

Immigrant Self-employment: Definitions, Concepts and Methodsⁱ

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The paper presents a review of selected definitional issues and theoretical concepts related to the phenomenon of immigrant self-employment. A chronological analysis of the developments of the academic discourse on the topic allows detecting the interconnections between various approaches and understanding their growing complexity. The inquiry is complemented with a review of most recent empirical studies, what enables an assessment of the applicability and usefulness of long-established concepts for framing contemporary studies. Based on the appraisal of gathered material this paper also points to the limitations and possible areas of development of future research in the field.

Keywords: migration, self-employment, ethnic entrepreneurship, middleman minority, ethnic enclave

Introduction

As labour market strategies migration and self-employment have at least one thing in common. In his pioneering research on entrepreneurship Cantillon (1755) observed 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 labour market strategy has been embedded in its time-, effort- and risk-demanding character. Similarly, migration is a strategy associated with high costs and uncertainty of outcomes. Thus it should follow that immigrants, since they are risk-takers by nature, would on average have greater propensity to become self-employed, than natives. Observed patterns of immigrants' labour market choices fail to substantiate this assertion, though.

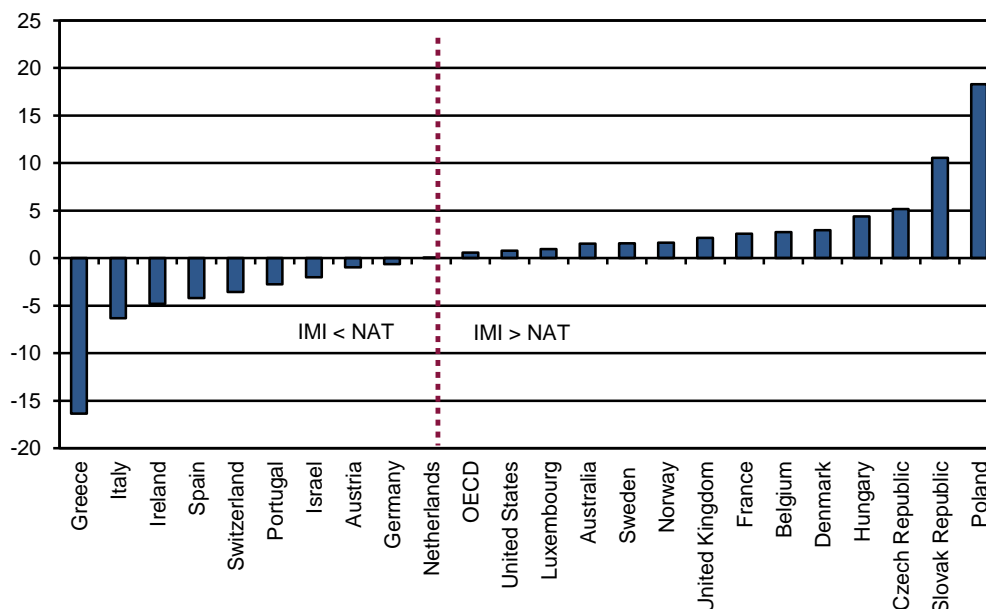
The prevalence of risk-taking in both migration and entrepreneurship, in spite of being seemingly grounded in economic intuition behind migration and entrepreneurship, is not as obvious when it comes to empirical studies. Desiderio and Salt (2010) note that indeed, *ceteris paribus*, self-employment rates are slightly higher among immigrants, than among natives in most countries associated in the Organisation for Economic Cooperation and Development (OECD), but at the same time they point out that this relationship varies greatly across states. Most recent data (OECD 2011, see Figure 1) place Greece, Italy, Ireland, Spain, Switzerland or Portugal on one end of the spectrum, with shares of entrepreneurs in total employment on average 6 percentage points (pp) higher among the natives than among the immigrants. In Greece the difference reaches a high of 16 pp. On the other side of the spectrum we find Poland, Slovakia, the Czech Republic, Hungary,

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Denmark, Belgium, France or the UK where the shares of entrepreneurs are relatively higher for immigrants, with the highest difference observed in Poland – 18 pp.

Figure 1. Difference between native and immigrant shares of self-employed persons as percentage of all employed natives and immigrants respectively, 2007-2008, in percentage points



Źródło: own elaboration based on data from the International Migration Outlook, OECD (2011), <http://dx.doi.org/10.1787/888932440698>.

Given the disparities in self-employment rates between immigrants and natives in specific countries we can comfortably take it for granted that there must be more to the migration-entrepreneurship link, than anticipated. Given the patterns depicted in Figure 1 it is neither the low risk-aversion of immigrants, nor the market conditions in the destination country that can solitarily explain these differences. Under what set of circumstances do immigrants choose to become self-employed then? And under what personal, social and market conditions is that an optimal labour market choice?

The diversity of market structures and opportunities, as well as consumer demand and preferences in distinct economies, are hypothesized to be the notions based on which migrants are able to perform successful arbitrage across markets – an activity inaccessible for immobile persons. It seems that, despite the forces of globalization and market organisation, there is and, at least for some time, still will be ‘structural viability’ of small-businesses in general (Kloosterman, 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 can and do find their niche. As it will be recognized on the basis of specific theoretical concepts, self-employment may also disentangle immigrants from potential labour market rigidities and constraints on employment of foreign labour in the destination countries.

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 en-

trepreneurship. Based on a supportive review of most recent empirical findings, the contemporary applicability of the reviewed theoretical concepts will be assessed. The resulting gaps will be pointed out in the conclusions.

Definitional issues

Before we move to the core of this paper let us pinpoint one principal issue. A careful reader would have noticed, that in the introduction the terms ‘immigrant’, ‘self-employment’, ‘ethnic’, ‘entrepreneurship’ and all possible combinations thereof have been used interchangeably. This will be a style applied throughout the text, following the practice of seminal papers in the area (e.g. Light, Bonacich 1988; Waldinger, Aldrich, Ward 1990; Portes 1995; Rath 2000b; Kloosterman, Rath 2003). Nonetheless, when analyzing and interpreting some works on the subject it is sometimes crucial to understand the designates of each of the terms. As it will become apparent in the following section, some phases of the discourse on immigrant self-employment have actually been dominated by debates on how to define and operationalize critical concepts under study. Based on an analysis of official statistical and conceptual definitions, as well as research practices, the following summary of the definitional debate is proposed:

Table 1. Summary of selected definitional considerations

	self-employment	entrepreneurship	business
immigrant	Most limited, yet most clear term. Allows straightforward identification of both immigrants and the self-employed, thus often used in quantitative empirical research.	Requires specification of entrepreneurship, yet may refer to an attitude rather than just a labour market state.	Used in analysis of intra- and inter-company relations and organisational structures, rather than for describing individual behaviour and decision-making processes of spatially mobile people.
ethnic	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.	Can be used in order to shift the weight of explanatory value to differences in behavioural patterns between groups which feature specific cultural characteristics.	Allows for the analysis of business organisation and industrial and market structures in relation to how they are run and exploited by diverse sub-populations.
minority	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 labour force (e.g. women).	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 labour market in general.	Focuses on the eventual placement and organisation of enterprises run by people representing groups excluded from the mainstream economy and/or labour market.

Source: own elaboration based on statistical definitions: International Labour Organisation (1949), International Conference of Labour Statisticians (1993), United Nations (1998), Internal Revenue Service (2012), OECD (2012); conceptual developments: Auster, Aldrich (1984), Boissevian, Blaschke, Grotenberg, Joseph, Light, Sway, Waldinger, Werbner (1990), Wennekers, Thurik (1999), Honig (2001), Górný, Kaczmarczyk (2003), Jomo, Folk (2003), Panayiotopoulos (2006), Parker (2006), Levie (2007); and empirical strategies: Bjuggren, Johansson, Stenkula (2010), Pedrisini, Coletto (2010).

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 1 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 and 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. Depending on the socioeconomic context of a given study and related sources of data similar concepts might be referred by means of different terms or the opposite may just as well be the case. Be that as it may, what should be kept in mind is the authors' liberty in providing various conceptualizations, and the implied assumptions and interpretational limitations.

Conceptual issues

This section will elaborate on the postulates, theoretical frameworks and models developed within the domain of research on immigrant self-employment. 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 people could have migrated in the first place.

The middleman minority theory

One of the first ideas about how and why immigrants become entrepreneurs was developed in the early 1970s – Bonacich (1973) introduced the concept of middleman minorities. The specificity of the immigrants' role in the economic and social structures of receiving societies was explicit. Immigrant groups were considered as communities 'in the middle', necessary intermediaries between market actors (agents, money lenders, rent collectors, brokers, etc.), but also in between the extreme social classes of the elite and the masses.

The key characteristic of middleman minorities was said to be the fact that they are, at least initially, sojourners, who do not plan to settle permanently in the destination country. This was not a sufficient condition to constitute a middleman minority, yet it was considered to be a necessary one. The reason for putting so much emphasis on the temporariness of immigrants' stay is that such a situation results in specific socioeconomic behaviour which is characteristic for middleman minorities, and which enables achieving success in business despite potentially unfavourable social and legal environments.

One of the behavioural patterns arising from the nature of being a sojourner 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 expected returns. 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 liquidable. 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 maintain high intra-group solidarity and choose not to integrate with the host society. These close ethnic ties also enable 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 or count on low-cost co-ethnic workforce, 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 help control internal competition by means of formal and informal guild-like institutions. Owing to solidarity, organisation, thrift and access to low-cost co-ethnic labour 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.

When it comes to the perception of middleman minorities by the host society Bonacich (1973) recognizes hostility as the predominant reaction. From the perspective of the host society, the temporariness of stay of middleman minorities results in unassimilability. The two main accusations towards middleman minorities 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 initially policy-driven, segregation, ethnic solidarity, love of homeland, increase of occupation and industrial concentration.

That said, middleman minorities may not necessarily want to eventually go back home. On the one hand this may be due to relative lack of opportunities in the home country. On the other hand, success in business may become an ‘addiction’ one will not easily give up, even for the possibility of return. 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 returning home. The latter strategy may be classified as that of ‘potential wanderers’, who leave their options of settling and returning constantly open. Summarizing Bonacich (1973: 593) writes: ‘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’.

Wong (1985) is among one of those who criticize the middleman minority theory and its 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 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 makes his case referring to second or third generation Chinese or Japanese living in the USA, who are said to be still classified as middleman minorities, despite the fact that they do not fulfil the socio-economic function of a middleman minority, nor do they represent its preliminary feature of being a sojourning community. He also accuses researchers who use the middleman minority concept of ecological fallacies resulting from looking at specific ethnic groups and eventually classifying all of them into one category of minority populations. The critique 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 USA. In his discussion Wong rather suggests that explanatory frameworks be sought in the discrimination hypothesis. The discrimination hypothesis will be discussed in one of the following subsections of this paper.

The enclave economy hypothesis

Short after Bonacich's (1973) theoretical contribution to the debate on immigrant self-employment a new stream of thought has developed, which put more emphasis on the internal economic structures and modes of operation of minority communities, rather than on the relations of ethnic minority entrepreneurs with the receiving society. On this arena such notions as the ethnic economy or the ethnic enclave economy have been developed. A large part of the debate concerning these concepts dealt with definitional and issues. The idea of ethnic enclaves and economies has been significantly affecting the debate on immigrant self-employment since the 1980s nonetheless.

The enclave economy hypothesis was developed by Wilson and Portes (1980) based on a claim that there exists a third alternative to the postulated primary and secondary labour markets (see: Doeringer, Piore 1971; Piore 1979). By analyzing the incorporation of Cuban immigrants into the American labour 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 labour market. In the open, secondary labour 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, Wilson's and Portes's (1980) concept converges with the ideas presented by Bonacich (1973). They claim that hiring labour from within the same immigrant community resulted in opportunities for expansion due to privileged access to markets and labour or immigrant solidarity and obligation of reciprocity. 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 presence of entrepreneurial skills among some people belonging to the immigrant population and 2) the renewal of the labour force within the enclave through immigration. In a subsequent study Wilson and Martin (1982) approached the notion of enclave economies from a comparative perspective and defined enclave economies as 'self-enclosed inner-city minority communities' (Wilson, Martin 1982: 135). They further specified that what contributes to the success of enclave economies is their collective vertical and horizontal integration, what possibly leads to significant additional spending within the economy once an initial demand is injected.

Not long after the original work of Wilson and Portes is published Auster and Aldrich (1984) develop the concept of an ethnic enterprise and use the concept of ethnic enclaves to define it. They concur 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. In this context Auster and Aldrich refine the understanding of enclaves. They consider them as spatial entities on the one hand (where the entrepreneurs can, better than mainstream businessmen, respond to the local customers' ethnic tastes), and, on the other hand, as 'networks of communal solidarity' (Auster, Aldrich 1984: 53) which can be spread across distant areas.

Subsequently Sanders and Nee (1987) challenge the enclave economy hypothesis as proposed by Wilson and Portes (1980). They 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. They reject the idea that there may be no cost to segregation in an ethnic enclave. After adapting Wilson's and Portes's methodology Sanders and Nee (1987) re-examine the Cuban population of Miami and Hialeah and the Chinese enclave in San Francisco and note 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.

Jiobu (1988) takes the idea of ethnic enclaves an extra mile and defines an ethnic hegemony, which is a situation in which an ethnic group gains economic control over an important economic arena, on which interaction with the majority also takes place (Jiobu 1988). The conditions which have to be met in order for an ethnic hegemony to develop are: 1) the existence of an internal, sheltered labour 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 labour market in which the minority is represented in disproportionately large numbers), 4) there must exist the possibility of exerting ethnic economic control, 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. When contrasting his concept with the idea of enclave economies, Jiobu 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 labour 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 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: Auster, Aldrich 1984). Furthermore, in light of the precondition that an ethnic hegemony relies on the middleman minority position of a given ethnic group and Wong's (1985) conclusion that the Japanese community in the USA fails to meet the criteria of a middleman minority as defined by Bonacich (1973), Jiobu's reasoning leaves space for doubt.

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 reconcile the findings of Wilson and Portes (1980) with those of Sanders and Nee (1987). On the one hand they find support for the positive view of the enclaves' role, specifically in relation to the possibility of upward mobility of immigrants via enhanced opportunities for self-employment. On the other hand, they do not find advantages in terms of workers' earnings or the entrepreneurs' returns to self-employment when individuals within and outside of the enclave economy were compared.

In a subsequent article Portes and Jensen (1989) identify three approaches to understanding the enclave economy which have developed so far: 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, Jensen 1989: 930). This was meant as a reply to 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. Portes and Jensen (1989) conclude that living in an ethnic neighbourhood 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. In two following articles Sanders and Nee (1992) and Portes and Jensen (1992) re-examine each other's results, each time coming to opposite conclusions. Eventually Portes and Jensen do not find sufficient arguments in the analysis of Sanders and Nee that disprove the enclave economy hypothesis. Concluding they add precision to the story of how enclave economies function, though, by signalling that the enclave economy does offer employment comparable in its returns to the mainstream economy, but that this feature holds rather for recent immigrants and to those who have limited language proficiency.

Given the ongoing discussion on the role of ethnic enclaves, Model (1992) puts the enclave economy hypothesis to yet another test, trying to compare the processes observed among the Miami Cubans and Bay Area Chinese within the frameworks of the ethnic enclave hypothesis, the middleman minority theory (Bonacich 1973), and the ethnic hegemony model (Jiobu 1988). In her work Model concludes that an enclave economy does not remunerate human capital strictly as hypothesized (Model 1992: 74-75). All in all, though, considering the various conceptualizations and definitional criteria, she concludes that neither does the enclave boost nor hamper income from labour.

Waldinger (1993) once again revises the ongoing debate concerning ethnic enclaves. He proposes including 'training systems' (Waldinger 1993: 447) as a critical feature, 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 the term ethnic enclave should be dropped and the ethnic economy should be considered instead. 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 stricto* and shift it to more relevant considerations about the structures and processes within ethnic economies.

In terms of definitional issues Light, Sabagh, Bozorgmehr and Der-Martirosian (1994) assert that interchangeable use of the terms ethnic economy and ethnic enclave economy is conceptually wrong. Their reasoning stresses that the ethnic economy is a concept derived from the middleman minority theory, while the notion of an enclave arises from the theory of labour market segmentation. Referring to the various approaches to the ethnic enclave economy hypothesis Light *et al.* (1994) come to a conclusion that what has developed in the literature so far is 'conceptual anarchy' (Light *et al.* 1994: 69). Aside from clarifying the semantics Light *et al.* (1994) emphasize that using relative (within enclave vs. open market) wages as a measure based on which the enclave economy hypothesis is tested is misleading, the related assumption being that the people who earn wages outnumber those whose activity is not regulated by any employment contract. 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.* (1994) conclude, the relative wages may be a very deceiving measure of the welfare of the 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, 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.

More recently Werbner (2001) has once again put the enclave economy hypothesis into the spotlight. She sets the relative wage, human capital and labour market issues aside and instead focuses on the organisational and industrial features of the enclave economy. Referring to 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 (ref.: Greve, Salaff 2005). Regard for the goods ethnic economies specialize in is therefore crucial to understand how they operate and might be the key to explaining the contradicting findings. 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.

The discrimination hypothesis

Wong (1985), in the context of the middleman minority theory, as well Light *et al.* (1994) in the context of the enclave economy hypothesis have pointed to the fact that immigrants' labour market choices may not be opportunity, but rather necessity driven, i.e. resulting from lack of other opportunities, discrimination. Such an understanding of immigrant self-employment has been labelled the discrimination hypothesis, or the disadvantage theory.

Over the past three decades the discrimination hypothesis received a number of formal conceptualizations and empirical verifications, being disaggregated into three processes: 1) employer discrimination (e.g. Moore 1983; Clark, Drinkwater 2000), 2) capital market discrimination (e.g. Coate, Tennyson 1992) and 3) consumer discrimination (e.g. Borjas, Bronars 1989). The first of these explains under what conditions immigrants would 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 is useful for explaining how consumer preferences with respect to providers of goods and services may affect the returns and thus also the numbers of immigrant businessmen.

Employer discrimination may be visible in two forms (Parker 2006). Either by blocking minority's access to the labour market in general, or by restricting their opportunities to low-paid jobs, what would result in choosing self-employment as an escape strategy. Given the theoretical assumptions of formal models of employer discrimination, e.g. identical distributions of entrepreneurial abilities in the migrant and non-migrant groups and that business profits are an increasing function of these abilities, the explanatory power of this concept is not enough to answer the question of why some immigrant groups have higher and others have lower rates of self-employment when compared to the natives, though. Light (2004) provides a typology of disadvantages immigrants may face in the context of labour market activity (see Table 2). It follows that if labour market discrimination is in place, but one does have access to some resources, self-employment may be the only feasible alternative.

Table 2. Immigrant disadvantages

		resource disadvantage	
		yes	no
	yes	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	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
labour market disadvantage	no	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	no disadvantage

Source: own elaboration based on Light (2004).

In the framework of the disadvantage theory and employer discrimination the concept of blocked mobility (also referred to as bleak mobility, Mata, Pendakur 1999) has been developed. The former appeared e.g. in the work of Waldinger, Ward and Aldrich (1985), Beaujot, Maxim and Zhao (1994), or more recently Raijman and Tienda (2000). This notion refers to a situation in which 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 labour market opportunities made available to them. In their study Raijman and Tienda (2000: 701) 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'. It is hypothesized, though, that 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.

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 having access to bank loans or being able to borrow relatively small amounts of money and 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 from the specificity and clustering of immigrant businesses mostly around only a few industries which have above-average failure rates (ref.: the middleman minority theory and Werbner's (2001) insights into the enclave economy hypothesis for discussion on immigrant sectoral specialization). When relatively lower collateral 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 of (risky) businesses (which happen to be run mostly by immigrants), a process referred to as statistical discrimination (Arrow 1998). Coate and Tennyson (1992) develop a theoretical model based on which they postulate that credit market discrimination actually occurs due to initial labour market discrimination.

The idea of consumer discrimination and its applicability to immigrant self-employment has been analyzed by Borjas and Bronars (1989), among others. The authors propose 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 equilibrium outcomes of both the consumer and producer choices imply 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.

The interactive model

In line with Waldinger, Aldrich, and Ward's previous inputs to the disadvantage theory of immigrant self-employment (Waldinger, Ward, Aldrich 1985), in 1990 the authors suggested a conceptual model in which they combine the idea of immigrants' limited opportunities (e.g. due to discrimination) with their possibility of mobilizing ethnic resources (e.g. within ethnic enclaves). Due to the mutual influences of its various components, the model has been named interactive.

The opportunity structures the authors define include historically shaped circumstances which enable (and constrain) ethnic entrepreneurship – market conditions and access to ownership possibilities. The types of industries, where immigrants are most likely to be able to set up the enterprises constitute specific niches: 1) where mass production technology does not apply and where mass distribution is unnecessary, 2) where there are low economies of scale, 3) where there is instability and uncertainty, and 4) where ethnic goods are in demand.

Apart from the somewhat external factors creating opportunity structures Waldinger *et al.* (1990) suggest that the immigrant group's own characteristics also affect the rates of entrepreneurship. These characteristics are divided into predisposing factors and possibilities of resource mobilization. Among the former the authors recognize blocked mobility, selective migration and migrants' aspiration levels. The latter category encompasses ties with co-ethnics, extent of social networks and government policies.

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) labour 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.

Within this framework Waldinger *et al.* (1990) look for explanations of why self-employment rates may differ across ethnic groups. They define three categories by which the immigrant communities differ, and which affect their functioning in the destination countries: 1) pre-migration characteristics (mainly level of human capital), 2) the circumstances of migration and the ways they evolve (e.g. into temporary vs. permanent migration) and 3) post-migration characteristics (especially the position of the ethnic group in the host economy).

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) their possibility of securing cheap subcontractors for big businesses, 3) their position as ‘buffer’ middleman minorities, and finally 4) their function of ‘ideological weapons’, which serves the majority to present certain ethnic groups as ‘model minorities’ (Bonacich 1993: 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. It seems that Waldinger, Aldrich and Ward’s initial proposal could, and partially did, account for such logic.

In a rather recent work Putz (2003) re-examines the interactive model looking from the perspective of cultural characteristics of immigrant groups. He accuses the ‘opportunity approach’ of being structuralist in its 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 framework by including paradigms derived from 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 the proposed analytical approach. He recognises that it does make an attempt at incorporating culture-specific notions into the model, but that these notions are based on two fallacies, namely that: 1) immigrant communities are homogenous (so that the 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 than as symbols which have fixed meanings and interpretations,
- only statements on single, constantly changing ‘cultural phenomena’ be made, as treating culture as a whole or its 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 an amended proposition of how opportunity structures and resources are translated into ‘ethnic strategies’ of dealing with the challenges they face as immigrant entrepreneurs. In Volery’s understanding there are two distinct, yet interconnected dimensions – the ethnic dimension and the entrepreneurship dimension. The advantage of Volery’s approach is that, on the one hand, his 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 certain 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.

The concept of mixed embeddedness

The interactive model (Waldinger *et al.* 1990) has become the foundation for Kloosterman and Rath's (2001) proposal to incorporate into the immigrant self-employment debate the notion of country-specific institutional frameworks. The diverse institutional settings were hypothesized to add explanatory power to the various post-industrial self-employment trajectories by implying different opportunity structures for immigrant and local entrepreneurs (see also: Vinogradov, Elam 2010). The work had the ambition to combine the agency and structural perspectives found in the critique of the interactive model. In pursue of their objective Kloosterman and Rath develop the concept of mixed embeddedness, which was also intended to be a solid theoretical framework suitable for international comparisons of immigrant self-employment. Mixed embeddedness implies that immigrants are not only embedded in immigrant networks and their ethnicity, but also in the 'socioeconomic and politico-institutional environment of the country of settlement' (Kloosterman, Rath 2001: 2). In their in-depth inquiry into what has so far been labelled generally as opportunity structures (see: Waldinger *et al.* 1990) Kloosterman and Rath firstly 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. 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.

In their furthering of how opportunity structures should be viewed, Kloosterman and Rath (2001) recognize two crucial dimensions – the accessibility and growth potential of markets. In effect Kloosterman (2004) proposes a two-dimensional typology of their interrelations. The typology allows to systematize various markets in terms of their attractiveness and accessibility for immigrant businesses by classifying them as stagnant or expansive on the one hand, and low threshold or high threshold (as far as human capital requirements are concerned) on the other hand. Ethnic markets are according to Kloosterman (2004) able to emerge in all but one categories of this typology and thus should be treated as special cases of protected markets within (see also: Wilson, Portes 1980). The only case which Kloosterman (2004) finds unattractive for immigrant businesses is that of stagnant and human capital demanding markets.

Although the concept of mixed embeddedness advanced the understanding of the interactive model it did so without addressing the critique addressed towards the original idea of Waldinger *et al.* (1990). This suggests that Bonacich's (1993) and Putz's (2003) concerns remain valid.

The frameworks of modes of incorporation

The contexts and opportunity structures under which immigrant self-employment becomes a feasible labour market strategy have been further elaborated upon in concepts which can be classified as frameworks of modes of immigrant incorporation. A major contribution to this stream of thought was that by Portes and Rembaut (1996, first edition in 1990) who developed 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' labour 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, etc.), 3) the conditions under which they left their countries of origin and 4) the contexts of reception. The latter have been decomposed into governmental, labour market and ethnic community aspects.

The above-mentioned aspects, just slightly differently phrased, have also been identified by Waldinger *et al.* (1990, see: Section *The interactive model*). It does not come as a surprise then that independently to the work of Portes and Rembaut (1996) Waldinger (1987, 1996) analyzes a specific case of immigrant incorporation, namely that which took place 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, 1996) and labels it the game of ‘ethnic musical chairs’ (Waldinger 1996: 257). In Waldinger’s view the industrial transformations taking place in the 1970s in the New York City area lead to changes in the composition of local industrial and labour markets such that the numbers of whites declined ‘set[ing] in motion a vacancy chain, allowing non-whites to move up the job hierarchy as replacements for whites’ (Waldinger 1987: 370).

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 (immigration being also a critical element of the development of ethnic enclaves, see: Section *The enclave economy hypothesis*),
- 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 (immigrant business specificity being stressed since Bonacich’s work in 1973),
- lack of other opportunities for immigrants whose skills did not match the labour demand or who could not have their skills recognized (a feature recognized in the enclave economy hypothesis, but mainly conceptualized within the disadvantage theory).

Though Waldinger’s ability to conciliate various analytical approaches within one framework, Rath (2000a) criticizes such a way of thinking when 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 is the notion of a ‘labour queue’ (Waldinger 1996: 26). The idea implies that there is a fixed hierarchy of preferences towards specific categories of the labour force. As Rath points out, the Dutch society is not as race-conscious, though, as the American society. Moreover, he recognized the socio-political 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. Rath 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 criticizes Waldinger for stressing the role of ethnic networks in the process of immigrant incorporation, while the notions of consumer demand, technological change and international division are put aside. Finally, Rath draws attention to the underexposed variety of the scopes and scales of institutional frameworks which affect immigrants’ opportunities, a notion which was later emphasized by Kloosterman and Rath in their 2001 paper. 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 groups). He also points to the lack of differentiation between occupations and branches of trade and industry,

which may be spread over different labour markets, making the distinction crucial to understand the immigrant modes of incorporation in these specific arenas of economic exchange.

Empirical research methods

The empirical studies on immigrant self-employment suffer from the same definitional ambiguities, as theoretical considerations. Who is considered to be self-employed 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. 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, Ram 1996; Sanders, Nee 1996; van Tubergen 2005; Akee, Jeager, Tatsiranos 2007), and 2) the returns to self-employment (such as in: Li 2000; Lofstrom 2002; Edin, Fredriksson, Aslund 2003; Portes, 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 come 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 USA, 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 labour 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 (for a broad review including theoretical foundations, posed research questions and methods applied to answer them see Nestorowicz (2011)). Due to that, or maybe because of that, 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 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, as they may focus on second generation migrants or chronicle subsequent labour market choices of individuals.

As far as research methods are concerned both qualitative and quantitative approaches are applied in research on immigrant self-employment. Qualitative research seems most suitable especially when it comes to researching the individual psychological and personal motivations, preferences and other reasons for pursuing self-employment, but also the effects cultural factors have on the self-employment propensity of immigrants. Quantitative methods applied in the reviewed papers consist of: 1) statistical analysis and methods suitable for dealing with dichotomous variables, e.g. logistic regressions (for exploring the odds of immigrants becoming self-employed), 2) linear regressions applied in studies of returns to immigrant self-employment, and 3) decomposition methods (e.g. the Oaxaca-Blinder decomposition) used in order to disaggregate the factors responsible for various outcomes of the complex phenomena under investigation, such as e.g. wage differences or diverse self-employment propensities.

Summary and conclusions

This paper aimed at reviewing and, when possible, pointing to interrelations between various theoretical frameworks formulated for the analysis of immigrant self-employment. It has appraised most frequently quoted concepts starting from the middleman minority theory developed by Bonacich in the 1970s, through

the probably most influential and controversial ethnic enclaves hypothesis, to most contemporary mixed embeddedness approach and all-encompassing frameworks of modes of incorporation.

Based on the analysis of theoretical and most recent empirical contributions to research on ethnic entrepreneurship we may see that, with changing socioeconomic environments, 40 years after the most influential concepts have been developed they are still subject to empirical verification. In large part the immigrant self-employment research frontier depends on data availability, though. It is also for this reason that most conceptual developments and corresponding empirical studies have been carried out in the North American, British, Canadian or Australian contexts. Determining, both theoretically and empirically, if and how the recalled understandings of ethnic entrepreneurship are applicable in other settings still calls for scientific attention. Especially, that existing theories provide quite a coherent, though not holistic, picture of how immigrant self-employment develops, while available empirical studies come to conflicting conclusions.

In the context of taking research on immigrant entrepreneurship beyond the dominant frames of reference, it could have not gone unnoticed that Central and Eastern European countries have the highest differences between immigrant and native self-employment rates, with the former exceeding the latter by 4.9 pp in Hungary, 5.2 pp in the Czech Republic, 10.5 pp in Slovakia, and 18.3 pp in Poland (Figure 1). At the same time research on ethnic entrepreneurship in this part of the world is scarce. The reasons behind these disparities remain unexplored. Could they lie in the reluctance or inability of the native populations to undertake self-employment? Or maybe they should be assigned to greater responsiveness of immigrants to the opportunities created by the economic transitions in the region? And how would the answers to these questions correspond to the conceptual frameworks presented in this article? It is yet to be determined.

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