



**Evaluation and Analysis of Good
Practices in Promoting and Supporting
Migrant Entrepreneurship**

**EU CONFERENCE
on
MIGRANT
ENTREPRENEURSHIP**

Background paper

23 February 2016

Deliverable prepared for the European Commission, Directorate Enterprise and Industry, Unit F2 Innovation and Advanced Manufacturing, Clusters, Social Economy and Entrepreneurship, within FwC No ENTR/172/ PP/2012/FC.

This project is carried out on behalf of the European Commission by



I - Context

European countries have become an immigration destination for many populations facing distress in their home countries, in a globalised economic context creating significant economic integration challenges for the host countries. Immigrants participating in the labour market add an important value to the EU economy¹ and the economic integration of migrants having entered the EU is a priority. Research demonstrates that on average across the EU immigrants are more prone to set up their own business compared to EU citizens with a non-migrant background.² Existing researches contend that this propensity is due to the selective dimension of migration processes and the immigrants' tendency to take greater risks.³ An additional driver for migrants' higher propensity to self-employment may stem from difficulties to access the host country's labour market, and/or climbing the career ladder. Thus, migrants often resort to entrepreneurship as a way of overcoming barriers to employment and career progression in their receiving countries.

Aside from the debate on whether the creation of a business is a choice or a necessity, a study based on data from 2007-2008 demonstrates that in the majority of the OECD countries the percentage of self-employed migrants is higher than that of self-employed non-migrants^{4,5} The OECD also concluded that the contribution towards the overall level of employment was on average 2.4% of the total employment during the period 1998-2008 and has steadily increased over this period.⁶ A complementary perspective to the overall contribution to job creation is the average individual contribution of each single migrant entrepreneur. Every self-employed migrant creates on average 1.8 additional jobs. It seems reasonable to say that there is a positive contribution to employment as a result of migrant entrepreneurship.

However, the comparison with non-migrants indicates that migrant entrepreneurs create less jobs.⁷ This may be due to the fact that the vast majority of new businesses created are micro companies with less than ten employees.⁸ Also in regards to turnover and profit, they are relatively small compared to native businesses.⁹ Moreover, migrant businesses have lower survival rates as compared with firms set up by natives. As a consequence, supporting migrant entrepreneurship – both in the start-up and business expansion phases - is crucial to unlock the potential of migrants to contribute to their host countries not only as employees but as business creators.

II – Objectives of the European Union in the field of migrant entrepreneurship

In the Communication “**European Agenda for the Integration of Third-Country Nationals**” (2011), the Commission acknowledges the important role of migrants as entrepreneurs and the need to reinforce their creativity and innovation capacity with the support of public authorities. Therefore, the European Commission aims at achieving a successful integration of migrant

¹ Entrepreneurial diversity in unified Europe, Ethnic minority entrepreneurship/migrant entrepreneurship, IMES and Triodos Facet for the European Commission, 2008

² Entrepreneurial diversity in unified Europe, Ethnic minority entrepreneurship/migrant entrepreneurship, IMES and Triodos Facet for the European Commission, 2008

³ <https://files.acrobat.com/a/preview/8e5e4dab-76e0-4fe1-afb0-f9580294c4bb>

⁴ International Migration Outlook, 2011, Migrant entrepreneurship in OECD countries.

⁵ Open for Business, Migrant entrepreneurship in OECD countries, 2010.

⁷ EU labour force survey *Average number of jobs created per foreign- and native-born self-employed person, firms under 50 employees, based on data from 1998-2008*

⁸ EU labour force survey *Distribution of firms owned by foreign entrepreneurs, by size, (average based on 1998-2008)*

⁹ EU Labour Force Survey

populations in Europe and to provide favourable conditions for business creation. Although the EU is not responsible for integration, it has been steering the integration of third-country nationals at the national and local level in Member States for more than a decade through funding, coordination mechanisms, knowledge exchange and benchmarking activities.

The Commission has set several financial tools to support migrant integration, including measures to address migrant and entrepreneurship.

The **Asylum, Migration and Integration Fund (AMIF)** managed by the Directorate General Migration Home affairs and Citizenship of the Commission was set up for the period 2014-2020¹⁰. One of its objectives is to support legal migration to Member States in line with the labour market needs and to promote an effective integration of the migrants. Most of this fund will be channelled through shared management and managed by the Member States. Concrete actions to be funded through this instrument can include education and language training for non-EU nationals, the support of one stop shops for migrant on how to set a business, including legal requirements.¹¹

The AMIF is complementary to the **European Social Fund (ESF)** for actions related to the participation of migrants in employment. The ESF – managed by the Directorate General Employment, Social Affairs and Inclusion - is one of the European Structural and Investment Fund (ESIF), with the main objective to boost employment and growth by facilitating access to jobs and training of disadvantaged groups of workers, in line with the Europe 2020 strategy. The ESF is mainly offering business support measures, such as training in basic management, legal and financial skills for setting up a business, and network activities. In addition, ESF contributes to microfinance projects to help set up small businesses. In the 2000-2006 period, 25% of the ESF budget was used for support measures to migrants and minorities¹². In the period 2007-2013, 13% of the beneficiaries in the EU were vulnerable groups such as migrants, ethnic minorities, or Roma. Over this period, the ESF has been used for migrants in facilitating their integration via helping in the administrative process, providing language classes, and supporting business creation. There are several examples of project funded under the ESF, such as *Business coaching for migrants* in Denmark¹³ or *Start up Grant* in Finland.¹⁴

Still under the Directorate General Employment Social Affairs and Inclusion, the **Employment and Social Innovation (EaSI)** programme is an EU financing instrument participating in the mainstream business support measures. One of its three axis is the Microfinance and Social Entrepreneurship axis, supporting micro-credit to vulnerable groups and micro-enterprises, and enhancing social entrepreneurship by providing an EaSI guarantee to microcredit providers and social enterprise investors in the EU.

EU instruments in mainstream policy areas linking to entrepreneurship also include specific provisions for migrants. In the **Entrepreneurship Action Plan 2020**, the Commission dedicated one section to specific groups of entrepreneurs including migrants, for which it intends to:

¹⁰ The AMIF has replaced the Solidarity and Management of Migration Flows” (SOLID) 2007-2013. This General Programme consisted of four instruments: [External Borders Fund \(EBF\)](#), [European Return Fund \(RF\)](#), [European Refugee Fund \(ERF\)](#) and [European Fund for the Integration of third-country nationals \(EIF\)](#). This latter financed actions to support migrant entrepreneurs. See for instance the Promotion of Immigrant Entrepreneurship Project (PEI) in Portugal. <http://www.acm.gov.pt/-/gabinete-de-apoio-ao-emprededor-migrante>.

¹¹ See for instance The Information Centre for Migrants (MIC) in Slovakia. <http://mic.iom.sk/en/>

¹² *European Social Fund, Migrants and Ethnic Minorities*, European Commission, 2010

¹³ http://europa.eu/rapid/press-release_MEMO-07-425_en.htm?locale=fr

¹⁴ <http://www.te-palvelut.fi/te/en/>

- propose policy initiatives to attract migrant entrepreneurs and to facilitate entrepreneurship among migrants already present in the EU based on best practices developed in the Member States;
- analyse the opportunity of proposing legislation aimed at removing legal obstacles to establishment of businesses and giving qualified immigrant entrepreneurs a stable permit.

In this **Entrepreneurship Action Plan 2020**, the Commission also invited Member States to remove legal obstacles to establishment of businesses by migrants legally residing/entering EU Member States and to facilitate access to relevant information and networking for migrant entrepreneurs. Highly qualified migrants already benefit from a simplified procedure to work in the EU with the **European Blue Card Directive** (2009). The **EU Immigration Portal**, launched in 2011 provides first-hand information to foreign nationals willing to move to the EU about the administrative procedures to live, work and create a business in one of the Member States.

III - Barriers for migrant entrepreneurship

While the important contribution that migrant entrepreneurs can make to Europe's sustainable growth and employment has been widely acknowledged, there are still barriers to the route to successful entrepreneurship for the migrant population residing in the EU. Problems may arise in relation to:

- access to credit and start-up funding, as banks tend to be more selective with the granting of credits to immigrants because they have limited or no credit history in the hosting country;
- low accessibility to native consumer demand, to production inputs or to distribution network;
- lack of information about local markets and their rules, services and support available from the public sector;
- institutional difficulties, such as permits, licences, time necessary to solve bureaucratic and/or legal issues, contract enforcement, national and local tax and subsidy system;
- socio-cultural difficulties, such as language difficulties, cultural framework or religious affiliation limiting
- education, knowledge and skills acquisition or even the capacity to take and manage business risk.¹⁵

IV - Type of interventions

As described in a recent study by the Migration Policy Institute,¹⁶ In the European Union (EU), its Member States and other OECD countries two broad set of policies should be in place for entrepreneurs – be they migrants or natives – to thrive: structural policies and business support measures.

Structural policies are key to promote a favourable environment for entrepreneurship. Usually adopted at national level and spread among several portfolios such as fiscal policies, labour

¹⁵ Rath, J., Eurofound (2011), Promoting ethnic entrepreneurship in European cities, Publications Office of the European Union, Luxembourg. Europe, available at: <http://www.eurofound.europa.eu/pubdocs/2011/38/en/2/EF1138EN.pdf>.¹⁶ Desiderio Maria Vincenza (2014), *Policies to Support Migrant Entrepreneurship*, Washington DC, Migration Policy Institute

¹⁶ Desiderio Maria Vincenza (2014), *Policies to Support Migrant Entrepreneurship*, Washington DC, Migration Policy Institute

market regulation, economic and industrial development, education and research policies, they serve the general goal of economic growth and business development. Entrepreneurship support measures adopted in the context of these policies range from administrative simplification to set up a business, more favourable fiscal regimes for entrepreneurship and investment, labour flexibility to facilitate recruitment, to enhancing entrepreneurship education and training.

Business support programmes aim to empower entrepreneurs and enable favourable conditions for business establishment and growth. They can be either mainstream or targeted. Migrant entrepreneurship benefits from both types of measures and a good policy concentration in these areas between local, national and European decision makers is therefore essential.

- **Mainstream business support measures** address all entrepreneurs and may offer legal advice, training, counselling, as well as funding opportunities and premises for business establishment and development. Good practice examples include one stop shop for entrepreneurs and high-tech business incubators.

- **Targeted business support measures** offer entrepreneurship support to migrants – either as a separate group or as part of a broader vulnerable group, such as residents of peripheral/deprived areas. These measures are more frequent in countries with a long history of immigration such as the United States, Canada, and Northern and Western Europe (the United Kingdom, Germany, the Netherlands). Usually, the measures are part of larger programmes for migrants’ integration, often implemented via private-public partnerships between public authorities, NGOs and private organisations. The targeted business support measures for migrants’ entrepreneurs can include:
 - **host-country specific language and business training,**
 - **mentoring and network building activities,**
 - **tailored counselling on administrative and legal rules;**
 - **access to finance and start-up funding may also be made available.**¹⁷

These wide range of initiatives to support migrant entrepreneurship, span across various levels of governance. Targeted migrant entrepreneurship support is more often provided at the local level, frequently through public-private partnership initiatives. These initiatives tend to be small scale, and it has proven challenging to scale these up and/or ensure their continuity over time. Tailored measures to support migrant entrepreneurship may also be designed at the national level, as part of national integration strategies, and implemented at the local or regional level. Mainstream business support geared to foster high-innovative entrepreneurship is usually available in economic capitals and high-tech hubs, while structural policies creating an environment conducive to business are the fact of national authorities. All these initiatives and

¹⁷ Example of integrated projects including all these types of actions are: *The action plan for entrepreneurship and employment: opportunities for and by refugees* of Amsterdam municipality (<https://refugeelocalwelcome.wordpress.com/2015/12/31/local-government-of-amsterdam-action-plan-for-entrepreneurship-and-employment-opportunities-for-and-by-refugees/#more-110>) and a microfinance initiative in Italy: *Associazione microfinanza e sviluppo onlus – re-lab: start up your business* (<https://refugeelocalwelcome.wordpress.com/2015/12/14/associazione-microfinanza-e-sviluppo-onlus-re-lab-start-up-your-business/>).

policy levels can greatly benefit from coherent action of the European Institutions both through soft law and coordination mechanisms as well as tailored funding.

V- Reflections and ways forward

This Conference will gather suggestions to improve existing practices and explore opportunities for the creation of a more comprehensive policy framework at the EU level to support migrant entrepreneurship at local, regional and national level.

Topics and questions for discuss are listed below:

- What role can the EU play in supporting migrant entrepreneurship?
- What type of collaboration would be best suited to the exchange of best practices in that domain between different organisations?
- Based on your experience, what are the main components of a successful initiative aimed at supporting migrants in overcoming hurdles to business creation and expansion in their receiving countries? Which of these components address migrant-specific difficulties, and which tackle broader entrepreneurship constraints?
- How to improve the outreach of the helping programs already in place?
- How to enhance the involvement of private actors?
- Would the presence of intermediaries such as project promoters and cultural mediators increase the uptake of the existing initiatives?
- Should a strategy be developed to facilitate migrants' access to mainstream business support and organizations? What would be the key elements of such a strategy?
- Would the creation of an EU network on migrant entrepreneurship provide helpful to stakeholders involved? What should be the functions of such a platform? Should these be limited to knowledge exchange, or should some support services be provided through the platform? (which ones and how?)
- What types of funding instruments are best suited to the needs of migrant entrepreneurs, depending on the scope of their projects?