

IMMIGRANTS AND ENTREPRENEURSHIP: A ROAD FOR TALENT OR JUST THE ONLY ROAD?

SUSANA IRANZO*

October 2012
(Preliminary)

Abstract

Casual evidence for some developed countries suggests that most talented migrants become entrepreneurs (positive sorting), but entrepreneurship might also be chosen by less talented migrants who have fewer opportunities in the labor market of the countries where they migrate (negative sorting). Using a rich survey of immigrants conducted in Spain between 2006 and 2007, this paper investigates the selection into self-employment of immigrants. Our findings reject a U-shaped relationship between immigrants' skills and self-employment for the Spanish case. Instead, the results are consistent with a model of positive sorting into entrepreneurship –self-employed migrants tend to have (statistically significant) better observable characteristics than salaried workers and, if anything, unobserved ability also sort migrants into self-employment. Nonetheless, non-market mechanisms, that is, penalties in the labor market beyond the mere human capital losses than migrants might experience upon arrival, are also consistent with the relatively higher probability of self-employment and the lower entrepreneurial quality of certain migrant groups.

*Department of Economics and CREIP, Universitat Rovira i Virgili, Avinguda de la Universitat 1, 43204 Reus, Spain. Email: susana.iranzo@urv.cat.