

The Role of Latino Small Businesses in Older Mid-size Industrial Cities: The case of Springfield, MA

Reinventing Older Communities
Building Resilient Cities



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Toward a More Prosperous Springfield: A Federal Reserve Bank of Boston Initiative

- **Why Springfield?**
 - Springfield has one of the highest rates of concentrated poverty in the nation
 - Springfield's challenges are similar to other older manufacturing cities across the nation
- **Objective:** Support ongoing efforts to revitalize City of Springfield
- **Our focus:** Bring economic improvement for city residents, especially those in impoverished neighborhoods

Toward a More Prosperous Springfield: The Role of Latino Small Businesses*

Motivation: Very low employment and labor force participation rates

Question: Is business ownership a potential strategy for job creation in the city and for income generation in impoverished areas?

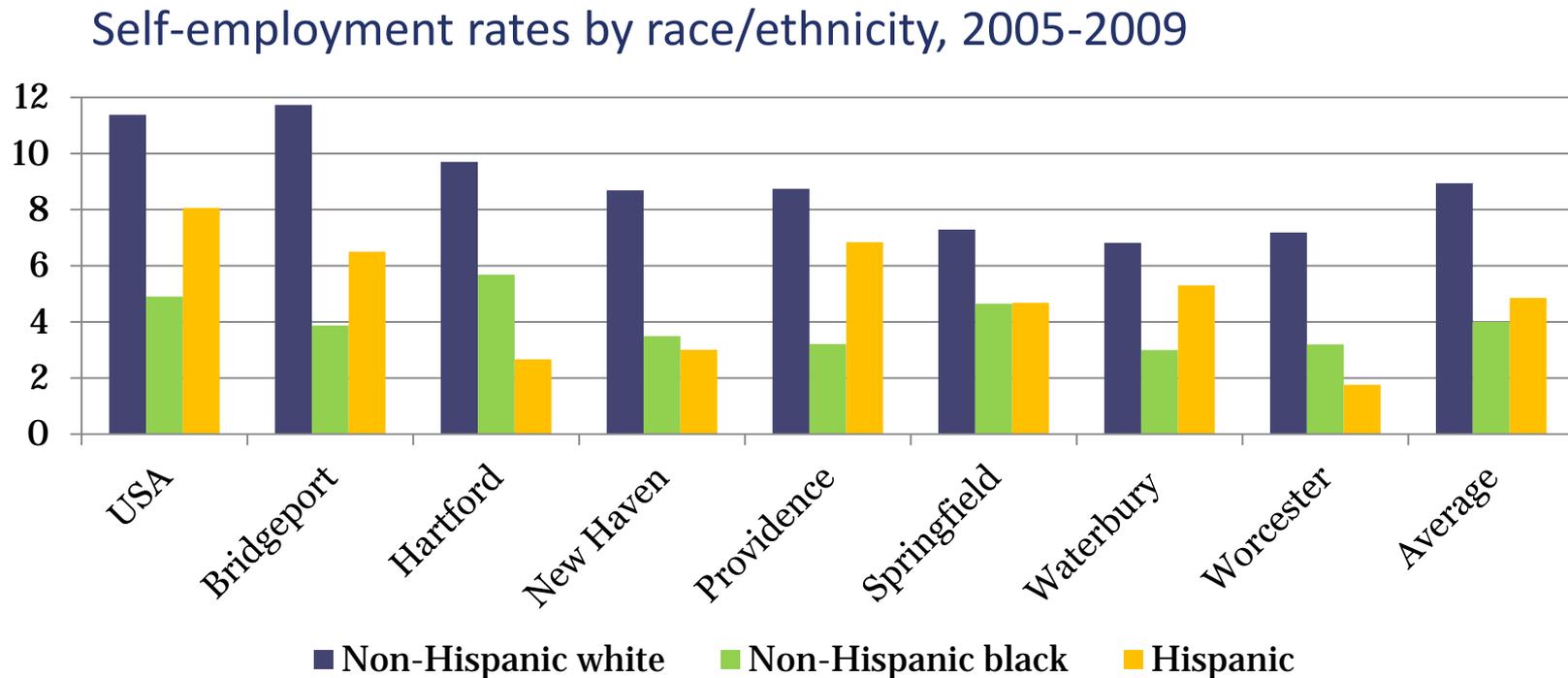
Goal: Understand the prominence of Latino entrepreneurship, the barriers that small business owners face and provide recommendations to support Latino small business owners

Brief (very brief) Literature Review:



- Factors motivating self-employment: Pull and push factors, residential segregation (up to a certain point)
- Effects of self-employment on upward mobility: Results are mixed but business ownership for less educated-youth appears to be a good economic alternative.
- Each year a relatively higher number of black and Latino entrepreneurs leave self-employment (exit rates of 40% vs. 27% among whites)
- Factors explaining gaps in entrepreneurship rates determined by fewer assets, disparities in educational attainment, intergenerational links, and discrimination in access to credit

Latino entrepreneurship in Springfield and Peer cities:



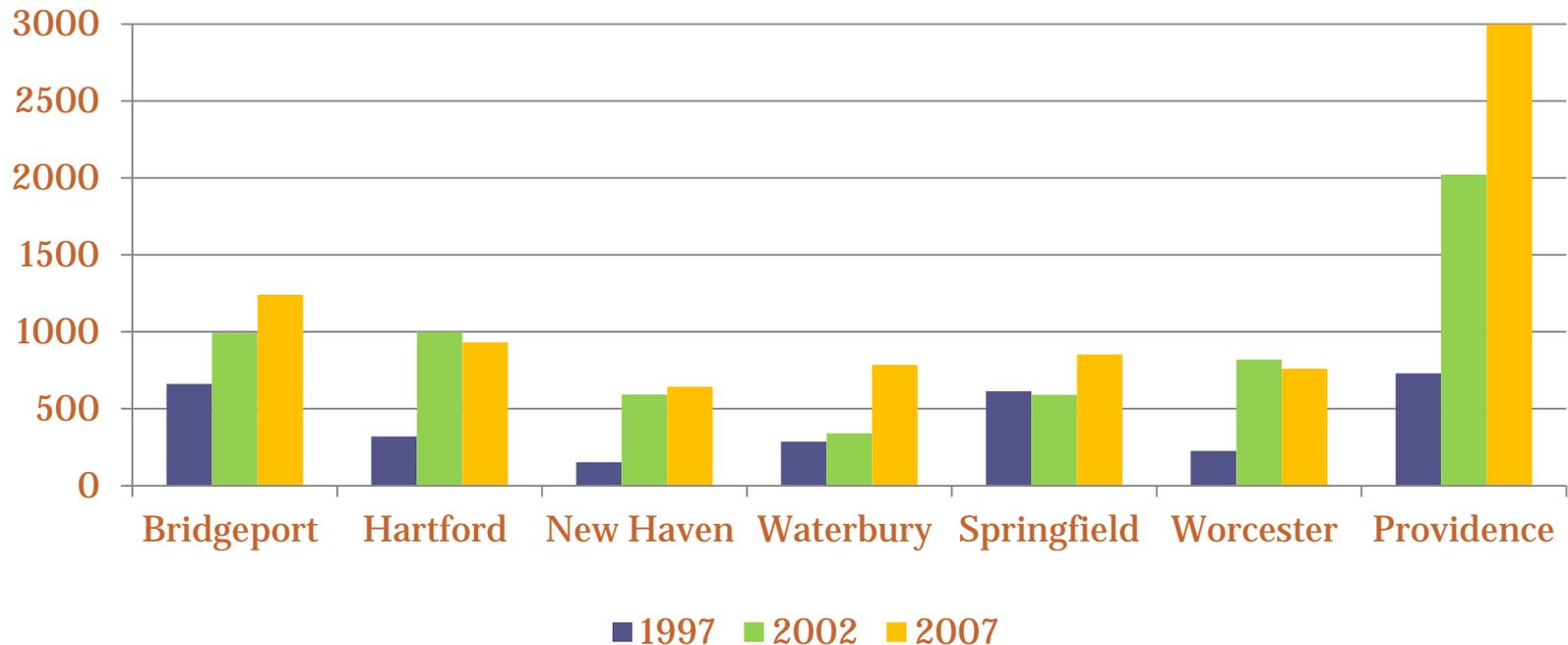
From 2000 to 2006-08:

- The number of Latinos self-employed in Springfield grew by 155%
- The number of employed Latinos who worked for wages increased by 53 %

Latino-owned firms have been growing rapidly

In absolute...

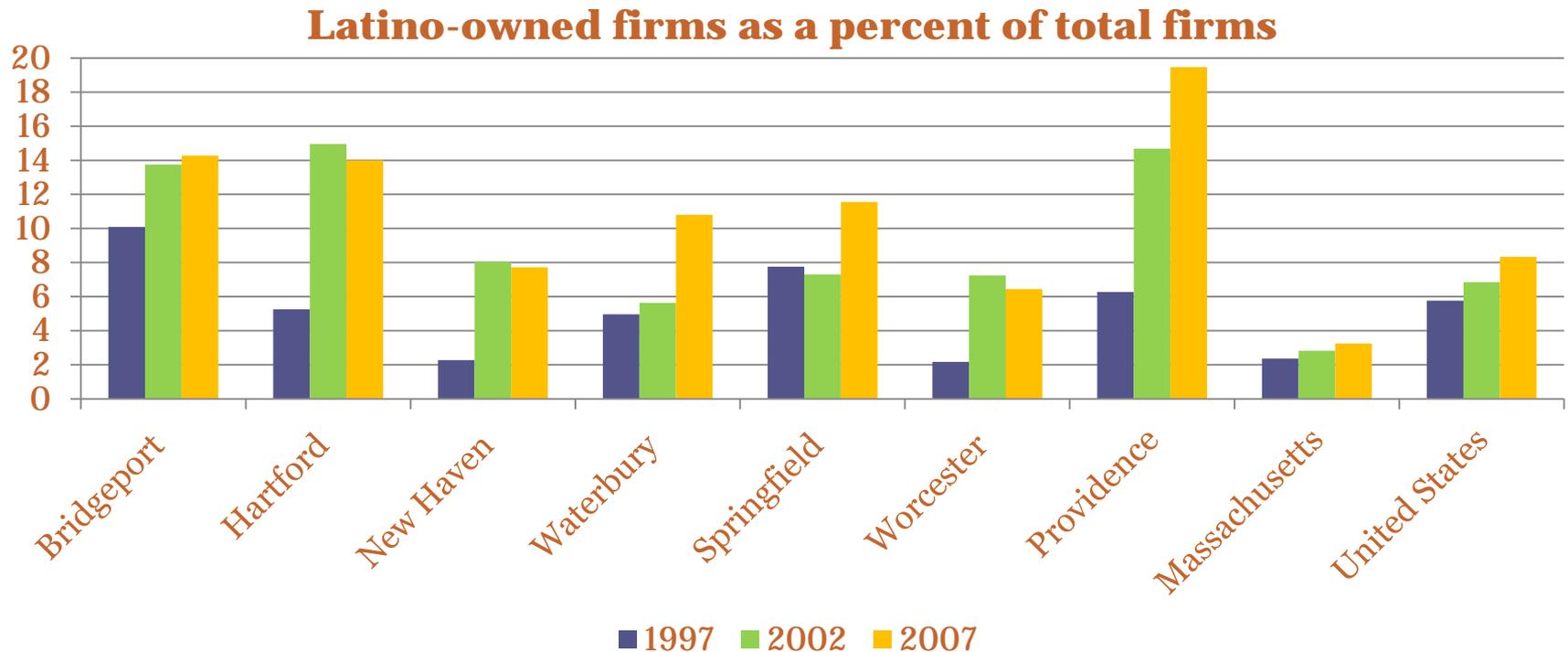
Number of Latino-owned firms



Source: Survey of business owners (1997, 2002, 2007)

Latino-owned firms have been growing rapidly

.... and relative terms



Source: Survey of business owners (1997, 2002, 2007)

Firms' characteristics

	Employer firms (percent of total firms)		Firm's receipts (\$1,000/firm)	
	All firms classifiable*	Hispanic-owned	All firms classifiable*	Hispanic-owned
Bridgeport	19.1	10.1	344	160
Hartford	31.7	13.6	684	111
New Haven	22.1	8.4	364	170
Providence	22.3	4.5	406	28
Springfield	27.3	12.1	491	72
Waterbury	21.1	6.9	387	30
Worcester	25.7	10.2	503	43
Massachusetts	21.1	9.6	418	99
United States	19.8	11.0	382	121
Average cities (excluding Springfield)	23.7	9.0	448	90

Source: Survey of business owners (2007), American Community Survey (2006-08)

Characteristics of Latino-owned business in Springfield: *The entrepreneurs' perspective*

- Based on interviews to 11 business owners (firms included small grocery stores, clothing and music stores, beauty salons, restaurants and money transfer services)
- Motivation:
 - Desire to “be its own boss”
 - Without a professional degree there are not “good” jobs available
- Characteristics of business interviewed:
 - 1 to 10 workers, most firms employed only family members
 - Work on average 84 hours a week
 - Have been in businesses from 5 to 10 years
 - Several entrepreneurs acquired an existing business



Characteristics of Latino-owned business in Springfield: *The entrepreneurs' perspective*



- None of the entrepreneurs have received technical assistance
- All of them financed their businesses entirely with their own savings or family resources
- Businesses have expanded and added other services to the business lines
- Business owners don't want their children to continue working on their firms

Characteristics of Latino-owned business in Springfield: *The entrepreneurs' perspective*



- Contribution to neighborhood revitalization
 - Latino businesses provide goods and services to residents in underserved areas
 - And they play an important role in providing support to Latino residents (help translating documents, filling out forms, contacting residents in need with social services, selling on credit, providing transportation in case of emergency, etc.)



Recommendations

- Different strategies are needed for different types of entrepreneurs:
 - Corporate business owners : capital for start-up and expansion needs
 - Less educated non-employer micro-entrepreneurs: Connecting entrepreneurs with community-based organizations
- Address wealth inequality: asset building, individual development accounts (IDAs), first-time homeownership programs
- Programs toward gaining related work experience



Recommendations

- Actively contact entrepreneurs in their place of work
- Invest in safety, parking spaces and adequate commercial space
- Foster collaboration among businesses
- Urgent need to better connect Latino entrepreneurs to existing resources



THANK YOU!