



# *MIGRANTS / MINORITIES INCLUSION STRATEGY PAPER*

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**Elaborated by** **Laura Bianconi**  
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# Section 1

## Migrant entrepreneurship in Europe

Due to the lack of an internationally agreed definition of the term "migrant entrepreneur", we have decided to follow the OECD approach: migrant entrepreneurs are defined as those foreign-born business owners "who seek to generate value through the creation or expansion of economic activity, by identifying new products, processes or markets"<sup>1</sup>. Often the term entrepreneur includes also the self-employed, regardless of the fact that they employ other people or not. This is the approach followed in this report, in which, therefore, the terms self-employed and entrepreneur have to be considered interchangeable<sup>2</sup>. It must be pointed out that this is not a homogenous group as there are differences across "ethnicities", by gender and by duration of settlement in the host country (i.e. newly arrived, first-, second-generation, etc.). The concept also applies differently within different contexts and can vary between cities and regions and the national level<sup>3</sup>.

Throughout the history, migrants have set up business in the places where they settled. In the closing decades of the 20th century, self-employment for migrants and ethnic minorities has become even more important as, on one hand, flows of migration have been increasing, and, on the other, opportunities for small business have been expanded.

It's a fact that migrants contribute to the economic growth of the receiving countries, both as employees and as entrepreneurs, in many ways, such as bringing new skills and capabilities, reducing labour shortages and creating new businesses. This contribution to the growth of entrepreneurial activities and to the creation of employment in European countries has increased over last decades both in qualitative and in quantitative terms.

In addition, in most European countries, migrants are more inclined to engage entrepreneurial activities than native-born people. Despite the difficulties that migrants encounter in starting a business - besides those that, in general, they encounter in their integration process in a new country - several studies show that they have the right attitude or an appropriate set of mind to start a business, making them more entrepreneurial than people born in the country in question. The self-employment rate for foreign-born people is higher than it is for native-born people in 9 EU member states, highlighting the entrepreneurship potential of this group.

A way to measure the extent of the self-employment activities of migrants and ethnic minority groups for statistical purposes is to look at the segment of the population who is foreign-born.

Despite this parameter is not conceptually the same across the European countries, what emerges is that "in 2012, at the EU-level, 63.3% of foreign-born self-employed people were born outside of the EU" (Table 1). "Luxembourg had the lowest proportion of foreign-born self-employed people who were born outside of the EU, while Slovenia and Croatia had the highest proportions at 87.2% and 88.9%, respectively. A further consideration is that the population born outside of the EU will also

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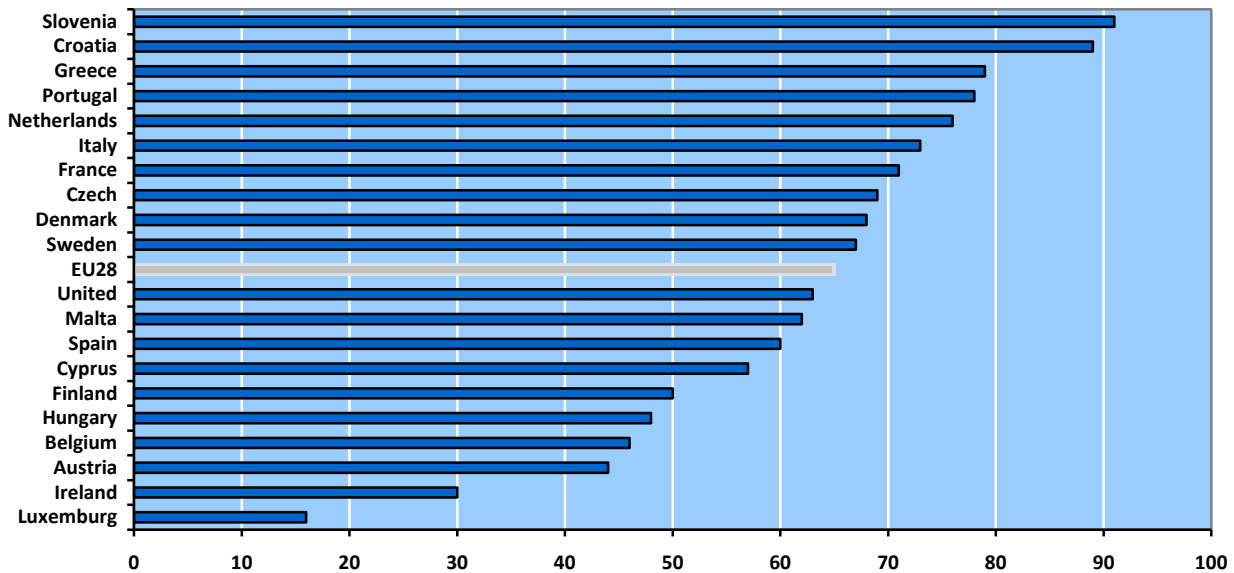
<sup>1</sup> OECD's established definition of entrepreneur, OECD, (2008)a

<sup>2</sup> Ibidem

<sup>3</sup> OECD/European Union, "The Missing Entrepreneurs 2014", 2014

vary greatly across countries, reflecting historical patterns, macroeconomic and labour market conditions, immigration laws and social policies”<sup>4</sup>.

Table 1: Proportion of foreign-born self-employed who were born outside of the EU, 2012<sup>5</sup>



The weight of migrant entrepreneurship is particularly important in countries such as Finland, Germany and Sweden where the difference between native and migrant enterprises is very small and in countries like the Czech Republic and Poland where migrant entrepreneurs are more than double than the natives.

The 'margination theory' gives a possible explanation of the higher propensity of migrants to become entrepreneurs, i.e. it would be a (negative) event to trigger the start-up of new businesses (Verheul et al., 2001). In fact, according to this theory, for many people the start of a business begins with the breakage of a previous life model. For individuals who are not able to adapt to a social system, as can be the case of some minority or migrant people, their marginal social position is a driving force to become self-employed. Therefore, self-employment is not just a means to earn a living, but it also serves as a way to gain recognition and social acceptance<sup>6</sup>.

However, in the analysis of the migrants' higher propensity to create a new business, it has to be considered also the sustainability of those activities. A consistent figure among EU countries is that the migrant entrepreneurs' persistence in self-employment is lower than native-born entrepreneurs. Indeed, entrepreneurs from migrant and minority groups frequently operate in highly competitive

<sup>4</sup> Ibidem

<sup>5</sup> Ibidem

<sup>6</sup> Tüzin Baycan-Levent , Aliye Ahu Gülümser , Seda Kundak, Peter Nijkamp, Mediha Sahin ,“Diversity and Ethnic entrepreneurship: Dialogue Through exchanges in the economic arena”, 2003, <[http://www.susdiv.org/uploadfiles/RT4\\_4\\_PP\\_Tuzin.pdf](http://www.susdiv.org/uploadfiles/RT4_4_PP_Tuzin.pdf)>

business sections with low barriers to entry and low skill requirements, like restaurants and retail shops. These businesses often compete on price and usually do not generate enough earnings to sustain and foster their development and growth.

For example, in Norway, around 26% of all companies established by migrants in 2002 were still in business in 2006 compared with 29% for natives (Liebig, 2009). 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 (Breem, 2010).

*Table 2: Flows into and out of self-employment, foreign- and native-born, year-to-year, 1998-2008<sup>7</sup>*

	Entry into self-employment		Exit out of self-employment		Self-employment persistence	
	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born	Native-born
Austria	13.9	10.4	14.4	8.2	85.6	91.8
Belgium	7.4	4.8	6.4	3.5	93.6	96.5
Czech Republic	20.5	16.8	13.6	9.1	86.4	90.9
France	18.0	7.7	9.5	4.9	90.5	95.1
Germany	8.3	4.9	5.4	2.0	94.6	98.0
Greece	12.0	8.6	11.9	7.2	88.1	92.8
Hungary	7.8	3.1	7.5	3.1	92.5	96.9
Ireland	13.3	11.4	7.7	8.9	92.3	91.1
Italy	14.9	11.1	7.0	5.5	93.0	94.5
Luxembourg	7.4	4.2	7.7	4.7	92.3	95.3
Netherlands	12.1	11.0	9.5	6.4	90.5	93.6
Poland	6.6	7.9	7.8	6.2	92.2	93.8
Portugal	10.9	5.7	7.7	4.0	92.3	96.0
Spain	17.0	7.2	8.6	4.3	91.4	95.7
Sweden	11.3	7.7	7.6	5.2	92.4	94.8
Switzerland	7.2	7.9	4.5	4.9	95.5	95.1
United Kingdom	17.3	14.3	10.7	9.3	89.3	90.7
OECD	12.1	8.5	8.7	5.7	91.3	94.3

It's also important to consider that migrants, from very different contexts, naturally have different propensities to become entrepreneurs, for example Asian migrants have the highest propensity, whereas those from Latin America and Africa the lowest. The differences in the level of education and wealth also affect people's entrepreneurship behaviour. Another element to consider is the tradition in entrepreneurship in the various countries of origin, since people migrating from countries where this tendency is greater are more likely to create a business in the new country.

Finally, it should be noticed that the migration experience, even if from the same context of origin, is not 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

<sup>7</sup> OECD, 'Migrant Entrepreneurship in OECD Countries – part II', 2011, [http://www.oecd.org/els/mig/Part%20II\\_Entrepreneurs\\_engl.pdf](http://www.oecd.org/els/mig/Part%20II_Entrepreneurs_engl.pdf)

and female workers in this group would rise by 24% and 136% percent respectively, an increase of some 96.000 people in work”<sup>8</sup>.

Since the beginning of the 90’s, migrant entrepreneurship has been recording a very prominent growth. One of the reasons resides in the difficulty that dependent work presents, such as the continuing relationship or the recognition of qualifications and consequent gratification. But, the high rates of migrants in self-employment may indicate very different situations, for instance, some migrants start a business because they lack other employment alternatives. This is particularly true for low-skilled migrants who often have a small store, restaurant, day care, or laundry. On the other hand, such activities may not directly provide so much added value and they may also facilitate the isolation of migrants, delaying their integration. Indeed, there's the risk of the so-called "Ethnic specializations". These are partly due to the exportation of specific work and training experiences acquired in the origin countries. For example, in Italy there is a strong tendency of migrants from Eastern Europe and from the Balkans to undertake activities in the construction sector; whereas the Asians and those from Central Africa to undertake activities in the trade field.

The ethnic specialization can be a supporting factor for the aspiring entrepreneur who intends to follow the main career path of his/her migrant community of reference, but also a strong excluding factor for those who, instead, intend to undertake other types of activities.

Another notable type of migrant entrepreneurship comes from a typically skilled migrant whose business grows rapidly into a large firm. Such ventures, known as high-growth firms, account for most of the job growth in many OECD countries. Different types of migrant businesses can fall anywhere in the spectrum between high growth and small, low-skill businesses. For example, some skilled migrants are self-employed as a doctor or dentist<sup>9</sup>.

Beyond needing to join already established sectors, entrepreneurs with a migrant background are able to distinguish themselves by their ability to offer completely innovative services and create jobs for both other migrants and local workers. They create a bridge between local and global markets. The activities undertaken by migrants go beyond traditional businesses; they have been creating businesses in various sectors, including those more innovative.

The growth in this area of entrepreneurship favors the opportunity of the integration of migrants, increases trust between them and promotes a social cohesion, contributing to the revitalization of urban centers<sup>10</sup>. Thanks to their transnational ties, migrant entrepreneurs can also contribute to expanding trade between their new countries and the origin countries. Many migrants and people

<sup>8</sup> European Economic and Social Committee, “*PRELIMINARY DRAFT OPINION of the Section for Employment, Social Affairs and Citizenship on The contribution of migrant entrepreneurs to the EU economy (own-initiative opinion)*”, Bruxelles, 6/07/2012, <[http://www.employment.gov.sk/files/slovensky/ministerstvo/integracia-cudzincov/dokumenty/the\\_contribution\\_of\\_migrant\\_entrepreneurs\\_to\\_the\\_eu\\_economy.pdf](http://www.employment.gov.sk/files/slovensky/ministerstvo/integracia-cudzincov/dokumenty/the_contribution_of_migrant_entrepreneurs_to_the_eu_economy.pdf)>

<sup>9</sup> OECD 2010, <Entrepreneurship and Migrants”, Report by the OECD Working Party on SMEs and Entrepreneurship, OECD>.

<sup>10</sup> Francesca Gnetti, “*Imprenditori migranti, una ricchezza per l'Europa e soprattutto per l'Italia*”, 29/07/2014, <<http://www.reset.it/reset-doc/impreditoria-immigrata-una-ricchezza-per-leuropa-e-soprattutto-per-litalia>>



from minorities offer important social, cultural and economic assets, in addition to transnational networks, such as language skills and multicultural awareness, which are increasingly important in a globalised world.

In light of the ageing demographics of many European countries and the higher growth rates among migrant communities, the contribution of migrant and minority youth will increase, as they become a larger part of the labour market.

Therefore, ensuring the integration and success of young migrant/minority member in the labour market is critical to sustainable economic development, and the costs of failing to do so are great (IOM, 2006). Nonetheless, according to numerous data and studies, young people from ethnic minority and migrant background are one of the most vulnerable groups in the labour market today. They potentially face discrimination and social exclusion and tend to have poorer education and employment outcomes than non-minority or non-migrant groups.

The 2009 OECD "Migration Outlook" cautions that migrant-owned business may now be exceptionally vulnerable. Many migrants start businesses in tourism, restaurant, wholesale and construction, and these industries have been disproportionately affected by the recession. Also, credit tightening and lower consumption demand make it harder for migrants to start or stay in business.

### *A look from the geographical point of view*

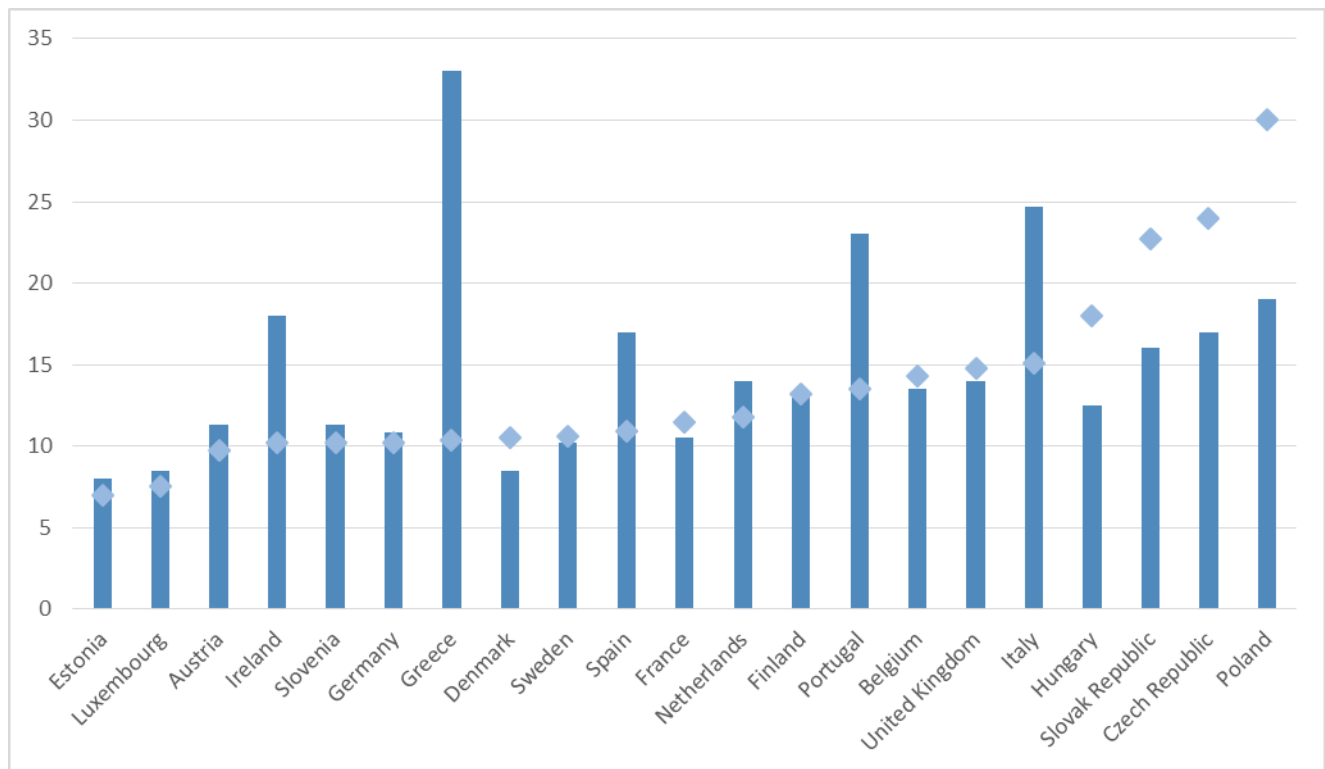
The EU Labour Force survey indicates that the trend of migrants' entrepreneurship isn't homogeneous at European level, for instance in the UK, France, Belgium, Denmark and Sweden the proportion of migrant entrepreneurs is 1.5 to 2.9 percentage points higher than natives, while in Portugal, Spain, Italy, Greece, Ireland, Germany and Austria the portion of migrant entrepreneurs is lower respect to natives' one<sup>11</sup>.

At regional level, it can be observed that migrants tend to have a greater propensity to self-employment than natives in Central and Eastern Europe, while in Southern Europe there is the opposite trend. The large presence of migrants in self-employment in Poland, Slovakia, Czech Republic and Hungary could be partly caused by the relatively flexible regulations on visas for migrant entrepreneurs. On the other hand, the reduced presence of migrant entrepreneurship in the southern Europe countries, may be linked to the fact that migration to those countries is a relatively recent phenomenon and mostly involves low-skilled workers, who haven't had time to get the necessary human, physical and social resources to start a business.

<sup>11</sup> OECD, "Migrant Entrepreneurship in OECD Countries" – part II', 2011, <[http://www.oecd.org/els/mig/Part%20II\\_Entrepreneurs\\_engl.pdf](http://www.oecd.org/els/mig/Part%20II_Entrepreneurs_engl.pdf)>

Table 3 shows that the share of self-employment is higher among migrants than among natives in most OECD countries, although there are important differences across countries.

*Table 3. Self-employment rates for by location of birth by member state, 2012*



Many factors contribute to explain the differences across EU countries, such as the business environment, the specific constraints that migrants have to face, the socio-demographic characteristics of migrants in comparison to natives, the specificities of migration trends as well as the sector distribution of migrant employment <sup>12</sup>.

An overall evaluation and comparison of European countries, conducting by Baycan-Levent and Nijkam in 2005 but still relevant, shows similarities and differences between countries regarding the condition of labour market.

Some findings:

- A combination of structural and situational factors has led to the rapid development of migration into Southern Europe since 1980s. The strict policing measures in traditional migration destinies (such as France and West Germany), the geographic position of Southern

<sup>12</sup> Ivi

European countries (particularly Italy and Greece) and also the traditional dependence of these countries on tourism make it easier to migrants enters in Southern European countries;

- Southern European countries have a different labour market structure than Northern European countries (high rates of self-employment, over 20%, a relatively large informal economy and a fragile welfare provision);
- In Southern European countries like Italy, Portugal and Greece, the informal economy can be an opportunity to self-employment that is not so easy in Northern European countries where institutional control is stronger and competition is higher.

#### Similarities:

- migrants from non-Western countries generally have a weaker position in the labour market than natives and have more difficulties in getting a job;
- in many OECD countries, migrants are overrepresented among the self-employed, self-employed migrants are in other sectors than self-employed natives (retailing, hotels and restaurants);
- migrants, especially those from non-Western countries have a higher probability of being self-employed than natives;
- both Western and non-Western self-employed migrants have lower incomes than natives;
- migrants have also lower income than migrants who have other types of employment.<sup>13</sup>

A comparative evaluation of migrant entrepreneurship in European countries shows that:

- Several structural factors:
    - the migration policy of the host society;
    - the reasons that generated migratory flow;
    - the existence of a "co-ethnic" community in the country and its economic incorporation;
    - the operation of social networks;
    - the possibility to acquire capital among the community (informal resources);
    - the potential market of the host society
- associate to migrants' arrival and influence their integration to the labour market of host societies.

- The specific context of the receiving country:
    - migration history;
    - governmental legislation on foreigner access to labour market can explain some of the differences.
- In most European countries, migrant entrepreneurship is exerting a profound influence on business life in major cities, especially in the SME sector. It has been creating a multicultural SME systems,

<sup>13</sup>T. Baycan-Levent , A. A. Gülümser , S. Kundak, P. Nijkamp, M. Sahin, "Diversity and Ethnic entrepreneurship: Dialogue Through exchanges in the economic arena", 2003, <[http://www.susdiv.org/uploadfiles/RT4\\_4\\_PP\\_Tuzin.pdf](http://www.susdiv.org/uploadfiles/RT4_4_PP_Tuzin.pdf)>

where "indigenous" SME firms have been driving out of the traditional economic sectors (like retailing, small-scale service sectors) and they are specializing themselves in niche markets (e.g., high-tech service delivery).<sup>14</sup>

### *Migrant Entrepreneur vs. Native Entrepreneur*

The contribution of migrant entrepreneurs to the host-country economy is a field where comparative international knowledge is evolving but it's still underdeveloped. It's not easy to compare entrepreneurship and employment creation of migrants across Europe since, firstly, there is no an internationally-agreed definition of "migrant entrepreneur" and the available data sources on this regard differ amongst countries.

There are no available disaggregated data to investigate this particular category of entrepreneurs, therefore, it's not easy getting a picture on them, neither on the factors that promote or prevent young migrant entrepreneurs.

When data, studies and documents refer to migrant entrepreneurs, they include people with very different characteristics: first- and second generation migrants; males and females; young and old persons; people who migrated voluntarily and others who were forced to migrate; people who are well educated and proficient in the language of the host country and others who are poorly educated and lack these language skills; people with different opinions and religious; and so on.

Some highlights<sup>15</sup>:

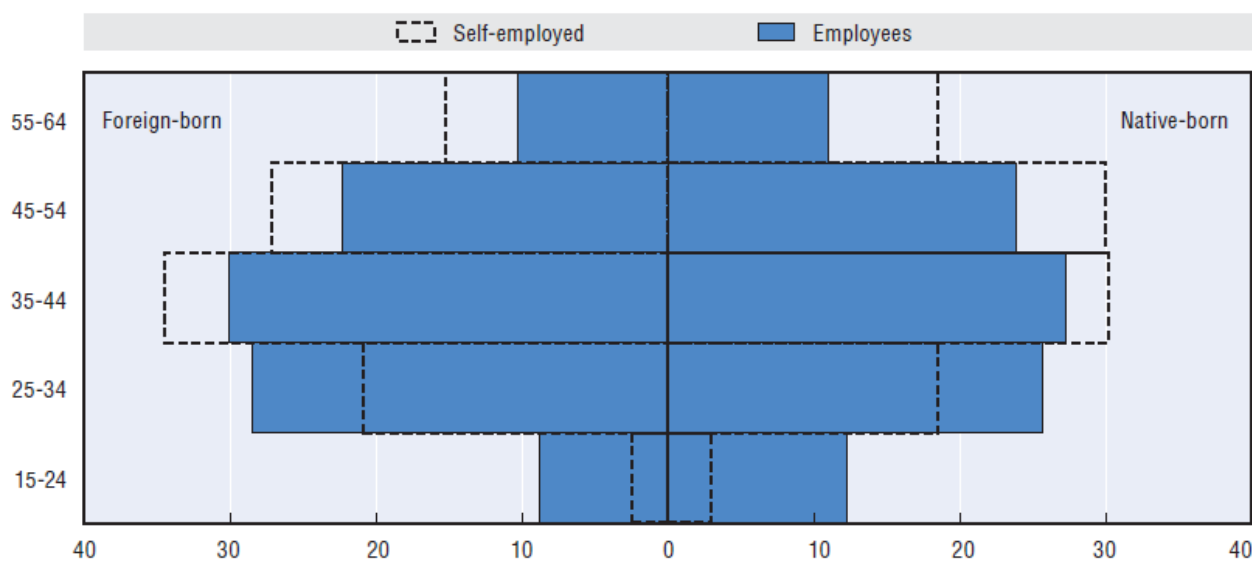
- Generally speaking, the profile of entrepreneurs, whether migrant or native, is similar, i.e. they tend to be skilled, male, adult (more than three out of four being over the age of 35). Nevertheless, it is important to point out that most migrant entrepreneurs are slightly younger than native entrepreneurs.

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<sup>14</sup> Ibidem

<sup>15</sup> OECD, "Migrant Entrepreneurship in OECD Countries – part II", 2011,  
<[http://www.oecd.org/els/mig/Part%20II\\_Entrepreneurs\\_engl.pdf](http://www.oecd.org/els/mig/Part%20II_Entrepreneurs_engl.pdf)>

Table 4: Age distribution of self-employed persons and of employees, 1998-2008<sup>16</sup>



- Migrant entrepreneurs have been in the host country longer than employed migrants. Indeed, in order to accumulate resources and experiences needed to start a business, they have to stay in the new country for a sufficient period of time. In the OECD countries, almost two thirds of migrant entrepreneurs have been in the host country more than ten years compared with just above 50% for migrants paid workers. In Ireland and Spain, and to a lesser extent in the United Kingdom, Italy and Greece, the difference is particularly significant.
- Migrant entrepreneurs have a higher average educational level than their native counterparts. The share of migrant entrepreneurs who are highly-educated, both compared with natives and with all in general, is worthy of note: around 30%-40% of migrant entrepreneurs have tertiary education in all OECD countries except for Italy and Portugal where entrepreneurs in general are low educated. Furthermore, the share of low-educated migrant entrepreneurs is lower on average than for natives, although this finding does not apply in all cases: there are countries with a high share of low-educated migrant entrepreneurs, like Portugal (50%) and Italy (40%), and others with a relatively low proportion, such as Austria (13%), Poland (9%), and Hungary (6%).

<sup>16</sup> Ibidem

## Types of migrant business activity

The following table intersects the market to which the activities of the company are directed and the type of product and/or service provided by it.

The borders, however, are not always well defined, indeed, in some cases, these different types of businesses coexist and constitute, in fact, an inner articulation to the activities of the same enterprise.

Table 5: Classification of entrepreneurial business of migrants in relation to the market areas.<sup>17</sup>

Market	Product	Ethnic	Not Ethnic
<b>Ethnic</b>		a) <i>Ethnic enterprise</i>	d) <i>Intermediary enterprise</i>
<b>Not Ethnic</b>		b) <i>Cultural enterprise</i>	e) <i>Open enterprise</i>
<b>Ethnic / Not Ethnic</b>		c) <i>Open cultural enterprise</i>	f) <i>Open intermediary enterprise</i>

Most of the companies subject of the analysis falls in the category of “*open enterprise*” that offers goods and services not typically “ethnic” to an open market, primarily dealing with production enterprises and handicraft, service businesses and enterprises in the tertiary sector of business services to companies, to people, socio-cultural services. They do not identify themselves with ethnic roots and are geared to compete competitively, but they willingly exploit the migratory chain or the support of national collaborators.

The “*open intermediary enterprise*” offers products and/or services not typically “ethnic” by incorporating the surplus arising from mediation activities with the end customers (foreigners or locals), in addition to support companies of the local market.

The open intermediary enterprise includes real estate services, travel agencies or touristic intermediation, sale of insurance policies, certain forms of advertising intermediation, certain types of business intermediation.

The “*intermediary enterprise*” offers “non ethnic” product to a prevalently ethnic market for example in the sector of communications and information (phone-center, internet services, video conferences); these account for, among their clients, a considerable quota of migrants amounting to almost 80-90% of the total. However, they are able also to acquire native clients thanks to photocopy services and the sale of typical and artisan products.

This category pertains also to enterprises that provide services to the commercialization of products from the hosting country (for example machinery and equipment, clothing and household items) in

<sup>17</sup> Monica Martinelli, “*Immigrati imprenditori: la fotografia di una realtà dinamica*”, 2002 <<http://www.mi.camcom.it/immigrati-imprenditori#8>>

Third countries (not necessarily those of the country of origin of the entrepreneur). In this category we also see enterprises which exclusively or residual, offer a type of social service to their clients, including socio-cultural tutoring, aid in organizing forms and support for the business start-ups, interpretation services and acquiring real-estate, etc.

*"Ethnic Enterprises"* produce "ethnic" products, (food shops, newspapers in original language, DVD) according to the need of the migrant community, however often also the natives are interested in these products.

*"Open Cultural Enterprises"* provide retail services of food, as well of commerce of materials and clothing.

*"Cultural Enterprises"* offer ethnic products which are, however, directed to a non ethnic market, such as typical artisan products for the purpose of fashion and design.

The daily business of a migrant enterprise is organized through the collaboration of friends and family who either work always or in an occasional fashion, leaving to the owner of the company the only title of official worker. The absence of contracted workers is justified by the necessity for flexibility, geographic mobility and adaptability.

The placement in the market of the hosting country also depends on the market and the social connections of the country of origin, allowing merchants the opportunity of relocation the production of particular goods.

*"... I'm used to involve very much Palestinian women in my work because I make them embroider many things onto clothing; for example there are villages where women make beads, so I have them do that, other villages where they work glass, so I have them work on glass, wools and silk. I see which products we have that can be used and I use them at best."*<sup>1</sup>

As already mentioned, the competition of the European Market pushes foreign entrepreneurs to try and gain market share by focusing both on a specialization and diversification and articulation of products and services provided through side activities, such as phone centres where, beyond international calling services, they are put together along with the sale of newspapers, internet services, the mediation of services directed to the country of origin - such as money transfers, sales of foodstuffs and clothing, travel fares, the handling legal and bureaucratic issues, sending packages, aid in providing a stable address for migrants, consulting services, photocopy, fax and internet services and video conferencing.

*Table 6: the main determinants of migrant entrepreneurship in European countries*

Countries	Countries The main determinants of migrant entrepreneurship
Denmark	Overrepresentation of non-Western immigrants among the self-employed Lower income level of self-employed immigrants than employed immigrants



Germany	Lower shares of self-employed immigrants than self-employed natives
Greece	Informal work in labour intensive sectors and small companies and individuals or households
Italy	Informal sector, underground economy
Netherlands	Mixed embeddedness
Portugal	Informal sector, underground economy
Sweden	Overrepresentation of non-Western immigrants among the self-employed Lower income level of self-employed immigrants than employed immigrants
UK	High unemployment rates, low participation rates and low status employment 'Push' and 'Pull' factors for different ethnic groups

## What drives a migrant to start a business?

There are many studies about what drives a migrant to become an entrepreneur and the most common answers are: personal and cultural predisposition, a normative context of the host country that promotes entrepreneurship, business ideas that are commercially feasible, access to capital, none alternative employment. Along with this, the choice to be autonomous is directly correlated to desires and projects previously elaborated in the home country, with the purpose of starting something new, that is often influenced by economic needs and opportunities of that particular time.

*"I decided to become an autonomous entrepreneur because I had the opportunity to do so and as one says: "Don't let opportunity pass you by! We have to take risks, because without risk you gain nothing"*

[A migrant entrepreneur]

There is also a link between the migrant entrepreneurship and the economic structure of the host society which are subject to change and evolution, such as in the 90's when a process of restructuring and outsourcing of the western economy and the subcontracting to small businesses or single entrepreneurs began. Finally, the entrepreneurial dynamism of migrants is also linked to their weaker social standing.

Regarding the role played by the belonging of a particular "ethnic/ cultural" group, what weighs is the combination of "ethnic" and family networks (the so-called social capital) along with the new economic and legal framework of reference. According to this, two groups of migrants can be distinguished: those who, possessing a strong social capital, are able to quickly integrate themselves in Europe, acquiring a stable residence as well as ad hoc mortgages, defined as "integrated migrants" or "almost integrated" (although an identity of origin stays with them throughout their lives), and those with very little social capital who have great difficulty integrating, therefore with a great risk of



social exclusion; thus urging the European Union and Members States to formulate and diversify assistance forms aimed at migrants.<sup>18</sup>

According to Hout and Rosen, if being a migrant increases the odds of becoming a self employed, a migrant with self-employed parents is no more likely to become entrepreneur than other migrants. This suggests that the migrant effect may be stronger than the parents effect.

Many migrants (particularly the so-called economic migrants) left their home country to look for better economic opportunity, starting with the working ones. Therefore, they are by definition more ambitious, independents and less risk averse than many of their counterparts who stay in the native country.

If some cultures are more predisposed to entrepreneurship, we might expect certain nationalities to have higher self-employment rates.

As an example, Tables 7 shows the self-employment rates among migrants in Germany by country of origin

*Table 7: Self-employment rate in Germany by country of origin<sup>19</sup>*

Country of origin	Self-employment rate (as a % of employed) in Germany	Total population employed (in thousands) in Germany
<b>Natives</b>	11.20%	31 804
<b>Europe</b>	10.42%	3 781
<b>EU-27</b>	13.72%	1 815
<b>Greece</b>	16.24%	197
<b>Italy</b>	12.28%	391
<b>Poland</b>	15.53%	322
<b>Romania</b>	7.50%	120
<b>Other Europe</b>	7.38%	1 966
<b>Bosnia and Herzegovina</b>	4.35%	138
<b>Croatia</b>	6.88%	189
<b>Russian Federation</b>	5.24%	248
<b>Serbia</b>	6.88%	160
<b>Turkey</b>	8.16%	968
<b>Ukraine</b>	8.70%	69
<b>Africa</b>	8.84%	181
<b>Americas</b>	13.99%	143
<b>North America</b>	15.49%	71
<b>Asia, Australia and Oceania</b>	14.56%	577
<b>Middle East</b>	11.79%	263
<b>South- and Southeast Asia</b>	16.82%	105

<sup>18</sup>Ibidem

<sup>19</sup> Source: Federal Statistical Office of German: Migration in Germany 2007, results of the Micro Census, 2008

The Swedish Agency for Economic and Regional Growth found similar patterns of entrepreneurship amongst Swedish migrant groups. Migrants from Southern Asia tend to have higher rates of entrepreneurship in Sweden, as they do in Germany. Migrants from South America, in all two countries, appear to have lower rates of entrepreneurship compared to other nationalities and natives. In this, however, the underground business is not included: if a migrant is self-employed, but works illegally, he/she will not be included. This can cause that the incidence of self-employment for certain groups, above all in countries with a significant population of undocumented workers, is underestimated.

Some groups face more difficulties in entering the host country labour market and then they tend to pursue entrepreneurship as an alternative. Even the circumstances under which people migrate, and then the resulting legal status, may cause a greater tendency to entrepreneurial activities. For example, in Norway there are more social programs dedicated to asylum seekers than family or labour migrants.

### *Cultural background*

A certain predisposition to entrepreneurship may come from the own cultural background, in which family and community of origin play an important role: some migrant communities seem to be more prone to entrepreneurship than others.

The family has a noteworthy weight in the choice to start one's own business, as children of entrepreneurs are more predisposed to becoming autonomous workers. This trend is higher in case of migrants: a migrant who comes from a family with an entrepreneurial culture has a greater chance of starting his/her own business than a "native" with the same family background. At any rate, as mentioned above, the effect of the migration itself plays a more important role than the family background. For instance, migrants from South East Asia resident in Europe have a very high entrepreneurial rate in comparison with natives.

As it will be explained further on, however, this trend may have other causes or contributory causes, such as: the difficulty in finding alternative employment and/or the migrant's legal status (type of VISA) in the new country indeed, according to this, he/she will have a greater or lesser access to programmes and guarantees aimed to overcome poverty and social exclusion (for example, in most EU countries there are more programmes specifically targeting asylum seekers than family or labour migrants).

### *Social Networks*

Having a network to lean on in a new country is a great support to the aspiring entrepreneur. For this reason, migrants tend to associate themselves with other migrants coming from the same context, thanks to whom they can get language support, access to local network and communities, to needed capitals and other assistance and knowledge, in addition to a client base as initial request. These networks make it possible to overcome also the initial lack of knowledge of local regulations.

*Lack of other work opportunities*

This is especially true in case of low-skilled migrants. Aside from earning less than their native competitors, even with same (low) preparation and qualifications, low-skilled migrants have a much greater risk of unemployment.

The lack of other opportunities is caused also by other circumstances, such as: linguistic barriers, the inability to enforce foreign securities, the lack of knowledge of the national market together with, as transversal element, the spread of stereotypes and prejudices.

The difficulty, if not the impossibility, to have degrees and qualifications achieved in countries of origin recognized in the new country, is a particularly serious factor (many attempts for finding a solution to this are recorded locally, within the various EU countries, but, to date, an European shared system hasn't been agreed).

Compared to dependent employment, entrepreneurship often allows to bypass these obstacles, besides creating jobs for other migrants.

*The regulatory framework of the host country*

Rules and regulations of the arrival country have a great weight on the decision to start a business and, moreover, on the business survival. In Europe there is a significant variation in the rates of foreign entrepreneurship depending on the different regulations. Of course, more the rules encourage entrepreneurship, greater is the number of people, natives and migrants, who devote themselves to self-employment.

## What hinders a migrant in starting a business?

In OECD countries, businesses formed by migrant entrepreneurs have much greater difficulty in gaining success than their native counterparts. The main difficulties that migrant entrepreneurs encounter can be traced to two types: one includes problems defined as "structural factors", dealing with social and economic conditions of the host country (nature of regulation in the host country, capital access, visa policy), whereas another group of critical issues, "cultural factors", regards the entrepreneurial abilities of the person, the cultural background (language, business skills, ect).

*Structural factors**Regulation of the host country*

Nature and complexity of the host country's regulation can influence a migrant's decision to become an entrepreneur, besides the future success or failure. A country's regulation determines ease of entering a market, of the contract enforcement and the access to capital. High amount and

complexity of rules and regulations impose higher costs and longer times to starting a business. For instance, due to prohibitive institutional barriers, excessive bureaucracy and complex procedures, Italy records lower enterprise birth rates than the United Kingdom, France or Germany.

From a bureaucratic point of view, the development of a business activity is affected by multiple, and often complex, procedures and steps to be accomplished - even a small business needs to fill a huge amount of papers to be in good standing. People, in general, should be much more informed and trained on laws, employment contracts that can be used, type of business that can be opened, etc. in order to avoid later problems, which may also lead to the business closure<sup>20</sup>. This is even more true for a migrant because he/she is more likely to be unfamiliar with laws and regulations of the new country.

Another evidence of what has just been said is the case of Germany where regulation severely punishes the bankruptcy, therefore the risks associated with the start-up of an entrepreneurial activity are greater because if someone runs into this situation, he/she will not be allowed to start a business. This applies both to people born in that country and to migrants but, since the failure rate is higher for the latter, they will be more scared by this possibility.

### *Access to financing*

Another problematic aspect, which can influence migrants' decision to become an entrepreneur, is the access to credit. Migrant entrepreneurs typically have shorter credit histories, and are more likely to lack collateral (e.g. home ownership), than natives. Furthermore, migrant enterprises have higher failure rates. The perception of such risks is often amplified because of cultural barriers and financial institutions' inadequate knowledge about this group of clients, often even linked to stereotypes and prejudices. As various studies have demonstrated, migrant entrepreneurs face discrimination from banks and are more likely to have denied credit or to have charged higher interest rates than their native counterparts with similar characteristics. In this context, with the financial crisis that has limited the credit supply, the reluctance of the banks to lend to migrant entrepreneurs (and to SMEs in general) has even increased<sup>21</sup>.

Migrants are often defined as "not bankable" because banks require guarantees (tax return, deposits made into bank accounts, and personal and patrimonial goods) which add up to the instability of their legal position. The "micro credit" provided by third sector foundations is a good alternative of which aspiring migrants entrepreneurs may make use to start and maintain a business<sup>22</sup>. But even this tool is not easy to use for migrants because of the high interest rates.

<sup>20</sup> F. Gnetti, "Imprenditori migranti, una ricchezza per l'Europa e soprattutto per l'Italia" 29/07/2014, <<http://www.reset.it/reset-doc/imprenditoria-immigrata-una-ricchezza-per-leuropa-e-soprattutto-per-litalia>>

<sup>21</sup> Maria Vincenza Desiderio, *Policies to support Immigrant Entrepreneurship*, 2014, <[file:///C:/Users/s.nicu/Downloads/TCM\\_Cities\\_Entrepreneurship-FINALWEB.pdf](file:///C:/Users/s.nicu/Downloads/TCM_Cities_Entrepreneurship-FINALWEB.pdf)>

<sup>22</sup> Monica Martinelli, <<http://www.mi.camcom.it/immigrati-imprenditori#8>>

Therefore, there is a high tendency to form tight social networks with fellow nationals useful even to borrow the needed capital<sup>23</sup>.

The Swedish Agency for Economic and Regional growth found that foreign entrepreneurs are less likely to start a business using their own savings than the Swedes, whereas they are more likely to rely on friends or family for start-up capital. A reliance on social networks can help overcome some of the difficulties that migrants have to face, by securing the capital needed to start and grow a business.

According to Oliveira and Rath (2008) migrants who have poor language skills and who are an "ethnic" minority face additional constraints when it comes to obtaining capital in traditional credit markets<sup>24</sup>. The Swedish Agency also found that in Sweden foreign-born owners of Small businesses twice as likely to have their application for loans or credit rejected as natives. They are also less likely to apply for credit, just 29% of foreign-born small business owners applied for and received it, compared to 40% of natives<sup>25</sup>.

As mentioned in the previous paragraph, in order to exceed the financial barriers, migrant entrepreneurs rely to community and family systems for the needed support to start their business. This aspect favours the concentration of migrant enterprises in limited value-added activities, sector with low barriers to entry such as construction, retail trade, and catering; increases the likelihood that migrants will set up traditional business with limited capacity of expansion beyond the his/her migrant community. In the ensuing phases of the business cycle, a lack of adequate funding to foster future growth and expansion is a major reason for business failure<sup>26</sup>.

### *Visa policy*

Another aspect that can alter the entrepreneurship behaviour of migrants is their entry visa. Those migrants that enter with a migrant-investor visa or a self-employed visa will obviously be more likely to be involved in entrepreneurship activities. Migrants with short-term temporary visas are unlikely to get financing, besides difficulties when engaging with suppliers and recruiting employees, compared with a long-term or permanent resident. The OECD 'Job for Immigrants' series have shown that the migrants integration in the labour market (employment participation, unemployment, etc.) differs substantially between different entry categories. Migrants with different entry categories might then face different labour market prospects and rely to different degrees on self employment as a way to improve their situation in the host country labour market<sup>27</sup>.

<sup>23</sup> OECD (2010), "*Entrepreneurship and Migrants*", Report by the OECD Working Party on SMEs and Entrepreneurship, OECD, <<http://www.oecd.org/cfe/smes/45068866>>

<sup>24</sup> OECD (2010), "*Entrepreneurship and Migrants*", Report by the OECD Working Party on SMEs and Entrepreneurship, OECD, <<http://www.oecd.org/cfe/smes/45068866>>

<sup>25</sup> Ibidem

<sup>26</sup> M. V. Desiderio, <[file:///C:/Users/s.nicu/Downloads/TCM\\_Cities\\_Entrepreneurship-FINALWEB.pdf](file:///C:/Users/s.nicu/Downloads/TCM_Cities_Entrepreneurship-FINALWEB.pdf)>

<sup>27</sup> OECD, "*Migrant Entrepreneurship in OECD Countries – part II*", 2011, <[http://www.oecd.org/els/mig/Part%20II\\_Entrepreneurs\\_engl.pdf](http://www.oecd.org/els/mig/Part%20II_Entrepreneurs_engl.pdf)>

## Cultural factors

### *Host country language*

Inadequate knowledge of the host country's language is the first cultural discriminant that hinders the natural process of business start-up for a aspiring entrepreneur. Knowing the language of the host country allows the migrant entrepreneur to be autonomous in the process of business start-up, makes the aspiring entrepreneur more aware and able to understand bureaucratic processes and obstacles as well as structures and means in order to cope with them.

### *Business skills*

The business skills of the aspiring entrepreneur plays an important role in the realization of a business activity in the host country. These depend, first of all, on the levels of education and ability of the entrepreneur to adapt his/her background to the entrepreneurial needs of the country where he/she intends to start a business. Of course, a similarity of the entrepreneurial attitudes between the country of origin and the host country will be as much more lacking as much more notable is the cultural gap between the two countries.

### *Family networks*

Above all in the first stages, the presence of family networks is a key support in facing problems linked to the definition of an entrepreneurial project, its realization, the propensity to satisfy the offer as well as to take some degrees of risk. In this context an important role, in an intergenerational key, is often played by the children of migrant entrepreneurs, who are indispensable to their parents in order to access the local market. However, this initial strength may become a weakness since the entrepreneurs' destiny cannot depend solely on their children: more and more the second generation wants to continue studying and is showing the desire to leave the family business.

*"My mom doesn't speak Italian. This is why she hoped that we could help her but we don't like this type of work in the tailoring. In the beginning, we helped her with the language, and documents, we children were who helped her... Children don't have the same project of their parents anymore... My mom took it badly. I would like to have a job that lets me get involved with society, maybe I will even have the opportunity to travel. I chose to study information technology and after I would like to go to University. If one day I return to China, I could do this work even there, in my Country. And I will also be able to work in any part of the world."*

Therefore, as far as the second generation entrepreneurs, if initially they can follow the footsteps of their parents, then they tend to take distance and maybe to diversify. Being the boundary between different cultures, it gives them a great potential to invent new roles and innovative skills, also



thanks to the help of native friends and colleagues that allow to find the most useful information for that specific economic reality.

*"The ethnicization"*

The choice on the type of activities to undertake is often not easy and, sometimes, it's almost forced by two circumstances:

- 1) many sectors are being abandoned by the locals since perceived as activities of a lower social status;
- 2) certain migrant communities are almost exclusively employed in the same business sector. This can be seen as a positive point, they hold almost a monopoly of certain business sectors (thus that migrant community is specialized in that particular business), or a negative point, they are relegated to the sector with little chance to choose and deal with other activities.

This is compounded by a subdivision of the labor market between the different migrants communities, ie there are some communities involved mainly, if not exclusively, in certain working fields. The so-called "Ethnic specializations" are partly due to the exportation of specific work and training experiences acquired in the origin countries.

For example, in Italy there is a strong tendency of migrants from Eastern Europe and from the Balkans to undertake activities in the construction sector; whereas the Asians and those from Central Africa to undertake activities in the trade field.

The ethnic specialization can be a supporting factor for the aspiring entrepreneur who intends to follow the main career path of his/her migrant community of reference, but also a strong excluding factor for those who, instead, intend to undertake other types of activities.

This risks to bring toward the so-called "ethnicization" of certain sectors of the independent labor market, causing potential discrimination against foreign self-employed<sup>28</sup>.

In front of the migrants' entrepreneurial success in a sector of the labor market which is considered unusual for them by a part of the host society, this last reacts with signs of suspicion and, sometimes, prejudices<sup>29</sup>.

*"I had many problems at the beginning and I continue to have problems today, mostly due to the mentality of the people, not everyone trusts you... When a woman comes into my shop and sees me, an African woman, she asks "Where is the hair dresser?" I told her "I am the hair dresser" and she asks "Are you able to cut hair?..."*

The migrant entrepreneurship could make an important contribution to economic growth, even to face the economic crisis that afflicts the European countries, and to add competitiveness to the host country.

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<sup>28</sup>Ibidem

<sup>29</sup>Ibidem

At the same time however, the economic crisis has increased difficulties that migrants have to face in opening a business, especially concerning to the financing access (even with the same preconditions and requirements of the locals, migrants' requests are often "thrown out") and the public resources allocation in support to the entrepreneurship that are increasingly curtailed.

Programs supporting entrepreneurship, which are mainly calibrated at regional level and thus respondent to regional needs, show some non-fulfilments with the migrants' expectations and suffer of the lack of a starting structural policy.

The migrant entrepreneurship in Europe nowadays appears as a "fuzzy picture" which makes evident the necessity of an "integrated" reflection aimed at considering migrants and natives as components of the same economic and productive fabric and the same social body, with common resources and problems, proceeding on a path of comparison, interaction and exchange. A fundamental milestone in this path should be the acquisition of citizenship by migrant entrepreneurs and their families; something that often represents another obstacle that prevents them from actively participating in the development of the country in which they are living.

*"When you pay taxes, you should have rights. We have been living here for years, we pay all the taxes, we create businesses, we create work, then why we can't have the possibility to decide in which manner we want to work and live? Without citizenship we cannot choose who is in government, we cannot choose to move for work. I have been here working off the books for three years, after that I never stopped paying taxes, I've never taken even a day of sick leave, and what do I receive in return? What else do I have to do to get this right?"*

[Terrones Castro, owner of one of the 497,080 business conducted by citizens (or waiting to be) migrated in Italy  
<<http://www.reset.it/reset-doc/imprenditoria-immigrata-una-ricchezza-per-leuropa-e-soprattutto-per-litalia>>]

And it's in this context that "The Entrepreneurship 2020 Action Plan"<sup>30</sup>, drafted by the European Commission, and together with the National plans for employment and the structural funds, seeks to advance political initiatives to "kickstart" the migrant entrepreneurship, analyze the opportunities to propose a common legislation to remove the legal barriers to the business startup and release a stable permit of residence to the qualified migrant entrepreneurs. In this, the Members States will have to do their part in removing the obstacles that those who regularly enter in EU have to face, as well as to grant access to information and networks for migrant entrepreneurs.

### *Second generation migrants*

Barriers affecting migrants in starting a business, particularly access to credit, get easier when you take into account migrants of second or third generation. When we speak about second generation migrants we refer to people moving to the host country at a very young age, around six years old, or those who, although children of migrants, were born in the "host" country. This determines a greater

<sup>30</sup> European Commission, <[http://ec.europa.eu/growth/smes/promoting-entrepreneurship/action-plan/index\\_en.htm](http://ec.europa.eu/growth/smes/promoting-entrepreneurship/action-plan/index_en.htm)>



familiarity with the support systems offered to start up businesses and even with the business skills necessary to undertake with success the career of an entrepreneur in the country of reference. Growing culturally in a "host country" approaches the aspiring entrepreneur, child or grandchild of migrants, to the native aspiring entrepreneur, ie if, on the one hand, he/she faces less structural and cultural barriers in his/her decision of becoming an entrepreneur, on the other side, a second generation migrant suffers from the same problems experienced by the aspiring entrepreneur without foreign origins.

For example, if we are in a country where the natives are lacking desire to be entrepreneurial, the same is likely to be registered with regard to the second generation migrants.

Furthermore, this group is generally found to be more ambitious and selective in choosing a job: while first-generation migrants may be more frequently 'forced entrepreneurs', second-generation migrants may act more frequently as 'voluntary entrepreneurs'. The results of recent researches show that the younger generation is more open and looks for new opportunities outside the traditional markets<sup>31</sup>.

## European policies and strategies to promote migrant entrepreneurship

In the past decade, many OECD countries have been adopting specific policy measures aimed at fostering migrant entrepreneurship. But, if on one hand there are specific linguistic and cultural barriers, as well as lack of business skills and of familiarity with the new country's overall functioning, that limit the successful development of migrants' business, on the other, the risk of ghettoization must be avoided: support measures for all the entrepreneurs are crucial both for native and migrant entrepreneurship. Many of the difficulties that must be overcome to set up and develop your own business are the same for a young migrant entrepreneur and a native one.

Measures that a State should implement to ensure that a migrant entrepreneur and a native entrepreneur start at the same level are:

- simplifying and accelerating the administrative processing for the start up of a business, registration and management;
- creation of tax regime that favors investments for entrepreneurs;
- strengthening of education and entrepreneurial training;
- providing for a greater support for scientific research and innovation;
- promotion of a entrepreneurial culture.

Measures aimed at promoting migrant entrepreneurship can be split into:

- 1) targeted support programmes for migrant entrepreneurs already settled in a country, aimed at increasing their possibilities for growth and success,

<sup>31</sup> T. Baycan-Levent, A. Gülümser, S. Kundak, P. Nijkamp, M. Sahin, op.cit. , 2003  
<[http://www.susdiv.org/uploadfiles/RT4\\_4\\_PP\\_Tuzin.pdf](http://www.susdiv.org/uploadfiles/RT4_4_PP_Tuzin.pdf)>

- 2) specific policies designed to select and attract foreign entrepreneurs and investors whose entrepreneurial project is in line with the economic needs of the country and, therefore, with high chances of being successful<sup>32</sup>.

### *Targeted support programmes*

The OECD countries have created support programs specifically for migrants, differentiating them in programs for refugees, for migrants and for migrant women. These measures are designed to facilitate the integration of migrants into the social fabric of the host country and are particularly incentivized in countries with a long history of migration. These programs are located in Norway, Belgium, Austria, Germany, Great Britain and France. Therefore, it is clear that the measures in favor of the entrepreneurial development of migrants are less incentive in Southern and Eastern countries in Europe.

Services that should be provided within the support programmes should include:

- Entrepreneurial training: support to the business plan definition, courses in finance and economy, rights of the business, information and communication technology;
- Support and assistance in completing administrative procedures to set the start of a business: registration of the company in the Chamber of Commerce, etc.;
- Counseling: labor law and filling out tax forms;
- Legal support;
- Monitoring and support in accessing the networks;
- Help and support in raising funds for the launch and expansion of a business: facilitating access to banks.

General characteristics of the targeted support measures to foster entrepreneurship among populations with a migrant background in OECD countries:

- cover both public and private initiatives, such as private banks, credit unions or private associations. These are, in most cases, run by intermediaries (local government, Chambers of Commerce, business associations and unions, as well as NGOs and other private organisations);
- are carried out at regional or local level, in areas where the migrant population is more concentrated, even if the funds came from national or supra-national programmes;
- generally focus on the entrepreneurs' skills, providing information on business regulations and mainstream business support services, educational services and training in language, managerial and marketing skills, advice and counselling;
- aim to ensure the equality of opportunities for migrant entrepreneurs in accessing finance.

<sup>32</sup> OECD, "Migrant Entrepreneurship in OECD Countries" – part II', 2011  
<[http://www.oecd.org/els/mig/Part%20II\\_Entrepreneurs\\_engl.pdf](http://www.oecd.org/els/mig/Part%20II_Entrepreneurs_engl.pdf)>

### The credit issues

Migrant entrepreneurs usually face greater problems given by their limited “bankability”, more stringent criteria applied by banks in granting loans to them, their high failure rate, their lack of credit history. On the other hand, it has to be noted that credit institutions often lack of knowledge and expertise of these specific clients, without counting the case of discrimination against migrants.

Some examples of measures carried out by European countries in order to overcome economic and credit issues:

- ✚ specific measures to increase banks’ awareness of the needs of migrant business owners in order to facilitate the extension of loans to those clients (Sweden);
- ✚ tailored services for migrant enterprises such as seed loans for start-up business, expansion of loans for growing businesses and other products that incubate new immigrant enterprises until they reach the level to qualify for a regular loan from the bank;
- ✚ creation of alternative funding sources targeted at migrants outside the regular financial institutions such as funds made available by the government, the communities, NGOs or associations, credit unions.

In France, specific programmes aimed at the business improvement are targeted to economically depressed areas, and so to all entrepreneurs resident in those areas, rather than to migrant entrepreneurs as a special group. However, since migrants tend to be overrepresented in those areas, they end to be the indirect target group of those programmes. The same generally holds true for measures promoting entrepreneurship among vulnerable or socially disadvantaged groups, like unemployed persons or youth people.

### *Specific policies to select and attract foreign entrepreneurs and investors*

Most European countries have specific entry and residence policies aimed to admit foreigners who intend to create their own business or invest capital.

The specific admission policies and permit regimes are intended to select those candidates whose human and financial capital and business project meet the country’s economic needs and thus bringing a contribution to employment creation and economic growth. Entry, stay and renewal of permits are authorised on the basis of those specific admission criteria.

### *The Entrepreneurship 2020 Action Plan*

37% of Europeans would work for themselves if they had the opportunity. In the event that this potential was exploited, it could be added millions of new businesses to the almost 21 million already present in the European Union.

However, several obstacles are deterring Europeans from choosing self-employment, in particular the fear of failure and the risk of perceiving an irregular income. The Flash Eurobarometer survey, "Entrepreneurship in the EU and beyond," presented on 9 January 2013 by Antonio Tajani, Vice President of the European Commission, points out that in 2009 the Europeans keen to start their own business were 45%. In the last three years, this number has been reduced by 20%, as a result of the current economic situation and the deterioration of business prospects.

Following a consultation directed to the SMEs of the European Union, on January 2013 the DG Enterprise and Industry of the European Commission presented an action plan which it intends to intervene to create an enabling environment for growth and prosperity of businesses, including through specific measures to support budding entrepreneurs among young people, women, the elderly, migrants and the unemployed.

With the approval of "The Entrepreneurship 2020 Action Plan", the European Committee has adopted for the first time a common policy in the theme of migrants entrepreneurs. "This new approach is absolutely positive", says Ugo Milchionda, a specialist in economic migration from the International Organization for Migration (IOM), "Recognizing the necessity to offer greater opportunities to women, young people, seniors and migrants, for the first time they have become a target of specific policies and their contribution to the entrepreneurship development is recognized".<sup>33</sup>

The Action Plan intends to promote entrepreneurship among specific groups of the population:

- entrepreneurial potential of women: as women represent only 34.4% of self-employed people in Europe, the spread of a business culture among women must be encouraged and further supported;
- elderly: entrepreneurs in retirement have valuable know-how that should be transferred to future generations in order to assist them in starting a business;
- migrants: given the difficulties that they often face in the labor market, self-employment could be a valuable opportunity for their economic empowerment and social inclusion;
- unemployed: support programs for business creation designed for them should include training, consulting and mentoring.

The Action Plan urges Member States to remove legal obstacles hampering the start of business of citizens from third countries. Despite the tendency to harmonize the regulations and to simplify the procedures, there are still various barriers, especially related to the heterogeneity of measures and practices in the various member countries. First of all, to get a visa or a residence permit, the needed requirements vary from country to country and, besides, the majority of states requires you to show

<sup>33</sup> F. Gnetti, *"Imprenditori migranti, una ricchezza per l'Europa e soprattutto per l'Italia"*, 29/07/2014 <<http://www.reset.it/reset-doc/imprenditoria-immigrata-una-ricchezza-per-leuropa-e-soprattutto-per-litalia>>

a previous business experience, whereas others - such as Ireland, Germany, Greece and the UK - require a minimum amount of capital to be invested<sup>34</sup>.

Migrants bring diverse entrepreneurial skills to host countries, working in a wide range of occupations and sectors, including innovative areas. Thanks to their transnational ties, migrant entrepreneurs can also contribute to expanding trade between the host country and their countries of origin<sup>35</sup>.

According to a survey conducted in 2001 by the Department of Sociology of the Catholic University located in Milan, the majority of foreign investors surveyed was concentrated in big cities. This is due to the presence of an open market to a wide range of activities and, especially, to the ever increasing demand for goods and services "ethnically connoted" (both for migrants already living in the area and for natives) thus creating a large differentiation of possible commercial activities and cultural exchange<sup>36</sup>.

The interaction between natives and migrants customers provides advantages for both, in fact the local population can benefit from new products, ideas, goods and processes such as those "high intensity of labor force" (fewer and fewer in the Western world), whereas for the foreign entrepreneur represents an opportunity to gather and exchange between its community of reference, other communities and the locals, preventing risks of marginalization and social deviance and allowing a real measure of the integration process<sup>37</sup>.

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<sup>34</sup> Ibidem

<sup>35</sup> OECD library, "*Entrepreneurship at a Glance*", 2013, <[http://www.oecd-ilibrary.org/sites/entrepreneur\\_aag-2013-en/05/03/index.html?contentType=&itemId=%2Fcontent%2Fchapter%2Fentrepreneur\\_aag-2013-22-en&mimeType=text%2Fhtml&containerItemId=%2Fcontent%2Fserial%2F22266941&accessItemIds=>](http://www.oecd-ilibrary.org/sites/entrepreneur_aag-2013-en/05/03/index.html?contentType=&itemId=%2Fcontent%2Fchapter%2Fentrepreneur_aag-2013-22-en&mimeType=text%2Fhtml&containerItemId=%2Fcontent%2Fserial%2F22266941&accessItemIds=>)>

<sup>36</sup> M. Martinelli, 2002, <<http://www.mi.camcom.it/immigrati-imprenditori#8>>

<sup>37</sup> Ibidem

## Section 2

## Youth and entrepreneurship

Data emerging from European surveys on the labour force clearly show a scenario in which the weaker sections of the labour market are young people - but it is plausible broadening the audience to people under 40 - and migrant workers.

In particular, regarding young people, youth employment problems continue to pervade all the European countries, with a disproportionately large number of young women and men exposed to unemployment or else limited to precarious or short-term work. As a result, many drop out of the workforce, or fail to enter it. Socially disadvantaged youth are particularly affected, thereby perpetuating a vicious circle of poverty and social exclusion.

In this context, entrepreneurship has been recognized as an important contribution to the strategy of bettering life conditions and independence of young people, however, very little effort has been taken until now, since unemployed young people are equalized with adults without considering their needs and their critical contribution to the socio-economic progress, as well as in-depth researches in this area are lacking, especially with regard to diverse entrepreneurial conditions and the creation of new businesses.

According to ILO, an increase in the young people employment would make earn society a substantial saving in the expense for correcting violent behaviors, thus reducing social exclusion and vulnerability of young people most at risk. A job would allow young people to switch from being totally dependent to finding autonomy and it also would help them to get out of poverty and, finally, create a sense of belonging and prospective, boosting the chance to realize their own dreams.

What are the potentials of young entrepreneurs? It is understood that not all the young people make success with entrepreneurship, but the figures are still scarce. The Youth Business International (YBI) calculated that there are over 300 million unemployed and underemployed young people aged 18 to 30 years around the world, and at least 20 per cent of these young people have the potential to become entrepreneurs, but less than 5 per cent does it. One way of tackling this unacceptable waste of energy and talent is to help young people into self-employment<sup>38</sup> through a policy able to involve young people in different phases of entrepreneurial education, starting from the training, the launch of a start-up and the business managing process. It is also necessary enabling young people to identify their specific areas of interest, to know how to project and direct their talents and skills in the best possible opportunities. The main goal of this process is to encourage young people to create new businesses and, at the same time, to improve the European and global level of employment.

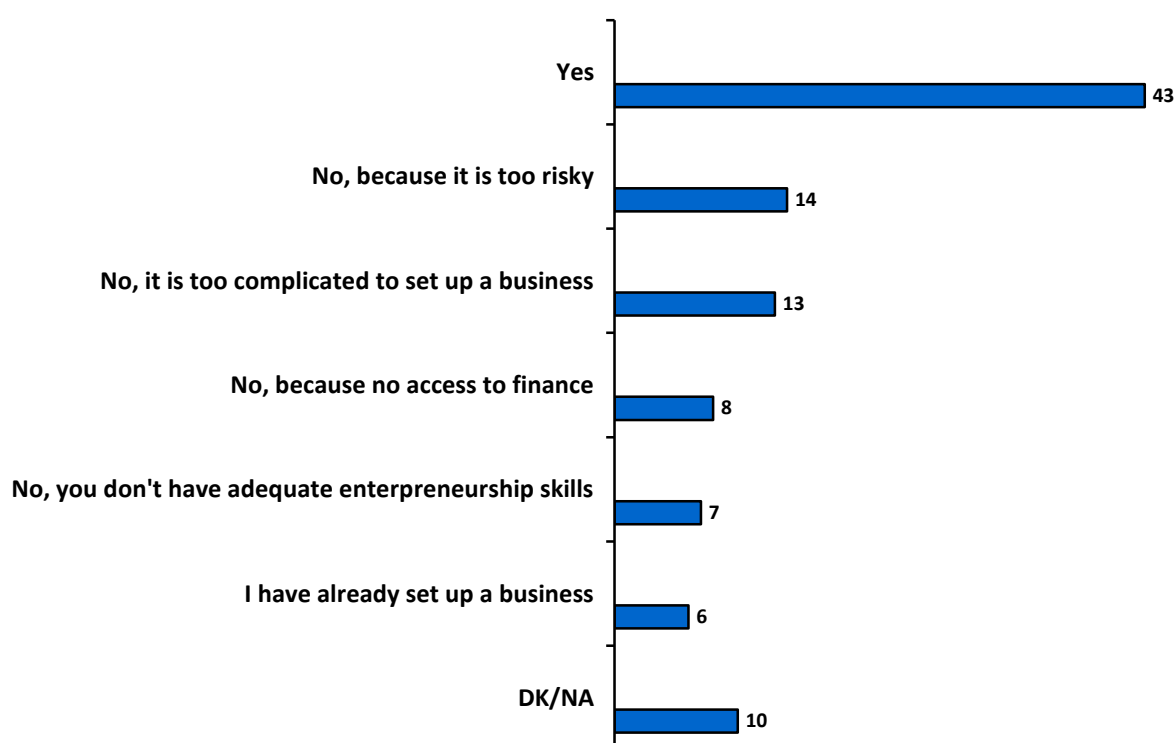
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<sup>38</sup> Youth Business International, Chambers, R.; Lake, A. (2002): *"Youth Business International: Bridging the gap between unemployment and self-employment for disadvantaged youth"*. Skills Working Paper No. 3, InFocus Programme on Skills, Knowledge and Employability, ILO, Geneva.

According to a European survey conducted on 2011, “young adults were divided as to whether they would (43%) or would not (42%) like to set up their own business in the future. A tenth of respondents could not say whether they would like to set up a business and 6% said they had already done so.

One in seven young adults said that setting up a business was too risky and another 13% thought it would be too complicated. ‘Not having adequate entrepreneurship skills’ (7%) and ‘access to finance’ (8%) were each mentioned by less than a tenth of respondents.”<sup>39</sup>







*Table 7: Young people’s desire to set up a business: “Would you like to set up your own business in the future?”<sup>40</sup>*



<sup>39</sup> The Gallup Organization, Flash EB Series #319b, “Youth on the move. Analytical report”, 2011, [<sup>40</sup> Ibidem](http://www.google.it/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCEQFjAAahUKEwjDlOnU6Z7IAhVFBBoKHS3TAWg&url=http%3A%2F%2Fec.europa.eu%2Fpublic_opinion%2Fflash%2Ffl_319b_en.pdf&usg=AFQjCNEgRNTcKTe1tqQi6uNa4slcvvTR2g&sig2=JFNABLOPjnU3qojWf1KCWQ>”</a></p>
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Table 8: Young people's desire to set up their own business in the future – by segments: "Would you like to set up your own business in the future?"<sup>41</sup>

	Total N	% Yes	% No because it is too risky	% No, you don't have adequate entrepreneurship skills	% No, because no access to finance	% No, it is too complicated to set up a business	% I have already set up a business	% DK/NA
<b>TOTAL</b>	30312	42.8	14.3	6.9	8.2	12.7	5.6	9.5
 <b>SEX</b>								
Male	15414	47.1	12.3	4.9	7.9	11.2	8	8.6
Female	14898	38.5	16.3	9	8.5	14.2	3.2	10.4
 <b>NATIONALITY</b>								
Country of residence	28888	42.3	14.5	7	8.3	12.7	5.6	9.6
Other nationality	1405	54.3	10.6	4.4	6.6	11.9	5.7	6.3
 <b>AGE</b>								
15 - 19	6559	50.4	11	6.6	4.9	14.1	0.7	12.3
20 - 24	7115	47.6	13.1	7	7.5	13.4	2.6	8.9
25 - 29	7491	43.1	13.9	7	9.8	11.1	6	9.1
30 - 35	9097	33.6	17.8	6.9	9.8	12.4	11.3	8.1
 <b>CURRENTLY IN EDUCATION</b>								
Yes	11836	49.7	11.8	6.3	5.1	13.7	1.8	11.5
No	18456	38.4	15.9	7.2	10.2	12	8.1	8.1
 <b>CURRENT EDUCATION</b>								
Lower secondary level	939	50.4	13.6	4.2	4.5	15	0.3	12.1
Upper secondary level, general education	2869	50.4	12.5	5.6	3.2	12	1.3	14.9
Upper secondary level, vocational education and training, including apprenticeships	1962	52.8	14.8	5.2	6.3	11.9	1.7	7.2
Post-secondary, non-higher education	1078	53.8	8.2	6.5	6.4	15.4	0.7	9
Higher education	4922	47.3	10.7	7.5	5.5	14.8	2.6	11.6
 <b>COMPLETED EDUCATION</b>								
Left school before completing lower secondary education	620	35.4	14.5	10.7	13.6	16.4	5.3	4.1
Lower secondary level	2938	35.4	17.1	10.2	12.8	10.3	6.6	7.6
Upper secondary level, general education	3317	41.5	15.9	5.7	10.1	11.4	8.2	7.2
Upper secondary level, vocational education and training, including apprenticeships	3616	39.8	17.3	5	11	10.9	8.7	7.2
Post-secondary, non-higher education	1913	33.6	15.6	6.3	11.3	17.2	8.8	7.2
Higher education	5965	39.5	14.6	7.9	7.8	11.8	8.4	10

<sup>41</sup> The Gallup Organization, Flash EB Series #319b, op. cit., 2011,

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## European policy on Youth Entrepreneurship

All European countries suffer from a youth unemployment rate greater than before the economic crisis, except for three countries: Germany and, at a lower scale, Austria and Malta. The youth unemployment rate (young people between 15 and 24 years old) in European countries shows a very worrying data: between 2007 and 2013 the percentage of young people without work has nearly doubled in Italy, Greece, Spain, Portugal, Cyprus, Ireland and Belgium.

*Table 9: European Union youth unemployment rate<sup>42</sup>*



According to the EU Youth report of 2015<sup>43</sup>, although young people are now more educated than in the past, they make a large use of Internet and are more likely to volunteer: 8.7 million of them are unemployed, 13.7 million are not in education, employment or training (NEETs) and 27 million are at risk of poverty.

A research conducted in 2004<sup>44</sup> by the European Commission through "flash barometer" for 25 EU countries plus USA, Norway, Liechtenstein and Switzerland, reports that the old continent sharply preferred to be an employee, whereas the United States sharply preferred the self-employed. However, if we look at the demography of the opinions, we find out that, in Europe, young people between 15 and 24 years old were much more likely than adults to self-employment.

In 2015, however, more than half of respondents did not want to start their own businesses any more, while only 22% wanted to start a business but he/she considered it very difficult.

<sup>42</sup> EUROSTAT, <[www.tradingeconomics.com](http://www.tradingeconomics.com)>

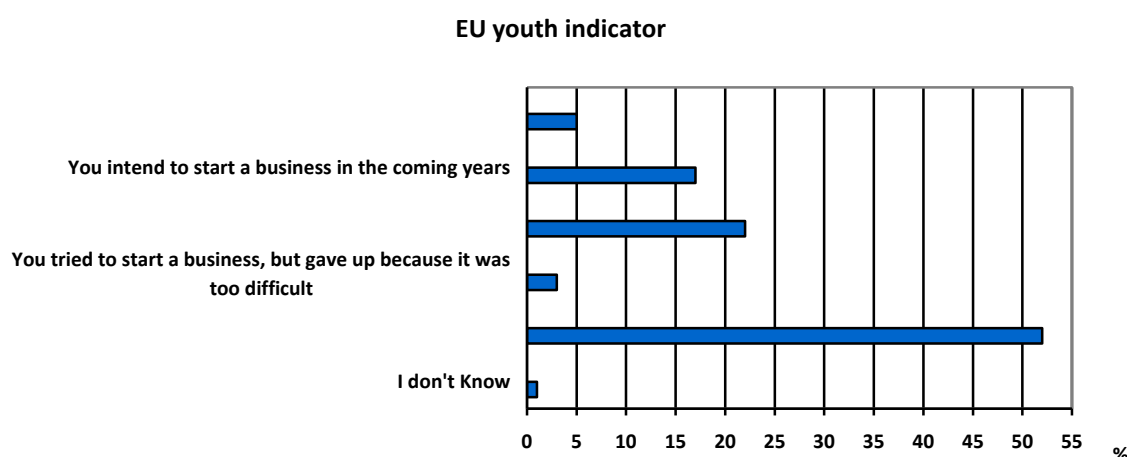
<sup>43</sup> EU Youth Report 2015, <[http://ec.europa.eu/youth/policy/implementation/report\\_en.htm](http://ec.europa.eu/youth/policy/implementation/report_en.htm)>

<sup>44</sup> Ibidem

Only a quarter of young Europeans are more proactive about starting a business (5 % have done so, 17 % intend to do so in the near future and 3 % tried to start a business but gave up because it was too difficult)

The highest percentage of respondents willing to become entrepreneurs is registered in Lithuania (32 % 'intend to start a business in the coming years') and Romania (33 %). Conversely, the lowest values are recorded in Germany (11 %) and Greece (11 %). The country with the lowest percentage of young people that have started a business is Ireland (only 2 %).

*Table 10: EU Youth indicator - Young people (aged 15-29) who would like to set up their own business, EU-28 average, 2014<sup>45</sup>*



Currently, in Europe, many countries are fielding programs aimed to favor youth entrepreneurship, these include education and training together with information desks, consulting services, coaching and mentoring and specific structures such as "incubators" and networks of young entrepreneurs.. One of this, it's right the Erasmus + Programme with which the European Commission intends to support the political efforts adopted in recent years by European governments and institutions to promote activism and engagement of young people in the European economy. Within this programme, a project specifically directed to young entrepreneurs has been created: Erasmus for young entrepreneurs, an exchange program between countries that offer to new entrepreneurs - or aspiring entrepreneurs - the opportunity to learn the trade secrets from seasoned professionals who manage small or medium sized businesses in other programme countries. European aspiring

<sup>45</sup> European Commission, "COMMISSION STAFF WORKING DOCUMENT. Situation of young people in the EU. Accompanying the document", part 2/6, Brussels, 2015, [!\[\]\(b35263723f72b3505bf2fc71ccda8e5d\_img.jpg\)
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entrepreneurs can thus acquiring skills needed to successfully start and / or manage a small business in Europe. New entrepreneurs learn and exchange knowledge and business ideas with experienced entrepreneurs, from where they are hosted and with whom work for a period of 1 to 6 months. What results is a collaboration in which both parties can achieve enormous benefits. Both sides have so much to offer such as new market opportunities at the European level and the possibility to discover different ways of doing business.

Youth entrepreneurship is not the panacea of the current crisis, but it may be part of the solution furthermore, in order to have the greatest effect, institutions must focus their attention on the needs of the young people who hope to enter competitive sectors, assisting them with complementary policies rather than a single tool.

According to a Report by the DG Enterprise and Industry European Commission, of 2000, it is estimated that 98.8% of the companies in the European territory are small and medium size companies that employ 52% of the total work force, 21% of which is women and 36% young people (15 to 24 years old).

Youth entrepreneurship can be divided into three bands: the first it's from 15-19 years old during which young people are formed, the phase 20-25 in which they can do internship and stage aimed to gain experience and finally the one from 26 to 29 years old when they are able to actually start a business.

Motivations and reasons which influence a young person to become an entrepreneur change notably most when entrepreneurship becomes a way to escape poverty or it is used as an opportunity to realize oneself in society. Attitudes, personal interests and talent play a role, passing thus from a simple willingness to earn money to carry forward progressive ideas.

There are also different types of youth entrepreneurship, aimed at social objectives, such as that of cooperatives and part time work, the latter very much appreciated by young people as it allows them to work and finish their studies besides risking little in terms of capital and the possibility of gaining experience to gradually enter the work world.

The cooperative model is very popular in the vision of a common goal, particularly useful in overcoming the scarcity of capital and initial resources (according to an estimate in 2011 from the United Nations, there are nearly 800 million cooperative members in more than 100 countries, but few with young individuals)<sup>46</sup>.

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<sup>46</sup> United Nations, 2011, "*Background paper on cooperatives*", prepared for International Day of Cooperatives 2 July 2011

## What hinders a young person in starting a business?

Difficulties that young people face when wanting to become entrepreneurs are many and often interdependent, it is therefore necessary a political support to young people.

Although the European market has fewer and fewer barriers to gain entry, the competitiveness is very high and the rate of survival in the first three years for a company managed by a young person is very low in respect to companies that have a long standing in the market, but also more chances of growth, which for young people under 30 years old is estimated to be 206% and this may serve as an example for institutions on the potential benefits deriving from the support to young entrepreneurs.

Some elements hindering young people in starting its own business:

1) A youth may be influenced by his/her family background, for example the fact to be an entrepreneur's kid or an employee's kid is an aspect that may condition his/her knowledge and propensity for entrepreneurship.

Family and educators, however, are not always aware of the opportunities that derive from entrepreneurship and the lack in encouragement may be reflected in a negative social attitude toward entrepreneurship, thus constituting a first obstacle in undertaking this path. At a cultural level, indeed, entrepreneurship is still considered a model that is not particularly virtuous and a path highly, often too much, risky. Differences regarding the propensity for entrepreneurship are notable from a continent to another. For example, Americans show less fear of risk than Europeans. The latter's fear, respectively, 45% the bankruptcy and 35% the loss of property.

2) A second aspect is linked to education and training: these sectors do not do enough to promote an entrepreneurship attitude and the relative skills, they tend, instead, to prepare pupils to be salaried employees.

In young people's imagination, entrepreneurship is strongly linked solely to the concept of economic profit, with no regard to the social benefits, not to mention that the success and failure of a business are very much related to a person's reputation.

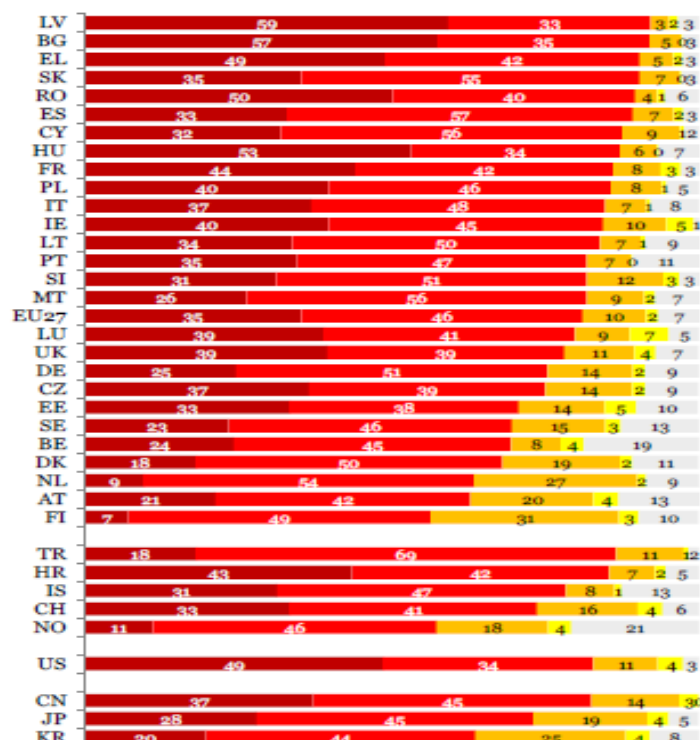
United States, Canada, New Zealand and Australia are among the countries with the best guidelines in entrepreneurial education since they have been able to start processes aimed at doing research on the cultural influence of the entrepreneurship, as well as at assessing aptitudes and aspirations of young people toward it. In these countries, for example, importance is given to the launch of reference models and the media promotion of competitions for young entrepreneurs. In the wake of these processes, also the EU begun to take action by introducing notions of entrepreneurship in the portfolio of primary school and universities, together with a collection of good practices on entrepreneurship, constantly updated and with frequent opportunities for sharing at European level.

3) Compared to their older colleagues, young people who wish to launch a start up have a lack of financial, human or social resources and more rarely they have had any managerial or business experience, thus being lacking of experience and some useful skills to start. Indeed, work and entrepreneurial experience are considered among the most important factors in the start up and management of a business.

4) The lack of financial resources and the difficulty in accessing a line of credit. The availability of initial capital is a good guarantee of success in the business world, but young people often do not have such resources and, moreover, they also have greater difficulties in obtaining financing. The requirements for granting a bank loan are often prohibitive for a young person. According to a survey conducted by The Gallup Organization upon the request of Directorate-General for Enterprise and Industry<sup>47</sup>, across all EU Member States, a majority of interviewees agreed that it was difficult to start one's own business due to a lack of available financial support as shown in the Table 12.

Table 11: Question "It is difficult to start one's business due to a lack of availability financial support"<sup>48</sup>

Strongly agree
  Agree
  Disagree
  Strongly disagree
  DK/NA



<sup>47</sup> The Gallup Organization, Flash EB Series #283, "Entrepreneurship in the EU and beyond. A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China", 2010

<sup>48</sup> Ibidem

5) Rarely does a young entrepreneur has at his/her disposal a business network or a business-related social capital, therefore it's even more difficult to create a "credibility" in the business world, at various levels (clients, suppliers, financiers), with negative consequences both in starting up the businesses and in getting on with it.

6) The illusory opening of the free market brings companies run by young people to clash with the skepticism of the financial market and that of consumers, having no certainties on the reliability of the newcomers and creating thus barriers difficult to overcome.

Special mention has be made for the survival of startups, particularly difficult for those run by young people. According to the online magazine TechCrunch<sup>49</sup>, in a comparison between US and EU start-ups, in the US only 12% of start-ups manage to survive, after the seed stage (the first funding phase of a start-up, when you try to figure out if an idea may become a future business), till the first round of funding, while in the EU the figure is 6%. Of these, only 23% of the European start-ups manage to reach the second round of financing, against 33% of the American ones.

The high mortality rate of young people's start-up is only partly the result of short-sighted business strategies (that can occur, however, in the case of young entrepreneurs with little experience): if there isn't a realistic assessment of the emergencies a business has to face with (and the costs involved before they generate revenues), the initial budget is likely to be completely eroded. The cause is the lack of liquidity: the available capital is often insufficient to support the huge costs of launching a new business. To compound this scenario is the big taxation and bureaucracy that makes access to credit a pipe-dream. Therefore, youth entrepreneurship is likely to remain limited.

According to The Gallup Organization's survey "roughly 8 in 10 EU citizens agreed that it was difficult to start up a business due to a lack of available financial support; 35% strongly agreed that this was the case. A large majority of respondents also agreed that business start-ups were difficult due to complex administrative procedures: 71%, in total, agreed and 29% strongly agreed. EU citizens were, however, less likely to agree that it was difficult to obtain sufficient information about how to start up a business: 51% agreed with this statement, while 38% disagreed". "EU citizens were split in their opinions as to whether a business start-up should be avoided if there was a risk that this venture might fail: 50% agreed and 46% disagreed (19% strongly agreed and 13% strongly disagreed)".

<sup>49</sup>Greta Schlaunich, "Startup, Ciao zio Sam Adesso tocca all'Europa", 03/10/2014,

<[http://www.corriere.it/economia/finanza\\_e\\_risparmio/notizie/startup-ciao-zio-sam-adesso-tocca-all-europa-885f0d0e-4a0e-11e4-9fe4-a545a65e6beb.shtml](http://www.corriere.it/economia/finanza_e_risparmio/notizie/startup-ciao-zio-sam-adesso-tocca-all-europa-885f0d0e-4a0e-11e4-9fe4-a545a65e6beb.shtml)>



Table 12: Barriers to entrepreneurship

■ Strongly agree   
 ■ Agree   
 ■ Disagree   
 ■ Strongly disagree   
 ■ DK/NA



### Different challenges for different groups of young people?

The young population is very heterogeneous and with significant differences regarding the difficulties to be overcome for becoming an entrepreneur: certain categories find a strong resistance in the work market, such as the ethnic minorities, those living in disadvantageous areas, those coming from poor families, those with a low level of education (eg. the level of entrepreneurship rises with the education level - 6.3% for high school graduates in comparison with 9.1% for university graduates).

However, the most disadvantageous category is that one of who does not study, does not work and is not in training (NEET). Inactives and apathetics by choice or a lack of other alternatives. Young people, even more often, represent a significant weight on the economic scenario around them.

Eurofound estimates that the NEET population in the EU-21 (excluding Denmark, Greece, France, Malta, Finland and Sweden) costs the European economy over EUR 100 billion each year in terms of foregone earnings and direct social transfers<sup>50</sup>.

If the NEET generation was integrated into the social and productive fabric, it would contribute to the EU GDP growth of the 1.2%. Many young migrants are included in this category, for example in Italy more than 40% of foreign young people leave school before the term and there are about 400,000 young migrants, mostly girls, who are among the so-called NEET. At the same time, among

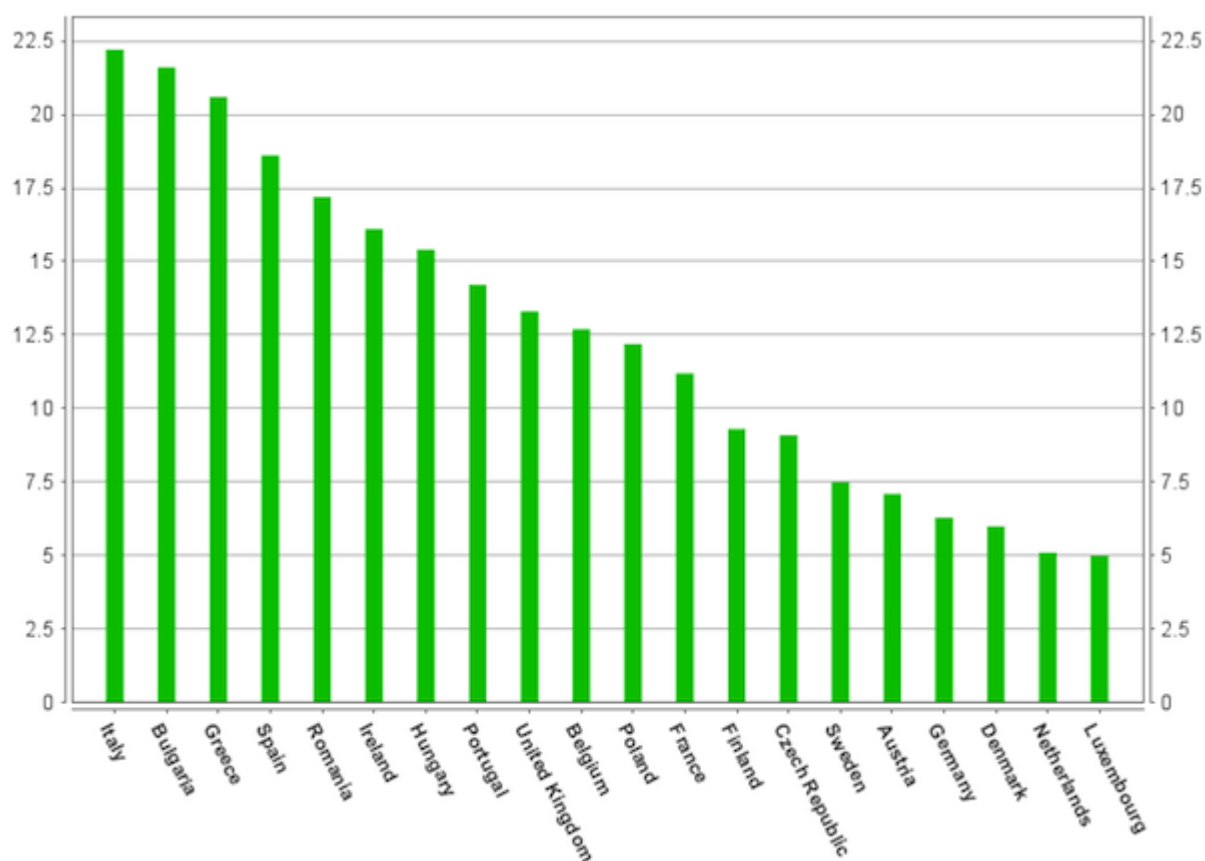
<sup>50</sup> Eurofound, 2011, <<http://www.eurofound.europa.eu/>>



foreigners there is an augmentation of inactiveness (+77,000 units between 2012 and 2013) <sup>51</sup>. It is evident that an area of social exclusion has been creating.

According to Eurostat data 2014, Italy is the Country with the largest number of NEET, followed by Bulgaria even if with a notable improvement (from 21.6% in 2013 to 20.2% in 2014) and from Greece at 19.1%. The majority of European countries has however seen a decline in the percentage of young NEET between 2013 and 2014, so much so that the European average has passed from 13% to 12.4%. The worst performance was in Luxembourg, which passes from 5% to 6.3%. Also in Finland the situation is not good which passed from 9.3% to 10.2%.

Table 13: NEETs in Europa<sup>52</sup>



As shown in the Table, the general tendency is an increase in the percentage of young NEET in southern European countries (Italy, Greece, Portugal and Spain) and a stabilization, when not a

<sup>51</sup> Fourth annual report 2014. The migrants in the italian labor market, by the General Directorate of Immigration and Integration Policies, Ministry of Labour and Social Policy, in cooperation with the General Directorate for Policies for Employment Services, INPS, INAIL, Unioncamere, and the coordination of Italia Lavoro.

<sup>52</sup> Eurostat, 2014, <<http://ec.europa.eu/eurostat>>

decrease, of the phenomenon in the rest of Europe. This signifies that there aren't global trends in action everywhere, but some more favourable environments than others.

The young NEETs are an important segment of the population. When the numbers are so large it means that causes are structural, indeed these reside in how society and economy are organized. Instead of thinking policies and interventions aimed at young NEETs, it would be appropriate to act on those structural elements, creating an environment where young people have the possibility and the desire to study, work and fully live as citizens.

It is therefore necessary to adapt different policies to help disadvantaged youth who represent a great cost to society and, at the same time, to work for promoting entrepreneurship among the most disadvantaged as an opportunity to create income and job opportunities.

## European policies and strategies to promote youth entrepreneurship

The European Union promotes entrepreneurship as a key competence that can boost competitiveness and growth. It has highlighted the importance of advancing a European entrepreneurial culture by fostering the right mind-set and entrepreneurship related skills in the Europe 2020 strategy. As a result, entrepreneurship education is now being increasingly encouraged across Europe. Encouraging entrepreneurship is particularly important to face challenges related to alarmingly high youth unemployment rates in most of the EU Member States. Entrepreneurship and self-employment offer pathways for young people to emerge from unemployment. In this context, special attention is paid to the social entrepreneurship model, which is embedded in the real economy, close to people and to local communities, and primarily aimed at contributing to the general good of society. Europe needs to invest in people, in their skills, in their ability to adapt and in their ability to innovate. To achieve this, there is a need to encourage young people, to instil a spirit of entrepreneurship from early on in life — initiative, confidence, calculated risk-taking, creativity, organisation, tenacity — and to help them in the transition from school to adulthood.

A sense of initiative and entrepreneurship refers to an individual's ability to turn ideas into action. It includes creativity, innovation and risk-taking, as well as the ability to plan and manage projects in order to achieve objectives. This supports individuals in their everyday lives at home and in society, and in the workplace. It alerts them to the context they operate in, and makes them more ready to seize opportunities.

Entrepreneurship depends on:

- knowledge, including the ability to identify opportunities for personal, professional and/or business activities;
- skills, in proactive project management (planning, organisation, leading and delegating, analysis, communication, evaluation and recording), representation and negotiation, and working as an individual and in teams;
- attitude, characterised by initiative, independence and innovation in personal and social life, as much as at work, and motivation and determination to meet objectives.

### The Entrepreneurship Action Plan

The Entrepreneurship Action Plan aims to promote effective action to activate the entrepreneurial potential, remove existing barriers and revolutionize the culture of entrepreneurship, all over Europe. To achieve real change, specific investments are fundamental, such as in the public perception about entrepreneurs, in the entrepreneurial education/training, in supporting underrepresented groups among entrepreneurs.

One of the major obstacles faced by young people, and even more if migrants, is the difficult access to financial resources.

To address this problem, the European Commission will<sup>53</sup>:

- Finance programmes aimed at developing microfinance in Europe.
- Facilitate the direct access of SMEs to the capital market through the development of the "SMEs growth markets".

Member States are invited to:

- Facilitates new, alternative forms of financing for start-ups and SMEs, as well as consider the need for simplification of tax legislation to stimulate further development of alternative financial markets such as business angel investments.
- Make use of structural funds resources to set up microfinance support schemes under the ESF and the ERDF respectively.

For Europeans, the main persuading reasons to start a business are self-realization and flexibility of time and place of work. Therefore a radical shift in the European culture towards new concepts of entrepreneurship is necessary, that one which celebrates success publicly, brings the contributions of entrepreneurs to European prosperity to the fore and showcases the rewards of an entrepreneurial career.

The Commission will establish, in the framework of the "SME Week", a Europe-wide "EU Entrepreneurship Day" for students in their last year of secondary education.

Member States are invited to:

- Step up entrepreneurship promotion activities and appoint known entrepreneurs as national Entrepreneurship Ambassadors to become "the face of entrepreneurship" in their countries.
- Better take into account the variety of business models and legal statuses in their national or local business support schemes, and develop social entrepreneurship education and training.

Demographic groups that are underrepresented within the entrepreneurial population and especially founders of start-ups are young people, women, disabled, migrants and the unemployed.

<sup>53</sup> European Commission, 'Entrepreneurship as a main driver for economic growth', Brussels, 9 January 2013, <[http://europa.eu/rapid/press-release\\_MEMO-13-5\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-5_en.htm)>

Europe must open paths for them into entrepreneurship to create jobs for them, empower them economically and socially and leverage their creative and innovative capacities<sup>54</sup>.

### *Developing entrepreneurial skills*

Investing in digital technology is no longer an option: business today can only be competitive if they endorse the digital world.

To compensate an initial lack of knowledge and competence in this sector, it shall be provided the most useful information through a soft approach, such as the ability to find opportunity, business planning, the start of pilot projects, with the result of gaining autonomy, initiative, creativity and greater teamwork. The soft approach, in this sense, begins in the education system, introducing in primary school the figure of the entrepreneur as a possible profession along with the knowledge and ability necessary to become one.

To do this it is necessary that policies revise the relationship between education and training and the work world (eg the EU strategy "Rethinking Education" and "Entrepreneurship") creating ad hoc addressing paths, and also think to paths beyond the teaching that lead young people to opportunities where they can work alongside entrepreneurs in start up and management of business, thus making institutions of higher learning the real protagonists of this process.

To give a strong signal, there will be a "European Week of Entrepreneurship" established within the framework of the "European Week of SME" aimed at students in their last year of secondary school, giving energy to entrepreneurial culture and favoring the exchange of "know how" through a reciprocal and intergenerational mentoring with elder entrepreneurs.

Evaluating the results of this approach is certainly not easy, however data available in Belgium, Germany, Denmark and the United States, countries where the business training has been introduced into the education system, demonstrate an increase in the interest among young people to go ahead with a business start up; between 15% and 20% of students who participate in a program of "small businesses" during secondary school, then start their own businesses, a figure that exceeds three-five times that one of general population<sup>55</sup>.

An appeal is also aimed at international organizations who must constantly examine the development of these policies so as to elaborate guidelines and make improvements in the common strategy of the reduction of unemployment among young people.

<sup>54</sup> Ivi

<sup>55</sup> European Commission, Brussels, 9 January 2013, <[http://europa.eu/rapid/press-release\\_MEMO-13-5\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-5_en.htm)>

### *Providing financial support*

The idea is to overcome the problem of granting loans through three principle tools: the promotion of contests with prizes of free financing, facilitation of loans with public guarantees through micro credit, promotion of a greater equality in accessing credit for young people by increasing opportunities for contact with the "angels investors".

At the European level, in France there is a policy to encourage young people to start a business that provides for the covering of the initial costs for up to 450 euros a month, or in Greece where they grant to 29,000 euros a year for innovative business or, finally, through the "Thurigian elevator pitch" held in Germany every year with the aim of putting in contact young entrepreneurs and business angels.

As for the granting of guarantees provided through competitions for the best ideas proposed by young people, there is the French programme called "DEFI jeans"<sup>56</sup> or the German "EXIST start up Germany"<sup>57</sup> which provides economic support such as a coverage from 800 to 2500 euros a month, together with a sum for instruments or for financing coaching along with the availability of the universities to provide their own structures.

The channels for the microcredit delivery allow young entrepreneur to borrow a loan at lower interest rates than the market (although quantitatively there are very few specific projects for young people) with the example of Belgium that supports entrepreneurs under 30 by taking part of the risks and covering part of possible failures.

European governments are exploring these three traditional measures (prize competitions, guarantees for loans, contact between young people and angels investors) but also new methods linked to risk capital and market research so to expand the range of options.

However, to be really effective, these interventions need a revision in the legal framework of reference for the launching of start ups beginning from the reduction of the documents necessary to obtain financing, improving the cooperation between the institutions involved in young entrepreneurship, adopting different criteria for loans at young people, increasing transparency of credit institutions and finally reviewing taxation for young start-ups thus promoting the ability of self financing among young entrepreneurs.

Some results are already verifiable as in the case of Estonia<sup>58</sup> where the survival rate of start ups has increased and in the UK<sup>59</sup> where an increase of production and employment have been recorded.

<sup>56</sup> <http://www.jeunes.gouv.fr/ministere-1001/actions/initiative-et-participation-desaccueil.html>

<sup>57</sup> "EXIST Start-up Germany", <<http://www.exist.de/EN/Network/EXIST-Start-up-Germany/content.html>>

<sup>58</sup> "Policy Brief on Youth Entrepreneurshiphttp",

<[http://www.oecd.org/cfe/leed/Youth%20entrepreneurship%20policy%20brief%20EN\\_FINAL.pdf](http://www.oecd.org/cfe/leed/Youth%20entrepreneurship%20policy%20brief%20EN_FINAL.pdf)>

<sup>59</sup> "An Evaluation of Business Start-Up Support for Young People", Meager and Bates, 2003, <<http://ner.sagepub.com/content/186/1/59.abstract>>

In order to meet the needs for guidance and training, income support and business capital outlined above, start-up incentives include different types of measures used to incentivise jobseekers to set up their own business, classified as follows:

- non-repayable monetary incentives (grants, subsidies, or allowances), sometimes combined with the continuation, conversion, or replacement of unemployment benefit entitlement;
- loan programmes offering preferential terms;
- fiscal incentives (tax and social security exemptions).

The above can be used in isolation or in combination, together with additional support or training, hence a further category is ‘combined’ programmes that have a number of components.

*Table 14: Overview of measures currently in use across 29 European Countries<sup>60</sup>*

Type of measure	No of Countries where measures are in use	Countries where such measures are in use
Non-repayable grants or subsidies	15	BE, BU, CZ, DE, EE, EL, ES, HU, LT, PL, PT, AT, SE, SK, FI
Link to unemployment benefit (UB):		
– Conversion of UB	5	BG, ES, FR, LU, PT
– Replacement of UB	5	BE, DE, AT, FI, UK
– Income support during launch phase	8	BE, DE, HU, LV, AU, SE, UK, IS
– UB continued or graduated during support	3	DK (continued) — FR, NL (graduated)
Preferential loans	11	BE, BG, ES, FR, LV, LT, NL, AT, PT, SK, UK
Tax and social security exemptions	4	ES, FR, LT, RO
Combined measures (financial incentives combined with training, coaching, etc.)	11	BG, HR, LV, MT, NL, PT, AT, SI, FI, UK, and IS
Specific target groups:		
– Women	5	DE, EL, CY, PL, FI
– People with disabilities	8	BE, BG, CZ, FR, LT, NL, PL, SK
– Young people	13	BE, EL, FR, IT, LT, LV, LU, MT, PL, PT, RO, SK, FI
– Other disadvantaged groups	2	HU, PL

Based on the data available, it's possible to conclude that by adopting interventions addressed to a group of highly interested and competent young people, the number, the development and the

<sup>60</sup> European Commission, Directorate-General for Employment, Social Affairs and Inclusion, “European Employment Policy Observatory Review. Activating jobseekers through entrepreneurship: Start-up incentives in Europe”, 2014, <[http://www.google.it/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCEQFjAAahUKewiU-8G89J7IAhVHWBoKHRVXDkY&url=http%3A%2F%2Fec.europa.eu%2Fsocial%2FblobServlet%3FdocId%3D13206%26langId%3Den&usg=AFQjCNGETgbjLfo2Sj\\_Wbz5Sk1anvOFYg&sig2=x0OgRfQQ7JwbFU4JNoV8lg](http://www.google.it/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCEQFjAAahUKewiU-8G89J7IAhVHWBoKHRVXDkY&url=http%3A%2F%2Fec.europa.eu%2Fsocial%2FblobServlet%3FdocId%3D13206%26langId%3Den&usg=AFQjCNGETgbjLfo2Sj_Wbz5Sk1anvOFYg&sig2=x0OgRfQQ7JwbFU4JNoV8lg)>

survival of young start ups<sup>61</sup> is greatly increased, whereas as far the financial aid, the greatest effectiveness is recorded when consulting, coaching and mentoring services are provided or, even better, when there are structures like the "business incubator", a place where young entrepreneurs can find all the needed logistic support to launch their own business, often even in collaboration with young university students<sup>62</sup>.

### *Youth Business International<sup>63</sup>*

Youth Business International has been established to facilitate the development of programmes to stimulate youth entrepreneurship around the world. These programmes are for young people who are unable to find help elsewhere and who are unemployed or underemployed. Mature programmes are now running in six countries and the remainder are running pilot schemes or starting new programmes. Over 50,000 disadvantaged 18 to 30 year-olds have been helped to start their own business with over 60 per cent of them still trading in their third year.

How they are tackling the challenge of helping young people into employment:

Outreach – Helping young people to think about and prepare for self-employment.

Business mentoring – Mobilizing volunteer businessmen and women to help young people through the first few years of their new business.

Business support networks – Providing specialized help and advice to the young entrepreneurs through a business support network.

Information and communication technology – Using the Internet as a means of communicating advice and support to young entrepreneurs, and allowing them the opportunity to trade their goods or market their services online.

Flexible access to finance – Ensuring start-up finance is easily accessible to young people who would otherwise have immense difficulty raising capital.

Quality – Through membership of the YBI network, practitioners exchange best practice and performance criteria.

## Focus on Young migrants entrepreneurs

Migrants represent an important pool of potential entrepreneurs in Europe. According to OECD, migrants are slightly more entrepreneurial than native citizens and foreign-born self-employed people who own a small or medium sized firm, can create between 1.4 and 2.1 additional

<sup>61</sup> European Commission, 2009, "Entrepreneurship in the EU and beyond — A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, SouthKorea and China", Flash Eurobarometer 283

<sup>62</sup> "Activating jobseekers through entrepreneurship: Start-up incentives in Europe" - EEPO Review, (08/12/2014), <[http://www.google.it/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCQQFjAAahUKEwjxi8SI9Z7IAhXFWRoKHZqrAV4&url=http%3A%2F%2Fec.europa.eu%2Fsocial%2FblobServlet%3FdocId%3D13206%26langId%3Den&usg=AFQjCNGETgbjLfo2Sj\\_Wbz5Sk1anvO FYg&sig2=MF7RIq2mRQgtu5sni2RkBW](http://www.google.it/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCQQFjAAahUKEwjxi8SI9Z7IAhXFWRoKHZqrAV4&url=http%3A%2F%2Fec.europa.eu%2Fsocial%2FblobServlet%3FdocId%3D13206%26langId%3Den&usg=AFQjCNGETgbjLfo2Sj_Wbz5Sk1anvO FYg&sig2=MF7RIq2mRQgtu5sni2RkBW)>

<sup>63</sup> <<http://www.youthbusiness.org/>>



jobs. However, qualified migrant populations often face legal difficulties, restricted access to labour markets and career opportunities that push them into self-employment.

The Commission will:

- propose policy initiatives to facilitate entrepreneurship among migrants.
- analyse proposing legislation to remove legal obstacles to establishment of businesses and giving qualified immigrant entrepreneurs a stable permit.

Member States are invited to:

- remove legal obstacles to business establishment by legal migrant entrepreneurs.
- facilitate access to information and networking for migrant entrepreneurs and prospective migrant entrepreneurs.

## Annex 1

### Questionnaires with experts and stakeholders

In order to better know and understand what are the obstacles that young people with a migrant background, or belonging to minorities, have to face when starting a business, and who are the key actors to be contacted and the strategies to be put in place for reaching and involving young migrants / members of minorities interested in starting their own business, a questionnaire has been administered to experts and stakeholders in the sector, from countries involved in the ISEE YOU project.

The collected questionnaires:

9 in Austria

11 in UK

11 in Slovakia

12 in Ireland

10 in Romania

10 in Italy

22 in Spain

Hereinafter a table summarizing, country by country, the responses received:

Country	Which are the additional barriers that young migrant / minority group people face to start a business?	Are there specific needs (further than those above-mentioned) that young migrants/minority groups have, in terms of learning resources, services and networking opportunities?	Who are the main influencers/key stakeholders that we should involve in our strategy to reach young migrant /minority group entrepreneurs. Please list as many as you can think of.	Do you have any additional ideas or suggestions for us on how to reach young migrants / members from minority groups that want to start a business?
Austria	1. Language 2. Burocracy	1. Networking possibilities 2. Integratation in non-migrant networks	1. Migrant groups 2. Associations 3. Religious groups 4. Successful migrant entrepreneurs	1. Bottom-up strategy: cooperate with local and regional communities and initiatives. 2. Making a good network analysis. 3. Attract them by: make your own decisions, plan you own life, be independent.

<b>UK</b>	Low or absent knowledge of - and support by - market and language	<ol style="list-style-type: none"> <li>1. Language</li> <li>2. Confidence</li> <li>3. Incubation facilities with advice from peers, external experts, shelter from the harsh conditions outside but in particular ideas evaluation</li> <li>4. Specific place to meet, a creative space appropriate for free thinking</li> </ol>	<ol style="list-style-type: none"> <li>1. Migrant entrepreneurs</li> <li>2. Leader of religious communities</li> <li>3. Successful migrant entrepreneurs</li> </ol>	<ol style="list-style-type: none"> <li>1. Through community channels, music and theatre</li> <li>2. Involving high profile successful entrepreneurs (celebrity seems a very potent magnet)</li> <li>3. Making sure they are presented prominently in the project and being explicit in encouraging them to get involved</li> </ol>
<b>Slovakia</b>	<ol style="list-style-type: none"> <li>1. Slovakian law</li> <li>2. Language</li> <li>3. Racism</li> </ol>	<ol style="list-style-type: none"> <li>1. Adaptation to new cultures</li> <li>2. Support the advice centers during the beginning of the business</li> </ol>	<ol style="list-style-type: none"> <li>1. Municipalities/local entities</li> <li>2. Chambers of commerce</li> </ol>	<ol style="list-style-type: none"> <li>1. Showing them opportunities and possibility through successful entrepreneurs</li> <li>2. Promoting a real support by, and connection with, local institutions and entities, including in terms of economic and legal guarantees</li> </ol>
<b>Ireland</b>	<ol style="list-style-type: none"> <li>1. Lack of self-confident/insecurity</li> <li>2. Language</li> <li>3. Bureocracy</li> <li>4. Access to finance</li> </ol>	<ol style="list-style-type: none"> <li>1. Mentors from similar disadvantaged backgrounds</li> <li>2. Business training in other languages</li> <li>3. Online support for queries in relation to taxes</li> </ol>	<ol style="list-style-type: none"> <li>1. Migrant entrepreneurs and young migrant entrepreneurs</li> <li>2. Migrant associations</li> <li>3. NGO's who work with migrant communities</li> </ol>	<ol style="list-style-type: none"> <li>1. Using the embassies to host awareness building days/events</li> <li>2. Running a competition for ideas with business related prizes for winners</li> </ol>
<b>Romania</b>	<ol style="list-style-type: none"> <li>1. Language</li> <li>2. Capital constraints</li> <li>3. Lack of educational background</li> <li>4. Discrimination and prejudices, even by the public</li> <li>5. Lack of family/social network</li> </ol>	<ol style="list-style-type: none"> <li>1. Learning Romanian language to obtain a better understanding of the law</li> <li>2. Counselling/information services for migrants, even in order to avoid scammers</li> </ol>	Young migrants who were successful as entrepreneurs	Exploring local and transnational strategic partnership, eg within the European Youth Capital, Cluj Cultural Capital Initiative
<b>Italy</b>	<ol style="list-style-type: none"> <li>1. Language</li> <li>2. Bureaucracy</li> <li>3. Access to information</li> <li>4. Access to credit</li> <li>5. Few information on the procedures to start a business</li> </ol>	<ol style="list-style-type: none"> <li>1. Linguistic support and legal orientation</li> <li>2. Recognition of qualifications they got in other countries</li> <li>3. Creation of networks between foreigners and inhabitants to share the experiences</li> </ol>	<ol style="list-style-type: none"> <li>1. Social workers</li> <li>2. Young migrant entrepreneurs</li> <li>3. Trade unions</li> <li>4. Governments offices or ministries</li> <li>4. Cultural association and schools</li> </ol>	<ol style="list-style-type: none"> <li>1. Giving information on local procedures and migration law</li> <li>2. Diversify research and channels (eg Universities and schools are fine to find young migrants but keep in mind also those who suffer from lack of access to formal education)</li> <li>3. Through migrants associations, intercultural mediators, other private and public that provide service for migrants</li> </ol>

<b>Spain</b>	<ol style="list-style-type: none"> <li>1. Social exclusion</li> <li>2. Linguistic barriers</li> <li>3. Bureaucracy</li> </ol>	<ol style="list-style-type: none"> <li>1. Supporting young entrepreneurs to learn the language of the new country</li> <li>2. Creating/promoting networks among migrant entrepreneurs</li> </ol>	<ol style="list-style-type: none"> <li>1. Stakeholders from educational system</li> <li>2. Chambers of commerce</li> <li>3. Young migrant entrepreneurs</li> </ol>	<ol style="list-style-type: none"> <li>1. Offer ongoing support during the first or the first two years of the start of their business</li> <li>2. Use of internet and social media</li> </ol>
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## Annex 2

### Interviews with a migrant involved in entrepreneurship activities in Austria.

#### 1. Main challenges and concerns (legal and administrative, financial, market related, societal, other)

1.1 Have you ever thought about starting your own business in this country?

*Yes, all the time.*

1.2 What do you like best about the idea of setting up your own business?

*You could put your passion for your interests and make your interests as your career life, what an ideal life!*

*Of course, achieve the free of finance is also the important and what I like best about the idea of setting up own business.*

1.3 Which are your main concerns about owning your own business (for example: financial problems, labour market problems) in Austria? (for those with experiences: what was most challenging?)

*As a foreigner who want to set up business in Austria, the most challenging things that I faced or thought are:*

- 1. The barrier for immigrants like visa issue*
- 2. The different systems and policies like Tax, Licenses, etc.*

1.4 Would you find more challenging to start it abroad (here where you live now) or in your home country? Why?

*I find more challenging to start it abroad for sure. As mentioned, for instance, in Austria people can't easily get residence permit just because you build your business here. Although you can create your own business here as a foreigner but this can't be the reason for you to apply a residence permit. But then, if you as a boss who runs the company can't stay where the company is as a long run base, what was that? For me, it's a no goal.*

1.5 Which cultural-driven concerns, challenges or opportunities could you foresee/expect? (participants are asked to write down/explain concerns, challenges, opportunities)

*Regarding business opportunities from the cultural-driven concerns perspective, I would say the dilemma gives both chances and challenges. For instance, between China and German speaking countries, the business mentality is different, so I would say it's difficult to build strong binder*

*business relationship with the partner in Europe countries like in Germany and Austria. Just an example, the small business scope is not interesting for the most entrepreneurs. However, it's also different like talking business with for example Americans, the bigger business scope is also not interested by many entrepreneurs here. So it's actually a really challenge to measure the appropriate business scope and talk with the right partners.*

## **2. Emerging specific needs needs in terms of information and competencies (including self-reliance and the need for support and learning from other entrepreneurs), services and support, networking.**

2.1 Which support would you need to set up and start up your business? How and where do you find it? (for those with experiences: How did you find the support and the information you needed to meet your challenges? Which is your experience?)

*In general, I find there has enough organizations in Austria support the people who want to build own business, which I think is a good thing. But however, the system is really complicate for foreigner for example, so I would say there has still a lot of gap or unclearly factors. So I would say if there will have an organization specifically help/support the entrepreneurs from other countries would be the best for instance, best practice sharing, networking building platform creation, etc.*

2.2 Which are the main competencies and skills an entrepreneur needs to have, in your opinion?

*Flexibility, networking, cultural difference understanding, of course the knowledge of running business/*

2.3 Which competencies and skills you are lacking of? Which one you would like to gain?

*Professional German Speaking, more networking building as well as the know-how of the local relevant policies/laws for running business.*

2.4 Do you know any network/institution/association focused on support youth (including migrants) and migrant's entrepreneurship? Name them.

*Erasmus Entrepreneur, the project EU runs for sharing best practice between experienced entrepreneur and new/young entrepreneur, which I find it's quite good project.*

2.5 Have you heard about national industrial associations or entrepreneurs networks?

Yes.

2.6 Which benefits/supporting/information would you expect from a network/institution/association when establishing your own business?

- Local policies/laws i.e. taxes
- Networking activities
- Best practice sharing seminar/workshop