



Key Takeaways from Listening Session: Asian American and Pacific Islander (AAPI) Experiences in the Federal Reserve’s Fourth District

Treye Johnson, the Program on Economic Inclusion

Context

In fall 2021, the staff of the Program on Economic Inclusion hosted four listening sessions with various community stakeholder groups within the Federal Reserve’s Fourth District.¹ The goal of the sessions was to increase overall understanding of the conditions and challenges preventing specific communities from reaching economic inclusion – meaning the ability to fully participate in the economy to the best of one’s ability. This summary document provides an overview of the key points expressed by participants about their own experiences, and those of the communities they serve.

Participant insights

1. Existing support programs and resources are inaccessible to many AAPI entrepreneurs

“Our director of business initiatives provides a broad spectrum of business assistance [to entrepreneurs], and we need to grow our own capacity. Many business owners [in our service area] are first generation, and English isn’t their first language...”

Participants believe the most prominent barrier to economic inclusion that AAPI communities face is the inaccessibility of existing entrepreneurial support systems. While the largest and most well-established AAPI communities have historically been located on the coasts, midwestern states have seen increases in their AAPI populations over the past three decades. Existing support systems have been slow to adapt to the distinct needs of the growing AAPI community in the Fourth District. Programming and support services have traditionally been provided in a one-size-fits-all manner.

For example, few organizations have adjusted to address the most basic challenge faced by many AAPI entrepreneurs: language access. Applications for grants, loans, support programs, or technical support are often provided in English only, and most support institutions lack staff capable of bridging language barriers. Instead this responsibility routinely falls on the shoulders of community-based nonprofits. While nonprofits may want to help AAPI community members, providing the level of help required is often beyond their capacity.

¹ The Federal Reserve’s Fourth District, includes all of Ohio, western Pennsylvania, the northern panhandle of West Virginia, and eastern Kentucky.

The opinions expressed are those of the participants and the author, and do not necessarily represent the views of the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System, or its staff.

Participants described the challenges AAPI entrepreneurs face when navigating support systems to get answers to basic questions necessary for running their businesses, such as, “Where can I find contractors (e.g. HVAC professionals or electricians)?” “How do permits and inspections work?,” and “Where can I obtain working capital?” None of these questions are unique to AAPI business owners, but the local network of contacts and previous entrepreneurial experience needed to answer them is less developed within the AAPI community.

Participants also shared that it is not uncommon to hear stories of other AAPI entrepreneurs who scraped together whatever money they could, only to start a business in the wrong location because it is all they could afford. Such mistakes can threaten the survival of businesses. Quite simply, many AAPI businesses fail in short order due to preventable mistakes.

2. Participants shared that the most effective strategies for serving AAPI groups will recognize the cultural differences that exist regarding business practices and preferences

“Asian groups are not a monolith. It will take time to understand the unique characteristics of the groups and their experiences. While it may be easier to take a one-size-fits-all approach, it would be more impactful to drill down to smaller groups.”

The AAPI community includes a diverse set of ethnic groups from many different cultural backgrounds. As such, AAPI businesses may utilize a variety of business models and practices as they conduct their day-to-day operations. In some instances, these activities may be at odds with more “mainstream” business practices. For instance, young Chinese American investors buying commercial real estate in Cleveland neighborhoods have prioritized sales potential over rental income, which incumbent investors and bankers favor. Similarly, it was shared that some AAPI business owners have little interest in growing and expanding their businesses; instead, they would prefer to continue operating as a “mom and pop” operation. The assumption that all AAPI businesses are working towards scalability is simply incorrect.

Differences in beliefs, and subsequently actions, are also present within individual AAPI groups. Research on wealth building within AAPI communities identified a number of distinctions between groups. For example, Asian Indians had the lowest rates of homeownership, but were among the highest AAPI groups in terms of holding liquid assets and overall net worth.² The same report also noted that Korean Americans were more open to using loans as a source of capital than other AAPI groups. The ability of organizations to recognize how these types of differences may require different strategies for supporting AAPI communities is essential.

3. Participants described many ways through which racism impacts AAPI communities

“Right now, in America, it doesn’t matter if you’re Chinese, Korean, or Vietnamese. If you look Asian, there are people who just assume that you’re from Wuhan, China.”

In conversations about race and equity, participants remarked that they find themselves in a peculiar spot being cast as “model minorities.” The moniker “model minority” trivializes the challenges they face with racism, while also alienating them from other minority groups. Since the start of the COVID-19 pandemic, Asians have faced increased amounts of overt racism in the United States. While one particularly extreme example is the March 2021 shooting of six Asian women in an Atlanta-area spa, thousands of other

² https://www.aasc.ucla.edu/besol/Color_of_Wealth_Report.pdf

instances have happened in communities across the nation. Some instances ended in physical confrontations; others resulted in property damage. But even nonviolent examples, such as boycotts of Asian businesses, illustrate the toxic environment AAPI communities must now navigate.

Sadly, the anti-Asian sentiment we are witnessing is not a new phenomenon. Participants were very familiar with the practice of AAPI entrepreneurs starting businesses in response to the discrimination they faced when trying to find work. This applies to both native- and foreign-born AAPI community members. While there is a romanticized narrative about entrepreneurs having always “dreamed of starting a business someday,” for many in the AAPI community, entrepreneurship represents a means for survival. These realities need to be included in broader conversations about entrepreneurship, to portray the full spectrum of experiences of entrepreneurs in our District and across the nation.

Why these issues matter to the Program on Economic Inclusion and to the economy

AAPI communities are now the fastest growing racial or ethnic group in the US.³ But compared to other minority groups in our District, the AAPI community receives less attention. This is likely due to multiple factors. First, AAPI groups represent a significantly smaller percentage of the population (both locally and nationally) than Blacks or Hispanic and Latino groups.⁴ Second, and possibly more importantly, AAPI groups have experienced better outcomes than other racial groups (e.g., educational attainment and wealth); in some cases, AAPI groups have even outperformed whites. Yet instead of celebrating and learning from these outcomes, they are often used to cast AAPI members as being the “model minority,” which can trivialize the challenges they face.

There are significant economic disparities that exist within AAPI groups. However, this factor may be missed unless data is disaggregated. These economic disparities are worthy of attention so we can learn from the circumstances of those who – to this point – have been left behind, and ultimately improve outcomes for those groups. For example, in 2019 people in the top 10 percent of the AAPI income distribution earned 9.6 times as much as those in the bottom 10 percent (for context, the difference was 9.6 times for African Americans, 7.8 times for non-Hispanic whites, and 7.5 times for Hispanic Americans).⁵ Better understanding the disparities that exist for and within AAPI communities is important to increasing the economic inclusion of these groups and strengthening our economy.

Next steps for Program on Economic Inclusion staff

The Program on Economic Inclusion was created to increase the Cleveland Fed’s understanding of the obstacles to economic inclusion for communities in our District, as well as approaches to overcome those obstacles. These community listening sessions are a prime example of program staff working to better understand current challenges faced along racial, gender, and geographic lines. Staff will consider the appropriate next steps to help identify solutions. A list of commitments – ranging from changed organizational practices to new engagement efforts to expanded research projects – is under development, and we’ll announce these commitments on our [website](#).

³ <https://www.pewresearch.org/fact-tank/2021/04/09/asian-americans-are-the-fastest-growing-racial-or-ethnic-group-in-the-u-s/>

⁴ According to 2020 Census figures, AAPI communities make up approximately 6 percent of the population while Blacks and Hispanics/Latinos account for more than 13 percent and 18 percent of the population respectively.

⁵ <https://research.newamericaneconomy.org/report/aapi-community-contributions-population-growth>