

# Policy Implications of Immigrant Workers and Entrepreneurs

## Directions for State Policymakers

Presented by the

Immigrant Workforce and Economic Development Group

of the

Illinois Immigrant Policy Project

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## **Introduction**

### **The Immigrant Workforce and Economic Development Seminars**

Illinois is one of the primary ports of entry for immigrants to the United States with more than 40,000 legal immigrants entering the state in the year 2000. About 15 percent of the state population was born in another country.

Immigration plays a vital role in maintaining population levels in Illinois, whose native born population has been out-migrating to other states in the south and west, and whose native-born population is increasingly older as the baby boomer cohort approaches retirement age.<sup>1</sup> Immigration accounts for 55 percent of the state's population growth and thus provides a critical source of workers for Illinois businesses.

While there are few statistics on immigrant-owned businesses in Illinois, the growth of Asian and Latino businesses reflect the entrepreneurship of immigrants from those regions. The number of Asian-owned businesses in Illinois grew by 353 percent between 1982 and 1997, and the number of Latino-owned businesses increased by 528 percent. By 1997 there were approximately 37,000 Asian-owned and 31,000 Latino-owned businesses in the state

The continuing arrival of immigrants creates a steady flow of workers to fill labor needs of Illinois businesses, develop new businesses, and help the Illinois economy thrive. The findings of the researchers and roundtables that comprised this project suggest that policymakers can make prudent investments that will maximize the contributions and potential of migrants to our state. Government makes numerous investments in our overall workforce and industrial sectors in terms of worker training, the tax code, loans and subsidies to employers, advice to start-up businesses, and other forms of business support. It makes sense that a state with a large immigrant population should evaluate whether its efforts to stimulate worker productivity and business output adequately meet the needs of immigrants, and help businesses to derive the maximum benefits possible from immigration.

This report is the result of an effort to collect information needed to set forth policies that might be pursued in Illinois to fully benefit from the presence of immigrant workers and business persons. With support from the Illinois Department of Human Services, through the Illinois Immigrant Policy Project, a steering committee representing business development, immigrant advocacy and university and non-profit research organizations met to prioritize areas where information is needed to both understand immigrant workers and entrepreneurs and to make policy recommendations to government agencies interested in economic development in Illinois.

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<sup>1</sup> Immigration allowed the state's largest County, Cook, to grow by 1.7 percent during the 1990s. Without immigration, Cook County would have declined by 4.2 percent in the 1990s.

The Steering Committee organized two roundtables in the fall of 2001 to explore the issues of immigrant workers and economic development. At the first researchers presented papers on immigrant workers. These research teams and their affiliations included Nik Theodore and Chiraq Mehta of the University of Illinois at Chicago; Jim Lewis and Rob Paral of Roosevelt University and the National Center on Poverty Law; and Rebekah Levin and Bob Ginsburg of the Center for Impact Research and the Midwest Center for Labor Research ; and Heide Spruck Wrigley of Aguirre International.

A second roundtable explored issues of economic development involving immigrants. Marta Tienda of Princeton University and Ivan Light of UCLA presented findings of papers they developed for the project. Both roundtables were attended by approximately 50 persons who engaged in discussions with the researchers about the policy implications of their findings.

### **Immigrant Workers and Economic Development**

Economic development spans two broad areas of interest: 1) issues pertaining to workers or the labor force, and 2) issues pertaining to businesses – commonly referred to as economic development. Economic development is a crucial area of concern because it bridges the concerns of immigrants themselves as well as the well-being of our society at large.

#### Immigrant Workers

For more than a century, immigrants have played a central role in the Illinois labor force, particularly in Chicago. At the turn of the twentieth century, European immigrant labor was essential to creation of the meatpacking, garment, steel, and other industries that made the Chicago area one of the manufacturing centers of the nation. As analysis below will show, these workers continue to be an essential, but aging, part of the skilled trades in Illinois, and Chicago in particular. Starting in the 1970s, Mexican immigrants became an increasingly important part of the Illinois economy, comprising a large proportion of the unskilled workers in manufacturing and service industries. Additionally, Asian immigrants comprise a significant percentage of highly skilled technical workers in manufacturing, service and professional occupations. In each of these areas, individual companies have worked hard to recruit these workers and have come to depend on them for the success of their businesses. They are essential to the success of the Illinois economy. Their presence raises important questions that must be addressed:

- In what industries and occupations do Illinois companies most depend on immigrant workers?
- Are there important characteristics of the immigrant work force Illinois employers need to be aware of or prepare for?
- What should be the state of Illinois's role in insuring the Illinois companies continue to have access to needed workers?

While Illinois employers are concerned that immigration policies and the state remain committed to ensuring them needed immigrant labor supplies, immigrants themselves have important concerns that need to be addressed. From the interest of both immigrants and the broad public interest, it is essential that immigrants not be a burden on the nation. This means maintaining high levels of employment, contributing taxes, and avoiding utilization of public welfare benefits. It means developing and maintaining the skills needed by Illinois employers and the capability of starting and growing businesses.

While highly skilled immigrants command top salaries and working conditions from Illinois companies, the less skilled often do not. Lacking knowledge of the American workplace, immigrants can often fall victim to unsafe work conditions. As research below indicates, immigrants often lack the personal security and knowledge to report workplace violations to proper authorities. Temporary agencies also turn increasingly to immigrants, particularly Mexicans and Eastern Europeans, to fill low-wage temporary jobs. While these agencies provide unskilled immigrants lacking in English skills opportunities for employment, that employment rarely leads directly to full-time work and working conditions can be unhealthy.

Data also suggests that members of different immigrant groups appear to have different access to higher paying professional and management jobs with Mexican and Asian immigrants conspicuously less represented in these occupations. This is a product of numerous factors including difficulty with professional certification for immigrants, lack of English skills, lack of access to higher education, and difficulty accessing professional networks that facilitate entry into management.

Government has a potential role to play in helping immigrant integration into the economy. This includes providing help with English language acquisition and skill training and enforcing existing laws pertaining to day labor, workplace conditions and equal opportunity in employment.

Key questions involving immigrant integration into our economy are:

- What barriers exist to immigrant advancement in the Illinois labor market?
- Do immigrants need to equip themselves better in particular ways to better compete in the labor market?
- What role should state government play in making immigrants more competitive in the Illinois labor market?

### Business Development

Over the last century immigrant business communities have gradually evolved from being entities whose sole purpose was to serve the immigrants themselves into places of interest to the wider population that contribute to the cultural life of a city. Whether we

are considering Devon Avenue, Pilsen, Little Village or Chinatown, these commercial communities consist of a wide variety of retail stores, restaurants, small wholesalers or manufacturers set within neighborhoods where significant concentrations of immigrants live. Immigrants have an interest in preserving and expanding these enclaves as ports of entry for future immigrants, places where they can live and speak their own languages, and places where they can experience the social and cultural attributes of their nations of origin as they transition into the social mainstream. The wider community has a similar interest as these places have become tourist destinations that attract revenue from outside the city, contribute to ethnic diversity attractive to many residents, and help keep low or moderate income neighborhoods safe and prosperous.

Key questions that need to be addressed in relation to immigrant business development include:

- What are key factors in development and preservation of immigrant business enclaves?
- What can government do to encourage development of ethnic business enclaves?
- Do any existing policies hinder development or expansion of ethnic business enclaves?

The economy in general depends upon the continual development of new business to create jobs and so it benefits whenever immigrants are successful in starting new businesses. Business development is important for capital formation within any community and helps create the economic infrastructure that finances education, pays taxes and supports non-profits. Immigrant-owned or –operated businesses provide opportunities for non-English speakers to work, or to get a start in the workforce before transitioning to work outside the immigrant community. Immigrants have a history of success in starting and building businesses in the United States yet some groups have proven more successful than others. Eventual integration into the economy is speeded by business development.

Questions relevant to immigrant business development include:

- What barriers exist that immigrants must overcome to successfully start or expand new businesses?
- Do barriers affect some immigrant groups more than others?
- Are there roles for government to play in facilitating immigrant business development?

## **Policy Implications**

Defining the role of state government in supporting economic development for immigrants is complex because of the wide variety of jurisdictions, local, state and national, that bear upon the issue. For instance, state government has an interest in the types of immigrants that are admitted to the United States, and may therefore choose to locate in Illinois, but it cannot directly impact admission decisions. Likewise, the state as a whole benefits when immigrants prosper in business, immigrant communities are strong, immigrants pay taxes, and immigrants do not access welfare benefits; yet, most community-level economic development is managed by municipal governments. In these instances, state government needs to play a consultative role and encourage other levels of government to collaborate on policies that will tend to benefit Illinois as a whole.

In other areas, the state can act directly to assist immigrants or position immigrants better to support the needs of the Illinois business community. These include enforcement of human rights, workplace protections and anti-discrimination law. State government can directly provide for language training, vocational training, and adult education. The state can provide technical assistance for businesses.

This “white paper” provides an overview of current conditions of immigrants in the Illinois labor market and business development. It then presents policy implications, not only for state government but for local and federal governments as well.

### *Recommendations: Three Task Forces*

This report provides specific recommendations regarding activities that state government might undertake, but in many areas problems and issues are identified for which a clear recommendation does not yet exist. To address these issues, the Steering Committee recommends the formation by the state government of three task forces, each of which would be charged with formulating specific policy recommendations to address issues raised by this process. Those task forces and their issue areas would be as follows:

#### Illinois Department of Labor

- Access to employment
- Discrimination in hiring and promotion
- Workplace conditions
- Contingent labor
- Certification and licensing

#### Illinois Department of Commerce and Community Affairs

- Technical assistance to businesses
- Affirmative Action and contracting
- Relationships with local government
- Financing and credit

- CDCs, SBDCs, and intermediary organizations
- Home-based businesses

Illinois Community College Board

- Skill training opportunities for immigrants
- Applicability of community college programs to immigrant needs

### **Current Status of Immigrant Economic Conditions**

#### **Economic Status of Immigrants**

Immigrants in Illinois have a generally lower socioeconomic status than the native born. For example, 11.3 percent of immigrants are below poverty compared to 10.6 percent of the native born. The lower incomes of immigrants should come as no surprise. Their low-income status and limited opportunities in their home country are often exactly the reason that they have come to the United States.

While not all immigrants prosper in the U.S., most of them do significantly improve their status in the years after their arrival. While 15.7 percent of 1990s immigrants are in poverty, for example, only 9.4 percent of pre-1990 immigrants are below the poverty level.

The children of immigrants -- second generation Americans -- generally do well and by some measurements have higher status than third and later generation Americans. The poverty rate of second-generation Americans is 7.3 percent while third-and-later generations have a poverty rate of 10.9 percent in Illinois. Thus it may be said that despite low income levels seen among recent arrivals, in the aggregate immigrants to Illinois do well economically over time. Their economic success, of course, leads to higher tax payments, greater economic consumption, and other characteristics that make them a valuable asset to the state.

The U.S. has experienced its first economic recession in roughly a decade, and it is worth noting that immigrants may be particularly vulnerable during an economic downturn. Many immigrant workers are employed in service and nondurable goods manufacturing, industries that afford relatively less job security than other sectors. Some workers are employed by temporary day labor firms where their hire and dismissal can literally occur on a daily basis even though they are regularly at work. Immigrant households may not have substantial savings accrued to cushion them during a period of unemployment. Recently arrived immigrant workers may not have a work history that is sufficiently long for them to qualify for unemployment insurance.

#### **National Origin Differences and Legal Status**

The experiences of immigrants vary significantly by their national origin. Illinois annually receives a widely diverse population of immigrants covering nearly 100 countries of origin, yet several groups predominate.

Mexicans are the largest group of annual arrivals, equaling 30.5 percent of legal arrivals in 1998 (their representation among all arrivals is substantially larger when undocumented immigrants are considered). Mexican immigrants have the lowest levels of formal education of any major immigrant group (only Southeast Asian refugees are comparable), with a median level of education of only ninth grade. Their low education and the existing employment networks that hire Mexicans help channel them into relatively low-paying service sector and operator/fabricator/laborer jobs.

The second largest group of immigrants in Illinois are those persons from Poland. These immigrants have higher levels of education (median level of education is a high school degree). Some Polish immigrants, especially women, hold low-paying jobs, but a fair percent hold skilled craftsmen positions, a fact that may be readily seen in Chicago, where Polish tradesmen are a noticeable portion of carpenter and masonry workers in the building trades.

The third largest group of immigrants in Illinois consists of persons from India. While Indians are not a monolithically prosperous group, their overall economic standing is quite high. Their median level of education is a bachelor's degree.

The types of immigrant groups predominating in Illinois have been changing in recent decades, with declining percentages coming from Europe and greater numbers coming from Asia and Latin America. The growing percent of immigrants from Mexico is particularly striking. Mexican immigrants were 20.4 percent of Illinois foreign born in 1980, and 29.6 percent by 1990. Preliminary Census Bureau data suggest that Mexican immigrants are now 37.7 percent of all foreign born in the state.

The extraordinary growth of the Mexican immigrant population merits particular focus. With the implementation of the North America Free Trade Agreement the economies of the U.S. and Mexico have become increasingly linked. Mexican immigration, both legal and illegal,<sup>2</sup> has become a noticeable phenomenon in rural Illinois and Midwestern areas that haven't experienced immigration for a century. Many of these workers are employed in agriculture and meatpacking.

The reliance of many employers on Mexican immigrant workers has led to calls for facilitating the movement of Mexican workers across the border. The White House has had discussions with Mexican President Vicente Fox about legalizing Mexican undocumented workers and possibly creating temporary worker programs. The White House overtures have focused on Mexico only, in clear recognition that that particular country is critical to labor demand.

The terrorist attacks of September 2001 have largely driven the topic of Mexican labor movement (and many other social policy issues) off the priority lists of national policymakers, and indeed the U.S. has experienced economic recession in the interim, but

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<sup>2</sup> A quick comparison of 1990 and 2000 Census Bureau data and INS data suggest that annually about 23,000 undocumented Mexican immigrants come to Illinois.

it seems doubtful that the need for low-skilled Mexican laborers will decrease. Policymakers, employers and community leaders will continue to be challenged by the need to ensure that Mexican and other low-skilled workers have access to job ladders and business development opportunities that ensure their long-term success in the Illinois economy.

Another factor that affects the labor market standing of all immigrants is their legal status. Undocumented immigrants are subject to substandard working conditions, salary and job security. Their legal status may make it hard for them to take part in workplace actions such as unionization drives. The largest number of undocumented immigrants in Illinois are from Mexico.

### **Changing Residential Patterns**

Immigrant workers and immigrants in general have been increasingly likely to live in the suburban areas of metro Chicago in the last few decades. About 41.5 percent of immigrants in the metro area currently live in the suburbs, compared to 33.6 percent in 1970. In the first six years of the 1990s, some 96,000 legal immigrants immigrated directly to the suburbs. In the early 1990s the primary areas for suburban immigration were the Schaumburg-Elk Grove village area, the Des Plaines-Park Ridge area, and an area including Cicero and extending southwest from that suburb.<sup>3</sup>

The suburban residential patterns of immigrants have implications for service delivery. That is, most organizations that work with immigrants to provide services such as job training are located in Chicago rather than the suburbs. The dispersal of immigrants over wide suburban areas may make them more invisible to policymakers than immigrants in large ethnic enclaves in the city.

### **Policy Implications**

Because of the diversity of the immigration population, programs to promote their economic contributions will have to be sensitive to different attitudes, cultural tendencies and the linguistic needs of the various immigrant groups. Suburbanization of immigrant populations poses a challenge to efforts to enhance their economic contributions because many suburban communities may have little experience interacting with immigrants. On the other hand, suburbs may potentially have more resources to promote immigrant economic development.

For the large number of undocumented immigrants, economic progress may be difficult because of a possible reluctance among these immigrants to participate in governmental programs or because of requirements that immigrant business owners show proof of legal residence to access funding or assistance of some kind. Efforts to legalize the undocumented population may have the effect of raising the economic productivity of immigrant workers and entrepreneurs.

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<sup>3</sup> Source: Paral, Rob 2000 *Suburban Immigrant Communities: Assessments of Key Characteristics and Needs* Chicago: Fund for Immigrants and Refugees

## **Labor**

### **Immigrants and the Illinois Labor Market**

Immigrant workers are invaluable to Illinois businesses. The foreign-born made up approximately 10 percent of the Illinois workforce in 1990, and they are proportionally over-represented in certain occupational categories:

Operators, fabricators and laborers	17.2 percent
Service occupations	13.6 percent
Precision production and craftsmen	12.7 percent

Among industries, foreign-born are over-represented in manufacturing at 16.1 percent of employees in 1990.

Manufacturers in Illinois depend heavily on immigrants in both skilled and unskilled positions. Illinois businesses are particularly dependent upon skilled craft workers from Europe and to some extent Mexico, and on laborers from Mexico. Both European and Mexican immigrants constitute large numbers of workers in the service industries. Immigrants are less likely to be managers or professional specialists, with the exception of Asian immigrants, who are somewhat over-represented in these occupations.

The age profile of major immigrant groups differs substantially and has implications for Illinois employers. Mexican immigrants are the youngest of the major groups with almost 25 percent of workers younger than 25 years of age. Mexican immigrants have particularly low English skills and educational achievement. Unless their educational and language characteristics change significantly, they will be available to employers with low-skill, low-wage jobs over the next decade.

Conversely, European workers are among the oldest immigrants with nearly 50 percent over 45 years of age. Numerous small manufacturers depend upon these workers for skilled manufacturing positions and their businesses may be at some risk in the future if these employees age out of the workforce without replacements.

The Illinois economy has a significant technical sector that has utilized immigrants in technical positions, and recruits in South Asia for computer specialists. A high proportion of Asian immigrants have a college education and so represent an important source of highly skilled professionals in the Illinois economy.

### Job Mobility

As immigrants live in Illinois longer, they tend to gradually move into more skilled occupations. In general, the more recently immigrants have arrived the more likely they were to be working in either service or laborer occupations in 1990. Pre-1965 arrivals were twice as likely to hold managerial or professional jobs in 1990 as were immigrants who arrived during the 1980s.

This occupational mobility pattern has implications for the industries in which immigrants are commonly found. The immigrant group arriving from 1965 to 1979 was more likely than either the pre-1965 immigrants or post-1980 immigrants to enter the manufacturing industry. The post-1980 cohort was only half as likely as the pre-1965 cohort to be in the finance, insurance and real estate industry.

Analysis of immigrants arriving in the 1970s indicates that from 1980 to 1990 there was a tendency for them to move from operator/fabricator/laborers occupations into precision production/craft occupations. Others likely moved from service occupations into managerial/professional/specialty occupations. These patterns appeared to maintain across Mexicans, Asians, and Europeans, although Mexicans were far less likely to attain managerial, professional, technical or administrative occupations.

Within ten years of arrival, approximately 40 percent of Asian and European immigrants who started in laborer jobs attained higher status jobs. About 10 percent of Mexican immigrants attained higher status jobs within ten years. More recent arrival cohorts of all nationalities were far less likely to be working in managerial or professional occupations even when controlling for attainment of college degrees and higher language skills.

Recent European female arrivals were far more likely to be working in service jobs in 1990 than were their predecessors. Recent Mexican female arrivals were far more likely to be working in laborer jobs in 1990 than their predecessors.

### English and Employment

Acquiring English has been vital to climbing the job ladder for all immigrant groups. European and Asian immigrants entering during the 1970s improved their English skills substantially during the 1980s. For Europeans, the percent not speaking English well, or not at all, dropped from 35 percent to 17 percent. For Asians the percent declined from 61 percent to 39 percent.

For recent European immigrants, significant improvements in English enhance one's likelihood of working in a managerial, professional or technical, sales or administrative job. They substantially decrease the likelihood of working in a service occupation or in an unskilled position. Language acquisition appears to play less of a role in determining occupation for recent Mexican immigrants. Moving from speaking English well to exclusively did decrease one's chances of working in a precision, production or craft occupation. However, few Mexicans work in managerial or professional occupations irrespective of language skills.

For Asians, there appeared to be a potentially large payoff in moving from not speaking English well to speaking it well or very well. It made a worker much more likely to have a managerial, professional or technical job, and much less likely to work in service or as an unskilled worker. The benefit appeared to be far less for moving from speaking English very well to exclusively.

Education significantly enhanced the likelihood that an immigrant would attain a managerial or professional specialty job. This effect was strongest for European immigrants. High school degrees were especially important for Europeans or Asians to attain technical, sales or administrative jobs. Attainment of a college degree was especially important for Mexicans to rise above laborer jobs.

To some extent, the path into various types of employment may be attributable to social organization. For instance, Mexican immigrants with strong English skills are far more likely than Asian or European immigrants with strong English skills to do operator, fabricator or laborer jobs.

There are important relationships between the dates of arrival of immigrants, their national origin and their English skills and educational levels. As a general principle, more skilled positions tend today to be less open to non-English speakers or the less skilled than they were twenty years ago.

Poor English speaking Europeans of the 1980s were much more likely to take service jobs than poor English speakers who arrived earlier. Conversely, poor English speakers arriving before 1965 had greater opportunities to attain technical or administrative jobs than those who have arrived more recently. Similarly, strong English speakers arriving from Mexico before 1965 were much more likely to attain managerial, professional, or administrative jobs by 1990 than were more recent immigrants who had the same English skills.

Another factor influencing the types of jobs held by immigrants is the changing composition of the job market. Recent decades have seen an explosion in service sector jobs such as in hotels and restaurants. To some extent the kind of job held by an immigrant will depend on the opportunities available, and not merely on the skills of the immigrant.

### Education and Training

Mexican immigrants must substantially improve their language and educational skills if they are to improve their occupations and earnings. For young Mexican immigrants, it means at least completing high school.

Few working immigrants appear to earn a college degree after arrival, despite the fact that there is a strong occupational return to doing so and that very few European and Mexican immigrants attain them. The overall capability of the Illinois workforce could be enhanced by helping adult immigrants complete college degrees. The Mexican immigrants present a particular challenge because only small percentages of them have high school degrees. The state should seek to formulate strategies aimed specifically at helping Spanish-speaking immigrants complete high school and attend college.

All racial/ethnic minority groups have had difficulty penetrating upper management in the private sector. The state should explore ways to create management training programs accessible to immigrants who are members of groups that are under-represented among managers and professionals or help them to access existing programs.

## **Policy Recommendations**

### Barriers to Advancement

State policymakers should investigate further the factors that inhibit immigrant advancement. When possession of higher levels of education does not lead to a payoff in the marketplace, it may call for implementation of affirmative programs in some sectors. Research should be conducted into which specific industrial sectors in Illinois have many workers failing to advance and state government should commission further research on opportunities for advancement in employment for different groups, perhaps Hispanics in particular.

Because Mexican immigrants with strong English skills are under-represented among managers and professionals. Affirmative programs may be necessary to help these persons enter these professions, for which they appear to be qualified. The State should be particularly vigilant in searching out discrimination in employment or promotion of racial/ethnic minorities in management positions.

Consistent with this, emphasis should be placed on finding ways to bring more immigrants into private sector management as a way to improve employment ladder prospects for immigrants.

A review of the adequacy of the adult education and community college systems may be needed to determine whether these institutions are offering curricula that have strong positive consequences for immigrant workers.

Beyond the basics of education, immigrants need to be oriented to the opportunities that are available to them in American workplaces. The state should create programs for immigrant youth that orient them to employment opportunities and the paths to obtaining them.

Too often immigrant progress in the labor force is inhibited by language, licensing, or cultural barriers to immigrants working in professions for which they might otherwise be qualified, and in which they have worked in their countries of origin. Illinois licensing boards should strengthen their communications with ethnic associations and find ways to help immigrants utilize skills that may be obscured by language, licensing or cultural barriers, including revising professional recertification policies.

### Recruitment

The State of Illinois cannot directly affect the admission decisions of the federal government that ultimately determine what mix of skills immigrants will bring to this country in general and Illinois in particular. The state can, however, devote greater attention to immigrant labor policies as they are discussed by Congress.

Changes in federal immigration policies have the potential to effect labor markets in Illinois. Illinois manufacturers have depended upon European crafts workers. These people tend to be aging and the supply of these skilled workers may be increasingly limited in the future without replenishment. The Illinois economy has come to depend upon Asians for highly skilled service occupations. Continued expansion of that sector may depend upon continued recruitment of these people to the United States and Illinois.

To the extent that Mexican laborers fail to gain additional education or climb occupational ladders, the Illinois economy will for many years have a continued supply of low wage labor for manufacturing and service industries.

The Illinois Congressional delegation should be kept continually informed regarding the implications of federal immigration policy on the Illinois economy.

Additionally, the state can assist Illinois firms with recruitment of immigrants with particular skills needed to sustain or strengthen Illinois businesses.

The overview of immigrants in the Illinois labor markets suggests three broad implications:

1. For some immigrant groups, additional research must take place to understand better what blocks their path to advancement
2. Many immigrants would clearly benefit from additional education and training.

Additional research needs to be conducted to ascertain whether recruitment efforts need to be undertaken to replace workers who may be aging out of the Illinois workforce.

### **Workplace Conditions**

Because immigrants often speak English poorly and tend to be unfamiliar with American work rules and workplace cultures, they are often unaware of their rights and, additionally, may be unable to assert them even when they are aware.

Typical problems immigrants face in the workplace include:

- Significant health and safety problems
- Routine violation of overtime, wage and hour regulations, requirements for scheduling of breaks.

- Regular violation of anti-discrimination and anti-retaliation rules: This is especially critical for people with limited English.
- Additionally, immigrants often fear governmental institutions and may hesitate to report violations even when they can

Large numbers of immigrants to Illinois work for day labor agencies. Hispanic immigrants in particular comprise the workers utilized by these agencies. While day labor provides an avenue to work for immigrants who may lack job or language skills, it can also be problematic.

- Day labor jobs are generally minimum wage.
- Day labor jobs lack benefits
- Day laborers are rarely hired into permanent or higher paying jobs as resulting from their placement in companies. Current practice creates a disincentive for this as companies must pay a fee for hiring them.
- Day laborers are often subjected to deplorable working conditions on job sites.
- Provisions for enforcement of state laws governing day labor are weak.

## **Policy Implications**

### *Reducing Barriers to Enforcement*

The State of Illinois is well-positioned to aid immigrants with workplace problems. The situation would be much improved were the state to find ways to eliminate barriers to reporting grievances based on immigrant culture, fear of retribution against whistle-blowers, fear of governmental institutions, and lack of understanding or awareness of worker rights.

Among approaches to accomplish this might be:

- State agencies charged with enforcement [which are these] should hire members of the various immigrant ethnic groups as outreach workers or complaint takers. These agencies should print complaint forms in languages appropriate to various immigrant groups.
- The State Department of Labor should work directly with ethnic community-based organizations to train immigrants in their workers rights. These organizations should, in turn, work to raise expectations of immigrants regarding job quality and enforcement of rights.

- There are ways to encourage employers to work with immigrants in their native languages. The State could help accomplish this by creating linkages to ethnic-based organizations or available translators.

### Contingent Labor

The Illinois Department of Labor should undertake a careful review of all state policies and regulations regarding contingent labor. Areas upon which such review might focus include:

#### *Workers Compensation*

Illinois might hold the entity that is responsible for supervising temporary workers responsible for workers' compensation contributions to cover those workers.

#### *Unemployment Insurance*

The state might consider internalizing the Unemployment Insurance-related costs of laying off temporary-agency workers into the operating budgets of worksite employers by requiring worksite employers to contribute UI taxes for all procured temporary agency workers. Alternatively, Illinois could weight UI tax rates of worksite employers that use temporary staffing agencies to account for the UI claims experience of the temporary staffing industry. Illinois could also:

- Reduce earnings thresholds to expand eligibility
- Increase benefit levels
- Change voluntary quit rules to allow search for full-time work rather than returning to the staffing agency for assignment.

#### *Illinois Day Labor Services Act*

The Act might be amended to provide the Illinois Department of Labor with stronger enforcement mechanisms such as the power to invoke fines and the power to suspend day labor agencies' registration for longer periods of time.

Provide better enforcement of current regulations respecting day labor agencies. Provide statutory language that permits the Illinois Department of Labor to enforce the existing law.

Revoke or prohibit licensing of temporary agencies that have labor violations.

Require companies to provide benefits to employees of day labor agencies after they have worked at a particular company for a period of time. Revisit the Private Employment Agency Act.

Reduce or eliminate fees when companies choose to hire a day laborer permanently.

Pass state laws preventing day laborers from being sent to sites where there is an ongoing labor dispute.

Have day labor companies charge companies the price of transportation rather than taking it from day laborer wages.

Consider adopting the new California provision that the work site employer is defined as the legal employer of any temporary workers at their work site. Create joint liability between the work site employer and the agency for some violations.

Eliminate discrimination in job orders.

### **ESL and Vocational Training**

As any number of formal studies have documented, a strong correlation exists between quality of employment and ability to speak English. While some immigrants acquire English informally through their own means, the process is clearly speeded by provision of English as a Second Language (ESL) classes and educational programs. It is equally true that immigrants must have or acquire skills to improve occupationally. It is less clear from the research literature what is the best way to facilitate this. Nationally, free-standing employment training programs have shown marginal income returns to training. It appears that job training is most useful when it takes place at the work site or is tied to a specific available job for the trainee.

Sequential English-to-training-to-work programs are largely unsuccessful. ESL and training need to be integrated into work, or at least accomplished at the same time.

Although the literature indicates general agreement on the components of programs that work in terms of linking immigrants and refugees to work, it also points to the scarcity of models in the field that exhibit these features or fully implement them. Community based literacy programs offering VESL often suffer from limited resources, inexperienced (though often enthusiastic and talented) staff, and lack of opportunity to interact with either peers or more mainstream training institutions. Community college instructors often have little experience in working with adults who have few years of formal education and limited ability to communicate or read and write in English. Although information on what works is available in the literature, the information is often not available to the practitioners in a form that is easily accessible or particularly useful. Even when descriptions of promising practices are available, teachers often lack the knowledge, time and resources to utilize this information effectively.

Immigrants tend to have low participation in programs that might help them.

Key immigrant groups that would benefit from additional employment and English training include:

- Foreign-born professionals whose educational credentials do not transfer
- Immigrants and refugees with few years of schooling
- Older adults (employed in marginal jobs and those trying to reenter employment)
- Younger adults able to benefit from accelerated models that combine education and training.

Institutional barriers to improving education and training include:

- Limited access to education and training
- Little or no infrastructure of support
- ESL programs tend to be too generic
- Training institutions may set too high a bar for English and literacy
- One-stops often have inappropriate assessments and are reluctant to refer LEP adults to training or education.

### **Policy Implications**

The largest single provider of employment-related training and education in Illinois is the community college system. The committee recommends that the Illinois Community College Board undertake a review of their approach to vocational education and its articulation with the needs of immigrants as they attempt to enter the Illinois labor market.

Strategies to meet the needs of job seekers with limited proficiency in English may include:

- Support programs that have a clear focus on job preparation and that integrate basic skills remediation and ESOL into job training concurrently. Integrate technology into this system.
- Redesign employment and training services to make them more accessible and responsive to immigrants with low levels of English, low levels of literacy, and limited bicultural skills.
- Develop and fund a variety of models that take backgrounds and goals of various subgroups into account. Develop and fund intensive programs for those with multiple needs. Provide fast track services for those who have higher educational levels and work experience but simply lack proficiency in English.

Strategies for job advancement services to current workers are needed:

- Create public sector/employer partnerships to customize training that focuses on the needs of immigrants, with training provided at or near the work site, during work hours. Minnesota's Pathways initiative is a good example of this.

ICCB should fund short term job preparation classes for ESL students.

Community based organizations should be funded to assist immigrants at the lower end of English acquisition with a range of support services.

CBOs should also be funded to provide low-skill, low-English vocational training.

ICCB should explore ways of improving the transition into ESL and other areas of education and training.

The ICCB task force should include private sector participation.

## **Economic Development**

The Work Group recommends that the Illinois Department of Commerce and Community Affairs form a task force charged with reviewing

- 1) activities that the State of Illinois might undertake directly to promote development of immigrant businesses and immigrant business communities and
- 2) areas and ways in which the State can work with local government to accomplish the same.

## **Entrepreneurship**

From 1982 to 1997 the number of Hispanic and Asian-owned businesses in Chicago increased rapidly. By 1997 Asians owned nearly 57 percent of Illinois' minority owned firms with paid employees and Hispanics claimed just over one in four. 89 percent of Hispanic-owned businesses were in Chicago. Hispanics tend to be concentrated in firms lacking employees.

Key factors in the likelihood of starting a new business, and then of succeeding include access to capital, previous business experience, previous work with a co-ethnic employer,

In general, informal economic activity is not a pathway to entrepreneurship. The exception is for immigrants with low levels of education.

Members of all ethnic groups view self-employment as a vehicle for accomplishing upward economic mobility.

Higher educated immigrants tend to see more barriers to economic achievement. These include lack of language proficiency and "imperfect transferability of their foreign-earned degrees" When they fail to find employment commensurate with their former status, they turn to self-employment.

Koreans tend to see self-employment as a path to personal economic mobility and for the second generation to pursue a professional career. Mexicans are more inclined to see business ownership and growth as an end in itself and as a means of passing wealth and opportunity to the next generation.

Co-ethnic suppliers and professionals are relied upon heavily by ethnically owned businesses. Major reasons are trust and advancement of credit.

Very few immigrant business owners are aware of government programs available to assist small business owners.

## **Policy Implications**

### *Intermediaries and Technical Assistance*

The state could create intermediary organizations that would help immigrant businesses connect into broader networks of financing, professional expertise, and programs for small or new business owners. These organizations would not replace co-ethnic networks and would never function as effectively, but could help with some functions.

However it is accomplished, government can provide additional information about how to establish a business, how to obtain necessary financing, and how to arrange for legal transactions. Government needs to help make immigrant businesses more aware of programs that already exist. Provide additional technical assistance to immigrant-owned businesses, particularly in the areas of dealing with zoning, licensing, marketing and financing.

### *Financing*

Government can help make financing available for start-up or expansion but needs to work on finding ways to identify those enterprises most likely to succeed. Further research should determine the extent to which ethnic or immigrant-owned businesses may receive disproportionately small amounts of financing.

Make sure that loan programs are such that consortiums of investors, rather than only individuals, can participate in them and own land jointly.

### *Microenterprise*

States should include microenterprise development among the programs supported by federal funds that pass through or are block granted to states. The state should support the operating costs, training, and technical assistance activities and the capital needs of microenterprise programs. Additionally, the state should explore the feasibility of promoting immigrant businesses manufacturing and marketing ethnic handicrafts.

### *Encourage Rotating Savings and Credit Associations (ROSCAs)*

Members of many immigrant communities have historically relied on informal mechanisms to finance business undertaking commonly known as ROSCAs. With minimal documentation, a small group of “investors” agree to pool financial resources, loan them to a member of their group, collect the loan with interest, and then share it with another member, so that use of the capital rotates among the membership. These systems are an effective means of providing capital for small business projects, but they leave little paper trail that could be used to document credit history for larger, longer term loans from formal financial institutions.

A review should be undertaken of the place of ROSCAs within American banking laws with the intention of finding ways of strengthening their function. Areas of inquiry would include examining the extent to which they are legally enforceable, the extent to which they are insurable, whether licensure could be helpful, and how and whether they

should be taxed. Additionally, ways should be explored of documenting ROSCA transactions such that financial institutions could accept the documentation as credit history.

*Support urban gardening*

Urban truck gardens permit people to grow food for their own consumption and to sell their surplus in street markets. San Francisco's League of Urban Gardeners has been promoting gardening successfully in that city. European cities have long granted garden allotments to working-class residents. The State should encourage municipal governments to adopt land use plans and zoning that permit gardening.

*Affirmative Action*

The State of Illinois and numerous local jurisdictions operate affirmative action programs for contracting. While these programs do not provide contract participation goals for immigrants per se, they do so for the racial/ethnic groups that make up much of the immigrant population, such as Asian, Latino, and African Americans. State government should work to achieve maximum participation of minority contractors from immigrant communities.

*DCCA Establish an Immigrant-Oriented SBDC*

DCCA currently operates SBDCs across the state aimed at providing business development assistance to members of various communities. DCCA should commit to establishing one or more SBDCs whose primary mission is serving various immigrant business communities. Additionally, the state should work to improve immigrant access to existing micro-loan and one-stop capital outlets

*Home-Based Businesses*

Home-based businesses afford immigrants the opportunity to earn income in settings where English language proficiency is of minimal importance and parents can provide care for young children. The State of Illinois regulates home-based businesses in numerous ways. A review should be conducted of regulations pertaining to home-based businesses with the intent of uncovering regulations that may unnecessarily impede immigrants in operating them.

*Support the Informal Economy*

Provide technical assistance to the informal economy, helping people make sound decisions and act legally.

**Ethnic Business Enclaves**

Chicago is known as a city of neighborhoods and many of those neighborhoods are characterized by their immigrant origins. These include Chinatown, Argyle Street (Southeast Asians), Little Village and Pilsen (Mexican), Devon & Western (South Asian), Milwaukee & Belmont (Polish), and Albany Park (Swedish).

Strong ethnic business enclaves are important for a number of reasons:

*Immigrant Employment*

While in the long run acquisition of English and employment in the mainstream economy are essential for immigrants to succeed economically in the United States, immigrant-owned and run businesses are an important resource for many immigrants who speak English poorly upon arrival. Older immigrants may never speak English well and for them, these businesses provide employment opportunities that will not exist elsewhere.

The ethnic economy also provides training opportunities both for work and business ownership that are transferable to the mainstream economy. Immigrants lacking business skills or orientation to the American workplace utilize ethnic businesses to acquire these capabilities which they can then utilize in future years in the mainstream economy.

*Business Development*

Ethnic enclaves facilitate the growth of ethnically owned and operated businesses, which in turn capture consumer spending and pass it on to employees who are disproportionately immigrants themselves. Additionally, immigrant business enclaves are important for sustaining immigrant self-employment as small manufacturers and craft workers utilize personal networks to complete more complex products.

*Community*

Immigrants have unique cultural tastes developed in their countries of origin. These include types of food and its preparation, clothing, home decorations and furnishings, literature, music, art, hair care and grooming, and personal services such as medicine. Increasingly, American commerce is characterized by chain stores that thrive by stocking a particular set of items desired by large numbers of people. Immigrants depend upon establishments owned and operated themselves for goods and services that will be consistent with their cultural interests.

*Urban Quality of Life*

Most large cities, and Chicago in particular, advertise themselves as cities of neighborhoods. Neighborhoods by definition are places within the city that differ from one another and are known for their own unique cultures. At their best, these places become destinations for city residents seeking leisure, and for out-of-town tourists. Their existence helps create a city's character that allows residents to experience diverse cultures. Ethnic business enclaves, then, become to some extent generators of jobs and tax revenues, but also part of what makes cities interesting places for people to live.

Immigrant neighborhoods come into existence and persist due to a set of related factors. At least in their formative stages, their existence depends upon the presence of affordable housing for immigrants who bring few financial resources from their nations of origin

and low-rent storefronts. Immigrants depend upon walking and public transportation and so it is important that these residential and commercial buildings be located within close proximity to one another, i.e., within a single neighborhood.

There should be, then, a strong public policy interest in maintaining and strengthening existing ethnic enclaves.

### **Policy Implications**

Much of the decision-making impacting the development of ethnic enclaves centers on municipal administration. These policies include land use decisions and the resultant zoning, use of community development block grant funds, programs such as façade rebates, and improvements to infrastructure such as streets, public transportation and community services. Generally municipal planners and elected officials guide the development of particular neighborhoods. While there is much that state government can do to assist individual entrepreneurs and facilitate business start-ups, there is relatively little it can do directly to influence the location of these businesses. The State should work with municipal governments to support local policies that encourage growth of ethnic enclaves.

In order to facilitate the growth of ethnic business enclaves, we would encourage municipal governments to be attentive to pursue the following policies:

#### *Zoning and Land Use*

Zoning should support preservation or expansion of local businesses. Zoning should be done in collaboration with planners including business leaders or ethnic chambers of commerce in neighborhoods. Land use plans for parts of cities that include immigrant enclaves should incorporate these into the plan and provide strategies for their growth.

#### *Public markets*

Open-air markets are an attractive attribute of many ethnic cultures. At their best, they can be tourist and retail destinations that contribute to the diversity of a city's culture. Public street markets should be developed or expanded where they contribute to the attractiveness of a neighborhood. This should be done in conjunction with store front businesses so that these two types of businesses are complementary rather than competitive. Street markets can be used to lure customers into an area who will then patronize other local businesses.

#### *Preservation of Affordable Housing*

Policies should preserve affordable housing in neighborhoods adjacent to concentrations of ethnic businesses. An important synergy exists between residential concentration of members of ethnic groups and their business communities. Cities often face the paradox that as immigrant communities become increasingly interesting and attractive places to live, they tend to gentrify and property values increase. As this happens, they become less functional as ports of entry for the immigrants who initially formed the community. As immigrants are forced to disperse, many of the ethnic stores and cultural amenities

either must move or become untenable. Municipalities are encouraged to preserve housing accessible to low- and middle-income people in the neighborhoods adjacent to ethnic business enclaves.

*TIF Policies*

TIF policies should be constructed so that they preserve or enhance immigrant business communities rather than undermine them. TIFs can be an effective way of investing in particular neighborhoods and it is important that their proceeds be used to preserve the character of immigrant communities that pre-existed the creation of the TIF and that TIF revenues not be used to create condominium conversions or even industrial uses that significantly alter the character of the community

*Business Development*

Both City and State government should equip their business development units to assist immigrant and ethnic-owned businesses to obtain subsidies needed to develop new businesses, shopping centers, and other developments that will enhance the ethnic character of business enclaves.

*Community Development Corporations/Ethnic Chambers of Commerce*

City and state governments can work cooperatively to facilitate the formation of community development corporations that will operate in immigrant neighborhoods and support creation of business developments.

Additionally, the state can fund staffing at ethnic chambers of commerce or other community based organizations that can assist immigrant businesses with translation of documents, interpretation of regulations, loan packaging, networking, tax policies and incentives and marketing.

*Community Reinvestment Act*

City, state and federal governments need to continue to monitor CRA reports on financial institutions to assure equity in access to financing for residents and businesses in immigrant neighborhoods.

## **Conclusion**

Illinois state government uses state and federal funds to stimulate business development and support workers in a variety of ways from tax breaks and incentives to worker training. As a large immigrant state, however, it behooves the state to pay particular attention to the needs of immigrant workers and entrepreneurs in order to maximize their contributions.

An increased focus on the role of immigrant workers and entrepreneurs may prove a challenge to state government. Current economic projections for the state budget suggest a deficit of hundreds of millions of dollars, and existing programs are threatened with being cut or reduced. For the average voter, meanwhile, the importance of maximizing immigrant contributions has not been a priority issue, and policy makers may see little impetus to embrace the cause.

The fact remains, however, that Illinois has a vast asset of individuals who by dint of ambition and even fearlessness have made extraordinary efforts to better their lives by moving to a nation with a different language, culture and society. Numerous studies and analyses have shown immigrants to be a benefit to states like Illinois, making high tax payments, excelling in business development when they have a foothold, and raising children that attain high levels of education and who themselves become substantial economic contributors.

To ignore these assets and contributions would be wasteful, especially in times of economic downturn. State government should see immigrants as an area where investment should be made in order to reap benefits. The first steps toward understanding and utilizing the skills of immigrants consists of laying out their needs as we have done in this report. The next step is for government agencies and the General Assembly to form task forces and committees that investigate and act on ways to support immigrant workers and entrepreneurs. In this report we have recommended that three agencies in particular take up the task of promoting immigrant economic development. To the extent that this is done the state will increase the benefits that it already derives from immigrants.