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Changing Patterns of Ethnic Minority Self-Employment in the UK: Evidence from Census Microdata

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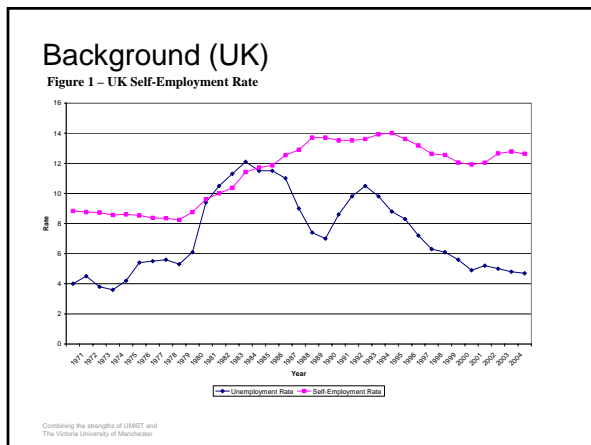
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Importance

- Generally, immigrants/ethnic minorities are over-represented in self-employment
 - But wide variation within host countries between those from different sending countries
- Entrepreneurship: opportunity for success for those with the ‘rare talents’
 - ‘Escape route’ from poverty and labour market discrimination
- But may be poorly rewarded, ‘marginal’, hard work
 - “More may not be better” – Blanchflower (2004)

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Background (UK)

- Self-employment rates:

Ethnic Group	Self-Employment Rate (%)
Black Caribbean	5.8
Black African	7.6
White	12.3
Bangladeshi	17.8
Indian	19.6
Pakistani	22.8
Chinese	26.6

Source: Clark and Drinkwater (1998a) based on 1991 Census data, males and females

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Background (UK)

- Metcalf et al. (1996): (Asian) self-employment a combination of push and pull factors. Push – avoidance of discrimination or ‘blocked upward mobility’. Pull – positive desire for income or status based on ‘cultural resources’.
- Clark and Drinkwater (2000): Ethnic self-employment related to: earnings differential (+), educational qualifications (-), married (-), female (-), children (-), enclaves (-!) English fluency (+), Christian (-).
 - Evidence of push (paid-employment earnings) and pull (religion) factors

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Background (cont’d)

Other findings:

- Family finance important (Basu and Parker, 2001; Metcalf et al., 1996)
- Minorities face a greater earnings disadvantage in self-employment compared to paid-employment (Clark and Drinkwater, 1998b)
- Limited desire for British-born (second generation) to inherit business. (Metcalf et al., 1996)
- Employment of illegal immigrants common (Jones et al., 2006)

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Issue for this paper

How has minority self-employment changed through time?

Context:

- Levelling off of self-employment rates in UK (Figure 1)
- Increased participation of minorities in education
- Growth of second generation
- Healthier paid-labour market
- Release of 2001 Census microdata allows detailed comparisons between Censuses and gender breakdown
 - We can't do this properly without Census data!
 - Mainly use Individual SARs, some CAMS

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Census Microdata

- 1991 first Census to record ethnicity
- 2001 changed definitions
- Comparison possible between 8 groups: White, Black Caribbean, Black African, Indian, Pakistani, Bangladeshi, Chinese, Other.
- In some analyses collapse Black groups and Pakistanis and Bangladeshis
- Analyse working age population, excluding students
- 2001 collected additional detail on education, religion. Not used here

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Self-Employment in Context

Males (see Fig 2a.)



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Self-Employment in Context

Females (see Fig. 2b)



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Table 1 - Males

	1991			2001		
	Self-Employment Rate - All (%)	Self-Employment Rate - UK Born (%)	N (All)	Self-Employment Rate - All (%)	Self-Employment Rate - UK Born (%)	N (All)
White	16.6	16.5	247,074	17.0	16.9	398,278
Black Caribbean	9.1	7.1	1,975	13.0	10.6	3,470
Black African	12.2	9.4	608	13.5	11.7	2,869
Indian	23.7	15.2	3,777	21.4	13.1	8,002
Pakistani	26.6	15.3	1,364	26.5	18.1	4,073
Bangladeshi	18.8	15.2	431	19.1	11.2	1,433
Chinese	34.1	12.3	663	27.8	13.3	1,667
Other	13.4	12.7	2,321	16.2	12.8	6,645

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Table 1 - Females

	1991			2001		
	Self-Employment Rate - All (%)	Self-Employment Rate - UK Born (%)	N (All)	Self-Employment Rate - All (%)	Self-Employment Rate - UK Born (%)	N (All)
White	6.0	5.8	188,439	7.3	7.1	331,540
Black Caribbean	2.0	1.6	2,136	3.3	3.0	4,150
Black African	4.4	5.1	545	4.5	3.4	2,600
Indian	11.5	6.8	2,645	10.3	4.8	6,457
Pakistani	17.6	9.6	420	9.9	5.3	1,753
Bangladeshi	9.1	5.3	77	5.9	5.3	527
Chinese	20.3	9.5	558	18.3	9.2	1,533
Other	5.5	3.5	1,811	7.3	6.0	5,848

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Self-employment rates

Table 1 reports self-employment rates:

- For males, compared to earlier substantial growth, rates in general plateau
- Ethnic variation in changes
 - Black Car., Black Afr. increasing (4pp, 1pp)
 - Indian, Chinese falling (-2pp, -6pp)
 - Pak./Bang. roughly constant

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Self-employment rates

- For females, mixed picture
- Ethnic variation in changes
 - Substantial decline for Pakistani/Bangladeshi women (-8pp)
 - Smaller decline for Indian, Chinese (-1pp -2pp)
 - Small increase for Black Caribbean (1pp)
- Overall: substantial ethnic variation in rates in both years, and variation in changes over time.

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First vs. Second Generation

- The entrepreneurial immigrant?
 - Surveys do not always support this view (Bonin et al., 2006; Metcalf et al., 1996)
- Native born have very different patterns of education and socialisation
- Evidence from Table 1 suggests substantially lower self-employment rates for the native born
 - May reflect differences in age
 - Control for this in subsequent analysis

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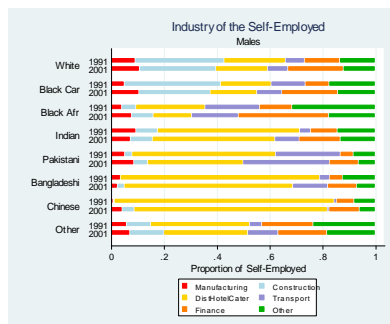
Nature of Self-employment: hours

Table 3

	Males				Females			
	1991		2001		1991		2001	
	Paid	Self	Paid	Self	Paid	Self	Paid	Self
White	40.5	46.9	41.8	45.8	30.3	37.6	31.3	33.7
Black Caribbean	39.0	43.3	39.4	42.9	33.8	37.7	33.6	35.0
Black African	38.7	43.0	37.7	42.8	34.0	33.4	33.1	33.9
Indian	40.7	51.2	39.9	50.0	34.5	47.2	33.2	42.9
Pakistani	40.3	48.1	37.5	43.8	33.4	43.2	30.0	34.3
Bangladeshi	38.9	48.2	32.4	41.1	33.2	38.6	29.3	30.7
Chinese	41.4	49.6	38.9	48.4	34.8	46.8	33.8	43.1
Other	40.2	48.2	39.4	44.1	33.6	36.9	32.9	34.4

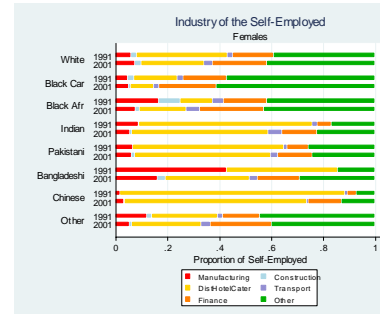
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Nature of Self-employment: industry



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Nature of Self-employment: industry



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Industry – more detail possible - 1991

For example, Males 1991, top 5 detailed industries

White	Black Afr.	Indian	Pakistani	Chinese
Construction	Other Inland Transport	Remainder of Retail Distn.	Remainder of Retail Distn.	Restaurants etc.
Business Services	Remainder of Retail Distn.	Business Services	Other Inland Transport	Business Services
Remainder of Retail Distn.	Business Services	Construction	Restaurants	Medical and Vet.
Agriculture	Medical and vet.	Medical and vet.	Clothing Manufacture	Recreational and cultural services
Other Inland Transport	Recreational and cultural services	Clothing Manufacture	Business Services	Wholesale distn.
65% (57%)	59% (52%)	71% (62%)	79% (68%)	92% (82%)

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Pooled probit regressions

Table 4 reports marginal effects

Males:

- Age (+), Education (-), Married (+), Children (+), UK born (-), Home owner (+)
- Controlling for these variables does not change the ranking of the groups

Females:

- Similar effects, however education +ve

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Explaining changing self-employment rates

Decomposition Method (Gomulka and Stern, 1990)

Estimate separate models for each group/gender/year

Compute components of decomposition:

$$\hat{P}^{01} - \hat{P}^{91} = \{\bar{P}(x^{01}\hat{\beta}^*) - \bar{P}(x^{91}\hat{\beta}^*)\} + \{[\bar{P}(x^{01}\hat{\beta}^{01}) - \bar{P}(x^{01}\hat{\beta}^*)] - [\bar{P}(x^{91}\hat{\beta}^{91}) - \bar{P}(x^{91}\hat{\beta}^*)]\}$$

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Decomposition Components

$$\hat{P}^{01} - \hat{P}^{91}$$

Average fitted difference in self-employment probabilities for any group/gender between the two years \approx raw difference in probabilities

$$\{\bar{P}(x^{01}\hat{\beta}^*) - \bar{P}(x^{91}\hat{\beta}^*)\}$$

Average effect of characteristics differences over time evaluated at common coefficient vector based on pooled (over time) probit model. Each P-bar evaluates a probability using the relevant year's sample but the common coefficients.

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Decomposition Components

$$\{[\bar{P}(x^{01}\hat{\beta}^{01}) - \bar{P}(x^{01}\hat{\beta}^*)] - [\bar{P}(x^{91}\hat{\beta}^{91}) - \bar{P}(x^{91}\hat{\beta}^*)]\}$$

Coefficients effect measures changes in coefficient vector at constant characteristics

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Results - Males

	White	Black	Indian	Pak/ Bang.	Chinese	Other
Diff.	0.30	3.34	-2.31	-0.17	-7.48	2.65
Coefs.	-0.36	2.73	-0.97	2.77	-3.45	3.10
Chars.	0.66	0.69	-1.35	-2.94	-4.03	-0.45

- Coefficients dominate for Blacks (82%)
- Characteristics important for Indian (58%) and Chinese (54%)
- Both important but cancel out for Pakistanis and Bangladeshis

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Results - Females

	White	Black	Indian	Pak/ Bang.	Chinese	Other
Diff.	1.31	1.28	-1.16	-7.33	-2.43	1.94
Coefs.	0.74	1.04	-0.93	-5.17	0.50	1.75
Chars.	0.57	0.23	-0.23	-2.16	-2.93	0.19

- Big decline for Pakistanis and Bangladeshis, associated mainly with coefficients
- Chinese females overwhelmingly explained by characteristics
- Note, however, this is based on much smaller samples of female entrepreneurs

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Why falling self-employment rates?

- Further decomposition of characteristics effect for selected male groups
- Based on Even and MacPherson (1993)

$$[\bar{P}(x^{01}\hat{\beta}^* - x^{91}\hat{\beta}^*)] \left[\frac{(\bar{x}^{01,k} - \bar{x}^{91,k})\hat{\beta}^{*,k}}{(\bar{x}^{01} - \bar{x}^{91})\hat{\beta}^*} \right]$$

- where k refers to a particular characteristic.

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Why falling self-employment rates?

- (Absolute) percentage of characteristics effect (males)

	Black	Indian	Pak./Bang.	Chinese
Age	122	13	26	13
Qualifications	3	32	31	49
Marital Status	-1	38	6	34
Children	7	8	7	8
UK Born	-6	19	3	8
Illness	-1	-6	-1	1
Housing Tenure	-43	10	25	-7
Region	19	-13	3	-7

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Why falling self-employment rates?

- For Indians, Chinese and Pakistani/Bangladeshi groups, we find (to varying degrees) age, education, marital status, UK born important contributors to a negative characteristics effect.
- In 2001, the growth of the second-generation, British born share of these minority groups, better assimilated into UK education system and labour market, contributes to declining minority self-employment.
- Black group is different, reflecting paid-labour market discrimination?
- Positive coefficients effect for Pakistani and Bangladeshis may reflect greater paid-labour market discrimination and the particular nature of their self-employment.

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'More May Not Be Better' – A Second Generation Story

- Metcalf et al. (1996) on Asian self-employment in Britain
- “While future self-employed need not come from the same families, the wishes of the current groups of entrepreneurs about inheritance of the business added to the idea that the very high levels of self-employment may be a passing phase. The migrant generation’s employment expectations for themselves, and what they were willing to do, were very different to their aspirations for their children. They may have been willing to put family before self, and work over leisure, but few entrepreneurs felt that the business provided what they would wish for a son in his first job.” (p.141)

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Conclusions

- Changes in the nature and extent of self-employment between Censuses exhibits some ethnic diversity
 - (these trends seem to continue beyond 2001, LFS)
- Some of the decline in ethnic self-employment is explainable by “assimilation”
- But this is not the case for other groups
- Government policy has PSA target to increase self-employment rates of those currently under-represented ethnic groups
 - quality as well as quantity important

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Some issues/puzzles/developments

- Need to know more about Blacks, Pakistani/Bangladeshis
- Chinese male first generation have lower rates in 2001 compared to 1991, not quite in line with second generation story - newer cohorts of Chinese immigrants better educated?
- Local area and local labour market effects
- Job and life satisfaction of self-employed (FNSEM data)
- Religion
- Useful to look at Household SARs?
- What about the Polish plumbers?

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Paper(s)

- “Changing Patterns of Ethnic Minority Self-Employment in Britain: Evidence from Census Microdata” by Ken Clark and Stephen Drinkwater
- Email: ken.clark@manchester.ac.uk for a copy
- Also “Dynamics and Diversity: Ethnic Minorities in the British Labour Market” by Clark and Drinkwater, forthcoming Joseph Rowntree Foundation report

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