

Self-Employed Immigrants



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The views expressed are the author's and do not necessarily reflect the views of the Federal Reserve Bank of Chicago or the Board of Governors of the Federal Reserve System.

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Motivation

- Immigrant businesses are an important contributor to:
 - the socioeconomic mobility of immigrants and their integration in the mainstream economy.
 - the revitalization and economic development of many urban neighborhoods and communities.
 - economic growth in the U.S., as they account for much of the growth of the minority small business sector.

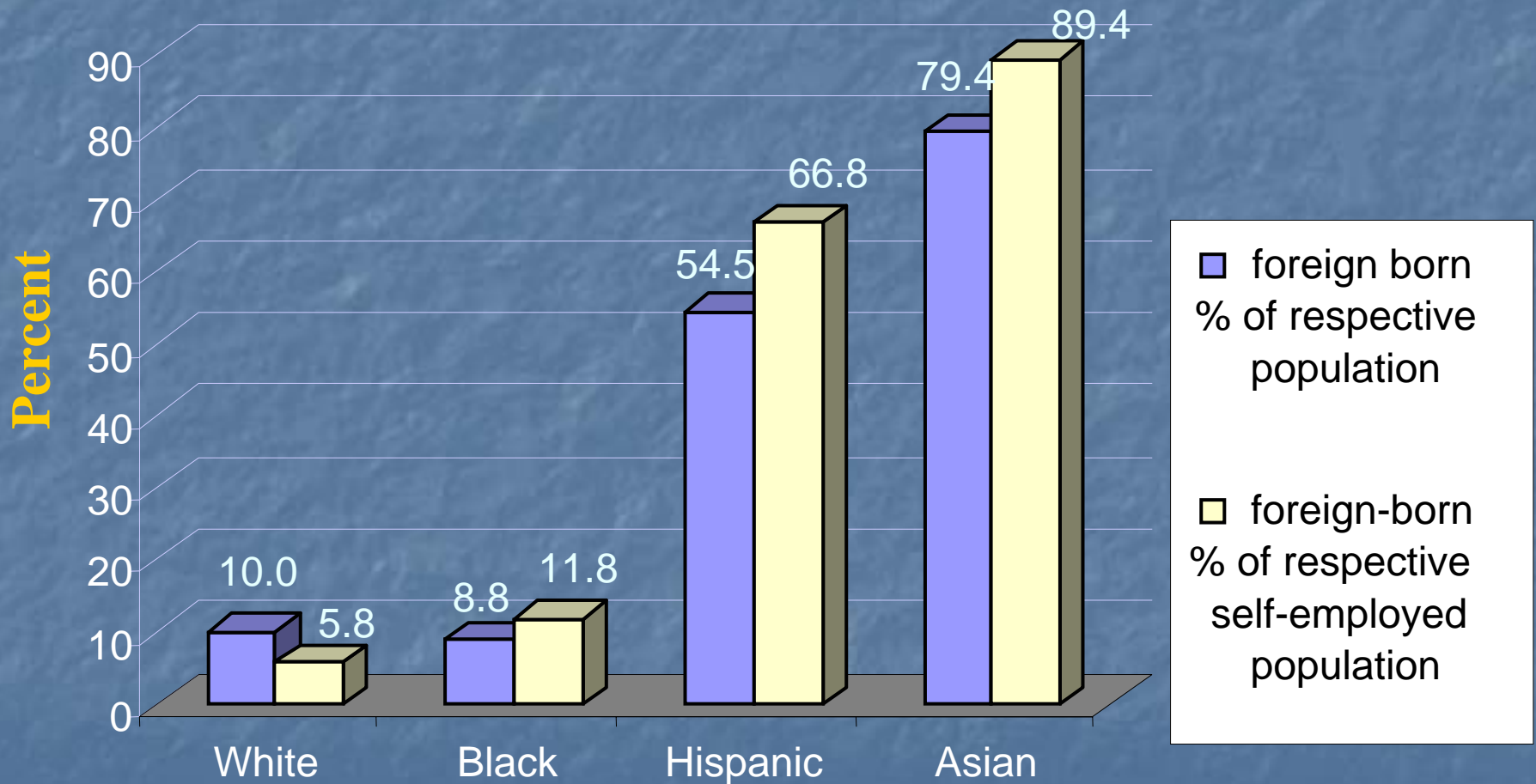
Presentation Outline

- Size and growth of minority/ethnic/immigrant businesses in the U.S.
- Challenges for immigrant self-employment.
- Socioeconomic characteristics/factors affecting the self-employment decision of immigrants.
- Conclusions and policy implications.

Number of Businesses by Race/Ethnicity and Minority Status, 1997

	Number	Percent
Total U.S. firms	20,821,934	100.0
Hispanic-owned	1,199,896	5.7
Asian-owned	912,959	4.3
Black-owned	823,499	4.0
Nonminority-owned	17,782,901	85.4
Minority-owned	3,039,033	14.6

Immigrant Proportion of the Self-Employed and Total Population by Race/Ethnicity, 1999



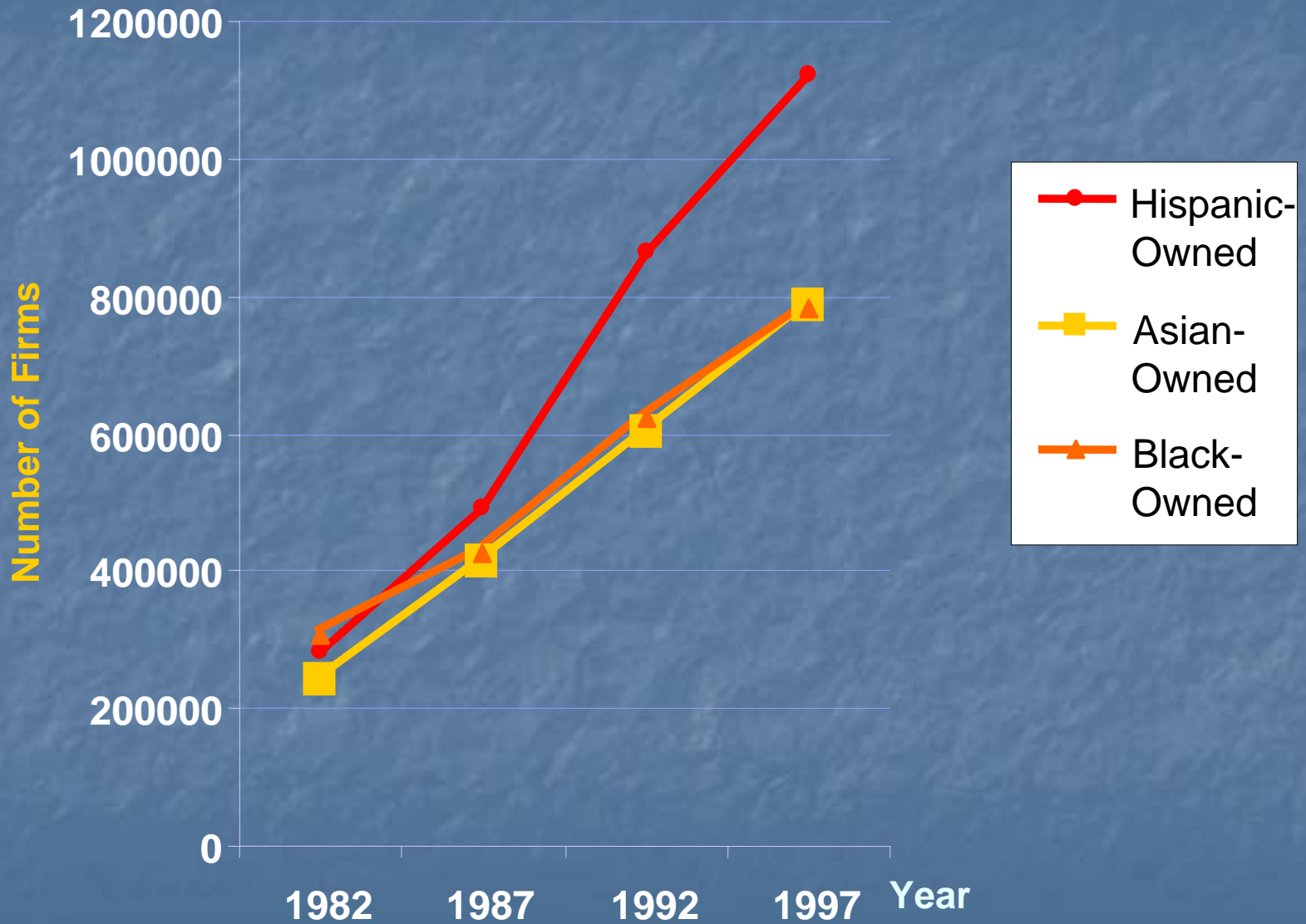
Source: The percent of the foreign-born population is based on data from U.S. Census Bureau, *Profile of General Demographic Characteristics, 2000*. Author's calculation of the percentage of self-employed foreign-born population is based on U.S. Census Bureau, Public Use Micro Statistics (PUMS), 2000.

Estimated Number of Immigrant Businesses by Race/Ethnicity

	Number	% of all firms	% of minority firms
Estimated Hispanic immigrant- owned	801,531	3.8	26.4
Estimated Asian immigrant- owned	816,185	3.9	26.9
Estimated Black immigrant- owned	97,173	0.5	3.2
Estimated nonminority immigrant-owned	1,031,408	4.9	33.9
Estimated total immigrant- owned	2,746,297	13.2	90.4

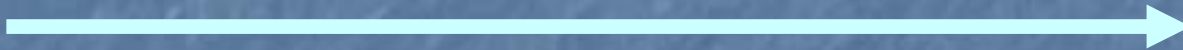
Source: Author's calculation based on SMOBE, 1997, and PUMS, 2000. Recall total U.S. firms = 20,821, 934 and total minority firms = 3,039,033.

Growth of Minority-Owned Businesses, 1982-1997



Challenges to Immigrant-Owned Businesses

- Some immigrant groups, as is the case for minorities, are underrepresented in the small business sector.



Business Representation by Ethnic/Racial Immigrant Status

	Population per business owner	Immigrant population per immigrant business owner
Immigrants	---	12.9
U.S.-born	12.5	---
White	11.0	8.8
Hispanic	17.8	16.0
Asian	12.6	10.9
Black	27.6	19.5

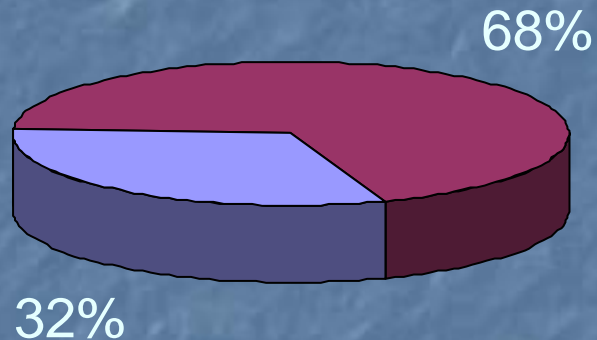
Source: Author's calculations based on PUMS, 2000.

Challenges to Immigrant Self-Employment

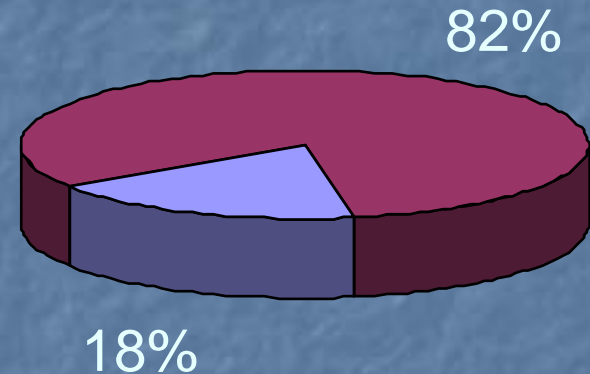
- Immigrants have more limited relationships with financial markets.
 - They tend to be more likely to lack capital and sufficient credit history to borrow from banks and financial institutions (Bates, 1996).
 - The majority of some immigrant groups (i.e., Hmong in MNP/St. Paul; Mexicans in Little Village, Chicago) leverage heavily on personal savings and do not even apply for a loan to start their business (Federal Reserve Bank of Chicago Neighborhood Surveys).

Relationship with Banks

Immigrant business owners



U.S.-born business owners

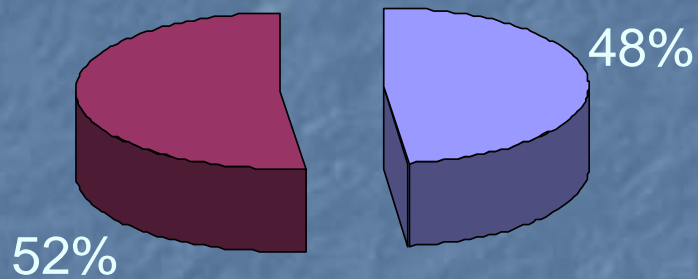


 Banked  Unbanked

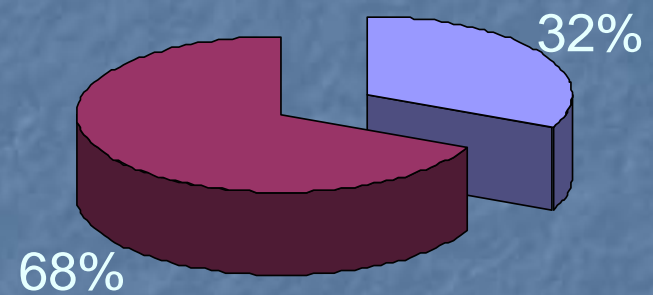
Relationship with Banks

Mexican and Asian

Mexican-born business owners



Asian-born business owners



Banked

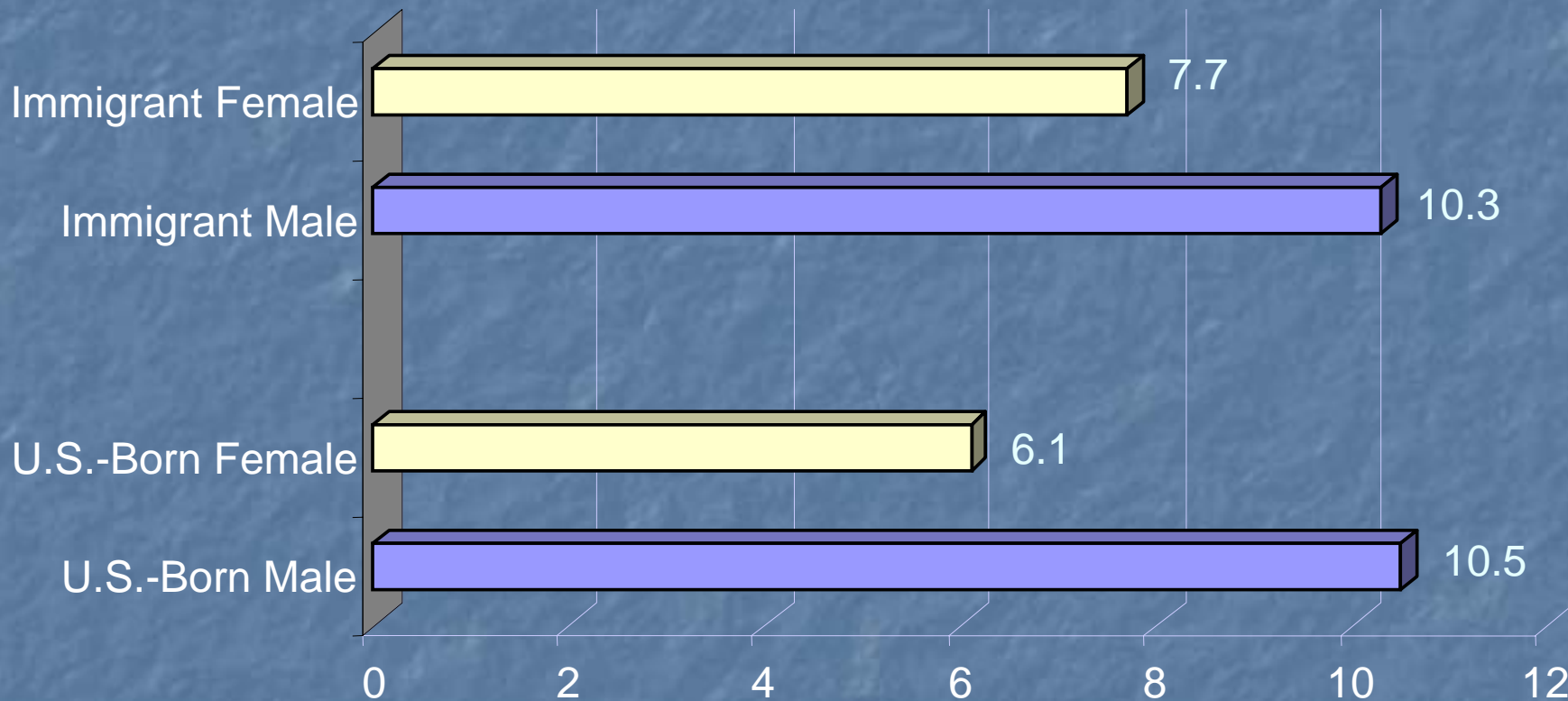


Unbanked

Characteristics of Immigrants

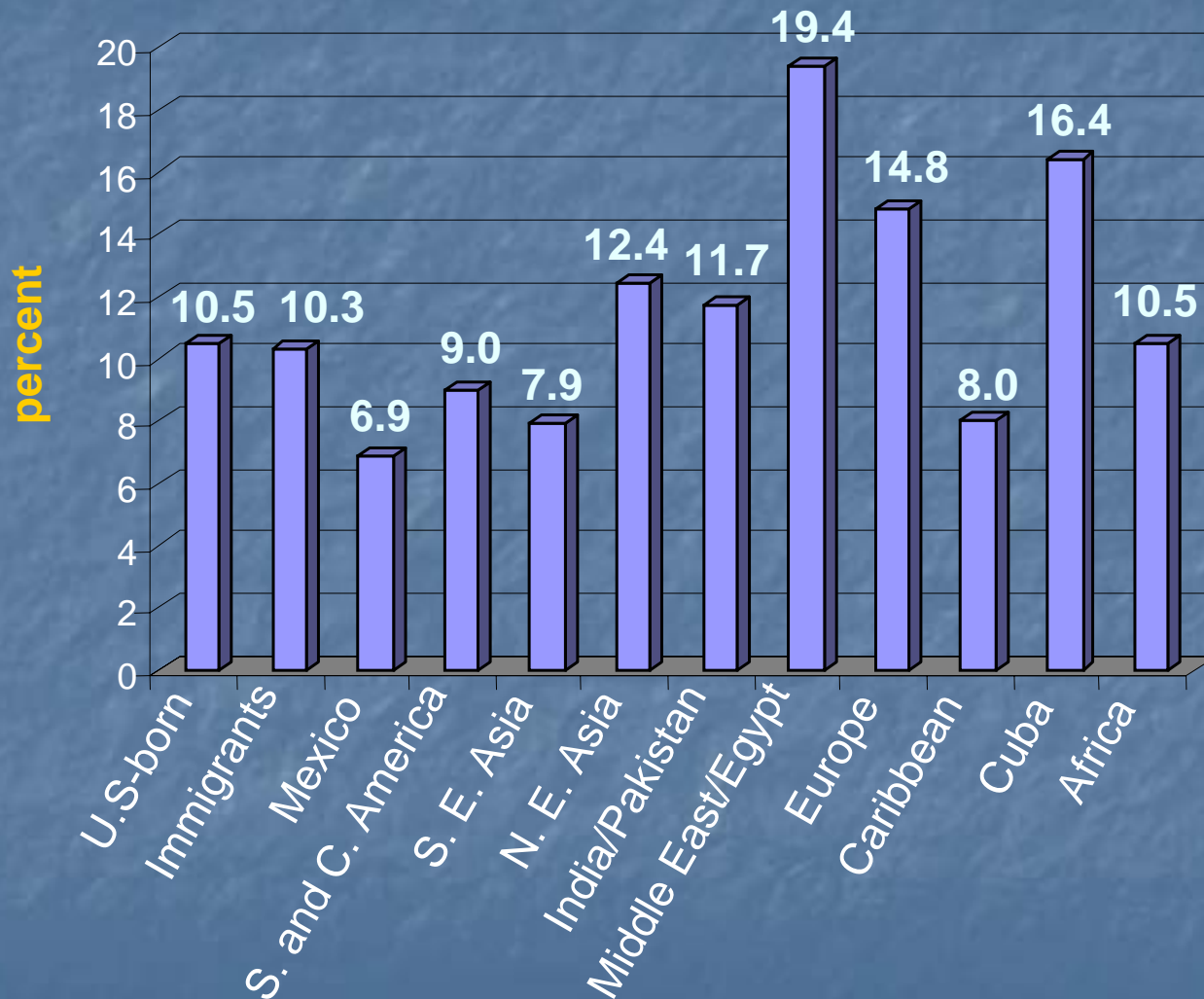
- Gender
- Country/Region of Origin
- Educational Attainment
- Language Proficiency
- Years Since Migration
- Ethnic Concentration

Self-Employment Rates by Immigrant Status and Gender



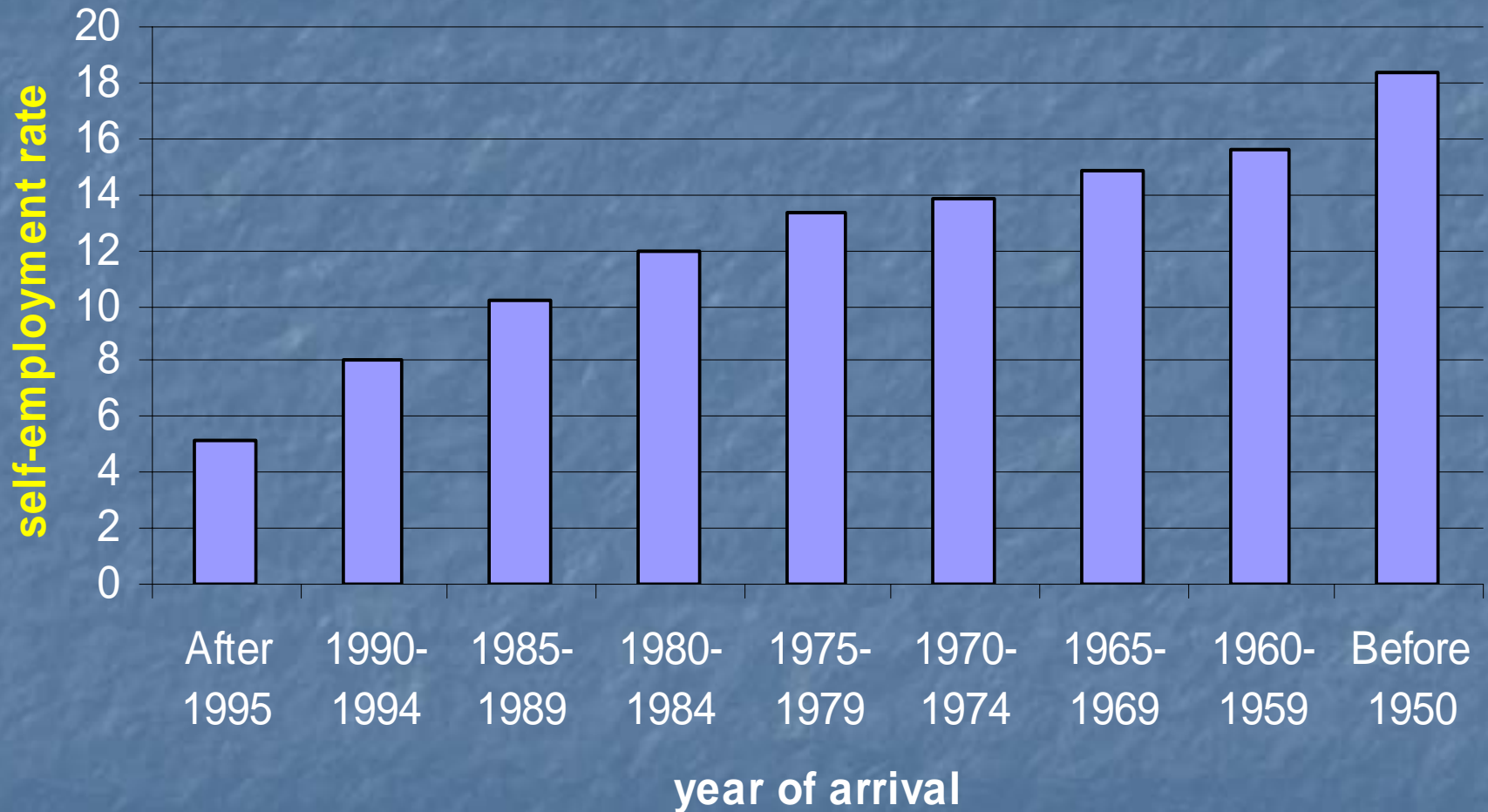
Source: 2000 PUMS. The population is defined as 18 to 64, with positive earnings, in labor force, residing in metropolitan areas.

Self-Employment Rates by Selected Region/Region of Origin



Source: 2000 PUMS. The population is defined as males, 18 to 64, with positive earnings, in labor force, residing in metropolitan areas.

Assimilation and Propensity for Self-Employment



Source: 2000 PUMS. The population defined as males, 18 to 64, with positive earnings, in labor force, residing in metropolitan areas.

Average Years Since Migration by Self-Employment Status and Region/Country of Origin



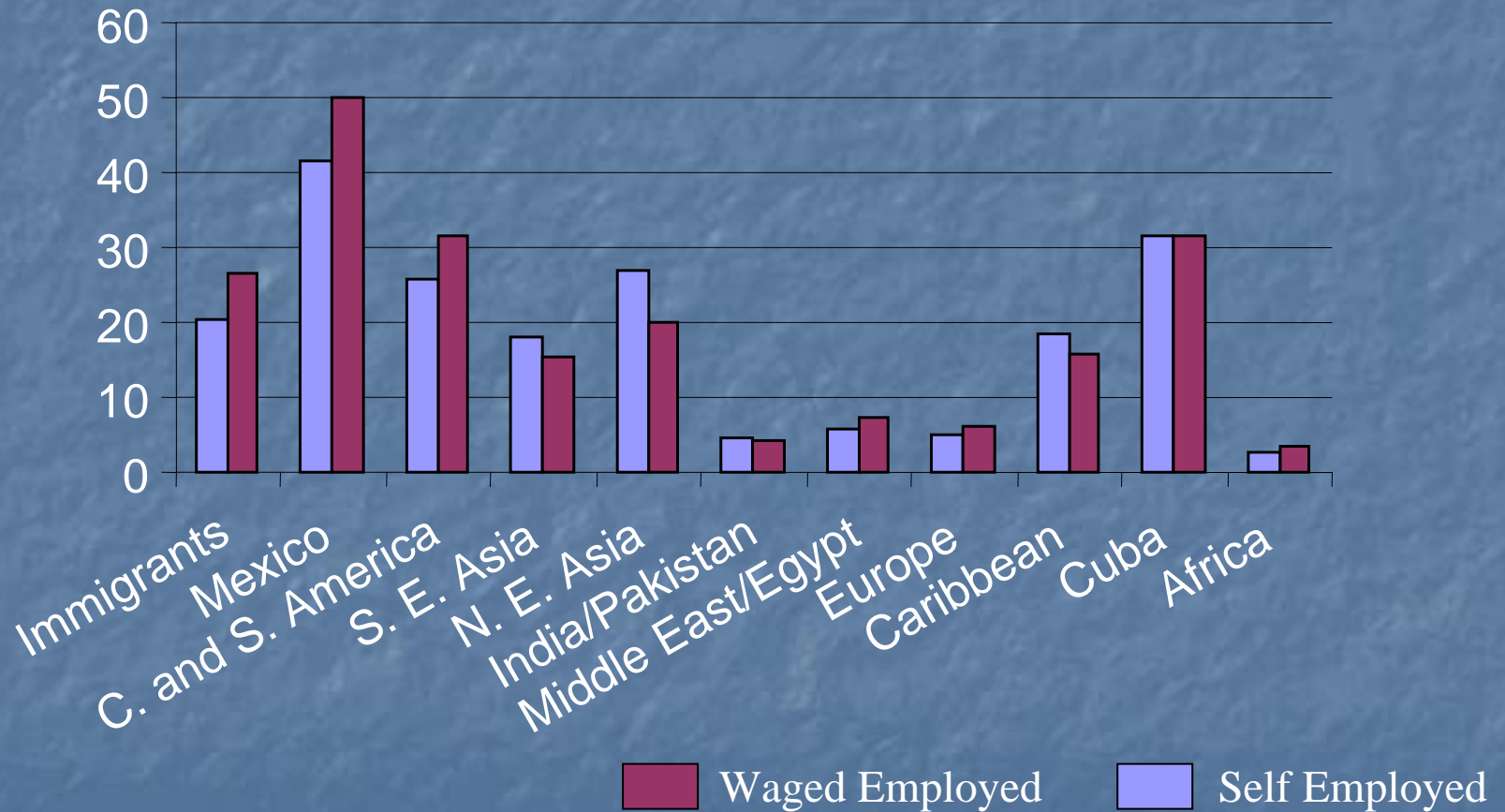
Source: PUMS, 2000. The population is defined as males 18 to 64, with positive earnings, in labor force, residing in metropolitan areas.

Average Years of Schooling by Self-Employment Status and Region/Country of Origin



Source: 2000 PUMS. The population here is defined as 18 to 64 males, with positive earnings, in labor force, residing in metropolitan areas.

Proportion of Immigrants with Limited English Proficiency by Self-Employment Status and Region/Country of Origin



Source: 2000 PUMS. The population here is defined as 18 to 64 males, with positive earnings, in labor force, residing in metropolitan areas.

Average Percent of Co-Ethnic in Metropolitan Areas by Self-Employment Status and Region/Country of Origin



Source: PUMS, 2000

Conclusions/Implications

- Immigrants play an important role in the creation of small businesses in the U.S.
- Implications:
 - Promote/continue initiatives that effectively encourage the development and growth of small businesses, particularly targeted to underrepresented groups (minorities, Hispanic and Black immigrants).

Conclusions/Implications

- Language (potentially cultural) barriers may hinder the ability of some among immigrant groups to go into businesses.
- Implications:
 - Promote/continue initiatives in educational/entrepreneurial trainings.
 - Design creative marketing strategies to reach immigrant markets.

Conclusions/Implications

- Ethnic concentration increases self-employment opportunities for immigrants.
- Implications:
 - Promote/continue initiatives to encourage growth of ethnic business enclaves.
 - Promote affordable housing in neighborhoods adjacent to concentrations of ethnic businesses.

Conclusions/Implications

- Conclusive national data is still needed to assess the variation in business financing behavior of immigrants, and gain a broader knowledge about issues of access to financing faced by immigrants.