

## **Comparative Perspectives on Ethnic and Immigrant Entrepreneurship and Business Development in Chicago**

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### **Abstract**

*This paper examines the evolution of ethnic and immigrant entrepreneurship and business ownership in Illinois and Chicago during the 1980s and 1990s—a period when the ethno-racial composition of the population changed appreciably. Against the backdrop of recent demographic trends in Illinois and Chicago, changes in the ethno-racial composition of minority business owners are compared using the Census of Business Owners. Businesses are compared based on their employment and sales. Subsequently, the correlates of immigrant entrepreneurship are depicted using a survey of business owners in Little Village. Although the survey includes a disproportionate number of Mexican owners, the presence of non-Mexican owners permits comparisons about the pathways to business ownership; the sources of start-up capital; the role of institutional and informal resources in business start-ups; and the policy implications for reinforcing business initiatives among immigrant minorities.*

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## **Introduction**

Two macro trends—increased ethno-racial diversification and a proliferation of ethnic owned and operated businesses—have been a defining feature of the largest U.S. cities, particularly those that receive large shares of immigrants, such as New York City and Los Angeles (Stein Wellner, 2001). Chicago’s experience, while perhaps less dramatic than that of New York City and Los Angeles, participates in the general trends (Raijman, 1996). However, Chicago differs from New York City and Los Angeles because of its large African American population; because it remains one of the most residentially segregated cities in the country; and because it experienced massive employment declines in the central city during the 1970s and 1980s that were not paralleled in New York City and Los Angeles. (Massey and Denton, 1993; Stier and Tienda, 2001). Although Chicago was not the only city to experience industrial restructuring and heavy immigration after 1970, owing to the large black population before the influx of large numbers of immigrants from Asia and Latin America, it became a “majority minority” city well before 1980.

The proliferation of immigrant-owned business enterprises spawned a plethora of studies to address why rates of self-employment are higher among foreign-born compared to non-immigrant co-ethnics, and why some groups (e.g. Koreans and Cubans) are more successful establishing small businesses than others (e.g. Mexicans and Filipinos), including African Americans (Light and Sanchez, 1987; Waldinger and Aldrich, 1990; Light and Rosenstein, 1995; Raijman, 1996). There is general agreement that access to capital, labor and business know-how enable immigrants to establish small businesses in the United States (Aldrich et al, 1984; Portes and Bach, 1985; Portes, 1987;

Light and Bonacich, 1988; Waldinger et al. , 1990a), but there remains considerable disagreement about *how* residential concentration promotes or inhibits the proliferation of immigrant enterprises (Aldrich and Reiss, 1976; Aldrich et al. 1985; Aldrich et al, 1989; Evans, 1989; Waldinger et al, 1990b; Boyd, 1991<sup>a</sup>; Logan et al, 1994). For example, several residentially concentrated groups, like Mexicans and African Americans, exhibit low rates of business ownership, while other residentially dispersed groups, like Asian Indians, have high rates of entrepreneurial activity. Immigration has accentuated the residential concentration of Chicago's Mexican origin population during the 1980's and 1990's, and racial segregation remains a defining feature of economic and social life in Chicago. Given their persisting residential concentration, the question at hand is whether blacks and Mexicans participated in the dramatic growth of minority-owned businesses that occurred during the 1990's. Although residential concentration is not a sufficient condition for high rates of entrepreneurship, it appears to enable business ownership among economically disadvantaged groups.

Accordingly, in this paper I consider first how the race and ethnic composition of minority enterprises changed in Illinois and Chicago since 1980. Because Hispanics, particularly Mexicans, are the fastest growing immigrant minority in the state and the city, I subsequently focus on a case study to address questions about the determinants of immigrant enterprises in the context of ethnically concentrated neighborhoods. To pursue these twin goals, I first summarize recent demographic trends in the state and Chicago area and subsequently describe how these changes are paralleled in the composition of minority owned and operated businesses. The remainder of the paper focuses on Little Village, a Mexican immigrant neighborhood in Chicago where my colleagues and I conducted a

representative survey of business owners during 1994. Although I cannot draw inferences about the entire city from the Little Village Business Survey, this case study does yield important insights about the most rapidly growing component of the population, namely foreign-born Mexicans. More importantly, the survey provides policy lessons about the obstacles confronted by aspiring entrepreneurs of various origins that cannot be gleaned from existing census surveys.

## **Background**

Census 2000 enumerated nearly 1 million more persons in Illinois compared to 1990, representing an increase of just under 9 percent. This intercensal change, although below the national average of 13.2 percent, was three times the growth experienced during the prior two decades. Immigration prevented Illinois' population from shrinking in absolute terms during the 1970s and 1980s, and fueled its growth during the 1990s. That Asian and Hispanic populations accounted for about three-fourths of the statewide population increase during the 1990s has direct implications for the charged ethno-racial landscape.

To illustrate the impact of differential growth on population composition, Table 1 traces the ethno-racial composition of Cook County, from 1970 to the present. As occurred in other northern, industrial cities, Chicago sustained appreciable population decline during the 1970s and 1980s, falling by more than 300,000 (11 percent) during the 1970s, and an additional 220,000 (7 percent) during the 1980s. As Chicago's population fell, the greater metropolitan area, which includes DuPage, Kane, Lake, McHenry and Will counties in addition to Cook County, grew by nine percent (Chicago Fact Book, 1992; Stier and Tienda, 2001).

The growth of Chicago's suburban communities and adjacent counties, which was driven by selective outmigration of whites, produced major changes in the City's race and ethnic composition (Stier and Tienda, 2001). During the 1970s, about one-third of Chicago's white population left the city, most destined to the surrounding metropolitan counties. Although the growth of the black population had slowed by that time, the exodus of whites increased the share of minorities living within the city limits. Continued in-migration of Latinos and Asians partly offset the loss of white residents and attenuated the rate of population decline, but it also altered the ethnic landscape in decisive ways (Stier and Tienda, 2001, Chapter 2). Table 1 shows that whites ceased to be the majority population in Cook County during the 1970s, although they remained dominant in the metropolitan area.

(Table 1 About Here)

In 1970, 21 percent of Cook County residents were black. A decade later, this share would nearly double and remain stable through the 1980s. The black population share of Cook county registered a significant decline after 1990, but this is an artifact of the changed guidelines for reporting race on the 2000 census schedule, which allowed individuals to check multiple race categories. As a result of these changes, the share of Cook county residents who reported either "other race" or multiple races rose appreciably from less than one-half of one percent to 12.7 percent.<sup>1</sup>

The big demographic story in Illinois, and especially Chicago, is the growth of the Hispanic population. According to the Chicago Fact Book (1992), the number of Hispanics residing within the city limits more than doubled from 1970, when

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<sup>1</sup> The vast majority of these respondents probably self-identified as black in the previous census, but until the micro data files are released, there is no way to reallocate respondents using the published tabulations.

approximately 7 percent of all Chicagoans were Hispanic, to 1990, when just under 20 percent self-classified as Hispanic. For Cook County, the Hispanic population shares were lower, 4 and 14 percent for 1970 and 1990, respectively, but the trend was similar. Hispanic population growth in Cook County slowed during the 1990s, but the county's Asian population, which accounted for less than one percent of the total in 1970, more than doubled over the next two decades, rising from 2.3 to nearly 5 percent of the total.

Demographic growth was not experienced uniformly by all Hispanic groups, as shown in Table 1. The burgeoning Mexican origin population increased its share of Cook County from a meager 2 percent in 1970 to almost 15 percent by 2000, but the Puerto Rican share declined from about 4 percent during the 1980s to about 2.5 percent by the year 2000. The other Hispanic groups, including Cubans, increased their population share from two to just under three percent by 2000. Obviously, immigration has driven changes in Chicago's population composition because over 80 percent of Illinois' foreign-born population is concentrated in Cook and DuPage counties ([www.nipc.cog.il.us](http://www.nipc.cog.il.us)). With 12 percent of its residents born abroad, Chicago ranks third (after Los Angeles and New York City) in the size of its foreign-born population.

Although Census data on the foreign-born population will not be released until late 2002, available estimates indicate that nearly 13 percent of Illinois' residents were born abroad.<sup>2</sup> That over half of Illinois' foreign-born residents arrived during the 1990s attests to the intensity of immigration during the last inter-censal period. As Table 2 shows, Mexico has been the primary major source country for immigrants to the state since before 1980 and the disparity between the first and second source country has

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<sup>2</sup> This estimate is likely to be conservative because it is based on the Census 2000 Supplemental Survey, which has produced national estimates below the actual enumeration. See [www.fairus.org](http://www.fairus.org).

continued to widen over time. Moreover, there has been a change in the top three sending countries since 1980. Currently, the Philippines and Vietnam, respectively, are the second and third largest sources of immigrants to the state, replacing Poland and Germany since 1980. About one-in-three of Illinois foreign-born residents claim Mexican origin.

(Table 2 About Here)

These recent demographic trends acquire social and economic significance for understanding the expansion of ethnic owned and operated businesses because immigration tends to accentuate residential segregation, at least in the short run, and the expansion of ethnic neighborhoods often stimulate the growth of ethnic economies.<sup>3</sup> Stier and Tienda (2001) document the residential concentration of *both* black and Hispanic populations in Chicago since 1970, noting that few Hispanic neighborhoods approach the black ghetto in ethnic homogeneity. But Rajjman (1996) points out that Chicago's two Mexican immigrant neighborhoods—Pilsen and Little Village—are noteworthy exceptions. Residential concentration permits scale effects in both consumption and production, yet there is a paucity of research on this matter, despite the proliferation of densely settled ethnic neighborhoods. As many studies have pointed out, residential concentration of co-ethnics may facilitate ethnic entrepreneurship, but this condition is neither necessary nor sufficient for the development of an ethnic economy.

Sociological studies have been more diligent in studying the growth and development of ethnic business economies in specific locations and for specific groups (e.g., Cubans in Miami and Koreans in various urban settings, including Chicago).

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<sup>3</sup> I do not mean to take liberties with important conceptual distinction between ethnic economy, ethnic neighborhoods, and other term that Light and Gold (2000) have as carefully described. Rather, I want to introduce the idea that ethnic residential concentration is one condition conducive to the growth of ethnic economies.

However, with few exceptions the vast majority have ignored business ownership patterns among Mexican immigrants. Two reasons explain this relative neglect. First, Mexicans have very low education levels, which are deemed too low for a substantial impact on business ownership. Second, census data show very low rates of self-employment among Mexicans relative to other immigrants. Hence, the presumption is that rates of business ownership are low and, by implication, that the potential for entrepreneurship is also low.

However, there are reasons to challenge the idea that business ownership will remain low among densely settled Mexican immigrants, even those with low stocks and human capital. One is that Mexican immigrants complete appreciably lower levels of education than U.S.-born blacks, yet they fare better in the labor market based on higher participation rates and wages (Bean and Tienda, 1987; Greenwood and Tienda, 1997). Another reason is that Mexican immigrants find alternative ways of earning a livelihood, including informal employment and self-employment (Raijman, 1996; Tienda and Raijman, 2001). The latter option, which appears to be associated with residentially concentrated settlements has been relatively ignored by students of Mexican immigration.

It makes intuitive sense that business formation possibilities for relatively unskilled Mexican migrants would be greater in ethnic neighborhoods where demand for goods and services that cater to Mexican tastes and preferences would encourage the establishment of ethnic business concerns. Yet, and despite the large and continuing influx of Mexican immigrants to Chicago, few studies have examined trends in Mexican-owned businesses. Therefore, following a brief overview of trends in minority business ownership in Illinois, and Chicago, I discuss at some length the entrepreneurial activities

of Mexicans to address some practical questions about the effectiveness of policy instruments in nurturing business activity among under represented immigrants and minority groups.

### **Trends in Minority Business Ownership: 1982 to 1997**

The survey of minority-owned business enterprises, which is conducted every 5 years by the U.S. Bureau of the Census, provides basic economic data on businesses owned by blacks and persons of Hispanic and Asian origin. The survey is based on entire firms rather than on establishments, which may be parts of a larger firm. For purposes of the survey, firms are defined on the basis of "any activity for which an IRS form 1040, Schedule C (individual proprietorship or self-employed person); 1065 (partnership); or 1120S (subchapter S corporation) was filed in a given year. These surveys obtain information about characteristics of business owners and their businesses. However, to protect confidentiality, there is considerable data suppression and the micro-data are not released in electronic form. The primary information available for major cities and states includes the number of firms, sales and receipts, number of employees and total payroll, which I draw on to characterize changes in minority-owned and operated businesses in Illinois and Chicago.

Table 3 summarizes the growth of minority owned firms in Illinois and Chicago from 1982 to 1997, the date of the most recent economic census. The changing representation of blacks, Hispanics and Asians among minority-owned and operated businesses parallels to some extent the evolution of the state's population composition. The number of minority-owned firms in Illinois increased almost three-fold over the 15-year period, and the city of Chicago witnessed a 168 percent increase in the number of minority owned firms from 1987 to 1997. However, this growth was not uniform among

demographic groups. Hispanics witnessed the fastest expansion of minority ownership, while blacks experienced the slowest growth. These trends are mirrored throughout the country, where the number of minority owned firms grew four times faster than all U.S. firms (Stein Wellner, 2001). California, Florida and New York, and their immigrant gateway cities of Los Angeles, Miami and New York City experienced similar trends as Chicago. And in all places, Asians are greatly over-represented among business owners relative to their population shares.

(Table 3 About Here)

Although the number of minority owned businesses increased overall, the faster growth of businesses owned by Hispanics and Asians implies a relative decline of black representation in Illinois and Chicago minority business concerns. In 1982, blacks owned over half of all minority businesses in Illinois compared to 29 and 18 percent owned by Asians and Hispanics, respectively. By 1997, the statewide profile of minority business ownership had changed appreciably, such that Asians owned about one-third of minority firms, blacks owned just over one-third and Hispanics slightly less than one-third. Thus, in just 15 years, blacks' share of the minority business sector declined about 15 percent points while that of Hispanics and Asians rose about 11 and 5 percent points, respectively. Chicago minors the state-wide trends because 88 percent of Illinois minority owned firms were located in Chicago in 1997, up from 82 percent in 1987.

These group differentials in minority business ownership are even more pronounced among the subset of firms with paid employees. The distinction between firms without and with paid employees is important because it signals size differences that are related to sales and receipts, hence the income of the proprietors. It is noteworthy, therefore, that between

1982 and 1997, Blacks' share of the minority business sector with paid employees fell from 43 to 16 percent of the statewide total, while the Asian share of minority businesses with paid employees increased over the same period from 38 to 57 percent of all minority owned firms with at least one paid employee. Thus, by 1997, Asians owned nearly 57 percent of Illinois' minority owned firms with paid employees and Hispanics claimed just over one in four. Of these, 89 percent were located in Chicago. The black statewide share of minority firms with no employees also declined during the early 1980s and stabilized around 43 percent during the 1990s. Among minority firms with no employees, the share owned by Hispanics rose by 66 percent statewide and by 27 percent in Chicago. For the state as a whole, the share of minority firms with no employees owned by Asian proprietors hovered around 27 to 30 percent, throughout the period, while the black share dropped almost 29 percent, from 54 to 44 percent of all minority firms with paid no employees. No comparable drop in the share of black firms without paid employees occurred in Chicago.

(Table 4 About Here)

Table 5 illustrates the economic significance of the differentials between firms with and without employees. Only the statewide totals are reported because similar results obtain for Chicago, where most minority owned businesses are located. Owing to sheer increases in the number of firms over time, the total volume of sales and receipts rose appreciably for all groups, but the differentials between firms with and without paid employees widened. To illustrate, in 1982, total sales and receipts of Hispanic firms with paid employees was nominally \$170 thousand compared to \$110 for Hispanic owned firms with at least one paid employee. For blacks, the comparable sales and receipts were \$431 and \$224 thousand, respectively. However, by 1997, Hispanic firms with one or more employees averaged \$4.1

million in gross sales and receipts, compared to only \$641 thousand for those without paid employees. For Asians, sales and receipts of firms with and without paid employees differed by a factor of 13:1!

(Table 5 About Here)

Trends in minority business ownership based on the economic censuses suggest many questions the data cannot answer. For example, why are blacks and Hispanics disproportionately concentrated in firms that lack employees, and why has black representation in the small business section been falling in the absence of commensurate population declines? From the published census data, it is difficult to understand the source of these differentials or to discern the shares of “firms” that operate from home or that represent supplementary consulting income in the absence of a separate firm. Nor is it possible to differentiate among firms that have been in operation for short or long durations. Furthermore economic census data are limited because they undercount firms without a business address and part-time firms with negligible sales. Unregistered firms that do not file taxes are also excluded. Based on differentials in the number of firms with and without employees, it appears that minority groups tend to own marginal firms to a higher extent than nonminority groups, hence counts of minority-owned firms are always underestimated (Raijman, 1996). This implies that the trends in minority business ownership based on the economic censuses are very conservative.

Nevertheless, the general trends and differentials described thus far provide a backdrop for anticipating future changes in the composition of minority businesses in Illinois and Chicago, particularly in light of recent and projected changes in the demographic composition of the state. What is strikingly clear from the economic census

data is that Asians and Hispanics *have* been increasing their presence as proprietors of businesses in the state, and especially in Chicago, where the majority of recent immigrants reside. However, the aggregate trends do not provide any clues about why the Asian presence in minority businesses is so much larger than their population share, nor do the data provide any clear policy lessons about ways to promote or enhance the development of minority businesses. For that exercise, I turn to a unique survey conducted in Little Village that involved both a representative household survey and a random survey of extant businesses. This study not only permitted a detailed inquiry into the determinants of business formation among storefront owners in a vibrant ethnic economy, but also was designed to portray the complex array of economic activities that eventuate into minority business ownership. Unlike census data, the survey helps answer questions about how various ethnic groups access the world of business ownership, their motives for doing so, and the obstacles they confront. The latter insights are particularly valuable for thinking about policies that might promote business development.

Specifically, policy makers might want to know what specific obstacles preclude would-be entrepreneurs from entering the world of business, and especially why blacks fare so poorly relative to recent immigrants, who often lack the language and country-specific knowledge to function in the U.S. labor market. Learning how minority business owners acquire the know-how to enter the world of business and what, if anything, business organizations can do to promote minority entrepreneurship can serve as a useful adjunct to policy.

## **Immigration and Business Development: Lessons from Little Village<sup>4</sup>**

One major goal of the Little Village study was to learn about the prevalence and forms of self-employment activity. We selected Little Village, a neighborhood on the southwest side of Chicago, because it boasts a vibrant ethnic economy and it is the largest Mexican community in the Midwest. Previously a Czech immigrant neighborhood, the community experienced considerable social and economic transformation between 1970 and 1990. In 1970, Mexicans constituted only 30 percent of the neighborhood population, which numbered 62,895 residents. Twenty years later, over 80 percent of all residents were Mexican.<sup>5</sup> Ethnic neighborhood succession generated a crucial market condition for the development of a business sector, namely a critical mass of ethnic consumers to support ethnic businesses. Likewise, Hispanic business ownership in Little Village took the form of a natural succession into vacant storefronts (Raijman, 1996).

Today, the vibrant shopping district on 26<sup>th</sup> street is populated by small businesses that serve the steady stream of new immigrants. As in other minority neighborhoods, the absence of large retail stores and a poor transport network for those lacking automobiles has created a niche for immigrant entrepreneurs (Lee, 1999). Merchants and leaders in Little Village's Chamber of Commerce and in the community proudly talk about W. 26th street being the second most successful commercial strip in Chicago, after the Magnificent Mile on Michigan Avenue. Besides formal storefronts, street vendors augment the vitality of business activity in the community throughout the year, but especially during the summer months. Not surprisingly, this neighborhood has become

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<sup>4</sup> This section draws extensively my collaboration with Rebeca Raijman.

<sup>5</sup> The census tract data are not publicly available at this writing hence I do not report the 2000 population figures for Little Village.

the primary magnet for recent immigrants from Mexico who seek employment in the low-wage jobs available within and surrounding the neighborhood.

Although Little Village is predominantly a Mexican residential neighborhood, its business community is ethnically heterogeneous. During the last decade or so, various ethnic groups (Koreans, Arabs, Chinese and Pakistanis) joined the white and Mexican business owners in Little Village, thus transforming the neighborhood in a multi-ethnic business community.<sup>6</sup> Three in four of Little Village business owners are of Hispanic origin, the majority of these Mexican and foreign-born. Koreans represented 13 percent of Little Village business owners, and the remaining share consisted of Middle-Eastern, other South-Asian (India and Pakistan) and non-Hispanic whites.<sup>7</sup>

### ***The Survey***

The Little Village business survey is based on a stratified random sample of establishments that were in operation during the spring of 1994. A neighborhood canvassing yielded circa 1000 business establishments that were stratified according to primary type of industry, product, or service. Relatively uncommon businesses, such as bridal shops, bakeries, iron works products and factories, were sampled at a rate of 100 percent. Relatively abundant enterprises, like restaurants, bars, auto repair shops and hair salons, were sampled at a rate of 35 percent. All remaining establishments were sampled

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<sup>6</sup> Little Village houses a Jewish-owned, Korean-operated discount mall that accommodates 120 small booths that are rented by Koreans, Arabs, Asian-Indians, Mexicans and other Hispanic immigrants.

<sup>7</sup> Non-Hispanic entrepreneurs concentrate in clothing, electronics, jewelry, beauty supply and laundry services. For a comparative socio-economic profile of ethnic entrepreneurs in Little Village see Rajjman, (1996).

at a rate of 50 percent. In descriptive analyses, weights inverse to the sampling ratio are applied to represent the universe of business enterprises.<sup>8</sup>

The response rate for the sample business was 70 percent, which is very respectable given that we insisted on interviewing owners, and declined to conduct interviews with managers or other employees. Bilingual interviewers conducted all interviews. If a business had multiple owners, only one was interviewed. It was unnecessary (and too costly) to interview all owners because the instrument solicited detailed information about the nature of the partnership and the division of responsibilities among owners.<sup>9</sup> Respondents who had multiple businesses were queried about their main business. A total of 244 interviews with business owners were conducted; of these, 162 were Mexican immigrants.

The business instrument solicited information about household and respondent characteristics and specific questions about employment activity before the current business, which is essential to understand the training process within ethnic firms. Specific questions asked include: relationship to previous employer, ethnicity of employer, location of the business, occupation, years/months of work in previous occupation, supervisory functions, and skills acquisition. The survey instrument also included a set of questions to measure risk disposition, inputs for business start-up, including sources of capital, use of credit, problems and financial barriers, family members' participation in the business, employees and clients, suppliers, social networks,

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<sup>8</sup> Professional services (such as lawyers and health services) were NOT sampled for theoretical reasons. Both the process and the formal requirements for self-employment in medicine and law are sufficiently different from those required to establish small business enterprises. Furthermore, most of the clinics located in Little Village actually were part of large HMO networks that were affiliated with one of the major hospitals in the City of Chicago. Thus, our sample represents all service industries EXCEPT legal and medical services.

organizational participation, and current financial status. The originality of the study lies in its emphasis on how ethnicity influences the creation and expansion of businesses, through multiple social and economic domains, which is highly relevant for policy initiatives designed to support and promote ethnic enterprises.

### ***Characteristics of Business Owners***

Table 6 reports selected characteristics of the business owners and their firms surveyed. As expected, the vast majority (75 percent) are of Hispanic origins (predominantly Mexican), and of these, virtually all are foreign born (92 percent were born abroad). Among Hispanic foreign-born respondents, 96 percent were from Mexico and the remainder from Central America. Half of the remaining business owners in Little Village were Koreans, while Middle-Eastern, Other South-Asian (India and Pakistan) and non-Hispanic whites comprised 12 percent of total business owners.<sup>10</sup> Immigrant business owners were younger than non-Hispanic whites (43-45 years and 53 years, respectively). Among immigrant business owners, the vast majority (80 percent) were married, compared to just over half of U.S.-born Hispanic establishment owners. Hispanic immigrants who owned businesses in Little Village lived in the U.S. an average of 23 years compared to just 11 and 15 years for Korean and Arab business owners, respectively.

(Table 6 About Here)

Education and prior business ownership represent general and specific human capital that enables individuals to organize and establish a business. Ethnic groups differ

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<sup>9</sup> Multiple interviews would have resulted in much redundant information. Less than 10 percent of our respondents were partners.

appreciably in these crucial resources. Hispanic immigrant establishment owners averaged 9 years of formal schooling while Korean, Middle-Eastern and South-Asian owners (also foreign-born) averaged at least two years of college. U.S.-born Hispanic business owners averaged 12 years of graded schooling. More than half of Korean and non-Hispanic white and two-thirds of Middle-East and South-Asia business owners had an academic degree, compared to one-third and 10 percent of native-born and immigrant Hispanics, respectively. Among immigrants, the majority of the degree holders completed their education in their home countries. These characteristics, but especially length of U.S. residence, English proficiency, and educational attainment, directly influence implications for the likelihood of business ownership (Borjas, 1986; Portes, 1987; Evans and Leighton, 1989; Aronson, 1991; Butler and Herring, 1991; Fairlie and Mayer, 1996).

Previous business experience has been singled out as a key factor promoting business growth within an ethnic community. Little Village entrepreneurs exhibit quite varied amounts of prior business experience. Two-thirds of all Korean business owners in the community had previously operated a business, compared to 45 and 40 percent of Middle-Eastern/South Asian and non-Hispanic white merchants, respectively. However, only one-fifth of U.S.-born and one-third of foreign-born Hispanic establishment owners had owned a business prior to their current establishment.

In what follows, I consider several policy issues related to the expansion of the small business sector. For example, are there barriers to entrepreneurship among would-be business owners? Can potential entrepreneurs be identified? How do immigrant entrepreneurs, especially those with low education levels, go about establishing a

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<sup>10</sup> All Korean and Middle-East and South-Asia business owners were foreign-born.

business? And finally, can formal business organizations play a role in fostering entrepreneurship among groups that historically have been underrepresented in the world of business?

### ***Pathways to business ownership***

Numerous studies ask why groups are differentially successful in entering the world of business.<sup>11</sup> Several claim that employment in a co-ethnic firm serves as a stepladder to business ownership. Raijman (1996) and Raijman and Tienda (2000) also show that informal employment is another pathway to business ownership. Obviously, experience with business ownership in origin countries greatly increases the likelihood of business ownerships in the new host country.

Table 7 shows that over 60 percent of Hispanic, Korean and Middle-East/South-Asian-owned businesses were started by the current owner, compared to only 29 percent of those owned by non-Hispanic whites. Whereas 16 percent of establishments owned by non-Hispanic whites, and 13 percent of firms owned by US-born Hispanics were inherited, only trivial shares of immigrant-owned businesses were acquired through inheritance. That over half of businesses owned and operated by non-Hispanic whites were purchased outright suggests a stronger capital position of this group relative to the

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<sup>11</sup> Most of the studies that analyze determinants of self-employment in a comparative ethnic perspective are based on census data. See for example Borjas, 1986; Boyd, 1991<sup>b</sup>; Butler and Herring, 1991; Sanders and Nee, 1996; Light and Rosenstein, 1995; Fairlie and Meyer, 1996; Razin and Light, 1998. However, from census data we learn about the demographic characteristics of the self-employed but virtually nothing about their establishments. Thus to address the factors conducive to ethnic enterprise (beyond personal characteristics a customized survey was required. Waldinger (1990) collected data for different ethnic groups (Puerto Ricans, white Americans, Dominicans, Chinese, foreign-born Jews, Italians, Koreans, Greeks, Cubans, and Irish) in the area of Sunset Park, Brooklyn (80 interviews in 1986). Gold's ethnographic study (1992) compared Soviet Jews and Vietnamese refugees. However, these studies do not focus on the issues discussed in the present paper.

immigrant minority populations. By this measure, Koreans had the strongest capital position of all groups compared (Light, 1980; Light and Bonacich, 1988; Min, 1988). Not surprisingly, Koreans were far more likely to have prior entrepreneurial experience than any of the other groups. Thus, both a strong capital position coupled with prior business experience defines their pathway to business ownership.

(Table 7 About Here)

The bottom panel of Table 7 provides information about prior employment experience, with a special focus on the ethnicity of the current owners, their relationship to previous employers and whether respondents' previous occupational experience provided them with skills relevant to the current business. There are striking differences by ethnicity of business owners. First, all non-Hispanic whites and Koreans reported having previously worked for co-ethnic employers, compared to only 48 and 45 percent of native and foreign-born Hispanics, respectively. Second, only 38 percent of Middle-Eastern and South Asian merchants acquired business-relevant skills in their previous job, compared to 54 percent of foreign-born Hispanics and 67 percent of Koreans. Consistent with many prior studies, the Little Village survey suggests that Korean ethnic enterprises serve as training platforms for future self-employment in ways that are not replicated by other ethnic groups.

Table 7 also reveals the actual shares of businesses that began informally according to the ethnicity of the owner. Although informal economic activity is not a dominant mode of entry into self-employment, it is much more salient for immigrants with low levels of education and few capital resources at time of arrival. Informal economic activities allow potential entrepreneurs to experiment and explore the viability

of a particular product in the United States. Of the total foreign-born Hispanic businesses that began informally, almost 60 percent were home-based during the first stage, and the rest were located in open flea markets, or on the open streets. Most of the informal businesses moved into their formal stage after their owners gained confidence, experience, capital, and "visualized" a market (Raijman and Tienda, 1999).

Only 15 percent of Hispanics who worked for a co-ethnic employer began their business informally compared to one-third of their ethnic counterparts who did not work in an ethnic firm. Raijman and Tienda (2000) show that Hispanic business owners who worked for a co-ethnic firm are 2.3 times less likely to begin their business informally compared to those who did not work for a co-ethnic employer. They tentatively conclude that the informal economy provides an alternative pathway to self-employment for potential entrepreneurs lacking ethnic ties, capital resources or opportunities to acquiring training in co-ethnic firms.

Many well-educated immigrants also favor self-employment as an avenue to economic mobility in the United States, especially if they perceive that their lack of proficiency in English limits their mobility opportunities in the open labor market. Table 8 reports responses to an open-ended question asking about the reasons for starting a business and entrepreneurial dispositions.<sup>12</sup> The modal response for becoming business owners given by all groups except native-born Hispanics was a desire to make more money. Obviously both relatively highly educated (i.e., Koreans and Middle-Eastern/South-Asians) and poorly educated (Hispanic) immigrants view self-employment--more specifically, business ownership-- as an avenue to economic mobility in the United States.

(Table 8 About Here)

Both Korean and Middle-Eastern/South-Asian business owners specifically viewed self-employment as an avenue to overcome labor market disadvantages (their second most frequent response). It is not coincidental that the most educated immigrant populations perceive most intense blocked mobility. Disadvantages stemming from lack of language proficiency and the imperfect transferability of their foreign-earned degrees are the basis for immigrants' blocked opportunities in the U.S. labor market. When unable to find employment to commensurate with their education, many college-educated immigrants seek higher incomes through business ownership. Unlike Koreans, Hispanic entrepreneurs do not perceive business ownership as a strategy for overcoming labor market disadvantages. Rather, for them the desire for independence afforded by business ownership is a salient reason for becoming self-employed.

Contrary to the popular myths about Koreans' unique entrepreneurial disposition, the Little Village Survey shows that Hispanic business owners are both more committed to "growing their business" and keeping the business in the family compared to other immigrant minorities. When asked about plans for expanding their current business, Hispanics were most likely to express a strong desire to expand their business. Over 55 percent of Hispanics desired to expand their business, compared to 43 percent of Koreans, and even lower shares of non-Hispanic whites, Middle-Eastern, and South-Asian business owners. Moreover, an overwhelming majority of immigrant Hispanic business owners (75 and 48 % percent of foreign and native-born, respectively) indicated that they wanted to have a family member assume ownership of their business. This

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<sup>12</sup> The responses do not sum up to 100 percent because the question permitted multiple answers.

compares with only 10 percent of Koreans, 16 percent of non-Hispanic whites, and 26 percent of merchants from the Middle-East and South-Asia.

These results connect with the reasons Koreans gave for becoming self-employed. The first generation sees self-employment as the primary pathway to economic mobility in the host country and a way of overcoming blocked mobility and their strong desire for the second generation is to have a “good” job—preferably a professional career. For Hispanics, business ownership is not solely an instrument for overcoming discrimination for the first generation, but also a foundation to generate and transmit economic resources to the second generation. Probably anticipating low educational levels for their children, immigrant Hispanics see business ownership as a wealth flow to be transmitted over generations, and not as a transitional pathway to the U.S. labor market.

### ***Ethnic Foundations of Economic Transactions***

The previous section sheds some light on the underpinnings of race and ethnic differentials in business ownership and suggests that the diverse pathways to business ownership contribute to the relative “success” of Asian entrepreneurs compared to Hispanics and others. However, the Little Village survey does not address why the relative share of black business owners has declined in Chicago because none of the businesses in Little Village are owned by African Americans. A recent paper by Rauch (2001) tries to understand why African Americans are seemingly less able to transcend market discrimination to succeed in small businesses. If, as Grannovetter (1985) and others claim, ethnic networks enhance economic transactions by linking buyers and sellers, then African American business may be relatively disadvantaged because they

have thinner business networks; because their networks are less conducive to information-sharing and to linking buyers and sellers; and because relatively few formal business associations cater to African American concerns. As a solution, he proposes the establishment of for-profit intermediaries to serve the economic functions currently performed by ethnic networks in immigrant communities.

Rauch believes that for-profit intermediaries might *supplement* the functions performed by informal business ties by facilitating information flows among existing businesses and providing information to would-be entrepreneurs. For this to occur, prospective business owners would have to know about the for-profit intermediary organizations and they would have to be willing to utilize their services. Both requirements are reasonable enough, yet in the absence of a demonstrated demand for these services – both the need for information about goods and consumers as well as the ability and willingness to pay for the intermediary services – the viability of this idea is uncertain. Much depends on whether business owners actually use the for-profit intermediaries, and what it would take to institutionalize this practice among small business owners.

Although, the Little Village Business Survey does not include African American business owners, it does provide evidence that bears on this question. The survey inquired about membership and participation in formal business organizations as well as the degree and nature of ties with suppliers and distributors as well as financial units. Mexican immigrants are an informative comparison because, like African Americans, they also have low rates of business ownership and are highly residentially segregated. A notable difference, however, is that Mexican immigrant retailers are embedded in thick

ethnic networks that connect them to clients and customers, credit sources, suppliers and distributors, and information about economic opportunities—the services that for-profit intermediaries potentially could provide for African American business owners.

Table 9 addresses whether groups differ in their propensity to engage in business transactions along ethnic lines. Nearly 90 percent of Korean, 73 percent of Mexican, 66 percent of Middle-Eastern, and 57 percent of non-Hispanic white business owners in Little Village use the services of co-ethnic professionals. With the exception of Middle-Eastern and South Asian business owners, all groups hire accountants from their ethnic group. This difference probably reflects the scarcity of Middle-Eastern and South Asian accountants more than expressed preferences of these groups. By contrast, the majority of firms that use legal services hire American (white) lawyers. Three-in-four white and Korean business owners utilizing insurance services contract these from co-ethnic suppliers, compared to only 40 percent of Mexican and 20 percent of Middle-East and Asian business owners.

(Table 9 About Here)

Ethnic differences in procurement of product supplies from members of their own group are somewhat lower, but still quite high.<sup>13</sup> Half of Mexican merchants in Little Village have at least one co-ethnic supplier compared to 81 percent of Koreans, 72 percent of non-Hispanic white businessmen, and only 26 percent of Middle-Eastern and south Asian merchants. Another indicator of the extent of ethnic vertical integration is the share of all economic transactions conducted with a supplier of the same ethnic

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<sup>13</sup> Respondents were asked to provide information regarding the three most important product suppliers. The reported figures are averages from the three responses.

group. Group differences are rather striking. Mexican business owners conduct over one-third of all business transactions with co-ethnic suppliers, and for clothing retailers and restaurant owners, they rely on co-ethnic suppliers more extensively—54 and 40 percent, respectively. These figures compare with 60 percent of Koreans, two-thirds of non-Hispanic whites and only 21 percent of Middle-Easterners and South Asians who own and operate businesses in Little Village.

There are several explanations for the observed differences in reliance on own-group service and product suppliers. One is that business owners prefer members of their own group because they find it easier to establish trust and to communicate with them. Another is that own-group members provide more favorable credit terms to business owners, thereby reducing financial stress when cash flows are tight. As shown in the third line of the lower panel, between 45 and 82 percent of product suppliers provide their clients credit. Third, some groups may be underrepresented in concerns that lend themselves to ethnically circumscribed vertical integration. This is particularly so for demographically small populations, like Middle-Easterners and South Asians living in Chicago.

To explore the reasons associated with the selection of service and product suppliers, business owners who reported using at least two suppliers of their own ethnicity were asked whether they generally prefer to work with members of their own ethnic group and if so, why. The most frequent responses to this question invoke culture factors—including language, common understanding and trust of compatriots. Koreans were far more likely than others to report common culture as a motivation for hiring a co-

ethnic service supplier. Non-Hispanic white business owners claimed to consider job performance over racial affinity in selecting their suppliers and producers.

Although ethnic entrepreneurs might prefer a co-ethnic supplier of products, when none exists in the specific industry or if co-ethnics do not provide the best market terms, they are forced to trade with other ethnic groups. Owing to the relatively low rate of Mexican business ownership outside of Little Village, many business owners report having no choice in the selection of product suppliers. Mexican and Middle-Eastern and South Asian business owners who did not rely on co-ethnic suppliers were more likely than non-Hispanic white storefront owners to report that they did not use co-ethnic suppliers for this reason. This situation is probably analogous to that encountered by African Americans because the size of the small business sector is small relative to group size and not deeply embedded in ethnic networks. The question, then, is whether vertically integrated African American businesses would reserve better credit terms, and whether the nature and frequency of economic transactions could be mutually beneficial for buyers and sellers.

Thus, the viability of using for-profit intermediaries to substitute for the roles that ethnic networks provide for immigrant entrepreneurs depends on the value of co-ethnicity in structuring preferences and economic transactions. Assuming optimal price and credit terms, when given a choice Korean immigrants and to a lesser extent Mexican immigrants actually *prefer* co-ethnic product suppliers and service providers. Whether economic transactions by for-profit intermediaries would be equally efficient if not organized along ethnic lines is not clear. However, business owners' willingness to pay for such services will surely be decisive.

Would business owners actually patronize for-profit intermediary organizations if organized along ethnic lines? Table 10 sheds light on this question based on responses to organizational participation and use of institutional services by Little Village entrepreneurs. Only about one-third of Little Village Mexican and Korean business owners belong to a business association, compared to almost half of white and less than 10 percent of Middle Eastern and South Asian storefront owners. However, of those who participated in formal business associations, most Mexican but only one-third of Korean business owners were involved in co-ethnic organizations.

(Table 10 About Here)

Very few business owners know about programs for new business owners. Less than 20 percent of Mexican business owners in Little Village knew about programs that serve new business owners, and less than 10 percent of Korean and Middle-Eastern and South Asian business owners were familiar with such organizations. This compares with approximately one-in-four non-Hispanic whites. Somewhat surprisingly, of those who were aware of such programs, less than 20 percent of Mexicans and non-Hispanic whites took advantage of the services provided. One-third of Korean business owners used such services, conditional on familiarity. Thus, only a tiny fraction of Little Village entrepreneurs actually benefited from formal programs for business owners. Before assuming that a for-profit intermediary solution used to promote international trade is applicable to small business owners, understanding who does and does not participate in formal business organizations seems crucial, as does an understanding of the reasons why business owners belong to business associations of various types.

That formal business organizations play a relatively minor role in either business start-ups or the expansion of existing businesses does not mean that they can not perform some of the functions currently served by informal ethnic ties (Tienda and Raijman, 2001). However, it is questionable whether, at least for small business enterprises, formally organized for-profit intermediaries can serve minority business owners in the same way or to the same extent as informal ties embedded in ethnic networks. For retail trade, the existence of a consumer base to patronize retail shops may be more critical for business success as good information about reliable suppliers and distributors. It is noteworthy that 74 percent of Mexican business owners in Little Village perceive that the success of their business depends on the income levels of the community in which they operated, compared to only 56 percent of Korean storefront owners and 28 percent of non-Hispanic whites. For African Americans, this issue is especially relevant because the constraints imposed by the consumer base can effectively undermine any initiatives to promote small businesses in poor, residentially segregated communities.

### **Summary and Policy Implications**

Recent demographic trends in Illinois and Chicago point to a continued growth of minority populations and, concomitantly, an expansion of the small business sector. However, representation of blacks, Hispanics and Asians among minority business owners has not paralleled demographic growth uniformly. In Chicago's minority business sector, Asians have established a commanding presence based on their share of firms relative to population size; their higher representation in firms that hire one or more paid employees; and the volume of sales and receipts. By contrast, African Americans

have lost ground in this sector, even though the absolute number of businesses owned and operated by blacks has increased. Thus, businesses are smaller and less economically successful, on average, compared to Asians. Immigration from Mexico has failed Hispanic business ownership in Chicago, which have been expanding at a more rapid rate than those owned and operated by blacks.

Census data show general trends, but reveal little insight about why things change as they do. Moreover, decisions about whether current trends are good or bad depend on the social goals one wants to achieve. If the ultimate social goal is social equality, then recent trends toward larger disparities among race and ethnic groups are cause for concern. If the social goals include promoting economic opportunity and community development, then recent trends are encouraging—especially for recent immigrants.

How public policy can promote and support the growth of the small business sector and particularly the participation of minorities in these economic activities is less obvious. Showing that having prior business experience is a strong predictor of starting another business is policy relevant only if potential entrepreneurs can be identified and educated about how to start and grow a successful business. This is a tall order for the development of minority business and entrepreneurship in an increasingly diverse state and major city. However, learning from the Little Village Survey that a nontrivial share of current business owners, and particularly those with limited human capital, began their currently businesses through informal channels does *suggest a role for policy to provide the information about how to establish a business, how to obtain necessary financing, and how to arrange for legal transactions*. Although the Little Village survey did not re-interview the respondents at a later point in time, selected follow-up calls revealed the

volatility of many small businesses, because several had closed within a year of the initial interview. This suggests another role for public policy, *namely to provide economic supports that enhances the longevity of ethnic business concerns*. But of course, further research is needed to characterize what types of businesses were more likely to fail and to identify the early warning signs. What specific steps are required partly depends on the nature of the enterprise, but also the extent to which it is vertically and horizontally embedded in strong ethnic networks.

The Little Village business survey also challenges assertions of low entrepreneurial disposition among foreign-born Mexicans, which is the fastest growing segment of Chicago's minority business sector. A companion household survey conducted in the same year revealed that the level of potential self-employment in the community is extremely high (Rajjman, 1996). Half of the population of Little Village aspired to starting their own business and of these, one in three had taken some concrete steps to actualize their goal. Lack of both financial capital and information about requirements to establish a formal business inhibited business formation for many aspiring entrepreneurs in Chicago. Because Mexican immigrants average very low levels of education and very modest financial resources, capitalizing on the latent entrepreneurial dispositions of Mexican immigrants *requires deliberate strategies to conduct the necessary market analyses and to finance start-up ventures*. What organizations are best suited to assume this responsibility is unclear, but the importance of building on the currency embedded in ethnic networks should be factored into whatever market strategy is developed.

Survey evidence about the salience of ethnic ties in business transactions suggests that advocates for small ethnic businesses that do not enjoy the economic benefits conferred by strong ethnic networks must consider viable functional substitutes to enhance their economic transactions. Exactly what form that should take is unclear, but *taking steps to strengthen economic ties among existing suppliers of goods and services, particularly those that lend themselves to vertical integration*, is an obvious beginning for policy intervention. The success of Korean business owners is a strong testimonial to the value of such a strategy. This consideration is especially important for segregated communities, like African Americans and Mexican immigrant neighborhoods, because it means that economic effects of ethnically encapsulated markets can be readily harnessed.

There is no magic bullet for promoting ethnic entrepreneurship. However, the aggregate trends in the growth of small businesses coupled with the insights from the Little Village survey suggest ample room for policy initiatives *to promote training; to improve demand for products and services; and to mobilize financial support for business start-ups*. Evidence that business owners in Little Village had very little knowledge of programs to support their business suggests *an important role for interventions designed to cultivate and develop the minority small business sector by providing timely information about opportunities and strategies to establish formal businesses*. In this endeavor, the significance of building on the strength of ethnic ties can not be overstated—at least during the initial stages of business development. This is especially important for minority groups that can not easily draw on established networks of suppliers, producers and service providers from which to forge lasting forward and

backward linkages. Recent Mexican immigrants and African Americans are prime candidates for this type of support.

On the research front, the importance of conducting representative surveys with business owners and monitoring the success of the enterprise cannot be overstated. A major shortcoming of the Little Village business survey is its cross-sectional design. Although the instrument includes several retrospective questions, this is no substitute for a prospective monitoring of the business life cycle. This is especially important for African American and Mexican owned and operated businesses, which seem to be more precarious economically. Promoting business start-ups destined to fail can not serve the long term goals of community development and income growth if turnover rates are high. In my view, this, along with a representative survey of African American business owners in Chicago, is a necessary complement to any intervention strategies on behalf of the small business sector.

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**Table 1**  
**Race and Ethnic Composition of Cook County: 1970-2000**  
(In Percent)

	1970	1980	1990	2000
Non-Hispanic Whites	74.1	43.6	38.2	36.4
Non-Hispanic Blacks	21.4	39.3	38.9	26.1
Hispanics	3.6	14.4	19.0	19.9
Mexicans	(1.9)	(8.7)	(12.4)	(14.6)
Puerto Ricans	(1.7)	(3.8)	(4.2)	(2.4)
Others	n/a	(1.9)	(2.4)	(2.8)
Asians	0.7	2.3	3.6	4.8
Others <sup>a</sup>	0.3	0.5	0.3	12.7
Total <sup>b</sup>	100.1	100.1	100	99.9

Source: 1970 1% PUMS; 1980 % PUMS; 1990 5% PUMS; 2000 Census at [www.nipccog.il.us](http://www.nipccog.il.us)

<sup>a</sup> Includes Native Americans (.3), individuals who reported race as other (9.9) and those who reported more than one race (2.5).

<sup>b</sup> Percents may not sum to 100 due to rounding.

**Table 2**Change in Illinois Foreign-Born Population, 1980-96: Top Ten Countries

1980 Census		1990 Census		1996 CPS*	
Mexico	167,924	Mexico	281,651	Mexico	373,000
Poland	64,293	Poland	80,594	Phillipines	57,000
Germany	54,715	Philipines	49,119	Vietnam	45,000
Italy	48,866	India	40,817	India	32,000
Philipines	34,299	Germany	39,920	Germany	23,000
Soviet Union	25,685	Italy	33,812	Canada	20,000
United Kingdom	25,001	Korea	30,058	Cuba	18,000
Greece	24,867	United Kingdom	21,181	Korea	13,000
Yugoslavia	23,435	Yugoslavia	20,953	United Kingdom	12,000
India	23,373	Greece	20,248	China	12,000
All Others	331,238	All Others	339,919	All Others	457,000
Total	823,696	Total	952,272	Total	1,062,000

*\*Current Population Survey data is subject to sampling distortion.*

*Source: <http://www.fairus.org>*

**Table 3**  
**Growth and Changing Distribution of Minority-Owned Firms: Illinois and Chicago, 1982-1997**

(In Percent)

	1982	1987	1992	1997	% Δ, '82-'97
Illinois (N)	27,866	43,519	68,544	109,111	292
Hispanic	17.7	22.1	26.8	28.4	60.4
Asian	29.2	34.2	31.7	33.8	15.8
Black	53.1	43.7	41.5	37.8	-28.8
Total	100.0	100.0	100.0	100.0	
Chicago (N)	-	35,691	61,013	95,784	168
Hispanic	-	22.0	27.3	29.0	31.8
Asian	-	35.0	32.3	34.2	-.02
Black	-	43.0	40.4	37.1	-.14
Total	-	100.0	100.0	100.0	

Source: Minority-Owned Business: Hispanic, Asian and Black Economic Censuses, Multiple Years

**Table 4**  
**Growth and Changing Distribution of Minority-Owned Firms With and Without Employees,**  
**Illinois and Chicago, 1982-1997**  
(In Percent)

	Without Employees					With Employees				
	1982	1987	1992	1997	% Δ, '82-'97	1982	1987	1992	1997	% Δ, '82-'97
<b>Illinois (N)</b>	23,616	34,841	54,635	85,839		4,439	8,678	10,120	23,272	
Hispanic	17.3	22.8	28.7	28.8	66.0	18.7	19.7	26.6	27.2	45.4
Asian	27.3	31.3	30.3	27.5	0.79	38.5	45.5	51.4	56.7	47.3
Black	54.4	45.9	41.0	43.7	-19.7	42.8	34.7	22.0	16.1	-62.4
Total	100.0	100.0	100.0	100.0		100.0	100.0	100.0	100.0	
<b>Chicago (N)</b>	-	28,989	55,393	75,157		6,702	9,409	20,627		
Hispanic	-	22.6	25.9	28.8	27.4	-	19.5	24.4	28.2	44.6
Asian	-	32.5	27.6	28.1	-13.5	-	45.5	47.0	56.1	23.3
Black	-	44.9	46.5	43.0	-0.4	-	35.0	28.6	15.6	-55.4
Total	-	100.0	100.0	100.0		-	100.0	100.0	100.0	

\* Source: Minority-Owned Business: Hispanic, Asian, and Black Economic Censuses, Multiple Years

**Table 5**  
**Sales and Receipts of Minority-Owned Businesses in Illinois: 1982-1997**

Ethnic Group	1982		1987		1992		1997	
	Sales & Receipts	%						
Hispanic [N]	[4,929]	19.0	[9,636]	19.0	[18,368]	22.0	[31,010]	20.0
Total	\$278,821		\$518,174		\$1,950,685		\$4,814,853	
With Paid Employees	\$168,369		\$366,698		\$1,553,281		\$4,173,772	
Without Paid Employees	\$110,452		\$151,476		\$397,404		\$641,081	
Asian [N]	[8,152]	36.0	[14,872]	46.0	[21,743]	58.0	[36,857]	63.0
Total	\$531,357		\$1,271,930		\$5,080,170		\$14,727,553	
With Paid Employees	\$352,084		\$933,923		\$4,396,358		\$13,679,250	
Without Paid Employees	\$179,273		\$338,007		\$683,812		\$1,048,303	
Black [N]	[14,785]	45.0	[19,011]	35.0	[28,433]	20.0	[41,244]	17.0
Total	\$654,531		\$968,489		\$1,773,293		\$3,913,240	
With Paid Employees	\$430,067		\$718,329		\$1,272,218		\$3,253,027	
Without Paid Employees	\$224,463		\$250,160		\$501,075		\$660,213	
Total		100.0		100.0		100.0		100.0

Source: Minority-Owned Business: Hispanic, Asian and Black Economic Censuses, Multiple Years.

**Table 6**  
**Selected Characteristics of Little Village Establishment Owners: Means or Percents**  
(Standard Deviations)

	Hispanic Native-born	Hispanic Foreign-born	Korean	Middle East and S. Asia	White
<u>Owner Characteristics</u>					
Age	36.3 (10.7)	43.3 (9.5)	45.6 (10.3)	39.1 (8.9)	53.3 (11.9)
Female Respondents	18.4	31.5	20.8	0.0	15.8
<i>Marital Status</i>					
Currently Married	52.6	81.2	83.8	84.4	76.3
Ever Married	21.1	14.2	7.4	-	15.8
Never Married	26.3	4.6	8.8	15.6	7.9
Tenure in the country years	n.a.	23.4 (9.5)	11.1 (5.8)	11.9 (6.5)	n.a.
<i>English proficiency</i>					
Very proficient	64.5	21.4	4.4	28.1	100.0
Moderately proficient	25.8	46.7	83.8	50.0	-
Not proficient	9.7	31.8	11.8	21.9	-
Years of formal schooling	11.9 (2.8)	9.3 (4.1)	14.5 (2.6)	14.3 (2.2)	14.6 (2.3)
Academic degree	31.6	10.4	52.2	65.7	52.2
Foreign earned degree	-	60.5	88.6	57.1	-
Owned a prior business	23.7	33.3	66.7	45.0	39.5
If prior business abroad	n.a.	33.0	52.0	33.0	n.a.
<u>Industry Distribution</u>					
Construction	5.3	1.0	-	-	5.3
Manufacturing	2.6	1.7	-	-	13.2
Wholesale and Retail Trade	50.0	62.9	97.0	100.0	55.3
Finance-insurance-real-estate	10.5	1.4	-	-	-
Personal, business and repair	21.1	28.1	3.0	-	21.0
Entertainment and recreation	10.5	1.9	-	-	-
Professional and related	-	2.9	-	-	5.3
N	14	165	28	10	18

Source: Little Village Business Survey.  
n.a.= Not applicable

**Table 7**  
**Mode of Entry, Activity Prior to Current Business and Prior Employment Experience of Little Village Establishment Owners**  
**Who Held Wage or Salaried Employment Prior to Current Business**  
(In Percent)

	Hispanic Native- Born	Hispanic Foreign- Born	Korean	Middle East and S. Asia	White
<b>Mode of Entry:</b>					
Bought or invested	26.3	21.4	32.8	25.0	55.3
Self-started	60.5	74.2	67.2	75.0	28.9
Inherited	13.2	1.9	-	-	15.8
Other	-	2.4	-	-	-
Activity Prior to Current Business	15.8	23.4	44.8	25.0	18.4
Sample % who were self-employed prior to starting current business					
Sample % who held wage or salaried job prior to starting current business	81.3	77.2	51.8	75.0	66.6
% Same Ethnicity as Previous Employer	48.3	45.3	100.0	0.0	100.0
% Acquired Business-relevant Skills in Prior Job	92.5	53.6	66.7	37.5	57.7
[ % Started Business in the Informal Economy]	7.9	27.2	9.1	-	-
N	13	132	14	9	12

Source: Little Village Business Survey.

**Table 8**  
**Reasons for Establishing Current Business and Entrepreneurial Dispositions by Ethnicity of Owner <sup>a</sup>**  
(Percents)

	Hispanic Native-Born	Hispanic Foreign-born	Korean	Middle East & S. Asia	White
Disadvantaged in U.S. Labor market	5.3	4.6	38.2	31.0	5.3
Difficulties in previous job	10.5	9.2	2.9	9.4	7.9
Make more money	18.4	32.3	51.5	31.3	28.9
Desire independence	18.4	28.2	20.6	37.5	10.5
Always wanted a business	34.2	18.1	10.3	25.0	13.2
Desire flexibility of self-employment	-	5.8	8.8	-	13.2
Previous business experience	15.8	17.8	11.8	-	18.4
Had relevant skills	13.2	16.4	7.4	-	2.6
Opportunity presented itself	34.2	13.0	2.9	-	7.9
Other <sup>b</sup>	-	2.4	4.4	-	15.8
“% willing or very willing to risk house and possessions to start a new business”	44.7	59.8	30.9	56.3	34.2
On a scale of 1 (Keep business in place) to 5 (Always think about ways to make business better), which number fits you? (% reporting 4 or 5)	86.9	79.3	52.6	64.2	90.3
N	16	171	27	12	18

Source: Little Village Business Survey.

<sup>a</sup> Percents exceed 100 because respondents gave multiple answers.

<sup>b</sup> Includes all Puerto Ricans

<sup>c</sup> Other includes availability of location; "American Dream."

**Table 9**  
**Ethnicity of Economic Transactions among Little Village Entrepreneurs**  
(In Percent)

	<b>Ethnicity of Business Owner</b>			
	Mexican	Korean	Middle East & Asia	Non-Hispanic White
<b>Business Service Providers</b>				
% Who use service suppliers of own ethnicity	72.7	89.0	66.7	57.1
% using accountant	86.6	85.2	58.3	94.4
% own ethnicity	72.8	100.0	42.9	83.0
% using attorney	27.0	30.8	18.2	66.7
% own ethnicity	25.5	0.0	33.3	84.6
% using insurance services	45.4	46.2	54.5	83.3
% own ethnicity	39.3	75.0	20.0	75.0
<b>Product Suppliers</b>				
% with at least one co-ethnic product supplier	50.0	81.0	25.8	72.0
% of product suppliers of same ethnicity	35.4	60.0	20.6	66.7
% of product suppliers who also provide credit	44.9	82.6	79.4	61.0
N	187	27	12	18

Source: Little Village Business Survey

**Table 10**  
**Organizational Participation and Use of Institutional Services by Little Village Entrepreneurs**  
(In Percent)

	<b>Ethnicity of Business Owner</b>			
	Mexican	Korean	Middle East & Asia	Non-Hispanic White
% Who belong to business association	28.9	33.3	8.3	49.4
% Same ethnic group, association 1	84.6	33.3	0.0	50.0
% Same ethnic group, association 2	67.0	66.7	0.0	100.0
% Who know about programs for business owners	16.0	7.4	8.3	27.8
% Who used these services	14.3	33.3	0.0	16.7
N	187	27	12	18

Source: Little Village Business Survey