



## Employee Benefits Offered by Entrepreneurs of Color

## AUTHOR

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# Introduction

Employee benefits such as paid sick leave, vacation, tuition assistance, retirement plans, health insurance, profit-sharing and more, play pivotal roles in employee satisfaction, recruitment and retention and overall business success. Entrepreneurs bear the responsibility and opportunity to shape the work environment by offering these benefits, thus ensuring their employees' well-being and commitment to the organization. As more individuals from diverse racial and ethnic backgrounds establish businesses, the nature of the benefits provided by the entrepreneurs to their employees has also been transformed.



# Methodology Overview



In this report, we analyze data from the [2022 Entrepreneurship in the Population Survey Project \(EPOP\)](#)<sup>1</sup>, a nationally representative survey conducted by researchers at NORC at the University of Chicago. Funded by a grant from the Ewing Marion Kauffman Foundation, this survey focuses on various facets of entrepreneurial practices. This brief primarily focuses on the ability of current Hispanic, Black and White employers<sup>2</sup> to provide benefits to their employees, either fully or partially<sup>3</sup>.

For this analysis, we only look at current entrepreneurs with businesses that employ more than 10 individuals. The reasoning behind limiting the data to businesses with more than 10 employees is rooted in prior findings, which suggest that very small businesses often face challenges in offering benefits and in some jurisdictions are exempt from providing employee benefits such as health insurance and FMLA leave. In addition, Black and Hispanic entrepreneurs more often own non-employer firms (no employees)<sup>4</sup>. By focusing on slightly larger firms, we aim to gain insights into benefit provisions for businesses that impact a larger number of employees.

Furthermore, due to the limited sample sizes which compromise the reliability of parts of this report, and the expansive definition of the group “non-Hispanic-Other and multi-racial”, the findings focus mainly on Hispanic, Black and White entrepreneurs.

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<sup>1</sup> Entrepreneurship in the Population (EPOP) Survey Project Public Use Data File: 2022.” NORC at the University of Chicago. October 2023. [EPOP.norc.org](https://eopop.norc.uchicago.edu/)

<sup>2</sup> In this report, “White” refers to non-Hispanic Whites and “Black” refers to non-Hispanic Blacks. We use “Hispanic” and “Hispanic/Latinx” interchangeably, sticking to the Office of Management and Budget (OMB) and Census Bureau guidelines and referring to populations who may identify using the terms Hispanic, Latinx, Latino/a, or Latine. Language is constantly evolving, and the use of this terminology may apply to additional terms in the future.

<sup>3</sup> It is important to note that the data sourced from the EPOP survey primarily assesses whether employers provided benefits, be it partially or fully, without delving into the specifics regarding the amount or quality of these benefits. The structure of the survey’s questions inherently limits the depth of understanding in this regard. This limitation presents an opportunity for more granular research in the future to explore not just the presence but the extent and caliber of benefits.

<sup>4</sup> <https://advocacy.sba.gov/wp-content/uploads/2021/03/Business-Ownership-Demographics-Fact-Sheet.pdf>

# Key Findings

1

In 2022, most business owners, regardless of their race/ethnicity, provided at least one type of benefit. Most notably, almost all Hispanic-owned businesses with more than 10 employees offer some form of benefit.

2

While there is a general consistency in benefits provision across racial and ethnic groups, offerings of specific benefits like health insurance show disparities. Hispanic employers, in particular, stand out, surpassing both their White and Black counterparts in health insurance provision.

3

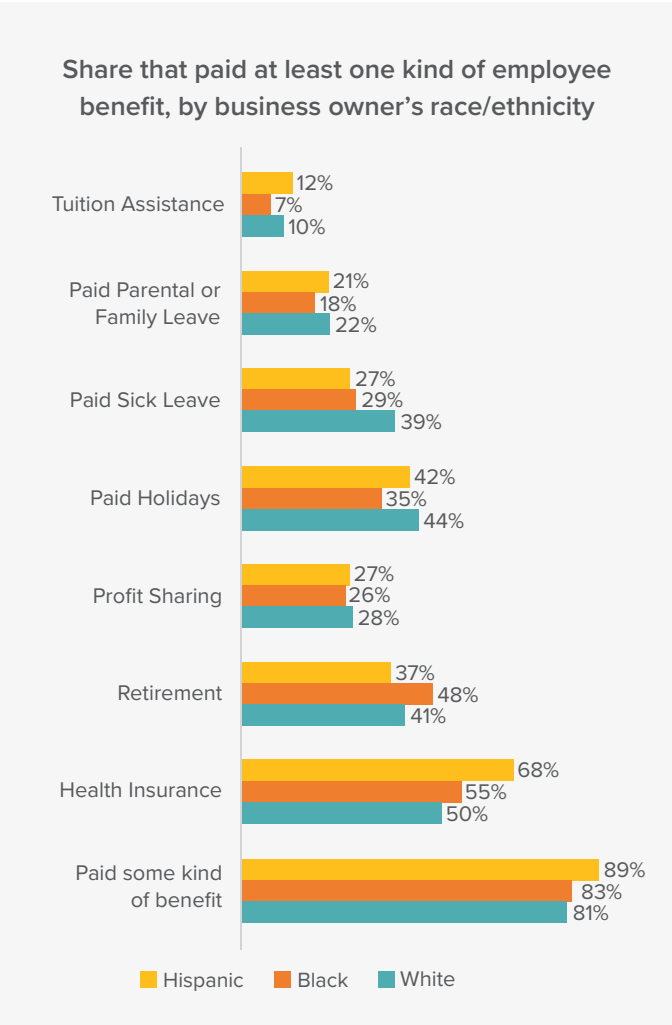
Underlying business context, such as the type of employees hired and financial challenges faced, play a role in influencing these provisions. Regression analyses indicate that some of the difference in benefits provision observed between employers of color and White employers is driven by broader business landscape and challenges encountered.

4

Black and Hispanic employers showed a higher propensity to offer employee benefits such as health insurance and paid holidays compared to White employers. After controlling for business context variables such as worker type and industry, this differential became even more pronounced.



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**SOURCE:** Author's calculation of 2022 Entrepreneurship in the Population Survey (EPOP) data

We report findings on various employee benefits offered by business owners from different racial and ethnic groups in 2022. A key observation is that almost all groups provide at least one type of benefit, indicating a strong commitment among business owners of all colors to employee welfare. While variations exist, as we show below, there are no dramatic gaps in the provision of different benefit types when comparing across races and ethnicities.

Strikingly, Hispanic-owned businesses lead in granting benefits, with nearly 90% providing some form of benefit to their employees. This proportion is higher than that of White and Black business owners (81% and 83%, respectively).

Delving deeper into specific types of benefits, disparities begin to emerge, although these differences are not large. Hispanic employers stand out for their health insurance provisions, with 68% offering partial or full coverage, far more than their White (50%) and Black (55%) counterparts.

In contrast, White employers are most likely to provide paid sick leave and paid holidays, at the rates of 39% and 44%, respectively. Black business owners show the highest propensity for offering retirement benefits, with 48% doing so.

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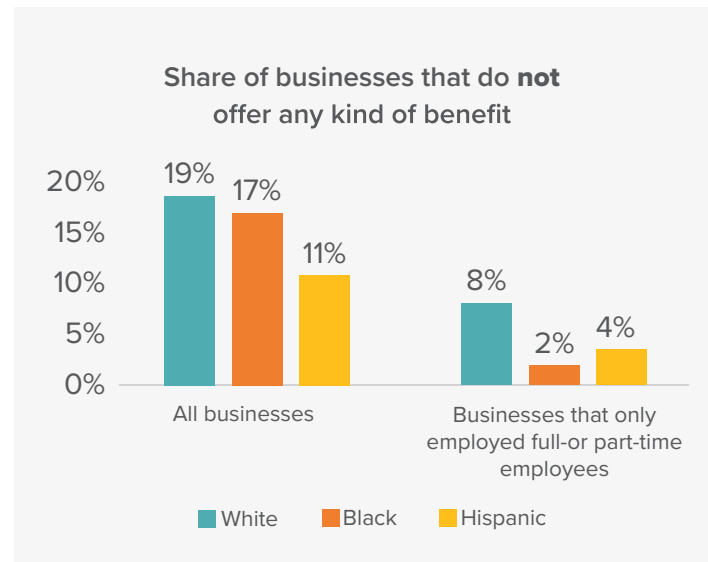
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There are underlying factors that might influence the likelihood of not covering employee benefits.

For instance, the nature of employment within businesses – such as whether they hire only full- or part-time employees as opposed to relying on day laborers, temporary staffing, leased employees, contractors or unpaid employees – plays a pivotal role in the provision of benefits. For businesses that predominantly hire full- or part-time employees:

- Only 2% of Black-owned businesses do not provide benefits, making them the group least likely to do so. This shows that Black businesses often rely on workers that are not full- or part-time.
- White and Hispanic businesses that only hire full- or part-time employees also show low rates of not providing benefits, at 8% and 4%, respectively.



**SOURCE:** Author's calculation of 2022 Entrepreneurship in the Population Survey (EPOP) data

**NOTE:** The last three columns focus only on businesses that exclusively employ full- and part-time employees. Firms using day laborers, temporary staffing, leased employees, contractors, or unpaid employees were excluded.

To not only focus on business contexts such as employee work status but look at several business factors at the same time, we use [simple regression models](#). These models allow us to examine [how benefit provision varies by race and ethnicity after taking into account key factors, such as financial stability, employee types and industry](#).

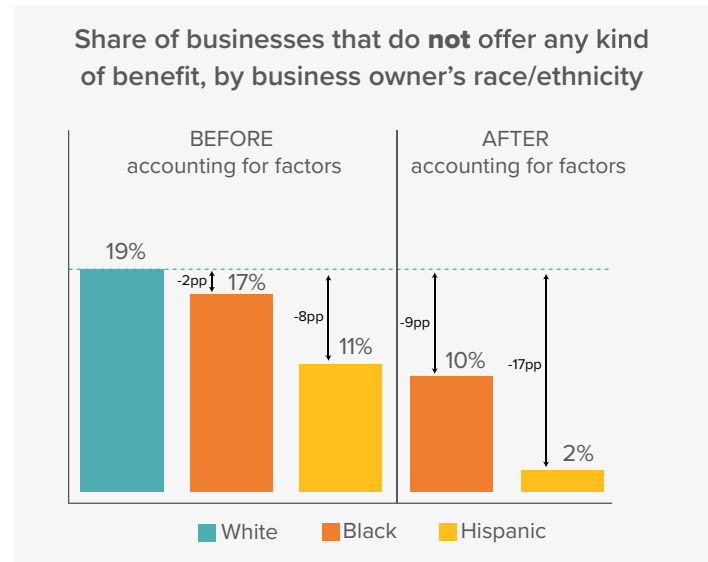
In the figure below, we report on the left-hand side the shares of businesses that do not provide any kind of benefit across the race and ethnicity of the business owners before accounting for any business attributes<sup>5</sup>. We find that:

- Among White business owners, 19% do not provide any kind of benefit, compared to 17% of Black business owners and 11% of Hispanic business owners.
- In other words, if we do not account for any factors, the White-Black gap in benefit provision is of two percentage points, and the White-Hispanic gap is of eight percentage points.

<sup>5</sup> Our statistical modeling requires us to choose one ethno-racial group as the benchmark -- we chose "White business owners" here, but we could have chosen another group.

However, once we account for financial stability, employee types and industry (see the right-hand side of the figure), the gap with respect to White entrepreneurs widens, suggesting that the observed differences in the decision to not provide benefits are influenced by financial challenges, the industry of operation and the nature of the employees hired. In particular, **after accounting for these factors, employers of color were even more likely to provide benefits than to begin with.** We find that:

- The share of Black businesses that did not provide any kind of benefit dropped from 17% to just 10%.
- In other words, while Black employers overall are two percentage points more likely to provide benefits when compared to White employers, controlling for business context increases this gap: the White-Black gap is now of nine percentage points (compared to two percentage points before).
- In a similar fashion, after controlling for business context, the share of Hispanic employers not providing any benefits dropped from 11% to just 2%.
- Put differently, while Hispanic employees were 8% more likely to pay benefits to their employees, after accounting for other business factors, this gap increases to 17%.



**SOURCE:** Author's calculation of 2022 Entrepreneurship in the Population Survey (EPOP) data

**NOTE:** Since White business owners are the benchmark group, the right-hand side of this graph does not show their benefit provision rate but only focuses on the changes for Black and Hispanic employees after controls are added.

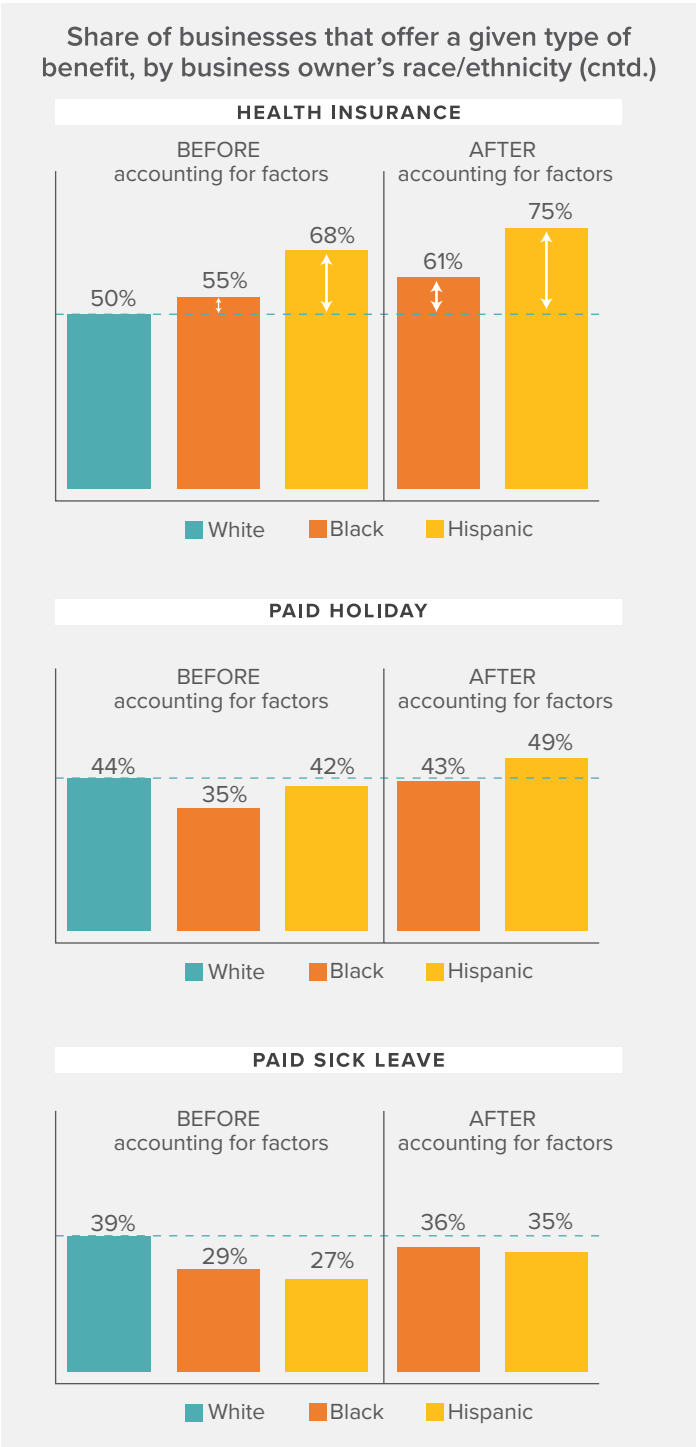
**“In particular, after accounting for these factors, employers of color were even more likely to provide benefits than to begin with.”**

**Black and Hispanic employers showed a higher propensity to offer employee benefits such as health insurance and paid holidays compared to White employers. After controlling for business context variables such as worker type and industry, this differential became even more pronounced.**

In the subsequent analysis, we **examine various types of benefits separately**, before and after accounting for the three key factors (namely, financial stability, employee types and industry).

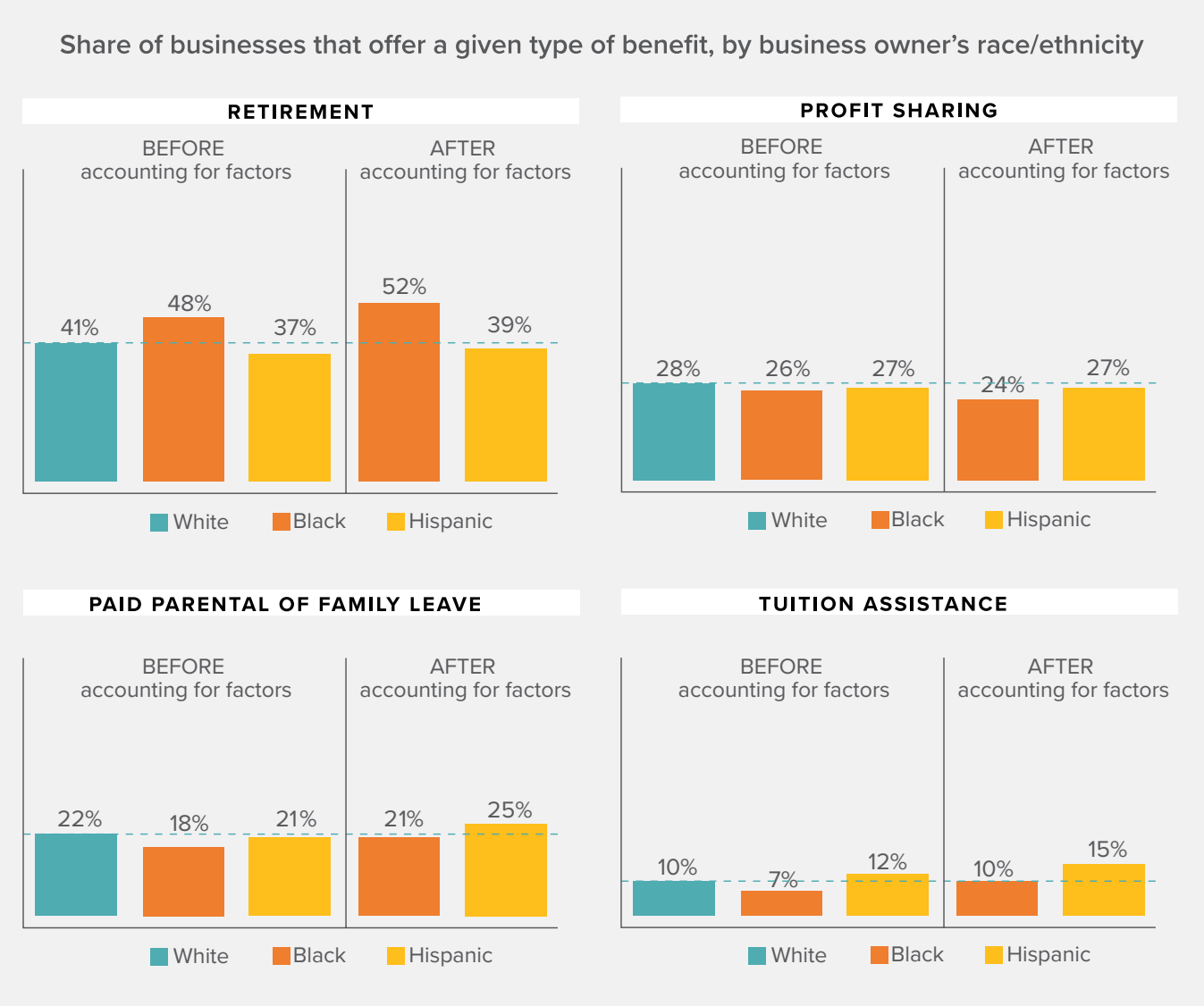
Some benefits, notably the provision of health insurance, paid holiday and paid sick leave, are significantly swayed by these factors (see figures below).

Both Black (55%) and Hispanic (68%) employers are more likely to provide such benefits than their White counterparts (50%) overall. Accounting for business characteristics increases such differences: Black entrepreneurs are now 11 percentage points more likely than their White counterparts to provide such benefits (compared to five percentage points before accounting for business attributes) and Hispanic entrepreneurs are 25 percentage points more likely to do so (compared to 18 percentage points before accounting for business attributes).



**SOURCE:** Author's calculation of 2022 Entrepreneurship in the Population Survey (EPOP) data. Factors include financial stability, employee types, and industry.

Conversely, our findings reveal that **other benefits remain relatively unaffected after accounting for underlying business attributes** (see figures below). The observed differences between ethno-racial groups in terms of offering of profit sharing, paid parental leave and tuition assistance are barely affected after we adjust for key business attributes. The observed differences between ethno-racial groups in terms of offering of retirement benefits changes by only four percentage points for Black-White comparisons and two percentage points for Hispanic-White comparisons after adjusting for key business attributes.



**SOURCE:** Author's calculation of 2022 Entrepreneurship in the Population Survey (EPOP) data. Factors include financial stability, employee types, and industry.



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