

Executive Summary

This study on Latino business owners in north central and northeast Washington is among the first to document the economic contributions of Latinos as entrepreneurs, innovators and job creators in Washington State. This study reports on findings from interviews conducted with Latino business owners in Adams, Chelan, Douglas, Grant and Spokane Counties. The interviews for this study were conducted in July, August and the first part of September by Dr. Martín Meráz García and research assistant Jereny Mendoza, both of whom are native Spanish speakers from the region and well acquainted with the Latino culture and customs of the Hispanics community in Washington State. Most of the interviews were conducted onsite where Latino business owners operated their businesses. Additionally, other interviews were conducted over the phone as well as via e-mail to accommodate the schedules of the participants.

The study made a significant effort to get a representative sample for every business sector under the North American Industry Classification System (NAICS). The initial list of Latino entrepreneurs was provided by the North Central Washington Chamber of Commerce and supplemented by our own list of business owners that we gathered by searching websites and databases listing minority owned businesses as well as referrals by Latino business entrepreneurs. Finally, other Latino businesses were contacted at random often if they were identified as we drove to or from the interviews.

We contacted a total of 104 Latino business owners in all of the business sectors and categories and managed to conduct a total of 46 interviews. The overall response rate was 44 percent.

The study finds that Latino business owners cover a broad range of business sectors ranging from the most basic to the most sophisticated. For example, Hispanic entrepreneurs were identified in manufacturing, construction, wholesale and retail trade, agriculture, transportation and warehousing, finance and insurance, information (radio, newspapers, publishing), real estate, professional, scientific, technical and educational services, accommodation, as well as arts and the entertainment industry. Despite the presence of Hispanic businesses in all these sectors, the study found that Latino entrepreneurs proportionate to their population are underrepresented in terms of business ownership, often as much as 42 percent in some counties (Adams County).

The Latino entrepreneurs interviewed for this study were from all walks of life; some of the participants were college educated and from middle class backgrounds, others were from very humble beginnings and had little or no education, where as others fell somewhere in between, meaning that they had some education and were from working class backgrounds.

Additionally, the businesses Latino entrepreneurs owned ranged from sole proprietorships to over two hundred full time and part time employees. Some of the business entrepreneurs who were first generation immigrants came to the U.S. with only the clothes on their backs, and very little skills but with the dream of someday becoming business owners themselves.

First generation immigrants were the biggest share of participants, at 65 percent of the overall sample. Second and third generation Latino entrepreneurs constituted the rest of the participants in this study.

Some of the Latino entrepreneurs started working as laborers in local apple and cherry orchards, and after decades of service some purchased small plots of land often from their own employers who eventually helped them navigate the complexities of securing financing to purchase additional acreage. Other entrepreneurs built their businesses from the ground up by saving enough funds to start their own small business until they built corporations, employing hundreds of workers and spreading across various states in the country. The 46 Latino businesses interviewed employed almost 700 (677) employees, with 61 percent of this work force full time. Latino entrepreneurs overwhelmingly (87 percent) started their own businesses with their own personal savings and without assistance from financial institutions. Some business owners leased the business until they eventually became the sole owners.

While the economy was recovering from the Great Recession of 2008, approximately 75 percent of Latino entrepreneurs experienced revenue increases ranging from zero to sixty percent. A similar dynamic took place in the number of employees hired by these firms, and even though this growth varied by size of the business, Latino entrepreneurs managed to maintained a steady growth.

For example, firms with 30-59 employees grew by 121 percent; overall employment grew 6 percent. Despite stereotypes in the popular media about Latinos taking advantage of government services, the study found that 95 percent of Latino business owners did not take advantage of assistance offered by government or other community organizations on how to start or grow an already established enterprise. This was largely due to bureaucratic hurdles, lack of information and a disconnect between these organizations and the

type of assistance Latino entrepreneurs needed to help their business grow.

Furthermore, 78 percent of the Latino businesses interviewed purchased over eighty percent of their supplies from non-Hispanic customers, with almost 40 percent of their clientele being also non-Hispanic, indicating a good level of economic integration to the wider Washington economy.

The study found that over 65 percent of the Latino entrepreneurs regard the political climate in the state of Washington that as indifferent and antagonistic for their businesses to prosper hinting that state and federal regulations and overall government bureaucracy as well as prejudicial attitudes were hindering or making it more challenging to operate and grow their businesses. Negative stereotypes of Latinos among the dominant group were cited by some as a factor that was making the growth of their business more challenging. Additionally, the immigration issue was key among the Latino business owners we interviewed; in fact, many cited immigration raids and recent audits of companies as the primary reason for the slow down of economic activity in some areas.

Some shared that if the country were to engage in more aggressive deportations, they would have to close down their businesses, because without their undocumented clients they would be bankrupt. A business owner shared that more than 40 percent of its tax returns were from undocumented clients and many had businesses that were employing many people and were contributing to the community.

Additionally, Latino entrepreneurs cited the lack of access to capital from financial institutions, excessive regulations on their business, the lack of training and orientation by local organizations

such as Hispanic chambers of commerce and other local and state non-profits whose purpose is to assist small business owners growing their business as factors that had stalled their business growth.

Other Latino business owners cited the lack of education and implementation of technology into their business, as well as the language barrier, as additional obstacles preventing the growth of their business. Strong competition by some of the larger retail stores made it very challenging for smaller retail stores to survive.

Latino entrepreneurs who cited the lack of access to capital and the passage of an immigration reform as an obstacle to the growth of their business also perceived the passage of this reform as an opportunity for growth. For example, 97 percent of the Latino business owners interviewed expressed that a passage of a comprehensive immigration reform was critical for the growth of their businesses.

Even those business owners who identified themselves as strongly Republican stated they disagreed with their political party on their position on immigration largely because it was negatively impacting the growth of their business. With the passage of an immigration reform and the Latino population growth, many perceived opportunities for business growth in the health, education, legal, translation, home purchasing and service industry requiring an educated work force with bilingual and bicultural skills. Greater access to capital for Latino business owners to expand or start new businesses was also a critical component that would determine the growth of Latino business owners. Having additional training and education, acquiring additional language skills as well as the implementation of new technology and creative marketing of their products and services were cited as potential opportunities for growth.