



European Foundation for the Improvement of Living and Working Conditions

Ethnic Entrepreneurship in Arnsberg, Germany



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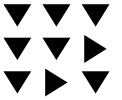
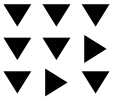


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Foreword

European cities, in particular major cities with strong economies, attract immigrants from all over the world. As a result, urban populations have become increasingly heterogeneous. The multi-ethnic, multicultural and multi-religious structures of urban society are on the one hand, an opportunity for cities; on the other hand, heterogeneity challenges a city's ability to maintain peaceful and productive relations among the different segments of its population. For this reason, cities have a genuine interest in successful local integration practices.

In order to address this interest, the Congress of Local and Regional Authorities of the Council of Europe (CoE), the City of Stuttgart and the European Foundation for the Improvement of Living and Working Conditions ('Eurofound') formed the European network of 'Cities for Local Integration Policies' (CLIP). This network, launched in 2006, brings together about thirty European cities in a joint learning process. Through the structured sharing of experiences, the network aims to enable local authorities as well as national and European policymakers to learn from each other and, thus, pursue more effective integration policies for migrants at a regional, national and European level. The learning process is facilitated by researchers from six academic research centres.¹ To gather the necessary information for the common learning process, the CLIP team applies a mixed-methods approach; the data is collected through a standardised common reporting scheme that has been filled in by city officials, statistical data, as well as qualitative semi-standardised interviews with local experts. Based on this information, the research teams produce a case study on each city – as with this report on ethnic entrepreneurship in Arnsberg.²

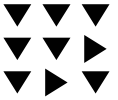
This report, however, could not have been written without the strong support of the local actors, particularly Karin Glingener of the Mayor's Office. She assisted us in collecting the necessary data, provided precious comments for the study and organised the interviews with various local experts such as the mayor, the representatives of the city and governmental institutions, the local foreigners' advisory council, trade unions, chambers and banks as well as entrepreneurs with a migration background. We would like to thank all those who have cooperated in providing valuable resources for this report. Further thanks go to Friedrich Heckmann, Rinus Penninx and Anna Ludwinek for reviewing and to Joseph Camp for editing the study.

Doris Lüken-Klaßen and Franziska Pohl

Bamberg, March 2010

¹ The Institute for Migration and Ethnic Studies (IMES) in Amsterdam, the European forum for migration studies (efms) in Bamberg, the Centre for Migration Policy Research (CMPR) in Swansea, the Forum of International and European Research on Immigration (FIERI) in Turin, the Institute for Urban and Regional Research (ISR) in Vienna and the Institute of International Studies (IIS) in Wrocław.

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1. Introduction

Many large cities in Europe acquired a more cosmopolitan outlook in the closing decades of the twentieth century and the opening decades of the twenty-first.³ This is reflected in an ever-broadening product range, which now not only includes items such as Nokia cell phones, McDonald's hamburgers and Nike sneakers, but also Turkish *döner kebab*, Greek food or Russian import-export businesses. In addition, various enterprises such as craft enterprises, insurance companies and law firms are run by migrants.

The appearance of ethnic entrepreneurs and 'exotic' products in shops reveals the deepening links between economies. These two highly visible aspects of globalisation – the international mobility of capital and labour – are often directly related to each other as migrants themselves introduce their products to far-off places. They start businesses in their countries of settlement and become 'self-employed', 'migrant entrepreneurs' or 'ethnic entrepreneurs'.

Although increasing numbers of ethnic entrepreneurs have set up shops, they have long remained "unsung heroes" (BusinessWeek Online 2000). In socio-economic terms, for a long time migrants were largely viewed as workers and not entrepreneurs, and were predominantly depicted as suppliers of cheap, low-skilled labour in advanced economies. Recently, more attention has been placed on migrants who set up and run their own businesses. This attention is well-founded in the increasing importance of ethnic entrepreneurship for local economies. By starting their own businesses, migrant entrepreneurs are active agents, shaping their own destinies as well as revitalising economic sectors: they create their own jobs as well as jobs and apprenticeships for others, pay taxes and contribute to local economies. They provide goods and services (some of which are not very likely to be offered by indigenous entrepreneurs) and contribute different forms of social capital to the local community.

The general aim of this CLIP study is to explore the development of ethnic entrepreneurship and to review the role of policy interventions in that process. It is motivated by the desire of municipal, national and European governments as well as third sector institutions, who want to create an environment that is conducive to setting up and developing small and medium-sized enterprises (SMEs) in general and ethnic businesses in particular.

Here, we phrase the objectives into the following basic research questions: What are the characteristics of the urban economy, and, more specifically, what has been the development of the SME sector? What kind of profiles of ethnic entrepreneurship can be identified? What policies, rules and regulations govern the SME sector in general and the ethnic SME sector in particular? These three basic research questions are addressed in chapters three, four and five. Before we do that, we provide a short description of the city and its population.

³ This section draws on the concept paper of this CLIP module, see Rath 2009.

2. Background information on Arnsberg

The city of Arnsberg is located in North Rhine-Westphalia, in Western Germany. It is a fusion of fifteen originally independent communities. Therefore, its structure is polycentric. It is characterised both by a concentration and urbanisation along the Ruhr Valley, and also by the rural nature of its outlying settlements. The municipal area covers about 195 sq km, of which over 60% is forested. As of December 31st, 2009, the total population of Arnsberg was 79,783 (cf. Stadt Arnsberg 2010a).

Figure 1: Arnsberg



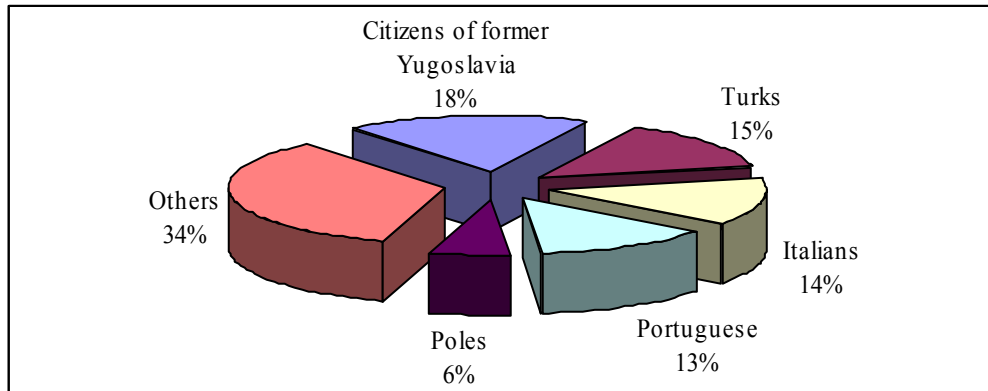
Source: Stadt Arnsberg 2010b

As in most German cities, **immigration to Arnsberg** began with the recruitment of migrant workers (primarily from Italy, Portugal and Turkey) in the 1960s. Following the end of this period of recruitment after the oil crisis in 1973, most of these ‘guest workers’ (*Gastarbeiter*) remained in the city and began bringing their families over. In the 1990s, immigrants to Arnsberg were made up of two groups: refugees, most of them from the former Yugoslavia, and ethnic German migrants from Kazakhstan and other countries of the former Soviet Union as well as from Poland and Romania, known as *Spätaussiedler*.

In December 2009, 5,177 **foreigners** (i.e. people without German citizenship) lived in Arnsberg; which represented 6.9% of Arnsberg’s population. The largest groups among them were citizens of the former Yugoslavia (18% of the foreign population), Turks (15%), Italians

(14%) and Portuguese (13%), who were then followed by Poles (6%).⁴ Altogether, more than 100 different nationalities are represented in Arnsberg (cf. Stadt Arnsberg 2010a).

Figure 2: Composition of foreigners in Arnsberg (2009)



Source: compiled by efms based on data from Stadt Arnsberg 2010a

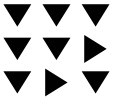
After the fall of the iron curtain, Arnsberg was a destination for many ethnic German *Spätaussiedler*: between 1989 and 2008, 5,820 *Spätaussiedler* (including family members) moved to Arnsberg (cf. Glingener 2008). Because they ‘disappear’ from official statistics after receiving German citizenship the city does not know how many *Spätaussiedler* still live in Arnsberg, how many have left the city, or how many have moved to Arnsberg after receiving their German citizenship in another city.

By also accounting for the number of naturalised people⁵ as well as the estimated number of the descendents of immigrants, the city estimates that 12,000 **people with a migration background** live in Arnsberg, representing approximately 15% of the population. Since these are only estimated figures, the following data will refer to foreigners and not to people with a migration background in general.

Immigration not only has an impact on the ethnic landscape in Arnsberg, but also on the religious composition of its population. Most of the people living in Arnsberg are Roman-Catholic, as they make up 64% of the city’s population in 2008. Another 18.6% are Protestant (*Evangelisch*), while 17.4% of the population is listed as having another or no religion. These figures differ significantly according to nationality: of the German population, 65.8% are Catholic, 19.7% are Protestant and 14.5% have another or no religious affiliation. Of the foreign population, by contrast, only 38.8% are Catholic and 2.8% are Protestant while the majority (58.4%) have another or no religious affiliation (cf. Stadt Arnsberg 2010a).

⁴ In absolute figures: 944 citizens of former Yugoslavia, 760 Turks, 700 Italians, 679 Portuguese and 316 Poles.

⁵ Between the years of 2000 and 2008, 1,837 foreigners were naturalised (according to unpublished data of the city of Arnsberg).



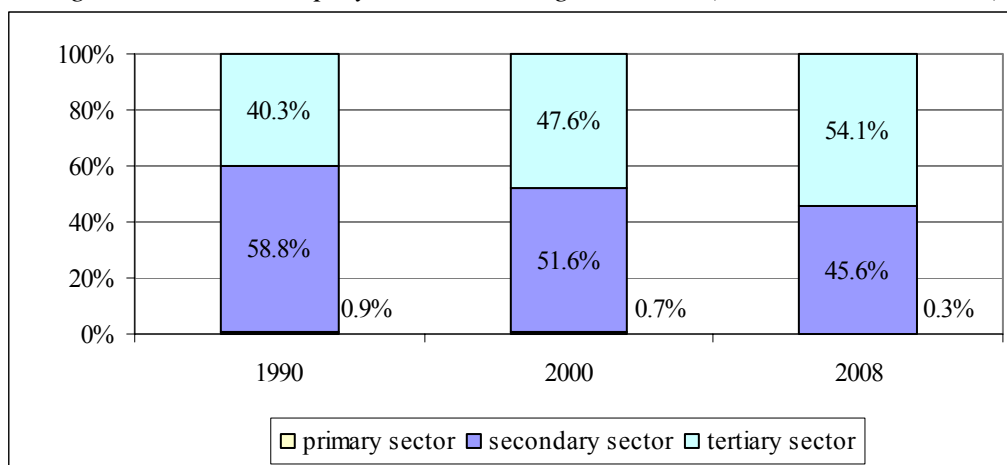
3. Arnsberg's local economy

The subsequent sections examine the characteristics of Arnsberg's local economy: the first one illustrates historical developments and recent trends; the second section presents the local workforce. After that, the development and recent trends of small and medium enterprises (SMEs) are outlined.

3.1. Historical development of the urban economy and recent trends

The city of Arnsberg has been a regional centre for service-based industries since the eleventh century.⁶ The regional government, state facilities, the Chamber of Commerce and Industry as well as numerous courts of law are located in the city. In addition, Arnsberg has a long tradition as an important regional industrial centre and is particularly known for its lighting industry ('city of lights'). Apart from the lighting industry, local enterprises historically focused on the wood/paper industry, metal processing, polymer processing and electronics. A large number of small and medium-sized companies, manufacturing diverse industrial products, have been established in the city. Arnsberg benefits from a good infrastructure, including transport connections by rail and roads, several airports in the region as well as the proximity to the Ruhr area.

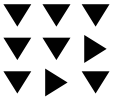
Figure 3: Insured employment according to sectors (1990, 2000 and 2008)



Source: compiled by efms based on data from Stadt Arnsberg 2010a

In most German cities there has been a **shift toward a service-based economy** as a result of structural changes and thus a rise in the number of jobs in the tertiary sector. This process of tertiarisation can also be observed in Arnsberg, though to a lesser extent. Since 1990, approximately 5,000 jobs – mainly low-skilled – were lost in the manufacturing sector.

⁶ At first for the *Grafschaft Arnsberg* (shire), then for the *Herzogtum* (duchy) of Westphalia and today for 3.8 million inhabitants within the *Regierungsbezirk Arnsberg* (administrative region), which encompasses parts of the Westphalia Ruhr area including the cities of Dortmund and Bochum as well as the region of South Westphalia.



According to the local experts interviewed in the course of the CLIP city visit, many companies outsourced their production but kept their management and central divisions in Arnsberg. At the same time, the number of those employed in the service sector has increased. This increase, however, was not enough to compensate the decline in the manufacturing industry. The number of employed persons decreased from 29,000 people in 1990 to 25,000 people in 2008.

In 1990, the secondary (manufacturing) sector was the largest one in Arnsberg, providing jobs for 58.8% of all employed persons subject to contributing to social insurance⁷ (see figure 3). 40.3% of those employed persons worked in the tertiary (service) sector and only 0.9% in the primary (agricultural) sector. In 2008, the distribution of this type of employed person according to the three sectors looked different: the share of employed persons in the secondary sector fell to 45.6% and in the primary sector to 0.3%. By contrast, their proportion in the tertiary sector rose to 54.1% (according to unpublished data from the city). Thus, a slight majority of people in the city of Arnsberg works in the tertiary sector. Nevertheless, compared to other German cities, Arnsberg still has a large secondary sector, which is of high importance for the local economy.

There are no big companies that dominate the local economy. Instead, Arnsberg's economy is rather characterised by smaller (family) enterprises. This structure also contributes to the fact that the current economic crisis has not hit Arnsberg as severe as expected at its beginning (cf. section 3.3).

3.2. The local workforce

Among Arnsberg's 79,783 inhabitants, 53,066 people are of working age, i.e. between fifteen and sixty-five years old. They add up to about two thirds (66.5%) of the total local population. This figure differs according to the nationality of the people (see figure 4): whereas 65.5% of the German inhabitants are of working age, the proportion is 81.6% for foreigners (cf. Stadt Arnsberg 2010a).⁸

Foreigners make up 8% (4,224 persons) of the city's 53,066 people of working age. This figure is slightly higher than the percentage of foreigners living in the city (6.9%).

There are more men than women in the local workforce: the percentage of women among the foreign population of working age is about 47.6%; among the German population it is about 45.6%. According to several experts interviewed during the field visit, many young people leave the city in order to continue their education; only some of them return to Arnsberg.

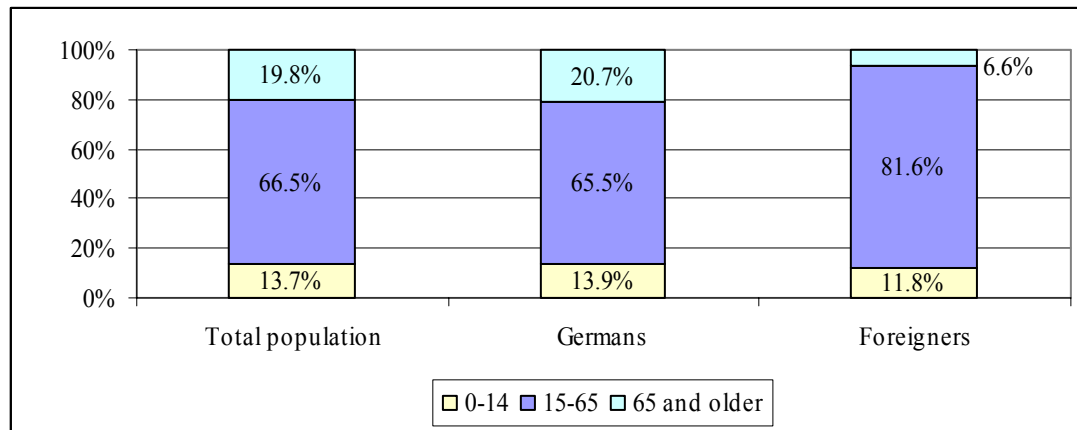
⁷ These statistics include only employees who are subject to social insurance contribution and, thus, no civil servants, marginally employed persons or self-employed persons.

⁸ Consequently, the proportions of the two other age groups – children and youths under the age of fifteen and elderly people older than sixty-five – also differ. Whereas within the German population, 13.9% are younger than fifteen and 20.7% are older than sixty-five, the foreigners living in Arnsberg are on average younger: 11.8% are younger than fifteen and only 6.6% are older than sixty-five.



Since highly educated women particularly experience difficulties in finding a job corresponding to their qualification, they seem to leave the city more often than men do, as the interviewed representative of the Federation of Trade Unions stated.

Figure 4: Population according to age groups and nationality (2009)



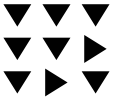
Source: compiled by efms based on data from Stadt Arnsberg 2010a

Generally, Arnsberg has a **declining and ageing population**. Between the years 2000 and 2007 the city's inhabitants decreased by 2.4%. A study by the *Bertelsmann* Foundation forecasts a further decline of the population by more than 9% within the next fifteen years. Furthermore, the study predicts a decrease of the proportion of young people and a rise of the number and percentage of old persons (cf. Bertelsmann Stiftung 2007: 3/4).

These developments have an impact on the local labour force, since they are likely to cause a labour deficit in the city. According to experts interviewed during the field visit, companies have started experiencing difficulties in finding qualified staff – a trend that will worsen in the future. By contrast, there are many low-skilled workers who have problems getting jobs. Thus, the educational system is of importance for the local labour force potential – today's school children are tomorrow's workforce.

The German school system, however, does little to overcome educational inequalities caused by the varying socio-economic background of families. This can also be said of Arnsberg. The **educational achievements** of students with a foreign or *Spätaussiedler* background are on average considerably lower than those of German students. Currently (school year 2008/2009), 17% of foreign pupils leave school without a school-leaving certificate; the share of pupils with a *Spätaussiedler* background is 10.1% and of German pupils is 4.4%.⁹ By contrast, only 14.8% of foreigners and 8.8% of pupils with a *Spätaussiedler* background graduate from *Gymnasium* (the highest level of schooling). The proportion of German pupils for this type of school is 40.7%. Thus, foreign students as well as pupils with a

⁹ Similarly, 33% of foreign pupils obtain a school-leaving certificate from the lowest level of schooling, the *Hauptschule* – compared to 31.9% of pupils with a *Spätaussiedler* background and 11.2% of German pupils.



Spätaussiedler background are remarkably over-represented among graduates from the lower level of schooling and significantly under-represented among graduates from the higher level of schooling (cf. Stadt Arnsberg 2010a).

This low level of educational achievement is also reflected in the labour market: the foreign population in Arnsberg is considerably more affected by **unemployment** than the rest of the entire population. Arnsberg's overall unemployment rate is 9.0% (3,611 people); the unemployment rate of foreigners is much higher and lies at 21.5% (565 people). Foreigners make up a proportion of 15.6% of all unemployed persons in the city. This is considerably higher than the percentage of foreigners living in Arnsberg, which is 6.9%. Unemployed persons can roughly be further differentiated into the short-term unemployed (less than one year) according to the Social Security Code III (*SGB III*), and the long-term unemployed according to the Social Security Code II (*SGB II*). In December 2009, 2.6% of the civilian labour force in Arnsberg was short-term unemployed according to the *SGB III*, and another 6.4% of the labour force was long-term unemployed according to the *SGB II*. For the foreign population, these figures were higher: 3.7% of the foreign labour force was short-term unemployed according to the *SGB III*, and 17.8% of the foreign labour force was long-term unemployed according to the *SGB II* (cf. Agentur für Arbeit Meschede 2010: 23).

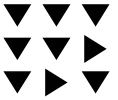
3.3. Development of SMEs and recent trends

The structure of businesses is another important factor to consider when describing the urban economy. One way of categorising businesses is according to their size. If an enterprise has less than 250 employees and less than € 50 million turnover (or € 43 million balance sheet total), the EU defines it as a small and medium-sized enterprise (SME). Within this category, there are:

- ▶ 'medium-sized enterprises' employing between fifty and 249 people and having a turnover of less than € 50 million (or less than € 43 million balance sheet total),
- ▶ 'small enterprises' with ten to forty-nine employees and less than € 10 million turnover/balance sheet total and
- ▶ 'micro enterprises' with less than ten employees and less than € 2 million turnover/balance sheet total.

SMEs play the most important role in the European economy, representing 99% of all businesses in the EU. Moreover, nine out of ten SMEs in the EU are micro firms, having two employees on average (cf. Rath 2009 and European Commission 2009).

According to the city's Department for the Promotion of Trade and Industry, this can also be observed in the city of Arnsberg. About 99% of local enterprises – which are evenly spread throughout the city – fall into the category of SMEs corresponding to the definition of the EU. Most of the enterprises in Arnsberg are managed by their owners; they are mainly family businesses with a long tradition and rooted in the city and region. Apart from the service sector, the manufacturing industry is also very important to the city (see also section 3.1).



Companies operating within the manufacturing sector are very diverse. They are often suppliers and offer a wide range of highly specialised or niche products that are exported.

The **current financial and economic crisis** has had an impact on the local economy. However, thanks to the traditional, rooted nature of businesses in the community and their broad variety of products, this impact is less severe than in neighbouring regions or other German cities. The interviewed experts stated that some branches were hit hard by the economic crisis – mainly the manufacturing industry – and experienced a sharp decline in orders.

As of the beginning of 2010, however, this decline in orders has not yet had an impact on the labour market statistics. The interviewed experts (including the representatives of the city, the business association as well as of the trade union) described the local entrepreneurs operating in the city – particularly owners of SMEs – as being forward-looking and conscientious; most companies try to keep their qualified staff in order not to experience a labour shortage when the economy recovers. The use of private capital as well as the government-sponsored ‘short-time work’ (*Kurzarbeit*) proved to be an important means to bridge the crisis.¹⁰ At the moment, according to information provided by the interview partners of the Department for the Promotion of Trade and Industry, about 3,000 people in Arnsberg have to work short-time (12% of employed persons in the city).

Interviewed experts from the local Savings Bank and Employment Agency, however, predict that the crisis will have a stronger impact on the local labour market in the near future. Unemployment figures are beginning to rise, and experience has shown that more companies declare insolvency when the economy starts recovering.

4. Profiles of ethnic entrepreneurship

The following sections deal with migrant entrepreneurs in Arnsberg. Section 4.1 presents an overview of the development of ethnic entrepreneurship in the city. The subsequent sections outline markets and competitors of migrant businesses (4.2), ownership structures, workforce and labour relations in migrant enterprises (4.3), reasons for entrepreneurial careers (4.4) as well as problems and barriers ethnic entrepreneurs face (4.5).

¹⁰ In order to stabilise the labour market, the Federal Ministry of Labour and Social Affairs established the ‘short-time allowance plus’ (*Kurzarbeitergeld plus*). If the work load of a company decreased for economic reasons (i.e. the economic slump), and one could expect that the situation to improve within eighteen months at the latest, in order to then allow a return to the regular weekly working hours, companies can reduce the working hours of employees and apply for short-time allowances. The company then only pays wages for the work actually performed; the employees concerned receive a short-time allowance to offset the lost income in the amount of 60 % of foregone net wages (those with children receive 67 %). The allowance lowers the financial burden on the respective company, and could prevent the dismissal of many workers (cf. Federal Ministry of Labour and Social Affairs 2010).



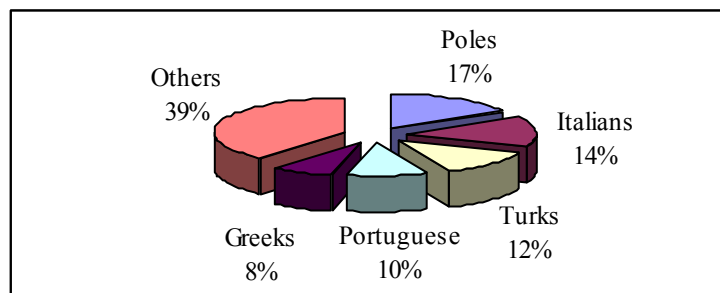
4.1. Development of ethnic entrepreneurship and recent trends

Before presenting the development of ethnic entrepreneurship, a definition should be provided. In the CLIP project, we “simply define an entrepreneur as a person in effective control of a commercial undertaking for more than one client over a significant period of time” (Rath 2009: 7). The CLIP project considers as ‘ethnic entrepreneurs’ those entrepreneurial persons who were born abroad, as well as second and third generation immigrants (cf. Rath 2009: 10).

In Arnsberg, ‘ethnic entrepreneurs’ are usually referred to as ‘migrant entrepreneurs’, ‘entrepreneurs with a migration background’ or ‘entrepreneurs with a foreign nationality’. The latter term is more common with regard to official data, since only the nationality of the entrepreneur, and not his/her migration background, is registered.

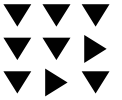
In the city of Arnsberg, the only official source providing quantitative information about **migrant businesses** is the trade register (*Gewerberegister*). However, the validity of this register is limited, for several reasons. First, some people do not fulfil the obligation to report when they establish, change or quit a business. According to an expert of the city’s Department for the Promotion of Trade and Industry, an estimated 20% of the local businesses are either not registered at all or their registration is inaccurate. Additionally, a further estimated 5% to 10% of the registered businesses are thought to be registered under the name of another person.¹¹ Furthermore, ‘pseudo self-employment’ (*Scheinselbständigkeit*) plays a role: many of the registered craftsmen and some service providers are actually subcontractors of local companies, as noted by the person in charge of the trade register. Finally, some people have to register even though they do not run a real business. This is the case for people having a solar home system on the roof of their house, for instance. These restrictions must be considered when looking at the data of the trade register.

Figure 5: Migrant enterprises according to nationalities (2010)



Source: compiled by efms based on data from Stadt Arnsberg 2010a

¹¹ Reasons for that are, for instance, that the entrepreneur is not allowed to maintain trade activities, receives benefits or has previous convictions.



According to the trade register, there are currently about 430 businesses owned by a person with a foreign nationality in Arnsberg. They make up a share of 9% of all 4,840 businesses registered in the city. This percentage is higher than the proportion of foreigners within the local population, which currently lies at 6.9%. With regard to the country of origin of the entrepreneurs, the largest groups were Poles (17%), Italians (14%), Turks (12%), the Portuguese (10%) and Greeks (8%) (cf. Stadt Arnsberg 2010a).

The high proportion of Poles starting a business was fostered by two political changes. Firstly, the revision of the Crafts and Trade Code (*Handwerksordnung*) had a significant impact on the foundation of new businesses. It facilitated the establishment of small businesses for foreigners by reducing the number of handicraft businesses for which one had to be an accredited master craftsman (*Meister*). Thus, since 2004, the number of handicrafts requiring this accreditation has decreased and the number of foreign founders who started businesses in crafts not requiring specific permits increased considerably. For more detailed information regarding the revision, see section 5.1.

Secondly, the increase of Eastern European craftsmen founding businesses was fostered by the eastward enlargements of the EU in 2004 and 2007, which introduced the freedom of movement, establishment and trade for the new EU-citizens. The free movement of Eastern European workers, however, is still restricted: the old EU Member States have the right to limit the free movement of workers from the new Member States for a transitional period of seven years. As is the case with some other countries, Germany suspended the free movement of Eastern European workers and grants work permits only if the position cannot be filled with German or other EU citizens. On the other hand, individuals from the new Member States have the right to move to Germany, to be self-employed and to establish businesses without any legal restrictions. Thus, ‘pseudo self-employment’ (*Scheinselbständigkeit*) also plays a role in the increasing number of businesses: some of the registered Eastern European craftsmen actually are subcontractors of local craftsmen and building companies that are not willing or not allowed to employ the Eastern European craftsmen directly. Hence, several of them may have founded their ‘business’ involuntarily and suffer under bad working conditions such as job insecurity and low income.

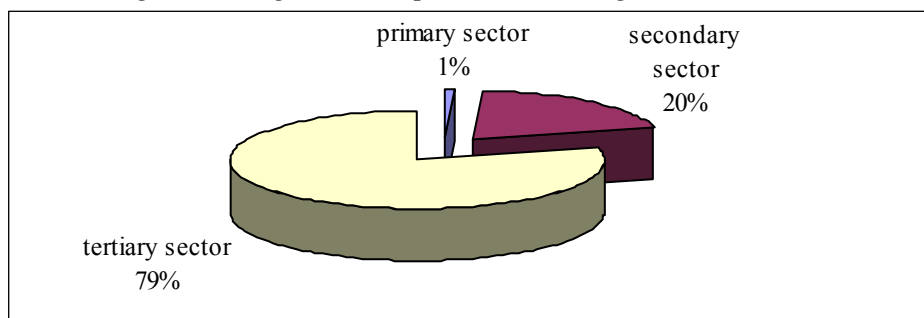
Generally, more men than women wish to establish their own business. Moreover, most of those who seek advice for opening up a business are in their thirties or forties.

There are no data available on the **development** of ethnic entrepreneurship in Arnsberg. Local experts from the Chamber of Crafts, the Chamber of Industry and Commerce and the city with a background in advising entrepreneurs stated that the proportion of migrants among all potential entrepreneurs who sought advice currently is about 20%, and is thus considerably higher than the share of migrant businesses that presently operate in the city. The experts assume that this development indicates that the percentage of migrant businesses will increase in the future.

According to statistics about bankruptcy proceedings issued by the Chamber of Industry and Commerce, there were 381 declarations of bankruptcy within the Arnsberg Region (*Hochsauerlandkreis*) in 2008. The number of declarations was decreasing compared to 2007. There are, however, no specific data available on bankruptcies of migrant enterprises.

According to the trade register, entrepreneurs with a foreign nationality are not evenly distributed among the different **sectors** of the economy. They are mainly concentrated in the hospitality industry (restaurants and hotels), the retail sector and crafts (particularly those where no permits are required, cf. section 5.1). The information from the trade register corresponds to the assessment of the persons interviewed in the course of the CLIP city visit. When asked about the main branches that migrant entrepreneurs operate in, they listed grocery stores, the hospitality industry, crafts and hair salons. Altogether, 79% of the migrant businesses belong to the tertiary sector, 20% to the secondary sector and 1% to the primary one (see figure 6).

Figure 6: Migrant enterprises according to sectors (2010)

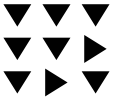


Source: compiled by efms based on data from Stadt Arnsberg 2010a

However, this differs according to the nationality of the entrepreneur. While the majority of the Polish enterprises belongs to the secondary sector (most of them are craftsmen), most of the Italian, Turkish, Portuguese and Greek enterprises belong to the tertiary sector and are active in hospitality and trade.

By analysing these data, one has to bear in mind that these statistics only consider *foreign* entrepreneurs. In other words, some entrepreneurs with a migration background (e.g. naturalised and second-generation entrepreneurs) are not included in these data. One can assume that their distribution according to sectors looks different. This assumption cannot, however, be proved by official data.

There is no specific pattern to the distribution of the migrant enterprises throughout the city. Still, most of the businesses owned by a foreign national are located in *Neheim* (150) and *Alt-Arnsberg* (138), Arnsberg's most populous districts.



4.2. Market and competition of migrant businesses

Clearly, **markets** which migrant entrepreneurs supply differ according to the branches their businesses belong to. Many migrant businesses distribute their products and services on the local level. This is mostly the case for hospitality industry, hairdressers and craftsmen. Migrants owning industrial firms market their products nationally or even internationally. Likewise, ethnic import-export businesses operate on an international level.

On the local level, customers of most migrant businesses are the entire population of Arnsberg – both with and without a migration background. There are, however, migrant businesses that cater to the migrant population – most often members of their own ethnic group. This is particularly the case for grocery stores offering Russian or Turkish food. Still, according to the local experts from the city's Department for the Promotion of Trade and Industry and the interviewed entrepreneurs with a migration background, successful migrant businesses have to target a wide range of customers. A concentration on particular ethnic groups is not a promising business model in Arnsberg, since the number of migrants living in the city and region is rather low.

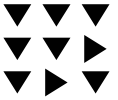
Thus, entrepreneurs with a migration background compete with other migrant businesses as well as businesses owned by native Germans. Interviewees of the city's Promotion of Industry and Trade Department noted that the lower price of products and services offered by entrepreneurs with a migration background plays an important role for their **competitiveness**.

There are no particular marketing techniques of migrant entrepreneurs according to the interviewed experts. They often use basic advertising media, such as advertisements in local newspapers, or personally address their potential customers. A positive word-of-mouth recommendation, though, seems to be the most crucial marketing element for migrant entrepreneurs. The interviewed entrepreneurs with a migration background confirmed the importance of word-of-mouth recommendation for their businesses.

4.3. Ownership structures, workforce and labour relations in migrant enterprises

Migrant enterprises in Arnsberg are solely SMEs, according to the local experts. Most of them are micro enterprises with less than ten employees. They often do not have employees at all. Migrant enterprises are also frequently characterised as being family businesses. Thus, the vast majority of migrant businesses in Arnsberg are managed by their owners. However, there is no data available on the actual ownership structure of migrant enterprises, e.g. on inter- or intra-ethnic partnerships or franchise businesses.

Local experts interviewed in the course of the CLIP city visit noted that within family businesses and very small migrant enterprises, employees most often have the same ethnic background as the entrepreneur. Often, such businesses offer employment and thus an opportunity to participate in the labour market for members of the wider family. In larger migrant businesses, however, there does not seem to be this tendency to employ people of the



same ethnic group. Migrant businesses of this kind often employ persons with another ethnic background or Germans without a migration background. Nevertheless, there are no data available concerning the size of the **workforce** of local migrant businesses in Arnsberg, and no figures about the characterisations of this workforce exist.

Because migrant enterprises are generally SMEs, and in particular micro companies or family businesses, the level of unionisation among these enterprises in Arnsberg is rather low, according to the expert of the trade union. However, the local branch of the German Federation of Trade Unions (*DGB*) does not register whether its members work for an employer with a migration background, nor do other trade unions in the region. Thus, no data exist on that topic.

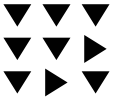
Similarly, there are no data available in Arnsberg concerning the **labour relations** between entrepreneurs with a migration background and their employees. According to the interviewed representative of the business association and several other interviewees, local employers are generally keen on promoting good labour relations in order to have successful businesses, because unhappy employees are less motivated and thus less productive. The respondents assumed that this is also true for entrepreneurs with a migration background. Only the interviewed trade union of the *DGB* noted that there are a very few cases of employees facing difficulties in migrant businesses, such as long working hours, and explained these few cases as arising from a lack of knowledge of the established law.

However, the statements of the interviewed experts have to be interpreted carefully, as problematic labour relations are rarely made public, and difficult employment conditions and possible exploitation are often hidden problems, going unreported (see, for instance, Lamneck et al. 2000).

4.4. Reasons for entrepreneurial careers

Research on ethnic entrepreneurship shows various reasons for migrants to become self-employed (cf. Constant/Zimmermann 2006: 295; ifm 2005: 17-20; Jaeckel 2007: 9/10; Schuleri-Hartje et al. 2005: 24-26; Tolciu/Schaland 2008: 538). The reasons can generally be sorted into three different categories. Although these are general classifications, they are typical motives for entrepreneurial careers in the city of Arnsberg as well.

First, according to the '**niche model**', migrants start a business because they recognise that there is a demand for certain products or services within the population with a foreign background not satisfied by existing 'native' businesses. Import-export businesses, grocery stores and restaurants, as well as real estate agencies or insurance companies specialising in migrants' demands are examples that fall under this category. At first, customers mainly belong to the same ethnic group. Later, the base of customers usually broadens and includes members of the German population and other ethnic groups. In Arnsberg, there are some migrant entrepreneurs who operate in niche markets, selling specific products for specific migrant groups. However, this approach is not very common in the city (cf. section 4.2).



Second, the emergence of ethnic entrepreneurship can be explained as a result of the cultural particularities of the migrants' country of origin that influence the preference for self-employment, i.e. a 'mentality for self-employment' (**'cultural model'**). According to interviewed experts of the city, ethnic entrepreneurship in Arnsberg is partially based on this different mentality, since self-employment is more common and held in high esteem in many of the migrants' countries of origin. Thus, the 'mentality of self-employment' can act as a 'pull-factor' for entrepreneurs with a migration background.

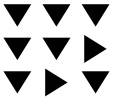
Third, for some migrants, and particularly among second-generation immigrants, entrepreneurship is a response to their specific and sometimes difficult **situation in the labour market**. This approach incorporates 'push-factors' such as potential job loss, actual unemployment and discrimination in the labour market, as well as 'pull-factors', such as more opportunities for advancement, a wish for self-fulfilment or for being independent and one's own boss. According to all experts interviewed, economic reasons – mainly avoiding or escaping unemployment – seem to be the most relevant factors for ethnic entrepreneurship in the city. As stated in section 3.2, migrants living in Arnsberg are on average less qualified than native Germans and face more problems in the labour market, and thus are under more pressure. Self-employment in Arnsberg is often a reaction to these circumstances and a means to improve one's economic situation and avoid unemployment. The interviewees estimate that about half of the people who start their own business do so while unemployed. The proportion is even higher for craftsmen.

These three explanatory approaches are not to be regarded as exclusive; the reason for the emergence of ethnic entrepreneurship is rather a mixture of these explanatory attempts. Moreover, the experts interviewed stated that the reasons for ethnic entrepreneurship do not differ significantly from reasons for entrepreneurship in general. Nevertheless, the economic pressure is likely to be higher for foreigners than for ethnic Germans.

4.5. Problems and barriers

When setting up and running a business, migrant entrepreneurs face several problems and barriers. Generally, local experts believe that with regard to problems, there are hardly any differences between entrepreneurs with and without a migration background.

To begin with, the personal **qualifications** of the entrepreneur play a crucial role when founding and operating a business. The level of education and entrepreneurial skills are important aspects in this regard. According to local experts interviewed, the qualifications to manage an enterprise and/or employees turn out to be insufficient for some entrepreneurs, regardless of migration background. Moreover, some entrepreneurs are unable to cope with situations, because their self-employment proves to be more difficult than they planned it to be. Thus, a thorough preparation is of particular importance when founding a business, but it is hardly possible without professional help and advice. However, entrepreneurs with a migration background in general use advising services less often than native Germans do (cf. Jaeckel 2007: 6). Whether or not this is also true for the city of Arnsberg cannot be assessed



due to a lack of available data. Still, local experts from the city's Promotion of Industry and Trade Department noticed that entrepreneurs with a migration background do not plan their business formation as thoroughly as native Germans do on average, which they explained as being based on different mentalities. According to them, some migrant entrepreneurs are rather naïve when preparing a business plan, which is likely to cause problems. Therefore, entrepreneurs with a migration background need to know about advising services and need to find it easy to approach them in order to reduce barriers concerning personal qualifications.

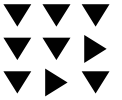
The **financial management** of the company also often proves to be problematic for (ethnic) entrepreneurs. According to the interviewed representative of the local Savings Bank, entrepreneurs often do not have as many customers or as much turnover as they planned, increasing their financial needs and problems. Furthermore, micro businesses generally face difficulties in obtaining credit – particularly in the hospitality industry, a branch common for migrant entrepreneurs in Arnsberg. Banks, however, are supposed to grant credit objectively according to the potential success of business plans. A positive evaluation is more likely if the entrepreneur received thorough advice and has a sound business plan. As already mentioned, entrepreneurs with a migration background seem to be less inclined to approach advice services, which could be a disadvantage with regard to financing.

Furthermore, migrant entrepreneurs in Arnsberg sometimes encounter barriers originating in their **unfamiliarity with the German language**. Although most of the interviewed experts noted that this is not as common today, the entrepreneurs with a migration background stated that at first, they had problems with the German language. Hence, communication proved to be difficult for them – in particular when approaching and talking to customers, but also in dealing with institutions.

In addition, entrepreneurs are faced with a variety of national and local **rules and regulations**. According to the city, migrant entrepreneurs in Arnsberg usually know the regulations and follow them. There are, however, offences against different rules, e.g. 'black labour' or tax fraud. Nevertheless, these offences concern both businesses run by migrants and natives. More information on this topic will be provided in the following sections (5.1 and 5.2).

5. Policies, rules and regulations

This chapter starts with an overview of national rules and regulations controlling the formal access to entrepreneurship (5.1) and some violations of these rules and regulations (5.2). Further sections concentrate on the city's strategy concerning ethnic entrepreneurship (5.3) and on local activities, programmes, projects and networks (5.4).



5.1. Rules and regulations

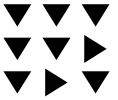
General rules and regulations

Access to entrepreneurship in Arnsherg is regulated in the same way as it is in every other German city, i.e. it goes along with certain formalities every entrepreneur has to meet. First of all, the entrepreneur has to choose the legal structure of the company. Taxes, finances, and laws that apply to businesses are determined by this structure. In general, a new business has to be registered with the local Trade Office (*Gewerbeamt*), which then automatically informs other authorities, with which a new business must also register. Among these are the Tax Office, the Occupational Accident Insurance Fund (*Berufsgenossenschaft*), the Trade Supervisory Office (*Gewerbeaufsichtsamt*), local courts (for an entry in the trade register), the Chamber of Industry and Commerce and the Chamber of Crafts (cf. BMWi 2010).

Membership in the latter institutions is compulsory in Germany (cf. section 5.2), as is an entry in the trade register (cf. section 4.1). The Trade Supervisory Office is responsible for checking for compliance with sector-specific health and safety regulations. Staff members (and sometimes the self-employed person as well) must be insured at the local Occupational Accident Insurance Fund. Additionally, the staff members and the entrepreneur must be registered with the Employer's Liability Insurance Association, and have social insurance, covering contributions to the pension insurance fund, health and nursing care insurance as well as unemployment insurance (cf. BMWi 2010).

The Tax Office is another important regulatory office. Entrepreneurs are faced with four different types of taxes: turnover or input tax, income tax, trade tax and corporation tax. Taxes differ, mainly depending on the size of the company, its legal structure or whether or not it is a freelance profession. Special tax regulations apply for 'small entrepreneurs' (*Kleinunternehmerregelung*). An entrepreneur is classified as 'small' when the total turnover (plus turnover tax) was less than € 17,500 during the last year of operation and will not exceed € 50,000 during the present year. If the entrepreneur is registered as a 'small entrepreneur' he or she then does not have to pay turnover tax (cf. BMWi 2010). This regulation can be particularly important for entrepreneurs with a migration background, since the majority of them run micro businesses. Furthermore, entrepreneurs must follow specific health and safety, environmental, labour and planning regulations. Some businesses can be started without needing a permit, e.g. marriage bureaus or travel agencies. For most other businesses, a permit or certain qualifications are needed (see below).

These regulations do not differentiate between entrepreneurs with a migration background and those without one. However, third-country nationals who already live in Germany must have a valid and eligible residence permit that allows them to work in order to start their own business. Third-country nationals who plan to immigrate to Germany in order to become self-employed, have to take the regulations of the German Immigration Act into account. According to the Immigration Act (§21), "self-employed persons can obtain a residence permit if there is an overriding economic interest or a regional demand, if the activity can be



expected to have a positive impact on the economy and if the funding is ensured” (BMI 2005). The ‘overriding economic interest’ is given when entrepreneurs make an investment of at least € 250,000 or create five new jobs. If these requirements are fulfilled, the entrepreneur obtains a residence permit for a maximum of three years. If the business is successful, i.e. the entrepreneur has sufficient means to assure a livelihood, he or she then gets a settlement permit.

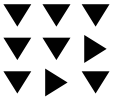
These regulations do not apply to citizens of a European Union Member State. They do not need permission to settle or start their own business in Germany because of the freedom of movement, of establishment and of trade within the EU. This freedom is still partially suspended for workers of the Eastern European Member States that joined the EU in 2004 and 2007: work permits are granted only if the position cannot be filled with German or other EU citizens. Nonetheless, individuals from the new Member States have the right to be self-employed and to establish businesses without any legal restrictions. One can assume that these restrictions often lead to ‘pseudo self-employment’ (*Scheinselbständigkeit*), as explained in section 4.1.

Comprehensive information about founding a business in Germany is provided online by the Federal Ministry of Economics and Technology in German, English, Turkish, French, Russian and Italian. On the local level, government and municipal departments or chambers also offer information, advice and support for entrepreneurs.

Sectoral and spatial rules and regulations

As mentioned above, there is a plethora of sectoral rules and regulations in Germany. Depending on the business sector, the entrepreneur must obtain different permits or possess specific qualifications. Professions such as childcare, nursing services, brokers or accountants need specific permits. A special licence is needed for the carriage of passengers. Industrial enterprises with an impact on the environment have to get permission in compliance with the Federal Immission Control Act. In the hospitality industry, all entrepreneurs need to participate in a one-day course of instruction organised by the Chamber of Industry and Commerce. Similarly, entrepreneurs in the security business have to participate in a specific eighty-hour course of instruction and prove their personal reliability as well as necessary resources (cf. BMWi 2010).

Specific requirements also exist for entrepreneurs who want to start a business in crafts. After the revision of the Crafts and Trade Code (*Handwerksordnung*) in 2004, there are now two types of handicraft trades. The first type (A) includes crafts which endanger the life and health of the customers when constructed incorrectly. These crafts are listed in the first part of the Crafts and Trade Code’s attachment; examples are bricklayers, plumbers, bakers or hairdressers. The entrepreneur needs to obtain a permit for these crafts, which generally requires that the entrepreneur is a master craftsman himself/herself or employs a master craftsman. Entrepreneurs with the citizenship from a European Union or European Economic Area country who are not master craftsmen in accordance with the German law need an



exemption in order to start this type of a craft business. They must prove they have comparable qualifications to German master craftsmen and several years of work experience (cf. BMWi 2007). The second type of handicraft trade (B) includes crafts as well as ‘quasi-crafts’ for which the entrepreneur no longer needs a permit. The entrepreneur does not have to be a master craftsman nor does he or she need specific qualifications in order to start a business. Examples include floor tilers, goldsmiths, building cleaners and beauty specialists (cf. BMWi 2009).

The interviewed experts stated that this revision of the Crafts and Trade Code had a significant impact on entrepreneurs with a migration background in the city of Arnsberg. In particular the fact that one does not have to be a master craftsman in some fields enabled more people to start businesses. Although foreign entrepreneurs are still underrepresented in the industrial sector, the category that crafts fall under, their proportion is now increasing (cf. section 4.1).

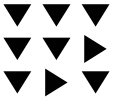
In Arnsberg, there are differences according to the migration background of the entrepreneurs who work as craftsmen. Inhabitants with an Italian or Turkish background (groups who have lived in the city for a considerable length of time and mostly attended the German school system) often start a craft business belonging to the first category, e.g. hairdressing salons. Inhabitants with an Eastern European background – mainly ‘new’ immigrants to the city – usually start businesses they do not need permission for, such as floor tiling. However, the new regulations can also be seen as a breeding ground for ‘pseudo self-employment’. According to the city, this is the case for several of the Eastern European craftsmen.

5.2. Illegal and informal practices

According to information provided by the city of Arnsberg, most violations of business laws are recorded through: (1) legal proceedings concerning the prohibition of further trade activity, the withdrawal and the refusal of permissions and (2) proceedings based on a violation of the law fighting illicit employment. In the city of Arnsberg, foreign entrepreneurs are overrepresented in both of these legal proceedings. Although the proportion of foreign entrepreneurs among all entrepreneurs is 9%, they make up a share of 16% concerning the first type of proceeding and 27% of the second.¹²

There are different reasons for these higher shares. To begin with, migrant entrepreneurs mostly operate in the tertiary (service) sector. Within this sector, tax fraud and illicit employment are more common than in the secondary sector. Illegal practices are often branch-specific. However, different attitudes and traditions of migrant entrepreneurs can also be of importance. For example, not officially registering employed family members might not

¹² These proportions refer to the period of 1999 to 2009, and 1997 to 2009, respectively. With regard to proceedings concerning the prohibition of further trade activity, the withdrawal and the refusal of permissions, there were 221 cases; thirty-six concerned ethnic entrepreneurs. Among the 411 proceedings violating the law against illegal employment, 112 involved entrepreneurs without German nationality.



be seen as a violation of law by the entrepreneur, even if it is in reality illicit employment. In the hospitality industry, foreign entrepreneurs often ignore hygiene regulations, although every entrepreneur in this area has to participate in a one-day course of instruction about these rules, which is organised by the Chamber of Industry and Commerce. Sometimes, one's command of the German language plays a role. According to the city, this is most often the case for Asian entrepreneurs. Moreover, entrepreneurs with a migration background may know the rules, but sometimes do not act in accordance with them. Often, this does not seem to be a deliberately criminal action, but is based on different experiences from their countries of origin, where rules may not always be rigidly enforced. According to one of the city's employees, illegal practices of entrepreneurs with a migration background might be reduced if professional advice for entrepreneurs before founding the business and during its first years of operation would be obligatory.

Entrepreneurs with a migration background who violated the law and got caught are treated like every other entrepreneur. According to the city, the municipal Department for the Promotion of Trade and Industry makes them aware of the violation and tries to communicate with the persons involved. Should the violation be severe, further proceedings are initiated.

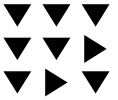
5.3. Local strategy

Overall strategy, objectives and target groups

This section examines the local strategy regarding ethnic entrepreneurship for economic policy and integration policy, starting with the latter.

In Germany, **integration policies** traditionally focus on the fields of social affairs, youth work, language and education. Activities that directly and systematically promote equal opportunities in the labour market play a minor role in these policies. For several years, ethnic entrepreneurship was not an issue addressed in integration policies. Only recently, migrants' resources as entrepreneurs became a topic of minor political interest in the field of integration. On the national level in Germany, which influences local integration strategies, the 'National Integration Scheme' (*Nationaler Integrationsplan*) outlines some objectives and recommendations for integrating migrants. The Integration Scheme addresses ten topics. However, ethnic entrepreneurship is very much a minor theme of the topic 'promoting integration on the local level', which, among other things, tackles the involvement of migrants in the local economy. In order to support local ethnic businesses, the Federal Government, municipalities and a number of NGOs have made several voluntary agreements; particularly in the fields of financial promotion and advice services (cf. *Beauftragte der Bundesregierung für Migration, Flüchtlinge und Integration 2007*). In conclusion, ethnic entrepreneurship is a topic discussed on the national level and supported by the government, but only represents a minor issue within national policies.

This is also true for the city of Arnsberg, where ethnic entrepreneurship does not play a particular role in the city's overall strategy supporting the integration of migrants at the local



level. The **local integration policy concept**, adopted in 2001 and revised in 2008, defines six fields of activity: (1) language promotion, (2) education, (3) employment and qualification, (4) housing, (5) counselling in social affairs and health and (6) culture and information (public relations). The focus lies on the first two fields of activity, language and education, since the city's representatives assess these as crucial for creating equal opportunities. Within the field of employment and qualification, the main measures include qualification programmes following-up the school system, second-chance education as well as extended vocational training. Projects enhancing entrepreneurship in general or targeting migrant entrepreneurs in particular are not part of the local integration strategy.

Within the city's **economic policy**, entrepreneurship is seen as a means to integrate all inhabitants into the labour market as well as to create jobs. Thus, it plays a crucial part in the local economy. The city's strategy for economic promotion is to provide for the future, with particular regard to coping with economic and demographic changes, and aims at both securing existing jobs and creating new ones. The promotion of entrepreneurship at the local level is mainly targeted at the start-up phase of the business. Still, the municipal Department for the Promotion of Trade and Industry also accompanies newly founded or existing businesses throughout their operations. In doing so, however, the city follows a general approach, not specifically targeting entrepreneurs with a migrations background.

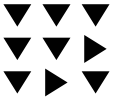
Main actors and institutions, dialogue and involvement of migrants

The **main municipal actor** in the field of entrepreneurship (and thus ethnic entrepreneurship as well) is the city's Department for the Promotion of Trade and Industry (*Wirtschaftsförderung Arnsberg – wfa*), which is also a member of the regional advice service for entrepreneurs *Startercenter NRW – Hochsauerland*. The Department for the Promotion of Trade and Industry regards itself as a service provider for local businesses: it supports its customers in founding a business, in resettling a company in the city and in accompanying existing businesses. Within the *Startercenter*, the department cooperates with other local institutions such as the Chamber of Crafts as well as the Chamber of Industry and Commerce.

The migration background of a client of the Department for the Promotion of Trade and Industry or the *Startercenter* does not play a role in their services. One of the interviewed experts stated that clients are simply seen as clients, irrespective of their background. Everybody can approach the department and the *Startercenter*; and thus access is not restricted.

In addition to the city administration, in particular the city's Department for the Promotion of Trade and Industry (*Wirtschaftsförderung Arnsberg – wfa*), and the advice service for entrepreneurs (the *Startercenter*), other **relevant institutions** in Arnsberg for entrepreneurs with or without a migration background are:

- ▶ the Chamber of Industry and Commerce Arnsberg, Hellweg-Sauerland (*IHK Arnsberg, Hellweg-Sauerland*),

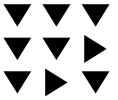


- ▶ the Chamber of Crafts Südwestfalen (*Handwerkskammer Südwestfalen*),
- ▶ the Business Association Westfalen-Mitte (*Unternehmensverband Westfalen-Mitte*),
- ▶ the Retail Association Südwestfalen (*Einzelhandelsverband Südwestfalen*),
- ▶ the German Federation of Trade Unions, Region Hellweg-Sauerland (*DGB Region Hellweg-Sauerland*),
- ▶ the Employment Agency Arnsberg (*Agentur für Arbeit Arnsberg*),
- ▶ the administrative district (*Hochsauerlandkreis*),
- ▶ the regional government and
- ▶ the tax office

The institutions maintain a close **dialogue** with each other. The city of Arnsberg supports this dialogue and is in close contact with the other actors. All of the interviewees praised these close relations as well as the good level of communication and cooperation of the actors within the city. Arnsberg was from all sides described as being a “city of short distances” where “everyone knows everyone” – a situation which facilitates close contacts and cooperation. Thus, being a ‘city of short distances’ also has a positive impact on the promotion of entrepreneurship.

Migrant entrepreneurs in Arnsberg are involved in these institutions, but apparently to a lesser extent than native entrepreneurs. As far as the Chamber of Industry and Commerce and the Chamber of Crafts are concerned, **membership in these institutions** is compulsory. Thus, entrepreneurs with a migration background are obligated to become members of the chambers. Membership to other organisations is voluntary, however. According to the interviewed representative of a business association, migrant enterprises are mainly micro businesses, and therefore are seldom members of the local business associations, which are mainly of interest for bigger companies. The local business association also has no specific strategy for attracting members with a migration background. Furthermore, few employees of migrant businesses are organised within trade unions (cf. section 4.3).

Ethnic entrepreneurship does not play an important role for these institutions. This is due to the relatively small number of inhabitants with a migration background in Arnsberg. The Department for the Promotion of Trade and Industry (*Wirtschaftsförderung Arnsberg – wfa*) employs seven people, and one of them is specifically responsible for advising all kinds of entrepreneurs, from those just planning to start, to those already running a business. Furthermore, local institutions follow a general approach in their services, including entrepreneurs with a migration background but not targeting them specifically. Migrant entrepreneurs are free to get actively involved in these institutions. However, there is no information available about the degree of their involvement. Entrepreneurs with a migration background have not established parallel institutions in Arnsberg, such as ethnic business associations.



5.4. Local activities

Advice in order to promote entrepreneurship

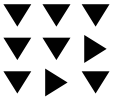
The various local actors provide different measures and programmes to improve the business acumen of entrepreneurs. All of them are general measures, that is, they address all potential and existing entrepreneurs in the city and region, irrespective of their migration background. There are no specific programmes for entrepreneurs with a migration background in Arnsberg, which is mainly due to the relatively small size of the city and its migrant population. In the following paragraphs, two examples of good practices are presented. However, various other programmes and projects also exist in Arnsberg.

The most important institution for the promotion of entrepreneurship in Arnsberg is the *Startercenter NRW – Hochsauerland*. In North Rhine-Westphalia, the municipal economic departments, the Chamber of Industry and Commerce and the Chamber of Crafts established the *Startercenter* in order to ensure a high and constant quality of service when supporting entrepreneurship. They aim at guaranteeing an equal quality standard with regard to advice for entrepreneurs within the federal state, reducing bureaucratic procedures and establishing one-stop agencies. The *Startercenter*'s advice for entrepreneurs proceeds in four stages:

- ▶ initial information,
- ▶ initial advice,
- ▶ intensive advice and
- ▶ maintenance of advice.

Participating institutions must go through an accreditation process in order to guarantee equal standards of the service (cf. Startercenter NRW 2007: 8). In the city of Arnsberg, the *Startercenter* network consists of the municipal Department for the Promotion of Trade and Industry, the Chamber of Industry and Commerce as well as the Chamber of Crafts. The Department for the Promotion of Trade and Industry is the local contact point for entrepreneurs. All interviewed experts described the cooperation and communication within the network as being very good. The actors also work together with other relevant institutions such as the Employment Agency. They offer various seminars, courses and advice. The *Startercenter* was regarded as an example of good practice by all interview partners.

Another example of a good practice for the support of entrepreneurship in the city of Arnsberg is the 'Customer Centre – Economy' (*Kundencenter Wirtschaft*). In this centre, the municipal Department for the Promotion of Trade and Industry acts as a **one-stop agency** and a consistent contact point. The customer centre provides an 'all-in-one offer' for persons who want to establish or resettle a business in Arnsberg. It offers intensive advice, supports the customers in legal matters and manages the formalities. According to the interviewees of the department, the customer centre can undertake the formal procedures on behalf of the entrepreneur: "if he wants to, he only needs to sign the contract at the end".



Furthermore, the Department for the Promotion of Trade and Industry establishes networks of local businesses in order to bring enterprises of the same branch together and thus creating synergy. For instance, the city established networks in the industries of lighting, forest and timber and the creative industry.

These examples emphasise that Arnsberg is a **‘city of short distances’** where contacts are good and mostly on a personal level. This situation facilitates cooperation between the actors and is one of Arnsberg’s strengths.

As mentioned above, migrant entrepreneurs in Germany generally use facilities for advice less often than entrepreneurs without a migration background (cf. Jaeckel 2007: 6; Jung/Abaci 2005: 3). This is partly due to a lack of information about these support structures. In Arnsberg, information about the institutions that offer support and advice can usually be found online, at the municipal administration and at trade fairs. The city also relies on word-of-mouth recommendations for the distribution of this information. There is no specific advertisement of these services for entrepreneurs with a migration background. According to the interviewed experts of the foreigners’ advisory council, the city should enhance the provision of information about the advice services. For example, they could involve migrant associations as mediators in order to increase the knowledge of the inhabitants with a migration background.

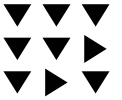
Advice on financing possibilities and financial support

Within the field of finance, there are various ways to obtain financial assistance for founders of new businesses. The most important actors concerning this topic are local banks. The Savings Bank (*Sparkasse*), for instance, offers advice for entrepreneurs who apply for credit. According to the interviewee, there are no specific measures for migrant entrepreneurs.

The ***Startercenter*** is another important actor in the field of finance. Its comprehensive advice services also include information on financing possibilities. Furthermore, the interviewed expert of the Savings Bank stated that entrepreneurs who get advice from the *Startercenter* are on average better prepared (i.e. they have a more well-founded strategy for their business than entrepreneurs who start-up without getting advice) and are, thus, more likely to obtain credit. The interview partner from the local Employment Agency made similar observations.

In addition to credit from banks, there are other financing possibilities for entrepreneurs in Germany. Founders of businesses who need a relatively small amount of money and/or face difficulties in securing credit from banks (which is often the case in the hospitality industry), can apply for a **‘micro loan’** issued by the German reconstruction loan corporation (*KfW*). These ‘micro loans’ are distributed in Arnsberg by the partners of the *Startercenter*, which also provides information about this kind of financing to entrepreneurs.

People who want to start a business while unemployed can also apply for **grants from the local Employment Agency or the local Jobcentre**. Within the first nine months of one’s unemployment, an entrepreneur can apply for a grant at the local Employment Agency. If one



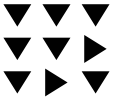
has a promising business plan, one receives a monthly grant (*Gründungszuschuss*) – including unemployment benefits plus € 300 for social insurance contribution – for half a year, with an option of allowances for a further six months. People who want to become self-employed out of long-term unemployment can apply for a monthly grant (*Einstiegsgeld*) at their local *Jobcenter*. The extent of the subsidy is specified individually and can be granted for up to twenty-four months. Both grants are based on nation-wide regulations, and information about these different financing possibilities is provided by the respective local institutions.

Again, these grants are general programmes; entrepreneurs with a migration background are informed and treated just like all other entrepreneurs. Still, the experts stated that the proportion of migrants among entrepreneurs who apply for credits is low. This could indicate that entrepreneurs with a migration background in Arnsberg have other financing possibilities at their disposal. Research shows that entrepreneurs with a migration background often rely on their family when acquiring starting capital for their businesses, for example (cf. ifm 2005: 23). However, it could also indicate that migrants do not know about these programmes. Unfortunately, there are no reliable data available on this topic.

Advice on other topics

Some of the institutions also offer measures that aim at finding appropriate **business locations**. According to the interviewees, the above mentioned ‘all-in-one offer’ of the municipal Department for the Promotion of Trade and Industry for entrepreneurs includes assistance in finding and acquiring premises as well. Likewise, employees of the local Savings Bank, in cooperation with the bank’s own property department, help their customers find property. The local Chamber of Crafts as well as the Chamber of Industry and Commerce offer an exchange platform for people who want to sell or buy a company, or look for business premises. These support measures for finding business locations are, again, general programmes; i.e. they apply for all entrepreneurs – irrespective of their migration background.

With regard to **access to employment** with migrant businesses, there is no reliable information available in the city of Arnsberg. However, according to the interviewed representative of the Chamber of Industry and Commerce, the willingness to provide apprenticeships is above average for businesses in Arnsberg. In the future, companies in the region are likely to face difficulties in finding suitable apprentices. In order to support both businesses and apprentices, the city of Arnsberg established measures promoting the transition from school to work, such as an internship programme. Similarly, further training for employees is supported by the city. At the moment, there is a programme called ‘Using short-time work for further training’, which allows employees who currently have to work short-time to attend courses at the adult education centre. Again, no specific measures for migrant businesses exist in Arnsberg.



There is an abundance of **seminars and courses** for entrepreneurs offered by the city (in particular the Department for the Promotion of Trade and Industry), the Chamber of Industry and Commerce, the Chamber of Crafts, the business associations, the Employment Agency and the Adult Education Centre (*Volkshochschule*). The seminars include topics such as legal matters, the organisation of labour, management or business administration. Training and management support for entrepreneurs is offered as a general service, i.e. there are no specific measures for entrepreneurs with a migration background concerning this topic in Arnsberg. According to information provided by the city, employees in charge of the seminars believe that the establishment of specific measures for entrepreneurs with a migration background could be useful, since their proportion among new entrepreneurs is increasing. They also recommended a discussion with other relevant actors, such as the chambers, when planning these seminars and courses. However, the city has not yet started with such a specific approach.

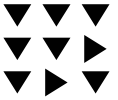
According to the interviewed persons, the city has no measures that aim at addressing staff matters in migrant businesses or at improving the marketing of migrant entrepreneurs. The city, the chambers and the business association do not use the transnational economic connections of entrepreneurs with a migration background. This is, again, due to the relatively small size of Arnsberg and its migrant businesses. Still, there is an informal use of contacts on a low level.

6. Summary and conclusion

The city of Arnsberg is located in North Rhine-Westphalia, in Western Germany. It is a fusion of fifteen originally independent urban and rural communities. The total population of Arnsberg is 79,783 (as of December 31st, 2009). 5,177 foreigners live in Arnsberg, representing 6.9% of the population. The majority of these foreigners are former ‘guest workers’, who came to Germany in the 1960s and 1970s, as well as their families and descendents. In addition, many Russian-speaking ethnic German migrants from the former Soviet Union, known as *Spätaussiedler*, live in Arnsberg. Altogether, the percentage of people with a migration background is about 15%.

Arnsberg’s population is declining and ageing. About two thirds of its German population are of working age; among foreign inhabitants, the proportion is more than 80%. The city’s inhabitants with a foreign citizenship have lower educational achievements on average and a higher unemployment rate.

The local economy is characterised by industrial production, particularly the lighting industry, the wood/paper industry, metal and polymer processing and electronics. About 99% of the local enterprises are SMEs. The secondary sector still accounts for 45.6% of employees. About twenty years ago, however, the proportion was almost 60%. Thus, the city has experienced a process of tertiarisation, but not as strong as other German cities and regions. Arnsberg was also not hit as hard as other cities or regions by the current financial



and economic crisis – thanks to the particularities of its local economy as well as the extensive use of national support programmes.

About 9% of businesses in Arnsberg are run by entrepreneurs with a foreign nationality. They mainly concentrate on the retail, trade, hospitality industry and crafts. According to the experts interviewed in the course of the CLIP city visit, migrant entrepreneurs in Arnsberg mostly own small businesses with few employees, and often run family businesses. Their reasons to become self-employed generally do not seem to differ significantly from entrepreneurs without a migration background. Nevertheless, self-employment arising from unemployment or other economic pressure is regarded as more common with migrant entrepreneurs in Arnsberg. The interviewed experts also stated that migrant entrepreneurs in Arnsberg do not have migrant-specific problems; entrepreneurs with and without a migration background seem to face the same problems while running a business. The challenges are mainly due to the educational and not the ethnic background of the entrepreneur.

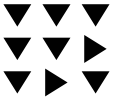
Hardly any data or quantitative information on ethnic entrepreneurship in Arnsberg exist, because the ethnic background of entrepreneurs is not seen as a feature which should be recorded by the institutions. However, having information about migrant businesses is an important prerequisite to knowing about them and to be able to establish or modify effective and efficient programmes in order to support them towards economic success. Thus, it is recommended to the city to gather more information on entrepreneurs with a migration background and their businesses.

Ethnic entrepreneurship does not play an important role in local policies. In the framework of the local integration strategy, the city mainly concentrates on projects enhancing language competence, educational success and, thus, the employability of migrants; ethnic entrepreneurship is a topic of lower priority. In the framework of the local economic policy, the support of entrepreneurs is seen as crucial topic. Still, the city follows a general approach; entrepreneurs with a migration background are not the specific target group of its strategy.

Nonetheless, there are examples of good practices supporting local entrepreneurship that are useful for migrant entrepreneurs as well: first, the *Startercenter*, which brings together the expertise of all local institutions involved and offers systematic advice for entrepreneurs and start-ups in four stages; second, the ‘all-in-one’ offer of the city’s Department for the Promotion of Trade and Industry. The *Startercenter* in particular can guarantee a high standard of its services, because it needs accreditation.

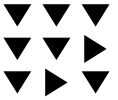
Due to the relatively small size of the city and its population with a migration background, the city’s decision to offer general advice and support for entrepreneurs (irrespective of their migration background) is understandable and, to a certain extent, advisable.

Still, research and experience in other cities show that potential and established entrepreneurs with a migration background generally are less inclined to seek professional advice. This is often based on a lack of knowledge of both the availability of the service and its structures. By not using these advice opportunities, however, entrepreneurs are likely to have worse



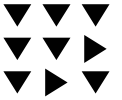
conditions for founding and operating their businesses, and a higher chance of committing illegal practices or going into bankruptcy. General services that do not address migrants' specific needs and barriers for migrants to access those services bear the risk of reinforcing migrants' difficulties

Thus, it is important to make the city's employees aware of migrants' needs and to inform entrepreneurs with a migration background about the services available. Offering information in different languages or using migrant associations or the Integration Council as mediators are possible examples. By increasing awareness of migrant issues and access to local services, the city of Arnsberg could support ethnic entrepreneurship, benefiting from the potential of migrant entrepreneurs for the improvement of both the local economy and society.



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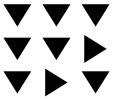
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List of persons interviewed

During the field visit, which took place from February 1st to 4th, 2010, the following sixteen experts were interviewed:

Dröge, Ulrich; staff member of the Chamber of Crafts Südwestfalen (*Handwerkskammer Südwestfalen*)

Ersöz, Tarik; member of the Foreigners' Advisory Council

Glingener, Karin; city of Arnsberg, staff member of the Mayor's Office and CLIP city representative

Goldfuß, Petra; staff member of the German Federation of Trade Unions, Region Hellweg-Sauerland (*DGB Region Hellweg-Sauerland*)

Hoffmann, Dirk; city of Arnsberg, staff member of the Department for the Promotion of Trade and Industry (*Wirtschaftsförderung Arnsberg, wfa*)

Hueß, Dr. Ralf A.; staff member of the Chamber of Industry and Commerce Arnsberg, Hellweg-Sauerland (*IHK*)

Josek, Peter; city of Arnsberg, head of Office for Immigration and Integration

Kerkhoff, Matthias; staff member of the Business Association Westfalen-Mitte (*Unternehmensverband Westfalen-Mitte*)

Kitsoni, Varvara; entrepreneur with a migration background (tailor shop)

Lepski, Bernd; city of Arnsberg, executive director of the Department for the Promotion of Trade and Industry (*Wirtschaftsförderung Arnsberg, wfa*)

Liebscher, Dirk; staff member of the Savings Bank *Sparkasse Arnsberg-Sundern*

Markovic, Drago; entrepreneur with a migration background (restaurant)

Sariköse, Savas; head of the Foreigners' Advisory Council

Sellmann, Peter; staff member of the Employment Agency Arnsberg (*Agentur für Arbeit Arnsberg*)

Vogel, Hans-Josef; Mayor of Arnsberg

Zumbusch, Martin; city of Arnsberg, staff member of the Department for the Promotion of Trade and Industry (*Wirtschaftsförderung Arnsberg, wfa*), responsible for business formation and the *Startercenter Hochsauerland*