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Migrant Entrepreneurs in Germany: Which Role Do They Play?

Tanja El-Cherkeh, Andreia Tolciu*

Abstract

In recent years, self-employment among migrant groups has increased significantly in Germany. Against this background, this article aims at presenting an overview of recent entrepreneurial developments. By drawing on a wide range of secondary literature and statistical data, the present survey places the topic into a broad historical and socio-economic context. Furthermore it raises policy-oriented questions and discusses new directions for research.

Keywords: migrant entrepreneurs; labour market integration; legal provisions; entrepreneurial developments

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1 Introduction

With 600,000 entrepreneurs having a migration background (making up for 14.4% of all self-employed), migrant entrepreneurship[1] has recently started to become an issue in Germany.

In this context, much of the scientific literature evolved around the 1st generation migrant entrepreneurs and their motivations to engage in entrepreneurial activities, as well as their human and social capital, choice of sectors or the formal and informal structures they resort to. However, over the past years there have been important trends which refer i.a. to intergenerational developments (2nd and 3rd generation migrants as compared to 1st generation migrants)[2], gender aspects and new business practices creating transnational rooms. Researchers and policy makers raise moreover questions with regard to the migrant entrepreneurs' contribution to the national economy, indicators for sustainability and the role diversity plays in the context of entrepreneurial activities.

The aim of this article is to draw a differentiated picture on the development and the current situation of migrant entrepreneurs in Germany. Based on a wide range of secondary literature and statistical data, the present survey not only places the issue into a broader socio-economic context, but also raises policy-oriented questions and discusses new directions for research.

The article is organised as follows: the first chapter sketches the immigration history to Germany and provides some insights regarding the labour market integration and educational attainment of migrants. This section is enriched by

[1] In the literature dealing with foreign business owners, the terms 'migrant', 'immigrant' or 'ethnic' entrepreneurs are used in a rather alternative manner. Following the American research tradition, there is a slightly preference for the concept 'ethnic entrepreneur'. However, despite its popularity, this terms has several shortcomings: firstly, as Rath and Kloosterman (2000) point out, the label 'ethnic' somehow implicates a strong involvement of the business owner in the ethnic community, which is not applicable for all entrepreneurs. Secondly, in Europe, and particularly in Germany, the term 'ethnic' is not as commonly used, either in academic or in public discourse, as it is in the United States. Following these considerations, for this analysis we use the more neutral term 'migrant entrepreneur'.

[2] The differentiation between first and second generation migrants is made according to the definition proposed by Portes and Rumbaut (2001): while first generation migrant entrepreneurs are those entrepreneurs born abroad and who arrived in Germany after the age of twelve, second generation migrant entrepreneurs are the business owners born in Germany with at least one immigrant parent, or those who arrived in Germany before the age of twelve.

a brief overview of the legislative provisions and institutional frames regarding migrant entrepreneurship. The second chapter takes up major specific features of migrant business owners, such as developments in terms of quantity, main groups (nationalities), personal characteristics and business related patterns such as sectors, markets and clients. A further chapter discusses figures which shall represent – as indicated by German politicians and other stakeholders – the contribution of migrant entrepreneurs to the national economy. In the concluding chapter we propose topics for further research which relate i.a. to the data situation as well as to aspects regarding sustainability and diversity. Finally, we raise the question of existing support structures offered to migrant entrepreneurs by public and private institutions.

2 Migration to Germany

2.1 Historical Overview

Around 15.3 million persons in Germany have a migration experience in their family, including 6.7 million with a foreign nationality. With nearly a quarter of the population having a migration background, Germany is amongst the major receiving countries of migrants in the world. Being a country of emigration until the 1950s, it has since become an important destination for labour migrants, so-called *Aussiedler*[3], family members through family reunion and asylum seekers.

One of the first major waves of immigration to Western Germany was the result of labour recruitment agreements concluded in the 1950s and 1960s with Mediterranean countries such as Italy, Greece, Spain, Turkey, Morocco, Portugal, Tunesia and Yugoslavia.

Labour migrants were initially considered as 'guest workers', implying that this frame did not foresee permanent settlement. The guest worker programme was based on a rotation model, whereby labour migrants would have been replaced by new labourers on a regular basis. This model was criticised heavily

[3] *Aussiedler* are persons of German descent (ethnic Germans from Eastern Europe and the former Soviet states) who have the right to move to Germany and be granted German citizenship.

by employers who were not willing to continuously train new labourers. As a consequence, renewal of residence permits was made easier in 1971, followed by a series of constitutional rulings in the 1970s and 1980s. On the basis of a strengthened legal status, a part of the guest workers decided to stay, followed by a wave of family reunification in Germany. However, out of an estimated number of 14 million guest workers for the period between 1961 until 1973, 11 million persons left Germany again (BAMF, 2005). With the oil crisis and economic recession at the beginning of the 1970s, labour recruitment agreements were put to an end (*Anwerbestopp*) in 1973, which marked a general turning point in the German labour migration policy.

Despite the general recruitment ban as well as a restricted access of workers from the new EU members states to the German labour market, labour migration remains an important form of immigration to Germany. Within the legal frame of bilateral agreements, considerable numbers of migrants originating mainly in Central and Eastern European countries work in Germany on a contractual or temporary basis (including seasonal work).

Apart from labour migration, Germany received an extensive number of Aussiedler since the 1950s. Since the 1950s and until 2004/2005 around 4.35 milllion Aussiedler came to Germany, a figure that has steadily been decreasing in the past decade because of the introduction of a quota system and the requirement of fluency in German.

Germany has furthermore been amongst the major receiving countries of asylum seekers in Europe. In the second half of the 1980s, the number of asylum applicants increased substantially and peaked at 440,000 in 1992, partly as a result of the war in former Yugoslavia. Between 1988 and 1992, 1.1 million asylum seekers filed applications. As a reaction to this, the German Parliament agreed upon the so-called 'asylum compromise' which introduced the 'safe third country' rule. According to this rule, those persons entering Germany from a safe third country can no longer invoke the basic right of asylum. By 2005, the number of first-time applications had fallen to 28,914.

Finally, since the beginning of the 1990s, around 207,000 Jews from former Soviet Union countries immigrated to Germany (Özcan, 2007).

2.2 Resident Foreign Population

At the end of 2008, there were 6.7 million persons with a foreign nationality living in Germany, including 1.3 million foreign nationals born in Germany who kept the nationality of their families' country of origin.

5.3 million foreign residents are originally from Europe (of whom 2.3 million are from EU countries), 268,116 from Africa, 216,285 from the Americas, 811,369 from Asia, 11,210 from Australia and Oceania, and 58,009 are considered as stateless (and unknown origin).

Table 1: Foreign population in Germany (most common citizenships), 2008

Citizenship	Total
Turkish	1,668,370
Italian	523,162
Polish	393,848
Greek	287,187
Croatian	223,056
Russian	188,253
Austrian	175,434
Bosnian-Herzegovinian	156,804

Source: German Federal Statistical Office (2008), HWWI.

As mentioned above when considering all persons with a 'migration background' (persons who have either immigrated themselves or are the second or third-generation descendents of immigrants), this figure amounts to 15.3 million which is equivalent to 19% of the German population (German Federal Statistical Office based on Microcensus data of 2005).

2.3 The Labour Market Integration of Migrants

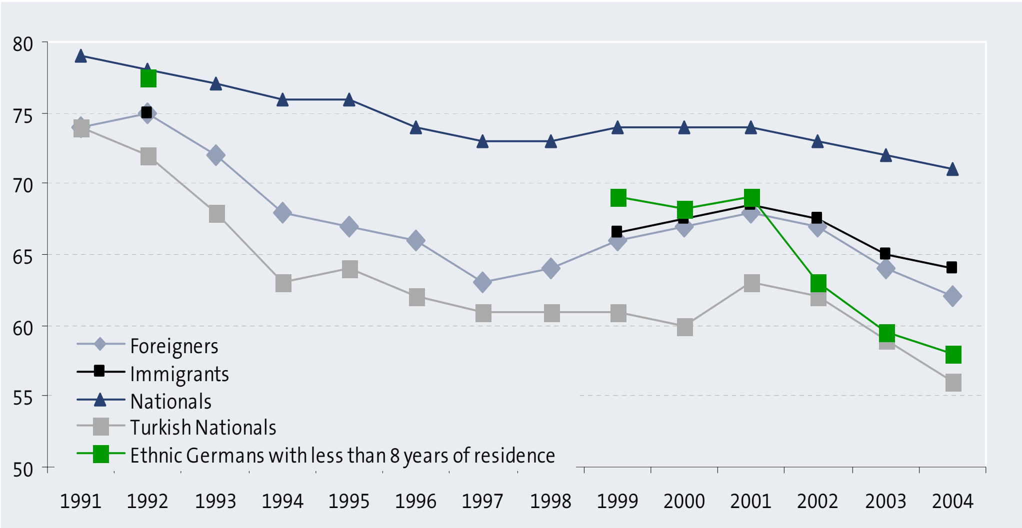
The current situation of migrants on the labour market and in the educational system has largely been shaped by three factors: First, the considerable influx of workers during the guest workers' scheme which mainly brought low- and semi-skilled workers to Germany. Second, a period of significant immigration on humanitarian grounds which, at the same time, meant a limited labour market access for asylum seekers and persons possessing a temporary suspension of deportation, as well as a an important immigration of ethnic Germans. While having access to the German labour market, ethnic Germans have been faced with the non-recognition of qualifications and professional experiences. Third, Germany has only recently started to consider itself a country of immigration and is thus trying to compensate for the absence of a coherent integration policy during the past four to five decades.

The level of qualification of migrants in Germany, in particular of those from the former guest worker countries, in relation to natives is particularly low: 47% of migrants have a less than upper secondary education amongst adults (25 – 64), whereas only 14% of natives show an equivalent low educational attainment (Liebig/OECD, 2007).

Structural economic change since the beginning of the 1990s has impacted strongly on the employment situation of migrants who have mainly worked in the producing sector. Manual labour in industry and agriculture has significantly decreased since the beginning of the 1990s. When looking further back, in 1974, 80% of migrants were employed in the producing sector (agriculture, mining, energy, construction). In 2000, this figure amounted to approximately 53% and in 2006 to only 36% (Hönekopp, 2006). A loss of 2.2 million jobs in this sector is estimated for the time period between 1996 until 2015. In 2004, the unemployment rate of natives related to 10.3%, whereas the unemployment rate for migrants amounted to 18.3% (Liebig/OECD, 2007).

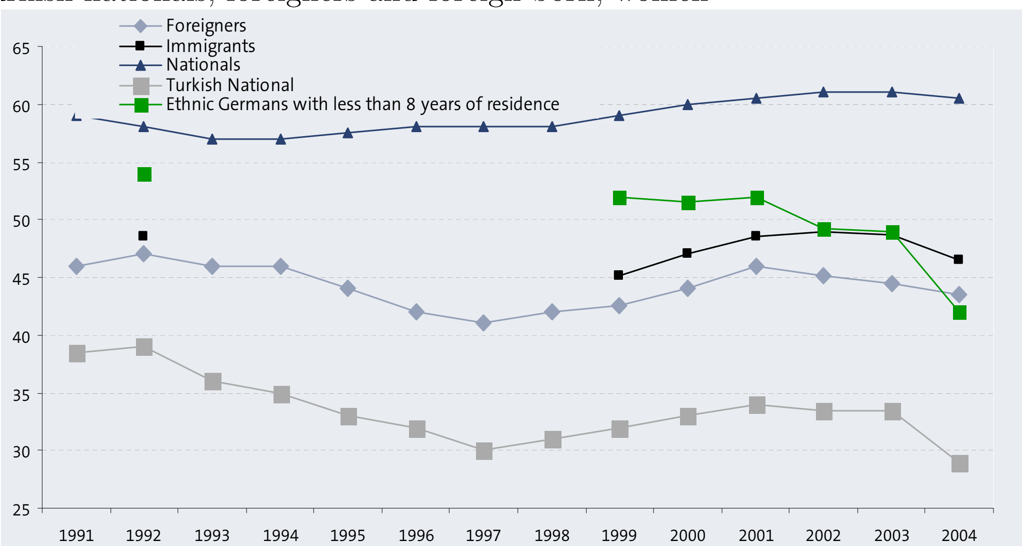
The following graphs show the employment/population ratios of German nationals, ethnic Germans, Turkish nationals, foreigners and foreign-born. The decline in employment of migrants appears even more problematic when taking into account their labour market situation at the beginning of the 1980s. In 1982, the employment rate of migrants was higher than the rate for natives. Particularly striking are the low ratio levels of migrant women when compared to those of native counterparts. At the lowest end, the ratios of Turkish women are to be found, who face large difficulties in entering and succeeding on the German labour market.

Figure 1: Employment/Population ratios of German nationals, ethnic Germans, Turkish nationals, foreigners and foreign-born, men



Source: OECD (2007), based on the European Community Labour Force Survey, HWWI.

Figure 2: Employment/Population ratios of German nationals, ethnic Germans, Turkish nationals, foreigners and foreign-born, women



Source: OECD (2007), based on the European Community Labour Force Survey, HWWI.

At the same time, the expansion of the tertiary sector is creating further demand for various sorts of services, including low-skilled occupations. The trend shows that former employment structures seem to reproduce themselves: natives work in knowledge-intense services, whereas migrants are mainly employed in low-skilled services such as e.g. catering, dry cleaning and cleaning services (Hönekopp, 2006).

The difficult labour market situation of migrants can however not exclusively be explained by lower educational attainments. In fact, the software of the German Federal Employment Agency is not suited for registering foreign educational credentials. As a consequence, skilled migrants are often classified under the category 'unskilled' making a job match at their level of competence generally impossible. In this context, the major challenge refers to the recognition of foreign qualifications. In Germany, around 500,000 persons with higher skills from abroad are estimated to be affected by the non-recognition of qualifications. They are either employed in a different profession and/or in a position below their qualification (or they are unemployed). Obviously, this situation is not only unbearable for the individual and his/her family, but moreover represents a tremendous loss of human capital and thus a failure of successful economic integration. This issue is currently being tackled both at the national and regional levels. Topics such as changing the general legal frame at the national level, but also shorter and more efficient recognition procedures or measures such as comprehensive information websites to inform potential migrants are under discussion.

One of the biggest challenges for Germany however remains the successful integration of second and third generations. Large emotional debates have been triggered over the results of the OECD's first PISA study published in 2001. The study revealed that the educational attainments of children of immigrants tend to lag behind those of the children of natives which is particularly the case for Germany, where the substantial disadvantage is also attributable to differences in the socio-economic background.

Pupils with a foreign nationality break up school considerably more often than those with a German nationality. Moreover, only 8.2% finalise their A-levels as compared to 25.7% of young Germans. With 41.7% they are overrepresented in elementary schools.

Table 2: Graduates from German schools, in %

	Pupils with German nationality	Pupils with foreign nationality
Break-up school	7.2	17.5
Elementary school (Hauptschule)	23.2	41.7
Secondary school (Realschule)	42.6	31.2
A-levels	25.7	8.2

Source: Beauftragte der Bundesregierung für Migration, Flüchtlinge und Integration (2007), HWWI.

This picture is continued when it comes to the labour market outcomes of immigrant children as compared to their native counterparts. Apart from large gaps in employment rates, in most European countries the unemployment rate among the second generation is approx. 1.5 to 2 times higher than among native children (OECD, 2007).

Against this background, Germany has to deal with a variety of issues in order to improve the situation of second and third generations, but also of newcomers. Proposed approaches and measures broadly touch upon different societal areas and seek to tackle integration at different ages. For instance, early age support to facilitate language learning is sought through improved child care structures which need to be affordable also to financially disadvantaged families. Moreover, the early division of pupils – after the fourth grade – into three qualification levels (elementary, secondary and high school level; a worldwide unique schooling system) is considered not to grant equal chances for youngsters who learn the German language and academic discourse only with schooling. Increasing efforts need to be made in supporting migrant youth through their educational path in order to provide opportunities for later economic integration.

Finally, many more issues such as improved access to the German labour market, a variety of support structures as well as the recognition of foreign qualifications are on the agenda of stakeholders. Germany has declared itself a country of immigration as late as 1999. Since, there are increasing efforts – at the national, regional and local levels – to catch up with five decades of missed awareness and appropriate measures. There is indeed an urgent need to find successful approaches of integration for the increasingly diverse German society, given that the country will need further immigration in the future.

2.4 The Current Legal Frame

With an ageing population and shrinking workforce, Germany is already facing shortages on the labour market. These particularly relate to the health and knowledge-intense sectors and also to engineering. In May 2009, the President of the Association of German Engineers declared that there are 44,000 vacant positions in Germany (VDI, 2009). According to experts, the shortage of labour is likely to aggravate considerably by 2020. Against this background, the new Immigration Act[4] - which entered into force on 1st January 2005 - opened up the German labour market for skilled labour migration, thereby ending the general labour immigration ban.

The Act foresees to grant an unlimited settlement permit (*Niederlassungserlaubnis*) to highly-skilled persons who are *"scientists with special technical knowledge"*, *"scientific personnel in prominent positions"* or *"specialists and executive personnel with special professional experience"* and who earn a certain annual salary. This annual salary originally corresponded to *"at least twice the earnings ceiling of the statutory health insurance scheme"*, which was the equivalent to around EUR 85,550 in 2005 (Özcan, 2007). Less than 1,000 highly skilled workers entered on average every year through this channel, putting the efficiency of the provision largely into question. In July 2008, the threshold was lowered to an annual salary of EUR 63,600 which is still very high, in particular when it comes to young professionals in the beginning of their careers. To attract more skilled migrants, further legal provisions have recently been introduced. The German labour market has first been opened to engineers and technicians from the Central and Eastern European countries, followed in January 2009 by a general opening for workers with tertiary education from these countries. Moreover, since the beginning of 2009 highly-skilled from third countries can also

[4] '*The Act to Control and Restrict Immigration and to Regulate the Residence and Integration of EU Citizens and Foreigners*' (AufenthG, 2004). Parts of this Act had already been implemented in September 2004.

enter the German labour market subject to an assessment that shall prove the non-availability of an equivalent native or EU worker.

The new Immigration Act also foresees to grant an unlimited settlement permit) for those who seek self-employment in Germany. However, the threshold for obtaining such a title is fairly high. A first residence title, the *Aufenthaltserlaubnis* can be granted, if (i) there is a particular economic interest or need at the regional level, (ii) the business activity is likely to have a positive economic impact, (iii) and own financial resources or credit is guaranteed. This is usually assumed, if the entrepreneur invests 250,000 Euros and creates 5 jobs (§21 AufenthG, 2004). Should these requirements not be met, there is a case-by-case evaluation which takes into account the business concept, entrepreneurial experiences of the migrant, the amount of capital available, the impact on employment and training, as well as its contribution to innovation and research. Migrants above the age of 45 furthermore need to provide evidence on adequate pension benefits. The residence title can be issued for a period of three years and then transformed into an unlimited settlement permit, if the entrepreneurial activity proves to be successful and if the busienss owner makes a living.

Decisions to grant the residence title and subsequent rights to migrant entrepreneurs are left to a large extent to the discretion of the responsible public authority (which is the public authority relating to aliens - *Ausländerbehörde*).

However, the provisions above relate to ‘new arrivals’. For the large majority of migrant entrepreneurs in Germany subject to this article, it should be assumed that first generation migrants of the former guest worker countries or their descendents would dispose of an unlimited residence title (if not even naturalised) giving them access to self-employment. Moreover, EU nationals, including nationals from the newly acceded countries, have the right to free movement and thus to self-employment.

Migrant entrepreneurs generally have to deal – like native entrepreneurs – with a variety of provisions laid down in commercial law, fiscal law, etc. and rules specific to the entrepreneurial activity (e.g. such as provisions to safeguard public health). However, despite a secure residential status certain provisions have well limited the equal access to the German labour market for migrant entrepreneurs. As mentioned above, one important factor refers to the lack of recognition of educational and professional qualifications. For instance, a prerequisite for setting up a business in the craft sector has long been the qualification of a *Meister* (highest degree in the craft sector). Qualifications attained abroad were not recognised. Only recently, as late as January 2004, a new law entered into force which gave access to 53 crafts without formal (German) qualification (crafts involving safety risks are still strictly regulated). Since, an entrepreneur is allowed to set up a business in the craft sector if he/she can prove professional experiences of 6 years, including 4 years in a leading position.

In this first part of the article, the history of migration to Germany including different forms of migration and main countries of origin, as well as aspects with regard to the legal frame and policies have been described. This general context shall help to create a better understanding of the economic situation of migrants which is the point of departure for the development of migrant entrepreneurship in Germany.

3 In the Spotlight: Migrant Entrepreneurship in Germany

Even though migrant entrepreneurship in Germany started already during the 1970s and has since known a rapid development, the topic has only recently begun to raise public attention. Whereas the role of migrant businesses on neighbourhood development has long been an issue for local and urban stakeholders, systematic inquiries about their patterns and economic potential for the national economy have been brought forward at the national level only in 2005.[5]

Following these circumstances, in Germany there is a lack of substantial studies on the role, functioning and impact of migrant entreprises. Apart from few comprehensive analyses (Özcan and Seifert, 2003a; DtA, 2003; Leicht et al., 2006 or KfW, 2007), the majority of empirical research consists of case studies for

[5]The German Federal Ministry for Economics and Labour commissioned a study on the role and impact of ethnic economy in Germany (Die Bedeutung der ethnischen Ökonomie in Deutschland); the study was submitted in April 2005.

cities with important shares of migrants such as Munich (Ramboll-Management, 2007), Frankfurt (IHK-Frankfurt, 2007), Hamburg (Burgbacher, 2004) or Berlin (Regioconsult, 2006). These studies have been generally commissioned by local public authorities and had as a purpose the provision of basic descriptive statistics on the number and sectors of activity of migrant businesses. Hence, they do not offer a detailed picture regarding the migrant entrepreneurship phenomenon.

An important attribute of the research conducted so far in Germany is that to a large extent the focus of analysis has been on disseminating patterns of specific migrant groups such as the Turkish entrepreneurs (ZfT, 2000; ATIAD, 2001; Pütz, 2004). This emphasis is, on the one hand, due to the size, complex structure and the long migration history of the Turkish community and, on the other hand, to the visibility of Turkish businesses (for the general public in Germany, Turkish shops are the typical 'migrant enterprises').

Although studies on migrant entrepreneurship have rarely generated such interest in the academic research as they do today, systematic empirical evidence still remains limited. The recent literature growth has not been accompanied by a process of academic consolidation. This doubtlessly reflects the data constraints that occur when trying to analyse different patterns of migrant entrepreneurs. Amongst OECD countries, Germany is a case in point when it comes to statistical barriers associated with the quantification and delimitation of adequate data concerning migrants (see Box 1 in the Appendix).

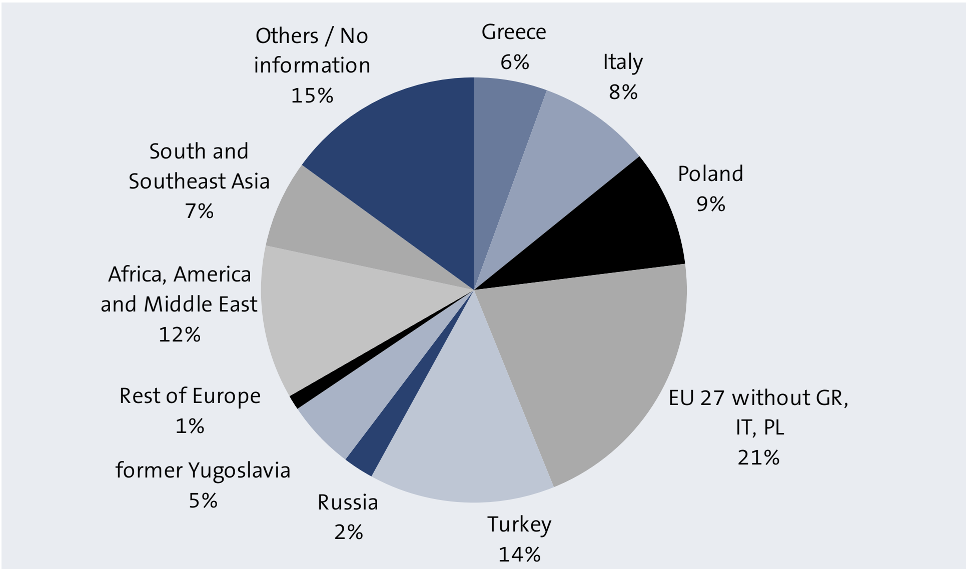
3.1 Development of Migrant Entrepreneurship

Since the 1970s, the number of migrant entrepreneurs in Germany has increased from 56,000 in 1975 to 245,000 in 2000 (Özcan and Seifert, 2003b) and to an estimated 300,000 in 2005. Between 1989 and 2001, the self-employment rate among natives increased by 22%, whereas the self-employment rate of migrants rose by 69% (Floeting et al., 2005). In 2007, 4.1 million persons in Germany were self-employed, of whom almost 600,000 (14.4%) had a migration background.[6]

[6] The high numbers of self-employed with migration background reported for Germany since 2005 are to a large extent due to the introducing of an indentification key in the Microcensus data, which allows for differentiating entrepreneurs not only according to their current nationality, but also to their previous citizenship and to their family past migration history.

Among the latter, the largest groups of entrepreneurs are represented by persons with Turkish (79,000), Polish (50,000), Italian (48,000) and Greek (32,000) background.

Figure 3: Self-employed persons with migration background by nationality



Source: Microcensus (2006), own calculations.

Though entrepreneurs with a Turkish background form in absolute terms the largest self-employed group among all self-employed migrants, their propensity for entrepreneurial activities is with 8.16% lower than that of other groups such as Greek (16.24%) or Italian self-employed (12.27%).[7] While the propensity for entrepreneurial activities of the population without a migration background lies at 11.1%, the highest figures for Germany can be accounted by migrants coming from neighbouring countries such as Austria (21.9%), the Netherlands (17.9%) and Poland (15.5%). This might partly be explainable by the geographical and - in certain cases - cultural proximity, as well as by the legal framwork regarding the access to the labour market and business establishment as an EU member.

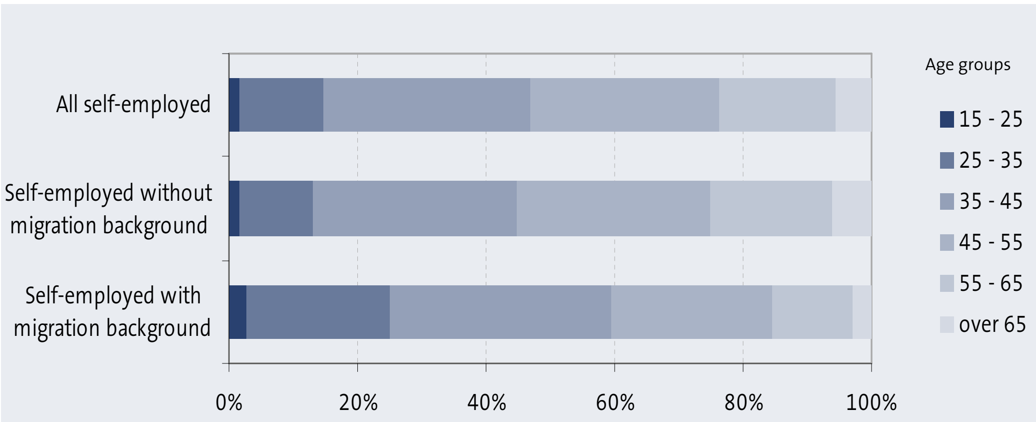
[7]The propensity for entrepreneurial activities is calculated as a percentage of the self-employed persons with a certain migration background reported against the total number of employees with that specific background.

In line with this idea, recent developments point to an important increase in Polish entrepreneurship as a result of the freedom of movement introduced through the EU's enlargement in May 2004. According to the Federal Ministry of Economics and Technology (BMWi, 2007), in 2006, 46,640 enterprises have been set up by persons of Polish origin in Germany representing the top position, followed by 21,476 Turkish enterprises. A study for the city of Munich found that in 2003, only five new enterprises in the crafts sector were set up by Polish people, however, in 2004 there were 706, and one year later 982 start-ups by Polish persons in the same sector (Ramboll-Management, 2007).

A general trend towards an increased self-employment of persons from East European countries (and at the same time, a decrease in the self-employment of Greek and Italian entrepreneurs) has as well been observed by the KfW (2007). According to figures provided on start-ups in 2005 and 2006, entrepreneurs from Russia, Poland, Balkan countries and Kazakhstan make up for 30% of migrant business starters.

When looking at personal characteristics such as **age**, migrant entrepreneurs are on average younger than native entrepreneurs. While almost 45% of the entrepreneurs without migration background are less than 35 years old, this figure reaches 60% for the self-employed with migration background.

Figure 4: Age structure



Source: Microcensus (2006), own calculations.

With regard to the **gender distribution**, a general fact for Germany is that women have lower self-employment rates than men. While in 2006 the self-employment rate for male migrants was 13.3%, it reached only 6.8% for migrant women. However, when looking at the rates of the population without migration background, the picture is quite similar: 14.3% of all active men and 7.5% of all active women without migration background are self-employed. A large gender gap can be seen if one looks at the total number of self-employed and the distribution across the population with and without migration background: while female native entrepreneurs represent 26.5% of all entrepreneurs (native men make up for further 59.1%), entrepreneurs with migration background represent only 9.9% (men) and 4.4% (women). Nevertheless, according to Leicht et al. (2006), there seems to be a trend towards increased female migrant entrepreneurship (which is as well a trend observed for female native entrepreneurship). This trend can i.a. be explained by an increasing labour force participation rate of women in Germany.

Figures from 2005 and 2006 on **qualification structures** reveal that migrant entrepreneurs are represented in both the lowest qualification category as well as in the highest. 6% of migrant entrepreneurs have no formal qualification versus 2.3% of natives. When it comes to highly-qualified (university degree), migrant entrepreneurs have a higher share with 17.5% than native entrepreneurs with 14% (KfW, 2007). According to Özcan and Seifert (2003b) the probability of setting up a business is for a migrant with university degree twice as high as for a migrant without formal qualification.

Table 3: Educational level of self-employed persons

	Natives	Migrants
No educational degree	2.3	6.0
Vocational training	27.5	21.8
Secondary school	36.6	32.3
Baccalaureate	17.5	17.1
High-school diploma	14.0	17.5
Other degrees	2.1	5.4

Source: KfW (2007), HWWI.
Note: Figures in percentages, for the years 2005/2006

These socio-demographic characteristics of migrant entrepreneurs, particularly those concerning their human capital, play a crucial role in understanding several features of their enterprises such as the sector of activity, the structure of clients, employees and suppliers as well as the strategies used in solving the problems encountered in the business process.

The sectoral distribution of migrant businesses offers first insights with regard to their integration on the German labour market. The development towards a knowledge-based society, implying an increase of companies offering knowledge intensive products and services, rather contrasts the current situation of migrant businesses. As a general pattern, migrant owners tend to found their firms predominantly in traditional sectors such as retail/trade and comparatively seldom in knowledge intensive sectors and crafts (Leicht, 2006).

In 2005 and 2006, 40% of the entrepreneurs with a migration background set-up a business in the trade sector as compared to 21% of natives. Further sectors relate to construction (10%) and catering (4%). The rate for natives refers to 6% and 3% respectively. However, in other sectors such as production and services, there is a reverse situation with more natives founding their business than persons with migration background. In line with this idea, while 64% of the natives self-employed chose the service sector, this figure reaches only 42% for the entrepreneurs with migration background. When comparing the sectors in which businesses were set up in 2005 and 2006 with the sectors of 2002, one can observe a trend for business owners with migration background towards the trade sector and away from the catering sector (KfW, 2007).

The structure of clients, employees and suppliers encountered in migrant businesses represents a valuable indicator for the extent to which the activities are embedded in an ethnic environment. An argument often put forth in the migrant entrepreneurship literature is that, since the '70 when the first migrant businesses were set up, migrant entrepreneurs have predominantely operated in their ethnic community and have thus addressed a niche oriented demand.

While quantitative studies in general support this assumption, qualitative surveys reveal a more heterogeneous picture regarding the ethnic business embeddedness of migrant entrepreneurs.[8]

Based on an analysis of Turkish enterprises in Hamburg, Schaland and Tolciu (2009) emphasise the need to differentiate according to the sectors of activity and migration background of the owners. On the one hand, first generation migrant entrepreneurs working in low-skilled sectors (such as retail, trade and gastronomy) tend to build a mixed business environment, by increasingly attracting a diverse clientele and by working with suppliers and employees having other nationalities than their own. Conversely, the entrepreneurs belonging to the second generation, who work in knowledge intensive sectors, often invest in an ethnic business environment by deliberately approaching a Turkish clientele and by hiring Turkish employees.

These patterns can mainly be explained by the saturated market and the acerbic competition with fellow countrymen who offer the same products or services at lower rates. Thus, the entrepreneurs active in low-skilled sectors have no other survival possibility but to enlarge their business environment and to address a new clientele, other than the ethnic one. In the case of business owners operating in knowledge intensive sectors, the business embeddedness in an ethnic environment follows the opening of a new niche market (including i.e. juridical, tax advisory, translation and medical care services for the local migrant population), where they encounter less competition, due to their ethnic and cultural background.

Finally, a topic which has been discussed both in academic research and at the policy making level concerns the strategies used by migrant entrepreneurs in solving the problems which they face in the business process. According to the empirical literature, migrant business owners are often confronted with challenges such as the lack of access to financial and counselling support. These issues have been adressed in close relationship with the level of social and economic integration of migrant entrepreneurs. A high dependency on informal financing and counselling structures is assumed to reflect either a lower embeddedness

[8]However, according to Leicht there are considerable differences among different migrant groups: while the proportion of Greek and Italian entrepreneurs who offer products and services solely for their own ethnic group lies at 6% and 9% respectively, in the case of Turkish entrepreneurs almost every third business serves solely the own ethnic clientele.

in the German society and a lack of relevant business specific knowledge, or a certain level of discrimination.

As far as financial resources are concerned, the current situation of migrant entrepreneurs in Germany reveals that capital for start-ups is mainly provided by family members and/or friends and rarely by public funding programmes or credit institutes. However, this is not a migrant specific issue: Burbacher (2004) and Schaland and Tolciu (2009) find that though only a minority of migrant entrepreneurs finance their business with bank credits, this situation is not much different from the one displayed by natives.[9] A rather surprising result with regard to the use of informal financing structures is illustrated by Schaland and Tolciu (2009). The authors find that also founders in the knowledge-intensive service sectors – who would actually have sufficient human capital to develop an adequate business plan and acquire credits from financial institutions – rely on their family or friends to obtain start-up capital. The reason for this situation is that, due to the rather low level of financial resources needed to establish a law or a tax advisory office, it appears easier to invest own funds or resort to personal networks.

Furthermore, also the statistics regarding the support structures entrepreneurs make use of when they encounter problems in the business process, contradict the wide spread view that migrants have a higher tendency to rely on their ethnic networks. According to the KfW (2007), the use of social capital as counselling and information sources is equally prevalent among both migrant and native entrepreneurs.

[9] The situation looks differently with regard to the access to public funds. According to Burgbacher (2004) the amount of public funds accessed by migrants is significantly lower than in the case of natives (5% compared to 22.7%).

Table 4: Use of counseling structures: migrant vs. native entrepreneurs

Use of counseling structures:	Natives	Migrants
No counseling	10.0	6.2
Counseling through banks	11.1	9.3
Chamber of Commerce/Chamber of Skilled Crafts and Small Businesses	26.7	22.9
Internet	45.5	41.0
Friends/Family/Acquaintances	53.4	65.8
Other self-employed/Founder's networks	26.7	34.8
Federal Employment Agency	26.9	29.1

Source: KfW (2007), HWWI.
Note: Figures in percentages, for the years 2005/2006, multiple choices possible

These figures make it difficult to draw conclusions on the motives (or causes) behind the modest use by migrant entrepeneurs of formal financial and counselling structures. It remains an open question as to how many entrepreneurs, both with and without migration background, have actually failed in the process of accessing money from banks or public institutions (and thus had to borrow money from their kinship) and how many deliberately relied on a private financing or counselling strategy.

3.2 Migrant Entrepreneurs' Contribution to the National Economy

The question on how and to which extent migrant entrepreneurs contribute to the national economy has not yet been analyzed in depth. In light of the growing numbers of migrant businesses in Germany, migrant self-employment is being praised by both policy makers and researchers as having *per se* a positive impact on the national economy. Following this view a variety of programmes and measures which aim at supporting migrant set-ups have been introduced in recent years. With such actions financial capital is made available through public funding in order to compensate for the bank's reluctance to provide start-up subsidies to (migrant) entrepreneurs. In the explanatory notes of these programmes it is stated that migrant entrepreneurship will help to promote invention and innovation and thus create new jobs; new firms may also raise the degree of competition in the product market bringing gains to consumers; higher self-employment rates may also go along with increased self-reliance and well-being and will thus positively impact on both the situation of the migrant himself and on the overall economy.

In line with these ideas, several figures with regard to migrant entrepreneurs' contribution on the macro economic level have been publicly discussed in Germany as signalling a successful economic path. It is estimated that migrant entrepreneurs make an annual turnover of 50 billion Euros and have created over the years around 1 million jobs (Tagesspiegel, 2005). According to Leicht et al. (2005) in 2003, Greek entrepreneurs have offered an estimated 109,000 jobs and 1,800 apprenticeship places. Their annual turnover amounted to 9.3 billion Euros. Italian entrepreneurs are considered to have offered around 240,000 jobs and 6,500 apprenticeship places and to have generated an annual turnover of 15.1 billion Euros. Finally, Turkish enterprises have created 260,000 jobs and offered 7,500 apprenticeship places. Their annual turnover amounted to 24.7 billion Euros.

Figures for 2005 display an investment volume of Turkish enterprises of 7.4 billion Euros (BMWi, 2006). The number of Turkish businesses in Germany is expected to further increase, offering in 2010 according to estimates 650.000 jobs and making an annual turnover of 96 billion Euros (ATIAD, 2001).

However, other studies take a more pessimistic view on the migrant business case, pointing out that a more differentiated and context related approach is needed to assess if and how entrepreneurship among migrants could have a positive impact on the national economy. According to Blanchflower (2004, p.5) economists have little evidence on whether there is a positive contribution to the macro level resulting from the entrepreneurial activity (regardless of the nationality or ethnic background of the owners): *"I have seen no convincing evidence of any kind in the literature that either increasing the proportion of the workforce that is self-employed, or having a high level of self-employment produces any positive macroeconomic benefits. Such evidence that does exist suggests quite the reverse. More is not better"*. Furthermore, the widely spread viewpoint that small firms are creators of new jobs has been challenged by Davis et al. (1996, p.57) who state that *"conventional wisdom about the job creating powers* *of small businesses rests on statistical fallacies and misleading interpretations of the data*".

In light of these findings, some of the researchers and policy makers seem to have been constantly overestimating the macroeconomic benefits resulting from (migrant) entrepreneurship. In order to accurately assess if, and under which circumstances there is a positive impact on the national economy, it is necessary to go beyond the indicators depicted so far and to broaden the perspective by including in the analysis further patterns such as the size, survival rates and the sector orientation of the set-ups, as well as the working conditions encountered in migrant businesses.

When looking at these indicators, the figures for 2005 and 2006 draw a different picture than the one put forth by some policy makers and researchers. While two thirds of all migrant businesses have less than four employees, the rate for migrant one-man enterprises amounts to 61% (Beauftragte der Bundesregierung für Migration, 2007). The high level of migrant firm openings is accompanied by a high level of firm closings (Leicht et al., 2005). Furthermore, migrant entrepreneurs are over-proportionally active in the trade and retail sector and only few establish businesses in knowledge-intensive sectors, which are vital for progress in innovation and knowledge-spillovers in society (Leicht, 2006). Finally, the long working hours and the high dependence on unpaid family labor put into question to which extent migrant enterprises *per se* make a positive contribution to the national economy.

Without any doubt, based on these extended criteria there are certain migrant businesses which make an important contribution to the national economy. However, one has to distinguish between existing types of migrant businesses as it is a given fact that some enterprises are more likely than others to successfully develop and grow. In line with these ideas, first evaluations of different governmental programmes initiated to support migrant businesses also underline the fact that both researchers and policy makers need to recognise the differences existing between migrant businesses and re-evaluate the question of whether it is useful and/or appropriate to treat these firms as a single category when estimating their impact (Ram and Jones, 2007).

4 Retrospect and Prospect

Germany has experienced a substantial increase in migrant entrepreneurship over the past 15 years. There is no doubt that the difficult economic situation starting in the beginning of the 1990s - which has affected migrants strongly - fostered the path into self-employment. Thus, it would seem plausible to conclude that push-factors have been the main driving force behind entrepreneurial activities of migrants.

The majority of studies carried out in Germany on the subject matter indeed agree on the fact that migrant entrepreneurs have been affected much more by business fluctuations than native entrepreneurs. The figure of business failures amongst the three largest groups (Italian, Greek and Turkish entrepreneurs) has long exceeded that of business set-ups. Scientific surveys came to the conclusion that migrant entrepreneurs were missing the necessary experiences and knowledge for setting up businesses. As a consequence, they had to rely heavily on social networks as well as on own financial capital and financial resources from family and friends.

At the same time, in 2005 policy makers and stakeholders praised migrant entrepreneurs for their contribution to the national economy. With the creation of 1 million jobs over the years and an annual turnover of 50 billion Euros their impact on the economy ought to be considered important. Thus, activities should be supported and fostered.

The truth must be somewhere in between. We are still missing comprehensive studies that help to draw a more differentiated picture of the phenomenon. These shall take into account factors such as the legal status and access to the labour market, educational background, recognition of qualifications, discrimination, gender as well as developments between generations and transnational activities.

Against this background, the future research agenda should deal with the following issues:

a) Improving the data situation

As laid out in Box 1 (see the Appendix), there exist considerable data constraints when it comes to researching migration topics in general and migrant entrepreneurship in particular. Unlike other immigration countries such as the

Australia, Canada and the US that differentiate between those born abroad (foreign-born) and in the country, the data in Germany are based on 'nationality'. When considering the significant amount of naturalised persons in Germany as well as the 2nd and 3rd generation migrants (mainly born in Germany) who retain the nationality of their country of origin, the concept of 'nationality' as a basis leads to a distorted picture. As a consequence, developing adequate policy measures proves to be difficult. Moreover, there is no coherent approach (and single responsible body) that is concerned with economic migration (including the topic of migrant entrepreneurs). Therefore, data sources are either limited or not accessible.

German authorities and institutions have started to acknowledge the data problem. However, more awareness raising on specific topics and data needs is necessary in order to being able to carry out sound analyses.

b) Drawing a more differentiated picture

The focus of research in Germany has mainly been put on a certain type of migrant entrepreneur which refers in particular to the 1st generation during the initial period (1970s, 1980s and to a certain extent the 1990s). However, there is hardly any scientific work in Germany involving intergenerational aspects, gender and potential benefits from multicultural background. Thus, we are missing work which takes account of the migrants' path into the labour market in a longer perspective. Such work could potentially include the following (non-exhaustive list of) questions: Which kind of access do migrants have to the labour market? How does education (if recognised/not recognised/graduated in Germany) of the migrant impact on his/her choice of economic activity (employment or self-employment)? How do entrepreneurial activities evolve with younger generations who grow up in Germany? Is 'migrant entrepreneurship' involving the following generations still an issue at all? Possibly in terms of potential benefits: Do second and third generations make use of their bi-/multicultural background when it comes to business activities (if yes, in which way)? What are the motivations of female migrants to opt for self-employment and are their activities in any way different from male migrants (or female natives)?

c) Diversity & Sustainability

As discussed above, the contribution of migrant enterprises to the German economy has attracted much attention in recent years. However, we are still lacking considerable knowledge on indicators such as turnover, profits, job creating capacities, growth and innovation which would be needed to make a sound evaluation of the impact of migrant enterprises on the national economy. Moreover, with an increasingly diverse society the question as to which kind of transnational activities are being fostered and how this impacts on the German economy (or on other countries' economies) would be highly relevant. Not only the effect of diverse activities of migrant entrepreneurs at the macro level is a captivating question, the economic impact of diversity at the regional, local and the business level, including diversity management, is a research area of growing importance. Migrant enterprises play a crucial role at the local level, in particular in urban areas, where they ensure the daily provision of goods in neighbourhoods. Moreover, in many urban areas city quarters with a broad range of goods which are in addition culturally diverse seem to be particularly attractive to large parts of the population and tourists. The important question thus arises as to which form and degree of diversity render certain areas especially successful.

To this end, many open and interesting questions remain to be analysed. Answering these questions would moreover be essential to allow policy makers and stakeholders introducing adequate policy responses.

In Germany, policy makers and stakeholders at all levels seek to understand the development of migrant entrepreneurship in order to offer adequate support structures. One of the major issues in this context relates to the question whether there is a need for tailor-made support instruments for migrant entrepreneurs or whether these should be included in the general support system for entrepreneurs.

Here again, it would be important to differentiate between first and following generations of migrant entrepreneurs. Second generation entrepreneurs would not have the same needs (e.g. in terms of locating information, language barriers) as first generations. Thus, a targeted address would be particularly relevant for first generations. However, in our views it is doubtful whether special support structures (as they currently exist) are more efficient than those for the 'mainstream' society. In a variety of German cities, special counselling services offered by a large variety of actors have developed over the years. A patchwork of actors (including public and non-public) and services entail the following problems: (i) There is no clear indication as to which actor provides for which services; communication between the actors is not a given; (ii) As a consequence, there is not only uncertainty about the question who would be the best contact, but there does also not exist a sort of division of labour with the aim of offering in-depth expertise for particular problems. (iii) In addition, most instruments are funded on a short-term basis (1 to 2 years) which may eventually not ensure any continuity (and thus implies a loss of competence and energy); furthermore actors are under constant pressure of reapplying for funding which also implies a loss of time.

Concluding, in order to be beneficial for the target group, namely migrant entrepreneurs, support structures need to be rendered more efficient by either creating a comprehensive and integrated network of specialised actors or by opening up German mainstream services more to other languages and cultural backgrounds. As always, there is not one single perfect way, but there is always the opportunity for a good compromise which needs to be developed in the local context.

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Appendix

Box 1: Data situation on migrants in Germany

The research on migrants and their labour market status in Germany encounters two general types of problems which turn every statistical analysis into a challenge: a) the incomprehensive, partly misleading definition and delimitation of „migrants“ and b) the lack of a uniform approach with regard to the institutional and scientific framework used when gathering data.

Unlike the traditional immigration countries (Australia, Canada, New Zealand and the United States), who use the term ‘migrant’ when referring to the foreign-born population (i.e. people who actually migrated), Germany and most European countries refer to foreign nationals when speaking about ‘migrants’ and their integration on the labor market. The German approach based on the nationality criterion proves to be inadequate within the actual socio-economic context. Until the late 1980s, being ‘foreign-born’ usually implied to have a foreign nationality. However, since the 1990s, the picture has changed significantly. With the reforms of the citizenship laws in 1991 and 2000, a considerable number of migrants who were foreign-born have obtained German citizenship. In the statistics drawn on the basis of the nationality approach, it is not possible to identify naturalized persons as ‘migrants’ or people with a past migration experience, since they are registered as German nationals (Liebig/OECD, 2007). The same problem arises when referring to ethnic Germans from Central and Eastern Europe. This group is not identifiable in the statistics, as ethnic Germans have usually obtained the German citizenship even before arriving in the country. However, according to Liebig/OECD (2007), the problems associated with statistics regarding the nationality criterion are now gradually being acknowledged in Germany. The data provided by the Microcensus 2005 offers for the first time the possibility of identifying both migrants (by nationality) and people with migration background.

The lack of a specific body in charge of economic migration in Germany and the German legal framework regarding data gathering (which is particularly sensitive and restrictive) are further problems that researchers have to face when analyzing economic and social patterns of migrants. Information on the stocks and flows of immigrants or on the number, performance and status of foreign citizens already settled in Germany is not explicitly collected. As a consequence, one has to rely either on statistics which cover all categories of migrants, but are not very detailed, or on data provided by authorities which deal only with specific groups of migrants. This makes for an array of responsible federal agencies and offices (Turmann, 2004; Straubhaar, 2006). Thus, for gathering data on self-employed migrants and their labor market performance one has to rely on a combination of sources, which is barely complete and significant.

For example, the German Microcensus from the Federal Statistical Office offers reliable, but limited information on migrant entrepreneurs. Particularly the rough regional delimitation makes it difficult to carry out in-depth local analyses. Generally, detailed information on foreigners who enter for economic purposes and work in Germany can be obtained from the Federal Employment Agency, which publishes official statistics on foreign employees according to nationality. However, the Federal Employment Agency does not publish official statistics covering all categories of foreigners who enter Germany for work purposes. The data provided does neither include self-employed foreigners, nor professions exempted from the need of work permits (Turmann, 2004). Data from the German Industry-, Trade-, Small Industries and Skilled Trades- or Medical Chambers do usually allow for regional analyses. However, due to the specific clientele of these institutions, the data gathered can not offer a complete picture with regard to the numbers of active migrant entrepreneurs. Finally, surveys such as the Global Entrepreneurship Monitor (GEM) or the German Socio Economic Panel (GSOEP) can offer valuable, but due to the reduced sample sizes and the rough regional delimitation, relative limited information.

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