The Impacts of COVID-19 on Racial Inequality in Business Earnings

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Many small businesses have closed, lost revenues, or downsized as a response to health and economic disruptions caused by COVID-19. But, were economic losses in the pandemic disproportionately felt by businesses owned by people of color? This paper provides the first study of the impacts of COVID-19 on racial inequality in business earnings. Pandemic-induced losses to business earnings in 2020 were 16-19 percent for all business owners. Racial inequality increased in the pandemic: Black business owners experienced larger negative impacts on business earnings of 12-14 percent relative to white business owners. Regression estimates for Latinx and Asian business owners reveal negative point estimates but the estimates are not statistically significant. Using Blinder-Oaxaca decompositions and a new pandemic-focused decomposition technique, I find that the industry concentrations of Black, Latinx, and Asian business owners placed each of these groups at a higher risk of experiencing disproportionate business earnings losses in the pandemic. Higher education levels among Asian business owners helped insulate them from larger losses from COVID-19. Finally, differential exposure to COVID case rates, business closure policies, and mask mandates did not contribute to racial inequality in business earnings losses.

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