

## Limits and opportunities of immigrant entrepreneurship

João Peixoto, SOCIUS, School of Economics and Management (ISEG),  
Technical University of Lisbon

One of the initiatives of the Gulbenkian Immigration Forum, the main activities of which took place during 2006 and 2007, was a continuing discussion on the conditions of the integration of migrants in the labour market. Within this context, a number of workshops were organised and the results of the initiative were published in book form. One of the workshops specifically addressed the subject of immigrant entrepreneurship. This meeting was attended by academics, as well as representatives of Government authorities, non-Governmental organisations and private companies, and particularly organisations involved in the area of micro-credit. Above all, this present text seeks to provide an account of the results of this workshop, in particular in relation to the discussion on the limits and opportunities of immigrant entrepreneurship. These outcomes were also previously disseminated in the publication resulting from the Forum (Peixoto, 2007).

The first point that was made in relation to immigrant entrepreneurship in Portugal was that it can be divided into a number of main types. Entrepreneurial initiatives vary according to immigrants' nationalities. There are groups among whom entrepreneurial activity is intense, where there is a marked propensity towards entrepreneurship, and others among whom such initiatives are less common. The types of businesses in existence are also varied. The majority are small-scale activities, mostly linked to the resources or the specificities of the immigrant communities. There are also larger-scale initiatives or initiatives with diverse commercial orientations, linked to a broad base of consumers. The sources of financing for companies are in many cases personal capital or capital originating from the entrepreneur's own community, but expansions in the scale of the business generally involve the formal financial sector.

The reasons for these various propensities for entrepreneurship, as well as the variety in types of businesses in existence, are complex. The argument has been put forward that the various personal and community resources to which immigrants have access, as well as the type of opportunities available, explain the various activities (Oliveira, 2004).

The obstacles and the constraints to entrepreneurial activities among immigrants are many. Until recently, some of the most important obstacles were the legal and institutional barriers resulting from legal immigration statuses. The immigration laws in force until 2007 – the year in which a new legal framework was approved – restricted the possibilities for entrepreneurial activity for holders of a residence authorisation or certain types of working visas. Given that a large number of

immigrants, particularly those who acquired legal status after 2001, had a stay permit (a legal instrument in existence from 2001 to 2003, providing an alternative to extraordinary regularisation processes) or another type of visa, they were automatically excluded from the possibility of undertaking legal entrepreneurial initiatives. Before 1998, the legislation had presented even greater constraints, demanding that all businesses with more than five workers must have 90% Portuguese employees. Due to these barriers, in some cases ruses were developed to evade the legal impediments, a necessity that the new immigration law sought to alleviate.

Other obstacles are also relevant: difficulties in accessing credit due to the difficulty of fulfilling all of the requirements demanded by the banking system (problems at this level are related to the difficulty of providing real and personal guarantees for the credit, the limited profitability of the small amounts requested and difficulties in opening accounts); lack of knowledge of the laws and of the world of business in Portugal due to weak socio-cultural integration or an effective distance from the information (some examples are the lack of knowledge of tax obligations and of requirements for specific sectors); the difficulty of access to information (related to weak social integration and the absence of efficient information channels); lack of knowledge of the Portuguese language (which makes access to information and to institutions difficult); difficulties in the recognition of qualifications (which frequently limit activities to areas where having skills is not essential); and some attitudes among the public (that could in certain circumstances be unfavourable to some activities).

Despite these obstacles, the number of supports and opportunities for immigrant entrepreneurship has multiplied during recent years, under the responsibility of non-profit associations, of banks and of the State. This is, for example, the case for the system of microcredit, and its adaptation for immigrants. Particularly important is the experience of the ANDC (National Association for the Right to Credit) in this area, as well as that of various private banks. The State has also become involved in this process. The most important action was the creation by ACIDI (the High Commission for Immigration and Intercultural Dialogue) in 2007 of the Support Point for Entrepreneurship (NAE), within the Employment Support Office of the National Immigrant Support Centre (CNAI). It should be highlighted that, among the various documented cases of immigrant entrepreneurial experiences, in particular those that involved micro-credit, the success rate is high, and regularly initial activities are expanded upon.

The advantages of immigrant entrepreneurship are numerous. In relation to the country of origin of the immigrants, economic links are strengthened, facilitating the development of these countries and the internationalisation of Portuguese firms. On the one hand, networks of production and trade are activated, leading

to the improvement of the economic conditions of the countries of origin. On the other, the knowledge that immigrant entrepreneurs possess of their country and of its needs can be crucial for Portuguese firms seeking to internationalise their activities. In this way, immigrant entrepreneurs can 'open up markets'.

As regards Portuguese society, immigrants' entrepreneurial initiatives facilitate economic growth and the improvement of the social integration processes of immigrants. Among the advantages at the macro-level are job creation (the employment of the entrepreneur is assured and new jobs are created); innovation (immigrants frequently bring new ideas, projects and technologies); and the revitalisation of urban districts. At a micro-level, the greater integration of immigrants should be highlighted. The very frequent success of these initiatives serves to reduce unemployment and avoid recourse to social benefits – thereby reducing the financial burden for the Welfare State.

It is well known that entrepreneurship is, in many cases, the most secure way for immigrants and their families to succeed in improving their standard of living. Without denying that actions should also be taken in other spheres of integration, the success of the entrepreneurial initiatives of immigrants brings gains for various actors: for immigrants and their families, for consumers and resident workers, and for the State itself. The activities of institutions should therefore consist of creating the conditions for the creativity and success of individual entrepreneurs and, at the same time, channelling part of this success towards the improvement of the situations of other segments of the population.

## References

- Oliveira, C. R. (2004), *Estratégias Empresariais de Imigrantes em Portugal*, Lisbon: Alto Comissariado para a Imigração e Minorias Étnicas.
- Peixoto, J. (2007), "Employment and social protection – Opportunities in the Portuguese labour market, competition and complementarity, recognition of qualifications and competences, Gulbenkian projects, entrepreneurship" in Vitorino, A. (ed.), *Immigration: Opportunity or Threat? Recommendations of the Gulbenkian Immigration Forum*, Lisbon/Estoril: Calouste Gulbenkian Foundation/Principia, pp. 187-214.