Redefining Risk: Racial Disparities in Entrepreneurship and Financial Wellbeing

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Capital Matters: Race, Gender, and Entrepreneurship
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Research Questions

• 1. What is the life cycle of Black businesses compared to white businesses?

• 2. What is known about wealth accumulation/destruction and new businesses?

• 3. Experience of entrepreneurs of color fit into widening racial wealth gap?
Data

- PSID, 1999 and 2015 Waves
- Focus Groups, Black and Latino Entrepreneurs (Oakland and Boston)
Wealth and Business

Figure 2: Change in median wealth for those who owned in 2005: 4 and 8 years later

- $150,000
- $136,375
- $100,000
- $50,000
- $0
- $-50,000
- $-65,826
- $787
- $75,084
- $-50,541
- $-560

-$100,000 - Still owning business started in 2005
- Business started in 2005 recently ended
- Did not own a business
Figure 1: Percentage of business started in 2005 who still owned a business in 2007, 2009, 2011, and 2013, by race
What Drives Survivability?

• **Most Negative** for Survivability:
  – Having to Work Another Job
  – Less Wealth at Start

• **Most Positive**:
  – Larger Businesses at Start
  ---More Education at Start?
Voices of Entrepreneurs:

• Theme 1: Barriers to Affordable Financial Products

• This whole [lending] eco system is not really supportive of growth and expansion. It can stimulate the startup piece because cost for startup in the service sector is small...
Theme 2

- Interpersonal, Institutional, Systemic Racial Discrimination
- *We’re getting charged extra for exactly the same thing... Everyplace else they’re giving it away for free.*
• Mismatch in Community Resources:

Need to visit 3 or 4 different places, getting services 1 to 2 hours at a time...[like] economic emergency room, but small business’ needs are not treatable in the ER. They are long-term needs over the economic life.
Theme 4

Promise of Entrepreneurship:

“I do feel like being in my own business gives me more opportunities than when I was in corporate America. I’m glad I decided to leave from corporate America, because even with all the challenges of running your own business, you just feel like, I feel a little bit more in charge of my own destiny.”
Thank you!

If you have any questions about today’s presentation, please email Tom Shapiro at tshapiro@brandeis.edu.