



*European Economic and Social Committee*

**SOC/449**  
**The contribution of  
migrant entrepreneurs to  
the economy**

Brussels, 18 September 2012

**OPINION**

of the

European Economic and Social Committee

on

**The contribution of migrant entrepreneurs to the EU economy**

(own-initiative opinion)

—————  
Rapporteur: **Ms King**  
—————

On 19 January 2012, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

*The contribution of migrant entrepreneurs to the EU economy.*

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 September 2012.

At its 483rd plenary session, held on 18 and 19 September 2012 (meeting of 18 September 2012), the European Economic and Social Committee adopted the following opinion by 135 votes to 2 with 10 abstentions.

\*

\* \*

**1. Summary and recommendations**

- 1.1 The contribution of migrant entrepreneurial activities in Europe has been increasing over the last decade. They contribute to economic growth and employment, often by rejuvenating neglected crafts and trades, and increasingly participate in the provision of value-added goods and services. They also form an important bridge to global markets and are important for the integration of migrants into employment, creating employment for themselves but also increasingly for immigrants and the native population<sup>1</sup>.
- 1.2 The EU has publicly recognised the key contribution that migrant entrepreneurs can make to sustainable growth and employment. However, it is important that this recognition should not be considered in isolation or separately from the immediate priorities of EU policy makers. Indeed, a vibrant, sustainable and growth-orientated migrant entrepreneur sector should be part of the Growth and Jobs Strategy, the Small Business Act, Europe 2020 and the new COSME as these have already placed the importance of high growth, value-added SMEs at the heart of an EU Economy orientated towards sustainable growth.
- 1.3 Migrant entrepreneurs also enhance social opportunities for migrants, create more social leadership, are role models in society, especially for young people, increase self confidence and promote social cohesion by revitalising streets and neighbourhoods.

---

<sup>1</sup> Rath, J., Eurofound (2011), "Promoting ethnic entrepreneurship in European cities", Publications Office of the European Union, Luxembourg.

- 1.4 The Committee welcomes the Commission's communication<sup>2</sup> recognising "The important role of migrants as entrepreneurs" and stating that "their creativity and innovation capacity should also be reinforced". The EESC also welcomes the statement that the "promotion of transnational entrepreneurship through a more dynamic strategy will favour entrepreneurs operating in both EU Member States and in partner countries. Such enterprises can create employment in the countries of origin and bring benefits in terms of both integration of migrants and increased trade between countries".
- 1.5 With increasing unemployment making the creation of quality jobs a critical priority for the EU, it is now even more important that EU policy makers recognise the important asset that migrant-owned businesses represent for the EU economy, both locally but also increasingly in international markets where there remains a demand for goods and services originating from the EU. This fits with the Commission's strategy aimed at helping small and medium-sized enterprises to expand their business outside the EU, as international activities reinforce growth, enhance competitiveness and support the long term sustainability of companies within the EU.
- 1.6 The Committee recommends that if the "creativity and innovation capacity" of migrant entrepreneurs are to be reinforced, specific measures must be taken at EU, Member State and local level. This is to eradicate discrimination and create equal conditions for all so that they can contribute to inclusive growth and quality jobs.
- 1.6.1 At EU level policy-makers should:
- Recognise the potential of migrant entrepreneurship for more economic growth within the EU 2020 strategy.
  - Recognise the potential of migrant entrepreneurship as a creator of jobs by including it in the European Employment Strategy. Currently this strategy only focuses on paid employment as a means to the integration of migrants.
  - Recognise migrant entrepreneurship in the European integration policy for migrants.
  - Define and collect reliable and harmonised statistics on the economic and social contribution of migrant entrepreneurs throughout the EU, in conjunction with Eurostat and Member States. This can help the EU frame better immigration policies.
  - Continue to facilitate public support for entrepreneurs to ensure that innovation, entrepreneurship and business growth are not adversely affected because a viable business is unable to access appropriate finance.

---

<sup>2</sup> "European Agenda for the Integration of Third-Country Nationals" – COM(2011) 455 final and SEC(2011) 957 final.

- Introduce a framework to raise awareness, and encourage the sharing, of good practice in programmes that build the capacity and sustainability of migrant entrepreneurs.
- Develop strategic relationships with those countries of origin that now proactively seek to directly engage their EU Diaspora communities in enterprise activities in both the country of origin and the EU.
- Use trade agreements, where appropriate, as a mechanism for the encouragement of joint venture enterprise activity between EU-based migrant entrepreneurs and their countries of origin. This will support the EU strategy to help small- and medium-sized enterprises to expand their business outside the EU.

#### 1.6.2 EU Member States should:

- Recognise and promote migrant entrepreneurship as part of wider integration policies.
- Review the regulatory and structural framework for setting up businesses in general, by reducing unnecessary administrative requirements that can be barriers to starting a business.
- Minimise the risk of illegal immigration and in particular illegal employment by implementing Directive 2009/52/EC<sup>3</sup> of the European Parliament and of the Council dated 18 June 2009. Article 14 of this directive requires Member States to "ensure that effective and adequate inspections are carried out on their territory".
- Help increase long term employment rates by providing more support for existing migrant businesses, especially those run by women and young people, so that these businesses become more sustainable.
- Boost awareness and strengthen the capacities of intermediary organisations, such as trade associations, chambers of commerce and cooperatives, so that they can support these businesses in meeting legal requirements such as labour and tax regulations.

#### 1.6.3 Local authorities and civil society, including the social partners, should:

- Continue programmes that increase the human and social capital of migrant entrepreneurs by providing various services, such as advice and information, training, networking and mentoring.

---

<sup>3</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:168:0024:0032:EN:PDF>.

- Create or enhance opportunities for migrant entrepreneurs, by improving access for their organisations to mainstream organisations.
- Increase the sustainability of migrant businesses. More attention should be given to existing migrant enterprises, especially those in high-value sectors, instead of solely focusing on start-ups.
- Access to credit is a very important issue for entrepreneurship, therefore more programmes should be put in place to increase the financial capital of migrant entrepreneurs, by:
  - making them aware of funding sources
  - providing them with specific training
  - increasing the knowledge, expertise and understanding of credit institutions of this specific group of corporate clients.

## 2. General comments

- 2.1 Europe is facing important demographic changes: population decline evident in several regions, the transition to a much older population, and low birth rates. However, the overall population in the EU increased by around 2 million people each year between 2004 and 2008, largely due to net migration. Migrants have contributed to the economic growth of receiving countries in many ways, bringing new skills and talents with them, helping to reduce labour shortages, and as entrepreneurs, creating new firms and businesses.
- 2.2 Migrants' contribution to the economy through the direct creation of new businesses is an aspect that has received limited attention. This opinion will expand on the existing knowledge of migrant entrepreneurship and make recommendations to foster and recognise the success of migrant enterprises and further enhance their contribution to economic growth.
- 2.3 Comparing entrepreneurship and employment creation by migrants across EU countries is challenging, due to the different data sources available for different countries and the lack of an internationally-agreed definition of a migrant entrepreneur.
- 2.4 This paper is largely based on the presentations given at the EESC Permanent Study Group on Immigration and Integration hearing on migrant entrepreneurs' contribution to the EU economy on 24 November 2011<sup>4</sup>.

---

<sup>4</sup> <http://www.eesc.europa.eu/?i=portal.en.events-and-activities-migrant-entrepreneurs-contribution-present>.

2.5 A migrant entrepreneur is defined as a business owner born outside the EU "who seeks to generate value through the creation or expansion of economic activity"<sup>5</sup>. The entrepreneur can be self-employed, i.e. employing only themselves, or employ staff<sup>6</sup>.

2.6 This opinion concentrates on self-employed entrepreneurs using labour force survey data to allow comparisons between Member States and between migrant entrepreneurs and native entrepreneurs. In addition, the analysis concentrates on non-agricultural entrepreneurs, as this is the norm applied to research on entrepreneurship.

### 3. **Characteristics of migrant entrepreneurs**

#### 3.1 **Migrants are more entrepreneurial**

3.1.1 The EU Labour Force survey<sup>7</sup> shows that the trend of migrant entrepreneurship varies across the EU, with the share of migrant entrepreneurs in total employment being 1.5 to 2.9 percentage points higher than natives in the United Kingdom, France, Belgium, Denmark and Sweden. However there is a lower share of migrant entrepreneurs when compared with natives in Portugal, Spain, Italy, Greece, Ireland, Germany and Austria.

3.1.2 Regionally there is a higher overall rate of self-employment (native and migrant) in southern Europe and central and eastern Europe. However, in central and eastern Europe, migrants tend to have a higher self-employment propensity than the natives, while the opposite is true in southern Europe.

3.1.3 This over-representation of migrants in self-employment in Poland, the Slovak Republic, the Czech Republic and Hungary is partly due to relatively flexible visa regulations for migrant entrepreneurs and the employment situation in these countries. Southern European countries' lower rates of migrant entrepreneurship may be a consequence of the fact that migrants in these countries may not have had time to build the necessary human, physical and social capital to start a business as they might not be fluent in the native language, or may have difficulties getting their qualifications recognised.

3.1.4 Data on the number of new entrepreneurs in a given year also suggests that migrants tend to be more entrepreneurial than natives. During the period 1998-2008, the average annual number of new migrant entrepreneurs doubled in Germany (to over 100 000 per year) and in the United Kingdom (to almost 90 000 per year). In Spain and in Italy the average annual

---

5 OECD's established definition of entrepreneur, OECD, 2008.

6 Rath, J., Eurofound (2011), "Promoting ethnic entrepreneurship in European cities", Publications Office of the European Union, Luxembourg.

7 [http://epp.eurostat.ec.europa.eu/portal/page/portal/employment\\_unemployment\\_ifs/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_ifs/data/database).

numbers increased by 6 times (to over 75 000 per year), and 8 times (to 46 000) respectively. In France there has been a small increase (to 35 000) over the same period<sup>8</sup>.

3.1.5 In addition, migrants are more entrepreneurial in relative terms with respect to their population than natives. For example in the UK, while migrants represent 8% of the UK population, they own around 12% of all UK SMEs.

3.1.6 This finding is consistent with a recent US study that reveals that the immigrant share of small business owners is 18%, compared with their proportion of the overall population of 13%, and of the labour force of 16%<sup>9</sup>.

### 3.2 Sustainability of migrant businesses

3.2.1 While transitions into entrepreneurship from one year to another are higher among migrants, transitions out are also higher. This lower survival rate can indicate that self-employment is a mechanism to move into wage employment or it can indicate a higher failure rate of migrant firms. For example, in France, only 40% of the firms owned by foreign nationals were still operating five years after their creation compared with 54% for French nationals<sup>10</sup>. The OECD study<sup>11</sup> found that even after controlling for qualifications, experience and other factors, migrant businesses are 27% less likely to survive relative to native businesses.

### 3.3 High Value Sectors

3.3.1 The range of activities that migrant entrepreneurs undertake in their host countries is as wide as that of natives. This transformation, from businesses that cater mainly to populations from their ethnic enclaves, is due partly to the increasing educational attainment of many migrants, as well as shifts in the economic structures of post-industrial societies.

3.3.2 In Europe, although a high proportion of foreign-born entrepreneurs work in sectors more traditionally associated with migrant businesses (i.e. wholesale and retail trade), many work outside the traditional ethnic business sectors, with almost 18% of migrant entrepreneurs in the construction sector; around 8% in the professional, scientific and technical sector; around 6% in manufacturing and another 6% in human health and social work.

---

<sup>8</sup> Stats link: <http://dx.doi.org/10.1787/888932442104>.

<sup>9</sup> <http://www.fiscalpolicy.org/immigrant-small-business-owners-FPI-20120614.pdf>.

<sup>10</sup> Breem, Y. (2009), "Les entreprises créées en 2002 par des ressortissants des pays tiers : de plus grandes difficultés à survivre", Infos Migrations, No. 13, Département des statistiques, des études et de la documentation (DSED), Ministère de l'Immigration, de l'Intégration, de l'Identité nationale et du Développement solidaire.

<sup>11</sup> Open for Business: Migrant Entrepreneurship in OECD Countries, 2010.

### 3.4 **Profile**

- 3.4.1 The general profile of migrant and native entrepreneurs is similar in that they tend to be *skilled* and *male*, with more than three out of four being *over the age of 35*. Migrant and native entrepreneurs are on average older than wage and salary workers. This result might be explained by the need to accumulate enough social and physical capital, as well as experience, before being able to start a business.
- 3.4.2 Migrant entrepreneurs have a *higher average educational level* than their native counterparts with around 30%-40% of migrant entrepreneurs having a tertiary education.
- 3.4.3 Almost two-thirds of migrant entrepreneurs have been in the receiving country *for more than ten years* compared with just above 50% for migrant wage earners.
- 3.4.4 Migrants from different regions of origin have different propensities to become entrepreneurs, with Asian migrants having the highest propensity and Latin-American and African migrants the lowest. Differences in education and wealth may explain an important part of the differences in entrepreneurship behaviour between migrant groups. An additional explanation is that 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 a business in the recipient country.
- 3.4.4.1 It should be noted that the migrant experience by region of origin isn't homogeneous. For example, figures from the UK indicate that if the employment rates of its Pakistani migrant community matched those of their Indian counterparts, the proportion of male and female workers in this group would rise by 24% and 136% respectively, an increase of some 96 000 people in work.

## 4. **The EU context**

- 4.1 The Stockholm Programme sets the agenda for the European Union's actions in the area of Justice and Home Affairs for the period 2010-2014; one of the aspects is the successful integration of migrants to enhance democratic values and social cohesion, and to promote intercultural dialogue at all levels.
- 4.2 With a budget of EUR 825 million for the period 2007-13, the European Integration Fund supports national and EU initiatives that facilitate the integration of non-EU immigrants into European societies and includes projects in the field of migrant entrepreneurship and entrepreneurship education for migrants<sup>12</sup>.

---

<sup>12</sup> [http://ec.europa.eu/dgs/home-affairs/financing/fundings/migration-asylum-borders/integration-fund/index\\_en.htm](http://ec.europa.eu/dgs/home-affairs/financing/fundings/migration-asylum-borders/integration-fund/index_en.htm).



- 4.3 The Commission communication<sup>13</sup> "European Agenda for the Integration of Third-Country Nationals" acknowledges the important role of migrant entrepreneurs, but their potential to contribute to sustainable growth and jobs is absent from flagship European initiatives such as the EU 2020 Strategy.
- 4.4 The EU Employment package focuses on paid employment as a means to integrate migrants. However, it excludes the role of migrant entrepreneurs, who can contribute to the creation of quality, sustainable jobs and facilitate the economic and social inclusion of migrant and native citizens.
- 4.5 EU policy makers should actively and consistently include migrant entrepreneurship as part of the EU strategies. In addition, the role of migrant entrepreneurs in the integration strategy for migrants should also be recognised and supported.

## 5. **Contribution of migrant entrepreneurs**

### 5.1 **Labour Market**

- 5.1.1 The EU Labour Force Survey (1998 – 2008) highlights the positive contribution of migrant entrepreneurs to employment, even though most entrepreneurs (native and migrant) employ only themselves.
- 5.1.2 They create on average between 1.4 and 2.1 additional jobs. However, the comparisons with native entrepreneurs suggest that migrant entrepreneurs create relatively fewer jobs. The exceptions to this general observation are the Czech Republic, Hungary, the Slovak Republic and the United Kingdom, where migrant entrepreneurs seem to create more jobs than native entrepreneurs.
- 5.1.3 This contribution to overall employment has been increasing over time. From 1998 to 2008, the number of individuals employed by migrant entrepreneurs increased in Spain, Italy, Austria, Germany, and the Netherlands, while in the United Kingdom and France, the contribution to employment has been consistently high. For example, 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.
- 5.1.4 In relative terms, this contribution to employment is equivalent to between 1.5-3% of the total employed labour force. The countries where migrants contribute the most to overall employment are Luxembourg (8.5%) and Ireland (4.9%). While data limitations do not allow us to establish whether migrants employ mostly other migrants or not, some studies have shown that migrants employ natives as well as other migrants.

---

<sup>13</sup> COM(2011) 455 final and SEC(2011) 957 final.

## 5.2 Economy

- 5.2.1 Migrant entrepreneurs' contributions are not limited to job creation, they also contribute to the overall economic growth of the receiving country. It is very difficult to gather true empirical evidence as regards the actual contribution to the EU economy, however, there is data from the UK which shows that their contribution is estimated at GBP 25 billion to the UK economy per year - 6% of the total SME Gross Value Added (GBP 430 billion in 2007)<sup>14</sup>.
- 5.2.2 This compares with a US study that shows small businesses in which immigrants make up half or more of the owners contribute an estimated USD 776 billion per year – 13% of total small businesses (USD 6 trillion in 2007).
- 5.2.3 Another indication is data from France which shows that in 2009, immigrants in France received EUR 47.9 billion from the French state (welfare, housing, education, etc.), but they contributed EUR 60.3bn. In other words, immigrants contributed a net EUR 12.4bn to public finances<sup>15</sup>.
- 5.2.4 The EESC believes that the EU contribution could be higher if migrant entrepreneurs working in the informal economy could be given the support needed to make the transition to the formal economy.

## 5.3 Trade

- 5.3.1 There is also evidence that migrant entrepreneurs help create trade opportunities for the receiving country by lowering trade-related transaction costs with their countries of origin, using their contact networks and knowledge about the markets in their countries of origin. For example in Sweden, 22% of foreign-owned businesses target their goods and services, at least partially, towards the international market, compared with 15% of native-owned businesses<sup>16</sup>. It has also been shown that a 10% increase in the migrant stock in Sweden has been associated with a 6% increase in exports and a 9% increase in imports on average<sup>17</sup>. This finding suggests that migrants can play an important role as facilitators of foreign trade by reducing implicit trade barriers with their countries of origin.
- 5.3.2 Another example is the UK. Migrant entrepreneurs provide direct access to a growing Diaspora community, with an estimated disposable income in excess of EUR 30 million, as

---

14 <http://www.bis.gov.uk/assets/biscore/enterprise/docs/b/11-515-bigger-better-business-helping-small-firms>.

15 <http://www.europeanvoice.com/article/imported/time-to-value-migrants-contribution/74527.aspx>.

16 Swedish Agency for Economic and Regional Growth (2007).

17 Hatzigeorgiou in OECD (2010).

well as opening up new business opportunities in global markets such as India, China and countries in Africa, the Caribbean and Latin America.

- 5.4 It should be noted that migrant entrepreneurship is not only about job creation and the economy. It can enhance social opportunities for migrants, create more social leadership, increase self confidence and promote social cohesion among citizens by revitalising streets and neighbourhoods.

Brussels, 18 September 2012

The President  
of the  
European Economic and Social Committee

Staffan Nilsson

---