

Helen Bamber Centre for the Study of Rights and Conflict

**WORKING PAPER SERIES**

**No. 10**

**The origins of economic ethnic niches: Theoretical approaches**

**3/11/2011**

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## Biography

Stefano Agnoletto is Phd Candidate (Second Phd) at Kingston University in London. He obtained his first degree in Economics at Catholic University of Milan and his PhD in Economic History at IUN University of Napoli. He has published extensively on the history of finance in modern Italy and on the history of welfare state in post-war Italy. He is also author of books and articles on trade union and business association. His current research focuses on labour and business history of Italian emigration.

The current paper was presented at the 'Politics of the UK, the EU and the World' conference hosted by the Helen Bamber Centre and sponsored by the European Commission Representation in the UK on 3 November 2011, Dorich House, Kingston.

## **Introduction**

The over-representation of some ethnic groups in specific economic niches is an important reality that many people around the world have easily experienced in their everyday life. In the literature this empirical fact faces different and controversial explanations based on ambiguous concepts such as ethnicity, cultural factors, structural factors, and etcetera. Moreover, a study on the characteristics of ethnic niches implies not only to carry out multidisciplinary approaches, but also to face the relevant ideological meanings of this topic. In fact, the discussion about the economic behavior of minority and/or immigrant groups can easily be affected by prejudices or even racism. In this framework, the object of this paper is an introductory description of the theories provided by the literature on the issue of the ethnic niches.

The literature provides different answers to the question as to why some ethnic groups are successfully over-represented in specific business sectors. Several theories have been proposed to address this question but the core of the debate is the different evaluation of the importance given either to the ethnic/cultural factors that feature the different immigrant groups or to the structural factors that define the host society. In this perspective, the mainstream literature analyzes three major factors that contribute to the development of this kind of ethnic niche: the disadvantages in the general labour market; the cultural/non-cultural advantages of some ethnic groups; and the opportunity structure in the host society that encourages or constrains ethnic economic actors (Min, 1987, pp. 185-186). The purpose of this essay is to highlight the ideological meanings of these interpretative frameworks.

## **Ethnic Niches: Cultural Factors vs Structural Factors?**

The so-called “cultural thesis” suggests that ethnic business, and the consequent growth of ethnic niches, is the result of the cultural predisposition of particular populations for entrepreneurship and small business (Light 1972; Bonachic and Modell, 1980; Light and Rosentein, 1995). The entrepreneurial attitude and the tendency to concentrate on some typical businesses would be the consequence of a specific “way of living” and cultural heritage that support the choice of becoming an employer. In my opinion, the classic references of this interpretative pattern are the Weber’s paradigm that related the Protestant religious ethos to the spirit of capitalism

(Weber, 1952) and Schumpeter's theory on entrepreneurship (Schumpeter, 1961). In this perspective, the cultural attitudes of specific ethnic groups also represent an advantage factor in small business and explain the successful results of some ethnic niches.

Ethnic resources such as a hard-working culture, frugal attitudes, family ties and group solidarity provide not only the cultural predisposition for the set-up of small business activity, but also some competitive ethnic advantages (Bonacich, 1973). For example, long hours of hard work and frugal attitudes toward consumption give competitive advantages in small-business operations by helping to accumulate start-up capital and profits in labour-intensive sectors (Min, 1987, p. 176). Moreover, family ties and ethnic social networks provide resources such as business information, training and starting capital (Chock, 1981; Goldscheider and Kobrin, 1980, Min, 1987; Zenner, 1982).

Another ethnic resource highlighted in the "cultural approach" literature is the cheap labour force (the members of the enlarged family) provided by the ethnic networks and this represents a common feature of many communities of recent immigrants, as a consequence of a cultural heritage that is strongly family values-oriented. The ability to mobilize and organize ethnic workers would be an important competitive advantage in labour-intensive small business (Boissevain, 1984; Min, 1987). It is interesting to underline that if the cheap labour force is a strategic resource from the point of view of an entrepreneurial theory perspective, in terms of labour conditions it usually means a high level of exploitation in ethnic firms.

Strong ethnic networks may also represent the framework for vertical and horizontal integration of economy along ethnic lines. The existence of ethnic sub-economy niches that cover all the paths of a good from producers or importers to customers, through retailers, would give important advantages to the entrepreneurs that enjoy a greater degree of autonomy from the surrounding economic environment (Wilson and Martin, 1982). In this perspective, the ethnic employers also enjoy the existence of protected markets (the employer, the suppliers and the customers belong to the same ethnic community) based on culturally-oriented consumer demand (Aldrich et al., 1985; Min, 1987).

In general, the core of the “cultural thesis”, presented in particular in the theorizations of Bonacich and Light, is to highlight the importance of the ethnic cultural processes, even if they reject any simplistic attempt to analyze entrepreneurial behaviour as an automatic product of some specific ethnic characteristics or as the result of a racial tendency to be in some way “culturally programmed” for self-employment. These authors underline the fact that only in the context of immigration does ethnic identity begin to take on significance for entrepreneurial behaviour (Barret et al., 1996, p. 789). A more radical interpretation of this approach is, for example, proposed by Werbner (1984; 1990), who describes the “way of living” of some ethnic communities as particularly supportive of entrepreneurs, focusing on the combination of traditional family values and in-group solidarity (Barret et al., 1996).

The theory that cultural and ethnic attitudes explain the existence of ethnic business niches has been criticized by researchers who claim that the so-called “structural conditions” are, first of all, responsible for ethnic business niches. The authors who embrace this structuralist approach do not connect the rise of minority-owned enterprises to the entrepreneurial orientation of particular populations as a consequence of ethnic advantages. On the contrary, they maintain that the choice of becoming an employer is, first of all, a consequence of the environmental conditions that the immigrants face in the host society. This perspective encompasses both the earlier block mobility theory and the most recent political-institutional approach (Lo, Teixeira and Truelove, 2002, p. 6).

The original theory that emphasizes the role of contextual factors at the origin of ethnic business is still based on the so-called Light-Bonacich school when these authors describe ethnic entrepreneurship as a reactive adaption to geographical, cultural and psychological dislocation (Light, 1984). In particular, ethnic business is, first of all, described as a reaction to structural disadvantages experienced on the labour market, such as the impossibility of applying for well-paid positions due to the existence of linguistic, political, cultural or legal barriers. In this perspective ethnic entrepreneurship becomes a sort of survival strategy under discriminatory conditions (Lo, Teixeira and Truelove, 2002, p. 6).

Beyond the negative effects of the barriers in the labour market, some authors highlight that the discriminated position of the immigrants in a host society could become an advantage. They maintain that “ethnicity” combined with an

“acculturation lag” would produce a sort of double standard in the society that ends up being an advantage for the immigrants. In fact, they would be prepared to exploit opportunities (small business) rejected by indigenous people (Bose, 1982; Light, 1984). From my point of view, this idea of the “ethnic advantage” seems to refer to Sombart’s paradigm about the special role played by foreigners and marginal groups in developing innovation and entrepreneurship (Sombart, 1992). On the other hand, this approach has been criticized by the authors who underline the paradox of a theory that maintains that the racialized minority are “advantaged by disadvantaged” with an implicit condoning of racism and ethnic segregation (Barret et al., 1996, p. 790).

In the 1980s Portes introduced the concept of “ethnic enclave economy” that, in my opinion, has represented an interesting evolution of the traditional theory of the labour market segmentation and an attempt to match the culturalist and structuralist approaches (Portes, 1981). This theory does not focus on the “autonomous ethnic cultural processes”, but on the disadvantageous external structures these must adapt (Barrel et al., 1996, p. 792). In this perspective, this approach overcomes the optimistic interpretation of ethnicity as a paradoxical advantage for the racialized minority and focuses on disadvantages that immigrants have to face in the host society. More generally, a purpose of this paper is to face the long tradition (dating back to the 1970s) of the so-called “ethnic revival” (Smith, 1984), that is the process of revalorization of the ethnicity experienced in American and European culture (Galster, 2011, p. 30).

The more radical “structuralist approach” highlights that the economic and social environment plays a strategic role in pushing the development of ethnic business. In this framework, the presence of competitive advantages of minority-owned firms (a cheap labour force and a protected market) is not denied, but they are explained in terms of wider categories used in social, economic and entrepreneurial studies rather than as ethnic features. In general, the economic and social environment defines the structural advantages and disadvantages that explain the birth of the ethnic business, regardless of the ethnic characteristics of the employers.

Many authors (Barrel et al., 1996) seek an explanation of the existence of ethnic business at the level of global capitalism, racism (Bates, 1994) or urban restructuring (Sassen, 1991). In general, these authors propose a shift from culturalism to structuralism, and demonstrate “a clearer awareness of the articulation between the

social relations of the ethnic minority firm and the economic, political and social processes surrounding it” (Barrel et al., 1996, p. 803).

The foregoing discussion shows an emerging confrontation between culturalist-oriented and structuralist-oriented approaches to the topic of ethnic business. In recent decades the literature has provided some interesting attempts of convergence. In the middle of the 1980s a group of authors tried to propose a synthesis with the so-called “interactive approach” (Waldinger and Aldrich, 1990). In this framework, “interaction between group characteristics and opportunity structures” is the key factor that explains ethnic business. The primary argument of this interpretation is that entrepreneurship is “socially embedded” (Lo, Teixeira and Truelove, 2002, p.7). Later, at the beginning of the 21<sup>st</sup> century, a new theory has provided an extension application of the “interactive approach” by incorporating the broad political context (Rath, 2000; Kloostermann and Rath, 2001).

The “mixed embeddedness approach” maintains that, in addition to the role of ethnic community networks, the studies on ethnic business “must consider the impact of laws, public institutions, and regulatory practices”. More generally, this theory “attempts to contextualize the interaction of micro-level cultural forces within the broader political-social and economic setting of the host-society” (Lo, Teixeira and Truelove, 2002, p.7).

### **The ambiguous concept of “ethnicity” and ethnic niches**

One of the most important issues that the debate on the ethnic niches faces is the meaning of the role of “ethnicity”. In the structuralist, constructivist or culturalist perspectives ethnic identities look like different and so the role they play in building up ethnic niches.

In the 1950s Edward Shils (1957) proposed a sort of “naturalist” approach by claiming that ethnicity is “in the blood”, an unchanging basis of social identity (Isaac, 1975; Geertz, 1973). The “naturalist” authors have argued that ethnic identity is fundamental to one’s sense of belonging and being in the world, “crucial for one’s feeling of self-completion and significant for one’s feeling of self-worth” (Sacchetti, 2007, p. 28). In this framework, ethnic identities are the key-factor that define the origin of ethnic niches.

The article “The Invention of Ethnicity” by Kathleen Neils Conzen and colleagues has represented an important turning point in the approach to this issue (Neils Conzen et al., 1992). In their opinion, ethnicity is a “process of construction or invention” and “incorporates, adapts, and amplifies preexisting communal solidarities, cultural attributes, and historical memories”. In a similar perspective, some recent theorizations are based on the idea that ethnicity is not an “immutable attribute” but a “social process” (Stanger Ross, 2010). The process of *ethnicization*, that has affected many immigrant workers and entrepreneurs in different realities, is studied as the result of a combination of both structural factors and cultural features. It means that the ethnicity experienced by immigrants is considered as “an event, as something that happens” (Brubaker, 2002), and not “something to which a person belongs” (Stanger Ross, 2010). In this framework, the ideas of Richard N. Juliani (1994) and Richard D. Alba (1994) on the situational variability of ethnicity are similarly stimulating.

The description of “ethnicity” as a “social process” does not mean that literature denies its importance in the immigrant or minority experience. Much comparative research has shown that ethnicity has continued to occur and it has represented an important feature of social and economic life in many different urban or non urban realities. The point is that it has operated differently in different situations and that it has taken dramatically different forms.

For instance, studies on Italian communities in North American cities propose different patterns of ethnic presence for the Italian immigrants: spatial concentration with preservation of the Italian identity in Philadelphia (Stanger Ross, 2010), regional separated units in Montreal (Boissevain, 1970) or whiteness identity with loss of Italicity in post-WWII Chicago (Guglielmo, 2003). The idea is that “the ways that ethnic urbanites practiced ethnicity depended on who they were and where they were” (Stanger Ross, 2010).

In general, many of these research projects have explicitly represented an attempt to analyze the process by which ethnic identity is socially and politically constructed (Miles, 1984) in a specific economic and social context. At the same time, many case studies suggest that ethnicity is not just a “superstructure” that played the expected role of a regulatory process hiding the *real* economic relations (Agnoletto, 2011). For instance, in the economic ethnic niches, on the entrepreneurs’ side,

ethnicity can be the framework that gives immigrant employers significant ethnic advantages in a competitive market.

The critical approaches to the concept of ethnicity are also important in the perspective of understanding complex class relations inside the ethnic niches. In particular, many authors have claimed that the so-called *ethnicization* of the social conflict is a consequence of theoretical approaches that give an ethnic description of class relations. They highlight that *ethnicization* is an ideological process that presents socio-economic categories as an ethnic issue (Brazzoduro and Cristofori, 2010). In this perspective, ethnic identity is a mask, or a superstructure that hides real economic relationships (Miles, 1984), and ethnicity is a sort of mean of distraction (Westergard and Resler, 1976). Moreover, this literature against *ethnicization* also underlines the tendency of transforming fluid belonging to strong ethnic identities by “inventing” traditions (Hobsbawm and Ranger, 1983).

However, some authors highlight that in particular situations “ethnicity” has been the tool, on the workers’ side, for a new and powerful class solidarity and awareness inside the ethnic niches (Agnoletto, 2011). Ethnic identity is described as an open political construction and the collective identities based on it can become powerful tools to create solidarity and progressive movements (Solomon and Back, 1995; Gilroy, 1987). In this framework, the concept of “*ethclass*”, that combines both ethnic group and social class characteristics (Gordon, 1964, p. 51), seems to be useful. In fact, if in many situations “ethnicity” plays a role as an adaptive tool to the structural factors, by providing important ethnic advantageous resources in order to create successful ethnic niche, on the other hand the use of the concept “*ethclass*” allows us to focus on the contradictions of these processes. For instance, it helps to highlight the conditions of stronger exploitation and long-term disadvantageous stereotypes which characterize many ethnic niches (Agnoletto, 2011).

### **Provisional conclusions**

Studies of the role of ethnic factors in the building up of ethnic niches are usually affected by the different concepts of ethnicity proposed in the literature. In particular, the debate focuses on the different evaluations of the importance given either to the

ethnic/cultural factors that feature the different immigrant and minority groups or to the structural factors that define the host society.

Moreover, the foregoing discussion highlights that the birth and growth of an economic ethnic niche is not just an ethnic issue, but, more generally, it is also the result of processes that are not “ethnic based”. In this perspective, a *non-ethnic based approach* to this topic means to highlight all the other economic and social factors that influence the buildup of an economic niche.

For instance, in order to better understand the entrepreneurial behavior of the small immigrant employers it becomes useful to refer to the more general entrepreneurial studies, in particular to the experiences of small businesses. In this framework, interpretative categories such as path-dependence, flexibility, generational passages, attitude toward innovations etc. may be useful (Colli, 2002). Similarly, the sociological models that use a paradigm such as “network enterprise” or “industrial district” (Becattini, 2000; Belfanti and Maccarelli, 1997; Fontana, 1997; Bagnasco, 1977) also provide interesting perspectives for the comprehension of how ethnic niches work. Yet, socio-economic approaches based on classes’ analyses (Miles, 1984) or macro-economic conditions (Agnoletto, 2011) can be useful in order to understand the complexity of the economic behavior of ethnic groups in capitalistic societies.

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Theoretical Approaches and Practical Assessment of Socio-Economic Effects of Desertification in Mongolia. *International Journal of Environmental Research and Public Health* . 2020; 17(11):4068. Chicago/Turabian Style. Sanzheev, Erdeni D.; Mikheeva, Anna S.; Osodoev, Petr V.; Batomunkuev, Valentin S.; Tulokhonov, Arnold K. 2020. "Theoretical Approaches and Practical Assessment of Socio-Economic Effects of Desertification in Mongolia." *Int. J. Environ.* Ethnic entrepreneurship: a theoretical framework 31. include the individuals who have actually immigrated over the past few decades. This definition excludes, however, members of ethnic minority groups who have been living in the country for several centuries, such as Afro-Americans in the USA, Jews in Europe or abo-rigines in general.Â Among economic explanations, middleman minority theory is the primary explanation for ethnic entrepreneurship. Ethnic enterprises rapidly pop up with the expansion and growth of an ethnic community and include businesses such as travel agencies, garment shops, specialized grocery shops, tearooms and fast-food stands.Â OPPORTUNITY STRUCTURE MARKET CONDITIONS  
Niche markets Open markets.