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**Latino Policy &  
Politics Institute**

# 10 Facts about Latino-Owned Businesses in Arizona

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# Acknowledgments

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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

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# Introduction

Arizona has about 111,000 employer businesses—or businesses with at least one employee—operating throughout the state, of which 9,000 are Latino-owned businesses (LOBs).<sup>1</sup> In addition to contributing more than 76,000 jobs and generating almost \$3 billion in payroll income for the state,<sup>2</sup> these businesses provide their Latino owners<sup>3</sup> with livelihoods and a means of wealth often passed down through families to children, grandchildren, and beyond. LOBs in Phoenix, AZ, for instance, are 1.3 times more likely than white-owned businesses to report their primary entrepreneurial goal is to operate a business that their family can inherit.<sup>4</sup>

COVID-19 pandemic using data from the 2021 Annual Business Survey, 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-owned businesses. In addition, we examine the instances in which Arizona’s Latino-owned businesses outperform Latino businesses nationally. As recent LPPI research has demonstrated, Latinos are the fastest-growing demographic in the state,<sup>5</sup> and their importance to the economy and society will only continue to grow.

This data brief examines the state of Arizona’s Latino-owned employer businesses at the onset of the



# Data

This report examines the state of all Latino-owned employer businesses in Arizona using the 2021 Annual Business Survey (ABS). 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.<sup>6</sup> The ABS defines employer firms as businesses with at least one employee, other than the owner, and with receipts of \$1,000 or more.<sup>7</sup> We compare the economic and demographic characteristics of businesses and business owners by sex, ethnicity, and race for all firms with demographic data in Arizona. The data include the number of employer firms, sales and receipts, annual payroll, and total firm employment in Arizona. We use 2018 ABS data<sup>8</sup> to provide a snapshot of Latino firms by industry, as it is the most recent complete year of industry data.



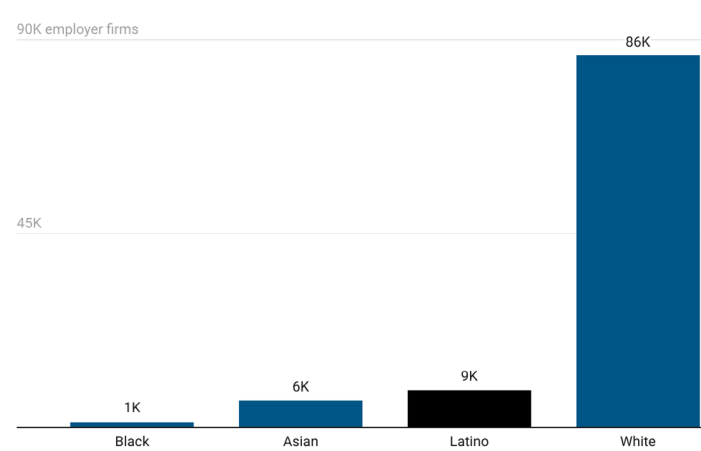
# Key Findings



**In 2020, there were about 9,000 Latino-owned employer businesses (LOBs) in Arizona.**

In contrast, there were about 86,000 white-owned businesses, almost ten times the number of LOBs (Figure 1). Compared to white Arizonans, Black, Asian, and Latino Arizonans own far fewer businesses.

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



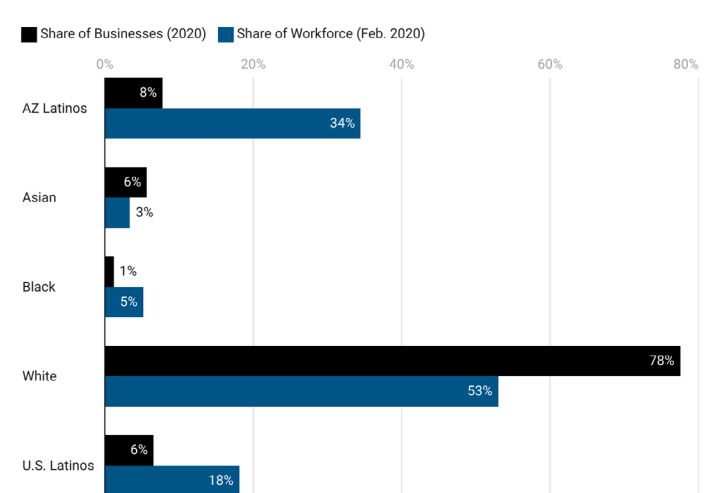
Source: 2021 Annual Business Survey, [available online](#).  
 Note: In 2020, there were about 111,000 total businesses in Arizona, of which about 106,000 businesses had data on business ownership by race and ethnicity. In addition to the roughly 9,000 Latino firms identified above, an additional 2,000 firms were equally owned by Latinos and non-Latinos.



**In 2020, Latinos owned 8% of all Arizona employer firms but formed one-third of the state's workforce (34%).**

In comparison, white Arizonans owned 78% of all state firms and accounted for 53% of the state's workforce (Figure 2). Nevertheless, the Latino-owned share of employer businesses in Arizona was two percentage points higher than the nationwide share (6%).

**FIGURE 2: ARIZONA 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.

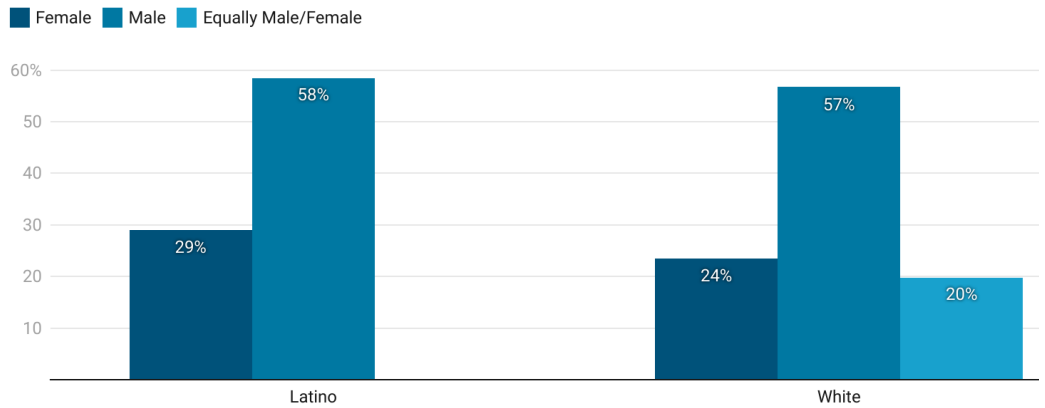


### 3

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

In 2020, only 29% of LOBs in Arizona were owned by women, while 58% were owned by men (Figure 3).

**FIGURE 3: ARIZONA BUSINESSES BY RACE, ETHNICITY, AND SEX OF OWNERS, 2020**



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

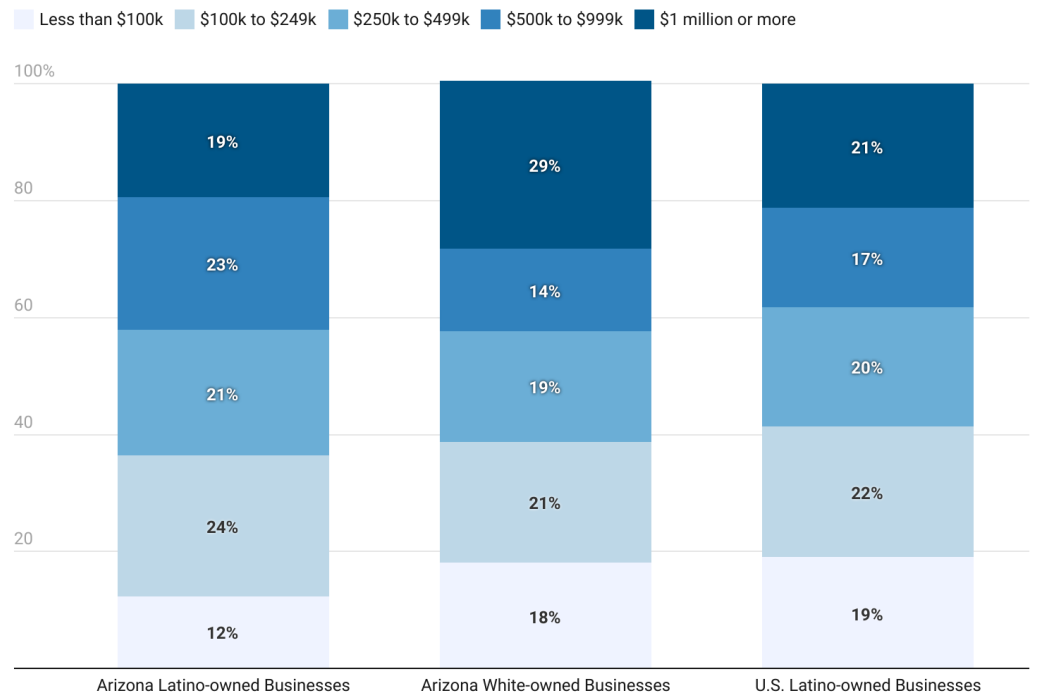
Note: Business ownership is defined as having more than 50% of the stock or equity in the business. A firm that is equally male- and female-owned has owners with equal equity shares in the business. Data were unavailable by sex for Black- and Asian-owned firms. Data were unavailable on firm ownership by sex for 13% of the Latino-owned firms.

### 4

## Latino-owned businesses in Arizona earned lower revenues compared to white-owned businesses.

Although 19% of all LOBs in Arizona made more than \$1 million in sales, 29% of white-owned firms had sales greater than \$1 million (Figure 4). Further, LOBs composed merely .04% of all state firms with more than \$1 million in receipts.<sup>9</sup> Arizona Latino-owned firms, however, did tend to earn more than Latino-owned businesses nationally. In 2020, only 12% of Arizona LOBs reported receipts below \$100,000, compared to 19% of U.S. LOBs.

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



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

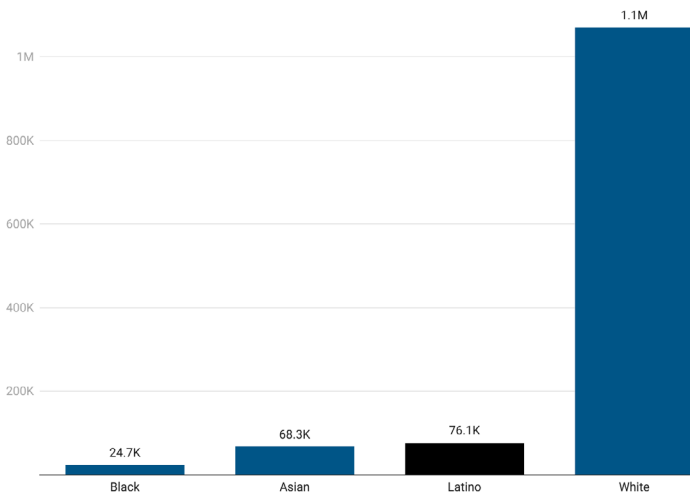


**5**

**In 2020, Latino-owned businesses in Arizona employed more than 76,000 workers, the second-largest number of workers by race or ethnicity of business owner.**

However, the number of employees (1.1 million) in white-owned firms eclipsed all other groups—almost half of all employees in Arizona worked for white owners (Figure 5). Notably, firms with unclassifiable business ownership by race and ethnicity employed 1.3 million workers, approximately half of all business employees in the state.

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



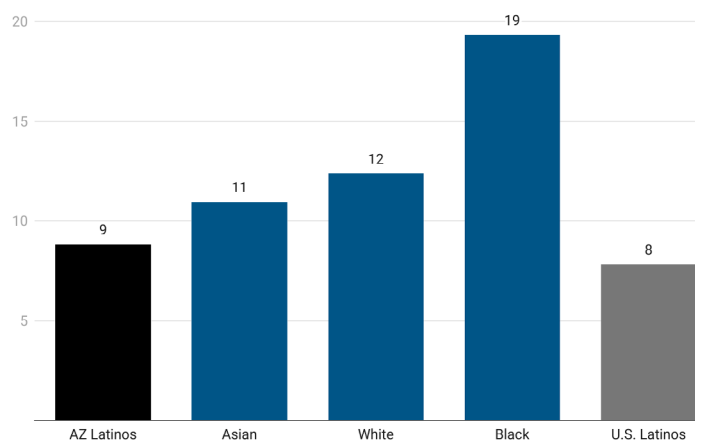
Source: 2021 Annual Business Survey, [available online](#).  
 Note: In 2020, about 2,580,000 employees worked for Arizona employer firms. The remaining 18,000 employees in the state worked for equally Latino and non-Latino ownership.

**6**

**On average, Latino-owned businesses employed 9 workers in 2020, the fewest of any racial or ethnic group of owners.**

However, on average, Arizona LOBs had one more employee than LOBs nationwide. Black-owned firms employed the highest average number of employees at 19 (Figure 6).

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



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





## In 2020, Latino-owned businesses in Arizona had total payrolls of \$2.8 billion.

However, as with business ownership rates, all other groups were significantly behind white-owned firms (Table 1). LOB payrolls accounted for only 2.1% of state payrolls, compared to 36.2% for white-owned firms. Despite the low shares of total state payroll among business owners of color, Latino firms had the second highest total payroll, slightly higher than Asian-owned businesses (\$2.3 billion). Firms with unclassifiable business ownership represented 58.5% of Arizona employer business payrolls.

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

Race and Ethnicity	Total Payroll	Percent of Total State Payroll
Black	<b>\$729.6M</b>	<b>0.6%</b>
Asian	<b>\$2.3B</b>	<b>1.8%</b>
Latino	<b>\$2.8B</b>	<b>2.1%</b>
White	<b>\$47.5B</b>	<b>36.2%</b>
<b>Total</b>	<b>\$131.4B</b>	

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

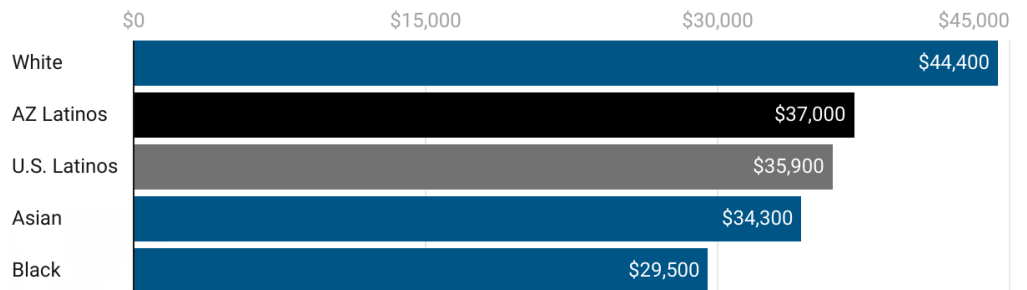
Note: Arizona firms with equally Hispanic and non-Hispanic ownership had payrolls totaling \$615 million, roughly .5% of total state payrolls.



## On average, Arizona LOBs paid their employees \$37,000 a year in 2020.

This was roughly \$1,000 more per year than LOBs nationwide (Figure 7). While LOBs in Arizona paid their employees more than Black- and Asian-owned firms, white-owned firms paid \$7,000 more than Latino-owned firms in Arizona.

**FIGURE 7: AVERAGE PAYROLL PER EMPLOYEE IN ARIZONA BY RACE AND ETHNICITY OF BUSINESS OWNER, 2020**



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





**In 2017, Latino-owned businesses in Arizona were concentrated in construction; accommodation and food services; professional, scientific, and technical services; and administration, support, waste management, and remediation services industries.<sup>10</sup>**

LOBs in Arizona accounted for a larger share of firms in the construction (15%) and accommodation and food services industries (14.6%) than white-owned employer businesses (12.3% and 13%, respectively). The construction industry boasted average wages of \$65,900 annually in 2021, with stable job growth over the past few years.<sup>11</sup> On the other hand, the accommodation and food services

industry paid average wages of just \$29,500 annually and has been severely affected by the COVID-19 pandemic.<sup>12</sup> Notably, LOBs in Arizona were also more likely to be in the professional, scientific, and technical services industry than U.S. Latinos (11.7% vs. 10.6%), an industry with annual wages of \$88,800.<sup>13</sup>

**FIGURE 8: ARIZONA EMPLOYER BUSINESSES BY ETHNICITY OF OWNERS AND INDUSTRY, 2017**

	Arizona Latino-owned Businesses	Arizona White-owned Businesses	U.S. Latino-owned Businesses
Construction	15.0%	12.3%	15.6%
Accommodation and food services	14.6%	6.0%	13.0%
Professional, scientific, and technical services	11.7%	17.3%	10.6%
Administrative and support and waste management and remediation services	11.6%	7.0%	9.5%
Health care and social assistance	8.6%	12.4%	9.7%
Retail trade	8.1%	9.4%	9.6%
Other services (except public administration)	7.2%	6.3%	7.8%
Transportation and warehousing	5.6%	2.4%	5.8%
Wholesale trade	4.9%	4.8%	4.9%
Finance and insurance	3.9%	5.3%	3.3%
Manufacturing	3.4%	4.0%	3.3%
Real estate and rental and leasing	3.4%	8.2%	3.7%
Information	1.0%	1.4%	0.8%
Arts, entertainment, and recreation	0.6%	1.6%	0.9%
Agriculture, forestry, fishing and hunting	0.4%		0.4%

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

Note: The mining, quarrying, and oil and gas extraction, and utilities industries are omitted from our analysis due to data unavailability. Data were not available for Arizona white-owned businesses in the agriculture industry.







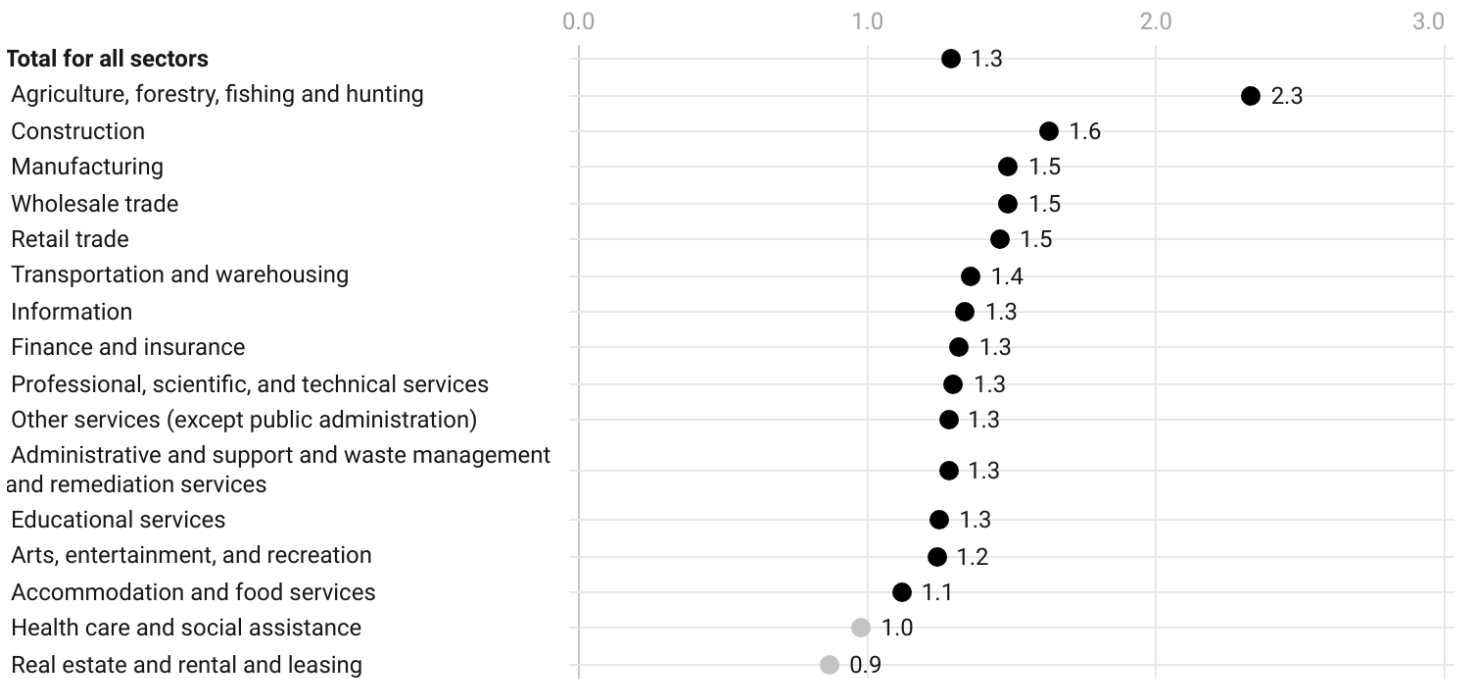
**In almost every sector, Arizona firms were as likely or more likely to be Latino-owned than in the U.S. overall (overall parity index of 1.3).**

For example, firms in the agricultural industry in Arizona were much more likely to be owned by Latinos compared to the agriculture industry nationally (2.3), followed by the construction (1.6), manufacturing (1.5),

wholesale (1.5), and retail trade (1.5) sectors. The parity indices further reinforce that Latinos in Arizona are more likely to own a business across most industries relative to national business ownership trends.

**FIGURE 9: PARITY INDEX FOR ARIZONA LATINO-OWNED BUSINESSES BY INDUSTRY, 2017**

**Arizona Latino Share of Firms vs. National Latino Share of Firms (1 = Equal)**



Source: 2018 Annual Business Survey, [available online](#).

Note: A parity index is a measure of equality between two populations. In this case, we divided the state percentage of Latino 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 Arizona in the respective industry compared to Latino-owned businesses nationally. A parity index above 1 indicates that there were more Latino-owned businesses in Arizona in the selected industry compared to the United States overall. The mining, quarrying, and oil and gas extraction, and utilities industries are not shown due to data unavailability.





## Conclusion

For Latinos, business ownership is an essential means of building wealth and attaining economic stability, all while investing in their local communities and the state economy. Out of the 111,000 firms in Arizona in 2020,<sup>14</sup> 9,000 were Latino-owned. Compared to Latino firms nationally, Latino employer businesses in Arizona were more concentrated in the professional, scientific, and technical services industry, a high-salary/high-revenue industry. On the other hand, Latino-owned firms in Arizona were also more likely to be concentrated in accommodation and food services and retail trade than state firms overall—all low-revenue industries that were highly impacted by the COVID-19 pandemic.

Despite having the second-highest rates for business ownership, average payroll, and number of employees, Latino business owners trail their white counterparts in business size, number of employees, and receipts. This means Latino-owned firms in Arizona are more susceptible to economic shocks because they have fewer resources to weather downturns. Similarly, the overrepresentation of white owners signifies a gap in the opportunity for wealth creation between non-Hispanic whites and people of color in Arizona. Addressing the unique challenges Latino-owned firms face can create opportunities for greater wealth-building and community investment, benefiting Arizona and its communities.

# 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 Phoenix 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 (i.e., physical business location) are counted in each geographic area and industry they operate in, but only once in U.S. and state totals.
- 8 2018 Annual Business Survey data has a reference year of 2017.
- 9 LPPi estimates using 2021 Annual Business Survey, [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 data.
- 11 LPPi analysis of 2021 Quarterly Workforce Indicators, [available online](#).
- 12 LPPi analysis of 2021 Quarterly Workforce Indicators, [available online](#). Elise Gould and Melat Kassa, "Low-Wage, Low-Hours Workers Were Hit Hardest in the COVID-19 Recession: The State of Working America 2020 Employment Report" (Washington, DC: Economic Policy Institute, May 20, 2021), [available online](#).
- 13 LPPi analysis of 2021 Quarterly Workforce Indicators, [available online](#).
- 14 LPPi analysis of 2021 Annual Business Survey, [available online](#); see Figure 1.



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