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# Individual characteristics vs. city structural characteristics: explaining self-employment differences among Chinese, Japanese, and Filipinos in the United States

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## Abstract

Using data from the 1990 Census Public Use Microdata Sample (PUMS), this paper tests several theories explaining differing rates of self-employment for Chinese, Japanese, and Filipino. The primary purpose is to separate out the effects of individual characteristics versus structural effects by city. The primary conclusions reached are: (1) differences in individual characteristics explain much of the differences in city self-employment rates for Chinese, Japanese, and Filipinos and (2) theories explaining high rates of ethnic self-employment based on ethnic resources, disadvantage/discrimination, differences in self-employment earnings and wage earnings are tested but none universally explain much of the differences in city self-employment rates for any of the three groups.

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## 1. Introduction

The creation of small businesses by ethnic and racial groups in the United States is of interest for a number of reasons. First, self-employment is frequently viewed as a positive

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economic indicator for a racial and ethnic group. US Federal policy seeks to increase business formation among ethnic minorities and women as a means to further economic equality via special loan programs and Federal contracting requirements favoring ethnic businesses. Second, small business creation is cited as a means of fostering employment opportunities and economic independence particularly in US urban areas (Aronson, 1991). Third, small businesses are viewed as an important element of immigrant economic adaptation and survival. For example, Portes (1987) argues that the ethnic enclave of small businesses formed by Cuban refugees gives some Cuban refugee workers an economic advantage compared to employment outside the enclave. On the other hand, Light and Bonacich (1988) claim that immigrant and ethnic enterprises allow the exploitation of low-wage, ethnic labor within the US.

This paper examines differences in self-employment among three Asian groups—Chinese, Japanese, and Filipinos in the United States. Asian Americans are one of the fastest growing ethnic populations in the US with a higher rate of self-employment compared to other ethnic groups. The data for this study is provided by the 1990 Census of Population Public Use Micro Sample (PUMS). The basic methodology employed is to first estimate differences in city self-employment rates controlling for individual characteristic differences and then to use these estimated self-employment differences as dependent variables in ordinary least squares regressions to examine the effects of city-based structural variables. Theories based on differences in individual characteristics as well as differences in city structural characteristics such as differences in sectoral (wage versus self-employment) earnings, differences in access to ethnic resources, differences in access to ethnic workers, differences in effects of discrimination, and differences in disadvantage are tested.

Chinese, Japanese, and Filipino men were separately studied for a number of reasons. First, many studies of self-employment lump Asians into a single category even though the economic history of different Asian groups has been quite different. Second, sample size considerations severely limit the number of observations by city for women. Third, other Asian groups, e.g. Koreans and Vietnamese, have only recently experienced enough large scale immigration to provide a sufficient sample for the analyses that follows.

## **2. Explanations for self-employment**

The literature on self-employment is relatively extensive and only highlights of the literature are given below. One frequently made argument is that ethnic groups with high rates of US self-employment have a predisposition to self-employment derived from their country of origin. Yuengert (1995) has found some relationship between US self-employment rates and originating country self-employment rates. However, Fairlie and Meyer (1996) dispute Yuengert, finding that the originating country self-employment rates are not highly statistically correlated with US immigrant self-employment rates. Moreover, the predisposition theory would not explain the differences by city within an ethnic group.

Self-employment by ethnicity has been extensively studied in the sociological literature. A number of studies focus on the ability of certain ethnic groups to mobilize ethnic resources to generate sources of labor, capital, and revenues (Light, 1972; Light and Bonacich, 1988). Portes and Bach (1985) believe that Cuban business owners in Miami are able to use ethnic

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