

Regulation of migrant entrepreneurship: The strained conjunction of laws, policies and practices

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Abstract

We are struck by a curious paradox: the flourishing discourse on migrant entrepreneurship is replete with references to the regulatory environment; yet the precise ways in which regulations exert influence is rarely spelt out. This task is all the more urgent because policymakers are alighting on the fact that migrants often turn to self-employment to make their way in destination societies. Yet, the extent to which regulations – comprising laws and governmental and non-governmental policy measures and practices – is poorly understood. This special section aims at filling this gap by adopting a theoretically informed analytical perspective to understand the role of regulation in migrant entrepreneurship. Articles in this special section analyse the nature of laws, policies and practices, the factors of success/failure of these, the role of governmental and non-governmental actors, and the effect of different welfare regimes and governance conditions.

INTRODUCTION

This article introduces a special section on the regulation (laws, policies and practices) of migrant entrepreneurship. Migrant entrepreneurship has received increasing attention from policymakers, stakeholders and scholars (Ram et al., 2017; Solano et al., 2019).

This is due to the general expansion of the small business sector, the proclivity of some migrants to set up business activities and the overall pro-business climate in contemporary society, as well as well the concerns about the quality of their entrepreneurship and the sustainability of their business. While most newcomers enter the labour

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market of the destination country as wage worker, entrepreneurship represents an alternative way to access the economy. A small but sizeable number of migrants turn to self-employment to make their way in destination societies. Although with differences between countries, about 12 per cent of all foreign-born migrants in OECD and EU28 countries are self-employed (OECD, 2018; Taddei & Solano, 2020).

One consequence of this policy interest is the frequent – and usually uncritical – invocation of migrant entrepreneurship as a panacea for diverse challenges, from enhancing innovation to promoting integration. Yet, as Eurostat and OECD figures shows, migrant-led businesses perform worse than native enterprises on several indicators, pointing to disadvantages and untapped potential. For example, foreign-born are much more likely to be microbusinesses and create fewer jobs (at least in the formal economy) and these businesses are 27 per cent less likely to survive to 5 years compared to native businesses (OECD, 2015, 2018; Taddei & Solano, 2020; UNCTAD, 2018). They also tend to concentrate in low-profitable sectors (e.g. petty trade) with limited growth potential (Desiderio & Mestres, 2011; Edwards et al., 2016; Ram et al., 2017; Rath et al., 2020; Rath & Schutjens, 2016).

Several barriers hinder their potential. Migrants lack the infrastructure, the networks and the same opportunities to access credit than natives do when starting and running their own enterprises (Desiderio, 2014; Rath & Swagerman, 2016; Solano et al., 2019). The persistence of structural and social barriers often confines migrant entrepreneurship to low value-added activities in harsh market environments (Desiderio, 2014; Rath & Swagerman, 2016). Laws, policies and measures – both the one directly targeting migrants and migrant entrepreneurs and the ones not directly addressed to them – comprise part of the opportunity structure (Kloosterman & Rath, 2001) and therefore impact the business success of migrant entrepreneurs. The role of policymakers is critical in influencing migrant entrepreneurial trajectories, for example, by helping them overcome those barriers and untap their potential (Solano et al., 2019), but laws, policies and practices can also create barriers and additional obstacles for migrant entrepreneurs (Ambrosini, 2013; Kloosterman et al., 1999; Solano & Huddleston, 2020).

This special section addresses this topic by presenting a collection of articles that adopt a theoretically informed analytical perspective to understand the role of laws, policies and practices (regulatory environment) – in combination with other factors (e.g. other contextual conditions and migrants' characteristics) – in migrant entrepreneurship.

PURPOSE AND OVERVIEW OF THE SPECIAL SECTION

Many academic articles have focused on the structural determinants of the entrepreneurial choice and the resources used by migrant entrepreneurs (Rath & Schutjens, 2016), while only few have focused on regulations (some exceptions are: De Lange, 2018; De Lange et al., 2020; Rath, 2002; Pang & Rath, 2007; Ram & Smallbone, 2003; Rath & Swagerman, 2016; Riddle et al., 2010; Solano, 2020). Furthermore, one of the main weaknesses of the emerging policy literature on migrant entrepreneurship – and on international migration in general – is its weak engagement with theory and critique, and its lack of integration in more general policy discussions.

To contribute to closing this gap, this special section focuses on the role of the regulatory environment. The regulatory environment should be understood as the laws, policies, programmes and practices from governmental and non-governmental actors at different levels (national, local, etc.). This special section analyses the nature of these laws/policies/practices, the factors of success/failure of these, the role of governmental and non-governmental actors and the effect of different welfare regimes and governance conditions. Articles in this special section adopt a theoretically informed analytical perspective – employing concepts from the field of migrant entrepreneurship, management and entrepreneurship, policy studies and migration studies – to understand the role of the regulatory environment in migrant entrepreneurship. By doing so, the contributions also explore the link between laws/policies/practices and other factors (e.g. other contextual conditions, migrants' characteristics) and their (combined) effect on migrant entrepreneurship.

This special section starts with an article from Jones et al. (2022). Their article presents a historical reprise of 40 years of policy interest in migrant-owned businesses in the United Kingdom. The authors show that throughout the entire period of analysis, there has persisted a palpable gap between policy goals and entrepreneurial practice.

Though the United Kingdom has been the site of some interesting policy experiments on migrant entrepreneurship, their impact has been slight when set against the context of broader political-economic change.

Solano (2022) comparatively studies the legal and policy framework for migrant entrepreneurs by analysing laws, policies and practices in EU and OECD countries. By applying a mixed embedded approach, his article shows that the institutional framework restricts access to self-employment for some categories of migrants (based on their legal status), while a wide range of measures is available to support migrant entrepreneurs (policy framework). However, these measures treat them as a rather homogenous group. These findings show that policymakers tend to distinguish between different kinds of entrepreneurs when they should not – to grant them access to self-employment, institutional framework – while they do not distinguish enough between them when they should – to provide a tailored support in terms of the policy framework. Therefore, Solano's article suggests that the fact that some migrants are less engaged in self-employment or face more difficulties may be explained by the lack of institutional opportunities and adequate policy support, rather than only by their lack of resources.

Samers (2022) investigates the role of the welfare system. There are substantially different levels of migrant entrepreneurship across countries, but the reasons for this variation remain unclear. One possible but often neglected explanation is the role of welfare policies. By looking at the case of France, the author provides evidence to contrast the idea that welfare entitlements reduce the incentives for migrants to start a business.

Yamamura (2022) focuses on a non-European country, Japan, to investigate the role of laws and policies at different administrative levels (national, regional and urban scales). The author demonstrates the analytical value of differentiating policies along these scales and their inter-connectedness. In Japan, national-level policies target migrant entrepreneurship from a migration regimes' perspective, rather than building on policies that support migrants already in the country to become entrepreneurs. Though nationally coordinated, the prefecture or a specific city administration is the one responsible for the approval of the business, the administrative checks and the provision of support.

Kazlou and Urban (2022) analyse the 2008 liberalization of migration policy in Sweden. This allowed migrants from any country to obtain residence permits for entrepreneurship. Their study compares two cohorts of immigrants – those who arrived 4 years before and those who arrived 4 years after the reform. They found mixed evidence of the effect of the reform. The result shows, at the macro level, that it was more common to be an entrepreneur in the second cohort than in the first cohort. This was, however, not explained by an increased propensity to become an entrepreneur among those with permit for work and entrepreneurship. Only the probability of starting business in the ICT sector and in the retail sector increased after the reform.

Özaşir Kaçar and Essers (2022) address the topic of the special issue from a gender perspective, as they investigate the presence and the impact of gender-related underlying assumptions in the regulatory environments of two national contexts, Turkey and the Netherlands, on the entrepreneurship of Turkish women. They show that, even when supportive via prompt policies, the regulatory environment is yet biased and gendered with patriarchal norms and practices. They conclude that without careful consideration of these assumptions as well as removal of structural barriers and biased and exclusionary practices, policy interventions fail to foster migrant women entrepreneurship.

AGENDA FOR FUTURE RESEARCH

The contributions to the special section open new avenues for future research in the field of migrant entrepreneurship. In what follows, we are going to illustrate the main avenues emerging from the articles included in this special section.

First, as Yamamura (2022) argues, scholars should look at the interplay between laws and policies at different *spatial scales*. Divergences may occur between the supranational (e.g. the EU), national and local regulatory environments (Ambrosini, 2013; Scholten, 2014). Future research should explore the role of sub-national policies (regional and local level) and how these interact with national-level policies. Especially the vertical interconnectedness (inter-scalarity) appears to be crucial in pinpointing administrative mismatches of the local support institutions and

higher level policies. Furthermore, future studies should investigate the role of supranational policies and entities in shaping national laws and policies.

Second, our special section makes it clear that the regulatory environment can both support and hinder migrants' business activities or even have no effect. Further studies should be carried out on the 'negative', *unintentional* or *inconsequential* role of laws, policies and practices as well as on the reasons for their inefficacy. As underlined by Solano (2022) and Özaşır Kaçar and Essers (2022) in this special section, practices developed by governmental and non-governmental actors to support migrant entrepreneurs sometimes fail to consider the differences among the migrant groups or they act based on assumptions on migrants (e.g. overstating the differences between migrants and non-migrant entrepreneurs). For these reasons, sometimes they are not very effective. Furthermore, these practices do not normally promote interactions and partnership between migrant and non-migrant entrepreneurs and they run the risk of leading migrant entrepreneurs towards low-profitable ethnic niches. Jones et al.'s (2022) assessment of the United Kingdom identifies a profound disjunction between policy rhetoric and lived reality of ethnic minority entrepreneurs. Their contribution echoes wider debates in the entrepreneurship literature on the nugatory impact of enterprise policies. Therefore, additional studies on the possible 'side' effect of supporting policies and practices are needed.

Third, Samers (2022) in this special section shows that migrant entrepreneurs might be affected by the *overall regulatory framework*. Most of the articles on the topic focus on the regulatory environment directly linked to migrants and migrant entrepreneurs, that is laws, policies and practices that explicitly target them. However, the overall regulatory framework sets conditions that influence migrant-owned businesses, for example, by leading them towards low-profitable sectors. For example, in their seminal work, Kloosterman et al. (1999) showed that low entry barriers and lack of opportunities in other sectors funnelled many migrants towards the informal Islamic butchery sector. Subsequent research could explore also how the regulations that are not directly addressed to migrant entrepreneurs affect them.

Fourth, as illustrated by Solano (2022), *different opportunities are available for different kinds of migrant entrepreneurs* (based, e.g. on their legal status). The other few studies on this topic show there is an implicit hierarchy (by legal status) that is applied when it comes to migrant-related policymaking (De Lange, 2018; De Lange et al., 2020; Federico & Baglioni, 2021). Furthermore, the migrant group is increasingly heterogenous and policymakers need to face the challenges posed by a super-diverse society (Vertovec, 2007). Literature also suggests that different kinds of migrants and migrant entrepreneurs need different types of support (Savazzi et al., 2019; Sinkovics & Reuber, 2021). For example, transnational migrant entrepreneurs, who run businesses that span across the national borders, need specific support practices and internationally favourable regulatory environments (Elo et al., 2021; Solano, 2020). However, these topics remain largely unexplored and future studies should analyse how the regulatory environment changes for the different kinds of migrant entrepreneurs, based not only on the legal status but also the type of business they conduct.

In conclusion, this special section provides a theoretically informed analysis of the role of laws, policies and practices (regulatory environment) that influence migrant entrepreneurs. In so doing, it has been demonstrated, on the one hand, that the development of migrant entrepreneurship cannot be fully understood and explained without taking account of regulatory matters. Regulatory structures and processes interact with social and economic factors and produce particular effects in concert with them. On the other hand, it has been shown that reality is extremely complex and that, therefore, simplistic analyses and simplistic solutions do not work. This special section will, hopefully, encourage new studies on this line of research.

PEER REVIEW

The peer review history for this article is available at <https://publons.com/publon/10.1111/imig.13128>.

DATA AVAILABILITY

Data sharing is not applicable as no new data were created or analysed for this article.

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