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Leveraging immigrant entrepreneurship for job creation and growth

Immigrant entrepreneurship is diverse, ranging from small self-employment activities to businesses that operate in multiple countries. Traditionally policy support for immigrant entrepreneurship has focussed on supporting labour market integration through self-employment. However, the increasing skills levels of immigrants create an opportunity for governments to do more to attract and support immigrant entrepreneurs that have the potential to make significant impacts on the economy. This chapter discusses a range of emerging policy approaches such as start-up visa programmes, dedicated business incubation and accelerator programmes, as well as outreach and incentive programmes to attract high-potential immigrant entrepreneurs. Policy advice is provided for national, regional and local governments and is illustrated with good practice examples from European Union (EU) Member States and non-EU OECD countries.

Key messages

- **Immigrant entrepreneurs are a diverse group of business owners.** Businesses operate across all sectors and range from small solo self-employed activities to large multinational corporations.
- **Immigrant entrepreneurship has an important function in economies because it can facilitate the transfer innovation between countries and create jobs.** In addition, self-employment offers immigrants an alternative to paid employment since many encounter barriers to work such as credential recognition.
- **The picture of immigrant entrepreneurship is changing.** The number of immigrant entrepreneurs and business owners has nearly doubled over the past decade in the European Union (EU) and a similar picture emerges in non-EU OECD countries. This growth is largely driven by an increase in migration flows.
- **In addition, the nature of immigrant entrepreneurship activities is changing.** There have been slight increases in the share of self-employed immigrants working in education and service sectors over the past decade while the shares in agriculture and accommodation and food services have declined. While the skills levels of immigrants overall are increasing, the evidence on skills levels among immigrant entrepreneurs is mixed across EU Member States and OECD countries. However, there has been strong growth in the number of international students who become entrepreneurs.
- **The COVID-19 pandemic was difficult for many entrepreneurs and immigrant business owners appear to have been strongly impacted.** Most evidence indicates strong sector effects and also confirms that immigrant entrepreneurs, on average, have poor access to resources.
- **Even pre-COVID, immigrant entrepreneurs faced additional disincentives and challenges to business creation relative to native-born entrepreneurs.** The barriers to business creation are often similar to those that all entrepreneurs face, including challenges accessing finance, low levels of entrepreneurship skills and small entrepreneurship networks. However, a lack of language skills compounds all of these challenges.
- **Support for existing immigrant business owners has an important role in improving business quality, but the scale of support has not grown with the increase in immigrant entrepreneurship.** Entrepreneurship training, coaching and access to finance schemes need to be scaled-up. More can also be done to engage the relevant communities in the design and delivery of support initiatives to ensure that they are relevant and attractive to potential participants.
- **Governments can also do more to harness the job creation potential of skilled immigrants with various incentives such as start-up visas, incubator and accelerator programmes and finance.** However, many of these schemes are quite new and do not support a large number of entrepreneurs. When using such measures, governments should seek to ensure strong connections between the immigrant entrepreneurs and local entrepreneurship ecosystems.

The changing nature of immigrant entrepreneurship

The relative scale of immigrant entrepreneurship increased over the past decade...

The number of immigrant entrepreneurs has nearly doubled over the past decade. Chapter 3 shows that approximately 2.8 million out of 25.8 million self-employed people in the European Union (EU) in 2020 were born in another country. This accounts for 11% of all self-employed people in the EU, which was up from 6% in 2011. Slightly more than 60% of these self-employed immigrants were born outside of the EU. This picture is very similar to that of immigrants who worked as employees; 13% of those working as employees in the EU in 2020 were born in another country and about 60% of foreign-born employees were born in non-EU countries. The growth in employees who were foreign-born also increased by about the same rate over the past decade. These data only include first-generation immigrants; subsequent generations of immigrants who become entrepreneurs would likely be considered “ethnic minority” entrepreneurs (Box 8.1).

A similar picture emerges in many OECD countries. For example, the share of immigrants among the self-employed in the United States grew from 13% in 2000 to 21% in 2014 (Lofstrom and Wang, 2019^[1]). This was greater than the increase in the share of immigrants among the labour force overall – 13% in 2000 to 17% in 2014. This growth is consistent with data from the American Community Survey over the 2005-17 period that shows a significant increase in self-employment among Mexican immigrants (Amuedo-Dorantes, Lofstrom and Wang, 2020^[2]). Immigrant self-employment in Canada increased substantially in the 1980s and 1990s, then declined in the early 2000s before returning to an upward trend. The growth in immigrant self-employment in Canada is due to several factors, including the aging of the labour force, technological changes and government policies seeking to boost immigrant entrepreneurship (Hou and Wang, 2017^[3]).

Box 8.1. Ethnic minority entrepreneurship

The terms *immigrant entrepreneurship* and *ethnic minority entrepreneurship* are often used interchangeably but these concepts are distinct. An immigrant is a person who lives in a country in which they were not born. Thus, an immigrant entrepreneur is an entrepreneur who lives in a country in which they were not born.

A person from an ethnic minority group is someone that shares “a set of connections and regular patterns of interaction among people sharing common national background or migration experiences” (Waldinger, Aldrich and Ward, 1990^[4]). This individual characteristic is independent from where the person was born. Therefore, an ethnic minority entrepreneur is an entrepreneur that has high levels of involvement in their ethnic community (Chaganti and Greene, 2002^[5]). It is important to recognise that a person may identify as belonging to a specific ethnic group from a country that is different to the one in which they were born (e.g. a person born in Germany of Turkish heritage).

The role of ethnicity can have a strong role in entrepreneurship since each culture is unique, diverse and has a profound influence on an ethnic group’s values and overt behaviour (Spencer-Oatey and Franklin, 2009^[6]). For example, a study of the Tunisian community living in Paris, which is the smallest North African immigrant group residing in that city, found that their strong sense of ethnic identity played a key role in fostering their business enterprises (Carter and Jones-Evans, 2012^[7]).

The economic contributions by ethnic businesses include the revival of declining places, the enhancement or development of new conduits for transnational trading links, and social adaptation and integration of new migrants in their local economies and communities (Carter et al., 2015^[8]).

The increased scale of immigrant entrepreneurship is largely due to increased migration flows. The number of international migrants reached 272 million people in 2019, up from 221 million from 2010 – an increase of about 23% (United Nations, 2020^[9]). Just over 4 million immigrants arrived in EU Member States in 2020 and about 8 million arrived in OECD countries. The growth in immigration to the EU and OECD countries increased about 50% over the past decade, which is about double the worldwide average. The distribution across EU Member State and OECD countries varies greatly. Overall, about two-thirds of immigrants move to one of 20 countries (United Nations, 2020^[9]). In absolute numbers, the top five countries for immigration are the United States (1 million permanent immigrants in 2019), Germany (612 000), Spain (409 000), United Kingdom (346 000) and Canada (341 000) (OECD, 2020^[10]). However, the picture looks quite different in relative terms since many small countries receive relatively more immigrants. For example, the number of immigrants moving to Luxembourg in 2019 was equivalent to nearly 4% of the population.

...and the nature of immigrant entrepreneurship is evolving

Immigrant entrepreneurship activities are often associated with urban and economic adversity where entrepreneurship or self-employment is the only means of earning a living. This suggests that many self-employed workers have started their activity because they could not find a job (Barrett, Jones and McEvoy, 1996^[11]), or because they were seeking to move out of low-wage employment or faced discrimination (OECD, 2011^[12]). As a result, immigrants who start businesses are often more likely to enter markets with low barriers to entry and over-supply of firms, which are characterised by labour-intensive production and low profits (Kloosterman, 2010^[13]; Waldinger, Aldrich and Ward, 1990^[4]). This is some recent evidence to support this perspective. For example, Canadian evidence shows that nearly half of self-employment activities by immigrants are part-time activities to earn supplemental income (Green et al., 2016^[14]). The implication that is often drawn by this perspective is that many of these activities focus on serving small ethnic markets within a specific geographic area and that they therefore have a limited economic impact (Clark and Drinkwater, 2000^[15]; Basu and Altinay, 2002^[16]; Dalhammar, 2004^[17]). Typical examples include small shops providing speciality food or beauty services.

This picture is starting to change as the skills levels of immigrants to EU Member States and OECD countries are increasing. The share of immigrants with a tertiary education has increased in nearly all EU Member States and OECD countries between 2006-07 and 2017 (OECD/European Union, 2018^[18]). On average, the share increased by 7 percentage points over this period and immigrants are now more likely than non-immigrants to have a tertiary education in nearly half of EU Member States. These findings are consistent with country-specific studies, including in France which found that the share of immigrants with a tertiary education more than doubled between 1990 and 2010 (Mitaritonna, Orefice and Peri, 2017^[19]). Similarly, educational attainment levels among immigrants in the United States increased during the period 2011-19 (U.S. Census Bureau, 2019^[20]).

However, the evidence is mixed on whether these overall increases in skills levels among immigrants are also found among self-employed immigrants and immigrant business owners. Within the EU, there is a small amount of evidence that these skills gaps persist. Recent research in Sweden found that 33% of native-born male entrepreneurs had a tertiary education relative to 28% of immigrant male entrepreneurs (Neuman, 2021^[21]). However, no gap was found among women entrepreneurs (about 31% regardless of place of birth). Similarly, the growth in self-employment between 2000 and 2017 was driven largely by highly skilled US-born people and low-skilled immigrants (Lofstrom and Wang, 2019^[1]). On the contrary, the share of immigrant business owners in Canada with a tertiary education has increased slightly since 2001 (Green et al., 2016^[14]; Ostrovsky and Picot, 2020^[22]). Furthermore, immigrant business owners in Canada are twice as likely to be educated in STEM fields and three times more likely to be educated in engineering or computer science compared to Canadian-born business owners (Ostrovsky and Picot, 2020^[22]). However, a gap in proportion who have at tertiary

education has been identified between self-employed immigrants with unincorporated businesses (31%) and those who operate incorporated businesses (46%) (Picot and Ostrovsky, 2021^[23]).

Despite this mixed picture on skills levels among immigrant entrepreneurs, it is clear that more international students are becoming entrepreneurs. Globally, the number of international students increased from about 3.9 million in 2011 to nearly 4.9 million in 2016 and more than half were studying in six countries: the United States of America, the United Kingdom, Australia, France, Germany and the Russian Federation (Migration Data Portal, 2020^[24]). This growth in international students would be expected to have a positive effect on entrepreneurship levels since higher education students have a high level of interest in entrepreneurship – 9% would like to become an entrepreneur immediately after their studies while another 35% plan to be an entrepreneur within the first five years after their studies (Sieger et al., 2018^[25]). Furthermore, there is some evidence suggesting that international university students are more likely to start a business than native students. For example, nearly 60% of graduate start-ups in the United Kingdom have at least one international student on the founding team, which is three times greater than their share among the student population (Lewin, 2020^[26]). There is also evidence from the United States that international graduates are an important source of venture capital-backed entrepreneurship. The majority of ventured capital-backed immigrant-owned business owners in the United States originally came to undertake post-secondary studies. It is estimated that 42% came for undergraduate studies and 37% for post-graduate studies, while the remaining 22% came for employment (Amornsiripanitch et al., 2021^[27]).

The types of businesses being started by immigrants are also changing in several ways, notably the sector of operation. Within the EU, the distribution of foreign-born self-employed workers across sectors has shifted slightly over the past decade. Among self-employed immigrants born outside of the EU, there has been a slight increase of two percentage points over the past five years in the share who are working in service sectors, followed by a slight increase in the share working in education. These were offset with decreases in the share working in agriculture and accommodation and food services. While it is difficult to read too much into these shifts across sectors, some of these changes are consistent with increasing skills levels.

The growing literature on international entrepreneurship also suggests that immigrant entrepreneurship activities are becoming more diverse, some of which is enabled by technology. Academic and policy literature is increasingly categorising and discussing different forms of immigrant entrepreneurship and greater attention is being placed on business activities that span several countries because these activities appear to be effective at transferring innovation between countries. This includes transnational entrepreneurship that leverages knowledge and networks of multiple locations to seek new opportunities in different markets, as well as business activities that use technology to operate independent of a location (e.g. “digital nomads”) (Box 8.2).

The COVID-19 pandemic has given a boost, at least temporarily, to a growing number of return migrants going back to their home country. While international travel and migration was essentially halted during the first half of 2020 due to lock-down measures and border closures, there was a sharp increase in the number of people returning to their home country from abroad. Globally, it is estimated that several million people returned to their country of origin during the early stage of the COVID-19 pandemic. Within the EU, these return migration flows have been concentrated in eastern Member States such as Bulgaria, where more than 200 000 Bulgarians returned from abroad in March 2020 alone (Georgiev, 2020^[28]). Return migration can have important impacts on economies, including strengthened political institutions, stronger trade linkages and increased investment flows (Batista, McIndoe-Calder and Vicente, 2017^[29]). Moreover, the return migrant typically brings accumulated savings and skills with them (Wahba, 2015^[30]). There is a growing body of evidence showing that return migrants are more likely to be employers or self-employed rather than wage workers (Wahba, 2015^[30]), and that they are more likely than non-migrants to be business owners (Mahé, 2021^[31]; Vlase and Croitoru, 2019^[32]).

Box 8.2. Forms of immigrant entrepreneurship

Self-employment and small business owners

Many immigrant entrepreneurs operate small businesses on their own. Often these businesses operate in highly competitive sectors that have low barriers to entry (e.g. restaurants). While solo self-employment is an important activity for many because it provides an opportunity to earn an income to support themselves and their family, evidence suggests that it is not likely to be an effective tool of upward economic mobility among low-skilled immigrants (Lofstrom and Wang, 2019^[1]).

International entrepreneurship

International entrepreneurs are entrepreneurs that conduct a business venture across national borders. This often includes sales in foreign markets, but could also include parts of the supply chain located in another country. These entrepreneurs tend to have a capacity for innovative, proactive and risk-seeking behaviours, and a subset of these immigrants seek to create firms that are “born-global.”

Transnational entrepreneurship

A transnational entrepreneur is an entrepreneur that exploits business opportunities between their country of origin and their adopted country (Drori, Honig and Wright, 2009^[33]). By engaging in two or more socially embedded transnational environments, transnational entrepreneurs create, develop and deploy resources to exploit comparative advantages in both their country of residence and their country of origin (Thieme, 2008^[34]). The affiliations to both country of residence and country of origin put transnational entrepreneurs in a uniquely advantageous position compared to single market entrepreneurs (Drori, Honig and Wright, 2009^[33]).

Lifestyle entrepreneurship and digital nomads

A lifestyle entrepreneur is an individual who is motivated to develop businesses as part of a lifestyle decisions. This includes, for example, digital nomads who utilise mobile technologies to work independently of a location. This type of work blurs the line between tourism and migration (Hannonen, 2020^[35]). It also includes those who have activities that are connected with more balanced and sustainable living, e.g. rural tourism sector (Cunha, Kastenholz and Carneiro, 2020^[36]).

Expatriate entrepreneurs

These immigrant entrepreneurs are those who transitioned from working with multi-national firms or organisations to pursuing entrepreneurship (Vance et al., 2017^[37]). Many of these entrepreneurs have high levels of education, financial resources and strong networks.

Diaspora entrepreneurship

Another form of immigrant entrepreneurship is undertaken by those entrepreneurs who were active abroad but have returned to their country of origin to continue business activities (Zhou and Hsu, 2011^[38]; Saxenian and Sabel, 2009^[39]). This type of entrepreneurship has been stimulated by the implementation of economic liberalisation policies and lowering of trade barriers that facilitate foreign direct investment, as well as the immense technology advances in communication and transportation that have occurred over the past decade.

The potential benefits of immigrant entrepreneurship

There is a growing recognition of the contributions to innovation

A critical question about policy support for immigrant entrepreneurship is the extent to which immigrant entrepreneurs contribute to innovation and job creation. While the evidence base on both their contributions to innovation and job creation is thin, it would be expected that contributions should increase as the skills levels of immigrants increase. There is some evidence from Germany suggesting that skilled immigrants can potentially increase a country's capacity for innovation and productivity growth. A recent study in Germany found higher rates of inventions by immigrant and local inventors in the period 2001-10 due to an increase in Polish immigrants (Candel-Haug, Cuntz and Falck, 2018^[40]). A 10% increase in Polish immigration was associated with a 0.29% increase in the number of Polish inventors immigrating to Germany, which led to a 0.31% increase of German inventors. Immigration created positive spill-over effects on innovative activities and local economies. However, the spill-over effects from Polish inventors to German inventors was found to be slightly higher than their direct contribution. An earlier German study also found immigrant entrepreneurs to be more innovative than German entrepreneurs and noted that immigrants were more likely to start businesses in teams, which are typically more innovative (Metzger, 2016^[41]). A second hypothesis suggested was that, on average, immigrant entrepreneurs were slightly younger when they started their firm and had a slightly higher risk tolerance than German-born entrepreneurs (Metzger, 2016^[41]).

This is consistent with evidence from North America that shows that immigrant business owners and entrepreneurs are more innovative relative to the native-born populations. Statistics Canada shows that immigrant-owned businesses are more likely to introduce an innovative product or processes compared to Canadian-born SME owners (Ostrovsky and Picot, 2020^[22]). Similarly, research from the United States typically shows that skilled immigrants (i.e. immigrants with a university degree) outperform their native-born counterparts in terms of wages, patenting, commercialising and licensing patents, and publishing (Hunt, 2010^[42]). More recent research found that immigrants who came to the United States in the period 1972-2012 accounted for 16% of all US-based inventors, 23% of all patents and were responsible for 25% of the aggregate economic value created by patents in publicly traded companies (Bernstein et al., 2018^[43]). This study also found that the innovation impacts by immigrants were not concentrated in any specific sector – 25% in Computers and communications, Drugs and medical, Electronics and Chemical sectors and 15% in Metal working, Transportation, and Engines sectors.

...and job creation...

Overall, self-employed immigrants are nearly as likely as non-immigrant self-employed workers to employ others. Chapter 3 shows that, overall, self-employed immigrants in the EU are about as likely to employ others than non-immigrant self-employed workers. In 2020, 32% of self-employed immigrants that were born outside of the EU had employees, which was essentially the same proportion as those self-employed who were born in the reporting country (30%). However, a slightly lower proportion of self-employed immigrants that were born in another Member State had employees (28%). As with the self-employment rate, the proportion of the self-employed with employees varied greatly across countries. For example, the share of self-employed people born outside of the EU with employees in 2020 ranged from 22% in the Netherlands to about half in Austria (52%).

Recent evidence on the job creation potential of immigrant entrepreneurs in North America is mixed. Data from the United States shows that immigrant-owned firms are less likely to create jobs than those by native-born entrepreneurs (Kerr and Kerr, 2020^[44]). Additional research notes that many of the jobs created have lower pay and fewer benefits than those created by non-immigrants (Lofstrom and Wang, 2019^[1]). However, a recent analysis in Canada found that immigrant-owned firms were more likely than firms with Canadian-born owners to be job creators (Picot and Rollin, 2019^[45]). On average,

immigrant-owned firms accounted for one-quarter of net job creation between 2003 and 2013, while accounting for 17% of the firms. This was primarily because immigrant-owned firms were younger. Among all firms, young firms (i.e. those less than five years old) accounted for 41% of gross job creation and only 17% of job losses. Among immigrant-owned firms, those under five years old accounted for 63% of gross job creation but 33% of job losses. This positive finding is likely due to the overall success of the immigration system in integrating immigrants into the labour market. Canada admits the largest number of skilled labour migrants in the OECD and has a carefully designed and longest-standing skilled migration system in the OECD (OECD, 2019^[46]).

...however most research finds a slightly lower business survival rates for immigrant-owned businesses

There is a substantial body of evidence from EU and OECD countries that highlights a small gap in business survival rates between those operated by immigrants and those operated by non-immigrants. As with all businesses, the survival rates of businesses operated by immigrant entrepreneurs varies greatly across sectors and countries. Over the period 1998-08, a small gap in the sustainability of businesses started by immigrants and those started by non-immigrants is observed across nearly all EU and OECD countries. Overall, the average gap within OECD countries in the EU was about three p.p. (OECD, 2011^[12]). More recently, some recent research in France shows that among innovative companies, those operated by immigrants had a three-year survival rate of 58% over the period 2006-14 relative to 68% for those operated by French nationals (European Migration Network, 2019^[47]). However, businesses operated by immigrants in Canada have survival rates that are about the same as those operated by Canadian-born people (Ostrovsky and Picot, 2018^[48]). Two-year business survival rates were found to be about 80% and nearly 60% continued to operate after seven years regardless of where they were born. The Canadian research also found that businesses operated by immigrants who had been in Canada for longer were more likely to have higher business survival rates than those operated by new immigrants. In addition to length of time in the country, several other factors were found to influence business survival rates in Canada including immigrants age, source country and sector (Ostrovsky and Picot, 2018^[48]).

The fragility of many immigrant-owned businesses was highlighted during the COVID-19 pandemic.

There is some evidence illustrating the relatively high impact levels on immigrant-owned businesses, often due to their over-representation in sectors that have most heavily impacted by containment measures such as the hospitality sector. For example, immigrants account for more than 40% of self-employment in the hospitality sector in several EU Member States such as Denmark, Germany, Luxembourg and Sweden and non-EU OECD countries such as Canada and Norway (OECD, 2020^[49]). Evidence from the United States shows that despite some recovery in May 2020, there was an 18% decline in the number of immigrant-owned businesses between February and June 2020 relative to a decline of 8% overall (Fairlie, 2020^[50]). There appears to have been a recovery in the second half of 2020 because the decline in immigrant-owned businesses was only 16% between February and December 2020 (Fairlie, 2021^[51]). A comparable decline was also observed in Canada, where the number of immigrant-owned businesses dropped by 16.1% between February and May 2020 compared with 12.6% for Canada as a whole (Beland, Fakorede and Mikola, 2020^[52]). This disproportionate impact is often explained by sector, geographical location, education levels, gender and occupation (Price, 2020^[53]). In addition, immigrant-owned businesses often have a limited ability to absorb negative economic shocks due to weak entrepreneurship networks and low levels of capital.

Challenges faced by immigrant entrepreneurs

All entrepreneurs face obstacles in the process of creating a business and developing it through the early stages of its life cycle. Commonly cited barriers include access to finance, a lack of entrepreneurship skills, negative social attitudes, regulatory burden and small professional networks (OECD/The European Commission, 2013^[54]). On average, three barriers tend to be greater for immigrant entrepreneurs than for non-immigrant entrepreneurs: access to start-up finance, access to networks in the new country, barriers to accessing local entrepreneurship ecosystems. Across these three barriers, language difficulties can amplify the magnitude of the obstacles faced.

Access to finance appears to be a disproportionate barrier to business creation for immigrant entrepreneurs in some but not all countries...

Immigrant entrepreneurship is often characterised by a lack of start-up capital. This is typically caused by several factors including low levels of savings, low-income levels and a lack of collateral. However, some may also have difficulties demonstrating a credit history, which is a barrier to accessing debt (Basu and Altinay, 2002^[16]). Financial institutions also report that immigrants can have lower levels of financial literacy skills (European Commission, 2016^[55]). This presents a range of obstacles, including difficulty identifying potential sources of start-up financing, understanding how to apply for financing and pitching their ideas and financial plans to lenders and investors. Therefore, it appears to be relatively common for immigrant entrepreneurs to use informal networks to secure financing, notably through family and personal connections. This is confirmed by research in several countries such as Germany (David, Schäfer and Terstriep, 2021^[56]; Metzger, 2016^[41]), the Netherlands (De Lange, Berntsen and Hanoeman, 2019^[57]), Sweden (Aldén and Hammarstedt, 2016^[58]) and the United States (Lee and Black, 2017^[59]). The Swedish research found that non-EU immigrant entrepreneurs had higher rejection rates and were charged, on average, an interest rate that was 1.4 percent points higher than non-immigrants. In the Netherlands, specific challenges were identified as client identity requirements under anti-terrorism laws and anti-money laundering policies. In addition, there are some restrictions related to nationality and having a temporary residency status. Research from the United States identified key obstacles to accessing finance as a lack of knowledge and skills.

However, evidence from other countries indicates that access to start-up financing is not necessarily a stronger barrier of immigrant entrepreneurs. In Canada, immigrant and non-immigrant entrepreneurs use similar sources of funding and tend to rely heavily on personal financing (Ostrovsky and Picot, 2018^[48]). Immigrant and Canadian-born entrepreneurs also seem to use similar sources of start-up financing with personal financing being the most commonly used source. Overall, recent immigrants are less likely to turn to a formal financial institution such as a bank for start-up financing. Research in other countries such as Australia (Njaramba, Chigeza and Whitehouse, 2018^[60]) and Italy (Campanella and Serino, 2019^[61]; Magri, 2008^[62]) also finds a heavy reliance on own-funding among immigrant entrepreneurs, which makes it difficult to assess the extent to which access to finance is a barrier to business creation.

...which can be further hampered by less access to social capital and networks

One of the main challenges for immigrant entrepreneurs is developing networks and relationships with entrepreneurs and business support actors who are outside of their community. Immigrant networks often build on relationships based on socio-cultural components like family, community, education religion, ethnicity, social class, economic class and age (Egbert, 2009^[63]). The availability of these resources allows an immigrant entrepreneur to build trust and expand personal networks, thereby contributing to a business venture's success by helping to gain a competitive advantage over competitors (Bhagavatula et al., 2010^[64]). While country of origin cultural predispositions can be important facilitating

factors for immigrant entrepreneurship, they can also reduce the ability of immigrant entrepreneurs to operate beyond their own enclave environment (Neuman, 2016^[65]; Liu et al., 2020^[66]).

A lack of language skills can increase the significance of barriers ...

A low level of language skills (in the language spoken in the new country) remains one of the most significant barriers to business creation for immigrant entrepreneurs. Language barriers can impact all aspects of setting up and running a business, including registering a business, completing administrative forms such as licences applications and paying taxes (Italian Ministry of Economic Development, 2020^[67]; Slovak Business Agency, 2019^[68]). Moreover, language barriers can hinder communications with other entrepreneurs (e.g. suppliers, partners) and potential customers and create difficulties in building entrepreneurship networks (Parker, 2009^[69]; Fregetto, 2004^[70]).

...including difficulties accessing the local entrepreneurship institutions

Barriers to enterprise success can also occur through institutional structures. Immigrant entrepreneurs typically have a low propensity to use mainstream business support agencies, often relying instead on self-help and informal sources of assistance (Cooney and Flynn, 2008^[71]). The main barriers to accessing support included: a lack of commitment of agencies to reach out to marginalised groups; the inappropriateness of agency product and service-orientated approaches; doubts over the relevance of what is offered; and a lack of trust and confidence in those delivering the support. These barriers can arise from the person (e.g. lack of language skills, self-confidence), from local society (e.g. attitudes towards immigration) and from institutional agencies (e.g. accessibility and flexibility of support schemes).

Another barrier is complexity of the governing structure, which often includes many institutions, organisations and procedures that require knowledge of regulations and laws. This can be challenging for immigrants since starting a business often requires interacting with several institutions (e.g. finding and renting a business space, registering the business with the Chamber of Commerce, applying for municipal permits, opening a professional bank account). These difficulties can be compounded by language barriers (De Lange, Berntsen and Hanoeman, 2019^[57]). A further consequence is that immigrant entrepreneurs may miss out on public support schemes. For example, research in the Netherlands finds that despite the presences of a European Guarantee Fund exists to help vulnerable populations including immigrant entrepreneurs to gain access to grants and credit, the fund remains underutilised by immigrants due to difficulties accessing information (De Lange, Berntsen and Hanoeman, 2019^[57]).

Policies to unlock the potential of immigrant entrepreneurship

Governments have an interest in boosting the quality of immigrant entrepreneurship given the numerous potential benefits such as job creation, innovation, attracting investments and opening-up trade opportunities. In general, two types of approaches are used by governments. First, there is a range of schemes that seeks to increase the chances of success for immigrant-owned businesses, notably the self-employed. These include schemes that offer entrepreneurship training, coaching and mentoring and a suite of financial supports. While many of these approaches have demonstrated a positive impact, the scale of support has not increased to meet the growth in the relative and absolute number of immigrant entrepreneurs. Second, a growing number of countries are using start-up visas and financial incentives to attract immigrant entrepreneurs. The majority of these schemes lead to only a small number of new firms created by immigrants so governments need to temper their expectations about the potential impacts of such instruments.

Scale-up and strengthen traditional supports to increase the chances of sustainability

Current support offers for immigrant business owners and self-employed immigrants include entrepreneurship training, coaching and mentoring, start-up finance and strengthening entrepreneurship networks. Such support schemes seek to improve the chances of success for these businesses but there is also some evidence that self-employment can positively affect labour market integration. Evidence from the United States suggests that this effect is stronger among low-skilled immigrants (Lofstrom and Wang, 2019^[1]). These types of supports can be scaled-up to reflect the growth in the absolute and relative number of immigrant entrepreneurs. In addition, whenever possible, efforts are needed to help steer these immigrant entrepreneurs away from sectors that are already characterised by an over-supply of firms.

Entrepreneurship training

One of the most commonly used approaches to boost entrepreneurship skills for immigrants is through tailored training schemes (European Commission, 2016^[55]). These group training sessions typically cover all of the phases of entrepreneurship, ranging from pre start-up activities (e.g. idea development, identification of markets, financial literacy) to business creation (e.g. business registration, securing premises) to the early stages of development (e.g. business management, opportunity recognition) (Zhan, Bolwijn and Farinelli, 2018^[72]). It is important for training schemes to also include some contextual information on the national and local business environments, particularly on regulatory institutions and administrative requirements such as business registration, obtaining permits, filling taxes since the entrepreneur likely has no experience with these processes in the new country (Solano, Wolffhardt and Xhani, 2019^[73]). Immigrant entrepreneurs may also need support in navigating immigration regulations concerning, for example, permit renewals and status changes. The EU-funded Migrants Empowerment for Change (ME4Change) project offers for example guidance to immigrant entrepreneurs on legal and procedural aspects of starting a business, both related to their status in the host country as well as the rules to start and manage a business (Solano, Wolffhardt and Xhani, 2019^[73]).

The success factors for designing an effective entrepreneurship training scheme for immigrants are to develop a high-quality course that can be delivered consistently to many cohorts, yet have enough flexibility for the content to be tailored to the needs of the specific group on the course. Content should focus on delivering practical skills such as the development of business ideas, mobilising resources, financial literacy and access to funding, planning and management, coping with uncertainty and risk, and legal and administrative aspects of managing a business. Often this can be best achieved when training is offered as part of an integrated package of support, as done by the Ester Foundation in Sweden (Box 8.3). Support structures should be attuned to the specific needs and interests of immigrant entrepreneurs in different stages of business development (Berntsen et al., 2021^[74]). The training schedule and location also need to be appropriate for the group, which may mean organising courses in the evenings or weekends. Training programmes will be more attractive to immigrant populations if the training is offered in the relevant language and trainers come from similar backgrounds. Some entrepreneurship programmes include basic language training so that participants can learn key terms and phrases that are relevant to their business activity.

Box 8.3. Support measures for immigrant entrepreneurs, Sweden

Target group: Potential immigrant women entrepreneurs

Intervention type: Training, coaching, mentoring and financial support

Description: The Ester Foundation in Sweden offers training to unemployed immigrant women entrepreneurs in a multi-month programme consisting of three six-month modules. The first module aims to introduce participants to life, culture and business culture in Sweden. The second module focuses on supporting these entrepreneurs in registering their business, while the third module offers advice in the early stages of the business, including support in applying for public grants. A mentoring service also matches participating entrepreneurs with volunteer mentors in later stages of the programme. Additionally, these entrepreneurs receive financial assistance for the duration of the programme to ensure living expenses are covered and entrepreneurs can focus on developing their project. Lastly, the Ester Foundation offers a microcredit programme in partnership with Swedbank (a Swedish financial institution in the Stockholm region), in which the Foundation guarantees 80% of each loan. These loans range from SEK 20 000 to SEK 30 000 (EUR 2 140 to EUR 32 120) and have a repayment period of three years or under.

Results achieved: In the period 2012-16, the programme supported 21 immigrant women entrepreneurs, leading to the creation of 11 businesses. In 2016, 10 of these businesses were still in operation and 4 had part-time or full-time employees. Despite the COVID-19 crisis, the programme welcomed a cohort of 10 women entrepreneurs and adapted to a virtual format in April 2020.

Coaching and mentoring

A more individualised approach to developing entrepreneurship skills is through coaching and mentoring. These one-to-one relationships are designed to address the needs of entrepreneurs and their businesses. Coaching and mentoring is typically offered to entrepreneurs after the business is operating and can be delivered as part of integrated packages that include finance.

Evaluation evidence points to a set of characteristics that successful coaching and mentoring schemes for immigrant entrepreneurs tends to share, notably a high-quality match between the entrepreneur and their coach or mentor (European Commission, 2016^[55]). A prerequisite for successful schemes is building a pool of potential coaches and mentors (Solano, Wolffhardt and Xhani, 2019^[73]), who can be either business professionals or experienced entrepreneurs who volunteer to support others. Good-practice matching mechanisms consider a range of factors in assigning coaches and mentors, including business activity, interests, personality, motivations, language, location and background. Schemes should provide a framework for the relationships and tools that coaches and mentors can work with. Successful schemes set up relationships that last about six months and ensure that entrepreneurs and their coaches and mentors work towards objectives that are set at the outset (OECD/European Union, 2014^[75]). For immigrant entrepreneurs, coaching and mentoring can be very valuable in providing support beyond entrepreneurship, including support with family integration (e.g. registering children for school). There are many examples of coaching and mentoring schemes across the EU including MEnt, an EU-level project which includes a mentoring programme for migrant and refugee entrepreneurs as well as incubation services (Box 8.4).

Box 8.4. Migrant Entrepreneurs Team-Up with Mentors (MEnt), EU

Target group: Immigrant and refugee entrepreneurs

Intervention type: Incubation and mentoring programme

Description: The MEnt programme is an EU-level entrepreneurial project financed by the EU Asylum, Migration and Integration Fund. MEnt aims to facilitate and foster economic and social integration of immigrants interested in developing a business or joining a team of entrepreneurs. The programme has been adapted to the needs of immigrant entrepreneurs and consists of short training sessions focussed on early-stage development of the business followed by incubation. This includes two workshops aimed to provide knowledge and aid in the creation of a business model as well as facilitate access to markets, resources and key partners in the local community. One of the core tenants of MEnt is the matching of immigrant entrepreneurs to a mentor. Matching helps to foster business relationships and networking in the local community and allows immigrant entrepreneurs to gain valuable insights of the business sector and national context.

Results achieved: The first cycle of the programme ran between 2017 and 2018 with local teams in Austria, Belgium, France, Germany and Italy. In total, there were 81 participants and 46 projects. Participants came from over 23 different countries and many were asylum seekers. The average participant in the programme is an adult male, aged between 26 and 35 years old.

Source: (MEnt Project, 2021^[76])

Access to finance

Government schemes that seek to improve access to finance for immigrant entrepreneurs often focus on the provision of small grants or facilitating access to loans (European Commission, 2016^[55]). In general, these types of supports are effective and considered helpful by immigrant entrepreneurs (European Commission, 2016^[55]). However, a greater emphasis is needed on complementary support such as the provision of information and financial literacy training (Zhan, Bolwijn and Farinelli, 2018^[72]).

Microfinance is an important tool to support immigrant entrepreneurs. Estimates suggest that about 15% of microfinance institutions in the EU offer tailored products and services for immigrant and ethnic minority business owners. However, there continues to be unmet demand for microfinance in the EU (Drexler et al., 2020^[77]) so there is scope to scale-up the use of microfinance to support immigrant entrepreneurship. Furthermore, governments can do more to improve the quality of non-financial supports that are typically packaged together with microfinance. This includes, for example, entrepreneurship training and coaching. An approach that appears to be successful with immigrant entrepreneurs is to partner with specialised organisations that have a history of working with immigrant communities. This can improve the relevance of support offered and leverage a pre-existing level of trust to increase the efficacy of the support delivered (OECD/The European Commission, 2013^[54]). For additional discussion on access to finance for immigrant entrepreneurs as well as entrepreneurs from other under-represented population groups, please see Chapter 7, which discusses microfinance for inclusive entrepreneurship.

Entrepreneurship networks

The most common approach for public policy is to bring entrepreneurs and business service professionals with a common background together to build connections among themselves. Given their common backgrounds, the participants easily identify with each other and trust builds quickly. In addition to building these connections, public policy needs to pay attention to building bridges to entrepreneurs, business service providers and other stakeholders from other communities (Scandura and Bolzani, 2020^[78]; Solano, Wolffhardt and Xhani, 2019^[73]; Zhan, Bolwijn and Farinelli, 2018^[72]). One of the most important success factors for policy intervention is that network members have ownership of the supported networks. This can be achieved through the use of existing community structures and the involvement of network participants in the management of the network (Haandrikman and Webster, 2020^[79]).

Public policy can also create networks of entrepreneurs around other policy interventions such as training or other business development services. This has the advantages for programme delivery of generating economies of scale and ensuring that targeted entrepreneurs are reached as well as having added benefits from the creation of networks among the participants. However, this approach excludes entrepreneurs who are not participating in the policy intervention. Moreover, these networks are not always sustainable when the binding factor is receipt of the training or business service.

Online networks also hold potential for entrepreneurship. They eliminate physical distances between entrepreneurs and offer some of the key characteristics of traditional networks including connections with other entrepreneurs that are built on trust and reciprocal relationships. The effectiveness of online networks is unknown but they offer a potentially important opportunity for policy because of their low-cost structures. However, policy makers must recognise that online networking initiatives likely need to be complemented with face-to-face interactions.

Attract skilled immigrant entrepreneurs

Promote the attractiveness of local economies to potential foreign entrepreneurs

Many governments use information packages and websites to promote themselves to entrepreneurs abroad. This can be done by local, regional and national governments, and often leverages a brand that was created to help “sell” the local economy. These types of information products tend to highlight “pull” factors that attract new entrepreneurs. While it is critical to highlight the attractiveness of the local economy and the entrepreneurship ecosystem, it is also important to include other factors that impact quality of life such as socioeconomic factors (e.g. cost of living), as well as cultural and lifestyle considerations (European Migration Network, 2019^[47]). There are examples, such as Canada’s province of Prince Edward Island that have created information products that are targeted to specific profiles of entrepreneurs (Box 8.5).

In addition to making materials available online, governments can also partner with community organisations to help disseminate the information to the targeted group. These organisations can help reach out through local events and association and to potentially disseminate the information abroad (European Commission, 2016^[55]). This type of collaboration can increase the reach of communication activities and also achieves an increased level of credibility. The involvement of highly visible community leaders can be a key success factor for this type of approach.

The evidence to support such activities is very thin because it is difficult to link a promotional action to a business created by an immigrant. It is therefore difficult to know how much governments should invest in this activity. An additional challenge is that there is no assurance that the immigrant will remain in the location where they first arrived. In the case of Prince Edward Island (Canada), for example, an immigrant may move to another province after receiving the visa.

Box 8.5. Information Packages to Attract Immigrant Entrepreneurs to Prince Edward Island, Canada

Target group: Potential immigrant entrepreneurs

Intervention type: Promotional materials

Description: The *Réseau de développement économique et d'employabilité* (RDÉE) [Economic Development and Employability Network] is a francophone economic development group from Prince Edward Island (Canada). It aims to contribute to entrepreneurial and community economic development within the Acadian and francophone community of Prince Edward Island (PEI). RDÉE created a kit of eight bilingual booklets with funding from the LIENS Project (with the Immigration, Refugees and Citizenship Canada and the P.E.I. Office of Immigration) to provide pertinent information about PEI's economic and francophone landscape. The main booklet, "Opportunity Awaits: Attracting Francophone immigrants to Prince Edward Island" targets French-speaking immigrant entrepreneurs and highlights their role in the province's culture and economy. It provides information on available services and possible administrative avenues to achieve working status. One such example is the Work Permit Stream of the Prince Edward Island Provincial Nominee Program (PEI PNP) which helps eligible entrepreneurs achieve permanent residency.

Results achieved: In 2019, RDÉE and LIENS provided support services for 33 job seekers and hosted two entrepreneurial networking events with 43 participants. 100 participants attended a multicultural night as part of the francophone immigration week and a welcome event was held for 15 new arrivals.

Attract immigrant entrepreneurs with start-up visas

An emerging approach that governments are using to attract immigrant entrepreneurs is through start-up visa programmes. These visas are offered by a growing number of countries and seek to streamline visa admission procedures to attract more immigrant entrepreneurs. Immigrant entrepreneurs receiving start-up visas can usually access a range of support services, including financial support, business incubation and more. Applicants are typically immigrant entrepreneurs who have a successful track record as business managers; they are not immigrants who will be self-employed or operate low-impact businesses. While these schemes do not necessarily have a sector focus, they tend to be disproportionately used by IT start-ups (OECD, 2021^[80]).

Despite the growing use of start-up visa programmes, there remains little evidence on their impact (Lofstrom and Wang, 2019^[1]). One challenge is that many start-up visa programmes are relatively new so evaluating impacts can be difficult or misleading if they have only been operating for a few years. Therefore, research tends to focus on how processes could be improved rather than programmes' impacts. Most studies of schemes in the EU recommend simplifying procedures or broadening the scope of the visa to cover employees in new start-ups (European Migration Network, 2019^[47]). Deeper insights can be gleaned from studies of some of the long-standing programmes. A recent survey of start-up visa recipients in Italy found that about 16% of those who successfully started their business considered themselves to be a scale-up (Italian Ministry of Economic Development, 2020^[67]). However, nearly one-fifth of those receiving a visa did not move to Italy or moved but did not start a business. Moreover, the process was often found to be difficult and two-thirds of those surveyed indicated that they endured a problem throughout the process. An older evaluation of the Start-up Visa pilot programme in Canada found that there were fewer applications than expected and also fewer entrepreneurs admitted than under previous programmes (Immigration Refugee and Citizenship Canada, 2016^[81]). Nonetheless, the evaluation found that the visa appears to be successful at attracting human capital to Canada and it was considered to be a success overall.

Governments face a number of challenges in setting up start-up visa programmes. First, government studies point to the critical role that outreach and communication have in attracting entrepreneurs. However, as in the Italian case, communication efforts do not always sufficiently involve innovation actors (e.g. incubators and accelerators) and other support providers (e.g. investors) to fully inform potential entrepreneurs about the benefits of the visa programme (Italian Ministry of Economic Development, 2020^[67]). Second, it can be difficult and burdensome to verify the creation of the business once the new entrepreneur has arrived. Only about half of EU Member States conduct any follow-up on visa recipients to see if the proposed business was created (European Migration Network, 2019^[47]). This is clearly an area where greater resources are needed. Finally, there is often a challenge in retaining the start-ups and entrepreneurs due to long application process for renewing start-up permits, language difficulties and a lack of growth financing, local skills and tax incentives (European Migration Network, 2019^[47]).

Going beyond start-up visas, some governments are experimenting with mechanisms that allow entrepreneurs and businesses to operate as domestic firms from abroad. For example, Estonia has created a new status for entrepreneurs called “e-entrepreneurs” through its e-residency scheme (Box 8.6). This status allows for entrepreneurs to be registered in Estonia even if they do not have a physical presence. While this type of activity may create opportunities for other Estonian businesses through supply chains and partnerships, it also creates some regulatory challenges including taxation and the application and enforcement of Estonia laws and regulations.

Box 8.6. E-entrepreneurs, Estonia

Target group: Entrepreneurs abroad who wish to operate a business in Estonia

Intervention type: E-residency that allows for the operation of a domestic business

Description: E-residency was launched in 2014 to support entrepreneurs, digital nomads, freelancers, consultants, and business owners. It aims to provide access to the EU market, help grow business remotely and efficiently, and reduce bureaucracy. Estonia’s Digital Nation offers e-residents the ability to establish and manage a paperless EU-based company 100% online through a five-step programme. E-residents apply online, pay a state fee, and choose a pick-up location for their digital ID (EUR 100 – EUR 120). The next step requires a service provider through obtaining an Estonian contact person and legal address from their market place (EUR 30 – EUR 150 monthly average). The company structure is registered online at the e-Business Registry which requires a state fee (EUR 190). The application review process ranges from 3 to 8 weeks. Business banking needs can be handled through the Marketplace and an active role in the Digital Nation is suggested to help grow the network and the e-business.

Results achieved: Estonia has the most start-ups per capita in the EU including 12 000 established companies through the Digital Nation.

Another emerging policy area is related to “digital nomads”. As noted earlier in the chapter, this form of lifestyle entrepreneurship has increased as technology developments allow for remote working and some surveys suggest that this type of work has increased due to the COVID-19 pandemic. In response to this trend, a small number of countries have introduced digital nomad visas, including Croatia and Iceland, and a draft law is being debated in Spain. This draft law seeks to create new tax measures that apply to “digital nomads” (*los nómadas digitales*) and other types of teleworkers, and also proposes to lower the requirement of not being a tax resident in Spain from 10 years to 5 years and prolonging the period of eligibility from 5 years to 10 years. Moreover, the draft law also discusses the creation of a specific visa for people working in Spain for a foreign company.

Governments need to be aware of several policy challenges related to digital nomads when designing these types of visas, notably work documentation and taxation. The main issue is the legal right to work when an individual has not acquired any type of work visa and many individuals may not be aware of requirements across jurisdictions. A special visa could overcome these challenges but this requires a high level of awareness among digital entrepreneurs otherwise they will work without the proper documentation. A related issue is taxation and collecting taxation across multiple jurisdictions. Finally, digital nomads have also been found to have direct consequences on local economies. In popular digital nomad destinations, some local communities have been negatively impacted as digital nomads have reshaped local economies with their large economic buying power (e.g. driving-up prices, buying up commercial and residential real estate) and the establishment of new societal structures which often exclude local communities.

Offer financial incentives to attract immigrant entrepreneurs

Another approach used to attract skilled immigrant entrepreneurs is to offer financial incentives to business creation. This could include, for example, various forms of financial awards, and access to incubator and accelerator programmes that can facilitate access to investors. While financial incentives can be effective at attracting high-potential immigrant entrepreneurs, the long-term success of the entrepreneur will depend on the effectiveness of accessing resources and developing strong entrepreneurship networks. This is well-illustrated by the Poland Prize, which offers a financial incentive for immigrant entrepreneurs as well as a range of dedicated services that includes match-making with investors and networking events (Box 8.7).

Box 8.7. Poland Prize

Target group: Immigrant entrepreneurs

Intervention type: Programme and support services for foreign start-ups

Description: The Poland Prize is a programme for foreign start-ups which offers services and assistance for starting business activities in Poland and is co-sponsored by the Polish Agency for Enterprise Development. The primary objective is to establish Poland as an attractive country for immigrant entrepreneurs. The Poland Prize aims to effectively introduce foreign mid-stage start-ups into the Polish start-up ecosystem by offering grants up to PLN 200 000 (approximately EUR 43 500), services up to PLN 50 000 (approximately EUR 10 900) (i.e. legal, consulting and mentoring services), a dedicated visa pathway, a concierge service for official banking and settlement-related needs, specialised technology consulting, and mentoring and networking. There are six specific operators specialised in different start-up sectors that provide start-up incubation and acceleration. Depending on the specialised operator, participants are selected through eligible partner countries including Canada, Estonia, Finland, France, Germany, Israel, Spain, Ukraine, the United Kingdom, and the United States. Selected teams receive cash and services to deliver up to 50 prototypes with Poland Prize taking 0% equity.

Support growth-oriented immigrant entrepreneurs with business incubator and accelerator programmes

Business incubators and business accelerators are types of business development support programmes that provide a range of support services to entrepreneurs in business creation and during the early stages of the business life-cycle. Both types of support programmes typically offer a package of services, including training seminars, workshops, business coaching and mentoring, business advice, networking opportunities and access to financing. In addition, business incubators have traditionally offered premises for the business to operate. These types of programmes are very common in non-EU OECD countries such as Canada and the United States, and are increasingly appearing in the EU (OECD/EU, 2019^[82]). Overall, evidence suggests that business incubators and business accelerators can be effective supports for new and growing businesses. For example, businesses that receive support in incubators tend to have higher survival rates, create more jobs, and generate more revenue (OECD/EU, 2019^[82]).

While there are relatively few examples of business incubators and accelerators that are fully dedicated to supporting immigrant entrepreneurs, there is a small body of evidence that shows similarly positive results. For example, the iStart programme in Norway for highly skilled immigrants has supported the creation of more than 60 start-ups since 2014 (Box 8.8). Similarly, a dedicated incubator at the University of Montreal, supported by the Government of Quebec (Canada), has supported about 20 new start-ups per year since 2015-16 (HEC Montreal, 2021^[83]). A key success factor for this incubator is that it helps entrepreneurs build relationships with Quebecois entrepreneurs to expand professional networks and facilitate settlement into a new community. A greater number of incubators that serve immigrant entrepreneurs are expected in the EU with a boost in support from the European Commission through the LIAISE project, which will inject funding into dedicated business development services for entrepreneurs from under-represented and disadvantaged groups.

Box 8.8. iStart, Norway

Target group: Growth-oriented immigrant entrepreneurs

Intervention type: Entrepreneurial guidance and start-up programmes

Description: iStart is a programme offered by the Norwegian Center for Multicultural Value Creation (NSFV) specifically designed for immigrant entrepreneurs to help mobilise, empower and guide innovation and new businesses locally, nationally, and internationally. Participants should be living in Norway and fluent in Norwegian (orally and written). Additional selection criteria include education level (higher education required), business experience (domestic or international), clear business idea with market potential, high drive and ambition to complete programme and subsequently establish a business. iStart provides professional development, mentorship, networking, government grants and funding, and an interdisciplinary team of experienced consultants to further develop participants' ideas and business strategy. The programme has an open-door policy which allows participants to continue individual follow-up appointments and mentorship after completing the programme.

Results achieved: Since the launch of iStart in 2014, there have been four cohorts of around 12 participants each. 74% of iStart participants have established businesses across various industries.

Offer incentives for diaspora entrepreneurship

Governments are beginning to consider diaspora entrepreneurs as a source of innovation. Return migrants have higher rates of business ownership and many have experience running a business while

they were abroad. Research tends to suggest that many of these returning migrants have relatively high levels of capital and skills (Wassink and Hagan, 2018^[84]) but may have weaker networks in their home country (Wahba and Zenou, 2012^[85]). Government schemes, therefore, tend to focus on building and updating professional networks, as well as developing and growing businesses with the objective of stimulating job creation since many diaspora entrepreneurs have potential for upward mobility (Wassink and Hagan, 2018^[84]). For example, the Back for Business scheme in Ireland supports early-stage entrepreneurs who are returning emigrants with group coaching and network building (Box 8.9). Most participants enter the scheme in the pre start-up phase and nearly two-thirds of participants are operating a business by the end of the six-month scheme. Another option for governments to consider is to offer financial incentives such as tax incentives or low or no-interest rate loans (Georgiev, 2020^[28]). Such measures could be offered by local, regional or national governments. One important consideration for governments is to set-up a mechanism to ensure that the recipients of financial support utilise the funds as intended.

Box 8.9. Back for Business, Ireland

Target group: Irish entrepreneurs abroad who seek to come back Ireland

Intervention type: Development programme for returned emigrant entrepreneurs

Description: Back to Business is a free six-month development programme that fosters entrepreneurial activity among returned Irish emigrants. It aims to assist entrepreneurs in starting and developing a business by addressing challenges faced by early-stage entrepreneurs. It is based on peer support and offers the applied learning model through a series of round table interactive sessions conducted by Lead Entrepreneurs. External organisations and development agencies also offer workshops for participants. At the end of the programme, participants of Back for Business (4th cohort) will receive a free one-year membership to the Irish International Business Network (IIBN) and have produced a SMART Action Plan, a six-month roadmap, to facilitate business growth.

Results achieved: Of the 34 participants who participated in the Back to Business 3rd cohort, 55% were pre-revenue at the start of the cycle and 64% were operating a business by the end of the cycle. The combined turnover of the group increased threefold. Due to the international experience of the participants, 6 participants had some export sales before beginning the programme while an additional 9 participants became first time exporters throughout the programme. The majority of the cohort expects to have customers in export markets within three years.

Conclusions

Business creation is an important pathway into work for many immigrants since many face challenges entering the labour market, particularly those with low skill levels. However, many of these businesses operate in highly competitive sectors and have little growth potential. Governments can consider doing more to improve the sustainability of these businesses by attracting more self-employed immigrants into support schemes and increasing the scale of support offered when demand is sufficient. To strengthen support for immigrant entrepreneurship, governments could consider:

- Improving access to tailored supports when there are a sufficient number of immigrant entrepreneurs by conducting outreach, and offering some entrepreneurship support services, in various languages.
- Scaling-up schemes (e.g. training, coaching, microfinance) that have demonstrated success in parallel with launching new small-scale schemes.

- Providing training to support providers so that they are sensitive to cultural differences.
- Recruiting entrepreneurship support providers from various immigrant communities to leverage trust with different communities, making offers more relevant and attractive.
- Embedding basic language training in integrated entrepreneurship support schemes for immigrants.

One of the most significant trends in inclusive entrepreneurship has been the growth – both absolute and relative – of immigrant entrepreneurship. There is a growing recognition of the contributions made to innovation and job creation by immigrant entrepreneurs, yet policy has been slow to adjust to the changing context. This calls for greater investments to supporting high-potential immigrant entrepreneurs, including greater use of outreach and incentives to attract them. To expand and strengthen support for high potential immigrant entrepreneurs, governments could consider:

- Strengthening linkages between start-up visa programmes and business development service providers (e.g. incubators and accelerators).
- Improving the integration of immigrant entrepreneurs into local ecosystems with matchmaking services and vouchers for business development services.

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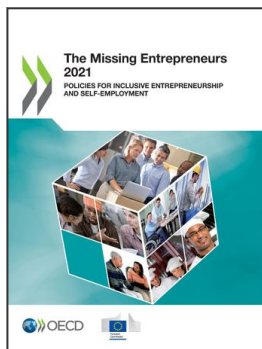
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Part III Country profiles: Key inclusive entrepreneurship trends, issues and recent policy actions



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