

Testimony of Jonathan Bowles
Director, Center for an Urban Future

Before City Council Committees on Small Business and Immigration

“Creating Greater Opportunities for Immigrant Entrepreneurs”

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Good afternoon. Thank you for inviting me to testify today. My name is Jonathan Bowles and I am the director of the Center for an Urban Future, a think tank dedicated to independent research about key policy issues affecting New York City’s future, with a focus on economic development, workforce development, higher education and the arts.

I’m really excited to be here today, and thrilled that your committees have taken such a strong interest in increasing opportunities for immigrant entrepreneurs.

In February of this year, the Center published a comprehensive report which concluded that immigrant entrepreneurs have become an increasingly powerful economic engine for New York City. Our report, titled *A World of Opportunity*, documents that foreign-born entrepreneurs are starting a greater share of new businesses than native-born residents, stimulating growth in sectors from food manufacturing to health care, creating loads of new jobs and transforming once-sleepy neighborhoods into thriving commercial centers. The report, which I authored, also went into great detail about the multitude of challenges facing immigrant entrepreneurs.

It’s important to point out that we didn’t embark on this research about immigrant entrepreneurs because we are advocates on behalf of immigrants. . . . We are not.

Rather, we approached this topic as part of our longstanding attempt to identify growth opportunities for New York City’s economy. The Center for an Urban Future has spent considerable time over the past decade writing about the urgent need to diversify the city’s economy and identify new sources of job growth. After all, New York will need tens of thousands of new jobs if we are to add a million new residents over the next couple of decades, as demographers expect. And it’s unlikely that the city will be able to count on key sectors like finance to create too many of these new jobs; in fact, the five boroughs has continued to lose market share in the financial services sector as large securities firms and investment banks have opted to add almost all of their new jobs overseas or in cheaper locations across the U.S.

Immigrant entrepreneurs clearly aren’t going to replace Wall Street. But given that foreign-born residents now make up 37 percent of the city’s population, have accounted

for pretty much all of the city's population growth over the past 25 years and generally tend to be highly entrepreneurial, we had reason to believe that immigrant entrepreneurs could be an even more important economic generator in the years ahead.

Our research revealed that immigrant entrepreneurs are having an even more powerful impact on the city's economy than we suspected. Among other things, our report found:

- Neighborhoods across the city in which many, if not most, businesses are immigrant-owned have seen an explosion of new enterprises over the past decade, far surpassing the number of firms created citywide. Between 1994 and 2004, the number of businesses citywide increased by less than 10 percent, while the number of firms grew by 55 percent in Flushing, 47 percent in Sunset Park, 34 percent in Sheepshead Bay-Brighton Beach, 25 percent in Elmhurst, 18 percent in Washington Heights, 14 percent in Jackson Heights and 11 percent in Flatbush.
- Job growth in immigrant-dominated communities also far outpaced overall employment gains: between 1994 and 2004, overall employment in the city grew by 7 percent, but rose by 34 percent in Washington Heights, 28 percent in Jackson Heights, 23 percent in Sunset Park, 13 percent in Sheepshead Bay-Brighton Beach, 12 percent in Flushing and 10 percent in Elmhurst.
- In 2000, foreign-born individuals comprised 36 percent of New York City's population, yet they accounted for nearly half (49 percent) of all self-employed workers in the city.
- Immigrants drove all of the growth in the city's self-employed population between 1990 and 2000: the number of foreign-born individuals who were self-employed increased by 64,001 (a 53 percent jump) while the number of native-born people who were self-employed decreased by 15,657 (a 7 percent decline).
- Citywide, 9.27 percent of foreign-born workers are self-employed, compared to 7.71 percent of native-born workers. In Queens and the Bronx, self-employment rates for foreign-born individuals in the workforce are nearly twice those of native-born workers—9.98 percent to 5.74 percent in Queens, and 7.31 percent to 3.98 percent in the Bronx.

It's apparent from our study that immigrant entrepreneurs are already having a remarkable impact on New York's economy. But all of this has occurred with virtually no support from city policymakers and despite the fact that immigrant entrepreneurs often face enormous obstacles in starting and growing businesses here. With just a little support, this could be a much more potent source of future growth.

Going forward, elected officials and local economic development officials—not only those at city agencies, but also leaders of chambers of commerce, neighborhood-based nonprofits that work with small businesses and financial institutions—will need to take a much closer look at this part of our economy.

Already, there is reason to believe that New York is not reaching its potential. Only a relatively small number of immigrants who own restaurants or other retail businesses have expanded into larger space or opened stores in additional locations; most vendors never give up their pushcart in favor of becoming a store owner; few businesses that make unique ethnic products have attempted to export to other states where recent immigration patterns have created a market for those goods; and large numbers of immigrant-run firms in New York remain narrowly focused on serving their own ethnic community rather than pursuing greater ambitions in larger markets.

There is also evidence that fewer immigrant- and minority-owned businesses in New York grow to the next level than in other cities. For instance, of the 15 cities in the U.S. that have the most Hispanic-owned businesses, New York has the lowest average receipts per firm. The average Hispanic-owned company in the five boroughs earned just 37 percent as much as a Hispanic-owned firm in Houston, 40 percent of the average in Chicago and 42 percent of the average in Miami. According to *Hispanic Business* magazine, only 11 of the nation's 500 largest Hispanic firms were based in New York City in 2004, down from 13 in 2004—while 40 firms from Los Angeles County are on the list.

Similarly, New York City's Asian-owned businesses took in a smaller amount of receipts, on average, than their counterparts in 13 of the 15 cities with the most Asian-owned firms. The average Asian-owned firm in New York earned 48 percent as much as a similar firm in Los Angeles, 57 percent of one in Houston and 71 percent of one in San Francisco.

While immigrant-run businesses in New York may be less likely to grow than similar firms in other cities, loads of foreign-born entrepreneurs in the five boroughs battle with a more serious problem: survival. Some go bankrupt after a short existence and others to toil in an endless struggle to stay afloat. Many are tripped up by the same factors that hamstring other small businesses in New York, from the high cost of commercial real estate and insurance to the city's overzealous regulatory enforcement agents. Others find it difficult to survive simply due to intense competition or because their business model isn't sustainable. But immigrants also encounter a long list of problems unknown to most native-born entrepreneurs—such as unfamiliarity with how business is done in this country, lack of awareness about local regulations, limited financial literacy and, often, no credit history. Language barriers add another element of difficulty for numerous immigrant entrepreneurs.

What should city officials do to help New York City capitalize on this growing but often neglected part of the economy? Here are a few suggestions:

- Mayor Bloomberg, and the next mayor, should integrate immigrant entrepreneurs into the city's overall economic development strategy.

- The Department of Small Business Services and the Economic Development Corporation should develop a new framework for providing business services to immigrant communities. Right now, too few of the programs overseen by SBS are reaching immigrant entrepreneurs.
- SBS and EDC should partner more with local organizations that have credibility in immigrant communities. Any plan to provide business services to immigrant entrepreneurs must start with the understanding that countless numbers of legal immigrants will never seek assistance from a government-run center—and that many won't set foot into a nonprofit organization they don't trust.
- Increase support for microenterprise organizations that already have the expertise to support immigrant entrepreneurs, but which currently lack the capacity to serve additional clients. Microenterprise organizations like ACCION, NYANA, the BOC Network, Project Enterprise and several others have become indispensable sources of capital and technical assistance for thousands of foreign-born entrepreneurs in New York who haven't been able to secure traditional bank financing. Keep in mind that funds that enable these organizations to provide technical assistance may be as or more important as funding for microloans.
- Push for well-established economic development organizations to collaborate with newer nonprofits that have roots in immigrant communities.
- Initiate programs to help more immigrant-run businesses export their products beyond their own community.
- Create marketing campaigns to promote major ethnic business districts—like Flushing, Jackson Heights, Richmond Hill and Washington Heights—as unique destinations for shoppers from throughout their regions.
- Put pressure on banks to refer more of their clients to microlenders and to offer new products that encourage more immigrants to open checking and savings accounts.
- Stop demonizing street vendors, and create programs that encourage more vendors to expand into storefronts.
- Support the growth of ethnic food manufacturing and other niche industrial businesses by pushing for land use policies that preserve viable manufacturing districts around the five boroughs.
- Rein in overzealous regulatory enforcement efforts.

If you would like to view *A World of Opportunity* or any of our other work about immigrant entrepreneurs, please go to www.nycfuture.org.