

# Promoting ethnic entrepreneurship in European cities





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**Research project:** Labour market mobility and access to social rights for migrants

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When citing this publication, please use the following format:

Rath, J., Eurofound (2011), *Promoting ethnic entrepreneurship in European cities*, Publications Office of the European Union, Luxembourg.

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Luxembourg: Publications Office of the European Union, 2011

ISBN 978-92-897-1038-1

doi: 10.2806/27456

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*Printed in Belgium*

# Foreword

In 2006, the Congress of Local and Regional Authorities of the Council of Europe, the city of Stuttgart and the European Foundation for the Improvement of Living and Working Conditions (Eurofound) came together to form the European network of Cities for Local Integration Policies for Migrants (CLIP).

The CLIP network, officially launched in Dublin in September 2006, brings together more than 30 large and medium-sized cities from all regions of Europe in a joint learning process over several years. The network seeks to support effective and sustainable social, economic and societal integration of migrants, combat social inequalities and discrimination, and help migrants preserve their cultural identity. Through this joint initiative, the partners are continuing their longstanding commitment and activities in the field of social inclusion and improved social cohesion within local authorities in Europe.

The network is supported by the Council of European Municipalities and Regions (CEMR) and the Committee of the Regions (CoR) of the European Union. After 2007, the cities of Vienna, Amsterdam and Malmö joined the network's steering committee. In addition, the CLIP network has formed a partnership with the European Network Against Racism (ENAR).

This publication presents the results of the last module of work of the CLIP network funded by Eurofound. It provides an overview of the policies and programmes of European cities to promote ethnic entrepreneurship as part of local economic development and integration strategy for migrants. The contribution of ethnic entrepreneurial activities in Europe has been steadily increasing over the last decade. Ethnic entrepreneurs contribute to the economic growth of their local area, often rejuvenate neglected crafts and trades, and participate increasingly in the provision of higher value-added services. They offer additional services and products to immigrants and the host population, and create in many cities an important bridge to global markets. In addition, ethnic entrepreneurs are important for the integration of migrants into employment. They create employment for themselves but also increasingly for immigrants and the native population. At the moment, the European Employment Strategy is centred mainly around integration of migrants into paid employment. The potential of ethnic entrepreneurship as a creator of jobs is overlooked. And yet it can be instrumental in reducing unemployment and helping to tackle illegal employment. It can provide access to employment for the more vulnerable groups in society (e.g., women or youth from specific ethnic groups) and help to elevate them from the poverty trap.

At the moment, ethnic entrepreneurship is not an important part of the European integration policy for migrants. Entrepreneurship is not only about the job creation, but also about enhancing upward mobility, developing social leadership, increasing individuals' self-confidence by enabling them to become active agents of their own destiny, increasing the social cohesion of ethnic communities, and revitalising streets and neighbourhoods through innovation of social and cultural life.

One important finding of the project is that promoting ethnic entrepreneurship is not self-evident. In several cities of the CLIP network, ethnic entrepreneurship has not played a role in the strategy of cities to support the employment and societal integration of immigrants into local communities. However, on a more positive note, our CLIP cities have a large variety of programmes and concrete measures to improve the personal capability of migrants and their opportunity structure. The reader will find a great number of innovative measures adopted by local authorities to promote ethnic entrepreneurship, support its uptake and improve the long-term economic survival of ethnic businesses.

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Blackberry smartphones, McDonald's hamburgers, Dolce & Gabbana belts and Levi's jeans, but also Chinese bubble tea, Turkish döner kebab, Bollywood movies and Moroccan henna.<sup>1</sup> The appearance of this ever-broadening range of 'exotic' products in shops in Amsterdam, Frankfurt, Istanbul or Lisbon reveals some of the deepening links between less-developed and advanced economies. The ethnic and sociocultural make-up of many advanced economies has significantly changed as flows of long-distance migration from ever more locations increased in the second half of the twentieth century. Immigrants from both developed and less-developed countries moved to advanced economies, embodying the complex process of globalisation in a very palpable sense. These two highly visible aspects of globalisation – the international mobility of capital and labour – are often directly related as immigrants themselves introduce their products and services to far-off places. They start businesses in their countries of settlement and become 'self-employed', 'new entrepreneurs', 'immigrant entrepreneurs' or 'ethnic entrepreneurs'.

Notwithstanding the increasing numbers of ethnic entrepreneurs from less-developed countries who set up shop, they have long remained out of sight and out of mind in the public and political discourse of Europe. In socioeconomic terms, for a long time these immigrants were largely viewed as *workers*. Immigrants were predominantly depicted as suppliers of cheap, low-skilled labour in advanced economies. Only more recently has attention shifted towards immigrants who start their own businesses.

## Importance of ethnic entrepreneurship

The self-employment of immigrants is (or can be) important for several reasons. This is first of all related to the fact that they play a different role from immigrant workers.

- By starting their own business, ethnic entrepreneurs create their own jobs. This enables them to circumvent some of the barriers they may encounter in looking for a job. Immigrants from less-developed countries are especially likely to come up against these barriers. They may lack or be felt to lack educational qualifications, they may not have sufficient access to relevant social networks for transmitting information on vacancies, or local

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<sup>1</sup> This section draws on Kloosterman & Rath, 2010.

employers may simply discriminate against them. Becoming self-employed does not mean all these barriers have become irrelevant, but entrepreneurs seem to be less vulnerable.

- If they are successful, ethnic entrepreneurs can create jobs for others as well. This can benefit relatives, friends and acquaintances and, more generally, co-ethnics, as social networks are often interfaces for information on the recruitment of new workers by small firms.<sup>2</sup> Creating jobs – even poor jobs – helps alleviate unemployment among immigrants. The same holds for providing apprenticeships, which in some countries is seen as an important vehicle for a labour market career. This does not exclude, of course, the creation of jobs for people from other ethnic groups, including the native mainstream.
- Ethnic entrepreneurs can also contribute different forms of social capital to immigrant ethnic communities (Li, 1999). Because of their links to suppliers and customers, ethnic entrepreneurs can be useful in constructing bridges to other networks outside the inner circle, thus improving chances of upward mobility. Moreover, ethnic entrepreneurs often act as self-appointed leaders for their communities (Li, 1999). Although this focus on one's own ethnic group is sometimes interpreted as narrow-minded or a confinement to captive markets, the fact remains that these forms of social capital are sometimes very influential, but are not always fully acknowledged by the mainstream.
- Finally, ethnic entrepreneurs show that immigrants from less-developed countries are not necessarily restricted to filling vacancies on the job market. They can be active agents and shape their own destinies by setting up their own businesses. Even if they are confined to lines of businesses with little promise, they are still actors in a very literal sense (Kumcu, 2001).

Secondly, ethnic entrepreneurs not only differ from immigrant workers, but can also be different from indigenous entrepreneurs.

- They may provide goods and services that indigenous entrepreneurs are less likely to offer. Ethnic entrepreneurs may have expert knowledge on specific demands or specific sources of supply relating to foreign products,

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<sup>2</sup> Cf. Waldinger, 1986.

as in the case of foodstuffs (e.g., spices from Indonesia), music (e.g., rai music from North Africa) or videos (e.g., Bollywood movies from India). In many cases this hard-to-copy expertise can be based on first-hand knowledge from back home, or it can be generated through transnational networks that bridge the country of origin and the sometimes extensive diaspora (Portes, 1995). By introducing new products and new ways of marketing, even ethnic entrepreneurs at the bottom end of a market can be innovators. The introduction of the döner kebab by Turkish entrepreneurs in Germany is a case in point (Rudolph & Hillmann, 1997; Wilpert, 2003). It may be that indigenous entrepreneurs might lack the credibility for specific kinds of businesses, as in the case of Chinese restaurants, where the owner and staff need at least an Asian appearance (Kunz, 2005). Or lifestyle preferences may keep indigenous entrepreneurs out of certain lines of business that require long hours of hard work at low pay that only immigrants are prepared to put up with (Rath, 2002; Waldinger, 1996). Ethnic entrepreneurs may thus broaden the range of goods and services in a country and hence expand the consumers' choice. The flip side, of course, is that ethnic entrepreneurs sometimes gravitate to the same economic sectors and, in doing so, undermine their competitiveness.

- From a geographical perspective, ethnic entrepreneurs can add vitality to particular streets or neighbourhoods in cities (Aytar & Rath (forthcoming); Ma Mung & Lacroix, 2003; Rath, 2005 & 2007; Shaw, Bagwell & Karmowska, 2004). If streets are deserted by indigenous businesses and replaced – in an invasion-and-succession sequence – by foreign entrepreneurs, deterioration can be reversed (Kloosterman, Van der Leun & Rath, 1999; Pang & Rath, 2007; Shaw et al., 2004). As owners of local businesses, they have a clear stake in the prosperity, accessibility and safety of the street or neighbourhood. In many cases, these businesses are also where members of local social networks gather. They are thus an important component of the social fabric sustaining civic society at the grassroots level. Pessimists, however, may be more inclined to interpret the presence of ethnic businesses as a sign of deprivation.
- Analogous to the last point, ethnic entrepreneurs can be instrumental in giving certain sectors a new lease of life. In some industries, because of their specific skills, knowledge or social capital, ethnic businesses can be

at a comparative advantage. The garment industry is a case in point (Rath, 2002; Waldinger, 1986). In this sector, immigrants bring skills no longer reproduced on a sufficient scale in most advanced economies. In addition, they are willing to work long hours and use their social capital and networks to reduce production and transaction costs. Admittedly, this sometimes happens without fully complying with prevailing rules and regulations.

Notwithstanding the apparent diversity of both the origins of the entrepreneurs and the types of businesses they have established in various countries, there are clearly similar underlying processes. Although there have been notably successful ethnic entrepreneurs in advanced economies (Basu & Werbner, 2001), many have been funnelled towards markets at the lower end (Kloosterman & Rath, 2003). Lacking, in most cases, access to significant funds of (financial) capital and also deemed lacking in appropriate educational qualifications, most fledgling ethnic entrepreneurs can, so it seems, only set up shop in markets with low barriers of entry in terms of capital outlays and required educational qualifications. In these markets, production is mainly small-scale, low in added value, and usually very labour intensive. Consequently, earnings are typically relatively low, and days are long and hard for many ethnic entrepreneurs. There are, admittedly, indications that ethnic entrepreneurs from the second generation of immigrants, who are often better educated than their parents, are able to position themselves in much better, i.e., more profitable, markets (Rusinovic, 2006). This very fact, to be sure, points to a distinct divergence of forms of ethnic entrepreneurship, and this makes it more difficult to get a sharp and coherent profile of ethnic entrepreneurship.

## Promoting ethnic entrepreneurship at EU level

European, national and municipal governments, business associations, as well as a wide range of third-sector institutions are attaching value – in various ways and with various levels of intensity – to ethnic entrepreneurship. These interventions fit the European Charter for Small Enterprises that EU leaders adopted in 2000<sup>3</sup> and the Small Business Act (SBA) from 2008.

The SBA comprises a package of policies designed to put SMEs at the forefront of economic decision-making, to strengthen their potential to create jobs in

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<sup>3</sup> [http://ec.europa.eu/enterprise/enterprise\\_policy/charter/index\\_en.htm#charta](http://ec.europa.eu/enterprise/enterprise_policy/charter/index_en.htm#charta), accessed 19 October 2010.

the EU, and to promote their competitiveness both within EU internal and global markets. Policies at all levels should encourage entrepreneurial risk-taking and provide for the best possible framework conditions for SMEs.

The first year of SBA implementation focused, among other things, on:

**Reducing administrative burdens for SMEs** (i) all new European legislation and some Member State legislation now passes through an ‘SME test’ to ensure that it is business friendly; (ii) unnecessary administrative burdens have been scrapped; the average time and cost of starting a private limited company has been reduced.

**Providing access to finance** (i) loans and overall funding through the European Investment Bank and Fund have increased to €11.5 billion in 2009; (ii) legislative proposals were tabled to better tackle the problem of late payments of invoices; (iii) new rules are being discussed under which Member States would be free to exempt micro-businesses from accounting rules.

**Supporting access to markets** (i) SMEs are benefiting from a 40% reduction in fees for EU trademark rights and simplified registration procedures; (ii) as a result of the European Code of Best Practices, SME’s access to public procurement has become easier and more open in some countries; (iii) the implementation of the Services Directive in all Member States will facilitate the establishment of businesses and cross-border provision of services; (iv) the proposed European Private Company Statute will introduce common rules for starting up and operating a business in any EU country.

The Think Small First principle was also enshrined in the SBA. A European Commission report from March 2009 provides advice to policymakers on how to implement this. Think Small First requires that policymakers give full consideration to SMEs at the early policy development stage. SMEs should be considered by policymakers as their ‘prime customers’ and rules should be created from an SME point of view. Rules and procedures designed for large companies create disproportionate burdens for SMEs as they lack economies of scale.

The Commission report identifies concrete solutions underpinned by good practices from Member States and the Commission in three areas.

**Listening to SMEs** Ideas about how to streamline the consultation process include: (i) the 3 months' mandatory consultation period on proposed major legislation in Sweden; (ii) the work of the Division for Better Business Regulation in Denmark; (iii) the work of the CNSAE (Comité National pour la Simplification Administrative en faveur des Entreprises) in Luxembourg; (iv) the consultation of business associations in Slovenia; (v) the Small Firms Consultation Database in the UK; (vi) the public consultation website *Teeme koos* in Estonia; (vii) the consultation process in Hungary.

**The SME test** Regulatory impact assessments should include a specific evaluation of the impacts on SMEs. Good practices are considered to be set out by: (i) the Small Firms Impact Test (SFIT) in the UK; (ii) the regulatory impact assessments in Sweden.

**Application of the 'only once' principle** Optimising the information flow from the business to the administration is a key element to simplify the life of SMEs: (i) the combination of a one-stop-shop system in the Czech republic; (ii) the application of an 'only once' principle in Hungary; (iii) the ELENA (Elektronischer Entgeltnachweis) in Germany; (iv) the Inter-Institutional Taxation Data Storage (TDS) in Lithuania; (v) the Osmotherly Guarantee in the UK; (vi) the *Rescrit* and the *chèque emploi* in France; (vii) the Contribution Payment Centres (CPCs) in Bulgaria.

## Policies to support ethnic entrepreneurs by national governments

Governments and third-sector institutions have tried with varying degrees of involvement to promote the development of small businesses by introducing support measures that facilitate small entrepreneurs in general and ethnic entrepreneurs in particular. Many of these interventions have focused on improving the performance of ethnic entrepreneurs, but other interventions have aimed at removing obstructions in the regulatory framework for the small business sector. In so doing, the positive effects of entrepreneurship have been emphasised.

However, promoting entrepreneurship is not an easy course. The sheer complexity of entrepreneurial processes should prevent us from envisaging entrepreneurship as a simple, one-dimensional phenomenon. A host of



studies has sufficiently demonstrated that entrepreneurial success – and consequently the effects of it – is contingent on a plethora of social, political and economic conditions (Engelen, 2001; Kloosterman, Van der Leun & Rath, 1999; Kloosterman & Rath, 2003; Lem, 2009; Ley, 2006; Rath, 2002).

## Classifying ethnic entrepreneurship policies

Public and private institutions have in various ways, with various intentions and various results, tried to promote ethnic entrepreneurship, insofar as they have been explicitly active to that end at all. Their policies can be classified in a number of ways according to their position on any of these axes:

**Scalar level** Government is not a monolithic entity, but an institution that operates at different scalar levels, corresponding with different legal and political structures, budgets and powers. There are, for example, the European level, the national level, the municipal level, various levels between the national and municipal (provinces, *Länder*, *départements*, regions), and levels below the municipal level (neighbourhoods, districts, boroughs). Also, there are private and semi-private institutions that target the government at these levels or have been commissioned by the government to help implement policies. While discretionary powers and responsibilities differ between these levels, resulting in relatively autonomous positions, the governmental levels are connected and influence each other continuously.

**Combined or unilateral** State intervention can happen not only on different levels, but also in different combinations. Empirical research shows that a lot of support programmes for ethnic entrepreneurs combine the activities of local or regional authorities with those of national or international authorities. Conversely one finds unilateral activities by local or regional actors.

**General or group-specific** Policies that impact the opportunities of ethnic entrepreneurs may take the form of group-specific measures, i.e., measures that only target ethnic entrepreneurs or other people with a disadvantaged social position. Offering business support in multiple languages or targeting entrepreneurs who engage in trade with other countries are cases in point. It is tempting to judge a local government's commitment to the cause of ethnic entrepreneurs by counting the number of group-specific measures or calculating the amount of euro spent on them, but this would be very simplistic

(and not only because some measures can be implemented at low costs or even at no costs at all). Ethnic entrepreneurs are also subjected to general policies. The basic assumption then is that ethnic entrepreneurs – being first of all entrepreneurs – will benefit from general measures taken to increase the number of entrepreneurs and to strengthen the quality of entrepreneurship. Lowering the tax burden, relaxing rules and regulations, making shopping areas more accessible, and so forth, are cases in point. This choice – particularistic or universal policies – can be politically quite sensitive. Group-specific policies are sometimes interpreted as being biased towards soft multiculturalism or ignoring the good old economic laws. According to this interpretation, policies should be ‘colour-blind’. On the other hand, the absence of group-specific measures can be interpreted as ignorant, assimilationist or even racist.

**Agency or structure oriented** Policies may aim at entrepreneurs themselves (agency oriented) or at the opportunity structure they are facing. In relation to agency, (fledgling) entrepreneurs are believed to have deficiencies. While the entrepreneurs’ environment is taken for granted, the entrepreneurs themselves lack the skills and competencies to become really successful. These deficiencies can be compensated for by offering a variety of programmes that aim at strengthening entrepreneurs’ business plans, marketing techniques, cost calculations and financial management. In relation to structure, it is believed that the emergence or growth of businesses is thwarted by an unfavourable opportunity structure. Entrepreneurship is then promoted by removing barriers or by offering new economic opportunities. Deregulating the economy, making the bureaucracy more transparent and service oriented, making tax regimes more favourable, promoting credit systems, making entrepreneurship education part of the regular curriculum, and so forth, are among those measures.

**At start-up only or over the whole business cycle** In the field of SME and business support in general many programmes are solely targeting the start-up phase of the private enterprise. In a minority of cases support is given over the whole business cycle or in other than the start-up phase.

**Positive or anti-discrimination measures** A final distinction can be made between policy initiatives which try to avoid any discrimination against ethnic entrepreneurs in relation to native entrepreneurs and positive measures that support entrepreneurship in general and ethnic entrepreneurship in particular.

How things turn out in practice depends on a multitude of factors, varying from the number of immigrants, their migration history, and national assumptions about the process of integration to national welfare-state models and concomitant trajectories of economic incorporation, the bureaucratic culture, the political landscape, and so on. This report will examine next how these things turn out in practice. It first briefly touches upon the results of previous research projects and then discusses the results of the CLIP project in greater detail.

### Research questions

This report aims at comprehensive mapping, analysing and evaluating of policies in the promotion of ethnic entrepreneurs in a number of European cities. As such it is part of the fourth module of the CLIP project.<sup>4</sup> This module focuses on some of the many regulatory mechanisms that can be found in a number of European cities, notably regulations that result from public policy initiatives in relation to the entrepreneurial opportunities in the cities concerned. The general aim of the CLIP study is to explore the development of ethnic entrepreneurship and to review the role of policy interventions in that process. It is motivated by the desire of municipal, national and European governments and third-sector institutions to create an environment conducive to setting up and developing SMEs in general and ethnic businesses in particular.

Following the ‘mixed embeddedness’ logic (to be discussed later), this study posits that various components of the urban economy interact to produce a complex but also dynamic ecological system, dramatically affecting the political economy of cities and, in so doing, entrepreneurial opportunities. The study therefore focuses on the emergence of ethnic entrepreneurs in the sectors and cities involved and the role of governmental and non-governmental regulation. The objectives can be phrased as a number of basic research questions.

- What are the characteristics of the urban economy? More specifically, what has been the development of the SME sector in general in terms of numbers of businesses, volume of workforce, value of sales, variety of products, and market segmentation, and what has been i) the spatial distribution, ii) the distribution over the various sectors of the urban economy, and iii) the ethnic, gender and age composition?

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<sup>4</sup> <http://www.eurofound.europa.eu/areas/populationandsociety/clip.htm>, accessed 19 October 2010.

- What kind of profiles of ethnic entrepreneurship can be identified? Which general and specific barriers do ethnic entrepreneurs encounter, and what are their competitive advantages? What are the structural determinants of the observed trends? How many and what quality of jobs have been generated on the local labour market?
- What state and non-state rules and regulations govern the SME sector in general and the ethnic SME sector in particular at the national and local levels, and how have they shaped immigrant ethnic minorities' self-employment trajectories? How have policy debates, programmes and interventions on (ethnic) entrepreneurship influenced the emergence of entrepreneurial opportunities – real or discursive – and further development of ethnic businesses? What policies can be found supporting the access to employment for immigrants in ethnic businesses?

The third question is obviously the most important question and most attention will be dedicated to it. By addressing these questions from an interdisciplinary and international comparative perspective, the project aims at a much more thorough, theoretical and practical understanding of the structural dynamics of ethnic entrepreneurship, as well as the impact of rules, regulations and policy interventions on the proliferation of ethnic entrepreneurship.

The remaining part of the report addresses a number of conceptual and methodological issues. Next the analytical approach will be discussed. Then, after a brief overview of the state-of-the-art of ethnic entrepreneurship, the political and regulatory field will be examined.

The broad category of ethnic entrepreneurs comprises first- and second-generation immigrants; males and females; young and old persons; people who migrated voluntarily and others who were forced to migrate; people who are well educated and proficient in the language of the host country and others who are poorly educated and lack these language skills; individualists and people with a communitarian orientation; people of a diversity of opinions, attitudes and lifestyles; Protestants, Catholics, Muslims, Confucians, Hindus, Buddhists, animists, communists and atheists; and so forth. And yet, in the academic and non-academic literature they are often portrayed one-dimensionally, i.e., as ethnic entrepreneurs. However, the very fact that large and diverse groups of people engage in entrepreneurship makes it improbable 'that entrepreneurship can be explained solely by reference to a characteristic of certain people independent of the situation in which they find themselves' (Shane & Venkataraman, 2000, p. 218). As has been indicated, this report explicitly focuses on situational opportunity cues and assumes that a diversity of structural determinants influence these cues.

Ethnic entrepreneurship has been an important field of study, especially in traditional immigration countries such as the United States since the early 1970s and also in European countries since the late 1980s.<sup>5</sup> The relevance of this field of study relates to at least two important policy areas. Ethnic entrepreneurship may not only be a viable route for the economic incorporation and, thus, integration of immigrants and their children, but entrepreneurship may also contribute to the economic development in certain sectors or cities of the receiving societies. The body of literature suggests that the rate of self-employment and the success of ethnic entrepreneurship show enormous variation.

## Terminology and concepts

When reading policy documents or skimming the academic literature, one easily gets the impression that a concept such as that of the ethnic entrepreneur is self-evident and does not need further discussion. Closer examination of this matter reveals that this is too simplistic.

This report deals with various countries where different definitions of entrepreneurship are used, so it would be inappropriate to stipulate any one

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<sup>5</sup> For overviews, see Waldinger et al., 1990; Light & Gold, 2000; Kloosterman & Rath, 2003; Dana et al., 2008.

rigid definition of entrepreneur. There is a large body of literature on what exactly entrepreneurs are and how they differ from other economically active individuals. Authors such as Schumpeter (1974) and Kirzner (1997) dedicated much of their work to this topic and so did their followers.<sup>6</sup> Entrepreneurship, according to these authors, has a quite specialised meaning, as an approach to business characterised by identifying opportunities, building, innovating and risk-taking in pursuit of profit. Seen in this way, an entrepreneur is to be distinguished from the business person who is merely a shop manager. In this report, we do not make such a distinction. We simply define an entrepreneur as a person in effective control of a commercial undertaking for more than one client over a significant period of time.

It is not always clear to what extent small (ethnic) entrepreneurs, dependent as they are on other more powerful economic actors, are able to really exert effective control. This, of course, depends on their position in the value-added chain, a matter indicative of the interaction between the entrepreneur and the social, political and economic environment. Consequently, the study of entrepreneurship necessitates going beyond investigation in terms of who entrepreneurs are and what they do, but also exploring how opportunities come into existence, what their sources are, and how, when and why some people rather than others discover, exploit and optimise these opportunities, and how, when and why different strategies and actions are pursued to accomplish that (Shane & Venkataraman, 2000).

Another important characteristic is the company size. Micro, small and medium-sized enterprises represent 99% of all enterprises in the EU. Statistically the EU distinguishes between micro, small and medium-sized businesses on the basis of the number of employees and the turnover or balance sheet.<sup>7</sup>

**Table 1: Typology of enterprises**

Enterprise category	Headcount	Turnover	Balance sheet total
Medium-sized	< 250	≤ € 50 million	≤ € 43 million
Small	< 50	≤ € 10 million	≤ € 10 million
Micro	< 10	≤ € 2 million	≤ € 2 million

Source: DG Enterprise and Industry, European Commission, 2010

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<sup>6</sup> For a discussion of the various views, see Elfring & Foss, 1997.

<sup>7</sup> [http://ec.europa.eu/enterprise/enterprise\\_policy/sme\\_definition/index\\_en.htm](http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm), accessed 19 October 2010.

A further distinction is that between the entrepreneur with personnel and the entrepreneur without personnel. Recently, a large number of people chose (or were forced) to quit their wage-labour jobs to become self-employed subcontractors. In a number of sectors, a variety of tasks have been outsourced to specialised subcontractors that are connected to each other in an intricate structure of interdependencies. Such a system of subcontracting has evident advantages and disadvantages. In slack periods, an entrepreneur does not need to lay off workers or carry the financial burden of unused machinery: they only need to suspend the contract with the subcontractor(s). In periods of great pressure, on the other hand, businesses can still deliver in time by involving a number of subcontractors. There are, however, also disadvantages, notably the unequal distribution of costs and benefits: firms located on the top tiers of the production chain are more capable of managing the risks involved and in realising profits than are firms or individuals on the lower tiers. This category of self-employed without personnel – sometimes dubbed ‘fake self-employed people’ – has shown an explosive growth, especially in construction and care. It demonstrates how the boundaries between wage labour and self-employment have been blurred (Wijmans, 1999). In times of economic boom the self-employed without personnel can make a lot of money, but in times of bust they suffer more. This situation is exacerbated for the many in this group who ‘forget’ to take out sufficient insurance against unemployment, and this lapse should not be blamed on the business they worked for. Long-term interests are sacrificed in the quest for short-term profits.

Other concepts that deserve attention include the immigrant or ethnic entrepreneur. Many authors use the terms as convenient synonyms which, strictly speaking, confuses the issue (Kloosterman & Rath, 2003). The casual use of these two concepts is problematic for two reasons.

- Firstly, the entrepreneurs in question are not always immigrants in the true sense in that they were not always born in another country. It might be true in some cases, but not in, say, the United Kingdom, where many of the ‘immigrant’ entrepreneurs were actually born. Next to that, the term ‘immigrant’ has become tainted with all sorts of negative commonplace notions and is therefore no longer current among British academics or

in policy circles.<sup>8</sup> Instead, people of Asian, Mediterranean or Caribbean descent are now referred to as ‘ethnic minorities’, and the entrepreneurs among them as ‘ethnic entrepreneurs’. Immigrants in France, notably second-generation immigrants, are largely (statistically) invisible since many have acquired French citizenship. On the other hand, immigrants from Turkey in Germany (including the second and third generations) are still considered foreigners (*Ausländer*) and registered as such, while immigrants from central and eastern Europe who are of German ancestry (*Aussiedler*) can get citizenship right away. How immigrants or ethnic minorities are defined is apparently contingent on the specific national incorporation regime and differs from country to country.<sup>9</sup> Immigrants may have the same backgrounds but once settled in different countries can end up as very different statistical categories. Changes in the political landscape in Europe sometimes interfere in these already complicated processes. Entrepreneurs from Poland or Bulgaria, for example, operating in western Europe suddenly changed status. When these countries joined the EU, Polish and Bulgarian nationals who lived and worked abroad were no longer regarded as international migrants but as individuals who were enjoying Europe’s internal mobility.

- Secondly, many authors take it for granted that immigrants of the second as well as the first generation constitute ethnic groups and that their ethnic features inform their business activities. However, the reason for using the adjective ‘ethnic’ is rarely if ever made theoretically explicit. Does it refer to the ‘ethnic’ origins of the entrepreneurs, their ‘ethnic’ moral framework, or the capacity to mobilise ‘ethnic’ loyalties and access an ‘ethnic’ market? Or does it pertain to their management strategies, personnel, clientele, products or a combination of them? Or simply to the availability of empirical data, conveniently presented in ‘ethnic’ categories? Most authors assume without further reflection that just because they are dealing with immigrants, there are real ‘ethnic’ differences, and that these ‘ethnic’ differences pertain to the entire immigrant population and that these ‘ethnic’ differences never change (Rath, 2000; Kloosterman & Rath, 2003).

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<sup>8</sup> Cf. Miles, 1993.

<sup>9</sup> Cf. Hollifield, 1992; Soysal, 1994.



In this report, immigrants are taken to be persons who have been born abroad, irrespective of their nationality and irrespective of whether or not they are considered ethnic minorities in the countries involved. The formation of ethnic minorities is often related to international migration, but may also be related to particular political developments or events. The focus of this report is on ethnic minorities that have come about consequent to international migration. This report, therefore, is not so much about entrepreneurial activities of ethnic or national minorities that have come about by historical boundary change (such as, for example, the Hungarians in Romania, the Basques in France and Spain, or the Kurds in Turkey). A category that is not an immigrant group in the strict sense, but may deserve special attention is the Roma.

Two more points relating to the term ‘immigrant’ need to be made. First, this report focuses not only on first-generation immigrants, but also on their native-born children – the second generation and also the third generation. However, even in countries with a fairly long post-war immigration history, the second generation is only just coming of age, and the third generation is, in many cases, too young to be economically active. In practice, this report pertains to first-generation and – in some countries – second-generation immigrants (although, strictly speaking they are not immigrants).

The second point relates to the country of origin of the immigrants. Many researchers and policy advisers tend to confine their interest to immigrants from less-developed countries outside the EU. In practice, however, many policy measures target immigrants from less-developed countries both outside and within the EU. This means that southern European, central European and eastern European immigrants who have moved to western European countries are included – at least to the extent they have been defined as target populations of policy measures. The reasons are obvious: most policy measures will be directed towards immigrants who are constrained in their entrepreneurial activities by their lack of human or financial capital or by institutional barriers in the country of settlement, and these are most likely to be found among immigrants from underdeveloped or less-developed countries within and outside the EU.

It is probably wise (albeit theoretically unsatisfactory) to ‘solve’ the problem of terminology in a pragmatic way. The report will use the term ‘ethnic entrepreneur’, but emphasising that it just refers to the immigrant or ethnic

background of these first- or second-generation entrepreneurs. Any claim that the entrepreneurship of this group is informed by ethnic features (in the anthropological sense) must be proven rather than taken for granted. The term entrepreneur in this report refers to a person who is simultaneously owner and manager of a firm. These two roles may sometimes be performed by different individuals, in which case, the text will specify as concretely as possible which role is being referred to.

### Wider concept of regulation and policies

In addition this study draws attention to the concepts of regulation, governance, formal and informal, and so forth. Entrepreneurs operate in a market economy, and all across the world, markets are regulated in one way or another, even if the form and level of regulation might vary. Regulation does not exist in isolation; it is contingent on prevailing regimes of allocating economic citizenship rights to economic actors. These regimes, contradictory and incomplete as they might be, stipulate which goods and services and which actors have legitimacy when it comes to market exchange, and under which conditions market exchange and price regulation take place.

Regulation refers thus to any institutional interference in market exchanges. Engelen (2001) draws attention to a few aspects of regulation, which should not be confused with legislation, as there are two other forms of regulation. In Engelen's terminology there are 'sticks' (which he refers to as 'legislation per se'), 'carrots' (financial incentives and disincentives) and 'sermons' (persuasion), all different forms of regulation in complex packages that define what is possible in a market. Nor should regulation be confused with state regulation. A multitude of state and non-state agents play a role in regulation processes, such as local, national or international governmental agents, unions, quangos, non-profit organisations, voluntary associations, and individuals and their social networks.

Regulation can be manifested in thick or thin ways. It can either be imposed or enforced or can be a matter of voluntary action. These ideas make it clear that regulation is not just a matter of repression and constraining, but also of enabling. Suppressing illicit practices, such as dodging taxes and labour and immigration laws, by prosecuting the perpetrators is an important manifestation

of regulation (repression in this case, thus sticks), but so are decisions to tolerate these practices and not to prosecute practitioners. The plethora of business support programmes – successful or not – also constitutes forms of regulation (carrots), as these are efforts to change the market landscape. These conceptualisations of regulation, to be sure, emphasise something that can easily be forgotten, namely that there is a difference between rules and the enforcement of rules. Both the rules and the enforcement of rules are dynamic and subject to political influences.

In general terms, regulation impacts entrepreneurial opportunities by regulating the access of immigrants to market exchanges. Paradoxically, regulatory regimes sometimes turn out to be obstacles for ethnic entrepreneurs, in particular for lowly skilled immigrants coming from third-world contexts, unused to the complex regulation they face in the countries they moved to. In Austria and Germany, aspiring immigrant entrepreneurs run into difficulties because the corporatist rules and regulations explicitly limit access to self-employment for non-EU immigrants (Haberfellner, 2003; Wilpert, 2003). In some cases non-state bodies backed by the state such as the chambers of commerce are involved as gatekeepers. Finally, it should be noted that regulation does not necessarily imply actions and interventions; regulation sometimes boils down to non-actions.

### Importance and limitations of social and cultural features

What does the literature tell us about ethnic entrepreneurship? In contemporary approaches to ethnic entrepreneurship, there seems to be consensus that first-generation immigrants serve mainly their own ethnic community with products or services and thereby develop their own 'ethnic markets'. At the same time, there is the suggestion that ethnic businesses operating within co-ethnic markets are eventually doomed to a marginal existence. They need to break out of the ethnic market in order to succeed.<sup>10</sup> Critics, however, have pointed to the one-sidedness of this view and have questioned the inevitability of this breaking out.<sup>11</sup>

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<sup>10</sup> Cf. Barrett, Jones & McEvoy, 1996; Jones, 2000; Metcalf, Modood & Virdee, 1996; Waldinger et al., 1990.

<sup>11</sup> Cf. Engelen 2001.

Experts in ethnic entrepreneurship have departed from different points of view and perspectives. Some argue that ethnic entrepreneurship is a response to blocked opportunities in the general labour market and that, as a consequence, the growing number of entrepreneurs is not necessarily an indication of success. Rather, self-employment is viewed as an economic dead-end for immigrants. Long working hours, unpaid family labour and low incomes are some of the indicators that support this dead-end hypothesis.<sup>12</sup> If this hypothesis were true, however, the number of ethnic entrepreneurs would have risen dramatically in periods of economic decline. In reality, however, their number rose in periods of economic boom.

At the other extreme is the point of view that sees ethnic entrepreneurship positively as a viable route to upward social mobility. The emphasis here is on the positive effects of 'ethnic' resources in funnelling immigrants into entrepreneurship. Immigrants are assumed to possess such resources, which may place them in some respects in a relatively favourable position (Light, 1972; Werbner, 1984). This point of view has become very popular. Many experts point first and foremost to the social cohesion of ethnic communities and the importance of ethnic solidarity and relations of trust.<sup>13</sup> For them, networks are instrumental in acquiring knowledge, distributing information, recruiting capital and labour, and establishing strong relations with clients and suppliers. Social embeddedness enables these entrepreneurs to reduce their transaction costs by eliminating formal contracts, giving privileged access to economic resources, and providing reliable expectations as to the effects of malfeasance. Particularly in cases where the entrepreneurs' primary input is cheap and flexible labour, as is true, for instance, of contractors in the rag trade, the reduction of transaction costs by mobilising social networks for labour recruitment seems key.

The literature on the social embeddedness of ethnic entrepreneurs tends to formulate the issue predominantly in ethnic terms. Thinking in ethnic categories often implies the assumption that the social networks of immigrant entrepreneurs are confined to their co-ethnics, that they have little or no social contact with people outside their own group, and that ethnic ties are more important, more resilient and less permeable. However, it is likely that most

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<sup>12</sup> See, e.g., Barrett et al., 1996; Waldinger et al., 1990; Raes et al., 2002.

<sup>13</sup> E.g., Portes & Sensenbrenner, 1993; Waldinger, 1996.

entrepreneurs have a mixed and gendered network comprising co-ethnics, other immigrants and people from mainstream society, and these networks change over time. Whether or not it is intended, the number of social relations may increase or decrease, the network can become thicker or thinner or spread out and assume a different spatial basis, and the social relations can become many-stranded or single-stranded or take on a different meaning.

Taking advantage of social embeddedness is a complex and dynamic process, and success is not guaranteed. An entrepreneur might be successful at recruiting workers by mobilising his social network, but what if the market shrinks following an economic recession, technology changes or new regulations?<sup>14</sup> Likewise, an entrepreneur from a poor community might tap a network of supportive peers, but since they are poor, they will not be able to put up much money. This impacts on entrepreneurial opportunities and can keep the entrepreneur at the lower end of the market (Wolff & Rath, 2000). Walton-Roberts and Hiebert (1997) cite the imaginary entrepreneur who cannot fire his son-in-law without jeopardising his relations with the family. Flap et al. (2000) discuss the problem of one-sided social networks, which is connected to what Granovetter (1983) once called the strength of weak. As a consequence, the circulation of new information is limited to tight groups and, accordingly, so are the chances of innovation and business success.

What we learn is that social capital is connected to cultural, human and financial capital (Light & Gold, 2000), and it is the product of the interaction of structural factors such as migration history and processes of social, economic and political incorporation into the mainstream, as well as their spatial variations. Its impact is contingent on the goals pursued and the political and economic forces at work. Specific circumstances foster social capital and make its use feasible and rewarding, but none of this is automatic.

### **Context matters: different markets, different opportunities**

One of the most widely known examples of an approach that combines personal 'agency' factors and structural conditions is that described in *Ethnic entrepreneurs* by Waldinger, Aldrich, Ward and associates (1990). This approach is still influential, although the model has been amended multiple

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<sup>14</sup> See Rath, 2000; Schrover, 2001.

times. A more recent approach builds on this one, but is more dynamic and inclusive. This model of mixed embeddedness explicitly includes beside personal factors the political and economic context: political and economic institutions are crucial in understanding both the obstacles and opportunities for aspiring entrepreneurs to start their own business (Kloosterman, 2000; Kloosterman & Rath, 2003 & 2010; Rath, 2002).

As has been stated, urban economies are undergoing fundamental changes, and aspiring (ethnic) entrepreneurs are facing a continuously changing opportunity structure. The opportunity structure is key to understanding their performance. We have witnessed a steady decline of manufacturing (a process that was accompanied by a loss of numerous industrial jobs) and at the same time a spectacular growth in the service industries. The latter coincided with the introduction of flexible specialisation modes of production and various forms of outsourcing and subcontracting in manufacturing and services, and a rise of small businesses. Different kinds of markets emerge.

Often, ethnic entrepreneurs tend to gravitate to lower-end retailing, wholesaling, and restaurants and catering, where they sometimes carve out niches. The opportunities that they find in these lower-end markets are closely linked to the vacancy chains where the most recent immigrant entrepreneurs replace earlier ones (ethnic and mainstream alike). The spatial concentration of immigrants favours the proliferation of ethnic businesses in certain neighbourhoods. The opportunities in (ethnic or non-ethnic) vacancy-chain markets are often readily available: entrepreneurs in these markets generally have low start-up costs, require little or no specific educational qualifications, and tend to rely on hard (and cheap) labour and a supportive social network. With relatively low entry barriers, these vacancy-chain markets are easily saturated. These conditions serve to squeeze profit margins and foster informal practices. Ethnic entrepreneurs, especially those who are risking unemployment or unattractive labour conditions, are pushed rather than pulled to these less-promising market segments.

But there is increasingly another kind of ethnic entrepreneur: the aspiring or fledgling entrepreneur who tends to be highly educated and connected to different social networks, who is better qualified to operate in post-industrial growth markets such as ICT, finance, insurance, real estate, media and tourism. Entrepreneurs of this kind are pulled rather than pushed to these

markets and because of their higher levels of human and social capital, they better fit the requirements of today's post-industrial economy.

National or local differences in the opportunity structure may result i) from the rate of replacement in vacancy-chain businesses, which is related to general upward social mobility. It may also result ii) from the creation or decline of ethnic markets in a process contingent on the rate and composition of immigration and the spatial distribution of groups of immigrants. Or it may result iii) from the new opportunities that are concomitant to the post-industrial economy that cities in advanced economies are developing. The economy is evidently dynamic, layered and regulated. And what is more, different markets offer different opportunities, put up different barriers, require different skills, competencies and resources (in terms of financial capital, social network, educational requirements and so on), and lead to different forms and levels of success (however defined) and a different ethnic division of entrepreneurial labour. Any attempt to promote ethnic entrepreneurship or, more generally, any interference in the market needs to take account of this multifacetedness.





The aim of the CLIP network is to facilitate a common and research-based learning process between European cities. The research process was organised in a series of steps. First, experts from the research group prepared a concept paper suggesting an analytical framework for the module.<sup>15</sup> This paper was discussed with the steering committee and city representatives. On the basis of these discussions, the research group refined the conceptual approach, which was then used by the research group to develop a standardised Common Reporting Scheme (CRS) for research in each city. This reporting scheme included a variety of (mainly open) questions concerning statistical information on the city and its populations, general information about the urban economy and the position of ethnic businesses in it, profiles of ethnic entrepreneurship, and regulatory matters. The reporting schemes were to be filled in by city officials in order to provide researchers with comparable data for each participating city.

Once the completed CRS document had been received and analysed, the research team organised four- to five-day field visits in each city. These visits took place in the winter and spring of 2010. The purpose of the field visits was to elaborate on the responses provided by the city through the CRS. The researchers met with city administrators and policymakers (from both the departments of economic affairs and integration), staff members of inspectorates, educational institutes, consultancies, chambers of commerce, business associations, trade unions, ethnic associations, banks and financial institutions, and a number of ethnic entrepreneurs, journalists and local researchers. In total the researchers interviewed 492 people in the course of the site visits. Approximately 35% of the interviewees were involved with the government, 15% were researchers, 24% were associated with business associations, unions, consultancies, etc., 10% were representatives of civic society institutions (such as ethnic associations), and 16% were entrepreneurs.

Based on the information reported by cities via the CRS and additional information collected, the research teams produced a case study on each of the 28 cities participating in this CLIP module. The systematic analysis of the case study texts has been carried out with the help of professional qualitative data analysis software MAXqda 2007.

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<sup>15</sup> <http://www.eurofound.europa.eu/publications/htmlfiles/ef1039.htm>, accessed 19 October 2010.

All in all, the research group combined different quantitative and qualitative research methods – a standardised CRS for each city, statistical data, observations, qualitative semi-standardised expert interviews with local actors – and hence conducted a mixed-methods research study. In doing so, the project actively involved local experts in the project and throughout the entire process. This method has its merits, the most important being direct access to data and continuous use of triangulation (and in the dissemination stage, direct access to channels of communication). Yet there are some limitations. With such a large number of experts and researchers, there is a risk that questions in the CRS are understood differently. In the same vein, they may have different perspectives on reality and different normative frameworks to assess particular phenomena.

The project was furthermore dogged by two specific problems. Firstly, in this CLIP module, like in the previous modules, researchers collaborated with civil servants, who in most cases were involved in the development and implementation of local integration policies. For CLIP, being oriented towards local integration policy, they were ‘natural’ partners. However, departments such as integration, social affairs or welfare happened to rarely deal with economic matters such as self-employment. These matters mostly were the responsibility of departments of economic affairs or urban planning. But these departments rarely dealt with ethnic diversity or integration matters. Information about ethnic entrepreneurship therefore had to be obtained from other sources than the ones who were committed to the research team. This double indirect way of collecting data evidently influenced both the quantity and quality of the findings, partly because the experts who possessed most knowledge were least committed to the project, and partly because the experts who were committed most were least versed in this field. The very fact that many cities had hardly developed policies with regard to ethnic entrepreneurs – one of the findings of this project! – did not make things easier.

Secondly, there is a dearth of comparative data, and this is partly related to issues of terminology, already touched upon. Information on ethnic entrepreneurship is hard to come by in many countries and even harder to compare. The scientific category of the ethnic entrepreneur is at the crossroads of various conceptual interpretations and bureaucratic traditions, resulting in large disparities between countries. The divergence in national integration

policies and, consequently, definitional and statistical differences makes it difficult to really assess (in a quantitative way) the importance of ethnic entrepreneurship cross-nationally. In some countries immigrants or ethnic minorities are statistically invisible, whereas in others they may be registered but on the basis of different criteria such as citizenship, country of birth or self-definition. As a consequence, data on ethnic entrepreneurs might not reflect the same phenomenon cross-nationally.

These problems were, for better or worse, solved by triangulation, and in so doing the researchers were able to gather a large amount and broad variety of data. A systematic analysis of the data and, later, the case study reports, followed by in-depth discussions within the research group, with city representatives and external experts, eventually resulted in this final report.



# Mapping ethnic entrepreneurship

Whether it is the result of demographic change, technological innovation, market change, or changes in the institutional framework, a growing number of immigrant ethnic minorities have responded to opportunities and have started new businesses or created new openings with their ventures. The main objective of this chapter is to provide an overview of ethnic entrepreneurship in the 28 cities that took part in the module. It includes a look at the definitions and various factors that can explain the type of terminology used by the cities to describe ethnic entrepreneurs. Based on the information gathered during the field visits, there is a fairly comprehensive list of the sectors in which ethnic entrepreneurs find themselves. Finally, in order to offer meaningful measures that support the growth of this group, it is vital for local authorities to know what barriers ethnic entrepreneurs encounter that prevent them or make it more difficult from becoming successful entrepreneurs. These barriers may lie within the structures, rules or regulation but also may also be directly related to the potential entrepreneurs (business acumen, skills, etc.).

However, before going into a detailed description of the situation in the cities that took part in the research, it is important to look at the situation at the national level and examine whether any commonalities can be identified.

## Situation at national level

Although, as has been stated in previous chapters, the validity of data is contestable, the data in Table 2 (from the recent OECD paper 'Migrant entrepreneurship in OECD countries and its contribution to employment') may help to explain certain trends at the local level and contribute to a better understanding of this underdeveloped area of research on ethnic entrepreneurship.

**Table 2: Evolution of share of self-employment in total non-agricultural employment by place of birth in OECD countries, 1998-2008**

	Foreign-born (%)				Native-born (%)			
	1998–2000	2001–2003	2004–2006	2007–2008	1998–2000	2001–2003	2004–2006	2007–2008
Austria	6.1	6.8	8.0	8.1	7.6	8.1	9.0	9.0
Belgium	16.1	15.4	14.8	14.7	13.5	12.4	11.9	12.0
Switzerland		9.9	9.5	8.8		11.5	12.5	12.4
Czech Republic		22.5	24.5	20.3		15.8	15.4	15.1
Germany	8.0	7.9	9.6	9.3	9.1	9.3	10.3	10.0
Denmark	9.8	8.7	8.4	10.0	6.9	6.6	6.7	7.0
Spain	19.9	14.2	10.3	11.9	16.7	15.6	15.7	16.1
France	10.4	10.0	10.9	10.6	8.3	7.6	7.8	8.0
Greece	11.8	9.8	11.0	10.2	28.1	26.9	26.7	26.5
Hungary	15.5	17.3	16.1	15.2	13.0	11.8	12.0	10.8
Ireland	16.8	14.4	11.0	8.7	12.4	12.3	12.6	13.6
Italy	17.7	15.9	17.9	17.0	23.3	22.6	24.2	23.4
Luxembourg	6.5	6.0	6.7	6.0	7.6	5.9	6.3	5.0
Netherlands	7.6	7.7	9.8	10.7	8.4	9.0	9.6	10.7
Norway	7.4	5.9	7.6	7.4	4.7	4.8	5.5	5.8
Poland			24.8	29.4			11.3	11.2
Portugal	14.9	14.3	12.7	12.6	17.4	17.7	16.1	15.3
Sweden	12.1	10.7	10.5	10.0	8.6	8.1	8.5	8.5
Slovakia		7.6	19.9	23.6		9.6	12.2	13.0
United Kingdom	15.5	14.2	14.1	14.2	10.8	11.0	11.6	12.1
United States	9.4	8.6	9.3	10.0	8.9	8.8	9.5	9.2
OECD average	12.5	11.4	13.0	12.8	12.4	11.8	12.3	12.1

Source: Eurostat Labour Force Survey (LFS) Survey, 1998-2008. US CPS March Supplement, 1998-2008 (Mestres, 2010)

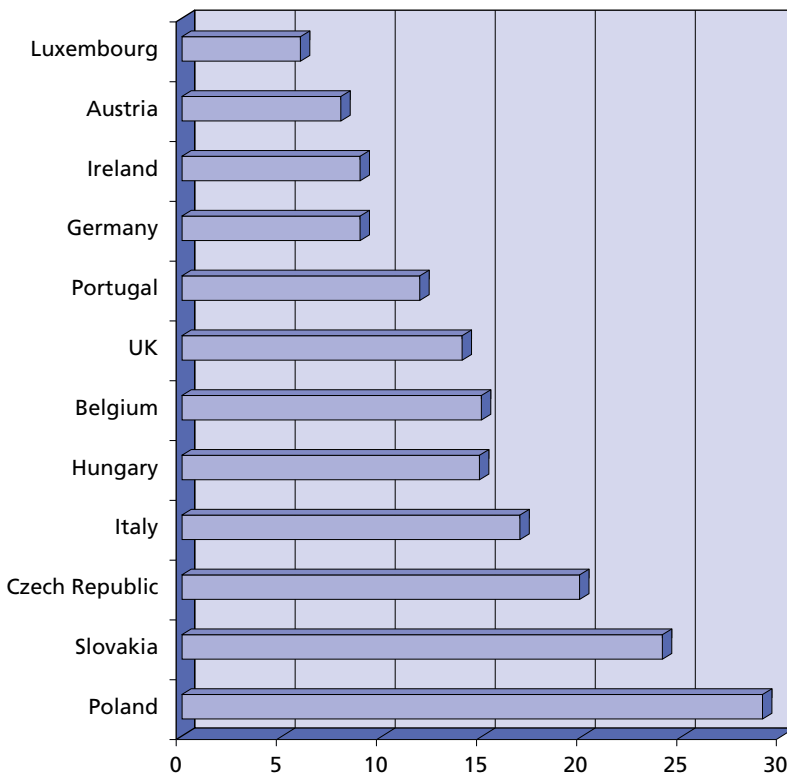
Note: These data apply to first-generation immigrants only.

The figures demonstrate that across the OECD immigrants have on average just a slightly higher propensity than natives to become entrepreneurs: 12.8% of immigrants of working age compared to 12.1% of natives were involved in non-agricultural entrepreneurship activities in the period 2007–2008. This information demonstrates that, contrary to the general belief, there are no

significant differences in entrepreneurial spirit between natives and foreign-born. However, there are significant variations between the countries, as well as interesting trends over the timeframe 1998–2008.

As Figure 1 illustrates, countries with the highest share of self-employed foreign-born in non-agricultural employment are located in central and eastern Europe, with Poland, Slovakia and the Czech Republic leading and Italy close behind. There is also a group of countries comprising the UK, Belgium, Hungary and Portugal that has a medium number of foreign-born self-employed. The countries that have a low number of foreign-born self-employed are Austria, Germany, Ireland and Luxembourg.

**Figure 1: Share of self-employed foreign-born in non-agricultural employment as a percentage of the total foreign-born in 2007-2008**



Source: Eurostat Labour Force Survey (LFS), 1998–2008. US CPS March Supplement, 1998–2008 (Mestres, 2010)

Looking at the share of self-employment in total employment levels amongst natives compared to foreign-born for 2007–2008 (detailed in Table 1), out of the 18 European countries surveyed, in five countries the native share is higher than the foreign-born. The difference is highest in Greece, with a difference of more than 16%, followed by Italy, Ireland, Spain and Portugal. In 11 countries the foreign-born share of self-employment is somewhat higher than that of natives. Countries with the highest difference belong again to the cluster of new Member States, with Poland at the top with a difference of 18%, followed by Slovakia (11%), the Czech Republic (5%) and Hungary (4%). Another group of countries, where the proportion of self-employment is slightly higher among foreign-born than natives, is France, Spain, Denmark, the UK and Belgium.

When the share and the evolution of the self-employment of foreign-born in non-agricultural sectors over a decade (1998–2008) are examined, there is almost no straightforward trend that can be observed in either the foreign-born or the native-born population. However, looking closer at the foreign-born population, in a number of countries there has been a small decrease, notably in Belgium, Greece, Portugal, Sweden and the UK. There are a small number of countries that recorded a slight increase in immigrant entrepreneurship. In Austria the increase has been about 2%, in the Netherlands more than 3%, and a rather modest increase in Germany of over 1%. There has been a significant decrease in immigrant entrepreneurship in Ireland and Spain. This is an interesting development since in the same decade the labour migration inflow into these countries has increased significantly, but it seems that most immigrants entered salaried employment.

The two countries that have had a significant increase in immigrant entrepreneurship are Poland and Slovakia. The data for Poland is only available for the period 2004–2008. In this period Poland's immigrant entrepreneurship increased from 25 to 29%, while in Slovakia it increased from 8% in 2001 to over 23% in 2008. The overrepresentation of immigrants in self-employment in the new Member States might be partly due to relatively flexible visa regulation for immigrant entrepreneurs compared to requirements in the old Member States.

Inevitably the enterprise culture of a given country must play an important role in whether an individual takes the self-employment route. Some argue that the disadvantage hypothesis plays a role, where the self-employment route is preferred because of exclusion from salaried employment. This may



be true especially for foreign-born entrepreneurs. On the other hand, the more open and friendly the enterprise culture the host country adopts, the easier it is to start a business, which may translate into the number of self-employed people. One can also argue that immigrants simply by immigrating to another country (especially if the immigration is driven by economic factors) may possess certain entrepreneurial features that predispose them to become entrepreneurs more often than the native population.

### Situation at local level

The cities vary enormously in their location, size, migration history, social and – importantly for this report – economic context. The cities range from capital cities such as Dublin, Copenhagen, Prague, Budapest and Vienna to cities that although not capitals play a substantial role such as Frankfurt, Amsterdam, Malmö and Stuttgart to medium-sized cities that are increasingly faced, to a varying degrees, with the challenge of migration and integration, such as Terrassa, Turku and Wrocław.

In some cities the local population has a large share of inhabitants that are either foreign-born inhabitants or have a migration background, such as Malmö, Frankfurt and Amsterdam. Others may have a fairly small but growing numbers of immigrants and as their population becomes more diverse, local policymakers must start thinking about addressing this recent phenomenon.

Similarly cities also differ in their main industries or economic activities. Some cities such as Turin or Malmö are or until recently were industrial centres, whereas others such as Frankfurt are known for their financial services. Others have moved towards a more service-oriented economy. The latter characteristic has a particular importance to ethnic entrepreneurs and the type of sectors they are active in.

Finally cities vary in relation to their migration history, with cities that have a well-established, mature population with a migration background and cities that have a recent migration history such as Dublin, Prague and Budapest. This factor may also impact on the type of ethnic entrepreneurs in cities, as well as the type of policies that cities have in place to support them.

The definitions that apply to ethnic entrepreneurs in CLIP cities are often anchored within a broader national framework and relate to the national-

level integration policy or indeed the central government's approach to ethnicity, immigration and the integration of immigrants. It may be the case that sometimes the term 'ethnic' has in itself a rather negative connotation, and therefore alternative terms are coined to refer to the phenomenon. The issue of statistics and data collection is crucial, as in some cases it is forbidden (because of national legislation) for cities to collect data on ethnicity. In these cases it may be that either no information on immigrants' (ethnic) origin is gathered or that only statistics referring to nationality or place of birth are recorded. In some cities it may even be that a different term is preferred to refer to ethnic minorities, and this is carried over to references to ethnic entrepreneurs. Finally in some cities the concepts of ethnic minorities and ethnic entrepreneurship are not sufficiently institutionalised (due, for instance, to a recent migration history) for them to have a settled term or definition.

In Zagreb the term 'ethnic entrepreneur' is not in use due to Croatia's recent historical and sociopolitical developments. Officially ethnicity is not supposed to matter and 'ethnic' remains a sensitive term. Instead substitutes have been proposed to refer to specific ethnic groups that specialise in particular lines of business. These include 'newly settled migrant communities' (*novouseljene migrantske zajednice*), 'minority professions' (*manjinska zanimanja*), 'the small business' (*aktivnost na malo*) and 'the small sale' (*trgovina na malo*). The last of these mainly refers to pastry shops, bakeries, goldsmiths and craftworks, all of them lines of business predominantly run by Albanians.

Another city that does not favour the term 'ethnic' is Strasbourg. There, ethnic entrepreneurs are referred to as either 'foreign entrepreneurs' or 'immigrant entrepreneurs'. This is clearly related to the prevailing republican citizenship regime that does not recognise immigrant groups as ethnic groups. In German-speaking cities the term that is used most often is 'entrepreneur with a migration background'. Local policymakers and other experts did not feel very comfortable with the term 'ethnic entrepreneurs', with experts in Vienna going as far as branding it as a fictional construct. In Frankfurt experts argued that the focus should not be on ethnicity, as 'the businesses [were] founded and located in Germany and, thus, German, and many of the entrepreneurs are German citizens identifying with the country'. In Vienna the term 'entrepreneur with a migration background' covered 'self-employed persons who themselves migrated to Austria or of whom at least one parent has immigrated', while

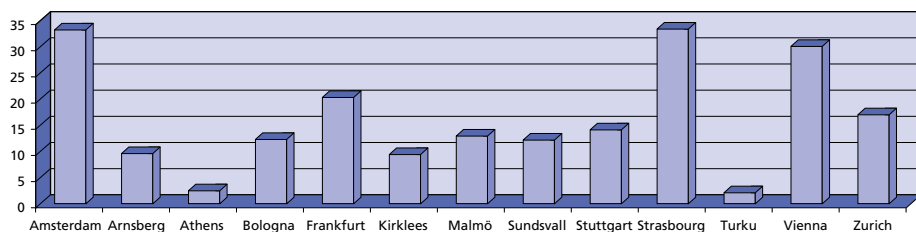
Frankfurt defined it as ‘foreigners (having a citizenship other than German), inhabitants with dual citizenship, naturalised Germans and ethnic German *Spätaussiedler*’. As these definitions include ethnic Germans or Austrians who remigrated, the term ‘ethnic entrepreneur’ would not be an accurate description. In the Spanish city of Terrassa, a more or less similar situation exists: the term used is ‘entrepreneurs with a foreign passport’.

The specific situation of Kirklees and Wolverhampton in the UK can be explained by the way in which national data is collected, where ethnic minorities are described as Black and Minority Ethnic (BME) groups. A person is a member of these groups if the person does not choose the White British classification on official forms. The terms Black, Asian and Minority Ethnic (BAME) groups and Minority Ethnic Group (MEG) are also used in Kirklees to describe ethnic minorities. As these terms are in such common use already in the description of ethnic minorities, they have been transferred to the concept of ethnic entrepreneurship, leading to the terms BME entrepreneur, BAME entrepreneur and MEG entrepreneur.

In Wrocław, ethnic entrepreneurship is at an early stage of development, so businesses are not very visible. In the few documents on SMEs which refer to ‘ethnic entrepreneurs’ the term ‘foreign physical or juridical person’ is used. (Please see Annex 1, Tables A2 and A3 for more information.)

Developing or implementing a comprehensive set of policies that support ethnic entrepreneurship, regardless of how one might define it, requires that local authorities have basic data on ethnic entrepreneurship. The CLIP case studies show that only 13 out of 28 cities have such information readily available (see Figure 2).

**Figure 2: Share of ethnic business among total business in CLIP cities (%)**



Source: CLIP case studies

These data should be treated with care as definitions of ethnic entrepreneurship, the availability of data, and the validity of these data vary. As far as conclusions can be drawn, it suggests that in cities such as Strasbourg, Amsterdam and Vienna, ethnic entrepreneurs represent a large part of all local businesses. This could have implications. Turku and Athens have a negligible proportion of ethnic businesses. Most CLIP cities are in the middle ground with between 9 and 20%.

The share of self-employment among immigrants in all CLIP cities – for as far as we have data – is below 10%. Highest shares can be found in Athens, Vienna and Bologna. A somewhat lower share of below 5% is reported in Malmö.

Looking at the number of business start-ups – for as far as reliable data is available – one gets a slightly different picture. Business start-ups are an indication of entrepreneurial dynamics. Frankfurt reports that more than 50% of all recent start-ups are ethnic entrepreneurs (in a country in which the average share of ethnic entrepreneurs is approximately 15%). Malmö, too, shows a relatively high figure, with 25%. Lower percentages are reported from Copenhagen and Turku. Not surprisingly precise information was only available for a small minority of cities.

**Table 3: Share of ethnic entrepreneurs in total business start-ups in CLIP cities**

City	%
Copenhagen	13
Turku	15
Malmö	25
Stuttgart	37*
Frankfurt	52

\* Data refers to regional level

The case studies highlighted a variety of barriers that could pose problems specifically for ethnic entrepreneurs. It is important to emphasise firstly that some of these barriers are not applicable or so important to the entire ethnic community. Secondly, many of the barriers are common to all potential or existing entrepreneurs regardless of their background.

These barriers are related to the availability of information about entrepreneurial opportunities and the relevant rules and regulations; to the availability of business locations; to the availability of financial capital; to having access to a pool of customers; to their embeddedness in local, national and transnational networks; to staff management; and to the availability of skills and competencies. Chapter 7 will discuss these issues in greater detail.



# Inventory of European and national policies

While the European Commission, notably DG Enterprise, promotes ethnic entrepreneurship, the actual design and implementation of policies has been left to the Member States. DG Enterprise does facilitate the exchange of information among bureaucrats and practitioners on these issues by organising a series of meetings and conferences and by showcasing good practices. Next to that, there are several support programmes sponsored by international and European institutions, such as the Organisation for Economic Co-operation and Development (OECD), the European Social Fund, and Business Europe (the confederation of European business associations, formerly UNICE), that directly or indirectly target ethnic entrepreneurs. These policies and programmes tend to prioritise general measures over group-specific measures. The main line of reasoning seems to be that making the business environment more conducive to entrepreneurs is helpful for all fledgling entrepreneurs, and so also for ethnic entrepreneurs.

At lower scalar levels a wide array of measures has been taken. A recent study carried out under the aegis of Europe's DG Enterprise provided an inventory of group-specific policy measures or support schemes in no less than 32 European countries (Van Niekerk, Rath et al., 2008).<sup>16</sup> The study showed a marked distributional pattern, revealing wide national and local variations. In total 146 policy measures were identified. Most measures or schemes were to be found in the north-western European countries, to a lesser degree in southern Europe, and least in the central and eastern European countries.

Among the reasons that may account for these cross-national differences are, first of all, the particular immigration history of the countries involved. Most north-western European countries have experienced massive immigration in the period immediately after World War II and have developed legal frameworks or welfare arrangements earlier than elsewhere in Europe. Southern European countries were countries of emigration in the early post-war period, and many of these emigrants moved as guest workers to north-western Europe. These countries have only recently experienced large-scale immigration themselves. In addition, they do not tend to have the same welfare systems or social policies as

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<sup>16</sup> See [http://ec.europa.eu/enterprise/entrepreneurship/support\\_measures/migrant/index.htm](http://ec.europa.eu/enterprise/entrepreneurship/support_measures/migrant/index.htm), accessed 19 October 2010.

some of the north-western European countries. This holds even more for most of the central and eastern European countries, which have only very recently become the destination of immigrants. In addition, the size of the immigrant population influences the existence or absence of special policies promoting immigrant entrepreneurship. Few or no measures were found in countries with relatively small immigrant populations, such as Malta, Norway, Iceland and Liechtenstein. These countries tend not to develop specific policies for immigrants in general, let alone immigrant entrepreneurs. In other instances, countries may be more concerned with national or historical minorities than with more recent immigrants. This is the case in some eastern and central European countries, where many recent immigrants are refugees (from countries such as Iraq, Iran or Afghanistan). A special case is the Russians in the Baltic States. Although not immigrants in the strict sense (they only became immigrants after the collapse of the Soviet Union), integration policies do focus on the Russians and their native-born offspring.

A second condition that contributes to explaining cross-national variation in ethnic entrepreneurship strategies relates to national policies on immigrant integration and, as a result, the different conceptions of who is a national and who is seen as a foreigner or immigrant. Countries such as France, where assimilationist policies prevail, generally do not develop specific ethnic policies and define the native-born offspring of immigrants as nationals. Likewise, some southern European countries do not distinguish between nationals and immigrants in their legal frameworks, for example, Greece and Slovenia. Obviously, this influences the existence of special policy measures and, hence, the smaller number of policy measures and support schemes found in these countries by this study.

A third condition pertains to the make-up of the welfare state and the concomitant employment and entrepreneurial trajectories in general and the economic citizenship regimes in particular. Whether or not self-employment is a 'natural' way to enjoy economic citizenship rights and whether or not the state is to play a leading role is contingent on the type of welfare regime – liberal, corporatist, sociodemocratic, familial and so on.

Most policy measures were initiated at the national, regional or local level, with the majority of local initiatives occurring in the United Kingdom, Germany, the Netherlands and Belgium. The level of policy initiation did not necessarily



correspond to the funding level: most policy measures were financed by European funding, national funding or both, and most local policy initiatives were (co-)financed by higher-level sources of funding. European funding appears to be a major source of funding. If we include the cases in which European funding is combined with other sources of funding, more than half of the measures are financed by European funds, either exclusively or in combination with other funds (52%). Several policy measures have been (co-)financed by the EQUAL Programme of the European Social Fund. National public sources of funding (i.e. the central government) cover about one-third of the cases (34%).<sup>17</sup> Local funding as the sole source of funding is important in only five cases, but is quite often combined with (supra-)national funds. The same applies to private funding. One may conclude that most local policy initiatives are financed or co-financed by higher-level sources of funding.

As to the target population, a distinction can be made between immigrant ethnic minorities and natives, and between start-ups and existing enterprises. All 146 policy measures identified focused at least partly on immigrants. More than half of the policy measures or support schemes focused exclusively on immigrants (52%), while 43% targeted both native and ethnic entrepreneurs. The remaining 5% – all of them in central and eastern Europe – targeted Roma. The measures that focus on a mixed target group often form part of a generic policy aimed at assisting vulnerable or socially disadvantaged groups, like the unemployed or women. Since immigrants tend to be overrepresented among these groups, they may be reached by these generic policy measures. Among the measures directed at immigrants only, some targeted specific ethnic or nationality groups, or ‘newcomers’ or refugees. The measures focusing on the Roma in some central and eastern European countries, such as Bulgaria, Hungary, Poland and Romania, are cases in point.

As to the type of business phase targeted, most policy measures or support schemes did not focus on a specific subgroup. Rather, they focus on entrepreneurs in various stages of the business development – start-ups and existing enterprises alike. Nonetheless, nearly half of the measures or programmes involved focused entirely on start-ups. Only a very small number of measures (5%) targeted existing businesses only.

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<sup>17</sup> This does not include the policy measures which are co-financed with European Union funds, as these fall under the category ‘European and other’.

In sum, the large majority of policy measures identified contributed to the capacity of service delivery to immigrants. These services aimed at empowering ethnic entrepreneurs by strengthening their human, social or financial resources. The main focus was on enhancing human capital of (aspiring) entrepreneurs (providing information, educational services, training, counselling). Services that foster social networking explicitly were small in number, but many promoted networking implicitly. Fewer measures focused on providing financial services, but in fact, many programmes facilitated access to finance by strengthening the entrepreneurs' skills and knowledge. Occasionally, measures provided material assistance, for example incubator services. These types of service delivery focused on the *agency* of the entrepreneur as opposed to the *structural* societal conditions of entrepreneurship. Only a few measures identified focused on structurally enhancing the opportunities for ethnic entrepreneurs. These included, for example, the empowering of certain depressed city districts or the structural embedding of immigrant ethnic minorities and their organisations in mainstream organisations.

Roughly half of the measures or support schemes focused exclusively on immigrants; the rest focused on a general public (including immigrants). Both seemed to have their pros and cons. The most difficult to reach groups or vulnerable groups seemed to be best served by specific measures that advocate a personal or tailor-made approach (services in immigrant languages, intercultural mediators, outreach officers). Participation in homogenous groups of co-ethnics or other immigrants seemed to increase the effectiveness of services as well. On the other hand, participation in generic/general programmes introduced them to mainstream networks and, hence, fostered contacts in the business scene. This could contribute to successfully developing immigrant businesses, since it facilitated access to mainstream business institutions.

# Strategies, aims and objectives

# 6

In this chapter, we examine in greater detail how the 28 cities in our study have promoted and supported the development of ethnic entrepreneurship. It is important to note that this chapter is based on the views and experiences of a number of experts in these cities, and not on a systematic survey among (aspiring) ethnic entrepreneurs. The views of these experts are – most likely – informed by the particular framing of the topic of ethnic entrepreneurship and the particular set of policy options that seems to be at their disposal in their situation. Furthermore, it should be noted that researchers were not always able to carefully check whether statements about the success or lack of it of particular policies were objectively accurate. This project does not provide for a systemic evaluation of individual measures, but explores the experiences and viewpoints of persons involved in policymaking.

Before discussing the details of these policies, a number of more general observations should be made.

A first and important finding is that promoting ethnic entrepreneurship, i.e., the development and implementation of active support measures at the local level, is not self-evident. In most cities studied, ethnic entrepreneurship has up to now not played a major role in the overall strategy supporting the integration of immigrants. Various reasons account for this.

- Firstly, in a number of cases, immigrants have not really entered the entrepreneurial market, so there seems little need for specific policies. This is a chicken-and-egg kind of argument. One could easily argue that the rate of ethnic self-employment is low because sufficient support via local public policies is lacking.
- Secondly, in some cities integration policy rarely has an economic or socioeconomic orientation. It is mostly about language acquisition, social cohesion, personal security, norms and values, and only marginally about finding a job, embarking on a career or setting up a business. In the Spanish cities, for example, the term *convivencia* (living together) is used to stress the assumption that integration revolves around familiarity with the language, sharing similar values, and having a common idea about society and the use of public space and public identity.

- Thirdly, if economic integration plays an important role in the integration and economic policies of cities, labour market participation, not the support for increased ethnic entrepreneurship, has been given a more central role in a large majority of cities.
- Fourthly, in a number of cases local authorities are not convinced that ethnic minorities are suffering from any form of disadvantage that would justify special measures. It is not always clear on what grounds these assumptions are based. In a few cases, though, it is acknowledged that ethnic entrepreneurs are facing specific problems, but this has not always been translated into policy actions.
- Fifthly, and for as far as ethnic entrepreneurship is on the agenda, the assumption sometimes prevails that group-specific measures are ‘not done’. Measures should be ‘colour-blind’, should not give ‘preferential treatment’ to one group over another, and should not discriminate against other groups. The prevalence of a ‘republican citizenship model’ – for instance, in Strasbourg – or perhaps anti-immigrant sentiments seems to thwart the development of group-specific policies. In Tallinn, too, there is a non-discriminative approach towards entrepreneurship, but it is interesting that the Deputy Mayor of Tallinn, Mrs. Kaia Jäppinen, recently stressed that ‘there is a need to create a separate programme targeting the non-Estonian society, because there is a difference – non-Estonians are disadvantaged on the market’. This demonstrates that these approaches are (contested) political choices, and the prevailing mood may change over time.
- Finally, a fairly strict neo-liberal logic sometimes prevails. This revolves around the policy assumption that entrepreneurs operate in the private sector only, outside the reach of the government, and that this is the way it should be.

In Amsterdam and Dublin, ethnic entrepreneurship has gained some strategic importance as a part of a bigger economic and integration agenda.

In Amsterdam, the general objectives of economic policy are internationally directed and – at best – indirectly helpful for ethnic entrepreneurs. A quango called Amsterdam Topstad, sponsored by the city, promotes high-profile cultural industries, and targets, amongst others, high-skilled entrepreneurs by encouraging their participation in relevant social networks and by giving better access to bank credits and venture capital. Amsterdam Topstad is especially interested in supporting entrepreneurs who are proficient in multiple languages, have business relations in various countries, possess the skills and competencies to deal with different cultures, and have the ability to develop new lines of products.

In Dublin, the *City Development Plan 2005–2011* represents a statement of intent on the part of those empowered to decide the future direction and development of Dublin City. The plan aims to embrace the emergence of ‘cultural clusters’ and ‘character areas’ oriented towards promoting diversity. As ethnic entrepreneurship is integral to the cultural diversity of Dublin, the recognition of how diverse cultural influences can inject vibrancy and a cosmopolitan feel into Dublin and renew parts of the city blighted by urban decay bodes well for ethnic economic zones in Dublin and for ethnic entrepreneurs more generally. Put simply, a place is envisioned for immigrants in the future development of Dublin City.

The situation in Frankfurt and Wolverhampton seems to be the opposite: in the overall immigrant integration policy, little importance is given to ethnic entrepreneurship.

According to the website of the city of Frankfurt, the official goals of integration policy are: i) promoting equal participation of migrants in the societal and social life, ii) promoting peaceful intergroup relationships and social cohesion of the heterogeneous population groups, and iii) supporting the native population in handling changes and new challenges. In order to reach these goals, the city’s Office for Multicultural Affairs (AmkA) primarily focuses on projects improving language competence and education as well as on projects fostering the social integration of migrants, particularly children, youth and women. Projects enhancing (ethnic) entrepreneurship are not part of the office’s activities.

Wolverhampton is another example: Wolverhampton's economic development strategy neither focuses on nor includes the topic of ethnic entrepreneurship. There are no projects specifically aimed at BME groups. According to the interviewed expert from the city council, BME-specific policies are missing because the city does not want to discriminate against its inhabitants. Since Wolverhampton is a very diverse city and home to many different ethnic groups, the council 'could get flagged' when offering specific projects for single BME groups. That would be deemed unfair or even discriminative by the majority population as well as by BME communities, which mostly want to be treated like any other business and be dealt with in mainstream services, as stated by several other interviewed experts. In the past, there used to be specific services for minority ethnic groups, but the city now addresses ethnic enterprises simply as businesses, without focusing on the ethnic aspect. Thus, as the interviewed expert from the city council stated, ethnic entrepreneurship does not play a role in the city's strategy; it is regarded as entrepreneurship, since 'it is the nature of the business that is important'.

Most cities pursue a mix of generic and specific policies, although the nature of this mix and the motivation therefore may vary. In the two UK cities (Kirklees and Wolverhampton) and in the Spanish city of Terrassa policymakers are keen to avoid reverse discrimination, not wishing to implement measures that would favour or single out any ethnic group over another. In Terrassa such a stance has been adopted at the city level, whereas the situation in Kirklees and Wolverhampton has been largely influenced by the national discourse, with some local authorities going even as far as stating that any specific actions could have negative consequences. Istanbul, Tallinn and Zürich have opted for generic policies without offering a particular explanation or a justification for such an approach. Zürich is, however, thinking about some specific measures that would target ethnic entrepreneurs.

# Measures to improve the personal capability of ethnic entrepreneurs

As discussed in Chapter 4, measures to improve conditions for entrepreneurship may focus either on structure (the regulatory and institutional environment) or agency (the entrepreneurs themselves). The bulk of the measures found in CLIP cities focus on the latter of these categories. This chapter will treat various ‘agency’ measures that aim to improve the personal capabilities of ethnic entrepreneurs.

The starting point of individual support measures of cities is the provision of effective, accessible, customer-friendly and cost-efficient advice and information services for potential or active ethnic entrepreneurs. In addition many local authorities provide support for many practical issues around the entrepreneurial process, such as the provision of business locations, support to access finance, advice to find the right position on the market, help to build local and international business connections as well as support in the day-to-day management of personnel. Finally the chapter discusses concrete measures to improve the managerial skills of ethnic entrepreneurs to establish and run a sustainable and profitable business.

## Offering access to advice and information services

A significant obstacle for any new entrepreneur is their lack of familiarity with regulations and procedures upon start-up of their business. Ethnic entrepreneurs are, however, particularly disadvantaged in this regard due to lower education levels and language barriers. As these problems may be overcome through the diffusion of information, almost all CLIP cities provide some kind of advice and information services on entrepreneurship, and most have at least some services which directly or indirectly target ethnic entrepreneurs.

The providers of business advice and information differ across the CLIP network. While city administration departments, such as the Economic and Labour Department of Terrassa and the Economic Development Department of Stuttgart, are often heavily involved, other actors often play a prominent role in this regard.

The chambers of commerce and industry in Frankfurt, Stuttgart and Strasbourg all provide advisory and information services to potential entrepreneurs, with the first two of these providing immigrant-oriented services. Business agencies are also important providers of information, with ethnic business centres playing a particular role in catering to co-ethnics. The Indian and Arab Business Centres in Stuttgart stand out especially in this area, both providing advice to business owners and helping them with entry into the German market. The Arab Business Centre offers entrepreneurs assistance in understanding local and national rules and regulations, provides contacts with other businesses, and helps with marketing strategies. The Indian Business Centre also helps with legal issues and registration, makes office space available for businesses, and even extends its help to everyday matters such as the provision of translation services and help in finding schools for migrants' children.

Other providers of advice include workers' unions, such as the one in Breda, which has a special department advising entrepreneurs without staff, offering lower rates for insurance and administrative services, legal advice and support, and lobbies for people who work independently.

Next to that, private organisations, such as consulting agencies, offer immigrants advice and information. These may cater to all entrepreneurs or specifically to immigrants, such as the private consultancies that operate in Budapest and Prague.

The majority of advice and information measures are targeted towards business start-ups, such as those of the Copenhagen Business Centre, which provides free advice to entrepreneurs for the first six months of the business. This advice focuses on taxes, business planning and finance, and consultants focus specifically on creative and ethnic entrepreneurs, with four advisers working specifically with immigrant entrepreneurs. Also of interest in this area is the Sundsvall IFS Radgivningscentrum (part of the state-owned company ALMI), which provides advice and a business plan to immigrant businesses. This advice is delivered in several languages, and the service is free of charge. A follow-up service is also available, which visits each business at least once a year after the start-up phase. The Black Country Enterprise in Wolverhampton provides advice, support, information and training to entrepreneurs up to one year after a business's creation.



Finally, there are initiatives that continue to provide advice and information to a business throughout its life cycle, such as the entrepreneurs' centres in Amsterdam, which employ business advisers catering specifically to ethnic entrepreneurs. The African–Caribbean and Black Country Asian Business Associations in Wolverhampton also continue to provide advice and information to businesses in any phase of development.

Advisory and information services focus on many topics necessary for the successful starting up and running of a business. Services which focus on business start-up or planning include those of the Copenhagen Business Centre, the Union of Industry and Entrepreneurs in France, which works predominantly with Turkish immigrants, and the Strasbourg Chamber of Commerce and Industry. The Turin Department of Trade Affairs plays host to the Business Front Office, which focuses especially on support in dealing with bureaucracy and legal and economic issues connected to business start-ups. A similar type of advice is offered in Turku by the Regional Business Service Centre Potkuri, which advises on innovation and patent registration, company registration and tax matters, as well as helping entrepreneurs to access international markets.

In Sundsvall entrepreneurs may also learn about tax regulations from the Swedish Tax Agency, which conducts regular meetings and also offers personal advice. Access to finance and support for finding staff are among the services offered by the Vienna Employment Promotion Fund through the initiative Unternehmen Interkult. The Malmö Trade and Industry Agency and the Arab and Indian Business Centres of Stuttgart also offer useful advice and information to entrepreneurs thinking of moving an existing business to the area.

Information may be distributed in many ways to potential and current entrepreneurs. A common approach is information events, such as those held by the Frankfurt Chamber of Crafts for Turkish hairdressers, the events of the Frankfurt Jobcentre on entrepreneurship and possible support for the unemployed, events held by the Stuttgart Chamber of Crafts on how to become self-employed in handicrafts for Italians, the Kirklees Business Partnership information events on regulatory changes, and the SME summit meetings of Vienna's Young Trade Association on topics such as financial funding and business creativity.

Helpdesks and information points exist at many business centres and in city administrations, such as the business information point in the Economic

Development Office of the Municipality of Wrocław, which provides information to all potential entrepreneurs on establishing a company, searching for business partners, and developing a company. Other services include telephone services, e.g., the Swedish and English language service in Sundsvall about starting or running a business, the Chinese language website of Economic Affairs in Amsterdam, and the city of Breda's website for entrepreneurs and email newsletters. Other examples are the Progetto Apinet set up by the province of Turin's Small and Medium Business Association and its chamber of commerce, which enables entrepreneurs to receive useful information for their business, making it possible for them to monitor competitors, suppliers, customers and opportunities within their sector.

A further popular medium of information distribution comes in the form of information sheets and guides, which may be quite general, such as the Entrepreneurship Office of Bologna's four-language guide for would-be immigrant entrepreneurs, or specific, such as the Economic Chamber of Vienna's information sheets in migrant languages, for example, a Turkish language information sheet for grocers.

The Vienna Economic Chamber provides special information sheets in different migrant languages and for different business areas about many aspects of everyday business operations. An illustrative example is the Turkish Info Sheet for Grocers (*Türkisches Infoblatt für Lebensmitteleinzelhändler*), which is also available in a number of other immigrant languages. This folder supplies information about all relevant aspects of conducting a grocer's business: from the acquisition of a trade licence and formal business registration to the legal opening hours, hygiene regulations (cleaning and disinfection plan, staff training, pest control, service of cooling appliances, cooling temperature ranges) and details about contracts of employment, registration at the regional medical insurance company, and the legal regulations about the employment of foreign citizens.

Advice and information services that may be of benefit to ethnic entrepreneurs are not always exclusively focussed on them, and many measures which benefit ethnic entrepreneurs are generic in nature. Some measures are not targeted specifically at ethnic minorities but still allow them to be the principal beneficiaries. This is particularly the case when measures focus on disadvantaged

neighbourhoods, such as the NACRE programme in Strasbourg which supports underprivileged people who wish to open a business in a Sensitive Urban Area.

In Wolverhampton, as in other UK cities, policies with a focus on ethnic minorities are absent because ‘the city does not wish to discriminate against its inhabitants’ (Wolverhampton report, p. 24). However, the regional government sets a quota for ethnic minority entrepreneurs for advisory services. Similarly the business brokers employed by the council in Kirklees have a remit to focus on all groups who are less likely to engage with official advice services, which benefits entrepreneurs with an ethnic background.

Finally, measures may be aimed exclusively at ethnic entrepreneurs, such as employing consultants in entrepreneurs’ centres with different cultural backgrounds or who speak minority languages, as is the case in Amsterdam, Frankfurt and Copenhagen. Advisers at the chambers of commerce in Frankfurt and Stuttgart focus especially on ethnic entrepreneurs. The Frankfurt chamber of commerce employs an adviser who proactively contacts ethnic entrepreneurs, encourages them to create training positions, and helps out with formalities, while the Stuttgart chamber employs a Turkish-speaking contact to improve access for Turkish clients. In Terrassa the Economic and Labour Department hosts group advice sessions on business plans, and the advisers spend additional time with ethnic entrepreneurs at the end of the sessions, as they sometimes require extra help in understanding how the system works.

### Finding a business location

A practical challenge for many ethnic entrepreneurs is finding a shop, office space or manufacturing space. When looking for such a space, they have to take account of their customer base, the costs, and local rules and regulations. Several CLIP cities help entrepreneurs to find a business location, either through help in finding premises such as office spaces, locations for trade, storage space or plant areas, or through the provision of premises within business incubators.

Only one of the cities with measures in place to aid entrepreneurs in the location of business premises aims specifically at ethnic entrepreneurs, namely Wolverhampton. The Wolverhampton India Project helps Indian investors thinking of locating to Wolverhampton to find business premises. Within the measures that aim at all entrepreneurs, some cities provide

information on business locations, such as the Service Centre for Shops of the Vienna Economic Chamber. Others proactively help entrepreneurs with finding premises, such as Kirklees Council, Stuttgart's Economic Development Department and the Kundencenter Wirtschaft of Arnsberg. The Development Agency Zagreb supports entrepreneurs in their search for business premises, but confines its remit to the technology industry, helping entrepreneurs to find suitable and inexpensive office spaces and plant areas.

An initiative employed by a number of CLIP cities is the provision of premises within a business incubator. This is generally a type of premises or technology park that provides assistance to businesses within the first few years of their existence, reducing costs and offering advice and mentoring. Some of these cater to particular industries, such as the Turku Science Park, which has an advice centre for creative and artistic entrepreneurship. Similarly in Tallinn there is a business incubator for the technological industry and two industry parks. The Startzentrum Zürich and the Nuoret Yrittajat Projekti (Young Entrepreneurs Project, NYP) in Helsinki are particularly aimed at young entrepreneurs, although the remit of the NYP has been widened in recent years to cater to all businesses. Both of these projects provide office space at lower rates, and in Helsinki, as the premises are the property of the municipality, the fees are exempt from value-added tax. The Business Incubator in Wrocław also provides very inexpensive office space to small enterprises as one of a range of services. There are two projects in this area that focus specifically on ethnic entrepreneurs. The first of these is the MINGO Migrant Enterprises Information Centre in Vienna, which offers space in several buildings across the city, along with business mentoring at favourable prices, and targets start-ups, one-person firms and entrepreneurs with a migration background. In addition the Indian Business Centre in Stuttgart offers many services including making office space available for businesses.

### Getting access to finance

There appears to be a general awareness that ethnic entrepreneurs find it hard – even harder than native entrepreneurs – to obtain loans or other forms of financial capital. Most cities report that ethnic entrepreneurs face serious problems with their financial management.

Various factors account for the relatively low level of bank loans to ethnic entrepreneurs, including their poor bookkeeping, poor bank records,

substandard business plans, low levels of human capital, involvement in high-risk and low-profit sectors, and inability to provide collateral. Their low take-up of loans could equally well be related to the modes of operation of financial institutions, including oversensitive risk management, bank account managers' (biased) attitudes and opinions, and lack of expertise in the sectors in which ethnic entrepreneurs operate. Among bank account managers, it seems appealing to assume that their poor provision of service to ethnic entrepreneurs is (partly) related to the entrepreneurs' traditional or culture-specific ways of doing business – distrust in banks, the wish to see or feel the money, preference for cash transactions, avoidance of long-term planning – or to the ethnic entrepreneurs' inclination to be active in the informal economy. Whatever the case, the lack of financial capital implies that many ethnic entrepreneurs are funnelled towards markets for which only small inlays of capital are needed, where growth is more difficult, and where they resort to informal credit systems.

There are a number of ways in which various actors within CLIP cities help small businesses to access finance. Initiatives exist at city level, such as the non-repayable subsidies awarded by the city of Wrocław for business start-ups; at regional level, such as the financial guarantees provided by the regional guarantee funds in Alsace; and at national level, such as the loans provided by the German reconstruction loan company. In addition private actors, such as business associations (e.g., Enterprise Helsinki and the Budapest Enterprise Agency), NGOs (e.g., Micro.Bo in Bologna) and banks (e.g., Garanti Bankası in Zeytinburnu) also have measures in place to support small businesses in various ways financially.

One way in which cities can help entrepreneurs access finance is to decrease the risk for the lending institution. This may take the form of a quality assurance, such as that of Terrassa's Municipal Institute for the Economy and Labour Market, which provides quality stamps on business plans that are written with its cooperation. Municipal or regional authorities may also provide guarantor services on loans, such as those of the Economic Department Amsterdam or the Lower Silesia Commercial Fund in Wrocław.

An alternative way in which CLIP cities support businesses financially is to lower entrepreneurs' costs. This may be through exemptions from taxes, such as the exemption from real-estate tax for entrepreneurs in the city of Wrocław. It is, however, more common for cities to lower costs for small businesses

through subsidies. The Economic Department of Amsterdam provides subsidies to entrepreneurs in opportunity areas (areas with high proportions of immigrants), to employers and to innovative companies. Entrepreneurs in Helsinki can obtain payroll support for employees' wages.

Many cities go further than subsidies and guarantor schemes by providing loans and grants for entrepreneurs. Some grants and loans may be received for very specific purposes, such as the grant of the Vienna Employment Promotion Fund to improve workers' qualifications and for other educational purposes, or the loans provided to revamp businesses by the Turin Department of Trade Affairs. Grants are also awarded in a number of cities to unemployed persons who wish to start up a business and have a promising idea, e.g., in Wrocław, Sundsvall, Frankfurt and Stuttgart. In the latter two cities and in Amsterdam, the unemployed also receive a maintenance benefit for the first nine months to a year. Start-up loans are provided in many cities including Turin and Zeytinburnu. In the latter city, the Turkish Labour Office offers start-up credit with 0% interest after the entrepreneurs have completed training courses.

A grant measure targeted specifically towards ethnic entrepreneurs is found in Terrassa. Unemployed ethnic entrepreneurs may receive half a year's worth of welfare money to set up a business in their country of origin. This is considered to be an advantage both to the city and the individual as the money will go further to set up a business in the country of origin, and the city will no longer have to fund welfare payments for that individual. The new entrepreneur does, however, have to sign papers promising to remain in their country of origin for the next three years.

A measure often mentioned in the CLIP cities is the provision of microcredit. Microfinancing appears to be the buzzword in a lot of cities, expressing the idea that this is important for entrepreneurs in general and for ethnic entrepreneurs in particular. An example is the provision of microcredit by the municipality and private banks in Turin specifically to ethnic entrepreneurs. While banks stick to their core business, processing and assessing applications for credit, the city helps to reduce their risks by opening a contingency fund. In that way, both public and private partners are involved in making financial capital available. It is reported that 34% of the accepted applications for microcredit are from ethnic entrepreneurs.

According to the Office for Economic Development of Turin, the majority of microcredit loans were granted to businesses in the Porta Palazzo and San Salvario areas, where most immigrants live. Granting of microcredit usually takes place after an in-depth assessment of the general condition of the business. A minimum of three meetings are scheduled with city officers. During these meetings the budget items for which financing is requested are thoroughly reviewed as well as any loans previously obtained. An aspiring Argentine entrepreneur, for instance, already owned a small piercing, earrings and rings shop, but wanted to enlarge his business to offering tattoos. During the start-up phase he had benefited from microcredit within the Dieci Talenti programme, as well as from a loan granted by Per Micro for a total sum of 7,000 euro. After ascertaining the timeliness of payments to the creditors as well as the truthfulness of the declared expenses (lease, registration at the chamber of commerce, etc.), microcredit was granted. The Office for Economic Development works in close collaboration with the other organisations dealing with business financing, such as the province of Turin's MIP service.

Another programme with a high level of participation among ethnic entrepreneurs, although generic in nature, is Dublin-based First-Step Microfinance programme, which offers microcredit to small and medium-sized businesses across Ireland. Ethnic entrepreneurs comprise 60% of the programme's clients.

One of the clients of First-Step Microfinance is Mustapha Aboubi from Algeria. He owns The Olive Tree, a restaurant and food store in Castlebar specialising in eastern-Mediterranean food. Aboubi: 'Six months after I opened the store I realised that I needed to expand. I approached the local authority for a grant, and they put me in touch with First-Step. Having gone through all the relevant paperwork, they gave me a loan, which I used to renovate the shop and fit it with a small kitchen to comply with the Health and Safety Authority specifications.'

In Vienna, the Raiffeisenlandesbank NÖ-Wiens has hired ethnic staff in local branches in neighbourhoods with a high percentage of immigrants. Consequently, financial advice can be offered in multiple languages. Apart from these initiatives, there are no special programmes for ethnic entrepreneurs. The Raiffeisenlandesbank offers up to 150,000 euro to small and medium-sized businesses, including those set up by immigrants.

Microcredit is also available in some cities to people who are disadvantaged in the labour market in general.

In Amsterdam, HandsOn Microkrediet targets low-income start-ups and offers a maximum loan of 5,000 euro plus a coach with entrepreneurial experience. Startfoundation offers credits with a maximum of 25,000 euro for vulnerable groups such as ex-psychiatric patients and ex-detainees.

The entrepreneurs' financial management in general or their costs' calculation or bookkeeping in particular are sometimes addressed in training and counselling programmes, as will be discussed later.

### Finding customers

Finding the right position on the market and building a sufficiently large (and diverse) customer base is key for any entrepreneur. There is a rather general sentiment that ethnic entrepreneurs tend to cater to a co-ethnic rather than mainstream clientele, and that they are to be encouraged to break out of these captive markets (although in Athens, the authorities do appreciate ethnic markets).

Improvements in establishing closer contact with customers can be accomplished in many ways, for instance by:

- moving to a different location;
- changing business sector;
- increasing the product range;
- establishing connections to mainstream businesses;
- embarking on a different marketing style; or
- targeting a different clientele.



As far as marketing per se is concerned, our study did not find much information. In Arnsberg, it was reported that ethnic entrepreneurs hardly ever use regular advertising services, and it was assumed that this negatively impacts their profitability.

Although help with marketing was not one of the most frequent measures employed by cities to encourage entrepreneurship, there are still a number of examples of different strategies used to help in this area.

Various public, voluntary and private organisations help with or advise on marketing. These include the Sundsvall Business Region, private and voluntary companies in Kirklees and Wolverhampton, and the Stuttgart Economic Development Department. The last of these regards itself as a management consultancy in general and a resource for entrepreneurs. Help with marketing specifically for ethnic entrepreneurs is provided by the Turku Regional Business Service Centre Potkuri, which focuses particularly on business start-ups and offers advice on expanding into international markets, and the Arab Business Centre in Stuttgart, which helps Arab business owners improve their marketing techniques. Training courses on marketing are provided by the Amsterdam Entrepreneurs' Centres and the city of Frankfurt.

In addition unemployed people wishing to start a business in Zürich may receive 10–15 hours of training sessions with external marketing specialists. Although none of these activities are specific to ethnic entrepreneurs, a course for this group may be found in Helsinki, where the NYP offers a programme on marketing and personal sales skills. This course is designed to compensate for the entrepreneurs' lack of abilities in the Finnish language and their lack of knowledge concerning local business culture.

A comprehensive initiative focused on entrepreneurs in general to improve marketing skills is found in Zagreb, where the Croatian Ministry of the Economy runs the project Promotion of Small Businesses' Competitive Power and Marketing Activity. This initiative provides training courses and workshops as well as facilitating participation in trade fairs and exhibitions, paying the rental fees for halls, assisting with advertising material and market research, and helping with the creation of a corporate identity and corporate design.

It is conceivable that ethnic entrepreneurs could profit from other marketing activities organised by third parties, as in the case of Budapest, where the chamber of commerce offered small and medium-sized businesses the opportunity to be part of the delegation of the city at international fairs. However, since ethnic entrepreneurs are hardly affiliated with the chamber of commerce, they were not able to profit from these activities.

### **Building local connections and mobilising transnational links**

Local networking is important for small businesses for a number of reasons. Aside from the opportunity to raise their social capital and exchange ideas, building local connections is an important way for SMEs to lower their costs and reduce uncertainty. As ethnic entrepreneurs often operate in specific industries, this is especially relevant for them. Collaboration in areas such as transport and through the use of buyers' associations allows ethnic entrepreneurs to improve their competitiveness and their performance. An enterprise that produces within a network can also save itself the search costs of finding a partner that can provide the required goods or services.

Some business associations and chambers of commerce in CLIP cities (e.g., the Association of Helsinki Entrepreneurs) have introduced targets concerning the percentage of ethnic entrepreneurs in their association, with the goal of increasing the participation of ethnic entrepreneurs and enabling networking between them and other local entrepreneurs. Other organisations provide networking opportunities for ethnic entrepreneurs, including municipal departments, business centres and private organisations.

Initiatives to improve connections between SMEs may be generic, targeting entrepreneurs regardless of origin, e.g., the SME forum in Wolverhampton, which provides a platform for networking and the discussion of issues faced by small businesses. The initiative Towards Competitive Production with Clusters in Zagreb also connects SMEs on a local and regional level, allowing them to form competitive clusters. Some initiatives target all ethnic entrepreneurs, such as the organisation SELF in Stuttgart, which supports networking for all entrepreneurs with a migration background. Wolverhampton has a BME (Black and Minority Ethnic) forum, and there is also a regional networking forum operating in the city, the Minority Ethnic Business Forum of Advantage West Midlands. Platforms for networking among members of the same ethnic

group also exist, such as the Turkish business platform XING in Stuttgart, which connects knowledge-based and academic firms, and the Turkish Association of Young Entrepreneurs in the Netherlands.

As mentioned above, networking and working in cooperation within the same industry is particularly desirable as it facilitates the lowering of costs. For this reason industry-specific initiatives for SMEs exist within CLIP cities. One such initiative is the networking opportunity provided by Frankfurt's start-up centres for biotech and creative industry companies (considered to be key industries for the city), which among other things provide networks for start-ups. In Arnsberg the Department for the Promotion of Trade and Industry is involved in establishing networks of local businesses that bring together enterprises in the same industry. It has so far established networks in the lighting, forestry, timber and creative industries.

In Amsterdam, the Streetlab Goes Istanbul project encourages fashion designers from the Netherlands and Turkey to cooperate and jointly organise performances and fashion shows.

Interesting initiatives involving cooperation to reduce costs are found among similar businesses and particularly among ethnic entrepreneurs' businesses in Turin. The local administration has assisted an association of Peruvian women dealing with food distribution in Pellerina Park to become a social cooperative, facilitating meetings between the members with banks or other supporting entities, such as the chamber of commerce. The Integration Office has also supported, with the coordination of a local development agency, the establishment of a social cooperative between the mainly Moroccan workers that assemble and disassemble the Porta Palazzo market stalls and the bakers (mainly Moroccan women) who sell bread on the streets near the market.

In Sundsvall, the Projektet Affärsintegration (Project Business Integration) tries to find entrepreneurial-minded migrants having a) language competence, b) knowledge and cultural competence about their countries of origin, as well as c) useful contacts and connections with their countries of origin. The aim is to link them with local entrepreneurs (with ethnic entrepreneurs acting as mediators).

In terms of transnational networks, ethnic entrepreneurs, perhaps more than native entrepreneurs due to their migration background, are embedded in economically relevant networks across national boundaries. These networks may extend to their home country, but may also extend to other parts of the world through diaspora communities. Mobilising these transnational networks for economic purposes may give them a competitive edge, especially when they have privileged access to supply lines of inexpensive or ethnically unique goods, personnel or strategic information. Not every city in our project acknowledges the significance of these transnational connections and the key role of ethnic entrepreneurs therein, sometimes because the number of ethnic entrepreneurs is relatively small (as is the case in Arnsberg). A number of cities, however, do value transnational connections.

In Frankfurt, the FrankfurtRheinMain GmbH International Marketing of the Region promotes the development of transnational economic connections, and especially big ethnic companies are involved.

But again, most cities either fail to recognise the business opportunities that transnational economic connections may bring, or believe that it is not their concern to support the private activities of ethnic entrepreneurs.

In Wolverhampton, the Wolverhampton India Project brings together different partner organisations from Wolverhampton that are undertaking activities in India. It aims to strengthen existing close ties to India, in particular the Punjab region.

### Finding and managing personnel

With the exception of the self-employed without personnel, entrepreneurs are also employers. Finding qualified, flexible and relatively inexpensive staff, organising work processes and the workplace in an efficient manner, ensuring good labour relations, and so forth, can be quite a challenge. Ethnic businesses – especially the smaller ones – are often, and to some extent correctly, seen as family businesses. Family members, in those cases, constitute a convenient, flexible and cheap pool of labour.

Among policy advisors and social scientists, the idea prevails that ethnic entrepreneurs value kinship and trust more than formal rules, and this

coincides with popular assumptions about the pre-modern character of these ventures. It should be noted, however, that relying upon family members is not necessarily the product of the ethnic origin of the business owner or manager, but a feature of small businesses in general. It should also be noted that not every ethnic business is entirely a family business. Businesses that are expanding their market and moving up market, or businesses that are starting in markets at the higher end straight away, are more inclined to hire non-family members, often professionals from other ethnic groups.

In Vienna, the Wiener ArbeitnehmerInnen Förderungsfonds (waff) and the Economic Chamber have been encouraging more apprenticeship positions in ethnic businesses since 2007. (This programme is to some extent a response to the low level of activity by large, mainstream companies in this field.) Three migrant 'apprenticeship customer agents' meet with ethnic entrepreneurs to collect information about their recruitment procedures and to develop their interest in apprenticeship training. This programme is seen as relatively successful: the programme has already created 160 jobs, many of them with ethnic businesses.

The assumption, however, that ethnic businesses are family businesses hinders an accurate view on labour relations and labour conditions. On the one hand, it is taken for granted that family relations – or ethnic relations, for that matter – mitigate possible rough or hostile labour relations. Family or ethnic loyalties are believed to be conducive to soft, paternalistic management styles. On the other hand, it is assumed that autocratic management styles prevail, resulting in various forms of exploitation. Family or ethnic loyalties prevent the workers from complaining about or resisting poor labour conditions and poor labour relations. To what extent these assumptions are actually true is not clear, if only because these issues are rarely studied or addressed. The very fact that ethnic entrepreneurs are underrepresented in business associations and that their workers are underrepresented in trade unions also impedes evaluation, as they are not involved in political discussions and policy debates about staff matters. In the same vein, business associations and trade unions hardly take notice of ethnic entrepreneurs, and this too limits the development of programmes and measures for staff management and, consequently, robust personnel policies.

In Frankfurt, the project Croatian Business Association Pro Apprenticeships aims to target Bosnian, Croatian, Serbian and Montenegrin firms in order to create apprenticeship places. It supports the apprentices, assists them with applications, and offers supervision during the training.

Although the city reports demonstrate little governmental intervention in staff management matters, there are some measures worthy of attention. In one project, ethnic entrepreneurs offer apprenticeship positions to students. This is an interesting project, if only because it treats ethnic enterprises on a par with mainstream enterprises and acknowledges their contribution to the creation of jobs. This measure is found in four CLIP cities, namely Vienna, Frankfurt, Stuttgart and Zürich.

In Stuttgart, the ABba (Ausländische Betriebe Bilden Aus) project creates apprenticeships in migrant businesses. The focus is on small and medium-sized businesses that would gain from apprenticeships but need guidance and aid in their integration. It is supported by the Federal Ministry of Education and Research and the European Social Fund.

In Zürich, the project Migration=Chance aims at mobilising small businesses to create vocational training slots for young adults with a migration background. It offers counselling of ethnic entrepreneurs on the regulations for vocational training, language courses both for ethnic entrepreneurs and trainees, and a mentoring structure for supporting ethnic entrepreneurs in their interaction with public institutions.

Two other initiatives that help ethnic entrepreneurs in their efforts to recruit staff are found in Lisbon and Wolverhampton. In Lisbon the Office of Employment and Training provides incentives to hire people on a permanent contract through the exemption of welfare contributions. This applies in the case of hiring young people, people who have been unemployed for more than six months, and people who have special difficulties integrating into the labour market. In addition the Wolverhampton India Project helps Indian investors recruit staff if they move to the area.

Ethnic entrepreneurs may encounter difficulties if they wish to recruit staff from abroad, as most European countries are pursuing restrictive immigration.

In Bologna, admission policies are very strict, which gives rise to difficulties for ethnic entrepreneurs who wish to recruit employees from their country of origin. As the mobilisation of transnational ties is blocked, the formation of co-ethnic ties within Italy has become more important.

Barring the recruitment of international staff is understandable, perhaps, from a policy point of view, but an adverse effect is that transnational connections are not fully utilised.

### Improving skills needed for business

The need to improve skills to set up and run a business varies significantly between ethnic entrepreneurs in different CLIP cities. Oliveira (2008), writing about entrepreneurship in Lisbon, rightly notes that a substantial proportion of ethnic entrepreneurs do not encounter problems with basic business management skills. And indeed, almost half of the entrepreneurs coming from Cape Verde, China and India told her so.

According to the mainstream of the city reports, however, ethnic entrepreneurs are often poorly prepared for running a business (but not always: compare the relatively favourable situation in Poland and the UK), notably a general lack of business management skills and competences, and often also a lack of proficiency in the host country's language. The latter holds particularly true for first-generation immigrants, and especially for the women among them.

Our informants also observed that ethnic entrepreneurs have insufficient connection to the local business culture, limited access to (mainstream) business networks, little understanding of both governmental and non-governmental business support schemes, and so on. These characteristics, however, cannot be automatically placed on the same footing as lack of management skills. If ethnic entrepreneurs have limited connections to mainstream businesses, then mainstream businesses have limited connections to ethnic businesses as well. And the lack of transparency of the governmental bureaucracy is certainly not something that only ethnic entrepreneurs complain about. In fact, it is a rather general complaint of the entire business community. Anyway, the entrepreneurs can, of course, compensate for this lack of skills and competencies by choosing a sector with low entry barriers and by putting

in long hours. An alternative some choose is to take management courses, but their educational background must be sufficient to support such study.

There is also a gender-specific aspect to this problem. According to a survey held in 2007, female entrepreneurs reported that lack of entrepreneurial experience (47%), bureaucratic procedures (40%) and financial problems (37%) were the main barriers they face, while men mentioned bureaucratic barriers and the acquisition of financial means (L&F Survey, 2007, p. 79). Matching an entrepreneurial career with the maternal role was often stated as a barrier by women with children. Solutions are related to time management, the type of business, social networks and financial abilities.

Interestingly enough, many ethnic entrepreneurs seemed reluctant to ask for support or to apply for outside help or were not aware of the availability of support schemes. At the same time, governmental and non-governmental agencies that offer all sorts of support find it hard to reach out to them. This discrepancy points to a serious lack of communication and raises questions as to the efficiency of the support services. An additional problem encountered by ethnic entrepreneurs in attending courses to improve their skills is their lack of language competency, as most courses are only held in the national language of the host country. For example, various training courses for SMEs are held in Budapest by the National Association of Entrepreneurs and Employers, the Budapest Enterprise Agency, and the Hungarian Chamber of Commerce and Industry, but none are delivered in a language other than Hungarian.

Still, there are a number of measures in effect in CLIP cities to improve the skill sets of potential entrepreneurs and current business owners. In a number of cities new immigrants are offered language or integration courses, sometimes also with career coaching. In Sundsvall, for example, newly arrived adults are offered the programme Swedish for Immigrants, which encompasses Swedish language classes and an introductory programme aimed at improving the immigrants' integration in the local labour market. This offers work-experience placements, is full time and free of charge. Similarly in Malmö OYRA, an organisation which attempts to compensate for immigrants' disadvantage in the job market, provides language courses and career coaching to job-seekers. Initiatives to improve immigrants' language skills that do not include the component of career coaching include that of the Adult Education Centre of Raisio (a city in the Turku region), which provides language and civic



integration courses, and the Greek language project for mothers and children in Athens. An initiative that aims at ethnic entrepreneurs rather than just all immigrants is found in Terrassa, where the municipality offers a Catalan language course for Chinese restaurant managers and employees.

Organisations that provide training on entrepreneurship target both potential and actual business owners. Courses in establishing a company are provided, for example, in Frankfurt, where the job centre organises pre-formation coaching sessions accompanying the first year of business activity, and in Vienna, where the Start-up Service of the Economic Chamber organises 160 start-up workshops free of charge to entrepreneurs.

In Helsinki, NYP (Young Entrepreneurs Project) offers a course in how to set up a business, and about 20 to 30% of the students are immigrants. NYP also offers a course about the Finnish business culture. Both courses are taught in Finnish, except for some translation possibilities during the business culture course.

Many courses offered to improve entrepreneurial skills are very specific in their scope, being confined to a particular sector or aimed to improve certain skills. An example of this is found in Turku, where the Turku Adult Education Centre runs a course for aspiring taxi drivers to get a licence to run a taxi company. The Startzentrum Zürich runs courses aimed at supporting young entrepreneurs' start-ups in the IT sector, financial services and lifestyle businesses. Specific skills are also developed at the largest workers' union in Breda, where training is organised on topics such as working according to safety rules, internet sales, website construction, digital presentations, and general skills such as taxes, fixing rates, contracts, networking and acquisition, presentation techniques and negotiating. More general skills relevant for entrepreneurial activity are taught in Amsterdam, where the Entrepreneurs' Centres organise courses on acquisition, administration, taxes, bookkeeping, business plans, import and export, marketing and PR, networks, fixing rates and prices, time management and organisation, and preparation for starting a website. In Frankfurt there are many seminars and courses for entrepreneurs offered by the city on legal regulations, the organisation of labour, marketing, management and business administration. Similarly in Turin the Mettersi in Proprio (MIP), set up and sponsored by the province of Turin and the chamber of commerce, provides

services to aspiring entrepreneurs. It familiarises them with everyday routines as well as the risks of doing business. It also offers tutoring services to those who want to assess their strengths and weaknesses or write a business plan. Update sessions are offered during the first three years. However, only 5% of their clients are of immigrant origin.

The following example gives an impression of what a course focused on the improvement of entrepreneurial skills, in this case a business-management course, may entail.

In Terrassa, the chamber of commerce offers a course for starting entrepreneurs, consisting of eight four-hour sessions on:

Legal aspects in the creation of a company:

- 1 The different juridical forms: autonomous individual employer, private civil company, limited company, new enterprise limited company, or other;
- 2 Formalities of constitution;
- 3 Fiscal aspects;
- 4 Social security laws;
- 5 Official help for the company's establishment.

The business plan:

- 1 Concept of a business plan;
- 2 For what is a business plan useful?
- 3 Aspects to take into account: who is behind an entrepreneurial project, what is the product or service it wants to offer, how will the new activity be introduced, and how will the new company be organised?

The economic and financial plan, which includes:

- 1 Concept of a financial plan;
- 2 Appraisal of the initial phase;
- 3 Finances of the initial phase;
- 4 Forecast of admissions;
- 5 Forecast of expenses;
- 6 Point of equilibrium;
- 7 Examples and practical cases.

While most courses are aimed at the general population, more targeted courses also exist for ethnic entrepreneurs. In Stuttgart the organisation SELF runs business seminars for ethnic entrepreneurs. Similarly in Bologna the National Confederation of Craftsmanship organises specific training sessions for foreign entrepreneurs, which aim to develop immigrants' skills in general management. In the Turku region there is a business incubator training course provided by an adult education centre specifically for immigrant entrepreneurs. Copenhagen is planning to open a National Expertise Centre for Immigrant Entrepreneurship. Courses for entrepreneurs of specific ethnic groups are also organised in some cities. The aforementioned adult education centre in the Turku region holds special courses for Chinese entrepreneurs, which employ a Chinese interpreter and focus in particular on health and safety regulations. Business events for entrepreneurs with a Turkish background are organised by the Economic Association of Vienna, and seminars and instruction courses on specific topics in Turkish are planned for the future. In Stuttgart training sessions are conducted on hygiene and refrigeration standards for local restaurants in Turkish and Italian.

Various cities offer programmes at high schools about entrepreneurship. This is the case in Sundsvall, for instance, where the JA-YE (Junior Achievement – Young Enterprise) Europe project aims at sensitising young people of all backgrounds for an entrepreneurial career trajectory after high school.

Aside from training courses, entrepreneurs can also improve their skills relevant for business through mentoring programmes. Although programmes that target all entrepreneurs exist, almost all of the schemes mentioned in the city reports are focussed exclusively on migrants or on disadvantaged neighbourhoods with a high concentration of migrants. One scheme that focuses specifically on migrants is the Mentoring for Migrants programme in Vienna. This is co-organised by the Economic Chamber, the Austrian Integration Fund and the Employment Service, and its goal is to support qualified migrants in their labour market access. Mentors and mentees are connected for six months for intensive interaction and mutual exchange on the basis of country of origin, language knowledge, and the branch of economy and target markets of the enterprise. A considerable number of the mentors are active in the SME sector. The mentors help mentees with innovative ideas to realise these on

the Austrian market and in the local economic context. Zürich proposes to do something similar, involving successful ethnic entrepreneurs as mentors for potential ethnic entrepreneurs, particularly in the field of start-up businesses and business management. A neighbourhood-specific project funded by the city is found in north-eastern Breda, where a business coach assists young entrepreneurs in setting up a business.

### Targeting doubly disadvantaged groups

Some groups of immigrants may be seen to be doubly disadvantaged in the job market by dint of their membership of more than one social category that is disadvantaged or stigmatised as compared to others. As members of such groups may need to overcome additional hurdles in order to set up a business or access the labour market, policymakers can make a special attempt to compensate for this and promote their inclusion in certain schemes.

The most common doubly disadvantaged group targeted by schemes and projects in CLIP cities is immigrant women. The most proactive city in supporting entrepreneurship for this group is Malmö, which runs three schemes worthy of note. The first of these is carried out by Somaliland Foreningen, which runs a host of activities including language classes, educational and employment training programmes (many specifically aimed at women), parenting programmes, music projects and an anti-drugs programme. In 2008 the organisation carried out the project Somali Women Start Businesses, promoting women's entrepreneurship, which was funded by NUTEK through the County Administrative Board and the Region Skåne, and with cash contributions from the city of Malmö. Twelve of 18 women have registered their companies (either individually or jointly), two have permanent employment in the sector in which they wished to start their own business, and two have gone on to training. The second scheme is run by the organisation Yalla Trappan, which works in the suburb with the greatest proportion of immigrants. It ran a two-year project funded by the European Social Fund and Malmö city to promote female entrepreneurship. The final measure found in Malmö is run by the Organisation for International Women, which organises mentoring programmes to facilitate networking between young immigrant women and leading businesswomen, and to facilitate entrepreneurship for women with a foreign background and give them the proper instruments to start their own businesses. Outside Malmö there exist other limited measures

to improve access to entrepreneurship for female ethnic entrepreneurs. One such project is the Q-Project, implemented by the Copenhagen Business Centre, which recruited immigrant women and sent them to a university to develop concepts for new businesses. Their plans were presented to professionals for comment and then five were supported financially. Wolverhampton also has quotas for female participation in advisory services.

An additional group that has a disadvantage on the labour market is the unemployed, particularly the long-term unemployed. A number of cities have special schemes for this group, including all the German CLIP cities (Stuttgart, Frankfurt and Arnsberg), as there is an initiative at national level through which the unemployed can receive a monthly grant and support if they have a promising business plan. A similar initiative is found in Zürich, where a special department for start-up activities exists, which advises unemployed persons who plan to start their own business. It coaches them with regard to their resources, business plan and the relevant regulations. It also supports them in preparing for the examination for the recognition of their professional qualifications acquired in a foreign country. This scheme is open to everyone, but most clients have a migration background. The department for start-up activities offers 10–15 hours of training sessions for unemployed people with external marketing specialists and professional bookkeepers or tax consultants. Finally in Malmö the organisation Somaliland Foreningen runs a project that aims to reduce high levels of unemployment among Somalis by helping them become employed or self-employed.

Programmes and initiatives improving the personal capabilities of ethnic entrepreneurs are the most important activity of local authorities to support ethnic entrepreneurs in their city. Within this remit cities offer a large variety of direct services and indirect support measures. Most activities found are generic measures covering all potential and practising entrepreneurs. However, a significant number of group-specific measures, i.e., measures that target ethnic entrepreneurs only, are provided by local authorities. This choice, of particularistic versus universal (generic) policies, can be politically sensitive. Group-specific policies are sometimes interpreted as being biased towards soft multiculturalism or ignoring good old economic laws. According to this interpretation, policies should be colour-blind. On the other hand, the absence of group-specific measures can be interpreted as ignorant, unrealistic and ineffective.

In many CLIP cities SME and business support are mainly targeted solely at the start-up phase of the private enterprise. In a minority of cases in our cities, support is given over the whole business cycle or in other than the start-up phase.

Finally, in a minority but significant number of cases, support programmes for ethnic entrepreneurs are the combined activities of local or regional authorities and national or international authorities, i.e., many cities combine funds and programmes on different levels of policymaking and implementation.

# Measures to improve the business environment

As previously mentioned, measures and initiatives that attempt to improve the business environment for entrepreneurship, rather than the skills of entrepreneurs themselves, are not common in CLIP cities, as most of the competencies in this area lie at a higher level of administration, at national or even European level. Nonetheless, it is worth discussing some measures in this regard. Apart from one measure found in Wrocław, whereby the city has lowered taxes for foreign investors, thus improving their business environment, the structural measures taken in CLIP cities to promote entrepreneurship fall into three categories: deregulation, urban planning, and involving and empowering (ethnic) business associations.

## Regulation and deregulation

Anybody who wants to set up shop must comply with all sorts of rules and regulations, and these obviously vary from case to case, from sector to sector, and sometimes from location to location. Depending on the local situation, aspiring entrepreneurs must register with the chamber of commerce, the trade register or other agencies, obtain the necessary permits, consider the zoning laws, respect safety and hygiene standards, and so on. Additionally, entrepreneurs hiring staff must comply with a multitude of rules with regard to the employment and working conditions (e.g., health and safety standards) of their employees. And those involved in the food sector must often comply with special rules and regulations to safeguard public health.

Entrepreneurs in Amsterdam and Breda are affected by several national rules and regulations.

In the transport sector, one needs a permit to transport goods for third persons on the road or to transport people on the road from the Stichting Nationale en Internationale Wegvervoer Organisatie (NIWO National Foundation for International Road Transport).

To operate in the financial sector, a person needs to request a permit from the Autoriteit Financiële Markten (AFM Authority Financial Markets).

In retail trade, the retailer needs to know the local law on opening hours, and if one wants to display goods outside a premises, a permit is needed

from the municipality. And to organise promotion activities for ‘shopping week’, one is required by the law on games of chance to obtain a permit from the chamber of commerce.

In Strasbourg, three years’ of professional experience is required before a person may open a business in construction.

From the case of Vienna, the set of general procedures for a business start-up below is an example of how complicated these procedures sometimes are.

Formal access in the city of Vienna is a relatively complicated procedure, where general requirements and special requirements (for certain business sectors) have to be fulfilled.

Step 1: The Economic Chamber recommends a consultation on founding, financing and legalities at the Vienna Business Agency and the Business Start-Up Service or the technical departments of the Economic Chamber.

Step 2: A declaration of the foundation of a new business or the transfer of a business must be made. Certain levies and fees directly connected with founding a new business or taking over one are waived. A declaration on founding a new business must be submitted and must be confirmed by the Economic Chamber. Official forms can be obtained at the Business Start-Up Service, the technical groups, or the guilds and district offices.

Step 3: The trade has to be registered, and several documents have to be submitted. If the entrepreneur registers on the basis of their own qualifications, the following are required: a passport; a police clearance certificate from the country of origin for persons not resident in Austria or resident in Austria for less than five years; a residence confirmation required for TCNs (third-country nationals); proof of qualifications (e.g. professional qualification certificate, diploma certificate or college certificate) (trades not requiring a license are excepted and no proofs are required). Entrepreneurs who opt not to register on the basis of their own qualifications and who instead appoint a managing director authorised under trade law (working in the firm for at least 20 hours a week) must submit: i) a passport, ii) a police clearance certificate from the country of origin for persons not resident in Austria or for residents in Austria for less than five years, iii) a proof of residence if they are not EU citizens.



Managing directors authorised under trade law must submit: i) a passport, ii) a police clearance certificate from the country of origin for persons not resident in Austria or resident in Austria for less than five years, and iii) a social-insurance confirmation on registration as an employee working at least 20 hours weekly.

The person registering the trade must submit: i) a proof of qualification (e.g. professional qualification certificate, diploma certificate or college certificate), and ii) a declaration of the managing director authorised under trade law on their activity in the firm (on the form provided).

The person registering the trade and the managing director under trade law must not be disqualified from practising the trade as defined in Article 13 of the Trade Ordinance.

Step 4: A report is sent to the District Health Insurance Commission (DHIC). Employees must be registered at the competent DHIC without delay after commencement of work. If a managing director under trade law is employed, they must be registered at the DHIC before registering the trade.

Step 5: The business must be registered with the Social Insurance Institute for Trade and Commerce within the initial month of operation.

Step 6: The business must report the trade activity and apply for a tax number at the Revenue Office within the first month of operation.

Step 7: The community or city administration must be notified about employees who were hired, for municipal tax purposes.

It is not unlikely that some starters find these enormous bureaucratic hurdles intimidating and eventually abandon the idea of setting up a business. While the bureaucratic procedures are relatively light in Helsinki, the lack of proficiency in the Finnish language hinders the ethnic entrepreneurs' understanding of the prevailing rules and regulations. In Arnsberg, entrepreneurs are expected to register with a trade register, but an estimated 20% of them fail to do so. In Wrocław, Poland, things are different, and there it appears to be easier to become an entrepreneur than to enter the Polish labour market as a wage worker.

None of the case studies reported that immigrant ethnic entrepreneurs were to comply with rules and regulations that apply to foreign entrepreneurs only, with the exception of the rule that foreigners must have valid residence and

working papers, and comply with rules pertaining to business immigrants. A special category in several countries is that of the business immigrants, i.e., immigrants who get a residence permit for the sole reason to set up a business and to invest capital. Non-EU business immigrants planning on moving to Ireland may be given 'business permission', provided that they invest 300,000 euro. In Germany and Greece similar programmes exist, in the latter case the business immigrant need invest 'only' 60,000 euro.

In general, ethnic entrepreneurs are treated on a par with native entrepreneurs. Yet they sometimes face higher barriers in practice. Many ethnic entrepreneurs gravitate to sectors with low entry barriers, thus to sectors that require relatively small financial investments, sectors for which little or no (specialised) knowledge or training is needed, and sectors in which survival is largely dependent on working long hours. In so doing, ethnic entrepreneurs circumvent more difficult regulatory procedures.

Ethnic entrepreneurs gravitate to these sectors because of the barriers elsewhere. In other words, bureaucratic barriers in combination with a lack of educational qualifications funnel these ethnic entrepreneurs to more accessible, but less profitable parts of the urban economy. In Turin, specific rules apply to phone centres, a line of business popular among ethnic entrepreneurs. Phone centres are required to have a minimum of two toilets, restricted opening hours, and special health stipulations related to the maintenance of telephone booths. Normally, this sector has extremely low entry barriers, but these rules make it more difficult to set up shop in this sector that is so popular among ethnic entrepreneurs.

In other cases, low levels of education and poor proficiency in the language of the host country interferes in getting an overview of the complex set of rules and regulations or in understanding the bureaucratic institutions involved in their implementation. This is particularly the case for entrepreneurs who are active in certain sectors such as the food and catering industry, sectors in which ethnic entrepreneurs are highly involved. This problem could be overcome by making information available in international languages or by hiring ethnic account managers who could operate as interlocutors, but this rarely happens. In Copenhagen, the authorities try to address this by circulating information brochures.

When starting a food business, there are a number of important considerations prior to opening. This applies to a new business as well as to an existing business you have purchased. In some cases you may not be permitted to start your business before the regional veterinary and food control centre has paid a visit and authorised it. In other cases the regional veterinary and food control centre needs only to register you and confirm the information you have provided. Therefore you must always contact the regional veterinary and food control centre prior to starting. On this site you can see what things need to be in order prior to starting a new business. You can read more about the requirements for different types of businesses at the sites dealing with: *Kiosk, supermarked, Slagter, bager, fiskehandler, Restaurant, café, Fabrik, Lager, handel and Slagteri.*

It is your responsibility.

When starting a food business you must contact the regional veterinary and food control centre prior to opening. You must also contact the regional veterinary and food control centre before undertaking major renovations and before making major changes in the types of foods you produce and sell, as well as prior to making major changes in the structure of your business.

Rules and regulations often protect those who are inside the system at the expense of those who are outside. Deregulation acts as a mechanism to open markets for new entrepreneurs. The deregulation of the taxi markets in Dublin and Amsterdam are cases in point. The number of ethnic entrepreneurs operating a taxi business immediately rose after the lifting of the entry barriers. The flipside, however, was a perceived steady decrease in the quality of the services. Market protection also serves to improve the quality of the entrepreneur. Amsterdam, faced with many complaints about unsafe taxis and rude and incompetent drivers, is now re-regulating the sector.

Ethnic entrepreneurs, especially those at the bottom end of the market and in vulnerable positions, are regarded to be more prone to cutting corners. Most cities reports, however, state that ethnic businesses are not treated differently than other businesses with regard to, for instance, controls on illegality.

In Sundsvall various actors are concerned with illegal and informal practices. The police (Polis) take action if criminal activities are reported or supposed. The Swedish Tax Agency (Skatteverket) intervenes if declarations of revenues and salaries seem to be not correct.

The customs (Tullverket) steps in when illegal products are brought into the country or if false declarations are made regarding the import or export of goods.

The Swedish Enforcement Authority (Kronofogdemyndigheten) is appointed to take action in the case of unpaid payroll tax and other tax debts.

The municipal Alcohol Board (Alkoholenheten) controls the consumption and sale of alcohol.

The Environmental Unit (Miljöenheten/Sundsvall) intervenes if laws and proper practice agreements are not followed.

It is conceivable, though, that ethnic entrepreneurs are affected in a particular way by measures to crack down on informal and illegal practices. In Amsterdam, in the recent past, numerous Turkish immigrants were active in the garments business, a sector that was notorious for its informal practices. The central government and later the city of Amsterdam decided to regularise the sector, but it was clear from the outset that ethnic entrepreneurs would be hit hard by the crackdown campaigns.<sup>18</sup> In Turin, ethnic entrepreneurs complained about the high number of controls. The Associazione Imprenditori Stranieri in Italia (Association of Foreign Entrepreneurs in Italy) was established in response to a memo of the Istituto Nazionale Previdenza Sociale (INPS) (Italian National Social Security Institute), which reported the need to 'foster surveillance with regards to businesses owned by ethnic minorities'. The founders regarded the memo as discriminatory and decided to fight it. This, however, seems to be an exception, according to our city reports.

Deregulation is a policy goal for a number of cities. In Amsterdam the Department of Economic Affairs and the Department of Social Development state that they intend to find and remove any specific obstacles for immigrant entrepreneurship, including through the means of deregulation. Likewise the city of Breda promotes deregulation, attempting to make rules and laws simpler for business start-ups.

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<sup>18</sup> See, for instance, Raes et al., 2002.

Examples of specific measures that have been taken to deregulate the business environment include the revision of the Crafts and Trade Code in Germany, which allowed non-master craftsmen in some fields to start up a business and had a significant impact on entrepreneurs with a migration background.

Some sector-related rules have also been liberalised in Turin, with professional and training requirements, for instance, in the field of food and drink distribution, being removed, thus simplifying procedures for foreign citizens to set up businesses. In both Lisbon and Strasbourg ethnic entrepreneurs have benefited from relaxation of laws pertaining specifically to their setting up of a business. In Strasbourg special laws for foreign entrepreneurs existed in the past, making it impossible for immigrants with a foreign status to become self-employed, but legal changes in 1984 and 2007 abolished these rules. In Lisbon immigration law was relaxed to provide easier access to visas for potential entrepreneurs, creating for the first time the legal statuses of ‘immigrant entrepreneur’ and ‘independent worker’. Although these examples of deregulation have all had an impact on entrepreneurs in CLIP cities, they are almost exclusively due to policy changes at national level.

### Urban revitalisation

A further way in which the business environment may be improved for all entrepreneurs, irrespective of their skills, is through urban revitalisation. Such programmes obviously affect the spatial distribution of businesses and their accessibility and in so doing, for business opportunities, either for better or for worse. This has been the case for several cities in the CLIP network.

In the Basis Programma Economie Amsterdam 2007–2010, the city of Amsterdam adopted an economic development zone programme, called Kansenzones or ‘opportunity areas’ (after the example of the British or American enterprise zones or the French *zones urbaines*). The original idea was to relax various rules and regulations, but this area-specific business improvement programme includes special facilities for entrepreneurial investments, support measures for business associations, and the establishment or improvement of new buildings or premises for entrepreneurs. Ethnic entrepreneurs may substantially profit from these measures, as has, for example, been the case in the Javastraat in the eastern part of Amsterdam.

The same interventions, however, may propel processes of gentrification and lead to diminishing business opportunities for ethnic businesses operating at the lower end of the market. In some cases, local developers are prepared to accept the possible adverse effects for ethnic entrepreneurs. Commercial gentrification – meaning bringing more ‘cool’ boutique-style businesses into the neighbourhood and catering to a middle-class native clientele – is exactly what local developers in Amsterdam have in mind, and precarious businesses at the lower end of the market are at odds with this picture.

Our study did not come upon any zoning plan that pertains to ethnic entrepreneurs specifically. Yet, general zoning plans may interfere in a specific way in ethnic entrepreneurs’ choices of a location for their business.

In Bologna ethnic entrepreneurs selling alcohol late at night were blamed for encouraging the loitering of students and drunks. The city thereupon issued a prohibition of the extension of opening hours for the supermarkets in these areas, knowing that ethnic supermarkets would be hit hard.

Urban revitalisation programmes, to give another example, tend to focus intentionally or unintentionally on neighbourhoods with high percentages of immigrant ethnic minorities, and since ethnic businesses tend to be concentrated in these areas, ethnic entrepreneurs are especially affected. One such programme is found in Strasbourg, where the National Agency for Urban Renewal has a programme to develop ‘problematic neighbourhoods’, including those with a high share of immigrants. It supports the creation of enterprises in those neighbourhoods.

In Malmö, public and private organisations expect entrepreneurs to contribute to social development as well economic development. Entrepreneurs are not just seen as business persons, but also as actors that bridge different communities and help foster a feeling of communality. In the neighbourhood of Rosengård, a number of *bokaler* (houses with business units) have been established. These *bokaler* provide spaces for small ethnic businesses. They represent a new way of promoting entrepreneurship, and also an innovative way to promote urban regeneration.

In Lisbon, in the old Mouraria quarter, two shopping malls were established as part of an urban renewal programme, promoting entrepreneurial opportunities.

In Turin, the city facilitated an ethnic market in Porta Palazzo as part of a tourist route.

Admittedly, urban revitalisation programmes are not the same as zoning plans, but they are interventions that enable or disable the spatial distribution of business opportunities. It is conceivable that such interventions improve local conditions and, in so doing, improve the market conditions of (ethnic) entrepreneurs.

Finally a technique used to improve conditions for business in certain neighbourhoods is proposed in Zürich. There the public relations policy proposes location-based marketing activities for neighbourhoods or streets with a high share of ethnic businesses, and the promotion of ethnic businesses in disadvantaged neighbourhoods in order to improve the local structure and image of these neighbourhoods, thereby benefitting ethnic businesses.

### **Involving and empowering ethnic business associations**

The promotion of entrepreneurship in general and ethnic entrepreneurship in particular is the responsibility of several organisations and institutions: the Ministry of Economic Affairs or the Ministry of Trade Affairs, and the Ministry of Labour or the Ministry of Integration at the national level, and their municipal counterparts at the local level. Next to these public actors, a motley collection of private (mostly not-for-profit) actors are involved, including business associations, immigrant associations, educational institutions, and support agencies.

- NYP is an example in Helsinki of a public actor. NYP is linked to the Youth Department of the city of Helsinki. NYP focuses on entrepreneurs in general but also offers training courses especially for immigrant entrepreneurs.
- The Vienna Business Agency (wvff) and the Vienna Employment Promotion Fund (waff) have launched Enterprise Intercult to promote the use of public funds by fledgling immigrant entrepreneurs.

- VNO-NCW, the largest business association in the Netherlands, has recently embarked on a special programme for ethnic entrepreneurs. This resulted – amongst other things – in the establishment of a special chair in ethnic entrepreneurship at the Institute for Migration and Ethnic Studies (IMES) at the University of Amsterdam, the establishment of various networks, and the organisation of a series of activities that aim at sensitising member associations to the cause of ethnic entrepreneurs.
- IFS Rådgivningscentrum in Sundsvall, a former NGO that is now an integral part of the state-owned, nationwide company ALMI Företagspartner, targets ethnic businesses. The staff members promote the development of small and medium-sized immigrant businesses, provide advice regarding financial and organisational matters, and can grant loans. The services are provided in several languages and free of charge.

Ethnic entrepreneurs have the right to become members of existing business associations. This could be important as these associations are involved in various ways in the political decision-making structure. In some cases, they are part and parcel of the institutional make-up of the national or local political economy; in other cases, they may act as lobbyists at best. In practice, however, immigrants tend to be heavily underrepresented in mainstream organisations. It is not evident that ethnic entrepreneurs are even aware of the existence of business associations, let alone that they have thought about joining them.<sup>19</sup> In practice, involvement of ethnic entrepreneurs in mainstream business associations tends to be limited. As a result of this, their involvement in relevant decision-making procedures is mostly informal and unstructured.

In a number of cities, ethnically specific business associations catering to the needs of ethnic entrepreneurs have been established. In Zürich, for example, ethnic entrepreneurs have been largely ignored by the Swiss trade organisations, and immigrants, consequently, have set up their own trade and craft organisations. In most cases their membership is confined to a very specific subcategory of ethnic entrepreneurs, such as Turks from a particular region or with a particular political affiliation, while the leadership is in the hands of a small number of (self-proclaimed) leaders. These associations

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<sup>19</sup> See also Cooney and Flynn, 2008.



are sometimes rather vulnerable: they lack resources, have difficulties in developing meaningful connections to mainstream business associations, and are unable to develop political clout. Many cease to exist after a short while.

In Strasbourg, the Union des Industriels et Entrepreneurs de France (Union of Industry and Entrepreneurs in France), Tumsiad, was established with the aim of giving advice about setting up a business. This association mainly draws its members from the ranks of Turkish entrepreneurs and, consequently, only represents the interests of this particular group. In Helsinki, the Finnish Union of Immigrant Entrepreneurs was founded by young African entrepreneurs, and membership was *de facto* confined to entrepreneurs of African origin.

In Athens, the city recently established a Council of Migrants to improve communication with the different immigrant communities. The Council of Migrants will have office facilities in the Intercultural Centre, where representatives will be able to work, hold meetings and give advice. Special attention will be given to ethnic entrepreneurs by the launch of Migrant Entrepreneur's Day.

The general political mood seems to be against separate ethnic business associations, partly to prevent fragmentation among entrepreneurs, partly also because having separate associations does not seem to fit the prevailing integration model.

Kirklees Council is trying to facilitate dialogue between local entrepreneurs and business-support agencies, but there are no initiatives for a dialogue with ethnic entrepreneurs.

There are interesting initiatives, however, that try to combine the best of both worlds. The Vienna Economic Chamber, strongly influenced by the wish to avoid separate organisations, acknowledged the role of ethnic entrepreneurs and started to mobilise them. Today, a large number of the Chamber's members are of immigrant origin.

Also in Vienna, the SWV (Sozialdemokratischer Wirtschaftsverband Wien) promotes the involvement of ethnic entrepreneurs in policymaking. The SWV holds a lot of self-organised and ambitious groups of ethnic entrepreneurs from various countries. Under its umbrella, there is the Arbeitsgruppe der

afrikanischen Selbständigen (Working Group of African Entrepreneurs), founded by Professor Bakhoum Habiboula Ndongo, who is active in food wholesaling and in industrial wholesaling. This organisation wants to support entrepreneurs of African origin by promoting the development of their business, networking and the exchange of experiences. It provides information in the fields of business start-ups, marketing and advertising. It organises conferences and seminars, German language courses and courses for the European Computer Driving License.

In a number of cases, the dialogue between ethnic entrepreneurs and other relevant actors has been promoted and facilitated, and if need be, in the form of an informal dialogue.

- In Turin the Integration Office arranges meetings between immigrants and various institutions, and this sometimes helps to solve problems such as obtaining a credit loan. The Integration Office also collaborates with the Gate, a local development agency. Together they encourage the establishment of social cooperation between two Moroccan groups: workers at the Porta Palazzo market and bakers working nearby in the market.
- In Prague the Committee for Integration of Migrants has embarked on a dialogue with various governmental departments such as the Ministry of the Interior, the Ministry of Industry and Trade, and the Ministry of Finance.
- Elsewhere, such as in Vienna, dialogues have been encouraged by third parties such as the banks. The Raiffeisen Bank financed the Business for Integration network, an initiative of an Iranian carpet dealer and a bank manager that mediates between potential sponsors and integration initiatives. It offers, for example, language courses for ethnic entrepreneurs, network meetings, and education programmes.

It should be noted that most of these attempts are in the domain of integration policy rather than in the domain of directly supporting economic activities.

Finally, trade unions, the 'natural' representatives of workers, have little involvement with ethnic businesses. An exception is the ÖGB in Vienna. The ÖGB encourages ethnic entrepreneurs to incorporate a union representative

in their company who is aware of the employees' rights. The union also offers German language courses to all immigrants and especially to make sure they are able to become an employee representative. This policy aims at increasing the number of union members and shop stewards among the ranks of ethnic business employees. The otherwise poor involvement of unions makes it more difficult for workers to defend their interests.

In sum, when targeting ethnic entrepreneurship, measures targeting the opportunity structure mostly fall outside the field of vision. This does not mean that more general measures and programmes are less relevant. Changing the tax system, abolishing legal impediments, refurbishing the streetscape, providing parking spaces, improving safety, and so on, are just a few of the measures that can have an enormous impact. In fact, these measures have been taken everywhere. But in discussions about ethnic entrepreneurship, they do not come to the fore.



# Summary and conclusions

# 9

## Background

The immigrant population in Europe is growing and rapidly becoming more diverse in terms of ethnic or national origin, but – as far as first- or second-generation immigrants are concerned – also in terms of length of stay, educational achievement, and socioeconomic position. An increasing number of immigrants have become entrepreneurial and have set up businesses, and it is hoped and expected that the ongoing rise of ethnic entrepreneurship will contribute significantly to the integration of immigrants and to the economic development of their city of residence.

Despite their rise, ethnic entrepreneurs have long remained invisible. For a long time they were viewed as workers, often as ‘factory fodder’ in sunset industries or at the bottom end of the post-industrial service economy. Ethnic entrepreneurs can be important for various reasons: they create their own jobs; create jobs for others; develop different social networks than immigrant workers; and, last but not least, shape their own destinies rather than waiting for cues from the host society’s institutions. As entrepreneurs, they may provide a different range of goods and services; they can enhance the vitality of particular streets or neighbourhoods in cities or of specific economic sectors; and most of all, they play their part in the ‘natural’ process of succession and renewal of the total corpus of entrepreneurs.

This report deals with different countries where different definitions of entrepreneurship are being used, therefore it would be inappropriate to use any one rigid definition of the entrepreneur. An entrepreneur is simply defined as a person in effective control of a commercial undertaking for more than one client over a significant period of time. Generally, they are simultaneously owner and manager of a firm, but these two roles may sometimes be performed by different individuals.

The broad category of ethnic entrepreneurs comprises a wide variety of people of different genders, age groups, migration histories, levels of education, lifestyles, opinions, attitudes, and so on. For this reason alone, it is inappropriate to portray them one-dimensionally, i.e. as *ethnic* entrepreneurs. Yet this happens all the time, and in so doing, commonsense notions about the ‘ethnic’ character of their business ventures are being repeated and

confirmed. The entrepreneurial process, however, is too complex to envisage entrepreneurship as a simple, one-dimensional phenomenon. Along the same line of reasoning, promoting entrepreneurship is not a simple matter of course.

Entrepreneurial success and its effects are the product of countless social, political and economic conditions. Various components of the urban economy interact to produce a complex but also dynamic ecological system, affecting the political economy of cities and entrepreneurial opportunities. Some groups are more likely than others to successfully start up their own business, contribute to economic development, and find the route to economic incorporation. This is contingent on the characteristics of immigrants, the receiving society, and the immigrants' migratory and economic incorporation trajectories.

Entrepreneurs are active in a market economy, and market economies are always regulated, although the form and level of regulation vary. Regulation is contingent on prevailing economic citizenship regimes. These regimes might be contradictory and incomplete, and they stipulate under which conditions market exchange and price regulation take place. They also stipulate which goods and services and which actors are legitimate. Regulation encompasses both legislative and non-legislative forms, and is therefore more than just state regulation. A multitude of state and non-state agents play a role in regulation processes, such as local, national and international governmental agents, unions, quangos, non-profit organisations, voluntary associations, and individuals and their social networks. Regulation in the forms of repression, constraining or enabling is dynamic and subject to political influences. Non-actions (liberalisation), to be sure, are also forms of regulation.

This report maps, analyses and evaluates the promotion of ethnic entrepreneurs in a number of European cities. How have (local) political interventions shaped ethnic minorities' entrepreneurial trajectories? This question has been addressed from an interdisciplinary and international comparative perspective. The study entailed a survey plus a series of site visits in 28 cities. The researchers collected statistical data and met with city administrators and policymakers, staff members of inspectorates, educational institutes, consultancies, chambers of commerce, business associations, trade unions, ethnic associations, banks and financial institutions, as well as ethnic entrepreneurs, journalists and local researchers. In total the researchers interviewed 492 people in the course of the site visits. The current report is

a synthesis of all city reports. It defines the term ‘ethnic entrepreneur’ in a pragmatic way, referring to first- or second-generation entrepreneurs with an immigrant or ethnic background. It does not take it for granted that their entrepreneurial activities are informed by ethnic features. The latter must be proven rather than taken for granted.

### Mapping ethnic entrepreneurship

One striking feature is that the number of ethnic entrepreneurs is rapidly growing, albeit there is tremendous variation: recent first-generation immigrants are more entrepreneurial than others, males are more so than females, and some ethnic groups are more so than other ethnic groups. There is, moreover, immense variation between countries and within countries, between cities and within cities, between neighbourhoods, and also between sectors. In countries such as the United Kingdom, France, Belgium, Denmark, Sweden and Norway, and also the United States, the share of entrepreneurs in total employment is somewhat higher for first-generation immigrants compared with natives. In countries such as Portugal, Spain, Italy, Greece, Ireland, Germany, Austria and Switzerland the share of first-generation immigrants in self-employment is lower. Female immigrants tend to be less entrepreneurial than male immigrants. Ethnic entrepreneurs are strong in classic vacancy-chain sectors such as retail, restaurant and catering, but they increasingly venture out to growth sectors such as personal and business services. Furthermore, ethnic entrepreneurs are increasingly to be found outside working-class ethnic neighbourhoods, in the central business districts and suburbs. This enables them to service a larger and more affluent clientele. This especially holds for recent first-generation entrepreneurs and second-generation entrepreneurs with better educational qualifications.

Despite the heterogeneity of the phenomenon, there are several recurrent patterns. While some ethnic entrepreneurs are successful and upwardly socially mobile, many others are still struggling for survival at the lower end of the market. Ethnic entrepreneurs tend to have lower educational qualifications than their native counterparts, although this seems to be rapidly changing with the emergence of second- and third- generation ethnic entrepreneurs. Being poorly educated, lacking proficiency in the host country’s language, and lacking access to financial capital forces many ethnic entrepreneurs to the

lower end of the market. In these markets, production is mainly small in scale, low in added value, and usually very labour intensive; earnings are typically low, and days are long and hard. As has been indicated, entrepreneurs from the second generation of immigrants, often being better educated than their parents, are able to position themselves in better, i.e., more profitable, markets.

### Policies in general

Governmental rules, regulations and practices as well as policy debates and policy decisions influence entrepreneurial opportunities. But there is variation. First, governments and civic society institutions operate at different but interconnected scalar levels. This study found that in some cases local authorities designed and implemented policies, in other cases the national government took the lead, and in yet other cases governmental agencies or combinations of agencies at different scalar levels were involved. Second, policies that impact on the opportunities of ethnic entrepreneurs may take the form of group-specific measures, i.e., measures that only target ethnic entrepreneurs or people with a disadvantaged social position. But ethnic entrepreneurs are also affected by general policies. The basic assumption is that ethnic entrepreneurs – being first of all entrepreneurs – will benefit from general colour-blind measures taken to increase the number of entrepreneurs and to strengthen the quality of entrepreneurship. The choice between group-specific and general policies is politically sensitive. Group-specific policies are easily argued away as being biased towards soft multiculturalism, while the absence of such measures can be reasoned away as ignorant, assimilationist or even racist. Third, and related to the previous point, policies may aim at the entrepreneurs themselves or at their opportunity structure. Do (fledgling) entrepreneurs have deficiencies that need to be compensated for by a variety of programmes that aim at strengthening their entrepreneurial qualities? Or is the emergence or growth of businesses thwarted by an unfavourable opportunity structure, and should entrepreneurship be promoted by removing barriers or by offering new economic opportunities?

How things turn out in practice depends on a number of factors, varying from the number of immigrants, their migration history and national assumptions about the process of integration to national welfare-state models and concomitant trajectories of economic incorporation, the bureaucratic culture,



the political landscape and so on. Firstly, most north-western European countries have experienced massive immigration since World War II, and have developed legal frameworks or welfare arrangements earlier than elsewhere in Europe. Southern European countries have only recently experienced large-scale immigration. In addition, they tend not to have the same welfare systems or social policies as some of the north-western European countries. This holds even more for most central and eastern European countries, which have only very recently become the destination of immigrants. In addition, the size of the immigrant population influences the existence or absence of special policies promoting immigrant entrepreneurship. Few or no measures were found in countries with relatively small immigrant populations. Secondly, the national citizenship rules, i.e., national conceptions of who is a national and who is seen as a foreigner or immigrant, and the subsequent policies on immigrant integration vary from country to country. Thirdly, the make-up of the welfare state and the concomitant employment and entrepreneurial trajectories in general and the economic citizenship regimes in particular show a lot of variation. Whether or not self-employment is a 'natural' way to enjoy economic citizenship rights and whether or not the state is to play a leading role is contingent on the type of welfare regime – liberal, corporatist, sociodemocratic, familial, etc.

### Policies in CLIP cities

This study has found that promoting ethnic entrepreneurship – i.e., the development and implementation of active support measures at the local level – is *not* self-evident. In most cities studied, ethnic entrepreneurship has not played a major role in the overall strategy supporting the integration of immigrants. Attention, if any, is given to wage labour. And to whatever extent ethnic entrepreneurship is actually promoted, it rarely forms part of a bigger economic agenda. Various reasons account for this. First, in a number of cases, immigrants have not really entered the entrepreneurial market, so there seems little need for specific policies. (This, by the way, is a chicken-and-egg kind of argument. One could easily argue that the rate of ethnic self-employment is low because sufficient support is lacking.) Second, it is sometimes believed that ethnic minorities are not suffering from any form of disadvantage that would justify special measures. Third, integration policy rarely has an economic or

socioeconomic orientation. It is mostly about language acquisition, social cohesion, security, norms and values, and only marginally about finding a job, embarking on a career, or setting up a business. Fourth, and for as far as ethnic entrepreneurship is on the agenda, the assumption prevails that group-specific measures are 'not done'. Measures should be colour-blind, should not give 'preferential treatment' to one group over another, and should not discriminate against other groups. These approaches are political choices, and they may change over time. Finally, and related to the previous point, a fairly strict neo-liberal logic seems to prevail. This revolves around the policy assumption that entrepreneurs operate in the private sector only, outside the reach of the government, and that this is the way it should be.

The promotion of entrepreneurship in general and ethnic entrepreneurship in particular, to whatever extent it occurs, is generally in the hands of the Ministry of Economic Affairs, the Ministry of Trade Affairs and the Ministry of Labour at the national level and their municipal counterparts at the local level. The Ministry of Integration and their local counterparts are rarely involved. Next to these public actors, a motley collection of private (mostly not-for-profit) actors are involved, including business associations, immigrant associations, educational institutions, and numerous support agencies. Although ethnic entrepreneurs – in principle – could join these mainstream associations or institutions, in practice they were heavily underrepresented. As a result of this, their involvement in relevant decision-making procedures is generally informal and unstructured.

In a number of cities, ethnically specific business associations catering to the needs of ethnic entrepreneurs have been established. These associations are rather vulnerable: they lack resources, have difficulties in developing meaningful connections to mainstream business associations, and are consequently unable to develop political clout. Many cease to exist after a while. Nonetheless, the development of such associations or the creation of a dialogue between ethnic entrepreneurs and other relevant actors has been promoted and facilitated in several places. Most of these attempts are confined to the domain of integration policy rather than the domain of economic policy.

In many cases, expectations run extremely high. Governmental and non-governmental institutions expect ethnic entrepreneurs to create jobs and boost the neighbourhood economy, but also to meet non-economic objectives such

as revitalising the neighbourhood at large, strengthening social cohesion, and promoting safety on the streets. Whether or not their optimistic expectations are justified remains to be seen. Here and there, there are attempts to promote union membership among the workers in ethnic businesses, but so far these attempts have not been very successful.

Depending on the local situation, budding entrepreneurs must register with the chamber of commerce, the trade register or other agencies, obtain the necessary permits, consider the zoning laws, respect safety and hygiene standards, and so on. Additionally, entrepreneurs hiring staff must comply with a host of rules with regard to the working environment of their employees, as well as labour conditions. And those involved in the food sector must often comply with special rules and regulations to safeguard public health. In general, ethnic entrepreneurs are – in principle – treated on a par with native entrepreneurs. Bureaucratic rules and regulations may nonetheless constitute barriers for entrepreneurs starting out, especially for those who lack proficiency in the host country's language and who have poor educational qualifications. This problem could be overcome by increasing the cross-cultural sensitivity of the bureaucracy, by making information available in international languages, or by employing ethnic staff managers. This, however, rarely happens.

Most entrepreneurs – not all of them – need space. Decisions about space are dependent on the customer base, the costs, and local rules and regulations. Zoning plans affect the spatial distribution of businesses. While the study did not find any zoning plan that pertained specifically to ethnic entrepreneurs, general zoning plans may interfere in ethnic entrepreneurs' locational choices. Urban revitalisation programmes, for example, tend to focus intentionally or unintentionally on neighbourhoods with high percentages of immigrant ethnic minorities, and since ethnic businesses tend to be concentrated in these areas, ethnic entrepreneurs are especially affected: new opportunities may arise (for instance, when entrepreneurs are entitled to subsidies for the refurbishing of their shop, or when inexpensive business locations are made available), but existing opportunities may disappear as well due to commercial gentrification.

Ethnic entrepreneurs find it hard to obtain credit loans or other forms of financial capital. Banks and other financial institutions tend to be reluctant to give credit loans to small start-ups. They point to the applicants' poor bookkeeping, poor bank record, substandard business plans, low educational

qualifications, high involvement in high-risk and low-profit sectors, and inability to provide collateral. But this is not the whole story. There are indications that the banks' modes of operation are an obstacle: oversensitive risk management, (biased) attitudes and opinions of bank account managers, or lack of expertise in the sectors to which ethnic entrepreneurs gravitate. Whatever is the case, ethnic entrepreneurs are funnelled towards lower-end markets and resort to informal credit systems. Microcredit and other forms of soft loans are made available to alleviate this problem. The substandard financial management of ethnic entrepreneurs is addressed in training and counselling programmes.

While ethnic entrepreneurs tend to cater to co-ethnics rather than mainstream clients, local governments tend to encourage them to break out of these captive markets. The latter can be accomplished by moving to a different location, changing business sector, increasing the number of product lines, establishing connections to mainstream businesses, embarking on a different marketing style, or targeting a different clientele. Curiously enough, marketing is considered a responsibility of the entrepreneur, and therefore little support is given to this area of business endeavour. Mainstream actors, such as chambers of commerce and business associations, do organise marketing campaigns, but ethnic entrepreneurs profit little due to their poor affiliation with mainstream organisations.

Ethnic entrepreneurs are often embedded in networks across national boundaries. These networks may extend to their home country, but may also extend to other parts of the world with diaspora communities. Mobilising these transnational networks may offer entrepreneurs access to supply lines of inexpensive or ethnically unique goods, personnel or strategic information. Not every city in the CLIP project acknowledges the significance of these transnational connections and the key role of ethnic entrepreneurs therein, sometimes because the number of ethnic entrepreneurs is relatively small (as is the case in Arnsberg). A number of cities, however, such as Wolverhampton, do value them. But again, most cities either fail to recognise the business opportunities that transnational economic connections may bring, or believe that this is not their concern.

Ethnic entrepreneurs often rely on their relatives, who constitute a convenient, flexible and cheap pool of labour. Little information is available about the

implications of this for labour relations. The underrepresentation of ethnic entrepreneurs in business associations and ethnic workers in trade unions hampers investigation of the matter. On the one hand, ethnic entrepreneurs are not involved in political discussions and policy debates about staff matters, on the other hand business associations and trade unions take little notice of the needs of ethnic businesses. These factors thwart the development of programmes and measures in the field of staff management and robust personnel policies.

As has been stated, ethnic entrepreneurs face an array of challenges, particularly because of a general lack of business management skills and competencies, and often a lack of proficiency in the host country's language. The latter holds less true for second- and third-generation immigrants. Our informants also observed that ethnic entrepreneurs have insufficient connection to the local business culture, limited access to (mainstream) business networks, little understanding of governmental and non-governmental business-support schemes and so on. Cities provide services to fledgling entrepreneurs, sometimes to ethnic entrepreneurs specifically. These interventions aim at strengthening the professionalisation of the entrepreneurs by providing training and coaching. Other interventions have aimed at removing regulatory barriers for small businesses (such as lowering licence requirements) or at providing preferential access to credit systems.

Interestingly enough, many ethnic entrepreneurs seem reluctant to ask for support or apply for outside help, or are not aware of the availability of support schemes. At the same time, governmental and non-governmental agencies that offer a variety of support services find it hard to reach out to them. This discrepancy points to a serious lack of communication and raises questions as to the efficiency of the support services.



The previous chapters highlight several important policy principles that can apply to all levels of governance, and these are important to take into account before looking at the EU, national and local level respectively.

## Policy principles

### ***Scalar level***

Local authorities have to be realistic regarding their room for manoeuvre shaping certain policies on ethnic entrepreneurship. Experiences in the Member States show the limited powers of local authorities to influence the structural conditions for ethnic entrepreneurship in particular. Generic policies directly influencing the opportunity structure for ethnic entrepreneurs are mainly set at the national and, to a smaller extent, at the European level. Although local authorities have a tendency to develop policies and programmes that aim at improving the business skills of ethnic entrepreneurs, this does not mean that there are no opportunities to target the opportunity structure. An additional challenge is to ensure an effective and timely exchange between the policy actors on different levels. Regulatory bodies have to monitor carefully the effective and cost-efficient implementation of their policies. Local authorities could make more effort to be more active in the critical review and future development of revised policies and programmes at all levels of government.

### ***Combined or unilateral***

Empirical research on policies and programmes supporting ethnic entrepreneurship in Member States shows a high propensity towards combined state interventions at different levels. Local authorities should recognise and utilise the opportunities to participate in combined programmes with national and European authorities. To effectively use those opportunities, cities have to monitor closely future programmes at the higher policy levels, create formal and informal networks, and provide internal qualified manpower.

### ***General or group-specific***

The CLIP case studies provide legal and political arguments for and against general versus group-specific measures. This means that local authorities have to judge carefully when considering the provision of specific support measures for ethnic entrepreneurs outside general entrepreneurship programmes. This is

not a one-size-fits-all situation. It is quite conceivable that different types of measures can exist simultaneously. The overall guideline should be: as many general policies and programmes as possible and as many group-specific activities as necessary. Both the general and the specific measures should be clearly thought through from the outset in terms of desired objectives, outcomes, etc., and should be accompanied by serious monitoring efforts. One can identify two areas for group-specific measures: to provide equal opportunities for ethnic entrepreneurs regarding awareness and access to general programmes on ethnic entrepreneurship, and to provide generic programmes in sectors that are strongly dominated by ethnic entrepreneurs. Allocation of funds to such sectors, however, should be legitimised by the general importance of those sectors for the overall economic and social development of the city.

### ***Agency or structure***

In general both agency- and structure-related policies and programmes are necessary in order to support the sustainable development of ethnic entrepreneurship. It is difficult to establish any priority. What seems to be necessary, however, is to be aware of the relationship and mutual impact of both these lines of activity. This may sometimes be difficult as structural measures are mainly provided at higher levels, whereas several agency-supporting measures are initiated at the local level.

### ***Start-up only or whole business cycle***

Experience from our case studies and from other research seems to suggest that most support to ethnic entrepreneurs is given in the start-up phase. These results suggest that more support measures should be offered over the whole business cycle and in particular some kind of emergency service for companies in severe difficulties.

## **Recommendations for European policymakers**

### ***Use the potential of ethnic entrepreneurship for more economic growth within the Europe 2020 strategy***

The contribution of ethnic entrepreneurial activities in Europe has been steadily increasing over the last decade. Ethnic entrepreneurs contribute to the economic growth of their local areas, often rejuvenate neglected crafts and trades, and



participate increasingly in higher value-added service provision. Ethnic entrepreneurs offer additional services and products to immigrants and to the host population. They can also act as active agents in promoting important export links and creating new supply chains. Thus they exploit the potential for European growth in global markets. From a strategic policy perspective, it is an important but underdeveloped component of the three mutually reinforcing priorities of the Europe 2020 strategy of smart, sustainable and inclusive growth. The EU should recognise this potential, and such recognition should be more visible in the activities of the EU. The rates of ethnic entrepreneurship are in general higher in the US than in the EU; the EU should strive to close this gap, which would contribute to its increased competitiveness in a global world.

Ethnic entrepreneurship should also be seen as an integral part of the successful implementation of the Small Business Act (SBA). The review of the SBA, published in February 2011, focuses on sharpening its priorities to help small and medium-sized enterprises (SMEs). Ethnic entrepreneurship could be particularly instrumental in the following ways:

**Helping SMEs to face globalised markets** The European Commission recognises that to be successful in third-country markets, companies must be equipped with a certain set of skills. The specific skills and knowledge of ethnic entrepreneurs can help their own companies to flourish and expand, but can be also used to strengthen skills sets of other companies and increase their capacity to compete outside the EU.

**Promoting entrepreneurship, job creation and inclusive growth** The European Commission recognises the need for assessing and developing the future skills needed in successful running of SMEs. Stronger emphasis on a closer cooperation between ethnic entrepreneurs and schools, for instance, in facilitating traineeship in ethnic businesses could equip future businessmen with a more comprehensive set of skills.

**Increasing long-term employment rates by more support for ethnic entrepreneurship** Ethnic entrepreneurs create employment for themselves but also increasingly for others, both immigrants and native population. More ethnic entrepreneurship can help to achieve the ambitious employment target of 75% of the population aged 20–64. At the moment the European Employment Strategy is centred mainly around labour integration of migrants into paid employment (European Commission, 2008). The potential of

ethnic entrepreneurship as a creator of jobs is largely overlooked, and yet, if recognised and promoted, it can contribute not only to the reduction of unemployment, but to tackling illegal employment. It can provide access to more vulnerable groups in society (e.g., women or youth from specific ethnic groups) and help to elevate them from the poverty trap. Moreover, ethnic entrepreneurship offers access to professional, lifelong learning as well as vocational opportunities, especially for youth.

### ***Recognise ethnic entrepreneurship in the integration strategy for migrants***

At the moment ethnic entrepreneurship is not an important part of the European integration policy for migrants. Both the common basic principles for integration of migrants (2005) and the Stockholm Strategy (2010) focus strongly on paid employment as the way to integrate migrants into the labour market.

Economic activity is key for the integration of immigrants as well as for the prosperity of the host societies. Entrepreneurship is not only about job creation, but also about enhancing social opportunities for upward mobility, improving social leadership, increasing self-confidence by becoming an active agent of one's own destiny, increasing social cohesion of ethnic communities, and revitalising streets and neighbourhoods through innovation of social and cultural life. The discussion of a new EC agenda for migrants' integration should recognise the importance of ethnic entrepreneurship.

### ***Improve cooperation between different departments of the European Commission and other institutions and organisations***

The issue of integration of migrants (social and labour integration) concerns a number of European organisations. Within the European Commission the exchange between different DGs, notably the DG Employment, DG Enterprise and DG Home, should be strengthened in order to give greater attention to both the economic and social anti-discriminatory aspects of integration, and to provide a coherent and comprehensive set of overarching policies in the area of integration of migrants.

Cooperation between and interaction with other organisations such as the Committee of the Regions and the European Economic and Social Committee should be reinforced in order to promote the importance of ethnic entrepreneurship. In addition European organisations should do more to directly engage in a dialogue with local authorities and emphasise their role

in promoting and including ethnic entrepreneurship in their policies. The European Economic and Social Committee should promote the issue of ethnic entrepreneurship in the European Integration Forum.

***Expand the policy attention of the European social partners to include ethnic entrepreneurship***

Entrepreneurship is one of routes for the integration of ethnic minorities into the labour market and broader society. At the moment ethnic entrepreneurship does not feature prominently on the agenda of the European social partners. The Social Partners Framework Agreement on inclusive labour markets, adopted in 2010, paid some attention to entrepreneurship in that it recommended that local authorities improve the business environment to allow for easier business creation. The CLIP study has found that certainly on the side of employers at the local level, there are initiatives that address the issue, for instance, the opening up of mainstream business associations to embrace a more diversified membership. Social partners should reflect whether they pay enough attention to this segment of the economy. Another important issue is that of working conditions. As demonstrated in the report, ethnic entrepreneurs are increasingly an important employer in Europe, and the employees of such employers should be treated the same as any other employee.

***Promote dialogue with European financial institutions***

Lack of access to credit is one of the main barriers preventing the establishment and development of small companies, especially those run by migrant entrepreneurs. European policymakers should start a dialogue with European financial institutions about the small business sector in general but the ethnic sector in particular. This holds especially for the European Central Bank and the European Investment Bank. European policymakers should pay particular attention to access to microcredit. Financial exclusion, where ethnic minorities are overrepresented, is increasingly part of anti-discrimination and social inclusion policy, and European policymakers should be more sensitive to this issue. Policymakers in conjunction with the Member States should look closer at providing access for ethnic entrepreneurs to banks that are in public ownership or control and who should lead by example. The growing number of businesses run by ethnic entrepreneurs should also prove that there is also a real business case for banks to provide credit to ethnic business.

## Recommendations for national governments

### ***Recognise and promote ethnic entrepreneurship as part of wider integration policies***

A majority of Member States have within their migration and integration policies measures that apply specifically to immigrants who want to create their own businesses. However, these programmes play a very limited role in supporting or promoting ethnic entrepreneurship. More should be done regarding designing programmes that specifically support entrepreneurial activity within the limits and remits discussed previously. Member States should reflect on the role of ethnic entrepreneurship in the wider national strategy on integration as well as its contribution to the economic growth of the country.

### ***Use ethnic entrepreneurs to enhance relationships with overseas trade partners***

Member States should use the specific knowledge of foreign markets and contact networks of ethnic entrepreneurs to enhance and stimulate trade as well as to improve the trust relationship between host and sending countries.

### ***Review the regulatory and structural framework for setting up businesses***

Rules, regulation and market structures and conditions shape and determine the trajectories of businesses. The number of SMEs started up by immigrants is increasing across Europe. In this way ethnic entrepreneurs are increasingly providing additional employment. Member States should review and abolish all unnecessary barriers to business creation and the flourishing of entrepreneurship. These barriers are felt especially by small and medium-sized enterprises and immigrants' enterprises. On the other hand, Member States should make it clear to potential or active ethnic entrepreneurs that business rules – e.g., existing tax regulations, health and safety standards, working time regulations, and employment contract regulations – have to be complied with in the same way as for any other enterprises.

### ***Boost awareness and strengthen the capacities of intermediary organisations***

There are already a large number of organisations (training centres, consultancies, business associations) that offer a wide range of services

providing training to potential and existing businesses. However, business-support schemes tend to operate within a business innovation, general economic or education environment, and pay limited attention to the issue of integration. More should be done to equip the existing personnel of these organisations to cater for the increasing diversity of the recipients of their services. Organisations should aim to employ trainers from different backgrounds. They should also proactively seek various channels to promote their services. Representatives of ethnic entrepreneurs could contribute and share their knowledge in designing and disseminating future programmes.

***Inform potential entrepreneurs of existing tools***

Migrants are more likely than natives to start up new enterprises but are also more likely to see their business fail. More efforts should be made to make sure that both migrants' organisations as well as individuals are aware of and avail of existing programmes.

**Recommendations for local policymakers**

***Fill the information and intelligence gap***

The study clearly shows that in many cities there is a lack of basic data on ethnic entrepreneurship in the integration departments, the main respondent group for our researchers. Reasons are unclear: it may be that the information already exists within the city administration but lies with other departments (e.g., the economic or statistical departments) or that such information has not yet been collected. In addition only a small minority of cities has a detailed analysis of conditions and future development of ethnic entrepreneurship at their fingertips.

Local policymakers should consider investing in targeted and efficient ways of gathering information and providing policy-relevant analysis of ethnic entrepreneurship (e.g., structural features and future developments). This should be regarded as an important contribution to the economic and social development of the city. To achieve this in a cost-effective way, local policymakers should strengthen their cooperation with the numerous general or sector organisations such as the chambers of commerce, employers' organisations, tax authorities, local banks and private consultancies.

The local level could also benefit from the use of larger databases managed either at the regional or even national level to obtain the necessary information.

### ***Include ethnic entrepreneurship in the overall integration strategy***

Cities should bear in mind the role and importance of ethnic entrepreneurship within their overall integration, social inclusion and community cohesion strategy for migrants. It seems that ethnic entrepreneurship does not feature prominently in the overall objectives of most cities and that paid employment is seen as the main element of integration into employment. Cities should increase their awareness of how the development of the ethnic entrepreneurship may positively impact on a number of factors including:

- job creation – for oneself and for others from both the ethnic population and other parts of the community;
- social integration – opportunities for upward mobility and the creation of community leaders;
- urban development programmes – the revitalisation of poorer, deprived and often segregated neighbourhoods.

### ***Recognise ethnic entrepreneurship in the overall economic strategy***

Cities should reflect on the growing economic importance of ethnic entrepreneurship. The available data shows that one of the distinctive features of ethnic entrepreneurship is its continuing growth in most cities. This is also reflected in the large numbers and high proportion of business start-ups by ethnic entrepreneurs, where in some cities over 50% of all start-ups are initiated by immigrant entrepreneurs. Local authorities and especially economic departments should recognise and utilise this trend. They could strengthen local competitiveness by improving external trade links based on the formal and informal networks and intercultural capabilities of ethnic entrepreneurs. More variation in local service provision by ethnic entrepreneurs can promote a dynamic and vibrant image of a cosmopolitan city. In order to capitalise on these potential economic gains, the relevant departments in the city should use the available instruments to help to sustain the existence of ethnic enterprises over their whole lifespan.

### ***Improve cooperation between different city administration departments***

Cities should be an example to other partners at the local level in developing a comprehensive strategy towards the promotion and the development of ethnic

entrepreneurship. All departments – statistics, economic and integration but also those responsible for urban planning and education – should work more closely with each other. In order to ensure an effective interdepartmental exchange and full cooperation, the top-level local policymakers must be convinced of the importance of ethnic entrepreneurship and should provide leadership that gives the same strong signal to all layers of local administration. Cities should involve and engage in regular dialogue with prominent local ethnic entrepreneurs and use their knowledge to further develop local policies to promote ethnic entrepreneurship.

***Ensure that a coherent, comprehensive policy approach reaches all relevant stakeholders***

Local authorities should, where appropriate, facilitate and promote cooperation between different stakeholders by initiating, managing and sponsoring programmes and initiatives between mainstream and ethnic business organisations, trade bodies, media, trade unions, professional training organisations and the wider public. Cities could also act as a starting point or even as a central nucleus for a regular dialogue with ethnic entrepreneurs.

***Facilitate links between different sectors such as education and training***

Ethnic entrepreneurs should be encouraged to collaborate with schools and to offer more places for apprentices. In the current economic climate, with high levels of youth unemployment, and in the context of migrant youth suffering double discrimination, this could offer young migrant workers opportunities to up-skill and gain a new set of qualifications. It also provides a major path for the successful societal integration of young migrants.

***Ensure efficient use of available tools supporting entrepreneurship***

CLIP research shows that currently local authorities directly and indirectly offer a large number and variety of programmes and tools to help potential or existing entrepreneurs. However, due to many barriers (lack of awareness, unsuitable ways of delivering information, cultural distance of migrants from the activities of the mainstream society, lack of language knowledge, and lack of contact with intermediary organisations in mainstream society, such as chambers of commerce), there is a limited use of programmes by ethnic entrepreneurs. Cities should think of a more tailored and targeted approach to

reach ethnic entrepreneurs in general, or even specific groups such as migrant females. This could include sector-specific training, mentoring programmes, use of migrant organisations in spreading information about programmes, or using successful role models. Special attention should be paid to training that covers all phases of the entrepreneurial process, including planning, marketing, taxes or personnel management.

### ***Support better access to credit***

One of the most common barriers for all entrepreneurs but for ethnic entrepreneurs especially is access to finance with reasonable interest rates and conditions. Improving migrants' access to finance is a key way to improve the success of migrant enterprises. Local authorities may consider providing the necessary guarantees for obtaining loans and even granting microloans. Cities may also utilise their position of working with state-owned (local) banks to negotiate that these banks offer preferential loans for start-ups. Cities can also engage with commercial banks to convince them to become more attentive to the way they provide credit services (for instance, by employing financial advisors with an ethnic background and providing information in multiple languages) or to provide necessary training for bank employees on dealing with migrant clients.

### ***Facilitate and improve cooperation with relevant stakeholders***

In all cities local business associations are involved in several ways in political decision-making procedures, through formal or informal consultations, advisory committees or through membership of their representatives in political parties or even local parliaments. Cities should encourage ethnic entrepreneurs to become active members of mainstream (general or sector) business associations in order to increase their involvement in local policymaking and to maximise other opportunities, for instance, to increase and broaden their client base.

Cities should also increase their effort to convince mainstream associations to be more proactive and open to embrace more diverse members (for instance, by actively seeking new members and by waiving membership fees for the first year). Business associations should reflect on the role and the potential economic significance of ethnic entrepreneurs for the local economy. Improved membership of this growing group of entrepreneurs



could also support the organisational strength and influence of business organisations in the future. In a number of cities ethnic entrepreneurs set up ethnic or sector associations that address their specific concerns and challenges. Cities should do more to support these organisations by helping them to cooperate with mainstream business organisations, providing them with office space and by engaging with them in a continuous dialogue. Cities should also be more involved in promoting employees' rights in ethnic businesses and should promote the establishment of works councils and the recognition of trade unions.

***Act as proactive agents in regulatory and structural support***

Cities have a limited room for manoeuvre as far as the regulatory and structural environment for companies is concerned; responsibility for this lies mostly with the national level. However, cities should be actively involved and promote the efficient implementation of rules, the abolishing of redundant bureaucracy measures and the introduction of effective support services, e.g., through the introducing one-stop service provision for entrepreneurs. Cities should do more to emphasise and promote the sensitivity of diversity issues amongst those dealing with regulatory or other support matters by providing diversity and intercultural awareness training for existing staff and/or employing more staff from various ethnic backgrounds. Cities should also actively try to liaise with and consult with the national policymakers and convey the message that they get from the local level. They should be an active interlocutor between the national level, which sets the laws, and the ethnic entrepreneurs, who must comply by it.



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# Annexes

## Annex 1: Definitions of ethnic entrepreneur

Compiled by Hubert Krieger, Lisa Pickering and Anna Ludwinek.

**Table A1: The principal term used with regard to migration background, based on different types of concepts**

Ethnicity	Nationality	Immigration background
Breda	Terrassa	Copenhagen
Kirklees		Frankfurt
Wolverhampton		Stuttgart
		Vienna
		Helsinki
		Lisbon
		Sundsvall
		Turin
		Turku
		Strasbourg

Source: CLIP case studies

The following two tables illustrate the definition of an ethnic entrepreneur, as provided by each of the CLIP cities. The first table refers only to the cities that have a generic policy towards entrepreneurship; the second table refers exclusively to the cities that have an ethnic-entrepreneur-specific policy.

**Table A2: Definition of ethnic entrepreneur in CLIP cities with a generic policy towards entrepreneurship**

City	Definition
Amsterdam	No definition by municipality. First- or second-generation non-Western entrepreneurs.
Athens	Based on nationality (non-Greek passport); officially 'Ethnic entrepreneurship includes enterprises and self-employed businesses that belong to and are managed by the members of the ethnic group itself, and also concerns the employment of fellow countrymen as paid workers.'
Budapest	No definition.

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Istanbul	No definition.
Kirklees	'Minority Ethnic Groups (MEGs)'. MEG-led enterprise: an enterprise that is majority-owned or managed by individuals from an ethnic minority group. Furthermore, migrants are usually referred to as 'Black, Asian and Minority Ethnic (BAME) groups', so they also often speak of BAME businesses in Kirklees.
Prague	There is no official definition.
Strasbourg	Term more often used is 'immigrant entrepreneurship' or 'foreigner entrepreneurship', understood as an enterprise, firm or a business owned and created by an immigrant or foreigner.
Tallinn	No definition of ethnic entrepreneur is commonly in use.
Terrassa	'Entrepreneurs with foreign passport'. (Terrassa doesn't register ethnic groups but nationality.)
Turku (although bottom-up initiatives exist)	The term used in Finnish is <i>Maahanmuuttajayrittäjä</i> , which means immigrant entrepreneur. 'Ethnic entrepreneur' rarely used.
Wolverhampton	Migrants are usually referred to as 'Black and Minority Ethnic (BME) groups', and so ethnic entrepreneurship is usually referred to using the terms 'BME enterprises' or 'BME businesses'.
Wrocław	Due to a low number of long-term immigrants, the terminology used in everyday life very limited. In official documents about SMEs the term 'foreign physical/juridical person' describes persons without Polish citizenship.
Zeytinburnu	No term for ethnic entrepreneurship in the context of Zeytinburnu district and municipality.
Zürich (although it proposes to introduce specific measures)	Ethnic entrepreneurs are usually referred to as 'entrepreneurs with a migration background'. In official documents only nationality is registered, if at all.

Source: CLIP case studies

**Table A3: Definition of ethnic entrepreneur in CLIP cities that have an ethnic-entrepreneur-specific policy**

City	Definition
Arnsberg	No definition by municipality.
Bologna	All those entrepreneurs born abroad. Numbers rather overestimated, since Italian citizens born abroad considered. This excludes foreign citizens born in Italy.
Copenhagen	Most commonly uses 'migrant businesses'. The few official documents made by national governmental agencies use 'entrepreneurs with a foreign background' and refer to businesses owned by persons born outside Denmark or whose two parents were born outside Denmark.

Frankfurt	Ethnic entrepreneurs are most commonly referred to as 'entrepreneurs with a migration background' (i.e., those who have migrated to the country or are the descendants of migrants). In official data they are also referred to as 'entrepreneurs with foreign nationality'. The city of Frankfurt uses the term 'international businesses' (i.e., businesses owned by a person with a foreign nationality).
Helsinki	'Ethnic entrepreneurship' not in common use as it might suggest businesses targeted only at immigrants. 'Immigrant entrepreneurship' or 'immigrant businesses' more often used.
Lisbon	The term 'immigrant entrepreneur' is used. An immigrant is defined as an individual who, having been born in a certain territory, migrated to another country where he or she ended up residing for at least one year.
Stuttgart	Ethnic entrepreneurs are usually referred to as 'entrepreneurs with a migration background' or 'entrepreneurs with a foreign nationality'.
Vienna	'Ethnic entrepreneur' is considered confusing and open to misinterpretation, and was replaced by 'entrepreneurs with migration background'.
Zagreb	Substitutes have developed to refer to specific ethnic groups that specialise in specific lines of business or to convey their origin: 'newly settled migrants', 'minority professions', 'the small business', 'the small sale'.

Source: CLIP case studies

One distinctive difference is immediately visible. Out of the cities that have the generic policy approach, almost half (6 of 14) do not have a definition for an ethnic entrepreneur. This compares with the cities that take a specific approach, where all but one has a definition. It may also be noted that of the seven cities that did not provide a definition, five are located in eastern Europe, which has already been noted as being an area where immigration is relatively recent.

The second interesting observation is that there are considerable differences in the criteria that are considered important in the definition of an ethnic entrepreneur. In the cities that apply exclusively generic policies, the definition may vary from the nationality of the entrepreneur (in three of the eight cities with a definition), the ethnicity of the entrepreneur (two of eight) or immigration background (three of eight). Definitions are much more uniform in cities with an ethnic-entrepreneur-specific policy, with seven of eight cities referring to migration background (although in two cases in combination with other factors) in their definition, the only exception being the city of Zagreb.

### Annex 2: Profile of ethnic entrepreneurship in CLIP cities

This is a profile of ethnic entrepreneurship in CLIP cities that took an active part in the module on ethnic entrepreneurship. The information is based solely on the information gathered through the Common Reporting Scheme (CRS) and the field visits carried out by the researchers. More information on each city can be found in the individual case studies.

**Table A4: Profile of ethnic entrepreneurs and entrepreneurship in CLIP cities**

City	Definition	Share of self-employment among ethnic minorities	Share of ethnic businesses among total businesses	Distribution of ethnic self-employment according to ethnic background (A: % of ethnic entrepreneurs within ethnic group; B: % of ethnic entrepreneurs of each nationality of total ethnic entrepreneurs)	Distribution of ethnic self-employment according to sector
Amsterdam	First- or second-generation non-Western entrepreneurs.	Non-Western first generation: 5%; non-Western second generation: 3%; Western first generation: 10%; Western second generation: 13% *	Around 33%*	A: Surinamese/Antilleans and Moroccans, lower rates (around 10%); Dutch, slightly higher rates; and Turks and other Western immigrants; much higher rates (around 18%) of independent workers (+ co-workers). ***	2004: Non-Western immigrants: first generation dominance in hotel, restaurants and cafés (29%), in trade and repair (26%) and commercial services (14%); second generation dominance in commercial services (23%), trade and repair (23%) and other services (14%). ***

Arnsberg	No definition by municipality. CLIP project definition: entrepreneur is a person in effective control of a commercial undertaking for more than one client over a significant period of time.		9% of all businesses in the city are foreign owned. *	B: Poles (17%), Italians (14%), Turks (12%), Portuguese (10%) and Greeks (8%). *	Hospitality industry (restaurants and hotels), retail sector and crafts (particularly those where no permits are required); 79% of migrant businesses belong to the tertiary sector, 20% to the secondary sector and 1% to the primary sector. *
Athens	Based on nationality (non-Greek passport); officially 'Ethnic entrepreneurship includes enterprises and self-employed businesses that belong to and are managed by the members of the ethnic group itself, and also concerns the employment of fellow countrymen as paid workers.'	9%	2%	B: 34% of registered self-employed immigrants are Albanian. After this UK, Germany, Cyprus and Bulgaria. **	Majority in service provision (construction, technicians, cleaning services, etc.). Of the few active in the sector of commercial enterprises, majority in microenterprises concerned with retail trade and catering (cafeterias, bars, clothing and footwear). ***
Bologna	All those entrepreneurs born abroad. Numbers rather overestimated since Italian citizens born abroad considered. Excludes foreign citizens born in Italy.	8%	12%	B: Of all self-employed immigrants 18% are Moroccan, 15% are Chinese, 11% are Albanian and 9% are Tunisian. *	First immigrant businesses were retail-trade firms; more recent immigrant firms are in the manufacturing and building sectors (20% are manufacturing, 39% are construction, and 41% are trade). Non-EU entrepreneurs operate in the retail trade (22%), construction (18%), and restaurants and catering (14%). *

## Promoting ethnic entrepreneurship in European cities

Breda	'Entrepreneurs with a non-Dutch ethnicity' (i.e., the country of birth of the person or their parents, and this includes Western and non-Western entrepreneurs and the second generation)	Immigrant entrepreneurship grows faster than Dutch entrepreneurship. Non-Western immigrant entrepreneurship grows faster than Western immigrant entrepreneurship. ***	A: (2009) Turks: 10.1%; Surinamese/Moroccans/Antilleans: 5%. B: (2002) Moroccans: 22%; Turks: 39%; Germans: 23%; Surinamese: 15% *	Catering and hotels: 33%; wholesale: 16%; business services: 13%; retail trade: 10%. *
Budapest	No definition		A: Hungarians: 6.4%; migrants of Hungarian ethnicity: 7.2%; considerably exceeded by non-Hungarian migrants. ***	2009: most Chinese and Vietnamese enterprises in retail and maintenance. About 40% of Chinese and Vietnamese enterprises in real estate and business services, and 8-13% of the Asian enterprises deal with manufacturing, catering as well as transportation and logistics. ***
Copenhagen	Most commonly use 'migrant businesses'. The few official documents made by national governmental agencies use 'entrepreneurs with a foreign background', to refer to businesses owned by persons born outside Denmark or with both parents born outside Denmark.	Copenhagen 2006: 6% for Danes and 9% for non-Western immigrants. *	A: Immigrant entrepreneurs mainly: Iraqi (17%), Pakistani (17%), Iranian (15%), Palestinian/Lebanese (15%), Turkish (13%) and Chinese (11%). *	Restaurants (21%), retail (20%), business services (19%), transport (16%). *

Dublin	The phenomenon of business creation and the pursuit of business opportunities by foreign nationals in Dublin or elsewhere in Ireland.	12.6% of foreign nationals living in Ireland are 'own account workers'.***		B: 49% of ethnic entrepreneurs in Ireland from central or eastern Europe, 28% from Africa and 18% from Asia. *	Information communications technology (ICT) sector contains highest number of ethnic businesses (about 18% of the sample), followed by restaurant/food sector (15%), wholesaler/retail sectors (16%), consultancy businesses (14%) and transport service providers (10%). ***
Frankfurt	Ethnic entrepreneurs are most commonly referred to as 'entrepreneurs with a migration background' (i.e., those who have migrated to the country or are descendants of migrants). In official data they are also referred to as 'entrepreneurs with foreign nationality'. The city of Frankfurt uses the term 'international businesses' (i.e., those owned by a person with a foreign nationality).		20% *	Most entrepreneurs are Polish (4,044), followed by entrepreneurs from Turkey (1,897), Italy (957), the USA (555) and Greece (464). *	34% of ethnic businesses are finance- and industry-related services, 34% are in trade, hospitality (i.e., catering and restaurant businesses) and transportation, 23% are in manufacturing industry, 9% are in public and private services. *
Helsinki	'Ethnic entrepreneurship' not in common use as it might suggest that the business is targeted only at immigrants. 'Immigrant entrepreneurship' or 'immigrant businesses' more often used.			B (?): About 30% of immigrant businesses are owned by people from Russia, Estonia and western Europe; 3% are from Africa and South America. The greatest group of ethnic entrepreneurs are Ingrians.***	Immigrants run mainly service companies. Of these, over 25% are in the wholesale and retail trade, and another 20% each in real estate, rental, and the hotel and restaurant trades. ***

Kirklees	'Minority Ethnic Groups'. MEG-led enterprises refer to enterprises majority-owned or managed by individuals from an ethnic minority group. Furthermore, migrants are usually referred to as 'Black, Asian and Minority Ethnic (BAME) groups', so they also often speak of 'BAME businesses' in Kirklees.	5% ***	9% of businesses (down from 11% in 2008) in Kirklees are majority-owned or managed by individuals from ethnic minority background. *	B: The largest group is Asian, then white, black, then mixed race.	Sectors with a higher percentage (compared to the total 9% within the borough) are transport, storage and communication (where 21% of all enterprises are MEG-led), wholesale and retail (20%) as well as hospitality and leisure (11%). *
Lisbon	The term 'immigrant entrepreneur' is used. An immigrant is defined as an individual who, having been born in a certain territory, migrated to another country where he or she ended up residing for at least one year.		Increase of the percentage of entrepreneurs with salaried employees among foreign population to 10%. Foreigners in this category higher than Portuguese. Not the case for individual entrepreneurs (with no employees). ***	A: Immigrants from Europe have higher rates than Africans or Brazilian nationals. Among EU citizens, British citizens have the highest rates (23% in 2001), followed by German and Spanish citizens. African immigrants (6%), São Tomé and Príncipe (9%), Chinese (36%), Asian (19%). ***	Construction, trade, hotels and restaurants and some specific sectors: furniture for Indians or ethnic restaurants for Chinese. ***
Malmö	No definition given. Datasets differentiate the population by country of birth or origin rather than ethnic background.	4% *	One in every eight Swedish companies, or 70,000 companies, is owned by immigrants (likely to be white and ethnicity not recorded). ***	B: 55% of start-up entrepreneurs are from Denmark, the UK, Norway and Germany. Only 8% are owned by entrepreneurs from outside of Europe.	Of new companies started by immigrants in 2006: commerce repairs, hotels and restaurants: 37%; financial operations and corporate services: 22%; education and training, health care, social and personal services: 14%. *



Prague	There is no official definition; 'migrant entrepreneurship'/'migrant business'. 'Ethnicity' and 'migrant' strictly differentiated. 'Ethnic entrepreneurship' means entrepreneurial activities of legally recognised 'old' ethnic or national minorities (Jews, Germans, Roma, etc.) These minorities granted special legal status, which is refused to 'new' migrants.		A: Biggest numbers of foreigners with trade licenses: Ukraine (8,500), Vietnam (4,000) and Slovakia (2,200); also many smaller groups such as Armenians. Highest rates of entrepreneurship: Serbians (100%), Vietnamese (66%), Italians (34%) and Germans (32%). *	Construction: 22%; retail: 21%; real estate: 7%; wholesale: 16%. *
Strasbourg	Term more often used is 'immigrant' or 'foreigner entrepreneurship', understood as an enterprise, firm or business owned and created by an immigrant or foreigner	33% (craftspeople, traders and chiefs of enterprises) **	A: In handicrafts, EU: 5%; Turkey: 4%; Maghreb: 0.8%. **	Present in all sectors of activity: construction, trade, restaurants and bars, production, services. Mostly construction and trade. Construction: mainly subcontracting activities. Trade: retail trade, sales in markets. Less present in services: services to enterprises and individuals. **
Stuttgart	'Ethnic entrepreneurs' usually referred to as 'entrepreneurs with a migration background' or 'entrepreneurs with a foreign nationality'. Usually only the nationality is registered.	14% **. In the period from 2004 to 2007, foreigners established start-ups as often as Germans. *	B (although also includes natives): The majority of registrations made by Germans (63%), 4% by Turks, 2% by Poles, 2% by Italians, 0.8% by Greeks and 0.5% by Serbs. *	Building and construction industry (57%), facility management and horticulture (52%), hotel and restaurant industry (49%). Foreign business founders disproportionately high in highly competitive or labour-intensive sectors where lower qualifications required. *

Sundsvall	Usually referred to as 'immigrant entrepreneurs'. The city doesn't differentiate between entrepreneurs with or without an immigration background.	9% ***	Estimates for Sundsvall: 5-10%. * Immigrant entrepreneurs made up 11% of small business owners in Sweden in 2008. Among the newly started businesses in 2007 this number was higher: 13%. ***	Most immigrant entrepreneurs stem from the Middle East, Turkey and Africa. Some originate from other European countries. Lately more Asian entrepreneurs. *	
Tallinn	No definition of ethnic entrepreneur is commonly in use.			A: Overall average level of entrepreneurial activities for Estonian population aged 16-64 was 12%. ***	Ethnic background of the entrepreneur was probably one of the factors behind ownership of privatised companies, e.g., in the transport sector (now related to transit trade) where the Russian-speaking population was concentrated in the Soviet period (management buy-outs) and where non-Estonians are well represented nowadays. Ethnic entrepreneurs also have ethnic kitchens and restaurants. *

Terrassa	'Entrepreneurs with a foreign passport'. (Terrassa doesn't register ethnic groups but nationality.)			Rough estimate for Moroccans: 60% in construction, 40% in services/shops/restaurants. A study of the 47 cybercafés and call shops open in Terrassa found that foreign owners were mainly from Morocco (16), Pakistan (11), Peru (5) and Ecuador (4). Most immigrant business (esp. Moroccan) concentrates in construction. Of shopkeepers, the highest proportion are Moroccans, then Pakistanis, followed by Peruvians. Companies providing care (childcare and elderly care) are mainly run by South Americans. *
Turin	Different definitions are in use. The chamber of commerce considers entrepreneurs from the EU and other industrialised countries national entrepreneurs. The term 'immigrant entrepreneurs' is commonly used.	The number of ethnic enterprises in Turin is higher than the number of Italian-led enterprises.	B: Romanians are the largest community among ethnic entrepreneurs, at 22% of all non-national entrepreneurs. This is followed by Moroccan (16%), French (6%), Chinese (5%), Albanian (4%) and German (4%). *	Commerce and construction sectors. Commerce represents 29% of ethnic businesses and construction 28%. After that, business services (16%), industry (10%), tourism (6%) and people services (4%). *

Turku	The term used in Finnish is <i>Maahanmuuttajayrittäjä</i> , which means immigrant entrepreneur. 'Ethnic entrepreneur' is rarely used.	6% *	2% **	B: 36% (52 persons) Asian background (incl. Turkey, Middle East, Thailand, Vietnam and China), 32% (46 persons) non-EU European background (mainly Russians). *	In Turku, Russian entrepreneurs are mainly in the metals sector; Estonians in construction; Middle Eastern, North African and Chinese immigrants in the pizza-kebab business, and Thais in the massage business. For south-west Finland: retail: 26%; hotels and restaurants: 23%; industry: 8%; business: 14%; construction: 8%. **
Vienna	'Ethnic entrepreneur' is considered not only easily misunderstood, but a completely fictional construct too. Replaced by 'entrepreneurs with migration background', which is applied to self-employed who migrated to Austria or for whom at least one parent immigrated.	9% of total working ethnic population are entrepreneurs.*	2006: 70% managed by Austrians without migration background, 11% managed by naturalised migrants, the rest lead by entrepreneurs with migration background.*	Secondary sector often run by former Yugoslavs and immigrants from Poland. Enterprises in tertiary sector mostly run by Hungarians and other EU-country nationals, by US citizens and migrants from Switzerland. Second generation: group with Macedonian migration background most often runs enterprises in the secondary sector, followed by Croats. Self-employment in the tertiary sector among EU-nationals, in particular Germans. *	Highest proportions of businessmen with a migration biography found in the catering and hotel industry, slightly lower in private house-holding (both about 39%). Considerable proportions of migrant entrepreneurs also active in mining/stone extraction and transport and communication. *

Wolverhampton	Migrants are usually referred to as 'Black and Minority Ethnic (BME) groups' and, thus, ethnic enterprises are usually referred to using the terms 'BME enterprises' or 'BME businesses'.			Enterprises founded and run by people with an eastern European background are a new phenomenon. People with Indian, Pakistani, eastern European and African-Caribbean background make up the biggest groups among ethnic entrepreneurs. *	Vast majority of BME businesses belong to service sector. And BME enterprises tend to dominate industries such as small retail outlets and clothing manufacture. However, the latter is a declining industry in the city. *
Wroclaw	Due to the low number of long-term immigrants, terminology used in everyday life is very limited. In official documents about SMEs 'foreign physical/judicial person' describes persons without Polish citizenship.				Foreign entrepreneurs are low in numbers, although they are active in many sectors such as trade, professional services and education. *
Zagreb	Substitute terms have been developed to refer to specific ethnic groups that specialise in specific lines of business or to convey their origin: 'newly settled migrants', 'minority professions', 'the small business', 'the small sale'.				An Albanian minority has specialised in pastry shops, bakeries, goldsmiths and craftwork. Bosnian Muslims dominate the carpet business. Roma engage in collecting and trade with recycling materials. Chinese mainly appear in the field of low-price textiles or as operators of restaurants. There is also a new boom in ethnic fast food, including Bosnian Muslim kebab shops.*

Zeytinburnu	<p>'No term for ethnic entrepreneurship in the context of Zeytinburnu district and municipality. The closest one can get to such a concept is that of a migrant entrepreneur. But even this concept is not much applicable to metropolitan city of Istanbul and the city of Zeytinburnu.' The study uses the definition of migrants who have become entrepreneurs, either first or following generations, and who might use ethnic and regional ties to place of origin for establishing their SMEs.</p>					
Zürich	<p>'Ethnic entrepreneurs' usually referred to as 'entrepreneurs with a migration background'. In official documents only nationality is registered, if at all.</p>	7% as percentage of total employed ethnic minorities.*	17% (with a foreign owner)*			<p>'New immigrants' as well as highly qualified second-generation immigrants are well represented in white-collar occupations. Typical sectors of migrant labour are in SMEs such as retail sales, gastronomy and construction.*</p>

Source: CLIP case studies

Notes: \* data apply to city level; \*\* data apply to regional level; \*\*\* data apply to national level.

### Annex 3: CLIP European research group

The following institutes from the CLIP European research group contributed to this report.

Institute	University
Centre for Migration Policy Research (CMPR)	University of Swansea (United Kingdom)
European forum for migration studies (efms)	University of Bamberg (Germany)
Forum of International and European Research on Immigration (FIERI)	University of Turin (Italy)
Institute for Migration and Ethnic Studies (IMES)	University of Amsterdam (the Netherlands)
Institute for Urban and Regional Research (ISR)	Austrian Academy of Sciences, University of Vienna (Austria)
Institute of International Studies (IIS)	University of Wrocław (Poland)

### Acknowledgements

The authors wish to thank the researchers of the cooperating institutes for their excellent work. The authors would also like to acknowledge Wolfgang Bosswick and his team for effectively coordinating the research group. Finally the team is particularly grateful to the representatives of the cities, who contributed significantly to the preparation of the city reports and workshop discussions, and wishes to thank them for their invaluable comments to the overview report. The authors have made every effort to ensure that the evidence in the city reports is reflected in this overview report.

EF/11/38/EN





European Commission

Luxembourg: Publications Office of the European Union

2011 — 125 pp. — 17,6 x 25 cm

ISBN 978-92-897-1038-1

doi: 10.2806/27456



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*European cities are increasingly faced with the challenge of integrating people from very diverse backgrounds. As migrant populations increase, so do the opportunities for new business, job creation and international competitiveness. This report shows that ethnic entrepreneurs, however small their venture, contribute to the economic growth of their local area, often rejuvenate neglected crafts and trades, and participate increasingly in the provision of higher value-added services. They can help to promote stronger trading links with their home countries and foster social cohesion in their host communities. The report examines what city authorities are doing to attract ethnic entrepreneurs into their established business communities, and to facilitate the business environment – from the purely financial to providing training and advice. The report presents successful practices and strategies from 28 cities participating in the fourth module of the European Network of Cities for Local Integration Policies for Migrants (CLIP).*

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