

Ethnic minority self-employment

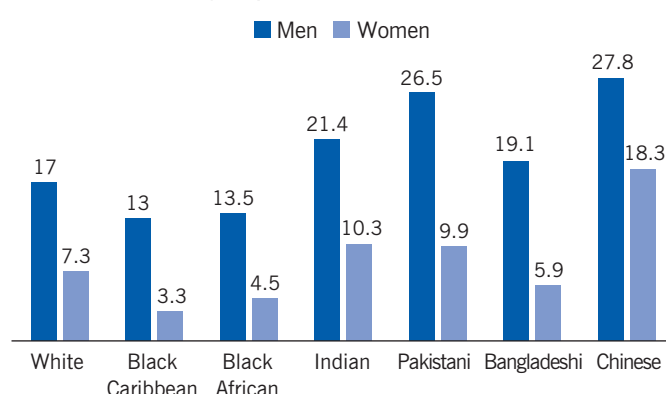
Poor paid employment prospects push minority workers into working for themselves, often in low-reward work

Keywords: ethnicity, self-employment, entrepreneurship

ELEVATOR PITCH

In many countries, ethnic minority groups are over-represented in self-employment compared with the majority community. The kind of work done by minority entrepreneurs can therefore be an important driver of the economic well-being of their ethnic group. Furthermore, growing the self-employment sector is a policy objective for many governments, which see it as a source of innovation, economic growth, and employment. While self-employment might offer economic opportunities to minority groups, it is important to understand the factors that underlie the nature and extent of ethnic entrepreneurship to evaluate whether policy measures should support it.

Self-employment is higher among some minority groups in the UK, 2001



Source: [1].

IZA
World of Labor

KEY FINDINGS

Pros

- ⊕ Self-employment can be a path to prosperity for immigrant and ethnic groups.
- ⊕ Minorities can exploit ethnic-specific cultural resources.
- ⊕ Ethnic enclaves may provide a protected market.
- ⊕ Business growth can provide employment opportunities for others in the same ethnic group.

Cons

- ⊖ Self-employment may be a response to discrimination in paid employment.
- ⊖ Declining self-employment rates may represent economic progress for an ethnic group.
- ⊖ Business outcomes are often worse for ethnic business owners.
- ⊖ Self-employed ethnic minorities may face poor work conditions.

AUTHOR'S MAIN MESSAGE

High self-employment rates among ethnic minority groups are often seen as a sign of a healthy entrepreneurial culture and a way to prosper in the labor market and the wider economy. However, while group- or culture-specific factors may attract some ethnic minority individuals to self-employment, on balance the evidence suggests that poor prospects in paid employment push minorities into working for themselves, and that this form of activity may not provide high rewards. Policies targeting higher self-employment rates for minority groups should be aware of the nature, quality, and wider context of ethnic minority self-employment when designing interventions.