Policies to Support Immigrant Entrepreneurship

By Maria Vincenza Desiderio
POLICIES TO SUPPORT IMMIGRANT ENTREPRENEURSHIP

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Executive Summary

Immigrant entrepreneurship is high on the agenda of national and local policymakers on both sides of the Atlantic. The propensity of foreign-born workers to start or take over businesses (thus creating jobs) and their capacity to expand beyond ethnic markets into high-value-added and innovative ventures promise significant rewards for host countries. Starting a business can be a strategy to improve labor market integration for resident immigrants, as a way out of underemployment or unemployment. Immigrant entrepreneurship also holds a great deal of promise for promoting the even distribution of the benefits of immigration within a country, due to its potential to counteract demographic and economic decline of struggling areas and localities, and to increase the global attractiveness of cities and regional hubs. The economic crisis has only added to the appeal of migrant entrepreneurship, as local and national policymakers face deteriorating labor market conditions and shrinking public budgets.

While immigrants tend to set up businesses at higher rates than their native-born peers, they typically face greater obstacles to starting up, maintaining, and expanding their businesses. Limited country-specific human and social capital, coupled with greater difficulties in accessing credit from official financial institutions, may prevent migrant entrepreneurs from releasing their full potential to promote the socioeconomic revitalization, growth, and competitiveness of host countries.

To tackle these obstacles and reap the benefits of immigrant entrepreneurship, governments in host countries have turned to a mix of targeted and mainstream business-support programs. Those programs specifically designed for immigrant entrepreneurs often consist of tailored training services, as well as mentoring and networking initiatives aimed at enhancing immigrants’ language proficiency, business skills, and professional contacts. Initiatives to improve the creditworthiness of immigrants (and their businesses) and to facilitate access to start-up and expansion capital are also common. Such initiatives may serve immigrants or the areas and neighborhoods where they concentrate. Their value lies in offsetting the specific disadvantages that immigrants—and especially the newly arrived—encounter in setting up and developing businesses.

Mainstream business-support programs—that is, those open to the entire resident population—can also foster immigrant entrepreneurship if immigrants can easily access them. These programs tend to offer higher-end business-support services (such as incubators for high-tech start-ups) than do programs targeting immigrants. However, immigrants may face obstacles to accessing and benefiting from these programs. Such obstacles often stem from a lack of language proficiency or from mainstream business service providers’ lack of familiarity with migrant populations. To address these problems, public policies and private initiatives should facilitate migrants’ access to mainstream business-support programs and adapt mainstream services to diversity.

Targeted and mainstream business-support programs are complementary ways to foster migrant entrepreneurship. These programs should also be embedded in a broader policy strategy to create an entrepreneurship-friendly environment. Structural policy interventions in the areas of general administration, taxation, labor market regulation, education, and research are all key to such a strategy, which can be implemented cost-effectively through public-private partnerships.
I. Introduction

Since the start of the new millennium migrant entrepreneurship has gained increasing attention from policymakers on both sides of the Atlantic. Most Organization for Economic Cooperation and Development (OECD) countries have implemented policies to attract talented foreigners with entrepreneurial ideas and skills, and continued to promote immigrant entrepreneurship during the economic crisis. In the context of a traditionally widespread and celebrated entrepreneurial culture, top settlement countries (such as Canada, Australia, the United States, and New Zealand) have been the first to recognize the value of migrant entrepreneurship for economic competitiveness and innovation. European countries have also started to acknowledge the key role that migrants can play in promoting sustainable growth and employment.2

In many host countries, it has been noted that immigrants are more likely to start businesses than their native-born peers.3 This may be explained in part by positive self-selection in the migration process and by migrants’ tendency to take greater risks, on average, than the native born. Also, both low-skilled and highly qualified migrants may use entrepreneurship as a strategy to overcome obstacles to successful labor market integration, be those obstacles to accessing qualified employment or to upward occupational mobility.

The businesses set up by immigrants make a non-negligible contribution to employment creation in OECD countries—a contribution that was seen to grow steadily in the decade preceding the start of the economic crisis.4 Immigrant entrepreneurs create jobs not only for their diaspora but also for the native

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1. Over the past four years, most European Union (EU) and Organization for Economic Cooperation and Development (OECD) countries have tightened labor and even family migration policies, while they have continued to facilitate the immigration of qualified entrepreneurs and investors. In the United Kingdom, for example, the government recently capped the migration of employer-sponsored, skilled workers but left the entry of entrepreneurs and investors uncapped; it also created a new Graduate Entrepreneurs route for graduate students with innovative ideas. For a more detailed discussion of targeted migration policies for the admission of foreign entrepreneurs and investors, see Maria Vincenza Desiderio, “Legislation and mechanisms of stimulating migration of investors and entrepreneurs,” in Economic migration regulation: existing mechanisms and practices of attracting, selecting and admitting foreign labour force, as well as coordinating labour migration management in Eastern Europe and Central Asia, Materials of the regional practical seminar (Moscow: International Organization for Migration, 2014). http://moscowiom.int/russian/publications/seminarMOM_A5web.pdf; Maria Vincenza Desiderio, “Migration Policies in OECD Countries to Manage the Migration of Foreign Entrepreneurs and Investors,” in Open for Business: Migrant Entrepreneurship in OECD Countries (Paris: OECD, 2010); Madeline Sumption, “Visas for Entrepreneurs: How Countries are Seeking Out Immigrant Job Creators,” Migration Information Source, June 2012, www.migrationpolicy.org/article/visas-entrepreneurs-how-countries-are-seeking-out-immigrant-job-creators/


3. In the period 2007 to 2008, 12.6 percent of migrants of working age were self-employed on average across OECD countries, compared with 12.0 percent of natives, according to a recent OECD study. Even after controlling for individually observed characteristics (i.e., education, age, gender), migrants were more likely to be entrepreneurs than the native-born population. Furthermore, the proportion of new entrepreneurs in the active population was higher for the foreign born than for the native born over the decade 1998 to 2008. In the United States, data on business ownership patterns from the 2010 Current Population Survey show that 1.05 percent of the immigrant workforce owned a business, compared with 9.3 percent of the U.S.-born workforce. See, respectively, OECD, Open for Business: Migrant Entrepreneurship in OECD Countries; Maria Vincenza Desiderio and Josep Mestres, “Migrant Entrepreneurship in OECD countries,” in International Migration Outlook 2011 (Paris: OECD, 2011); and Robert W. Fairlie, Immigrant Entrepreneurs and Small Business Owners and their Access to Financial Capital (Washington, DC: U.S. Small Business Administration, Office of Advocacy, 2012), www.sba.gov/advocacy/7540/141841.

4. From 1998 to 2008, migrant entrepreneurs employed an annual average of 2.4 percent of the total employed population in OECD countries; OECD, Open for Business.
This is especially the case where immigrant entrepreneurship has extended beyond traditional ethnic business (i.e., small shops catering to diaspora communities) and has spread to a wide range of sectors, including high-value-added and innovative activities. Building on their transnational ties and on the knowledge of the markets in their countries of origin, migrant entrepreneurs can also help spur trade in their host countries, reducing information and transaction costs.

For cities and regions, migrant entrepreneurship can be a strategic resource to foster economic activity and social inclusion, hence their attractiveness to new residents. At one end of the spectrum, small immigrant businesses (e.g., shops) in urban neighborhoods or areas neglected by native entrepreneurs and suffering demographic decline can help regenerate those areas. At the other end of the spectrum, migrant enterprises in high-value activities help create urban and regional innovation hubs that are in turn key to the growth and competitiveness of national economies.

**At little cost, immigrant entrepreneurship has much to contribute to the creation of jobs...and economic revitalization and growth.**

Against the backdrop of the economic crisis, these benefits look all the more appealing to local and national policymakers striving to counteract the deterioration of labor market conditions amid shrinking public budgets. In particular, the positive correlation of highly skilled migration and high-quality entrepreneurship with innovation and the expansion of the knowledge-based economy is seen as a critical element of recovery.

At little cost, immigrant entrepreneurship has much to contribute to the creation of jobs (for both migrants and the native alike) and economic revitalization and growth. For these benefits to be long term, they must be supported by appropriate policies. Even before the economic downturn, immigrants faced multiple obstacles to setting up, maintaining, and expanding a business. Some of these challenges are also shared with small and medium enterprises (SMEs) established by natives, but others are peculiar to or disproportionately affect migrants. The economic crisis has exacerbated these constraints, threatening the success of business ventures.

This report reviews the obstacles that hamper the capacity of immigrant entrepreneurship to realize its full potential in contributing to the socioeconomic welfare and competitiveness of host countries. It describes the mix of targeted and mainstream support initiatives and structural policy measures available to policymakers and other relevant stakeholders on both sides of the Atlantic to help overcome those obstacles, with a focus on initiatives implemented at the local level.

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II. The Challenges Faced by Immigrant Entrepreneurs

Despite higher rates of entrepreneurship among immigrants (as compared to the native born) across OECD countries, immigrant businesses have significantly lower survival rates than enterprises created and run by the native born. Furthermore, in most OECD countries, immigrant enterprises tend to be in low-value-added sectors. These characteristics stem from tighter financial capital constraints, limited country-specific human and social capital, a lack of familiarity with the functioning of local markets, and greater difficulty navigating regulatory frameworks. Immigrants’ legal status may also affect the life span and characteristics of their enterprises. The specific obstacles facing immigrant entrepreneurs tend to decrease with continuing residence in the host country. But such obstacles are to be faced throughout the life cycle of an entrepreneurial venture and may limit immigrants’ opportunities to extend beyond ethnic businesses.

Immigrant businesses have significantly lower survival rates than enterprises created and run by the native born.

A. Difficulties Accessing Credit from Financial Institutions

A lack of adequate funding is a major obstacle to the start-up and development of SMEs, regardless of the owner’s national origin. Nevertheless, credit constraints tend to be greater for immigrant entrepreneurs than for the native born. The main reasons for this lie in the characteristics of immigrant entrepreneurs and their enterprises, as well as mainstream credit institutions’ lack of familiarity with—and possible discrimination against—immigrant borrowers.

Immigrant entrepreneurs typically have shorter credit histories in their host countries than do the native born. Furthermore, in the absence of processes to recognize credit scores from other countries or exchange information between national credit registers, migrants’ credit history in their countries of origin does not serve them. Moreover, immigrants are more likely to lack collateral (e.g., home ownership) than the native born. Immigrant enterprises also have higher failure rates. All in all, these characteristics expose credit institutions to greater default risks when lending to immigrant entrepreneurs. The perception of such risks is often amplified as a result of cultural barriers and financial institutions’ inadequate knowledge of this group of clients. As various studies have demonstrated, immigrant entrepreneurs can face discrimination from banks and are more likely to be denied credit or charged higher interest rates than their native counterparts with similar characteristics. With the...
financial crisis limiting credit supply, the reluctance of banks to lend to immigrant entrepreneurs (and to SMEs in general) has only increased.\(^{12}\)

Business-sector entry depends, above all, on capital requirements. Thus, limited access to credit from official financial institutions favors the concentration of immigrant enterprises in limited value-added activities in sectors with low barriers to entry—such as construction, retail trade, and catering. Immigrants tend to rely disproportionately on personal, family, and community resources to finance their business ventures. This in turn increases the likelihood that immigrants will set up traditional businesses with limited capacity for expansion beyond the immigrant community. In the ensuing phases of the business life cycle, a lack of adequate funding to foster future growth and expansion is a major reason for business failure.\(^{13}\)

**B. A Lack of Familiarity with the Local Markets and Business Environment and Difficulties Dealing with Administrative Burdens**

Immigrants—new arrivals in particular—often lack full mastery of the host country’s language and country-specific business skills. They also have limited familiarity with the mainstream business-support infrastructure. Thus, they face greater difficulties than the native born in fulfilling the various procedures for business setup and development—from drawing up business plans and submitting requests for start-up capital from financial institutions, to registering the enterprise and dealing with fiscal declarations, recruitment procedures, and social security obligations. Moreover, (first-generation) immigrant entrepreneurs generally cannot count on established business networks to build and expand their suppliers and customer base.

Lack of country-specific human capital and networks also make immigrant entrepreneurs disproportionately vulnerable to administrative burdens, as they lack key resources to navigate intricate bureaucratic regulations and procedures.\(^ {14}\)

In the absence of targeted policy measures and initiatives to support immigrant entrepreneurs, these resource deficits may drive migrant entrepreneurs’ strong reliance on diaspora networks and the clustering of immigrant businesses into ethnic markets.

**C. Immigration and Visa Policies**

In the past 15 years, OECD countries have increasingly adopted or reformed immigration policies to attract migrant entrepreneurs and investors. These targeted policies have aimed at attracting and selecting immigrants with enough human and financial capital to make their business ventures succeed in host countries, thus contributing to economic growth and competitiveness.\(^ {15}\)

In some countries such policies are designed to encourage immigrants’ settlement and investment in specific regions or areas, so as to facilitate subnational policymakers’ efforts to promote economic development or to build business and technology clusters. For example, Australia and Canada both have

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\(^{13}\) Breem, “Business Creation in France.”

\(^{14}\) In general, complicated regulatory frameworks, red tape, and requirements for business registration and affiliation pose major obstacles to entrepreneurs, particularly small-business owners. The European Commission has recognized that the regulatory burden is a major obstacle to entrepreneurship in EU Member States. Nearly three-quarters of European residents consider it too difficult to start their own business because of administrative complexities; European Commission, Flash Eurobarometer no. 354, *Entrepreneurship and Beyond* (Brussels: European Commission, 2012), [http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf](http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf).

\(^{15}\) For a comprehensive discussion of policies implemented in OECD countries for the admission of foreign entrepreneurs and investors, see Desiderio, “Legislation and Mechanisms for Stimulating Migration of Entrepreneurs and Investors;” Desiderio, “Migration Policies in OECD Countries;” and Sumption, “Visas for Entrepreneurs.”
programs that—to different extents—delegate authority over the immigration of business owners to states, territories, or provinces.16

However, across the OECD only a tiny fraction of immigrant entrepreneurs enter their destination country on a permit specific to migrant entrepreneurship.17 The majority of immigrants who set up businesses in their host countries are initially admitted through other migration streams, such as for employment or study. Human and social capital specific to the host country grows with length of residence; this is consistent with the finding that most self-employed immigrants have resided longer in their host countries than employed immigrants.18

Moreover, secure resident status is a fundamental prerequisite for immigrant business development and competitiveness. Migrants on short-term temporary visas are unlikely to be granted credit from official financial institutions and may experience greater difficulties when engaging with suppliers and recruiting talented employees, compared with long-term or permanent residents.

Thus, the regulations governing the admission of (skilled) workers and students, status changes from employment and study visas to entrepreneurship permits, and the path to permanent residence may have a substantial influence over patterns of migrant entrepreneurship.19 While targeted policies for admitting entrepreneurs and investors may be a useful tool to ensure that immigration rules are no obstacle for talented and/or well-resourced entrepreneurs to get into the system, their scope is inevitably limited by comparison. Governments seeking to boost immigrant entrepreneurship may well get the most returns from efforts to support business activities among resident immigrant populations, as the following section discusses.

III. Policies to Support Immigrant Entrepreneurship

Two broad groups of policy measures help immigrant entrepreneurship to thrive: business-support programs that address the mainstream population or specifically target migrants, and structural policies that aim to create an environment conducive to entrepreneurship and innovation. These policies should be considered complements to any strategy to realize the potential of immigrant entrepreneurship—not least because even the most talented and well-financed immigrants need a supportive environment to flourish and prosper over time.

A. Business-Support Programs

Business-support programs aim to empower entrepreneurs by fostering their human, social, and financial capital, and to enable favorable conditions for business establishment and growth. Public authorities and private stakeholders may participate in the design, funding, and delivery of these programs. Public initiatives are commonly funded to a greater or lesser extent at the national level,20 and are implemented by regional and local authorities in cooperation with semi-public institutions (such as chambers of

18 Desiderio and Mestres, “Migrant Entrepreneurship in OECD Countries;” OECD, Open for Business.
19 The positive role of an immigration system geared toward attracting entrepreneurial migrants with innovative ideas to the United States has been widely recognized in the literature; Jennifer Hunt, “Skilled Immigrants’ Contribution to Innovation and Entrepreneurship in the United States,” in Open for Business: Migrant Entrepreneurship in OECD Countries (Paris: OECD, 2010); Wadhwa, Saxenian, and Siciliano, Then and Now.
20 In EU Member States, EU financial instruments also contribute to funding business support programs.
commerce, trade unions, and business associations), nongovernmental organizations (NGOs), and other private organizations. Private business-support programs are generally initiated by private associations, credit unions, banks, or philanthropic foundations and trusts, often emanating from big corporations. Typically, participation in these programs is free of charge. In some cases, notably when programs are funded by private or semi-public associations, the payment of a small membership fee may be required.

1. Types of Mainstream Business-Support Services

Most business-support programs focus on SMEs in the start-up phase. A vast array of services may be provided under such programs, including:

- **Entrepreneurship training** such as support in developing business plans; courses on accountancy, marketing, economic and financial literacy, and business regulations; information and communication technology (ICT) training.

- **Help with the fulfillment of administrative procedures for business setup**, including business registration, or affiliation with the relevant chamber of commerce or professional body.

- **Counseling** for complying with tax regulations, labor law, and social security obligations.

- **Legal advice** on licensing and intellectual property.

- **Mentoring and support in accessing relevant business networks** and in establishing contacts with suppliers and potential customers.

- **Help in raising start-up (or expansion) capital** through facilitated access to bank loans and unconventional finance such as microcredit instruments, and seed and first-round equity investments by venture capitalists and business angels.

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### Box 1. One-Stop Shops: Barcelona Activa Entrepreneurship Center

The Entrepreneurship Center of Barcelona Activa—the Barcelona City Council’s economic development agency—was established in 2004. The center provides both online and on-site services that support entrepreneurs at each step, from developing business ideas to creating a company. Training activities, conferences, and workshops are tailored specifically to the needs and priorities of entrepreneurs in different economic sectors. The training offered includes “knowledge pills” or short sessions on technical areas, “knowledge weeks” for established entrepreneurs, and special summer training. The center also offers one-on-one coaching, mentoring opportunities, free access to pre-incubation spaces, facilitation and advice on accessing conventional and nonconventional finance, and assistance in the transition between business creation and business expansion. In 2011 Barcelona Activa won the European Commission’s European Enterprise Promotion Award—an initiative rewarding the success of programs initiated by public bodies or public-private partnerships in promoting entrepreneurship at national, regional, and local levels. By then, according to the European Commission, the project had coached more than 134,000 individuals, and more than 222,000 people had attended its events each year. Between 2004 and 2011 it helped create 6,214 new businesses and 11,800 new jobs.

These services may be dispensed separately under different initiatives, or combined into a comprehensive package. Good practice examples of the latter include one-stop shops for entrepreneurs, and business incubators. One-stop shops aim at facilitating local entrepreneurs' access to and use of business services by bringing together a full portfolio of support services under a single point of contact.

Business incubators are property-based ventures that, in addition to the wide range of services provided by one-stop shops, also offer physical infrastructure—such as office spaces and laboratories—to start-ups. These facilities are often geared toward high-tech enterprises. Shared business facilities and coworking spaces enhance networking opportunities for nascent entrepreneurs, helping them to grow their business. Such one-stop shops are more frequently found in big cities, although initiatives to provide comprehensive business support across larger regions are on the rise.

Business services can be designed to support enterprises in all types of industries, or can be tailored to specific sectors. In advanced economies on both sides of the Atlantic, high-tech and high-value-added enterprises have increasingly become a focus of entrepreneurship-related public policies and public-private partnerships. In the past 20 years, targeted initiatives to foster business start-up and growth in ICT, biotechnology, and other innovative sectors have flourished. Cities, in particular, have promoted high-tech clusters and innovation-based incubators (e.g., offering funding, facilities, or policy support) as incentives for attracting talented entrepreneurs and empowering them to succeed in their business ventures so they may contribute to cities' economic growth, competitiveness, and global image.

Mainstream business-support programs are generally available to the entire population of a given country or region, including resident migrants. However, migrants—especially new arrivals—may, in practice, find it difficult to access those programs or make the best use of them.

In addition to general mainstream programs, special programs may target particular groups of the population that have low rates of entrepreneurship or are in a vulnerable socioeconomic situation—such as women, people with disabilities, young people, and the unemployed. Specific initiatives may also promote entrepreneurship in economically depressed regions or urban neighborhoods. Since migrants tend to be overrepresented in socially and economically disadvantaged groups and areas, they may be an indirect target of many of these measures.

2. Targeted Business-Support Programs for Immigrant Entrepreneurs

In addition to mainstream business services, many OECD countries have support programs that directly target immigrant entrepreneurs. These programs aim to help immigrants overcome the specific challenges that they may face when setting up and expanding a business. They may be offered to all immigrants or to specific subgroups, such as newly arrived immigrants, immigrant women, or refugees. When they stem from a public initiative, targeted business-support schemes for immigrants are typically implemented in the context of comprehensive integration plans, as a part of the broad range of measures adopted to facilitate the successful insertion of immigrants in the receiving society.

Targeted business-support programs for immigrant entrepreneurs are particularly common in traditional immigration destinations such as the United States and Canada, and in European countries

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21 This report follows the OECD definition of business incubators. See OECD, *Technology Incubators: Nurturing Small Firms* (Paris: OECD, 1997): “Incubators are mid-term resources through which newly-established enterprises are nurtured, typically for a period up to their first three years of activity.” See also European Commission, Directorate General for Regional Policy (DG REGIO), *The Smart Guide to Innovation-Based Incubators* (Brussels: European Commission, 2010). Holistic business support may also be provided through business accelerators; these operate in a similar manner to incubators, but focus on the growth phase of the assisted companies, providing support for a period of two to six months.

22 Thus, for example, in Denmark the business incubation program *Vækstfabrikkerne* ("the growth factories"), launched in 2010, operates throughout the region of Zealand, and consists of ten business incubators established across the region. Incubated enterprises enter into a 1.5- to 3-year individually tailored “growth program” consisting of mentoring, networking activities, and an educational course in cooperation with a regional university. See *Vækstfabrikkerne*, "Kom Videre Med Din Virksomhed," accessed August 20, 2014, [http://vaekstfabrikkerne.dk/](http://vaekstfabrikkerne.dk/).
that have a long immigration history and/or developed comprehensive integration policies relatively early, such as the Nordic countries, the Netherlands, the United Kingdom, Germany, Austria, and Belgium. In France support to immigrant entrepreneurs is offered through mainstream programs for the development of economically depressed areas, as a result of the government’s focus on social cohesion rather than the integration of immigrants. According to a recent overview by the European Commission, targeted support measures for migrant entrepreneurs are less frequent in southern and eastern Europe.

Like mainstream business-support measures, tailored programs for immigrant entrepreneurs may also be initiated by private actors such as civil-society associations, private foundations, banks, and credit unions. In particular, private and community initiatives to foster immigrant and minority entrepreneurship have flourished in the United States since the late 1960s. Targeted support measures for immigrant entrepreneurs are often implemented through some form of public-private partnership.

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**Box 2. Targeted Local Support for High-Tech Innovative Entrepreneurship**

London stands out as Europe’s technology capital in a growing European scene of local ecosystems that support innovative start-ups. Its leading position largely stems from Tech City, a start-up cluster in East London and neighboring districts that has flourished in recent years. Like Silicon Valley in the United States, Tech City emerged from private initiative, as a naturally growing cluster of businesses. Over time, it has increasingly benefited from public-private partnerships and from the support of the British government.

The number of tech companies operating in the area has grown significantly, from 200 in early 2010 to 1,300 in January 2013, and dozens of coworking spaces, business incubators, and accelerators have been created. Big companies such as Facebook, Google, Intel, and Vodafone have invested in the area. Notably, in 2011 a Google campus was established, functioning as an incubator and start-up training center. Imperial College London, Loughborough University, City University London, and University College London are academic partners in projects based in the cluster. Various civil-society organizations are also active in offering services to entrepreneurs. Central government measures to foster cluster growth include the Seed Enterprise Investment Scheme, which has reduced the risk of losing an investment in start-ups—in some cases to almost zero—and tax breaks, which have made it easier to raise up to £2 million to get a start-up off the ground. Migration regulations facilitating the admission of migrant entrepreneurs and investors through dedicated visas, and the creation of the Tech City Investment Organization to promote the area overseas, aim to attract global talent and venture capitalists from abroad.

With the aim of better positioning France in the competition to attract talented entrepreneurs and investors, a project named 1000 Start-ups has been set up in Paris by a public-private partnership involving the founder of Iliad (among the biggest telecommunications groups in France), Paris City-Hall, and the National Deposit. The project is set to create the world’s largest digital technology incubator, making more than 30,000 square meters of office space available to start-ups as of 2017. It will tackle a major obstacle to setting up businesses in Paris—namely, high rents. The incubator will be located in a neighborhood with a high concentration of university institutes, thus encouraging networking and cooperation with academia.

Targeted business-support programs for immigrant entrepreneurs may include measures from one or more of the following categories:

- **“Knowledge-based” services to help develop country-specific human capital and business skills**, including (business) language courses, multilingual financial literacy and entrepreneurship training modules, an introduction to the host-country’s business culture and environment, information on local business regulations and stakeholders and on available mainstream and targeted business-support services.

- **Mentoring and network-building initiatives to facilitate the acquisition of country-specific business skills and social capital**, including business-to-business advice and training, and enhanced opportunities to connect with the mainstream business community, business associations, potential suppliers, and customers.

- **Tailored counseling and assistance** on administrative procedures, recruitment practices, and compliance with tax regulations, labor law, and social security obligations.

- **Targeted measures to facilitate access to credit**, such as the provision of guarantees and quality-assurance labels to improve the creditworthiness of immigrant enterprises, awareness-raising campaigns among mainstream credit institutions on the behavior and bankability of immigrant groups, diversity training for mainstream credit institution agents, and enhanced microcredit opportunities and access to other unconventional finance, such as credit union loans.

Targeted support programs for immigrant entrepreneurs are a useful policy tool to promote equal opportunities for immigrants starting, running, and expanding a business as they help offset the relative disadvantages that immigrant entrepreneurs—and the newly arrived in particular—face relative to their native-born peers. These programs are more likely to serve a broad economic integration purpose than to offer specific and direct support for high-end business ventures. Targeted programs may also play a key “bridging” role, helping immigrant entrepreneurs to access mainstream business-support services and to gain a foothold in the mainstream business community.

24 Quality assurance labels may be provided by public authorities or well-renowned economic agencies as a way of reducing the risks that banks face in lending money for start-up ventures. For example, in Spain, the Municipal Institute for Economy and Labor Market of the city of Terrassa provides quality stamps on business plans that are written with its cooperation.
B. Structural Policies Promoting an Entrepreneurship-Friendly Environment

High-value-added business ventures—be they held by the native born or by immigrants—tend to be concentrated and thrive in entrepreneurship-friendly ecosystems. The availability of a broad range of both mainstream and targeted business-support programs at the local level is a key component of such ecosystems. Also, they are in large part shaped by structural policies in the areas of general administration, taxes, labor market regulation, economic and industrial development, education, and research. Such policies are typically the responsibility of national or federal governments. They may be difficult to adopt and implement for a host of political and economic reasons, even for policymakers who recognize their benefits, as they require broad consensus. As a result, these policies are unlikely to be put in place with the specific objective of fostering immigrant entrepreneurship, but will instead aim for broader economic goals.

Box 4. Targeted Business Support Programs for Migrants: Fostering Country-Specific Human and Social Capital and Business Skills

Tailored information services for migrant entrepreneurs are offered by public and private actors in a growing number of cities in Europe and North America. In Austria the Viennese Economic Chamber provides special information sheets about a wide range of everyday business practices in different sectors in the languages spoken by the city’s major immigrant communities. There is also a proliferation of private business consultancies that target migrants.

Comprehensive information and training packages for migrant entrepreneurs are also widespread. In Canada the Global Business Centre at the Newcomer Centre of Peel offers a 12-week course on business start-ups to all new permanent residents in the greater Toronto area. The curriculum includes an English-language business communication component, and covers a broad range of business education topics including legislation, IT and business-specific technology, taxation, resource management, and marketing. The program is funded by Citizenship and Immigration Canada.

In Germany the city of Hamburg, in partnership with private organizations and with cofunding from the European Social Fund, has run the Unternehmer ohne Grenzen (Entrepreneurs without Borders) program since 2000. The services provided by the program include counseling, seminars, and briefings on legal and fiscal issues that pertain to setting up businesses in the city, along with more general knowledge-based activities—such as courses in financing, investment, and marketing—and assistance in business planning and accounting. Similarly, in Sweden the Sunningodsvall IFS Radvinscentrum (an advice center established by the state-owned company Almi) provides migrant entrepreneurs with one-on-one advice and collective training on a wide range of topics.

In the United Kingdom the Business Gateway’s Ethnic Entrepreneurship Programme, launched in 2005 by Scottish Enterprise, targets the refugee and immigrant populations of Glasgow and aims to help them overcome barriers to self-employment. The program offers tailored advice and training, and also serves as a bridging initiative to encourage ethnic minority entrepreneurs to attend the mainstream Business Gateway courses. Awards were held for the first time in 2012, allowing migrants to pitch their ideas to a panel of established business people with a view to securing funding.

Research on entrepreneurship points to a range of structural policy interventions that may contribute to creating an entrepreneurship-friendly environment for both immigrants and the native-born population. These include:

- **Simplifying and speeding up the administrative procedures required for business setup, registration, and management:** cutting red tape; reducing paperwork through the extensive computerization of practices and widespread adoption of IT systems (e.g., allowing electronic billing and invoicing, and online fiscal and customs declarations); simplifying and modernizing

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licensing procedures; establishing one-stop shops (single contact points) and comprehensive online resources and services for entrepreneurs; minimizing the regulatory burden for SMEs and microenterprises, for example, by reversing the burden of proof or simplifying the accounting requirements for smaller firms; and adapting administrative procedures to the needs of a diverse population by providing multilingual information and counseling.

- **Creating favorable fiscal regimes for entrepreneurship and investment**: introducing tax breaks for start-up entrepreneurs, venture capitalists, and for entrepreneurship and investment in high-value-added and innovative sectors; allowing tax deductions to encourage individuals to invest in venture funds and, thus, increase the funding available to (small) businesses; granting tax reductions to SMEs for new hires.

- **Enhancing labor market flexibility to facilitate recruitment**: simplifying employment legislation, developing flexible working arrangements, reducing social security contributions for start-ups and employers in innovative sectors, and facilitating apprenticeships and traineeships.

- **Strengthening entrepreneurial education and training**: “mainstreaming” business skills in school and university curricula, facilitating early interactions between students and entrepreneurs, and expanding opportunities for lifelong entrepreneurial learning.

- **Providing enhanced support for scientific research and innovation**: attracting talented researchers and entrepreneurs with bright ideas through public-private partnerships and initiatives such as the establishment of science and technology clusters.

- **Promoting an entrepreneurial culture**: rewarding entrepreneurship as an educational and career path, presenting entrepreneurs—both native- and foreign born—as role models in the media, and supporting a welcoming environment for native and immigrant entrepreneurs.

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**Immigrant entrepreneurship—especially in high-value-added or innovative areas—holds a great deal of promise for the economic growth and competitiveness of receiving countries.**

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### IV. Conclusion

Immigrant entrepreneurship—especially in high-value-added or innovative areas—holds a great deal of promise for the economic growth and competitiveness of receiving countries. Immigrant entrepreneurship can do much to support economic activity and facilitate social inclusion in particular cities and regions, and thus improve these locations’ overall appeal for current and prospective residents—be they native born or migrant. Even as most Organization for Economic Cooperation and Development countries face economic crisis and a shrinking population, immigrant entrepreneurship can help to counteract labor market deterioration and urban decline, benefiting both the native- and foreign-born populations.

Immigrants may face multiple obstacles to setting up, maintaining, and expanding a business in host countries, however. Most of those obstacles are also common to native-born entrepreneurs—in particular small business owners—but some of them are peculiar to or more difficult for immigrant entrepreneurs. The economic crisis has added to existing constraints on immigrant business development: restrictions on obtaining credit from the host country’s official financial institutions have been tightened, while reduced public budgets threaten funding for measures to foster immigrant entrepreneurship.
Business-support programs—be they mainstream or targeted at immigrants—are typically designed and implemented at the local level. This has the advantage of offering services tailored to the particular economic environment and needs of each locality. At the same time, these programs alone can hardly meet the objective of fostering immigrant entrepreneurship—especially high-value-added entrepreneurship—in the cities and regions where they are implemented, without structural policy interventions at the national level.

Against this background, it is all the more important for national and local policymakers to work together to identify complementary, cost-effective strategies that might realize the full potential of immigrant entrepreneurship to contribute to receiving countries’ growth and competitiveness. Three main considerations should inform those strategies.

A. **Rely on Both Mainstream and Targeted Business-Support Measures**

Targeted support measures for immigrant entrepreneurs might prove particularly helpful for newly arrived immigrants just starting a business. However, beyond a few specific services, support policies should also facilitate the access of immigrant entrepreneurs to mainstream business-support programs. This mitigates the risk of isolating immigrants from the broader business community, thus precluding networking opportunities and clustering their activities into ethnic niches. In addition, since targeted support measures are geared toward the successful economic integration of immigrants, rather than maximizing the positive effects of entrepreneurship for the host country, they typically support immigrant business across broad sectors of the economy, without specializing in high value-added sectors. Thus, qualified immigrant entrepreneurs wishing to start and develop high-tech, high-end businesses may be better served by mainstream support programs dedicated to knowledge-intensive innovative ventures.

Mainstream business-support services should be accessible to diverse populations, reaching out to immigrants and offering effective support for their entrepreneurial ventures. One cost-effective way to do this would be to promote the recruitment of counselors with immigrant backgrounds in local chambers of commerce and business centers. This could also help to reduce the costs of targeted migrant support.

Both mainstream and targeted business-support programs should offer assistance throughout the life cycle of the enterprise, rather than focusing only on the start-up phase.

B. **Embed Business-Support Programs in a Broader Policy Framework**

The design and implementation of (public) business-support measures—be they mainstream or targeted to the immigrant population—may involve significant costs for public administrations. Local authorities typically bear a major share of those costs, due to their predominant role in the delivery of business and integration services. In a time of austerity, particular attention needs to be paid to strike a balance between devoting consistent portions of local budgets to business-support programs, and dedicating political capital and economic resources to broader structural reforms of fiscal, labor market, economic, education, and training policies to improve the national environment for entrepreneurship. Business-support programs alone are unlikely to succeed in scaling up the capacity of a region or a country to produce, attract, and support high-value-added entrepreneurship. In order to reach these objectives with reasonable costs for the implementing authorities, local business-support programs should be embedded in comprehensive national strategies aimed at promoting an entrepreneurship-friendly environment.

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26 Mainstream entrepreneur centers and chambers of commerce in Amsterdam, Copenhagen, Frankfurt, and Stuttgart all employ consultants with immigrant backgrounds who speak minority languages, so as to better adapt to the needs of migrant entrepreneurs.

Historically, economic crises have favored cost-efficient administrative restructuring. A first, relatively easy step in this respect would be introducing a systematic computerization of the procedures required to set up, register, and run a business, thus reducing administration costs together with the red tape and regulatory hurdles that hamper both native-born and immigrant entrepreneurship.

C. Develop Public-Private Partnerships

Business-support measures are best positioned to succeed when they are designed and implemented by various types of stakeholders: the national and local authorities and public bodies responsible for the various policy areas relevant to immigrant entrepreneurship (including education, research, economic, fiscal, and migration policies), semi-public organizations such as chambers of commerce and trade unions, nonprofit organizations, and private companies. Public-private partnerships have the dual advantages of contributing to reduced public expenditure for business support and integration programs, while also involving all the relevant stakeholders to tailor the services more effectively to the needs of their clients. Similarly, broad structural reforms of the “entrepreneurship ecosystem” would benefit from being designed in consultation with the business community.

In conclusion, the ability to implement strategies discussed in this report and their success in supporting immigrant entrepreneurship are likely to vary depending on the socioeconomic environment and on the immigration system of each country and locality. In all cases, however, these strategies represent a sensible and forward-looking investment for immigrant entrepreneurship to fulfill its promise—both for the receiving countries and the immigrants themselves.
Works Cited


About the Author

Maria Vincenza Desiderio is a Policy Analyst at Migration Policy Institute Europe. Her work focuses on economic migration (for employment, entrepreneurship, and investment), migrant integration, and the linkages between migration and development. Prior to joining MPI Europe, Ms. Desiderio was a Policy Analyst in the International Migration Division of the Organization for Economic Cooperation and Development (OECD). She also worked as a Research Officer at the International Organization for Migration (IOM).

Ms. Desiderio has carried out extensive research on migrant entrepreneurship trends and policies. Her recent publications on this topic include Policies and Mechanisms for Stimulating Migration of Entrepreneurs and Investors: International Experiences and Good Practices (IOM); “Migrant Entrepreneurship in OECD Countries” (OECD, International Migration Outlook 2011, coauthor); and “Migration Policies in OECD Countries to Manage the Migration of Foreign Entrepreneurs and Investors” (OECD, Open for Business).

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The Migration Policy Institute is a nonprofit, nonpartisan think tank dedicated to the study of the movement of people worldwide. MPI provides analysis, development, and evaluation of migration and refugee policies at the local, national, and international levels. It aims to meet the rising demand for pragmatic and thoughtful responses to the challenges and opportunities that large-scale migration, whether voluntary or forced, presents to communities and institutions in an increasingly integrated world.

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