

Immigrant Entrepreneurship in Portugal

A longitudinal assessment of Brazilian, Indian, Chinese, Ukrainian and Cape-Verdean entrepreneurs

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Abstract

A variety of recent studies examine the determinants of entrepreneurial efforts among immigrants (Borjas, 1986; Fairlie and Meyer, 1996; Lofstrom 2002; Oliveira, 2007). In general, studies point out that migrant status and ethnicity affect the individual propensity to start a new business (Levie, 2006) and that self-employment rates among immigrants are higher than those of natives (Yuengert, 1995).

We employ longitudinal matched-employer employee data for entrepreneurs (business owners) and firms from the Portuguese economy, to understand if immigrants exhibit different entrepreneurship rates than those of native individuals. Complementarily analyses are developed to assess entrepreneurship rates among immigrants, in Portugal, originating from specific countries: Brazil, India, China and Ukraine.

By starting their own business, immigrant entrepreneurs create their own jobs and/or create job opportunities for other co-ethnics. This enables them to circumvent some of the barriers that they may encounter in looking for a job (Oliveira and Rath, 2008). Therefore, in our empirical analysis, it is important to distinguish among individuals entering business ownership from paid-employment from those coming from non-employment (without any previous spell in the Portuguese labor market).

The data source is the “Quadros de Pessoal” (QP) Micro Data set, a unique database gathered from mandatory information submitted yearly by Portuguese firms to the Ministry of Social Security and Labor. The longitudinal matched employed-employee data include extensive information on the mobility of firms and business owners. QP includes yearly data from nearly all private firms with at least one wage-earner in the Portuguese economy. Data relative to business owners for each firm include age, gender, tenure, and schooling. Moreover, records of entrepreneurial experience can be collected for employers and employees alike.

Data allows us to track non-Portuguese individuals originating from 62 Countries, meaning that, even though the analysis will focus on five main immigrant groups (Brazilian, Indian, Chinese, Ukrainian and Cape-Verdean entrepreneurs), we will use the 57 remaining countries as control group for our empirical econometric approach.

According to Table 1, our study comprises around 2.6 million individuals in 2005, from which 175 thousand are entrepreneurs.

Table 1 – Frequency of workers and entrepreneurs for 2005

Nationality	All workers	Business-owners
Portugal (Natives)	2,465,834	171,356
Ukraine	24,320	55
Cape Vert	10,151	167
China	2,911	411
India	1,594	46
Brazil	26,322	521
<i>Total</i>	<i>65,298</i>	<i>1,200</i>
Other Nationalities	61,512	3,881
<i>Total Immigrants</i>	<i>126,810</i>	<i>5,081</i>
Total	2,592,644	175,237

Table 2 shows the percentage of workers in the total workforce, with diverse intragroup and intergroup comparisons. The Brazilian, Indian, Chinese, Ukrainian and Cape-Verdean Immigrants account for 51.5% of the total immigrant workforce, when compared with all the immigrants originating from the remaining 57 countries and 23% of all the immigrant entrepreneurial workforce.

Table 2 – Percentage of workers and entrepreneurs on the workforce (2005)

Nationality	% workers on the total workforce	% entrepreneurs on the total entrepreneurial workforce	% entrepreneurs on the total workforce (within same nationality)	% workers on the total immigrant workforce	% immigrant entrepreneurs on the total immigrant entrepreneurial workforce
Portugal (Natives)	95.1%	97.8%	6.9%		
Ukraine	0.9%	0.0%	0.2%	19.2%	1.1%
Cape Vert	0.4%	0.1%	1.6%	8.0%	3.3%
China	0.1%	0.2%	14.1%	2.3%	8.1%
India	0.1%	0.0%	2.9%	1.3%	0.9%
Brazil	1.0%	0.3%	2.0%	20.8%	10.3%
<i>Total</i>	<i>2.5%</i>	<i>0.7%</i>	<i>1.8%</i>	<i>51.5%</i>	<i>23.6%</i>
Other Nationalities	2.4%	2.2%	6.3%	48.5%	76.4%
<i>Total Immigrants</i>	<i>4.9%</i>	<i>2.9%</i>	<i>4.0%</i>	<i>100.0%</i>	<i>100.0%</i>
Total	100.0%	100.0%	6.8%		

For the purpose of assessing the main variables influencing native and immigrant individuals' transition into entrepreneurship, we perform separate estimations for natives and immigrants. First, we focus on all native individuals who switched from paid-employment or non-employment to business ownership in 2005-2009, to build a binary dependent variable distinguishing native business owners from native paid-employees. Then, we build a similar dependent variable distinguishing immigrant business owners from immigrant paid-employees. Therefore, with regard to nationality of individuals, we can make intragroup (e.g.,

being an immigrant business owner vs. immigrant paid-employee) and intergroup (e.g., immigrant business owners vs. native business owners) comparisons.

In order to investigate how immigrants and natives participate in entrepreneurship, the present study resorts to a form of the classic discrete choice model, as reviewed by Parker (2004). In these models, occupational choice is determined by the expected utility from each different occupation. Given the type of response variable, the logit model is found to be a suitable empirical strategy for the phenomenon at hand (e.g., Levie, 2007).

Preliminary econometric results for all groups show that immigrants have higher participation rates in entrepreneurship rather than native individuals. Specific econometric estimations will be performed for different groups and a variety of independent variables impacting the probability of becoming an entrepreneur will be discussed in detail.

This line of research brings important implications. By using very rich and validated data, this research contributes; in general, to the scarce empirical evidence on immigrant entrepreneurship in Europe, particularly using longitudinal matched employer-employee data. Policy makers might be interested in a further understanding of the observed differences between native and minority groups in the population, so that the design of public policies may foster entrepreneurship as an inclusive socioeconomic phenomenon.

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