

**SELF-EMPLOYMENT AND PAID
EMPLOYMENT OUTCOMES OF HISPANIC
POPULATIONS BETWEEN
2006 & 2011**

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Hispanic Economic Issues

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The results are preliminary; please do not quote without permission from the authors.

Introduction

- Hispanics represent one out of every six people in the U.S., up from one out of eight in 2000.
- It follows that Hispanics have an increasingly important role in shaping the socioeconomic direction of the U.S.
- What is often overlooked is the heterogeneity of the Hispanic population.

- Mexican Americans represent 2/3 of Hispanics, followed by Puerto Ricans (1/10), and then Cubans and Salvadorans, followed by Dominicans, and others.
- As such, analyzing “Hispanic” socioeconomic outcomes does not necessarily reflect what is happening within each subgroup.
- Recent volumes have considered a variety of outcomes across different Hispanic groups, but self-employment/entrepreneurship along this dimension remains under-explored.

- In this study, we analyze self-employment tendencies and earnings between 2006 and 2011 of Mexican Americans, Puerto Ricans, and Cubans, while considering birthplace.
- The importance of this timeframe is that it covers the Great Recession.
- This period is also of particular importance to Puerto Ricans, as the Great Recession “started earlier [*in Puerto Rico*] and was much steeper than that on the U.S. mainland” (NY Fed 2012)

Empirical Analysis

- Our analysis employs IPUMS data from the 2006-2011 American Community Surveys (ACS) made available by Ruggles et al (2014) (www.ipums.org).
- These data include one-percent samples of the entire U.S. population in each year.
- Our sample of interest includes Hispanic and non-Hispanic white civilians ages 25-64 in the labor force.

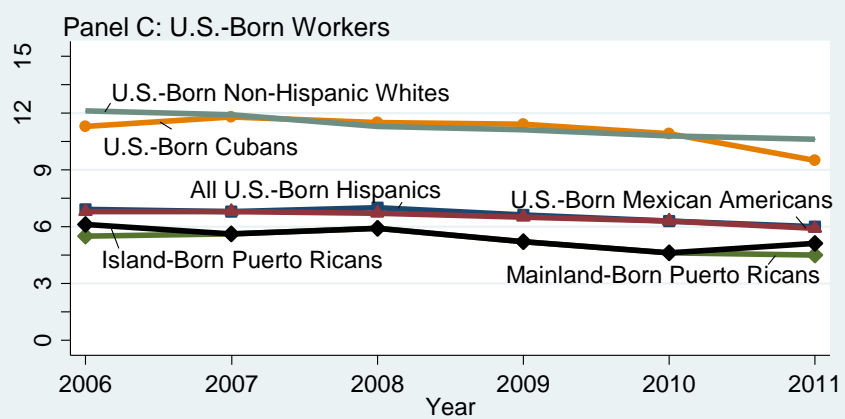
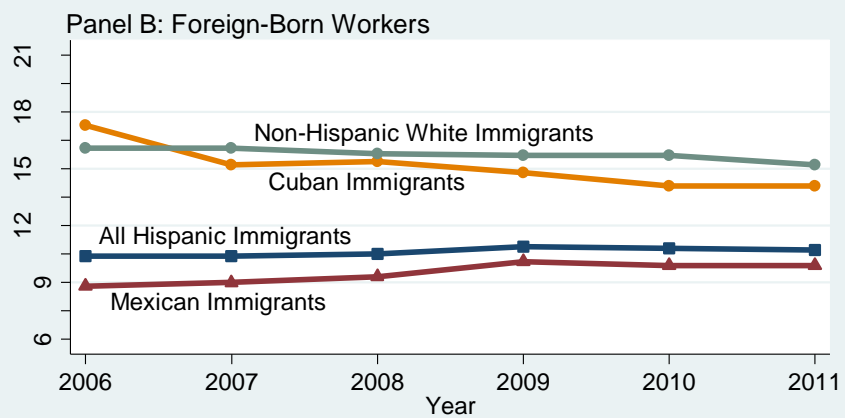
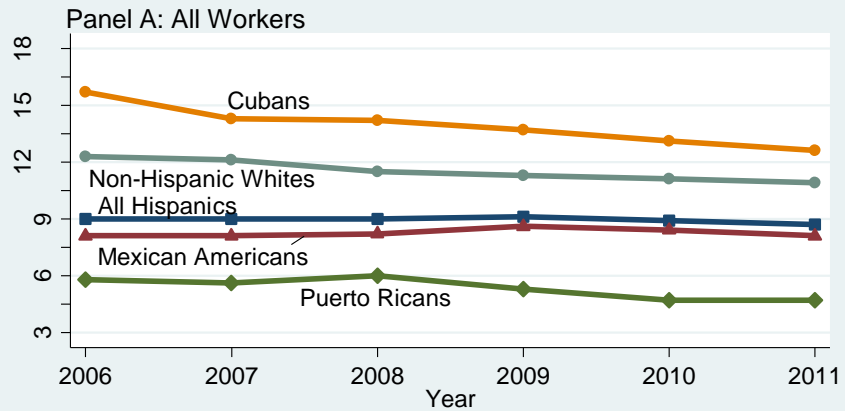


Figure 1: Self-Employment Rates of Hispanics and Non-Hispanic Whites, by Birthplace, between 2006 and 2011

Table 1: Numbers of Self-Employed Hispanic and Non-Hispanic Workers, Ages 25-64, between 2006 and 2011

Population	2006 (in 1,000s)	2011 (in 1,000s)	Difference
Hispanics	1,486	1,689	13.7%
Mexican Americans	817	972	19.0%
Puerto Ricans	80	81	1.3%
Cubans	97	99	2.1%
Non-Hispanic whites	10,399	9,138	-12.1%

Table 1A: Numbers of Self-Employed Hispanic and Non-Hispanic Workers, Ages 25-64, between 2006 and 2011, by Birthplace

Population	2006 (1,000s)	2011 (1,000s)	Difference
Foreign-born Hispanics	1,029	1,193	15.9%
U.S.-born Hispanics	457	496	8.5%
Mexican immigrants	549	669	21.9%
U.S.-born Mexican Am.	268	303	13.1%
Island-born Puerto Ricans	33	32	-3.0%
Mainland-born Puerto Ricans	44	47	6.8%
Cuban immigrants	79	75	-5.1%
U.S.-born Cubans	18	24	33.3%
Non-Hisp. white immigrants	706	687	-2.7%
U.S.-born non-Hisp. whites	9,693	8,451	-12.8%

- To what extent are these differences in self-employment tendencies driven by changes in the underlying characteristics versus the determinants of self-employment?
- We estimate the following equation for 2006 and 2011:

$$(1) \text{ Self-Employed} = f(\text{Human Capital, Demog., Family, Occupation, Geographic}).$$

Table 2: Selected Probit Regression Results for the Probability of Being Self-Employed in 2006 and 2011 – for Hispanics
(Dependent Variable = 1 for the Self-Employed; = 0 Otherwise)

Characteristic	2006	2011	Effect Sig. Different?
Education	0.021***	0.016***	Yes*
Experience	0.037***	0.034***	No
Does not speak English well	-0.055***	0.020	Yes***
Foreign-born	0.185***	0.223***	Yes*
Foreign-born, arr. in past 5 years	-0.084***	-0.115***	No
Female	-0.084***	-0.107***	No
Share of ethnic group in PUMA	0.0014***	0.0010***	No
Group unemp. rate in PUMA	-0.007***	-0.004***	No

- How did these changes affect the propensity to be self-employed after 2006?
- We disentangle the changes in the effects of the characteristics versus the self-employment structure by applying the 2006 coefficients to predict 2011 self-employment rates.

Table 3: Actual and Predicted Self-Employment Rates of Hispanic and Non-Hispanic Workers, Ages 25-64,

	Self-Emp. Rate		Pred.SE Rate in 2011	Unexplained Part of 2011 SE Rate (in % points)
	2006	2011		
Population				
Hispanics	9.0%	8.7%	8.9%	-0.2
Mexican Americans	8.1%	8.1%	8.2%	-0.1
Puerto Ricans	5.8%	4.7%	5.8%	-1.1
Cubans	15.7%	12.6%	14.1%	-1.5
Non-Hispanic whites	12.3%	10.9%	12.1%	-1.2

Table 3A: Actual and Predicted Self-Employment Rates of Hispanic and Non-Hispanic Workers, Ages 25-64, by Birthplace,

Population	Self-Emp. Rate		Pred. SE Rate in 2011	Unexp Part of 2011 SE Rate (in % pts.)
	2006	2011		
Hispanic immigrants	10.4%	10.7%	10.6%	0.1
U.S.-born Hispanics	6.9%	6.0%	6.7%	-0.7
Mexican immigrants	8.8%	9.9%	9.3%	0.6
U.S.-born Mex. Am.	6.8%	5.9%	6.7%	-0.8
Island-born P.R.	6.1%	5.1%	6.0%	-0.9
Mainland-born P.R.	5.5%	4.5%	5.5%	-1.0
Cuban immigrants	17.3%	14.1%	15.9%	-1.8
U.S.-born Cubans	11.3%	9.5%	10.7%	-1.2
Non-Hisp. White imm.	16.1%	15.2%	17.1%	-1.9
U.S.-born NHW	12.1%	10.6%	11.9%	-1.3

- We next estimate a typical earnings function solely for non-Hispanic whites:

$$(2) \quad \text{Ln}(\text{Earnings}) = f(\text{Human Capital}, \text{Demographic}, \text{Occupation}, \text{Region}, \text{COL}).$$

- We then impute the wages of Hispanics to estimate how much they should have earned, given their characteristics, under the non-Hispanic white earnings structure.

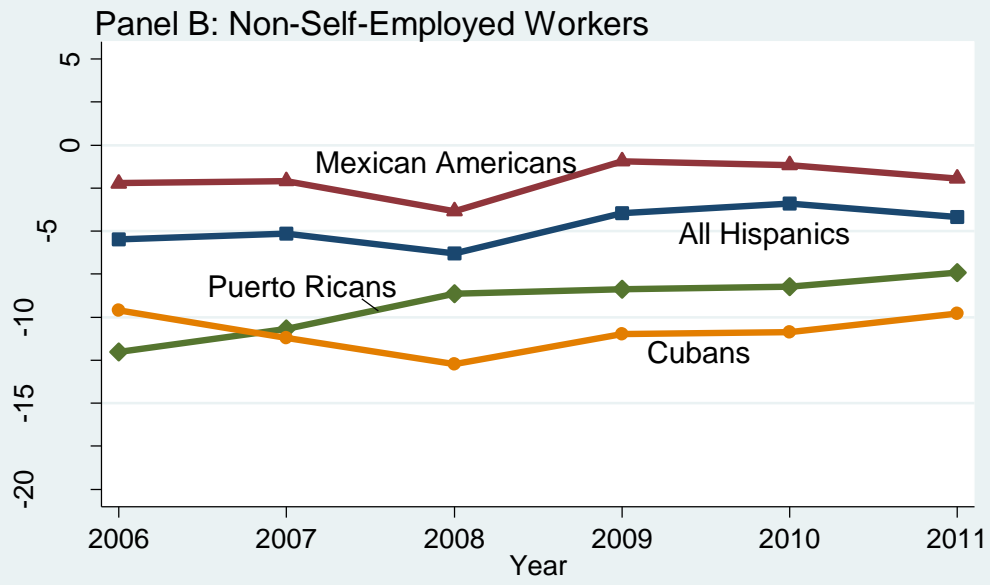
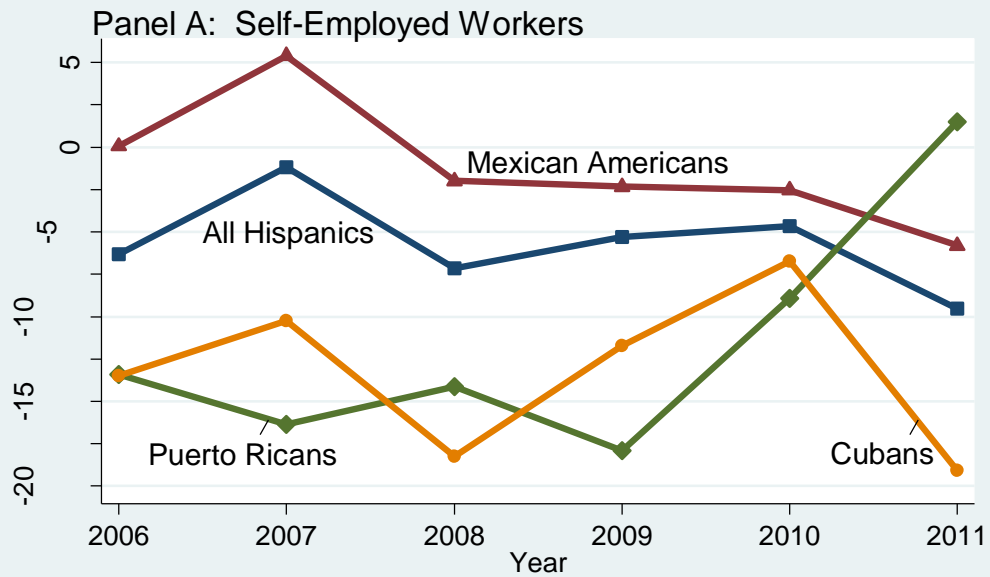


Figure 2: Unexplained Earnings Differentials between Hispanics and Non-Hispanic Whites between 2006 and 2011, by Self-Employment Status

Discussion

- Our results indicate that this growth in self-employment was driven by Hispanic immigrants (particularly Mexican immigrants) 2006-2011.
- The earnings analyses also indicate that the relative unexplained earnings of self-employed Hispanics fell (but not among Puerto Ricans).
- These results follow the predictions of a standard relative supply/demand analysis: as the relative supply of the self-employed increases, their relative earnings should fall.

- These findings also correspond to the Clark and Drinkwater model (e.g., 1998): as the self-employment share of a population rises, the entrepreneurial quality of the population falls.
- This fits the case of both Mexican Americans (rising self-employment rates but declining relative earnings) and Puerto Ricans (falling self-employment rates but rising relative earnings).

Concluding Remarks

- Hispanics (driven by Mexican Americans), had rising self-employment rates between 2006-2011.
- To the extent this growth was led by “push” forces, beyond economic conditions, policy concerns over employer, employee, customer or statistical discrimination (resulting from immigration reform?) might be warranted.
- Neo-classical economic theory would predict it is transitory, economic stratification theorists would likely say otherwise (e.g., Darity 2005).

- It should also be noted that if these estimates underreport particular Hispanic populations, then more detailed data sets and in-depth methodologies will be needed to study the entrepreneurial outcomes of specific Hispanic groups in the future.
- Such information is critical in light of the growing importance of Hispanic populations in the future direction of the nation.

Thank you.

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