

## SELF-EMPLOYMENT IN BUSINESS AMONG U.S. ETHNIC GROUPS

IN-JIN YOON

*Department of Sociology, Korea University*

*The intergroup variations in self-employment rates are understood as the outcome of the interaction of the following three factors: employment opportunity structures in the labor market, business opportunity structures, and the relative organizing capacity of members of an ethnic group to mobilize resources. This interactive model of ethnic entrepreneurship is applied to the Chinese, Japanese, Koreans, whites, and blacks in the United States. The data for this study come from the 1% and 5% samples of the 1980 and 1990 U.S. Censuses. The main findings are as follows. First, Chinese and Korean immigrants with college grades are most likely to be self-employed due to the combination of labor market disadvantage and resource advantage. Second, Japanese and white immigrants with college grades are not likely to be self-employed due to labor market advantage. Finally, American blacks are the least likely to be self-employed due to the combination of the low value attached to self-employment and resource disadvantage.*

### INTRODUCTION

Small business has been a persistent avenue of economic mobility for immigrants and ethnic minorities in the United States. The Jews, Greeks, Italians, Chinese, and Japanese are a few of the groups that have shown a strong propensity toward self-employment in small businesses. When the first generation of these groups faced disadvantages in the labor market, many of them turned to self-employment. The typical pattern of economic mobility via self-employed businesses has been that by virtue of hard work and thrift immigrants earned modest incomes to educate their children, while their children often became professionals or white-collar workers by rising on the shoulders of their parents. Even when economic mobility could not be achieved within the first generation, succeeding generations could enter the mainstream of society to compete for social prestige and wealth.

In contrast, other minority groups such as blacks, Mexicans, and Puerto Ricans have participated in small businesses at very low rates. The slow economic mobility of blacks has often been attributed to the absence of such an entrepreneurial class (Frazier 1957; Glazer and Moynihan 1970; Light 1972; Sowell 1975). Similarly, the absence of the Mexican enclave economy is

said to trap Mexicans in the secondary labor market, whereas the Cuban enclave economy in Miami provides Cubans with employment and business opportunities that are not easily available in the general economy (Portes and Bach 1985).

Some of the recent immigrant groups that have arrived in the United States after the 1965 Immigration Act seem to have followed the historic path of self-employment in small business. Korean immigrants are one of the recent immigrant groups that have concentrated in small businesses at very high rates. According to the 1980 U.S. Census, about 12 percent of Korean Americans were self-employed workers, while less than 7 percent of the Americans in general worked for themselves (U.S. Bureau of the Census 1983, 47, 159). In fact, Korean immigrants showed the highest rate of self-employment among 17 recent immigrant groups that immigrated to the United States between 1970 and 1980 (U.S. Bureau of the Census 1984, 12). By 1990 Korean Americans' self-employment rate jumped to 17 percent, whereas the corresponding rate for the general population increased moderately to 9.7 percent (U.S. Bureau of the Census 1993, 22, 113).<sup>1</sup>

The concentration of members of some immigrant groups in self-employed small businesses may seem puzzling because self-employment had been losing ground in the U.S. economy for decades until the mid 1970s. On this point, many sociologists have concluded that self-employment was incompatible with capitalist economic concentration and would become an economic anachronism in the future (Mills 1951, 24; Bottomore 1966, 50; O'Connor 1973, 29-30; Horvat 1982, 11-15). For instance, Marx ([1867] 1977, 776-781) predicted that the expansion of capitalism would destroy all precapitalist forms of commodity production, such as peasants, artisans, and small shopkeepers. The concentration and centralization of capital, according to Marx, would also drive out small firms that could not compete with larger firms that could take advantage of economies of scale.

Then, why do some immigrant groups continue to concentrate in small businesses, which are expected to become obsolete? Why do some

<sup>1</sup>The self-employment rate is the percentage of both employees of own corporation and owners of unincorporated businesses in the total employed persons 16 years and over. The self-employment rate for Korean Americans in 1990 was underestimated because it did not count employees of own corporation as self-employed workers. The published tables of the 1990 census treated employees of own corporation as private wage and salary workers, not as self-employed workers. To correct this problem, I used data from the 5 percent Public Use Microdata Sample of the 1990 Census. The adjusted self-employment rate for Korean Americans was 20.8 percent. If we include part-time entrepreneurs, the actual self-employment rate would be even higher.

immigrant and ethnic groups participate in small businesses at considerably high rates while others do not? Do small businesses facilitate upward economic mobility of immigrants and their descendants? These three questions are the central issues I want to explore in this study.

In this article, I first provide some background information on trends of self-employment in the United States, second, examine the degree of variation in self-employment rates among U.S. ethnoracial groups, and third, investigate relationships between an ethnic group's self-employment rate and its overall economic status (as measured by the average personal income, family income, and the degree of labor utilization). This historical overview of self-employment is followed by a brief survey of major theories of immigrant and ethnic entrepreneurship. In this review of the literature, I critically examine strengths and weaknesses of each theory and propose a new approach that can incorporate new dimensions of contemporary immigrant and ethnic entrepreneurship. Finally, I will empirically determine factors important for intergroup variations in self-employment rates and entrepreneurial success by using data from the 5% samples of the 1980 and 1990 U.S. Censuses.

### TRENDS OF SELF-EMPLOYMENT IN THE UNITED STATES

Recently a growing body of research has rejected the prediction of an inevitable decline of small businesses in the postmodern economy (Ray 1975; Fain 1980; Birch 1981; 1987; Boissevain 1984; Becker 1984; Light and Sanchez 1987; Haber and et al. 1987; Steinmetz and Wright 1989). As Figure 1 shows, the decline of self-employment slowed down during the late 1960s, and signs of its recovery began to appear in the late 1970s. In 1950, 17.6 percent of the civilian population aged 16 years and over was self-employed. The self-employment rate declined to 13.8 percent in 1960, to 8.9 percent in 1970, and to 8.7 percent in 1980. The rise of self-employment began in 1978 at 8.4 percent and reached a peak in 1988 at 9.4 percent and then dropped slightly to 8.8 percent in 1990 (U.S. Bureau of Labor Statistics 1989; 1992).

In this article, due to limitation in space, I will not discuss causes of the recovery of self-employment in the U.S. economy, but it is safe to conclude that the prospect of small businesses in the capitalist economy is not so bleak as previously predicted.<sup>2</sup> On the contrary, the very nature of the

<sup>2</sup>See Bregger (1963), Ray (1975), Bechhofer and Elliott (1985), Solomon (1986), Birch (1987), Steinmetz and Wright (1989), and Light and Rosenstein (1995) for various explanations for the recent rise of self-employment.

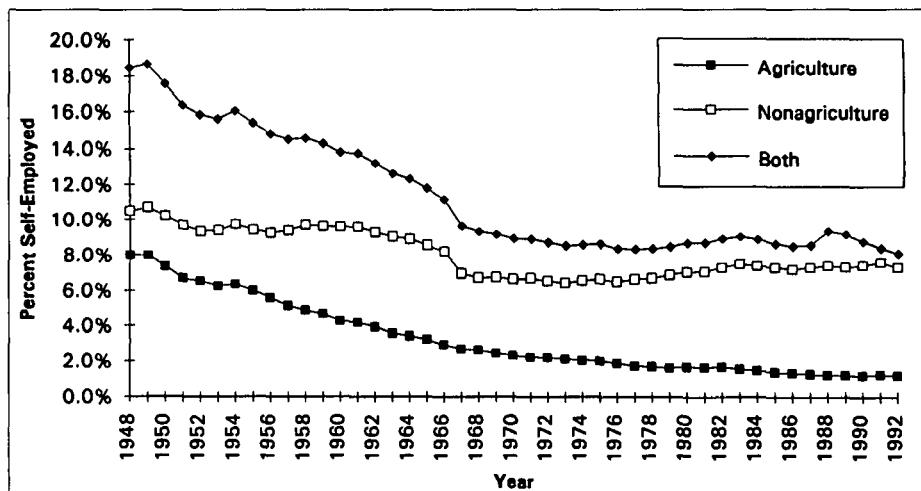


FIGURE 1. TRENDS OF SELF-EMPLOYMENT RATES IN THE UNITED STATES, 1948-1992

Source: U.S. Bureau of Labor Statistics, *Handbook of Labor Statistics*, 1989, p. 112; U.S. Bureau of the Census, *Employment and Earnings, Monthly*, January issues of 1989-1992. Labor statistics are derived from annual Current Population Survey, conducted by the U.S. Bureau of the Census.

Note: The total employed is the civilian noninstitutional population aged 16 years and over and worked during the time-reference period.

postindustrial economy, which requires fluid and flexible production and mobility of manpower and information, seems to provide expanding opportunities to small firms that can adapt more efficiently than larger firms to heterogeneous and unstable segments of the market. For those reasons, it is not surprising that immigrants continue to engage in small businesses at high rates, because opportunities still exist and are expanding for small entrepreneurs including immigrant entrepreneurs.

### INTERGROUP DIFFERENCES IN SELF-EMPLOYMENT RATES

The fall and rise of self-employment in the general economy seems to have little impact on immigrant and ethnic businesses. Self-employment rates of some immigrant and ethnic groups have always been high. Moreover, differences in self-employment rates among ethnoracial groups have been widely spread and persistent for decades despite the fall and rise of self-employment in the general population (Goldscheider and Kobrin 1980). Table 1, for example, illustrates persistent intergroup differences in self-employment rates among U.S. ancestry groups in 1990.

TABLE 1. SELF-EMPLOYMENT RATES OF U.S. ANCESTRY GROUPS, 1990 (Ranked Highest to Lowest)

Ancestry group	Rate	Ancestry group	Rate
1. Korean	24.3	53. French	10.6
2. Israelis	22.0	54. Venezuelan	10.4
3. Palestinian	20.1	55. Thai	10.3
4. Russian	19.8	56. Basque	10.2
5. Egyptian	19.4	National Average	10.2
6. Iranian	18.7	57. French Canadian	10.1
7. Armenian	17.6	58. Irish	9.8
8. Austrian	17.3	59. Japanese	9.7
9. Romanian	17.2	60. Sicilian	9.5
10. Lebanese	16.7	61. Polish	9.3
11. Icelander	16.7	62. Albanian	9.2
12. Greek	16.6	63. Slavic	9.2
13. Taiwanese	16.5	64. Dutch West Indies . . .	9.2
14. Swiss	16.4	65. Croatian	9.2
15. United Arab Emirates	16.1	66. Colombian	8.9
16. Syrian	16.0	67. Chilean	8.8
17. Turkish	16.0	68. Slovak	8.6
18. Celtic	15.6	69. Slovene	5.3
19. Argentinean	14.7	70. American Indian	8.3
20. Luxemburger	14.7	71. Bolivian	8.2
21. Latvian	14.4	72. Portuguese	8.1
22. Norwegian	14.3	73. Vietnamese	8.0
23. Bulgarian	14.0	74. Ethiopian	7.2
24. Danish	13.9	75. Honduran	7.0
25. Scandinavian	13.7	76. Brazilian	6.7
26. Belgian	13.7	77. Tridadian Tobagonian	6.7
27. Czech	13.6	78. Cambodian	6.0
28. Pakistan	13.3	79. Dominican	6.0
29. Australian	13.3	80. Jamaican	5.9
30. Swedish	13.2	81. Guatemalan	5.7
31. Asian Indian	13.0	82. Mexican	5.6
32. English	12.7	83. Salvadoran	5.5
33. Scotch Irish	12.6	84. Hawaiian	5.1
34. Lithuanian	12.4	85. Nigerian	5.0
35. Scottish	12.3	86. Ecuadorian	5.0
36. British	12.3	87. Eskimo	4.9
37. Czechoslovakian	12.2	88. Nicaraguan	4.9
38. Welsh	12.2	89. PaPanamanian	4.8
39. Hungarian	12.1	90. Filipino	4.7
40. Serbian	11.9	91. Haitian	4.6
41. Yugoslavian	11.9	92. Guyanese	3.9
42. Dutch	11.6	93. West Indian	3.8
43. Costa Rican	11.5	94. Puerto Rican	3.7
44. Spaniard	11.5	95. Afro American	3.7
45. Cuban	11.4	96. Laotian	2.8
46. Maltese	11.4	97. Guamanian	2.8
47. German	11.3	98. Samoan	2.8
48. Ukrainian	11.1	99. Malaysian	2.7
49. Finnish	10.9		
50. Chinese	10.8		
51. Italian	10.8		
52. Canadian	10.6		

Source: U.S. Bureau of Census, 1 percent Public Use Microdata Sample of the 1990 U.S. Census.

Note: Only civilian employed workers aged 16 years and older were included. The first entry of the ancestry category was used to determine the ancestry of individuals. For more information on the definitions of ancestry groups, techniques handling multiple ancestries, and problems with the Census ancestry question, see Lieberson and Walters (1988) and Fairlie and Meyer (1994).

In 1990 Korean Americans ranked the highest in self-employment rate with a quarter of their civilian employed workers being self-employed. Their self-employment rate was more than twice the national average. The next highest groups in self-employment rates were Israelis, Palestinians, and Russians. Their exceptionally high rates of self-employment seems to be due to the high proportion of Jews within these groups, who are well-known for their entrepreneurial tradition. Iranians, Lebanese, and other Arab Americans were also clustered near the top of self-employment rates. Among Asian Americans, Taiwanese, Pakistanis, Asian Indians, Chinese from the Mainland China, and Thais recorded self-employment rates above the national average, but Japanese, Filipinos, and Southeast Asian Americans were below the national average. Hispanic Americans were generally not well represented in self-employment (18 out of 22 ancestry groups from Latin America were below the national average), but Cubans were a notable exception to this pattern, indicating the importance of the ethnic enclave economy in the Miami area (Wilson and Portes 1980). Blacks and Puerto Ricans increased their self-employment rates from 2.9 percent and 2.8 percent, respectively, in 1980 to 3.7 percent, respectively, in 1990, but they were still at the low-end of self-employment rates. Overall, most economically disadvantaged groups, such as Puerto Ricans, blacks, and Southeast refugee groups, were clustered near the bottom of self-employment rates. This pattern suggests a positive association between an ethnic group's self-employment rate and its overall economic status.

Table 2 provides evidence in support of the positive association between an ethnic group's self-employment rate and its economic status. An ethnic group's economic status is measured by the average family and personal incomes, the percent of full-time workers, and the percent of the unemployed out of the total labor force. As the coefficient of correlation between an ethnic group's self-employment rate and the group's average family income indicates, which was 0.68 and statistically significant at 0.01 level, there was a strong and positive association between the two measures. Similarly, an ethnic group's self-employment rate was strongly and positively associated with the group's average personal income and the percent of full-time workers, but negatively related with the percent of the unemployed. These associations tend to show that ethnic groups with higher self-employment rates achieve higher economic status and more adequate labor utilization.

If small business is so crucial for America's minorities to achieve upward mobility, why don't they all participate in small business at high rates? In the remaining pages, I will examine what factors influence individuals to

**TABLE 2. ECONOMIC INDICATORS OF U.S. ANCESTRY GROUPS, 1990 (Ranked highest to lowest by the average family income)**

Ancestry Group	Family income	Personal income	% Full-time <sup>a</sup>	% Unemployed	Sample size
1. Russian	68,463	28,738	38.9	2.1	20,164
2. Asian Indian	65,945	18,514	34.6	2.6	5,044
3. Egyptian	64,337	20,741	36.4	3.2	689
4. Syrian	56,791	19,548	36.0	2.0	955
5. Israeli	56,579	18,555	31.0	2.1	662
6. Australian	56,419	22,829	40.6	4.4	318
7. Austrian	56,355	25,854	37.5	2.0	5,162
8. Latvian	55,779	24,203	37.7	1.1	727
9. Japanese	55,200	18,545	37.8	1.3	8,696
10. Filipino	53,566	12,870	35.0	2.6	12,643
11. Romanian	53,444	23,172	37.0	2.5	2,246
12. Icelander	52,724	16,241	30.4	2.6	303
13. British	52,221	21,301	39.8	2.1	8,281
14. Taiwanese	51,760	14,473	28.8	1.9	1,701
15. Celtic	51,676	18,135	44.4	3.7	214
16. Lithuanian	50,990	21,545	38.0	2.5	5,196
17. Maltese	50,804	17,228	39.1	0.4	279
18. Turkish	50,776	18,297	34.1	4.4	592
19. Greek	50,592	17,841	36.6	2.7	8,737
20. Chinese	50,233	14,689	34.3	2.3	13,591
21. Hungarian	48,957	19,640	37.4	2.4	9,455
22. Guyanese	48,910	12,285	40.6	3.7	699
23. Serbian	48,291	18,350	35.6	2.8	793
24. Armenian	48,177	17,398	31.1	4.4	2,529
25. Iranian	48,031	16,117	33.4	3.1	1,932
26. Italian	47,954	16,808	37.5	2.6	109,254
27. Lebanese	47,659	17,264	37.9	2.5	2,743
28. Scottish	46,721	19,824	38.7	2.2	32,879
29. Ukrainian	46,466	18,857	35.4	2.8	4,868
30. Yugoslavian	46,450	16,798	35.3	3.7	1,784
31. Pakistan	46,336	13,019	30.9	4.6	805
32. Korean	46,307	10,473	25.5	2.4	7,369
33. Polish	46,178	16,854	37.6	2.6	62,919
34. Albanian	45,773	15,019	37.2	1.5	411
35. Bulgarian	45,702	16,523	38.1	3.3	210
36. Canadian	45,695	17,462	33.3	2.3	3,604
37. Welsh	45,588	19,951	40.0	2.1	10,596
38. Swiss	45,548	18,732	37.5	1.9	6,352
39. English	45,162	17,274	35.5	2.2	224,832
40. Palestinian	45,102	13,136	28.7	3.3	456
41. Belgian	45,015	16,740	38.6	2.0	2,415
42. Thai	44,497	9,879	30.7	3.1	1,008
43. Slovene	44,444	17,100	32.2	1.6	804
44. Basque	44,401	16,094	36.2	2.5	279
45. Danish	44,198	17,038	36.1	1.9	10,313
46. Hawaiian	44,111	11,112	32.3	2.8	2,096
47. Slovak	44,033	16,744	37.1	2.3	11,707
48. Swedish	44,000	17,000	37.4	2.0	28,872
49. Sicilian	43,777	18,981	44.4	3.2	347
50. Scandinavian	43,647	15,235	35.3	2.5	4,455
51. Scotch Irish	43,594	17,514	34.8	2.1	44,389
52. Luxemburger	43,532	17,256	33.8	2.1	281
53. Czechoslovakian	43,224	21,206	42.6	2.1	2,325
54. U.A.E.	42,728	13,733	33.9	4.1	292
55. Irish	42,722	15,225	36.2	2.7	228,634

TABLE 2. Continued

Ancestry Group	Family income	Personal income	% Full-timea	% Unemployed	Sample size
56. Portuguese	42,405	14,372	36.9	3.2	8,749
57. West Indian	41,958	13,409	37.6	4.5	1,141
58. Brazilian	41,697	10,396	35.0	3.5	480
59. Czech	41,472	15,571	37.5	2.3	8,065
60. German	41,250	15,043	37.5	2.3	464,819
61. Norwegian	41,182	15,805	36.6	2.5	25,108
62. French Canadian	40,951	15,896	39.9	3.2	16,680
63. Croatian	40,766	15,782	35.8	2.3	3,882
64. Chilean	40,279	10,891	30.1	2.9	554
65. Slavic	40,210	15,040	38.3	0.8	399
66. French	40,146	14,107	35.8	3.1	63,912
67. Cuban	40,049	12,806	35.4	3.7	7,778
68. Jamaican	39,879	13,315	38.4	4.9	3,294
69. Argentinean	39,850	11,420	31.7	2.6	505
70. Trinidadian	39,558	13,770	41.3	4.9	549
71. Finnish	39,433	14,676	34.5	3.1	4,769
72. Dutch	39,112	14,630	35.3	2.4	35,585
73. Vietnamese	38,864	8,742	26.8	4.4	5,126
74. Bolivian	38,843	9,907	30.2	2.2	268
75. Panamanian	38,820	11,198	34.0	6.2	632
76. Ecuadorian	38,762	9,947	30.2	4.9	1,803
77. Spaniard	38,663	14,201	34.6	3.9	3,042
78. Venezuelan	37,845	10,470	27.6	2.5	315
79. Costa Rican	37,746	10,008	31.1	4.1	389
80. Colombian	36,296	9,856	31.4	4.5	2,849
81. Eskimo	35,722	7,006	9.9	6.6	994
82. Malaysian	35,370	10,848	27.6	3.1	261
83. Nigerian	35,273	12,749	30.2	6.0	600
84. Samoan	33,988	6,076	22.2	3.7	508
85. Guamanian	33,010	9,482	32.2	4.2	354
86. Dutch West Indies	31,776	12,586	37.2	3.9	333
87. Nicaraguan	31,736	7,263	26.2	4.7	1,571
88. Haitian	31,292	8,504	30.7	7.1	2,326
89. Ethiopian	30,923	10,936	31.8	6.7	239
90. Guatemalan	30,263	7,524	28.8	4.9	2,047
91. Honduran	29,794	7,529	25.3	6.6	964
92. American Indian	29,248	9,610	29.6	4.9	51,772
93. Mexican	29,231	7,276	23.6	4.8	110,540
94. Salvadorian	28,998	6,716	28.6	5.0	4,296
95. Puerto Rican	27,98	8,355	251	5.2	15,872
96. Laotian	27,754	5,331	19.1	3.3	1,286
97. Dominican	27,138	7,142	23.7	6.8	3,852
98. Afro American	26,849	8,622	26.5	5.4	204,453
99. Cambodian	25,342	4,782	13.2	3.1	1,300

Source: Same as Table 1.

a. The percent of those who worked 50 to 52 weeks out of those who were 16 years and older and worked in 1989.

b. United Arab Emirates.

Note: Coefficients of correlation

self-employment rate\*average family income = .68<sup>c</sup>self-employment rate\*average personal income = .66<sup>c</sup>self-employment rate\*average of full-time = .34<sup>c</sup>self-employment rate\*average of the unemployed = -.49<sup>c</sup>

c. Significant at 0.01 level (one-tailed test)

become self-employed, and how differences in these factors across ethnic groups can explain intergroup variations in self-employment rates and entrepreneurial success.

## AN INTERACTIVE MODEL OF IMMIGRANT AND ETHNIC ENTREPRENEURSHIP

Wide and persistent group differences in self-employment rates have attracted large numbers of scholars from different disciplines. Their approaches to the intergroup differences can be grouped largely into four theories; "cultural theory," "middleman minority theory," "disadvantage theory," "opportunity structures theory."

### *Cultural Theory*

According to cultural theory, the propensity of certain immigrant and ethnic groups toward small businesses is explained by their cultural attributes. The cultural attributes, particularly the tradition of buying and selling, are thought to endow individuals with familiarity and some knowledge of business transactions, financial management, and most importantly a conception of an entrepreneurial career as a respectable vocation (Freedman 1959; Lai 1980). Immigrants raised in a society where a tradition of buying and selling has long been established, so the theory goes, are more likely to pursue entrepreneurial careers than those who lack such an entrepreneurial tradition in their culture (Frazier 1957; Freedman 1959; Light 1972; Sowell 1975).

One limitation of cultural theory is, however, its underestimation or neglect of structural factors (e.g., discrimination in the labor market) in its theoretical framework. Although a tradition of entrepreneurship facilitates business participation among some immigrant groups, most immigrants turn to self-employment as a situational adaptation to limited opportunities. Without disadvantages and discrimination against immigrants, self-employed small businesses would not be a preferred choice in the first place. Another problem with the theory is its tautological explanation. The theory is invoked only after a particular group has shown a strong propensity toward small business. As Portes and Zhou (1992, 513) point out, such an explanation is tautological because a certain minority's success in business is explained by its possession of "right" cultural attributes necessary for its success.

*Middleman Minority Theory*

Middleman minority theory defines certain groups that concentrate in trades as middlemen between the elite and the masses, distributing the products of the elite to the masses and serving the interests of both the elite and themselves. Middleman minorities were thought to emerge in societies with rigid stratification systems that create a status gap between the elite and the masses, thus necessitating a third group to perform intermediate, often despised roles in trades and select services (e.g., tax collection and money lending) (Rinder 1958-59; Stryker 1958; Blalock 1967; Kourvetaris 1988).

Although middleman minority theory was initially developed to analyze minority-majority relations in peasant-feudal and colonial societies, some have attempted to extend the theory to modern industrialized societies like the United States (Rinder 1958-59; Bonacich 1973; Bonacich, Light, and Wong 1980). For example, Light and Bonacich (1988) and Min (1996) describe Korean business owners in black neighborhoods as middlemen between white capitalists and black residents.

In order to test whether Korean entrepreneurs play the middleman role between the capitalist and the depressed minority member, one important thing we need to know is what proportion of the products and services sold in Korean businesses in minority areas are those of native capitalists. A case study of Korean immigrant businesses in Chicago's black neighborhoods shows that the majority of products sold in Korean businesses in black neighborhoods are cheap consumer goods (e.g., general merchandise items, wigs, clothing, and footwear) that are manufactured in several Asian countries and imported and distributed by Korean suppliers (Yoon 1991). Thus, the competitive advantages of Korean immigrant businesses do not derive from their middleman role between the capitalist and minority members but from the strong vertical integration between Korean suppliers and retailers.

Another problem with the theory is its unnecessarily harmful political implications on Korean-black relations. It pits blacks and Koreans against each other by defining Korean merchants in black ghettos as economic exploiters of blacks on behalf of white capitalists. But there is little empirical evidence that white capitalists assist Koreans to play a middleman role between whites and blacks. Koreans are simply filling a vacuum in business opportunities neglected by large businesses in the ghetto economy. Then it is false to single out Koreans as a cause of inner-city blacks' economic

plight. Their problems are caused more by larger socioeconomic forces, such as massive job losses and sharp cuts on welfare programs, than by Korean merchants. Nonetheless, radical black community leaders criticize that Korean merchants are only interested in money and do not pay back to the community where they make money. But, as Abelmann and Lie (1995, 155) succinctly point out, it would be a flight of ethnic romanticism to believe that black merchants would curb their profit motives and return their profit to the black community.

### *Disadvantage Theory*

Disadvantage theory explains high business participation rates of immigrants in terms of the disadvantages they experience in the American labor market. Disadvantages with respect to English speaking ability and less transferable skills and education, as well as discrimination against immigrants, are said to drive disadvantaged immigrant workers into the more autonomous and secure employment found in small businesses.

Although disadvantage theory is generally successful in explaining why immigrants are more likely to be self-employed than are the native-born, it does not explain why certain groups show high rates of self-employment while others do not. For example, blacks have been more severely discriminated against than any other ethnoracial groups in the United States, and their current social and economic position remains the most disadvantaged. Despite their disadvantages in the labor market, blacks have not shown much participation in entrepreneurial careers. Thus, though disadvantages can provide strong motivation and incentives to become self-employed business owners, they do not automatically transform disadvantaged workers into bosses of their own businesses.

### *Opportunity Structures Theory*

Unlike the previous theories that emphasize equally the supply-side of ethnic entrepreneurship, opportunity structures theory focuses on the demand-side. According to the theory, the growth of immigrant and ethnic businesses is hard to think of without opportunities conducive to immigrant and ethnic businesses. Opportunity structures favorable to immigrant and ethnic businesses include ethnic markets, minority neighborhoods, the peripheral sector of open markets, and the import-export trade between immigrant sending and receiving countries (Waldinger 1986; Waldinger, Aldrich, and Ward 1990; Portes and Stepick 1993; Chin, Yoon, and Smith forthcoming).

Like disadvantage theory, opportunity structures theory is, however, still unable to explain why business opportunities are unequally utilized among different ethnoracial groups. The theory alone cannot explain why replacement business opportunities in racially transitional areas did not promote black small businesses, but were taken by outsiders such as Koreans and Arabs. In order to explain the intergroup differences in utilizing business opportunities, we need to pay attention to how members of different ethnoracial groups perceive and interpret business opportunities, and how they mobilize resources in relation to business opportunities.

From the review of literature, three factors are singled out as key variables in explaining the significant intergroup differences in business participation: (1) employment opportunity structures in the general labor market; (2) business opportunity structures; and (3) the relative organizing capacity of members of an immigrant or ethnic group to mobilize resources (Kim, Hurh, and Fernandez 1989; Waldinger, Aldrich, and Ward 1990; Yoon 1991; Light and Rosenstein 1995). I propose that intergroup variations in self-employment rates and entrepreneurial success are the outcome of the interaction of the three factors. In the following pages, I will operationalize the above factors and empirically determine factors important for the likelihood of self-employment and entrepreneurial success.

## DATA AND METHODOLOGY

Data for the statistical analysis in this section come from the 5% sample of the 1980 U.S. Census. Maximum likelihood logistic regression analyses are used to assess the roles of immigrant status, individual class resources (education and English speaking ability), family resources (marital status and the number of family members of working age), ethnic resource (the size of the co-ethnic group in a metropolitan area), and opportunity structures (residential segregation and the peripheral sector of industry) on the likelihood of self-employment in business. In this study, self-employed professionals are not coded as self-employed business owners because their current occupational activities require the use of professional knowledge; they do not resemble small business owners in retail trade, service, or other non-professional industries. For many of the non-professional business owners, their current business is not related to their previous educational and occupational background, implying occupational displacement (Min 1984, 347; Kim, Hurh, and Fernandez 1989, 83).<sup>3</sup> The logistic regression analyses are limited to adults who are between 25 and 65 years of age in the

60 largest metropolitan areas where information on residential segregation is available (Massey and Denton 1987).<sup>4</sup>

Ordinary least squares regression analyses are used to measure how the factors important for the likelihood of self-employment are related to success in business, which is measured by the reported annual gross business income. The ordinary regression analyses are limited to self-employed workers in business (excluding professionals) in the 60 metropolitan areas.

In this study, individuals are used as the unit of analysis for both theoretical and methodological reasons. Theoretically, individuals are thought of as the primary agent of decision-making who choose whether or not to become self-employed on the basis of their evaluations of their relative disadvantages or advantages in the labor market and on their ability to mobilize resources. Methodologically, when individuals are the unit of analysis, it is quite straightforward in operationalizing variables and in interpreting results.

Five ethnoracial groups were selected as comparison groups. Three Asian American groups, the Chinese, Japanese, and Koreans, were selected because they share the same racial status but different ethnic status. The comparison among the three groups will help us examine the relative importance of race and ethnicity in entrepreneurship. Blacks and whites were included because they share the same nativity status but different racial status. The comparison between the two groups will help us understand the relative importance of nativity and race in entrepreneurship. In a similar fashion, the three Asian American groups differ from blacks and whites not only in racial status but also in nativity status. Due to the different racial, ethnic, and nativity statuses, each of the five groups occupies different socioeconomic positions in U.S. society and economy, and this can be an important factor for intergroup variations in entrepreneurial participation and performance.<sup>5</sup>

<sup>3</sup>Light and Rosenstein (1995) used the 5% Public Use Microdata Sample of the 1980 U.S. Census to study variations in self-employment rates (including both professionals and non-professionals) among U.S. ethnoracial groups in 272 largest U.S. metropolitan areas. The unit of analysis in their study was a metropolitan area, not an individual. Consequently, their dataset consisted of the mean characteristics of variables and four aggregate racial groups (whites, blacks, Asians, and Hispanics) for each metropolitan area.

<sup>4</sup>At the time of this study, measures of residential segregation were computed only from the 1980 U.S. Census. Thus, in order to assess the effect of residential segregation from whites on racial minorities' self-employment, I had to rely on the data from the 1980 PUMS.

<sup>5</sup>Light and Rosenstein (1995) used aggregate group categories, such as whites, African Americans, Asians, and Hispanics, rather than such detailed ethnic categories as Koreans,

Because of limitation in space, I report only the findings of within-group analyses in this article. In tables not reported here, the five groups were pooled and group interaction terms (i.e., independent variables multiplied by group dummy variables) were introduced in the equations to measure the relative effects of the independent variables on the dependent variables for particular groups as compared to whites. The intergroup analyses established the same ordering with respects to the direction and size of regression coefficients as we found in the within-group analyses.

The dependent variables of this analysis are first the odds of being self-employed (1 for being self-employed and 0 for not being self-employed) and second, the size of income from business. The independent variables consist of the following factors; demographic factor (age and gender), labor market disadvantage factor (immigrant status and the length of U.S. residence), class resource factor (years of schooling and English language speaking ability), family resource factor (marital status, family size, and working hours of unpaid family workers), ethnic resource factor (co-ethnic group size in a metropolitan area), opportunity structures factor (residential segregation from whites in 1980, changes in residential segregation between 1970 and 1980, retail trade, personal service, and agriculture).

Based on the review of literature, we first predict that the labor market disadvantage factor increases the likelihood of self-employment but decreases income from business. Second, we predict that the resource factor increase both the likelihood of self-employment and income from business. Finally, we predict the opportunity structures factor increases the likelihood of self-employment but decreases income from business. The reason is that the very conditions favorable for self-employed businesses (e.g., small and

TABLE 3. OPERATIONAL DEFINITIONS OF VARIABLES

Variable	Definition
Dependent variables	
Self-employment	1 if respondent is a self-employed worker in business (not a professional worker) who is either an employee of his/her incorporated business or an owner of his/her unincorporated business.
Income size	Log(income from business + \$20,000) <sup>a</sup>

Chinese, Cubans, and Mexicans. These umbrella group categories assume homogeneity and some kind of common identity among various Asian and Hispanic subgroups. They also hide enormous variations in self-employment rates and different levels of resource and labor market disadvantages among Asians and Hispanics. For that reason, aggregate group categories are not the appropriate unit of comparison.

**TABLE 3.** Continued

Variable	Definition
<i>Independent variables</i>	
<i>Demographic Factor</i>	
Age	Age in years
Age squared <sup>b</sup>	Age multiplied by age
Female	1 if respondent is female
<i>Labor Market Disadvantage Factor</i>	
Foreign-born	1 if respondent is an immigrant
Foreign college	1 if respondent is an immigrant who received a 4-year college education
Mig 75-80	1 if respondent immigrated between 1975 and 1980
Mig 70-74	1 if respondent immigrated between 1970 and 1974
Mig <70	1 if respondent immigrated before 1970
<i>Class Resource Factor</i>	
Grade	Highest year of school attended (in years)
English	English language speaking ability (5 = speaks only English; 4 = very well; 3 = well; 2 = not well; 1 = not at all)
<i>Family Resource Factor</i>	
Married	1 if respondent is currently married
Family members	Number of family members, besides the spouse, aged between 16 and 60 who live in the same household
Unpaid hours	Working hours of unpaid family members in business
<i>Ethnic Resource Factor</i>	
In-group size	Log(co-ethnic group size in a SMSA divided by 10,000)
Out-group size	Log(total population minus co-ethnic group size divided by 10,000)
<i>Opportunity Structures Factor</i>	
Segregation <sup>c</sup>	Residential dissimilarity index of a racial/ethnic group from whites in a metropolitan area in 1980
Asian70-80	Changes of dissimilarity index of Asians from whites during 1970-1980 period
Black70-80	Changes of dissimilarity of blacks from whites during 1970-1980 period
Retail trade	1 if respondent engages in retail trade
Personal service	1 if respondent engages in personal service
Agriculture	1 if respondent engages in agriculture, forestry, or fisheries
<i>Control variables</i>	
Working hours	Usual hours worked per week in 1979

a. If respondent's business is incorporated, wage or salary income is counted as income from business. If respondent earned extra income from his or her self-employment besides his or her wage, then it is included in the total income from business. \$20,000 is added to the total income to eliminate the possible negative income.

b. Age squared is included in the equations because age is expected to be curvilinearly as well as positively related to the dependent variables.

c. Residential dissimilarity indices of Asians and blacks from whites in 60 SMSAs were derived from Massey and Denton (1987). Dissimilarity indices of Chinese, Japanese, and Korean Americans from whites were derived from Massey's unpublished tables.

too differentiated markets and the low barriers to entry) are likely to limit their potential for business expansion.

## EMPIRICAL FINDINGS

### *Background Characteristics of Respondents by Group*

The descriptive characteristics of respondents aged between 25 and 65 in the entire metropolitan areas are displayed separately by group in Table 4. Some intergroup differences in background characteristics are noteworthy. First, Chinese and Korean Americans consist mainly of immigrants who arrived after 1965, while the proportion of immigrants is small among the other groups. Second, the three Asian American groups have a level of education comparable to that of whites. They exceed whites at the levels of college or higher education. In contrast, the blacks' level of education is

TABLE 4. DESCRIPTIVE CHARACTERISTICS OF RESPONDENTS AGED BETWEEN 25 AND 65 BY GROUP, 1980

Characteristics	Group				
	Chinese	Japanese	Korean	Black	White
Age (median)	38	42	37	39	36
Female (%)	50	56	59	55	34
Foreign-born (%)	77	34	95	4.5	6.6
Mig 75-80 (%)	24	11	44	1.0	1.2
Mig 70-74 (%)	18	5	32	1.2	0.9
Mig <70 (%)	35	18	19	0.2	4.5
Foreign College (%)	9.6	6.3	21	0.2	0.8
Grade (in years)	15	15.6	15.4	13.6	16
College educationa (%)	32	26	32	8.5	26.4
English level	3.3	4.1	3	4.9	4.9
Married (%)	77	73	84	52	83
Family members	0.7	0.6	0.6	0.9	0.3
Unpaid worker (%)	1.1	0.8	2	0.1	0.4
Dissimilarity index	0.56	0.49	0.57	0.77	....
Retail trade (%)	22	14	20	7.7	9.7
Personal service (%)	3.3	3.9	5	5.4	2
Agriculture (%)	0.6	3.3	1	0.7	0.9
Self-employment (%)	9.5	9.2	13.8	2.3	7.8
N	20,671	18,664	7,994	59,556	15,875

Note: Mean value of each variable is calculated unless specified otherwise. Blacks are oversampled because of their lower self-employment rate than the other groups.

a. The proportion of individuals with 4-year college education and more in each group.

comparatively lower than that of the others. Third, blacks are also more disadvantaged than the other groups with respect to family structure. While about 80 percent of the three Asian American groups and whites are currently married, only 52 percent of blacks are married. Korean Americans have the highest marriage rate (84%) and their family members are the most likely to work for family businesses among the five groups. Fourth, blacks are residentially the most segregated from whites, while Japanese Americans are the least segregated as measured by the dissimilarity index. Chinese and Korean Americans are in the middle of the continuum of residential segregation from whites. Finally, the three Asian American groups have higher rates of self-employment than whites and blacks. Among the five groups, Korean Americans have the highest rate of self-employment (13.8%), while blacks record the lowest rate (2.3%).

#### *Variables Related to the Likelihood of Self-employment*

Tables 5 and 6 display logit estimates for the likelihood of self-employment for each group. One difference between the two tables is that Table 5 includes an immigrant status variable (FOREIGN-BORN), while Table 6 includes immigration cohorts variables (MIG75-80, MIG70-74, and MIG<70) in the equations. The two tables produce the essentially same results except for English speaking ability that is strongly related to the length of U.S. residence.

Immigrants, who are generally assumed to be disadvantaged in the labor market, are more likely to be self-employed than U.S. natives. The likelihood of self-employment is particularly strong for Korean immigrants who are the most recent arrivals among the five groups. College-educated Chinese and Korean immigrants, who should feel greater status inconsistency than their less-educated co-immigrants or U.S. natives, participate in business at higher rates than do their counterparts. However, Japanese and white immigrants with college degrees are slightly less likely to be self-employed in business than are U.S. natives and less-educated co-immigrants. Their low likelihood of self-employment seems to result from their relatively advantageous position in the white-collar wage labor market. For example, many of the recent Japanese immigrants are said to immigrate as professionals, skilled technicians, students, or as employees of Japanese companies in the United States (Lem 1976, 14; Kitano 1980, 569; Li 1980, 275). Because of their preferential position in the American labor market and the large volume of trade between Japan and the United States, many of the recent Japanese immigrants work as highly paid professionals

**TABLE 5.** LOGIT ESTIMATES FOR THE LIKELIHOOD OF BEING SELF-EMPLOYED IN BUSINESS (With An Immigrant Status Variable)

Characteristics	Group				
	Chinese	Japanese	Korean	Black	White
<i>Demographic characteristics</i>					
Age	.167***	.034	.362***	.129***	.157***
Age squared	-.002***	-.000	-.004***	-.001***	-.002***
Female	-.383***	-1.029***	-.942***	-1.353***	-.935***
<i>Disadvantages</i>					
Foreign-born	.062	.060	1.076***	.031	.310*
Foreign college	.408***	-.117	.625***	.147	-.175
<i>Class resources</i>					
Grade	.022***	-.021	-.004	.031***	-.008
English	.108***	-.068*	.108**	.038	.064
<i>Family resources</i>					
Married	.555***	.426***	.564***	.461***	.102
Family members	.157***	.201***	.075	.011	.110*
<i>Ethnic resources</i>					
In-group size	-.023	.017	.416***	.024	.411***
Out-group size	-.011	.249*	-.223	.112	-.163**
<i>Opportunity structures</i>					
Segregation	.157	-1.953**	2.969***	-.802*	.....
Asian 70-80-	1.613*	-1.198	2.261*	-.699	.194
Black 70-80	-1.977***	-0.034	-1.174	-1.187	-1.410***
Retail trade	1.879***	1.687***	2.365***	1.473***	1.589***
Personal service	2.593***	2.374***	2.302***	2.176***	1.982***
Agriculture	2.864***	3.604***	2.836***	2.629***	3.110***
Intercept	-8.832***	-4.564***	-12.777**	-8.020***	-8.419***
-2log(L0-L1) <sup>a</sup>	15,691	10,613	5,004	53,701	9,947
R <sup>2b</sup>	48%	49%	45%	55%	49%
N	17,072	11,048	6,093	44,339	10,308

\*p < .10, \*\*p < 0.05, \*\*\*p < 0.01.

a. L1 is the value of the likelihood function for the full model as fitted and L0 is the maximum value of the likelihood function if all coefficients except the intercept are 0.

b. The formula for calculating Pseudo R<sup>2</sup> is R<sup>2</sup> = c/N + c where c is the chi-square statistic for overall fit (c = -2(logL0-logL1)) and N is the sample size (Aldrich and Nelson 1984, 54-58).

or technicians in Japanese or American companies.

The likelihood of self-employment for immigrants increases with their length of residence in the United States (see MIG75-80, MIG70-74, and MIG < 70 in Table 6). While immigrants with less than 5 years of U.S. residence have a lower likelihood of self-employment than the U.S.-born, those with more than 10 years of U.S. residence exceed the native-born in the probability of business ownership. Korean immigrants, however, are an exception to this pattern. They show stronger propensity toward self-employed businesses than U.S.-born Koreans from the outset.

Education significantly increases the likelihood of self-employment for Chinese Americans and blacks but has no significant effect for the other groups. The negative coefficients of FOREIGN COLLEGE and GRADE for Japanese Americans and whites indicate that the higher the education, the less likely they are self-employed in business. This pattern suggests that self-employment in business is not a desired goal for highly educated Japanese Americans and whites.

English speaking ability increases the likelihood of self-employment for Chinese and Korean Americans but decreases the likelihood for Japanese Americans. Past research tends to show that persons who are handicapped by English skills have limited employment opportunities in the labor market and hence have a strong motivation to become self-employed business owners. This explanation, however, holds only for Japanese Americans among whom U.S.-borns account for 66 percent. It seems that because English is hardly a handicap for highly educated and motivated Japanese Americans in finding professional and white-collar employment, the self-employment option is left to less qualified co-ethnic members (e.g., persons with poorer English skills).

In contrast, English is still a great disadvantage for many Chinese and Korean Americans in finding white-collar occupations, making self-employment in business an attractive alternative. As self-employment becomes an attractive option, Chinese and Korean Americans with greater resources like better English skills have a higher chance of becoming self-employed than do those with less resources. This finding underscores again that the desirability of self-employment for members of an ethnic group should be understood in the context of their employment opportunities in the general labor market.

Marriage as a family resource significantly increases the likelihood of self-employment for the three Asian American groups and blacks but has no significant effect for whites. The number of family members, aside from the spouse, aged between 16 and 60 and defined here as potential family

**TABLE 6. LOGIT ESTIMATES FOR THE LIKELIHOOD OF BEING SELF-EMPLOYED IN BUSINESS (With Immigration Cohort Variables)**

Characteristics	Group				
	Chinese	Japanese	Korean	Black	White
<i>Demographic characteristics</i>					
Age	.152***	-.005	.335***	.128***	.156***
Age squared	-.002***	.000	-.004***	-.001***	-.002***
Female	-.373***	-1.119***	-1.058***	-1.356***	-.936***
<i>Disadvantages</i>					
Mig 75-80	-.205*	-.874***	.659*	-.516	-.036
Mig 70-74	.026	-.288*	1.362***	.309	.437
Mig < 70	.230**	.290***	1.294***	.076	.332*
<i>Class resources</i>					
Grade	.030***	-.019	.017	.031***	-.009
English	.060*	-.147***	-.027	.016	.056
<i>Family resources</i>					
Married	.553***	.463***	.577***	.460***	.099
Family members	156***	.195***	.070	.010	.111*
<i>Ethnic resources</i>					
In-group size	-.030	-.007	.425***	.024	.411***
Out-group size	-.033	.288**	-.183	.110	-.162**
<i>Opportunity structures</i>					
Segregation	.083	-1.812**	3.167***	-.782*	.....
Asian 70-80-	-1.657*	-.814	2.355*	-.690	.179
Black 70-80	-2.135***	.121	-1.451*	-1.220	-1.414***
Retail trade	1.878***	1.663***	2.380***	1.472***	1.589***
Personal service	2.569***	2.345***	2.299***	2.183***	1.994***
Agriculture	2.852***	3.557***	2.916***	2.631***	3.108***
Intercept	8.463***	-3.443***	-12.165***	-7.902**	-8.346***
-2log(L0-L1)	15,701	10,656	5,012	53,706	9,948
R <sup>2</sup>	48%	49%	45%	55%	49%
N	17,072	11,048	6,093	44,339	10,308

\*p < .10, \*\*p < 0.05, \*\*\*p < 0.01.

supports, significantly increases the likelihood of self-employment for Chinese, Japanese Americans, and whites but does not have a significant effect for Korean Americans and blacks. For Korean Americans and blacks, only the spouse seems to be the major source of family support.

The size of the co-ethnic group in a metropolitan area significantly increases the likelihood of self-employment for Korean Americans and whites but has no significant effect for the other groups. In contrast, the size of other racial/ethnic groups in a metropolitan area slightly decreases the likelihood for whites and Korean Americans, while it significantly increases the likelihood for Japanese Americans. This finding suggests that white and Korean businesses are more heavily dependent on co-ethnic customers than on customers of other ethnic groups and thus are concentrated in metropolitan areas where co-ethnic members are highly concentrated.

Residential segregation from whites increases the likelihood of self-employment for Korean Americans but decreases the likelihood for Japanese Americans and blacks. I hypothesized that residential segregation could provide protected ethnic markets for ethnic members and encourage their business participation. This hypothesis holds only for Korean Americans who consist mainly of recent immigrants and are at their early stage of settlement. Residential segregation from whites, however, significantly depress the likelihood of self-employment for Japanese Americans who are well assimilated into the mainstream of American society. The confinement in ethnic communities is likely to be a hindrance to their social and economic mobility.

Residential segregation from whites also has a negative effect on black self-employment. Contrary to the protected ethnic markets hypothesis, residential segregation and social isolation do not seem to provide protected business opportunities for blacks. Rather, they seem to concentrate poverty spatially and a consortium of other social problems, such as female-headed households, welfare dependence, and crime (Massey 1990). Black-white residential segregation seems to deprive blacks of opportunities to acquire business managerial skills and experience and to gain access to bank loans and other resources available in the mainstream society.

Reductions in black-white residential segregation between 1970 and 1980, however, increase the likelihood of self-employment not only for blacks but for the other groups as well, particularly strongly for Chinese Americans and whites. Thus, for all groups the likelihood of self-employment is greater in metropolitan areas where residential assimilation of blacks with whites occurred at higher rates.

Finally, the likelihood of self-employment is greater in the peripheral

TABLE 7. THE TEN MOST POPULAR TYPES OF BUSINESS BY GROUP

Group					
Rank	Chinese	Japanese	Korean	Black	White
1	Eating & drinking places (32.4%)	Not specified wholesale trade (19.3%)	Grocery stores (13.3%)	Construction (17.5%)	Construction (15.2%)
2	Grocery stores (8.6%)	Horticultural Services (16.6%)	Eating & drinking places (11.2%)	Beauty shops (7%)	Real estate offices (6.9%)
3	Laundry services (7.3%)	Agricultural production, crops (10.3%)	Apparel & accessory stores (9.2%)	Eating & drinking places (5.9%)	Eating & drinking places (5.1%)
4	Real estate offices (4.6%)	Eating & drinking places (7.5%)	Laundry services (5.3%)	Trucking services (5.2%)	Agricultural production, crops (2.9%)
5	Apparel & accessories manufacturing (3.8%)	Construction (5.9%)	Miscellaneous retail stores (3.8%)	Automotive repair shops (4.3%)	Business management & consulting services (2.9%)
6	Construction (2.4%)	Beauty shops (3.5%)	Food stores, n.e.c. (3.2%)	Services to dwellings (4%)	Miscellaneous retail stores (3.8%)
7	Not specified wholesale trade (2.4%)	Automotive repair shops (3.1%)	Construction (3.2%)	Horticultural Services (3.4%)	Furniture & Home furnishing (2.1%)
8	Miscellaneous retail stores (2.2%)	Real estate offices (2.9%)	Gasoline service station (2.6%)	Taxicab services (3.3%)	Direct selling establishments (2.1%)
9	Agricultural production, crops (1.9%)	Business services, n.e.c. (2.8%)	Apparel & accessories manufacturing (2.5%)	Lodging places, except hotels & motels (2.9%)	Trucking services (2.1%)
10	Groceries & related products (1.7%)	Grocery stores (2.5%)	Liquor stores (2.2%)	Grocery stores (2.8%)	Insurance (1.9%)
Cumulative percent					
	67.3	74.5	56.5	56.2	43.8
N	1,868	1,703	1,021	1,495	1,122

sector of industry such as retail trades, personal service, and agriculture than in the core sector, such as manufacturing and wholesale trades. This result supports opportunity structures theory that small businesses have a competitive advantage over large businesses in the labor-intensive and marginal sector of industry.

From the above analyses one difference is noteworthy between Korean and Japanese American self-employed workers. Korean Americans seem to have a higher likelihood of self-employment in metropolitan areas where Korean Americans are more concentrated and are residentially more segregated from whites. In contrast, Japanese Americans have a higher likelihood of self-employment in metropolitan areas where the non-Japanese population is larger and they are residentially less segregated from whites. This finding suggests that Korean businesses are still ethnic-oriented, and that they are heavily dependent on patronage from their fellow Korean Americans. When we closely examine the types of Korean businesses in Table 7, grocery stores and eating and drinking places (e.g., Korean restaurants) account for 25 percent of Korean businesses in 1980. Korean restaurants do not draw the non-Korean, general population as successfully as Chinese and Japanese ones do, and as a result they are heavily dependent on Korean customers. In contrast, Japanese businesses are oriented towards the non-Japanese, general population. Wholesale trades and horticultural services (e.g., Japanese gardening services) account for 36 percent of Japanese businesses in 1980. Even Japanese restaurants are more oriented towards the middle and upper-middle class general population than towards the Japanese population.

The ethnic orientation of Korean businesses may be partly due to the recent arrival of Korean immigrants and their early stage of settlement in the United States. Until recently, a majority of Korean businesses were restricted to either Korean customers or lower-class minority members in ghetto areas of large cities. Even Korean retail businesses in minority areas were strongly dependent on Korean suppliers who concentrated in select large cities where Korean Americans were also concentrated (Yoon 1991). In recent years, however, a growing number of Korean American entrepreneurs invests in more capital-intensive businesses such as gas stations and garment manufacturing factories after having accumulated experience and capital in either Korean communities or minority areas. Such a development should reduce the relative importance of ethnic markets for Korean businesses in the future.

*Variables Related to the Business Income*

Contrary to my prediction, Chinese, Japanese, and black immigrant self-employed workers earn equally as much as their U.S.-born counterparts, but Korean and white immigrant self-employed workers earn significantly less than their U.S.-born counterparts.

Income differences between immigrant and U.S.-born self-employed workers tend to diminish as the length of time the immigrants have stayed in the United States increases. However, Korean and white immigrant self-employed workers earn significantly less than do their U.S.-born counterparts no matter how long they have stayed in the United States.

Immigrant self-employed workers with college degrees generally earn more than less-educated immigrant and U.S.-born self-employed workers. Particularly, college-educated black immigrant self-employed workers earn significantly more than U.S.-born blacks and less-educated immigrant blacks, presumably because of selective background characteristics of black immigrants. However, despite their advantageous human capital and social networks, Chinese and Korean immigrant self-employed workers with college degrees do not earn substantially more than less-educated immigrant and U.S.-born counterparts. But whether they are immigrant or U.S.-born, education generally increases the income of the Asian American and white self-employed workers. Education is not significantly related to the income of black self-employed workers, however, suggesting that improvement in educational attainment does not translate into economic gains for blacks as easily as for the other groups.

Better command of English language raises the income of the Asian American self-employed workers, but does not make much difference on the income of white and black self-employed workers, most of whom use English as their native language. This result indicates that English skills are particularly important for immigrant self-employed workers who use English as their secondary language.

Marriage increases the income of Japanese American and white self-employed workers but has no significant effect on Chinese, Korean American, and black self-employed workers. The number of family members of working age generally increases the income of self-employed workers, but particularly strongly for Korean American and white self-employed workers. However, contrary to my prediction, the working hours of unpaid family members are slightly negatively related to the income of self-employed workers. Although unpaid family labor is a valuable family resource for many small businesses, it may be insufficient in expanding

**TABLE 8.** OLS REGRESSION ESTIMATES FOR THE SIZE OF INCOME FROM BUSINESS (With An Immigrant Status Variable)

Characteristics	Group				
	Chinese	Japanese	Korean	Black	White
<i>Demographic characteristics</i>					
Age	.021***	.022***	.039***	.013***	.017***
Age squared	-.000***	-.000***	-.000***	-.000***	-.000**
Female	-.102***	-.159***	-.140***	-.082***	-.243***
<i>Disadvantages</i>					
Foreign-born	.020	.019	-.204**	.023	-.087*
Foreign college	-.006	.080*	.005	.381***	.303*
<i>Class resources</i>					
Grade	.006***	.005*	.010***	.002	.011**
English	.054***	.020**	.027*	.016	-.023
<i>Family resources</i>					
Married	.027	.053**	-.017	.011	.110***
Family members	.005	.014	.028**	.014*	.093***
Unpaid hours	-.001	-.002*	-.001	-.001	.000
<i>Ethnic resources</i>					
In-group size	.018*	.009	.053*	.008	.045
Out-group size	-.023	.003	-.104*	.007	.016
<i>Opportunity structures</i>					
Segregation	.063	-.163	-.068	.131	.....
Asian 70-80-	-.194	.059	-.000	.227	-.140
Black 70-80	-.199	-.195	-.095	-.255	-.169
Retail trade	-.080***	-.080***	-.053**	-.048**	-.046
Personal service	-.113***	-.149***	-.065*	-.026	-.041
Agriculture	-.073	-.156***	-.091	-.089**	-.199***
<i>Control variable</i>					
Working hours	.005***	.006***	.005***	.006***	.007***
Adj. R <sup>2</sup>	25%	29%	26%	27%	29%
N	1,564	1,103	847	1,104	729

\*p &lt; .10, \*\*p &lt; 0.05, \*\*\*p &lt; 0.01.

**TABLE 9.** OLS REGRESSION ESTIMATES FOR THE SIZE OF INCOME FROM BUSINESS (With Immigration Cohort Variables)

Characteristics	Group				
	Chinese	Japanese	Korean	Black	White
<i>Demographic characteristics</i>					
Age	.019***	.021***	.032***	.013***	.018***
Age squared	-.000***	-.000***	-.000***	-.000***	-.000**
Female	-.104***	-.163***	-.155***	-.080***	-.245***
<i>Disadvantages</i>					
Mig 75-80	-.028	.016	-.326***	-.132	-.152
Mig 70-74	-.016	.005	-.216**	.089	-.009
Mig < 70	.037*	.037*	-.179*	.078*	-.050
<i>Class resources</i>					
Grade	.007***	.006**	.008***	.003	.012**
English	.046***	.019*	.002	.023	-.018
<i>Family resources</i>					
Married	.030	.056**	-.005	.010	.108***
Family members	.006	.014	.029**	.014*	.093***
Unpaid hours	-.001	-.002*	-.001	.000	.000
<i>Ethnic resources</i>					
In-group size	.016*	.010	.052*	.007	.046
Out-group size	-.020	.002	-.098*	-.007	.016
<i>Opportunity structures</i>					
Segregation	.059	-.137	.002	.136	.....
Asian 70-80-	-.198	.086	.092	.217	-.184
Black 70-80	-.232*	-.194	-.161	-.675	-.196
Retail trade	-.080***	-.082***	-.049**	-.047**	-.044
Personal service	-.117***	-.147***	-.063*	-.024	-.040
Agriculture	-.073	-.159***	-.077	-.089**	-.200***
<i>Control variable</i>					
Working hours	.005***	.006***	.005***	.006***	.007***
Adj. R <sup>2</sup>	25%	29%	28%	26%	28%
N	1,564	1,103	847	1,104	729

\*p < .10, \*\*p < 0.05, \*\*\*p < 0.01.

business to a substantial size. Put another way, small businesses that cannot afford paid employees may depend strongly on unpaid family labor than do larger ones.

The size of the co-ethnic group in a metropolitan area slightly increases the income of Chinese and Korean American self-employed workers but has no significant effect for self-employed workers of the other groups. The size of other racial/ethnic groups in a metropolitan area slightly decreases the income of Korean American self-employed workers. Korean American self-employed workers, not only are more likely to be self-employed, but also do better in businesses in metropolitan areas of high concentration of Korean-Americans than of low concentration.

None of the residential segregation variables (SEGREGATION, ASIAN70-80, and BLACK70-80) are significantly related to the income of self-employed workers. However, reductions in black-white residential segregation between 1970 and 1980, though statistically insignificant, slightly increase the income of self-employed workers of all groups. It seems that metropolitan areas where black-white residential segregation declined at a greater rate provide a more favorable environment for self-employed small businesses not only by increasing the likelihood of self-employment but also by increasing the income from business.

Finally, self-employed workers in the peripheral sector earn less than those in the core sector. The same conditions that facilitated the entrance of workers into self-employed businesses in the peripheral sector seem to become a hindrance to the expansion of business.

## SUMMARY

For many immigrants, self-employed businesses are a situational adaptation in circumstances of limited opportunity in the labor market. Immigrants are generally disadvantaged because education and skills they obtained in home countries are not easily transferable in the American labor market. Unfamiliarity with American culture and society and the difficulty of learning English make it more difficult for them to find employment that provides high wages, security, and promotion possibilities.

The problem is more serious for the recent Asian immigrants who came after the passage of the 1965 Immigration Act. Many recent Asian immigrants are highly educated, and of urban, middle-class origin. Despite these selective characteristics, however, they have difficulty finding employment congruent with their educational and occupational background. Their first jobs in the United States are usually low-skilled and

poorly-paid ones. The feeling of status inconsistency is greatest among college-educated immigrants, who had high positions and aspirations in their home country. Consequently they participate in self-employed businesses at higher rates than less-educated immigrants and U.S. natives.

Immigrant and ethnic businesses are generally small and do not make big fortunes. They are also concentrated in the marginal sector of industry, which is abandoned or underutilized by large firms because of low profit margins, long hours of work, and hard physical labor. Some types of immigrant and ethnic businesses, such as subcontracting garment manufacturing businesses, bear the risk of uncertainty in production markets on behalf of the large manufacturing firms. Their labor ultimately serves the interests of the large manufacturing firms.

Despite costs entailed with managing small businesses, small businesses are still a preferred choice for those who cannot find employment that provides job security and a modest income. Immigrants who value autonomy and social mobility through hard work and thrift will continue to use small business as a stepping stone for long-term social mobility in the United States.

In this study, I view self-employment in business among immigrants and ethnic members as the outcome of the interaction among employment opportunities in the labor market, business opportunity structures, and the capacity of individuals to mobilize resources in relation to business opportunities. Each factor is a necessary condition of self-employment in business, but is not sufficient in its own right. For example, business opportunities have little relevance to an individual who does not possess resources to take advantage of available business opportunities. By the same token, resources increase the likelihood of the individual being self-employed only when self-employment is a desired goal. In this respect, high business participation rates among college-educated Chinese and Korean immigrants are attributed to the combination of their inability to find employment comparable to their educational and occupational background and their advantageous class and family resources. In contrast, the low business participation rates among college-educated Japanese and white immigrants are primarily due to their preferential position in the white-collar wage labor markets.

In the same vein, the exceptionally low rate of self-employment among American blacks results from the combination of the low value attached to self-employed businesses and resource disadvantage. As long-time U.S. residents, blacks are so completely acculturated to the white dominant group's value system and standard of living that even poor blacks would

not regard labor-intensive self-employed businesses as an attractive career. As Green and Pryde (1991, 114) point out, American blacks are less inclined than immigrants to do what they consider "the dirty work" of making it up the ladder through "mom and pop" type businesses. Talented and highly motivated blacks would rather seek careers in the government sector where the Affirmative Action Program provides protected opportunities for upward mobility. Then less qualified blacks would seek entrepreneurial careers, but they are subject to a high likelihood of business failure due to resource deficiency. Unlike immigrants, who can mobilize family and ethnic resources on the basis of ascriptive traits, such as kinship, regionalism, and ethnic solidarity, American blacks are less successful in translating their ascriptive bonds into the bases of ethnic solidarity and cooperative economic relations. In the absence of community support, potential black business owners have to depend on their own scarce resources. This contributed to an alleged "individualism" among black business. Overall, the factors that are often attributed as the causes of the blacks' low economic position in American society (e.g., low level of education, unstable family structures, and the lack of community support) are also responsible for their difficulty in developing small businesses. In this sense, the disadvantage of blacks with small businesses is a small part of their general economic and social disadvantages in American society.

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**IN-JIN YOON** is Assistant Professor in the Department of Sociology, Korea University. He received B.A. in Sociology with Major and Philosophy with Minor at Korea University and went on to the University of Chicago for M.A. and Ph. D. degrees in Sociology. His research interests are urban sociology, demography, ethnic/racial relations, medical sociology, social psychology, and social statistics. He has been serving as a manuscript referee and/or book reviewer for *International Migration Review*, *American Journal of Sociology*, Temple University Press, Princeton University Press, *International Journal of Comparative Sociology*, *Contemporary Sociology*, *Sociological Perspectives*, and *Korean Journal of Sociology*. His major publications include: "The Changing Significance of Ethnic and Class Resources in Immigrant Businesses: The Case of Korean Immigrant Businesses in Chicago," *International Migration Review*; The Social Origins of Korean Immigration to the United States from 1965 to the Present, East-West Center; "The Growth of Korean Immigrant Entrepreneurship in Chicago," *Ethnic and Racial Studies*; "Attitudes, Social Distance, and Perceptions of Influence and Discrimination among Minorities," *International Journal of Group Tensions*; "Immigrant Small Business and International Economic Linkage: A Case of the Korean Wig Industry in Los Angeles, 1968-1977," *International Migration Review*; and *On My Own: Korean Immigration, Entrepreneurship, and Korean-Black Relations in Chicago and Los Angles*, University of Chicago Press.