

Supporting entrepreneurial diversity in Europe – Ethnic minority entrepreneurship/migrant entrepreneurship

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European societies are suffering from an entrepreneurial gap: 50 per cent of Europeans prefer working as a dependent employee, only less than half (45 per cent) would like to be self-employed. In the USA 61 per cent of the population prefer being their own bosses and only 37 per cent express a preference for employee status.¹ An important reason for the strong preference for being an employee is the desire to have a regular and predictable income and fixed working hours. In addition, Europeans foresee more problems with red tape than Americans and are more afraid of the consequences of a business failure.

Apart from these tangible difficulties, another reason for the entrepreneurial gap might be the relatively bad image that entrepreneurs have in Europe. More than 40 per cent of the population are convinced that entrepreneurs only think about their own wallet and exploit other people's work – in the USA, the share of the population who have such a negative view is only half that.

Yet Europe needs more entrepreneurs and a better climate for entrepreneurship if it wants to successfully implement the Lisbon strategy and create more and better growth and employment.² In order to promote entrepreneurship, all groups in society have to be involved. Currently about 5 per cent of Europe's population are non-nationals. A large part of our population, especially in the cities, have a migration background, that is, have migrated to their country of residence (often from outside Europe) or are descendants of immigrants. Moreover, the migrant population in Europe is growing. Migrants and people from ethnic minorities represent a considerable pool of entrepreneurship.

Being one's own boss is much more popular among ethnic minorities and migrants than among the average population. The statistical information that is available demonstrates quite clearly that entrepreneurship and self-employment in ethnic and migrant communities are higher than the national averages. It should however be noted that the statistical averages mask large differences between the ethnic communities. To some extent the reduced level of opportunities in the main labour market is still a push factor for migrant entrepreneurship. Discrimination, low-paid job offers, low status jobs and obstacles to upward mobility may induce ethnic minorities to look to self-employment as a second-best alternative to earn a living.

Nevertheless, these factors, while not negligible, appear no longer to be the main driving force for many migrant/ethnic minority businesses in Europe. More and more ethnic/migrant entrepreneurs are enticed into setting up businesses in order to be more autonomous and realise their own ideas. The high status of successful businesspeople in many ethnic and migrant communities also appears to be an important reason for becoming one's own boss.

While many migrants and people from ethnic minorities are motivated to become entrepreneurs, there are some difficulties that are specific to this group and that can prevent them from realising their business projects. The most pressing problems are access to finance, access to support services and knowledge of such services, language barriers, and limited business, management and marketing skills. Most ethnic minority businesses are relatively small and manager-owned, and they operate in an urban environment. Particularly the first generation of migrant and ethnic minority entrepreneurs often start in markets with low entry barriers and low capital and skill requirements. They operate in a rather competitive environment where price is the main parameter. This results in labour-intensive production, long working hours, low wages and so on.

In general, migrant and ethnic minority businesses rely less on formal providers of support than the average business; they prefer informal networks for obtaining information and assistance. This is partly due to a general lack of integration into society and a resulting lack of knowledge and lower familiarity with the business culture and the administrative environment. For similar reasons the businesses often obtain capital from family and friends and not from banks or other institutional sources.

Recognising the potential that ethnic minorities and migrants represent for the promotion of entrepreneurship in Europe, the European Commission has worked for several years on developing policies to foster ethnic and migrant businesses and to ensure that they receive the specific business support that they need.

There is wide agreement among the experts on the subject that the promotion of ethnic minority and migrant entrepreneurship is first and foremost motivated by economic policy considerations. Ethnic minority and migrant businesses are supported in order to promote entrepreneurship and create more successful enterprises. At the same time however, the promotion of entrepreneurship among these groups can also assist in their integration into the receiving societies. In order to promote the integration of migrants and ethnic minorities, the European Community supports and co-finances a number of projects in the Member States. The most important instrument in this context is the European Social Fund, which has been allocated a budget of €75 billion for the period 2007-2013.

In June 2003 the European Commission organised a conference on Ethnic Minority Entrepreneurs to launch a debate on the issue, to raise awareness of the important contribution to the European economy that has already made by ethnic minority entrepreneurs and to find answers to the question of how best to respond to some of the most persistent problems that ethnic minority entrepreneurs have to confront and that hinder their development.³ The conference was partly inspired by a pilot project dating back to the year 2000 when the European Commission produced a study on the availability of support and membership organisations for ethnic minority entrepreneurs, to help them to overcome the specific difficulties that they might have as a result of their ethnicity.⁴

Following the conference, the “Ethnic Minority Businesses” Network of national policy makers and administrators was established by the European Commission and Member States. This network, which at times also included researchers and representatives from business organisations, constituted a European organisational structure which Member States could use to exchange information on political and economic developments affecting ethnic minority businesses and on good practices and strategies in the promotion of these businesses. The first network meeting took place in December 2003, the most recent in March 2008. Topics that were discussed included access to finance for ethnic minority entrepreneurs and in particular the importance of microcredit, the importance of informal business relations for ethnic and migrant entrepreneurs and their alternative sources of capital and labour.

In 2005 the Commission prepared the launch of a second study to collect further good practice policies in the area of ethnic entrepreneurship. The work on the study was initiated in 2006 and its results were presented on 5 March 2008 at a Conference in Brussels to more than 100 representatives of national ministries, regional and local authorities, business associations, business support organisations, universities, research organisations, businesses and EU institutions. Delegates from Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, the Netherlands, Norway, Portugal, Romania, Spain, Sweden and the United Kingdom exchanged information on good practice cases in the promotion of ethnic and migrant businesses and discussed their strategic success factors.⁵

Some policy recommendations that can be drawn from extensive work in the past are:

1. A thorough analysis of the individual needs of ethnic businesses is crucial to the success of any business service provided. In the analysis of the individual needs of the entrepreneurs, their embeddedness in their ethnic community needs to be taken into account. Reaching out to and involving the local leaders of ethnic communities is essential to building

up the credibility of support providers. Employing coaches and trainers from among ethnic minorities and migrant communities also helps to enhance the credibility of support organisations.

2. Support organisations for ethnic minorities and migrants should not be stand-alone structures, as this increases the danger of permanently isolating their businesses from the mainstream economy.
3. The awareness of migrant and ethnic minority businesses of the support that is available needs to be raised, but also the awareness of administrations and other stakeholders - such as banks - as regards the contribution that these businesses can make to the general economy.
4. The basic business skills of migrant and ethnic minority entrepreneurs need to be developed. Most assistance is needed in the very early phases of the business and an enduring dependency on support services has to be avoided.
5. Member States should continue their exchange of good practices in the promotion of ethnic minority and migrant businesses.

Notes

¹ More information from the 2007 Flash Eurobarometer on Entrepreneurship is available at:

http://ec.europa.eu/enterprise/enterprise_policy/survey/eurobarometer2007/eb2007report.pdf.

² For detailed information on the renewed Lisbon strategy and the partnership for growth and jobs see:

http://ec.europa.eu/growthandjobs/european-dimension/index_en.htm.

³ For more information on the conference see:

<http://ec.europa.eu/enterprise/entrepreneurship/craft/craft-minorities/minorities-eu-conference.htm>.

⁴ For the final report see:

<http://ec.europa.eu/enterprise/entrepreneurship/craft/craftstudies/entrepreneurs-young-women-minorities.htm>.

⁵ For the conference presentations and the complete study see:

http://ec.europa.eu/enterprise/entrepreneurship/support_measures/migrant/index.htm.