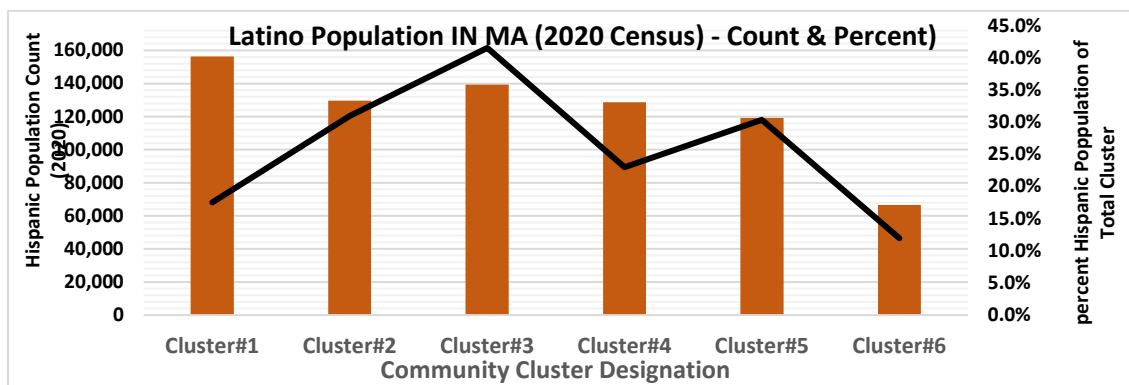


Figure 5 - Hispanic Population Count and Concentration (%) by Cluster

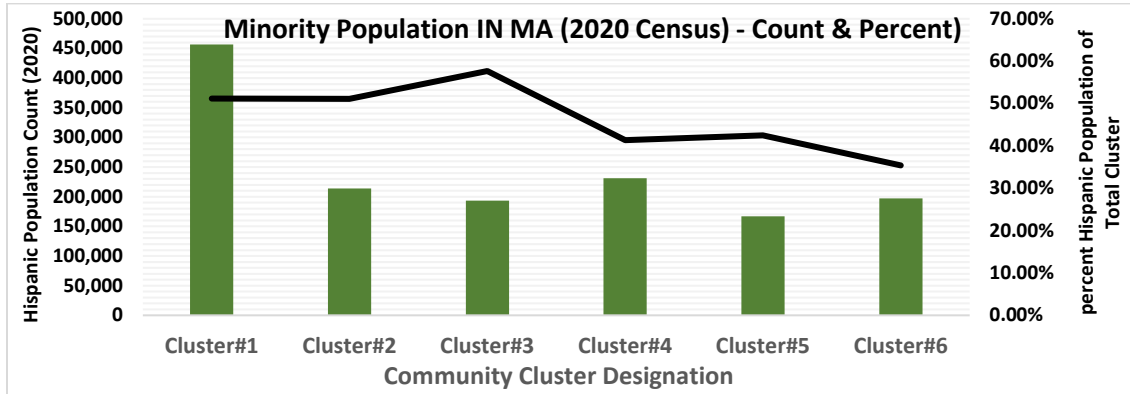
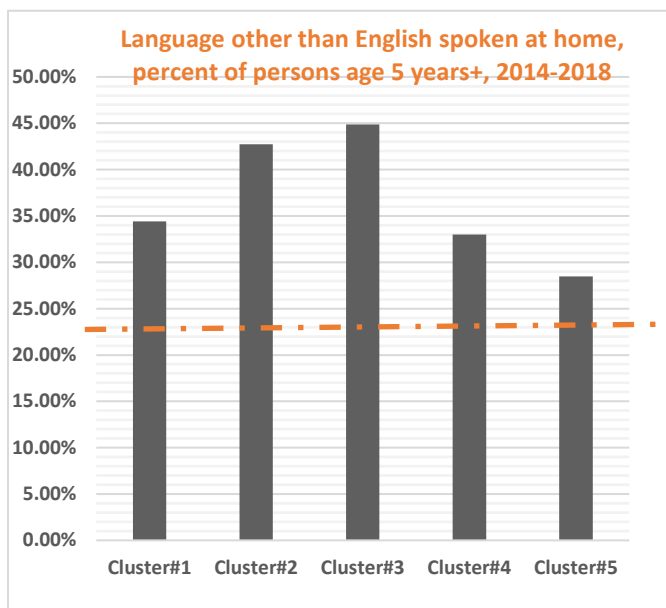


Figure 6- Minority Population in MA - Count and Concentration (%) by Cluster

Cluster 1	Metro Boston
Cluster 2	No. Shore of Boston
Cluster 3	Merrimack Valley (Northeast MA)
Cluster 4	Central (Worcester County)
Cluster 5	Western MA
Cluster 6	South Shore, Cape & Islands

Figure 6 shows the minority (Latinos, Blacks, and Asians) population count and concentration percentages which follow a similar pattern to the Latino population. The greatest concentration of minorities lives in greater Boston (Cluster #1) with over 50% of the population making Boston a “majority-minority city”. The other 5 clusters have lower minority concentrations, hovering around 30% of the population each, and about 200,000 in population count.



Another meaningful metric reflective of the immigrant population residing in these clusters is “Language other than English spoken at home (percent of persons age 5+ years-2014-2018)”. Figure 7 below shows the percentage for each cluster, with Cluster#3 (Lawrence, Merrimack Valley) having the largest concentration at 45%, followed closely by Cluster#2 (No. Shore of Boston) with 43%. All clusters exceed the MA average of 23.6% of persons speaking a language other than English which is a proxy for percent of immigrants. The lowest is cluster #5 (Springfield and Western MA) with close to 30%, being immigrants from other countries.

Figure 7. Distribution of Immigrant Population by Cluster

## Business Formation

As these communities grow in Latino and minority populations, so do the local businesses. As shown by the SLEI report (Appendix A), many immigrants form their own businesses, rather than seeking employment. Figure 8 below shows the distribution of minority businesses across the six clusters.

Minority business formation across MA varies per cluster. Evidently, Greater Boston (Cluster #1) and the North Shore of Boston (Cluster #2) have the highest number of small minority, women, and veteran-owned businesses: a total of 80,000 businesses combined as shown in Figure 8a.

Figure 8b shows the percentage of businesses of minority ownership for each cluster. As a percent of total businesses: minority, women, and veteran-owned businesses combined dominate all the clusters ranging from 75% for Cluster #3 (Lawrence and the Merrimack Valley) to 58% for Cluster #4 (Central MA). The other clusters hover around 60% of the businesses, in other words over 50% of small businesses in these clusters are of minority ownership, which represents a remarkable diversity.

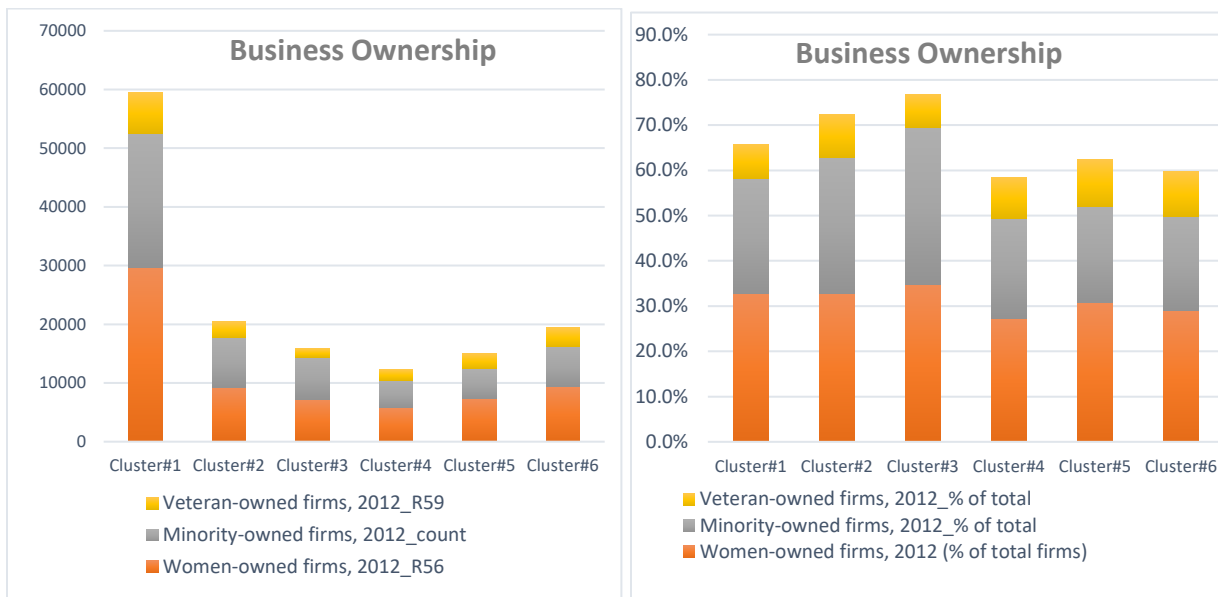
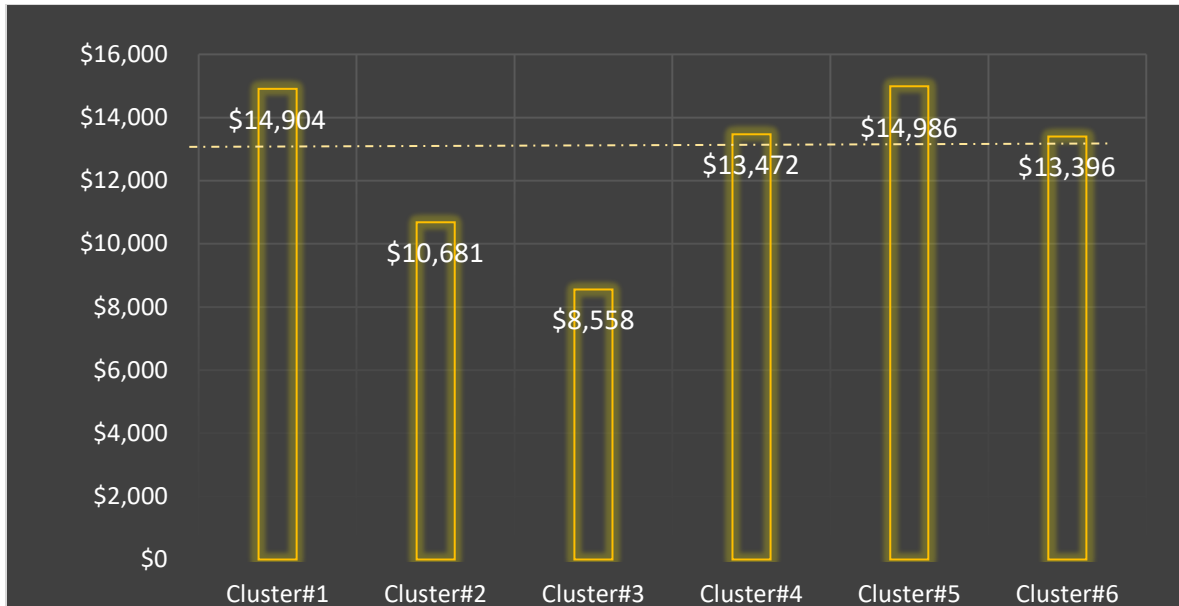


Figure 8a Small Business Ownership (count) Figure 8b Small Business Ownership (percentages)

As shown in Figure 9 below, retail sales per capita are highest for Clusters #1 and #5 (close to \$15,000 per capita), followed by Clusters #4 (Central MA), and #6 (Southeast MA), hovering around \$13,400 per capita. Cluster#2 (No. Shore ) and #3 (Lawrence and the Merrimack Valley) exhibited the lowest retail sales per capita with \$10,681 and \$8,558, respectively. These communities have higher Latino population densities concentrated in poorer neighborhoods. However, in Greater Boston, Western, and Central MA, and in the South Shore, Cape, and the Islands the income levels tend to be higher with greater variation of income found in these three



clusters. One reason is the wide range of retail sales within the 7 communities in Cluster #5 (ranging from Springfield with \$9,019 in retail sales per capita to Northampton in the same cluster experiencing \$19,557 in sales per capita. This wide difference reflects the range of income levels in the cities within this cluster. Significant disparities also exist within Cluster 5 in income, education, and consumption discussed later in this paper. Cluster #3 (Lawrence and the Merrimack Valley) has the lowest retail sales per capita reflecting the low income in this Cluster.



*Figure 9 - Retail Sales per Capita for each Business Cluster*

Cluster 1	Metro Boston
Cluster 2	No. Shore of Boston
Cluster 3	Merrimack Valley (Northeast MA)
Cluster 4	Central (Worcester County)
Cluster 5	Western MA
Cluster 6	South Shore, Cape Cod, and the islands

### **Educational Attainment**

Educational attainment by Hispanics within these clusters is lower than the overall State average. As shown in Figure 10 high school graduates at the State level averaged 90.4% of students graduating, with all the clusters falling short of that level (only Greater Boston is closer to the state average). The other clusters hovered between 60% to 80%, below the State average. A similar trend is evidenced for college attendance and graduation, with a state average of 43%, only Greater Boston (Cluster #1) shows a higher average (50% graduation rate). But the five other clusters show a much lower rate than the State average (ranging from 15% to 25%).

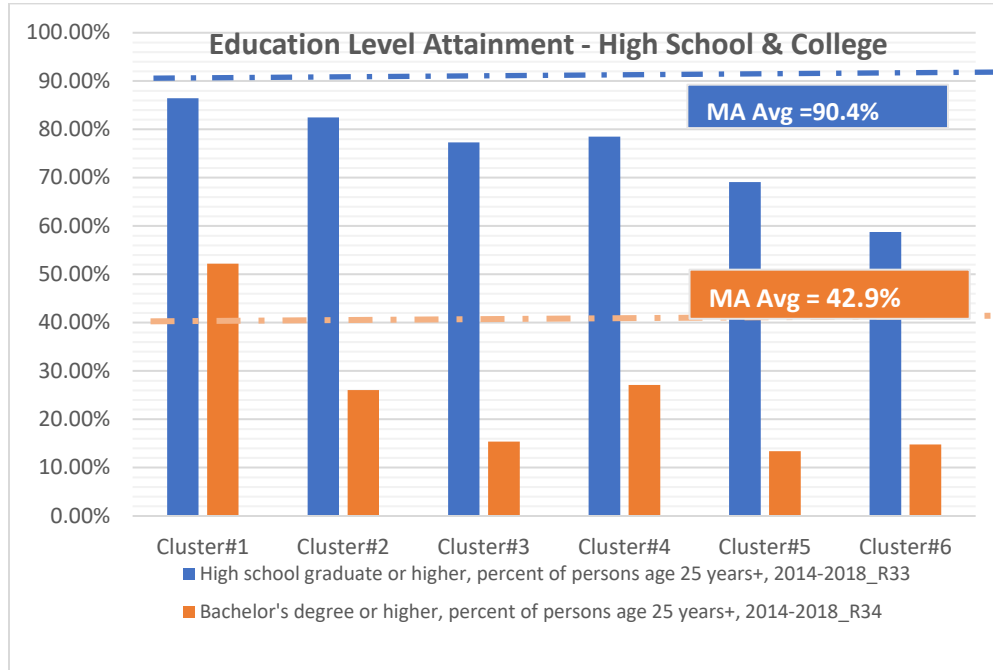


Figure 10 - Education Level Attainment by Hispanics- High School & College

Cluster 1	Metro Boston
Cluster 2	No. Shore of Boston
Cluster 3	Merrimack Valley (Northeast MA)
Cluster 4	Central (Worcester County)
Cluster 5	Western MA
Cluster 6	South Shore, Cape & Islands

## Income Levels

Income levels of Hispanics, as measured by median household income and per capita income in the past 12 months, are shown in Fig.11. Cluster #1 (Metro Boston) and #4 (Central MA) are close to the State’s average of \$77,378. Cluster #2 (North Shore of Boston), Cluster #3 (Lawrence, and Merrimack Valley), and Cluster # 5 (Western MA) show rates much lower than the State average for the median household income metric.

Plotting the other metric “Per capita income levels for the past 12 months” all clusters are at or lower than the State average of \$41,794. Cluster #2 (North Shore of Boston) Cluster #3 (Lawrence, Merrimack Valley), and Cluster#5 (Western MA) show the smallest levels ranging from \$26,700 to \$29,640, or about \$20,000 lower than the State average. In the North Shore of Boston, resident families are under pressure from an income level perspective because of the rising cost of living in cities such as Chelsea, Lynn, Revere, Everett, Malden, and other North Shore communities. Many of these communities are suffering from gentrification with new high-income market rates

for housing driving minority families out of these neighborhoods. A similar trend is observed for the “Persons in Poverty” metric. (Fig.12).

Poverty levels in all clusters are higher than the State average of 10% as shown in Figure 12. Measured by the federal government poverty standards, the 42 cities as an average are higher than the State average of 10%. Cities in Central and Western MA such as Worcester, Springfield, Holyoke, and others in clusters#4 and #5 suffer from poverty rates of 20% and 27% respectively.

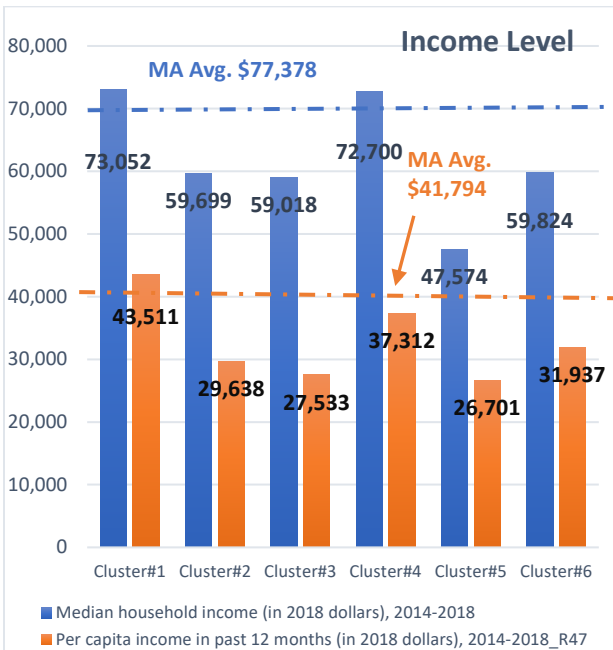


Fig. 11 – Income Level by Cluster (dollars (poverty))

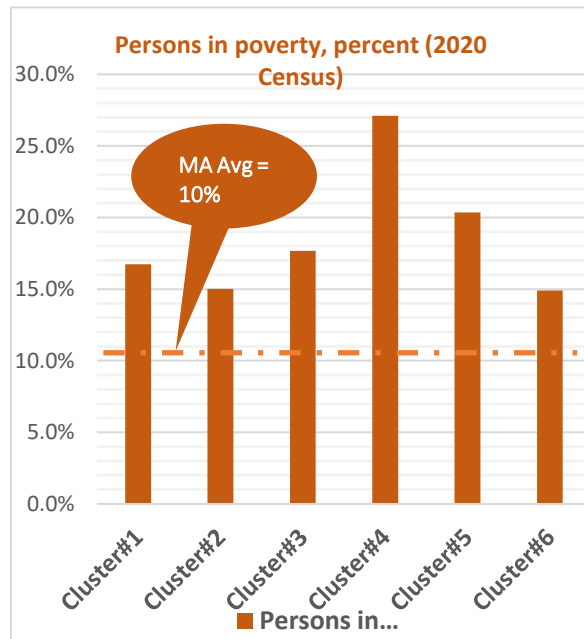


Fig. 12 – Poverty Level by Cluster (% persons in poverty)

## Opportunities

Statistics show the potential opportunities for growth offered by the Hispanic population across the United States:

- Latinos have the fastest-growing population segment in the US with 23% annual growth, in MA their rate surpassed 47% in the last decade.
- In 2025 it is projected that Latinos will comprise close to one-third of the US population; MA expects to reach over 20%.
- In 2020, Latinos contributed \$2.7 trillion to the nation’s GDP, making it comparable to that of France, which is the 7th largest GDP in the world.
- Over 5 million small businesses in the United States, were founded by Latinos (about 44% of all small businesses as reported by the SBA). A similar trend is observed for MA, especially in the six clusters discussed in this paper.

## Challenges

Challenges identified by our team of advisors working with small businesses in Chelsea, Springfield, and East Boston (Refs. 6,7 and 8):

- During the pandemic, our business advisors had to overcome many challenges to provide technical assistance to our target population: Hispanic businesses in Gateway Cities. Most of our target population resides and does business in Gateway areas where COVID-19 impacts were more severe.
- Many issues including small business closings, such as restaurants, hair salons, as well as many small personal service firms were adversely impacted by COVID-19. Restricted occupancy Protective Personal Equipment (PPE) and other restrictive measures created barriers for restaurant operators to attract regular and new customers and conduct business.
- Also, the closings produced a terrible impact on the mental health of many small business owners, making it almost impossible to meet one-on-one with them or to maintain focus on their operations and explore new ways to conduct or pivot their business.
- Limiting to 5 hours per 1-on-1 counseling visit under MGCC's grant is a challenge since often clients require more time. Need to draw the boundaries and manage client expectations clearly at the introductory meeting.
- Outreach is a challenge for micro business owners (1 or 2 FTEs) given the time constraints for most business owners. Lack of training in the English language provides a barrier to communication with financial institutions in applying for loans. Lack of proficiency in the English language is certainly a barrier.
- A mix of personal and business matters in finance and technology such as digital literacy, cash flow, equipment, and vehicles presented a challenge, in terms of lack of capacity and capital.

In general, our counseling process worked well. The interviews with owners were held in complete confidentiality (particularly important to make this clear to the client) but it was difficult to obtain financial information such as P&L and Balance sheets since many clients did not have them. The little financial information we received was in the form of tax returns and ballpark estimates (Refs. 7 and 8).

## Needs

Based on our work with Latino and minority business owners, the following needs have been identified (Refs. 6,7, and 8).

- Technical assistance to immigrant business owners in Gateway Cities is sorely needed for them to flourish their businesses and achieve economic growth and resilience in the underserved communities.
- Access to capital with a combination of low-interest rates and grants from Mass Development, MGCC, and other CDFI's in the State, will enable business growth, employment, and economic development in these underserved clusters.
- Workshops on topics such as “English for Entrepreneurs,” “Finance and Accounting,” “Marketing,” and “Business Planning,” offer minority business owners a formal education to grow and expand their businesses.
- Breakfast meetings held in Spanish with Latino business owners to discuss relevant issues of the day such as taxes, access to capital, operations, and marketing, are popular and should continue.
- One-on-one counseling by bi-lingual / bi-cultural advisors on specific business issues facing the owner is effective and includes an initial session of 5 hours with follow-on sessions as required.





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## **APPENDIX A**

**SLEI (Stanford Latino Entrepreneurship Initiative) FY 2022 Report Highlights**

## **APPENDIX B**

**Demographic and Socio-Economic Data on MA Gateway Cities**

**(Source: US Census 2020)**

## **APPENDIX C**

**Consejo de Planificación del Desarrollo Económico**

## APPENDIX A

### SLEI (Stanford Latino Entrepreneurship Initiative) FY 2022 Report Highlights (Ref.

#### INTRODUCTION

1. Today, the U.S. is home to more than **62.5 million Latinos, representing 19% of the U.S. population.** With an economic output of \$2.8 trillion; 1 in 5 million businesses across the country generating more than \$800 billion in annual revenue,
2. **Latinos are a prominent consumer base and a growing source of economic activity.** In this report, we focus on employer businesses with at least one employee other than the owner. To match census parameters, our study incorporates employer businesses generating at least \$10,000 in annual revenue. ii Hereafter, all data presented in this report correspond to Latino-owned employer businesses (LOBs) and non-Latino-owned employer businesses (WLOBs) unless stated otherwise.
3. **Our analyses show that U.S. Latinos continue to strengthen the American economy by creating employer businesses at a faster rate than NLOBs.** At the same time, LOBs have outpaced the revenue and payroll growth of NLOBs and American businesses at large. Regardless of the extraordinary challenges presented by COVID-19, most LOBs have recovered from the pandemic, and more have expanded their market reach beyond consumers (B2C), to governments (B2G), and nonprofit organizations.
4. Below, we highlight some of the **most pressing challenges and opportunities** that LOBs face.
  - a. Latino-owned businesses continue to outpace the growth rates of white-owned businesses (WLOBs) –and U.S. businesses in general–in terms of the number of businesses and revenue.
  - b. At the national level, from 2007 to 2019, the number of LOBs grew by 34% while the number of WLOBs dropped by 7%.
  - c. LOBs outpaced WLOBs in revenue growth during the same period and their annual payroll grew over twice as fast.
  - d. During the pandemic (2019-2022), the median growth rate in revenue for LOBs was 25% and 9% for WLOBs, and the median three-year compound annual growth rate (CAGR) for LOBs was 7% and 3% for WLOBs.
  - e. Latino-owned businesses are recovering from the pandemic and have expanded their customer base. Although LOBs were more negatively impacted by COVID-19 than WLOBs in 2020 and 2021, they were more resilient (in terms of percent clusters than the WOB counterparts.

5. **LOBs are now more likely than WLOBs to say their businesses have recovered and are doing better than before the pandemic.** The growing recovery comes along with a wider set of customers as LOBs are doing more business with governments, corporations, and nonprofits than in the past two years.

Between 2007 and 2019, the number of Latino-owned employer businesses (LOBs) grew by 34% while White owned employer businesses (WLOBs) experienced a 7%

6. **Latino-owned businesses are 50% more likely to request financing than white-owned businesses.** In 2022 there was a reduction in the share of businesses seeking funding and financing across all sources of funding. Despite this trend, LOBs were 50% more likely to request financing than WLOBs, with plans to *use the funds to expand their businesses, acquire additional capital assets, and meet operating expenses.*

7. **Latino-owned businesses receive smaller contracts that take longer to secure from corporations and governments than white-owned businesses.**

The annual payroll of Latino-owned businesses grew over twice as fast as for non-Latino-owned businesses from 2007 to 2019

8. Although a small proportion of businesses secure government and corporate contracts (13% LOBs and 10% WLOBs), LOBs tend to obtain contracts that are smaller and take longer to secure than WLOBs. More specifically, *LOBs secure corporate contracts that are 3.3 times smaller on average than WLOBs, and state and federal government contracts that are more than 30 times smaller than WLOBs.* Additionally, the procurement period for government contracts takes more than a year for 37% of the LOBs. This is in sharp contrast to more than a third of WLOBs that obtain government contracts in less than six months.

“Latinos face barriers like those overcome by waves of immigrants before them. Income, wealth, and intergenerational mobility are improving for Latinos over the generations, helping close the economic gap, but that is not enough” (McKinsey & Previous Co)

Although Latino-owned businesses have diversified their customer base and continue to strengthen the American economy by outpacing the revenue and growth rates of white owned businesses and American businesses in general, Latino-owned businesses continue to face notable challenges.

9. **Latino-owned businesses seeking loans from national banks have stronger business metrics than white-owned businesses yet have lower approval rates for loans over \$50,000.** At the time of application for business loans from national banks, LOBs have similar, if not better, qualifying indicators than WLOBs on average. These

include a gross revenue that is three times larger than WLOBs, similar business and personal credit scores as WLOBs, and lower outstanding debt than WLOBs. Nevertheless, LOBs have lower approval rates than WLOBs when applying for larger loans (\$50,000 or more), and higher rates of approval for small loans (less than \$50,000).

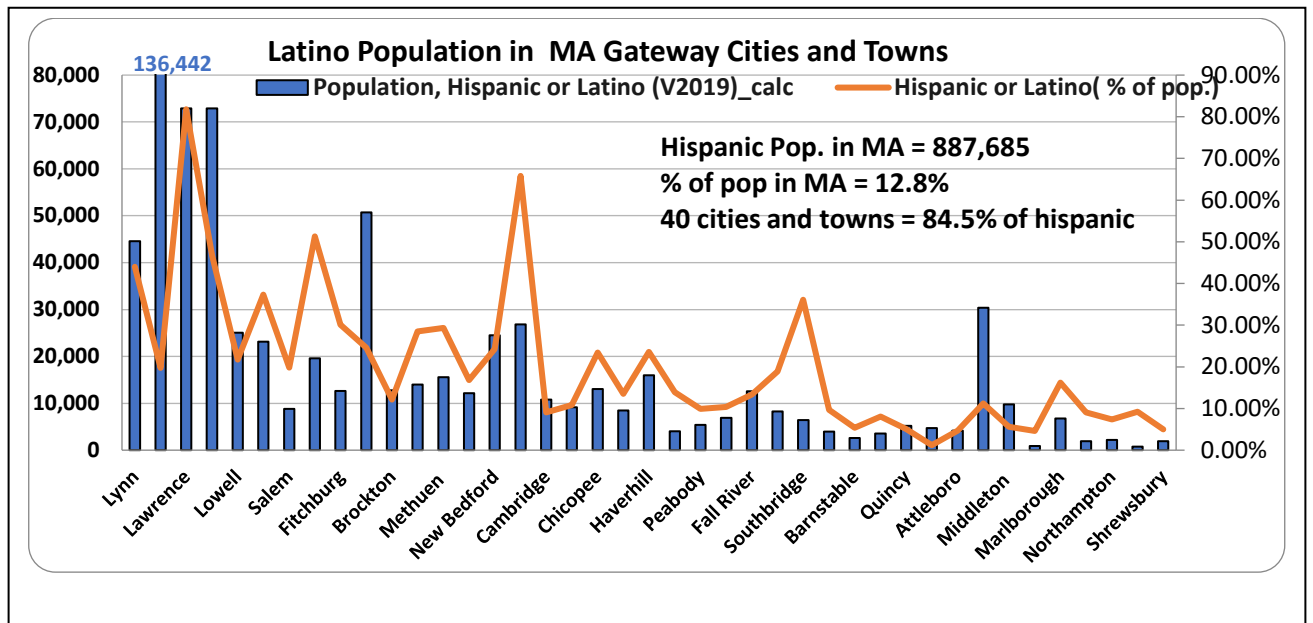
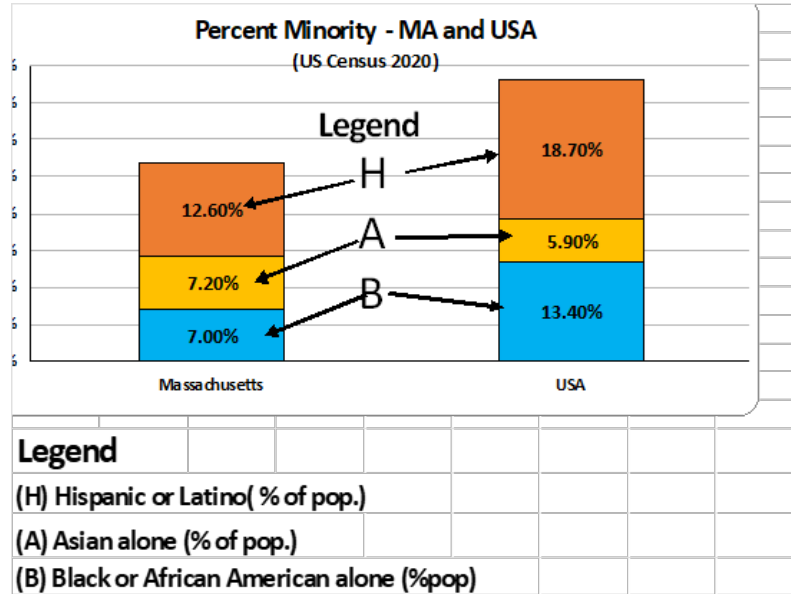
Data from annual SLEI Surveys of U.S. Business Owners and the U.S. Census Bureau continue to display the rapid growth and contributions of LOBs to the U.S. economy. Outpacing the growth rate of employer businesses, as well as revenue and payroll growth rates of American businesses and WLOBs, LOBs are a prominent source of economic activity. Furthermore, LOBs continue to be resilient and eager to achieve success. Despite the unprecedented challenges of the COVID-19 pandemic, which disproportionately impacted LOBs, Latino-owned businesses have recovered at a slightly faster rate than WLOBs. Our findings also show that LOBs are innovative and risk-takers as they use more marketing strategies and social media platforms to sell their products and services and have implemented more strategies to retain and recruit employees than WLOBs during the Great Resignation.

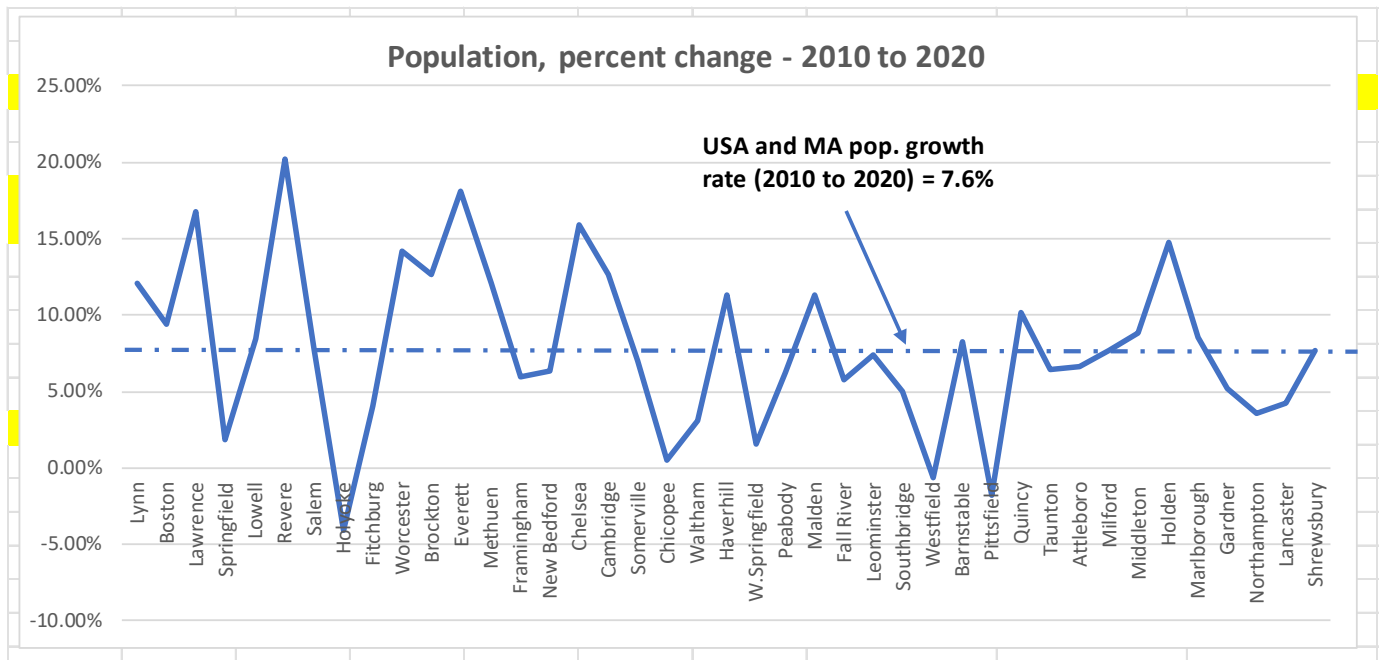
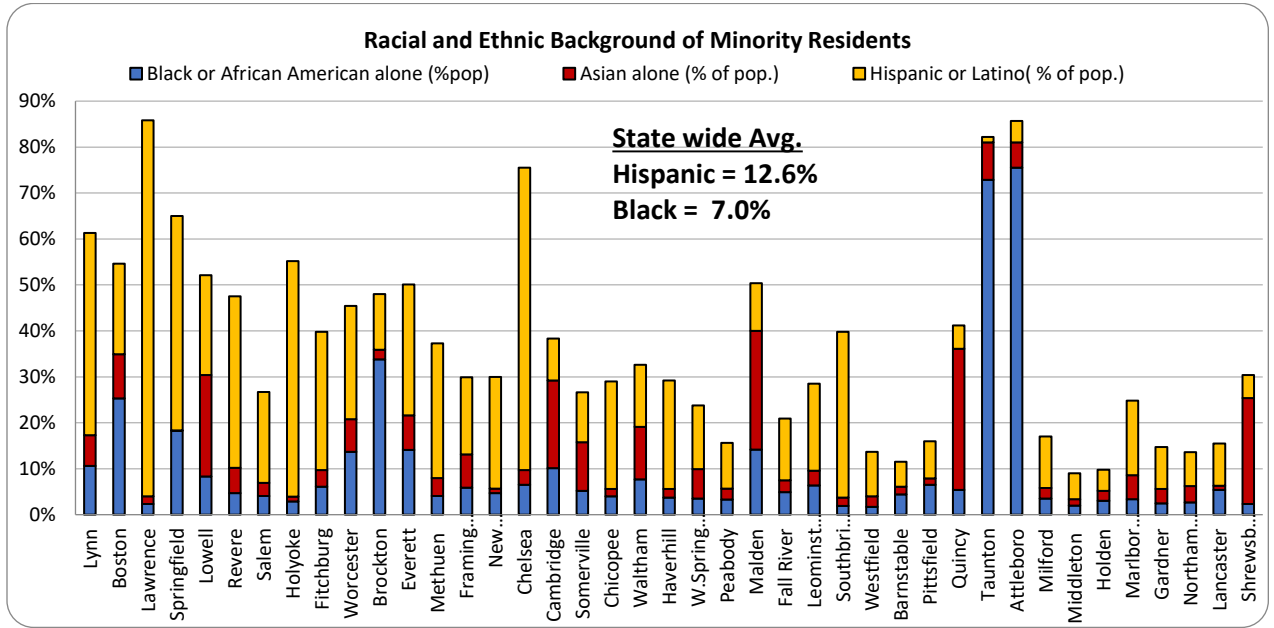
LOBs continue to face *challenges* that limit their ability to reach their full potential. The findings of this report reveal that LOBs receive contracts from governments and corporations that are smaller than WLOBs. At the same time, securing these contracts takes LOBs longer than WLOBs. Additionally, we find that although LOBs seeking funding have similar –if not better– business metrics than WLOBs, LOBs continue to have lower approval rates when seeking loans from national banks that are greater than \$50,000. These hurdles have been proven to hurt not only U.S. businesses but also employees and the American economy at large.

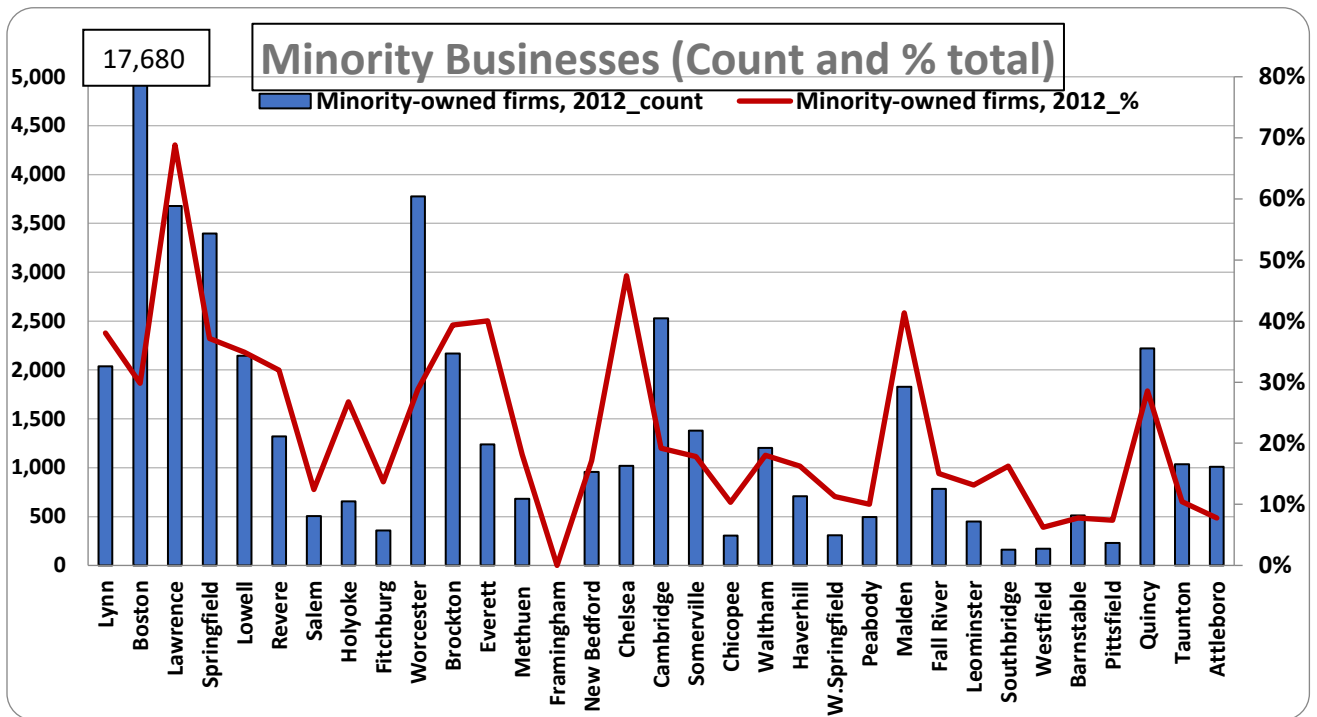
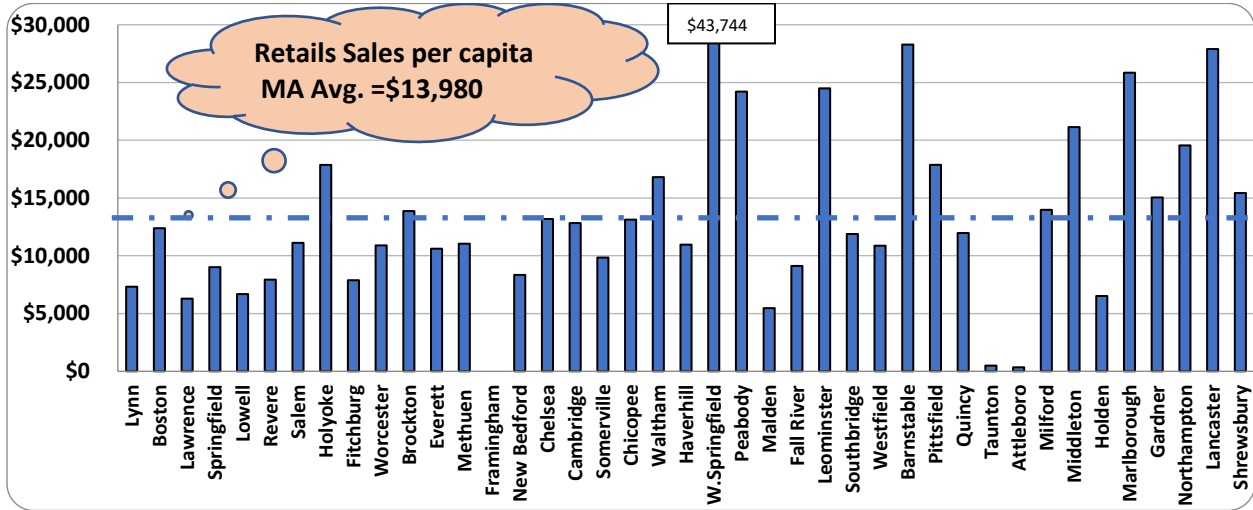
## **APPENDIX B**

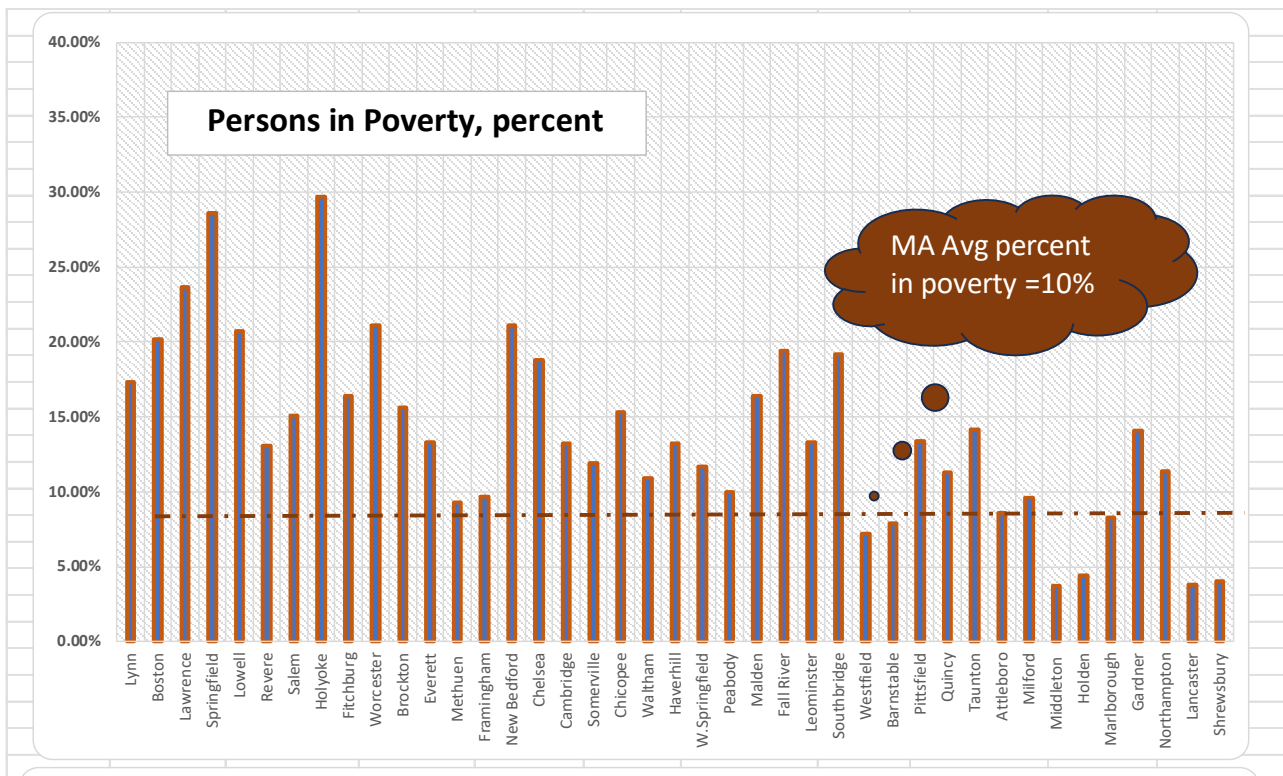
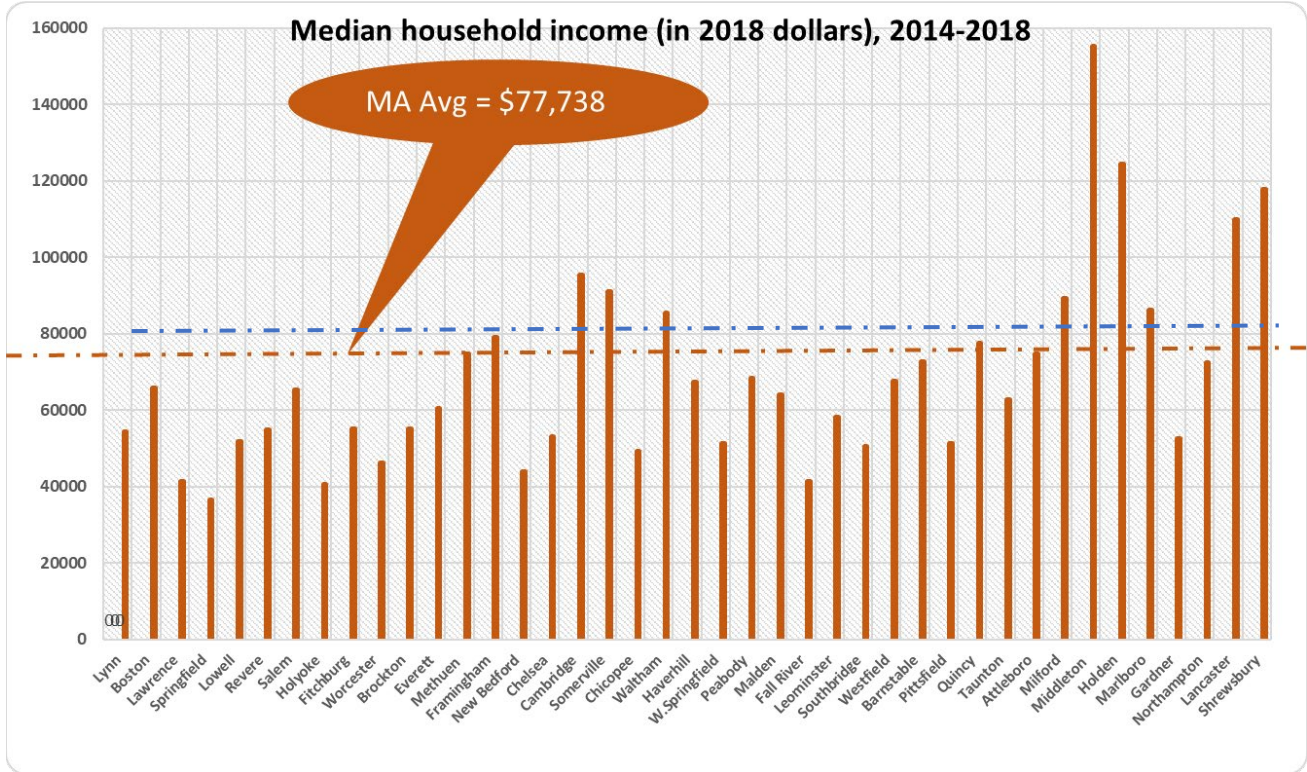
### **Demographic and Socio-Economic Data on MA Gateway Cities (Source: US Census 2020)**

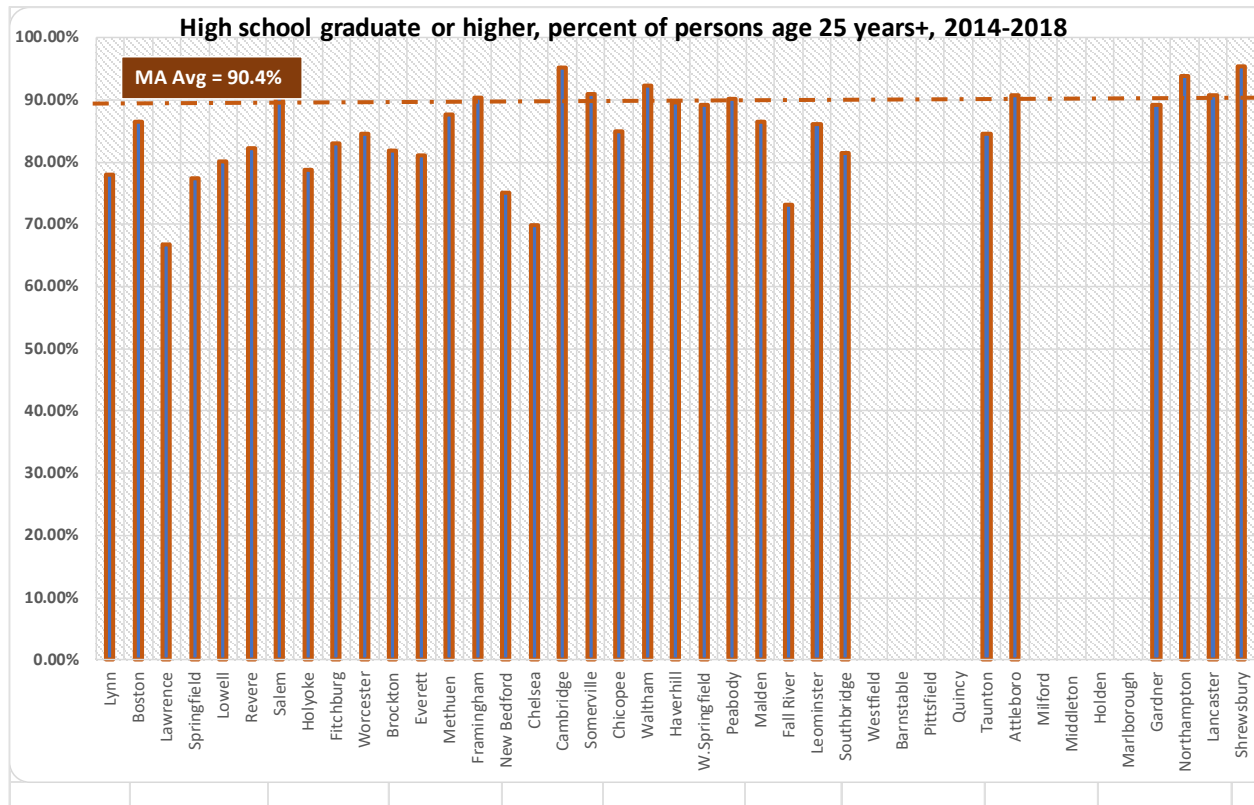
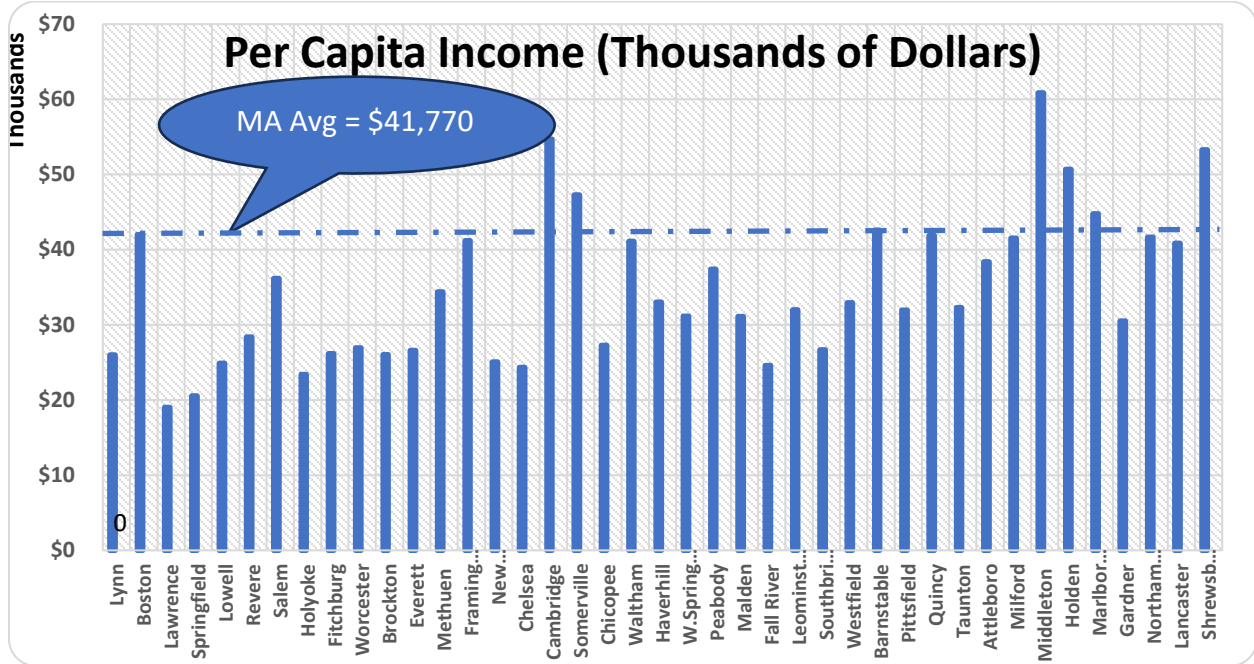


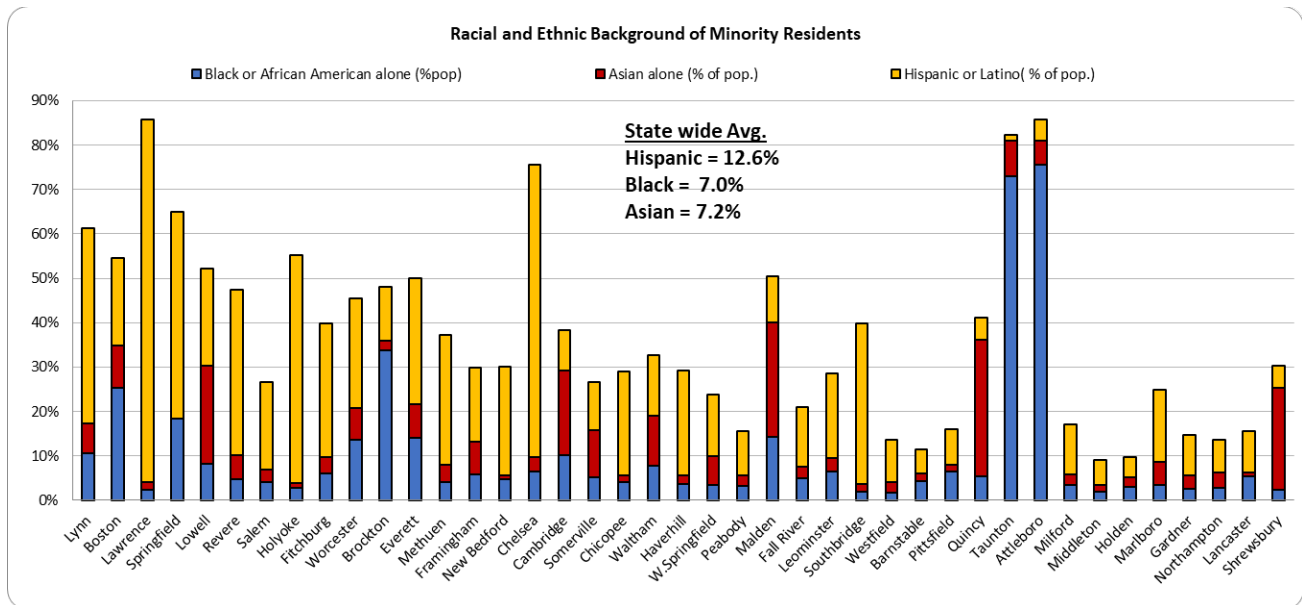
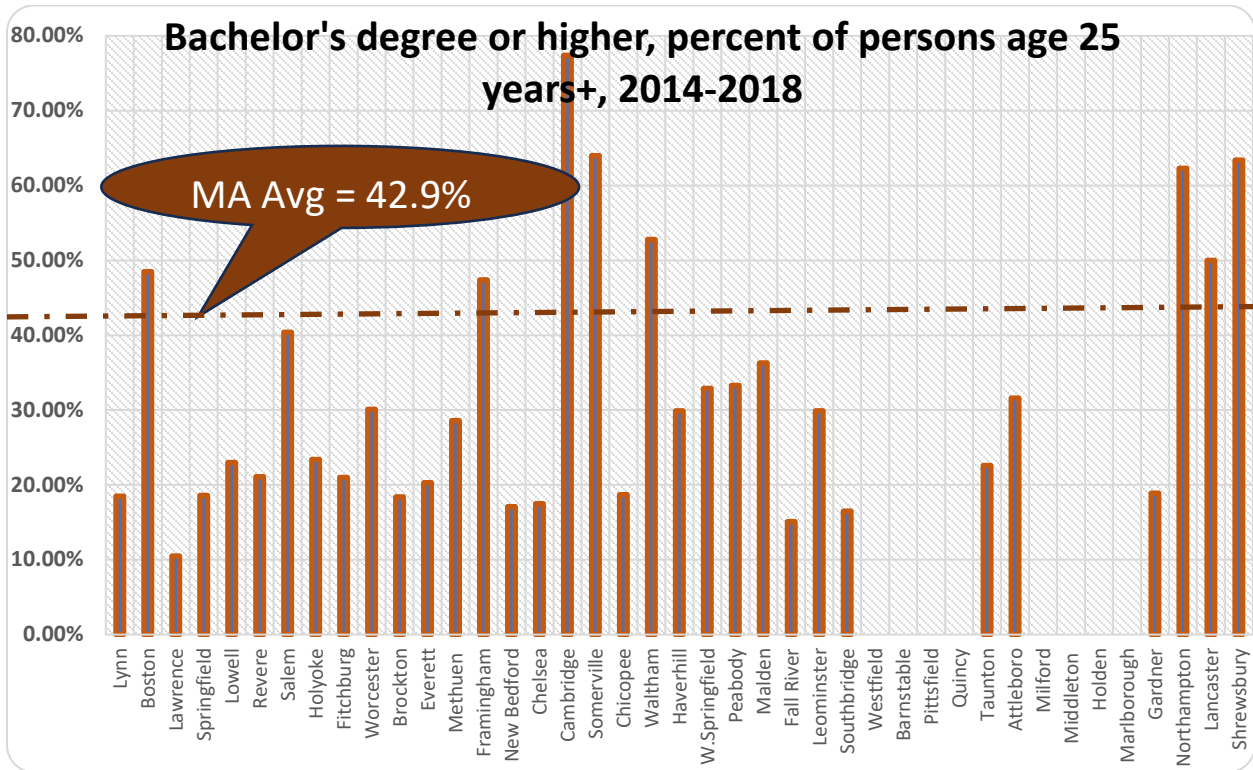




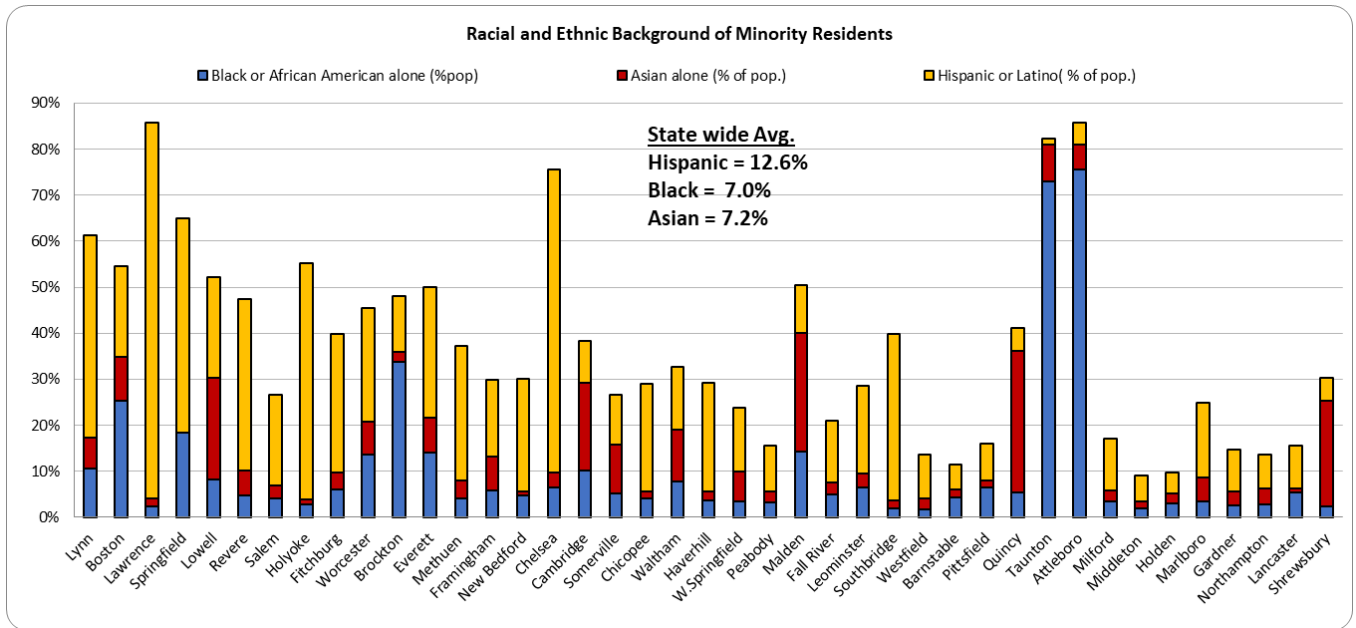
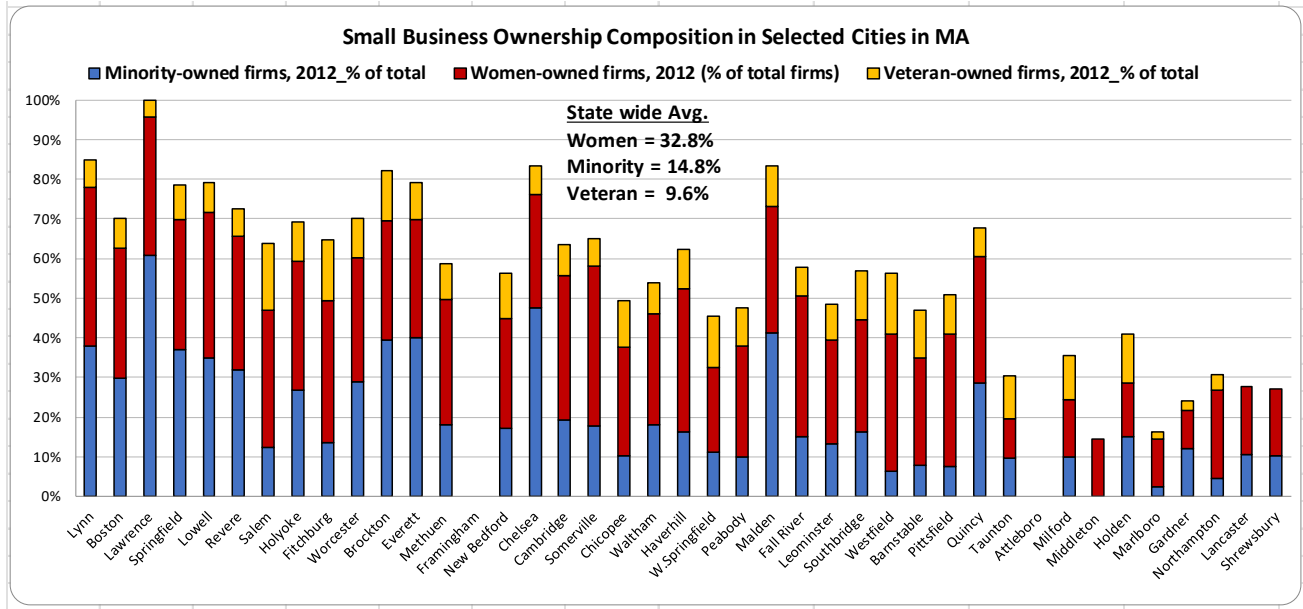


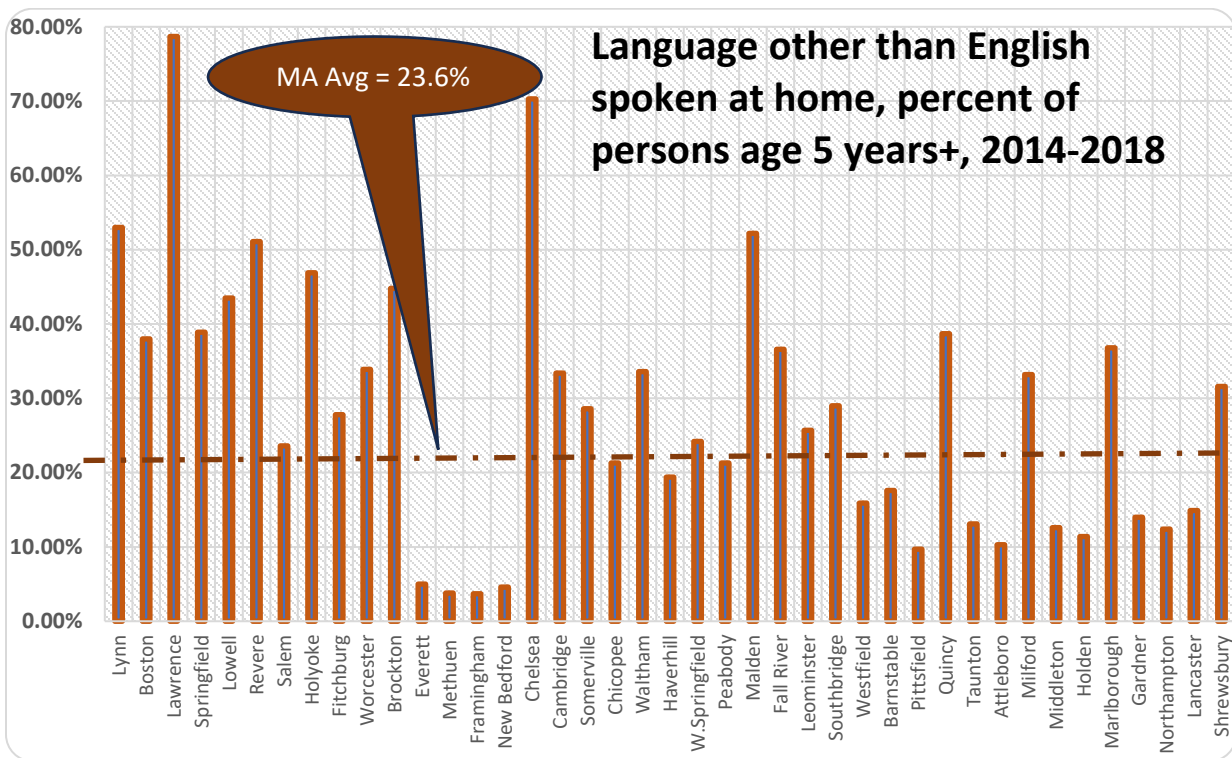
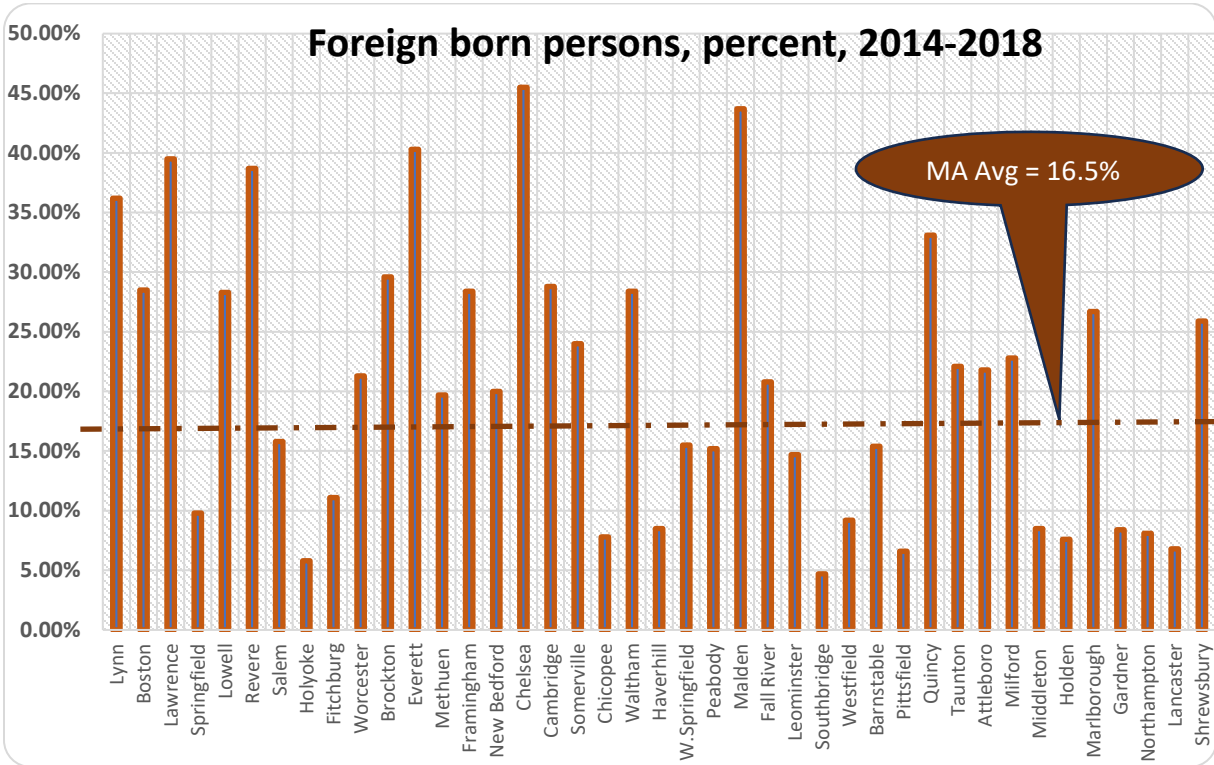


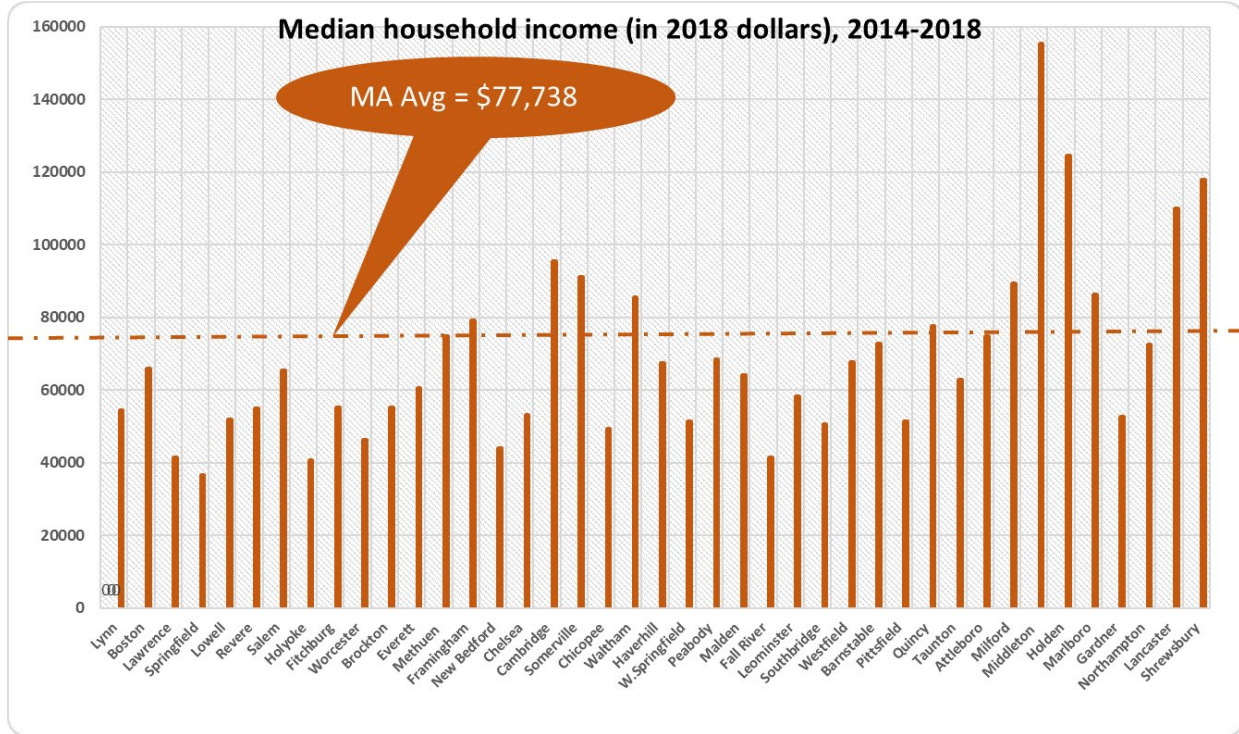














## Appendix C

### Consejo de Planificación del Desarrollo Económico

En el transcurso de los próximos meses, el Consejo de Planificación del Desarrollo Económico trabajará para establecer objetivos a largo plazo, puntos de referencia medibles y propondrá importantes iniciativas de desarrollo económico para guiar la política de desarrollo económico de Massachusetts durante los próximos cuatro años. Estas sesiones de participación han sido una parte integral de este trabajo mientras buscamos recopilar opiniones y comentarios del público esta primavera y verano en relación con las necesidades y oportunidades de desarrollo económico del estado.

Esta sesión permitirá que los residentes, líderes municipales, las empresas y las organizaciones de las comunidades latinas de Massachusetts interactúen con los funcionarios estatales en el proceso de desarrollo del plan económico, la política y la estrategia para nuestro estado.

Esperamos tener conversaciones abiertas y productivas con usted mientras trabajamos en una estrategia que promueva comunidades exitosas y negocios en crecimiento. Con este plan económico, queremos asegurar que los residentes del estado tengan la oportunidad de tener una gran carrera, ganarse la vida, formar una familia y prosperar aquí en Massachusetts.

**Finalmente, le pedimos su ayuda para hacer correr la voz** para asegurar que todos los que estén interesados asistan a este evento y podamos recopilar la información que necesitamos para hacer el mejor plan posible. Le pedimos que use y comparta el siguiente enlace para registrarse: <https://www.eventbrite.com/e/sesion-virtual-de-planificacion-de-desarrollo-economico-tickets-685117674407?aff=oddtcreator>

On behalf of the Healey-Driscoll Administration, we want to cordially invite you to join us for the **Greater Boston Regional Economic Development Planning Session on Monday, June 12th at 11:30 a.m. held at Roxbury Community College**. This meeting is part of the 2023 Massachusetts Economic Development Planning Council.