

Harnessing Immigrant Small Entrepreneurship for Economic Growth

by Andrew Wainer

Bread for the World Institute provides policy analysis on hunger and strategies to end it. The Institute educates opinion leaders, policy makers and the public about hunger in the United States and abroad.

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Abstract

Immigrant-owned small businesses generate \$776 billion in business activity and sustain 4.7 million employees—14 percent of all workers employed by U.S. small business owners. While 13 percent of the U.S. population was born outside the United States, 18 percent of small business owners are foreign-born. But there are few specific policies at the national or local levels supporting the potential of immigrant small entrepreneurs to reduce poverty and spur economic growth.

This report identifies challenges for small immigrant entrepreneurs and promising practices to better support them in three case study sites: Miami, Florida; Des Moines, Iowa; and Salt Lake City, Utah.

President Obama's November 2014 executive action granting deferred deportation and work permits to millions of unauthorized immigrants offers a unique opportunity to expand the power of immigrant small entrepreneurship to boost local economic growth. But to realize this potential, immigrants need better access to finance, culturally relevant business training, and a path to permanent legalization.

Key Points

- The national and local support infrastructure for aspiring immigrant small entrepreneurs is minimal. Immigrant entrepreneurs need an organization similar to the Small Business Administration that addresses challenges and disseminates best practices specific to their needs.
- The Deferred Action for Parental Accountability (DAPA) initiative should connect small immigrant entrepreneurs to microfinance, asset building, and business education resources. The White House Task Force on New Americans created by DAPA should include a component devoted specifically to immigrant small entrepreneurship.
- Broad-based legalization is crucial for immigrants to succeed as business owners. The DAPA program will help unauthorized aspiring immigrant small business owners, but without a broader legalization, the potential of immigrant entrepreneurship to reduce poverty and boost economic activity will be constrained.

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Introduction

Immigrant-owned small businesses* generate \$776 billion in business activity and sustain 4.7 million employees—14 percent of all people employed by U.S. small business owners.¹ Although most of the media attention goes to just a few immigrant entrepreneurs—we all know Google and Yahoo—local immigrant restaurateurs, corner store proprietors, and construction contractors also contribute to their communities. Small and micro-entrepreneurship can be a path out of poverty for immigrant families.

For many Americans, local immigrant businesses are the face of the national debate on immigration policy. Congressional Budget Office research makes important points: immigration reform would lower federal deficits, boost national economic output, and raise wages, all without significantly harming U.S.-born worker employment. But for most voters, immigrants in their town or neighborhood are their most tangible connection to the immigration debate.

Immigrant small business owners play an outsized role in neighborhood and commercial revitalization, particularly in cities and towns that have suffered economic decline.² In cities such as Baltimore and Detroit, immigrants are more than twice as likely as U.S.-born residents to be business owners.³ As a report on the economic impact of immigrants in the 25 largest U.S. metropolitan regions explained, “Immigration and economic growth go hand-in-hand.”⁴

Immigrant entrepreneurs are bucking a decades-long trend in the United States: the decline of small businesses. “Entrepreneurs” may have an almost mythical status in U.S. culture and history—but not many of us emulate them. The U.S. rate of self-employment is lower than those of nations such as Canada, France, and Germany. People who work closely with small entrepreneurs point out that this relative rarity leads to problems—particularly a lack of finance options for small business owners, both U.S. and foreign-born. José Quiñonez, Director of the Mission Asset Fund in San Francisco, puts it plainly: “The reality is that people in this situation can’t look to the government for help.”⁵

They may receive little support, but small immigrant entrepreneurs are important to local economic revitalization. Therefore, in this report we focus on the challenges

* Defined as businesses with between 1 and 99 employees. For more information see “Immigrant Small Business Owners: A Significant and Growing Part of the Economy” by David Dyssegaard Kallick. <http://www.fiscalpolicy.org/immigrant-small-business-owners-FPI-20120614.pdf>



Many small immigrant entrepreneurs get their start with businesses involving food. This includes restaurants, catering services, and grocery stores. Nong's Khao Man Gai in Portland, Oregon, was started by an immigrant from Thailand.

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that limit them and the promising practices, programs, and policies that facilitate their ability to contribute economically.⁶ Our focus here on local impacts does not mean that national immigration policy isn't important, of course. Immigration reform is indispensable to immigrant entrepreneurs, particularly those who are unauthorized. Our research found that having legal status was very nearly a prerequisite for an immigrant to build a successful, sustainable business—and whether or not a person qualifies as an authorized immigrant is decided at the federal level.

According to a Brookings Institution report, the most effective action the federal government can take to facilitate entrepreneurship is to “significantly expand the numbers of immigrant entrepreneurs granted permanent work visas to enter and remain in this country.”⁷ Without an expansion of immigrant legalization, the impact of the other promising practices identified in this report will be limited.

President Obama's November 2014 Deferred Action for Parental Accountability (DAPA) program provides opportunity to more than 4 million unauthorized immigrants, among them thousands of aspiring entrepreneurs. But if our country is to realize the full potential of immigrant entrepreneurship to expand the economy and reduce poverty, Congress must enact comprehensive immigration reform. Without it, many entrepreneurs will remain confined to the informal sector, with fewer opportunities to succeed.

While legalization is crucial, it is not a guarantor of business success; legal immigrant entrepreneurs also face daunting challenges and would benefit from a stronger

support infrastructure. We analyze this support infrastructure and its gaps at three sites:

- Miami, Florida
- Des Moines, Iowa
- Salt Lake City, Utah

As DAPA was announced, Department of Homeland Security Secretary Jeh Johnson wrote, “These new policies and regulations will be good for both U.S. businesses and workers by continuing to grow our economy and create jobs.”⁸ In order to maximize the economic benefit to both U.S.-born workers and immigrants receiving temporary legalization through DAPA, immigrant entrepreneurs will need support to launch, survive, and grow.

This report is based on the experiences of small and micro^{**} immigrant entrepreneurs and those who work with them. We selected our case study sites for geographic, socioeconomic, and political diversity (see below for more on site selection).

Organization of the Report

We begin with a brief overview of the national and case study site data on the economic impact of immigrant entrepreneurs. After a look at the growing body of research on the economic impact of immigrant entrepreneurship at the national level, we turn to short profiles of the case study sites. We include Census demographic data relevant to immigrant entrepreneurship to help put in context our qualitative exploration analyses in each site. The major barriers we found and discuss in our analysis relate to:

- Access to finance
- Business education and skills
- Language and culture
- Immigration status

After a discussion of the barriers, the recommendations section identifies promising practices that banks, nonprofit organizations, and chambers of commerce, among other institutions, are employing to support immigrant entrepreneurs.

The three report appendices provide: a compendium of organizations in each site working to support and maximize the impact of immigrant entrepreneurs; a

description of the research methodology and data analysis methods used in the report; and a list of analysts, respondents, and others who contributed to the report.

The National Economic Impact of Immigrant Entrepreneurs

National

Immigrants to the United States are more likely to start their own small businesses than people born in this country. While about 13 percent of the overall U.S. population and 16 percent of the labor force is foreign-born,[‡] 18 percent of all small business owners in the United States are immigrants⁹—900,000 of them. Between 1990 and 2010 the number of small business owners grew from 3.1 to 4.9 million; 30 percent of that growth in new businesspeople was from immigrants.¹⁰

Like U.S.-born business owners, immigrant entrepreneurs vary in their entrepreneurship activities and motivations. For some smaller-scale entrepreneurs, business ownership is a means of keeping their family out of poverty in a context where other means of earning a living are limited or closed off altogether. Others start businesses with the goal of becoming major players in the regional or national economy. The Immigrant Learning Center, which researches the economic and social contributions of immigrants, describes the range as follows: there is “an immigrant entrepreneurship ecology [that includes] immigrant neighborhood storefront businesses; immigrant high-tech and health science entrepreneurs; immigrant non-tech growth businesses; and immigrant transnational businesses.”¹¹

This report focuses on small and micro- businesses. A few examples are construction and landscaping companies, restaurants, grocery stores, and child care centers.¹² We place particular emphasis on the food industry—which ranges from food production to dining venues to grocery stores—since it often provides an entry point for immigrant entrepreneurs.

Immigrant Entrepreneurs in the Case Study Sites

Organizations that conduct research and analysis on immigration—such as the Fiscal Policy Institute, the American Immigration Council, and the Immigrant Learning Center—have all made important contributions to the growing body of research on immigrant small business

^{**} According to the Association for Enterprise Opportunity, micro-enterprises are businesses with five or fewer employees. Sometimes businesses with fewer than 10 employees are considered micro-enterprises. For more information see “A Tryst with Microfinance in the Midwest” by Priyanka Jayashankar. <http://www.microfinancefocus.com/a-tryst-with-microfinance-in-the-midwest/>

[‡] The terms “foreign-born” and “immigrant” are used interchangeably in this report to mean someone born outside the United States.

owners. But there is a gap in research at the local level. In order to develop a set of recommendations relevant to support networks for immigrant entrepreneurs all across the country, we selected our case study sites with the goal of diversity—economic, geographic, political, demographic, and ethnic. The case study sites include both traditional immigrant gateways and newer destinations, but all are characterized by a lack of specific research on local immigrant entrepreneurship. For basic information, we analyzed available Census Bureau data on demographic and business ownership characteristics for each site.

In Miami, we focused our analysis on the Haitian immigrant community, a “minority within a minority” in a city with a large foreign-born population. Haitian immigrants as business owners have received much less analysis than other immigrant groups in South Florida. In Des Moines and Salt Lake City, our analysis mostly focused on Latin American immigrant entrepreneurs. Neither city has strong infrastructure to support aspiring immigrant entrepreneurs although both have growing immigrant populations.

The fact that we were able to identify common barriers and solutions—despite the differences among the three sites—leads us to believe that these themes are also relevant to other communities.

Miami, Florida

Of our three case studies, Miami is the most traditional gateway for immigrants. Miami-Dade County has a population of 2.4 million, 52 percent of whom are immigrants. (See Table 1). The area has a bilingual business culture; in fact, Hispanic-owned businesses comprise 61 percent of all businesses in the county.¹³ It’s also a place where immigrant entrepreneurship thrives: Immigrants are actually overrepresented as business owners since they are 74 percent of all entrepreneurs in the Miami metro area (See Table 2). A study by the Kauffman Foundation found that

Table 1 Immigrants in Miami-Hialeah, Florida		
Total population	Immigrant population	Proportion of population who are immigrants
2,425,441	1,255,365	52%
Source: U.S. Census Bureau. American Community Survey 2007-2011.		

Table 2 Immigrant Entrepreneurship in Miami-Hialeah, Florida			
Total number of entrepreneurs	Number of immigrant entrepreneurs	Proportion of entrepreneurs who are immigrants	Proportion of immigrants who are entrepreneurs
197,548	127,338	74%	10%
Source: U.S. Census Bureau. American Community Survey 2007-2011.			

immigrant tech entrepreneurship grew faster in South Florida than in any of 25 other large metropolitan areas.¹⁴

But not all immigrant groups are well integrated into Miami’s dynamic Pan-American business community. South Florida is home to the largest community of Haitian immigrants in the United States: about 202,000 people, or one-third of all Haitian immigrants. How do non-Spanish-speaking, Afro-Caribbean small businesspeople fare in an “immigrant friendly” environment where they are nonetheless a minority?

In spite of their entrepreneurial drive, Haitians face substantial socioeconomic challenges in South Florida. As a group, their formal education attainment is low; 31 percent have less than a high school diploma. Their poverty rate is above average for the region: almost a third (30 percent) of Haitian immigrants live in poverty, compared to the overall poverty rate of about 18 percent for the Miami metro area.¹⁵ In Haiti, entrepreneurship is seen as a way to escape poverty—and immigrants bring an entrepreneurial drive with them to South Florida. But ambitions often collide with barriers. Below, we will take a look at these obstacles to business success.



Des Moines, Iowa

While Miami appears on the surface to be an immigrant entrepreneurial mecca, Des Moines, Iowa, looks like the exact opposite. In 2013 it had the lowest rate of entrepreneurial activity in the country, with 110 adults per 100,000 starting businesses compared to the national average of 280.¹⁶ But Iowa has a growing immigrant population. Between 2000 and 2010, Iowa’s immigrant population grew by 47 percent—more than 10 times as quickly as the overall state population growth rate of 4 percent.¹⁷ Today, immigrants comprise about 8 percent of the total population of Des Moines,¹⁸ which is just over 425,000. (See Table 3). Immigrants own small businesses in Iowa at about the same rate as their overall population in the state—just over 4 percent (See Table 4).¹⁹ Unlike in Miami, many immigrants in rural Iowa are isolated, living and working without the support of an international, bilingual culture or a large community that speaks their language.

Iowa’s overall poverty rate of 12 percent is lower than the national average, and Des Moines’ poverty rate is 11 percent.²⁰ But immigrants earn less—the median income of an immigrant worker is \$30,956, a full 25 percent less than that of the median U.S.-born worker in Iowa.²¹ One reason is that immigrants here, as in all of our case study sites, are much less likely to have graduated from high

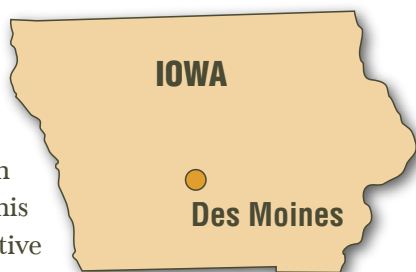
Table 3 Immigrants in Des Moines, Iowa		
Total population	Immigrant population	Proportion of population who are immigrants
425,263	35,348	8%
Source: U.S. Census Bureau. American Community Survey 2007-2011.		

Table 4 Immigrant Entrepreneurship in Des Moines, Iowa			
Total number of entrepreneurs	Number of immigrant entrepreneurs	Proportion of entrepreneurs who are immigrants	Proportion of immigrants who are entrepreneurs
20,570	1,458	8%	4%
Source: U.S. Census Bureau. American Community Survey 2007-2011.			

school. More than a third (34 percent) of immigrant Iowans have less than a high school education, compared to only 8 percent of Iowans born in the United States.

In spite of the socioeconomic challenges facing immigrants, interviews in Des Moines indicated that the city's economy is expanding in tandem with a more welcoming environment for people who are foreign-born. Immigrant entrepreneurs said that U.S.-born Midwesterners are acquiring an understanding of the diverse cultures transforming the city.

"They like Mexican products," said Jesús Castro, who owns a Mexican food store in West Des Moines. "This week I've had more [native born] Americans [shopping here than immigrants]."



Salt Lake City, Utah

Utah was founded under the motto "The Beehive State," and its ethos is closely tied to industry and entrepreneurship. For many decades, Utah was a largely homogenous state dominated by members of the Church of Jesus Christ of Latter-Day Saints (LDS). From 1850 to 1960, 98 percent of the state's population was white.²² But in recent years Utah, particularly Salt Lake City, has grown and diversified, due in part to an influx of high- and low-skilled immigrants that is transforming the city's demographics and business class.

Some respondents said that this shift has been indirectly supported by the LDS Church practice of sending most of its young men on international missions, including to Latin America. "A lot of people understand the language and they provide services to people who speak Spanish," said Francisco Sotelo, a Mexican immigrant entrepreneur and president of the Utah Hispanic Chamber of Commerce.

"They understand the community ... the Church has made a great difference in how to support this community."

Today Utah is 80 percent white. Statewide, 8 percent of Utah residents are immigrants,²³ while among the 1.5 million residents of Salt Lake City-Ogden, this figure rises to 10 percent.²⁴ (See Table 5). Salt Lake City's west side is its most diverse section, with many small businesses owned by Latin American and Asian immigrants and refugees.

Like Des Moines, Salt Lake City has a growing economy. Its poverty rate of 11 percent is below the national poverty rate.²⁵ Sociologists have noted the city's success in managing inclusive economic growth even as the city has diversified. In recent decades the city has achieved greater reductions in poverty and creation of jobs than the country as a whole.²⁶

Also like Des Moines, immigrants comprise about the same percentage of entrepreneurs as their proportion of the overall population—12 percent (see Table 6). Immigrant entrepreneurs said that Salt Lake City is a pro-business and immigrant-friendly city. "This state and this city are pretty open to helping small businesses," said Salt Lake City immigrant entrepreneur and restaurateur Jorge Fierro.

Table 5 Immigrants in Salt Lake City-Ogden, Utah		
Total population	Immigrant population	Proportion of population who are immigrants
1,544,430	154,344	10%
Source: U.S. Census Bureau. American Community Survey 2007-2011.		

Table 6 Immigrant Entrepreneurship in Salt Lake City-Ogden, Utah			
Total number of entrepreneurs	Number of immigrant entrepreneurs	Proportion of entrepreneurs who are immigrants	Proportion of immigrants who are entrepreneurs
76,209	7,556	12%	5%
Source: U.S. Census Bureau. American Community Survey 2007-2011.			

Respondents said that Salt Lake City's attraction for businesses skyrocketed after the 2002 Olympic Games. "Many people have said that the successful operation of the 2002 Winter Games really put Utah on the map as a place for people to move to or even to do business with," said Pam Perlich, senior research economist at the University of Utah. "The reality is we wouldn't have been able to ramp-up for the Winter Olympic Games [without immigration]."



Challenges to Small Immigrant Entrepreneurship

As discussed above, nationally immigrants have a higher propensity for entrepreneurship than the U.S.-born. But in spite of immigrants' entrepreneurial drive, they face multiple barriers to starting and growing businesses. Immigrant small business owners earn more than immigrants overall, but less than U.S.-born small entrepreneurs. Their businesses also tend to be smaller than those of U.S.-born owners.²⁷ Part of this gap can reasonably be ascribed to the barriers facing small immigrant entrepreneurs.

This study identified similar barriers across the case study sites that immigrant entrepreneurs encounter in opening, operating, and expanding their businesses. While local nuances were also part of the findings, these commonalities and the fact that they differed from many of those encountered by U.S.-born entrepreneurs is a point worth noting. While starting a business is inherently challenging, immigrants encounter additional barriers stemming from immigration status, cultural differences, and socioeconomic conditions. These barriers prevent them from entering the mainstream U.S. business culture and, by extension, from having the opportunity to fully contribute to the economic growth of their communities. Below we discuss the challenges to immigrant entrepreneurship most commonly identified in our case studies.

Access to Financing

Access to adequate financing is one of the most important determinants of small business success. Securing sufficient funds to start and grow a business can be a challenge for any entrepreneur. About two-thirds of both U.S.-born and immigrant entrepreneurs rely on personal or family savings as a source of start-up capital. But national research indicates that immigrants tend to rely more on personal savings than do U.S.-born individuals.²⁸

In South Florida many Haitian immigrant entrepreneurs operate their business on a cash basis. According to respondents, this is due both to unfamiliarity with and mistrust of the formal banking sector in Haiti, and to the fact that most formal financial and lending organizations in South Florida do not effectively engage Haitian aspiring entrepreneurs. "They come with mentality from back home," said Eustache Fleurant, a senior personal banker with the Bank of America. "They are so used to working on a cash basis for everything. You may find some Haitian businessmen in the U.S. who don't even have a credit card. If you don't have credit established you are not going to get a loan from the bank."

For Haitian immigrants, not working through banks stems largely from the fact that at home in Haiti, the lack of legitimacy of financial institutions has created a massive informal business sector that operates outside formal financial institutions.²⁹ "The government doesn't care about you, nobody cares for you," said Haitian immigrant entrepreneur Odilon Celestin. "You have to do things by yourself."

Fabiana Estrada is the Miami executive director of the microfinance organization ACCION. She works with Haitian immigrant clients and cited their strong entrepreneurial drive, but agreed that their reliance on cash limits their business success. "Banks look at business and personal account and there are no deposits, there is no liquidity," she said. "They are still keeping money under the mattress."

Thus, part of the problem is the gap between financial institutions and some immigrants' traditional way of doing business in their home countries. Banks don't know how or aren't particularly motivated to reach out to immigrants, while foreign-born entrepreneurs are unaware of the possibilities for formal financial assistance or don't trust it. This is discussed in more detail below. But in addition, there are simply not enough institutions offering the small and micro loans that many immigrant entrepreneurs need.^{‡‡}³⁰ "No one is doing programming that is specifically targeted to the Haitian American community," said Sam Diller, executive director of the Haitian American Community Development Corporation.

If there's a lack of formal business financing opportunities for Haitian immigrants in a city like Miami, where more than half the residents are foreign-born, the lack of financing infrastructure for immigrant micro- and small businesses in Des Moines is even more severe. "[Financial] organizations haven't done much outreach," said Alex Orozco, community development officer for the city of Des Moines. "Immigrant-owned businesses haven't had any access to business lending, including credit cards. They have been relying on their own savings or they come together as a family."

In part due to the lack of financing from the formal sector, Des Moines immigrant businesses can have shaky starts. "The lack of loans means that they start on such a small scale that it's grossly under-capitalized," said Amelia Lobo, director of ISED Ventures, a nonprofit small busi-

^{‡‡} A microloan is a business loan for enterprises that cannot obtain a traditional loan. This can be due to factors such as lack of credit history and/or collateral. The size of what is considered a microloan varies. Micro-lenders tend to be nonprofit organizations that require less documentation than banks, and often apply more flexible underwriting criteria. The Small Business Administration defines a microloan as a loan of up to \$50,000.

ness program in Des Moines. Lobo said that neither banks nor microlending organizations in Iowa do outreach to immigrant entrepreneurs. Unauthorized immigrants are also unable to obtain loans with state and federal guarantees, while micro-lenders can offer them only loans of \$5,000 or less. Depending on their experiences with formal banking at home, even documented immigrants can be intimidated by mainstream U.S. financial institutions. “They have a fear of dealing with big organizations, even if it’s a local bank,” said Iowa immigrant advocate Marco Adasme. (See Box 1).

As in all our case study sites, small immigrant entrepreneurs in Des Moines lacked substantive experience with the formal financial sector in their home country, lessening their comfort with U.S. formal financial institutions. “Many people come from the ranches or little towns or places where they have never been involved in a loan,” said Juan Rodriguez, a Des Moines immigrant entrepreneur who emigrated from Colombia.

In addition to the history of non-involvement with the formal financial sector that many immigrants bring to the United States, small entrepreneurs are rarely able to do

BOX 1

Betty Garcia, Tortilleria Sonora, Des Moines, Iowa

Betty Garcia and her parents, Esther and Oswaldo Barcelo, are an example of how an immigrant-owned business can thrive when it has access to mainstream financing. Garcia’s family arrived in Iowa from Mexico in 1984 to visit a relative. They came on tourist visas and fell in love with the Midwest and the economic opportunity in the United States. They decided to stay.

“My mom wanted something more,” Garcia said. “The possibilities in the United States were endless.” Garcia was about 8 years old when she arrived from Ciudad Obregon, in the state of Sonora. In Iowa her mom took a job cleaning houses and her father—like many Mexican immigrants in Iowa—got a job in a meatpacking plant.

In terms of immigration status, their timing was lucky – in 1987 they took advantage of the Immigration Reform and Control Act (IRCA) signed by President Reagan. Without this opportunity for legalization, it is unlikely that the family business started in the early 1990s would have thrived. Without legalization, the process of securing a bank loan, buying property, and formally incorporating the business would have been much more difficult.

In 1993 the meatpacking plant where Betty’s father worked was shut down after a flood and the family moved to a small town in Texas where they had relatives. They all noticed the lack of authentic Mexican food in the small central Texas town. “You couldn’t find any good tortillas at that time,” Garcia said. “My mom was making them by hand.”

That’s how their business, Tortilleria Sonora, began. Using one of their family recipes, they started the business in their living room. “While [other families] had a television and couch, we had little industrial machines and we would come home from school and...manually flip each tortilla, pick them up and then count and bag them,” Garcia said. “My dad would put them in milk crates and sell them to the [local supermarket].”

After Garcia graduated from high school in Texas, the family moved back to Des Moines, taking their growing tortilla production business with them. The business grew steadily: They bought land and a larger building and upgraded their machinery. Today they have nine employees, and restaurants and supermarket chains send trucks to their factory to pick up tortillas by the pallet.

The ability to access mainstream bank loans was a key part of their success. Working with Iowa State Bank, the family was able to obtain a Small Business Administration loan. With their legal status, Betty’s father Oswaldo’s meticulous keeping of their financial records could pay off: banks were approaching him to offer loans for expansion. “[The bank] actually came to my dad... and said it’s time to grow,” Garcia said. Without legalization, it is much less likely that they could have obtained the business loan from a traditional source. For unauthorized immigrant entrepreneurs—or even legal small entrepreneurs with less business background—traditional bank loans are out of reach. That’s why community development finance institutions and microfinance organizations are so important: they fill the gap for those immigrants who can’t—or who cannot yet—qualify for traditional bank loans.

This combination of legal status and hard work allowed the family to turn a family recipe into a thriving business. “The biggest challenge is how do you start?” Garcia said. “Everybody has a dream...but how do you implement it?”



Mexican immigrant Betty Garcia and her parents Esther and Oswaldo arrived in the United States during the 1980s and settled in Des Moines, IA. After Oswaldo lost his job in a meatpacking plant the family started a tortilla business in their living room. Today they have nine employees and sell their tortillas to restaurants and supermarkets throughout the Midwest.

business with U.S. organizations that offer small loans in a culturally relevant context. Many major banks in all three sites have Spanish-speaking staff, but this is still often not enough to engage micro- and small immigrant entrepreneurs.

Not until October 2014 did Iowa develop a microfinance organization explicitly targeting immigrant micro- and small entrepreneurs. Solidarity Microfinance is based on a 2006 Iowa State University analysis that found that even Iowa small entrepreneurs with solid business plans found it difficult to obtain financing. It will focus on female aspiring micro-entrepreneurs and offer loans of between \$500 and \$6,000. “I meet a lot of women who had this thing they wanted to make money doing, by selling food, making clothing,” said Ana Mancebo, program coordinator at Solidarity Microfinance. “But there was just no way for them to do that because their option would be take out a large loan at a bank and that’s something that they just couldn’t afford to do.”

Salt Lake City, and Utah in general, also lacks formal financing options for immigrants, particularly those seeking micro-loans. Respondents said that the Pete Suazo Business Center was an excellent source of bilingual business training because it works closely with Latino immigrant entrepreneurs. However, the center has a very limited capacity to make loans. One source of funding for immigrant entrepreneurs unable to obtain loans from a bank in Utah is the Utah Microenterprise Fund. But its CEO, Kathy Ricci, said that only about 10 percent of its total clientele are immigrants. The Utah Microenterprise Fund is one of very few sources of business finance for small immigrant entrepreneurs. “As far as Utah goes, we are about it,” Ricci said.

Immigrant entrepreneurs said that in combination, all of these issues (lack of experience with credit and formal financing instruments, requirements for documented legal status, and the dearth of culturally relevant business capital organizations) leave many immigrants taking out business loans on their car or house. “It’s really hard to get a loan,” Des Moines immigrant entrepreneur Juan Rodriguez said. “Immigrants don’t know about credit scores, they don’t understand that.”

Business Education and Skills

In addition to the barriers to finding start-up business capital, immigrant entrepreneurs often start their businesses with little or no business training. Immigrant entrepreneurs and other respondents in all three sites said that a lack of basic training in business ownership fundamentals makes immigrant businesses less likely to succeed.

“They really need education,” said Alissa Largin, development manager for the Pete Suazo Business Center in

Salt Lake City. “To have access to education and know it’s there.” Respondents said a major part of this education involves adapting to relevant U.S. business laws. “In foreign countries...the laws are you...put up a sign and you have a business,” Largin said, adding that some immigrant entrepreneurs end up being fined because they are unaware of the more rigorous city, state, and federal business regulations and enforcement. The Pete Suazo Business Center offers a range of business courses in Spanish for immigrant entrepreneurs. Largin said they often begin with personal finance: “Once they understand how to manage their personal finances then they can manage business finances.”

Another key theme repeated by respondents in all three sites was that some immigrant small entrepreneurs opened businesses out of need rather than want. Particularly for low-income unauthorized immigrants, starting your own micro-business was sometimes the only option available. With strict employment enforcement limiting jobs that pay wages or salaries to people with documentation, micro-entrepreneurship may be the best option out of poverty for some families. “A lot of the small businesses that we have are created because people...need to take care of their families,” said Francisco Sotelo, president of the Utah Hispanic Chamber of Commerce. He said that the Hispanic Chamber provides basic business courses that are particularly relevant to these entrepreneurs. “We want to make sure that people understand that there’s a process for them to do business,” he said. “If you are earning a steady income through your business, that means you can provide for your kids to go to school to have a better education, you generate taxes, you generate opportunities for others.”

Lack of business education also limits existing immigrant enterprises that have managed to survive, but are unable to expand beyond a business that only employs a couple of family members, because of the complexity of running a larger business. “It’s a very big difference when you have your daughter or your son doing services for you than when you have ... a higher degree of delegation,” said University of Nebraska researcher Lissette Aliaga Linares. “There is a need for...courses that provide these entrepreneurs with the type of tools you need when you have a bigger business.”

The Salt Lake City region is ahead of others in that it has at least one dedicated, bilingual immigrant-friendly financial and business education organization for aspiring entrepreneurs who are Spanish speakers—the Pete Suazo Business Center. Many immigrant communities don’t have even one organization available to them to provide business training—an organization with staff that is culturally competent, speaks the immigrants’ language, and has experience working with immigrant entrepreneurs.

Even with the presence of international organizations such as ACCION in Miami, experts said that too many Haitian immigrant entrepreneurs launch businesses without understanding the basics of business. While Spanish-speakers are abundant among Miami's business leaders and educators, Haitian Creole speakers are rarer, making it more difficult even for organizations that focus on immigrants to reach Haitians.

"Programs service [immigrants] at large, but because of language barriers and because Haitians are [reticent to take advantage of] programs that don't reach out to them, there's not a lot out there," said one Haitian American microfinance expert based in Miami. Sam Diller, executive director of the Haitian American Community Development Corporation added that this leaves Haitian immigrant entrepreneurs in Miami isolated. "They are not connected to a network of support," he said. "They don't have that sort of business acumen and best business practices."

Des Moines also has few avenues for immigrants to learn basic skills in their own language so that they are prepared to operate a business, said Amelia Lobo of ISED Ventures, a nonprofit Des Moines asset development organization. Lobo said that ISED Ventures is the only local organization

focusing on immigrant entrepreneurship. The lack of advisory capacity hinders their launching businesses because, as low-income foreign-born entrepreneurs, they need extra help. "You need staff to walk them through it [the education and loan process] and hold their hand," Lobo said. "Clients don't understand the regulatory environment."

Chinese-born accountant Ying Sa also provides basic business skills training through her Immigrant Entrepreneurs Summit, which convenes annually in Des Moines. Sa said she started hosting the event because she wanted to "do education for [immigrants] who want to start [a business] but didn't know where to begin." As a public accountant in Des Moines, she saw that "people fail because they don't know the rules." The annual summit includes workshops on writing a business plan, business taxes, sales techniques, and marketing, among other small business topics. But the summit's business training courses are only held during the event. Sa said that most of her clients start businesses without bank loans and with little training. She added that Des Moines lacks an education infrastructure for immigrant business training: "we don't have a system to help them," Sa said (See Box 2).

BOX 2

Ying Sa, Co-Founder, Immigrant Entrepreneurs Summit, Des Moines, Iowa

Ying Sa was born in China and arrived in the United States in 1996 via Canada. In the United States, she settled in Des Moines, where she and her husband found employment.

Sa put her public accountant skills to work for Wells Fargo and Iowa State University (ISU). It was at ISU that Sa started providing volunteer tax advice. While she was working as Chief Financial Officer at the Iowa Manufacturing Extension Partnership at ISU, an Asian American custodian asked her to look at an Internal Revenue Service letter because of concerns that he might owe taxes.¹ Sa helped the custodian save money over time, she became known in the community for helping immigrants and minority business owners with tax and business issues.

Although she never intended to develop it into a full-time business, Sa continued giving volunteer personal accounting advice to the immigrant community while she was Vice President of Controllers for Wells Fargo. Finally in 2005, based on the growing demand in the Des Moines Asian immigrant community, Sa started her own accounting business, Community CPA & Associates, where she works with both immigrant and U.S.-born clients. Today she has more than 4,000 clients and operates in four languages.

In 2008 Sa again expanded her work with the immigrant community by co-creating the Immigrant Entrepreneurs Summit (IES) with two other supporting partners. The yearly summit was first held at Drake University in Des Moines but has expanded to sites throughout Iowa. The summit includes workshops in English and Spanish on subjects such as writing a business plan, filing business taxes, expanding a business, and hiring employees. The summit includes hundreds of participants from 40 countries. The IES is one of the very few organizations in Iowa that provides targeted business training specifically to immigrants in languages other than English.

With her deep ties to Des Moines' immigrant community, Sa has seen how important training and education is for small entrepreneurs' success. "I wanted to do education for people who wanted to start [a business] but didn't know where to begin," she said. "I saw that people fail because they don't know the rules."



Chinese immigrant Ying Sa created the Immigrant Entrepreneurs Summit (IES) in 2008 in Des Moines, IA. The yearly summit includes hundreds of aspiring immigrant entrepreneurs representing 40 countries.

¹ Boyle, Dan. July 31, 2007. "2010 Women of Influence: Ying Sa." Business Record.

Culture and language

There is a gap between small and micro-immigrant entrepreneurs and traditional mainstream organizations working with small businesses. Respondents in all case study sites said that access to formal finance and business training is limited for small immigrant entrepreneurs, but they added that existing resources are used less frequently because of immigrants' trepidation and lack of understanding of U.S. business systems and organizations. Weak English-language skills are also a major barrier. These barriers are mirrored by public and private organizations' lack of knowledge of how to go about engaging with immigrant entrepreneurs. "There are community college programs and chambers of commerce, but these organizations have not had the capacity to connect with Latino entrepreneurs because of language barriers," said Iowa State Extension official Victor Overyides. "And Latinos have a fear factor of going to a governmental organization."

"Communities ... ignore that a third of their population is Latino," said Jon Wolseth, an official with the Iowa State University Extension and Outreach office. "A lot of the time this has to do with not even knowing how to begin." Wolseth was speaking of rural Iowan communities, but even in Des Moines, which respondents said was much more immigrant-friendly, language and cultural barriers can prevent immigrant entrepreneurs from accessing resources. Many Des Moines banks have Spanish-speaking staff, but respondents said that among unauthorized immigrants in particular, fear of or inability to understand and approach mainstream organizations meant that English-language classes, access to loans, and the opportunity to learn business skills were often underused where available. Sometimes, too, small immigrant entrepreneurs are holding down two or more jobs, making it more difficult to find the time to get additional training and education.

It is also a challenge for immigrants to learn the business culture of the United States—which for many includes far more rules and regulations than they are accustomed to in their home countries, where informal small business operations may be common. "People think they can run a business the same way they do in their home country," said Ana Mancebo, the microfinance program coordinator at Des Moines Solidarity.

To ensure long-term success and create the opportunity for growth, noted Cornell Crews, community relations director for Partners for Self Employment, small immigrant entrepreneurs likely need "to learn to adapt to the way [business] is done in America," as "the culture is vastly different in how they do business in Haiti and how they do business here."

In Miami, a strong immigrant business sector may actually deter or slow some small immigrant entrepreneurs from learning how to navigate the formal U.S. system, because they can survive by serving their own ethnic enclave in the gray market without venturing out. Crews said small immigrant entrepreneurs who don't learn English and can't adapt to U.S. business norms typically end up creating businesses that serve their own community, which can be beneficial but can also limit a business' chances for long-term survival and growth. "Those [Haitian immigrant entrepreneurs] who sell within their community and deal with 90 percent Haitian [customers] don't have a problem," Crews said. "It's when they try to step outside that community that it becomes a problem."

Coming from Haiti, a country mired in corruption, Haitian immigrants tend to operate micro-businesses in the informal sector. (Some estimates state that up to 95 percent of businesses in Haiti are informal.³¹) If the organizations that offer training and assistance to aspiring entrepreneurs do not access these networks or have members of the community on their staff, they will have difficulty reaching immigrant clients. "They have a tendency like most to trust people from their own culture," Crews said. "We have to incorporate people who they trust and help them navigate this path."

Due to the dysfunctional political system in Haiti, in some cases Haitian immigrant entrepreneurs demonstrate entrepreneurial prowess by launching a businesses in spite of government regulations, rather than seeing government agencies as allies who can support them. In other cases, they might simply be unaware of the myriad business regulations to follow and licenses needed to operate in the United States because they don't exist at home. Without training in how to formalize business practices, Haitian immigrant micro-entrepreneurs can survive but will likely find it difficult to grow. "We are still operating in the informal sector," said one Miami-based Haitian entrepreneurship expert. "We usually don't provide goods or services outside our own community. We are still isolated."

Salt Lake City is in the process of adapting to the demographic changes that include the growth of a foreign-born, limited-English-speaking entrepreneurial class. Organizations such as the Pete Suazo Business Center and the Utah Microenterprise Fund are trying to provide support to foreign-born entrepreneurs, but there are still institutional and cultural gulfs to be bridged. "When you have a different regulatory and financing system here than where people have come from, there's a learning curve," said Pam Perlich, senior research economist at the University of Utah.

In addition to the striking differences in business culture, Perlich said that the state's institutions were out-

dated. They were developed for a time, place, and culture that have changed. “The institutions here in Utah, like so many other places, were built for a different population and a different era and we need to re-tool them,” she said. “But it’s not like flipping a switch. It’s only as the stories percolate of the barriers that people are facing that we can change the institutional infrastructure that supports these new businesses.” Perlich said that institutional change is occurring, but it is not keeping up with the speed of the demographic change. “All this change has happened so quickly and we were so incredibly homogenous and isolated for such a long time that the ... demographic changes and cultural changes have really overwhelmed the capacity of the major institutions,” she added. (See Box 3).

Kathy Ricci, CEO of the Utah Microenterprise Fund, said lack of English-language skills also affects business success by limiting the reach of small immigrant-owned businesses. “If they don’t speak English, it limits their market,” she said. Organizations such as the Utah Hispanic Chamber of Commerce are trying to serve as a bridge between Latino immigrant entrepreneurs and the mainstream business community. They work closely with the Pete Suazo Business Center and function as a sort of cultural education center. “The difference between a mainstream chamber of commerce and ... an ethnic chamber like ours is we actually represent a culture on top of representing the business interest,” said Francisco Sotelo, the center’s president.

BOX 3

Ze Min Xiao, Community Innovation Manager at Salt Lake County, Greater Salt Lake City Area

Ze Min Xiao isn’t an entrepreneur, but she comes from an immigrant entrepreneurial family that inspires her work in Salt Lake City with immigrants and refugees. In the late 1800s, her great-grandparents emigrated from China to Hawaii. Over the years, their family sponsored other family members as legal U.S. residents. Xiao’s father worked as a chef in American Samoa during the 1980s.

“At first he was a chef in a Chinese restaurant even though he never cooked in his life,” Xiao said. “He was making about \$100 a month.”

Xiao’s father saved enough money to become the owner of the restaurant where he worked. He sponsored Xiao’s mother and then brought their children to American Samoa. “[The restaurant] was how we were able to move up,” Xiao said. “All three of the children went to college.” Xiao came to Salt Lake City to attend university and she now works for the county.

Given her background, Xiao knows firsthand the role that small business ownership can play in helping low-income immigrant families move out of poverty. “If they don’t speak the language and you don’t go to school here you are going to end up in minimum wage jobs for the rest of your life,” Xiao said. “[Without business ownership] there is really no way to save up enough money to send your kids to college or provide them with any opportunities.”

But Xiao also sees firsthand the cultural barriers between immigrant aspiring small business owners and mainstream organizations that could be helping them.

“It’s intimidating to go the [mainstream] chamber of commerce,” Xiao said. “We have clients that go there and [they think] ‘I don’t belong here, why am I here?’”

Xiao said that some mainstream business support organizations, such as the Salt Lake City Chamber of Commerce, define small business as having 250 employees or fewer. Programs are not designed with the needs of immigrant micro-entrepreneurs, many of whom have one or two employees, in mind.

Thus, Xiao sees a gap in communication and culture between many immigrant aspiring small entrepreneurs and the existing support structure for small businesses.

“You have to build trust with the [immigrant] business owner,” Xiao said. “They are not going to come to you if they don’t know who the heck you are.”

This tension is the background to Xiao’s daily work incubating programs for refugee and immigrant micro-entrepreneurs. “It’s a struggle,” Xiao said, adding that one-to-one technical assistance is important.

She also said that it would be helpful if traditional organizations that help small entrepreneurs, such as the Small Business Administration, focused on micro-entrepreneurs. “Loans are going to small businesses, but not to immigrant and refugee businesses,” she said.



Caption: Ze Min Xiao is from an immigrant family that arrived in Hawaii from China. Her immigrant roots inspire her work with foreign-born entrepreneurs in Salt Lake City, Utah. Through her work with Salt Lake County Xiao works to incubate small immigrant and refugee businesses.

Having an infrastructure of organizations and agencies on the ground is a start, but it's not enough. These organizations' staff or volunteers must possess the language and communication competencies—and actively reach out to the immigrant community—to make an impact. “There are resources but there is a bridge that needs to be crossed,” said Lissette Aliaga Linares, research associate at the University of Nebraska. “A lot of it has to do with cultural competency. [These organizations have to be prepared and willing] to do extra work to get the trust of [a foreign-born] entrepreneur.”

Immigration status

So far we have been looking mostly through a local and regional lens in our analysis, hearing from local experts and other on-the-ground respondents. But it's impossible to provide a complete picture of the challenges facing immigrant entrepreneurs without looking at an issue that is primarily federal: immigration status. The challenges for unauthorized immigrants were emphasized by respondents in all sites. They described it as an additional barrier in an already difficult path to successful entrepreneurship for foreign-born businesspeople.

Even organizations that focus on supporting immigrant entrepreneurs find that immigration status has a strong impact on their programs. “If they [have no] legal [status] they walk out the door,” said Cornell Crews, community relations director of the Miami-based Partners for Self-Employment. “I’ve had...10-15 people from the Haitian community and nine of them will get up and leave once they hear you have to be a legal resident.”

In Des Moines, which respondents said was generally immigrant-friendly, lack of legal resident status is nevertheless a major barrier to successful entrepreneurship. “We have a lot of small business owners that are living on the margin of the law,” said Amelia Lobo, small business program director of ISED Ventures. “To the extent that they can correct that situation, then they are able to make greater investments. Legal U.S. residency and/or citizenship is an asset, that’s something that can be converted to wealth.”

Some organizations that support immigrant entrepreneurs do not check immigration status when providing services, but many do, which, of course, often deters would-be entrepreneurs who lack legalized status. Des Moines has credit unions that provide loans without requiring proof of legal residency. But immigrants are often not aware of this fact, and even for those who are, it still means operating a business in the gray market. Immigrants' fear of being identified as unauthorized—because as business owners they are more visible—sometimes keeps them from registering their business or expanding it when the opportunity arises. “It’s hard for programs to reach entrepreneurs

when they don’t have papers,” said researcher Lissette Aliaga Linares of the University of Nebraska.

Salt Lake City also has an incipient infrastructure for immigrant entrepreneurs that is open to both legal and unauthorized immigrants. The Pete Suazo Business Center in particular does not require proof of residency for its Spanish-language business and finance classes. “We don’t deal with immigration issues,” said development manager Alyssa Largin. Many respondents indicated that the barriers facing unauthorized immigrant entrepreneurs were often the same as discussed earlier but more severe. “[Accessing finance] is difficult for people who have no credit history,” said University of Utah University Partnership Manager Sarah Munro. “Particularly for undocumented people, it is hard to get things off the ground.” (See Box 4).

Promoting immigrant businesses was a central component of President Obama’s November 2014 executive order, which grants temporary legalized status and work permits to more than 4 million unauthorized immigrants.³² “Are we a nation that educates the world’s best and brightest in our universities, only to send them home to create businesses in countries that compete against us?” asked the president. “Or are we a nation that encourages them to stay and create jobs here, create businesses here, create industries right here in America?”

But even this new emphasis on immigrant business owners is usually focused on entrepreneurs in high-skilled technology fields. Although small immigrant entrepreneurs are less often mentioned by policymakers, they benefit the communities where they take root. And with so many unauthorized immigrants now eligible for legalized status—many of whom will launch their own businesses or expand existing businesses—it is important to identify, disseminate, and implement practices that support small entrepreneurs, both for their own economic benefit and that of their neighbors, immigrant or U.S.-born.

Recommendations

The following section identifies promising practices and recommendations that facilitate immigrant entrepreneurship. In spite of the barriers, all three sites were using emerging practices to help immigrant entrepreneurs succeed and contribute economically. This section identifies them and develops additional recommendations to help small immigrant entrepreneurs.

Program coordination

While organizations that work with immigrant entrepreneurs are still rare, all three sites have such groups, and their numbers are growing. Des Moines has ISED Ventures and Solidarity Microfinance; Salt Lake City has the

BOX 4

Odilon Celestin – Owner, O'King Foods, Miami, FL

In 2001 Haitian-born Odilon Celestin arrived in Florida on a boat from the Bahamas. As an unauthorized immigrant with no friends or contacts, his work options were limited. His first job was harvesting green beans in Homestead, similar to the agricultural work his family did in Haiti. “I came and I didn’t know people, I didn’t have any friends, I didn’t have papers,” Celestin said. “This is how I started my life [in the U.S.]”

By 2003, he had moved from agricultural labor to a job in a bakery, eventually launching his own storefront restaurant in the Haitian enclave of North Miami. At first, the banks turned down his loan requests, so Celestin drew from a local nonprofit and his own savings for start-up capital.

Ten years later, Celestin obtained a \$380,000 bank loan to open a second, larger restaurant that occupies 3,000 square feet, has capacity for 80 customers, and will have 11 employees. At the same time, he was able to regularize his immigration status so that he qualified for legal residency and eventually citizenship, which also improved his chances of qualifying for a bank loan and owning and operating a business. Like the other immigrant entrepreneur success stories in this report, Celestin would have been very unlikely to achieve his current degree of business success without having the opportunity to obtain legal status.

Haiti is often synonymous with underdevelopment, but those who know the immigrant community in South Florida note Haitians’ propensity for entrepreneurship at least as frequently as they mention poverty. Microfinance experts say the lack of formal employment opportunities in Haiti are part of what fuels this entrepreneurial spirit. As one Haitian American microfinance expert put it, “Nobody is going to take care of you [in Haiti] so you better get out there and find something to sell if you want to eat that day.”

According to the U.S. Census Bureau, South Florida has the largest concentration of Haitian immigrants in the United States—about 202,000 people in all, or about one third of all Haitian immigrants in the country. Haitians are one of Florida’s largest immigrant groups but they face substantial socioeconomic challenges. Their poverty rate is far above average: while the Miami metro area has an overall poverty rate of about 18 percent, almost a third (30 percent) of Haitian immigrants live in poverty.

Entrepreneurship is a way out of poverty for some immigrants, but the entrepreneurial drive often collides with barriers to business success. The Obama administration’s November 2014 Deferred Action for Parental Accountability (DAPA) executive order provides opportunity for temporary legalized status to more than 4 million unauthorized immigrants. Now these potential entrepreneurs, who might have feared starting a business before the executive order, have an opportunity to pursue their ambitions beyond the gray market.

Legalization is important. Celestin was not able to grow his business until he regularized his immigration status and was granted more access to business loans. But legalization is not always enough to ensure success. Without access to start-up capital and courses in basic business skills, even legal and legalized immigrants will find it difficult to sustain businesses that can lift their families out of poverty.



Haitian immigrant Odilon Celestin arrived in South Florida by boat in 2001. After acquiring legal status and building his credit with microfinance organizations such as ACCION he was able to become a successful restaurateur with more than 10 employees.

Pete Suazo Business Center; and in Miami, organizations working with Haitian entrepreneurs include ACCION USA, the Haitian American Community Development Corporation, and Sant La. But as this incipient infrastructure is developed, it is important that there be coordination and articulation among programs that offer loans, business training, English classes, and other services aimed at assisting entrepreneurs.

Currently, services and programs for small immigrant entrepreneurs are scattered. In Miami, for example, the several small organizations working with immigrant

entrepreneurs are not well coordinated. “There are entities that provide support with creating business plans, there are others that provide support with marketing, or inventory skills,” said Sant La Executive Director Gepsie Metellus. “You’ve got pieces, but I don’t think the pieces are articulated.” This appeared to be the case in all sites. Programs and services for small immigrant entrepreneurs can be found in the private, public, and nonprofit sectors. In this report’s three focus sites alone, services were based at community colleges, nonprofit organizations, chambers of commerce, county government offices, university

extension programs, and others. Furthermore, the programs are run at various levels of government—a kaleidoscope of national, state, local, and even neighborhood organizations. Many times they do not communicate or coordinate, at least formally.

In Iowa, Ying Sa's Immigrant Entrepreneur Summit brings together hundreds of entrepreneurs and supporting organizations. Respondents said that this event was helpful but also impermanent; the event and its impact only last for a few days each year. Salt Lake City may have the closest coordination among organizations working with immigrant entrepreneurs. The Pete Suazo Business Center coordinates—at least informally—with the Utah Hispanic Chamber of Commerce, the Goldman Sachs 10,000 Small Businesses program,³³ and NeighborWorks Salt Lake. Salt Lake County also has a dedicated staff person to incubate and support small entrepreneurs. Although this position is focused on refugees rather than on all immigrants, this is more support from local government than is provided in the other sites.

Program coordination recommendations:

- **Identify a central hub for small immigrant entrepreneur programs and support.** This could be located in any of the venues discussed above, depending on local needs and circumstances. Establishing a single community location for immigrant and refugee small entrepreneurs would make better use of limited resources. These immigrant entrepreneur centers could be information clearinghouses where staff with the right language and cultural skills could help entrepreneurs connect with each other and direct them to business funding sources, training on business codes and taxes, and English-language classes.
- **Local government can facilitate coordination.** As in Salt Lake City, local government can serve to some degree as a program incubator and supporter of various programs for small immigrant entrepreneurs. Cities and counties that want to expand and deepen the impact of their entrepreneurs can follow this example, either creating a new office dedicated to small immigrant entrepreneurs, or designating staff in an existing office to connect immigrant entrepreneurs with services.

Improved access to business capital for small immigrant entrepreneurs

A key theme common to all three sites was that many immigrant small business owners are “entrepreneurs by necessity”—they are compelled to start their own business as the best of the limited options to support their families. “A lot of those folks are in business by economic neces-



Rick Reinhard

Adult education, like this class at the Carlos Rosario Adult Education Charter School in the District of Columbia, is key to preparing small immigrant entrepreneurs to succeed.

sity,” said Sam Diller, executive director of the Haitian American Community Development Corporation. “They don’t have high employment potential due to a lack of education and well developed skill-sets that are marketable [so they start their own business].”

For immigrants with little formal education—particularly unauthorized immigrants—micro-enterprises allow them to earn a little more than they would as wage workers. Many immigrant entrepreneurs start off with very small businesses, sometimes while they continue working for wages. Given the barriers to financing and training discussed above, many of these businesses cater to the immigrant’s own ethnic group and often initially employ family members only.

In all three sites, we often heard immigrant micro-entrepreneurship described as a way to escape poverty. “We have a lot of people who don’t have the educational background to be able to prosper [as wage earners],” said Francisco Sotelo, immigrant entrepreneur and president of the Utah Hispanic Chamber of Commerce. “So they look at this alternative at creating a business.” The gain in income from being a micro-entrepreneur is often relatively small, but for a family on the margins of poverty, a small business can make a difference.

Given the fragility of these businesses, organizations are working toward incremental gains in income that can be sustained over time. This goal could be supported by microloans, sometimes of only a few hundred dollars. But business loan organizations that are acces-

sible to and target small immigrant entrepreneurs were exceedingly rare in our case study sites. One is Solidarity Microfinance in Des Moines, modeled after the Grameen Bank. The Grameen Bank, founded in Bangladesh, is highly regarded as a pioneer in using asset building and entrepreneurship as a tool to help rural poor people lift themselves out of poverty. “[The business] is not a silver bullet, it’s an incremental increase for a family,” said Solidarity Microfinance board member Mark Edelman. “Participants should see an increase of \$2,500 in income and \$300 in savings.” Of course, in the United States this is not nearly enough money to catapult immigrant families into the upper middle class, but it can provide enough economic stability for the next generation to have more opportunities, such as pursuing post-secondary education or further expanding the business.

Organizations such as the Utah Hispanic Chamber of Commerce and Solidarity Microfinance understand that for some immigrants, entrepreneurship is an economic survival strategy and that therefore their programs—including loans and training—need to address this micro-level entrepreneurship. Respondents said that this is often missed by mainstream small business support organizations such as the Small Business Administration (SBA). “Many immigrant businesses are left out,” said Ze Min Xiao, who works with refugee entrepreneurs for Salt Lake County. “Loans are going to small businesses, but not to immigrant and refugee businesses,” she said. Yet immigrant microenterprises can be the factor that keeps immigrant families out of poverty.

Recommendations on access to business capital

- **Integrate small immigrant entrepreneurs into federal agencies that support small business.** Small business support agencies, principally the SBA, should devote more attention and resources to supporting immigrant micro-entrepreneurs (including businesses with fewer than five employees). The SBA has conducted research on immigrant entrepreneurship, but respondents in our case study sites indicated that many small immigrant entrepreneurs have been unable to access SBA loans because of the barriers discussed earlier. Support should be offered to immigrant micro-entrepreneurs in languages other than English. Currently there are virtually no micro-loan resources for immigrant micro-entrepreneurs in our case study sites.
- **Create community development financial institutions (CDFIs) that engage immigrant micro- and small entrepreneurs.** All of our case study sites lacked CDFIs or CDFI programs that specifically engage small immigrant entrepreneurs; traditional mainstream microfinance organi-

zations typically do not know how to engage immigrant entrepreneurs. To foster economic growth and revitalization, agencies such as the Department of Treasury’s Community Development Financial Institutions Fund should develop specific programs targeting small immigrant entrepreneurs.

Institutional adaptation

Immigrant entrepreneurship—like immigration in general—is transforming the demographics of American communities and institutions. American cities and towns across the country look different than they did a decade ago, but organizations and institutions are sometimes slow to change accordingly. Integrating small immigrant entrepreneurs into the business mainstream is central to supporting their success and maximizing their economic contributions. Without this, “it is much more difficult for them to make it,” said Amelia Lobo, director of the Des Moines Small Business Program. “Are they connecting with businesses and individuals who can become their clients, mentors, or champions?” she said. “Do cities and other local entities really make an effort to support those businesses?” Unfortunately, in too many cases—including in Des Moines—the answer is no.

Small business programs that do not offer classes in languages other than English and are not trusted in the immigrant community will find it difficult to engage aspiring immigrant entrepreneurs. Salt Lake City stood out among our study sites as having leaders who are conscious of the need to update the institutions that work with small businesses so that they better reflect the changing demographics of their communities. “In principle the culture is very hospitable to the support of business,” said Pam Perlich, senior research economist at the University of Utah.

Marcia Garcia of NeighborWorks in Salt Lake City agreed that Utah, a state once seen as insular and homogeneous, is slowly taking action to adjust to its changing demographics. “I think it [the economic impact of immigrant entrepreneurs] is starting to get recognized by the state,” she said. “It used to lack for diversity and now that’s changing.” Salt Lake County official Ze Min Xiao said the impact of small immigrant entrepreneurs is unmistakable on the city’s more diverse west side. “If you drive down there I guarantee that eight out of 10 businesses are started by immigrants,” she said.

Many aspiring immigrant entrepreneurs rely on informal networks that include established entrepreneurs who serve as mentors to those just starting out. Business training organizations would be wise to integrate these champions into their own programming. Some main-



Haitian immigrant Fedo Boyer started his translation and interpretation business in Miami, FL in the early 2000s. His parents were small business owners in Haiti which helped give him the confidence to create his own company, CreoleTrans.

stream small business organizations are simply unaware of the reasons that immigrant entrepreneurs are not attracted to their programs. But Salt Lake City has good examples of service providers who are well aware of the need to adapt their institutions to the new immigrant entrepreneurial class—even if they are not yet sure how to do it. “There are some barriers ... because we don’t look like them and they are not trusting that we empathize with their situation,” said Karen Gunn, executive director of Goldman Sachs 10,000 Small Businesses. “I am not sure why those perceptions are there, so we work with our partners to help understand those better.”

- **Integrate immigrant enterprises into mainstream nonprofit organizations working with small and micro-entrepreneurs.** Government agencies are not the only institutions that have been slow to adapt to the changing demographics of small entrepreneurs. Even mainstream nonprofit organizations that support micro-entrepreneurs lack significant programming for immigrants. These organizations could and should be leading the way in adapting their services to the more diverse demographics of our three case study sites and many similar U.S. communities.

Immigrant legalization and integration

The DAPA program, created by President Obama’s November 2014 executive action, is the largest (temporary) immigrant legalization program in U.S. history. It is too early to gauge its economic impacts, but analysts have

emphasized the program’s potential to help immigrant entrepreneurs and the broader economy. “Financially including immigrants and facilitating the establishment of credit could increase entrepreneurship and spending on higher-end goods like homes and cars,” one analyst stated. “Those shifts could have positive impacts on the job market and the overall economy.”³⁴

Linking the legalization process to business training and support for immigrants interested in entrepreneurship could help boost economic activity in both traditional and non-traditional immigrant communities. Regardless of one’s stance on the executive action as a whole, it would be self-defeating not to support legalizing immigrants who aspire to entrepreneurship. While the debate over immigration continues in Washington, economists in regions where immigrants live and work see this as a relatively noncontroversial component of DAPA. “South Florida’s future is tied to how well we can take advantage of [immigration],” said Jim Murley, executive director of the South Florida Regional Planning Council. “We grow because of international immigration ... Small businesses are what drives us.”

Even in states such as Utah, where ethnic diversity became a reality fairly recently, local and regional economists identify immigration and immigrant entrepreneurship as important drivers of the local economy. “The big surge of immigration here was not associated with [economic] decline—it was part of the boom,” said Pam Perlich, senior research economist at the University of Utah.

In Midwestern states such as Iowa and Nebraska, economists also express the view that immigration is an economic benefit. “The economic impact on the state and the city is certainly non-trivial,” said economist Christopher Decker of the University of Nebraska at Omaha. “One of the big stories in ... a lot of Midwestern states is ... people leaving rural areas ... To remain vibrant economic centers, you need a labor force.”

Successful entrepreneurs also serve as role models for young immigrants, who derive social benefits from seeing people from their community start and maintain successful businesses. “[Small immigrant entrepreneurs] are actually providing a new path for social mobility in the Latino population,” said Lissette Aliaga Linares, research associate at the University of Nebraska’s Office of Latino/Latin American Affairs. “If we have immigrant entrepreneurs that are successful we are providing a path for social mobility for the second generation.”

- **Supporting small immigrant entrepreneurs should be part of the White House Task Force on New Americans.** As an immigrant integration program, the Task Force on New Americans should include provisions to support small immigrant entrepreneurs. This support

could include research and assessments to identify the priority support infrastructure needs of these businesspeople. Government agencies such as the Small Business Administration, the Department of the Treasury, and others can become increasingly engaged in enabling immigrant entrepreneurs to succeed.

- **Congress should enact more inclusive and permanent federal immigration reform legislation.** By giving some unauthorized immigrants legal status, albeit temporary, the DAPA program will create pathways out of poverty for families and promote economic growth by including undocumented entrepreneurs. But it is a half-measure. For the United States to realize the full economic potential of the country's 11 million unauthorized immigrants, Congress needs to pass immigration reform legislation that provides a path to legalization for all non-criminal unauthorized immigrants in the country.

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Appendices

Appendix A: Compendium of Organizations Working with Immigrant Entrepreneurs

We hope that, in addition to exploring solutions to the barriers facing small immigrant entrepreneurs, this report facilitates communication among immigrant entrepreneurs and their support networks so that they can share local challenges and solutions. This section lists some of the key organizations—banks, credit unions, non-governmental organizations, and public institutions—that work with immigrant small business owners in our three sites. This is intended to be, not a comprehensive list, but a starting point to connect with organizations in each site.

Miami, Florida

Haitian American Community Development Corporation:
www.haitianamericancdc.org/

Sant La: <http://santla.org/>

Partners for Self Employment:

<http://partnersforselfemployment.org/home-2/>

ACCION East: <http://www.accioneast.org/home/support-accion/about-accion/who-we-are.aspx>

United Way Center for Financial Stability:

<http://www.miamifinancialstability.org/about-us>

Haitian American Chamber of Commerce:

www.haccoc.com/

Haitian Women of Miami: <http://www.fanm.org/>

Des Moines, Iowa

ISED Ventures: <http://www.isedventures.org/>

Solidarity Microfinance:

<http://www.solidaritymicrofinance.org/>

Veridian Credit Union:

<https://www.veridiancu.org/default.asp>

Iowa State University Extension and Outreach, Community Economic Development:

<http://www.extension.iastate.edu/community/>

Banker's Trust:

<https://www.bankerstrust.com/Pages/Home.aspx>

Iowa State University Community Vitality Center:

<http://www.cvcia.org/>

Immigrant Entrepreneurs Summit: <http://iesusa.org/>

Salt Lake City, UT

Pete Suazo Business Center:

<http://www.petesuazocenter.org/>

Utah Microenterprise Fund: <http://www.umlfc.com/>

Utah Hispanic Chamber of Commerce:

<http://www.utahhcc.com/>

NeighborWorks Salt Lake City:

<http://www.nwsaltlake.org/>

Goldman Sachs 10,000 Businesses Salt Lake City: <http://www.slcc10ksb.com/>

Salt Lake City County,

Office of Community Innovation Partnerships:

<http://slco.org/crd/refugees/refugees.html>

Appendix B: Research Methodology

This report is a combination of qualitative data, gathered through semi-structured interviews with respondents in each case study site, and a frame composed of primary and secondary national and regional quantitative analyses. We generated local and regional quantitative data for our case study sites through our analysis of American Community Survey data from 2009-11, Economic Census data from 2007, and the 2011 Survey of Business Owners. The quantitative analyses ensured that the qualitative case study site information was grounded in a broader context of data on immigrant entrepreneurship and other demographic data.

As discussed above, the case studies for this report were chosen to provide geographic, socioeconomic, and political diversity. We selected immigrant groups and locations that have not been the subject of major research on entrepreneurship. Des Moines and Salt Lake City fit into this category and, in fact, are generally not known to the general public as important immigrant destinations. While Miami is a classic immigrant gateway city, Haitian immigrants are a much less studied group, so we focused on Haitian small business owners in Miami. The case study sites include both traditional immigrant gateways and newer immigrant destinations. Our goal was to choose a variety of sites so that our findings on immigrant entrepreneurship challenges and promising practices were applicable to many communities and not based only on one regional trend or common to one type of ethnicity.

In each site, respondents were identified through a snowball sampling technique. We conducted interviews with immigrant entrepreneurs, economists, asset building and financial education organizations, immigrant community leaders, chambers of commerce, and local elected officials—among others. The interviews were semi-structured and focused on identifying barriers and promising practices for small immigrant entrepreneurs in each site. The great majority of interviews were conducted onsite in the three case study areas, but we also interviewed experts from other regions and at the national level to add context to the report.

A total of 78 interviews were conducted by phone or in person. All interviews took place between February 2014 and December 2014 and were held in Spanish or English according to the respondent's preference. The information gathered in individual interviews was transcribed and coded thematically based on major themes (as identified by assessing the interview content as a whole). Quotes from the interviews, often intertwined with the author's interpretations, are incorporated into the narrative of the report. The validity of information given in the interviews was ensured by obtaining and comparing information from a number of respondents playing a variety of roles. Prior to publication, we sought feedback from several internal and external reviewers, many of them noted below.

Appendix C: Acknowledgments

This report would not have been possible without the participation of scores of immigrant entrepreneurs and the many nonprofit, public, and for-profit organizations and individuals that support small immigrant entrepreneurship in our three case study sites. Many of their voices are found in this report. Respondents who were not quoted nevertheless provided important context and background.

In producing the report and analysis we also benefitted from reviews and critiques from a variety of experts. Bread for the World Institute Director Asma Lateef provided continual guidance and direction on the research, data collection, and analysis. Bread for the World Institute Senior Editor Todd Post also provided input and critiques of report drafts. Bread for the World Institute Associate Editor Michele Learner edited the report and improved its readability and conciseness.

We also relied on external experts in immigrant entrepreneurship and asset building, who contributed data analysis and reviewed drafts of the report. Justin Lowry and James Witte of George Mason University's Institute for Immigration Research contributed analysis of immigrant demographic data in the three case study sites. New America Senior Policy Analyst Scarlett Aldebot-Green played a major role in reviewing drafts and improving the final report. Paul McDaniel, Immigrant Entrepreneur and Innovation Fellow at the Immigration Policy Center, and David Dyssegaard Kallick, Director of Immigration Research at the Fiscal Policy Institute, also reviewed report drafts.



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