

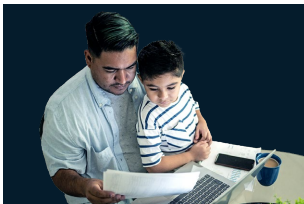
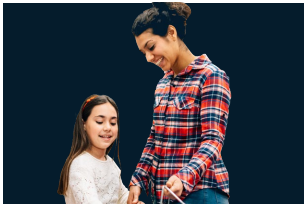
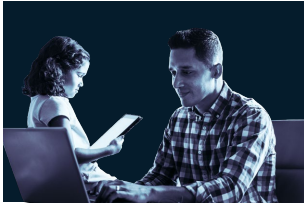
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Latino economic mobility: Insights from five years of research

Compendium
Spring 2026



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Interview by Alberto Chaia

October 13, 2025

Foreword

Five years ago, McKinsey launched a dedicated research effort to better understand the economic experience of Latinos in the United States—one of the most dynamic and rapidly growing communities in the country. What began as an inquiry into the structural barriers and opportunities shaping Latino economic mobility has developed into a rich body of research. We have aimed to bring data, insight, and lived experience into clearer view—to illuminate not only the challenges facing Latino communities but also the extraordinary potential they represent for the country's economic future.

Latinos today are the nation's second-largest racial or ethnic group, and make up nearly one in five Americans. By mid-century they are projected to be more than one in four. They are also projected to account for nearly 80 percent of net new workers this decade, start businesses at faster rates than any other demographic group, and shape culture and consumption in ways that increasingly define the mainstream economy. Their annual economic contribution already measures in the trillions of dollars. Yet persistent barriers—unequal access to capital, gaps in representation, and structural inequities in wealth and opportunity—continue to constrain the full expression of that potential. Closing these gaps is a strategic imperative for US competitiveness and long-term growth.

This compendium reflects the arc of our research journey. Since 2021, in partnership with Aspen Conexión (formerly known as the Aspen Institute Latinos and Society Program), we have published five annual flagship reports about the economic state of Latinos in America. Our first report, "The economic state of Latinos in America: The American dream deferred," established a framework across the roles Latinos play as consumers, workers, entrepreneurs, savers, and investors. Our next report, "Determined to thrive," shed light on Latino consumers' resilience and upward mobility, even against structural headwinds. The following year, "Advancing financial growth," examined pathways to wealth building and capital access. In 2024, we looked at the vibrancy and growing potential of Latino entrepreneurs in "Building up small businesses." Most recently, we explored the power of fandom and representation in sports in "Unlocking the growing power of Latino fans: Building a stronger sports economy." Over the years, we have also published a report on Latinos in Hollywood, analyses showing levels of prosperity and parity across America, and interviews with Latino leaders, including baseball legend and investor Alex Rodriguez.

Viewed together, these reports offer comprehensive insights into Latino economic mobility in the United States. They also underscore a consistent message: Latinos are essential to America's economic engine and expanding their access to opportunity benefits not only Latino households but also the prosperity and social cohesion of the country as a whole.

This year marks the 20th anniversary of McKinsey's Hispanic and Latino Network, reflecting a broader institutional commitment to opportunity, mentorship, and belonging for Hispanic and Latino colleagues across the firm. Established in 2006, the network has grown into a vibrant community of colleagues, alumni, and allies. Over the past two

decades, it has helped deepen McKinsey's engagement with Latino communities and advance dialogue on Latino economic opportunity and mobility—reinforcing our belief that diverse perspectives, inclusive leadership, and expanded access to opportunity strengthen both institutions and society.

As we look toward the future, new forces will shape the landscape of Latino mobility. Geopolitical shifts—from immigration policy to global trade—will have profound implications for families, workers, and industries. The evolution of technology, including the rapid emergence of artificial intelligence, presents both risk and possibility. The right investments in skills, training, and equitable access could open new pathways to high-growth careers. Education will remain a cornerstone of mobility, especially as technological change reshapes the jobs of the future. In each of these areas, rigorous research and clear-eyed analysis will be critical to informing policy, guiding leaders, and supporting communities.

Our commitment to this work is grounded in a simple belief: When Latinos thrive, America thrives. We hope this compendium serves not only as a record of the insights gained over the past five years but also as a catalyst for continued action. The opportunity ahead for public, private, and social sectors is significant. Together, we can help ensure that Latino economic mobility is not a deferred promise, but reality for generations to come.

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The economic state of Latinos in America: The American dream deferred

December 2021

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Preface

As the United States endures labor shortages and ongoing economic disruption amid an uneven recovery from the COVID-19 pandemic, one group has been notably neglected: Latino Americans. Latinos have long been regarded as the unofficial engine of the world's biggest economy, often taking jobs unwanted by others for lower pay and fewer benefits. Yet this critical population will account for more than one in five US workers by the end of the decade, making it all the more important to understand its members' current and potential contributions to the country.

This report aims to increase awareness of the barriers to and enablers of Latino economic mobility and outlines actions to build a more inclusive economic future for Latinos in the United States. Our framework is similar to that of a report released earlier this year by the McKinsey Institute for Black Economic Mobility and the McKinsey Global Institute, *The economic state of Black America: What is and what could be.*¹ Our work is anchored around four economic roles individuals play in the economy: as workers, business owners or entrepreneurs, consumers, and savers. While this framework allows us to explore the multiple economic realities for Latinos in the United States, we recognize these roles are not exhaustive and do not represent the totality of the way individuals move through society. After all, the Latino population in the United States is diverse—and this report seeks to examine differences based on origin, place of birth, and gender.

This report is the first comprehensive study on Latinos in the United States published by McKinsey, and is part of our Inclusive Economy initiative, which aims to help decision makers understand barriers to and enablers of economic mobility to help build a stronger, more inclusive economic future in the face of the COVID-19 crisis. We believe a more inclusive economy for minorities, including Latinos, will drive productivity, growth, and societal well-being. In fact, research suggests up to 40 percent of GDP growth in the US economy between 1960 and 2010 can be attributed to greater participation of women and minorities in the labor force.²

So why now? Like our research on the economic state of Black Americans, this work is driven by a sense of urgency. As discussed in our earlier report *US Hispanic and Latino lives and livelihoods in the recovery from COVID-19*,³ the 60 million Latinos in the United States experienced a disproportionate share of the health and economic effects of the pandemic. At the same time, Latinos are a fast-growing population and represent the future of the world's biggest economy. Latinos will account for more than one in four people in the United States by 2050 and one in three of its workers by 2060. To fully harness the economic power and global competitiveness of the nation, we must remove the barriers that prevent Latinos in the United States from reaching their full potential.

¹ Michael Chui, Vivian Hunt, JP Julien, James Manyika, Bob Sternfels, Shelley Stewart III, Jonathan Woetzel, and Haiyang Zhang, "The economic state of Black America: What is and what could be," June 17, 2021, McKinsey.com.

² "About Inclusive Economy," COVID Response Center, McKinsey.com.

³ Ingrid Millán, Nick Noel, Lucy Pérez, and Alfonso Pulido, "US Hispanic and Latino lives and livelihoods in the recovery from COVID-19," September 2, 2020, McKinsey.com.

The research was led by Lucy Pérez, a McKinsey senior partner in Boston; Bernardo Sichel, a partner in Chicago; and Michael Chui, an MGI partner based in San Francisco. Also providing guidance and insights were Asutosh Padhi, Liz Hilton Segel, Alfonso Pulido, Roberto Uchoa Paula, Harry Robinson, Shelley Stewart, André Dua, Alejandro Díaz, Steve Van Kuiken, Bertil Chappuis, Kweilin Ellingrud, Ramesh Srinivasan, James Manyika, and Katy George. The project teams were led by Ana Paula Calvo and included Jose Padilla, Alexander Pensler, Elizabeth Hubbard, Jigish Patel, Sulay Solis, Daniela Zamora, and Frida Herdan. The authors also wish to thank our economic research team, including Tim Bacon, Arthur Bianchi, Krzysztof Kwiatkowski, and Zooey Wilkinson, and our colleagues Maria Gutierrez and Margaret-Ann Natsis for their contributions and support.

We don't have all the answers, and while we offer some ideas for potential actions to be taken, much more needs to be done. But we hope this report, together with its next installment to be published in the second half of 2022, represents a call to action. This work is independent, reflects our own views, and has not been commissioned by any business, government, or other institute.

Lucy Pérez

Senior Partner, McKinsey & Company
Co-leader of McKinsey's North America Hispanic Latino Network

December 2021



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The economic state of Latinos in America: The American dream deferred

Latino immigrants struggle to be fully embraced by the United States. And while Latinos born in the United States are in the process of being accepted as full participants in the world's largest economy, as a group they remain economically well behind non-Latino White Americans. Our research identifies critical challenges and gaps Latino Americans face across four segments: workers, business owners, consumers, and savers and investors. Addressing the barriers preventing Latinos from full economic participation could have a multitrillion-dollar impact, further unleashing their entrepreneurial spirit, creating millions of jobs, driving consumer spending, and building intergenerational wealth.

Workers: Wage and representation disparities across the US labor market result in a \$288 billion annual income gap

Latinos are concentrated in low-wage jobs, less likely to have nonwage employer benefits, and strikingly underrepresented in higher-paying occupations compared with their share of the US labor force. While US-born Latinos earn more than those born overseas, both groups earn significantly less on average than White workers in the same occupations, an income gap affecting the ability of Latinos to spend, save, invest, and start businesses. Yet more than 60 percent of the wage gap could be closed by improving representation in just 4 percent of professions: academia (such as teaching and education administration), management, professions requiring postgraduate degrees (such as the law and medicine), and STEM professions such as software development. In a scenario of parity, wages for Latino workers could be over 35 percent higher and 1.1 million more Latinos could move into the middle class.

Business owners: The rate of Latino entrepreneurship is very high, but Latino-owned businesses have lower sales and profits than comparable White-owned firms, with limited access to capital stifling the ability to scale

Latinos start more businesses per capita than any other racial or ethnic group in the United States, and the number of Latino-owned employer firms has grown over the past five years at more than double the rate of White-owned employer firms. Yet while Latinos account for 18.4 percent of the US population, they only make up about 6 percent of employer firms and 14 percent of nonemployer firms. If the Latino share of employer business ownership reached parity with its population share, some 735,000 new businesses could

be created along with 6.6 million new jobs. And if sales at those companies averaged the same as at non-Latino White-owned businesses, Latino-owned businesses could be generating \$2.3 trillion more in annual revenue.

Consumers: The combination of lower incomes and wealth and reduced access to goods and services creates \$660 billion in unmet demand each year

Latino consumption has grown by about 6 percent annually for the past eight years, roughly double the pace of spending growth among non-Latino Whites. Yet Latino spending—which accounts for about 11.4 percent of aggregate US consumer spending—lags well behind its share of the population. That's because consumption is constrained by depressed incomes and wealth. In addition, many Latinos live in consumer “deserts” lacking access to key goods and services, and many may be willing to spend more on offerings better suited to their needs. This unmet demand varies by country of origin across all segments in this report.

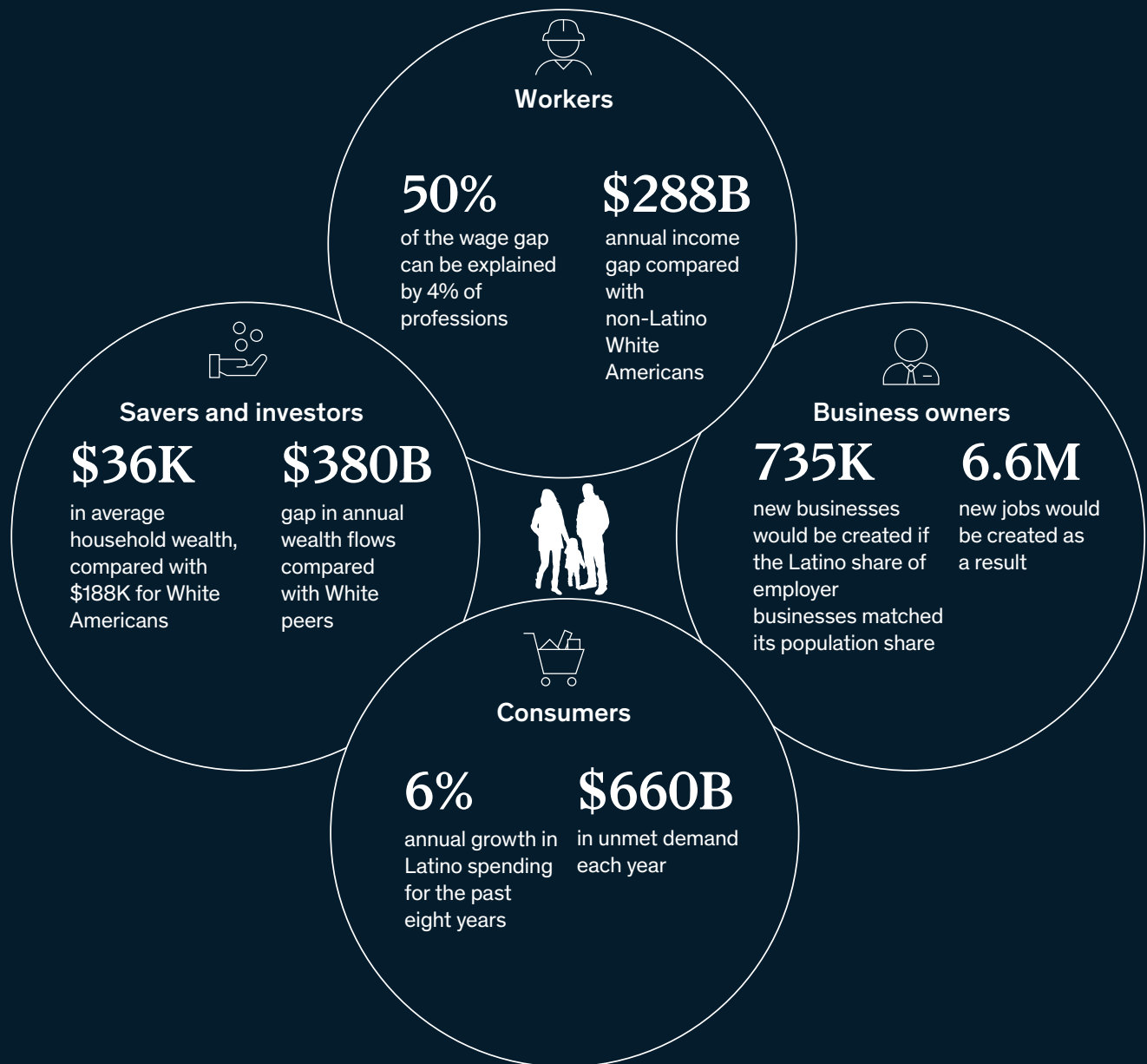
Savers and investors: Intergenerational disparities and continuing barriers to wealth generation result in a \$380 billion gap in the annual flow of net wealth compared with White Americans

Latino wealth has grown by an average of about 7 percent annually for the past 20 years, more than twice the rate of non-Latino White wealth. Wealth is also increasing by generation, especially from first to second generation, where Latino immigrants experience higher economic mobility than their US-born peers. But this growth comes from a low base: the median wealth of Latino households is about \$36,000, just one-fifth of the median \$188,200 held by non-Latino White Americans. While many Latinos save less because they are providing financial support to family abroad, they are also overall significantly less likely to have a will or living trust and to participate in retirement programs or stock and mutual funds. Addressing barriers constraining Latinos from saving and investing could boost median Latino household wealth by 66 percent, or \$24,000.

While the increasing percentage of US-born Latinos will likely narrow these gaps over time, both the public and private sectors could adopt and implement interventions to more rapidly allow Latino workers, business owners, consumers, and savers and investors to fully participate in the US economy. Different choices made today could help drive a more dynamic future both for Latino Americans and the country.

The economic state of Latinos in America: The American dream deferred

Economic gaps persist in every element of Latinos' lives



In a parity scenario

>35%

boost to aggregate wages

1.1M

more Latinos in the middle class



Executive summary

Latinos make up 18.4 percent of the US population and 17.3 percent of the US labor force, a share forecast to rise more than 30 percent by 2060. Latinos start more businesses and have higher rates of intergenerational mobility, and their share of skilled and higher-paid occupations has increased in the past decade. As a population, they increasingly embody—in spirit and reality—the American dream that hard work pays off and each successive generation will be better off than the one before.¹

Yet America's contribution to that dream is uneven. Latinos born in the United States enjoy higher wages and intergenerational mobility than foreign-born Latinos—suggesting Latinos may overcome the hurdles to full participation in their adopted country over time. Yet both US- and foreign-born Latinos remain far from equal with non-Latino White Americans. Latino Americans make just 73 cents for every dollar earned by White Americans. They face discrimination when it comes to securing financing to start and scale businesses. Latinos struggle with access to food, housing, and other essentials. And their level of household wealth—which directly affects their ability to accumulate and pass on wealth from generation to generation—is just one-fifth that of White Americans. Furthermore, COVID-19 had a disproportionate impact on Latino lives and livelihoods.²

Our research finds Latinos are collectively underpaid by \$288 billion a year. In a situation of full parity, they could spend an extra \$660 billion annually. Latino businesses could generate an additional \$2.3 trillion in total revenue each year, and 735,000 new business could be created supporting 6.6 million new jobs. And Latinos' annual flow of net wealth from one generation to the next could be \$380 billion higher.

Latinos face barriers similar to those ultimately overcome by waves of immigrants before them. Income, wealth, and intergenerational mobility are improving for Latinos over the generations, helping close the economic gap. But that isn't enough. Policies and practices have led to Latinos being paid less than non-Latino White Americans within the same occupational categories—and even less for Latinos not born in the United States—and to having lower access to education, food, products, and services. But different choices can be made.

Latino workers: A striking generational gap

Latinos are projected to make up 22.4 percent of the US labor force by 2030 and more than 30 percent by 2060. Yet they remain concentrated in roles generally dismissed as “jobs no one else wants to do.”³ They are underpaid, less likely to have nonwage employer benefits, and disproportionately vulnerable to disruption. The \$288 billion annual gap in income compared with non-Latino White workers not only represents lost economic opportunity but has significant implications for Latinos' ability to start businesses, build wealth, and fully participate as consumers.⁴ In a scenario of parity, wages for Latino workers could be more than 35 percent higher and an additional 1.1 million Latinos could join the middle class.

¹ Mark Hugo Lopez, Ana Gonzalez-Barrera, and Jens Manuel Krogstad, “Latinos are more likely to believe in the American dream, but most say it is hard to achieve,” Pew Research Center, September 11, 2018, [pewresearch.org](https://www.pewresearch.org).

² Ingrid Millán, Nick Noel, Lucy Pérez, and Alfonso Pulido, “US Hispanic and Latino lives and livelihoods in the recovery from COVID-19,” September 2, 2020, [McKinsey.com](https://www.mckinsey.com).

³ Jens Manuel Krogstad, Mark Hugo Lopez, and Jeffrey S. Passel, “A majority of Americans say immigrants mostly fill jobs U.S. citizens do not want,” Pew Research Center, June 10, 2020, [pewresearch.org](https://www.pewresearch.org).

⁴ American Community Survey (ACS) five-year estimates, US Census Bureau, 2019, accessed July 2021, [usa.ipeds.org](https://www.census.gov/ipeds/data/acs/).

The share of Latinos in skilled and higher-paid occupations has increased by almost five percentage points in the past decade. Yet Latino workers are overrepresented in lower-wage occupations, underrepresented in higher-wage occupations, and generally paid less than non-Latino White workers in the same occupational categories. And the annual median wage for foreign-born Latinos (\$31,700) is even lower than for US-born Latinos (\$38,848)—and both are significantly lower than the annual median wage of \$52,942 for non-Latino White workers (Exhibit E1).⁵

Foreign-born Latinos have historically accounted for a higher percentage of Latino workers in the United States than they do today (Exhibit E2).⁶ As more of the Latino population is US-born—the younger age profile of Latinos also contributes to higher birth rates—its percentage of the country’s workforce rises, and the economic gap with non-Latino White Americans will likely narrow.

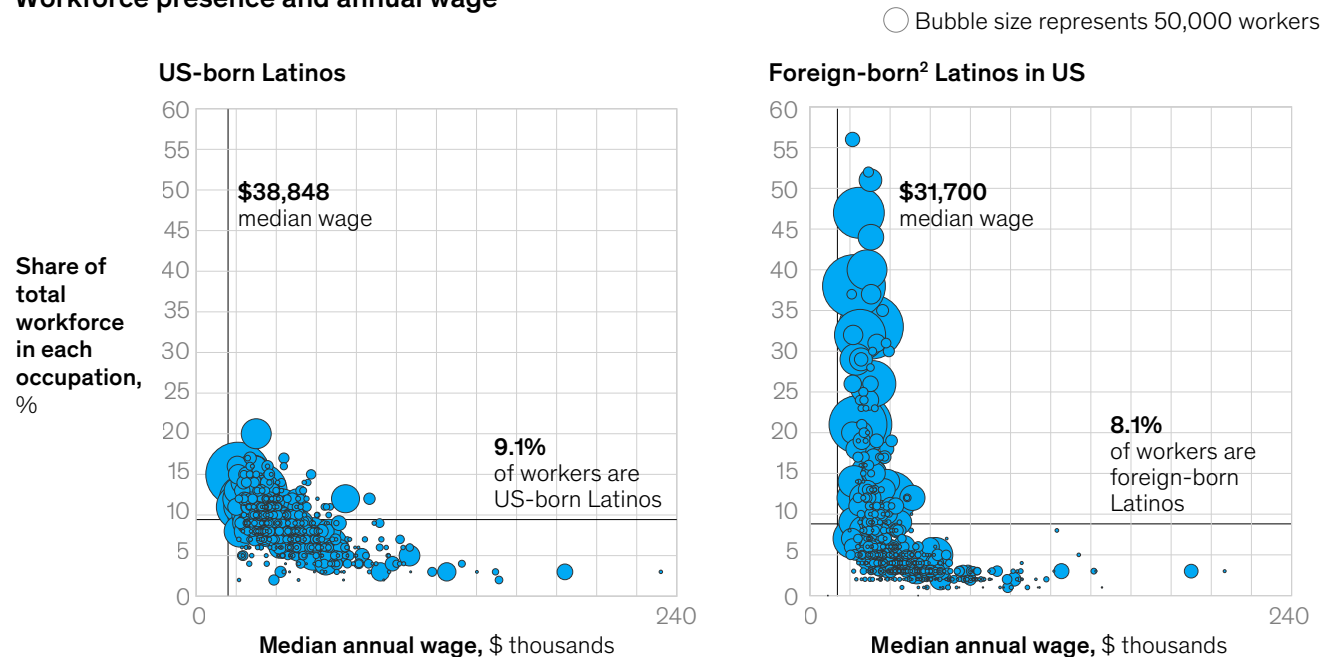
⁵ Based on wages of workers aged 18 to 65 who are currently employed; who worked at least 30 hours per week on average last year; who worked more than 40 weeks last year; and who are not in school, not self-employed, and noninstitutionalized. Based on 2019 ACS five-year estimates.

⁶ “Race and Hispanic Origin of the Native and Foreign Born: Projections for the United States: 2017-2060,” 2017 National Population Projections Tables: Main Series, US Census Bureau, 2018, census.gov.

Exhibit E1

Foreign-born Latinos earn less on average than US-born Latinos.

Workforce presence and annual wage¹



Note: Latino percentage of total US workers varies considerably at the state level. Occupations are defined using the Standard Occupational Classification (SOC) system.

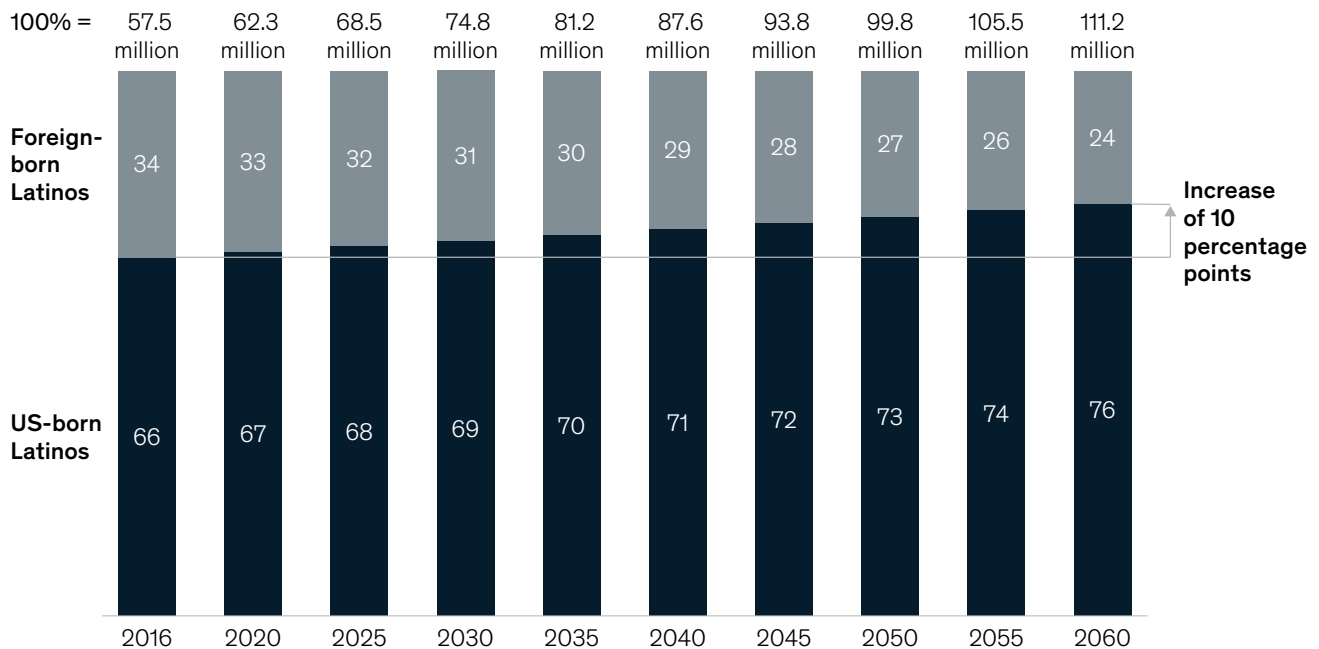
¹Based on workers aged 18 to 65 who are currently employed; who worked at least 30 hours per week on average last year; who worked more than 40 weeks last year; and who are not in school, not self-employed, and noninstitutionalized.

²The foreign-born population includes anyone who is not a US citizen at birth, including those who become US citizens through naturalization.

Source: American Community Survey (ACS) five-year estimates, US Census Bureau, 2019, retrieved via Integrated Public Use Microdata Series (IPUMS) USA

Latinos are increasingly born in the US.

US Latino population projections, %



Source: National Population Projection Tables: Main Series, race and Hispanic origin of the native and foreign born, US Census Bureau, 2017, census.gov

Latino business owners: Thriving against the odds

Latinos start more businesses per capita than any other racial or ethnic group in the United States. Over the past five years, one in 200 Latinos (0.5 percent) have started a new business every month, compared with 0.3 percent for the next highest groups (White and Asian).⁷ The number of Latino-owned employer firms has grown by 12.5 percent annually, compared with 5.3 percent for White-owned employer firms.⁸ And while Latino-owned employer businesses are concentrated in cities and states with large, dense Latino populations⁹—such as Los Angeles, Miami, and New York City—45 of 50 states saw an increase in Latino-owned businesses from 2012 to 2017.¹⁰

Yet the share and the performance of Latino-owned businesses fall well short of their potential. Despite accounting for about 18.4 percent of the US population, Latinos only own about 6 percent of employer firms and around 14 percent of nonemployer firms.¹¹ If Latinos'

⁷ Robert Fairlie and Sameeksha Desai, National report on early-stage entrepreneurship in the United States: 2020, Kauffman Indicators of Entrepreneurship, February 2021, indicators.kauffman.org; this rate measures the percentage of individuals (ages 20–64) who did not own a business in the first month of the Kauffman Foundation's survey but started a business in the following month with 15 or more hours worked per week.

⁸ Annual Business Survey 2017, US Census Bureau, census.gov; 2012 Survey of Business Owners, US Census Bureau, 2016, census.gov.

⁹ Annual Business Survey 2017.

¹⁰ Marlene Orozco, Paul Oyer, Jerry I. Porras, and Inara Sunan Tarequem, 2020 State of Latino entrepreneurship, Stanford Latino Entrepreneurship Initiative, January 2021, gsb.stanford.edu; Annual Business Survey 2018, US Census Bureau, census.gov; 2012 Survey of Business Owners.

¹¹ Annual Business Survey 2017.

share of employer business ownership reached parity with their share of the population, some 735,000 new enterprises could be added to the US economy, supporting 6.6 million new jobs.¹² And if the per-firm sales of those businesses were in line with those of non-Latino White-owned businesses,¹³ an additional \$2.3 trillion in total revenue could be generated.¹⁴

Even though Latinos have the highest rate of entrepreneurship, there are significant differences between Latino employer firms and non-Latino employer companies. Nearly 13 percent of Latino-owned firms close in their first year, compared with 10 percent for White-owned firms, and the gap persists over time.¹⁵ Latinos are also more likely to be sole proprietors: 92.5 percent of Latino-owned businesses are single-person firms, versus 83.1 percent of the total population on average.¹⁶ There are also gaps related to representation, revenue per firm, profitability, and the number of employer businesses (Exhibit E3).

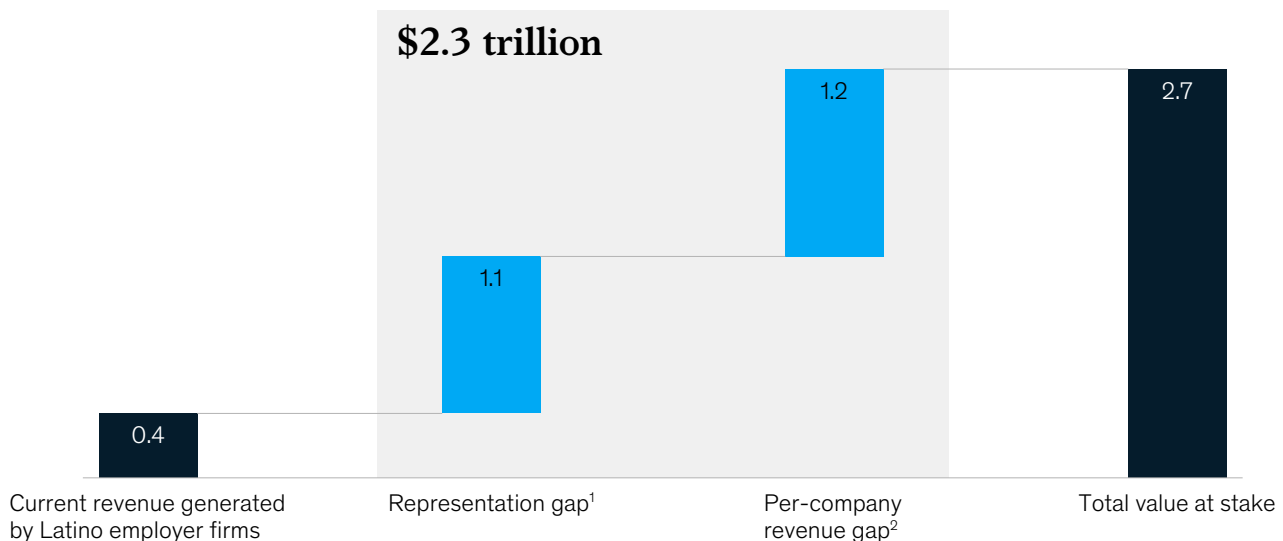
What barriers drive these gaps? First, while Latino owners of employer businesses have similar credit scores to their White counterparts,¹⁷ they still face challenges securing

-
- ¹² Annual Business Survey 2017; based on the current average of 8.9 jobs supported by one Latino-owned business.
¹³ Based on the difference in average revenue between employer firms owned by Latinos and non-Latino Whites. In most industries, the revenues of Latino-owned firms are lower than those of non-Latino White-owned firms.
¹⁴ Analysis covers only racially classifiable, privately held employer firms. Includes sole proprietorships; publicly traded companies are excluded.
¹⁵ JP Morgan Chase & Co. Institute; Annual Business Survey 2017.
¹⁶ Annual Business Survey 2017; Nonemployer Statistics, US Census Bureau, accessed July 2021, census.gov.
¹⁷ 2020 State of Latino entrepreneurship.

Exhibit E3

Disparities between Latino- and White-owned businesses result in a \$2.3 trillion revenue shortfall for Latino-owned businesses.

Difference in annual revenue between Latino-owned and White-owned classifiable employer companies in the United States, \$ trillions



Note: Analysis covers only racially classifiable, privately held employer firms. This includes sole proprietorships; publicly traded companies are excluded.

¹Based on the difference in the share of Latino-owned employer firms in each industry and the Latino share of the US population, which is 18.4%. In every industry, current representation is well below this definition of parity.

²Based on the difference in average revenue between Latino and non-Latino White employer firms. In most industries, the revenues of Latino-owned firms are lower than those of non-Latino White-owned firms.

Source: McKinsey analysis

1.1 million

Latinos could move into the middle class in a scenario of wage parity

financing. Latinos have the lowest rate of using bank and financial institution loans to start their businesses compared with other racial and ethnic groups—12 percent compared with 17 percent of White employer businesses¹⁸—and are less likely than White-owned employer businesses to receive all the funding they apply for.¹⁹ In addition, Latinos rely more on family savings, credit cards, and personal assets to start businesses, and are less likely to apply for additional funding because they don't think they will receive approval. Some 26 percent of Latino entrepreneurs believe their Latino heritage limits their ability to access capital.²⁰

Even once established, Latino-owned employer firms continue to depend on personal sources of funding, making them potentially vulnerable to personal financial risk. The top funding sources for Latino-owned employer businesses seeking more than \$100,000 tend toward personal savings, credit cards, and assets, while White-owned employer businesses look to secured loans from national or local banks.²¹ Accessing venture capital is also challenging: companies founded by Latino and Black owners represent around 2.5 percent of funding.²²

Second, Latino entrepreneurs are less likely than their White counterparts to seek support and mentoring from professional advisers and colleagues,²³ instead turning to family for support on running the business and making decisions. And, finally, Latino-owned employer businesses are less likely to have an online presence. About 93 percent of Latino-owned employer businesses have no e-commerce sales, compared with 89 percent for White-owned employer businesses, which may place them at a disadvantage as the world goes increasingly digital.²⁴

Latino consumers: America's growing domestic market

Latinos make up about 18 percent of the US population, but only account for 11.4 percent of aggregate consumer spending. While that amounts to around \$870 billion in consumer expenditure annually, it could be around \$500 billion higher if Latinos' expenditures matched their share of the US population. In addition, our research shows there's another \$159 billion in unsatisfied demand, because many Latinos would be willing to spend more on offerings better suited to their needs.

The spending gaps fundamentally stem from Latinos having lower incomes compared with non-Latino White Americans, with the net result that Latino households spend less, on average, in almost every product and service category (Exhibit E4). At similar income levels, Latino households spend a greater share on essentials compared with White households and are more likely to stick to a budget when shopping. In addition, many Latino communities have lower or inadequate access to key product and service categories, including food, housing, banking, broadband, healthcare, and consumer goods.²⁵ And there's unmet demand: Latinos are, on average, more dissatisfied with current product and service offerings than White consumers, especially in categories where they have limited access.²⁶

26%

of Latinos believe their heritage limits their ability to access capital

¹⁸ 2018 Annual Survey of Entrepreneurs, US Census Bureau, census.gov.

¹⁹ *Small Business Credit Survey: 2019 report on employer firms*, Federal Reserve Banks, 2019, fedsmallbusiness.org.

²⁰ Bank of America 2018 Hispanic Small Business Owner Spotlight survey, n=400, 2018, about.bankofamerica.com.

²¹ *2020 State of Latino entrepreneurship*.

²² *Crunchbase diversity spotlight 2020: Funding to Black & Latinx founders*, Crunchbase, October 2020, crunchbase.com.

²³ 2016 Annual Survey of Entrepreneurs, US Census Bureau, census.gov.

²⁴ Ibid.

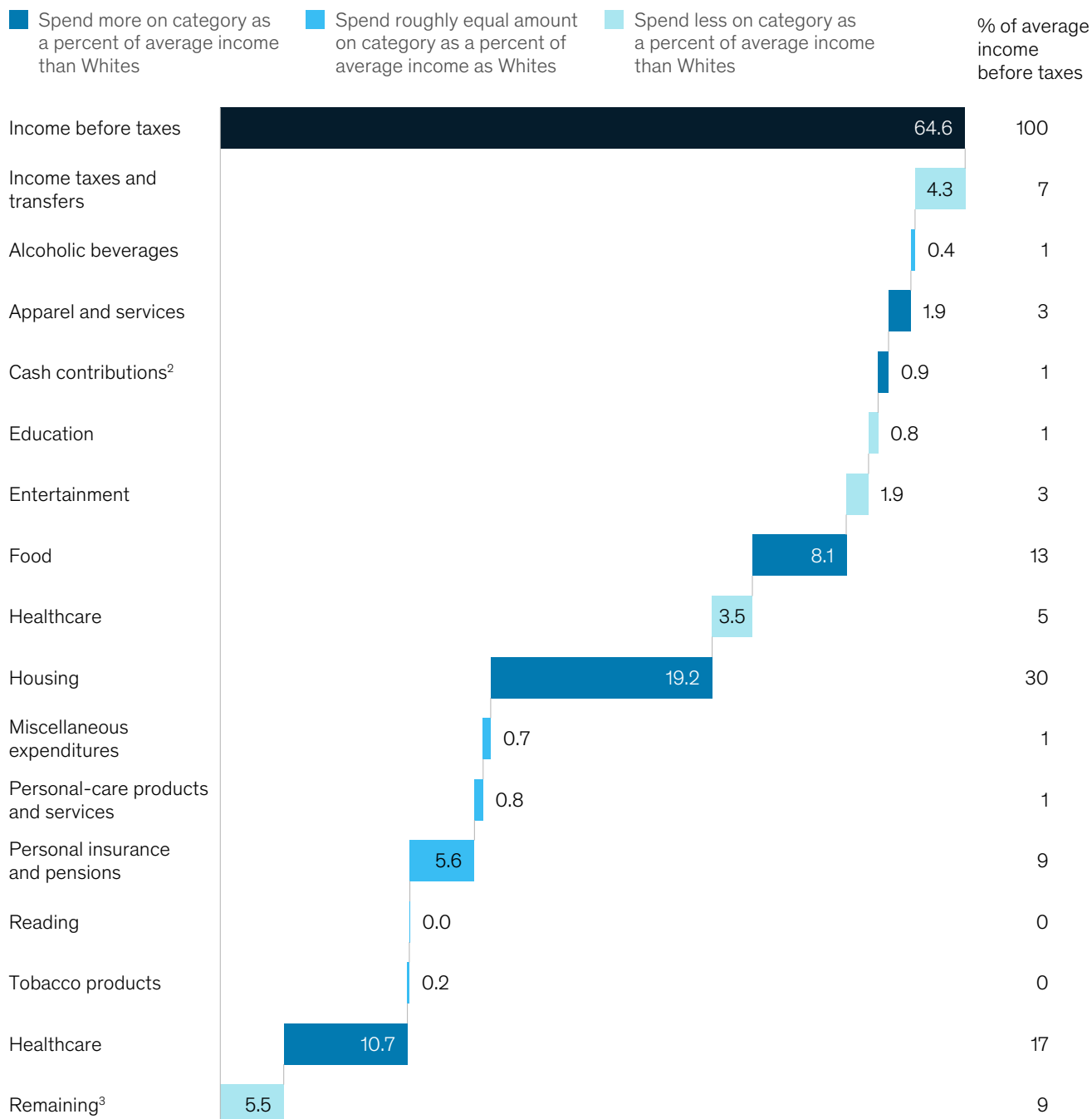
²⁵ "Food Access Research Atlas," Economic Research Service, US Department of Agriculture, 2019, ers.usda.gov; "Shortage Areas," Health Workforce, Health Resources & Services Administration, data.hrsa.gov; National Low Income Housing Coalition, nlihc.org; *How America banks: Household use of banking and financial services*, Federal Deposit Insurance Corporation, October 2020, fdic.gov; "Form 477 Census Tract Data on Internet Access Services," Economics and Analytics, Federal Communications Commission, updated October 13, 2020, fcc.gov; "Food Environment Atlas," Economic Research Service, US Department of Agriculture, ers.usda.gov.

²⁶ McKinsey Consumer Survey, August 2021 (n = 4,000); McKinsey Global Institute and McKinsey Institute for Hispanic Economic Mobility analysis; BEM report.

Latino household income lags that of non-Latino White households, depressing consumer spending.

National average annual consumption by category and race,¹ 2019, \$ thousands

Latino households



Note: Figures may not sum, because of rounding.

¹Based on race and ethnicity of the reference person for the consumer unit.

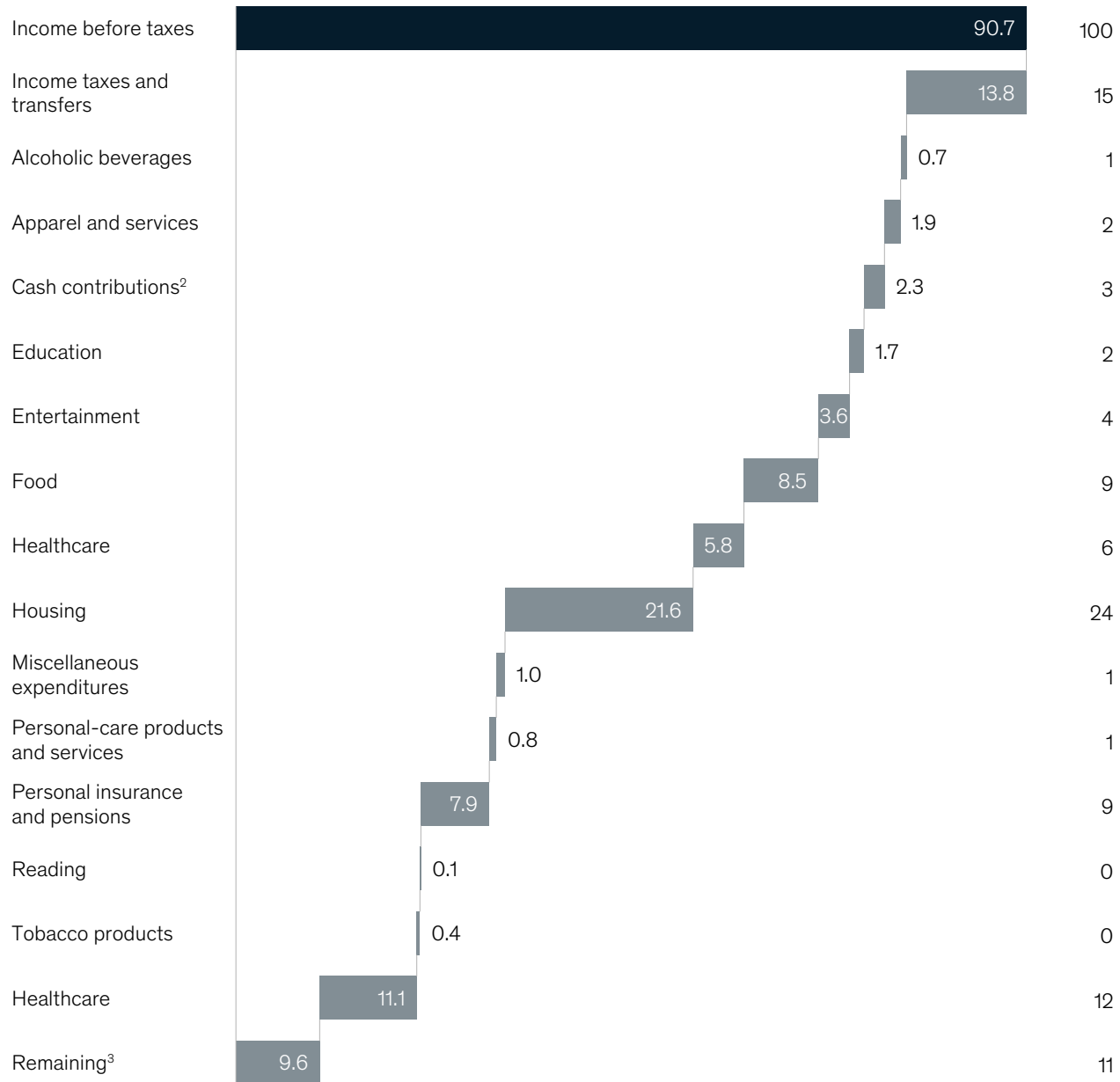
²Per the Bureau of Labor Statistics (BLS), "Cash contributions includes cash contributed to persons or organizations outside the consumer unit, including alimony and child support payments; care of students away from home; and contributions to religious, educational, charitable, or political organizations."

³This amount is a calculated amount based on post-tax income minus total expenditures; "remaining" does not necessarily correspond to liquid savings (eg, there could be unreported expenditures).

Source: Consumer Expenditure Surveys, US Census Bureau, 2019, census.gov

Latino household income lags that of non-Latino White households, depressing consumer spending.

Non-Latino White households (including all other races)



Note: Figures may not sum, because of rounding.

¹Based on race and ethnicity of the reference person for the consumer unit.

²Per the Bureau of Labor Statistics (BLS), "Cash contributions includes cash contributed to persons or organizations outside the consumer unit, including alimony and child support payments; care of students away from home; and contributions to religious, educational, charitable, or political organizations."

³This amount is a calculated amount based on post-tax income minus total expenditures; "remaining" does not necessarily correspond to liquid savings (eg, there could be unreported expenditures).

Source: Consumer Expenditure Surveys, US Census Bureau, 2019, census.gov

Yet despite these headwinds, Latino consumption is growing by 6 percent a year, steadily increasing the population's share of total US consumption by 3 percent annually for the past eight years. That growth has been propelled by an increase in the number of high-income Latino households: households with income of more than \$75,000 have grown at a compound annual rate of 6.6 percent over the past decade. And Latinos are likely willing to pay an average of 18 percent more—or 1.18 times the existing level of unsatisfied demand—for products and services that better meet their needs.²⁷

Latino savers and investors: Confronting the wealth gap

Latino wealth has grown by an average of around 7 percent annually for the past 20 years, more than twice the rate of non-Latino White wealth.²⁸ Wealth is also increasing by generation, especially from the first generation to the second (Exhibit E5). In fact, children of foreign-born Latino immigrants experience higher economic mobility than their US-born peers.²⁹

Yet while Latino wealth is on an upward trajectory, it's far from equal to that of non-Latino Whites. The median wealth of Latino households in 2019 was about \$36,000, just one-fifth of the median \$188,200 held by their White peers.³⁰ Latino families are also significantly more likely to have a zero or negative net worth: in fact, 34 percent of Latino families are worth less than \$10,000 (compared with 16 percent of non-Latino White families), while only around 3 percent of Latino families are worth more than \$1 million, compared with 16 percent of White households.³¹

²⁷ Ibid.

²⁸ 2019 Survey of Consumer Finances, Federal Reserve, 2020, federalreserve.gov.

²⁹ Ibid.

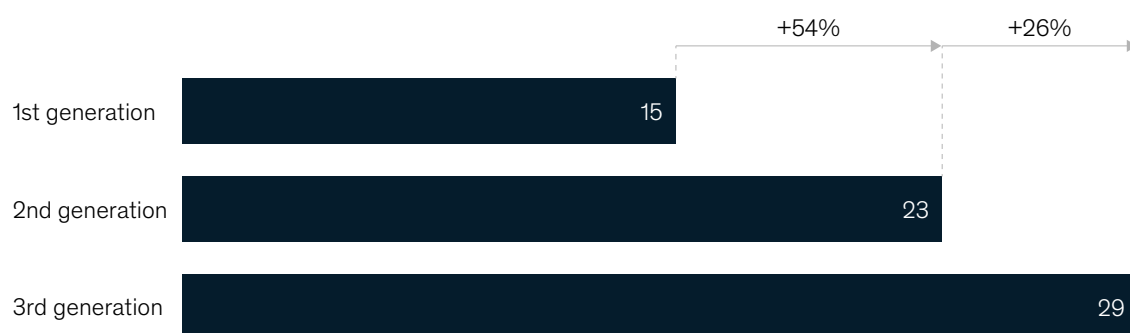
³⁰ Ibid.

³¹ Ibid.

Exhibit E5

Our survey results suggest that Latino wealth grows from one generation to the next, with the biggest increase from the first to the second generation.

Median value of net worth for individual Latinos in the United States, by generation, \$ thousands



¹Sum of bank accounts inside or outside the United States; retirement accounts; certificates of deposits and bonds; investments in stocks, mutual funds, and exchange-traded funds (ETFs); life insurance; homes inside or outside the United States; vehicles inside or outside the United States; and inheritance.

²Sum of personal loans, student loans, mortgages, auto loans, credit card debt, payday loans, and other loans.

Source: McKinsey Consumer Survey, August 2021 (n = 4,000); McKinsey Global Institute and McKinsey Institute for Latino Economic Mobility analysis

The problem is that while Latinos have higher rates of intergenerational mobility, they start from a much smaller base: our analysis finds the annual flow of net wealth for Latinos is about \$380 billion lower than in a per capita parity scenario with their White peers. A lack of accumulated family wealth drives this gap in the annual flow of net wealth. Two-thirds of the gap—some \$255 billion—is attributable to intergenerational transfers, such as inheritances. The balance of the gap is split almost evenly between lower rates of saving and lower participation and allocation in retirement programs, stock and mutual funds, and the like.

About 17 percent—or \$65 billion—of the gap in the annual flow of net wealth between Latino and White households is attributable to savings. When we compared average annual pre-tax income and consumption, we found White households had “income not consumed” averaging \$9,600 annually, compared with \$5,500 for Latino households,³² largely the result of lower Latino household incomes.

There are two other major differences between Latinos and non-Latino White households that may affect wealth, both related to family. Latinos are more likely to support family members in the United States when they have disposable income—44 percent report using extra money to invest to help out a family member—and Latino millennials are significantly more likely than their non-Latino counterparts to provide financial support to family (72 percent versus 53 percent).³³ Second, 32 percent of Latinos send remittances to family outside the United States,³⁴ with more than two-thirds of those sending up to 30 percent of their income abroad.³⁵ These remittances deplete savings, to the tune of an estimated \$50 billion to \$60 billion annually—and account for a third of all remittances sent from the United States to other countries (Exhibit 7).³⁶ Latino household wealth could be about \$18,000 higher if Latinos instead invested 40 percent of the average annual remittance value over ten years.³⁷

There's no doubt Latinos are slowly being more fully integrated into the US economy. Yet there's also no doubt there's a long way to go, especially for first-generation Latino immigrants. Addressing the barriers preventing Latinos from fully participating not only is morally right—and in keeping with the essence of the American dream—but presents an opportunity to make the economy more robust for everyone. We're not suggesting the gaps we've identified can be addressed easily or quickly, or that we have all the answers. But we hope this work provides a starting point for enhancing the dynamism of the economy for all Americans.

³² 2019 Consumer Expenditures Surveys, US Bureau of Labor Statistics, 2020, bls.gov; Bank of America, “Disparities in Minority Retirement Savings Behavior.”

³³ *2020 State of Hispanic wealth report*, Hispanic Wealth Project, 2020, hispanicwealthproject.org; *Hispanic millennials' financial experiences, challenges & the path forward*, Bank of America, 2021.

³⁴ McKinsey Consumer Survey, August 2021; McKinsey Global Institute and McKinsey Institute for Black Economic Mobility analysis.

³⁵ Ibid.

³⁶ Luis Noe-Bustamante, “Amid COVID-19, remittances to some Latin American nations fell sharply in April, then rebounded,” Pew Research Center, August 31, 2020, pewresearch.org.

³⁷ McKinsey Consumer Survey, August 2021; McKinsey Global Institute and McKinsey Institute for Black Economic Mobility analysis.



1. Introduction

The American dream is firmly woven into the fabric of the nation. At its heart is the belief anyone, no matter where they're born or what their circumstances are, can achieve their own version of prosperity and success. For millions of immigrants from countries throughout Latin America in recent decades, that dream persists: some come to the United States to flee conflict; all seek a better life for themselves and their families.

Yet America's response is patchy. Latinos start more businesses than their non-Latino counterparts and have higher rates of intergenerational mobility, and their share of skilled and higher-paid occupations has increased in the past decade. But they have yet to overcome hurdles preventing them from fully participating in the world's biggest economy. In aggregate, Latino workers as a group receive just two-thirds of what they would in the parity scenario we've defined. They face discrimination when it comes to securing financing to start and scale businesses. Many Latinos struggle with access to food, housing, and other essentials. And their level of household wealth—which directly affects their ability to build wealth from generation to generation—is just one-fifth that of White Americans.

We've previously noted a fundamental change in the nature of economic growth in the United States.¹ In the decade since the Great Recession, existing fissures in the US economy have widened, with the wealthy benefiting disproportionately while the vast majority of Americans have stood still or fallen further behind. For Latinos, the COVID-19 crisis has shone an even brighter light on this inequality. While 89 percent of Latino workers are in sectors deemed essential during the pandemic, Latinos experienced disproportionate job losses during the pandemic, and a lower percentage were able to work from home compared with non-Latino White workers and Black workers. Because of that inability to work remotely—and the higher likelihood of stopping work or working less due to childcare or school disruptions compared with White mothers—Latina female workers exited the labor force at an even higher rate than Latino men (and all women) at the height of the pandemic.

Nevertheless, income, wealth, and intergenerational mobility are improving for Latinos through the generations, helping close the economic gap. But we know that isn't enough. This report examines the state of Latinos in America across four dimensions—workers, business owners, consumers, and savers and investors. Closing wage and representation gaps could provide a significant boost to the US economy, potentially pushing 1.1 million Latinos into the middle class.

¹ Michael Chui, Vivian Hunt, JP Julien, James Manyika, Bob Sternfels, Shelley Stewart III, Jonathan Woetzel, and Haiyang Zhang, "The economic state of Black America: What is and what could be," June 17, 2021, McKinsey.com.



2. Latino workers: Pursuing the American dream

What is the purpose of work? At its most transactional, it's to make a living; to pay the bills. Perhaps it's a chore to be endured, providing the means to pursue what someone really cares about. For others, work is what they really care about. For Latinos in the United States, the purpose of work may be all of those things, but it's often something larger and more meaningful: it represents opportunity. Work is the ladder to a better life. And while there is evidence that Latinos are on an upward trajectory in the United States—income, wealth, and intergenerational mobility are improving, especially for US-born Latinos—they are still constrained from achieving their full economic potential.

Latinos today represent more than 17.3 percent of the US labor force and are projected to reach 22.4 percent by 2030 and more than 30 percent by 2060. Some 46 percent of Latino workers and one-third of the overall Latino population are foreign born, many having arrived seeking better opportunities for themselves and their families. But the percentage of US-born Latinos is increasing, and is projected to reach more than three-quarters of the Latino population by 2060.

Foreign-born Latino workers are disproportionately concentrated in lower-wage occupations and, within these occupational categories, are paid 40 percent less on average than non-Latino White workers. Overall, the median annual wage for foreign-born Latino workers is \$31,700, compared with \$52,942 for non-Latino White workers. The median annual wage of US-born Latino workers is \$38,848, more than 22 percent higher than that of foreign-born Latino workers.

76%

of Latinos will be US-born
by 2060

If foreign-born Latino workers were paid the same as non-Latino White workers in the same occupational categories, they would collectively earn an additional \$95 billion. If US-born Latino workers' representation in occupations matched their representation in the overall workforce (9.1 percent) and they were paid equal to non-Latino White workers, they would receive an additional \$193 billion, or a 45 percent boost to their aggregate wages (Exhibit 1). In this parity scenario, there could be more than 1.1 million more Latinos in the middle class.

Yet despite the barriers Latinos face in terms of income and representation within occupations, they have rates of intergenerational mobility comparable to those of White Americans, moving up significantly in the income distribution across generations.² In fact, second-generation children of Latino immigrants experience higher economic mobility than their peers, and Latinos appear to be following the path of past US immigrant waves. They are seeing the fruits of their labor, with incomes rising from generation to generation.

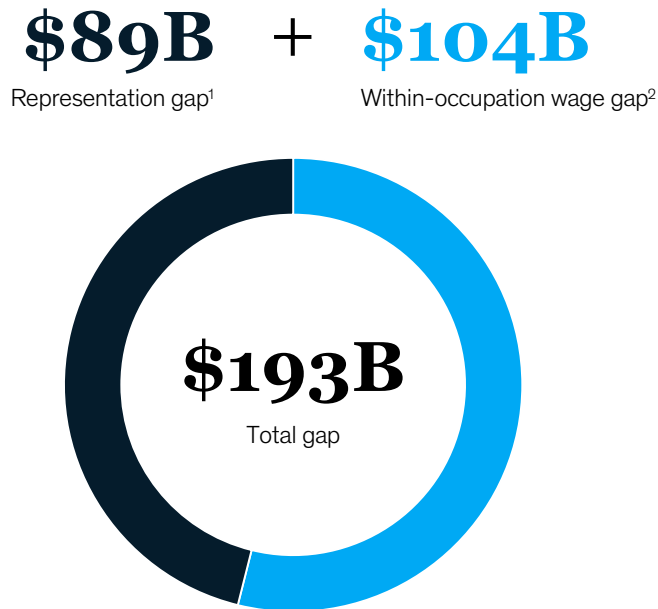
² Raj Chetty et al, "Race and economic opportunity in the United States: An intergenerational perspective," *Quarterly Journal of Economics*, May 2020, Volume 135, Number 2, pp. 711–83, [academic.oup.com](https://academic.oup.com/qje).

Exhibit 1

The wage gap is higher for foreign-born Latinos.

Workforce presence and annual wage¹

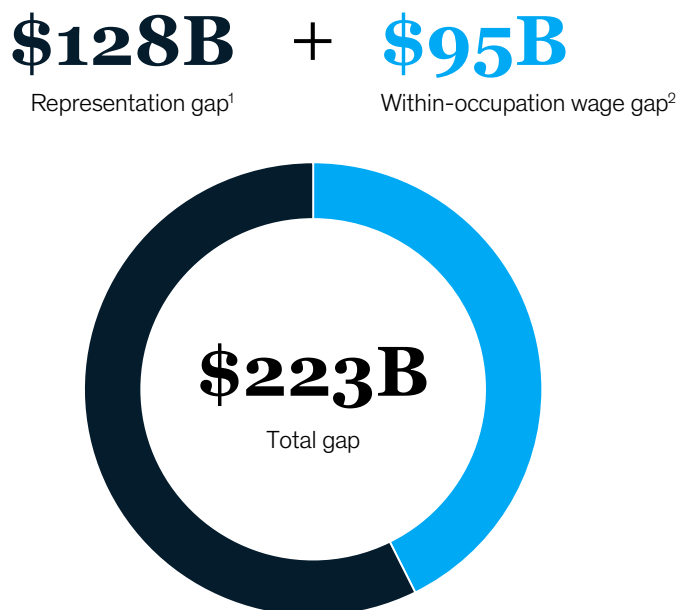
US-born Latinos



45%

Potential boost to aggregate wages of Latinos born in the US³

Foreign-born Latinos in the United States⁴



64%

Potential boost to aggregate wages of foreign-born Latinos³

¹ Based on adjusting the shares of Latinos born in the US/foreign-born Latinos within each occupation to match the respective shares of total US workers (9.1% and 8.1% respectively).

² Analysis based on 529 occupations in the American Community Survey (ACS) 2019.

³ Based on wages of workers aged 18 to 65 who are currently employed; who worked at least 30 hours per week on average last year; who worked more than 40 weeks last year; and who are not in school, not self-employed, and noninstitutionalized.

⁴ The foreign-born population includes anyone who is not a US citizen at birth, including those who become US citizens through naturalization.

Source: American Community Survey (ACS) five-year estimates, US Census Bureau, 2019, retrieved via Integrated Public Use Microdata Series (IPUMS) USA

But the work of creating more economic opportunity for Latinos is far from done. In this chapter, we explore the experience of Latino workers and examine where they work, what they earn, and how they're treated. Because understanding problems is necessary to address them, we dive into issues around education, representation, and equal access to wage and non-wage benefits. We're optimistic, despite the challenges Latinos face. The share of Latinos in skilled and higher-paid occupations has increased almost 5 percent per year in the past decade, and US-born Latinos are more concentrated in higher-paying, higher-skilled occupations.

A vast, diverse, increasingly US-born workforce

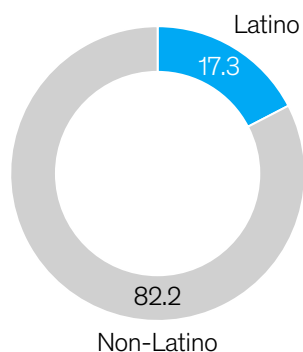
The majority of the Latino labor force is of Mexican origin, male, US-born, and of prime working age (Exhibit 2). Workers of Mexican origin account for 61 percent of Latino workers in the United States, and their median annual wage of \$33,374 is the lowest among Latino groups (more than 40 percent of workers of Mexican origin earn less than \$30,000 a year). Fewer than one in ten Mexican immigrant workers have a bachelor's degree or higher, more than one in ten live below the poverty line, and only half have health insurance through employers or unions. Fewer than 2 percent of chief executives, legislators, lawyers, physicians, and software developers in the United States are of Mexican origin, and those that are earn on average 20 percent less than non-Latino Whites in the same occupations³.

³ 2019 American Community Survey (ACS) five-year estimates.

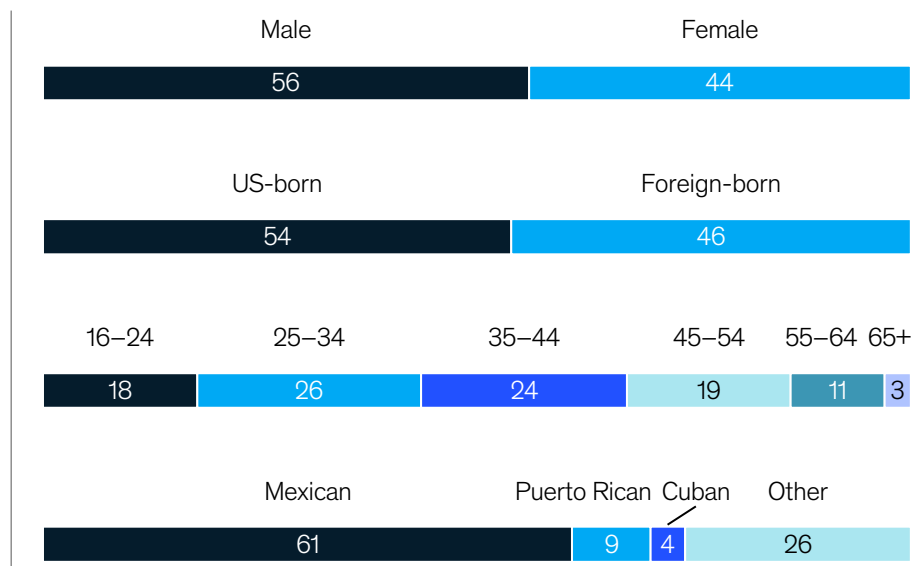
Exhibit 2

The majority of the Latino labor force is of Mexican origin, male, US-born, and of prime working age.

US civilian labor force¹
by ethnicity, 2014–19, %



Breakdown of Latino civilian labor
force¹ by subgroup, 2014–19, %



Note: Origin can be viewed as the heritage, nationality group, lineage, or country of birth of the person or of the person's parents or ancestors before their arrival in the United States. The "prime working age" population is defined as adults between the ages of 25 and 54. Figures may not sum to 100%, because of rounding.

¹ Noninstitutionalized population 16 years and older.

² The foreign-born population includes anyone who is not a US citizen at birth, including those who become US citizens through naturalization.

Source: American Community Survey (ACS) five-year estimates, US Census Bureau, 2019, retrieved via Integrated Public Use Microdata Series (IPUMS) USA

Yet while many of the broad trends are similar, it's misleading to regard workers of Mexican origin as a proxy for all Latino workers. While Latinos of Mexican origin dominate the Latino workforce, 9 percent of the total are workers of Puerto Rican origin, 4 percent are from Cuba, and a further 26 percent originate or are descended from other countries. These groups differ in terms of where they live, what they do, how they're paid, and how they advance.

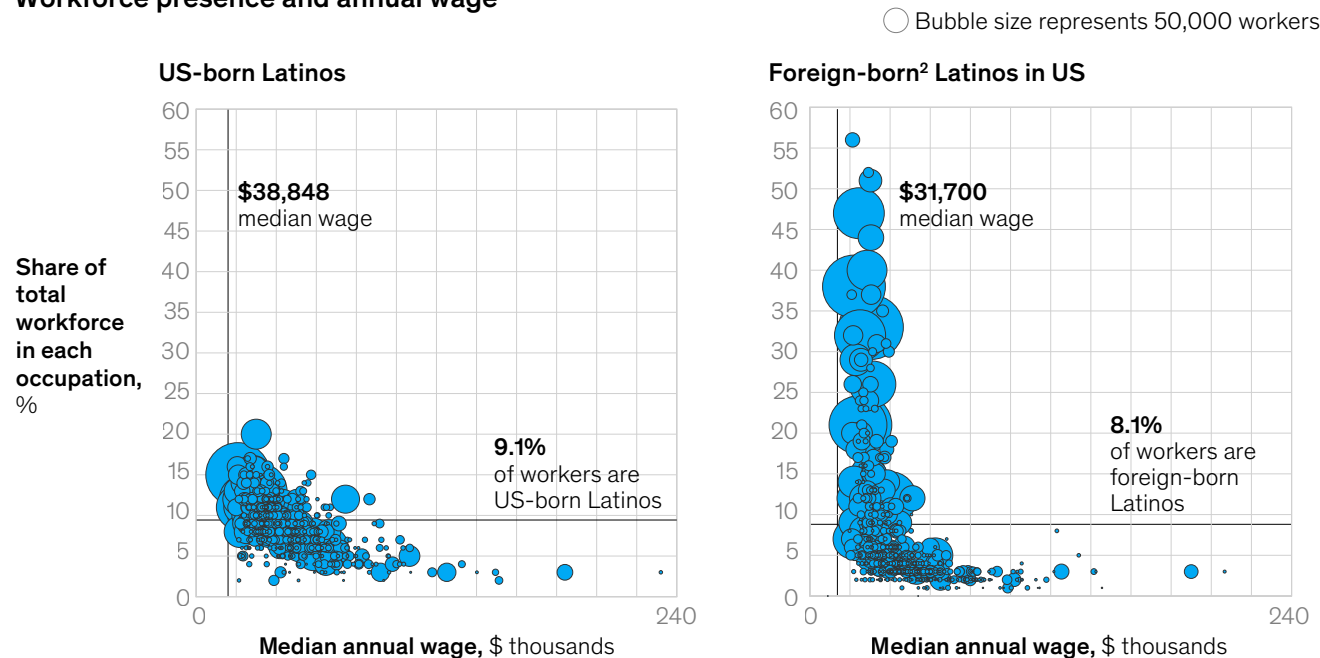
The big divide: Latinos born in the US versus overseas

There's a big difference between the annual median wages of foreign-born Latinos (\$31,700) and US-born Latinos (\$38,848)—but both groups have significantly lower wages than non-Latino White workers (\$52,942). Both groups are also overrepresented in lower-wage occupations, underrepresented in higher-wage occupations, and generally paid less than non-Latino White workers in the same occupational categories (Exhibit 3).

Exhibit 3

Foreign-born Latinos earn less on average than US-born Latinos.

Workforce presence and annual wage¹



Note: Latino percentage of total US workers varies considerably at the state level. Occupations are defined using the Standard Occupational Classification (SOC) system.

¹Based on workers aged 18 to 65 who are currently employed; who worked at least 30 hours per week on average last year; who worked more than 40 weeks last year; and who are not in school, not self-employed, and noninstitutionalized.

²The foreign-born population includes anyone who is not a US citizen at birth, including those who become US citizens through naturalization.

Source: American Community Survey (ACS) five-year estimates, US Census Bureau, 2019, retrieved via Integrated Public Use Microdata Series (IPUMS) USA

Foreign- and US-born Latino workers also show differences in terms of the work they do. The top five occupational categories for foreign-born Latino workers are construction laborers, maids and household cleaners, janitors and building cleaners, cooks, and driver/sales workers and truck drivers, while the top five for US-born Latino workers are cashiers, retail salespersons, customer service representatives, drivers/sales workers and truck

drivers, and first-line supervisors of frontline retail workers.⁴ Indeed, 81 percent of Americans say Latinos born outside the United States fill jobs US citizens do not want, while just 16 percent say Latinos born outside the United States fill jobs US citizens would like to have.⁵ The reality matches that rhetoric.

Over time, the occupational outcomes of US-born Latino workers have generally been improving, even though they remain well behind parity with non-Latino White Americans. And while immigrants or foreign-born Latinos have historically accounted for the majority of Latino workers in the United States, the percentage is decreasing and is likely to keep falling (Exhibit 4),⁶ which may over time further improve outcomes for the Latino population. In addition, the number of unauthorized Latino immigrants is declining: while Latinos still represent more than 75 percent of unauthorized immigrants in the United States, the total number fell by 14 percent between 2007 and 2017, driven by decreases from Mexico (a 29 percent decline) and South America (14 percent).⁷

⁴ Based on wages of workers aged 18 to 65 who are currently employed; who worked at least 30 hours per week on average last year; who worked more than 40 weeks last year; and who are not in school, not self-employed, and noninstitutionalized. Based on 2019 ACS five-year estimates.

⁵ Jens Manuel Krogstad, Mark Hugo Lopez, and Jeffrey S. Passel, "A majority of Americans say immigrants mostly fill jobs U.S. citizens do not want," Pew Research Center, June 10, 2020, [pewresearch.org](https://www.pewresearch.org).

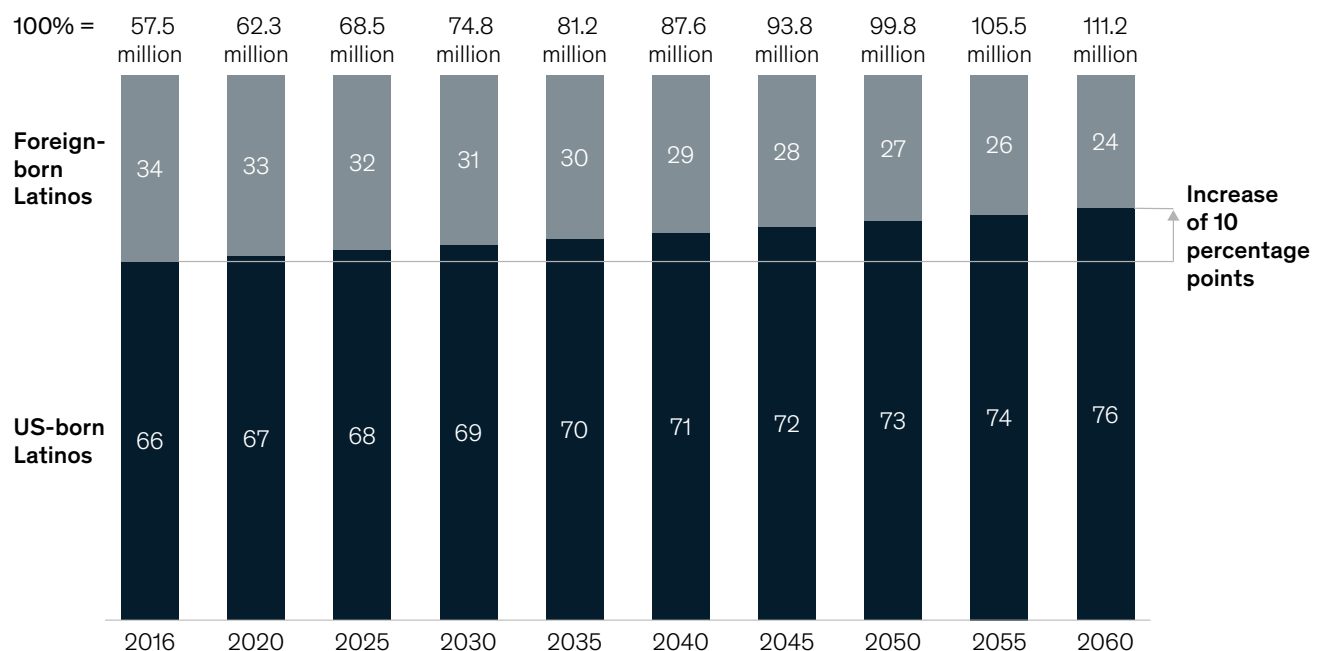
⁶ "Race and Hispanic Origin of the Native and Foreign Born: Projections for the United States: 2017-2060," 2017 National Population Projections Tables: Main Series, US Census Bureau, 2018, [census.gov](https://www.census.gov).

⁷ D'Vera Cohn and Jeffrey S. Passel, "Mexicans decline to less than half the U.S. unauthorized immigrant population for the first time," Pew Research Center, June 12, 2019, [pewresearch.org](https://www.pewresearch.org). Note: census data is generally regarded as undercounting unauthorized immigrants due to challenges with self-selection (see Jeffrey S. Passel, "Measuring illegal immigration: How Pew Research Center counts unauthorized immigrants in the U.S.," Pew Research Center, July 12, 2019, [pewresearch.org](https://www.pewresearch.org)).

Exhibit 4

Latinos are increasingly born in the US.

US Latino population projections, %



Source: National Population Projection Tables: Main Series, race and Hispanic origin of the native and foreign born, US Census Bureau, 2017, [census.gov](https://www.census.gov)

65%

of Latino workers live in
just six states

As more of the Latino population is born in the United States—the younger age profile of Latinos also contributes to higher birth rates—its percentage of the country's workforce rises. Latino workers today make up 17.3 percent of the United States labor force and are projected to reach 22.4 percent by 2030 and more than 30 percent by 2060. That share is likely aided by a high willingness to work: Latino labor-force participation is significantly greater than the White labor participation rate, driven by Latino men. While interventions are still required to address the wage and representation gaps experienced by Latino workers, this increasing percentage of US-born Latinos will likely contribute to narrowing those shortfalls given the higher incomes of US-born Latinos.

A far from homogenous population

In this report, we use the term “Latino” to refer to the broad population of people living in the United States whose origin can be traced to Latin American countries. But we're fully aware this group is far from homogenous, and regarding it as such can complicate and confuse not only how the population is viewed, but the interventions that may help Latinos become more integrated into the broader US population. A case in point: Latinos of Cuban origin are, on average, better paid than Latinos of Puerto Rican origin, who are in turn better paid than Latinos of Mexican origin.⁸ The differing nature of occupations and income means the potential boost to aggregate wages to reach parity with non-Latino Whites varies widely.

Yet the Latino population has some consistent features. First, Latino males have higher workforce representation than Latina females: men currently account for 56 percent of the Latino labor force. Second, Latino workers are concentrated geographically. More than 65 percent live in just six states: California, Texas, Florida, New York, Arizona, and Illinois. California and Texas combined have more than 60 percent of US workers of Mexican origin; California, New York, and Florida have more than 45 percent of other Latino workers; New York and Florida have around 40 percent of US workers of Puerto Rican origin; and Florida has more than two thirds of workers of Cuban origin.

Some 61 percent of Latino immigrants live in just four states: California (26 percent), Texas (16 percent), Florida (12 percent), and New York (7 percent). And the divide between lower- and higher-paying jobs manifests in each location. For example, foreign-born Latinos are concentrated in agriculture and construction-related occupations in California, while US-born Latinos are in higher-paying sales-related and administrative positions. In Texas and Florida, foreign-born Latinos dominate construction and landscaping; in New York, it's construction, food preparation, and cleaning.

Gaps in pay and representation

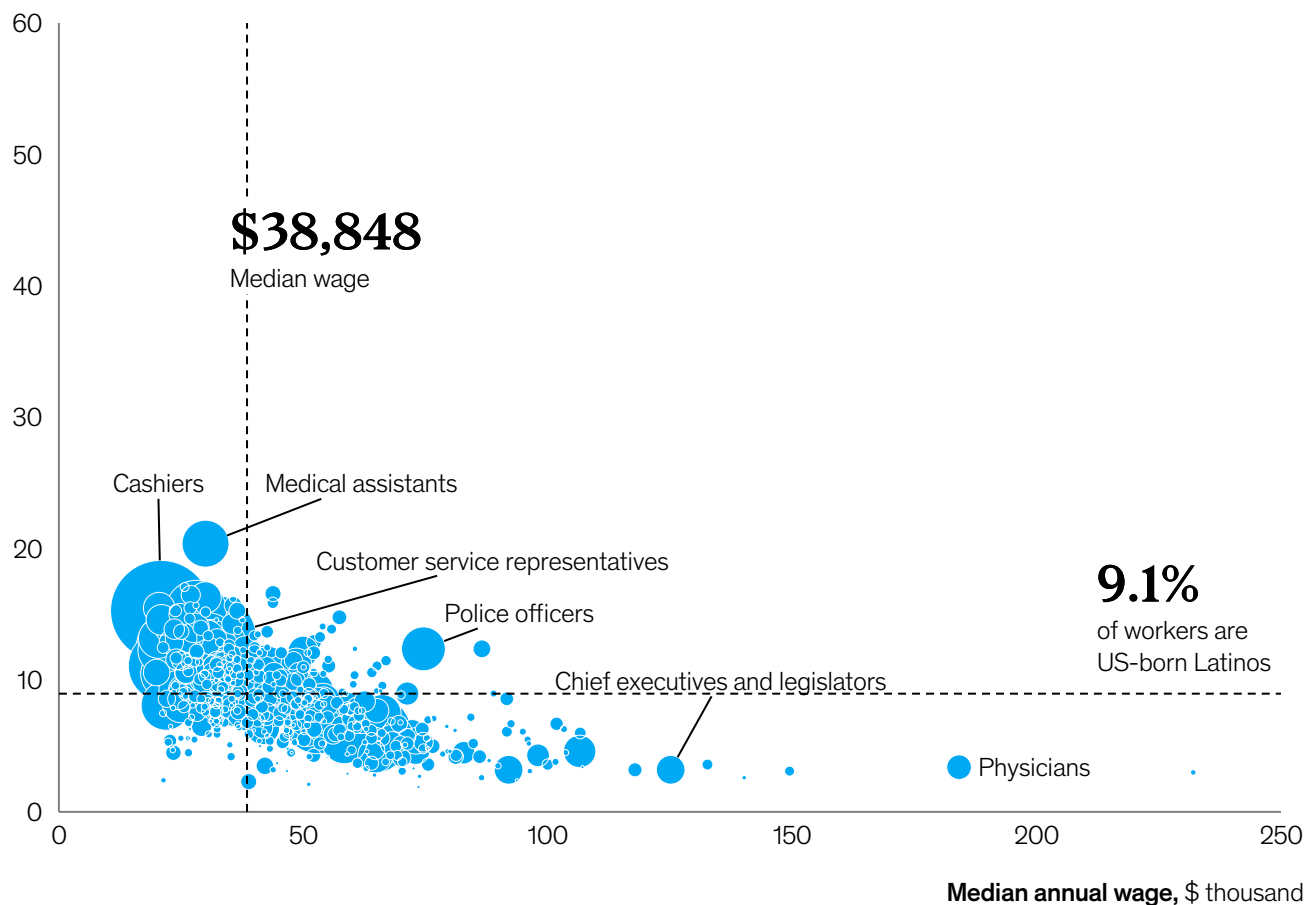
While the Latino share of the US labor force is increasing and will likely continue to rise, Latinos earn disproportionately lower wages. Roughly \$199 billion of the aggregate wage gap is attributed to Latinos making less than their White counterparts within a given occupation. Disparities exist not only in wages. Latinos, particularly foreign-born, are less likely than non-Latinos to have access to employer-provided health insurance, and they have less access to paid leave than their White counterparts (this is consistent irrespective of the type of leave, from paid parental leave to sick leave, leave for childcare, or leave to help with sick or elderly family members). Another \$89 billion of the aggregate wage gap can be attributed to US-born⁹ Latino workers' overrepresentation in lower-wage occupations and underrepresentation in higher-wage occupations (Exhibit 5).

⁸ 2019 American Community Survey (ACS) five-year estimates.

⁹ We chose not to include the representation gaps between foreign-born Latino workers and non-Latino White workers, because the determinants of occupational pathways for immigrant workers are largely shaped by the countries from which they immigrated. This contrasts with the wage gaps between Latino workers, including foreign-born, and non-Latino White workers within the same occupational categories, which are largely a product of decisions made in the United States.

US-born Latinos are concentrated in low-wage roles and underrepresented in higher-wage roles.

US-born Latinos' share of total workforce in each occupation,¹ %



Note: Latino percentage of the total US workers varies considerably at the state level. Occupations are defined using the Standard Occupational Classification (SOC) system.

¹ Based on wages of workers aged 18 to 65 who are currently employed; who worked at least 30 hours per week on average last year; who worked more than 40 weeks last year; and who are not in school, not self-employed, and noninstitutionalized.

Source: American Community Survey (ACS) five-year estimates, US Census Bureau, 2019, retrieved via Integrated Public Use Microdata Series (IPUMS) USA

Some 40 percent of Latino workers are in occupations with median wages of \$30,000 a year or less, compared with 13 percent of non-Latino White workers. Just 19 percent of Latino workers earn more than \$50,000 a year, compared with 50 percent of non-Latino White workers. Across demographics, workers of Mexican origin have the lowest wages, while those of Cuban origin have the highest.

Education, experience, immigration status, and discrimination

In addition to being underpaid, Latino workers are also underemployed, especially women: the Latina unemployment rate is around 1.4 times higher than the national average for all women, and around 1.2 times higher than the average for Latino men. Some of the overall gap for Latino workers—for both employment levels and representation in higher-wage jobs—may be attributable to socioeconomic and demographic characteristics such as education, experience, geographic concentration, and immigration status. Yet discrimination also plays a role: 78 percent of Latinos say they have fewer employment opportunities simply because they are Latino.¹⁰ For instance, since 1989 White Americans have received, on average, 24 percent more job-interview callbacks than Latinos. That disparity means that Latinos have lower chances of finding jobs and being hired, fewer choices, and reduced leverage during hiring negotiations. Cumulatively, these reduced options make it harder to secure employment and build wealth, especially for underpaid workers.

Furthermore, foreign-born Latinos are more vulnerable to changes in the labor market and face hurdles to stable and consistent employment, often due to the nature of occupations, anti-immigrant sentiment, and hostile employment laws.¹¹ Cumulatively, these headwinds contribute not only to higher rates of unemployment for Latino workers but also to disproportionate underemployment: in one survey, around 50 percent of Latinos wanted to work or work more, compared with only around 27 percent of non-Hispanic White respondents.

Latino workers are over-represented in lower-paid occupations

While the share of Latino workers in skilled and higher-paid occupations has increased by almost five percentage points in the past decade, Latinos remain heavily overrepresented in low-paying jobs (Exhibit 6). In California, for example, Latinos make up almost 90 percent of total agricultural workers; in Texas, they account for almost all plasterers and stucco masons and more than 75 percent of construction laborers. Nationwide, more than 700,000 Latinos are maids or housekeepers—a job with a median wage of \$22,000 a year.

Furthermore, Latino workers are paid less than White workers in the same occupational categories. A number of variables could explain these wage gaps within occupational categories, including differences in representation at a more granular level (such as those within specific healthcare specialties), tenure, hours worked, industry, firm size, regional difference, and discrimination.

Underrepresentation in high-wage occupations

Improving representation and reducing within-occupation gaps—to the tune of \$288 billion—appears daunting. Yet our analysis found around 50 percent of Latino workers' total aggregate wage shortfall could be closed by improving representation and within-occupation gaps in just 4 percent of industries: academia (for example, elementary and middle school teaching, postsecondary teaching, education and childcare administration), management (including first-line supervision, general and operations management), professions requiring postgraduate degrees (such as law and medicine), and STEM professions such as software development (Exhibit 7).

¹⁰ "Discrimination in America," Harvard T.H. Chan School of Public Health, National Public Radio (NPR), and Robert Wood Johnson Foundation, 2017, rwjf.org.

¹¹ Ryan Zamarripa, *Closing Latino labor market gap requires targeted policies to end discrimination*, Center for American Progress, October 21, 2020, americanprogress.org.

Latino workers are disproportionately represented in low-wage occupations.

Select occupations with high representation of Latino workers ¹	Median wage for a Latino worker, \$ (n = x)	Latino worker representation in each occupation
Graders and sorters—agricultural products	 21 (37,161)	68%
Plasterers and stucco masons	 29 (19,016)	65%
Other agricultural workers	 24 (457,868)	56%
Painters and paperhangers	 29 (291,637)	49%
Maids and housekeeping cleaners	 22 (706,889)	46%
Pressers, textile, garment, and related materials	 21 (16,403)	45%
Hand packers and packagers	 23 (219,401)	43%
Landscaping and groundskeeping workers	 25 (500,923)	42%
Installation, maintenance, and repair workers	 27 (8,861)	40%
Production workers	 25 (20,949)	40%
Packaging- and filling-machine operators and tenders	 26 (105,440)	39%
Helpers—construction trades	 27 (16,287)	39%
Sewing-machine operators	 22 (64,793)	38%
Tree trimmers and pruners	 26 (34,087)	37%
Food-preparation and serving-related workers	 25 (4,903)	35%
Butchers and other meat, poultry, and processing workers	 30 (89,315)	35%
Laundry and dry-cleaning workers	 22 (59,868)	35%
Other grounds-maintenance workers	 26 (16,849)	34%
Cleaners of vehicles and equipment	 25 (127,353)	34%
Dining room and cafeteria attendants and bartender helpers	 22 (106,761)	33%

Note: Occupations are defined using the Standard Occupational Classification (SOC) system.

¹ Based on wages of workers aged 18 to 65 who are currently employed; who worked at least 30 hours per week on average last year; who worked more than 40 weeks last year; and who are not in school, not self-employed, and non-institutionalized.

Source: American Community Survey (ACS) five-year estimates, US Census Bureau, 2019, retrieved via Integrated Public Use Microdata Series (IPUMS) USA

Exhibit 7

About 60 percent of the Latino wage gap stems from 4 percent of occupations.

■ Representation gap¹ ■ Within-occupation wage gap²

Occupational categories (ranked by aggregate value of closing representation and within-occupation wage gaps)	Aggregate value of closing representation and within-occupation wage gaps, \$ billions		\$ billions
Other managers ³	8	17	25
Chief executives and legislators	9	7	16
Physicians	10	4	13
Lawyers, judges, magistrates, and other judicial workers	5	5	11
Software developers	7	2	9
Registered nurses	8	1	9
Accountants and auditors	4	4	8
Sales representatives—wholesale and manufacturing	2	6	8
Postsecondary teachers	4	2	7
First-line supervisors of non-retail sales workers	1	5	7
Financial managers	1	5	6
Management analysts	3	2	5
Computer and information systems managers	3	1	4
Elementary and middle school teachers	4	0	4
Real estate brokers and sales agents	1	3	4
Construction managers	2	2	4
Project management specialists	2	2	4
Sales representatives of services, except advertising, insurance, financial services, and travel	0	3	3
Driver/sales workers and truck drivers	-1	4	3
General and operations managers	1	2	3
Subtotal			153
509 other occupational categories			134
Total			288

Note: Latino percentage of the total US workers varies considerably at the state level. Occupations are defined using the Standard Occupational Classification (SOC) system.

¹ Potential wages if Latino representation in this occupation equaled the Latino share of the labor force (17.3%).

² Based on wages of workers aged 18 to 65 who are currently employed; who worked at least 30 hours per week on average last year; who worked more than 40 weeks last year; and who are not in school, not self-employed, and non-institutionalized.

³ All managers not listed separately. Illustrative examples include clerk of court, social science manager, and utilities manager.

Source: American Community Survey (ACS) five-year estimates, US Census Bureau, 2019, retrieved via Integrated Public Use Microdata Series (IPUMS) USA

3.9×

How much less likely Latinos are to hold C-suite roles compared with non-Latino White Americans

While Latinos account for 17.3 percent of US workers, they represent fewer than 2.0 percent of Fortune 500 CEOs and fewer than 1.0 percent of Fortune 100 CEOs, and hold just 3.8 percent of Fortune 500 board seats. Among all US companies, Latinos hold about 6 percent of CEO positions compared with 83 percent for White workers, and are 3.9 times less likely to hold a C-suite position than their White counterparts. Elsewhere in the corporate hierarchy, Latinos are underrepresented across all management occupations, with the exception of food-service managers.

Roadblocks stand in the way of Latinos gaining a share of traditional professional fields, including a lack of inclusive work environments. We found 27 percent of Latinos don't believe they belong in the workplace, compared with 22 percent of White people, and 28 percent of Latinos believe their ethnicity makes it harder to achieve their career goals. About a third of Latinos said they had personally experienced discrimination because of their ethnicity in applying for jobs, being paid fairly, or being considered for promotion (Exhibit 8). In addition, lower-earning Latinos are twice as likely as their higher-earning peers to report personal experiences of such discrimination.¹²

Exhibit 8

One-third of Latinos say that have personally experienced discrimination around jobs, pay, or being promoted.

Latinos reporting personal experience of discrimination because they are Latino, 2017, % of respondents



There are also challenges within the career pipelines that lead to higher-wage occupations. Just 5 percent of physicians in the United States are Latino, and the critical bottleneck occurs at a single point: relatively few Latinos choose pre-med courses of study. The impact of this compounds over time, as even fewer Latinos apply to medical school, enroll, graduate, and practice medicine (Exhibit 9). What could be done? Increasing the number of Latino physicians requires introducing high school students to careers in medicine, counseling interested students, connecting prospective Latinos with established Latino physicians, and providing financial support to reduce the burden of student loans. It takes guidance, positive

¹² "Discrimination in America," 2017.

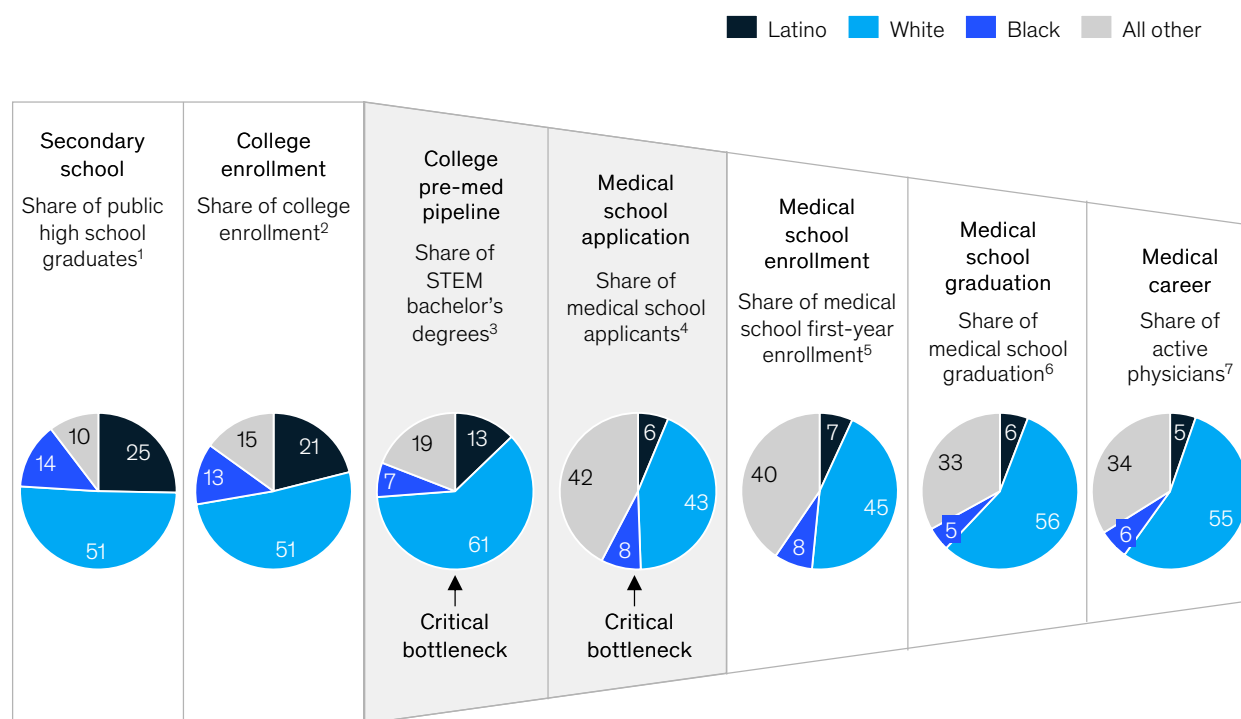
reinforcement, and role models, and the impact is about more than representation in skilled, high-wage professions: research suggests greater diversity among doctors is associated with improved access to care for racial and ethnic minority patients and greater patient choice and satisfaction.¹³

¹³ Elena Rios, "Why we need more Hispanic doctors," Josiah Macy Jr. Foundation, November 25, 2019, macyfoundation.org.

Exhibit 9

Just 6 percent of physicians are Latino, and the funnel narrows at every stage.

Racial representation at key points along the professional development pathway for physicians



¹ National Center for Education Statistics (NCES) public high school graduates (2019).

² NCES undergraduate enrollment (2019).

³ NCES percentage of science, technology, engineering, and mathematics (STEM) bachelor's degrees conferred (2018).

⁴ From Association of American Medical Colleges (AAMC) 2020–21 applications data.

⁵ From AAMC 2020–21 matriculation data.

⁶ From AAMC 2020–21 medical school graduation data.

⁷ According to the AAMC, there are approximately 900,000 actively practicing physicians in the United States.

Source: Association of American Medical Colleges (AAMC); National Center for Education Statistics (NCES)

Similar challenges can be found in the pipelines for Latino lawyers and teachers. While the American Bar Association believes fair representation is critical to create confidence in the role of law and help eliminate the possibility of bias affecting final decisions,¹⁴ there's a drop-off at every stage along the professional-development path until only 5 percent of lawyers are Latino. Among teachers, the steepest drop-off occurs with the share of Latinos being awarded bachelor's and then master's degrees, which feeds into an 8 percent share of graduates with a first or second major in education. Just 9 percent of those certified to teach are Latino, and only 5 percent of teachers in public schools (although 9 percent of public-school principals are Latino). Increasing the number of Latino teachers requires, at a minimum, introducing high school students to careers in education and supporting students financially. More broadly, addressing college completion for Latinos that enroll is a pressing concern: While Latino students make up 21 percent share of college enrollment, only 14 percent of graduates are Latino.

¹⁴ "Diversity in law: Who cares?," American Bar Association, April 30, 2016, americanbar.org.

Uniquely vulnerable: COVID-19 and disruption

Latino workers have experienced disproportionate job losses during the COVID-19 pandemic, underscoring the population's vulnerability to shocks. From February to April 2020, the unemployment rate for Latinos increased by 15 percentage points.¹ While it has fallen to around 5 percent as of June 2021, it hasn't reached its prepandemic level of 3.5 percent. The high concentration of Latino workers in the services sector played a role in these disproportionate job losses. The fact that 89 percent of Latino workers are in sectors deemed essential during the pandemic—such as food and agriculture, healthcare, and transportation and logistics—could have been expected to mitigate job losses, but there appear to be deeper factors at work.

More than 20 percent of Black and Latino adults of prime working age were more likely to be laid off during the pandemic, compared with 14 percent of non-Latino White workers. Just 15 percent of Latino workers were able to work from home in that period,² compared with 20 percent of Black workers and 26 percent of non-Latino White workers. That inability to telework—and the higher likelihood of having to stop work or work less due to childcare or school disruptions compared with White mothers³—also explains why Latina female workers exited the labor force at a higher rate than Latino men and all women at the height of the pandemic (Exhibit 10).

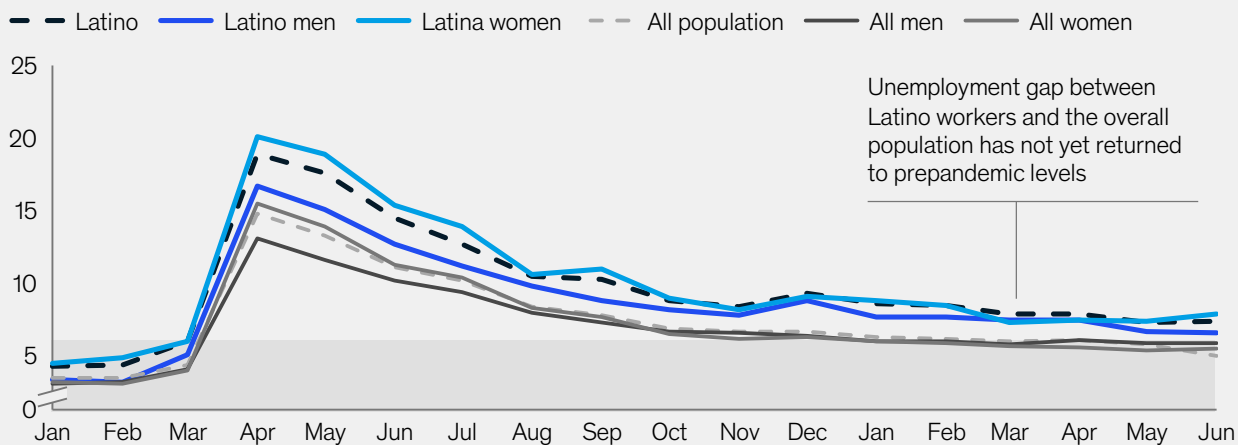
¹ Current Population Survey, US Bureau of Labor Statistics, accessed July 2021, bls.gov.

² Ibid.

³ Ibid.

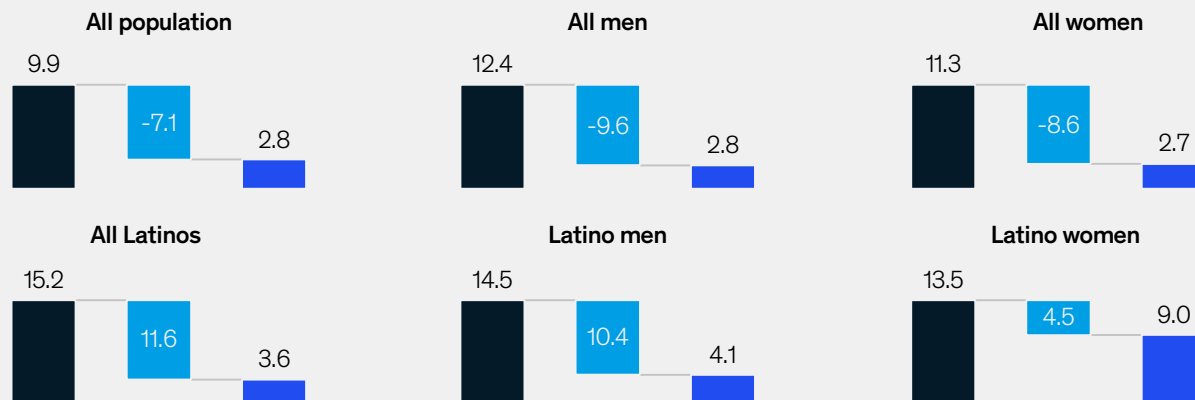
Latino workers, especially female workers, experienced a disproportionate number job losses during the peak of the pandemic.

Unemployment rate by gender,¹ January 2020—June 2021



Unemployment rate,¹
January 2020—June 2021

■ Increase Feb 2020 to April 2020
■ Decrease Feb 2020 to Feb 2021
■ Total unemployment over period



¹ Unemployment rate for overall population applies to the population in the labor force 16 years and over, while the gender breakdown applies to the population in the labor force 20 years and over.

Source: Current Population Survey (CPS), US Bureau of Labor Statistics

The ongoing risk of disruption

The disproportionate impact of the pandemic highlighted the vulnerability of Latino workers to disruption. Accelerating technological change adds another layer of urgency, and on a more permanent basis. The way Americans and companies work has changed, notably with the shift to more remote and hybrid work, the booming growth of e-commerce and

delivery services, and the adoption of automation and artificial intelligence.⁴ All of these trends existed before the COVID-19 crisis, but the pandemic accelerated their adoption and acceptance. And this will likely persist: automation will cause some occupations to shrink and others to grow, changing the skills and time required for many jobs. More jobs of the future will likely involve digital skills, human

⁴ For more, see "The future of work after COVID-19," McKinsey Global Institute, February 2021, on McKinsey.com.

interaction, judgment, and creativity to handle tasks at which humans outperform machines.

While Latino workers could regain prepandemic levels of employment in 2023—potentially ahead of White Workers—they are overrepresented in occupations vulnerable to disruption. Almost all labor demand growth in the next decade is forecast to be in high-wage occupations: in the United States, the share of employment in occupations

with wages in the 70th percentile and above is expected to increase by three percentage points by 2030, while the share of jobs in the 31st to 70th percentile may fall by two percentage points (the share of low-wage occupations is forecast to be flat). Conversely, many occupations with the largest concentration of Latino workers could see decreases in demand of 25 percentage points or more in the coming decade (Exhibit 11).

Exhibit 11

Many jobs with large concentrations of Latino workers are highly vulnerable to disruption.

Latino workers as a share of all workers within occupation, ¹ % (n = x)		Projected increase or decrease in labor force demand, 2018–30, %
Graders and sorters—agricultural products	68 (37.2)	–28
Plasterers and stucco masons	65 (19.0)	–26
Drywall installers, ceiling tile installers, and tapers	63 (92.2)	7
Other agricultural workers	56 (457.9)	3
Roofers	54 (119.3)	6
Painters and paperhangers	49 (291.6)	–27
Carpet, floor, and tile installers and finishers	47 (72.2)	–28
Maids and housekeeping cleaners	46 (706.9)	30
Cement masons, concrete finishers, and terrazzo workers	46 (28.0)	–25
Pressers, textile, garment, and related materials	45 (16.4)	–37

Note: Occupations initially filtered by share of Latino workers.

¹ Based on wages of workers aged 18 to 65 who are currently employed; who worked at least 30 hours per week on average last year; who worked more than 40 weeks last year; and who are not in school, not self-employed, and non-institutionalized.

² Post-COVID-19 scenario includes all prepandemic trends as well as accelerated automation, accelerated e-commerce, increased remote work, and reduced business travel.

Source: American Community Survey (ACS) five-year estimates, US Census Bureau, 2019, retrieved via Integrated Public Use Microdata Series (IPUMS) USA; McKinsey Global Institute analysis

Four potential ways to help improve outcomes and expand opportunity for Latino workers

What's often lost in the discussion around the work Latinos do and what they earn is the fact they do, at least in part, live up to the American dream they've embraced. Latinos have rates of intergenerational mobility comparable to those of White Americans,¹⁵ and second-generation children of Latino immigrants—irrespective of origin—experience higher economic mobility than their peers. That's not to say more can't be done. Latinos are achieving mobility despite the challenges they face, from overrepresentation in low-paying occupations to pay gaps within occupations and lack of opportunity. Employers, particularly, can play a central role in advancing interventions that could make a meaningful and lasting difference in the opportunities Latinos have, where they work, what they earn, and how they continue to advance both within and across generations.

Improve 'essential' jobs in which Latino workers are disproportionately over-represented

Latino workers are over-represented in occupations that were declared 'essential' during the pandemic, and yet many of these are low-paying and lack benefits and other protections. The public and private sectors can address issues such as the predictability of hours, living wages, workplace safety, sick leave, and benefits. As the labor market has tightened, some employers have raised wages and provided other benefits to attract workers such as retirement, paid holidays, and tuition support, as well as increased workplace flexibility. Continuing to improve the job quality of roles in which Latino workers are over-represented—in other words, treating essential workers as essential—is necessary in order to support continuing progress in economic mobility.

Create pathways from lower-paying occupations

It is possible to map pathways from the lower-wage jobs in which Latino workers are over-represented into higher-paying jobs based on the overlaps in skills and activities. With the right training and opportunities, workers could move into growing or higher-wage occupations. A mover/laborer, for example, could feasibly add the skills needed to move into higher-paying jobs operating heavy machinery and even become a technician servicing these machines. Helping workers better understand potential pathways to higher-paying jobs, and then providing access to training and job opportunities, can help them climb the income ladder.

¹⁵ "Race and economic opportunity in the United States," May 2020.

Unblock pipelines into higher-paying professions

As examples, our analysis examined pipelines into three professions that have traditionally been important cornerstones of upward mobility—law, teaching, and medicine—and found multiple obstacles for Latinos. More work needs to be done to discover why these pipelines narrow at various stages and how to deploy the most effective interventions to unblock obstacles, as well as the pipelines to other high-earning occupations such as software development. But we do know that increasing Latino representation, retention, and graduation in higher education is a critical step to closing these representation gaps. For instance, only 8 percent of Latinos of Mexican origin hold a bachelor's degree or higher, and 13 percent of the population lives below the poverty line. Conversely, some 27 percent of Latinos of Cuban origin hold a bachelor's degree or higher, and their rate of poverty is just 8 percent. Actions that could help more Latinos into higher education and enable them to complete a degree include the following:

- a. Providing robust financial aid. For example, Bank of America has made a four-year, \$1 billion commitment to help Black and Hispanic/Latino communities complete education and training.
- b. Implementing programs to support housing, food security, healthcare, and other needs of students. City University of New York's Accelerated Study in Associate Programs initiative, for example, provides comprehensive support for associate-degree students in selected New York City boroughs, including financial resources, structured pathways to support academic momentum, and comprehensive direct-support services.
- c. Endorsing community outreach programs targeting young people by sponsoring scholarships, internships, and other programs. For instance, the Hispanic Heritage Foundation's Code as a Second Language en Español initiative introduces children to computer programming and makes technical training and careers accessible to women and underrepresented minorities.

Support Latino recruiting, hiring, retention and advancement by employers

Business leaders have a key role to play in providing opportunities for Latino workers across the entire career lifecycle, from creating internships and other ways to provide Latinos with exposure to higher-paying careers, through promotion practices once Latinos are in the workforce. More broadly, we recommend three interventions to help strengthen employment trajectories for Latinos:

1. **Implement recruiting strategies targeting Latino talent.** It's one thing to have the education and drive to succeed in higher-paying roles. It's quite another to secure those jobs. Companies could pivot to recruit for skills rather than degrees as credentials, given the proportionally lower percentage of Latino college graduates. And that higher-education parity gap could be addressed using efforts such as that of automaker GM, which targets professional Hispanic organizations and Hispanic-serving institutions as part of its recruitment strategy. GM provides around \$5.7 million in scholarships for Hispanic students in science, technology, engineering, and math fields.

2. **Promotion and advancement.** The actions companies could take to support the advancement and enhance the experience of Latino workers include:

- *Understand your current state of diversity, equity, and inclusion.* Collect disaggregated statistics and enhance transparency.
- *Define your internal and external aspiration for advancing Latino representation in the workplace,* using your purpose, values and strengths as inputs
- *Commit to increasing representation in management and executive-level roles.* For instance, PepsiCo's Racial Equality Journey: Hispanic Initiative focuses on increasing Hispanic managerial representation in the company to 10 percent, including adding 50 Hispanic associates to its executive ranks.
- *Execute on the basics of inclusion.* Companies must have the foundational policies, programs, and senior level support in place
- *Empower and equip leaders to develop and advance Latino workers.* Companies can equip leaders—especially managers of entry level employees (note the presence of manager roles in the small number of occupations which could have a disproportionate impact in closing the aggregate Latino income gap)—to identify and support workers with the potential to move into more senior jobs. For example, companies should create incentives to encourage leaders to invest time in sponsoring and mentoring employees, as well as train these leaders in sponsorship and mentorship, with particular sensitivity to issues most relevant to Latino workers.
- *Developing peer relationships.* Employee resource groups can be an effective tool for building community. Coca-Cola's Hispanic Leadership Business Resource Group, for example, is a network created to capture business opportunities related to the Hispanic market. Companies can also launch programs to address allyship.
- *Track progress to increase accountability*—and share successes

The benefits of improving outcomes and expanding opportunity are relatively easy to visualize. Imagine a Latino worker in a relatively typical occupation: a fast-food cook. From that entry-level role—with an average annual wage of around \$24,000—upskilling could provide paths of opportunity into higher-wage positions requiring complementary work activities, to the point where a six-figure salary could be the norm, not the exception.

Decisive, sustained action in both the public and private sectors could meaningfully alter the career trajectory for Latino workers. But there's a potential for interventions that seek to both help close the wage gap and improve Latino representation, delivering a more than 35 percent increase in aggregate wages and enabling \$288 billion in additional annual income. It could also, in the process, help Latinos become more integrated into the country where they've chosen to pursue their dreams.



3. Latino business owners: Unleashing their entrepreneurial spirit

Latinos start more businesses per capita in the United States than any other racial or ethnic group. Over the past five years, one in 200 Latinos (0.5 percent) have started a new business every month, compared with 0.3 percent for the next highest groups (White and Asian).¹⁶ The number of Latino-owned employer firms has grown by 12.5 percent annually, compared with 5.3 percent for White-owned employer firms.¹⁷ And while Latino-owned employer businesses are concentrated in cities and states with large, dense Latino populations¹⁸—such as Los Angeles, Miami, and New York City—45 of 50 states saw an increase in Latino-owned businesses from 2012 to 2017.¹⁹

Yet the share of Latino-owned businesses—and their performance—fall well short of their potential. While Latinos account for about 18.4 percent of the US population, they only make up about 6 percent of employer firms and around 14 percent of nonemployer firms.²⁰ If Latinos' share of employer-business ownership reached parity with their share of the population, some 735,000 new enterprises could be added to the US economy, supporting 6.6 million jobs.²¹ And if the per-firm sales of those businesses were in line with non-Latino White-owned businesses,²² Latino-owned businesses could generate an additional \$2.3 trillion in annual revenue (Exhibit 12).²³

735,000

enterprises could be created if Latinos' share of employer-business ownership matched their population share

This chapter explores Latino businesses in the United States, examining the current state of Latino-owned enterprises and the challenges Latino entrepreneurs face in growing and scaling their firms. The United States Federal Reserve states companies led by Latino and Black owners were already more likely to be classified as “at-risk” or “distressed” prior to the COVID-19 crisis,²⁴ which had a negative impact on 86 percent of Latino-owned businesses. Yet there's an opportunity to further unleash the entrepreneurial spirit of Latino business owners, and we explore opportunities to help to close the gap between where things stand today and where they could be, if Latinos were able to participate equally in the US economy.

¹⁶ Robert Fairlie and Sameeksha Desai, *National report on early-stage entrepreneurship in the United States: 2020*, Kauffman Indicators of Entrepreneurship, February 2021, indicators.kauffman.org; this rate measures the percentage of individuals (ages 20–64) who did not own a business in the first month of the Kauffman Foundation's survey but started a business in the following month with 15 or more hours worked per week.

¹⁷ Annual Business Survey 2017, US Census Bureau, census.gov; 2012 Survey of Business Owners, US Census Bureau, 2016, census.gov.

¹⁸ Annual Business Survey 2017.

¹⁹ Marlene Orozco, Paul Oyer, Jerry I. Porras, and Inara Sunan Tarequem, *2020 State of Latino entrepreneurship*, Stanford Latino Entrepreneurship Initiative, January 2021, gsb.stanford.edu; Annual Business Survey 2018, US Census Bureau, census.gov; 2012 Survey of Business Owners.

²⁰ Annual Business Survey 2017.

²¹ Ibid; based on the current average of 8.9 jobs supported by a Latino-owned business.

²² Based on the difference in average revenue between Latino and non-Latino White employer firms. In most industries, the revenues of Latino-owned firms are lower than those of non-Latino White-owned firms.

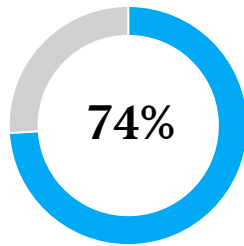
²³ Analysis covers only racially classifiable, privately held employer firms. Includes sole proprietorships; publicly traded companies are excluded.

²⁴ Financial-health assessment based on profitability, credit risk, and business funding. “Healthy” companies are profitable, have higher credit scores (low credit risk), and use retained business earnings to fund business. Companies that meet two of those criteria are “stable”; those that meet one of those criteria are “at risk”; and those that meet none of those criteria are “distressed.” See “Can small firms weather the economic effects of COVID-19?,” Federal Reserve Bank of New York, April 2020, [frb.org](https://www.frb.org); *Small business credit survey: 2019 report on minority-owned firms*, Federal Reserve Bank of Atlanta, December 2019, [frb.org](https://www.frb.org); André Dua, Deepa Mahajan, Ingrid Millán, and Shelley Stewart, “COVID-19's effect on minority-owned small businesses in the United States,” May 27, 2020, [McKinsey.com](https://www.mckinsey.com).

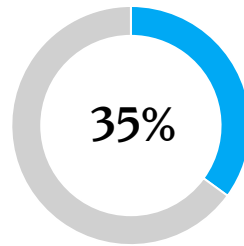
Latinos start more businesses than any other race but face funding barriers.

**\$2.3
trillion**

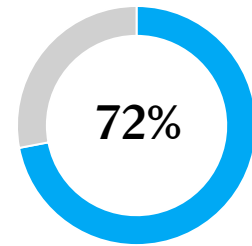
Aggregate revenue
opportunity



of the representation
and per-firm revenue
gap is concentrated
in 6 industries¹



of Latino business owners
are approved for all
requested funding (vs 49%
of White business owners)



of Latinos use personal
family savings to start
their businesses

¹ Wholesale trade; retail trade; manufacturing; construction; professional, scientific, and technical services; and healthcare and social assistance.
Source: McKinsey Global Institute analysis

A snapshot of Latino entrepreneurship

The United States has long been regarded as a land of opportunity, and that appears to hold true for Latinos when it comes to starting businesses. Latinos own 322,000 businesses in the United States, collectively employing 2.9 million people, and the number of Latino-owned businesses is growing rapidly (Exhibit 13). In addition, the majority of Latino entrepreneurs (85 percent) say they start businesses out of opportunity rather than necessity, comparable to their non-Latino White counterparts (85 percent).²⁵

The distribution of Latino-owned firms across industries has been fairly stable for the past 15 years. Newly created Latino-owned employer firms are concentrated in industries such as construction and hospitality (accommodation and food services).²⁶ There are a lower percentage of new firms in the industries with the highest forward-looking growth rates than for non-Latino White-owned businesses²⁷; for example, the information industry has the highest growth rate at 18 percent, but just 1 percent of newly created Latino employer firms are in this industry. Conversely, 22 percent of new Latino-owned employer firms are in construction, which has the lowest growth rate at 4 percent (Exhibit 14).

Geographically, nearly a third of Latino-owned businesses are in cities with large Latino populations: there are around 45,000 Latino-owned businesses in Miami, around 30,000 in New York City, and about 28,000 in Los Angeles. An additional seven metropolitan areas also have large representation—Chicago; Houston; Riverside, California; Dallas; San Diego; Washington, DC; and San Antonio—meaning ten areas in the US are home to 55 percent of Latino-owned employer firms.²⁸ Chicago and Miami saw the largest increase in net new Latino-owned employer firms from 2012 to 2017, adding 2,019 and 2,001 companies respectively.²⁹

²⁵ Robert Fairlie and Sameeksha Desai, *2019 early-stage entrepreneurship in the United States: National and state report*, Kauffman Indicators of Entrepreneurship, June 2020, indicators.kauffman.org; Marlene Orozco, Paul Oyer, Jerry I. Porras, and Inara Sunan Tarequem, *2019 State of Latino entrepreneurship*, Stanford Latino Entrepreneurship Initiative, January 2020, gsb.stanford.edu.

²⁶ Survey of Business Owners 2007, 2012; Annual Business Survey 2018.

²⁷ Annual Business Survey 2017; Survey of Business Owners 2012.

²⁸ Annual Business Survey 2017.

²⁹ Ibid; Survey of Business Owners 2012.

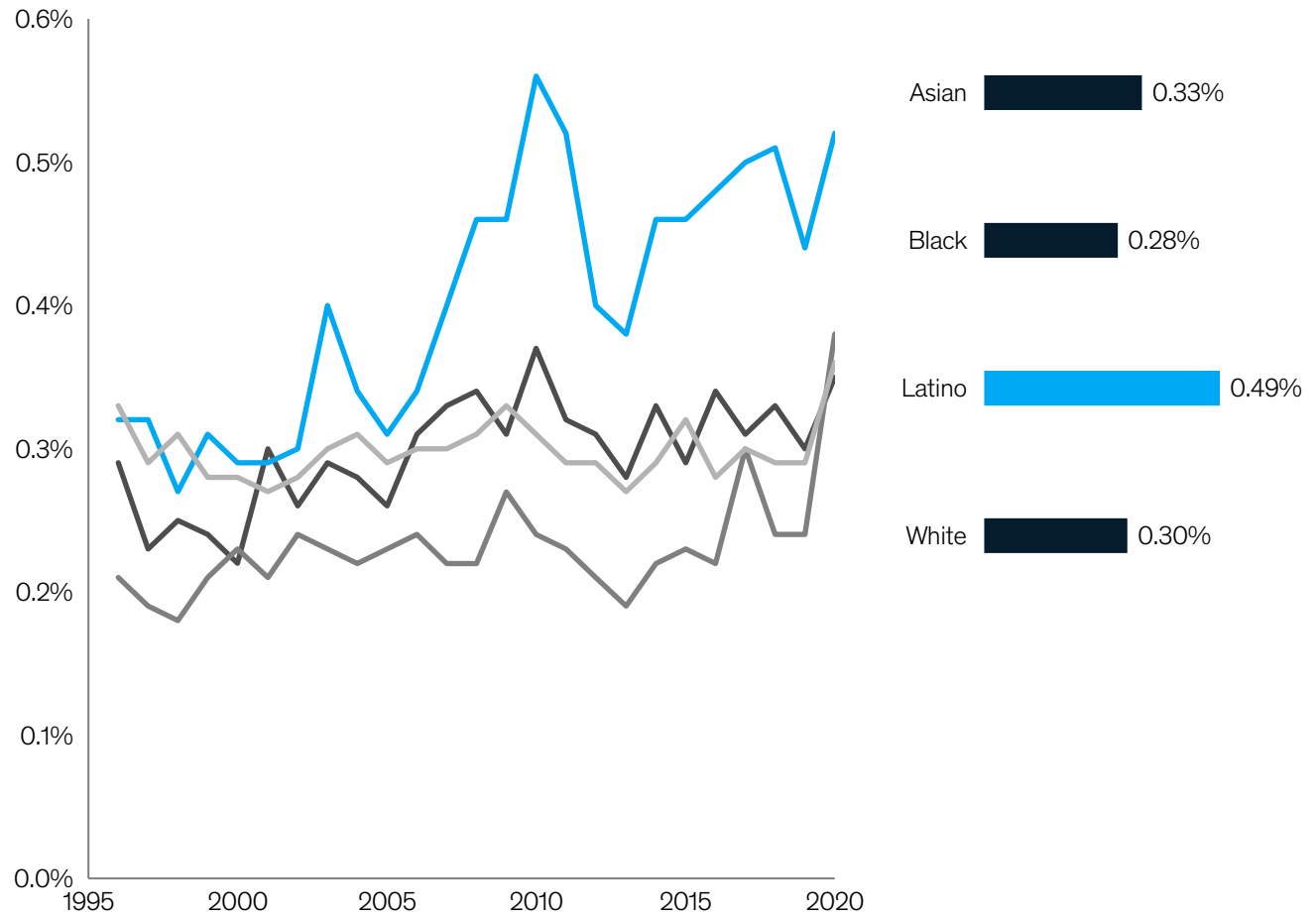
Exhibit 13

Latinos have the highest entrepreneurship rate of any race.

Rate of new entrepreneurs by race,¹ %

— Asian — Black — Latino — White

Average rate of new entrepreneurs
by race and ethnicity, 2016–20, %

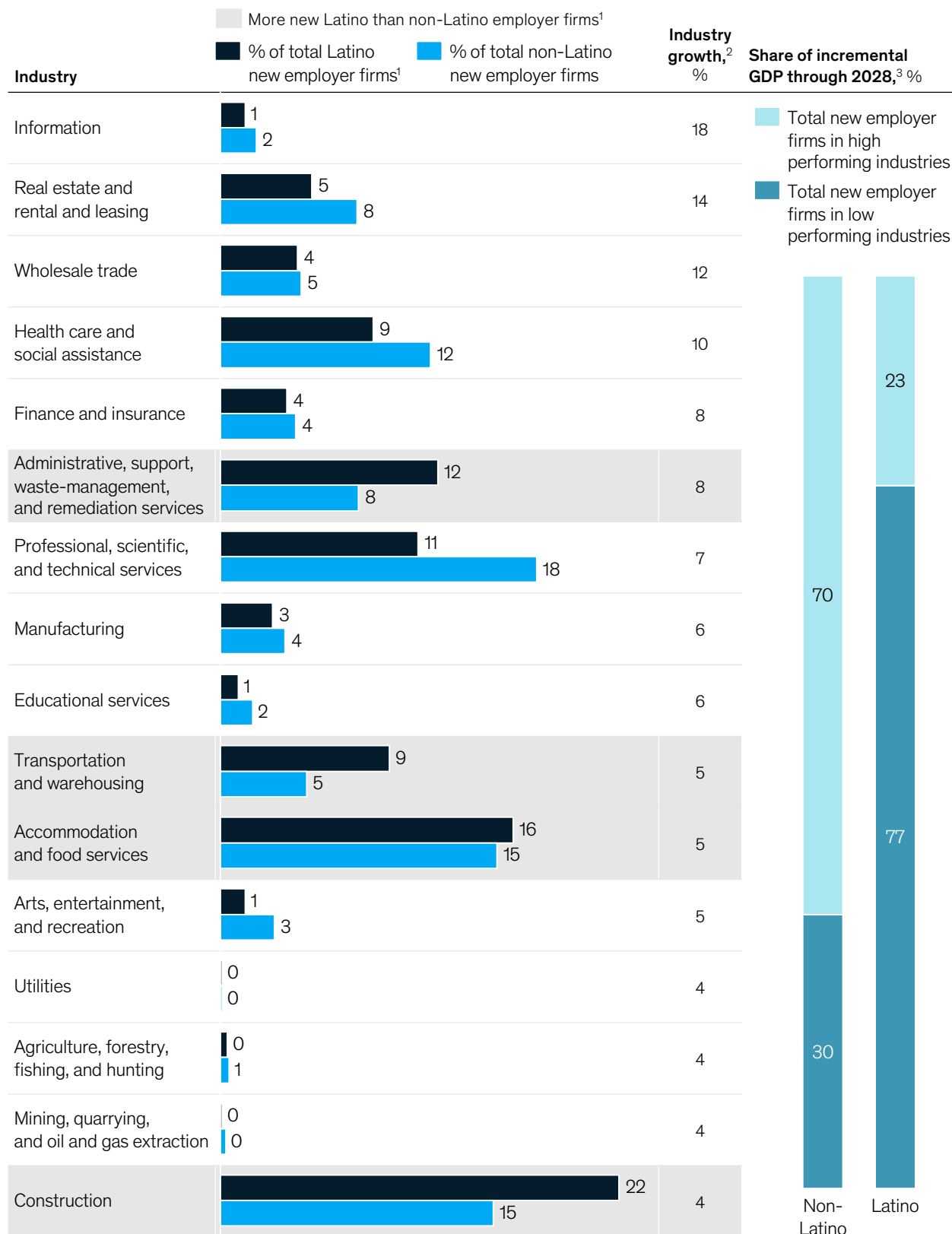


¹ This rate measures the percentage of individuals ages 20–64 who did not own a business in the first month of the survey but started a business in the following month with 15 or more hours worked per week.

Source: *National report on early-stage entrepreneurship in the United States: 2020*, Kauffman Indicators of Entrepreneurship, February 2021, indicators.kauffman.org

Exhibit 14

Newly created Latino-owned employer firms are concentrated in lower-growth industries.



Note: Nonexhaustive. Does not include industries that are nonclassified, other, or management of companies and enterprises.

¹ Firms less than 2 years in business.

² Growth rates based on 10-year forward CAGR for value add to the economy.

³ Based on contribution to 10-year incremental GDP between 2019 and 2028 projection.

Source: US Census Annual Business Survey, 2017; US Census Survey of Business Owners, 2012

Closing the gaps: Challenges for Latino-owned businesses

2%

of venture-capital-backed companies were founded by Latinos or Black Americans

Even though Latinos have the highest rate of entrepreneurship, there are significant differences between Latino and non-Latino employer companies. Nearly 13 percent of Latino-owned firms close in their first year, compared with 10 percent for White-owned firms, a gap that persists over time.³⁰ Latinos are also more likely to be sole proprietors: 92.5 percent of Latino-owned businesses are single-person firms, versus 83.1 percent of the total population on average.³¹ There are also gaps related to:

- Representation, or the difference between the share of Latino-owned employer firms in each industry and the Latino share of the US population. Even though Latinos make up 18.4 percent of the population, Latino-owned businesses only make up 6 percent of employer firms³². If the Latino share of employer business ownership reached parity with the Latino share of the US population, there would be 735,000 new enterprises and 1.06 million in total³³
- Per-firm revenue, or the difference between average sales of Latino- and White-owned employer companies. Latino-owned employer firms average \$1.3 million in annual sales compared with \$2.5 million for non-Latino White-owned employer firms.³⁴

It's these gaps that collectively add up to a \$2.3 trillion opportunity for Latino-owned employer firms (Exhibit 15).

³⁰ Annual Business Survey 2017; *Small business owner race, liquidity, and survival*, JPMorgan Chase & Co. Institute, July 2020, jpmorganchase.com.

³¹ Annual Business Survey 2017; Nonemployer Statistics, US Census Bureau, census.gov.

³² US Census Annual Business Survey 2017.

³³ This is based on the current average of 8.9 jobs supported by a Latino owned business. US Census Annual Business Survey 201.

³⁴ Ibid.

Exhibit 15

Disparities between Latino- and White-owned businesses result in a \$2.3 trillion revenue shortfall.

Median value of net worth for individual Latinos in the United States, by generation, \$ thousands



¹Sum of bank accounts inside or outside the United States; retirement accounts; certificates of deposits and bonds; investments in stocks, mutual funds, and exchange-traded funds (ETFs); life insurance; homes inside or outside the United States; vehicles inside or outside the United States; and inheritance.

²Sum of personal loans, student loans, mortgages, auto loans, credit card debt, payday loans, and other loans.

Source: McKinsey Consumer Survey, August 2021 (n = 4,000); McKinsey Global Institute and McKinsey Institute for Latino Economic Mobility analysis

Understanding representation and size gaps

Nearly three-quarters—74 percent—of the representation and size gaps between Latino-owned employer companies and White-owned firms is concentrated in six industries: wholesale trade; retail trade; manufacturing; construction; professional, scientific, and technical services; and healthcare and social assistance.³⁵

In terms of representation—the percentage of Latino-owned employer firms compared with the Latino share of the US population—there's a gap that corresponds to potential revenue for Latino-owned businesses of \$1.03 trillion, with \$762 billion in those six industries alone (wholesale and retail trade are the two biggest contributors).³⁶ In fact, Latinos are underrepresented in company ownership terms even in industries where Latino workers are overrepresented.³⁷ The most glaring example is agriculture, in which Latinos make up 51 percent of the industry's workforce but own just 5 percent of employer firms. Latino-owned employer firms also tend to be smaller, averaging 8.9 employees per firm versus 12.1 for non-Latino White employer firms.³⁸

In terms of per-firm revenues within industries, there's an aggregate gap of \$1.23 trillion, with \$794 billion attributable to just four industries—wholesale trade, retail trade, manufacturing, and construction.³⁹ Latino employer firms generate an average of 52 percent of the annual revenue of non-Latino White employer firms,⁴⁰ and the shortfall holds even in states with the highest sales for Latino-owned employer firms, such as California, Florida, Texas, New York, and Illinois.⁴¹

The states with the highest share of Latino populations have above-average representation of Latino-owned employer businesses. Still, significant parity gaps exist. For example, although Latino employer firms make up 9.6 percent of companies in California and generate nearly \$100 billion in annual revenue, there's still a parity gap of about \$730 billion when taking into account the average revenue gap to White firms and the fact that Latinos make up 39.4 percent of the state population. Even in New Mexico, the state with the largest share of Latino-owned employer businesses, the Latino-owned share of employer firms (17.8 percent) is well below Latinos' 49.3 percent share of the state population (Exhibit 16).

A Latino gender gap

In addition to the aggregate gap between Latino and non-White Latino-owned employer businesses, there is a gap within the Latino population between male- and female-owned employer businesses.⁴² Only about 24 percent of Latino employer businesses are owned by women, resulting in an aggregate representation gap of \$91 billion and a per-firm revenue gap of \$32 billion for Latina-owned employer businesses when compared with Latino-male-owned employer businesses. Some 57 percent of this gender-based revenue gap results from three industries: wholesale trade, construction, and retail trade.⁴³

³⁵ Ibid.

³⁶ Ibid.

³⁷ Ibid; American Community Survey (ACS) five-year estimates, US Census Bureau, 2019, usa.ipeds.org.

³⁸ Annual Business Survey 2017.

³⁹ Ibid.

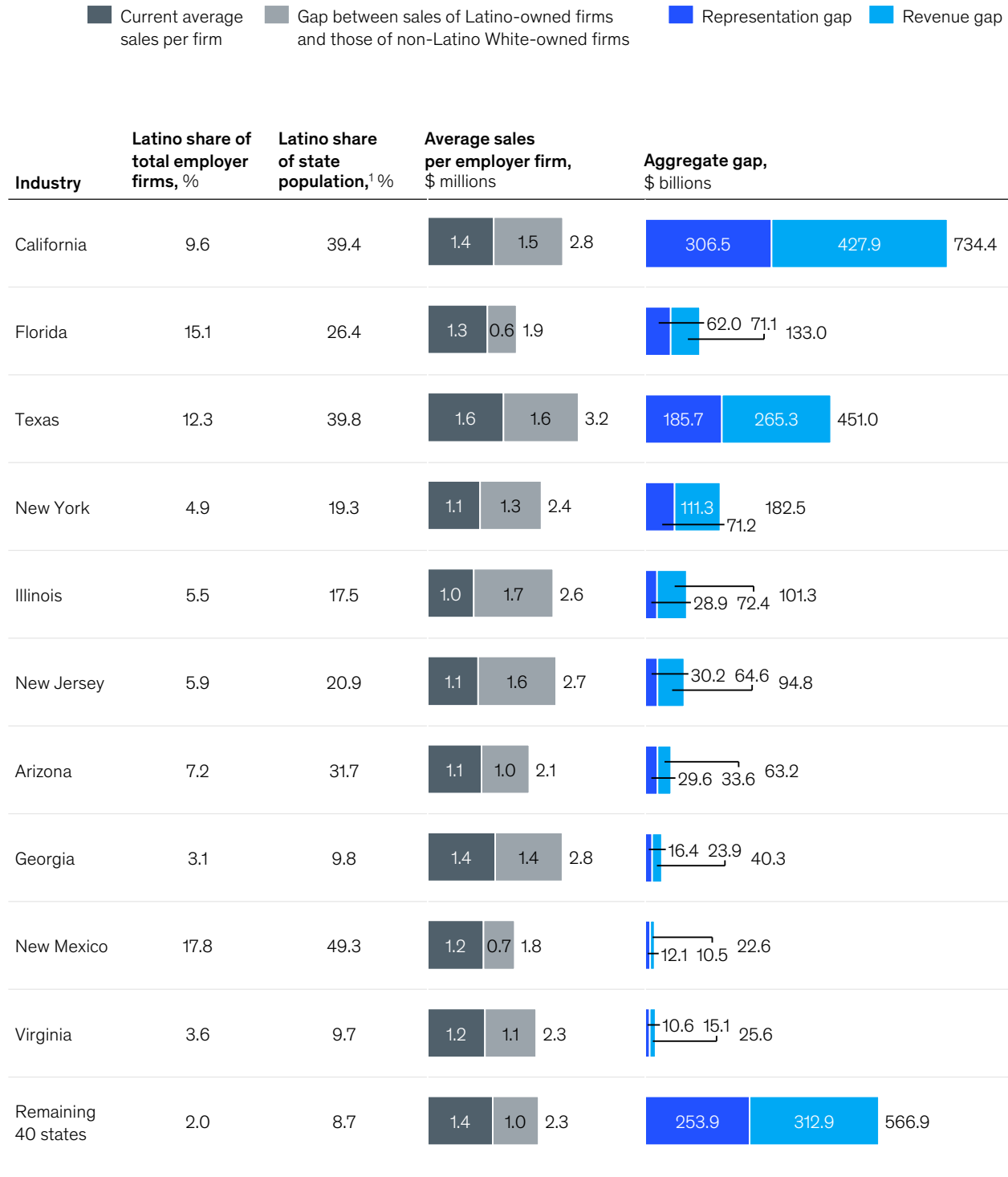
⁴⁰ Ibid.

⁴¹ Ibid; 2019 US Census.

⁴² Annual Business Survey 2017.

⁴³ Ibid.

Gaps persist even in states with the highest revenues for Latino-owned firms.



8.5% vs 2.0%

Average share of Latino firms in the top 10 states vs the remaining 40

¹ 2019 US Census population estimates by age, sex, race, and Hispanic origin.
Source: US Census Annual Business Survey, 2017; US Census, 2019

Barriers limiting Latinos from starting and scaling businesses

Latino business owners have similar credit scores to their White counterparts.⁴⁴ Yet they have a low rate of bank and financial institution loan funding to start their businesses—12 percent compared with 17 percent of White employer businesses⁴⁵—and are less likely than White-owned employer businesses to receive all the funding they apply for.⁴⁶ In addition, Latinos rely more on family savings, credit cards, and personal assets to start businesses, and are less likely to apply for additional funding because they don't think they will receive approval. Some 26 percent of Latino entrepreneurs believe their Latino heritage harms their chances of accessing capital.⁴⁷

Once established, Latino-owned employer firms continue to depend on personal sources of funding, making them vulnerable to personal financial risk. The top funding sources for Latino-owned employer businesses seeking more than \$100,000 tend toward personal savings, credit cards, and assets, while White-owned employer businesses look to secured loans from national or local banks (Exhibit 17).⁴⁸ Accessing venture capital is also challenging: Latino- and Black-founded companies represent only 2.0 percent of US-based venture-backed firms and around 2.5 percent of funding.⁴⁹

Second, Latino entrepreneurs are less likely than their White counterparts to seek support and mentoring from professional advisers and colleagues,⁵⁰ instead turning to family for support on running the business and making decisions. And finally, Latino-owned employer businesses are less likely to have an online presence. About 93 percent of Latino-owned employer businesses have no e-commerce sales, compared with 89 percent for White-owned employer businesses, which may place them at a disadvantage as commerce goes increasingly digital.⁵¹

Three interventions to help improve outcomes for Latino business owners

Interventions that could help improve outcomes for Latino business owners are increasing access to capital, building entrepreneurial capacity, and closing representation gaps in the most attractive sectors. It's clear many Latinos want to start businesses. But action is required to close gaps in representation and to improve access to traditional business funding sources. And consumers can, of course, invest in Latino-owned businesses every day—simply by buying their goods and services.

⁴⁴ 2020 *State of Latino entrepreneurship*, January 2021.

⁴⁵ 2018 Annual Survey of Entrepreneurs.

⁴⁶ *Small business credit survey: 2019 report on minority-owned firms*, December 2019.

⁴⁷ Bank of America 2018 Hispanic Small Business Owner Spotlight survey, 2018, about.bankofamerica.com.

⁴⁸ 2020 *State of Latino entrepreneurship*, January 2021.

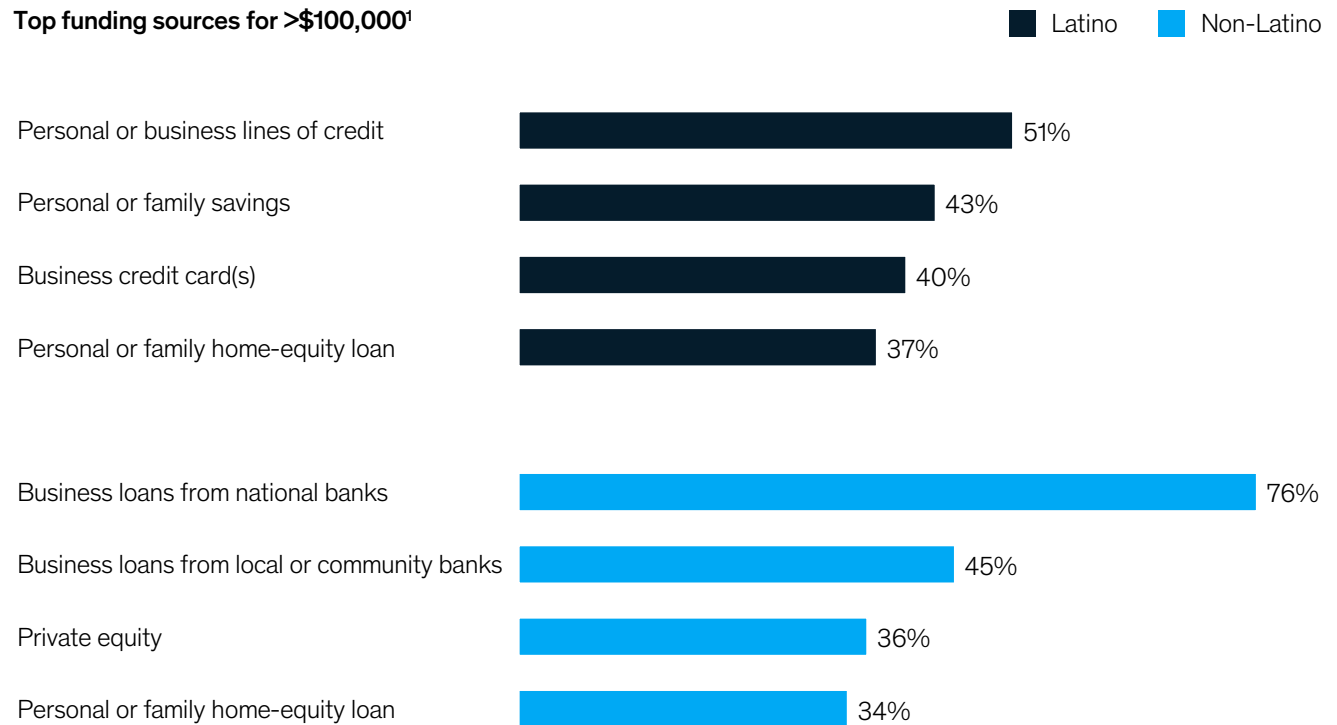
⁴⁹ *Crunchbase diversity spotlight 2020: Funding to Black & Latinx founders*, Crunchbase, October 2020, crunchbase.com.

⁵⁰ 2016 Annual Survey of Entrepreneurs.

⁵¹ *Ibid.*

Even once established, Latino-owned firms rely on personal sources of funding.

Top funding sources for >\$100,000¹



3 of 4

top sources of funding for Latino-owned businesses are personal funds; for White-owned firms, 3 of the top 4 sources are private

This leads to Latino business owners taking on more personal financial risk compared with White business owners, increasing vulnerability to predatory lending

¹ Based on Stanford Latino Entrepreneurship Initiative survey of US business owners, 2020 (n = 7,000).

Source: Marlene Orozco, Paul Oyer, Jerry I. Porras, Inara Sunan Tareque, "2020 state of Latino entrepreneurship," Stanford Latino Entrepreneurship Initiative, January 2021, gsb.stanford.edu.

Increase access to capital

Latinos create more businesses than any other US population, despite the barriers they face. Reducing those hurdles could unleash even greater entrepreneurial activity, as well as scaling their businesses, but a principal barrier is limited access to funding. There are several ways to address this. First, funding could be set aside to support Latino-owned businesses and entrepreneurs, reducing their personal financial burden and helping them grow their businesses. For example, JPMorgan Chase committed \$350 million to provide low-cost loans and equity investments to Black, Latino, women, and other underserved entrepreneurs. Beyond traditional banks, other sources of capital, from angel investors, venture capital and private equity, to community development financial institutions (CDFIs), could focus more attention on Latino-owned businesses. Furthermore, equitable access to government and private funding could be ensured through fair lending practices and outreach to the Latino community.

Build entrepreneurial capacity

Professional development of Latino entrepreneurs could spur even greater entrepreneurship and enable Latino-owned businesses to more successfully scale. That could be achieved by creating formal mentorship programs for Latino-owned businesses, as well as connecting Latino business owners with industry experts and professionals. For example, Pepsico launched a program providing free business coaching to 500 Latino-owned food and beverage businesses, while New York City's peer mentorship programs connects experienced business owners to support minority and women-owned business enterprises.

Additional capacity-building for Latino entrepreneurs can come through formal education. For example, Stanford University's Graduate School of Business offers a seven-week immersive program designed to increase Latino business owners' understanding of how to access and manage capital. And third, equal access to government and private funding could be ensured through fair lending practices and outreach to the Latino community.

Close representation gaps in the most attractive sectors

It's also important to close representation gaps in the sectors that will represent the highest levels of growth and form the basis of the future economy. Digital adoption is critical: newly created Latino-owned employer firms remain concentrated in construction and other lower-growth industries. Investing in broadband access and supporting Latino business owners in establishing an online presence could boost Latino involvement in high-growth sectors. Those efforts could focus on large metropolitan areas with heavier concentrations of Latino-owned employer firms in sectors such as information, real estate, and healthcare. For example, Facebook created Latinx Hispanic Business Boost, a free program offering a mix of training, tools, and insights to help Latino businesses grow revenue.⁵² And Comcast's RISE Investment Fund provides grants to minority-owned small businesses for equipment, internet access, and other needs.

⁵² "Latinx Hispanic Business Boost," Facebook for Business, Meta, facebook.com.



4. Latino consumers: America's growing domestic market

660 billion

of additional Latino spending
could be unlocked by
addressing disparities

Consumer spending drives the world's biggest economy. And within the US economy, Latinos are critical and increasingly influential. During the past eight years, Latino consumption has grown by around 6 percent annually, about double the pace of spending growth among non-Latino Whites. Yet while Latino consumption is growing and dynamic, it's constrained from reaching its full potential due to lower average incomes and wealth, inadequate access for Latino communities, and unmet demand for goods and services that could better meet the needs and preferences of Latino consumers.

Latinos account for 11.4 percent of aggregate consumer spending, but that could be over 50 percent higher if Latino incomes were commensurate with the parity scenario we described in the worker chapter⁵³. While the current Latino consumer market amounts to around \$870 billion in consumer expenditure annually, it would be around \$500 billion higher in the income parity scenario. In addition, our research shows there's another \$159 billion in unsatisfied demand, because many Latinos may be willing to spend more on offerings better suited to their needs.⁵⁴

Addressing disparities could create a \$660 billion opportunity (Exhibit 18). Yet closing the gap between Latinos' actual and potential expenditures requires commitment on multiple fronts. Latino spending power must be increased by closing the wage gap that results in Latino workers earning 66 cents for every dollar made by and non-Latino White workers. With more than 41.5 million Latinos living in consumer "deserts," access to vital products and services must be improved. And goods and services need to truly address Latino needs and preferences.

This chapter examines how the Latino consumer market could reach its full potential, just as our chapter on workers sought to shed light on the barriers to Latinos achieving income equity in the US labor force. Closing the consumption gap could not only give Latinos a greater sense of inclusion and representation in the US economy but may also provide the private sector with enormous potential and deliver an immediate boost to economic growth.

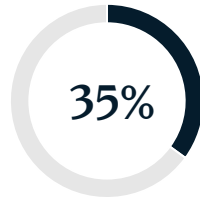
⁵³ The income parity scenario includes the representation in occupations for US-born Latinos as their share of the population, and closing within-occupation income gaps for all Latinos.

⁵⁴ Not all of this unsatisfied demand could be realized as additional net consumer spending. Consumers might be willing to pay more for better products/services in one category, but increases spend in one category could result in lower spend in another category.

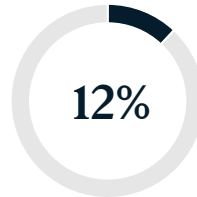
Latino consumption is below its potential due to lower incomes, lower access and unsatisfied demand.

\$159 billion
unsatisfied demand

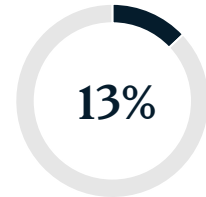
Average Latino household consumption has grown



faster than White households (largely driven by Latino income growth)



of aggregate consumer spend is attributable to Latinos (vs 18% share of population)



of Latinos are dissatisfied with current offerings.¹ Latinos of Mexican origin appear to be the most satisfied, while those of Cuban origin appear to be the most dissatisfied

Latinos are willing to spend

1.2x

more on average on offerings that are better suited for their needs and preferences. Latinos of Mexican origin and first-generation immigrants appear to be willing to pay the most for better offerings

41.5 million

Latinos live in “deserts” that lack vital products and services

¹ Based on McKinsey consumer survey, August 2021 (n = 4,000).
Source: McKinsey Global Institute analysis

A snapshot of the Latino consumer market

Latino consumption is growing by 6 percent a year, with Latinos' share of total US consumption increasing by 3 percent annually for the past eight years to 11.4 percent of total spending. That growth has been propelled by an increase in the number of high-income Latino households: households with income of more than \$75,000 have grown at a compound annual rate of 6.6 percent over the past decade (Exhibit 19).

Yet while the Latino consumer market is growing and dynamic, it's not reaching its full potential. Lower wages among Latino workers result in reduced wealth, requiring Latino households to spend a larger share of income on essentials: expenditure on housing totals 31.9 percent of Latino household income, compared with 28 percent for non-Latino White households; 17.8 percent of household income goes to transportation and vehicles, compared with 14.5 percent for White householders; and they spend 14.1 percent of income on food and alcohol, compared with 12 percent of their White counterparts.⁵⁵ Many Latino communities have inadequate access to key product and service categories, including food, housing,

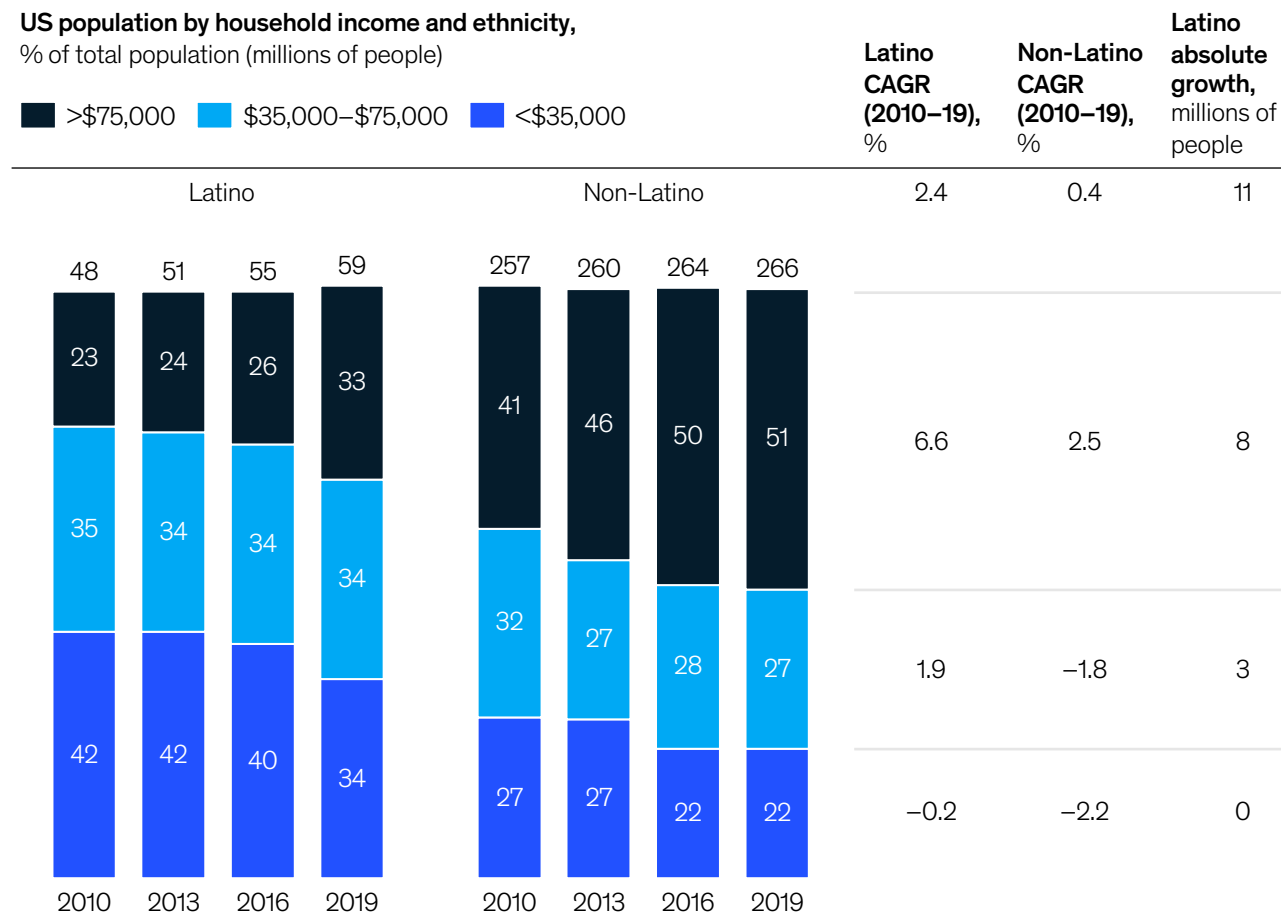
⁵⁵ 2019 Consumer Expenditures Surveys, US Bureau of Labor Statistics, 2020, bls.gov.

Exhibit 19

High-income households have been the fastest-growing segment of the Latino population.

US population by household income and ethnicity,
% of total population (millions of people)

■ >\$75,000 ■ \$35,000–\$75,000 ■ <\$35,000



Source: Current Population Survey (CPS), US Bureau of Labor Statistics, 2003–2016

banking, broadband, healthcare, and consumer goods.⁵⁶ And there's unmet demand: Latinos are, on average, more dissatisfied with current product and service offerings than non-Latino White consumers, especially in categories where they have limited access.⁵⁷

Spending: Lower income equals reduced buying power

The aggregate income gap between Latino and non-Latino White workers was detailed in chapter 2, “Latino workers: Pursuing the American dream.” It stems from having lower representation within higher-paying occupations and lower pay within occupations, with the net result Latino households spend less, on average, in almost every product and service category (Exhibit 20).

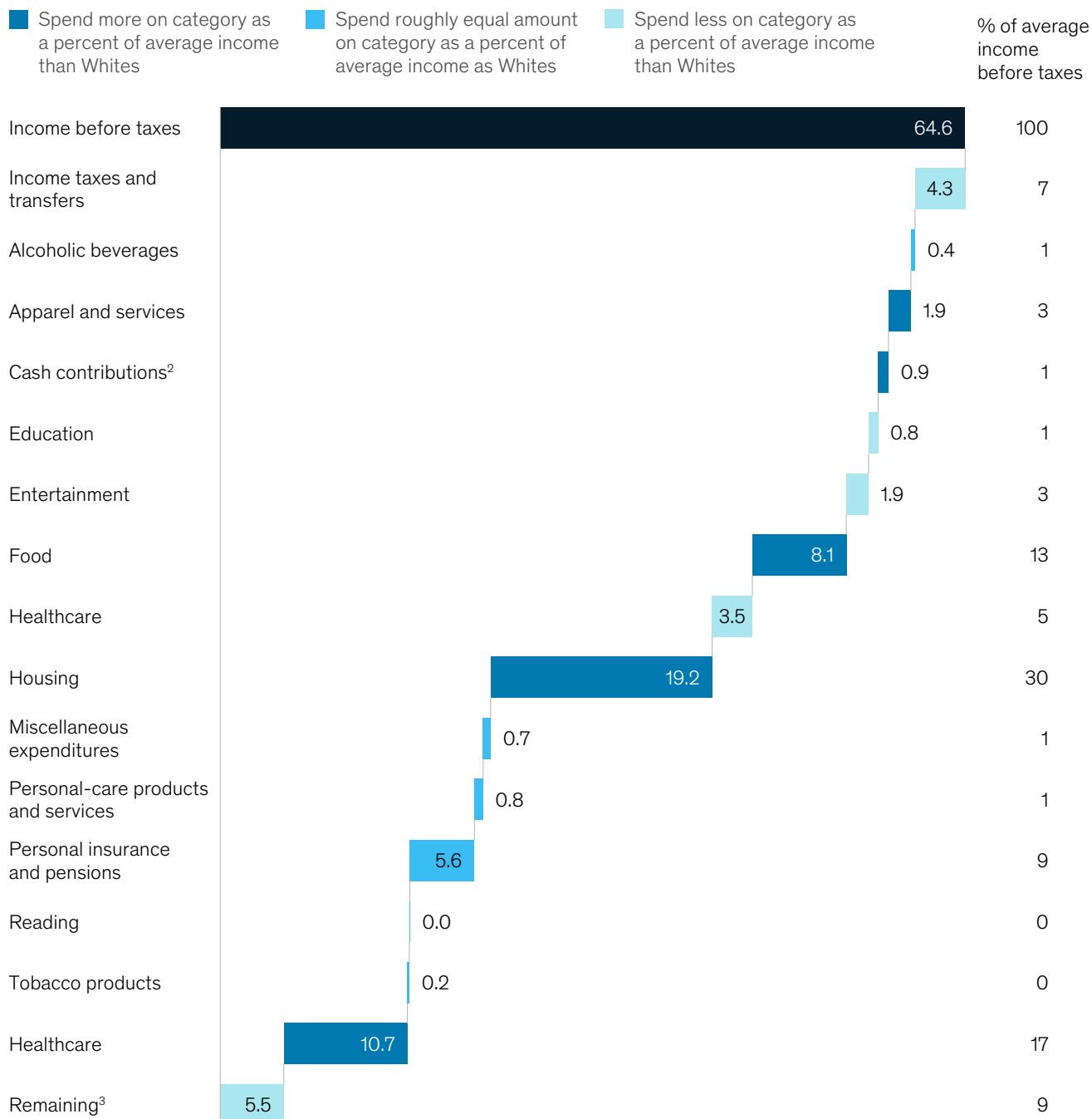
⁵⁶ “Food Access Research Atlas,” Economic Research Service, US Department of Agriculture, 2019, ers.usda.gov; “Shortage Areas,” Health Workforce, Health Resources & Services Administration, data.hrsa.gov; National Low Income Housing Coalition, nlihc.org; *How America banks: Household use of banking and financial services*, Federal Deposit Insurance Corporation, October 2020, fdic.gov; “Form 477 Census Tract Data on Internet Access Services,” Economics and Analytics, Federal Communications Commission, updated October 13, 2020, fcc.gov; “Food Environment Atlas,” Economic Research Service, US Department of Agriculture, accessed July 2021, ers.usda.gov.

⁵⁷ McKinsey Consumer Survey, August 2021 (n = 4,000); McKinsey Global Institute and McKinsey Institute for Hispanic Economic Mobility analysis; BEM report.

Latino household income lags that of non-Latino White households, depressing consumer spending.

National average annual consumption by category and race,¹ 2019, \$ thousands

Latino households



Note: Figures may not sum, because of rounding.

¹Based on race and ethnicity of the reference person for the consumer unit.

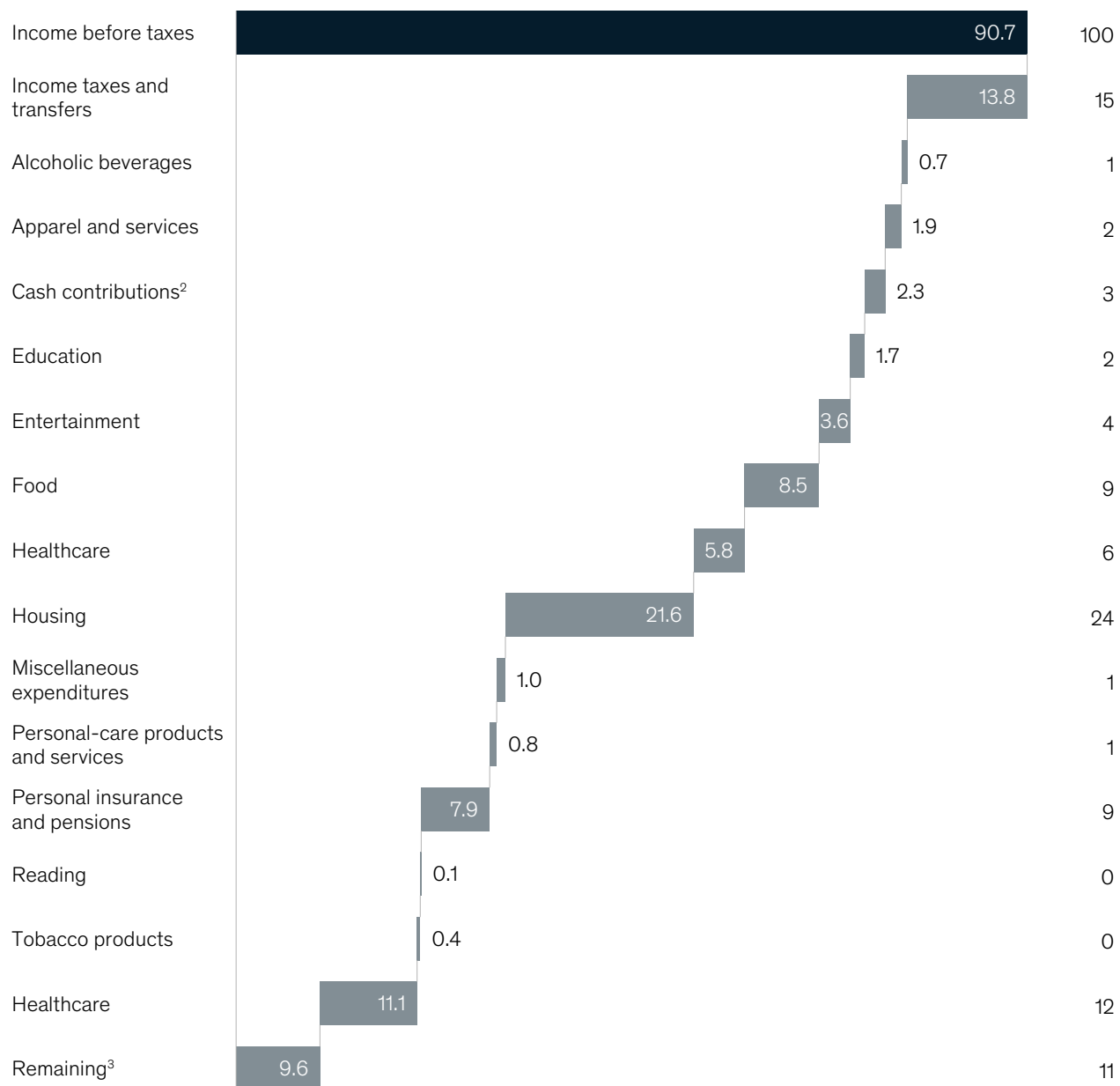
²Per the Bureau of Labor Statistics (BLS), "Cash contributions includes cash contributed to persons or organizations outside the consumer unit, including alimony and child support payments; care of students away from home; and contributions to religious, educational, charitable, or political organizations."

³This amount is a calculated amount based on post-tax income minus total expenditures; "remaining" does not necessarily correspond to liquid savings (eg, there could be unreported expenditures).

Source: Consumer Expenditure Surveys, US Census Bureau, 2019, census.gov

Latino household income lags that of non-Latino White households, depressing consumer spending.

Non-Latino White households (including all other races)



Note: Figures may not sum, because of rounding.

¹Based on race and ethnicity of the reference person for the consumer unit.

²Per the Bureau of Labor Statistics (BLS), "Cash contributions includes cash contributed to persons or organizations outside the consumer unit, including alimony and child support payments; care of students away from home; and contributions to religious, educational, charitable, or political organizations."

³This amount is a calculated amount based on post-tax income minus total expenditures; "remaining" does not necessarily correspond to liquid savings (eg, there could be unreported expenditures).

Source: Consumer Expenditure Surveys, US Census Bureau, 2019, census.gov

Lower average annual income for Latino households results in less discretionary spending power and more cautious consumer choices:

- **They feel less financially secure:** 44 percent of Latinos make adjustments to make ends meet compared with 38 percent of non-Latinos; 45 percent are worried about losing their job, compared with 28 percent; and 28 percent live paycheck to paycheck, compared with 23 percent of non-Latinos.⁵⁸
- **They are cautious spenders:** 31 percent cut back on spending (versus 26 percent); 31 percent are delaying spending given their economic situation; and 44 percent are increasingly looking for ways to save money, compared with 38 percent of non-Latinos.⁵⁹
- **They buy at stores with lower prices:** 28 percent buy their preferred brands at stores with lower prices, notably for food and household products.⁶⁰

At similar income levels, Latino households tend to be more frugal and put a greater share of spending toward essentials compared with non-Latino White households. They are more likely to stick to a budget when shopping; tend to shop online more than non-Latinos (reflecting a higher adoption rate of mobile technology and use of social media); and proportionately spend more on fresh food, children's apparel, and supplies for laundry and cleaning. The COVID-19 pandemic, which disproportionately affected Latino workers, reinforced these trends. Latinos reduced annual spending by 4 percent from 2019 to 2020, while all other households cut back on spending by 2.8 percent in the same period.

Access: Many Latinos live in consumer 'deserts,' lacking access to key goods and services

Earning a fair wage is one thing, but what if you're unable to spend it on needed goods and services? Latino households spend 71 percent of their income, on average, in six categories: housing, healthcare, banking, broadband, food, and consumer goods. Yet, in every instance, a higher percentage of the Latino population than non-Latino White consumers lives in areas with reduced access to these goods and services—so-called consumer deserts. In two essential categories—housing and healthcare—the lack of access is acute: Latinos are 3.1 times more likely to live in a housing desert than non-Latino White households, and 2.5 times more likely to live in a healthcare desert (Exhibit 21).

⁵⁸ McKinsey Global Sentiment Survey, 2020.

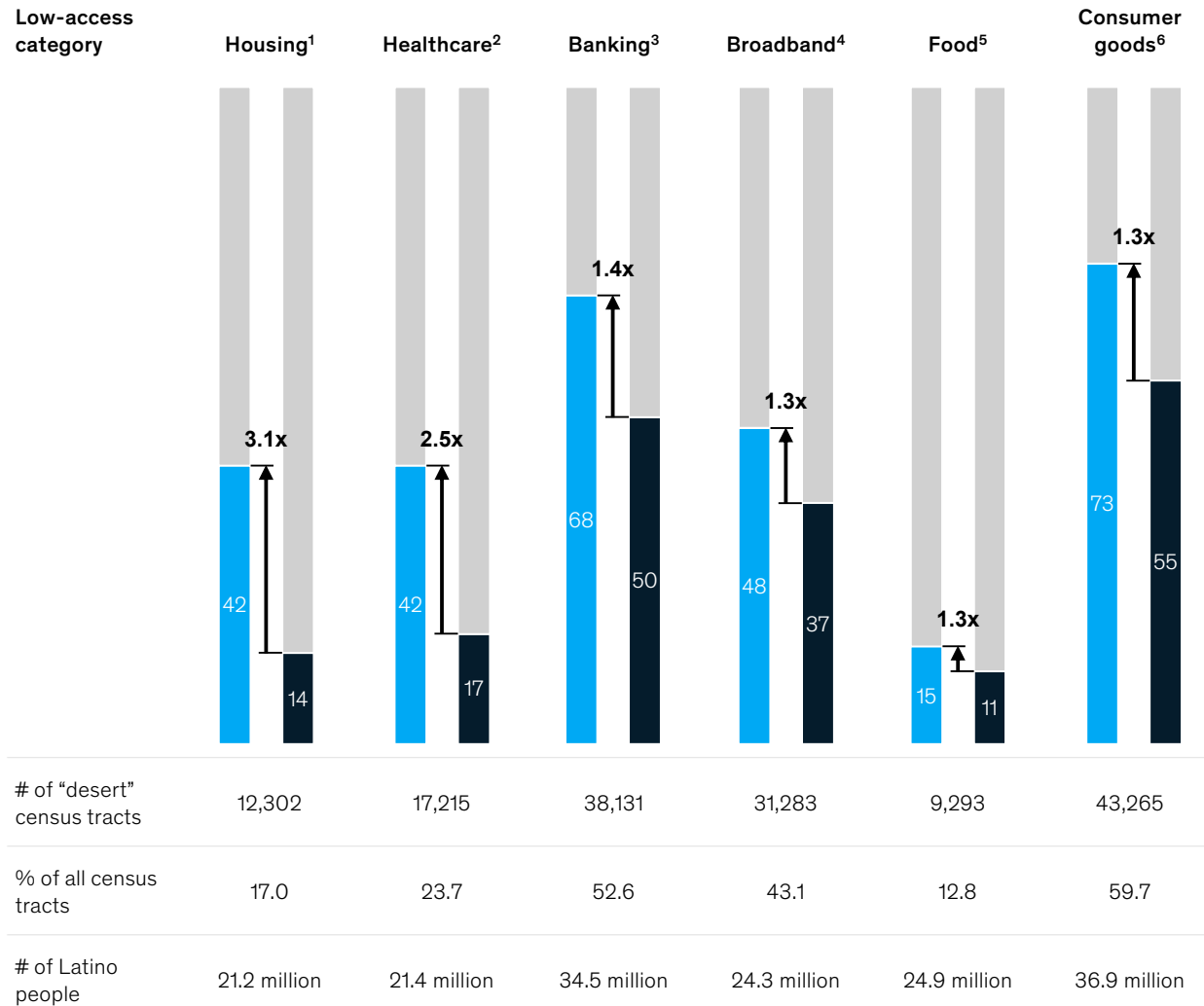
⁵⁹ Ibid.

⁶⁰ Ibid.

Latinos are more likely to live in a 'consumer desert' for essential products and services.

Share of population that lives in a census tract designated a 'desert,' %

■ Latino ■ White



71% of average Latino household consumption represented in these categories

Note: Figures may not sum because of rounding.

¹ Defined as census tracts that are low income (as defined above) and in a state that has less than the national level of affordable and available units per 100 extremely low-income households, as defined by the National Low Income Housing Coalition (NLIHC).

² Census tracts that are designated a medically underserved area (MUA) or healthcare-provider shortage area (HPSA) by the Health Resources and Services Administration (HRSA). HRSA uses a scoring index that includes provider-population ratios, poverty rates, travel time, etc.

³ Defined as census tracts in states that have an above-average proportion of unbanked individuals, as measured by the Federal Deposit Insurance Corporation (FDIC) (those not served by a bank or similar financial institution).

⁴ Defined as census tracts where there are fewer than 800 high-speed connections per 1,000 households, as measured by the Federal Communications Commission (FCC).

⁵ Census tracts that are designated by USDA as a food desert. USDA defines "food deserts" as census tracts that are both low income and low access. The criteria for identifying a low-income census tract are the same as the definitions used for the New Markets Tax Credit program (NMTC). Low access is defined as being far from a supermarket or grocery store. A census tract is considered low access if at least 500 people or 33% of the population are far away from a supermarket. There are four different distance measures of low access; the measure utilized here is 1 mile in urban areas and 10 miles in rural areas.

⁶ Defined as census tracts in counties with a below-average number of "supercenters" as identified by USDA. "Supercenters" includes warehouse clubs and supercenters (North American Industry Classification System [NAICS] code 452910), retailers that sell a general line of groceries in addition to apparel, furniture, and appliances.

Source: Form 477 Census Tract Data on Internet Access Services, Federal Communications Commission (FCC), October 13, 2020, [fcc.gov](https://www.fcc.gov); Health Resources and Services Administration (HRSA) Health Professional Shortage Areas (HPSA) and Medically Underserved Areas/Populations (MUA/P); *How America banks: Household Use of Banking and Financial Services*, Federal Deposit Insurance Corporation (FDIC), 2019, [fdic.gov](https://www.fdic.gov); National Low Income Housing Coalition (NLIHC); USDA Food Access Research Atlas; USDA Food Environment Atlas

Housing

The US Department of Housing and Urban Development defines households as cost burdened when more than 30 percent of their gross income goes toward housing—a tipping point that begins to squeeze their ability to spend on other categories.⁶¹ In 2019, around 21.2 million Latino residents—or 42 percent of all Latinos in the United States—lived in housing deserts, with 89 percent of that total in just five states: California, Texas, Florida, New York, and New Jersey (Exhibit 22). And these areas aren't in the middle of nowhere: they're urban neighborhoods with relatively high density but also high poverty. In fact, 32 percent of Latinos live in census tracts with poverty rates above 20 percent, compared with just 12 percent of non-Latino White people.⁶² Latino households are more than ten times more likely than White households to live in crowded conditions, with more than one person per room.⁶³ And Latino households are consistently more likely to have fallen behind on housing payments than White households across income levels.⁶⁴

Healthcare

Latinos are 2.5 times more likely than White Americans to live in a neighborhood with limited healthcare services, defined as areas that are either medically underserved or having too few providers relative to the population.⁶⁵ In 2019, this designation applied to around 21.4 million Latino residents, with 75 percent of those concentrated in California, Texas, Florida, New York, and Arizona. The majority of healthcare deserts in these five states are in urban areas (Exhibit 23), and Latinos are more than three times more likely to be uninsured than non-Latino Whites.⁶⁶

Banking

Banking deserts are defined as census tracts in states that have an above average proportion of unbanked individuals, as measured by the Federal Deposit Insurance Corporation.⁶⁷ In 2019, this applied to around 34.5 million Latino residents, with 87 percent of that total in California, Texas, New York, Illinois, and New Mexico. Latino households are 1.4 times more likely than White households to live in a community with this type of access issue,⁶⁸ which feeds into Federal Deposit Insurance Corporation data showing 14 percent of Latino households are underbanked or unbanked, compared with just 3 percent of White households.⁶⁹ However, banking deserts are not the only reason Latinos are underbanked and unbanked. Our survey identifies high account fees, a lack of trust, and issues with identification and credit as major impediments to greater adoption.

⁶¹ "Rental burdens: Rethinking affordability measures," *PD&R Edge*, US Department of Housing and Urban Development, September 22, 2014, huduser.gov.

⁶² *The state of the nation's housing 2020*, Joint Center for Housing Studies of Harvard University, 2020, jchs.harvard.edu.

⁶³ *Ibid.*

⁶⁴ *Ibid.*

⁶⁵ "Food Access Research Atlas," 2019; "Shortage Areas," accessed July 2021; National Low Income Housing Coalition; *How America banks*, October 2020; "Form 477 Census Tract Data on Internet Access Services," October 13, 2020; "Food Environment Atlas," accessed July 2021.

⁶⁶ American Community Survey (ACS) one-year estimates, detailed tables, 2013–19, US Census Bureau.

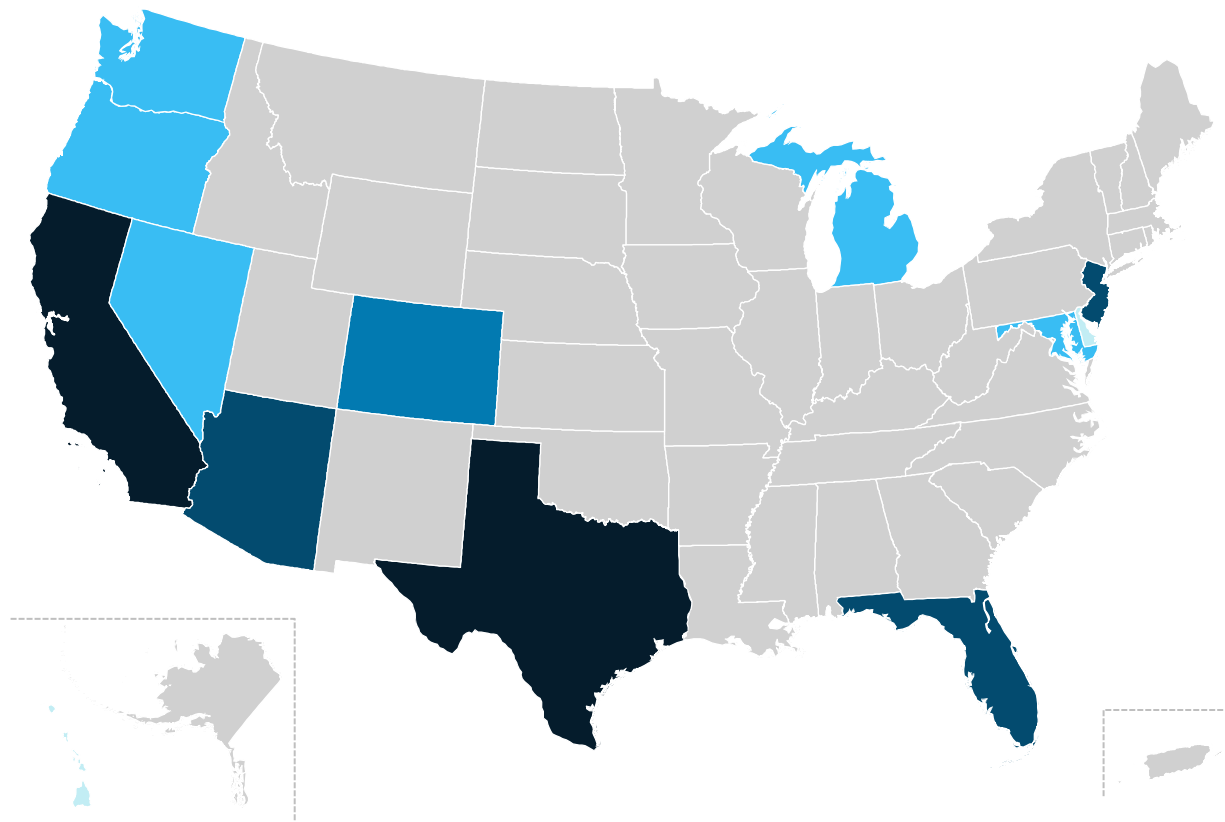
⁶⁷ *Liberty Street Economics*, "Banking deserts, branch closings, and soft information," blog entry by Donald P. Morgan, Maxim L. Pinkovsky, and Bryan Yang, New York Federal Reserve, March 7, 2016, libertystreeteconomics.newyorkfed.org.

⁶⁸ "Food Access Research Atlas," 2019; "Shortage Areas," accessed July 2021; National Low Income Housing Coalition; *How America banks*, October 2020; "Form 477 Census Tract Data on Internet Access Services," October 13, 2020; "Food Environment Atlas," accessed July 2021.

⁶⁹ *How America banks*, October 2020.

Just five states account for almost 90 percent of Latinos living in housing deserts.

Latino population living in a census tract designated a housing 'desert' by state¹



Latino individuals residing in housing deserts

>5,000,000
 1,000,000–5,000,000
 500,000–1,000,000
 100,000–500,000
 0–100,000
 N/A

In 2019
21.2 million

Latino people lived
in a housing desert

Equivalent to
~42%

of all Latinos

Concentrated in
5 states,

which account for over ~89%
of all Latino people living in
housing deserts (18.9 million;
California, Texas, Florida,
Arizona, and New Jersey)

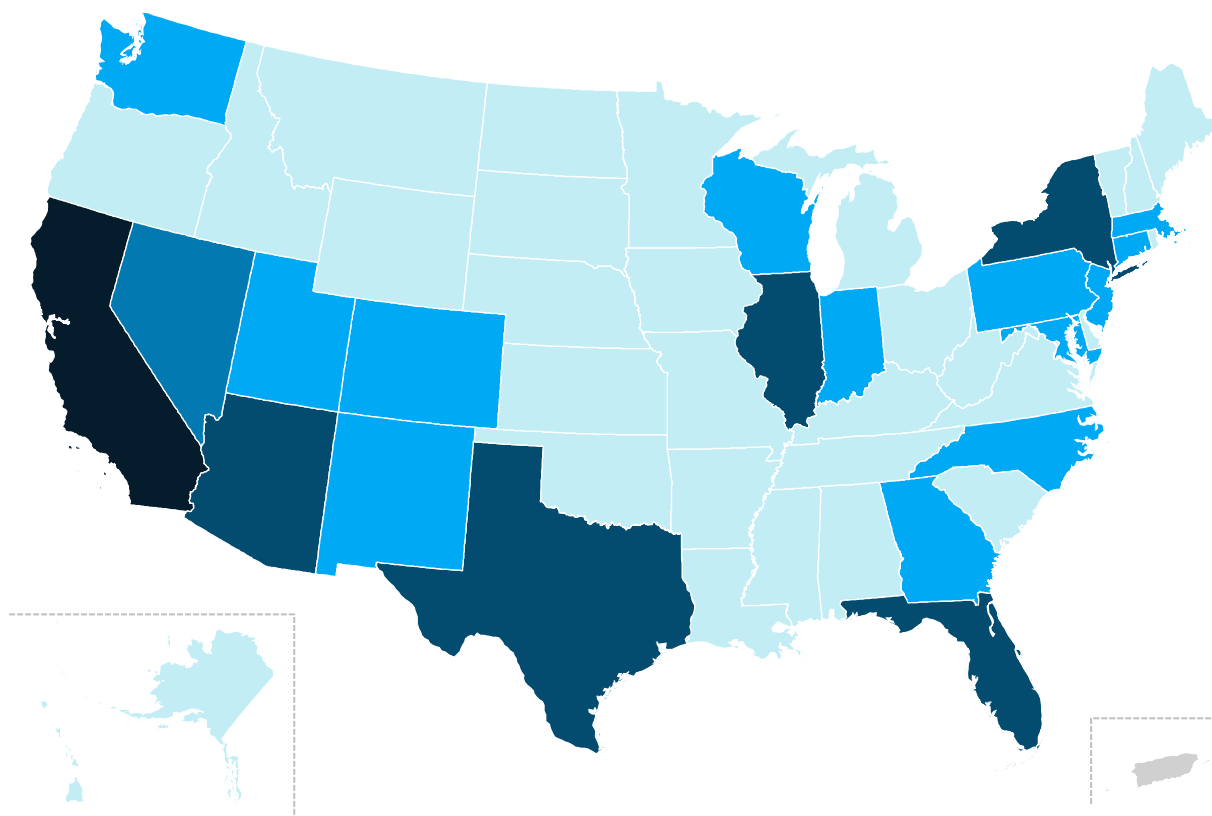
¹ Defined as census tracts that are low income (as defined above) and in a state that has less than the national level of affordable and available units per 100 extremely low-income households, as defined by the National Low Income Housing Coalition (NLIHC).

Source: American Community Survey (ACS) five-year estimates, US Census Bureau, 2009–2019, retrieved via Integrated Public Use Microdata Series (IPUMS) USA

Exhibit 23

Around 75 percent of Latinos live in urban healthcare deserts.

Latino population living in a census tract designated an urban healthcare 'desert' by state¹



Latino individuals residing in healthcare deserts



In 2019
20.1 million

Latino people lived
in a urban healthcare desert

Equivalent to
~40%

of all Latinos

Concentrated in
5 states,

which account for over ~75%
of urban Latino residents
living in urban healthcare
deserts (15.0 million;
California, Texas, Florida,
New York, and Arizona)

¹ Census tracts that are designated a medically underserved area (MUA) or healthcare-provider shortage area (HPSA) by the Health Resources & Services Administration (HRSA). HRSA uses a scoring index that includes provider-population ratios, poverty rates, and travel time.

Source: Health Resources and Services Administration (HRSA) Health Professional Shortage Areas (HPSA) and Medically Underserved Areas/Populations (MUA/P)

Satisfaction: Latinos are dissatisfied and want products and services that meet their needs

Based on a survey conducted for this research, Latinos are, on average, more dissatisfied with goods and services on offer than non-Latino White people.⁷⁰ That's especially true in categories they struggle to access, such as banking and financial services, food, housing, and healthcare (Exhibit 24).

Yet the reasons for dissatisfaction go beyond the inability to access what's desired. Across four categories with the highest levels of dissatisfaction, about a third of Latinos express dissatisfaction with the buying experience (Exhibit 25), while other issues such as value for money and quality are also prominent reasons for dissatisfaction⁷¹.

Just as the location, nature, and income of Latino workers vary by country of origin, there are variations within Latino subgroups when it comes to satisfaction.⁷² On average, Latinos of Mexican origin are the most satisfied, with an overall dissatisfaction rate of 10 percent. The varying levels of dissatisfaction persist within products and services: for example, almost a third of Latinos of Cuban origin are dissatisfied with housing, compared with only 15 percent of those of Mexican origin. In addition, second-generation Latinos are significantly more likely to express dissatisfaction than those in the first generation.⁷³

Paying more for better offerings

Consumer spending could be around \$500 billion higher if Latinos' expenditures matched their share of the US population. In addition, our research shows Latinos are willing to pay an average of 18 percent more—or 1.18 times the existing level of unsatisfied demand⁷⁴—for products and services that better meet their needs (Exhibit 25).

Prioritizing Latino consumers: A win-win

Latino consumers already spend a total of about \$870 billion annually on goods and services in the US, and represent one of the fastest growing consumer segments. Yet that number could be \$660 billion higher simply in an income parity scenario and their needs were better served. We outline three broad categories of interventions that could help Latino consumers close gaps that fundamentally represent an opportunity cost to the US economy.

Increase Latino spending power

The more people earn, the more they spend. We've already detailed how Latinos make just 66 cents for every dollar earned by non-Latino White workers, a gap that means Latinos are collectively underpaid by \$288 billion annually (for more, see chapter 2, "Latino workers: Pursuing the American dream"). Improving outcomes for Latino workers and business owners not only makes the economy more equitable and provides greater financial stability, but could drive higher spending.

⁷⁰ McKinsey analysis.

⁷¹ Ibid.

⁷² Ibid.

⁷³ Ibid.

⁷⁴ Ibid. This unsatisfied demand is a clear opportunity for individual providers of these goods and services, but some consumers would likely shift spend between companies or spend categories, so the total potential aggregate increase in consumer spending is lower than 18%.

Exhibit 24

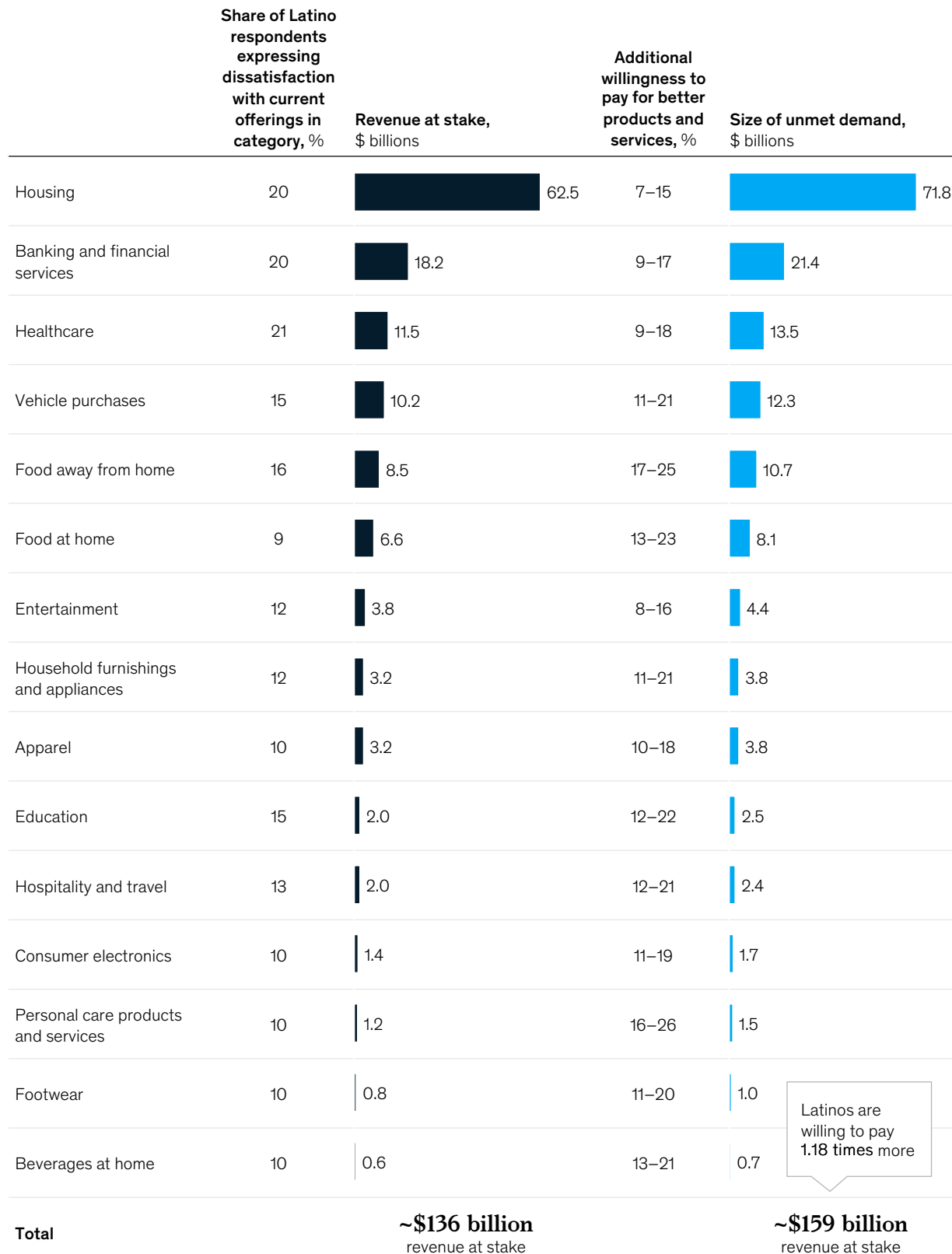
Latinos are more dissatisfied with product and service offerings than White Americans are.

Product or service	Dissatisfaction, %			Multiplier difference (White vs Latino)
	Latino	Non-Latino	White	
■ Highest dissatisfaction %				
Food at home (eg, groceries and snacks)	9	5	2	4.3x
Food away from home (eg, meals at restaurant, take out, and delivery)	16	7	3	5.4x
Beverages at home (eg, soda, coffee at home, and bottled water)	10	6	5	2.0x
Personal-care products and services (eg, shampoo, deodorant, and barbershops and salons)	10	4	3	3.3x
Household furnishing and appliances (eg, bedding, furniture, dishwashers)	12	8	5	2.4x
Consumer electronics (eg, smartphones, laptops, and TVs)	10	4	4	2.5x
Apparel	10	6	4	2.6x
Footwear	10	6	6	1.6x
Entertainment (eg, streaming service, concerts, and movie tickets)	12	8	6	2.0x
Hospitality and travel (eg, hotel/resort/rental stays, plane tickets, adventures, and tours)	13	8	6	2.2x
Banking and financial services (eg, checking-account fees, home-insurance premiums, and personal-loan interest)	20	19	3	6.8x
Vehicle purchases (eg, cars, trucks, and boats, including leasing)	15	7	7	2.1x
Housing (eg, mortgage, rent, utilities, and repairs)	20	13	4	5.1x
Healthcare (eg, insurance, medical services, and drugs)	21	13	4	5.2x
Education (eg, school supplies and tuition)	15	11	8	1.9x

Source: McKinsey Consumer Survey, August 2021 (n = 4,000); McKinsey Global Institute and McKinsey Institute for Latino Economic Mobility analysis

Exhibit 25

Latino consumers are willing to pay more for better product and service offerings.



Note: Figures may not sum because of rounding.

Source: McKinsey Consumer Survey, August 2021 (n = 4,000); McKinsey Global Institute and McKinsey Institute for Latino Economic Mobility analysis

Provide greater access to goods and services

Earlier in this chapter we outlined how consumer deserts disproportionately affect Latino consumers. Many organizations are contributing to find solutions. Finhabits, for example, is a bilingual digital platform designed to make savings and investment accessible for Latinos and to encourage investing and long-term financial planning. Capital Plus Financial focuses on homeownership in underserved markets, originating first-line residential mortgages in low- to moderate-income communities across Texas. And the asset-management firm Mercer launched a mobile telehealth initiative to offer services through native Spanish-speaking providers.

Increase Latino satisfaction with goods and services

While Latinos already make up one of the largest and fastest-growing consumer markets in the United States, they express high rates of dissatisfaction and a willingness to pay even more for better goods and services. Aligning offerings and experiences to better meet their needs and preferences could help close the gap.

Goods and services can be better tailored to appeal to Latinos and subsegments of the population, considering all aspects of the customer experience. Consider McDonald's, which created a Spanish-language website with customized content and messaging to support Latino communities in areas of food, education, music, and sports. Or Procter & Gamble, which introduced laundry detergent in multiple scents to appeal to Latinos, who tend to like heavily scented products, while also increasing its use of Latino spokespeople. And Walmart has entered into a three-year partnership with Univision Communications to develop customized local advertisements for Latino communities.

Increasing Latino representation in key decision-making positions is likely to result in more focus on serving Latino consumers. Latinos are underrepresented in key occupations that shape decisions about which consumers to target (roles such as sales, marketing, advertising, and promotions managers), jobs that influence design, and positions that drive product development. In addition, as detailed in chapter 2, "Latino workers: Pursuing the American dream," Latinos account for 17.3 percent of the US labor force—but they represent less than 2.0 percent of Fortune 500 CEOs and less than 1.0 percent of Fortune 100 CEOs, and hold just 3.8 percent of Fortune 500 board seats. Among all US companies, Latinos hold about 6 percent of CEO positions, compared with 83 percent for White workers, and are 3.9 times less likely to hold a C-suite position than their White counterparts. It's a problem that starts early and gets worse: proportionally fewer Latinos, male and female, secure entry-level positions, and the percentage of Latinos falls the more senior the role.



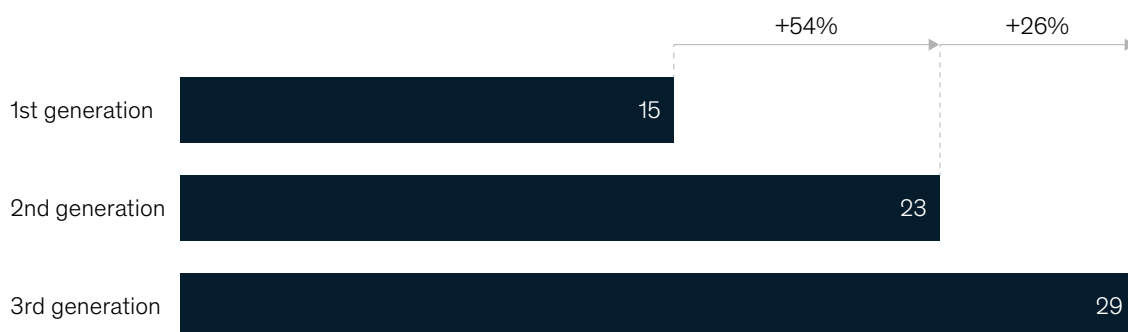
5. Latino savers and investors: Confronting the wealth gap

At its heart, the American dream is simple. It's the belief that anyone, no matter where they're born or what their circumstances are, can achieve their own version of prosperity and success. For many, the accumulation of wealth and the security it provides are central to that dream, as well as the desire for each generation to be better off than the one before. On that measure, Latinos are on the journey to achieving the dream: Latino wealth has grown by an average of around 7 percent annually for the past 20 years, more than twice the rate of non-Latino White wealth.⁷⁵ Wealth is also increasing by generation, especially from the first generation to the second (Exhibit 26). In fact, children of foreign-born Latino immigrants experience higher economic mobility than their US-born peers.⁷⁶

Exhibit 26

Our survey results suggest that Latino wealth grows from one generation to the next, with the biggest increase from the first to the second generation.

Median value of net worth for individual Latinos in the United States, by generation, \$ thousands



¹Sum of bank accounts inside or outside the United States; retirement accounts; certificates of deposits and bonds; investments in stocks, mutual funds, and exchange-traded funds (ETFs); life insurance; homes inside or outside the United States; vehicles inside or outside the United States; and inheritance.

²Sum of personal loans, student loans, mortgages, auto loans, credit card debt, payday loans, and other loans.

Source: McKinsey Consumer Survey, August 2021 (n = 4,000); McKinsey Global Institute and McKinsey Institute for Latino Economic Mobility analysis

36,000

Median wealth of Latino households, compared with \$188,000 for White households

Yet while Latino wealth is on an upward trajectory, it's far from equal with that of non-Latino Whites. The current median wealth of Latino households is about \$36,000, just one-fifth of the median \$188,000 of their White peers.⁷⁷ Latino families are also significantly more likely to have a zero or negative net worth: 34 percent of Latino families are worth less than \$10,000 (compared with 16 percent of non-Latino White families), while only around 3 percent of Latino families are worth more than \$1 million, compared with 16 percent of White households.⁷⁸

⁷⁵ 2019 Survey of Consumer Finances, Federal Reserve, 2020, federalreserve.gov.

⁷⁶ Ibid.

⁷⁷ Ibid.

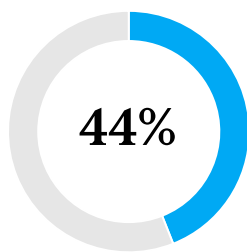
⁷⁸ Ibid.

The problem is while Latinos have higher rates of intergenerational mobility, they start from a much smaller base: our analysis finds the annual flow of net wealth for Latinos is about \$380 billion lower than in a per capita parity scenario with their White peers (Exhibit 27). Yet that also represents an opportunity. Closing the gap in annual wealth accumulation by addressing the barriers constraining Latinos from saving and investing could boost median Latino household wealth by \$24,000.

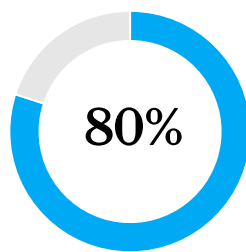
Exhibit 27

While Latinos have higher rates of intergenerational mobility, the flow of wealth is well below its potential.

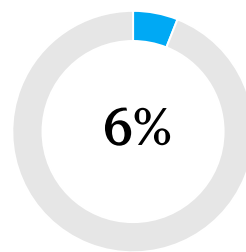
~\$380 billion
Annual wealth flow gap



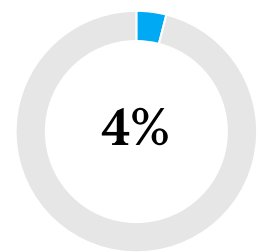
of Latino families have a net worth below \$20,000 (vs 20% of non-Latino White families)



of the gap in annual flows is driven by inheritance and participation in stocks



of Latino families receive an inheritance (vs 24% of non-Latino White families)



of Latino families have direct holdings of stocks (vs 19% of non-Latino White families)

Source: McKinsey Global Institute analysis

A universal wealth gap

The wealth gap between Latinos and non-Latino Whites exists at all levels, but is greatest in the lowest wealth percentiles. That's because more than a third of Latino families have a net worth below \$10,000 (10 percent of Latino families have negative net worth, with liabilities exceeding assets), and 67 percent of Latino families have a net worth below \$100,000—barely half the average wealth of White families (Exhibit 28).

Wealth is also distributed unevenly within the Latino population. Our survey found the median wealth of Latinos of Mexican origin—the largest Latino subgroup in the United States—is \$5,000 per individual, compared with \$13,000 for Latinos of Cuban origin and \$15,000 for Latinos of Puerto Rican origin. Latinos of Mexican origin also had significantly fewer assets than other subgroups, and around 55 percent had total wealth below \$10,000 (compared with around 44 percent of Latinos of Cuban origin and 46 percent of Latinos of Puerto Rican origin).⁷⁹

32%

of Latinos send money to family overseas

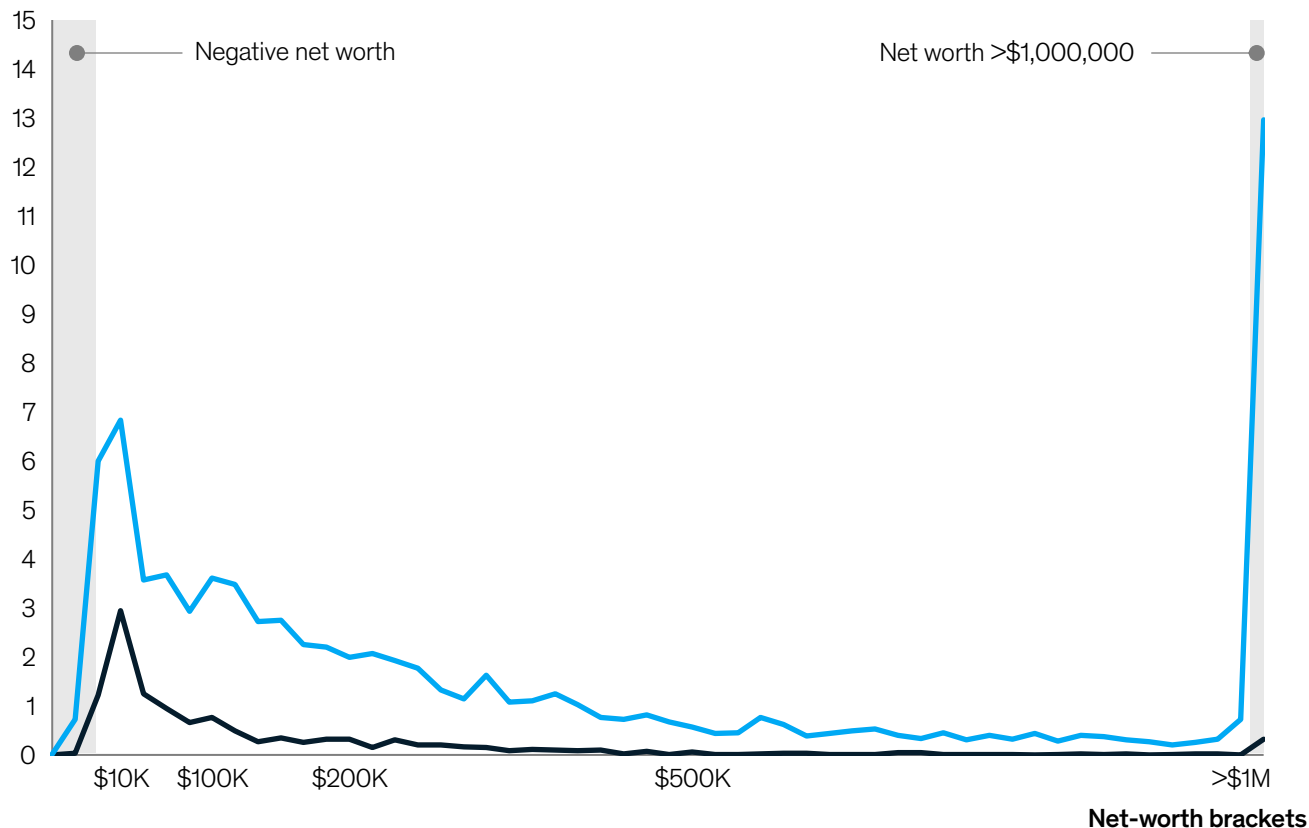
⁷⁹ McKinsey analysis.

More than a third of Latino families have a net worth of less than \$10,000.

Number of families within net-worth brackets,
Latino vs non-Latino White (2019)

— Number of Latino families
— Number of non-Latino White families

Number of families, millions



	Negative net worth	\$0–\$10,000 net worth	\$20,000–\$100,000 net worth	>\$1,000,000 net worth
Latino families	10%	24%	33%	3%
Non-Latino White families	8%	8%	20%	16%

Source: Survey of Consumer Finances (SCF), Federal Reserve Board, 2019, [federalreserve.gov](https://www.federalreserve.gov)

This chapter explores the wealth of Latino individuals and households in the United States. We examine what's driving the disparity between Latino and non-Latino White wealth, from intergenerational transfers to lower rates of saving and reduced participation in retirement programs. Finally, we look at what could be done to improve outcomes and begin to close the annual gap in net wealth transfers. As with all chapters in this report, we don't claim change will be quick or easy. But we know there's an opportunity to make changes that will meaningfully boost Latino wealth—now and for future generations.

The three drivers of the Latino wealth gap

Wealth accumulates—or dissipates—over time, from generation to generation. Wealth is lowest for foreign-born Latinos, who have an individual median net worth of \$15,000. It jumps by 54 percent to \$23,000 for the second generation, and rises another 26 percent to \$29,000 for the third generation.⁸⁰ Yet around 45 percent of first- and second-generation Latinos still have median individual wealth of less than \$10,000.⁸¹

It's the lack of accumulated wealth that primarily drives the \$380 billion gap in the annual flow of net wealth compared with White peers. Two-thirds of that gap—some \$255 billion—is attributable to intergenerational transfers, such as inheritances. The balance of the gap is split almost evenly between lower rates of saving and lower participation and allocation in retirement programs, stock and mutual funds, and the like (Exhibit 29). Closing this gap in annual wealth accumulation could boost Latino household wealth by \$24,000—the equivalent of a 66 percent increase in median wealth.⁸²

⁸⁰ Ibid.

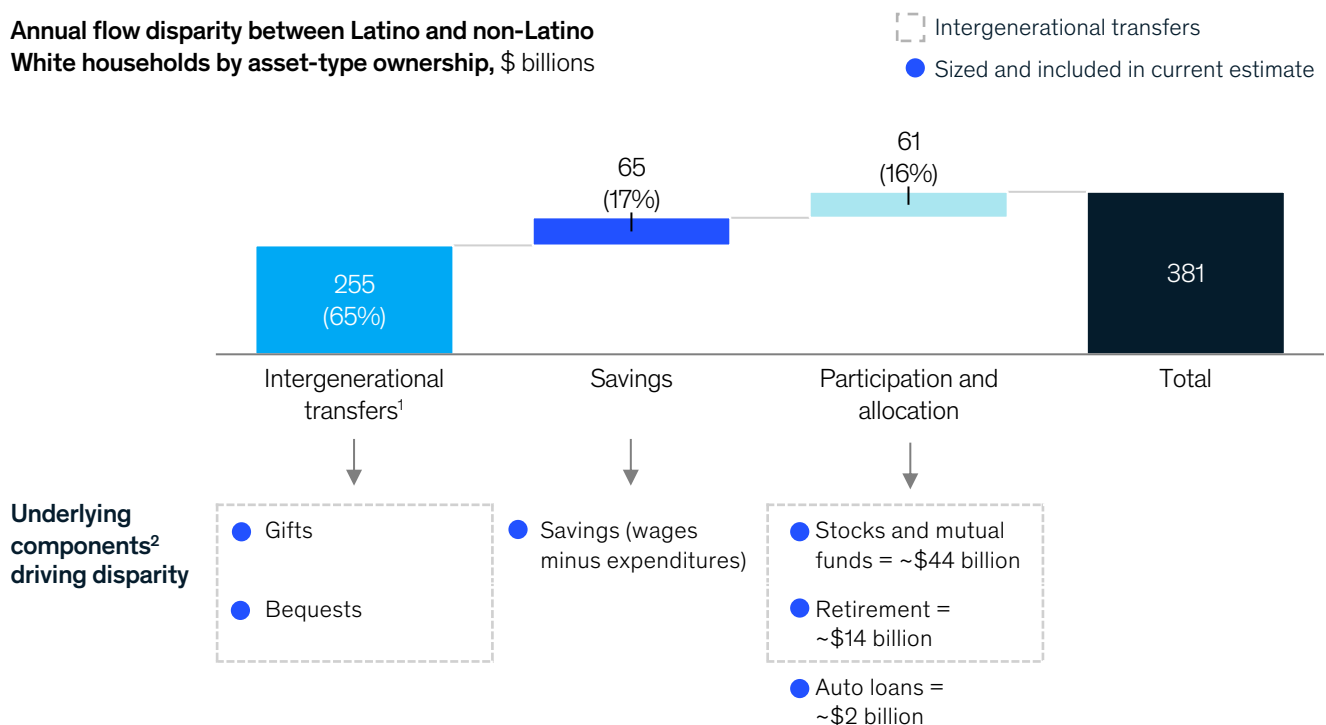
⁸¹ Ibid.

⁸² 2019 Survey of Consumer Finances; Hamilton/Brookings Institution; McKinsey analysis.

Exhibit 29

More than 60 percent of the wealth gap stems from low numbers of intergenerational transfers.

Annual flow disparity between Latino and non-Latino White households by asset-type ownership, \$ billions



¹ Based on median value of inheritance.

² Does not include: transfers, bonds, check and savings, emergency savings, homeownership, fees, consumer credit, student loans, and mortgages.

Source: Survey of Consumer Finances (SCF), Federal Reserve Board, federalreserve.gov; Hamilton Project, Brookings Institution; McKinsey analysis

Behind the shortfall in intergenerational transfers

The supporting facts behind the \$255 billion gap in Latino intergenerational transfers are simple: Latinos are four times less likely to receive an inheritance than non-Latino Whites, and when they do, it's more than three times smaller.⁸³ The headline reasons for these facts are also simple: immigrant Latinos generally arrive with limited wealth; Latinos earn less, for all the reasons we've detailed, and the cumulative effects on family wealth compounds over generations.

Yet there are other additional factors driving the gap in intergenerational transfers. While 63 percent of non-Latino Whites have a will or living trust, just 15 percent of Latinos do.⁸⁴ The reason? A growing number of Latinos cite a lack of knowledge and resources for not undertaking estate planning.⁸⁵ The underrepresentation of Latinos in financial advising—just 2.2 percent of certified financial planners are Latino—may contribute to that.⁸⁶

In addition, many Latino immigrants have limited access to the banking system. Until recently, Latinos who don't use Social Security numbers have been excluded from the banking system, and a lack of proper documentation remains an obstacle for many. In fact, 14 percent of Latinos don't have a bank account. Higher rates of consumption and the need to pay down debt also mean inheritances are less likely to be saved or reinvested. In short, because the gap in asset value between Latino and non-White Latino households is larger than the wealth gap, Latino households accumulate less wealth over their lifetimes.⁸⁷

Saving and consumption patterns

About 17 percent—or \$65 billion—of the \$380 billion gap in the annual flow into net wealth between Latino and White households is attributable to savings. When we compared average annual pre-tax income and consumption, we found White households had “income not consumed” averaging \$9,600 annually, compared with \$5,500 for Latino households.⁸⁸ That's because Latino incomes are lower and, as a result, households spend proportionally more of their income on essentials such as housing, transportation, and food, and less on retirement and healthcare (Exhibit 30).⁸⁹

Two additional significant differences between Latino and White households relate to the financial role of family. First, Latinos are more likely to support family members in the US when they have disposable income—44 percent report using extra money to help a family member—and Latino millennials are significantly more likely than their non-Latino counterparts to provide financial support to family (72 percent versus 53 percent).⁹⁰ In fact, 17 percent of Latino millennials have been providing financial support to family since they were old enough to have a job, compared with 8 percent of non-Latino millennials.⁹¹

⁸³ Ibid.

⁸⁴ Shinae L. Choi et al., “Estate planning among older Americans: The moderating role of race and ethnicity,” *Financial Planning Review*, 2019, Volume 2, Number 3-4, onlinelibrary.wiley.com.

⁸⁵ 2020 Estate Planning and Wills Study, Caring, 2020, caring.com; *The Lawyer Marketing Blog*, “Getting to the Bottom of Latino Clients’ Unique Legal Needs,” blog entry by FindLaw, June 22, 2021, lawyermarketing.com; Ingrid Cruz, “10 Latina Influencers to Follow Now,” MoneyGeek, June 23, 2021, moneygeek.com.

⁸⁶ Ross Snel, “Diversity increased among CFPs in 2020. There's still room for progress.,” *Barron's*, January 12, 2021, barrons.com.

⁸⁷ 2019 Survey of Consumer Finances.

⁸⁸ 2019 Consumer Expenditures Surveys, US Bureau of Labor Statistics, 2020, bls.gov; Bank of America, “Disparities in Minority Retirement Savings Behavior.”

⁸⁹ 2019 Consumer Expenditures Surveys.

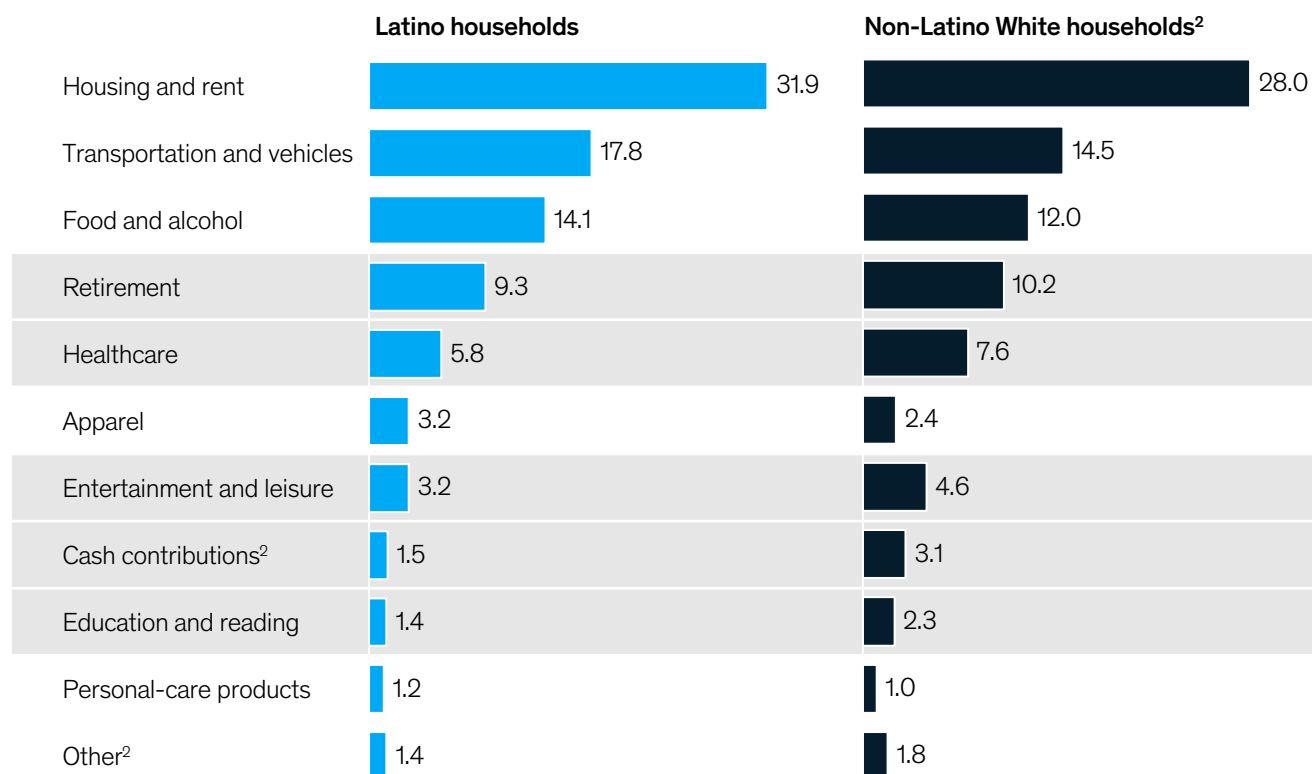
⁹⁰ 2020 *State of Hispanic wealth report*, Hispanic Wealth Project, 2020, hispanicwealthproject.org; *Hispanic millennials’ financial experiences, challenges & the path forward*, Bank of America, 2021.

⁹¹ Ibid.

Latinos proportionally spend more on basics and less on retirement and healthcare.

Spending across categories as % of household income,¹ 2019

Categories in which non-Latino White households spend less than Latino households²



¹ Post taxes.

² And all others, excluding Black families.

³ Cash contributions includes financial support for children, alimony payments, and charitable donations. Other includes tobacco and smoking products and uncategorized components beneath the US Bureau of Labor Statistics "miscellaneous" taxonomy.

Source: Consumer Expenditure Survey, US Bureau of Labor Statistics, 2019, census.gov

Second, Latinos' savings are constrained by the desire to provide financial support to family abroad. Our survey found 32 percent of Latinos send remittances outside the United States,⁹² with more than two-thirds of those sending up to 30 percent of their income abroad: 23 percent send 0–10 percent, 29 percent send 10–20 percent, and 17 percent send 20–30 percent.⁹³ These remittances deplete savings to the tune of an estimated \$50 billion to \$60 billion annually—and Latinos account for a third of all remittances sent from the United States to other countries (Exhibit 31).⁹⁴ Latinos' household wealth could be about \$18,000 higher if they instead invested 40 percent of the average annual remittance value over ten years.⁹⁵

⁹² McKinsey Consumer Survey, August 2021 (n = 4,000); McKinsey Global Institute and McKinsey Institute for Black Economic Mobility analysis.

⁹³ Ibid.

⁹⁴ Luis Noe-Bustamante, "Amid COVID-19, remittances to some Latin American nations fell sharply in April, then rebounded," Pew Research Center, August 31, 2020, [pewresearch.org](https://www.pewresearch.org).

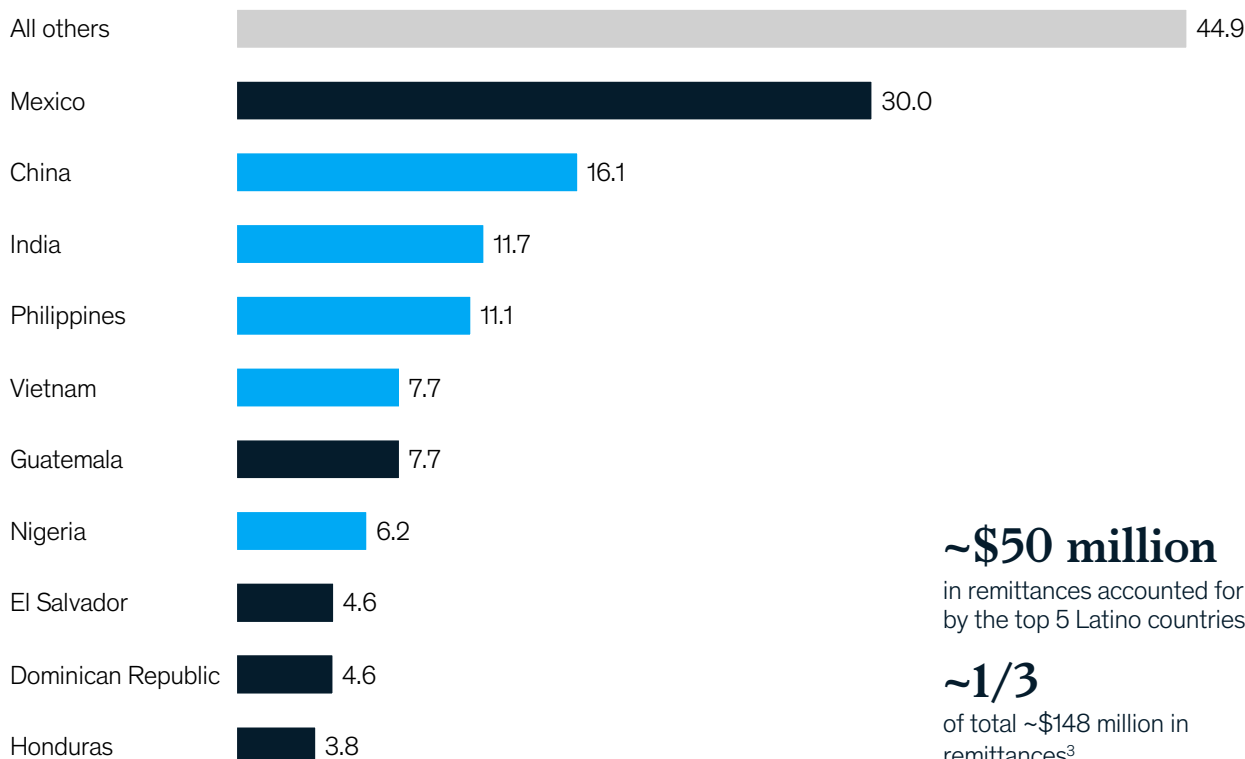
⁹⁵ McKinsey Consumer Survey, August 2021 (n = 4,000); McKinsey Global Institute and McKinsey Institute for Black Economic Mobility analysis.

Sending money to family members overseas depletes savings for Latinos.



All 2017 remittances sent from United States to other countries,³ \$ millions

 Non-Latino country  Latino country



~\$50 million

in remittances accounted for by the top 5 Latino countries³

~1/3

of total ~\$148 million in remittances³

¹ Latino respondents in McKinsey's consumer survey numbered ~15.9 million households. ~32 percent of Latinos send remittances. The average of the median of the upper and lower bounds of remittances was ~\$10,000.

² ~\$50 billion in remittances averaged over ~15.9 million Latino households.

³ Obtained from Pew Research Center data on remittance flows by country, 2017.

Source: Pew Research Center; McKinsey Consumer Survey, August 2021 (n = 4,000); McKinsey Global Institute and McKinsey Institute for Latino Economic Mobility analysis

Latinos hold fewer assets, of lower value

Latino families are less likely to hold assets than non-Latino White households—and when they do, the median value of those assets is lower.⁹⁶ For instance, while nearly all Latino families have transaction accounts, the median value of those accounts is about 75 percent lower than for White families.⁹⁷ Latinos are also less likely to participate in retirement programs, and the gap in retirement savings is widening over time—today it stands at around \$14 billion, and Latino millennials are more than twice as likely than their White counterparts to contribute little or nothing to retirement accounts.⁹⁸

The same holds true for other asset classes. Latino families are less likely than their White peers to hold life insurance policies, and when they do, the value is about 20 percent lower.⁹⁹ Latino household participation in stock investments and mutual funds lags behind non-Latino Whites and the general population,¹⁰⁰ resulting in a gap of about \$44 billion in the annual flow of net wealth (based on annual returns of about 10 percent over the same period). Latinos are about four times less likely than non-Latino Whites to directly hold stocks, and 12 times less likely to directly hold some type of pooled investment fund, such as mutual funds.¹⁰¹ Our research suggests this may be because Latinos feel they don't have enough money to invest or a lack of consideration.¹⁰²

The largest proportion of Latino wealth is in housing assets. Yet Latinos are less likely to own a primary residence than non-Latino Whites, and when they do, its value is about 26 percent lower.¹⁰³ The overall rate of homeownership among the Hispanic population is 53 percent, with Latinos of Cuban origin the most likely to own a home (58 percent).¹⁰⁴ One asset class in which Latinos have a high level of ownership is cars: 94 percent of Latinos of Mexican origin, for example, own a vehicle.¹⁰⁵

Finally, the COVID-19 pandemic has exacerbated the wealth gap and reinforced the need to address it. The pandemic made it even more difficult for Latinos to save: 46 percent had to tap into existing savings, compared with 42 percent of Whites, and almost half of Latinos drawing on savings during the pandemic tapped into at least 50 percent or more of their savings, compared with 34 percent for non-Latino Whites.¹⁰⁶

⁹⁶ 2019 Survey of Consumer Finances, Federal Reserve, 2020, [federalreserve.gov](https://www.federalreserve.gov).

⁹⁷ 2019 Consumer Expenditures Surveys; "Disparities in Minority Retirement Savings Behavior."

⁹⁸ Ibid.

⁹⁹ 2019 Survey of Consumer Finances.

¹⁰⁰ Ibid; "Disparities in Minority Retirement Savings Behavior."

¹⁰¹ Ibid.

¹⁰² McKinsey Consumer Survey, August 2021 (n = 4,000); McKinsey Global Institute and McKinsey Institute for Latino Economic Mobility analysis.

¹⁰³ Survey of Consumer Finances, 1989 – 2019, Federal Reserve, accessed July 2021, [federalreserve.gov](https://www.federalreserve.gov).

¹⁰⁴ American Community Survey (ACS) five-year estimates, US Census Bureau, 2019, accessed July 2021, usa.ipeds.org.

¹⁰⁵ Ibid.

¹⁰⁶ 2020 State of Hispanic wealth report, Hispanic Wealth Project, 2020, hispanicwealthproject.org.

Beginning to close the gap: Potential interventions to help boost Latino wealth

In addition to the actions we've described to increase household incomes, a fundamental intervention that could help improve outcomes for Latino savers and investors is accelerating financial inclusion to boost wealth building. While it's primarily dependent on interventions in other areas—such as reducing the wage and representation gaps for Latino workers to provide more disposable income—accelerating inclusion revolves around financial institutions better serving Latino savers, initiatives that employers can take, and supporting Latino savers in their wealth journeys.

Employers can play a role in closing the gap by accelerating financial inclusion to boost wealth-building for Latinos. For example, retirement and other financial benefits could be added to workplans. Efforts could be made to attract high-potential Latino student into financial advisory roles and careers, such as JP Morgan Chase's commitment to hiring more than 300 Black and Latino financial advisors. And banks and other financial-service institutions could adjust their offerings to enhance Latino satisfaction with products and services. The opportunity is there: 22 percent of Latinos have not considered opening a retirement account, 14 percent simply don't know how to open one, and 13 percent don't know what a retirement account is.¹⁰⁷

Supporting Latino people in their wealth journeys can also help accumulate wealth from one generation to another. Neighborhood Trust Federal Credit Union, for instance, offers Latinos and underserved communities estate planning, financial education, credit help, and access to other financial services. Helping young Latino students learn about financing and providing education on credit scores, retirement opportunities, investing strategies, and helpful products may go a long way to closing the gap in awareness that prevents participation in efforts to accumulate long-term wealth.

¹⁰⁷ McKinsey Consumer Survey, August 2021 (n = 4,000); McKinsey Global Institute and McKinsey Institute for Latino Economic Mobility analysis



Appendix A:

Technical notes

Our research used the framework from *The economic state of Black America: What is and what could be*¹⁰⁸ and replicated the report's major analyses across the worker, business owner or entrepreneur, consumer, and saver roles.

Worker-role analyses and methodology

We rely on labor market data from Integrated Public Use Microdata Series (IPUMS) USA, which organizes microdata from the US Census Bureau. We also incorporate data from the US Bureau of Labor Statistics and other sources as noted throughout. Our labor-market analyses include sizing the gap between the current state and a scenario of greater parity, and examining the pipeline progression for Latinos entering key professions.

Parity sizing

We assess the current state for Latino workers using an IPUMS USA five-year data set (2015–19) based on the US Census Bureau's American Community Survey (ACS). The five-year data set combines single-year files to allow for sufficient sample size; it is nationally representative via weighting each data point in the sample. We use this data to analyze the representation of Latino workers across 529 ACS-defined occupational categories as well as differences in the median wages paid to Latino and non-Latino White workers within each occupational category.

We weigh the current state against scenarios of parity in both representation and pay. We then analyze the gap associated with each of these drivers; when combined, they form a \$416 billion aggregate disparity in annual wages.

With regard to representation, the parity scenario is one in which Latino worker representation in each occupational category matches the Latino share of the US labor force (17.3 percent). This involves both reducing their concentration in low-wage roles in which their representation currently exceeds 17.3 percent and increasing their representation in higher-paying occupations.

With regard to wages within individual occupational categories, we consider parity scenarios in which the current differences in median wages paid to Latino and non-Latino White workers within specific categories are eliminated.

Analyzing pipelines into key professions

We analyze key professions with above-average wages in which Latino worker representation is lower than the share of Latino workers in the labor force (for example, physicians, lawyers, and teachers). These have traditionally been important roles for entering the middle class.

We construct a road map representing the typical formal journey through education, training, and ultimately entering the profession (recognizing that this view doesn't include some nontraditional ways to enter). At each stage along the way, we use various data sources to capture the share of Latino representation, seeking to identify the points at which drop-offs occur. These data sources include government agencies (the US Census Bureau, the US Department of Education), professional associations (the Association of American

¹⁰⁸ Michael Chui, Vivian Hunt, JP Julien, James Manyika, Bob Sternfels, Shelley Stewart III, Jonathan Woetzel, and Haiyang Zhang, *The economic state of Black America: What is and what could be*, June 17, 2021, McKinsey.com.

Medical Colleges, the American Bar Association), and others. Our identification of potential bottlenecks is based on changes in Latino representation at various points.

While we provide hypotheses for the potential reasons for the bottlenecks, we acknowledge the need for further research to understand why they manifest and how they could be addressed.

Business owner–role analyses and methodology

We rely on business data and research from the US Census Bureau—in particular, its Annual Business Survey (ABS). The ABS program captures select economic and demographic characteristics regarding businesses and business owners. It collects data on all nonfarm employer businesses filing the 941, 944, or 1120 tax forms. Our analyses of ABS data primarily focus on private employer firms (that is, companies that have at least one worker in addition to the owner) that are classifiable by the race and ethnicity of the owner. Sole proprietorships and publicly traded companies are excluded.

Parity sizing and analytics

We weigh the current state against scenarios of parity in both industry representation and per-firm revenue within industries. We then analyze the revenue gap associated with each of these drivers; when combined, they form a \$2.3 trillion annual revenue gap between Latino-owned and non-Latino White-owned businesses.

With regard to industry representation, we measure the current state against a parity scenario in which the share of Latino-owned private employer firms within each industry matches the Latino share of the US population (18.4 percent). This relies on the current number of Latino-owned employer firms in each industry and the total number of firms in that industry, as reported by the Census Bureau's ABS program.

With regard to per-firm revenue, we consider the difference in the per-firm revenue of Latino-owned private employer firms and the revenue of non-Latino White-owned private employer firms within each industry (listed as sales, value of shipments, or revenue). We then consider a scenario in which this gap is closed.

Entrepreneurship data and discussion

We reference both quantitative evidence and qualitative considerations for our entrepreneurship discussion. Our analysis of newly created Latino-owned companies focuses on those that have been operating for fewer than two years, as reported by the Census Bureau's ABS program. The discussion of the industry distribution of newly created Latino-owned firms references both industry growth and each industry's contribution to GDP.

The industry growth rate is calculated as the ten-year forward compound annual growth rate based on value added to the economy. The GDP contribution is calculated as contribution to ten-year incremental GDP between 2019 and a 2028 projection. Both projections are from IHS Markit.

For discussion of entrepreneurial rates and potential barriers, we consult sources including the Kauffman Foundation's 2020 national report on early-stage entrepreneurship, Stanford's 2020 and 2019 reports on the state of Latino entrepreneurship, the Federal Reserve Bank of Atlanta's 2019 report on minority-owned firms, and JPMorgan Chase's 2020 report *Small business owner race, liquidity, and survival*.

Consumer-role analyses and methodology

This research explores multiple aspects of consumer disparities, including spending, access, and the quality of available products and services in terms of meeting the needs and preferences of Latino consumers. Our analyses build on both publicly available sources and

proprietary McKinsey data, research, and tools. Among the public sources consulted are the US Census Bureau's Consumer Expenditure Surveys (which are conducted on behalf of the US Bureau of Labor Statistics), the US Department of Agriculture's Food Environment Atlas data, healthcare access data from the US Department of Health and Human Services, data on access to banking services from the Federal Deposit Insurance Corporation (FDIC), and various other public and private entities.

We also designed and implemented a major consumer survey (conducted August 2021, n = 4,000) to estimate Latino consumer dissatisfaction, current spending subject to shifts, and willingness to pay more for better products and services. This survey also looks at differences among Latino subgroups, including by origin and place of birth.

Spending data and analytics

We assess the level of Latino consumer spending based on the Consumer Expenditure Surveys. Specifically, we calculate the share of US consumer spending by Latino consumers (11.4 percent of aggregate consumer expenditures), with a breakdown by major household-spending categories (including food, apparel, entertainment, housing, transportation, and healthcare). Our analysis is based on \$870 billion in actual 2019 expenditures (with data capturing both current spending and spending financed by debt).

Access data and discussion

Our access discussion considers six types of consumer “deserts” that provide insufficient access to fresh food, affordable housing, banking, broadband, healthcare, or consumer goods.

- *Food access:* We rely on the US Department of Agriculture's definition of food deserts as census tracts that are both low income and low access. The criteria for identifying a low-income census tract are the same as those used for the New Markets Tax Credit program. Low access is defined as being far from a supermarket or grocery store, and a census tract is considered low access if at least 500 people, or one-third of the population, live far away from a supermarket (defined as one mile in urban areas and 10 miles in rural areas).
- *Affordable housing access:* For the national-level analysis, we define low housing access as census tracts that are low income and in states with less than the national level of affordable and available units per 100 extremely low-income households, as defined by the National Low Income Housing Coalition (NLIHC).
- *Banking access:* We use state-level data on the unbanked population published by the FDIC. For the purpose of our analysis, we define a banking desert as a census tract with an above-average proportion of unbanked individuals in the state.
- *Broadband access:* We define broadband deserts as having less than 80 percent coverage, based on Federal Communications Commission (FCC) data showing the number of residential fixed high-speed connections (more than 200 kilobits per second in at least one direction) per 1,000 households in each census tract.¹⁰⁹
- *Healthcare access:* We use data and definitions from the US Department of Health and Human Services, which designates medically underserved areas and healthcare provider shortage areas.
- *Consumer-goods access:* We use US Department of Agriculture (USDA) data that consider consumer-goods deserts as census tracts in counties with a below-average number of “supercenters,” including warehouses clubs and (NAICS code 452910) retailers that sell a general line of groceries in addition to apparel, furniture, and appliances.

¹⁰⁹ “Form 477 Census Tract Data on Internet Access Services,” Economics and Analytics, Federal Communications Commission, updated October 13, 2020, [fcc.gov](https://www.fcc.gov/economics).

Quality and preference data analytics

We designed and executed a large-scale proprietary consumer survey to gauge Latino consumer dissatisfaction, the associated revenue at risk, and Latino consumers' willingness to pay more for better products and services across 15 spending categories. The survey was based on the same methodology used in our report on Black America. We collected data from 4,000 respondents in the United States and constructed a nationally representative sample.

Our assessment of the revenue at risk is based on the level of dissatisfaction across spending categories, as revealed by the survey, and the associated category spending based on the Consumer Expenditure Surveys. To estimate willingness to pay, we implement the Gabor-Granger methodology in our survey. The survey randomizes the starting level of willingness to pay for respondents, then loops the question to establish each respondent's maximum willingness to pay for better products or services.

Saver- and investor-role analyses and methodology

The analyses build on data from the Survey of Consumer Finances (SCF), a triennial cross-sectional survey of US families conducted by the Board of Governors of the Federal Reserve System. The SCF includes information on family balance sheets, income, and demographic characteristics. We also reference research and data published by other research entities, including Bank of America, the Hispanic Wealth Project, and the Pew Research Center.

We also used our proprietary survey (conducted August 2021, N=4,000) to understand the differences in wealth for Latinos based on origin and place of birth.

Parity scenarios and sizing

Our analyses consider disparities in annual wealth flows from three potential sources: intergenerational transfers, savings potential, and asset allocation and financial participation (instruments or debts held).

- With regard to intergenerational transfers, we measure the difference between the current state and a parity scenario in which Latino families have the same likelihood of receiving inheritances and gifts as White families, and the conditional mean value of those transfers equals that of White families. According to the Federal Reserve's Survey of Consumer Finances, Latino families (6 percent) are four times less likely to receive intergenerational transfers than their White peers (23 percent); the conditional mean of intergenerational transfers for Latino families (\$85,698) is one-third that of White families (\$236,495).
- With regard to annual savings potential, we calculate wages minus expenditures (including net changes of assets or liabilities) using expenditure data from the Consumer Expenditure Surveys. This is measured against a parity scenario in which Latino annual household income equals White annual household income.
- Finally, we estimate the gap in financial market participation and return-cost disparities based on a select set of financial instruments (including stocks and mutual funds, retirement accounts, and auto loans). We consider the current state against a scenario of parity that closes the gap in the likelihood of holding specific financial instruments and the median value of those holdings and then assuming a 10.7 percent one-year return (which tracks the nominal performance of the S&P 500 index from January 1989 to December 2020). The parity scenario also assumes that Latino borrowers are not charged

higher interest rates on auto loans. The current state is based on data from the Federal Reserve's Survey of Consumer Finances, which reports both the share of families holding various assets and debt instrument and the median value of those holdings.

Our analyses do not intend to provide a comprehensive assessment of all the disparities that exist in financial markets. They are illustrative examples.

Family-net-wealth analysis

We use data from the Federal Reserve's Survey of Consumer Finances on reported family net worth by race. We then apply the weight variable (WGT) to calculate the corresponding number of households at that net worth level. For the purpose of our analysis, we set net worth brackets at \$10,000 increments (except for the two tails, where we group net worth data below negative \$100,000, and above \$1,000,000, respectively).

Related McKinsey research



The economic state of Black America: What is and what could be (2021)

Closing racial gaps across the economy is not only about righting historic wrongs. It is also about choosing a more dynamic future and realizing the full potential of a massively underutilized source of talent, to the benefit of all Americans.



Race in the workplace: The Black experience in the US private sector (2021)

Advancing racial equity in the workplace is a system-level challenge—ranging from the structural inequities of geography to underrepresentation in industries and jobs that could create additional opportunity to the behaviors of the workplace itself.



The case for inclusive growth (2021)

US leaders across sectors have an opportunity to improve economic performance—and bolster individual and community well-being—through investments that embed equity into the development process.



Unequal America: Ten insights on the state of economic opportunity (2021)

The inaugural McKinsey American Opportunity Survey spotlights Americans' views on economic opportunity, the obstacles they face, and the path ahead to create a more inclusive economy.

The economic state of Latinos in the US: Determined to thrive

November 2022

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Preface

In December 2021, we published our inaugural report on Latino economic mobility, [The economic state of Latinos in America: The American dream deferred](#). It called attention to Latinos in the United States, highlighting their contributions as workers, business owners, consumers, and savers. The findings in this follow-up report, *The economic state of Latinos in the US: Determined to thrive*, provide an updated, multidimensional view of Latino economic life, with particular attention on Latino consumers, who represent a fast-growing segment underserved by existing offerings. Our framework is similar to that of last year's report but anchored by consumers, who fuel economic growth across the US. We have embedded examples of actions companies and nonprofits are already taking to support Latinos in the US, as thought starters and potential sources of inspiration.

Our goal for this report is to shed light on both the barriers and the enablers of economic mobility so that we continue building a stronger, more inclusive economy. Seven out of ten people across the world live in societies with growing inequality, and this is particularly true for Latinos, who have been disproportionately impacted by the COVID-19 pandemic and inflation.¹ As a firm, we are committed to enabling sustainable and inclusive growth. We have invested in over 23,000 Asian, Black, and Latino leaders through our Connected Leaders Academy to date, a program focused on capability-building and driving transformative personal and professional change. Additionally, we have helped launch Ownership Works, a new nonprofit aimed to create \$20 billion of wealth for working families.

The research was led by Ana Paula Calvo, who is a consultant in McKinsey's Miami office, where Carolina Mazuera is an associate partner; Lucy Pérez, who is a senior partner in the Boston office; and Bernardo Sichel, who is a partner in the Chicago office.

The project teams were led by Jordan Morris and included Anna Maria Gil, Valeria Zuniga, Miranda David, and José de Lapuerta. María Gutierrez and Margret-Ann Natsis led external outreach and the authors would like to thank them for their contributions and support.

We would especially like to thank the Aspen Institute's Latinos and Society program for their knowledge partnership and commitment to sharing this research externally.

We hope this report, together with our previous publication from 2021, will spur further action. This work is independent and reflects our own views.

Lucy Pérez

Co-leader of McKinsey's North America Hispanic Latino Network
Senior Partner, McKinsey & Company
Boston

November 2022

¹ Daniela Bas, Elliott Harris, and Wenyan Yang, "World Social Report 2020: Inequality in a rapidly changing world," UN Department of Economic and Social Affairs, 2020.



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Executive summary

US Latinos account for the fastest-growing portion of US GDP. So much so, that if we considered US Latinos as their own country, it would be third only to the GDP growth rate of China and India in the past decade.² At a time of economic uncertainty with concerns about a possible recession growing, consumers are looking for additional support. Our research estimates that the Latino consumer base has unmet needs of more than \$100 billion currently, and this could grow six-fold to \$660 billion if we address the parity gap between Latinos and non-Latino Whites based on share of population.

Latino consumers are driving growth while their needs go unmet

Over the past decade, Latinos have grown their household consumption to reach a cumulative \$1 trillion market in 2021—a 6 percent annual growth rate over the last decade. Their household spend is higher compared to other groups at similar income levels, and yet marketing spend directed at Latinos most likely does not reflect this.³ Latinos are conscious of their impact, choosing brands that value the environment and their employees, all of which makes them more influential than their income levels would suggest.

However, Latino consumers are often highly dissatisfied with the products offered to them—especially compared to their non-Latino White counterparts. This dissatisfaction ranges across product categories, from food and beverages to financial products, which may point to unresolved needs that impact their daily life. If brands address the drivers of dissatisfaction in terms of access and value proposition, there is a collective \$109 billion of revenue at stake, when considering current spending and future potential should improved products be offered.

Latino voices remain underrepresented in the C-suites of corporate America where product offerings and capital allocation decisions are made, and this is particularly true of Latina women. As a result, Latino consumers are often overlooked by companies that do not recognize them as a priority demographic. Less than 5 percent of seats in Fortune 500 boards and in C-suites of corporate America are occupied by Latinos despite this community representing 19 percent of the US population.⁴ Latina women hold 1 percent of seats in Fortune 500 boards, the smallest percentage of board seats compared to any racial or ethnic demographic in the US.⁵ Furthermore, Latina women may be further marginalized at work as described in our latest [Women in the workplace](#) report.⁶

At the same time, Latinos have also been more heavily impacted by COVID-19 and inflation than other populations, and this has exposed their vulnerabilities. Consequently, Latinos are expected to change their consumer spending and take aggressive action to switch to brands that better meet their needs. Companies that support Latino consumers by optimizing value propositions and tailoring their marketing and sales strategies have a singular opportunity to capture the potential this growing market represents.

² Dan Hamilton, et al., “2022 LDC US Latino GDP report,” Latino Donor Collaborative, September 2022.

³ Jeremy Goldman and Daniel Konstantinovic, “Hispanic consumers remain an underserved demographic for many marketers,” Insider Intelligence, September 25, 2021.

⁴ “Latino Board Monitor,” Latino Corporate Directors Association, August 2022.

⁵ Ibid.

⁶ Lareina Yee, et al., “Women in the workplace 2022,” McKinsey in partnership with LeanIn.org., October 18, 2022.

23%

of Latinos are considered financially healthy in 2022

Closing the Latino wealth gap would strengthen the existing consumer opportunity by more than 500 percent

In a scenario in which Latinos match their spend to their share of population, Latino consumers would spend around \$554 billion more than today. Closing this gap would require addressing the underlying income and savings gaps between Latinos and non-Latino Whites. Employers and society at large have much to gain from providing Latinos with better jobs that also provide advancement and leadership opportunities.

In pursuing greater prosperity and fulfillment, Latinos increased their share of professional roles to 25 percent—a five percentage point gain over the past decade. However, Latinos still face barriers in the workplace, through discrimination, implicit biases, or a lack of opportunities for advancement in new roles. In fact, if Latinos were represented at job levels in line with their share of the population, and paid the same as non-Latino Whites, they would receive an additional \$281 billion in annual income that could be further deployed to drive economic growth.⁷

Latino savers have only a fifth of the median wealth of their non-Latino White counterparts, and their savings have been depleted; today, almost half of Latinos have little or no retirement savings. Only 23 percent of Latinos are considered financially healthy in 2022 compared to 35 percent of non-Latino Whites. Nevertheless, Latinos' net wealth is increasing at a faster rate (9 percent for Latinos, versus 4 percent for non-Latino Whites), narrowing—but not yet closing—the gap with non-Latino Whites. If the trend continues, Latino households could reach an average net worth of \$47,000 this year.

While Latinos have about half as much debt as non-Latino White counterparts, this may be because they find it difficult to access appropriate financial products. Latinos are 1.7 times more likely than non-Latino Whites to be turned down for a loan, and 30 percent are unbanked or underbanked compared to 12 percent of their non-Latino White counterparts.⁸ For financial institutions, this is a significant opportunity to address an underserved consumer market.

Investing in Latino entrepreneurs is a key part of the answer

Latinos are the most entrepreneurial group in the US economy, but they face significant barriers in access to capital—including lower approval rates than non-Latino White-owned businesses for bank loans, private-equity funding, and factoring. Less than 5 percent of venture capital is directed toward Latino entrepreneurs.⁹ These obstacles, along with Latino businesses' lower representation in fast-growing economic sectors, limit their expansion and their opportunity to contribute to a more diversified product offering that meets the needs of American consumers.

If Latino businesses' access to capital were improved, and their representation in growing sectors increased, they would contribute an additional \$2.3 trillion in revenue to the economy and create 750,000 new employer firms, resulting in more than six million jobs.¹⁰ Interventions to improve access to funding, both from financial institutions and procurement-led organizations, and investments in digital capabilities for Latino businesses can help realize this potential.

⁷ McKinsey calculations using the "2020 5-Year estimates," 2020 ACS data release, American Community Survey, US Census Bureau.

⁸ "Economic well-being of US households in 2020," Federal Reserve, May 2021.

⁹ Janice Bitters Turi, "VC funding to early-stage Latine-founded startups in the US has stalled. Here's why that matters," Crunchbase News, January 26, 2022.

¹⁰ "Annual business survey 2019," US Census Bureau.

The economic state of Latinos in the US:

Determined to thrive



● Gap increased from last year's report ● Gap decreased from last year's report



Workers

54%

Of the wage gap can be explained by 4% of professions

\$281B

Gap in annual income compared with non-Latino White Americans



Savers and investors

\$47K

Expected average household wealth based on historic growth compared with \$212k for White Americans

\$77B

Gap in aggregate disposable savings among Latino and White households



Business owners

744K

New businesses would be created if the Latino share of employer businesses matched its population share

6.3M

New jobs would be created as a result (average size of Latino-owned firms decreased from last year)



Consumers

8%

Annual growth in Latino spending for the past nine years

\$663B

Gap in consumption, including to reach consumption parity and additional willingness to pay for better offerings

Despite being disproportionately impacted by COVID-19, Latinos have demonstrated resilience and determination to thrive

~80%

of Latino-owned firms had sales return to pre-pandemic levels by mid-2021

~14%

decrease in unemployment rate from pandemic high

\$1.1T

in aggregate annual spend, back to pre-pandemic level

Latinos' proven resilience through the pandemic indicates strong fundamentals for economic mobility

Latinos play a crucial and growing role in the US economy and have demonstrated resourcefulness, hard work, and creativity—despite being challenged by lower-paying jobs, less education, and widespread bias. Over the past year, it has become clear that Latinos are also uniquely vulnerable to income disruption. When COVID-19-associated lockdowns began to be implemented, Latinos found themselves in a precarious position: they were more concentrated in low-wage occupations than non-Latino Whites.¹¹ As a result, almost 60 percent of Latinos—who are overrepresented in industries most impacted by COVID-19, such as hospitality—lost their jobs or had to take a pay cut, and they are now more vulnerable to high inflation than other groups.

The longer-term challenges Latinos face have been compounded recently by the triplicate effects of COVID-19, supply chain disruptions, and high inflation affecting Latino businesses' operations. Altogether, 60 percent of Latino-owned businesses had to reduce or modify their operations during the pandemic—to such a degree that some could not survive without government assistance. Fortunately, 80 percent of Latino businesses had stabilized their sales back to 2019 levels by the second half of 2021.

80%

of Latino businesses had stabilized their sales back to 2019 levels by the second half of 2021

Our latest findings point to other welcome signs of agility among economically active Latinos. Over the past year, they have increased their share in professional occupations, raised their net worth faster than their non-Latino White counterparts, and shown their mettle as the fastest-growing minority entrepreneurial group. As consumers, Latinos already represent a \$1 trillion market, and their spending power is rising (6 percent compounded annual growth in the last decade, compared to 3 percent for the non-Latino White population).¹²

Latinos have been making significant strides over the past decade, and even more recently in the aftermath of the disruption presented by the COVID-19 pandemic. Nevertheless, deliberate intervention is necessary to close the gap and fuel a stronger US economy. If companies, investors, nonprofits and philanthropists, and policymakers act now, they can address the barriers that hinder full economic participation by Latinos.

The right combination of structural and immediate interventions can accelerate Latino economic advancement and prosperity. Action is needed in several key areas: improving Latino representation and inclusion in decision-making bodies; expanding product portfolios, optimizing value propositions and targeting marketing and sales strategies for Latino consumers; increasing access to capital for Latino entrepreneurs; improving access to education, reskilling opportunities, and better jobs for Latino workers; and removing bias and discrimination.

Winning the US Latino consumer, worker, saver, and entrepreneur is an outsize opportunity for organizations that act now and invest in the right people, processes, and systems to serve a market that has not been as visible as its numbers would foretell.

¹¹ "2020 5-Year estimates," 2020 ACS data release, American Community Survey, US Census Bureau.

¹² "Consumer expenditure survey 2021," US Census Bureau, US Bureau of Labor Statistics.

Sidebar

The journey continues

McKinsey's first report in this series, *The Economic State of Latinos in America: The American dream deferred*, was published in December 2021. It shone a spotlight on Latinos in the US—a rapidly growing population who make an outsized contribution as workers, entrepreneurs, consumers, and savers, but who remain economically well behind their non-Latino White counterparts.

Highlights of the 2021 report:

- Latinos are a fast-growing population that will represent over 25 percent of the population by 2050 and a significant share of the US labor force. Latinos will make up nearly a quarter of the US labor force by 2030 and nearly a third by 2060.
- Latinos are concentrated in low-wage occupations, are less likely to have nonwage employer benefits, and are strikingly underrepresented in higher-paying occupations based on their share of the US labor force.
- Latinos are highly entrepreneurial but constrained by lower access to capital, which limits their abilities to start and scale their businesses.
- While Latino consumption is growing at a faster pace than that of non-Latino Whites, it still lags well behind Latinos' share of the US population, constrained by lower incomes and wealth.
- Latino wealth has grown at a rate more than twice that of non-Latino White wealth, given low participation in assets that accumulate wealth (for example, stock market) and a lower base (\$36,000 for Latinos versus \$188,000 for non-Latino Whites).¹

¹ "2019 survey of consumer finances," Federal Reserve, 2020.

Data sources

This research is based on both publicly available sources and proprietary McKinsey data, research, and tools. Data used in this report was drawn from multiple sources including the US Census Bureau, Stanford Graduate School of Business, the Bureau of Labor Statistics, and McKinsey consumer surveys. The primary external sources include the US Census Bureau's American Community Survey, the Fed's Small Business survey, Stanford's 2021 State of Latino Entrepreneurship, and the US Bureau of Labor Statistics' Consumer Expenditure Survey. We also designed and implemented a consumer survey (conducted August 2022, n = 4,400) to better understand Latino consumer preferences and dissatisfaction.

This survey also focused on understanding differences across Latino subgroups, including by place of birth and income bracket, amongst other dimensions.



1. Introduction

Latinos are a fast-growing population in the US, and their role is becoming more critical than ever—especially at a time when the broader economy is strained by inflationary headwinds. As consumers, Latinos already represent a \$1 trillion market, and their strength is increasing.¹³ They increasingly occupy higher-skilled and professional roles as both workers and business owners. And, as savers, they are preparing their families for the future.

Yet, too often, Latinos find themselves stuck in low-wage jobs with limited prospects that do not reflect their full potential. They felt the economic impact of COVID-19 to a greater degree than non-Latino Whites.¹⁴

Similarly, Latinos have proven they are more vulnerable to the impact of high inflation. This makes it more urgent than ever to understand the role Latinos play in the US and to undertake far-reaching interventions that promote equitable advancement and opportunity—as discussed in [last year's report, *The economic state of Latinos in America: The American dream deferred*](#).

Change is possible, and a better, fairer, and more equitable society for Latinos can be created, strengthening and improving US society for all. In this report, we have identified practical, targeted interventions, with examples of corporate actions, that can address Latinos' needs and could unleash trillions of dollars into the US economy. The structural and practical interventions proposed could support Latinos as they consolidate their economic significance in the US—closing the gaps in a move that will hold massive gains for society as a whole. And for millions of households and communities, this would mean better security, more prospects, and more financial freedom.

Box

Latinos in the US

Latinos form a substantial and growing demographic, accounting for almost 19 percent of the US population today. On average, they are younger and increasingly more educated, as 70 percent have completed at least a high school education.¹ Over a third are immigrants and may be supporting family members elsewhere. They tend to be overrepresented in lower-paying occupations, face barriers accessing capital, and find it more difficult to save and invest in assets that accumulate wealth over time.

¹ "2020 5-Year estimates," 2020 ACS data release, American Community Survey, US Census Bureau.

¹³ "Consumer expenditure survey 2021," US Census Bureau, US Bureau of Labor Statistics.

¹⁴ Anna Brown, Juliana Menasce Horowitz, and Rachel Minkin, "A year into the pandemic, long-term financial impact weighs heavily on many Americans," Pew Research Center, March 5, 2021.



2. Latino consumers: Driving growth with conscious choices

Over the past decade, Latinos have grown their household consumption to reach a cumulative \$1 trillion market in 2021—a 6 percent annual growth rate over the past decade. Their household spend is higher compared to other groups at similar income levels given that Latino households are larger than those for non-Latino Whites. And Latinos are conscious of their impact, choosing brands that value the environment and their employees, all of which makes them more influential than their income levels would suggest.

However, Latino consumers are often highly dissatisfied with the products offered to them—especially compared to their non-Latino White counterparts. This dissatisfaction ranges across product categories, from food and beverages to financial products, which may point to unresolved needs that impact their daily life. If brands can address price and quality—the drivers of dissatisfaction—there is a potential \$109 billion in spending at stake for Latino consumers.

At the same time, Latinos have also been more heavily impacted by COVID-19 and inflation than other populations. They are likely to take aggressive action to save money and switch to brands that better meet their needs (Exhibit 1). Companies can support Latino consumers by optimizing value propositions, offering value product lines, and tailoring their marketing and sales strategies.

Sidebar

The Latino consumer is younger, increasingly more educated, and with less income

Latinos form a large and growing demographic within the US and account for an increasing share of total consumption, although there is a spending gap between them and others. Latinos are relatively young, with a median age of 30.5 years, and more than a third are immigrants, compared to under 5 percent among non-Latinos.¹⁶ In terms of country of origin, Mexicans account for the largest group of immigrant Latinos, representing 62 percent of the total US Latino population, followed by Puerto Ricans (10 percent).

Latinos have lower incomes when compared to other groups: 37 percent of Latino households have an annual income of less than \$40,000 compared to 28 percent of non-Latino households. Their education levels are increasing—in 2014, 36 percent had not completed high school, but by 2020,

only 30 percent lacked a high-school diploma—but still lag other groups, with only 9 percent of non-Latino Whites not completing high school.¹⁷ As a result, they earn less, are overrepresented in lower-paying occupations, and have fewer opportunities for advancement, as discussed in the previous chapter.

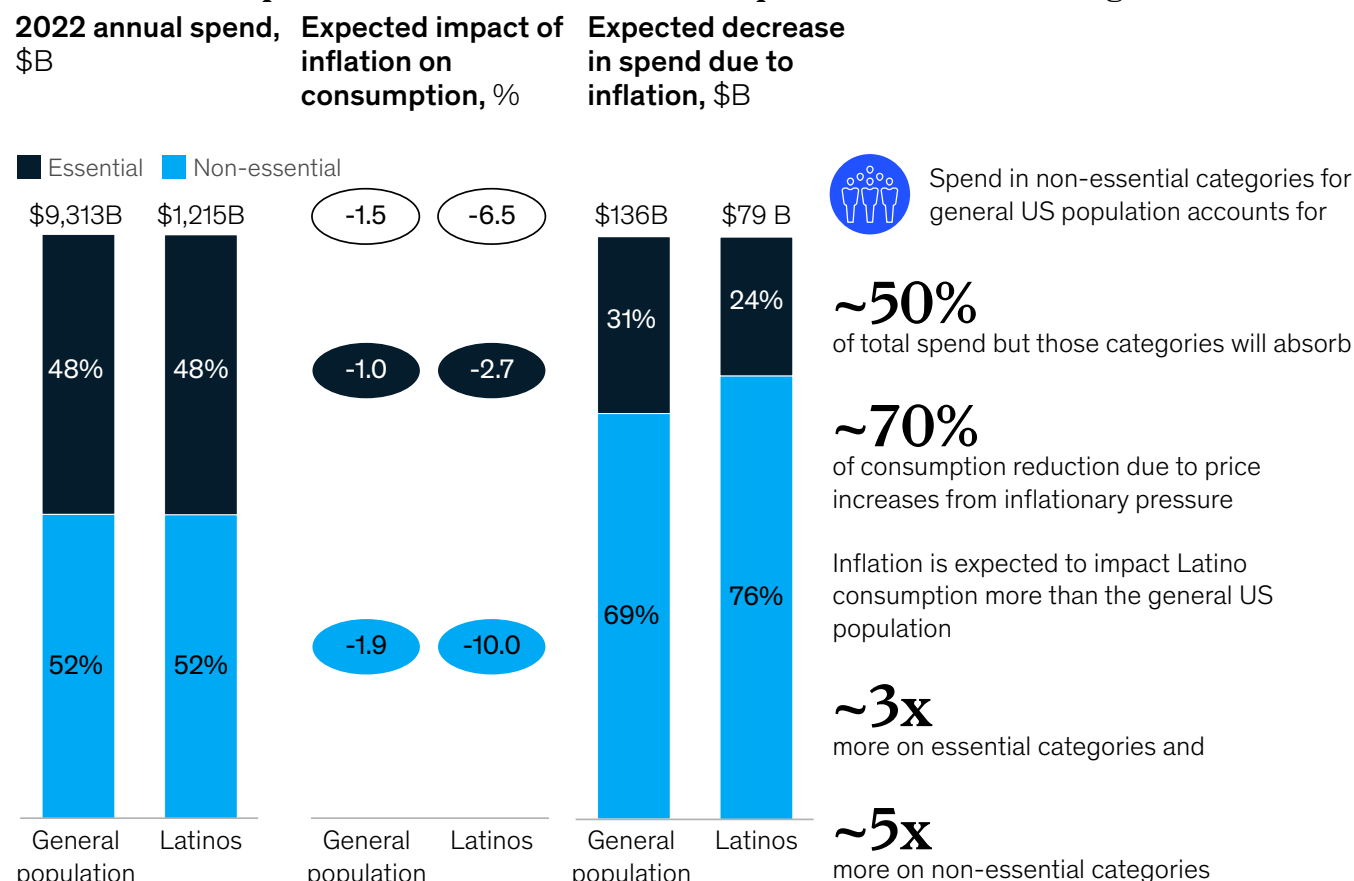
As a diverse demographic, despite certain generalities, they show correspondingly diverse behavior. Besides socio-economic differences, US-born Latinos show a higher level of acculturation, such as language use, and their preferences are closer to those of their non-Latino White counterparts than those of foreign-born Latinos. Latino consumers can be understood and segmented appropriately to address their differing needs.

¹ “2020 5-Year estimates,” 2020 ACS data release, American Community Survey, US Census Bureau.

² Ibid.

Exhibit 1

Latinos are overrepresented in frontlines and underrepresented in senior management+ roles.



¹Includes Food & Bev at home, Housing and Healthcare.
Source: McKinsey consumer survey, August 2022 (n = 4,400)

Latinos grow their spending, despite lower income levels

Latinos form a key consumer group in the US, with a market size of \$1 trillion per annum—despite a spending gap in part due to lower income levels. As a group, Latinos are growing their consumption faster than non-Latino Whites (Exhibit 2).

While Latinos' overall spend has increased significantly in the past decade, it still lags their share of population: Latinos account for 19 percent of the US population but drive only 13 percent of total household income, with more expenditure on essentials such as food at home, healthcare, and housing. While Latinos spend more than their population share in rental accommodation, men's and children's clothing, and footwear, there is still a \$554 billion gap in consumption that could be closed if Latinos' expenditure matched their share of the US population (Exhibit 3).¹⁵

Despite their lower average income levels, Latino households spend more than others at the same income level. Sixty percent of Latinos have a household income of under \$50,000, compared to 50 percent of non-Latino Whites. But Latinos in this demographic spend slightly more per household than non-Latino Whites in the same income bracket—\$21,300 per annum

¹⁵ "2021 consumer expenditure survey," US Census Bureau, US Bureau of Labor Statistics, US Department of Labor.

compared to \$20,900.¹⁶ This is largely driven by higher spending on essentials, with half of Latino income, on average, going to food at home, housing, and healthcare. However, given that Latino households are larger than non-Latino White households (with an average of 3 people per household, compared to 2.3 for non-Latino Whites), the actual spend per consumer is slightly lower (\$7,100 for Latinos versus \$9,087 for non-Latino White counterparts).¹⁷

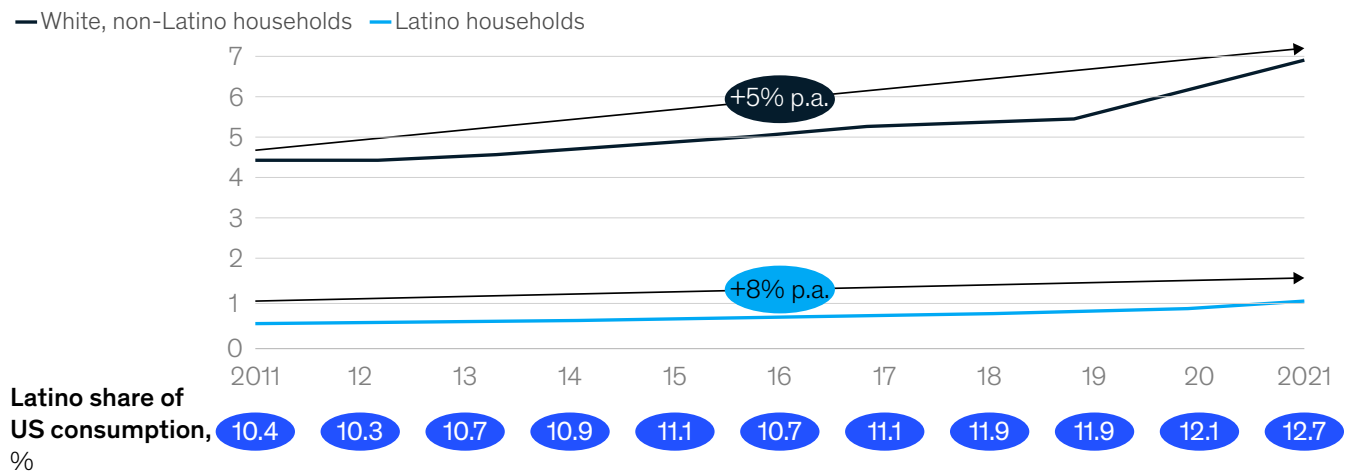
¹⁶ "2021 consumer expenditure survey," US Census Bureau, US Bureau of Labor Statistics, US Department of Labor..

¹⁷ "2021 consumer expenditure survey," US Census Bureau, US Bureau of Labor Statistics, US Department of Labor..

Exhibit 2

While Latino consumption has grown, it still falls short of Latinos' share of the US population.

Total annual household consumption, \$T¹



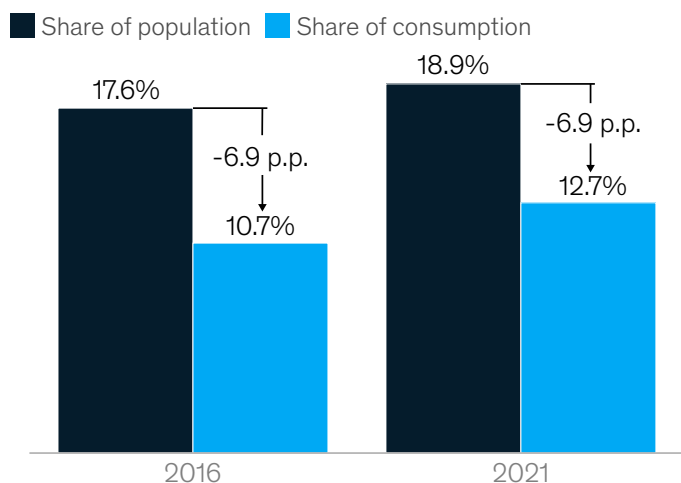
¹Based on total aggregate expenditures from Consumer Expenditure Survey times share of aggregate.

Source: US Census Bureau, Consumer Expenditure Surveys (<https://www.bls.gov/ce/>), and American Community Survey 2020 5-Year estimates

Exhibit 3

The gap in Latino consumption based on their share of population has decreased in the past 5 years, but is still meaningful at \$554 billion.

Latino share of aggregate expenditure vs. share of population, %



Aggregate expenditure for US households in 2021 was

\$8.937B

Aggregate expenditure for Latino households in 2021 was

\$1.135B

Representing a

\$554B

gap in consumption¹, or 6.2pp difference with expected expenditure based on the Latino share of households

¹Difference between total aggregate household expenditure times Latino share of population, and current Latino aggregate expenditure. From Consumer Expenditure Survey.

Source: US Census Bureau, Consumer Expenditure Surveys (<https://www.bls.gov/ce/>) (2020)

Latino consumer needs are not being met

Across all categories, Latinos are more dissatisfied with current offerings than their non-Latino White counterparts.¹⁸ Twenty-eight percent of Latinos report being unhappy with current product offerings, compared to 21 percent of non-Latino Whites.¹⁹ Dissatisfaction represents a missed opportunity for companies—Latino consumption could be significantly increased if their needs were met more effectively.

In some instances, Latinos may have a need for products in particular categories but are not purchasing, while in other instances, Latinos are buying products in categories even though they are not satisfied with the product choice, quality, or price.

Product penetration among Latinos can be low: a quarter of Latinos do not currently purchase in specific spending categories (such as makeup or full-service restaurants), despite being decision makers and having a need for the product, thus creating another significant opportunity for companies.

Consumer dissatisfaction varies extensively among Latino subgroups, driven by differences in education, income, background, and gender. Latinos who are less educated are unhappier with products. Their dissatisfaction scores are 14 percentage points higher than the average Latino. Those who have not completed high school are three times more dissatisfied than non-Latino Whites at the same educational level.²⁰ Latinos from lower-income backgrounds (less than \$50,000 per year) have an average dissatisfaction nine percentage points higher than the average for Latinos, at 37 percent. And first-generation immigrants are seven percentage points more dissatisfied than average. Latina women are ten percentage points more dissatisfied than Latino men, similar to the 12 percentage point difference seen between White men and women.

Latino dissatisfaction with current product offerings grew significantly between 2021 and 2022 across all categories, and they are consistently more dissatisfied than non-Latino Whites, even though non-Latino Whites are also more dissatisfied than previously. Beauty and personal care,

A quarter of Latinos do not currently purchase in specific spending categories, despite being decision makers and having a need for the product, thus creating another significant opportunity for companies.

¹⁸ Dissatisfaction is measured by rating satisfaction levels between one and six on a ten-point scale.

¹⁹ "Consumer survey," McKinsey, August 2022 (n = 4,400).

²⁰ "Consumer survey," McKinsey, August 2022 (n = 4,400).

entertainment, hospitality and travel, vehicle purchases, housing, banking and financial services, and healthcare are all categories with higher-than-average Latino dissatisfaction.

Latinos are dissatisfied with current product offerings for several reasons, particularly price, lack of features, and lack of value for money. For both non-Latino Whites and Latinos, affordability and quality are the main decision drivers for purchases.

High prices are linked to dissatisfaction across categories, and, given low disposable income (as discussed in the previous chapter), remain a critical consideration. A shortage of quality products and poor value for money also lead to dissatisfaction (Exhibit 4). And, while less important than price, customers are disappointed with companies that are not committed to addressing social inequities.

Opportunities to address dissatisfaction: A win-win situation

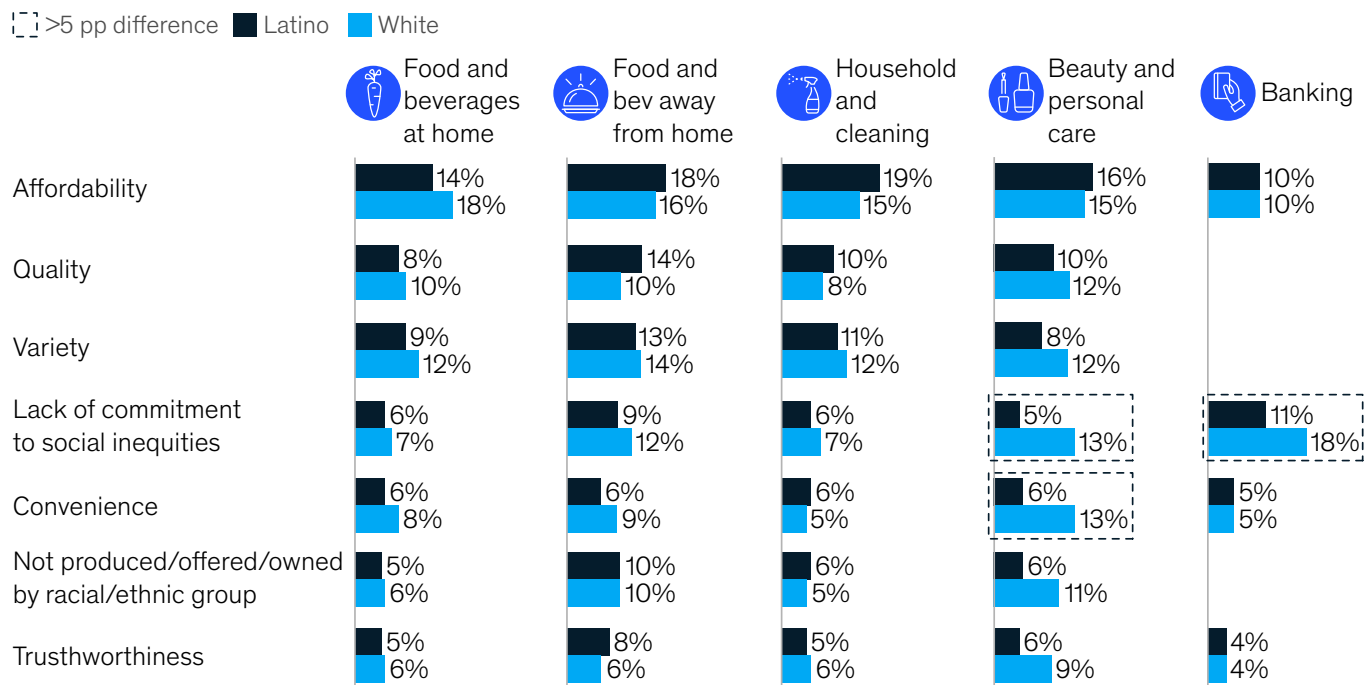
Addressing Latino consumers' dissatisfaction could benefit both companies and consumers. Latino buyers would be willing to increase their consumption by up to 25 percent if products were more affordable, of a higher quality, and healthier; they expressed willingness to pay 28 percent more if the top reasons for dissatisfaction were addressed. Altogether, they would be willing to spend a total of \$33 billion more per year across all categories if their needs were met (Exhibit 5). Even Latino consumers who are currently satisfied would be willing to pay more if product offerings were improved, with a total of \$76 billion of revenue at stake.²¹ With \$109 billion in current and potential spending at stake, companies that address dissatisfaction may benefit from additional market support. However, this is unlikely to be incremental, as much of this would be due to potential shifts in spending from one product or service to another.

²¹ "Consumer survey," McKinsey, August 2022 (n = 4,400).

Exhibit 4

Affordability and product quality are key drivers of dissatisfaction among Latinos.

Top reasons for Latino dissatisfaction across products and services, %¹



¹Each percentage is out of 100%, as question asks binary yes or no whether reason is tied to dissatisfaction. N/A if question was not asked regarding that category.

Source: McKinsey consumer survey, August 2022 (n = 4,400)

Exhibit 5

Latino consumers would be willing to spend \$33 billion more if reasons for dissatisfaction were addressed

	Share of Latino respondents expressing dissatisfaction with current offerings in category, %	Aggregate yearly spend for dissatisfied Latino households ¹ , \$B	Additional WTP ² for better products	Size of unmet demand, \$ billion
Categories with greatest dissatisfaction				
Housing	37	145	7.4%	10,8
Hospitality and travel	29	43	12.1%	5,1
Vehicle purchases	32	34	11.1%	3,8
Food & beverages at home	24	29	12.8%	3,7
Food & beverages away from home	28	17	14.9%	2,6
Healthcare	30	21	9.5%	2,0
Apparel (incl. footwear)	27	12	10.5%	1,3
Telecom	32	10	10.8%	1,1
Entertainment	26	8	8.0%	0,6
Beauty & personal care products	25	4	16.3%	0,6
Household & cleaning	25	4	16.3%	0,6
Consumer electronics	25	5	10.8%	0,5
Education	28	3	12.4%	0,4
Banking & financial services	32	TBD	9.1%	TBD
Total		335		33,1

¹Average yearly spend per household from consumer expenditure survey, times 19.7M Latino consumer units, times share of households dissatisfied.

²Expressed additional willingness to pay if reasons for dissatisfaction were addressed.

Source: McKinsey consumer survey 2022 (n=4,400)

Latino consumption patterns: Strategic spenders, socially aware, and social media savvy

There is also a \$554 billion gap in Latino consumption based on the discrepancy between their total expenditure as a share of overall US spending and their share of population—and closing this gap would require improving Latino income levels. This is in addition to the \$109 billion of spending at stake that arises from Latino consumer needs going unmet, discussed above.

Understanding how Latinos consume, and how their behavior differs from non-Latinos, will allow society to close this gap and realize the benefits. Latinos tend to be careful and strategic spenders, and, despite having a lower average income than non-Latino Whites, are discerning consumers with a high level of attention for sustainability considerations when making a purchase.²²

They are, overall, conservative and conscious spenders. Latinos spend a greater proportion of their income on essentials compared to their non-Latino White counterparts (40 percent compared to 33 percent). Survey data shows they tend to be more price-conscious than the general US population, feel more financial pressure, and actively look for savings and deals.²³ Almost half of Latinos are actively looking for ways to save money, above the national average of 44 percent. They are also more willing to switch to less-expensive products to save costs (34 percent compared to 27 percent of all consumers), and more than a third of Latinos actively research the best promotions when seeking to make purchases (35 percent compared to 29 percent of all consumers).

Moreover, this price-conscious behavior supports the finding that Latinos in lower-income households (representing the majority) tend to spend less per person than their non-Latino White counterparts. As a result, Latinos, like non-Latino Whites, are increasingly looking for ways to save money. They pay similar attention to prices when shopping compared to non-Latino Whites (47 percent compared to 45 percent). Latinos may be willing to spend more on products they care about, while finding cheaper alternatives for those they are less invested in. But Latinos may also be under more pressure to save money because of their larger average household size, which necessitates greater spending on essentials.

Latinos are comfortable shopping online and are engaged consumers. They are more conscious of sustainability considerations and are more likely to factor in such considerations when making purchases than the general population.²⁴ Social issues and organic products are particularly important to them compared to the general population (a 12 and 14 percentage point difference respectively). In total, 82 percent of Latinos report that they use omnichannel (online and in-store) and e-commerce platforms, compared to 80 percent of the overall population.²⁵

Social media can be a powerful influence on consumer behavior and its effects are more pronounced in Latinos than in the overall US population. Latinos of all age groups are more likely to be influenced by social media when making a purchase, with 68 percent of them reporting that they are nudged toward certain brands by social media posts compared to 47 percent overall among US consumers.²⁶ Correspondingly, Latinos have a higher average level of social media engagement than non-Latinos across all major social media platforms. For instance, 89 percent of Latinos use YouTube at least weekly, compared to 75 percent overall.²⁷

²² “Consumer survey,” McKinsey, August 2022 (n = 4,400).

²³ “Consumer sentiment survey,” McKinsey, 2021.

²⁴ “Consumer pulse survey: February 25 to March 1, 2022,” McKinsey, 2022 (n = 2,160; sampled to match US general population 18+ years).

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

Across the board, the categories that see the largest influence from social media are appearance related, such as fitness and wellness services, skin care and makeup, and accessories and jewelry. However, among Latinos, influence from social media in consumer electronics and home decoration is felt significantly more strongly than in the overall population, with a 24 and 19 percentage point difference, respectively, in the percentage of respondents who were influenced by social media in purchases in these categories.²⁸

Latino consumers are also much more likely to be influenced by brands and celebrities' posts on social media, and documentaries, compared to non-Latinos. Half of Latino consumers said they were inspired to purchase by these sources, compared to a quarter of non-Latinos.²⁹

Latino consumers are feeling the inflationary pinch

The COVID-19 pandemic hit Latinos hard and inflation is compounding the impact. In response, almost 80 percent of Latinos are taking action to manage their expenses due to inflationary pressures, compared to two-thirds of non-Latino consumers.³⁰ This may include reducing savings, increasing credit card balances, taking on more hours at work or a second job, and skipping bills or paying less than the minimum due.

Latinos' pre-existing price-conscious behavior has been exacerbated by high inflation. A fifth are planning to cut back on spending, compared to 14 percent of non-Latino Whites, while 82 percent are trading down across categories, compared to 74 percent of non-Latinos.³¹ This includes adjusting the quantity or pack sizes purchased, delaying purchases, switching to a cheaper brand, and taking on more debt by using "buy-now, pay-later" services (a strategy that is more prevalent among Latinos than the general population by 11 percentage points).

Overall consumption is expected to fall across the board, with Latinos cutting back more than non-Latino Whites. Total consumption is predicted to drop by 7 percent among Latinos, compared to only 1 percent in non-Latino Whites.³² The fall in Latino spending could account for an aggregate loss of \$80 billion, close to the expected effect of reduced consumption among non-Latino Whites, at \$100 billion—this despite non-Latino Whites having six times the aggregate consumption of Latinos.

Non-essential categories will be particularly hard hit, even after sustaining a drop in spending due to COVID-19. Although overall spending, which dipped in 2020, has now mainly returned to 2019 levels, essential goods account for a larger share than previously. Going forward, Latinos are predicted to reduce their spending at three times the rate of the general population for essential categories, and five times for non-essentials.³³ They are likely to pull back on non-essential spending by 10 percent but will only drop spending by 3 percent for essentials.³⁴

To reduce their spending, consumers across the board are responding to inflation by choosing private brands across categories. Overall, 48 percent of customers who noticed inflation changed brands, and, of this, the switch was to private brands 38 percent of the time. Latinos reflect this general trend, with 47 percent switching brands and 36 percent switching to private brands.

²⁸ Ibid.

²⁹ "Future of food survey 2022," McKinsey, December 2021.

³⁰ "Consumer pulse survey: June 7 to October 7, 2022," McKinsey, 2022.

³¹ Ibid.

³² "Consumer survey," McKinsey, August 2022 (n = 4,400).

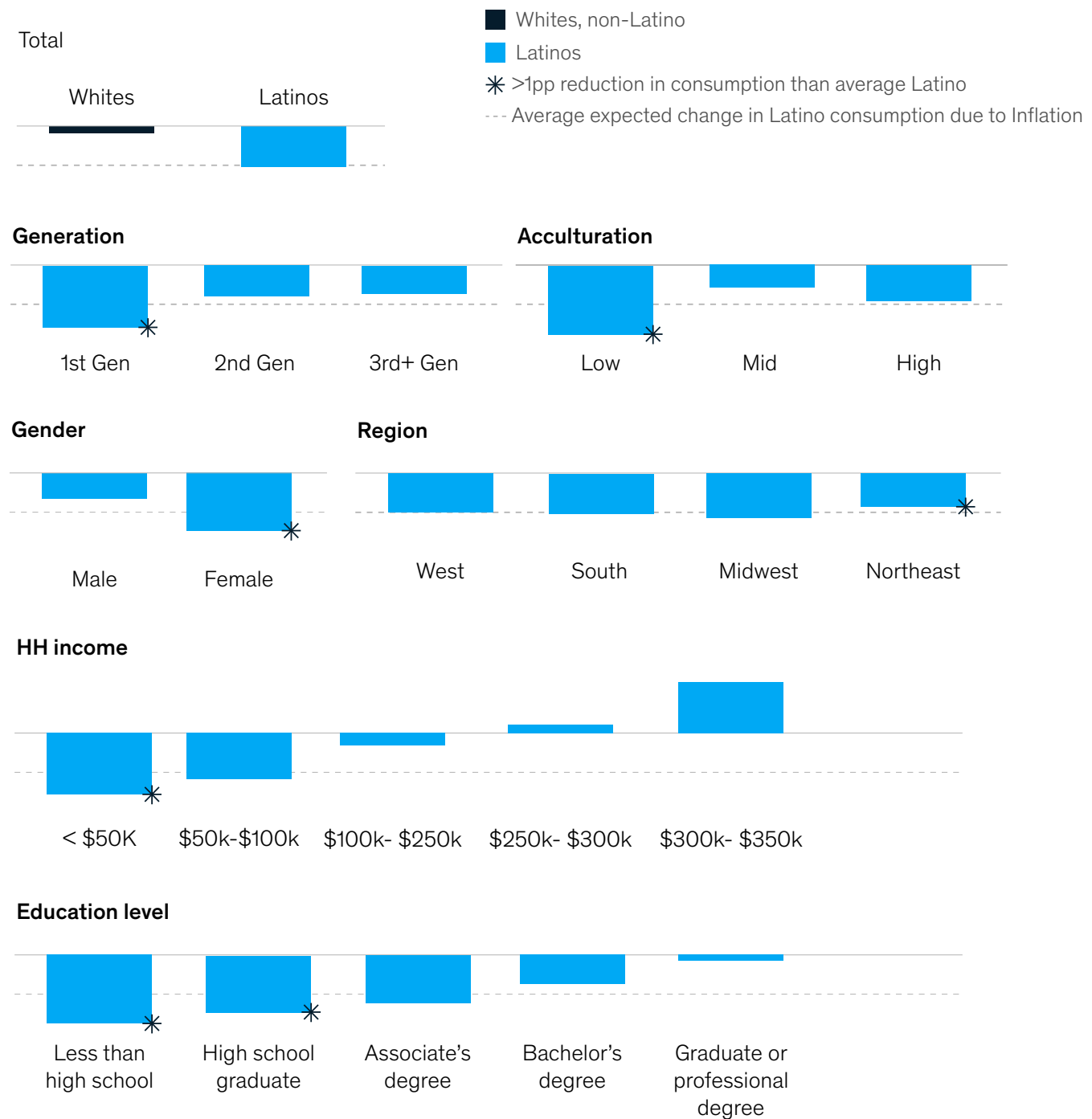
³³ Housing, food and beverages at home, and healthcare are considered to be essential products or services.

³⁴ "Consumer survey," McKinsey, August 2022 (n = 4,400).

More vulnerable cohorts are likely to be badly affected by inflation (Exhibit 6). Latinos with less acculturation, a low household income level, and those with little formal education are expected to reduce their consumption by around five percentage points more than the average for Latinos. First-generation Latino immigrants are also expected to be hard hit, reducing their consumption by an extra three percentage points. And gender is a significant factor—women are likely to reduce their consumption by a further three percentage points.

Exhibit 6

Inflation will hit vulnerable Latinos particularly hard



Source: McKinsey consumer survey, August 2022 (n = 4,400)

Budget-conscious consumers want companies to meet them where they're at

By addressing dissatisfaction and tailoring products accordingly, companies can retain their existing customer base and potentially grow their sales. Two broad categories of interventions could help Latino consumers close gaps.

More Latino customers are looking for better prices and promotions. **Optimizing products to offer more affordable lines, or bundling products together**, can mitigate the loss in customers' purchasing power and bring in new customers who are open to change.

More granular segmentation of Latino audiences, with **tailored marketing strategies**, can help ensure product features are aligned to consumer values. Latinos are far from monolithic, and companies that are aware of this diversity can provide appropriate products. Quality, health, and environmental and social benefits can be highlighted for greater appeal. For example, Pepsico aims to become the most-loved food and beverage company among Latinos—as a result, it has launched a Hispanic business unit as a cross-functional multidisciplinary group to improve its understanding of Latinos' attitudes and behaviors and how they change over time.

Last year's report found that 41 million Latinos live in consumer deserts without access to vital products and services.³⁵ As a result, many Latinos lack sufficient access to housing, food, banking, broadband, and consumer goods. While solving this issue will require commitment and concerted action from many players over the long term, it also points to the **need for optimizing retail locations** to enable Latinos to purchase products conveniently and easily.

Latinos are far from monolithic, and companies that are aware of this diversity can provide appropriate products. Quality, health, and environmental and social benefits can be highlighted for greater appeal.

³⁵ Ana Paula Calvo, Michael Chui, Lucy Pérez, and Bernardo Sichel, "The economic state of Latinos in America: The American dream deferred," McKinsey, December 9, 2021.

Beauty is in the eye of the Latino beholder: Advertising and marketing drive beauty and personal care

Beauty and personal care represent one of the most intimate categories for consumer spending, with close ties to identity, appearance, and dignity. But as Latinos watch their budgets, they are expected to cut their spending by 8 percent in this category. Companies that act on Latino preferences with targeted marketing and address reasons for dissatisfaction—such as availability and affordability—may find it easier to weather the consumer pullback.

Latinos currently account for around 13 percent of total spend in this category, or \$14 billion out of a total \$103 billion annually. Fragrances are particularly at risk, with an expected 12 percent drop in consumption, while facial care is likely to fall by 8 percent. By contrast, non-Latino White consumers are only expected to drop their spending in this category by 1 percent.

In keeping with their overall consumer behavior, Latinos spend carefully and strategically on beauty and personal care. Half of customers who notice inflation are switching personal-care brands, with 17 percent of Latinos looking for less-expensive beauty brands compared to 10 percent among the general population. A third of Latinos seek out private-label beauty products, four percentage points fewer than in other categories.

Latinos are conscious of their impact. Supporting the environment and using animal-friendly products remain key drivers for purchasing decisions in this category than elsewhere. For example, 17 percent of Latinos won't purchase hair-care products if companies are not supporting action on the environment and climate change, compared to only 8 percent of non-Latino Whites.

Using skin care as an example, Latino consumers are often interested in a category while simultaneously less likely to purchase or use it. Almost half say they consider advertising for the largest skin-care brands to be effective, compared to a quarter of non-Latino Whites. They are also less likely to consider skin-care brands to be too expensive (39 percent of Latinos against 46 percent of non-Latino Whites). Despite these positive signals, only 22 percent of Latinos buy these products compared to half of non-Latino Whites. Availability may be an issue. A third of Latinos found the largest skin-care brands were not easily available, but only a quarter of non-Latino Whites said the same.

Online and social media channels are becoming increasingly important, with 38 percent of cosmetics now bought online. More than half of Latinos are influenced by social media and recommendations from brands and celebrities when purchasing skin-care products and makeup, compared with less than half of non-Latinos.

Despite a willingness to engage and purchase, Latino dissatisfaction is similar to that of non-Latino Whites, at 28 percent compared to 21 percent, but for different reasons. Latinos are especially worried about quality, price, and lack of value compared to non-Latino Whites (Exhibit 1). If these factors, together with availability, were improved, Latinos would be willing to spend up to 18 percent more—representing a total of \$400 million in additional revenue.¹ Even those customers who are already satisfied would be willing to pay an additional \$1.9 billion if product offerings were further improved in this category.

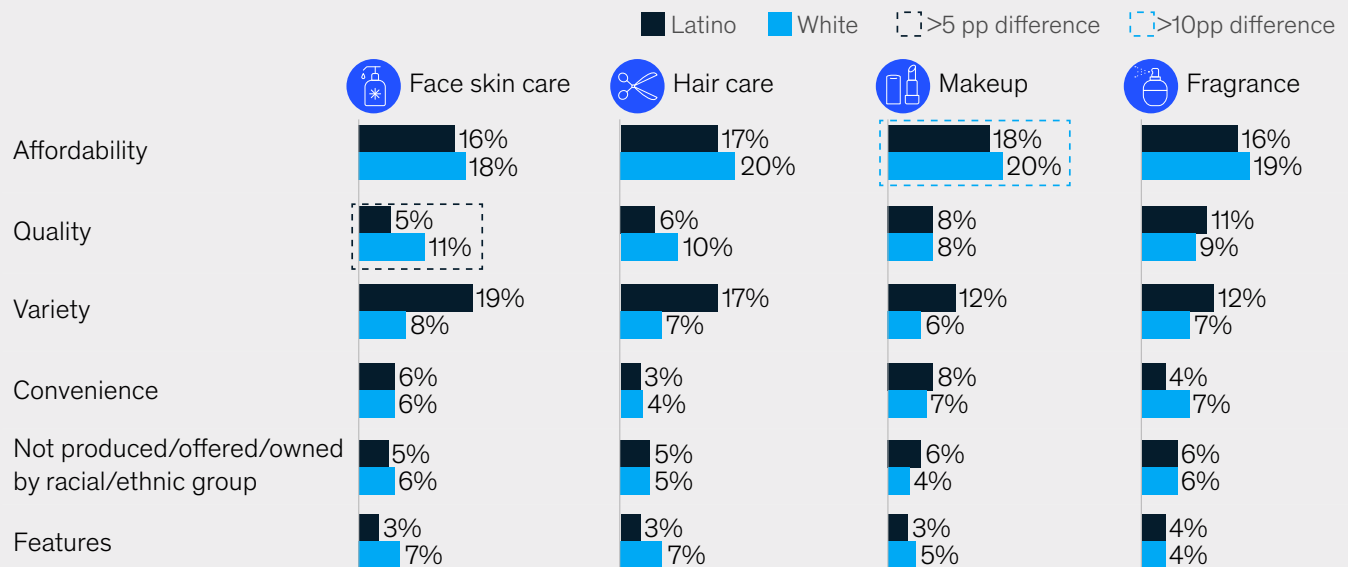
More than half of Latinos are influenced by social media and recommendations from brands and celebrities when purchasing skin-care products and makeup, compared with less than half of non-Latinos.

¹ "Consumer survey," McKinsey, August 2022 (n = 4,400).

Exhibit 1

High prices and low quality drive dissatisfaction in beauty and personal care.

Top reasons for Latino dissatisfaction across products and services, %¹



¹Each percentage is out of 100%, as question asks binary yes or no whether reason is tied to dissatisfaction.
Source: McKinsey consumer survey, August 2022 (n = 4,400)

Companies could also consider wooing potential new customers who are disappointed by current product offerings. One out of four Latino consumers don't purchase in this category even though they may be interested in doing so, and report that they would be willing to spend a similar amount to current consumers—representing a potential opportunity of \$3.8 billion. These consumers say the beauty and personal-care category lacks value for money, with high prices and low quality, and companies do not support action on the environment or consider climate change (Exhibit 2).

Opportunities for action

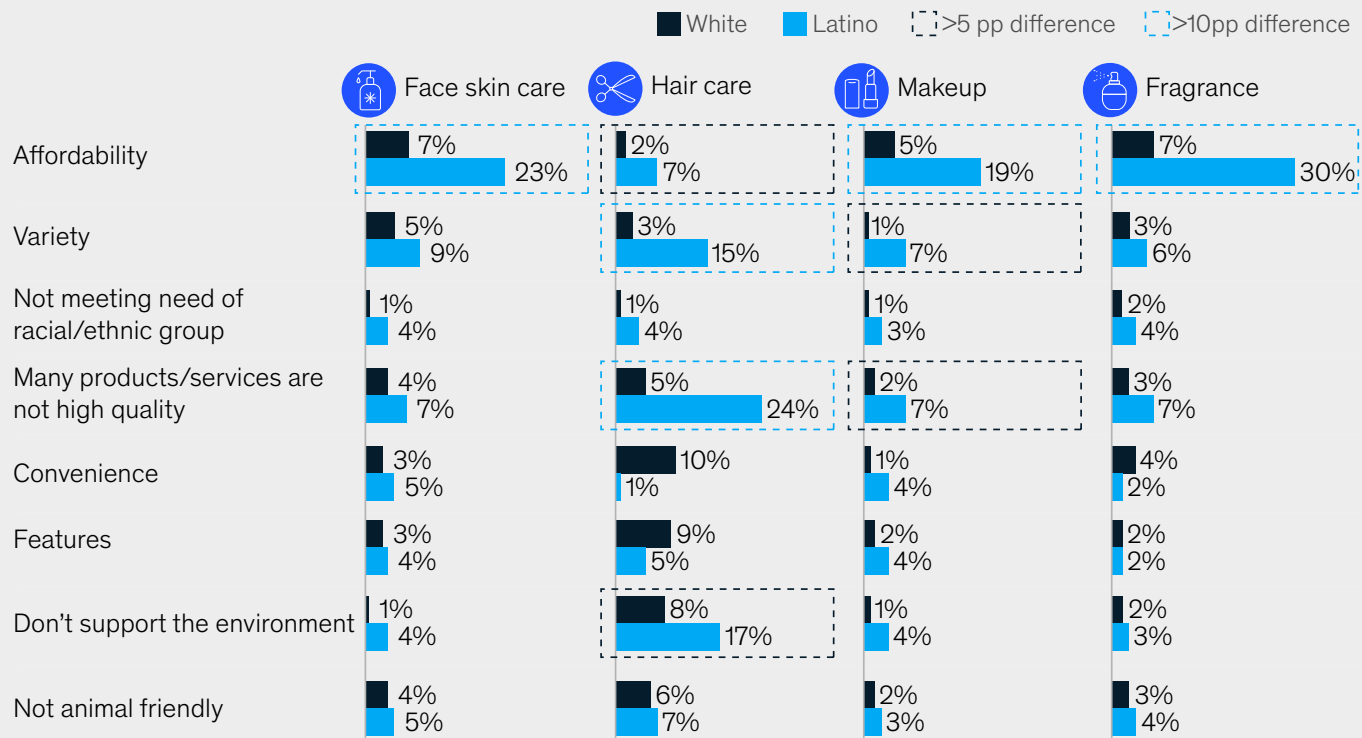
Companies could benefit from investing in advertising that talks directly to Latinos, while also increasing availability and distribution, so that brands are more available on preferred channels.

Some sub-categories, such as skin care, are less impacted by price perceptions than others, like hair care. Offering value product lines could be more effective in those categories directly affected by such perceptions.

Exhibit 2

Price and poor value dissuade Latinos from purchasing in beauty and personal care.

Top reasons for Latinos not purchasing products, %¹



¹Each percentage is out of 100%, as question asks binary yes or no whether reason is tied to dissatisfaction.
Source: McKinsey consumer survey, August 2022 (n = 4,400)



3. Poised for success: Latinos at work, in business, and in wealth creation

Latinos play a significant role in the US economy as workers, business owners, consumers, and savers or investors. However, they face many barriers to advancing, whether on an individual or business front, and would benefit from interventions to overcome these obstacles. The private sector can also play an important role as Latinos seek to reach their full potential.

Latino workers: A key pillar in the US workforce

One in every five workers in the US is Latino, and the number is growing rapidly. They earn 12 percent of wages and represent 18 percent of the workforce, making Latino workers a key pillar in the US economy. Although the COVID-19 pandemic impacted them disproportionately and Latinos are feeling the effects of elevated US inflation acutely, Latinos' workforce share could increase to 23 percent in 2030.³⁶

The Latino workforce has progressed over the past decade, increasing its share in higher-paying occupations by five percentage points. Yet Latinos still face steep barriers to mobility, including wage disparity, implicit biases, discrimination, and lack of additional training opportunities—all of which hinder Latinos from reaching their full potential. And, compared to non-Latino Whites, Latinos are primarily concentrated in low-wage occupations and are paid less than non-Latino White workers within the same occupations.

Overcoming these barriers could boost their annual income by more than \$281 billion, enhancing their well-being and the health of the overall US economy.³⁷

Most are born in the USA—and are of prime working age

The majority of the Latino workforce was born in the US and over 60 percent are of Mexican origin. Altogether, 43 percent of Latino workers are younger than 25 years old, compared to 32 percent of the overall US population, and 69 percent are between the prime working ages of 25 and 54, compared to 64 percent of overall.³⁸

³⁶ "Current population survey, employment status of the Hispanic or Latino population," US Bureau of Labour Statistics. (Calculated based on a five-year CAGR for Latino population of 3 percent.)

³⁷ McKinsey calculations using "2020 5-Year estimates," 2020 ACS data release, American Community Survey, US Census Bureau.

³⁸ "Current population survey 2021," US Census Bureau. (Employment status of the Hispanic or Latino population by age and sex.)

As highlighted in our 2021 report, *The economic state of Latinos in America: The American dream deferred*, during the COVID-19 pandemic, the number of Latinas in the labor force decreased as they lost their jobs at higher rates, sometimes to take up caregiving responsibilities. Today, two out of every three Latino workers are male.

Despite striving for upward mobility, Latinos are primarily overrepresented in frontline jobs and earn lower wages than their non-Latino White counterparts. They fill 16 percent of frontline-hourly and 9 percent of frontline-salaried roles in the US, compared to only 4 percent of executive and 3 percent of board positions (Exhibit 7).

The labor pool runs deep

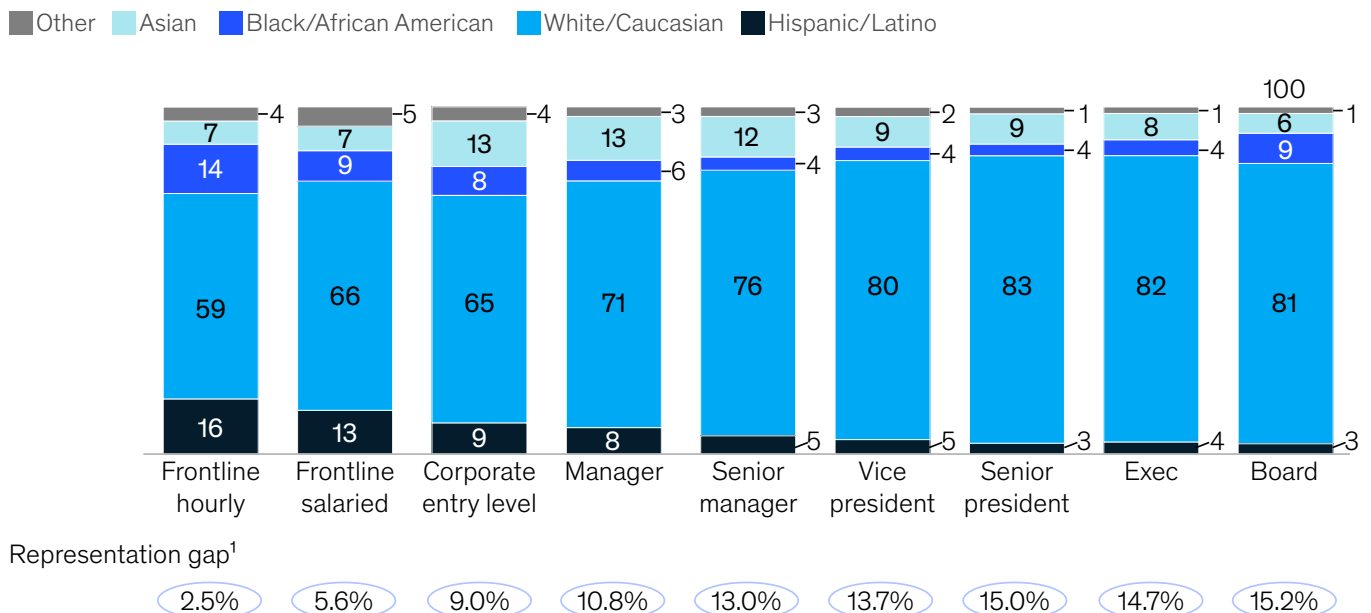
Latinos have a higher proportion of immigrants than the rest of the US population. Foreign-born Latinos comprise 38 percent of the overall Latino population, three times higher than the 14 percent share of immigrants in the general US population. Among Latino workers, almost half (45 percent) are immigrants. The Latino labor-force participation in September 2022—at 67 percent—remains the highest amongst all ethnicities in the US. In the last decade, their participation has remained above average.

The share of Latinos in management, professional, and related occupations has increased five percentage points in the last decade, reaching 25 percent. However, representation in sales and office roles decreased by 3 percent during the COVID-19 pandemic. And despite moving into more professional occupations, Latinos are still far behind when comparing their average median wage in these new roles to that of the overall US population.³⁹

³⁹ "2020 5-Year estimates," 2020 ACS data release, American Community Survey, US Census Bureau.

Exhibit 7

Latinos are overrepresented in frontlines and underrepresented in senior management+ roles.



Position hierarchy

¹Compared to 18.3% Latino share of workforce.

Source: McKinsey, Women in the Workplace 2021 Talent Pipeline analysis; 423 participating companies

COVID-19 dramatically affected the cost of living

Latinos experienced economic turbulence during the COVID-19 pandemic. Almost 60 percent said someone in their household was laid off or took a pay cut. Altogether, 44 percent of all Latino adults said their household lost some or all income during the pandemic (Exhibit 8).

Companies changed practices that promoted diversity, equity, and inclusivity (DEI) during the pandemic slowdown, affecting Latino recruitment. These changes led to decreases in internship programs, in the number of companies partnering with organizations to recruit Latino talent, and in companies leveraging employee resource groups (ERGs).

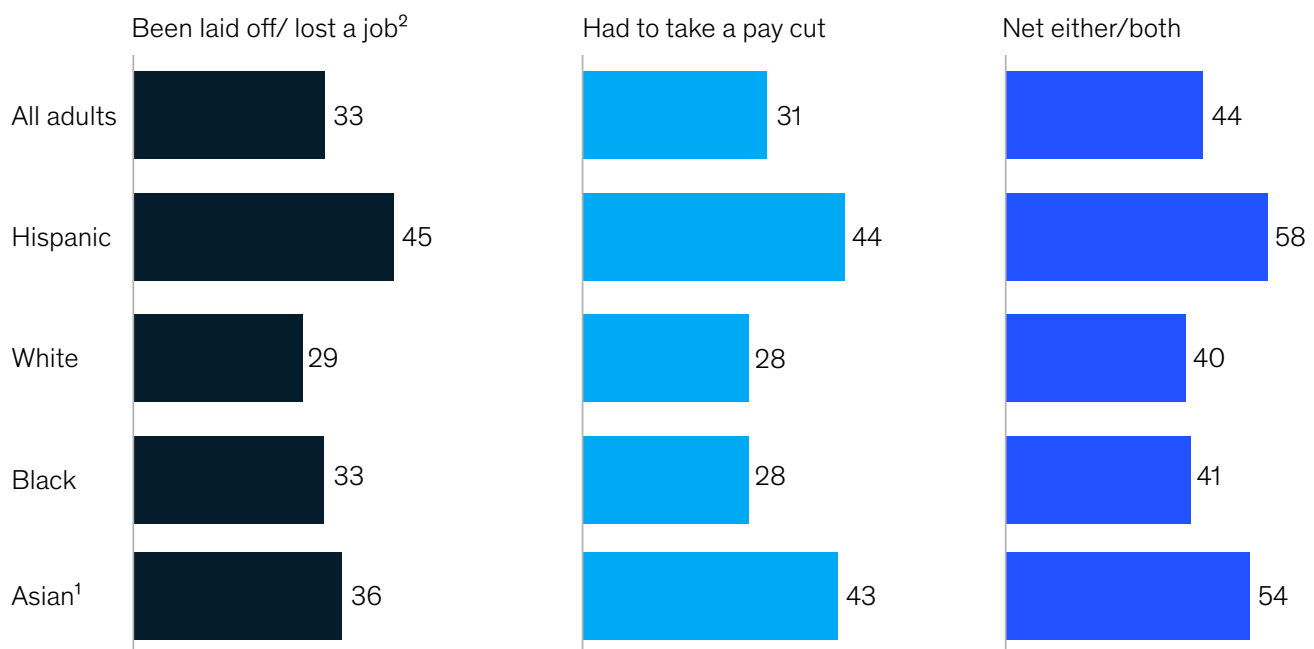
Latinos also experienced less flexibility in choosing where to work during and after the pandemic compared to the US average. By February 2022, US workers averaged 3.1 days working from their job site, while Latinos averaged 3.4 days.

However, this varied by income level, with higher-paid workers having more flexibility, and low-wage workers having less. Altogether, 69 percent of high-income Latinos could work from home by February 2022, compared to 66 percent of their non-Latino counterparts. Only 48 percent of lower-income Latinos could work from home, making it harder for them to juggle caring responsibilities while working. They also had to deal with increased transportation costs.

Exhibit 8

More than half of Latinos said they or someone in their household was either laid off or took a pay cut since the start of the Covid-19 pandemic

% saying each of the following happened to them or someone in their household since the coronavirus outbreak began in February 2020



¹Asian adults were interviewed in English only.

²Includes those who say they or someone in their household has been laid off or furloughed since the coronavirus outbreak began.

Source: Pew Research Center Survey of US adults conducted Jan 19-24, 2021. "A year into the pandemic, long-term financial impact weighs heavily on many Americans"

Corporate ladder's broken rungs

Latinos experienced economic turbulence during the COVID-19 pandemic. Almost 60 percent of Latinos remain underrepresented in leadership and senior roles, but over-represented in entry-level and frontline positions. Around half of Latino professionals believe companies are not taking action on diversity, and over 40 percent complain of discrimination.

In total, 44 percent of Latino professionals have faced blatant discrimination and/or microaggressions at work. Similarly, 54 percent of these professionals believe there is a lot of talk in the workplace about diversity but no policy change to make it a reality.⁴⁰ For those Latinos who have moved into professional roles, further challenges—such as discrimination and lack of support for advancement—hinder their upward mobility.

And many feel that they have been overlooked for career advancement because of their race. In total, 60 percent of Latino professionals between the ages of 18 and 34 years believe that race plays a role, while 54 percent are considering resigning due to a lack of growth or promotion opportunities. While 85 percent of frontline workers wanted to further their careers, only 55 percent actually received career opportunities—a 30 percentage point difference.⁴¹ Latinos across all levels in the workplace are also less likely to have sponsors or mentors.

Latina women are further disadvantaged by their gender, as McKinsey's [Women in the workplace](#) report makes clear. For every 100 men promoted from entry-level to manager positions, only 75 Latina women are similarly promoted. Latinas and Black women are less likely than women of other races and ethnicities to say their manager shows interest in their career development. They also tend to feel less psychological safety—for example, less than half of Latinas and Black women say people on their team aren't penalized for mistakes. Just 27 percent of Latinas say a senior coworker has advocated for a raise for them.⁴²

In addition, Latinos tend to lose representation in job levels that require greater soft skills, such as sales, negotiation, and management. Narrow and inconsistent definitions of interpersonal skills, as well as possible cultural and language differences and workplace biases, could be hindering their progress. Research has found that many employers consider Latinos to be lacking in interpersonal skills compared to their peers.⁴³

Despite increased calls for board diversity and a strong case for the business value of diversity, less than 5 percent of board seats in Fortune 500 companies and C-suite positions are occupied by Latinos.⁴⁴ In order for their leadership representation to match their share of population, this number should be four times higher.

Targeted interventions could close the gap and ease hardships

Altogether, 54 percent of the wage gap exists in only 4 percent of occupations, compared to 60 percent of the wage gap in 2020, including both the gap in representation as well as pay disparity within occupations between Latino and non-Latino White workers. These range from sales managers, first-line supervisors, engineers, information technology managers to financial managers, accountants, physicians, and software developers—all predominately professional roles that require a degree.⁴⁵ This representation gap decreased by 23 percent compared to

⁴⁰ Illiana Acosta, "Dismantling barriers to career advancement for Latinos," LinkedIn, September 16, 2021.

⁴¹ Chris Copeland, et al., "Race in the workplace: The frontline experience," McKinsey, July 30, 2022.

⁴² Lareina Yee, et al., "Women in the workplace 2022," McKinsey in partnership with LeanIn.org., October 18, 2022.

⁴³ Mariña Fernández-Reino and Ruta Yemane, "Latinos in the United States and in Spain: The impact of ethnic group stereotypes on labour market outcomes," *Journal of Ethnic and Migration Studies*, 2021, Volume 47, Number 6.

⁴⁴ Sundiatu Dixon-Fyle, Kevin Dolan, Dame Vivian Hunt, and Sara Prince, "Diversity win: How inclusion matters," McKinsey, May 19, 2020.

⁴⁵ McKinsey calculations using "2020 5-Year estimates," 2020 ACS data release, American Community Survey, US Census Bureau.

2019 but the wage gap between Latino and non-Latino workers in similar occupations increased by 7 percent during the pandemic. More Latino workers were hired into these roles, but there was also greater wage disparity between Latino and non-Latino workers.⁴⁶

The gap needs to be closed: by breaching the gap in Latino representation and wages due to occupational mix and wage disparity, \$281 billion per year in additional income could be enabled, boosting Latino workers' annual aggregate income by 34 percent.⁴⁷ Latinos who reskill and receive support in applying for better-paying jobs may be able to advance more rapidly, invest for the future, and increase their resilience to absorb future economic shocks.

Latino workers take control of their careers

Although Latino workers face barriers that non-Latino Whites do not, they can take actions to advance despite these obstacles. Latino workers often have a narrower professional network, and rely more heavily on close friends and family. By seeking out mentors and sponsors within their industry and across industries, they can benefit from guidance and coaching. Such mentors could include people who have enjoyed career success, and ideally they would make mentees aware of scholarships and other opportunities that can reduce the financial burden for advanced degrees such as law and medicine. By joining employee resource groups and professional associations, Latinos can also benefit from career development and skills training programs. Companies can also play a role, by offering mentorship and reskilling programs, and by ensuring employee resource groups include professional development in their initiatives. Finally, Latinos can commit to mentoring and sponsoring the next generation, passing on their advice and helping others succeed.

Latinos are looking for opportunities to make their mark

Latinos are eager to advance in their careers and are looking for opportunities to make their mark. Organizations and firms with a long-term vision and commitment to growth, backed by proactive, deliberate, and sustainable actions, are helping them close these gaps. We have outlined four broad opportunities where companies are already taking action.

Corporations and Latino-focused institutions are partnering to support Latino talent

attraction. For example, the Association of Latino Professionals for America (ALPFA) partners with corporations and hosts an annual career convention. This organization, established in 1972, was the first national professional body for Latinos and offers educational support programs, workforce development, and leadership skills development and opportunities.⁴⁸ According to its website, the ALPFA has more than 100,000 professional and student members across the US, who have access to more than 50,000 paid summer internships via hundreds of Fortune 1000 corporate partners.

Latinos are looking to re-skill to advance in their careers. Organizations are offering **renewed educational programs** with a strong focus on digital and analytics. The Latino Center of the Midlands' educational initiatives, such as English-language learning, Spanish literacy, technology basics, and US citizenship preparation, is one such organization that supports Latino workers to land better-paying jobs.⁴⁹

Institutions are also partnering with universities and Hispanic-serving institutions **to build a Latino talent pipeline.** Google has partnered with the Hispanic Association of Colleges and Universities (HACU) career readiness initiative. The \$2 million investment aims to help Hispanic-serving institutions train 200,000 Latino students in digital skills by 2025 by offering

⁴⁶ McKinsey calculations using ACS data survey. This finding may be affected by calculations, which looked at only US-born Latinos and did not consider immigrants.

⁴⁷ McKinsey calculations using "2020 5-Year estimates," 2020 ACS data release, American Community Survey, US Census Bureau.

⁴⁸ "Connecting Latino Leaders for impact," Association for Latino Professionals for America (ALPFA).

⁴⁹ "Cultivating a generation of engaged, thriving Latinos," Latino Center of the Midlands.

a semester-long, in-person and online digital skills program to help students get career-ready.⁵⁰ And Coca-Cola has long partnered with the Hispanic Scholarship Fund to create scholarships, support educational advancement, and promote higher education.⁵²

Vulnerable workers can benefit from partnerships and **initiatives to minimize the impact of economic downturns**. United Way of King County in partnership with the Homeless Employment program at Casa Latina is a non-profit organization advancing the power and well-being of Latino immigrants through employment, education, and community organizing. Jobseekers are put in touch with employers through temporary work, and are often able to graduate to full-time, permanent employment.⁵³

Latino business owners: Flexing their entrepreneurial muscle

Latinos are one of the fastest-growing entrepreneurial groups in the US, despite owning a smaller percentage of US businesses. They are also resilient, demonstrating the ability to recover from disruptions like COVID-19. Latino entrepreneurs have deep family roots, with a quarter saying they started a business to provide a legacy for their families. However, they experience lower levels of sales and profitability than their non-Latino White counterparts, and receive less funding.

Access to capital and better representation in growing sectors remain some of their main challenges—72 percent of business owners rely on personal savings, family, and friends for funding.⁵⁴ A change in the status quo would be greatly beneficial: if Latino businesses could access capital and expand into lucrative sectors, \$2.3 trillion in revenues and more than 6.3 million jobs could be added to the economy.⁵⁴

The Latino business owner: an entrepreneur at heart

Over the past two decades, Latinos have become the most entrepreneurial group in the US, with the number of new Latino entrepreneurs increasing by of 3.1 percent every year since 2001—1.6 times the rate of new entrepreneurs compared to non-Latino Whites. This is equivalent to an 86 percent increase in the rate of new entrepreneurs between 2001 and 2021.⁵⁵

Yet this entrepreneurial spark is not necessarily reflected in business ownership statistics. While Latinos make up 19 percent of the population, they own only 6 percent of the approximately 5.8 million employer firms in the US, and 15 percent of the 26 million non-employer firms or sole proprietors. An accurate demographic representation would see Latinos owning at least three times the number of current firms and creating about 750,000 new employer firms.⁵⁶

Latino businesses are predominately in lower-growth industries

Since 2007 there has been a reasonably stable share of Latino-owned firms across sectors, with growing representation in the construction, accommodation, food services, professional, scientific and technical services, administration, support and waste management, and finance and insurance industries.⁵⁷ New Latino-owned firms, however, are overrepresented

⁵⁰ "Grow with Google," Hispanic Association of Colleges and Universities (HACU).

⁵¹ "Coca-Cola," Hispanic Scholarship Fund (HSF).

⁵² For further information see Casa Latina website.

⁵³ Ingrid Millán, Nick Noel, Lucy Pérez, and Alfonso Pulido, "US Hispanic and Latino lives and livelihoods in the recovery from COVID-19," McKinsey, September 2, 2020.

⁵⁴ McKinsey analysis using "Annual business survey 2019," US Census Bureau.

⁵⁵ "Current population survey," US Bureau of Labor Statistics, April 2022.

⁵⁶ McKinsey analysis using "Annual business survey 2019," US Census Bureau.

⁵⁷ "Survey of business owners 2012," US Census Bureau; "Annual business survey 2018," US Census Bureau; "Annual business survey 2019," US Census Bureau.

in lower-growth industries (such as construction, accommodation, and food services) and underrepresented in high-GDP sectors such as real estate, rental and leasing, manufacturing, finance, and insurance.⁵⁸

In addition to the disparity in revenue, Latino employer firms are on average less profitable than their non-Latino White counterpart firms, experiencing lower profitability of six percentage points over the past two years. However, this gap is closing and is down from nine percentage points in 2020. Similarly, the gap between Latino and non-Latino White firms that sustained losses also shrank from 8 percent in 2020 to 5 percent in 2021.⁵⁹

Limited access to capital for business growth

Latino businesses face obstacles to growth, with lower approval rates for formal funding, leading 42 percent of Latino business owners to rely on personal savings, family, and friends (Exhibit 9). Latinos also use more credit cards, bank loans, and grants than non-Latino White-owned businesses.⁶⁰

Only 2 percent of venture capital goes to Latino entrepreneurs, although interest is slowly increasing. Investment rates for Latino-founded companies rose only 0.4 percentage points from 2020 to 2021. The total invested venture capital in Latino-owner businesses is 2.4 times what it was in 2020.⁶¹

⁵⁸ "Annual business survey 2019," US Census Bureau; "Gross domestic product by industry group: Level and change from preceding period," US Bureau of Economic Analysis, 2022.

⁵⁹ Marlene Orozco et al., "2021 state of Latino entrepreneurship," Stanford Latino Entrepreneurship Initiative, Stanford Graduate School of Business, January 2022.

⁶⁰ Ibid.

⁶¹ Janice Bitters Turi, "VC funding to early-stage Latine-founded startups in the US has stalled. Here's why that matters," Crunchbase News, January 26, 2022.

Exhibit 9

42% of Latinos rely on personal savings, family and friends for funding businesses.

Funding used to start employer businesses¹

Financing types	Latino-owned business	White-owned business
Personal and family savings	31%	24%
Business credit card	26%	22%
Personal credit card	21%	20%
National bank loan/PPP	16%	12%
Family and friends	11%	9%
Home equity loan	10%	7%
Grants	8%	7%
Economic injury disaster loan (EIDL)	6%	7%
VCs	6%	3%
Local bank loan	4%	3%
Angel investors	4%	2%
Private equity	4%	3%
Other government-guaranteed loan	3%	4%

¹Top sources of financing sought in the last 12 months, a business can use different sources.
Source: Stanford Graduate School of Business, "2021 State of Latino Entrepreneurship"

When Latinos do look for funding, they primarily do so to expand their businesses, pursue new opportunities, or acquire capital assets. This occurs more often than their non-Latino White counterparts (57 percent of Latinos compared to 38 percent of non-Latino Whites).⁶²

Generally, 46 percent of Latino entrepreneurs decline to apply for further funding (compared to 34 percent of non-Latino Whites), potentially driven by Latino business owners being more averse to debt and discouraged by prior negative experiences.⁶³ This has resulted in lower levels of debt, with 71 percent of Latino-owned firms shouldering less than \$100,000 debt.⁶⁴

Nonetheless, Latinos are approved for funding less often than non-Latino Whites. They are particularly penalized in most traditional funding types. Their approval rates are 25 percentage points below those of non-Latino Whites in factoring, 15 percentage points in local banks, and nine percentage points in private equity.⁶⁵

Weathering the COVID-19 storm: Resilience during the pandemic

The COVID-19 pandemic impacted businesses across the world, and Latino-owned firms were no exception. More than 60 percent of Latino-owned businesses had to reduce or modify their business operations during the pandemic. Of these, 60 percent saw total sales drop by more than a quarter for 2020. Moreover, 30 percent of them were unlikely to survive without additional government assistance. Other minority-owned businesses had a similar experience, with 65 percent of Black-owned and 69 percent of Asian-owned businesses losing sales at the same rate, and 35 percent of Asian businesses requiring additional government support.

Despite the hardships, Latino businesses have shown signs of resilience, with 42 percent expected to have returned to sales levels of 2019 in the second half of 2021, and another 22 percent expecting to do so during 2022 or later (Exhibit 10).⁶⁶

Closing the gaps: An opportunity to add trillions of dollars in revenue and create millions of jobs

Latino employer firms are fewer in number and smaller in size than those of non-Latino Whites, resulting in a \$2.3 trillion revenue gap and the opportunity to generate 6.3 million jobs.⁶⁷ They earn \$450 billion, about half the revenue of non-Latino White firms. Based on Latinos' share of the population (19 percent), there should be three times as many Latino business owners. Instead, Latino-owned businesses make up only 6 percent of the total. Currently, Latino employer firms generate on average only \$1.6 million in revenue per firm.

Their relative underperformance results from a greater concentration in lower-growth industries and less revenue generation, with less profitability than non-Latino White-owned peers. Just four industries—wholesale and retail trades, manufacturing, and construction—account for almost two-thirds (\$1.2 trillion) of the revenue gap between Latino and non-Latino White businesses, or \$794 billion per firm. If this gap were closed, there would be an extra 750,000 businesses, and overall, Latino firms would be stronger, more resilient, and would create millions more jobs.⁶⁸

⁶² Ibid.

⁶³ "Small business credit survey 2021," Fed Small Business, 2021.

⁶⁴ Ibid.

⁶⁵ Marlene Orozco et al., "2021 State of Latino entrepreneurship," Stanford Latino Entrepreneurship Initiative, Stanford Graduate School of Business, January 2022.

⁶⁶ "Small business credit survey 2021," Fed Small Business, 2021.

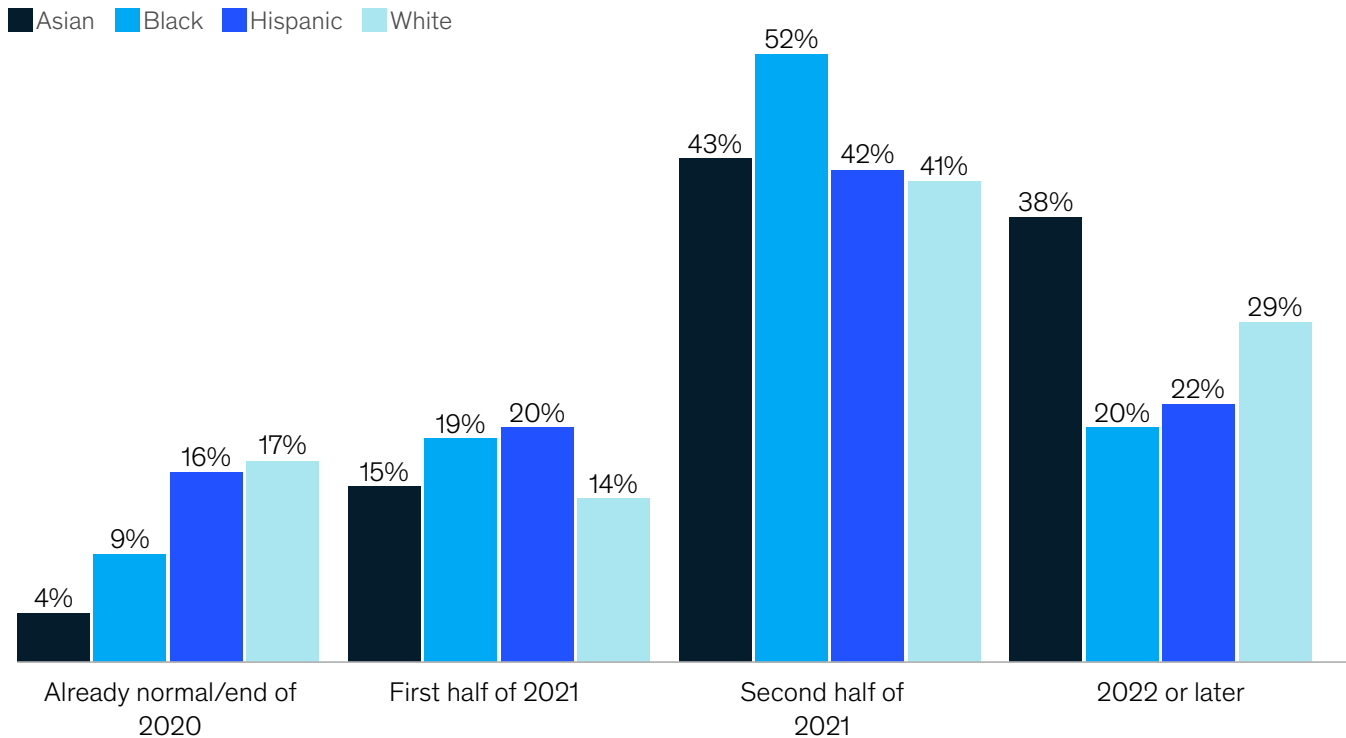
⁶⁷ McKinsey analysis using "Annual business survey 2019," US Census Bureau.

⁶⁸ McKinsey analysis using "Annual business survey 2019," US Census Bureau.

Exhibit 10

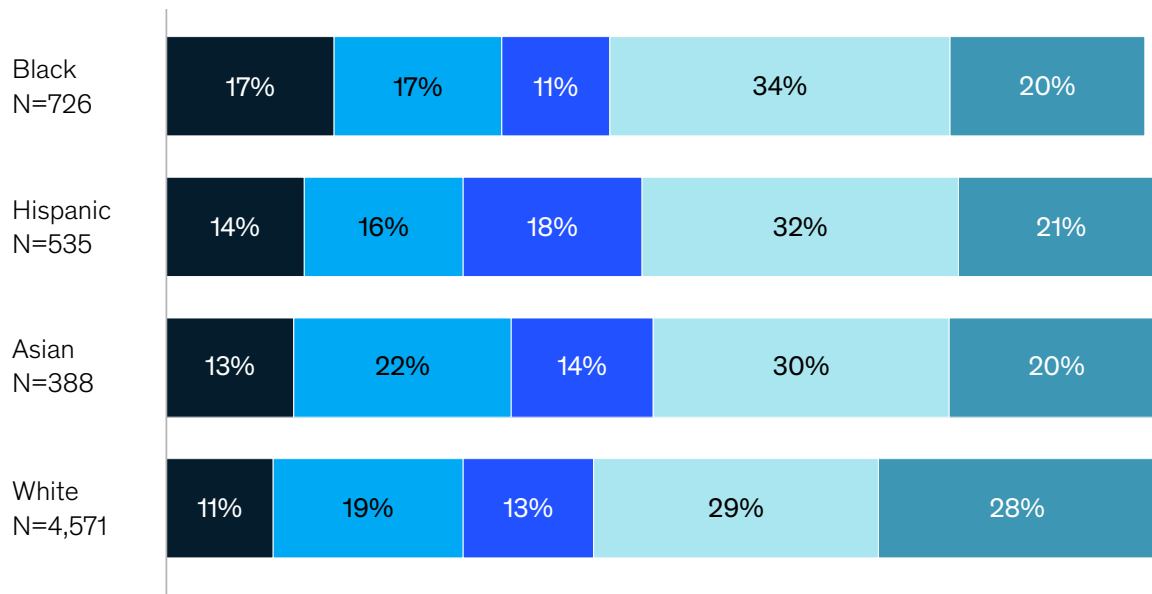
While Latino-owned firms were impacted by the pandemic in line with other minority firms, $\frac{3}{4}$ had their sales back to normal by mid 2021.

Expected timing of sales' return to "normal" (i.e. 2019 levels)^{1,2,3}, (% of employer firms)



Likelihood firms will survive without additional government assistance until sales return to normal^{1,2}, % of employer firms for which sales had not yet returned to normal

Legend: Very unlikely (Dark Blue), Somewhat unlikely (Light Blue), Neither likely or unlikely (Medium Blue), Somewhat likely (Very Light Blue), Very likely (Dark Teal)



¹Percentages may not sum to 100 due to rounding.

²Data on sales recovery and firm survival expectations were drawn from questions in the optional end-of-survey module (completed by approximately 80% of respondents). This subset of respondents is re-weighted to be reflective of the overall small-firm population.

³At time of survey, September through October 2020.

Source: "Small business credit survey 2021," Fed Small Business, 2021

Taking Latino businesses to the next level

Latino entrepreneurs can unlock even more potential with targeted structural interventions that are accessible and appropriate, such as the three listed below.

PepsiCo is **accelerating Latino business growth** through a \$50 million program. Juntos Crecemos aims to boost Latino-owned businesses over the next five years through donations, tailored curricula, and support. PepsiCo also launched the Impacto Hispanic Business Accelerator, which provides \$10 million in funding to help 500 Latino small-food and beverage business owners recover from COVID-19.⁶⁹

Telecommunications giant T-Mobile partnered with non-profit advocacy group UnidosUS to launch a digital literacy and job readiness toolkit to address the increase in online shopping. The kit helps Latino entrepreneurs **harness the power of digital technologies to run their small businesses** more effectively.⁷⁰

Further focusing on technology, Google and the United States Hispanic Chamber of Commerce are **highlighting Latino entrepreneurial excellence**. The two organizations joined forces to create a Latino-owned attribute available across Google Search, Maps, and Shopping, as well as financial support and skills training for business owners. Latino-owned businesses on Google are now identifiable as such, which encourages people to support them.⁷¹

Retailers have recognized the value of this tailored approach—Target celebrated Latino heritage month with the launch of its Más Que collection, which featured more than 90 products, mostly created by Latino companies and designers, that pay homage to the rich heritage and diversity of Latino culture.⁷² Coca-Cola has also supported Latino heritage, this year announcing a \$150,000 donation to the Hispanic Heritage Fund in partnership with iHeartMedia to create year-round programs promoting Latino culture and accomplishments.⁷³ The company has also donated \$2 million in support of The Smithsonian's National Museum of the American Latino and Molina Family Latino Gallery in Washington, DC. This is The Smithsonian's first gallery dedicated to Latino contributions to the US, and will preview the National Museum of the American Latino, which will explore Latino achievements in art, history, culture and science.⁷⁴

Latino entrepreneurs can unlock even more potential with targeted structural interventions that are accessible and appropriate, such as the three listed below.

⁶⁹ "PepsiCo launches \$50 million Juntos Crecemos platform to support Hispanic-owned businesses across the US," PRNewswire, August 2021.

⁷⁰ "T-Mobile enhances partnerships with LULAC and UnidosUS to bring digital literacy resources to Hispanic communities," T-Mobile, August 2021.

⁷¹ Ramiro Cavazos, "Abriendo caminos: New pathways for Latino-owned businesses," Google, September 2021.

⁷² "Celebrating the creators, artists, and founders behind Target's 2022 Latino heritage month collection," AzFa, September 2022.

⁷³ "The Coca-Cola Company and iHeartMedia announce a \$150,000 donation to Hispanic Heritage Foundation in support of Latino culture and youth programs," Hispanic Heritage Foundation, September 22, 2022.

⁷⁴ "The Coca-Cola Company donates \$2 million to National Museum of the American Latino," Coca-Cola, May 2, 2022.

Latino savers: Slowly shifting from surviving to thriving

While Latinos' share of the population and workforce continues to grow, their financial safety is not keeping pace—current high inflation, coupled with the impact of the COVID-19 pandemic, has exposed their vulnerabilities. Latino savers have only a fifth of the median wealth of their non-Latino White counterparts, their savings have been depleted, and their purchasing power has dropped. Their participation in assets that accumulate wealth is also lagging, particularly in real estate and retirement savings. In fact, almost half of Latinos have no retirement savings.⁷⁵ It is no surprise that only 23 percent of Latinos are considered financially healthy in 2022 compared to 35 percent of non-Latino Whites.⁷⁶

Nevertheless, signs are encouraging as Latinos' net wealth is increasing at a faster rate, from 14 percent (2013-2016) to 21 percent (2016-2019), narrowing—but not yet closing—the gap with non-Latino Whites.⁷⁷ If the trend continues, Latino households could reach an average net worth of \$47,000 this year. However, tight budgets and greater exposure to inflation, with first-generation savers particularly vulnerable, present serious challenges.

While Latinos have about half as much debt as non-Latino White counterparts, this may be because they find it difficult to access appropriate financial products.⁷⁸ Latinos are 1.7 times more likely than non-Latino Whites to be turned down for a loan, and 30 percent are unbanked or underbanked compared to their non-Latino White counterparts.⁷⁹

Steady household wealth off a low base

Latino household wealth represents only 3 percent of total US household wealth, at \$3.9 trillion out of \$134 trillion. This lower share is driven by lower participation in assets that accumulate wealth over time, particularly real estate and the stock market. However, it has seen high growth over the past decade.⁸⁰

COVID-19 and recent inflationary pressures have hit Latino families hard, but first-generation ones have been more affected than those of US-born Latinos. Altogether, immigrants suffered a significant decrease in wealth since last year, potentially due to job loss or higher pay cuts, which decreased their assets and increased debt. In contrast, the assets of third-generation Latinos increased by 21 percent in 2021.⁸¹

⁷⁵ "2021 retirement confidence survey," Employee Benefit Research Institute, 2021.

⁷⁶ Wanjira Chege, Necati Celik, Andrew Dunn, and Andrew Warren, "Financial health pulse: 2022 trend report," Financial Health Network, 2022.

⁷⁷ "Consumer finances survey 2019," Federal Reserve, 2019 (median net worth).

⁷⁸ "Consumer finances survey 2019," Federal Reserve, 2019 (assets and liabilities).

⁷⁹ "Economic well-being of US households in 2020," Federal Reserve, May 2021.

⁸⁰ "Consumer finances survey 2019," Federal Reserve, 2019.

⁸¹ "Consumer survey," McKinsey, August 2022 (n = 4,400); McKinsey Global Institute analysis; McKinsey Institute for Latino Economic Mobility analysis.

Latinos' relatively low asset value, lower incomes, and tighter budgets may indicate greater financial strain, which leads them to prioritize immediate needs over savings (Exhibit 11). In fact, 47 percent of Latinos consider helping friends and family more important than saving for retirement (compared to 35 percent of non-Latino Whites). Overall, 47 percent of Latinos have no savings compared to 38 percent of non-Latino Whites—translating into an approximate \$77 billion gap in aggregated disposable savings between Latinos and non-Latino White households.⁸²

COVID-19 and inflation have eaten into savings

The future looks uncertain: a quarter of Latinos depleted their savings during the COVID-19 pandemic, leaving 27 percent of households with nothing to fall back on. The disproportional impact of inflation added to the inability to save, and strongly affected prices in categories that make up the most significant share of expenses, such as transport, housing, and food.⁸³

Higher inflation has also resulted in Latinos decreasing their contribution to assets and liabilities. Having used up their savings during the pandemic—perhaps to keep businesses afloat—Latinos are expected to contribute 3 percent less to assets in the coming years than they used to; unlike non-Latino White counterparts who do not expect to reduce their contributions. The most significant trade-down will be an 8 percent reduction in Latinos' investments in cryptocurrency and 6 percent in checking and savings accounts. Furthermore, Latinos plan to reduce their debt payments by 4 percent and personal loans by 9 percent—reducing day-to-day expenditure but keeping them in debt for longer.⁸⁴ And with 60 percent of Latinos having no retirement accounts because of a shortage of savings, they face an unsure future.⁸⁵

Higher inflation has also resulted in Latinos decreasing their contribution to assets and liabilities.

⁸² "Consumer expenditure survey 2021," US Census Bureau, US Bureau of Labor Statistics.

⁸³ "Consumer price index—September 2022," Bureau of Labor Statistics, US Department of Labor, October 13, 2022..

⁸⁴ "Consumer survey," McKinsey, August 2022; McKinsey Global Institute analysis; McKinsey Institute for Latino Economic Mobility analysis.

⁸⁵ "Consumer survey," McKinsey, August 2022; McKinsey Global Institute analysis; McKinsey Institute for Latino Economic Mobility analysis.

Fewer places to put their money

Limited access to financial products further hinders Latinos' financial health. They face a significant gap in asset diversity and total value compared to their non-Latino White counterparts, exacerbated by their lower income levels (Exhibit 11) and lower rates of home ownership.⁸⁶

Latino adults remain underserved by financial products—they are three times more likely not to have bank accounts, and they are 2.3 times more likely to be underbanked than their non-Latino White counterparts, relying on alternative financial services such as payday loans, money orders, and pawn shops.⁸⁷ Affordability, lack of service, and poorly targeted advertising are all reasons why Latinos might not have bank accounts.⁸⁸ In addition, those who do have bank accounts are slightly less satisfied with their products compared to non-Latino Whites, facing greater difficulty accessing the features they need and finding branches with convenient opening hours.

Financial institutions can do more to educate potential investors and savers. The proportion of Latino investors in stocks and bonds is increasing, but remains small. While a third said they couldn't afford to invest in bonds, stocks, mutual funds, or exchange-traded funds, more than half of Latinos said they didn't know what these products were, didn't know how to invest in them, or had not considered these investments. Currently, just over a third of Latinos hold investment products, from 20 percent in 2021. These figures suggest that financial services companies could benefit from tailoring their products to Latinos.

⁸⁶ "Consumer finances survey 2019," Federal Reserve.

⁸⁷ "Economic well-being of US households in 2020," Federal Reserve, May 2021.

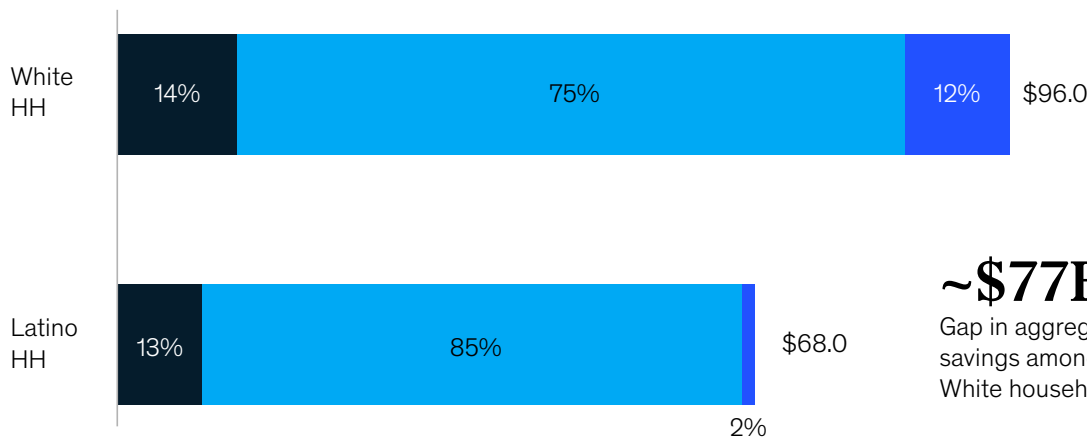
⁸⁸ Ibid.

Exhibit 11

Low participation in wealth accumulating assets for Latino households is driven by lower incomes and tighter budgets.

Average annual household income vs. consumption, \$k

■ Savings ■ Income consumed ■ Tax



¹19.7M Latino consumer units (Consumer Expenditure Survey 2021) x (\$4k difference in savings of a White household vs a Latino household).
Source: "Consumer expenditure survey 2021," US Census Bureau, US Bureau of Labor Statistics

However, Latino investors show a higher preference for cryptocurrency than the general US population, possibly due to the high adoption of cryptocurrency in Latin American countries or a lack of trust in traditional financial systems.⁸⁹ One in four cryptocurrency owners is Latino, and 21 percent reported that they have invested in, traded in, or used this currency.

Less debt, fewer credit options, and higher costs

As shown in Exhibit 12, Latinos have half as much debt as non-Latino Whites do but, as is the case with Latino business owners, are almost twice as likely to be turned down for credit. They have fewer mortgages and student, or similar, personal loans, but more credit cards. Latinos generally have fewer outstanding personal loans by income bracket than non-Latino Whites, either because they had not considered applying, or because interest rates were too high.⁹⁰ Their median debt amount is \$40,000 and is primarily concentrated in mortgages.

Latinos are less likely to own a home.⁹¹ Their median household income (\$55,000) is 20 percent lower than the minimum salary (\$68,008) needed to afford median-priced homes.⁹² As a result, they have high costs for housing, but less opportunity to build their wealth, and experience twice as many mortgage denials as non-Latino Whites.⁹³

However, those who do have mortgages show different payment patterns to non-Latino Whites. In 2021, Latinos paid 5 percent more of their outstanding mortgage balances than their non-Latino White counterparts. Thirty-four percent of Latino home borrowers use alternative financing with higher costs, such as personal property loans or rent-to-own, compared to

⁸⁹ "Consumer survey," McKinsey, August 2022; McKinsey Global Institute analysis; McKinsey Institute for Latino Economic Mobility analysis.

⁹⁰ "Consumer survey," McKinsey, August 2022; McKinsey Global Institute analysis; McKinsey Institute for Latino Economic Mobility analysis.

⁹¹ "Consumer finances survey 2019," Federal Reserve.

⁹² Ibid.

⁹³ "Homeownership rate in the United States," US Census Bureau, FRED, Federal Reserve Bank of St Louis, October 16, 2022.

Exhibit 12

Latino families' asset participation and value is lower than that of non-Latino White families.

	Families holding asset (%)		Median value of asset (\$k)	
	Latino	White	Latino	White
Mortgages	32	44	131	138
Student loans	14	20	18	23
Credit card	50	45	2	3
Personal loans ³	52	51	17	18
Total liabilities ⁴	72	78	40	79
Housing assets	48	74	200	230
Transaction accounts	96	99	2	8
Retirement accounts	26	57	31	80
Life insurance ²	6	21	8	10
Stock holdings	24	61	15	51
Total assets ¹	99	100	72	306

¹Median total asset value is not the sum of the median value of each asset category.

²Cash value.

³Includes installment loans of all types.

⁴Median total liability value is not the sum of the median value of each liability category.

Source: "Consumer finances survey 2019," Federal Reserve

19 percent of non-Latino Whites, and pay on average 30 percent more for home purchase loans.⁹⁴

Healthier debt profiles may count against Latinos, as a lower penetration of financial products lowers their credit rating. In total, 16 percent of Latinos are credit invisible as they have no credit history or accounts to calculate a credit score.⁹⁵ They could be further disadvantaged by a lack of financial literacy, debt-to-income ratio, and lack of collateral. As a result, they have significant personal finance needs that are going unmet, and financial institutions with tailored products may be able to better meet the needs of Latinos. Latinos have the lowest educational attainment of all major racial/ethnic groups in the US population, and therefore have less student debt—14 percent of Latino families have educational installment loans versus 20 percent of non-Latino White families. Those who do take out loans apply for lower amounts (\$18,000 compared to the \$27,000 median student loan). In a survey of students who did not complete college, almost half of Latinos dropped out to avoid more debt (compared to about 40 percent of non-Latino Whites).⁹⁶

Altogether, 20 percent of Latinos expressed their dissatisfaction with current financial or savings product offerings. Some of the main reasons they gave for this include: prices being too high (26 percent); not having enough money to invest (23 percent); and feeling that companies are not committed to addressing social inequities (13 percent). Despite being severely impacted by the economic downturn, Latinos indicate that they would pay approximately 16 percent more on average for better offerings. Satisfying their needs could increase their \$208 billion balance by about \$21 billion.⁹⁷

Promoting resilience with financially inclusive interventions: What organizations are doing

Latinos are looking for financially inclusive solutions that allow them to invest effectively and ensure a stable future. Three interventions can support them to meet this need.

Credit unions **focusing on the financial needs of Latinos** and immigrants, such as **Juntos Avanzamos**, present in 26 states, provide a valuable service. Juntos Avanzamos based its financial products and services on their Latino customers' needs. Customers learn to navigate the US financial system and have the tools they need to reach their savings goals, such as financial literacy and taxpayer identification tools.⁹⁸

Predatory lending education and financial planning resources can support Latinos to smooth out income volatility. For example, Latinos using the bilingual digital platform **FinHabits** can access wealth-building tools, savings, and investments, and are offered long-term financial planning. The online investing service is designed for first-time savers, focusing on simplicity and access.⁹⁹

Retirement benefits could be provided to more workers. The Latinos for a Secure Retirement coalition aims to empower Latino communities to become economically secure. They provide the tools, resources, and advocacy to improve retirement security for current retirees and ensure retirement security for both this and future generations.¹⁰⁰

⁹⁴ "Millions of Americans have used risky financing arrangements to buy homes," The Pew, May 23, 2022.

⁹⁵ Mike Hepinstall, et al., "Financial inclusion and access to credit," Oliver Wyman, January 12, 2022.

⁹⁶ Robert Agans, Jess Dorrance, and Kate Salosky Elengold, "Debt, doubt and dreams: Understanding the Latino college completion gap," University of North Carolina and Unidos, November 2020.

⁹⁷ "Consumer survey," McKinsey, August 2022; McKinsey Global Institute analysis; McKinsey Institute for Latino Economic Mobility analysis.

⁹⁸ "Helping you reach your financial goals," Juntos Avanzamos.

⁹⁹ "Here's what every Latino should know about investing," FinHabits.

¹⁰⁰ For more information, see Latinos for a Secure Retirement website.



4. Actions to support Latino economic mobility

Latinos play a crucial role in the US economy and currently account for a \$1 trillion market, despite being challenged by lower-paying jobs, less education, and the bias they face from neighbors, co-workers, and employers. Over the past year, it has become clear that Latinos, for various reasons, are also uniquely vulnerable to income disruption and predatory lending and are likely to curtail their spending more sharply than other groups. By acting now, Latinos can be supported through instability while building their resilience to deal with future shocks. They have already demonstrated resourcefulness, hard work, and creativity; now, by acting in their favor, companies can remove barriers to full economic participation.

Two types of actions are needed. Committing to structural interventions that allow Latinos to compete on a more even field would build a fairer and more prosperous economy to help them close the gap in income and consumption levels. But at the same time, immediate, tactical interventions are needed now to protect Latinos as they manage tighter budgets and resources.

Our previous report, published last year, remains relevant as it highlighted a large and growing minority who in many ways embody the American dream of equal opportunity, rewards for hard work, and rising prosperity over generations, but for whom that dream was deferred. Since then, for many Latinos, the situation has worsened as the impact of inflation further strains resources and budgets. Issues such as wage disparity, lower representation in higher-paid positions, access to capital for business owners, and a lack of willingness to invest in these businesses continue to headline in the 2022 report. As a result, the structural recommendations we proposed in 2021, such as better compensation and reskilling for workers, increasing access to capital, and financial inclusion to boost Latinos' wealth-building, are more urgent than ever. These should be coupled with short-term interventions that respond to the current economic instability.

By acting now, Latinos can be supported through instability while building their resilience to deal with future shocks.

Box

The cumulative cost of hardship

Over the course of the report, we have identified sizeable gaps in opportunity, revenue, and spending between Latinos and non-Latino Whites, which together impact the wealth of Latino savers. Less money in means less money out.

Latino workers receive \$281 billion less than non-Latino Whites, as they are more likely to work in lower-paid jobs and be paid less than non-Latino White peers.¹ Latino businesses make half as much revenue as non-Latino White businesses—again, as they are concentrated in lower-performing industries, with less access to capital, and are smaller in size. Additionally, there are fewer Latino-owned businesses than would be expected based on their share of population, which deepens the divide and results in a revenue gap of \$2.3 trillion.²

This lower income relative to population, among other reasons, results in a consumption gap of \$554 billion between Latino households and non-Latino White counterparts. However, despite this lower overall consumption, Latinos are a formidable force in the marketplace. Latino households spend more than their non-Latino White counterparts at the same income level, yet their needs are not being met by brands to the same extent as non-Latino White households.

¹ McKinsey calculations using "2020 5-Year estimates," 2020 ACS data release, American Community Survey, US Census Bureau.

² "Annual business survey 2019," US Census Bureau.

Mind the gaps: Six ways to boost Latino prospects

Across the four lenses of Latinos—workers, savers, business owners, and consumers—the right combination of structural and immediate interventions could help Latinos on the path to economic advancement and prosperity; actions that will hugely benefit the country.

These interventions were explored in our 2021 report and included improving access to education, creating targeted products and service offerings, increasing access to capital, and reducing and mitigating biases.¹⁰¹ By building on these interventions, and by addressing the need for improved representation across society, it is possible to find ways to kickstart Latinos' journey to prosperity.

Representation: unlocking decision-making power

Latinos remain underrepresented in the boardrooms and C-suites of the most powerful companies in the US, making it more likely that decisions around product development, marketing, and supply chains overlook the needs of this key population.

- Companies who are serious about more representative leadership can **set targets for inclusion** with strategic interventions to develop a pipeline of Latino talent.
- Gender inclusion programs **designed with intersectionality** in mind will help ensure Latina and Black women are not left behind in the efforts to advance female leadership.
- Building more representative leadership also requires **more inclusive workplaces**; to that end, the interventions aimed at promoting Latino workers are also needed to achieve this goal.

¹⁰¹ Ana Paula Calvo, Michael Chui, Lucy Pérez, and Bernardo Sichel, "The economic state of Latinos in America: The American dream deferred," McKinsey, December 9, 2021.

Education and re-skilling: the key to workers' progress

Latinos are already at a disadvantage with lower education levels than other groups. They can raise their incomes and flatten structural hurdles with greater access to education. Workers can seek out opportunities to learn new skills and access mentorship and apprenticeship to support their career development. Structural interventions could include:

- **Supporting Latinos to re-skill into higher-paid occupations.**
- Providing resources to build strong Latino affinity or networking groups that create **mentorship and sponsorship** for Latino workers.
- Other actions include **increasing Latino access** to higher education and digital technologies, identifying and solving potential skills gaps, and focusing on **recruiting more Latino talent**.
- **Committing to more diverse representation** in leadership and at work, including greater Latino representation, allows for richer experiences and more inclusive decision-making within companies, which ultimately impacts the range of goods and services offered to consumers.

Rapid remedies, mainly focusing on the impact of COVID-19 and inflation, could include:

- Augmenting structural interventions with **shorter-term and affordable reskilling and education programs** to help Latinos embrace new careers in digitalization, food, goods delivery, or logistics, including resources for the changing professional needs due to inflation and COVID-19. Stakeholders could also explore how to invest in giving Latinos access to digital technologies.
- **Partnering with universities** and Latino-serving institutions to strengthen a pipeline for Latino talent.
- Designing programs that minimize vulnerabilities, such as **free capability-building programs, to reskill workers** in professions affected by COVID-19

Building a future: Providing relevant financial products and services

Latinos have tighter household budgets, struggle to save for retirement and improve their asset base and have had to dip into savings to a greater extent than their peers. Designing and delivering products that meet their needs for value, flexibility, and cost will support their financial health. Structural interventions to improve products and services could include:

- Offering **flexible investment and saving products** that will address Latinos' immediate needs as well as their future prosperity. Retirement and other financial benefits could be added to work plans to entice savers.

Potential rapid remedies to protect against income volatility could include:

- **Saving strategies and programs aimed at Latino students** would support them to make prudent financial decisions as they enter the workforce.
- Providing **financial education** on credit scores, retirement opportunities, investment, and budgeting to ignite savings and investment. Latinos could protect themselves against **predatory lending** and high interest rates with such programs.
- **Reworking financial institutions' footprints to ensure consumers retain access even in banking deserts.**¹⁰²

¹⁰² Banking deserts are defined as census tracts in states that have an above-average proportion of unbanked individuals, as measured by the Federal Deposit Insurance Corporation. Source: Donald P Morgan, Maxim L Pinkovsky, and Bryan Yang, "Banking deserts, branch closings, and soft information," New York Federal Reserve, March 7, 2016.

Value and quality: The new gold standard for Latino consumers

Latino consumers are unhappy with the products offered to them, with affordability, value, and quality being the main drivers of this dissatisfaction. By addressing the reasons for dissatisfaction, companies can support their needs and potentially increase their own market share as consumers are more likely to switch brands during this time. Companies that look to add or retain new potential customers changing their behavior could consider a price-first or value-driven marketing strategy, including the following:

- **Optimizing value propositions**, including private-label goods, that would help retain customers severely hit by the economic downturn.
- **Investing in a better understanding of Latino customers and their preferences.** Companies that invest in understanding the Latino consumer can develop segmented product marketing strategies and ensure that their products are appealing, with high-quality, health, and sustainability differentiators. In many cases, this could mean modifying existing products to appeal to Latinos. Using channels Latinos prefer and designing policies to shield the consumer from rising prices, especially on basic or essential products, could also help meet their needs.
- Investing in **tailored offerings such as food with flavors from Latin American countries and makeup with a range of tones that match the diversity of Latino population, among others**, to meet the shifting needs and preferences of Latino consumers.

Organizations can also support the most vulnerable consumers by **catering to previously underserved populations in the channels they prefer, and by shielding consumers from price increases** on basic products.

Money matters: Increasing access to capital and opening business opportunities

While Latino-owned businesses have shown relative resilience, many could do with additional support. Key opportunities in this area point to improved access to capital, business expansion, and support through uncertainty. Latino business owners themselves can also seek out opportunities for mentorship and skills training.

Our 2021 report looked at ways to boost access to capital for Latino business owners by:

- **Setting aside funding** and ensuring **equal access** to funds, while connecting Latino-owned businesses with sources of capital.
- **Providing bias training and standardized methodologies to funders** to minimize differences in approval rates.

However, Latino-owned businesses remain underrepresented in the most attractive sectors. Opportunities exist here to:

- **Create formal mentorship, sponsorship, and allyship programs**, network entrepreneurs with industry experts and professionals, and support businesses in setting up an online presence.
- **Enable access to broadband**, particularly for underserved communities, to increase entrepreneurship.

Stopping the skew: Reducing bias

Latinos continue to face bias, discrimination, and prejudice, adding a further layer of disadvantage they must negotiate. Structural interventions to remove or reduce bias are needed, such as:

- Providing **bias training** to creditors, recruiting, and educational professionals, and developing standards for approvals that minimize bias.
- Promoting **supplier diversity and buying from Latino-owned businesses** by using minority certificates and being active in the community.
- Publicly disclosing demographic information and providing **transparency** on compensation, **advancement, and retention**.
- Increasing Latino representation on boards and in corporate C-suites.

Sidebar

How companies can step up

Change requires commitment, and by implementing tangible actions that meet the needs of Latino consumers, these companies are taking steps to support their customers at critical moments and celebrate their identity.

Bank of America

Latinos are less likely to own property than their non-Latino White counterparts due to affordability issues, which in turn impacts their ability to build wealth. Bank of America offers mortgage options with zero down payments and zero closing payments for certain Black and Latino neighborhoods. It also actively recruits diverse talent and has partnered with 200 external organizations to do so. Bank of America serves 300,000 Hispanic-owned small businesses, and offers Spanish-language capabilities across 2,000 financial centers and on mobile channels. The annual Hispanic Small Business Owner Spotlight report is conducted to improve the bank's services to this community.

JLo Beauty

Companies that proactively ask for customer feedback and tailor their products accordingly can win support from the discerning Latino client base. JLo Beauty organizes community forums where the brand listens to customer requests and tests new ideas. It maintains authentic social media engagement with Jennifer Lopez, the face of the brand, and offers a newsletter with an exclusive view into her life. Tailored beauty products, such as "Overnight Hustle", are made with Latinas' unique skin-care requirements in mind. Since its launch in January 2021, JLO Beauty has tripled in size and gained over 1 percent market share.

Target

While niche brands often identify a target market segment to win over, large organizations can also show that they are responsive to customer needs. Diversified retailer Target has executed a dedicated Latino strategy for more than five years. It offers curated products made by Latino businesses, shares stories, and celebrates the contributions of Latino guests, entrepreneurs, and Target team members. It regularly carries more than 60 Latino-owned brands. For the past two decades, Target has supported a Hispanic scholarship fund.

The economic state of Latinos in America: Advancing financial growth

Financial-services revenues from Latinos may grow by more than \$90 billion by 2030. To get more of that market, institutions would need to tailor their offerings.

This report is a collaborative effort by Alberto Chaia, Arsenio Martinez, Nick Noel, Marukel Nunez Maxwell, and Lucy Pérez.

December 2023



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Preface

Since 2021, McKinsey has published annual reports on Latino economic mobility. In 2021, *The economic state of Latinos in America: The American dream deferred* focused on Latinos' economic contributions as workers, business owners, consumers, and savers. In 2022, *The economic state of Latinos in the US: Determined to thrive* built on the 2021 report and delved deeper into Latino consumers' experiences, particularly how they remain underserved by available offerings despite their economic power.

In this year's report, *The economic state of Latinos in America: Advancing financial growth*, we put a spotlight on the relationship between Latinos and the financial-services sector. We decided to focus on how this particular industry can better serve Latinos—and make doing so a competitive advantage—because it's impossible to separate economic mobility in a society from its financial system.

Our research reflects this reality. The report links the barriers and pain points Latino households and business owners face when working with financial institutions, not only to the commercial opportunities inherent in eliminating these challenges but also to larger inequitable outcomes. The way forward involves identifying the right strategies for individual institutions and—something distinctive to this report—getting private investors involved in creating value from boosting Latinos' financial inclusion.

The research was led by Alberto Chaia, a senior partner in McKinsey's Miami office; Arsenio Martinez, a partner in the Washington, DC, office; Nick Noel, an associate partner in the DC office; Marukel Nunez Maxwell, a senior partner in the New York office; and Lucy Pérez, a senior partner in the Boston office.

The project teams were led by Roukaya El Houda, Jose Miguel Errazuriz, Monica Rex, and Kelly Song, and included Maya Aidlin-Perlman, Clara Carvalho, Kayla Getter, Juliette Low Fleury, Alexia Sabogal, Gil Sander Joseph, Laura Tamayo Castillo, Tre Tennyson, and Benjamin Topa. Margret-Ann Natsis led external outreach. The authors would like to thank them for their contributions and support.

We would especially like to thank the Aspen Institute Latinos and Society Program for its knowledge partnership and commitment to sharing this research externally.

We hope this report and our previous research will spur further action. This work is independent and reflects our own views.

Lucy Pérez

Coleader of McKinsey's North America Hispanic Latino Network
Senior Partner, McKinsey
Boston

1 Introduction



Access to financial services is an indispensable part of economic mobility. Financial services allow individuals and families to perform critical tasks such as making everyday transactions, obtaining credit, and holding insurance. These services can support customers' financial health and proficiency with financial tools and facilitate long-term wealth creation.¹

Latinos represent about 20 percent of the US population today, and many of them are missing out on these benefits. Members of the Latino community have long faced obstacles in getting financial products and services that meet their needs. This problem manifests in a variety of ways. For example, there is a persistent wealth gap between US Latinos and their non-Latino White counterparts; the median White household has five times the wealth of the median Latino family.² Second, one in three Latinos was unbanked or underbanked in 2021.³ Finally, 44 percent of loan applications by Latinos are denied, as compared with 34 percent for non-Latino Whites.⁴

Equitable access to financial services could significantly reduce financial volatility and accelerate wealth building for individual Latinos—all while addressing long-standing consumer needs. For Latino communities, equitable access would fortify economic resilience, reduce poverty rates, boost growth, and make local financial ecosystems more stable.⁵

Financial institutions would also benefit from developing better options for Latino customers. In fact, doing so can be a competitive asset. Pursuing inclusive growth can create a trifecta of benefits: granular growth,⁶ profit, and environmental, social, and governance (ESG) priorities that could help companies beat the market.⁷ Those benefits also make it a competitive necessity. Our analysis

shows that revenue from Latino savers and from small and medium-size businesses (SMBs)—those with revenues of \$30 million or less—is already \$172 billion. We project that the market will organically grow to around \$265 billion in 2030, 8 percent of the total value of the financial-services market.

Financial institutions aiming to expand and thrive among diverse customers could further boost this growth, which would require better serving the sector's existing 45 million Latino customers to gain market share.⁸ Based on our analysis, if Latinos had the same penetration and usage rates for financial products and services as their non-Latino White counterparts, the financial-services sector would gain another \$160 billion in annual revenue, nearly double the current total (Exhibit 1). Latino consumers would contribute 12 percent of the 2030 revenue to this significantly expanded total addressable market.

This possibility is particularly notable in this moment for the financial-services sector because bank performance has seen wide divergence in recent years. The top 40 percent of banks enjoy ROE of 14 percent or higher, but the bottom 35 percent see ROE of less than 8 percent.⁹

Our experience suggests that the financial institutions that will be best positioned for growth will be the ones that capitalize on new technologies, manage their balance sheets, and acquire and retain customers from emerging and growing markets. Providing better service to Latino customers can help financial institutions become stronger performers by growing their balance sheets with a customer segment that promises long-term growth and that can be efficiently served with digital technology.

¹ For more, see "The case for accelerating financial inclusion in Black communities," McKinsey, February 25, 2020.

² "Survey of consumer finances, 1989 - 2022," US Federal Reserve, updated November 2, 2023.

³ *2021 FDIC national survey of unbanked and underbanked households*, Federal Deposit Insurance Corporation, 2021.

⁴ Kacie Goff, "SBA loan statistics: Race and gender," Bankrate, July 10, 2023.

⁵ "The economic state of Latinos in the US: Determined to thrive," McKinsey, November 14, 2022.

⁶ Granular growth integrates diversity, equity, and inclusion efforts; diversity in the supply chain; sound commercial strategy; and a commitment to communities. For more, see Chris Bradley, Rebecca Doherty, Nicholas Northcote, and Tido Röder, "The ten rules of growth," McKinsey, August 12, 2022.

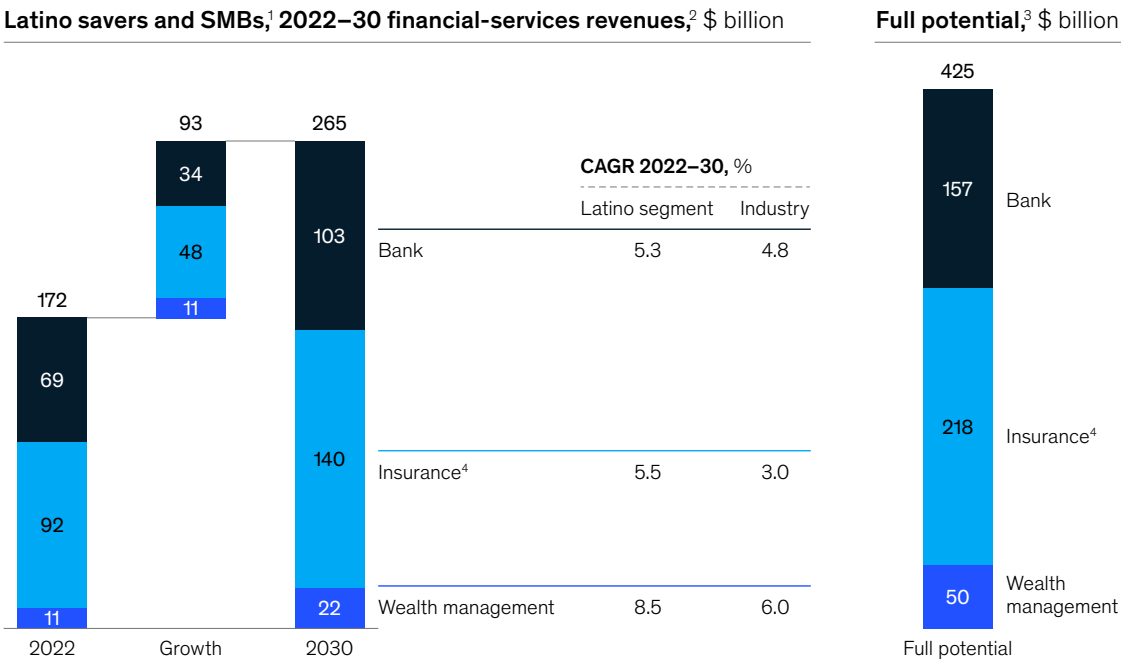
⁷ "The triple play: Growth, profit, and sustainability," McKinsey, August 9, 2023.

⁸ Calculated using the assumption that US Latinos aged 18 or older are potential customers. See "Hispanic population of the United States in 2022, by sex and age," Statista, September 2023.

⁹ "Global Banking Annual Review 2023: The Great Banking Transition," McKinsey, October 10, 2023.

Exhibit 1

Latino savers and businesses could produce about \$265 billion in potential revenue for financial services by 2030.



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The Latino population is large and growing, with a median age of 30, compared with 41 for the overall US population.¹⁰ The population is also upwardly mobile: Latinos' incomes grew by 4.7 percent per year from 2013 to 2023, compared with 1.9 percent for US incomes overall.¹¹ According to our analysis, a significant number of Latino-owned businesses are also clustered in high-growth sectors that are

resilient to economic downturns, such as wholesale trade, transportation, and warehousing. Crucially, Latino customers have higher lifetime values in financial services compared with their non-Latino White peers,¹² partly because of their preference for digital channels and services: 35 percent of Latinos are first among their friends to try new technology.¹³

¹⁰ Magdaliz Álvarez Figueroa et al., "One in every four children in the United States were of Hispanic origin in 2020," US Census Bureau, May 25, 2023.

¹¹ Dennis Hoffman and José A. Jurado, *The 2023 official LDC U.S. Latino GDP report*, Latino Donor Collaborative, 2023.

¹² According to McKinsey analysis, Latinos have higher lifetime value due to the faster increase in share of wallet going to financial services for Latinos and the additional years of customer relationship given the lower median age of Latino customers.

¹³ McKinsey Digital Payments Survey 2022; Thaddeus Arroyo, "Leading without limits: How the tech industry can serve the Hispanic community," *Forbes*, October 28, 2021.

All of these savers and business owners need financial offerings that fit their needs. We estimate that individual institutions could earn a larger portion of about \$105 billion in annual revenue: \$95 billion from Latino customers persuaded to switch institutions and another \$10 billion from increased aggregate demand for better offerings (our research shows Latino customers would be willing to pay 10 percent more for better products and services). The need is acute: 9.3 percent of Latino consumers don't have bank accounts,¹⁴ and 26.0 percent are unscorable or are invisible to credit-scoring entities.¹⁵ Notably, Latinos have one of the highest uninsured rates of any racial or ethnic group in the United States.¹⁶

Achieving parity in the rate at which Latino savers and business owners use financial products and services would drive economic mobility, building and protecting wealth. According to our analysis, providing more business banking products and services for Latino business owners could mean closing a \$200 billion business-lending gap and

enabling the creation of 700,000 new SMBs. Better serving Latino customers can help meet stakeholders' nonfinancial expectations and fulfill regulatory requirements in dimensions such as data transparency and fair lending for minority-owned businesses. Partnering with other key stakeholders is a strategic opportunity for financial institutions.

Several developments could give institutions even more reason to engage with Latino customers—and make doing so easier. The ongoing shift toward digital platforms will likely make it cheaper and easier for institutions to serve Latino savers. At the same time, changes in retail banking, including the entrance of nonbank participants, are challenging incumbents by bringing a wider variety of offerings that can be a good fit for different customers. Elevated offerings would be timely for Latino business owners, many of whom will need capital to fuel the growth that can come from commitments by large companies to source from suppliers from diverse backgrounds.¹⁷

¹⁴ 2021 FDIC national survey, 2021.

¹⁵ Individuals who have no credit history with one or more of the nationwide credit reporting agencies are generally described in the industry as "credit invisible." Individuals whose credit files are thin and provide insufficient credit histories to be meaningfully useful are characterized as "credit unscorable." For more, see *Who are the credit invisibles?: How to help people with limited credit histories*, Consumer Financial Protection Bureau, December 2016; Peter Carroll et al., *Financial inclusion and access to credit*, Oliver Wyman, 2022.

¹⁶ "Census Bureau releases new report on health insurance by race and Hispanic origin," US Census Bureau, November 22, 2022.

¹⁷ For more on sourcing from diverse suppliers, see Milan Prilepok, Shelley Stewart III, Ken Yearwood, and Ammanuel Zegeye, "Expand diversity among your suppliers—and add value to your organization," McKinsey, May 17, 2022.

Providing more business banking products and services for Latino business owners could mean closing a \$200 billion business-lending gap and enabling the creation of 700,000 new SMBs.

Some forward-looking industry participants are already making progress and improving offerings for Latino customers. But for the industry as a whole, slow action or complacency would be risky. The good news is that institutions could plug into Latinos' growing economic power and develop an increased market presence by serving these customers well.

We use this report to highlight the social and economic benefits of serving Latino savers and SMB owners.¹⁸ We identify internal organizational barriers and consider methods to help organizations

build strong, productive relationships with these constituents. Finally, we discuss how institutions can zero in on the right strategy for serving Latino customers, give an overview of three strategic approaches, and outline the role of venture capital (VC) and private equity (PE) investors in growing the segment's economic mobility. While this report focuses on Latino savers and business owners, many of the strategies we recommend can also help financial institutions strengthen their relationships with other often-overlooked customer groups.¹⁹

¹⁸ "What is financial inclusion?," McKinsey, August 7, 2023; "The case for inclusive growth," McKinsey, April 28, 2021.

¹⁹ For more, see "The case for accelerating financial inclusion," February 25, 2020.



2

The financial-services sector is projected to see \$240 billion in potential revenue from Latino savers by 2030, but barriers persist

The fastest-growing segment of the US population, Latino savers also boast the highest rate of income growth: 4.7 percent per year from 2013 to 2023, 2.5 times that of the general population (at 1.9 percent).²⁰ Crucially, Latino households seem keen to spend on financial services.²¹ Latino savers' spending on financial services from 2012 to 2022 grew twice as quickly as that of their non-Latino White counterparts, and emerging trends project that this trajectory will continue until 2030.²² Our analysis suggests that revenue from Latino

customers in banking, insurance, and wealth management will increase more than 50 percent, from around \$155 billion in 2022 to around \$240 billion in 2030 (Exhibit 2).

McKinsey research finds that Latino savers tend to be loyal, preferring to work with institutions they already know and have relationships with when it comes time to purchase new financial solutions such as investment services. Compared with the general respondent population, Latino respondents have stronger preferences for low- and no-fee

²⁰ *The 2023 official LDC U.S. Latino GDP report, 2023.*

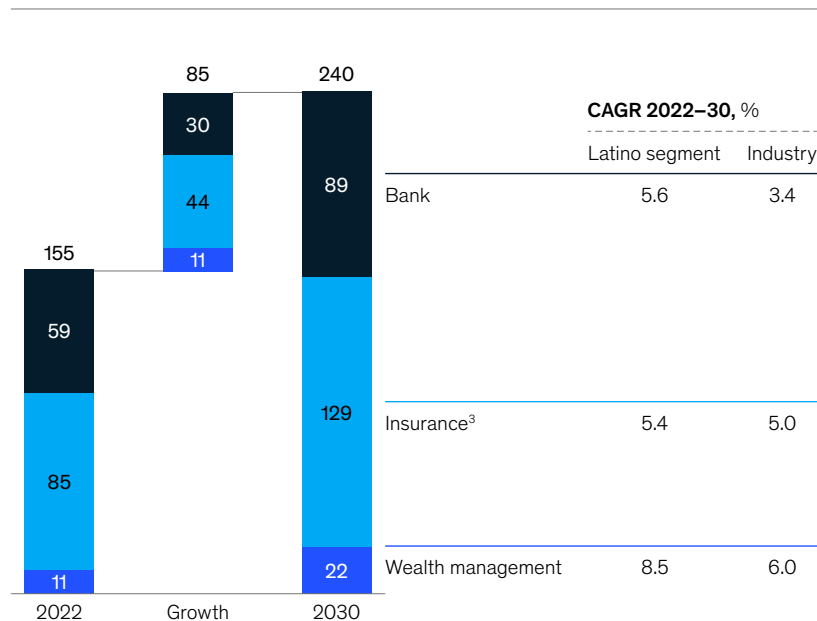
²¹ *Ibid.*

²² *Ibid.*

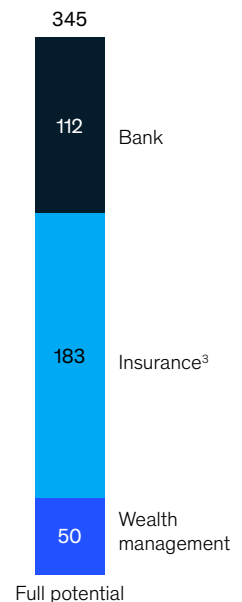
Exhibit 2

Latino savers are projected to produce \$240 billion of potential revenue for retail financial services in 2030.

Latino savers: 2022–30 financial-services revenues,¹ \$ billion



Full potential,² \$ billion



Note: All figures have been rounded.

¹Excludes health insurance and pensions because they are less subject to consumer choice compared with other areas of financial services.

²"Full potential" is a scenario in which market penetration and utilization rates for Latinos equal those of their non-Latino White counterparts.

³"Insurance" refers to auto, life, and fire and property insurance.

products, joint family accounts, and offerings that help build credit.

Our research shows that many of these needs are not being met. Fifty-five percent of Latino savers told us they are dissatisfied with financial institutions' current offerings, which suggests that around \$85 billion of the sector's roughly \$155 billion in revenue from Latino savers could easily move toward better offerings—even if the replacement offerings cost more. Indeed, Latino savers in our research would be willing to pay 10 percent more for products and services that satisfy their needs, which translates into about \$94 billion of potential revenue per year. This insight comes at a time when traditional banks face intensifying competition from nonbank entrants in fields such as insurance and fintech; alternative investment vehicles such as pension funds, sovereign wealth funds, and private capital held 70 percent of the net increase in financial funds from 2015 to 2022.²³

Overall, we found that more effectively serving Latino savers across banking, insurance, and wealth management could generate as much as \$105 billion in additional annual revenue for the industry. This revenue comes from sources such as \$475 billion in annual deposits from Latinos, as well as from helping an additional five million Latino savers access mortgages (worth an estimated \$3 trillion in total) and providing credit services to an additional 12 million Latinos. And though a wealth gap between Latinos and non-Latino Whites persists—for every \$1 of net worth Latinos have, their non-Latino White counterparts have \$5—Latinos are becoming wealthier more quickly than their peers.²⁴ The share of Latino household incomes of more than \$125,000 per year grew by 81 percent from 2017 to 2022, compared with 53 percent in the general population (Exhibit 3).

Organizations could serve Latinos more effectively by removing barriers and recognizing the challenges that have hindered many Latinos from participating in the financial system and constrained their economic mobility. These areas cover Latino savers' needs in banking, credit scoring, mortgages, retirement savings and investments, and insurance coverage.

Barriers to relationships with Latino savers

A few factors have made establishing and maintaining relationships between financial institutions and Latino savers difficult. To start, 68 percent of Latino savers live in banking deserts—areas without bank branches.²⁵ Low levels of trust also keep Latino savers away: 22 percent of unbanked Latino savers said they avoid banks because they don't trust them.²⁶

Assigning an accurate level of creditworthiness to Latino savers is also a consideration. About a quarter of Latinos either have no credit history or are considered unscorable using conventional methods. Partially as a result, Latino applicants are about twice as likely to be denied for mortgages and small-business loans than their non-Latino White peers.²⁷ We also found that, when they do receive these loans, Latino applicants often pay more for them. Among Latino savers who held mortgages, we found that Latino savers in 2021 paid 30 percent more for them, even though they repaid 5 percent more of their balances.²⁸ These differences are linked to the higher closing costs and interest rates that Latinos shoulder. Latino homebuyers paid 43 percent more to close on home purchase loans than non-Latino White applicants did and paid 30 percent more in interest, partially because of their lower credit scores and the higher resulting mortgage insurance charges.²⁹

²³ "Global Banking Annual Review 2023," October 10, 2023.

²⁴ Neil Bennett, Donald Hays, and Briana Sullivan, "2019 data show baby boomers nearly 9 times wealthier than millennials," US Census Bureau, August 1, 2022.

²⁵ For more on banking deserts, see Drew Dahl and Michelle Franke, "Banking deserts become a concern as branches dry up," Federal Reserve Bank of St. Louis, July 25, 2017; Ana Paula Calvo, Michael Chui, Lucy Pérez, and Bernardo Sichel, "The economic state of Latinos in America: The American dream deferred," McKinsey, December 9, 2021.

²⁶ 2021 FDIC national survey, 2021.

²⁷ "Credit survey finds White-owned small businesses were twice as likely to be fully approved for financing as Black- and Latino-owned firms," Federal Reserve Bank of New York, April 15, 2021.

²⁸ Analysis based on the McKinsey Consumer Survey 2021 and on Jason Richardson and Agatha So, *Hispanic mortgage lending: 2019 HMDA analysis*, National Community Reinvestment Coalition, 2020.

²⁹ *Hispanic mortgage lending*, 2020.

Exhibit 3

US Latino savers have significant growth potential as financial institutions' customers.

US Latinos: Fueling growth

20.9%

of US GDP growth in 2011–21

19%

of the US population in 2022, growing to 25% in 2050

4.7%

income growth per year compared to 1.9% per year for the general population

Potential outcomes

4.1 million

more Latinos with bank accounts

7 million

potential additional life insurance customers

12 million

credit-invisible or unscorable Latinos benefiting from more-accurate credit assessments

81%

growth in Latino households making at least \$125,000 (compared to 53% growth for the general population)

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Macroeconomic and industry developments have made removing these barriers easier. The flood of bank accounts Latino savers opened to deposit stimulus payments during the acute phase of the COVID-19 pandemic formed a solid base from which institutions could offer additional services.³⁰ At the same time, Latinos' move toward digital platforms would allow institutions to acquire new customers at lower costs. So would emerging digital and AI tools that enhance user experiences with tailored, lower-cost services. Forward-looking industry participants are already using digital solutions to overcome physical barriers to access and expand product offerings and remittance services.

Persistent pain points for Latino savers

Systemic barriers have hampered financial institutions' connections with Latino savers.³¹ Indeed, 51 percent of our survey respondents said

they felt somewhat or very undervalued by financial institutions,³² and 55 percent of Latino savers described themselves as dissatisfied. Twenty-two percent of Latino respondents also told us banks didn't offer the services they needed (Exhibit 4).³³

One area of acute lack is availability of Spanish-language services, an important criterion for Latino savers who are first-generation immigrants. Forty-eight percent of respondents in our research chose their banks based on the availability of Spanish-speaking representatives. But with inadequate staffing for Spanish-language services, 37 percent of Spanish speakers report being unable to check their credit scores, adding a layer to the challenges of credit scoring.³⁴

Latino savers' pain points also hamper wealth building. Take, for example, the critical need for affordable, efficient international money transfers.

³⁰ Claire Williams, "COVID stimulus programs helped more consumers become banked, FDIC says," *American Banker*, October 25, 2022.

³¹ For more, see "The economic state of Latinos in the US," November 14, 2022.

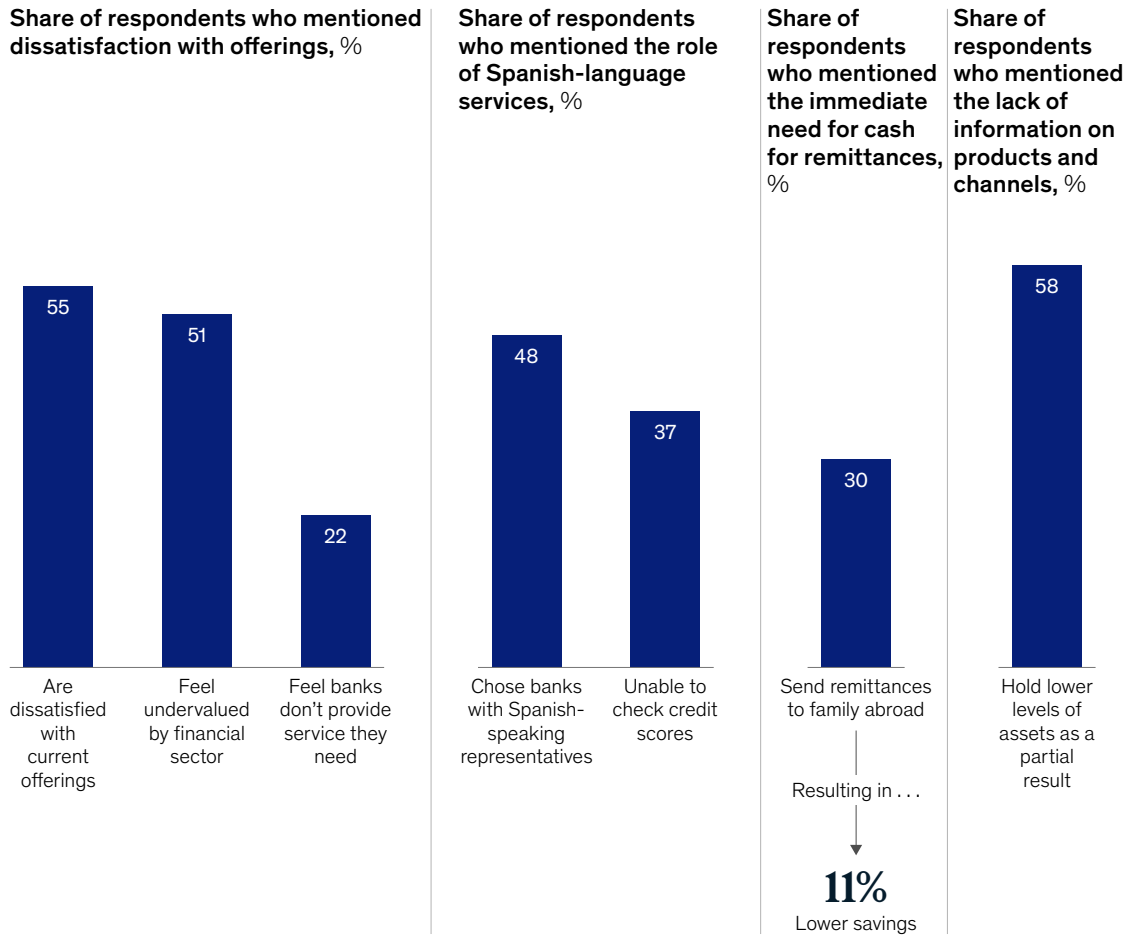
³² Bill Streeter, "Trends and insights into Hispanic market for financial marketers," *The Financial Brand*, February 1, 2019.

³³ Based on the McKinsey Consumer Survey 2022.

³⁴ Ibid.

Exhibit 4

Latino customers experience several pain points that prevent financial institutions from capturing their commercial potential.



Source: Bill Streeter, "Trends and insights into Hispanic market for financial marketers," The Financial Brand, February 1, 2019; McKinsey Affluent Consumer Insights Survey 2023 (Latino n = 346); McKinsey Consumer Survey 2022 (n = 4,400); McKinsey Global Payments Map remittances data

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Latinos' savings are, on average, 11 percent lower than those of their non-Latino White peers,³⁵ but many Latino savers maintain explicit financial ties to family abroad; 30 percent of Latino survey

respondents sent money to family outside the United States,³⁶ sustaining a \$4.3 billion remittance market for Latino customers alone (for more, see sidebar "Remittances and Latino savers").³⁷

³⁵ McKinsey analysis based on data from "Consumer expenditures report 2019," US Bureau of Labor Statistics, December 2020.

³⁶ "The economic state of Latinos in America," December 9, 2021.

³⁷ McKinsey analysis based on data from "Remittances remain resilient but likely to slow," The World Bank, June 13, 2023.

Remittances and Latino savers

Every year, \$145 billion in remittances flows into Latin America and the Caribbean. About 85 percent of the funding goes to only six countries. Of these, Mexico—the recipient of the second-largest volume of remittances worldwide—sits at the top of the list. The country receives 42 percent of all remittances bound for Latin America.¹

For the financial sector, the consumer-to-consumer Latin American remittance market grew at a whopping 33.9 percent per year from 2019 to 2022.²

A submarket, US digital remittances, is projected to grow at 13.8 percent per year from 2023 to 2030.³ Remittance providers have already found success by serving users of traditional (nondigital) ways to transmit remittances, as well as serving tech-savvy customers. These companies have invested in new products, enhanced digital capabilities, lowered transaction costs, increased transparency (especially in exchange rates), and increased the number of partnerships in destination countries.

The industry's growth, combined with market dynamics such as digitalization and consumer demand for lower fees, have attracted notice from private investors. Since 2020, private investments in remittance companies have generated deals worth between \$400.00 million and \$1.85 billion.⁴ Seventy percent of investments in digital remittances have come from venture capital and private equity firms.⁵

¹ *World Bank Blogs*, "Remittances to Latin America still growing," blog entry by Sonia Plaza, July 20, 2023.

² *Ibid.*; "Remittances to reach \$630 billion in 2022 with record flows into Ukraine," *The World Bank*, May 12, 2022.

³ *Digital remittance market size, share & trends analysis report by type (inward, outward), by channel (banks, money transfer operators, online platforms), by end use, by region, and segment forecasts, 2023 - 2030*, Grand View Research, 2023.

⁴ "Deal flow for cross-border payment companies, 2020-23," Crunchbase and PitchBook databases, accessed November 1, 2023.

⁵ *Ibid.*

Financial products can help savers build wealth. Take investing, for example: although Latino wealth is surging, Latinos are still the least likely to participate in the equities market. Only 28 percent of Latinos own stocks, compared with 39 percent of Black Americans and 66 percent of non-Latino White Americans (Exhibit 5).

Twenty-six percent of Latino savers have retirement savings accounts, worth an average of \$31,000.³⁸ By comparison, 57 percent of non-Latino White savers have retirement savings accounts, worth \$80,000 on average.³⁹

Wealth management can support Latino savers with their investments. Notably, half of respondents to our survey of Latino savers said they preferred to keep their investments with the same entity they bank with. Compared to the general population, a higher share of Latino respondents also matched with their advisers as the result of targeted outreach from institutions, rather than referrals. Latino savers value financial advisers who offer transparency and a comprehensive, personalized approach.

To protect wealth, savers could use life insurance, but only 42 percent of Latino savers have life

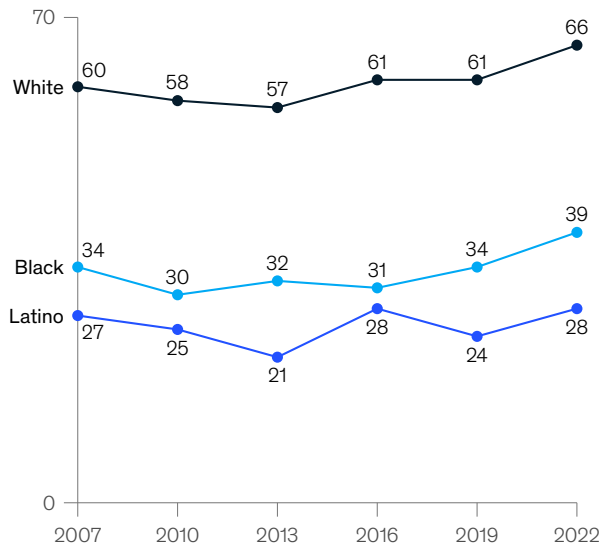
³⁸ *Off the Charts*, "For most Americans, retirement accounts are paltry," blog entry by Kathy Ruffing, October 9, 2020.

³⁹ *Ibid.*

Exhibit 5

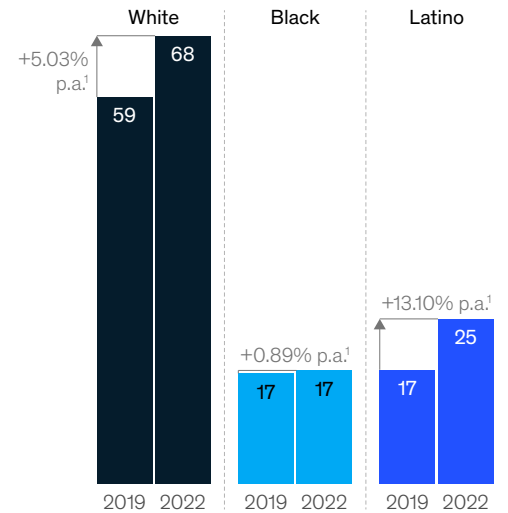
Latinos own less stock than their peers, which hampers wealth building.

2007–22 rate of portfolio ownership by ethnicity, %



¹Per annum.
Source: 2021 FDIC National Survey of Unbanked and Underbanked Households

2019–22 portfolio value by ethnicity, \$ thousand



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insurance, compared with 50 percent of all US savers.⁴⁰ The net result for Latino savers is less wealth and less protection from unexpected financial hits. A major cause of this undersupply of

life insurance has been the lack of linguistically and culturally fluent agents in Latino communities, but many carriers have worked to remedy the situation.

⁴⁰ "New report reveals a majority of Hispanic Americans lack vital financial protection," Life Insurance Marketing and Research Association (LIMRA), September 15, 2022.

3



Providing better service
to Latino business owners
can produce \$25 billion
per year in revenue
for financial institutions

Latino-owned SMBs are expected to contribute significantly to the US banking and insurance sectors' revenue growth from 2022 to 2030. Our analysis reveals that Latino SMBs have achieved impressive growth, with an annual revenue increase of 4 percent in the last decade, surpassing all other ethnic groups by 1.5 times. Latinos are fueling this expansion with an entrepreneurial spirit, starting businesses at three times the rate of the general population.⁴¹ Our analysis also suggests that Latino business owners' spending on banking and insurance will grow from \$17 billion in 2022 to \$25 billion in 2030. Increasing the availability of financial products for Latino-owned businesses could provide financial institutions with \$55 billion of additional revenue. This in turn could result in \$300 billion in loans by 2030, extending lending access to an additional one million fully Latino-owned businesses and bridging the \$200 billion lending gap (Exhibit 6).

Concentrated in California, Florida, New York, and Texas,⁴² Latino business owners seek more services and engagement than they currently have with institutions and private-market investors. Only 38 percent of Latino business owners use financial offerings beyond basic accounts.⁴³

But these business owners are ready to engage, and their willingness to pay is consistent with that mindset. Latino business owners are distinguished by their focus on their businesses' long-term growth and their higher-than-average willingness to pay for relationship management services. According to our research, 20 percent of Latino business owners would be willing to switch to a new financial-services provider for better offerings (for context, 10 percent of non-Latino White business owners would). Latino business owners are willing to pay 10 percent more for financial products and services that better satisfy their needs, which suggests that meeting that demand could generate up to another \$4 billion in revenue.

Financial institutions can build trust and create valuable long-term relationships by providing

comprehensive solutions, particularly culturally competent relationship-oriented services, such as financial planning. When asked to rank a number of considerations by importance, respondents to our survey put support just after credit. Specifically, 35 percent of Latino business owners without relationship managers said they would be willing to pay for a dedicated relationship manager. Our research also shows that Latino business owners are more likely than their non-Latino White peers to switch primary banks for better access to credit, client service, and digital experiences such as integration with business software. Because many financial institutions are doing less new lending in a tighter monetary environment, access to credit has become a top concern for Latino business owners.

The goals are clear. But first, the financial-services industry would have to work with Latino business owners to overcome the obstacles they face in accessing funding from the financial system. McKinsey analysis shows that local and national banks—and private-market investors—have an opportunity to close the \$200 billion lending gap and fund Latino economic mobility. Notably, we found that for each dollar Latino-owned SMBs receive in funding, their non-Latino White counterparts receive \$2 to \$7.

Barriers to obtaining funding

Barriers for Latino-led SMBs stem from characteristics of Latino business owners, their businesses, and the financial-services industry and ecosystem.

Though some institutions have simplified their lending processes, obtaining institutional funding is often daunting. For Latino business owners, their lower access to institutional capital reinforces existing hesitancy to trust financial institutions in the first place. When they do pursue funding, many find the funding process hard to navigate—79 percent thought banks demanded too much information, and 22 percent thought the process was harder than expected.⁴⁴

⁴¹ "The growing potential of the Hispanic small business economy," PNC, September 22, 2023.

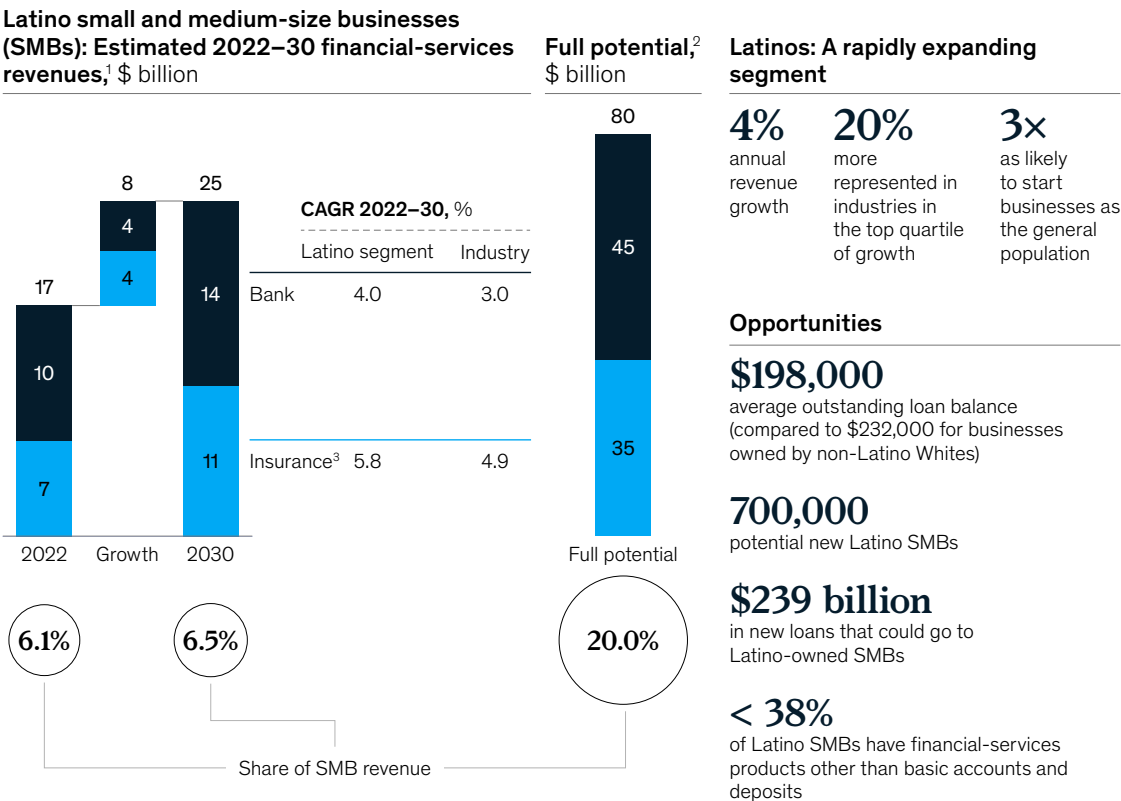
⁴² "Annual Latino-owned business study 2022," Biz2credit, October 6, 2022.

⁴³ McKinsey SMB Survey, October 2021. Of the more than 1,200 respondents, 160 were Latino SMBs.

⁴⁴ Ibid.

Exhibit 6

Providing better service to Latino business owners can produce \$25 billion in potential revenue for financial institutions.



¹Excludes health insurance and pensions because they are less subject to consumer choice compared with other areas of financial services.
²"Full potential" is a scenario in which market penetration and utilization rates for Latinos equal those of their non-Latino White counterparts.
³"Insurance" refers to property and casualty and life insurance.

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Professional support can help, but awareness of it is low. An ecosystem-wide lack of Latino-specific initiatives, such as incubators and investor networks focused on Latino-owned SMBs, is a major barrier to obtaining funding for Latino-owned SMBs. Similarly, the system provides few channels through which SMBs of any kind can voice their needs to institutions. Complicating matters is the fact that Latino SMBs tend to have lower revenues and assets compared to the general pool of SMBs; they account for 7 percent of all SMBs but only 5 percent of SMB revenue.⁴⁵

Without attention from the industry, offerings designed with Latino business owners in mind are hard to come by. Community development financial institutions (CDFIs) could fill some of the gap, but they don't have enough capital to scale their lending to a large number of SMBs. Small banks could meet some of Latino SMBs' funding needs, but those institutions' smaller size makes it more difficult to manage risk. Both kinds of institutions share challenges related to back-office capabilities that might otherwise be addressable with emerging technologies such as generative AI (for more, see

⁴⁵ Annual Business Survey 2020, US Census Bureau, 2020; "DFA: Distributional financial accounts," US Federal Reserve, updated September 22, 2023.

Generative AI in the financial sector

Generative AI could transform the financial-services sector by increasing productivity by 3 to 5 percent and reducing operating expenditures by \$200 billion to \$300 billion per year, all while improving customer experience.¹ When it comes to serving Latino customers, the technology could help financial institutions strengthen their offerings, differentiate themselves, and position themselves to capture a larger part of the market.

One of the technology's selling points has been its low barrier to entry, which allows smaller organizations to quickly test and implement use cases. Generative AI's impact in the back and middle offices could boost individual institutions' competitive positions. Crucially, it could augment back-office capabilities and make scaling easier and more cost-effective.

To be sure, institutions would need to monitor and continuously adapt their operations to evolving regulations governing the technology. Specific controls to mitigate the risks—many of which are not yet fully understood—will also be critical to protecting customers.²

¹ "Global Banking Annual Review 2023: The Great Banking Transition," McKinsey, October 10, 2023.

² For more on AI risk, see Kevin Buehler, Rachel Dooley, Liz Grennan, and Alex Singla, "Getting to know—and manage—your biggest AI risks," McKinsey, May 3, 2021.

sidebar "Generative AI in the financial sector").⁴⁶

Both kinds of institutions' digital user experiences also make using these institutions' solutions and scaling their lending businesses difficult.

Some industry participants are already contributing solutions, but few incumbents have taken action. Nonbank entities have begun to address some of Latino business owners' financial needs, and the financial ecosystem has produced more Latino-focused incubators and resources to elevate support for Latino SMBs. But these supportive developments will produce additional demand for banks' services. The question is how to meet that demand.

One built-in motivation for banks to better serve Latino-owned SMBs is section 1071 of the Dodd-Frank Act, which requires financial institutions to compile, maintain, and submit data on credit applications from businesses that are small or women- or minority-owned. Another reason to do this work is the updated rules related to implementing the Community Reinvestment Act, which was enacted in 1977 to help meet the credit needs of entire communities—particularly in low- and moderate-income neighborhoods (for more, see sidebar "Not just compliance: Rules through a business lens").

⁴⁶ For more, see "How can generative AI add value in banking and financial services?," McKinsey, October 17, 2023.

Some industry participants are already contributing solutions, but few incumbents have taken action.

Latino SMBs may be less likely to get what they seek compared with non-Latino SMBs.

Lacking options, Latino SMBs contend with pain points

Latino business owners have a relatively narrow range of products from which to choose. Not sufficiently prioritized by traditional banks, they could turn to fintechs, but those solutions are imperfect, too. And the lending process, meant to inject capital to fuel a business, is often a challenge (Exhibit 7).

Some traditional banks may not have dedicated the optimal amount of resources to developing solutions aimed at Latino SMBs' needs. According to McKinsey survey results, Latino SMBs may be less likely to get what they seek compared with

non-Latino SMBs. Take the loan process, which is emblematic of Latino-owned SMBs' need to gather solutions from multiple sources instead of fulfilling their needs with a single provider. Latino-owned SMBs are about as likely to be approved for loans as their non-Latino White peers at national banks.⁴⁷ However, the average loan size for Latino-owned businesses is lower: \$47,000, as compared with \$81,000 for SMBs owned by non-Latino Whites.⁴⁸

At local banks, Latino-owned SMBs are less likely to be approved for loans—25 percent of them receive loans, compared with 48 percent of their non-Latino White counterparts.⁴⁹

⁴⁷ J.D. Harrison, "Black, Hispanic entrepreneurs discriminated against when seeking small business loans," *Washington Post*, June 3, 2014.

⁴⁸ "Annual Latino-owned business study 2021," Biz2credit, 2021.

⁴⁹ "Credit survey finds White-owned small businesses were twice as likely," April 15, 2021.

Not just compliance: Rules through a business lens

Section 1071 of the Dodd-Frank Act amends the Equal Credit Opportunity Act (ECOA) and requires banks to comply by October 1, 2024. Similarly, the final rule of the modernized Community Reinvestment Act will take effect on January 1, 2026. How difficult it will be to comply with the updated requirements will depend in part on each bank's data

collection, reporting, recordkeeping, and firewalls. Whether the data required by the updated rules is already being collected will be a particular help—or hindrance.

A business-focused approach to addressing these rules would turn what could be a compliance exercise into

an opportunity to address structural challenges such as Latino business owners' access to capital and utilization parity. What's more, banks could use this transition to address their gaps in lending to small and medium-size businesses and capture part of the fast-growing minority- or women-owned business enterprises (MWBE) market as early movers.

Exhibit 7

The financial sector has opportunities to address more of Latino small and medium-size businesses' needs.



Unmet digital needs

Most financial-services offerings don't fulfill Latino business owners' needs for digital capabilities, integration with software, and culturally competent customer service



No all-in-one solutions

Latino business owners seek centralized providers of their financial solutions



Dissatisfaction with fintechs

Fintechs lack the staff and capital needed to adequately serve Latino business owners



Low product usage at megabanks

62% of Latino business owners only use basic accounts and deposits



Hard-to-navigate lending processes

79% of Latino business owners think the process requires too much information



Limited access to core products

10–30% Lower average balances across lending, credit cards, and deposits as a result, as compared to White-owned businesses

Source: McKinsey 2023 SMB Survey (n = 1,200+; Latino small and medium-size businesses, n = 160)

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Fintechs have entered the industry with innovative offerings.⁵⁰ However, Latino business owners may not be satisfied with these offerings, because our research shows they value personal attention from staff such as relationship managers.⁵¹

This leaves the standard lending process, which 22 percent of Latino business owners we surveyed found harder than expected. Seventy-nine percent of respondents also thought institutions demanded too much information, and 58 percent thought the process for funding after approvals was lengthy.

⁵⁰ For more, see "Global Banking Annual Review 2023," October 10, 2023.

⁵¹ Lauren Ashcraft, "Banks should follow fintech's example to bridge the Latino banking divide," Insider Intelligence, October 2, 2023.

These pain points are part of a world in which minority-owned SMBs have limited access to loans, credit cards, and deposits—and in which their average bank balance is 10 to 30 percent lower than those of their non-Latino peers. Other factors, such

as gender, can make running and funding an SMB more complicated (for more, see sidebar “Latina entrepreneurs: Fueling SMB growth under heavier loads”).⁵²

⁵² McKinsey SMB Survey, October 2021. Of the more than 1,200 respondents, 160 were Latino SMBs.

Latina entrepreneurs: Fueling SMB growth under heavier loads

About a third of all new businesses created in 2020 had Latina founders, and their aggregate revenue from 2014 to 2020 grew at twice the rate of small and medium-size businesses owned by Latino men.¹

However, Latina business owners are running and growing their businesses with fewer resources and more non-professional responsibilities. Latina

entrepreneurs have less access to business loans. Data on disbursements of loans under the Paycheck Protection Program (PPP) suggests that 36 percent of Latina entrepreneurs received poor treatment from financial institutions and tended to receive lower-quality information.² As a partial result, Latina-owned businesses were twice as likely to close than business owned by their male counterparts and 5 percent more likely to

conduct layoffs.³

Outside of work, gendered divisions of labor loom large. Latina entrepreneurs spend three times as much time on caretaking and twice as much time on household maintenance as their male counterparts.⁴

¹ McKinsey analysis based on data from the US Census Bureau’s 2020 Annual Business Survey.

² Sterling Bone et al., *Lending discrimination during COVID-19: Black and Hispanic women-owned businesses*, National Community Reinvestment Coalition, 2020.

³ “Annual Latino-owned business study 2021,” Biz2credit, 2021.

⁴ Rodrigo Dominguez-Villegas et al., “Latinas exiting the workforce: How the pandemic revealed historic disadvantages and heightened economic hardship,” UCLA Latino Policy & Politics Institute, June 14, 2021.

4

A photograph of two men standing in what appears to be a kitchen or food service area. The man on the left is wearing a light blue button-down shirt under a dark blue denim apron with brown straps. He has his arms crossed and is wearing a silver watch on his left wrist. The man on the right is also wearing a light blue button-down shirt and has a goatee. Both men are smiling at the camera. The background is slightly blurred, showing kitchen equipment and shelves.

**Setting strategies
to align with the
commercial
benefits**

Offering Latino customers what they want—and serving them with what they need—is a significant undertaking. Many financial institutions still struggle to serve Latino customers well because of persistent barriers in the financial-services ecosystem. To be sure, some industry participants have started to pursue Latino customers with some innovative solutions, but the sector as a whole has not yet done so; 51 percent of Latinos still feel undervalued by the financial sector.⁵³ The challenges often come from common strategic frictions from financial institutions, such as offerings that don't fit Latino customers' specific needs and a lack of operational and organizational enablers within institutions.⁵⁴

To counter these barriers, we outline three steps institutions could take to identify the right strategy to approach Latino customers, discuss three major strategies, and spotlight the role private-market investors can play in this ecosystem.

Three steps to get to the right strategy

Institutions could follow three steps to identify the right strategic approach to serve Latino customers (Exhibit 8).

Identify target segments and strategic approaches

The first step is to identify key customer segments and create a strategic approach that fits the organization's aspirations. On the figurative day one of the effort, institutions could start with understanding their current Latino customers' characteristics, product usage patterns, and needs.

Financial institutions that want to offer more services to Latinos could consider ways to implement inclusive practices as an overall strategic approach. This approach focuses on building trust and enhancing access to financial services.

Choosing this strategy means taking a long-term view of customer growth. Institutions following this approach would prioritize attracting new customers by investing in Latino customers and improving their access to financial services, breaking down the

barriers that have hindered their participation in the financial system. Effective foundational financial services and products will be especially important at the start, with retention as the long-term goal.

On the other hand, an institution that decides to serve high-earning Latino savers and business owners who are already knowledgeable about financial products and services could emphasize commercial value. This approach might cater to first-generation immigrants seeking integrated banking platforms that work in both the United States and their home countries, upwardly mobile US-born Latinos in need of wealth management services, and business owners with substantial or fast-growing enterprises that may require investment banking services.

If financial institutions want to balance broadening their customer base with offering effective products and diversified services, they could focus on inclusive growth. This approach is aimed at Latinos who are fluent in English—possibly second- or third-generation Latinos who prefer digital and bundled solutions. Many of these customers already have some access to financial services and would consider switching or increasing their use of financial services if presented with products and strategies superior to what they currently encounter.

Develop value propositions and holistic commercial approaches

The next step is to develop compelling value propositions and commercial initiatives that resonate with key customers. As a starting point, institutions could identify products that best cater to Latino customers' needs and that reach them in the most effective channels.

Beyond the day-one actions, institutions could customize their holistic offerings based on their insights—and test and refine them to ensure that they meet customers' requirements. As part of this step, decision makers would also articulate the specifics of their commercial initiatives such as go-to-market strategies and products for this audience.

⁵³ "Trends and insights into Hispanic market," February 1, 2019.

⁵⁴ Based on the McKinsey Consumer Survey 2022.

Exhibit 8

Three steps can help financial institutions take a coherent approach to better serve Latino customers.

Making it happen	Day 1 action
1 Identify target segments and strategic approaches for growth initiatives • Improve access with a long-term view of profitability (inclusion) • Increase penetration and product usage (inclusive growth) • Capture highly profitable customers (commercial value)	 Understand current Latino customers' characteristics, product usage patterns, preferences, and needs
2 Develop value propositions and holistic commercial strategies • Tailor value proposition to meet target segment's needs • Create holistic commercial strategies that are aligned with value propositions	 Identify product bundles and marketing channels and campaigns that would best cater to Latino customers
3 Deliver and scale an integrated inclusive growth strategy with different enablers • Integrate value proposition and commercial strategies into overall strategy and commitments • Determine internal and external enablers, such as operating models and partnerships • Identify champions and business leaders to support implementation	 Review existing capabilities, resources, and broader commitments

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Deliver and scale the integrated strategies

Finally, financial institutions would focus on developing a governance model to help pilot, integrate, and scale the chosen approach across the enterprise.⁵⁵ Day-one actions include reviewing existing capabilities and resources to identify areas of overlap in serving Latino customers.

To scale, institutions need to identify the elements—enablers—that are critical to the success of their strategies. Enablers would come from adjustments to institutions' internal operations and organizations and external partnerships that can help organizations match their offerings with customers' needs and preferences. Crucially, institutions would need to clearly designate the business units and leaders responsible for championing their strategies.

Three strategic approaches

Depending on their goals and philosophies, financial institutions could use three strategic approaches to meet Latino customers' needs. One emphasizes commercial value, one emphasizes inclusion, and a third balances the two by seeking inclusive growth. All three strategic approaches are already in action in patches of the industry, and we will discuss what leading institutions are doing.

A commercial-value focus

Institutions that emphasize commercial value would work to rapidly acquire and grow revenue from key customers by addressing their specific needs and pain points. For instance, US institutions could use partnerships with major banks in Latin America to give highly profitable Latino customers

⁵⁵ "Black consumers: Where to invest for equity (a preview)," McKinsey, December 15, 2021.

a continuous experience. Specialized wealth-management teams could serve high-net-worth Latino customers, Latino-specific business units could meet business owners' needs, and boutique investment-banking services could serve high-growth Latino-owned SMBs. Some institutions have already created business units dedicated to serving Latino customers with sophisticated needs.

An inclusion focus

Institutions emphasizing inclusion might offer basic financial services and products to savers who live in banking deserts, with little or no credit visibility or English proficiency.

Because this strategy requires a long-term view, many of the necessary interventions would also address the long term. For example, institutions could build trust with Latino customers and communities and increase Latino customers' readiness to use financial services effectively by investing in financial education and by partnering with community, immigrant, and trade organizations to help refine and amplify messages.

More-flexible fee structures for services such as remittances could help support savers' everyday finances. Some financial institutions are already attracting more Latinos into the financial system by accepting a broader range of identification documents, such as individual taxpayer identification numbers and identification cards issued by home countries' governments. Others are investing in more-advanced credit assessment tools, with the aim of conducting more-holistic evaluations. For example, institutions could take into account Latino customers' credit scores from their home countries, or score credit using proxies for financial behavior, such as customers' rent-payment history.

An inclusive-growth focus

Institutions pursuing inclusive growth could offer tailored products and services that better address customers' needs, such as early payments to

households to smooth cash flows and mortgage products for low-income families. Some industry participants are already offering superior digital experiences through advanced mobile platforms and are investing in research to better understand Latino consumers.

For Latino SMBs, institutions could offer relationship managers dedicated to helping Latino business owners with challenges such as navigating the funding process. Business owners could also use loans for professional certifications and education and for insurance coverage for non-US assets.

Investors and new entrants can also lead the way, though they may have to overcome challenges to freeing up capital. Despite some hurdles, decision makers have started to experiment with measures such as partnering with CDFIs to support business owners from historically overlooked communities in building their credit profiles and accessing credit.

Private investors and financial inclusion

Private-market institutional investors—specifically VC and PE firms—could play a central role in boosting economic mobility for Latino savers, business owners, investors, and investing professionals. Most obviously, firms could consider investing in Latino-owned SMBs. Some prominent VC and PE firms have already taken steps to invest in Latino business owners, launching Latino-focused funds.

In the medium to long term, having more capital under Latino management and increasing Latino representation among investing professionals could help investors produce more value.⁵⁶ We found that of the \$11.7 trillion in assets under management in the private markets,⁵⁷ less than 1 percent are directly managed by Latino-controlled entities.⁵⁸ And at 4 percent, Latinos are also underrepresented in the ranks of investment professionals.⁵⁹ A number of Latino-controlled funds are already investing in

⁵⁶ For more on representation in financial services, see "The state of diversity in global private markets: 2023," McKinsey, August 22, 2023.

⁵⁷ *McKinsey Global Private Markets Review 2023: Private markets turn down the volume*, McKinsey, March 2023.

⁵⁸ "The state of diversity," August 22, 2023; "Knight Diversity of Asset Managers research series," Knight Foundation, accessed October 26, 2023.

⁵⁹ For more on DEI in private markets, see "The state of diversity," August 22, 2023.

opportunities in sectors that are growing thanks to the expanding Latino middle class, and those funds are also supporting the growth and evolution of Latino-owned businesses.

Finally, institutional investors could help bolster themes that support Latinos' economic mobility and boost financial-services uptake among Latino customers. One area to consider is homeownership, a common engine for household wealth building.⁶⁰ We also estimate that Latinos' part of the rent-to-own market could be worth up to \$1.8 billion. In a similar domain, our analysis values companies that connect homeowners to home improvement loans at \$400 million.

Decision makers could also stay alert to market trends that help remove barriers in the credit market. For example, based on McKinsey research, firms that help consumers improve their credit scores could see up to \$1.2 billion in revenue from Latinos.⁶¹ Companies that offer credit bureaus nontraditional sources of creditworthiness make up another potential market for Latino customers,

worth \$800 million.⁶² Other companies help consumers rebuild credit with secured cards.

Finally, institutions could keep track of more-accessible, affordable, and flexible remittance options for Latinos. A crop of companies with this focus has already emerged. Because of the size of the market, reducing money transfer fees by 5 percent could save Latino customers up to \$200 million per year.⁶³

Improving financial offerings for Latino customers can create both commercial and social benefits. Institutions that proactively get to know Latino customers, remove the barriers to their participation in the financial system, court them, and serve them effectively could earn more of the market while supporting Latino communities' financial mobility. The best time to start is now.

⁶⁰ Jenny Schuetz, "Rethinking homeownership incentives to improve household financial security and shrink the racial wealth gap," Brookings, December 9, 2020.

⁶¹ "Data point: Credit invisibles," Consumer Financial Protection Bureau, May 5, 2015; "The economic state of Latinos in the US," November 14, 2022.

⁶² Ibid.

⁶³ Ibid.

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Diversity and Inclusion

Latinos in Hollywood: Amplifying voices, expanding horizons

Improving on- and off-screen representation of Latinos, their stories, and their culture could generate billions of dollars in new revenue for the industry, according to new McKinsey research.

by Camilo Becdach, Tomás Lajous, Sheldon Lyn, Lucy Pérez, and Tony Toussaint



There are about 62 million Latinos in the United States¹; globally, the heritage of more than 650 million people falls into the broad “Latino” category. US Latinos account for more than \$3 trillion of GDP, which would make them the fifth largest economy in the world if they were a country.² Beyond this economic power, they are also avid consumers of Hollywood’s narratives and punch well above their weight in supporting the film and TV industry. Compared with a population share of 19 percent, US Latinos account for 24 percent of box office ticket sales and 24 percent of streaming subscribers.³ To put this into even sharper contrast, US Latinos see films 3.3 times a year, per capita, compared with 2.9 for Asian-Americans and 2.3 for White Americans.

Yet Latinos hold less than 5 percent of leading on-screen, off-screen, and executive leadership roles in US media, according to our research. Half of large media companies’ boardrooms include no Latino representation, and overall there is limited progress toward parity. As a result, the many facets of the Latino identity, from the United States and around the world, continue to be unseen or misrepresented on screens.

In this article, we describe how addressing opportunities unique to Hollywood could lead to a triple win of higher industry revenue, a broader and richer range of Latino stories for all audiences to enjoy, and a more hospitable workplace for Latino professionals. The industry could generate an additional \$12 billion to \$18 billion a year in annual revenue—about 7 to 10 percent of today’s \$179 billion—if Latino representation in Hollywood improved, our research found (see sidebar “About the research”).⁴ This revenue increase could benefit participants across the value chain, from creatives, production, and studios to distribution and adjacent industries.

We examine how the US film and TV industry is missing out on that additional revenue by

underrepresenting Latinos on- and off-screen and demonstrate that Latinos are largely underrepresented, especially in executive roles. We also discuss the barriers that make Hollywood a particularly challenging workplace for Latinos and propose several broad actions Hollywood leaders can consider to improve Latino representation in the industry and capture this growth opportunity.

The economic impact of under-representing Latinos in Hollywood

Latinos may be the largest per capita US consumers of media, but their culture and talent have also proved popular among non-Latino US and global audiences alike. Our analysis found that enabling adequate representation across the production process, as well as the side benefits of more volume, accuracy, and authenticity of the Latino experience, could lead to an additional \$12 billion to \$18 billion in annual revenue for the industry.⁵

Our analysis concluded that Hollywood films featuring Latino talent perform better at the box office. Worldwide revenue for movies with Latinos in above-the-line roles (such as producers, directors, writers, and lead actors) outperformed those without by more than 58 percent from 2013 to 2022 (Exhibit 1). Television shows with at least one Latino in an above-the-line role saw median ad impressions outperforming by 60 percent. This universal appeal to audiences, regardless of their own background or heritage, reinforces a largely untapped opportunity in Latino artistry and creative endeavors (see sidebar “The impact of Latino representation in music”).

The enthusiasm of Latino audiences for film and television likely underpins some of this performance. Relative to their 19 percent share of the US population, Latinos are a significant driver of both opening-weekend attendance and total box office

¹ Mohamad Moslimani and Luis Noe-Bustamante, “Facts on Latinos in the U.S.,” Pew Research Center, August 16, 2023.

² 2023 official LDC U.S. Latino GDP report, Latino Donor Collaborative, 2023.

³ 2021 Theme report, Motion Picture Association, 2021.

⁴ Baseline revenue includes global theatrical revenue through box office and cinema advertising, US broadcast through advertising, US cable through subscription, global streaming through subscription video on demand and transactional video on demand, and TV- and film-related US merchandise sales.

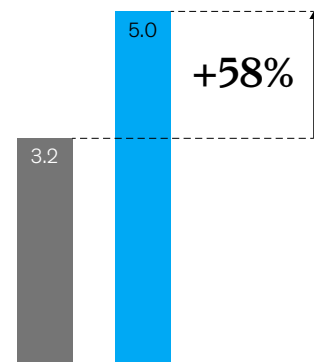
⁵ Our estimates are primarily based on the current increased ROI in film and TV content when Latinos are either on- or off-screen, and a respective increase in related merchandise.

Exhibit 1

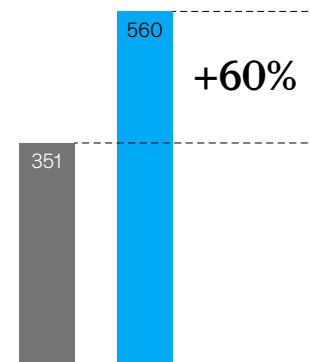
Films and television shows with above-the-line Latino talent outperformed financially.

Financial performance by ethnicity of above-the-line¹ talent, US film and television releases

Median worldwide box office revenue,
US film productions, 2013–22, \$ million



Median impressions per episode,
US television releases, 2022, million



At least 1
Latino in
above-the-
line roles

No Latinos in
above-the-
line roles

Note: Figures may not sum to 100%, because of rounding.

¹Above-the-line talent includes main producers (top 3 for film, top 2 for TV), director for film, top 2 showrunners for TV, main writers (top writer for film and top 3 for TV), lead and colead for film, and top 10 actors for TV. These roles typically have higher influence on the creative direction of content.

Source: Nielsen; Variety Insight

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About the research

This article is based on analysis of more than ten years' worth of the most recent industry data available, including more than 26,000 films; more than 6,000 episodic television shows across broadcasting, cable, and streaming; and more than 30 industry research reports. This article also benefits from almost 100 interviews with entertainment industry

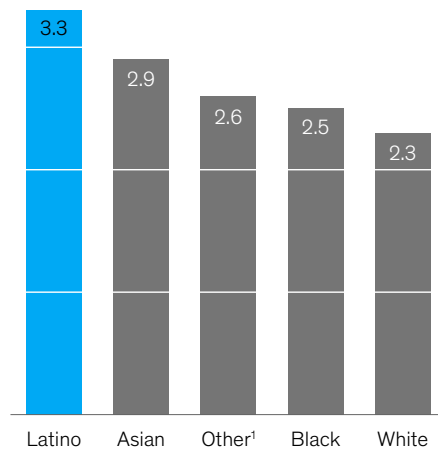
professionals, from first-time assistants to Oscar-nominated talent and studio heads, between October 2022 and February 2024; 95 percent of these interviewees are Latino. We aim to represent the common stories and experiences faced by Latinos in the industry and acknowledge that these interviews do not capture the full breadth of the Latino experience.

This research is part of McKinsey's broader efforts to support inclusive growth across sectors and builds specifically on our prior work on Black representation in film and TV.

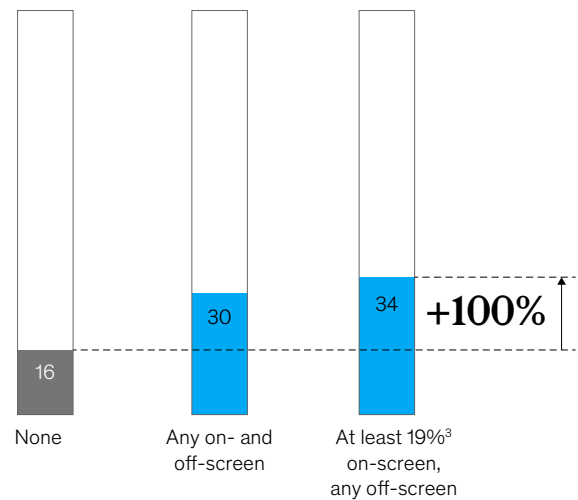
Exhibit 2

Latino audiences have the highest per capita consumption across entertainment formats, especially when represented.

Per capita annual film attendance by race and ethnicity, US, 2017–21 average



Latino share of US streaming audience² by level of Latino representation, Q1 2021–Q1 2022, %



Note: Figures may not sum to 100%, because of rounding.

¹Other includes multiracial audiences and other races and ethnicities. We used the general “other” categorization due to limited data. Efforts to promote diversity in the industry could be enhanced by more detail about the diverse populations in the industry, including but not limited to Native peoples and people with a disability.

²530 most streamed programs.

³Parity with the Latino share of US population.

Source: “Latino-led content and viewers: The building blocks for streaming success,” Nielsen, Sept 2022; Motion Picture Association Theme Reports 2016–21; Statista

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revenue. They account for 24 percent of film ticket sales, 29 percent of daily mobile TV viewers, and 24 percent of streaming subscribers. Latinos are the most avid filmgoers per capita in the United States. Moreover, Latino viewership doubles when Latinos are represented on- or off-screen (Exhibit 2).⁶

But a wide array of audiences aren’t the only ones enjoying this content—critics are also watching and applauding content made by or featuring Latinos. From 2013 to 2022, films with Latino above-the-line talent were about one-third more likely to be nominated for an Academy Award or Golden Globe than those without Latinos, and once nominated, they were more likely to win (Exhibit 3). Such recognition can be transformative in Hollywood. “Once you win awards, the movie doors open,” said

one Latino director. “The head of a studio asked for a movie pitch, and I pitched the same movie I had pitched six years earlier. The original feedback was ‘macabre, amateurish’; then this time it’s ‘genius, unlike anything we have ever seen before.’”

The state of Latino representation in Hollywood

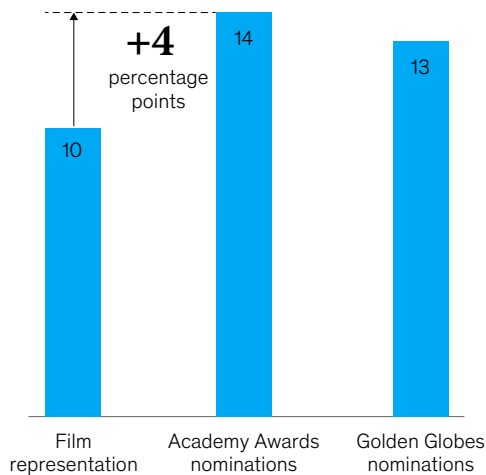
There has been recent progress in representation across roles as well as in how Latinos are portrayed in stories. However, our interviews and the data suggest that the process of deciding which films are approved or how roles are cast often reinforces a narrow, and sometimes skewed, range of Latino stories. Lower representation in crucial behind-the-camera roles shows up in the types of stories

⁶ Latino-led content and viewers: The building blocks for streaming’s success, Nielsen, September 2022.

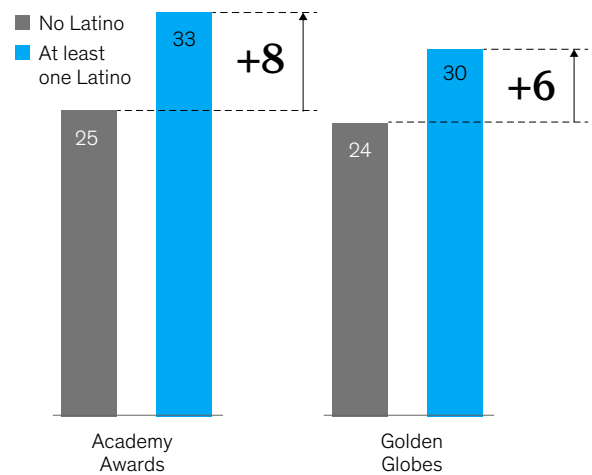
Exhibit 3

Films with Latino talent in above-the-line roles outperform in the award circuit.

Latino representation in films and award nominations, 2013–22,¹ %



Film awards won by Latino above-the-line² talent once nominated, 2013–22, %



¹Based on nominations and wins across all award categories.

²Above-the-line talent includes main producers (top 3 for film, top 2 for TV), director for film, top 2 showrunners for TV, main writers (top writer for film and top 3 for TV), lead and colead for film, and top 10 actors for TV. These roles typically have higher influence on the creative direction of content.

Source: Variety Insight

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The impact of Latino representation in music

Movies and television are far from the only art form in which Latinos are making a significant (and profitable) impact. Annual revenue from Latino music reached an all-time high of \$1.1 billion in 2022, outpacing every genre with a 24 percent growth rate, according to the Recording Industry Association of America.¹ Artists such as Jennifer Lopez, Ricky Martin, Celia Cruz, and Shakira have been household names for generations of music listeners, Latino and otherwise. In 2020, Jennifer Lopez and Shakira headlined the Super Bowl halftime performance in Miami, attracting more than 100 million viewers and showcasing Latino culture throughout their performance.² They shared the stage with

fellow Latino musicians, including Bad Bunny, the top artist on Spotify from 2020 to 2022.

Beyond individual achievements, the rise in popularity of Latin music genres such as reggaeton, bachata, and salsa has enriched the musical landscape, becoming an integral part of culture beyond Latinos. This integration is evident in high-profile collaborations between Latino artists and their non-Latino counterparts, such as the chart-topping hit “Despacito” by Luis Fonsi and Daddy Yankee, featuring Justin Bieber.

Music has lower barriers to entry than film and TV. It is less labor and investment intensive, and decision making is less

concentrated. That is especially true today, when content can be published directly to music apps and other outlets, allowing a wider and more diverse group of creatives to enter the industry. Finding ways to lower barriers of entry and open opportunities to more people looking to build careers in Hollywood could help diversify content and the list of creatives and executives succeeding in it.

¹ Matthew Bass and Joshua P. Friedlander, *Year-end 2022 RIAA U.S. Latin music revenue report*, Recording Industry Association of America, 2023.

² Will Thorne, “Jennifer Lopez and Shakira provide Super Bowl Halftime Show ratings boost,” *Variety*, February 3, 2020.

that make it to audiences. For example, 27 percent of Latino-depicting films that have no Latinos in decision-making roles are crime-themed, a result that drops to 13 percent for films with Latino directors, producers, or writers. When led by non-Latinos, 8 percent of Latino-depicting films have family-oriented themes, increasing to 28 percent when Latinos are making storyline decisions (Exhibit 4).

From studios to talent agencies to trades, the representation of Latinos is low in virtually all decision-making positions that determine content narratives and influence hiring decisions. Only 5.5 percent of C-suite executives are Latino, according to available data for media companies in the United States.⁷

Compared with other minorities, Latinos are the most underrepresented group in Hollywood in above-the-line film roles (Exhibit 5), per available data. Latinos account for just 4 percent of lead or co-lead roles in US films, with similarly limited off-screen representation in director, producer, and writer roles. According to one Latino producer, “There is no shortage of actors. Almost a surplus of writers. The broken part is the business side: they don’t know how to support or market content made by Latinos.”

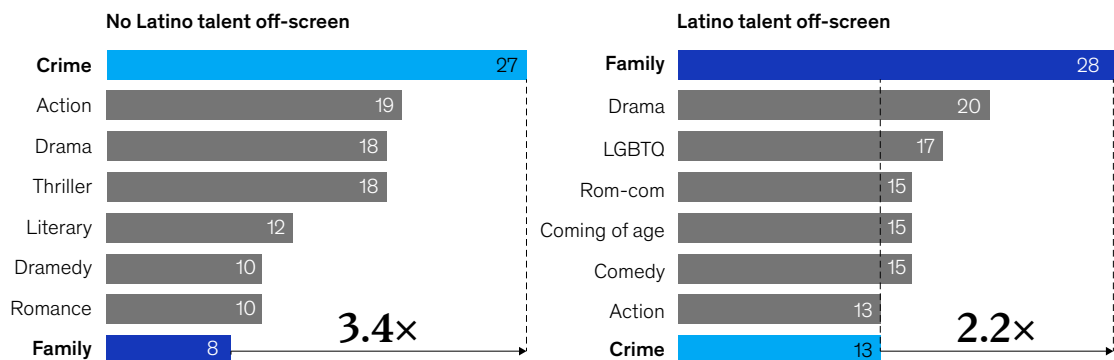
The same patterns are apparent in US television. On TV and streaming, Latinos account for 4 to 7 percent of on-screen talent, between 2 and 5 percent of writers’ rooms, and a very low share of

⁷ As of 2022. Excludes Spanish-language media companies (for example, Telemundo and Univision).

Exhibit 4

When Latinos have creative influence, film topics more closely adhere to Latino values.

Keywords¹ for US theatrical releases with at least one Latino in a lead/colead on-screen role, by existence of Latinos in above-the-line² off-screen roles, 2013–22, % of films³



When Latinos tell their stories, they are **~0.5x** as likely to be related to crime and **~3.5x** more likely to be about family.

¹ Genres and keywords tagged to US theatrical releases by Variety Insight.

² Above-the-line talent includes main producers (top 3 for film, top 2 for TV), director for film, top 2 showrunners for TV, main writers (top writer for film and top 3 for TV), lead and colead for film, and top 10 actors for TV. These roles typically have higher influence on the creative direction of content.

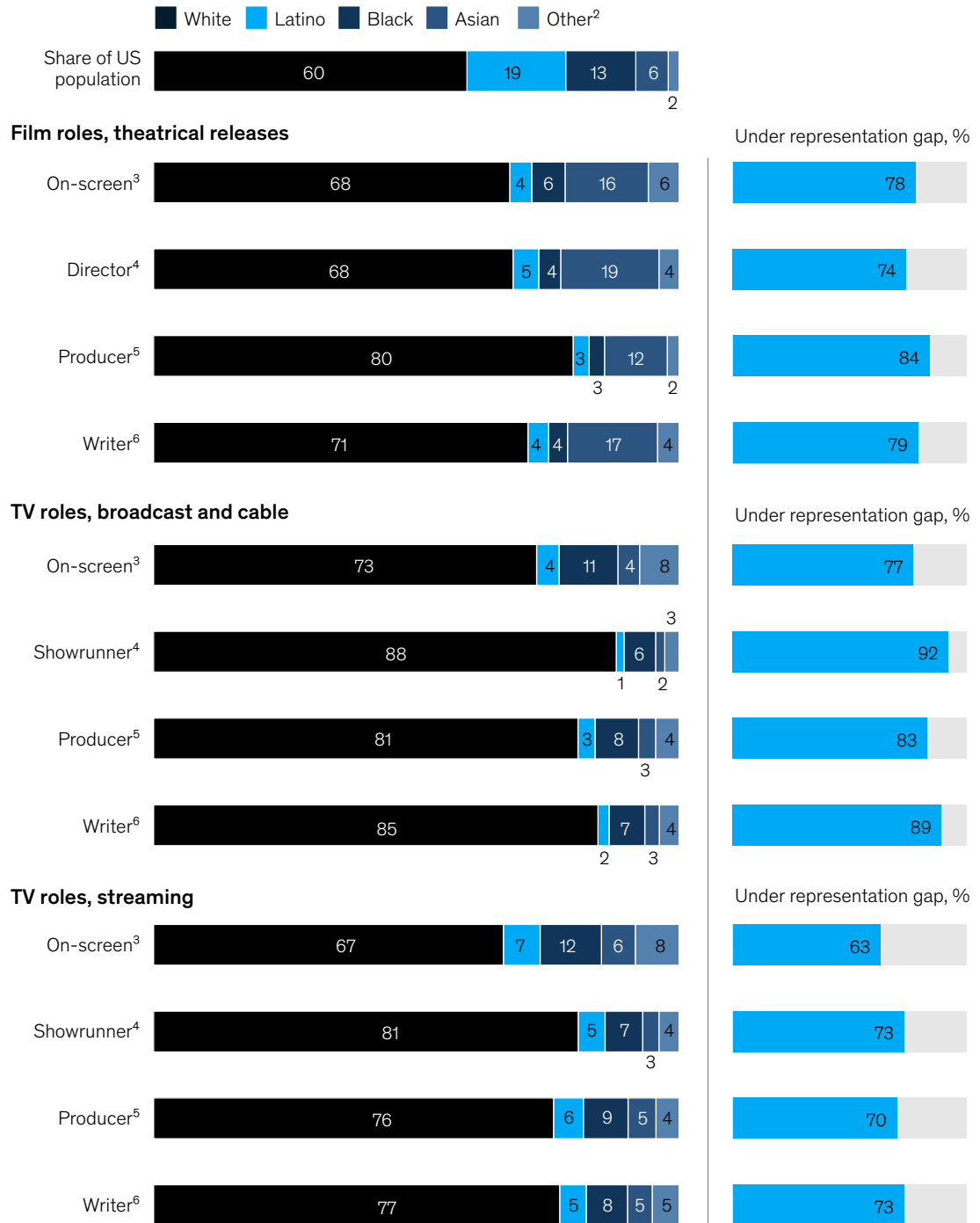
³ Also with Latino stories keyword.

Source: Variety Insight

Exhibit 5

Latinos are underrepresented in above-the-line film and television roles.

Share of Latinos in above-the-line¹ roles, by media, 2013–22, %



Note: Figures may not sum to 100%, because of rounding.

¹Above-the-line talent includes main producers (top 3 for film, top 2 for TV), director for film, top 2 showrunners for TV, main writers (top writer for film and top 3 for TV), lead and colead for film, and top 10 actors for TV. These roles typically have higher influence on the creative direction of content. ²Other includes multiracial audiences and other races and ethnicities. We used the general "other" categorization due to limited data. Efforts to promote diversity in the industry could be enhanced by more detail about the diverse populations in the industry, including but not limited to Native peoples and people with a disability. ³Refers to actors 1–10 as per Variety. ⁴Refers to directors as per Variety. ⁵Refers to producers 1–2 as per Variety. ⁶Refers to writers 1–3 as per Variety.

Source: US Census; Variety Insight

showrunners—the decision makers who decide how stories are crafted, which ones are ultimately made, and who gets hired to make them. Our research found that non-Latino White showrunners are better represented by a factor of up to six.

Underrepresentation in creative leadership roles that determine hiring for other production roles contributes to the low number of opportunities available for aspiring talent. With fewer “at bats” compared with their White counterparts, Latinos receive about 33 percent fewer film credits on average in the first decade of their careers. And

industry tenure has a direct relationship with production and marketing budgets: on average, filmmakers can aspire to budget increases of \$4 million with each successive film credit.

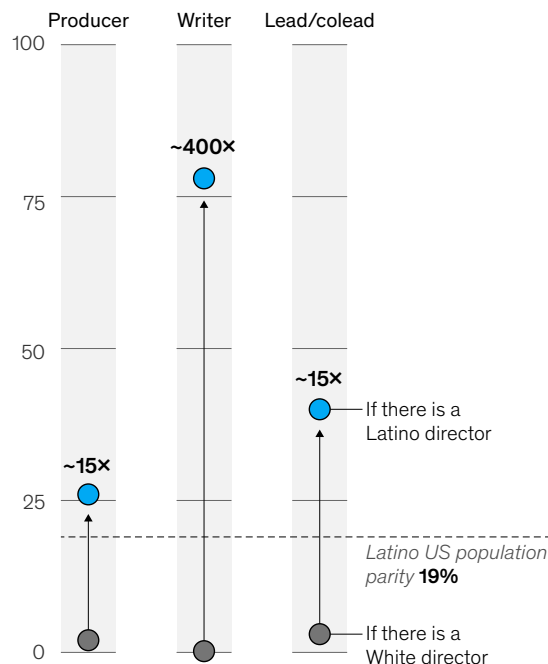
As with Black representation in film and television,⁸ Latinos who rise to prominence in the industry play an outside role in providing opportunities to other Latino talent: the likelihood of a Latino producer, writer, or lead signing on to a project is an average of 15-fold higher if the director or showrunner is Latino (Exhibit 6). Given that only 5 percent of films have Latino directors and 1 to 5 percent of TV and

⁸ Jonathan Dunn, Sheldon Lyn, Nony Onyeador, and Ammanuel Zegeye, “Black representation in film and TV: The challenges and impact of increasing diversity,” McKinsey, March 11, 2021.

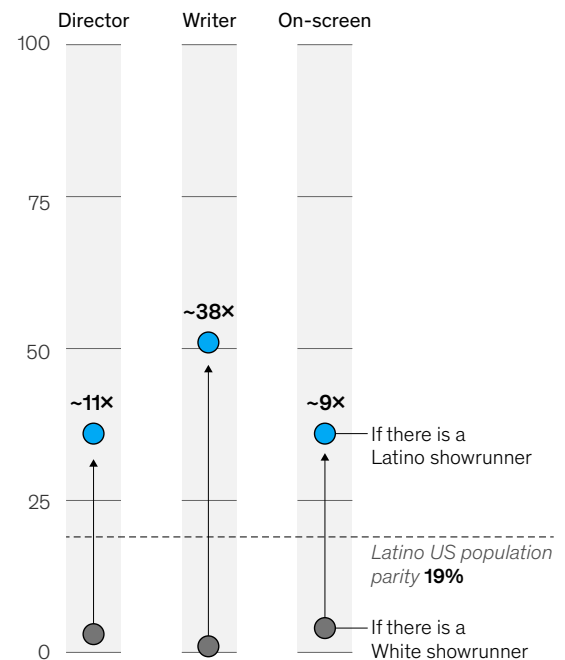
Exhibit 6

Latinos suffer from consistently low allyship and are less likely to be hired by non-Latino creative leaders.

Share of Latinos in above-the-line¹ talent roles by race and ethnicity of director, US theatrical releases, 2013–22, %



Share of Latinos in above-the-line¹ talent roles by race and ethnicity of showrunner, US episodic series,² 2013–22, %



¹Above-the-line talent includes main producers (top 3 for film, top 2 for TV), director for film, top 2 showrunners for TV, main writers (top writer for film and top 3 for TV), lead and colead for film, and top 10 actors for TV. These roles typically have higher influence on the creative direction of content.

²Broadcast, cable, and streaming.

Source: Nielsen; Variety Insight

streaming shows have Latino showrunners, Latinos' ceiling of opportunity is low. "The goal is to sign as many folks as I identify with," said one Latino agent. "But the reality is there are not 20 jobs [for Latinos] out there. There may be jobs for two or three."

The barriers confronting Latinos in Hollywood

According to the Motion Picture Association, the American film and television industry supports 2.4 million jobs across 122,000 businesses. Of these jobs, 822,000 represent direct employment in the production, marketing, and distribution of movies and TV shows.⁹

Our research found that for Latinos, getting one of these jobs, and thriving in it, can be especially challenging. Many of our Latino interviewees recounted stories that highlight barriers to access—for example, the network-driven way in which many jobs are filled. Similarly, low early-tenure compensation in often high-cost cities effectively excludes many people from lower-income backgrounds, including most of the US Latino population.

In addition, Latinos encounter what several interviewees referred to as "low cultural competence," which manifests in the industry's failure to appreciate the community's full potential as storytellers and executives. Latino respondents also spoke of instances in which they felt misunderstood and unwelcomed. And for those who eventually broke through, rising through the ranks to prized leadership positions can seem unattainable in any part of the ecosystem.

Hollywood movies and TV shows are typically greenlit by committee. Approvals for development and production require support from a large group of stakeholders, including studio and network leadership, financiers, talent agents, and production companies. These executive decision-making roles determine which projects are made, how much money to invest, and which creative talent to hire, while also influencing how the

narrative is shaped throughout the development process. Below, we explore the main challenges facing Latinos in Hollywood based on our research.

The network effect

With fewer Latinos in the industry, there's a smaller pool of experienced Latinos to connect with and learn from when exploring career opportunities in Hollywood. Our research found that there is a multiplier effect in driving diversity when decision makers are diverse themselves. When Latinos are in positions of creative leadership, they are on average 15 times more likely to hire other Latinos into key roles than their White counterparts. Developing a social network within Hollywood can be a vital component of securing a steady stream of work. "There are no applications for production jobs," said one non-Latino executive. "A studio head hires division heads, and the division heads hire other people [they] know, and this cycle perpetuates—and as a result, Latinos don't get hired."

Breaking into the industry means facing another networking bottleneck: entry-level jobs are more accessible to those who have contacts in hiring positions, with many people finding success by turning to preexisting networks such as college alumni or family friends. In our interviews, many Latinos described the difficulty of developing a network without access to those university or family connections, especially given limited availability of forums or networking events for those outside of the industry.

Few true comparables

Hollywood's desire to maximize returns by minimizing risk greatly affects content based on Latino experience. Most Hollywood executives have limited personal experience with Latino perspectives and narratives (see sidebar "What it means to be Latino"). Our interviewees commented that pitches based on Latino experience tend to require more evidence to support their potential. Pitches will point to similar intellectual property with established fan bases or existing comps, both of which have been historically limited for content

⁹ *The American motion picture and television industry: Creating jobs, trading around the world*, Motion Picture Association, January 23, 2023.

What it means to be Latino

When asked to define what it means to be Latino, our interviewees noted the importance of family values, community relationships, and a resilient spirit, along with joy in music, food, and culture. They did not cite the ability to speak Spanish

or any other specific language. While they acknowledged the regional divides within Latin America, our interviewees also highlighted similarities, including the influence of Spain on language and religion that unites their cultures. And

there's a strong sense of pride within the Latino community, fueled by the immigrant background that defines the origin story of many of our interviewees, either as a direct experience or as part of their family's history.

led by Latinos in the United States. Vampire, zombie, and superhero movie pitches have plenty of successful comps to support their narrative and expected success. A Latino executive noted, "There's not a lot of comps for Latino content, and if there are no comps, you have to fight harder for it."

Without clear historical performance parallels, a pitch is considered a risky investment—one that executives are especially unlikely to choose during uncertain economic times. "Right now I'm not seeing representation reflected in boardrooms and executives," said one Latino animator. "It's the chicken and the egg problem: because there are no hits, they don't want to make Latino movies. And because they don't make Latino movies, there are no hits."

Insufficient financial and creative power

Even when a pitch led by a Latino showrunner or storyteller is greenlit, it can still face an uphill battle during development, production, and release, both financially and creatively. Our analysis found that content led by Latinos in film and television regularly gets less investment in production and marketing; for example, Latino film directors receive 16 percent fewer marketing dollars and 25 percent lower production budgets, on average, than non-Latino White directors. The underinvestment is even more dramatic in television, where Latino showrunners get production budgets that average 53 percent lower than their White counterparts. One Latino senior executive recalled, "It was really hard to convince someone to give me eight to nine million, but when I partnered with a White colleague, that unlocked doors and got us in the room for greenlights."

Latinas face an even larger deficit. According to our analysis of Hollywood films with US releases,

production budgets for films by Latina directors are about six times smaller than for films by White male directors and around three times smaller than for films by other minority women. Above-the-line roles have the largest gender disparity across the industry; Latina film directors have the biggest gap.

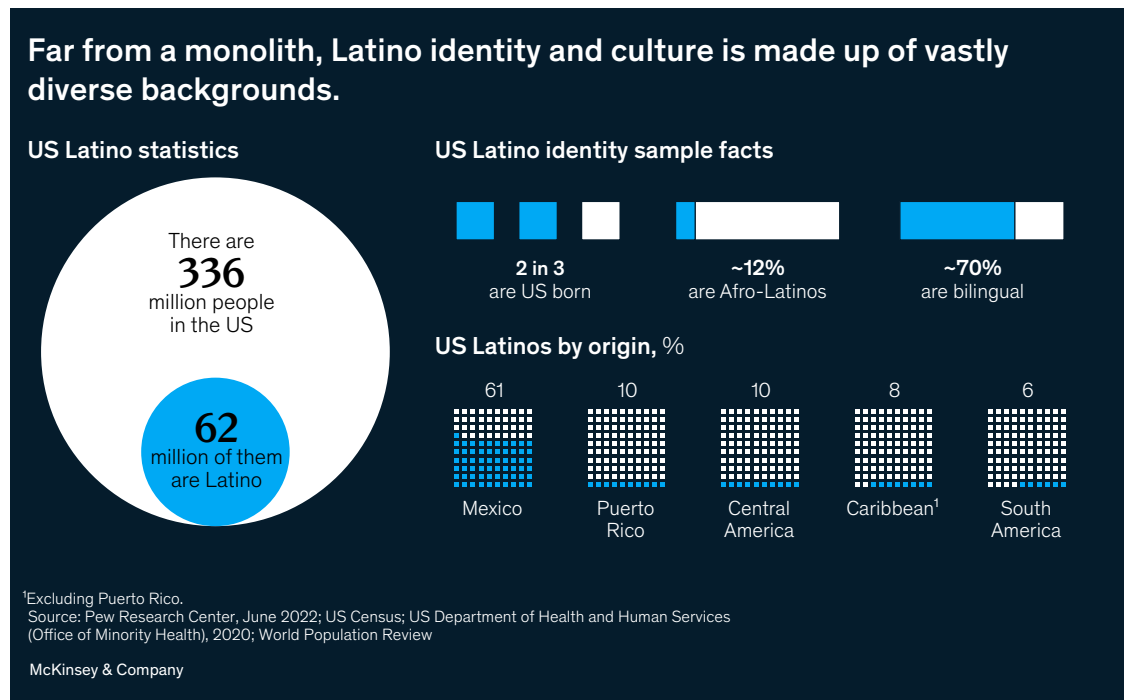
Throughout the development process, executives send creative notes to refine narratives to appeal to target audiences. Multiple interviewees shared that the notes they received would often alter the cultural nuance of the script, simplifying or eliminating Latino portrayals. One Latino creative recalled a meeting with network executives: "They said the main character can't be Latina, the first name needed to sound English with maybe a Latina last name, and that in order to greenlight, if you want to keep the Latina character, make her the sidekick. I said no."

With few Latinos in positions of creative or financial power, there are not only fewer champions to advocate for the value of content led by Latinos but also fewer Latinos to inspire and empower others to join the industry. "We need more executives. That's always been the problem. Executives are the gatekeepers, the champions. Someone who can see value and find it relatable, an advocate to help a project get more time to garner interest."

General misunderstanding of Latinos and their experiences

The Latino community is a culturally diverse global diaspora (Exhibit 7). Our research shows that Latinos in Hollywood define their community very differently from how the industry defines it. The gap between these two definitions can affect the industry's inclusion of Latino talent and content and has ripple effects on the image of Latinos in society more broadly.

Exhibit 7



Many of the Latinos we spoke with self-identified based on their heritage (for example, Mexican, Mexican American, Cuban, and Cuban American), noting that they did not use the more generic “Latino” until starting a career in Hollywood. “We’re a whole variety of the rainbow, of accents, of different cultures across regions,” said one Latino actor. “We may all be considered Hispanic, but it’s ridiculous to put us all in the same category.”

Our interviewees told us that the Latino community is often oversimplified into a monolith. This can lead to stereotyping, with Latinos cast primarily as domestic help, immigrants, and criminals. “One of the biggest agents in TV told me, ‘This show will never see the light of day because the US market is not ready for Latinos speaking English and being protagonists,’” one Latino senior executive recalled. These experiences show that there is still work to do to create a full, holistic picture of the Latino identity. “Our job becomes convincing other people that our stories have universality and that people want to buy into cultures other than those most frequently explored,” a Latino agent said.

Interviewees noted that many of the Latino roles available at auditions continue to be one-dimensional roles associated with immigration, drug cartels, household services such as cleaning or gardening, or inner-city settings. This not only limits opportunities for Latinos in the industry but also has an effect on how the society perceives Latinos, perpetuating stereotypes and biases. Within Hollywood, several common themes emerged in our interviews.

A scarcity mentality. Several Latino interviewees reported experiencing a scarcity mentality in which few roles are available for many people. Interviewees report hearing executives justify the limited opportunities by saying their slate already has content led by Latinos, treating all Latino-related pitches as a single genre, rather than as different facets of a culture’s experience. One Latino senior executive said, “Every time we would pitch a Latino story, the buyers on the other side would say, ‘We already did a Mexican show; we’re not going to do another one.’”

Perpetual foreigners. Many interviewees said they were troubled by what they saw as Hollywood’s assumption that Latinos are “perpetual foreigners,” a community of outsiders regardless of citizenship or generational history—and its portrayal of them as such. One Latino director said, “Latinos are not considered American, even when they’re fourth-generation American, despite being integral to American society.”

Endurance. Many interviewees noted that breaking into Hollywood felt like a marathon. The only way to make it, they said, was to find a way to survive financially in the high-cost-of-living city with part-time jobs, side hustles, or primary careers—all of which cut into the time needed to audition, write scripts, or network within the industry. As one Latino executive said, “Hollywood is a place for people of means. You need other sources of income for the first five years.” This financial endurance is not a realistic endeavor for many Americans, including a large share of US Latinos, who earn on average around 30 percent less than their non-Latino White peers.¹⁰ Given their lack of a financial cushion, many Latinos are at higher risk of having to leave the industry when situations such as the recent actors and screenwriters’ strike limit their income. Several Latino interviewees also described having to demonstrate overqualifications to get entry-level jobs, earning graduate degrees, or building years of experience before landing an assistant role.

How Hollywood leaders can foster Latino representation

The industry could consider three broad actions to help capture the triple-win opportunity of greater economic output, a richer range of stories, and a more welcoming workplace for all: sponsoring Latinos into decision-making roles, investing in Latino talent and content, and portraying Latinos more realistically in film and TV. These actions are complex in execution and will require true partnership across organizations and their leaders.

Increasing the number of Latinos in decision-making roles

Our interviews suggest that success in the entertainment industry often hinges on connections with influential individuals in decision-making roles. As noted above, Latinos hire other Latinos for their projects 15 times more often than non-Latinos and have deeper insight into the Latino experience. The industry could take a first step in increasing Latino representation by making a concerted effort to sponsor Latinos into decision-making roles (for example, boards, C-suite positions, greenlighting committees, and leaders at talent agencies and guilds). This could lead to a deeper understanding of one of the industry’s largest consumer bases and improve the ability to better target content appropriate to that audience.

To achieve this goal, industry leadership could undertake the following actions:

- consider Latinos for C-suite and board roles through promotions within the industry and recruiting them from adjacent industries, such as advertising
- pair advanced-career Latinos with executive sponsors invested in their success and progression within the industry
- mount a mid-career development program focused on elevating Latinos into senior positions and monitor the pipeline of program “alumni” to support their placement and advancement within the industry
- seek more objective mechanisms to hire, reward, and promote talent in both creative and business roles, including improved use of performance metrics

Through these kinds of efforts, the entertainment industry can actively promote diverse above-the-line and executive talent and foster a more inclusive environment for the Latino community.

¹⁰ Ana Paula Calvo, Michael Chui, Lucy Pérez, and Bernardo Sichel, “The economic state of Latinos in America: The American dream deferred,” December 9, 2021.

Other industries show that representation throughout an organization improves when Latinos rise to the top of their companies. For example, Target Corporation's former chief marketing officer and current chief food, essentials, and beauty officer, Rick Gomez, has been relevant in the company's efforts to address the Latino population. Target's strides include the development of a Latino Business Council and partnerships with Latino organizations to improve the brand's appeal for Latino customers and employees.

Investing in Latino talent and content

Major studios and networks have announced diversity, equity, and inclusion pledges in recent years. While these programs are a step forward, several interviewees noted that some have been underfunded or have seen their funding disappear quickly during budget-cutting exercises. Industry leaders want to support Latinos but, as discussed, decision makers may consider Latino-related content or roles to be risky, ultimately resulting in less Latino-led and Latino-themed content being greenlit.

We propose a series of actions aimed at promoting investment and lowering or spreading the perceived risk of new content and roles:

- commit to long-term investment in Latino content and talent, creating a systematic approach to increase diversity across above- and below-the-line roles
- use private capital and external investors for co-investment in Latino-led content to mitigate the perceived risk of this content
- actively seek to invest in and partner with Latino-led production companies to promote diverse content
- encourage studios and other industry players to fund opportunities for entry-level Latino professionals to connect and access vital industry networks
- look for diverse talent and stories in nontraditional mediums and platforms—for

example, exploring social media influencers and content developers, as well as community theaters in underserved locations

- seek exceptions from guilds to enable non-unionized talent to enter the industry before unionizing, potentially eliminating a barrier to entry

The results of targeted investment in minority-led media have been well documented, particularly in the case of Black-owned content. Enterprises such as Tyler Perry Studios and the SpringHill Company have achieved remarkable success economically and socially by investing in diverse talent and content. In the case of Latinos, some early targeted investment efforts have had positive results, primarily led by Latino celebrities, but their limited reach and scale still leave untapped opportunities.

Embracing and accurately representing the multifaceted Latino identity

Parallel to increasing the diversity of boardrooms, sets, and screens, industry executives can take the following steps to portray Latinos more accurately and avoid stereotyping:

- conduct market research to better understand the diversity and multifaceted stories within the Latino community
- promote a deeper and more comprehensive understanding of the diversity and rich cultural heritage of the Latino community through engagement opportunities for all colleagues
- move beyond the concept of “Latino” as a character or story background when developing or adjusting content as well as demanding additional details (for example, place of origin to a city or town level, family background, languages, dialects, race, education, professional background, and religion) and ensure more authentic portrayals of characters
- ensure that Latinos are portrayed across a variety of roles (for example, lawyers, doctors, superheroes, and fairies), and with a range of backgrounds, races, and skin tones



In addition, advertisers could influence the direction of the industry by investing in content that authentically portrays the Latino experience.

Media showing Latinos and their stories across the spectrum have already gained both audience success and critical acclaim, including Pixar's *Coco*, Disney+'s *Andor*, Netflix's *One Day at a Time* and *Wednesday*, HBO's *The Last of Us*; and the CW's *Jane the Virgin*. Empowering Latino storytellers to create authentic nonstereotypical portrayals is essential to shaping rich narratives that resonate with global audiences.

By providing more opportunities for Latino talent, Hollywood can not only tap into additional revenue of \$12 billion to \$18 billion annually but also foster a more inclusive and accurate portrayal of the Latino community. This, in turn, has the potential to help evolve society's preconceived notions, reduce prejudices, and promote a more equitable and just representation of a large and growing worldwide community.

Camilo Becdach and **Sheldon Lyn** are partners in McKinsey's Southern California office, where **Tony Toussaint** is an associate partner. **Tomás Lajous** is a senior partner in the New York office, and **Lucy Pérez** is a senior partner in the Boston office.

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McKinsey Institute for Economic Mobility

Mapping the road to prosperity and parity for Black and Latino residents across America

Black and Latino US residents experience different levels of prosperity and parity depending on where they live. Our interactive map explores this variation across all US counties.

This article is a collaborative effort by Alberto Chaia, JP Julien, Lucy Pérez, Duwain Pinder, Shelley Stewart III, Dominic Williams, and Nina Yancy, representing views from McKinsey's Institute for Black Economic Mobility and the Public and Social Sector Practices.



At a glance

- More than two-thirds of Black and Latino US residents live in the nation's largest cities, compared to less than half of White residents. While this means some of the issues and barriers facing these two groups are highly concentrated, solutions also can be highly targeted.
- Nowhere do either Black or Latino residents experience even three-quarters the average overall well-being of their White neighbors, although Latino–White disparities are slightly smaller.
- The United States is not on pace to eliminate overall disparities for either Black or Latino residents over the next century.
- The impact of place on prosperity and well-being is profound. Our interactive map shows extraordinary variation in both outcome scores and parity on a county-by-county basis.

When it comes to measures of well-being, national averages gloss over the fact that the United States is a vast mosaic of local communities, each with its own story. And within the majority of those communities are sizable disparities between residents of different racial and ethnic backgrounds.

Our report [The state of Black residents](#) analyzed outcomes that Black residents experience across different types of US communities; it also measured the considerable gaps remaining between Black and White neighbors within those places. While the McKinsey Institute for Black Economic Mobility focuses on opportunities and outcomes for Black communities, building a more equitable society requires erasing all racial or ethnic barriers that prevent anyone from reaching their full potential. Here we extend our initial research to examine the experiences of Latino residents across the same metrics. Finally, we offer an interactive map for exploring the overall results for both groups at the county level.¹

About 19 percent of the US population identifies as Hispanic or Latino, and 13 percent identifies as Black or African American. These are the nation's two largest racial or ethnic minority groups, and both are remarkably diverse, having descended from dozens of countries and cultures.² For instance, six million adults in the US identify as Afro-Latino (that is, both Black and Hispanic or Latino).³ Roughly two-thirds of the US Latino population was born within the United States, and one-third is foreign born.⁴ For simplicity, this analysis references outcomes for Black, Latino, and non-Hispanic White US residents, although we recognize the complexity underlying these categories.

Previous McKinsey research has highlighted the structural barriers facing Black and Latino households as well as the potential economic impact of their full inclusion.⁵ Black and Latino communities share some challenges; others may reflect their distinct histories and experiences.⁶ Either way, examining both Black and Latino outcomes reveals the progress the United States could make to ensure that all residents are able to thrive, regardless of race or ethnicity.

¹ Due to limited data availability, we do not assess outcomes for other groups, such as Asian Americans and Native Americans.

² Size of racial and ethnic minority groups based on population estimates from the US Census Bureau as of July 2023. The diversity of Black Americans includes the consideration of whether a Black family traces its roots to enslaved ancestors or to more recent immigrants, although the US Census Bureau does not currently track this.

³ Ana Gonzalez-Barrera, "About 6 million U.S. adults identify as Afro-Latino," Pew Research Center, May 2, 2022. Notably, about seven million enslaved Africans were transported to what is now Latin America before 1875; by comparison, closer to 400,000 were transported to the United States. See "Trans-Atlantic Slave Trade - Estimates," SlaveVoyages.

⁴ For an overview, see Jie Zong, *A mosaic, not a monolith: A profile of the U.S. Latino population 2000-2020*, UCLA Latino Policy & Politics Institute, October 2022; and Mohamad Moslimani and Luis Noe-Bustamante, "Facts on Latinos in the U.S.," Pew Research Center, August 16, 2023.

⁵ See *The economic state of Latinos in the US: Determined to thrive*, McKinsey, November 2022; *The economic state of Latinos in America: The American dream deferred*, McKinsey, December 2021; and *The economic state of Black America: What is and what could be*, McKinsey Institute for Black Economic Mobility, June 2021.

⁶ For a historical overview of these groups' distinct experiences, see, for example, Hugh Davis Graham, "Race, language, and social policy: Comparing the Black and Hispanic experience in the U.S." *Population and Environment*, issue 12, number 1, 1990.

Black and Latino residents are more concentrated in America's large cities than their White peers

To offer insight into Black and Latino outcomes, we group more than 3,100 US counties into distinct community profiles based on multiple economic and demographic characteristics.⁷ This article focuses on the eight largest profiles, which account for about 93 percent of both the Black and Latino populations. From most urban to most rural, they are economically dynamic **megacities** (for example, New York, NY; Los Angeles, CA) and **high-growth hubs** (Austin, TX; Charlotte, NC; Minneapolis, MN); the less economically dynamic **stable cities** (Columbus, OH; Detroit, MI; New Orleans, LA) and **independent economies** (Little Rock, AR; Lancaster, PA); more distressed **trailing cities** (Flint, MI; Bridgeport, CT); suburbs and exurbs in the **urban periphery** (San Bernardino, CA; Arlington, VA); and stable **rural counties** and **trailing rural counties**.

More than two-thirds of Black and Latino residents live in the largest urban community profiles (66 and 68 percent, respectively), compared to only 48 percent of White residents in these profiles. In particular, Black and Latino residents are more than twice as likely as White residents to live in megacities, which are home to 30 percent of Black and 38 percent of Latino residents, compared to 15 percent of White residents (Exhibit 1). Black residents are also notably overrepresented in stable cities (home to 19 percent), while Latino residents are slightly overrepresented in both high-growth hubs (9 percent) and trailing cities (7 percent).

An additional 12 to 15 percent of Black and Latino residents live in suburbs and exurbs—communities where both groups are underrepresented and White residents are overrepresented. In rural areas, Black residents are twice as likely as White residents to live in trailing rural counties rather than stable rural counties. By contrast, Latino residents are just as likely as White residents to live in stable rural counties (although Latinos are less likely to live in rural areas in the first place).

Across community profiles, we assess the extent to which both Black and Latino experiences meet a set of aspirations for all US residents, irrespective of race or identity. The aspirations are for all residents to enjoy a basic standard of living; financial stability; job opportunities with decent pay and good working conditions; long and healthy lives; opportunities to develop skills; stable and secure homes; physical and virtual connectivity; and stable communities.⁸

While it is beyond the scope of this article to delve deeply into each topic, we gathered county-level data for 25 hard metrics related to all of these aspirations. Combining them, we produce two scores for each county that reflect general economic, physical, and social well-being—one absolute and one relative, as follows:

- **Black or Latino outcome scores:** These indicate the level of overall Black or Latino prosperity in a given county relative to that of all Black or Latino residents across the nation, respectively.⁹
- **Black–White or Latino–White parity scores:** These indicate how far a county is from achieving equivalent outcomes for Black and White residents, or for Latino and White residents, across all metrics.¹⁰

⁷ For more details on the community profiles, see *The state of Black residents: The relevance of place to racial equity and outcomes*, McKinsey Institute for Black Economic Mobility, February 2024.

⁸ For each aspiration, we use two to four priority metrics. For example, to measure the aspiration for "stable and secure homes," we assess homeownership rates, rates of overcrowded homes (one or more occupants per room), and share of residents who are rent burdened (spending more than 30 percent of income on rent). For more details on data and methodology, see *The state of Black residents: The relevance of place to racial equity and outcomes*, McKinsey Institute for Black Economic Mobility, February 2024.

⁹ The Black and Latino scores for a given place indicate placement within the distribution of that particular racial or ethnic group only. For example, a Black outcome score that is higher than a Latino outcome score means that Black residents of that place are relatively more prosperous compared to all Black US residents than Latino residents are compared to all Latino US residents. It does not necessarily imply that Black residents of that place are doing better than Latino residents in absolute terms.

¹⁰ We compare Black and Latino prosperity to White prosperity given that White outcomes are more positive on average; they can serve as a reference point for the level of general well-being that could be possible for Black or Latino residents in a given place.

Exhibit 1

Black and Latino residents are concentrated in America's cities.

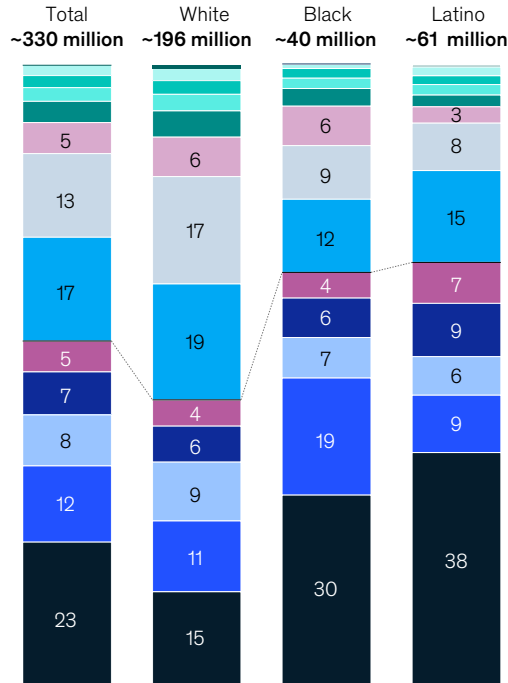
Population distribution, 2021, %

Focus of this research
(example places)

- Megacities
(New York, NY; Los Angeles, CA)
- High-growth hubs
(Seattle, WA; Austin, TX)
- Urban periphery
(Arlington, VA; Riverside, CA)
- Stable cities
(Detroit, MI; Columbus, OH)
- Independent economies
(Little Rock, AR; Providence, RI)
- Trailing cities
(Flint, MI; Bridgeport, CT)
- Stable rural counties
(Cameron, TX; Caddo Parish, LA)
- Trailing rural counties
(Coahoma, MS; Decatur, KS)

Additional community profiles

- Small powerhouses
- Silver cities
- College-centric towns
- America's makers
- Rural outliers



>2/3
of Black and Latino
US residents live in
one of the largest
urban community
profiles, compared
to 46% of White
residents

Note: Numbers may not sum due to rounding.
Source: US Census Bureau (American Community Survey [ACS] 5-year estimates; total population by race for all US counties, excluding Puerto Rico); McKinsey Institute for Black Economic Mobility analysis

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Nowhere do Black or Latino residents experience even three-quarters the average well-being of their White neighbors, although Latino–White disparities are slightly smaller

Examining our findings across counties within the same community profiles reveals patterns.

America's **megacities**, where more than one in three Black or Latino US residents live, stand out for having the largest Black–White and Latino–White disparities across all the topics we examine (Exhibit 2). Overall Black outcomes in megacities are only 55 percent of overall White outcomes, on average, and Latino outcomes are 57 percent. This is despite the fact that Black residents of megacities are comparatively better off than their peers in many other community profiles, with positive job and education outcomes (albeit offset by high costs of living, widespread rent burdens, and long commutes). By contrast, megacities produce some of the lowest overall Latino outcomes in the nation (Exhibit 3). Initiatives in America's largest cities could be best positioned to lift up the greatest numbers of struggling Latino residents, while also helping to address sizable Black–White disparities.

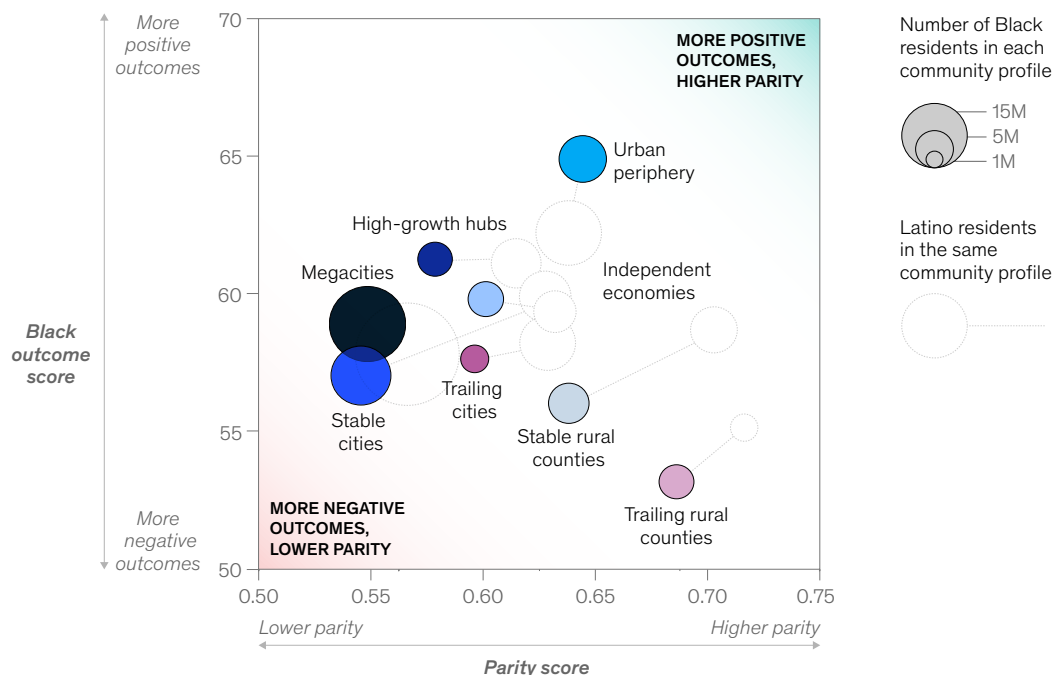
The **urban periphery** stands out for having the best balance of overall outcomes and parity for Black and Latino residents alike, although both groups are underrepresented in the suburbs and exurbs. They see similar levels of parity with White residents: overall Black and Latino outcomes are both about 64 percent of White outcomes across the topics we analyze. For Black residents, this level of parity reflects notably greater prosperity in the urban periphery than in other community profiles, whereas Latino prosperity in the urban periphery is not as exceptional. In other words, the urban periphery offers Black residents a distinctly more positive experience than Black Americans find elsewhere, while Latino experiences in the suburbs and exurbs are slightly better than elsewhere but not markedly so.

The other **urban community profiles**—high-growth hubs, independent economies, stable cities, and trailing cities—have relatively similar degrees of Latino–White parity, with Latino outcomes between 61 and 63 percent of White well-being. Overall, their levels of Latino prosperity reflect their underlying economies, with outcomes that are better in high-growth hubs and worse in trailing cities. By contrast, there is more variation in Black resident experiences across these urban areas. Most notably, Black prosperity is significantly lower in stable cities and trailing cities. Stable cities, where Black residents are overrepresented, have the nation’s largest overall Black–White gaps.

Exhibit 2

Black–White disparities are largest in stable cities and megacities, where half of the Black US population lives.

Black outcomes compared to Black–White parity, most recent year¹

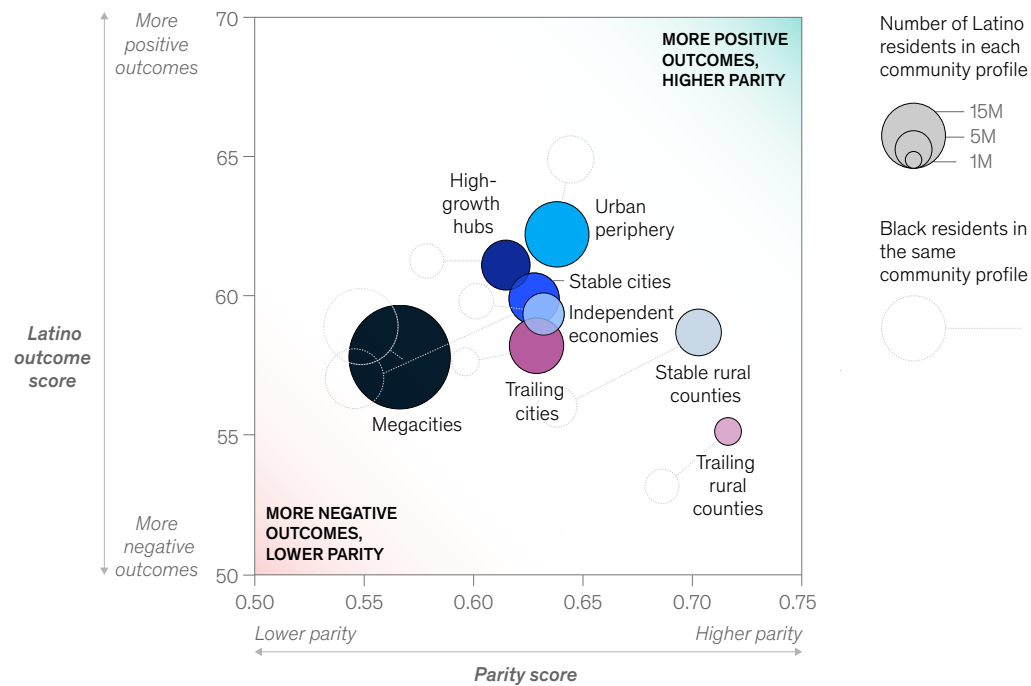


¹Most metrics are drawn from US Census Bureau ACS 5-year estimates for 2021. Exceptions to this are cost of living data from the Economic Policy Institute (2022), life expectancy (2015) and mental and physical health (2020) from the US Centers for Disease Control, and incarceration rates (2018) from the Vera Institute. Source: US Census Bureau; Economic Policy Institute; US Centers for Disease Control; Vera Institute; McKinsey Institute for Black Economic Mobility analysis

Exhibit 3

Megacities are also home to the largest Latino–White disparities, while other urban areas see smaller gaps.

Latino outcomes compared to Latino–White parity, most recent year¹



¹Most metrics are drawn from US Census Bureau ACS 5-year estimates for 2021. Exceptions to this are cost of living data from the Economic Policy Institute (2022), life expectancy (2015) and mental and physical health (2020) from the US Centers for Disease Control, and incarceration rates (2018) from the Vera Institute. Source: US Census Bureau; Economic Policy Institute; US Centers for Disease Control; Vera Institute; McKinsey Institute for Black Economic Mobility analysis

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Last, we consider the two **rural community profiles**. Trailing rural counties see the greatest parity for both Black and Latino residents (Black outcomes are about 69 percent and Latino outcomes about 72 percent of White outcomes). But these communities also have the nation's lowest overall outcomes for both groups. In other words, higher parity reflects poor outcomes for White residents as well. In stable rural counties, a similar pattern holds for Black residents, while Latino residents do somewhat better on both prosperity and parity.

Beyond these variations across community profiles is a stark reality: In none of them do either Black or Latino residents experience even three-quarters of their White neighbors' overall level of economic, physical, and social well-being. Black outcomes range from 55 to 69 percent of White outcomes, on average, across community profiles, whereas the range for Latino outcomes is 57 to 72 percent. Overall, Latino–White gaps are slightly smaller, yet still significant. Inequity is ever-present in multiple aspects of life for both of the nation's largest minority groups.

The nation is not on pace to erase racial and ethnic disparities in our lifetimes, although the gaps facing Latinos could close sooner

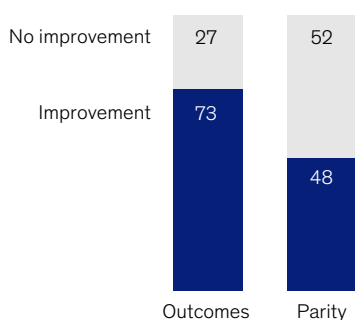
To assess whether conditions are at least moving in the right direction, we looked at changes over the past decade for Black and Latino residents.

Between 2012 and 2021, overall outcomes improved for both groups in most US counties; the good news is that their overall economic, physical, and social well-being was higher at the decade's end than at the start (Exhibit 4). Yet in many places, outcomes for White residents improved to the same degree or even more, meaning that gaps never closed. While this trend holds for both groups, Latino progress was somewhat more geographically distributed, with outcomes improving in 86 percent of all US counties (compared to 73 percent of counties showing progress for Black residents). And while Latino–White disparities shrank in two-thirds of US counties over the decade, fewer than half saw reduced Black–White disparities.

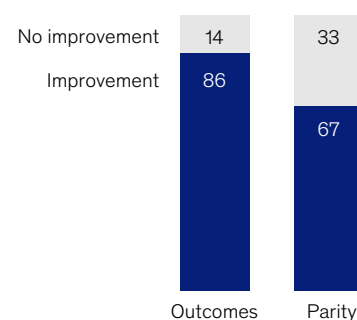
Exhibit 4

Outcomes for Black and Latino residents are improving across most US counties, but progress toward parity has been harder to achieve.

Counties with improvement in Black outcomes or parity, 2012–21¹, %



Counties with improvement in Latino outcomes or parity, 2012–21¹, %



¹Most historical year metrics are from the 2012 ACS, and most recent year metrics from the 2021 ACS, with some exceptions due to data availability; dates for comparison are 2017–21 for share without broadband (ACS), 2012–18 for incarceration rates (Vera Institute), and 2018–20 for mental and physical health (CDC). Granular historical data was not available for child poverty, life expectancy, and ratio of income to cost of living.

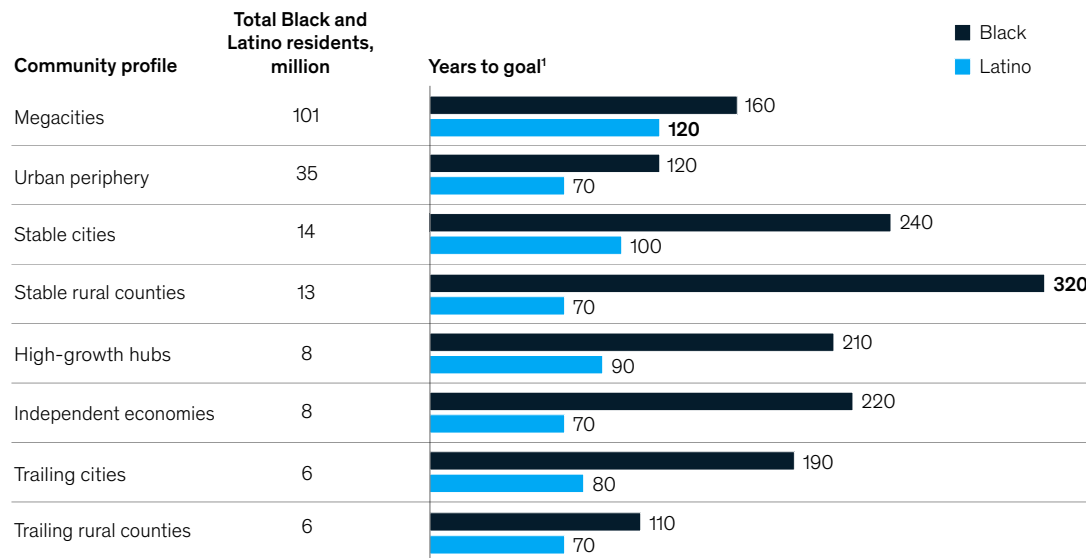
Source: US Census Bureau; Economic Policy Institute; US Centers for Disease Control; Vera Institute; McKinsey Institute for Black Economic Mobility analysis

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In light of these recent trends, the outlooks for Black and Latino residents are meaningfully different (Exhibit 5). Based on the rate of change between 2012 and 2021, the gaps in outcomes between Latino residents and their White neighbors are on track to close centuries sooner than those separating Black and White residents. The pace of progress toward parity varies across different places as well. Looking across the different community profiles, it could take anywhere from 70 to 120 years to close Latino–White gaps on average. But the comparable number for closing Black–White gaps is 120 to 320 years.

Exhibit 5

At the current pace, it could take up to 120 years to close overall Latino–White gaps and up to 320 years to close Black–White gaps.



¹Current rate is based on change observed in overall parity scores in each community profile between 2012 and 2021.
Source: US Census Bureau; Economic Policy Institute; US Centers for Disease Control; Vera Institute; McKinsey Institute for Black Economic Mobility analysis

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Our finding that Latino residents are making relatively faster progress toward parity than their Black counterparts is consistent with other research.¹¹ For example, McKinsey research found that Latino enrollment is helping to drive the shift toward greater representation of students of color at US colleges and universities.¹² Latinos also are more likely than Black residents to have personal or family histories of immigration, and it is well established that the children of immigrants experience higher upward mobility than US-born children.¹³ As a result of these trends, a child born today might live to see Latino–White disparities—but not Black–White disparities—closed across some community profiles.

Despite these differences, it is still taking too long to achieve parity for both groups, raising the risk that racial and ethnic gaps could continue to be a generational challenge. Moreover, this analysis holds White outcomes constant for simplicity, even though history indicates they are likely to continue improving.

¹¹ See, for example, Tim Henderson, “Hispanic families continue to climb to middle class,” *Governing*, December 2023. These findings are counterbalanced, however, by both the precarity of many Latino (or Black) families’ position in the middle class, and the stagnation Latinos in the US have experienced in other areas. See Rakesh Kochhar and Stella Sechopoulos, “Black and Hispanic Americans, those with less education are more likely to fall out of the middle class each year,” *Pew Research Center*, May 10, 2022; and Marie T. Mora and Alberto Davila, *The Hispanic–white wage gap has remained wide and relatively steady*, Economic Policy Institute, July 2018; In addition, economic outcomes for foreign-born Latinos are often less positive than those of US-born Latinos; see *The economic state of Latinos in America: The American dream deferred*, McKinsey, December 2021.

¹² *Racial and ethnic equity in US higher education*, McKinsey, July 2022.

¹³ On the upward mobility of immigrants (and their children), see, for example, Ran Abramitzky et al., “Intergenerational mobility of immigrants in the United States over two centuries,” *American Economic Review*, volume 111, number 2, February 2021. On the comparison between immigrant experiences and those of Black Americans with enslaved ancestors, see William Darity, “What’s left of the economic theory of discrimination?” in *The question of discrimination: Racial inequality in the U.S. labor market*, Steven Shulman and William Darity Jr., eds., Wesleyan University Press, 1989.

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Dramatically accelerating the timeline to parity for both Black and Latino residents would mean upending the status quo. It is not easy to address all the factors at play; our parity scores reflect gaps in jobs and educational opportunities, housing, healthcare, and self-reported physical and mental well-being, among other topics. Our previously published [research](#) on Black residents explored two potential initiatives in greater detail: affordable housing and high-quality universal public preschool. These efforts would similarly benefit Latino communities—and, indeed, residents of all backgrounds. While they require substantial investment, they could also yield real long-term social and economic returns.

Explore the data in detail

The aggregated community profiles discussed earlier offer a way to understand the experiences of Black and Latino residents, but even this segmentation does not capture the remarkable variation that exists from place to place.

We therefore invite readers to [explore the data in greater detail using our interactive map](#). Clicking on the “Community profile” tab shows each county’s classification, while the other tabs offer views based on demographics and our calculated outcome and parity scores. Users can also hover directly over any US country to see its statistics.

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Diversity & Inclusion Practice

The economic state of Latinos in America: Building up small businesses

Despite a range of challenges, Latino-owned small businesses are growing rapidly. Investing in their potential can support future generations of Latino entrepreneurs and boost the US economy.

*by Alberto Chaia, Lucy Pérez, and Marukel Nunez Maxwell
with Maria Arellano*



From bustling urban centers to small towns across the United States, the economic power and business potential of Latino communities is immense. Today, 19 percent of the US population identifies as Latino or Hispanic.¹ According to the US Census Bureau, Latinos are expected to comprise approximately 28 percent of the total US population by 2060. Latino small-business owners also skew younger, which means there is great promise for long-term value creation and growth, especially as the education levels of these young entrepreneurs continue to rise.

These demographic shifts hint at the potential for Latino entrepreneurs and businesses to play an even larger role in the economy than they do now. Much of the promise lies with small and medium-size enterprises (SMEs), since 99 percent of Latino-owned businesses are small businesses. Latinos start more businesses per capita than any other racial or ethnic group in the United States. In 2023, they created 36 percent of new businesses in the United States—nearly double their representation in the overall population.

The greater Miami area is an example of an environment where Latino small businesses and entrepreneurs can succeed. Latinos are a critical part of the local economy there. They account for 47 percent of the population and own 27 percent of local small businesses. Latino-owned small businesses in Miami also generate more revenue per employee than their non-Latino counterparts.

While aspects of Miami's development are unique and can be challenging to replicate, its success can still provide considerations for other cities in supporting Latino small businesses. Three pillars

can help create an environment where Latino entrepreneurs can better reach their full potential: educational attainment, network effects of local ecosystems, and access to funding. When cities have all three pillars, as Miami does, it is more likely that Latino entrepreneurs can own more small businesses, participate in higher-revenue-generating opportunities, and become a vital part of the local economy.

However, many places don't offer all three pillars. Latino small-business owners in the United States face considerable challenges. The gap between the success of Latino-owned SMEs and non-Latino-owned SMEs underscores those challenges and the fact that Latino small-business owners often have a harder time overcoming them. For example, Latino SMEs have more trouble scaling up enterprises, hiring and retaining talent, and getting access to funding.

This article analyzes data from multiple sources and explores the potential for Latino small-business growth, existing challenges, and potential ways to bridge the gaps between Latino-owned small businesses and their counterparts (see sidebar "About the research"). A supportive environment could pave the way for the creation of more than 600,000 new businesses, potentially bringing in about \$1.2 trillion in revenue and creating five million to six million jobs in the coming decades. Focusing on educational advancement to align skill sets and managerial capabilities with high-revenue industries, developing mentorship programs, and providing access to financing could help unlock this potential, leading to greater economic growth for both Latino-owned businesses and the broader US economy.

¹ The US Census Bureau, which provides much of the data that is the foundation of the research and analysis in this article, collects Hispanic origin information based on guidance from the US Office of Management and Budget (OMB). OMB defines "Latino or Hispanic" as a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race. For brevity and consistency with previous McKinsey research on Latino economic mobility, we use the term "Latino" throughout this article.

About the research

This is the fourth publication in our series on the economic state of Latinos in America. Our first report, in 2022, “[The economic state of Latinos in America: The American dream deferred](#),” looked at Latinos’ economic contributions as workers, business owners, consumers, and savers. Also in 2022, we published “[The economic state of Latinos in America: Determined to thrive](#),” which delved deeper into Latino consumers’ experiences and how they remain underserved despite their economic relevance. Last year, our report “[The economic state of Latinos in America: Advancing financial growth](#)” identified strategies for institutions and private investors to create value from boosting the

financial inclusion of Latino people.

Our research this year focuses on Latino-owned small and medium-size enterprises (SMEs) and draws from both publicly available information and proprietary McKinsey data, research, and tools. The data in this report was drawn from multiple sources, including the US Census Bureau Annual Business Survey,¹ Stanford Graduate School of Business’s *State of Latino Entrepreneurship 2023* report, the 2023 Fed Small Business Credit Survey, and the Bureau of Labor Statistics. The US Census Bureau often uses “Hispanic” in its surveys and defines “Hispanic or Latino” as a person of Cuban, Mexican, Puerto Rican, South or Central American, and Other

Spanish culture or origin. In this article, we have chosen to use the word Latino.

To better understand the experiences of Latino small-business owners in the United States, we also conducted about a dozen in-depth interviews with Latino entrepreneurs and organizations that support Latino small-business owners in California, Florida, Illinois, South Carolina, and Texas. They told us about the challenges they faced while creating a business, their growth and success stories, and the resources they wish had been in place when they were beginning their entrepreneurship journeys.

¹ The most recent publicly available US Census Bureau data as of the time of this article’s publication is from 2021, while the most recent Census data with revenue breakdown at the industry level is from 2017.

Creating the conditions that fuel growth

Under the right circumstances, Latino small-business owners can thrive. Miami is a prime example, with several factors contributing to its success (Exhibit 1). As mentioned, Latinos represent 47 percent of the population in the greater metropolitan area. Additionally, 43 percent of the population in Miami is fluent in Spanish. The result is a series of network effects that may help Latino entrepreneurs succeed. Twenty-five out of every 100 Latinos in Miami are small-business owners, compared with eight out of 100 in the United States. And Latino-owned small businesses in Miami generate \$235,000 in revenue per employee, compared with \$229,000 for non-Latino, White-owned small businesses there.² Here are three conditions that help shape an environment for success.

Access to education can spur participation in higher-revenue industries

Better education can significantly help entrepreneurs participate in higher-revenue industries. Miami’s Latinos have higher levels of educational achievement than Latinos in the United States as a whole. Thirty percent hold a bachelor’s degree or higher, versus 20 percent of Latinos nationwide.

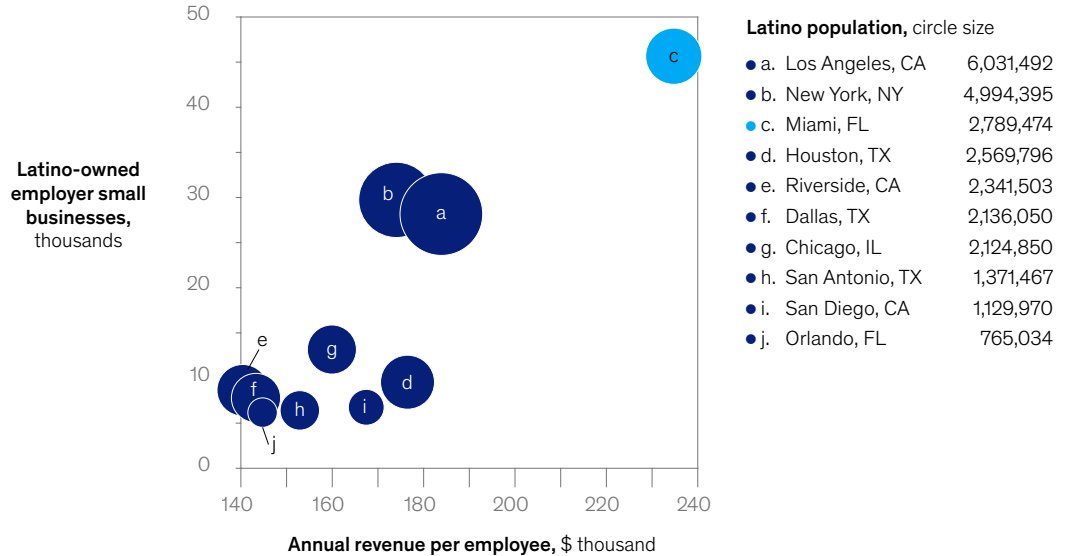
Educational gains can equip Miami entrepreneurs with the skills and knowledge necessary to develop high-revenue business ventures. According to the US Census Annual Business Survey, Latino small-business owners in the United States generally operate businesses in lower-revenue industries such as construction or transportation. However, in Miami, the top industries for Latino small-business owners are professional, scientific, and technical services, as well as healthcare and social assistance.

² Consistent with our previous research on Latino economic mobility, we compare Latino business owners with non-Latino, White business owners, as the latter group represents the most established demographic group in business in the United States.

Exhibit 1

Miami is a prime example of Latino small-business success.

Top 10 metropolitan statistical areas with the most Latino small businesses, 2017



Source: Annual Business Survey 2017, US Census Bureau; American Community Survey 2017, US Census Bureau

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According to the US Census Bureau, Latinos across the nation have been raising their level of education, with increasing high school graduation rates and college enrollment. Latinos in several cities have higher-than-average educational attainment, including Austin, New York City, Orlando, and Washington, DC. In those metropolitan areas, 24 to 30 percent of the Latino SME-owner population is college-educated.

Local ecosystems and network effects can create community and opportunity

A thriving business environment can set off a self-sustaining cycle that bolsters Latino success. Local ecosystems can foster mentorship and networking opportunities. This can strengthen the Latino small-business community, as entrepreneurs share advice, support, and connections to help others navigate the challenges and uncertainties of business ownership.

In Miami, these factors have helped create a unique community. “There’s a network effect

phenomenon in Miami that comes with being surrounded by customers and peers from Latin America,” the owner of a software firm serving the legal profession noted in a McKinsey interview. “It is easier to connect.” This interplay generates a self-reinforcing cycle that propels Latino-owned small businesses.

Miami isn’t the only place where Latino small-business ecosystems thrive. Areas including greater Los Angeles, with a Latino population of more than six million, the New York City metropolitan area, with five million Latinos, and Houston, home to nearly three million Latinos, all have substantial populations that foster vibrant networks and opportunities. Several cities in Texas and California have populations that are more than half Latino. And in some cities—such as Laredo, El Paso, or Brownsville, Texas—Latinos own more than 40 percent of businesses. In each of these cities, the likelihood of positive network effects increases. Successful ecosystems can lead to more partnerships, more opportunities

to participate in supply chains, and increased mentorship and sponsorship.

Access to funding is critical

Funding plays an important role in the success of any business. Online lender Biz2Credit conducted an in-depth analysis of the financial performance of more than 121,000 SMEs that submitted funding requests through their platform.³ More than 18,000 of the businesses were owned by individuals who self-identified as Latino.

One of the key insights from the Biz2Credit analysis is that more and more Latino businesses are applying for credit. In 2023, Latino-owned businesses accounted for 15 percent of credit applications, up from 12 percent in 2022. This growth indicates that more Latino entrepreneurs are seeking and gaining access to the funding they need. Additionally, the average credit score of Latino business owners improved from 632 in 2022 to 647 in 2024, a sign that these businesses are becoming more financially stable and more creditworthy.

The report also compared key financial metrics, such as average revenue, operating expenses, and profit. On average, Latino-owned companies applying for credit had been in operation for one year less than their non-Latino counterparts. This shorter operational history can help explain why they lagged behind by 4 to 23 percent in most financial metrics. However, the overall trend for all those financial metrics is positive, suggesting that with more access to funding, these businesses may be increasingly better positioned to close the gap and achieve greater financial success.

By understanding and recognizing these positive trends, financial institutions can make more informed decisions about lending to Latino-owned businesses. Their support is essential for creating a more equitable financial environment where Latino entrepreneurs can access the resources they need to grow and succeed.

Tapping the great potential

While Miami is an example of the potential future for Latino small businesses, its unique elements may not be easy to replicate elsewhere. To understand why Latino SMEs can thrive within the context of the wider US economy, it's helpful to look at the characteristics of these businesses, the demographics of their owners, and the differences in revenue generation compared with other groups.

How Latino-owned enterprises fit within the US small-business ecosystem

Small businesses, defined by the US Small Business Administration (SBA) as those with fewer than 499 employees, are a critical part of the US economy. Some 99 percent of businesses are small, and they account for 44 percent of GDP and 46 percent of total employment.⁴ These businesses also serve as significant deposit generators for financial institutions, offering a lower-cost source of funding. For every dollar that SMEs with less than \$25 million in annual revenue receive in lending, they hold \$3.62 in deposits, compared with \$3.15 for larger businesses with greater than \$25 million in revenue.⁵

Recent trends suggest that Latino-owned small businesses may continue to advance. Latino entrepreneurs are poised to continue to propel business creation while garnering productivity gains, as long as they have ready access to capital. These positive trends may indicate a future in which Latino small businesses can thrive, contribute significantly to the economy, and inspire a new generation of entrepreneurs. To better understand the challenges and potential of Latino small businesses, it's worth looking at four key traits.

An entrepreneurial segment with the potential for high growth. Latinos in the United States are underrepresented regarding their proportional share of total small-business ownership. Although Latinos make up 19 percent of the adult population in the country, Latino-owned SMEs comprise only 7 percent of total small-business firms with

³ *Annual Latino-owned business study 2024*, Biz2Credit, September 30, 2024.

⁴ According to the US Bureau of Economics and Statistics, 2022, and the US Chamber of Commerce, Small Business Data Center.

⁵ Lending includes commercial and industrial loans and excludes commercial real estate and structured loans.

employees, and 17 percent of nonemployer firms (which have no employees and are mostly sole proprietorships) (Exhibit 2).

These SMEs are concentrated in particular industries and geographies. Approximately half of Latino-owned small businesses are in three sectors: transportation and warehousing; construction; and administrative support, waste management, and remediation services. Latino SMEs are also predominantly located in California, Florida, and Texas, which together account for 61 percent of Latino-owned SMEs and 53 percent of the adult Latino population.

The Latino owners of these businesses are the most entrepreneurial ethnic group in the economy. As

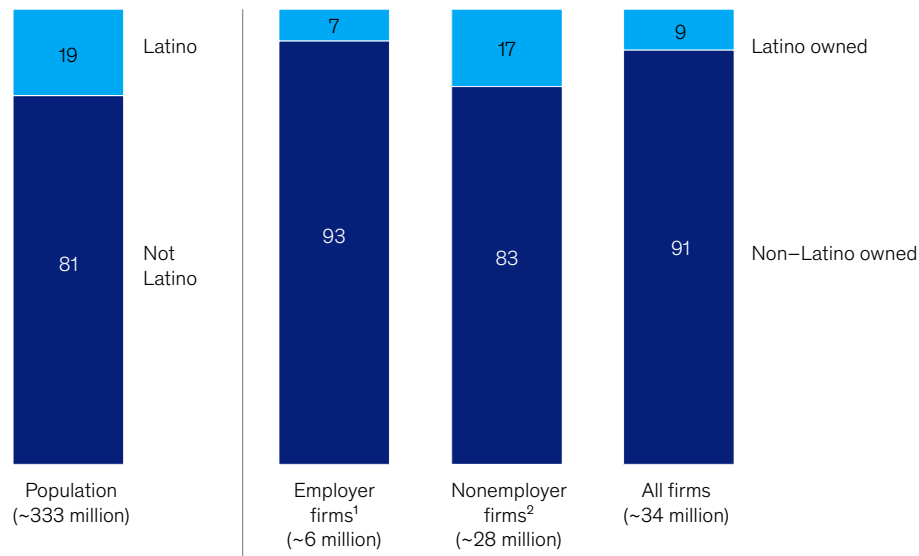
the Southeast Regional Administrator for the SBA [recently wrote](#), in the past three years, the United States has seen the fastest creation rate of Latino-owned small businesses in over a decade. Moreover, 80 percent of Latino small-business owners (compared with 73 percent of all small-business owners) report that their business has grown in the past year.

Young, dynamic small-business owners. Our analysis of US Census data reveals that Latino small-business owners are notably younger than their non-Latino, White counterparts. Fifty-six percent are under the age of 45, compared with 37 percent of non-Latino, White small-business owners. This aligns with broader demographic trends, as 72 percent of Latino people in the

Exhibit 2

Latinos are underrepresented in small-business ownership in the United States.

Latinos in the US in 2021,¹ % share



¹Firms with paid employees.

²Firms with no paid employees.

Source: Annual Business Survey 2021, US Census Bureau

United States are younger than 45, compared with 51 percent of non-Latino, White people. Female entrepreneurs skew younger, with 34 percent of Latina small-business owners under age 45, compared with 31 percent of their male counterparts (see sidebar “The power and potential of Latina small-business owners”).

Moreover, Latino entrepreneurs are highly invested in their businesses. According to Verizon Business’s 2024 Latino Small Business Owner Survey, three times as many Latino owners report that their primary goal when selling a business is increasing personal wealth, compared with non-Latino owners.⁶

The [Biz2Credit 2024 Latino-Owned Business study](#) highlights other trends that underscore the growing

financial strength and resilience of Latino owners. Personal credit scores have improved by six points, the average approved funding amount has risen by almost 40 percent, and creditworthiness has improved every year for the past three years.

Technology and AI. The tech sector shows promise for Latino business owners. Latino-owned tech firms have demonstrated revenue growth, with a CAGR of 11.6 percent, outpacing the 7.7 percent CAGR of non-Latino, White tech firms.⁷ Many of these Latino tech businesses are SMEs that generate 60 percent more revenue than non-tech firms, and their median revenues are now on par with those of non-Latino, White tech firms.

Embracing technology could enhance productivity for Latino-owned businesses. Technology adoption coupled with skill-building initiatives can lead to higher efficiency. Automating manual tasks can free up time and resources, allowing businesses to achieve more with less. According to the US Chamber of Commerce, 87 percent of small businesses report increased efficiency due to technology platforms. Nascent Latino tech SMEs are likely to benefit from further advancements in technology, particularly with the expected investment in AI reaching \$100 billion in the United States by 2025.⁸

An increasingly educated population. While Latino educational attainment has risen considerably over the years, it still lags behind other demographic groups. Among the overall population, 21 percent of Latinos aged 25 and older have a four-year college degree, compared with 42 percent of non-Latino Whites. That gap shrinks for Latino small-business owners: 40 percent have a bachelor’s degree, versus 55 percent of non-Latino, White owners. And in industries with a higher concentration of Latino SME owners, the educational attainment gap is even less pronounced (Exhibit 3).

The power and potential of Latina small-business owners

Latinas have become a significant force in small business. From 2017 to 2021, Latinas accounted for 31 percent of all new Latino-owned employer firms. During that time frame, there was a notable 33 percent growth in the number of Latina-owned firms, higher than the 7 percent growth rate for non-Latina-owned firms.

Seventy-three percent of Latinas have achieved at least an associate’s degree, trade, technical education, or some college education, compared with 61 percent of Latino men. This higher educational attainment among Latinas highlights their readiness and potential, as it may apply to further expanding and leading future small-business growth.

⁶ Verizon Business: *Latino small business owner report*, Verizon, April 2024.

⁷ *State of Latino entrepreneurship 2023 research report*, Stanford Graduate School of Business and Latino Business Action Network, March 2024.

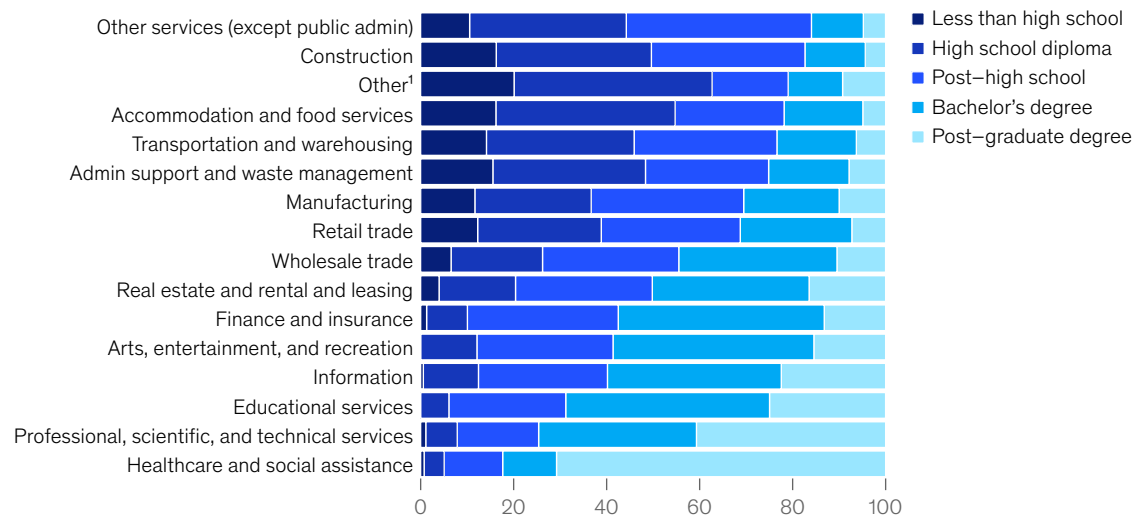
⁸ “AI investment forecast to approach \$200 billion globally by 2025,” Goldman Sachs, August 1, 2023.

Exhibit 3

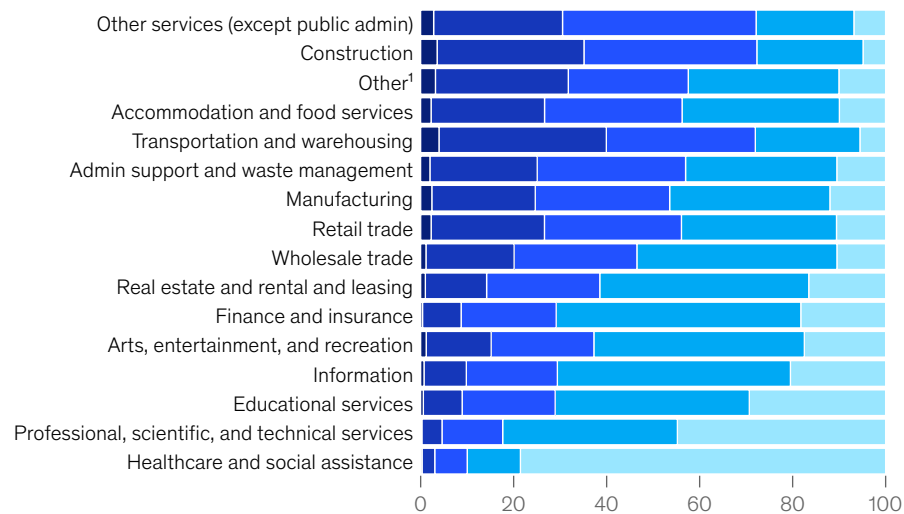
There is a gap in educational attainment between Latino and non-Latino, White small-business owners.

US education level attainment by industry, 2021, % share

Latino



Non-Latino White



¹Includes agriculture, fishing and hunting, forestry, mining, oil and gas extraction, quarrying, and utilities.
Source: Annual Business Survey 2021, US Census Bureau

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Evidence supports the [link between education and entrepreneurial success](#). In the words of a second-generation Latino restaurant chain owner in South Carolina, “Going to college helped me understand concepts and technical lingo. I now feel comfortable talking to banks and building business plans to receive funding. They are more receptive to the way I communicate.”

The revenue disparities that Latino-owned small businesses can overcome

A key metric that highlights differences between Latino-owned and non-Latino-owned small businesses is revenue per employee. Examining this metric and comparing the experiences of Latino-owned enterprises with those of other small businesses sheds light on the challenges and opportunities for Latino entrepreneurs.

Latino-owned small businesses currently generate lower revenue per employee than non-Latino, White-owned small businesses. In recent years, the annual revenue-per-employee gap between Latino-owned and non-Latino, White-owned businesses has widened from \$85,000 per employee in 2019 to \$101,000 per employee in 2021. (Notably, this time period coincided with the onset of the COVID-19 pandemic, in which Latinos were [disproportionately affected](#).)

Differences in revenue generation across industries also contribute to the gap. As mentioned earlier, half of Latino-owned small businesses are concentrated in transportation and warehousing; construction; and administrative support, waste management, and remediation services. Between 2012 and 2017 (the most recent time period for which this data was available), the revenue per employee in these industries grew at a faster rate (14 to 20 percent) than the overall revenue per employee in the US economy (6 percent). Despite the growth, the gap persists, because these three industries continue to generate lower revenue per employee compared with other industries. Furthermore, transportation and construction are among a range of sectors that may be more often subject to disruption and employment loss.

How long could it take to bridge these gaps? This varies widely among industries, with some trending toward parity, while others show an increasing gap. As mentioned earlier, in three industries (transportation and warehousing, accommodation and food services, and educational services), Latinos are already at or near the same revenue per employee as non-Latinos. The gaps could close in four industries (retail trade, wholesale trade, manufacturing, and information) within the next five to ten years.⁹ However, in nine industries, the revenue-per-employee gap widened, indicating that parity can only be achieved in those industries if the trends observed between 2012 and 2017 are reversed (Exhibit 4).

Industry concentration alone does not fully explain the revenue-per-employee disparity. Latino-owned small businesses generated up to 26 percent less revenue than their non-Latino White-owned counterparts within the same industries (possibly due to Latino concentration in lower-productivity subsectors), even after accounting for company size. This revenue-per-employee gap is present in 12 out of 16 industries. Moreover, the revenue-per-employee gap tends to widen with company size. Larger Latino-owned small businesses face even greater challenges in matching the revenue-per-employee levels of non-Latino, White-owned small businesses.

Understanding four core challenges

Despite pockets of success and potential, Latino SME owners in the United States still have several challenges that can hinder their growth, contributing to lower survival rates in the early years of these businesses. Obstacles may include complications with scaling up, difficulties in talent acquisition and retention, language or cultural barriers, and limited access to funding.

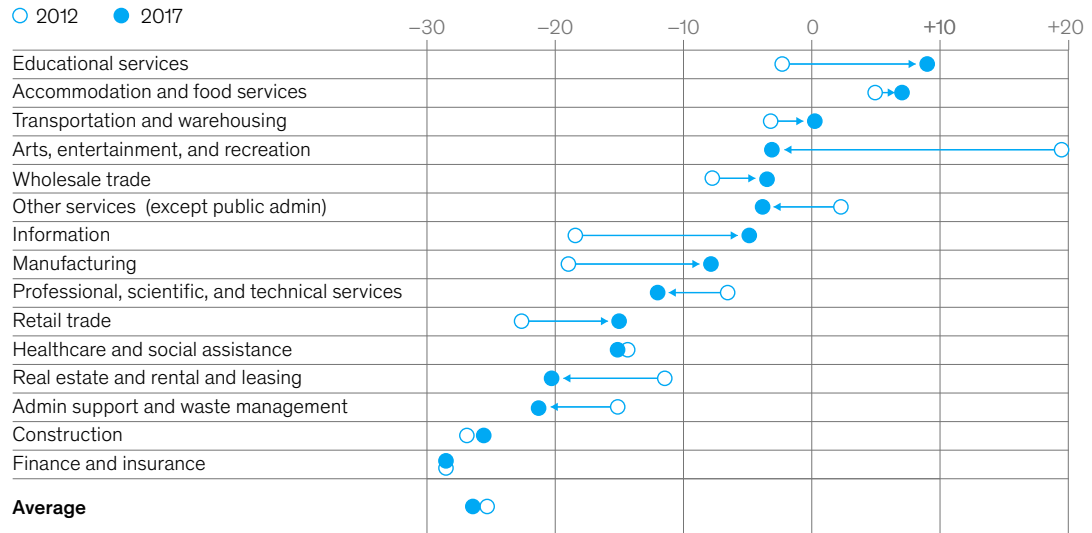
According to research from JPMorgan Chase, 13 percent of Latino-owned small businesses fail in their first year, compared with 10 percent of White-owned small businesses. For those that make it past the first year, the survival gap narrows, with exit

⁹ This assumes industry-specific growth rates between 2012 and 2017.

Exhibit 4

In most industries, the revenue-per-employee gap between Latino- and White-owned small businesses has grown.

Gap in revenue per employee between Latino- and White-owned small businesses, 2012 and 2017, %



Source: Annual Business Survey 2012 and 2017, US Census Bureau

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rates by the fourth year of operations at 9.5 percent for Latino-owned small businesses and 8.8 percent for White-owned small businesses. Providing robust, early support to Latino small businesses facing the following four challenges is crucial to their success.

Limited access to funding

While loan conditions for Latino entrepreneurs are improving, access to capital remains a significant challenge. An [earlier McKinsey report](#) found a \$200 billion lending gap between Latino-owned SMEs and their White counterparts. Access to capital is crucial for business success, enabling investments in growth opportunities, effective cash flow management, and resilience during economic downturns. Moreover, the security that accompanies increased funding could inspire more Latinos to pursue entrepreneurship.

Access to credit is a [critical factor in increasing the survival rate](#) of small businesses, as those constrained by credit are more likely to fail. Bank financing is essential for growth and expansion. According to a 2023 Goldman Sachs survey, 70 percent of small-business owners with loans or lines of credit would be unable to sustain or expand their operations without these financial resources.

While 17 percent of Latino-owned small businesses apply for credit—similar to the 14 percent of non-Latino, White-owned businesses—they often [rely more heavily on personal savings](#). At both national and local banks, Latino entrepreneurs are approved for loans 15 percent less often than White entrepreneurs.

Furthermore, about 50 percent of Latino-owned businesses in the United States do not receive the full amount of credit requested, compared

with 34 percent of non-Latino, White-owned businesses. This may explain why leaders of Latino-owned businesses are five times more likely to be dissatisfied with large banks than White-owned businesses. According to a 2023 McKinsey survey of SMEs, in the previous year, Latino-owned small businesses changed their primary banking relationships 1.5 times more often than non-Latino businesses, indicating a significant untapped opportunity for financial institutions to invest in these enterprises.

Several factors may contribute to the experiences that some Latino-owned businesses face in accessing credit from traditional banks. These could include a lack of formal paperwork and business records, the smaller loan amounts sometimes requested, and the higher cost associated with servicing these loans.

Industry concentration also plays a role, as Latino-owned businesses are often found in industries with traditionally higher risk of default rates and missed loan payments (Exhibit 5). Citizenship or residency status can also affect lending opportunities. Furthermore, all first-generation immigrants, regardless of country of origin, may have limited access to credit lines.

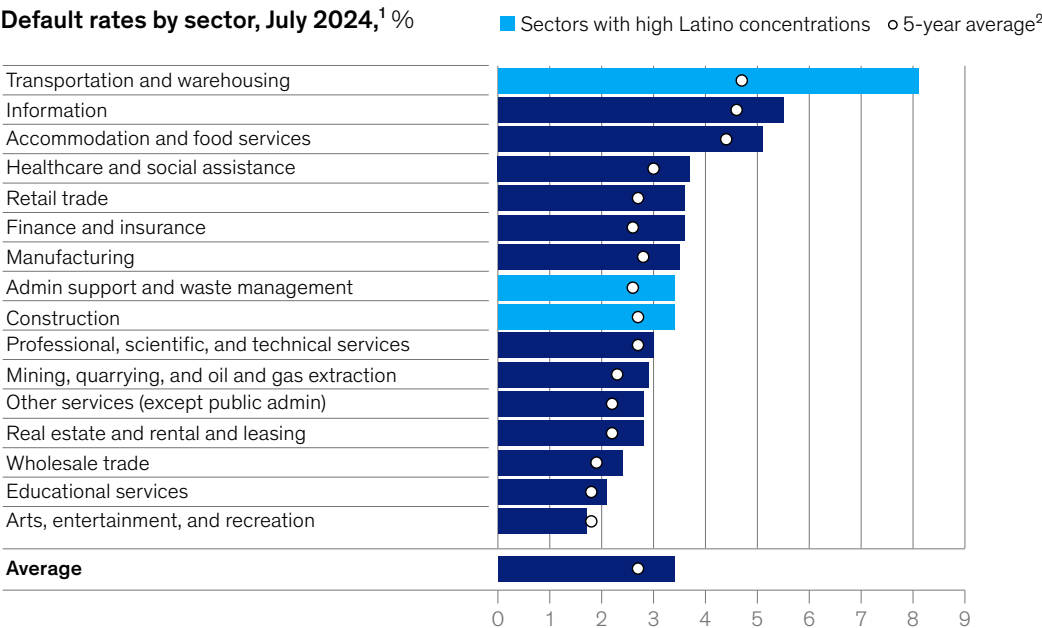
Interestingly, when traditional funding sources are unavailable, some Latino businesses may turn to nontraditional lenders such as online lending platforms or fintech services, [applying at twice the rate](#) of White-owned businesses.

Barriers to scaling up

Latino-owned enterprises tend to have fewer employees, which can create challenges for businesses looking to scale up operations quickly.

Exhibit 5

Some industries with high credit risk have a high concentration of Latino-owned businesses.



¹ PayNet's Small Business Default Index (SBDFI) measures the percentage of small-business loans and leases that have defaulted based on the largest commercial and industrial lenders in PayNet's US database. Based on Equifax and PayNet data.

²For the period Jul 2019–Jul 2024.

Source: Annual Business Survey 2021, US Census Bureau

Latino-owned small businesses have an average of eight employees, compared with 11 in non-Latino, White-owned businesses. Less than 2 percent of Latino-owned businesses have more than 50 employees, compared with 4 percent for non-Latino-owned businesses. And according to the [Fed Small Business Credit Survey](#), hiring and retaining qualified staff is a significant challenge for 51 percent of Latino-owned small businesses.

Language, cultural, or institutional challenges

Some Latinos may face additional challenges because they must overcome language and cultural barriers and familiarize themselves with new institutions. While 68 percent of Latinos in the United States are US-born, just 48 percent of Latino business owners are. One successful Latino wholesale importer described his early experience in adapting to American business practices after he immigrated to the United States: “It was a challenge to get to know and understand the legal aspects of doing business within the US. In the beginning, I did not realize that each state had different nuances and regulations.”

Bridging the gaps

These gaps between Latino and non-Latino small-business owners present a significant opportunity for growth and inclusivity in the US economy. By boosting revenue per employee for existing Latino SMEs, garnering increased investments, and taking advantage of technology, all business leaders can start to foster a more equitable landscape and a stronger economy with more jobs and more families in the middle class.

Unlocking the potential of Latino-owned small businesses presents a significant economic opportunity, equivalent to \$1.4 trillion in additional revenue for the economy and the potential to create approximately five million to six million net new jobs in the medium to long term (Exhibit 6). Here are some ways to bridge the existing gaps for Latino-owned small businesses.

Boosting revenue per employee

One opportunity to bridge the parity gap is by boosting the revenue per employee of existing Latino-owned SMEs. In 2021, the approximately 350,000 Latino-owned SMEs in the United States generated about \$500 billion in revenue, a notable increase from \$370 billion in 2017. However, these firms still trail non-Latino, White-owned SMEs in most industries. Closing this revenue-per-employee gap by industry represents a total \$217 billion opportunity.

Some \$102 billion of that total could come from generating the same revenue per employee as their non-Latino, White-owned counterparts within their respective industries. The additional \$115 billion of value might be unlocked by aligning the existing industry mix of Latino-owned SMEs more closely with higher revenue-per-employee sectors, such as real estate, or professional, scientific, and technical services.

Helping new Latino-owned SMEs thrive over time

As mentioned earlier, Latinos created 36 percent of new businesses in the United States between 2017 and 2021, while Latino business ownership grew from 5 to 7 percent of all SMEs. Still, Latino ownership still falls short of the Latino community’s 19 percent representation in the US population. Achieving parity with the population percentage would mean tripling the number of Latino-owned small businesses. If these firms operated at the same revenue-per-employee and industry-mix levels as current Latino SMEs, this would represent an \$800 billion opportunity.¹⁰

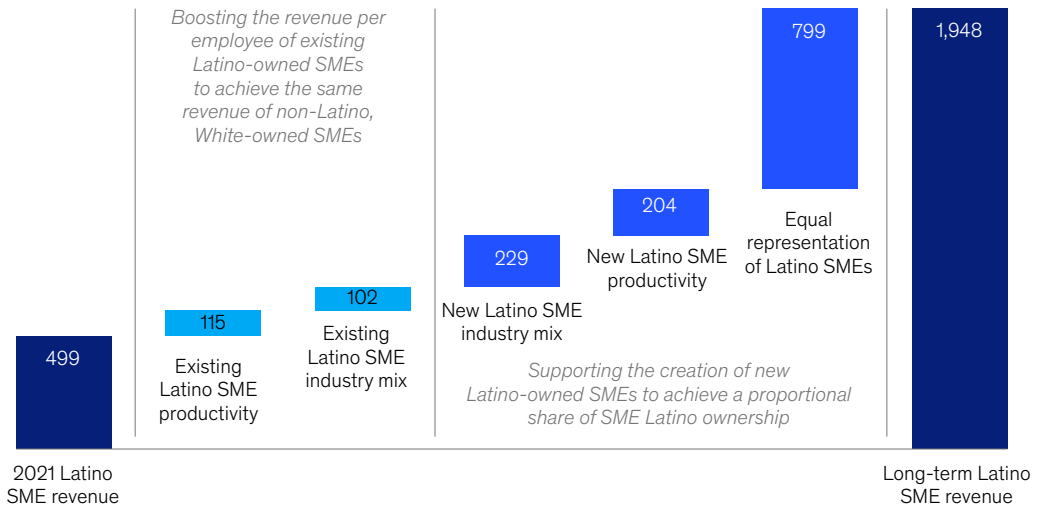
Nascent Latino businesses could benefit from environments that may help them eventually achieve the same revenue per employee as non-Latino, White-owned small businesses (representing a \$204 billion opportunity). Those conditions could accelerate their participation in more productive, higher revenue-per-employee industries dominated by non-Latino, White-owned businesses (representing a \$229 billion opportunity).

¹⁰ Net opportunity is estimated by subtracting the current average US employee revenue per employee for new Latino business owners from the overall revenue per employee gains expected.

Exhibit 6

Boosting Latino-owned small businesses could unlock a \$1.4 trillion economic opportunity in the United States.

Value at stake from closing revenue gap between Latino- and non-Latino, White-owned small and medium-size enterprises (SMEs) in the US,¹ \$ billion



¹Values scaled based on the industry revenue data from the US Census for 2012 and 2017.
Source: Annual Business Survey data, 2012, 2017, and 2021, US Census Bureau

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The construction, retail trade, and wholesale trade industries represent about half of the total value of the opportunity for Latino small businesses. The potential value in construction is the result of the large number of Latino-owned companies and the significant revenue-per-employee gap. In wholesale and retail trade, which have higher revenue-per-employee, the potential comes from markedly fewer Latino-owned companies. Identifying which industries have higher productivity margins that directly affect GDP could increase future ownership of Latino SMEs.

Supporting the creation of new Latino-owned small businesses and their long-term sustainability could generate five million to six million new jobs. In the current US labor market, there are 12 million unemployed, discouraged, or part-time workers

looking for full-time opportunities.¹¹ That's a workforce that could meet the demand created by more Latino-owned SMEs. For these potential jobs to be considered net new contributions to the economy, skills matching, job role attractiveness, and regional job creation would need to address the needs of any newly created business.

Given these factors, capturing this financial opportunity will depend on sustained growth in the US labor market over the coming years.

Considerations for Latino SME growth

The success of SMEs in places such as Miami offers four valuable lessons for businesses, government entities, and not-for-profit organizations to foster similar conditions in other areas. Not all Latino business owners need identical support, as each

¹¹ US Bureau of Labor statistics 2023 data unemployment data. The U-6 unemployment rate represents a subset of workers who are unemployed, discouraged, or are part-time workers looking for full-time opportunities.

entrepreneur has different strengths and business needs depending on their circumstances. But in aggregate, leaders could consider the following to support Latino business growth at scale:

- *Access to capital:* Latino entrepreneurs navigating the credit application process for traditional banking credit could consider community organizations and nongovernmental organizations (NGOs) for help. Government-backed loans, grants, and funding programs are available (for example, through the Community Development Financial Institutions Fund, a US government program administered by the Treasury Department that provides financial services to economically disadvantaged communities). Financial products could be designed to meet the needs of small-business owners (for example, the Accion Opportunity Fund is a nonprofit organization that tailors loan options and grants for those who are underserved by traditional financial institutions).
- *Capability building:* Federal and local government grants, NGO funds, and educational institutions could provide scholarships and support to reduce the educational attainment gap, particularly for young Latinos in high-value industries like STEM (see sidebar “Planting the seeds for future Latina small-business owners”). Organizations could develop business skills training programs in collaboration with public and private entities to enhance managerial, financial, and digital skills. Local institutions and chambers of commerce could also promote industry-tailored and cross-cultural training, such as English-language and US business protocol courses, which might help immigrant entrepreneurs expand into higher-revenue industries. While it might take some time to see results from educational efforts, the effects could be long-lasting.
- *Partnership development:* Local partnerships between chambers of commerce, industry associations, and Latino organizations could offer mentorship programs and expand the networks of Latino entrepreneurs. This kind of collaboration could lead to community

trainings and support systems that can help entrepreneurs navigate the business landscape (see sidebar “Connecting Latino small-business owners to greater resources”). Partnerships with larger companies could help increase Latino SME supplier visibility, integrate them into supply chains, and encourage workers to participate in talent development programs. The Hispanic Wealth Project, which aims to increase the economic prosperity and wealth of Latinos in the United States through supplier diversity, mentorship, talent development, and advocacy, is an example of the potential of such partnerships.

Planting the seeds for future Latina small-business owners

Latinitas is an example of a not-for-profit organization that promotes STEM and entrepreneurship education and opportunities for Latinas. Based in Austin, Texas, Latinitas reaches girls aged nine to 14 through several initiatives:

- weekly after-school Club Latinitas program, with curriculum focused on technology, digital media, culture, and identity
- several conferences, including Startup Chica, which introduces young Latinas to entrepreneurship by surrounding students with local business mentors and facilitating a pitch competition anchored on building a technology-based business to address the United Nations Sustainable Development Goals
- annual summer camps with themes such as entrepreneurship, design, filmmaking, gaming, and mental health

Latinitas has also launched initiatives to support the parents of children in the programs, including certificate training (with topics such as cybersecurity, project management, user experience, and user interface design), digital literacy programs for adults, and other workforce readiness programs.

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Connecting Latino small-business owners to greater resources

The Rogers Park Business Alliance (RPBA) in Chicago is an example of an organization that fosters local partnerships. It hosts a biannual GROW Progresando program that provides bilingual business education to Latino entrepreneurs on topics such as creating a business plan, financial literacy, and digital literacy. The RPBA also hosts a legal panel with local Spanish-speaking lawyers, offers consulting services, and connects Latino entrepreneurs to local financial institutions through “speed dating” events with bilingual representatives.

- *Transparency and visibility:* Banks and other lenders could increase the transparency and visibility of loan requirements for Latino SMEs

to better assess their creditworthiness and prepare for successful credit applications. More awareness of specific challenges and opportunities in the lending process could help more Latino entrepreneurs secure the funding they need.

The future of Latino-owned SMEs holds immense potential for the US economy. Collaboration among policy makers, financial institutions, and corporations could provide support, address challenges, and foster partnerships that integrate Latino SMEs into larger supply chains and support a stronger economy. Providing the necessary education, business training, access to capital, and mentorship to Latino communities across the United States can help accelerate economic mobility.

The success of Latinos in Miami and elsewhere shows what’s possible when these entrepreneurs are supported. Bringing these opportunities across the nation could create millions of new jobs and add \$1.4 trillion to the US economy, ultimately fostering a more inclusive and dynamic business environment in the United States.

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Unlocking the growing power of Latino fans: Building a stronger sports economy

The US sports economy is booming, and Latino fans are leading the charge. Connecting with this multifaceted community can help drive growth opportunities.

by Alberto Chaia, Ben Vonwiller, Lucy Pérez, and Sebastian Cubela

October 2025

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Across stadiums, screens, and social platforms, Latinos represent the future of sports fandom in America. Young, passionate, digitally fluent, and willing to spend, this fan group embodies the habits and expectations of tomorrow's audience. With ties to professional leagues, community clubs, and recreational sports, Latino fans are a powerful force that drive ticket sales, streaming, and media consumption at scale. And as members of one of the fastest growing and most diverse demographic segments in the United States, these fans have an influence that is only accelerating.

Despite this potential, the richness of Latino fandom is often overlooked by media, marketers, and sports teams. Latino fans represent an audience that is not only growing quickly but also highly engaged across multiple channels and communities. For businesses, reaching Latino fans is an economic imperative, a smart growth strategy, and a way to build a stronger sports community. Latino sports fans are a multifaceted force of influence and consumer power, capable of driving revenue, brand loyalty, and long-term engagement. The question is not whether they will transform sports; it's whether organizations will be ready and willing to capture the community-building and business opportunities that Latino fans create.

Alex Rodriguez on expanding Latino opportunity and representation in sports

Read the full McKinsey interview on page 23



This report explores the trends, gaps and growth opportunities driven by Latino sports fandom. Our research, conducted in collaboration with NBCUniversal's Telemundo, draws from McKinsey analysis, third-party research, and two original surveys: one of about 2,500 self-identified sports fans and another of Latino executives and board members. We also interviewed dozens of executives from major sports leagues and related organizations (see sidebar "About the research"). The findings are clear: Latino fans are not a niche segment. They are a central force with potential to unlock the next era of sports growth.

Our analysis shows that the US sports economy could nearly double to more than \$300 billion by 2035, and Latino fans could represent one-third of that growth. Their youth, diversity, and deep enthusiasm across multiple sports give them an outsize role in shaping consumption patterns, media engagement, and community-building. Latinos already make up nearly 20 percent of the population in the United States, and their share continues to rise, bringing powerful new opportunities.

What makes this multifaceted demographic especially exciting is Latinos' sophistication: They are omnichannel enthusiasts who fluidly engage with sports across live, broadcast, streaming, and digital experiences. They are not monolithic but represent diverse subgroups with varied touchpoints and affinities.

About the research

The research for this report, which was conducted in collaboration with NBCUniversal's Telemundo, draws on publicly available information and proprietary McKinsey data, research, and tools. We utilized multiple sources, including US Census data and forecast projections; Sports and Fitness Industry Association (SFIA) data on youth sports participation across age groups; Nielsen research on viewing hours and telecast metrics across US demographics; and MRI-Simmons, Ipsos, and Global Web Index (GWI) research on fandom populations and preferences by sport and league. The US Census Bureau often uses "Hispanic" in its surveys and defines "Hispanic or Latino" as a person of Cuban, Mexican, Puerto Rican, South or Central American, and other Spanish culture or origin. In this article, we have chosen to use the word "Latino."

In addition to these data sources, we ran two independent surveys and conducted more than 40 expert interviews throughout the summer of 2025.

The McKinsey Sports Fan Survey was in the field from June 4 to 24, 2025, and included 2,555 self-identified sports fans currently living in the United States. Of these respondents, 59.7 percent are male and 40.3 percent are female. Additionally, 67.3 percent identified as of Latino heritage, with representation across Mexican, Central American, Puerto Rican, South American, Cuban, Dominican, Brazilian, and other heritage groups. The survey was designed to ensure a representative sample of Latino respondents

relative to the broader US Latino population. Respondents range in age from 18 to 94, with the largest concentration (29 percent) aged 25 to 44. The most reported annual household income was \$50,000 to \$75,000 before taxes. Among respondents, 47 percent have children who play youth sports, while 53 percent do not.

Our board survey included 86 members from The Latino Corporate Directors Association (LCDA) who currently or formerly serve as executives or board members across major corporations and nonprofits in the United States and who self-identify as Latino. This research was in the field from July 31 to August 10, 2025, and explored the untapped potential of Latino engagement in the US sports economy, focusing on how Latino fandom can drive growth for teams, leagues, media, and sponsors, as well as the role of sports participation in wealth creation for Latino communities.

Our expert interviews included conversations with more than 40 executives from Major League Baseball, Major League Soccer, the National Basketball Association, the National Football League, the National Hockey League, the National Women's Soccer League, and the Women's National Basketball Association, as well as representatives from minor leagues, national governing organizations, and other sports-affiliated organizations. These interviews provided insights into current initiatives, key drivers, barriers, and misconceptions surrounding Latino sports fandom in the United States.

At the same time, Latinos remain underrepresented within the sports workforce—an area where progress could create even deeper connections between fans, teams, and culture.

As we examine the potential of Latino sports fans, we explore the ways in which organizations, communities, and businesses can reach this demographic. Dorene Dominguez, CEO of the Vanir Group, who holds an ownership stake in the Sacramento Kings and became the first Latina to serve as a National Basketball Association (NBA) governor, told us, "Latino fan engagement is absolutely a top priority for us. Our league is global with a diverse fan base, and here in the US, we are fortunate to have a thriving Latino community. We must nurture this intersection."

The opportunity is here. By understanding the unique characteristics and preferences of Latino fandom, sports leagues and teams, brands, and media outlets can connect with communities that will shape the future of sports in America.



How Latino fandom is powering growth in US sports

The sports economy is experiencing a dynamic period of growth, driven by expanding fan bases, evolving media platforms, and increasing investment. As the broader sports ecosystem evolves, so does Latino fandom and its emerging role in shaping the future of sports.

The sports economy's rapid rise

Sports in the United States are currently on a trajectory of significant growth. We conducted an analysis of the sports market by looking at rights holders—leagues, teams, and federations—and their four core revenue streams: media, sponsorship, ticketing, and merchandise. We also looked at the surrounding sports ecosystem that fans and advertisers engage with, including broadcasters, sportsbooks, youth sports, sports video games, agencies, venues, and ticketing platforms. Forecasts are based on expected fandom and revenue per fan evolution, which assumes modest fandom growth paired with healthy fan monetization gains.

Our analysis found that the value of the US sports economy in 2024 was \$160 billion and that it is likely to nearly double to more than \$300 billion by 2035, representing a 6 percent annual growth rate. This expansion will be driven primarily by rights holders, who currently account for over half of the market, as well as rapidly growing segments such as youth sports, which is expected to grow at a 9 percent CAGR. The growth is fueled by an increasing sports fan population, rising participation in youth sports, and heightened fan engagement across five major professional sports leagues—Major League Baseball (MLB), Major League Soccer (MLS), the National Basketball Association (NBA), the National Football League (NFL), and the National Hockey League (NHL)—which account for roughly 70 percent of the sports ecosystem.

Latino fans: A growing force in the US sports ecosystem

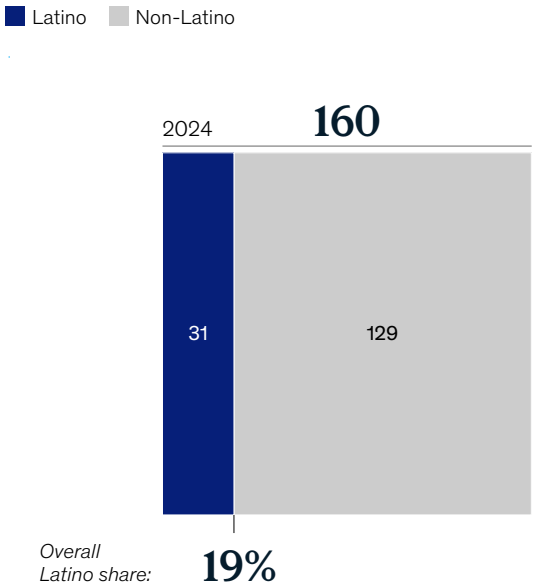
Latino sports fans are a vibrant and rapidly growing segment of the US sports economy. According to the US Census Bureau, Latinos are the second-largest demographic in the United States (behind non-Hispanic White people), as well as one of the fastest-growing groups. They currently make up about 20 percent of the population, with projections indicating they will constitute 28 percent by 2060.

Our analysis reveals that Latinos currently represent 19 percent of the current \$160 billion sports ecosystem, a figure roughly in line with Latino representation in the general population (Exhibit 1, part 1).

Exhibit 1, Part 1

Latinos represent 19 percent of the \$160 billion sports ecosystem in the United States.

US sports ecosystem, \$ billion



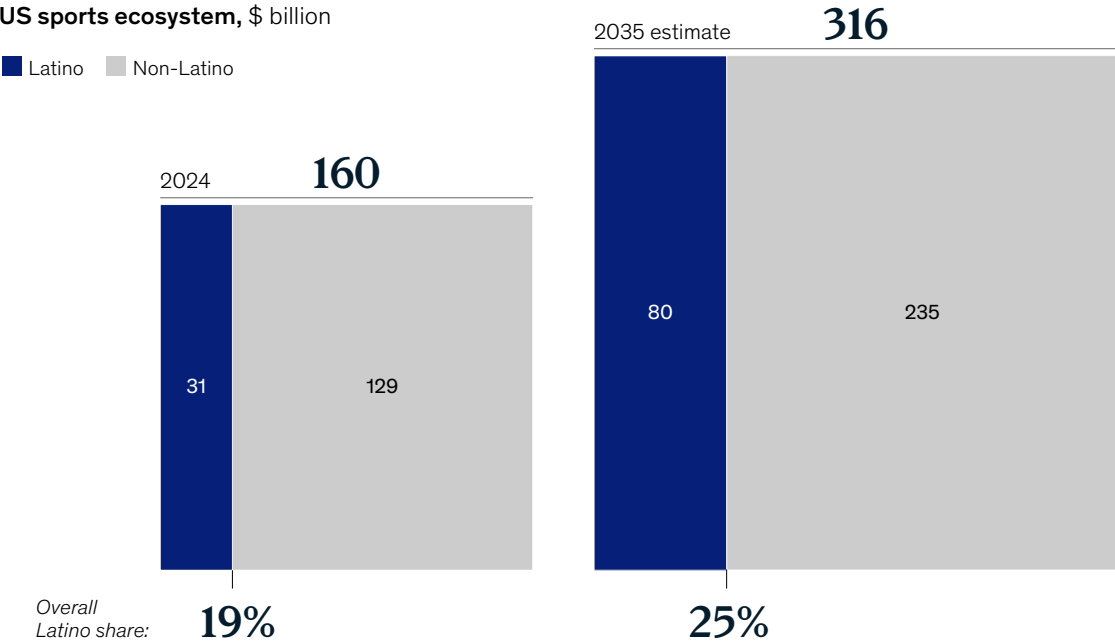
Note: Figures may not sum, because of rounding.
Source: Antenna; GMR; Omdia; PwC Global Media Outlook; SNL Kagan; Sportcal; McKinsey Sports Ecosystem model

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In the next decade, as the sports ecosystem grows to more than \$300 billion and as the percentage of Latinos in the United States increases, we project that Latinos will make up about 25 percent of the sports economy in 2035 (Exhibit 1, Part 2).

Exhibit 1, Part 2

The US sports ecosystem is expected to grow at 6 percent per year and reach more than \$300 billion by 2035.



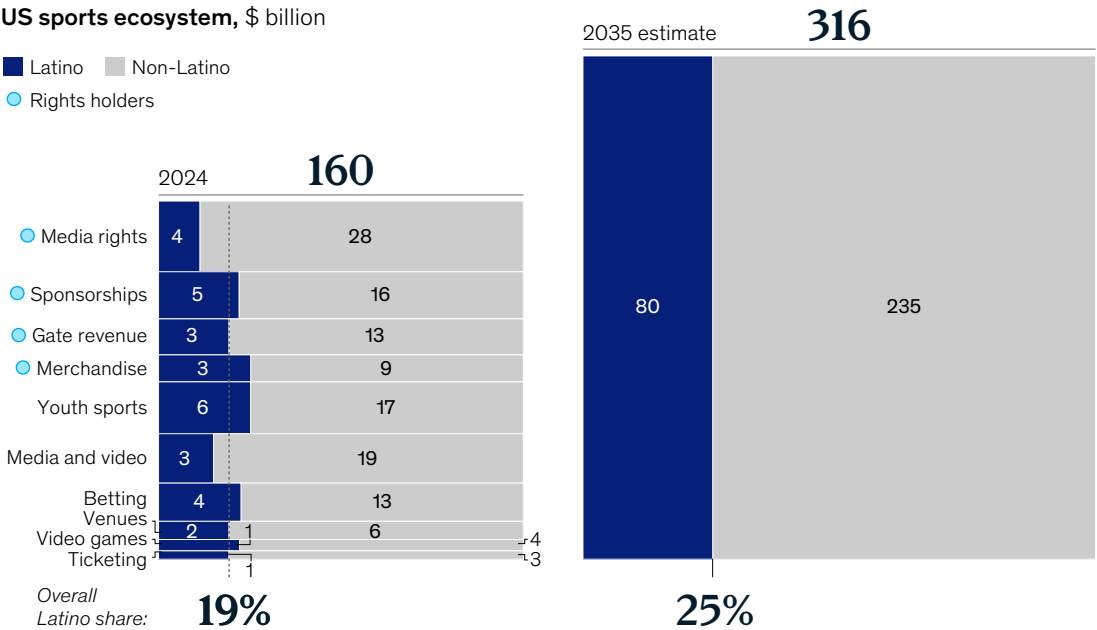
Note: Figures may not sum, because of rounding.
Source: Antenna; GMR; Omdia; PwC Global Media Outlook; SNL Kagan; Sportcal; McKinsey Sports Ecosystem model

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However, Latino share of the sports economy is not uniform across all segments. We will explore the nuances and pockets of opportunity in greater depth later in this report, but as an example, Latinos are currently underrepresented in revenue generated from media rights (11 percent) and make up a higher-than-parity percentage of revenue from youth sports (25 percent) (Exhibit 1, part 3).

Exhibit 1, Part 3

Latino representation in the US sports ecosystem varies widely across individual market segments.



Note: Figures may not sum, because of rounding.
Source: Antenna; GMR; Omdia; PwC Global Media Outlook; SNL Kagan; Sportcal; McKinsey Sports Ecosystem model

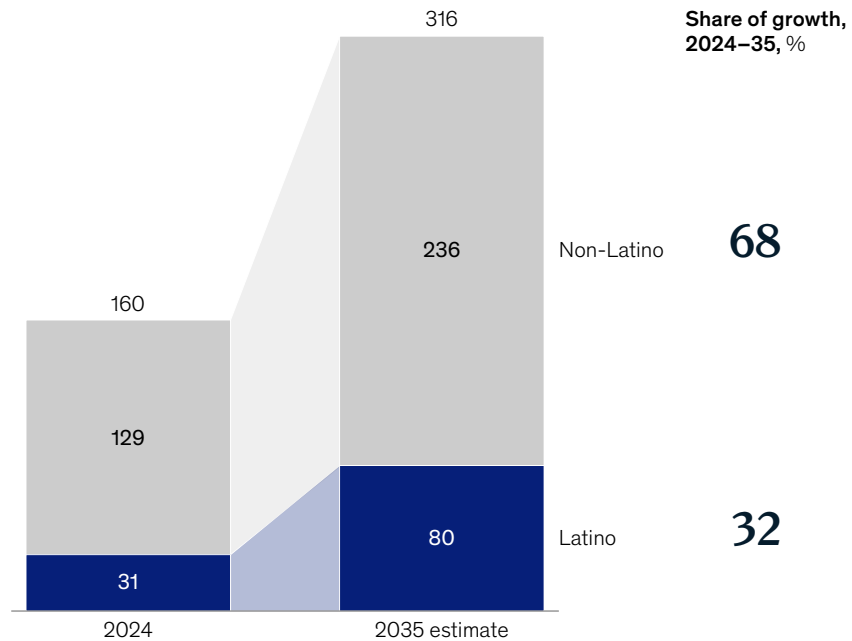
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Looking forward overall, we anticipate that Latino fans will contribute one-third of growth in the US sports economy by 2035, highlighting their pivotal role in shaping the industry's future (Exhibit 2). Although Latinos will drive most of the growth of sports fans on account of their growing share of the US population (according to US Census bureau projections, they will account for 77 percent of total US population growth by 2035), their contribution to overall market value growth is likely to be closer to one-third. That's because the industry's expansion will be driven more by increases in revenue per fan than by the volume of fans. Latinos' share of that growth will continue to increase. As the sports landscape evolves, understanding and authentically engaging Latino fans will be essential for teams, leagues, and brands seeking to build lasting connections and drive growth.

Exhibit 2

Latinos are expected to account for one-third of US sports ecosystem growth through 2035.

US sports ecosystem,
transformation case,
\$ billion



Note: Figures may not sum, because of rounding.

Source: Antenna; GMR; Omdia; PwC Global Media Outlook; SNL Kagan; Sportcal; McKinsey Sports Ecosystem model

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Growing Latino consumer power

Latinos are also a [growing force in consumer spending](#) in the United States. According to a 2021 McKinsey report on the [economic state of Latinos in America](#), Latinos spend 20 percent more than non-Latinos, and Latino household consumption is growing faster, at rates 35 percent greater than for non-Latinos. A 2025 report from California Lutheran University and UCLA found that Latinos have been responsible for more than 30 percent of the growth of the US national GDP since 2019, despite being less than 20 percent of the population. The US Latino GDP reached \$4.1 trillion in 2023, surpassing the GDP of nations such as France, India, and the United Kingdom and equivalent to the fifth largest in the world.¹

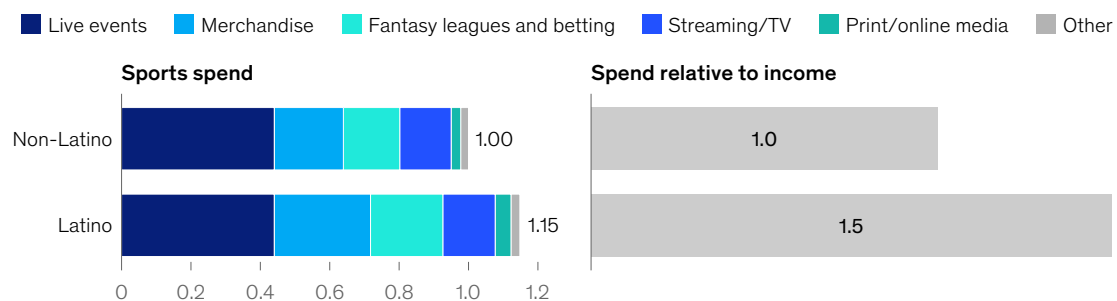
¹ "US Latino GDP hits high of \$4.1 trillion, marking 'growth spot' for the nation," UCLA Newsroom press release, April 10, 2025.

Our McKinsey sports fan survey reveals that dynamic Latino consumer spending is reflected in sports, with Latino fans spending 15 percent more than non-Latinos across sports categories including live event tickets, streaming TV packages, print and digital media subscriptions, and licensed merchandise. When adjusted by income, Latino fans spend 50 percent more (Exhibit 3). Notably, this higher level of spending compared with that of non-Latinos is consistent across generations and among both casual and avid fans.

Exhibit 3

Latino fans spend more than non-Latinos across sports categories.

US average annual sports spend across categories and vs income,¹ index (non-Latino level = 1)



¹Question: Thinking about your typical behavior over the last 12 months ... approximately how much did you spend on the following types of items?
Source: US Census Bureau Median Personal Income, 2023; McKinsey Sports Fan Survey, June 4–24, 2025, n = 2,555

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Latino fans: Driving sports engagement at and off the field

Latinos demonstrate their enthusiasm for sports through in-person attendance and engagement with media. Latino respondents to our fan survey are 27 percent more likely than non-Latinos to attend at least one live sporting event annually. This heightened in-person engagement underscores not just a passion for sports but also a strong communal and cultural connection to the game day experience. For many Latino families, sports represent more than entertainment. They are a central thread in community life, and game nights are often shared, multigenerational experiences. As one owner of a professional women's soccer team told us, "When Latinos come to games, it feels different. They bring whole families, and they're super engaged. It's not just a game; it's a way of connecting." Sports fandom, particularly around soccer, baseball, and basketball, often serves as a form of cultural identity and pride.

Excitement extends beyond the stadium, as Latino fans have higher participation rates than non-Latinos in many forms of sports media and advertising. Latinos are omnichannel enthusiasts, embracing digitally native channels. Our fan survey reveals that Latinos are 14 percent more engaged than non-Latinos across various forms of digital-native media, including social media interactions, sports website visits, participation in fantasy leagues, and viewership of game highlights. Latinos are also highly engaged with sports on streaming platforms. For example, our fan survey results reveal that Latinos subscribe to ESPN+ at a rate 18 percent higher than that of non-Latinos and to Prime Video at a rate 11 percent higher.

Latino fans spend

15%

more than non-Latinos across multiple sports categories. When adjusted by income, it's

50% more.

The pattern for social media is similar. When it comes to specific platforms, Nielsen research reveals that Latinos are 54 percent more likely than non-Latinos to consume sports content on WhatsApp, 37 percent more likely on TikTok, and 33 percent more likely on Instagram relative to the general population, illustrating a preference for fast-paced, interactive, and social formats over traditional broadcast television viewing. The segment's digital savviness, combined with strong responsiveness to sponsorships during sporting events, highlights a uniquely dynamic approach to sports consumption that blends digital engagement with brand interaction.

Latino youth: Powering the future of sports

Latino youth are at the heart of America's sporting future. Youth sports not only represent 15 percent of today's sports ecosystem but also drive societal benefits that go well beyond the field. Participation is associated with higher college enrollment, [greater holistic health](#) (including [lower obesity rates](#)) and reduced delinquency rates. For Latinos, these outcomes have ripple effects—not just a stronger base but also more engaged communities.

Latino youth participation is thus both a leading indicator of fandom and a driver of broader societal gains. Closing the participation gap—by addressing barriers of cost, time, and inclusion—will not only strengthen the next generation of fans but also cultivate the leaders and change makers of tomorrow (see sidebar “How youth sports shapes Latino professional success”). Sports organizations that invest in Latino youth are, in effect, investing in the future vitality of the entire sports ecosystem and beyond.

With a demographic profile that skews younger and more digitally connected than the general population, Latinos already account for 26 percent of the US population under 25 years old. And according to US Census data, approximately 56 percent of Latinos are under the age of 34. This generational tilt means that how Latino youth engage with sports today will profoundly shape the sports ecosystem tomorrow.

How youth sports shapes Latino professional success

Youth sports participation may be a powerful predictor of professional success, as our survey of accomplished board members from the Latino Corporate Directors Association (LCDA) reveals. A striking 87 percent of these leaders participated in youth sports, a rate 25 to 30 percentage points higher than for the broader Latino youth population in the United States. This disparity highlights the key role that early athletic experiences play in fostering the skills and mindset that propel individuals to the top of corporate governance.

For these Latino board members, the impact of youth sports extends far beyond the playing field. Nearly three-quarters credit sports with instilling essential boardroom qualities like discipline (71 percent), teamwork (68 percent), and leadership (68 percent). Moreover, more than half note that their early participation in sports continues to shape their families today, demonstrating the lasting influence of sports on their personal lives. These findings underscore the enduring power of sports to drive not only individual success, but also foster a legacy of resilience and collaboration that transcends generations and may be linked to future success off the field.

This data also reveals interesting gender dynamics among the 86 LCDA board members who responded to our survey. Male respondents reported starting sports earlier than females, at an average age of 7.6 years old, compared with 9.8 years for female respondents. Female board members were also more likely to drop out after childhood: their rate of participation in sports through college was 21 percentage points lower than that of their male counterparts. This data indicates that there are opportunities to better support and sustain female participation, ensuring that all young athletes can benefit from the personal and professional advantages of sports participation.

The connection between sports and success remains strong, with 93 percent of LCDA board members identifying as fans of at least one professional league. This enduring passion reflects the lasting influence of youth sports, not only as a catalyst for individual achievement but also as a unifying force that fosters community and shared purpose among Latinos.

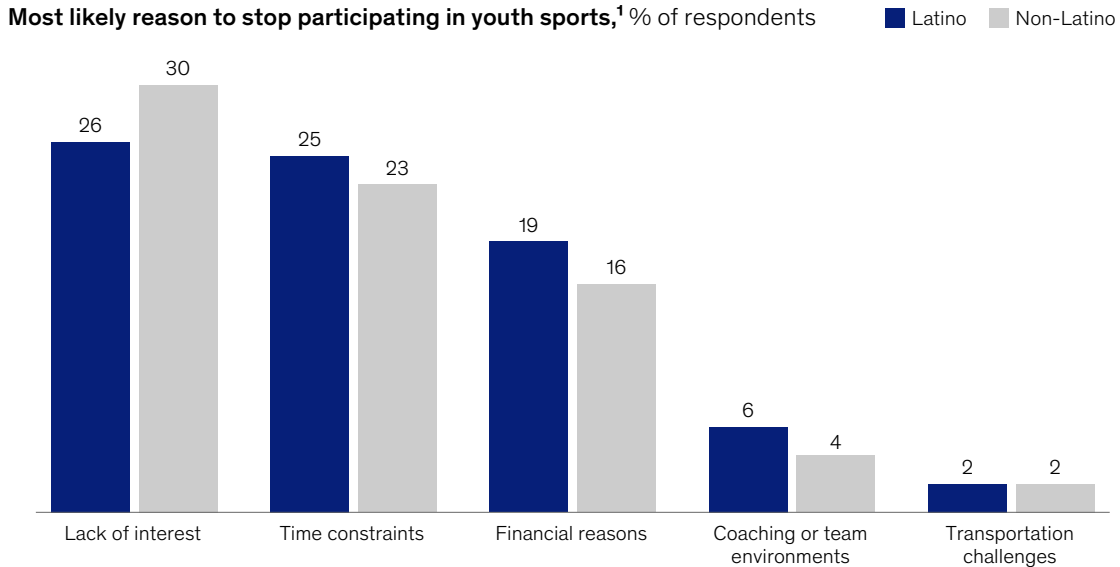
Between 2019 and 2024, according to data from the Sports and Fitness Industry Association (SFIA), Latino youth sports participation grew at a compound annual growth rate of 3.9 percent—nearly double that of non-Latino youth. By 2024, more than half of Latino youth (53.7 percent) were active in sports, just 2.8 percentage points shy of their non-Latino peers, marking significant progress from the 6.3-point gap in 2019.

This growth has been fueled by local leagues' diversity initiatives and rising Latino household incomes, all of which have expanded access to organized activities. The shift is particularly notable among young women: Participation among Latina girls rose from 39.5 percent in 2019 to 48.4 percent in 2024, outpacing the growth of their non-Latina peers. This surge reflects national trends in team sports, including [the notable rise of women's sports](#), and the success of targeted outreach to historically underrepresented groups. Many organizations—such as Ella Sports Foundation, Girls on the Run, Sports 4 Life, and the Women's Sports Foundation—have launched or created programs with a goal of serving girls in underrepresented communities to encourage physical and mental health through sports.

Despite this growth, Latino youth still are not at parity with non-Latinos when it comes to participation in youth sports. There are several obstacles to engagement. Costs—averaging nearly \$1,000 annually per child, and up to \$3,000 for teens, according to SFIA—pose a steep barrier. Time is another constraint. Twenty-five percent of Latino parents cite scheduling conflicts, compared with lower rates among non-Latinos (Exhibit 4). Inclusion also matters. According to McKinsey research in collaboration with the US Soccer Federation, Latino and Black children are three times more likely than White children to stop playing soccer because they feel unwelcome.

Exhibit 4

Latinos are more likely than non-Latinos to cite time, money, and team environments as potential reasons to stop participating in youth sports.



¹Question: If your child were to stop participating in youth sports in the future, which of the following do you believe would be the most likely reason?
Source: Expert interviews; Sports and Fitness Industry Association; US Census Bureau; McKinsey Sports Fan Survey, June 4–24, 2025, n = 2,555

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These challenges not only limit participation but also can have an impact on long-term fandom development. Our survey found that Latino youth who play competitive sports are three times more likely than nonparticipants to become avid fans as adults.

Between 2019 and 2024, Latino youth sports participation grew at a compound annual growth rate of 3.9 percent, nearly double that of non-Latino youth.



Understanding the nuances of Latino fandom

At a time when sports organizations are seeking to grow audiences and deepen fan relationships, overlooking Latino fans means missing a vital and growing part of the sports community. Doing so effectively requires an understanding of how the Latino community in the United States is diverse and dynamic, engaging with sports in multifaceted ways. Among the key areas that can help organizations tap into Latino fandom are nuances of Latino engagement across different subgroups and sports, opportunities for growing media engagement with Latino fans, and Latino underrepresentation in the sports workforce. By exploring these opportunities and understanding the complexities of Latino sports fandom, organizations can develop strategies to better engage this vibrant and growing community.

Latino fandom is multifaceted

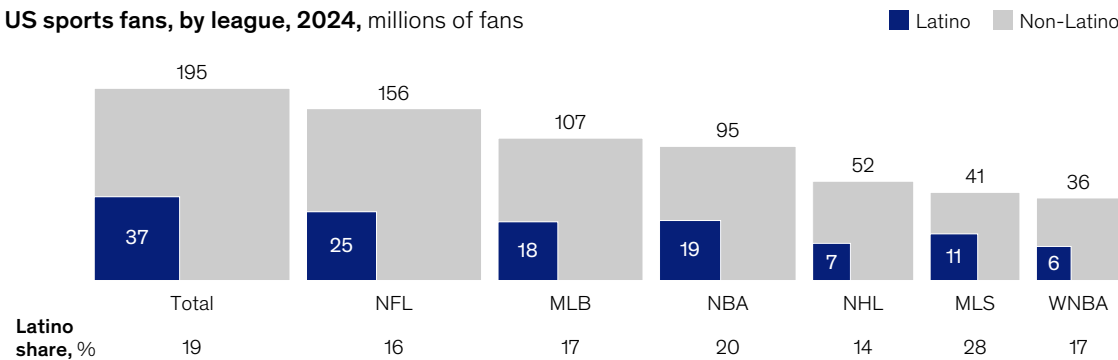
Treating Latinos as a monolith is a risk to understanding the full potential of the Latino fan. The US population includes approximately 68 million Latinos, with origins in more than 20 countries and a wide range of cultures and traditions. Mexican-heritage Latinos account for about 60 percent of the overall Latino population, followed by Puerto Ricans at about 9 percent, and people of Cuban descent at about 3.5 percent. According to Pew Research, nearly 70 percent of US Latinos are second- or third-generation Americans, with many moving easily between cultures and positioned to shape future media trends. Their expectations around language, authenticity, and inclusion will define the next generation of sports fandom.

According to Global Web Index (GWI, a market research company), Latinos represent nearly one out of every five sports fans in the United States, but as mentioned earlier, their preferences for different sports vary widely. Soccer is popular (28 percent of MLS fans are Latino), while hockey is less so (14 percent of NHL fans are Latino). In between are basketball (20 percent of NBA fans), baseball (17 percent of MLB fans), and football (16 percent of NFL fans) (Exhibit 5).

Within the broad category of Latinos, there are notable differences in sports affinity across various heritage groups. Our survey reveals that sports fans of Puerto Rican, Cuban, and Dominican descent tend to index higher for baseball. Several South American communities also maintain strong soccer traditions. Even within sports, there is variation in fandom. Multiple leaders for professional sports teams told us they engage with fans differently depending on their country of origin. As one owner of an MLS team told us, “You can’t treat Latinos as a monolith. Colombians, Argentinians, and Mexicans have different soccer traditions, and their fandom clearly reflects that.” A marketing executive for an MLB team told us, “Mexican fans have a deep historical connection to our team, but when we engage with Dominican or Guatemalan fans, their expectations are different.”

Exhibit 5

Latinos represent nearly one in every five sports fans in the United States, but their level of interest varies widely across different leagues.



Note: Leagues are National Football League (NFL), Major League Baseball (MLB), National Basketball Association (NBA), National Hockey League (NHL), Major League Soccer (MLS), Women’s National Basketball Association (WNBA). Figures may not sum, because of rounding.
Source: GWI; US Census Bureau

The variance among fandoms across leagues can provide insights into how Latinos engage differently across sports. There's also opportunity to convert current Latino enthusiasm for international soccer leagues to major league soccer in the United States. According to market research company MRI-Simmons, Latinos are 10 percent more likely to follow international soccer than the MLS, which includes teams only in North America. Nielsen reports that in 2022, Latinos watched 1.6 times more total viewing hours of the English Premier League and 9.4 times more hours of Liga MX (the highest level of Mexico's professional soccer system) relative to the MLS (see sidebar "*¡Gooooool!* How Latino engagement fuels *fútbol* frenzy in the United States").

***¡Gooooool!* How Latino engagement fuels *fútbol* frenzy in the United States**

The upcoming FIFA World Cup—returning to North America for the first time in 32 years—is poised to be the largest sporting event in history, with a record 48 national teams playing 104 matches over 39 days. As the primary host, the United States (which will host 78 matches alongside Canada and Mexico, each scheduled to host 13 matches) anticipates significant cultural excitement and economic activity from the global soccer madness that grips the world every four years. Early forecasts project 6.5 million live event spectators and tens of millions of television viewers. There will be billions of dollars of activity, with FIFA projecting \$11.1 billion in event-related expenditures spanning media, infrastructure, sponsorship, and tourism.¹ In 2022, the year of the last World Cup, FIFA reported more than \$500 million in revenue from television broadcasting rights for North America alone, a figure that will likely be surpassed in 2026.

From the passion of fans to the influence of media and marketing, Latinos in the United States are set to play a central role in shaping the 2026 World Cup experience. According to an Ipsos Global Influentials study, 44 percent of Latinos in the United States plan to follow the tournament, more than any other demographic group.² Many Latinos consider the event to be as important as a holiday, where friends and families come together to share their passion for *fútbol* through watch parties and other celebrations. Their enthusiasm for soccer translates into high engagement across ticket sales, TV viewership, and social media buzz. And with many matches taking place in Latino-majority cities like Los Angeles and Miami, Latino fans are expected to fill stadiums, create electric

atmospheres, and drive local economic activity through travel, dining, and merchandise.

Latino influence extends beyond the stadium. NBCUniversal obtained Spanish-language rights in the United States to broadcast every single 2026 World Cup match on Telemundo for linear TV and on Peacock for streaming—with the most expansive Spanish-language sports coverage in US history. Although Spanish-language coverage may primarily be driven by a desire to reach US Latino audiences, it is sure to have wider appeal. During the 2022 World Cup, 38 percent of Telemundo and Peacock's audience did not speak Spanish. But as a *New York Magazine* headline blared during the last World Cup in 2022, "There's nothing more American than watching soccer in Spanish." With joy, flair, and sharp insights, Spanish-language soccer broadcasts transcend language barriers.

The Latino impact in the United States during the World Cup goes deeper than television and streaming viewership. Multilingual and multicultural familiarity can help welcome international fans and elevate the World Cup experience. On the field, perennial powerhouse teams from Latin America have fervid fans in the United States. Matches involving these teams are expected to be fast-selling and high-grossing, and brands and sponsors may identify opportunities to craft targeted marketing campaigns that appeal directly to fans of those teams. Together, these dynamics position Latinos in the United States as more than fans of the World Cup; they could also be players who will deliver, shape, and amplify its success.

¹ "FIFA World Cup 2026 Socioeconomic Impact Analysis," Goaleconomy, March 2025.

² Isaac Mizrahi, "Multicultural marketing scores big in the 2026 FIFA World Cup playbook," *Forbes*, June 23, 2025.

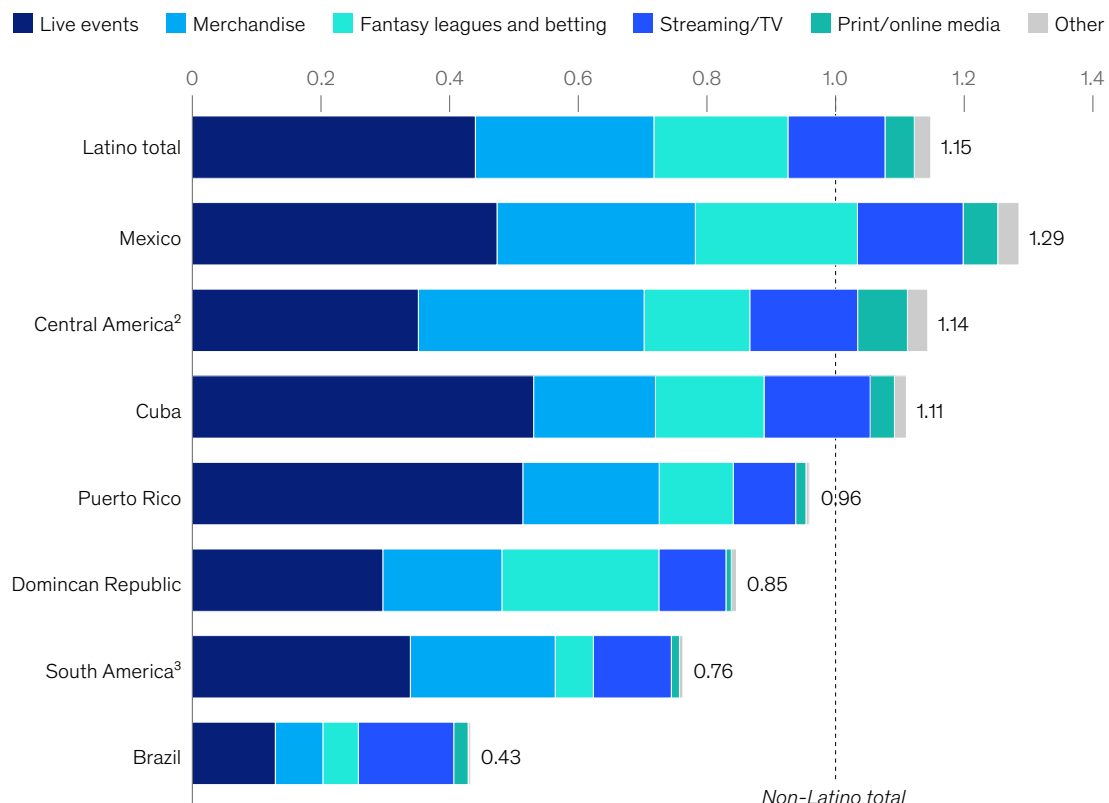
As noted earlier, Latinos spend 15 percent more across sports-related categories than non-Latinos (and 50 percent more when adjusted by income), but subgroups vary in how they choose to spend (Exhibit 6). For example, people with Cuban and Puerto Rican heritage tend to spend proportionately more on live events than other groups, while fans of Dominican Republic descent spend relatively more on fantasy leagues or betting. And those of South American descent spend relatively less on fantasy leagues or betting but proportionally more on branded merchandise.

In serving Latino audiences, organizations can deepen engagement by understanding and honoring cultures. Latino respondents to our fan survey are four percentage points less satisfied than non-Latinos with the amount of sports content reflecting their culture and perspectives. Sixty-three percent express an interest in sports content highlighting their culture, athletes, and communities, versus 55 percent of non-Latinos. Fifty-seven percent indicate they would deepen their engagement with sports if teams launched culturally specific initiatives such as heritage nights, partnerships, or community celebrations.

Exhibit 6

Latino spending on sports-related categories varies across different heritage groups.

US average annual sports spend across categories, by heritage group,¹ index (non-Latino level = 1)



¹Question: Thinking about your typical behavior over the last 12 months ... approximately how much did you spend on the following types of items?

²Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama.

³Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela.

Source: US Census Bureau, Median Personal Income, 2023; McKinsey analysis

Latino fans express a strong connection to brands and content that visibly incorporate cultural elements that are meaningful to their communities. For example, according to Nielsen, Latinos are 37 percent more likely to feel loyal to a brand that sponsors a sport they follow.² This points to an opportunity for more inclusive storytelling and tailored media experiences.

Opportunities for richer media engagement with Latino fans

Media outlets, teams, and leagues that invest in culturally informed, bilingual content and more inclusive representation stand to unlock greater resonance and long-term development.

As previously noted, Latinos have high levels of engagement when it comes to digital-native forms of media consumption, including paid subscriptions. However, their sports consumption of linear broadcast TV depends on the content provided.

Nielsen reports that Latinos account for only 11 percent of hours spent watching MLB, NBA, NFL, and NHL broadcasts, significantly below their 20 percent share of the US population and fan base (Exhibit 7).³ In contrast, Latinos represent 26 percent and 98 percent of watched hours in the United States for the English Premier League and Liga MX, respectively.

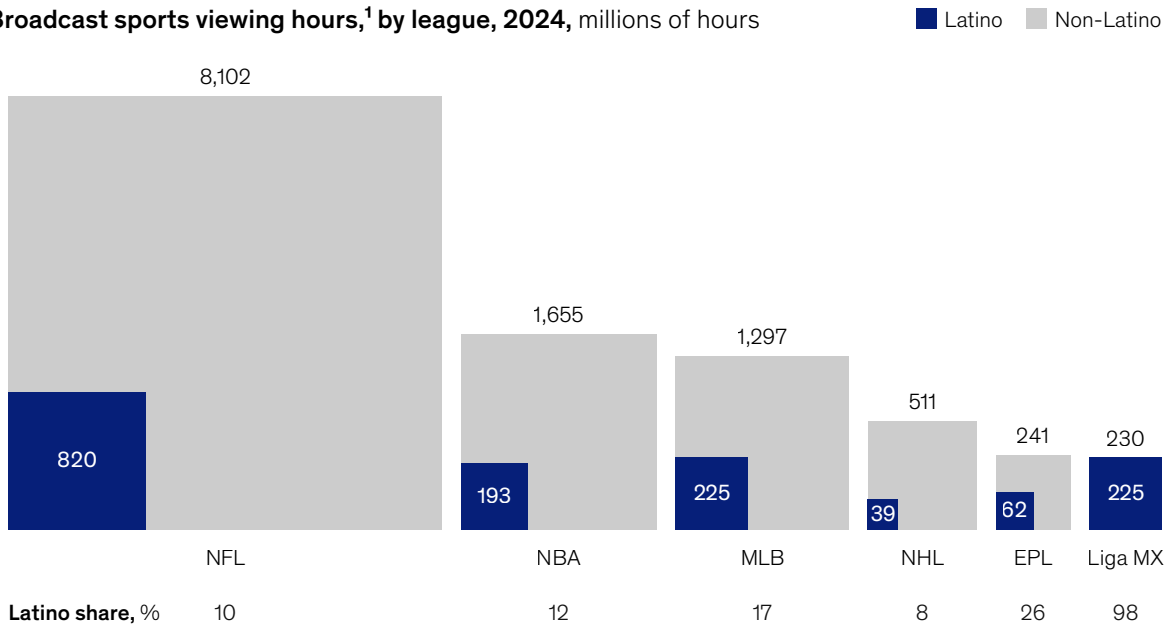
² "Fanáticos: Nielsen's playbook on Hispanic media consumption and sports engagement," Nielsen Diverse Intelligence Series, 2024.

³ Nielsen does not track viewing hours for the MLS, since most games are streamed and not broadcast on linear television in the United States.

Exhibit 7

Latino share of traditional broadcast TV viewership varies widely across different leagues and sports.

Broadcast sports viewing hours,¹ by league, 2024, millions of hours



Note: Based on persons aged 2 and older (P2+) units and total minutes (calculated as units × duration). Data reflects each individual sport's season calendar in 2024 across broadcast and cable networks where the events aired (for NBA and NHL, 2024 = 2023–24 season). Leagues are National Football League (NFL), National Basketball Association (NBA), Major League Baseball (MLB), National Hockey League (NHL), English Premier League (EPL), and Liga MX (Mexican soccer league).

¹Excludes broadcast sports viewing hours for Major League Soccer, which is largely viewed through streaming services in the US and is not tracked by Nielsen.

Source: Nielsen

The challenge and opportunity for sports organizations is to meet them where they are—with the appropriate content, on the appropriate platforms, and in the appropriate language.

Although viewership for linear TV has gone down across all audiences due to the rise in popularity of streaming, Latinos in the United States show lower engagement with traditional broadcast television than non-Latinos. Using GWI's audience insights platform, we found that they are 20 percent less likely than non-Latinos in the United States to watch games on broadcast TV and 8 percent less likely than viewers in Mexico. This structural under-engagement in traditional media reflects broader challenges in aligning sports content delivery with the habits and preferences of younger Latino fans. This pattern extends beyond sports: Nielsen reports that across age groups, Latinos average 14 to 26 percent fewer hours of total television viewing compared with non-Latinos.

Language plays a critical role in shaping Latino sports media consumption. Although 68 percent of US Latino respondents to our fan survey speak Spanish at home, there is relatively little Spanish-language content availability. According to Nielsen, Spanish-language sports broadcasts represent only about 5 percent of their total viewing hours. This underrepresentation particularly affects Latinos born outside the United States, 30 percent of whom prefer to watch games in Spanish, according to our fan survey. The supply is not there to meet the demand. For many bilingual fans, the issue may not be a lack of interest but a lack of options.

While Latinos may be underrepresented when it comes to linear TV, they overindex on streaming. Nielsen data shows that Latinos consume 56 percent of their television content through streaming, compared with 46 percent for non-Latinos.⁴ Latino fans are clearly present and engaged. The challenge and opportunity for sports organizations is to meet them where they are—with the appropriate content, on the appropriate platforms, and in the appropriate language.

Beyond the field: Latino underrepresentation in sports management and media

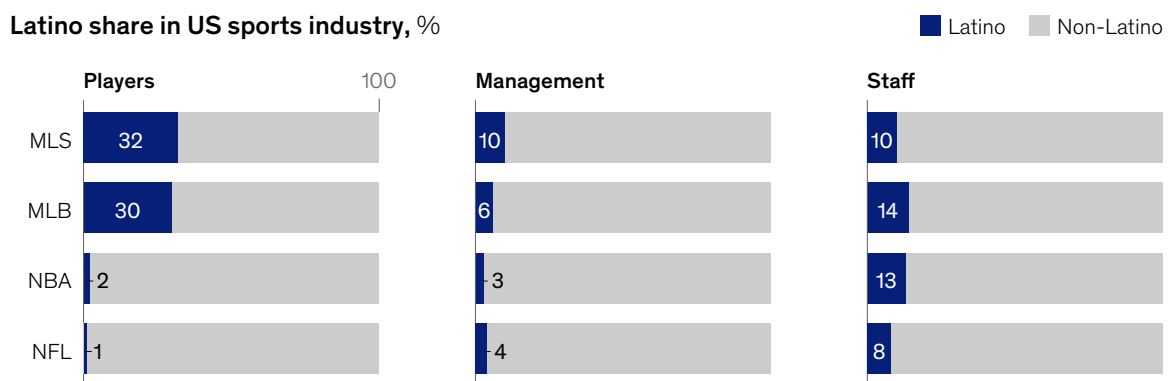
Representation across sports organizations—on rosters, in front offices, and among game day staff and leaders—plays a critical role in determining whether outreach feels authentic and whether fans see themselves reflected. Increasing Latino presence, particularly in decision-making roles, is essential for strengthening community ties, cultivating authentic fandom, developing more relevant campaigns, and avoiding cultural or linguistic gaffes. Visible pathways from the field to leadership positions indicate belonging and can help foster a sense of community. As one MLS team owner told us, “Having Latino players on the roster and in the front office isn't just about talent, it's about connecting with the community. Representation on the field translates to representation in the stands.”

⁴ “Hispanic consumers overindex on streaming consumption versus rest of US, new Nielsen report finds,” Nielsen News Center, September 2025.

Today, Latino representation presents a mixed picture, with significant disparities across leagues and roles. According to The Institute for Diversity and Ethics in Sport (TIDES), Latinos constitute between 1 and 30 percent of players in major leagues, depending on the sport. Yet they hold just 5 percent of management positions and 12 percent of staff roles overall. Baseball and soccer illustrate the imbalance most clearly: Latinos make up more than 30 percent of players but a much smaller share of management and staff (Exhibit 8).

Exhibit 8

Latino representation in US professional sports leagues varies across role and sport.



Note: Leagues included in this research are Major League Soccer (MLS), Major League Baseball (MLB), National Basketball Association (NBA), and National Football League (NFL). MLS data is from 2022; MLB, NBA, and NFL data is from 2023.
Source: The Institute for Diversity and Ethics in Sport (TIDES)

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The underrepresentation extends into the media landscape. Nielsen reports that Latinos in the United States are 19 percent more likely than the general population to feel underrepresented on television. In sports journalism, the data backs this up. A 2021 Associated Press Sports Editors (APSE) survey of more than 100 sports-related newspapers and websites found that Latinos constituted only 5.3 percent of reporters—well below their share of the US population.⁵

⁵ Richard E. Lapchick, "The 2021 sports media racial and gender report card: Associated Press Sports Editors (APSE)," The Institute for Diversity and Ethics in Sport (TIDES), September 22, 2021.



Tapping into the full potential of Latino fandom

Latino fans in the United States are one of the most dynamic and rapidly growing segments of sports fandom. They engage deeply with sports—attending games in greater numbers, consuming more content across platforms, and spending more on sports-related products than non-Latinos. But future growth is not guaranteed. It requires intentional strategies to sustain engagement and build connection across generations.

Previous McKinsey research on the [opportunity to close the monetization gap in women's sports](#) identified four stakeholders that can accelerate growth: investors, marketers and sponsors, media, and rights holders (teams and leagues). The following four areas—awareness and community building, digital, youth, and brands—are key focus points for these stakeholders as they seek opportunities for growth with Latino fans.

Latino fans in the US are one of the most dynamic and rapidly growing segments of sports fandom—attending games in greater numbers, consuming more content across platforms, and spending more on sports-related products than non-Latinos.

Awareness and community building: Becoming culturally relevant

The most effective engagement starts with presence in communities and culturally relevant storytelling. Teams like the Los Angeles Dodgers have built Viva Los Dodgers into a signature program, offering live music, food, and partnerships with local organizations to celebrate Latino heritage every season. The Brooklyn Nets' Nets Unite campaign does the same in basketball, blending culture and sport to support fandom. The NFL's announcement that Puerto Rican superstar Bad Bunny will headline the next Super Bowl halftime show is generating excitement from sports and music fans alike. Beyond events, greater Latino representation on the field, as well as in front offices, can foster belonging and help organizations think like their audiences.

Lowering access barriers also matters. Initiatives to lower ticket prices packages and provide affordable merchandise—as the NBA's Utah Jazz did recently when it lowered concession prices in response to fan feedback—can make sports experiences more attainable for families of differing income levels (including but not exclusive to Latinos) and strengthen long-term ties. Media accessibility matters, too. As one MLB executive told us, partnering with Spanish-language broadcasters led to a “significant uptick in Latino viewership,” underscoring the appetite for content that speaks directly to Latino fans.

However, it's important to note that these efforts cannot be one-off events or symbolic gestures. Superficial efforts that simply showcase diverse faces risk constituting tokenism. Real impact requires sustained commitment, authentic engagement, and true community building that integrates Latino voices and perspectives into the core of the sports experience.

Digital: Meeting fans where they are

Latinos skew younger and more digitally native, meaning sports engagement from rights holders, brands, and sponsors [must be omnichannel](#) and span multiple platforms. Because Latinos also overindex in streaming compared with non-Latinos, digital content delivery represents a key growth channel. Teams are experimenting with short-form video, interactive fan features, and influencer partnerships across outlets like Instagram, TikTok, WhatsApp, and YouTube to meet fans where they spend their time. For example, there are MLB Español

and NBA Latam TikTok accounts that post in Spanish. And several basketball teams, including the Los Angeles Lakers and the Miami Heat, focus on engaging with Latino communities through Instagram Live sessions and Reels.

At the same time, Spanish-language sports content remains undersupplied relative to demand, creating a notable growth opportunity. Broadcasters are beginning to expand Spanish coverage of major sports in the NFL, NBA, and the Olympics, while streamers are investing more in live sports rights to capture Latino audiences. As Latinos continue to lead in streaming adoption, sports content delivered in Spanish across digital platforms represent a powerful lever for deepening engagement.

Brands also have the opportunity to use gen AI to [tailor messages](#) that resonate more with Latinos. Bilingual and culturally specific ad campaigns that engage Millennials and Gen Z, supported by data-driven personalization, can help rights holders and brands craft messaging that better resonates with audiences across devices and channels.

Youth: Investing in the next generation of fans

Sustaining Latino fandom over the long term requires investment in the next generation. Collaborations with Latino-focused organizations and schools build trust while making sports more accessible. The Denver Broncos have set an example with community grants for youth sports equipment, helping reduce the cost barrier for underserved families. Neighborhood leagues and school-based hubs also matter, as they limit travel and lower time commitments for parents.

The payoff is clear. According to *Youth Sports Business Report*, 80 percent of parents view brands more favorably when they actively support local youth sports programs.⁶ By investing in grassroots participation, leagues and sponsors alike cultivate not only healthier communities but also future fans.

Brands: Cultural authenticity

Sports play a meaningful role in many Latino households, but authenticity is critical. Campaigns that tap into shared cultural touchpoints, such as sports as a gathering point for family and friends, can resonate. At the same time, marketers should account for the great diversity within the Latino community, tailoring to different heritage groups differently across different sports and understanding nuances between leagues and among teams.

Some brands have already demonstrated how tailored strategies can succeed. Corona's long-standing MLB sponsorship integrates bilingual content and in-stadium activations. McDonald's has used FIFA World Cup campaigns to highlight Latino traditions of family viewing, pairing ads with community watch parties. Pepsi has blended sports and Latin music—sponsoring events while activating with reggaetón artists—to connect with younger bicultural audiences. Nike has invested heavily in grassroots soccer programs in Latino neighborhoods, focusing on free clinics and community partnerships.

The payoff is real. According to Nielsen, Latino sports fans are 39 percent more likely than the general US population to recommend a company that sponsors sports they follow and 37 percent more likely to feel loyal to those brands.⁷

⁶ "Youth sports marketing: The new frontier for brand building and community engagement," *Youth Sports Business Report*, May 2, 2025.

⁷ "Hispanic sports fans drive record viewership and brand loyalty, Nielsen highlights untapped potential," Nielsen news center, September 2024.

The Latino fan base is no longer a niche; it is the blueprint for the next generation of American sports fandom. Young, digitally fluent, and deeply connected to community, Latino fans embody where sports consumption is heading. For leagues, teams, media, and sponsors, this is an opportunity to foster connections: By 2035, Latinos are expected to account for one-third of total US sports market growth. Organizations that act now—by creating authentic content, meaningful experiences, and with greater representation—can drive growth, build lasting trust with one of sports' most dynamic fan communities, and foster a more inclusive industry. The question is no longer whether Latino fans will shape the future of sports but who will rise to meet them there.

Alberto Chaia is a senior partner in McKinsey's Miami office, where **Sebastian Cubela** is a partner; **Ben Vonwiller** is a partner in the New York office; and **Lucy Pérez** is a senior partner in the Boston office.

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This report was edited by Christine Y. Chen, a senior editor in the Denver office.

Alex Rodriguez on expanding Latino opportunity and representation in sports

A-Rod Corp CEO and former Major League Baseball star Alex Rodriguez discusses mentorship, access, and how the sports industry can better serve Latino communities.



Alex Rodriguez is a seasoned entrepreneur, investor, and leader who has transformed his success on the baseball field into a multifaceted business career. Known for his 22 seasons in Major League Baseball as an All-Star and World Series champion with the New York Yankees, Rodriguez is the founder and CEO of A-Rod Corp, a diversified investment and holding company with a wide-ranging portfolio that spans real estate, sports, media, and technology. In June 2025, he became co-owner of the National Basketball Association's Minnesota Timberwolves and the Women's National Basketball Association's Minnesota Lynx. Rodriguez recently spoke with McKinsey senior partner Alberto Chaia about Latinos in sports, the subject of a new report from the [McKinsey Institute of Economic Mobility](#). The following is an edited version of their conversation.

Alberto Chaia: What was it like growing up Latino and making it to the top of your sport?

Alex Rodriguez: I was born in 1975 to immigrant parents from the Dominican Republic, in New York City—right in the shadow of the old Yankee Stadium. Later, we moved to Miami.

When I was 12, two years after my father left, I remember going to a supermarket with my mother, and she used food stamps. That was the first time I realized that she was getting help from the government. My mom had to work two jobs. I remember her getting up at 4:30 in the morning and taking two trains to work. She worked as a secretary during the day, and she served tables at night.

I can count on one hand the number of times my mother saw me play in Little League and in high school, because she was always working to pay the bills. I think I got a lot of my determination and grit from my mom.

Alberto Chaia: Have things changed for up-and-coming Latino players today? Or do they still face the same kinds of barriers you did?

Alex Rodriguez: It's great to see someone like Juan Soto, who's Dominican and signed with the Mets for \$765 million over 15 years, but players like him are far and few between.

Most come from very humble beginnings. The average career [of a baseball player] is only about five and a half years, and many players don't have the financial literacy or the knowledge to be able to take competitive advantage of their capital. Having millions of dollars in your twenties puts you in the 1 percent of the 1 percent. But if you can't capitalize on that, it can slip away fast. There's a big opportunity to help players bridge that gap.

Alberto Chaia: How important was mentorship for you when you were younger? And how did youth sports shape your success later in life?

Alex Rodriguez: When my dad left, I naturally gravitated toward strong, smart men who could guide me. Two things saved my life: the Boys & Girls Club and sports.

Two mentors shaped my path before I turned 17. One was Eddie Rodriguez [no relation], who coached baseball at the Boys & Girls Club in Coconut Grove, Florida, for over 40 years. More than 25 Major League players came out of that tiny club.

The other was my high school coach, Rich Hoffman, at Westminster Christian School. He was there for over 30 years, won 11 championships, and had many Major League Baseball players come out of his program. When I was 15 years old, I was very insecure and a shadow of the player that I eventually became. Coach Hoffman told me, "This year, you're going to do OK in your sophomore year. Next year,

you'll be the number-one junior in the country. And then in your senior year, you're going to be the number-one pick in the Major League Baseball draft." I looked around and said, "Are you talking to me, Coach?" He said, "Yeah. I'm talking to you."

That taught me the power of words and the power of mentorship. A great leader will see you in a light that's sometimes 100 percent better than what you think of yourself. That can give you a lot of energy to chase your goals.

Alberto Chaia: One of the findings in our recent research is that Latino kids start playing sports at very similar rates as other groups but tend to drop out of organized sports faster. Why is that happening?

Alex Rodriguez: There's never been a time in American history when more kids are playing baseball and softball. However, at the age of 13, there's massive drop-off.

Affordability is becoming a much bigger issue. If I were a ten-year-old again in today's 2025 environment, my mother would not be able to pay thousands—and in some cases, tens of thousands—of dollars for me to travel every weekend for a game. Aluminum bats cost more than \$500 today, and gloves are \$300 or \$400. Before you know it, you're having to refinance your house. And we didn't even have a house.

I was lucky because I had mentors who stepped up and sponsored me. But you're talking about a few hundred dollars back then, compared to tens of thousands of dollars today, to keep up with the Joneses.

A lot of kids quit on the ride home with their parents or mentors. That signals to me that we're putting too much focus on results. Instead of asking, "Did you hit a home run?" or "Did you strike out ten batters?" we should be asking, "Did you enjoy the game? Were you well prepared? How did you feel out there?"

We need to put the focus on the process and take out the emphasis on results. The game has gotten so competitive. It's become such a big business that I hear 12- and 13-year-old kids—or the parents, who are, honestly, the worst sometimes—saying, "My kid throws 78 miles an hour. My kid hit a home run like [New York Yankees outfielder] Aaron Judge."

We should be asking kids, "Did you enjoy the game? Were you well prepared? How did you feel out there?" We need to put the focus on the process and take out the emphasis on results.

—Alex Rodriguez

None of that stuff is important. What's important is: Are you enjoying the game? Do you have good passion for the sport? Are you learning how to pitch, versus how fast you pitch? Are you learning how to be a good hitter?

Who cares how far you hit the ball at the age of 13? Thank God, I didn't have any of these cobwebs in my mind, because these are restrictions that people put on themselves, rather than just enjoying the art of baseball.

Alberto Chaia: You're the father of two daughters. How do you view female participation in sports today?

Alex Rodriguez: I think we're in a good place. We've seen incredible growth with the WNBA. With those rising tides, all kinds of boats get lifted.

The [growth in women's sports](#) is visible everywhere—in participation, in viewership, and in social media engagement.

Alberto Chaia: How important is Latino fandom and engagement for sports today?

Alex Rodriguez: I think all four of the American major sports commissioners from the NFL, NBA, MLB, and NHL¹ see the Latino community as an enormous opportunity for growth.

There's real passion among fans. Your mood, your self-esteem, how you feel about yourself, and how you feel about your community is often tied up with wins and losses from your team. What's interesting about our community is that we are true fans. We buy the sport, we watch the sport, and we live the sport. The more sports leaders can connect with that energy, the more growth there will be.

Alberto Chaia: Are you seeing any teams or sports engaging Latino fans better than others?

Alex Rodriguez: The NFL is going back to Mexico City for games in 2026. They're taking real initiative. The Dallas Cowboys also do an outstanding job. Jerry Jones is one of the great owners of our generation, and he has a real focus on Latin America, especially Mexico as the neighbor to the south of Texas. You hear Jerry going around saying, "Los Vaqueros." It's not the most perfect Spanish, but he's trying like hell.

One big opportunity is outreach in our native language. I come from a generation that spoke English at the mall, and Spanish at home with Grandma, and Spanglish with my brothers. If teams and media are producing content in English, why not add Spanish subtitles, or vice versa? It's also important to meet the fans where they are—in the barrios, in their media channels, in their language.

Alberto Chaia: How well do you think teams, leagues, and the media engage with Latino communities at the level of their individual heritage?

Alex Rodriguez: Billions of dollars have been spent and lost over many years in efforts to try and understand our community. But we can be fragmented. Some in the Mexican community may feel ties with Europe. The same goes for those from Colombia or Venezuela. Dominicans or Puerto Ricans might connect more with the East Coast, while Mexicans might identify with the West Coast.

It's not that one suit fits all. Sports leaders should be strategic about creating more custom-made suits for each part of this Latino community. As an owner and a former player, I see enormous potential. We have to figure out how to unlock it.

¹National Football League, National Basketball Association, Major League Baseball, and National Hockey League.

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Alberto Chaia: There's increasing Latino representation among players in some sports, but not necessarily at the managerial or executive level. What are your reflections on that?

Alex Rodriguez: It has never made sense to me when I see a company trying to grow business through the Latinx community but doesn't have any Latinos on its board.

Organizations need diversity. People of color, women, and folks that understand the community are able to speak to the community and able to grow that community. If you want to grow in the Hispanic market, you need to have Hispanic folks at the executive level.

Alberto Chaia: You're now a co-owner of the NBA's Minnesota Timberwolves and the WNBA's Minnesota Lynx. What has your experience been like as a Latino owner in a predominantly non-Latino sport?

Alex Rodriguez: It's been a dream come true. I grew up with a single mom on food stamps, and in one generation, I've experienced the kind of wealth creation that really only happens in America. I'm very fortunate to be born here, live here, have become a champion with the New York Yankees here, and now grow my businesses here in this country.

I'm also very fortunate to work with Adam Silver. He's a progressive and forward-thinking NBA commissioner who wants representation in the room from all colors and genders. I've been one of the beneficiaries of that. I feel really good being in that room. But my job doesn't stop there. It's not enough just for me to be in the room and be "one of the few" or "the only." I want to leave that door open and let others come in with me as well.

Alex Rodriguez is the founder and CEO of A-Rod Corp, and the co-owner of the Minnesota Timberwolves and Minnesota Lynx. **Alberto Chaia** is a senior partner in McKinsey's Miami office and a leader of the [McKinsey Institute for Economic Mobility](#), McKinsey's think tank focused on inclusive economic growth.

This interview has been edited for length and clarity. Comments and opinions expressed by interviewees are their own and do not represent or reflect the opinions, policies, or positions of McKinsey & Company or have its endorsement.

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