Cultural Resources, Ethnic Strategies, and Immigrant Entrepreneurship: A Comparative Study of Five Immigrant Groups in the Toronto CMA

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Issue: Immigrant Entrepreneurship

Background

The diversity of Toronto’s immigrants and their businesses has become a significant economic asset to Toronto’s, and Canada’s, competitiveness in the global marketplace. However, there is little research on the development of ethnic businesses among immigrant groups.

This study addresses this gap by comparing the entrepreneurial behaviour of five immigrant (born outside Canada) groups in Toronto: Polish, Portuguese, Caribbean, Korean, and Somali. These groups were chosen based on their immigration status, their history in Canada, and their origin and racial background.

Following a literature review, the study collected data from two sources:
- the 1996 Canadian Census data; and
- a questionnaire administered to immigrant entrepreneurs.
Prior to the survey, information was collected through informal interviews with key informants from each immigrant group.

Due to limited resources and the exploratory nature of this study, the target population for each group was 50 respondents. The final sample size was as follows:
- Polish – 53
- Portuguese – 49
- Caribbean – 40
- Korean – 53
- Somali – 50

Ethnic Entrepreneurship in Toronto

The Toronto Census Metropolitan Area (CMA) is home to over 40% of the immigrants to Canada. Toronto’s immigrants have played a significant role in the growth and development of the economy through both paid and self-employment. Interestingly, immigrant self-employment – 15.4% in 1996 – is much higher than the 11.9% figure for the Canadian-born group.

Immigrant self-employment is of particular interest, given the changes in immigration policies over the last 30 years, as well as globalization trends. For example, in 1996, 12.2% of the Toronto

Summary

This study looks at immigrant businesses and the construction of ethnic economies in the Toronto Census Metropolitan Area. It compares the entrepreneurial behaviour of five immigrant groups: Polish, Portuguese, Caribbean, Korean, and Somali. The objectives are:
- To uncover the structure of these five communities
- To seek information on their business behaviour
- To explore issues of race/ethnicity, class, and gender in entrepreneurship

The research reveals: first, that business success is the interaction of group characteristics and the opportunities and strategies immigrants adopt; second, that race seems to matter in immigrant business development.

This is the first Canadian study to attempt an understanding of the process of entrepreneurship in a multi-group setting. The findings have policy implications for ethnic/immigrant entrepreneurship in a multicultural society.

To link to the original report CERIS Working Paper Series # 21

Policy Matters is a series of reports focusing on key policy issues affecting immigration and settlement in Canada. The goal is to provide accessible, concise information on current immigration research and its implications for policy development. Policy Matters is produced by the Joint Centre of Excellence for Research on Immigration and Settlement – Toronto (CERIS).
CMA labour force was self-employed – an increase of three to four per cent over 1991 (Statistics Canada, 1999). In turn, Toronto’s immigrant entrepreneurs and businesses give Canada access to overseas markets (Light, 2000). Toronto’s diverse immigrant businesses offer an important economic resource for Canada (Taylor, 1995; Rees, 1998; Qadeer, 1999).

This study originated from a knowledge gap on immigrant entrepreneurship in Canada. It set out to examine the behaviour, strategies and barriers faced by immigrant entrepreneurs.

Currently, little research exists on immigrant entrepreneurs, their businesses, and the construction of ethnic economies in Canada’s major cities. By examining the behaviour, strategies, and barriers faced by immigrant entrepreneurs, this study increases our knowledge about immigrant entrepreneurship in Canada.

Research Findings

Issue 1: Business Structure and Immigration History
The majority of Somali and Korean entrepreneurs, the most recent immigrant groups, were in restaurant and consumer services. The Polish, Caribbeans, and Portuguese, with longer histories in Canada and larger communities, operated more service businesses, and have made inroads into manufacturing and producer services. On average, their businesses were older and bigger. Among them there were more partnerships with those outside the immigrant community. This suggests that as a community grows and immigrants become more established, their familiarity with the Canadian business environment increases, their contacts widen, and their businesses diversify. The progression from retail trade to consumer services to manufacturing and producer services seems typical in ethnic minority economics.

Issue 2: Gender Imbalance in Business Ownership
The study indicates that self-employment is mainly a male undertaking. Some reasons for the under-representation of immigrant women in business may be that:

- Many immigrant women work in the “informal economy” at home. For example, in the Caribbean group many women migrated alone and they may be more independent working at home in their own “family” business.
- Many immigrants operate small businesses, such as the convenience stores owned by Koreans. In this situation everybody in the family contributes to the running of the business.
- Some immigrant groups see being an entrepreneur as a “man’s job.” Among Azorean Portuguese women, most stay at home or work in factories, but rarely in business.

Although there was an under-representation of female entrepreneurs in three groups – Koreans, Portuguese, and Caribbeans – the Polish group had an over-representation. Researchers can not explain this over-representation, but the under-representation may be due to cultural factors, such as who in a family-owned business will answer a questionnaire. Further studies are needed to explore the experiences of immigrant women entrepreneurs.

We had wanted to explore the role of gender in the characteristics and development of businesses, but we were prevented from doing so by the tremendous gender imbalance in the ownership of the businesses in our samples.

Issue 3: Use of Community Resources
Many businesses made extensive use of ethnic resources such as:

- Family members or co-ethnics as workers;
- Co-ethnic friends and relatives for advice and other help;
- Ethnic media for advertising; and,
- Co-ethnic customers as the target market.

Sharing the same language and culture remains the most important factor for ethnic reliance. Among the five groups, however, the Korean and Caribbean entrepreneurs are the least reliant on ethnic resources. As a group, the Caribbeans are more diverse
and less likely to form visible ethnic neighbourhoods.

On the other hand, the Koreans have more financial capital and their businesses target the mainstream. Family members help out in the day-to-day business operations. Generally, the research findings illustrate the relative importance of co-ethnics over families.

The survey results illustrate the relative importance of co-ethnics over families, of a network of contacts over the nucleated and/or the extended family.

**Issue 4: The Pains and Joys of Entrepreneurship**

The entrepreneurs enjoy both the independence business gives them and the good feeling that comes with job creation, customer satisfaction, and employee contentment. But generally, they are unhappy with the hard work and long hours associated with their businesses. However, there is an important difference between the Polish and Portuguese, on the one hand, and the Caribbeans, Koreans, and Somalis on the other.

The white groups find dealing with customers, personnel management, and general administration troublesome. The visible minority groups are concerned with an uncertain future. In particular, the Caribbeans are very concerned with their financing and cash flow. It seems that skin colour matters when it comes to immigrant entrepreneurship. The last two issues illustrate this.

**Issue 5: Self-employment Decision and Labour Market Discrimination**

The most important reasons for immigrant entrepreneurs to go into business are personal/family aspirations and possibility of opportunities – classic pull factors. Non-immigrants also cite similar reasons. However, some have argued that self-employment is a survival strategy for ethnic minorities.

This study does not find evidence to support this argument. For example, Caribbean and Somali entrepreneurs had the highest unemployment rates and lowest self-employment rates. Self-employment as a survival tactic does not seem to be applicable here. Whether this has anything to do with Canada’s welfare system needs to be investigated.

**Issue 6: Business Barriers and Institutional Discrimination**

Except for some Caribbeans, no one in the sample either used the word “discrimination” or raised it as a barrier. But circumstantial evidence suggests otherwise.

Korean and Caribbean entrepreneurs point out that dissatisfaction with the paid sector was a reason for self-employment. This implicates discrimination in the labour market as a likely push factor. Canadian non-recognition of immigrant educational credentials partially supports this. Yet, the Somali group has the highest unemployment rate, but its members did not suggest discrimination was a reason for starting their own business. Two possible explanations for this are:

- Most Somalis arrived during the worst economic times of the early 1990s. They probably had no opportunity to get a job and, therefore, no direct experience of discrimination in the labour market.

- Echoing earlier research, pull factors are often more important than push factors in deciding to develop a business.

The issues here are complex. Not having community institutional resources in Toronto may also be a factor. The researchers suggest that with discrimination in the wider society, institutional networks within an ethnic community can be a resource for visible minorities who wish to engage in self-employment.

*All businesses face problems that may vary over time. Financing, however, was a persistent problem for our three visible minority groups, in fact, it was getting worse as the business progresses.*
Some would suggest that the Portuguese, as whites, may get more favourable treatment when applying for a business loan. They also have their own financial institutions. The combination of cultural understanding and community contacts may help Portuguese obtain financing. All businesses face problems over time. But financing was a consistent problem for the three visible minority groups, and it was getting worse as the business progressed.

Although generally, the choice of a business location was determined by its closeness to the market and/or home, renting space was a problem for Caribbeans, Koreans, and Somalis. The researchers wonder if discrimination, such as landlords inflating prices or refusing to rent, was a factor. Caribbean and Somali entrepreneurs are very involved in their communities. This can be attributed to either cultural or political factors. Yet, cultural factors are less likely for these two groups because they are not known for their community unity. However, for the Caribbean group, historical discrimination, stereotyping, and negative media reporting of them often make them feel like outsiders. Through active community participation they may find power in solidarity apart from cultural identification.

Results Concur with Other Canadian Studies
Overall the research concurs with other Canadian study findings in these areas, such as:

- Some immigrant/ethnic groups are more likely to go into business and become more successful;
- Immigrant entrepreneurs act on pull rather than push factors in starting a business;
- Some groups are more likely to specialize in particular sectors of the economy;
- Immigrant businesses generally are small, and many are family-oriented; and
- Visible minority groups may experience institutional discrimination more often than do white immigrant entrepreneurs.

While history of immigration or length of residence, often accompanied by an institutionally complete economy, can in part account for the difference between white and visible minority groups, an underlying structural problem exists in the deployment of visible minorities in the workplace and in the treatment of visible minority entrepreneurs when they apply for business loans or look for business premises.

Policy Implications and Recommendations
Immigrant entrepreneurship and the development of ethnic ownership economies are significant economic assets for Toronto and Canada as a whole. This study raises important policy questions about economic integration. To accommodate Toronto’s new immigrants into a globalized economy that calls for innovative practices and cultural understanding, the research suggests the following:

Recognizing Foreign Educational Credentials
Recognition of foreign education and credentials would remove employment barriers for new immigrants. It would help immigrants avoid self-employment in an area in which they have no interest, and help others become self-employed in the field in which they were trained, for example, a medical doctor. Canada would benefit through the appropriate use of the skills for which immigrants were originally selected. This recognition is an issue upon which many groups and governments are currently working.

Improving Access to English Language Instruction
For some groups, learning English is a major, long-term barrier. Although there are government programs to help new immigrants learn English, often new entrepreneurs do not have time to take advantage of them. Extending the time period during which immigrants are eligible for free language instruction would improve the accessibility of these programs for entrepreneurs.

Increasing Access to Financing
Many of those interviewed found it difficult to get financing for their businesses. Is this problem due to immigrant entrepreneurs not approaching large Canadian banks or not providing detailed business plans? Or are banks wary of applications from new immigrants because of language or discriminatory practices?
Canada would benefit if the financial sector and entrepreneurs become partners in the creation and support of viable businesses, since this will lead to job creation and economic growth.

A follow up study on this issue would be very useful. It is suggested that financial institutions must be mentors or partners for new immigrant businesses. One solution is to develop pilot projects among those immigrant groups whose loan applications would normally be rejected to see how their businesses perform.

**Gaining Market and Business Experience in Canada**

Study participants mentioned that the lack of Canadian market and business experience is a problem. Programs and workshops for new immigrants on these issues should be offered by non-profit agencies and governments.

... instituting a mentorship program, whereby a new immigrant entrepreneur will be guided by, and hence learn from, the experience of an established one, will be useful.

Most likely, financial institutions that run workshops for new entrepreneurs would benefit from business loyalty from new immigrant groups. A mentorship program for new immigrant entrepreneurs would also be useful.

**Improving Distribution of Information on Programs for Entrepreneurs**

New immigrant entrepreneurs need more and better efforts by community organizations and government agencies to distribute information on programs for entrepreneurs in the Toronto area.

There is no lack of programs that target entrepreneurs. Should immigrant entrepreneurs be around long enough, they might be able to locate these programs more readily.

The following are samples of some available programs:

a) The Ontario Ministry of Enterprise, Innovation, and Opportunity (now the Ministry of Economic Development and Trade) – offers business support services including advisers who will review a business plan. Services are offered mainly in English, and do not target any immigrant groups. Ministry website [www.ontario-canada.com](http://www.ontario-canada.com) includes an online publication *Starting a Small Business in Ontario*.

b) The federal government’s Canadian Business Service Centres [www.bsa.cbsc.org](http://www.bsa.cbsc.org) offers a Business Start-up Assistant program and connects to the Canadian Bankers Association [www.cba.ca](http://www.cba.ca) which provides information on financing.

c) The non-profit sector offers several programs, for example:

- The Self-Employment Assistance Program (SEAP) (eligibility restricted to Employment Insurance and parental benefits recipients);
- The Learning Foundation has the York Business Opportunities Centre that provides business support services and advice; and
- The MicroSkills Community Development Centre runs the Women’s Enterprise and Resource Centre for women interested in self-employment.

There are predictable problems that likely will be faced by new immigrant entrepreneurs. Well thought-out programs will not only ease the problems that the lack of Canadian experience and access to financing create for new arrivals, but they could also help smooth the transition from arrival to entrepreneurial venture.

We have shown that there are predictable problems that likely will be encountered by new immigrant entrepreneurs. These problems vary between groups; ... We believe ... a planned response to immigration would more strongly connect research to policy in this field, and would directly contribute to the economic development of the communities that invested their time in this study.

The results of this study can help us better prepare for the next groups arriving in Canada.
Suggested Readings


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About Metropolis

Launched in 1996, the Metropolis Project aims to improve policies for managing migration and diversity by focusing scholarly attention on critical issues. It involves policymakers, researchers, and NGOs in all project initiatives.

Metropolis’ goals are to:
- Enhance academic research capacity;
- Focus academic research on critical policy issues and policy options;
- Develop ways to facilitate the use of research in decision-making.

Structured as a partnership, the project has both Canadian and international components. Metropolis encourages communication between interested stakeholders at the annual national and international conferences and at workshops, seminars, and roundtables organized by project members.

Find out more at: www.metropolis.net

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