ENTREPRENEURIAL EFFORTS BY IMMIGRANTS: A LONGITUDINAL STUDY FOR PORTUGAL (SUMMARY)

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SUMMARY

ENTREPRENEURIAL EFFORTS BY IMMIGRANTS:
A LONGITUDINAL STUDY FOR PORTUGAL

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Principal Topic

Recent studies examine the determinants of entrepreneurial efforts among immigrants (Borjas, 1986; Fairlie and Meyer, 1996; Lofstrom 2002). 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). The literature shows that skills are important in the process of shaping the economic performance of immigrants (Borjas, 1999). In fact, higher levels of human capital are observed to increase entrepreneurship rates (Light and Rosenstein, 1995) and are positively related to business longevity and profits (Bates, 1994) among all ethnic and racial groups and categories. We use a human capital theoretical framework (Becker, 1975) to assess the importance of entrepreneurs’ education and different types of previous occupational experience in explaining entrepreneurship among immigrants. Our goals are twofold: First, to understand if immigrants in Portugal exhibit higher entrepreneurship rates than those of native individuals. Second, to study the impact of human capital upon start-up of firms owned by immigrants, when compared with firms owned by native-born entrepreneurs.

Method

We employ longitudinal data for entrepreneurs and firms from the Portuguese economy for the years 2000-2006. The data source is the “Quadros de Pessoal” (QP) Micro Data set, with more than one million individual observations per year. The longitudinal employed-employee data include extensive information on the mobility of firms and business owners. We provide estimates from a logistic regression on the determinants of being an entrepreneur among various immigrant groups and native-born individuals. Particular focus is put into the role played by human capital and experience on the entrepreneurial process.

Results and Implications

This research has important implications for practitioners and policy makers. Practitioners should be aware of the important role played by their stock of human capital and how it can translate into better business performance and better occupational prospects in the labor market. 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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