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Entrepreneurial Engagement Among Ethnic Minorities: A Comparative Analysis of Opportunities and Challenges in Paid Employment Versus Self-employment

Yuxin Qin

University of Southampton, Southampton SO17 1BJ, UK.

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***Corresponding author:** Yuxin Qin, University of Southampton, Southampton SO17 1BJ, UK.

Abstract

Ethnic minorities in advanced economies face persistent barriers in paid employment—hiring discrimination, wage gaps, and higher unemployment—that constrain mobility and dignity. This study evaluates entrepreneurship as a more advantageous pathway for minority workers, especially immigrants, and asks how gender, skills, and social networks shape that choice. Drawing on international evidence and theory, we synthesize labor-market disadvantages, document higher self-employment rates, and analyze mechanisms: opportunity recognition, social capital, and ethnic enclave support. We highlight gendered dynamics—entrepreneurship enabling minority women to reconcile care responsibilities and human-capital underutilization, and minority men leveraging networked resources and provider norms. We also identify structural obstacles to minority enterprise, including credit constraints, biased finance, limited managerial experience, and growth ceilings from overreliance on co-ethnic markets. Policy implications include targeted credit access, childcare and training supports, and place-based strategies that strengthen bridging networks while avoiding enclave lock-in. Overall, entrepreneurship emerges as a viable route to income, autonomy, and status, yet requires equitable ecosystems to thrive and social recognition.

Keywords

Ethnic minorities; Entrepreneurship; Labor market discrimination; Self-employment; Ethnic enclave effect; Gender and entrepreneurship

1. Introduction

In the context of global socio-economic integration, the challenges faced by ethnic minority groups, including immigrants, are becoming increasingly evident, especially in the labour markets of developed countries, like the USA, Canada, Australia, and Europe (Sithas & Surangi, 2021). Complex narratives of gender (Gaweł & Mroczek-Dąbrowska, 2021), class, and uneven distribution of opportunities affect minority economic outcomes and decision-making. During this period, ethnic minorities faced many challenges, such as discrimination in recruitment, persistent wage gaps, and limited avenues for upward mobility (Bell, Kwesiga, & Berry, 2010). These barriers cause a cycle of inequality throughout society.

As a result, many scholars have argued that ethnic minorities may be better off as entrepreneurs by choice than as traditional paid employees, especially for immigrant groups. Surveys show that the rate of total entrepreneurial

activity among non-white minorities is 14.5% higher than their white counterparts (Brynin, Karim, & Zwysen, 2019). This is because entrepreneurship offers a reconceptualisation of economic participation, giving ethnic minorities the opportunity to transcend the constraints of traditional employment structures and shape their destinies on their terms (Kerr & Mandorff, 2021).

The main aim of this study is to explore whether entrepreneurship offers a viable and more favourable pathway for ethnic minorities. The objectives are a) to identify the specific challenges faced by ethnic minorities in paid employment; b) to research the entrepreneurial experiences of ethnic minorities, with a focus on gender and skills; c) to investigate the unique challenges faced by ethnic minority entrepreneurs; and d) to develop policy recommendations to support ethnic minorities in overcoming these challenges.

2. Labor Market Challenges-Paid Employment for Ethnic Minorities

In traditional employment environments, Black, Asian, and Other Minority Ethnic (BAME) groups face complex labour market challenges despite the important role they play in host countries (Williams, Wang, & Koumenta, 2023). Racial discrimination is a major driver of the persistent high risk of unemployment among non-white ethnic minorities (Duguet et al., 2010), as expressed in terms of job applications, wages, and unemployment rates.

First, international migrant employees or other minority groups often face CV discrimination in the job search process (Adamovic & Leibbrandt, 2023). Some surveys have found that management differentiates between signals of an 'applicant's' ethnic background primarily by name and place of birth (Heath & Di Stasio, 2019). Additionally, the cumulative effect of ethnic disadvantages leads employers to specifically avoid unemployed ethnic minority job seekers, who will have a harder time returning to the labour market (Birkelund, Heggebø, & Rogstad, 2016).

Secondly, there is a wide pay gap. For example, in the UK, the median hourly wage of Black, African, Caribbean, or Black British employees (£13.53) is lower than the median hourly wage of White employees (£14.35) (Froud et al., 2023). Furthermore, Businesses are not required by law to publish their ethnic pay gap, although they are rightly obliged to publish their gender pay gap (UK Parliament, 2022).

Furthermore, not only do minorities face job search difficulties and wage disparities, but unemployment rates are all higher than for whites (Manning and Rose, 2021). Non-native-born immigrants face a greater risk of long-term unemployment compared to native-born groups. However, second-generation immigrants in France remain severely disadvantaged in the labour market. OECD data show that in six out of ten OECD countries, the long-term unemployment rate of immigrants exceeds that of the native-born. This gap is particularly marked in Sweden (+20.2%), Luxembourg (+18.9%), and Belgium (+16.7%) compared to the mean (2023).

As a result, paid employment does not largely meet the stable needs of ethnic minorities. Entrepreneurship as an alternative, highlighting its potential benefits, workers have a higher propensity for self-employment (Brynin et al., 2019), which may help them circumvent the discrimination and inequality prevalent in the traditional job market.

3. Entrepreneurship as a Pathway

Overall, entrepreneurial activity creates a relatively level playing field for ethnic minorities facing complex and changing labour market challenges. Despite the risks associated with running one's own business (Vereshchagina & Hopenhayn, 2009), ethnic minorities generally have positive attitudes toward entrepreneurship (Lam, Harris, & Yang, 2019). This phenomenon can be attributed to a combination of factors, including the availability of entrepreneurial opportunities, business support systems, individual self-motivation, social networks, social capital, cultural values, and strong intra-ethnic ties (Raimi et al., 2023). In the context of the dual labour market, where immigrants and other ethnic minorities face severe discrimination, relegating them to a secondary labour market with few opportunities for advancement.

In the United States, for example, highly skilled minorities, especially first- or second-generation immigrants, have founded 40 % of the top 500 U.S. businesses (Pekkala Kerr & Kerr, 2020). In contrast, ethnic minority groups with lower skills or lower levels of education are more likely to choose small-cost entrepreneurial paths, such as opening laundromats and restaurants (Kerr & Mandorff, 2021).

More importantly, motivation and outcomes in the entrepreneurial process are influenced not only by the entrepreneur's individual skills but also by gender dynamics (Ram, Jones, & Villares-Varela, 2017). The following analysis will delve into how gender factors shape the entrepreneurial experiences of ethnic minorities. Taking a gender

perspective reveals the different frameworks that influence entrepreneurial motivation and highlights the different challenges and support that minority men and women face during the entrepreneurial process. Such analyses provide a more comprehensive understanding of gender inequalities and entrepreneurial opportunity differences.

3.1 Entrepreneurship as a Pathway for Minority Women

Entrepreneurship offers minority women a unique route to self-fulfilment, dignity, time autonomy, and economic independence. From a neoclassical perspective, systemic disadvantages in the labour market and inequalities for women are important factors driving their entrepreneurship. The process is often more challenging for ethnic minority women than for ethnic minority men (Gaweowand Mroczek-Dąbrowska, 2021).

Firstly, studies have proved that highly skilled immigrants with university education are most likely to become entrepreneurs due to diplomas, business foresight, and social networks (Zambrana et al., 2020). To avoid educational disparities and deskilling discrimination in the home country, becoming a female entrepreneur is a better option (Mollard & Umar, 2015, pp. 9-29). Thus, entrepreneurship provides an empowering mechanism that allows immigrant women to use their professional skills and educational backgrounds to obtain an economic and social status that meets their expectations (Khan et al., 2020).

For many low-skilled or less-educated minority women, small businesses can bypass traditional barriers to employment, achieve economic self-sufficiency, and positively impact minority groups (Byrne, Fattoum, & Diaz Garcia, 2018). These women often face significant challenges in the traditional labour market, such as limited employment opportunities and low wages. Furthermore, this increased self-reliance and social capital can benefit the wider community, as successful female entrepreneurs tend to act as role models and mentors for other women in the community (Byrne, Fattoum, & Diaz Garcia, 2018), creating a positive ripple effect.

More importantly, both highly skilled and low-skilled women, especially those influenced by patriarchal ideologies and 'Marianist' religious views, find entrepreneurship attractive. This attraction stems from entrepreneurship's flexibility in helping them balance work and personal responsibilities, such as caring for children, the elderly, and other family responsibilities. This flexibility blends both men's and women's aspirations (Villares-Varela, 2017; Ana Cruz García & María Villares-Varela, 2023; Byrne, Fattoum, & Diaz Garcia, 2018).

Minority women who already emphasise family in the workplace often face an environment that favours childless or male employees, leading to exploitation and limited opportunities. For example, in Canada, six out of ten immigrant mothers with children under the age of six say they would like to work, but are unable to due to childcare responsibilities (OECD, 2023). This highlights the unique challenges women with children face in these labour markets. Entrepreneurship allows these women to work from home or set their own hours, combining their career pursuits with their familial obligations. Such arrangements support personal and family well-being and provide dignity and autonomy, challenging traditional gender and racial roles.

From a broader perspective, the successful entrepreneurship of minority women challenges stereotypes about their economic roles and capabilities. This disruption of traditional gender and racial stereotypes can lead to changes in wider societal perceptions and attitudes, fostering deeper social integration (Global Entrepreneurship Monitor, 2023).

3.2 Entrepreneurship as a Pathway for Minority Men

The above advantages highlight why ethnic minority women choose to start their businesses. These benefits include realising personal values (especially for highly skilled minorities), securing family finances, addressing the unemployment crisis, and combating workplace discrimination. Similarly, for ethnic minority men, entrepreneurship can help them achieve the same aspirations.

For the reasons why ethnic minority men tend to entrepreneurship, traditional male roles and norms shape the entrepreneurial strengths of minority males in contemporary societies, particularly regarding resource utilisation, social expectations, and risk-taking.

On the one hand, self-esteem and masculinity for business success motivate them to start their business. Because entrepreneurship enables minority men to establish a position, whether at home or in the community, socially. As Giazitzoglu and Downargues it is this type of altruistic entrepreneurial masculinity, linked with ideals of providing for one's loved ones with the money generated by the business, that is admired and also respected by others (2017). For example, Minority males express their values through materialism, such as luxury cars, and the ability to provide for their families. This is also driven by religious, cultural influences, such as Confucianism.

On the other hand, ethnic minority males may have better access to business and networking resources than ethnic

minority females, which can contribute to entrepreneurial success (Al-Dajani, Vilares Varela, & Vershinina, 2020). For example, an empirical study suggests that men are more likely than women to receive venture capital funding when starting a business (Balachandra, 2020).

3.3 The Significance of Ethnic Enclave Economy Theory in Male and Female Entrepreneurship

The above discusses why minority women and men start a business rather than apply for a job. For example, ethnic minority women can gain a sense of self-worth, work-life balance, and cope with discrimination in the country of immigration; the unique masculinity of ethnic minority men, with the expectations and the unique advantages of being in a market economy, contributes to the tendency of ethnic minority men to start their businesses. However, the enclave effect is one of the unique and important factors for entrepreneurial success (Kaplan, 2009).

In short, the enclave effect gives minority men or women an advantage when starting a business by utilising dense social networks and mutual support systems (Portes & Jensen, 1989). These enclaves not only foster an entrepreneurial culture by increasing the skills and knowledge of each community member but also facilitate the creation of new entrepreneurs (Sithas & Surangi, 2021). As Max Weber's analysis of pre-capitalist firms provides us with a basic perspective, he argued that the driving force behind business operations was national and religious loyalty rather than profit maximisation (1978).

At the same time, research has proven that minorities have significantly higher rates of self-employment than other populations due to strong social networks (Sithas & Surangi, 2021). Selling to clients of the same ethnic or racial background is frequently a strategic beginning point for minority business enterprise owners (Lam, Harris, & Yang, 2019), which makes them more likely to start a period of entrepreneurship. For example, businesses run by Asian immigrants are famous for catering to their ethnic group's likes and preferences, especially in areas of the United States with a high percentage of new immigrants (Lam, Harris, & Yang, 2019). The dynamic is crucial for the economic integration and upward mobility of ethnic minorities, counterbalancing the systemic barriers they face in the wider labour market.

4. Challenges Faced by Minority Entrepreneurs

While entrepreneurship brings many advantages to minority groups, the higher cost of business failure, discrimination in market access, and smaller business size are the main problems faced by minorities in self-employed businesses.

Firstly, the problem of discrimination exists not only in employment but also when starting a business. Financially, they face higher initial costs and difficult access to credit dilemmas. Discriminatory lending practices impose stricter borrowing conditions on minorities than their non-minority counterparts (Asiedu, Freeman, & Nti-Addae, 2012). At the same time, since ethnic minorities have less savings, they are more dependent on external financial support. For example, black entrepreneurs in the United States receive worse credit terms than white entrepreneurs (Kroeger & Wright, 2021). In the UK, black entrepreneurs in particular report poor experiences with banks, while Asian entrepreneurs struggle to access finance outside their own neighbourhoods. Meanwhile, 44 % of black African and 39 % of black Caribbean entrepreneurs are concerned about bias from finance providers, compared with 4 % of white entrepreneurs. Additionally, lack of work experience affects business sustainability (UK Parliment, 2022). Because ethnic minorities are hampered in the employment process, making it difficult for them to gain workplace experience, which impacts business activities (Jones et al., 2014). Consequently, the business performance of minority enterprises is weak.

Second, minority entrepreneurs limit business expansion due to overreliance on family and community networks due to the enclave effect (Sithas & Surangi, 2021; Villanueva, Angeles, & Revilla, 2018); and the enclave effect is also weakened for second- and third-generation immigrants, which reduces the effectiveness of community support and access to finance (Rahman, Ullah, & Thompson, 2018). As a result, the scale of minority business operations is limited in terms of finance and culture. However, resource dependence theory suggests that firms with limited resource access tend to adopt conservative expansion strategies to maintain operational stability (Pfeffer & Salancik, 1978, pp. 1-19). Therefore, the study argues that keeping operations small may contribute to financial stability and risk reduction in the unstable macroeconomic environment. The phenomenon raises a key question: Should minority groups accept their current limitations as a strategic choice to adapt to market conditions? Minority entrepreneurs must find balance in a rapidly changing business environment.

5. Conclusion

This study argues that entrepreneurship is a better option for ethnic minority groups than wage employment. This is because minority groups often face issues of unequal discrimination, including pay and job interviews, when looking for work or during the work process. At the same time, women are more disadvantaged in the labor market. In such unfavorable circumstances, entrepreneurship is an important way to achieve self-worth, economic freedom, and social status. And ethnic clustering provides a unique advantage for ethnic minorities. Thus, entrepreneurship is not only a way to participate in the economy but also a powerful tool to reshape the destiny of individuals and societies. However, they still face the dilemma of market access, credit difficulties, and low confidence. Therefore, the government needs to provide protection strategies for different ethnic minority groups. To support the entrepreneurial success of minority men and women, policymakers must recognize the intersection of gender and race and incorporate this complexity into policy design.

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