

CHAPTER FOUR

Entrepreneurship and Enclave Economy

Looking at the broad picture, one wonders if the vision associated with owning one's own business is as much an illusion as the "American Dream" in the Asian psyche.

Khai T. Tran, student author of case study on a Vietnamese-owned business

By several measures, Asian entrepreneurship in Los Angeles is extensive. In the late 1980s, Asian-owned enterprises comprised 44 percent of all minority-owned businesses in this metropolitan area. Moreover, one out of every five Asian-owned firms in the United States can be found in the Los Angeles County. The emergence of this Asian entrepreneurial class suggests that with personal sacrifice and ingenuity, American ideals of self-reliance and personal independence are attainable. The uneven nature of Asian small business development, however, indicates that business ownership does not guarantee the kind of economic freedom and success that many Asian immigrants have come to expect. Asian businesses are typically family-based enterprises that rely on the unpaid labor of family members. These small establishments tend to be concentrated in highly competitive and marginal economic sectors where the threat of bankruptcy and/or substitution of product or services is high. These business conditions means that profit margins are slim, the work environment is poor, and overall benefits for workers and society-at-large are scarce.

Characteristics of Asian Businesses in Los Angeles

The period after the 1965 Immigration Act resulted in the mass influx of new immigrants, which transformed and revitalized Asian

communities in the United States. This new growth was evident in the dramatic expansion of Asian businesses in Los Angeles County. (See Table 1.) For every firm that had operated in 1977, four firms operated in 1987. For some ethnic groups, namely the Koreans and Vietnamese, the expansion was particularly pronounced. Over the ten-year period, the number of Korean-owned enterprises grew by nearly seven-fold (676 percent). In 1977, there were not enough Vietnamese-owned stores to warrant a separate listing, but in the five-year period between 1982 and 1987, their ranks grew by an astonishing 647 percent.

TABLE 1: Asian-Owned Businesses in LA County

	<u>1977</u>		<u>1987</u>		<u>% Growth</u> <u>1977-87</u>
Chinese	3,063	22%	16,049	28%	424%
Japanese	6,955	49%	11,086	19%	59%
Korean	2,212	16%	17,165	29%	676%
Vietnamese			3,489	6%	n/a
Filipino	1,144	8%	7,059	12%	517%
Hawaiian			253	0.4%	n/a
Other Asian	879	6%	3,205	6%	265%
TOTAL	14,253	100%	58,306	100%	

Source: Survey of Minority Owned Businesses, 1977, 1987

In addition to the sizeable growth in the absolute numbers of firms, the ethnic and industrial composition of Asian business ownership has changed. Most notable is that the Japanese, who comprised nearly a majority in 1977 (49 percent), declined to roughly one-fifth (19 percent) a decade later. Japanese ownership was eclipsed by the dramatic expansion of Chinese and Korean entrepreneurs as both groups garnered roughly 30 percent of Asian business ownership in 1987. Although the rate of Vietnamese business ownership is increasing, it still comprises only a small proportion of Asian firms (6 percent). Filipino business ownership is also quite modest at 12 percent. An industrial recomposition has accompanied the ethnic recomposition. Agricultural firms had made up approximately one in five (19 percent) Asian-owned businesses, but then declined to only 3 percent. Two

sectors stand out: retail trade which accounts for slightly over one-quarter, and services which accounts for over two-fifths.

Despite the large number of Asian-owned businesses, this entrepreneurial class has a serious weakness because the typical firm is very small. Three-quarters do not have any paid employees and typically rely on unpaid family labor. The firms with paid employees are typically "very small" businesses with an average of four employees, which is significantly less than the average of 17 for all firms in Los Angeles (Ong and Azores, 1993).

TABLE 2: 1987 Asian Firms in Los Angeles County with Paid Employees

<u>Industry</u>	<u>% w/ emp.</u>	<u>Avg. no. emp.</u>	<u>Avg. payroll</u>
Retail	39%	4.1	\$7,807
Service	21%	3.0	12,563
Manufacturing	64%	13.7	7,284
Agriculture	9%	3.9	12,022
Construction	25%	1.5	20,079
Transportation	15%	2.8	15,034
FIRE	7%	2.2	12,479
Wholesale Trade	25%	3.5	17,701
Industries, NC	13%	1.7	14,823
TOTAL AVERAGE	25%	4.2	9,609

Source: Survey of Minority Owned Businesses, 1987

The compensation for paid employees of Asian-owned firms is also quite low. The average annual salary for a worker in an Asian enterprise is \$9,609. For those employed in retail trade, which comprises 26 percent of all Asian businesses and is the largest employer next to manufacturing, the average salary is a mere \$7,807. Those employed in manufacturing firms fare the worst with an annual salary of \$7,284. Workers in service firms, on the other hand, earn \$12,563. However, unlike retail and manufacturing firms, only 21 percent of these firms actually employ workers. Moreover, the average number of employees for service firms is three workers compared to four for retail and fourteen for manufacturing (see Table 2).

There are also important wage differences for workers employed by the various Asian ethnic businesses. For the two dominant Asian ethnic business owners, the Chinese and Koreans, annual salaries for their paid employees are lower than the average salary of \$9,609 for Asian business employees. Almost one-third (32 percent) of Korean firms have paid employees with an average of 4.4 employees. However, the average annual salary is \$8,655. Over one-quarter (28 percent) of Chinese-owned firms have paid employees with an average of 4.8 employees; however, the annual salary is \$9,484. It is notable that for the newest Asian entrepreneurial group, the Vietnamese, the average annual wage is a mere \$6,119.

Another indicator of the smallness of Asian-owned firms is their modest volume of sales. For the one-quarter (25 percent) of firms with paid employees, the annual sales and receipts is \$314,396, which can hardly be considered a huge volume. However, since the majority (75 percent) of Asian businesses do not have paid employees, their average sales and receipts are significantly lower. Table 3 indicates the average annual sales and receipts for Asian firms with no paid employees based on the business owner's ethnicity. Clearly, an overwhelming majority of Asian firms are not only small in size but in revenues as well.

One consequence of the weakness of Asian-owned businesses is a high failure rate. A survey conducted by Bates (1989) shows that for Asian male-owned firms, which formed between 1976 and 1982, the overall rate of business failure by 1986 was 22 percent, with the highest rate of failure for firms with the smallest amount of revenues. Thirty-eight percent of firms that earned between \$5,000 and \$9,999 failed. For those earning between \$10,000 and \$24,999, the probability of failure did not improve, as 29 percent failed. Moreover, the chances for business failure appear to vary for Asian ethnic groups, with Indochinese refugees suffering a particularly high rate of failure; for every 20 businesses started by Indochinese refugees each month, 18 failed during the first year (May, 1987).

Ethnic Entrepreneurship as an Economic Strategy

The preceding profile challenges the general public perception that Asians are successful entrepreneurs. Not only are the business conditions of Asian firms less than desirable but the rate of self-employment varies significantly among Asian ethnic groups. While the overall rate of self-employment for Asian men in Los Angeles County is 19 percent, which is only slightly above the Anglo male rate of 18

percent, there are important interethnic differences for Asians. Those with the highest rates of self-employment are Korean men at 38 percent, in contrast to Filipino men at 7 percent (PUMS, 1990). This differential may be an outcome of the different degrees of labor market disadvantage that face these two ethnic groups (Ong and Azores, 1993). Since Filipinos have greater English language abilities than Koreans, they may experience fewer barriers in the mainstream labor market.

TABLE 3: 1987 Average Annual Revenues for Asian-Owned Firms with No Paid Employees By Ethnic Group

	<u>Total Firms</u>	<u>No. Firms w/o emps.</u>	<u>Average Sales and Receipts</u>
Chinese	16,049	11,639	\$41,993
Japanese	11,086	8,967	29,517
Korean	17,165	11,660	50,321
Vietnamese	3,489	2,728	28,882
Filipino	7,059	6,110	18,070
Hawaiian	253	216	24,088
Other Asian	3,205	2,322	38,398
TOTAL	58,306	43,642	\$37,206

Source: Survey of Minority Owned Businesses, 1987

The factors that contribute to a propensity for self-employment can be generalized according to the interaction of the employment opportunity structure and availability of immigrant resources (Waldinger, 1989). The employment opportunity structure is typically dominated by the continuing presence of high levels of labor market disadvantages, which lead those immigrants with available resources to create alternative employment strategies: namely self-employment opportunities.

Historically, racial discrimination and exclusion from the mainstream labor market helped foster Asian self-employment as an alternative economic strategy. Discrimination also determined the economic activities which Asian entrepreneurs could pursue. Typically, these were activities which served the ethnic community or faced little competition from white entrepreneurs and workers, such as laundries,

restaurants, and labor-intensive agriculture. Today, labor market discrimination continues to be a factor in the decision to pursue self-employment. The immigrant propensity toward entrepreneurship is, in part, a response to the lack of employment alternatives and the persistence of labor market barriers such as the lack of English proficiency, devaluation of educational attainment abroad, restrictive licensing requirements, and racial and cultural discrimination (Modell and Bonacich, 1980; Light and Bonacich, 1988; Min, 1984).

One prevalent form of labor market discrimination that has contributed to the emergence of Asian entrepreneurship is the exclusion from white-collar occupations of well-educated Asian immigrants. Their high rate of educational attainment is reflected in the demographic characteristics of Korean business owners; the vast majority were engaged in white-collar and professional occupations prior to immigration to the United States (Min, 1984). Their perception of labor market disadvantages and belief in the advantages of self-employment, particularly the opportunity to recreate job autonomy and economic mobility, contribute to the decision to pursue small business entrepreneurship (Min, 1984). In other words, the inability to find comparable white-collar occupations and subsequent underemployment in the U.S. has led many immigrants to small business ownership.

The finding that Asian entrepreneurs tend to be more educated than other racial groups is substantiated in Bates' study which found that well over one-half (59 percent) of Asian male entrepreneurs have attended four or more years of college compared to 28 percent of African American male entrepreneurs and 35 percent of non-minority male entrepreneurs (Bates, 1989, pp. 32-33). In fact, only a negligible proportion (8 percent) of Asian American male entrepreneurs have less than 12 years of education. Essentially, a primary factor which contributes to Asian small business ownership is the inability of immigrant professionals to locate occupations commensurate with their education and skills. Thus, they turn to small business as an avenue for economic and social mobility. Despite these human capital differences, the total revenues of non-minority male-owned firms (\$118,791) continues to exceed that of Asian male-owned firms (\$110,952) (Bates, 1989, p. 33).

Structural constraints alone, however, cannot explain the prevalence of Asian-owned businesses. Some immigrant groups develop higher than average rates of business ownership because they have access to ethnic and class resources, or what has been generally described as superior "organizing capacity" -- the ability to mobilize business resources (Kim, Hurh, and Fernandez, 1989; Light, 1984; Light and

Bonacich, 1988). Ethnic and class resources typically differentiate the pre-immigration socioeconomic backgrounds of these immigrants. Ethnic resources include social networks, values, knowledge, informal institutions, and solidarity. Generally, these resources are available to all members of an ethnic group.

In contrast, class resources are available only to a segment of the ethnic group. Class resources are both material, such as property, human capital, personal wealth; and cultural, including bourgeois values and those associated with entrepreneurship (Light, 1984; Light and Bonacich, 1988). Class resources, in particular, material resources, have always been a critical factor in small business start-ups. Among Asian immigrants, Light notes a shift from ethnic to class resources in the formation of small businesses: "Post-1970 Asian immigrants in North America continue to mobilize ethnic resources to support business ownership, but the balance has shifted toward money, human capital, and bourgeois culture" (Light, 1984, p. 76).

Moreover, class culture is reflected in the notion of "status inconsistency," which is a factor that pushes highly educated immigrants to entrepreneurship (Min, 1984). Asians, whose pre-immigration status was in elite occupational and educational categories, when confronted with labor market barriers or "blocked upward mobility" in the United States, will seek self-employment as an avenue to recreate job autonomy, prestige, and personal independence (Min, 1984; Kim, Hurh, and Fernandez, 1989).

The Ethnic Enclave Economy

A large segment of Asian small business development takes place in an ethnic enclave economy where there is access to a cheap immigrant labor force and a market for consumption. Ethnic enclaves often refer to highly visible geographically or spatially bounded economic centers such as Chinatown and Koreatown. Much research on Asian business ownership has been in the context of these ethnic enclaves; however, Asian enterprises are also located in other communities as well, such as Korean merchants in predominantly African American communities. Instead of the notion of ethnic enclave, Light and Bonacich (1988) propose Asian business activity is better conceptualized as an ethnic economy which is not spatially bound but defined largely by the extensive networks of Asian-owned firms, regardless of geographical location.

Based on the literature on ethnic enclaves, agglomeration and vertical and horizontal integration appear to be key factors in defining this enclave. As Light and Bonacich claim, "The concept of ethnic enclave focuses on the development of an institutionally complete ethnic community and its economic base" (Light and Bonacich, 1988, p. xiii). An ethnic economy, on the other hand, is defined as ethnic business owners and their employees, who are often co-ethnics. This concept of an ethnic economy does not require locational clustering of ethnic firms, clientele or cultural ambience within the firm (Light and Bonacich, 1988). While many Asian small businesses are based in an ethnic enclave that is spatially bounded, the broader conceptualization of an ethnic economy permits for a more comprehensive analysis of the status and issues facing Asian small businesses.

More importantly, the literature on ethnic enclaves has centered on a highly contested debate on the impact of participation in the ethnic enclave for immigrant workers. One position argues that the ethnic or kinship bond between employers and employees provides for a mutually beneficial relationship. Common culture and language provide economic benefits to employers based on the reduction of operating costs, recruitment and on-the-job communication costs, as well as a cheaper labor force (Ong, 1984). In exchange for long hours, labor-intensive work, and low wages, employees benefit from a flexible work environment that provides cultural continuity and an internal labor market, as employers are obligated to reserve new opportunities in their businesses for their co-ethnic workers. Employees supposedly receive higher returns for their human capital (skills) than comparable workers in the secondary labor market (Portes and Jensen, 1987; Zhou and Logan, 1991). Moreover, employees may acquire skills that will enable them to pursue self-employment (Bailey and Waldinger, 1992).

Due to these attributes, the ethnic enclave essentially comprises a labor market segment that is "protected," as it shelters participants from outside competition. These qualities have led some scholars to define it as a segment distinct from the primary and secondary labor markets (Wilson and Portes, 1980; Portes and Bach, 1985; Portes and Jensen, 1987). In other words, unlike the secondary labor market, the ethnic enclave offers low-skill immigrant workers opportunities for employment training. Through "training systems," or social networks, the enclaves provide workers with opportunities for skill acquisition and upward mobility and thus, resemble the primary labor market (Bailey and Waldinger, 1992).

In sum, according to ethnic enclave theory, the enclave provides an alternative strategy for the incorporation of immigrants that is distinct

from dominant analyses stressing exploitation and assimilation. According to traditional frameworks, immigrants are either channelled into the secondary labor market, where they are subjected to exploitation (Piore, 1979); or start their lives in low-paying jobs but as they gain skills, they assimilate into society and move into jobs, eventually with earnings that exceed that of the native-born (Chiswick, 1980). In contrast, ethnic enclave theory holds that enclaves shelter group members from outside competition, racial discrimination, and government surveillance and regulations (Zhou, 1992). Immigrant entrepreneurs use ethnic solidarity to persuade employees to accept exploitation but, in turn, are bonded to them by mutual obligation (Portes and Bach, 1985).

The key factor in determining economic outcome is not individual skills or ambitions but the social context into which immigrants are received (Portes and Bach, 1985). A central conclusion is that there is no penalty for segregation since enclave workers do better economically than those who accept entry-level jobs in the larger labor market. Unlike secondary labor market workers, enclave workers receive higher returns to human capital (i.e., jobs that more closely correspond with their educational attainment level and earnings commensurate with occupational status) (Portes and Wilson, 1980; Portes and Bach, 1985; Portes and Jensen, 1987; Portes and Jensen, 1989; Zhou, 1992). In other words, "immigrants can succeed without learning English and without joining the American labor market" (Kwong, 1987, p. 6).

Others contend that this conceptualization of an ethnic enclave downplays the exploitative aspects of the employer-employee relationship (Mar, 1991; Light and Bonacich, 1988; Sanders and Nee, 1987). Since the ethnic economy tends to be based on a narrow range of labor intensive industries concentrated in a highly competitive sector of the economy where the potential for the substitution of products or services is extremely high, wages are typically very low, benefits are virtually non-existent, and employment is highly unstable (Ong, 1984). Employer-employee kinship relations may in fact foster an oppressive work environment where workers are expected to submit to harsh conditions. These kinship bonds undermine the possibilities for workers' organizations and channels to air and resolve grievances. Essentially, the isolation of ethnic labor markets from institutions and regulations in the larger society results in the subjection of enclave workers to "the vagaries of the market" (Ong, 1984, p. 37).

In addition to enclave workers, Light and Bonacich (1988) propose that Asian business owners, specifically Koreans, also provide an important source of "cheap labor" to large U.S. firms. Since the

majority of Asian-owned businesses are individual proprietorships with few or no employees, most firms rely on the labor of the entrepreneur and unpaid family members. Asian entrepreneurs also assume the risks of inner city investments and provide big firms with indirect access to cheap labor, which permit these firms to avoid the wage and work condition demands of organized labor (Light and Bonacich, 1988, p. 23). Asian entrepreneurs typically undertake business endeavors which are deemed highly undesirable by other entrepreneurs.

Based on these observations, we conclude that Asian ethnic economies -- which include both immigrant business owners and workers -- comprise a segment of the secondary labor market, rather than a distinct labor market segment. In fact, Mar contends that the ethnic labor market comprises a lower tier of the secondary labor market (Mar, 1991, p. 17).

Entrepreneurial Niches

The ethnic economy is distinguished by the concentration of Asian firms in entrepreneurial niches. This phenomenon can be attributed to historical racial discrimination which restricted Asian entrepreneurs to specific economic activities. The creation of these niches is reinforced by the influx of new immigrant entrepreneurs who, faced with limited capital and other barriers, are unable to set up businesses in the more "protected" sectors of the economy. Moreover, social and kinship networks provide new immigrant entrepreneurs with access to a shared collective experience, as well as start-up capital or credit sources, which facilitates the expansion of particular economic niches.

The "low barrier" (i.e., lack of competition) thesis on entrepreneurial niches may partially explain the concentration of Asian small businesses in other minority communities, namely the African American and Latino communities. The markets in these communities are typically underdeveloped due to high crime rates and low-profit margins. The reluctance of firms to set up businesses in these markets creates business opportunities for successive waves of immigrant entrepreneurs (Light and Bonacich, 1988; Waldinger, 1989; Kim, Hurh, and Fernandez, 1989). However, an unfortunate byproduct of this economic reality is heightened racial tensions due to the growing resentment of African Americans and Latinos to the presence of Asian immigrant businesses in their communities.

In sum, Asian immigrants not only face labor market barriers but are also excluded from more profitable retail businesses (Noah, 1991).

As a result, Asian entrepreneurial niches have become known as "business ghettos" (May, 1987). Despite the decades of Asian entrepreneurship in the United States, the bulk of Asian-owned firms can still be described as small endeavors requiring limited start-up capital, concentrated in a few economic niches distinguished by high competition, labor intensiveness, and low profit margins.

Ethnic entrepreneurial niches vary by ethnic groups. In addition to the historically well-known ethnic concentrations such as Chinese restaurants and laundries, and Japanese truck farming, there are new niches such as Korean grocery stores, Thai restaurants, Vietnamese beauty and nail salons, and Cambodian donut shops. A recent article in the *Los Angeles Times* describes the tenuous viability of the donut industry, which is now the source of livelihood for a majority of Cambodian small business owners (Akst, 1993). According to Vora H. Kanthoul of the Cambodian Business Association, approximately 80 percent of Cambodian business owners are donut shop owners (Akst, 1993). These small shops survive due to hard work and unpaid family labor. Typically, the husbands bake all night and the wives and children work the counter during the day. The overall decline in Southern California's economy has eroded much of the foot traffic which serves as the economic mainstay for small donut shops. As a result, Cambodian business owners are struggling, and find that to remain competitive requires even more sacrifices.

TABLE 4: Industrial Concentration of Asian-Owned Businesses by Ethnicity

	<u>Service</u>	<u>Retail</u>	<u>FIRE</u>	<u>Whls.</u>	<u>Const.</u>	<u>Manf.</u>
Chinese	42%	29%	10%	4%	4%	3%
Japanese	49%	17%	8%	3%	4%	3%
Korean	41%	38%	4%	3%	5%	3%
Vietnam	41%	26%	4%	1%	3%	8%
Filipino	54%	15%	13%	2%	4%	2%

Source: Survey of Minority Owned Businesses, 1987

A review of the broad industrial sectors of Asian business ownership by ethnicity reflects some differences in areas of ethnic concentration. Although the Survey of Minority Owned Businesses

data on industry by ethnicity was only available on a national level and the industrial categories are admittedly quite broad, the statistics do reflect some important distinctions for Asian ethnic groups (see Table 4).

While the two dominant sectors of Asian business ownership are services and retail trade, there are some notable ethnic differences. There is a higher proportion of Filipinos in service and FIRE firms than other sectors. Among the ethnic groups least represented in FIRE firms are Koreans and Vietnamese. Interestingly, both Japanese and Vietnamese entrepreneurs are represented among agricultural, forestry and fishing businesses. Koreans are concentrated in service and retail businesses. Vietnamese are least represented in wholesale trade, and a notable share of Vietnamese businesses are in manufacturing. Overall, approximately one in five (21 percent) Asian-owned business nationwide is either a food store or an eating and drinking place.

Employment Conditions in the Ethnic Economy

Ethnic enterprises serve a central role in the labor market incorporation of Asian immigrants who are largely excluded from the mainstream labor market. For a number of reasons, ethnic business owners prefer to hire co-ethnics (Waldinger, 1986). Our survey (SALIC, 1993) confirms that a sizeable portion of Asian immigrant workers are employed by co-ethnics in small enterprises; 40 percent of workers are employed in the ethnic economy. On average, 70 percent of the workforce in these businesses are of the same ethnicity as the survey respondent. These businesses are typically small retail operations, restaurants, and garment shops located within low-income ethnic communities where the workers live. Fifty-six percent of workers in the ethnic economy report that their place of employment is within five miles of their homes, compared to only 22 percent of workers outside the ethnic economy.

As expected, workers are drawn to the ethnic economy in part because of limited English proficiency. Among survey respondents, two-thirds (66 percent) of workers in the ethnic economy speak English "not at all" or "not well," compared with only 20 percent of workers outside the ethnic economy. Although small businesses have been long recognized and lauded as an important source of job creation, many of the jobs generated pay low wages and have low skills. The median wage of workers in the ethnic economy is \$5.25 per hour, only 60 percent of the \$8.75 median wage of workers outside the ethnic

economy (SALIC, 1993). Not surprisingly, when compared to Asian entrepreneurs, the earnings of workers in ethnic economies are significantly lower. For example, among the Chinese (both from China and Taiwan) in the Los Angeles metropolitan region, the mean income of the self-employed was \$20,151, compared to wage workers whose mean income was \$11,994 (Razin, 1989, p. 293). A comparable income disparity was evident for the Korean self-employed whose mean income was \$20,259, while wage workers earned \$12,122.

Based on an estimate of average yearly wages for employees of Asian-owned firms from the 1987 Survey of Minority Owned Business Enterprises, the earnings of workers were considerably lower than that reported in the Razin (1989) article. This earnings disparity appears to dispute the claim that workers in the ethnic economy receive a higher return to their human capital than wage workers employed in other sectors of the economy. By dividing the annual payroll by the number of paid employees, the mean annual salaries for employees in Vietnamese-, Korean-, and Chinese-owned firms were among the lowest at \$6119, \$8655, and \$9484 respectively. Along with low wages and poor working conditions, employees of small businesses also lack health insurance coverage. SALIC (1993) results show that only 26 percent of workers in the ethnic economy have medical coverage, while twice as many workers outside of the ethnic economy, 54 percent, have coverage.

Conclusion: Focus on Low-Income Asians in the Ethnic Economy

Despite the prevalence of small competitive firms, low profit margins, and labor intensive production processes, the Asian ethnic economy undoubtedly provides a crucial source of employment for immigrant workers. The vitality of this economic segment, however, is dependent on the exploitation of immigrant workers who typically have no other employment options. In light of the high rate of failure for small businesses, and the saturation of the ethnic market, it is highly unlikely that many enclave participants will find opportunities for upward mobility, contrary to the analyses from the ethnic enclave thesis.

While workers in the ethnic economy can be viewed as the "exploited of the exploited," immigrant entrepreneurs also pay a high economic and social-psychological price for self-employment (Kim, Hurh, and Fernandez, 1989). In addition to long working hours, physical and financial risks, and other problems of operating a small

business, entrepreneurs also bear such "social costs" as domestic violence, child neglect, divorce, and family breakdown (Bonacich, 1988). According to Molly Huynh, student author of one of our case studies on a family-owned business:

[S]mall business, while seeming to be the answer and the key to success, often turns out to have great detrimental consequences to the Asian family and the workplace dynamics. The dream of having a constant source of income often means that each family member must not only contribute their time and energy, but must also be willing to change lifestyles or career plans "for the good of the family business." This sacrificial mentality is so common and prevalent that it has become the norm and the hallmark of the Asian-owned family business.

In summary, although Asians appear to have created their own solution to labor market barriers through small business development, it is necessary to recognize the dual nature of the ethnic economy as both a flourishing center and a source of tremendous hardship and exploitation. It is critical to recognize that ethnic ties among employers and employees can promote self-help but they can also depoliticize the employer-worker relationship and undermine worker rights (Bonacich, 1980; Ong, 1984; Light and Bonacich, 1988). Moreover, the higher returns to human capital for ethnic enclave workers remain questionable, and opportunities for training and mobility are not as prevalent as proponents of the ethnic enclave theory believe, evidenced by the many immigrant workers trapped in low wage, low skill jobs.

Finally, the focus on the benefits of the ethnic economy shifts public policy attention away from persistent labor market discrimination and growing lack of employment faced by many Asian immigrants in the mainstream economy. Historically, self-employment was the only alternative to joblessness for Asian immigrants. Today, many Asians continue to seek their economic livelihood through risky and labor-intensive self-employment endeavors. Moreover, for immigrant workers facing serious labor market barriers, employment in the ethnic economy is often their only strategy for economic survival.