

Estimating the Contribution of Immigrant Business Owners to the U.S. Economy

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Purpose

The objective of this study is to provide a set of estimates of immigrant business owners in the U.S. economy. Using data from three large nationally representative government datasets—the 2000 Census 5 percent Public Use Microdata Sample (PUMS), the 1996-2007 Current Population Survey (CPS), and the 1992 Characteristics of Business Owners (CBO)—this study also examines the contribution of immigrant businesses to the U.S. economy.

Overall Findings

According to Census 2000, immigrants constitute 12.2 percent of the total U.S. work force, and 12.5 percent of the total population of U.S. business owners. The total business income generated by immigrant business owners is \$67 billion, representing 11.6 percent of all business income in the United States. Immigrant business ownership is geographically concentrated in a few states.

Highlights

- Immigrants are nearly 30 percent more likely to start a business than are nonimmigrants, and they represent 16.7 percent of all new business owners in the United States
- Immigrant business owners make significant contributions to business income, generating \$67 billion of the \$577 billion in U.S. business income, as estimated from 2000 U.S. Census data. They generate nearly one-quarter of all business income in California—nearly \$20 billion—and nearly one-fifth of business income in New York, Florida, and New Jersey.

- Immigrant business ownership is geographically concentrated in a few states. Nearly 30 percent of all business owners in California are immigrants, compared with about 12.5 percent of the population of U.S. business owners. Twenty-five percent of business owners in New York and more than 20 percent in New Jersey, Florida, and Hawaii are foreign-born.
- In California, immigrants are 34.2 percent of the new business owners each month. Nearly 30 percent of all new business owners per month in New York, Florida, and Texas are immigrants.
- Immigrants own 11.2 percent of businesses with \$100,000 or more in sales and 10.8 percent of businesses with employees.
- Immigrants' contributions differ across sectors of the economy. They own a large share—more than one-fifth—of businesses in the arts, entertainment, and recreation industry. They also contribute significantly to other services, transportation, and wholesale and retail trade.
- Immigrants also own a large share of businesses in the lowest and highest skill sectors and in several industries.
- Although business owners from Mexico constitute the largest share of immigrant business owners, total immigrant business ownership, formation, and income originate with immigrant business owners from around the world.

Scope and Methodology

The report used three large nationally representative datasets: the Census 2000 5 percent PUMS Sample, the Current Population Survey (CPS 1996-2007), and the Characteristics of Business Owners (CBO 1992).

The Census 5 percent PUMS sample is the only nationally representative dataset with large enough sample sizes to examine business ownership among detailed immigrant groups, and the CBO is the only business-level dataset with information on a large sample of immigrants.

A longitudinal dataset from matching consecutive months of the CPS with large immigrant samples was created. The matched CPS data allow for a detailed analysis of rates of business creation among the foreign-born. These monthly surveys are representative of the entire U.S. population and contain observations for more than 130,000 people. Combining the 1996 to 2007 monthly data creates a sample size of more than 8 million adult observations.

Probit and least squares regressions were performed to identify the independent effect of different factors on business ownership. The detailed demographic information available in the Census micro-data makes it possible to control for many important determinants of business ownership.

This report was peer reviewed consistent with the Office of Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of economic research at advocacy@sba.gov or (202) 205-6533.

Ordering Information

The full text of this report and summaries of other studies performed under contract with the U.S. Small Business Administration's Office of Advocacy are available on the Internet at www.sba.gov/advo/research. Copies are available for purchase from:

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