
Scope and Characteristics of Immigrant Entrepreneurship in Europe

A Cross-National Comparison of European Countries

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Working Paper

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Abstract

International comparisons of immigrant entrepreneurship are rare and little is known about the differences in scope and characteristics of immigrant entrepreneurship among European countries. This paper explores the general significance of immigrant entrepreneurship in Europe and examines the occupational and industrial orientation of self-employed immigrants in the context of modernisation and resulting opportunities within 10 selected European countries. The results based on EU-LFS 2005 data reveal distinct geographical patterns in the entrepreneurial activities of immigrants reflecting influences of economic and societal structures. This cross-national comparison displays the importance of acknowledging contextual factors like opportunities and institutional structures.

Keywords: Immigration, ethnic entrepreneurship, Europe

1) This paper represents a revised version of *Kerstin Hermes, René Leicht and Ralf Philipp: Wirtschaftliche und soziale Charakteristika selbstständiger Ausländer in europäischen Ländern: Neue Heimat – alte Pfade? 5*. Nutzerkonferenz „Forschen mit dem Mikrozensus: Analysen zur Sozialstruktur und zum Arbeitsmarkt, GESIS German Microdata Lab, Mannheim, November 15-16, 2007. <http://www.gesis.org/veranstaltungen/veranstaltungs-archiv/german-microdata-lab/5-mz-nk/>

1. Introduction

Immigration to Europe has long been shaped by people looking for dependant employment within established companies rather than self-employment. But in times of economic insecurity, high unemployment, and altering markets, opportunities and employment outcomes are changing. In this context, immigrant entrepreneurship increasingly becomes a topic in research and politics. The European Commission, for example, recognizes that “Ethnic minority businesses in Europe display a strong entrepreneurial capacity and potential“ (European Commission, 2003, p. 14). Kloosterman and Rath (2002) suggest that self-employed immigrants are an important part of the resurgence of small businesses. Immigrants settling in European countries are generally seen as having a higher degree of enterprise creation than the average population (Guzy, 2006, p. 20). However, little is known about the scope and development of ethnic entrepreneurship in Europe and specifically the differences between immigrant self-employment and self-employment of natives across different European countries. In addition, research on immigrant or ethnic entrepreneurship is biased towards Anglo-Saxon countries (McEvoy, 2001). Recently, studies in single countries, like the Netherlands, Sweden, or Germany, have helped to reduce this bias (e.g., Masurel et al., 2001; Kloosterman & Rath, 2003; Hammarstedt, 2001; Constant & Zimmermann, 2004; Leicht et al., 2006). Though, the degree of empirical research in the southern European countries – where immigration is partly a new phenomenon – remains relatively limited (e.g. Magatti & Quassoli, 2003, p. 165; Halkias 2007, p. 4). Neglecting this issue involves the risk of an one-sided view, especially, when systematic cross-national studies are still lacking (Rath & Kloosterman, 2000, p. 670).

In general, existing international comparisons include only two or three countries and are limited to specific industries (e.g., Rath, 2002), or migrant groups (e.g., Razin & Light, 1998). Publications such as Kloosterman and Rath (2003) or Dana (2007) are based on single studies in various countries and lack cross-national analyses of the level and characteristics of ethnic entrepreneurship. Van Tubergen’s (2005) comparative study is one example of comparative research, but it is limited to foreign-born male entrepreneurs and focuses precisely on the effects of origins, destination and settings. A key reason for the lack of research covering international comparisons lies in the different experiences between countries and different concepts and definitions regarding immigrant or ethnic entrepreneurs. Of importance is also the lack of comparable indicators to assess different characteristics of immigrant entrepreneurship. Furthermore, many studies showed that ethnic entrepreneurship is

not only determined by social and ethnic capital but also by individual resources, in particular human capital, and its interplay with adequate opportunities (Light, 1972; Waldinger et al., 1990; Sanders & Nee, 1996). Still, researchers have not fully explored how different economic structures within the EU in combination with individual resources – like qualifications and managerial skills of different migrant groups – influence ethnic entrepreneurship. As a result, it is uncertain in which countries immigrant self-employment is primarily characterised by traditional work in marginal positions or skill-intensive “professional” occupations that characterise the challenges of modern societies.

In the following section, we discuss the theoretical background to this paper and outline our key research questions. Section 3 provides information about the data and methods that have been used in this study. Section 4 presents the results focusing on four sets of questions:

1. How many immigrants run own businesses in Europe? Are immigrants really more entrepreneurial active than the native population? How does the EU citizenship affect self-employment? Which role does the entrepreneurial regime play regarding immigrant entrepreneurship?
2. How is ethnic entrepreneurship occupationally structured? Do immigrants compete in the knowledge-based economy and what level of “professionalism” do they have?
3. What are the main industrial sectors of migrant business activities? Are there differences between immigrants from EU and Non-EU countries?
4. To what extent does immigrant entrepreneurship depend on ongoing modernisation in advanced economies which creates a demand for simple household-related services at the “low-end” of the economy?

Finally, the key findings are summarised in section 5 in order to discuss the patterns of ethnic entrepreneurship in different European countries in the context of the occupational and industrial activities and the varying opportunities to start an own business.

2. Theoretical background

The aim of our analyses is to evaluate country specific differences and similarities in the scope and characteristics of immigrant entrepreneurship. The analyses are expected to highlight the importance of macro-level factors, namely opportunity and institutional structures. Therefore, we examine individual and business characteristics, as well as occupational and industrial orientation of immigrant entrepreneurs. The influence of opportunities and institutional factors does not exclude the importance of individual characteristics. However, the significance of individual characteristics is also related to more general economic developments (like modernisation) and respective opportunities (incl. institutional regulations).

2.1 Opportunities and institutional frameworks

It is uncontroversial that the amount of entrepreneurial activities in a country – native and immigrant entrepreneurship alike – is determined by opportunity structures on the demand side, and the sum of entrepreneurial talents and their resources or individual capital on the supply side. The question is to what extent nascent immigrant entrepreneurs – due to their specific circumstances – rely more than natives on different opportunities and resources. The characteristics of self-employment are further determined by perceived incentives and hurdles. Multi-level approaches like the interaction model by Waldinger, Aldrich and Ward (1990), the mixed embeddedness approach by Kloosterman, van der Leun and Rath (1999), or the enhanced interactive model by Volery (2007) account for the interplay of all these factors, and in particular support the notion that immigrant entrepreneurship varies according to influences of market structures and institutional settings (like legal restrictions) in each country. In a theoretical extended view, opportunities for establishing a business are further directed by the status of industrialisation, technology or the tertiarisation of jobs, and thereby reflect the “entrepreneurial regime” of a country (Sternberg, 2004).

Hence, the key question is whether these “overall-factors” have the same effect on immigrants and natives. According to Razin and Langlois (1996), and also emphasised by van Tubergen (2005), most opportunities in the small business economy are open to both immigrants and natives. However, immigrants experience different restrictions and therefore develop different strategies (Waldinger et al., 1990). As a result, immigrants may be more likely to become self-employed in different occupations and industries in comparison to natives. Following Razin and

Langlois (1996) and van Tubergen (2005), we can therefore assume that self-employment rates vary more between countries than between immigrants and natives, and that differences regarding the latter group are likely to increase if immigrants experience a more complex set of barriers when setting up a business. Recent research about immigrant businesses has emphasized the influence of institutional boundary conditions in European countries, especially legal and citizenship-related requirements necessary to establish a business (Klosterman & Rath, 2003; Light, 2004). Major advantages for European immigrant entrepreneurs are the freedom of establishment within the EU and the easier recognition of qualifications. With regards to Non-EU immigrants, we expect that their self-employment rates are lower than the ones of migrants with EU citizenship.

2.2 Occupation and qualification

In advanced knowledge and service societies, professional occupations increasingly gain importance. This is especially true for self-employment. The rise in self-employment over recent years has been supported by the development of information technologies, flexibilisation, and decentralisation of mainly professional work (Verheul et al., 2002; Leicht & Philipp, 2007; Strambach, 2008). Little is known about the extent to which immigrants have participated in this development. Immigrants to Europe are often credited with lower educational attainment levels (Blaschke et al., 1990) which suggests that their proportion of entrepreneurs in professional occupations is relatively low. Though, qualifications differ between migrant groups and their country of origin. In addition, immigrants experience institutional and legal barriers when founding a company in knowledge-intensive services in many countries. For example, one issue for immigrants is the acknowledgement of qualifications obtained in a different country. Sometimes, it seems that naturalisation is the only way for immigrants to overcome institutional hurdles in order to work self-employed in the occupation they are qualified for. This can be seen in France: Without the opportunity of naturalisation, access to many professional occupations is denied for many highly skilled immigrants (Ma Mung & Lacroix, 2003). Based on this background, we would expect that naturalised and EU immigrants have higher shares of self-employed professionals than Non-EU migrants.

2.3 Orientation to industrial sectors

Immigrants are mostly seen as being forced into self-employment due to restricted access to jobs and limited opportunities for upward mobility in the jobs available to them (Saxenian, 1999; Clark & Drinkwater, 2000). According to Light (2004),

immigrants can experience a twofold disadvantage if they have difficulties accessing the labour market and have additionally few skills. They can seek self-employment, but only in marginal positions. While members of the majority population or host society are self-employed in modern employment sectors, members of ethnic minority groups concentrate on less attractive and more labour intensive sectors (Volery, 2007). These inequalities are seen as push-factors and as opportunities for entry into self-employment. Because of lower access barriers to basic services like retail or hotel and restaurant industry, immigrants are more likely than natives to seek self-employment in these sectors.

2.4 Effects of modernisation

Sassen (2001) interprets immigrant entrepreneurship in mega cities of modern societies in the context of globalisation, post-fordist restructuring, and the specific needs of a strongly tertiary and highly developed economy and modern society. Advanced urban economies with differentiated lifestyles create a demand for low-end activities and therefore lucrative markets for simple distributive and household-related services and an upcoming “Lumpen-Bourgeoisie” (Rekers & van Kempen, 1999; Kloosterman & Rath, 2003). In this sense, opportunity structures develop not only within ethnic enclaves but in consequence of the “break out” also in the open market which satisfies the needs of the majority population (Waldinger et al., 1990). On the supply side, immigrants benefit from their ethnic resources (helping family members, trade relations to their home country, etc.). Self-employed immigrants complement or substitute parts of the native “petit bourgeoisie”, especially in sectors that are characterised by low access barriers, few requirements (capital, qualifications), and high work and competition intensity.

Several studies argue that entrepreneurial activities of immigrants are expanding, specifically in retail trade and food service industry sectors (Ma Mung & Lacroix, 2003; Barrett et al., 2003; Haberfellner, 2003). Their presence in these sectors is, however, also influenced by the competition with native trades people and caterers – which varies geographically. In comparison to north-western Europe, distributive services are more important in southern European countries (Luber & Leicht, 2000). Hence, it can be argued that the more advanced a country’s economic development is, the higher is the extent of entrepreneurial activities of immigrants in simple routine services.

3. Data and Methods

To undertake this comparative study of immigrant entrepreneurship across European countries, we use microdata from the European Labour Force Survey (EU-LFS) 2005. No official statistics, including the EU-LFS, provide the data required for an extensive analysis based on a multi-level theory. The EU-LFS reflects only indirectly the effect of “ethnic resources”, and does not provide information about perceived opportunity structures and institutional conditions relevant for establishing a business. The EU-LFS covers a variety of standardised indicators which allow a cross-national comparison of characteristics of self-employed immigrants. With regards to the migration background, this dataset enables a differentiation between natives, EU and Non-EU citizens as well as between native-born and foreign-born.

The concept of birthplace is more widely used in the international immigrant entrepreneurship research than nationality. Since institutional structures and thereby also citizenship play important roles regarding the possibilities to start a business, our study focuses on nationality rather than country of birth. In these analyses, the term “immigrants” refers therefore to immigrants with foreign citizenship. We also make a distinction between “foreign-born natives” and “natives” to account for natives with migration experience and those who are naturalised citizens. When using the term “natives” we refer to those natives who were born inside their home country.

The dataset used considers all persons at the age between 15 and 64 years. We focus on the self-employment rates outside the primary sector because immigrants have comparatively fewer opportunities to start agricultural businesses or take such businesses over. Due to small numbers of cases and thereby limited explanatory power, not all countries are included in all analyses. Countries with less than 3,000 foreign interviewees and less than projected 10,000 foreign self-employed are excluded. This restriction affects especially the new EU(+10) member states where the numbers of immigrants in the population are low. Some countries provide only incomplete data on the migration background and could therefore not be incorporated in the analyses.¹

¹ In the Irish and Italian data, information about nationality is missing and whether the country of birth is inside or outside the EU, with the latter also lacking in the German data. If someone immigrated can here only be determined through the time since arrival. By contrast, in Iceland and Spain, the country of birth is given but the year of arrival is only stated for those with a foreign nationality in Spain and not provided at all in Iceland (for more information see Eurostat, 2005).

As a result of the anonymisation, some data are highly aggregated where more detailed information is required. This leads to limitations in the comparability between countries and a lack of information about individual migration backgrounds (see Eurostat 2007a, b for details).

4. Results

4.1 Significance and cross-national patterns of immigrant entrepreneurship

Based on the projected scores of the EU-LFS, there are about one million self-employed foreign-born natives and one million self-employed immigrants with foreign citizenship in the EU(25) in 2005². Due to different migration histories, self-employed immigrants claim a much higher share within the old EU member states than in the EU(+10). The proportion of immigrants among self-employed people in the EU is approximately 6.5% lower than among the overall workforce and those with dependent employment, respectively. This imbalance shows that fewer immigrants are self-employed than their working age population would suggest (Hermes, 2008).

To gain better insights into the significance of immigrant entrepreneurship in different European countries, table 1 reports self-employment rates of natives and immigrants based on the concepts of nationality and birthplace. The self-employment rates are defined as the percentage of self-employed persons in the workforce of each group. The analysis reveals distinct geographical patterns:

First, in most of the northern and central European countries, self-employment rates of immigrants are (slightly) above those of natives. Contrary, natives are more often self-employed in the southern states. In Greece, for example, natives have a self-employment rate of 27% (incl. primary sector 33%), whereas immigrants have a self-employment rate of just 9%. It can be stated – based on both the concept of citizenship and birthplace – that self-employment rates of natives reflect a clear south-north-decline.

Second, in eastern European countries (EU+10) – with the exception of Cyprus and the Baltic countries, immigrants are more often self-employed than natives. However, due to the smaller foreign workforce in these eastern European states and the small sample sizes in the EU-LFS, we caution about reading too much into these results.

² Excluding Italy and Ireland because citizenship is not included in the dataset for these countries.

Table 1: Self-employment rates by nationality and country of birth

	By nationality						by country of birth			
	overall economy		without primary sector							
	native	foreign	native	foreign	other EU	Non-EU	native born	foreign born	born in other EU	born outside EU
<i>EU (15)</i>										
Belgium	13,2	14,3	12,2	14,1	14,3	13,5	12,1	14,1	13,2	15,0
Denmark	7,1	9,0	6,3	8,0	11,5	6,0	6,2	8,2	11,3	7,1
Germany	10,8	11,5	10,3	11,5	15,5	8,8	10,4	9,9		
Finland	12,2	14,2	9,3	14,6	12,6	16,5	9,3	12,0	10,4	13,6
France	9,6	10,3	7,7	10,0	12,5	8,0	7,4	11,0	11,7	11,1
Greece	33,1	9,0	26,6	9,2	19,8	8,3	26,7	12,1	23,0	10,7
Great Britain	12,4	11,2	11,8	11,1	12,7	10,1	11,6	13,5	12,5	13,9
Ireland **	16,7	11,5					13,0	10,9		
Italy **	24,6	19,5					23,4	19,6		
Luxembourg	9,2	6,3	7,1	6,1	6,0	8,5	6,7	6,8	6,6	7,9
Netherlands	11,2	13,0	9,1	11,6	12,9	9,9	9,1	9,5	12,1	8,6
Austria	12,5	6,7	9,1	6,5	13,7	3,4	9,1	7,6	12,8	5,6
Portugal	21,3	13,3	16,6	12,9	26,9	10,5	16,7	13,6	16,8	12,9
Sweden	9,4	9,1	8,5	9,0	9,3	8,7	8,2	10,3	9,9	10,6
Spain	18,0	9,0	16,0	9,5	26,1	6,8	16,0	12,0	20,7	9,9
<i>EU (+10)*</i>										
Estonia, Latvia, Lithuania	12,0	7,1	6,9	6,7	17,2	6,1	6,8	7,0	6,5	7,0
Poland	21,8	43,5	11,0	37,7	35,3	38,5	11,0	25,6	15,7	32,1
Slovenia, Hungary	11,8	17,7	10,2	18,5	23,5	17,4	10,3	9,5	13,6	9,1
Czech Republic, Slovakia	14,0	26,6	14,0	26,7	13,1	40,8	13,9	20,9	12,9	39,5
Cypruss	21,8	8,0	20,5	8,3	12,5	5,1	20,3	11,8	19,3	9,3
<i>Non-EU countries</i>										
Iceland	13,4	10,9	11,4	8,9	13,2	3,8	11,6	8,2	10,5	6,1
Norway	6,8	8,7	5,0	8,1	9,2	6,6	5,0	6,9	8,7	5,7

* The countries Estonia, Latvia, Lithuania, and Czech Republic and Slovakia, and Slovenia and Hungary had to be grouped due to the small number of cases.

** For Italy and Ireland is only a differentiation between native-born and foreign-born possible.

Source: European Labour Force Survey 2005

Third, in nearly all European countries, self-employment rates of EU migrants are higher than of immigrants from outside the EU – despite strong differences in the ethnic compositions of self-employed immigrants and in existing opportunity structures in the individual countries.³ Self-employment rates of EU migrants in comparison to Non-EU migrants are two (e.g., Portugal and Greece) to four-times

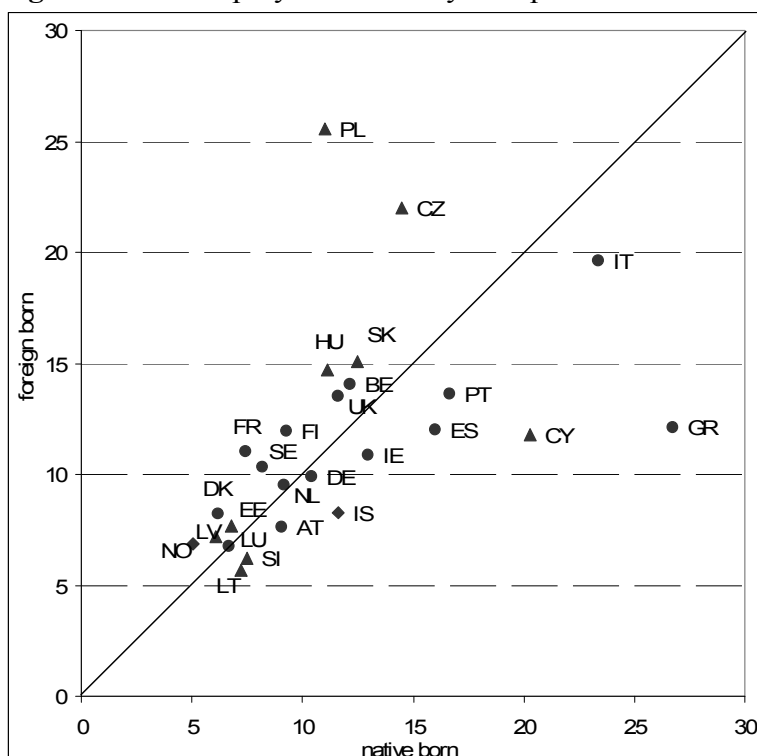
³ The only exceptions are Luxembourg and Finland in the old EU member states, and Czech Republic and Poland in the new member states. Though, the sample sizes here suggest caution once again. The number of self-employed EU immigrants in Finland and Poland are approximately around 2,000 and 3,000 in Czech Republic; these cases should therefore not be overvalued.

(Austria, Spain) higher. This is likely to be a result of higher barriers to self-employment for immigrants from outside the EU which reflects the power of institutions.

Finally, it should be noted in this context that self-employment rates of EU immigrants are – at least in most cases – also higher than the ones of natives. This is even the case in countries which have an overall lower self-employment rate of all immigrants together than natives.

So, what role does the entrepreneurial regime play regarding self-employed immigrants? Examining the relationship between native and immigrant entrepreneurship as suggested by Sternberg (2004) and van Tubergen (2005) using the EU-LFS, we expect that the level of business activity of immigrants corresponds with (i) the overall entrepreneurial regime and (ii) the self-employment rate of natives. To illustrate this relationship, figure 1 compares the self-employment rates of native-born with the rates of foreign-born.

Figure 1: Self-employment rates by birthplace



Excluding primary sector

- = old EU member states (EU15)
- ▲ = new EU member states (EU+10)
- ◆ = Norway & Iceland

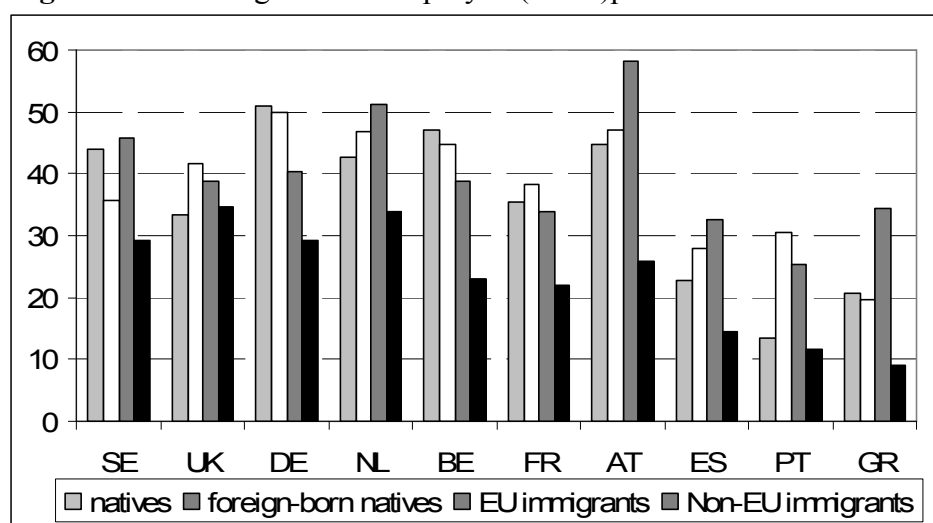
Source: European Labour Force Survey 2005

Figure 1 shows that the majority of countries are positioned along the diagonal line indicating a linear relationship. In general, countries with a higher level of native self-employment have a higher level of business activities among immigrants. Only a few countries are outliers, but for these the numbers of immigrants in the data are quite low and suggest caution. The Pearson correlation between self-employment rates of native-born and foreign-borns in Europe is 0.44 and is significant at the 0.05 level. Altogether, it can be confirmed that there seems to be a positive relationship between the level of business activity of foreign-born immigrants and the entrepreneurial regime of a country. This relationship is stronger based on birthplace than citizenship. To test the proposition of adapting opportunity structures for all ethnic groups, as postulated by van Tubergen (2005) and Razin and Langlois (1996), more differentiated analyses are needed. We therefore examine the occupational and industrial orientation of immigrant entrepreneurs in the following section.

4.2 Self-employed professionals

Individual characteristics, specifically the influence of human capital, are reflected in the educational and occupational structure of ethnic entrepreneurship. In north-western countries of Europe, self-employed immigrants tend to be less educated than natives, whereas the contrary is true for southern Europe. Furthermore, in the majority of countries included in the analysis, higher proportions of highly educated people can be found among self-employed EU migrants than Non-EU migrants (see Hermes et al., 2007 for details). Since immigrants are often not able to make use of their acquired qualifications, we focus on the occupational status of immigrant entrepreneurs which reflects indirectly the “quality of work”. To evaluate the “professionalism” and also the social position of self-employed immigrants, we classify occupations based on the typology developed by Erikson, Goldthorpe and Portocarero (EGP, 1979). The categories are here grouped together following Arum and Müller (2004): (semi-)professionals, traditional skilled, and unskilled.⁴ As outlined earlier, we expect that migrants work less often in (semi-)professional occupations than natives. Figure 2 shows the percentage of (semi-)professionals for each group.

⁴ These categories are mostly the same as used by Arum and Müller (2004). The categorisation results of a combination of the ISCO coding scheme following Ganzeboom and Treiman (1996) and Brauns et al. (2000). Deviations from their groupings are that the ISCO group 13 ‘general managers (small enterprise)’ were added to the traditional skilled and ISCO category 91 ‘sales and service elementary occupations’ were added to unskilled.

Figure 2: Percentage of self-employed (semi-)professionals

Excluding primary sector

Source: European Labour Force Survey 2005

First, the share of (semi-)professional self-employed is clearly higher in northern and central European countries than in the south. This pattern can be found among natives but is also reflected among the different immigrant groups with foreign-born natives reaching similar high percentages as natives – sometimes even higher.

Second, self-employed EU immigrants are more often in (semi-)professional occupations than natives in nearly all countries. The exceptions are Germany, Belgium, and France where a contrary trend exists. The percentage of (semi-)professional self-employed EU immigrants is highest in Austria and the southern countries Spain, Portugal, and Greece. At least for foreign-born natives and EU immigrants, the assumption that self-employed immigrants have generally low levels of (semi-)professional occupations can not be confirmed. However, the situation is different for Non-EU immigrants:

Third, Non-EU immigrants have the lowest percentages of (semi-)professional self-employed in all countries. Reasons for this could be that immigrants from outside the EU have lower skill levels or that they have fewer opportunities to work in professional occupations as EU citizenship is sometimes a legal requirement.⁵

⁵ The effects of EU citizenship can also be seen by looking at those with dependent employment. With the exception of Non-EU immigrants in the UK, the percentage of (semi-)professionals is clearly higher among EU immigrants than those from outside the EU. In France and Austria, the native working population is strongly represented in the group of traditional skilled workers.

4.3 Industrial orientation of immigrant entrepreneurs

Which industrial sectors do immigrants choose for their businesses? Table 2 provides a general overview about the industrial orientation of native and immigrant entrepreneurs. With regards to “modern” industries which include business related services as well as cultural, health and other social services, a north-south divide can be seen with higher percentages in the northern and central European countries than in the south. Accordingly, southern Europeans are more strongly represented in the “traditional” sectors like trades, hotel and restaurant: every second or third person has his or her business in the traditional sector. Contrary, in central European countries, circa every fourth to fifth native entrepreneur offers cultural, curative or other social services.

Table 2: Per cent of entrepreneurs per industrial sector

	SE	UK	DE	NL	BE	FR	AT	ES	PT	GR
	natives									
production sectors	27.3	33.9	22.6	22	20.6	26.1	20.9	30.6	33.2	25.7
traditional industries	23.2	15.8	21.6	25.2	31.4	32	33.7	38.7	42.7	44.7
modern services	42.3	41.9	47.8	47.2	41.7	37.7	38.4	21.1	19.9	21.7
other	7.1	8.3	8.1	5.6	6.4	4.3	7	9.7	4.2	8
total	100	100	100	100	100	100	100	100	100	100
	foreign-born natives									
production sectors	11	13.2	16.3	13.2	10.2	21.9	7.8	20.1	19.5	30.1
traditional industries	41.6	29.3	27	26.5	41.3	36.1	46.1	43.1	38.5	45.2
modern services	39.2	42.7	49.3	55.3	43.8	38.2	35.3	30.1	37.3	21.3
other	8.2	14.8	7.3	5.1	4.8	3.8	10.8	6.7	4.8	3.3
total	100	100	100	100	100	100	100	100	100	100
	EU immigrants									
production sectors	18.3	29.8	17.2	19.4	22.7	40.7	25.5	20.9	24.1	18.2
traditional industries	23.4	15.7	39.1	16.7	35.6	21.3	25.1	34.8	39.8	37.4
modern services	54.9	50.3	38.1	58.9	37.6	35.8	45.7	38.1	30.1	37.4
other	3.4	4.2	5.6	5	4.1	2.1	3.7	6.3	6	7.1
total	100	100	100	100	100	100	100	100	100	100
	Non-EU immigrants									
production sectors	10.2	20.3	15.8	19.8	18	31.8	24.7	25.4	41.6	46.7
traditional industries	49.7	27.2	45.4	34.4	59	43.7	39.5	45	30.5	29.7
modern services	38.8	39	31.1	41.7	20	16.8	25.9	21.2	25.8	22.6
other	1.3	13.5	7.6	4.2	3	7.7	9.9	8.3	2.1	1
total	100	100	100	100	100	100	100	100	100	100

Excluding primary sector

Source: European Labour Force Survey 2005

Self-employed foreign-born natives are (with the exception of Portugal) more strongly represented in traditional sectors than natives – though the difference is negligible in the Netherlands and Greece. Among modern services, the distribution is similar to natives in most countries. However, in Spain and Portugal, foreign-born natives show stronger business activities in modern sectors than natives.

In contrast to entrepreneurs with native citizenship, those with Non-EU nationalities are overrepresented in traditional sectors and underrepresented in modern services in most countries. In Sweden, nearly half of the self-employed Non-EU migrants work in trades or the hotel and restaurant sector. The lower numbers of immigrants in traditional industries in the south are not surprising considering the high proportion of natives working in these areas. This result is in line with other studies. Similar results have been established by Andersson and Wandersjö (2004).

The results confirm further differences between EU and Non-EU migrants: Self-employed EU immigrants work more often in modern sectors than Non-EU migrants and natives in nearly all countries. Among the north-western countries, Germany shows the strongest negative difference in modern services: EU migrants living in Germany are more often entrepreneurial active in traditional sectors. With the exception of Germany, EU immigrants are proportionally similar or more strongly represented in modern sectors than natives. The percentages of self-employed EU immigrants and natives in modern sectors differ by 17 percentage points in Spain in favour of EU migrants. By contrast, only 15-26% of all self-employed Non-EU migrants work in modern sectors in Belgium, France, Austria, Spain, Portugal, and Greece. Self-employed EU immigrants in the UK and France as well as Non-EU immigrants in Portugal have a relative stronger orientation towards the building industry (not shown in table 2). In these countries, native entrepreneurs have also relative higher percentages in the construction industry.⁶

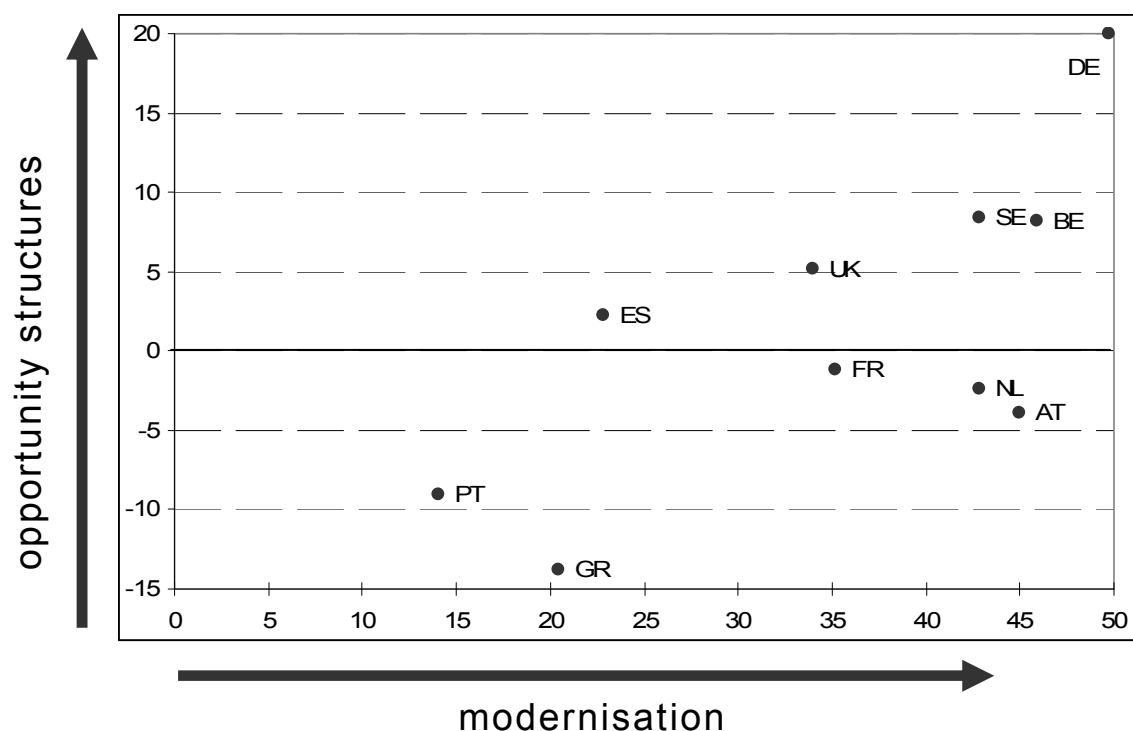
Self-employment rates by industry provide information about the extent to which immigrant entrepreneurs decided to establish a business in these sectors. Altogether, the highest self-employment rates are in business services, trades, and hotel and restaurant sectors. In comparison to the other groups, Non-EU immigrants have the lowest self-employment rates in skill-intensive services: Their self-employment rates are highest in traditional sectors. By contrast, EU immigrants have higher self-employment rates in business-related services than foreign-born natives (cf. Hermes et al., 2007).

⁶ As shown by Winch (1998), subcontractors play an important role in this sector in the UK.

4.4 Modernisation and the traditional sectors

Does modernisation cause immigrant entrepreneurship “at the lower end of the economy”? Following Sassen (2001) and Kloosterman and Rath (2003), it would be expected that in urban areas with economically advanced finance and service sectors there would be more employment opportunities for “professionals”. Likewise, there would be more opportunities for entrepreneurs offering household-related services, flexible working hours in retail, and so forth due to new consumer needs. In other words, modern professional services and distributive routine services of immigrants complement each other especially in economically more developed countries (Kloosterman & Rath, 2003).

Figure 3: Relation between modernity and relative meaning of self-employed immigrants in the traditional sectors



Excluding primary sector.

Difference between the percentages of foreign and native self-employed = Percentage of foreign self-employed in traditional sectors among all foreign self-employed minus the percentage of native self-employed in traditional sectors among all native self-employed.

Source: European Labour Force Survey 2005

Figure 3 shows the relation between modernity and relative meaning of self-employed immigrants in the traditional sectors. The modernisation process should be reflected to a great extent in the overall level of self-employed professionals. To compare this

level with the level of self-employed immigrants in the traditional sector, the country specific percentages of (semi-)professional self-employed of all self-employed are presented on the x-axis. The y-axis shows the country specific meaning of self-employed immigrants in trades, hotel and restaurant sector.⁷

The modernisation process is less advanced in the southern European countries than in north-western Europe which becomes apparent in the industrial structures and in the greater significance of domestic housework and weaker welfare state (Bosch & Wagner, 2002; Luber & Leicht, 2000). This is displayed in figure 3 by the comparative lower proportion of professional self-employed in southern countries. Since southern Europeans themselves concentrate more of their business activities in traditional sectors, this difference relative to immigrants in these sectors is smaller. By contrast, Northern European countries which have a higher degree of modernisation such as Germany, Belgium, and Sweden have a higher share of migrant self-employed restaurant owners, trades people, etc. Aside from the Netherlands and Austria, the figure demonstrates that at the macro level the degree of modernisation is related to an increased growth in self-employed immigrants in traditional routine services which are probably at the “lower end” of the local economy.

5. Conclusions

In this paper, we examined the scope of immigrant entrepreneurship in Europe and compared the occupational and industrial orientation of self-employed immigrants in 10 European countries. We demonstrated differences between countries and groups of entrepreneurs to evaluate the influences of structural factors, namely opportunities, legal and institutional conditions for setting up businesses.

Four sets of questions were generated and analysed using EU-LFS 2005 data. The first set of questions dealt with the general significance of immigrant entrepreneurship in different European countries and the influences of EU citizenship and the entrepreneurial regime in a country – measured by the overall business participation. The self-employment rates show clear geographical patterns – next to a differentiation between “old” and “new” EU countries. As a result, a distinction can be drawn between southern and north-western countries within the EU(15). In comparison to the native population, immigrants are more likely to be self-employed in northern,

⁷ This is defined by the percentage of self-employed with a foreign citizenship in traditional sectors among all foreign self-employed minus the percentage of native self-employed in traditional sectors among all native self-employed.

central and eastern European countries while native southern Europeans have higher self-employment rates than immigrants.

EU immigrants are more likely to take on the risks of self-employment in nearly all countries in comparison to the other groups in this study. Aside from southern Europeans, foreign-born natives have – after EU immigrants – the next highest self-employment rates in most countries; followed by Non-EU immigrants who often also have higher self-employment rates than natives without migration background. The number and composition of self-employed migrants are determined by the country specific immigration history and institutional factors like EU citizenship.

The opportunity structure and the entrepreneurial regime of a country are crucial in determining why self-employment rates vary stronger between countries than immigrants and natives. The level of immigrant entrepreneurship, especially of foreign-born, varies with the overall level of business participation in the country. However, this relationship is not so strong based on the concept of citizenship. One explanation could be that employment opportunities are different for members of the first and second generation (which is not captured by nationality) and that “risk taking” is more likely among those who migrated themselves.

The second set of questions addressed the occupational structure and focused on the increased meaning of “professionalism” in modern societies and the social status of immigrants. The share of (semi-)professional self-employed is generally higher in the northern and central European countries than in the south, which reflects the different stages of economic modernisation. Self-employed EU immigrants work proportionally more often in (semi-)professional occupations than Non-EU immigrants – and in some countries more than natives. This again supports the finding of strong differences between migrants from EU and Non-EU countries. Partly, this may be related to institutional barriers because the access to professional occupations requires specific certificates in some countries which are more difficult to obtain for immigrants from outside the EU.

The third set of questions focused on examining the main industrial sectors for business activities of immigrants and the differences occurring here between EU and Non-EU immigrants. Previous studies showed that immigrants are overrepresented in traditional consumption sectors like trades or hotels and restaurants. The analysis of the EU-LFS data reveals that this is especially the case for Non-EU immigrants, while self-employed migrants with EU citizenship are engaged in a more heterogeneous set

of business activities. Here, the influences of economic structures and institutional regulations are clear determinants.

Finally, we investigated the extent to which immigrant entrepreneurship relies on the ongoing modernisation in advanced economies which creates a demand for simple household-related services at the “low-end” of the economy (cf. Kloosterman & Rath, 2003; Sassen, 2001). Our results support the assumption that the modernisation process enhances the level and outcome of immigrant entrepreneurship – at least regarding household-related services. This is especially the case in some northern and western European countries. In southern Europe, natives themselves occupy positions in the traditional industries and therefore, immigrants have here fewer opportunities to establish own businesses in that sector.

This study makes several contributions to the current research on ethnic entrepreneurship. First, it fills an important gap in the research by providing a cross-national comparison of self-employed with different migration backgrounds in Europe. The study includes an evaluation of the actual scope of immigrant entrepreneurship in Europe and a more detailed examination of “professionalism” and industrial orientation of migrant business activities. Second, the findings emphasise the importance of contextual factors in cross-national comparisons. The results highlight especially the influence of opportunity and institutional structures derived from the entrepreneurial regime, the level of economic and societal modernisation in a country, and legal requirements such as EU citizenship. We are aware of the fact that this macro-level study needs to be supplemented by analyses with microdata and that EU immigrants, Non-EU immigrants, and “foreign-born natives” are broad categories. The people behind those categories are very diverse. More research based on data that allow more detailed differentiations between migrant groups is needed. In addition, future research could also analyse how contextual factors create different opportunities and barriers for the same group of migrants in different countries. Altogether, this study provides a basis for more international comparative research that focuses on individual or group resources and the influence of opportunities and institutional factors.

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