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Known knowns and known unknowns of immigrant self-employment: Selected issues

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JOANNA NESTOROWICZ

Known Knowns and Known Unknowns of Immigrant Self-employment
selected issues
Known Knowns and Known Unknowns
of Immigrant Self-employment
selected issues

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Abstract
The paper presents a review of selected definitional issues, theoretical concepts and most recent empirical evidence related to the phenomenon of immigrant self-employment. Based on the appraisal of gathered material it also points to possible areas of development of future research in the field.

Streszczenie
Artykuł stanowi przegląd wybranych kwestii definicyjnych, konceptji teoretycznych oraz wyników badań empirycznych dotyczących fenomenu samożądudnienia imigrantów. W oparciu o zebrany materiał tekst wskazuje także na możliwe kierunki rozwoju badań w tym obszarze.

Keywords: migration, self-employment, ethnic entrepreneurship, middleman minority, ethnic enclave, literature review, state of the art.

JEL codes: B2, F22, J6

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1 Introduction

What is specific about self-employment as opposed to other forms of immigrants’ labor market participation? And further, how does self-employment performed by immigrants differ from self-employment performed by natives, or does it?

The history of entrepreneurship supposedly dates back to times of ancient traders and craftsmen. The research on the topic, though, is said to have been initiated by Cantillon’s observation that a number of people in the economy perform arbitrage - buy cheap and sell expensive. They bear the risks and uncertainties of the operation in exchange for potentially high profits. Thereby, the specificity of self-employment as a labor market strategy arises from its time-, effort- and risk-demanding character.

Migration is also a strategy associated with high costs and uncertainty of outcomes. It seems that the combination of the two, i.e. economic self-determination in an unknown environment, is inherently connected with even greater risks than either of the strategies alone. If it was so, than it would be chosen either by hyper-risk-seeking individuals or those under the conditions of highly bounded rationality. As we can assume, this is not always the case. As far as immigrants are concerned, self-employment may disentangle people from potential labor market rigidities and constraints on employment of foreign labor. Theoretical concepts developed specifically for the study of immigrant self-employment also recognize the advantages immigrants may have over natives when it comes to operating their own businesses.

When thinking about simultaneously pursuing the strategy of migration and self-employment, we may wonder if people firstly consider migration in general and only afterwards opt for self-employment in the host country, or is it that they know they want to be self-employed and only then decide whether it would be most profitable to do it at home or abroad? It is possible that the sequence of decision making varies across individuals. Regardless of which path they follow, though, we should expect that whatever theoretical and empirical considerations there are concerning migration, they should be adjusted and/or applied to immigrant self-employment as well. This notion should be kept in mind when considering theoretical developments in this specific area of research, especially when thinking about it from the perspective of migration studies (be it embedded in economics, sociology, demography, geography or any other). Of course an alternative way of thinking about immigrant self-employment is from the perspective of business studies (within the fields of economics, management etc.). But even then theory and evidence seem to point to the specificity of immigrant entrepreneurship as opposed to self-employment of natives. The only vagueness which may be found in the latter considerations is related to classifying immigrant entrepreneurship as a form of minority entrepreneurship. This idea encom-
Figure 1: Differences between native population and immigrant self-employment rates, in percentage points. Source: Own calculation based on ILO data.

passes analysis of businesses owned by any kind of minorities - delimited by features such as gender, ethnicity (including race or language) or citizenship. Clearly the term is far more broad than immigrant entrepreneurship and must not imply similar processes of becoming self-employed.

The scale of the immigrant entrepreneurship is hard to determine due to lack of adequate data. In spite of that, it’s complex nature may be depicted for example as differences between the self-employment rates of natives and immigrants in various countries. As it has been shown in Figure 1 (for more recent data see: Organization for Economic Cooperation and Development 2010b), depending on country specific factors, self-employment of immigrants may be much higher (as in the case of Hungary), much lower (as in the case of Greece) or perfectly comparable to the natives (as in Norway). The diverse conditions and circumstances, of personal, social and market nature, which are behind these outcomes are precisely what is the subject of both, theoretical and empirical, inquiries into the phenomenon of ethnic entrepreneurship.

The diversity of market structures and opportunities as well as consumer demand and preferences in distinct economies is hypothesized to be the notion based on which migrants are able to perform their successful arbitrage - one of the phenomena that does not apply to autochthon communities. This very same notion is also what pushes the research on immigrant self-employment towards international migration, as opposed to analyzing mobility inclusive of internal movements.
It seems that, despite the forces of globalization and market organization there is and, at least for some time, still will be “structural viability” of small-businesses in general (Kloosterman and Rath 2001) and, thus, also potential for immigrant ownership of these small businesses. Demand exerted by consumers employed in large-scale enterprises for group-specific, nearly tailor-made products and services in which it is hard to achieve economies of scale (child-care, house-cleaning etc.) is precisely where immigrant entrepreneurs often find their niche.

Due to the specificity of immigrant entrepreneurship, as outlined above, this paper will not be an overview of migration theories in general, nor will it summarize the theories of self-employment. It will focus only on those theoretical considerations, which were specifically designed for the analysis of immigrant entrepreneurship. A review of most recent empirical findings will serve the purpose of evaluating whether the considered theoretical approaches are helpful for framing empirical studies. The still unfilled gaps in the field will be assessed in conclusion.

1.1 Definitional issues

This section will primarily deal with various issues related to recognizing (self-employed) migrants among other types of mobile persons. Secondly, focus will be shifted to making a distinction between the terms self-employment and entrepreneurship, both of which are used in reference to immigrants and which - at least theoretically - have distinct connotations. In this context the concept of “ethnic” (as an alternative to “immigrant”) self-employment/entrepreneurship will be explored.

1.1.1 Who are (self-employed) migrants?

In an attempt to define who is a self-employed migrant we have to deal with the imprecision of two concepts - both of who is a migrant and who is self-employed. For purpose of clarity these considerations will not include mobility of other than economic character, they also will not deal with forced labor migration.

There are quite a few criteria which describe the conditions under which one can be classified as a migrant (self-employed) worker. It is possible to group them into three major dimensions (Górný and Kaczmarczyk 2003).

Space. The most straightforward criterion for identifying self-employed migrants is one applicable to migrants in general, namely the fact of moving from one place to another. This could be specified in physical terms (distance), temporal terms (time of travel), monetary terms (cost of travel) or
even institutional (cultural) terms (Eisenstadt 1953). Greater definitional robustness may be achieved when including the fact of crossing an international or regional (within country) border.

These criteria have been found insufficient for identifying migrants in general, though, not to even mention the more specific category of the self-employed (see: Table 1). The mere fact of changing a location does not provide information which would enable distinguishing migrants from e.g. tourists, pilgrims, refugees or other categories of mobile individuals who - even intuitively - we would not classify explicitly as migrants.

**Time.** Represented in a variety of aspects, time is the second crucial criterion which may be used for our identification purposes. The primary use of time may be related to the notion of space mentioned above namely, as time of travel, it could be used as approximation of distance. Secondly, it could be used in the form of frequency of travel in order to exclude such mobile persons as commuters, frontier workers, seasonal workers or such types of mobility as circulation. Thirdly, time may also be treated as time of stay in the host country. This criterion is often used in order to distinguish temporary from permanent migrants, what in turn may result in various categories of immigrants’ legal status.

**Activity.** The two dimensions discussed above are most often sufficient to identify an individual as a migrant, yet when it comes to more specific forms of mobility, such the one investigated in this paper, the specificity of immigrant’s activity at destination has to be incorporated as well. In most general terms migrants would be people who change their place of residence - be it a locality within one country (internal migrants) or the country (international migrants). This idea may seem similar to the spatial dimension of migration, yet it carries an additional peace of information, namely that a person not only moves form one place to another, but that he or she actually resides at a different place. The change of residence can be captured formally by register data, but also less formally by identifying the place of residence as one where an individual “normally spends the daily period of rest” (United Nations 1998). In terms of labor migration, what is crucial of course is also what one does apart from the fact of residing in a different location. Economic (labor) migrants would be thus defined as migrants, who at the destination engage in some form of remunerated economic activity. Because this activity need not to be pursued continuously and may involve periods of unemployment or intended inactivity on the host labor market, some definitions classify economic migrants based on the primary objective of mobility. In the case of economic migrants this objective could be specified as improving one’s quality of life or, simply, undertaking economic activity.

As we go deeper into distinguishing self-employed migrants from any
other economic (labor) migrants the notion of activity seems rather straightforward - we want to identify migrants who undertake self-employment as their primary form of labor market activity (or, alternatively, as their primary source of income). How self-employment is identified leaves place for further discussion. According to the International Organization for Migration (2004) self-employed migrant workers are those, who are “engaged in a remunerated activity otherwise than under a contract of employment”. The definition also identifies self-employed immigrants as those recognized as such by the legislation of the host country or international agreements (what reflects the adoption of this definition for the purpose of international regulations). Problems arise from both parts of this definition when it comes to undocumented employment. In order to refer solely to self-employed migrants the first part needs to relate to both formal and informal contracts. The second part, on the other hand, seems to narrow the definition solely to documented migrants and legally self-employed, as others (undocumented migrants or people working in the shadow economy) would most probably not be acknowledged by any state’s legislature. The notion of self-employment *per se* also carries multiple meanings, as it could just be a disguised form (subcontracting) of employment initiated either by the employer or employee (i.e. subcontracted self-employed person) for tax or employment flexibility reasons.

As far as international self-employed migrants are concerned, the categories mentioned above are easier to specify. International migration requires the crossing of an international border, what decreases the ambiguities of the space dimension. Time (length of stay) is also not that much of a concern as running one’s own business, by nature, is a rather long-term strategy due to the initial sunk costs, thus confusion with circulation or other short-term forms of mobility is rather negligible. The dimension of migrant activity in the host country does involve a number of ambiguities related to the identification of self-employment as such, which should be resolved within the scope of specific analysis.

### 1.1.2 Self-employment or entrepreneurship?

Immigrant or ethnic?

On a more abstract level, the phenomenon of self-employed migrants relates to the notions of immigrant self-employment, immigrant entrepreneurship or ethnic business. Each of these concepts has been used in a variety of meanings and has been compared and contrasted with the others.

Most often the main deliberation is whether we should speak of immigrant *self-employment* or maybe rather immigrant *entrepreneurship*. En-
Table 1: Selected definitions related to labor migrants

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>economic migrant</td>
<td>a person leaving his/her habitual place of residence to settle outside his/her country of origin in order to improve his/her quality of life. This term may be used to distinguish from refugees fleeing persecution, and is also used to refer to persons attempting to enter a country without legal permission and/or by using asylum procedures without bona fide cause. It also applies to persons settling outside their country of origin for the duration of an agricultural season, appropriately called seasonal workers (IOM 2004)</td>
</tr>
<tr>
<td>international migrant</td>
<td>any person who changes his or her country of usual residence (UN 1998)</td>
</tr>
<tr>
<td>migrant for employment</td>
<td>a person who migrates from one country to another with a view to being employed otherwise than on his own account and includes any person regularly admitted as a migrant for employment (ILO 1949)</td>
</tr>
<tr>
<td>migrant worker</td>
<td>a person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national (IOM 2004)</td>
</tr>
<tr>
<td>self-employed (migrant) worker</td>
<td>a migrant worker who is engaged in a remunerated activity otherwise than under a contract of employment and who earns his or her living through this activity normally working alone or together with members of his or her family, or any other migrant worker recognized as self-employed by applicable legislation of the State of employment or bilateral or multilateral agreements (IOM 2004)</td>
</tr>
</tbody>
</table>

entrepreneurship, being a rather conceptual, than statistical or legal term does not appear in official documents and definitions as the ones referring to self-employed migrants mentioned above. Ideologically, though, Parker (2006) in his summary of the early considerations of entrepreneurship mentions five alternative perspectives of how it can be viewed: 1) the entrepreneur as the one performing arbitrage and bearing the risk of uncertainty, 2) the entrepreneur as the coordinator of how factors of production are being utilized, 3) the entrepreneur as an innovator, 4) a leader or 5) an individual characterized by specific personal and psychological traits.

The first of the above-mentioned conceptualizations is said to have been used by Cantillon in his pioneering “Essai sur la nature du commerce en général”. In his essay Cantillon recognized that individuals can to buy something relatively cheap in one place and expect to sell at a higher, yet uncertain, price somewhere else. Bearing this uncertainty was what is primarily considered immanent to entrepreneurship till now.

The second approach to entrepreneurship can be found among such authors as Say, Hébert and Casson (Parker 2006), who consider the entrepreneur as a person who coordinates factors of production. According to this approach the entrepreneur is the one who decides upon the extent to which specific factors of production are utilized and how they are rewarded. His/her remuneration is supposed to be the residual of the profits he/she generates. The abilities and personal traits required to make such decisions are said to be relatively scarce, thus implying high profits. Within this type of understanding it is possible to treat entrepreneurs as “intra-preneurs” - employees of large companies, who make strategic decisions within the company (see also: Wennekers and Thurik 1999).

The third understanding of the role and activity of entrepreneurs is that of Schumpeter, who perceived the entrepreneur as an innovator. Innovation can be understood in a variety of senses: 1) changing or introducing new products, 2) changing or creating a new method of production, 3) changing or creating the market for certain goods or services, 4) capturing a new source of supply or 5) organizing the industry in a new way (Parker 2006).

From a managerial point of view arises Parker’s fourth understanding of the entrepreneur as a leader and a motivator. Such a person takes risks, solves crises, works with his subordinates and through that mechanism brings changes to production processes.

Lastly the psychologists’ standing is that, the underlying personal traits of an entrepreneur are specifically what makes him/her distinct from persons pursuing other forms of labor market activity (Parker 2006).

In contrast to entrepreneurship, self-employment tends to be clearly, yet differently, defined depending on the institution and purpose of classification.
Table 2: Selected formal definitions of self-employed persons

<table>
<thead>
<tr>
<th>Organization</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>United States Internal Revenue Service</td>
<td>persons who carry on a trade or business as a sole proprietor; or are members of a partnership or limited liability company that files a Form 1065, U.S. Return of Partnership, that carries on a trade or business; also persons who have a part-time business, in addition to a regular job.</td>
</tr>
<tr>
<td>Organization for Economic Cooperation and Development citing the European Union Labour Force Survey</td>
<td>persons who are the sole owners, or joint owners, of the unincorporated enterprises in which they work, excluding those unincorporated enterprises that are classified as quasi-corporations. Self-employed persons are classified as such if they are not also in a paid employment which constitutes their principal activity [...]. Self-employed persons also include the following categories: unpaid family workers, outworkers and workers engaged in production undertaken entirely for their own final consumption or own capital formation, either individually or collectively.</td>
</tr>
<tr>
<td>International Labor Organization</td>
<td>Self-employment jobs are those jobs where the remuneration is directly dependent upon the profits (or the potential for profits) derived from the goods and services produced (where own consumption is considered to be part of profits). The incumbents make the operational decisions affecting the enterprise, or delegate such decisions while retaining responsibility for the welfare of the enterprise. (In this context “enterprise” includes one-person operations.)</td>
</tr>
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In the case of some of the definitions mentioned in Table 2 it is possible to include employers-owners of businesses into the definition of self-employed persons. Whether this should be done or not depends on the specificity of the research objective. Pedrisini and Coletto (2010) suggest that activities of the self-employed may overlap with both those of employees (in the case of free-lance subcontractors for other companies) or employers (in case of not only being an “own-account worker” but also hiring employees on a regular basis).

The debate recalled above could be summarized by saying that self-employment is a very technical term referring to people who perform economic activity, normally working on their own account, with the possibility of hiring additional workers. This “definition” does not necessarily entail the idea of one being an entrepreneur. In the form of self-employment one could be performing very safe, stable and risk-neutral activities, contrary to what would be expected form an “entrepreneur”. On the other hand someone wage-employed could be taking severe risks under his or her contract of employment at the same time being expected coordinate the utilization of factors of production and deliver innovative solutions (individuals with such profiles may be referred to as *intrapreneurs*: Wennekers and Thurik (1999), Honig (2001)). In seminal analysis of migrant self-employment the two terms have been used interchangeably (e.g. Light and Bonacich 1988, Waldinger, Aldrich and Ward 1990, Portes 1995, Rath 2000b, Kloosterman and Rath 2003). This is especially visible in empirical studies, in which - due to lack of other (e.g. performance) measures - self-employment (as a statistical category of market participation) has been taken as a measure of the level of entrepreneurship among the studied populations. Yet of course if one wants to transfer the weight of analysis to entrepreneurship rather than immigration, the two terms should be used cautiously (Bjuggren, Johansson and Stenkula 2010).

Having elaborated on the conceptual and practical uses of the terms self-employment and entrepreneurship let us now turn to the debate on whether we should be considering immigrant or ethnic self-employment/entrepreneurship? Waldinger et al. (1990) in their seminal work on ethnic entrepreneurs state that

what is “ethnic” about “ethnic business” may be no more than a set of connections and regular patterns of interaction among people sharing common national background or migration experiences (Waldinger et al. 1990, p.33).

They further argue that what is crucial to understand the concept of ethnicity are the social structures thanks to which individuals self-identify themselves with a particular ethnic group. These structures, consisting of socially, spatially and economically interrelated kinship and friendship networks, may develop in a multitude of directions, what in turn leads the
authors to a conclusion that the creation of ethnicity *per se* is only a possible (but not necessary) outcome. What they also imply is that resources for ethnic entrepreneurs may be mobilized within established ethnic communities and networks without clear ethnic group awareness. Rath (2000b) has noticed the tautology of this pattern of thinking, recognizing that resources can not be obtained from *ethnic* communities prior to when the sense of group awareness develops, as for those communities to be labeled (in any sense) “ethnic” they must already feature some distinctive characteristics which the group members are aware of. What is also confounding in the work of Waldinger et al. (1990) is the notion they claim to be central to their approach, namely that

ethnicity is acquired when the social connections among ethnic group members help establish distinct occupational, industrial, or spatial concentrations (Waldinger et al. 1990, p.34).

This formulation, not being free from the tautological character mentioned above, also adds to the definition of “ethnicity” the idea of some kind of concentration.

Would thus an entrepreneur who does not relay on the resources obtained by utilizing structures present among a given minority or who would not fall into any of the typical concentration patterns be defined as an ethnic entrepreneur? Reviewing previous contributions in the field of immigrant entrepreneurship Rath (2000b) suggests that

The initial research tended to focus exclusively on immigrant *ethnic* minorities, thereby implying that some ethnic minorities display a greater proclivity for self-employment because of their (allegedly) specific cultural heritage. (Rath 2000b, p. 3)

As Rath further notes, when *immigrants* as such are focus of study, the explanatory power of entrepreneurial behavior is shifted from cultural issues to structural limitations of participating in the mainstream economy.

These “definitions” suggest that the discussed terms should be distinguished based on the thematic scope of a specific study, rather than on the inherent meaning they carry.

Prior to these sublime conceptual and interpretative debates Light and Bonacich (1988) have proposed a clear differentiation between the two

*Immigrant entrepreneurship* means self-employment within the immigrant group at a rate much in excess of the general rate.

*Ethnic entrepreneurship* denotes ethnic minority specialization in self-employment without, however, imposing the requirement of foreign-born origin (Light and Bonacich 1988, p. 18).
What is noteworthy in the definitions quoted above is that Light and Bonacich (1988) use the notion of “excess” (over-proportional?) rates of self-employment represented by an immigrant population to define immigrant entrepreneurship. As it will be shown in one of the following sections, this is not the case for all immigrant communities and differs from context to context.

The approach to ethnic entrepreneurship presented by Light and Bonacich (1988) also encompasses the idea of an activity carried out by an (ethnic) minority population. This notion has been employed in studies related to minority entrepreneurs identified by a variety of categories such as cultural heritage, nationality, citizenship or race - what also calls for caution when assessing studies which employ this term, e.g.:


A similar approach has been adopted by Levie (2007) who distinguishes ethnic minority entrepreneurs from the ethnic majority. The distinction is being made based on commonly acknowledged or culturally distinctive categories with which individuals - members of the minority - identify themselves.

These categories have labels that may refer to ancestral, rather than personal, geographical origin (e.g. Asian) or skin color (e.g. Black) or both (e.g. Black Caribbean). In the UK, the commonly accepted ethnic majority, and the label used in UK ethnic minority studies, is White (Levie 2007).

A similar differentiation has been made in the U.S. context by Auster and Aldrich (1984). They consider the relation of small business ownership and ethnicity mainly with concern for the Asians and Blacks - regardless of nationality, citizenship etc.

In this melting pot of conceptualizations of immigrant and/or ethnic entrepreneurship (self-employment) as referred to above, we may also find voices which advocate caution in subsequent definitional proposals. This should be especially relevant considering the risk of categorizing individuals based on criteria which either fit solely our view of the world or which are deliberately chosen to support a given hypothesis, but which are merely labels, not having much to do with the actual specificity of groups or processes they describe. Panayiotopoulos (2006) represents this view by pointing
out that ethnicity should not be seen as an inherent property of immigrants. He claims that the ethnicity of an immigrant population is a “notion in the making”. Especially when one takes into consideration the potential racial distinctiveness or marginalization of certain minority groups by the majority of the population. Under the changed circumstances (as compared to the home country - where one with all his/her patterns of behavior and physical appearance is considered the majority rather than the minority) the concept of ethnicity gains a new meaning.

This idea may be worth appraising in times when subsequent generations of immigrants, which, what could be argued, remain within the “ethnic” structures (either by means of self-identification or by how they are recognized by the majority) but have not had personal migration experiences (for a discussion on the formation of new ethnic minorities and their place in societies see also: Castles and Miller 2009, ch. 9).

While the terms *ethnic self-employment* or *ethnic entrepreneurship* point to the individual - be it the self-employed or the entrepreneur, the term *ethnic business* may connote a very different idea. Namely that it is not the person performing entrepreneurial activities that we are referring to, but rather the activity itself. Thus a question arises whether a business run by an autochthon, but serving either an ethnic or immigrant community or selling ethnic products to a wider population can be considered an *ethnic business*?

In their book Jomo and Folk (2003) focus on the “ethnic Chinese” and their involvement in all scales of business activity in Southeast Asia - from small family operations to large enterprises. Ward and Jenkins (1984) also refer to ethnic *businesses* rather than *entrepreneurship* or *self-employment*. Here, similarly to the idea behind the contributions edited by Jomo and Folk (2003), the focus of research shifts from the person - the ethnic/immigrant entrepreneur to the organizational aspects of the enterprise itself. In their theoretical insights provided within the above mentioned publication, Auster and Aldrich (1984) focus on ethnic businesses in the context of their vulnerability in the structure of the world system, national economy as well as a specific within-country industry.

Despite the above attempt of structuring and identifying the diverse uses of various terms related to immigrant self-employment, it should be noted that for the purpose of specific research topics the denotations of these terms may not reflect what has been concluded in Table 3 above. As economies and migration patterns among them develop and as countries change their industrial and social structures, there will be constant need to redefine the concepts of immigration, ethnicity or entrepreneurship. This need appears to be natural and, despite alerts referred to also in this section, should be satisfied by allowing scholars to assign meanings to these terms on a “research-by-research” basis. We may be talking about exactly the same concept using
<table>
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<th></th>
<th>self-employment</th>
<th>entrepreneurship</th>
<th>business</th>
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<tbody>
<tr>
<td><strong>immigrant</strong></td>
<td>Most limited, yet most clear term. Allows straightforward identification of both immigrants and the self-employed, thus often used in quantitative empirical research.</td>
<td>Requires specification of entrepreneurship, yet may refer rather to an attitude than simply a labor market state.</td>
<td>Used in analysis of intra- and intercompany relations and organizational structures rather than individual behavior and decision-making patterns of spatially mobile people.</td>
</tr>
<tr>
<td><strong>ethnic</strong></td>
<td>Enables extending the analysis of self-employment to people who do not necessarily have any migration history, but who nevertheless constitute a distinct sub-population, implicitly suggests a group context.</td>
<td>Can be used in order to shift the weight of explanatory value to differences in behavioral patterns between groups which feature specific cultural characteristics.</td>
<td>Allows for the analysis of business organization and industrial and market structures in relation to how they are run and exploited by diverse sub-populations.</td>
</tr>
<tr>
<td><strong>minority</strong></td>
<td>Broadens (thus also adds vagueness) the subject of inquiry to people who do not represent the majority population within the society (e.g. sub-populations minority ethnic groups) or labor force (e.g. women).</td>
<td>Approaches the field from the perspective of differences in proactivity and performance presented by sub-populations which for given reasons have limited access to certain occupations or the labor market in general.</td>
<td>Focuses on the eventual placement and organization of enterprises run by people representing groups excluded from the mainstream economy and/or labor market.</td>
</tr>
</tbody>
</table>

*Source: Author’s own elaboration.*
different words or the opposite may just as well be the case. What should
kept in mind though, is that - under the circumstances of authors’ liberty in
providing various conceptualiations - the interpretation of results should be
derived with respect to the actual phenomena that underlie of the concepts
in question.

2 The Known Knowns - Theory

This section will elaborate on the postulates, theoretical frameworks and
models developed within the analyzed research domain. The review will be
carried out on a chronological basis, trying to follow the development of
thought on immigrant entrepreneurship over time.

The following paragraphs will cover descriptive concepts developed within
the field of e.g. sociology, as well as formal theoretical models of immigrant
self-employment dominant in economic approaches.

For purpose of clarity and precision this section will not think back on
theories of migration in general, though these should be considered highly
relevant when looking into why and on what conditions could people have
migrated in the first place.

2.1 The middleman minority theory

Bonacich (1973) introduced the concept of middleman minorities as applied
to immigrant communities and their position in the economic and social
structures of receiving societies. The specificity of the role they play was
explicitly stated in the term by which they are described - they are com-
munities “in the middle”, necessary intermediaries between market actors
(agents, money lenders, rent collectors, brokers etc.) but they are also in
between the extreme social classes of the elite and the masses.

The key characteristic of middleman minorities is said to be the fact that
they are, at least initially, sojourners who do not plan to settle permanently
in the destination country. This is not a sufficient condition to constitute
a middleman minority, yet it is said to be a necessary one in the proposed
setup. The reason for putting so much emphasis on the temporariness of im-
migrants’ stay is that this situation results in specific socioeconomic behavior
which is specific for middleman minorities.

One of the behavioral patterns arising from the nature of being a so-
journer is strong orientation towards the future and, consequently, being
willing to make significant sacrifices in terms of social status and individual
well-being in exchange for greater returns in the future.

The temporariness also strongly affects the types of business activities
undertaken by middleman minorities, as by the nature of their stay they
aim at possibly highest return and possibility to go back to the country of
origin at their earliest convenience. Thus involvement in occupations such
as e.g. trade, where the trader does not have to formally possess property rights to the goods he trades. In most general sense the businesses specific for middleman minorities are those which do not tie up significant capital, are easily transferable and liquidated. These could also include independent professions such as barber, shoemaker, tailor, goldsmith etc.

Due to the vision of more or less prompt return, middleman minorities also maintain high intra-group solidarity and choose not to integrate with the host society. These close ethnic ties are also what enables the minority to gain an edge in business operations by means of self-exploitation - based on mutual trust, within-group hiring and business partnerships. Middleman minority entrepreneurs may either “hire” their family members in the business or count on low-cost co-ethnic to work for them in exchange for possible upward mobility, training opportunities or support in setting up one’s own business in the future. The ethnic solidarity also serves the initial business set-up process by providing such resources as capital or information. Close ethnic ties also help to control internal competition by means of formal and informal guild-like institutions.

Thanks to the internal solidarity and organization, thrift and access to low-cost co-ethnic labor force middleman minorities are able to compete with native businesses successfully enough to generate heavy concentrations of ethnic enterprises in certain middleman-specific industries or occupations, what may further lead to ethnic domination of these markets.

Concluding her remarks on the role of sojourning in the development of middleman minorities Bonacich (1973) seeks the explanation of why some groups of temporary immigrants undertake self-employment activities while others don’t, in the cultural origin of different ethnic groups.

A second perspective of looking at middleman minorities is considering them from the receiving society’s point of view. Here Bonacich (1973) explores the reasons behind the hostility of the host society, which seems to be the predominant reaction to the creation of middleman minorities.

She recognizes three platforms of conflict between the minority and the host society in terms of economic matters:

- Conflict with clientele: the receiving society may be averse to paying presumably high prices to “outsiders” for basic goods; the notion of being a distinctive minority, which is not willing to integrate and just exploits the market seems to escalate the regular opposing interest of buyers and sellers to buy cheap and sell high.

- Conflict with businesses: this seems more than obvious, that immigrants who monopolize certain markets and thanks to accessible, cheap (or family) labor force (willing to undergo significant sacrifices for sake of solidarity and future benefits) and with a strong orientation towards returning home will be perceived as serious competition.
Conflict with labor: by developing labor relations based on ethnic rather than market principles, middleman entrepreneurs introduce a new relationship between the employers and employees - one which form the perspective of native labor may be below the established standards, but towards which native entrepreneurs-employers may wish to move.

Thus form the perspective of the host society, the temporariness of stay of middleman minorities turns into recognized unassimilability. The two main accusations within this pattern of behavior are that 1) middleman minorities are disloyal to the countries in which they reside (unwillingness to naturalize, sending home remittances etc.) and that 2) middleman minorities drain the host economies from resources (here again - by means of limiting within-country spending and sending home remittances, collaborating with other ethnic business rather than with domestic companies etc.).

As Bonacich (1973) points out, the hostility toward middleman minorities may just be the fact which further reinforces the segregation, ethnic solidarity, love of homeland, increase of occupation and industrial concentration due to policies which restrict access to other segments of the market.

As it is finally pointed out, middleman minorities may not necessarily want to eventually go back home, though. On one hand this maybe due to relative lack of opportunities in the home country. Success in business may become an “addiction” one will not easily give up, even for the possibility of “going home”. If middleman entrepreneurs do decide to stay in the host country they may either 1) decide to integrate with the host society and economy or 2) remain a permanent temporary immigrant, wishing to go home, maintaining ties with the home country, but actually never pursuing the strategy of return. The latter strategy may be classified as that of potential wanderers, who leave their options of settling and returning constantly open.

Having said all of the above, Bonacich (1973) summarizes that

Middleman minorities are strangers. They keep themselves apart from the societies in which they dwell engage in liquidable occupations, are thrifty and organized economically. hence, they come into conflict with the surrounding society yet are bound to it by economic success (Bonacich 1973, p. 593; see Figure 2).

Wong (1985) is among one of those who criticize the middleman minority theory and it’s enthusiasts. He makes his case by pointing out lack of explanation of what happens in case a society makes a transition from a triadic to a dyadic configuration (such as in the Southeast Asian countries after decolonization) or in case of multiethnic societies (such as in the United States),
where, depending on the perspective, the function of a middleman minority can be attributed to various groups depending on the circumstances. He neglects the idea of “once a middleman minority, always a middleman minority”, which according to him stems from the original concept (Bonacich 1973). He also accuses theorists using the middleman minority concept of ecological fallacies resulting from looking at certain subgroups of ethnic minorities (he specifically refers to the Japanese and Chinese in the United States) and eventually classifying all of them into one category. He makes a similar case when it comes to second or third generation Chinese or Japanese living in the U.S., who are said to be still classified as a middleman minorities, despite the fact that they do not fulfill the socioeconomic function of a middleman minority nor do they represent its preliminary feature of being a sojourning community. The critique also leads to pointing that the linkage between the temporariness of stay and occupational preferences is not necessarily the link that is in place in case of the Japanese and Chinese communities in the U.S. In his discussion he rather goes in the direction of the discrimination hypothesis, stating that

What is overlooked in attempting to depict Chinese and Japanese Americans as middleman minorities in anti-Asiatic racism - rather than sojourning - as the factor that largely determined the occu-
pational direction of those groups.

We will return to the discrimination hypothesis in one of the following subsections of this paper.

2.2 The enclave economy hypothesis

Further debates in the field have concerned not only the notion of immigrant/ethnic self-employment/entrepreneurship or the migrant entrepreneur (self-employed) himself/herself, but also a more broad setting in which he/she operates. Here we come across such notions as the ethnic economy or the ethnic enclave economy. The discussion of the enclave economy will encompass definitional, theoretical as well as empirical aspects as they were subsequently developed and refined over time.

The discussion concerning the true denotation of these terms dates back to the 80's when Wilson and Portes (1980) claimed that there exists a third alternative to the postulated primary and secondary labor markets (see: Doeringer and Piore 1971, Piore 1979). By analyzing the incorporation of Cuban immigrants into the American labor market they found a significant difference between migrants who worked in the peripheral economy (companies in sectors with relatively low average wages, relatively small average employment and without internal promotional ladders) and those who worked for Cuban entrepreneurs. Cubans working for Cuban employers (what was the identification of functioning within an enclave economy) were found to experience significant returns to their human capital, similarly to workers within the primary labor market. In the “open” secondary labor market such returns were said to have been absent because immigrants did not have an opportunity (or need) to take advantage of their culture-specific human capital. From the immigrant entrepreneurs’ point of view, hiring labor from within the same immigrant community resulted in opportunities for expansion due to privileged access to markets and labor or immigrant solidarity and obligation of reciprocity (Wilson and Portes 1980). The two conditions which were said to have been necessary for the development of immigrant enclaves were: 1) access to sufficient start-up capital (either through immigrant linkages or by connections with the home country) and entrepreneurial skills among some people belonging to the immigrant population and 2) the renewal of the labor force within the enclave through immigration.

A subsequent study by Wilson and Martin (1982) approached the notion of enclave economies from a comparative perspective and analyzed the structures and interdependencies between industries with the Cuban and black enclaves in Miami. They followed on the previously mentioned work by defining enclave economies as "self-enclosed inner-city minority commu-
nities" (Wilson and Martin 1982, p. 135). They managed to further specify what contributes to the success of enclave economies, namely their collective vertical and horizontal integration, what possibly leads to significant additional spending within the economy once an initial demand is injected. This has been found to be the case in the Cuban community. The black community’s economy, on the other hand, was found no different in its characteristics than the periphery economy - with many small, unconnected enterprises. In their work Wilson and Martin almost interchangeably use the terms enclave economy and ethnic enclave.

Auster and Aldrich (1984) refer to the concept of ethnic enclaves when writing about the ethnic enterprise. They note that the structures of immigrant communities and the way how they can be utilized to mobilize resources needed for setting up a business are the principal features of immigrant entrepreneurship. On one hand they mention the advantages of operating a business in an enclave, which is actually also a spatial enclave - where the entrepreneurs can, better than mainstream businessmen, respond to the local customers’ ethnic tastes. On the other hand, though, they mention that enclaves actually do not denote a place, but rather “networks of communal solidarity” (Auster and Aldrich 1984, p. 53), which can be spread across distant areas. This communal solidarity, as it is claimed, could increase survival rates of immigrant businesses by providing support and stability in the form of preferential loans, business sites, supplies etc. This relaxation of the spatial concentration seems to be inconsistent with the primary conceptualization of term, as proposed by Wilson and Portes (1980).

Sanders and Nee (1987) challenge the enclave economy hypothesis as proposed by Wilson and Portes (1980), the central proposition of which was that enclave economies provide advantageous conditions for ethnic entrepreneurial start-ups and survival as well as that they allow immigrant workers to gain return to they human capital comparable to what they could have gained in the (inaccessible) primary labor market. Sanders and Nee claim that, indeed, functioning within an enclave economy may be beneficial for immigrant entrepreneurs, but that it is not necessarily the case for their co-ethnic employees. In this discussion, similarly to Wilson and Martin (1982), they employ the use of the term ethnic enclave seemingly interchangeably with the term enclave economy. They propose that the ecological hypothesis of the assimilation school better explains the reasons why immigrants may engage in employment in the ethnic enclave rather than on the open market, thus rejecting the idea of the ethnic enclave hypothesis that there may be no cost to segregation. Their primary critique refers to the empirical evidence for the enclave economy earnings advantage, namely that for proof of the hypothesis both ethnic employers and ethnic employees are pooled together to form the population of “workers” in the enclave economy. Sec-
ondly, Sanders and Nee (1987) rise concern about the comparison of the returns of enclave Cuban workers only to Cuban immigrants (persons with migration experience - first generation immigrants) who work in the open economy. This could be censoring the actual returns of Cubans working in the open economy, as it may be rather the second generation of immigrants who significantly integrate within the labor market. By adopting a different methodology and data source Sanders and Nee also examine the Cuban population of Miami and Hialeah and the Chinese enclave in San Francisco. Concluding they propose a revision of the ethnic enclave hypothesis

While immigrant-minority workers in the open economy tend to receive higher returns to human capital than immigrant-minority workers in an ethnic-enclave economy, immigrant-minority entrepreneurs in an ethnic-enclave economy tend to gain returns to human capital similar to immigrant-minority entrepreneurs in the open economy (Sanders and Nee 1987, pp. 762-763).

Based on the above stated hypothesis Sander and Nee also note the internal competition and low-profit margins within the enclave economy, all in all concluding with two remarks conforming rather to the assimilation theory, namely that 1) immigrants’ socioeconomic achievement is negatively related to their spatial concentration in ethnic enclaves and that 2) immigrants’ socioeconomic achievement is positively related to their level of assimilation.

In the mean time Jiobu (1988) introduces the concept of ethnic hegemony which denotes

a situation in which an ethnic group achieves economic control over an important economic arena that interfaces with the majority (Jiobu 1988).

In order for an ethnic hegemony to develop, a number of conditions must be met, though: 1) there must be a internal, sheltered labor market, 2) the role of a middleman minority has to be exploited, 3) the market must face ethnic saturation (there must be an occupation or labor market in which the minority is represented in disproportionately large numbers, 4) the possibility of exerting ethnic economic control must exist (co-ethnics who are in the position of making strategic decisions, what can happen e.g. in the case of vertical integration of ethnic companies and 5) the minority must provide a product or service which is demanded by the majority in order to enforce contact, i.e. form an economic interface. Jiobu shows how his model works using the example of the Japanese ethnic group in California. He contrasts his concept with the idea of enclave economies. He finds three main differences: 1) the postulate of the existence of an enclave as such (the Japanese ethnic hegemony heavily relied on widely spread farmers), 2) the feature
that an enclave allows returns to acquired human capital (as many of the Japanese were overeducated and even acquired additional human capital despite the fact they knew they would not take advantage of their education in their jobs) and 3) the necessity of renewing the ethnic labor force by means of immigration (what was not possible due to restrictive immigration policies at that time). According to Jiobu these three postulates of the enclave economy hypothesis do not hold in case of the Japanese in California, yet the fact is that this ethnic minority managed to achieve great success in terms of their socioeconomic development. In order to explain this phenomenon not relying heavily on the seemingly inapplicable enclave economy hypothesis, he suggests that by means of an economic hegemony within the produce market (farmers of specific crops and middlemen who traded them) the Japanese were able to create the essential economic interface with the majority (who otherwise would have been deprived of many farm products) and the open market, thereby creating a channel through which wealth was transferred. Yet given the information on the Japanese minority as presented by Jiobu, some of the already-existing extensions of the enclave economy hypothesis would possibly manage to explain the phenomenon of Japanese success without the need for constructing a new theoretical framework, see e.g. Auster and Aldrich (1984).

Zhou and Logan (1989) conduct further studies on the enclave economy per se by exploring the case of the Chinese in New York City. In order to provide robust results, irrespective of what we consider to be enclave, they approach three possible meanings: 1) that of a place of living, 2) that of a place of work and 3) that of an industry. In the latter conceptualization (not considered in the previous literature) they identify enclave industries as those, where the Chinese immigrants are over-represented. They manage to find some support the positive view of the enclaves’ role as advocated by Wilson and Portes (1980) and Portes and Jensen (1989), specifically in relation to the possibility of upward mobility of immigrant via enhanced opportunities for self-employment. Yet they do not find advantages in terms workers’ earnings or the entrepreneurs’ returns to self-employment when individuals within and outside of the enclave economy were compared. The similarity did not work in favor of female workers, though, who appeared not to gain from human-capital returns while working in the enclave economy. The earnings gap for workers in the enclave and non-enclave sectors has further limited the positive role of the enclave.

In a subsequent article Portes and Jensen (1989) identify three approaches to understanding the enclave economy which have developed: 1) considering ethnic enclaves as a vehicle for immigrants’ upward mobility by means of access to otherwise unattainable start-up resources, 2) recognizing the enclave economy as a way of how immigrant populations deal with discrimination or
even blocked entry into the mainstream economy and in the most pessimistic scenario 3) viewing enclave economies as “disguised vehicles for capitalist exploitation” (Portes and Jensen 1989, p. 930). They reply the critique of Sanders and Nee (1987) by noting drawback of their conceptualization of enclaves as places where immigrants live, rather than where they work. In dealing with the issue of whether enclave economies should be considered as places of residence or places of work, Portes and Jensen also use the term *ethnic enclaves*, similarly to Sanders and Nee (1987). They conclude that living in an ethnic neighborhood is not equivalent to working in the enclave economy. They also find support for a rather positive role of the ethnic enclave in providing opportunities of socioeconomic mobility for immigrant workers and providing access to resources and capital for immigrant entrepreneurs.

Sanders and Nee (1992) in an attempt to conclude the ongoing debate of the enclave economy hypothesis reexamine the results of Portes and Jensen (1989) and estimate their models using a complete (unweighted) set of observations. They conclude that the inference provided by Portes and Jensen should be reinterpreted and that actually the enclave economy provides a preferential environment for entrepreneurs, but is disadvantageous for employees.

In a reply to Sanders and Nee (1992) Portes and Jensen (1992) note a confusion in the critique which mistakes the theoretical definition of an ethnic enclave with it’s real-life effects. As Portes and Jensen further explain, the fact of exploring various combinations of “residence” and/or “employment” enclaves should only serve the clarification of why the enclave economy should be understood, as they originally proposed as a concentration of ethnic firms in physical space - generally a metropolitan area - that employ a significant proportion of workers from the same minority (Portes and Jensen 1992, p. 418).

They stress that the three salient features of an enclave economy are: 1) that it provides access for otherwise inaccessible capital needed to start one’s own enterprise, what comes as an opportunity rather than a trap, 2) that it enables employees gain returns to their human capital which are larger than what they would have earned in the open economy and 3) that it enables upward mobility of employees. So to disprove the hypothesis it is necessary to reject the presence of these three features. Portes and Jensen do not find sufficient arguments in the analysis of Sanders and Nee to indicate a “pattern of disadvantage” in the enclave economy. Concluding they add precision to the story of how enclaves economies function by signaling that the enclave economy indeed offers employment comparable in it’s returns to the mainstream economy for recent immigrants and to those who have limited
language proficiency.

In her paper Model (1992) puts the enclave economy definitions to yet another exploration and tests the hypothesis whether

ethnic enclave employees receive returns on their human capital that are comparable to the returns their compatriots receive in the primary sector (Model 1992, p. 65).

She also tries to compare the processes observed among the Miami Cuban and Bay Area Chinese with the middleman minority theory (Bonacich 1973) and the ethnic hegemony model (Jiobu 1988). The whole process results altogether in a set of complex results, but let us now focus on how she tackles the problem of defining what is an enclave economy, how to operationalize its workers and how to measure the empirical manifestations resulting from the hypothesis - three problems persistent in previous works (Model 1992). Model identifies employees in co-ethnically owned companies as those functioning on the enclave labor market, ethnic workers in Anglo-owned companies in which the minority workers predominate among employees as the secondary sector employees and the rest of employees working in Anglo-owned companies as the primary sector labor force. She further identifies the sectors industry-wise and defines the enclave economy sectors as ones in which minority entrepreneurs are over-represented and the secondary sector industries as those which are 1) not enclave industries and 2) where the minority employees are over-represented and the remaining sectors have been classified as the primary sector. Variations of these operationalizations follow when it comes to verifying the middleman minority theory and the ethnic hegemony model. In her work Model concludes that an enclave economy does not remunerate human capital strictly as hypothesized, (see: Model 1992, p. 74-75) as at least one human capital variable works in favor of primary sector employment. All in all, though, taking all available analysis into consideration, Model concludes that neither does the enclave boost, nor hamper income from labor.

In his revision of the debate on ethnic enclaves Waldinger (1993) refers to the pioneering article of Wilson and Portes (1980) as to one which brought up the "ethnic enclave hypothesis". In his evaluation of the debate he proposes including “training systems” (Waldinger 1993, p. 447) as a critical feature of the enclave economies, which allows both ethnic employers and employees reduce the risks of investment in worker training via network hiring. After discussing the theoretical and empirical consequences of applying different semantic explanations Waldinger concludes that in order to add quality to the debate and push it forward we should drop the term *ethnic enclave* and rather talk about the *ethnic economy*. One reason he gives (referring also to
a forthcoming publication of Light) is that it would enable us to include the 
self-employed (non-employers - one man businesses) into the considerations. 
This amendment would also, according to Waldinger, move the discussion 
away from the unproductive debate about what is an enclave sensu stric 
to and shift it to more relevant considerations about the structures and pro-
cesses within ethnic economies”.

In terms of definitional issues Light, Sabagh, Bozorgmehr and Der-
Martirosian (1994) make a step in distinguishing the ethnic economy from 
the ethnic enclave economy. They assert that interchangeable use of these 
two terms is conceptually wrong. The reason for this is that, according to 
them, the ethnic economy is a concept derived from the middleman minority 
theory, while the notion of an enclave arouse from the theory of labor market 
segmentation.

The ethnic economy is thus said to be composed of co-ethnics - employees 
and employers. They further recall a development by Bonacich and Mod-
ell which differentiates between ethnic employees of ethnic and non-ethnic 
owned companies. As Light et al. (1994) note, though, both approaches make 
no claims about spatial distribution of ethnic firms or ethnic jobs, the level 
of ethnicity or the choices of with whom to cooperate and whom to target 
made by ethnic companies. Light et al. (1994) also make reference to a oper-
tationalization made by Reitz, who classified workers in the ethnic economy 
as those, who spoke their native language on the job (regardless of by whom 
they were employed).

The ethnic enclave economy on the other hand, with focus on the self-
employed along with the employees has been identified as an entity with 1) 
numerous ethnically-owned enterprises which hire numerous co-ethnic em-
ployees and 2) features of spatial clustering of the businesses. Thus they 
note that some conclusions driven form previous research testing the enclave 
economy hypothesis are misleading because they are based on examples of 
immigrant communities which do not in fact constitute an enclave economy 
- are spatially dispersed, without vertically nor horizontally integrated firms 
and without numerous co-ethnic employment. Referring to the various ap-
proaches to the ethnic enclave economy hypothesis Light et al. (1994) come 
to a conclusion that what has developed in the literature of subject is “con-
ceptual anarchy” (Light et al. 1994, p. 69).

As Light et al. (1994) further mention, one of the focal points of the 
debate, which was either to prove or disprove the positive role of enclave 
economies were relative wages. When talking about wages per se the assu-
mption is that the people who earn wages (employees) are in fact a major 
group, and thus we could use the measure of relative wages (earned in the 
ethnic economy, be it of enclave character or not, relative to earnings in the 
open economy) to proxy for the performance and opportunities of the ethnic 
market. Yet in case of ethnic minorities the opposite is true - the employers
outnumber their employees, as many people are actually self-employed and those who can afford to hire workers do that on a very small scale. Thus, as Light et al. conclude, the relative wages are a very misleading measure of the welfare of participants of the ethnic economy. Yet, as the authors further state, even if the wages of employees in the ethnic economy were actually lower than what they could earn in the open economy, this does not indicate that an ethnic (enclave) economy creates a mobility trap, as it has been postulated by Portes’s and Wilson’s opponents. In fact three issues should be considered: 1) that some employees in the ethnic economy may not want or may not be able to work full time, thus earning lower wages, but also voluntarily working fewer hours (this could be a beneficial strategy e.g. for women who want to take care of their children while working), 2) the ethnic economy could also be considered as a school for entrepreneurs, bringing the minority long-term benefits rather than advantages instantly visible in income data and 3) comparing wages in the ethnic economy to those in the open market is fair only if the open market offers suitable jobs to everyone who is looking for them (in fact, in the open market one could be underemployed or even unemployed and so compared to earning nothing even a low wage in the ethnic economy is supreme). Thus Light et al. conclude the relative wages debate by claiming that relative earnings in the ethnic economy determine only the extent to which it is beneficial to work there, not whether it is beneficial at all.

To illustrate their arguments Light et al. (1994) use the example of the Iranian ethnic economy in Los Angeles. They affirm that, just as any immigrant group or ethnic community, the Iranians have an ethnic economy, but it does not demonstrate the features of an ethnic enclave economy. The latter is due to two major factors: 1) lack of spatial clustering, be it in terms of workplaces or residence ad 2) Iranian firm-owners are rather self-employed, than employers. Having said so, Light et al. (1994) have contributed to straightening out and clarifying the debate over what is and what is not an enclave economy and an ethnic economy.

More recently Werbner (2001) has once again pulled out the enclave economy hypothesis into the spotlight. She make an approach to two arguments first, that space is a critical but not determining factor of ethnic enclave economies; and second, that space needs to be conceptualized not as territory or circumscribed locality but as networked and socially produced through the manufacture and flow of distinctive goods between nodal points, vertically as well as horizontally organized (Werbner 2001).

As it can be seen she sets the relative wage, human capital and labor market issues aside and instead focuses on the organizational and industrial
features of the enclave economy. Pulling on theories of industrial clustering Werbner suggests defining the enclave economy as a networked cluster of ethnic-owned firms producing certain goods, together with other ethnic-owned firms which provide services to the cluster. Thus, as she claims, the firms need not to be spatially concentrated in the strict sense of space, but it is sufficient that they are in a common space of networks and flows of goods and services. And it is these goods, that may actually shape these networks and social interconnections. Thus analyzing enclave economies without regard for the goods they specialize in may mislead the argumentation. Werbner also adds to the enclave economy hypothesis the idea that in the same way enclaves may support entrepreneurship and enhance opportunities for business development, they may also make the economy more vulnerable to market shocks.

2.3 The discrimination hypothesis

The discrimination hypothesis (also known as the disadvantage theory) claims that immigrants may “choose” self-employment due to lack of other employment opportunities. Thus they would be rather “pushed” into entrepreneurial activity by unfavorable factors, rather than “pulled” into it by profitable opportunities.

The stream of work stems from the writings by Becker and theoretical models by Arrow, who provide insights into how race may provide signaling effects on the labor market and in effect serve as a screening device for employers who extrapolate conceptions concerning e.g. productivity to whole ethnic groups. This exclusion from certain (or all) sectors of the labor market is said to affect the choices of minorities in such a way that self-employment becomes a feasible alternative (Waldinger et al. 1990). Labor market disadvantages have their source in a mismatch between skills (or recognition of skills) of immigrants and their labor market opportunities. Consequently migrants may be faced with either having no source of income at all, operating in the shadow economy, performing “3D jobs” (dull, dangerous, demeaning) or turning to self-employment. Light (2004) provides a typology of disadvantages and their effects (Table 4).

In this vein the concept of blocked mobility (also referred to as bleak mobility, Mata and Pendakur 1999) have been developed. The former appeared e.g. in the work of Waldinger, Ward and Aldrich (1985), Beaujot, Maxim and Zhao (1994) or more recently by Rajman and Tienda (2000). The hypothesis states that immigrants pursue self-employment due to “glass ceilings” as far as occupational upward mobility is concerned. Because of unrecognized qualifications or discrimination based on ethnic prejudice they experience a mismatch between their skills and labor market opportunities made available
Table 4: Immigrant disadvantages

<table>
<thead>
<tr>
<th>resource disadvantage</th>
<th>yes</th>
<th>no</th>
</tr>
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<tbody>
<tr>
<td>yes</td>
<td>immigrants have low productivity and for the productivity they demonstrate they are not adequately rewarded, possibility of relying solely on the informal economy or experiencing long-term unemployment</td>
<td>immigrants can not obtain a wage which reflects their productivity; self-employment may be a more rewarding or the only possible source of income, if resources are sufficient it may be pursued in the formal ethnic economy or even in the open market</td>
</tr>
<tr>
<td>no</td>
<td>due to low resources (human, social, cultural capital) immigrants have low productivity and therefore receive low wages; very limited possibilities of occupational mobility or pursuing self-employment in the informal economy where limited resources are sufficient</td>
<td>no disadvantage</td>
</tr>
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</table>

Source: Author’s own elaboration based on Light 2004.

to them. In their study Raijman and Tienda (2000) find that the blocked mobility hypothesis obtains for Koreans, who view self-employment as the “price” of immigration to be paid by the first generation (Raijman and Tienda 2000, p. 701).

As time passes immigrants (and with greater probability their children) may obtain recognition for their skills or acquire skills by the standards of the receiving society, become proficient in the local language and, as a consequence, be able to eventually break out of the affliction of blocked mobility.

Knocke (2000) analyzes the situation of immigrants to Sweden and arrives at a hypothesis, that it is not discrimination *per se* that affects to what extent are immigrants integrated into the local labor market and whether they have any opportunities for upward mobility. He proposes that in reality it is the structural characteristics of the labor market that determine whether immigrants are perceived as “a resource” or “a problem”.

The discrimination hypothesis received a formal conceptualization (in this section adapted from Parker 2006) and can be disaggregated into three distinct processes: 1) employer discrimination (e.g. Moore 1983, Clark and Drinkwater 2000), 2) capital market discrimination (e.g. Coate and Tennyson
1992) and 3) consumer discrimination (e.g. Borjas and Bronars 1989). The first of these explains under what conditions would immigrants choose self-employment over wage-employment. The second concept explores access to capital as the key ingredient of entrepreneurial activity and examines how borrowing constraints affect the incentives and potential for the development of immigrant entrepreneurial ventures. The last concept of consumer preferences with respect to providers of goods and services may affect the returns and thus also the numbers of immigrant businessmen.

2.3.1 Employer discrimination

Employer discrimination may be visible in two forms (Parker 2006). Either by blocking minority’s access to the labor market in general, or by restricting their opportunities to low-paid jobs, what would result in choosing self-employment as an escape strategy. The second effect of employer discrimination results in lowering the wages of migrants relative to those of non-migrant workers, what leaves the ratio of migrant business profits relative to non-migrant business profits higher then the ratio of wages, making self-employment a more attractive strategy. The latter process is hypothesized to continue only to such a point when the crowding of migrants into entrepreneurship pushes down the average profits low enough, that

\[ \frac{w_M}{w_N} = \frac{\pi_M}{\pi_N} \]

where \( w \) denotes wages, \( \pi \) denotes profits form entrepreneurship and indices \( M \) and \( N \) indicate migrants and natives, respectively.

Consequently, assuming identical distributions of entrepreneurial abilities in the migrant and non-migrant groups and that business profits are an increasing function of these abilities, then for the marginal entrepreneur (who is indifferent between wage-employment and self-employment) with ability \( \tilde{x} \)

\[ w_N = \pi(\tilde{x}_N) \]
\[ w_M = \pi(\tilde{x}_M) \]

and since, due to employer discrimination

\[ w_N > w_M \]

then

\[ \pi(\tilde{x}_N) > \pi(\tilde{x}_M) \]

what in the words of Parker (2006) expresses the notion that immigrant entrepreneurs are less able and gain smaller returns to their enterprises than native businessmen. Given the assumption of equal distributions of skills in
the migrant and non-migrant populations, the lower skills required for the
migrant to switch into entrepreneurship imply a proportionally larger num-
ber of immigrant entrepreneurs relative to the non-migrants population. As
Parker (2006) observes, though, this is not true for all immigrant groups,
some of which indeed have higher rates of self-employment but some do
have lower rates than the native population. Thus it remains a question
why would, according to this approach, employers discriminate against some
groups, but not other ones.

2.3.2 Credit market discrimination

The second type of discrimination, discrimination in capital markets may
have a direct effect not only on the choice between wage-employment and
self-employment, but also on the survival rate of ethnic businesses. Not hav-
ing access to bank loans or being able to borrow relatively small amounts
of money or at high interest rates may heavily impede business set-up and
development. It has been shown, though, that even here the discrimination
performed by banks does not necessarily affect all immigrant groups equally
(Parker 2006). One of the possible explanations of this fact arises form the
specificity and clustering of immigrant businesses mostly around only a few
industries which have above-average failure rates. When relatively lower col-
lateral of immigrants as compared to the native population is added to the
picture, it may look as if banks discriminate immigrants as such, while in
fact they “discriminate” certain types (risky) of businesses, which happen to
be run mostly by immigrants.

Coate and Tennyson (1992) develop a theoretical model, which assumes
the credit market is they most relevant market for self-employment. In their
set up they recognize two distinct groups, which could be different either in
terms of race, ethnic, sex or any other exogenous characteristic. The labor
market offers two jobs - “skilled” and “unskilled”. The values of the marginal
product of workers in specific occupations are presented in Table 5.

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<tr>
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<th>skilled job</th>
<th>unskilled job</th>
</tr>
</thead>
<tbody>
<tr>
<td>skilled worker</td>
<td>$w_s$</td>
<td>$w_u$</td>
</tr>
<tr>
<td>unskilled worker</td>
<td>0</td>
<td>$w_u$</td>
</tr>
</tbody>
</table>

Source: Own elaboration based on Coate and Tenyson (1992).

Marginal productivity of a skilled worker is strictly larger than the pro-
ductivity of an unskilled worker. The model further assumes that the frac-
tions of skilled and unskilled workers in the two groups mentioned in the
previous paragraph (let us use the example of migrants ($M$) and natives
($N$)) is the same. Yet due to employers’ discrimination practices against the
immigrant group (restricting access to skilled jobs), the probability that a skilled migrant obtains a skilled job is $\pi < 1$. The probability that a native skilled worker obtains a skilled position is 1. Unskilled workers, be it immigrant or native, are also always assigned to the matching unskilled job. Workers are further assigned an exogenous probability of success in case of undertaking entrepreneurial activity $p \in [0,1]$. For unskilled workers this probability is equal to 0. For skilled workers, immigrant and native, the allocation of entrepreneurial ability follows an identical distribution function for both groups $G(p)$ with the probability density function $g(p)$ continuous and positive on the range of $[0,1]$. It is finally assumed that each worker has to borrow $K>0$ capital at interest rate $r$ in order to start a business and the returns from a successful venture are $R$, and 0 in case of failure.

Given this set up a risk-neutral, skilled worker will choose to become self-employed if, given a certain probability of success ($p$), the returns from business ($R$) net of the costs of borrowing capital ($K + K*r$) are larger than the expected wage $w$. Thus, the marginal borrower for whom the expected return from wage-employment and self-employment would be the same can be described as facing the following equality

$$p^*(r, w) = w/[(R - (1 + r)K)].$$

A credit market equilibrium requires that expected profits from lending to either migrants or natives be equal to 0. Thus, given the risk-free interest rate $q$ and the expected probability of success $E[p|p \geq p^*(r_i, w_i)]$, the interest rate pair $(r_M^*, r_N^*)$ would be an equilibrium if

$$(1 + r_i^*)E[p|p \geq p^*(r_i^*, w_i)] = 1 + \rho, \quad i \in \{N, M\}$$

In case of (skilled) migrants, who, due to employer discrimination, have to expect a lower wage in the labor market the profitability of business, which would create a sufficient incentive for them to switch to self-employment is lower than for the native population. Following the logic of the model as it has been set up by Coate and Tennyson (1992) the expected probability of success (which depends positively on the expected wage) for immigrant entrepreneurs will be lower than for the natives. Thus the interest rate for immigrant borrowers has to be higher in order to compensate the lenders for increased risk of the investment.

This credit market “discrimination” occurs due to the initial labor market discrimination. Nevertheless migrants (in our example) do face the additional cost of borrowing - an effect referred to as “statistical discrimination” (see: Arrow 1998). This term applies to situation in which members of a certain group are not discriminated against because of their membership in the group per se, but because this group is characterized by a different set of attributes.

The higher interest rate resulting from the labor market and credit market discrimination further implies lower returns from self-employment for a
migrant with the same probability of entrepreneurial success as the a native. Nevertheless, the expected return from self-employment relative to wage-employment is higher for the immigrants than for the natives, thus creating a stronger incentive to become self-employed among the immigrant population.

In a further development of the model Coate and Tennyson (1992) allow the workers to invest (I) or not invest (NI) in acquiring additional skills, thus partially endogenizing the skill variable. Under such a set up it is shown that lenders will approach the groups who invested in their human capital and those who did not differently. The interest rates \((r_N^*, r_M^*)\) will result in an equilibrium if, under the assumption that migrants and natives invest optimally in their skills with the net utility gain from investing being \(\Delta(r_i^*, w_i)\), the following equalities are met

\[
(1 + r_i^*)E_I[p|p > p^*(r_i^*, w_i)] = 1 + \rho \quad \text{and} \quad \Delta(r_i^*, w_i) \geq 0, \quad i \in \{N, M\}
\]

or

\[
(1 + r_i^*)E_{NI}[p|p \geq p^*(r_i^*, w_i)] = 1 + \rho \quad \text{and} \quad \Delta(r_i^*, w_i) < 0, \quad i \in \{N, M\}.
\]

In such a case the relations of interest rates offered migrants and natives who invested in skills and who did not would be as follows

\[r_N(I) < r_M(I) < r_N(NI) < r_M(NI).\]

Yet, due to the fact that the investment in skills is assumed to be unobservable to the lender, the interest rate for either migrants or natives has to be the same. Under this assumption incentives to become self-employed are further explored. Coate and Tennyson (1992) observe that under specific conditions (see Lemma in Coate and Tennyson 1992, p. 283) one of which is that it is possible that migrants (the discriminated group) with the same entrepreneurial abilities as the natives (the non-discriminated group) will have less incentive to enter self-employment. This is to say that there exist such interest rates with which not only a smaller proportion of immigrants would end up skilled (relative to the natives), but out of those who are skilled fewer would become self-employed.

Finally Coate and Tennyson (1992) look into a case when investment decisions of individuals are observable to the lender and thus the net gain from investing takes the form \(\Delta(r_i(I), r_i(NI), w_i), i \in \{N, M\}\). Yet, if a migrant was to invest in his/her skills but the stimulus of a reduced interest rate would not compensate for the deterrent effect of relatively low wages, then it would still be possible that migrants have less incentive to enter self-employment, as compared to the natives.
2.3.3 Consumer discrimination

Following employer and credit market discrimination Parker (2006) also brings up consumer discrimination as a phenomenon affecting immigrant self-employment. The original paper by Borjas and Bronars (1989) which Parker refers to, describes a model in which incomes and rates of self-employment among minorities are explored based on the hypothesis that consumers dislike buying goods and services from minority businessmen (see: Becker 1971).

The set up of the model assumes two types of sellers - black (b) and white (w) who sell a homogeneous good. Black sellers constitute a minority of the population, the fraction of them being \( \theta < 0.5 \). The number of black buyers in the population is the same. It is further assumed that white buyers discriminate against black sellers, but that black buyers have no preference with respect to the race of seller. All consumers are utility maximizers, do not discount, live infinitely and are risk-neutral.

Buyers contact sellers with cost \( C \) and prior to bearing that cost they do not know what is the race of the seller and what price he/she charges for the good. The maximum price buyers are willing to pay for a good purchased from a “preferable” seller is \( R \). If white consumers were to buy from an “un-preferable” (black) seller, they would be willing to pay maximum \( R(1 - d) \), where \( d \) is a discrimination coefficient. Thus the reservation price \( P^*(i,j) \) offered by seller \( i \) to consumer \( j \) at which the consumer would be indifferent with respect to buying from that seller or continuing the search is given by

\[
R - D(i,j)P^*(i,j) = \max[0, -C + EV(P,i,j)]
\]

where

\[
D(i,j) = \begin{cases} 
1/1 - d & \text{for } i=b \text{ and } j=w \\
1 & \text{otherwise}
\end{cases}
\]

and where \( EV(P,i,j) \) is the expected value of the price offer given by seller \( i \) to consumer \( j \) with \( i, j \in \{b, w\} \).

Sellers, on the other hand, devote their time either to production or selling. They choose the hours worked per day (\( H \)) and the fraction of consumers they serve with: \( \tau = 1 \) if they sell to all, \( \tau = \theta \) if they sell only to blacks and \( \tau = 1 - \theta \) if they sell only to whites. Furthermore, in the model proposed by Borjas and Bronars (1989) sellers differ in their ability to produce the market good and can be either high-skilled or low-skilled and the skills are equally distributed among the \( w \) and \( b \) sellers. The sellers maximize utility

\[
U = \frac{\alpha \tau \beta}{\alpha \tau + \beta} P(\tau)H - \frac{H^\delta}{\delta}
\]

where \( \alpha \) is the number of transactions any seller (be it high- or low-ability) can complete per unit of time, \( \tau \) is the fraction of contacts that result in a sale, \( \beta \) is the ability (productivity) of the seller, \( P(\tau) \) is the price
asked by the seller dependent on his segregation strategy, $H$ is the number of hours worked and $\delta$ is a parameter greater than 1.

From the above set up and by determining the equilibrium outcomes of both the consumers and sellers choice, Borjas and Bronars (1989) conclude that 1) the average income of self-employed black entrepreneurs is lower than the average income of white entrepreneurs and that 2) the gains from self-employment for able black entrepreneurs are smaller than the gains from self-employment for able white entrepreneurs. The two conclusions imply that minority entrepreneurs not only have lower incentives to become self-employed, but that they are also negatively selected into self-employment with a greater probability than the majority population.

2.4 The interactive model

Waldinger et al. (1990) suggest a model which can provide context for analysis of ethnic entrepreneurship. They propose that immigrant economic activity results from taking advantage of opportunity structures using ethnically mobilized resources (see Figure 3).

Figure 3: Interactive model of ethnic business development. Source: Waldinger, Aldrich and Ward 1990, p. 22.

The opportunity structures they define include historically shaped circumstances which enable (and constrain) ethnic entrepreneurship. The ex-
tent to which they work in favor of immigrant entrepreneurs may result e.g. from the amount of market control the non-ethnic group would like to retain. Consequently the primary market on which ethnic entrepreneurs may find business opportunities can be the internal, ethnic consumer market. The specificity of this market and the advantage ethnic entrepreneurs may have over non-ethnic businessmen lays in the knowledge of specific needs and tastes of ethnic consumers. And so in terms of product markets these could be enterprises which supply ethnic food, clothing, books, newspapers, movies etc. A far as services are concerned ethnic communities have demand for support in all immigration and assimilation related issues such as travel, legalization procedures etc. The authors go even as far as claiming in many cases immigrant may prefer personal contacts to formal market transactions because of their cultural embeddedness.

Yet if ethnic business were to satisfy only ethnic demand, their possibilities of growth would be very limited if the number of immigrants would not rapidly increase. Moreover, products and services offered to impoverished co-ethnics are relatively unprofitable. Of course there are also the upsides of operating within an ethnic community - the availability of a pool of employable labor makes it possible to expand business and relations of trust and understanding make up for costly employment contracts.

It becomes obvious even based on the above description, that what is really needed to boost ethnic enterprises though, is access to the open market. The types of industries, where immigrants are most likely to be able to set up the enterprises are constitute specific niches:

- where mass production technology does not apply and where mass distribution is unnecessary. Waldinger et al. (1990) recognize such niches in under-served or abandoned markets such as the food retailing industry in small neighborhoods or dense city centers, where large supermarkets are not feasible,

- where there are low economies of scale. Here once again the food retail industry provides an example especially when taking into consideration the possibility of self-exploitation of ethnic entrepreneurs e.g. by means of working longer hours. The taxi business also makes the case as when immigrants become willing to drive the cab longer hours than natives or if they manage to pool human resources so that a car is on the road 24 hours seven days a week, than they can successfully compete with non-ethnic companies, even if the latter had the first-mover advantage.

- where there is instability and uncertainty. Waldinger et al. (1990) refer to Piore’s market segmentation theory to indicate that the efficient place of small firms is in industries which large companies find to risky to get involved in. Greater elasticity of that market also leads to lower
entry costs and possibly high capital-to-labor ratios make it accessible to immigrant entrepreneurs.

- where ethnic goods are in demand. Just as pointed out in the paragraph above, ethnic entrepreneurs are almost “destined” to provide ethnic goods or services. If a demand for these goods and services arises in the open economy (Thai massages, Indian food, ethnic handicrafts etc.), immigrants may easily win the competition with natives in that sector due to their inherent knowledge concerning the product.

Summarizing Waldinger et al. (1990) also point to the fact that the crucial factor for ethnic entrepreneurship development is whether co-ethnic employees can acquire entrepreneurial skills on the job.

Access to ownership is the second component of opportunity structures. The mere existence of markets does not mean that immigrants have access to them and that they can freely operate their own business. Two factors are responsible for this: 1) the number of available business-ownership roles together with the native demand for these opportunities and 2) government policies aimed at immigrants. The authors recognize that one way in which immigrants could access the market with their business is by “ecological succession”, i.e., taking over enterprises of natives who no longer find it profitable to remain in operation (e.g., due to the changed social structure of neighborhoods, where the native population no longer replaces itself, but is rather replaced by immigrants). Another reason for decreased preference for business ownership among the natives may be the less and less appealing position of small business in contrast to the emerging multinational corporations where prominent positions can be obtained. As time passes, though, and groups with along immigration history become more and more assimilated and similar in their employability and aspiration to the native population, the ecological succession might occur between two ethnic communities rather than between the natives and one ethnic community.

As far as government policies are concerned, what must be taken into consideration when analyzing migrants’ opportunities for business establishment, are both the policies related to entry and settlement and policies related to business operation. Countries may be restrictive in both of these aspects, in one of them, or neither. In some cases the opportunities of (legal) business setup may be contingent on one’s immigration status, in other cases irrespective of the immigration status, access to certain professions (e.g., associated in guilds) may be blocked, even for the natives. These procedures will nevertheless affect both - the number and specialization of self-employed immigrants.

Apart from the somewhat external factors creating opportunity structures Waldinger et al. (1990) suggest that the immigrant group’s own charac-
teristics would also effect the rates of entrepreneurship. These characteristics are divided into predisposing factors and possibilities of resource mobilization.

The factors which affect immigrants’ predisposition to small business ownership relate to their situation both in the destination country and in the home country. At destination the inability find a better job or impossibility of upward mobility in the open market due to lack of skills or lack of recognition of skills makes self-employment a viable strategy. Activities which seem unprofitable for the natives may be actually marginally lucrative for immigrants particularly due to this “blocked mobility” (see section 2.3 The discrimination hypothesis) and compared to not working at all, their returns to self-employment may be of great relative value. Moreover, the notion of selectivity of migration, with the most able and less risk-averse pursuing this strategy in the first place, may also contribute to the high “natural” propensity for self-employment among immigrants. The potential temporariness and objective-oriented reasons for migration, together with familiar job hierarchies and greater concern about economic mobility rather than social status may also contribute to the willingness to pursue even marginally profitable business activities.

Resource mobilization, the second component of group characteristics heavily relies on the concept of ethnicity its self. As the this particular approach to defining ethnicity in the context of entrepreneurship has been discussed (see section 1.1.2 Self-employment or entrepreneurship? Immigrant or ethnic?) here we will focus only the implications of ethnicity on resource mobilization strategies.

Social networks among immigrants affect ethnic entrepreneurship on a very early stage, even before migration takes place. Networks provide initial information based on which one makes his/her decision to migrate, they may facilitate the process of settlement making it relatively easy to make the transition between the country of origin and the destination. Later on they remain a highly valuable resource in terms of satisfying business startup needs. In case of limited access to open market resources such as start-up capital, labor force, technical assistance etc. pooling resources via linkages with co-ethnics may be the easiest, cheapest or often the only way in which such assets can be obtained (for an example of circumstances under which this may not be the case see: Nestorowicz 2008). But close ties between ethnics also serve less obvious purposes: 1) offsetting the harsh conditions of the social and economic environment at destination by creating support mechanisms, 2) organizing, otherwise potentially anomic, social relations and 3) via informal organizational resources providing a substitute for undeveloped or malfunctioning institutions of social organization, what enables gaining relative advantage over the natives.

Of course how close these ties are and to what extent a potential en-
trepreneur can rely on them depends on the migration process its self and the position of newcomers in the established ethnic community. Once the ethnic ties are utilized, though, they can be subsequently used and gains could be passed on in lieu of ethnic reciprocity and trust, thus reinforcing the ethnic identification and scope and scale of support. Close social ties and the trust they breed can be crucial in terms of access to capital, information and business partnerships.

If the government does provide access to the market (what, as indicated above, is an important component of the probability of immigrant business start-ups), it may or may not provide actual resources supporting immigrant self-employment. Provided that they see the benefits of immigrants’ self-sufficiency and even the possibility of generating employment for other, otherwise excluded, immigrants, governments may allocate special financial or infrastructural resources to members of ethnic communities. This would also be an alternative to obtaining necessary resources from the hostile open market.

Given the framework described above, Waldinger et al. (1990) look for explanations of why self-employment rates may differ across ethnic groups. The main categories by which the immigrant communities differ are: 1) pre-migration characteristics, 2) the circumstances of migration and the ways they evolve and 3) postmigration characteristics.

Among the premigration characteristics the authors focus on human capital attainment by migrants. The primary question may be whether immigrants possess skills or education which is in demand on the host labor market and which is recognized as such. It might be the case that despite being highly skilled, migrants cannot find a position that matches their qualifications because the signaling effect of their education depreciates as they arrive in a new socioeconomic setting. A complimentary skill to formal or professional education is also language, and in more general sense, cultural competence. The secondary issue is whether immigrants have skills which give them a competitive edge in business. If they do, self-employment may be a very compelling strategy. That being said we may look at the issue from the opposite point of view and note that if an ethnic group either has skills which can be remunerated in the open market or does not have skills which - even if used to provide products or services - are not in significant demand, such a group would have low rates of self-employment because of it’s internal characteristics present already in the premigration period.

The circumstances of migration also may differentiate the rates of self-employment in various communities. The main difference appears in the dichotomy of permanent vs temporary migration. Assumed permanence (or very long, undefined duration) of stay seems to be a necessary condition for choosing self-employment. Setting up one’s business entails sunk costs. In order to generate net returns to self-employment one must have to be in
operation long enough to offset these costs and only then start generating additional income. An opposite story can also be told, though, namely that temporary immigrants, whose duration of stay is short may want to earn as much as possible in the shortest possible time, thus opting for the possibly more lucrative strategy of becoming self-employed. Waldinger et al. (1990) doubt this hypothesis though, due to the high risks of running one’s own business and thus the greater possibility for returning home after a short time having earned nothing or even being indebted. Among permanent immigrants there may also be increased levels of distress related to the blocked mobility on the host labor market. Such circumstances may also push people into self-employment. The last but not least factor is the possible presence of family in case one pursues a permanent migration pattern. This takes off the financial burden of sending home significant amounts of remittances and allows to invest any savings in business establishment.

Among postmigration characteristics Waldinger et al. (1990) emphasize the importance of the position of an ethnic group in the host economy. Having access to a preestablished, ethnically dominated sector will decrease the cost of obtaining information. Being able to work in strategic occupations, i.e. those which enable acquisition of skills sufficient to start one’s own business might be another type of benefit. Immigrants belonging to ethnic communities which are already present in the host economy and which are willing to provide support may have greater propensity to engage in self-employment than immigrants who upon arrival do not have access to such group resources.

Ways in which ethnic entrepreneurs take advantage of the opportunity structures given their group characteristics Waldinger et al. (1990) label ethnic strategies. These strategies are aimed at tackling the seven most common problems: 1) obtaining information, 2) generating start-up or development capital, 3) acquiring necessary entrepreneurial skills, 4) labor recruitment, 5) establishing and developing relationships with customers and suppliers, 6) dealing with competition and 7) responding to political attacks. The possibilities and eventual ways of addressing these issues emerge from the constraints and enabling mechanisms embedded in the market structures and ownership possibilities as well as from the specificity of predisposing factors and the potential of resource mobilization.

Bonacich (1993) questioned the approach of Waldinger et al. (1990) blaming it for a pro-capitalist perspective, i.e. that the described social processes are nothing but a product of the forces of supply (group characteristics) and demand (opportunity structures). Bonacich also points out that the emergence of ethnic entrepreneurship, as described, seems not to be a product of the desires of the groups in power. Among the reasons for “nurturing” ethnic entrepreneurs by the majority Bonacich mentions 1) their role in legitimizing the ideas of capitalism (pursuit of profit, protection of private property
rights, free competition etc.), 2) securing cheap subcontractors for big businesses, 3) serving as “buffer” middleman minorities and finally even as 4) “ideological weapons” by presenting certain ethnic groups as “model minorities” (Bonacich 1993, p. 690-691). Eventually, she claims, the ruling majority designs such institutions, which rule out other possible forms of immigrant incorporation. Missing this larger politico-institutional picture in analysis of ethnic entrepreneurship may thus actually imply missing the significance of the whole phenomenon.

In a rather recent work Putz (2003) reexamines the interactive model looking form the perspective of cultural characteristics of immigrant groups. He accuses the “opportunity approach” of being structuralist in it’s nature and thus not being able to explain well enough why individuals react to the same opportunity structures in different ways. He suggests extending the existing analytical frameworks by inclusion of paradigms derived form the theories of action and decision-making. He insists on putting greater emphasis not only on the structural conditions, but also on the objectives and strategies of action-oriented agents.

He also offers criticism of the “resource” side of proposed analytical approaches, which do make an attempt at incorporating culture-specific notions in to the models, but which at the same time are based on two fallacies, namely that: 1) immigrant communities are homogenous (so that way in which resources are e.g. “ethnic” applies to everyone in the same way) and 2) immigrant communities have a common ethnic foundation (their life strategies are determined by the culture of the place of origin, which - by means of cultural demarcation - would be distinct from the culture of the destination).

Consequently he proposes that:

- no generalized and ultimate statements about culture be made, as even if individuals act in a similar way, their reactions are interpretations of culture, rather than culture per se,
- culture should be conceptually treated as a process rather symbols which have fixed meanings and interpretations of those meanings,
- only statements on single, constantly changing “cultural phenomena” be made, as treating culture as a whole or it’s components as static is in reality a conceptual impossibility,
- situational rather than general interpretations be in place,
- that not only social relations and integration into social networks be treated contextually, but that spaces themselves gain recognition as having symbolic significance for - and across - individuals.
Volery (2007) combines the original interactive model with the extensions proposed by Putz and comes up with a amended proposition of how opportunity structures and resources are utilized by individuals as their “ethnic strategies” of dealing with the challenges they face as immigrant entrepreneurs (see Figure 4).

![Enhanced interactive model in the context of entrepreneurship](image)

Figure 4: Enhanced interactive model in the context of entrepreneurship. Source: Volery 2007, p. 36.

In Volery’s understanding there are two distinct, yet interconnected dimensions - the ethnic dimension (elements on the outer circle) and the entrepreneurship dimension (the inner elements). On one hand this model does not separate entrepreneurial and ethnic aspects of immigrant entrepreneurship, and on the other hand it takes into consideration individual features which may be useful for explaining why individuals with the same ethnic background react differently to present opportunities. The entrepreneurship dimension is responsible for explaining the entrepreneurial process as such, without regard for the “ethnic” aspect of immigrant entrepreneurship. The ethnic dimension creates opportunities and threats specific to immigrants (or particular immigrant groups). How individuals recognize, evaluate and exploit these opportunities, though, is described by the entrepreneurial process, not the ethnic one.

2.5 The social capital arguments
The role of networks and social capital in the development of migration streams and facilitating the pre- and post-migration processes has been
widely recognized (Choldin 1973, Fawcett 1989, Guilmoto and Sandron 2001). Nevertheless, their significance in supporting immigrant entrepreneurial ventures has to also be noticed. Fratoe (1986) wrote on the role of intra-group social capital in the formation of minority business from a sociological perspective. He labeled the mechanism by which social capital it utilized by group members as “group self-help support networks”. He recognized their role as providing

- role models and shaping attitudes and values which encourage entrepreneurial activity within the ethnic community,
- training, which is obtained through employment in the ethnic economy and “family apprenticeship”,
- financial support, which is crucial in case of limited private resources,
- reputation, as a positive ethnic signaling effect, which once established may e.g. enable newly established entrepreneurs to perform business transaction in the open market,
- source of labor and clientele,
- business advice and business contacts.

Greve and Salaff (2005) put forward a proposal of using social capital and social network theory for tracing ethnic enclaves. In their view ethnic enclaves need not be defined only by physical location of the place where immigrants work or live see section 2.2 The enclave economy hypothesis). Instead they suggest that enclaves be recognized as networks of social and economic connections. In their concept networks include 1) clusters of forms and organizations which share tasks and resources and participate in exchanges in institutional fields and 2) relations individuals have to each other which can be multiple in nature and embedded in different contexts.

In order to place the individual and organizational actors in relation to each other, Greve and Salaff (2005) utilize the concept of structural equivalence, which allows to partition the whole socioeconomic system into smaller niches which are comprised of actors playing equivalent roles.

They further propose that relations of actors (both firms and individuals) be structured as nested multiplex networks which reach into different sectors and niches and are connected with each other through core actors. By using the above mentioned conceptualizations Greve and Salaff (2005) define

the enclave as an ethnic economy comprised of networks of firms with ethnic labor the depend in ethnic firm networks (Greve and Salaff 2005, p. 11-12).
The authors thus combine the ideas of various hypothesis concerning immigrant self-employment to arrive at a new perspective which approaches the social and economic niches in which immigrants find themselves from the perspective of network theory. They find anecdotal evidence that when considering niches form this perspective it is possible to see that they not only shape the environment within them but that they also reach out to other sectors and niches and depend on relationships with “similar others” who occupy comparable positions in parallel partitions.

2.5.1 The transaction cost approach

Landa (1991) puts forward a theory, applicable to ethnic entrepreneurship in Least Developed Countries (LDCs). It is to be an alternative to previous explanations of the formation of ethnic economies and the diverse paths of development of ethnic entrepreneurship, as predominantly based on either inherent cultural characteristics of labor market discrimination. Landa proposes, that instead *ethnically homogenous middleman groups* (EHMGs) be considered form the perspective of transaction cost economics.

In conceptualizing EHMGS Landa recalls Royce’s definition of ethnic groups, as those which present the following six characteristics (Landa 1991, p. 56-57):

- the group shares common origins, such as national origins, or common decent,
- group members share fundamental cultural values,
- the group relates to other ethnic groups in a broader system of social relations,
- ethnic groups are larger than kin or locality groups and transcend face-to-face interaction,
- different meanings for ethnic categories pertain both in different social settings and for different individuals,
- ethnic categories are emblematic, having names and group identity.

The underlying features of an ethnic group, as Landa claims, play a crucial role in forming the rules and decreasing the costs of their enforcement in economic transactions.

The role of entrepreneurship in LDCs is quite specific and different form entrepreneurship pursued in developed, capitalist economies. Potential business owners in less developed countries have to mobilize not only such resources as land, capital or labor, but also informal information networks, political connections etc. The higher risk associated with starting a business
in settings where formal enforcement of legal contracts bears great uncertainty, the role of informal institutions created among the EHMGs may be crucial for economizing business processes.

Under conditions of contract uncertainty in LDCs, traders must cope with the problem of opportunism arising from breach of contracts. Traders [...] are aware that they [...] are embedded in social structures [...] with rules to constrain members’ behavior. The rational “embedded economic man”, operating under conditions of contract uncertainty, will not indiscriminately enter into impersonal exchange relations randomly with anonymous traders. [...] [He] will favor kin over non-kin, close kin to distant kin, and fellow ethnics over outsiders because the closer the degree of social distance the greater the degree of trust; the greater the degree of trust the lower the transaction costs of protecting contracts (Landa 1991, p.63)

Based on the above description of the role of social embeddedness in securing contract enforcement, Landa classifies it as an intermediate form of economic organization placed in-between open market contracting and hierarchical vertical integration of firms.

Ethnicity may also serve as a signaling mechanism, which transmits non-price information between buyers and sellers. Depending on business objectives, ethnicity may therefore be used strategically in order to communicate desirable messages. The extent to which multiple switching between two groups or switching between multiple groups is acceptable, may - again - vary among different ethnic communities, depending on the norms they follow. This “culture-bearing” role of middleman minorities is said not only to serve ethnic cohesion, but also to provide categories for exclusion of outsiders from the “consumption” of the public good, which is the common culture - norms, ethics, trust etc.

Having considered ethnicity as a public good, Landa (1991) finds another economic problem related to it, namely the issue of free riding and possible lack of incentives for group members to contribute to the provision (protection) of the common ethnicity and its derivatives. An example of how Chinese and Jewish merchants deal with this problem is financing the construction of ethnic spaces where common culture could be strengthened, shared and transmitted to future generations - schools, cemeteries etc. Social inheritance of culture is also said to be a cost-effective process on its own. It takes away the necessity of adapting to the environment by means of trial and error, and allows to copy most successful ethnic strategies and simply repeat them within the ethnically homogenous group, what further enforces the adapted norms and allows the ethnic institutions of cost-effective middleman trading persist over time.

45
2.6 The concept of mixed embeddedness

Kloosterman and Rath (2001) return to the concept of the interactive model (Waldinger et al. 1990) and propose to amend it by the notion of country-specific institutional frameworks, which could lead to different post-industrial self-employment trajectories, thus implying different opportunity structures for immigrant and local entrepreneurs. The work has the ambition to combine the agency and structural perspectives found in the literature.

The aim is to provide an insight into the demand side and the matching mechanism between potential ethnic entrepreneurs and the market openings available to them. Kloosterman and Rath (2001) recognize four necessary elements of this matching process:

- there have to be business opportunities on the demand side of the market, which would be feasible to undertake (profitable) for the entrepreneur,
- the opportunities above, being available, have to be also accessible for the immigrants - in terms of capital, legal or any other requirements or obstacles,
- the availability and accessibility of these opportunities has to be then recognized and acknowledged by the potential entrepreneurs,
- lastly the available, accessible, recognized opportunities have to actually be taken advantage of and result in a new business start-up.

In order to provide a solid theoretical framework suitable for international comparisons, they develop the concept of mixed embeddedness, which indicates not only being embedded in immigrant networks and one’s ethnicity but also in the abstract embeddedness in the socioeconomic and politico-institutional environment of the country of settlement (Kloosterman and Rath 2001, p. 2).

In their in-depth inquiry into what has so far been labeled generally as opportunity structures (Waldinger et al. 1990) Kloosterman and Rath start from clarifying two aspects of the relationship between the actors and the opportunity structures in which they are embedded. Firstly, they recognize that immigrant communities not only differ from the majority in “cultural” terms, but also as far as other, more tangible, forms of capital are concerned - financial, human, social. Thus, they are initially dependent on different segments of the opportunity structure than the native population. This can be seen in the survivalist strategies of immigrant entrepreneurs in low-end markets.
- strategies relatively rarely pursued by the native population. The second aspect of opportunity structures as understood heretofore, which Kloosterman and Rath (2001) question, is their static character. Migrants may by their mere presence change opportunity structures, introduce innovations, they also constitute both pioneers and copy cats, who simply follow the lead and the opportunities recognized by others.

In their furthering of how opportunity structures should be viewed, Kloosterman and Rath (2001) recognize two crucial dimensions - accessibility and growth potential of markets. Kloosterman (2004) proposes a typology of the interrelations between growth opportunities and accessibility (see Figure 5).

![Figure 5: Typology of markets based on accessibility and growth potential. Source: Own elaboration based on Kloosterman 2006, p. 5.](image)

The low threshold and stagnating markets are said to be those, where it is relatively easy for immigrants to undertake entrepreneurial ventures by taking advantage of the vacancy chain mechanism (see also: Waldinger 1996). In such markets well established entrepreneurs may move upward to more capital intensive business activities, leaving the small-scale, low-skill, labor-intensive production open to newcomers. Due to the relatively easy entry, these markets may be in the proximity of the point of their saturation, though, increasing failure rates and generating intense price competition. In dealing with the competition migrants may resort to informal strategies and methods of production, including self-exploitation and heavy reliance on ethnic networks as far as establishing business partnerships and customer base are concerned. In effect, what helped to start a business may be also the factor which disables its expansion if the entrepreneur does not manage to become independent (“break-out”) of the network support and does not move upward in the entrepreneurial structure.

Post-industrial and low skill threshold markets are also characterized by a
relatively easy entry, due to lack of exceptional (formal and informal) human
capital requirements for business owners, yet as opposed to the vacancy-
chain markets, they have potential for expansion. This difference arises from
the post industrial character of the latter, which creates large demand for
e.g. personal services such as child-care, elderly-care, house cleaning, pet-
watching etc. Because of the market’s capacity and young age the state’s
and industry’s regulatory regimes may not yet have adapted to the new
supply-demand match, making it easier for immigrants to participate in these
markets. Immigrants starting new ventures in this segment must leave the
ethnic cocoon and participate in more heterogeneous networks in order to
explore consumer tastes and be able to serve the more affluent segments of
the post-industrial labor divide.

Post-industrial and high threshold markets may require higher levels of
human capital and only once that condition is satisfied and a business is
successfully established, can it further expand. Fulfilling the initial condi-
tion may be hard for many immigrants, though, who due to lack of required
skills or lack of recognition of skills they have acquired in their home coun-
try may be excluded from participation in this market. Thus entrepreneurial
initiative in this are may be more feasible for second-generation migrants or
very highly skilled first-generation migrants who manage to properly signal
their abilities to the market. Migrants who do poses highly demanded pro-
fessional competence may also consider participating in the primary sector,
highly remunerated wage-employment rather than risking starting their own
business. Especially that the diverse social and business networks one must
be embedded in to start their own business can be the same networks which
may provide employment opportunities.

The stagnating and high threshold markets are said to be rather unattrac-
tive for migrants and thus are not elaborated upon.

Ethnic markets are according to Kloosterman (2004) able to emerge in
any category of this typology and thus should be treated as special cases of
protected markets within these categories (see also: Wilson and Portes 1980).

Kloosterman and Rath (2001) further propose to decompose the mar-
kets in which opportunity structures are to be considered into three levels:
local/neighborhood, regional/urban and national.

On the national level one of the influences of institutional frameworks
on self-employment trajectories is through the division of goods and services
delivered by the market, publicly and by familial structures. The resulting
division could be based on the extent of social welfare policies or minimum
wage agreements. In case of generous social services and high minimum wages
the opportunities for entrepreneurial behavior are limited - costs of labor
become too high and profitability becomes too low.

The second influence is that of market thresholds which may be set up by
national regulatory bodies or local organizations of entrepreneurs. The level
of the thresholds may be affected by such factors as formal examinations which are required to open a business in a specific industry (organized either by the state or indigenous industrial organizations), the ease with which one can formally register a business, the amounts of start-up capital which are required for starting specific forms of enterprises etc.

The third national-level feature would be the dynamics of vacancy chains. By means of up-ward mobility established entrepreneurs may leave openings in the bottom of the industrial ladders in various business domains, thus enabling immigrant businessmen to fill the arising niches. Whether or not ethnic entrepreneurs follow that strategy, though, also depends on the opportunity costs of doing so, i.e. for example the availability of alternatives in wage-employment.

On a regional/urban level migrants face a “global mosaic of regional economies” (Kloosterman and Rath 2001, p. 8). They claim that in order for immigrant entrepreneurs to take full advantage of this diversity of opportunities, they have to aim at ventures which are locality specific, thus difficult to imitate by other entrepreneurs in other places. This geography of industrial organization, by making it feasible only for certain businesses to develop in a given place, affects the accessibility and potential for growth of that specific industry as well as of complimentary and competitive enterprises. The same forces are said to be creating the phenomena associated with “global cities”, where high concentrations of high value added enterprises and the influx of highly-skilled and highly-remunerated employees creates the demand for complimentary personal and household services, where economies of scale do not matter and where migrants can easily find their niche. These local market specificities present in contemporary markets are specifically the reason why, in the words of it’s authors, the concept of mixed embeddedness is crucial for understanding the specificity of immigrant entrepreneurship. It is not the migrants’ background that is the main determinant of entrepreneurial undertakings and success, but rather the way in which immigrants are able to adjust the various forms of capital they bring with them to local conditions - both opportunities and threats.

On a local/neighborhood level Kloosterman and Rath (2001) consider the intra-urban markets related to residential patterns of diverse communities within cities. They consider that local clustering of immigrant residential spaces may create fruitful markets for ethnic entrepreneurs who can be best qualified to serve their co-ethnic community. Moreover, it is specifically on the local/neighborhood level where migrants are said to develop their social networks and increase the level of their social capital. Their position in the networks and community structures constitutes their social embeddedness - the primary component of mixed embeddedness. The second component - the structures and institutions functioning in markets in which immigrant
entrepreneurs are active may also be shaped on the local level, though. Informal exclusion by means of e.g. not being able to find employees, rent office space etc. may be just one of the ways in which being (or not being) a member of a local community, embedded in its customs and social structures may affect the true accessibility of markets which theoretically may be open for all.

2.7 The frameworks of modes of incorporation

2.7.1 The modes of incorporation typology

Portes and Rembaut (1996, first edition in 1990) make a contribution to understanding the process of immigrant self-employment by developing a typology of immigrant incorporation with ethnic entrepreneurship as one of its features. According to them what is crucial to recognize when trying to understand the variations in immigrants labor market performance are 1) immigrants’ resource endowments in the form of educational attainment, skills, motivations, aspirations, professional experience, financial, social and cultural capital etc., 2) their status of entry and residence (legal, irregular, undocumented), 3) the conditions under which they left their countries of origin and 4) the contexts of reception.

The latter have been decomposed into governmental, labor market and ethnic community aspects:

- Immigrants arriving in the United States may have been subject to either of the two governmental strategies: “exclusion”, “passive acceptance” or “active support”. In case of exclusion migrants would have been forced to become a hidden population. In case of passive acceptance no extraordinary measures would be taken in order to facilitate immigrant integration, but no hostile actions would be pursued either. The third option indicates an active policy, possibly aimed at a specific group of immigrants who could e.g. fill in a clearly identified labor shortage. Portes and Rembaut (1996) point out that depending on the initial conditions of entry, e.g. governmental support may lead to independence and upward mobility of those who have the necessary skills to take advantage of the assistance, but for those who lack such endowments it may lead to dependency and marginalization.

- Labor markets are the second component of the incorporation process, representing either neutral, positive or discriminatory attitudes. Negative stereotyping by employers may lead to enclosure of certain immigrant groups in occupations perceived as disreputable or blocking their access to wage-employment in general. Positive stereotyping, as observed by Portes and Rembaut (1996) hardly ever appears and if it
does, then preference for ethnic minority employees is usually expressed by co-ethnic employers. Again, depending on the initial endowment immigrants may or may not have means and skills to deal with labor market discrimination. Those who do have resources may consider internal mobility to a more receptive market, or taking advantage of a business opportunity.

- Ethnic communities themselves are also responsible for the incorporation process of new immigrants. Yet they can either be inexistent, constituting predominantly the working class or be mainly professionals and entrepreneurs. In case of an absent community immigrants have to face the receiving market themselves and in case of a neutral environment they may, accordingly to human capital theory, find employment adequate to their skills and/or aspirations. Most often, though, immigrants follow pre-established networks in their migration projects, what implies that they arrive in localities, where an ethnic community already exists. If the community is composed of a working class, newcomers would also probably fall into this category of labor, reinforcing the (often discriminatory) occupational pattern of their ethnic group. If, on the other hand, the ethnic community is composed professional and/or ethnic entrepreneurs, newly arriving immigrants may have not only access to information about primary labor market job opportunities (for those whose qualification can be recognized), but they can also be a source of labor demand themselves - providing jobs for the poorly endowed, but with complete acknowledgement of their skills and thus perspectives for upward mobility within the ethnic niche (Wilson and Portes 1980).

2.7.2 The game of “ethnic musical chairs”

Another conceptual approach to immigrant incorporation has been introduced by Waldinger, who describes immigrant incorporation in the context of industrial change in the second half of the 20th century in New York City. Waldinger conceptualizes the process of how immigrants manage to undertake self-employment due to succession of entrepreneurial openings (Waldinger 1987, Waldinger 1996). This has been labeled the game of “ethnic musical chairs” (Waldinger 1996, p. 257). In Waldinger’s view due to the industrial transformations taking place in the 70’s in the New York City area lead to changes in the composition of local industrial and labor markets such that the numbers of whites declined “setting in motion a vacancy chain, allowing nonwhites to move up the job hierarchy as replacements for whites” (Waldinger 1987, p. 370). These changes were on one hand triggered by an economic shift from labor-intensive manufacturing to capital-intensive services as well as by demographic processes which involved: 1) an exodus of the
white population and 2) an inflow of African-Americans from the South and of Puerto Ricans which after 1960 transformed to an inflow of immigrants from a multitude of origins. These processes are said to have jointly lead to a new division of labor, which was primarily based on ethnic demarcations. Despite their poor qualifications, the Puerto Ricans and the African Americans did manage to find jobs in the transforming economy while the largest job-losses were on the side of the native and foreign-born whites. Based on these observations Waldinger (1987) hypothesizes that

the position of non-whites depends on the proportion of the preferred group (whites) in the labor force (Waldinger 1987, p. 377).

Waldinger observes that the small business segment of the market went through a similar succession process (Waldinger 1996). In the above-mentioned circumstances self-employment became a predominantly immigrant activity, with rates exceeding those of African-Americans and as duration of stay increased, also exceeding those of the white population. He finds three main reasons for such a state of things:

- increasing immigrant populations, creating their own ethnic demand which co-ethnics were best suited to serve,
- opportunities for succession in small business industries, which could not benefit from mass production and/or mass distribution practices and which in the new economic environment seemed mildly profitable for communities which use to occupy them,
- lack of other opportunities for immigrants whose skills did not match the labor demand or who could not have their skills recognized.

Consequently, migrants formed exclusive niches in specific sectors and industries, where they could take advantage of their cultural and human capital gained at places of origin. The exclusivity of these niches implies closing them for the resident African-American population. New opportunities for immigrant self-employment arose both in declining sectors as well as in the booming ones. The former was due to the new opportunities of entrepreneurial expansion for well-established native businessmen, who no longer wanted to operate poorly remunerated ventures. The latter generated demand for complimentary goods and services as well as gave momentum to the phenomenon of what we now call “global cities” (Sassen 2001).

Rath (2000a) criticizes Waldinger’s model applying it to immigrant entrepreneurs in Amsterdam. He recognizes four aspects of Waldinger’s concept which do not fit into the stories of immigrant incorporation in the Dutch case. The first of these is the notion of a “labor queue” (Waldinger 1996, p. 26).
The idea implies that there is a fixed hierarchy of preferences towards specific categories of the labor force. As Rath points out, the Dutch society is not as race-conscious, though, as the Americans society. Moreover, he recognized the sociopolitical dynamics of how minority statuses might change over time, thus changing the ordering of the “queue”. Secondly, Rath comments on Waldinger’s assumption of long-term cohesion, solidarity and support within ethnic communities. He notices, that the social relationships within ethnic groups tend to change over time and, especially under the circumstances of harsh ethnic competition within ethnic niches (see also: Kloosterman 2004), this may not be true. Rath’s third argument relates to the importance of local institutional frameworks at the destination, which affect the opportunities for immigrant self-employment. He cites Waldinger for his stress on the role of ethnic networks in the process of immigrant incorporation, while the notions of consumer demand, technological change and international division of labor seem to be insignificant. Finally Rath draws attention to the underexposed variety of the scopes and scales of institutional frameworks which affect immigrants’ opportunities.

In a subsequent piece of critique Rath (2001) notices also the drawbacks of Waldinger’s definition of niches which is said to 1) too weakly point to the voluntary character of their formation and 2) too strongly emphasize the absolute size of the self-employed and wage-employed ethnic community (what in case of Amsterdam would lead to excluding economically and culturally significant and distinct ethnic communities). He also points to the lack of differentiation between occupations and branches of trade and industry, which may be spread over different labor markets, making the distinction crucial to understand the immigrant modes of incorporation in these specific markets.

2.8 Process model of immigrants’ venture creation

In a more recent publication Vinogradov and Elam (2010) present a process model of venture creation as performed by immigrant entrepreneurs (see Figure 6). This is an attempt to bring the literature on immigrant self-employment closer to the more general stream of research on entrepreneurship as such.

Vinogradov and Elam stress the differences which make immigrant self-employment unlike the same activity carried out by the native population. They assert that the sources of differentiation are the pre-migration and migration experiences of newcomers as well as the notion of migrant selectivity. Based on this claim they decompose the process of becoming self-employed as experienced by immigrants into five elements: 1) the existence of opportunity, 2) the discovery of opportunity, 3) making the decision to exploit the opportunity, 4) acquiring necessary resources and finally 5) creating a new business. According to their concept, opportunities unique to immigrants and unavailable to the native population may arise due to positive
consumer discrimination, while at the same time local laws and regulations may constrain other possibilities available to immigrants. Given the existence of certain opportunities, immigrants’ level of human and cultural capital as well as the extent to which one functions with a migration network further affect whether the opportunities are recognized. The decision of whether to exploit these opportunities or not is to be the immigrants’ third step in the process of venture creation. Minority members may be forced to take advantage of given opportunities in case other possibilities are inaccessible - e.g. due to discrimination and blocked mobility. They may also be pulled into self-employment by cultural factors, be it inherent (affecting individual psychological traits) or contextual (affecting immigrants’ environment in the host country). Once the decision to engage in an entrepreneurial activity is made, resources are acquired either by means of migration networks or mixed embeddedness in the host and home country settings.

It is important to notice, that in each stage of the process as described by Vinogradov and Elam (2010), potential immigrant entrepreneurs are faced with minority-specific obstacles (legal, social and economic). At the same time, though, these closed paths redirect entrepreneurial potential into channels unthought of by the native population.

Figure 6: A process model of immigrant entrepreneurship. Source: Vinogradov and Elam 2010, p. 116.
3 The Known Knowns - Empirics

The empirical studies on immigrant self-employment suffer from the same definitional ambiguities, as theoretical considerations. Who is considered a migrant and what is classified as migration is subject to the acuteness of relevant statistical categories. These imperfections have to be taken into consideration when interpreting and, especially, contrasting and comparing various empirical works (e.g. see discussion on empirical evidence of ethnic enclaves in Section 2.2 The enclave economy hypothesis above).

In general, empirical research in immigrant self-employment can be classified into two streams of literature relating to 1) the probability of becoming self-employed (such as in: Borjas 1986, Phizacklea and Ram 1996, Sanders and Nee 1996, van Tubergen 2005, Akee, Jeager and Tatsiramos 2007), and 2) the returns to self-employment (such as in: Li 2000, Lofstrom 2002, Edin, Fredriksson and Aslund 2003, Portes and Shafer 2006). Due to data set construction, in most cases, studies which focus on immigrants’ returns to self-employment also explore the notion of its determinants (probability). Data used to conduct such analysis usually either comes from dedicated (i.e. not representative) surveys or from countries with relatively large immigrant populations (as the self-employed are a small percentage of the immigrant minority anyway). These constraints limit a vast majority of studies to a few major recipient countries such as the U.S., Canada, Australia or the UK. Due to the heterogeneity of immigrants in these major destinations, research on either probabilities of self-employment or returns to this form of labor market activity most often contains examinations related to e.g. racial differences or within- and across- immigrant group differences in access to various forms of capital.

The findings of empirical studies on immigrant self-employment remain inconclusive en masse as to the mechanism of the process of immigrants’ choice of self-employment. Therefore, the primary aim of this review is to identify articles published most recently (in 2010) on the subject of immigrant self-employment in a variety of peer-reviewed journals and working papers series and to cross check whether the theoretical concepts referenced in the previous sections are in fact useful for framing contemporary, evidence-based research. Due to lack of satisfactory geographical representation of the initially reviewed work, though, the analysis also encompasses selected papers which were published before 2010, but which provide insights into studies on immigrant self-employment in a wider range of socio-cultural contexts. All the papers have been chosen from the domain of economics or economic sociology of migration and were reviewed with respect to the posed research questions, adopted methods of analysis, data sets used and main conclusions derived.
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<th>Author</th>
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<th>Theoretical approach and concepts used</th>
<th>Research methods</th>
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<tr>
<td>Balaz, Vladimir and Williams, Allan M.</td>
<td>Path-dependency and Path-creation Perspectives on Migration Trajectories: The Economic Experiences of Vietnamese Migrants in Slovakia</td>
<td>2007, International Migration 45(2): 37-67</td>
<td>To what extent is path-dependency, path-creation and path-dependent path-creation the underlying mechanism of Vietnamese migration and market-trading in Slovakia?</td>
<td>path-dependency, path-creation, path-dependent path-creation, networks, opportunity structures</td>
<td>qualitative interviews</td>
<td>time of arrival, education, reasons for going to Slovakia, network support in business establishment, major obstacles encountered, migratory and occupational preferences</td>
<td>Slovakia: dedicated survey</td>
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<td>Jones, Trevor, Ram, Monder and Theodorakopoulos, Nick</td>
<td>Transnationalism as a Force for Ethnic Minority Enterprise? The case of Somalis in Leicester</td>
<td>2010 (Sept.), International Journal of Urban and Regional Research 34(3): 565-585</td>
<td>To what extent are Somali entrepreneurs in Leicester drawing on their transnational links when establishing small enterprises?</td>
<td>transnationalism, mixed embeddedness</td>
<td>semi-structured interviews, focus groups</td>
<td>firm activity, employment size, age, location, sectors of operation, personal characteristics of entrepreneur, motives for starting the business, obstacles and opportunities in business establishment</td>
<td>Leicester: dedicated survey</td>
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<td>Joona, Pernilla Anderson</td>
<td>Exits form Self-Employment: Is There a Native-Immigrant Difference in Sweden?</td>
<td>2010 (Fall), International Migration Review 44(3): 539-559</td>
<td>What are the survival chances of new immigrant businesses and do they differ from the chances of the natives, and if yes, then why? How do different factors contribute to the exit rates?</td>
<td>opportunity entrepreneurship, necessity entrepreneurship, blocked mobility</td>
<td>discrete time proportional hazard model (single and competing risk); non-linear Blinder-Oaxaca decomposition</td>
<td>probability of exiting self-employment within three years after start-up: personal characteristics including wealth, regional variables, duration of stay in Sweden, start-up subsidy received</td>
<td>Sweden: dedicated panel data set from official registers</td>
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<tr>
<td>Labrianidis, Lois and Hatziprokopis, Panos</td>
<td>Migrant Entrepreneurship in Greece: Diversity of Pathways for Emerging Ethnic Business Communities in Thessaloniki</td>
<td>2010, International migration and Integration 11: 193-217</td>
<td>What are the factors contributing to migrants’ entrepreneurial activity in Greece? How do these relate to the dynamics of immigrants’ integration? What are the prevailing business strategies and activities and why? How do these relate to specific migrant groups?</td>
<td>immigrant incorporation, mixed embeddedness, middleman minorities</td>
<td>semi-structured interviews, survey with open-ended and close-ended questions</td>
<td>profile and background of business, activities, finances, clientele, employees, motivations, problems and prospects</td>
<td>Thessaloniki: dedicated survey</td>
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<tr>
<td>Piracha, Matloob and Vaedani, Florian</td>
<td>Return Migration and Occupational Choice: Evidence from Albania</td>
<td>2010. World Development 38(8): 1141-1155</td>
<td>What is the impact of return migration on the Albanian economy when differences between own-account work and entrepreneurship per se are considered?</td>
<td>parking lot hypothesis: self-employment as temporary activity in anticipation of a wage-employment opportunity (Harris and Todaro 1970)</td>
<td>sample selection tests, multinominal logit of not working vs wage employment, own account work vs wage employment and entrepreneurship vs wage employment (jointly and disjointly for non-migrants and return migrants)</td>
<td>labor market status: individual characteristics, household characteristics, social capital, migration assets, community and regional characteristics; labor market status: return reasons; analysis of counterfactual probabilities</td>
<td>Albania: Albanian Living Standards Measurement Survey</td>
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Source: Author’s own elaboration.
As it can be seen, most recent research in the field of immigrant self-employment continually feeds on the theoretical concepts developed over the past decades. The most contemporary analyses of immigrant self-employment are indicative of the changes which have been going on in terms of immigrant settlement processes and longer and longer histories of migration of individuals.

Balaz and Williams (2007) focus on the impact of history on labor market outcomes of Vietnamese immigrants in Slovakia. They suggest that the decisions to engage in small market transactions (petty trade etc.) were a result of policies which stimulated selective arrivals and specific training obtained upon arrival in the pre-transition period. Within this framework they relate to immigrant self-employment-specific concepts, such as the notion of blocked mobility and ethnic enclaves. The latter were created by means of networks, which then were said to perform a channelling role by not adjusting their incorporation pathways to the post-transition economy. The article, having an exploratory character, does not rely on existing theories and concepts as the framework for analysis, but rather as the resulting, expected outcome.

Based on the conducted review it may be concluded that ethnic differences in self-employment rates are continuously a vital research question. Clark and Drinkwater (2010a) find that a fairly stable rate of immigrant self-employment in the United Kingdom masks variations among ethnic groups (see also: Clark and Drinkwater 2010b). Entrepreneurship in the “typically entrepreneurial” groups (Chinese and Indians) has been observed to decrease, while other ethnic communities (e.g. Pakistanis and Bangladeshis) increase their self-employment shares. Self-employment was found to be associated with long working hours and rather unattractive sectors. The decline in self-employment rates among the “typically entrepreneurial” ethnic groups was possibly a result of upward mobility of the second or third generation of immigrants. In their research environment Clark and Drinkwater (2010b) found no evidence for a positive ethnic enclave effect, rather the contrary was true - ethnic concentration in poor areas negatively affected entrepreneurial propensity.

A study which explored gender rather than ethnic differences in self-employment strategies was conducted by Collins and Low (2010) in Sydney. Embedded in a range of theoretical concepts, it focused mainly on the obstacles women face on the labor market. On top of labor market discrimination faced by women in general, it has been emphasized that women coming from ethnic minorities additionally have to deal with non-recognition of their skills and discrimination called an ‘accent ceiling’, thus stressing the existence of entrepreneurship out of necessity rather than out of opportunity.

do Couto Sousa (2010) focused specifically on the functioning of ethnic enclaves and found that among the Spanish-speaking immigrants in the United States a positive effect of ethnic enclaves may be found in human
capital spillovers form the better educated to the poorly educated members of ethnic communities. The less-endowed immigrants were, thus, also more dependent on ethnic enclaves, when compared to their college-educated or English-speaking counterparts.

Fairchild (2010) also looks into the ethnic enclave hypothesis and finds that ethnic concentrations may affect the propensity to become self-employed also when it comes to second-generation migrants, who were socialized into the enclaves during their formative years. This work provides a valuable suggestion that as subsequent generations of migrants enter the labor markets of their receiving (home?) countries, researchers have to ask unprecedented questions and analyze new form of old processes.

In their paper Fairlie and Woodruff (2010) once again look at ethnic differences in self-employment rates, but focus their analysis on Mexican-Americans. By being able to take advantage of a natural experiment in the form of an introduction of a legalization act in the U.S., they show that lack of recognized legal status is also a major obstacle in business start-up.

The paper by Fresonza-Flot and Pecoud (2007) allows us to look at immigrant self-employment in a Eurasian context. Their work does not extensively deal with theoretical concepts specific for the analysis of immigrant self-employment, though. Instead they explore the modes of labor market incorporation of Filipino immigrants in Paris based on the general migration network theory (Choldin 1973, Fawcett 1989, Guilmoto and Sandron 2001). Despite not being explicitly related to the stream of contributions on ethnic economies, the paper places its discussion and concluding remarks in the context of ethnic enclaves (stressing that the notion of spatial clustering of immigrant businesses does not apply in this case).

Guerra, Patulli and Maggi (2010) take us back to the ethnic enclave hypothesis and make an attempt at determining what is the role of both local ethnic community and local geographical characteristics in the process of becoming self-employed in Switzerland. They find that if the locally dominant ethnic group has immigrated rather recently, their self-employment rates will be relatively lower. Moreover, linguistic competence, the lack of which is theorized to push immigrants into self-employment, has been found to positively affect immigrant self-employment rates. In consequence the authors conclude that groups which immigrated to Switzerland not so long ago experience more obstacles than well established and integrated ethnic communities.

The paper by Hammarstedt (2004) does not relay strongly on existing theories and concepts. It rather focuses on notions derived from labor economics literature related to occupational choice. The reason for such an empirical approach is the objective of exploring within-group differences, what makes it reasonable to assume that all members have a rather homogenous access to required resources.

Ishaq, Hussain and Whittam (2010) look at obstacles for immigrant busi-
ness start-ups. They hypothesize that racism experienced from the side of the consumers and local native communities might be the factor responsible for an empirically observed increased rate of immigrant business closures. Although they do find that some form of racism was experienced by a vast majority of interviewed immigrant small retail business owners, there seems to be little evidence that racism contributed to business closures. The burden that it brings might potentially discourage entrepreneurs-to-be, though, by decreasing the profitability of business and imposing a threat of personal safety. Thus the authors do classify it as a barrier to entry (see section 2.3.3 Consumer discrimination).

Transnationalism is one of the aspects which is rather new in the discourse on ethnic entrepreneurship, as certain global conditions had to be met in order for it to occur. Jones, Ram and Theodorakopoulos (2010) research this notion in the case of Somali entrepreneurs in Leicester, UK and find that indeed the possibility to draw on transnational links in accessing financial resources, information and sources of labor is crucial for successful business start-up. Yet they also identify market forces which, unfortunately, can not be bypassed using these resources.

The research of Joona (2010) also represents a relatively new aspect of research on ethnic entrepreneurship, namely the process of exit form self-employment. With substantially long data series and adequately large proportions of immigrant entrepreneurs who start business ventures in the first place we are able to follow this phenomenon. The research provides evidence for post-entrepreneurial deprivation of immigrants, who face higher risks of exiting to unemployment and lower possibility of exiting to paid employment. They also tend to set-up businesses in industries with higher exit rates in general. Immigrants are also found to be more likely to have entered self-employment from unemployment. The latter two conditions (industry of business activity and labor market status prior to self-employment) are recognized as the main contributors of the general difference in exits between the natives and immigrants.

Kalitanyi and Visser (2010) research self-employment in South Africa. This its self constitutes a rather interesting case, as a vast majority of studies focus on the Western economies or, in case of quantitative studies, are even more limited to countries which have significantly large proportions of immigrant entrepreneurs. The work touches upon topic present also in the European or American discourses, namely the question of whether “immigrants are taking our jobs?” The findings from a dedicated survey are that in the case of the local economy of Cape Town immigrants are rather job-creators for the local labor force, than anything else.

Kesler and Hout (2010) perform a contemporary study aiming at testing the original enclave economy hypothesis. They focus on the co-ethnic employees rather than ethnic employers, yet their findings echo the positive enclave spillover effects effects found by do Couto Sousa (2010). They re-
alize that employees in ethnic economies benefit from successful co-ethnic entrepreneurs and are able to earn more than ethnic employees in communities where there is a lower rate of successful entrepreneurship. It seems that the “success rate” of enclaves also imposes certain condition of competition, which reflect in the fact that immigrants with lower skills earn less in more entrepreneurial communities. Highly skilled employees earn comparably regardless of the rate of successful ethnic entrepreneurship in a community.

Labrianidis and Hatziprokopiu (2010) focus in the strategies of immigrant entrepreneurs in Thessaloniki, Greece. Looking from the point of view of distinct business strategies, they classify ethnic entrepreneurs into four categories: 1) disadvantaged, survival entrepreneurs, 2) integrating value entrepreneurs, 3) ethnic entrepreneurs and 4) migrating entrepreneurs. The Greek context also encompasses value in its self, as it has not been extensively exploited in this stream of research.

Le’s work (Le 2000) acknowledges the middleman minority theory, the ethnic enclave hypothesis as well as the disadvantage theory, yet in an analysis of the factors responsible for the propensity of immigrants to become self-employed she operationalizes these concepts in a very specific way. From the middleman minority theory originates the incorporation of current profession into the statistical analysis. The reasoning behind this is that it has been shown in other studies that an individual’s propensity to become self-employed increases with occupational status - as he/she gains skills and social capital helpful in starting a business. The ethnic enclave is operationalized in two ways - as the proportion of same-second-language population in a given area and as the proportion of same-birthplace population in a given area. The disadvantage theory leads to including English-language proficiency as an explanatory variable, the effect of which remained of empirical matter due to conflicting theoretical explanations of possible effects.

Li (2001) uses Canadian data and explores attributes of individuals which are explanatory variables in the analysis of the probability of becoming self-employed. He notes the ideas of a disadvantage push and an ethnic enclave pull into self-employment, but his intention is to reveal why do some members of one ethnic group (exposed to the same enclave) engage in entrepreneurial activity and others do not? Similarly, why do members of minorities which do not organize in enclaves undertake self-employment anyway? Apart from standard covariates of self-employemnt propensity found in economic literature such as age, education or gender, Li also considers one’s class of admission into Canada and the state of the economy upon arrival. The findings neither reject nor confirm the enclave economy hypothesis or the concept of blocked mobility. They do suggest though, that regardless of these contextual effects, individual attributes play a crucial role in both pushing and pulling immigrants into self-employment.

Nijkamp, Sahin and Baycant-Levent (2010) explore break-out strategies of immigrant entrepreneurs, which enable them to access open markets and
make more significant contributions to an innovative business climate in the receiving countries. They recognize the critical success factors are different for different ethnic groups and based on the researched sample of ethnic entrepreneurs in Amsterdam they come up the following ranking: Moroccan - 1. managerial skills, 2. negotiation skills, 3. innovation, financial knowledge, 4. communication skills; Surinamese - 1. negotiation skills, 2. market orientation, 3. managerial skills, 4. innovation; Turkish - 1. customer relationships, 2. part-time employees administration, 3. negotiation skills, managerial skills.

Ohlsson, Broome and Bevelander (2010) once again turn to the reasons behind different self-employment rates among ethnic communities. They shed new light on the question, though, by providing evidence that the variation in self-employment propensity among individuals can be explained (in 14% for men and 16% for women) by country of birth and allocation to a given local labor market area. Thus approx. 85% of differences in self-employment rates can be attributed to individual differences. This finding may possibly refocus subsequent research away from the inherited, common, ethnic determinants of entrepreneurial success, what has been a major focus of the literature on the subject up to now.

Another study symptomatic for the changing nature of global migration process is that of Piracha and Vaedan (2010), who look at self-employment propensity among return migrants to Albania. This type of migration, not very widely described in contemporary migration literature, has not been commonly recognized a type of immigrant (re-migrant?) entrepreneurship, but as the phenomenon gains momentum, it may as well be. The study also sheds light on the definitional debate around self-employment and entrepreneurship by distinguishing between self-employed returnees and entrepreneurs-returnees. It turns out that own-account (self-employed) re-migrants have characteristics similar to non-participants of the labor market, while entrepreneurs were better educated and have experienced target-saving migration. It is also shown that if people would not have migrated in the first place, though, they would have been more likely to be own account workers rather than entrepreneurs, thus pointing towards the benefits of migration for establishing successful entrepreneurial ventures back in the country of origin.

Thompson, Jones-Evans and Kwong (2010) explore the effects of educational attainment on attitudes and success of early-stage entrepreneurship among three ethnic communities in England and Wales. They also distinguish between opportunity-driven and necessity-driven self-employment. The findings do not allow to determine a unique pattern of causes and consequences and point to an asymmetrical impact of educational attainment on Pakistani, Indian and White graduates' attitudes towards entrepreneurship and the rates of necessity and opportunity self-employment.

Vinogradov and Kolvereid (2010) present a quite unorthodox approach to immigrant self-employment, though apparently already recognized in stud-
ies on wages of immigrants. They appreciate the ideas originating from the middleman minority theory and the ethnic enclaves hypothesis, but rather focus on the notion of common cultural background as a factor responsible for differences in self-employment rates among immigrants. They take this concept a step further and claim that it is the level of national IQ in the home country, that could be an explanatory variable of self-employment rates abroad. The authors find a positive relationship between the IQ level in the home country and self-employment rate of immigrant groups on the example of Norway. The finding is explained as indicating positive selection of entrepreneur-immigrants based on their capabilities of new knowledge and skill acquisition. This effect seems to be most significant for immigrants who have arrived in Norway relatively recently, though.

Wang (2010) looks another look at the U.S., clearly one of the best researched markets as far immigrant self-employment is concerned. He takes an innovative perspective, though, by looking at immigration gateways and their effects on self-employment rates of various ethnic groups. It appears that different types of immigration gateways influence the environment for business ownership in diverse ways, with post-World War II gateways representing the most favorable environments for new entrepreneurial ventures.

As far as research methods are concerned both qualitative and quantitative approaches are used for research on immigrant self-employment. Qualitative research seems most suitable especially when it comes to researching all the individual psychological and personal motivations, preferences and other reasons for pursuing self-employment, but also social process such as the effect of racism on self-employment propensity of immigrants.

Quantitative methods applied in the reviewed papers consist of statistical analysis and methods suitable for dealing with dichotomous variables. Logistic regression seem to be the most commonly used tool, yet they are complimented with decomposition methods used in order to disaggregate the factors responsible for various outcomes of the complex phenomena under investigation.

4 The Known Unknowns

Recent reflections on the state of the art of research on immigrant self-employment have pointed to a few possible directions, in which the field may further develop.

Rath and Kloosterman (2000) perform a critical study of research on immigrant entrepreneurship in the Netherlands. Their primary concern is related of the overwhelming overrepresentation of sociologists, social anthropologists and economic geographers in the field, what leads to a relative un-
derrepresentation of e.g. economists. This composition of researchers implies dominance of discipline-specific scientific approaches in which case ethnocultural analysis of immigrants’ characteristics and modes of incorporation have been most influential in the field. The notions of institutional frameworks present in the host countries, labor market conditions, underlying structural changes in the modes of production and industrial organization are consequently neglected in the analysis. Rath and Kloosterman (2000) finally observe that even if new theoretical developments are considered in the literature they have examined, they lack depth and rely on “standard” theoretical concepts.

As a remedy for this state of the art, Rath and Kloosterman (2000) propose applying a multidisciplinary and multi-level approach to studies on immigrant self-employment. They suggest that from a micro-perspective the phenomenon be studied from the point of view of the entrepreneur in a Schumpeterian sense, not assumed to be once and for all embedded in his/her ethnicity, but who is an economic actor whose ethnocultural characteristics are one among many factors influencing his/her actions. On the mezzo-level Rath and Kloosterman (2000) suggest analyzing social networks of immigrant entrepreneurs form the perspective of their economic relevance, distribution, density, functionality and meaning for transnational economies. Further they advocate focusing also on the business itself as well as on the businessman - exploring where and how do migrants’ ventures fit into the schemes of industrial organization, value chains and how do these economic networks interact with the immigrant status of the entrepreneur. Moving upward towards an even more general perspective it is recommended that research on migrant self-employment includes also the structural changes taking place in advanced urban economies and political-institutional frameworks in which these changes occur. Finally Rath and Kloosterman (2000) advocate making efforts towards enabling international comparisons of ethnic entrepreneurship, what in their view may lead to findings of interesting new relationships, which would otherwise remain unnoticed.

Portes, Guarnizo and Haller (2002) discuss the notion of transnationalism in the context of migrant entrepreneurship. The two main streams of literature so far developed using this approach either claim that transnational entrepreneurship is an important phenomenon, which should be studied next to more “traditional” concepts such as immigrant assimilation, acculturation and incorporation or that in fact it does not differ from processes we have always observed and, thus, does not constitute any novel theoretical approach. The authors provide proof from a dedicated study that indeed transnationalism among migrant entrepreneurs is a very distinct and highly significant phenomenon. Transnational entrepreneurs instead of pursuing typical strategies of adaptation gain advantage by sustaining tight relationships with the country of origin, traveling back and forth and in this way generating new complex relationships - in both social and business terms. What Portes et al.
leave unanswered are the questions of how contemporary transnationalism relates to its predecessors, how and why it varies across different migrant populations and how it develops over time.

Ibrahim and Galt (2003) propose to develop research on ethnic entrepreneurship in the direction of “old institutional explanations”. They criticize the “culturalist approach” (by which they understand such frameworks as that of the ethnic enclave economy hypothesis) for assuming that immigrants cultural capital is a resource which is static in character. The “economic explanations”, in the wide spectrum of the research question they address, are found guilty of eventually turning to explaining the residual differences in ethnic entrepreneurship with the vague idea of “culture” anyway. The approach of new institutional economic is given slightly more credit, yet it is also compared to the cultural line of reasoning as treating cultural and social norm of behavior as given and not subject to change. Instead Ibrahim and Galt (2003) advocate advancing research on ethnic business development by means of acknowledging path dependency and applying ideas from biological phylogenetic evolution, where the composition of the population changes as a result of selection and no ultimate outcome exists (see e.g.: Hodgson 1993). In their opinion applying the idea that past constraints affect our current sets of available opportunities and choices allows to combine the paradigms of both cultural and economic explanations. Achieving this theoretical synthesis may further allows us to understand how ethnic entrepreneurship develops in the context of organizational and behavioral institutional changes and design appropriate policy instruments to facilitate it.

Zhou (2004) in his review of research on immigrant self-employment suggests that the controversies and contradictory findings around ethnic entrepreneurship stem from conceptual confusions around such concepts as the ethnic economy, the ethnic enclave or middleman minority. He discards operationalizing these ideas by means of proxies, which are presented as essentially coherent while in fact they represent different categories of social or market phenomena (e.g. for contradictions arising from using either log-linear or linear form of return form self-employment see Portes and Zhou 1996). The two areas where Zhou (2004) recognizes significant and promising advancements are, yet again, the transnational perspective and the social effects of immigrant self-employment, which include community and network building as well as developing environments beneficial for the incorporation of second generation immigrants.

Based on the analysis of theoretical and most recent empirical contributions to research on ethnic entrepreneurship we may see that - with changing socioeconomic environments - 20 years after the most influential concepts such as the one on middleman minorities or ethnic enclaves have been developed, “old” concepts are still subject to empirical verification. At the same time newly emerging areas of research on immigrant self-employment call for scientific attention.

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