



UCLA

**Latino Policy &
Politics Institute**

10 Facts about Latino-Owned Businesses in Texas

By: Victor Tran, MURP

September 14, 2023



Acknowledgments

This data brief series was made possible with the generous support of Wells Fargo Small Business Philanthropy. Core operating support for the UCLA Latino Policy and Politics Institute is also provided by the California Latino Legislative Caucus.

The research team acknowledges its longstanding partnership with the UCLA Center for Neighborhood Knowledge, specifically the research contributions of Chhandara Pech and Dr. Paul M. Ong. The author is also grateful for the data insights of Dr. Silvia González, Alberto Murillo, Jose García, Rosario Majano, and Misael Galdámez.

The Latino Policy and Politics Institute at UCLA acknowledges the Gabrielino/Tongva peoples as the traditional land caretakers of Tovaangar (the Los Angeles basin and So. Channel Islands). As a land grant institution, we pay our respects to the Honuukvetam (Ancestors), 'Ahihirom (Elders), and 'Eyoohiinkem (our relatives/relations) past, present, and emerging.

About LPPI

The UCLA Latino Policy and Politics Institute addresses the most critical domestic policy challenges facing Latinos and other communities of color through research, advocacy, mobilization, and leadership development to expand genuine opportunity for all Americans.

Disclaimer

The views expressed herein are those of the authors and not necessarily those of the University of California, Los Angeles, as a whole. The authors alone are responsible for the content of this report.



Introduction

Texas has about 436,000 employer businesses—or businesses with at least one employee—operating throughout the state, of which about 59,000 are Latino-owned businesses (LOBs).¹ In addition to contributing 600,000 jobs and generating \$19.8 billion in payroll income for the state,² these businesses provide their Latino owners³ livelihoods and a means of wealth often passed down through families to children, grandchildren, and beyond. For instance, LOBs in the Dallas metropolitan area are more than twice as likely as white-owned businesses to report that their primary entrepreneurial goal is to operate a business that their family can inherit.⁴

This data brief examines the state of Texas' Latino-owned employer businesses at the onset of the COVID-19 pandemic using data from the 2021

Annual Business Survey (ABS), conducted jointly by the U.S. Census Bureau and the National Center for Science and Engineering Statistics within the National Science Foundation. We draw attention to the inequities in business ownership rates and performance compared to non-Hispanic white businesses. In addition, we examine the instances in which Texas Latino-owned firms outperform Latino businesses nationally. As recent LPPI research has demonstrated, Latinos were the fastest-growing demographic group in the state between 2000 and 2020,⁵ and their importance to the economy will only continue to grow.



Data

This report examines the state of all Latino-owned employer businesses in California using the 2021 Annual Business Survey. The 2021 ABS has a reference year of 2020, and data reflect the pay period that includes March 12, 2020, during the onset of the COVID-19 pandemic.⁶ The Annual Business Survey defines employer firms as businesses with at least one employee other than the owner and with receipts of \$1,000 or more.⁷ We compare the economic and demographic characteristics of employer businesses and business owners by sex, ethnicity, and race for all firms with demographic data in Texas. The data include the number of employer firms, sales and receipts, annual payroll, and total firm employment in Texas. We use 2019 ABS data⁸ to provide a snapshot of Latino firms by industry, as it is the most recent complete year of industry data.



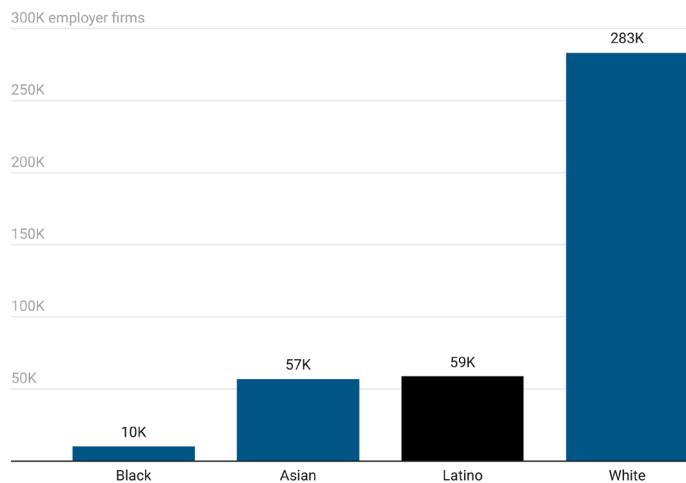
Key Findings



In 2020, Latinos owned about 59,000 employer businesses in Texas.

In contrast, there were about 283,000 white-owned employer firms, more than four times the number of LOBs (Figure 1). Although Latinos accounted for 39% of the state’s population,⁹ Latino-owned businesses only accounted for 13% of total businesses in Texas. Latinos and Black Texans were severely underrepresented in business ownership compared to white Texans.

FIGURE 1: TEXAS EMPLOYER BUSINESS OWNERSHIP BY RACE AND ETHNICITY, 2020



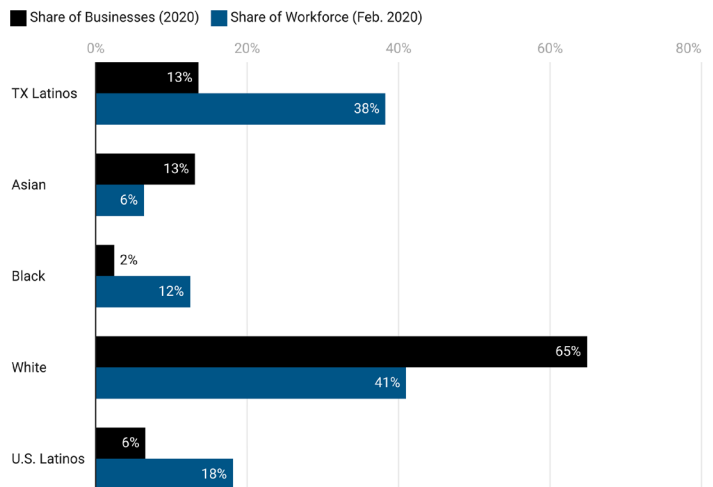
Source: 2021 Annual Business Survey, [available online](#).
 Notes: In 2021, there were 436,000 total businesses in Texas, of which 17,000 were unclassifiable by race and ethnicity. In addition to the roughly 59,000 Latino firms identified above, an additional 8,000 firms that were equally owned by Latinos and non-Latinos.



In 2020, Latinos owned 13% of all Texas employer businesses but formed 38% of the state’s workforce.

In contrast, white Texans owned 65% of all employer businesses and accounted for 41% of the state’s workforce (Figure 2). Nevertheless, the Latino-owned share of businesses in Texas was twice as high as the Latino share nationwide (6% of all U.S. businesses).

FIGURE 2: TEXAS EMPLOYER BUSINESS OWNERSHIP RATES AND WORKFORCE SHARES BY RACE AND ETHNICITY, 2020



Source: 2021 Annual Business Survey, [available online](#); LPPI analysis of February 2020 Current Population Survey basic monthly microdata.

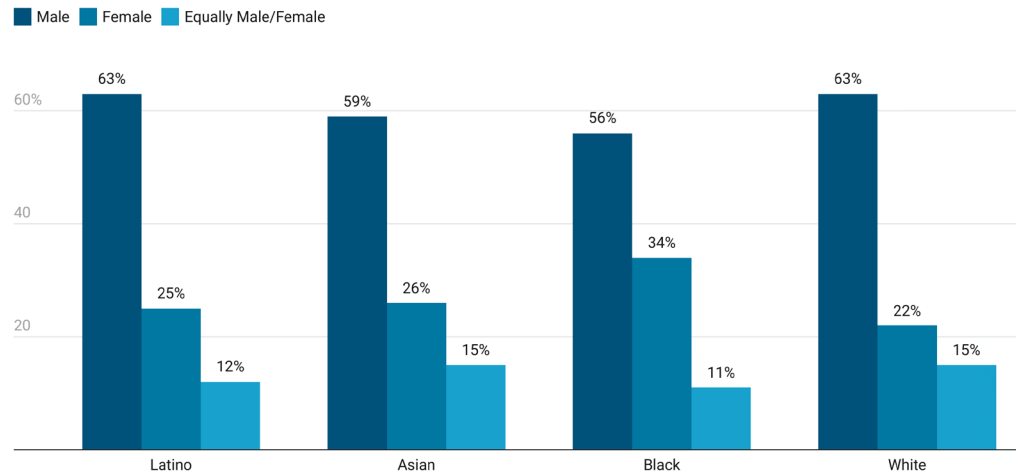


3

Latino-owned employer businesses in Texas were more than twice as likely to be male-owned than female-owned.

LOBs were as likely to be owned or co-owned by women as white-owned businesses (Figure 3). Nonetheless, only 25% of Latino-owned businesses in Texas were owned by women. Similar disparities existed for Asian, Black, and white businesses, suggesting that gender disparities in entrepreneurship exist across all groups.

FIGURE 3: TEXAS EMPLOYER BUSINESSES BY RACE, ETHNICITY, AND SEX OF OWNERS, 2020



Source: 2021 Annual Business Survey, [available online](#).

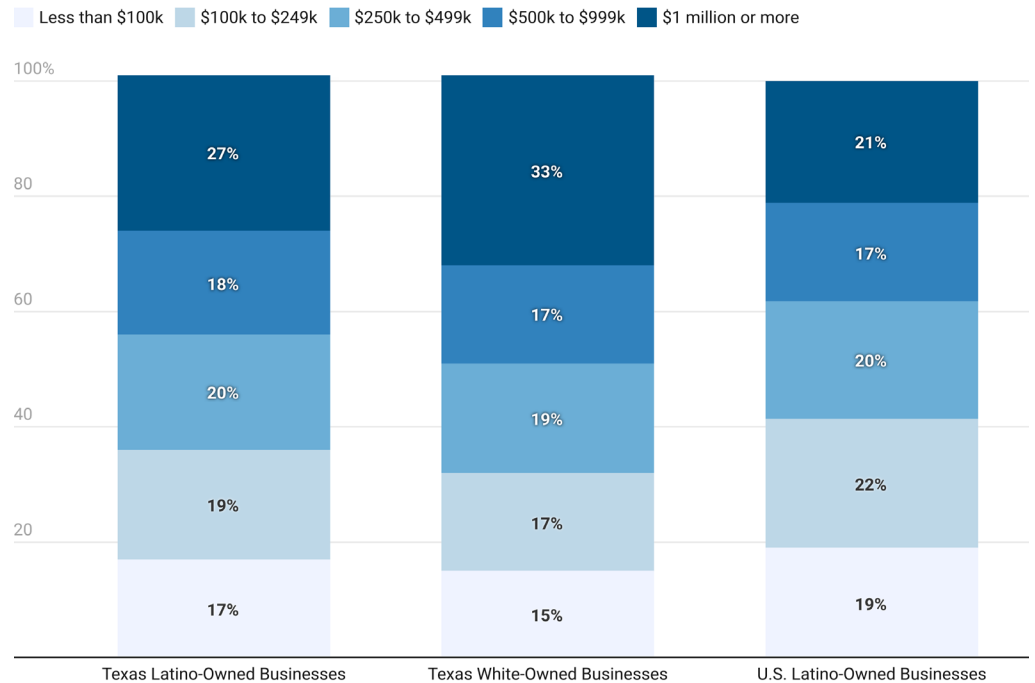
Note: Business ownership is defined as having more than 50% of the stock or equity in the business. A firm that is equally male- and female-owned has owners with equal equity shares in the business.

4

Latino-owned businesses in Texas generally earned less revenue than white-owned businesses.

For example, just 27% of Texas LOBs generated receipts above \$1 million compared to 33% of white-owned businesses (Figure 4). However, Texas LOBs tended to earn more than LOBs nationally, especially for firms with receipts of \$1 million or more (27% of Texas LOBs compared to 21% nationally).

FIGURE 4: RECEIPTS FOR TEXAS EMPLOYER BUSINESSES BY RACE AND ETHNICITY OF OWNERS, 2020



Source: 2021 Annual Business Survey, [available online](#).

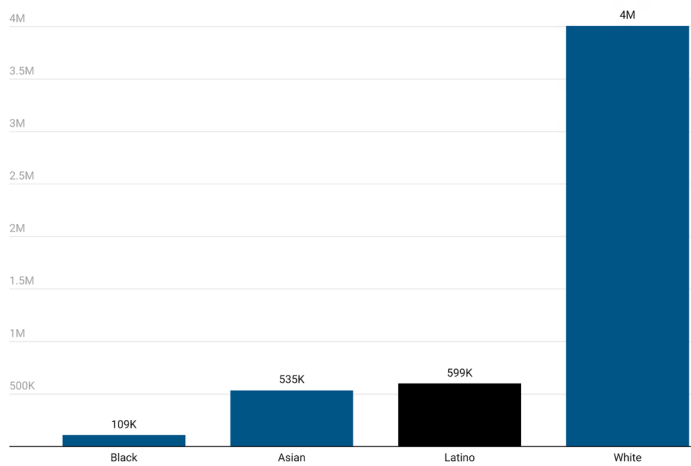


5

In 2020, Texas LOBs employed almost 600,000 workers, the second-largest number of workers by race or ethnicity of the business owners.

Meanwhile, the 4 million employees in white-owned firms greatly surpassed all other groups presented here (Figure 5). Notably, firms with unclassifiable business ownership by race and ethnicity employed 5.6 million workers, just over half of all business employees in the state.

FIGURE 5: TEXAS BUSINESS EMPLOYEES BY RACE AND ETHNICITY OF BUSINESS OWNERS, 2020



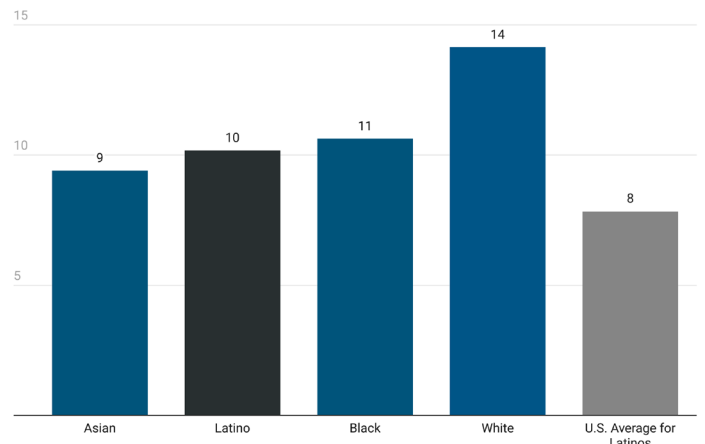
Source: 2021 Annual Business Survey, [available online](#).
 Note: In 2021 there were a total of 10,900,000 employees in Texas. The remaining 95,000 employees in the state worked for equally Latino and non-Latino ownership.

6

On average, Latino-owned firms in Texas employed 10 workers in 2020.

Latino-owned businesses in Texas had more employees on average than Asian-owned firms, but fewer than Black-owned businesses (Figure 6). On average, LOBs in Texas employed two more workers than LOBs nationally.

FIGURE 6: AVERAGE NUMBER OF EMPLOYEES FOR TEXAS EMPLOYER BUSINESSES BY RACE AND ETHNICITY OF OWNERS, 2020



Source: 2021 Annual Business Survey, [available online](#).





In 2020, Latino-owned businesses in Texas had total payroll of \$19.8 billion.

Like Latinos, other groups also had much smaller total payrolls than white-owned businesses, which accounted for 31% of the total employer business payroll with \$189 billion (Table 1). Firms with unclassifiable business ownership represented 61.8% of Texas employer business payrolls.

TABLE 1: TEXAS EMPLOYER BUSINESS PAYROLLS BY RACE AND ETHNICITY OF OWNERS, 2020

| Race and Ethnicity | Total Payroll | Percent of Total State Payroll |
|--------------------|-----------------|--------------------------------|
| Black | \$3B | 0.5% |
| Asian | \$17.9B | 2.9% |
| Latino | \$19.8B | 3.2% |
| White | \$189.3B | 30.9% |
| Total | \$612.1B | |

Source: 2021 Annual Business Survey, [available online](#).

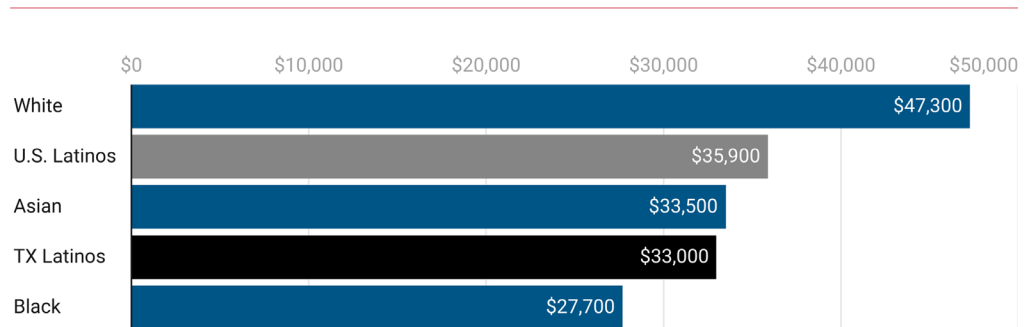
Note: Texas firms with equally Hispanic and non-Hispanic ownership had payrolls totaling \$3 billion, roughly .5% of total employer business payrolls.



On average, Texas LOBs paid their employees \$33,000 annually in 2020.

This was nearly \$3,000 less per year than Latino-owned businesses nationwide. In comparison, white-owned firms in Texas paid about \$14,000 more on average than Latino-owned businesses (Figure 7).

FIGURE 7: AVERAGE PAYROLL PER EMPLOYEE IN TEXAS BY RACE AND ETHNICITY OF BUSINESS OWNERS, 2020



Source: 2021 Annual Business Survey, [available online](#).





In 2018, Latino-owned businesses in Texas were concentrated in the accommodation and food service, construction, and health care and social assistance industries.¹⁰

LOBs in Texas were more than twice as likely to be in the accommodation and food services industry as white-owned businesses (14.4% vs. 5.7%, respectively) (Figure 8). This industry, however, was the most heavily impacted by job losses at the beginning of the COVID-19 pandemic¹¹ and paid annual wages of just \$27,000 in 2021.¹² Notably, LOBs in Texas were much less likely to be

in the professional services and real estate industries than white-owned businesses, both of which are white-collar industries with high wages.¹³ Additionally, 14% of Latino-owned businesses in Texas were in the construction industry—2 percentage points fewer than the share of U.S. LOBs—which paid average annual wages of \$70,100.¹⁴

FIGURE 8: TEXAS EMPLOYER BUSINESSES BY ETHNICITY OF OWNER AND INDUSTRY, 2018

| | Texas Latino-owned Businesses | Texas White-owned Businesses | U.S. Latino-owned Businesses |
|--|-------------------------------|------------------------------|------------------------------|
| Accommodation and food services | 14.4% | 5.7% | 13.6% |
| Construction | 14.0% | 12.9% | 16.2% |
| Health care and social assistance | 11.8% | 10.3% | 9.6% |
| Professional, scientific, and technical services | 10.0% | 17.2% | 10.8% |
| Retail trade | 8.4% | 9.4% | 9.1% |
| Other services (except public administration) | 8.1% | 5.8% | 7.7% |
| Transportation and warehousing | 7.8% | 3.5% | 5.9% |
| Administrative and support and waste management and remediation services | 6.7% | 6.3% | 9.5% |
| Wholesale trade | 4.6% | 6.3% | 4.3% |
| Finance and insurance | 3.7% | 5.1% | 3.2% |
| Manufacturing | 3.5% | 4.7% | 3.1% |
| Real estate and rental and leasing | 3.2% | 6.3% | 3.4% |
| Arts, entertainment, and recreation | 1.3% | 1.8% | 1.3% |
| Educational services | 1.0% | 1.1% | 0.9% |
| Mining, quarrying, and oil and gas extraction | 0.8% | 1.8% | 0.2% |
| Information | 0.6% | 1.4% | 0.9% |
| Management of companies and enterprises | 0.3% | 0.5% | 0.1% |
| Utilities | 0.1% | 0.1% | |

Source: 2021 Annual Business Survey, [available online](#).

Note: Data were not available for U.S. Latino firms in the utilities industry.





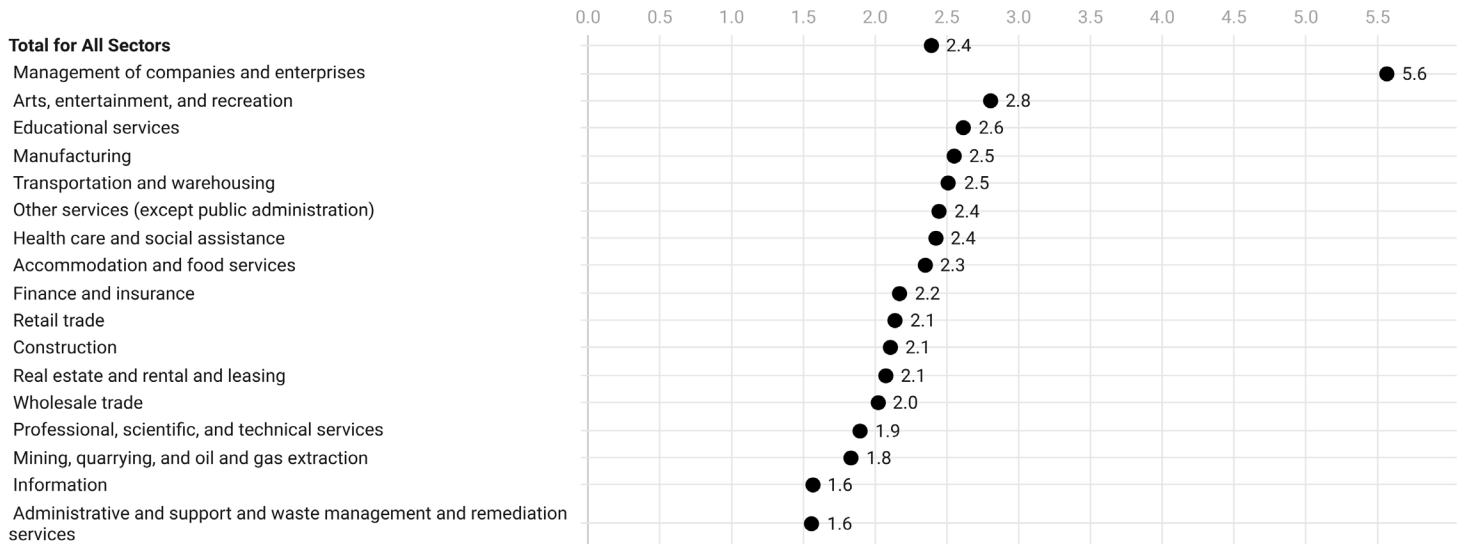
In every sector, a greater share of businesses were Latino-owned in Texas than in the U.S. overall.

For example, management companies in Texas were much more likely to be owned by Latinos in Texas (parity index of 5.6) compared to the management industry nationally, followed by the arts, entertainment, and recreation (2.8), educational services (2.6), and

manufacturing (2.5) sectors (Figure 9). The parity indices further reinforce that Texas businesses are more likely to have Latino owners across all industries relative to national business ownership trends.

FIGURE 9: PARITY INDEX FOR TEXAS LATINO-OWNED BUSINESS BY INDUSTRY, 2020

Share of State Industry that is Latino Owned Relative to National Share of Industry that is Latino-Owned (1 = Equal)



Source: 2021 Annual Business Survey, [available online](#).

Note: A parity index is a measure of equality between two populations or groups. In this case, we divided the state percentage of Latinos firms in each industry by the share of Latino firms in the same industry nationally. A parity index below 1 indicates that there were fewer Latino-owned businesses in Texas in the respective industry compared to Latino-owned businesses nationally. A parity index above 1 indicates that there were more Latino-owned businesses in Texas in the selected industry compared to the United States overall. A parity index of 1 indicates equality. The utilities industry (NAICS 22) is not shown due to data unavailability.





Conclusion

Of the 436,000 employer businesses in Texas,¹⁵ about 59,000 were Latino-owned businesses. These businesses were concentrated in the accommodation and food service, construction, and health care and social assistance industries. Although business ownership is a mechanism for wealth-building and generating economic stability, it is evident that Latinos in Texas are underrepresented in employer business ownership.¹⁶ Despite being similar in terms of workforce share (both around 40%), LOBs fall far behind white employer businesses, only representing 14% of all Texas businesses as opposed to 65%. In addition, LOBs have fewer employees and generate less revenue. Furthermore, gender disparities in rates of entrepreneurship existed across all racial and ethnic groups.

Despite the disparities between Latino-owned and white-owned businesses in Texas, there is evidence that compared to U.S. Latinos, Texan Latinos are more likely to own a business across all industries, but especially the management industry. This may indicate that business ownership and entrepreneurship is more accessible for Latinos in Texas than those in other states. Understanding Latino-owned businesses' overall condition (and potential) in Texas can help guide the discussion about using policy and programmatic interventions to address these social, political, and economic barriers to opportunity.

Endnotes

- 1 LPPI analysis of 2021 Annual Business Survey, [available online](#); see Figure 1.
- 2 2021 Annual Business Survey, which has a reference year of 2020. Employment data reflect the number of paid employees during the pay period on or before March 12, 2020. Data reflect pre-pandemic trends.
- 3 Latinos can be of any race. All other groups referenced in this report represent the non-Hispanic population.
- 4 Barbara Gomez-Aguinaga, Jonathan Furszyfer, Jerry Porras, and Paul Oyer, "2021 State of Latino Entrepreneurship in the Dallas Metro Area" (Palo Alto, CA: Stanford Latino Entrepreneurship Initiative, 2022), [available online](#).
- 5 Jie Zong, "A Mosaic, Not a Monolith: A Profile of the U.S. Latino Population, 2000-2020" (Los Angeles, CA: UCLA Latino Policy and Politics Institute, October 26, 2022), [available online](#).
- 6 Generally speaking, this reflects the calendar week (Sunday through Saturday) that includes the 12th day of the month.
- 7 Employer firms with more than one establishment (ie. physical business location) are counted in each geographic area and industry they operate in, but only once in U.S. and state totals.
- 8 2019 Annual Business Survey data has a reference year of 2018.
- 9 Taemin Ahn, Hector De Leon, Rodrigo Dominguez-Villegas, Jie Zong, Misael Galdámez, Ana Oaxaca, Rocio Perez, Denise Ramos-Vega, and Lupe Renteria Salome, "15 Facts about Latino Well-Being in Texas" (Los Angeles, CA: UCLA Latino Policy and Politics Institute, February 22, 2023), [available online](#).
- 10 Due to data unavailability in the 2021 ABS, we use 2019 ABS data (reference year 2018) to provide a snapshot of Latino firms by industry, as it is the most recent complete year of industry data.
- 11 Miles Chandler, Gregg Cole, Gary Kunkle, and Howard Wial, "How the Coronavirus Recession and Recovery Have Affected Businesses and Jobs in the 100 Largest Metropolitan Areas" (Initiative for a Competitive Inner City, November 2021), [available online](#).
- 12 LPPI analysis of 2021 Quarterly Workforce Indicators, [available online](#).
- 13 LPPI analysis of 2021 Quarterly Workforce Indicators, [available online](#).
- 14 LPPI analysis of 2021 Quarterly Workforce Indicators, [available online](#).
- 15 LPPI analysis of 2021 Annual Business Survey, [available online](#); see Figure 1.
- 16 Arnobio Morelix, Inara Sunan Tareque, Marlene Orozco, Iliana Perez, Paul Oyer, and Jerry I. Porras, "2018 Latino Entrepreneurship Gap Report" (Palo Alto, CA: Stanford Latino Entrepreneurship Initiative, July 2018), [available online](#).



The logo features a stylized sunburst or fan-like pattern composed of numerous blue rectangular segments of varying lengths, radiating from the top left towards the center of the page.

UCLA Latino Policy &
Politics Institute

 UCLALatino

 UCLALatino

latino@luskin.ucla.edu