

Immigrant Entrepreneurship and Tax Compliance

A Literature Review



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Inland Revenue Department

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Executive summary

Immigrant entrepreneurship and business ownership has become an increasingly prominent phenomenon in New Zealand economic life. However, little is known about the tax compliance attitudes and behaviours of these business owners. This report provides an overview of the national and international literature on the ownership and operation of immigrant businesses, including in New Zealand, identifies the associated tax implications of immigrant entrepreneurship, and identifies gaps in the existing literature. It is by no means exhaustive but it does provide a preliminary understanding of these issues as a basis for future research on immigrant entrepreneurs' tax compliance perceptions, attitudes and behaviours in New Zealand.

Overseas people obtain residence in New Zealand through various immigration categories. Immigrants who are most likely to become business owners are those arriving under the skilled and business streams which account for more than half of all permanent resident approvals. The top five source countries for this stream over recent years are the United Kingdom, South Africa, China, India and the Philippines. Immigrants are much more likely to live and work in Auckland rather than other regions in New Zealand, resulting in a number of "ethnoburbs" and ethnic precincts throughout the city. Skilled immigrants tend to be younger and more highly qualified than the average New Zealand-born resident while business immigrants tend to be older and less likely to secure paid employment.

Chinese, Korean, Indian, British, South African, Dutch and Pacific peoples are identified as key immigrant business communities in New Zealand in most national cross-cultural studies. There are some common traits between these groups as well as ethnic-specific variations. Immigrants of European and Asian origin have similar self-employment rates and Korean migrants, in particular, display disproportionately high levels of business ownership (irrespective of the host country), followed by Chinese migrants. Pacific peoples are the least likely to be self-employed, especially among first-generation immigrants. A range of motivating factors encourages migrants to establish their own businesses. These include: fulfilling the conditions of a business visa; the increased possibility of greater financial returns; increased autonomy; countering discrimination in the labour force; overall job dissatisfaction; discovering business opportunities in New Zealand; the desire for lifestyle change; and/or access to international networks. Although immigrant businesses still tend to be concentrated in retail and wholesale trades as well as accommodation and food services, global trends of diversification and expansion among migrant-owned businesses are also evident in New Zealand. Due to the relatively small size of initial investment and the difficulties of obtaining finance from local banks, most immigrant entrepreneurs in New Zealand raise their start-up capital from personal and family savings. After a number of years of residence, there is also evidence to suggest that business immigrants tend to transfer funds from low-risk investments, such as bank deposits, to high-risk business investments.

Immigrant employers tend to work longer hours than their local counterparts but do not necessarily generate more income. Family members, along with local and international inter-ethnic networks, provide many immigrants with comparative advantages in their business ventures. While there are some industries that are renowned for cash economies, irrespective of the ethnicity of the business owner, others are quite ethnic-specific.

Immigrants' interaction with the tax system differs from other taxpayers in a number of respects. High tax rates, the complexity of the tax system and concerns about its fairness are often common complaints from immigrants. These complaints are most common among those from low paying and unregulated tax regimes. Identification with the host nation is particularly important if immigrants are to accept the need for, and compliance with, a tax system. The use of tax agencies, the Inland Revenue Department (IRD) and other professional tax services usually results in better compliance practices. Increasing the IRD's presence in different immigrant business communities is thus of strategic value. Immigrants with permanent residence appear to have a longer-term orientation to the host country and are, therefore, more likely to comply with local tax requirements in their desire to build sound financial systems as a

base for future economic expansion. Interesting patterns of inter-generational differences are found among immigrant taxpayers when crude tax evasion practices are gradually replaced by more sophisticated methods of tax avoidance.

Research on the relationship between cultural factors and tax (non-)compliance can be divided into three levels: national cultures; ethnic cultures; and occupational cultures. With regard to national culture, hidden economies in India, South Africa, South Korea, and Pacific countries are significantly greater than in New Zealand. In contrast, the United Kingdom, Australia and the Netherlands show more modest levels of tax evasion, similar to those of New Zealand. With regard to the relationship between culture, nationality, ethnicity and tax-compliance, empirical results have been inconsistent. However, one New Zealand study concludes that Asian and European taxpayers are more proficient and confident in records-keeping than their Pacific counterparts and are, therefore, more likely to file and pay tax returns on time. Finally, with regard to occupational culture, some occupations are more tolerant of cash-based economies as well as tax evasion and/or avoidance (irrespective of ethnicity or country of origin).

List of abbreviations

DoL	Department of Labour
FBT	Fringe Benefit Tax
GST	Goods and Services Tax
IIP	Integration of Immigrants Programme
IRD	Inland Revenue Department
LIRC	Labour and Immigration Research Centre
LisNZ	Longitudinal Immigration Survey: New Zealand
LTVB	Long Term Business Visa
MBIE	Ministry of Business, Innovation and Employment
NZIS	New Zealand Immigration Service
OECD	Organisation for Economic Co-operation and Development
PAYE	Pay As You Earn
PRC	People's Republic of China
SNZ	Statistics New Zealand
SME	Small and Medium-sized Enterprises
VAT	Value Added Tax

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Introduction

Immigrant business ownership and entrepreneurship has become an increasingly prominent phenomenon in New Zealand economic life. However, little is known about the tax compliance attitudes and behaviours of these business owners. This literature review surveys national and international literature on immigrant business ownership and entrepreneurship, with a particular focus on their macro and micro characteristics, their interaction with tax systems, and the barriers and enablers of tax compliance.

The report is divided into five sections:

Section one provides a summary of recent immigrants to New Zealand. Various aspects of immigrants are discussed with a focus on the business and investor cohorts.

Section two surveys immigrant entrepreneurship of seven key immigrant groups in New Zealand: Chinese; Korean; Indian; British; South African; Dutch; and Pacific peoples.

Section three provides an overview of the characteristics of immigrant entrepreneurship as identified in the literature. This section begins with a general overview of Small and Medium-sized Enterprises (SMEs) in New Zealand as the basis for cross-cultural comparisons relating to immigrant entrepreneurship.

Section four provides an overview of the immigrant business community's perceptions of, and interaction with, the national taxation authority.

Section five identifies gaps in the current literature and provides recommendations for future research, including suggestions for methodological approach.

Section 1. Immigrants in New Zealand

New Zealand is a settler society with a long history of immigration and a contemporary migration policy built on attracting highly skilled migrants (Labour and Immigration Research Centre, 2009). However, changes to immigration policy in 1986/87 introduced a points-based system which ensured that migrants were selected on the basis of merit (including work experience, skills and qualifications, age, and English language proficiency) rather than birthplace. These changes have significantly altered the demography of New Zealand. By 2006, 23 percent of all New Zealanders were born overseas (Statistics New Zealand, 2007a). Of OECD countries, this means New Zealand has one of the highest proportions of overseas-born residents, slightly behind Australia (24%), but ahead of Canada (17%) and the USA (10%) (Bedford, 2003).

This section will provide a brief background to immigrant communities in New Zealand, including the immigration categories by which they obtain residence, their numbers and percentages in the New Zealand population, their geographic distribution, their age and gender ratios, their levels of skill, education and qualification, and their employment status and economic well-being.

1.1 Immigration categories

The majority of immigrants after 2000 obtained their residence in New Zealand through one of three streams: the skilled/business stream; the family sponsored stream; or the international/humanitarian stream. The main categories of these streams are summarised in Table 1. This report focuses particularly on those who are most likely to arrive under the skilled/business stream. That is, they arrive as entrepreneurs, skilled professionals (including both principal and secondary) and business investors.

Table 1: Descriptions of main immigration approval categories in New Zealand

Immigration approval category	Description
Skilled principal	Principal applicants granted residence through skilled migration policies
Skilled secondary	Secondary applicants granted residence through skilled migration policies
Business category	Principal and secondary applicants granted residence through the business policies (including Investor, Entrepreneur or Long-Term Business Visas (LTBV), and Employees of Relocating Businesses)
Family partner	Principal and secondary applicants granted residence through the family partner policy, which enables the partner of a New Zealand citizen or resident who has been living in a partnership for 12 months or more to apply for residence
Family parent	Principal and secondary applicants granted residence through the family parent policy, which enables the parent(s) of a New Zealand citizen or resident to apply for residence if they have no dependent children and all of their adult children lawfully live outside of the parent's home country
Pacific category	Principal and secondary applicants granted residence through the Pacific access category and the Samoan quota

The skilled/business stream, until recently, has accounted for 60 percent of all permanent residents in New Zealand. The top five main source countries under this category are the UK/Irish Republic, South Africa, China, India and the Philippines, which together make up 75 percent of skilled-category migrants (Department of Labour, 2009: 25). In recent years, this pattern remains more or less the same although there has been a small variation in their rank order: UK (17%), India (13%), South Africa (12%), Philippines (12%) and China (8%). Together they made up 62 percent of skilled category immigrants (Labour and Immigration Research Centre, 2011). Taking those immigrants approved between November 2004

and October 2005 as a sample cohort, 35 percent of the new arrivals were approved as skilled principal immigrants, 23 percent as skilled secondary immigrants, and 6 percent as business immigrants (DoL, 2009: 31). Table 2 shows that the portion of UK/Irish immigrants in the skilled category (40.5% for principal and 45% for secondary) was much higher than their overall representation (32.2%) in the immigrant population. In addition, immigrants from North Asia made up 62.6 percent of the business category, more than three times their general proportion (18.1%) in the overall immigrant pool (DoL, 2009: 30, 184).

Table 2: Region of origin by immigration approval category

Region of origin	Skilled principal	Skilled secondary	Business category	Total
UK/Irish	40.5%	45%	11.9%	32.2%
South Africa	11.1%	14.4%	4.1%	8.8%
North America	4.9%	3.5%	1.4%	4.4%
Rest of Europe	6.6%	6.7%	2.7%	6.1%
North Asia ¹	14.9%	9.7%	62.6%	18.1%
South Asia ²	9.9%	7.3%	2.7%	8.7%
Southeast Asia ³	4.5%	4.7%	2.7%	5.2%
Pacific	3.3%	3.8%	7.3%	12.1%
Other	4.2%	4.8%	4.6%	4.4%
Total	100%	100%	100%	100%

Source: adapted from Table E3; DoL (2009a:184).

Unsurprisingly, the number of business immigrants alters in accordance with changes to immigration policies. In 1995/96, the business investment category accounted for 4 percent (2,199) of all approvals, but this dwindled to just 1 percent (299) in 1996/97 (NZIS Fact Pack, cited in Ip, 2001). At this time, a new “entrepreneur category” of immigration was introduced, with a Long Term Business Visa (hereafter LTBV) that was renewable after a three year period of residence. The number of approved LTBV category approvals decreased rapidly after 2006 due to a change in immigration policy that raised the English language proficiency requirement from IELTS 4.0 to IELTS 6.0. Such a decline reflects the fact that the major source countries of business immigrants have traditionally been non-English speaking.

For example, a study of LTBV category applications approved prior to May 2001 showed that China (31%) and South Korea (37%) made up more than two-thirds of all principal applicants (DoL, 2002: 56), and immigrants from China comprised 59 percent of all principal applicants, followed by those from Taiwan (18%) and South Korea (4%) (DoL, 2002: 89).

A new migrant investment package was introduced in July 2009. In 2010/2011, 487 people were approved for residence through the business categories, representing approximately 1 percent of all residence approvals. Table 3 compares the source countries of the two main business categories (“Entrepreneur” and “Investor”) in recent years. The UK remains the largest source country while the numbers of entrepreneur approvals from China and the USA have steadily declined and those from South Korea and South Africa have steadily increased.

¹ China, Hong Kong, Japan, Macau, Mongolia, North Korea, South Korea and Taiwan.

² Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

³ Brunei Darussalam, Burma, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor Leste and Vietnam.

Table 3: Source countries of business immigration policy approval, 2008/2009 – 2010/2011

Source country	Entrepreneur category			Investor category		
	2008/09	2009/10	2010/11	2008/09	2009/10	2010/11
UK	154	87	98	12	9	35
South Korea	56	69	86	0	4	8
South Africa	7	12	35	2	2	2
China	42	24	19	6	3	14
USA	17	11	4	9	16	27
Singapore	0	1	5	0	0	9
France	6	14	13	0	0	0
Netherlands	5	6	12	0	2	0
Other	93	91	87	4	20	33
Total	380	315	359	33	56	128

Note: these figures reflect the number of people rather than the number of applications, and include principal and secondary applicants.

Source: adapted from Table 5 in LIRC (2011).

1.1.1 Lifestyle migrants

International migrants who move for personal reasons are being increasingly defined in the academic literature as “lifestyle migrants” (Benson & O'Reilly, 2009; Torkington, 2010). Although not a formal category for immigration approval, this concept has implicit consequences in the choices of a prospective immigrant with regard to destination country, post-migration occupation/industry, and residential location. The phrase has been used to describe those who seek a “clean, green” environment or wish to escape the impacts of climate change (eco-migrants), as well as to describe retirement migration (to warmer, sunnier destinations) and urban-to-rural migration. However, more recently, the definition has been enlarged to include those who seek better opportunities for themselves and their

children in terms of an escape from heavily industrialised or urbanised cityscapes or a search for residential, educational or recreational opportunities that may not be available in the source country. These lifestyle motivations are empirically demonstrated in a number of studies including the LisNZ (DoL, 2009: 49) and work carried out by the IIP (see <http://newsettlers.massey.ac.nz/publications>). In contrast, less than 20 percent of the respondents in a migrant-initiated survey claimed that they came to New Zealand for economic reasons (Asian Immigrants Economic & Social Survey, cited in Ip, 2001), and less than ten percent cited business or employment as the main reason for migration (Ip & Friesen, 1997).

1.2 Largest immigrant groups in New Zealand

Table 4 outlines the size of the largest immigrant groups in New Zealand and their respective growth over the 1996-2006 decade.

Table 4: The 20 largest foreign-born groups in New Zealand: 1996-2006

2006 rank	Country of birth	1996	2006	1996-2006 growth
1	United Kingdom	223,815	244,803	9.4%
2	China (including HK)	31,278	85,800	17.4%
3	Australia	54,711	62,742	14.7%
4	Samoa	42,177	50,649	20.1%
5	India	12,807	43,341	238.4%
6	South Africa	11,334	41,676	267.7%
7	Fiji	18,774	37,749	101.1%
8	South Korea	12,183	28,806	136.4%
9	Netherlands	23,430	22,101	-5.7%
10	Tonga	14,040	20,520	46.2%
11	USA	11,625	17,748	52.7%
12	Philippines	7,005	15,282	118.2%
13	Cook Islands	13,758	14,697	6.8%
14	Malaysia	11,889	14,547	22.4%
15	Taiwan	10,932	10,764	-1.5%
16	Germany	7,071	10,761	52.2%
17	Japan	6,501	9,573	47.3%
18	Canada	7,440	8,994	20.9%
19	Zimbabwe	1,443	8,151	464.9%
20	Sri Lanka	4,017	7,257	80.7%

Source: adapted from van der Pas & Poot (2011: 19)

1.3 Geographic distribution

Research suggests that employment opportunities, family and social connections, and amenities are the three main determinants of the regional settlement of migrants (Chen, 2012: 1). For New Zealand business migrants (and those who arrive

under the investor category), lifestyle is also a significant 'pull' to destination cities, as well as children's educational opportunities (Chen, 2012: 83). The LisNZ project shows that three years post-arrival, 49.3 percent of migrants lived in the Auckland region, 31.5 percent lived in other North Island areas, and 19.3 percent lived in the South Island.

Indeed, Auckland has been the “favoured initial destination for overseas-born immigrants for much of the twentieth century” (Lidgard, Ho, Chen, Goodwin & Bedford, 1998: 12). This has certainly not changed in the 21st century. Auckland is the only region to receive a greater share of immigrants than its share of New Zealand’s population. In the years from 1996 to 2003, half of all migrants settled in the Auckland region, although this figure dropped slightly (to 46%) after a 2003 policy change which privileged those with a relevant job offer outside the Auckland region (SNZ, 2011). According to the 2006 Census, 51 percent of immigrants who had been in the country for two years or less were located in Auckland.

High economic productivity in Auckland is one of the key attractions for business entrepreneurs. Auckland has approximately 45 percent greater average labour productivity than the rest of New Zealand, with the Central Business District, 120 percent to 158 percent higher (Maré, 2008, cited in Chen, 2012: 4-5). National studies also show that ethnic and cultural networks are important as recent immigrants are much more likely to settle in areas where co-ethnics already have a strong presence (Hodgson & Poot, 2011; Maré, Morten, & Stillman, 2008, cited in Chen, 2012: 21).

Proportionately more immigrants from China, and fewer immigrants from the UK and Ireland, settle in Auckland compared with other parts of New Zealand. While overseas, culturally distinct immigrant groups tend to concentrate in high-density, low-quality inner city housing, in New Zealand, there is greater dispersion – for some. While recent immigrants from Asia have a range of suburban locations they feel they can make home, Pacific immigrants are more heavily concentrated

in particular areas. For this reason, Asian immigrants are more widely dispersed, sharing areas with Pākehā and other immigrants to a much greater extent (Johnston, Poulsen, & Forrest, 2008).

Large cities provide scale that is necessary for business opportunities and growth. Centres of national economic activities are more likely to attract talented and skilled professionals, and provide international investment, trade and communication. While recent immigrants to New Zealand gravitate to the main cities, it should also be noted that some immigrant groups (e.g. Dutch) prefer rural living.

With three of the four largest receiving regions (Auckland, Waikato, Wellington) located in the North Island, an immigrant presence is much less visible in the South Island (see Table 5). Overall, four of every five migrants settled in the North Island in the June 2010 year (SNZ, 2011: 5). In 2007, only 20 percent of immigrants settled outside of the Auckland region, primarily in the Waikato, Wellington and Canterbury regions (SNZ, 2007b). With regard to settlement in the South Island, Spoonley and Bedford (2008) note that Southland was one of the first regions in New Zealand to implement a local immigration policy in order to attract desired skilled workers and employers, especially through the efforts of the region’s economic development agency, Venture Southland, in the UK. As a result, there has been a rise in the number of immigrants arriving in Southland between the 2001 and 2006 censuses. Despite such initiatives, over half of the business established by (Entrepreneur Category) immigrants, were located in Auckland, while just one-eighth were situated in the South Island (DoL, 2002: 3, 5).

Table 5: Permanent and long-term arrivals of non-New Zealanders in the five major receiving regions, 1996-2010

Region	1996	2000	2005	2010
Auckland	36,888 (45%)	26,314 (43%)	30,964 (39.1%)	33,080 (40%)
Canterbury	7,827 (9.5%)	6,161 (10%)	9,323 (11.8%)	9,139 (11%)
Wellington	7,309 (8.9%)	6,025 (9.8%)	7,375 (9.3%)	7,228 (8.8%)
Waikato	4,185 (5.1%)	3,492 (5.7%)	4,879 (6.2%)	5,037 (6.1%)
Nationwide	81,965	61,285	79,139	82,305

Source: adapted from Table 1 in SNZ (2011:6).

New immigrants to New Zealand appear as mobile as the local population. Between 2005 and 2007, about one-quarter (26.3%) of the overseas-born population relocated within New Zealand (25.6% of the New Zealand-born population did so) (SNZ, 2007b). The majority (85%) relocated within their existing region rather than moving between regions. The LisNZ showed similar results: 94.2 percent of immigrants lived in the same region at Wave 1 and Wave 3 (SNZ, 2010a: 8-9).

1.4 Demographic characteristics of immigrants

There are age restrictions on certain permanent residence categories, particularly the skilled migrant category.⁴ North Asian skilled immigrants tend to be younger and have less work experience than other immigrants. With respect to the LisNZ, over one-quarter were aged under 25, compared with an average 6 percent of immigrants from other source countries (DoL, 2009: 80). Immigrants approved as part of the business visa category (median age = 39) tended to be older than all the other categories except those approved as Family Parents (DoL, 2009: 33).

Taking immigrants approved between November 2004 and October 2005 as a sample cohort, Table 6 shows that male immigrants are more likely to arrive as skilled principals and women as part of the skilled secondary category.

Table 6: Sex of immigrants by their approval category

Sex	Skill principal	Skill secondary	Business category	Overall
Male	66.5%	30.5%	50.2%	48.4%
Female	33.5%	69.7%	49.8%	51.6%

Source: adapted from Table E5 in DoL (2009a:185).

⁴ The upper age limit for the skilled category is 55 years.

Immigrants are generally better qualified than the overall New Zealand population. Skilled principals are the highest qualified cohort among immigrants, while

the proportion of business immigrants holding vocational, bachelor or higher degrees is fairly low (see Table 7).

Table 7: Highest qualification by immigrant approval category

Highest qualification	Skilled principal	Skilled secondary	Business category	Overall
School qualification	6.3%	29.8%	51.6%	24.8%
Vocational qualification	37.5%	30.5%	21%	30.9%
Bachelor degree	27%	16.9%	7.3%	19%
Higher degree	21.6%	10.3%	2.7%	12.1%

Source: adapted from Table E31 in DoL (2009:198).

1.5 Employment status and economic well-being

The LisNZ shows that North Asian migrants from the skilled principal category had lower employment rates than their counterparts from other source countries (DoL, 2009: 80). Skilled immigrants were more likely to work in professional, scientific and technical services, education and training, and health care and social services than other immigrants, while business immigrants were most likely to work in the retail industry (see DoL, 2009: 85).

Male principal immigrants from the UK and North America aged 25 - 54, who were English language proficient and held post-secondary qualifications, were granted residence onshore and had prior local work, experience were most likely to have positive employment outcomes. By comparison, North Asian immigrants showed the lowest labour force participation and employment rates (DoL, 2009: 88).

The most recent Household Labour Force Survey⁵ revealed that the unemployment rate for overseas-born people (resident in New Zealand for up to 10 years) has been consistently higher than the national unemployment rate (see Table 8).

Table 8: Unemployment rates of overseas-born people in New Zealand, compared with the national average, 2006/07 – 2010/11

Year	Length of time in New Zealand				National
	1-2 year	3-5 year	6-10 year	0 – 10 year	
2006/07	7.2	4.5	4.9	5.4	3.8
2007/08	8.1	5.0	3.8	5.4	3.7
2008/09	8.3	5.2	6.5	6.7	5.0
2009/10	11.5	6.1	9.5	9.2	6.6
2010/11	10.9	5.8	7.6	8.0	6.5

Source: adapted from Table 16 in LIRC (2011).

⁵ A Statistics New Zealand survey of approximately 15,000 households or 30,000 people each quarter

A modest survey of business immigrants who had arrived in New Zealand in 2002 through the LTBV and Investor categories showed that three-quarters were in paid work. Two of the LTBV considered themselves as

retired, which would seem to be at odds with the purpose of the LTBV policy. Table 9 shows that nearly 90 percent were either self-employed or employed others.

Table 9: Main labour force activity of the business immigrants

Main activity	LTBV		Investor		Total	
	Number	Percentage	Number	Percentage	Number	Percentage
Paid work	43	82%	9	53%	52	75%
Unpaid work	4	8%	2	12%	6	9%
Casual work	1	2%	1	6%	2	3%
Looking for work	0	0	4	23%	4	6%
Retired	2	4%	0	0	2	3%
Other	2	4%	1	6%	3	4%

Source: adapted from Table 11.1 in DoL (2002: 111)

Table 10: Status in employment of the business immigrants

Employment status	LTBV		Investor		Total	
	Number	Percentage	Number	Percentage	Number	Percentage
Employer	30	68%	6	67%	36	68%
Self-employed w/out employee	10	23%	1	11%	11	21%
Paid employee	4	9%	1	11%	5	9%
Unpaid family worker	0	0	1	11%	1	2%
Total	44	100%	9	100%	53	100%

Source: adapted from Table 11.2 in DoL (2002: 112)

Section 2. Business Ownership/Entrepreneurship of Key Immigrant Communities in New Zealand

What follows is a brief introduction to the business ownership and entrepreneurship of seven key immigrant groups in New Zealand, namely Chinese, Korean, Indian, British, South African, Dutch and Pacific peoples. Two major cross-ethnic comparison studies are presented here: the Integration of Immigrants Programme (hereafter IIP) project and de Vries' thesis (2007) (where appropriate, the results are supplemented with findings from other national and international research). The former is concerned with recent

immigrants who largely arrived after 2000 while the latter included immigrant entrepreneurs who had arrived in New Zealand earlier and also includes their immediate offspring (including New Zealand - born second generations). Given the small sample sizes, as summarised in Table 11, the findings of both local studies should be considered indicative rather than conclusive. Nonetheless, the two studies provide comparable information regarding the business practices of these immigrant groups.

Table 11: Sample sized of IIP project and de Vries' thesis

	Chinese	Korean	Indian	British	South African	Dutch	Pacific peoples	Total
IIP	20	20	7	7	13	-	-	67
de Vries	10		10			11	11	42

2.1 Chinese

The Chinese community has a long presence in New Zealand and is very diverse. The entrepreneurship of ethnic Chinese in New Zealand is often the focus of empirical research (see Zhang, 2010; Liu, 2000; Ho, Bedford, & Goodwin, 1999; Meares, Ho, Peace, & Spoonley, 2010a; Ip, 2001; Ip & Friesen, 1997), covering

those from Taiwan, Hong Kong, the PRC, and Southeast Asia, as well as local-born Chinese. This section focuses largely on recent immigrants from the PRC, while referencing other ethnic Chinese where appropriate.

Between 2001 and 2006, the number of immigrants from the PRC doubled to 53,694, comprising 55 percent of the ethnic Chinese population in Auckland. The self-employment rate

of the Chinese community was slightly higher than the national average. The 2001 census recorded a rate of 9 percent for Chinese employers (national average being 7.5%) and 15.1 percent for those self-employed without staff (national average being 12.4%). Chinese business activities appear concentrated in particular locations within Auckland such as Northcote, Meadowlands, Dominion Road, and the CBD (Spoonley & Meares,

2011; Cain, Meares, Spoonley, & Peace, 2011). Immigrant self-employment is closely related to the length of residence in New Zealand (see Ho et al., 1998: 278-279). According to Table 12, unemployment was most significant among recent Chinese immigrants (those who had been resident in New Zealand fewer than five years) while those who had been resident in New Zealand five years or longer were more likely to be self-employed.

Table 12: Labour force status of Chinese aged 15 years and over, 1996

	Labour force status	Self-employed with no employees	Self-Employed with employees	Employment		Seeking employment	Total number
				Wage/Salary workers	Other employment		
Overseas-born	Recent, male	13%	5.1%	45.1%	11.3%	25.5%	5151
	Recent, female	8.8%	3.1%	47.4%	15.3%	25.5%	4713
	Newly-Established, male	17.9%	9.8%	55.4%	7.8%	9.1%	3378
	Newly-Established, female	14.3%	6.5%	60.6%	9.1%	9.5%	3030
New Zealand - Born	Established immigrants, male	20.5%	16.4%	50.7%	7.2%	5.1%	3111
	Established immigrants, female	16.7%	9.7%	59.2%	9.1%	5.3%	2853
	Non-immigrants, male	11.2%	10.6%	65.4%	5.5%	7.3%	4563
	Non-immigrants, female	5.4%	4.8%	74.3%	5.6%	9.8%	3999

Source: adapted from Table 2 in Ho, Bedford, & Goodwin (1999: 279).

Table 13 compares labour force status by birthplace and gender, which shows that those who were born in Hong Kong and Taiwan were much more likely to be self-employed than those born in China for their first five years of residence⁶.

⁶ It should be noted that place of births are not necessarily the same as places of residence when an immigrant's application is approved. Some immigrants from Hong Kong and Taiwan might have been born in mainland China and thus the data in Table 13 does not necessarily provide exact profiles of Chinese immigrants coming from the three sources. For example, some of the "China born" men and women could be residents in Taiwan or Hong Kong prior to their migration to New Zealand.

The self-employment rates for China-born immigrants almost doubled for those who had been resident in New Zealand for between five and ten years. Correspondingly, their rate of unemployment was reduced by over 70 percent as their length of residence increased, dropping from being the highest (29%) for those who had lived in New Zealand for fewer than five years among the three groups, to the lowest (8%) for those who

had lived in New Zealand for between five and ten years. Despite the high proportion of Taiwan-born and Hong Kong-born migrants in the business immigrant categories, all three groups showed a similar pattern of growing levels of employment, which suggests that the pursuit of self-employment is not necessarily confined to business migrants.

Table 13: Labour force status of Chinese immigrants resident in New Zealand by length of time and by birth place, 1996

	Birthplace and gender	Self-employed with no employees	Self-Employed with employees	Wage/Salary workers	Other employment	Seeking employment
Less than 5 years	China / male	9.9%	3.2%	48.8%	8.8%	29.4%
	China / female	8.0%	2.3%	48.4%	12.4%	28.8%
	HK / male	20.1%	8.0%	41.8%	12.4%	17.7%
	HK / female	14.2%	5.3%	47.8%	16.2%	16.6%
	Taiwan / male	17.9%	8.5%	28.2%	18.8%	26.5%
	Taiwan/ female	12.1%	4.5%	29.3%	27.3%	26.8%
	Total overseas-born / male	13.0%	5.1%	45.1%	11.3%	25.5%
	Total overseas-born / female	8.8%	3.1%	47.4%	15.3%	25.5%
Less than ten years	China / male	21.5%	10.9%	50%	9.2%	8.5%
	China / female	21.5%	8.8%	48.8%	12.5%	8.4%
	HK / male	17%	12.5%	52.7%	8%	9.8%
	HK / female	12.3%	8.5%	61.3%	7.5%	10.4%
	Taiwan / male	21.5%	17.2%	25.8%	18.3%	17.2%
	Taiwan/ female	13%	10%	41%	16%	20%
	Total overseas-born / male	17.9%	9.8%	55.4%	7.8%	9.1%
	Total overseas-born / female	14.3%	6.5%	60.6%	9.1%	9.5%

Source: adapted from Table 5 in Ho, Bedford, & Goodwin (1998: 281).

Another survey conducted among 56 Hong Kong and Taiwanese business immigrants revealed a similar time-lagged pattern of venture creation. The most common time to acquire a business

seems to be either the fourth or fifth year of residence (Law, 1996). A Canadian study of Hong Kong and Taiwanese immigrants arriving in Canada under the Business Immigration Programme,

found that immigrants regarded the length of time required to meet obligatory entrepreneurship as forced labour or “immigration jail” and some commented on the state’s “exploitation” of business immigrants. Fraudulent or “ghost” ownership of someone else’s business was not uncommon in Canada. It is unclear whether this is the case for mainland Chinese entrepreneurs in New Zealand as intentional immigrant entrepreneurship is a relatively new phenomenon and they are fewer in numbers (see Cruickshank, 2010).⁷

As part of the overall decline of business category approvals, the number of PRC-Chinese approved under the business category has been declining over the years due to the raise of English requirement from IELTS 4.0 to IELTS 6.0 (see Table 14).

Table 14: Approved application of business categories for mainland Chinese

	2005	2006	2007	2008	2009
Investors	577	160	87	11	5
Entrepreneurs	679	1068	287	86	38

Source: adapted from Table 8.7 in Zhang (2010:210).

Liu’s (2000) research report is one of the earliest attempts to obtain qualitative understandings of Chinese entrepreneurship in New Zealand. Based on interview data with ten ethnic Chinese from a wide range of birthplaces (including Hong Kong, mainland China, New Zealand, Taiwan, Cambodia, Malaysia and Singapore), Liu (2000: 40) concluded that self-employment was taken up as the best strategy to minimise downward social mobility for those who have sufficient human and/or financial capital.

Although Chinese businesses provide an interim environ for new arrivals, many of these ventures also create opportunities for non-Chinese. At the time of the research, the global connections of Chinese entrepreneurship with international trade were changing traditional forms of Chinese enterprise. This emerging trend has been accentuated since Liu’s research was carried out.

In Meares et al.’s (2010a) study of PRC employers in New Zealand, the same percentage (30%) of participants obtained their permanent residence through the skilled principal and business categories, as well as family sponsorship. Six of these Chinese entrepreneurs had run their own businesses in China. Downward occupational mobility was evident, and discrimination was commonly reported. Half of the participants reported their financial position as “much worse off” than their pre-migration status (Meares et al., 2010a: 21-30, 35).

⁷ Some 30 countries run business immigration programmes. Over 310,000 arrived in Canada through its programme between 1983 and 2001, while the Australian programme recruited 91,000 (Wong, 2003). The total number of residence approved by business category is 2,190 between Nov 2004 and Oct 2005 (Table E3, DoL, 2009: 184).

The 20 Chinese participants in this study owned a total of 24 businesses: 14 partnerships, six sole proprietorships, and four family businesses. All businesses were in the accommodation and food (21) and retail (3) industries, and had been established between 2002 and 2009. The businesses had, on average, five staff. One-fifth had between one and three paid employees who were family members, one-quarter had no paid employees, and nearly half (45%) had a family member working without pay. About 30 percent had worked as employees since arriving in New Zealand, and 80 percent had undertaken some form of training prior to the start-up of their businesses (Meares et al., 2010a: 41).

The most common source of assistance during the set-up phase was New Zealand-based friends and family (94%), followed by overseas-based friends and family (28%), the Citizens Advice Bureau (11%), and bank managers and accountants (6%). Speaking English (68%), employing staff (58%), knowing the right person (42%), obtaining finance (37%), and operating within the local business environment (37%) were commonly cited problems while establishing their businesses. All participants employed at least one Chinese staff member and Chinese supplier, and 95 percent used Mandarin as the main language in the workplace. About 90 percent of these businesses had Chinese customers, but most described their clientele as multi-ethnic. Half of the Chinese employers travelled internationally to support their businesses, mostly to the PRC (90%) (Meares et al., 2010a: 9-11, 42-51).

Zhang's (2010: 127) research is very similar to the IIP but with a larger sample size. Of the 40 Chinese immigrant participants in Zhang's study, 20 (50%)

were sole proprietors, 14 (35%) had a family business, and 6 (15%) were in a business partnership. The biggest industry categories for these immigrant entrepreneurs were property and business services (45%), followed by cultural and recreational services (25%). Contrary to common perceptions and some empirical findings, only 15 percent of the sample were operating in the wholesale and retail trade, and only 10 percent were in the accommodation and restaurant category. Forty percent of these employers had a staff size between two and five, 30 percent employed between five and ten people, while 22 percent did not employ anyone. Just over half of these businesses served mainly Chinese (53%), 37 percent served both Chinese and non-Chinese, and 10 percent served non-Chinese only.

Zhang (2010: 228-235) also summarised the strategies that recent PRC Chinese immigrants used to set up and develop their businesses including engaging local experts to obtain licenses and employing non-Chinese staff to create a multi-cultural image; employing young Chinese graduates to lower staffing costs while enhancing the quality of customer service;⁸ and selling company shares to business immigrants as an alternative to securing bank loans.⁹

⁸ International students who need job offers to obtain resident permit are often willing to accept lower pay or no pay.

⁹ Immigrants whose residents were approved under LTBV need to "established or purchased, or made a substantial investment (more than 25 percent of the shareholding of a business) in a business operating in New Zealand" (New Zealand Immigration Act 1987)".

In comparison with the other three ethnic groups (Indian, Dutch and Pacific peoples) involved in de Vries' (2007) study, Chinese entrepreneurs were less likely to see the host environment as being user-friendly to those establishing a small business, and less prepared to discuss financial matters. An unsupportive regulatory environment, high compliance costs, and a small and isolated market were their main concerns. Most raised their capital within personal and family networks (and some reported difficulties obtaining funding from banks due to language barriers and a failure to understand the local business context). Most Chinese participants displayed high levels of business confidence. All Chinese employers had family involved in their business and valued this involvement. The dominant activities for the Chinese businesses were still within service industries, with low-medium entry costs, and "on site" operations. The majority had a New Zealand-European market focus and saw international markets as important to growth, particularly in import and redistribution industries. Business connections with a homeland maintained by the Chinese entrepreneurs was the highest of the four groups in this study, reflecting a world-wide pattern of diasporic Chinese networks (de Vries, 2007: Appendix 6: 17, 26-42).

2.2 Korean

Koreans have been a fast-growing Asian group in New Zealand. At the time of the last census, two-thirds of the Korean population lived in Auckland, particularly on the North Shore.¹⁰ According to the

¹⁰ The 2001 census shows that 15,501 (81.5%) Koreans living in the North Island with the majority living in Auckland (13,266),

1996 census, 65 percent of new Korean immigrants were either underemployed or unemployed. Their full-time employment rate was only 26 percent, while the national average was 33 percent. In 1996, most of these immigrants had lived in New Zealand fewer than five years and were still in the early stages of settlement. Echoing overseas findings, Koreans have the highest entrepreneurship rate (43.2%) and self-employment rate (30%) in New Zealand, more than double the national average. One Canadian study showed that, compared with Hong Kong and Taiwan immigrants in Canada, Korean entrepreneurs were more likely to break into mainstream markets, to remain self-employed, to have their business as their principal income stream, and to set up a new business rather than buying or selling with other Koreans, as co-ethnic numbers were limited (Ley, 2006). In the New Zealand setting, an analysis of the pattern of industry distribution in the Korean telephone directory reveals that most Auckland-based Korean businesses were small-scale, operating with Korean capital, with Korean staff, and catering mainly for Korean customers (Yoon & Yim, 1997; Lidgard & Yoon, 1998; Kim & Yoon, 2003).

The IIP study conducted by Meares et al., (2010b) involved in-depth interviews with 14 employers and six homestay operators¹¹ who arrived in New Zealand from Korea after 2000.

Korean businesses tend to congregate in a range of Auckland's business districts, including the CBD,

and 3,528 (18.5%) living in the South Island with the majority living in Canterbury (3,021).

¹¹ Homestay operators are usually women who host international students in their homes.

Rosedale Road, Meadowlands and Somerville ethnic precincts, and in pockets of West Auckland's Lincoln Road. However, they are particularly visible in parts of the North Shore such as Takapuna, Wairau Park and Northcote. Most of the businesses owned by Korea-born participants in the IIP study were in accommodation and food (35.7%), or retail (28.6%) industries, with the remainder in construction, transport, postal and warehousing, manufacturing, and wholesale trade. The most common category in which employers were granted residence was the business category (57%), including investor, entrepreneur and LTBV, while one-third each of the homestay operators who participated in the study arrived as skilled secondary and business migrants. At least half of the participants had Bachelor degrees or higher qualifications, significantly greater than the 16 percent of Auckland's New Zealand-born population (Mearns, Ho, Peace, & Spoonley, 2010b: 14-15, 21-22, 30-34). All of the participants faced significant language challenges, and the majority reported discrimination. However, all expressed a long-term commitment towards their adopted country.

Established between 2001 and 2008, the businesses employed an average of 2.4 paid employees. Almost 40 percent had paid employees who were family members, 57 percent had an unpaid family member helping in their business, and 21 percent of the businesses had no paid employees. Nearly 60 percent of the Korean employers and 80 percent of the homestay operators felt they were "worse off" financially when compared with their pre-migration circumstances. Half of the employers and one-third of the homestay operators had received some form of government assistance in the year

preceding the research interview (Mearns et al., 2010b: 14-15, 21-22, 30-36, 51).

Half of the Korean entrepreneurs had worked as paid employees prior to starting up their business, and an equal proportion had undertaken some form of training prior to start-up. The most commonly reported source of assistance during the start-up phase was New Zealand-based friends and family (63.6%), followed by "other" sources such as real estate agents, suppliers and the previous owners of business (45.5%), the IRD (18.2%) and bank managers and accountants (18.2%). Downward occupational mobility was evident and the majority had shifted into work that was quite different from their pre-migration employment. Commonly reported problems experienced during the set-up phase included not being proficient in English, employing suitable staff and operating in the local business environment (Mearns et al., 2010b: 14-15, 51-64).

Almost 80 percent of participants employed at least one Korean employee and Korean was the main language used to communicate with staff. About 70 percent of the businesses had at least one "Kiwi" supplier, just over half had at least one Korean supplier, and many had suppliers from China and other migrant communities. Although 80 percent of the businesses had Korean customers, 57 percent had Kiwi customers as well and many described their clients as multicultural. Only 14 percent of the business owners thought that contacts with their homeland were important to their New Zealand business, but they traveled internationally to support their business. In contrast, 71 percent of the participants felt that their New Zealand contacts were essential to their businesses although 79 percent of these stated

that such local contacts were members of their own ethnic community. Only one employer had joined a local business association (Meares et al., 2010b: 14-15, 51-64).

The Korean women homestay operators were not GST-registered and had no employees, but they shared some common experiences with their employer counterparts, including: the challenge of making ends meet in New Zealand; the dependence on co-ethnics for support, advice and customers; and a strong reliance on the internet for the efficient running of their businesses. Downward post-migration occupational mobility was most evident for this group. Half of the homestay operators worked as a paid employee in the accommodation and food industry in New Zealand before setting up their homestay business (Meares et al., 2010b: 14-15, 79-83).

2.3 Indian

The Indian population in New Zealand more than quadrupled in size between 1986 and 2001 (from 13,916 to 62,187). The 2006 census records 104,600 people of Indian ethnicity living in the country, making up 2.3 percent of the national population, the second largest Asian ethnicity after Chinese. In 2011/2012, India overtook the UK as the top source country for skilled principal applicants (LIRC, 2012).¹² Indians living in New Zealand came from a broad spectrum of backgrounds. As shown in Table 15, just over 40 percent (43,300) were India-born, and the remainder arrived from a range of countries including Fiji, the UK, South Africa and Malaysia. There are few characteristics that bind this diverse group, perhaps with the exception of English language proficiency (de Vries, 2012: 147).

Table 15: Indian ethnic group by birthplace, 2006

Birthplace	New Zealand	Asia	Pacific Island	Rest
	22.79%	42.25%	28.52%	6.44%

Sources: adapted from Table 3 in Zodgekar (2010: 69).

Indians in New Zealand constitute a highly urbanised community. In 1971, 87.9 percent of all Indians lived in urban areas and 90.5 percent lived in the North Island. At this time, Auckland (35.5%) and Wellington (23.5%) were the two cities with the highest concentrations of the Indian community (Zodgekar, 1980: 194).

More recently, Indian immigrants prefer to live in Auckland, and this tendency has doubled the proportion of Indian New Zealanders residing in Auckland, forming residential ethnoburbs and ethnic precincts in and around Avondale, Lynfield, Hillsborough, Blockhouse Bay, Papatoetoe, and Sandringham, as well as business precincts in George Street and Dominion Road (Friesen, Murphy, & Kearns, 2005).

¹² The increase from India is mainly due to former Indian international students who transition to temporary work and then to permanent residence.

In general, Indians are now more highly educated than the overall New Zealand population (see Table 16) and are more likely to have tertiary qualifications rather than vocational qualifications. The proportion of Indians holding bachelor and higher qualifications was more than double that of

their European/Pākehā counterparts. The low proportion of Indians holding vocational qualifications is a reflection of current immigrant policy as well as the difficulty of immigrants from non-traditional source countries to have their trade qualification recognised in New Zealand.

Table 16: Educational distribution of New Zealand European and Indian ethnic group by sex, 2006

Highest qualification	No qualification	School qualification	Vocational qualification	Bachelor & higher degree	Not specified
European male	24.9%	33.3%	22.9%	13.1%	5.8%
Indian male	9%	38.8%	16.3%	29.4%	6.5%
European female	24.2%	38.8%	16.4%	13.9%	6.7%
Indian female	12.4%	40.1%	10.7%	29.8%	7%

Sources: adapted from Table 6A and 6B in Zodgekar (2010: 72-73)

As shown in Table 17, the proportion of Indian men working as professionals, technicians, clerks, and salespersons in 2006 was slightly higher than the European/Pākehā population while the proportion of Indian women working as professionals, clerks, and operators and assemblers was slightly higher than those who identified as European/Pākehā.

Table 17: Occupational distribution of New Zealand Europeans and Indian ethnic group by sex, 2006

Occupation	NZ European male	Indian male	NZ European female	Indian female
Legislator/ Administrator/ Manager	15.82%	16.55%	13.59%	10.5%
Professionals	11.55%	15.17%	17.93%	19.49%
Technicians & associated professionals	10.56%	12.66%	13.85%	13.75%
Clerks	4.05%	8.26%	18.72%	20.46%
Service & Sales workers	8.55%	12.58%	19.44%	17.52%
Agricultural & Fishery workers	9.95%	2.78%	4.77%	1.98%
Trade workers	16.71%	9.23%	0.96%	0.77%
Plant & machine operators & assemblers	11.06%	9.53%	2.36%	3.96%
Elementary occupation	6.97%	5.79%	4.14%	4.35%
Not specified	4.78%	7.45%	4.24%	7.22%

Sources: adapted from Table 7A and 7B in Zodgekar (2010: 74-75).

Despite the strength of human capital within the Indian ethnic group, their unemployment rate showed signs of worsening between 1981 and 2001 (see Table 18). This was a result of immigrants from India, who often faced difficulties getting their qualifications and overseas work

experience recognised in New Zealand. The unemployment rate for ethnic Indians halved from 2001 to 2006, reflecting a gradual improvement of employment status. This trend is similar to that of ethnic Chinese.

Table 18: Unemployment percentage by birthplace and ethnicity, 1981-2006

Year	Birthplace		Ethnicity	
	NZ Born	Indian Born	European	Indian
1981	4.27%	2.82%	3.20%	2.54%
2001	7.10%	11.90%	5.51%	11.18%
2006	4.00%	5.70%	3.90%	6.30%

Sources: adapted from Table 8 in Zodgekar (2010: 76).

Indians generally migrate with the intention of finding employment rather than looking for entrepreneurial opportunities (de Vries, 2007, Appendix 8: 71). According to the 2001 census, only 5.6 percent of Indian New Zealanders were self-employed with staff (compared with the national average of 7.5%), and 11.6 percent were self-employed without staff (compared with the national average of 12.4%). A parallel study carried out in Australia demonstrated a similar pattern (Collins, 2003).

The IIP study of Indian immigrants (Lewin, Meares, Cain, Spoonley, Peace & Ho, 2011) focused on business owners from the Indian subcontinent who arrived in New Zealand after 2000. The seven employers who participated owned eight businesses at the time of being interviewed.¹³ These business owners were granted permanent residence either as skilled principal or secondary categories; none was through the business category. Consistent with the general picture that recent Indian immigrants are the most highly qualified of the five main immigrant groups in New Zealand, over two-thirds of the business owners held a bachelor's degree or higher.¹⁴ Six of the eight businesses were in retail (4) or the accommodation and food (2) industries. Two of the enterprises were sole proprietorships, four were partnerships, and the remaining two were private limited companies. All of the participants employed at least one Indian employee (either paid or unpaid). On

¹³ The results of this project should be treated with caution due to the small sample size. The authors noted difficulties recruiting suitable participants, and speculated on possible reasons. These included: Indian immigrants tend to spend a number of years working as employees before deciding to start a business; many prospective participants declined to proceed due to concerns that personal and business information might be misused; and there was some reluctance to participating in an hour-long interview (Lewin et al., 2011: 18).

¹⁴ The percentages for recent British and Korean immigrants are 34% and 22% respectively (SNZ Census, 2006).

average, the businesses employed three paid employees, and over two-thirds had a family member working in their businesses without pay, mostly wives (Lewin et al., 2011: 6-7, 41).

There is some evidence of downward occupational mobility in the migration transition and many had shifted into work that was quite different from their pre-migration employment. All of the employers had worked as paid employees prior to starting their own businesses. None had taken any form of training in New Zealand. They were also less likely than other immigrant groups to seek business help from formal organisations. However, they did not report significant difficulties establishing their businesses. Indian business owners utilise a range of business contacts that is not limited to co-ethnics. This was the case for employees, suppliers and clientele. The majority of the business owners saw New Zealand contacts as essential to their businesses and only one stated that these local contacts were members of the Indian community. Only two owners thought international links were important (Lewin et al., 2011: 6-7, 42-47).

There are both similarities and differences between Lewin et al.'s study and that of Paulose's (2011) master's thesis which examined entrepreneurs' motivations for establishing a business. This research involved in-depth interviews with eleven Indian immigrant entrepreneurs in Auckland, seven of whom were in retail (and five of those operated businesses that mostly catered to the Indian community). Ten had been in paid employment on arriving in New Zealand (prior to establishing their own businesses). For all those interviewed, the industry in which they became self-employed was not related to their pre-migration occupations or industries (Paulose, 2011: 64-66).

Most of de Vries' (2007) participants commented on the relative ease of establishing a business in New Zealand and expressed high levels of business confidence. However, there were complaints about unsupportive business regulations, inequitable legislation (regarding local and imported foodstuff), compliance costs, small market size, and the lack of assistance from business agencies, particularly frustrations around taxation (e.g. GST, PAYE, company tax and FBT as financial burdens). The involvement of family members in businesses was very common. Conflicting views were expressed with regard to the Indian succession practices in New Zealand.¹⁵ It now seems more common for Indian business owners to capitalise on their businesses for a number of years before selling to another immigrant. Only a few Indian entrepreneurs connected, or intended to connect, their businesses with their homeland (de Vries, 2007: 69, 79-86, 92). Material wealth is connected with spirituality by Indians who worship "Lakshmi" (the goddess of wealth), a deity that recognises "artha" (wealth) as one of life's values (Tiwari, 1980: 26). De Vries' (2007) study reconfirms that acceptance within society through business success and self-actualisation was still considered important by recent Indian immigrant entrepreneurs. Capital for business start-up was mainly raised from family, colleagues and friends,¹⁶ and half of De Vries' Indian participants experienced difficulties dealing with banks. The same cohort of Indian employers showed a reluctance to employ Pākehā staff, however, the researcher suggests that

Fijian-Indians are more likely to be multi-ethnic employers (de Vries, 2007: Appendix 8:98, 100).

Compared with the international literature on Indian entrepreneurship, de Vries (2012) identified some common traits among Indian migrants such as adaptability, living a life of simplicity, a strong work ethic, a predisposition for employment over self-employment, the utilisation of family members' financial and social capital (including free labour), and encountering barriers such as discrimination and job dissatisfaction. Low population density, a small Indian population in New Zealand, geographic isolation, and the general quality of life of the host country also meant that there was an absence of ethnic enclaves and a mainstream market orientation.

While both de Vries' (2007, 2012) and Pio's (2007) studies identified a service industry dominance of Indian-owned business, the male-dominant former sample was associated with larger-scale operations such as car retailing and restaurants serving a broader clientele, while the latter study found that recently-arrived Indian women who identified as entrepreneurs were more likely to be involved in smaller-scale operations such as food-supply, beauty, art, hairdressing, and ethnic-specific child care facilities and travel agencies. Pio's findings also echo that of other recent Asian immigrants in that under-employment is a driving force for self-employment, and that employing co-ethnics is prevalent for Indian woman business-owners.

¹⁵ "Succession" generally refers to the Hindu tradition of a businessman handing over a business to their sons and retiring to a pilgrimage site, or a father starting a subsidiary business for a son who needs a bride.

¹⁶ This pattern was replicated by Duncan et al. (2004) who showed that one-third of recent Indian entrepreneurs were self-funded, using family security or overseas generated savings as start-up capital. Typically, the banking system was not the first source of finance.

2.4 British

Migrants from the UK have historically dominated permanent settlement to New Zealand. Although this pattern is declining, they still represented 19 percent of the total 82,305 permanent long-term arrivals in 2010 (SNZ, 2010b). The 2006 census registered 244,800 UK-born migrants in New Zealand. The IIP study (see Watson et al., 2011) included seven UK-born business owners who owned a total of eight businesses since their arrival in New Zealand.¹⁷ British entrepreneurs were more likely to be granted residence through the skilled principal category than the other immigrant groups, and least likely to obtain their residence on a business visa. Two of the businesses were New Zealand publicly listed limited liability companies, two were private limited companies, two were sole proprietorships, and two were partnerships. Three of the businesses were in retail, and two were in the professional, scientific and technical sector. The businesses employed between one and seven employees, with an average of 3.1 paid employees, just under 14 percent of whom were family members. There were no unpaid family members working for the businesses (Watson et al., 2011: 11, 55).

In terms of the IIP sample, the majority of the business owners worked in management and as professionals in their pre-migration occupations. All except two of the British employers had obtained employment in New Zealand prior to establishing their businesses and had not experienced downward occupational mobility in the transition. British employers typically enrolled in training that was directly related to their business enterprise. This included training in IRD requirements (including training on the difference between NZ GST and British Value-Added Tax), e-marketing skills, and professional development courses. The IRD, Enterprise North Shore, Business Networks International, and the Chamber of Commerce were the most frequently cited helpful resources, and six of the seven employers had joined at least one business association.¹⁸ Some found the large number of small businesses, combined with the small population, difficult for developing a customer base. Taking care to follow the instructions given by government agencies was cited as a key piece of advice to potential immigrant entrepreneurs. Nearly 86 percent of employers reported using the internet to support their business (Watson et al., 2011: 33, 55-67).

In sum, British entrepreneurs generally experienced little occupational displacement, possibly a consequence of their linguistic and cultural familiarity with the host environment. The British employers established contact with and accessed a wide range of government departments and local business organisations. They also reported relatively few problems obtaining finance, and employing staff, and they tended to work alongside an ethnically diverse mix of suppliers, staff and clients (Watson et al., 2011: 11).

¹⁷ The IIP research team found it difficult to recruit UK-born participants for this study. The authors suggest this was because UK-born migrants did not understand themselves as “immigrants” in the same sense as other immigrant groups. Instead, they tended to think of New Zealand as an extension of the UK with similar social norms, social systems and institutions.

¹⁸ The list includes the Motor Trade Association, New Zealand Retail Association, Business Networks International (BNI), Enterprise North Shore (ENS), Auckland Chamber of Commerce, Waikato Chamber of Commerce, Rotary, Employers and Manufacturers Association.

2.5 South African

By 2001, South Africans comprised the fifth largest migrant group in New Zealand and, at the 2006 census, South Africans residing in New Zealand numbered 41,676 (SNZ, 2007a). Most of the skilled immigrants who have left South Africa for New Zealand since the 1990s have been from one of the dominant “white” groups and their motivations for migration have often been the result of “push” rather than “pull” factors. The highest proportions have chosen to live in Auckland, particularly in the eastern and northern suburbs.

A small qualitative case study carried out by Warren (2003) provides descriptive evidence of five South African business owners who had no self-employment experience in their home country, but had established business ventures (closely related to their pre-migration occupations) after arriving in New Zealand between 1974 and 2000. The businesses had been running for between six months and 25 years, and had a diverse industry range (more so than their Asian counterparts), including draughting and building business, recruitment agency, foreign exchange, financial and insurance services, and preschools. Long hours, professional jealousy from New Zealanders, and the “mediocre” attitude of the local business community were cited as problems in business establishment and management (Warren, 2003: 20, 25-26, 66-75).

The IIP study carried out by Meares and her colleagues (2011) involved a greater number of participants. In-depth interviews were held with 13 South African employers residing in either Auckland or Hamilton. Together, they owned a total of 16 businesses that were established between 1995 and 2008. Ten of the enterprises were partnerships, three were sole proprietorships, one was a family business, and one a New Zealand publicly listed company. Most of their

business enterprises fell into three industry groups: accommodation and food (23.1%); retail (15.4%); and professional, scientific and technical services (15.4%) (Meares et al., 2011: 5, 7-8, 19-22, 51).

Nearly 70 percent of the South African business owners had a family member working in their business, some of whom were unpaid. Almost 22 percent of the interviewees (including an additional 32 South African employees) reported experiencing discrimination because of their immigrant status. Just over 60 percent of the employers had worked as employees in New Zealand prior to starting their own business. Downward occupational mobility seemed to be relatively modest among the South African cohort, especially compared with their Asian counterparts, and most have shifted into work that is similar to their pre-migration occupation. One-third of the employers listed IRD, the city council, and business associations as helpful organisations during the start-up phase of their businesses. Almost half of the South African employers belonged to a business or professional organisation, and many held multiple memberships. It is reasonable to infer that South African immigrant entrepreneurs seem to be relatively better informed about taxation requirements than their Asian counterparts by virtue of their language skills and less cultural distance in terms of local knowledge and networks. Commonly reported problems experienced during the initial phase of their businesses included operating in the New Zealand business environment (61.5%), employing and retaining staff (46.2%), obtaining finance (46.2%), and knowing the right people (46.2%) (Meares et al., 2011: 7-8, 51-65).

In terms of staffing, all but two of the South African employers hired staff, with an average of nine paid employees. Just over half (53.8%) hired at least one South African staff member (some were unpaid), 46.2

percent employed Kiwis/Pākehā, 46.2 percent employed people of other ethnicities, and 7.7 percent employed Chinese or Indian employees. Three-quarters of the participants had at least one Kiwi/Pākehā supplier, 25 percent had at least one South African provider, and 25 percent had at least one Chinese supplier. About one-third had suppliers from other ethnicities.

Correspondingly, 46.2 percent of the employers reported that they travelled internationally to support their business, 33.3 percent to China, 16.7 percent to India or Britain, and 66.7 percent to South Africa or another country. With regard to customers, just over 60 percent of South African business owners reported having Kiwi/Pākehā customers, 53.8 percent had South African clients, and 23.1 percent had Chinese customers. Nearly 70 percent of the respondents state that their customers are from a range of ethnicities (Meares et al., 2011: 61-64).

2.6 Dutch

The Netherlands-born population was 22,101 in the 2006 census, representing the largest European group of immigrants after those from the UK, and ranking as the ninth largest country-of-birth group among all foreign-born populations. However, since 1991, the number of “working age” Dutch-born has declined by about one-third (van der Pas & Poot, 2011: 16-17, 19). Dutch immigrants who have arrived since the 1990s are mostly transnational professionals and the local Dutch community are generally more geographically dispersed than other immigrants. According to the 2006 census, more than one-quarter (26%) of the recent arrivals were located in rural areas (particularly in Southland, Christchurch, Nelson, Hawke’s Bay, the Waikato, South Auckland, and Northland)(van der Pas & Poot, 2011: 34, 36), compared with 10.5 percent of non-Dutch immigrants. This reflects the fact that the recent Dutch immigrants are often “lifestyle immigrants” in search of

a quality of life that is associated with rural living, or to be self-employed in primary sectors or tourism.

Netherlands-born immigrants are well-represented in the agriculture and fishery occupations (13%), more so than other ethnicities (2.8%) (van der Pas & Poot, 2011: 31-33).

Census data indicates that the rate of self-employment for Dutch immigrants is significantly higher than the national average. In 2001, 10 percent of the Dutch community were self-employed with staff (national average being 7.5%) while the figure almost doubled to 19 percent when self-employed without staff is included (national average being 12.4%) (SNZ, 2001 Census).

These findings are similar in an Australian context. Collins’ (2003) study shows that Dutch immigrants were 50 percent more likely to become entrepreneurs than Australia-born residents.

In de Vries’ (2007) comparative study, Dutch entrepreneurs generally displayed a high level of confidence in their business capability. Most commented on the comparative ease in establishing a business in New Zealand; hard work, involving long-hours, often compensated for a lack of capital to start businesses. All Dutch participants had family members involved in their businesses and most indicated their preference for family involvement as an informal source of labour. Only a small portion of the Dutch immigrant entrepreneurs built or intended to build businesses that were connected with their homeland. De Vries interprets such lack of connection as a reflection of the distance barrier as well as the Dutch willingness to disconnect with their past (de Vries, Appendix 7: 43, 51-56, 59, 61).

2.7 Pacific peoples

The Pacific community is far more urbanised than the overall New Zealand population. One in four of the people living in Manukau City were of Pacific ethnicity, and another significant concentration can be found in Porirua. Self-employment rates among Pacific peoples are significantly lower than the national average. In 2001, only 1.5 percent of employers (the national average being 7.5%) and 4.1 percent for self-employed without staff (the national average being 12.4%) (SNZ, 2001 Census) identified as Pacific. De Vries (2007) observed that entrepreneurial activity was predominantly among the New Zealand-born second generation of Pacific peoples. Compared with the other three ethnic cohorts of de Vries' study, Pacific entrepreneurs displayed lower levels of business confidence and were somewhat philosophical about the New Zealand regulatory and compliance environment. Nearly all Pacific business owners had some family member involvement in their business. Nonetheless, they were also conscious of the need to discharge their community obligations and sought business opportunities that conformed to the western business model of individual success. Pacific participants expressed a desire to form business connections with their homeland in order to meet their social obligations, but few did so. Capital was often raised via personal or family connections, and banks were not the first source of finance. Pacific businesses were most likely to be in the service industry (10 out of 11) and in "on-site" or "hands-on" trades such as carpentry and engineering. One commented that Pacific business owners tended to sell to their own community, "testing the water" before expanding into the broader market. They also tended to start small, and social obligations and a loss of focus were common bottlenecks for business growth (de Vries, Appendix 9: 109-123, 126-128).

Section 3. Mapping Immigrant Enterprise

Aldrich and Waldinger (1990: 116) point out that immigrant businesses in many countries tend to be over-represented in the following markets: “[U]nderserved or abandoned markets, markets characterised by low economies of scale, markets with unstable or uncertain demand and markets for exotic goods”. Features of these businesses often include labour intensive and unpleasant environments, longer working hours, low income and profits, limited growth potential, and high co-ethnic competition. Many immigrant small-business owners utilise low barriers of entry into such self-employment sectors in order to overcome limited start-up capital and formal qualifications. Common strategies employed by these immigrant businesses include self-exploitation, diversification and forming ethnic associations.

3.1 SMEs in New Zealand

New Zealand is one of the most entrepreneurial countries in the world, with 13.9 percent of the adult population of 2.4 million counted as entrepreneurs, and 22 percent of employed New Zealanders counted as self-employed (Frederick, 2004; Goodchild, Sanderson, & Leung-Wai, 2003). In Australia, first generation immigrants own some 30 percent of all small businesses (Australian Bureau of Statistics, 1998: 86). A growing body of scholarship on immigrant entrepreneurship is now emerging in New Zealand.

Table 19 provides general entrepreneurship rates and self-employment rates for different ethnic groups. At the time of the 2006 census, Europeans dominated (21.4%) although the broad category of “Asian” (20.2%) also reported high levels of entrepreneurial activity. Within the Asian category, Korean and Chinese displayed the highest rates, higher than the national average and average rates for the Asian group. Although a national increase in entrepreneurship has been identified across all ethnicities from 1996 to 2006, the rise is much greater among Asians.

Table 19: Ethnic group by status in employment in New Zealand in 2006

Ethnicity	Employer (A)	Self-employed (B)	Total labour force (C)	Entrepreneurship rate (A+B/C)	Rate of self-employment (B/C)
European	119,253	191,385	1,449,063	21.4%	13.2%
Maori	5,529	11,565	185,820	9.2%	6.2%
Pacific	1,161	3,150	77,352	5.6%	4.1%
Asian	6,171	11,895	89,469	20.2%	13.3%
Other	453	918	8,322	16.5%	11.0%
Total	128,721	211,377	1,711,059	19.9%	12.4%
Korean	666	1,515	5,046	43.2%	30.0%
Chinese	3,060	5,124	33,990	24.1%	15.1%
Indian	1,581	3,252	27,798	17.4%	11.7%
Filipino	81	300	5,421	7.0%	5.5%
Japanese	153	336	3,579	13.7%	9.4%

Source: adapted from Appendix 5 in Paulose (2011: 147).

Overall, immigrants living in Auckland are far more likely to be self-employed, men are more likely to run a business than women (perhaps a result of women's often unpaid labour in a family business), Pacific peoples are least likely to be self-employed, and Asian women are more likely than any other ethnic group of women to be self-employed.

Lidgard et al.'s (1998) study of Korean, Taiwanese and Hong Kong immigrants (using 1996 census data) showed that all three groups had very high self-employment rates, with Korea showing the highest rate. In a two year follow-up survey, overall self-employment rates for the three groups increased from 26 to 32 percent, while the employment rate increased from 6 to 10 percent (Lidgard et al., 1998: 29). Taiwanese (42%) and Korean (40%) participants showed higher self-employment rates than the national average for their respective ethnic groups (21.5% and 30.5% respectively), while Hong Kong immigrants'

employment rates doubled in terms of self-employment. Although these findings are somewhat dated, the trend towards self-employment is clear.

Table 20 provides a comparison between people of different countries of origin in the USA at the turn of the century. The self-employment rate of those born in the USA was 8.2 percent, while the average rate for all immigrants was just 1.1 percent higher. The Middle Eastern group (16%) in the USA showed the highest self-employed rate. However, their counterparts in New Zealand are often refugees and do not show similar levels of self-employment. European immigrants (12.5%) in the USA were also more likely to be self-employed than other immigrant groups. The rates for Northeast Asian (10.7%), Indian and Pakistan (10.2%) were comparable, while the rate for Southeast Asian (7%) was significantly lower.

Table 20: Self-employment rates of USA-born and immigrants by country of origin, 2000

Ethnicity	Self-employment rate
USA-born	8.2%
All immigrant	9.3%
Middle east	16%
Cuba	12.5%
Europe	12.5%
Northeast Asia	10.7%
India & Pakistan	10.2%
Latin American	9.2%
Africa	8.4%
Southeast Asia	7%
Mexico	6.8%
Caribbean	6.2%

Source: public use micro statistics (PUMS, 2000), cited in Toussaint-Comeau (2005).

Table 21 provides a comparison of entrepreneurship rates for immigrants of different countries of birth in Australia. Koreans (12.5%) showed the highest rate. PRC Chinese (8.1%) were ranked below the UK-born (8.8%) in their level of entrepreneurship, while the Taiwanese Chinese showed a very low rate (5%), a possible indication of their reliance on passive income from low-risk investments.

It is also interesting to note that the entrepreneurship of New Zealanders (7.8%) in Australia was very close to the rate for Australians (7.6%).

Table 21: Rates of entrepreneurship in Australia, selected birthplace groups, 1996 census.

Country of Birth	Rate of entrepreneurship
*Korea	12.5%
Greece	11.5%
Italy	11.2%
Israel	11.2%
Cyprus	10.3%
Lebanon	9.1%
*England	8.8%
*China	8.1%
New Zealand	7.8%
*Australia	7.6%
*Canada	7%
Pakistan	6.3%
Turkey	5.8%
Singapore	5.7%
Vietnam	5.3%
*Taiwan	5%
*Sri Lanka	3.6%

Note: country of birth with an "*" are among the 20 largest foreign-born groups in New Zealand in 2006 census.

Source: adapted from Table 4.1 in Collins (2003: 69).

3.2 Push and pull factors

Bururu (1998) has summarised a list of pull and push factors towards self-employment for the general New Zealand population (see Table 22). Taking different literatures on immigrant enterprises together, there seems to be an overlap between the general business community and

immigrant groups in their reported motivation and interest in entrepreneurship (Liu, 2000; Lee, 2008; Paulose, 2011; Warren, 2003; de Vries, 2007).

Although “low corporate tax rate” was cited by the general population in Bururu’s study, there is no evidence in the available literature, showing that immigrants are equally aware of, or attracted by, the tax advantages of going into business. One

possible explanation might be that their alternative earning potential in waged/salaried employment is not high enough to attract high levels of personal taxation.

Table 22: Push and pull motivational factors towards entrepreneurship

Pull factors	Push factors
*Availability of capital	*Unemployment
*High financial returns to self-employment	*Job dissatisfaction (e.g. rigid wage/salary working conditions)
Increased proportion of small firms in the economy	Demographic composition (high proportion of young children and women in the labour force)
*Flexibility to both firms and employees	*Non-transferrable qualifications or skills
Low corporate tax rate	High marginal rate of personal taxation
*Being your own boss	Location and high relocation costs
Less rigid contracts for services	More rigid contracts of employment

Note: the factors with an “*” are commonly quoted by immigrant SME owners.

Source: adapted from Table 1 in Bururu (1998:63).

Having established that there is a general consensus regarding motivation in relation to establishing a business venture, there is also evidence showing that some motivations are more closely connected with certain ethnic groups. For example, ensuring a stable family income and fulfilling the conditions of business visas were the two most commonly cited reasons for starting a business in New Zealand by IIP Korean participants (Meares et al., 2010b: 51-64). Similar patterns can be found among Hong Kong and Taiwan-born business immigrants. An overseas study suggests that the key motivation for their entrepreneurship was not to run a productive business but to overcome the hurdle of government monitoring, en route to the ultimate goal of citizenship acquisition (Froschauer, 2001; Ley, 2006).

Lee argues that “labour disadvantage theory” (see Appendix 2), or the difficulties of obtaining

suitable employment in the labour market, is most applicable to Korean immigrant entrepreneurs in New Zealand (2008: 56). Likewise, Liu’s (2000) study with Chinese immigrants also concludes that blocked mobility, culturally-specific characteristics and available (social and economic) resources can account for the New Zealand situation.

Furthermore, Liu identified a number of push factors for Chinese immigrants becoming self-employment, including access to low cost co-ethnic labour, international ethnic networks (*guanxi*), and age constraints.¹⁹

Reasons cited for starting a business by Indian entrepreneurs participating in the IIP study included the desire to be self-employed,

¹⁹ Since most Chinese immigrants arrived through skill and business stream are too young to retire but too old to change professions or to take entry jobs.

redundancy from a previous job, and better financial returns (Lewin et al., 2011: 42-47), while those cited by Indian participants in Paulose's (2011: 67-71, 95-99) thesis included negative experiences in the labour market, monetary gain, business opportunities (spotting a gap in the market), and increased flexibility.

The IIP research on British entrepreneurs reveals that the most common reason given for setting up a business in New Zealand was that they had been used to running their own business in the UK and preferred being in charge. Other reasons included discovering an opportunity in New Zealand, fulfilling a long-held desire to own a business, seeking greater financial rewards and personal satisfaction, and establishing a lifestyle that could better accommodate leisure activities (Watson et al., 2011: 33).

From her qualitative research, Warren (2003) concludes that South African entrepreneurs were generally not forced into entrepreneurship, though both push factors (e.g. unemployment, job dissatisfaction, disillusionment with the New Zealand work practices) and pull factors (e.g. business opportunities, financial rewards, freedom/autonomy, lifestyle change, convenience, mentor and family support, desire to stay) were present in their decision-making. Similar findings are to be found in the IIP project. The most common reason given for establishing a business in New Zealand was that they had been self-employed before and wanted to restart their own business. Other reasons included discovering a business opportunity, fulfilling business visa

requirements,²⁰ or a negative experience as an employee. Autonomy in working life and pursuing economic goals were also identified as strong motivations for South African entrepreneurs (Meares et al., 2011: 7-8).

De Vries' (2007, Appendix 9: 109-123) interview with Pacific entrepreneurs revealed that helping the extended family through creating jobs or other forms of business success, together with the desire for autonomy and personal achievement were motivations for going into business.

3.3 Choice of industries

In terms of industry distribution, in the 2005 tax year, self-employed people in New Zealand were most commonly found in agriculture and construction (nearly 35%), followed by property and business services (24.9%), and cultural and recreational services (22.9%) (SNZ, 2005).

Industries with high concentrations of self-employed people tend to require low initial capital outlays.

Overseas research from various countries reveals that diversification, expansion and upscaling are global-wide trends for immigrant enterprises.

Using ethnic Chinese as an illustration, a study of Chinese immigrants in France found that traditional Chinese involvement in the catering and leather-making industries had been replaced by a wide range of fast-food/take-away outlets, retailing stores such as cobblers, locksmiths and

²⁰ Almost one in four employers received permanent residence in the business category (including investor, entrepreneur and long-term business visas). About 40% came to New Zealand as skill principal and skill secondary migrants.

laundromats, as well as service companies such as consulting firms, lawyers, home furnishing stores, travel agencies and beauty parlours. Alongside the diversification of kind and the multiplication in number, small companies and those with limited liability, had been replaced by much larger companies and franchising chains (Guerassimoff, 2003: 145-146). An ethnographic study of the Chinese and Korean enclave economies in Los Angeles also concluded that both Chinatown and Koreatown consist of “a wide range of businesses varying in size, type, and scale that resembles a transplanted cosmopolitan city from contemporary Asia” (Zhou & Cho, 2010: 89). Expensive restaurants, fancy retail stores, professional services, and supplementary education services exist alongside recreational entertainment and media, and clearly target non-resident middle-class multi-ethnic clientele.

Industrial and occupational proliferation of immigrant businesses is also emerging for immigrants in New Zealand. According to the LisNZ, nearly half of those immigrants who participated worked in four main industries: manufacturing (13%), health care and social assistance (13%), retail trade (11%), and professional, scientific and technical services (10%)

(see Table 23). Since skilled immigrants were more likely to be employees while business immigrants were more likely to be employers, it is the “business category” column that mostly closely resembles the industry distribution of immigrant businesses. According to this table, business investors tended to be over-represented in retail trades (28.8%), accommodation and food services (19.55%), other services (12.7%) and wholesale trade (9.3%), while under-represented in manufacturing, professional, scientific and technical services, education and training, and health care and social assistance.

There are both overlaps and gaps between the actual business involvement and the intended business plan of business immigrants approved between 1999 and March 2002. According to the Department of Labour (2002: 3, 64, 70), accommodation, cafés and restaurants (28%), retail trade (26%) and wholesale trade (14%) were the most prominent industries in which LTBV applicants intended to establish or purchase a business. However, the businesses that were established fell into the accommodation, cafés and restaurants (36%), manufacturing (14%) and personal service (10%) industries (DoL, 2002:3, 64, 70).

Table 23: Industry of employed immigrants by immigration approval category

Industry classification	Skill principal	Skill secondary	Business category	Average for all immigrants
Agriculture, forestry & fishing	1.7%	2%	2.5%	2.6%
Manufacturing	11.5%	11.5%	5.1%	12.6%
Construction	8.2%	5.3%	5.9%	7.2%
Wholesale trade	4.1%	3.2%	9.3%	4.3%
Retail trade	6.4%	13.3%	28.8%	10.8%
Accommodation & food services	4.3%	7.7%	19.5%	7.2%
Transport, postal & warehousing	0.9%	2.4%	-	2%
Information media & telecommunications	3.2%	1%	-	2.4%
Financial & insurance services	3.2%	3.4%	-	3.3%
Professional, scientific & technical services	14%	9.9%	4.2%	10.4%
Administrative & support services	2.8%	5.3%	5.1%	3.9%
Public administration & safety	4.7%	4.4%	-	4.1%
Education & training	11.6%	10.7%	3.4%	9%
Health care & social assistance	16.5%	11.9%	3.4%	12.6%
Other services	7%	7.5%	12.7%	7.4%

Note: other services include mining, electricity, gas, water and waste services; arts and creation services; and rental, hiring and real estate services.

Source: adapted from Table E46 in DoL (2009a: 209).

An examination of the 1,902 businesses advertised in the *2008 Chinese Business Yellow Pages* (see Appendix 3 for detail) reveals that the majority of businesses are in construction (9.62%), retail (10.67%), accommodation and food (16.67%) and rental, hiring and real estate (13.77%).²¹ Drawing on information contained in Table 23 and

²¹ This list of businesses is not exhaustive. For example, the directory does not include any Chinese-owned takeaways, dairy shops or dry cleaners that serve the general public. Consequently, the share of Chinese business ownership in retail trade and accommodation and food services are likely to be underestimated. It is also possible that non-Chinese-owned businesses advertise in the directory in order to attract prospective Chinese customers.

Appendix 3, Table 24 compares the industry distribution of business immigrants, immigrants as a whole and that of Chinese businesses. Chinese businesses tended to be concentrated in construction (9.6%), professional, scientific and technical services (12.2%), and other services (26.6%), and are under-represented in manufacturing (1.5%), wholesale trade (1.3%), and retail trade (10.7%). The high proportion of Chinese entrepreneurship in other services is partly due to the inclusion of rental, hiring and real estate services (13.8%) in this category, in order to match LisNZ's classificatory system.

Table 24: A comparison of industry distribution of business immigrants, Chinese business and the general immigrant population

Industry classification	Business category	Chinese business	Overall immigrant
Agriculture, forestry & fishing	2.5%	-	2.6%
Manufacturing	5.1%	1.5%	12.6%
Construction	5.9%	9.6%	7.2%
Wholesale trade	9.3%	1.3%	4.3%
Retail trade	28.8%	10.7%	10.8%
Accommodation & food services	19.5%	16.7%	7.2%
Transport, postal & warehousing	-	2.1%	2%
Information media & telecommunications	-	1.6%	2.4%
Financial & insurance services	-	4.5%	3.3%
Professional, scientific & technical services	4.2%	12.2%	10.4%
Administrative & support services	5.1%	3%	3.9%
Public administration & safety	-	-	4.1%
Education & training	3.4%	4.1%	9%
Health care & social assistance	3.4%	6.1%	12.6%
Other services	12.7%	26.6%	7.4%

Sources: compiled from Table 25 and Appendix I in Zhang (2010: 286).

3.4 Start-up capital

Securing initial capital has been a common problem for venture creation. It is particularly difficult for immigrant entrepreneurs to obtain start-up funds from local financial institutions of host countries as they often lack local credit histories, or mainstream bankers do not always take applications or proposals seriously. Overseas research has consistently shown that immigrants rely heavily on family wealth in order to establish their businesses. In a USA context, a study of over 2000 Korean and Chinese who opened firms between 1979 and 1987 showed that the majority relied heavily on family wealth (equity), rather than financial institutional loans (debt) (Bates,

1997). Chinese and Korean borrowers were found to have little borrowing power and, consequently, family and friends were usually relied upon (especially for smaller scale, less profitable and more failure-prone operations). Just a few years later, Park's research of Korean businesses in New York found that 45 percent of business owners relied on savings alone, 35 percent had loans or gifts, 16 percent brought capital from Korea, and only 2 percent used bank loans (Park, 2010: 893). In 2010, this pattern continued, with 56 percent of Korean immigrant entrepreneurs relying on personal funds, with only 19 percent able to secure bank loans (Park, 2010: 894).

New Zealand studies echo these overseas findings. Most immigrant entrepreneurs in New Zealand raised their initial funds from personal and family savings, regardless of ethnicity. Since the majority of immigrant businesses require only minimal capital and have low operation costs, it was viable to save or borrow from family and/or friends, especially as loans are difficult to obtain and the interest can be high.²² The pattern varies for Hong Kong and Taiwanese business immigrants, who tend to initially put their overseas-generated savings in low-risk investments (e.g. bank interest), and gradually move to higher-risk ventures by using it as start-up capital (Law, 1996, cited in Ip, 2001). A file study of Investor applications recorded that 46 percent of these immigrants sourced their investment funds from bank accounts or term deposits. A further 25 percent of the applicants nominated “savings” and the third most common source of funds was real estate or property at 22 percent (DoL, 2002:90).

Overseas studies reveal that a common strategy to raise start-up capital for the Korean immigrant community in America is through Rotating Credit Associations (hereafter RCA) or *kyes* (Light, 1972; Kim & Hurh, 1985; Light & Bonacich, 1988; Yoon, 1997). RCAs originally developed in villages as a form of mutual aid covering the costs of social rituals. But RCAs began to prevail as informal institutions for capital mobilisation and allocation in the developmental stage of the formal banking system. Each member of the association contributes a fixed amount of money at regular intervals to the organiser, who distributes a lump sum of money collected to each member. The

²² One study of Chinese entrepreneurs revealed financial company interest rates as high as 25 percent (Liu, 2000: 49).

order of rotation is determined by lottery, bidding, or at the organiser’s discretion. When the limit on the amount of money emigrants could bring out of Korea was lifted, and thus more cash and more immigrants arrived in the USA, RCAs became a common institution.

That said, the adult population participating in RCAs has recently been declining and many now choose banks for savings and investments. In addition, empirical evidence suggests that the financial role of RCAs has been exaggerated and the majority of Korean immigrant entrepreneurs mobilise their capital from sources other than RCAs in the Korean-American community. There are studies, however, that highlight the emotional bond generated among RCA members (beyond its economic function) (Kim, 1981; Park, 1997; Oh, 2007; Light, Kwuon, & Zhong, 1990). Few references to RCAs have been found in New Zealand studies of the Korean community and, indeed, Liu’s (2000: 48) study on Chinese entrepreneurship found that RCAs had not been popular in the immigrant community.

Examining the businesses established or purchased by Korean immigrants in New Zealand, Lee (2008: 60-61) confirmed that most enterprises are small in size and require low levels of investment ranging between \$10,000 and \$800,000²³ and thus are achievable through personal and family savings. For Chinese entrepreneurs, Lee revealed even smaller start-up capital was required, ranging from \$10,000 to \$65,000.

²³ In several cases, the investment capital required included the purchase of the shop property or a business car.

However, the survey of business immigrants conducted in 2002 suggests a much larger scale of investment. Of those who responded, the average amount of initial investment per immigrant was

\$171,463. According to Table 25, nearly 40 percent of LTBV respondents reported that they had invested more than \$250,000 in their business (DoL, 2002:3, 63, 76).

Table 25: Amount of capital invested in main business by LTBV immigrants in the DOL survey in 2002

Investment amount	Number	Percentage
None	1	3%
< \$50,000	3	7%
\$50,001 - \$ 75,000	4	10%
\$75,000 - \$ 100,000	6	15%
\$100,001 - \$150,000	5	12%
\$150,001 - \$200,000	3	7%
\$200,001 - \$250,000	3	7%
Above \$250,000	16	39%
Total	41	100%

Source: adapted from Table 8.21 in DoL (2002:76).

3.5 Level of income and profitability

The debate about the economic effects of immigrant entrepreneurship on the host country has become a matter of some policy interest. Immigrant entrepreneurs in general, and Asian entrepreneurs in particular, are very reluctant to discuss financial details. Therefore, empirical findings regarding business income are somewhat sporadic and inconsistent. That said, Lee’s (2008: 65) study of 20 Korean immigrant entrepreneurs showed that 65 percent earned within the gross annual incomes of between \$30,001 and \$60,000 while 10 percent earned between \$10,000 and \$30,000; and 15 percent earned between \$60,001 and \$100,000.

At a more subjective level, nearly 90 percent of the Chinese employers in Zhang’s (2010: 188) study were happy with their income (while less than 50 percent of the employees said the same) and over 80 percent reported they would not give up their businesses for a job earning \$50,000 or above per annum.²⁴ In comparison, just over 60 percent of the employees were prepared to give up their current job to become a business owner if it involved a gross annual income of \$50,000 or more.

A survey of LTBV immigrants in 2002 showed that the modal annual turnover of businesses was less than \$50,000. However, no level of income or profitability was discussed. By comparison, those immigrants who were approved through the

²⁴ The reason for using \$50,000 as a parameter for the questionnaire is because it is the minimum annual income for skill immigration applications required by immigration policy.

entrepreneur category reported a median turnover of between \$200,001 and \$500,000. The study of application files of those who arrived under the entrepreneur category also provides profit figures for these businesses, most were after

tax and after shareholder remuneration and directors' salaries. Overall, three-quarters of these businesses were making a loss or small profit (i.e. \$25,000 or under) (see Table 26).

Table 26: Business profit for Entrepreneur Category businesses

Net profit or loss after tax	Number	Percentage
Loss	15	33%
\$0 - \$25,000	19	42%
\$25,001 - \$50,000	4	9%
\$50,001 - \$100,000	2	4%
\$100,001 - \$200,000	3	7%
\$200,001 - \$500,000	1	2%
Over \$500,000	1	2%
Total	45	100%

Source: adapted from Table 10.6 in DoL (2002: 97).

Empirical studies from Australia and Canada found that immigrant businesses were not competitive enough to enter the mainstream economy (Foster, Gruen, & Swan, 1994). New Zealand studies also suggest that many immigrant businesses do not generate sufficient profit for the family as the sole source of income. It appears to Lidgard and her colleagues (1998) that the income earned from their participants' businesses were secondary to that earned from bank interest. North Asian immigrants chose to apply through the business migration schemes because they could afford the investment fund, not because they intended to conduct business vigorously in New Zealand (Ip, 2001: 13). A high proportion of North Asian immigrants draw on interest income to make a living, with Taiwanese showing the highest rates (51% for men and 57% for women), followed by Hong Kong Chinese (40% for men and 47% for

women) and Koreans (30% and 35% for men and women respectively).²⁵

In the two-year follow-up survey by (Lidgard et al., 1998), the proportion of participants drawing interest remained the most cited source of income for North Asian immigrants, although this declined from 41 percent to 33 percent over the two years. Compared with the national average for Korean and Taiwanese groups, this cohort of participants showed greater reliance on self-employment income than wages (Lidgard et al., 1998: 33-34). The survey of LTBV immigrants in 2002 revealed a similar picture: nearly half (49%) of the respondents indicated that they used savings accounts as their main type of investment, while about three-quarters invested in a business and one-fifth invested in residential property (DoL, 2002: 77).

²⁵ It should be noted that these figures do not suggest this is the only income source.

3.6 Networking: family, communal and international

It is generally agreed that networking is important for business establishment or building. This rule of thumb is especially true for immigrant enterprises whose alternative local resources are often scarce. This section will examine immigrant networking at both micro and macro levels. The former refers to family and clan networks while the latter refers to international diasporic networks. More often than not, the two networks are closely interwoven. For example, a study of business activities of Taiwanese immigrants in Australia led the Taiwanese sociologist Yen-fen Tseng (1999) to conclude that foreign citizenship or nationality can bring a degree of convenience and protection to business owners in their global networking. This is especially crucial for Taiwanese entrepreneurs whose passports are not recognised by many governments around the world. She cites the cases of several transnational business operations which deliberately station their family members across various countries. In most cases, the stationing is connected with immigration and the obtaining of citizenship rights. In order to safeguard investment, the immigration process is seen as an essential part of the business process.

Collins and associates (1995: 34) note that ethnic entrepreneurs are able to utilise certain “comparative advantages” (see Hämäläinen & Schienstock, 2001) in the marketplace when entering into self-employment in various SME sectors: the family and ethnic community provide

critical business resources such as information, finance, labour, training, customers and suppliers, and niche markets. Group characteristics allow some ethnic groups to make a success of business activities that might be marginal for non-immigrant businesses and which cannot utilise corresponding family or community resources. More recently, Sequeira and Rasheed (2007) also note that ethnic resources that facilitate entrepreneurial activities include shared expertise and business knowledge (which helps to reduce risk), informal credit, a low-cost labour pool, and interdependent social support networks.

Other literature also confirms that the business success of immigrant enterprises was generally based around family cooperation (Dana & Dana, 2003; Elliott & Gray, 2000; Min & Bozogmehr, 2003; Salt, 1992; Duncan, et al., 1997). Although using the family as an informal source of labour is a common theme across all five business communities of the IIP study, there seems to be a higher proportion of unpaid family labour in Asian businesses than those in other immigrant businesses (Cain & Spoonley, 2013). The tendency for Korean and Chinese employers to recruit within their own community is also noticeably higher than other groups. The use of “body shops” by Indian businesses in Australia to recruit new immigrant workers through ethnic networks is another example (Xiang, 2001), since these workers tend to accept lower rates of pay, either because of the lack of mainstream skills, or the need to meet residence requirements. When family and business are so closely interwoven, it is hard to determine where family ends and where business begins in a family business. Just as it is socially, morally and economically acceptable for western partners to do household chores without

pay in nuclear families, it seems to be culturally acceptable for the (often) wives and children of immigrant households to work in family businesses without wages. The financial return or recognition may take other forms, such as paying for education or gifting towards the purchase of a house in the case of children, and free food and free accommodation in the case of relatives and co-ethnics.

The nature of immigration often means that family networks operate over national borders. The proliferation of transnational trading networks has created a “new geography of trade” (Wiegand & Rothengatter, 2000). More recent immigrants are more likely to take advantage of international ethnic “network capital” that entails better access to cross-border financial transactions, commodity markets, and higher levels of transnational reciprocal trust.

Participants of Rothengatter’s (2005) Australian study report that fully effective regulatory controls of import/export industries (e.g., by cross-referencing relevant formal import/export documents or cross-border financial transactions) are virtually impossible. Law-defying practices naturally lead to different forms of reciprocal collusion to be embedded in these types of networks, in order to avoid any detection of regulatory breaches. While stressing that this type of non-compliance is not found to be ethnic-specific, Rothengatter finds that high levels of trust in transnational Chinese trading networks can be utilised to avoid paying Customs’ duties and excise levies, to conduct money laundering schemes, or to transfer profits to entities in countries with lower tax rates. Immigrant SMEs that operate as a combination of wholesaler/retailer/importer

activities within a single captive entity are particularly flexible in routing financial transactions and concealing their cash-economy components via their various business entities in different countries (Rothengatter, 2005: 293-295, 300-301).

Rothengatter (2005) also notes that the Taiwanese business community was more likely to operate transnational networks than the Greeks. Based on longitudinal research of 64 ethnic Chinese immigrant entrepreneurs (primarily from Hong Kong and Taiwan) in Vancouver, Wong and Ng (2002) found that a large proportion of these small businesses were transnational and were newly established rather than existing entities. The multi-sited spatiality of the businesses was common but control remained firmly in the hands of extended family members or clans. Another study was more cautious about the extent to which PRC Chinese were able to carry forward their *guanxi* developed in the context of work unit-based bureaucracies²⁶ back home to Canada (Salaff, Greve, & Wong, 2001). Other evidence on Hong Kong and Taiwanese immigrant communities suggested that the purpose of the “astronauts” phenomenon, (whereby the typically male head of immigrant families frequently flies between homelands and the adopted countries) is to tend to their old businesses rather than extending new networks (Beal & Sos, 1999). Although it was difficult around the turn of the century, the progressive opening of the Chinese economy has made it easier to extend the emigrants’ homeland networks to their host countries. Indeed, in the IIP study, PRC Chinese

²⁶ Work unit (or *danwei*) refer to a place of employment during the period when the Chinese economy was still more heavily socialist or when used in the context of one of state-owned enterprises.

entrepreneurs were most likely to maintain economic links with their homeland.

3.7 Cash economy

A common perception suggests that immigrant businesses are more prone to a range of cash-in-hand practices. The cash economy of business operations can take many forms, such as cash purchases, cash payment to staff, free accommodation and board for staff partially in lieu of wages, bartering, and skimming-from-the-till. The sensitivity of financial matters and the related legal consequences make it difficult to obtain accurate empirical data from business participants. It is easy to speculate that the over-representation of immigrant businesses in retail, accommodation (especially homestays) and food services, home tuition, and personal services, means that cash-in-hand would be a prevailing practice among immigrant enterprises.

Academic findings tend to suggest that the cash economy or a hidden economy exists in almost every country, although at varying degrees. Williams' (2008: 51-52) cross-national survey reported that an average of 5 percent of the surveyed population (26, 659) across 27 European countries admitted they had conducted undeclared cash jobs during the previous 12 months, with marked variations between countries.²⁷ The motives of suppliers and purchasers for undeclared work included both economic and non-economic factors: a lower price (66%), to help someone who is in need of money

²⁷ The percentage for the top 20 source countries of immigrants to New Zealand: Netherland = 13%; Ireland = 4%; Germany = 3%, UK = 2% (Williams, 2008:51-52).

(11%), faster service (21%), better quality (8%), goods/services hardly/not available on regular market (10%), a favour among friends, colleagues and acquaintances (14%) (Williams, 2008: 55-56). The researcher also noted that some forms of undeclared work, such as those that are part of closer social relations, are so deeply embedded in these cultures that they are not seen as constituting undeclared work, or such work takes place in spheres that is not counted as business-to-business transactions. Other research also shows that many SME operators view cash jobs as socially acceptable rather than a serious offence, partly because of the insignificant cash-per-item transactional value (Braithwaite, Reinhart, & Job, 2005).

Based on qualitative research²⁸ on tax evasion among SMEs in New Zealand, Noble (2000) summarised his findings as a typology of customers alongside a typology of business operators involved in the New Zealand cash economy (see Table 27 and 28).

²⁸ This qualitative research comprises 41 interviews with SMEs, 24 interviews with the general public, 19 interviews with tax agents, accountants, trade associations, and lobby groups, and 19 interviews with IRD staff.

Table 27: Types of customers in cash economy

	Customer Type	Descriptions
1	initiator	directly asks for a cash price to get the best or lowest possible price
2	acceptor	accepts a cash price if offered but will not initiate a cash deal, as they feel uncomfortable with the process and/or they fear rejection or insulting the business involved
3	collaborator	knows the business and will negotiate a cash deal advantageous to both the customer and the business
4	auto	likely to be customers or businesses, involved in multiple small cash jobs (less than \$100), and bartering
5	moral objector	has strong personal or moral motivations for not accepting or collaborating in cash deal with businesses

Source: Noble, 2000.

Table 28: Types of business operators in cash economy

Groups inside the system		
	Operating type	Descriptions
1	Business focused/ non-evader	does not engage in tax evasion due to long or short term business goal or lifestyle goal
2	Opportunist	undertakes undeclared cash jobs: there are three subgroups with different motivations for doing cashies: business needs, self needs, community needs
3	Rebalancer	over-claims expenses due to perceptions of being over taxed or to offset under-claiming in other areas
4	Victim	has been unable to pay tax owed, because of external circumstances such as bad debtors or their business no longer trading
5	Calculating sharp	extreme evader strongly focus on financial success through evading tax obligation
Groups outside the system		
	Operating type	Descriptions
6	Actively opt out	– Calculating Sharps who have been caught tax evading, or – Survivors who can no longer make a living in the tax system, or – Victims who were unable to negotiate an acceptable or manageable settlement with the IRD
7	Passively opt out	- businesses that lack knowledge about tax obligations, for example wage earners who become self-employed, or - young people entering the job market as self employed

Source: Noble, 2000.

Rothengatter's (2005: 296) Australian study identified some ethnic-specific practices. For example, second-generation Greek business owners were expected to give special favours to co-ethnic customers who paid cash. Also, Taiwanese/Chinese employers were expected to provide co-ethnic staff with a "red envelope".²⁹ Payments provided in these envelopes vary between "a few months' salary" or as much as a "full year's extra". Although these Taiwanese employers understood that this cash payment was clearly not gifting, there was strong social approval within the business community for this type of practice.

Rothengatter also notes that this "special favours' ethic" seems to "de-ethnicise" in transactions with non-co-ethnic business associates. Since both the Greek and Taiwanese constitute very small business communities in New Zealand, however, it is unclear whether the same findings might be replicated here.

In Yong's (2011) local study on the cultural impact of tax compliance, Asian business owners acknowledged the use of cash in purchasing goods and services for personal use, although none admitted using such practices in their businesses. However, most felt that personal cash jobs were somehow justifiable, or at least not unethical. A number of tax practitioners and business experts participating in this research observed that there was a prevalence of cash jobs amongst Asian businesses. They thought that Asian groups were the most upfront in offering cash jobs, but the least transparent in record-keeping concerning these cash jobs (Yong, 2011: 132-137). Likewise, towards the end of his thesis, de Vries (2007) acknowledges "immigrants' precarious relationship to the informal economy" and an "embeddedness in the welfare state". He further adds

that within both the formal and informal economy there is also the "propensity for the evasion of taxation obligations" and unethical practices at varying degrees (de Vries, 2007: 200-201). Both studies echo overseas findings that a cash economy is prevalent within the SME sector with variations across different cultural groups.

²⁹ The payment of a lump sum in cash as a form of bonus to show their gratitude for the employee's contribution to the business.

Section 4. Immigrants' Interaction with the Tax System

Conventional strategies to enhance tax compliance can be best summarised by Rath's use of the three icons: "sticks" (legislative deterrence), "carrots" (financial incentives/ disincentives) and "sermons" (moral persuasion) (Rath, 2001).

4.1 Tax knowledge and cost

If compliance costs and the complexity of the tax system are a common complaint for local-born SME operators,³⁰ how different is it for immigrant business owners? The complexity of the legislation is sometimes perceived as being a more significant factor than the costs of compliance. It is perhaps quite natural for people from countries of low taxation who migrate to countries of high taxation to complain about the differences. Coleman and Freeman (1994) also speculate that business operators from low paying and unregulated tax regimes have different taxpaying attitudes compared to those exposed to regulated tax systems.

"High tax rates" or claims that the tax system is "difficult to understand" were the most commonly cited aspect of New Zealand life that LisNZ participants disliked. Immigrants from a range of regions in Asia were particularly more likely to find New Zealand tax rates as being too high (DoL, 2009: 131).³¹ "Tax being too heavy" was also a common complaint among ethnic Chinese participants as reported by a number of researchers (e.g. Liu, 2000: 71; Zhang, 2010: 232; Beal & Sos, 1999: 41). Help with the tax system was also the second most common area that LisNZ participants felt they needed assistance with. This was especially the case for the skilled and business immigrants (see Table 29).

³⁰ For example, compliance costs have been estimated as absorbing as much as one-third of the profits of SMEs in Australia (OECD, 1998, *Fostering Entrepreneurship*, Paris: OECD.:149).

³¹ The reporting rate was 46% for North Asians, 51% for South Asians, and 58% for Southeast Asians.

Table 29: The top four types of help needed by immigrants by immigration approval category

Type of help	Skill principal	Skill secondary	Business category	Overall
Driver licence	26.9%	24.2%	21.5%	22.5%
The tax system	19.9%	15.1%	15.5%	14.5%
Job hunting	13.9%	15.6%	7.8%	14.2%
Legal matters	15.7%	13.2%	16.9%	12.7%

Source: adapted from Table E82 in DoL (2009: 223).

A number of participants in Zhang's (2010: 150) research on Chinese entrepreneurship highlighted the fact that tax knowledge and accounting skills learned as part of a local qualification were important to the set-up and running of their business. However, the impact of their tax knowledge may vary between different ethnic groups. For example, a Malaysian study showed that tax education regarding personal tax evasion was more likely to impact on the behaviour of Indians in Malaysia rather than Malay and Chinese taxpayers (Kasipillai, Aripin, & Amran, 2003).

The concept of "mental accounts"³² may also shed some light on business owners' compliance attitudes and behaviour. A UK study based on role-play, revealed that not all SME business owners have a separate "mental account" for VAT money, distinguishing this component from general business turnover. In sum, it is harder to part with VAT money if the business owner frames it as a possession, rather than framing it as money collected on behalf of the government (Adams &

Webley, 2001). For immigrants who are not used to the idea of GST, PAYE, FBT, and other forms of taxation in the New Zealand system, it may take some time for them to develop a separate mental account for "tax money".

4.2 Perception of fairness

The socio-political prerequisite of a self-regulated and voluntary taxation system relies on a strong and reciprocal trust relationship between citizens and government. Perceptions of government efficiency and integrity are significant elements correlating to taxpayer's compliance. It is generally found that trust in the government, the legal system and national pride are significantly related to higher tax morale (Torgler, 2004; Torgler & Schneider, 2007). Improving taxpayers' perceptions about "distributive and procedural justice" is a more efficient way to foster genuine reciprocal trust and mutual obligation (Wenzel, 2001: 4-5). Immigrant business-owners were no exception.

National identity is a particularly important element that influences immigrant entrepreneurs' tax paying behaviour. Alm and Torgler's (2006) cross-national study in the USA and 15 European countries indicates that inducing trust at the constitutional and politico-economic levels

³² The concept of "mental accounting" was first introduced by Richard Thaler (1980). It refers to a cognitive process whereby people code, categorise and evaluate economic transactions. A key concept in the mental accounting approach is *framing*, which refers to the way a person subjectively frames a transaction in their mind that determines the utility they receive or expect.

generally leads to stronger tax morale. Treating taxpayers of all classes and ethnic backgrounds as clients, rather than offenders, enhances their sense of civic duty and thus tax morale. Based on his findings around the detrimental effects of ethnic fractionalisation on tax morale, Li (2010) stresses that it is important to increase the national identification of minority groups and to promote a spirit of common citizenship. Offering practical help to minority taxpayers to make the process more inclusive and user-friendly (e.g. introducing multilingual information and forms) is another strategy to raise tax compliance.

In a similar vein (but in an Australian setting), Rothengatter's (2005) study suggests that those immigrant SME owners who strongly identify themselves as Australians were more willing to contribute towards taxes. On the contrary, experiences of "blocked mobility" could arguably "neutralise"³³ or rationalise feelings of guilt. Not being accepted as a full citizen is a convenient excuse for not contributing financially to the host country. Tax avoidance can also be seen as a trade-off or a counteraction for taking financial risks in the workplace and working long hours. Perceptions of social exclusion and political alienation, combined with the perceived lack of government performance, appear to be significant drivers for tax non-compliance. Stressing the range, quality and accessibility of public goods will help many new immigrants to internalise a greater sense of civic and tax responsibility.

³³ Neutralisation is a term used by a number of taxation scholars, e.g. Thurman & Riggs (1984), Landsheer, Hart, & Kox (1994).

Likewise, Morales' (1998) field work amongst Mexican immigrant street-vendors in Chicago³⁴ also concludes that tax non-compliance was understood as a way to compensate for having poor access to public goods, and a way to ameliorate fairness concerning market access issues. Family and children's education were often seen as a more significant factor than duties towards the state in these immigrant vendors' decision-making, though neighbourhood and schools were less important for older immigrants than for more recent immigrants. The researcher argued that the market participation bias in tax policy should be balanced with the perceived fairness of public goods.

Another low cost intervention suggested by scholars on the tax compliance of cash intensive industries is to challenge or improve the social norms regarding cash-in-hand payments. Using a field experiment, Wenzel (2001) showed that participants made fewer deduction claims after receiving feedback that most people think they themselves hold more honest attitudes than others regarding the declaration of cash payments.

³⁴ The researcher adopted the lifestyle of a vendor himself for 20 month selling used items and new bathroom accessories as part of his ethnography of Chicago's Maxwell Street Market. More than 100 vendors were interviewed during the course of this time.

Saad's (2011: 332-357) comparative study on perceptions of fairness between New Zealand taxpayers and Malaysian taxpayers breaks fairness down into five themes:

1. General fairness: taxpayers' perceptions of the broader aspects of the income tax system.
2. Vertical fairness: the belief that people in different economic situations should be taxed differently. Ideally, vertical fairness is maintained when people with higher incomes are taxed at higher rates than those with lower incomes.
3. Retributive fairness: the belief that the penalty imposed (ranging from fines to imprisonment) should match the offence or crime committed. It sometimes also includes comparable treatment between taxpayers and tax authorities.
4. Personal fairness: taxpayers' perception as to whether the income tax system is meeting their own self-interest.
5. Administrative fairness: taxpayers' perceptions of how the tax authority administers the income tax system. Six principles postulated in procedural justice included consistency, bias-suppression, accuracy, correctability, representativeness, and ethicality.

According to this study, New Zealand taxpayers seem to be concerned with all five aspects of fairness perceptions. In comparison, Malaysian taxpayers are concerned with general, retributive and administrative aspects of fairness perception. Groups in both research studies generally believed that negative fairness perceptions, inadequate technical knowledge, perceived behavioural control and the complexity of the income tax

system have partly contributed to taxpayers' non-compliance.

4.3 Use of tax agencies, the IRD and other sources of advice

Immigrants seek different sources for advice prior to and after they arrive in New Zealand. Accountants (17%) were ranked as the fifth source of advice for principal applicant migrants in a study of 403 randomly selected LTBV applications conducted in 2002, after consultants (36%), industry group/chamber of commerce (27%), existing companies (24%) and family (19%) (DoL, 2002:58). The available literature seems to suggest that there are some consistent differences regarding the use of communal, professional and governmental advisers regarding tax matters between different ethnic groups. Thirty out of the 42 (71%) immigrant employers interviewed in de Vries' (2007: 117) study used accountants. Some only used accountants for functional tasks such as GST returns, while others used them for business advice. In a subsequent article, de Vries (2012: 146) also notes that while accountants are the most prominent professionals used by Indian entrepreneurs to varying degrees, there is also a general reluctance to take professional advice because of distrust or a perceived limited value. The IIP cross-cultural study provides some interesting comparisons amongst different immigrant business communities: the IRD was not mentioned by Chinese employers at all while it was the most frequently cited source of assistance by British employers. About one-fifth (18.2%) of

Korean employers mentioned the IRD, bankers and accountants as their key contacts at the start-up phase of their businesses, while one-third of the South African participants did the same.

According to Yong's (2011; 2012) cross-cultural study on tax compliance, New Zealand Europeans/Pākehā were most likely to rely on professional accountants (8 out of 9) while Asians relied on paid accountants least (3 out of 9). All non-European groups tended to use family, friends or peers to assist with tax compliance, particularly the Asian group who saw seeking advice from friends as a way to strengthen business relationships. Only five out of the 36 (14%) business owners used the IRD as the main source of tax assistance, and none of the Māori owners used its service.³⁵ Fear, distrust, and perceptions about IRD's inefficiency were the most cited reasons. A small number of Asians and Pacific operators (2 out of 9 for each group) used the IRD as their main source of tax assistance to save on compliance costs. This finding confirmed the low interaction between the IRD and SMEs with some ethnic-specific differential ratios. Being long-term oriented, Asians were keen to have a good tax compliance history so that the IRD would look favourably on them in the future (Yong, 2011: 109-122, 129-131).

In her policy recommendations, Yong (2011) suggests that the IRD increase its presence within the wider Asian community, offering tax compliance seminars and training tailored for Asian businesses. Yong saw the use of Asian IRD

³⁵ The researcher even suggests that the fear of IRD kept some Māori businesspersons to operate below the registration threshold and in the cash economy.

officers to offer training as providing the following benefits: a better understanding of the cultural underpinnings for tax behaviour; and creating the impression that the IRD respects and is willing to understand and assist the Asian business community. Besides, Yong suggests that the use of European/Pākehā officers can symbolise the authoritativeness of the IRD in maintaining Asian business practitioners' high power distance value.³⁶ Yong believes that the improved interaction between the IRD and Asian business communities will lead to greater indirect monitoring of these groups, and that the strategic use of the shaming mechanism (in relation to Asian's desire to save face) can build trust and reduce tax evasion, particularly in relation to the cash economy (Yong, 2011: 162-163).

Concerning the Pacific business community, Yong (2011) suggests that the IRD or the Ministry of Economic Development work with Pacific organisations³⁷ to provide practical training in accounting skills and financial literacy in order to demystify the difficulties of these tasks, and to reduce the "psychological costs" of record-keeping and administration tasks. Yong also thinks that it is important to raise Pacific business operators' awareness of the adverse repercussions of tax penalties and the use of non-mainstream finance. High power distance values and the collectivism of Pacific peoples means that the IRD needs to be more proactive in reaching out to these groups through community organisations, especially churches, instead of individually. Helping them claim tax rebates for donations and church gifting

³⁶ In other words, they accept that power is distributed unequally within their society.

³⁷ For example: Pacific Business Trust and Te Puni Kokiri.

is recommended as one way to build trust and reduce their fear of authority. Providing success stories or exemplars of Polynesian entrepreneurship or those who have overcome compliance challenges is another culturally sensible strategy (Yong, 2011: 164-165).

Rothengatter's (2005: 305) study of ethnic entrepreneurship in Australia also stresses the vital role of tax-agents who work closely with ethnic SME sectors, and who would only hasten a mixed-embedded (ethnic) assimilation of norms and practices to the extent that they subscribe fully to an improved culture of voluntary compliance. Thus he strongly recommends the use of second generation officers from the ethnic community concerned to establish an informal communication and educational presence within the ethnic community. One reason offered is the heavy reliance of immigrant entrepreneurs themselves on the services of second-generation co-ethnics with regard to taxation and financial matters (Rothengatter, 2005: 296, 303).

4.4 Long-term orientation

It is generally found that people with a long-term orientation to the host country are more likely to be law-abiding. Morales' (1998: 395-396) study found that those who were planning for a future in business were more likely to pay tax to build a good record for bankers and saw regular tax-paying as something that could lead to greater economic mobility. Based on a longitudinal qualitative study, one of the suggestions that Coleman and Freeman (1994) would make to business people is to point out the specific long-term tax benefits of declaring cash bonuses (e.g. the increased value of a business that has a higher legitimised income). At its core, this suggestion is about education with an emphasis on long-term benefits. Yong's (2011) cross-cultural study of tax compliance also confirms that a long-term orientation is one of the three key factors that are associated with timely and complete record-keeping processes and fewer tax compliance issues.

In relation to a long-term orientation, over 88 percent of immigrants participating in the LisNZ intended to stay in New Zealand for at least five years (see Table 30). Business migrants were more likely to travel between New Zealand and another country, and less sure how long they would live in New Zealand.

Table 30: Settlement intentions at time of approval by immigration approval category

Settlement intention	Skill principal	Business category	Total
Live in NZ for > 5 years	86.9%	88.1%	88.2%
Live in NZ all the time	82.6%	78.1%	83.5%
Live in NZ & in another country	4.3%	10.5%	4.7%
Live in NZ for < 5 years	6.7%	1.4%	4.9%
Live in NZ all the time	4.3%	s	3.1%
Live in NZ & in another country	2.4%	s	1.9%
Don't know how long I will live in NZ	6.3%	10%	6.8%
Live in NZ all the time	3.6%	5%	3.7%
Live in NZ & in another country	0.6%	s	0.6%

Note: s = suppressed for confidentiality reasons.

Source: adapted from Table E28 in DoL (2009a: 196)

Recent figures released by New Zealand Immigration Service (NZIS) also confirm that only 14 percent (40,692) of immigrants who obtained residence between 2004 and 2011, permanently left New Zealand to either return to their homeland or another country. In absolute numbers, the highest returnee migrants were from the United Kingdom (11,171) and China (8,257). Among the top ten source countries of immigrants to New Zealand, immigrants from North American countries (i.e. USA and Canada) and two Asian countries (i.e. Taiwan and Singapore) showed the highest returning rates to their countries of origin (Tan, 2013).

Since the majority of immigrant entrepreneurs arrive through the skilled category and business category with the intention of staying and settling, it could be argued that such a long-term orientation will generally lead to positive tax-compliance attitudes. Using the Chinese immigrants as an example, the early Chinese gold miners had a sojourner mentality and exemplified the “middleman minority” (see Appendix 2 for

explanation) who wished to make their fortunes and return to their homeland, while the more recent PRC Chinese indicate a settler mentality. Although it is also common for some ethnic Chinese to return to their countries of origin or move to another country, the majority demonstrate a long-term outlook or engagement with their adopted country. The absence of a large pool of illegal immigrant labour in New Zealand also reduces the extent to which non-compliance is associated with the use of illegal workers in business. Being approved for permanent residence, Chinese immigrants in New Zealand are much more likely to have a long-term commitment than their counterparts in Europe where circular migration between different European countries can be frequent (Guerassimoff, 2003).

4.5 Intergenerational differences

Interesting patterns emerge when generational differences are interwoven with ethnic differences. For Asians, first generation immigrants are more likely to be “forced” into self-employment while their offspring are more likely to find professional employment. In contrast, entrepreneurship is more likely to be found among second generation Pacific peoples whose parents lacked the confidence and capital required to start their own business (Yong, 2011; de Vries, 2007).

Rothengatter’s Australian study identified some intergenerational changes in terms of tax-compliance: “backward” tax evasion habits (e.g. shoddy bookkeeping and skimming-from-the-till) of the first generation immigrant shopkeepers may be replaced by more sophisticated and “creative” tax avoidance tactics (e.g. over-stating business expenses, abusing tax exemptions and tax credits) of second generation immigrant entrepreneurs. The author also argued that exposure to the mainstream norms and values do not necessarily mitigate non-compliance as tax evasion is a prevailing practice across all Australian SMEs. Therefore, while immigrant trading networks de-ethnicise their culture of non-compliance (i.e., the *special favour* culture), they might then blend into the non-ethnic cultures of non-compliance (Rothengatter, 2005: 297-298).

4.6 Cultural factors

Research on the relationship between cultural factors and tax (non-)compliance can be divided into three sections: the national culture in different countries, ethnic culture within a country, and occupational cultures across many countries and ethnicities.

4.6.1 National cultures

One group of scholars attempted to investigate the influence of national culture on tax compliance levels (Richardson, 2005; 2007; 2008; Schneider, 2002; 2004; Tsakumis, Curatola, & Porcano, 2007). Most of these scholars employ Hofstede’s (1980; 1991; 2001) theoretical framework on national culture and economic matters. Hofstede’s five cultural dimensions are defined as the following (Hofstede & Hofstede, 2005: 46, 76, 167, 210):

1. Power distance (low vs. high): the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally.
2. Individualism vs. collectivism: the closeness of the relationship between individuals and collectives.
3. Certainty avoidance: the extent to which the members of a culture feel threatened by ambiguous or unknown situations
4. Masculinity vs. femininity: focus on achievement and equity vs. focus on relationship and equality
5. Long-term orientation vs. short-term orientation: focus on future rewards, long term planning, perseverance, and thrift vs.

focus on past and present, respect for tradition, living for the day, preservation of face and fulfilling social obligations

Based on data from 43 countries, the regression results from Richardson's (2007) study show that a national culture that values individualism is significantly related to all of the four basic tax values (equity, simplicity, neutrality, and visibility), while power distance is significantly related to three values (equity, neutrality, and visibility); and uncertainty avoidance is significantly related to another three values (simplicity, neutrality, and visibility). Friedrich Schneider (2004; see also Schneider 1986; 1994; 1997; 1998; 2000; 2002) also endeavours to determine the size of the hidden economy³⁸ in many countries across the globe. Schneider's work is widely cited as providing key economic indices. Tsakumis et al. (2007) used both Hofstede's work and Schneider's figures to identify correlations between national cultural dimensions and tax evasion across 50 countries. They found that a "non-compliant country's" profile is characterised by high uncertainty avoidance, collectivism, "feminine" traits, and high power distance. Richardson (2008) further concludes that legal enforcement, trust in government, and religiosity also correlate to high levels of tax morale. Likewise, Alm and Torgler's (2006) multivariate analysis of 15 European countries and the USA indicates that tax morale negatively correlates to the hidden economy with the USA having the highest tax morale, followed

³⁸ Schneider defines "hidden economy" as estimates of all market-based legal production of goods and services that are deliberately concealed from public authorities.

by Switzerland and Austria.³⁹ The national tax evasion scores⁴⁰ for the top 20 countries of birth of the largest foreign-born immigrant groups in New Zealand are summarised in Table 31. Countries with larger shadow economies (as a percentage of GDP) represent higher tax evasion countries. According to this table, immigrants from the UK, Australia, Netherlands, the USA and Japan have been exposed to lower or similar levels of tax evasion in their motherlands compared to their host country. The scope of tax evasion in mainland China, Hong Kong, Germany and Canada are still comparable with that of New Zealand, while the remaining source countries exhibit much greater hidden economies.

³⁹ The degree of tax morale found in this study listed from highest to the lowest is: USA, Switzerland, Austria, Denmark, Sweden, Spain, Italy, Germany, Britain, Ireland, France, Netherlands, Norway, Finland, Portugal and Belgium (Alm & Torgler, 2006: 239). Britain, Germany and Netherland are among the 20 top sending countries of immigrants to New Zealand.

⁴⁰ The tax evasion scores are mean estimates of each country's shadow economy as a percentage of GDP for the years 2000–2002 and are taken from Schneider (2004).

Table 31: Tax evasion score of the source country for the 20 largest foreign-born groups in New Zealand, 2006

	Country of birth	Tax evasion score
1	United Kingdom	12.47
2	China (including Hong Kong)	14.37 (Hong Kong: 16.97)
3	Australia	13.97
4	Samoa	32.50
5	India	24.30
6	South Africa	29.00
7	Fiji	34.33
8	South Korea	28.13
9	Netherlands	12.90
10	Tonga	36.27
11	USA	8.6
12	Philippines	44.50
13	Cook Islands	Not available
14	Malaysia	31.63
15	Taiwan	26.57
16	Germany	16.37
17	Japan	11.03
18	Canada	15.67
19	Zimbabwe	61.20
20	Sri Lanka	45.90
	New Zealand	12.57

Notes: compiled from Table 4 in this report, Table 2 in Tsakumis, et al. (2007: 141) and Table 5.4 in Schneider (2004: 54).

Using confidential audit data of the US tax authority, one study shows that corporations with owners from countries with higher corruption norms engage in higher amounts of tax evasion, and are less responsive to enforcement efforts. Such effect is strong for small corporations and decreases as the size of the corporation increases (DeBacker, Heim, & Tran, 2011).

Contrary to common perception, Torgler's (2004: 241, 261, 263) descriptive analysis finds that tax morale in Asian countries is generally higher than for OECD countries. Among the seven countries/regions included in the study, the Philippines showed the lowest tax morale while Japan, China, India and Bangladesh showed relatively high levels of morale.

Natrah Saad's (2011) thesis compares New Zealand and Malaysian taxpayers' perceptions of fairness and their compliance behaviour. Since the samples were selected according to general population compositions, the majority of the participants were members of the ethnic majority of each country: New Zealand Europeans/Pākehā and Malays. This study is not only international but also cross-cultural. The results suggest that Malay-dominated Malaysian taxpayers declared a significantly better perception of fairness but the Pākehā-dominated New Zealand taxpayers were more compliant.

Another aspect of cross-cultural tax compliance that has been investigated is the relationship between ethnic fractionalisation and tax evasion at national levels. A number of scholars have come to the conclusion that increasing ethnic fractionalisation decreases voluntary tax compliance due to an unwillingness to contribute to public goods which benefit other ethnic groups (Lassen, 2007; Li, 2010). This finding will be discussed in more depth in the next section.

4.6.2 Ethnic culture

A modest literature can be found in overseas research regarding the relationship between culture, nationality, ethnicity and tax-compliance but it often results in contradictory findings. Based on data from the European and World Values Surveys, Li (2010) presents a matrix of national culture and ethnic culture and draws the following conclusions: 1) the overall tax morale of a country is inversely related to its ethnic heterogeneity; 2) taken as a group, ethnic majority taxpayers show higher tax morale than ethnic minority taxpayers; and 3) strong citizenship identity generally leads to higher tax morale. In other words, ethnic

fractionalisation negatively affects national public sector performance. As New Zealand moves from a bicultural society to a multicultural one, the increasingly heterogeneity in ethnic composition may lead to lower tax morale over time.

An American study found a positive correlation between the non-tax-compliance rate and the proportion of non-whites in local communities (Beron, Tauchen, & White, 1992: 81-82). A Malaysian study was undertaken on Malay, Chinese, and Indian taxpayers (Kasipillai & Abdul-Jabbar, 2006), and found no significant differences among these ethnic groups on their attitudes towards tax compliance. The shortfall in this type of research is that attitudes do not always translate into actual behaviour, plus there are varying contextual factors. In contrast, Loo and McKerchar's (2011) survey of a random sample of the same ethnic groups in Malaysia showed that ethnicity is significantly correlated to risk personality and tax fairness perceptions, and thus could very likely affect tax compliance indirectly.

Some cross-national research has been done using students in Hong Kong and western countries. For example, Richardson's (2005: 22) study with Australian and Hong Kong students suggests that cultural factors are influential in their perception of tax fairness, tax rate structures, and self-interest. Chan and his associates (2000) conclude from their study that Hong Kong students were less compliant and less positive toward the tax system compared to their USA counterparts. Likewise, McGee and his associates (2008) argue that Hong Kong students were more conditional and compromising in their perception of tax evasion than their USA counterparts. The New Zealand equivalent of this type of study would be

Birch and his colleagues' (2003) attempt to study cultural differences on tax evasion attitudes using tertiary accounting and taxation students in Christchurch. Just over half of Pākehā students and 28 percent of Chinese students in this survey admitted to having understated their taxable incomes in the last five years, and Pākehā and Māori students were most likely to know others who had evaded taxes. However, the results generated from student sampling are often seen as lacking realism and having low external validity.

A number of Australian scholars suggest that ethnic cultures play no significance in tax compliance. Coleman and Freeman's (1997: 335) study on cultural differences to tax compliance found that overseas-born people were more aware of the inefficiencies of the Australian tax system and were more interested in government accountability. Bajada (2001: 5-8) points out that cash-economy activities have been entrenched in both the psyche and working ethos of many ordinary Australians for many years. Highlighting that tax evasion is endemic among SMEs regardless of ethnicity, and rejecting the notion that certain ethnic groups are the "born tax-cheats", Rothengatter (2005) nonetheless found in his focus groups that non-immigrant SME owners tend to equate "tax-cheating" with specific ethnic groups such as Asian and Eastern European immigrants, while excusing the same non-compliant activities occurring within their own group.

4.6.2.1 A New Zealand study

Yong's (2011) thesis provides the most current local findings as they relate to the main focus of this report even though her interest is on the impact of cultural factors on tax compliance behaviour rather than immigrant enterprises *per se*. A total of 59 participants were interviewed, including 36 ethnic SME operators, eight tax practitioners, and 15 business experts. The businesses involved in this sample operate in 14 out of the 19 industrial sectors of the 2006 ANZSIC, and 88 percent were micro-businesses (1-5 employees). The length of business operation ranged between under two years (17%), two to five years (14%), six to ten years (36%), and more than 10 years (28%) (Yong, 2011: 10, 78). Four ethnic groups of SME operators were included in the study: NZ European/Pākehā, Māori, Asian, and Pacific. Since the focus of this report is on immigrant business, a summary of Yong's findings will centre on the material that relates to Asian and Pacific groups.

Employing Hofstede's framework on cross-cultural studies, Yong concluded that groups with higher uncertainty avoidance, a long-term orientation, and "masculinity" traits had timelier and more complete record-keeping processes, and fewer tax compliance problems. High power distance groups showed greater reverence and fear towards the tax authorities and tax practitioners. The Asian and European cohorts of this research displayed more proficiency and confidence with records-keeping, and relied less on paid assistance with filing and paying tax returns. In comparison, the Polynesian (Māori and Pacific cohorts) encountered the most problems (Yong, 2011: 89-108).

The ability to meet tax payment deadlines requires cash management and planning. Polynesian business owners were most likely to have difficulties meeting tax payments, while none of the Asian participants reported difficulties. Low uncertainty avoidance, short-term orientations, poor cash-flow management, and relationship-focused “gifting” were the common causes for not meeting tax payment deadlines under a self-assessed tax regime (Yong, 2011: 142-147). Similar responses were found amongst the Māori participants (Yong, 2011: 147-150).

Using culture as a variable in any research is based on certain assumptions of cultural homogeneity. However, cultures, whether in relation to what occurs at a pan-ethnic or at a community level, are increasingly diversifying in terms of ethnicity (allegiance, claiming, practices and broad social values and economic circumstances) in a New Zealand context. The multivariate hybridisation of culture makes it much less reliable as a determinant in people’s attitudes and behaviour.

4.6.3 Occupational culture

Other researchers might argue that tax compliance behaviour is more influenced by occupational cultures, rather than ethnic or national cultures. SMEs are among the “hard-to-tax” camp. Cash payments, bartering, skimming-from-the-till, and overstating business expenses are common tax evasion practices for all SMEs, regardless of ethnicity and the birthplaces of the business owner. In Alm and Torgler’s (2006: 241) study on the USA and 15 European countries, the share of self-employers reporting the highest tax morale levels were 6.5 percent points lower than full-time employees. Saad’s (2011:416) study revealed that both New Zealand and Malaysian taxpayers view

self-employed people as opportunistic, having more chances to avoid or evade tax than salaried employees. Similar conclusions were drawn by studies on the UK economy (e.g. Casey, 1991).

Certain occupational or industry groups are particularly prone to the exigencies of the cash economy. In her literature review on SME tax compliance, Yong (2011) found that tax evasion was a common phenomenon of SMEs in almost every country. New Zealand is no exception. The most affected business practices were cash jobs in hairdressing, building, home maintenance, home-based services, private tuition, entertainment, retailing and direct selling, and the food industry (Yong, 2011: 15). Likewise, a cross-national survey of 27 European countries indicated that undeclared work (i.e. cash-in-hand) was particularly prevalent in construction (16%), household services (19%), followed by personal services (9%),⁴¹ hotel and restaurant (8%) and repair services (7%) (Williams, 2008: 52). Studies in both the UK and Australia showed that cash-in-hand payments were commonly acceptable amongst trades people in the construction industry, especially in relation to the fact that weekend work is routinely paid in cash and not declared as income (Sigala, Burgoyne, & Webley, 1999; Shover, Job, & Carroll, 2003).

⁴¹ Ashby and Webley’s (2008) study with 19 owners in the hairdressing and beauty industry in the South West of England also shows that: 1) cash-in-hand payments, especially outside traditional working hours, are socially acceptable; 2) tips were often seen as a gift and it was not seen as necessary or fair to declare the full amount; 3) the use of different mental accounts for different types of income.

Coleman and Freeman's (1997: 335) study on the cultural foundations to voluntary compliance found that retailers and farmers hold different taxpaying cultures. The former have a "peer culture" by which they teach each other to skim, and to report an even income flow, to avoid attracting the tax authority's attention. The latter justify their tax avoidance on the basis of their self-sufficiency and their random usage of public goods.

Section 5. Gaps and recommendations

5.1 Gaps in the current literature

This literature review is by no means exhaustive. Based on what has been identified and reviewed, it could be concluded that there is little or no direct research on immigrant enterprises' tax compliance attitudes and behaviours in New Zealand. Empirical studies on tax compliance and/or the hidden economy often adopt a colour-blind or culture-free approach, often use students as a sample, and thus, the application of these findings are either too general or too artificial to be useful. On the other hand, empirical studies on immigrant businesses are often more concerned with business owners' entrepreneurial motives, industry distribution, business practices, barriers and enablers to successes, and homeland connections (e.g. IIP; de Vries, 2007; Zhang, 2010; Liu, 2000; Lee, 2008; Paulose, 2011; Warren, 2003; de Vries, 2007). Tax compliance is seldom the main concern of researchers. Yong's (2011) thesis on cross-cultural study of tax compliance is the closest to the focus of this report. However, the limitations of this study are obvious. Firstly, two of the four groups (New Zealand European and Māori) that Yong examined were non-

immigrants.⁴² Secondly, since Yong's interest is in cultural differences, rather than immigrants *per se*, her selection of the sample did not differentiate first generation from second generation immigrants. In fact, the Pacific people sample largely comprised second generations. Thirdly, the grouping of "Asians" in one category and "Europeans" in another is too ambiguous to provide conclusions as there are variations within both groups. Finally, Yong's operational definition of tax compliance is only limited to tax filing, record-keeping, and paying tax on time. Apart from some inconclusive discussion on cash-handling problems within the Asian group, there are scarcely any references to tax evasion practices. For similar reasons, Saad's thesis does not provide much more that is relevant.

Overseas studies on tax compliance of immigrant entrepreneurship are also small in number and limited in their relevance to a New Zealand context. Being a small, less populated country in the Pacific, New Zealand is less likely than the USA to attract large numbers of illegal immigrants to provide the labour pool for undeclared work by employers. Given that most new immigrants have obtained permanent and long-term residence through the skilled and business categories also

⁴² There could be odd cases of first generation British/Irish/Dutch immigrant included in the "New Zealand European" sample, but there has been no reference made about this point.

means that they are more likely to settle in the host country and have a long-term commitment compared with immigrant workers in Europe. Variations in immigration policies and tax regimes can also impact on the applicability of overseas findings to the New Zealand context.

Within the small number of studies on cultural differences of business and taxation practices, the findings are not always consistent and can often be contradictory, due to the differences in sampling, methodologies and social contexts. Rothengatter's (2005) study on multicultural SME owners' compliance attitudes and practices in Australia does provide some findings that might be relevant for New Zealand. Nonetheless, the limitations of this study are also self-evident. Firstly, although this focus group brings real life dynamics, it inevitably leads to finger-pointing at other ethnic groups. Secondly, the ethnic groups (e.g. Taiwanese, Greek) that were selected for this study only have a very small presence in New Zealand. Finally, any empathy for immigrant business owners' hardships and self-exploitation as implied in Rothengatter's work should be taken with caution, as it opens a door for rationalising tax non-compliance that taxpayers from all walks of life can then use.

5.2 Recommendations for future research

We offer the following as recommendations for future research, partly based on the gaps in the current literature identified above, and partly on the evidence collated to date. These recommendations are framed around conceptual

assumptions, the research topic itself, sampling issues, methodological approach, questionnaire design, and the researchers involved in the project.

5.2.1 Assumptions

Good research depends on questioning often-held assumptions. Rothengatter (2005) challenges the idea that there are widely accepted norms or a common tax regime in western countries and a simplistic association of tax (non-)compliance with immigrant/ethnic businesses. He further argues that tax avoidance behaviours may be one manifestation of broader and deeper socio-political problems that are beyond the control of tax authorities. Singling out specific groups is likely to provoke additional "reactive solidarity" among immigrant entrepreneurs and may lead to more institutionalised forms of what we refer to as sanctioned racism on the part of tax authorities (Rothengatter, 2005: 305). Distinctions need to be made between practices that are common, regardless of ethnicity or the country of origin (e.g. skimming-from-the-till) and culturally specific practices (e.g. the use of red envelopes).

A similar issue concerns attributing certain business practices to cultural/ethnic groups. As the IIP and other comparative research on immigrant entrepreneurship has shown, significant overlaps exist in terms of these entrepreneur traits between different ethnic groups. In addition, it is possible that qualities such as frugality, industriousness, and risk-taking, are "migrant traits" as opposed to ethnic or "cultural traits" (see Benson-Rea & Rawlinson, 2003; Whybrow, 2005).

Feminist scholars may also question the role of wives and children in business operation. While modern western taxation law is based on values of individuality, these societies (including New Zealand) still have tax regimes that are primarily concerned with the individual tax payer. Some immigrant businesses reflect more familial or community-oriented practices and values. On the one hand, the presence of unpaid family workers and underpaid co-ethnic workers do have implications for employment and taxation regulations. On the other hand, it also raises the issue of whether it is ever appropriate or possible to tax *guanxi* (network), relationships, embeddedness, friendship, family bonds, and filial fidelity.

5.2.2 Research topics

The dynamic between immigrant business and tax compliance is a relatively underdeveloped topic, and there are many gaps in the existing literature, especially those concerning the New Zealand context. Four key areas are identified for further research.

Firstly, there is very little literature about the cash economy of immigrant business in both formal and informal economies. Most research on immigrant entrepreneurship concerns GST-registered businesses or businesses that have a formal identity, including sole-proprietorship, family business, partnership, or a publically listed company. There have been few attempts to tackle cash transactions in the hidden economy. For example, despite the prevalence among Chinese and Korean communities, homestay activities have not been

studied as a business phenomenon.⁴³ Given the importance that Asian parents give to children's education and the number of skilled migrants who are able to provide quality teaching, private tutoring has been a prevalent practice within the immigrant communities, and cash payments of tuition are very common. It is uncertain the extent to which immigrants who are making a living through private tutoring are tax literate and compliant. Likewise, there is virtually no discussion or report on the various markets⁴⁴ that have a strong minority ethnic presence and are dominated by cash transactions.

Secondly, there have been few attempts to analyse the relationship between business structures or business practices and tax compliance of immigrant entrepreneurs. The majority of studies on immigrant enterprises focus on a narrow range of industries on the assumption that most ethnic enterprises are SMEs in the retail and catering sector.⁴⁵ Although it is still the case, such assumptions ignore the fact that immigrant enterprises are increasingly diversifying, upsizing, and upscaling (see discussion in section 3.3). Different business structures and industrial affiliations would lead to different tax implications. For example, immigrants who are involved in retail and catering SMEs are more likely to buy into the occupational culture of skimming-the-till, while those involved in construction or agriculture

⁴³ The IIP project on Korean homestay operators can be seen as an exception, but there is no reference to tax implications.

⁴⁴ Examples of these markets include various Sunday markets, night markets, ethnic festival markets.

⁴⁵ For example, Chinese employers selected in the IIP sub-project all belonged to the accommodation and food, and retail industries.

industries are more prone to other forms of tax evasion such as invoice-writing. Moreover, since free labour, immigrant employers undertaking these practices are also worthy of attention. The use of newly graduated international students who would work for lower pay or without pay in exchange for a job offer that meets immigration requirements (Zhang, 2010) is a relatively new compliance issue that also needs further investigation.

Thirdly, there have been virtually no studies on the role of ethnic financial agents and ethnic banking in financing immigrant SMEs. The number and size of the advertisements in ethnic media which promote financial services heightens the importance of private financial agents in transnational monetary transactions. When coupled with the diasporic interconnection of certain immigrants and modern technology, these financial agents often link to a globalwide network that can move millions of dollars of funds across national borders at the click of a mouse. Another phenomenon paralleling the growth of private financial agencies is the introduction of foreign banks from source countries of immigrants to New Zealand (e.g. HSBC, Kookmin, ANZ). Since it is generally difficult for immigrants to obtain funds from mainstream New Zealand banks, transnational banks that operate both in their country of origin and country of settlement may offer some financial products that are based on their credit history and financial status back in a homeland. The tax implications of these financial services are yet to be scrutinised.

immigrant businesses are more likely to use family members and other co-ethnics as low cost or even

Fourthly, the transnational nature of immigration generates further questions concerning the tax implications of cross-border mobility.

Rothengatter (2005) raises a concern about the law-defying practices in those import/export industries operated by immigrants who have the social resources (e.g. global network, high level of trust) to negotiate reciprocal collusion across national boundaries or who travel frequently enough to hide transactions (for example). The transnational structure of astronaut families among certain ethnic groups also raises concerns in relation to the declaration of worldwide income of the male heads whose working and business life is based overseas but who have an enduring connection with New Zealand through his wives and children who are usually residing here.

5.2.3 Sampling

The design of sample sizes and sampling procedures need to take into account a number of variables, including ethnic backgrounds or countries of origin, length of residence in New Zealand,⁴⁶ immigrant categories through which

⁴⁶ Previous research indicates that it usually takes four to five years before an immigrant is likely to start a business, and the length of time varies on the basis of the immigrant category under which they are approved residence (e.g. business investors or those on LTBV have to start a business much sooner). Ethnic background is also relevant (e.g. Indian immigrants tend to work as employees for a number of years before starting their own ventures). The length of residence needs to be clearly identified in order to differentiate recently established immigrants from well-established or even second-generation immigrants (see Table 8 and Table 13).

residence is approved,⁴⁷ gender, industry distribution, business types or scales, and religious affiliations. All are important, depending on the issue in question.

In addition to employers/business owners, employees, tax agencies, business brokers and immigrant consultants could also be interviewed in order to provide a different perspective on taxation. Yong's (2011) inclusion of tax practitioners and business experts in her research has been proven invaluable in obtaining information that is otherwise difficult to elicit from business operators alone. Both the IIP and Zhangs' (2010) research included employees to provide insightful comparisons. It is also possibly easier for employees to talk about cash transactions in a particular business as opposed to the business owner.

Most research on immigrant enterprises rely on snowball sampling. One of the limitations of snowball sampling is the homogeneity of participants. If a researcher starts with a shopkeeper, his/her sample may eventually be over-represented by retailers. An alternative approach is to use ethnic-specific Yellow Pages or an equivalent business directory to mirror industry representation for a particular immigrant/ethnic group. By using the Chinese Yellow Pages, Zhang's (2010: 124) sampling captured a wide industry distribution of contemporary Chinese enterprises

⁴⁷ Business immigrants, especially those on LTBV, may have different motivations to start business and different compliance attitudes and behaviours from those came through skill category.

5.2.4 Methodology

Immigrants with limited language skills and knowledge of the host culture do not usually respond well to telephone interviews and impersonal surveys. The interview methods that have proven to be most effective are face-to-face interviews. Researchers studying immigrant business ownership and entrepreneurship have generally found that Asians are reluctant to discuss financial matters, let alone tax non-compliance. Rapport must first be established in order to obtain willing and genuine responses. Trust may be enhanced if the interviewer is introduced by an intermediary known to the participant. Ethnic-specific organisations can also be used as a point of contact. For example, Koreans and Pacific peoples may respond well to a research project conducted through their churches or endorsed by their pastors.

Despite limitations, the focus group method used by Rothengatter in his research can still be very useful. While it might be intimidating or embarrassing for immigrants to discuss taxation as individuals, group dynamics can lighten the atmosphere and encourage participation.

5.2.5 Questionnaire design

Different questionnaires should be designed for different categories of interviewees (e.g. employer, employee, accountant, broker, consultant). It is also important, in questionnaire design and the subsequent data analysis, to make distinctions between the common practices of tax avoidance and those that are culturally specific. It is to be kept as short as possible, as most business operators have busy schedules. Drawing a lesson from Yong's study, in which her Asian participants

were more open when they discussed the prevalence of cash transactions in the business community generally rather than admitting personal involvement in cash jobs, is advisable. In other words, instead of asking about the interviewee himself/herself, asking questions about his/her friends, clients, and employers was more productive and less threatening.

5.2.6 Researcher

Bilingual researchers who speak the appropriate language have proven to be invaluable in cross-cultural studies, especially among immigrants who are most affected by language barriers (e.g. Korean, Chinese). On the other side, for immigrants whose confidence in English is high (e.g. Indian, Dutch, South African), the use of bilingual researchers may be misinterpreted. Interpreters are usually not a good substitute for bilingual interviewers as both interviewing and language skills are required, as well as familiarity with social research practice.

Section 6. Conclusion

Immigrant entrepreneurship has become an increasingly prominent phenomenon in New Zealand economic life. This report provides an overview of the national and international literature on the ownership and operation of immigrant businesses and identifies the associated tax implications of immigrant entrepreneurship. However, gaps in the existing literature are also very evident. It could be argued that there is little or no direct research on immigrant entrepreneurs' tax compliance attitudes and behaviours in New Zealand. By providing a preliminary understanding of these issues, however, this review serves as a basis for future research. Methodologically, planning must take account of the cultural factors underpinning successful research with immigrant entrepreneurs.

Appendix 1 - Methodology of the literature review

Selection of key words/phrases

Since tax compliance of immigrant business is a relatively underdeveloped subject, correct searching techniques were crucial. This literature review started by identifying a range of key words or key phrases that could be used in database and index searching. The scope of the search was later narrowed down to different combinations of these search words or phrases. Two groups of words/phrases were selected for more efficient database searching: one focused on taxation and economy, while the other focused on immigrant business.

Within the subject of taxation, phrases such as “tax (non)-compliance”, “taxpaying culture”, “tax evasion”, “tax avoidance”, “tax morale”,⁴⁸ and “tax ethics” were selected as key words for searching. Within the subject of economy, “hidden economy” and some of its synonyms (e.g. “informal economy”, “shadow economy”, “underground economy”, “cash economy”) were used.⁴⁹ “Undeclared work”, “undocumented

⁴⁸ Most tax specialists prefer to use “tax morale” than “tax morality” when referring to the moral obligation to pay taxes or a belief in contributing to society by paying taxes (e.g. Alm & Torgler, 2006; Torgler, 2004; Torgler & Schneider, 2007).

⁴⁹ For a comprehensive list of alternative expressions, please see “An overview of the different terms and definitions used

work” or “cash-in-hand” were also used as alternative expressions for “hidden economy”.

The list of phrases for searching for material on immigrant businesses can be further divided into two sub-groups, one focusing on the countries of origin and the other on the types of enterprises. Based on population statistics identifying the largest foreign-born residents in New Zealand, “Asian immigrant” was chosen as a key phrase. The Chinese (including those from Taiwan, Hong Kong, and PRC), Korean, and Indian groups were chosen for their relatively high levels of entrepreneurship and self-employment rates. Due to the lack of defining power and the difficulties of searching for materials on British immigrants, “British immigrants” or “European immigrants” were not used as search phrases, even though they still comprise the largest foreign-born population in New Zealand. Instead, more specific terms such as “Dutch immigrant” and “South African immigrant” were used to search the literature as it relates to non-Asian immigrants.

Apart from using “immigrant entrepreneurship”, “immigrant enterprise” or “immigrant business”, certain types and characteristics of these businesses were also chosen as search phrases to elicit particular information. Preliminary research showed that immigrant businesses tended to be Small and Medium Enterprises in cash intensive industries. Consequently, “small business” or “self-employment”, as well as particular industries (e.g. “catering”, “construction” or “building”) were

for the hidden economy in other tax jurisdictions” by the UK’s National Audit Office (2008: 12-13).

chosen as search phrases alongside the keyword “immigrant”.⁵⁰

Since some research emphasises “ethnicity” or “culture” rather than “immigrant” *per se*, “ethnic business”, “national culture”, and “cultural difference” were used to identify relevant work with different emphases or from different disciplines.

Certain major theories and models on immigrant entrepreneurship were also searched to identify potentially relevant work (see Appendix 2). The “Triple E” (i.e. “enclave”, “embeddedness”, “ethnobub”) were identified as key search words, especially as each is related to a particular school of thought on immigrant business (see Appendix 2 for explanations of these terms).

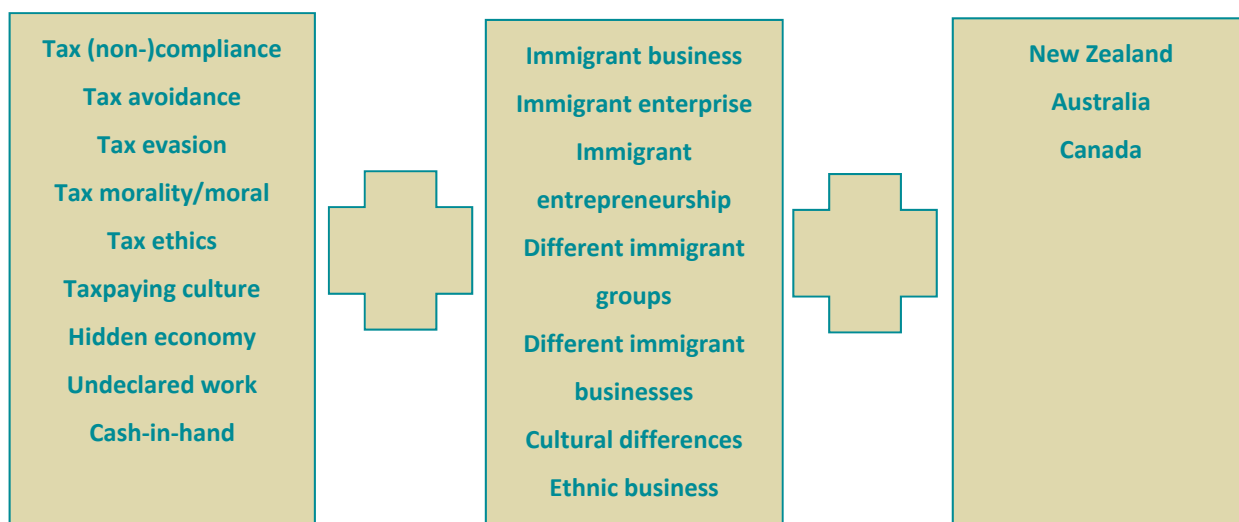
“New Zealand” was added as a further restricting phrase to narrow down the scope of the search to relevant local findings.

“Immigrant” in this report largely refers to immigrants who gained their residence under the skill and business categories since the 1986 immigrant policy change when the country of origin preferences were abandoned in favour of the skill/education/experience characteristics of immigrant applicants. Preference was given to research findings concerning immigrant entrepreneurs who arrived in the late 1990s. However, in view of the lack of directly relevant studies, this criterion often had to be relaxed to include research on the business practices of

earlier immigrants or even the second generation (e.g. Yong, 2011; de Vries, 2007). The characteristics of the sampling are highlighted whenever it deviates from the core focus of this report.

Based on the above selection of key words and phrases, the actual search often used combined phrases from the three different pools.

⁵⁰ Different expressions for cash transaction markets (e.g. food market/Sunday market/flea market/ethnic market/night market) have also been used in database searches but with very few hits.



Selection of databases

A wide range of databases were selected for this literature review, including academic research, government reports, professional papers, and popular media. The findings of academic research was the primary source of information for this report, including journal articles, books, book chapters, theses/dissertations, conference proceedings and research papers and reports. The integrated nature of the subject matter also required a creative search on a wide range of disciplines and sub-disciplines including the social sciences (sociology, psychology, anthropology, geography, population studies), business (management, accounting), and economics. A small number of New Zealand theses (e.g. Yong, 2011, 2012; de Vries, 2007; Zhang, 2010; Saad, 2011) provided important understandings to the subject.

Research reports (academic, policy-based and professional) and working papers proved invaluable in providing current information on immigrant business practices. Working papers for the Centre for Tax System Integrity⁵¹ have particular relevance to the subject of this report. Information and publications by Statistics New Zealand, the Department of Labour (e.g. LisNZ)⁵², and the Ministry of Business, Innovation and Employment were cited and compiled. Due to the small circulation and confidentiality embargo of some of these publications, the researcher was not able to obtain complete access to all reports identified so can only cite these as secondary resources.

⁵¹ This Centre is part of the research school of social sciences of Australian National University.

⁵² The LisNZ project involves interviews with the same group of immigrants at three waves between May 2005 and 2009: six months (wave 1), 18 months (wave 2), and 36 months (wave 3) after they have taken up permanent residence in New Zealand. The response rate for wave 1 was 66 percent (i.e. 7,137 participants).

In addition to academic and government publications, searches were also made in the Australia/New Zealand Reference Centre, New Zealand Index, and New Zealand Electronic Text Collection to identify relevant press releases and news in Australasian popular media.

To compare and to complement understanding of the New Zealand situation, a selection of overseas findings were also included, particularly those based in Australia and Canada where the immigration schemes and the tax regimes are closest to that of New Zealand. Some research from the United States, the United Kingdom, and occasionally other countries were also included if the findings were considered to bring special insights.

Appendix 2 - Theoretical approaches to immigrant entrepreneurship

A number of theories or models have been developed over the years to conceptualise immigrant entrepreneurship in advanced countries. Although almost all of these approaches are based on overseas findings, they are still applicable to New Zealand to varying degrees. A brief introduction to the main schools of thought are outlined here.

Middleman minority theory

Using the Chinese people in Southeast Asia and the Jews in Europe as illustrations, Blalock (1967) first developed the concept of the “middleman minorities”, which was further developed by Bonacich in the early 1970s (1973). It is suggested that by relying on their competitive advantages, a particular ethnic minority can occupy an intermediary position between the immigrant market and the suppliers of the dominant group. American-based findings suggest that minority communities such as Blacks and Hispanics are important markets for middleman minority groups such as Koreans, Chinese, Arabs and Indians as the low spending capacity and high crime rate would put off the mainstream investors (de Raijman, 1996; Min & Bozormehr, 2000). A New Zealand equivalent of minority markets might be the Pacific populations where Asian middleman immigrant entrepreneurs provide services.

Ethnic enclave theory

Wilson and Portes (1980) first introduced the ethnic enclave theory in 1980, based on a study of Cuban community in Miami. An “ethnic enclave” is a geographically self-contained ethnic community within a metropolitan area. The emphasis is on the concentration of immigrants where new immigrants are employed by existing co-ethnic business owners and later set up their own businesses after they have learned the trade. Some scholars have identified three prerequisites: entrepreneurial skills, capital, and the supply of ethnic labour through the immigration chain (Lee, 2003). Classic examples can be found in Chinatowns in major U.S. Cities (Zhou & Logan, 1989); the Korean community in L.A. (Lee, 2003); and the Cuban community in Miami (Wilson & Portes, 1980; Waldinger, Aldrich & Ward, 1990; Sanders & Nee, 1987). There are relatively few enclave studies in New Zealand.

Ecological succession concept

The ecological succession concept suggests that when the immigrant population increases in a residential area, the local people tend to move to other areas, the formation of immigrant enclaves increases opportunities for immigrant business. Though most studies are overseas and particularly US-based (Aldrich & Reiss, 1989; Aldrich, Zimmer

& McEvoy, 1989), this approach does have some relevance to the New Zealand context in that some immigrant groups (e.g. Chinese) tend to start their businesses through the purchase of existing local businesses.

Disadvantage theory

The disadvantage theory is also referred as “blocked mobility theory”. It argues that immigrants face significant difficulties in finding employment, so starting-up a business is the only way for economic survival. In other words, disadvantages in the labour market became the push factor for entrepreneurship or self-employment. Self-employment in this perspective is not seen as a sign of success but simply an alternative to unemployment (Volery, 2007). This contention has been confirmed by a wide range of empirical studies overseas, particularly with findings in European countries where immigrants faced greater discrimination than in North America and Australasian countries (e.g. Light 1979; Min & Bozorgmehr, 2000). Certain immigrant groups are more likely to report labor market disadvantage than others. In the US, Koreans were 12 times and Middle Easterners and South Asians 24 times more likely to report blocked mobility as a reason to choose self-employment compared to white merchants (de Raijman, 1996). Similar findings are reported in New Zealand with Asian immigrants from non-English backgrounds (e.g. Dana 1997; Pio, 2006, 2007; Benson-Rea, Haworth & Rawlinson, 1998; Butcher, Spoonley & Trlin, 2006; Gendall, Spoonley & Trlin, 2007; North, 2007).

Economic model

While the disadvantage theory focuses on push factors, the economic model focuses on pull factors. The economic model is based on the notion of rational decision-making, by which people tend to become entrepreneurs if they believe that doing so will bring higher income than being an employee (Segal, Borgia & Schoenfeld, 2005). Empirical findings are mainly Europe-based and more likely to be relevant to the European and English-speaking immigrants in New Zealand.

Cultural theory

The cultural theory suggests that certain ethnic groups have culturally determined features such as a commitment to hard work, a willingness to live in austerity, strong membership in a tightly-knit community, accepting risk, accepting social value patterns, and an orientation towards self-employment (Masarel, Nijkamp & Vindigni, 2004). These features provide ethnic resources that facilitate and encourage entrepreneurship and support the immigrant entrepreneur. This theory puts an emphasis on the fact that the ethnic groups’ particular cultural element has a strong influence.

Opportunity structure theory

The opportunity structure model emphasises that the host country has demands for small-scale commercial activities when such demands do not favour large scale distribution and production.

When the mainstream business community is not interested, the barrier to a certain trade might be lowered so that immigrants can gain access.

Interactive model

Aldrich and Waldinger (1990) combined the cultural theory and the opportunity structure theory in an interactive model and suggested that the traditional strategy used by immigrants is created through interactions between the group's characteristics and the opportunity structures in the host countries. It is argued that there is a congruence between the informal resources of the ethnic population and the demands of the host country's economic environment. This model has been used in Australian studies (e.g. Agrawar & Chavan, 1997). Nandan's (1994) study on Indian dairy shop-owners in Auckland provides a local empirical illustration of such a model.

Mixed embeddedness model

The mixed embeddedness approach seeks to explain immigrant entrepreneurship through considering not only an immigrant's social networks, but also the opportunity structures of the host country at local, regional and national levels. Embeddedness can be further broken down to structural and relational. The former refers to the integration of immigrants into the wider society and labour market, while the latter refers to the extent to which communities and networks act as a source of social capital to the immigrant (Portes, 1998). This model is relatively new and the small number of case studies concern Islamic

butchers in the Netherlands (Kloosterman, Leun & Rath, 1999; Kloosterman & Rath, 2001) and on Chinese catering businesses in Germany (Leung, 2002). A growing number of Australasian scholars have started using this approach in their analysis of immigrant entrepreneurship (e.g. Cain & Spoonley, 2013; Rothengatter, 2005).

Ethnoburb model

Wei Li introduced the "ethnoburb" concept in 1997. "Ethnoburbs" are defined as suburban ethnic clusters of residential areas and business districts in large metropolitan areas. Multi-ethnic communities in which one ethnic minority group made up 10 to 15 percent of the population, but does not necessarily comprise a majority (Li, 1997: 2). Li (2009) further argues that Asian immigrants particularly have become ethnoburb residents in all the four Anglophone Pacific Rim countries. Based on fine-grained Census Area Unit (CAU)⁵³, IIP researchers have identified various meshblocks or precincts for various ethnic groups in Auckland.

⁵³ CAU are small geographical areas which together make up territorial authorities. They usually contain 3000-5000 people.

Appendix 3 - Industry distribution of Chinese businesses in Auckland

Note: The information contained below is compiled from the information provided in Appendix I of Zhang's (2010:286) thesis. Zhang has worked through a total of 1902 businesses and non-profit associations advertised in the 2008

Chinese Business Yellow Pages into different groups, which are further classified using the ANZIC system. See section 3.3 for further discussion.

Chinese businesses in Auckland as listed in 2008 Chinese Business Yellow Pages

Industry classification	Chinese businesses in Auckland as listed in 2008 Chinese Business Yellow Pages	Percentage
Agriculture, forestry & fishing		
Mining		
Manufacturing	28 printing companies,	1.47%
Electricity, gas, water & waste services		
Construction	25 construction and design companies, 96 building material trades, maintenance and decorating companies (e.g. glass, metal window and doors, lockers, tiles, carpet, plumbing, fibres, floors, electrical trades, kitchen staff, bath) 33 gardening and designing, paintings, roof maintaining companies, 15 kitchen furniture makers, 8 plumbers, 6 electricians,	9.62%
Wholesale trade	24 import and export firms,	1.26%

Industry classification	Chinese businesses in Auckland as listed in 2008 Chinese Business Yellow Pages	Percentage
Retail trade	79 computers trade and respire, security equipment companies, 28 supermarkets, 18 souvenirs shops, 24 furniture trade companies, 6 fashion shops, 7 florists, 17 video tapes hires, 1 fishing tool shop, 23 car dealers,	10.67%
Accommodation & food services	250 restaurants, 22 hotel and motels, 13 bars, 11 Karaoke bars, 9 internet bars; 12 massage and nightclubs,	16.67%
Transport, postal & warehousing	26 home removers, 7 international transport companies, 6 car hires,	2.05%
Information media & telecommunications	18 Chinese newspapers, 2 Chinese TV programmes, 2 Chinese radio stations 9 arts designs,	1.63%
Financial & insurance services	27 insurance salespersons, 28 mortgage brokers, 30 finance and investment companies,	4.47%
Rental, hiring & real estate services	262 real estate salespersons,	13.77%

Industry classification	Chinese businesses in Auckland as listed in 2008 Chinese Business Yellow Pages	Percentage
Professional, scientific & technical services	99 immigration agents, 53 legal firms, 3 document translation companies, 14 business salespersons, 21 accounting firms, 23 advertising agents and sign, 16 photographers, 3 wedding services,	12.20%
Administrative & support services	62 travel agencies,	3.26%
Public administration & safety		
Education & training	22 private schools, 38 after-school training (language, arts, academic, music and dancing) facilities, 17 driver schools,	4.05%
Health care & social assistance	94 health care and Chinese medicine and acupuncture, 5 optometrists, 12 dentists, 4 rest homes,	6.05%
Arts & recreation services		
Other services	116 car repairs, 72 beauty and hair design, 38 electronic equipment repairs, 7 other household equipment repairs, 7 funeral services, 4 <i>fengshui</i> groups,	12.83%
Not in the ANZSIC	61 Chinese associations	

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