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# MIGRATION NETWORKS AND IMMIGRANT ENTREPRENEURSHIP

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## ABSTRACT

Migration network theory addresses the cumulative causation of migration as a result of reduced social, economic, and emotional costs of migration pursuant to the formation of migration networks. Because it introduces a sociological dimension, network theory improves the mechanical and economic “push and pull” conceptions that prevailed earlier, including world systems versions thereof. Nonetheless, existing treatments of migration networks overlook the role of those networks in expanding the immigrant economy at locations of destination. The migration network performs this role when it supports migrant entrepreneurship, a phenomenon of variable but often great importance. Existing literature also ignores cultural differences that affect the efficiency of migration networks in both relocating population and generating new firms. In the last decade, immigration research has refocused on the issue of migrant networks in both contemporary and historical migrations (Bozorgmehr, 1990; Fawcett, 1989; Boyd, 1989; Morawska, 1989: 260; Wilpert and Gitmez, 1987). A long-standing concern (Tilly, 1978; Choldin, 1973; Light, 1972), migrant networks became of renewed interest when researchers sought to connect macro and micro determinants of immigration. Micro determinants begin with solitary decision-makers who operate independent of group memberships (Lee, 1966; Lewis, 1982: ch. 8; Sell, 1983). Often placed in a world systems context, macro influences impact masses of people whose responses are not thought to depend upon migration chains (Burawoy, 1976; Portes and Walton, 1981; Clark, 1986: ch. 4; Sassen-Koob, 1989). Spanning continents and decades, social networks connect individuals and macroscopic push and pull influences. True, at any stage of a migration, some people arrange their relocation on their own and without any help from migration networks. These are unassisted migrants. However, more individuals migrate when once networks have formed (Portes and Boron, 1989: 607-608). These networks organize their departure, travel, and settlement abroad. For this reason, the network itself emerges as an actor in the migration process.

Although based on already familiar ideas, Massey’s formula of “cumulatively caused” migration drew together and focused current thinking about migration. According to Massey (et al., 1987; 1988, 1989), migrations forge networks which then feed the very migrations that produced them. Therefore, whatever macrosocietal political/economic conditions may initially have caused migration, the originating pushes and pulls, the expanding migratory process becomes “progressively independent” of the original causal conditions. In effect, migrations in process self-levitate above the conditions that caused them to begin, leading thereafter an independent existence. Network formation is the reason. Massey (1988: 396) defines migration networks as “sets of interpersonal ties that link migrants, former migrants, and non-migrants in origin and destination areas through the bonds of kinship, friendship, and shared community origin.”

Networks promote the independence of migratory flows for two reasons. First, once network connections reach some threshold level, they amount to a autonomous social structure that supports immigration. This support arises from the reduced social, economic, and emotional costs of immigration that networks permit. That is, network-supported migrants have important help in arranging transportation, finding housing and jobs in their place of destination, and in effecting a satisfactory personal and emotional adjustment to what is often a difficult situation of cultural marginality. These benefits make migration easier, thus encouraging people to migrate who would otherwise have stayed at home. Unless migrants are uprooted refugees who lack any choice about departure, only immigration affording them any hope of survival (Bozorgmehr and Sabagh, 1990; Pedraza-Bailey, 1985) potential migrants always have the option of staying home. Given that choice,

the reduced cost of migration enhances the number who can and will choose to leave, thus increasing the volume of migration.

Second, Massey has made the same case for networks under the assumptions of a risk-diversification model. According to this model, families allocate member labor within the constraint of their own needs and aspirations in a cost-efficient and risk-minimizing way. Many Third World households are economically precarious. Such households face high-risks to their well-being if they select non-migration. Moreover, modernization and development create social and economic dislocations that intensify the unstable and unpredictable economic environment created by the usual risks of drought, crop failure and natural disasters, for rural as well as urban areas. In the absence of other ways to insure against such risks, diversification of family members' location minimizes overall family income risk. (Massey, 1989: 14-15)

Migration is a risk-diversification strategy. International migration is especially effective because international borders create discontinuities that promote independence of earnings at home and abroad. Good times abroad can match bad ones at home, or vice-versa. Even in the absence of earning differentials (ASA, p.15), international migration offers an effective risk-diversification strategy, especially when migrant networks already exist. Migration networks reduce the economic risks of immigration, thus rendering the strategy more attractive from a risk-diversification perspective (Massey, 1989:5-16). Expanding networks "put a destination job within easy reach of most community members" (Commission, p.398) and make migration a virtually risk-less and cost-less alternative labor power investment in the household's portfolio of labor assets (Massey, 1988).

### Critique of Network Theory

Although a serious improvement over the individualistic and economic approaches that preceded it, including world systems theory, network theory suffers some self-imposed limitations of its own.<sup>1</sup> Most notably, it concentrates upon facilitation and efficiency, slighting structural changes caused by immigration networks in the destination economy. That is, in existing network theory, networks make it easier for immigrants to find housing, jobs, protection, and companionship. This facilitation is their raison d'être. But, as they grow, networks increase their efficiency. Efficient networks expose every job and apartment that exist in some immigrant-receiving locality or region, thus maximally facilitating the introduction of new immigrant newcomers into them. Without increasing the supply of jobs, networks facilitate participants' access to that supply.

Economic saturation poses the obvious limit to existing network theory, especially Massey's. As Gregory (1989: 17) has noted, job opportunities exercise a "restraint on the volume of migration." Economic saturation arises when localities and regions have no work or housing vacancies to offer immigrants. In this condition, a newcomer can only obtain a job or housing when an incumbent vacates it. Even hyper-efficient networks cannot find jobs or housing where none exist. Saturation is not inevitable but, particularly when migratory influx is rapid, and outstrips economic growth, localities may run out of jobs and housing as a consequence. If previous migrants have saturated the job and housing supply, then hyper-efficient networks alone will not find jobs or housing for newcomers. At the point of economic saturation, the network cannot provide the services that provide its raison d'être. Flow-backs and unemployment increase, and renewed migration has to wait upon the release or creation of new migrant-supporting niches in the migrant-receiving destination. The existing migratory network goes into latency, and begins to deteriorate. This unravelling of migrant networks or, at least, their protracted dormancy, tends to undo the cumulative causation of migration, thus returning the labor-exporting and labor-importing regions into their pre-migration independence.

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<sup>1</sup> In this respect, network theorists share a more general tendency to ignore self-employment's effects when discussing the labor force changes produced by immigration. For example, see: "Aggregate Population and Labor Force Effects," Ch. 2 in *The Effects of Immigration on the U.S. Economy and Labor Market*, edited by Demetrios G. Papademetriou, et al. Washington, DC: US Department of Labor, 1989. This chapter does not mention self-employment.

Of course, migrant networks can locate new destinations too. If, having encountered saturation in one destination locality, a migration diverts its flow to other localities, then the pace of influx increases in the remaining, unsaturated localities. Migrants who would have gone to the saturated place now flow into the remaining unsaturated ones, thereby increasing the demographic pressure upon the local economy. Assuming that the enhanced influx continues, these destinations will reach saturation sooner than they otherwise would have, thus plunging the migration network into another crisis. If the migration network is to continue after it encounters economic saturation in a destination region, absent other existing regions into which to spill, the migration network has to shift destinations, attaching itself to a new, non-saturated regions. Thus, if no more jobs or housing exist in Belgium, the network can continue to exist only if it locates vacant jobs or housing in the neighboring Netherlands, elsewhere in Europe, or somewhere else in the world. How this can happen is unclear as, by definition, networks require linkages between people already in a place and those not yet there. The initial movement of pioneers into a new locality is not a network process. Neither Massey nor other network theorists have shown how networks find, designate, and target new migrant-supporting localities when existing destinations have been saturated.

## Networks and Entrepreneurship

The diversion of networks from saturated regions is not, however, our subject. Instead, we examine the network's largely ignored role in increasing earning opportunities in a labor-receiving locality or region. Networks accomplish this objective by improving the efficiency of searches or by increasing the actual supply of opportunities, or both. Improving searches enables migrants to find jobs and housing faster, more reliably, and with less effort. Improving searches either brings immigrants into unfilled vacancies in the job market or it transfers opportunities from natives to immigrants. That is, if the networks direct immigrants to housing or jobs that native workers did not want, they function to improve the immigrants' search without direct economic effect upon non-immigrants. However, if networks help immigrants to obtain jobs that natives did want and would have accepted, then the networks help to lock the natives out of niches in their own economy. Such a service makes the networks an ethnic resource of the immigrant population.

But networks also increase the aggregate supply of local opportunities, a function much less studied than the others. In thus adding new opportunities, the migrant network modifies the economy in the destination region or locality, thus postponing or possibly even avoiding economic saturation altogether. The same migrant networks that relocate coethnics from one nation to another have or can assume a role in developing and increasing the migrants' earning opportunities in the destination economy. Two methods encourage this result. First, reliable networks encourage non-immigrant entrepreneurs to shift capital into the immigrant-receiving locality. This shift enhances the supply of jobs available to immigrants. An example are the numerous immigrant-staffed factories that now exist on both the Mexican and the American side of the US/Mexico border (Davila and Saenz, 1990). These factories have grown up with immigration; they did not precede it.

Second, immigrant entrepreneurs apply capital to the employment of themselves and of immigrant coethnics in the locations of destination. Immigrant entrepreneurship is the opening of new immigrant-owned firms in destination economies. Immigrant-owned firms create employment for their owners and for coethnic employees. The immigrant economy consists of self-employed immigrants and their coethnic employees.<sup>2</sup> The immigrant or ethnic economy supplements the earnings opportunities available in the general labor market.

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<sup>2</sup> The immigrant economy also includes employment and self-employment in illegal enterprise as does the mainstream economy too. We distinguish illegal enterprise from predatory crime which we exclude from this analysis even though it represents, strictly speaking, an earning opportunity. On this subject, see: Light 1974, and 1977.

If we represent the general labor market as J, the immigrant economy as I, and economic carrying capacity as S, then the earnings opportunities<sup>3</sup> available to immigrants are:

$$S = f(J + I) \quad (1)$$

Unless I is zero, J + I must always exceed J. J is the unsupplemented job supply available to immigrants in the general labor market. In the limiting case J is 100% of jobs, but, in reality, J is usually a fraction of the employed labor force. J threatens economic saturation in that, when its limit is attained, the general labor market can support no more immigrants. J + I is the general labor market plus what immigrant entrepreneurs have done to create and staff their own firms. Since J + I normally exceeds J, saturation of a locality's or region's economy requires saturation of both J and I. If J is saturated, but I is not, or vice-versa, then the local economy is not saturated. Under that circumstance, we normally expect growth in the unsaturated component until that component too attains saturation. Conversely, if an immigrant population depends upon some balance of J and I to support it, but political or economic changes reduce the capacity of one or the other component to carry its normal load, enhancement of the other component represents a possible alternative to return migration. In exactly this sense, Simon (1990) has explained the growth of immigrant self-employment in Europe following hard upon the decline of wage earning jobs for immigrants. I expanded when J contracted so that S was unaffected.

A treatment of immigrant networks that ignores I, concentrating upon J alone, underestimates the immigrant carrying capacity of destination economies. Existing network theory generally makes this error, but Massey's synthesis reflects it most clearly. First, one finds no reference to the immigrant economy in Massey et al.'s (1987) index, nor any appreciation of its implications for job creation in his text. Massey (1989) writes that migrant networks "put a destination job within easy reach of most community members," but he neglects the enhanced access to business ownership which this same migration network affords. True, Massey acknowledges the role of non-immigrant entrepreneurs. Migrations cause economic expansion in the target economy because non-immigrant entrepreneurs move capital from high wage areas to low wage areas. Massey argues that this capital flow reinforces wage pressures of labor migration, downward in high wage areas and upward on low-wage areas. He also observes that simultaneous equations specify and estimate the non-recursive relationship between migration and employment has shown that on balance migration creates employment more than employment creates migration.

Massey argues that employment growth stimulates migration, which stimulates employment growth, which stimulates further migration. Therefore, Massey discerns a process of cumulative causation at work. Massey (19 : ) claims that "a variety of factors underlies the reciprocal causal relationship" but describes only the one which he deems the most important. This underpinning is, he professes, the selectivity of international migration. Migrants select "the younger, better-educated, and more highly productive workers -- those with the greatest endowment of human capital." He argues that this selectivity leads to higher economic growth and labor demand in receiving areas but decreases growth and demand in sending areas, leading to additional migration, and thus creating circular and cumulative causation (ASA, p.27).

In this discussion, Massey acknowledges only the response of the host economy to immigrant labor. The more efficient the immigrant networks, the more efficiently host capital can respond because migrant networks reduce employers' costs of labor recruitment. This response does, indeed, augment the job supply in the general labor market, thus delaying economic saturation, and promoting cumulatively caused migration just as Massey claims. But it is apparent that Massey's recital of these economic commonplaces overlooks the immigrant economy. In effect, Massey operates from a model in which  $J = S$  but in which J expands in response to labor influx. Even if J's expansion can proceed infinitely, as Massey implies, Massey's treatment of the general labor market overlooks the immigrant economy. The larger the immigrant economy, the larger this flaw.

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<sup>3</sup> Earnings opportunities exclude transfer payments such as public welfare, private charity, or remittances to the immigrants from abroad. On welfare and immigration, see Peterson and Rom, 1989.

## Haitians and Cubans in Miami

To illustrate this claim, Table 1 shows the sectoral representation in 1980 of Cuban Marie1 refugees and Haitian refugees in Miami. Derived from the work of Alex Stepick, this table is based ultimately upon official statistics. The three sectors are: unemployment, the immigrant economy, and the general labor market of Miami. Cuban Marie1 refugees are working class Cubans, expelled from their homeland, who arrived in a massive exodus in 1979. A significant proportion of these Cuban refugees were black. Haitians are impoverished blacks who claimed political refugee status in the United States but whom the U.S. government defined as economic refugees.

The sectoral representation of Haitians and Cubans was drastically different. Haitian refugees had 58.5 percent unemployed, 0.7 percent working in the immigrant economy, and 40.8 percent employed for wages or salaries in the general economy. In contrast, Cuban Marie1 refugees had 26.8 percent unemployed, 46.1 percent employed in the immigrant economy, and 27.1 percent employed in the general economy. In effect, the Haitian economy lacked an immigrant economy and so approximated the one-sector economy Massey's network theory assumes across the board. Haitian employment in the general economy was 13.7% higher than Cuban employment in that sector. But Haitian unemployment was 31.7% higher than Cuban unemployment. This discrepancy implies that 18% of Cubans who were employed in the Cuban immigrant economy would, in fact, have been unemployed if no immigrant economy had existed to employ them. Discharged from the immigrant sector, the remaining 13.7% of Cubans would have found wage-earning jobs in the general economy.

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Table 1 about here

If immigrant economies are defined strictly in terms of the general labor market, overlooking the immigrant economy, the oversight would seemingly matter little for Haitians. However, as Stepick (1989: 116-125) shows the impression is misleading. Haitians in Miami operated a very extensive informal economy that these official statistics did not and could not measure or acknowledge. Although operated for cash only and without the knowledge of tax collectors, the Haitians' informal economy amounted to "informal self-employment" (1989: 122). Haitian entrepreneurs created jobs for themselves and for other Haitians. Their informal firms were chiefly in dressmaking, tailoring, food preparation, child care, transport, construction, automobile repair, and electronic repair (Stepick, 1989: 122). In point of fact, then, a significant immigrant economy existed among the Miami Haitians as well as among the more affluent Cubans, but this Haitian economy was too marginal to measure. Hard to measure does not mean non-existent.

Thanks to the official statistics, this point is easier to make for the Cubans among whom the immigrant economy was sufficiently large to permit its measurement. To overlook the Cuban immigrant economy would be to fall into two serious errors. First, this oversight would exclude 45.4% of Cuban workers from observation. Examining only 54.6% of workers, we would imagine we examined all, a misapprehension. Second, such treatment would overlook the choice context in which Cuban workers operated. In the general labor market, workers chose between a wage job and unemployment. These make two choices only. In fact, Cuban immigrants had three choices: a wage job in the general economy, unemployment, or the immigrant economy.

This third option creates a new choice context. As Fernandez-Kelly and Garcia (1989: 248) have put it, the existence of an immigrant economy "shields" immigrant workers "from the mainstream labor market." This sectoral shield permits immigrant workers to exert some upward pressure upon the general labor market which, if it wants their services, must make offers that are not only superior to unemployment, but are also superior to what they could otherwise obtain in the immigrant economy, whether as employees or as self-employed. The mere fact that a substantial percentage of immigrant workers select the immigrant economy reduces the supply of immigrant labor in the general wage

economy, thus exerting upward pressure on wage rates and working conditions for those in the general labor market.

In the case of immigrant women, frequent employees in the immigrant economy, the scholarly controversy about relative wages in the immigrant economy and general labor market (Phizacklea, 1988:21; Min and Logan, 1989) overlooks “ideological and subjective” influences upon women’s work decisions (Schmink, 1984: 93).<sup>4</sup> Flexible hours, part-time work, and liberal child care policy are important non-wage attractions that cause immigrant women to prefer the immigrant economy to the general labor market (Dallalfar, 1988: 161-184). Precisely insofar as women workers have the option of an immigrant economy, the general labor market experiences pressure to modify its unyielding job requirements in order to lure women employees away from the immigrant economy where, if sometimes underpaid, they are flexibly accommodated (Portes and Jensen, 1989: 941; Min and Logan, 1989). Moreover, many immigrant women can only work when child care policies are liberal and hours flexible. Otherwise they must be fulltime homemakers and baby sitters. For such women, the general labor market offers no satisfactory alternative to unemployment. Neither is acceptable. Only the immigrant economy permits them to work at all. In this sense, the immigrant economy’s flexibility increases the percentage of immigrant women who can work for wages at all, thus bolstering the gross income of their households and of the immigrant community.

## Networks and Entrepreneurship

Second, contemporary network theory overlooks the role of immigrant networks in creating the immigrant economy. This oversight is remarkable in view of the stress network theorists properly lay upon the migrant network’s cost-reducing and risk-diversifying properties in the mainstream economy. In overlooking the economic effects of immigrant networks in the destination economy, Massey and others overlooked a network function of great importance and one, moreover, that complements and expands network theory (see Johannisson, 1988). Our friendly objections to network theory expand this theory’s scope and utility. Whatever other functions they also serve, migrant networks are entrepreneurial resources that immigrants emolov to expand the economic opportunities they face in destination economies (Light, 1972).

When migrant networks support coethnic entrepreneurship, thus creating an immigrant economy, the networks modify the existing economy in the destination locality. This modification permits that destination economy to increase its saturation threshold, thus permitting more immigrants to find work in the target economy than would have been possible had the general labor market been the only dispenser of employment. Naturally, the modification of the destination localities begins after the migration network has begun to land workers there. The length of this lag is variable and probably depends upon political restraints upon immigrant enterprise. These political restraints have been much more prominent in European countries than in North America (Blaschke, et al., 1990). Nonetheless, the network’s favorable modification of the target economy creates a “pull” influence that supports and seconds the “cumulatively caused” migration of network theory. Therefore, migration networks are actually more effective than theory acknowledges because the networks not only lower the costs of migration, they also augment economic opportunities in destination economies.

The migration network enhances immigrant entrepreneurship in three principal ways. First, the network feeds low cost coethnic labor to immigrant entrepreneurs just as it does to non-immigrant entrepreneurs. Immigrant entrepreneurs routinely employ coethnics (including kin) at rates vastly above chance levels. Min (1989: 66) reported that 30 percent of employed Koreans found jobs in firms owned by fellow Koreans even though Koreans were only one percent of the Los Angeles County

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<sup>4</sup> The literature reads as if all immigrant women became employees. Certainly, most do. In general, women are less likely to become self-employed than men. Nonetheless, some immigrant women become entrepreneurs. A complete account of the gender-specific effect of the immigrant economy would certainly need to bring in the women entrepreneurs too. See: Goffee and Scase, 1983.

population. More tellingly, Hansen and Cardenas (1988: 233) compared the employment rolls of Mexican immigrant employers, native-born Mexican employers and non-Mexican employers in Mexican neighborhoods of California and Texas. They found that Mexican immigrant employers were “most likely to hire undocumented Mexican workers,” and were also most likely to express very favorable evaluations of the quality of these workers, not just their cheapness. Next in line came the native-born Mexican employers. Last were the non-Mexican employers who employed the least undocumented labor and, when asked about it, stressed its cheapness, not its quality. This result shows that the migration network fed foreign-born Mexican workers to coethnic employers who knew how to get more work out of them and had more favorable opinions of them.

Information is a second support resource. Migration networks feed economic information to immigrant entrepreneurs and would-be entrepreneurs. This information concerns the best industries to enter, pricing, technology, business methods, and the like. The information follows the migration network for natural reasons. The migration network is a frequently used channel of communication along which all kinds of messages easily and inexpensively flow. Business information is just another message. The migration network’s messages are credible because of the relationships of mutual trust that link members. This credibility is especially important in business. In many cases, the migration network appeals to participants’ ethnic chauvinism. Chauvinism encourages participants to hoard useful information while concealing it from outsiders. Under these conditions, the network becomes the channel by which knowledgeable immigrants hoard and conceal information to the benefit and advantage of their ethnic group.

Migration networks also provide access to various kinds of mutual aid and assistance other than and in addition to information. Many immigrant entrepreneurs acquire their initial training in business in the course of an apprenticeship passed in the business of a coethnic. Once established in business, they can call upon primary social relationships, embedded in the migration network, for help in business. This help includes purchasing at advantageous prices, dealing with public bureaucracies and courts, customer and supplier relations, financial and production management, labor relations, industrial engineering, quality control, marketing, and the introduction of new products or techniques (Light and Bonacich, 1988: chs. 7-10; Light, 1985). In some cases, immigration networks provide access to rotating credit associations and through them to business capital (Light, Im, and Deng, 1990). In all these cases, the existing literature documents the utility of the entrepreneur’s network connections when confronting standard and inescapable business problems (Kilby, 1971).

## Conclusion

A big improvement over existing push and pull theories of migration, including world systems theory, immigration network theory still needs to recognize that immigrant networks create employment; they do not just facilitate the **immigrants’ job** searches. Additionally, immigrant networks are qualitatively different one from another, a point overlooked by existing network theory. Networks are not fungible. From the point of view of entrepreneurship, some networks are more productive than others. This qualitative dimension of the immigrant network may affect the network’s capacity to reconstruct the economic environment in destination localities, and thus affect the capacity of the network to produce the economic conditions for its own persistence.

Taking account of the entrepreneurial functions of networks, we are in a position to explain the migration network’s otherwise puzzling self-levitation over the normal material constraints that govern migration decision-making. Massey’s formula of “cumulative causation” properly calls attention to the network’s self-perpetuating functions without, however, explaining the network’s capacity to create the economic growth on which it thrives. Once fully underway, networks generate at economic growth that enhances their survival chances. True, migration networks do not attain immortality. When finally unable to deliver economic opportunities, they collapse and disintegrate. Still, the networks are much more resilient than the simple economic conditions that gave rise to them. One reason is the overlooked capacity of immigrant entrepreneurs to create the very economic opportunities that migration networks require.



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Table 1 Cuban and Haitian Refugee Employment in Miami,  
1980: in Percentages

	Cuban Mariel Refugees	Haitian Refugees
Immigrant Economy		
Self-Employed	15.2	0.5
Working in Coethnic Firms	30.9	0.2
General Labor Market		
Unemployed	26.8	58.5
Employees	27.1	40.8
Total in Percentages	100.0	100.0

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Source: Alex Stepick, "Miami's Two Informal Sectors." Ch. 6 in The Informal Economy, edited by Alejandro Portes, Manuel Castells, and Lauren A. Benton. Baltimore: Johns Hopkins University.