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Entrepreneurship of People with a Migrant Background: Business Start-Ups & Apprenticeship Training

What experiences did migrant companies have when founding their companies and which public services did they take advantage of? What courses of action are possible for the public services to enable them to better meet the specific needs of these company founders? A recent study commissioned by the AMS Österreich (Public Employment Service Austria) offers important insight to these questions. They are based on qualitative company interviews. The study also deals with the question of apprenticeship training in migrant companies for the first time in Austria.

A qualitative company survey of 30 migrant companies serves as the basis for the results presented in this paper. Due to the comparatively small scope of the survey, focus was put on five language groups. Particular priority was given to examining those groups that were either important in quantitative terms and/or had a noticeably high percentage of self employment. However, language groups were also considered that were (still) not among the “top players” in terms of numbers, but considering the developments over recent years may be of great potential in the future. In cooperation with the client (AMS Österreich), it was decided to cover the following language groups: Arabic, “Indian”, “Yugoslavian” (Serbia and Montenegro as well as Bosnian and Herzegovina), Romanian and Turkish.

In order to comprehensively cover the heterogeneous target group a “quota” was set, i.e. in selecting the interview partners the following characteristics were specifically sought out: 6 language groups (see list above), sex of the business person, first or second generation, field and variety in company size.

Experiences of Founders of Migrant Companies

The **family environment** and respectively the **ethnic community** are particularly important for the owners of migrant business during the **founding process** as well as in later phases of the company’s life cycle. In addition to mental support, people close to the owner also often provide financing and/or act as mediators with other businesses and/or the public services. Due to the fact that these companies tend to be rather small, the economic networking (which often is combined with personal networking) amongst the ethnic economies themselves, as well as with “local businesses” is of

particular relevance for the lasting company development.

Concerning **public support and aid measures**, the business people with migrant backgrounds questioned were not aware of any “migrant specific” offers. Even from the broad spectrum of generally available instruments for aid and support for starting a new company, “only” the Company Start-up Service of the Chamber of Commerce and respectively a few certain measures of the AMS were made use of. The business people generally had positive experiences in starting up their companies, although they emphasized the need to “actively” seek information and rely on support of the people close to them as previously mentioned.

In their business activities, it was revealed that companies with a migrant background are at a particular disadvantage on the market due to the **price competition**. This also affects “local” businesses, but not to such an extent as it does the migrant businesses.

Possible Courses of Action for the Public Services

The fact that the economic importance of companies owned by people with a migrant background is not to be ignored and that this potential is neither fully recognized nor taken advantage of is evidence that there are possible courses of action that the public services can take in order to ease the business activities of migrants and thus help increase their contribution to the country’s economic development.

In addition to **alleviations of a legal nature** and the **simplification of administrative processes** (keyword: doing away with “red tape“, see for example Gewerberechtsnovelle 2002 – industrial law novella), that

also make starting up a new company more attractive for this target group, it is necessary in general to develop specific support measures for people with a migrant background who are interested in founding a business, as well as to adapt already existing aid instruments to meet the specific needs of this target group.

On the one hand this means that it is necessary to make the already existing and generally available instruments for aid more aware of business people with a migrant background as potential company founders. This could be accomplished for example through targeted **sensitization work** with the employees of these institutes (i.e. among others centers for business founders as well as the AMS and credit institutions). On the other hand the support measures offered for migrants should be more target-group oriented. This also means that the linguistic and intercultural competence as well as the social and methodological competence of the general programs for support in founding a business should be improved.

Concerning the multilingualism of the information offered, printed material such as **bilingual guidelines for founding a company** would certainly be advantageous, but only if the information they contain are regularly updated to reflect the **continual changes** both in terms of the laws and procedures pertaining to founding a company, as well as in terms of the languages that are currently in “high demand” due to changing migrant situations¹. This need for continual updates to the available written information material is yet another reason why these institutions would benefit from **bilingual counselors**.

Up till now migrants are more likely to take advantage of the Company Start-up Services of the Chamber of Commerce while the target group only rarely takes advantage of other support programs such as the AMS Business Start-up program or financial aide. This is due in part to the fact that the broad spectrum of support services available in Austria, in particular for migrants who are less familiar with the Austrian structures and processes, are **not transparent** in relation to their availability, qualification requirements and contents.

In this regard it could be helpful for example to draw upon the **social networks** that are important in many ethnic environments. Informal leaders for the individual communities (e.g. migrant associations, doctors, cultural/religious representatives etc.) could be used as “multipliers” by training them in the spectrum of measures that are available and in this way bring the relevant information closer to the potential target group. Such programs already exist (at least to some extent) in Germany and the Netherlands for instance and have proven successful.

An essential requirement for such a course of action is however that sufficient information is available about the social networks, also on a local level, which up until now (at least for some certain ethnic groups) has not been the

case. In this instance it is recommended to conduct an appropriate comprehensive analysis ahead of time in order to **identify suitable multipliers** and their relationship to the community.

Concerning “**migrant specific**” measures, they have for the most part tended to display **project-like characteristics** rather than a continual/permanent instrument. This can be problematic to the extent that it results in a strong dependency on the “currently” available financial resources (and also in part on European co-financing), whereby a lasting support of the ethnic economies can hardly be assumed.

In relation to the **contents** to be covered, the following areas in particular may be of importance:

- Consultation and support not only during the start-up phase, but also in later phases of the company’s life cycle (e.g. in the sense of company coaching)
- Providing information about legal and administrative rights both before and during the start-up as well as during daily business activities (from general aspects of social security and tax law to “less usual” areas such as business facility permits)
- Access to and respectively recruitment of sufficiently qualified personnel (in reaction to the lack of skilled personnel that has been articulated)
- Access to financing and respectively consideration of securities located in foreign countries

Many of the company owners with a migrant background expressed a certain amount of resentment towards both the general support institutions as well as the target-group specific programs with regard to involvement/utilization of services. This indicates that an “**active approach**” regarding the target group is of the utmost importance for the success of the measures. This was seen for example in the approach of the city district walk in the German-Turkish business center.

Of course it will certainly also be essential when doing so not to present the migrants as poorly qualified or as “second class companies”, but rather to cater to their needs free of prejudice. In this regard it shall be important to pay attention to how **2nd or 3rd generation** members are addressed. Interesting in this respect are for example possibilities such as those chosen for several German programs in which rather than targeting citizenship or country of birth, the focus is on the subjective feeling of belonging to an ethnic group.

The target group of **women as company founders** with a migrant background is to a great extent still not taken into consideration. While in several ethnic groups there is essentially no business activity among the women, in others the women are by all means active. Seeing as the German examples have shown that measures that (at least also) focus on female migrants are marked by a percentage of female participants that is higher than the average percentage of women among business owners, such instruments are not to be ignored.

Apprenticeship Training in Migrant Companies

Up till now there has been practically no information as to what extent apprenticeship training takes place in businesses managed by migrants. Business activity surveys conducted by KMU Forschung AUSTRIA (Austrian Institute for SME Research) can however provide some evidence: According to the surveys, approximately half of the business and trade companies questioned that are owned by people with a migrant background train apprentices. The percentage of “domestic” business providing training for apprentices may be somewhat higher².

In general it can be said that the comments of the migrant company owners surveyed concerning the decision for/against providing apprenticeship training mirror for the most part the spectrum of opinions known from other studies of “domestic” companies: economic and social motives are named as arguments for providing apprenticeship training, while factors of company structure (e.g. company size, workload) and lack of information about apprenticeship training present cause for hesitation or hindrances for training.

For many of the migrant companies it would seem that it is precisely the blatant lack of information on apprenticeship training that is responsible for the low awareness factor. Company owners who have experience with the Austrian educational and employment systems are however much better informed: Thus every business owner who is either currently training apprentices in their company or are considering doing so in the near future, has either (at least to some extent) been through the Austrian educational system and/or worked in an Austrian company that provided apprenticeship training before starting their own business. In comparison, those company owners that do not provide apprenticeship training and do not plan on doing so in the future are mostly people who completed their training in their home country or who worked in Austrian companies that did not provide apprenticeship training.

Economic arguments are the primary **reason / motive for providing apprenticeship training**: In addition to the direct need for apprentices for the company workforce, the recruitment of skilled personnel (trained as future employees / skilled workers) was mentioned. Additional incentives for providing apprenticeship training can also be found in the possibilities for financial aid that are offered for companies that provide apprenticeship training. Social responsibility as a company owner is also emphasized. It seems however that the work the apprentices perform for the companies is also of primary importance: Only when the workload permits, are migrant companies willing to train apprentices, as so-called “extra employees”. The employment situation in a company is thus a necessary requirement for apprenticeship training, but alone it is not enough.

The companies that train apprentices report **no problems** with the appraisal procedures and apparently also have no difficulties covering the complete training requirements for apprentices. The training examination is also not mentioned as a problem.

The companies’ experience with the apprentices themselves is quite varied, ranging from extremely satisfied to clearly negative experiences. The latter concerns the willingness to work, punctuality, reliability and consequently the general motivation of the apprentices. Surprisingly however, no problems were expressed with the starting qualifications of those applying for an apprenticeship position.

Apprentice recruitment primarily takes place through direct contact / interviews with the company by those who desire an apprenticeship position. In comparison, the AMS (e.g. apprenticeship position exchange) are rarely taken advantage of. For the most part, the migrant background does not play a role in selecting the apprentices. The primary criteria are, and shall remain, the work attitude, motivation and the willingness to learn (both for employees as well as for apprentices). In some cases however there are also motives in which the migrant background does play a role. A number of companies have made statements to the effect that they wish to explicitly give youth with a migrant background a chance. However specific knowledge of youth with a migrant background can also represent a beneficial recruitment criterion, particularly when their skills are needed for the company (language, cultural understanding / closeness to the customer community).

The statements as to **why no apprentices are trained** can be summarized under two lines of argument:

Due to company structure:

This primarily concerns the small size of the company. For many company owners their first concern is to instead get the company up and running and to consolidate. It is also often the case that due to the work load there is no extra time to train an apprentice.

Lack of information ...

- about what the apprenticeship training even is,
- about what advantages it can bring the company,
- about the procedures necessary to become a company that offers apprenticeship training.

Interestingly the question as to the trainer qualifications seems to be of relatively little significance. This may also have to do with the fact that often not even the basic information is known about apprenticeship training. The question as to whether the business can cover all of the training requirements for an apprenticeship profession is similarly of little significance.

As the survey of the companies who provide apprenticeship training has already revealed, the companies that currently (still) do not provide apprenticeship training also do not report a lack of starting qualifications among potential apprenticeship applicants. It would seem that negative ascriptive

statements about youth and their lack of motivation to work and learn are much more relevant.

However approximately half of the companies that have trained apprentices up until now express a **general willingness to provide apprenticeship training**. The spectrum of companies that do not provide apprenticeship training thus ranges from companies that have never even thought of providing such training, to companies that are in principle interested in providing apprenticeship training (but however still have absolutely no information on the subject), all the way to companies that are interested in providing such training and are already informed on the subject (many are already aware of the appraisal procedures, trainer examination etc.).

At those companies that up till now have not trained any apprentices, the AMS apprenticeship position exchange is better known than the apprenticeship positions from the WKÖ (Chamber of Commerce for Austria). The latter is almost completely unknown.

Based on the interviews as well as German studies on the topic, the following **recommendations / possible courses of action** with regard to increasing the apprenticeship training in migrant companies can be determined:

- The need for a comprehensive flow of information
- The need to approach the companies personally by counselors from within the culture group (apprenticeship position canvassers)
- Data records: Census of “foreign” companies (address scouts)
- Constant necessary support for the apprenticeship training at the companies (from the selection phase, through the employment, and all the way to crisis intervention)
- Exemplary effect of companies already providing apprenticeship training – Multiplier effect of these companies
- Target-group-specific qualification for instructors (bilingual)
- Founding of training associations
- Establishment of a service team with comprehensive consulting and coordination responsibilities

Flanking measures also encompass bilingual / native language information at the apprentice centers (the WKÖ in general) as well as the AMS. They also include special information, PR and mobilization campaigns for migrant companies that for example could be organized by the guilds and industry representatives in order to promote an increased awareness and information level for apprenticeship training.

In general, the current situation for the migrant economy seems to be such that there are still no noteworthy network or organization structures. Therefore support services for the independent organization of migrant

companies as well as their coupling with the established structures (WKÖ, AMS etc.) are urgently needed.

In Germany, it turned out that the networking of various initiatives and actors was of particular importance. An example therefore is KAUSA, the nationwide “Coordination Center for Training in Migrant Companies” in Köln.

In this research letter it has only been possible to briefly touch upon a few of the highlights of the study. The final report also includes a presentation of the legal framework for independently employed migrants. Furthermore, a picture is drawn of the independent employment of people with a migrant background based on secondary statistical evaluations of relevant available databases.

The study was conducted in cooperation by ibw, KMU FORSCHUNG AUSTRIA and Soll&Haberfellner Unternehmens- & Projektberatung (business and project consultants).

Kurt Schmid, Irene Mandl, Andrea Dorr, Bärbel Staudenmayer, Regina Haberfellner:
“Entrepreneurship von Personen mit Migrationshintergrund” Study commissioned by AMS Österreich in German language.

Available for free download via AMS Research Network:
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¹ The question thus arises for instance if the information provided by the company counselors in Austria, in principle an interesting and good instrument, are still current after more than five years.

² It must be considered however that these values only represent the certain spectrum of the SME's that were surveyed and these results can therefore not by any means be applied to the entire business community. Information about the survey design of the KMU FORSCHUNG AUSTRIA conjuncture survey can be found in the study.

Publisher

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