THE IMPACT OF THE COVID-19 PANDEMIC ON MINORITY-OWNED HOSPITALITY BUSINESSES: A REVIEW OF EVIDENCE

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Abstract
Researchers have begun to assess the impact of the COVID-19 pandemic on African Americans and other minority groups. Multiple factors have together contributed to create a disproportionate impact of the pandemic on African Americans and other minorities. As a result, African American-owned businesses have had an 8% worse impact from COVID-19 compared to White-owned businesses. The current review was conducted to investigate the degree to which the COVID-19 pandemic affected minority-owned hospitality businesses. The review was conducted to fill a gap in the existing literature in which a synthesis of existing data suggesting the impact of the COVID-19 pandemic on minority-owned hospitality businesses was found lacking. Using a modified systematic literature review, I conducted an analysis of literature containing data relevant to understanding the impact of the COVID-19 pandemic on minority-owned hospitality businesses. After determining the scope of the review to extend to the hospitality industry, minority demographic, and minority-owned businesses, I used databases including Google Scholar, Scopus, and JSTOR with key terms including Covid-19 pandemic, hospitality industry, and minority-owned businesses. Findings showed that African American-owned businesses experienced the harshest blowback across all minority-owned businesses during the lockdown that occurred following the COVID-19 pandemic. Despite more African American-owned businesses applying for federal assistance, a smaller percentage of them received such assistance compared to White-owned businesses. Only 8% received full assistance, while 23% received no assistance whatsoever. The findings from the review supported previous research showing discrimination on a systematic level. Although small businesses owned by minorities added 1.3 million jobs within the U.S. economy between 2007-2012 during the Great Recession, they have received less support and faced systematic discrimination in availing financial assistance. It is imperative, in nation full of potentially successful entrepreneurs of color, to create an environment committed to helping them compete and succeed on an even playing field.

Keywords: Covid-19 pandemic, hospitality industry, minority-owned businesses, review.
1. **INTRODUCTION**

Researchers have begun to assess the impact of the COVID-19 pandemic on African Americans and other minority groups. Regarding its impact on health, multiple factors have together contributed to create a disproportionate impact on African Americans and other minorities (Kirksey et al., 2021). African Americans are represented disproportionately in the service industry, including as restaurant workers and food processors, and these individuals have a higher exposure to COVID-19 as a result of their interaction with the public (Kirksey et al., 2021). While 93% of the top 10% wage earners were able to obtain paid sick days, only 30% of the bottom 10% wage earners were able to obtain them (Kirksey et al., 2021). Consequently, many minority workers, especially African Americans, were not able to work from home or shelter in place (Kirksey et al., 2021). Further, African Americans have a higher likelihood of having a Medicaid health insurance product providing limited primary caress physician access and limited health care benefits (Woolhandler & Himmelstein, 2013). Further complicating the impact is the high rate of pre-existing chronic diseases among African Americans (Kirksey et al., 2021).

Researchers have also focused on the economic impact of the COVID-19 pandemic on African Americans (Alekseev et al., 2020; Bloom et al., 2020; Fairlie, 2020). In a general examination of the impact of the pandemic on American firms, Bloom et al. (2021) found that African American-owned businesses were more negatively affected than those of other racial groups. African American-owned businesses had, on average, an 8% worse impact compared to White-owned businesses from COVID-19. Furthermore, the gap remained after controlling for online revenue share, firm size, and industry, suggesting these factors fail to explain the higher sales loss incurred by African Americans due to COVID-19 (Bloom et al., 2021). The researchers argued that a possible explanation is the disproportionate impact of the pandemic on health and finances of the African American community, with its impact translating to businesses relying on that community (Bloom et al., 2021).

While the impact of the pandemic on the health of African Americans has already been noted, research also exists on its impact on their finances. For instance, Holder et al. (2020) studied the impact of the pandemic on job losses among African Americans. They found that African Americans in the accommodation and food services industry, where they are overrepresented, disproportionately suffered job losses as that industry was severely affected by the pandemic (Holder et al., 2020). It was also found that the healthcare and social services industry, which employed 28% African American women compared to only 22% White women, underwent 17% decline in terms of employment (Holder et al., 2020). Overrepresentation of African American women in personal care and services and food preparation and serving industries, which underwent job losses higher than 50%, were also noted (Holder et al., 2020). African American employees in the hospitality industry suffered both job losses and loss of representation in leadership roles (Castell Project, 2021).

2. **Current study**

The impact of the COVID-19 pandemic has been felt around the world, with many businesses, factories and industries suffering the pressure exerted due to a decrease in overall demand, increasing health concerns, and other factors taking effect. The current review was conducted to investigate the degree to which the COVID-19 pandemic affected minority-owned hospitality businesses. The review was conducted to fill a gap in the existing literature in which a synthesis of existing data suggesting the impact of the COVID-19 pandemic on minority-owned hospitality businesses was found lacking. While it is not possible at this stage to provide a broad and holistic picture of the phenomenon due to the limited availability of data resulting from a lack of business-level research released by the federal government, the intention in conducting this review was to provide some clarity behind the difficulties experienced by minority-owned businesses during the crisis, particularly those within the African-American community. The research question guiding the review was, “How did the COVID-19 pandemic impact minority-owned hospitality businesses?”

3. **Methodology**

Using a modified systematic literature review, in which existing literature is used to collect evidence and expand current understanding to inform action and policy-making (Forristal, 2021), I conducted an analysis of literature containing data relevant to understanding the impact of the COVID-19 pandemic on minority-owned hospitality businesses. In alignment with the research question, I determined the scope of the review material, determined the keywords and search terms adequate for the purpose of the inquiry, extracted data from the reviewed material, and conducted a descriptive data analysis of the collected data. After determining the scope of the review to extend to the hospitality industry, minority demographic, and minority-owned businesses, I used databases including Google Scholar, Scopus, and JSTOR with key terms including Covid-19 pandemic, hospitality industry, and minority-owned businesses, used either alone or in combination. The major sources used in the review based on the results included a survey conducted by the Global Strategy Group between April 30th to May 12th, 2020,a survey conducted by SCORE in August 2020, and a study conducted by Lederer and Oros (2020) for the National Community Reinvestment Coalition (NCRC).

4. **Results**

An analysis of the data reviewed suggested alarming patterns supporting the findings from the general literature on the impact of the COVID-19 pandemic on African Americans and other minority groups. Findings showed that African American-owned businesses experienced the harshest blowback across all minority-owned businesses during the lockdown that occurred following the COVID-19 pandemic. Overall, the findings indicate that many of these small businesses will face permanent shutdown, with entrepreneurs...
unable to carry their businesses or support their employees through the crisis. During 2017, businesses classified under the Small and medium-sized enterprises (SMEs) category comprised 99.5% of the hospitality and leisure industry (United States Census Bureau, 2021). Additionally, these SMEs also accounted for over 60% of the active employment within the industry itself. The United States Census Bureau, (2020) estimated that minority and women-owned businesses made up roughly 63.5% of those businesses in the hospitality sector. In May 2020, over 50% of the small businesses in the hospitality and leisure sector temporarily shut down (United States Census Bureau, 2020). Infrequent and/or missing loan repayment is more common in the hospitality and leisure industries, and comprised over 80% of the requests received for the Paycheck Protection Program during the lockdown in 2020 (Buffington et al., 2020). More important is the significant minority ownership and employment within these industries, which has ultimately deeper inequality across multiple fronts due to shutdowns and layoffs (Herrick & Carmody, 2020).

The first primary set of data analyzed in the review were obtained from a survey conducted during August 2020 by SCORE, a network comprising volunteer industry business leaders, comprising 3500 responses. In the report by SCORE (2020), it was noted that African American small business owners have a 90.7% higher likelihood of having a direct relationship with someone infected by COVID-19 compared to White small business owners. Further, they have an 80% higher likelihood of reporting that report work has impacted their business significantly compared to White small business owners (SCORE, 2020).

Findings from the survey by SCORE (2020) showed that, despite more African American-owned businesses seeking financial assistance, there were many discrepancies. For instance, regarding access to Paycheck Protection Program, while 47.8% of White-owned businesses applied and 63.7% received the full amount, 53.4% of African American-owned businesses applied and only 20.3% received the full amount. Regarding access to Economic Injury Disaster loans, while 44.3% of White-owned businesses applied and 42.8% received the full amount, 61.1% of African American-owned businesses applied and only 15% received the full amount. Regarding access to Small Business Administration loans, while 19.5% of White-owned businesses applied and 33% received the full amount, 41.3% of African American-owned businesses applied and only 8.4% received the full amount (SCORE, 2020).

Compared to African American-owned businesses, White-owned businesses were three times more likely to receive Paycheck Protection Program loans; three times more likely to receive Economic Injury Disaster loans; and four times more likely to receive Small Business Administration loans. Finally, taking on the government loan process was 31.9% more confusing for African American-owned businesses as per self-report (SCORE, 2020).

The second primary set of data analyzed in the review were obtained from a survey undertaken by the Global Strategy Group (2020) between April 30th to May 12th 2020, which was focused on the responses from 2 groups. The first group included 500 African American and Hispanic small business owners comprising individuals who currently own a business with annual revenue under $7 million dollars/year. The second group included 1,219 African American and Hispanic workers comprising individuals working full or part-time for one or more employers.

Analysis of the data from the survey revealed that both African American and Hispanic business owners and workers had more faith in the effectiveness of their locally elected leader in handling the crisis than they did in the federal government (Global Strategy Group, 2020). In response to the question whether their businesses were still in operation after Q1 and their outlook for the next 6 months, 33% of the group comprising African American business owners reported they were operating at full capacity, 45% reported operating under limited capacity, and the remaining reported they had temporarily shut down. When asked how long did they expect their enterprise to remain in business under the present circumstances, 61% of the African American business owners were confident they would be running, 29% answered 1 to 6 months, and the remaining reported less than a month.

As shown in Figure 1, many participants preferred receiving a grant over a loan or credit. Table 1 shows the percentage of small African American-owned businesses that applied for federal assistance. As shown in Table 2, only 8% received full assistance, while 23% received no assistance whatsoever. A key revelation was that 42% of African-Americans believed they would not be approved for any of the loan programs offered by the federal government, while 21% believed they would not be eligible for these programs. These findings suggest two critical developments, namely the lack of access to crucial information and an underlying belief that the system does not work in their favor. Additionally, between 40% to 50% of small African American-owned business owners and workers believe the stimulus packages were going to big corporations instead of the businesses and workers that desperately needed them.

The third and final primary set of data analyzed in the review were obtained from a study conducted by Lederer and Oros (2020) for the National Community Reinvestment Coalition (NCRC). Lederer and Oros (2020) attempted to understand the absolute baseline level in customer service experienced by male and female testers comprising varied racial backgrounds together with the information presented to them regarding small business loans during the COVID-19 pandemic. In alignment with this purpose, the researchers addressed the question whether non-minority and minority small business owners belonging to similar business and economic profiles were presented with the same information, required to provide the same information, and provided the same level of quality and encouragement.

Data were collected through tests conducted by the researchers over the telephone, as many financial institutions were closed to in-person customer services due to the pandemic. Tester profiles were created using names that were racially identifiable. The participants had strong credit histories and similar business profiles. Additionally, African-American male and female control subjects had been assigned stronger profiles than their White, male counterparts with respect to their financial information in order to present them as more viable candidates. Each tester had to pass a voice panel test to ascertain whether their perceived race was possible to identify over the phone.
(Lederer & Oros, 2020). Testers were selected to participate if their voice could identify their race above a 70% certainty. Findings from the study showed that there were four categories regarding fair lending for discriminatory interactions, namely difference in requested information, difference in provided information, different in offered products, and level of encouragement (Lederer & Oros, 2020). Findings showed that of the 63 fair lending matched-pair audit tests of financial institutions based in Washington D.C., 27 (43%) matched-pair tests which had White participants were favored over African American participants as part of the pre-application part (Lederer & Oros, 2020). While women faced gender discrimination, 59% of African-American women were treated worse than all other control subjects with none being asked to apply. White control subjects were encouraged to apply over their African-American counterparts (Lederer & Oros, 2020). Findings showed that African American participants were asked where they banked and informed that without a bank account with them, they wouldn’t be able to assist. White participants with the same response, on the contrary, were told that they would be required to open a business checking account and establish a relationship with the bank prior to application. These participants were also assured that they would be sent data regarding both the small business loan and Paycheck Protection Program loansover email and list the documents required to submit for bank account opening. Likewise, when an African American participant called, they were told before receiving any information about products that they would need to come into the bank in person with ID. On the contrary, a White participant was given particular information regarding a line of credit as well as secured loan, together with details on approval rates, fees, and interest rates. Overall, these findings showed that the different treatment of African American and White participants occurred at the incubation phase of a business plan and also affected if the business required any assistance during a period of crisis.

5. Discussion
Findings from the existing literature show that at minority-owned businesses, both owners and workers have been hit hard due to the COVID-19 pandemic (Parker et al., 2020), especially those within the SMEs category in the hotel, restaurants, transportation, and personal services industries where social environments and physical interaction traditionally played an important role. The new challenges compound existing disparities that affect minorities. For instance, Lopez et al. (2020) reported that most African-Americans adults (73%) and Hispanic adults (70%) do not have reserves to cover emergencies or three months’ worth of household expenses compared to 47% White adults. Further, 48% of African-Americans and 44% of Hispanics had a higher likelihood of admitting that they could not pay some bills and only make partial payments compared to 26% of White adults (Lopez et al., 2020). In the same study, those African-American and Hispanic adults who could not cover their expenses admitted they would borrow money, sell assets, or dip into their savings.

In the current analysis, these findings were supported by further evidence of discrimination on a more systematic level which were exposed in the context of the COVID-19 pandemic. Systematic discriminatory practices were revealed across all studies which not only impact the survival of minority-owned businesses but the survival of the very communities that support these businesses and vice versa. For instance, the study conducted by Lederer and Oros (2020) showed the number of African American-owned businesses that were lost between February 2020 to April 2020 to be almost twice as that of the rate of business loss on the national level. Structural racism and imbalance of power lends itself to bias in the context of equity and lending, as shown in the review. It was found that discrimination constitutes the most significant among the hindrances preventing African-American entrepreneurs from succeeding, both prior to the COVID-19 pandemic and afterwards, especially in relation to obtaining funding to sustain their businesses (Applewhite, 2018). A consequence of this manifests in lack of representation, as less than 1% of the venture capital-backed firms in the United States are African American-owned. This in turn affects the decision-making roles in the present and foreseeable future, especially pertaining to the question of who should receive funds (Applewhite, 2018) Finally, gender bias against African-American women makes their situations even more dire, especially in light of their high education and entrepreneurial activities (Williams, 2017).

A study conducted by Austin (2016) for the Center for Global Policy Solutions found that small businesses owned by minorities added 1.3 million jobs within the U.S. economy between 2007-2012 during the Great Recession. Between 2007-2017, minority-owned small businesses experienced a growth rate of 79%, which was ten times higher than the general growth rate for U.S. small businesses (Weitz, 2018). The study conducted by SCORE (2020) showed that African American business owners grew their employees by 24% compared to the general rate of 10.8% for all small business. However, despite these figures, African-American entrepreneurs continue to experience significant difficulties that affect not only them but the general economy, costing as many as approximately 9 million jobs as well as $300 billion in national income (Austin, 2016). The growth and profitability during the Great Recession notwithstanding, the COVID-19 pandemic has proven to be a major barrier in the success of African American communities, with less than 9% businesses reporting any profitability since the beginning of the lockdown in March/April 2020 (SCORE, 2020).

Discriminatory practices experienced by minority groups, especially African Americans, when seeking financing from institutions or obtaining financial assistance, add to the existing challenges faced by all small business owners. The impact of the COVID-19 pandemic on these communities cannot be understated, especially with mounting data suggesting that discriminatory practices were exacerbated during the crisis in 2020. In a nation full of potentially successful entrepreneurs of color who regularly and unfailingly experience greater difficulties due to their lack of education, background and network, family wealth, and other critical criteria, it is imperative to create an environment committed to helping them compete and succeed on an even playing field.
References

Figure 1 Participant Responses for What Helped their Business When Responding to COVID-19

Which five of the following would be most helpful for your business as it responds to COVID-19? [SELECT FIVE]

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- Receive a grant from a federal government relief or assistance program
- Receive a loan from a local or state government relief or assistance program
- Receive a loan from a private relief assistance program offered by a private or not-for-profit organization
- Use personal finances from myself or my network (family/friends) into the business
- Have the federal government cover rent, mortgage, and insurance premiums
- Have rent or mortgage payments temporarily postponed but moved to the end of the term
- Have rent or mortgage payments temporarily postponed but due in full at the end of the crisis
- Have credit from suppliers or vendors
- Have rent or mortgage payments temporarily postponed but due in full at the end of the term

Note. This figure was obtained from Global Strategy Group. (2020). Federal stimulus survey findings.

Table 1 Applications for Federal Assistance from Small African American-Owned Businesses

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<tr>
<th>Under $10,000</th>
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<th>Over $50,000</th>
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<td>21%</td>
<td>12%</td>
<td>36%</td>
<td>31%</td>
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Table 2 Assistance Reception Status of Small African American-Owned Businesses

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<tr>
<th>Received Full Assistance</th>
<th>Received Some Assistance</th>
<th>Still Awaiting Feedback</th>
<th>Received No Assistance</th>
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<td>8%</td>
<td>41%</td>
<td>28%</td>
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