



European Foundation for the Improvement of Living and Working Conditions

Ethnic Entrepreneurship

in Terrassa, Spain

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V-3, 22 July, 2010 Comments incorporated from: Anna Farràs Sanz (city of Terrassa), Josef Kohlbacher (reviewer) and Anna Ludwinek (Eurofound).



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Foreword

This report is written as a result of the Eurofound project "Cities for Local Integration Policy" (CLIP), which started in 2006. Terrassa is one of the 28 European cities that cooperate in exchanging information on their Integration Policies and in this case ethnic entrepreneurship.

The project aims at collecting and analysing innovative policies and their successful implementation at the local level, supporting the exchange of experience between cities and encouraging a learning process within the network of cities, addressing the role of social partners, NGO's, companies and voluntary associations in supporting successful integration policies, providing objective assessment of current practice and initiatives and discussing their transferability, communicating good practices to other cities in Europe and developing guidelines to help cities to cope more effectively with the challenge of integrating migrants, supporting the further development of a European integration policy by communicating the policy relevant experiences and outputs of the network to: European organisations of cities and local regional authorities, the European and national organisations of social partners, the Council of Europe and the various institutions of the European Union.

The CLIP network is also cooperation between cities and research institutes. Six research institutes in Bamberg, Amsterdam, Vienna, Turino, Wroclaw and Swansea are taking care of the publications of the CLIP project. The researchers of the Institute for Migration and Ethnic Studies (IMES) of the University of Amsterdam are responsible for this report on Terrassa. Together with our contact person of the municipality Joan Chicon, head of the Department of International Relations and the head of the Department of Citizenship and Civil Rights Gemma Garcia, an enormous effort has been undertaken to find all necessary data on Terrassa for this report. Many officials and other parties who are involved with integration and welcome policy, statistics and support of immigrants have been interviewed, as the list at the end of the report shows. They have provided us with reports, statistics and comments on the concept version of this report. Secondly representatives of the largest bank 'Caixa Terrassa', the chamber of commerce 'Cambra', the employers associations 'Confederació Empresarial Comarcal de Terrassa or Cecot', the labourers associations 'Confederación Sindical de Comisiones Obreras or CCOO' and several entrepreneurs have been willing to provide us with information. And finally researchers from the Autonomous University of Barcelona and the University of Amsterdam have provided us with data and useful comments. I want to thank all those who have cooperated in giving information and particularly Joan Chicon for coordinating the search of data.

We thank Josef Kohlbacher (OEAW), Anna Ludwinek (Eurofound) and Anna Farràs Sanz (city of Terrassa) for their useful comments on the first draft of this report. The author remains completely responsible for the content of this report and the copyright of the report remains with Eurofound.

Anja van Heelsum
22 July 2010, Amsterdam

1 Introduction

The fourth module of the CLIP project is about ethnic entrepreneurship and explores the development of ethnic entrepreneurship and reviews the role of policy interventions in that process. It is motivated by the desire of municipal, national and European governments and third sector institutions to create an environment conducive to setting up and developing small and medium sized enterprises in general and ethnic businesses in particular.

Following the 'mixed embeddedness' logic, as has been explained in by Rath (2009), it is posited that various components of urban economy interact to produce a complex but also dynamic ecological system, dramatically affecting the political economy of cities and, in so doing, entrepreneurial opportunities. The study therefore focuses on the emergence of ethnic entrepreneurs in the sectors and cities involved and the role of governmental and non-governmental regulation in it. The basic research questions are:

A. What are the *characteristics of the urban economy* and which openings have emerged in a number of cities since 1980? How has the political economy of these cities evolved? More specifically, what has been the development of the Small and Medium Enterprise (SME) sector in general in terms of numbers of businesses, volume of workforce, value of sales, variety of products, and market segmentation, and what has been

i) the spatial distribution, ii) the distribution over the various sectors of the urban economy, and iii) the ethnic, gender and age composition?

B. What kind of *profiles of ethnic entrepreneurship* can be identified? How does the emergence of ethnic entrepreneurship fit into the specific dynamics of the wider urban economy? Which general and specific barriers do ethnic entrepreneurs encounter, and what are their competitive advantages? What are the structural determinants of the observed trends? What are the employment effects of ethnic business? How many and what quality of job have been generated on the local labour market?

C. What *policies have cities implemented for the SME sector* in general and the ethnic SME sector in particular at local levels and how have they shaped ethnic minorities' self-employment trajectories? How have policy debates and interventions on (ethnic) entrepreneurship influenced the emergence of entrepreneurial opportunities—real or discursive—and further development of ethnic businesses? What policies can be found supporting the access to employment for migrants in ethnic businesses?

Some of the information is gathered with a questionnaire that was filled in by the representative of the city, using information from colleagues in the administration. Additional information was gathered on websites and in publications. But even then a lot of data on the above questions were not available, and additional qualitative information was gathered during interviews, see the list of interviewees in the back of this report.

2 Background information of the city

Terrassa is situated 29 km from Barcelona city and part of the Vallès Occidental County, in the province of Barcelona, in the autonomous region of Catalonia in Spain. Spain is divided into 17 autonomous regions with their own elected authorities. The level of autonomy of each region differs. Catalonia, the Basque Country and Galicia have a special status with their own language and other rights. Catalonia has extra powers in taxation and judicial matters after the referendum of 2006 when a Catalan constitution was approved. Immigrant integration is mainly a Catalan responsibility, and learning the Catalan language is considered an important part of this.

The city dates back from the Roman times, then named Egara. Several interesting buildings from the middle Ages – like a castle, a large bridge and the Sant Pèr churches – show that Terrassa has been influential for the area in the past. Terrassa was small until the 19th century: in 1716 its population stood at a mere 931 people. Many of them were small farmers and the remainder artisans. In the 16th and 17th centuries the production of woollen fabrics became one of the main activities of the artisan community.

Until the beginning of the 18th century, wool production was organised by two guilds, the "teixidors" and the "paraires", who controlled practically the entire wool production process. Towards the end of the 18th century, the industrial revolution triggered a development process particularly in the wool sector. Its industrialisation was the driving force behind the growth of Terrassa during almost the whole of the 19th century. The textile industry was one of the reasons of the economic attractiveness of the city from 1900 onwards. Large textile factories in the city centre were built around 1907. Catalonia and the Basque Country were among the few places in Spain where industry developed, the rest was mainly agricultural. So at the end of the 1980s industrial activity predominated in Terrassa's business structure. Terrassa also has the image of an art town, and has been called the Catalan 'Athens'. Its successful textile industry has left many interesting architectural highlights, factory buildings, shops and houses of factory owners, like the 'modernistic' buildings of Masia Freixa from 1907–1910. Related to the textile industry, a university was founded with technical subjects that could serve the textile industry.

Figure 1 Building of the famous textile industry in Terrassa now turned into a museum



Photo: Anja van Heelsum

International immigration is a phenomenon of the last ten years. On July 1st 2009 Terrassa had a total population 212,146 inhabitants, of which 31,867 foreigners (15%), while there were only 3,528 foreigners (2%) in 1995. Table 1 shows the number of foreign nationals in Catalonia, Barcelona city and Terrassa. The composition and characteristics of the immigrant population in Spain, Catalonia and Terrassa has been elaborately described in the earlier city reports on Terrassa (Van Heelsum, 2007, 2008a, 2009).

As Table 1 shows, by far the largest immigrant group in Terrassa is Moroccans, followed by much smaller communities of Ecuadorians, Senegalese, Colombians, Romanians and many other small groups. Some groups have a sizable surplus of men, like Moroccans, Senegalese and Italians. In other groups women are a majority of women, like among Colombians, Argentineans, Dominicans and Bolivians. This is caused by the kind of jobs available in Terrassa. There is a labour market segment where migrants are employed with jobs in a non-qualification situation, low salaries, high rotation, and lack of promotion. The activities of men focus in industries and construction, which need intensive labour, while the activities of women in domestic services, hotel and catering and elderly and child care. There is also a wide range of activities developed in the black market by undocumented immigrants. The most visible are the Senegalese men selling newspapers, DVD's and leather in the street. While the precarious conditions of the labour market affect the whole society, it appears more pronounced among foreigners.

Table 1 Immigrants in Catalonia, Barcelona City and Terrassa: after nationality per 1/7/2009.

Nationality	Catalonia 2009	%	Barcelona 2009	%	Terrassa 1/7/2009	%
Spanish	6286141	84,1%	1337252	82,5%	180,279	85%
Moroccan	226930	3,0%	14402	0,9%	13,789	6.5%
Ecuadorian	82626	1,1%	22201	1,4%	3,182	1.5%
Senegal	18943	0,3%	934	0,1%	1566	0.7%
Gambia	16594	0,2%	264	0,0%		
Colombian	49150	0,7%	13521	0,8%	1,273	0.6%
Romanian	96574	1,3%	6644	0,4%	1,061	0.5%
Argentinean	33986	0,5%	9763	0,6%	855	0.4%
Bolivian	58563	0,8%	17672	1,1%	841	0.4%
Italian	48169	0,6%	22684	1,4%	730	0.3%
Chinese	45019	0,6%	14076	0,9%	700	0.3%
Dominican	21294	0,3%	7315	0,5%	786	0.3%
Paraguayan	--		4428	0,3%	897	0.4%
Peruvian	35513	0,5%	15613	1,0%	699	0.3%
Chilean	16264	0,2%	5472	0,3%	543	0.2%
Polish	--		2234	0,1%	378	0.1%
Others	439654	5.9%	127162	7,8%	4567	37,6%
Total	7475420	100%	1621637	100%	212,146	100%

Sources: for Catalonia Catalan Government: idescat; for Barcelona: website Ajuntament de Barcelona; for Terrassa: Terrassa Information Service System Foment.

Migrant women have less access to the labour market than men; their role is often limited to the domestic service and to care at home or in geriatric institutions of elderly. The precarious employment conditions and the incidence of the black economy make it hard to change from illegal to a legal status. Since their labour contracts are not for permanent posts, people are changing their administrative position constantly. Upward mobility is hard to achieve, except in some parts of the secondary sector in which a permanent job implies a better labour situation. Generally speaking, migrants, one of the most vulnerable groups (like youth and women) have less negotiating power, and depend on jobs that can disappear when the economy goes down.

The educational level of the main immigrant groups is lowest among Moroccans and Chinese with more than a quarter illiterate, but also among Senegalese, Dominicans, Romanians and the other South American groups the percentage of illiterates is often above 15%. Other groups that have both a considerable low educated and a considerable high-educated section like the Peruvians and the Chileans. Some East European groups have better opportunities, because of their higher educational and training level. But also these groups get frustrated, as their educational level doesn't fit to their professional category. Moroccans, Chinese and Romanians have a considerable number of illiterates.

3. The urban economy in general

3.1 Historical development of urban economy

As we already stated industrial activity predominated in Terrassa's business structure at the end of the 1980s. As in most of Catalonia the booming economy between 1950 and 1960 led to an influx of a large number of poor people from other parts of Spain, particularly Andalusia. These internal immigrants did not speak the Catalan language and had similar problems as the current international migrants. They had problems to find housing, and ended up in workers neighbourhoods, were often poorer and had to cope with prejudice by the local population.

Until 1960 Spain was by underdeveloped compared to the rest of Europe. Industrialization started late around 1960. After the transition to democracy in 1975 Catalonia's economic situation was problematic, with high unemployment and inflation, deteriorated by the oil crisis. While Spain was for 90% dependent on oil from the Middle East, the energy consumption was excessive. During the period of stagnation Spanish workers sought good paying jobs in Germany, the Netherlands and elsewhere. The remittances sent home were important sources of foreign currency and credit to finance imports. The typical annual funds available for economic growth were: \$2.5 billion from tourism, \$1 billion from foreign investment, and \$0.5 billion from workers' remittances. The Country Studies Program of the US library of congress states: "A mitigating circumstance, however, was that although the official unemployment rate was 20 percent, perhaps as many as one-third of those registered as unemployed were working in the "underground economy".

But from 1982 onwards the Gonzales government managed to push back the state deficit and inflation. Efforts to modernize and to expand the economy together with a number of other factors fostered the remarkable economic boom of the 1980's. Helpful factors were the continuing fall in oil prices, the increase in tourism, and a massive upsurge in the inflow of foreign investment due to the better integration into the European market. But the prime force generating rapid economic growth was increased domestic demand, which grew by a steep 6% in 1986 and by 4.8% in 1987. But the boom didn't push back the unemployment and also didn't last into the nineties. ¹

A second economic boom started around 2000 and lasted until 2006, to a large extent driven by construction and the housing market. Buying and selling of houses had become big business, house prices were sky rocketing, for instance an increase of 24% in 2003.

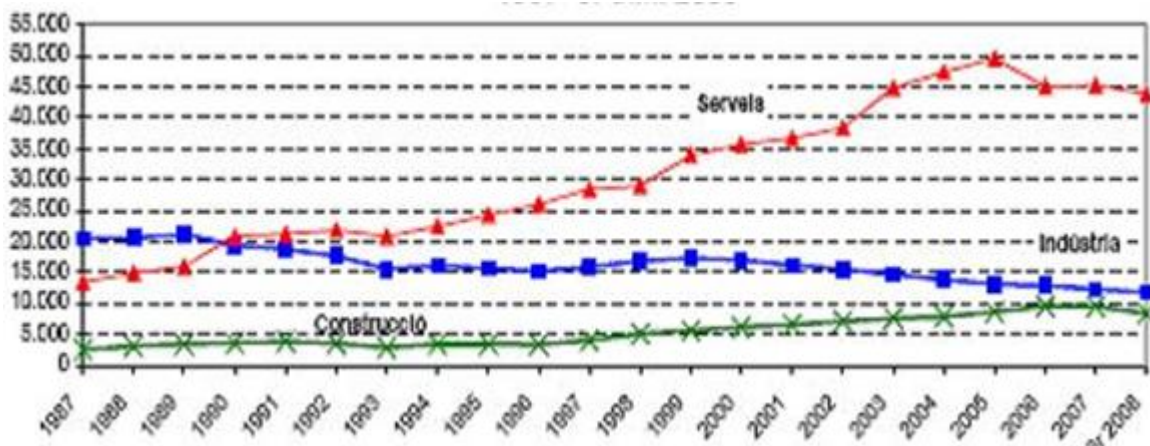
In the 1990s the industry was restructured to the benefit of services. Thus the crisis in the 1970s and 1980s meant the end of a long industrial cycle which had lasted almost two hundred years. As figure 1 shows, Terrassa diversified its production base in the 1980s and 1990s and became a major service centre. Between 1987 and the third quarter of 2008, the share of industry in Terrassa's production structure fell by more than 38%, while the service sector became the leading sector in the city.

¹ More information: http://www.mongabay.com/reference/country_studies/spain/economy.html

Terrassa's position in the region is central for the surrounding villages and smaller towns, though the city of Barcelona is the busy capital nearby. Terrassa has always been relatively wealthy in the region. The gross family income is the second in the county and the fourth in Catalonia. In 2001 the gross family income was €10,390 a year, though there are big differences between the city districts. Between 1996 and 2002 the gross family income had increased with 36%. The population is aging: there is a lack of people from 18 to 45 years old and immigrants have to fill that gap. Most of Terrassa's work force is still employed in the industry, but the service sector is growing fast, while construction and agriculture are going down. Also the size of the companies (number of employees) is going down.

Due to the dependence on building and industry, the economic crisis of 2008–2010 has more effect in Terrassa. The unemployment rate is higher than the Catalan average: according to the vice mayor 15,8% of the active population is unemployed in March 2009, which is 3,6% above the Catalan average. While there were 5,501 unemployed in Terrassa in 2001, in 2008 this number doubled to 10,465 which is directly noticeable in this town of 207,663 inhabitants (source: www.idescat.cat, statistic website of the Catalan Government).

Figure 2 Development of number of salaried employees per sector in Terrassa from 1987–2008



(*'serveis'*= services, *'indústria'*=industry, *'construcció'*=construction)

Source: *Informe de conjuntura de Terrassa. 2008/09. Foment de Terrassa.*

Terrassa's economic relationship in the last decades with Barcelona was marked by the Olympic Games in 1992 with a major upsurge in businesses. The Games were followed by a recession which was weathered thanks to the expansion of the tertiary sector and construction.

Hence Terrassa's business structure has been transformed, from the domination of the textile sector which made it into an industrial city before, giving way to economic diversification in which trade, construction, health services and business services have turned Terrassa into a front-ranking service city at the county level. Nonetheless, the city still features a significant contingent of wage-earners and companies in traditional (metal and textiles) and modern (chemicals, plastics, paper and graphic arts and food) industry.

Table 2 Percentages of the working population employed in the major economic sectors in Terrassa in 1986, 1991, 1996 and 2001

	1986	1991	1996	2001
Agriculture %	0.4	0.4	0.6	0.52
Industry %	49.8	44.8	41.1	29.7
Construction %	5.1	8.9	7.7	12.24
Services %	42.9	45.9	50.7	57.53
Not clear %	1.8	0	0	0
Resident working population %	44,556	54,753	56,765	78,005
Employment rate % *	35.9	43.6	41.8	53.7
Employment growth %		22.9	3.7	37.4
Number of jobs in the municipality	43,412	53,316	55,221	67,640
Growth in number of work places %		22.8	3.6	22.3

(* employment rate = working populations as part of the population of 16 years and older).

Source: Institut d'Estadística de Catalunya.

The current crisis has directly affected the household consumer expenditure. This is one of the main causes behind the recession in the construction sector, which is where the least skilled labourers had found work since towards the end of the 20th century. This has had a major impact on the number of workers (downsizing workforces and a fall in the number of enterprises).

In 2008 the number of enterprises and wage-earners, which had grown non-stop since 1994, began to fall (64,100 wage-earners in September, 5.1% down on the figure for the previous year), in particular in the construction industry which experienced a 20% decline in enterprises and wage-earners and an 8% fall in the self-employed in the course of one year. Furthermore, the number of unemployed began to rise in November 2007 to reach a rate not seen since the middle of 1994 (with almost 30% of the increase accounted for by workers in the construction sector). There was also a year-on-year fall in hiring of more than 22%, which is another instance of a weakening jobs market.

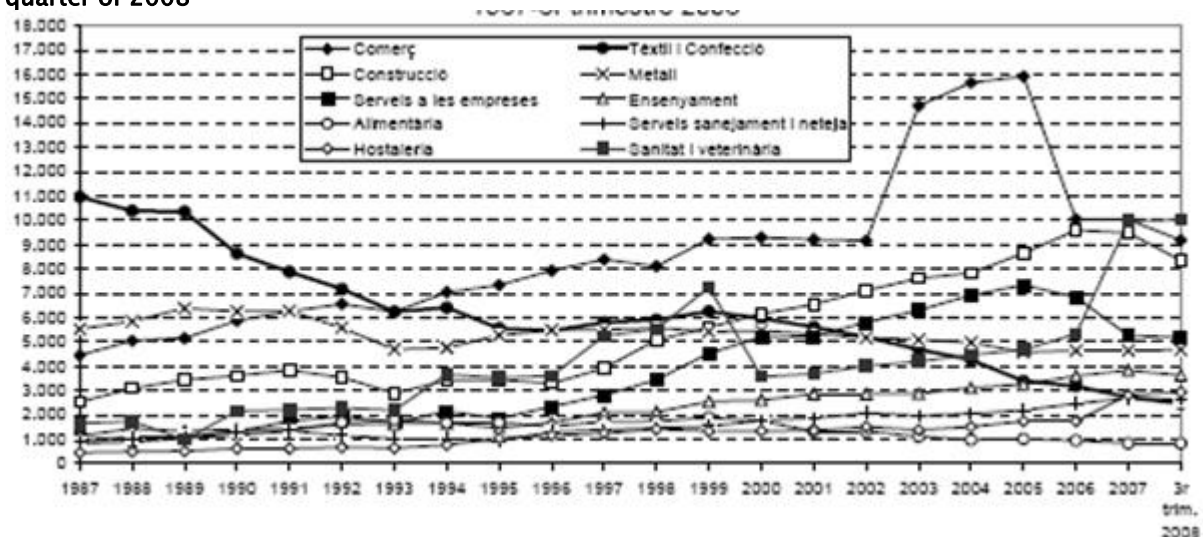
Something else that is of growing concern to Spanish government and policymakers is the development of a considerable underground economy since 1970. As the Library of Congress writes: "Observers estimated that it accounted for 10 percent to 15 percent of the GNP, and a 1985 government study suggested that the number of those employed in the underground economy amounted to 18 percent of the entire active labor force. Other analysts believed that as many as 33 percent of those officially listed as unemployed – about 20 percent of the working population – were actually working in the shadow economy. Workers in this sector were particularly numerous in labor-intensive industries and services. According to official estimates, agriculture accounted for the largest share, estimated at perhaps 30 percent; services claimed up to 25 percent; construction, 20 percent; and industry, a little less than 20 percent. Most of those involved in the service sector worked as domestics." Workers in the underground economy are more often immigrants and young people with minimal educational and professional qualifications. When studying the labour market situation of immigrants, this has to be taken into consideration.

The consequences of the fall in business activity due to the recent crisis was initially most felt in construction before gradually spreading to other major sectors such as industry (where the textile sector has been losing workers and enterprises for years) and services (where trade and other business activities have lost importance after being the main job creators over recent years). Redundancy procedures put in place by enterprises in a range of sectors is another example of the recent impact of the crisis on Terrassa and its surrounding area.

3.2 Main industries and services

The shift from industry as the most dominant activity to services is accompanied by closure of certain industries. But the service sector has also suffered from the crisis. Figure 3 shows the development of the main business and service sectors.

Figure 3 Development in the size of the main business sectors in Terrassa from 1987 to the third quarter of 2008



'comerç'=commerce, constructio=building, servies a les empreses=services to companies, alimentaria=food, hosteleria=hotels, textill confeccio=textile, metall=metal, ensenyament=education, servies sanejament i neteja= organisation and cleaning, sanitat i veterinaria=health and veterinary service.

Source: Generalitat de Catalunya, statistical office of the Chamber of Commerce Terrassa

Industry

Since the year 2000 the reduction of the sector industry was especially visible in the textile and metal industry. But metal and textile are still the largest within the industry: together they make up 61% of the total number of employees in industries of Terrassa. Recently other industrial activity increased, such as chemicals and plastics, paper and graphic arts, food and wood, cork and cane.

Metal as the predominant sector of industrial activity, has employed 40% of the wage-earner work force of the industry, even though the relative weight of metal in the economy of Terrassa has fallen down 8% from 1987. Actually its weight has increased 13 % (of total industrial activity) due to the fall experienced by the textile industry.

Textile is the second industrial sector in importance, employing 21% of the wage-earner work force. As with metal the reduction of the productive structure of the sector has been of more than 27%. Anyway, Terrassa is still one of the cities where the textile industry is more represented, which supposes the maintenance of a specialization in this activity in the whole region.

On the one hand some sub sectors as manufacturing of machinery, manufacturing of electric engines and generators have been dynamically generating work. But on the other hand wage-earner data show an important reduction of industry, whereas the number of independent workers has been growing quite steadily from 1999 onwards.

The number of independent workers is currently equal to the wage-earning ones, but the wage earners continue to loose weight in comparison to the total number of independent workers in Terrassa.

The Service Sector

Contrary to what is happening in the industry, the service sector is growing relatively. The main services concern for instance food, education, organisation and cleaning, health and veterenary service, services to companies, and to a lesser extend less lodging.

Data from the INSS (National Institute of Social Security), show that commerce made up 42.2% of the service companies in 2002 and 36.8% in 2009, while services to companies increased from 13.2% to 14.4% in the same period, hotel and catering sector increased from 8.6% to 10.0%, personal services diminished from 6.5% to 5.5%, transport and communication from 6.1% to 5.3%, and the percentage of educational organisations remained the same, 3.7% . When we consider the amount of employees in these two years, we notice that the number of people employed in the health/veterinary services and educational services have increased (health and veterenary service from 10.5% to 16.2%, and education from 7.6% to 10.7%).

3.3 Size and characteristics of workforce

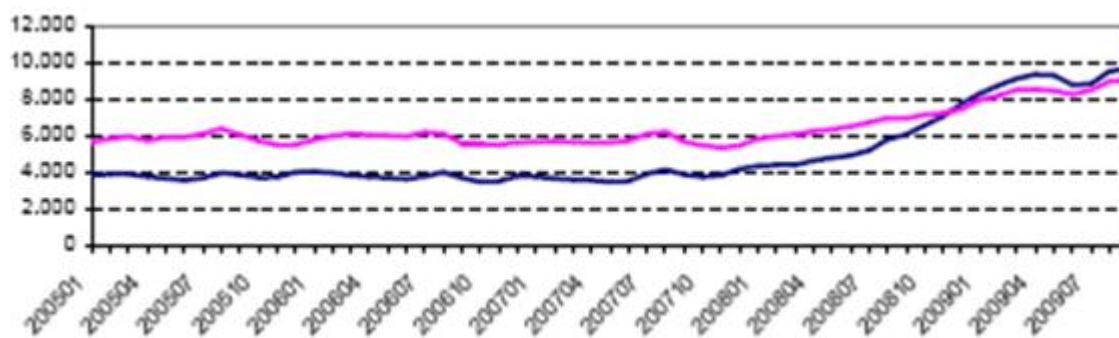
The population in employment age (between 16–65 years old) is 70% of the total population of Terrassa is: 145,338 persons are in employment age, while 16.5% is younger and 14.6% is older (source: <http://www.idescat.cat>). Unfortunately we could not find new data on the 'active' and 'inactive' part of the population. Idescat has them available for 2001: at that time the population between 16–65 was 145,352, of which 40% (57,888) was inactive, i.e. student, housewife, etc. and 60% (87,469) active. The active population or workforce includes the working ones (78,005) and the ones searching for work (9.464). At that time the unemployment was only 11% of the workforce.

Based on newer data, namely from the last quarter of 2009, we shall now review some of the figures for employment and unemployment (see figure 4):

- Terrassa had at that time an unemployment rate of 16.8% (Barcelona 13.9%, Catalonia 13.6% and Spain as a whole 16.0%).
- Unemployment has risen in all social groups and in particular among young people, where it now stands at 46.61%.
- People with basic secondary education make up the largest contingent of the unemployed.

- Change in registered unemployment by gender in Terrassa has meant that by the end of 2008 the number of unemployed men overtook the number of unemployed women.
- Data on the unemployment of the different immigrant groups are not available, but we can be sure that this is higher than among the autochthonous Spanish population.
- 20.6% of the total unemployed in Terrassa were immigrants in Feb 2009

Figure 4 Development in the registered unemployment by gender in Terrassa between January 2005 and September 2009



Source: FOMENT de Terrassa (blue=men, pink=women)

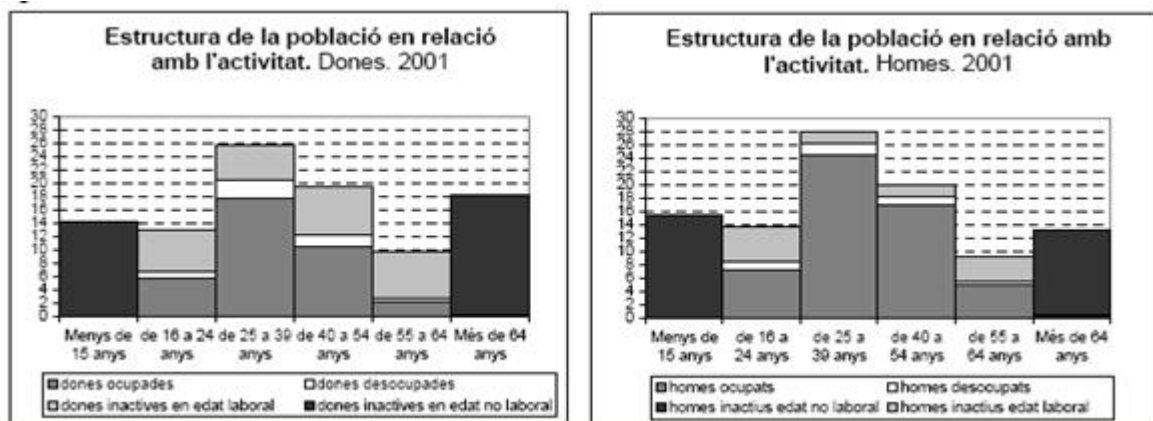
In table 3 the employment and unemployment is shown by gender and age group in 2001 and 2008. Besides the total figure, the table shows men/women, and youngsters/people older than 45. The unemployment of women has been for the last ten years higher than for men, but in the last quarter of 2008 the male unemployment suddenly also increased rapidly. The unemployment of people older than 45 is much higher than the average (25.4%, note that this category covers 20 years), while the unemployment of youth is lower than the average (7.0%, for the 18–25 year old ones, so this covers 7 years). NRC newspaper reports on 21 July 2010 an increase of youth unemployment (<25) in Spain. In general people with temporary contracts were more easily thrown out than people on stable contracts, and this means women, young employees and migrants lost their jobs lately.

Table 3 Relationship between levels of activity, employment and unemployment 2001 and last quarter of 2008

	Workforce 2001	% active 2001	% Unemployed 2001	% unemployed 2008
Total	87,501	60	6.7	18.6
Men	50,054	65	4.0	16.5
Women	37,447	50	10.2	21.5
Youth	13,164	62	4.6	7.0
>45 years	23,292	36	9.8	25.4

Source: website Terrassa (<http://www2.terrassa.cat/laciutat/xifres/A2009/indexanu0903.html>)

As figure 5 shows, the most active part of the workforce is in the age group 25–30, both among men and women.

Figure 5 Main activities of men and women in 2001

Source: : *Informe de conjuntura de Terrassa. 2008/09. Foment de Terrassa.*

Table 4 shows the economic status of Spanish compared to foreigners. It shows that the percentage of foreigners that is part of the labour force (59%) is higher than the percentage among Spanish (50%), the percentage of working is also higher (49% versus 45%) but the percentage of unemployed among the immigrants is also higher (10% versus 5% of the total).²

Table 4 Economic status of Spaniards and foreigners older than 16 in Terrassa in 2001

	Spanish	% of total number of Spanish	Foreigners	% of total number of foreigners
<i>Labour force:</i>	83,382	50 %	4,119	59 %
Working	74,637	45 %	3,400	49 %
Unemployed	8,745	5 %	719	10 %
<i>Non labour force:</i>	82,675	50 %	2,860	41 %
Military service	0	0 %	0	0 %
Pensioners	26,497	16 %	80	1 %
Disabled	5,789	3 %	17	0 %
Students	29,972	18 %	1,461	21 %
Housewives	11,907	7 %	681	10 %
Other	8,510	5 %	621	9 %

These data are from the census, there is no update for 2009/2010

Source: *Foment* (2005: 43–44)

Data on the educational level in Terrassa compared to the rest of Catalonia shows that there are relatively more low skilled citizens (without qualification), namely 16.5% in Terrassa and 13.7% in Catalonia. The middle categories look very similar (26% first degree, 46 vs. 47% second degree). Even though Terrassa has a university, the percentage of people with university education is lower than in the rest of Catalonia (10.3 versus 12.8%). (Data from 2001, source: www.idescat.cat).

Table 5 shows the educational level of the main immigrant groups compared to the Catalan/Spanish. As we see the groups that have the lowest education are Moroccans and Chinese with

² A table on mean income of Spanish and immigrant groups in Terrassa is not available.

more than a quarter illiterate, but also among Senegalese, Dominicans, Romanians and the other South American groups the percentage of illiterates is often above 15%.

As table 5 shows, there are some groups that have both a considerable low educated and a considerable high-educated section, like the Peruvians and the Chileans. Some East European groups have better opportunities, because of their higher educational and training level. But also these groups get frustrated, as their educational level doesn't fit to their professional category. Moroccans, Chinese and Romanians have a considerable number of illiterates.

Table 5 Educational levels of the Catalan/Spanish group and 13 immigrant groups in Terrassa, Jan 1st, 2008 (pink marks problematic groups)

Nationality	Illiterate no education	Primary education	Secondary education	Title, medium level	Title, superior level	not known
Spain	5%	39%	45%	5%	6%	0%
Morocco	32%	45%	20%	1%	2%	0%
Ecuador	17%	19%	56%	4%	3%	0%
Colombia	16%	11%	57%	5%	10%	1%
Senegal	26%	33%	34%	3%	4%	0%
Argentina	15%	11%	59%	8%	8%	0%
Dominican Republic	20%	22%	50%	2%	6%	0%
China	44%	25%	29%	1%	1%	0%
Bolivia	25%	13%	52%	5%	5%	0%
Peru	19%	8%	40%	12%	21%	0%
Chilli	18%	10%	57%	7%	9%	0%
EU countries*	24%	11%	44%	7%	13%	1%
Total foreigners	26%	27%	37%	4%	6%	0%

* The illiterate Europeans come to a large extent from Romania

Source: *Foment de Terrassa*, on our request (2009)

The Spanish autochthonous population is aging, and particularly during the times of economic growth there were not enough young people to fill in the vacancies, particularly low qualified jobs. This is one of the reasons that migrants were welcomed and even actively sought by employers. The employers association CECOT is still actively searching for labour abroad, though now only on specialists. Besides a lack of employees in construction and industry (men), there was also a lack of employees in the hospitals and elderly care (women).

In the last ten years Terrassa's job market has influenced migratory flows and the profile of people who came to the city, with growth in construction and associated services being a key factor in the configuration of the profile sought by enterprises. The two main ethnic categories in Terrassa are Moroccans (6.5%) and South Americans (together 5.3%). Among Moroccans more than 64% are men, while among South Americans 54% are women. The predominant profile of foreign-born residents is related to the hiring patterns.

- Men, mostly Moroccan, are often employed in construction, which is the sector in the local economy that has hired most foreign nationals, followed to a lesser extent by industry.

- Women, mostly South American, are hired in the services, domestic, home help, hotels and food services and other sectors.

3.4. Formal access to entrepreneurship en permits

To become an entrepreneur in Spain, one has to take the following rules into account (there was no information in the CLIP questionnaire, but we found some information that seems reliable in an expat newspaper ³):

First people have to choose a legal status for their company. The most used option is to set up as an *Autónomo* (Sole proprietor or free lancer).

- 1) If one has no staying permit, one has to apply for a Número de Identificación Extranjera (NIE).
- 2) The most important is to register to pay *Impuesto de Actividades Económicas* (Tax on Economic Activity) at the local tax office (*Delegación de Hacienda*). The payment at the tax office, is forwarded to the Chamber of Commerce, so one gets automatically registered in the Chamber of Commerce if one is registered in the tax office. There is also no
- 3) Present a formal declaration of the start of your professional activities (*Declaración Censal de Inicio de Actividad*) at the tax office (form 037).
- 4) If one comes from abroad, one should register with the social security system (*Seguridad Social*). Monthly payments have a minimum of €205,54, but one can pay more for more benefits. Foreigners will receive a temporary card with a social security number, permanent citizens a permanent card. One can use this card to apply for your health card for access to the Catalan public health system (CatSalut).
- 5) Depending on ones type of business or service, one may need to also apply for special licences and permits. An accountant or mediator will be able to help with this.

The second option is to establish a *Sociedad de Responsabilidad Limitada S.R.L. or S.L.* (Limited Liability Company). This is more complicated. According to Barcelona Metropolitan: "An S.L. is an autonomous legal entity and shareholders are not responsible for debts incurred by the company. All S.L.s are liable for Company Tax (*Impuesto sobre Sociedades*). In addition, an S.L.'s shares cannot be traded on the stock exchange. To start an S.L. in Spain, a minimum investment of €3.006 is required."

Setting up a Limited Liability Company (information from Barcelona Metropolitan)

- 1) One first needs to obtain a certificate (*Certificado Negativo de Nombre*) from the Mercantile Registry confirming that your proposed company name is not already registered. One can check the Register's website (<http://www.rmc.es>) to consult existing company names and to submit ones name.
- 2) Again one needs to obtain a provisional Company Tax Identification code (CIF) from the tax office (*Delegación de Hacienda*). To get this, one needs the company name and certificate from the Mercantile Register, a passport or residency permit and the company address. It is possible to apply for a CIF online (<http://www.aeat.es/agencia/direc>).
- 3) One has to open a bank account in the company's name and deposit a minimum of €3.000,06 (minimum capital required) and obtain a deposit certificate (*Certificado del Desembolso Efectuado*). You will need this certificate for the notary when you formally incorporate your business and to get

³ <http://www.barcelona-metropolitan.com/articles/starting-a-business-in-spain>

your permanent CIF.

4) All founding partners must sign the deed of incorporation (*Escritura de Constitución*) before a notary. They will be required to present the name certificate, provisional CIF and the bank deposit certificate.

5) Pay Asset Transfer Tax at the local tax office. This is 1 percent of the company capital and must be paid within 30 days of signing the deed of incorporation. You must present the company's deed of incorporation and CIF.

6) Register the company at the Mercantile Registry. You will need the deed of incorporation, proof that the transfer tax is paid and the name certificate.

7) Legalise the company books at the Mercantile Registry.

8) The company can now obtain its permanent CIF from the tax office. Here it must also be registered for the Tax on Economic Activity (*Impuestos sobre Actividades Económicas*, IAE). You will need to show your CIF (or provisional CIF), your deed of incorporation and a photocopy of your registration at the Mercantile Registry.

9) Obtain a municipal licence to open business premises (*Licencia Municipal de Apertura*) at the city council's *Departamento de Urbanisme*.

10) Register for company tax (*Impuesto sobre Sociedades*) at the tax office by submitting a formal declaration of the start of the company's activities (*Declaración Censal de Inicio de Actividad*).

11) If the company will be taking on employees it must file for social security and affiliate employees with the local social security office (*Tesorería General de la Seguridad Social*)

Depending on the type of business that is set up, there may be more paperwork involved in the way of special permits and licences.”

Though we have no information from the CLIP questionnaire, we have the impression that the number and type of regulations is quit similar in Spain and the Netherlands. That means: for the tax office one needs to keep receipts, bills and official papers to prove your income and spending; it is obliged to insure oneself and any staff member and health, safety and labour regulations are in place and can be enforced with the help of the workers union. And there are permits for alcohol sales, advertisement boards, terraces outside, etceteras. But inspection seems not able to reach all companies and sectors, which becomes evident when one sees the enormous black economy.

Though we have heard in the interviews that the workers union is in a constant process to force employers to give out official contracts to immigrants and to abide to health and safety regulations, on the other hand it is possible that the restaurant owner we met had not the slightest notion of the licences that he had bought on the start-up of his business.

3.6 Development of small and medium sized businesses (SMEs)

As mentioned, the city's productive structure at the start of the 1980s featured 44.2% of wage-earners in manufacturing industry, and within that group the textile sector accounted for 33.7% of social security affiliates in the city (54% of industrial workers). Some way behind came the metal industry (8.3% of employed people), retail (6.2%), health and veterinary services (5.7%) and construction (5.6%). Both the type and the size of the companies changed a lot.

As table 6 shows, the number of companies with more than 500 employees is diminishing, while the number of companies with 1–5 employees is increasing between 1995 and 2007. This is a phenomenon that we see in other West European cities also. As for workers on enterprise payrolls in 2007:

- 66.3% of industries (including construction) had workforces of from 1 to 5 employees. There were only two enterprises with more than 501 employees
- 78.4% of enterprises in the services sector did not have more than 5 employees. There were only seven who had more than 501.

Table 6 Size of the companies: number of salaried employees in the industry from 1995–2007 (above), and number of salaried employees in the business that provide services from 1995– 2007 (below)

Dimensió	Treballadors assalariats				%				Empreses ocupadores				%			
	1995	1999	2003	2007	1995	1999	2003	2007	1995	1999	2003	2007	1995	1999	2003	2007
1 a 5	4.907	5.824	6.504	7.249	20,26	17,20	14,52	16,03	2.696	3.007	3.335	3.793	79,93	77,86	77,50	78,43
6 a 10	2.409	3.103	3.164	3.558	9,95	9,16	7,06	7,87	317	413	420	487	9,40	10,89	9,76	9,66
11 a 50	6.258	7.559	9.493	10.479	25,84	22,32	21,19	23,17	309	357	449	480	9,16	9,24	10,43	9,93
51 a 100	1.655	3.095	3.429	3.608	6,83	9,14	7,85	7,97	24	45	50	49	0,71	1,17	1,16	1,01
101 a 250	2.843	3.344	4.663	4.995	11,74	9,87	10,41	11,04	18	22	30	31	0,53	0,57	0,70	0,64
251 a 500	1.303	3.868	3.709	3.738	5,38	11,42	8,28	8,27	4	12	11	9	0,12	0,31	0,26	0,19
501 i més	4.845	7.076	13.836	11.600	20,00	20,89	30,89	25,85	5	6	8	7	0,15	0,16	0,19	0,14
Total	24.220	33.869	44.798	45.225	100,00	100,00	100,00	100,00	3.373	3.862	4.303	4.836	100,00	100,00	100,00	100,00
1 a 50	13.574	16.486	19.161	21.286	56,04	48,68	42,77	47,07	3.322	3.777	4.204	4.740	98,49	97,80	97,70	98,01

Font: Generalitat de Catalunya, Dept. Treball, Oficina tècnica d'Àfers Laborals i d'Ocupació, Servei d'Estudis i Estadístiques, Cambra Oficial de Comerç, Indústria de Terrassa. Elaboració pròpia.

Dimensió	Treballadors assalariats				%				Empreses ocupadores				%			
	1995	1999	2003	2007	1995	1999	2003	2007	1995	1999	2003	2007	1995	1999	2003	2007
1 a 5	3.229	3.323	3.791	3.646	16,91	14,50	17,01	16,75	1.525	1.554	1.571	1.687	68,54	64,37	65,38	66,29
6 a 10	2.452	2.797	2.676	3.056	12,84	12,20	11,56	14,04	317	368	338	401	14,25	15,24	14,07	15,76
11 a 50	6.930	9.023	9.113	8.360	36,30	39,37	40,90	38,40	332	426	431	397	14,92	17,65	17,94	15,60
51 a 100	2.355	3.059	2.703	2.664	12,33	13,35	12,13	12,24	33	44	40	38	1,48	1,82	1,66	1,49
101 a 250	1.956	2.450	2.869	2.934	10,24	10,69	12,88	13,48	13	17	20	20	0,58	0,70	0,83	0,79
251 a 500	996	1.678	696	0	5,22	7,32	3,12	0,00	3	4	2	0	0,13	0,17	0,08	0,00
501 i més	1.175	590	534	1.110	6,15	2,57	2,40	5,10	2	1	1	2	0,09	0,04	0,04	0,08
Total	19.093	22.920	22.282	21.770	100,00	100,00	100,00	100,00	2.225	2.414	2.403	2.545	100,00	100,00	100,00	100,00
1 a 50	12.611	15.143	15.480	15.062	66,05	66,07	69,47	69,19	2.174	2.348	2.340	2.485	97,71	97,27	97,38	97,64

Font: Generalitat de Catalunya, Dept. Treball, Oficina tècnica d'Àfers Laborals i d'Ocupació, Servei d'Estudis i Estadístiques, Cambra Oficial de Comerç, Indústria de Terrassa. Elaboració pròpia.
*Construcció inclosa.

Source: Government of Catalonia/Chamber of Commerce

Data on the gross added value per sector were available on the website of the Catalan government Idescat for 2006. These data show the current domination of the service sector: 0% of the gross added value in Terrassa came from agriculture, 17.5% from the industry, 15.2% from construction and 67.3 from the service sector.

3.6 Spatial distribution of SMEs

The small businesses occur more in the business sector than in the industry. The spatial distribution of small businesses relates to the general zoning in Terrassa. In terms of economic activity we can divide Terrassa in four types of neighbourhoods:

- 1) The old city centre of Terrassa was build between 700 and 1900, and it is now a nice shopping, restaurants, cafés and housing area with a lot of economic activity, the central part is for pedestrians only. Many of the businesses are small businesses.
- 2) The first expansion phases of the city took place around the 1920's with the growth of the textile industry. At this time the first areas for labourers were built just around the old centre, buildings of maximum six floors. This includes the famous neighbourhood Ca n'Anglada where currently a lot of immigrants live. In this kind of neighbourhood we find a less dense pattern of shops and businesses, but a considerable number of them are immigrant businesses. It typically shows Moroccan groceries and bakeries, Pakistani phone shops, mixed with older Spanish restaurants and stores.
- 3) The second phase of town extension occurred in the 1950's, during Franco's reign. The Franco government wrote a five-year plan 1950, and because only Catalonia and the Basque Country were economically successful at that time, the government stimulated economic growth further. Catalonia was a place where poor workers from the rest of Spain could find employment. The national government invested in building the first social housing blocks, high-rise flats that were disconnected from the city centre with no busses or services or shops. In 1978 with the return of democracy, city planning improved and missing services like parks, schools, and offices were built up. These areas still nearly don't have a lot of shops or businesses.
- 4) A considerable industrial terrain both on the north and on the southern edge of the city, which is dominated by larger enterprises. A small industrial part is just north of the centre.

There is a policy to relocate industrial activities, particularly large and dirty businesses, in special areas called "polígons industrials" (industrial area with a polygon (multi-sided) shape) or more currently "polígons d'activitat econòmica" (multi shape economic activity areas).⁴

These industrial estates form part of the urban landscape and provide urban facilities, particularly for industrial and service activities. They host around 20% of the city's enterprises and 28% of jobs. They are not far housing areas and centre, and generate mobility flows which in general terms determine the pattern of economic relations in Terrassa's urban system. Figure 6 shows in red the existing industrial areas, and in orange the developing industrial areas.

⁴ More information in Catalan, see <http://www.terrassa.cat/poligons>

Figure 6. Map of existing and planned industrial concentration areas of Terrassa



Source: www.terrassa.cat ⁵ red =existing industrial area, orange planned polygons

The economic polygons have the advantage of better telecom and data cables, high power electric lines, more noise is possible and there is a lot of parking space. A worry for the entrepreneurs is the safety by night: the premises need to be guarded. Though parking is easy, the areas are less easy to reach by public transport, and have less leisure space (parks or small coffee places) for the employees to go for their break.

⁵ At the municipal website a detailed map is shown with all companies inside these red and orange economic areas, companies outside these concentration areas are not marked. http://www.terrassa.cat/Front/final/_YjxQFCkYh8wnNxx4vm5jbbVP6qL4W1QK2Q1G01qVFkbfnu4F1DfKQ ,

4. Profiles of ethnic entrepreneurship

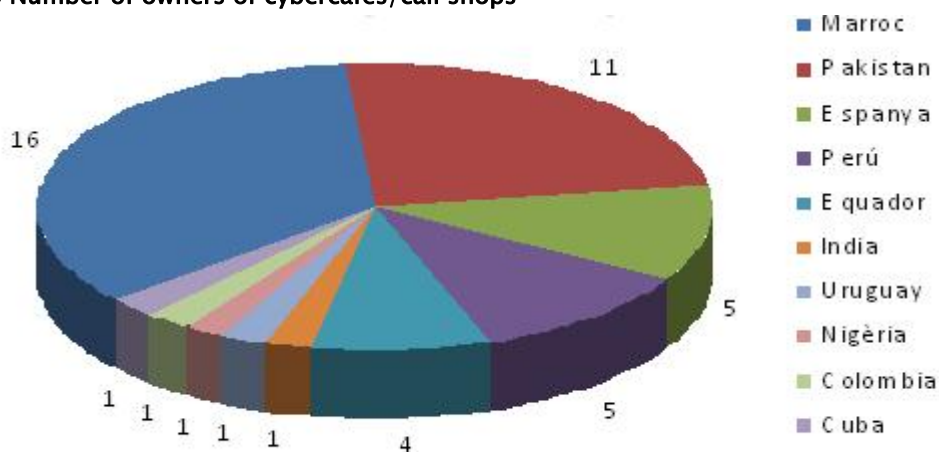
This section describes and analyzes the development of ethnic entrepreneurship and the main characteristics of these business operations. Taking the abovementioned dynamics of the urban economy as a starting point how does the emergence of ethnic entrepreneurship fit into this picture? Which barriers do ethnic entrepreneurs encounter, and what are their competitive advantages? What are the structural determinants of the observed trends? This includes the generation of an inventory of the number of entrepreneurs over the past 30 years, ownership patterns (broken down by nationality and/or ethnic group, gender and immigrant status) as well as their spatial and sectoral distribution.

4.1 Definition of ethnic entrepreneurship its development and the sectoral and spatial distribution

In Terrassa's policy there is no official distinction between enterprises or entrepreneurs by origin or ethnic group. So there's no official definition of ethnic entrepreneurship. Terrassa registers only the nationality of citizens, and doesn't categorise 'ethnic groups' nor 'ethnic entrepreneurs'. A distinction can be made between trading establishments or enterprises run by Spaniards or by foreign nationals. In Catalonia we find businesses run by immigrants, both by relatively rich EU citizens, and by relatively poor non western immigrants. We will use the following definition in the rest of this text of an ethnic enterprise: an ethnic enterprise is a business ran by a non western immigrant (the second generation does not yet occur in Terrassa).

The increase in the number of immigrants in Terrassa over recent years has been accompanied by a rise in the number of small trading establishments run by immigrants. Foreign business people have opted for their own businesses, some bigger, but many of them small trading establishments operated by one or two people.

Figure 8 Number of owners of cybercafés/call shops



Source: CLIP questionnaire

Up to the present the municipality nor the Chamber of Commerce has data about the number of these businesses, and hence can only discuss the following information drawn from two studies:

- a) A study of the 47 cybercafés/call shops open in Terrassa. As figure 8 shows, the foreign owners are mainly from Morocco (16), Pakistan (11), Peru (5) and Ecuador (4). There are also five Spanish owners. In the next section we present a map with their location.
- b) A study in Terrassa's 'Innovation Plan', which shows that there are no foreign entrepreneurs among the most innovative enterprises in Terrassa or among the small innovation projects. The entrepreneurial profile in this sector not only features specific technological competencies but is also linked to knowledge sources (institutions, universities, etc.). Moreover, as noted above it is the construction sector in Terrassa which has mainly provided jobs for foreign workers who have come to the city, in most cases unskilled personnel. We have to note that we interviewed the Lebanese owner of a company that develops computerised entrance and ticketing systems for buildings and public transport. It seems that his business has not been counted as 'most innovative', though it surely looked like one to us.
- c) An indication for the number of ethnic entrepreneurs comes from information from 2001 on the number of foreign and Spanish managers in 2001, shown in table 7. This information doesn't show whether or not the immigrant is the business owner, only whether or not he has a management function. One can conclude that a limited number of immigrants managed to get into management positions.

Table 7 Type of job of Spanish and foreign managers in Terrassa (2001)

	Foreigners	Spaniards
Management of enterprises with 10 or more wage-earners	37	2273
Management of trading establishment enterprises with fewer than 10 wage-earners	8	671
Management of hotel and food services enterprises with fewer than 10 wage-earners	14	179
Management of other enterprises with fewer than 10 wage-earners	14	1086
Management of trading establishment enterprises with no wage-earners	12	591
Management of hotel and food services enterprises with no wage-earners	7	186
Management of other enterprises with no wage-earners	8	418
Site managers and other construction managers	15	442
Metal sector managers and car repair shop heads	13	700

Source: INE (in CLIP questionnaire)

Our interview with Rachid Azzahraout, who runs a business to support other immigrant companies administratively, shows that 60% of his clients work in the construction sector. The companies that they have established are for instance builders, carpenters, electricians, and transport or road workers. They work as subcontractors and sub-sub-contractors on large projects, for which a larger usually Spanish company is the first contractor. Some are successful and have a lot of employees; some of his clients have more than 100 employees. Their attraction is that they are extremely cheap. But the labour conditions can be difficult, and they are easily abused. According to the administration office it occurs very regularly that the first contractor doesn't pay the immigrant subcontractor in time, so the boss

cannot pay his workers. This sometimes lasts for half a year or more and in the end the company is bankrupt. When asked to what extent these companies operate in the legal economy, he replies that this is mostly the case, though they prefer to pay their workers in cash and not on bank accounts.

Azzarout mentions that besides companies in the field of construction, the other 40% of his clients are services, shops and restaurants. In this second category one finds businesses with fewer employees. This may include grocery stores, hairdressers, music stores, etceteras.

Azzarout saw a lot of his clients closing down in 2009, three years ago he had 300 clients, but that has diminished to 150. Supporting them with bankruptcy has become an important part of his job. He explains that this is not only caused by the crisis, but also by the lack of experience in having employees. The owner may know a lot about carpentry, but has never thought about dealing with his staff, particularly not the contracts and administrative aspects. Unfortunately we cannot compare his current closure rate (50%) with the period before the crisis started, since his office doesn't exist more than three years.



Figure 9 A Moroccan grocery store and the Spanish fashion store of the chairman of the shopkeepers association in the Ca n'Anglada neighbourhood (photo by Begoña Esteban).

Information from a study in Barcelona's old district probably gives further insight into the situation in Terrassa, because the growth of the immigrant communities is not extremely different.⁶ Of course one has to be careful comparing Barcelona and Terrassa, but there are no data on Terrassa. The impression from this study is that the variety of shops is larger than the picture till now on shows. The study of Pau Serra del Pozo (2005) shows that many of the shops in oldest and run down part of Barcelona were

⁶ In Barcelona the percentage of foreigners is 17.5%, while in Terrassa 15%. Relatively Terrassa has more Moroccans and Barcelona more European immigrants and more Pakistani's (see table 1).

bought by immigrants when the Spanish owner retired. Immigrant businesses tend to concentrate in the areas where immigrants live. Moroccans, Pakistani's and Indians run for instance food stores, with establishments in the dark alleys of maximum 4 meter broad and sometimes up to 10 meter long. The products include fresh vegetables, diary, bread and tinned and basic supermarket products, targeted at the inhabitants of the neighbourhood. The establishments were bought from retiring elderly Spanish owners.

Some ethnic groups are more entrepreneurial than others. The usual Asian groups – Chinese, Pakistani's and Indians – show a lot of entrepreneurship. We see a difference between the ethnic groups in the amount of shops: 94 Pakistani shops, 48 Chinese shops, 51 Indian, 27 Moroccan, and only 6 Peruvian and 7 Dominican. In Barcelona it typically the Pakistani's who are most involved with the cyber café/phone shops (24 shops), though Indians have a few (4). Interestingly other groups like Moroccans, Peruvians and Dominicans all have one also.

After Pakistani's Chinese are active entrepreneurs. About half of the Chinese businesses are textile wholesales (22 out of 48), and 13 work on the market; and 5 have restaurants.

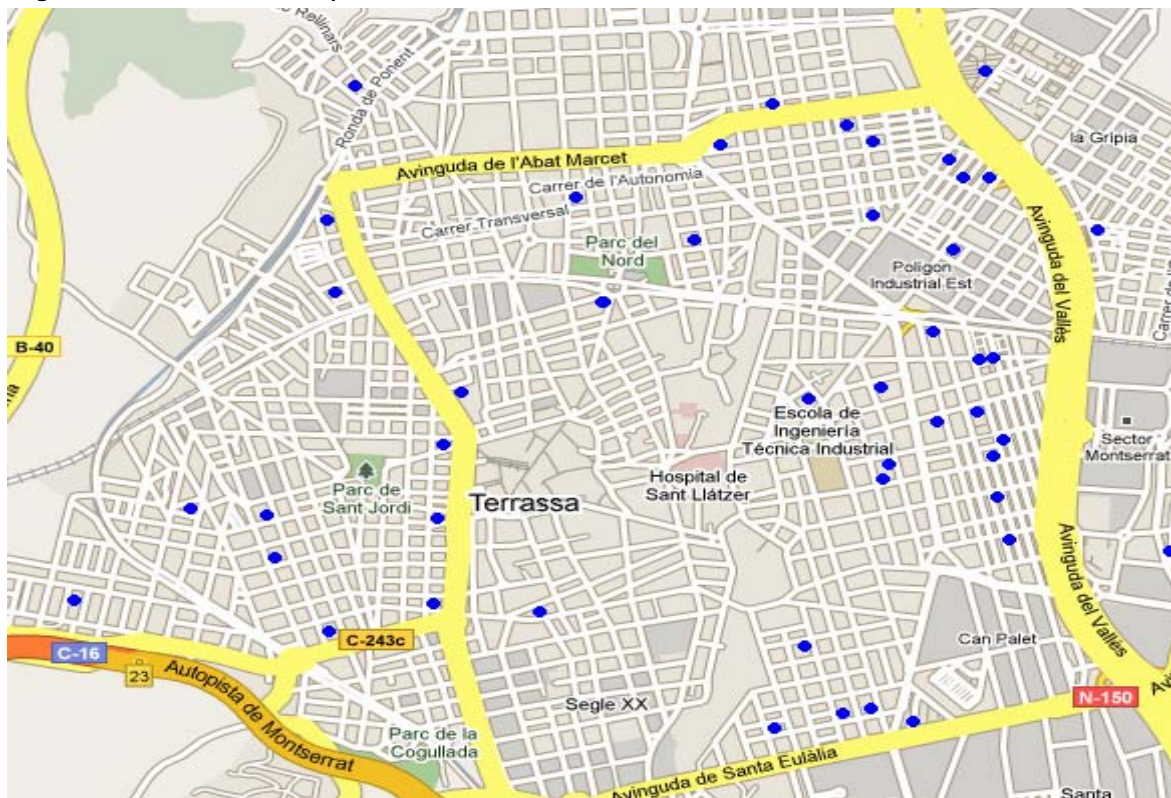
Since Moroccans are the largest ethnic group in Terrassa, we'll look at their business. Among Moroccans in Barcelona the largest section is butchery (about 33%), than boutiques (25%) than food stores (about 12%), and in smaller numbers for the rest bars, restaurants, art, music, textile and phone house (Serra del Pozo, 2005: 100).

In Barcelona we notice that South Americans are less entrepreneurial: Peruvians have 1 electronic shop, 2 food stores, 1 phone house and 6 boutiques; while Dominicans are more concentrated: they have 6 restaurants, and one phone house. We have to note that Pau Serra del Pozo only looks at the visible shops, and not at construction businesses, administration offices or coordinators of cleaning and care.

Only a rough estimate possible of the sectors in which immigrants have established their businesses. Since other information is lacking we base this estimate on the clientele of Rachid Azzahraout's administration office. His estimate looks reliable for the Moroccan community; his clientele doesn't include the South American ladies who operate as small companies, nor Chinese or Pakistani. About 60% of the companies that Azzahraout supports are somehow subcontractors in construction, for instance builders, carpenters, electricians, transport or road workers. These companies have up to 120 employees. The other 40% are services, shops and restaurants. In this second category one finds businesses with fewer employees. This may include grocery stores, hairdressers, music stores, cyber café/call centre, etceteras.

Based on what is visible on the streets, it is probable that the immigrant businesses are concentrated around the city centre. Basic social networks have been crucial in the localisation of businesses run by foreigners, with the highest concentrations can probably be found in the neighbourhoods where immigrants have settled. Serra del Pozo concluded the same for Barcelona. Terrassa never gathered any specific data about the spatial distribution of these businesses, but based on the cybercafés/call shops study it would seem that they are to be found in the neighbourhoods with the highest percentages of immigrants, as figure 10 shows. Note that we also find four cyber café/call centres on the main road that crosses through the city, the Rambla Egare. This is a first class location, comparable with Rokin in Amsterdam, but the immigrant businesses are not in the best buildings.

Figure 10 Location of the cyber cafes/call centres



Source: CLIP questionnaire

4.2 Reasons for entrepreneurship career, market and competition

Why do immigrants start their own businesses? From the interviews we conclude that the reasons for immigrants to start a business are purely commercial. They jumped into the sectors with high demand, like construction. After the first wave of labourers, a second wave of women and children followed and the demand for halal butcheries and other shops became apparent. Elderly Spanish shop owners who retired had no successor in their family and sold their shops and the only interested party were immigrants. There is no sign that the immigrant entrepreneurs we interviewed were frustrated by working for a Spanish boss, or started a business because they couldn't find any other job. But contrary to the second and third module, we have in this CLIP module not interviewed African immigrants. Africans (Senegalese, Gambians) seem to be on the bottom of the labour hierarchy and for them doing business may be the only way to survive outside the seasonal harvesting periods.

There is a market for ethnic businesses. The companies working in the construction sector usually subcontract from the Spanish first contractor; these first contractors are working work for local or national governments or project developers. The cleaning and care services that we see often among South Americans have Spanish as their clientele. And most of the butchers, fishmongers, greengrocers, restaurants, etc. serve a local market, and this means they have both Spanish and immigrant customers. Even the halal butchers attract also Spanish clients. The exception seems to be the hairdressing salons and call shops, which seem to cater mainly for clients in their own ethnic community. The administration office where Ezzahraoui works, that we mentioned already, works 95%

for immigrants, most of them Moroccans. He gets his clients through word of mouth, based on trust. It is probably that there are similar figures and offices that operate in the other immigrant communities.

How do ethnic entrepreneurs outperform their competitors is different in the different sectors?

In *Construction* the main reason why subcontracting of the entrepreneurs in the construction sector is attractive for contractors is their low price. Long work hours and low salaries of the workers make these low bids possible.

Care and cleaning. The same is true for the companies that organise the women who work in the homes of people. Lower wages and long work hours are usual; many of these women live 24 hours a day with the people they care for. The South American companies are competitive because their women speak Spanish well, while other ethnic groups sometimes don't. So it is easier to communicate with the elderly for the South Americans.

Shops. The butchers, fishmongers, greengrocers, restaurants, who serve a local market are not much cheaper than their competitors, but have sometimes longer work hours. They have often bought an existing restaurant or shop, so the amount of competitors is not extreme. Sometimes they may have special products like couscous, dates or halal meat, but generally they target at all products for all customers.

The interview with the Peruvian owner of 'Don Pedro Restaurant' shows this. His main dishes are the general Catalan dishes, which he calls 'Mediterranean Food', but he has two specific Peruvian dishes for the few Peruvians that can afford to eat out, and more importantly for Spanish people who are curious about Peruvian food. He can call a Peruvian cook in case there is suddenly a group that wants Peruvian food, but normally he has more Spanish clients.

In the case of the internet cafes/call shops there seems to develop a too high density (is my impression). Competition is largely based on knowing your clients and trust. It is for a large part a stable group who chooses one shop and not for the other. The study in Barcelona shows that clients are not only from the shopkeepers own country: they are 'of all types' (Serra del Pozo, 2005: 112). The administration office where Ezzahraoui works, competes with Spanish administrators and legal advisors because he builds on trust. He is a known figure and says it would be impossible for him to cheat anybody because they know his whole family. On the other hand he spends much more time to explain and to adjust to people's level of knowledge. He will go ahead in slow steps if necessary, since he is more aware than Spanish offices of the limited information his clients have.

4.3 Workforce, employment conditions and labour relations and illegal and informal practices

Ethnic entrepreneurs may employ others in their businesses. Unfortunately there was no information available on the size of the workforce employed by ethnic entrepreneurs, but we can assume that there is not much difference between the general characteristics of Moroccan men (see for instance the educational level in table 5), and the characteristics of the ones hired by Moroccan building companies.

Serra del Pozo (2005: 114–115) investigated the background characteristics of ethnic entrepreneurs and their staff in Barcelona. Nearly all have the nationality of their country of origin, and have arrived in Spain recently and only established their business in the last 5 years. Very few exist 9 or 10 years: one Moroccan and one Pakistani shop. The educational qualifications are mixed: he finds

both entrepreneurs without any school education, and university graduates among them, but among Moroccans and Pakistani's there are quite a few with no education at all. In his study he finds at least four times as many men as women, but cleaning and care business was not taken into account, so this was only true for shops.

The employment conditions and labour relations differ per sector. In *construction*, the long work hours, hard work and low salaries of the workers are problematic. Another problem is that payment is often delayed, because the sub contractor not getting his money from the first contractor and it takes long to get ones money. Sometimes the paperwork around the contracts is not in order, and very often things are arranged a bit more informally than among Spaniards. But the trade union complaints office nearly doesn't get complaints about the ethnic entrepreneurs. Complaints tend to be about the Spanish bosses. Complaining about your country men is not done, and trust and solidarity between the employer and the workers seems to be more important than in companies with a Spanish boss. The network migration has led to a situation in which people work together who know each others family and come from the same village. According to one informant it is even possible that a village elder in Morocco would interfere if a worker in Spain is not treated well by another Moroccan. In the case where a lawyer has to interfere, they choose for the Moroccan lawyer from the Moroccan administration office.

As far as we could figure out in the interviews, the South Americans seem to have looser structures less based on connections with country men, which is related to their better knowledge of Spanish language. The employment conditions of the women that work in the homes of people differ a lot, but in general the work hours are long, and there are indications that the women are bored and lonely. The Ecuadorian organisation organises sewing and knitting lessons for the women, to make them more useful in the hours that they would otherwise just watch TV with the person they take care of.

Among the Senegalese we know nothing about employers, but we know that there are solidarity networks among countrymen, through the networks of Sheik Amadou Bamba followers. The association of Senegalese in Terrassa is related to this network. As far as we could find out Senegalese men are often hired by bosses from other nationalities, and considered hard working and reliable. The Bamba network takes care of shared housing and income, not to have anybody of their group in the street. The Senegalese in Terrassa seem the poorest of all immigrant groups, but their internal solidarity makes it possible to improve their situation on the labour market.

Hiring staff illegally is obviously part of business management. The Spanish economy in general has a considerable black market, and in sectors like construction and services in people's homes there is a lot of black labour. This cannot be seen as a problem of the ethnic entrepreneurs, it is part of all businesses activity. In general the trade union tries to improve the contract situation of workers and working conditions and the tax office tries to get control over the accounting aspect. Actually immigrant workers prefer to have official contracts, because their staying permit depends on these contracts. The only case that we noticed, in which ethnic entrepreneurs were specifically targeted by police or administrative procedures were the internet cafes/phone shops. But to what extent the research about this type of enterprises has led to a tougher approach to these shops, is not known among the officials.

4.4 Problems and barriers

As we have seen in 3.5 starting a company with employees involves a complicated bureaucracy, not only for ethnic entrepreneurs, but for all. According to Rachid Ezzahraout, who works in an office that supports immigrants with administrative procedures, immigrants need to solve the problem of residence and work permits first, and after the establishment of companies, the problems with the fiscal aspects and accountancy. As we already saw, his administration office is most important to guide people through all possible obstacles.

The Moroccan administration office shows that many of his clients – bosses of companies – had problems to get their invoices paid. Without money they cannot pay their workers, in the end the company ends up bankrupt. A lot of this has to do with not knowing the legal possibilities to fight larger and more powerful companies, but according to the lawyer at the administration office, there is also a hole in Spanish law that causes these problems. Another problem that the administrator mentioned is that people come from small villages and don't know anything about laws and administration. He has to explain the logic behind the Spanish system of running a business, and many of the administrative aspects that go with it, like contracts, taxation, labour laws, insurances, etceteras. They are for instance a good carpenter, but underestimate the other skills that they need to run a company with more staff members. Insurance is considered unnecessary. A few specific managements issues have been studied in more detail in the 28 CLIP cities, namely financial management, marketing and rules and regulations

—financial management

Problems of ethnic entrepreneurs with financial management are partly caused by their tendency to work with cash instead of through bank transfers, according to our interviewees. The representative with the main bank in the city, CAIXA Terrassa explained that only 30% of immigrants get their salary on a bank account. In general only 65% of immigrants use banks, compared to 98% of the Spaniards. On the one hand the immigrant bosses prefer to pay with bank notes, to 'see the money', which is not necessarily all part of the black economy. The official add that starting ethnic entrepreneur often don't have the starting capital or collateral that is required to open a bank account. On the other hand there is of course a certain percentage of the work done outside tax registration, which is also true for the Spanish businesses, particularly in the sectors construction and cleaning and care.

Some other problems with finances are related to the phase in which the immigration finds itself in Spain and the way in which residence and work permits are organised. Immigrant workers need an official contract because their residence permit depends on these contracts. Very often they have temporary contracts and therefore swing up and down between legal and undocumented status. And the bank doesn't take risks, as the official explains, it uses strict rules. For instance to open a bank account one has to have a tax number, which depends on the residence permit.

The bank official thinks that the cyber cafes/phone shops (locutoris) have taken over a large part of the work of banks for immigrants. Caixa Terrassa did a study on these shops, and concluded that a form of not legally controlled saving and borrowing is taking place and also money transfer to the countries of origin by contact persons is done in the phone shops. After checking this story with some immigrant entrepreneurs, we got the impression that many other informal ways of dealing with

money are all allocated to the phone houses, while phone houses are actually not dealing with a lot of money.

From the side of immigrants complaints are heard about the banks. It is extremely difficult to get a loan, since the bank requires a guarantor or a house as collateral, or a stable profit balance for five years, which is all more difficult to get for immigrants than for autochthonous. As the bank official explains, the Spanish company owner comes with a family member that signs, or uses his own house or the house of his parents as collateral, so he's more easily trusted.

Money transfer to the country of origin through banks is extremely expensive and slow, and to some countries often even impossible. The unofficial systems are according to the immigrants more reliable and much faster. An important form is Hawala a system that has its origin in Islamic law is an informal value transfer system based on the performance and honour of a huge network of money brokers, primarily located in the Middle East, North Africa, the Horn of Africa, and South Asia.⁷ These transfer offices are not recognised by national banks, but operate well according to the clients and trusted a lot.

Saving is also done informally in networks of people who know each other and who monthly donates a certain sum. Once in maybe two years or in the case of an urgent problem like a funeral, the whole sum goes to one of the members. A third form of unofficial borrowing that takes place a lot among immigrants is borrowing in the family or in the community. The most common way to start a business is with family capital.

When asked, the bank official is not aware of any discussion in Spanish banks to install a form of Islamic borrowing. He has even simply never thought or heard about this option, and didn't know that it attracted a lot of Muslim clients in other countries, since the payment of interest can be a problem for Muslim clients.

—marketing

Do ethnic entrepreneurs have specific problems with their marketing? We have no information at all on possible problems or barriers that ethnic entrepreneurs encounter with regard to their search for customers. The only thing that became quit clear from the interviews is that they often operate on informal channels, and not on marketing campaigns, or employers networking events.

—rules and regulations

Ethnic entrepreneurs are not as well informed about bureaucratic rules, regulations and requirements as their autochthonous colleagues. The Peruvian restaurant owner told us that he had arranged all the licences and diplomas at the start of his restaurant via a broker of this kind of papers inside his own community. He had no idea what kind of licences and diplomas were necessary, but luckily never bumped into problems already for a year. We asked if he was never checked by the hygiene and safety service, and he was, but his place was reasonably clean and there were no problems. We asked if he needs a specific licence for selling alcohol – he didn't know – or for the advertisement boards outside – he didn't know.

⁷ See the interesting article on the hawala system in Wikipedia: <http://en.wikipedia.org/wiki/Hawala>

That brokers and administration offices play an important role has already become clear. The staffs of Gestoria Villanova's administration office spend much more time to help people and to explain rules and regulation. They adjust their conversation to people's level of knowledge and go ahead in slow steps if necessary, since he is more aware than Spanish offices of the limited information his clients have. The administration office does the bookkeeping and tax reporting for the clients, arranges the labour contracts with workers, and takes care of not paid invoices, tries to avoid that they are abused.

Figure 11 At the Peruvian restaurant



Photo: Soledad Grigñon

4.5 Networks, unions, and shopkeeper's associations

A serious disadvantage that ethnic entrepreneurs have – compared to Spanish entrepreneurs – is their limited participation in networks, unions and shopkeeper's associations.

The employers association *Voluntariado de Asesoramiento Empresarial (CECOT* Voluntary workers for entrepreneurial assessment), organises 8000 companies in Catalonia, and is a most influential institution in Terrassa, both because it is part of the 'Directive Council' at the Catalan level, and because it is important for networking. In the 'Directive Council' workers and employers unions, the economic service and the Catalan secretary of immigration meet. The three constituting foundations are: 1) entrepreneurship 2) social projects 3) labour and education.

Immigrants know CECOT because of their branch for social projects, but not as a network for entrepreneurs. CECOT's head of the immigration department organises the search for employees with

certain characteristics for the large employers (currently IC staff and engineers from India and Ukraine). This department arranges the work permits, offers a language course abroad for three months, and takes care of a furnished temporary house in Spain. There is direct contact with the new employees. But when immigrants become entrepreneurs themselves, they don't easily become members, since there is a fee, and they think that the supportive activities take too much time.

But the entrepreneurs section of CECOT has currently not a single immigrant entrepreneur as member, says Carme Pozo, whom we interviewed: "It's quit a problem ... They come to the first meeting of the training, but then disappear. Many of them start, but if you give them a small criticism, they disappear, they find it too much work; they think they are doing fine. If they are members they can take the course free, but it takes a lot of time and work. The immigrants say they don't need all these things. They just open, often with the families, and are sure they can do without it." The membership fee depends on many factors, like the sector, and size of your company, ones age, etc. The lowest is €35 euro for pensioners. Because immigrants don't become members, they also don't get into the existing networks neither of employers nor in the lobbying or policy making that CECOT can influence. The same problem of non participation of immigrants exists in *La Fundació Privada per a la Promoció de l'Autoocupació de Catalunya (CP'AC* Private Foundation for the promotion of self employment in Catalonia), as the representative explained.

On the contrary, participation in the workers unions of immigrant workers is lower than among Spanish, but it is not as low as one would expect. The representative of '*Confederación Sindical de Comisiones Obreras*' (CCOO) tells us that 1200 immigrants are associated with this labour union of the county (Valles) out of 21,000 so that means 5,7% of the members are of immigrant origin. The percentage is less among the delegates: 3% is of immigrant origin, but since migration is a new phenomena and it takes time to become a delegate, this is not a gloomy figure either. In Terrassa CCOO has 3555 members, of which 319 are immigrants (9%).

CCOO has set up an information centre for immigrants in 1995, called the '*Centre d'Informació per a Treballadors i Treballadores Estrangers*' (CITE). CITE provides advice free of charge to both regular and irregular immigrants and provides orientation about immigration law, procedures to acquire a work permit, residence permit, family reunification, citizenship and visa. It also organises Catalan language courses and mediation and communication with educational centres around Catalonia. CITE has 43 offices all over Catalonia. In Terrassa CITE is run by a Moroccan. The trade union gets complaints of underpayment and long work hours of migrants and takes them to court. This problem is particularly seen among irregular migrants but also among immigrants whose diplomas are not recognised. Irregular migrants are easily abused, and it is also difficult for them to prove that they have done the same work as others who were paid more. The trade union has lawyers to support undocumented with this kind of problems. If an employer is caught, he gets the penalty and the illegal worker is not thrown out of the country. As we already remarked, the complaints are usually about Spanish employers.

Besides employers and workers unions, entrepreneurs can meet in neighbourhood associations. From our interview with the chairman of the shopkeepers association in the neighbourhood with the highest concentration of Moroccans, Ca n'Anglada, we learned that the association nearly doesn't have immigrant members. The associations of shopkeepers has 100 members, out of the 200 shops in Ca

n'Anglada, and only 4 of these members are immigrants, one Chinese, one South Americans, and not a single Moroccan. The chairman regrets that immigrants don't become members, and tries to attract them, since more members makes it possible to stand up against disadvantage regulations, like the parking fees. Some of the problem that the chairman lists are: 1) that many of them have no bank account, while the fee to the association is supposed to be transferred from a bank account, 2) that they find the fee expensive, 3) that they don't see the need of such an association, 4) that they have their own Muslim network via the mosque and 5) that it is not a tradition in their country of origin. The measures that he has taken to attract immigrants are limited: he made it possible to pay in cash. He says that he understands that they have less money, but he cannot give different fees to different companies.

As far as we could figure out in our fieldwork, there are no alternative immigrant networks in Terrassa itself of ethnic entrepreneurs from one ethnic community. The Syrian business man whom we interviewed, mentioned the '*Associatio de Maroc*' (association of Moroccans), which is an association which consists mainly of entrepreneurs (fruit and vegetable store holders and technical professionals working in construction); it seems this is an association for the whole area up to Barcelona. Another interviewee told us that South Americans tend to go to a "*Peruvian Chamber of Commerce*" in Barcelona for help instead of going to the "normal" Chamber of Commerce. And in the IEMed newsletter of March 2008, we found an announcement that the 'Foundation Hassan II', the organ of the Moroccan government to support citizens abroad has established a business network for Moroccans in Catalonia.⁸ For the rest we have no information of any immigrant networking associations of entrepreneurs either in Terrassa itself or on the Catalan or Spanish level.

Figure 12 Moroccan grocery store (left) and right the textile store of the president of the Ca n'Anglada shopkeepers association



Photo: Soledad Griñon

⁸ http://www.iemed.org/newsletters/cnewsletter184_25_03_08.htm

5 Policies on ethnic entrepreneurship in Terrassa

5.1 Overall strategy of the Economic Department

The economic and labour department of the city called FOMENT promotes entrepreneurship in general. People who want to establish a business – Catalan or not – can go to the entrepreneurs' desk of FOMENT, where all get advice and are supported with a business plan. In the unemployment department there is no promotion of the possibility to become an entrepreneur; this is left to the individual. According to an official of the employers association CECOT, the authorities in Spain are even 'not interested' in stimulating or supporting business, or at least don't consider that part of government's responsibility. The unemployment office mainly supports the job searching process by helping people to apply online and to take courses.

The procedure that FOMENT follows to support the startup of businesses (for all citizens, so general policy) will be explained in detail in section 5.4. Terrassa has no explicit policy on ethnic entrepreneurship and this is also not part of the integration policy.

5.2 Overall strategy of the Citizenship Department

The general assumption behind the integration policy is that after immigrants learn the language and the basic characteristics of the Catalan society, they should be treated as any other citizen. The central concept of the integration policy of Terrassa is '*Convivencia*', which literally means 'living together'. As vice mayor Isaac Alber I Agut explained (in Van Heelsum 2009: 2), '*Convivencia*' includes sharing values, sharing a common idea about society, having similar ideas about the use of public space and a kind of public identity. It is necessarily bi-directional (both immigrants and autochthonous have these same values) and all should be aware that immigrants will be staying here.

It is important for the municipality of Terrassa not to discriminate between immigrants and Spaniards. Even giving extra time to immigrants who don't understand the system is easily seen by autochthonous as discriminatory in the context of lack of facilities for all citizens, so the administration is careful to avoid that impression. The only specific service is the translation service, available in Catalan, Spanish and Arab. On the level of the county (from the *Consell Comarcal*, the administration of the county of the Vallès Occidental), there is another translation service that offers about 15–20 languages

During the fieldwork it has become clear that the municipality was not completely aware of the problems that immigrant entrepreneurs encounter and the low use of services like the supporting activities of the chamber of commerce or courses in the employers associations. Officials seem inclined to improve information services and to make it easier for immigrants in the future to access the aspects of the bureaucracy that they can influence. That services have to be equally accessible for all is something they find important. Since ethnic entrepreneurship is not part of any policy, it is also not promoted in Terrassa. Economic policies and integration policies theoretically don't meet, though in practice immigrants use the services.

5.3 Main actors to relate to a) inside b) outside the municipal

There are no actors involved in policies on ethnic entrepreneurship, since there is no official policy on it. The actors that are the most important in entrepreneurship in general and could be involved inside the administration are:

- 1) The '*Department of Citizenship and Civil Rights*' that implements the integration policy;
- 2) *FOMENT*, the municipal institute for economy and the labour market, is the service that supports unemployed and the service that supports new entrepreneurs;
- 3) Terrassa's '*Citizenship Forum*', a round table in which all parties inside and outside the administration who are involved in integration policies come together, so this is a relevant place for communication, in the case of any future plans on this subject.

The most relevant institutions for entrepreneurs outside the administration are:

- 1) *La Cambra*, (the Chamber of Commerce) ⁹ for registration, internationalisations, advice and a course for starting entrepreneurs.
- 2) The employers association *Voluntariado de Asesoramiento Empresarial (CECOT* Voluntary workers for entrepreneurial assessment), operates in the form of a help desk
- 3) *La Fundació Privada per a la Promoció de l'Autoocupació de Catalunya (CP'AC* Private Foundation for the promotion of self employment in Catalonia), is a network in which CECOT and others cooperate.
- 4) *PINEC*, employers group specialised in small businesses, including free lance professionals.

The workers union is a less relevant partner, since an office for independent workers without staff does not exist in Catalonia, unlike for instance in the Netherlands.

5.4 Projects to support starters, micro credit, finding business locations

The only measure that is directly related to ethnic entrepreneurship is, the possibility – in case of unemployment – to invest half a year of welfare money in the country of origin to set up a business there. The reasoning is that less money is needed to start a reasonable business in the country of origin, so one can set up a bigger shop or whatever. If someone starts to work, he'll not be dependent on welfare money of the city anymore, so it's an advantage for both. The new entrepreneur has to sign papers that he will remain for the next three years in Morocco or wherever he comes from, to avoid abuse.

The other possibilities for starters to get support, are for all citizens in general:

- 1) *FOMENT* and *POF (Portal d'Ocupabilitat i Formació de Terrassa)*, parts of the administration provide basic information on the Terrassa website ¹⁰. They have a course for starting entrepreneurs. People who come to the labour office, and during their talk make clear that they think of establishing a business – Catalan or not – can go to the entrepreneurs' desk of *FOMENT*, where all get advice and are supported with a business plan. Not only unemployed but also working starters get to the *FOMENT* desk. The general system is that those interested come to an information meeting, with some general information on what is necessary if they really want to start a business. The business plan forms are given out, and a further personal appointment can be made. *FOMENT* helps people with the 20 page

⁹ <http://www.cambraterrassa.es>

¹⁰ <http://www.pof.cat>, see particularly the section 'formatió enprenedors'

business plan, which has the form a questionnaire. It includes a detailed plan of the activities; including an organisational and technical section, questions on the necessary material, infrastructure and personnel, the analysis of the market, a product–promotion plan, a detailed expenses and income calculation with pre–printed categories, a monthly financial pre–calculation for the first year, a less detailed calculation for the next three years. If the plan is finished sufficiently, *FOMENT* gives a quality stamp, which helps to use other arrangements. The quality stamp can be used when asking for credit.

The staffs of the entrepreneurs' desk have noticed that immigrants, who make up 16% of their clients, have more problems to get registered, but it is not actively trying to improve the accessibility of the service. Services that are specifically offered for immigrants currently include: a) translation, b) after the standard group session, the staff explains in more detail in a personal interview how the system works, this can take longer with immigrants and c) people are made aware of the possibility to use half a year of welfare money as a starting capital in their country of origin.

2) *La Cambra* (Chamber of Commerce) ¹¹ has a course for starting entrepreneurs. This is a more elaborate course than we saw at *FOMENT*, it includes eight sessions of four hours on the following aspects:

- a) Legal aspects in the creation of a company: 1. the different juridical forms: autonomous individual employer, private civil company, limited company, undertaken new limited company, or other); 2. formalities of constitution; 3. fiscal aspects; 4. social security laws; 5. official help for the company's establishment.
- b) Business Plan: 1. concept business plan; 2. for what is a business plan useful? 3. aspects to take into account: who is behind an entrepreneurial project, what is the product or service it is wanted to offer, how will the new activity be introduced, and how will the new company be organised.
- c) The economic and financial plan, which includes: 1. concept financial plan; 2. appraisal of the initial phase; 3. the finances of the initial phase; 4. the forecast of admissions; 5. the forecast of expenses; 6. the point of equilibrium; 7. examples and practical cases.

The courses at *La Cambra* only attract 3% of immigrant entrepreneurs, so they seem less visible among immigrants. We asked why immigrants don't find the course, but this is something the officials were until now not very aware of. The interviewees reply that immigrants have their own channels, and for instance Peruvians go to the Peruvian Chamber of Commerce in Barcelona.

3) The employer's association *CECOT* can support starters, but it works in a different way.

CECOT "a non profit association for public utility founded in 1995. Its volunteers are qualified professional seniors, members of the plenum of *CECOT*, pensioners and pre–retired, who, with altruistic spirit, wish to offer their experience and knowledge in entrepreneurial expertise and management to those who need it. These seniors advise actions in a confidential way, analysing, offering their diagnosis and proposing for the entrepreneurial development of visitors, to make; when, how and here to go" (cited from *CECOT's* website¹²).

In Terrassa *CECOT* operates in the form of a help desk, in which they increasingly find immigrants, mainly South Americans, but there is also a rather elaborate business course.

¹¹ <http://www.cambraterrassa.es/>

¹² <http://www.CECOT.org/>

4) CP'AC also organises courses for on business creation. ¹³

These include the a similar list of elements, though with a slightly different stress: business plan, human resources, study of the market, marketing plan, sales techniques, accounting, economic and financial planning and juridical aspects of entrepreneurship, labour law and fiscal laws. But *CP'AC* does more: it cooperates with the *Business Angels Network Catalonia (BANC)* and involved in a Microcredit project. Both *CP'AC* and *CECOT* work from experience and not as outsiders, like *FOMENT*. But all activities are not particularly for ethnic entrepreneurs.

Of the three institutions that support starting companies – FOMENT, the Chamber of Commerce and the employers association SEGOT – FOMENT receives most immigrants. The other two nearly don't receive immigrants, not more than 2%. The staff of FOMENT is not aware of the fact that immigrants are don't know as much about the opportunity structure as locals and provide extra time. Immigrants are actually easily abused, when they try to rent an empty space to start a shop were asked higher rents than autochthonous, particularly in the last years, when the prices were soaring.

The municipality generally provides a few new service locations and industrial locations on their website, currently Mantorell for services and Can Parellade in the industrial zone. ¹⁴ Currently it has one offer on a new location for businesses that want to start either a 40 m² office or a 106m² office, with high quality telephone and internet possibilities. This has to do with the building plans and construction of multi-business spaces of the municipality. The employers association CECOT keeps a database of locations meant for all businesses. Finding a suitable location takes place in the personal network of the starter, or through advertisements. Since housing corporations are no players in the Catalan real-estate sector, renting nearly always takes place on the private market. But at the entrepreneur's desk of the economic department of the municipal FOMENT, there is awareness that immigrants are more often abused, and pay too high rents.

Figure 13 The front of building of the influential employers' association CECOT, with Carme Pozo, the head of the immigration department

¹³ <http://www.lectiva.net/curso-subvencionado/creacio-i-gestio-dempresesterrassa/121248/>

¹⁴

<http://www.pof.cat/?go=a4dbb1718b587f2def2281acb466ead27fb7a88ea95cdf4b01661044d4c6fd693a273eb86c227f5642d20f088974d95ddf129480c93ab3b3dca7d663ba96fe85987e0eb1201348a>



Photo: Soledad Griñón

Micro credit

Stimulating people to choose for a career as entrepreneur is organised by CECOT/CP'AC. The representative mentioned that he has given lectures at one of the technical departments of the university to stimulate interest of students in entrepreneurship, but not with big results, since only two students turned up. He thinks that more could be done to promote entrepreneurship at secondary schools and in higher education.

Micro credit as such is not officered by the municipality. The only possibility is to gather half a year of unemployment benefit and use it as starting capital, either in Spain or in the country of origin. Following their conviction that non-discrimination is of utmost importance, the municipality of Terrassa states that "The range of financial products and services (saving, loans, etc. whether to buy a car or house or to fund a business project) on offer in the financial market is the same for the indigenous population and immigrants, as it is seen as the best means of integration" (quoted from CLIP questionnaire). That immigrant entrepreneurs have more problems to access these services is found less important.

From the side of the employers associations we heard complaints about the lack of interest of the Spanish state, including local governments in entrepreneurship. There are several possibilities to make it easier to start a business, or to stimulate micro-credit, but this is no awareness that this could help the local economy. As far as we have heard there are only two micro credit arrangement, one from the Spanish government, but it takes two years to get it, the other one through 'BANC', but our interviewee (from CECOT/CP'AC) never heard a single case of an entrepreneur that managed to get this loan. CP'AC is now creating new possibilities with their organisation as collateral. This arrangement is for all small and medium size entrepreneurs.

In Caixa Terrassa there is awareness of the under-representation of migrants as clients of banks, and a fear that they will only use informal channels or call shops. As we explained, only 65% of immigrants use banks whatsoever, compared to 98% of Spaniards; and only 22% of immigrants use credit, compared to 47% of Spaniards. The official of the largest bank, Caixa Terrassa, explains that their competitor, BBVA had opened specific low threshold 'Centres for Immigrants' in immigrant neighbourhoods, with multilingual staff, to increase their clientele among these groups. On itself this worked, but in the end the cost of these specific services was higher than the profit, so Caixa Terrassa didn't follow their example. According to Caixa Terrassa's own study there are three phases in the 'bank related integration process': phase 1 the first two years, peoples staying permit is not even stable and the use of informal channels and phone shops is about 90% and only 10% of financial transactions are done through banks, in the phase of settlement (2nd to 5th year) the use of banks goes up to about 20%, and phone houses keep 80% of the market, while in the phase of integration (after 5 year) the use of banks becomes about 60%, (mortgage, insurance, consumer financing/children's studies and pension plans), while phone houses keep 40% of the market.

Though we are not sure that phone houses really control immigrant's financial operations to such a large extent, it's clear that banks miss a considerable part of the market. This has to do with the rigid requirements that banks use for opening an account or for getting credit.

5.5 Projects for existing entrepreneurs, stimulation of professionalisation

The only specific course for immigrant entrepreneurs offered by the municipality is a Catalan language courses for Chinese restaurant managers and employees. Improving the language ability is considered the basis of integration, and is offered in this case with a Chinese instructor to make it easier. When immigrants know the language they will be able to use all general services.

And secondly the municipality has launched an information campaign for companies with foreign owners about recycling and commercial waste collection, because the foreign owners are less aware of the possibilities.

The provisions for all entrepreneurs are multiple, and the municipality could easily become a partner. The employers association *CECOT* offers the best possibilities for entrepreneurs who want to improve their performance and professionalisation. Through the courses available at FOMENT, the Chamber of Commerce, CECOT and CP'AC, entrepreneurs are made aware of all the laws related to labour relations, working conditions, safety and hygiene regulations and permits. But as we already saw, immigrants are not so enthusiastic to take part in all these courses. Most of them start their company and find out later about the laws, regulations and permits.

Though the workers unions are constantly fighting employers who abuse or make mistakes, they seem not to catch all problems. The most common problem mentioned by the union representative are related to work permits, too long and heavy work, and no paying the salaries (in time), but it happened only once or twice that there was a complaint about a company led by an immigrant. Immigrants tend to solve their problems within their own community and not through legal procedures.

5.6 Projects on neighbourhoods and zoning plans

Terrassa has a neighbourhood policy on Ca n'Anglada- the well known immigrant neighbourhood – the *Pla de Barris*. Improving the liveliness of the neighbourhood and the employment opportunities by giving courses and increasing competencies is part of this, but it is not directed at stimulating the development of small businesses. *CECOT's* social projects section together with the administrations neighbourhood office *Pla de Baris* has organised a project for unemployed boys in Ca n'Anglada. This was meant to actively stimulate young boys to become carpenters and electrician and giving them half a year of training, but as far as we know this was mainly directed at the technical skills and not at the entrepreneurial aspect.

To what extend zoning plans influence ethnic entrepreneurs, is not known. As far as we figured out in the interviews, the ethnic entrepreneurs were not more aware of the zoning in the city as most other citizens. Since ethnic entrepreneurs concentrate in three sectors, it seems logical that only the construction companies are force to hire their storage in the industrial zone of Terrassa. The companies that deal with care and cleaning in homes are often based in the home of their bosses, and the stores are concentrated in the areas where the clients live.

5.7 Other projects

Terrassa's Chamber of Commerce is interested to stimulate internationalisation. That the administration has a department of international relations shows interest, but we don't find this back on the website of the municipality. Just like the municipality the internationalisation project of the Chamber of Commerce is directed at translation services, in all forms and types, including the interpretation of law texts¹⁵. But it also gives information on foreign business relations through the ministry of foreign affairs, custom regulations on import and export, and legal and tax advice for companies that want to work internationally.

We find quite a few programs in Spain, related to supporting immigrants to develop their home country. Ties with the home countries are considered normal and necessary. These programs are not directly related to ethnic entrepreneurship, but to developmental aid. In Terrassa the administration is part of the '*Municipal Solidarity Council on International Cooperation*' or shortly the '*Solidarity Council*', an initiative by developmental aid NGO's in cooperation with associations of immigrants that carry out humanitarian projects in their countries of origin. Sometimes this money is invested in labour projects in the country of origin. We have not found any attempt or project within the municipality to diminish the complexity of rules.

5.8 Dialogue and access and involvement in policymaking

Local authorities do facilitate the interaction between market parties; they take part in the 'Directive Council' on the Catalan national level, where they meet employers and workers unions. CECOT plays quite an important role in Terrassa. It is part of a bigger unit of Employers associations, COE. And at the Catalan level, CECOT, FOMENT, the Secretary of Immigration and the Trade Union form the 'Directive Council'. This council can take decisions on the number of immigrant workers that are required and accepted from abroad. Something similar exists on the Spanish level. So this is oriented towards steering immigration but not specifically towards ethnic entrepreneurs.

Actually the existing Diversity Council offers a lot of possibilities to work together on ethnic entrepreneurship. A cooperation between the FOMENT, the Citizenship Department, the chamber of commerce and the social partners could easily become quite successful.

¹⁵

<http://www.cambraterrassa.es/ct/internacionalitzacio:Cos/internacionalitzacio:suportexportadors:traduccions>

6 Summary and best practices

6.1 Summary and conclusions

In Terrassa we find a considerable increase in the percentage of immigrants in the last ten years, followed by an increase of ethnic businesses. The market gave possibilities for 1) sub-contractors in the construction sector, 2) cleaning and care services, and 3) all kinds of shop (alimentation, hairdresser, restaurant, etc.).

The administration of Terrassa has no policies whatsoever on ethnic entrepreneurship. This is a consequence of their ideology that one needs to do the utmost not to treat autochthonous and immigrants dissimilar. The policies are focussed on giving immigrants the tools to become full fledged citizens as soon as possible, so there are welcome and language courses in the first years after they arrive in Terrassa. The administration is explicitly against creating extra services to ethnic entrepreneurs, compared to other entrepreneurs.

The employees of the services at the Department for the Economy and Labour get an increasing number of requests of starters from ethnic groups, and adjust to the information level of these clients, by giving them more time in a the personal meeting. Other institutions that give courses and support for entrepreneurs, such as the employer's organisation CECOT, and the Chamber of Commerce somehow miss the ethnic entrepreneur. The first one is well known because of social project, and gets them in the first meeting of their course, but the ethnic entrepreneurs withdraw because they think they can do without and because it's a lot of time and work. The Chamber of Commerce only reaches a very low percentage of ethnic entrepreneurs, and doesn't actively reach out to find them.

Immigrants depend to a large extend to brokers in their own community. Administration offices like 'Gestoria Vilanova', with a Moroccan lawyer, accountant and a fiscal expert, help immigrant clients with their legal, accounting and fiscal problems. They build on trust in the community. A restaurant owner told us that he simply bought all the papers, diplomas and licences from a South American who ran such an office. They also depend more on family and networks than autochthonous for their starting capital, thereby avoiding banks. We are not sure what the exact role of the internetcafes/phone shops is; according to the official of Caixa Terrassa these shops control more than 50% of the financial transactions of immigrants, but none of the immigrants whom we talked to though this was true.

The black economy in Spain is considerable, but this is not only something that only concerns immigrants. Particularly in the sectors where immigrants have established companies, construction and care/cleaning in homes there is a considerable percentage of direct payment. However, due to a lack of information on the legal and administrative aspects of business management, immigrants can sometimes operate in the black economy without being aware of it. The strict requirements of banks for instance nearly force them to operate outside the bank system. The advantage of this system is that one is not hopelessly lost when officially unemployed. The black economy may 'save' some people who otherwise had to steal since they have nothing to eat.

6.2 Good practices

Since there are no policies at all on immigrant entrepreneurship, we can not distinguish good practices on this terrain. More generally Terrassa has very positive attitudes towards cooperating with immigrants as for instance in the Citizenship Council. Cooperation between institutions and authorities is in general good. A good point is also the reception policy and the fact the equality program. There is a strong message from the council to treat immigrants and non-immigrants equally, which is necessary to stop discriminatory tendencies in the autochthonous population. But on the subject of supporting entrepreneurship this equality ideal seems to work counterproductive, since there was until now on no recognition of any problem in this field.

6.3 Any other final comment or suggestion

From our interviews we get some recommendations on what the administration of Terrassa could think of to support small and medium enterprises.

Firstly it is necessary to do something about the information level that the administration has. There is no information at all, so it is not known which percentage of the small and medium enterprises is an immigrant business. The percentage could be as high as 15%, since that is the percentage of immigrants in the population, and this may increase in the near future. So it might become interesting to look at all services from the point of view of accessibility and judge them on their (lack of) outreaching potential towards immigrants.

Since Terrassa want to avoid any inequality in treatment or categorical policies, a way to approach this problem is to focussing on all small and medium enterprises but with special attention for any citizen that needs extra support. Immigrants may often be in this position, but also women, youngsters and maybe poor and handicapped individuals. Maybe some awareness-raising is necessary, both among officials as well as among immigrants.

A strong point of Terrassa's policies in general is its cooperation with civil society organisations. In the case of entrepreneurs, there are not only the large employers associations like CECOT, but also the shopkeepers associations in most neighbourhoods. Our interview with the chairman of the Ca n'Anglada shopkeepers association shows, that even though there is a considerable number of migrant shopkeepers in this neighbourhood, they are not part of the networks of shopkeepers. Neighbourhood programs already pay attention to networks and associations, but this was issue that was missed and could maybe get some attention.

One interviewee remarked that it is not the Department of Citizenship, but the Department of Economics and the Labour market, which has to put the issue on the agenda. Stimulating businesses creates jobs, and income for the city and the number of small enterprises is growing compared to the larger ones everywhere in Europe, so this may become one of the mayor sectors of employment. Stimulating SME's is a way to fight the economic crisis. With the economic crisis SME's seem to fall back on the black economy and this may be more the case among the weaker enterprises than among the big established ones. It is important to pull the SME's from the black economy into the white economy, and sometimes this is even more profitable for the entrepreneur but he doesn't realise it, and thinks that this will only cause a lot of administrative trouble with for instance the tax office.

Though we could not completely figure out what the exact situation of the cyber cafes/call shops is, we know from international research that it is extremely difficult for a small financial institution to get recognised by the national banks (Siegel, e.a. 2009). Melissa Siegel (2010) pleads for the official acceptance of hawala dealers and money transfer, because to some countries it is simply the only way to send money to family at home, or at least to allow some of these small financial institutions that would otherwise operate completely outside control or official statistics. Of course this is not all in the hands of the local governments, but there seems little awareness that migrants are sometimes also forced to use unofficial channels.

That brings us to another recommendation, and that is to cut out all unnecessary bureaucracy around businesses. After all laws are made so that everyone can use and understand them. Wherever the administration has influence on licensing and permits, keep it as simple as possible. Of course the national laws cannot be changed, but there are surely some ways to make it easier for low educated people, who don't want to be a burden to the welfare system, are enthusiastic to become independent and supply in their own income and maybe in the income of others.

A last recommendation is to investigate possibilities to work together with employers and banks on microcredit. In the current system seems nearly impossible to get these microcredits, and they are not given out. Either the requirements are too high, or the way to get them is too complicated, and immigrants particularly become the victim.

Interview partners

Please list the persons interviewed: name, organization, function

Begoña Esteban, Anna Farràs and Joan Chicon, officials of the European Relation Department of the Terrassa Administration.

Soledad Griñón Calderón, official at the Department of Citizenship of the Municipality of Terrassa

Domènec Escanilla Escanilla, who's task is to support new entrepreneurs at the municipal institute for economy and the labour market within 'Foment de Terrassa'

Xavier Muñoz, officer who gathers statistics at the Economic Department of the administration of Terrassa within 'Foment de Terrassa – Observatori Econòmic i Social i de la Sostenibilitat de Terrassa'.

Rachid Ezzahraout, accountant at the Accounting and Administrative Company working for immigrants 'Gestoria Vilanova

Daniel Feijóo Pena, official responsible for planning of commerce at the main bank, Caixa Terrassa

Noèlia Hurtado I Soriano (coordinator of project creation of enterprises) and Gemma Marin Garcia (business advice and development manager), of the 'Cambra' i.e. Chamber of Commerce

Josep Sellarés, chairman of the 'Association de Comerciants Ca n'Anglada', the shop keepers associations in immigrant neighbourhood Ca n'Anglada

Ahmed Al-Zayed, successful (Syrian) business owner and representative of the 'Association Cultural Musulmana', the Terrassa Muslim Association

Carme Pozo, head of the department of immigration of Confederació Empresarial Comarcal de Terrassa 'Cecot', the main Employer Association

José Benjamin, Peruvian business owner Restaurant Mesón Don Pedro

Rafael Espinosa, representative of Confederación Sindical de Comisiones Obreras CCOO (workers union)

Alfons Vallhonrat, representative of Confederació Empresarial Comarcal de Terrassa 'Cecot', the main Employer Association, also director of the advisory office CEPAC and part of many other boards and connecting institutions

Leonardo Cavalcanti researcher on ethnic entrepreneurship at the Universidad Autonoma de Barcelona (UAB)

Blanca Garces Macarenas, researcher on Spanish migration policies, IMES.

Maria del Mar Grieria, researcher at Universidad Autonoma de Barcelona (UAB) on local municipal policies on immigrants

Books and reports for further reading

There is no specific information or books on this subject, Terrassa has supplied websites with general information.

1. The municipal website (<http://www.terrassa.cat>) contains statistics and information like:
 - <http://www2.terrassa.cat/laciutat/xifres/ic08/portadaic08.html> (Yearly Socioeconomic Report)
 - <http://www2.terrassa.cat/laciutat/xifres/A2008/indexanu0802.html> (Statistic Yearbook)
 - <http://www2.terrassa.cat/laciutat/xifres/estudis/2004estrangers/portadaestrangers.htm> (Foreign workers in Terrassa's economic structure)
 - <http://www2.terrassa.cat/laciutat/xifres/ic08/portadaic08.html> (Structure of economic activity)
 - http://www2.terrassa.cat/laciutat/xifres/estudis/2009_3crisis_sencer.pdf (Crisis, employment and economic promotion. An historical perspective)
 - http://www2.terrassa.cat/laciutat/xifres/estudis/mercat_treball/2009mtt3rt.pdf
 - <http://www.terrassa.cat/poligons>
2. The employers associations: Confederació Empresarial Comarcal de Terrassa (CECOT) website: <http://www.cecot.org/>
3. The Chamber of Commerce 'La Cambra' website: <http://www.cambraterrassa.es/>
4. CIDEM, the Catalan government's office to support entrepreneurs ACCIÓ: <http://www.acc10.cat/ACCI0/cat/>
5. The Catalan government's labour office website on starting a business http://www.oficinatreball.net/socweb/opencms/socweb_ca/empreses/index.html

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