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Tackling Pandemics: Afro-Brazilian Entrepreneurs and COVID-19

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How did COVID-19 adversely affect Afro-Brazilian entrepreneurs? This study investigated two aspects of their experience: their access to business credit, and whether they were able to work remotely during the first months of the pandemic in 2020.

The research employed two distinct databases, both containing de-identified information about Afro-Brazilian entrepreneurs. The first was the National Household Survey (Pesquisa Nacional Por Amostra de Domicílios – PNAD) hosted by the Brazilian Institute for Geography and Statistics (IBGE). In 2020, this monthly survey was modified into a special edition for the pandemic (PNAD-Covid). The second database was the national *Pesquisa Nacional Sobre o Perfil do MEI 2017* (Survey Brazilian Individual Micro-Entrepreneurs Profile). In the Brazilian statistics system, Afro-Brazilians are respondents who self-identify as being *preto* and/or *pardo* (and *Mestiço?*) (black and brown or mixed-race).

In Brazil, Microindividual Entrepreneurs (MEI) are businesspersons who hire no more than one employee (other than themselves) and receive an annual revenue of up to BRL81,000 (as of May 31, 2022, the equivalent of about USD 17,042) and are not owners of or partners in other firms. They are the most



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socioeconomic vulnerable sector of formal Brazilian entrepreneurs. However, registering as an MEI guarantees these entrepreneurs access to social security benefits and a substantial tax reduction and simplification. Thus far, unfortunately, MEIs do not count on support from any specific mechanism that could facilitate their access to credit for business. Two years before the pandemic, almost eight in each ten MEI's had never applied for (bank or government) loans. Among the ones who had applied, the percentage of credit approval was 45%.

Although the percentage of applications was almost the same for each color or race group (here just focusing on white, brown, and black), the percentage of credit denial for blacks (47.6%) and browns (51%) MEI was higher than for whites (40.0%). The study also found initial evidence of higher levels of credit discouragement among black and brown MEI than white ones. Hence, although this data is preliminary, there are indications that the COVID-19 pandemic found Afro-Brazilian entrepreneurs particularly vulnerable in accessing business credit.

The second focus of the study was whether Afro-Brazilian entrepreneurs were able to change to remote work during the pandemic and comply with the then-prevailing and stricter social distance norms. PNAD-Covid contains the full set of Brazilian firms, regardless of the number of employees or if they are officially registered. Preliminary findings indicate that the probability that a



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business owner with a college degree had transitioned to remote work was 22 higher than for a businessperson with no high school diploma. The likelihood of entrepreneurs from the poorest Brazilian region, North and Northeast, to do the same was 62% and 30% less than an entrepreneur who owned a business in Brazil's Southeast, socioeconomically the more prosperous Brazilian region. Regarding color or race, the likelihood that black and brown entrepreneurs had moved into a remote office was 46% and 55% of the levels of white businesspeople.

Therefore, this study's initial findings indicate more vulnerability for a businessperson from a black and brown group as they bore the economic and personal consequences of the pandemic in Brazil. This outcome could be regarded as minor had Brazil, and the world in general, been able to control the spread of COVID-19 in a timely way. But a lack of access to capital and remote work meant that black- and brown-owned firms suffered disproportionately in Brazil during COVID-19.

Next steps:

A pilot survey of Brazilian employers is currently underway to assess their strategies to face future waves of the pandemic, how they are coping with political uncertainty, their access to credit, and their perceptions of diversity and discrimination. Survey findings will be compared to comparable data from the



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U.S. Census Bureau's Survey of Business Owners and the Federal Reserve's Small Business Credit Survey.