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## Human capital effect on second generation immigrant entrepreneurs

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# HUMAN CAPITAL EFFECT ON SECOND GENERATION IMMIGRANT ENTREPRENEURS

by

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A thesis submitted in partial fulfillment of the requirements  
for the Honors in the Major Program in Management Studies  
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## **Abstract**

Interest in entrepreneurship has increased in the past few years as more schools are beginning to incorporate subject and degrees specializing in the area as well as individuals mobilizing into an entrepreneurial lifestyle due to the lack of opportunities in the standard workplace environment. Historically, immigrants have made up a large majority of entrepreneurs and it has been their primary way of upward mobility in society. The boom in high tech start-ups and other small businesses in the last decade have primarily been driven by children of immigrants. As a result of these recent trends this study analyses the foreign born children of immigrants and their entrepreneurial capacity.

The intent of this study is to find to what extent human capital affects the entrepreneurial capacity of immigrant children, if any. By analyzing the Theory of Human Capital in Entrepreneurship and its main variables, the study aims to find their level of human capital. Through the gathering of recent population data, analysis of research journals, publications and books, we evaluate the level of human capital and how it affects the capacity of the individual. Historically, evidence has shown a correlation between the two and we hope to contribute to the research and better understand its role in our subject matter as well as bring more awareness to a topic that lacks information.

## **Acknowledgements**

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My appreciation also goes to committee members, Professor Michael Ciuchta and Professor Steven Leon who were willing to be part of the process as well and took time to give me insights and recommendations on various parts of the process.

Overall I am grateful for everyone that was involved in this process as well as my family that has inspired me to achieve greater things, and this process which granted me the opportunity to not only learn about a subject but challenge my thinking and give me my first experience in the world of research.

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## INTRODUCTION

“Give me your tired your poor your huddled masses, yearning to breathe free”.... The masses listened and they came. The U.S Department of Homeland Security reports that over 76 million immigrants have arrived on United States soil searching for a more fulfilling and meaningful life since 1820. Legally and illegally, individuals and their families embarked on a journey into the unknown. And as they embrace a new land, they forsake the place they called home, bringing a few material possessions and memorabilia but most importantly, they bring their deepest hopes and aspirations. Hopes and aspirations that inspired their children, as the new land of opportunity also captivated them and a new generation continues the American Dream. Today, this new generation is the fastest growing youth generation and accounts for almost a quarter of all youth in schools (Hernandez 19). Not only are they a rapidly growing group changing the racial and ethnic climate in the United States, but they are also a force in entrepreneurship. Entrepreneurship has always been present in immigrant communities and immigrants have always been a driving force in US businesses. Not until recently through the rise of electronic information and data can one see how far their impact goes. From 1995 to 2005, more than a quarter of technology and engineering companies started in the United States had at least one key founder who was foreign-born (Ewing Marion Kauffman Foundation). In addition, “foreign nationals residing in the United States were named as inventors or co-inventors in 25.6 percent of international patent applications filed in the U.S. in 2006” (Wadhwa et al.). As a matter of fact, in 2010 the immigrant rate of entrepreneurial activity for immigrant population was 0.62 percent, significantly higher than the native-born U.S. population—0.28

percent (Wadwha et al.). Furthermore, immigrant entrepreneurship has had an impact on native-born jobseekers. It is estimated that since 1990 venture-backed firms owned by immigrants have created more than 400,000 jobs in addition a combined market capitalization of roughly \$500 billion (Stuart and Platzer 6). Data from the Partnership for New American Economy shows that in 2012, immigrants founded 19% of Fortune 500 companies while the children of immigrants founded 23.4% of Fortune 500 companies, making immigrants and children of immigrants account for almost half of all fortune 500 companies in 2012 (Fig. 1). These are very significant figures, which display the capacity and ability of immigrants to be self-employed and become an economic force in their newly adopted land.

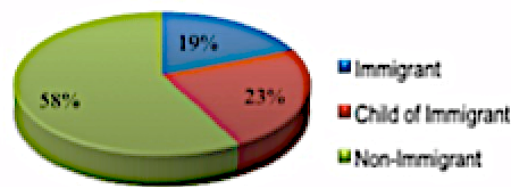


FIGURE 1: FOUNDERS OF 2012 FORTUNE 500 COMPANIES



## **DEFINITIONS**

### ***Second Generation Immigrants***

For the purpose of this study, second generation immigrants will be defined as foreign-born children of immigrant parents who arrived to the United States before the age of 21. The age of 21 is selected because in the U.S. it is the age by which most children become legal with the same the older population has. The term second generation and children of immigrants may be used interchangeably in this study as long as the data matches the definition previously mentioned. The legal status of the subject matter either naturalized or undocumented will be applied where appropriate, as the data from undocumented immigrants is not as accurate.

### ***Human Capital***

Human capital refers to education, on the job training and health services available to individuals. Education is pre-schooling all the way to all levels of post-secondary institutions. On the job training refers to the knowledge and skills acquired through first-hand experience in the word of business or parent's business, and health services are the access to proper nutrition, housing and healthcare. Those three factors are variables that determine the entrepreneurial capacity of the individual according to Theodore Schultz (Schultz 9)

## ENTREPRENEURSHIP

There are numerous definitions that describe the word entrepreneurship; Google Search returns over 10 million search results for “Definition of Entrepreneurship”. In economics there are at least 12 different variations that define the word (Gallaher et al. 24). This ambiguous word was borrowed from the French word “entreprendre” and adapted into the English language. Its English definition, according to Merriam Webster Dictionary, is “one who organizes, manages and assumes the risk of an enterprise”.

It is a word that has evolved through the years. The word itself appeared first in the *Dictionnaire Universel de Commerce*, defining it as someone who undertakes a project, a manufacturer, a master builder (Gallaher et al. 24). Irish-French Economist Richard Cantillon is credited for being the first one to use the word describing someone who is “bearer or risks” in his 1755 post death published work “Essay of Nature and Commerce in General”. There is mention of even earlier forms as far back as the 14<sup>th</sup> century, more frequently it was used to refer to a government contractor undertaking “military fortification of public works” (Gallaher et al. 25; Hoselitz 140). Later, 20<sup>th</sup> century definitions such as Joseph Schumpeter’s who viewed entrepreneurs as an innovator who undertakes (1) the creation of a new good or service, (2) the creation of a new method of production, (3) the opening of a new market, (4) the capture of new source of supply, and (5) the creation of a new organization or industry (Iversen et al. 6). Theodore Schultz argued that entrepreneurship is the ability to deal with situations of disequilibria and reallocation of resources to reach the desired level (Iversen et al 12).

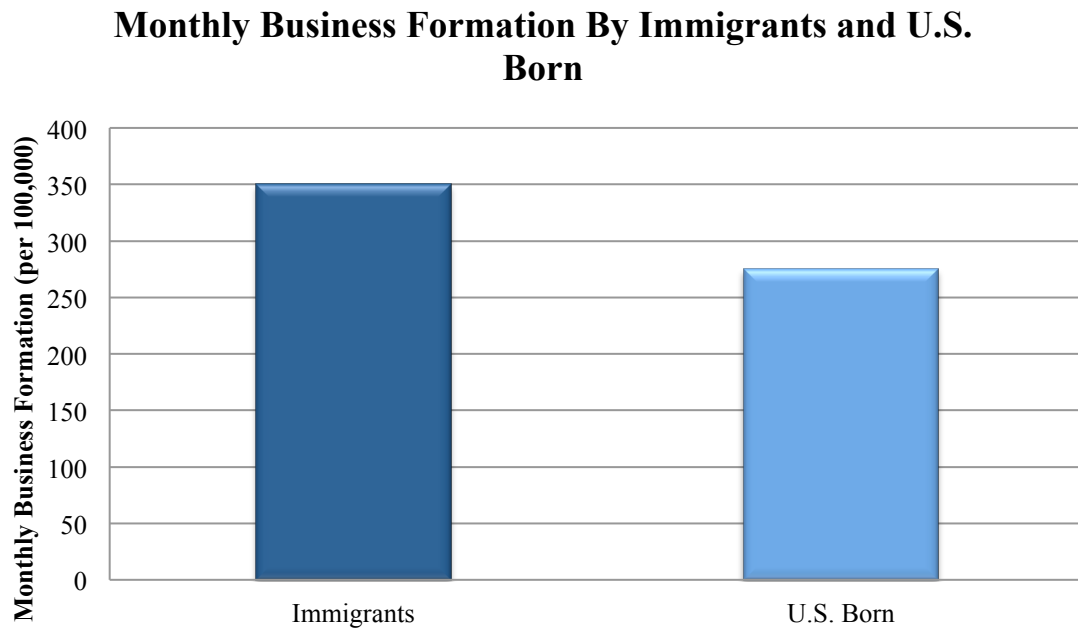
In sum, entrepreneurship has drawn a wide array of definitions from many prominent economists and researchers of their time, which makes it difficult to focus on one definition that should be used to describe the word. Each variation of the word can be argued to have validity and reasoning not only in their time, but in present day as have transcended and are fitting in modern use. Drawing from the previous definitions of entrepreneurship, and borrowing from Schultz's and Cantillon's definitions for the purposes of this study, we define entrepreneurship as an individual who is able to allocate limited resources and willing to undertake and create any type of business and bear its risks.

## **IMMIGRANT ENTREPRENEURSHIP IN THE UNITED STATES**

Now that we are better informed of the various definitions of entrepreneurship, let's now take a look at how immigrants have been identified with entrepreneurship throughout U.S. History. Upon arriving to the US, the limited job opportunities faced by immigrants led them to "view self-employment as a route to upward mobility" (Sanders and Nee 231). The United States has been known as a "Nation of Immigrants" a phrase that became popular after John F. Kennedy published his Essay titled as such. An immigrant's quest is not much different from that of an entrepreneur. Immigrants, like entrepreneurs are searching for the opportunity that freedom brings to their hopes and aspirations: a better lifestyle and the realization of the American Dream while contributing to their newly adopted homeland. Immigrants have also contributed to culture bringing their own customs, traditions, foods and even language, but most importantly they contribute in the creation of wealth, jobs and innovation through entrepreneurship.

One can look at DuPont (France), Pfizer (Germany), Procter and Gamble (England and Ireland) and US Steel (Scotland) to name a few, all founded by Immigrants (Smart Money). These companies alone employ over 120,000 Americans and generated over \$204 billion in revenue in 2012 (Fortune 500 List). As shown in Fig. 2 below, we see the superior number of immigrant funded businesses compared to U.S. born population, the datum is based findings per 100,000 persons and the number of businesses formed per month in 2011 (Hamilton Project). Immigrants form an average of 350 new businesses per month compared to 275 of the US born population, that's 27% more than the U.S. Born population. Although the numbers are surprising and tell a story in themselves, it seems that immigration and entrepreneurship are two words that seem to be linked. It may be due to the fact that immigrants possess the traits of entrepreneurs.

FIGURE 2: MONTHLY BUSINESS FORMATION BY IMMIGRANTS AND U.S. BORN



Hamilton Project

As previously mentioned entrepreneurship entails risk which is a factor that immigrants undertake when embarking on their journey to the United States. Immigrants are therefore considered to have an appropriate attitude and a state of mind to start a business (Verheul et al. 16). Leaving ones homeland, culture, family and all the things that they know is no easy feat. According to Department of Homeland Security, the U.S. admitted 474,918 new legal permanent residents in 2011. While this seems like a large number, let's consider the fact that over three billion people around the world live on less than \$2.50 a day (Global issues.com). In Contrast, according to the US Census Bureau for 2011, the average American earned \$137 a day (US Census Bureau 2011). The discrepancy in income would lead many to believe that millions flock

to the US in order to find a higher quality of life, however if we look at the figures above only a small percentage of people actually migrated to the US in 2011.

Clearly not everyone has the capacity to migrate to the United States, for reasons such as distance, financial, political, or whatever personal reasons that may be. Immigrants are limited by various reasons and as a result, have to efficiently allocate the scarce resources they do have in order to begin their journey to a new land. It takes a willing and determined individual to overcome the barriers that immigrants face along the way. For instance, immigrants arriving illegally from Latin America face being kidnapped, raped, enslaved, and even murdered (Fundacion Mepi). In addition, the United States sets a limit on the number of immigrant visas granted each year; worldwide family sponsored visas are limited to 226,000 and employment based are just 140,000 (Travel State). Furthermore, the employment-based visas are very limited to highly gifted individuals or those willing to invest \$1,000,000 or \$500,000 in high unemployment or rural areas.

Immigrants not only face an uphill battle to enter the United States, either legally or illegally, they are also limited by the lack of human capital such as, language, education, access to health services and information, not to mention the uncertainty of settling in a new country. It can be argued that the first generation has fared rather well through entrepreneurship, with the establishment of companies like the ones mentioned previously. Today, second-generation immigrants, which will be referred to as SGI from now on, have continued that entrepreneurial spirit and have either funded or help fund companies like Google, Yahoo, nVidia, and EBay (Smart Money). It does not stop there; their businesses are in food manufacturing, transportation,

hospitality, construction, money transfer services, travel, and specialized ethnic business (Center for Urban Future). A widely diversified group with one common purpose, to achieve the American Dream no matter the hurdles they have to overcome. Later, we will look at some of those hurdles in the context of human capital and how it plays in second generation immigrant entrepreneurs, hereafter second generation immigrant entrepreneurs will be referred to as “SGIE”.

## **PURPOSE OF THE STUDY**

This study aims to analyze the success of immigrants as entrepreneurs and explore the human capital effect on the entrepreneurial capacity of second-generation immigrants. We want to better be able understand how a group who usually has lower access to human capital, seems to be more predisposed to be entrepreneurs in comparison to other groups, such as native-born Americans. Also, we want to find if SGI actually have lower levels of human capital. The study will look at data gathered on the subject matter from various studies and include a more humanized finding by including stories from actual SGI.



## **SIGNIFICANCE OF STUDY**

Immigration is the single largest contributor to population growth in the United States, and immigrants under 21 including SGI make up the largest part of it. In addition, SGI children are more likely to be self-employed than native-born children (qtd. In Meissner et al. 8). Researchers have not studied the drivers and motivation for SGIE such as human capital. However, they have gotten more exposure in the last decade due to the technological boom of companies such as Google, eBay and Yahoo which were founded or co-founded by SGI. As a matter of fact, in Silicon Valley, over half the startups had at least one key immigrant founder (Wadhwa et al. 4).

Still, there is still a lack of research focused on SGIE and of how many children of immigrants engage in entrepreneurial activities. The results of this study will provide some insights on what role human capital plays in SGIE. It will measure the levels of human capital based on the theory of human capital and entrepreneurship's variables of education, on the job training and health services for SGI's and how it compares to that of the native born, which according to the theory should be high in order to have increase the capacity of entrepreneurship. This study will hopefully boost interest in the subject as well as lead to larger scale national study with clear and consistent quantitative data analysis on SGIE.

## **RESEARCH QUESTIONS**

In order to better understand and appreciate this generation of immigrants, this study will seek to explore the following research questions:

- What role does human capital play in SGIE?
  - Education
  - On the job Training
  - Health Services

The main objective of this research is not to raise a new debate; it is intended to shed light on a topic that has rarely been researched. Neither does it intend to propose that the availability or lack of human capital produces entrepreneurs; it intends to just explore what role does human capital play in SGIE. In the next section we will answer the above questions. First, we will look at entrepreneurship and what makes up an entrepreneur, then a brief background on immigrant entrepreneurship in the United States. Finally, we will look at The Theory of Human Capital in entrepreneurship and the level of human capital in SGIE.

## **RESEARCH METHOD**

This study seeks to find out what role does human capital play in SGIE. A focused literature review will be the primary source of information used to answer the research questions. The reason why this study undertakes a focused literature review approach is the lack of and inconsistency of available data. There is little data about second generation immigrants since the Census data stopped asking parents country of birth in the 1980's. This limits the amount of data available on the subject matter since we cannot clearly identify them as first, second or third generation immigrants. Most research papers focus their research on simply immigrant entrepreneurship, limiting the vast differences that each generation has and useful information that may be obtained by focusing on each segment.

In order to gather the most accurate and relevant data relevant to our subject matter, we also analyzed statistical data gathered on the immigrant population. We analyzed published studies, as well as government data, and then separated them based on the variables being measured, such as age and country of birth. This allowed for the analysis to focus on those born outside the United States and under 21 years of age, which match our definition of SGI's. Two primary sources of data were selected, the Children of Immigrants Longitudinal Study (CILS) and Adult Children of Immigrant Entrepreneurs: Memories and Influences research studies. Both papers have variables that more closely match our subject matter and that we are able to accurately measure to be consistent with the research.

In order to search for relevant supporting data, Google Scholar as well as the University of Central Florida Online Databases was used. This allowed for the focus to be on SGI, their

characteristics and common traits between ethnicities and entrepreneurship. The goal was to first understand the common traits SGI had and be well informed in as many aspects as possible in their education, training and health levels. Once that was done, the data was matched to make sure it coincided with the purpose of this study and only then were the findings developed.

## **FINDINGS**

### ***Human Capital Effect on Entrepreneurship***

Renowned economist and Nobel Prize winner, Theodore W. Schultz in his 1961 publication “Investment in Human Capital”, first introduced the Theory of Human Capital and Entrepreneurship (Schultz 1). Although unknown to many in the field of entrepreneurship, it provides many interesting and useful contributions (Klein and Cook 344). Schultz’s view on people and entrepreneurship is that “No matter what part of the economy is being investigated, we observe that people are consciously reallocating their resources in response to changes in economic conditions” (Schultz 2). His view focuses on the ability of people to allocate resources according to events in the economic environment. Equally important, Schultz viewed entrepreneurship as a rare and scarce resource and viewed entrepreneurial activity as a form of human capital (Klein and Fox 347).

In his theory, Schultz classified the following variables as investments in human capital that promote entrepreneurial activities:

- Education activities at all levels
- On the job training such as apprenticeship
- Health Services

It should be noted that Schultz did point out that these are key human capital factors, however not all of these factors are detrimental in finding a path to entrepreneurship. Schultz also mentioned the importance of parent’s knowledge handed down to their children. This variable was incorporated into on the job training, as it is where our findings showed they experienced most of their knowledge consumption from their parents. It should be noted that this

study does not try to propose that high human capital produces entrepreneurs; rather it tries to study how access to sources of human capital affects entrepreneurial activities.

## **HUMAN CAPITAL AND ENTREPRENEURSHIP IN SECOND-GENERATION**

### **IMMIGRANTS**

Next, we investigate research findings that relate to human capital and entrepreneurship. In these studies, three variables were used to measure human capital, namely education, on the job training and health services. These findings will better give us an understanding of the role that human capital plays in SGIE along with a personal story included to in order to add a humanization aspect to the research.

#### ***Education***

Educational achievement varies between ethnic groups of SGI; however based on our findings the majority of SGI have a disadvantage in educational achievement. The Urban Institute, which analyses U.S. social and economic problems, mentioned in their 2009 study of SGI educational attainment that “in reality, immigrant youth are being academically left behind by their native-born peers” (Cruz 3). The Education Act of 1998 defined education disadvantage as the “*impediments to education arising from social or economic disadvantage which prevent students from deriving appropriate benefit from education in schools*”, and so, educational disadvantage is any social or economical impediment in the ability of a child to attend K-12 and schools of higher learning in order to gain the human capital of skills and knowledge (Citizens Information). Social disadvantages for SGI include legal status, distrust of government programs, and language (Tienda 7). Economic disadvantages in education include affordability as well as lack of appropriate resources to get to school, such as transportation (Karoly and Gonzalez 87).

As previously noted in Schultz's Theory, pre-schooling activities play an important role in the quest of human capital and entrepreneurship (Schultz 9). Other findings show that SGI however, bear an educational disadvantage in this area when compared to the US born population (Foundation of Child Development). A study conducted by the Foundation of Child Development, found that 44% of children of immigrants (variable matched this study) are enrolled in pre-school, in comparison to 53% of those whose parents were born in the U.S. Many children are not able to participate in pre-school due to inability to afford it as well as parents mistrust in the pre-school programs which are usually govern. Access to pre-school programs has benefits that can extend to adolescence and are drivers of upward mobility, one of them being through entrepreneurship, for not only immigrants but native-born children as well (Foundation of Child Development)

In the area of schooling, elementary and middle school have lower levels of second-generation participation, but especially in the area of higher education, which includes high school and college; SGI also bear the disadvantage. Children of immigrants have a high school dropout rate of 25% in contrast to those of native born of 18% (Foundation for Child Development). This in turn leads to less SGI attending college, depriving them of the opportunities that college brings such as higher knowledge and experience through internships and co-ops. As a result of higher dropout rates, the inability to afford college, and the inability to qualify for financial assistance due to legal status, SGI children have lower rates of higher education.



### ***On the job training***

On the job training allows for the accumulation of intangible skills such as work ethic, communication, and interpersonal skills that can be transferred to other fields such as entrepreneurship. It should be noted that on the job training is not limited to pay for labor duties, it also includes apprenticeships such as internships and working for family with no wages earned. As noted earlier in Schultz' theory, on the job training is linked to enhancing entrepreneurial ability. SGI are no strangers to this as many work in their parent's business from a young age. Schultz's theory shares similar concepts with those of Schumpeter, Knight and Kirziner. However, they differ in that Schumpeter along with Knight and Kirziner view entrepreneurship as an unexplainable phenomenon, whereas Schultz's views it as a response to the external economic environment (Garrison 67).

Our findings did not agree with Schultz's concept in regards to on the job training and its link to entrepreneurship; we base this assumption on research conducted by the Immigrant Learning Center, "Adult Children of Immigrant Entrepreneurs: Memories and Influences". The researchers surveyed 36 college students, 26 Asian, and 10 Latino SGI, most arriving before the age of five (Wong et al. 51). Their parent's business was a second home to them, their roles in the business varied, one of the subjects in the study, Patricia, recalls making copies, ordering supplies and even taxes at a young age at her parents window covering business (Wong et al. 22). Sam, a second generation Korean-American said his parents encouraged him to walk around each table and talk to clients in their sandwich shop; this he said is where he learned his social skills (Wong et al. 22). These children grew up in a business environment that typically involved direct and constant contact with the public; they learned not only good business survival skills

but also appropriate social skills. In addition, the experience instilled in them a sense of work ethic in which success and sacrifice goes hand in hand.

Even though these children were exposed to a business environment with high access to human capital, the opportunity to attend college as well as have hands on real world experience in their businesses, not a single one of the students surveyed followed the entrepreneurial footsteps of their parents. All 36 subjects, who came from diverse ethnic Asian and Latino backgrounds, attended college and primarily began a career in public service (Fig. 3). Three of the subjects pursued a career in business but no mention of entrepreneurship was given in the study. These SGI have a common trend, and that is they want to give back, they feel indebted to their parents for what they sacrificed for them and because of that continue a career outside that of their parents because they invoke into them the importance of education and want them to have a more stable life that does not entail the risk and uncertainty that entrepreneurship brings.

FIGURE 3: CHILDREN OF IMMIGRANT ENTREPRENEURS

Ethnicity	Graduate/Professional Program	Family Business
Filipino	Medical Sciences	Catering
Korean	Medicine	Restaurant
Korean	Journalism	Retail Furniture
Cambodian	School Psychology; Public Health	Daycare; Grocery store; Liquor Store
Taiwanese	Public Health; Medicine	Plastics and Computer Components; Canola Oil
Taiwanese	Theology; Counseling	Restaurant
Chinese	Law	Automobile Parts
Chinese	Business	Automobile Repair
Korean	Public Health	Apparel Manufacturing
Cambodian-Malaysian	Pharmacy	Café
Chinese	Counseling Psychology	Restaurant
Dominican	Hispanic and Spanish Literature	Restaurant
Cuban	Law	Window Covering; Carpet and Linoleum installation
Mexican	Law	Daycare
Latino	Law	Social Services
Indian	Public Health	Gas Station
Filipino	Business	Real Estate
Korean	Public Health	Textiles
Chinese-Vietnamese	Public Health	Restaurant
Chinese	Medicine	Restaurant
Taiwanese	Law	Hospitals
Chinese	Business	Restaurant; Insurance
Chinese	Medicine	Restaurant
Cuban	Law and Diplomacy	Construction
Mexican	Law	Restaurant; ice cream truck
Mexican	Organic Chemistry	Restaurant
Chinese	Biotechnology Engineering	Restaurant
Korean	Divinity	Restaurant
Latina	Law and Diplomacy	Engineering
Salvadoran	Law	Cleaning
Chinese	Counseling Psychology	Restaurant
Japanese	College Student Development and Counseling	Export
Filipino	Education	Restaurant; Jewelry
Mexican	Education	Daycare
Vietnamese-Polish	Medicine	Restaurant
Korean	Law	Shoe Repair

Immigrant Learning Center

We considered if the parents of SGI discouraged the entrepreneurial path due to the risk and uncertainty that it usually entails. Yet, in the same study we find that some parents, “while acknowledging the often hard struggles to establish and run their business, advanced education was perceived as a means not to escape entrepreneurship but to make it easier to become an entrepreneur”. Even though the parents experienced first-hand the difficult journey of entrepreneurship, they wanted their children to be able follow their path but also have a smoother journey (Wong et al. 31). Parents then did not discourage their children from a life of entrepreneurship, yet even though they had high levels of human capital and some parents encouraged entrepreneurship, individuals in the study overwhelmingly chose a professional career in some type of public service instead.

### ***Health***

According to Schultz’ theory, health is a measure of Human Capital, his theory measured health using *child care, nutrition, clothing, housing, and medical services* (Schultz 1978). We will focus on *medical services, nutrition and housing* as they serve as better indicators of health among the subject matters. The data that was analyzed for the purpose of this project does not consider the Affordable Healthcare Reform Act. Below we will explore how SGI Children have lower levels of health due to limited access to medical services, lack of proper nutrition and inadequate housing.

For immigrants and their children, the issue of medical service is a major problem as many are not able to afford it or are not eligible for any type of coverage. In addition, many SGI have parents who are not insured, this makes their children less likely to have any type of health

insurance (Dinan and Briggs, “Making Parents Healthcare a Priority”). Also, US regulations restrict the access to “Federal Public Benefits” for undocumented immigrants; Federal Public Benefits include Medicare, Medicaid as well as State Child Insurance Programs among others (“US Department of Health and Human Services”). These factors place SGI at a disadvantage because a great number of them fall under the undocumented segment and others are oblivious to the availability of these programs or refuse to participate in one. For those SGI who have gone through the naturalization process the numbers are not much better. Data gathered from the US Census in 2011 show that 33% of the Foreign Born population is uninsured, in comparison to only 13% of the Native Born (“US Census”).

We can conclude that in order to be able to have access to proper health care, there are three ways that it can be done based on findings from the site Personal Health Insurance:

- Private or Individual Plans - very costly
- Employee-Sponsored - requires the employer to actually offer it
- Government-sponsored - readily available low income or disabled

The only legal option for SGI then is private health insurance. However, due to their status, the coverage will be limited (Personal Health Insurance.com). Health insurance in particular, is a major determinant of access to health care for immigrants due to the fact that the majorities are not able to afford health care services (Thamer and Rinehart 19, 29.). Health insurance promotes the financial access to care and allows all children, not just SGI children, to have access to some type of medical service (H. Edmunds and M.J. Coye, eds., *America’s Children* (Guendelman, Schaulffer, Pear).

Next, in the matter of nutrition, SGI have a lower level of nutrition in comparison to those who are native born. A study by the University of North Carolina – Chapel Hill, found that SGI children are more likely to be obese than native-born children. Hispanic and Asian American SGI have had a significant increase in their levels of obesity. The study concluded the adaptation to an American diet happens rapidly (Popkins). The study noted that obesity leads to risk in hypertension and diabetes (Popkins). Another factor that reduces the quality of nutrition amongst the SGI population is food insecurity. The National Council of La Raza found that children living with parents of limited English Proficiency were twice as likely as those with English-Proficient parents to live with food uncertainty, SGI face higher levels of obesity along with food insecurity and even hunger in comparison to U.S. born children.

With respect to housing, SGI face numerous disadvantages in comparison to the native born population. Due to lower income levels by their parents, SGI live in low income neighborhoods with inadequate and crowded housing (Urban Children of Immigrants). Another setback in the health of SGI is that a great number of SGI that live in foster homes and under great uncertainty because their parents were detained and deported. Many of their parents do not have the appropriate resources to have a legal proceeding in order to be reunited with their children and years of separation ensue.

Based on the theory of human capital and entrepreneurship, higher levels of health among groups means they will outperform other groups by having higher levels of productivity and entrepreneurship (Huber and Rosenstein – Race Ethnicity and Entrepreneurship in urban America). While this may be true, we find that SGI have lower levels of health as a consequence

of lack of access to healthcare, inappropriate nutrition and inadequate housing. These three factors relating to overall health have an effect on the overall level of human capital of SGI. Based on the findings in Health Services, SGI have lower levels of human capital compared to their U.S. born counterparts.

### ***Story of a Second-Generation Immigrant Entrepreneur***

The story of Saul Perlera a Salvadorian immigrant who arrived in the United States at the age of 16 serves as an example of low-level human capital in education. Even though he lacked the basic skills necessary to start a business, as he did not even know English when he arrived, he pursued a path of success through entrepreneurship. After working his way to the top in a real estate firm, Saul started his own real estate firm, which focused on the growing Latino population in Boston. Today, after surviving the housing market crash, Saul continues to do business and is expanding (M.D Hohn).



## CONCLUSION

Different countries of origin make up the SGI Population in the United States. When arriving in the U.S. they form ethnic enclaves throughout the country such as China Town, Little Italy and Little Havana; each their own culture, values, and even idioms. They borrow words from their native tongue and blend with English language resulting in the creation of idioms such as Spanglish, a mix of Spanish and English. In time their traditions become intermingled with local ones resulting in widely diversified and far from ordinary groups that cannot be limited to one definite and concise conclusion.

Our findings do take into consideration the ethnic variations among the SGI and that those variations may show inclination towards certain ethnic groups with less overall resources, due to country of origin effect as well as our inability of observing those subject matters whose legal status may also show the same tendency. We correct this potential inclination by gathering from research that offers individual data not only based on large segments. Given the capacity to be able to have personalized data on the subject matter allowed us to find a disassociation of human capital and entrepreneurship among the SGI population. The following chart based on the LICS was used to measure the different levels of entrepreneurship between first and second generation immigrant entrepreneurs in Los Angeles and New York. Both states have the largest and Third Largest Immigrant population which makes their data a better representation of all immigrants.

FIGURE 4: SELF-EMPLOYMENT BY FIRST AND SECOND GENERATION IN LA AND NYC

Self-Employment by First and Second Generation in Los Angeles and New York City

<i>Los Angeles</i>						
Ethnic Group	ALL	(Age 20+)	Self-Employed			
	N	N	N	N	All%	All%
	1st gen	2nd gen	1st gen	2nd gen	1st gen	2nd gen
Salvadoran	664	421	75	70	11.3	16.6
Filipino	402	254	36	24	9	9.4
Mexican	3,714	4,431	351	425	9.4	9.6
Chinese	373	186	48	25	12.9	13.4
Korean	345	80	108	20	31.3	25
Iranian	167	74	33	18	19.8	24.3
British	68	182	16	30	23.5	16.5
Native White	9,557		1,507		15.8	
Average of Ethnic Groups					16.7	16.4

<i>New York</i>						
Ethnic Group	ALL	Age 20+	Self-Employed			
	N	N	N	N	All%	All%
	1st gen	2nd gen	1st gen	2nd gen	1st gen	2nd gen
Salvadoran	207	124	10	8	4.8	6.4
Filipino	204	63	15	2	7.4	3.2
Mexican	454	257	14	21	3.1	8.2
Chinese	388	213	27	14	7	6.6
Korean	189	53	35	9	18.5	17
Iranian	28	12	2	5	7.1	41.7
British	129	317	15	26	11.6	8.2
Native White	21,322		2,395		11.2	
Average of Ethnic Groups					8.5	13

National Longitudinal Study of Adolescent Health

In our findings we learned about the discrepancy in the levels of human capital based on the Theory of Entrepreneurship's variables of education, on the job training and health services. Also, that the disadvantages of human-capital do seem to carry on from the first to the second-generation immigrant. The majority of Hispanic and Asian SGI do have lower levels of human capital, yet their level of entrepreneurship is higher in comparison to the native population. In the chart above we find that sub-groups like Mexicans, Salvadorians and Filipino show higher levels of second-generation entrepreneurship from the previous generation. These three sub groups tend to have lower human-capital in comparison to their British, Korean and Chinese counterparts. However, the remaining sub-groups do show a higher propensity for entrepreneurship than the native population. Also, those individuals that do have higher access to human capital such as education and on the job training as we found in "Adult Children of Immigrant Entrepreneurs" showed zero propensities for entrepreneurship.

These findings in this report allowed us to have a better understanding on the entrepreneurial behavior of the SGI. Human capital seems to not be a determinant in entrepreneurial capacity based on the data we explored. It was stated at the beginning that entrepreneurship entails allocating scarce resources, the subject matter matches that description as their low levels of human capital shows but they seem to find a way to overcome that limitation and allocate what they do have in order to enter the entrepreneurship world. We draw on this conclusion also by the fact that many SGI experienced the risks and hardships of moving to a foreign land, learning a new language, having to adapt to a new culture and even struggle through poverty. It is those experiences that seem to have shaped the entrepreneurial spirit of the SGI, learning from the beginning that they have to do the best with the little they possess

(efficiently allocates limited resources, willing to undertake any type of business and bare its risks). That is the way of the Second-Generation Immigrant Entrepreneurs.

## FIGURES

FIGURE 5: NUMBER OF NEW IMMIGRANT BUSINESSES OWNERS PER MONTH BY EDUCATION LEVEL

NUMBER OF NEW IMMIGRANT BUSINESS OWNERS PER MONTH BY EDUCATION LEVEL CURRENT POPULATION SURVEY (2007-2011)			
GROUP	NEW IMMIGRANT BUSINESS OWNERS		
	NUMBER	PERCENT OF IMMIGRANT TOTAL	PERCENT OF U.S. EDUCATION TOTAL
All education levels	138,697	100.0%	24.9%
Less than high school	52,160	37.6%	57.0%
High school graduate	35,160	25.4%	21.3%
Some college	20,438	14.7%	15.0%
College graduate	30,939	22.3%	18.9%

FIGURE 6: NUMBER OF BUSINESS OWNERS BY COUNTRY OF ORIGIN

<b>NUMBER OF NEW BUSINESS OWNERS PER MONTH BY COUNTRY OF ORIGIN</b> <b>CURRENT POPULATION SURVEY (2007-2011)</b>				
GROUP	NEW BUSINESS OWNERS		BUSINESS FORMATION RATE	
	NUMBER PER MONTH	PERCENT OF U.S. TOTAL	PERCENT	NUMBER PER 100,000
U.S. Total	556,470	100.00%	0.32%	318
U.S.-Born Total	417,773	75.08%	0.28%	283
Immigrant Total	138,697	24.92%	0.51%	507
Mexico	53,963	9.70%	0.62%	624
Guatemala	5,245	0.94%	1.08%	1079
Cuba	4,438	0.80%	0.56%	557
Korea	4,429	0.80%	0.75%	752
El Salvador	4,262	0.77%	0.51%	513
India	3,689	0.66%	0.28%	282
Dominican Republic	3,328	0.60%	0.55%	553
Honduras	3,068	0.55%	0.92%	920
Vietnam	3,029	0.54%	0.39%	391
China	2,641	0.47%	0.26%	263

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