

Ethno-Racial Origins, Social Capital and Self-Employment in Canada

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Abstract

Researchers often explain self-employment among visible minorities as a result of blocked or restricted access to the general labour market, wherein exclusion and income inequality force minority immigrants into an ethnically segregated enclave economy (or into ethnically segregated enclave economies). While this dynamic is well established, Canadian research has been less attentive to the role of social capital in fostering economic integration of immigrants and minorities and/or their involvement in self-employment. This paper aims to address this void by evaluating the importance of social capital for self-employment activities among Canadian ethno-racial groups. We use the Ethnic Diversity Survey conducted by Statistics Canada in 2001. Bivariate analyses show that visible minorities, particularly blacks, are least likely to be self-employed, when compared to Europeans, particularly of non-charter origins. The rate of self-employment for visible minorities is the lowest in the manufacturing industry and the primary sectors of the economy. These findings are also supported in multivariate analyses. To the extent that social capital is important for self-employment, its benefits vary by type of social capital and industry. For example, associational participation tends to increase and religious participation decrease self-employment opportunities in white-collar occupations. Whereas associational participation is important for Northern and Western Europeans, religious participation diminishes the odds of self-employment for British, Southern and Eastern Europeans. Findings also suggest that ethnic friendship increases the odds of self-employment for Northern and Western Europeans, particularly in the distribution industrial sector. Theoretical and policy implications of findings are discussed.

Self-Employment among Immigrants in Canada

The economic viability of self-employment for ethno-racial minorities has been a sustained area of scholarly interest for some time now. Nevertheless, the link between self-employment among ethno-racial minorities and financial well-being has never been empirically established. In fact, extensive studies in the U.S. and limited studies in Canada have arrived at disparate results. Using 1986 and 1991 Canadian census data, Li (1994, 1997) has shown that the majority of self-employed Canadians, including those of visible minorities, have higher net earnings after controlling for industry of work, individual characteristics, etc. More recently however, Li (2000) examined the Longitudinal Immigration Data Base and found that returns on self-employment were lower than paid employment for new immigrants who entered Canada between 1980-1995 and that the income gap increased over time. Li suspects that this discrepancy may be a function of the types of self-employment new immigrants gravitate towards, whereby they are generally less willing to enter into businesses associated with higher risks and potentially higher returns. Alternatively, they may be less able to compete with dominant groups in more lucrative industries. Indeed, research has shown that some immigrant groups tend to concentrate in

particular niches of the economy, for example, Italians in construction, Portuguese in cleaning businesses, Koreans in convenience stores, and Blacks in retail trade (Lo, Teixeira and Truelove, 2002).

While Canadian scholars tend to depict a positive portrait of self-employment and entrepreneurship among visible minorities, Galabuzi's (2005) recent comprehensive report calls attention to the growing social exclusion of racialized group members in Canada, which is reflected not only in minority groups' overrepresentation in low-paying occupations and low-income sectors, but also in their clustering within "precarious employment" such as home-based employment (xii). In other words, while self-employment has celebritly been considered as a pathway toward upward mobility, recent immigrants and visible minorities may have utilized self-employment as a last resort, having actually been pushed into lower paid segments of self-employment (Li, 2000). However, existing studies have not yet systematically examined sector distributions of self-employment among ethno-racial groups, which may reveal an emergent, hidden side of racialization within the Canadian economy.

To account for self-employment among ethno-racial minorities, the 'push argument' emphasizes employment obstacles in the general labour market (Light, 1972), whereas the 'pull argument' focuses on ethnically protected market opportunities in attracting immigrant entrepreneurs (Light, 1984; Zhou, 1992). From a resource perspective, Light (1972) explains immigrant self-employment and entrepreneurship in terms of cultural endowment; a unique ability to pool needed resources in contrast to their disadvantage in the general labor market. Indeed, the Ethnic Enclave Theory (Wilson and Portes, 1980) views an ethnic economy as a unified system in which common language and ethnic origin provide grounds for minority businesses to prosper. While contemporary discussions of ethnic resources emphasize the ability of various ethnic groups to pool the resources necessary for starting a business and refer to this capacity as social capital. Yet, the research has been less attentive to the role of social capital for self-employment.

Social Capital and Self-Employment

In its classic use, social capital refers to an asset that inheres in social relations and networks (Leana and Van Buren, 1999). Specifically, it is the ability to secure benefits by virtue of membership in social networks or other social structures (Portes 1995). As a relational or network-mediated resource, social capital enables individuals or organizations to gain access to conventionally defined resources and opportunities (Nahapiet and Ghoshal, 1998), such as information and support as well as general economic means (Bourdieu, 1985; Coleman, 1988). By this definition, social capital takes the form of closure and people rich in social capital are those who possess dense networks or strong ties within social units (Coleman, 1988). Alternatively, other scholars emphasize sociability across social units and consider social capital in terms of facilitating information diffusion and thus individual mobility and organizational expandability (Granovetter, 1985; Burt, 1992).

While the literature has associated social capital with self-employment and inter-group variation in the rates of self-employment (Birley, 1985; Portes, 1998), the use of social capital seems to have received greater emphasis in studies of ethnic economy and entrepreneurship. According to Light and Gold (2000), ethnicity can confer economic advantage beyond whatever an individual's wealth and human capital contribute. In exploring ethnicity derived advantages, prior studies have focused on the networks of kinship and friendship around which ethnic communities are arranged. Considerable attention has been paid to the role of ethnic-based networks in: (1) enabling entrepreneurial minorities to improve access to information leading to business opportunities (Light, 1972); (2) securing protected markets, accessing sources of labour and financial support (Waldinger et al., 1990 a & b); and (4) compensating shortfalls of human capital (Light, 1984). There is also evidence that ethnic based networks reduce transaction costs and lower intra-ethnic competition (Wilson and Martin, 1982). A case in point are ethnic

enclaves, a dense concentrations of ethnic firms that employ a significant proportion of a co-ethnic labour force, rely on co-ethnic suppliers, and maintain a distinctive geographic presence in urban space (e.g., Zhou, 1992). Besides geographic concentration, certain ethnic groups tend to cluster in particular business sectors (e.g., restaurants and garment factories), a tendency facilitated by information dissemination and skill training within co-ethnic communities (e.g., Sassen, 1995).

As previously indicated, extensive evidence shows ethnic and racial self-employment differences (Fairlie and Meyer, 1996; Lo et al., 2002). According to Sanders and Nee (1996), social capital is not only important for self-employment among immigrants, but should also account for inter-group variation in such business endeavours, given that the success of an ethnic entrepreneur hinges on his/her access to social capital embedded in ethnic ties and social structures of an ethnic community. As such, the issue of differentials in social capital endowments across various ethnic groups becomes a central concern. Specifically, the question arises: to what extent can different participation and success rates be explained from a social capital perspective? In other words, is there a significant difference in the strength and usefulness of social capital possessed by various ethnic groups? Burt, Hogarth, and Michaud (2000) contend that network effect is contingent upon national culture by demonstrating the different networking approaches of French versus American managers. There is also evidence that strong social relations may not function in the same fashion as social capital for entrepreneurial endeavours. For example, Keefe (1984), shows that the strong extended family structure is not channelled into business activities among Mexican-Americans.

Significantly, the construct of social capital has only recently been assigned a celebratory character as scholarly research has focused attention on the positive effect of social ties in the creation and development of ethnic economy and entrepreneurship (Bailey and Waldinger, 1991). However, research has also shown the limitations of ethnicity-mediated social capital including structural marginalization, excessive internal competition, poor and exploitative working conditions, and low returns on human capital (Bonacich, 1973). Here it is necessary to draw the distinction between general social capital and group based social capital as it may offer an explanation of sectional and income differentials between visible minorities and the wider population in self-employment. Certainly, scholars of ethnic economies have devoted a great deal of attention to ethnic networks as an important source of social capital. From this perspective, ethnic networks generate trust and encourage cooperation within co-ethnic communities (Bailey and Waldinger, 1991). In contrast, from a 'civic' perspective, ethnic communities are considered to hold lower overall stocks of social capital, since these communities have shown a lack of trust and weaker tendency toward volunteering in the broader social context (Putnam, 1993). Earlier studies associated social connections with differential access to opportunities between minority and non-minority groups. For instance, given that social ties act as information channels, weak social ties among non-whites in the U.S. represents a clear disadvantage (Loury, 1981). Further, income inequality between minority and majority groups may not be limited to the general labour market. For example, the lack of familiarity with dominant cultural values, knowledge, behavioural and communication styles explains minorities' inability to gain access to scarce resources (Nakhaie, 2006), which in turn may help explain why ethno-racial minorities tend to be excluded from more lucrative small business opportunities.

Research Questions

In sum, research linking social capital and self-employment among Canadian ethno-racial groups requires further investigation and development. The current study, then, is designed to examine: (1) the link between various measures of social capital and self-employment; (2) the extent to which such relationships vary by ethno-racial origins, and; (3) if the rates of self-employment across economic sectors vary by types of social capital and ethno-racial groups in Canada. The findings will assist in

determining the economic value of social capital for various ethno-racial groups, not only in terms of the differential use of social capital for self-employment, but also by highlighting the economic viability of self-employment in different economic sectors.

Data and Measures

To explore these research questions we consulted the *Ethnic Diversity Survey* (2002), which is based on a two-phased stratified sampling design and conducted jointly by Statistics Canada and the Department of Canadian Heritage. The sample was obtained from the 2001 Census. The target population consists of persons at least 15 years of age who were living in private dwellings in ten provinces. This study is limited to 25-65 years of age who were employed full-time in the labour force. The effective sample size is therefore 17,745 individuals.

To measure work, a group of worker variables were used to distinguish self-employed from paid worker employees and unpaid family workers. The unpaid family worker category and those who did not respond are excluded from the analysis. Given differential mobility routes by industry, it is necessary to evaluate ethno-racial distribution of self-employment within broad industry types. Therefore, the 20 group North American Industrial Classification System is regrouped into four possible mobility routes: 1) primary, which is the traditional source of self-employment (Agriculture, Forestry, Fishing and Hunting); 2) blue-collar - manufacturing and construction, which requires prior skills (Mining and Oil and Gas Extraction, Utilities, Construction, Manufacturing); 3) distribution, which has lower entry barriers (Wholesale Trade, Transportation and Warehousing, Retail Trade, Real Estate and Rental and Leasing, Administrative/Support, Waste Management, Remediation Services, Arts, Entertainment and Recreation, Accommodation and Food Services, Other Services (except Public Administration), and; 4) white collar, which requires higher education (Information and Cultural Industries, Finance and Insurance, Professional, Scientific and Technical Services, Education Services, Health Care and Social Assistance, Public Administration) (see Razin and Langlois, 1996).

Significantly, there is little agreement about the definition or measurement of ethnicity (see Isajiw, 1974; Anderson and Frideres, 1981; Boyd, 1999; Jedwab, 2003). This lack of consensus is reflected in the considerable variability of questions related to ethnicity in Canadian surveys and censuses (see Kralt, 1990; Bourhis, 2003). Moreover, given the vast number of possible ethno-racial groups in Canada, Statistics Canada has included racialized groups such as "South Asians" and ethno-religious groups such as Jews under the rubric of ethnic origins. For this paper, we used categories provided in the *Ethnic Diversity Survey* (EDS), which measured ethnicity by ethnic ancestry questions. The ethnic categories are then coded into 6 broad categories (Canadian, British, French, North and West Europeans, South and East Europeans, visible minorities, and "others"). Where relevant the involvement of detailed ethno-racial groups in self-employment are also discussed.

In multivariate analyses, the "Canadian" ethnic response group is used as the reference category. This is based on an increase in the number of respondents who self-identified themselves as Canadian in censuses since 1991. In the 1991 Census, 3.8 percent of respondents reported their ethnic origin as Canadian. This figure increased to 30.9 percent in 1996 and 38 percent in 2001. Analyses of the census showed that most of those who identified themselves as Canadians were mainly of British and French origins (see Kralt, 1990; Boyd, 1999; Pendakur and Meta, 1998; Norris and Boyd, 2001).

As outlined above, social capital can be defined in terms of its nature and function (Coleman, 1988). It is exemplified by obligations and expectations, information channels, social norms and trust that facilitate coordination and cooperation for mutual benefit. For instance, the associational and communal relations with shared identity and interests, which are found in clubs and informal groups,

function as incubators of social relations and tend to enforce common norms and values. They are repositories of social capital. Although they facilitate access and exchange of social capital, they do not necessarily ensure its use.

For this paper we utilize four indicators of social capital based on the *Ethnic Diversity Survey*. These include, family contact as a measure of bonding social capital; associational participation as a measure of bridging social capital; trust which measures norms and values that are important for the formation of social capital and religious participation, which signifies both bridging and bonding social capital. Since religious participation may assist with the development of networks and act as an information channel among strangers, it signifies bridging social relations. Concurrently, since religious activities are often maintained within the same ethno-racial group, they may also signify bonding social relations.

The EDS asked respondents about the frequency of participation in community organizations, such as art, dance and cultural groups, sport clubs or teams and job-related associations. These measures each have five categories of 'not at all' to 'at least once a week.' An index of associational participation is constructed by the average of these four measures, ranging from 1 to 5. Religious participation is measured by a question asking respondents how often they participated in religious activities or attended religious services or meetings in the past 12 months (not at all =1, once or twice a year =2, at least three times a year = 3, at least once a month = 4, and at least once a week = 5). Respondents were also asked about the frequency of contact with members of their family. This variable ranges from 1 to 5. Trust is measured by four questions. First, it was measured by asking respondents if most people can be trusted =1, or that you cannot be too careful in dealing with people = 0. Next, trust of family members, people in the neighbourhood and those in work place were each measured by a five-point scale, 1 representing people cannot be trusted at all, and 5 being people can be trusted a lot. A new index based on the average of these four measures is constructed as a measure of trust. It ranges from 1 to 5. Overall, these four measures are common themes in measurement of social capital. They can help develop obligations, norms of reciprocity and feelings of gratitude, as well as act as information channels for diffused norms and sanctions.

As previously alluded, ethnic networks can be conceptualized as a measure of social capital. However, ethnic networks are also a measure of ethnic identity. Isajiw (1990) differentiates internal from external or subjective from objective dimensions of ethnic identity. Internal/subjective dimensions refer to the state of mind and/or feelings, such as self-definition or a feeling of closeness to one's ethnic group, which could be cognitive, moral or affective. External/objective dimensions refer to the behaviours associated with these states of mind and feelings. So that, the former refers to images, ideas, attitudes and feelings and the latter to observable behaviour such as participation in ethnic networks, institutions, voluntary associations and functions. In this paper, internal/subjective ethnic identity is measured by a question that asks respondents to rank the strength of their sense of belonging to their ethnic and cultural group. This measure has five categories from 'not strong at all' to 'very strong.'

The objective/external dimension of ethnic identity is measured by two questions asking respondents about their same-ethnic friends when they were 15 years old and at present. These two variables ranged from 1 = no same ethnic friends to 5= all of them are same ethnic friends. Our use of ethnic network, then, refers to the average of these two questions, ranging from 1 to 5. We will consider ethnic friendship as an objective measure of identity. However, we will also discuss its implication as a measure of social capital.

A host of other variables are also important for self-employment and social capital formation. These include immigrant generation, language, education, gender, marital status and community size (see Nakhaie, 1995; Razin and Langlois, 1996, Mata and Pendakur, 1999; Li, 2000; Anderson and Miller,

2002; Hughes, 2003). Respondents are classified into three generations: first generation (foreign-born respondents), second generation (respondent is born in Canada, parents are foreign-born), and third generation (respondent and parents are born in Canada – reference category). Language is measured by language used at home, including English only (reference category), French only, (official bilingual), other language and English, other language and French, other languages and French and English, and other (non-official) languages. Education levels included post-graduate degree, undergraduate degree, post-secondary non- university and high school degree and less (reference category). Age is coded in five categories starting at 24 and ending at 65. Gender is coded into males and females (reference category). Marital status includes married with single, divorced, or widowed as reference category. Community includes large CMA (Census Metropolitan Area) (Toronto, Montreal, Vancouver, Other CMAs and with non-CMA as reference category. Notably, the EDS public file does not include a measure of regions.

Analysis and Results

Analysis without Controls

Table 1 shows distribution of self-employment by ethno-racial groups. It shows that Western and Northern Europeans, followed by “others,” Eastern and Southern Europeans, Canadians and British have the highest level of self-employment (between 16% and 20%). Among Western and Northern Europeans, Dutch with 22.4% have the highest rate of self-employment (not shown here). In contrast, visible minorities and French have the lowest level (about 13%). Among visible minorities, only 6.8% of Filipinos compared to 22% to 25% of West Asian and Arabs, respectively, are self-employed. Self-employment is highest among Jewish people (36%) (not shown here).

Table 2 shows distribution of self-employment within each broad industry type. Generally, similar to Table 1, European ethno-racial groups, except for French, are more likely, while the French and visible minorities are least likely, to be self-employed. Nevertheless, there are differences in distribution of ethno-racial groups' access to self-employment by industry. For example, in primary industries, 90% of those who identified themselves as Canadians are self-employed compared to 33.3% of visible minorities. In fact, there are few self-employed Chinese, Filipinos, Japanese, other South-East Asians and Latin Americans in the primary industries (not shown here). In other industries, generally a greater percentage of Western and Northern Europeans are self-employed when compared to other groups. Moreover, a smaller percentage of visible minorities and/or French are self-employed in manufacturing occupations when compared to other ethno-racial origins. For example, only 2.7% of East Indians and 1.6% of Filipinos compared to 23.7% of Dutch and 23.1% of the Jews are self-employed in manufacturing and construction. Visible minorities fare better in the distribution industries: 36.4% of Arabs, 30.8% of West Asians and 30.3% of East Indians compared to 48.4% of Jews and an average of 20.5% for all groups, are self-employed in the distribution industries (not shown here). In the prestigious white-collar occupations a far lower percentage of visible minorities are self-employed (9.5%) when compared with other groups. Among these, only 4.2% of Filipinos, 5.9% of Blacks and 6.8% of Latin Americans compared to 31.8% of Jews and an average of 12.6% for all groups, are self-employed in white-collar occupations.

Analysis with Controls

Table 3 shows the log odds of self-employment by predictors. These estimates (b coefficients) present the differences in the log odds of self-employment for those in a category compared to the reference category for each predictor. Since the log odds may have little intuitive meaning, the exponentiated coefficients are also presented. The exponential of a coefficient is the factor by which the unlogged odds of self-employment are multiplied for one unit of change in the predictor variable (e.g.,

gender). For interval and ratio variables, one needs to exponentiate the coefficient and then take it to the power of the desired category.

In this table, variables are entered into the equation as a group in four models, allowing us to observe what happens to a set of variables as we include more variables in the equation. Model 1 includes socio-demographic measures as well as ethno-racial groups. Among socio-demographics, age has a strong effect on self-employment. It has five categories. Therefore, those in the 30-34 age groups have 1.74 times higher odds and those in the 54-65 age groups have 4 times higher odds of self-employment compared to those in the 25-29 age group. The next important predictor is gender. Males have 1.987 times higher odds of self-employment than females. Finally, residing in a large Census Metropolitan Area (CMA) decreases the odds of self-employment while marriage and higher education increases it.

Broadly, ethno-racial groups do not seem to differ in their self-employment propensity, except that Western and Northern Europeans have 1.26 times higher odds and French about 21 percent lower odds of self-employment than those self-identified as Canadians. Model 2 includes language and generation. We notice that the Western and Northern European differences in self-employment disappear while visible minorities now have a statistically significant 27% lower odd of self-employment when compared to Canadians. At the same time, those who speak a language other than English by itself, or in combination with any or both of the charter languages, have between 1.4 to 2.1 times higher odds of self-employment. Therefore, visible minorities did not differ from the Canadian group in Model 1 because, among the former, those speaking non-charter languages have a higher rate of self-employment. That is, charter language barriers seem to have limited their access to other occupations and redirected them towards self-employment. This also seems to be the case for the Eastern and Southern Europeans who have about 9% lower odds of self-employment than the Canadian group in Model 2.

Model 3 includes subjective and objective measures of ethnic identity. It shows that ethnic friendship networks increases, while psychological ethnic attachment decrease, the odds of self-employment. Inclusion of these two measures also strengthens the French's and visible minorities' lower odds of self-employment, but eliminates the statistical difference between Eastern and Southern Europeans and that of Canadians. Inclusion of ethnic identity measures also resulted in a significant difference between the Canadian and foreign born generations. However, second generation Canadians do not differ from the foreign-born generation in self-employment.

Finally, Model 4 includes the social capital measures. Among these, religious participation decreased the odds of self-employment while associational participation increased it. The inclusion of social capital did not alter the effect of other variables. Detailed analysis of ethno-racial groups for Model 4 showed that Filipinos and Blacks have respectively 54% and 44% lower odds of self-employment while the odds of self-employment was 1.62 times for West Asians, 2.04 times for Arabs and 2.56 times for the Jewish population (not shown here).

Table 4 presents the logistic regression results within each of the four broad industries. This table shows that the relationship between predictors and self-employment are industry specific. First, consistent with Table 1, Table 4 shows that in the primary industries all ethno-racial groups are less likely to be in self-employment occupations when compared to the Canadian group. Visible minorities are also less likely to be self-employed in manufacturing and construction than the Canadian group by about 25%. Among these, Filipino's and South-East Asian's odds of self-employment are 88% and 80% lower than those of Canadians, respectively. In distribution industries, Filipinos and Chinese have 54% and 46% lower odds, respectively, while Arabs have 2.75 times higher odds of self-employment than Canadians. Among white-collar occupations, Filipinos and Blacks have 71% and 49% lower odds, respectively, and Jews have two times higher odds of self-employment than Canadians (not shown here).

The language effect observed in Table 3 is also industry specific. Those who speak English and any other non-charter languages are more likely to be self-employed in the primary and distribution industries, while those who are multilingual are more likely to be self-employed in all except for the primary industries. Note that speaking non-charter languages also increases the odds of self-employment in all industries, except for the primary sectors which decreases it. However, these differences are not statistically significant due to the small number of cases for this group. Ethnic networks increase the odds of self-employment in the distribution industries while subjective ethnic identity decreases the odds of self-employment in primary industries. Finally, social capital effects observed in Table 3 are specific to white-collar occupations: religious participation decreases and associational participation increases the odds of self-employment.

Table 5 shows the logistic regression results for the relationships between predictors and self-employment within each broad ethno-racial group. We notice that knowledge of non-charter languages increases the odds of self-employment for all non-charter groups compared to those who only speak English at home. Ethnic friendship networks only improve the odds of self-employment for the Western and Northern Europeans, while subjective ethnic identity decreases the odds of self-employment only for the British. Among the measures of social capital, religious participation decreases the odds of self-employment for the British and visible minorities while associational participation increases these odds for Southern and Eastern Europeans.

Conclusion and Discussion

Results from this study show that visible minorities have a lower self-employment rate than other groups. However, this under-representation was primarily due to their language and is specific to some groups (e.g., Filipinos). Speaking non-charter languages by themselves and/or in combination with charter languages increases the odds of self-employment. Thus, if the difference in language spoken at home is not accounted for, visible minorities, though disadvantaged, are not significantly different from other groups. This suggests that charter language barriers may have a tendency to direct visible minorities into self-employed occupations. In fact, analysis showed that speaking only non-charter languages increased the odds of self-employment for visible minorities. As well, non-charter languages in combination with English and French or only with English increased the odds of self-employment for non-charter groups. Such a pattern was present in all industries, but more so in manufacturing, construction and distribution. Thus, the role of spoken language for self-employment tends to support the push argument (Light, 1972), where charter languages may act as a barrier for those who do not speak them, thus redirecting them to self-employment occupations. This seems to be consistent with the argument that people enter self-employment “because of restricted structure of opportunities of their labour market” (MacDonald, 1996: 445; Bogenhold and Staber, 1991; but see Arai, 1997). According to this argument self-employment is a job of last resort.

Analysis also showed that social capital influenced self-employment. However, its positive effect was limited to bridging social capital (associational participation), particularly in white-collar occupations and for Southern and Eastern Europeans. The bonding measure (family contact) and values and norms (trust) did not show any significant relationship with self-employment, though the trust effect was generally positive. In a way, these findings lend support to Burt's (1992) emphasis of structural holes (i.e., bridging social capital). Ethnic resources derived from strong ties may be less useful in pursuing business opportunities in industries that require resources and information beyond the ethnic communities, which is true of the primary and manufacturing sectors. Our results also show that religious participation had a negative relationship with self-employment, particularly for visible minorities and British and among white-collar occupations. In the spirit of general social capital, Putnam (1993) presents evidence that Catholic Church attendance in Southern Italy was negatively related to

participation in civic associations. This suggests that religious participation as a semi-bonding measure of social capital may have an effect different than associational participation. While the former decreases the probability of self-employment, the latter facilitates it by leveraging resources in the larger society. The negative impact of religious participation could be an example of the “dark side” of social capital (Portes, 1998).

If ethnic friendship networks are conceptualized as a measure of social capital and not as an objective measure of ethnic identity, they have a modest tendency to increase the odds of self-employment for Northern and Western Europeans. Further analysis showed that ethnic networks only interacted with those of Northern and Western European origin in general, and in manufacturing industries, in particular. These findings suggest that some ethno-racial groups are better able to use their ethnic resources than others. In this way, the findings may support the pull argument where Western and Northern Europeans use friendship networks in order to enter ethnically protected self-employment opportunities in an enclave economy. Note that the original notion of enclave economy is used to describe minority businesses in traditional neighbourhoods of the inner city, whose ethnically derived market niches allow them to escape the social exclusion and discrimination found in the general labour market (see Light, 1984; Zhou, 1992). According to our findings, however, social capital embedded in ethnic friendship networks affords certain ethno-racial groups opportunities in more prestigious, high income industries such as manufacturing.

Yet, when ethnic friendship networks are conceptualized as a measure of ethnic identity and self-employment as a measure of mobility, then our study provides mixed support for the mobility trap hypothesis. Wiley (1967) argued that psychological attachment to an ethnic group, in terms of ethnic identity, ethnic network, etc., may become a mobility trap. We find support for this with respect to the subjective measure of identity. Portes (1995) evidence that ethnic group membership curtails social mobility can also be viewed as supportive of the ethnic mobility trap thesis. However, Isajiw et al.'s (1993) study based on a survey of the Metropolitan Toronto area (1979) failed to show that ethnic attachment retards mobility. Only two out of sixteen tests of occupational mobility showed that identity may act as drawback to mobility. In fact, the review of the research by Reitz and Sklar (1997) seems to suggest that the maintenance of ethnic identity and networks results in heavy costs to ethnic members in terms of earnings and opportunities. In contrast, our study showed that ethnic networks increase the odds of self-employment.

Although findings do provide some support for the thesis that social capital helps improve self-employment opportunities, its role is weak over and above all other variables, particularly in comparison with socio-demographics (age and gender) and human capital (education), at least in terms of measures used here. This could be due to the fact that cross-sectional surveys may not allow us to make a conclusion about the causal relationship between social capital and self-employment. Although a correct specification of such a relationship arguably requires longitudinal data, cross-sectional data seems to be appropriate for a test of the theoretical model. For example, Rice and Feldman (1977) showed that social capital, as measured by level of trust for immigrants' or their parent's country of birth, explained the differences in immigrant and non-immigrants' level of trust in the US. Helliwell's (1996) data for Canada also confirmed this finding. According to Helliwell, the footprint from the imported trust was evidenced in immigrants' grandparent's country of birth. Perhaps the level of trust imported from immigrants' grandparent's country of birth had a lasting impact. This is consistent with Putnam's (1993) earlier argument that social capital is time-invariant. Specifically, he claimed that national differences in value orientations in Northern and Southern regions are stable and thus social capital measured in 1990 is an effective proxy for social capital measured in 1920. Therefore, according to this perspective, social capital is embedded in group's psyche (Johnston and Soroka, 2001) and is generally time-invariant. If so, cross-sectional data is sufficient to test the causal relationship between social capital and self-employment or other measures of social inequality.

In sum, the findings suggest that involvement in self-employment is not uniform across all ethno-racial groups. It differs by industrial sectors and social capital endowments as well as traditional variables such as socio-demographics, ethnic identity and human capital. While prior research has broadly considered racially defined sectoral distribution in the labour market, our findings present evidence that such economic inequality exists in self-employment as well. Conventional theories suggest that many minority groups are overrepresented in self-employment. They are pulled into self-employment in order to take advantage of ethnic resources in protected markets. Our findings show that the rate of self-employment is lower among disadvantaged ethno-racial groups (Fairlie and Meyer, 1996), and among the French. Therefore, like Portes (1998), we caution against the myth that social capital is a source of ethnic advantage for minority groups. In fact, we suspect that the differential value of social capital across ethno-racial groups could be a cause of economic segregation in self-employment in Canada. So that those with resource rich networks benefit from their social relations while those whose networks are resource poor fail to take advantage of self-employment opportunities.

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