

ETHNIC BUSINESSES IN SPAIN

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Current migration developments are very dynamic processes that are always readjusting to the changing conditions in both the places of origin and of destination. Among these readjusting strategies, ethnic businesses (roughly, businesses that are the “property of” or “operated by” immigrants) play an important role. The growing significance of ethnic business in Spain is reported here by using the data on foreign self-employed workers, published by the Spanish Ministry of Labor and Social Affairs. Current statistics about the establishment of small commercial enterprises do not cover the nationality of the owner/s, and therefore could not be used in the research offered here.

INTRODUCTION

Over the span of 25 years, and especially from 1992 until the present day, Spain has become a society of immigrants. Spain’s exceptional economic transformation was an important factor leading to this development. The economic transformation, in turn, was brought about by:

- a) Spain’s entry to the European Community, bringing with the financing that permitted development of most of its diverse regions. In addition, there was support for agriculture from the Community Agricultural Policy (PAC);
- b) Democratization of the political system following the dictatorship of the Franco-period;
- c) Massive injections of foreign capital.

The combination of (a) a fast economic development, (b) the construction of important infrastructures, such as roads, airports, industrial sites, technological parks, large shopping centres, resorts such as the EXPO 92, the Olympic Games, the City of Arts and Sciences, numerous theme parks, (c) the development of small and medium-sized businesses and a dynamic middle class, as well as (d) the rise of an underground economic sector and (e) a serious demographic collapse in Spain, all made a higher demand for foreign labour inevitable.

Even while the legal framework attempts to address disparities existing between native and migrant workers, salaried immigrants frequently receive income that is lesser than that received by the natives of the countries for equal work. Even while this is the case, salaried immigrants protest the situation infrequently since it seems more desirable than that of remaining in their countries of origin. On the other hand, the appearance of businesses that are the “property of” or “operated by” immigrants proves the existence of leaders, enterprising individuals, among immigrants. These are persons who have taken a step forward and have reclaimed the right of making decisions that affect the economic activity around them. An ethnic entrepreneur may, in this way, become an important factor in the structural integration of a specific community of immigrants.

The work of an entrepreneur consists principally in organizing the work of those persons he or she employs, which in the case of an ethnic business tend to be family members or fellow countrymen. The existence of small immigrant businesses in Spain shows their capacity for innovation, facilitating their interaction with the native-born population. Ethnic businesses exploit the comparative advantage of relying on easier fluid relationships between various owners, and between owners and workers, thereby obtaining products at a lower price, a more accessible service, different treatment, etc. Immigrants frequently have aptitudes that

are scarce in the economies of the receiving countries (handicrafts and repairing) and they readier to work for long hours and utilize their ethno-social capital to lower the costs of production and distribution. The relative success of immigrant's businesses is also favoured by certain structural transformations taking place in advanced economies such as the growing service sector and the increase in small-scale production that can respond flexibly to changes in consumer tastes. Ethnic enterprises tend to become geographically clusters near ethnic enclaves and generate jobs for immigrants that therefore have a chance to learn the business.

Ethnic businesses are usually established as self-employment ventures. A self-employed person is already a business: a sole-owner business. Frequently, this is a first step before calling upon relatives and associates to form a bigger business. This can also happen when a self-employed worker becomes the visible and legal part of an underground business.

While the systematic evaluation of the success of immigrant entrepreneurs has not produced uniform results, the fact that it exists and propagates employment among immigrants indicates that it has certain advantages. Among these is the provision of entry-level jobs for immigrants who are not yet familiarized with language and customs of the receiving country. This is a strategy for families to accumulate wealth and establish the basis for a better socio-economic level for the succeeding generation.

INTERNATIONAL MIGRATION AND THE RENOVATION OF CITIES

The opening of shops where immigrants offer the exotic products of their home countries contribute notably to the cosmopolitanism of the large cities of Spain. Immigrant entrepreneurs broaden the array of available goods and services and enliven specific neighbourhoods in cities, therefore hindering deterioration and decadence.

Many labour immigrants settle in the historical districts of these Western cities. The core districts of Madrid and Barcelona, for example, attract many immigrants who demand new and specific products. This causes, sooner or later, the appearance of businesses oriented to fulfil the needs of the foreign population. In this process, a class of immigrants develop business skills.

Later on, the ethnic neighbourhood may attract the native-born population and tourists and become a market for exotic products and experiences. Depending on the scale of the groups of settled immigrants, the ethnic neighbourhood may contain several different foreign communities or break off into distinct enclaves of different personalities, which is a frequent occurrence in large cities. Usually, the first businesses to attract the native-born population are ethnic restaurants. Other important attractions are purveyors of foodstuff, textiles, cheap jewellery, and household goods. In any event, ethnic neighbourhoods always have a certain flavour or colour of their own.

International migration has slowed down the depopulation within the limits of the city cores in developed nations and revitalized their real estate markets. In the 1960s and 70s, the departure of natives towards the suburbs clearly put a stop to the growth of the population in the historic neighbourhoods of the cities of the West. In the 1980s, however, the tendency changed because of the juxtaposition of gentrification of downtowns and the settlement of ever greater numbers of international immigrants in the most deteriorated neighbourhoods of the city centre.

In some Spanish cities, recently-arrived immigrants compete for the rental of moderately-priced housing in the city centre, which increases its price. In Barcelona, for example, immigrants often pay higher rents for the equivalent real estate rented by natives (*Domingo I*

Va/s, 1996). Immigrants of the same origin tend to settle in certain cities or areas, therefore creating places where they can maintain cultural and social ties with their compatriots. As time passes, these enclaves may prosper if the immigrants are successful and invest in their dwellings.

According to Ferrer Regales (2008), “Questi tre elementi hanno contribuito a rendere maggiore la complessità dei Centri Storici in particolare, e della struttura urbana in generale... In primo luogo, alla giustapposizione nel tessuto urbano e alla partecipazione all'espansione urbana da parte degli immigrati... In secondo luogo, il cambiamento è dovuto all'attenuazione della suddivisione urbana in classi, e alla crescente rilevanza dell'identità dei quartieri a seconda della maggiore o minore presenza di immigrati... In terzo luogo, ...all'accenso al lavoro, abbastanza generalizzato, della donna” (These three elements contributed to increasing the complexity of the historical city centres, in particular, and of the urban structure, in general: In the first place, the juxtaposition of the immigrants in the urban fabric, and their participation in the urban expansion. Secondly, the mitigation of urban subdivisions into classes, and the growing relevance of the identity of urban quarters based upon the greater or lesser presence of immigrants. Thirdly, the higher and higher appearance of women in the labour market played an important role).

RECENT EVOLUTION OF FOREIGN SELF-EMPLOYED IN SPAIN: 2004-2006

No published statistics on small and medium-sized businesses (PYME) exist that refer to the nationality of the owners. Therefore, we must utilize the Social Security Registry of admittances of the special regime for self-employed workers. The publications derived from this data base, undertaken by the Spanish Ministry of Labour and Social Affairs, include the nationality of the worker; this variable is also cross-listed with other relevant characteristics of the self-employed workers in Spain. Obviously, not all foreign self-employed workers may be considered as entrepreneurs, even while many of them are or, at least, share with the creativity, entrepreneurial spirit, and the ability to contract people and the courage needed to put their capital at risk.

As in the case of foreign self-employed workers, the majority of the PYME operate in the service sector. They are involved principally in real estate and property management, in hotel and restaurant business, and retail trade in foods and beverages, even while there has been recent growth in the construction sector and, to a lesser extent, in restoration, hospitality, teaching, health and social services.

In Spain, the PYME without hired workers constitute 51 percent of the total number of businesses registered. At the end of 2004, non-Spanish self-employed workers represented 3.9 percent of the total self-employed workers. At the end of September 2006, foreign self-employed workers reached 5.35 percent of the total self-employed in Spain. The total growth of the self-employed in 2006 was 2.32 percent, while growth of foreign self-employed reached 12.04 percent, five times greater. These values increase if they are restricted to younger people, or to those who live in specific communities such as Melilla, Madrid, and the community of Valencia. On the other hand, according to the source consulted, 20.7 percent of the self-employed have hired employees. The statistics for self-employed workers, properly speaking, as published by the General Secretariat of Employment of the Ministry of Labour and Social Affairs, provide the following totals for foreigners: 85,409 in 2004 and 110,578 in 2006. The Federation of Self-Employed Workers of Spain (ATA) stated that the number of foreign self-employed workers is substantially higher, reaching 159,000 by mid-2006.

Despite the growth in the number of foreign self-employed workers that occurred between 2004 and 2006, its structure as to sex and national origin remains the same. The most

important characteristic is that 50 percent of the foreign self-employed workers in Spain are nationals of the European Union. This fact is important since it means that the potential ethnic entrepreneurs that are being received from the self-employed coming from developing countries are less than half of the foreign self-employed workers in Spain. Looking at the distribution of foreign self-employed workers according to sex, it is clear that men are more numerous than women in general, among the Spanish and among foreigners coming from several different continents, with the exception of South America which shows a less unbalanced distribution of the sexes: 8,950 men and 6,285 women.

The Federation of Self-Employed Workers of Spain (ATA) published in July 2006 a breakdown according to countries of origin (United Kingdom: 14.5%; China: 9.8%; Germany: 8.9%; Morocco: 7.9%; Italy: 7.4%; France: 5.7%; Portugal: 4.3%; Argentina: 3.5%; Colombia: 2.9%; Poland: 2.8%; others: 32.36%).

With respect to the ages of foreign self-employed workers, it is useful to point out that their median age is clearly lower than that of native-born Spaniards. Those originating from the rest of Europe are notable, as well as from Africa, Central America, South America, and Asia for their accumulation in the 25-39 age segment and also, to a lesser extent, in the 40-59 age segment. The distribution according to Spanish Autonomous Communities or provinces of foreign self-employed workers follows the pattern of the most economically active areas of Spain (Source: Self-employed workers, strictly speaking, registered in the Spanish Social Security System– Dec.2004 and June 2006).

2004

Total self-employed workers

Catalonia	15,011
Andalucía	14,168
Madrid	12,912
Valencia	12,854
Canaries	10,265
Balearics	5,760

Percents

Canaries	12.5
Balearics	11.4
Melilla	9.7
Valencia	6
Madrid	5.7
Ceuta	4.3

2006

Total self-employed workers

Catalonia	19,979
Andalucía	17,648
Madrid	17,166
Valencia	17,166
Canaries	10,875
Balearics	7,730

Percents

Balearics	14.3
Canaries	13.2
Melilla	11
Valencia	7.8
Madrid	7.4
Catalonia	5.4

In general, both Spanish and foreign self-employed workers are concentrated in the service sectors, even while this characteristic is much more pronounced in the case of foreigners (see Table 3, in the annex). The second most important sector is construction, in the case of foreign self-employed. The remaining sectors (industry and agriculture) do not comprise even 5 percent of foreign self-employed. By using a more detailed classification of economic activity (CNAE93 economic activities), there can be recognized which job niches are most significant among foreign self-employed workers in Spain. Thus, in the industrial sector (despite its scant importance as a field for foreign self-employed workers) the epigraph “D18 Leather and Clothing Industry” represents 0.7 percent of these, which is not negligible. The construction industry (F.45 Construction), which is not broken down by the CNAE93 classification, represents 21 percent of foreign self-employed workers. The service sector brings together, however, a broad array of various categories. Among the most important are:

G, H.52	Retail business	22.5 %
G. H.55	Hotel and catering industry	16.3%
G, H.41	Wholesale business	4.1%
K.70	Real estate activities	3.0%
M, N, O.80	Education	3.0%
M, N, O.92	Recreation, Cultural, and Sport activities	2.7%

It is remarkable how few are Asians self-employed in the construction industry. Taking into account that Chinese self-employed are the most numerous among Asian self-employed, we come to the conclusion that that particular community behaves quite differently from the rest of the communities of self-employed workers. Also, Asians who have hired employees are more numerous than Asian without hired employees, and they have a greater number of family members registered in Social Security files. This fact is strictly unique.

Following Spain’s entry into the European Economic Community in 1986, Chinese entrepreneurs who were already operating in other European countries began to invest in Spain in the economic sector that they knew best and which offered the greatest possibilities of expansion in an untouched market, namely: restaurants. The process was so fast that since the beginning of 1990s, in some areas there was actually a surplus of supply. The strategies utilized to overcome the limitations of indefinite growth within this sector have been, in the first place, to open new restaurants in ever-smaller towns, and, secondly, to enter other economic sectors or services (e.g. tailoring, gift shops, wholesale shops, supermarkets, etc.). Also, as the absolute numbers of their communities increase, so does the number of the businesses that are intended to serve the needs of an ethnically Chinese clientele. The goal of Chinese immigrants lies in becoming independent and self-sufficient at the family level, which is to say that the family should possess its own means of production and not depend on outsiders for obtaining income. This does not prevent Chinese immigrant associations of diverse nature from playing an important role in the community.

CONCLUSION

In Spain, as in many other developed countries, the growth and rejuvenation of the national population now depends on immigrants. For their part, the countries which send immigrants still debate on how to combine their population control – as demanded by the North – and the reception of remittances from abroad that now outstrip the amount of foreign aid received. It is estimated that the value of remittances on the world level now exceeds \$232 billion dollars per year.

In Europe, it is not likely that immigration pressure – which comes mostly from sub-Saharan Africa - will abate. Geographically, Spain is the gateway of Europe to the poorest and most unfortunate continent on the planet (Naïr, 2006). Spain must find the means to integrate immigrants now present on its territory and, at the same time, take action on a critical situation at its frontiers that sees growing numbers of aspirants seeking to enter the country. In a situation as described above, the existence of business leadership among immigrants can afford flexible integration into national life so long as there is an abundance of self-employment. But Spain alone cannot cope with the situation. It is the European Union that must also provide technical assistance and financing, as well as new proposals, to address the general conditions of interchange on the global market and change people's opinions about these immigration flows to the better.

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