

Assessing Impacts of the COVID-19 Pandemic on Latino-Owned Businesses in the DC-Metro Region

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A Washington DC Storefront during the Pandemic, Flickr Creative Commons

It became clear early in the pandemic crisis in the Washington, DC metropolitan area that racial and ethnic minorities are suffering disproportionately, with marked disparities in both infection and mortality. Latinos have the highest rate of infection of any group,¹ including in the District and its Maryland and Virginia suburbs.² And as a result of pandemic-related shutdowns, they are experiencing job losses at almost twice the rate of white counterparts, with losses significantly higher among undocumented workers.³ Latino and other minority workers are bearing the brunt of the economic crisis caused by Covid-19, in large part because they are overrepresented in industries hit hardest by social distancing orders, such as leisure, hospitality, hotels, restaurants, retail or construction. They also disproportionately experience congested housing arrangements that complicate physical distancing.

There has been little analysis, however, about how Latino-owned businesses are navigating this crisis, which is urgently needed in light of their growing importance for the DC-metro region.

This report summarizes findings from a survey of 152 Latino business owners throughout the DC-metro region that addresses the impacts of the pandemic on their businesses. The survey, which can be found [here](#), was launched on April 28th and has been in the field for approximately

eight weeks. Survey results offer a snapshot of how Latino businesses are being affected by the Covid-19 crisis in our region, and of how they are seeking to adjust to direct impacts of the virus, public health requirements put in place in order to combat the virus, or loss of customers as people observe stay at home orders. The survey asks about the greatest sources of disruption and main challenges to Latino-owned businesses, their most urgent needs, steps they are taking to address the new business climate, and future business plans. This report is intended to help researchers, chambers of commerce, community assistance organizations and city and county decision-makers in our region to identify areas in which ongoing research is needed as well as specific policies and programs that might best support Latino small businesses during this challenging period.

Latino-owned firms have become a major source of economic growth nationally and in the DC area, with Latinos the most likely to start a business among any group. Latino businesses are now a main driver of small business growth.⁴ Stanford's 2019 State of Latino Entrepreneurship report notes that over the past decade, the number of Latino business owners grew 34 percent compared to one percent for all other business owners in the US, and enjoyed 14 percent revenue growth.⁵ The economic health of the DC-metro region is also increasingly tied to the success of Latino entrepreneurs. The area now has approximately 66,000 Latino-owned firms, which represent 12 percent of all businesses in the region,⁶ a significant increase from a decade ago.

But Latino enterprises have reason to be deeply concerned about their prospects amid the pandemic. For Latino business owners, the pandemic crisis threatens a decade-long climb back to financial stability, after the Great Recession saw Latino families lose 66 percent of their household wealth, the greatest decrease among any racial or ethnic group.⁷ Early in the pandemic crisis two thirds of Latinos in the US already viewed Covid-19 as a serious threat to their health and to their finances, compared to half the general population.⁸

Their concerns are not misplaced. A late March survey by Stanford's Latino Entrepreneurship Initiative found that 86 percent of Latino small business owners were already reporting significant negative impacts on their business as a result of the pandemic.⁹ The National Bureau of Economic Research reported in June that, since the onset of the pandemic, the number of Latino business owners had declined by 32 percent,¹⁰ the second largest decrease among any group. Such a precipitous drop bodes ill not just for Latino entrepreneurs, but for Latinos nationally and in the DC-metro region, as recovery from the pandemic will depend significantly upon the well-being of Latino-owned businesses, as major employers of Latinos¹¹ and as community anchors.

With some exceptions, the businesses described here are typically small.¹² The three largest firms surveyed,¹³ measured by number of workers, report 430, 124 and 78 employees respectively. But a significant majority of respondents employ less than 10, with most of those between one and five. And a surprising number of all firms represented in the survey, 45 percent, are run out of the home. One indication that Latino-owned businesses are increasingly important drivers of the region's economy is that for a majority of respondents Latinos are not their primary customer base.¹⁴ Nearly a fifth do not know the ethnicity of their clientele, a plurality of

38 percent cater to only “a few” Latinos, and 26 percent report that Latinos compose between “one-third and two-thirds” of their customers. Fewer than one in five of those surveyed claim their customers are “mostly Latinos.” When gauging the region’s efforts to recover from the pandemic, in other words, as Latino-owned businesses go, so will the area’s economy.

Notable Findings

- The region’s Latino-owned enterprises are not experiencing the impacts of the pandemic in uniform ways. Place-based and in-person small businesses appear most at risk. While firms in the technology and business services industry have felt significant impacts, they have been affected less and made fewer changes; they also identify more opportunities, exhibit signs of greater adaptive flexibility and are more optimistic about the future.
- However, overall the pandemic’s economic impacts upon Latino-owned businesses have been devastating, with almost three-quarters suffering substantial losses of customers and revenue, and pressures on liquidity, and the same proportion reporting dramatic effects on their operations, such as closures, temporary stops, employee layoffs and greatly reduced activity.
- While many enterprises have rapidly introduced new safety measures and business practices, the number of businesses able to move online or to shift to telework is small, most likely because the majority are small firms that rely upon physical locations and in-person traffic, but also because these shifts involve technical challenges difficult for many small businesses to quickly surmount.
- When asked to provide ranked recommendations about how government and non-profit agencies might best support Latino businesses during the crisis, the need to facilitate access to capital – either as loans, grants, or as guarantors – was listed as most important among a majority of respondents and was named, in some form, by 94 percent.
- While most respondents agree that during the pandemic crisis Latino-owned firms are comparatively more vulnerable than other businesses, they are split about whether ethnicity plays a direct role. When Latino-specific priorities are advanced, these take the form of requests for more Spanish-language information, and better communication and coordination among Latino-owned businesses.
- A surprisingly large proportion of Latino business owners – up to a quarter surveyed – are not sure how to take best advantage of institutional mechanisms, such as business insurance, loans or government grants, to mitigate risk or provide a financial infusion during the pandemic crisis. This suggests that, relative to other groups, Latino business owners are less well networked with these financial institutions and could benefit from better business advising.

Immediate Impacts upon Business Profitability and Operations

Most owners report that Covid-19 has resulted in “extreme” or “many” changes (taken together, 65 percent) to their businesses, with only 10 percent reporting no or minimal impact (see Figure 1).

Extent of the pandemic’s impact upon your business

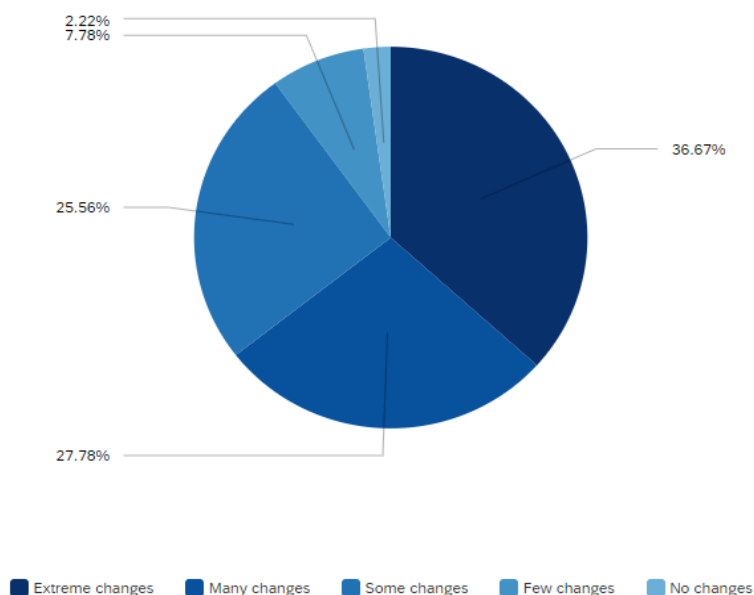


Figure 1

The disruptions that the pandemic crisis has caused for Latino owned businesses in the DC-Metro region have been multiple and substantial. Only three percent of those surveyed indicate “no disruption” in their business as a result of the virus. The largest reported impacts include loss of revenue (30 percent of enterprises) and loss of customers (24 percent), followed by the need to lay off or furlough employees (15 percent) and a lack of capital (14 percent) to offset declining revenue. Supply chain disruptions (eight percent) are also a factor for some businesses (see Figure 2).

How has the pandemic disrupted your business?

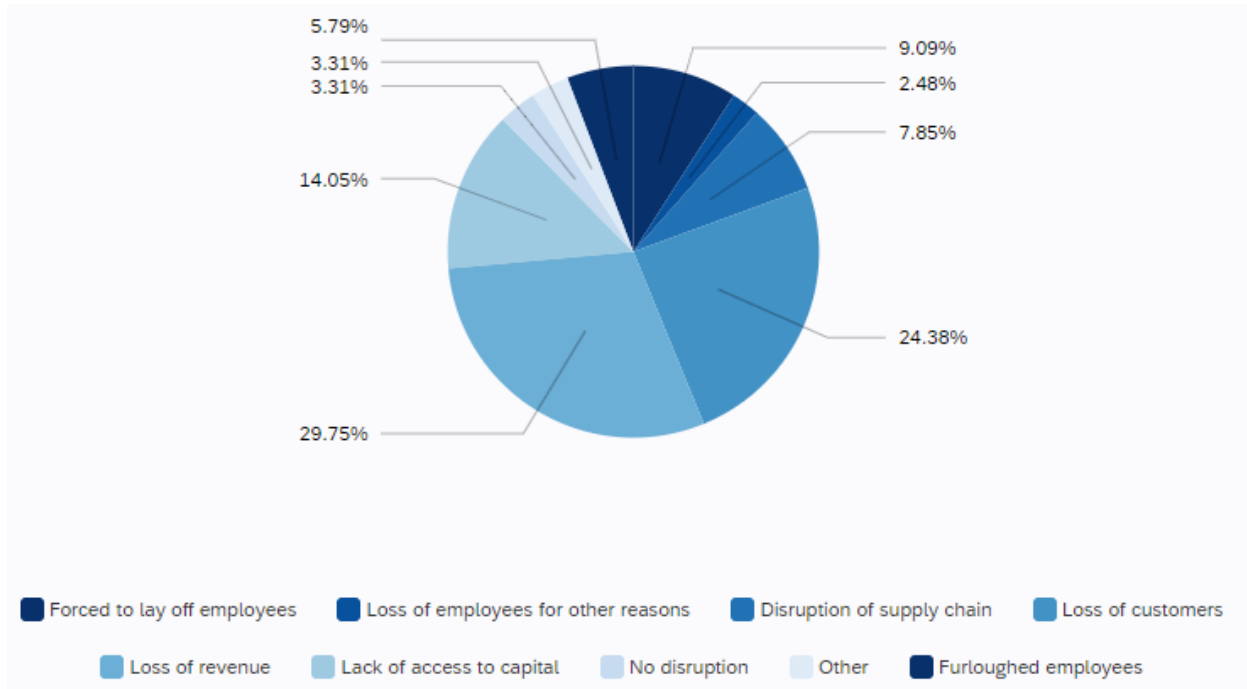


Figure 2

With few exceptions, businesses have had to alter their operations. 56 percent of owners report severe upheaval to business as usual, including 30 percent having to close or to suspend operations, and 26 percent greatly reducing operations. 26 percent of respondents say they are only moderately affected, but just over six percent report having moved their business online (see Figure 3). The dramatic impact upon the majority of businesses – ranging from permanent closure to a temporary stop to significantly reduced activity – together with the small number able to quickly take advantage of online options, suggests that Latino businesses are either in sectors for which moving their enterprises online is difficult or impossible, or they run up against technical challenges that can derail attempts to do so.

More than three quarters of Latino-owned businesses report having taken steps to adapt to the new business environment introduced by the pandemic. The two most frequent have been to introduce or increase sanitary procedures (24 percent) and to institute social distancing measures (22 percent). Twelve percent of businesses closed their physical locations, the same percentage has instituted new telework procedures, and 14 percent have limited the number of customers present at a given time. Again, the relatively modest number of businesses able to embrace telework options suggests that many of these are businesses that require people to be present at a physical location.

How much is the pandemic affecting your business's operations?

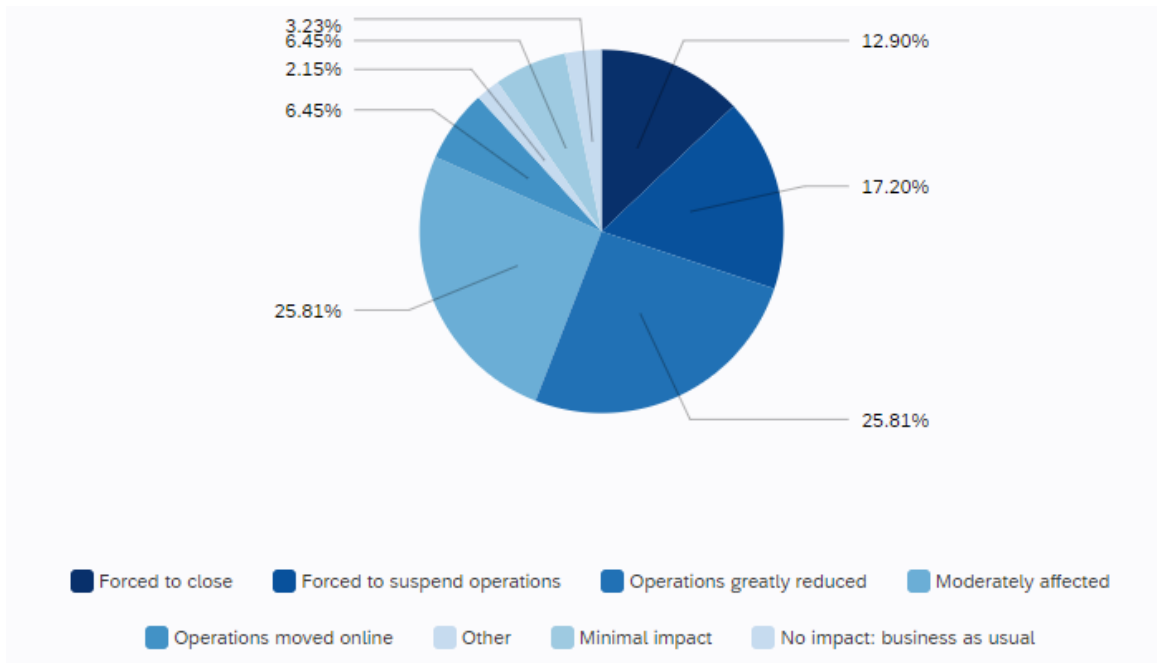


Figure 3

When asked to name the single biggest impact of the pandemic upon their enterprises, a plurality of business owners identify a loss of revenue (27 percent). Closely related, others point to the loss of clients or customers and sales (26 percent). A second set of responses highlight that, given the circumstances around the pandemic, their business is either unable to operate in-person (21 percent) or to operate at all (13 percent).¹⁵ As primarily small enterprises, many of which require in-person interactions with their customer base, businesses owners are most concerned about an immediate loss of income (taken together, 53 percent) or ability to operate (34 percent). Such bottom-line issues currently preoccupy a majority of owners, and respondents repeatedly return to them throughout the survey.

To further hammer this point home, when asked to offer recommendations to governments and non-profits about how to provide support for the region's Latino-owned businesses amid the pandemic, ranked in order of preference, the first choice of a majority of respondents (55 percent) is to better facilitate or simplify access to loans or grants. If not always first, this preference is among the priorities of 94 percent of responses.¹⁶

Longer-term Responses of Businesses

Our data highlight that Latino business owners have limited access to institutional sources of business support. On the one hand, only nine percent report either having filed, or plans to file, an insurance claim for interruptions of their businesses as a result of Covid-19. Tellingly, while 63 percent of business owners say they have no plans to do so, a relatively high 28 percent are unsure. Whether this means they might opt to do so in the future, whether they lack business insurance, or whether the insurance they have does not cover pandemic-related losses, is not clear.¹⁷ On the other hand, while 59 percent indicate an intention to seek local, state or federal assistance for their businesses in the form of loans or grants, nevertheless a relatively high number (24 percent) are either unsure or would like more information about those potential sources of support.

This lack of clarity with respect to insurance, loans or grants suggests that business owners either remain in doubt about their eligibility or lack necessary knowledge about the specific steps required to apply. This result is consistent with other research showing that Latino business owners are often less well connected to, and derive fewer benefits from, both public and private financial service institutions.¹⁸

Indeed, business owners appear unsure about the best path forward. When asked whether they are identifying new or expanded opportunities during the pandemic, 73 percent indicate that they are either exploring opportunities (50 percent) or that there are none (23 percent). When asked about whether the pandemic has altered their future business planning, 42 percent of business owners report “dramatic” changes in their planning, and 44 percent report “modest” changes in their future plans, while only 11 percent register plans to continue as before (see Figure 4).

In other words, a large majority (86 percent) acknowledge the need to significantly change their business plans, but at least at present do not necessarily know what forms these changes should take. When asked to specify new business opportunities they envision, moving online is the most frequent response. But this is also one of the biggest challenges, as outlined in the previous section, with a very small percentage of businesses able to do so to date.

To what extent is the pandemic crisis altering planning about the future of your business?

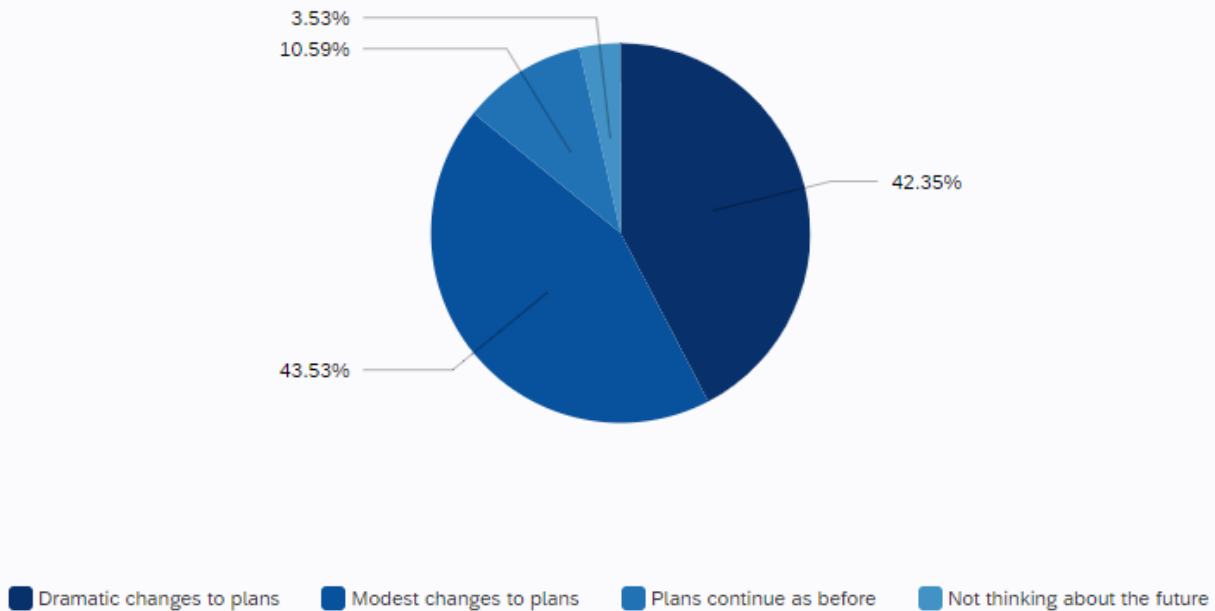


Figure 4

The Region's Latino Enterprises are Differently Impacted

Latino-owned firms in the DC-metro region operate in a wide array of industries,¹⁹ and this is reflected in our sample. Nearly a third of survey respondents are in technology or business services, with the next largest group in the restaurant or food industry (13 percent), followed by construction (9 percent), and retail (6 percent). Another 14 percent are distributed across online sales, manufacturing, landscaping, healthcare, building maintenance, and import/export.²⁰

A closer look at the responses of one industry subset makes it clear that the pandemic's risks are not being experienced in the same ways by all businesses. Notably, owners of technology and business service enterprises – approximately one-third of respondents – exhibit comparatively lower levels of concern about the crisis, though they have also been significantly impacted. If these businesses account for the largest firms surveyed, they are in the main still small, with 79 percent employing 10 or fewer employees. Nearly half, 43 percent, are home based, and many appear to be sole proprietorships. As a result of the pandemic, they too report significant losses of revenue (37 percent) and of customers (26 percent).

However, while 56 percent of all respondents report dramatic impacts upon their business operations – either closure, greatly reduced or suspended operations – only 37 percent of the subset of technology and business services have been affected in these ways. A major concern for this subset is an inability to hold face-to-face meetings with clients. Overall, 65 percent of owners report extreme or many changes to their businesses from the pandemic, while only 42 percent of firms in technology and business service fields report the same. If 86 percent of all respondents are dramatically rethinking their plans, among firms in business services and technology 60 percent are considering only modest changes or none at all. Across multiple measures, entrepreneurs in this subgroup are suffering less and making fewer changes.

Businesses in these industries also appear to be able to take better advantage of opportunity. Whereas overall 27 percent of respondents see some opportunities amid the pandemic, for technology and business services this becomes 42 percent, with respondents noting new opportunities in legal consulting and virtual training of clients, among others. If the number of businesses in this sector taken online still appears low, at seven percent, these firms show a much higher incidence of being able to telework in response to the crisis (23 percent) – double that of all respondents. Though generally still small, these enterprises appear to have more adaptive flexibility than placed-based and in-person businesses, and at least show signs of being able to respond relatively quickly to changing business climates and new market opportunities.

Are the Needs of Latino Business Owners Distinct?

Half of all respondents to our survey consider that the pandemic-induced challenges to their businesses might be specifically related to their status as Latino-owned, but the other half do not, and the latter are more emphatic.²¹ However, when asked whether Latino businesses might encounter problems and risks as a result of the pandemic that other businesses do not, a clearer consensus emerges. A significant majority, 62 percent, agree that this is indeed the case.

These data suggest that Latino business owners are less inclined to view their ethnicity as a factor, when it is their own business, but more willing to understand ethnicity as a relevant consideration in general terms when assessing the potential vulnerabilities of Latino-owned enterprises as a result of the pandemic.

When asked to offer steps that governments and non-profits might take to better support the region's Latino-owned businesses, requests for addressing issues of concern specific to Latino businesses figure in only 15 percent of responses. These fall into three categories, the largest of which is a request for more Spanish-language services when navigating government information and loan applications and undertaking business planning. This is followed by a smaller number suggesting greater communication or coordination among Latino-owned businesses, and a few responses encouraging more co-marketing of firms as Latino.

Sources of Information and Advice

Latino business owners draw on multiple sources of information and news about the pandemic and its potential impacts upon their businesses. Traditional and online or social media are a main source of news for 38 percent of respondents. Equally important are local, state and national government sources. Another 16 percent indicate that they rely on family members, friends, and business associates as sources of information, while seven percent of those surveyed cite Chambers of Commerce as sources they rely upon.

Despite dramatic impacts to their businesses, only 59 percent of Latino business owners report seeking advice about how to confront the current crisis, which again perhaps indicates limited access to professional financial services. Those who have done so, however, consult widely, including with lending institutions and city or county governments (14 percent of respondents for each), accountants and business consultants (also 14 percent for each), the federal government (10 percent), family, friends and chambers of commerce (nine percent each), state governments (eight percent) and lawyers (seven percent) (see Figure 5). Among those surveyed, there does not appear to be a single or preferred source for business advice.

From whom have you sought guidance about your business during the current crisis?

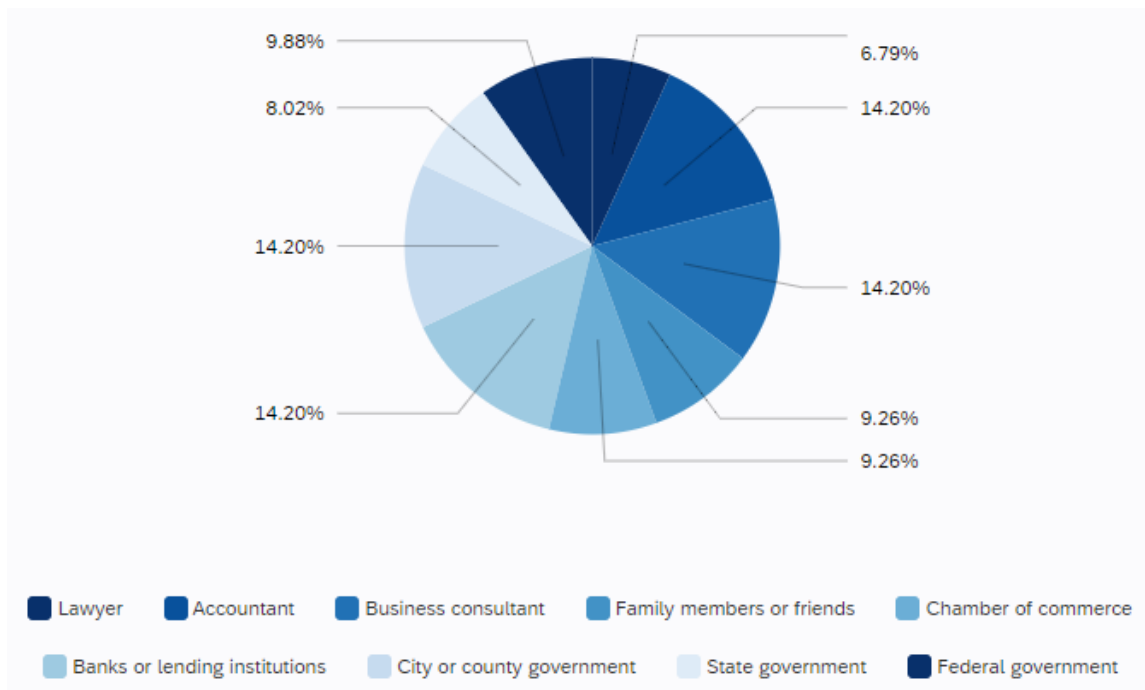


Figure 5

As this survey highlights, many Latino-owned businesses in the DC-Metro region face severe crisis as a result of the pandemic. For those most adversely affected, long-term prospects for recovery are likely to depend on whether, in the short term, they can maintain the necessary liquidity to survive and rebuild. Small enterprises that rely on foot traffic and with tight liquidity appear to be most at risk. Recovery is likely to be made more daunting by the well-documented difficulties Latino businesses have had in securing business loans. Of the approximately 4.5 million Latino firms in the US, only half have a relationship with a bank.²² Those that do often work with smaller banks with fewer assets. Prior CLALS-sponsored research on Latino entrepreneurs also confirms this trend, with one-third of Latino businesses in the DC area reporting having received loans.²³ Latino enterprises often have less working capital on hand, or access to it, than do other businesses. In mid-April the leader of the US Hispanic Chamber of Commerce estimated that on average Latino firms had less than a month of liquidity to weather the pandemic.²⁴

While there are some signs that federal, state and local efforts to blunt the worst impacts of the crisis on businesses might be beginning to make a difference,²⁵ the degree to which federal programs, such as the Paycheck Protection Program or the Economic Injury Disaster Loan program will support Latino and other minority-owned businesses remains to be seen. The early returns have not been encouraging, with few Latino businesses managing to receive PPP loans, according to a joint survey of The League of United Latin American Citizens and US Hispanic Chamber of Commerce.²⁶ Difficulties accessing loans for Latino businesses owners in the DC-metro region are potentially compounded by their immigration status. To the extent that some may have tenuous immigration status, firms may be ineligible for federal relief or loan programs. But if Latino businesses are to survive, they will need substantial financial, institutional, and technical assistance, and as this survey shows, significant barriers to such assistance make this particularly challenging.

¹ Moya, José, “Covid-19 and Latino Immigrants,” <http://ilas.columbia.edu/covid-19-and-latino-immigrants/>

² Olivo, Antonio, Marissa J. Lang and John D. Harden, “Crowded Housing and Essential Jobs: Why So Many Latinos are Getting Coronavirus,” *The Washington Post*, May 26, 2020.

³ Tracy, Jan and Scott Clement, “Hispanics Are Almost Twice as Likely as Whites to Have Lost Their Jobs Amid Pandemic, Poll Finds,” *The Washington Post*, May 6, 2020.

⁴ Cimini, Kate and the Salinas Californian, “Puro Cash”: Latinos Are Opening More Small Businesses than Anyone Else in the US,” *USA Today*, May 23, 2020.

⁵ Orozco, Marlene, Inara Sunan Tareque, Paul Oyer, and Jerry I. Porras, “2019 State of Latino Entrepreneurship,” <https://www.gsb.stanford.edu/sites/gsb/files/publication-pdf/report-slei-state-latino-entrepreneurship-2019.pdf>, p. 4.

⁶ <https://www.goodcall.com/data-center/2016-best-places-hispanic-entrepreneurs/>

⁷ Kochhar, Rakesh and Anthony Cilluffo, “How Wealth Inequality Has Changed in the U.S. since the Great Recession, by Race, Ethnicity and Income,” *Pew Research Center*, November 1, 2017.

⁸ Pew Research Center, “U.S. Public Sees Multiple Threats from the Coronavirus – and Concerns Are Growing,” <https://www.people-press.org/2020/03/18/u-s-public-sees-multiple-threats-from-the-coronavirus-and-concerns-are-growing/>

⁹ Stanford Latino Entrepreneurship Initiative, “The Impact of Covid-19 on Latino-Owned Businesses,” https://www.gsb.stanford.edu/sites/gsb/files/2020_slei_first_covid_survey_results.pdf

¹⁰ Fairlie, Robert W., “The Impact of Covid-19 on Small Business Owners: Evidence of Early-Stage Losses From April 2020 Current Population Survey,” National Bureau of Economic Research Working Paper 27309, June 2020, <http://www.nber.org/papers/w27309>

¹¹ Previous CLALS-sponsored research on Latino entrepreneurship in the DC-Metro area found that almost three in five Latino-owned businesses surveyed (57 percent) employed only Latinos, and among all Latino-owned businesses, more than three-fourths of employees are Latino. See: Bird, Barbara and Michael Danielson, “Capital Start-Ups: What We Know and Need to Know about Latino Entrepreneurship in the DC-Metro Region,” *CLALS Working Paper No. 10*, p. 11: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2733807.

¹² This result is consistent with previous CLALS research on DC-metro Latino entrepreneurs, which also found that a large majority of Latino-owned businesses were small, with almost three-fourths of businesses having three or fewer paid employees. See Bird and Danielson, *ibid*, p. 10.

¹³ All are identified their industry as in “business services and technology,” which composes a subset of 28 responses, discussed in greater depth below.

¹⁴ 84 percent of respondents are themselves Latino business owners. The remaining 16 percent cater to Latino communities.

¹⁵ Perhaps surprisingly, such factors as supply chain disruption, technology challenges, access to loans, or generalized uncertainty, are rarely mentioned and barely register.

¹⁶ The next top choice (16 percent) is to provide better means of communication and networking around timely information of importance to the Latino business community, followed by an interest in more education and training (11 percent) about tools, resources, and business planning in the response to the pandemic. The third ranked first preference – education and training to improve business planning – is also the first ranked second choice (29 percent of respondents), followed by access to loans and grants (16 percent), which is also the most frequently noted third priority (19 percent). While not ranking among the top priorities, interest in an improved social media or online presence or marketing is noted in 16 percent of responses and help with PPE comes up among 13 percent of responses.

¹⁷ It is not clear whether survey respondents simply lack insurance or doubt it covers pandemic-related losses and so don’t file. Insured businesses, with protection against the interruption of their businesses and which have filed claims to cover losses as a result of government-ordered closures or stay-at-home orders, have found that such interruptions are not enough to trigger coverage primarily because the impacts of the pandemic have not taken the form of physical property damage (see Weisberg, Lori, “Businesses Facing Huge Losses from Pandemic Thought their Insurance Would Cover Them. Not Really,” *The San Diego Union-Tribune*, April 5, 2020; Schiffer, Larry P., “Is a Covid-19 Stay-at -Home Order Alone Enough to Trigger Business Interruption Coverage?,” *The National Law Review*, May 8, 2020: <https://www.natlaw-review.com/article/covid-19-stay-home-order-alone-enough-to-trigger-business-interruption-coverage>).

¹⁸ A 2016 study by the insurance provider New York Life concluded that 60 percent of Latino small business owners had never been approached by a financial representative of any kind (<https://www.newyorklife.com/newsroom/2016/financial-guidance-for-hispanic-business-owners>)

¹⁹ Bird and Danielson, *ibid*, p. 11.

²⁰ Twenty-eight percent of businesses responding to the survey do not correspond to any of these categories.

²¹ Forty-four percent either strongly disagree or disagree, while only 26 percent strongly agree or agree.

²² Gamboa, Suzanne and Nicole Acevedo, “Coronavirus Could ‘Decimate’ Latino Wealth, which Was Hammered by the Great Recession,” *NBC News*, April 12, 2020.

²³ Bird and Danielson, *ibid*, p. 12.

²⁴ Gamboa and Acevedo, *ibid*.

²⁵ O’Connell, Jonathan, Jeanne Whalen, Jeff Stein, and Erica Werner, “Following Messy Start, Enormous Paycheck Protection Program Shows Signs of Buttressing the Economy,” *The Washington Post*, June 10, 2020.

²⁶ Gambia, Suzanne, “Few Hispanic Business Owners Got Coronavirus Relief Loans, Latino Survey Finds,” *NBC News*, April 24.

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