

Helping everyone by supporting migrant entrepreneurship

The economic downturn following the COVID-19 pandemic will lead to increased unemployment globally, as the International Monetary Fund has recently acknowledged. Those most likely to lose their jobs are people with lower education, and especially migrants, women and youth.¹

Many of these will find in entrepreneurship their only way to make a living. They are likely to start their own companies out of necessity. The challenging task will be to make these companies sustainable and profitable in the long term so they can create jobs in return. By enabling and supporting local entrepreneurs, especially migrant ones, cities and communities will be able to recover faster from this recession. Here are three ways of achieving this:

1. Acknowledge necessity entrepreneurs

For the past decade, European cities have been building an ecosystem supporting high-growth companies (scale-ups) as they lead to the creation of high-productivity jobs.² However, this ecosystem has not been easily accessible for necessity entrepreneurs or migrant founders. At the same time, job and welfare centers have often been left unaware of the existing start-up ecosystems in their regions. There is a need to connect the dots and support regions make the most of the potential offered by this synergy.

This can be done by encouraging regions across the EU to create a coherent talent pipeline for entrepreneurs which needs to bring together a variety of stakeholders ranging from job and welfare centers, schools and NGOs to social entrepreneurs, chambers of commerce and the start-up ecosystem. The pipeline should also include courses in basic entrepreneurship, accounting and insights into the local start-ups ecosystems. This will empower all entrepreneurs, but migrant entrepreneurs in particular.

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2. Acknowledge migrant entrepreneurs

In most European countries, migrants are often more entrepreneurial than non-migrants. They become entrepreneurs out of necessity, rather than out of opportunity. Even so, they manage to succeed. Nine out of ten unicorn companies in the United Kingdom have at least one migrant, or child of a migrant, on their founding team.³ In Germany, migrant founders in family-owned businesses earn more than migrants with regular jobs.⁴

In Sweden, they have helped create 250.000 jobs, hiring on average 3.3 people per company.⁵ Migrants in Germany have created 1.3 million jobs, which corresponds to 1.8 employees per company. What if migrants all over Europe were as successful as the ones in Sweden?

¹ Frischsenteret Norway, march 2020 www.frisch.uio.no/om-oss/Nyheter/2020/frisc_ssb_nav_arbeidsmarked_korona_krise_27_mai_20.html

² www.weforum.org/agenda/2017/03/start-ups-entrepreneurship-scale-ups-latin-america/

³ Report from the investment firm Zirra, 2016.

⁴ www.bertelsmann-stiftung.de/de/themen/aktuelle-meldungen/2016/august/migrantenunternehmen-sind-jobmotor-fuer-deutschland

⁵ www.bertelsmann-stiftung.de/de/themen/aktuelle-meldungen/2016/august/migrantenunternehmen-sind-jobmotor-fuer-deutschland

Resilience and willingness to take risks are among the main reasons of their success. They have to work twice as hard to build a new life in a new city. The Swedish foundation Internationalla Företagare Sverige (IFS) has pointed out that for many economic security is an important driver. They hire more diverse teams than local non-migrant entrepreneurs and they usually have a broader international network and diaspora ties. This enables them to scale in other countries.

However, they tend to struggle with bureaucracy and business regulations. Our findings show that most European countries don't have a proper country strategy for migrant entrepreneurship, in spite of their entrepreneurial spirit. In Sweden, Germany, The Netherlands and the UK social entrepreneurs help migrants get access to business ecosystems instead.

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Quite a simple thing as having a multilingual guide on "How to start a company" in each EU Member State would make a big difference and make a pathway for migrant entrepreneurs to succeed. The EU could support this effort and take a public stance on migrant entrepreneurship as a source of new business talent, which, in turn, would contribute to a more nuanced and positive perception of migrants.

3. Creating a European Limited Company

Countries where migrants typically succeed have two things in common: they offer easy and affordable ways to start a limited company, which lowers the risk of hiring and expanding, and they provide ecosystems with readily available advice for entrepreneurs before, during and after the establishment of their companies.

Finding countries that meet these requirements is not always simple. Germany has a great wide - spread ecosystem of job and welcome centers focusing on business creation. However, the costs of starting a company are much higher than in the UK for example.

Countries where migrants succeed are also countries with supportive ecosystems for necessity entrepreneurs. This is why governments need to acknowledge the importance of supporting small businesses, not just high-growth tech-businesses. In turn, the EU could make it easier to start limited companies all over Europe by creating a European limited company (E-ltd), as a non - public alternative to SE companies. That way migrants and non-migrant entrepreneurs with scaling ambitions would be able to establish themselves in different countries with fewer hurdles.

Can Europe become an entrepreneurial superpower?

It's high time to put necessity entrepreneurship on the European agenda and unlock the entrepreneurial talent that lies within the EU.

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About Startup Migrants

Startup Migrants is a company based in Berlin and Oslo. We help cities boost job creation. We are passionate about collecting and analyzing data that can help cities solve their challenges. Our data is collected from 15 countries, 45 cities and over 200 in depth interviews with policy makers, entrepreneurs, NGOs and migrant founders.

