**KEY FINDINGS: ECONOMIC DEVELOPMENT**

- In 2010, 9% of Puerto Ricans in Chicago were unemployed—more than Mexicans (7%) and whites (5%), but less than African Americans (11%). This level of unemployment reflects national and historical trends wherein Puerto Ricans have the highest unemployment among Latinos.

- Chicago Puerto Ricans were comparatively underrepresented in management, business, science and arts occupations in 2010. Whites were almost twice as likely to be employed in these occupations.

- 18% of Puerto Ricans in Chicago worked for the government in 2010, substantially more than Mexicans (6%) or whites (11%), but less than African Americans, 22% of whom had public employment in 2010.

- In focus groups, Puerto Rican business owners indicated a need for improved access to capital, especially short-term small business loans.

- In the PRIA, it seems likely that Puerto Ricans and other consumers are having to travel outside their neighborhood to shop for some key consumer goods, especially clothing and footwear. This leakage may represent a latent opportunity for entrepreneurs.
According to the 2006-2010 American Community Survey 5-year estimates, Puerto Ricans in Chicago have slightly lower rates of labor force participation than that of the general population (61% compared to 66%, respectively). This means that 39% of Puerto Ricans 16 or older in Chicago were not in the labor force: they had been out of work for more than 6 months, were unable to work, chose not to work or were independently wealthy. While more Puerto Ricans were in the labor force than African Americans (43% of whom are not in the labor force), Puerto Rican labor force participation is substantially lower (8-10%) than Mexicans (69%) or whites (71%). This disparity is also played out in the traditional measure of unemployment—percent of those workers in the labor force who are “actively seeking employment,” i.e., have been unemployed for less than 6 months or are still collecting unemployment benefits. In 2010, Chicago Puerto Ricans who were in the labor force but still unemployed (9%) were unemployed at higher rates than Mexicans (7%) or whites (5%), but less than African Americans (11%).

According to the Bureau of Labor Statistics, these findings are consistent with national trends in unemployment. Within the national Latino labor force, Puerto Ricans historically have had the highest unemployment rates, whereas Cuban-Americans traditionally have had the lowest. During the recent recession (2006 – 2010), while unemployment rose sharply for all major Latino origin groups, it rose most sharply for Puerto Ricans. Although Mexicans, Puerto Ricans and Cubans have all seen employment gains over the most recent reported period, national Puerto Rican unemployment was still 2.6 points above the Latino average of 11.5% at the end of 2011.
There are two primary ways to measure different types of employment. First, by occupation, workers are measured according to what their day-to-day job function is at their place of employment. In contrast, workers can also be counted by industry, which tabulates them based on the primary product produced by their place of employment. For example, an accountant at a foundry would be counted as an office worker in occupation, but a metal worker by industry. Since these two lenses capture different aspects of the employment landscape, it is helpful to report both in tandem.

In terms of occupation in 2010, Puerto Ricans in Chicago tended to be comparatively under-represented in management, business, science, and arts; whites were almost twice as frequently represented in these leadership-oriented business occupations. However, Puerto Ricans were proportionally more employed in lower-level business, sales and office occupations (32%) than whites, African Americans, Mexicans or the total population. In terms of labor-oriented work, Mexicans were substantially more often employed in production and material moving (30%) and construction (13%) occupations than Puerto Ricans (17% and 6%, respectively).\(^1\)

### Chicago: Puerto Rican Occupations Compared with Other Races and Origins, 2010\(^1\)

![Bar chart comparing Puerto Rican, African American, Mexican, white, and all Chicagoan occupations in 2010.](chart.png)

- Management, business, science, and arts occupations
- Service occupations
- Sales and office occupations
- Natural resources, construction, and maintenance occupations
- Production, transportation, and material moving occupations

- **Puerto Ricans**
- **African Americans**
- **Mexicans**
- **whites**
- **all Chicagoans**
The concentration of Puerto Rican workers in white collar occupations was born out in the 2010 industry classifications as well. In Chicago—like African Americans—Puerto Ricans tended to be over represented in educational services, health care and social assistance (23% and 25%, respectively). Similarly, a larger share of Puerto Ricans in Chicago were employed in retail sales and wholesaling (15%) than any other group. In contrast, worker classifications by industry also reveal a substantial number of Puerto Ricans employed at manufacturing establishments (12%)—about half the share of Mexicans employed in that industry (22%).

<table>
<thead>
<tr>
<th>Industry</th>
<th>% of Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Administration</td>
<td>6.4%</td>
</tr>
<tr>
<td>Other Private Sector Services</td>
<td>5.6%</td>
</tr>
<tr>
<td>Arts, Entertainment, Accommodation and Food Services</td>
<td>7.4%</td>
</tr>
<tr>
<td>Education, Health Care and Social Services</td>
<td>23.4%</td>
</tr>
<tr>
<td>Information</td>
<td>2.0%</td>
</tr>
<tr>
<td>Professional, Scientific, Management and Administrative Services</td>
<td>9.3%</td>
</tr>
<tr>
<td>Finance, Insurance and Real Estate</td>
<td>7.8%</td>
</tr>
<tr>
<td>Transportation, Warehousing and Utilities</td>
<td>7.6%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>12.5%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>2.5%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12.0%</td>
</tr>
<tr>
<td>Construction</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

While most employed Puerto Ricans (79%) work in the private sector, 18% work for the government. Puerto Ricans are substantially more likely than either whites (11%) or Mexicans (6%) to be employed in the public sector, but less likely than African Americans, who lead public employment with a 22% share.

Although Puerto Ricans have strong representation in clerical or skilled professions, they have lower rates of self-employment (2.6%) than all other comparison groups. In contrast, 5.5% of whites in Chicago are self-employed in unincorporated businesses. People who are self-employed often work on a contract basis from the home and may use these freelance assignments to start a new business. In this way, self-employment can help build a bridge between the informal and formal economies. High rates of self-employment have been attributed to higher educational attainment and more access to financial resources (Bucks, 2009).

"The culture around business within our community, it just has to change. Because if not, then we’re just going to continue to lose—we’re just going to continue to get gentrified, ‘cause we talk about gentrification, affordable housing, and what have you, and the last thing we talk about is that one of the reasons we’re being gentrified is that we don’t establish businesses in our communities."

(Puerto Rican Business Owners’ Focus Group)
PASEO BORICUA

Paseo Boricua is a business and restaurant corridor on Division Street running between California and Western. In 1995, the City of Chicago and community leaders erected two fifty-nine feet tall, forty-five ton steel Puerto Rican flags to act as gateways for Paseo Boricua. This affirmative symbol and the promotion of culture that goes with it on Paseo Boricua have allowed longtime residents and local leaders, as well as those Puerto Ricans who have left Paseo but still reside in Chicagoland, to maintain a space with a strong Puerto Rican identity.

In communities facing gentrification pressures, one of the most vulnerable points of ingress for gentrifiers is often acquisition and recreation of the area’s commercial space. Whereas “indigenous” businesses might otherwise anchor a community resisting gentrification, when these businesses are sold or otherwise priced-out by increasing rents, the community loses cultural ownership over public commercial space right along with the local businesses that nurtured and defined that space.

“I think the function of Paseo Boricua is just that: to maintain the Puerto Rican identity. Although Paseo is being diminished in size with gentrification, I think—at the core of it—it’s always going to be what it has been historically. But people are either going to have to step up to the plate in terms of creating more community again, helping each other, and doing something to be able to sustain themselves or it’s just going to be… I mean, look at Chinatown and Greektown, these are all areas with a cultural connotation to them, like this one. So, I think we could sustain it, it’s just a matter of…can we sustain it alone? With just Puerto Ricans?”

(Humboldt Park Community Focus Group)
Concerted efforts to establish and strengthen Paseo Boricua, however, have helped preserve Division Street’s Puerto Rican identity. Aside from the flags, which leave no doubt as to who inhabits this area, many of Paseo Boricua’s Puerto Rican entrepreneurs further maintain Humboldt Park’s Puerto Rican identity by owning—not renting—their establishments. According to some focus group participants, the fact that a critical mass of buildings are owned by Puerto Ricans, along with Paseo’s strong Puerto Rican identity, has helped many businesses to avoid displacement through gentrification. Many feel that the businesses of Paseo Boricua anchor the Puerto Rican community in Humboldt Park, helping its residents and institutions stay in place.

According to a study conducted for Division Street Business Development Association (DSBDA) in 2008, Paseo Boricua had 114 businesses (including non-profit establishments), which was about 30% more than in 2003. Many of these businesses are owned by Puerto Ricans. From a subset of businesses that were randomly selected, 65% of all business owners had incomes between $36,000 and $74,999 (Garcia, 2008). A recent survey (2012) by DSBDA (of randomly selected businesses) found that about 35% of businesses made annual revenues of more than $225,000 in 2011. The 2008 DSBDA study showed that 70% were first-time business owners, 56% were younger than 30 years old, and the average tenure was 10 years (Garcia, 2008).

According to a survey of 239 people, conducted by the Puerto Rican Agenda during the 2011 Fiesta Boricua, the favorite Puerto Rican restaurants on Paseo Boricua were Papa’s Cache Sabroso, La Bruquena, and Coco’s. About 42% of survey respondents reported eating at a restaurant on Paseo Boricua at least once a week, while another 31% eat there once or twice a month—only 27% reported eating there almost never. Although there are already many Puerto Rican restaurants on Paseo Boricua, most survey respondents (85%) would like to see even more Puerto Rican restaurants on the business strip. Others mentioned bringing healthy, vegetarian or organic options and even foods from other nationalities like Chinese, Cuban, Mexican, Latin American or some kind of fusion. Clothing and shoe stores along with a supermarket were also popular requests. Participants agree that the area needs improvements in retail, parking, and security.

Although the DSBDA has undertaken many initiatives to attract tourists to the area, businesses owners mentioned in interviews that these programs have had limited success, and indicated that the City of Chicago and other stakeholders need to be more proactive in promoting Paseo Boricua as a destination district. In addition, business owners on Paseo evinced particular concern over parking, with one respondent noting “No one wants to pay $4.00 for parking on the side street.” In addition, concerns over the future retail profile of Paseo and access to capital for small business loans were also repeatedly mentioned in interviews with local business owners.

The Agenda is considering a two-pronged approach to these issues. The first approach is to commission a feasibility study for a Special Service Area (SSA) taxing designation for Paseo, which could provide financial resources for streetscaping and other business improvement initiatives. A Paseo SSA could also be a resource to aid the DSBDA and the Puerto Rican Chamber of Commerce in performing their key business development services. Second, the Agenda will seek to develop a community benefits relationship with a local financial institution rooted in a commitment to using creative methods for evaluating loans to borrowers with unconventional credit histories. Under an agreement of this kind, the bank would specifically market to the unbanked and under-banked in Humboldt Park, and provide an appeals process to make the criteria of its small business and mortgage lending transparent and accountable. These two steps would go a long way to shoring up the economic tools available to help Paseo Boricua thrive financially over the long-term.
MARKET ANALYSIS

We used demographic information from the 2010 Census to project how much spending power there is in the PRIA (PRIA Annual Demand Estimate*), and then compared that spending power to an estimate of annual sales for local businesses (Estimated Total Annual Sales in PRIA). By taking a conservative outlook on these annual sales for local business (Deflated by 20% Total Trade Area Sales), we were able to calculate an estimate of PRIA-local Sales Gaps or Surpluses. (See explanation to the right for more information on understanding these estimates).

While Gap estimates can suggest sectors that are likely to support new local businesses, it is unlikely that any local trade area will ever recapture 100% leaked demand. Assuming it is possible for a new local business making average annual sales (Average Annual Sales per Location by Retail Type (IL)*) to recapture 75% of the leaked sales in the deflated scenario (75% Recapture fo the Deflated Sales Gap Estimate), the PRIA may be able to support a number of new businesses (No. of Stores that Could be Supported Under a Recapture Scenario—arrived at by dividing 75% Recapture by Average Annual Sales by Retail Type (IL)).

EXAMPLE OF PROJECTED DEMAND: There are 4,155 single person Puerto Rican households in the PRIA. Household size is a good predictor of spending on food at home, since it varies considerably across household types due to preference and stage-of-life differences.

4,155 households x Average Grocery Spending for 1-person households ($1,877) = $7,798,935 in Annual Grocery Spending

Household Size as a Predictor of Spending on Food to Prepare at Home

<table>
<thead>
<tr>
<th>Household Size as a Predictor of Spending on Food to Prepare at Home</th>
<th>One Person House</th>
<th>Two Person House</th>
<th>Three Person House</th>
<th>Four Person House</th>
<th>Five Person (+) House</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average National Spending per Household by Size</td>
<td>$1,877</td>
<td>$3,480</td>
<td>$4,431</td>
<td>$5,431</td>
<td>$5,746</td>
</tr>
<tr>
<td>Projected PRIA PR Spending by Household Size</td>
<td>$7.8 million</td>
<td>$15.5 million</td>
<td>$15.6 million</td>
<td>$15.3 million</td>
<td>$17.6 million</td>
</tr>
</tbody>
</table>

NOTE: these estimates rely heavily on a number of assumptions, and should be treated only as preliminary figures that might indicate demand profiles. For more information, see the full Market Analysis report online at PuertoRicanChicago.org.

*Italicized categories refer to titles of columns in the table below:
**PRIA Market Study: Brief Description of the Methodology + Explanation of Terms**

In order to estimate retail demand in the Puerto Rican Influence Area by segments, data from the US Bureau of Labor Statistics\(^3\), US Census Bureau\(^4\) and Illinois Department of Revenue\(^6\) were analyzed. The analysis proceeded on the idea that disaggregating total retail demand estimates by race and Latino origin might shed some light on areas of mutual unmet demand across the five segments that compose the total population: Puerto Ricans, Non-Latino whites, African Americans, Mexicans and all others. These segments were examined across four indicators: housing tenure, age, household size and race / Latino origin. These characteristics were then used to estimate how much each segment spends per year in twelve categories: grocery stores, restaurants, liquor stores, health and personal care, men’s clothes, women’s clothes, children and family clothes, shoes, audio/visual equipment, pets and hobbies, sports, and books and magazines (see example to the left). These demand estimates were finally compared with estimated annual sales of actual businesses inside the PRIA for each category. Annual sales inside the PRIA were calculated by multiplying the number of businesses in each category—e.g., restaurants—by the average sales that type of business had in Illinois in 2011. Finally, the demand in dollars displayed by each segment in the PRIA was compared to the sales the local businesses would have if they all made sales equal to the Illinois average for their type of business. This process of estimation boils down to a simple formula:

\[
\text{Local Sales} - \text{Local Demand} = \text{either a negative number (a Gap) or a positive number (a Surplus)}
\]

**A Gap suggests that there may be some leakage in the local economy.** “Leakage” refers to instances where consumers spend their money outside their home area, profiting business owners in other communities. People choose to shop outside their communities for myriad, sometimes obscure reasons. There are, however, a few common reasons consumers tend to shop outside their home area, including:

- There is no equivalent retail destination in the consumer’s home area.
- There is an outside shop that is more convenient to the consumer’s commute.
- Other shops have more prestige or brand presence.
- The consumer’s home area has streetscaping or crime problems, making shopping unpleasant.
- The consumer is seeking out a business with which they have ethnic, religious or cultural affinity.

Whatever the reason, when the available funds of local area residents are spent outside that area—when they leak out—and are not replaced by outside shoppers traveling to the district, the profitability of the local commercial districts suffer. These districts, in turn, are less able to expand their businesses or to hire more employees. Additionally, new businesses may be dissuaded from locating in the community by the perception of a weak market. This scenario reinforces a cycle of disinvestment that can reverberate through all the dimensions of a community. The bright side of a Sales Gap, on the other hand, is that it may also indicate an opening for this leaked capital to be collected up by a new local business. Since so much of the success of businesses—particularly small retailers and restaurateurs—is wrapped up in tapping the right market, the presence of a Sales Gap in the right neighborhood at the right time can signal opportunity for entrepreneurs. When new businesses locate in a trade area and capture otherwise-leaked sales, the positive spillover effects multiply through the neighborhood: employees in the commercial district patronize each other’s shops, local consumers have less reason to spend their money elsewhere, and there is one more busy shop contributing to a lively commercial space.

In contrast to a Sales Gap, a Surplus suggests one of two things. First, a **Surplus (where the sales of local businesses exceed the demand displayed by local residents)** can indicate that local businesses are importing customers from other areas. A large number of extra-local customers traveling to shop in a trade area often results from a cluster of specialty businesses that creates a destination district. A destination district might be a cluster of ethnic restaurants and shops—such as a Chinatown—or a strip of car dealerships, like the ones often seen on the major arterials of inner ring suburbs. Second, a **Surplus can also indicate that a trade area is oversaturated with certain retail types.** Oversaturation, which suggests that customers are spending significantly more than their average demand in local establishments, can signal that either a neighborhood is going through structural changes causing the retail profile to lag changes in neighborhood composition, or that there is some error in the market demand model. Since market demand estimates rely heavily on national spending patterns and state-wide average sales, the reality in a specific trade area can sometimes deviate strongly from average numbers. In the case of a calculated Surplus, a market demand study should lead to more information-gathering to determine whether surplus figures are accurate on the ground. If the figures are accurate, more demographic data on customers must be collected to reveal whether the Surplus results from destination districts or local oversaturation.