

Chinese Ethnic Economy in Toronto

Preliminary Report

By

Eric Fong
University of Toronto

and

Ambrose Ma
President, South East Asians Services Centre

Overview

Ethnic economy is an alternative avenue of economic integration for immigrants who have lower levels of human capital resources.

A large proportion of individuals participating in ethnic economy earn less than those who work outside the ethnic economy. The earning difference is more obvious for salaried workers.

Although participating in ethnic economy implies more interaction with co-ethnic members in the working environment and other social activities in general, it does not improve job or life satisfaction.

Most businesses in ethnic economy are small in scale, require low levels of skill, and their services are ethnic specific.

The recruitment pattern clearly demonstrates the importance of the ethnic network in determining employment in the ethnic economy.

Business owners are cost conscious. They choose their wholesale services based on economic cost.

Most Chinese business owners have never used services for small business. Among the owners who use the services, most of their customers are non-ethnic.

Results

Who Participates in Ethnic Economy

Previous American studies of ethnic economy found that those participating in ethnic economy have lower levels of human capital resources than those who work outside the ethnic economy. Our findings confirm this pattern. Only about 31% of those participating in ethnic economy, as compared to 56% of those who work outside the ethnic economy, have completed university education. In addition, only 16% of those participating in ethnic economy considered their English ability to be very good, but 26% of those not participating in ethnic economy considered their English ability to be very good. The results suggest that ethnic economy is an alternative avenue of economic integration for immigrants who have lower levels of human capital resources.

Economic Returns of Participating in Ethnic Economy

Findings clearly show that the majority of individuals participating in ethnic economy earn less. About 61% of those participating in ethnic economy earn less than \$30,000 and no one earns more than \$80,000. Of those participating outside the ethnic economy, only 26% earn less than \$30,000, and 10% earn more than \$80,000.

When we compare the economic returns of salaried workers participating within and outside ethnic economy, the earning disadvantage of salaried workers participating in ethnic economy is distinctive. About 80% of salaried workers participating in ethnic economy earn less than

\$30,000, compared to only 26% of those participating outside the ethnic economy.

In short, a large proportion of individuals participating in ethnic economy earn less than those who work outside the ethnic economy. This earning difference is more obvious for salaried workers.

Psychological Benefits of Participating in Ethnic Economy

Most studies on ethnic economy have focused on the economic returns of participating in ethnic economy. This study extends the understanding of ethnic economy to the psychological aspects of participation. The results show that a slight higher percentage of those participating in ethnic economy are satisfied with their jobs than those who are outside the ethnic economy. The results are almost identical when we compare salaried workers participating in and outside ethnic economy. Statistical analysis, more specifically the Chi-square test, suggests that the difference between participating within and outside ethnic economy are not statistically significant.

When we compare a general life satisfaction, individuals participating in ethnic economy are more likely to express satisfaction than those who are not in ethnic economy. Nevertheless, statistical analysis indicates that the results are not statistically significant.

In short, participating in ethnic economy, which implies more contact with co-ethnic members, does not increase job satisfaction or life satisfaction in general.

Social Integration

Working in ethnic economy clearly affects the level of participation in non-ethnic social activities. Only 23% of those working in ethnic economy frequently participate in

non-ethnic social activities, as compared to 77% of those working outside the ethnic economy. However, the level of participation in Chinese ethnic social activities is not affected by whether or not individuals work in ethnic economy. The level of participation in Chinese ethnic social activities is almost identical for those working within and outside ethnic economy.

In sum, participating in ethnic economy may affect the integration process of individuals into mainstream Canadian society. However, maintaining contact with the ethnic community does not relate to whether or not individuals participate in ethnic economy.

Self Employment

In this section, we focus on the employers in the ethnic economy. The purpose of the discussion is twofold. First, we provide a portrait of employers in the ethnic economy. Second, we address business operations within the ethnic economy. We are thus able to provide a glimpse of the supply side of the ethnic economy.

Our findings suggest that Chinese business owners are more likely to be involved in retail food stores or restaurants. About 20% of Chinese business owners are involved in these two industries. In addition, about 9% are in retail clothing business, and 6% are in beauty shop and household services. Most of these businesses seem to have the common characteristics that their services are ethnic specific and require low levels of technical skill. In other words, these businesses are in a protected market where Chinese ethnic business owners have a niche and an advantage over other groups.

Most of these businesses are small in nature. About 32% have no employees, and 67% have fewer than 10

employees. The majority of Chinese business owners who employ workers (about 56%) recruited the employees from the recommendations of friends. In addition, about 14% of Chinese business owners recruited their employees through their family networks. The recruitment pattern clearly demonstrates the importance of ethnic networks in determining employment in the ethnic economy. For business owners, hiring through social networks has the advantage of reducing the search costs substantially.

Most Chinese business owners are cost conscious. They use both Chinese and non-Chinese wholesale services. The most common reason for using specific wholesale services is not language (only 16%), but cost efficiency (21%).

In short, most businesses in ethnic economy are small in scale, their services are ethnic specific, and low levels of skill are required. Business owners are cost conscious. They choose their wholesale services based on economic cost. When workers are needed, most recruitment is done through the networks of relatives and friends. Hiring through these networks may reduce the cost of searching.

Use of Services for Small Business

A considerable number of organizations provide services to small business owners. Our findings indicate, however, that most of the Chinese business owners (68%) have never used these services mainly because many of them are not aware of the existence of such services or organizations. Chinese business owners expressed their needs for more services such as providing business documents written in Chinese, interacting with Chinese-speaking representatives in major organizations, and receiving practical help when their business encounter

various problems.

A closer look at the results suggests that the businesses serving largely non-ethnic customers tend to use more of the existing services than those serving largely co-ethnic customers do. This trend may be related to the characteristics of people engaging in the former type of business, namely their higher level of human capital and longer duration of stay in Canada.

Methodology

The data used for the study come from a telephone survey conducted between October 1997 and January 1998 in the city of Metropolitan Toronto (including the regions of Toronto, North York, East York, York, Scarborough, and Etobicoke), and three neighbouring cities (Richmond Hill, Markham, and Mississauga). All of these areas have high proportions of Chinese residents.

The sample selection for the survey was based on a telephone CD-ROM directory. Last names were selected which sounded like the Mandarin, Cantonese, or Vietnamese pronunciation of Chinese last names. The list compiled can represent Chinese from various countries, including Taiwan, Hong Kong, mainland China, Vietnam, and other Southeast countries.

Before the surveys was conducted, an explanatory letter was sent to all individuals on the list. Two weeks later, calls were made to request interviews. Once the appointments were set up, trained interviewers who could speak English, Cantonese, and Mandarin visited the interviewees at home.

The demographic and social characteristics of the Chinese in the current sample closely resemble those of the

Chinese population in the Toronto area as found in the information published in the 1991 Canadian census.

RESEARCH OUTPUTS AND DISSEMINATION OF RESULTS

Because the data collection was completed in May, only preliminary analyses were performed. Detailed multivariate analyses will be undertaken and research papers will be developed based on the analyses. We intend to present the findings in professional meetings and conferences.