Open for Business

MIGRANT ENTREPRENEURSHIP IN OECD COUNTRIES

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Foreword

Migrants contribute to the economic growth of their host countries in many ways, bringing new skills and competencies with them and helping to reduce labour shortages. The work of OECD's International Migration Division has been highlighting those contributions as well as the integration challenges that migrants face, for several years already.

An aspect that has received only limited attention up to now is migrants' contribution to the economy via the direct creation of new businesses. The traditional image of self-employed migrants is that of ethnic business entrepreneurs in small shops catering to their fellow migrants. Although this image reflects in part an existing reality, it does not provide a complete picture of migrant entrepreneurship. Migrants create businesses in a wide range of sectors and occupations, including in innovative areas, and their contribution to employment creation has been increasing steadily over the past decade.

In addition, migrant entrepreneurs can play an important role in maintaining and developing economic activities in specific urban and rural areas at risk of economic or demographic decline. They can also contribute to the economy of receiving countries by expanding the host country's foreign trade using their transnational linkages.

Although immigrant entrepreneurs are not on the front burner of policy interest, their potential contribution to the economies of host countries has not escaped the attention of policy makers. An upward trend in the adoption of specific admission policies for migrant entrepreneurs and investors has been observed in the past decade in OECD countries.

To shed more light on the issues involved, the OECD co-organised, on 9 and 10 June 2010 in Paris, a conference on entrepreneurship and employment creation of immigrants in OECD countries, with the financial support of the Swedish Authorities, in particular the Ministry for Foreign Affairs, the Turkish Authorities and the Dutch-Turkish Businessmen Association (HOTIAD). The OECD Secretariat is particularly grateful to the Swedish Minister for Trade, Mrs. Eva Björling, and the Turkish Minister of State, Mr. Faruk Çelik, who stressed the political as well as economic importance of migrant entrepreneurship. Increasing awareness of the positive role which migrants can play, in their capacity as entrepreneurs, for the economy of the host country can contribute to a more balanced public debate on immigration. Invited experts, policy makers, representatives of employers' associations and of the banking sectors as well as migrant entrepreneurs participated in the conference. This publication compiles the papers presented at this conference. It addresses the nature of migrant entrepreneurship and its implications in a cross-country comparative perspective.

The characteristics of migrant entrepreneurship and its contribution to employment in OECD countries are examined. It is shown that migrants are slightly more entrepreneurial than natives in almost all OECD countries and create relatively more new businesses, although the survival rate of those businesses is often lower. The employment creation potential of migrant entrepreneurs rose steadily in the past decade and the total number of

persons employed in migrant businesses is substantial. Nevertheless, the average number of jobs created by a foreign-born self-employed who owns a small or medium firm remains somewhat below the corresponding level for natives. The main features of migration policies implemented in OECD countries in order to attract and retain foreign investors and immigrant entrepreneurs are presented. In most OECD countries, those policies are designed to select entrepreneurs and investors likely to contribute to the growth of the host country's economy and to encourage them to settle. However, those policies account only for a marginal fraction of all entrepreneurial activity by immigrants in OECD countries, as most foreign entrepreneurs enter OECD countries through other channels.

The publication analyses the background and motivations that can explain migrants' entrepreneurial strategies. In some cases, immigrants may resort to entrepreneurship as a way to move out of low-wage employment or when faced with discriminatory hiring practices, especially when they lack host-country-specific social and/or human capital. Over time, however, immigrant and native self-employed show increasingly similar profiles. Experiences of selected OECD countries are presented to shed light on some important topics regarding immigrant entrepreneurship and to propose best-practices to reduce difficulties that immigrant entrepreneurs face in starting up and developing their businesses.

A more comprehensive knowledge of migrant entrepreneurship can help guide appropriate policies to encourage and sustain migrant entrepreneurship, both in general and in the specific context of the recent economic crisis and the expected recovery phase. Specific admission policies for migrant entrepreneurs and investors can provide simplified channels of access, ensuring that foreign entrepreneurs and investors face no obstacles in bringing their human capital and financial resources to a new country. Target support measures towards migrant entrepreneurs can help tackle specific problems faced by migrant entrepreneurs compared with natives in the development of business activities. However, mainstream support measures and policies intended for all entrepreneurs in a country, regardless of their origins, are the key instrument to foster both migrant and native entrepreneurship. Among these are the reduction of obstacles to business creation and development and the promotion of the economic growth prospects of the country.

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Main Findings of the Conference on Entrepreneurship and Employment Creation of Immigrants in OECD Countries, 9-10 June 2010, Paris

by

Maria Vincenza Desiderio, OECD
and John Salt, Consultant to the OECD

Introduction

Immigrants bring new skills to receiving countries, provide flexibility in the labour markets and help address labour shortages. They contribute to the economy as employees but also as entrepreneurs, creating new firms and businesses. Immigrants' contribution to growth in entrepreneurial activity and employment creation in OECD countries has increased over the past decade. This can be measured in qualitative as well as in quantitative terms. In most OECD countries immigrants are slightly more inclined to engage in entrepreneurial activities than natives. Those activities go beyond traditional ethnic businesses and migrants are now creating businesses in a wide range of occupations and sectors, including innovative areas. Thanks to their transnational ties, migrant entrepreneurs can also contribute to expanding trade between the host country and their countries of origin.

The contribution of migrant entrepreneurs to the host-country economy is an area where comparative international knowledge is evolving but underdeveloped. Comparing entrepreneurship and employment creation of immigrants across OECD countries is not a straightforward exercise, due to the different data sources that are available for different countries and the lack of an internationally-agreed definition of a migrant entrepreneur.

The conference on entrepreneurship and employment creation of immigrants in OECD countries held in Paris on 9 and 10 June 2010, and co-organised by the OECD with the financial support of the Swedish Government, the Turkish Government and the Dutch Turkish Businessmen Association (HOTIAD), was the first to address the nature of migrant entrepreneurship and its implications in a cross-country comparative perspective. Overall, the conference shed a new light on cross-country differences in migrant entrepreneurship. The papers presented provided a comprehensive overview of the economic contribution of migrant entrepreneurs. New internationally comparable data on entrepreneurship and employment creation of immigrants in OECD countries were presented. This publication presents the proceedings of this conference, identifying the following key findings.

The characteristics and the determinants of migrant entrepreneurship and employment creation by immigrants in OECD countries

Rates of entrepreneurship

Entrepreneurship tends to be slightly higher among immigrants than among natives in most OECD countries. Around 12.7% of migrants of working age are self-employed, compared with 12.0% among natives. Even after controlling for individual observed characteristics, it appears that migrants are more often entrepreneurs than native-born persons. The fact that migrants, on average, are greater risk-takers may partly explain this finding (Chapter 1).

However, rates of entrepreneurship vary significantly between countries and over time. In countries such as the United Kingdom, France, Belgium, Denmark, Sweden and Norway, the share of entrepreneurs in total employment is 1.6 to 2.9 percentage points higher for migrants compared with natives. Inversely, in Greece, Italy, Ireland, Spain, Switzerland, Austria and Germany foreigners showed a lower propensity than natives to be entrepreneurs, the difference in self-employment rates between the two groups ranging from 0.7 in Germany, to 16.3 percentage points in that of Greece. Many factors contribute to explain the differences across countries, including the business environment and the specific constraints that immigrants may face the socio-demographic characteristics of immigrants relative to natives, the specificities of migration trends, and the sector distribution of migrant employment. The evolution of the regulatory and institutional framework for immigrant entrepreneurship and for immigration in general, as well as the labour market, among other factors, can explain fluctuating rates of entrepreneurship among immigrants over time. This was particularly evident in the case of Portugal (Chapter 4).

Entrepreneurship rates also vary between different foreign groups. Several reasons explain this diversity. First of all, migrants of different origins have different background characteristics (in terms of skills, etc.). Second, some origin countries traditionally have a higher share of entrepreneurs in their economies, and individuals that migrate from such countries are more likely to establish businesses in the recipient country. For example, Asian migrants are more likely to become entrepreneurs in several OECD countries than most of their migrant counterparts. By contrast, migrants from Latin America and the Caribbean and from African countries are less likely to establish themselves as entrepreneurs. In the United States, the propensity of Mexican-Hispanics to enter entrepreneurship is lower with respect to other Hispanic and non-Hispanic White groups. The self-employment rate stands at only 5% for Mexican men and 2.6 % for women (Chapter 9).

Main socio-demographic characteristics

Individual background is an important determinant of the likelihood to be involved in entrepreneurial activities. Migrant entrepreneurs have different individual background characteristics than both native entrepreneurs and migrants in wage employment. They are, on average, more educated than their native counterparts. Foreign-born entrepreneurs have a similar age distribution to native-born entrepreneurs (*i.e.* they tend to be middle-aged, and on average older than wage and salary workers), although they are on average slightly younger than their native counterparts.

The duration of stay is generally longer for migrant entrepreneurs than for employed migrants in OECD countries. Indeed, the longer a migrant has been in a country, the higher is the social capital specific to the host country and the possibilities to raise funds to set up or expand a business. In Switzerland, for example, foreign-born self-employed are older and more often naturalised than salaried of foreign origin (Chapter 5). However, a longer duration of stay is also correlated with age, as migrants who have been in the country for a longer period tend to be older.

The share of women entrepreneurs in the total in OECD countries is low, among natives and the foreign-born (30%, on average). This can be explained by the combination of both a lower entry rate into entrepreneurship and a higher exit rate for women. An increasing trend in self-employment among women has been observed in several OECD countries (Chapter 10). In the United States, for example, women represented around 24% of the total number of self-employed workers in 1980, while they accounted for 36% in 2007. It is notable that the self-employment rate for low-skilled immigrant women in the United States more than doubled over the period, increasing from 4.2% in 1980 to 10.6% in 2007. Among immigrant women with secondary education, too, the self-employment rate increased significantly, rising from 6.3% in 1980 to 9.4% in 2007 (Chapter 14).

Employment creation

The contribution of migrant entrepreneurs to employment creation rose steadily during the period 1998-2008. However, the employment creation potential of migrant entrepreneurs remained somewhat below that of their native counterparts: on average, a foreign-born self-employed who owns a small or medium firm, creates between 1.4 and 2.1 additional jobs, compared with 1.8-2.8 for natives. However, numbers vary by sector and nationality. In the Czech Republic, Hungary, the Slovak Republic and the United Kingdom, self-employed migrants created more jobs than self-employed natives (Chapter 1).

Total numbers employed are substantial. In the period 1998-2008, migrant entrepreneurs employed, every year, an average of 2.4% of the total employed population in OECD countries. In both 2007 and 2008, migrant entrepreneurs annually employed more than 750 000 individuals in Germany, around half a million in the United Kingdom and Spain, almost 400 000 in France and around 300 000 in Italy. In Switzerland in 2009, the total number of jobs attributable to the 86 000 foreign self-employed was 275 000.

Furthermore, those numbers increasingly include nationalities other than those of the entrepreneurs themselves. For example, in 2006, 533 000 out of the total of 650 000 workers employed by ethnic Chinese entrepreneurs in Canada were non-Chinese (Chapter 8).

Business survival rates

Evidence from several countries suggests that migrants are more likely than natives to start up new enterprises but are also more likely to see their businesses fail. The success or failure of entrepreneurship is best measured by company survival rates, which are captured by longitudinal studies. Overall, it appears that survival rates for migrant entrepreneurs' firms are lower than those for native entrepreneurs. In France, for example, longitudinal data indicate that only 40% of migrant (non-EU) businesses created in 2002 were still in existence after five years, compared with 54% of corresponding native businesses. However, rates seem to vary according to economic conditions: when

the French economy is doing less well, there is little difference in survival rates between native and migrant entrepreneurs. The main reasons for failure are related to low education levels, credit constraints, length of residence, language ability, legal status and region of origin. Sub-contractors, especially in construction, have high failure rates (Chapters 6 and 13).

A number of factors contribute to the success of migrant enterprises. In Portugal, for example, those better able to comprehend laws and regulations were more likely to succeed. In France, studies have identified a number of indicators of success for migrant enterprises: firms that prosper are modern commercial ones with wide client bases; the entrepreneurs themselves are more educated, aged 35-49, so they already have considerable work experience; they have access to start-up capital investment; businesses set up by men do better than those by women; businesses set up by families are more likely to succeed than those set up alone.

Explaining migrant entrepreneurship

Several explanatory hypotheses have been put forward to identify the determinants of immigrant entrepreneurship. Rather than exclude each other, these approaches can explain different entrepreneurial strategies that can be put in place by different migrant groups over time and space. One such hypothesis is often referred to as the *disadvantage* or *blockage* hypothesis. It is based on the personal characteristics of migrants and assumes that they enter self-employment out of necessity. It invokes as reasons for exclusion from salaried employment: low skills, lack of education, language difficulties and discrimination. Migrant entrepreneurs end up servicing their own social group communities, for the most part in enclave economies and with limited opportunities for advancement. The findings of most of the papers indicated that this hypothesis is no longer of general significance, even though it may apply to some specific groups and cases.

The *specificity* hypothesis links together migrant groups and economic sectors. It proposes that individual migrant national or ethnic groups gravitate into specific occupations or sectors. To quote Etienne Piguet, "belonging to a minority group is seen as a source of social capital that facilitates the access of immigrants to independent activities". Consequently, migrant businesses may develop differently from those of native entrepreneurs (Chapter 5). This hypothesis still works in certain circumstances, such as those which exist for ethnic self-employment in the United Kingdom (Chapter 7).

The *opportunity* hypothesis focuses on the interaction between the personal resources of migrants, the resources of migrant communities, such as access to financial support, consumers, suppliers and advice, and the opportunities presented by the host country with respect to labour market structures and regulation, government incentives and public opinion (Chapter 3).

A final hypothesis is the *convergence* hypothesis. It proposes that immigrant and native self-employed show increasingly similar profiles over time. It implies both a convergence of self-employment rates between migrants and natives and a move of migrant entrepreneurs away from ethnic enclaves into a broader range of occupations and sectors. The general findings of the conference suggest that the convergence model is becoming more appropriate.

Increasing knowledge of immigrant entrepreneurship in OECD countries

Immigrant entrepreneurship extends beyond ethnic business

Sector entry depends more than anything else on capital requirements. The general picture is for migrant entrepreneurs to have emerged from the ethnic-based occupations with which they are traditionally associated into a much broader range of sectors. In OECD countries, the range of activities that foreign-born self-employed undertake is now as wide as that of natives. In the United States, for example, foreign-born self-employed were originally associated with ethnic enclaves but are now increasingly found in other sectors like construction, non-durable manufacturing goods, finance and insurance activities.

A similar story of retreat from the traditional ethnic base is found elsewhere, although usually into sectors with low barriers to entry. In Portugal, where migrant entrepreneurs have gone beyond ethnic-based strategies, they are still concentrated in occupations with low barriers to entry, such as construction, retail and catering. In addition, in most countries certain groups tend to be concentrated in certain sectors, suggesting a specificity model in operation.

Migrant entrepreneurs' contribution to trade and innovation

There is some evidence that migrant entrepreneurship can spur trade, by lowering trade-transaction costs as a result of migrants' knowledge of markets back home and their contact networks. Migrant entrepreneurs are in a good position to personally stimulate trade with their countries of origin. Moreover, they can serve to show the way for other firms that want to engage in trade with their former home countries, by strengthening business networks and disseminating knowledge about markets in migrants' country of birth.

Policy makers can enhance the channels through which migrants facilitate trade. For instance, policy makers can set out to improve the channels through which immigrants can help to reduce information frictions and improve trust relationships between the host and source countries. In Sweden, the government has initiated a project which sets out to, *inter alia*, establish networks where foreign-born entrepreneurs can meet, exchange experiences and support each other. Members of these networks are given special support from the nationally-based Trade Council. The Minister for Trade has also established an Advisory Board, which consists of entrepreneurs with foreign backgrounds, with the aim of maximising migrants' contribution in enhancing foreign trade (Chapter 12).

Migrant entrepreneurs in OECD countries can also contribute to innovation. Migrant enterprises are no longer confined to the lower segments of markets, and they are increasingly found in high-value activities which characterise advanced urban economies. In the United States, skilled migrants outperform college-educated natives in term of starting companies, per-capita patenting, commercialising or licensing patents. In particular, for patenting, there is evidence that immigrants' success has positive spill-over effects on natives (Chapter 11).

Some issues requiring further research

The conference, through the papers presented as well as the ensuing discussion, expanded knowledge on migrant entrepreneurship and shed light on some innovative aspects of the phenomenon. It also raised a number of issues requiring further research.

The quality of data sources for the research on migrant entrepreneurship needs to be improved, especially through a wider use of longitudinal studies, which allow for tracking the life-cycles of individual enterprises. The advantage of such studies would be to see the opportunities and constraints on migrant businesses operating over time. In addition, more parallel studies of both migrants and native entrepreneurs are needed.

To facilitate the comparisons between different studies and data, a commonly-agreed definition of migrant entrepreneurs would be desirable. Currently, some authors use migrant individual "self-employment" as a descriptor, while others refer to the migrants' businesses. Other definitional issues relate to the population of interest, as the literature on migrant entrepreneurs refers variously to foreign-born, foreign nationals, or naturalised children of former immigrants.

While analysing migrant entrepreneurship, another interesting issue would be to integrate into explanatory hypotheses those personal traits which contribute to entrepreneurial success – including knowing how to face challenges and take risks, passion, vision and personality.

Improving the knowledge on migrant entrepreneurship is essential for policy makers to have a complete understanding of the key features of the phenomenon and put in place the most effective measures to foster the success of migrant enterprises and their contribution to economic growth (see below). In addition, increasing awareness of the positive role which migrants can play, in their capacity as entrepreneurs, for the economy of the host country could contribute to a more balanced public debate on immigration.

What can be done to foster migrant entrepreneurship and its contribution to economic growth?

A majority of OECD countries have adopted migration policy measures in the recent past that apply specifically to foreigners willing to migrate in order to create or operate their own business or invest their capital in the country. These policies are designed to select immigrant entrepreneurs and investors likely to contribute to the growth of the national economy and to encourage them to settle. Measures include specific admission criteria and project tracking as a basis for authorising entry, stay and the renewal of permits. An upward trend in the adoption of specific admission policies for migrant entrepreneurs has been observed over the past decade (Chapter 2).

However, those programmes account only for a very marginal fraction of all entrepreneurial activity by non-citizens in OECD countries. Available data for selected OECD countries show that the number of entries registered annually under the migration programmes dedicated to foreign entrepreneurs and investors is only a tiny fraction of the yearly number of new foreign-born entrepreneurs. In Germany, for example, the number of visas issued to non-EU nationals for the purpose of self-employment in 2008 was less than 4% of the number of new foreign-born entrepreneurs estimated in the country for the same year. Corresponding figures for other countries are even smaller with annual self-employment visas issued accounting for less than 0.5% of new foreign-born entrepreneurs in the Netherlands and 0.7% in Spain.

In fact, most foreign entrepreneurs enter OECD countries through other channels and do not use the special programmes. Thus, these programmes play a marginal role in supporting entrepreneurial activity. Similarly, investment is not primarily driven by the availability of investor visas.

It has been acknowledged by some policy makers that early policy was made in an "information *vacuum*", with measures introduced based on what was expected to happen rather than past experience. This was the case, especially, for settlement countries (notably Australia and Canada), which were among the first countries to include in their migration systems specific schemes for the admission of foreign entrepreneurs and investors. As a consequence, in those countries, business immigration programmes have been repeatedly modified.

Rather than creating or adapting special admission policies for migrant entrepreneurs, it may be more effective to ensure that all immigrants in the country have language and financial literacy and are able to become entrepreneurs, if they wish. Furthermore, support measures should be implemented, targeting not only nascent entrepreneurs (*i.e*. focusing on the start-up phase), but also already established migrant entrepreneurs in order to increase the survival rate of immigrant businesses.

Targeted support schemes for business immigrants, aimed at encouraging the development of migrant entrepreneurial activity, exist in some OECD countries (namely Denmark, Finland, Norway and Sweden). Measures consist mainly in providing to migrant entrepreneurs training, guidance, mentoring, and improving their network-building capacity, and are implemented by various intermediary agents, including chambers of commerce, employers' organisations and branches of local government. One area that should be strengthened, in order to improve the effectiveness of such support measures is networking between entrepreneurs and intermediary agencies. Here, a fundamental element is to identify the steps needed to build up trust. Business support schemes for immigrants are often included in wider integration programmes.

Specific measures to facilitate access to credit for migrant entrepreneurs have been implemented in a few countries. Access to finance is a very important issue for migrant entrepreneurship. On the one hand, sector entry depends more than anything else on capital requirements; on the other, credit constraints are one of the main reasons why migrant enterprises fail. As a consequence, enhancing migrants' access to credit would be a key tool to improve the success of migrant enterprises, as well as to help them emerge from traditional occupations confined to the lower segments of markets and expand to high-value activities. In this process, the role of banks is crucial. The reluctance of banks to lend to migrants can be partly related to a higher default risk, given the higher failure rate of migrant businesses compared with natives businesses. Less willingness on the part of banks to grant loans to migrant entrepreneurs is also related to difficulties in assessing the creditworthiness of migrants, which decrease the longer the migrant lives in the host country. In addition, perceived (higher) risks in lending to certain national groups can be related to cultural factors and discrimination (Chapter 15).

Targeted support measures towards migrant entrepreneurs are thus needed to tackle specific problems faced by migrant entrepreneurs compared with natives in the development of their business activities. However, the risk of ghettoisation must be avoided, and mainstream business support measures, intended for all entrepreneurs in a country, are keys to foster both native and migrant entrepreneurship. More generally, policies consisting in the reduction of obstacles to entrepreneurship and business creation as well as policies promoting the economic growth prospects of the country are at least as important as migration and integration policies in encouraging and supporting migrant entrepreneurship.

Part I

MIGRANT ENTREPRENEURSHIP IN OECD COUNTRIES: MAGNITUDE, CONTRIBUTION TO EMPLOYMENT AND SPECIFIC MIGRATION POLICIES

Chapter 1

Migrant entrepreneurship in OECD countries and its contribution to employment

by

Josep Mestres, OECD

Summary

This comparative study analyses migrant entrepreneurship and its contribution to employment creation in OECD countries. The results show that the relative importance of entrepreneurship is slightly higher among migrants (12.7%) than among natives (12.0%) but there are significant variations between countries and over time. Migrant entrepreneurs have different individual backgrounds than both native entrepreneurs and migrants in wage employment. They are on average more educated and work in a wide range of occupations and sectors, including non-ethnic business sectors.

Migrant entrepreneurship contributes significantly to employment creation in OECD countries. The relative contribution of migrant entrepreneurs was on average 2.4% of the total employment during the period 1998-2008, and their absolute contribution increased steadily over this period. On average, a foreign-born self-employed who owns a small or medium firm creates between 1.4 to 2.1 additional jobs, slightly less than their native-born counterparts (1.8-2.8). Furthermore, this study shows that migrants are more likely than natives to create a new business in almost all OECD countries in relation to their population size, although the survival rate of these businesses is lower.

The analysis of individual determinants of migrant entrepreneurship shows how each factor is related to the entrepreneurship status. Migrant entrepreneurship behaviour seems to be affected by credit constraints, duration of residence in the host country and the region of origin. Even after controlling for individual observed characteristics, migrants have a higher entrepreneurial spirit in many OECD countries. The selective dimension of migration processes may partly explain why immigrants are more likely than native-born to have entrepreneurial skills.

Introduction

Immigrants bring new skills to receiving countries, provide flexibility in the labour markets and help reduce labour shortages. They contribute to the economy as employees but also as entrepreneurs, creating new firms and businesses. The economic literature in this area has focused mainly on ethnic business and the role of migrant entrepreneurs within their community of origin. This study aims to obtain a broader picture of the contribution of immigrant entrepreneurs to employment creation in the host countries. A broader picture appears even more important as many OECD countries are adapting their migration policies to attract more foreign investors and entrepreneurs who bring not only human capital but also financial resources with them (see Chapter 2).

An initial observation is that the relative importance of immigrant entrepreneurship varies significantly, both across OECD countries and between immigrant groups. There are many factors that contribute to explain these differences, including the fact that self-employment may be used by migrants to overcome difficulties encountered in accessing wage employment, notably when they lack host-country-specific social and/or human capital. *To what extent are immigrants more or less likely than the native-born to develop a business? Are there specific sectors where migrant entrepreneurs operate? Do migrant entrepreneurs have comparable demographic characteristics to their native-born counterparts? What are the main determinants of migrant entrepreneurship in OECD countries?*

These questions are addressed in this study through what is, to our knowledge, the *first* attempt to analyse migrant entrepreneurship in a cross-country comparative framework covering OECD countries. Answering these questions can help guide appropriate policies to encourage and sustain migrant entrepreneurship, both in general and in the specific context of the recent economic crisis and the expected recovery phase.

The structure of this chapter is as follows. The first section discusses the definition and data sources used to identify entrepreneurs by migration status. Section 1.2 provides a profile of migrant entrepreneurs in OECD countries, including its evolution over the past decade. The profile covers the characteristics of migrant entrepreneurs in terms of sector of activity, occupation, gender, education, age, country of origin, and number of years in the host country. Section 1.3 provides an estimation of the contribution of migrant entrepreneurs to overall employment in the OECD countries. Section 1.4 looks at how individual factors affect migrants differently from natives in their decision to enter into entrepreneurship.

1.1. Measuring migrant entrepreneurship: definition and potential data sources

Defining entrepreneurs is not necessarily a straightforward exercise. A general approach is to consider as entrepreneurs "those persons (business owners) who seek to generate value through the creation or expansion of economic activity, by identifying new products, processes or markets" (OECD, 2008a). This definition can be expanded to include those individuals "who work in their own business, professional practice or farm for the purpose of earning a profit" (Eurostat, 2003). The latter category corresponds to the *self-employed*, whether or not they employ other persons. While the self-employed should clearly be considered entrepreneurs, there may be entrepreneurs who are not self-employed.[1] Identifying the latter is particularly difficult, and a standard practice in

entrepreneurship literature is to assimilate the self-employed as entrepreneurs, in the absence of more suitable data.[2]

To identify *migrant* entrepreneurs, it is necessary to link the individual characteristics of the business owner to the business unit.[3] However, because ownership of many firms (in particular public listed companies) is atomised, there are many shareholders, and many might not even be individuals but other firms or corporations, making the link between the firm and the owner difficult to determine. Available databases on firms – and, notably, business registers – unfortunately are not suitable or widely available (see Box 1.1).

An alternative to overcome some of the problems relating to the identification of the physical business owner is to use surveys created with the purpose to study entrepreneurship. Although less exhaustive than business registers (and with smaller sample sizes), they are created specifically to analyse the firm creation process and the entire entrepreneurship phenomenon. The Global Entrepreneurship Monitor (GEM) is a good example of a specific entrepreneurship survey. It has information at different stages of the firm life cycle (from the early stage on), as well as the factors that influenced the entrepreneurship process (financing, government intervention and support, etc.). Unfortunately, the GEM does not provide information regarding the nationality or country of birth of the owner of the firm.

Box 1.1. Main available datasets on firms

A first candidate data source is the business register. This type of data source is one of the most comprehensive sources for business information, as all businesses above a certain threshold are normally included. In addition, as they record the number of workers employed by the business (as well as other characteristics such as sales, profits, etc.), they are a precise source to analyse employment creation by firms.[4] One example of business register is the ORBIS database. Unfortunately, close examination of the ORBIS database revealed that it is not possible to know if the physical owner of the firm is a migrant (either foreign-born or a foreign national living in the host country), as little socio-demographic information on the owner is provided. This is because the unit of interest in business registers is the firm, and available information refers to the legal (and not the physical) owner of the firm, in many cases itself another company.

Two countries with specific surveys to study the entrepreneurship phenomenon are United States (Kaufmann Firm Survey, KFS) and France (*Système d'information sur les nouvelles entreprises, SINE*). The KFS is a panel that followed around five thousand businesses founded in 2004 during their early years of operation. The survey focuses on firm characteristics, firm strategy and innovation, employment patterns, financial and organisational information, as well as the characteristics of their founders – including migrant status. SINE is a similar dataset, a representative sample of all firms created in France in 2002, followed-up in 2005 and 2007. The cohort follow-up allows study of their employment creation, problems faced and their survival probability. Using the SINE dataset, Breem (2009) shows that only 40% of the firms created by non-EU foreign-born in France had survived five years after their creation. Unfortunately, few other countries in the OECD have similar datasets available.

Another survey that focuses on the entrepreneurship process is the 2006 survey on the "Factors of Business Success" carried out by 15 EU member states. The results of this survey give an insight into the factors that determine the success and growth of newly-born enterprises, notably by looking into motivations for starting up one's own business, the barriers and risks encountered during the first years of existence, the current situation of the enterprise, and business plans for future development. However, there are severe sample-size limitations while studying entrepreneurship of a small group of the population, as is the case for migrants.

The study presented here therefore concentrates on *self-employed entrepreneurs* using labour force survey data. In this case, an explicit distinction between migrant entrepreneurs and native-born entrepreneurs can be made, while identifying the main characteristics of the business. The analysis concentrates on non-agricultural entrepreneurs,[5] as is standard in the entrepreneurship literature.

This study relies on Eurostat Labour Force Surveys, the US Current Population survey (March supplement) and the Australia Labour Force Survey to analyse the migrant entrepreneurship phenomenon in the OECD countries. These data enable identification of those entrepreneurs that define themselves as self-employed,[6] the number of employees that they employ in their business as well as a wide range of socio-demographic characteristics, both specific to the self-employment phenomenon (*i.e.* number of years as self-employed) and to the migration experience (*i.e.* number of years in the host country).

It is worth mentioning, however, that the data sources used in this study also have some limitations. First of all, using those who declare they are self-employed might underestimate the actual number of self-employed entrepreneurs. Notably, the self-employed that own large firms might be underrepresented if they declare themselves as wage employees. On the contrary, the number of firms own by self-employed entrepreneurs could be overestimated in the case where several owners of the same firm identify themselves as self-employed with employees.[7]

1.2. What is the relative scope and profile of migrant entrepreneurship?

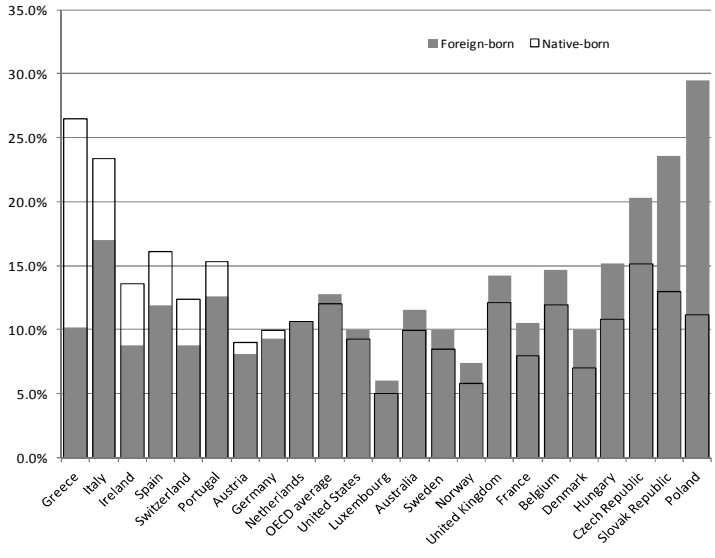
In most OECD countries migrants have a slightly higher propensity than natives to be entrepreneurs…

Migrants in OECD countries are on average slightly more entrepreneurial than natives: 12.7% of migrants of working age are involved in non-agricultural entrepreneurship activities, compared with 12.0% among natives. Figure 1.1 shows that the share of self-employment is higher among migrants than among natives in most OECD countries, although there are important variations across countries as already highlighted in recent editions of the *International Migration Outlook* (OECD, 2009). In countries such as Australia, the United Kingdom, France, Belgium, Denmark, Sweden and Norway, the share of entrepreneurs in total employment is 1.5 to 2.9 percentage points higher for migrants compared with natives. In the United States, albeit to a lower degree, the share of migrant entrepreneurs is also higher than that of natives.[8] On the contrary, Portugal, Spain, Italy, Greece, Ireland, Germany, Austria and Switzerland are characterised by a relatively lower migrant self-employment rate.

The two main regions with high overall self-employment propensity are southern Europe and central and eastern Europe. However, while in central and eastern Europe the foreign-born tend to have a higher self-employment propensity, in southern Europe the opposite arises. The over-representation of immigrants in self-employment in Poland, Slovakia, the Czech Republic and Hungary might be partly due to relatively flexible visa regulations for migrants entrepreneurs (see Chapter 2 in this volume). Southern European countries' lower migrant entrepreneurship propensity might be explained by the fact that immigration is a recent phenomenon and mostly composed of low-skilled workers who may not have had time yet to build the necessary human, physical and social capital to start a business.

Figure 1.1. Share of self-employment in total employment native and foreign-born, 2007-08

Percentage



Source: Eurostat Labour Force Survey, 2007-08; US CPS March Supplement, 2007-08; Australia Labour Force Survey, 2007-08.

Many factors contribute to explain the differences across countries, including the business environment and the specific constraints that immigrants might face, the socio-demographic characteristics of immigrants relative to natives, the specificities of migration trends, and the sector distribution of migrant employment among others. Section 1.4 will further analyse the determinants of migrant entrepreneurship and try to disentangle the role of these various factors.

The change in migrant self-employment over the past decade varies across countries

The evolution over time of self-employment among migrants is non-uniform among OECD countries (see Table 1.1). In fact, there is almost no trend in either the foreign-born or native-born shares over the decade. In some OECD countries, the share of self-employed foreign-born in total foreign-born employment declined slightly between 1998-2000 and 2007-08, although sharper decreases are recorded in Ireland and Spain, for example. Usually, the trend observed for the foreign-born mimics that observed for the native-born. However this is not the case notably in the United Kingdom, Ireland and Spain, where migration increased significantly during the decade in question and mainly comprised labour migration. In these countries the share of wage employment increased.

Table 1.1. Evolution of share of self-employment in total non-agricultural employment by place of birth in OECD countries, 1998-2008

Percentage

	Foreign-born (%)				Native-born (%)			
	1998-2000	2001-2003	2004-2006	2007-2008	1998-2000	2001-2003	2004-2006	2007-2008
Australia	13.7	13.6	13.0	11.5	11.1	11.0	10.7	10.0
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
Slovak Republic	0.0	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, 1998-2008; US CPS March supplement, 1998-2008; Australia Labour Force Survey, 1998-2008.

Some countries, on the contrary, have seen an increase in migrant entrepreneurship. In the Netherlands for example, the share of foreign-born entrepreneurs increased by more than 3 percentage points in the past ten years. The increase is also significant in Austria (+2 percentage points) and to a lesser extent in Germany (+1.3 percentage points). Part of those increases are due to the establishment of several initiatives to encourage entrepreneurship in general, for example among the unemployed in Germany (Caliendo and Kritikos, 2009).

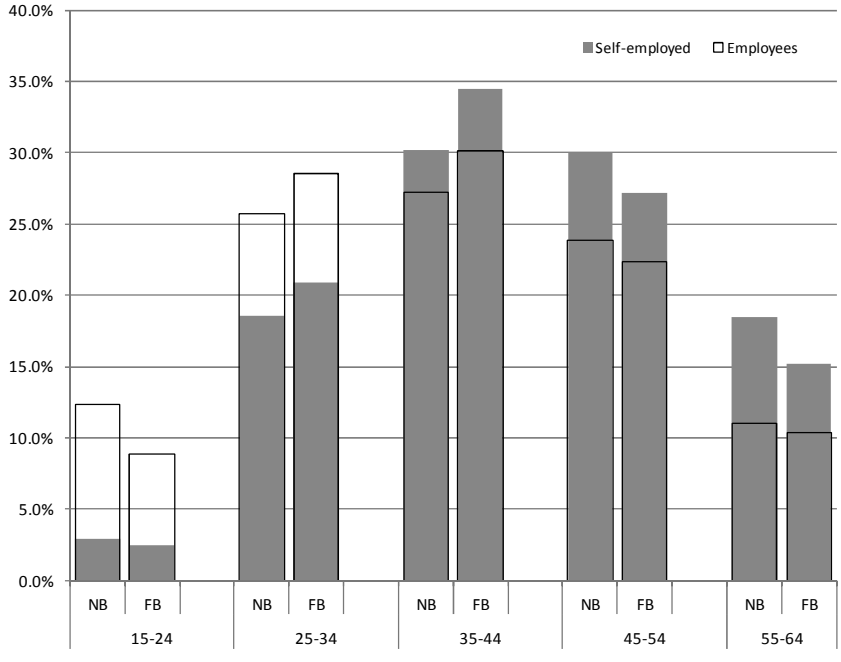
A profile of migrant entrepreneurs in OECD countries

Individual background is an important determinant of the likelihood to be involved in entrepreneurial activities. In general, entrepreneurs are more likely to be men, middle-age and skilled. Do these findings hold for immigrants and for all OECD countries? This section analyses and compares the main socio-demographic characteristics of native- and foreign-born self-employed, including sectors and occupations.

Most migrant entrepreneurs are middle-aged and slightly younger than native entrepreneurs

As shown in Figure 1.2, more than three out of four entrepreneurs are aged over 35, both for native-born and foreign-born. In addition, it appears that the self-employed are on average older than among the wage and salary workers. This result can be explained by the need to accumulate enough social and physical capital as well as experience before being able to start a business.

Figure 1.2. Age distribution of self-employed compared with employees, 1998-2008



Note: Unweighted average of the national distributions. Countries included are listed in Figure 1.1. FB = Foreign-born; NB = Native-born.

Source: Eurostat Labour Force Survey, 1998-2008; US CPS March supplement, 1998-2008; Australia Labour Force Survey, 2007-08.

Foreign-born entrepreneurs have a similar age distribution to native-born entrepreneurs, although they are on average slightly younger than their native counterparts. This is also the case for those in wage and salary employment, where the employed foreign-born are younger than their native counterparts.

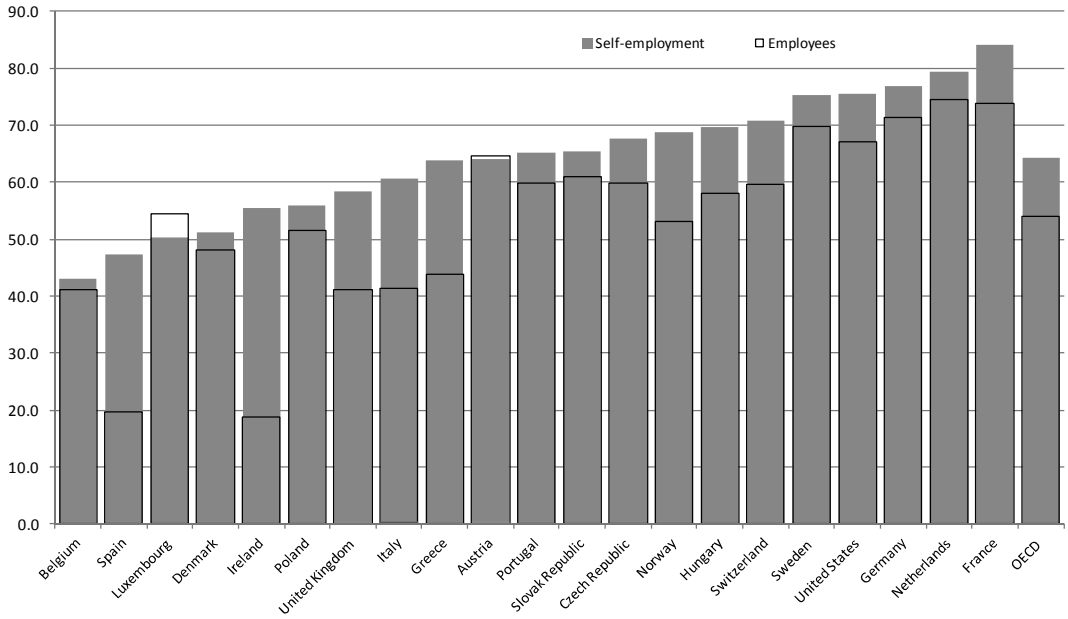
Migrant entrepreneurs have been in the host country longer than employed migrants

Almost two thirds of migrant entrepreneurs in OECD countries have been in the host country more than ten years compared with just above 50% for migrant wage earners (Figure 1.3). In Ireland and Spain, and to a lesser extent in the United Kingdom, Italy and Greece, the difference is particularly significant. This finding applies to all OECD countries, except Austria and Luxembourg.

Obviously, duration of stay is correlated to age, as migrants who have been in the country for a longer period tend to be older. The arguments mentioned above to explain why older people are more likely to start a business also apply in relation to duration of stay. However, at a given age migrants may have lower social capital specific to the host country, less financial means and more difficulty raising funds. These limitations will diminish, the longer they stay in the country.

Figure 1.3. Share of migrants with more than ten years of residence in host country, 2008

Percentage



Source: Eurostat Labour Force Survey, 2008; US CPS March supplement, 2008.

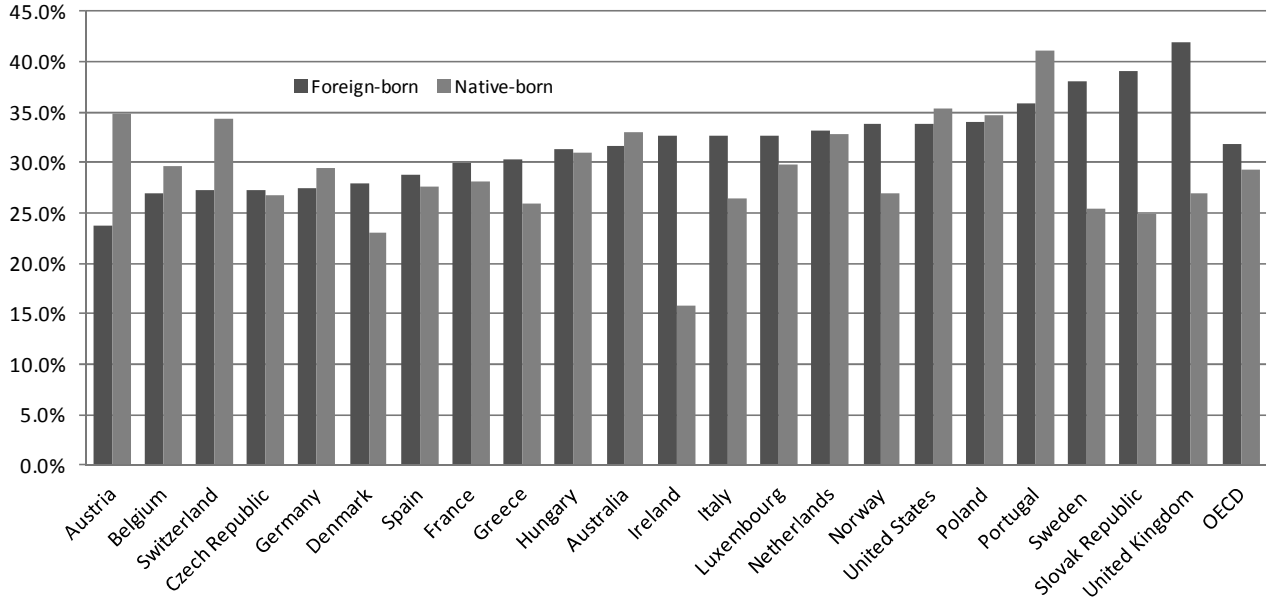
A low proportion of women migrants engage in entrepreneurship activities

Figure 1.4 shows a low proportion of women entrepreneurs in all OECD countries, both for native- and foreign-born. On average, only 30% of all entrepreneurs in the OECD are women, a finding which is explained by Fairlie (2005) by the combination of both a lower entry rate into entrepreneurship and a higher exit rate for women. In addition, the fact that women are less likely to be entrepreneurs could be partly explained by the sectoral distribution of self-employment and notably the fact that it is concentrated in construction, where fewer women are working.

The proportion of migrant women entrepreneurs differs even more from the proportion of native women who are entrepreneurs in each OECD country than between native and migrant entrepreneurs overall. In many OECD countries, the proportion of migrant women entrepreneurs is higher than that of natives. In Ireland, the United Kingdom, Sweden and the Slovak Republic, the gap reaches at least ten percentage points. On the contrary, migrant women entrepreneurship is less likely than native women entrepreneurship in countries such as Austria, Switzerland and Portugal.

Figure 1.4. Proportion of self-employed women, 1998-2008

Percentage



Source: Eurostat Labour Force Survey, 1998-2008; US CPS March supplement, 1998-2008; Australia Labour Force Survey, 2007-08.

Migrant entrepreneurs have a higher average educational level than their native counterparts

The distribution of migrant entrepreneurs by levels of average educational attainment is shown in Table 1.2, with the native distribution as well for comparison. The first remarkable trait is the important share of migrant entrepreneurs who are highly-educated, both compared with natives and with all in general.

Around 30% – 40% of migrant entrepreneurs have tertiary education in all OECD countries, except in Italy and Portugal where entrepreneurs in general are low-educated. In addition, the proportion of tertiary-educated entrepreneurs is higher than for natives in all OECD countries (except in Germany). This also applies to the United States, even though the share of tertiary educated is lower among migrants than in the total population.

One possible explanation for this result could be linked to the fact that everything else being equal, immigrants are more likely to be overqualified in their job (OECD, 2007a). Consequently, they may enter entrepreneurship to avoid over-qualification in wage employment. Section 1.4 will further analyse this argument.

Finally, the share of low-educated migrant entrepreneurs is lower on average than for natives, although this finding does not apply in all cases. While some countries have a high share of low-educated migrant entrepreneurs like Portugal (50%) or Italy (40.2%), others have a relatively low proportion, such as Austria (13.1%), Poland (8.8%), and Hungary (6.2%).

Table 1.2. Entrepreneur's educational level, 1998-2008

	Low		Middle		High	
	Foreign-born (%)	Natives (%)	Foreign-born (%)	Natives (%)	Foreign-born (%)	Natives (%)
Austria	13.1	15.1	48.3	57.3	38.6	27.7
Belgium	25.8	21.7	34.0	39.1	40.2	39.2
Switzerland	15.9	5.5	43.5	58.0	40.6	36.5
Czech Republic	11.9	2.7	55.8	79.2	32.4	18.1
Germany	19.8	6.4	40.7	47.3	39.5	46.3
Denmark	22.2	14.6	42.3	58.4	35.5	27.0
Spain	31.9	54.9	32.1	20.5	36.0	24.5
France	34.3	19.9	30.5	49.7	35.2	30.4
Greece	30.4	44.6	41.7	36.6	27.9	18.8
Hungary	6.2	9.0	53.0	70.5	40.8	20.5
Ireland	20.2	36.9	34.6	39.9	45.2	23.2
Italy	40.2	44.2	39.5	39.2	20.4	16.6
Luxembourg	14.0	14.2	40.2	60.2	45.8	25.6
Netherlands	21.0	22.0	37.2	46.0	41.8	32.0
Norway	16.8	18.3	44.8	59.1	38.4	22.6
Poland	8.8	15.0	49.6	71.2	41.7	13.8
Portugal	50.0	82.6	29.3	9.7	20.7	7.7
Sweden	20.4	18.5	50.1	59.7	29.5	21.8
Slovak Republic	8.1	2.2	56.9	79.0	35.0	18.8
United Kingdom	17.0	12.7	46.7	58.4	36.4	28.9
United States	14.0	2.3	49.7	62.6	36.3	35.1
OECD average	21.0	22.1	42.9	52.5	36.1	25.5

Note: Educational level categories correspond to ISCED 0/1/2/3 (Low), ISCED 3/4 (Middle) and ISCED 4/5 (High).

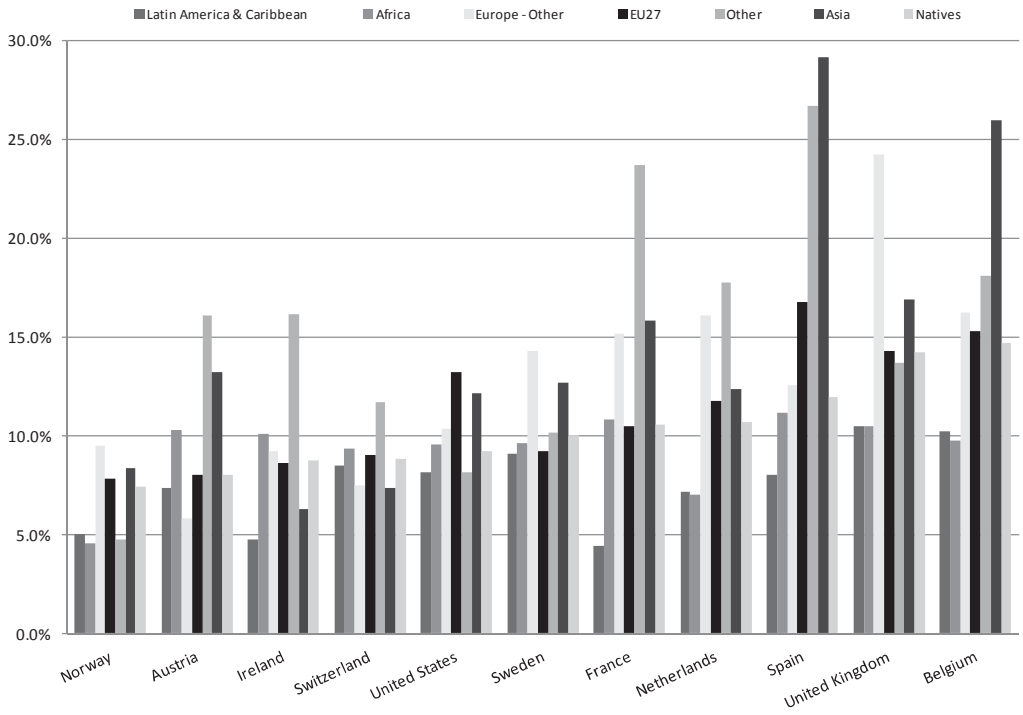
Source: Eurostat Labour Force Survey, 1998-2008; US CPS March supplement, 1998-2008.

Migrants from different regions of origin have different propensities to become entrepreneurs: Asian migrants have the highest propensity, Latin-American and African migrants the lowest

As we can observe in Figure 1.5, the share of entrepreneurs in total employment varies significantly by region of birth. Several reasons explain this diversity. First of all, migrants of different origins have different background characteristics (in terms of skills, etc.). Fairlie (2005) and Lofstrom and Wang (2006) have shown how differences in education and wealth explain an important part of the differences in entrepreneurship behaviour between migrant groups. In addition, some origin countries have traditionally a higher share of entrepreneurs in their economies, and individuals that migrate from such countries are more likely to establish a business in the recipient country. Akee *et al.* (2007) showed how previous individual self-employment experience in the home country increases the probability of being self-employed once one migrates.[9]

Asian migrants are more likely to become entrepreneurs in several OECD countries than most of their migrant counterparts. By contrast, migrants from Latin America and the Caribbean and from African countries are less likely to establish themselves as entrepreneurs. Lofstrom and Wang (2006) and Fairlie and Woodruff (2008) also documented the lower propensity of Mexican-Hispanics to enter entrepreneurship with respect to other Hispanic and non-Hispanic White groups in the United States, for example. European Non-EU migrants have a high proportion of entrepreneurs in countries like the United Kingdom (24.2%), Netherlands (16.1%) or France (15.1%). The category "Other" corresponds to "North America and Oceania", a group which in many countries has a noticeably high probability to be an entrepreneur.

Figure 1.5. Percentage of migrant self-employed by region of origin, 2007-08



Source: Eurostat Labour Force Survey, 2007-08; US CPS March supplement, 2007-08.

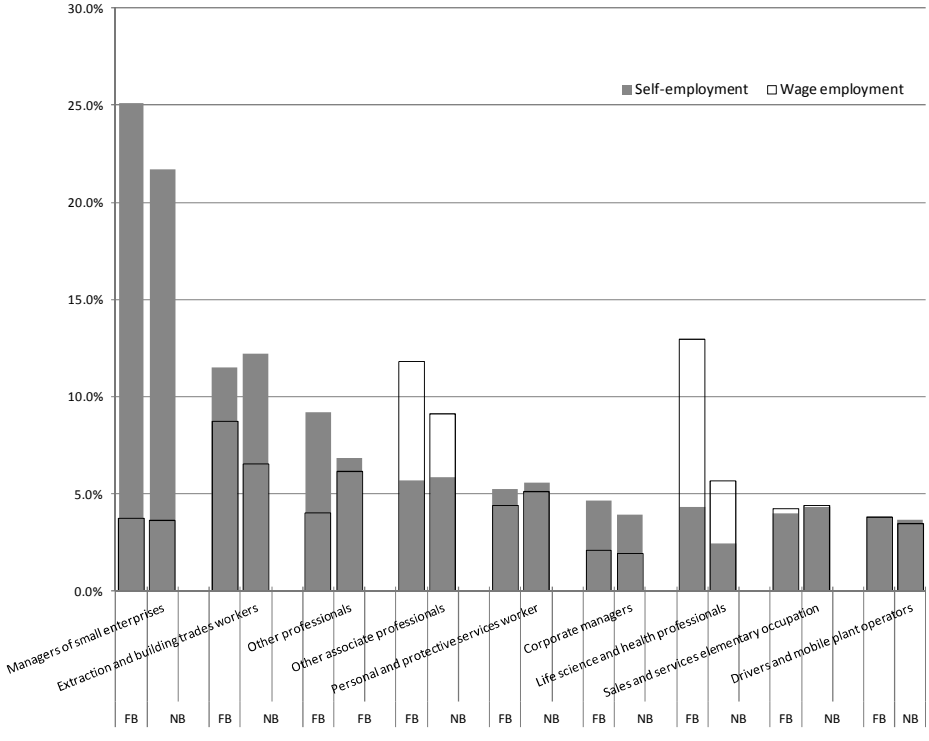
Most migrant entrepreneurs occupy managerial positions …

Migrant entrepreneurs have a wide range of occupations, although many of them are in managerial occupations (Figures 1.6a, 1.6b, 1.6c). Around one in four migrant entrepreneurs are in this occupational category in Europe, in the United States and in Australia. The majority of native entrepreneurs are also in this category, albeit to a different extent. Not surprisingly, both native- and foreign-born entrepreneurs are more likely to be in managerial occupations than those in wage employment.

In Europe, professional and associate professional occupations together correspond to 16% of migrant entrepreneurs, a similar proportion to that of natives. In the United States and in Australia, the proportion of migrants in professional occupations is slightly lower than for natives. A higher difference between the two groups might have been expected for professional occupations, considering that these are often regulated occupations, where the issue of recognition of foreign diplomas and qualifications plays an important role (*e.g.* health professionals, lawyers, architects, accountants, etc.).

In Europe, where it is possible to distinguish between managers of small enterprises and corporate managers, migrants appear over-represented only in the former category. This finding is confirmed below when considering the relative size of businesses owned by native-born and foreign-born.

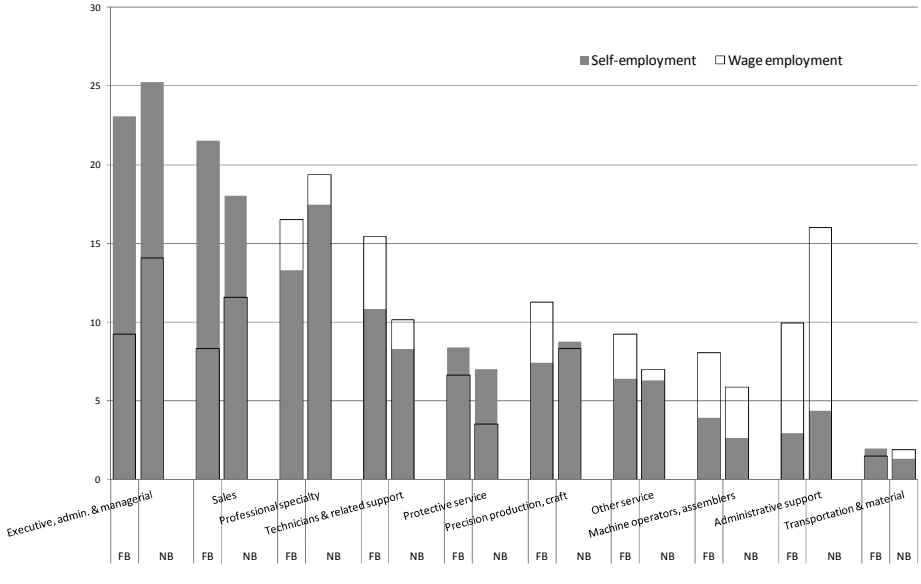
Figure 1.6a. Ten main occupations among the self-employed (ISCO) by place of birth, compared with wage employment, 1998-2008



FB = Foreign-born; NB = Native-born.

Source: Eurostat Labour Force Survey, 1998-2008.

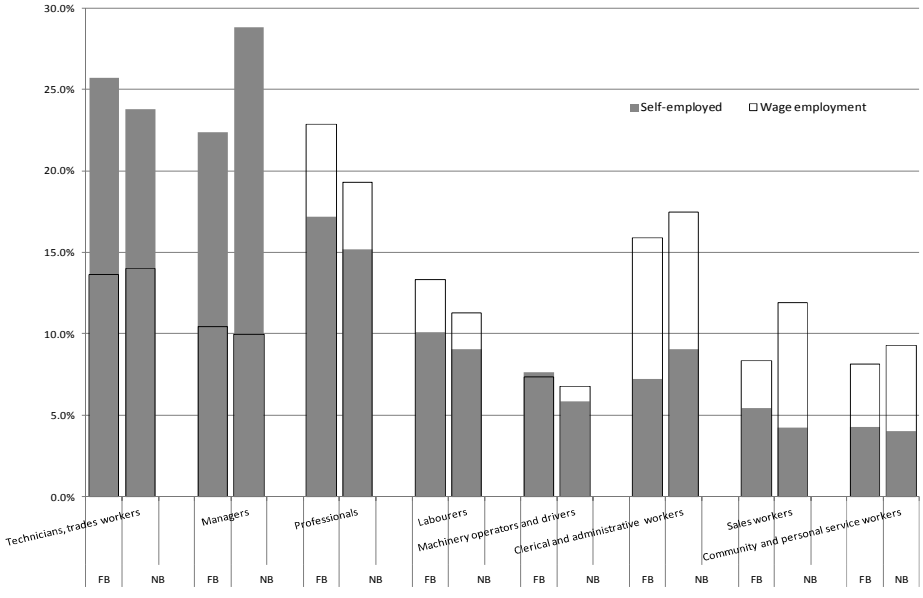
Figure 1.6b. Ten main occupations among the self-employed (2002 Census Code) by place of birth, compared with wage employment, 1998-2008



FB = Foreign-born; NB = Native-born.

Source: US CPS March supplement, 1998-2008.

Figure 1.6c. Occupational distribution among the self-employed (ANZSCO06) by place of birth, compared with wage employment, 1998-2008



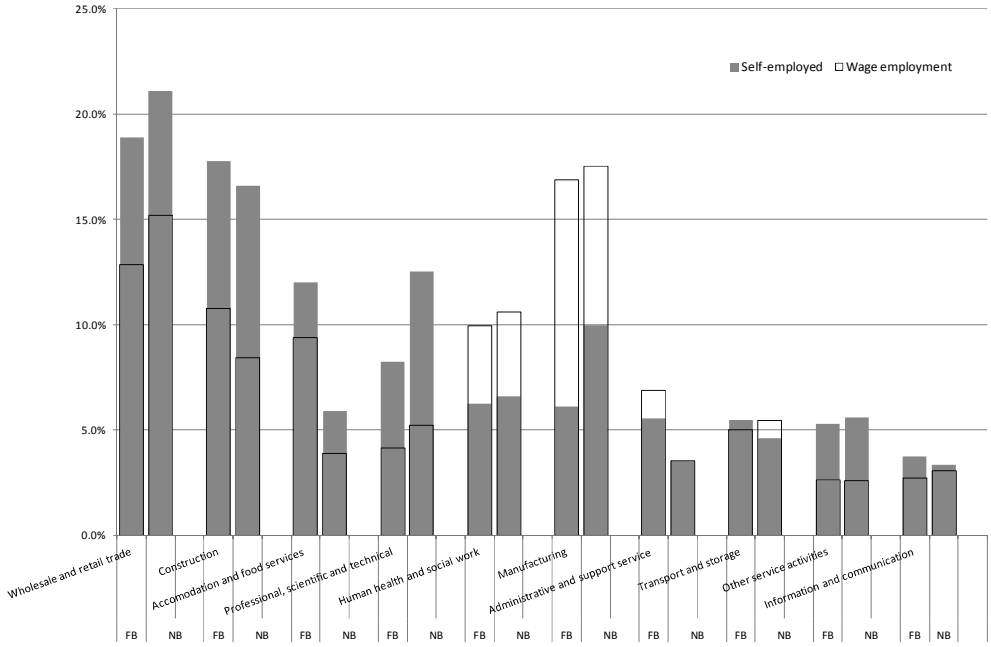
FB = Foreign-born; NB = Native-born.

Source: Australia Labour Force Survey, 1998-2008.

… and entrepreneurs establish themselves in very diverse sectors, not only ethnic businesses

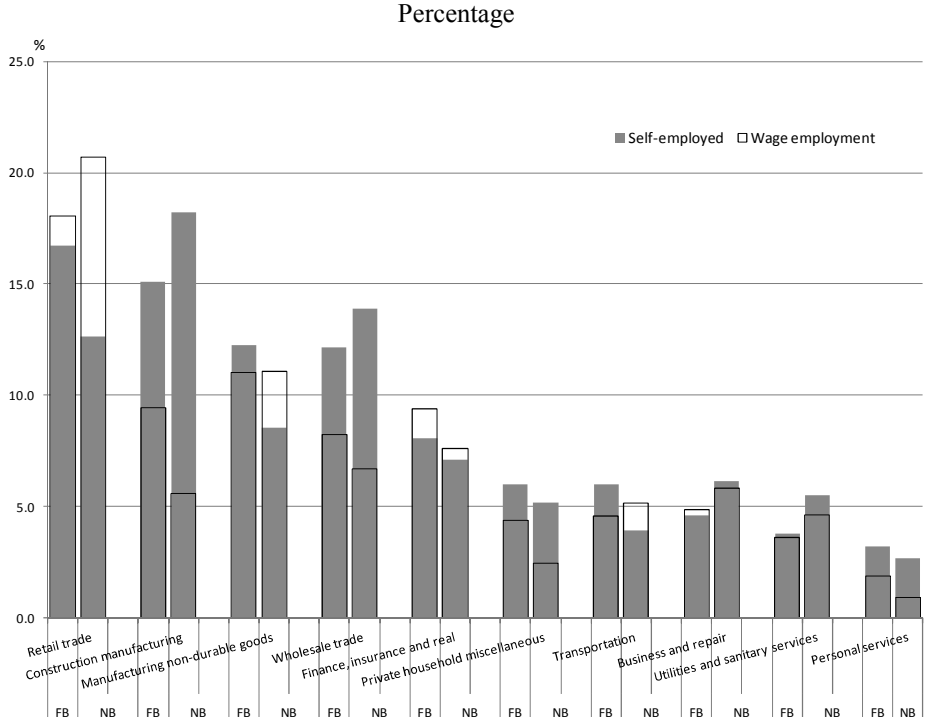
Migrant entrepreneurship is traditionally associated with ethnic businesses that cater mainly to populations from their ethnic enclaves. However, as documented by Kloosterman and Rath (2003), migrants develop their business activities not only in these traditional sectors but also in other sectors. The distribution of sectors where foreign- and native-born entrepreneurs develop their activities is shown in Figures 1.7a, 1.7b and 1.7c. Even if a high proportion of foreign-born entrepreneurs work in sectors more traditionally associated with migrant businesses (*i.e.* wholesale and retail trade), we can observe that the range of activities that foreign-born entrepreneurs undertake in their host countries is as wide as that of natives. A majority of migrant entrepreneurs work outside the traditional ethnic business sectors. In Europe, almost 18% of migrant entrepreneurs work in the construction sector; around 8% work in the professional, scientific and technical sector; around 6% have businesses in manufacturing and another 6% in human health and social work. In the United States, 15% work in the construction sector; more than 12% in non-durable manufacturing goods; 8% in finance and insurance activities and 6% in the transport sector. In Australia, 21% work in the construction sector; 9.5% in the professional, scientific and technical sector; around 8% in manufacturing and another 8% in the transport sector.

Figure 1.7a. Ten main activity sectors of the self-employed (NACE) by place of birth, EU Labour Force Survey, 2008



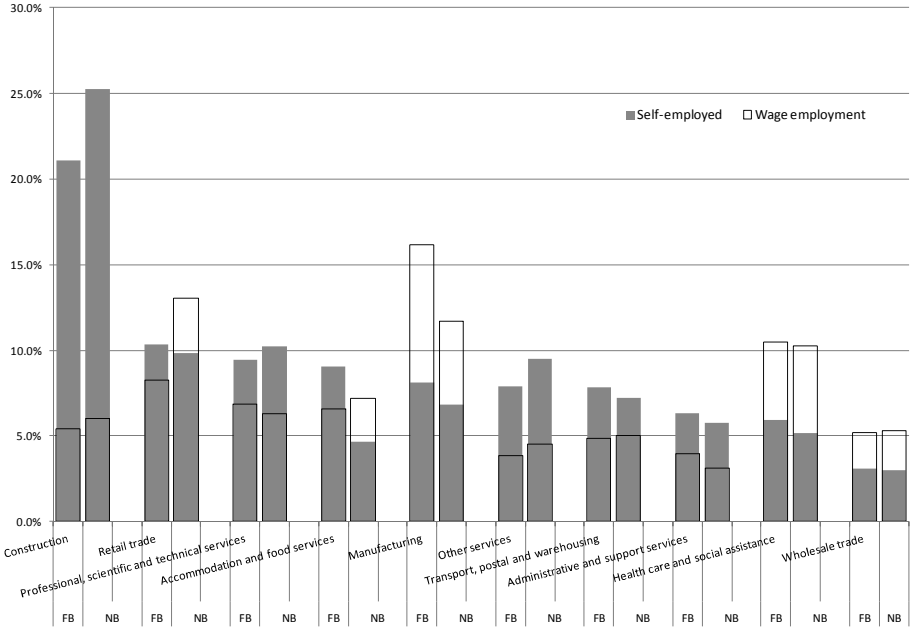
Source: Eurostat Labour Force Survey, 2008.

Figure 1.7b. Ten main activity sectors of the self-employed (2002 Census Code) by place of birth, compared with wage employment, 1998-2008



Source: US CPS March supplement, 1998-2008.

Figure 1.7c. Ten main sectors among the self-employed (ANZSIC06) by place of birth, compared with wage employment, 1998-2008



FB = Foreign-born; NB = Native-born.

Source: Australia Labour Force Survey, 1998-2008.

The sectoral distribution of migration entrepreneurs does not mirror that of migrants in wage employment. In fact, both foreign- and native-born entrepreneurs are more concentrated in specific sectors. In Europe, a higher proportion of entrepreneurs are in sectors such as retail trade, construction, accommodation and food services and professional and scientific sectors, and a lower proportion in manufacturing and support services. In the United States, the concentration of self-employed is higher than that of wage employment in construction and wholesale trade, and lower in manufacturing of durable goods, among others. In Australia, a greater proportion of entrepreneurs is found in the construction sector and in professional and scientific sectors, for example, while a lower proportion of entrepreneurs is found in the manufacturing sector.

1.3. Contribution of migrants to employment creation

This section addresses one of the key objectives of our study, providing estimates of the contribution of migrant entrepreneurs to employment creation in their host countries. It provides a comparative picture of the number of individuals employed by migrant entrepreneurs,[10] not counting the employment they have created for themselves.

Most self-employed employ only themselves, although this is even truer for migrants. In OECD countries, between 50% to 75% of migrant entrepreneurs employ only themselves (Table 1.3).

Table 1.3. Firm size distribution, foreign- and native-born entrepreneurs, 1998-2008

	Foreign-born (%)					Native-born (%)				
	1	2 to 10	11 to 19	20 to 49	50 or more	1	2 to 10	11 to 19	20 to 49	50 or more
Austria	50.0	46.2	2.1	0.9	0.8	36.3	55.9	3.6	2.7	1.4
Belgium	70.7	25.0	2.1	1.1	1.1	67.6	26.5	2.9	2.0	1.0
Switzerland	51.9	37.2	4.4	2.3	4.2	43.6	41.7	6.7	4.2	3.8
Czech Republic	69.2	20.3	6.3	2.3	1.9	75.1	18.8	3.0	1.9	1.2
Germany	52.5	42.3	3.1	1.4	0.6	47.1	42.2	5.6	3.2	1.9
Denmark	55.7	38.1	3.5	1.7	1.0	46.3	39.4	7.6	4.1	2.7
Spain	73.5	23.3	1.8	1.1	0.4	71.5	23.2	3.2	1.4	0.7
France	65.0	29.4	3.6	1.1	0.9	59.9	33.1	4.5	1.6	0.9
Greece	74.9	22.8	1.5	0.3	0.5	67.9	28.8	2.2	0.8	0.3
Hungary	47.3	44.1	4.9	1.4	2.2	58.3	35.0	4.0	1.9	0.9
Ireland	73.3	21.8	2.3	1.8	0.8	70.7	23.6	2.8	1.8	1.1
Italy	75.1	22.4	1.8	0.3	0.4	58.6	35.5	3.5	1.5	0.9
Luxembourg	57.2	34.3	5.4	2.1	1.1	44.9	40.4	8.3	4.1	2.4
Netherlands	65.3	28.0	3.5	2.1	1.2	58.4	29.7	5.8	4.0	2.2
Norway	77.7	20.4	0.7	0.4	0.8	78.0	19.3	1.6	0.6	0.5
Poland	68.7	24.1	1.8	2.3	3.0	60.4	33.1	3.8	2.0	0.7
Portugal	63.5	30.4	4.4	1.2	0.5	60.5	32.7	5.2	1.1	0.5
Sweden	63.4	33.2	1.6	1.6	0.2	56.9	34.2	4.7	3.1	1.1
Slovak Republic	67.3	26.2	5.5	0.0	1.0	75.9	20.0	2.8	1.0	0.4
United Kingdom	73.3	19.7	3.2	2.6	1.2	77.8	15.7	2.8	2.2	1.4
United States[1]	-	79.1	7.0	4.0	6.8	-	79.2	6.9	4.5	6.9
OECD average	64.8	31.8	3.4	1.5	1.5	60.8	33.7	4.4	2.4	1.6

1. For the United States, the distribution of firm size categories is the following: category labelled "2-10" corresponds in fact to under 10 (including 1), category labelled "11 to 19" corresponds to 10 to 24, category labelled "20 to 49" corresponds to 25 to 99 and category labelled "50 or more" corresponds to 100 or plus.

Source: Eurostat Labour Force Survey 1998-2008; US CPS March supplement, 1998-2008. Firm Size Distribution of firms owned by self-employed native and foreign-born individuals.

Ireland, the United Kingdom, Spain, Greece, Italy and Norway are the countries where the proportion of migrant entrepreneurs who only employ themselves is the highest (around 75%). To some extent, the above distribution reflects difference in the economic structure and the relative importance of small and medium-sized enterprises. However, there might also be under-representation of large firms whose owners identify themselves as self-employed (see above Section 1.1).

Between 25% and 50% of migrant entrepreneurs employ other individuals in addition to themselves. The majority of migrant entrepreneurs who have employees hire less than ten individuals. Although migrant entrepreneurs' average firm size is smaller to that of natives, the overall distribution is broadly similar. Almost all businesses owned by entrepreneurs have fewer than fifty employees, both among migrants and for natives.

Migrant entrepreneurs' contribution to total employment has been increasing steadily during the period 1998-2008

This calculation of the number of individuals employed by migrant entrepreneurs is made only for European OECD countries because of data limitations in other countries.[11] The EU Labour Force Survey allows identifying the number of employees of self-employed. Data are only available by the firm-size bands used in Table 1.3. The contribution of migrant entrepreneurs to employment creation is therefore calculated based on the lower-bound figure, so the estimate should be considered a minimum value. Employment creation could also be overestimated if partners of the same business both declare in the labour force survey that they are self-employed with employees.

The number of individuals employed by migrant entrepreneurs during the period 1998-2008 and the corresponding share of total employment are shown in Table 1.4. Every year, migrant entrepreneurs employ an average of 2.4% of the total employed population in OECD countries. In both 2007 and 2008, migrant entrepreneurs annually employed more than 750 000 individuals in Germany, around half a million in the United Kingdom and Spain, almost 400 000 in France and around 300 000 in Italy.

In relative terms, this contribution to employment is equivalent to between 1.5-3% of the total employed labour force in most OECD countries (Table 1.4). Only eastern European countries and Greece have a lower share of employment by migrant entrepreneurs. The countries where migrants contribute the most to overall employment are Switzerland (9.4%), Luxembourg (8.5%) and Ireland (4.9%). Unfortunately, data limitations do not allow us to study if migrants employ mostly other migrants or not.

The contribution of migrant entrepreneurs to the overall employment has been increasing over time in most OECD countries. From 1998 to 2008, the number of individuals employed by migrant entrepreneurs increased in Spain, Italy, Austria, Germany, and the Netherlands among others. In the United Kingdom and France, the level of employment remained at a high level. More than a half million individuals in the United Kingdom and around 400 000 in France were employed by migrant entrepreneurs.

Table 1.4. Employment by foreign-born self-employed, all firms, 1998-2008

Absolute number and share

	1998-2000		2001-2003		2004-2006		2007-2008	
	Number	Share (%)	Number	Share (%)	Number	Share (%)	Number	Share (%)
Austria	52 000	7.8	54 000	8.3	59 000	7.3	73 000	8.5
Belgium	74 000	15.7	94 000	11.8	107 000	10.2	100 000	9.2
Switzerland			228 000	20.8	315 000	20.2	243 000	19.2
Czech Republic			45 000	3.7	50 000	4.0	72 000	5.3
Germany	529 000	5.9	593 000	6.8	664 000	7.5	757 000	7.7
Denmark	11 000	1.6	24 000	3.5	27 000	4.3	50 000	7.4
Spain	131 000	4.0	201 000	5.9	185 000	6.3	487 000	8.8
France	396 000	12.6	475 000	11.7	309 000	10.3	382 000	12.8
Greece	21 000	2.1	31 000	2.9	34 000	3.0	41 000	3.4
Hungary	7 000	1.8	23 000	3.4	34 000	3.3	33 000	3.9
Ireland			28 000	8.0	49 000	9.5	79 000	20.5
Italy	41 000	0.4	95 000	0.9	190 000	2.7	282 000	4.1
Luxembourg	10 000	22.5	12 000	36.8	11 000	34.9	14 000	41.0
Netherlands	71 000	5.1	36 000	7.6	121 000	7.4	115 000	6.3
Norway	4 000	3.7	8 000	10.3	8 000	10.2	14 000	11.2
Poland					15 000	0.6	56 000	2.0
Portugal	57 000	4.7	71 000	5.5	79 000	6.3	61 000	5.7
Sweden	46 000	6.0	61 000	8.1	76 000	9.4	84 000	10.7
Slovak Republic			1 000	0.1	8 000	0.4	3 000	0.2
United Kingdom	579 000	12.3	667 000	14.3	621 000	13.1	530 000	10.9

Source: Eurostat Labour Force Survey, 1998-2008. Employment by foreign-born self-employed entrepreneurs is the estimated minimum number of individuals employed in a firm owned by a foreign-born self-employed. Share of Employment is the ratio between the estimated minimum number of individuals employed in a firm owned by a foreign-born self-employed divided by the total employed population aged 15-64 by self-employed individuals in the country.

These numbers are approximate and might underestimate total employment creation by migrant entrepreneurs. That is, they might be considered as a lower bound of the overall total. An alternative measure of employment creation can be estimated for small enterprises (less than ten employees) where the exact number of employees is known. The total number of jobs created when considering only those firms corresponds to one-third to two-thirds of the overall employment creation estimated in Table 1.4.[12]

A foreign-born entrepreneur in a small firm creates on average between 1.4 to 2.1 additional jobs

A complementary perspective to the overall contribution to employment of migrant entrepreneurs is the study of the average number of additional jobs that each single entrepreneur creates. This number is estimated for firms under 50 employees[13] and shown in Table 1.5. Every self-employed migrant creates on average between 1.4 and 2.1 additional jobs.

Although these figures have to be taken with caution given the dispersion between the minimum and maximum figures, they highlight the positive contribution to employment of migrant entrepreneurs. However, the comparison with natives signals that migrant entrepreneurs create relatively fewer jobs. The few exceptions to this general observation are the Czech Republic, Hungary, the Slovak Republic and the United Kingdom, where self-employed migrants seem to create more jobs than self-employed natives.

Table 1.5. Average number of jobs created by each foreign- and native-born self-employed for firms under 50 employees, 1998-2008

	Foreign-born		Native-born		Relative average number jobs
	Min	Max	Min	Max	Ratio (%)
Austria	1.6	1.9	2.5	3.5	59
Belgium	1.2	1.7	1.5	2.3	76
Switzerland	2.3	3.3	3.1	5.2	68
Czech Republic	1.9	3.1	1.3	2.1	146
Germany	1.8	2.5	2.6	4.0	64
Denmark	1.8	2.5	3.0	4.8	55
Spain	1.1	1.5	1.2	1.9	81
France	1.3	1.9	1.7	2.6	77
Greece	0.8	1.0	1.1	1.5	69
Hungary	1.8	2.6	1.6	2.5	108
Ireland	0.9	1.4	1.0	1.5	93
Italy	1.1	1.4	1.7	2.4	62
Luxembourg	2.1	3.1	3.0	4.9	65
Netherlands	1.4	2.2	2.0	3.5	63
Norway	0.7	0.9	0.8	1.2	79
Poland	1.5	2.4	1.8	2.7	90
Portugal	1.6	2.4	1.7	2.5	96
Sweden	1.4	1.9	2.3	3.6	56
Slovak Republic	1.3	1.7	1.1	1.6	112
United Kingdom	1.5	2.6	1.3	2.1	120
OECD	1.4	2.1	1.8	2.8	77

Source: Eurostat Labour Force Survey, 1998-2008. Min and Max correspond to the average number of job created by each foreign- and native-born self-employed for firms under 50 employees using either the minimum or the maximum values of each firm size band. Ratio corresponds to the relative average number of jobs created by each foreign-born with respect to native-born.

The number of new migrant entrepreneurs in the active population during 1998-2008 increased annually …

In order to provide a picture of the dynamic aspect of entrepreneurship, the number of new businesses created in a given year can be estimated. Table 1.6 shows the estimated number of new entrepreneurs that created a business in a given year by nativity. During the period 1998-2008, the annual number of new migrant entrepreneurs almost doubled in Germany (over 100 000 per year) and in the United Kingdom (almost 90 000 per year). There have been increases in the number of new migrant entrepreneurs as well in Spain (over 75 000 new entrepreneurs every year), in Italy (over 46 000) and in France (over 35 000). In the United States, Fairlie (2008) estimates that the monthly number of new immigrant business owners is around 81 000 (which represents 16.7% of all new business owners in the economy).

Table 1.6. Average yearly number of new entrepreneurs, 1998-2008

Absolute number

	Foreign-born				Native-born			
	1998-2000	2001-2003	2004-2006	2007-2008	1998-2000	2001-2003	2004-2006	2007-2008
Austria		4 000	6 000	7 000		36 000	34 000	32 000
Belgium	4 000	3 000	5 000	6 000	23 000	20 000	25 000	25 000
Czech Republic		1 000	2 000	1 000		63 000	56 000	51 000
Germany	49 000	55 000	88 000	103 000	445 000	442 000	525 000	571 000
Denmark	-	-	-	-	13 000	3 000	10 000	14 000
Spain	13 000	27 000	42 000	77 000	195 000	189 000	192 000	210 000
France	29 000	35 000	38 000	35 000	178 000	164 000	183 000	194 000
Greece	3 000	3 000			46 000	44 000	33 000	26 000
Hungary	-	-	-	-	87 000	48 000	49 000	35 000
Italy	6 000	12 000	36 000	46 000	531 000	588 000	530 000	505 000
Luxembourg	-	-	-	-				
Netherlands	7 000		8 000	11 000	70 000		93 000	99 000
Norway	-	-	-	-	7 000	12 000	20 000	20 000
Poland			-	-			208 000	236 000
Portugal	4 000	4 000	5 000	7 000	74 000	47 000	46 000	42 000
Sweden	2 000	3 000	3 000	5 000	13 000	12 000	10 000	26 000
Slovak Republic		-	-	-		43 000	55 000	53 000
United Kingdom	45 000	55 000	62 000	88 000	363 000	374 000	387 000	448 000

Source: Eurostat Labour Force Survey, 1998-2008. (-) indicates number below Eurostat reliability threshold.

… and their proportion in the active population is much higher than for natives

In addition, migrants are more entrepreneurial in relative terms with respect to their population than natives. Box 1.2 shows that the proportion of new migrant entrepreneurs in the active population is much higher than that of natives. This finding is a confirmation that migrants are more entrepreneurial than natives in most OECD countries.[14] In particular, several authors have found that immigrant entrepreneurship has a significant impact in innovative sectors. Wadhwa *et al.* (2007) documented that 25% of all engineering and technological companies founded in the United States in the last ten years were founded by a migrant.

Box 1.2. Dynamic measures of entrepreneurship: index of entrepreneurial activity (or Proportion of new migrant entrepreneurs in the active population)

Migrant entrepreneurs contribute to the economy by creating new businesses. A way to estimate their relative contribution is to compute the proportion of individuals in the active population that became self-employed in the current year (and that were not self-employed in the past year). This measure summarises the contribution of migrants and natives to the creation of new business with respect to their share in the active population every year. This Index of Entrepreneurial Activity (IEA) is inspired from the Kaufmann Index of Entrepreneurial Activity (Fairlie, 2009) in the United States, although the Kaufmann IEA measures the proportion of non-business owners in the total adult population that starts a business as a main job each month. The estimation of the proportion of new migrant entrepreneurs in the active population has the advantage of being a relative measure (to the size of the active population), and it allows comparison of the entrepreneurship propensities of migrant and native populations.

Table 1.7. Index of entrepreneurial activity, 1998-2008

	Foreign-born (%)				Native-born (%)				Ratio Foreign-/ Native-born (%)
	1998-2000	2001-2003	2004-2006	2007-2008	1998-2000	2001-2003	2004-2006	2007-2008	2007-2008
Austria		0.52	0.62	0.69		0.76	0.75	0.69	99
Belgium	0.51	0.42	0.60	0.72	0.39	0.35	0.42	0.41	177
Switzerland									
Czech Republic		0.85	1.16	0.83		0.90	0.79	0.71	116
Germany	0.73	0.77	1.11	1.23	1.01	1.01	1.16	1.25	98
Denmark	-	-	-	-	0.41	0.09	0.31	0.43	
Spain	1.33	1.37	1.18	1.55	0.74	0.72	0.73	0.80	193
France	0.66	0.75	0.81	0.72	0.55	0.50	0.53	0.56	129
Greece	0.78	0.65	-	-	0.69	0.66	0.49	0.40	
Hungary	-	-	-	-	1.30	0.72	0.73	0.53	
Ireland									
Italy	2.06	2.45	1.73	1.38	1.39	1.54	1.47	1.41	98
Luxembourg	-	-	-	-	-	-	-	-	
Netherlands	0.59		0.56	0.80	0.73		0.97	1.03	77
Norway	-	-	-	-	0.25	0.44	0.73	0.69	
Poland			-	-			0.80	0.90	
Portugal	1.19	1.08	0.93	1.14	1.13	0.72	0.69	0.65	177
Sweden	0.40	0.36	0.30	0.55	0.27	0.24	0.20	0.52	106
Slovak Republic		-	-	-		1.16	1.46	1.37	
United Kingdom	1.32	1.46	1.41	1.63	1.06	1.09	1.11	1.30	126
United States[1]	0.32	0.35	0.38	0.50	0.27	0.27	0.28	0.28	180
OECD	0.90	0.92	0.90	0.98	0.73	0.70	0.76	0.77	126

1. Results from the USA correspond to the Kauffman Index of Entrepreneurial Activity obtained by Fairlie (2009), Table 3.

Source: Eurostat Labour Force Survey, 1998-2008. (-) indicates number below Eurostat reliability threshold. Index of Entrepreneurial Activity is defined as the proportion of individuals in the active population that became self-employed in the current year (and that were not self-employed in the past year).

The Index of Entrepreneurial Activity for migrants and natives is shown in Table 1.7.[15] Migrants contribute actively to the creation of new firms in the OECD. In relative terms, migrants are more entrepreneurial than natives in most OECD countries. In Belgium and in Spain, the proportion of individuals that became self-employed in 2007-08 was almost the double the proportion of natives. In the United States, the United Kingdom, France and the Czech Republic, migrants are more likely as well to start a new business. In Austria, Germany, Greece and Italy, migrants are as entrepreneurial as natives. Only in the Netherlands are migrants less entrepreneurial than natives.

Migrant entrepreneurs are more likely to both enter and to exit self-employment

The average rate of transitions into self-employment, out of self-employment and the persistence of self-employment from one year to the next for the population aged 15-64 are shown for selected OECD countries in Table 1.8.

A remarkable feature across countries is that the *persistence* in self-employment is lower for migrants than for the native-born. This indicates that entrepreneurship is a less stable state for migrants than for natives. On the one hand, transitions into entrepreneurship from one year to another are higher among the foreign-born. On the other hand, transitions out of self-employment are also higher. This higher transition out of self-employment can indicate that self-employment is a mechanism to move into wage employment but it can also indicate a higher failure rate of migrant firms. This latest phenomenon has been showed by Breem (2009) in France, where he finds that migrant businesses have a lower survival rate than native businesses. For the United States, Georgarakos and Tatsiramos (2009) showed as well a lower survival probability for migrant entrepreneurs of Mexican and Hispanic origin.

Table 1.8. Transitions into, transitions out of and persistence of self-employment, foreign- and native-born, year-to-year, 1998-2008

	Entry into self-employment		Exit out of self-employment		Self-employment persistence	
	Foreign-born (%)	Native-born (%)	Foreign-born (%)	Native-born (%)	Foreign-born (%)	Native-born (%)
Austria	13.9	10.4	14.4	8.2	85.6	91.8
Belgium	7.4	4.8	6.4	3.5	93.6	96.5
Switzerland	7.2	7.9	4.5	4.9	95.5	95.1
Czech Republic	20.5	16.8	13.6	9.1	86.4	90.9
Germany	8.3	4.9	5.4	2.0	94.6	98.0
Spain	17.0	7.2	8.6	4.3	91.4	95.7
France	18.0	7.7	9.5	4.9	90.5	95.1
Greece	12.0	8.6	11.9	7.2	88.1	92.8
Hungary	7.8	3.1	7.5	3.1	92.5	96.9
Ireland	13.3	11.4	7.7	8.9	92.3	91.1
Italy	14.9	11.1	7.0	5.5	93.0	94.5
Luxembourg	7.4	4.2	7.7	4.7	92.3	95.3
Netherlands	12.1	11.0	9.5	6.4	90.5	93.6
Poland	6.6	7.9	7.8	6.2	92.2	93.8
Portugal	10.9	5.7	7.7	4.0	92.3	96.0
Sweden	11.3	7.7	7.6	5.2	92.4	94.8
United Kingdom	17.3	14.3	10.7	9.3	89.3	90.7

Source: Eurostat Labour Force Survey, 1998-2008.

1.4. What factors are behind a migrant's entrepreneurship decision?

The profile of entrepreneurs described in the previous section identified differences between migrants and natives in various dimensions. Controlling simultaneously for different sets of individual characteristics should help identify specificities with regard to migrant entrepreneurship. Further, in order to know which policies are best suited to encourage and sustain migrant entrepreneurship, it is necessary to know how each individual factor is related to the entrepreneurship decision.

The factors related to the decision to become an entrepreneur are analysed for several OECD countries (United Kingdom, France, Spain and United States) using a logit discrete-choice model. A separate model is estimated for the migrant sample as well, to see how individual factors affect migrants differently from natives (Box 1.3). As in the previous section, the sample is restricted to the active population of individuals of working age (15 to 64) not working in the agricultural or fishing sectors. In the annex we report the descriptive statistics of the sample used for the analysis, differentiating between native and foreign-born individuals.

Box 1.3. Data and econometric strategy

The datasets used in this section are the US Current Population Survey March Supplement, the Spanish Labour Force Survey (*Encuesta de Poblacion Activa*), the UK Labour Force Survey and the French Continuous Labour Force Survey (*Enquête emploi en continu*).

For those countries where it is possible to identify the individuals across quarters, the latest quarters available since 2005 are used. This is the case for the United Kingdom, where the first quarter in 2005 through the third quarter in 2009 are used, and France, where the first quarter of 2005 through the fourth quarter of 2007 are used. However, in these two cases, pooled regressions are performed with appropriate clustering to compute robust standard errors, as the same individuals might be observed across waves. In the other cases (United States and Spain), only a cross-section of data is used (corresponding to the 2008 March supplement for the United States CPS and to the first quarter 2008 for the Spanish Labour Force Survey).

The propensity of being an entrepreneur is analysed using a logit discrete-choice model. First, a logit model of the probability of being self-employed[16] (versus being either employed or unemployed) is estimated for all the individuals.

In particular:

$$P(E_i = 1 \mid X) = \exp(\beta_0 + \beta_1 X_{it} + \beta_2 FB_i + \beta_3 R_{it} + \beta_4 T_t) / [1+\exp(\beta_0 + \beta_1 X_{it} + \beta_2 FB_i + \beta_3 R_{it} + \beta_4 T_t)]$$

where Ei equals one if the individual is self-employed and zero if he is employed or unemployed.

Different sets of individual characteristics are used. First of all, individual and household characteristics (X_{1it}): individual age, gender, education, marital status, household composition (the number of children under 16 in the household), and whenever available, a wealth measure (an indicator variable of property ownership of the residence the individual lives in). There are also region (R_{it}) and time (T_t) indicator variables if applicable. Finally, there is an indicator variable of whether the individual is foreign-born (FB_i) or not to study the existence of migrant specificities in entrepreneurship even after controlling for all other observed characteristics.

Then, a migrant-specific logit model is estimated for the foreign-born individuals:

$$P(E_i = 1 \mid X) = \exp(\beta_0 + \beta_1 X_{it} + \beta_2 M_{it} + \beta_3 R_{it} + \beta_4 T_t) / [1+\exp(\beta_0 + \beta_1 X_{it} + \beta_2 M_{it} + \beta_3 R_{it} + \beta_4 T_t)]$$

This allows the study of how the factors X_{1it}, R_{it} and T_t mentioned above affect migrants in particular. In addition, it includes a set of specific migrant variables M_{it} as further determinants of entrepreneurship: the years of residence in the host country and the region of origin. Even after controlling for age, the time since arrival in the host country might influence the probability of becoming an entrepreneur. In addition, as mentioned previously, the region of origin might affect the probability as well.

The results from a logit model of the probability of being self-employed are shown in Tables 1.9 (United States), 1.10 (United Kingdom), 1.11 (France) and 1.12 (Spain). The results are expressed in marginal probabilities. The first three columns of each table correspond to the results from the logit model using the total active population (both native and foreign-born) and the last three columns of each table correspond to the results from the logit model using only foreign-born active population. Several models are estimated. Models in Columns 1 and 4 include age, gender and education, in Columns 2 and 5 also include household composition and asset holdings variables. Finally, Columns 3 and 6 include host country regional variables and time variables (the latter only for the case of the United Kingdom and France). For the estimations corresponding to the migrant population only (last three columns of Tables 1.9, 1.10, 1.11 and 1.12),

migration-specific variables are included as well (years of residence in the host country and the region of origin). The comparisons between coefficients from both set of regressions help quantify how factors influence the entrepreneurial status for all the population and for the migrant population, respectively.

Table 1.9. Probability of being self-employed, United States, native and foreign-born

Logit model	All			Foreign-born only		
	(1)	(2)	(3)	(4)	(5)	(6)
Self-employed						
Age 16-24	-0.085***	-0.079***	-0.078***	-0.075***	-0.070***	-0.067***
	(0.002)	(0.002)	(0.002)	(0.005)	(0.006)	(0.006)
Age 25-29	-0.059***	-0.052***	-0.051***	-0.051***	-0.044***	-0.043***
	(0.002)	(0.002)	(0.002)	(0.007)	(0.007)	(0.007)
Age 30-34	-0.044***	-0.040***	-0.040***	-0.042***	-0.038***	-0.036***
	(0.002)	(0.002)	(0.002)	(0.006)	(0.007)	(0.007)
Age 35-39	-0.030***	-0.029***	-0.028***	-0.035***	-0.033***	-0.032***
	(0.002)	(0.002)	(0.002)	(0.006)	(0.007)	(0.006)
Age 40-44	-0.016***	-0.016***	-0.016***	-0.008	-0.006	-0.006
	(0.002)	(0.002)	(0.002)	(0.007)	(0.007)	(0.007)
Age 45-49	-0.009***	-0.009***	-0.009***	0.002	0.003	0.003
	(0.002)	(0.002)	(0.002)	(0.008)	(0.008)	(0.007)
Female	-0.043***	-0.041***	-0.041***	-0.039***	-0.039***	-0.039***
	(0.002)	(0.002)	(0.002)	(0.005)	(0.005)	(0.005)
Upper secondary education	0.008*	0.004	0.005	0.017**	0.013*	0.013*
	(0.005)	(0.005)	(0.005)	(0.007)	(0.007)	(0.007)
Tertiary education	0.026***	0.018***	0.017***	0.018**	0.011	0.01
	(0.005)	(0.005)	(0.005)	(0.009)	(0.009)	(0.009)
Non-single		0.013***	0.013***		0.008	0.008
		(0.002)	(0.002)		(0.006)	(0.006)
Number of children in the household		0.002***	0.002***		0	0
		(0.001)	(0.001)		(0.002)	(0.002)
Household owner		0.026***	0.027***		0.033***	0.032***
		(0.002)	(0.002)		(0.005)	(0.005)
Foreign-born	**0.008*** **	**0.011*** **	**0.006** **			
	(0.003)	**(0.003)**	**(0.003)**			
0-4 years since migration				-0.013	-0.001	0.003
				(0.009)	(0.010)	(0.010)
5-10 years since migration				-0.016**	-0.009	-0.008
				(0.007)	(0.007)	(0.007)
11-16 years since migration				-0.005	-0.002	0
				(0.007)	(0.007)	(0.007)
EU non-15				0.087***	0.089***	0.097***
				(0.032)	(0.032)	(0.033)
Other Europe				-0.006	-0.006	0
				(0.017)	(0.017)	(0.017)
Latin America and Caribbean				-0.019**	-0.013	-0.022**
				(0.010)	(0.009)	(0.010)
Asia and Middle-East				0.005	0.007	0.002
				(0.010)	(0.010)	(0.010)
Africa				-0.008	-0.003	-0.001
				(0.015)	(0.016)	(0.016)
Other				0.017	0.018	0.015
				(0.018)	(0.018)	(0.017)
Number of observations	98283	98283	98283	16279	16279	16279
Pseudo R-sq	0.055	0.06	0.066	0.038	0.043	0.055
(d) for discrete change of dummy variable from 0 to 1						
* p<0.10, ** p<0.05, *** p<0.01						
Marginal effects reported						
includes regional dummies	N	N	Y	N	N	Y

Source: United States CPS March supplement, 2008.

Table 1.10. Probability of being self-employed, United Kingdom, native and foreign-born

Logit model	All			Foreign-born only		
	(1)	(2)	(3)	(4)	(5)	(6)
Self-employed						
Age 16-24	-0.101***	-0.100***	-0.098***	-0.091***	-0.088***	-0.084***
	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.004)
Age 25-29	-0.060***	-0.057***	-0.057***	-0.053***	-0.049***	-0.047***
	(0.001)	(0.001)	(0.001)	(0.004)	(0.004)	(0.004)
Age 30-34	-0.038***	-0.039***	-0.040***	-0.031***	-0.031***	-0.030***
	(0.001)	(0.001)	(0.001)	(0.004)	(0.004)	(0.004)
Age 35-39	-0.022***	-0.029***	-0.029***	-0.018***	-0.023***	-0.023***
	(0.001)	(0.001)	(0.001)	(0.005)	(0.005)	(0.005)
Age 40-44	-0.017***	-0.024***	-0.024***	-0.014***	-0.020***	-0.020***
	(0.001)	(0.001)	(0.001)	(0.005)	(0.005)	(0.005)
Age 45-49	-0.014***	-0.020***	-0.019***	0.001	-0.004	-0.003
	(0.001)	(0.001)	(0.001)	(0.005)	(0.005)	(0.005)
Female	-0.075***	-0.075***	-0.074***	-0.074***	-0.074***	-0.074***
	(0.001)	(0.001)	(0.001)	(0.003)	(0.003)	(0.003)
Upper secondary education	0.008***	0.005***	0.004***	-0.028***	-0.029***	-0.027***
	(0.001)	(0.001)	(0.001)	(0.004)	(0.004)	(0.004)
Tertiary education	-0.001	-0.006***	-0.010***	-0.030***	-0.032***	-0.034***
	(0.001)	(0.001)	(0.001)	(0.003)	(0.003)	(0.003)
Non-single		-0.002*	-0.001		-0.001	0.001
		(0.001)	(0.001)		(0.004)	(0.004)
Number of children in the household		0.009***	0.009***		0.008***	0.009***
		(0.001)	(0.001)		(0.001)	(0.001)
Household owner		0.025***	0.028***		0.031***	0.038***
		(0.001)	(0.001)		(0.004)	(0.004)
Foreign-born	**0.020*** **	**0.025*** **	**0.012*** **			
	(0.002)	**(0.002)**	**(0.002)**			
0-4 years since migration				-0.091***	-0.079***	-0.075***
				(0.004)	(0.004)	(0.004)
5-10 years since migration				-0.037***	-0.027***	-0.028***
				(0.004)	(0.004)	(0.004)
11-16 years since migration				-0.020***	-0.015***	-0.018***
				(0.005)	(0.005)	(0.005)
EU Non-15				0.135***	0.137***	0.131***
				(0.011)	(0.011)	(0.010)
Other Europe				0.078***	0.078***	0.066***
				(0.012)	(0.013)	(0.012)
Latin America and Caribbean				-0.013*	-0.01	-0.017**
				(0.007)	(0.007)	(0.007)
Asia and Middle-East				0.012***	0.007	0.004
				(0.005)	(0.005)	(0.005)
Africa				-0.017***	-0.017***	-0.022***
				(0.005)	(0.005)	(0.005)
Other				0.037***	0.034***	0.032***
				(0.008)	(0.008)	(0.008)
Number of observations	1039519	1021302	1021302	113165	111341	111341
Pseudo R-sq	0.059	0.062	0.067	0.076	0.08	0.087
(d) for discrete change of dummy variable from 0 to 1						
* p<0.10, ** p<0.05, *** p<0.01						
Marginal effects reported						
includes regional & time dummies	N	N	Y	N	N	Y

Source: United Kingdom Labour Force Survey, Q1 2005-Q3 2009.

Table 1.11. Probability of being self-employed, France, native and foreign-born

Logit model	All			Foreign-born only		
	(1)	(2)	(3)	(4)	(5)	(6)
Self-employed						
Age 16-24	-0.069***	-0.065***	-0.064***	-0.074***	-0.068***	-0.066***
	(0.001)	(0.001)	(0.001)	(0.004)	(0.005)	(0.005)
Age 25-29	-0.051***	-0.045***	-0.044***	-0.057***	-0.046***	-0.044***
	(0.001)	(0.002)	(0.002)	(0.005)	(0.007)	(0.007)
Age 30-34	-0.038***	-0.035***	-0.034***	-0.043***	-0.033***	-0.030***
	(0.001)	(0.002)	(0.002)	(0.006)	(0.007)	(0.007)
Age 35-39	-0.027***	-0.025***	-0.024***	-0.028***	-0.019***	-0.018**
	(0.002)	(0.002)	(0.002)	(0.006)	(0.007)	(0.007)
Age 40-44	-0.020***	-0.019***	-0.019***	-0.016**	-0.01	-0.009
	(0.002)	(0.002)	(0.002)	(0.006)	(0.007)	(0.007)
Age 45-49	-0.012***	-0.012***	-0.012***	-0.011*	-0.008	-0.007
	(0.002)	(0.002)	(0.002)	(0.006)	(0.006)	(0.006)
Female	-0.047***	-0.047***	-0.046***	-0.068***	-0.067***	-0.067***
	(0.002)	(0.002)	(0.002)	(0.005)	(0.005)	(0.005)
Upper secondary education	0.022***	0.020***	0.019***	0.017***	0.012*	0.011*
	(0.002)	(0.002)	(0.002)	(0.007)	(0.006)	(0.006)
Tertiary education	0.046***	0.041***	0.040***	0.058***	0.046***	0.045***
	(0.003)	(0.003)	(0.003)	(0.008)	(0.008)	(0.008)
Non-single		0.007***	0.008***		0.015**	0.016***
		(0.002)	(0.002)		(0.006)	(0.006)
Number of children in the household		0.002**	0.002***		0	0.001
		(0.001)	(0.001)		(0.002)	(0.002)
Household owner		0.016***	0.016***		0.040***	0.039***
		(0.002)	(0.002)		(0.006)	(0.006)
Foreign-born	**0.009*** **	**0.012*** **	**0.010*** **			
	(0.002)	**(0.002)**	**(0.002)**			
0-4 years since migration				-0.019	-0.01	-0.01
				(0.012)	(0.013)	(0.012)
5-10 years since migration				-0.033***	-0.027***	-0.026***
				(0.007)	(0.007)	(0.007)
11-16 years since migration				-0.002	0.002	0.004
				(0.010)	(0.011)	(0.011)
EU non-15				0.024**	0.029**	0.032***
				(0.012)	(0.012)	(0.012)
Latin America and Caribbean				-0.018	-0.009	-0.009
				(0.013)	(0.015)	(0.014)
Africa				-0.020***	-0.012**	-0.015***
				(0.006)	(0.006)	(0.006)
Other				0.014	0.020**	0.020**
				(0.009)	(0.009)	(0.009)
Number of observations	439128	439128	439128	51149	51149	51149
Pseudo R-sq	0.072	0.075	0.082	0.075	0.086	0.093
(d) for discrete change of dummy variable from 0 to 1						
* p<0.10, ** p<0.05, *** p<0.01						
Marginal effects reported						
includes regional & time dummies	N	N	Y	N	N	Y

Source: France Labour Force Survey, Q1 2005-Q4 2007.

Table 1.12. Probability of being self-employed, Spain, native and foreign-born

Logit model	All			Foreign-born only		
	(1)	(2)	(3)	(4)	(5)	(6)
Self-employed						
Age 16-24	-0.116***	-0.110***	-0.109***	-0.062***	-0.062***	-0.061***
	(0.003)	(0.003)	(0.003)	(0.007)	(0.008)	(0.008)
Age 25-29	-0.084***	-0.076***	-0.077***	-0.052***	-0.053***	-0.052***
	(0.003)	(0.004)	(0.004)	(0.008)	(0.008)	(0.008)
Age 30-34	-0.054***	-0.052***	-0.052***	-0.033***	-0.036***	-0.037***
	(0.004)	(0.004)	(0.004)	(0.008)	(0.009)	(0.008)
Age 35-39	-0.037***	-0.040***	-0.040***	-0.031***	-0.035***	-0.036***
	(0.004)	(0.004)	(0.004)	(0.008)	(0.008)	(0.008)
Age 40-44	-0.027***	-0.032***	-0.033***	-0.026***	-0.029***	-0.029***
	(0.004)	(0.004)	(0.004)	(0.008)	(0.008)	(0.008)
Age 45-49	-0.021***	-0.024***	-0.024***	-0.006	-0.008	-0.008
	(0.004)	(0.004)	(0.004)	(0.011)	(0.011)	(0.011)
Female	-0.064***	-0.065***	-0.064***	-0.050***	-0.050***	-0.049***
	(0.003)	(0.003)	(0.003)	(0.007)	(0.007)	(0.007)
Upper secondary education	0.001	0.002	0.003	0.017*	0.018**	0.019**
	(0.004)	(0.004)	(0.004)	(0.009)	(0.009)	(0.009)
Tertiary education	-0.014***	-0.012***	-0.011***	0.028***	0.030***	0.032***
	(0.003)	(0.003)	(0.003)	(0.010)	(0.010)	(0.010)
Non-single		0.020***	0.019***		0	0.001
		(0.005)	(0.005)		(0.009)	(0.009)
Number of children in the household		0.008***	0.009***		0.007**	0.007**
		(0.002)	(0.002)		(0.004)	(0.004)
Foreign-born	**-0.032*** **	**-0.034*** **	**-0.033*** **			
	(0.005)	**(0.005)**	**(0.005)**			
0-4 years since migration				-0.038***	-0.037***	-0.036***
				(0.009)	(0.009)	(0.009)
5-10 years since migration				-0.030***	-0.030***	-0.028***
				(0.010)	(0.010)	(0.010)
11-16 years since migration				0.030*	0.029*	0.029*
				(0.015)	(0.015)	(0.015)
EU Non-15				-0.056***	-0.056***	-0.054***
				(0.008)	(0.008)	(0.009)
Other Europe				-0.047***	-0.046***	-0.044***
				(0.008)	(0.008)	(0.008)
Latin America and Caribbean				-0.068***	-0.068***	-0.065***
				(0.012)	(0.012)	(0.011)
Asia and Middle-East				0.026	0.024	0.03
				(0.021)	(0.020)	(0.021)
Africa				-0.061***	-0.062***	-0.059***
				(0.007)	(0.006)	(0.007)
Other				-0.03	-0.029	-0.026
				(0.023)	(0.023)	(0.024)
Number of observations	73391	73391	73391	7125	7125	7125
Pseudo R-sq	0.051	0.052	0.055	0.118	0.12	0.125
(d) for discrete change of dummy variable from 0 to 1						
* p<0.10, ** p<0.05, *** p<0.01						
Marginal effects reported						
includes regional dummies	N	N	Y	N	N	Y

Source: Spain Labour Force Survey, Q1 2008.

Age, gender and education are related to migrant entrepreneurship status

The marginal probabilities for the age categories show that, all else being equal, younger individuals are less likely to be self-employed in all the four countries studied. In addition, the likelihood to start a business seems to increase more rapidly at the end of the life-cycle than at the beginning. Similar patterns are observed with respect to age for migrants than for the overall population (after controlling for duration of stay in the host country).

In general, women are less likely to be an entrepreneur. A woman is 4.3 percentage points less likely to be an entrepreneur than a male in the United States, 5.8 in France, 6.6 in Spain and 6.7 in the United Kingdom. Turning to migrant entrepreneurs, the effect of gender is similar to that observed for the total population in the United Kingdom and the United States but different in scope in France and Spain. In France, women migrants are even less likely to start a business than their native-born counterparts, while the opposite is observed in Spain, although in this country migrant women remain less likely than migrant males to start a business.

The effect of education on the probability of becoming an entrepreneur is different between countries and between natives and migrants. In the United States and France, highly-educated individuals are more likely to be an entrepreneur than individuals with less than upper secondary education. The reverse is true in Spain and in the United Kingdom. These observations, however, do not always hold of immigrants. For example, in the United States those migrants with higher secondary education are more likely to be entrepreneurs than lower or higher educated individuals. In the United Kingdom, the low-educated are the most likely to be entrepreneurs. In France and in Spain, the higher the level of education the migrant has, the higher the probability of being self-employed.

The fact that highly educated migrants in Spain and France are relatively more likely than their native-born counterparts to engage in entrepreneurship activities may point to a lack of appropriate opportunities in wage employment (compared with natives). Self-employment may appear as an appropriate option for the highly-skilled when they face over qualification problems in wage employment, a situation that is not uncommon in the above-mentioned countries (OECD, 2007c).

Marital status does not seem to affect significantly the migrant propensity for self-employment (except in France) although for natives there is a significant positive correlation (except for the United Kingdom). In addition, the number of children in the household is correlated to the probability of being an entrepreneur, although it is not clear if this is an independent effect or, for instance, a wealth effect not controlled for by other variables included in the regression.

Migrant entrepreneurs face greater credit constraints than native entrepreneurs

The existence of credit constraints to start a business has been extensively analysed in the literature on entrepreneurship, notably for the United States. Those entrepreneurs without sufficient wealth to provide as collateral face more difficulties accessing credit to finance their business ventures. A proxy for overall wealth is homeownership, and the results from Tables 1.9-1.11 show that homeownership is positively associated with the entrepreneurship decision for the United States, the United Kingdom and France.[17]

These findings suggest that entrepreneurs might be credit constrained, and that those with their own resources are more likely to start a business. Evans and Jovanovic (1989) and Evans and Leighton (1989), for example, showed that entrepreneurs face liquidity

constraints in the United States. This positive correlation could also be the result of negative causality (that is, those who become entrepreneurs are richer afterwards and thus more likely to own their own house). In order to avoid this problem, Blanchflower and Oswald (1998) analysed the effect of wealth received through an inheritance or a gift in the United Kingdom. They showed that this type of unearned wealth affected positively the probability of becoming an entrepreneur, showing the existence of credit constraints.

The larger positive effect of owning a property for migrants' entrepreneurship decision (compared to all the population) is an indication of greater credit constraints faced by migrant entrepreneurs. Homeownership increases the probability of being self-employed between 3.1 to 4 percentage points (depending on the specification and country), compared with 1.6 to 2.6 for natives.

These results are of particular importance given that migrant entrepreneurial ventures are less successful than the ones for natives, and the credit constraints they face are probably one of the reasons for this lower survival rate. In fact, Fairlie (2005) and Fairlie and Woodruff (2008) show that low levels of asset holdings (in addition to education) are an important limitation for the development of migrant businesses in United States. Blanchflower, Levine and Zimmerman (2003) and Blanchflower (2009) have shown that ethnic minorities were discriminated against in the credit market in United States. All these results point to greater difficulties for migrants to obtain external financing for their entrepreneurship ventures.

Migrant entrepreneurs have a different propensity to be entrepreneurs, even after controlling for individual background characteristics

After controlling for differences in individual characteristics, including age, gender and education, a specific effect of being a migrant is still identified in all regressions (Columns 1 to 6). This effect is however, not similar across countries. In the United States, migrants have a higher propensity to be entrepreneurs (1 percentage points more likely). This is also the case in the United Kingdom (2 percentage points more likely) and France (1 percentage points more likely). However, the opposite is observed in Spain, where migrants are 3.2 percentage points less likely to be an entrepreneur. This different propensity was already observed in the descriptive analysis of the previous section.

This effect could be partly explained by the relative concentration of migrant employment in certain sectors where self-employment is more common. However, the above findings remain even controlling for sectors (in Column 3).

Indeed, there may be unobserved characteristics which affect the propensity to be an entrepreneur and vary between migrant and non-migrant groups. For example, taking into account the selectivity of the migration process, it is possible that those individuals that decide to migrate have on average a lower risk aversion than non-migrants, and thus more entrepreneurial skills as well. Migrants may also have a comparative advantage in specific business niches, including in services geared toward their migrant community (Borjas, 1986).

Another aspect that can alter the entrepreneurship behaviour of migrants could be their entry visa. Those migrants that enter with a migrant-investor visa or a self-employed visa will obviously be more likely to be involved in entrepreneurship activities. Hunt (2009) has found that migrants entering the United States with either a temporary work visa or a student visa are more innovative and entrepreneurial than natives. In addition, the OECD *Job for Immigrants* reviews (2007, 2008) have shown that the integration of

migrants in the labour market (employment participation, unemployment, etc.) differs substantially between different entry categories. Migrants with different entry categories might then face different labour market prospects and rely to different degrees on self-employment as a way to improve their situation in the host-country labour market.

The time spent in the host country and the geographical origin of migrants are related to their entrepreneurship behaviour

The time needed to adapt to the host country delays the start of the entrepreneurship ventures for immigrants. The probability of being an entrepreneur increases with years of residence in the host country, after controlling for age and other observed characteristics. This effect is particularly strong in the early years after arrival but after residing ten or more years in the country, duration of stay has little impact.

The effect of years of residence is stronger in the United Kingdom and in Spain compared with France and the United States. This is probably due to the fact that in the former countries the share of migrants with more than ten years of residence is much smaller, and older migration waves had quite different characteristics not all of which are necessarily controlled for in the regression.

As noted above, migrants from different origins have different propensities to become entrepreneurs. Even after controlling for a wide range of individual characteristics, the region of origin remains a significant factor.

Entrepreneurship can be a strategy to move out from low-wage job or a discrimination situation in paid employment

Why do immigrants start a business and how successful are those entrepreneurs? The existing evidence shows a mixed picture. Clark and Drinkwater (1998, 2000) found that migrants in the United Kingdom choose entrepreneurship to avoid discrimination in paid employment. They identify a positive wage premium strongly correlated with the decision of entering self-employment for migrants. The lower the premium, the lower is the probability that they engage in self-employment activities. In this context, migrant self-employment appears as a way to overcome discrimination or occupational downgrade in salaried work. Our results showing a higher (and positive) correlation between tertiary education and entrepreneurship for migrants than for natives in France and in Spain, combined with the evidence of over-qualification of migrants in wage employment, point in the same direction.

In addition to the reason why migrants started their business, the returns from the entrepreneurial choice are important to be assessed. Lofstrom (2002) showed that in the United States those migrants that choose self-employment converge to natives' wage earnings earlier than employed migrants. In addition, migrants manage to converge later to native self-employed earnings as well. However, a recent study focusing only on low-skilled migrant entrepreneurs (Lofstrom, 2009) shows that the choice of entrepreneurship is less beneficial for those migrants that are low-skilled than the choice of wage employment. The author suggests that overall positive returns of entrepreneurship by migrants in the United States are driven mostly by successful high-skilled migrants, and that for low-skilled migrants it might be more efficient to encourage an increase in human capital than to encourage entrepreneurship at any rate.

Lower returns to self-employment than to wage employment are also found in other countries. Li (2000) showed that in Canada, self-employed migrants earn significantly less than wage-employed migrants. Andersson and Wadensjö (2004) found similar results in Denmark and Sweden.

It has been acknowledged, however, that entrepreneurs have on average lower initial returns and lower returns growth in general, and that non-pecuniary benefits of entrepreneurship partly explain the propensity to become entrepreneurs for the overall population (Hamilton, 2000).

… or as a way to overcome difficulties in finding wage employment

In the context of the current economic crisis and high levels of unemployment in many OECD countries, it is important to understand if entrepreneurship is a potential response to a slack labour market. The existing entrepreneurship literature in general has cited two main arguments on how overall unemployment can affect entrepreneurship behaviour. On the one hand, the "recession-push" argument states that if there is a high level of unemployment, individuals might be "forced" to become self-employed given the lack of alternatives. On the other hand, the "prosperity-pull" argument says that if the general economic situation is bad, individuals will be less likely to start their own business, given the lower demand for their services.

In fact, both effects might co-exist at the same time. There is, however, no agreement in the empirical literature on which of the two effects dominates. Some found that weak employment prospects (high unemployment) in the local area push the individual towards self-employment (*i.e.* Evans and Leighton, 1989) while others found that weak employment prospects delay the entrepreneurship decision (Carrasco, 1999).[18] An analysis of the correlation between unemployment and migrant propensity to become an entrepreneur was done for the United Kingdom and France, where the available datasets allowed following individuals over time. The relationship between unemployment and entrepreneurship was analysed at two levels. First, we analysed how regional average unemployment rates correlate with entrepreneurship behaviour, with a particular interest in migrants. Second, we examined how a period of unemployment of the individual affected his subsequent entrepreneurship behaviour in the following quarter.

Conditional on observed characteristics, in the United Kingdom an increase in regional unemployment has a negative (and higher) relationship with migrant than with native entrepreneurship. An increase in unemployment equivalent to 1 percentage points is associated with a decrease of 0.145 percentage points in the propensity of entrepreneurship in general, and with a decrease of 0.725 percentage points in the propensity of migrants. These results are in line with those found by Constant and Zimmermann (2004) in Germany, who argue that migrants are more likely to become self-employed during the expansionary phase of the business cycle. For the case of France, regional unemployment is associated negatively with overall entrepreneurship (but no significant association is found for the case of migrants only).

An alternative way of studying the influence of unemployment on entrepreneurship behaviour is to see if a spell of unemployment in the previous quarter has any correlation with the probability of being self-employed in the following period.

The results in Columns 3, 4 and 7 of Tables 1.13 and 1.14 show a negative and significant correlation between being unemployed in the previous quarter and the probability of being self-employed in the following period. It is remarkable how less probable entrepreneurship is for a migrant than for a native following an unemployment spell. The results for France and for the United Kingdom show that migrants are even less likely than natives to become self-employed after an unemployment spell (shown for example by the interaction term between foreign-born and previous unemployment experience the period before in Column 4). In the policy domain, it has been argued that entrepreneurship could be a way to reduce unemployment, either by the direct creation of firms by the unemployed or indirectly by the job creation of the new firms. The evidence from several programmes established in recent years has been rather mixed, where firms created by the unemployed with special support had lower survival rates (see Andersson and Wadensjo, 2007 in Sweden, Pfeiffer and Reize, 2000 in Germany). The results presented here point to an even greater challenge for unemployed migrants to become successful entrepreneurs than for unemployed natives.

1.5. Conclusion

- Entrepreneurship is slightly higher among immigrants than among natives in most OECD countries. Around 12.7% of migrants of working age are entrepreneurs, compared with 12.0% among natives, but there are significant variations between countries and over time.

- Migrant entrepreneurs have different individual background characteristics than both native entrepreneurs and migrants in wage employment. They are, on average, more educated than their native counterparts and work in a wide range of occupations and sectors, including non-ethnic business sectors.

- The contribution of migrant entrepreneurship to employment creation in OECD countries has been increasing steadily during the period 1998-2008.

- On average, a foreign-born self-employed who owns a small or medium firm creates between 1.4 to 2.1 additional jobs, slightly less than the equivalent figure of 1.8-2.8 additional jobs created by their native-born counterparts.

- Migrants are more likely than natives to create new businesses in almost all OECD countries in relation to their population size, although the survival rate of these new firms is usually lower.

- Migrant entrepreneurship behaviour seems to be affected mainly by credit constraints, time of residence in the host country and the region of origin.

- Migrants have a higher entrepreneurial spirit, even after controlling for individual observed characteristics. The selective dimension of migration processes may partly explain why immigrants are more likely than native-born to have entrepreneurial skills.

Table 1.13. Effect of unemployment on the probability of being self-employed, United Kingdom

	All				Foreign-born only		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Foreign-born	**0.015*** **	**0.015*** **	**0.016*** **	**0.018*** **			
	(0.002)	**(0.002)**	**(0.002)**	**(0.003)**			
Regional unemployment rate		**-0.139** **				**-0.710*** **	
		(0.064)				**(0.200)**	
Previous unemployment (Q-1)			**-0.063*** **	**-0.058*** **			**-0.086*** **
			(0.001)	**(0.001)**			**(0.004)**
Interaction prev unem x fgn-born				**-0.035*** **			
				(0.004)			
Age 16-24	-0.127***	-0.127***	-0.124***	-0.124***	-0.100***	-0.101***	-0.101***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.007)	(0.007)	(0.008)
Age 25-29	-0.086***	-0.086***	-0.087***	-0.087***	-0.064***	-0.064***	-0.067***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.007)	(0.007)	(0.008)
Age 30-34	-0.063***	-0.063***	-0.063***	-0.063***	-0.046***	-0.046***	-0.051***
	(0.002)	(0.002)	(0.003)	(0.003)	(0.007)	(0.007)	(0.008)
Age 35-39	-0.044***	-0.044***	-0.046***	-0.046***	-0.037***	-0.037***	-0.040***
	(0.002)	(0.002)	(0.003)	(0.003)	(0.007)	(0.007)	(0.009)
Age 40-44	-0.037***	-0.037***	-0.038***	-0.038***	-0.033***	-0.033***	-0.037***
	(0.002)	(0.002)	(0.003)	(0.003)	(0.007)	(0.007)	(0.009)
Age 45-49	-0.029***	-0.029***	-0.031***	-0.031***	-0.007	-0.007	-0.009
	(0.002)	(0.002)	(0.002)	(0.002)	(0.007)	(0.007)	(0.009)
Female	-0.082***	-0.082***	-0.083***	-0.082***	-0.081***	-0.081***	-0.083***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)	(0.003)	(0.004)
Upper secondary education	0.006***	0.006***	0.006***	0.006***	-0.034***	-0.034***	-0.035***
	(0.001)	(0.001)	(0.002)	(0.002)	(0.005)	(0.005)	(0.006)
Tertiary education	-0.008***	-0.008***	-0.009***	-0.009***	-0.040***	-0.040***	-0.042***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.004)	(0.004)	(0.005)
Non-single	0.002	0.002	0	0	0.004	0.004	0.002
	(0.001)	(0.001)	(0.002)	(0.002)	(0.004)	(0.004)	(0.005)
Number of children in the household	0.012***	0.012***	0.012***	0.012***	0.012***	0.012***	0.013***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)
Household owner	0.029***	0.029***	0.024***	0.024***	0.041***	0.041***	0.033***
	(0.001)	(0.001)	(0.002)	(0.002)	(0.004)	(0.004)	(0.005)
0-4 years since migration					-0.087***	-0.087***	-0.087***
					(0.005)	(0.005)	(0.007)
5-10 years since migration					-0.033***	-0.033***	-0.034***
					(0.005)	(0.005)	(0.006)
11-16 years since migration					-0.023***	-0.023***	-0.019**
					(0.007)	(0.007)	(0.008)
EU Non-15					0.101***	0.101***	0.106***
					(0.007)	(0.007)	(0.009)
Other Europe					0.071***	0.071***	0.080***
					(0.012)	(0.012)	(0.015)
Latin America and Caribbean					-0.023***	-0.023***	-0.022**
					(0.008)	(0.008)	(0.009)
Asia and Middle-East					0.005	0.005	0.008
					(0.005)	(0.005)	(0.006)
Africa					-0.025***	-0.025***	-0.020***
					(0.005)	(0.005)	(0.006)
Other					0.032***	0.033***	0.035***
					(0.008)	(0.008)	(0.009)
Number of observations	1021302	1021302	664363	664363	111341	111341	67646
Pseudo R-sq							
Instrumented variable							
Instruments							
* p<0.10, ** p<0.05, *** p<0.01							
Marginal effects reported							
includes regional & time dummies	Y	Y	Y	Y	Y	Y	Y

Source: United Kingdom Labour Force Survey, Q1 2005-Q3 2009.

Table 1.14. Effect of unemployment on the probability of being self-employed, France

	All				Foreign-born only		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Foreign-born	**0.014*** **	**0.014*** **	**0.015*** **	**0.016*** **			
	(0.003)	**(0.003)**	**(0.003)**	**(0.003)**			
Regional unemployment rate		**-0.128***				**0.128**	
		(0.072)				**(0.228)**	
Previous unemployment (Q-1)			**-0.023*** **	**-0.015*** **			**-0.047*** **
			(0.002)	**(0.003)**			**(0.005)**
Interaction prev unem x fgn-born				**-0.041*** **			
				(0.005)			
Age 16-24	-0.098***	-0.098***	-0.098***	-0.098***	-0.077***	-0.077***	-0.076***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.011)	(0.011)	(0.011)
Age 25-29	-0.082***	-0.082***	-0.082***	-0.082***	-0.063***	-0.063***	-0.062***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.011)	(0.011)	(0.011)
Age 30-34	-0.068***	-0.068***	-0.068***	-0.068***	-0.050***	-0.050***	-0.050***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.011)	(0.011)	(0.011)
Age 35-39	-0.050***	-0.051***	-0.050***	-0.050***	-0.032***	-0.032***	-0.032***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.011)	(0.011)	(0.011)
Age 40-44	-0.039***	-0.039***	-0.039***	-0.039***	-0.018*	-0.018*	-0.018*
	(0.004)	(0.004)	(0.004)	(0.004)	(0.011)	(0.011)	(0.011)
Age 45-49	-0.024***	-0.024***	-0.024***	-0.024***	-0.014	-0.014	-0.014
	(0.004)	(0.004)	(0.004)	(0.004)	(0.009)	(0.009)	(0.009)
Female	-0.058***	-0.058***	-0.058***	-0.058***	-0.079***	-0.079***	-0.079***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.006)	(0.006)	(0.006)
Upper secondary education	0.025***	0.025***	0.025***	0.025***	0.014**	0.014**	0.013*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.007)	(0.007)	(0.007)
Tertiary education	0.050***	0.050***	0.049***	0.049***	0.055***	0.055***	0.054***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.008)	(0.008)	(0.008)
Non-single	0.010***	0.010***	0.010***	0.010***	0.018***	0.018***	0.018***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.007)	(0.007)	(0.007)
Number of children in the household	0.005***	0.005***	0.005***	0.005***	0.003	0.003	0.003
	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)	(0.003)	(0.003)
Household owner	0.019***	0.019***	0.019***	0.019***	0.049***	0.049***	0.048***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.007)	(0.007)	(0.007)
0-4 years since migration					-0.009	-0.009	-0.008
					(0.013)	(0.013)	(0.013)
5-10 years since migration					-0.024***	-0.024***	-0.023***
					(0.008)	(0.008)	(0.008)
11-16 years since migration					0.002	0.002	0.003
					(0.012)	(0.012)	(0.012)
EU non-15					0.033**	0.033**	0.033***
					(0.013)	(0.013)	(0.013)
Latin America and Caribbean					-0.011	-0.011	-0.01
					(0.015)	(0.015)	(0.015)
Africa					-0.016**	-0.016**	-0.015**
					(0.007)	(0.007)	(0.007)
Other					0.026**	0.026**	0.026**
					(0.011)	(0.011)	(0.011)
Number of observations	439128	439128	439128	439128	51149	51149	51149
Number of clusters	131734	131734	131734	131734	15951	15951	15951
R-sq	0.04	0.04	0.04	0.04	0.054	0.054	0.054
* p<0.10, ** p<0.05, *** p<0.01							
Marginal effects reported							
includes regional & time dummies	Y	Y	Y	Y	Y	Y	Y

Source: France Labour Force Survey, Q1 2005-Q4 2007.

Notes

1. Blanchflower and Shadforth (2007) estimate that almost 50% more individuals declare taxable income from self-employment in the United Kingdom than declare self-employment in the labour force survey.
2. The OECD is, however, actively working to change this situation and set a standard framework of indicators on entrepreneurship (see OECD Entrepreneurship Indicator Programme 2008 for more detail).
3. Another important issue is the identification of the business unit. Many firms have different establishments and produce a wide range of products and services. In addition, firms are often part of a bigger industrial conglomerate. The "enterprise" is used for structural business statistics (OECD Manual on Business Demography Statistics 2007), as opposed to "establishments" (or local units) and "enterprise groups" (all enterprises that belong to a group).
4. On the other hand, small and medium-sized businesses are underrepresented in business registers, as only businesses above a certain threshold size or category are required to register.
5. In addition, only a small proportion of foreign-born self-employed work in agriculture (2.5% of foreign-born entrepreneurs worked in agriculture compared with 15.7% of native-born entrepreneurs (Secretariat calculation using Eurostat Labour Force Survey, 1998-2008).
6. As mentioned before, self-employed individuals are those "who work in their own business, professional practice or farm for the purpose of earning a profit", either employing other persons or not (Eurostat, 2003).
7. Although we are unable to identify if two individuals are partners in the same firm, preliminary checks using the United Kingdom Labour Force Survey allows us to approximate this phenomenon for those partners that live in the same household. The maximum potential double-count of members of the same household that are self-employed with employees is less than 10% (and could be less if members of the same household have different businesses).
8. Among others, Borjas (1986) and Fairlie (1999, 2005) have found similar results for this country.
9. One exception are Mexican migrants in the United States, who have a low propensity to become entrepreneurs compared with their national counterparts in Mexico (Fairlie and Woodruff, 2008).
10. The number of individuals employed by migrant entrepreneurs is different from the number of new jobs created by migrant entrepreneurs during the period. It is not possible to identify in the data the change in the number of employees hired by the entrepreneur from one period to the other.
11. The estimation was not possible to compute for Australia, where firm size is not available in the Labour Force data. Another problem arises for the United States, given that firm-size bands were not equivalent to the ones used in the Eurostat Labour Force Survey (in particular only one single category for firms of size below ten), and thus for comparability reasons the estimation was not computed either. A special data request has

been made to Canada. As soon as the data are received, calculation for this country will be added.

12. Detailed results can be provided upon request.

13. Only those firms with fewer than 50 employees has been used in the estimation, as it allows us to use both the lower and the upper bounds of each firm-size band and thus have an indication of the potential dispersion between the two. In addition, focusing on small firms (under 50 employees) allows us to reduce the differential bias arising from the different firm-size distribution between migrant- and foreign-born for bigger firms.

14. Another potential outcome from new migrant entrepreneurs could be the displacement of native entrepreneurs, as found by Fairlie and Meyer (2003) in the United States.

15. Results for the United States correspond to the Kaufmann Index of Entrepreneurial Activity shown in Table 3 in Fairlie (2009).

16. The study focuses on the probability of being self-employed, rather than the transition into self-employment, for two main reasons. First, the available micro-data in the study do not allow us to link individuals from one wave to the next (except in the cases of France and the United Kingdom). Second, where we can observe individuals, very few made the transition from one state to the other. The number is particularly small for self-employed migrants, already a small group with a small sample.

17. This information is not available for the Spanish Labour Force Survey.

18. See Parker (2004) for a summary of different results and estimation methods.

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Annex 1.A1. Descriptive statistics for United States, United Kingdom, France and Spain native and foreign-born

	United States						United Kingdom						France						Spain					
	All		Native		reign Born		All		Native		Foreign-born		All		Native		Foreign-born		All		Native		Foreign-born	
	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation
Self-employment rate	0.092	*0.28918*	0.09	*0.28662*	0.101	*0.301746*	0.11304	*0.31664*	0.1108	*0.3138359*	0.1296	*0.335885*	0.0748	*0.26314*	0.0723	*0.258971*	0.0942	*0.292098*	0.1332	*0.33981*	0.1416	*0.3486024*	0.095	*0.293377*
Foreign-born rate	0.164	*0.37002*					0.12113	*0.32628*	0	*0*			0.1166	*0.32088*	0	*0*			0.1797	*0.383938*	0	*0*		
Age 16-24	0.146	*0.3535*	0.155	*0.36214*	0.101	*0.301548*	0.16081	*0.36735*	0.167	*0.3729901*	0.1158	*0.319926*	0.1068	*0.30891*	0.1147	*0.318634*	0.0474	*0.212508*	0.1059	*0.307687*	0.1033	*0.3043973*	0.118	*0.32202*
Age 25-29	0.117	*0.32167*	0.116	*0.32037*	0.123	*0.328175*	0.10988	*0.31274*	0.102	*0.3026412*	0.1669	*0.372873*	0.1215	*0.32674*	0.1259	*0.331682*	0.0888	*0.284405*	0.1411	*0.348116*	0.1339	*0.3405021*	0.174	*0.379197*
Age 30-34	0.107	*0.30881*	0.1	*0.3001*	0.141	*0.347912*	0.11012	*0.31304*	0.1021	*0.3028201*	0.1679	*0.373816*	0.1322	*0.3387*	0.1353	*0.342003*	0.1089	*0.311549*	0.1598	*0.366416*	0.1486	*0.3556872*	0.211	*0.407966*
Age 35-39	0.116	*0.32006*	0.11	*0.31258*	0.147	*0.354223*	0.12553	*0.33132*	0.1235	*0.3289738*	0.1405	*0.347481*	0.1386	*0.34557*	0.1394	*0.346399*	0.1327	*0.339198*	0.1465	*0.353571*	0.1421	*0.3491141*	0.167	*0.372582*
Age 40-44	0.121	*0.32572*	0.117	*0.32097*	0.141	*0.348259*	0.13237	*0.33889*	0.1336	*0.3402266*	0.1235	*0.328974*	0.1418	*0.34882*	0.141	*0.348027*	0.1476	*0.354743*	0.135	*0.341753*	0.1331	*0.339699*	0.144	*0.350842*
Age 45-49	0.127	*0.33261*	0.127	*0.33264*	0.127	*0.332509*	0.11988	*0.32482*	0.1215	*0.3267106*	0.1082	*0.31066*	0.1345	*0.34117*	0.1302	*0.33652*	0.167	*0.372978*	0.118	*0.322648*	0.1249	*0.3305975*	0.087	*0.281429*
Age 50-64	0.266	*0.44209*	0.275	*0.44676*	0.22	*0.414405*	0.24141	*0.42794*	0.2503	*0.4331763*	0.1773	*0.381884*	0.2245	*0.41727*	0.2136	*0.409828*	0.3076	*0.461502*	0.1937	*0.395202*	0.2141	*0.4102245*	0.1	*0.300573*
Female	0.471	*0.49917*	0.482	*0.49969*	0.413	*0.492421*	0.46246	*0.49859*	0.4655	*0.4988101*	0.4404	*0.49644*	0.4746	*0.49935*	0.4775	*0.499495*	0.452	*0.497692*	0.4328	*0.495467*	0.4272	*0.4946672*	0.459	*0.498286*
Lower secondary or less	0.045	*0.20793*	0.019	*0.13506*	0.182	*0.385562*	0.21181	*0.40859*	0.1801	*0.3842798*	0.4409	*0.49649*	0.2715	*0.44476*	0.2511	*0.433642*	0.4266	*0.494577*	0.4339	*0.495606*	0.4346	*0.4956981*	0.431	*0.495172*
Upper secondary	0.644	*0.47884*	0.67	*0.47015*	0.51	*0.499904*	0.46265	*0.4986*	0.4986	*0.4999981*	0.2031	*0.402315*	0.4389	*0.49626*	0.456	*0.498062*	0.3095	*0.462268*	0.242	*0.428282*	0.219	*0.4135939*	0.347	*0.475921*
Tertiary	0.311	*0.46282*	0.311	*0.463*	0.309	*0.46189*	0.3181	*0.46574*	0.3141	*0.4641429*	0.3473	*0.476111*	0.2895	*0.45354*	0.2929	*0.455086*	0.264	*0.440795*	0.3242	*0.468061*	0.3464	*0.4758259*	0.223	*0.415997*
Non-single	0.55	*0.49749*	0.535	*0.49876*	0.626	*0.48389*	0.50976	*0.4999*	0.5019	*0.4999963*	0.5666	*0.49554*	0.5976	*0.49038*	0.5771	*0.494017*	0.7529	*0.431325*	0.6297	*0.482885*	0.6312	*0.4824792*	0.623	*0.484672*
No. of children in household	0.835	*1.13149*	0.794	*1.10511*	1.047	*1.236112*	0.73407	*1.00521*	0.7263	*0.9928718*	0.7907	*1.088959*	0.772	*0.9966*	0.7535	*0.975734*	0.9124	*1.132664*	0.6268	*0.866288*	0.5791	*0.8278014*	0.845	*0.995053*
Household owner	0.705	*0.45609*	0.736	*0.441*	0.548	*0.497696*	0.75999	*0.42709*	0.7937	*0.4046762*	0.516	*0.499743*	0.5783	*0.49384*	0.5967	*0.490565*	0.4386	*0.496217*						
0-4 years since migration					0.113	*0.316215*					0.225	*0.417611*					0.0608	*0.239033*					0.354	*0.478335*
5-10 years since migration					0.214	*0.410458*					0.2259	*0.418144*					0.1206	*0.325673*					0.444	*0.496882*
11-16 years since migration					0.178	*0.382788*					0.1057	*0.307441*					0.0672	*0.250316*					0.069	*0.253125*
17 plus years since migration					0.495	*0.49997*					0.4124	*0.492265*					0.7514	*0.432211*					0.133	*0.339072*
EU 15					0.073	*0.260745*					0.2002	*0.400153*					0.2454	*0.430314*					0.109	*0.311434*
EU Non-15					0.018	*0.132116*					0.123	*0.328384*											0.015	*0.122403*
Other Europe					0.031	*0.171961*					0.0327	*0.177938*					0.0807	*0.272404*					0.196	*0.396898*
Latin America and Caribbean					0.534	*0.498826*					0.0604	*0.238215*					0.0258	*0.158502*					0.493	*0.499947*
Asia and Middle-East					0.271	*0.444639*					0.2978	*0.457302*											0.034	*0.181602*
Africa					0.04	*0.196694*					0.2062	*0.404568*					0.489	*0.499879*					0.148	*0.355046*
Other					0.031	*0.172*					0.0796	*0.270684*					0.1319	*0.338426*					0.005	*0.072133*
Number of observations	98283		81998		16285		1056762		941113		115649		439128		387979		51149		73391		66266		7125	

Note: All active native and foreign-born population aged 15-64 in non-agricultural activities. *Source*: United States CPS March supplement ,2008. United Kingdom Labour Force Survey, Q1 2005-Q3 2009. France Labour Force Survey, Q1 2005-Q4 2007. Spain Labour Force Survey, Q1 2008. For France, category "Other" includes Asia and category "Other Europe" includes as well EU non-15.

Chapter 2

Migration policies in OECD countries to manage the migration of foreign entrepreneurs and investors

by

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Summary

Immigrants' contribution to growth in entrepreneurial activity and investment in OECD countries has increased over the past decade. This contribution can be measured in qualitative as well as quantitative terms. Immigrant entrepreneurs and investors can contribute to the economic and social regeneration of disadvantaged rural and urban areas and play a part in the revival of crafts, trades and business activities abandoned by the local population. Through their links with their home country, immigrant entrepreneurs and investors can also help to expand their host country's foreign trade. These features of immigrant entrepreneurship in OECD countries look all the more attractive at a time when member countries' governments face the need to identify measures to stimulate their economies after the crisis.

A majority of OECD countries have adopted migration policy measures in the recent past that apply specifically to foreigners willing to migrate in order to create or operate their own business or invest their capital in the country. These policies are designed to select immigrant entrepreneurs and investors likely to contribute to the growth of the national economy and to encourage them to settle.

In most OECD countries, the selection of foreign entrepreneurs and investor applications to immigrate is made on the basis of a set of eligibility criteria, concerning the migrant's experience and the viability of the planned business. The assessment of these criteria by the relevant authorities aims at ensuring the immigration candidate's capacity to contribute to the country's economic growth through an independent business activity or an investment. The importance placed on each criterion, the precision with which they are defined and, consequently, the margin for discretion in the assessment by the competent authorities, vary from one country to another. In addition, migration policies for migrant entrepreneurs and investors also include, in most cases, measures to monitor the compliance with the admission requirements over time and the development of the business in order both to prevent the abuse of immigration procedures and to assess the positive effects of the established immigrant business on the host country's economy.

Simplified conditions for admission exist in several OECD countries for entrepreneurs and investors who establish their business in regions where business activity is less prevalent or in decline. In general, migration policies implemented in

OECD countries to manage the flows of foreign entrepreneurs and investors include several incentives aimed at attracting immigration candidates whose human and financial capital and business projects are likely to contribute to the national economic growth, and encourage them to settle. More frequently these incentives consist in simplified family reunification conditions. The existence of support measures to facilitate immigrant entrepreneurs and investors' economic integration in the host country may also encourage foreign entrepreneurs and investors to settle in one OECD country rather than another.

While migration policies dedicated to foreign entrepreneurs and investors have evolved, they still cover only a tiny fraction of all entrepreneurial activity by non-citizens in OECD countries. In fact, most foreign entrepreneurs enter through other channels and do not use the special programmes. Further, not all entrepreneurs using the special programmes remain in the host country. This suggests that these programmes play a small role in supporting entrepreneurial activity. Similarly, investment is not primarily driven by the availability of investor visas. These programmes may be relevant for specific categories of migrants, or may provide a simplified channel of access, but their role in sustaining business growth and investment is not large.

The special conditions of admission and the incentives introduced by migration policies for the management of immigration of foreign investors and entrepreneurs in OECD countries are not the only factors that determine the decision of those migrants to settle in one OECD country rather than another. In most OECD countries, nationals of certain countries that have concluded international agreements on the subject with host countries enjoy preferential conditions of admission and residence for the exercise of an independent activity in comparison with the general rules that apply to foreign entrepreneurs and investors. These factors may influence the migrant entrepreneur or investor's choice of country. In addition, other factors, like the level of regulation of professional and business activities, the existence and content of economic policies to support independent activity, especially small businesses, and the tax system for self-employed workers, may be at least as important as migration policies in encouraging immigrants with a business project to apply for admission into one OECD country rather than another. As a consequence, co-ordination of migration policies with other relevant public policies is needed in order to maximise foreign entrepreneurs and investors' contribution to economic growth in OECD countries.

2.1. The entry and stay of foreign entrepreneurs and investors

Current debate about migration policies in response to labour market needs has mostly focused on salaried employment, though policies also exist to facilitate the migration of foreign entrepreneurs and investors.[1] In most OECD countries, such policies are intended to optimise the contribution of immigrant entrepreneurs and foreign investors to employment creation and economic growth in the host country. Migration policies for these two categories of immigrants include specific admission criteria and monitoring of conditions as a basis for authorising entry, stay and the renewal of permits. The management of migration of foreign entrepreneurs and investors consists in admitting as far as possible the human and financial capital of immigration candidates with plans to start or invest in businesses likely to create jobs and contribute to economic growth in the host country.

Most OECD countries have entry and residence policies that apply specifically to foreigners wishing to immigrate in order to create or operate their own business or invest their capitals in the country (see Annex 2.A1). The full scope of such policies extends only to entrepreneurs and investors from countries that have not concluded agreements on freedom of movement and establishment or other international agreements which allow for more favourable admission requirements for entrepreneurs and investors from signatory countries (see Annex 2.A2).

The definitions of a "foreign entrepreneur" and of a "foreign investor" in this chapter are based on administrative, rather than commercial, distinctions. This chapter does not cover all non-nationals owning a business or managing an investment, many of whom may have entered through other channels (*e.g.*, skilled migration, employer-sponsored, family, humanitarian, free movement) or even have been born in the host country. For the purpose of this chapter, the entrepreneur category comprises both foreign entrepreneurs and self-employed. In most OECD countries, self-employed migrants are admitted on the same terms as entrepreneurs. A few countries have separate rules for the admission of self-employed and entrepreneurs.

The first to include in their migration systems measures that make it easier for entrepreneurs and investors to immigrate were settlement countries (Australia, Canada, United States and New Zealand) wishing to attract foreigners planning to set up or invest in a business. Over time, these measures evolved into elaborate systems for managing this particular category of economic migrants.

In Canada, measures to admit foreign self-employed workers wishing to settle in the country and create their own employment were introduced in 1969. The measures were extended to entrepreneurs in 1978, and in 1986 to investors, resulting in the creation of the "Business" entry category in the economic migration programme.[2] In Australia, the entry category for entrepreneurs was created in 1976. It has evolved considerably since then and is now part of the migration programme for the highly qualified (Business Skills Category).

In New Zealand, immigration measures intended specifically for entrepreneurs and investors are more recent. The Long Term Business Visa and Investor Visa were introduced in 1999. A new system introduced in July 2009 includes four different sub-categories, two for entrepreneurs and two for investors.[3]

The United States amended the Immigration and Nationality Act in 1990 to allow for foreign investors wishing to immigrate into the United States in order to create a new commercial business there to be granted permanent residence (an EB-5 "green card") under certain conditions. To qualify for the EB-5 programme, immigrant investors must be personally involved in managing the business created as a result of their investment. The EB-5 visa is therefore not a measure aimed specifically at investors as such, as is the case in Australia, Canada, New Zealand and some other OECD countries (see Section 1.2), though it is broadly intended for big entrepreneurs. The United States also has two temporary visas (the E-1 and E-2), respectively for treaty trader and for treaty investors, from countries with which the United States maintain a treaty of commerce and navigation.[4]

Immigrant entrepreneurs

A distinction is drawn in this document between migration policies governing the entry and stay of foreigners wishing to create a business or be self-employed (admission policies for immigrant entrepreneurs – Table 2.A1.1 in Annex 2.A1), and those that apply to immigrants wishing to invest capital without necessarily being personally involved in managing the business (admission policies for immigrant investors – Table 2.A1.1 in Annex 2.A1).[5] In practice, however, the entrepreneur-investor distinction is less clear-cut when the immigrant is the head of a large business. Consequently, some OECD countries have recently introduced admission measures that may apply equally to entrepreneurs with large-scale projects and to foreign investors. One example is the "exceptional economic contribution" residence permit introduced in France in September 2009.

The eligibility criteria for migrant entrepreneurs[6] seeking a visa or residence permit in OECD countries concern the migrant's experience and business plan. The most frequent conditions for candidates wishing to immigrate as entrepreneurs or self-employed workers concern their experience in managing or controlling a business, their assets and their proficiency in the host country language. There may also be age criteria. In addition, the candidate is generally required to submit a business plan so that the economic viability of the planned business and its possible contribution to the host country's economic growth can be assessed. The latter aspect may involve a requirement to provide a minimum amount of capital or create a certain number of jobs in the host country.

The eligibility criteria described above are to be found in most of the admission systems used in OECD countries to manage the migration of foreign entrepreneurs or self-employed workers. However, the importance placed on each criterion and the precision with which they are defined may vary from one country to another.

Canada and Australia place particular importance on experience. For Canada, candidates must be able to demonstrate at least two years' experience managing a business or membership of a company during the five years preceding the application. They must have a net worth of at least CAD 300 000 and prove their intention of owning at least one-third of a Canadian business. They must also undertake to manage the business for at least one year in the three years after they have settled in Canada and to create at least one full-time job in addition to those they create for themselves and their family members. The programme for self-employed workers is intended solely for foreigners with recognised experience in the cultural activities, athletics, or farm management who intend to create their own employment in Canada. There is no net worth requirement for this category.

In Australia, the Business Talent, Business Owner Provisional and State/Territory Sponsored Business Owner Provisional visas are reserved for foreigners who have already had a successful business career in their home country or elsewhere and who wish to come to Australia to create a new business or take part in an existing one. The annual turnover of the companies controlled by the immigration candidate in other countries is taken as the criterion for business success. Different levels of turnover and total assets are required for each of the three visa categories. In addition to proof of a successful business career, there is an age limit of 45 and 55 respectively on applicants for the Business Owner Provisional and State/Territory Sponsored Business Owner Provisional visas. Applicants for a Business Owner Provisional visa must have a vocational level of English and available financial resources other than those intended for the business activity in Australia.[7]

In New Zealand, foreign entrepreneurs who can demonstrate significant experience of managing or controlling a business may be granted a Long Term Business Visa. As well as being proficient in English, they must be in good health and submit a business plan that shows they have sufficient capital and a good understanding of New Zealand's economic environment. The planned business must be beneficial to the New Zealand economy, in particular by introducing new technologies, expanding export markets and creating or preserving jobs. All these criteria are assessed at the competent authorities' discretion.[8]

The amount of the investment and the number of jobs created or preserved are the main criteria for the admission of migrant entrepreneurs in the United States, Germany and Ireland. To qualify for the EB-5 programme in the United States, foreign entrepreneurs must invest at least USD 1 million in a new business and, in doing so, create at least ten full-time jobs for American citizens or immigrants authorised to work in the United States in addition to those created for the entrepreneur and his or her family members. In Ireland, for the delivery of a Business Permission, the Business Permission Unit of the Immigration Service requires an initial investment of at least EUR 300 000 and the creation or preservation of at least two jobs for nationals of the European Economic Area (EEA). The Unit also evaluates the applicant's skills and the business plan in order to assess how the proposed business will contribute to the competitiveness of the Irish economy.

In Germany, a specific system for admitting self-employed workers was introduced in January 2005. Before then, foreigners wishing to immigrate in order to create their own business were admitted on a case-by-case basis after a review of their business plans and/or qualifications by the competent authorities. Now, a residence permit for the pursuit of an independent business activity may be granted provided that it corresponds to an economic interest or meets a major regional need. These conditions are generally deemed to be met where the investment is at least EUR 250 000 and at least five jobs are created. If these levels are not met, the local authorities and chamber of commerce assess the viability of the business plan. Under the new law, a self-employment residence permit may also be granted to foreign professionals wishing to work on a freelance basis if they can be beneficial to the German economy, especially as regards innovation.

In Greece, a minimum initial investment of EUR 60 000 is required. Regional Agencies for Aliens and Migration are responsible for processing immigration applications from self-employed workers. Their review includes a consideration of the potential impact of the business activity on the environment. In the United Kingdom, one of the four immigration sub-categories in Tier 1 of the new points-based migration management system is for foreign entrepreneurs who plan to create or take over a business and be personally involved in managing it. To qualify for this category, foreign entrepreneurs must have at least GBP 200 000 and show that they are proficient in English and can support themselves and any dependents while they are in the United Kingdom.[9]

In most European OECD countries that have recently introduced arrangements into their migration systems for admitting foreign entrepreneurs or self-employed workers, the criteria for granting a visa or residence permit are not precisely defined. Rather than setting a minimum level for capital invested or jobs created or a language proficiency or business experience requirement, under the policies adopted in most European countries the criteria are subject to discretionary assessment by the competent authorities. Criteria such as age and experience and the viability of the business plan are assessed on the basis

of the contribution to the home country's economic growth. The assessment system may be more or less elaborate depending on the country.[10]

In the Netherlands, a new points-based system for the admission of self-employed immigrants was introduced in 2008. *Senter Novem*, an agency of the Ministry of the Economy is responsible for examining applications. It assesses the applicant's personal characteristics (educational level, business experience, work experience, income, experience in the Netherlands) and business plan (market potential, organisation and financial resources of the business). Another factor is the added value that the proposed business can bring in terms of innovation, job creation and investment. Several other countries, including Belgium, Denmark, Finland and Norway, apply the same criteria.

In Sweden, the Swedish Migration Board is responsible for examining applications. The conditions for the issuance of a permit are different for self-employed workers and entrepreneurs. In Switzerland, foreigners can be admitted to exercise a self-employed activity provided that the Swiss labour market benefits over the long term.

The Czech Republic is a special case. The need to develop private enterprise following the collapse of the Soviet Union led to the introduction of extremely liberal rules for the admission of foreign entrepreneurs and self-employed workers. Any adult foreigner without a criminal record who has accommodation and sufficient financial resources to support him – or herself – may apply for a visa as a self-employed worker.

In Japan, foreign entrepreneurs and business people who propose to create or manage a business capable of employing at least two people full-time (plus the entrepreneur) may be granted investor/business manager status. At least three years' experience of managing a company are also required if the immigrant wishes to settle in order to pursue a managerial activity. In Korea, a D8 visa may be granted to foreigners who invest at least USD 50 000 in a business they are also involved in managing. There is no minimum capital requirement for the creation of a high-technology business (*i.e.* one that involves exploiting an industrial or intellectual property right). The D8 business investment visa is temporary.

Immigrant investors

In addition to the admission arrangements for entrepreneurs, the migration systems of three settlement countries (Australia, Canada and New Zealand) include categories of visas and residence permits specifically intended for foreign investors. These visas and permits regulate the entry and stay of immigrants who propose to invest in an economic activity without necessarily being involved in managing it. As a rule, a minimum investment amount and proof of successful previous investment activity are required.

In Australia, an Investor Visa may be issued to foreigners under 45 years of age who invest at least AUD 1.5 million in Australian treasury bonds and who can prove at least one year's experience of managing an investment of the same amount or of managing a comparable company or entity during the last five years. The applicant and his/her partner must also have total assets of at least AUD 2.25 million. The conditions are simplified for a State/Territory Sponsored Investor Visa. Similar criteria apply to the admission of foreigners in the Investor category in New Zealand. Proficiency in English is also required. However, foreigners intending to invest at least NZD 10 million may be admitted without any other condition in the Investor Plus category. The investment may be made not only in treasury bonds but also in the bonds issued by qualifying New Zealand companies. Property investments do not qualify.

Box 2.1. The Canadian immigrant investor programme

The Canadian immigrant investor programme differs from those described above, since foreigners admitted to Canada under the scheme are not entitled to place or manage their investment (at least CAD 400 000). Citizenship and Immigration Canada manages the investment for five years, distributing funds to the participating Provinces and Territories and ensuring that they are used to create or preserve jobs. The Provinces and Territories are entirely responsible for deciding how to invest the capital in order to maximise the benefits for local economic development. They must also reimburse the entire capital – without interest – after the five years are up. Currently, British Columbia, Manitoba, Ontario, Nova Scotia, Prince Edward Island, Newfoundland and Labrador and the Northwest Territories participate in the immigrant investor program.

Essentially, immigrant investor capital provides a revolving pool of low-cost investment capital to Provinces and Territories, who determine how it is best invested within their regions. The Provinces and Territories are currently managing almost CAD 2 billion of five-year revolving capital from the immigrant investor program. In 2009 alone, almost CAD 500 million was allocated through the program. On the other hand, available data and research suggest that foreigners selected for the investor category fare poorly in the Canadian economy and they do not make a substantial entrepreneurial contribution.

For the immigration application to be accepted, the applicant must undertake to invest the stated sum, have a legally obtained net worth of at least CAD 800 000, and prove two years' personal experience of managing an investment or an enterprise. Foreign investors must score 35 points in a selection chart based on criteria of age, education, language proficiency and adaptability to the local context.

The Government of Canada is currently proposing new eligibility criteria for the immigrant investor program. The proposed changes, published on 26 June 2010 for a thirty-day public comment period, are likely to take effect in fall 2010. Following this reform, the investment and net worth requirements will double to CAD 800 000 and CAD 1.6 million, respectively. Other criteria would remain the same. Higher investment amounts would provide Provinces and Territories with a greater amount of capital, while higher personal net worth criteria are aimed at better positioning the programme to attract investors with valuable global business links and the resources to make secondary investments into the Canadian economy.

In most European OECD countries, foreigners who invest in a business without taking part in its management cannot obtain a visa or residence permit on that account, though there are some exceptions.

In the United Kingdom, for example, the Tier 1 investor sub-category of the points-based migration management system is open to foreigners who have at least GBP 1 million to invest and undertake to invest at least GBP 750 000 in the three months following their arrival in treasury bonds or in equity interests in commercial companies registered in the United Kingdom whose principal business is not property investment. The English proficiency and maintenance requirements are waived. In Greece, a residence permit may be granted to a foreigner wishing to invest at least EUR 300 000 in an activity likely to produce benefits for the national economy.

In France, since September 2009 a residence permit may be granted to a foreigner who makes an exceptional economic contribution to the country. This consists in creating or saving at least 50 salaried jobs or, if the immigrant is not personally involved, making an investment of EUR 10 million directly or through a company in which the investor has a 30% interest or which the investor manages. Exceptions are possible where these conditions are not met in full if the planned investment is of vital interest in light of the local economic and social situation. This may be the case, for example, with an investment that allows a site threatened with closure due to specific competition from another site in a different country to be maintained in the medium term.

In Poland, investors may be granted a residence permit under the general rules for granting permits to foreigners who make a positive contribution to the country's economic growth, whether as investors or entrepreneurs.

In Korea, an F5 residence permit may be granted to foreigners who invest at least USD 500 000 and employ five workers or more in the country.

Box 2.2. Regional schemes to attract investment and promote economic activity

Simplified conditions of admission exist in several OECD countries for entrepreneurs and investors who establish their business in regions where economic growth is below the national average or where there is particularly strong demand for certain types of job or economic activity.

In the United States, up to 10 000 EB-5 visas (including spouses and children) may be granted each year to foreigners who invest at least USD 1 million in the creation of a new commercial enterprise that employs at least ten full-time American workers (or foreigners authorised to work in the United States). The minimum capital requirement for an EB-5 visa is halved for investments in a rural area or in an area where the unemployment rate is two and a half times higher than the national average (Targeted Employment Area, TEA). The actual number of recipients of the visa is very low –about 100 in 2009, three quarters of whom were already in the United States and adjusted status (*source*: US Department of State).

A further 3 000 EB-5 visas may be granted each year under the pilot scheme for investment in "designated regional centers". Any economic unit, private or public, engaged in the promotion of economic growth through increased export sales, improved regional productivity, job creation and increased domestic capital investment in a geographical area approved by the government to receive capital inflows from immigrant investors is a "regional centre" under the EB-5 pilot scheme. The condition of directly creating ten jobs is waived for immigrants in the scheme, proof of the indirect creation of a corresponding number of jobs ("induced jobs") being deemed sufficient. The pilot scheme to encourage immigration in the EB-5 category, introduced in 1993 for an initial five-year period, has been extended several times and is now due to end in September 2012. The number of green cards issued under the EB-5 pilot scheme in Targeted Employment Areas has risen sharply since 2005, albeit from very low numbers. In 2009, there were about 1 200 incoming entrepreneurs under these targeted programmes, up from 230 in 2007.

In Australia, simplified criteria apply for the issuance of State/Territory Sponsored Investor and State/Territory Sponsored Business Owner Provisional visas to encourage foreign investors and entrepreneurs to establish their business in certain areas. Available data on entries show that these regional programmes are more successful in attracting business immigrants in Australia, compared to federal programmes. For the programme year 2008-09, a total of 472 entries were recorded under the State/Territory Sponsored Investor visa, compared to only 12 under the general programme. Similarly, for the same year, 5 740 entries were registered under the State/Territory Sponsored Business Provisional visa, while they were 129 under the general programme (data include dependants).

In Canada, under the Provincial Nominee Programmes, provinces that have concluded an immigration agreement with the federal government may grant permanent residence to entrepreneurs or self-employed workers who have come to work in agriculture. The admission procedure under Provincial Nominee Programmes may be quicker than under the federal Business Class program. As with the Business Immigrant programme in Quebec, immigrants admitted under the Provincial Nominee Programmes may settle anywhere in Canada.

Foreigners wishing to immigrate into Germany to carry on an independent business there may be admitted even if the amount of the investment is less than the EUR 250 000 generally required, provided that their proposed business or their skills meet a specific regional need. In this case, they may be granted a permit that authorises them only to carry out a certain type of independent activity in a particular region. In Greece, immigration applications for the pursuit of an entrepreneurial activity are examined by the authorities in the region where the immigrant wishes to settle.

In Korea, since February 2010 foreigners who invest in leisure real-estate complexes in the special autonomous province of Jeju may, depending on the amount invested, obtain an F2 residence permit without any restriction on length of stay or access to salaried employment, or a temporary G1 permit without access to salaried employment.

2.2. Permit regimes for foreign entrepreneurs and investors

In most OECD countries residence permits for foreign entrepreneurs and investors are temporary, though they may be renewed or converted into permanent residence permits after a certain time. For the initial permit to be renewed, the immigrant entrepreneur or investor must generally furnish proof that the business activity proposed in the immigration application has actually been established or that the promised investment has been made and maintained. Permit renewal is a key element for monitoring compliance with the conditions for admission to carry out an independent economic activity.

Procedures to ensure the legitimacy of the business: probationary periods

The average length of permits granted to foreign entrepreneurs or self-employed workers on first admission into an OECD country is two years (see Annex 2.A1, Table 2.A1.2). As a rule, the conditions on which the permit was granted must still be met when the application for renewal is made. If the expected economic benefits from the establishment of the business are demonstrated, the stay may be extended, generally for the same length of time as the initial permit, or made permanent.

In Australia and New Zealand, procedures for extending the initial stay of immigrant entrepreneurs are more elaborate than in the other OECD countries. In Australia, Business Owner Provisional and State/Territory Sponsored Business Owner Provisional visas are granted for a four-year period. However, after two years in the country under one of these visas, the holder may apply for a Business Owner Residence or State/Territory Sponsored Business Owner visa respectively, which gives entitlement to permanent residence. The conditions for obtaining these two types of visa are based on the success of the business. For example, the creation of at least two full-time jobs for Australian residents is a condition for a permanent residence permit.

In New Zealand, the Long Term Business Visa is initially granted for a probationary nine-month period. Immigrant entrepreneurs who have actually established the business proposed in the business plan during that period are entitled to a twenty seven-month extension, for a total length of the first permit of three years. The Long Term Business Permit is one stage in the process of acquiring the right of residence and not a permanent residence permit as such. After two years in New Zealand on the permit, an immigrant entrepreneur with a successful business may apply under the Entrepreneur and Entrepreneur Plus permanent immigration schemes. In all events, the Long Term Business Permit may be renewed once only, for an additional three years.

In most OECD countries that have introduced specific systems for admitting foreign investors, the first permit is granted for a three- or four-year period (see Annex 2.A1, Table 2.A1.1). Compliance with the conditions for admission, especially actual realisation of the investment, is monitored while the first permit is valid (between three months and one year after issuance[11]). If checks show that the investment project has not come to fruition, the permit may be withdrawn early.

After the first permit expires, the immigrant investor may apply for a new residence permit, either temporary or permanent, provided that the initial investment has been maintained. To be able to apply for a renewal or extension, the investor is also required to stay in the host country for a minimum consecutive period during the validity of the first permit. Proof of proficiency in the language may also be a condition for a permanent residence permit.

Immigrant entrepreneurs, self-employed workers and investors admitted on condition that they carry on a specific activity or establish their business or make their investment in a particular region must maintain their business in the designated sector or region unless the immigration authorities expressly waive the requirement. The granting of a permanent residence permit generally releases the migrant from such obligations.

One particular feature of Canada's Business Class immigration scheme is that foreign self-employed workers, entrepreneurs or investors whose application has been approved are immediately granted a permanent residence permit. Self-employed immigrants do not have to fulfil any specific conditions in order to enjoy a right of residence. Entrepreneurs must comply with the commitments they gave when submitting their application (control at least one third of the equity of a Canadian company, involvement in the management of the business for one year during the three years following settlement in Canada, creation of at least one full-time job); if not, their permit may be withdrawn. As immigrant foreign investors are not responsible for placing or managing their investment, the monitoring of the investment activity concerns the Provinces and Territories, which must report quarterly to Citizenship and Immigration Canada on the use of the funds. Like all other categories of permanent residents in Canada, immigrants under the Business Class scheme must stay in the country for at least two years out of a period of five in order to keep their status.

In Australia, a permanent residence permit may be granted on first admission to foreign entrepreneurs who meet the conditions for the Business Talent sub-category of the Business Skills category. The turnover criterion for companies controlled by the applicant and the other financial criteria for the granting of a permit are much higher than for the Business Owner Provisional and State/Territory Sponsored Business Owner Provisional temporary residence visas. To be admitted in the Business Talent sub-category, the foreign entrepreneur must also be sponsored by a State or Territory.

Measures taken to select and attract foreign entrepreneurs and investors and maximise their contribution to the economy

The migration policies implemented in OECD countries to manage the migration of foreign entrepreneurs and investors are founded on their contribution to the host country's economic growth, especially the creation of jobs for people already living there. The aim of the measures is to select foreign entrepreneurs and investors wishing to immigrate according to their capacity to meet the country's economic needs. The admission of such immigrants may be dependent on objectives designed to boost the economy of certain regions where business activity is less prevalent or in decline (see above).

Some measures are also intended to protect domestic self-employed workers. In some countries, restrictions on the admission of foreign self-employed workers limit the exercise of certain activities. In Canada, for example, self-employment residence permits are granted only to farmers, athletes and artists. In Denmark, foreigners wishing to immigrate in order to open a restaurant or a retail business cannot apply for a residence permit as self-employed workers. In the Czech Republic, only permanent residents can create an agricultural enterprise and professions related to the administration of justice are restricted to Czech nationals. In Switzerland, self-employed foreign medical practitioners are not admitted as residents in order to practise. In Japan, investor/business manager status is not available to foreigners wishing to practise as legal advisers or accountants.

Even in countries where foreigners may be admitted to practise a regulated profession (civil service, medical professions, legal professions, accountancy, etc.), professional bodies or other bodies authorised to ensure that immigration applicants meet the necessary conditions to practise the profession must generally be consulted first. Thus, foreign self-employed workers are subject to the same restrictions as foreign candidates for highly-skilled salaried employment.

Depending on the country, regulated professions may span a more or less broad spectrum of self-employed economic activities. In addition, for regulated professions and business activities alike, it is not uncommon for an immigrant granted a residence permit to have to accomplish a number of additional administrative formalities in the host country before being allowed to work. Such formalities, like registering the business, obtaining a professional permit and joining the relevant chamber of commerce or professional body, are also requirements for nationals of the country concerned, but they can prove to be especially complicated for immigrants who have just been admitted.

A handful of countries, notably Austria, Italy, Switzerland and the United Sates, set a quota for annual admissions of self-employed workers and investors. The cap in the United States is far higher than the actual number of applicants, while the Italian cap is oversubscribed.[12] In Switzerland, the immigration of non-EU/EFTA nationals for the purpose of self-employment is allowed within the cantonal quotas for the admission of third country nationals (applying both to employees and self-employed). In Austria, the first issuance of a settlement permit for the purpose of self-employed is submitted to the respect of the authorised quotas, as with all other categories of settlement permits (*Niederlassungsbewilligung*).

In several OECD countries, immigrants admitted to carry on a non-salaried activity have limited access to social security until they obtain a right of permanent residence. As a rule, the independent activity proposed by an entrepreneur applying to immigrate must be able to generate sufficient income to support the immigrant and any dependents. As is the case for most initial permits for non-sponsored workers, in most OECD countries, applicants for a permit for the exercise of an independent economic activity are required to provide the proof of health insurance to guarantee that they will not be a burden on the national health system during their stay. Likewise, immigrants into Australia under the Business Owner Provisional and State/Territory Sponsored Business Owner Provisional schemes are not entitled to public medical assistance. This restriction is lifted once they acquire a permanent residence permit, though as with temporary permits it does not give entitlement to family allowance and social security benefits.

Overall, the migration policies implemented in OECD countries to manage the migration of foreign entrepreneurs and investors aim to select and admit migrants whose business or investment project will contribute to the country's economic growth. The selection may be made on the basis of specific eligibility criteria or the relevant authorities' assessment of the project. In either case, the objective is to ensure the immigration candidate's capacity to contribute to the country's economic growth through an independent business activity or an investment. As a consequence, in most OECD countries, migration policies dedicated to foreign entrepreneurs and investors are designed in such a way that makes it difficult for false entrepreneurs or investors to abuse the system. Only a very few countries, like the Czech Republic, have few and low requirements for the admission of this category of migrants. Where countries do not impose specific criteria, the decisions taken by the authorities responsible for examining applications are largely discretionary.

Systems to attract foreign entrepreneurs and investors in order to stimulate economic growth generally contain simplified family reunification conditions similar to those introduced to encourage the immigration of highly skilled workers. A majority of OECD countries have an accompanying family procedure for the spouse and children of an immigrant entrepreneur or investor. In Australia, Canada, Denmark, New Zealand, the United Kingdom and the United States, the family members of an immigrant entrepreneur or investor have access to the labour market and education system. France applies an accompanying family procedure that is less restrictive than the family reunification procedure, since there is no check on resources or accommodation and no requirement to sign a Reception and Integration contract. Where a foreign entrepreneur or investor is granted temporary residence, family members are generally granted residence for the same period. If a foreign entrepreneur or investor's residence permit is withdrawn because certain conditions have not been met, family members' rights of residence are also terminated.

Other measures may be taken to encourage foreign entrepreneurs and investors, facilitating their economic, social and cultural integration into the host country. In most OECD countries, such measures are included in more general integration schemes. However, professional or trade bodies may provide specific assistance to self-employed workers. In Spain, for example, the immigration authorities have concluded cooperation agreements with several professional bodies to facilitate and accelerate procedures for recognising qualifications obtained in other countries and assessing the other conditions to be met by immigrant entrepreneurs. Many countries have also set up specific websites providing detailed information about admission procedures for the exercise of an independent economic activity.

In Canada, several Provinces and Territories provide guidance and support for new immigrants in their regions wishing to establish a business. In Finland, business creation and expansion support schemes for immigrants have been set up in the regions and cities with the highest concentration of immigrants, like Kotka-Hamina and Helsinki. In Norway, two pilot schemes to support immigrant entrepreneurs were carried out in the Drammen and Vestfold regions in 2008, focusing on training, guidance and network-building. On the basis of the results, the Directorate of Integration and Diversity has recommended continuing and expanding the schemes to further encourage the development of immigrant entrepreneurial activity.

Denmark also has business management mentoring and training schemes for immigrants, especially immigrant women. A scheme offering bank loans of up to DKK 1 million for the creation of a business has been introduced specifically to facilitate access to credit for immigrant entrepreneurs. In 2008, the Swedish government asked the agency for regional and economic growth to carry out a three-year scheme to promote entrepreneurship among people of immigrant origin. Initiatives mainly concern improving the capacity to build networks helpful for creating and growing a business, expanding access to credit to finance an entrepreneurial project and mentoring for business managers of immigrant origin.

As a rule, business support schemes are intended for all entrepreneurs in the country, whatever their origin. They tend to be an aspect not of migration policy but rather of business, industrial and innovation policy, general economic policy or education and training policy.

2.3. The contribution of special programmes to entrepreneurship and investment by immigrants in OECD countries

Despite an increasing trend in OECD countries over the past decade towards the adoption of migration programmes aimed at selecting and attracting immigration candidates with plans to start or invest in business likely to contribute to the growth of the national economy, those programmes account only for a very marginal fraction of all entrepreneurial activity by foreign-born in OECD countries.

Available data for selected OECD countries show that the number of entries registered annually under the migration programmes dedicated to foreign entrepreneurs and investors is very small compared to the yearly number of new foreign-born entrepreneurs.[13] In 2008, a total of 3 677 visas were issued in Germany to third-country nationals for the purpose of self-employment, which represents about 3.7% of the number of new foreign-born entrepreneurs estimated in the country for the same year (about 99 000). Similarly, in the Netherlands, 50 self-employed visas were granted in 2008, while the estimated number of new foreign-born entrepreneurs for the same year was around 11 000. This means that only 0.45% of new foreign-born entrepreneurs registered in the Netherlands in 2008 were migrants who just entered the country under the specific visa for self-employed. In Spain, 516 visas for self-employment were issued to third-country nationals in 2008, corresponding to about 0.7% of new foreign-born entrepreneurs for the same year.[14]

In fact, most foreign self-employed/entrepreneurs and investors enter OECD countries through other channels and do not use the special programmes. In the United States, for example, a total of 1 290 green cards were issued in 2009 under the programmes EB-5 and EB-5 pilot (including adjustments), while 24 033 visas were granted, in the same period, under the E-2 scheme for Treaty Investors (*source*: US Department of State). Under this programme, nationals of one of the countries with which the United States maintains a Treaty of trade and navigation can obtain a temporary permit for the purpose of investment in a commercial enterprise – that they will also operate – in the United States. An E-2 visa is not a green card, and it does not allow permanent residence. Nonetheless, it can be renewed for two-year periods indefinitely.[15] Admission requirements for the E-2 programme are less stringent than those for the EB-5.

Similarly, in most EU countries, EU nationals account for the great majority of foreign entrepreneurs and investors. Those nationals are not subject to the general requirements for the admission of foreign entrepreneurs and investors, but can enter and establish themselves in EU member countries under the "freedom of establishment rules" (Annex 2.A2).

More generally, apart from the special admission channels existing in some OECD countries for nationals of countries participating in international agreements (see Annex 2.A2), in most OECD countries, the bulk of migrants' contribution to entrepreneurial activity is made by migrants who didn't enter those countries under the specific programmes for migrant investors and entrepreneurs. Other migration programmes (both for labour and family migration) may be more effective in contributing to entrepreneurship and investment by migrants in OECD countries. For example, in Canada, where the Business Class programme has been relatively successful in numerical terms, with Business Class immigrants accounting for approximately 5% of Canada's very large annual inflows, available evidence suggests that immigrants selected under the

Business Class categories fare poorly in the economy and do not make a substantial entrepreneurial contribution. Both skilled migrants and family migrants perform better than business migrants in terms of economic outcomes (Hiebert, 2008). Namely, migrants admitted under programmes for the highly skilled are likely to have the human capital to create businesses and, after a period in salaried employment, may turn to self-employment. Their skills and duration of stay in the host country may, then, play a positive role for the success of their businesses.

In fact, the limited effectiveness of specific migration programmes for foreign entrepreneurs and investors in supporting entrepreneurial activity in OECD countries is not measured only in terms of the (small) number of foreign entrepreneurs and investors who enter the country through those programmes, but also in terms of the success of the business they set up once admitted in the country. Not all migrant entrepreneurs admitted under the special programmes succeed in their business activity and/or remain in the host country.

2.4. Conclusion

Immigrants' contribution to growth in entrepreneurial activity and investment in OECD countries has increased over the last ten years due to the rise in the immigrant population itself. In addition, the index of entrepreneurial activity[16] for the period shows that in most OECD countries immigrants are more inclined to engage in entrepreneurial activity than natives.

The contribution of immigrant entrepreneurs and investors to economic growth in OECD countries can be measured in qualitative as well as quantitative terms. Immigrant entrepreneurs and investors can contribute to the economic and social regeneration of disadvantaged rural and urban areas and play a part in the revival of crafts, trades and business activities neglected by the local population. Through their links with their home country, immigrant entrepreneurs and investors can also help to expand their host country's foreign trade.

These features of immigrant entrepreneurship in OECD countries look all the more attractive at a time when member countries' governments are faced with the need to identify and implement measures to stimulate their economies after the crisis.

Most OECD countries have adopted migration policy measures in the more or less recent past designed to select immigrant entrepreneurs and investors likely to contribute to the growth of the national economy and to allow them to settle. However, the conditions of admission and the incentives introduced by these policies are not the only factors that determine entrepreneurs' and investors' migration decisions.

In several OECD countries, nationals of certain countries that have concluded international agreements on the subject with OECD countries enjoy preferential conditions of admission and residence for the exercise of an independent activity in comparison with the general rules that apply to foreign entrepreneurs and investors. These factors may influence the migrant entrepreneur or investor's choice of country.

Other factors, like the level of regulation of professional and business activities, the existence and content of economic policies to support independent activity, especially small businesses, and the tax system for self-employed workers, may be at least as important as migration policies in encouraging immigrants with a business project to apply for admission into one OECD country rather than another.

In fact, the special admission programmes targeted to migrant entrepreneurs and investors account only for a very marginal fraction of all entrepreneurial activity by foreign-born in OECD countries. Those programmes may be relevant for specific categories of migrants or may provide simplified channels of access ensuring that foreign entrepreneurs and investors face no obstacles in bringing their capital to a new country, but they are not the main source of immigrant entrepreneurship.

The migration policies implemented in OECD countries to manage migration for self-employment purposes are not sufficient in themselves to attract migrant entrepreneurs and investors while optimising their contribution to national economic growth. Coordination is needed with other public policies – especially business, industrial and innovation policies, education and training policies, and tax policies – that are liable to play a major role in the process.

Notes

1. The OECD Secretariat sent out a questionnaire about migration policies targeted to foreign entrepreneurs and investors to the member states in September 2009. This document's overview of regulations of the entry and stay of foreign entrepreneurs and investors is largely based on the responses to this questionnaire (24 out of 29 countries responded).
2. Under the Canada-Quebec Accord, Quebec has its own business immigrant programme based on the three categories of self-employed persons, entrepreneurs and investors.
3. The New Zealand business immigration programme has been reformed several times in the past ten years. In 2002, a number of policy changes were made, introducing more stringent requirements (in terms of language knowledge, operational requirements, definition of a business that is "beneficial to New Zealand", etc.). Those changes resulted in a significant decrease of inflows and the programme subsequently underwent further changes in 2005 and in 2007. The new business migration package introduced in July 2009 aims to make New Zealand more attractive for business migrants. In 2008/09, 413 people were approved for residence through the Business categories, representing about 1% of all residence approvals in this period.
4. For a more detailed discussion on E-1 and E-2 visas see Annex 2.A1 and Annex 2.A2.
5. Admission policies for investors wishing to settle in a country without necessarily being involved in managing a business are discussed in Section 2.2.
6. For the purpose of this document, the migrant entrepreneur category also includes the self-employed. In OECD countries, self-employed workers and entrepreneurs are generally admitted under the same rules. Some countries – Canada, Finland, Sweden and the United Kingdom – have separate admission measures for the two categories.
7. The requirements for a State/Territory Sponsored Business Owner Provisional visa are simpler than those for a Business Owner Provisional visa in order to encourage

immigrant entrepreneurs to settle in areas where there is less business activity than elsewhere or to meet particular needs. Several OECD countries have introduced streamlined entry systems and easier residence requirements for entrepreneurs and investors in such regions (see Box 2.1).

8. The competent authorities for assessing the requirement for a LTBV are the representatives of the Business Migration Branch within the New Zealand Department of Labour.

9. Foreigners wishing to settle in the United Kingdom as self-employed workers must submit their application in the Tier 1 general sub-category which is targeted at highly skilled migrants.

10. In most European OECD countries whose legislations require the immigration candidates under self-employment/entrepreneur programmes to submit a business plan, the evaluation of the business plans falls within the competence of the economic authorities (*e.g.* in Austria, the Public Employment Service; in Belgium, the Service for Economic Authorisations; in Finland, the local Employment and Economic Development Centres; in the Netherlands, an agency of the Ministry of the Economy; etc.). In Greece, a special committee of seven members constituted at the seat of each Region pronounces an opinion on the expedience of the activity described in the business plan. This committee is composed by representatives of various authorities (*i.e.* the Agency for Aliens and Migration of the Region; the Directorate of Planning and Development of the Region; the regional tax office; prefectural authorities; local association of municipalities). In a few countries, the business plan is assessed directly by the migration authorities (Ireland, Norway, Sweden).

11. In New Zealand, after an immigration application for investment purposes has been approved, the funds must be transferred to New Zealand and invested in order for the initial Investor or Investor Plus permit to be granted. Further checks are made two years after the first permit is issued.

12. Within the Italian cap for self-employed for 2010 (a total of 4 000 admissions), 1 500 permits are reserved for status changes from students to self-employment, while 1 000 are reserved for Libyan citizens.

13. Available data on admissions under the migration programmes targeted to foreign entrepreneurs and investors for 2008 are provided in Annex 2.A1.

14. The yearly numbers of new foreign-born entrepreneurs in EU countries are estimated using the EU Labour Force Survey (see Mestres, 2010, for more details).

15. See Annex 2.A1 and Annex 2.A2 for more details on E-2 and E-1 visas.

16. The index of entrepreneurial activity is defined as the number of new entrepreneurs that created a business in a given year over the total active population (by nativity), see Chapter 1.

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Annex 2.A1

Supplementary tables on investors and self-employed/entrepreneurs

Table 2.A1.1. Investors

		AUSTRALIA		CANADA
INVESTORS				
Programme		**Investor** (subclass 132) under the Business Skills category	**State/Territory Sponsored Investor visa** (subclass 165)	**Investor** (one of three Business Class sub-categories)
First introduced in				1986
Admission Requirements	Investment capital	AUD 1.5 million in Australian state treasury bonds	AUD 750,000 in Australian state treasury bonds	CAD 400,000 (to be paid to Citizenship and Immigration Canada (CIC)
	Min. Duration	4 years	4 years	5 years
	Min. net Worth	AUD 2.25 million (combined assets of applicant and his/her partner)	AUD 1.125 million (combined assets of applicant and his/her partner)	CAD 800,000
	Experience	≥1 year (in last 5) maintaining an investment of AUD 1.5m or managing a qualifying business in which the applicant and partner had ≥10% ownership	≥1 year (in last 5) maintaining an investment of AUD 750k or managing a qualifying business in which the applicant and partner had ≥10% ownership	2 years (in the last 5) managing and controlling a qualifying business/ managing 5 full-time employees in a business
	Age	<45	<55 but regional authority sponsor may grant exception	Yes (under points system)
	Language Knowledge	No	No	Yes (under points system)
	Min. number of jobs to be created	No	No	No
	Involvement in business	No	No	No
	Other		Be sponsored by a State/Territory	Score =35 points on a selection grid assessing age, education, business experience, language ability, adaptability
Restrictions		No	Reside in the sponsoring State/Territory for at least 2 years	Applicant cannot place or manage the capital invested. He/she pays the investment to CIC. CIC distributes it to the participating Provinces and Territories and repays it after 5 years without interest
Permits	Initial	Provisional: 4 years		Permanent residence
	Conditions for withdrawal of permit	●Failure to inform Department of Immigration and Citizenship of any change of circumstances; ●Significant change of circumstances (ex. leave the sponsoring State)		See below: conditions for permanent residence
	Permanent Residence	After 4 years on the provisional visa (two-stage visa)		Immediately
	Conditions for permanent residence	●Fulfil requirements of the provisional visa; ●Acceptable business record; ●Residence for 2 out of 4 years; ●Committment to maintain investment in Australia		General residency requirement of 2 out of 5 year presence to status
Family members	Permit	Included in the permit of the principal applicant, although applicant must enter before dependents; applicant may not marry between receiving visa and entry to Australia		Included in the permit of the principal applicant
	Work and study rights	Yes		Yes
Number of investor permits issued in 2008	Total	12 (program year 2008-2009)	472 (program year 2008-2009)	10 197 persons (2 831 primary, 7 366 family)
Main origin countries (all programs 2008)		Chinese Taipei, Malaysia, United Kingdom, Singapore, South Korea (over the last 10 years)		China, Chinese Taipei, South Korea, Iran, Egypt

Table 2.A1.1. Investors *(cont'd)*

FRANCE	GREECE	KOREA		
"Exceptional economic contribution" residence permit	Yes (Basic Immigration Law 3386/2005)	**F5 residence visa** ("foreign high investor"*)	**F2 residence visa** (regional programme for investors)	**G1 visa** (regional programme for investors)
2009			01-02-2010	01-02-2010
EUR 10m directly, or through a corporation of which the applicant controls at least 30% or manages*	€300,000	USD 500,000	USD 500,000	USD 200,000
No	No	No	No	No
No	No	No	No	No
No	No	No	No	No
No	No	No	No	No
No	No	No	No	No
No/≥50 to be created/maintained in French enterprises in France (alternative to the requirement on capital) *	No	5	No	No
Not necessary	No	Not necessary	No	No
*Exceptions made if business considered a local priority (e.g., to prevent closure); Applicant must submit a calendar of investment operation and expected job creation	The investment must have positive effects on the Greek economy			
Not applicable to EU or Algerian citizens	No		Investment in recreational facilities (condominiums, resorts, villas, etc.) in Jeju special self-governing province	
Temporary: 10 years, renewable	Temporary: 3 year, renewable indefinetly for 3-year periods	Permanent	Permanent (without conditions)	Temporary (long-term)
●The investment was not made in the 1-year period following the permit delivery, or was not realised following the time schedule of the business plan; ●Investment capital is proved to come from illicit activities	● The investment was not made or there was no progress after 1 year (the Ministry of Economy & Finance informs the Ministry of Interior which take the withdrawal decision)			
After 10 years		Immediately	Immediately	
●Meet initial requirements; ●Proof of language knowledge; ●Committment to the respect of French republican values				
May apply for a long-term visa for visitors following the accompanying family procedure	As for family reunification conditions but exempted from waiting period	Eligible for accompaining visa (D8)	Accompanying family members receive F1 (visiting or joining family) status	
No	No	No	No	No
N.A.	1 (in the period 2006-2009)	N.A.	N.A.	N.A.
N.A.	Ukraine			

KOREA: *F-5 visa can be granted also to "foreigners of superior ability in specified fields".

Table 2.A1.1. Investors *(cont'd)*

		MEXICO	NEW ZEALAND	
INVESTORS				
Programme		Permiso de immigrante inversionista extranjero	**Investor programme** under the Business category	**Investor plus programme** under the Business category
First introduced in			1999 (ref.2002,2005,2007,**2009**)	1999 (ref.2002,2005,2007,2009)
Admission Requirements	Investment capital	No	NZD 1.5 million	NZD 10 million
	Min. Duration	No	4 years	3 years
	Min. net Worth	No	NZD 1 million to settle in New Zealand (transfer not required)	No
	Experience	No	3 years business experience	No
	Age	No	≤65	No
	Language Knowledge	No	Yes (IELS min.overall score 3)	No
	Min. number of jobs to be created	No	No	No
	Involvement in business	No	No	No
	Other		Be healthy and of good character	Be healthy and of good character
Restrictions		Foreigners cannot invest in certain sectors (energy; communication technology; postal services; banks; public transport), and their investment in others is limited to a fixed percentage of ownership	Acceptable investment: ●B**onds** (of NZ government/local authority, or NZ firms in the NZDX or, NZ firms with BBB rating); **equity** (in NZ firms, public or private, including management funds); or **currency** (NZD invested in lawful enterprises or managed funds); ●Produces commercial return and contributes to economy; ●Not for personal use, not in residential property or deposit-taking financial institutions.	
Permits	Initial	Temporary: max. 1 year, renewable indefinitely	4 years conditional residence	3 years conditional residence
	Conditions for withdrawal of permit		●Funds were not transferred; ●Funds were not placed in an acceptable business (requirements checked after 2 years)	
	Permanent Residence		After 4 years	After 3 years
	Conditions for permanent residence		●Initial requirements fully met; ●Residence requirement (146 days in each of the last 3 years of the 4-year investment period)	●Initial requirements fully met ●Residence requirement (73 days in each of the last 2 years of the 3-year investment period)
Family members	Permit	General conditions for family reunification	Included in the permit of the principal applicant	Included in the permit of the principal applicant
	Work and study rights		Yes	Yes
Number of investor permits issued in 2008	Total		33 (all programmes; program year 2008-2009)	N.A.
Main origin countries (all programs 2008)			Great Britain, China	

Table 2.A1.1. Investors *(end)*

POLAND	PORTUGAL	UNITED KINGDOM
Residence permit to conduct an economic activity beneficial to the national economy	Residence permit for investment according to law 23/2007, art. 60	**Tier 1 Investor subcategory**
	2007	2009 (previously Investor Scheme)
No	No	GBP 750,000
No	No	3 years
No (general requirement of secured financial funds for maintainance)	No	GBP 1m **or** GBP 2m net personal assets and GBP 1m in loans under control*
No	No	No
No	No	No
No	No	Exempt from Tier 1 requirement
No (see below: "other")	No	No
Not necessary	Not necessary	No
Evaluation according to benefit of activity for Polish economy (investment growth, technology, innovation, job creation), especially income generated, taxes paid, job creation	•Prior investment in Portugal; or •Proof of financial means in Portugal (incl. loans from a Portugal bank) and demonstrated intention to invest in Portugal	Assessment under Tier 1 of the points-based system: must score 75 points, including sufficient disposable funds in the UK. Exempt from maintenance requirements
	No	Investment in UK Goverment bonds **or** share or loan capital in active and trading UK registered companies excl. those investing principally in property
Temporary: max. 2 years, renewable	Temporary: 1 year, renewable for 2-year periods	temporary: 3 years, renewable for further 2 years
	N.A.	•Investment was not realized within 3 months of entry the UK; •Investment is not maintained in the same capacity for the whole period
Under general rules	Under general rules	After 5 years
		•Investment maintained throughout the whole period of the leave in the same capacity; •English language and life test
General conditions for family reunification	General conditions for family reunification	As for dependants of a Tier 1 PBS Migrant, but exempt from proof of maintenance funds
		Yes
1161 (including entrepreneurs, excluding EU)		79 (under the previous scheme)
Vietnam, Ukraine, Armenia, China		Russia, China, Australia, India, USA

UNITED KINGDOM: *Investment capital must be held in regulated UK financial institution and disposable in the United Kingdom. In the case of loans, capital must be loaned by a regulated UK financial institution and disposable in the United Kingdom.

Table 2.A1.2. Self-employed/entrepreneurs

		AUSTRALIA		
Self-employed/Entrepreneur				
Programme		**Business Owner Provisional** (subclass 160) under the Business Skills category	**State/Territory Sponsored Business Owner Provisional** (subclass 163) under the Business Skills category	**Business Talent** (subclass 132) under the Business Skills category
First introduced in		1976 (ref. 1981)		
Admission requirements	Experience	●AUD 200,000 assets and ≥ 10% ownership if public company; ● Annual turnover (2 of last 4 years) ≥ AUD 500,000	Annual turnover of main business(-es) in 2 of last 4 years ≥AUD 300,000	●AUD 400,000 combined assets in a qualifying business; ● Annual turnover of main business(-es) in 2 of last 4 years ≥AUD 3 million
	Min. Investment Capital	No, but ≥ AUD 100,000 to settle (additional to net worth)	No	No
	Min. Jobs to be created/maintained	No	No	No
	Min. Net Worth	AUD 500,000 transferred w/in 2 years	AUD 250,000	AUD 1.5 million
	Language knowledge	Yes (vocational level)	No	No
	Age	< 45	<55	No
	Submit business plan/ requirements for business plan	No	No	No
	Other		Be sponsored by a State/Territory (may also grant exemption from age requirement)	Be sponsored by a State/Territory
Restrictions		Professional, technical or trade services do not qualify	Professional, technical or trade services do not qualify. Business must be in sponsoring State/territory	Business which primarily consists in providing professional, technical or trade services is not qualifying
International agreements creating special conditions of admission for nationals of member countries		Trans-Tasman Travel Arrangement (member countries: Australia and New Zealand)		
Permits	Quota	No	No	No
	Initial	Provisional: 4 years	Provisional: 4 years	Permanent residence
	Conditions for permit withdrawal	N.A.	N.A.	N.A.
	Permanent Residence	After 2 years, can apply for **Business Owner residence visa** (subclass 890); Criteria for business assets, personal assets, annual turnover and job creation.	After 2 years, can apply for **State/Territory Sponsored Business Owner visa** (subclass 892), if sponsored. Criteria for business assets, personal assets, annual turnover and job creation.	Immediately
Change of status	Possibility/conditions	Yes, if similar criteria and a points test are met, into **Established Business in Australia visa** (subclass 845) or, if on a 457 visa and sponsored, into a **Regional Established Business in Australia visa** (subclass 846)		
Family members	Permit	With principal applicant		
	Work and study rights	Yes		
Number of permits issued in 2008	Total	129 (provisional)	5740 (provisional)	N.A.
Main origin countries (2008)	(all programmes)	China; United Kingdom; Indonesia; South Africa;Korea (over the last 10 years)		

Table 2.A1.2. Self-employed/entrepreneurs *(cont'd)*

AUSTRIA	BELGIUM	CANADA		CZECH REPUBLIC
Settlement permit (*Niederlassungsbewilligung)* for self-employed key workers (art. 24 Aliens Employment Act)	**Long-term stay visa for the purpose of self-employment**	**Self-employed** (one of three Business Class sub-categories, under the Economic category)	**Entrepreneurs** (one of three Business Class sub-categories, under the Economic category)	**Long term visa for self-employment**
		1969	1978	
Applicant's training, skills, know-how, professional experience evaluated by the competent authority	Yes	2 years relevant experience (in last 5) in: Farm management; Self-employment/world class participation in cultural activities or athletics	2 years business experience (in last 5) managing and controlling a percentage of equity in a qualifying business*	No (but see below for regulated professions)
No	No	No	No	No
No	No	No	No	No
No	No	No	CAD 300,000	No
No	No	Yes (under points system)	Yes (under points system)	No
No	No	Yes (under points system)	Yes (under points system)	
Jobs created/maintained; Investment capital	Jobs created/maintained; Investment capital; Market study; Contacts with commercial partners; Planned contracts; Planned status	No	No	No
●General interest of the proposed activity for Austrian economy; ● Last income tax statement;	A "professional card" issued by the *Service des Autorisations Économiques* based on the business plan and other requirements, (innovation, trade expansion, specialisation)	●Score ≥35 points (for age, education, business experience, language ability, adaptability); ●Intention and ability to be self-employed in Canada	●Score ≥35 points (for age, education, business experience, language ability, adaptability); ●Intent and ability to control ≥1/3 of equity in a qualifying business* and actively manage it for 1 year after arrival	
No	No	Only farm management, cultural activities, athletics admitted.	Business whose main purpose is to derive investment income, such as interest, dividends, or capital gains do not "qualify"	Exclusions: court executors; notaires; court experts; interpreters; agricultural entrepreneurs
EC Freedom of establishment (Art 43 EC Treaty); EEA agreement(1995); EU-Switzerland agreement: (2002)	EC Freedom of establishment (Art 43 EC Treaty); EEA agreement(1995); EU-Switzerland agreement: (2002)	No		EC Freedom of establishment (Art 43 EC Treaty); EEA agreement(1994); EU-Switzerland agreement(2002)
Yes (as for all kind of first applications for settlement permit)	No	No	No	No
Temporary: 1 year, renewable indefinitely	Temporary: 2 years, renewable indefinitely	Permanent residence	Permanent residence	Temporary:1 year, after which a 2-year long-term permit, renewable indefinitely
N.A.	Business is not beneficial to the Belgian economy or tax and social obligations not fulfilled	See below: conditions for permanent residence	Failure to meet entry and job-creation conditions within 3 years of entry	No
General EU rules	General EU rules	Immediately; General residency requirement of 2 out of 5 years residence to maintain status		General EU rules
Yes (from employment): same requirements as for a first admission	Yes (from employment): same requirements as for a first admission	No	Possible for students under Provincial Nominee Program	Yes, after 1 year on a long-term permit (i.e. after min. 2 years of entry): same requirements as for a first admission
Yes, for residents (*Niederlassungsbewilligung)*.	Under general rules for family reunification	With principal applicant	With principal applicant	Under general rules for family reunification
No*		Yes	Yes	
N.A.	731 (includes changes of status)	505 persons(164 primary, 341 family)	1705 persons (447 primary, 1258 family)	77158 (includes EU residence certificates as self-employed)
N.A.	India; China; Japan; Turkey; United States	Iran; China; Pakistan; Korea; India; United Kingdom and Colonies; United States; Chinese Taipei		Vietnam; Ukraine; Slovak Republic

Table 2.A1.2. Self-employed/entrepreneurs *(cont'd)*

		DENMARK	FINLAND	FRANCE
Self-employed/Entrepreneur				
Programme		**● Residence and work permit for the purpose of self-employment and to operate an independent company**	**● Residence permit for self-employed person** (to pursue a trade or profession in his/her own name)	**"Exceptional economic contribution" residence permit**
First introduced in				2009
Admission requirements	Experience	Documentated relevant training/education, previous experience as a self-employed person and/or work experience in the same field.	Documentated relevant professional qualifications	No
	Min. Investment Capital	No	No	No
	Min. Jobs to be created/maintained	No	No	50*
	Min. Net Worth	No	No	No
	Language knowledge	No	No	No
	Age	No	No	No
	Submit business plan/ requirements for business plan	Type of business; Innovative aspects or growth prospects (incl. jobs); Any partnership with Danish companies; Contracts/agreements.	Estimated turnover in the next 3 years; Account of the business premises; Operating funds available; Jobs created/mantained;	Calendar of investment; Expected job creation
	Other	●Particular Danish business interest in the proposed business; ●Sufficient means to run business; ●Presence and involvement vital to establishment/operation of the business	● Proposed business must meet the requirements for profitable business; ●Secured support means	*Exceptions made if business considered a local priority (e.g., to prevent closure)
Restrictions		Exclusions: restaurants and retail shops.	No	Not applicable to EU or Algerian citizens
International agreements creating special conditions of admission for nationals of member countries		EC Freedom of establishment (Art 43 EC Treaty); EEA agreement(1994); EU-Switzerland agreement(2002)	EC Freedom of establishment (Art 43 EC Treaty); EEA agreement(1994); EU-Switzerland agreement(2002)	EC Freedom of establishment (Art 43 EC Treaty); EEA (1994); EU-Switzerland (2002); France-Algeria agreement(1968)
Permits	Quota	No	No	No
	Initial	Temporary: 1 year, renewable indefinitely (longer permit after 2 years residence)	Temporary: 1 year, renewable. Extended permit for 1-4 years depending on how business meet the requirements	Temporary: 10 years
	Conditions for permit withdrawal	N.A.	Failure to meet the requirements for profitable business or self-support	Non-compliance with initial permit conditions or business plan, or investment capital illicitly obtained
	Permanent Residence	General EU rules	General EU rules	After 10 years on the permit, if initial requirements are met, French language acquired, and demonstrated committment to the respect of French Republican values
Change of status	Possibility/conditions	Yes (from employment and study): same requirements as for a first admission; students have 6 months after graduation to meet criteria	Yes (from employment and study): same requirements as for a first admission	N.A.
Family members	Permit	Family members can apply for residence permits	With principal applicant	Yes, as *visitors* (accompanying family)
	Work and study rights	Yes (partner)	No	No
Number of permits issued in 2008	Total	122 (includes 117 self-employed EU)	67	N.A.
Main origin countries (2008)	(all programmes)	Netherlands;Poland;Germany; UK;Lithuania;USA (2000-2009)	Turkey; Russian Federation; China; Bangladesh; USA	N.A.

Table 2.A1.2. Self-employed/entrepreneurs *(cont'd)*

GERMANY		GREECE	IRELAND	ITALY
Residence permit for the purpose of self-employment: to set up a business (Residence Act, §21)	**Residence permit for the purpose of self-employment: to work on a free-lance basis** (Residence Act, §21, ¶5)	**Residence permit for the purpose of exercising an independent economic activity**	**Business Permission**	**Permit for the purpose of exercising an independent economic activity** (Decreto Legislativo 286/1998, art 26)
2005	2005			1998
Previous business experience may be assessed (see below: "other")		Yes	Documented skills to undertake proposed business (academic qualifications, details of apprenticeships, prior business experience, etc.)	Yes (see below)
€ 250,000 (but exception may be granted)	No	€60,000	€300,000 (but exception may be granted for some categories)	No
5 (but exception may be granted)	No	No	2 (but exception may be granted for some categories)	No
No	No	No	No	No
No	No	No	No	No
No		No	No	No
Viability of the concept; investment capital; Impact on employment; Contribution to innovation and research		Contribution to growth of national economy; Impact on employment; Investment capital; Effects on environment;	Value added for national commercial activity and competitiveness; Investment capital; Employment impact; Viability; Sustainability; Operational details	
If capital/job creation conditions are not fulfilled, other requirements apply (overriding economic interest or special regional need; expected positive effects on economy)	• Overriding economic interest or special regional need for the proposed professional activity; • Expected positive effects on German economy;		Internationally reknowned and self-supporting Writers, Artists and Craft persons exempt from capital and employment requirements.	• Sufficient funds for the proposed activity; •Proof of accomodation; •Proof of funds for maintenance
Below capital and job creation requirements, permit may be limited to specific location or activity	Can be issued only to "freelancers" (writers, artists, performers, consultants etc.)	For the first 2 years of residence, activity cannot change prefecture	No	Only (2010): for a business beneficial to the economy; Liberal professions; Renowned artists; Craftsmen from countries which invest in Italy
EC Freedom of establishment (Art 43 EC Treaty); EEA agreement(1994); EU-Switzerland agreement(2002)		EC Freedom of establishment (Art 43 EC Treaty); EEA agreement(1994); EU-Switzerland agreement(2002)	EC Freedom of establishment (Art 43 EC Treaty); EEA agreement(1994); EU-Switzerland agreement (2002)	EC Freedom of establishment (Art 43 EC Treaty); EEA agreement(1994); EU-Switzerland agreement (2002)
No	No	No	No	Yes: in 2010, **4000,** of which 1500 for conversion of study permits and 1000 for Libyans.
Temporary: max. 3 years	Temporary: 2 to 3 years, renewable	Temporary: 2 years, renewable indefinitely for further 2year periods	Temporary: 1 year, renewable indefinitely for further 1year periods (depending on business success)	Temporary: 2 years, renewable
N.A.	N.A.	Failure to comply with initial requirements, including activity and location; failure to meet tax and social obligations	Failure to comply with administrative requirements	Insufficient income
When the planned activity has been succesfully realised and income is sufficient		General EU rules	General EU rules	General EU rules
Yes (from employment and study): same requirements as for a first admission		No	Yes: same requirements as for a first admission	Yes (from employment and study): same requirements as for a first admission, but set-aside quota for students
Yes, with the principal applicant or join later (general requirements for family reunification)		Under general rules for family reunification	Included in the application of the principal applicant	Under general rules for family reunification
			No	
3677 (total for both the categories)		600	47	4967
China; United States; Russia; Japan; Korea (2009)	USA; Australia; Japan; Ukraine; Canada (2009)	N.A.	N.A.	N.A.

Table 2.A1.2. Self-employed/entrepreneurs *(cont'd)*

		JAPAN	KOREA	NETHERLANDS
Self-employed/Entrepreneur				
Programme		Status of residence **Investor/Business Manager**	**Business Investment visa D8** for entrepreneurs/managers	**Residence permit for labour as self-employed**
First introduced in				2008 (date of introduction PBS)
Admission requirements	Experience	≥3 years experience in business operation and/or management	No	**Personal experience:** Education (35p); Business experience (35p); Work experience (10p); Income (10p); Prior Dutch Experience (10p).
	Min. Investment Capital	No	USD 50,000 (but exception may be granted)	No
	Min. Jobs to be created/maintained	2 full-time (in addition to those who operate the business)	No	No
	Min. Net Worth	No	No	No
	Language knowledge	No	No	No
	Age	No		No
	Submit business plan/ requirements for business plan			Market potential (30p); Organisation (20p); Financing (50p);
	Other	The office must be set up in Japan	Investment capital requirement waived when a venture firm either "certified" or under the "Special Act for Fostering Venture Business"	**Added value:** Innovation (20p); Creation of employment (40p);Investment (40p). **Total 100 points for personal experience + business plan + added value** (≥30 in each field, or 90 points in the first two).
Restrictions		Legal/accounting services	Only in sectors covered by the Special Act for Fostering Venture Business	No
International agreements creating special conditions of admission for nationals of member countries		Japan-Singapore Economic partnership agreement (2002)	No	EC Freedom of establishment (Art 43 EC Treaty); EEA agreement(1994); EU-Switzerland agreement(2002)
Permits	Quota	No	No	No
	Initial	Temporary: max. 3 years, renewable for further 3-year periods (depending on investment and job creation)	Temporary	Temporary: 5 years
	Conditions for permit withdrawal	Failure to comply with admission requirements	N.A.	N.A.
	Permanent Residence	Under general rules		After first permit (5 years) expires, under same criteria and proof of sufficient income
Change of status	Possibility/conditions	Yes: same requirements as for a first admission	N.A.	Yes (from employment and study): same requirements as for a first admission
Family members	Permit	Yes, separate permission ("Dependent" status)	Eligible for an accompanying visa (D8)	With principal applicant
	Work and study rights	No	No	No
Number of permits issued in 2008	Total	919	N.A.	50
Main origin countries (2008)	(all programmes)	Korea; USA;China; Chinese Taipei;Pakistan	N.A.	United States; Canada;India; Turkey

Table 2.A1.2. Self-employed/entrepreneurs *(cont'd)*

NEW ZEALAND	NORWAY	POLAND	PORTUGAL	SPAIN
Long Term Business Visa / Entrepreneur and Entrepreneur Pplus visas under the Business category	**Residence permit for self-employment**	**Residence permit to conduct an economic activity beneficial to the national economy**	**Residence permit for an independent professional activity** according to law 23/2007, art. 60	**Residence permit for self-employment (*autorisación de residenicia temporal y trabajo por cuenta propria)***
1999 (2002, **2009**)			2007	N.A.
Relevant business experience (operation or executive experience in a substantial, relevant business)	Exceptional, requires specialist training and skills	No	May be required for professions subject to special qualifications	Applicant must possess the qualifications and experience required for the exercise of the proposed independent activity
No	No	No	No	No
No	No	No	No	No
No	No	No	No, but must have funds in Portugal (including local loans)	No
Yes (IELTS min.overall score 4)	No	No	No	No
No	No	No	No	No
Business description; Investment capital; Suppliers and customers; Marketing plan; Staff; Required assets; Financial forecasts; Beneficial effects for NZ*	Nature of the enterprise and applicant's role; Financial premises and plans; Market analysis; Location and name	Type of activity; General conditions; Income generated; Jobs created; Employee salaries	No	Expected job creation; Investment capital;
● ≥25% ownership in new or existing NZ business; ● Funds for 3 years maintenance ● Good understanding of the proposed business in NZ business environment	● Sole proprietorship and required involvement; ● Norwegian Labour and Welfare Service must confirm that business is required; ●Maintenance mainly though the business	●Activity must have beneficial effects on economy (in terms of innovation; investment growth; technology transfer; job creation); ●Secured maintenance funds;	Contract for the supply of services with as a self-employmed or proof from Fiscal and to the Social Security Authorities of start of activity as individual entrepreneur	Maintenance funds secured, mainly though the business (since the first year of operation);
Sex industry is excluded	The residence permit for self-employed is linked to the specific enterprise proposed.	● Specific occupations may be subject to limitations; ● Non-EU citizens not entitled to be self-employed (only entrepreneurs)	No	No
Trans-Tasman Travel Arrangement: (member countries: Australia and New Zealand)	EEA agreement (1994)	EC Freedom of establishment (Art 43 EC Treaty); EEA agreement (2004); EU-Switzerland agreement (2004)	EC Freedom of establishment (Art 43 EC Treaty); EEA (1994); EU-Switzerland (2002)	EC Freedom of establishment (Art 43 EC Treaty); EEA agreement (1994); EU-Switzerland agreement (2002)
No	No	No	No	No
Temporary:9+27 months (3years) Can be renewed only one time for further 3 years, then must change visa category	Temporary: 1 year, renewable	Temporary: max. 2 years, renewable indefinitely	Temporary: 1 year, renewable indefinitely for 2-year periods	Temporary: 1 year, renewable indefinitely for 2-year periods
Must meet conditions for the permanent Entrepreneur category within 6 years.	N.A.	The activity is not beneficial to the Polish economy or fails to provide a stable and regular source of income	N.A.	Initial conditions not respected; failure to comply with tax and social obligations; insufficient income
After 2-6 years on the LTBV (**Entrepreneur visa**), if initial conditions persist. Immediately for **Entrepreneurs plus visa** if higher investment and job creation criteria are met.	May be granted after 3 years on the temporary permit if initial conditions continue to be met	General EU rules	General EU rules	General EU rules
Yes (from employment and study): same requirements as for a first admission under LTBV	Yes (from employment and study): same requirements as for a first admission	No	Yes (from study): same requirements as for a first admission	No
With principal applicant (separate permit)	With principal applicant	Under general rules for family reunification	Under general rules for family reunification	Under general rules for family reunification
Yes	N.A.			
380 (Program year 2008-2009, Entrepreneur category)	2932 (1998-2008; includes 2807 EEA)	1162 (includes investors)	N.A.	516
United Kingdom; Korea; China; Fiji; India	Poland; Germany; Netherlands; UK; Lithuania	Vietnam; Ukraine; Armenia; China.	N.A.	China;Morocco;Argentina; Colombia;Ecuador(2004-2009)

Table 2.A1.2. Self-employed/entrepreneurs *(cont'd)*

		SWEDEN		SWITZERLAND	UNITED KINGDOM
Self-employed/Entrepreneur					
Programme		**Residence permit to start and operate a business (business owner)**	**Residence permit to start and operate a business (self-employed)**	**Residence permit for the practice of an independent economic activity**	**Tier 1 Entrepreneur subcategory**
First introduced in		N.A.	N.A.	2008	2009*
Admission requirements	Experience	Proof of ≥ 50% ownership of a company;	• Proof of solid experience in the proposed business; • Previous experience running the business	Proof of professional qualifications required for the exercise of the proposed activity	No
	Min. Investment Capital	No	No	No	GBP 200,000 (25p)
	Min. Jobs to be created/maintained	No	No	No	No
	Min. Net Worth	No	No, but must have enough for 1 year maintenance	No	No, but maintenance requirement (10p)
	Language knowledge	No	No	No	Yes (10p)
	Age	No	No	No	No
	Submit business plan/ requirements for business plan	No	Market study; Customer/supplier contracts and for premises; Investment, liquidity and profit/loss budget and balance sheet; Investment capital; Permits (if required)	Description; Turnover and profit; Market study; Short, mid and long-term projection; Expected job creation; Financial conditions and requirements for exploitation of enterprise fulfilled	No
	Other	• ≥50% ownership; • Operate and hold ultimate responsability for the business; •Maintenance funds secured mainly though the business for the 2 year probationary period	No	•Serve Swiss economic interest with positive effects on the labour market (e.g. contributes to regional economic diversification; jobs for residents; substantial investment) •Proof of satisfactory housing	Assessment under Tier 1 of the points-based system: must score 75 points, including: •Funds held in a regulated financial institution (25p); •Funds disposable in the United Kingdom (25p)
Restrictions		No	No	Cannot be issued to independent foreign doctors (except for EU citizens)	Cannot be issued to take up employment as "Doctor in training"
International agreements creating special conditions of admission for nationals of member countries		EC Freedom of establishment (Art 43 EC Treaty); EEA agreement (1995); EU-Switzerland agreement (2002)		Swiss-EU bilateral agreement on the free movement of persons (2002, amended 2004 and 2009)	EC Freedom of establishment (Art 43 EC Treaty); EEA agreement (1994); EU-Switzerland agreement (2002)
Permits	Quota	No	No	Yes: permits issued within cantonal quotas for admission of 3rd-country nationals	No
	Initial	Provisional: valid for 1 year at a time for the 2-year probationary period		Temporary: 2 years, renewable indefinitely	Temporary: 3 years, renewable for further 2 years
	Conditions for permit withdrawal	Failure to start or register business, or insufficient income		Expected positive effects of the business for the Swiss economy not realized within 2 years	Failure to respect initial conditions, job-creation commitments and deadlines
	Permanent Residence	May be granted after the 2-year probationary period if business is running as planned and income is sufficient		Under general rules	After 5 years
Change of status	Possibility/conditions	Yes (from employment and study): same requirements as for a first admission; foreign students must have reached 30 higher education credits (one term) or have completed one term of research education at institutions of higher education		Yes (from study): meet requirements for a first admission or proposed activity has major scientific, economic or technological interest	Yes: must meet the requirements for Tier 1 entrepreneur subcategory
Family members	Permit	Family members can apply for residence permits		Under general rules for family reunification	As for dependants of a Tier 1 PBS Migrant
	Work and study rights	No			Yes
Number of permits issued in 2008	Total	104		N.A.	N.A.
Main origin countries (2008)	(all programmes)	China; Iran; Turkey; Russia; United States		N.A.	N.A.

Table 2.A1.2. Self-employed/entrepreneurs *(end)*

UNITED STATES					
EB-5 residence visa	**EB-5 residence visa for investment in a Targeted Employment Area (TEA)**	**EB-5 residence visa pilot**	**EB-5 residence visa pilot in a TEA**	**E-1 visa (Treaty trader)**, based on a Treaty of Commerce and Navigation according to INA, 101(a)(15)(E)	**E-2 visa (Treaty investor)**, based on a Treaty of Commerce and Navigation according to INA, 101(a)(15)(E)
1990		1993	1993		
No	No	No		Existing trade: trade between the partner country and the US must already be in progress on behalf of the individual.	Not necessary
USD 1 million	USD 500,000	USD 1 million	USD 500,000	No, but trade must be "substantial"(see below)	No, but investment must be "substantial"
10 (direct creation of jobs US residents other than the applicant and his/her family		No,but prove indirect creation of 10 jobs as a result of the activity (e.g. induced jobs)		No	No
No	No	No	No	No	No
No	No	No	No	No	No
No	No	No	No	No	No
No	No	No	No	No	No
Invest and be involved in a new commercial enterprise;	Invest and be involved in a new commercial enterprise in a TEA (rural area/area where unemployment rate is 150% the national average rate)	Invest and be involved in the operation of a new commercial enterprise in "designated regional centers"	Invest and be involved in the operation of a new commercial enterprise in "designated regional centers" in a TEA	●"Substantial trade" within the meaning of INA*, and >50% trade must be between the US and the treaty country; ●Trade provides income for maintenance; ●Must leave the US when E-	● Invest in and operate a non-marginal and self-supporting commercial enterprise in the US; ●Must leave the US when E-1 status terminates
				No	No
No				* only for nationals of countries which have a treaty with the US (list of 54 countries in Annex 2.A2.)	* only for nationals of countries which have a treaty with the US (list of 62 countries in Annex 2. A2.)
Yes: yearly maximum of 10000 EB-5 visa.	(within general quota)	3000 EB-5 visa set-aside yearly for pilot project	(within quota for EB-5 pilot)	No	No
2-year conditional permanent resident status ("green card"); for the conditions on residency to be removed must file a second application within the 90-day period preceding the second anniversary of admission as conditional permanent resident				Temporary: 2 years, renewable indefinitely	
Failure to respect initial conditions, job-creation commitments and deadlines within two years; no job-creation					
After 2 years, conditions on permanent status removed				No (Non immigrant visa)	
N.A.				No	
With principal applicant				Yes, accompanying the principal applicant.	
Yes (after the 2-year conditional period)				Spouses may apply for employment authorisation.	
427 (304 new arrivals and 123 adjustments; 49 visas under the general EB-5 program and 378 under the pilot and TEA programs)					28,588
N.A.				N.A.	N.A.

For more detailed information on criteria and procedures, see a longer version of this table at *www.oecd.org/els/migration/entrepreneurship*.

Notes to Table 2.A2.2. Self-employed/entrepreneurs

AUSTRIA: *Family members can get *Niederlassungsbewilligung-unbeschränkt* (access to work) after one year of residence, if the spouse of parent, has the permit *Niederlassungsbewilligung-unbeschränkt*.

CANADA: *In order to be admitted in Canada under the Entrepreneur subclass, applicant is required to have experience in a qualifying business abroad. For this purpose it is considered a qualifying business a business: whose main purpose was not to derive investment income, such as interest, dividends, or capital gains; and for which, during the year under consideration, there is documentary evidence of any two of the following: the percentage of equity multiplied by the number of full-time job equivalents is ≥ two full-time jobs equivalents per year; the percentage of equity multiplied by the total annual sales is ≥ CAD 500 000; the percentage of equity multiplied by the net yearly income is ≥ CAD 50 000 and the percentage of equity multiplied by net assets at the end of the year is ≥ CAD 125 000.

Once admitted entrepreneurs must operate a qualifying Canadian business. It is considered a qualifying Canadian business a business whose main purpose is not to derive investment income, such as interest, dividends, or capital gains; and for which there is in any year within the period of three years after the day the entrepreneur becomes a permanent resident documentary evidence of any two of the following: the percentage of equity multiplied by the number of full-time job equivalents is ≥ two full-time jobs equivalents per year; the percentage of equity multiplied by the total annual sales is ≥ CAD 250 000; the percentage of equity multiplied by the net yearly income is ≥ CAD 25 000 and multiplied by the net assets at the end of the year is ≥ CAD 125 000.

NEW ZEALAND: *A business is considered of potential benefit for New Zealand if it promotes NZ economic growth by means of technological innovation; introduction of new products or services; trade expansion; employment creation; revitalisation of an existing business; successfully established business in NZ = applicant has established/purchased made a substantial investment in a business operating in New Zealand; been self-employed in this business for two years; created economic benefit for New Zealand.

UNITED KINGDOM: *Previously Business persons and Innovation schemes.

UNITED STATES: *Following the INA, 101(a)(15)(E) “substantial trade” for E-1 purposes is the continuous flow of goods or services between treaty countries that involves numerous transactions over time. The smaller businessman is not excluded if he can demonstrate a pattern of transaction of value. Income derived from the international trade must be sufficient to support the treaty trader and family.

Annex 2.A2

International agreements that play a role in regulating migration of foreign entrepreneurs and investors

Like labour migration, the international migration of entrepreneurs and investors is subject to decisions that are generally taken in a discretionary manner. Political decisions depend on the destination country, which can change the conditions of admission at will. In many countries, however, the public authorities can exercise only limited discretionary control over movements of foreign entrepreneurs and investors. That is the case where such movements concern nationals of countries that have concluded international agreements on the freedom of movement and establishment of their respective nationals, or other international agreements granting easened admission requirements for their respective entrepreneurs and/or investors.

The migration policies implemented in OECD countries to manage the migration of self-employed workers apply in full only to entrepreneurs and investors from countries that have not concluded such agreements. The most significant example in this regard is the freedom of movement and establishment provided for by the Treaty establishing the European Economic Community. Under the Treaty, freedom of establishment covers the access of nationals of member states to non-salaried activities and the exercise of such activities. The Treaty also applies to the formation and management of undertakings in a member state under the conditions defined by the legislation of the country of establishment for its own nationals, subject to rules on capital movements.[1]

Freedom of establishment within the European Community has been achieved gradually through the successive adoption of several directives. Following transposition of Council Directive 73/148/EEC of 21 May 1973 on the abolition of restrictions on movement and residence within the Community for nationals of member states with regard to establishment and the provision of services, admission into the territory of a member state of nationals from other member states wishing to establish themselves there in order to pursue a non-salaried activity may no longer be subject to an entry visa or work permit requirement; production of a valid identity card or passport is sufficient. Nationals admitted on that basis have a right of permanent residence in the host country. The same rules apply to family members of self-employed workers who are nationals of a member state party to the Treaty.

These provisions, which are part of the *acquis communautaire*, reduce to a minimum the discretionary power of national authorities over the movements of entrepreneurs and investors from a member state. Exceptions to the freedom of establishment are allowed only for reasons of public policy (*ordre public*), security or health. However, restrictions exist under national regulations governing professional and business activities.

Following the entry into effect of the Agreement on the European Economic Area (1994-1995),[2] Community legislation on the freedom of establishment also applies to

Iceland, Norway and Liechtenstein. Switzerland preferred to keep its relations with the EU regarding freedom of movement on a bilateral footing; freedom of establishment between EU member states and Switzerland took effect on 1 June 2002.[3]

In the matter of freedom of establishment in the European Union, one of the features of the Europe Agreements (which were concluded between 1991 and 1996 by the European Union and each of the central and eastern European countries applying for membership and took effect between 1995 and 1999) was the direct granting of the right of establishment in the European Union to companies and, in almost all cases, to self-employed nationals of the candidate countries. In previous EU enlargements, nationals of the new member states had been given the right of establishment only on accession.

However, EU member states' implementation of the provisions on freedom of establishment contained in the Europe Agreements was often only slow and partial. In most cases, it consisted in simplifying rather than eliminating the conditions for admission in relation to those generally applicable to third country nationals, without waiving the visa requirement. In addition, many EU-15 countries applied transitional measures for granting freedom of establishment to self-employed nationals of candidate countries, fearing that the streamlined admission procedures might be misused by workers seeking salaried employment.

Some other regional economic integration agreements provide for simplified or more relaxed procedures for the admission and residence of self-employed workers, entrepreneurs and investors from signatory countries. Under the 2002 Japan-Singapore Economic Partnership Agreement, investors from the two countries plus certain categories of professionals, especially engineers, can establish themselves in the other country in order to pursue their activity under more favourable conditions than those that apply to third country nationals.

The provisions on the admission of business people contained in free trade agreements modelled on NAFTA do not generally concern the establishment of entrepreneurs or investors from one signatory country in another, but rather tend to be limited to the temporary admission on a reciprocal basis of such nationals in order to pursue business or investment activities of an international nature. In other words, pursuing the objective of encouraging trade relations between the signatory countries, free trade agreements generally state that those countries should reciprocally allow the citizens of other signatory countries to enter and stay, without a work permit requirement, so that they can come on a temporary basis and carry out business and investment transactions as international subsidiaries whose headquarters remain outside the country authorising temporary admission.

Other bilateral agreements also provide for exceptions, of broader or narrower scope, to the general rules for the admission of self-employed workers, entrepreneurs and investors from signatory countries. For example, the Agreement between France and Algeria on the entry and stay of Algerians in France (27 December 1968, amended) grants Algerian nationals the right of establishment in France in order to pursue business activities and self-employed professions.

In the United States, the E1-E2 temporary residence visas for the pursuit of an international business activity or the realisation of an investment may be granted to the nationals of a number of countries with which the United States maintain a treaty of trade and navigation. As with EB-5 visas, applicants for E1 and E2 visas must fulfil several conditions, although these are less restrictive and largely discretionary (see Annex 2.A1).

The United States currently have bilateral agreements for the issuance of E-1 and E-2 visas, respectively with 54 and 62 countries.[4]

Under the Trans-Tasman Travel Arrangement, Australians and New Zealanders are free to live and work in either country for an unlimited time. The agreement is not a binding bilateral treaty but a set of immigration procedures applied by each country by mutual consent.

This annex does not contain an exhaustive review of international agreements liable to affect the discretionary power of OECD countries' migration authorities regarding the admission and residence of foreign entrepreneurs and investors. A more comprehensive examination could be envisaged as part of an in-depth analysis of the impact of the network of international agreements in which OECD member countries are involved on the extent of their control of migratory flows.

Notes

1. Treaty establishing the European Economic Community (25 March 1957): Title II Free Movement of Persons, Services and Capital; Chapter 2: Right of establishment; Articles 52-58. See also Article 43 of the Treaty establishing the European Economic Community, consolidated version (Nice).

2. The Agreement on the European Economic Area was signed on 2 May 1992 by the twelve EU member states at the time and the EFTA states (Finland, Sweden, Iceland, Liechtenstein, Norway, Austria and Switzerland). The Agreement took effect on 1 January 1994 for Finland, Iceland, Norway, Austria and Sweden and on 1 May 1995 for Liechtenstein. Switzerland has not ratified the Agreement. The agreement for the first extension of the EEA took effect on 1 May 2004 at the same time as the accession to the EU of Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Czech Republic, the Slovak Republic and Slovenia. The second extension of the EEA took effect on 1 August 2007, seven months after the accession to the European Union of Bulgaria and Romania.

3. The Free Movement of Persons Agreement originally concluded between Switzerland and EU-15 was extended on 25 September 2005 to the ten new members that joined the European Union in 2004. The protocol to the Agreement relating to the participation of Bulgaria and Romania took effect on 1 June 2009. A two-year transitional period is set under this protocol. During this transitional period, self-employed citizens of Bulgaria and Romania are initially issued with a temporary residence permit for six months. Before the six-month period expires they must produce proof of a self-employed occupation. Until 31 may 2011, self-employed workers from Bulgaria and Romania are also subject to the quota rules.

4. Treaty countries under E-1 visa are: Argentina, Australia, Austria, Belgium, Bolivia, Bosnia and Herzegovina, Brunei, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, Croatia, Denmark, Estonia, Ethiopia, Finland, France, Germany, Greece, Honduras, Iran, Ireland, Israel, Italy, Japan, Jordan, Korea (South), Kosovo, Latvia, Liberia, Luxembourg, Macedonia (FRY), Mexico, Montenegro, Netherlands, Norway, Oman, Pakistan, Paraguay, Philippines, Poland, Serbia, Singapore, Slovenia, Spain, Suriname, Sweden, Switzerland, Thailand, Togo, Turkey, United Kingdom, Yugoslavia. Treaty countries under E-2 visa are: Albania, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Belgium, Bolivia, Bosnia and Herzegovina, Bulgaria, Canada, Chile, Chinese Taipei, Colombia, Congo (Brazzaville), Congo (Kinshasa), Costa Rica, Croatia, Denmark, Ecuador, Egypt, Estonia, Ethiopia, Finland, France, Georgia, Germany, Greece, Grenada, Honduras, Iran, Ireland, Italy, Jamaica, Japan, Jordan, Kazakhstan, Korea (South), Kosovo, Kyrgyzstan, Latvia, Liberia, Lithuania, Luxembourg, Macedonia (FRY), Mexico, Moldova, Mongolia, Montenegro, Morocco, Netherlands, Norway, Oman, Pakistan, Panama, Paraguay, Philippines, Poland, Romania, Serbia, Senegal, Singapore, Slovak Republic, Slovenia, Spain, Sri Lanka, Suriname, Sweden, Switzerland, Thailand, Togo, Trinidad &Tobago, Tunisia, Turkey, Ukraine, United Kingdom, Yugoslavia.

Part II

THE DETERMINANTS OF MIGRANT ENTREPRENEURSHIP AND EMPLOYMENT CREATION BY IMMIGRANTS IN OECD COUNTRIES

Chapter 3

Shifting landscapes of immigrant entrepreneurship

by

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Summary

Immigrant entrepreneurship still comprises smalls stores confined to the lower segment of markets. Nowadays, however, immigrant entrepreneurs are becoming visible also in high-value activities which characterise advanced urban economies. This transformation was partly the result of the increasing level of educational attainment of many immigrants and members of ethnic minorities, but it was also driven by the shifts in the structure from industrial to post-industrial economies, which occurred in the last two decades.

The potential of self-employment to open up avenues of upward social mobility has, thus, further increased. The qualitative shift from low-value to high-value added business occurring among parts of the immigrant population, moreover, has emphasised the potential significance of immigrant entrepreneurs for the national and, in particular, the local economies in the countries of settlement. Given its strategic importance for, on one hand, the integration of immigrants in the countries of settlement, and, on the other, the potentially significant contribution to the economies of these countries, immigrant entrepreneurship scores high on policy makers' agendas across the OECD member states.

The chapter presents a framework to analyse immigrant entrepreneurship and its potential contribution to immigrants' social incorporation based on the *mixed embeddedness approach*, which stresses the interplay between opportunities for business, on the one hand, and immigrant entrepreneurs and their resources on the other. It, then, explores how regulation may affect markets and, therefore, opportunities. Regulation come in different forms, in complex packages that define what is "possible" in a market. It is, thus, not just a matter of repression and constraining but also of enabling. From this perspective, the chapter gives also a brief overview of the main characteristics of the actual policy measures implemented to strengthen immigrant entrepreneurship.

The actual policies implemented in order to promote immigrant entrepreneurship focus mainly on the *agency* of the entrepreneur, rather than the *opportunity structure*. Moreover, they seem to be mostly geared to the nascent entrepreneurs and to a much lesser extent to the already established immigrant and ethnic entrepreneurs. A new set of policies specifically aimed at immigrant entrepreneurs in vacancy-chain markets and, at the same time, a revision of the regulations (national and local; formal and informal) that

still hamper immigrant and other entrepreneurs in post-industrial activities, should be put in place in order to increase the potential that immigrant and ethnic entrepreneurship has, nowadays, both to foster immigrants' integration and contribute to the host countries economies.

3.1. Immigrant entrepreneurship

Throughout history, immigrants have set up businesses in the places where they settled. Members of certain Diaspora communities, namely the Chinese, Armenian, Lebanese, Jew, Greek, and Italian have been prominent in many countries as entrepreneurs. Entrepreneurship, then, has been an important avenue of insertion and incorporation into the host society and its economy.

In the closing decades of the 20th century, self-employment for immigrants and ethnic minorities has become even more important as, on the one hand, flows of immigration increased, and, on the other, opportunities for small business expanded. There has also been a more qualitative shift. Due to rising levels of educational attainment, immigrants from less-developed countries can now also be seen starting businesses in more highly skilled segments such as, for instance, software services or business consultancy.

The archetypical immigrant entrepreneur running a mom-and-pop store is obviously still there, but nowadays a different type of immigrant entrepreneur is also becoming part of the economic landscape in many advanced urban economies. Much better, on average, educated than their predecessors, these immigrant entrepreneurs are not necessarily confined to the lower segments of markets. Instead they often can get access to attractive, expanding markets and they are, typically, not so much pushed to self-employment as pulled by it. Self-employment for immigrants from less-developed economies, then, is nowadays not just seen as merely a second-best solution after regular employment, but increasingly as an attractive option in itself.

The potential of self-employment to open up avenues of upward social mobility for immigrants has, thus, further increased. The qualitative shift from low-value to high-value added businesses occurring among parts of the immigrant population, moreover, has emphasised the potential significance of immigrant entrepreneurs for the national and, in particular, the local economies in the countries of settlement. With the crucial role of entrepreneurs from China and India based in Silicon Valley in organising global commodity chains in software products in mind, immigrant entrepreneurs are now also seen as actors capable of boosting competitive strength in advanced urban economies (Rath, 2007). A diverse and entrepreneurial population, more generally, has come to be seen as a precondition for economic growth (Florida, 2002). Immigrants can add, in principle, to the entrepreneurial population in terms of numbers but also in terms of new ideas, products, practices, markets, and contacts (Brandellero, 2008).

Given its strategic importance for, on the one hand, the economic (and, arguably, socio-cultural) incorporation in the countries of settlement, and, on the other, the potentially significant contribution to the local (and national) economies of these countries, immigrant entrepreneurship scores high on policy makers' agendas across the OECD member states. Academic researchers have been looking at immigrant entrepreneurship for quite some time now (especially after 1990) and a considerable body of literature on immigrant entrepreneurship has been created. This body comprises mainly studies focusing on particular aspects of immigrant entrepreneurship (specific groups, places, sectors, resources, etc.). More general overviews dealing both with the conceptual

and the empirical aspects of immigrant entrepreneurship in several countries (Waldinger, Aldrich, and Ward, 1990; Gold and Light, 2000; Kloosterman and Rath, 2003; Van Tubergen, 2005; Panayiotopoulos, 2006) are much scarcer. This has partly to do with the fact that much researchers have tended to focus on more unique – notably the apparent "ethnic" – aspects of entrepreneurship.

Definitional difficulties have also hampered international comparisons. First, definitions and practices of statistical registration regarding what can be considered an "ethnic minority" or can be labelled as a member of the immigrant population differ across borders partly because the underlying processes of social construction of "otherness" along ethnic lines are rooted in specific local and national contexts. The use of the term *ethnic entrepreneurship* can also conjure up images of something essentialist ethnic about these entrepreneurs while "ethnicity" is anything but fixed or taken for granted. With this caveat in mind, we nonetheless use the term *ethnic* and *immigrant entrepreneurship* interchangeably and thereby refer to self-employment of persons who have recent roots – either themselves being born or (one of) their parents – abroad and, hence, tend to be seen as non-mainstream. Secondly, but to a lesser extent, this also holds true with respect to what constitutes self-employment and how this is registered (Kloosterman and Rath, 2003). In this latter case, we just pragmatically accept a country's definition and registration of self-employment.

Given these difficulties, international quantitative comparisons of immigrant entrepreneurship have to be treated with care, but whatever their shortcomings, there is no doubt that significant differences between specific groups, cities, sectors, countries exist. Immigrant entrepreneurship is, hence, anything but self-evident. There might be a whole array of opportunities in today's post-industrial cities, but perceiving them and, subsequently, grasping these chances is contingent on various factors on the side of the (potential) entrepreneurs themselves, the economic opportunity structure, and the rules regulating access to the different segments of the opportunity structure. Unravelling some of the key relationships between nascent immigrant entrepreneurs, on the one hand, and the broader opportunity structure, on the other, then may enable us to identify policies which – intended or not – thwart the grasping of entrepreneurial opportunities, or devise policies which will enhance the chances of immigrants becoming (successful) entrepreneurs.

Presented below is a framework to analyse immigrant entrepreneurship and its potential contribution to social incorporation based on the *mixed embeddedness approach* which emphasises the interplay between opportunities for businesses, on the one hand, and immigrant entrepreneurs and their resources on the other (Section 3.2). Section 3.3 explores how regulation may affect markets and, therefore, opportunities. A separate discussion is devoted to an analysis of the characteristics of the actual policies aimed at fostering immigrant entrepreneurship in 32 European countries. The fourth and last section is a summary of implications of our findings.

3.2. Matching entrepreneurs with the opportunity structure[1]

The kind of business an immigrant starts and its role in the immigrant's process of incorporation is, evidently, contingent on the resources this aspiring entrepreneur can mobilise. The entrepreneurial spirit that reigned supreme in the last quarter of the 20th century emphasised the role of the individual. In line with this individualistic view, much research on entrepreneurship has been devoted to the actors themselves, mapping

their personal characteristics and backgrounds. In some cases, when variations between nations had to be dealt with, attention was also paid to the constraints facing these aspiring and nascent entrepreneurs. The difficulties of getting finance or the liabilities of the tax system were, for instance, also taken into account to explain variations in entrepreneurship (Thornton, 1999; Blanchflower *et al*., 2001). The supply side of the fictitious entrepreneurial market, however, remained central in these neoclassical inspired approaches (Casson, 1995).

As researchers looking at *immigrant* entrepreneurship were confronted with significant variations between different groups of immigrants, they moved beyond this individualistic approach and started looking for explanations on the level of groups (Light 1972; Waldinger, 1986; Light and Bonacich, 1988; Light and Rosenstein, 1995). Neither personal traits nor differential access to finance could explain the observed inter-group variations. The wider societal context had to be invoked as certain groups of immigrants were pushed towards self-employment due to specific obstacles (*i.e.* discrimination) on the labour market for these groups. In addition, group characteristics, especially cultural traits, were also investigated as potential explanations for differences in entrepreneurship.

Later, the potential set of resources that entrepreneurs may command was crucially widened by adding social capital to human, financial and cultural capital: people's proclivity for entrepreneurship and their entrepreneurial success – or lack of it – were related to the size, density and nature of their social networks and the possibility to mobilise these networks for economic purposes. *Social embeddedness* has become a widespread and very fruitful approach to entrepreneurship, in general and immigrant entrepreneurs in particular (Granovetter, 1983, 1995; Waldinger, 1986; Uzzi, 1996, 1997; Portes and Sensenbrenner, 1993; Light and Gold, 2000; Cahn, 2008).

Granovetter (1995) went beyond that and he has distinguished two types of embeddedness: relational and structural embeddedness. *Relational embeddedness* refers to "economic actors" and involves personal relations with one another. Immigrant entrepreneurs are thus embedded in a (relatively) concrete network of social relations with customers, suppliers, banks, competitors, and, not to be ignored, law enforcers. *Structural embeddedness* relates to the broader network to which these actors belong. This concept seems to transcend direct personal relations. Although Granovetter (1995) specifically makes a distinction between "social relations" and "institutional arrangements or generalised morality", he does not spell this latter category out in any detail and no notion of opportunities is referred to (see also Zukin and DiMaggio, 1990; and Krippner, 2001).

Enriching the analysis by including cultural traits and other, more elusive, resources as social capital on the supply side has, however, proven to be insufficient for grasping entrepreneurship. The other part of the equation, the demand side – or in other words, the set of opportunities that can be discovered and exploited by individual entrepreneurs – cannot be ignored in explaining entrepreneurship (Thornton and Flynn, 2003; Ibrahim and Galt, 2003). The set of options actors or, in this case, entrepreneurs face is also shaped and conditioned by macro-structures (Power, 2001). Roger Waldinger *et al*. (1990) have pioneered the inclusion of the opportunity structure in analysing immigrant entrepreneurship (see Rath, 2000b for a critical appraisal).

The concept of *mixed embeddedness* has been put forward as another *interactionist approach* to encompass both actors (the immigrant entrepreneurs) and the opportunity structure in a more comprehensive analytical framework (Kloosterman *et al*., 1999; Kloosterman, 2000; Rath, 2000a, 2002; Engelen, 2001; Kloosterman and Rath, 2001;

Kloosterman and Rath, 2003, 2005 and 2007; Light, 2005; Rusinovic, 2006; Brandellero and Kloosterman, 2009; Kloosterman, 2010a, 2010b). This analytical framework combines the micro-level of the individual entrepreneur and his or her resources, with the meso-level of the local opportunity structure, and links the latter, in more loose way, to the macro-institutional framework. Doing this, the insights on the resources necessary for an (aspiring/nascent) entrepreneur will be combined with the views on opportunity structures. Moreover, as the dynamics of the opportunity structure are explicitly part of the model, we are able to deal with changes in the local economy. With this innovative analytical framework we can address the question how patterns of variation in immigrant entrepreneurship – between groups, sectors, between place and between countries, and between historical periods – can be explained systematically. Although the analytical framework is devised for explaining immigrant entrepreneurship, it can also be applied to business start-ups more generally.

Opportunities for entrepreneurs in capitalist societies are intrinsically linked to markets (Kloosterman and Rath, 2001). Opportunities occur in markets: there has to be a sufficient (perhaps as yet still latent) demand for a certain bundle of products otherwise no entrepreneur can make a living. Markets are, thus, in our perspective, the crucial components of the opportunity structure. Openings for new businesses occur or are created in specific, identifiable product markets. Setting up shop in a particular market, consequently, entails a delineation of a specific set of products, opting for a specific set of possible production processes, and targeting more or less identifiable group(s) of clients delimited in time and space (Swedberg, 1994, p. 255).

To be able to start a particular business in a market where a demand seems to exist, an aspiring entrepreneur has to have the right kind of resources (financial, human, cultural, and social capital, and, arguably, also ethnic capital). Markets, in other words, have to be *accessible* for entrepreneurs. Most aspiring entrepreneurs, and this holds *a fortiori* true for immigrant entrepreneurs, tend to lack financial resources or do not have easy access to significant funds (Wolff and Rath, 2000). This implies that, generally speaking, these aspiring entrepreneurs can only start a business that requires a relatively modest outlay of capital. Forms of highly capital-intensive (mass) production necessitate large *minimum efficient scales* and are, hence, not very accessible for these newcomers (Chandler, 1994). It is therefore hard to find business start-ups by individual entrepreneurs in lines of mass-production or mass-distribution. We do find newcomers in small-scale businesses in manufacturing but as a rule only where economies of scale are hard to achieve.[2]

New businesses that require only small initial outlays can differ considerably in their needs with respect to another crucial resource: human capital. To start, for instance, a hairdresser's shop not much is needed in terms of (formal at least) educational qualifications. This is, of course, very different in the case of many producer services (*e.g.* consultancy) or highly innovative manufacturing such as the famous start-ups in Silicon Valley of the 1990s (Saxenian, 1999, 2002, 2006). Both require highly skilled entrepreneurs. The necessary educational qualifications are, however, not only determined by the intrinsic qualities of the work involved, but also in many cases stipulated as part of state regulations. The success of immigrant entrepreneurs in Silicon Valley is undoubtedly related to Unites States' favourable immigration regime and certainly the extension of tenth of thousands H1B visa. We will address the impact of the regulatory regime below more in detail.

If we look at the immigrant population, we note a marked polarisation with regard to the skill level. In many advanced economies, we can observe large contingents of highly

skilled professionals from non-OECD countries. Their rise is partly a result of a shift to immigration policies favouring – in various ways –- high-skilled immigrants (Docquiera and Marfouk, 2004). On the other end of the scale, there are also, still, large numbers of low-skilled immigrants (Held *et al*., 1999, pp. 324-325; Waddhwa *et al*., 2007). To understand immigrant entrepreneurship, we have to take both poles into account and realise that immigrants can also start a firm that needs high levels of (formal) human capital. The relevant set of opportunities open to aspiring immigrant entrepreneurs therefore consist of openings for small businesses along a broad continuum of skill qualifications from only primary schooling (or even less) to college and university degrees. The great divide here runs parallel to that on the labour market: between primary schooling and the rest.

The opportunity structure is not just important for the number and the sort of openings with respect to the necessary human capital it offers for new businesses. An essential characteristic of the opportunity structure and its openings also involves the chances present for expansion of the fledgling businesses. Are these markets that are open to (immigrant) entrepreneurs with relatively modest financial means characterised by long-term growth or, on the contrary, by structural decline? Urban economies tend to have sunrise and sunset economic activities and these dynamics create changes in the opportunity structure. With the transition from industrial to post-industrial economies, the profile of the opportunity structure has changed significantly and increased opportunities for small firms in general (Kloosterman and Rath, 2001).

Openings for immigrant entrepreneurs, as Roger Waldinger (1986; 1996) has showed, do not only occur in markets that structurally expand, but also in markets that shrink on a long-term base. As long as the outflow of the indigenous and longer established immigrant entrepreneurs out of these sunset markets is larger than the rate of contraction, openings are being formed. It can be expected that the perspective for eking out a decent living in these so-called vacancy-chain openings is quite different from that in structurally growing markets. In other words, the patterns of socio-economic incorporation of immigrant entrepreneurs may crucially hinge on the *growth potential* of a market. This growth potential can be measured by looking at the structural trends in the total employment and/or turnover in a specific market. As we are interested not just in immigrant entrepreneurship in itself, but also in the relationship between entrepreneurship and upward social mobility, the growth potential has to be included in the model of the opportunity structure.

By focusing only at that part of the opportunity structure where relatively modest outlays of capital are needed, the variable financial capital is, in effect, held constant. Barriers in the form of rules and regulations, both formal (*e.g.* legally excluding immigrants from setting up a business by withholding permits to foreigners) and informal (*e.g.* social closure by business associations by, for instance, blocking aspiring immigrant entrepreneurs from office spaces), are also left out at this stage. They will be treated below. In addition, accessibility of markets is defined in relation to the level of human capital that is needed to start a business. The other resources, social (and ethnic) capital, will be dealt with when analysing the resources needed for starting and maintaining a business in a particular segment of the opportunity structure as the relationship between social capital and accessibility of the opportunity is anything but straightforward. Unpacking the opportunity structure along two dimensions is just the first stage of the mixed embeddedness approach.

The model of the opportunity structure aims at dealing with two significant changes in the supply side (*i.e.* more high-skilled immigrants from non-OECD countries) and the demand side (new opportunities which arise due to the post-industrial transformation of urban economies that has increased opportunities for small firms in general due to the shift to services, outsourcing, market fragmentation and the availability of cheap ICT) in the last two decades. The model has been constructed to be able to deal with new forms of immigrant entrepreneurship as well and it allows us to go beyond the "traditional immigrant entrepreneur" with his business firmly stuck at the lower end of the market in either small-scale retailing or cheap restaurants (Haller, 2004). Its genesis then is partly based on empirical observation of new developments in immigrant entrepreneurship and partly on analyses of post-industrial urban change and their impact on immigrants (Sassen, 1991; Waldinger, 1996; Kloosterman, 1996, 2000, and 2003; Zhou, 2004; Rath, 2000, 2002, 2007). Below, we have captured these two crucial dimensions of the opportunity structure for new firms, access and growth potential, schematically in a matrix that distinguishes four kinds of markets (see Table 3.1).

Table 3.1. A typology of the opportunity structure: markets split according to accessibility and growth potential

		Growth potential	
		Stagnating markets	*Expanding markets*
Human capital	*High thresholds*	Stagnating, high-skilled markets	Post-industrial/ high-skilled markets
	Low thresholds	Vacancy-chain markets	Post-industrial/ low-skilled markets

Stagnating, high-skilled markets

The upper left-hand quadrant stands for openings that require a relatively high level of human capital, but that are located in markets that are either stagnating or even in decline. Given the fact that the level of human capital that is needed in these markets could also give access to openings in expanding markets or, if one also includes the job market, to jobs that might be much more rewarding. It might be the case, that non-monetary rewards (*e.g.* honour and prestige, independence) compensate for this or that strong discrimination in the labour market has blocked other possibilities for high-skilled immigrants. In both cases, chances for upward mobility are slim. For now, these openings seem, on the whole, not very likely to attract many immigrant entrepreneurs and we will leave it aside below.

Vacancy-chain markets

At the bottom left-hand of the quadrant, we find markets that are easily accessible and, consequently, attractive for many aspiring immigrant entrepreneurs. Starting a business here does not require much human capital: as we are dealing with small-scale, low-skilled, labour-intensive production.[3] In terms of *growth* potential, they are, however, less promising, as the demand in these markets (at least after products supplied by small firms) is, at best, stagnant and profits are accordingly low. Notwithstanding the stagnating demand in these kinds of markets, openings are created, as already indicated, through the *vacancy-chain process* whereby established entrepreneurs leave the lowest – in terms of prospects and work conditions least attractive – rungs of the ladder and thus create room for newcomers (Waldinger, 1996; Rath, 1999; Kloosterman and Van der Leun, 1999;

2003). Even with a significant number of entrepreneurs moving out, many of these kind of markets still tend to be near or past the point of saturation as (new) immigrants continuously seek fortune there and start businesses. Given the likelihood of cutthroat (price) competition in these stagnating markets, the failure rate will also be relatively high. We find these kind of accessible and stagnant markets in, for instance, small-scale retailing such as groceries and bakeries and in the lower segments of the restaurant business. Snack bars are a good example of the latter. In the Netherlands, this type of very small-scale (mostly take-away) restaurants is declining, partly because of the competition by McDonald's and other hamburger chains, and also partly due to the extension of opening hours for supermarkets. Dutch entrepreneurs are quitting the snack-bar businesses, but immigrants (especially Turks and Egyptians) are on the increase. This intense competition in combination with small-scale, low-value added production with low-skilled labour as the main input will provide a very fertile environment for the deployment of informal economic strategies (Cross, 1995; Kloosterman *et al.*, 1998, 1999; Rath, 2002). Specific forms of light manufacturing thriving on low-skilled labour that has to be locate close to large (urban) markets and, hence, cannot be easily relocated to low-wage countries may also fall under this heading. The small-scale manufacture of clothing in sweatshops has typically seen not only a concentration of immigrant businesses but also a succession of different immigrant groups (Waldinger, 1986; Dicken, 1998; Rath, 2002). The markets in this quadrant are, arguably, the traditional and quintessential breeding grounds for immigrant entrepreneurs in advanced urban economies.

Markets that are easy accessible are, in a sense, a mixed blessing. The low threshold, on the one hand, enables entrepreneurs with relatively modest resources to get access. On the other hand, however, many aspiring entrepreneurs may opt for the same markets to start a business. If, as in this case, the markets are stagnating or even shrinking, the number of firms may be continually at or even over the point of saturation resulting in cutthroat competition on a permanent base. Competition in these markets tends to be mainly on price and not on quality. To be able to survive, entrepreneurs have to do nearly everything to reduce labour costs, the main input in these businesses. As their resources in terms of financial and human capital are, by definition, limited, they have to put in long hours against low wages. Employing other people – first and foremost family members – can only be done at very low wages, frequently beneath the legal minimum wage. Resorting to informal methods of production is a structural feature of these kinds of businesses (Kloosterman *et al.*, 1998). Survival may even depend on the deployment of informal strategies. Informal production on a more permanent base requires a specific kind of social embeddedness as trust is essential for economic transactions which are kept outside the books and where, hence, an appeal to the formal judicial system is not very likely (Portes, 1994). In most cases, this will mean a strong embeddedness in the ethnic community and social capital may then largely overlap with ethnic capital. Many businesses that started in vacancy-chain openings are not just dependent on social/ethnic capital for their inputs (mainly labour), but also for their customers. If the customers are predominantly co-ethnics, we are dealing with an ethnic market.

Chances of becoming successful in vacancy-chain business, then, are rather slim. In a regular vacancy-chain opening, it is hard to keep out other competitors. In the special case of an ethnic market, the pool of potential entrants is more limited as they can only come from the same group of immigrants, which may take more time. However, if certain groups, at some stage, are able to close-off particular opportunities by controlling access to information, office spaces of vacancies relating to these openings, other groups may be

kept out and *niches* created (Waldinger, 1996; Rath 2000b). This requires a high level of group cohesion and group identity in combination with a set of opportunities that is sufficiently transparent and limited to be monitored and controlled. If these informal barriers cannot be raised, competition will remain fierce and prospects poor. Ethnic markets form no exception, although entrepreneurs in these markets may have an easier start catering to captive markets and it may take longer to reach the point of saturation. However, as said, captivity works both ways: after a while the immigrant entrepreneurs may become trapped in the confined markets of co-ethnics.

The only way out (and up), then, is by breaking-out (Barrett *et al*., 2001; Engelen, 2001). Breaking-out would translate into a *movement* of an immigrant firm in our model from the bottom-left quadrant to the right, either the bottom-right (more likely) or the top-right (less likely). Such a move to other more promising (*i.e*. growing) markets would seem rather difficult for many entrepreneurs that have started in vacancy-chain openings, as their profile of resources is hard to change. First, it is hard to accumulate financial capital in markets that are characterised by fierce competition. Secondly, the same could be said for human capital, although more informal skills (notably marketing knowledge) can be acquired through on-the-job training and experience. The breaking-out of Turkish bakeries in Amsterdam from their captive "ethnic" market to more mainstream markets involving changes in products, presentation and marketing is an example of this kind of breaking-out that only could occur after the entrepreneurs perceived the new opportunities and after they acquired the necessary (informal) skills to implement these changes. Thirdly, social capital and especially ethnic capital, in these businesses is, we postulate, mostly deployed to reduce labour costs than used to move to new markets. "Strong" ties that enable informal production are less needed in the case of breaking-out, instead "weak" ties that make the transfer of strategic information about other markets possible are required (Granovetter, 1983). The "other side of embeddedness" comes into play here: specific forms of strong embeddedness may even hamper successful incorporation at a certain stage (Waldinger, 1995; Rath, 2003).

The likelihood of becoming part of an ethnic Lumpen-bourgeoisie does not offer a very attractive prospect. Only those aspiring entrepreneurs that do not have many other options will chose for this. They have to be pushed to these vacancy-chain openings by sheer discrimination (excluded from the job market or being offered lower wages) or, more generally, by high rates of unemployment (Hayter, 1997; Clarke and Drinkwater, 2000; Esping-Andersen, 1998).

Post-industrial/low-skilled

The bottom right-hand side corner contains low-threshold markets with a high growth potential. This is not, as one may tend to think, an oxymoron. Post-industrial societies are evidently capable of generating these kinds of markets, especially in personal services (Piore and Sabel, 1984; Reich, 1991; Kloosterman, 1996; Odaka and Sawai, 1999; OECD, 2000). Highly accessible markets are not necessarily confined to those with a lack of growth potential. They may also be found in markets that are in earlier phases of the product-lifecycle. These dynamic markets offer openings for newcomers who are open to more innovative approaches. These markets do not require special skills or large outlays of capital and may, therefore, also be open for newcomers from less-developed countries. In addition, the regulatory regime usually lags behind the actual developments, and, hence, the rules on the educational qualifications that are needed to start a business may (still) be rather meagre or even almost non-existent. This holds true, for instance, in

rapidly developing markets in the sphere of personal services where two-earner couples are fuelling demand for a whole array of services, from housecleaning to pet-care activities. Rapidly growing markets may also be found in the case of markets where previous activities were monopolised by the state, but are now turned to market as a part of the drive towards privatisation. The market for postal services and parcel delivery (gradually liberalised in many European countries) may fall under this heading. One can also refer to the immigrant firms that build stage sets for the movie industry in Hollywood (Scott, 2005) and to the South-Asian immigrants in Birmingham producing bhangra music (McEwan *et al.*, 2005). These markets are, surely, very attractive for aspiring entrepreneurs – immigrants and indigenous alike. Being appealing to indigenous entrepreneurs, they may attempt to construct barriers for immigrants by, for instance, demanding minimum educational qualifications to try to close-off this market and create protected *niches* (Waldinger, 1996).

These openings resemble vacancy-chain openings by being highly accessible. They do, however, differ in one crucial respect, namely growth potential. These markets are structurally expanding as demand is increasing on a long-term base. Competition, accordingly, is of a different nature and entrepreneurs opt, we hypothesise, for different strategies, which in their turn involve another set of resources. Moreover, being in the vanguard of economic transformations, many of these markets (notably personal services) are catering for more affluent customers than vacancy-chain businesses. As markets grow, there is much less pressure on entrepreneurs to cut corners and drive down prices by reducing labour costs in informal ways. The need to be firmly embedded in an ethnic community is, we postulate, much less. In addition, given the different composition of the consumer constituency, entrepreneurs exploiting these openings can benefit from extensive social contacts with other groups, especially the (more affluent) indigenous population. Being embedded in heterogeneous social networks may even constitute a prerequisite for starting a business there, as information of new consumption habits is essential.[4]

The different make-up of the social capital involved and the greater prospects of capital formation due to higher margins make chances of upward mobility considerably greater than in vacancy-chain openings. We can expect then that aspiring entrepreneurs, if they are able to access heterogeneous social networks, will be *pulled* towards these openings. Even if discrimination is not significant and unemployment among immigrants is low, people may still opt for this kind of self-employment that may open up avenues of upward mobility. The post-industrial transformation of urban economies may offer even low-skilled immigrants, therefore, a new perspective.

Post-industrial/high-skilled

The fourth and last type of market is the one characterised by, on the one hand, a high threshold in terms of human capital, and, on the other, a large growth potential being in the early phase of the product life-cycle. This type of market, top right-hand corner, is usually associated with the brave new, dynamic world of high-tech capitalism where innovative Schumpeterian entrepreneurs can make fortunes within short span of time. As Anna Saxenian (1999, 2002, 2006), Min Zhou (2004) and Katja Rusinovic (2006) have shown, more and more immigrants from non-OECD countries – albeit with an educational system that in some segments can compete with those in OECD countries (such as Turkey, China and India) – are starting businesses in these markets. In addition, to high-tech firms, we also find small firms that combine high demands in terms of

human capital with a significant growth potential in producer services (*e.g.* consultancy, law and advertising firms). Both highly educated first-generation and notably second-generation immigrants can be expected to start a business in this attractive and expanding segment of post-industrial urban economies.

To a large extent, the same kind of reasoning with respect to strategies, resources and trajectory of incorporation applies to opportunities that are characterised by a considerable growth potential but, in contrast, to the openings just mentioned, come with much stricter demands regarding human capital. Competition tends to be on the unique qualities of a product and this can be either based on high-tech (ICT) or high-concept (*e.g*. producer services and cultural industries) activities (Kloosterman, 2004). Almost only immigrants with high educational qualifications can start a business here.

A significant number of highly educated immigrants now come from non-OECD countries (Docquiera and Marfouk, 2004). The increasing possibilities to get a good education at home or abroad have helped to create a large pool of mobile entrepreneurial immigrants. If they are able to secure a residence permit and their educational qualifications are acknowledged, they are in much the same position as highly qualified indigenous entrepreneurs. The difference, however, may lie in the composition of their social networks. If they are only embedded in homogeneous ethnic networks, they may run into the same difficulties as their lesser skilled counterparts and not be able to connect with the growing markets in their place of settlement. This obstacle may be however less of a problem if they have established inter-ethnic relationships or if they are well connected transnationally as the Chinese entrepreneurs in Silicon Valley (Saxenian, 1999, 2002, 2006; Taylor and Leonard, 2002). Theoretically, these kind of immigrant entrepreneurs may be strongly embedded in their in region of origin and rely on strategic suppliers over there, while being located close to important consumers markets without local strong ties. This may be the case in some high-tech branches selling directly to consumer markets, but not in producer services where strong ties with customers are essential. Again, heterogeneous social capital is a decisive resource that helps to discover and exploit the post-industrial/high-skilled opportunities.

Much literature on immigrant entrepreneurship has focused on a specific kind of category of opportunities: the so-called *ethnic markets* (Waldinger *et al*., 1990; Rusinovic, 2006; Light, 2004; Light, 2005; Panayiotopoulos, 2006). Demand in these markets is for specific "ethnic" products that are in one way or another linked to the region of origin (foodstuffs, perfumes, but also DVDs and CDs with images and music from that area). These markets mostly arise from the articulation of "ethnic demand" as a consequence of the immigration of sufficiently large numbers of specific groups of immigrants. The formation of spatially concentrated settlement of (mainly first-generation) immigrants in urban areas strongly contributes to the articulation of this demand. Immigrant entrepreneurs are usually much better positioned to benefit from these opportunities as they tend to have the required knowledge of products, suppliers, and consumers. They have, moreover, the necessary credibility to cater for these niche markets of co-ethnics. Ethnic markets are, in most cases, rather limited. These markets tend to be *captive* markets, but captivity here is a double-edged sword. It attaches customers to the firms of their co-ethnics and helps in the first difficult phase. However, at a later stage, these same entrepreneurs may run against the constraints of these specific markets (Ram *et al*., 2000). Expanding the business, then, comes down to broadening the consumer base and stepping out of the ethnic market.

Given the variety of ethnic markets (and more specifically the range in the barriers of entry), they are not considered as constituting specific openings. They can be found, in principle, in each of the four sets of openings that we have identified above. When a shop is taken over by an immigrant, a vacancy-chain opening, it can orientate itself mainly to co-ethnics as, for instance, has happened with many bakeries and groceries in former working-class neighbourhoods. We can also find services such as consultancies or travel agencies that are primarily catering to ethnic markets. Given the fact that they are subject to the same general conditions of accessibility and growth potential as immigrant businesses that from the onset are oriented towards broader markets, we consider ethnic markets, in principle, special cases of the four types of openings of the opportunity structure model. They are special in the sense that they may offer a – at least temporarily – protected niche for immigrants. In many cases, however, either the entrepreneur will try to escape the limits of the ethnic market (breaking-out) or the ethnic market itself will be eroded by the dynamics of the specific ethnic group (*e.g.* spatial dispersal, shifts in taste towards mainstream) or by mainstream businesses breaking into ethnic markets and selling "ethnic" products (Engelen, 2001). The tourism and leisure industry may be a case in point, especially where immigrant entrepreneurs carve out a niche by marketing ethnic diversity and by selling (real or perceived) "ethnic products" (Pang and Rath, 2007; Rath, 2005, 2007). Lastly, whereas the four types can be determined in advance on the basis of the two dimensions that refer to structural characteristic of markets (meso-level), ethnic markets can only be identified by looking at the individual firm and analysing the composition of the consumer population (micro-level).

3.3. The role of regulation[5]

Markets are not just places where demand and supply meet. They are first and foremost social constructs embedded in specific socio-cultural and institutional contexts with different sets of regulations that differ across time and place. Markets can be regulated along several dimensions. There are regulations pertaining to products, suppliers, customers, contracts, and expected behaviour (Engelen, 2001). Regulations may thus outlaw, effectively ban, or – on the contrary – promote certain products, suppliers, customers, or ways of dealing with each other. Markets are always regulated in one way or another, even if the form and level of regulation might vary. Regulation is not an isolated phenomenon; it is contingent on prevailing models of allocating economic citizenship rights to economic actors and on the division of labour between market, state, and family. These models, 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 fixing take place. This way, regulations may make it more difficult or easier for newcomers such as immigrant entrepreneurs to explore certain opportunities for businesses. To get a better handle on immigrant entrepreneurship, we thus have to take a closer look at how markets can be regulated.

Regulation comes in different forms. There are "sticks", which Ewald Engelen refers to as "legislation *per se*", "carrots" (financial incentives and disincentives), and "sermons" (persuasion), all different forms in complex packages that define what is "possible" in a market. Nor should regulation be confused with state regulation. A multitude of agents play a role in regulation processes, such as local, national or international governmental agents, unions, quangos, non-profit organisations, voluntary

associations, and individual and their social networks. Regulation can be manifested in thick or thin ways or, in other words, it can either be imposed or enforced or be more a matter of voluntary action sanctioned by particular social groups. Even in cases where legislation *per se* seems non-existent or is conveniently put aside, as might be the case in the informal economy (see Kloosterman *et al*. 1999; Portes, 1994; Rath, 2000b, 2002), economic transactions by individuals are still regulated in one way or another. However, rules themselves only go so far, they also have to be enforced. This holds true for formal as well as informal forms of regulations.

Regulation is, moreover, 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 are important manifestations of regulation (repression), but so are decisions to tolerate these practices and not prosecute them. The plethora of business support programmes also constitutes forms of regulation. Oc and Tiesdell (1999) and Ram (1998) describe how governmentally sponsored Training and Enterprise Councils and Ethnic Minority Business Initiatives target particular social groups and try to support their market position. Light and Pham (1998) describe the success and failure of efforts by the government and private financial institutions to give micro-credit to micro entrepreneurs in the United States. Successful or not, these are efforts to change the market landscape and as such they are forms of regulation. Van Niekerk and Rath (2008) and others made an inventory of the various ways in which 32 European countries have tried to strengthen immigrant entrepreneurship. An overview of the results of this study can be found in the dedicated box at the end of this section.

Regulation is not just a matter of local or national actors. Some forms of regulation have a global sweep. The international garment production and trade are governed by the supranational Multi-Fiber Arrangements and the World Trade Organisation (Appelbaum and Gereffi, 1994; Mitter, 1986; Raes, 2000a and 2000b). Other forms of regulation govern the national economy, as in welfare state regulation (Esping-Andersen, 1990), or govern particular locations as in cases of redlining particular neighbourhoods or establishing economic enterprise zones (Green, 1991; Hall, 1996; Kloosterman *et al.*, 1997). Again other forms of regulation target specific sectors (construction, ice cream parlors, prostitution, the garment industry (Rath 2002), or particular social groups (unqualified jobseekers, undocumented immigrants, high-tech professionals; see Engbersen *et al*., 1999; Saxenian, 1999).

Regulations also affect immigrant entrepreneurship and the opportunity structure in a more indirect way (Kloosterman, 2000; 2010a). Different types of capitalist economies generate different kinds of opportunity structures and different sets of incentives for immigrants to become an entrepreneur. Broadly speaking, the liberal market economies (such as the United States) and the Coordinated Market Economies (*e.g.* Germany) differ in the level of commodification or, in other words, in the scope for certain (post-industrial) markets (*e.g.* childcare, outsourcing of social reproduction) which might be, in principle, accessible for nascent entrepreneurs lacking educational qualifications and financial capital. They also differ in how insiders (workers and often also self-employed) are shielded from the competition of newcomers by creating barriers in the form of rules, laws, and measures aimed at protecting existing enterprises. In Germany, for instance, insiders are (still) considerably better protected against job loss than in the United States. But, the other side of the coin, it is (still) much easier for outsiders to get a foothold in the labour market in the United States than in Germany (see also Esping-Andersen, 1990; Unger, 2010). Given the level and the duration of welfare benefits, outsiders are also more pushed towards active labour market participation in the United States than in

Germany. So, both the set of opportunities and the set of incentives among immigrants or members of ethnic groups may differ across borders and thereby generate diverging profiles of immigrant entrepreneurship in terms of rates, sectoral distributions and chances for upward mobility. These complex and extensive institutional frameworks tend to be multifaceted and interlocked. This makes them prone to path-dependency (Mahoney, 2000). In addition, best practices that serve one country well, may not be suitable for another one.

Box 3.1. An inventory of policy measures implemented in 32 European countries to promote ethnic entrepreneurship

A recent study carried out under the aegis of DG Enterprise provided an inventory of policy measures or support schemes to promote ethnic entrepreneurship in no less than 32 European countries (Van Niekerk and Rath, 2008). The study showed a marked distributional pattern, revealing wide national and local variations. 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.

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 of 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, 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, like Malta, Norway, Iceland or 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 of the central and eastern European countries, where many recent immigrants are refugees (from countries like 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 regarding the policy measures implemented to promote immigrant entrepreneurship relates to the different national policies on immigrant integration and the different conceptions of who is a national and who is seen as a "foreigner" or "immigrant". Countries like France, where assimilationist policies prevail, generally do not develop specific immigrant 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, like for example in Greece and Slovenia. Obviously, this influences the existence of special policy measures and, hence, the smaller number of policy measures and support schemes in these countries found in 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, socio-democratic, familial, etc.

While the European Commission, notably DG Enterprise, promotes ethnic entrepreneurship, the actual design and implementation of policies in the European Union has been left to the member states. Some measures originate from public policy initiatives and are developed in accordance with public policies, but other measures are the result of interaction between social partners, notably business associations and unions. The latter are more likely to pertain to immigrant (self-) employment, labour relations or the quality of labour in ethnic enterprises.

Box 3.1. An inventory of policy measures implemented in 32 European countries to promote ethnic entrepreneurship *(cont'd)*

The study showed that 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 does not necessarily correspond to the funding level: most policy measures were financed by European and/or national funding and most local policy initiatives were (co-)financed by higher-level sources of funding. Particularly, European funding was find to be the first source of funding, as sole source of funding or combined with other sources of funding at the national or local level. National public sources of funding (*i.e.* the central government), as sole sources of funding, followed while the importance of local funding as sole source of funding resulted to be very limited, as local funds are quite often combined with (supra-)national funds. The same applies to private funding.

The measures and schemes were implemented by a wide variety of organisations, ranging from public and semi-public institutions such as Chambers of Commerce, to NGOs and other private organisations such as commercial support organisations and private consultancy firms. In approximately one third of the cases services were provided free of charge. In some cases, participants were expected to pay a fixed fee or registration fee, or they had to pay a fee depending upon the services delivered.

By far most measures or programmes identified in this research were found to focus on the entrepreneurs rather than the opportunity structure and to aim, mainly, at raising awareness on self-employed among immigrants and increasing the human and social capital of immigrant entrepreneurs by providing – often through intermediary organisations – various services, such as advice and information, training, networking and mentoring. The research also revealed that fewer measures are aimed at increasing the financial capital of immigrant entrepreneurs, by facilitating their access to capital. Other services, however, may indirectly improve their chances of getting access to finance – for example assistance in writing business plans.

As to the target population, more than a half of the policy measures found focused exclusively on immigrants, the rest targeting both native and ethnic entrepreneurs. 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, like Bulgaria, Hungary, Poland and Romania are cases in point. As to the type of enterprise phase targeted, most policy measures or support schemes did not focus on a specific group of enterprises. Rather, they were focused on entrepreneurs in various stages of the enterprise development: most of the measures or programmes involved focused entirely on start-ups, while existing enterprises were targeted only occasionally.

Only a small number of measures or schemes aimed at creating or enhancing opportunities for ethnic entrepreneurs, by fostering the environment that is conductive to immigrant businesses. This included, for example, the empowering of certain depressed city districts or the structural embedding of immigrant ethnic minorities and their organisations into mainstream organisations. Measures aimed at improving market conditions were thin on the ground. It should be noted, however, that the different policy measures are not mutually exclusive and a policy measure or programme may operate at more than one level at the same time.

3.4. Options for policy makers

Immigrant entrepreneurship still comprises small, often somewhat decrepit stores run by recent or not so recent arrivals from former colonies or by former guest workers. More recently, however, a new layer was added when immigrants became visible in high-value activities from the design of software to running advertising agencies. This transformation was partly the result of the increasing level of educational attainment of many immigrants

and members of ethnic minorities, but it was also driven by the shifts in the structure of advanced urban economies which created openings for small businesses that were (nearly) absent a few decades ago. We now find immigrant entrepreneurs in a much wider array of markets and they are, arguably, contributing more to the economies of the places of settlement. Above we have distinguished different types of opportunities and markets and we have indicated which trajectories of incorporation are associated with each of these types. We have also shown that the distribution of these types of opportunities and how they are regulated are partly contingent on the larger institutional framework.

Governmental rules, regulations and practices help shape ethnic minorities' self-employment trajectories. Policy debates and interventions influence the emergence of entrepreneurial opportunities and further development of ethnic business. Policies with respect to immigrant entrepreneurs have been very much part of the broader neoliberal paradigm that dominated much of the policies in developed countries between 1980 and 2008. The policies, then, were directed to create more room for (small) entrepreneurship in general by enlarging markets (privatisation) and by removing barriers to set up businesses (deregulation). The extent and the way in which these policies were actually implemented differed from country to country (Prasad, 2006).

Regarding policies directed partly or wholly at immigrant or ethnic entrepreneurs we also find significant variation between countries. This variation can partly be explained by the country's attitude towards neoliberal policies more in general and small business more in particular. The relatively high number of such policies in the United Kingdom shows the importance attached to entrepreneurship in that country. A second reason for variation can be found in the immigration history of a country. Countries with a more recent experience of immigration seem to lag behind countries with a much longer history of newcomers. Countries such as Spain and Italy only have a few of these polices compared to, for instance, Germany with a much longer post-war tradition of immigration. A third explanation is the way immigrants or ethnic minorities are perceived and defined by the state: France, with its strong emphasis on citizenship, in principle, makes no distinctions on the basis of origin of its citizens and there are, therefore, not many specific policies aimed at immigrants or ethnic entrepreneurs.

Seen from the perspective outlined above, there are, in principle, three options for policy makers to foster immigrant entrepreneurship. The first option is to boost the resources of immigrants in terms of human capital (notably entrepreneurial skills), (access to) financial capital, and social capital. The second option is to increase the opportunities through creating or expanding accessible markets either through change in regulatory regimes or through direct involvement with markets (Kloosterman, 2003). The third option is to make the processes of matching between the (nascent) entrepreneurs and opportunities more efficient.

The actual policies implemented in order to promote immigrant entrepreneurship focus mainly on the *agency* of the entrepreneur, rather than to the *structural* societal conditions of entrepreneurship. The policies seem to be mostly geared towards the nascent entrepreneurs and to a much lesser extent to the already established immigrant and ethnic entrepreneurs. They aim primarily at raising awareness among immigrants to become more entrepreneurial; improving their human and social capital and their access to financial capital. These are all sensible policy goals, but given our analysis of how the opportunities are structured the more or less exclusive focus on start-ups seems to ignore the importance of expanding the resources of already active entrepreneurs. The mixed embeddedness approach shows that to escape the low-wage drudgery of vacancy-chain

markets, entrepreneurs need to expand their resources in terms of human, financial, and social capital.

Most policies tend to take the opportunity structure for granted and aim mainly at the supply side. One could say that privatisation and more autonomous processes of outsourcing by firms and households create more markets while overall schemes of deregulation will lower barriers of entry for entrepreneurs across the board including immigrant or ethnic entrepreneurs. Some policies, however, are more exclusively aimed at increasing access to opportunities for immigrant entrepreneurs by introducing more favourable regulation, and by strengthening intermediary organisations (training bureaus, consultancies, business associations).

Apart from this "soft institutionalism", there seems to be on the whole an overall lack of understanding of the transformation of immigrant entrepreneurship and the kind of markets (migrant) entrepreneurs are now operating in and how this is related to trajectories of incorporation. We propose, hence, the implementation of a new set of policies specifically aimed at entrepreneurs immigrant in vacancy-chain markets to augment their resources, and at the same time a revision of the regulations (national and local; formal and informal) that still hamper immigrant and other entrepreneurs in post-industrial activities.

Notes

1. This section is mainly based on Kloosterman (2010).

2. Quite recently though, a new phenomenon has emerged as successful entrepreneurs from countries as Brazil, India and China are buying up large firms in the develop economies. The Indian entrepreneur Lakshmi Mittal who bought the steel firm Arcelor is a case in point.

3. Given the labour intensity of production in these markets, we should perhaps also refer to the physical capital needed to sustain long hours of hard work.

4. An example of this are the musicians with a migrant background in Paris who want to make it in the music scene. Lack of heterogeneous social capital, which comprises employees of the music industry who serve as gatekeepers regarding record deals and performances, might even block the very entry to markets (Brandellero and Kloosterman, 2009).

5. This part is mainly based on Van Niekerk and Rath (2008).

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Chapter 4

The determinants of immigrant entrepreneurship and employment creation in Portugal

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Summary

In Portugal, as in other receiving countries, during recent decades immigrants achieved higher entrepreneurial rates than natives. However, a deeper analysis of official data makes it clear that not all immigrant groups have the same propensity to become an entrepreneur in Portugal nor the entrepreneurship rates and/or the employment created by immigrants in the country are constant in time. This chapter aims to understand these tendencies throughout the identification of several determinants that frame the immigrant entrepreneurship. Three explanatory dimensions are emphasised: the Portuguese opportunity structure (considering, in particularly, the interference of the legal framework and the labour market), the community entrepreneurial resources of each immigrant group, and the personal characteristics of the entrepreneur himself.

Portugal is neither an outstanding country of immigration nor an exceptional immigrant entrepreneurship context. Its net migration only becomes positive in the 1980s with the expressive arrival of flows coming from ex-colonies that acquired their independence in previous years. During the two decades that followed, studies on the insertion of immigrants in the Portuguese labour market highlighted, above all, the propensity for foreign population groups to be marginalised in the labour market, and to be connected with precariousness, the informal economy and the "secondary" and/or unskilled market. Immigrant entrepreneurial initiative only becomes more visible later on, in the end of the 1990s.

In research on entrepreneurship and employment creation of immigrants, the Portuguese case is however interesting to analyse due to the fact that allows to underline important determinants that affect immigrants entrepreneurial behaviour in host societies and to highlight specific impacts of policies changes and of immigration flows. Against some classics in literature on the topic, it further allow to underline that immigrant entrepreneurial strategies go far beyond ethnic ones and/or can be quite diverse depending on the resources and opportunities that immigrants can have access to or the difficulties that they encounter in the host society.

Understand the entrepreneurial resources and opportunities that immigrant groups are able to capitalise in Portuguese society and in their communities further allow to better discuss the needs of policy and/or measures in this respect.

4.1. Immigrant entrepreneurship in Portugal: tendencies of the past three decades

Given that immigration flows in Portugal gained visibility essentially from the end of the 1970s, it is considered pertinent to analyse immigrant entrepreneurship during the last three decades. Over the last thirty years immigrant entrepreneurs have spread across Portugal, revitalising commercial streets with new products, defining new marketing tactics and opening new economic links with other countries, proving to be an important component of social and economic fabric sustaining civil society at the grassroots levels (Oliveira, 2007; Oliveira, 2008a).

By becoming entrepreneurs, immigrants acquired quite different roles to those immigrants who are employees and also to those mainstream entrepreneurs. By starting their own business, immigrant entrepreneurs created their own jobs and create job opportunities for others, alleviating unemployment. This allowed for some of them to circumvent several barriers that they may encounter in Portuguese labour market, and to contribute to the definition of bridges to other suppliers' networks, providing goods and services that native entrepreneurs are not likely to offer.

In order to provide a more in-depth analysis of immigrant entrepreneurship in Portugal this article will analyse available official data and will explore the determinants of the phenomenon in the country keeping in mind the impacts of the Portuguese opportunity structure, namely of the diverse policies implemented in the past decades, and the diverse characteristics of the immigrant flows that arrived through the years.

Official sources and statistical dilemmas

Similarly to what is observed in many OECD countries, entrepreneurial initiatives of immigrants have been increasing in Portugal. Between 2000 and 2005 the relative importance of foreigners in the total of self-employed workers increased from 3.6% to 5.4% (OECD, 2007, p. 75). According to Portuguese Census data, between 1981 and 2001, both the number of foreign employers and the proportion of employers in the total of active foreigners increased (from 1 811 to 20 571 and from 5.1% to 10.2%, respectively). Furthermore, as has been observed in other OECD countries, the foreigners' entrepreneurship rates in the past decades have been always higher in the case of the total of active foreigners than in that of the total of active Portuguese population.

An annual rigorous evaluation and monitorisation of the number of immigrant entrepreneurs in Portugal is, however, quite complex in view of the scarcity and dispersion of the statistical sources available and the difficulties in comparing data.

Additionally for statistical analyses purposes it is crucial to distinguish "immigrants" from "foreigners", as they represent different groups. As the "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 (therefore the movement of changing territories in itself does not reflect the nationality of an individual); in contrast, the notion of "foreigner" cannot be disassociated from that of nationality, meaning that any individual who has a different nationality to that of the country they reside in is a foreigner. As a consequence, not all foreigners are immigrants. Effectively there are

individuals with foreign nationality who were born in Portugal and who do not have any experience of migration whatsoever. Hence a more accurate notion to be used to study the immigrant entrepreneurship phenomenon should be the one of "immigrant", nevertheless in Portugal official data is only available according to "foreign" nationality.

With these reservations in mind, it is possible to identify two distinct groups in order to estimate the number of immigrant entrepreneurs[1] in Portugal. Firstly, it is possible to estimate the number of foreigners who enter Portugal with the intention of undertaking a self-employed activity or creating a business – on the basis of the data on applications for residence permits to the Ministry of Foreign Affairs (MNE) in relation to the issuing of visas at consulates and the data on residence permits conceded per year put available by the Foreigners and Borders Service (SEF). Secondly, two official sources facilitate the estimation of the stock of foreign entrepreneurs in Portugal: the General Censuses of Population by the National Statistics Institute (INE) and the statistical information collected from the companies' staff inquiries reported every year to the Ministry of Labour (*Quadros de Pessoal*). Although the census data allows a full characterisation of the universe of foreigners resident in Portuguese territory at a precise moment in time (including both foreigners with a legal and illegal status), according (among other variables) to their activity and economic situation, a clear inconvenient of using this source is that is only available every then years being the last year available 2001.[2]

On the other hand, the *Quadros de Pessoal* even though being an annual source in permanent actualisation and putting available a significant number of variables related to enterprises and their workers, it has several other limitations. Among those should be mentioned that this source only collect information about the nationality of the employer and the employee since 2000. Furthermore this source has a lack of important information to characterise the universe of foreign entrepreneurs: do not collect data on every economic activities (it exclude the central, regional and local public administration, public institutes and the domestic work); some family employees, temporary and undeclared workers are not reported by the employers;[3] enterprises with at least one employee are only surveyed since 2002, and small enterprises and/or enterprises with fragile organisation are under-represented because of its absence in reporting. Finally, because self-employed and/or enterprises without employees are not obliged by Portuguese law to answer to this survey they are also missing in this source. The impacts of these limitations are particularly clear if we compare the number of foreigner entrepreneurs surveyed in the 2001 census with the number of foreign entrepreneurs reported by the 2002 *Quadros de Pessoal*: the first source counted 20 571 foreign entrepreneurs as the second only had available data on 2 780 foreign entrepreneurs (and even in 2008 that figure did not go beyond 7 489).

Keeping in mind that the quantifiable data available in these sources are not only far from allowing us to know the exact number of immigrant entrepreneurs in Portugal, but they also tend to present different results; they will be considered in this article for the purpose of supporting the identification of some relevant determinants of immigrant entrepreneurship and job creation in the country.

Foreign entrepreneurs in Portugal

The number of foreign employers has increased substantially during the course of the last three decades (with rates of change that are significantly higher than those observed among Portuguese employers), an increase that has kept pace with the evolution of foreigners in Portugal (see Table 4.1). Furthermore, taking into account the share of

entrepreneurs in correspondent labour force, in the past decades foreigners have showed a greater propensity to become an employer than Portuguese natives.

However not all foreigner nationalities show the same propensity towards entrepreneurship (see Table 4.2). The Africans and the eastern Europeans are the groups with the lowest rates of entrepreneurship, as Asians (particularly the Chinese), Americans and the European Union citizens have the highest rates.[4]

Table 4.1. Active Portuguese and foreign population, according to their professional situation, between 1981 and 2001

Professional situation		1981		1991		2001		Rate of change 1981-2001
		N	%	N	%	N	%	
Employers	Portuguese	130 051	3.1	267 757	6.2	467 553	9.8	259.5
	Foreign	1 811	5.1	4 438	7.7	20 571	10.2	1035.9
Self-employed	Portuguese	632 354	15.2	567 789	13.1	290 318	6.1	-54.1
	Foreign	3 188	8.9	6 561	11.4	9 173	4.5	187.7
Family workers	Portuguese	100 951	2.4	84 241	1.9	36 773	0.8	-63.6
	Foreign	513	1.4	1 058	1.8	987	0.5	92.4
Total	Portuguese	4 147 339	100	4 340 422	100	4 788 561	100	15.5
	Foreign	35 709	100	57 744	100	201 647	100	464.7

Source: Census, INE (calculations by the author).

Table 4.2. Rates of entrepreneurship according to the nationality between 1981 and 2001

Country of nationality	1981	1991	2001	Variation in employers 1981/2001	Variation in active workers 1981/2001
Total Europe	12	13.3	9.9	2.9	3.7
Germany	16.1	13.8	17.7	3.7	3.3
Spain	15	18.4	11.6	0.2	0.5
France	7	5.4	10.2	9.9	6.5
United Kingdom	16.2	19.5	23	3.9	2.5
Ukraine			1.5		
Total Africa	1.1	3.4	6.7	22.9	2.8
Angola	1.2	3.4	6.6	25.5	4
Cape Verde	0.7	3	6.4	17.3	1.1
Guinea-Bissau	1.9	2.9	6.2	107.2	32.1
Mozambique	3	5.9	9.1	8	2
S. Tomé and Príncipe	0.2	2.6	6	304	9.4
Total America	5.1	8.8	13.6	13.9	4.6
Brazil	4.8	9.5	13.5	20.7	6.7
United States	8.5	8.3	12.3	1.7	0.9
Venezuela	3.9	7.7	13.8	11.3	2.5
Total Asia	9.8	21.3	19.1	10.6	5
China	22.2	24.1	36	31.4	19
India	7.9	17.6	7.6	11.3	11.7
Pakistan	17	30.7	6.3	0.9	4.2
Oceania	1.8	9.4	14.2	20	1.6
Foreigners	5.1	7.7	10.2	10.4	4.6
Portuguese	3.1	6.2	9.8	2.6	0.2

Source: Census, INE (calculations by the author).

The analysis of the proportion of employers of each nationality in the total of foreign employers also brings to light the proportion of certain immigrant flows to Portugal. Table 4.3 shows that although nationals of the Portuguese-speaking African Countries (PALOPs) are among the nationalities with the lowest rates of entrepreneurship (according to Table 4.2) – that is, the majority of their active population are inserted in the Portuguese labour market as salaried workers –, their relative importance in the total number of foreigner employers has increased over the years, in particular in the case of Cape Verdeans and Angolans. On the other hand it is important to observe the loss of relevance of European Union employers during the course of the last three decades, in particular the Spanish and the English (see Table 4.3).

The great relevance of Brazilian employers, consolidated over the last decades, should also be emphasised. This group, according to the data from the 2001 census, became the foreign nationality in Portugal with the highest number of employers, with the relative importance in the total number of foreign employers increasing from 7.9% in 1981 to 15.1% in 2001 (see Table 4.3). In Table 4.2 the increase in the rates of entrepreneurship among Brazilians was also evident, as the employers had a growth rate superior (20.7%) to the actual variation in the total active population (6.7%).

Table 4.3. Ten nationalities with highest rate of employers in the total number of foreign employers, in 1981, 1991 and 2001

1981		1991		2001	
Nationality	%	Nationality	%	Nationality	%
Spain	26.2	Brazil	13.4	Brazil	15.1
England	8.2	Spain	10.1	Angola	7.2
Brazil	7.9	England	8.4	Cape Verde	6.7
Fed. Rep. Germany	7.3	Cape Verde	6.8	France	4
France	4.2	Germany	5.5	England	3.6
Cape Verde	4.1	France	4.9	Germany	3.3
United States	3.1	Venezuela	4.2	Guinea-Bissau	3.2
Angola	3.1	Angola	3.6	China	2.8
Italy	3.1	Netherlands	3	Spain	2.7
Netherlands	2.3	Mozambique	2	Venezuela	1.9
Total foreign employers	1 811	Total foreign employers	4 438	Total foreign employers	20 571
Total active foreigners	35 709	Total active foreigners	57 744	Total active foreigners	201 647

Source: Census, INE (calculations by the author).

The different propensity for entrepreneurship among different foreign nationalities is not only observed in those who are already residing in the country, but also in the new flows of entrance, as showed by the data on the visas conceded in the past decades to foreign entrepreneurs and self-employed. Until 2007 the Portuguese regulatory framework did not define any special statues for entrepreneurs. According to the Portuguese immigration act that was in place between 1998 and 2007, immigrants that intended to have an independent activity in the area of service provision in Portugal could apply for a type III work visa and those who wanted to define an entrepreneurial activity should apply for a residence visa as any other salaried worker.

Table 4.4. Number of working visas granted by Portugal between 1999 and 2006

Working visas granted by Portugal	Total foreigners		
		Type III Visa	
	Total	N	%
1999	1 931	443	22.9
2000	3 372	545	16.2
2001	3 024	380	12.6
2002	2 605	546	21
2003	2 761	300	10.9
2004	2 769	336	12.1
2005	3 054	207	6.8
2006	6 735	404	6

Source: Ministry of Foreign Affairs.

On the basis of Ministry of Foreign Affairs (MNE) data (see Table 4.4) it is of note that the proportion of foreigners who entered Portugal with a type III working visa has been in decline, representing in 2006 just 6% of the total working visas granted. This trend is reproduced in the actual professional situation of foreigners resident in Portugal (predominantly in salaried activities). Despite the importance of these visas being relatively limited, it is interesting to verify the over-representation of some nationalities: on average, Brazilians represent around 53% of the total of type III working visas granted between 1999 and 2006, having represented 67% in 1999. The specific flow of this nationality towards some economic sectors is therefore evident, where highly-skilled self-employed workers predominate, in professions such as the publicity and IT sectors.

Apart from these entry flows, attention must also be given to the number of foreigners who request the status of resident for the purposes of an entrepreneurial activity (see Table 4.5). These data, disseminated by Foreigners and Borders Service (SEF), make it possible to estimate some of the changes in the socio-economic characteristics of the foreign population who seek to reside legally in Portugal. It is seen that from 2002 there has been a decrease in the number of foreigners who requested residence status to start a business or become self-employed. As will be discussed in the following section of this article, this inversion was without a doubt related to some changes in the regulatory and policy context of Portugal that affected directly or indirectly the foreigners' entrepreneurial initiatives.

Table 4.5. Foreign population who requested residence status, according to professional situation, between 2000 and 2005

Year of arrival in Portugal	Professional situation				Total active
	Employers		Self-employed		
	Total	%	Total	%	
1999	312	7.7	193	4.8	4 058
2000	532	6.8	357	4.6	7 835
2001	495	8.4	400	6.8	5 874
2002	407	8.7	333	7.1	4 695
2003	347	8.4	284	6.9	4 122
2004	321	5.4	215	3.6	5 989
2005	318	6.8	207	4.4	4 691

Source: SEF Statistical Reports.

In 2007 several changes in the Portuguese regulatory context (*e.g.* new immigration act that defined for the first time a special title accessible only for entrepreneurs) produced implications in the collection of data on foreigners entering in Portugal with the purpose of defining an entrepreneurial activity. Within this new legal framework and according to MNE data, the number of foreigners that acquired a residence visa for an entrepreneurial activity in Portugal did not go beyond 2% of the total legal immigrant flows to Portugal in the past three years (see Table 4.6). As in the past, the Brazilians outstand representing around 60% of the total visas accorded to foreigner entrepreneurs.

Table 4.6. Residence visa for entrepreneurs and self-employed given by the Portuguese embassies and consulates under the Immigration Act of 2007

Nationality	Post august 2007		2008		2009	
	N	% by total residence visas conceded to that nationality	N	% by total residence visas conceded to that nationality	N	% by total residence visas conceded to that nationality
Brazil	81	5.7	178	5.7	112	4.4
China	0	0	21	1.7	16	1.3
Russia	11	26.8	15	15.6	12	9.5
Ukraine	6	0.9	11	0.9	10	1.3
Total	**116**	**1.8**	**278**	**1.9**	**199**	**1.6**

Source: Ministry of Foreign Affairs – MNE (author's calculations).

Also according to SEF data on authorisations of residence given to entrepreneurs and self-employed foreigners, Brazilians appeared as the top nationality representing in the past two years more than 73% of foreigners that acquired that condition. The economic crises seem to be affecting, however, the foreigners' investment since these flows are decreasing.

Table 4.7. Authorisations of residence given to entrepreneurs and self-employed foreigners

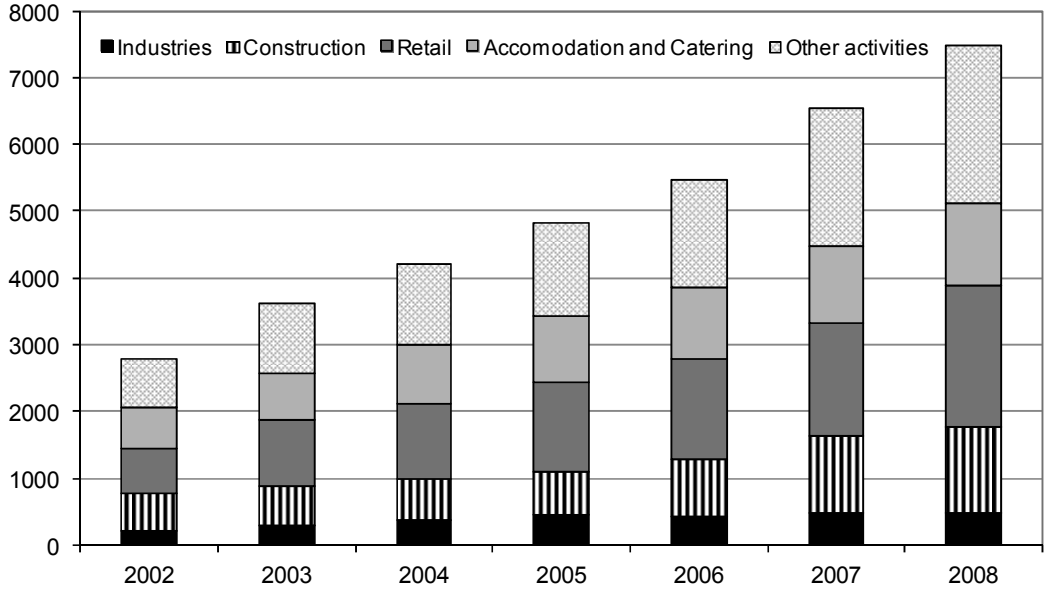
Nationality	Post August 2007		2008		2009	
	N	% by total residence authorisations given to entrepreneurs	N	% by total residence authorisations given to entrepreneurs	N	% by total residence authorisations given to entrepreneurs
Brazil	10	41.7	464	73.5	334	74.2
China	6	25	24	3.8	23	5.1
Russia	0	0	20	3.2	9	2
Ukraine	2	8.3	21	3.3	12	2.7
Cape Verde	0	0	9	1.4	6	1.3
Total	**24**	**100**	**631**	**100**	**450**	**100**

Source: SEF Statistical Reports.

According to *Quadros de Pessoal*' data, foreign entrepreneurs in Portugal are mainly concentrated in the economic sectors with low barriers of entry often in terms of capital outlays and required educational qualifications, and where production is mainly small-scale, low in added value and very labour-intensive. Although there are also reports of

notable cases of successful immigrant entrepreneurs out of those sectors (Oliveira, 2005), similar to what has been observed in other countries (Kloosterman and Rath, 2001) foreign entrepreneurs in Portugal seem to be funnelled towards sectors at the lower end of the market (*e.g.* construction, retail, catering – see Figure 4.1).

Figure 4.1. Foreign entrepreneurs according to economic sector, between 2002 and 2008



Source: Quadros de Pessoal, Ministry of Labour.

The nationality seems to explain the foreign entrepreneurs' distribution in economic sectors. In 2008, accordingly to the same source, about 77.7% of the Chinese entrepreneurs registered were integrated in the trade sector and 19.6% in catering; as Cape Verdean entrepreneurs (and other PALOPs), Ukrainians and Moldavians were mainly concentrated in construction sector (64%, 48% and 74%, respectively). In contrast with those nationalities, Brazilians showed a more diverse investment pattern – 21.3% were incorporated in construction, 15.6% in trade, 15.2% in health sector and 14.7% in catering.

It is also within these sectors that work experience is accumulated in the Portuguese labour market. In a survey undertaken with 704 immigrant entrepreneurs in Portugal, the majority of the entrepreneurs declared that invested in the same sector where they worked before as a wage earner – 51.4% Cape Verdeans worked and invested in construction, while 64.7% Chinese worked and invested in the catering industry (Oliveira, 2005, p. 140).

The existence of relatively low barriers to setting up a business in these traditional sectors (retail, catering and construction) also explains the "ethnic" differentiation of the Portuguese labour market. Moreover, as Rath (2002, p. 13) argues, the sector in which immigrants invest is also a consequence of the resources that they can collect: more or less capital (financial and social) and more or less labour, define different types of possibilities. Thus, because those activities do not need too much capital or specific skills, the investment become more flexible.

Immigrant entrepreneurs venture in Portugal is been mainly throughout the development of small and medium enterprises (SMEs). In 2008, about 83.5% of the foreign entrepreneurs registered in *Quadros de Pessoal* had an enterprise with between one and nine workers. This figure is slightly below to the 85% observed to the native entrepreneurs listed in the database, which reflects that foreigners are contributing to employment growth in Portugal.

According to the nationality of the entrepreneurs the rate of SMSs varies: the Chinese are the foreign nationality with the highest percentage of enterprises with no more than nine workers (95%), as the Cape Verdeans and Moldavians have the lowest percentage (68% and 71%, correspondingly). Both the last nationalities have 27% of enterprises with between 10 and 49 workers, as Brazilians and Chinese have only 13% and 5%, respectively. This reflects the economic activities were these entrepreneurs are incorporated in, as construction is a more labour-intensive sector than trade. Furthermore, as will be further analysed in this article, it reflects different entrepreneurial strategies among the foreign groups – as Chinese are mainly employing co-ethnics and relatives in their small firms in Portugal, the majority of Cape Verdeans do not have any cultural or affective link with their workers, but employed them according to their needs (Oliveira, 2005, pp. 131-133; Oliveira, 2007, pp. 75-76).

In view of these tendencies does it mean that immigrants do not have homogeneous conditions for entrepreneurship in Portugal? These data should not be read in a simplistic way because several factors can influence the characteristics and/or the oscillation between greater and lesser propensity of certain immigrants towards an entrepreneurial strategy. Hence the following sections of this article emphasises the determinants and explanatory factors to immigrant entrepreneurship in Portuguese context.

4.2. The determinants of immigrant entrepreneurship: the Portuguese case

Immigrant entrepreneurship has been incorporated in academic research since the 1970s. This reflects in itself the growth and economic impact of immigrant entrepreneurial activities in different host contexts. Several arguments have emerged to explain why certain immigrant groups are more entrepreneurial than others. The main contributions emphasise two explanatory dimensions. One dimension takes into account the characteristics of the immigrant community and another highlight the influences of the host context, including economic, social and institutional spheres.

The first explanatory dimension is founded on the idea that entrepreneurial behaviour is a consequence of specific cultural motivations and of solidarity within the community. In this context the importance of certain family and ethnic resources is emphasised (Light and Gold, 2000). However, evidence from other research conducted has indicated that analyses based purely on cultural attributes and ethnic resources are responsible for the stereotyping of different immigrant groups. Furthermore, differences in entrepreneurial rates among identical ethnic groups in diverse countries and cities confirm the necessity of finding other explanatory variables (Oliveira, 2007, p. 62).

Bearing in mind some of the criticisms aimed at the former explanatory models, new arguments have appeared that take into account the influence of both the opportunities and the constraints of the host contexts in the immigrants' definition of entrepreneurial strategies. Several researchers have highlighted the phenomenon of entrepreneurial behaviour as a reaction by immigrants to discrimination or unemployment in the receiving country's labour market, or even to obstacles to accessing opportunities for

upward social mobility (Ward and Jenkins, 1984; Aldrich and Waldinger, 1990; Jones *et al*., 2000). Furthermore, the policies of the host context – including the banking system and regulatory and institutional frameworks – can also imply different opportunities or constraints that affect immigrants' options in the host labour market. In other words, immigrants can only become entrepreneurs if they have the opportunity to do so.

The study of immigrant entrepreneurship all over the world has shown that these explanatory dimensions are not mutually exclusive. Immigrant entrepreneurial strategies are the result of the combination of several factors and not only the result of ethnic resources (Waldinger *et al*., 1990: Kloosterman and Rath, 2001; Oliveira, 2007). In this context, several models have been developed, taking into account both the influence of the opportunity structures of the host societies and of the immigrant community's resources. The interactive model of Waldinger, Aldrich and Ward (1990) was the first effort at a multidimensional approach. The authors argued that group characteristics should be considered in their interaction with an opportunity structure. Therefore immigrant entrepreneurship was explained in accordance with the relationship between supply and demand, that is, what customers wanted to buy and what immigrants could provide.

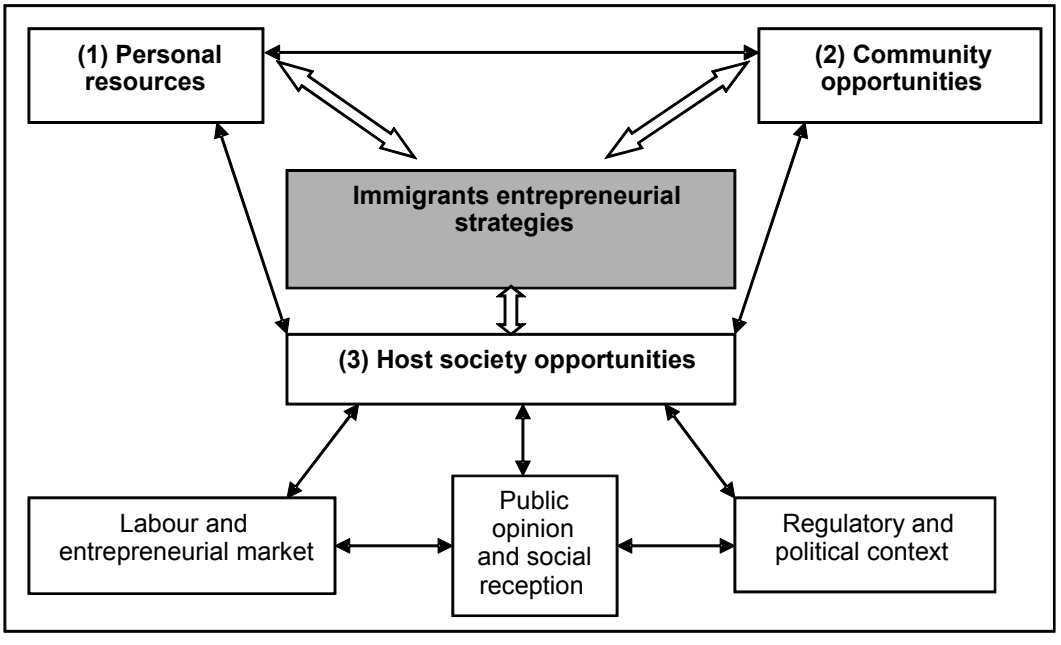
Later, Kloosterman and Rath (2001), in a critical overview of research on immigrant entrepreneurship, provided an even more wide-raging explanation with the *mixed embeddedness* hypothesis. The authors suggested that immigrant entrepreneurship is a much more complex field than analyses of supply and demand indicates, stressing that the opportunities on the demand side have to be accessible for aspiring entrepreneurs.

Even though Kloosterman and Rath recognised that immigrants' embeddedness in cultural, social, economic and political spheres is quite complex and can be relatively diverse, they did not take into account that immigrants do not necessarily mix all spheres in which they are embedded to define entrepreneurial strategies (Oliveira, 2007, p. 63). On the other hand, not all immigrants have access to the same resources and opportunities in defining their entrepreneurial activity (Oliveira, 2005).

Therefore the definition of an entrepreneurial strategy is a creative process that can underline different economic strategies, depending on the combination of resources and opportunities chosen or to which immigrants have access to. Immigrants do not necessarily bring together all spheres of their embeddedness (cultural, social, economic and political) in setting up an entrepreneurial activity, but only those that guarantee better outcomes for their economic purposes.

Taking all of this into account, the analysis that will be undertaken in this article is based on the heuristic model created in previous research conducted in Portugal. This summarises the most relevant explanatory elements – and their relationships with each other – in the definition of immigrant entrepreneurial strategies in host contexts (Oliveira, 2005; Oliveira, 2007). The model follows other attempts to show that there are no random factors in immigrant entrepreneurship and aims to reflect the resourceful dealings that immigrants establish within the context of their personal resources, social networks and structural opportunities, with the aim of defining entrepreneurial tactics (see Figure 4.2).

Figure 4.2. The main components of entrepreneurship



Source: Adapted from Oliveira (2005, p. 43) and Oliveira (2007, p. 66).

Viewed within this model, immigrant entrepreneurs are not seen as passive, but as actors who react to the opportunities and constraints with which they are confronted during the process of business creation. Furthermore, bearing in mind that opportunities are not necessarily obvious or transparent to all actors, nor are they available to all individuals or ethnic groups, these theoretical hypotheses consider that immigrant entrepreneurial strategies are a result of negotiation, adaptation, imagination and even reproduction of entrepreneurial options already pursued by others.

The application of this heuristic model to immigrant entrepreneurs in Portugal (Oliveira, 2005) highlighted the fact that immigrant entrepreneurial strategies emerge from an inventive and lively interaction of three different components:

1. The individual with his or her *personal resources*. These personal resources include predisposing factors to entrepreneurship such as savings, education, entrepreneurial and work experience, age, legal status in the receiving country, language skills, migratory experience and ambitions.

2. The immigrant community, that is, the social networks in which immigrants are embedded and their resources. The importance of *ethnic or community resources* to immigrant entrepreneurship has been highlighted by several authors.[5] These resources include financial support, labour, consumers, suppliers and advice based on the community's entrepreneurial experience.

3. The host society, including both the labour market, the policy and the regulatory framework, and public opinion. In other words, this component emphasises the *opportunity structure* that immigrants find in the receiving country. To do well in business, immigrants have to find openings in the entrepreneurial market, no constraints in the receiving country's regulatory regime and no negative public opinion, especially if their business is dependent on native customers.

The absence of opportunities in either one or two of these components does not necessarily mean that immigrants will not develop an entrepreneurial strategy, since they can also rely on only one strong source of resources. However, the lack of certain key resources can affect the levels of profit or success of the business. As will be shown in further detail, this is particularly true to immigrant entrepreneurs in Portugal whom have been significantly affected by the Portuguese opportunity structure at certain periods of time.

It is important to take into account that resources and opportunities that immigrants have access to the definition of entrepreneurial strategies are not necessarily constant in time or space. The change of a policy or a certain incident that generates negative or positive public opinion on immigration – or about a certain ethnic group –, for example, can define clear alterations in the opportunity structure for immigrant entrepreneurship. In sum, the interaction and flow of resources between these three components is the vibrant core of the explanation as to why some immigrants develop entrepreneurial activities and others are not able to do so in certain periods of time (Oliveira, 2008b).

In this context, although the importance of ethnic entrepreneurial opportunities (being associated to some immigrant groups rather than others) is recognised, and also explaining the greater propensity for entrepreneurial initiatives; this article seeks to highlight, in particular, other relevant determinants of immigrant entrepreneurship that are namely linked with the host society opportunity structure. The analyse of the Portuguese immigration policy and labour market, and its impacts on immigrant entrepreneurship during the course of the last three decades, is particularly useful to monitoring policies impacts in immigrant entrepreneurship and its ultimate impact in immigrants role to economic growth and employment creation in host societies.

As Waldinger has pointed out, "immigrants will not go into business unless there are opportunities (…)" (1989, p. 71). In other words, it is essential to correlate the immigrant entrepreneurial rates identified before with the actual opportunities and possibilities that immigrants have to define an entrepreneurial strategy in Portugal.

Portuguese opportunity structure

The vicissitudes of immigrant entrepreneurship during recent decades equally reflect some of the characteristics of the political, legal and institutional context and developments in that area over time. According to the development of the legal framework and Government policies, the moment of arrival of immigrants determines the different opportunities and constraints in insertion into the Portuguese labour market, and entrepreneurial initiatives themselves.

A clear orientation towards flows of unskilled and/or labour migration destined to fill vacancies in the Portuguese labour market has, during recent years, been altered to reflect an increasing interest also in skilled immigrants and entrepreneurs. Immigrant entrepreneurial initiative in particular came to be perceived not only as an alternative to the insertion of immigrants into the Portuguese labour market – sometimes in situations of social exclusion, discrimination, over-qualification or long-term unemployment –, but also as a way of facilitating social mobility among some immigrants and of creating new jobs (Oliveira, 2004a). Therefore the perception of the potential of immigration became evident in the country through numerous initiatives, measures, programmes and projects of a Governmental, private, third sector or mixed nature.

In this context, and seeking to better understand what is behind the statistical trends identified above, the impacts of the legal and regulatory frameworks are analysed. From the analysis undertaken, it is possible to identify three periods in the Portuguese legal framework that have impacted upon the evolution and changes in immigrant entrepreneurial initiatives: the first period essentially covers the 1980s and 1990s, until 1998; the second, from 1998 to 2007; and finally, the third period from 2007 on.

Between 1981 and 1998

During these two decades immigration policy was particularly orientated around the needs for salaried work of certain segments of the Portuguese labour market. The construction sector was particularly dynamic and needing for foreign labour due to several major public works co-funded with EU funds (*e.g.* motorways across the country, a new Lisbon bridge, International Exposition in Lisbon – Expo 98, subway stations). In order to respond to these labour requirements, in 1997 it was signed a new protocol with Cape Verde for the entry of temporary workers and two periods of extraordinary regularisation (in 1992/93 and 1996) also supported the intensive demand of labour. In other words, the Portuguese State did not define during this period any particular policy to attract immigrant entrepreneurs, but instead defined a policy of incentivising immigration flows that could respond to the labour needs of the country, specially coming from PALOPs. It is therefore not surprising that low entrepreneurial rates were observed mostly during this period to these nationalities (see Table 4.2).

This tendency further reflects the ethnic segmentation of the Portuguese labour market defined in the past decades (Baganha *et al*., 2000). While Africans, and particularly Cape Verdean immigrants, came to Portugal in the 1960s as part of a governmental labour force recruitment programme aiming to meet shortages in specific segments of the labour market (specially the construction sector); Asians and South American immigrants start arriving in the mid-1980s, when Portugal was starting to be recognised as an immigrant country and was about to become part of European Union.

Therefore in analysing the immigrant entrepreneurship rates it is essential to consider the dynamics of the opportunity structure. As immigrants coming from PALOPs dominated the Portuguese immigration panorama until the 1990s and they were mainly responding to the needs for salaried labour in the least qualified sectors of the Portuguese labour market, it is justifiable the relatively low entrepreneurial behaviour among immigrants in the country until then.

The Labour Law in force in Portugal until 1998 proved also to be a potential inhibitor of immigrant entrepreneurship particularly to entrepreneurs dependent on co-ethnic employees, given that it required that firms with more than five workers (even if they were unpaid) had at least 90% Portuguese workers on their staff. Taking in consideration that the entrepreneurship of some non-EU nationalities normally depends on co-ethnic workers, as it has been widely demonstrated in international literature,[6] thus this norm inhibit and constrained some formally declared entrepreneurs. The Chinese entrepreneurship of this period highlights the consequences of this law, only emerging as the top ten nationalities with the highest number of employers in 2001 (see Table 4.3).

From 1998 to 2007

The changes in the Portuguese opportunity structure verified at the end of the 1990s led, in turn, to an increase in the relative importance of foreign employers, even in

immigrant groups that previously had not particularly stood out in entrepreneurship (*e.g.* citizens from PALOPs – see again Table 4.3). Two new legislations defined in the end of the 1990s – a new Immigration Act (Decree-Law No. 244/98 of 8 August) and a new Labour Law (Law No. 20/98 of 12 May) – created further implications for immigrant entrepreneurship in Portugal in this second period.

In this decade immigration almost doubled and there was a densification of immigrants' legal statuses. The granting of permits that did not allow immigrants the possibility of developing entrepreneurial activity in the country was created and reinforced, being the work visas (highly promoted) granted in accordance with an annual prediction of employment opportunities defined in the annual reports composed by the Institute for Employment and Professional Training (IEFP) and approved by the Government. The immigrant entrepreneurs legal status were not directly conditioned by these annual job quotas, although their employment needs had to be declared to the IEFP and indirectly becoming more difficult to contract co-ethnics (Oliveira, 2005, p. 81).

Between 1998 and 2007, only two legal conditions make it possible to immigrants to develop an entrepreneurial strategy – the "resident permit" and the "type III work visa", – being reduced their granting. Immigrants that were identified exercising an independent or entrepreneurial activity without the proper title were subject to fines of between EUR 300 and EUR 1 200. The grating of a resident visa for an entrepreneurial activity was contingent on the presentation of a document proving the registration of an investment operation in Portugal and a document proving that the immigrant had competences to exercise it. In other words, the immigrant had to set up an enterprise or legalise the statutes of their entrepreneurial activity in Portugal before actually requesting the residence visa.

For those who were already in Portugal, in order to become an entrepreneur and/or be able to convert the previous legal status of a salaried activity, several requirements were defined (Oliveira, 2008, p. 116). In the case of immigrants with a work visa (different from type III work visa) they had to wait three years to convert their visa into a residence permit to develop an entrepreneurial strategy or had to leave the country and request in a Portuguese consulate a new authorisation to came to Portugal with that entrepreneurial aim (Oliveira, 2004a, p. 74). For those who held a "stay permit"[7] (around 183 833 immigrants – more than one third of the immigrant population of this period) had to proof to have a job contract and renew the title for five years uninterruptedly before being able to get a residence permit and aspire to set a legal business in Portugal. Associated with this restriction the law defined an interesting contradiction: these immigrants could not create their own job or job for others, but if they became unemployed they could register at an employment centre and benefit from an unemployment subsidiary. This situation affected in particular the Ukrainians and Brazilians, who represented 35% and 21%, respectively, of the total foreigners with stay permits between 2001 and 2004. Within this framework it is possible to explain the low entrepreneurial rates among Ukrainians in 2001 (see Table 4.2).

In 1998, the Labour Law was also changed, the obligation for employers to have a minimum percentage of Portuguese workers. This reform had impact in the economic situation of certain immigrant groups. As shown in Table 4.5, between 1999 and 2000, there has been an increase in the number of foreigners who have requested residency in Portugal with the intention of setting up a business (from 312 to 532 requests) or be self-employed (from 193 to 357). Also, in Table 4.1 it is evident the increase in the number of immigrant entrepreneurs from 1991 to 2001: while Portuguese employers had a rate of

change of 42.7% in ten years, foreigners had a rate of change of 78.4%. If we take into account, as mentioned before, that some immigrant entrepreneurs depend on co-ethnic labour, then this new law had important and positive consequences for immigrant entrepreneurship. This was particularly evident in the case of Chinese entrepreneurs, that not only increased their importance among the ten nationalities with the highest number of entrepreneurs (see Table 4.3), but also reinforced their position as the nationality with the highest rates of entrepreneurship in Portugal (see Table 4.2).

From 2007 on

Since 2007 further changes took place at the level of policies of management of flows and integration policies, with important consequences for immigrant entrepreneurship in Portugal. For the first time, the Immigration Act (Law 23/2007 of 4 July) foresees a distinct regime for granting residence visas to immigrant entrepreneurs and in the Plan of Action for Immigrant Integration 2007-09 (Resolution of the Council of Ministers No. 63-A/2007) the importance of reducing barriers to immigrant entrepreneurs was recognised, defining measures for incentivising entrepreneurship.

Among the intervention commitments defined in the Plan there were two specific measures – incentivising immigrant entrepreneurship (measure 13) and the promotion of employability and entrepreneurship among immigrant women, namely through access to education and professional training (measure 116). Under measure 13 was created a support office for immigrant entrepreneurs in the National Immigrant Support Centres (the Portuguese one-stop-shops for immigrant integration) where support services and consultancy on setting up entrepreneurial initiatives are provided, opportunities and incentives are disseminated, and individualised follow-up services are to be provided for the entire bureaucratic process associated with setting up a business in Portugal. During the year 2007 the office provided a service to 186 potential entrepreneurs, representing twenty-seven nationalities and in 2008 the service was provided to 150 clients. Although the low number of people who were provided with a service at the office should be noted, it is important to mention the over-representation of Brazilian immigrants (38%) and Ukrainians (13%), followed by Russians, Moldovans, Angolans, Guineans and Mozambicans. These seven nationalities in total represent around 76% of the clients of the office, confirming that support services of this nature are mainly a response for immigrants who have the most difficulties in getting together the resources to develop an entrepreneurial activity and/or presents the lowest rates of entrepreneurship in Portugal (see Table 4.2). The fact that these services are provided by cultural mediators that speak the language of the immigrants should stimulate the growth in the number of users that the office receives. This characteristic of the office is particularly relevant because some immigrant entrepreneurs tend to slip into informality because they do not know the rules or because of some difficulties associated with the condition of being an immigrant, such as not knowing the language and/or understand the bureaucratic procedures defined by the Portuguese Law (Oliveira, 2004a, p. 126; Oliveira, 2005, pp. 81-82).

The Immigration Act that is in place simplified the system of admissions and residency of foreigners into a single type of visa with various purposes for granting residency, including a special situation for immigrant entrepreneurs. Those who came to Portugal to develop an entrepreneurial activity need to prove their investment operations in the country or prove that they have financial means. The characteristics of the investment, its nature and duration should be specified to the residence visa application

and be subsequently assessed on the basis of the economic, social, scientific, technological or cultural relevance of the investment.

For immigrants who are already in Portugal and seek to convert their professional situation from salaried workers to entrepreneurs, the law foresees the grating of a residence permit for exercising and independent professional activity, but is remiss for entrepreneurial activities. The law defines that a foreign citizen exercising an independent activity without the proper resident permit can be punished with a fine of EUR 300 to EUR 1 200. Hence within the present legal framework an immigrant in Portugal has two possible ways of changing from salaried work to entrepreneurial activity: the first is return to their country of origin and request a residence visa for that purpose; the second is to make an application to the Foreign and Borders Service (SEF), of an exceptional nature, and which would be analysed on a case-by-case basis.

Therefore, even though immigrants do not have to wait a minimum period in order to change their professional situation (as was inferred from the previous law for some permits), it seems that the present regime has been further complicated in this aspect with the residence permit not having the same character or the previous coverage in relation to flexibility in changing professional situation. This situation can evidently create important implications for immigrant entrepreneurial initiatives as, in the majority of cases, immigrant entrepreneurs develop their entrepreneurial strategy only after some time residing and/or working for an employer in the receiving society.[8] On the other hand, the current legal framework can potentially lead in the short term some immigrants who are unemployed to perceive that is easier to benefit from unemployment subsidiaries, since they are not able to immediately convert their legal status and create their own job.

It should be pointed out that the immigrants with the lowest rates of entrepreneurship are also the groups that are the larger foreigner recipients of unemployment benefits, according to Portuguese official data from IEFP (mainly African and eastern European citizens). In other words, immigrants that are benefiting more from resources made available by the Portuguese welfare state tend to have less entrepreneurial initiative. Hence, it should be discussed whether those resources are also decreasing the entrepreneurial motivation of certain immigrant groups, mainly because, in case of exclusion from Portuguese labour market, it becomes less risky to stay legally in the country through benefiting from subsidiaries than by creating a business.

The regulatory context in force has also some important implications in relation to the contracting of immigrant workers by immigrant entrepreneurs (or any other entrepreneur). Although (as before) the immigrant entrepreneur has to respect the priority principle set out in the law, that is, to always declare their job offer at the IEFP in order for it be possible to identify whether there exist workers with the required characteristics in Portuguese territory, this should now be determined within the space of thirty days. This is an important change for immigrant entrepreneurs given the fact that it can be expected that there will be a shorter waiting time for the confirmation of the existence of workers in Portugal that fulfil their needs, after which they can select workers from their country of origin, which will subsequently be scrutinised by the Portuguese Consulate.

In sum, although it is identified that today the importance of immigrant entrepreneurship is recognised in the Portuguese policies, it is important to keep monitoring the implications that the regulatory and institutional framework have at the level of immigrant entrepreneurial initiatives, in a general form, and for some nationalities in particular.

4.3. Group opportunities

Not denying the importance of cultural motivations of certain immigrants towards entrepreneurship, it should be noticed the influence of the communities and its attributes to the economic options and strategies of the immigrants in host societies. Several privileged relations established by the individuals within a group can be in fact a crucial source of entrepreneurial resources, namely capital, labour, suppliers and consumers (Waldinger *et al*., 1990; Light and Gold, 2000). Group entrepreneurial opportunities can, nevertheless, vary through time and have different impacts to the individual depending on the characteristics of the host opportunity structure. Furthermore the migratory experiences and the situation of each immigrant population in the receiving country frame the resources that immigrants can mobilise in their community.

Although the dynamics of the Portuguese economy determined the economic incorporation of immigrants during the past decades, the functioning of social networks among immigrant communities had also contributed for the segmentation of the Portuguese labour market and/or the link of certain immigrant groups with several activities in the country.

In the Chinese case in Portugal the resources sourced in the community proved to be the key element in their entrepreneurial behaviour (Oliveira, 2005, 2007). The first crucial resource provided by the Chinese community is labour. Family workers play a fundamental role: only 22.8% of the Chinese entrepreneurs surveyed do not employ family workers, when 45.4% of Cape Verdeans do not do it. In comparison with other immigrant entrepreneurs in Portugal, Chinese entrepreneurs are also exceptional in terms of unpaid family workers: 16.2% of these entrepreneurs declared that they did not pay a salary to relatives who work in their businesses (Oliveira, 2005, pp. 131-132).

The labour gathered in the family or in the community can be a crucial competitive advantage to immigrant businesses since those workers tends to accept worse working conditions, lower salaries and more working hours (Waldinger *et al*., 1990, p. 142; Light and Gold, 2000, p. 119). However not all immigrant entrepreneurs have the same strategy in this respect: if 52.4% of the surveyed Chinese declare to prefer to contract co-ethnics and 75% actually do have co-ethnic workers; only 11.1% of the Indian entrepreneurs believe to be better to their business to contract co-ethnics and only 29.6% have co-ethnic workers (Oliveira, 2005, p. 133). These different options have behind two different entrepreneurial logics: as the Chinese mainly reported to contract co-ethnics because they are trustier, the Indian entrepreneurs tend to avoid contract co-ethnics because in their words they learn the business and become competitors.

Another fundamental community resource to sustain the entrepreneurial development is financial capital. Several immigrant groups have been developing financial practices with the aim of answering the community needs (Light and Gold, 2000, p. 116). In the same survey, 50.4% immigrant entrepreneurs declare that create their business with the economic support of relatives and 24.7% with the help of friends (Oliveira, 2005, pp. 126-127). Chinese entrepreneurs prove to relay more on family and friends capital in the beginning of their venture (in 66.3% of the cases) than the Cape Verdeans (only in 13.4% of the cases) that proved to be much more dependent on personal savings (78.9% of the cases).

In the same study, it was concluded that the absence of community entrepreneurial resources among Cape Verdeans in Portugal make them more dependent on the characteristics of the Portuguese opportunity structure to succeed in business. Contrasting

with the other immigrant entrepreneurs surveyed, Cape Verdeans had used more bank loans to define their entrepreneurial strategy – in 19.1% of the cases, when Chinese, for example, only use it in 10% of the cases (Oliveira, 2005, p. 128).

Privileged contacts within the community are also relevant to entrepreneurial development for the most part of immigrants in Portugal. Almost 74% of the entrepreneurs surveyed declared to have privileged contacts with persons in the same business sector and 55.8% declare to have it with co-ethnics. The way the entrepreneurs meet their suppliers reinforce the importance of those social networks to business success, as the majority of the surveyed entrepreneurs (63.2%) declare that identified their suppliers through informal contacts with relatives, friends and other privileged contacts (Oliveira, 2005, pp. 136-137).

However, the group opportunities also bring some constrains and difficulties to the entrepreneurial venture. As showed before in this article, according to nationality the immigrant groups tend to be more or less concentrated in certain economic sectors in Portugal – for example, as Chinese are highly concentrated in trade, in contrast, Brazilian entrepreneurs tend to be dispersed in several economic activities. These "ethnic" differentiations identified define, in some cases, strong competition within the same immigrant group. According to the data collected in the survey with 704 immigrant entrepreneurs, depending on the sector of investment and the concentration of the immigrant group in that same sector, the entrepreneur will find different competitors. For 72.2% of the Chinese entrepreneurs, more concentrated in the same economic activities, the competitors are mainly co-ethnics; as for the rest of the surveyed entrepreneurs only 37.5% declared to have co-ethnic competitors (Oliveira, 2005, p. 122). It should be further pointed out that the immigrants with higher dependence on ethnic resources to develop their entrepreneurial strategy (the case of Chinese) have a larger number of co-ethnic competitors since they all share similar plans of social mobility (Waldinger *et al.*, 1990, p. 146; Oliveira, 2008, p. 71).

It is also clear through research undertaken in Portugal that not all immigrant groups can rely on community resources to develop an entrepreneurial strategy – that is more evident in the case of Cape Verdeans. In other words, entrepreneurial opportunities are not homogeneous among immigrant groups and do not explain, as a consequence, the entrepreneurial behaviour of all the immigrants. Immigrants that have lack of community entrepreneurial resources are thus more dependent on the host society opportunity structure or on their own personal resources to succeed in business.

4.4. Personal resources

Different immigrant nationalities have been characterised as having special cultural and psychological qualities that make them more inclined to entrepreneurship or even to develop successful entrepreneurial strategies. Asians are very often described as more ambitious, hard-working people who tend to risk more, while Africans have difficulties in giving up work as an employee (Portes and Zhou, 1999, p. 165). Due to the risk of resorting to stereotypes, it is difficult to prove that it is cultural characteristics that explain the different propensities of immigrant groups towards entrepreneurship. The data that have been collected in Portugal in the survey with 704 immigrant entrepreneurs (Oliveira, 2005) make it clear that other personal characteristics explain the higher inclination of certain immigrants to develop a business.

Indicators such as social class, qualifications, professional experience, age, personal savings and migration experience are able to provide an explanation of the way personal resources affect immigrants' economic options. As highlighted before, the professional experience of immigrant entrepreneurs in Portugal provides the necessary knowledge to invest with security in a business activity that is why the surveyed entrepreneurs develop their entrepreneurial strategy in the same economic area of their previous activity. The case of Cape Verdean entrepreneurs in Portugal highlights very well the role of personal resources in immigrant entrepreneurial strategies. In the survey undertaken (Oliveira, 2005) this entrepreneurs mainly refer individual reasons for developing their business, such as "because I wanted to be independent" (52.8%), "because I knew the business sector well" (35.9%) or "because I wanted to have a better life" (23.9%). In the same survey the Chinese and Indian entrepreneurs also stated the importance of individual reasons but gave special emphasis to family requests and demands (25.2% and 34%, respectively).

Contrary to the other immigrant entrepreneurs surveyed, Cape Verdeans show the highest interest in returning to the country of origin (73.9%) and the development of their business is based mostly on their personal savings rather than on financial help from family, friends or other community members. They are also the group who invest the most in the country of origin. Among 47.2% Cape Verdean entrepreneurs investing in Cape Verde, 67.2% buy property and housing and 17.9% invest in the creation of new enterprises and businesses. Finally, also in contrast with the other entrepreneurs contacted in the same research, Cape Verdean entrepreneurs consider the continuation of their entrepreneurial strategy by the new generations very important. This attitude appears to be the consequence of the effort put into gaining their present position (as an entrepreneur), which is not such a common position among their group of origin (as seen in Table 4.2).

The perceptions of racial discrimination in the access to the labour market also constitute an involuntary influence either to become self-employed or to invest in specific segments of the opportunity structure. Under the same survey it was concluded that Cape Verdean entrepreneurs are more vulnerable with respect to discrimination than Chinese and Indian entrepreneurs – 73.2% of the surveyed Cape Verdeans think that there is discrimination in the Portuguese labour market, as only 8.7% of the Chinese and 22.5% of Indians believe in that (Oliveira, 2005, pp. 112-114). As a consequence, the immigrants' perceptions about their possibilities in accessing the labour market also determine both the way they see the opportunity structure and their entrepreneurial options. Moreover, immigrants who lack community resources oriented towards entrepreneurship (the case of Cape Verdeans) become much more aware of constrains and barriers to entry the labour market or to invest as an entrepreneur.

The data on the foreign beneficiaries of micro-credit to define a small business put available by the National Association to Credit Right (ANDC) make it also clear that the nationalities more represented are exactly the ones that have more lack of community support to define an entrepreneurial strategy – citizens coming from PALOPs represented 66.7% of the foreign beneficiaries between 1999 and 2004 (Oliveira, 2004a, p. 100).

Hence it is not only the opportunity structure of the host society or the community resources that make certain immigrants succeed in business, but also their individual competence and characteristics.

4.5. Conclusion

As experienced in other countries, in Portugal immigrants present higher rates of entrepreneurship than nationals. This tendency, however, does not prove to be uniform for all groups of immigrants resident in the country. Available official data facilitate the verification of the fact that there are nationalities more prone to entrepreneurial initiative than others – as is the case if we compare, for example, the Chinese with the Ukrainians.

Bearing in mind the heuristic model of immigrant entrepreneurial strategies developed before, it is clear that it is not cultural reasons that make some immigrants more entrepreneurial than others (Oliveira, 2007). The research undertaken in Portugal highlights the fact that the resources and the opportunities mobilised by immigrants in the different spheres that they are embedded in – including the host society, the community and the individual – explain the main differences in entrepreneurial behaviour (Oliveira 2005). Hence, immigrant entrepreneurial strategies are neither uniform nor constant, but vary by group and through time and space in a constant process of adaptation and negotiation.

As highlighted in this article the immigrant entrepreneurs in the past decades had to mobilise different opportunities and resources in the definition of their strategies in Portugal and to overcome several obstacles that they face in the Portuguese opportunity structure. In other words, it is important to acknowledge that immigrant entrepreneurial behaviour in Portugal cannot be understood solely through the analysis of community resources, but also throughout the interference of the regulatory framework, the labour marker and the individual characteristics.

In fact, constraints, difficulties and lack of opportunities experienced in the Portuguese host society in the definition of entrepreneurial strategies – namely previous impediments in the legal framework, lack of knowledge of Portuguese laws, difficulties in understanding the Portuguese language, episodes of negative public opinion, discrimination in accessing the labour market – explain immigrant entrepreneurs choices and, as a consequence, clarify the dependence on certain resources or opportunities more or less linked with the community or the opportunity structure of the host society.

On the other hand, it is concluded that immigrant entrepreneurship is not stable through time, but rather suffers fluctuations. In the Portuguese case it is seen that immigrant entrepreneurship has been reinforced mainly throughout the last decade. Also at this level, there are distinct patterns according to nationalities, that is, there are immigrant groups who stand out in certain periods more than in others. As shown, between 1981 and 2001 the ten nationalities with the highest number of employers in the total foreign employers varied, particularly with the ascent of the position of the Cape Verdeans (from sixth position in 1981 to third in 2001), or the presence of Brazilians as the nationality with the highest number of employers in 1991 and 2001.

These trends cannot, however, be analysed without looking at the determinants of the Portuguese reception context. As has been analysed in this article, the reason for rates of immigrant entrepreneurship having a more positive evolution during the last decade, or the reason why certain nationalities stand out more than others in entrepreneurial initiatives, is explained in reality also by the evolution of immigration policies during recent decades. The analysis of the Portuguese opportunity structure towards immigrant entrepreneurship demonstrates how the regulatory and institutional framework can interfere in immigrants' choices in the labour market and in their real possibilities for defining an entrepreneurial strategy. In this article, three periods in the Portuguese legal

framework are identified, which determined the evolution and the vicissitudes of immigrant entrepreneurship in Portugal. Depending, therefore, on the year of arrival in Portugal, immigrants tend to be associated with particular legal status that provided them with distinct opportunities or constrains in insertion in the labour market. According to their legal condition in Portugal in the past three decades, immigrants had to wait more or less time in order to be entitled to define legally an entrepreneurial activity in the country.

From that analyse it is also possible to proof that the structure that regulates the presence of foreigners in the country determines the possible forms of economic incorporation and/or the entrepreneurial venture among immigrants. Furthermore it should be taken into account that the (apparent) distinct propensities for entrepreneurship among different immigrant groups identified in official data during certain periods of time may not correspond to different entrepreneurial vocations, but simply constrains or opportunities arising from the regulation in force. In this context it is fundamental to monitor immigration policies in general, and those relating to incentives for entrepreneurship in particular, as these are determinants for immigrant entrepreneurial strategies.

It should nevertheless be recognised that lack of knowledge of the laws in force can also influence the activities of some immigrant entrepreneurs. In a survey of 704 immigrant entrepreneurs undertaken in 2002 (Oliveira, 2005) it was possible to identify some immigrant groups who showed greater difficulty in understanding Portuguese laws. When questioned about the greatest difficulties felt in defining their entrepreneurial strategy in Portugal, the majority of the Chinese surveyed stressed their lack of knowledge of Portuguese laws (64.9%), and the Indian and Cape Verdean entrepreneurs further complained about the bureaucracy associated with Portuguese official institutions and authorities (43.1% and 42.6% respectively) (Oliveira, 2005, p. 81). In this respect, it should be conceded that many immigrants could, in some cases, not respect the underlying complexity of the legal framework and/or slip into the informal economy, not because they had that intention, but rather because they did not know many of the rules and the successive change to them.

Hence, taking into account the importance that this theme assumes in the economic, social, political and cultural structures of contemporary Portuguese society, the study of entrepreneurial strategies is not only a call for attention to a new interpretation of the contributions of immigration, but can also show alternative forms of economic integration and mobility of immigrants in Portugal and of employment creation opportunities put available by immigrants in the labour market.

It is necessary to engage in a debate about the multiple factors that explain immigrant entrepreneurship in a multi-variate approach. Because immigrants do not have uniform access to opportunities and resources for entrepreneurship in the spheres that they are embedded in, policy makers have to be aware that different immigrant groups might have diverse needs as also different groups might create different strategies and in so doing are contributing differently to the economy of the host society. Immigrants that have a lack of community entrepreneurial resources tend to be more dependent on the opportunities gathered in the host society, being more affected by measures, incentives or restrictions. On the other hand, immigrants that define their entrepreneurial strategies essentially with community resources might need further reinforcement on information about the rules and bureaucratic procedures avoiding their isolation in the community or unintentional link to informality.

Notes

1. For the purposes of simplification all employers and self-employed are considered to be entrepreneurs. For more details on the possible risks of this choice, see Oliveira (2004a, pp. 32-33).

2. Furthermore, in any census of population there are additional problems related to the inquiry of immigrant population: there are situations of non-response associated with difficulties in filling in the form – for example among foreigners who have difficulty in understanding Portuguese –, or among foreigners in an irregular situation. Furthermore, according to the instructions for filling in the questionnaires for the census of 2001, information on foreigners who had been living in Portugal for less than one year was not collected, meaning that all foreigners who arrived in the country after 12 March 2000 were excluded. For further details on census limitations and its impacts on immigrant entrepreneurship characterisation see Oliveira (2008, pp. 107-108).

3. Immigrants with an illegal statues or working without contract in the enterprise are also (for obvious raisons) not reported in this survey.

4. The rate of entrepreneurship calculated corresponds to the number of employers in every 100 active people.

5. For further detail see Light and Gold (2000).

6. Waldinger *et al.* (1990), Light and Gold (2000), Oliveira (2007).

7. The "stay permit" was a status created in 2001 with the objective of regularising employment relationships with immigrants that were already in Portugal on an exceptional basis. The holders of this legal status had to renewal it every year for a maximum of five years and to do it so had to have a labour contract. This legal condition dominated a substantial part of immigrant flows at the turn of the century in Portugal.

8. In the survey undertaken with 704 immigrant entrepreneurs in Portugal it was concluded that only 32.1% of the total people surveyed invested in an entrepreneurial activity immediately on arriving in Portugal (Oliveira, 2005, p. 136). Naturally this legal framework can have different impacts for various immigrant groups given that, in the same study, it was identified that, according to nationality, the propensity for entrepreneurial initiative immediately on arrival in Portugal was different: in the case of the Cape Verdeans this was the case for only 5.6%, while in the case of the Chinese and Indians this value increased to 25.6% and 54.9% respectively (*ibid.*).

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Chapter 5

Entrepreneurship among immigrants in Switzerland

by

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Summary

This chapter describes and analyses entrepreneurship among the immigrant population in Switzerland, on the basis of self-employment data.

The first section presents the self-employment situation as reflected in the most recent Swiss Labour Force Survey conducted by the Swiss Federal Statistical Office (ESPA, 2009). These data are then used to address the question of jobs created by self-employed workers of foreign origin. The samples used in the survey are however inadequate for an in-depth analysis, and they are therefore supplemented with data from the last population census conducted in 2000.[1]

These data are then used in the second part of the article to test a series of hypotheses (specificity, convergence and disadvantage) current in the international literature on self-employment and migration. We use, on one hand, logistic regressions to measure the effect of different individual characteristics (age, sex, national origin, length of stay, etc.) on the probability of self-employment and, on the other hand, segregation indices by types of activity to judge the degree of specificity of groups of different national origins.

This research has two original features that distinguish it from the existing literature on self-employment and migration. First, it offers a systematic comparison of the situation of persons of immigrant background vis-à-vis the native-born and in this sense goes beyond what Light called the "embarrassing limitation" of immigrant entrepreneur studies conducted without reference to the host society (Light, 2004, p. 26). Second, it is not limited to examining independent workers in terms of their legal nationality but also takes into account their origin and possible naturalisation.

5.1. The Swiss context

There have been few studies of self-employment in Switzerland among persons of foreign origin. While some authors have addressed the question in their research into self-employment in general (Flückiger and Ferro Luzzi, 2001; Office fédéral de la statistique, 2006), it is only the works of Juhasz and Suter (Juhasz *et al*., 2006, 2008; Suter *et al*., 2006) on immigrant self-employment as a vector of integration and those of Piguet on the factors explaining the phenomenon that bear directly on the issue (Piguet, 1999, 2000, 2004; Piguet and Besson, 2005). Nor, unfortunately, is there any study available at this time on employment creation attributable to enterprises created by immigrants in Switzerland.

For more than half a century Switzerland has experienced immigration flows that, relative to its size, far exceeded those to most other European countries and to the traditional countries of immigration – Australia, Canada and the United States. On average, 100 000 persons have crossed the border every year, with a residency permit for one year or more. In relative terms, with 13.7 entries per 1 000 inhabitants, Switzerland ranks second among European countries, behind Ireland (21 entries) but far ahead of France (2.2), Germany (6.8) and even the United Kingdom (8.4) (OECD, 2008).

In 2008 there were nearly 160 000 entries, tying the records from the 1960s (Piguet, 2009). As of 1 January 2009 there were 1.67 million foreigners in Switzerland, or 22% of the total population of 7.7 million. The demands of the economy would appear to be the principal factor explaining this immigration, which has traditionally been channelled towards dependent employment; by contrast, the possibilities for immigrants to create enterprises were limited.

A great many immigrants spent only a short stay in Switzerland, under annual permits or under the aegis of the seasonal immigration programme.[2] Their status as immigrants was therefore not conducive to enterprise creation. Historically, Swiss law has never provided a specific residency permit for immigrant entrepreneurs comparable, for example, to that offered in Canada (Ley, 2006). Only the holders of permanent residency permits had the same right as Swiss citizens to create enterprises, while the holders of temporary permits were subject to very restrictive conditions. Since 2002, the agreement on free circulation of persons between Switzerland and the European Union has facilitated access to independent activity for EU citizens: they can now obtain a five-year authorisation to exercise an independent activity, subject to a probationary period of six to eight months to determine whether the activity can be self-supporting (Federal Statistical Office, 2006). For nationals of certain states (outside the European Union), the old regulation remained in effect until the new Federal Act on Foreign Nationals (LETR) came into force on 1 January 2008. Article 19 of that law allows foreigners to be admitted to Switzerland as independent workers, provided they can be classified as highly skilled or in a position to create jobs.

Over the last 20 years, Switzerland has seen its immigrant population stabilise, and this has greatly increased the possibilities of self-employment for immigrants. In particular there has been an increase in the proportion of long-term residency permits, guaranteeing a free choice of occupation. These permits covered roughly two-thirds of the foreign-born population in 2009, compared to less than a quarter in 1960. After many years during which Switzerland was very restrictive in granting nationality, the situation has changed considerably: while in the early 1990s citizenship was awarded each year to

only 1% of foreigners, that proportion is now 2.5%, and as high as 5% for people 19 years of age and under. In 2000, Switzerland had 527 000 citizens who were born abroad but had become Swiss, representing 7.4% of the population. While naturalisation is still subject to conditions, the stabilisation of the foreign population can be seen as well in the emergence of a second and even a third generation of immigrant origin, and thus in a growing proportion of foreigners born and educated in Switzerland.

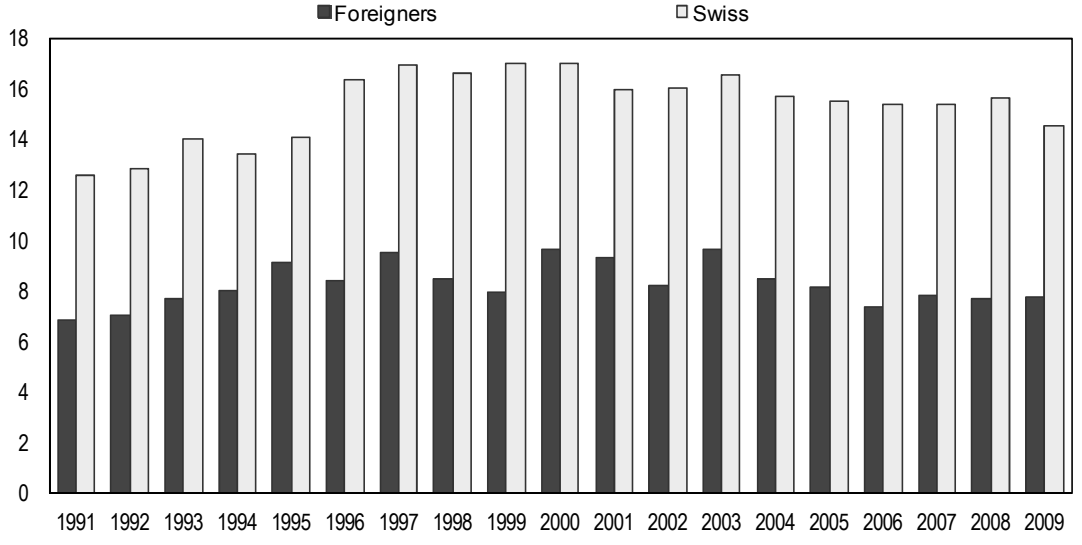
The trends described above are now making it easier for the immigrant population to engage in entrepreneurship. They explain why the study of this phenomenon, long neglected in Switzerland, is now a matter of public interest, and why the theoretical benchmarks developed some time ago, primarily in the English-speaking world (Dana, 2007; Kloosterman and Rath, 2001, 2003; Light and Gold, 2000; Rath, 2002; Stiles and Galbraith, 2004; Waldinger *et al*., 1990) using keywords such as "immigrant entrepreneurship" or "ethnic business" can now be applied to understanding and drawing lessons from the Swiss case. These trends also explain an increasing awareness of the phenomenon among the administrative authorities responsible for integrating immigrants (Stadt Zürich – Integrationsförderung, 2008).

5.2. Self-employed persons of foreign origin

In the second quarter of 2009 Switzerland had 76 000 self-employed foreign workers among a foreign-born workforce of 974 000. The absolute numbers of foreign-born self-employed workers has been rising for 20 years, from only 50 000 in 1991. The self-employed rate among foreigners is 7.8%.[3] This proportion of independent workers is less than half that of Swiss nationals and after rising during the 1980s (Piguet, 1998) it has remained fairly steady (Figure 5.1).

Figure 5.1. Self-employment rates, 1991-2009

Percentage



Source: Swiss Labour Force Survey, FSO, including primary sector.

The use of the national origin ("immigrant population") instead of nationality as a criterion reduces the difference observed between Swiss and foreigners. By this rule, the number of self-employed immigrants in 2009 rises to 135 000 and their self-employment rate to 9.6%. This reflects the fact that self-employment rates among naturalised persons are very close to those for the Swiss (13.5%).

Self-employment and the acquisition of nationality appear then to be mutually interdependent phenomena. On one hand, they have an influence on each other: naturalisation can facilitate access to self-employment and the decision to seek naturalisation can be justified by an entrepreneurial project. On the other hand, naturalisation and self-employment can be favourably affected by common factors such as length of stay or the intention to settle permanently.

Consequently it is essential, if the analysis is not to be seriously biased, to examine the link between self-employment and migration and to include naturalised persons in that examination. We therefore adopt the following definition: *Immigrant population (or population of foreign origin) = foreign population + population naturalised after birth.*

Switzerland does not recognise *jus soli*. Consequently, the above definition has the drawback of treating a child born in Switzerland as a native if one of its parents is naturalised, but treating the same child as an immigrant if the parents have remained foreigners.

Self-employment rates calculated on this basis will vary considerably (Table 5.1). Among the principal national origins present in Switzerland in 2000, the Portuguese had the lowest proportion of self-employed (4.3%). Persons from Spain, South America, the former Yugoslavia, Africa and Asia also lagged in this regard (between 7.6% and 9.6%). Other national origins (Germany, Italy, North America, Turkey, France, etc.) reveal self-employment rates similar to those for the Swiss. Among the categories "rest of Europe" and "rest of the EU/EFTA" the proportion of self-employed workers exceeds that for the Swiss (around 15% of the working population, on average), reflecting in particular the large number of professionals.

For 2009, the only figures available are those covering the most important nationalities or groups of nationalities. They suggest, however, that changes over the last nine years have been modest. Thus the 2000 Federal Population Census (RFP, 2000), which we use here as the basis for our analysis, still offers a satisfactory picture of the situation of self-employment in Switzerland and allows us to appreciate it according to different demographic and socioeconomic characteristics.

Table 5.1. Self-employment rates by national origin, 2000

2009 for selected origins

National origin	Self-employment rate 2000 (%) RFP	Self-employment rate 2009 (%) ESPA
Switzerland	13.70	14.70
Rest of EU/EFTA	14.20	-
Northern and Western Europe	-	13.00
Germany	13.70	11.40
Italy	11.70	12.70
North America	13.10	-
Turkey	11.70	-9.00
Oceania, stateless, unknown countries	12.50	-
Rest of Europe	16.30	-
France	11.00	13.30
Former Yugoslavia	8.30	-
Balkans	-	-4.70
Asia	9.60	-
Spain	7.60	-
Spain and Greece	-	9.50
Central and South America	8.30	-
Africa	9.00	-
Portugal	4.30	3.60
Total	**12.80**	**13.00**

Source: 2000 Federal Population Census (RFP) without the primary sector; 2009 Swiss Labor Force Survey (including the primary sector) Federal Statistical Office (FSO) – numbers in brackets are approximate (insufficient sample).

Age, gender and marital status

Self-employed persons of foreign origin are on average two years younger than the Swiss-born self-employed (42.8 years versus 44.7 years). The self-employment rate rises with age for both groups. The only difference is that, up to the age of 25, the self-employment rate of the immigrant population exceeds that of the Swiss-born, while the trend is reversed thereafter. These rates are however very modest: thus, for persons 15 to 19 years old the self-employed portion of the workforce is 2.7% for persons of foreign origin and 1% for natives. By contrast, among persons over 62/65 years (the retirement age for women/men in 2000), the proportion of independent workers is 48.7% for the Swiss versus 41% for persons of foreign origin.

Among both the Swiss and the immigrant population, the self-employed are more likely to be men. Their overrepresentation is however slightly less among the immigrant self-employed (66.2% versus 71% for the Swiss).

The self-employment rate is also higher among married, divorced or widowed persons.[4] Beyond the age effect, this has often been interpreted in the literature as reflecting the possibilities of flexible work time that self-employment offers a couple and the family mode in which many small enterprises are run.

Table 5.2. Self-employment profile and rate, by national origin

	Self-employment profile (%)		Self-employment rate (%)	
	Swiss	Immigrants	Swiss	Immigrants
Average age	44.7 years	42.8 years		
Age groups				
15 - 19 years	0.40	1.00	0.90	2.70
20 - 24 years	4.00	5.60	6.20	6.90
25 - 34 years	15.90	20.50	9.50	7.80
35 - 44 years	28.50	29.20	15.20	10.60
45 - 54 years	29.60	23.80	17.30	13.10
55 - 59 years	12.00	10.10	17.90	15.30
60 - 62/64 years	5.90	6.60	23.80	18.70
Over 62/64 years	3.80	3.20	48.70	41.00
Total	**100**	**100**		
Gender				
Men	71.00	66.20	17.00	12.10
Women	29.00	33.80	9.30	8.40
Total	**100**	**100**		
Civil status				
Married, widowed, divorced	76.60	81.80	16.80	11.60
Single	23.40	18.20	8.50	7.50
Total	**100**	**100**		
Highest education achieved				
No education achieved	0.50	4.40	9.20	8.20
Lower secondary	8.00	23.20	7.10	7.50
Upper secondary	56.60	40.60	12.90	11.80
Tertiary level	34.80	31.70	20.70	14.70
Total	**100**	**100**		
Sector nomenclature (“NOGA”)				
Trade, repair	22.30	21.60	17.00	13.90
Real estate, renting, computer, R&D	21.50	16.50	26.20	16.20
Manufacturing	15.60	16.60	11.30	7.80
Construction	11.30	9.60	21.60	10.70
Hotels, restaurants	6.60	10.50	9.30	7.20
Health and social work	7.20	7.30	22.50	12.00
Other services, households	6.40	7.30	20.50	18.20
Transport and communication	4.10	4.60	7.70	9.90
Finance and insurance	2.70	3.40	5.30	6.50
Education	2.00	2.00	4.40	5.40
Public administration	0.50	0.50	1.10	2.40
Total	**100**	**100**		

Source: Federal Population Census; Federal Statistical Office (FSO) – excluding the primary sector.

5.3. Education level and sector of activity

More than nine out of ten Swiss self-employed persons have completed the upper secondary level or more (baccalaureate), compared to only seven in ten self-employed immigrants. This difference is by no means confined to the self-employed, however, and

can be observed among Swiss and immigrant paid employees, where 82.2% and 59.2% respectively have at least a secondary II diploma.

While self-employment rates for the Swiss and immigrants are roughly comparable in the "no education" and "secondary I and II" categories, this is not the case in the "tertiary" group. The self-employment rate at this level is substantially lower for persons of foreign origin (14.7%) than among the native-born Swiss (20.7%). One might posit that this difference reflects the lower prevalence of professionals (physicians and lawyers) among foreigners. Not only do independent activities of this kind require advanced qualifications, but the foreign-born face entry barriers such as non-recognition of foreign diplomas and limitations on immigration in certain professions.

The distribution of self-employed immigrants by sector of activity does not differ markedly from that for the Swiss self-employed. It will be noted, however, that proportionately fewer immigrants are self-employed in "real estate and renting" and "computers, research and development" (16.5% versus 21.5% of Swiss self-employed), while the reverse is true for the "hotels and restaurants" sector (10.5% versus 6.6%). The channelling of immigration into certain sectors, combined with barriers to horizontal mobility in terms of familiarity with the local market, recognition of diplomas, etc., probably explain these differences. A similar pattern emerges from comparing the ranks of the foreign self-employed against the total of self-employed persons by sectors Table 5.3). Foreigners are overrepresented in the hotel and restaurant business, and in personal and domestic services. In the analytical portion of this chapter we shall look more closely at this phenomenon, which sees certain groups concentrated in specific activities.

Table 5.3. Self-employed, by origin, in the ten main sectors of activity[1]

	Swiss origin	Distribution (%)	**Foreigner**	Distribution (%)	Weight (%)
Other business services	49 938	17.20	10 737	12.40	17.70
Retail	34 822	12.00	9476	11.00	21.40
Construction	32 813	11.30	8299	9.60	20.20
Health and social work	20 737	7.20	6311	7.30	23.30
Hotels and restaurants	19 053	6.60	9076	10.50	32.30
Wholesale	16 833	5.80	5528	6.40	24.70
Sale of cars	12 825	4.40	3595	4.20	21.90
Other personal and household services	11 822	4.10	4288	5.00	26.60
Computers	8002	2.80	2422	2.80	23.20
Metallurgy	7746	2.70	2131	2.50	21.60
Other sectors	75 113	25.90	24 381	28.30	24.50
Total	**289 704**	**100**	**86 244**	**100**	**22.90**

1. According to the general nomenclature of economic activities (NOGA). The level of precision used here corresponds to "divisions". Agriculture is not included in the analysis. Certain groups have been taken together in cases where the categories did not have sufficiently large sample sizes, as in the case of the extractive industry.

Source: Federal Population Census; Federal Statistical Office (FSO) – excluding the primary sector.

5.4. Entrepreneur employers

The impact of immigrant entrepreneurship on employment is difficult to measure empirically because of the many biases that generally lead to underestimation of this phenomenon. On one hand, acquisition of the host country's nationality tends to be particularly attractive for persons with entrepreneurial ambitions, who as a result disappear from statistics on the foreign population; on the other hand, the most successful business owners are by all appearances more likely to transform their

business into a corporation under Swiss law (joint stock company (SA) or limited liability company (SARL) and therefore, unless they remain the principal owner of the business, they will disappear from the self-employment statistics.

The Swiss Labour Force Survey does however shed some light on business creation through the statistics on the number of persons employed by independent immigrants. We present these data by nationality at birth, using a sociological definition of self-employment that limits the biases mentioned above. The total of jobs attributable to immigrant entrepreneurs can be estimated on this basis at around 275 000 in 2009.

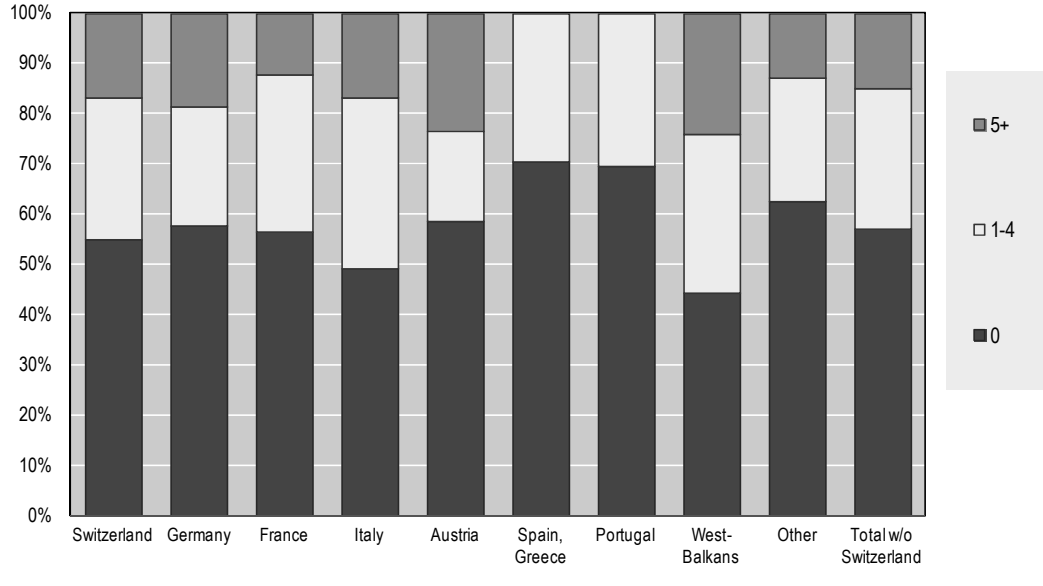
Table 5.4. Self-employed (in thousands) by origin and number of employees

Number of subordinates	Switzerland	Germany	France	Italy	Austria	Spain, Greece	Portugal	West-Balkans	Other	Total
0	232	14	6	16	3	4	-3	5	26	308
01-04	119	6	3	11	-1	-2	-1	-4	10	156
5+	71	5	-1	5	-1	()	()	-3	5	93
Total	**422**	**24**	**10**	**32**	**5**	**6**	**5**	**11**	**42**	**557**

Source: 2009 Swiss Labour Force Survey (including the primary sector), FSO – Nationality at birth – numbers in brackets are not statistically significant; (): omitted for lack of statistical significance.

Figure 5.2 shows that, generally speaking, the propensity of Swiss and immigrant entrepreneurs to create jobs does not vary: 55% work alone and 45% have employees. On the other hand, there are differences by place of origin: while self-employed persons from Spain, Greece and Portugal are more likely to work alone than are their Swiss counterparts, those from Italy and from the Western Balkans (former Yugoslavia) have a greater tendency to create jobs. The available data do not make clear, unfortunately, whether these jobs involve primarily persons of the same origin, which would make these enterprises specific vectors of integration into the labour market for these national groups (Sahin *et al*., 2007).

Figure 5.2. Self-employed by origin and number of employees, 2009



Source: 2009 Swiss Labor Force Survey (including the primary sector).

5.5. Factors explaining self-employment

The differing self-employment rates among nationalities can probably be explained by structural differences. For example, an older national group or one with a higher proportion of men would be expected to have higher self-employment rates. Characteristics linked directly to immigration or national origin must also play a role, however. The following analyses are intended to weigh these different effects and suggest explanations for them.

There are three broad families of hypotheses among the theories proposed to explain immigrant self-employment:

- The hypothesis of specificity;
- The hypothesis of convergence;
- The hypothesis of disadvantage.

The first hypothesis links self-employment among the immigrant population to a degree of difference or specificity vis-à-vis the native-born. Belonging to an ethnic group is seen as a source of social capital that facilitates immigrants' access to independent activities. This is sometimes called the "ethnic resource model". This hypothesis is reminiscent of Weber: many authors have proposed (sometimes in an exaggeratedly culturalist manner) that certain cultural groups have their own entrepreneurial ethos. Yet there are also other mechanisms involved: the existence of a clientele of the same origin for specific products, the capacity to mobilise particularly loyal or inexpensive family or community manpower, the ability to capitalise upon solidarity networks, or appreciation of the ethnic image by a native-born clientele in search of the exotic. This model is widespread in North American literature under the label "ethnic business", and has recently been the subject of renewed debate (Anthias and Cederberg, 2009; Jones and Ram, 2007). It holds that marked specialisations emerge in certain sectors where specificities linked to immigration can be particularly valuable (such as the food business, textile workshops, travel agencies, beauty parlours, restaurants).

The second hypothesis developed here to account for certain specific features of immigration to European countries that recruit workers, such as Switzerland (Piguet, 1999), sees in immigrant self-employment a phenomenon linked to an increasingly similar profile of foreign-born and native persons. Having arrived as dependent employees, some will move into a position over time where they can create enterprises, particularly in sectors to which they were steered by the recruitment policy upon their arrival. Their self-employment rate will therefore start out far below that of natives and will then narrow the gap. Access to self-employment would in fact be correlated to integration, which reduces barriers and makes it possible for immigrants to become entrepreneurs (Ozcan and Seifert, 2000). The mechanisms underlying the choice of an independent activity have to do with individual aspirations to escape from the authority of a boss, for example, and to lead one's own life without any direct link to immigration or an ethnic group (Jones and Ram, 2007; Scase and Goffee, 1982).

Finally, the disadvantage hypothesis considers self-employment as a constraint imposed on certain immigrants by their situation in the host country labour market. Lack of recognition of diplomas or discrimination in hiring and promotion are assumed to make integration more difficult. They are a barrier to occupational mobility and oblige some to turn to self-employment as an alternative. In the English-language literature, this model is often referred to as "disadvantage theory", since the work of Ivan Light (1979),

or as the "block to mobility hypothesis" (Raijman and Tienda, 2000). This hypothesis is supported by the frequent observation of high unemployment rates and unfavourable working conditions among immigrant populations (Piguet, 2009). Opening a small business in an accessible sector (and consequently one that may be economically fragile) can in this context be a rare escape route, even if it offers most entrepreneurs nothing more than long hours of work at subsistence pay.

The three broad families of hypotheses described here are not mutually exclusive. While the earliest international studies on self-employment often picked one over the others, a consensus subsequently emerged that saw these different mechanisms as acting together and to varying degrees on self-employment. This gave rise initially to "interactive" approaches looking simultaneously at the factors of individual predisposition, the possibilities of mobilising community resources, the state of the market and opportunities for entrepreneurship (Waldinger *et al*., 1990), and subsequently to the concept of "mixed embeddedness" (Kloosterman and Rath, 2001) or "double embeddedness" (James and Ram, 2007), stressing the joint importance of the social context of entrepreneurship on one hand and the structural context on the other (Prodromos, 2006). Our study takes the same perspective. Our goal, then, is not to determine which of the three hypotheses applies to Switzerland, but rather to measure the respective influence of each factor on the propensity to self-employment.

5.6. Indicators and method

In this study we use two complementary approaches. The main one is to estimate the effect of selected individual characteristics on the probability of being self-employed. To this end, we conduct a series of logistic regression analyses where the dependent dichotomous (binary) variable is constituted by the fact of being self-employed or not. These analyses can measure the weight of specific variables (language, national origin) or variables relative to individuals' migration histories.

Our second approach is to compare the structure of activity (distribution by sector) of self-employed Swiss and immigrants. The relative similarity of activity profiles of the different groups will suggest one or other of our three hypotheses. To this end, we calculate segregation indices.

Taking the variables available in the RFP 2000, the links between our indicators and our three hypotheses may be stated as follows:

- The *specificity* hypothesis should be indicated by an important effect of national origin and religion ("cultural" variables) on self-employment. The fact of not speaking the host country language (local language), of not being born in Switzerland or of having recently arrived should not be an obstacle to self-employment. Generally speaking, the factors used by the specificity hypothesis to explain immigrant self-employment will be different from those that explain native self-employment. This hypothesis will be reinforced, then, if we find heavy concentrations of certain national origins in specific sectors.
- The *convergence* hypothesis should result in the same explanations for Swiss and immigrant self-employment. In the latter case, the length of stay, the duration of the permit granted and command of the local language should be positively correlated with self-employment, as should the fact of being naturalised. This hypothesis will be reinforced if we find low concentrations of self-employment in specific sectors.

- The *disadvantage* hypothesis is more difficult to test with the available data. One might assume, however, that labour market handicaps (low qualifications or inadequate command of the local tongue) should correspond to a higher propensity for self-employment. Cultural variables could be positively correlated with self-employment, as in the specificity model, but in this case the reason would be found in discrimination on the labour market rather than the advantages of self-employment. Self-employment under this hypothesis constitutes a fallback solution. It should therefore be found in specific economic niches that may be insecure and require few formal qualifications but for which opportunities exist because of a latent demand in the economy.

Framework 5.1 below presents the interpretation grid that emerges from the mechanisms discussed above.

Framework 5.1. Interpretation grid according to the three families of hypotheses

Factors analysed	Hypotheses		
	Specificity	Convergence	Disadvantage
Cultural dimension National origin, religion etc.	Positive effect on the probability of self-employment	Indeterminate	Positive effect in case of labour market disadvantages
Distribution of the self-employed by sector	Concentrations in activities where specificities are an asset	Distribution approaches that for the native-born	Concentration in low-skill niche sectors
Personal resources Education level, etc.	Indeterminate	Same effect as with the native-born	Negative effect for it reduces the labour market disadvantage
Degree of integration Length of stay, place of birth, local language	Little effect (maybe negative if specificities are diminished)	Positive effect	Negative effect
Other variables Age, gender, location, etc.	Different rationale as compared to native-born	Same effect as with the native-born	Indeterminate (there may be a cumulative effect with other disadvantages)

The main statistical tool used in this analytical portion is logistic regression. This method calculates, for each individual, the probability of exercising an independent economic activity as a function of a series of variables. Based on these results, the respective influence of each variable can be measured, ceteris paribus. The model is similar to ordinary multiple regression. The main difference lies in the fact that the variable to be explained is of the binary type (self-employed/not self-employed). While logistic regression is a fairly recent tool (Hosmer and Lemeshow, 1989), it has already been used in a number of studies of self-employment among foreigners or immigrants where the problem is akin to the one addressed here (Fairlie and Meyer, 1996; Fertala, 2003; Juhasz *et al.*, 2006; Le, 2000; Li, 2001; Nakhaie *et al.*, 2009; Ozcan and Seifert, 2000). The dimensions studied in those analyses include demographic, family, geographic and psychological variables (attitudinal scales, locus of control, etc.), in addition to cultural characteristics and individual migration histories.

Several logistic regressions were done to test the three hypotheses: to begin with we tested "general" models integrating all variables (Framework 5.2) and weighing their respective effect. Second, we ran national origin-specific models to compare the weight of explanatory factors among different origins,[5] and sector-specific models to identify any specificities of self-employment in those sectors.[6]

Framework 5.2. Explanatory variables used

Independent variables	Type	Categories	
Demographic characteristics			
Age	Continuous	-	
Gender	Binary	Male	Benchmark[1]
		Female	
Family situation			
Marital status	Binary	Married, widowed or divorced	Benchmark
		Single	
Place of residence			
Regions (« *Grandes Régions* ») (7)	Multinomial	Zurich *Mitteland* , Central Switzerland, Eastern Switzerland, Northwest Switzerland, Ticino, Lake Geneva Region	Benchmark
Type of commune[2]	Binary	Urban commune Rural commune	Benchmark
Individual resources			
Education level (3)	Multinomial	Basic education (low) Secondary I and II (intermediate), Tertiary (higher)	Benchmark
Command of the local language[3]	Binary	Yes No	Benchmark
Cultural variables			
Religion (7)	Multinomial	No religious affiliation Protestant, Catholic, Orthodox; Jewish, Muslim; others	Benchmark
Origin (15)	Multinomial	Swiss origin Immigrant (by national origin)	Benchmark
Variables related to immigration history			
Residency permit (4)	Multinomial	Swiss (including naturalised) Permit C; Permit B; others (stability of residency is considered to decline according to these four modalities).	Benchmark
Place of birth[4]	Binary	Switzerland Abroad	Benchmark
Residence five years ago[5]	Binary	Switzerland Abroad	Benchmark

1. When there are several categories, logistic regression compares each modality of the variable to a benchmark modality. We specify it in the table. We have taken as benchmarks those modalities that concern the greatest numbers of people, with two exceptions. The choice of the "no education" category instead of "intermediate education" allows us to measure the progressive effect of the level of education. The intuitively neutral choice of the category "no religious affiliation" instead of "Catholic" seems to us also more appropriate.

2. The OFS makes available a variable that distinguishes four types of communities: city-centre communities, other metropolitan communities, isolated cities, and rural communities. We have grouped the first three categories together under the designation "urban communities".

3. This variable was constructed on the basis of data from the survey question: "what language(s) do you usually speak?" The answers offered fall under two headings: "at school/at work" and "at home/with family", giving rise to two distinct variables that we have grouped together. People using the local language in at least one of these two settings are included under the "yes" category.

4. Corresponds to the mother's place of residence at the person's birth.

5. Approximation of the length of stay (the only variable available in the RFP).

5.7. General findings

The effect of different variables on the probability of self-employment has been estimated in the context of two general models, after excluding the "regions" (*grandes régions*) variable.[7] In the first model, the "national origin" variable does not include the two modalities "Swiss-born" and "foreign-born". In the second model, there is a distinction between Swiss, naturalised and foreign persons.

The two models produce very similar results (Table 5.5). The values of the exp(β) coefficients can be used to assess the respective effect of different variables. The interpretation of the results can be illustrated with the example of the gender affect. According to model 1, the value of exp(β) is 0.607 for women versus 1 for men. We may conclude that the probability of self-employment among women is lower, ceteris paribus. If the self-employment rate for a group of men is 14.3%, it would be 9.2% for a group of women whose other characteristics are identical.[8] On this basis, the results yield three main explanatory factors:

- The level of education significantly increases the probability of self-employment. With an identical profile, a group of individuals with no education would see its self-employment rate rise from 9.2% to 19.4% if it were composed of individuals with a higher education degree. We may note, however, that the education effect is different according to the sector. People with no education are more likely to work for their own account in retail trade and in hotels and restaurants than in more technical sectors such as construction (see annex).
- The probability of being self-employed rises with age. Each additional year contributes 1.033 to the chances of being self-employed. Thus, for a gap of 40 years (corresponding approximately to the difference between someone just beginning a professional career and someone reaching the age of retirement), the chances are increased by a factor of more than 3.5. With equal profile, a group of 25-year-olds would see its self-employment rate move from 10.7% to 31.1% if it were composed of 65-year-olds. The need to have both human capital (experience) as well as financial and social capital to work for oneself would seem the most plausible explanation for this age effect. Beyond 65 years, most employees retire from the labour market, whereas the self-employed tend to remain active, which explains the phenomenon.
- The type of residency permit has a significant influence on the self-employment rate. The independent work limitations that Swiss law imposes on foreigners are more constraining when permit stability is precarious. Save for exceptional cases, it was still impossible until recently for a person to enter Switzerland for the first time as an independent worker, and self-employment without a permanent residency permit (permit C) was subject to authorisation. For the same average profile, the self-employment rate of persons of Swiss nationality is 12.8%, that of persons holding permit C and permit B (annual residency authorisation) is respectively 10.9% and 8.2%, while it is only 3.3% for working persons holding other kinds of entry permits. This progression of self-employment rates with residency stability points to the convergence hypothesis. So does the finding in model 2 that naturalised persons have a greater probability of self-employment than any other group. This last finding reveals the effect of naturalisation mentioned at the beginning of this chapter (p. 150): on one hand, naturalisation may be particularly attractive for entrepreneurs, and on the other hand naturalisation and entrepreneurship are influenced by common factors, in particular the length of stay. Our "five years' prior residency" variable does not unfortunately allow us to control completely for its impact.

Table 5.5. Factors influencing the probability of self-employment

	Model No. 1			Model No. 2		
	Exp(b)	Sig.			Exp(b)	Sig.
Demographics						
Age	1.034	***		Age	1.034	***
Gender				Gender		
Men	Ref.			Men	Ref.	
Women	0.607	***		Women	0.608	***
Marital status						
Marital Status				Marital Status		
Non-single	Ref.			Non-single	Ref.	
Single	0.836	***		Single	0.836	***
Geographical factors						
Type of commune				Community		
Urban	Ref.			Urban	Ref.	
Rural	1.167	***		Rural	1.164	***
Individual resources						
Education level				Education level		
Low	Ref.			Low	Ref.	
Medium	1.643	***		Medium	1.638	***
Higher	2.377	***		Higher	2.357	***
Regional language				Regional Language		
Not speaking	Ref.			Not speaking	Ref.	
Speaking	1.114	***		Speaking	1.172	***
Cultural						
Religion				Religion		
Irreligious	Ref.			Irreligious	Ref.	
Protestant	0.817	***		Protestant	0.818	***
Catholic	0.838	***		Catholic	0.841	***
Orthodox	0.934	***		Orthodox	0.921	***
Other	1.016			Other	0.922	***
Muslim	1.113	***		Muslim	1.076	***
Jew ish	1.531	***		Jew ish	1.527	***
National origin				National origin		
Suisse	Ref.			Suisse	Ref.	
Immigrant	0.884	***		Naturalised Sw iss	1.113	***
				Foreigner	0.89	***
Variables linked to migration						
Residence five years earlier				Residence five years earlier		
In Sw itzerland	Ref.			In Sw itzerland	Ref.	
Abroad	0.889	***		Abroad	0.7	***
Place of birth				Place of birth		
In Sw itzerland	Ref.			In Sw itzerland	Ref.	
Abroad	0.875	***		Abroad	0.882	***
Residence permit						
Sw iss	Ref.	***				
Permit C	0.836	***				
Permit B	0.611	***				
Other	0.231	***				

Source: Federal Population Census; Federal Statistical Office (FSO) – excluding the primary sector.

The effect of the other explanatory variables is less important. The fact of not being single, living in a rural communities and speaking the local language seem to favour self-employment slightly. On the other hand, recent immigration (being born abroad and/or not having lived in Switzerland five years before the census[9]) is unfavourable to self-employment. Cultural variables, for their part, play a secondary role. Variations associated with religion, while still significant, are limited. The only exception concerns Jews, whose chance of self-employment is 1.5 times that of persons with no religion. There is a similar but less pronounced effect with Muslims. The differences between Swiss and foreign persons are also narrow. With the same profile, a group of foreigners would see its self-employment rate rise only from 12.9% to 14.3% if it were composed of native Swiss. The differences noted in the first part of this chapter between the two groups must be explained in part, then, by other variables included in our model.

This first analytical run provides a fairly accurate picture of the weight of the different variables considered for explaining self-employment. The findings they yield tend to support the convergence hypothesis. We must now analyse whether these observations remain valid when we use separate models that distinguish by origin.

5.8. Results by national origin

The two models used here compare the effect of a selection of variables on the self-employment of Swiss- and foreign-born persons. This comparison shows great similarities between the two groups. The differences, where they exist, have to do only with the intensity of the coefficients and not with their sign. Thus, age has a slightly less favourable impact on self-employment for foreigners, and this could be explained by policies that in the past were somewhat more restrictive on immigrants' access to self-employment, as well as by the fact that, in contrast to Swiss who continue their activity, foreigners may tend to return to their home country at the end of their career or when they retire (Fibbi and Piguet, 1995). The over representation of males is also less marked among persons of foreign origin, reflecting perhaps the structure of activities (with many foreign women working for their own account in domestic service). Having a tertiary education seems less favourable to self-employment for foreigners, reflecting the importance of the professions noted earlier. Conversely, not having lived in Switzerland five years before the census (which presupposes a shorter residency in Switzerland) is a slightly more significant obstacle for foreign-born than for Swiss persons. We may assume that the latter are more likely to have a prior familiarity with the country, even if they were absent five years before the census. That familiarity, together with the absence of any legal barriers related to nationality, facilitates access to self-employment.

With three of the explanatory variables, the impact on the propensity to self-employment diverges more sharply and the sign of the coefficient is reversed: those variables are the type of community of residence, use of the local language, and place of birth (Switzerland or abroad). We shall now discuss these three effects in somewhat more detail.

The type of community (rural or urban) has no significant influence on the self-employment rate for foreigners, while being an urban dweller is an obstacle to self-employment for the Swiss. Several hypotheses can be advanced to explain this divergent geographic effect. In particular we might assume that, for the Swiss, a rural location allows the continuation of traditional forms of self-employment (shop keeping, personal services, crafts) which in the city have been replaced by new modes of production and

distribution (with independent shops replaced by big chain stores, for example). This rural advantage seems to play no role for the foreign-born because they have arrived more recently and consequently have less involvement in traditional independent employment. One might even suggest that in urban areas immigrants are replacing the Swiss in certain activities ("corner stores", for example Piguet, 1996). This replacement or succession phenomenon would seem to go in the direction of the specificity and perhaps the disadvantage hypotheses, as it implies a predisposition on the part of immigrants to engage in particular activities.

With respect to the impact of speaking the local language on the propensity to self-employment, which was noted earlier, this relates essentially to foreigners and has no significant influence on the self-employment rate of Swiss persons. We may assume that the Swiss can always get by in another national language. This finding argues once again for the convergence hypothesis, but the effect is limited. Moreover, it is still rare to find Swiss-born or even foreign-born persons who do not speak the local language (only 0.4% of the working Swiss and 6.6% of foreigners).

Place of birth also has a different impact depending on national origin. While the fact of being born abroad has no influence on the self-employment rate of the Swiss, it constitutes an unfavourable factor for the foreign-born. This finding confirms the importance of the degree of integration, which is linked to length of stay, for an immigrant's probability of being self-employed, and thus supports the convergence hypothesis.

A comparison of the sector distribution of Swiss and foreign self-employed (see Table 5.3) points in the same direction. Calculation of the Duncan segregation index shows that the foreign self-employed are far from being confined to specific activities. The index in fact has a modest value of 11.1%, meaning that if only one foreigner in ten were to switch sector the sector distributions would be identical.

The principal difference that stands out relates to the "other services to business" category, which includes lawyers, management consultants, architects and engineers: 17.2% of the Swiss self-employed versus 12.4% of the foreign self-employed are to be found in these fields, which generally require advanced qualifications. This finding confirms the above hypothesis about the weight of Swiss independents in the professions. Conversely, we find a slight concentration of foreign independent workers in the hotel and restaurant sector.

The most important discrepancies found here again tend to support the convergence model. They are consistent with those of the only other available quantitative study in Switzerland (Juhasz *et al*., 2006). Before drawing conclusions, however, we need to check whether the convergence hypothesis remains dominant when we look at national origins individually.

Table 5.6. Factors influencing the probability of self-employment among native Swiss and the foreign-born

Model No. 3			Model No. 4		
Persons of Swiss origin			Persons of foreign origin		
	Exp(b)	Sig.		Exp(b)	Sig.
Demographic variables					
Age	1.036	***	Age	1.03	***
Gender			Gender		
Man	Ref		Man	Ref	
Woman	0.594	***	Woman	0.69	***
Family situation					
Marital status			Marital status		
Non-single	Ref		Non-single	Ref	
Single	0.848	***	Single	0.852	***
Geographical factors					
Type of commune			Type of commune		
Urban	Ref		Urban	Ref	
Rural	1.193	***	Rural	0.995	
Individual resources					
Education level			Education level		
Low	Ref		Low	Ref	
Medium	1.751	***	Medium	1.616	***
Higher	2.66	***	Higher	2.024	***
Regional language			Regional language		
Not speaking	Ref		Not speaking	Ref	
Speaking	0.981		Speaking	1.274	***
Variables linked to migration					
Residence five years earlier			Residence five years earlier		
In Switzerland	Ref		In Switzerland	Ref	
Abroad	0.84	***	Abroad	0.657	***
Place of birth			Place of birth		
In Switzerland	Ref		In Switzerland	Ref	
Abroad	1.065	**	Abroad	0.849	***

Source: Federal Population Census; Federal Statistical Office (FSO) – excluding the primary sector.

Origin-related explanatory factors

A fifth model was developed, distinguishing the national origins most widely represented in Switzerland, and it qualifies the conclusions of models 1 and 2 (Table 5.5). We find, in fact, marked discrepancies by origin. Turkish immigrants clearly have a higher propensity to self-employment than natives, ceteris paribus. Other groups, notably Portuguese immigrants, trail far behind. Thus, with the same profile, Portuguese, Swiss and Turkish persons reveal self-employment rates of 9.1%, 12.8% and 18.1% respectively. The probability of being self-employed is then, other things being equal, twice as high for a person of Turkish origin than for a person from Portugal.

Table 5.7. Factors influencing the probability of self-employment

	Model No. 5	
	Exp(β)	Sig.
Demographic variables		
Age	1.033	***
Gender		
Men	Ref.	
Women	0.608	***
Family situation		
Marital status		
Non-single	Ref.	
single	0.831	***
Geographical factors		
Type of commune		
Urban	Ref.	
Rural	1.168	***
Individual resources		
Education level		
Low	Ref.	
Medium	1.628	***
Higher	2.352	***
Regional language		
Not speaking	Ref.	
Speaking	1.107	***
Cultural variables		
Religion		
Irreligious	Ref.	
Protestant	0.818	***
Catholic	0.838	***
Orthodox	0.919	***
Other	0.986	
Muslim	1.025	
Jewish	1.544	***
Variables linked to migration		
National origin		
Switzerland	Ref.	
Portugal	0.68	***
Africa	0.861	***
Spain	0.861	***
France	0.888	***
South/Central America	0.98	
Former-Yugoslavia	1.026	
Germany	1.034	*
Asia	1.101	***
Rest of EU/EFTA	1.13	***
North America	1.145	***
Italy	1.196	***
Rest of Europe	1.294	***
Oceania, stateless, etc.	1.31	***
Turkey	1.505	***
Residence five years earlier		
In Switzerland	Ref.	
Abroad	0.884	***
Place of birth		
In Switzerland	Ref.	
Abroad	0.921	***
Residence permit		
Swiss	Ref.	
Permit C	0.86	***
Permit B	0.633	***
Other	0.244	***

Source: Federal Population Census; Federal Statistical Office (FSO) – excluding the primary sector.

We shall now look more closely at four national origins (former Yugoslavia, Italy, Turkey and Portugal) with divergent self-employment rates. Persons of Portuguese origin have the lowest propensity to self-employment, those from the former Yugoslavia have a moderate propensity, while the Italians and Turks, when profiles are identical, have higher rates. We first perform separate logistic regression models for these four national origins in order to determine whether the explanatory factors differ. We then analyse the distribution of these self-employed by sector.

Self-employed workers from the former Yugoslavia

The limited influence of former-Yugoslav origin on the propensity to self-employment in model 5 seems to support the convergence hypothesis for this group. Yet model 7, prepared specifically for this population, requires us to qualify that assertion. While the influence of the "local language", "residence five years earlier" and "place of birth" is similar to that observed for the foreign population as a whole, there are also some specific explanatory factors apparent. The urban effect, already noted in the comparison between Swiss and foreigners, is particularly acute here. Living in an urban community is significantly favourable to self-employment for persons from the former Yugoslavia. We have already linked this finding to the specificity hypothesis.

Table 5.8. Separate modelling by national origin

	Switzerland (No. 6)		Former Yugoslavia (No. 7)		Italy (No. 8)		Turkey (No. 9)		Portugal (No. 10)	
	Exp(β)	Sign.	Exp(β)	Sign.	Exp(β)	Sign.	Exp(β)	Sign.	Exp(β)	Sign.
Demographic variables										
Age	1.036	***	1.016	***	1.028	***	1.021	***	1.019	***
Gender										
Men										Ref
Women	0.594	***	0.739	***	0.617	***	0.646	***	0.864	***
Family situation										
Marital status										
Non-single										Ref
Single	0.848	***	0.942		0.831	***	0.977		0.736	***
Geographical factors										
Type of commune										
Urban										Ref
Rural	1.193	***	0.887	**	0.953	*	0.722	***	0.867	**
Individual resources										
Education level										
Low										Ref
Medium	1.751	***	1.333	***	1.662	***	1.477	***	1.638	***
Higher	2.66	***	1.926	***	1.763	***	1.454	***	2.557	***
Regional language										
Not speaking										Ref
Speaking	0.978		1.091		1.586	***	1.366	**	1.161	*
Variables linked to migration										
Residence five years earlier										
In Switzerland										Ref
Abroad	0.84	***	0.81	***	0.525	***	0.641	***	0.459	***
Place of birth										
In Switzerland										Ref
Abroad	1.065		0.787	**	0.939	**	1.019		0.751	*

Source: Federal Population Census; Federal Statistical Office (FSO) – excluding the primary sector.

The sector distribution of independent workers from the former Yugoslavia also tends to diverge from the average profile. The segregation index calculated in comparison to self-employed Swiss rises to 27%, meaning that more than a quarter of former Yugoslav independent workers would have to change sector for the two distributions to coincide. The most important sector becomes construction (18%) followed by hotels and restaurants and retail trade, while "other services to business" falls in fourth position (6.9% of the self-employed).

Table 5.9. Self-employment by national origin and the top ten sectors

Origin: Former Yugoslavia			Origin: Italy		
	Eff.	%		Eff.	%
Construction	2 139	18.00	Construction	3 186	13.80
Hotels and restaurants	1 212	10.20	Retail	2 740	11.90
Retail	958	8.10	Other business services	2 266	9.80
Other business services	823	6.90	Hotels and restaurants	2 176	9.40
Health and social activities	796	6.70	Other personal and household services	1 962	8.50
Wholesale	605	5.10	Sale of cars	1 851	8.00
Manufacture of basic metals	529	4.40	Wholesale	1 364	5.90
Land transportation	425	3.60	Manufacture of basic metals	660	2.90
Food and drink industry	384	3.20	Health and social activities	642	2.80
Sale of cars	382	3.20	Equipment and machinery	484	2.10
Others	3 645	30.60	Others	5 714	24.70
Total	**11 898**	**100**	**Total**	**23 045**	**100**
Origin: Turkey			**Origin: Portugal**		
	Eff.	%		Eff.	%
Hotels and restaurants	623	15.30	Hotels and restaurants	619	21.00
Retail	521	12.80	Construction	439	14.90
Other business services	295	7.20	Retail	381	12.90
Wholesale	260	6.40	Other business services	183	6.50
Construction	200	4.90	Other personal and household services	149	5.10
Equipment and machinery	176	4.30	Health and social activities	124	4.20
Land transportation	176	4.30	Wholesale	105	3.60
Manufacture of basic metals	172	4.20	Sale of cars	100	3.40
Health and social activities	160	3.90	Land transportation	91	3.10
Sale of cars	138	3.40	Manufacture of basic metals	63	2.10
Others	1 355	33.20	Others	684	23.20
Total	**4 076**	**100**	**Total**	**2 948**	**100**

Source: Federal Population Census; Federal Statistical Office (FSO) – excluding the primary sector.

Differences in the explanatory variables and in the activities profile suggest that the case of the self-employed from the former Yugoslavia fits the specificity model. The fact that members of this group tend towards relatively unskilled work even if their own level of qualification retains a favourable impact (Exp(β) = 1.9) on self-employment also argues for the disadvantaged hypothesis and for self-employment as a fallback. This phenomenon is correlated with high unemployment rates among this population. Explanatory factors could include skills not matched to the labour market, diploma recognition problems, or even discrimination, which people from the former Yugoslavia are known to suffer in particular (Fibbi *et al*., 2003).

Self-employed persons of Italian origin

The model constructed for the Italian-born population reveals a pattern of self-employment for which the explanatory factors are similar to those for the Swiss. The coefficients associated with age, sex, marital status, etc. are almost identical for the two groups. The positive impact on self-employment, speaking the local language, being born in Switzerland, and especially having lived in Switzerland for five years before the census lends strong support to the convergence hypothesis.

While access to self-employment for persons of Italian origin is correlated with integration, they do not always establish themselves in the same sectors as the native Swiss. The segregation index of 17.9% reveals concentrations in insecure trades and in relatively unskilled activities such as construction and personal and domestic services. Contrary to people from the former Yugoslavia, Italians seem unlikely to suffer disadvantage on the employment market: concentration is less pronounced, their unemployment rates are lower, and discrimination seems rare. One possible explanation may have to do with what we might call the "inertia phenomenon": in the 1960s and 1980s Italians came to Switzerland in response to labour market needs in very specific sectors. Their subsequent integration led them to create enterprises in those same sectors, where they had ready expertise.

Self-employed persons of Turkish origin

Turkish immigrants present a more complex case than do those from Italy and the former Yugoslavia. The logistic regression model certainly confirms the convergence hypothesis: several variables correlated to integration continue to favour self-employment, but some discordant elements appear, such as the absence of any positive effect of being born in Switzerland. It must also be recalled that, with an Exp(β) coefficient of 1.5 in model 3, Turkish origin is found to have the greatest impact, ceteris paribus, on the propensity to self-employment and therefore points clearly to the specificity hypothesis. As well, several of the coefficients diverge from those for the native-born. Thus, the advantage associated with living in an urban community is even greater than for the former Yugoslavia, while the probability of self-employment does not increase so obviously with the level of education. One might assume, then, that community resources allow Turks to launch themselves more easily into self-employment, whatever their formal qualifications in terms of diplomas.

The sector distribution of Turkish self-employed confirms their particular situation. The occupational segregation index relative to the Swiss is one of the highest (29.3%). The two main sectors are hotels and restaurants and retail trade, low-skilled activities that pose no significant barriers to entry and that, according to the international literature, are hospitable to "ethnic business".

Self-employed persons of Portuguese origin

The principal characteristic of self-employment among Portuguese immigrants is its rarity. At 4.3% in 2000 (3.6% in 2009) their self-employment rate is the lowest of all national groups studied, as is the Exp(β) coefficient of 0.68 from the logistic regression. In this case there are a number of elements favourable to the convergence hypothesis (a positive effect of speaking the local language, of being resident in Switzerland for a long time, and of being born in Switzerland) which suggests that self-employment must be influenced by the fact that Portuguese immigration is relatively recent and those immigrants are only partially integrated. Yet it remains to be explained why, as our model 3 has shown, Portuguese origin – other things being equal and integration variables already accounted for – has a negative impact on the likelihood of self-employment. It seems that there are specific mechanisms at play, beyond the convergence phenomenon, that tend to discourage rather than foster self-employment in this case. One hypothesis is that the reasons for immigration are different: if Portuguese coming to Switzerland are planning to return home, this would make self-employment less attractive.

5.9. Conclusion

Our study has sought to describe the characteristics of self-employment among immigrants in Switzerland and to evaluate, on one hand, the consequences of these activities in terms of job creation and, on the other end, the extent to which they reflect integration with the native-born population (the convergence hypothesis), specific cultural or other features favourable to immigrant self-employment (the specificity hypothesis), and the existence of obstacles in the employment market (the disadvantage hypothesis).

Our results show, first, that foreigners have a lower propensity to self-employment than persons of Swiss birth, and that this is explained in part by structural characteristics (younger population, lower education level, etc.). The residual difference may then be attributed in large part to the fact that the immigrant population faces self-employment handicaps related to their particular immigration history: not having been born in Switzerland, having a temporary residency permit, or having arrived only recently are clear obstacles to entrepreneurship. Juhasz (2006) has shown that "intermediaries" (conjugal partners of Swiss origin, for example) can help to overcome this handicap and that the self-employment rate is higher among mixed couples. In this same vein, the sector distribution of immigrant self-employment differs little from the Swiss profile and there is no obvious evidence of ghettoisation or of an "ethnic economy". These findings argue in favour of the convergence hypothesis as the dominant model in Switzerland: self-employment reflects above all a process of integration with the native-born population. Becoming an entrepreneur, then, is most often a matter of choice or of individual constraints, unrelated to membership in a specific immigrant group.

Beyond this overall finding, a more targeted analysis of certain national origins reveals diversified processes. Immigrants from Turkey and to a lesser extent from the former Yugoslavia, ceteris paribus, have self-employment rates higher than or at least equal to those for the native-born. With this greater propensity to self-employment, these immigrants tend to live in urban areas and to have activity profiles different from those of the Swiss. This corroborates the specificity hypothesis, and apparently gives rise to certain kinds of "ethnic business" (a point that should be confirmed by more targeted studies). Particularly in the case of persons from the former Yugoslavia, there are reasons

to think that self-employment is not a choice but rather the result of employment market barriers (non-recognition of diplomas, discrimination). If this is so, it would confirm the disadvantage hypothesis.

To conclude, our results are consistent with several recent international publications that have tended to downplay the supposedly ethnic or specific nature of immigrant entrepreneurship and have argued for addressing this question in the broader context of entrepreneurship in general (Jones and Ram, 2007; Nakhaie *et al.*, 2009; Pecoud, 2000). In pursuing this research, it would no doubt be wise to study immigrant entrepreneurship from new angles. In addition to the usual starting point, which is to define the target group by its nationality or ethnic origin, research should broaden its focus to cover all entrepreneurs within a given sector or geographic space. The ethnic aspect or the specific operating modes of immigrant enterprises would not be assumed at the outset through the choice of the national group studied but would be allowed to emerge – if they exist – from observation of the ways in which individuals define their identities, organise their social relations and develop their entrepreneurial activities.

Notes

1. The analysis of the figures from the 2000 population census was performed in connection with a mandate from the Federal Statistical Office in collaboration with Roger Besson (Piguiet, 2005). Note that the primary sector is included in the ESPA figures but have been excluded from the RFP 2000 figures (see Annex 5.A2).

2. Abolished in 2002.

3. Self-employment rate = self-employed times 100/workforce. Annex 5.A1 presents in detail the definitions used for self-employment. Annex 5.A2 describes the population studied.

4. These categories have been combined because of the low numbers in the latter two categories, and on the assumption that the mechanisms linking marriage and the propensity to self-employment persist after the end of the union.

5. Models for different subgroups are constructed and compared in order to detect any interactive effects related to national origin. Interaction occurs when variables are not mutually independent, in the sense that one variable (national origin for example) influences the independence rate of another (sex). Phenomena of these kinds can pose problems when it comes to interpreting the results of a logistic regression integrating numerous explanatory variables. In order not to over-complicate the interpretation, we do not consider the interactive effects generated by variables other than national origin. Regression tests show that such effects exist but are weak and never go as far, for example, as changing the sign of a coefficient.

6. These models are presented in the annex.

7. A model distinguishing the regions was also produced. The regions play only a relatively weak role in self-employment, with coefficients varying between 0.83 (Ticino) and 1.01 (eastern Switzerland), with Zürich as the benchmark (this model is analogous to model 1). The distinction by regions is also less relevant in geographic terms than is the rural-urban split, and it does not correspond to any of our hypotheses about

immigrant self-employment. Consequently, we decided in the end not to take this variable into account.

8. The basic equation is: $\eta = \text{Ln}(c) = \beta 0 + \beta 1x1 + \beta 2x2 + \beta 3x3 + \ldots + \beta ixi$,, where x1, x2,..., xi represents the modalities of the different variables considered in the model, and $\beta 0$, $\beta 1$, $\beta 2$, $\beta 3$,…, βi,, their associated coefficients. For this calculation we must distinguish the notions of probabilities (odds-ratio) (p) and chances (odds) (c) with $p=c/(1+c)$ et $c=p/(1-p)$. The chance (odd) of being self-employed may be expressed as follows: $c = \exp(\beta 0 + \beta 1x1 + \beta 2x2 + \beta 3x3 + \ldots + \beta ixi)$. If only one modality changes, the chances of being self-employed switch from c0 to c1 = c0 * exp (βixi). In our example, the fact of being a man is coded as a benchmark. When only gender changes, we have a coefficient β de -0.499, hence $\exp(\beta) = 0.607$ and c Women = c Man*0.607. Assume that the probability of being self-employed (and consequently the self-employment rate) is 14.3% for a man with the benchmark profile. Then we have c Man = 0.167 and c Woman = 0.10. The probability (self-employment rate) for a woman is thus 9.2%. Here, the benchmark profile is: 35 years, single, urban, intermediate education, speaks the local language, no religious affiliation, Swiss origin, born in Switzerland, and resident in Switzerland for five years before the census.

9. It will be recalled that persons who are Swiss by birth are also included here.

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Annex 5.A1. Legal and sociological definitions of self-employment

There are two definitions of independent or self-employed workers:

- The legal definition treats "independent" in its strict sense. It refers to persons who are wholly responsible or jointly responsible with others, for their economic activity and who assume the entrepreneurial risk. If the enterprise fails, it is the personal assets of those independent persons that is at stake.
- The sociological definition is broader. It refers to persons working for their own account with full decision-making power over their activities. These persons are not all personally liable in case of bankruptcy, however. The owners of joint stock companies (SA) or limited liability companies (SARL) are included in this definition if they are majority owners of the enterprise.

In the 2000 census form, the question relating to professional status ("what is your situation in the profession?") made a clear distinction between the category "independent with/without employees", and another category "employee, working in your own company (*e.g.* SA or SARL)". Thus it made it possible to distinguish between the legal and sociological definitions (for a detailed discussion, see Piguet, 2005). As has most of the international and Swiss literature on this topic, we have opted for the latter definition in this chapter. The following table shows (highlighted) the categories of "situation in the profession" included in our definition of the self-employed (Table 5.A1.1).

Table 5.A1.1. Economically active persons, by situation in the profession, in 2000

Situation in the profession		Total	%
Self-employed and family enterprises	Self-employed with employee(s)	160 579	4.20
	Self-employed without employee(s)	252 160	6.70
	Persons working in family businesses	90 053	2.40
Employed	Employed in management positions	173 444	4.60
	Employed owning a business	137 542	3.60
	Employed lower/middle management	528 432	13.90
	Employees outside management	1 803 425	47.60
	Trainees	182 703	4.80
	Others	115 149	3.00
Active persons lacking further details		345 929	9.10
Total		**3 789 416**	**100**

Source: Federal Population Census; Federal Statistical Office (FSO).

In contrast to other researchers (Flückiger and Ferro Luzzi, 2001), we do not include family workers in our analysis, because their activity is very specific and similar to a dependent activity. We assume that family workers are really no different from employees, except perhaps in the way they are paid. To treat them as independent would mean counting several independent persons within the same household and the same enterprise.

Annex 5.A2. Population covered by the RFP 2000 analysis

We have included the entire population of persons working full-time and part-time. We have not limited our analysis to the working-age population (under 62/65 years), because older persons represent a relatively high proportion of the self-employed (more than 10%). We excluded from our analysis those persons who gave no information about their national origin: our goal was to compare populations of known national origin.

We excluded the primary sector from our analysis (except for the 2009 figures taken from the ESPA), a stance that is consistent with most of the international literature on self-employment. Agriculture is in fact a special case, in which the native-born are heavily overrepresented. There are very few foreign-born farmers, primarily because farms are transmitted by inheritance and there are legal obstacles in the way of foreigners seeking to acquire land. To delimit the agriculture sector, we refer to categories of Switzerland's General Classification of Economic Activities (*Nomenclature générale des activités économiques*, NOGA). We have therefore excluded the sectors "agriculture, hunting and silviculture" and "fishing and aquaculture", which together represent nearly 127 000 workers (of which 60 891 are self-employed, 60 024 are paid employees, and 6 173 are "indeterminate").

Our desire to include only the non-agriculture sector and to identify the economic activity of the self-employed also led us to exclude all persons whose sector of activity is not known (220 310 employees and 105 274 self-employed).

Table 5.A2.1. Persons active in the agriculture sector, by national origin, in 2000

	Swiss		Immigrants		Unknown origin	
Employed	48 187	-2.40%	11 222	-1.40%	615	-1.20%
Self-employed	59 140	-13.90%	1285	-1.20%	466	-5.40%
Self-employment rate in agriculture	55.10%		10.30%		43.10%	

Source: Federal Population Census; Federal Statistical Office (FSO).

Complementary models

Table 5.A2.2. Logistic regression models by sector of activity

Models	Construction		Wholesale and retail		Hotels/Restaurants	
	Exp(β)	Sig.	Exp(β)	Sig.	Exp(β)	Sig.
Demographic variables						
Age	1.037	***	1.04	***	1.046	***
Gender						
Men	Ref.					
Women	0.668	***	0.494	***	0.598	***
Family situation						
Marital status						
Non-single	Ref.					
Single	0.6	***	0.786	***	0.536	***
Demographic factors						
Type of commune						
Urban	Ref.					
Rural	1.111	***	1.278	***	1.598	***
Individual resources						
Education level						
Low	Ref.					
Medium	2.048	***	1.794	***	1.5	***
Higher	3.226	***	2.208	***	1.965	***
Regional language						
Not speaking	Ref.					
Speaking	1.335	***	1.096	*	1.29	***
Cultural variables						
Religion						
Irreligious	Ref.					
Orthodox	0.811	**	0.844	***	0.795	***
Protestant	0.822	***	0.894	***	0.845	**
Catholic	0.838	***	0.924		0.896	
Muslim	1.056		0.995		0.952	
Other	1.145		1.174	***	1.002	
Jewish	1.474		1.901	***	1.02	
National origin						
Switzerland	Ref.					
Portugal	0.487	***	0.594	***	0.598	***
Africa	0.692	**	0.852	**	0.73	***
Spain	0.735	***	0.856	***	0.745	**
Former Yugoslavia	0.896		0.867	*	0.863	
France	1.017		0.922	*	0.967	
Italy	1.13	**	0.925	*	0.987	
Asia	1.138		0.928		1.071	
South/Central America	1.149		1.004		1.228	***
Germany	1.248	***	1.029		1.346	***
Rest of Europe	1.252	*	1.11	***	1.369	*
Turkey	1.282	*	1.153		1.41	***
Rest of EU/EFTA	1.318	***	1.173	**	1.416	***
Oceania, stateless, unknown countries	1.782		1.3	***	2.029	*
North America	1.798	**	1.409	***	2.84	***
Variables linked to migration						
Residence five years earlier						
In Switzerland	Ref.					
Abroad	0.923		0.841	***	0.91	*
Place of birth						
In Switzerland	Ref.					
Abroad	0.727	***	0.989		0.813	***
Residence permit						
Swiss	Ref.	***				
Permit C	0.745	***	0.897	***	0.716	***
Permit B	0.602	***	0.647	***	0.344	***
Others	0.075	***	0.317	***	0.099	***

Source: Federal Population Census; Federal Statistical Office (FSO) – excluding the primary sector.

Part III

ENTREPRENEURSHIP AND EMPLOYMENT CREATION BY IMMIGRANTS: EXPERIENCES FROM SELECTED OECD COUNTRIES

Chapter 6

Business creation in France by entrepreneurs from outside the European Union

by

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Summary

This chapter analyses business creation in France by immigrants from a country outside the European Union, based on longitudinal data collected through the SINE survey system (Information System on New Enterprises). This system allows for tracking the life-cycles of individual enterprises created in France and thus enables to analyse the process by which migrant entrepreneurs set up their businesses in the country.

In particular, this chapter describes the evidence resulting from the 2006 SINE survey concerning the specific profile of the entrepreneurs of foreign nationality, compared to their counterparts of French nationality, as well as the specific characteristics of the businesses they set-up in France. In addition, it provides a brief description of the development of those businesses in their first three years of existence (primarily from the standpoint of employment and turnover).

6.1. Sources of information on entrepreneurs

In France, the SINE survey system (Information System on New Enterprises) set up by the INSEE (National Institute of Statistics and Economic Studies) is the main source of information on entrepreneurs. This system consists of three surveys conducted over a five-year period, the first at the time the business is created and the others three and five years later. The system is aimed at gathering information about entrepreneurs, their businesses, the preparation of projects and the development of businesses. In summary, the overall system makes it possible to analyse the creation of businesses, their survival and their development, in particular in terms of employment and turnover. Thus far, four sets of surveys have been conducted (1994, 1998, 2002 and 2006). The most recent of these, which has only been partially completed, concerns the 2006 generation of entrepreneurs (only the results of the first survey round are available).

This statistical database does not specifically target immigrant populations, but it does include the question "what is your nationality?" which makes it possible to address the topic of the nationality of entrepreneurs.[1] It is important to point out that this information is for declaration purposes. It does not take into account the ethnic origin, but only nationality.

The sample surveys 56 000 businesses or 40% of the businesses created during the first quarter of 2006. The size of the surveys and the representativeness of the businesses created (developed using the SIRENE Database, which is the database for recording all businesses created in Metropolitan and Overseas France and which is also the source of the sample selected) make it possible to use the answers to the above question as a relevant tool for addressing the topic that interests us here.

The 2006 SINE survey used in this chapter relies on the definition for business creation introduced as from 1 January 2007: the appearance of a legal operating unit that does not have a predecessor. In other words, it is essential that the business creation involves the introduction of new means of production.

The survey's coverage extends to all market activities except for the agricultural sector, *i.e.* the industrial, commercial and service sectors.

Some 7% of entrepreneurs in France declare that they are of foreign nationality from a country outside the European Union.[2] Using this figure, the number of businesses created in 2008 that are managed by an entrepreneur of foreign origin can be estimated at 24 000.

Since 2003, business creation has grown substantially in France (+ 62% between 2002 and 2008) as a result of various measures implemented both at the national level (laws promoting economic initiative – LIEs, the ASSEDIC unemployment office, etc.) and at the local level (regions, departments, etc.). It is likely that these measures have been accompanied by a change in mentality in France towards business creation and entrepreneurship more broadly. All categories of entrepreneurs have been affected by this strong growth, whether they are of foreign or French nationality. This has meant that the share of immigrants has remained virtually the same, even though their numbers increased over this period.

6.2. The profile of the businesses created by entrepreneurs of foreign nationality

Over half of foreign entrepreneurs are concentrated in two sectors of activity: construction (37%) and retail (21%). Foreigners have a stronger presence in these two sectors than French entrepreneurs (respectively 21 and 15%), and at the same time they seem less interested in business services (12% of foreign entrepreneurs compared to 21% of French entrepreneurs).

These differences in sectors of activity are reflected in the specific characteristics of the activities in which businesses engage. Foreign entrepreneurs:

- more frequently have a "craft business" (*entreprise artisanale*) (40% vs. 34% for the French). This reflects the fact that 60% of craft businesses (*i.e.* usinesses registered in the trade directory are engaged in construction activities;
- more often engage in subcontracting (22% as compared with 12%).

On average, businesses created by foreigners employ 1.63 persons (salaried or non-salaried, including the entrepreneur and any of his/her associates). This figure is smaller for businesses run by French nationals (1.57).

Nearly one in five foreign entrepreneurs employs salaried workers at the time of the start-up of the activity and the businesses that do so employ 2.18 persons on average. In France, it is infrequent for salaried workers to be employed at the time of the start-up of the activity, whatever the nationality of the entrepreneur. Immigrant entrepreneurs are

more often employers than French entrepreneurs (12%), but the average size of the businesses employing salaried workers is smaller (2.43).

The salaried employment generated by entrepreneurs of foreign nationality accounts for 9 % of the salaried jobs generated at start-up out of all new businesses.

6.3. The business set-up process for foreign entrepreneurs

It is not necessary to have a large amount of initial capital to start a business. The size of this capital primarily depends on the activity of the business and the scope of the project.

Two out of five foreign entrepreneurs had less than EUR 4 000 of initial capital to finance their project; 4% of foreign entrepreneurs had EUR 40 000 or more. Projects requiring large amounts of capital are more numerous among French entrepreneurs (12% had at least EUR 40 000).

To finance their project, 27% of foreigners made use of bank loans, and for 17% of them this was a business loan. These bank loans contributed, on average, 57% of all of the capital used. Access to bank loans is less frequent for foreign entrepreneurs than for the French (38%). This difference chiefly concerns the largest amounts of capital.

Few entrepreneurs set up their project alone: two-thirds of them declare having received support. Most often, they receive assistance from someone close to them in preparing the business plan (45%). This person could be the spouse (22%), another family member (26%) or a person that they knew from work (7%).

In addition, many of them also sought support from start-up professionals (39%). This included organisations specialised in business creation, such as the Chamber of Commerce and Industry or the Chambers of Trades and Crafts and support networks (24%), but also specialists such as lawyers, accountants, etc. (18%). However, they used such forms of support less frequently than entrepreneurs of French nationality (respectively 32 and 23%).

In addition to "methodological" support, foreign entrepreneurs also received financial and social assistance. For example, 36% said that they had received public subsidies or waivers while setting up the project, and 28% had received aid under the programme for assistance to unemployed persons who create or purchase a business *Accre* (*Aide aux chômeurs créateurs/repreneurs d'entreprises*). However, they received this aid less often than their French counterparts.

6.4. The profile of entrepreneurs

One-third of the foreigners who created businesses were salaried employees before they started their own company and 38% were job seekers. A broad majority of those who had been employed have professional qualifications in the occupations of clerical or manual worker (61%, of which 31% are manual workers). It is more common for them to have been in the latter category than for French entrepreneurs (15% of whom had been manual workers before they started their businesses).

The largest percentage of foreign entrepreneurs (41%) either have no educational qualifications or holds lower level diplomas such as certificates of lower-secondary or primary education (BEPC, CEP, etc.). One-fourth have higher education degrees and 27%

have technical secondary-level diplomas (vocational or technological Baccalaureate, CAP/BEPC, etc.). In this respect they differ from French entrepreneurs, who more often have higher education degrees (38%), less frequently have no educational qualifications (18%) and quite often have technical secondary diplomas (36%).

With regard to their prior professional experience, many entrepreneurs had had prior experience as managers:

- 28% had already created a business in the past, and 12% were already managing a business just before they created their own firm;
- 58% stated that they were engaged in an activity identical to that in which they had professional experience (as compared with 52% for French entrepreneurs).

6.5. The motivations of entrepreneurs

Regardless of, the main motivations that entrepreneurs declare as to what determined them to create their own business were: the wish to be independent (63% of foreign entrepreneurs), entrepreneurial ambition (32%) and the desire to increase their income (21%). Contrary to general belief, this final motivation is not the main reason given. Furthermore, it is mentioned less frequently by foreigners than by French entrepreneurs (26%).

The key objective of foreign and French entrepreneur is to ensure self-employment (59%). This aspiration is confirmed by the fact that few new foreign entrepreneurs plan to hire salaried workers in the months following the start-up (33%), although more of them do so than is the case for French entrepreneurs (23%).

Lastly, having a start-up business is not necessarily viewed as a permanent situation: 16% of foreigners say that they only plan to run their business for a limited time.

6.6. How do these businesses develop?

Between the time when the business was started and the third survey, most entrepreneurs had maintained their activity (44%) or significantly increased it (28%), while the remainder sought only to protect their investment (28%).[3]

Nearly half of the businesses run by foreigners had a turnover lower than EUR 46 000 (this is the same figure as for entrepreneurs of French nationality). Some 8% said that they had a turnover of EUR 305 000 or more. The corresponding figure is slightly higher for French entrepreneurs (12%). According to their responses, 42% of foreign entrepreneurs saw their turnover increase, and 11% of them experienced strong growth. Only 14% said that their turnover had fallen sharply. Although the share of French entrepreneurs who said that their turnover had dropped sharply is close to that of foreigners, more of them said that it had risen (52%).

Both for foreign and French entrepreneurs, a minority said that they had encountered cash-flow difficulties. However, these difficulties were more frequent for foreign entrepreneurs (34% as compared to 29%). The reasons most frequently reported (29%) for such cash-flow problems were excessive debt and the demands of suppliers.

Foreign entrepreneurs developed salaried employment more actively: 29% of them said that their wage bill increased between the time of start-up and their third anniversary

(as opposed to 23% of entrepreneurs with French nationality). This greater development of salaried employment, combined with the fact that foreign entrepreneurs also hired salaried workers more frequently when they started up their business, resulted in a higher level of salaried employment three years later, with 45% of foreign respondents saying that they employed salaried workers, as opposed to 33% of French entrepreneurs.

However, the average size of the payroll of salaried workers was smaller for foreigners (2.7 salaried workers per business) than for French entrepreneurs (3.7). Here again, this smaller average development combined with the average number of salaried workers at the time of the start up led to a lower average number of workers per business, three years after start-up: 4.0 salaried workers for French entrepreneurs as compared with 2.9 for foreign entrepreneurs.

Lastly, the vast majority of these entrepreneurs with foreign nationality were satisfied that they had started their own business (94%), and 38% of them were even very satisfied. Although the overall level of satisfaction was the same for French entrepreneurs, more of the French entrepreneurs were very satisfied (48%).

Notes

1. Nationality being French, foreign from an EU country or foreign from a non-EU country.
2. "Foreign entrepreneur" and "foreign nationality" correspond to individuals that are from a country outside the European Union
3. This final section was prepared on the basis of the results coming out of the second survey of the SINE System for the 2002 generation of entrepreneurs.

Chapter 7

Self-employment amongst ethnic and migrant groups in the United Kingdom

by

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Summary

The United Kingdom's recent immigration history has been quite complex. Diverse immigration flows to the country since the late 1940s have resulted in the establishment of a very heterogeneous immigrant population. As a consequence of these migration patterns and the rising proportion of many ethnic minority groups who are native-born, analysis of self-employment among ethnic and immigrant groups in the United Kingdom has tended to focus on ethnic differences rather than those by immigrant status. However, the latter aspect does have an important role to play in influencing self-employment rates across ethnic groups.

The early literature on ethnic minority self-employment in the United Kingdom was typically sociological in nature, and focused mainly on Asian groups, who tended to display higher self-employment rates. More economic-oriented research, looking at the push and pull factors that are behind migrants' entrepreneurial decision, started in the late 1990s. Among the results of the latter, strong evidence was found to support the notion that low earnings from paid-employment push ethnic minority workers into self-employment, especially for less educated individuals. Another finding – which contrasts with the situation observed in other OECD countries – was that in the United Kingdom the probability to be self-employed is significantly lower from individuals from ethnic minority groups living in ethnic enclaves. Those results suggest that the local economic conditions have an important impact on rates of entrepreneurship among ethnic minorities in the United Kingdom.

More recent researches have pointed out to the evolution over time of the characteristics of migrant self-employment in the United Kingdom. Among other aspects, the determinants of the evolution of the self-employment propensity by ethnic groups have been analysed. In addition to the heterogeneous migration patterns, the evidence that has been surveyed also emphasises that the self-employment experience of immigrant and ethnic groups in the United Kingdom has varied considerably over time.

Only a relatively small fraction of self-employed from most ethnic minority groups in the United kingdom employ others, the exception being Chinese and Bangladeshis, who are heavily concentrated in the restaurant sector. Although governments tend to view high

levels of self-employment as a healthy indicator of entrepreneurial activity, large numbers of self-employed minorities is not by itself a good thing. Therefore, government policy needs to pay attention to both the quantity and quality of self-employment.

7.1. Recent migration patterns and composition of the immigrant population in the United Kingdom

The United Kingdom's recent immigration history has been quite diverse. Evidence of this is clearly displayed in Table 7.1, which shows the population of working-age immigrants at the end of 2009, by period of arrival and area of origin. Large scale immigration to the United Kingdom in the post-war period, mainly emanating from the New Commonwealth, began in the late 1940s, initially from the West Indies.[1] Flows from this area peaked in the 1960s, as shown in Table 7.1 by the relatively high proportion of working-age immigrants from the Americas who arrived in this decade and who are still resident in the United Kingdom. Asian immigrants also started to arrive around this time, especially from India. Notable inflows from Asia continued through the 1970s and 1980s as immigrants from Pakistan, Bangladesh and China began settling in the United Kingdom in fairly large numbers.[2] Immigration from Asia has become more widespread in the last decade, with the result that around a half of working-age Asian immigrants residing in the United Kingdom at the end of 2009 had arrived since 1999. Cumulatively, these movements have resulted in an estimated working-age population of over 1.8 million Asian immigrants at the end of 2009.

The second largest group in Table 7.1 is immigrants from Africa, who are dominated by those arriving after 1990. Unsurprisingly given the geographical proximity of pre-2004 EU member states, EU-14 migrants have a noticeable presence in the United Kingdom, with arrivals from this area being fairly constant over time. European migrants have been split into two further categories to highlight the scale of immigration from new EU member states from central and eastern Europe (the EU-A8) to the United Kingdom since 2004. Flows from EU-A8 countries have been substantial, with an estimated 573 000 working-age migrants living in the United Kingdom at the end of 2009, having risen from a very small level at the start of the decade. More specifically, over 90% of EU-A8 migrants currently living in the United Kingdom have arrived in the last decade, the vast majority of these after 2004. The majority of recent EU-A8 migrants have found work, since the estimated number of EU-A8 migrants in employment at the end of 2009 was 481 000. The rapid growth in labour migration from central and eastern Europe is again demonstrated by an estimated workforce of just 61 000 EU-A8 migrants in the United Kingdom at the end of 2003.

Table 7.1. Period of arrival in the United Kingdom for working-age immigrants, Q4 2009

Percentage

	Pre-1960	1960s	1970s	1980s	1990s	2000-04	2005-09	Estimated working-age population
EU-14	4.8	9.1	11.3	16.3	24.6	12	21.9	849 000
EU-A8	0.1	0.3	0.3	1	4.5	12.3	81.5	573 000
Other Europe	3.8	9.6	7.3	5.7	22.9	21.1	29.6	353 000
Asia	1.1	6.3	11.3	11.5	18.7	18.8	32.2	1 830 000
Americas	2.1	14	9.3	10.4	23.3	12.9	28.2	502 000
Australasia	1.7	4.9	13.6	14.5	16.8	19.7	29	178 000
Africa	0.9	5.6	10.9	9.5	21.8	24.4	26.9	1 056 000
All immigrants	1.8	6.9	9.7	10.4	19.4	17.7	34.2	5 341 000

Note: The working-age population in the United Kingdom relates to men aged between 16 and 64 and women aged between 16 and 59.

Source: Labour Force Survey, Office for National Statistics.

One of the main implications of these complex flows has been the establishment of a very heterogeneous immigrant population in the United Kingdom. This is particularly true for the large cities, most notably London, but also in other parts of the United Kingdom, especially following migration from the new member states since EU enlargement in 2004. The previous inflows of immigrants from the New Commonwealth have also produced a large and growing population of native-born offspring of immigrants. This can be seen in the final two columns of Table 7.2, which report the percentage of each ethnic group's working-age population who were born in the United Kingdom in 1991 and 2001. Apart from Whites, Black Caribbeans have the highest proportion of native-born individuals, whilst the percentage who were born abroad is highest amongst Bangladeshis and the Chinese. Clark and Drinkwater (2009b) also provide details of the rapidly expanding youth population of some ethnic groups. For example, the number of Black Africans and Chinese aged 16-24 increased by 52% and 49%, respectively, between 2001 and 2005.

Table 7.2. Self-employment by ethnic group in Britain

	Self-employment rate			Percentage UK-born	
	1991	2001	2003-06	1991	2001
Men					
White	16.6 (31.1)	17.0 (35.6)	17.3 (23.7)	95.4	94.9
Black Caribbean	9.1 (17.9)	13.0 (32.3)	15.8 (14.5)	44.1	54.6
Black African	12.2 (28.4)	13.5 (40.7)	10.5 (24.7)	23.3	19
Indian	23.7 (44.9)	21.4 (52.0)	18.3 (34.7)	15.1	27.2
Pakistani	26.6 (38.3)	26.5 (46.4)	31.3 (27.0)	15.2	27.3
Bangladeshi	18.8 (75.3)	19.1 (62.6)	15.7 (56.5)	6.8	13.4
Chinese	34.1 (58.8)	27.8 (68.1)	26.7 (67.0)	9.6	17.4
Other	13.4 (40.0)	16.2 (47.3)	16.0 (33.7)	_	_
Women					
White	6.0 (34.8)	7.3 (34.5)	7.4 (21.3)	95	94.2
Black Caribbean	2.0 (16.7)	3.3 (40.4)	3.8 (17.1)	44.6	58.7
Black African	4.4 (16.7)	4.5 (38.5)	3.8 (12.5)	22.2	18.3
Indian	11.5 (37.3)	10.3 (51.4)	7.7 (28.9)	14.7	27.2
Pakistani	17.6 (50.0)	9.9 (56.3)	8.0 (40.4)	18.3	31.3
Bangladeshi	9.1 (28.6)	5.9 (58.1)	8.3 (36.4)	8.1	14.4
Chinese	20.3 (54.9)	18.3 (62.1)	15.9 (50.0)	8.1	13.4
Other	5.5 (28.0)	7.3 (36.8)	6.8 (29.6)	_	_

Note: All figures relate to non-students of working age (16-59/64). The self-employment rate is calculated as the number of self-employed over the total in employment and expressed as a percentage. The percentage of the self-employed employing others are reported in parentheses. The percentage UK-born refers to just those living in England and Wales.

Source: Clark and Drinkwater (2010a), Clark and Drinkwater (2009a).

7.2. Main determinants and characteristics of self-employment amongst ethnic groups in the United Kingdom

As a consequence of these complex migration patterns and the rising proportion of many ethnic minority groups who are native-born, analysis of self-employment amongst ethnic and immigrant groups in the United Kingdom has tended to focus on ethnic differences rather than those by immigrant status. However, the latter aspect does have an important role to play in influencing self-employment rates across ethnic groups since more recent migrants can be capital constrained, whilst migrants may be more entrepreneurial in general because they are self-selected or if they are attracted to such activities by particular immigration policies.

The early United Kingdom literature on ethnic minority self-employment was typically sociological in its nature. Much of it also tended to focus on Asians groups (Aldrich *et al.*, 1981; Metcalf *et al.*, 1996), who have tended to display the highest self-employment rates. These studies emphasised the impact of ethnic geographical concentration and cultural factors on self-employment. Other studies such as Daly (1991) noted the rapid rise in self-employment amongst ethnic minority groups in the United Kingdom during the 1980s, a time when the Thatcher government introduced several policy initiatives in an attempt to create an enterprise culture, in a time of high unemployment. These and other factors combined to increase total United Kingdom self-employment from 2.70 million in 1984 to 3.54 million in 1990. This was followed by a period when the number of self-employed in the United Kingdom was fairly constant and even decreased in the late 1990s, falling to 3.26 million in 2000. Since then, self-employment has grown fairly steadily, reaching 3.85 million in 2009.

More economic-oriented research began in the late 1990s, with a series of papers by Clark and Drinkwater. In addition to incorporating cultural aspects into the theoretical background, since these forces may pull members of ethnic communities into self-employment, these papers also emphasised the role that economic factors might play in pushing such individuals into setting up their own businesses, especially because of the lower relative earnings that ethnic minority workers may achieve in the paid labour market due to discrimination. These issues were explored in a simple theoretical framework by Clark and Drinkwater (1998) and subsequently built upon by Clark and Drinkwater (2000), with the influence of cultural factors particularly emphasised in the latter paper.

Allied to their theoretical models, Clark and Drinkwater (1998, 2000) also examined large scale survey data, from the General Household Survey and the Fourth National Survey of Ethnic Minorities, as well as microdata from the 1991 census, to test the importance of push and pull factors. Strong evidence was found to support the notion that low earnings from paid-employment push ethnic minority workers into self-employment, especially for less educated individuals.[3] Clark and Drinkwater (1998, 2000) examine the effect of enclaves but rather than ethnic minorities living in more ethnically concentrated parts of the United Kingdom having higher self-employment rates, by providing entrepreneurs with niche markets, they find that self-employment is depressed in such areas because of higher levels of competition and deprivation. Similarly, those with poorer English language skills had lower self-employment rates. Clark and Drinkwater (2000) also investigate the impact of religion on self-employment and find that individuals practising religions which place a high value on entrepreneurship, such as Muslims, Sikhs and Hindus, had higher self-employment rates, even after controlling for ethnicity.

Research in this area was continued by Clark and Drinkwater (2010a and 2010b) using census microdata from 2001, in addition to 1991, and the labour force survey (LFS). 1991 was chosen as the starting point as an ethnicity was included in the United Kingdom Census for the first time in this year and ethnic minority self-employment had risen quite considerably over the 1980s. This enabled researchers to examine relatively large samples from each minority group using census microdata and also by pooling together several quarters of data from the LFS, as undertaken by Clark and Drinkwater (2010a) for the period between 2003 and 2006. These papers particularly focused on changes over time and the role that demographic factors, such as rising levels of educational attainment, the younger age profile and the higher proportion of native-born, have had on the evolving ethnic self-employment rates since the early 1990s. These trends are summarised in Table 7.2.

The table reports that self-employment is much higher for men than women for all ethnic groups, and the only group which has a notable proportion of self-employed women are the Chinese. For men, rates have been highest for the Chinese and Pakistanis. However, self-employment has fallen for some ethnic groups since 1991, especially for Indians and the Chinese. The self-employment rate for Whites has remained fairly steady. This group includes European immigrants, who have experienced some interesting recent changes in their self-employment rates. In particular, Drinkwater *et al.* (2009) report that only a very small percentage of recent EU-A8 migrants are self-employed, preferring to work in the paid labour market, which seems to dispel the myth of huge numbers of Polish migrants setting up as plumbers and builders in the United Kingdom following enlargement. This does however contrast with the position in the immediate period before enlargement since EU-A8 migrants could enter the United Kingdom as self-employed before the labour market was open to the majority of EU-A8 workers. For example, Drinkwater *et al.* (2009) report that amongst Polish migrants resident in the United Kingdom between 2004 and 2006, the self-employment rate was 32% for those arriving between 2000 and 2003, compared to just 4% for entrants after 2003. Clark and Drinkwater (2010b) report that whilst self-employment rates are similar for immigrants and natives for Whites, they are considerably lower for UK-born members of ethnic minority groups. Most notably, in 2001 the self-employment rate of Chinese men was 27.8% for immigrants but only 13.3% for natives.

Clark and Drinkwater (2010b) examine the changes that took place between 1991 and 2001 in greater detail by applying decomposition analysis to the census data. This reveals that the majority of the reduction in self-employment rates observed for Chinese and Indian men was due to their changing characteristics (endowments). In particular, further decomposing the characteristic effect into its constituent elements indicates that the main driving forces behind these changes were an increase in educational attainment as well as a higher proportion of unmarried individuals. For the combined group of Pakistani and Bangladeshi men, the small overall reduction in self-employment was caused by a positive coefficient (unexplained) effect, more or less offsetting the negative effect of characteristics.[4] Clark and Drinkwater (2010b) argue that this may be caused by the more limited opportunities for this group in paid-employment, possibly due to higher levels of discrimination, as well as possibly different preferences over issues such as isolation from the majority labour market.

Clark and Drinkwater (2010b) also undertake a detailed investigation of spatial differences in self-employment between ethnic groups in the United Kingdom. In common with their previous findings, they report that the probability of being self-employed is significantly lower for individuals from ethnic minority groups living in

areas which have a higher percentage of co-ethnics, with this effect being largest for the Chinese. This contrasts with the situation observed in some other OECD countries, where self-employment amongst ethnic or immigrant groups can be based around an "enclave" economy, in which self-sustaining communities are supported by a shared ethnicity, culture, language or religion. For example, Le (1999) reports a positive relationship between self-employment and the existence of ethnic enclaves in Australia and the United States. The role that the deprived nature of many ethnically concentrated areas in the United Kingdom may play in generating these results is further examined by analysing the effect that measures of unemployment and deprivation have on self-employment. It is found that the percentage of their own ethnic group and the unemployment rate in the area are positively correlated for each of the main ethnic minority groups in Britain and that both of these variables are negatively related to self-employment. Furthermore, the self-employment rate is found to fall significantly for Indians and a combined Pakistani/Bangladeshi group in areas which have higher levels of deprivation, with the largest effect observed for the latter grouping. Taken together, these findings suggest that local economic conditions have an important impact on rates of entrepreneurship amongst ethnic minorities in the United Kingdom, especially for Pakistanis and Bangladeshis.

Clark and Drinkwater (2009c) also explore differences in male self-employment between the native and overseas-born members of ethnic minority groups in the United Kingdom. In particular, they examine the self-employment adjustment of immigrant groups by focusing on two main issues. Firstly, they investigate how the probability of self-employment varies according to the amount of time that immigrants have spent in the United Kingdom relative to those who were born in the United Kingdom. Secondly, they analyse differences in the probability of self-employment between immigrants and native-born members of ethnic minority groups by estimating how much of the difference in self-employment rates can be explained by endowments of human capital. Their results indicate that the predicted probability of self-employment increases faster over the life-cycle for immigrants from Asian groups (Indians, Pakistanis, Bangladeshis and Chinese) than it does for the native-born members of these groups. There are smaller differences for Whites and Blacks, with higher self-employment probabilities reported over the life-cycle for the native-born for Black Caribbeans and Black Africans. No significant differences are found between the self-employment rates of native and overseas-born members of ethnic minority groups once human capital is taken into account, despite large differences seen in the raw data for the Asian groups. They argue that the lower self-employment rates that are observed for native-born members of ethnic minority groups is largely accounted for by differences in human capital.

Table 7.2 also reports the percentage of self-employed men and women who employ others in their businesses. It can be seen that Chinese and Bangladeshi men are most likely to employ others and the propensity to work on their own is highest amongst Black African and Black Caribbean men. These differences are heavily influenced by the industrial distribution, which is also important for a number of other aspects of self-employment, including hours of work, which are found to be highest for the Chinese and Indians (Clark and Drinkwater, 2010a). Therefore, Table 7.3 shows changes in the industrial distribution of self-employment for men.[5] There are noticeable concentrations of self-employment for some ethnic groups. In particular, Bangladeshis and the Chinese are heavily clustered in Distribution/Hotels/Catering. This combined sector contains restaurants, with around three-quarters of the latter ethnic group involved in such

activities. There is also a high fraction, almost a half in 2003-06, of self-employed Pakistani men working in transport, which predominantly relates to taxi driving. The industrial distribution of self-employment is more evenly dispersed for other groups, although around a third of White and Black Caribbean self-employed men worked in the Construction industry in 2003-06.

Table 7.3. Industrial distribution of self-employed men in Britain by ethnic group

Percentages

	Manufacturing	Construction	Distribution, hotel, catering	Transport	Finance	Other
		1991				
White	8.6	31.5	21.7	6.7	12.5	19
Black Caribbean	5.3	38	20	13.5	9.4	14
Black African	4.4	5.9	27.9	22.1	13.3	26.5
Indian	9.8	8.4	55.5	4.3	10.5	11.4
Pakistani	5.4	2.9	56.3	25.4	5.1	4.9
Bangladeshi	3.9	0	79.2	3.9	5.2	7.8
Chinese	0.9	0.5	85.5	0.9	6.8	5.5
Other	6.3	9.7	40	4.9	20.8	18.4
		2001				
White	10	27	18.2	7.2	19.4	18.4
Black Caribbean	10.6	27	17.7	9.5	21	14.2
Black African	7.8	8	14.5	17.4	33.9	18.4
Indian	7.4	8.2	46.5	9.1	15.6	13.2
Pakistani	8.6	5.2	36.1	32.7	11	6.5
Bangladeshi	2.6	2.6	63.7	13.2	11	7
Chinese	4.3	4.5	72.8	0.7	11.4	6.3
Other	7.2	12.9	31.6	11.4	18.4	18.5
		2003-06				
White	7.1	33	13.9	8	19.3	18.7
Black Caribbean	6.4	34.9	18.3	10.3	15.9	14.3
Black African	3.7	11.1	18.5	19.8	37	9.9
Indian	6.8	8	43.5	11.4	17.4	13
Pakistani	2	2.5	34.2	46.2	10.3	4.9
Bangladeshi	0	1.6	65.6	26.2	3.3	3.3
Chinese	3.1	0	75.5	3.1	5.1	13.3
Other	3.6	13.9	34	11	22.8	14.8

Source: Clark and Drinkwater (2010a).

7.3. Conclusion and policy recommendations

In addition to the heterogeneous migration patterns to the United Kingdom, the evidence that has been surveyed above also emphasises that the self-employment experience of immigrant and ethnic groups in the United Kingdom has varied considerably. Self-employment rates have typically been very low for the Black groups, although these have increased slightly over time. In contrast, self-employment rates have been much higher for Asian groups but have decreased quite noticeably for some groups, such as the Chinese and Indians. It has been argued that this has been caused by demographic factors, namely the transition of young and well-educated second generation immigrants into the paid labour market, whereas first generation immigrants often

became self-employed because of restricted opportunities elsewhere in the labour market. Self-employment rates have remained high for Pakistanis and Bangladeshis, and these groups also tend to be concentrated in particular sectors, such as retail, restaurants and taxi driving, often working long hours for relatively low incomes.

Moreover, only a relatively small fraction, typically a third or less, of self-employees from most ethnic minority groups employ others.[6] Thus, apart from a few high-profile examples, ethnic minority entrepreneurs tend not to create large numbers of jobs but are usually sole traders. In terms of ethnic groups, the exceptions to this are Chinese and Bangladeshi men, who are heavily concentrated in the restaurant sector. Therefore, although governments tend to view high levels of self-employment as a healthy indicator of entrepreneurial activity, large numbers of self-employed minorities and immigrants is not necessarily a good thing. This may be due to higher educational attainment opening up new opportunities in the paid labour market for some groups, whereas these remain limited for others, possibly because of higher levels of discrimination or differences in preferences. Therefore, government policy needs to pay attention to both the quantity and quality of self-employment.

Notes

1. See Hatton and Wheatley Price (2005) for further information on United Kingdom immigration history.

2. A substantial amount of Asian migrants have entered the United Kingdom through reuniting with family members rather than as labour migrants themselves. More recently, the number of overseas students has risen sharply and this has been particularly boosted by those arriving from China.

3. However, Clark *et al*. (1998) report that self-employment incomes are lower for ethnic minorities in comparison to Whites, possibly due to consumer discrimination. Clark and Drinkwater (2000) also find substantial variation in self-employment incomes between ethnic groups, with the Chinese and Indians having relatively large proportions with high incomes and Pakistanis and Bangladeshis relatively high proportions with low incomes.

4. The coefficient or unexplained effect in a decomposition relates to the amount of the differential that cannot be attributed to differences in observable characteristics. It therefore refers to unmeasured factors, which include discrimination and preferences.

5. These are not reported for women since sample sizes are too small.

6. However this is also the case for Whites, and given the types of industries in which the different ethnic groups typically work, it is only the Black groups where a lower percentage of the self-employed tend to employ others amongst ethnic minority groups.

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Chapter 8

Chinese entrepreneurship in Canada

by

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Summary

Historically, Chinese entrepreneurship in Canada was limited to mainly ethnic businesses in retailing and food services. The growth of the Chinese Canadian community and the rise of the Chinese middle class since the 1980s have resulted in a diversification of Chinese entrepreneurship, extending beyond conventional businesses and branching into professional and health services and other types of operations. In 2006, Chinese entrepreneurs made up about 12% of the Chinese labour force, and offered employment to over 600 000 workers besides creating employment for themselves. About 71% of the Chinese businesses in 2006 were in work settings that most often used the official languages of English or French. However, Chinese entrepreneurs tended to be in certain types of industry, such as retail sale, professional and technical services, health care and food services. Available evidence further shows that Chinese entrepreneurs created employment for both Chinese and non-Chinese workers, but the vast majority of those being employed by Chinese entrepreneurs tended to be non-Chinese. The ethnic business as a niche market probably accounts for less than one-third of Chinese entrepreneurship in Canada. Thus, there have been important changes in the nature of Chinese entrepreneurship in Canada, and conventional wisdom which explains immigrant entrepreneurship in terms of blocked mobility needs to take into account the emergence of new forms of entrepreneurship.

Chinese overseas are known to be enterprising in business engagement in their host country. This image is well justified historically, in view of the middleman status of many Chinese in many Southeast Asian countries during the colonial era of the 18th and 19th centuries, and the marginalised position of the Chinese in North America prior to Second World War when they were excluded from many lines of work due to racial discrimination and legislative restriction. However, as the population of the Chinese overseas was around 39 million people as of 2007, scattered over 130 countries outside of China (Li, 2009), it would be too sweeping to claim that Chinese overseas in different societal contexts are equally enterprising in business ventures. In Canada since the end of the Second World War, many changes have taken place in the country's immigration policy and correspondingly, in the Chinese Canadian community. A monolithic understanding of Chinese immigrants' engagement in business is no longer adequate. The purpose of this chapter is to provide a current analysis of entrepreneurship among the Chinese in Canada, and to estimate the level of employment created by Chinese Canadian entrepreneurship in Canada.

8.1. Concept of ethnic or immigrant entrepreneurship

Several terms have been used to refer to the phenomenon of immigrants engaging in business, as opposed to being salaried workers. These terms include "ethnic entrepreneurship", "immigrant businesses", "immigrant self-employment", and "immigrant enclave economy". Despite differences in these terms, they have been used broadly to describe a similar phenomenon – the tendency of some ethnic or immigrant groups to engage in business by creating employment for themselves and in some instances for others.

The notion of entrepreneurship implies an ideological predisposition or a spirit, like the Weberian notion of "spirit of capitalism". The term also implies that it is the possession of a venturing spirit and certain cultural qualities that propel some immigrant groups to business ventures. Thus, the term assumes a Weberian orientation and the thrust of explaining immigrant entrepreneurship involves accounting for why some immigrants possess the venturing spirit and cultural qualities to enable them to take a chance and succeed in businesses and others not (see Redding, 1993; Wong, 1988).

The term "immigrant business" suggests that there are certain characteristics associated with this type of business. A common characteristic is immigrant ownership of businesses. But there are other features which also enrich or complicate the notion of "immigrant business", such whether the clientele which the business serves is of the same ethnic background as the owner, the merchandise marketed or services provided are of a particular cultural flavour, and the location of the business is among residential neighbourhoods or urban concentrations of immigrants. Thus, the term "immigrant business" tends to reflect some combinations of the above features to refer to the operation of immigrant business owners serving immigrants in immigrant-congregated areas. The term also suggests the use of business firms, as opposed to using individual owners, as the unit of analysis (see Ip *et al*., 2000).

"Immigrant enclave economy" represents a more mature theoretical notion that seeks to capture the relationships of a type of economic structure that is linked to the interdependence of businesses owned by immigrants of similar ethnic background, as well as the mutual dependence between immigrant owners and workers (see Sanders and Nee, 1987; Wilson and Portes, 1980). Despite the potential theoretical richness of the term, it has also been used broadly to refer to the success of businesses in immigrant enclaves or immigrant-congregated locations.

The notion of "immigrant self-employment" refers to the labour market activity of individual immigrants in terms of whether an individual is employed by others or self-employed. The assumption is that individual immigrants who engage in self-employment do so as a business operation, earning an income through some business activities and paying out expenses related to the business operation. Thus, the term "immigrant self-employment" is often used as an indicator of the level of business ownership or engagement, although the analysis of self-employment is often performed at the individual level and not the level of the firm (see Dana, 2007; Light, 1979; Light and Gold, 2000; Portes and Zhou, 1996; Waldinger *et al.*, 1990).

In this chapter, Chinese entrepreneurship in Canada refers to the engagement of Chinese Canadians in business that results in self-employment, and in some instances, the employment of others. Operationally, such a phenomenon may be measured by the level of self-employment with or without hired help as a form of labour market activity among Chinese Canadians, as opposed to being employed as wage workers as another form of

labour market activity. The terms "Chinese entrepreneurs" and "self-employed Chinese" are used interchangeable throughout the chapter. The terms "Chinese Canadians" and "Chinese in Canada" are used in this chapter to refer to those who self-identified in the Canadian census as this ethnic group. There were 1.03 million Chinese visible minority persons in the 2001 census, among whom 76% were immigrants or persons born outside of Canada. For 2006, there were 1.28 million Chinese visible minority persons, and immigrants made up 74%. Thus, about three-quarters of ethnic Chinese in Canada were made up of first-generation immigrants. But the percentage of first-generation immigrants among the Chinese labour force considered in this chapter is even higher, 84% in 2001 and 82% in 2006.

8.2. Historical overview of Chinese business engagement in Canada

The Chinese immigration to Canada began in 1858, in response to the discovery of gold in British Columbia. However, a larger scale of Chinese immigration to Canada only began as Canada faced acute labour shortages in developing the west. Chinese workers were brought to Canada from China to build railroads, to clear forests, and to work in fish plants and canneries. The vast majority of the Chinese in Canada in the latter half of the 19th century belonged to the working class, although there was a small number engaging in business. Based on records of Chinese entering Canada between 1885 and 1903, about 6% of the Chinese arrivals indicated that they were merchants or storekeepers (Li, 1998, p. 24). The later half of the 19th century also saw the development of Chinese quarters, dubbed "Chinatowns", in Victoria and mining centres of British Columbia (Anderson, 1991; Lai, 1988). A small Chinese mercantile class emerged in these quarters, mainly made up of those engaged in import and export businesses, supplying Chinese miners with provisions and equipments, and running businesses that served the growing Chinese community (Lai, 1998, pp. 187-189). The Chinese merchants were also involved in labour contracting to bring Chinese workers to Canada; some speculated on land development (*op. cit*., pp. 189-190). Thus, the early business development of the Chinese in Canada was mainly tied to the growth of the Chinese population, but the businesses quickly branched into different areas, including exporting and importing, land speculation and providing goods and services to the Chinese community.

Towards the end of the 19th century and early 20th century, Canada developed many policies aimed at restricting further entry of the Chinese to Canada and limiting the rights of those in Canada. At the same time, White workers were increasingly belligerent towards Chinese labourers and demanded their total exclusion from jobs in the core labour market (Li, 1998). The hostile economic and social atmosphere made it difficult for the Chinese to compete with White workers for unionised employment and high-paying jobs, and many Chinese retreated to the ethnic enclave by operating small businesses such as laundries and restaurants that provided personal services to the larger population. The White population accepted better the Chinese in the role of personal service providers as they did not pose much competition with White workers (Li, 1998).

By the 1920s, the Chinese in Canada had expanded their business operations in personal services and food services largely as a means of economic survival. Data from the Canadian Censuses indicate that in 1920, 23% of the Chinese in Canada's labour force were in personal services, while store owners, restaurant keepers and laundry owners made up another 20% (Dominion Bureau of Statistics, 1936). Engagements in these lines of services persisted throughout the first half of the 20th century, and the food service industry remained an important sector of employment and self-employment for the Chinese in Canada even after the Second World War.

The absence of family members made it necessary for the Chinese men to go into business in partnership with others, by pooling their meagre capital to start the business and sharing labour to operate it. The informal partnership system, usually based on kinship and friendship ties among immigrants originating from the same region or home village, allowed the Chinese to economise capital and labour cost in running a business. These features explained why the Chinese restaurants remained economically viable even during the Great Depression of the 1930s. The partnership business system among Chinese immigrants declined after the Second War World as more Chinese were allowed to bring their families to Canada. The family members provided the additional labour power to run the small business, and the partnership-based Chinese operations were turned into family-run businesses (Li, 1982).

The repeal of the 1923 Chinese Immigration Act in 1947 and subsequent changes in immigration policy made it possible for Chinese immigration to Canada to resume, first mainly as family members, and after 1967, as independent immigrants as well (Hawkins, 1988; Li, 1998). The rapid expansion of the Chinese-Canadian population after 1981 and the emergence of the Chinese middle class created new business demands for professional and other services and contributed to further business development (Wong, 1993, 1995, 1997; Li, 1992, Li and Li, 1999).

By the 1980s, it became clear that Chinese engagement in business in Canada extended far beyond the historical proprietorship in small-scale and family-operated firms mainly in retailing and personal services. At least four types of Chinese business in Canada could be identified: *1)* traditional family-operated and individual-owned Chinese businesses mainly in personal services such as food services and retailing; *2)* professional firms owned and operated by Chinese professionals in such fields as medicine, law, accounting, financial and investment services that emerged after the Second World War and proliferated in more recent decades; *3)* capital-intensive investments of business immigrants that resulted mainly from Canada's business immigration programme put in place since 1985; and *4)* firms in Canada owned or controlled through foreign investments by corporations with headquarters in Asia and sometimes subsidiaries in Canada (Li, 1993). For the purpose of this chapter, the main focus is on business engagement of individual Chinese in Canada, and not the corporate type of Chinese business in which the ownership and control are typically in the form of stock and share holdings.

8.3. Current situation of chinese entrepreneurship in Canada

Data from censuses of Canada indicate that there were 68 605 Chinese entrepreneurs in Canada in 2001 and 85,495 in 2006, accounting for 13.3 and 12.7% of the Chinese labour force in Canada respectively (Table 8.1). Chinese entrepreneurs made up only a small percentage of all entrepreneurs in Canada, about 3.5% in 2001 and 4.0% in 2006. However, these percentages are equivalent to the proportional weight of the Chinese population in Canada, 3.5% in 2001 and 3.9% in 2006.[2]

In contrast, entrepreneurship among other Canadians (non-Chinese) was 12.6% in 2001 and 12.5% in 2006. These numbers suggest that contemporary Chinese Canadians are no more inclined toward business engagement than other Canadians. However, among Chinese Canadian entrepreneurs, about half of them employed others, compared to 38 to 39% among other Canadians. Thus, Chinese Canadian entrepreneurs are somewhat more likely to be employers of others than non-Chinese entrepreneurs.

Table 8.1. Number of entrepreneurs and workers in Chinese and non-Chinese labour force[1] in Canada, 2001, 2006

	2001	2006
Chinese labour force in Canada		
Number of entrepreneurs	68 605	85 495
Number of workers	446 785	589 510
Total (entrepreneurs and workers)	515 390	675 005
% Entrepreneurs in Chinese labour force	13.3	12.7
% Entrepreneurs with hired help among Chinese entrepreneurs	48.1	50.4
Non-Chinese labour force in Canada		
Number of entrepreneurs	1 914 485	2 038 460
Number of workers	13 247 255	14 315 600
Total (entrepreneurs and workers)	15 161 740	16 354 060
% Entrepreneurs in non-Chinese labour force	12.6	12.5
% Entrepreneurs with hired help among non-Chinese entrepreneurs	38	39

1. Excluding industrial classification of public administration and non-profit organisations including religious, grant-making, civic, and professional and similar organisations.

Source: Compiled from 2001 and 2006 Census of Canada, individual analytical files, Research Data Centre, Statistics Canada. Raw numbers are weighted to population size and rounded to the base of five as required for release.

Female Chinese entrepreneurs numbered 25 650 in 2001, accounting for about 37% of all Chinese entrepreneurs; in 2006, the number of female Chinese entrepreneurs rose to 33 745 or about 40% of all Chinese entrepreneurs (Table 8.2).

Table 8.2. Chinese entrepreneurs with or without paid help by language used most often at work by sex, Canada,[1] 2001, 2006

	2001			2006		
		Mostly used official languages	Mostly used Chinese languages		Mostly used official languages	Mostly used Chinese languages
	Number	At work (%)	At work (%)	Number	At work (%)	At work (%)
Male Chinese entrepreneurs						
Without paid help	21 395	68	31	24 840	72	27
With paid help	21 560	69	31	26 910	70	29
Total	42 955	69	31	51 750	71	28
Female Chinese entrepreneurs						
Without paid help	14 255	68	31	17 535	73	27
With paid help	11 395	65	34	16 210	69	30
Total	25 650	67	33	33 745	71	29
Male and female Chinese						
Entrepreneurs						
Without paid help	35 650	68	31	42 370	72	27
With paid help	32 955	68	32	43 120	70	29
Total	68 605	68	32	85 490	71	28

1. Excluding industrial classification of public administration where no entrepreneurs were possible, and excluding industrial classification of non-profit organisations including religious, grant-making, civic, and professional and similar organisations.

Source: Compiled from 2001 and 2006 Census of Canada, individual analytical files, Research Data Centre, Statistics Canada. Raw numbers are weighted to population size and rounded to the base of five as required by Statistics Canada for release.

In 2001, about 68% of Chinese entrepreneurs, irrespective of gender, operated in a business setting in which the official language of English or French was used most often, as opposed to less than one third working in a setting that mainly used Chinese languages. In 2006, there was a slight increase in the percentage of Chinese entrepreneurs working in a setting that mainly used the official languages, and those entrepreneurs who worked in a setting where Chinese languages were used most often declined to 28%. These numbers suggest that the traditional ethnic Chinese business mainly catering to Chinese-speaking clientele now accounts for less than one-third of Chinese businesses in Canada.

There is a tendency for Chinese entrepreneurs to be concentrated in several industries. In 2001, Chinese entrepreneurs in wholesale and retail trade, and accommodation and food services accounted for about 32% of all Chinese entrepreneurs. Those in professional, scientific and technical services and in health care made up another 27% (Table 8.3). The percentage distributions in 2006 regarding these industries were similar to those found in 2001 (Table 8.4).

Table 8.3. Chinese entrepreneurs with or without paid help by industry,[1] 2001

	Chinese entrepreneurs			
	Number	Without paid help (%)	With paid help (%)	Total (%)
Agriculture, forestry, fishing and hunting	780	0.9	1.4	1.1
Mining and oil and gas extraction	100	0.2	0.1	0.1
Construction and utilities	2 990	4.2	4.5	4.4
Manufacturing	4 645	5.8	7.8	6.8
Wholesale trade	4 395	6.3	6.5	6.4
Retail trade	8 880	12.8	13.1	12.9
Transportation and warehousing	1 210	2.2	1.3	1.8
Information and cultural industries	1 085	1.9	1.2	1.6
Finance and insurance	3 055	5.8	3	4.5
Real estate and rental and leasing	3 400	6.3	3.5	5
Professional, scientific & technical services	11 630	19	14.7	17
Management of companies & enterprises	145	0.2	0.2	0.2
Administrative and support	2 615	4.2	3.4	3.8
Educational services	2 555	4.5	2.9	3.7
Health care and social assistance	6 805	8	12	9.9
Arts, entertainment and recreation	1 390	2.7	1.4	2
Accommodation and food services	8 540	7.8	17.4	12.4
Other services	4 380	7.3	5.4	6.4
Total	**68 605**	**100**	**100**	**100**

1. Excluding industrial classification of public administration where no entrepreneurs were possible, and excluding industrial classification of non-profit organisations including religious, grant-making, civic, and professional and similar organisations.

Source: Compiled from 2001 and 2006 Census of Canada, individual analytical files, Research Data Centre, Statistics Canada. Raw numbers are weighted to population size and rounded to the base of five as required for release.

Table 8.4. Chinese entrepreneurs with or without paid help by industry,[1] 2006

	Chinese entrepreneurs			
	Number	Without paid help (%)	With paid help (%)	Total (%)
Agriculture, forestry, fishing and hunting	915	1.1	1	1.1
Mining and oil and gas extraction	220	0.2	0.3	0.3
Construction and utilities	4 775	5.1	6.1	5.6
Manufacturing	4 900	5.1	6.4	5.7
Wholesale trade	5 995	7.1	7	7
Retail trade	10 475	12.5	12	12.3
Transportation and warehousing	1 630	2.1	1.8	1.9
Information and cultural industries	1 260	1.8	1.2	1.5
Finance and insurance	3 230	5.3	2.3	3.8
Real estate and rental and leasing	4 580	6.3	4.4	5.4
Professional, scientific & technical services	14 905	19.5	15.4	17.4
Management of companies & enterprises	180	0.3	0.2	0.2
Administrative and support	3 225	4	3.6	3.8
Educational services	3 180	4.2	3.2	3.7
Health care and social assistance	8 725	7.4	12.9	10.2
Arts, entertainment and recreation	1 715	3.2	0.8	2
Accommodation and food services	9 835	7.8	15.1	11.5
Other services	5 750	7.1	6.4	6.7
Total	**85 495**	**100**	**100**	**100**

1. Excluding industrial classification of public administration where no entrepreneurs were possible, and excluding industrial classification of non-profit organisations including religious, grant-making, civic, and professional and similar organisations.

Source: Compiled from 2001 and 2006 Census of Canada, individual analytical files, Research Data Centre, Statistics Canada. Raw numbers are weighted to population size and rounded to the base of five as required for release.

Certain industries accounted for a larger percentage of Chinese entrepreneurs with paid help than of those without paid help. For example in 2006, health care and social assistance businesses accounted for almost 13% of Chinese entrepreneurs with paid help, but only 7.4% of those without paid help. As well, about 15% of Chinese entrepreneurs with paid help were in accommodation and food services in 2006, compared to only 7.8% for those without paid help. These statistics suggest the persistent importance of retailing and food service businesses for Chinese entrepreneurs. These were businesses that Chinese immigrants historically had a strong foothold when opportunities in the larger employment market were limited. However, the distributions of the 2001 and 2006 censuses also show the rising importance of professional and health services as areas where Chinese entrepreneurs have successfully engaged in business ventures.

Chinese entrepreneurship in Canada creates employment not only for the business owner, but in many instances employment for others. Table 8.5 provides some estimates of the number of workers employed by Chinese entrepreneurs in all industries except those in public administration and non-profit organisations, based on the average number of workers employed in businesses that used different types of languages. In 2001, the 33 005 Chinese entrepreneurs who hired others as paid help employed about half a million workers. This number made up about 3.7% of all workers except those noted. For 2006, the 43 120 Chinese entrepreneurs with paid help employed 650 706 workers, or about 4.4% of all workers.

Table 8.5. Estimated number of workers hired by Chinese entrepreneurs, by language used most often at work, 2001, 2006

	Languages most often used at work				
	Official languages	Chinese languages	Other non-official languages	Total	No. hired as % of Canadian employed population[1]
No. of workers hired by					
Chinese entrepreneurs, 2001					
Chinese workers	10 749	86 272	30	97 051	0.7
Non-Chinese workers	396 259	4 765	2 037	403 061	2.9
Total number hired	407 008	91 037	2 067	500 112	3.7
[No. of Chinese entrepreneurs with paid help, 2001]	22 240	10 575	190	33 005	
No. of workers hired by					
Chinese entrepreneurs, 2006					
Chinese workers	18 218	98 896	45	117 159	0.8
Non-Chinese workers	529 180	1 413	2 954	533 547	3.6
Total number hired	547 398	100 309	2 999	650 706	4.4
[No. of Chinese entrepreneurs with paid help, 2006]	30 155	12 635	330	43 120	

1. Excluding industrial classification of public administration where no entrepreneurs were possible, and excluding industrial classification of non-profit organisations including religious, grant-making, civic, and professional and similar organisations.

Source: Compiled from Appendix 1 based on calculations from 2001 and 2006 Census of Canada, individual analytical files, Research Data Centre, Statistics Canada.

When the language used most often at work is taken into account, Chinese entrepreneurs in 2001 can be estimated to hire about 407 008 workers in settings that most often used official languages, and 91 037 workers in settings that most often used Chinese languages. In the former settings, 97% of workers hired by Chinese entrepreneurs were non-Chinese ethnic origin; in the latter settings, 95% of workers hired by Chinese entrepreneurs were of Chinese origin. In 2006, Chinese entrepreneurs with paid help hired about 547 398 workers in the official-languages work settings, and 100 309 in Chinese-languages work settings. Similar to the pattern found in 2001, workers of non-Chinese ethnic origin made up 97% of all employees hired by Chinese entrepreneurs in settings using primarily the official languages, but in settings using the Chinese languages, almost 99% of workers hired were of Chinese origin. In short, it can be said that in 2001, about 18% of jobs created by Chinese entrepreneurs were likely to be in conventional Chinese businesses where Chinese languages were often used, and about 81% of jobs created were in mainstream businesses. In 2006, about 15% of jobs created by Chinese entrepreneurs were in businesses that most often used Chinese languages, and 84% were in mainstream businesses that used the official languages.

Among the workers employed by Chinese entrepreneurs, workers of Chinese ancestry made up about 19% in 2001 and 18% in 2006. However, if the language used mainly at work is taken into account, then the vast majority of workers hired by Chinese entrepreneurs in the official languages settings were non-Chinese, and almost all the workers hired in the Chinese-languages settings were ethnically Chinese. In sum, data on the languages used most often at work and on the ethnic origin of workers clearly suggest that Chinese entrepreneurship in Canada is not only limited to ethnic businesses. On the contrary, Chinese entrepreneurship in Canada is involved mainly in businesses that used the official languages and hired mostly non-Chinese workers.

8.4. Conclusion

Conventional studies of immigrant entrepreneurship tend to stress the prevalence of small-scale family-operated businesses of immigrants. Changes in the period after the Second World War led to a surge of the Chinese population in Canada and the rise of the Chinese middle class. As a result, Chinese entrepreneurship in Canada has become more diversified, extending beyond conventional businesses in retailing and food services, and branching into professional and health services and other types of business operations.

Data from the 2001 and 2006 Censuses of Canada indicate that Chinese entrepreneurs made up about 13% of the Chinese labour force, and offered employment to over a half a million workers besides creating employment for themselves. About 68% of the Chinese businesses in 2001 and 71% of the Chinese businesses in 2006 were in work settings that mostly used the official languages of English or French. However, Chinese entrepreneurs had a tendency to be concentrated in certain types of industry, such as retail sale, professional and technical services, health care and food services. The data further show that Chinese entrepreneurs created employment for both Chinese and non-Chinese workers, but the vast majority of those being employed by Chinese entrepreneurs tended to be non-Chinese.

Based on the above findings, it would be incorrect to describe Chinese entrepreneurship in Canada as engaging mainly in ethnic businesses in the sense that the businesses are mainly geared towards ethnic Chinese consumers in a cultural niche market. At best, the ethnic market accounts for less than one-third of Chinese entrepreneurship in Canada.

The development of entrepreneurship among the Chinese in Canada indicates the need to separate the type and scale of business engagement from the conditions that contribute to such engagement. The blocked mobility thesis, that is, the argument that limited employment opportunities in the open market forced many immigrants to turn to business ventures (see Bonacich and Modell, 1980; Light and Rosenstein, 1995; Walderger *et al*., 1990; Ward and Jenkins, 1984), certainly has merit in the historical context when Chinese were denied access to many higher-paying jobs in the core labour market and had to retreat to the immigrant-based service sector. However, the period after the Second War World that brought an increase in employment opportunities for the Chinese in many new lines of work also witnessed an increase in business engagement by Chinese immigrants. But these were more diversified business ventures, in both traditional services and emerging professional services. Thus in the more recent period, the occupational mobility of Chinese, not limited employment, has increased the supply of professional service-givers that in turn has responded to the growth of the professional service business market.

Conventional studies of immigrant businesses tend to consider such activities as self-preservation, and the formation of such businesses as mainly influenced by internal ethnic-based resources in response to blocked mobility. Increasingly, additional external forces such as the global market and mobility opportunities have also played key roles in changing the nature of immigrant businesses. These changes further suggest the need to broader the understanding of immigrant business beyond the small-scale family-run operations to take into account the emergence of new forms of immigrant entrepreneurship, and the capacity of immigrant businesses not only to create self-employment for the entrepreneurs, but also employment for others.

Notes

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   While the research and analysis are based on data from Statistics Canada, the opinions expressed do not represent the views of Statistics Canada.

2. There were 1 029 400 individuals who identified themselves as Chinese in the 2001 Census of Canada; they account for 3.5% of Canada's total population, or 25% of the visible minority population in Canada (Statistics Canada, 2003, p. 11). In 2006, those who identified themselves as Chinese amounted to 1 216 600 individuals or 3.9% of Canada's total population or 24.9% of the visible minority population in Canada (Statistics Canada, 2008, p. 3).

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Annex 8.A1. Estimated number of workers employed by businesses that used different languages, 2001, 2006

	2001	2006
Official languages speaking businesses		
No. of Chinese workers employed	354 880	486 790
No. of non-Chinese workers employed	13 082 520	14 139 850
Estimated no. of businesses that employed workers	734 255	805 750
Estimated average no. of Chinese workers employed in each business	0.48	0.6
Estimated average no. of non-Chinese workers employed in each business	17.82	17.55
Number of Chinese entrepreneurs with paid help	22 240	30 155
Estimated no. of Chinese workers hired by Chinese entrepreneurs with paid help	10 749	18 218
Estimated no. of non-Chinese workers hired by Chinese entrepreneurs with paid help	396 259	529 180
Chinese-speaking businesses		
No. of Chinese workers employed	89 535	100 070
No. of non-Chinese workers employed	4 945	1 430
Estimated no. of businesses that employed workers	10 975	12 785
Estimated average no. of Chinese workers employed in each business	8.16	7.83
Estimated average no. of non-Chinese workers employed in each business	0.45	0.11
Number of Chinese entrepreneurs with paid help	10 575	12 635
Estimated no. of Chinese workers hired by Chinese entrepreneurs with paid help	86 272	98 896
Estimated no. of non-Chinese workers hired by Chinese entrepreneurs with paid help	4 765	1 413
Other non-official languages speaking businesses		
No. of Chinese workers employed	2 365	2 655
No. of non-Chinese workers employed	159 790	174 315
Estimated no. of businesses that employed workers	14 905	19 475
Estimated average no. of Chinese workers employed in each business	0.16	0.14
Estimated average no. of non-Chinese workers employed in each business	10.72	8.95
Number of Chinese entrepreneurs with paid help	190	330
Estimated no. of Chinese workers hired by Chinese entrepreneurs with paid help	30	45
Estimated no. of non-Chinese workers hired by Chinese entrepreneurs with paid help	2 037	2 954

Source: Compiled from Table 8.1 based on 2001 and 2006 Census of Canada, individual analytical files, Research Data Centre, Statistics Canada.

Chapter 9

Mexican-American entrepreneurs and their contribution to the US economy

by

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Summary

Mexican-Americans have relatively low rates of business formation, ownership and income. Although there is some generational progress in business income, there is very little progress in business ownership and formation rates for second- and third-generation immigrants from Mexico. For all generations of Mexican-Americans levels of business outcomes are substantially lower than the national average. Low levels of education, English language ability, wealth, and legal status are found to be important barriers to entrepreneurial success among Mexican-Americans.

Mexican immigrant business owners provide an important contribution to the United States economy. Immigrants from Mexico provide the largest contribution of any immigrant group to total business ownership, formation, and income in the United States. Although Mexican-American entrepreneurs contribute greatly to the economy, there remains a lot of untapped potential among this group of firms because of the substantial barriers they face. Removing these barriers would unleash the entrepreneurial potential of a very large and rapidly growing group of the population, which in turn would reduce inequality and increase total US productivity.

Mexican-Americans represent almost 10% of the United States population, and if current trends continue will become the largest minority group in the United States within a decade. Roughly two-thirds of working-age Mexican-Americans were born in Mexico, representing 28% of all working-age immigrants residing in the United States. The rate of assimilation of Mexican immigrants into the US economy and society has been the subject of an active debate among economists. An emerging literature examines why Mexican-Americans have lower wages, incomes, wealth and other economic outcomes (see Trejo, 1997, 2003; Blau and Kahn, 2007; and Cobb-Clark and Hildebrand, 2004 for example).

The economic assimilation question, however, has not previously been addressed through the lens of business ownership and performance, an area that has received little attention in the literature. Business ownership is the main alternative to wage and salary employment for making a living, and thus has important implications for earnings and wealth inequality. Self-employed business owners earn more on average than wage and

salary workers, have higher savings rates, and accumulate more wealth (Borjas, 1999; Bradford, 2003). Although self-employed business owners represent roughly one-tenth of the workforce, they hold nearly 40% of total US wealth (Bucks *et al*., 2006). Business ownership has been shown to be an important source of job creation and economic development in poor neighborhoods (Boston, 1999, 2006). Business ownership thus may represent a critical path to economic advancement for disadvantaged groups. Understanding how liquidity constraints, informational barriers, lending discrimination, customer discrimination, or other barriers act as constraints to business ownership is important because their existence suggests some efficiency loss. Although assigning a precise cost to these losses is difficult, barriers to entry and expansion faced by Mexican-American owned businesses become especially important as Mexican-Americans represent an increasing share of the total population.

This chapter examines the Mexican-American business formation, ownership and performance. Comparisons are made to other racial and ethnic groups and the national average and distinctions are made for first-(Mexico-born immigrants), second- and third-generation Mexican-Americans. It also mentions the findings from a recent comprehensive analysis of the potential causes of low rates of business formation among Mexican-Americans and the relative under-performance of their businesses (Fairlie and Woodruff, 2010). It examines the contribution of Mexican-American entrepreneurs to the US economy. Specifically, it estimates the percentage of new businesses, business owners and total business income that is generated by Mexican-immigrant business owners.

9.1. Mexican-American rates of business ownership and performance

Using micro data from the current population surveys (CPS) and Public Use Microdata (PUMS) 5-Percent Samples of the 2000 US Census of Population, business ownership rates, business formation rates and business performance among Mexican-Americans are examined. Business ownership rates among Mexican-Americans are much lower than the national average. Estimates of business ownership to population ratios by ethnicity and race from the 1994 to 2004 March CPS data are reported in Table 9.1. Business ownership includes all businesses that are owned as the person's main job activity, including incorporated, unincorporated, employer and non-employer businesses. Only 5.1% of Mexican-American men and 2.6% of Mexican-American women own businesses.[2] In contrast, 10.7% of all men and 5.6% of all women are self-employed business owners. Table 9.1 also shows that 12.6% of non-Latino White men and 6.6% of non-Latino White women are self-employed business owners. Comparing all major ethnic and racial groups in the United States, Mexican-Americans have the second lowest rate of business ownership. African-Americans have the lowest rate.

Table 9.1. Business ownership rates by ethnicity/race, current population survey, annual demographic surveys, 1994-2004[1]

Group	Business ownership rate[2] (%)	Rate for workers with 15+ Hours (%)	Rate for 15+ hours and non-agriculture (%)	Rate for 35+ hours and non-agriculture (%)	Total sample size (%)
Men					
Total	10.7	12.7	11.9	11.6	473 196
White, non-Latino	12.6	14.5	13.5	13.1	335 794
African-American	4.4	5.8	5.8	5.4	42 316
Mexican-American	5.1	5.8	6.0	5.6	43 584
Other Latinos	6.9	8.3	8.3	8.2	29 973
Native American	6.8	8.4	7.7	6.7	5 462
Asian	11.0	13.4	13.2	13.5	18 806
Women					
Total	5.6	7.1	6.8	6.1	516 946
White, non-Latino	6.6	8.0	7.6	6.8	356 866
African-American	2.3	3.2	3.1	3.0	57 839
Mexican-American	2.6	4.3	4.3	4.0	43 110
Other Latinos	3.5	5.2	5.1	4.7	28 911
Native American	4.0	5.5	5.5	4.9	6 215
Asian	5.8	8.5	8.4	8.3	21 541

1. The sample consists of individuals ages 20-64.
2. The business ownership rate is the number of self-employed business owners divided by the population.

Source: All estimates are calculated using sample weights provided by the CPS.

The rates of business ownership reported in Table 9.1 include both the immigrant and US-born population. In Table 9.2, it reports business ownership rates for first-, second- and third/higher-generation Mexican-Americans and non-Latino Whites using CPS data from 1994 to 2004. The rate of business ownership is notably lower for first-, second-, and third/higher-generation generation Mexican Americans than for Whites of the same generation. There is some convergence in the rates across generations, however. The convergence is driven both by falling business ownership rates among non-Latino Whites and rising business ownership rates among Mexican-Americans from the first to the second generation. Convergence from the second to third generation is driven primarily by falling rates of business ownership for non-Latino Whites because Mexican-American rates do not change substantially. Although relatively high rates among non-Latino White immigrants may be partly due to compositional changes, these estimates suggest that business ownership among first-generation Mexican-Americans is particularly lagging relative to Whites.

Table 9.2. Business ownership rates by generation, current population survey, annual demographic surveys, 1994-2004[1]

		Male - Business Ownership[2]		Female - Business Ownership[2]	
Group	Generation	Rate (%)	N	Rate (%)	N
White, non-Latinos	First (Immigrants)	16.2	12 809	7.5	14 048
	Second	14.3	19 065	6.8	19 802
	Third	12.3	303 920	6.5	322 998
Mexican-Americans	First (Immigrants)	4.9	24 832	2.4	21 877
	Second	5.3	7 238	3.1	8 090
	Third	5.2	11 514	2.8	13 143

1. The sample consists of individuals ages 20-64.
2. The business ownership rate is the number of self-employed business owners divided by the population.

Source: All estimates are calculated using sample weights provided by the CPS.

Business formation

Relatively low levels of business ownership among Mexican-Americans may be explained by lower rates of entry, higher rates of exit, or a combination of the two. We first examine business formation rates. Table 9.3 reports one-year business formation rates for non-Latino Whites and Mexican-Americans from matched CPS microdata. The business formation rate is defined as the percentage of non-business owners in one year who own a business in the following year. All generations of Mexican-Americans have substantially lower levels of business formation than non-Latino Whites. For men, business formation rates decline across generations whereas for women rates increase slightly. Only 1.8% of third-generation Mexican-American men start a business annually compared to 3.3% of non-Latino White men.

Table 9.3. Annual business formation and exit rates by race/ethnicity, current population survey, matched annual demographic surveys, 1994-2004[1]

	Business ownership		Business formation		Business exit	
	%	N	%	N	%	N
Men						
White, non Latinos	14.0	90 616	3.3	77 369	22.5	13 247
Mexico-born immigrants	6.2	3 172	2.7	2 981	34.5	191
Mexican second generation	8.2	981	2.4	900	47.5	81
Mexican third generation	6.2	1 622	1.8	1 513	30.6	109
African-American	4.9	9 109	1.9	8 659	37.7	450
Women						
White, non Latinos	7.3	97 086	2.3	89 636	33.1	7 450
Mexico-born immigrants	2.9	2 993	1.4	2 912	52.9	81
Mexican second generation	3.6	1 128	1.5	1 091	59.6	37
Mexican third generation	3.0	1 892	1.7	1 825	40.0	67
African-American	2.4	12 886	1.1	12 581	44.6	305

1. The sample consists of individuals (ages 20-64) in the first year surveyed for the business ownership rate. The business formation rate sample includes only individuals who are not business owners in year t, and the exit rate sample includes only individuals who are business owners in year t.

Source: All estimates are calculated using sample weights provided by the CPS.

Business performance

Are the businesses that Mexican-Americans start less successful? To address this question, we focus on two performance measures – business exit rates and net business income. The matched CPS data are used to examine annual business exit rates. Business exit rates provide a complement to the business formation rates discussed above, but racial and ethnic disparities should be interpreted with caution. The CPS does not provide any information on the reason for exit, and many exits can be considered successful and do not represent business closures (Headd, 2003). Table 9.3 reports estimates of business exit rates from the matched CPS data. Mexican-Americans of all generations have substantially higher exit rates than non-Latino Whites. The patterns hold for both men and women. Although estimates of business exit rates differ somewhat across generations the relatively small sample sizes make it difficult to compare rates. The high rates of business exit combine with low rates of business formation to create the low rates of business ownership among Mexican-Americans noted above.

Table 9.4 reports net business income from the 2000 census by race and ethnicity. The average net income among Mexican immigrant business owners is substantially lower than the national average. For Mexican-immigrant men, mean business income is roughly one half the level of non-Latino White business income. The US-born of Mexican descent have average business incomes which are higher than the Mexican-born, but substantially lower than non-Latino Whites. Removing the disproportionate number of very successful White business owners does not change the conclusion. The median business income of Mexican-Americans, especially immigrants, is much lower than the median business income of non-Latino Whites.

Table 9.4. Net business income[1] by ethnicity/race, 2000 census[2]

Group	Mean (USD)	Median (USD)	Standard (USD)	N
Men				
Total	61 590.85	35 000.00	77 645.29	366 118
White, non-Latino	64 137.84	38 000.00	79 421.02	313 620
Mexican immigrants	32 251.20	20 000.00	47 568.25	8 022
Mexican U.S.-born	45 430.55	28 500.00	58 480.23	4 933
African-American	42 498.79	26 700.00	56 496.30	11 825
Women				
Total	31 655.41	18 700.00	47 363.11	168 100
White, non-Latino	32 353.95	19 300.00	47 971.24	138 545
Mexican immigrants	18 390.99	11 800.00	31 124.89	3 326
Mexican U.S.-born	26 778.63	15 000.00	43 357.96	2 506
African-American	27 726.95	18 000.00	40 524.69	7 742

1. Net business income excludes business expenses.
2. The sample consists of individuals ages 20-64 who own a business with 15 or more hours worked per week and 20 or more weeks worked during the year.

Source: All estimates are calculated using sample weights provided by the census.

Although most of the previous research has focused on the lack of business success among African-Americans, Mexican-immigrant business owners actually have much lower business income levels. For men, the average business income of Mexican

immigrant owners is USD 10 000 less than the average for Black business owners. Moreover, US-born Mexican-Americans have only slightly higher business incomes than Blacks among men and actually have slightly lower income levels among women. Thus, the businesses owned by Mexican-Americans generally underperform Black-owned businesses.

Business exit rates and business income are the only information on business performance available from nationally representative public-use microdata with large enough sample sizes of Mexican-Americans. Published estimates from the 2002 Survey of Business Owners (SBO), however, provide information on two additional business outcomes – average sales and receipts, and employment levels. Estimates from the SBO indicate that Mexican-owned businesses have substantially lower levels of average sales and receipts, and employment than non-Latino White-owned businesses. For example, the average sales of Mexican-American firms are USD 137 980 compared to USD 437 870 for White firms (US Census Bureau, 2006a, 2006b; Fairlie and Robb, 2008). All of the estimates reported here present a consistent story – Mexican-American businesses are less successful than White businesses with levels of performance that are not better than African-American businesses.

9.2. Explanations for business formation and performance patterns

What are the explanations for the relatively low business formation rates and performance among Mexican-Americans? Of particular interest are barriers to business formation and performance related to access to human capital (education and language ability), financial capital, and legal status.[3] In a thorough analysis of these barriers, Fairlie and Woodruff (2010) find that the entire gaps between Mexican-born immigrants and non-Latino Whites in the rates of business formation and levels of business income are explained by differences in observable characteristics. The lower rates of business formation among Mexican immigrants are entirely explained by low levels of education and wealth.[4] Nearly the entire gap in business income for Mexican immigrants is explained by low levels of education and limited English language ability. Legal status represents an additional barrier for Mexican immigrants.

Combined, the analysis suggests that absent barriers created by human capital, financial capital and legal status, rates of business ownership among Mexican immigrants would be higher than rates of the native-born population. This suggests that, like immigrants from Asia and Europe, Mexican immigrants of given characteristics are more likely to own a business than are native-born Whites with the same characteristics. This runs counter to the sentiment that Mexican immigrants are likely to be less entrepreneurial because the cost of migration is lower than the cost of migrating to the United States from most other countries (Borjas, 1987).

Education and wealth disparities also explain a substantial part of the entrepreneurship gap for second and third generation Mexican-Americans. However, some portion of the gap remains unexplained, especially among the less-accurately identified third generation. This difference suggests that Mexican immigrants may be more entrepreneurial than the native-born population, but US-born Mexicans are less so after controlling for observable differences.

9.3. The contribution of Mexican immigrant business owners to the US economy

This section estimates the economic contribution of Mexican immigrant-owned businesses. Although many previous studies examine immigrant business ownership, very little is known about the contribution of immigrant entrepreneurs to the total US economy. Previous research examining the contributions of immigrant business owners has generally focused on specific sectors of the economy or regions of the country.[5] To study this question, the contribution of Mexican immigrants to business ownership, formation, and performance is estimated using data from the CPS and census.[6]

Examining the contribution of immigrants to the economy entails estimating the total number of immigrant business owners in the United States and comparing that to the total number of business owners. Table 9.5 reports estimates of the total number of immigrant business owners from the 2000 census. The 2000 census is the latest available dataset with large enough samples to examine detailed immigrant groups. Estimates from the 2000 census indicate that there are nearly 1.5 million immigrant business owners, representing 12.5% of all 11.5 million business owners in the United States.

The immigrant share of all business owners compares favorably to the immigrant share of the work force. Immigrants constitute 12.2% of the total United States work force, implying a higher business ownership rate than the US-born rate. Indeed, 9.7% of immigrants own a business, compared with 9.5% of the US-born work force. This finding is consistent with the previous literature that documents higher business ownership rates among immigrants (see Schuetze and Antecol, 2006 for example). The difference in business ownership rates, however, is not large.

What are the main source countries of immigrant business owners in the United States? In addition to the immigrant total contribution, Table 9.5 also reports estimates of the number of business owners by source country for the top-20 countries. The largest contributing country is Mexico with 255 300 business owners representing 2.22% of all business owners in the United States. Mexican immigrants provide the largest contribution of all source countries, and are the only group representing more than 10% of the total immigrant share of business owners. Mexican immigrants, however, have a rate of business ownership substantially below the national average (6.5% compared to 9.5%). The large contribution to the total number of immigrant business owners is thus being driven by the large share of Mexican immigrants in the United States and not by higher business ownership rates.

Table 9.5. Number of business owners by immigrant group,[1] 2000 census[2]

Group[3]	Business owners		Total workforce		Business ownership rate (%)
	Number	Percent of U.S. total	Number	Percent of U.S. total	
US Total	11 521 910	100.00	121 440 670	100.00	9.5
US-born Total	10 085 500	87.53	106 659 270	87.83	9.5
Immigrant Total	1 436 410	12.47	14 781 400	12.17	9.7
Mexico	255 300	2.22	3 944 740	3.25	6.5
Korea	90 280	0.78	400 110	0.33	22.6
India	60 210	0.52	596 010	0.49	10.1
China	57 590	0.50	610 540	0.50	9.4
Vietnam	51 720	0.45	523 460	0.43	9.9
Canada	50 400	0.44	388 480	0.32	13.0
Cuba	49 090	0.43	379 650	0.31	12.9
Germany	41 430	0.36	315 710	0.26	13.1
Philippines	36 860	0.32	785 170	0.65	4.7
Italy	34 520	0.30	190 700	0.16	18.1
Iran	33 570	0.29	156 310	0.13	21.5
El Salvador	31 180	0.27	411 450	0.34	7.6
Poland	30 810	0.27	226 730	0.19	13.6
England	27 530	0.24	222 730	0.18	12.4
Colombia	25 760	0.22	243 560	0.20	10.6
Taiwan	23 480	0.20	176 840	0.15	13.3
Greece	20 730	0.18	79 750	0.07	26.0
Dominican Republic	19 960	0.17	271 450	0.22	7.4
Jamaica	18 980	0.16	316 070	0.26	6.0
Guatemala	18 710	0.16	231 500	0.19	8.1

1. The sample includes all workers with 15 or more hours worked per usual week. The total sample size is 5 967 675.
2. All reported estimates use sample weights provided by the 2000 census.
3 The reported immigrant groups represent the largest 20 groups based on the number of business owners.

Source: Author's calculations from 2000 census microdata.

Business formation

The business ownership rate captures the stock of business owners in the economy at a given point in time, but does not capture the dynamics of business creation. This section estimates the number of new immigrant business owners and makes comparisons to the total number of new business owners. This analysis captures how immigrants contribute to the flow of businesses in the US economy. New businesses are often associated with economic growth, innovation, and the creation of jobs.

For the analysis of business formation, panel data is needed. The matched CPS (1996-2007) microdata is used because it is the only dataset in which business creation can be examined for immigrants because of the need for both panel data and very large sample sizes. Table 9.6 reports estimates of the number of new immigrant business owners in the United States. Immigrants start 81 000 businesses per month. This represents 16.7% of all new business owners in the United States, which is higher than the share for all business owners (stock) or the workforce. Indeed, immigrants are found to create businesses at a faster rate than are non-immigrants. The business formation rate

per month among immigrants is 0.35% implying that 350 out of 100 000 immigrant non-business owners start a business each month.[7] This rate of business formation is higher than the non-immigrant rate of 0.27% or 270 out of 100 000 US-born non-business owners per month.

Table 9.6. Number of new business owners per month by immigrant group, matched current population survey, 1996-2007[1]

Group[3]	New business owners		Business formation rate[2]	
	Number per month	Percent of U.S. total	Percent	Number per 100 000
US Total	484 864	100.00	0.28	284
US-born Total	403 763	83.27	0.27	273
Immigrant Total	81 100	16.73	0.35	349
Mexico	23 094	4.76	0.34	340
El Salvador	3 178	0.66	0.47	472
Cuba	3 098	0.64	0.42	425
Korea	2 870	0.59	0.57	575
India	2 619	0.54	0.29	292
Dominican Republic	2 417	0.50	0.47	467
Guatemala	1 758	0.36	0.52	518
Jamaica	1 691	0.35	0.40	401
Vietnam	1 678	0.35	0.24	245
Canada	1 652	0.34	0.35	354

1. The sample includes non-business owners who do not own a business in the first survey month. The total sample size is 7 789 698.
2. Business formation is defined as those individuals who report starting a business in the second survey month with 15 or more hours worked per week.
3. The reported immigrant groups represent the largest ten groups based on the number of new businesses.

Source: Author's calculations from matched 1996-2007 CPS microdata.

Table 9.6 also reports estimates of the number of new business owners per month by source country. The largest number of new businesses is created by immigrants from Mexico, representing 4.8% of all business starts in the United States. Business formation is distributed across many other immigrant groups.

Business income

The next question is how much immigrant-owned businesses contribute to total business income in the United States. Instead of focusing on the total number of businesses owned or created by immigrants, the section focuses on how much value they create for the US economy. The 2000 census includes information on business income net of all expenses reported by the owner. Table 9.7 reports estimates from the 2000 census on total business income for immigrant business owners. All estimates are reported in 2000 dollars. The total business income for immigrants is USD 67 billion, representing 11.6% of all business income in the United States. Total US business income is USD 577 billion. Immigrants from Mexico provide the largest contribution to total US business income at 1.2%.

Table 9.7. Total business income[1] by immigrant group, 2000 census[2]

Group[4]	Net business income[3]		
	Total (000s of USD)	Percent of U.S. Total	Average per owner (USD)
US Total	577 714 338	100.0	50 141
US-born Total	510 757 703	88.4	50 643
Immigrant Total	66 956 635	11.6	46 614
Mexico	6 890 546	1.2	26 990
Korea	4 289 510	0.7	47 514
India	4 999 076	0.9	83 023
China	2 612 293	0.5	45 360
Vietnam	1 786 430	0.3	34 540
Canada	3 272 177	0.6	64 924
Cuba	2 421 547	0.4	49 334
Germany	2 322 318	0.4	56 054
Philippines	2 179 736	0.4	59 142
Italy	1 760 395	0.3	51 004
Iran	2 559 450	0.4	76 251
El Salvador	823 997	0.1	26 431
Poland	1 341 773	0.2	43 549
England	1 580 912	0.3	57 427
Colombia	883 144	0.2	34 284
Taiwan	1 367 917	0.2	58 266
Greece	1 253 056	0.2	60 441
Dominican Republic	536 080	0.1	26 860
Jamaica	672 985	0.1	35 448

1. The sample includes all workers with 15 or more hours worked per usual week. The total sample size is 596 550.

2. All reported estimates use sample weights provided by the 2000 census.

3. Income estimates are reported in 2000 dollars.

4. The reported immigrant groups represent the largest 20 groups based on the number of business owners.

Source: Author's calculations from 2000 census microdata.

The immigrant representation of total business income is lower than the representation of the total number of business owners suggesting that immigrant businesses have lower average incomes (see Table 9.7). This is especially true for Mexican-American businesses, which have much lower levels of average business income. The average business income for Mexico-born immigrant business owners is slightly less than USD 27,000. Of the 20 largest immigrant groups in the United States, only two groups (El Salvador and Guatemala) have lower average business income than immigrants from Mexico.

Notes

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2. Business ownership rates are not sensitive to exclusion of part-time owners and agricultural industries (see Table 9.1)

3. A large literature focus on the causes of the relative lack of business success among African-Americans and finds that it partly due to relatively low levels of education, wealth and parental self-employment, lending constraints, and consumer discrimination (see Borjas and Bronars, 1989; Bates, 1997; Fairlie, 1999; Hout and Rosen, 2000; Blanchflower *et al.*, 2003; Cavalluzzo *et al.*, 2002; Cavalluzzo and Wolken, 2005; and Fairlie and Robb, 2007, 2008).

4. Lofstrom and Wang (2006) also find that relatively low levels of education and wealth contribute to lower business-creation rates among Mexican-Americans.

5. See Wadwha *et al.* (2007) for evidence on the contribution of immigrants to engineering and technology companies, and Saxenian (1999, 2000) for evidence on the contributions of immigrant entrepreneurs to high-tech areas such as Silicon Valley.

6. For a more general discussion of the contribution of immigrant entrepreneurs from all countries see Fairlie (2008).

7. See Fairlie (2009) for detailed business formation or entrepreneurship rates by demographic groups and states.

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Chapter 10

Migrant women entrepreneurhip in OECD countries

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Summary

In recent years, the first signs of a new stage in the urban economy have been observed, in which migrant women seek for new opportunities in business. In parallel to the increasing trend in self-employment among immigrants and women, the increasing ownership of businesses by migrant women or women of ethnic origins has emerged as a new phenomenon. One question is whether the new niche of migrant women entrepreneurship opens new perspectives for socio-economic cohesion or integration. The present chapter investigates migrant women entrepreneurship from the perspective of motivation, driving forces and gender-based differences. The chapter reviews the factors that push migrant women towards entrepreneurship and that determine their different entrepreneurial behaviour compared to migrant men. In order to understand the determining factors behind the motivation towards entrepreneurship as well as gender-based differences, the chapter addresses and evaluates the results of several case studies in selected OECD countries. The chapter also evaluates the transformations in the motivation and driving forces of migrant women towards entrepreneurship over the years.

10.1. Gender dimensions of the ethnic economy

Self-employment in small firms has been most pronounced among immigrants and women in recent decades. The increasing rate of business ownership among both immigrant groups and women has become one of the driving forces of the growth of national economies, in particular, in the United States and in many European countries. (Barrett *et al*., 1996; Baycan-Levent and Nijkamp, 2009; Borjas, 1986 and 1990; Centre for Women's Business Research, 2004 and 2005; Cross, 1992; GEM, 2004; Gorter *et al*., 1998; Kloosterman *et al*., 1998; OECD, 2001a, 2001b and 2006; Pearce, 2005; Weeks 2001). Immigrants have contributed to over 20% of net job creation in many countries and self-employment among immigrants has increased in almost all countries in both numbers and as a percentage of overall self-employment (OECD, 2006). In some countries (*i.e*. United Kingdom), ethnic minorities lead on entrepreneurship (GEM, 2004). Self-employment among women has also increased over the years. While women's share in total entrepreneurial activity was between one-quarter and one-third in the 1990s, it has

approached almost 50% in many countries in the 2000s (Center for Women's Business Research, 2005; Verheul *et al*., 2004; Weeks, 2001).

The increasing rate of business ownership among both immigrant groups and women has led to the development of two streams in the literature on entrepreneurship: "ethnic" or "migrant entrepreneurship" and "female entrepreneurship". Much of the research on migrant entrepreneurship has addressed the opportunities and barriers for migrant entrepreneurship by identifying critical success or performance conditions of migrant entrepreneurs (Basu, 1998; Baycan-Levent *et al*., 2003 and 2006; Borjas, 1986; Bull and Winter, 1991; Chaganti and Green, 2002; Danson, 1995; Davidsson, 1995; Deakins, 1999; Deakins *et al.*, 1997; van Delft *et al*., 2000; Donthu and Cherian, 1994; Dyer and Ross, 2000; Fairlie, 2004 and 2005; Fairlie and Meyer, 1996; Johnson, 2000; Kloosterman *et al*., 1998; Lee *et al*., 1997; Masurel *et al*., 2002; Ram, 1994a-b; Rettab, 2001; Verheul *et al.*, 2001; Waldinger *et al.*, 1990; Wilson and Portes, 1980; Zhou, 2004). Structural factors (such as social exclusion, discrimination and high unemployment) and cultural factors (such as specific values, skills and cultural features), or a blend of the factors that influence the step towards migrant entrepreneurship have been examined in these studies. The research on women's entrepreneurship has addressed individual and business characteristics and more recently the gender-based differences in entrepreneurship (Bruce, 1999; Brush, 1992; Buttner and Moore, 1997; Carter *et al*., 1997; CEEDR, 2000; Cliff, 1998; Cowling and Taylor, 2001; Cromie and Birley, 1991; Fagenson, 1993; Fischer *et al*., 1993; Kalleberg and Leicht, 1991; Koreen, 2001; Letowski, 2001; Nielsen, 2001; OECD, 1998 and 2001a; Rietz and Henrekson, 2000; Rosa *et al*., 1994; Thakur, 1998; Verheul *et al*., 2001; Verheul and Thurik, 2001; Weeks, 2001). Gender-based differences, focused on psychological and sociological characteristics and performance, have been examined in order to understand and explain the reasons for the lower status of women in society from the perspective of liberal feminist and social feminist theories.

Although much research effort has been carried out of either migrant entrepreneurship or women's entrepreneurship, there is little comprehensive or solid research on migrant women entrepreneurship, while studies of the gender dimensions of ethnic employment niches remain generally case-based. In general, less attention has been paid to the vital role of gender resources in ethnic economies; the focus has been largely on the status of women as either unpaid or underpaid family members. Women's involvement in ethnic economies is often regarded as an extension of their domestic, maternal, or socially reproductive activities in the household. Having access to cheap or unpaid family labour and, in many cases, married women's labour has been a critical factor in determining the success of small business in accumulating capital.

The reasons for this lack of attention to the gender dimensions of ethnic employment depend, on the one hand, on the belief that the number of female labour migrants is relatively small and that any potential impact they might have is insignificant and, on the other hand, on the assumption that women primarily follow men in migration and when they work find jobs working alongside their husbands, filling the same labour market functions (Kossoudji and Ranney, 1984). However, many studies suggest that women are not simply following men in migration and that their labour market functions are quite distinct from men's (Dallalfar, 1994; Kossoudji and Ranney, 1984; Wright and Ellis, 2000). Women's migration patterns may be distinct from those of men in both the timing and the direction of the flow. Gender-related obligations often make it more difficult for women to migrate than men or require that they move for reasons other than employment. Dallalfar (1994) and Wright and Ellis (2000) emphasised that women and men have

differential access to both ethnic and gender resources within the immigrant community and that they tend to access different networks for finding work or to obtain different information from networks because of the gender characteristics of jobs. They explained this fact by the different social capital of men and women in immigrant communities as well as by different migration information systems of women compared to men.

The lack of attention to gender dimensions of the ethnic economy has prompted in the last years an increasing interest among researchers in addressing women as entrepreneurs in the ethnic economy, in parallel to the increasing number as well as the higher shares of migrant women in business ownership compared to migrant men and native counterparts. This new emerging trend at the intersection of migrant and women's entrepreneurship has drawn the attention of several researchers to migrant women with a more specific focus than that accorded migrant men (Abbasian and Bildt, 2009; Baycan-Levent *et al.*, 2003 and 2006; Baycan-Levent and Nijkamp, 2010; Center for Women's Business Research, 2004; Collins and Low, 2010; Constant, 2004 and 2009; Dallalfar, 1994; Dhaliwal, 1998 and 2007; Dhaliwal and Kangis, 2006; Gilbertson, 1995; Hillmann, 1999; Low, 2003; Pearce, 2005; Pio, 2007 and 2010; Schoeni, 1998; Wright and Ellis, 2000). In general, these investigations describe migrant or ethnic women entrepreneurship on the basis of two dichotomies: men-women (gender) and ethnic-native (ethnic). These studies highlight very interesting trends in migrant women entrepreneurship and explain some prominent characteristics of migrant women in the labour market. However, much research is needed to better understand the driving forces, motivations and success conditions or performance of migrant women entrepreneurs.

10.2. Migrant women's entrepreneurship

Migrant women's entrepreneurship is a phenomenon that is shaped by the dual effects of ethnic/migrant and women's entrepreneurship (Baycan-Levent *et al.*, 2003). Sometimes ethnic characteristics are prominent in their behaviour, at other times gender-related characteristics determine their attitudes. Here, the critical question is: Does this dual effect bring about double barriers or more opportunities? In this section, we will review the factors that push migrant women towards entrepreneurship and that determine their different entrepreneurial behaviour compared to that of men. In order to understand the determining factors behind the motivation towards entrepreneurship as well as gender-based differences, we will describe and evaluate the results of several case studies. We will also evaluate the changes/transformations in the motivation and driving forces of migrant women towards entrepreneurship over the years.

A dual character: ethnic and female

"Are ethnic women entrepreneurs mainly ethnic entrepreneurs or mainly women entrepreneurs?" Baycan-Levent has examined this research question (2003). To address this question, they compared the characteristics, advantages/opportunities and problems/barriers of the two groups (Figure 10.1). This comparison showed that there are many similarities between these two groups in terms of characteristics (belonging to the service sector and having small and relatively young enterprises), specific barriers and problems (administrative and regulatory barriers, access to finance, exclusion from business networks and unequal opportunities in terms of work experience and discrimination), but also clear differences in terms of ethnic or gender based obstacles (while language and a lack of education are the most important ethnic-based obstacles,

family responsibilities, social and cultural values and a lack of personal capital are the most important gender-based obstacles), needs and motivations (ethnic entrepreneurs are often motivated by economic factors such as generating extra income, women entrepreneurs can be motivated also by other factors, such as a need to be independent and to be one's own boss or by an entrepreneurial family tradition).

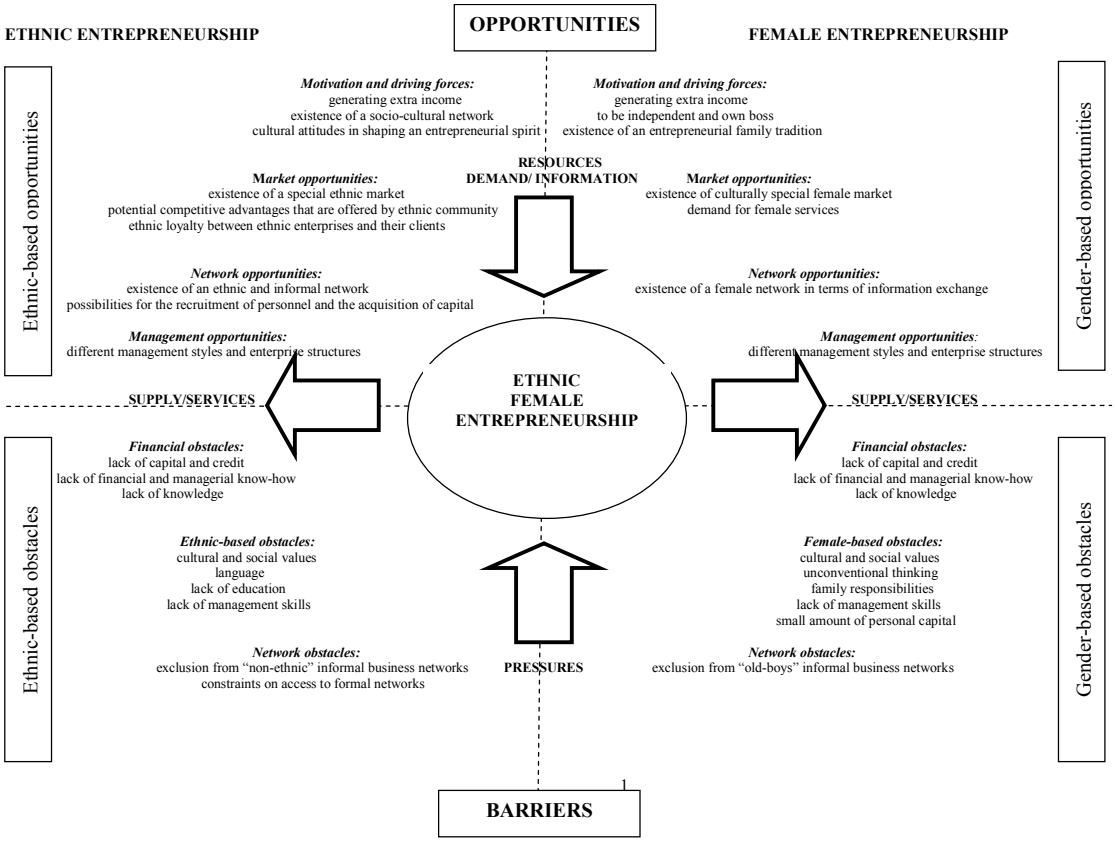
Notwithstanding their dual character, the results of several studies show that the characteristics of ethnic women entrepreneurs are close to those of women entrepreneurs (Baycan-Levent *et al*., 2003; Hillmann, 1999; Morocvasic, 1988). The case study by Baycan-Levent *et al.* (2003) on the attitudes and behaviour of Turkish women entrepreneurs in Amsterdam show that most characteristics of Turkish women entrepreneurs are very similar to native women entrepreneurs in terms of personal and business characteristics, and driving forces and motivations. Turkish women entrepreneurs in Amsterdam are closer to the species of "women entrepreneurs" than to that of "ethnic entrepreneurs". Hillmann's study (1999) shows similar results for Turkish women entrepreneurs in Berlin. Hillmann states that Turkish women entrepreneurs in Berlin did not consider themselves as part of the "ethnic economy", nor as "typical of other Turkish women".

On the other hand, a trend towards a mainly non-ethnic orientation is also observed among self-employed immigrant women. While Dallalfar (1994) argues that entrepreneurial immigrant women are using the ethnic economy to engage in work activities that are more profitable than working as low-paid and devalued workers in businesses often owned by men, the results of two researches, Morocvasic's (1988) and Hillmann's (1999), show that the majority of self-employed immigrant women offered "non-ethnic" products and services and they overwhelmingly addressed "non-ethnic" consumers. In Hillmann's study, the trend towards a mainly non-ethnic orientation of Turkish women entrepreneurs was confirmed by the origin and the specialisation of the suppliers of the sold goods, the composition of the clientele and the frequently mentioned disadvantages of the involvement of family members (hierarchical problems) in the business.

The predominant effect of the gender dimension in shaping migrant women's entrepreneurship.

The findings of many studies show that gender has become more important than race or ethnicity in determining occupation (Albelda, 1986; Baycan-Levent *et al*., 2003 and 2006; Dallalfar, 1994; Wright and Ellis, 2000). According to the study of Baycan-Levent *et al*. (2006), "gender" as a factor has a higher importance than "ethnicity" in the characteristics and behavioural attitudes of migrant entrepreneurs, while gender-based differences in migrant entrepreneurship are similar to gender-based differences observed commonly in entrepreneurship. It seems that the changes in the economy over time have led to occupational convergence by gender.

Figure 10.1. Opportunities and barriers in ethnic women's entrepreneurship



Source: Baycan-Levent *et al*. (2003).

Gender is a notablefactor in determining immigrant entrepreneurial activity, as well as types of ethnic resources that immigrants use to establish and maintain their small businesses (Dallalfar, 1994). Immigrant women are more likely to go into occupations where other immigrant women work, regardless of their nationality, than into jobs beside co-ethnic men (Wright and Ellis, 2000). This gender-based convergence is also strongly related to value systems, as ethnic female entrepreneurs perceive and approach business ownership differently than ethnic male entrepreneurs (Baycan-Levent *et al.*, 2006). For example, the study of Baycan-Levent *et al*. (2006) shows that there are differences in the perceptions and feelings of Turkish men and women entrepreneurs, especially concerning the investment of the family's capital. While Turkish men are more active and willing to take risks in using the family's capital, Turkish women entrepreneurs feel that this capital belongs to the family and is not their personal capital. Therefore, they do not want to take risks. This (idea of) family ownership of capital is the most important factor in discouraging them to take risks.

Motivation towards independence

The literature on the structure of work by women in ethnic economies highlights certain frequently found characteristics. Gender-focused research shows that the enclave economy does not necessarily support the professional advancement of women as much as it does that of men (Zhou and Logan, 1989). Occupational segregation by gender, discrimination, women's multiple roles as workers, mothers and wives, lack of access to information networks and to capital account for much of women's disadvantage vis-à-vis men (Zhou and Logan, 1989; Gilbertson, 1995). Cultural factors play also an important role to foster this tendency. In general, women are expected (and expect also themselves) to earn wages in ways that do not conflict with their family obligations. Depending on cultural values, the welfare of the family and community may have more priority than individual achievement (Dhaliwal, 1998 and 2007; Low, 2003; Zhou and Logan, 1989). The objective is may not be to develop a working career but to contribute immediately to the household income for the benefit of younger members.

Enclave employment provides women with low wages, minimal benefits, and few opportunities for advancement (Gilbertson, 1995). Discrimination, occupational segregation, and work/family conflicts result in lower wages and fewer opportunities for women, regardless of labour market sector. Although a key advantage of enclave employment is access to resources that facilitate entrepreneurship, research shows that women in the mainstream economy encounter more barriers to self-employment than men. Therefore, enclave employment may be more exploitative of women (Gilbertson, 1995). On the other hand, as most studies indicate, the professional activities of women in an ethnic economy did not change their family-related workload, but actually increased their workload overall (Dhaliwal, 1998 and 2007; Gilbertson, 1995; Hilmann, 1999; Pio, 2010; Zhou and Logan, 1989).

The findings of several studies show that many immigrants start their business after a discouraging experience in the traditional labour market, where they face language barriers, low wages, racial or ethnic discrimination, and sometimes exploitation. In general, for immigrant women self-employment is a potential way to escape from unemployment after having worked in industry or after the failure of the more qualified second generation to integrate in the general labour market (Hillmann, 1999; Low, 2003). Therefore, self-employment is more of an advancement than a starting point of emancipation or an adaptation process. Self-employment might also be a way for immigrant women to achieve a respectable social status, even though it does not necessarily correspond to high earnings (Constant, 2004).

The literature explains the motivation which leads a woman to choose entrepreneurship by means of two major themes, namely "disenchantment over employment" and the "desire for independence" (Collins *et al*., 1995; Low, 2003). Proponents of the disenchantment-over-employment theory argue that women are unhappy because their career advancement is blocked. Blocked mobility theorists illustrated this with the "glass ceiling" (Still, 1997; Wirth, 2001), "glass doors" and "sticky floor" (Still, 1997) factors. Researchers in ethnic entrepreneurship added the "accent ceiling" (Collins *et al*., 1995) factor to the list. While "glass ceiling" refers to the barriers to career advancement of women, "sticky floor" refers to the absence of career movement beyond the initial entry job, while "accent ceiling" refers to racial discrimination that blocks immigrant women in the labour market. Proponents of the desire-for-independence theory argue that women choose entrepreneurship for better

financial outcomes in order to be independent. Independence is also expressed as wanting to achieve autonomy.

In both approaches, there is much debate on whether the woman was "pushed or pulled" (Brush, 1990; Hughes, 2003; Jasten, 2000; Langan-Fox and Roth, 1995; Moore and Buttner, 1997; Nagarajan *et al.*, 1996; OECD, 2001a; Pihkala *et al.*, 2000; Still and Timms, 2000). "Push factors" are generally those where women have little choice and are pushed into the decision of owning and operating a business whether by herself or with family or with others by the lack of opportunities in wage employment. "Pull factors" are elements that make entrepreneurship an attractive option for women. Besides these two factors, a third factor namely "family balancing" is added by some researchers. These researchers assert that, by starting their own businesses, women seek to balance family responsibilities with productive employment, as managing their own businesses allows them a degree of flexibility for their family responsibilities (Collins *et al*., 1995; Evans, 1984; OECD, 2001b).

Several studies show that the motivations for business ownership display varying patterns among immigrant women entrepreneurs depending on national origin (Low, 2003; Pearce, 2005). According to the study of Pearce (2005), in the United States several Chinese and Vietnamese women open their businesses in response to "pull factors", whereas Korean women open their businesses in response to "push factors", because business ownership was their only option to survive economically. Also Latina women in the United States seem to choose entrepreneurship in response to "push factors". Ethnic differences with respect to entrepreneurs' motivations can vary from one location to another, and depend on social class differences, opportunity structures, and ethnic group relations in a particular location.

Morocvasic's (1988) study (in Hillmann 1999) on self-employed immigrant women in five European countries distinguished two groups of women entrepreneurs. A first group of self-employed women followed an individual strategy having had previous experience of institutionalised training. A second group adopted a more traditional strategy by continuing the same activity they were engaged in before becoming self-employed. Very few women were housewives before starting their own business.

As generally observed, in the case of female entrepreneurship being married, widowed, divorced or separated increases the probability of self-employment for migrant women (Collins *et al*., 1995; Dallalfar, 1994; Evans, 1984; Ip and Lever-Tracy, 1992; Kermond *et al*., 1991; Low, 2003). For example, the study of Dallalfar (1994) on Iranian women entrepreneurs in the United States shows that many Iranian immigrant women who are divorced, separated, widowed, and never married, or immigrant women who are married and whose husbands are underemployed or unemployed are sole owners of small businesses in the ethnic economy. The study of Low (2003) on Asian-born women entrepreneurs in Australia offers similar results.

Low explains the marital-status-related propensity to become entrepreneurs for the Asian-born women in terms of three motivations: "love labour", "fighting back", and "giving face". "Love labour" refers to the woman who obediently submits to the call of her husband and starts an activity for love. "Fighting back" refers to the woman who lives in a loveless marriage where the marital relationship is strained and where her self-esteem is compromised, and is pushed to a limit where she is "fighting back" to regain control of her life. She is empowered to make her own decisions about her marital liability, no longer afraid of losing face to co-ethnics and relatives around her. Entrepreneurship provides her a route to regain her self-esteem and to find the proof that she is capable of

financial independence. "Giving face" refers to the newly arrived male business, professional and skilled migrants who had successful careers before migration and who are worried of what their relatives and friends back home would think of them if they remained unemployed. Immigrant women would try to give their husbands as much support as possible to find a new job or to establish them in business. Women entrepreneurs often took the initiative to identify business opportunities, discussed them with their husbands, encouraged their husbands to take on the challenge and worked alongside them to ensure that the new ventures succeed. Low explains this situation of women as "giving face" to their husbands.

For most of Asian-born women entrepreneurs the most important motivation is balancing and managing marital relationships, the children and the "family". Therefore, Low (2003) adds a third dimension to motivation factors namely "embeddedness in marriage, family and self" on the basis of her study in Australia. Married women are more likely to be entrepreneurs and those with children are more likely to start their own business because self-employment gives them time flexibility (Collins *et al*., 1995; Evans, 1984). In addition to time flexibility, earlier research has found that many women started up a business because they wish to provide for their children's education (Ip and Lever-Tracy, 1992; Zhou and Logan, 1989) and that immigrant women enter small business partly for the purpose of building an investment for their family (Kermond *et al*., 1991). Immigrant women found that through owning a small business they were able to accumulate wealth to ease the upward mobility of their children (Collins *et al*., 1995).

The top reason for women going into business is financial. This factor has a number of aspects ranging from not earning enough income to meeting their financial commitments. However, all of these are related to familiar and marital circumstances. Low (2003) describes three different types of income needs namely "survival income" related to employment barriers and unemployment; "supplementary income", a second income to pay for private schooling, extra-curricular tuition for children and have some left over to save for a rainy day; and "independence income" related to the desire for financial independence from husbands or just for herself to satisfy her desire to be an independent person.

A high concentration in the service sector

As it is the case in both migrant and female entrepreneurship, the orientation to the service sector is also the main feature of migrant women's entrepreneurship. According to the report published by the Centre for Women's Business Research (2004), in the United States 61.0% of firms owned by women of immigrant origins are in the service sector, whereas 12.4% are in retail trade; and 4.0% are in goods-producing industries including construction, mining, manufacturing, and agriculture. The greatest growth by sector in the number of firms owned by women of immigrant origins from 1997 to 2004 has taken place in the services industry (55.8% growth), followed by transportation/ communications/public utilities (47.3%) and agriculture (34.8%). Pearce's study (2005) states that in the United States the top industry for immigrant women business owners is working in private households, followed by child-day-care centres, and restaurants and other food services. Nineteen out of the top twenty industries in which these entrepreneurs work are service industries. Two of the top service industries for immigrant women business owners are real estate and management, scientific and consulting services, where the potential for earnings is much higher than in many other service industries.

Pearce (2005) explained the higher concentration of entrepreneurial women in service industries by a number of factors: *i)* women enter fields related to services they already know on the basis of their personal experience (health care, cooking, cleaning, beauty care); *ii)* women often do not have access to the amount of start-up capital needed in many other industries; and *iii)* women may not be trained in the particular expertise needed for other fields. She emphasized that another possible explanation may be that entrepreneurial women stimulate or help incubate the businesses of other women.

The contribution of immigrant women entrepreneurs to employment creation

The findings of several studies show that immigrant women entrepreneurs represent a potential source of continued new business growth that brings a broad range of international skills to the work force. Women entrepreneurs of immigrant background are not only creating jobs for themselves, they also stimulate job creation by hiring other employees. It is estimated that businesses owned by such women today provide 12 million jobs in the United States (Pearce, 2005).

According to the study of Collins (1996), migrant-owned small businesses often provide employment opportunities for other migrants. In a survey conducted in Sydney in 1993, it was found that half of the workers employed in businesses owned by women from non-English speaking background were family members, more than double the Australian-born rate (Collins, 1996).

The studies by Low (2003) and Collins and Low (2010) highlight the international dimension of entrepreneurial activities and show that as new job creators immigrant women are increasingly involved in transnational activities including import and export of goods and services, investments in office, marketing or technical support given to overseas local agents or overseas suppliers, thus fostering international trade. The results of their case study including 80 Asian women entrepreneurs in Australia show that half of the informants were engaged in international business activities whereas the remaining half expressed their intentions to venture into international trade in the immediate future. Another interesting finding of their study is that these women entrepreneurs, in addition to trading with their countries of birth, were highly likely to trade with other Asian countries and most of them had business ties with other Asian countries, including Korea and Japan, or with non-Asian countries, mainly exporting to and importing from Europe and the United States.

From a family strategy towards an independency strategy: the evolution of migrant women's entrepreneurship over time

While the earlier phase of the self-employment experience of immigrant women was a part of a family strategy, this trend has changed over the years from the experience of lower wages, minimal benefits and the multiple impacts of an enclave economy towards a new phase to escape from the subordination of women in patriarchal control mechanisms. Several examples or success stories illustrate that immigrant women are swiftly moving beyond their roles as small store owners and unpaid workers in their husbands' businesses (Hillmann, 1999; Low, 2003; Pearce, 2005). Hillmann (1999) states in a speculative way that, while men dominate the ethnic economy through their activities and their orientation towards primarily ethnic clientele, women have to leave it if they do not want to remain in a subordinate position. Consequently, they are making in-roads into fields outside of the traditional "ethnic" and "feminine" occupations. On the other hand, Low (2003) states

that even immigrant women entrepreneurs who provided "love labour" to their husbands initially, later found that their contribution were so significant and indispensable that they become equal and the co-decision makers in the business. In an earlier study Lever-Tracy *et al*. (1991) also found that the role of women in family businesses was substantial and often involved significant levels of responsibility. In addition, Low emphasizes that these immigrant women did not see themselves as victims in marital and family power relationships. On the contrary, some managed to regain control of their lives as a true partner in the business. In this case, they became an important driving force of the business.

Recent studies show that not only the family strategy but also the understanding of family has changed over the years (Chiang, 2001; Low, 2003; Stevenson, 1986). According to the study of Chiang (2001), the collective word "family" can mean different things to immigrant women entrepreneurs. In contrast to the belief that women want a business that allows them to stay at home with their family, many immigrant women entrepreneurs with dependent children are working in their own businesses located outside their homes. The earlier findings of Stevenson (1986) and recent findings of Low (2003) show that women wish to escape domestic constraints and so choose entrepreneurship as an escape vehicle. Low (2003) found that many women chose to set up a business to give them a reason to be outside the home, to escape from children and unpaid domestic work. She found also that it is not the children that led the women to go into business in the first place, it is their husbands and the state of their marital relationship that hold the key to explaining their move into entrepreneurship. Moreover, it was not only fathers who had an influence, but mothers featured strongly as role models.

These changes in both understanding the "family" and the family strategies show that a critical change has emerged in the "ethnic women's profile" over the years. While initially escaping from a subordinate position and a patriarchal control mechanism that was determined by an ethnic environment and also from traditional feminine occupations, immigrant women seem to become "mainstream entrepreneurs" and to have a high potential in opening new perspectives for socio-economic cohesion or even integration. This change is the most critical one to be investigated in future researches.

10.3. Migrant women entrepreneurship in selected OECD countries

In this section, we will review the factors that lead migrant women towards entrepreneurship in selected OECD countries. In order to understand the determinants of entrepreneurship, we will address and evaluate the results of several case studies in these countries.

Australia

Australia has a long history of immigrant entrepreneurship and immigrant enterprises generate significant economic growth, employment opportunities and import/export activity across a broad range of industries in the country (Collins, 2008). While most immigrant entrepreneurs are men, immigrant entrepreneurship by women is becoming increasingly significant in Australia (Chavan and Agrawal, 1998; Collins, 2008; Collins and Low, 2010; Low, 2003; Queensland Government, 2006). According to the study of Collins and Low (2010), in 2001 overall entrepreneurship rates of men are approximately twice that of women across most birthplace groups. While most immigrant groups have a similar or lower rate of entrepreneurship in Australian SMEs, men born in China have the

highest rate, approximately 50% higher than the Australian-born. However, similar data for women show that on average immigrant women from non-English-speaking countries have a higher rate of entrepreneurship (12.1%) than both immigrant women from English-speaking countries (9.5%) and Australian-born women (9.2%). Women born in China have a rate of entrepreneurship that is nearly double the Australian average while women born in Taiwan, Thailand and Vietnam also have relatively high rates of entrepreneurship.

According to the report of the Queensland Government (2006), a range of barriers such as non-recognition of their overseas qualifications and work experience, difficulties with language, access to limited information about the labour market and recruitment processes, racial discrimination and also caring responsibilities for children and other family members can affect the possibilities for women from culturally and linguistically diverse (CALD) backgrounds to find suitable employment. Therefore, many women faced with barriers to find suitable employment turn to self-employment to achieve financial independence, job satisfaction and flexibility. In June 2004, 28.6% of all small business operators in Queensland were born overseas and 33.1% of all overseas born operators were women. The number of immigrant operators who were women increased 27% from June 2003 to June 2004 (Queensland Government, 2006).

The Australian research on immigrant women entrepreneurs states that the main motivations for immigrant women to start their own business can include financial reasons as well as looking for a balance between their own needs and family responsibilities (Chavan and Agrawal, 1998; Collins and Low, 2010; Low, 2003; Queensland Government, 2006). Immigrant women who start businesses in Australia structure their business life around their relationship with their husband, children, family and community, as well as their household responsibilities (Low, 2003). In other words, the business decisions of immigrant women are embedded in family and community networks. In addition, financial reasons can be more specifically related to marital status, such as the need to compensate for the husband's unemployment or limited mobility in the workforce or the desire to achieve financial independence from the spouse (Low, 2003). Therefore, for the women that are or have been married, the husbands/ former husbands play a major and often determining role in their decision to move into entrepreneurship.

The Australian research states also that besides family, culture and ethnic ties are also very important to immigrant women (Chavan and Agrawal, 1998; Low, 2003). Ethnic ties and resources are especially important for financial reasons. The resources required to start a business often come from informal lending sources such as relatives, friends, and ethnic communities (Collins, 2008; Queensland Government, 2006). Formal finance options through banks are less frequently pursued, often due to fear of discrimination. Immigrant women in particular tend not to receive their start-up funds from financial institutions. Financial limitations are often overcome by starting to operate from home instead of commercial venues (Queensland Government, 2006). Factors that increase the likelihood of business success are prior entrepreneurial experience, good knowledge of the industry or product, and the use of ethnic resources. Pathways to entrepreneurship are very diverse, but common factors are the desire to do something for themselves, and the willingness to take risks and learn from mistakes (Queensland Government, 2006).

Research on ethnic women's business ventures is limited in Australia, but according to the study of Chawan and Agrawal (1998), 80% of ethnic women ran businesses in retailing or in providing services in 1991. Migrant-owned small businesses not only

provide an income to the owner, but often provide employment opportunities for other migrants. In a survey conducted in Sydney in 1993, it was found that half of the workers employed in businesses owned by women from non-English speaking backgrounds were family members, more than double the Australian-born rate (Collins, 1996).

The recent study by Collins and Low (2010) on 80 Asian female entrepreneurs in Sydney highlights some interesting features of immigrant female entrepreneurship in Australia. First of all, the study rejects the simplistic view that immigrant women are undereducated. The results of the study show that more than half of informants were university graduates and they had significantly higher human capital than the average Australian woman. However, the majority (48 informants) acquired their education qualifications overseas. Since immigrants holding Asian educational qualifications have greater problems with the recognition of overseas-obtained qualifications and skills than other immigrants in Australia, Collins and Low emphasise this issue as an important dimension of the racial discrimination that immigrants face in the contemporary Australian labour market. Another important finding of the study is that most informants did not rely on co-ethnic customer base and supply-chains, in other words, they were "breaking out" from the ethnic niche market to reach the mainstream multicultural Sydney market. The results of the study also draw attention to the international business contacts and dealings. The study emphasises that half of the informants were engaged in international business activities both with their countries of birth and other Asian countries including Korea and Japan, or non-Asian countries including Europe and the United States and the remaining half expressed their intentions to venture into international trade in the immediate future.

The Australian research has indicated that the important growth in female immigrant entrepreneurship in Australia, like other countries, needs policies to be sensitive to matters related to intersection of ethnicity and gender and that this area requires further research in Australia.

Canada

Canada ranks first among the OECD countries in terms of women's entrepreneurship (Adrien *et al.*, 1999). Approximately one in ten Canadian women are self-employed and more than one third (34%) of all self-employed Canadians are women (ACTEW, 2007). Women own 45% of Canadian small and medium enterprises (SMEs) and Canadian women entrepreneurs contribute more than USD 18 109 billion to the Canadian economy every year (Government of Canada, 2003). Women's self-employment has increased faster than the rate of men in Canada. Between 1981 and 2001, the numbers of self-employed women increased almost 300%, compared to a 60% increase in the number of self-employed men (ACTEW, 2007). The major reasons to become entrepreneur for Canadian women are a desire for independence and prior experience in a family business (20%) (Adrien *et al*., 1999). A desire for more challenging work is another important factor in their decision (Hughes, 2003). The other frequently mentioned reasons include the possibility of working from home and having more flexible schedules (Adrien *et al*., 1999; CIBC, 2005; Dushi and Lior, 2006, Hughes, 2003).

Women's entrepreneurship in Canada has some distinctive features with regards to other OECD countries. First, available data and information show that women entrepreneurs are increasingly well-educated. According to the CIBC Report (2005), the number of women small business owners who hold a university degree rose at an annual average rate of more than 10% since 1990 (double the pace seen among men) and as of

2004, nearly one in four self-employed women is university-educated. Second, entrepreneurial life attracts more and more young single women. Younger and better educated women have more opportunities to start their own business in the emerging knowledge-based economy. According to the study of Adrien *et al.* (1999), between 1991 and 1996, the number of self-employed young single women rose 62.5% in comparison with 33.7% for men. Between 2001 and 2004, revenue growth for firms run by single self-employed women rose by a cumulative 70% – three times faster than revenue growth among firms run by married women (CIBC, 2005). Third, better educated women are becoming the majority in most fields, they are gaining ground in traditional men's areas such as business, natural and applied sciences, and engineering, they are entering in new growth sectors such as finance, insurance and real estate, and the growth rate of women's self-employment in the emerging sectors related to the knowledge-based economy including health, social services and business services is rising (Adrien *et al.*, 1999; CIBC, 2005). In particular, technical and professional occupations in the health sector have become an important source of growth for self-employed women with an average 15% annual growth since 1989 (CIBC, 2005). Fourth, a growing number of self-employed women belong to trade associations (close to 40% – double the rate seen among men) as a consequence of the improvement in occupational quality where they can find more networking opportunities and business prospects (*op. cit.*). Fifth, women-run businesses do not necessarily target women, only one in five (22%) women-run businesses provides products and services for women (*op. cit.*).

The Canadian research states also that many women entrepreneurs are new Canadians and their numbers have been growing. Immigrant women comprised 22.7% of the self-employed population and their growth rate was 42.6% between 1991 and 1996 compared to 44.3% for women entrepreneurs in general (Adrien *et al.*, 1999). Today, one in five self-employed women was not born in Canada and the pace of business creation among immigrant women has outpaced that of immigrant men by 30% over the past decade (CIBC, 2005). Canadian research states that on average, immigrant women tend to be younger and more educated than the Canadian population in general and immigrant men in particular (Adrien *et al.*, 1999; CIBC, 2005; Dushi and Lior, 2006). One-third of the women between the ages of 25 and 44 who have arrived in Canada in the past decade are university graduates (CIBC, 2005). The share of immigrant women who start their own business immediately upon arrival is very low and their businesses rely on international markets (30%) as a resource of revenues likely from their country of origin. However, after five years, in parallel to the increasing familiarity with the Canadian business environment, immigrant women turn to self-employment at an impressive pace and their reliance on international markets dwindles (6%). After five years, there is no material difference between the characteristics of businesses run by immigrant women and Canadian-born women (CIBC, 2005).

The study by Dushi and Lior (2006) on immigrant women as entrepreneurs highlights the common characteristics of immigrant women who are leaders today in the Toronto labour market. The results of this study demonstrate that: *i)* these women are dedicated, competent and hardworking; *ii)* they are able to make strategic choices: they often act decisively, they think, plan, and then move like most successful entrepreneurs do; *iii)* they are confident, dedicated and challenging: they are willing to take risks and confident in their own abilities, they have a vision, their vision informed their actions and decisions, and they are dedicated to achieving their vision, they do not give up, they are undaunted by challenges and perceive failures and defeats as important learning experiences; *iv)* they are persistent and creative: they start businesses, understand how to

transfer their skills to careers and jobs and are able to find creative ways to apply their skills and experience; *v)* they are able to learn/flexible: they have a vision and know where they want to go, how to get there and what to learn, to achieve their goals they do not rely solely on themselves but they also listen to those who could provide advice or mentor them; and *vi)* they are logical: they are able to quickly recognise and act on opportunities, they have the ability to analyse a situation, quickly determine how to proceed and move forward in a rational way.

An overall evaluation of the Canadian research demonstrates that women entrepreneurs are a driving force in Canada. They are well-positioned to play a more important role in the Canadian economy with their numbers approaching one million (CIBC, 2005). Immigrant women, as new Canadians, are opening new doors with their growing numbers in different sectors. Due to their more educated profiles and higher skills they quickly adapt themselves into the Canadian business environment in a very short time period and they have become "mainstream entrepreneurs" in five years. As one in five self-employed women is an immigrant in Canada, immigrant women's contribution to the Canadian economy is very high.

Sweden

The Swedish economy is dominated by small enterprises and the majority of Swedish enterprises operate in the service sector. Most small business entrepreneurs are men, but there is an increasing share of women among new entrepreneurs. In Sweden, as in many other countries, mostly highly educated women from both the public and private sectors have left their jobs to start micro firms in recent years (Abbasian and Bildt, 2009). According to the report of the Swedish Agency for Economic and Regional Growth (Tillväxtverket, 2009), in 2008, around 25% of the entrepreneurs in Sweden were women and 32% of the new businesses were started by women. Women entrepreneurs are a heterogeneous group in terms of age, background and education and they are active in a wide range of sectors. However, they often work in professions where the opportunities and conditions for entrepreneurship have been limited, such as healthcare, nursing and education. There is no big difference between men's and women's entrepreneurship in Sweden but an interesting difference is observed in the level of education. The level of education of women is higher than that of men. This fact is also reflected in the number of women engineers and the patents taken out by women in recent years. In 2006, 5% of all patents in Sweden were taken out by women. In 2008, 22% of all engineers in Sweden were women (Tillväxtverket, 2009).

Swedish research states that immigrant women are very active in entrepreneurship in Sweden. In 2005, 32% of all newly-started immigrant businesses in Sweden were run by immigrant women whereas the corresponding rate for native-born women was 34% (Nutek, 2007 in Abbasian and Bildt, 2009). According to a recent study of Abbasian and Bildt (2009), there are three groups of immigrant women entrepreneurs in Sweden today: *i)* women who are passively assisting in typically family-run businesses controlled by men; *ii)* women who, despite a certain level of independence, are still dominated by men in their business, decisions and actions; and *iii)* independent women who start and run businesses on their own without major assistance from relatives, whether men or women.

Abbasian and Bildt focus on the last group in their study which consists of individuals who have a higher socioeconomic status and more working experience, higher qualifications, various types of human capital, and relatively young women who have graduated from upper secondary schools or universities. The results of their study show

that a structural motive including unemployment, the need to support their families, the absence of proper jobs, low-paid jobs and discrimination is the main reason for more than half of the women investigated in the study. Achieving personal career developments as well as independence and freedom is the reason for less than half of the women. An interesting finding of the study is that family or marriage has not necessarily been a factor in the success of the women's business and that no obvious relation between the women's marital status and their access to network resources could be observed. This finding is different from the findings of the Australian research (Low, 2003; Collins and Low, 2010) that we summarised in the previous section.

Another interesting finding of the study is that the older generation was more successful than the younger generation with their updated previous qualifications, supplemented with newer, relevant qualifications and long and valuable working experience, which is lacking among the younger generation. This finding is also different from the findings of the Canadian research (CIBC, 2005). As we summarised in the previous section, younger, well-educated and single women are more successful in the Canadian case. An overall evaluation of the study show that independent women who start and run businesses on their own had working experience in the fields in which they were interested in starting their businesses, they were educated and knew how to gain more knowledge that could help them develop their businesses. A common characteristic of these independent women is that they are coming from a modern family with a modern attitude toward women, have a high level of education, working experience and other types of human capital that can be counted as a socioeconomic resource for immigrant businesswomen. These independent immigrant women reject passivity and dependence on the welfare system and their husbands to a great extent, they are able to have a career and manage to employ their qualifications in the business, and they exhibit tendencies similar to native entrepreneurs in choosing branch and niche.

A recent study by Pio (2010) on "Islamic Sisters" can be given as an interesting example to a different type of independent women entrepreneurs. This example can be also considered as the second category of immigrant women entrepreneurs defined by Abbasian and Bildt (2009). This category includes women who, despite a certain level of independence, are still dominated by men in their business, their decisions and actions. Pio has investigated ethnic entrepreneurship in Sweden on the basis of a case study of immigrant women from the Dawoodi Bohra Islamic community. Pio's study highlights that both the women and their husbands preferred a business which dealt with clientele who would mostly be women. However, when these women had a business with female clientele, they were independent in their business, decisions and actions. The results of this study show that interestingly these women entrepreneurs faced difficulties from the Indian community in terms of jealousy of their success but they had more difficulties in terms of their acceptance as Indian business women by the Swedish people who clearly stated to them that they were not welcome and that they would not buy from their shop. However, after the first years the customers of these women entrepreneurs became mostly Swedes.

As it can be seen from these two examples, entrepreneurship has the potential to increase the degree of empowerment among immigrant women. However, as mentioned also by Abbasian and Bildt (2009), there is a risk that society may force the unemployed immigrant woman to start her own business without sufficient support from either her family or the society.

United Kingdom

According to the study by Carter and Shaw (2006), women-owned businesses comprise approximately 16% of the business stock in the United Kingdom and women comprise approximately 27% of the self-employed population. There are approximately 1 013 000 self-employed women (7.6% of women in employment) in the United Kingdom and 48% of female entrepreneurs own businesses in the service sector. Today, female entrepreneurs are responsible for one third of all start-up businesses in the United Kingdom (Dhaliwal, 2007).

According to the Global Entrepreneurship Monitor United Kingdom Report (GEM, 2004) women from ethnic minorities are substantially more entrepreneurial than their non-ethnic counterparts. While women's Total Entrepreneurial Activity (TEA) is 3.6% amongst non-ethnic persons, it is two-and-a-half times higher amongst women from mixed backgrounds (10.2%), Bangladeshis (10.9%), Other Asians (10.3%) and Black Caribbeans (10.5%). According to the report, the most entrepreneurial group is that of "Other Black" at some 29.2% of all women (GEM, 2004).

Recent studies in the United Kingdom focused on Asian women entrepreneurs (Blisson and Rana, 2001; Dhaliwal, 1998 and 2007; Dhaliwal and Kangis, 2006). These studies examined the increasing participation levels of Asian women in business ownership. An interesting finding of the researches in the United Kingdom (Dhaliwal, 1998 and 2007; Ram and Jones, 1998) is that Asian women are not strongly represented in self-employment because there is a tendency for some women entrepreneurs to be "invisible" and their existence unacknowledged. These "hidden" women (Dhaliwal, 1998) say it is their husband, father or brother who run the business and they are masking the extent of their role even if they are playing a pivotal role in the management of the business. Therefore, the true role of women in business is underestimated as many women are "silent contributors" (Dhaliwal, 1998).

For the Asian community, the family is of primary importance and the desire to enhance family cohesion and the well-being of the family can be a factor in business development. Family members in the business are influenced by the desire to keep the family together. Therefore, the main motivation for Asian women is to contribute to the family well-being and husbands and children play a crucial role in this process. The results of Dhaliwal's study (1998) show that there are two groups of women entrepreneurs: "independent women" and "hidden women" or "domestic entrepreneurs". For "independent women" the driving force to set up in business is a reaction to their children needing less of their time whereas for "hidden women" their labour is a necessity for the business, they work at the expense of their children, and in many cases the children are also expected to work in the business from a very early age. Therefore, children play a crucial but differing role for "independent" and "hidden" women. "Independent women" are married to more educated or affluent men and they make their own decisions and are in control of the business whereas "hidden women" have responsibility without control and they deal with the "internal" environment while their husbands deal with all "external" issues. For "hidden women" business does not open networking opportunities. The results of the study by Blisson and Rana (2001) show that informal social networks are more important to immigrant women than formal business networks and that the Asian women viewed their gender, culture and lack of confidence as barriers to participate in formal networking activities. On the other hand, the family and cultural commitments of Asian women entrepreneurs conflict with participating in formal business networking which more often than not occur after working hours.

The British research states that Asian women face structural barriers limiting their full participation in economic activity as well as cultural and family barriers and they do not have access to support in the same way as the men. Many Asian women in business are found in low value-added, labour-intensive businesses; they often choose roles which are extensions of roles associated with women; a majority of them have family members in business or the role of family members is significant even when they are not in business; the husband plays an important role in supporting the business and in some cases the woman's business evolves from her husband's (Dhaliwal, 1998 and 2007; Dhaliwal and Kangis, 2006). However, the new generation of business owners is fully integrated into the community, has been educated in the United Kingdom, and is fully versed with Western practices. The recent study by Dhaliwal (2007) demonstrates that a new Asian super-class and a group of a different sort of entrepreneurial woman have emerged in the United Kingdom. Successful Asian women entrepreneurs have been profiled on the Rich List (includes 200 richest Asians in the United Kingdom) and either alone or with their partners generated profits of GDP 194 million in 1998 and GDP 439.5 million in 2006. However, Dhaliwal has emphasised that the number of women identified remains low (19 in 2006) and this Rich List, once again masks the true involvement of women in entrepreneurship.

An overall evaluation of the British research demonstrates that there has been a marked growth in the profile of women entrepreneurs and far from being passive players Asian women are heavily involved in entrepreneurship and are set to continue this trend.

United States

According to the report titled "Top Facts About Women-Owned Businesses" by the Center for Women's Business Research (2005), nearly half (48%) of all privately-held United States firms are women-owned meaning that one out of 11 adult women is an entrepreneur in the United States. The report states that the estimated growth rate in the number of women-owned firms is nearly twice that of all firms (17% vs. 9%). These firms employ 19.1 million people meaning that one out of 7 employees in the United States work in a woman-owned business. Besides the employment of 19.1million people, these firms generate nearly USD 2.5 trillion value in sales and make thus an important contribution to the US economy.

According to another report titled "Business Owned by Women of Colour in the United States, 2004: A Fact Sheet" published by the Centre for Women's Business Research (2004), as of 2004 there are an estimated 1.4 million privately-held firms majority-owned (51% or more) by women of colour (including African-Americans, Asian American/Pacific Islanders, Hispanics, and Native American/Alaska Natives) in the United States., employing nearly 1.3 million people and generating nearly USD 147 billion in sales. Firms owned by women of immigrant background now represent 21.4% of all privately-held, women-owned firms in the United States – meaning that one out of five women-owned firms is owned by a woman of immigrant background/non-White woman. The number of firms owned by women of colour is estimated to have increased six times faster than the number of all US firms (55% vs. 9%); employment by 62%; and sales by 74% between 1997 and 2004. The report also states that women of colour own 35.6% of all firms owned by persons of colour. Women of colour also employ 20.1% of the workers and generate 16.3% of the sales of all firms owned by persons of colour.

According to another study which examines the rise of immigrant women entrepreneurs in the United States (Pearce, 2005), today immigrant women are one of the fastest growing groups of business owners. The study states that the number of immigrant women who are business owners has increased nearly 190% since 1990 and 468% since 1980 and that, while immigrant women entrepreneurship has increased by 468% in twenty years, the number of entrepreneurial ventures among immigrant men has increased by 300% during the same period. It seems that although immigrant men continue to have the highest rates of business ownership, the ownership among immigrant women is moving closer to that of their male counterparts. On the other hand, the results of the study show also that, although they represent a small portion of women's business ownership overall, immigrant women are more likely than non-immigrant women to own their own businesses. In 2000, 8.3% of employed immigrant women were business owners, compared to 6.2% of employed native-born women in the United States.

The study by Pearce (2005) states that immigrants, women and non-White people in the United States have similar reasons to start their own businesses stemming from discouraging experiences in the conventional labour market. Among immigrant women entrepreneurs, motivations for business ownership display varying patterns according to national origin. While Chinese and Vietnamese women open their businesses in response to "pull factors", Korean women open their businesses because business ownership was their only option to survive economically and Latinas in response to "push factors".

Immigrant women entrepreneurs are marking their presence in the United States business sector across a large range of industries. Pearce's study (2005) states that the top industry for immigrant women business owners is working in private households, followed by child day care centres, and restaurants and other food services in the United States. Nineteen of the top twenty industries in which these entrepreneurs work are service industries. Two of the top service industries for immigrant women business owners are real estate and management, scientific and consulting services where the potential of earnings is much higher than in many other service industries. According to the report by the Centre for Women's Business Research (2004), 61% of firms owned by women of colour are in the service sector and the greatest growth by industry in the number of firms owned by women of colour from 1997 to 2004 has taken place in the services industry (55.8%).

The American research states that the growing presence of immigrant women in self-employment as well as the changing roles and opportunities for women which are reflected in the examples of women entrepreneurs in non-traditional and professional-level positions demonstrate that we are in the midst of a new era.

10.4. Conclusion: the way forward for researchers and policy makers

In recent years, an increasing business ownership by migrant women or, in other words, "migrant women entrepreneurship" has emerged as a new phenomenon. The question is whether the new niche of migrant women entrepreneurship opens new perspectives for socio-economic cohesion or even integration. Although the number of studies on migrant women entrepreneurship is limited, the available literature highlights new perspectives for socio-economic cohesion and integration.

First, the available data show that migrant females comprise one of the fastest growing groups of business owners, and that they are more entrepreneurial than their migrant men and native-born women counterparts. Although migrant men continue to

have the highest rates of business ownership, the ownership among migrant women is moving closer to those of their male counterparts.

Second, although the orientation in migrant entrepreneurship is generally internal and depends on ethnic sources in terms of products, clients and employees, the orientation of migrant women entrepreneurs is generally towards non-ethnic products and services. An escape from an enclave economy as well as subordination in patriarchal control mechanisms are commonly observed among migrant females in the labour market. The trend towards a mainly non-ethnic orientation by migrant women entrepreneurs is a new and interesting perspective for the future labour market.

Third, migrant women entrepreneurs may not only break their "ethnic" chain, but also their "feminine" chain and they make inroads into fields outside of the traditional "ethnic" and "feminine" occupations.

And fourthly, the findings of several studies show that migrant women entrepreneurs represent a potential source of continued new business growth that brings a broad range of international skills to the work force. They are not only creating job for themselves, they stimulate job creation by hiring other employees. As new job creators they are increasingly involved in transnational activities and they expand their business ties not only in their countries of birth but also in other countries.

The available literature highlights also the changes/transformations in migrant woman entrepreneurship over the years. While the self-employment experience of immigrant women was part of a "family strategy", this trend has changed over the years towards an "independency strategy". Today, the main motivation of many immigrant women towards entrepreneurship is the desire for "independence" and "autonomy". A growing group of immigrant women has become "autonomous entrepreneurs". Immigrant women in family business have also changed over the years, they have swiftly moved beyond their roles as unpaid workers in their husbands' businesses and they have become equal and co-decision makers in the business. Although "family balancing factor" is one of the main driving forces towards entrepreneurship, the role of women in the family as well as the understanding of family has changed. Today, many immigrant women with dependent children chose to set up a business to have a reason to be outside the home, to escape from children and unpaid domestic work. These changes/transformations in both understanding the family and the family strategies demonstrate that a critical change has emerged in the "ethnic female profile" over the years. This change is one of great importance that we should understand for future researches.

What are the conclusions to be drawn from research on migrant female entrepreneurship? The most evident conclusion is that further study is needed. Migrant female entrepreneurship is an important, but relatively neglected, area of research within the field of entrepreneurship studies. The topic is still marginal in both theoretical and empirical research. From a theoretical perspective both gender theory and entrepreneurship theory are necessary to understand the phenomenon. From an empirical perspective the similarities and differences between women and men, between immigrants and natives, and between different migrant groups may contribute to our understanding of the phenomenon. Another conclusion suggests that immigrant women entrepreneurs should not be treated as a homogeneous group. There are differences within the group that make all generalisations dangerous. There is a necessity for further research to be designed to incorporate a wide range of entrepreneurial experiences of immigrant women.

What are the lessons to be learned from different experiences in selected OECD countries? The available data and information show that there are remarkable differences among the countries. These differences seem to be originated from immigrant women's profile (education levels, qualifications, cultural values, marital status, etc.) on the one hand, and the host country's labour market structure (self-employment, female self-employment, etc.) on the other hand. Among the OECD countries, the highest performance in terms of migrant female entrepreneurship is observed in Canada. The country's highest performance can be explained by two factors: its highest rate of women's entrepreneurship among the OECD countries, and the well-educated and highly-skilled immigrant women that the country has received. Another lesson to be learned from the Canadian experience is that the younger and more educated single immigrant women have more opportunities as well as higher performance than married women. The experiences of different OECD countries show that in general migrant women entrepreneurship is embedded with marital status. Although the available data and information are limited for a comparative evaluation at the OECD level, the experiences of the selected OECD countries show that Canada, Australia and the United States are more successful than the European countries in terms of migrant women entrepreneurship. This difference can be explained by the migration history of the countries. Europe is less successful in attracting well-educated and highly-skilled immigrants. In addition, immigrant women in Europe followed their husbands in migration and the reason behind their migration was family reunification. Therefore, immigrant women's profile in Europe is different than in other OECD countries. There are, of course, many other lessons to be learned from different experiences in OECD countries. Our comparative evaluation is limited with the available data and information – one major problem is the lack of statistics – and the selected countries. A more comprehensive and comparative study on migrant women entrepreneurship in OECD countries is necessary to better understand this new phenomenon.

What are the challenges from a policy perspective? The first challenge for policy makers is to recognise the increasing entry of immigrant women in business. Although the participation rate of immigrant women in business is higher than the average for native women and immigrant men, little is known about their entrepreneurship and little is made to recognise their innovative and enterprising endeavours. The second challenge for policy makers is to know why some immigrant women are disadvantaged and how public resources can be better targeted and utilised to assist business and job growth amongst the immigrant women entrepreneurs. The third challenge is to recognise the qualifications and skills obtained in different countries. Today, many well-educated and high-skilled women face the problem of non-recognition of their qualifications. Finally, the important growth in female immigrant entrepreneurship needs policies to be sensitive to matters related to intersection of ethnicity and gender and this area requires further research.

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Part IV

THE CONTRIBUTION OF MIGRANT ENTREPRENEURS TO INNOVATION AND THE EXPANSION OF INTERNATIONAL TRADE

Chapter 11

Skilled immigrants' contribution to innovation and entrepreneurship in the United States

by

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Summary

Skilled immigrants to the United States, defined as those with a college degree, outperform college-educated natives in terms of wages, patenting, commercialising or licensing patents, and publishing. This success is due to immigrants who originally entered the United States on a student/trainee visa or a temporary work visa, and is explained by their different fields of study and higher level of education. Skilled immigrants are also more likely to start successful companies than their native counterparts, apparently owing to higher unmeasured entrepreneurial ability. The effect of skilled immigration on per-capita patenting, publishing and starting companies could be larger than implied by immigrants' individual success, if immigrants have positive spill-overs on natives, or could be smaller, if immigration discourages native endeavours. For patenting, there is evidence that immigrants have positive spill-overs.

Skilled immigration has the potential to increase a country's capacity for innovation, thereby boosting productivity growth and ultimately economic growth. To the extent that innovation has a public good component, skilled immigrants might increase the receiving country's per capita welfare simply by increasing the size of the population likely to innovate or have skills complementary to innovation, such as entrepreneurship. However, immigrants might outperform natives if a combination of self-selection and the visa system leads immigrants to be inherently more innovative or entrepreneurial. Alternatively, immigrants may have similar (or lesser) inherent abilities, but be more concentrated in the highest education groups, or more specialised in relevant fields of study and occupations. In either case, immigrants' contribution to innovation could go beyond their own innovation and entrepreneurship, if their presence increases the performance of native collaborators, or if their innovations are inputs to the innovation process of natives who are not collaborators.

While it may appear obvious that a country's total factor productivity benefits from the presence of creative, inventive and entrepreneurial immigrants, certain conditions must hold for this to be true. It must be the case that immigrants would have been less innovative abroad, or would not have been able to commercialise their innovation as

effectively abroad, or that innovation and its dissemination and commercialisation abroad benefit natives less than when these occur at home. These conditions seem likely to hold for the United States.[1] It must also be the case that immigration does not significantly discourage native endeavors in innovation or entrepreneurship, or that any discouragement is mitigated by the productivity gain from workers' greater exploitation of their comparative advantage. There is only partial evidence on this question.[2]

In research co-authored in part with Marjolaine Gauthier-Loiselle, the link between skilled immigration to the United States and innovation and entrepreneurship was examined.[3] The indicators of innovation and entrepreneurship considered are patenting, commercialising and licensing patents, publishing books and papers and writing papers for presentation at major conferences, and starting successful companies. Patents are used to proxy for inventions, which have the potential to increase total factor productivity. While in the short run the purpose of a patent is to keep the benefit of an invention private, once the patent expires or is licensed, the invention may be used by other firms to increase their productivity.

Patenting may also be correlated with innovations embodied in tacit knowledge and disseminated by inter-firm worker mobility. The publication and presentation of books and papers are used to measure dissemination of potentially innovative knowledge created both academically and commercially. Since innovation must be commercialised in order to increase total factor productivity, evidence of the commercialisation of innovation is sought in the commercialisation and licensing of patents, and in the founding of successful companies.

Individual-level data from the 2003 National Survey of College Graduates is used to establish that skilled immigrants outperform skilled natives on all of these measures, and to investigate why this is so, and on what visas the successful immigrants initially entered the United States. For patents, a step further is undertaken with a state-level analysis, using data compiled from the decennial censuses of 1940-2000 and data from the US Patent and Trademark Office, to estimate the causal effects of skilled immigration on patenting per capita, inclusive of any positive or negative spill-overs of immigrants.

The success of immigrants is found to be due to those who originally entered the United States on a student/trainee visa or a temporary work visa, and is explained (except for the case of starting companies) by their different fields of study and higher level of education. The immigrant advantage in starting successful companies is not explained by differences in measured characteristics, and may be caused by greater unmeasured entrepreneurial ability on the part of immigrants. The estimates of the causal impact of skilled immigration on patenting per capita are consistent with positive spill-overs of immigrants on natives, and suggest that immigration was responsible for one third of the large rise in patenting per capita in the 1990s. Together, the evidence suggests skilled immigration to the United States is likely to have raised total factor productivity considerably.[4]

11.1. Data

The individual-level analysis is based on the 2003 wave of the National Survey of College Graduates (NSCG). The survey is a stratified random sample of respondents to the 2000 census long form who reported having a bachelor's degree or higher. All respondents who have ever worked are asked a series of questions concerning the five-year window since October 1998: how many distinct papers they had (co-)authored for

presentation at regional, national or international conferences; how many papers they had (co-)authored had been accepted for publication in refereed professional journals; how many books or monographs they had (co-)authored had been accepted for publication; how many US patent applications they had made; how many US patents had been granted; how many granted patents had resulted in commercialised products or processes or had been licensed.

Questions asked of all respondents currently working allow to construct a dummy variable for whether the respondent had in the last five years founded a company that currently has more than ten employees. It would be preferable to capture companies with at least one employee, but smallest category in the firm size variable is ten or fewer employees. Hourly wages are constructed from salary, weeks and hours on the principal job.

Immigrants (defined by birthplace) are also asked about the type of visa they held when they first went to the United States for six months or more. Information on whether each educational degree was received in the United States allows me to sub-divide the student/trainee visa category according to the stage of their studies at which immigrants arrived.

The sample used to study publishing and patenting contains all those (under age 65) who have ever worked, while the samples for wages and start-ups are of respondents (under age 65) currently working.

The patent data used in the state-level analysis come from the US Patent and Trademark Office (USPTO). Patents are attributed to states based on the home address of the first inventor on the patent. Patents are classified according to application (filing) date. The information on the shares of skilled immigrants and natives in each state, as well as other characteristics of states, come from the IPUMS microdata of the decennial censuses (Ruggles *et al.*, 2010). Alaska and Hawaii are dropped from the analysis, leaving a panel of 48 states over ten yearly intervals from 1940-2000.

11.2. Immigrant performance relative to native performance[5]

Characteristics of immigrants and natives

Table 11.1 shows how the publication and patenting sample is distributed by nativity and entry visa (the other samples are similar). Respondents born abroad outside US territories and without US citizenship (my definition of immigrant) are 12% of the weighted sample. Column 2 shows that 43% of immigrants still in the United States originally entered on a "green card", or permanent resident visa, while 12% originally entered on a temporary work visa. 24% entered on a temporary student or trainee visa, of whom 7.2% entered for college (bachelor's) study, 9.6% for graduate school (master's or doctoral) study, and 2.1% after completing a doctoral or professional degree abroad (post-doctoral research fellows and medical residents or fellows). The residual student/trainee ("other") group, 5.5% of immigrants, entered for high school study or as trainees in firms. 11.6% of immigrants originally entered the United States as dependents of a temporary visa holder, while another 9.0% entered on an unspecified other type of temporary visa.

Table 11.1. Shares of natives and immigrants by entry visa

Percentage

	(1) Full sample	(2) Immigrants
U.S. native	86.4	--
Born American abroad	1.1	--
Born in U.S. territories	0.3	--
Green card	5.2	43.1
Work, temporary	1.5	12
Study/training, temporary		
- for college	0.9	7.2
- for graduate school	1.2	9.6
- for post-doc	0.3	2.1
- for other	0.7	5.5
Dependent, temporary	1.4	11.6
Other temporary	1.1	9
Total	**100**	**100**

Note: Shares weighted with survey weights. Sample of people who have ever worked. 90 293 observations.

Section A of Table 11.2 shows that immigrants are much more likely than natives to have studied computer science/mathematics (an aggregate field dominated by computer science), physical science and especially engineering for their highest degree. Clearly, this is likely to increase immigrant patenting performance relative to natives. Section B, which divides immigrants by entry visa, shows that the overrepresentation of immigrants in computer science and engineering is particularly strong for immigrants who arrived for graduate school and on work visas, while the overrepresentation in physical science is particularly strong for those who arrived for graduate school and as post-doctoral fellows. However, most post-doctoral fellows are in biological science and medicine ("S&E related").

Table 11.2. Weighted distribution of field of study of highest degree by entry visa

Percentage

	A. Immigrant vs native		B. Entry visa type				Study/training			
	U.S. native	Immigrant	Green card	Work	Dependent	Other temporary	for college	for grad school	for post-doc	for other
CS, Math	3.6	8.5	5.5	13.8	9	6.8	9.8	16.8	3.7	6.9
Biological science	4	5.5	4.3	3.2	6.6	4.9	4.7	9.7	24.2	6.5
Physical science	1.7	3.7	3.2	3.7	2.7	3.3	2.2	6.8	11.6	4.9
Social science	10.8	9.1	9.4	7	13	10	7.3	6.2	1.3	11.8
Engineering	5.3	14.4	11.8	21.9	8.3	12.2	18.8	25.1	3.6	14.2
S&E related	12.2	16.8	18.1	18.8	14.7	16.2	12	8.7	50.4	15.8
Non S&E	62.4	41.9	47.7	31.7	45.7	46.5	45.1	26.8	5.1	39.8
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Note: Means of patenting and publishing sample, 90,293 observations, weighted with survey weights. The rows sum to 100. "S&E" means science and engineering. S&E related is principally health. Means for Americans born abroad and individuals born in US territories are not reported.

Rows 1-4 of Table 11.3 show that immigrants are considerably more educated than natives, which will tend to raise their earnings and publishing rates. Section A shows that immigrants have more of every type of post-college degree than natives, with the gap especially large for doctoral degrees, the degree most relevant for publishing. Section B shows that immigrants in every visa group except those who arrived on a green card and on "other" student/trainee visas have more education than natives, including those who arrived for college.

Table 11.3. Weighted means of other individual characteristics by entry visa

Percentage (except ages)

	A. Immigrant vs native		B. Entry visa type				Study/training			
	U.S. native	Immigrant	Green card	Work	Dependent	Other temporary	For college	For grad. school	For post-doc.	For other
Bachelor's	65	56.5	67.1	61.6	60.4	62.8	53.2	0	0	68.5
Master's	26	28.6	22.5	28.6	27.3	25.2	34.6	63.7	0	26.4
Doctorate	2.9	7.7	2.7	6	4.8	3.8	7.7	33.2	51	2.3
Professional	6.2	7.2	7.7	3.8	7.4	8.3	4.6	3.1	49	2.9
Age	44.4	43.3	44.2	42	40.8	44.8	42.9	42.3	46.2	42.6
Age at arrival	--	23.3	21	29.7	18	27.4	21.5	26	29.7	23.4
Highest degree earned in U.S.	99.6	55.5	56.9	17.6	60.4	35.7	97.9	100	0	37.6
Female	50.4	47	51.9	35.2	67	45.6	33.4	32.2	27.9	45.4
White, non-hispanic	88	30.9	30.9	37.7	33.5	31.1	31.9	18.6	39.6	27.4
Currently employed	85.5	86.3	85.1	92.1	81	84.3	87.5	91.1	94.5	85.3
Currently employed at university	4.8	8	4.9	5.4	7.5	5.5	8.1	18.8	38.2	12
Tenure (years)	8.4	6.7	7.4	5.8	5.4	6.5	6.5	5.9	8	7
Self-employed	16.5	17.7	17.2	18	19.7	17.7	20.2	13.9	17.3	20.4

Note: Means of patent and publication sample rows 1-11 and wage sample rows 12 & 13, weighted with survey weights. Means for Americans born abroad and individuals born in US territories are not reported. Master's degrees include MBAs.

Row 5 of Table 11.3 indicates that there are no large differences in current age across the various native and immigrants groups, which explains why age is not an important factor in explaining outcomes across groups in the analysis below. Age at arrival in the destination country is known to be an important predictor of wages for immigrants – wages are higher the younger an immigrant was at arrival. The immigrants youngest on arrival are dependents of temporary visa holders (a mix of children and spouses of the visa holder), while the oldest on arrival are those who arrived on work visas and as post-docs (Row 6), each group with an average age of 29.7. Row 7 shows the share of each entry visa group with a highest degree earned in the United States, which is relevant as a US degree boosts wages.

Rows 8-13 of Table 11.4 give the means of other characteristics by entry visa. Immigrants are slightly less likely to be female than natives (Row 8), especially those who entered on work or study/trainee visas, and all entry visa groups are much less likely to be White and non-Hispanic: only 30.9% of immigrants are White non-Hispanics, compared to 88.0% of natives (Row 9). Immigrants are slightly more likely to be employed than natives, and are considerably more likely to be employed at a university, especially those entering for graduate school or as post-docs (Rows 10 and 11). Immigrants have slightly shorter firm tenure than natives, and are slightly more likely to be self-employed (Rows 12 and 13).

Outcomes of immigrants and natives

Table 11.4 shows the first evidence on the performance of immigrants compared to natives. All differences between immigrants and natives are statistically significant.[6]

Column 1 shows that immigrants earn USD 30.70 per hour compared to USD 29.60 for natives, a narrow immigrant advantage. Column 2 indicates that 0.6% of natives but 0.8% of immigrants have started a company with more than ten workers in the previous five years, a large immigrant advantage.

Table 11.4. Weighted means of outcomes by immigrant status

	(1)	(2)	(3)	(4)	(5)	(6)
	Hourly wage (USD)	Started firm with more than ten workers (%)	Any patent (%)		Publication (%)	
			Granted	Commer-cialised	Any	More than six
U.S. native	29.6	0.6	0.9	0.6	14.4	3.6
Immigrant	30.7	0.8	2	1.3	17.6	6.8
Observations	75 940	78 925	90 293			

Note: Means weighted with survey weights. Publications include published books or journal articles or papers authored for regional, national or international conference presentations. Means for Americans born abroad and individuals born in US territories are not reported.

Column 3 shows that immigrants are more than twice as likely to patent as natives – 2.0% of immigrants have patented in the previous five years, compared to only 0.9% of natives – while Column 4 shows the immigrant advantage is similar for licensing or commercialising patents – 1.3% of immigrants have done so, compared to 0.6% natives. As patents must be licensed or commercialised to contribute to productivity, this outcome is the focus of the subsequent analysis. There is no immigrant/native difference in the number of patents per respondent for respondents who have patented, so this dimension is not explored.

Columns 5 and 6 present statistics on publishing books or articles or authoring papers for regional, national or international conference presentations (which for conciseness are referred to as publishing). 17.6% of immigrants had published (Column 5), compared to 14.4% of natives, a modest immigrant advantage. However, in this case there is an immigrant/native difference in the frequency of this activity. Column 6 indicates that almost twice as many immigrants as natives had published more than six times – 6.8% compared to 3.6% in the subsequent analysis focuses on frequent publishing, assuming that frequent publishers are the key researchers for innovation, though there is no measure of publication quality.

The next regression analyses whether the immigrant advantage over natives still exists when immigrants and natives with similar characteristics are compared. Weighted least squares are used to examine the immigrant/native gap in wages, and probits to examine the gaps in the other, binary, outcomes. The results are reported in Table 11.5. The first column reproduces the raw gaps implicit in Table 11.4: immigrants earn 2.9% more than natives, have a propensity to commercialise patents that is 0.7 percentage points higher than the native propensity of 0.6%, have a propensity to publish more than six papers that is 3.1 percentage points higher than the native propensity of 3.6%, and have a propensity to start successful companies that is 0.18 percentage points higher than the native propensity of 0.61%.

Table 11.5. Immigrant performance advantage over natives

Percentage or percentage points

	(1)	(2)
	Simple comparison	Comparison of similar immigrants and natives
Wages	2.9**	-8.2**
Any patent licensed or commercialised (native propensity = 0.6%)	0.7**	0
More than six publications or papers (native propensity = 3.6%)	3.1**	0.3**
Started firm with more than ten workers (native propensity = 0.61%)	0.18*	0.21**

Note: Coefficients from least squares regressions (log wages) or marginal effects from probits (patents, publications, start-ups), weighted with survey weights. Each coefficient or marginal effect is from a different regression, and in each case the omitted category is US native. Each regression also includes dummies for American born abroad and for those born in US territories. 75 940 observations in for wages, 90 293 observations for patents and publications, 78 925 observations for start-ups. The covariates in Column 2 comprise 29 dummies for field of highest degree (28 for start-ups), dummies for master's, doctorate and professional degrees, dummies for Black non-Hispanic, Hispanic and mixed-race non-Hispanic, a cubic in age, dummies for full-time master's student, full-time doctoral student, and other student. For wages they also include a quadratic in tenure and eight dummies for census region, while for publications they also include a dummy for working and its interaction with employment at a university. ** indicates coefficients significant at the 5% level, * indicates coefficients significant at the 10% level, based on robust standard errors.

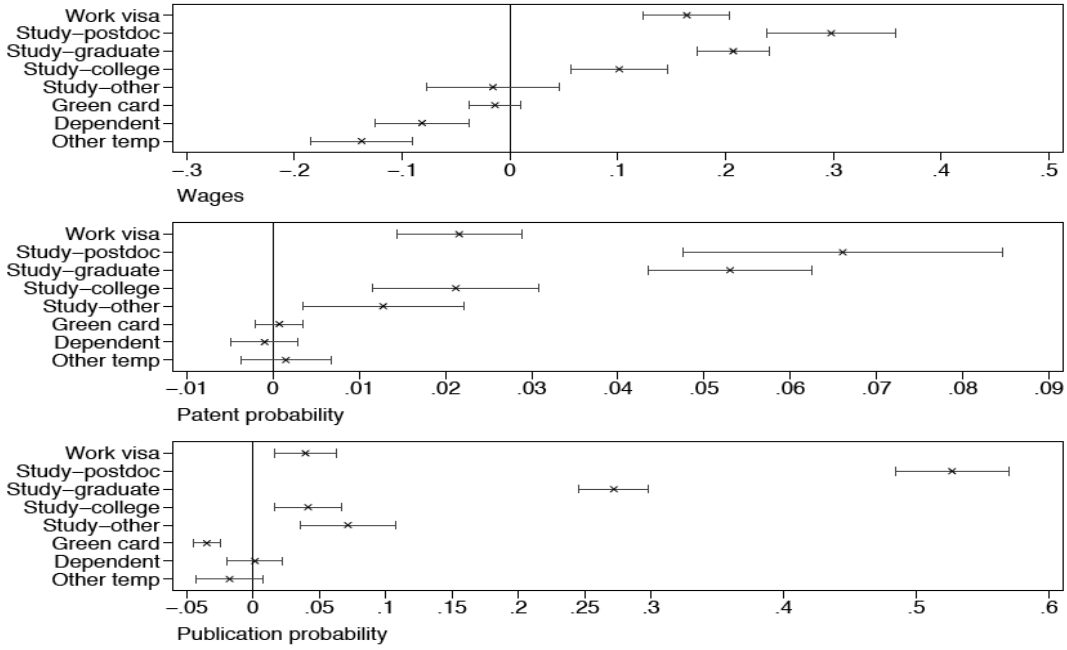
The second column displays the results of comparing immigrants and natives with the same field of study, level of education, age, race and student status.[7] For wages, commercialising patents, and frequent publishing, the adjusted gaps are quite different from the raw gaps. Immigrants earn considerably less, by 8.2%, than similar natives, have the same propensity to commercialise patents as similar natives, and have a scarcely higher propensity to publish more than six papers (the advantage is only one tenth of the advantage in the raw gap in Column 1). The key characteristics explaining the difference between the columns are the field of study of the highest degree and the level of education. Immigrants earn more, commercialise patents and publish more frequently than natives because they have higher education, and fields of study that are more remunerative, more likely to be in science and engineering, and more associated with frequent publishing.

Conversely, the immigrant advantage over natives in start-ups is the same when similar immigrants and natives are compared in Column 2 as in the raw gap of Column 1. Immigrants' heavy concentration among master's and doctoral degree holders is not helpful for founding companies, which tend to be founded by holders of bachelor's or professional degrees, and immigrants are only slightly more concentrated in fields of study associated with starting companies. Their raw advantage is therefore not explained by their superior measured characteristics, but may reflect greater unmeasured entrepreneurial ability.

For policy purposes, it is useful to examine the entry visa types associated with immigrant success in the outcomes considered. This is not possible for firm start-ups, as

there are too few to examine separately by entry visa. However, Figure 11.1 plots the raw immigrant advantage by entry visa for wages (top graph), patent commercialisation (middle graph) and frequent publication (bottom graph). In each graph, the vertical line at zero represents the native baseline, and the x's indicate the relative performance of immigrants in each entry visa. The horizontal lines trace out the 95% confidence interval – statistically speaking, two x's may only be considered reliably different if their 95% confidence intervals do not overlap, and an x is only reliably different from the native value if its 95% confidence interval does not intersect the vertical line at 0.

Figure 11.1. Wages, patent commercialisation and frequent publishing, relative to natives

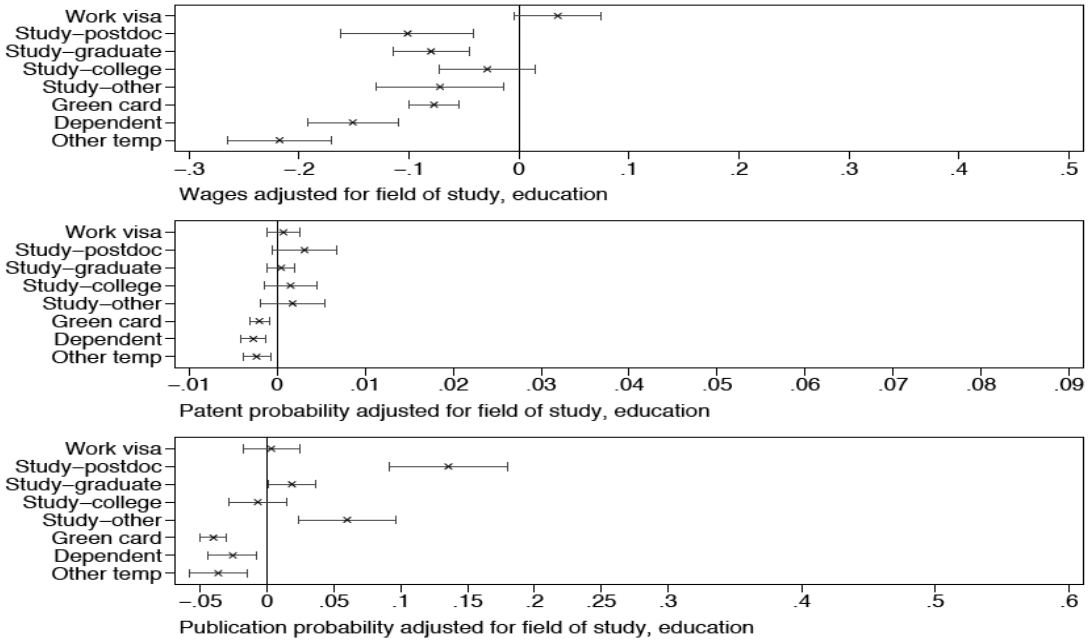


Note: The native patent commercialisation rate is 0.6% or 0.006, the native frequent publication and presentation rate is 3.6% or 0.036. The x's plot the coefficients from weighted least squares regressions (for log wages, 75 940 observations), or marginal effects from weighted probit regressions (for patents and publications, 90 293 observations), and the horizontal lines the (robust) 95% confidence intervals.

All three graphs show that the immigrant wage advantage is driven by immigrants who entered on a work visa or as a student. With one exception ("other" students and wages) all five of these groups statistically significantly outperform natives on all outcomes, while immigrants who entered on green cards, as dependents of a temporary visa holder, or as a holder of an unspecified temporary visa do not outperform natives on any outcome. Immigrants who entered as college students earn 10% more than natives, while those who entered as work visa holders or graduate students earn almost 20% more, and those who entered as post-docs (or medical residents) even more. Immigrants who entered as graduate students or post-docs are more than five percentage points more likely to commercialise a patent than natives. This is an enormous advantage, given that only 0.6% of natives commercialise a patent: it means that more than 5.6% of graduate students and post-docs commercialise a patent. The post-doc advantage in publishing frequently is even more extreme, though less surprising, as it is the job of a post-doc to publish.

In Figure 11.2, the results of regressions used to investigate the reasons for the immigrant success in Figure 11.1 are displayed. In effect, the immigrant performance advantage, by entry visa, when immigrants are compared to natives with the same field of study and level of education is displayed. The top graph shows that no entry visa group has higher wages than similar natives, though the wages of immigrants who entered on a work visa and as college students are similar to those of natives. Similarly, the middle graph shows that each entry visa group has a propensity to commercialise a patent that is at best similar to that of similar natives. The results for the probability of publishing frequently, in the bottom graph, are somewhat different, as post-docs and "other" students retain a large advantage even when compared to similar natives.

Figure 11.2. Wages, patent commercialisation and frequent publishing, relative to similar natives



Note: The native patent commercialisation rate is 0.6% or 0.006, the native frequent publication and presentation rate is 3.6% or 0.036. The x's plot the coefficients from weighted least squares regressions (for log wages, 75 940 observations), or marginal effects from weighted probit regressions (for patents and publications, 90 293 observations), and the horizontal lines the (robust) 95% confidence intervals. Each regression also includes dummies for American born abroad and born in US territories. Field of highest degree is controlled for with 29 dummies, education with dummies for master's, doctorate and professional degrees.

The causal impact of skilled immigrants on patenting per capita

In the previous section, it has been established that immigrants who entered on temporary work visas or as students outperform natives on wages, commercialising patents and frequent publishing, and starting successful companies. The impact of skilled immigration on patenting, publishing and founding companies could be greater or less than the impact implied by the individual success of immigrants, however, due to the possible existence of positive or negative spill-overs. For this reason, Hunt and Marjolaine Gauthier-Loiselle have used the panel of US states to analyse the impact of skilled immigration on patenting per capita and capture the effect net of any positive or negative spill-overs.[8]

Figure 11.3 shows the evolution of total (US origin) US patents and patents per 100 000 residents from 1941-2001, the study period. Patents fluctuate over time, culminating in a large increase from the early 1980s on. The time-series of patents is not thought to reflect the pace of technological change, but rather the financial resources of the USPTO (Griliches, 1990) and changes in incentives to patent (Hall, 2004). Figure 11.4 displays the time-series of skilled immigration to the United States, with a skilled immigrant defined either as college-educated, having post-college education, or being in a science or engineering occupation. All three measures indicate that the share of skilled immigrants in the population (or workforce, in the case of scientists and engineers) has been accelerating since 1960.

The identification of the impact of skilled immigration is not done from national trends, however, but from the relation between changes in immigration and changes in patenting per capita over time within each state after national trends in patenting have been controlled for. We also adopt a technique to account for reverse causality. Any positive association between skilled immigration and patenting could stem not only from a causal impact of immigration on patenting, but from skilled immigrants' being attracted to live in states with growing patenting. Instrumental variables technique is used to isolate the causal effect of interest.[9]

The analysis shows evidence of positive spill-overs of immigrants, since the estimates of their impact on patents per capita are higher than implied by the individual-level NSCG. Column 1 of Table 11.7 shows the results from the simplest specifications. The coefficients come from three weighted least squares regressions, estimated in differenced form, which also hold constant variation across state in skilled native share, average age, Department of Defense procurement spending, land area, 1940 population and 1940 log income per capita. A one percentage point rise in the share of immigrant college graduates in the population increases patents per capita by 13.2 log points or 14%, while the corresponding numbers for immigrants with post-college education are 20.7 log points or 23%, and for immigrants working in science and engineering occupations are 52.4 log points or 69%. In the second column the implied contribution of skilled immigrants to the increase in patenting per capita from 1990-2000 is computed, taking into account the increase in their share of the population or workforce in that period. The implied 1990-2000 increase in the population share of immigrant college graduates from 2.2% to 3.5%, for example, increased patents per capita by 19% in a period when patents per capita rose 63%. Immigrants with post-graduate education and immigrant scientists and engineers arrived in smaller numbers, implying that the impact of skilled immigration on patenting per capita in the 1990s was similar for all three definitions of a skilled immigrant. Column 3 contains the range of values implied by a broader range of specifications than provided in Column 1, including those based on instrumental variables and with a broader set of covariates.

Table 11.6. Impact of a change in skilled immigration on the change in log patents per capita

Change in the share of	(1) WLS regression coefficient	(2) Implied increase in 1990s patenting per capita	(3) Implied increase from preferred coefficients
Immigrants with college degree	13.2**	19%	12-21%
Immigrants with post-college education	20.7*	16%	12-21%
Immigrants working in science and engineering	52.4**	27%	13-32%

Note for Column 1: Each coefficient is from a different regression. The dependent variable is the difference in log patents per capita over ten years, with a lead of one year compared to the independent variables. Estimation is with weighted least squares and weights 1/(1/popt+1+1/popt-9). Regressions also include the changes in the share of skilled natives, the average age, log department of defence procurement spending, land area, 1940 population, 1940 log income per capita and year dummies. Standard errors clustered by state are in parentheses. ** indicates coefficients significant at the 5% level, * indicates coefficients significant at the 10% level.

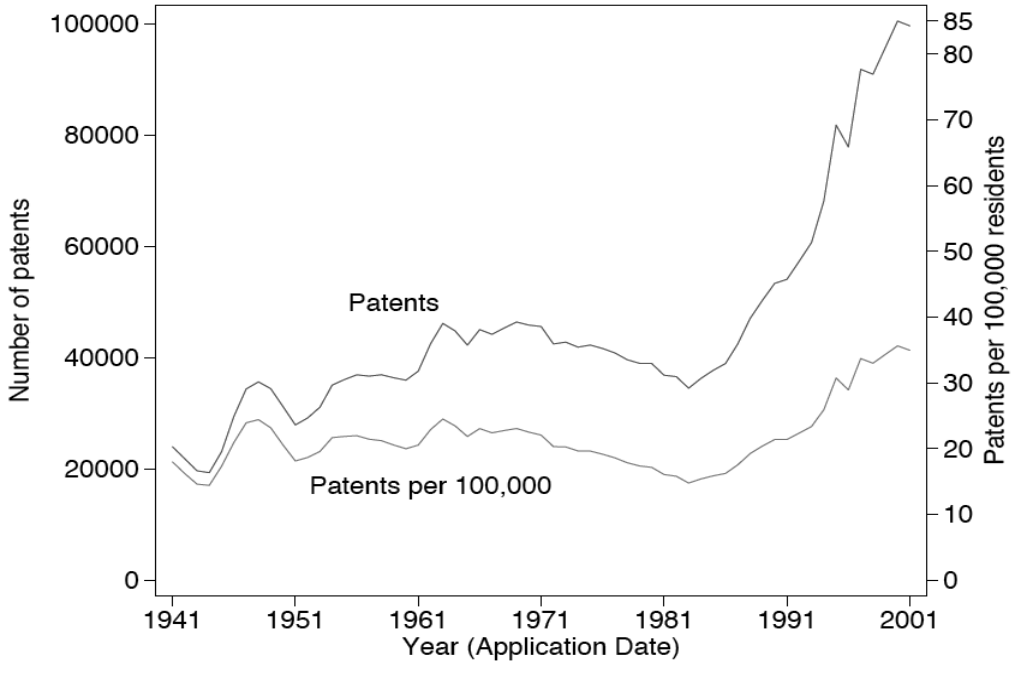
Table 11.7. Means of state-level variables

	(1) 1940-2000	(2) 1940	(3) 2000
Patents/population x 100	0.023	0.018	0.035
	-0.015	-0.013	-0.02
Share of population 18-65 that is:			
Immigrant, college education and above	0.015	0.003	0.035
Native, college education and above	0.127	0.041	0.2
Immigrant, post-college education	0.007	0.001	0.016
Native, post-college education	0.05	0.011	0.077
Share of workers 18-65 that are:			
Immigrant, scientists and engineers	0.003	0.001	0.009
Native, scientists and engineers	0.022	0.006	0.035
Age of population 18-65	38.7	37.7	39.5
	-1	-1	-0.6
DoD prime military procurement contracts	3 236	1 500	5 528
(millions of nominal USD)	-4 386	-1 679	-5 809
State personal income per capita (nominal	11 976	594	29 851
USD)	-11 098	-204	-4 094
Land area (millions of square kilometers)	0.19	0.166	0.207
	-0.161	-0.145	-0.173
Observations	343	49	49

Note: Means of state-level variables for population 18-65, weighted by state population the year after the census. Standard deviations in parentheses. Patents and population are led by one year. Alaska and Hawaii are excluded. Patents are classified by year filed. The predicted increases in immigrant college share (instruments) are based on states' shares of 1940 immigrant high school graduates from various countries and national growth in college graduates from those countries (see text). The 1940 value of DoD procurement spending is not available, and the 1950 value is given instead of 1940, and the 1950-2000 average instead of 1940-2000.

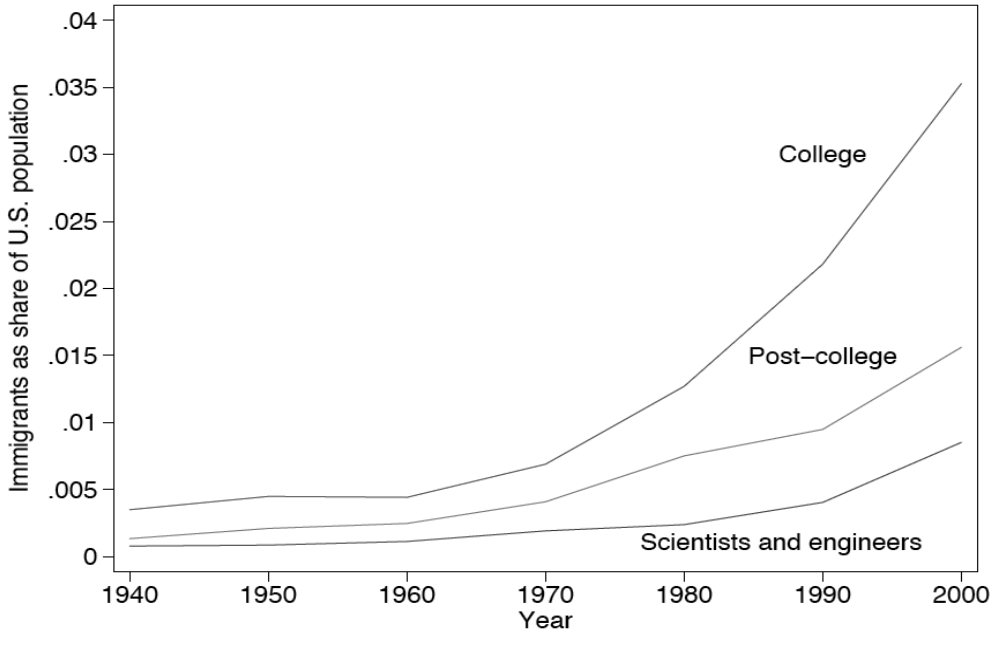
Source: Education, age, occupation, nativity: US Census Bureau, IPUMS decennial census microdata *usa.ipums.org/usa/;* Patents: US Patent and Trademark Office, electronic and paper data; state income, population: Bureau of Economic Analysis *www.bea.gov/regional/spi/*; Land Area: US Census Bureau *www.census.gov/population/censusdata/90den_stco.txt.*

Figure 11.3. US origin US patents, 1941-2001



Source: USPTO, BEA and authors' calculations.

Figure 11.4. Skilled immigrants as a share of US population, 1940-2000



Note: Shares based on population 18-65 for college and post-college and workforce 18-65 for scientists and engineers.

Source: US Census.

11.3. Conclusion

College-educated immigrants to the United States outperform college-educated natives in activities likely to increase US total factor productivity: patenting, licensing and commercialising patents, publishing or presenting books or papers, and starting successful companies. They also have higher wages than their native counterparts. The success of these immigrants is due to those who initially entered the United States on a temporary student or work visa – those who entered on a green card or other visa do not outperform natives on any outcome. The reason that immigrants who entered on a student or work visa are so successful is that they are more educated than natives, and are disproportionately likely to have a highest degree in a science and engineering field, a field in which a lot of publishing takes place or in a well-remunerated field. Only the immigrant advantage in starting successful companies is not explained by these factors. College-educated immigrants seem to have higher unmeasured entrepreneurial ability than college-educated natives, due to a combination of self-selection and the visa system.

These results based on individual-level data suggest that skilled immigrants boost US total factor productivity, and thereby per capita GDP growth. However, the impact may be higher than implied by individual immigrant success, if immigrants enhance the productivity of natives, or lower, if immigrants discourage native endeavours in productivity-enhancing activities. Analysis of a panel of states provides the causal impact of skilled immigration on patenting per capita, inclusive of any spill-over effects. The results suggest there are positive spill-overs of immigrants on natives, and indicate that immigration of college graduates was responsible for one third of the large rise in patenting per capita in the 1990s. Furman, Porter and Stern (2002) find that the elasticity of a country's GDP with respect to its patent stock is 0.113, controlling for capital and labour. This elasticity implies that the influx of immigrant college graduates in the 1990s increased US GDP per capita by 1.4-2.4%.

Notes

1. Kahn and MacGarvie (2008) provide evidence for the first condition, Eaton and Kortum (1999) for the third, while popular wisdom supports the second.

2. Peri and Sparber (2008) show that skilled natives react to skilled immigration by entering occupations with more communicative and interactive skill requirements, in line with their comparative advantage. Borjas (2006) does not find that immigration deters natives as a whole from attending graduate school. Jackson (2009) examines the effect of the skill mix of immigration, but not the level of immigration, on native college attendance. Fairlie and Meyer (2003) find that immigration reduces native self-employment rates, but do not study skilled immigration specifically.

3. Hunt (2009), Hunt and Gauthier-Loiselle (2010).

4. Relevant existing papers on immigration and patenting include Chellaraj, Maskus and Mattoo (2008), Kerr (2008), Kerr and Lincoln (2010), Morgan, Kruytbosch and Kannankutty (2001), Peri (2007), and Stuen, Mobarak and Maskus (2010). Papers on initial immigrant visa and

earnings include Lowell and Avato (2007), Massey and Nalone (2002) and Sweetman and Warman (2009).

5. This section summarises results from Hunt (2009) based on the NSCG micro-data.

6. The difference in Column 2 is statistically significant at the 6% level.

7. There are some additional controls for wages and publications – see the table notes.

8. Hunt and Gauthier-Loiselle (2010).

9. The excluded instrument is the predicted increase in skilled immigrant shares, based on states' shares of 1940 immigrants from various countries and subsequent national growth in skilled immigrants from those countries.

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Chapter 12

The contribution of migrants in enhancing foreign trade

by

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Summary

Globalisation has linked countries more closely together. New technology makes transport within and between countries easier. Multilateral and regional trade agreements have further lowered or eliminated trade barriers. However, despite globalisation and liberalisation, foreign trade still involves considerable costs. To trade with other countries, firms need to acquire general import and export skills. Firms also need to acquire substantial specific information about the relevant foreign market. Such information can range from specific economic, social and political conditions to legislation and regulations, norms of business behaviour, culture and language. A lack of relevant information therefore creates thresholds that may hurt international trade.

Immigrants have a good knowledge of the business culture, politics, religion and language of their former home countries. Their contact networks put them in a particularly good position to personally stimulate trade with their countries of origin. Moreover, they can serve to show the way for other firms that want to engage in trade with the former home countries of people born abroad. This applies in particular to markets in countries with weak institutions, where information demanded by foreign trading companies maybe in short supply.

The purpose of this chapter is to summarise previous research and findings on the role of migrants as facilitators of foreign trade. The chapter is organised as follows: First, the chapter describes the theory of why migration across countries may lower trade-transaction costs and thus spur trade. Second, it covers some of the most important empirical evidence on migrants' trade facilitating capabilities. Finally, the chapter briefly discusses some implications for policy and explains how Sweden, a small and economically open country with a relatively large foreign-born population, has set out to utilise these findings to spur foreign trade.

12.1. Conceptual framework

There has been impressive progress in lowering and eliminating trade barriers since World War II. The average tariff level applied to industrial goods in the world's most developed countries is now barely 5%. It is even lower in the rich OECD countries, where the average applied tariff rate for industrial goods is 2.8%. The developing countries have

slightly higher tariffs, averaging around 10% for industrial goods, which is a low level in historical terms. Despite this, international trade still involves considerable costs (*e.g.* Melitz, 2003; Anderson and van Wincoop, 2004; Hummels and Klenow, 2005). Firms that want to import or export goods or services face substantial fixed costs. Apart from transport costs, they need to obtain general trade skills and specific knowledge of the foreign market. Many of these trade costs are driven by a lack of information *ex ante*.

The information required to engage in foreign trade is expensive to obtain. It is difficult to obtain reliable information about unfamiliar foreign markets whose business culture, language, regulatory system and institutions differ from those of the home country. Information barriers drive up the costs of importing and exporting. Knowledge about distribution chains is one example of this kind of barrier. Burstein *et al*. (2003) demonstrated that half the net prices of selected goods in the United States corresponded to distribution costs. Bradford and Lawrence (2003) derived a large proportion of the net price differentials in different countries from differences in distribution costs.

Foreign-born residents possess a unique knowledge of their countries of birth. This comprises knowledge of people in the country, their preferences, culture, price awareness and inclination to follow trends. They also have a unique sense of norms, politics and history. Migrants can bridge cultural divides and pass on information that noticeably reduces costs of distribution, marketing and other such matters to which firms are otherwise obliged to allocate resources. People born abroad often know how business contracts are drawn up in their countries of birth, and how negotiating processes should be designed to achieve the desired result.

Information barriers can be exacerbated by weak institutions. Anderson and Marcullier (2002) showed that institutional quality influences the efficiency of trade transactions. Weak institutions influence trade costs and, indirectly, business profits. Bandyopadhyay and Roy (2007) showed that corruption and a lack of compliance with business contracts generally lead to higher levels of protectionism and poorer economic openness. This hinders foreign trade. Here, too, people born abroad can play an important role as they are often aware of ways of circumventing corruption.

12.2. Evidence

There is evidence suggesting that migrants increase trade between their present countries of residence and their countries of birth. Gould (1994) found a statistically significant link between immigrants to the United States and US trade with their countries of origin. Head and Ries (1998) found a similar link for Canada, estimating an import elasticity at 0.3% and export elasticity at 0.1%. Girma and Yu (2002) demonstrated a positive link between exports and immigration from countries outside the former British Empire, although no significant link could be demonstrated for migration within the former Empire. Further evidence of a positive migrant impact on trade was provided by Herander and Saavedra (2005), Bandyopadhyay *et al*. (2006), Dunlevy (2006) and Jansen and Piermartini (2009), as well as Peri and Requena (2009).

These studies all find a positive and significant link between migration and trade, but the estimated effect varies quite considerably: from around 0.1% to 3.5% increased trade as a result of a 10% increase in the total migrant stock in the country concerned.

There are no broad data for individual developing countries. However, Ehrlich and Canavire Bacareza (2006) found a positive and significant correlation for Bolivia.

Rauch (2001) focused on migrants' abilities to lower information barriers and foster trust relationships between sellers and buyers across national borders. Rauch and Trindade (2002) examined the importance of ethnic Chinese networks in a large set of countries and their meaning for trade ties with China. They concluded that the concentration of ethnic Chinese populations promotes trade with China through fostering trust relationships and the lowering of information frictions.

A recent study by Hatzigeorgiou (2010a) provides further evidence of a positive and statistically significant link between immigration to Sweden and bilateral trade with immigrant source countries. This study builds on previous research of assessing the aggregate effect of immigration on bilateral trade between migrant host and source countries, as well as the network view of why migration may facilitate trade. Trade and migration data for Sweden and 180 partner countries between 2002 and 2007 are used to estimate an augmented gravity model. Results suggest that a 10% increase in the immigrant stock of Sweden is associated with a 6% increase in exports and a 9% increase in imports on average.

Furthermore, Hatzigeorgiou (2010a) distinguishes trade in differentiated goods from trade in homogenous goods in order to test whether the effect is derived to the ability of migrants to foster trust relationships between sellers and buyers in their country of residence and their country of birth, as postulated by theory. It turns out that the estimated migrant trade effect is stronger for differentiated goods, whose success in foreign markets is highly dependent on information about the specific qualities of the goods. This strengthens the argument that the positive migrant effect on trade is due to foreign-born people improving trust relationships between Sweden and their former home countries.

A number of recent studies have attempted to estimate a more general correlation. Using OECD statistics, Lewer (2006) found that immigration stimulates bilateral trade between a cross-section of industrial countries and immigrant source countries. Felbermayr and Toubal (2008) and Lewer and Berg (2009) used a similar sample of countries, but expands the analysis to dismantle the channels through which migration may affect trade. Both confirm a positive impact of migrants on trade. Lewer and Berg conclude, inter alia, that migrants facilitate trade by creating and participating in networks that span across destination and native countries. Bettin and Lo Turco (2008) used a similar selection of countries and also investigated the effect in different sectors. They found that the migrant trade effect is ambiguous across sectors.

Due to limitations in international data on migrant stocks in developing countries, evidence based on a geographically comprehensive sample has until recently constituted a serious gap in the existing literature. To address this issue, Hatzigeorgiou (2010b) evaluated the link globally based on a large number of industrialised and developing countries. This study confirms the positive effect migrants have on trade on the global level. Furthermore, the results suggest that both immigrants and emigrants act as trade facilitators.

The majority of these studies use econometric methods in a Gravity Model framework to empirically assess and quantify the link between immigration on one hand, and increased trade between immigrants' old and new homelands on the other. This method generally adjusts for factors other than immigration that could account for bilateral trade patterns, such as the size of a country's population and its economy. It is also important to check for other country-specific factors, such as geographic and historic factors as well as business climate. In so doing, studies seek to establish the extent to which immigration specifically explains different levels of trade between countries.

12.3. Methodological aspects

If trade leads to increased familiarity between trading partners, this could theoretically influence the cost of migration. Potential endogeneity of migration arising from reverse causality with respect to trade, implies correlation between the number of migrants in the host country and unobserved factors influencing trade and migration patterns between source and host countries. However, there are strong justifications for why the direction of causality runs from migration to trade, and not the other way around.

Trade is not put forward as an important determinant of migration in the vast literature on international migration. The economic theory of migration postulates that the decision to migrate follows a willingness to maximise utility, and therefore, emigration will follow if economic benefits associated with emigration outweigh the costs (Brettell and Hollifield, 2008; Lee and Hernandez, 2009). Rational individuals will make a decision to emigrate with the goal of maximising the "revenue" of emigration. Clearly, the economic advantage anticipated by these people is a far more compelling proximate cause of their decision to emigrate to a certain country than pre-existing trade relations.

When sociologists and anthropologists have investigated this issue on the micro-level, they have not found that existing trade flows between the host country and the source country were a factor influencing the decision to emigrate (Gould, 1994). When asked, people answered that they moved to a place where their standard of living would be significantly higher and where some fellow countrymen already lived.

Economic theory on international trade provides some insight surrounding the trade-migrant nexus, but the starting-point is mostly how factor movements affect trade in goods, rather than the other way around.

Furthermore, immigration from most countries is subject to binding quotas. Preference is often given to family reunification. These two aspects make immigration much more of an exogenously determined variable than bilateral trade flows.

The most common approach to address the problem of endogeneity arising from reverse causality is to use an instrumental variable approach. Although there have been some attempts to find an instrument for migration in cases where migration is suspected to be endogenous, no study has yet implemented an instrumental variable approach that satisfy the appropriate identifying conditions. In light of the many documented factors behind migration decisions, however, it seems unlikely that trade could significantly influence migration flows (Hatzigeorgiou, 2010b).

Scholars have provided important evidence of the direction of causation running from migration to trade, and not vice versa. Gould (1994) conducted an econometric causality test and found that immigration precedes trade for most of the US trading partners. Dunlevy and Hutchinson (1999) provide further evidence in support of the direction of causation going from migration to trade. Hatzigeorgiou (2010) also finds that migrant stocks are exogenous to levels of bilateral trade.

12.4. Conclusion

Trade economist and policy makers are increasingly recognising that informal or implicit trade barriers are becoming more important determinants to trade flows between countries. As formal barriers to trade continue to diminish in importance, more attention

must be put on other types of trade barriers. International migration is highly relevant in this context, since migrants are likely to reduce information frictions across countries.

It is clear that migrants have a good knowledge of the business culture, politics, religion and language of their former home countries. Their contact networks put them in a particularly good position to facilitate trade with their countries of origin. Moreover, they can serve to show the way for other firms that want to engage in trade with the former home countries of people born abroad. This is particularly true of closed markets in countries with weak institutions, where information demanded by foreign trading companies is in short supply. Thus, by strengthening business networks and disseminating insider knowledge about markets in migrants' country of birth, migrants can lower trade transaction costs.

To date, numerous studies have found evidence that migrants increase trade between their countries of residence and their countries of birth.

Implications for policy are significant. Although migration in recent years has gained increasing focus, policy makers seldom go beyond discussing migration from a labour market perspective. Nevertheless, as discussed by this chapter, the economic benefits of migration go beyond labour markets and demography. Migration can be used as an instrument for increased foreign trade.

This finding is especially important in light of the financial and economic crisis. Global trade contracted dramatically during 2008 and 2009, and although trade is estimated to recuperate in 2010 – the WTO estimates world trade to increase by 9.5% during 2010 – specific measures to lower trade barriers will most likely be necessary to bring global trade back to pre-crisis levels.

How can policy makers utilise the positive link between migration and trade? The most obvious conclusion would be to implement more open migration policies with the aim of increasing bilateral trade with immigrant source countries. A complementary, or alternative approach, would be to enhance the channels through which migrants facilitate trade. For instance, policy makers can set out to improve the channels through which immigrants can help to reduce information frictions and improve trust relationships between their countries of residence and source countries.

In this regard, the Swedish government has initiated a project which sets out to, *inter alia*, establish networks where foreign-born entrepreneurs can meet, exchange experience and support each other. Members of these networks are given special support from the nationally based Trade Council. The Minister for Trade has also established an Advisory Board, which consists of entrepreneurs with foreign backgrounds, with the aim of improving trade policy as to maximise migrants' contribution in enhancing foreign trade.

Note

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Part V

SPECIFIC DIFFICULTIES FACED BY IMMIGRANTS IN SETTING UP AND DEVELOPING THEIR BUSINESSES: EVIDENCE FROM SELECTED OECD COUNTRIES

Chapter 13

Enterprises created in 2002 by non-EU nationals in France: finding it harder to survive

by

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Summary

Foreign nationals are more likely than the French to set up their own firms, but those firms are far more vulnerable. Just 40% of them are still operating five years later. The first and third years are particularly difficult hurdles to overcome. The third-country enterprises[1] that are most successful and on a par with French enterprises in that respect are commercial businesses and firms with a large, local client base. Conversely, construction businesses and individual firms are more vulnerable to failure than French firms in the same category.

13.1. Features of third-country firms set up during the first half of 2002

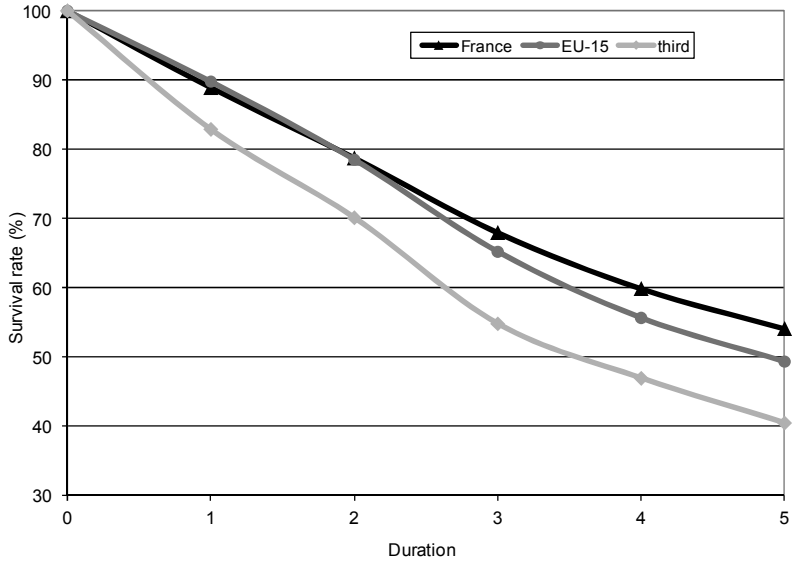
Some 12% of firms are created by foreigners (6.5% by third-country and 5.5% by EU-15 nationals), whereas foreigners accounted for only 5.5% of the labour force in 2004. 20% of third-country firms are created by women, compared with 30% of French firms. Third-country entrepreneurs have fewer qualifications and less experienced than French or other EU nationals: 44% of them are unskilled, three times more than French entrepreneurs. While 28.5% of third-country entrepreneurs are former jobseekers (as against 18% of French entrepreneurs), the share of third-country jobseekers who opt for entrepreneurship in order to work is similar to the French figure.

The firms set up in 2002 by third-country nationals are concentrated mainly in three sectors: construction (32%), commerce (30%) and personal services (18%). By and large, 39% of the new businesses created by third-country nationals are craft businesses individual units, compared with 32% of new French businesses.

60% of the third-country firms created in 2002 did not survive until Year 5

While the five-year survival rate for French firms stands at 54%, it falls to around 49 % when the entrepreneur is from an EU-15 member state and to only 40.5% for third-country (non-EU) nationals.

Figure 13.1. Five-year survival rates for enterprises created in 2002, by entrepreneur nationality



Source: INSEE, SINE survey (2002).

Third-country firms begin to experience problems right from Year 1, when the survival rate is 83% compared with the French figure of 89%. But Year 3 remains the greatest hurdle. So the disparities in success rates in terms of the entrepreneur's country of origin widen over time. From 6 percentage points below the French rate after one year, the cumulative survival rate for third-country firms drops to 13 percentage points below it from Year 3 onwards (see Figure 13.1), and so on up to Year 5.

No survival-rate disparities in terms of origin when the entrepreneur is a low-skilled former jobseeker

Five-year survival rates are substantially affected by the entrepreneur's socio-demographic profile. Third-country entrepreneurs are more successful when their academic standard is high and they are in the 35-49 age range. The farther away third-country entrepreneurs are from this age group, the harder they find it to remain in business. Just 20% of the businesses set up by individuals younger than 25 manage to overcome the hurdle of Year 5 (see Table 13.1). Conversely, 50% of the firms set up by graduates (with three years' higher education) survive.

At first glance the five-year survival rate of firms run by third-country women entrepreneurs appears similar to that of their male counterparts. But this is due to their specialisation in the more successful fields. All other factors being held constant, the evidence shows that women have 26% less chance of succeeding than men (see Table 13.3).

The socio-demographic characteristics of successful third-country entrepreneurs therefore match the profile of French entrepreneurs but with one exception, namely their previous occupational status. This has little impact on third-country enterprise survival rates whereas, among French entrepreneurs, former wage-earners are always more successful than former jobseekers (see Table 13.1).

Table 13.1. Five-year survival rates for enterprises created in 2002 by entrepreneurial characteristics

Percentage

		France	EU-15	Third countries
Gender	**Men**	55.4	50.5	40.5
	Women	51.0	44.5	40.0
Age	15-24	39.4	39.8	19.5
	25-34	54.7	48.3	38.4
	35-49	56.5	51.8	46.1
	50 and over	52.1	45.7	35.2
Qualifications	None	49.0	46.6	42.1
	No secondary-school leaving certificate	53.7	53.8	43.0
	Secondary-school leaving certificate	54.6	50.4	47.3
	Higher education degree (3 yrs)	61.0	54.3	50.4
Previous status	Non wage earner	58.5	50.7	46.8
	Wage earner	57.3	52.1	43.6
	Jobseeker	46.9	44.0	44.6

1. The survival rate by entrepreneurial profile is slightly overestimated compared with the overall survival rate, as a number of firms that had already closed down at the time of survey were unable to provide information on this profile and were not included in the following tables. 9% of these were third-country firms, while 3% were French.

Source: INSEE, SINE survey (2002).

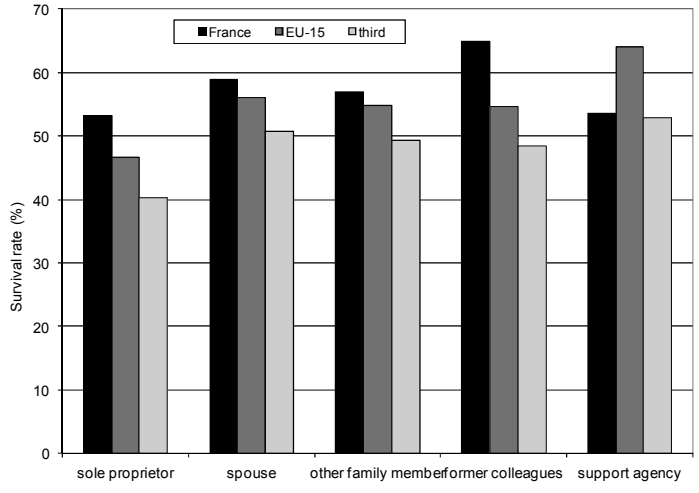
Thus the survival rates for firms set up by third-country entrepreneurs are always lower than for French firms, regardless of the entrepreneur's socio-demographic profile. However, the more problematic the entrepreneur's circumstances (*e.g.* unemployment, poor skills, little experience), the closer the survival rates for French and foreign businesses. The five-year survival rate for firms set up by former jobseekers with at most a secondary-school leaving certificate is 45.5% among third-country entrepreneurs, compared with 42.5% among French entrepreneurs. But entrepreneurs with a better profile (former wage-earners, highly skilled) are always more successful when they are French. Either third-country entrepreneurs derive less advantage from beneficial personal circumstances, or they are less hampered than the French by a less-skilled profile.

Entrepreneurial environment: failure more common among third-country self-employed

Regardless of the entrepreneurial environment, whether or not the project was set up with financial resources, alone or with a third party, whether or not it received financial support, the firms set up by third-country nationals have a markedly lower chance of surviving the first five years than those set up by French or EU entrepreneurs. For third-country nationals, however, setting up businesses with their spouse or other family members gives them a noticeably better chance of surviving than if they start up alone (see Figure 13.2). For instance, all other factors held constant, third-country enterprises set up by more than one person have 40% to 50% more chance of surviving for five years than those set up by a single person (see Table 13.3). Of the firms created by third-country or EU-15 entrepreneurs, it is those set up with agency support that have the best survival rate. Among French firms, those set up with the support of former colleagues (65% survival rate) are the most successful, whereas there is no positive effect in that case for third-country enterprises. Whereas these are the third-country enterprises most likely to fail (48.5%).

Figure 13.2. Five-year survival rates for enterprises created in 2002, by entrepreneurial team mix

Percentage

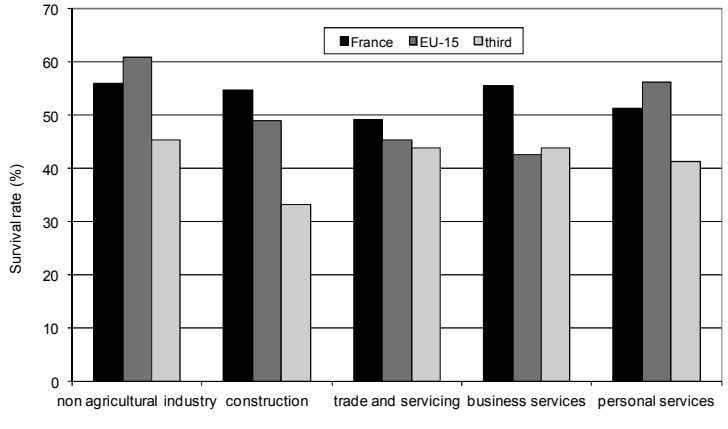


Source: INSEE, SINE survey (2002).

Apart from start-up assistance from agencies, entrepreneurs may also receive financial support. This is the case for 28% of the firms set up by French entrepreneurs, 20% of those set up by third-country entrepreneurs and 18% of those set up by EU-15 entrepreneurs. Excluding EU-15 nationals, however, this support does not appear to have a significant impact on five-year survival rates (see Figure 13.3). The greatest factor in entrepreneurial success appears to be start-up capital investment. All other factors held constant, a third-country firm starting up with EUR 40 000 will have 77% more chance of surviving than a firm starting up with less than EUR 4 000 (see Table 13.3). Yet it is when firms have very little start-up capital and focus on similar types of activity that the survival-rate gap between French and third-country firms disappears, thereby confirming that they derive less benefit from better start-up conditions or that they are less hampered by poor start-up conditions.

Figure 13.3. Five-year survival rates for enterprises created in 2002, by support received

Percentage



Source: INSEE, SINE survey (2002).

Third-country enterprises are more successful when operating with a large, local client base

Some operating environments have a beneficial impact on the five-year success rate of firms when the entrepreneur is a third-country national. Enterprises that have been taken over, for instance, along with subsidiaries and firms with little competition have better chances of survival. Conversely, exclusive subcontracting leads, in two out of three cases, to closure within five years. Third-country enterprises are also more successful with a large, local client base. Their survival rate is 48.5% when their clients are private individuals, compared with 38% when their clients are businesses (see Table 13.2).

Table 13.2. Five-year survival rates for enterprises created in 2002, by main corporate characteristics

Percentage

		France	EU-15	Third countries
Enterprise status	Creation	52.3	46.9	39
	Take-over	60	61.8	46.1
	Exclusive sub-contractor	51.3	44.7	33.6
	Secondary sub-contractor	60.8	49.1	48.2
	Not sub-contractor	55.9	53.2	48.4
	Subsidiary	60	54.4	55.7
Number of clients	1 to 2	47.5	43.3	35.2
	3 to 10	54.7	49.9	40
	Over 10	58	54.2	52.1
Type of client	Local	57.3	54.1	47.7
	National	54.8	48.7	39.1
	International	54.7	47.1	51.9
	Businesses	55.4	48.4	38.1
	Private individuals	56.4	53.1	48.6
Competition	Little	54.1	57.3	49.1
	Medium	58.3	51.9	44.2
	Keen	54	47.8	44.1

Source: INSEE, SINE survey (2002).

There is still a very substantial gap in success rates compared with French entrepreneurs, irrespective of the firm's profile. However, the more optimal the profile (varied customer base, group support, little competition), the narrower the gap.

In terms of survival, far fewer disparities due to nationality in commerce, but far more in construction

Irrespective of the sector, the survival rate for enterprises created in 2002 by third-country nationals is lower than for those created by French entrepreneurs.

The only sector in which the survival rate is far lower for third-country firms is the construction industry, where it does not exceed 33 %. All other factors held constant, a construction firm has 80% less chance of survival than a commercial business (see Table 13.3).

Table 13.3. Probability that an enterprise created in 2002 will still be operating five years later, all other factors held constant[1]

Parameter	Model 1: All enterprises		Model 2: Third-country enterprises	
	Odds ratio	Signif.	Odds ratio	Signif.
French	*ref*			
Other EU-15 national	0.904	**		
Third-country national	0.786	***		
Male	*ref*		*ref*	
Female	0.878	***	0.793	**
Under 25 years	0.501	***	0.25	***
25-34 years	0.861	***	0.669	***
35-44 years	*ref*		*ref*	
45 years and over	0.895	***	0.711	***
No qualifications	*ref*		*ref*	
Educated to below secondary-school leaving certificate	1.234	***	1.099	Ns
Secondary-school leaving certificate	1.365	***	1.21	*
Higher education degree (3 years)	1.763	***	1.256	*
Formerly self-employed	1.019	ns	1.028	Ns
Former CEO	0.949	*	0.99	Ns
Former wage-earner	*ref*		*Ref*	
Formerly unemployed (not long-term)	1.273	***	0.993	Ns
Formerly long-term unemployed	0.839	***	1.017	Ns
Industry excl. agriculture	0.986	ns	0.948	Ns
Construction	0.916	**	0.554	***
Commerce and servicing	*ref*		*ref*	
Business services	1.248	***	1.284	*
Personal services	0.971	ns	0.786	*
Other type of activity	1.591	***	1.133	Ns
Exclusive sub-contractor	0.87	***	0.844	Ns
Secondary sub-contractor	1.148	***	1.347	**
Non sub-contractor	*ref*		*ref*	
Created from scratch	*ref*		*ref*	
Take-over	1.163	***	1.054	Ns
Under EUR 4 000 start-up capital	*ref*		*ref*	
EUR 4 000 to EUR 40 000 start-up capital	1.348	***	1.315	***
Over EUR 40 000 start-up capital	1.861	***	1.777	***
Sole business proprietor	*ref*		*ref*	
Business run with spouse	1.115	***	1.44	**
Business run with other family member	1.228	***	1.478	**
Business run with partners	1.16	***	1.53	***
Working for government	1.118	**	1.515	*
Working for enterprises	1.064	**	0.987	Ns
Working for private individuals	*ref*		*ref*	
Keen competition	1.259	***	1.132	Ns
Medium competition	1.457	***	1.099	Ns
No competition	*ref*		*ref*	

Interpretation: In Model 1, compared with the reference population (enterprise created by former wage-earners), an enterprise created in 2002 by a former jobseeker (not long-term unemployed) will have 27.3% more chance of surviving (odds ratio = 1.273) whereas one set up by an entrepreneur with long-term unemployed status would have 19.2 % less chance (1/0.839).

In Model 2, an enterprise run by a third-country (non-EU) national under 25 years of age will have 4 times less chance of surviving (1/0.25) than an enterprise run by a third-country national aged from 35 to 44 (reference population).

Chi square significance threshold: *** =< 0.001; ** =< 0.01; * =< 0.05; ns (not significant) > 0.05.

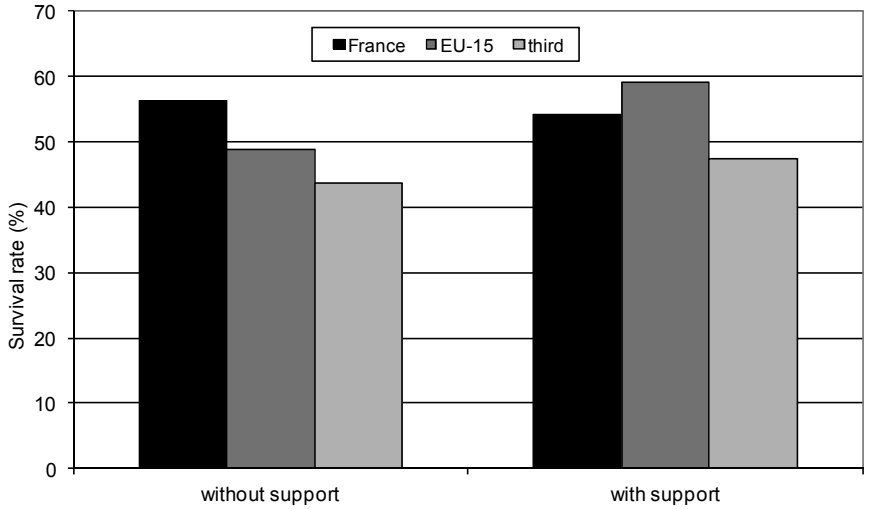
1. Probabilities are calculated using a logistic logit-type regression. Also included in the model (but not shown) are variables for the region of creation, individual unit, previous field of activity, entrepreneurial team, grounds for creation (ns), support for creation (ns), personal resources as a share of funding, size of company, number of clients.

The excessive concentration of business failures in this field can be put down to a specific process. In the building industry, some workers are prompted to become self-employed. They leave the firm that employs them but continue to work for it as an independent sub-contractor. Upon completion of the project, these self-employed builders have no work and seldom manage to find new contracts. This affects third-country nationals in particular and those living in regions with numerous building programmes [Ile de France (Paris) and PACA (south of France)]. For self-employed builders in these areas, the survival rate is hardly any lower among third-country entrepreneurs than it is among the French.

After five years, the survival rate for construction businesses is therefore 22 points lower for third-country entrepreneurs than for French nationals. In commerce, the survival-rate gap is far less marked (five points, see Figure 13.4) and disappears completely when there is a substantial client base.

Figure 13.4. Five-year survival rates for enterprises created in 2002, by type of activity

Percentage



Source: INSEE, SINE survey (2002).

To conclude, all other factors held constant, third-country enterprises have 27% less chance of surviving after five years than French enterprises (see Table 13.3, Model 1), 18% excluding the construction industry and 12 % excluding individual enterprises. Survival rates are heavily impacted by the firm's start-up profile. Factors such as experience, good qualifications and substantial start-up capital improve the overall chances of entrepreneurial success. However, there are few survival-rate disparities between French and third-country nationals when the entrepreneur is poorly skilled and a former jobseeker with little capital, whereas the chances increase with qualifications. Once a business has been launched, the success-rate gap between French and foreign enterprises decreases overall when the number of clients is at an optimal level. But even under the best possible conditions, construction firms run by third-country entrepreneurs, and to a lesser extent all enterprises created by sole proprietors from third countries, experience serious problems in terms of success. It is because of those failures that the

average survival rate of firms set up by third-country nationals is so low compared to those created by French entrepreneurs.

In spite of the relatively large number of firms that fail, enterprise creation does have a beneficial impact on jobs. For the enterprises created in 2002 that have survived their fifth year, the employment impact is greatest when the entrepreneurs are from EU-15 countries (1.4 jobs created in five years), compared with 0.9 when the entrepreneurs are French and 0.6 when they are from third countries.

13.2. SINE survey

SINE, the Information System on New Enterprises, is a permanent monitoring system for newly created enterprises that was launched in 1994 by INSEE, the French statistics institute. The SINE survey is based on a sample of enterprises created or taken over during the first six months of a given year. These enterprises are monitored over a five-year period via three surveys: the first in the early months following start-up, the second after three years and the third after five years. The study presented here is based on the 2002 cohort of firms, monitored until 2007.

The firms in the survey operate in manufacturing, construction, commerce and services (a category known as ICS), excluding financial activities and agriculture.

The SINE questionnaire does not include any detailed questions on nationality but does identify whether an entrepreneur is French, an EU-15 national (15 member states in 2002), or a third-country (non-EU) national.

Definition

The survival rate of a cohort of enterprises after n years is the proportion of enterprises still operating after n year(s). For instance, the five-year survival rate of enterprises created or taken over during the first half of 2002 is the ratio of the number of enterprises that have reached or passed their fifth anniversary to all of the enterprises created in the first half of 2002. The enterprise death rate includes firms that have permanently closed down or been taken over. The death of a firm does not necessarily mean that its economic activity has ceased.

Note

1. For the purposes of this report, third-country enterprises are those created by nationals from outside the fifteen EU member states (EU-15), while French enterprises are those created by French nationals.

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Chapter 14

Latina entrepreneurship and recent self-employment trends in the United States

by

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Summary

Self-employment has grown substantially in the United States over the last three decades. Women and immigrants have played an important role in this growth. Latina business owners, who are mostly immigrants, represent one important group among these entrepreneurs. Although their earnings are about 20% lower than the earnings of White women business owners, the analysis shows Latinas possessing the same observable characteristics (education, immigrant status, etc.) actually earn more than their White-women counterparts pursuing entrepreneurship. From this perspective, the average performance of self-employed Latinas appears favourable. However, this is qualified by a number of factors, including extremely skewed self-employment earnings, where at the low end of the self-employment earnings distribution, earnings of the self-employed are strikingly low. Furthermore, we observe that the annual earnings of White women entrepreneurs are quite low. Importantly, the analysis also shows that once a comparable earnings measure is used, Latinas in salaried employment have higher earnings than Latina business owners.

Is self-employment a rational choice in light of earnings skewness and the higher earnings of Latinas pursuing wage and salary work? Strictly on earnings grounds, the choice of salaried employment looks safer and, on average, more rewarding. The self-employment option, we suspect, may nonetheless be attractive for many for other reasons such as greater work autonomy and control. Limited opportunities for women in the labour market may also be a motivator for self-employment. Existing research provides results suggesting that lack of affordable child-care options and limited opportunities in wage employment motivate some low-skilled women to enter self-employment.

Immigration in the United States has grown steadily over the last decades. Today, approximately 16% of the United States workforce is foreign-born, a proportion that has more than doubled since 1980 when it was around 7% (Lofstrom, 2009b). Although many immigrants thrive in the United States, on average immigrants have lower earnings than US-born workers (Borjas and Friedberg, 2009). The lack of labour market success is especially relevant to the largest immigrant group – those of Latin American origin – and the fastest growing minority group in the United States, Hispanics. Not surprisingly, the

limited labour market success is of concern to many, including policy makers at all levels, and clearly identifying policy tools capable of improving labour market outcomes is important. One such possible policy tool may be self-employment, which is commonly viewed as a route to upward economic mobility, particularly among immigrants.[2]

This chapter provides information on some recent trends in entrepreneurship in the United States. Importantly, the brief also gives a summary of my recent research on the self-employment performance of women in the largest and fastest growing minority group in the United States – Latinas – for whom entrepreneurship may be of particular importance. This is supported by the observation that Latina entrepreneurs (women of Hispanic background, both foreign-and US-born) in the United States are more likely to be foreign-born than US-born. Surprisingly, economic research on Hispanic self-employment is scant, with a few recent exceptions to the research discussed in more detail here (Fairlie and Woodruff, 2010 as well as Lofstrom and Wang, 2009).

The question is addressed of whether self-employment should be considered a policy tool, specifically to broaden the labour market alternatives of Latinas. However, before policies designed to assist individuals contemplating entry into self-employment are implemented, we need to explore evidence of the degree of success realised by those in the relevant group choosing self-employment.

14.1. Recent trends in self-employment in the United States

The number of self-employed has steadily increased in the United States over the last decades, from roughly 9.9 million in 1980 to approximately 17.3 million in 2007. Over the same period, immigration in the United States has continued to grow and as this section will reveal, the composition of business owners changed quite substantially in a number of ways and that immigrants, and women, play increasingly important roles.

First, self-employment of women is a significant source of the growth in business ownership in the US. Quite remarkably – given the lower albeit increasing labour force participation of women – slightly less than half of the increase in the number of self-employed from 1980 to 2007 are women. Table 14.1 reveals that approximately 3.5 million more women report being self-employed in 2007 compared to 1980. The increase for men over the same period was 3.9 million. As a result, although women represented slightly less than 24% of the total number of self-employed workers in 1980, they now represent 36%.

Second, the skill composition of business owners has changed. In 1980, 58% of business owners had no more than a high school diploma. The low-skilled now represent about 40% of self-employed Americans. Although this shows that the country's entrepreneurs are more skilled today than they were in previous decades it masks – due to the overall increase in educational attainment – the fact that low-skilled individuals are more likely to choose self-employment today than they were 25 years ago. This is particularly true for low-skilled immigrant women for whom the self-employment rate increased from 4.2% in 1980 to 10.6% in 2007 (Figure 14.1, Panel B). In fact, in 2007 low-skilled immigrant women were more likely to be self-employed than any of the other groups of women. Among low-skilled men the self-employment rate also increased, from 10.1% to 11.0 and 9.8% to 10.5% respectively for US-born and immigrants over the same period (Figure 14.1, Panel A). Interestingly, Figure 14.1 (Panel A) also shows that both immigrant and native high-skilled men are less likely to be self-employed in 1980 than in

2007. However, among women who are college graduates, the self-employment rate increased from 5.0% in 1980 to 8.1% in 2007 among US-born women and from 6.3 to 9.4% among immigrant women (Figure 14.1, Panel B).

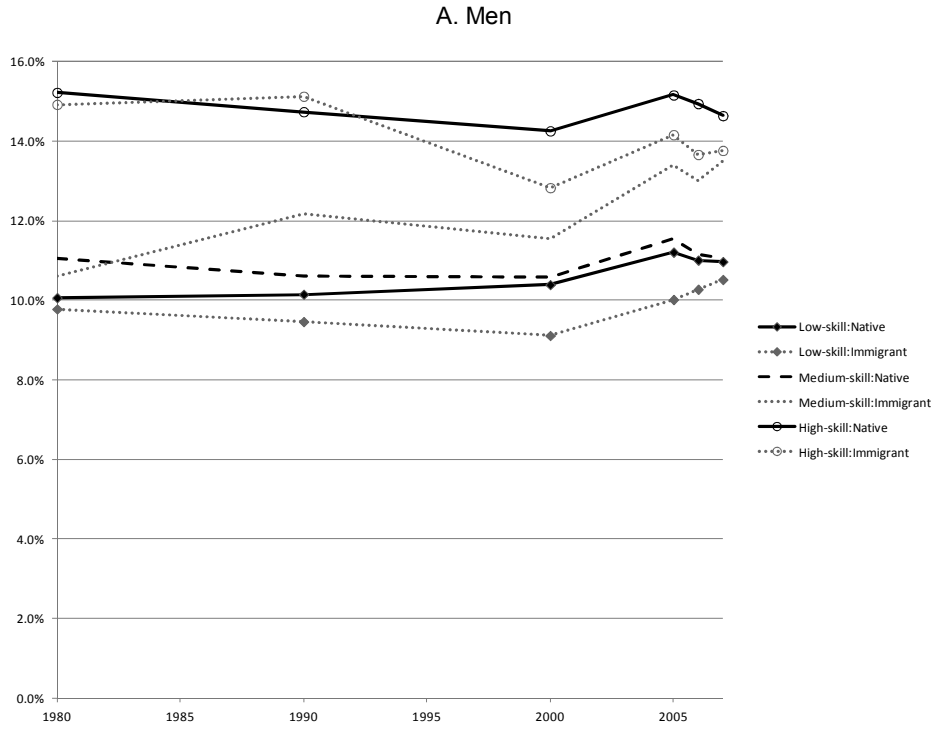
Table 14.1. Number of self-employed individuals in the United States, 1980 to 2007, by skill group, nativity and gender

Year	High school or less	Some college	College graduate	All	High school or less	Some college	College graduate	All
	US-born							
	Men				Women			
1980	4 059 900	1 248 500	1 752 300	7 060 700	1 346 720	467 920	373 980	2 188 620
1990	3 443 392	2 037 443	2 247 791	7 728 626	1 711 725	1 221 160	879 587	3 812 472
2000	3 382 087	2 331 583	2 574 546	8 288 216	1 681 781	1 535 579	1 282 279	4 499 639
2005	3 559 399	2 578 303	3 012 577	9 150 279	1 720 593	1 690 777	1 650 717	5 062 087
2006	3 683 961	2 544 878	3 000 674	9 229 513	1 693 497	1 706 371	1 709 890	5 109 758
2007	3 636 241	2 548 555	3 013 403	9 198 199	1 683 663	1 692 124	1 734 436	5 110 223
Period change	-423 659	1 300 055	1 261 103	2 137 499	336 943	1 224 204	1 360 456	2 921 603
	Foreign-born							
	Men				Women			
1980	277 160	73 260	139 160	489 580	102 700	32 580	33 820	169 100
1990	400 782	175 984	252 590	829 356	231 302	101 856	97 763	430 921
2000	651 069	252 403	377 102	1 280 574	411 347	167 993	187 230	766 570
2005	837 368	341 776	534 838	1 713 982	546 335	225 259	301 712	1 073 306
2006	914 416	342 237	545 850	1 802 503	586 858	236 005	308 357	1 131 220
2007	944 585	352 100	561 402	1 858 087	603 127	222 939	321 871	1 147 937
Period change	667 425	278 840	422 242	1 368 507	500 427	190 359	288 051	978 837

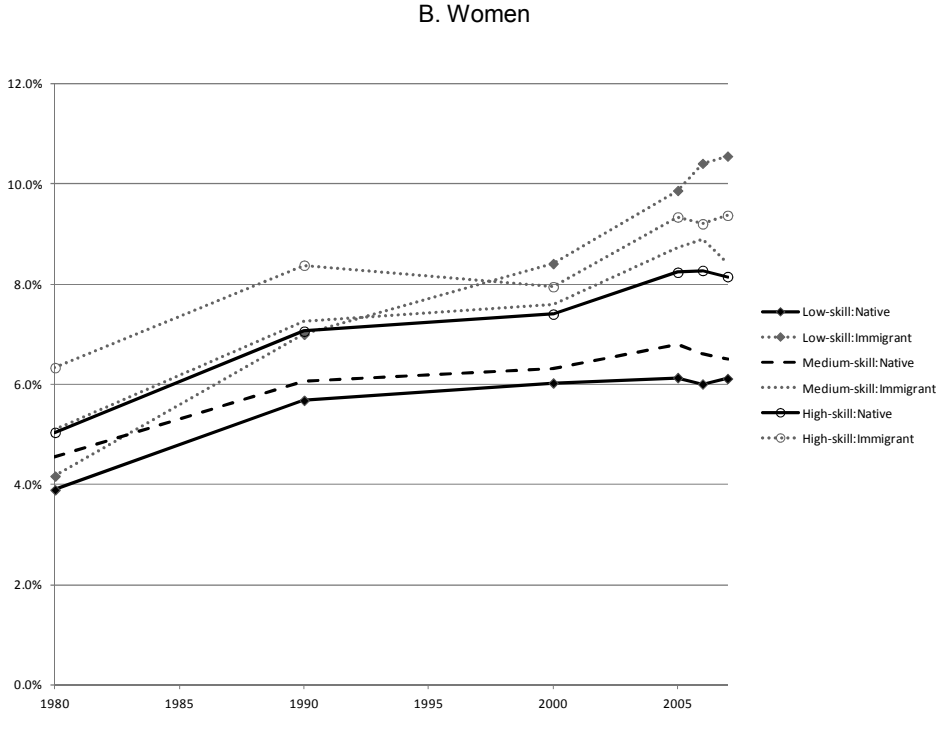
Source: Lofstrom (2009a); based on data from the 1980, 1990 and 2000 United States Census and the 2005-07 American Community Survey.

Third, and not surprisingly given the self-employment rate trends, foreign-born entrepreneurs in the United States play an increasingly important role. In 1980, approximately 7% of the self-employed were foreign-born. In 2007, slightly more than 21% were born abroad, significantly above the 16% foreign-born share of the United States workforce.[3] Table 14.1 shows that the number of US-born self-employed individuals increased by slightly more than five million over this period while the number of self-employed immigrants increased by about 2.3 million. While the growth in US-born self-employment was exclusively among individuals with at least some college training, low-skilled self-employment dominates the increase in immigrant entrepreneurship. Roughly one-half of the increase in foreign-born self-employment was from low-skilled self-employment.

Figure 14.1. US self-employment rates, by nativity and skill, 1980-2007



Source: 1980, 1990 and 2000 US Census; 2005-07 American Community Survey.



Source: 1980, 1990 and 2000 US Census; 2005-07 American Community Survey.

Importantly, these data show that the entire growth in low-skilled self-employment is due to immigrant entrepreneurs. In fact, there are fewer US-born low-skilled today compared to 1980.[4] The decline in the number of low-skilled US-born business owners is due to the overall increase in educational attainment.[5] This is evident from the observation that both among low-skilled US-born and immigrants the self-employment rate for men and women increased from 1980 to 2007. Overall, the data show that self-employment now plays a particularly important role among low-skilled immigrants and especially among foreign-born women.

One of the most important groups in this fast growing group of entrepreneurs are Latinas, both foreign- and US-born. The remainder of this document summarises recent research addressing the question of whether self-employment should be considered as a policy tool to broaden the labour market alternatives of Latinas (Lofstrom and Bates, 2009). This is particularly relevant since the largest immigrant group in the United States – those of Latino (Hispanic) origin – continue to experience only limited labour market success. However, before policies designed to assist those contemplating entry into self-employment are implemented, we need to explore evidence of the degree of success realised by those choosing self-employment – what kinds of earnings expectations are realistic? For targeting purposes, it is also important to identify factors associated with earnings success, or possibly, lack-thereof, among present and potential entrepreneurs.

14.2. Latina self-employment performance

The research question addressed here is: Once human capital, financial capital, and demographic traits are accounted for, is entrepreneurship a pragmatic choice in the sense of generating earnings that are at least comparable to those available to similar persons choosing to work as employees? Also, of relevance is the comparison relative to non-minority women entrepreneurs; how do the self-employment earnings of Latinas compare?

An important issue to consider when comparing earnings between the self-employed and wage/salary workers is the fact that self-employment earnings do not only represent returns to human capital but also returns to financial capital invested in the business. That is, reported self-employment earnings partially reflect a return to owner investments made in the business while wage/salary earnings do not.

To address this issue, alternative earnings measures can be used. One possibility is add to annual earnings annual asset income received from financial capital, *i.e.* stocks, bonds, real estate and other investments, which is observed for both the self-employed and wage/salary workers. Total annual earnings and capital income are hence an income measure that includes returns to physical and financial capital for self-employed individuals as well as workers in wage/salary employment. Another possibility entails subtracting a portion of the earnings of the self-employed, which roughly represents owner returns to investments of resources – cash, inventory, equipment, and the like, net of debt – in their businesses. By definition, these earnings measure do not reflect the total returns to self-employment, which may also include changes in the value of the business (which may be either positive or negative) that the entrepreneur generated over the year. A third alternative measure adds the annual change in business equity (the increase or decrease in the net value of the small business) to the business equity-adjusted earnings measure and is referred to as business equity-adjusted earnings, including annual changes in business equity.

There are relatively few United States data sources suitable for a comparative earnings analysis of business owners and wage/salary workers. A nationally representative longitudinal data source is the Survey of Income and Programme Participation (SIPP). The 1996 and 2001 panels are used in the analysis below, which is restricted to Hispanic and non-minority White women between the ages of 20 to 64 who report being either a business owners or an employee and who work at least 25 hours in a typical week. The latter restrictions are used to minimise the chances of "casual" self-employment significantly influencing the results.

Observable characteristics and earnings gaps

A comparison between Hispanic and White entrepreneurs shows that Hispanic women have substantially lower schooling levels (close to 1/3 are high school dropouts), are far more likely to be immigrants, work slightly fewer hours per week, have on average owned theirs businesses two years less, and, finally, possess on average significantly less household net worth than non-minority White women (Table 14.2). All earnings measures indicate lower earnings among the self-employed Hispanic women.

Table 14.2. Sample means by sector and ethnicity

	Self-employed		Wage/Salary	
	Hispanic	White (Non-Hispanic)	Hispanic	White (Non-Hispanic)
Years of education	11.33	13.89	11.88	13.88
High school dropout	0.32	0.04	0.25	0.04
High school graduate	0.32	0.29	0.3	0.3
Some college	0.22	0.36	0.31	0.34
College graduate	0.13	0.31	0.15	0.32
Age	40.21	44.44	37.23	40.51
Potential labour market experience	22.88	24.55	19.36	20.64
Hours worked per week	42.5	44.6	38.4	39.7
Married	0.66	0.73	0.53	0.6
Number of children	1.27	0.79	1.28	0.7
Number of persons in the household	3.7	2.92	3.75	2.82
Urban resident	0.89	0.76	0.91	0.77
Immigrant	0.61	0.05	0.43	0.03
Years since immigration	17.9	21.7	18.3	22
Total annual earnings (USD)	20 853	26 908	21 133	28 709
Total annual earnings business equity adjusted (USD)	16 547	20 033 23 316	21 133	28 709
Self-employment annual earnings (USD)	18 697	2 436 16 441	58	135
Wage/Salary annual earnings (USD)	1 241	20 001 292 074	20 602	27 839
Business equity adjusted self-employment earnings (USD)	14 390	16 441		
Business equity adjusted self-employment earnings with annual change in business equity (USD)	16 808	20 001		
Household net worth (USD)	128 451	292 074	67 939	141 412
Business equity (USD)	35 833	55 115		
Years in business	5.49	7.5		
Job tenure			5.08	7.06
Number of observations	460	4 962	7 667	59 124
Number of individuals	217	2 068	3 395	23 538

Source: Lofstrom and Bates (2009); based on data from the 1996 and 2001 panels of the Survey of Income and Programme Participation (SIPP). Immigrant and US-born women are included in both the Hispanic and non-Hispanic White groups.

Self-employed Latinas have lower schooling levels, have greater potential labour market experience and work more hours per week, compared to their wage/salary counterparts. Also, mean household net worth is greater among Latina entrepreneurs. Furthermore, 61% of Latina entrepreneurs are immigrants while "only" 43% of employees are foreign-born. The table also shows that self-employed Hispanic women have lower mean earnings, by all earnings measures, than Latinas in wage/salary employment but it also illustrates that there are substantial differences across these groups of women in earnings relevant characteristics (such as education, age and hours of work per week).

Determinants of earnings differences across groups

The observed differences in earnings across groups may, at least partially, be due to differences in observable productivity related characteristics. To assess the role of these specific observables on earnings, and differences, linear earnings regression models are estimated and then used to decompose the observed differentials along the lines of a Blinder-Oaxaca decomposition.[6]

The observed earnings gap between Latina and White entrepreneurs who are women range between 12 and 20%, depending on the earnings measure used (Table 14.3). The decomposition analysis quite clearly, and consistently across earnings measures, shows that three key factors largely explain the lower self-employment earnings of Hispanic women. The most important contributing factor is the relatively low Latina schooling level; it alone explains the entire gap for all measures (Table 14.4). The analysis also shows that nativity (Latinas are more likely to be foreign-born than White women and Latina immigrants are more recently arrived than White immigrant women) and years in business contribute to the observed lower earnings of Latina business owners. In fact, the results show that Latina entrepreneurs of same characteristics as White entrepreneurs who are women, are predicted to have higher earnings.

The earnings difference between Latina entrepreneurs and Latina employees is sensitive to the earnings measure used. Using an unadjusted annual earnings measure, the differences are negligible and not statistically significant (see Table 14.5). However, when the business equity adjusted measure is used annual earnings of Latina entrepreneurs are only 78% of those of Latinas in wage/salary work.

To assess the role of observable characteristics in explaining the earnings gaps typifying Latina wage/salary workers versus entrepreneurs, two hypothetical earnings scenarios are used. First, we predict the earnings of self-employed Latinas under the assumption that they possess the characteristics/endowments of wage/salary Latinas. Secondly, we predict total earnings of Latina entrepreneurs had they chosen to work in the wage/salary sectors.

Column 1 of Table 14.5 indicates that the gap in total annual earnings is entirely explained by differences in observable endowments. Self-employed Latinas would do quite well had they chosen wage/salary work. In fact, they are predicted to have slightly higher mean earnings in wage/salary employment than the Latinas who were observed employed in wage/salary work. Turning to the business-equity-adjusted earnings measure, Column 2, we see that Latina entrepreneurs earn USD 4 586 less than their wage/salary counterparts. Controlling for differences in observable characteristics, the gap using this measure shrinks to USD 2 828, implying that about USD 1 758, or 38%, of the USD 4 586 gap is due to differences in observable characteristics.

Table 14.3. Earnings measures, percentiles by sector

A. Hispanic women

	Percentile					
	10	25	Median	Mean	75	90
	Hispanic women					
	Total annual earnings					
Self-employed (USD)	2 800	6 400	12 410	20 853	20 402	41 040
Wage/salary (USD)	7 310	11 340	17 190	21 133	25 876	39 389
Earnings difference (self-employed - wage/salary)						
Level	-4 510	-4 940	-4 780	-280	-5 474	1 651
Percent (of wage/salary)	38	56	72	99	79	104
	Total annual earnings business equity adjusted					
Self-employed (USD)	0	4 725	11 100	16 547	18 500	38 000
Wage/salary (USD)	7 310	11 340	17 190	21 133	25 876	39 389
Earnings difference (self-employed - wage/salary)						
Level	-7 310	-6 615	-6 090	-4 586	-7 376	-1 389
Percent (of wage/salary)	0	42	65	78	71	96
	Total annual earnings (including capital income)					
	Business equity adjusted including annual change in business equity					
Self-employed (USD)	-13 650	3 240	12 075	18 554	22 484	52 805
Wage/salary (USD)	7 880	11 908	17 885	21 988	26 696	40 685
Earnings difference (self-employed - wage/salary)						
Level	-21 530	-8 668	-5 810	-3 435	-4 212	12 120
Percent (of wage/salary)	-173	27	68	84	84	130

B. Non-Hispanic White women

	Percentile					
	10	25	Median	Mean	75	90
	Non-Hispanic White women					
	Total annual earnings					
Self-employed (USD)	3 000	8 000	16 700	26 908	32 000	55 200
Wage/salary	9 768	15 657	24 313	28 709	36 300	51 282
Earnings difference (self-employed - wage/salary)						
Level	-6 768	-7 657	-7 613	-1 801	-4 300	3 918
Percent (of wage/salary)	31	51	69	94	88	108
	Total annual earnings business equity adjusted					
Self-employed (USD)	-1 000	4 693	13 600	20 033	27 750	49 757
Wage/Salary (USD)	9 768	15 657	24 313	28 709	36 300	51 282
Earnings difference (self-employed - wage/salary)						
Level	-10 768	-10 964	-10 713	-8 676	-8 550	-1 525
Percent (of wage/salary)	-10	30	56	70	76	97
	Total annual earnings (including capital income)					
	Business equity adjusted including annual change in business equity					
Self-employed (USD)	-1 000	3 600	18 184	25 314	47 767	115 648
Wage/salary (USD)	10 600	16 607	25 496	30 031	37 843	53 340
Earnings difference (self-employed - wage/salary)						
Level	-53 136	-13 007	-7 312	-4 717	9 924	62 308
Percent (of wage/salary)	-401	22	71	84	126	217

Source: Lofstrom and Bates (2009); based on data from the 1996 and 2001 panels of the Survey of Income and Programme Participation (SIPP). Immigrant and US-born women are included in both the Hispanic and non-Hispanic White groups.

Table 14.4. Decomposition of White-Hispanic self-employment earnings gap

Self-employment earnings measure	-1 Unadjusted		-2 Business equity adjusted		-3 Business equity adjusted Change in business equity	
Predicted mean earnings						
Hispanic women	USD 18 697		USD 14 391		USD16 808	
White women	USD 23 316		USD 16 441		USD 20 001	
Observed gap (White-Hispanic)	USD 4 619		USD 2 050		USD 3 193	
	Blinder-Oaxaca decomposition: specific contributions of observed characteristics					
	USD	% of gap	USD	% of gap	USD	% of gap
Education	6 325	136.90	4 761	232.20	6 171	193.20
Potential labour market experience	-52	-1.10	-250	-12.20	1 149	36.00
Family composition	-753	-16.30	-652	-31.80	-3 578	-112.10
Urban resident	646	14.00	355	17.30	-1 503	-47.10
Immigrant/years in the United States	3 266	70.70	3 192	155.70	4 019	125.90
Hours worked per week	193	4.20	127	6.20	231	7.20
Years in business	2 555	55.30	2 252	109.80	1 428	44.70
SIPP 2001	-437	-9.50	-513	-25.00	648	20.30
Total due to observed characteristics	11 744	254.30	9 271	452.20	8 564	268.20

Source: Lofstrom and Bates (2009); based on data from the 1996 and 2001 panels of the Survey of Income and Programme Participation (SIPP). Immigrant and US-born women are included in both the Hispanic and non-Hispanic White groups.

Table 14.5. Observed and predicted Hispanic total annual earnings

	-1 Unadjusted	-2 Business equity adjusted
Total annual earnings measure		
Observed mean earnings		
Self-employed (USD)	20 853	16 547
Wage/salary (USD)	21 133	21 133
Observed earnings difference		
level (observed self-employed		
- observed wage/salary)	-280	-4 586
Percent (of observed wage/salary)	98.70%	78.30%
Predicted hypothetical earnings		
1. Using Hispanic wage/salary		
characteristics (USD)	21 629	18 305
Predicted earnings difference		
level (predicted self-employed	496	-2 828
- observed wage/salary)		
Percent (of observed wage/salary)	102.30%	86.60%
2. Own characteristics but work		
in wage/salary employment	22 219	Same
Predicted earnings difference		as
level (predicted self-employed		
- observed wage/salary)	1 087	Col. (1)
Percent (of observed wage/salary)	105.10%	

Source: Lofstrom and Bates (2009); based on data from the 1996 and 2001 panels of the Survey of Income and Programme Participation (SIPP). Immigrant and US-born women are included in both the Hispanic and non-Hispanic White.

14.3. Conclusion

Self-employment has grown substantially in the United States over the last three decades. Women and immigrants play an important role in this growth, but at the pattern has been

quite different along skill levels. For example, among college graduates, US-born women accounted for 41% of the increase in the number of business owners, while among low-skilled entrepreneurs, immigrant men accounted for 44% (and US-born women only 22%). But maybe the most remarkable self-employment trend over this period is the growth among low-skilled immigrant women, whose self-employment rate more than doubled. Many of these low-skilled self-employed immigrant women are Latinas.

The annual earnings of Latina entrepreneurs are about 20% lower than the earnings of self-employed White women. However, the data reveal that self-employed Latinas possess fewer characteristics that are associated with higher earnings than non-minority White women entrepreneurs and employed Latinas. The differences in observable characteristics are important in explaining the lower annual earnings of Latina business owners. The analysis shows Latinas possessing the same observable characteristics (education, immigrant status, etc.) actually earn more than their White-women counterparts pursuing entrepreneurship. By this tangible success measure, we judge the average performance of self-employed Latinas favourably. However, this is qualified by the findings of extremely skewed self-employment earnings. At the low end of the self-employment earnings distribution, earnings of the self-employed are strikingly low, particularly in comparison to wage/salary comparison groups. Furthermore, it is important to point out that the annual earnings of White women entrepreneurs are quite low, with a median business equity adjusted measure of only USD 13 600, representing only 56% of the median earnings of White women in wage/salary work.

Is self-employment a rational choice in light of earnings skewness and the higher earnings of Latinas pursuing wage and salary work? Strictly on earnings grounds, the choice of salaried employment looks safer and, on average, more rewarding. The self-employment option, we suspect, may nonetheless be attractive for many for the reasons emphasised by Lopez and Trevizo (2009) – greater work autonomy and control are sufficiently appealing to counterbalance self-employment's disadvantages. Limited opportunities for women in the labour market may also be a motivator for self-employment. Women may become self-employed due to so called "push" factors to a greater extent than men; including such obstacles as discrimination in the salaried labour market (higher economic returns and the non-monetary benefits of business ownership are considered "pull" factors). Lofstrom (2010) provides results which suggest that lack of affordable child-care options and limited opportunities in wage employment motivate low-skilled US-born women to enter self-employment but that for low-skilled immigrant women, the evidence is weaker.

Lastly, it should be pointed out that since all the results and estimates provided in this brief are not obtained based on samples randomly drawn into self-employment and wage/salary work, the "self-employment earnings effect" may not represent a true causal effect of business ownership. If for example the sample of business owners observed possesses on average more of the unobservable characteristics associated with entrepreneurial success than other workers, one could reasonably expect that business owners drawn from the pool of non-business owners will not have the same level of success as the observed entrepreneurs. That is, the provided returns to self-employment here may be an upper bound on what policy makers can expect from entrants encouraged by business start-up programmes. Nonetheless, the analysis presented here represents a good first step, providing suggestive and important results, to the scant analytical literature on Latina entrepreneurship.

Notes

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2. The terms self-employed, entrepreneur and business owner are used synonymously.

3. Author's calculations based on the 1980 United States Census and the 2007 American Community Survey.

4. Table 14.1 shows that although the number of low-skilled native-born women increased, it decreased by more among native-born men.

5. The decrease in the low-skilled labour force participation rate may also contribute the decline in low-skilled native-born entrepreneurs.

6. This technique decomposes the observed mean difference in earnings between two groups into a part that is explained by the differences in the mean of the observed characteristics between groups and a part that is due to the differences in how these characteristics affect earnings, which is based on the estimated group specific regression coefficients.

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Chapter 15

Improving access to credit for migrant enterprises

by

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Summary

Access to credit is a very important issue for migrant entrepreneurship. On the one hand, sector entry depends more than anything else on capital requirements; on the other, credit constraints are one of the main reasons while migrant enterprises fail. Thus, improving migrant entrepreneurs' access to credit would be a key tool to enhance the success of migrant enterprises, as well as to help them emerge from traditional occupations confined to the lower segments of markets and expand to high-value activities. In this process the role of banks is crucial.

The potential of migrants as banking costumers has not escaped the attention of the main credit institutes operating in OECD countries, looking to increase their customer base, and growing interest by banks to serve this particular and largely untapped market segment has been observed in the past decade. Various studies have been conducted on the topic of migrants' access to financial services. However, the focus has been mostly put on specific issues – such as remittances – and, more in general, on financial services for migrant households, while the issue of access to credit for migrant enterprises has not been extensively surveyed.

The purpose of this chapter is to illustrate the main reasons which can explain migrant entrepreneurs' limited access to credit from financial institutions, as well as to analyse the effectiveness of the programmes that have been implemented to facilitate the access to bank loans and other financial services for migrant enterprises. Some policy options to improve migrant enterprises' access to credit are, then, proposed, taking also into account the lessons learned from the recent financial crisis.

15.1. Bankability of migrant enterprises

Although some studies indicate that immigrant businesses face difficulties in acceding to credit from financial institutions, it is arguable whether this is due to the limited bankability of migrant enterprises or to more stringent criteria applied by banks in granting loans to migrant entrepreneurs compared to natives (Bates, 2001). Indeed, migrant enterprises have some specific characteristics that may affect their creditworthiness and partly explain the higher reluctance of credit institutes to lend

money to migrant entrepreneurs. However, the bankability of migrant enterprises needs to be assessed considering both their strengths and weaknesses.

Several studies indicate that migrants and migrant enterprises in general rely more on their savings than on credits. Consequently, the debt to equity ratio is much more favourable in the case of migrants (Attalah and Rebelo, 2006): respectively 1.18 percentage points for immigrants against 2.75 for locals. The strong financial back-up decreases the borrower's risk. This provides for migrant enterprises some advantages in financing their needs in terms of a good co-financing potential, favourable debt level, and limited demand for credit. These advantages further strengthen benefiting from the traditional culture of migrants to be strongly linked to their community and to drain the community resources.

On the other hand, crediting migrant enterprises faces similar challenges as the financing of SMEs. In addition migrant enterprises have some specific characteristics that may explain the higher reluctance of credit institutes to lend to migrant entrepreneurs. Namely, given the higher failure rate of migrant businesses compared with native businesses, financing those businesses can expose the lending institution to higher default risks.

While assessing the creditworthiness of companies, credit institutions consider a broad range of indicators with a different weight in the overall score. The process is based on the information provided by the borrower and from relevant data basis, local or overseas. Among the different data bases used, the most important is the credit register. Creditors also assess the stability of the client's company, its income, collaterals, etc.

Most credit institutions reject credit applications due to lack of credit history. The issue of credit history has been broadly outlined in the literature (Atallah and Rebelo, 2006). In the case of migrant enterprises the lack of credit history is related to their shorter existence, as well to the stronger reliance on savings and, to a greater extent, to the lack of recognition of credit histories in cross-border cases. There is no recognition and practice of exchange of credit information between national credit registers. It is paradoxical that even within the international financial groups, which have subsidiaries and branches in different countries, there is often no recognition of the credit history from one to another subsidiary in the group. Certainly, the divergence in the content, scope and ownership of credit registers is the main problem, but also the quality and reliability of data in the registers is an issue. In a majority of countries, credit registers do not include data on non-bank debts. In addition, in many cases migrants have no access to their home countries credit registers in order to provide the data to the host country's lending institutions.

The difficulties in assessing the creditworthiness of migrant entrepreneurs decrease the longer they live in their host country, the profile of migrant entrepreneurs converging to that of natives in the mid-long term.

Among the main factors behind the limited access of migrant entrepreneurs to credit from "regular" financial institutes are the language barrier and low levels of financial literacy. Particularly, the linguistic factor is one of the main driving forces of the expansion of ethnic banking. Related to those obstacles is the fact that immigrants often look for information about bank loans mainly from friends and relatives from the community. This information may be insufficient or even wrong and inapplicable to them.

While assessing the creditworthiness of a potential borrower, credit institutions normally take also into account whether the applicant has already access to other financial services as a bank account, a deposit, money transfers, a credit card, etc. It is assumed that the use of other financial products creates financial culture and capabilities. In many cases migrants avoid using financial services because of an uncertain status, lack of experience, language problems, lack of confidence, etc. This reduces their chances to get access to credit.

The limited access to credit by migrant entrepreneurs should not be attributed only to the above-mentioned weaknesses on the side of those borrowers. Certainly, credit institutions also have some weaknesses. In most cases they lack knowledge, expertise and understanding of this specific group of corporate clients, all those factors resulting in higher perceived risk for migrant borrowers. The costs to assess the application may increase if this involves reference to additional data bases, translations, etc. More in general, the conservative approach of lenders towards new client groups partly explains the reluctance of banks to finance migrant enterprises.

A negative assessment of creditworthiness and the consequent rejection of the credit application have further negative effects on access to credit for migrant entrepreneurs. The rejection normally remains in the credit history of the applicant and this would create further difficulties when applying again for a credit. Limited access to credit may push borrowers to the informal credit market, where interest rates are higher, and may pose severe difficulties for migrant enterprises in repaying the debt.

In conclusion, there are many weaknesses related to migrant enterprises bankability that are attributable to both sides: the borrower and the creditor. However, migrant enterprises should not be treated as a vulnerable or riskier borrower. The strengths of migrant companies call for just the opposite. Evidence from the US banking association indicate that, on average, migrant enterprises credits perform better than local borrowers' loans. Due to the strong links within the migrant community and the possibility to rely on the community resources, migrants' loans may be more resilient to the external shocks, and thus even more profitable compared to the ones accorded to natives.

15.2. Current approaches to facilitate access to credit for migrant enterprises

To overcome the obstacles which limit the access to credit for migrant enterprises, two approaches have been put forward. The first approach consists in implementing various support measures, both public and private, to improve the bankability of migrant enterprises. The other approach relies on creating and stimulating alternative funding sources targeted to migrants outside the regular financial channels. In this section of the chapter, the two approaches are briefly analysed, and their effectiveness is evaluated also in light of the lessons and outcomes of the financial crisis for the banking sector and, more in general, the credit market.

Programmes and policies to improve the bankability of migrant enterprises

One of the consequences of the subprime credit default and the consequent global financial crisis is that at present credit is limited and migrant companies, being SMEs, are stronger affected by the limited credit supply. In this context it is even more necessary to act on the main weaknesses which obstacle the bankability of migrant enterprises, and to

put in place some tools to overcome those obstacles and improve the access of migrant entrepreneurs to the financial sector services.

A growing interest and competition among the banks to include migrants and migrant companies in their client portfolio has been observed in recent times. The financial crisis affected seriously the banking sector and signalled clearly the markets which are surviving and those which can still be expanded even in this challenging environment. Arguably, this will change the banking landscape and will have an impact on migrant financing.

Trying to reach the migrant segment of the market, some banks expand aggressively in regions where migrants are concentrated, and offer tailored products. This is rather new policy response to the growing number of migrants and migrant companies but also to the penetration of those companies in all sectors of the economy, not only in the traditional retail and catering services.

Moreover, banks themselves can encourage the set-up and development of migrant enterprises. For example, Capital One and CIBC, as well as Union Bank offer such tailored products as seed loans for start-up business, expansion of loans for growing business and other products that incubate new immigrant enterprises until they reach the level to qualify for a regular loan from the bank.

Banking associations are also becoming more active in stimulating banks to enter migrant financing. A rather new phenomenon is the mushrooming of new migrant companies in the financial sector providing services which help migrant enterprises and households accede to the financial sector.

However, innovative local banks which propose tailored services for migrants face a strong competition by banks of migrants' origin countries which increasingly establish themselves in receiving countries as branches or subsidiaries, particularly in the areas where migrants are concentrated. Ethnic and Islamic banking also target migrant communities.

Alternative sources of financing

Special programmes aimed at financing migrant companies gain popularity in the USA and Canada, while they are less common in Europe. Most of those programmes are implemented at the community and regional level, particularly in the areas with a high concentration of migrants. The resources for those programmes are made available by the NGOs, the communities and governments. Their aim is to fill in the gap of financing, particularly for those migrant enterprises that face difficulties to obtain credit from conventional sources. This segment is generally of a higher risk, due to the lack of credit history, insufficient equity and collaterals.

One of the traditional sources of financing for migrant enterprises is credit unions. A relevant example of such a union can be found in North Carolina. More than 500 000 immigrants of Latino origin live in this region. Among them, more than half speak English poorly and over three-quarters do not have bank accounts. Latino Community Credit Union (LCCU) was founded to address the financial needs and knowledge shortfalls of this growing immigrant community. The union also provides loans to migrant enterprises. Under the motto "For the Community, From the Community", this credit institution focuses on migrant clients, servicing them bilingually. It also provides to its members financial literacy, including information about banks and

their services. In 2010, the LCCU received five different awards for its initiatives to foster the integration of immigrants (see *www.latinoccu.org*).

Based on contributions from their members and providing support to them, these financial institutions enjoy relaxed capital and other regulatory requirements. However, as they are mainly community based, their resources are limited and they cannot entirely meet the whole range of migrant enterprises' demands for funding. Generally they can serve as sources of funding mainly for micro and small community based enterprises. While relying on credit union financing may be beneficial in the initial stage of the business start up, continuous borrowing from this source may hamper the access to the financial system.

The financial crisis proved the weaknesses of credit unions as credit institutions. Being low capitalised depository and lending institutions without strict lending conditions made them highly vulnerable. Therefore, this source of financing for migrant businesses should not be encouraged but considered as a limited and temporary source.

15.3. The way foreword to improve access to credit for migrant enterprises

Promotion of SMEs financing and availability of products specifically designed for the needs of SMEs sector is beneficial for migrant enterprises, which are mainly SMEs. Therefore, migrant enterprises should be granted full access to SMEs development programmes. However, in order for migrant enterprises to accede to those programmes and take full advantage of them, the pre-contractual information concerning those programmes should be improved and spread to reach migrant enterprises.

The demand for reliable borrowers has always been a subject of strong competition among the credit institutes and this is even more the case in the post-crisis period. It is in the interest of the financial sector to enlarge its client base and to cover the increasing client group composed by migrants. Proactive policies of credit institutions would further strengthen their expertise to reach and service this market segment. Financial institutions need to train their staff, especially in marketing and loan processing, to service these specific borrowers. In order to avoid the difficulties which can arise in the preparation of a business plan for a bank loan and, more in general, for a credit application, credit institutes need to provide cultural sensitivity training to staff, introduce deposit and loan product enhancements, expand alternative credit measurements and underwriting guidelines, develop partnerships with community-based organisations and private organisations.

On the other hand, special programmes are needed to provide migrant entrepreneurs with financial literacy and online information on the financial system and borrowing conditions. The issue is not only the access to financial services but also the provision of the most appropriate products and affordable terms and conditions.

Community-based and non-governmental organisations can play a role in promoting the mutual understanding between credit institutes and migrant entrepreneurs, especially through the implementation of financial literacy programmes. Therefore, the partnership between those organisations and the financial institutions and bank associations should be enhanced. Financial literacy programmes for migrant entrepreneurs designed and implemented by the public authorities, private sector and non-government organisations may not only help to remove obstacles to access to credit for migrant enterprises, but also would unlock the entrepreneurial potential of migrants.

In addition, to overcome one of the main obstacles in assessing the creditworthiness of migrant entrepreneurs – the lack of credit history – several cross border initiatives are to be implemented. Governments need to put in place bilateral and multilateral agreements on credit registers cooperation, whose main objective would be to improve the exchange of information at a global regional and bilateral level. Credit institutions and non-government organisations should also provide advice to migrant entrepreneurs on how to create a credit history.

The alternative sources of funding for migrant enterprises can be utilised as a temporary and limited instrument in response to the demand for financing. However, nothing could substitute the banking system, as credit supplier, in contributing to a healthy and competitive migrant enterprise sector. Nonetheless, in order to fully reach this objective, the banking system should avoid treating migrant enterprises as vulnerable borrowers, as in this case the pricing and other lending conditions will accumulate higher risk margins for migrant enterprises. Then, the question whether the borrower will be able to meet the obligations should be carefully considered in light of the concept of responsible lending.

Finally, literature review on migrant enterprise funding showed that there are very few and limited studies on migrant enterprises financing. A good policy-oriented research would help properly design the policy response of the governments and the other stakeholders.

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Open for Business

MIGRANT ENTREPRENEURSHIP IN OECD COUNTRIES

Migrants contribute to the economic growth of their host countries in many ways, bringing new skills and competencies with them and helping to reduce labour shortages. An aspect that has received only limited attention up to now is migrants' contribution to entrepreneurial activity and employment creation in their host countries. In OECD countries, entrepreneurship is slightly higher among immigrants than natives and the total number of persons employed in migrant businesses is substantial, although the survival rate of these businesses is often lower than that of their native counterparts. Migrant entrepreneurship has gone beyond traditional ethnic businesses, into a wide range of sectors and innovative areas.

Greater knowledge of migrant entrepreneurship is essential if policy makers are to better support migrant enterprises and their role in economic growth and job creation. In addition, increasing awareness of the positive role that migrants can play as entrepreneurs could contribute to a more balanced public debate on immigration. Taking a cross-country perspective, this publication sheds light on these issues and more, discussing policy options to foster the development and success of migrant businesses. It is a compilation of papers presented at a June 2010 conference organised by the OECD Secretariat, with the financial support of the Swedish and Turkish authorities, and the Dutch-Turkish Businessmen Association (HOTIAD).

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