

# Chapter 9

## Entrepreneurship Among Portuguese Nationals in Luxembourg



José Carlos Marques

### 9.1 Introduction

Along with other countries in Europe, Luxembourg has once again become a destination for contemporary Portuguese emigration, which intensified during the recent economic crisis. The intensity with which this migratory flow has developed in recent years should not, however, obscure the fact that Portuguese emigration to Luxembourg has been a continuous reality since the 1960s, and has had different rhythms and intensities over time. This chapter's analysis of Portuguese immigrants' economic integration in Luxembourg (and in particular their entrepreneurial practices) reflects this long history of Portuguese emigration to this country.

The first part of the article briefly describes the evolution of Portuguese emigration to Luxembourg and its insertion in Luxembourg's labour market. The second part seeks to deepen the understanding of Portuguese immigrants' entrepreneurial activities (an area that, as the latest literature on Portuguese emigration shows, has not so far benefited from in-depth study<sup>1</sup>) and to analyse the different factors that influence the creation and development of entrepreneurial practices by the Portuguese abroad. A survey conducted in 2012 among Portuguese entrepreneurs in Luxembourg is used for this analysis.

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<sup>1</sup>In this body of academic literature on Portuguese emigration between 1980 and 2013, there are only six references that address, sometimes indirectly, the practices of Portuguese immigrants' entrepreneurship (Candeias et al. 2014).

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J. C. Marques (✉)

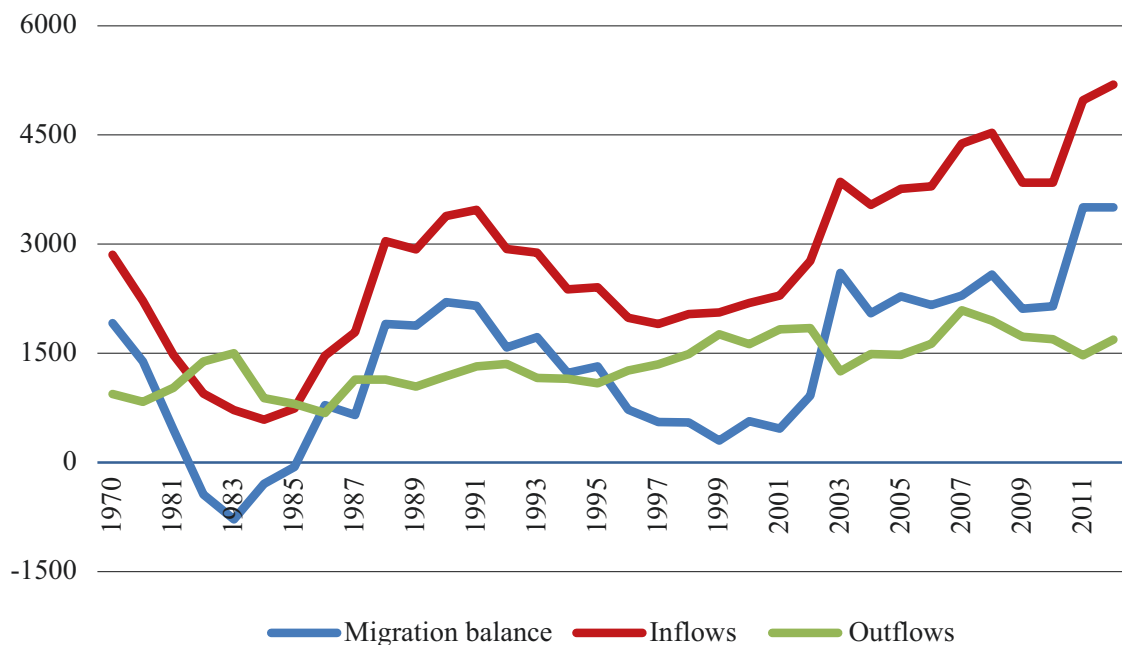
Instituto Politécnico de Leiria, Centro Interdisciplinar de Ciências Sociais FCSH/UNL (CICS.NOVA.IPLeiria), Leiria, Portugal  
e-mail: [jose.marques@ipleiria.pt](mailto:jose.marques@ipleiria.pt)

## 9.2 The Portuguese in Luxembourg

Since the late 1960s the Portuguese have been one of the main groups of immigrants arriving in Luxembourg – and since 1986 they have been at the top of the numerical hierarchy of foreign citizens arriving in the country every year.<sup>2</sup>

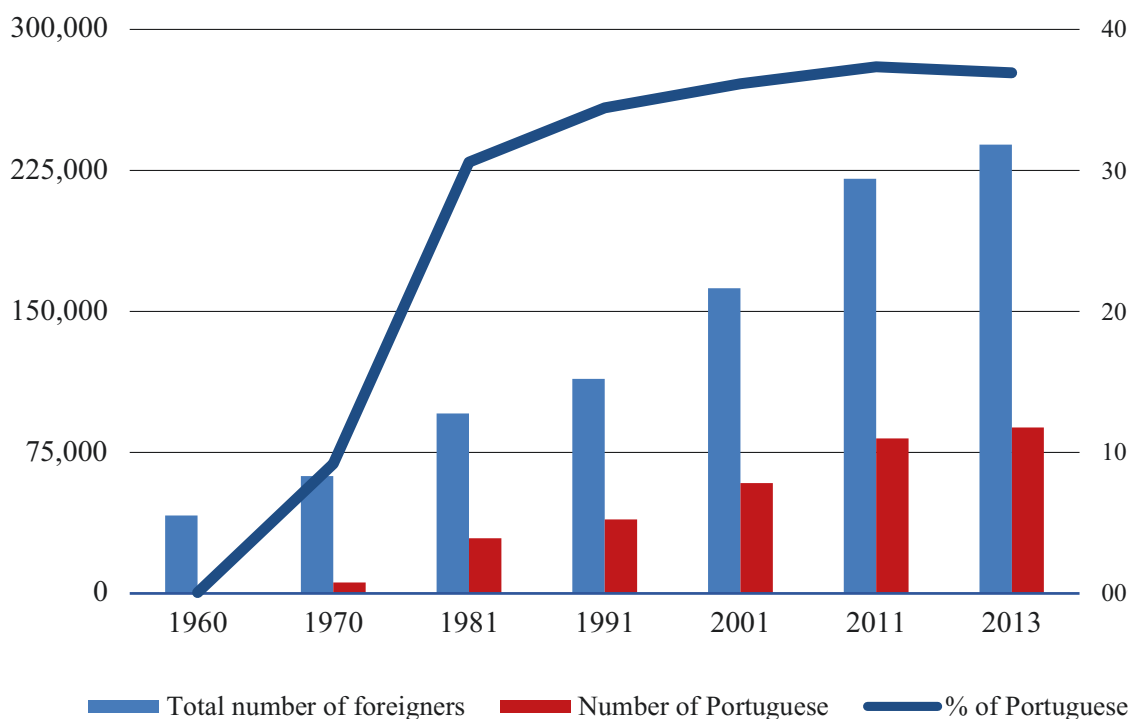
Data on the inflow and outflow of Portuguese nationals in Luxembourg (Fig. 9.1) allows the identification of two key moments in the formation of the Portuguese community. The first was between the late 1980s and mid-1990s, during which period the inflows were always more than double the annual outflows. The second, from 2003 onwards, saw the same flow observed in the first moment repeated, but this time at higher levels.

Until the end of the 1990s the inflow of Portuguese workers to Luxembourg was not significantly influenced by the country joining the European Economic Community in 1986 or by the end of the transition period for the free movement of people (in 1992). The intensification of the migratory movement after 2003 and, in particular, after 2007, occurred in a context in which the free movement of Portuguese citizens in the EU had already been consolidated. It is true that part of this migratory flow has benefited from a mobility regime more favourable to the pursuit of work opportunities in other EU countries. But the transformation of the institutional context in which the Portuguese movement to Luxembourg (and other EU countries) occurred didn't significantly change the nature of the migration flow: as shown in a recent study on Portuguese emigration (Schiltz et al. 2016), in spite of a diversifica-



**Fig. 9.1** Inflow and outflow of Portuguese nationals in Luxembourg, 1970–2012.  
Source: STATEC (various years, available at <http://www.statistiques.public.lu>)

<sup>2</sup>For a thorough analysis on the history of the Portuguese emigration in Luxembourg, refer to Beirão (1999) and Arroiteia (1986).



**Fig. 9.2** Evolution of the foreign and Portuguese population in Luxembourg, 1960–2013.

Source: STATEC (various years, available at <http://www.statistiques.public.lu>)

tion of emigrants' sociodemographic characteristics in the last few years, the majority of Portuguese emigrants to Luxembourg have migration trajectories similar to those followed by emigrants of the 1970s and 1980s, which allows us to continue to analyse these flows as emigration rather than as internal mobility.

As a result of the evolution of the migratory flow described above, from 1981 onwards the Portuguese became the main community of immigrants in Luxembourg; in 2013 they made up 36.9% of all foreigners residing in the country and 16.4% of the total population (Fig. 9.2).

Demographically, the Portuguese population in Luxembourg can be characterised as young (with an average age of 32.9) and with a slightly higher percentage of males (52.5%)<sup>3</sup> than females.

This is a population with predominantly low levels of education (45% of those over 14 years of age only attended primary education and 24% lower secondary education<sup>4</sup>), and intermediate levels of further education (especially of a vocational nature). Analysis of education levels by age group confirms that these low levels of education prevail across practically all age groups, although younger age groups tend to be more highly educated. Thus, 80% or more of Portuguese nationals in their forties and above have only primary or lower secondary education (a percentage that rises to over 90% among immigrants aged 55 and over). In younger age groups

<sup>3</sup>Data referring to the population census of 2011.

<sup>4</sup>Lower secondary education is equivalent to the 9th grade in Portugal (Ordinance No. 699/2006 of 12 July).

**Table 9.1** Portuguese nationals' main activity sectors (total and 15–29 year-olds), 2011 (%)

|   | Total | 15–29 year-olds |
|---|-------|-----------------|
| Industry  | 7.9   | 7.4             |
| Construction  | 29.1  | 21.7            |
| Trade, hotel and restaurants                                | 24.6  | 31.0            |
| Scientific, technic, and administrative activities          | 15.4  | 17.6            |
| Public administration, education, health and social support | 11.2  | 12.0            |
| Other sectors   | 11.8  | 10.3            |

Source: STATEC (<http://www.statistiques.public.lu>)

the proportion with lower levels of education reduces to 69.2% for those aged 35–39 and to 45.4% for those aged 25–29. We are thus witnessing an increase in the level of education among Portuguese nationals in Luxembourg over time, although this remains below the level registered among the total population<sup>5</sup> (STATEC 2013).

It is interesting to note that although this is mainly labour migration, only 51.2% of Portuguese nationals in Luxembourg are active in the labour market. This results from family reunification processes and the formation of Portuguese families in Luxembourg. Hence, of the inactive population, 22.7% are students, and 7.3% are retired. A further 4.9% of inactive individuals are unemployed.

The integration of Portuguese nationals in Luxembourg's labour market is characterised by the concentration of a large proportion of immigrants in the 'traditional' activity sectors of construction (23.6%) and trade, and hotels and restaurants (16.5%) (Table 9.1).

In addition to these sectors it is important to point out the significance of the support services sector, which employs 10.3% of Portuguese nationals. Data about the sectors in which young people (15–29 year-olds) are active show some differences in relation to the sectors in which the Portuguese emigrant population as a whole are active, though the global occupational pattern is preserved. Young people are slightly less active in the construction sector (21.7%) and more so in the trade, hotel and restaurant sectors (31.0%), as well as in sectors generally occupying fewer Portuguese people: scientific, technical, and administrative activities (17.6%), public administration, education and health (12.0%).

As for their current economic activity status, the overwhelming majority of active Portuguese nationals are employed (92.1%). In 2011 3.5% of active individuals were self-employed (a total of 1384 people) and the remaining 4.4% were either active in training (2.0%) or did not indicate their professional status (2.4%).<sup>6</sup>

Following this brief overview of the characteristics of the Portuguese population in Luxembourg, we will now look at their entrepreneurial practices.

<sup>5</sup>In the total population, the percentage of those with lower levels of education is 19.2% for youths between 25 and 29 years of age, 21.7% for those between 30 and 34 years old and 27.1% for the population between 35 and 39 years of age (STATEC 2013).

<sup>6</sup>These data on the economic status of Portuguese nationals come from a survey requested from the statistical service of Luxembourg (STATEC).

### 9.3 Portuguese Nationals' Entrepreneurship in Luxembourg

The data presented above on Portuguese immigrants' economic integration in Luxembourg shows that the percentage of those who are self-employed is not very significant in quantitative terms. As recognised by several authors, however, notwithstanding the relative importance of immigrant entrepreneurship<sup>7</sup> activities for the economies of host countries and the substantive meaning and practical implications of these activities for the immigrants themselves should not be neglected. To understand their significance we must find out whether self-employment is a response to unemployment, whether it creates job opportunities for an individual and/or their co-nationals, whether it provides economic resources, whether it allows or is based on maintaining transnational relations, etc. (Light et al. 1994, Portes and Sensenbrenner 1993).

The distribution of a questionnaire among Portuguese entrepreneurs in Luxembourg sought specifically to contribute to an understanding of these aspects, by including a set of questions intended:

1. to characterise Portuguese emigrants' entrepreneurial activity;
2. to identify the main determinants of the development of entrepreneurial practices, thus determining the influence of individual and group resources and the action of push and pull factors;
3. to analyse the problems and the need for support experienced by entrepreneurs of immigrant origin and, in particular, the importance of family and 'co-national' resources in the entrepreneurial development process;
4. to register the development and maintenance of external economic relations by Portuguese entrepreneurs abroad, especially economic relations with the country of origin.

#### 9.3.1 *Characterization of Respondents*

Before proceeding with the analysis of the survey data, it is important to briefly present the respondents' characteristics. The survey was distributed between January and February 2012 to 156 Portuguese entrepreneurs in Luxembourg (i.e., approximately 11% of Portuguese nationals who, according to the 2011 Census, were self-employed). Naturally, the number of respondents and the sampling

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<sup>7</sup>Designations such as 'immigrant entrepreneurship' and 'ethnic entrepreneurship' will be used interchangeably throughout the text. However, it is recognised that ethnic entrepreneurship refers to self-employed practices among a segment of society whose members share (or believe they share) a common ethnic and cultural origin and who engage in shared activities in which this common origin is a central factor, while the notion of immigrant entrepreneurship is limited to individuals who actually migrated themselves (therefore excluding those born in the host country) (Volery 2007; Yinger 1985).

methodology<sup>8</sup> used did not allow the results to be extrapolated to the majority of Portuguese emigrant entrepreneurs in Luxembourg. This was not, however, the main objective of the investigation, which was guided by an interest in expanding our understanding of Portuguese immigrants' entrepreneurial activities – an area that, as mentioned in the introduction, has received little attention in existing studies of Portuguese emigration.

Of the 156 respondents, 58% were male and a little over two thirds (70.5%) were between 35 and 54 years old (Fig. 9.3). 32.3% first emigrated in the 1990s and 21.9% in the first decade of the twenty-first century. Data on the inflow to Luxembourg, especially during the last decade of the twentieth century, indicate that the Portuguese migratory flow to this country remained at this level even after politicians announced in the 1990s that Portugal was no longer a country of emigration. The economic sectors in which the emigrants worked before becoming independent were the hotel and restaurant sector (32.1%), construction (13.7%), trade (15.3%), the real estate sector (6.1%), and the sector of 'other services' (11.5% related primarily to the provision of domestic services, cleaning and personal services, etc.).

### 9.3.2 *Entrepreneurial Activity*

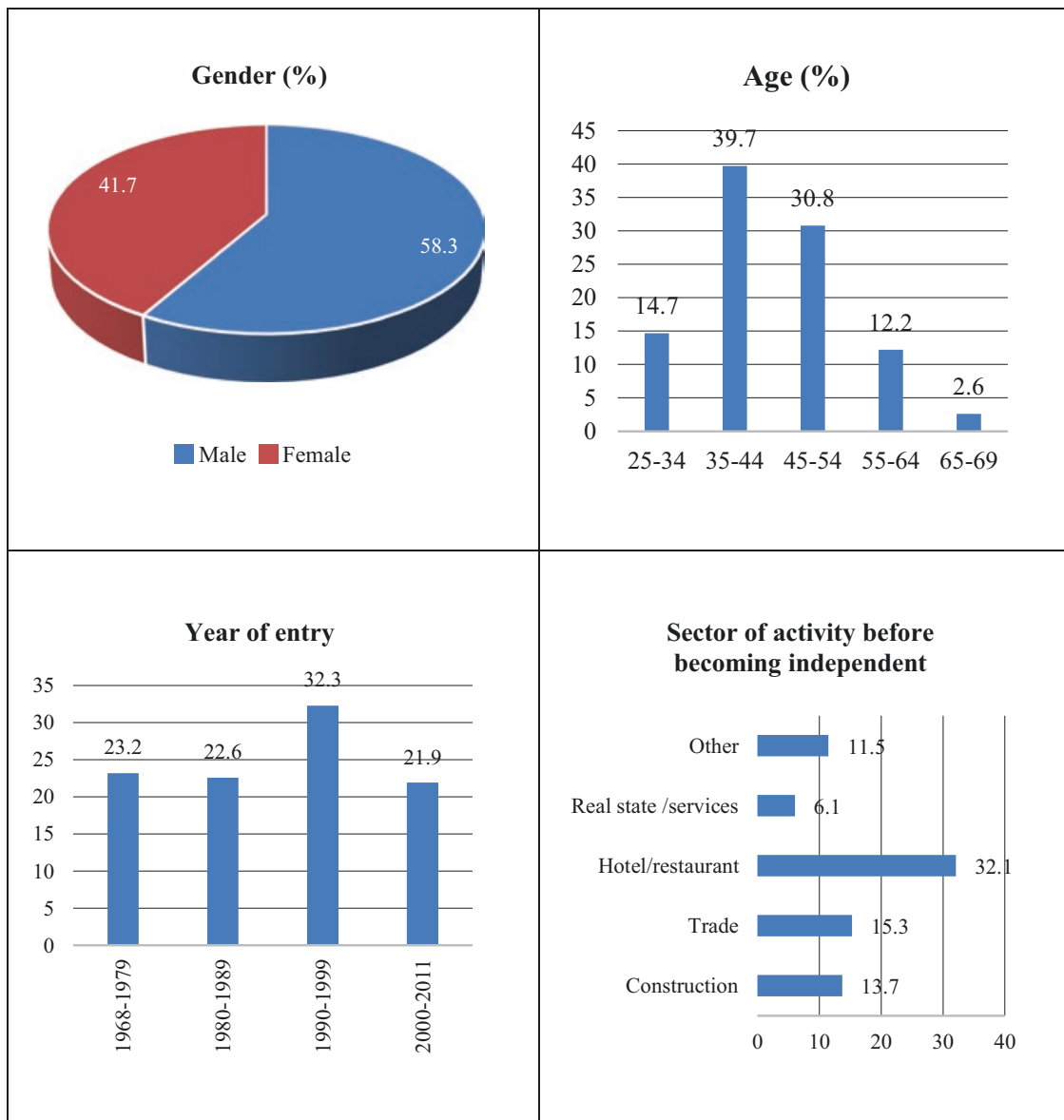
Most of the survey participants' companies were created in the twenty-first century and from 2006 onwards in particular (44.2%). During this period, it was immigrants who arrived in Luxembourg in the last decade of the twentieth century or the first decade of the twenty-first century who were most likely to begin entrepreneurial activity (32.4% and 38.2% respectively).

As to how the activity was started, almost all respondents (99.3%) bought an existing company and only a minority went through the whole process of starting up a company from scratch. The legal form chosen was most often that of a limited liability company (55.6%), followed by forms of individual ownership (35.3%) and single-member companies (5.2%) (Table 9.2).

The main resources used by Portuguese nationals when creating their company were either their own (40.9%) or came from institutions (i.e. bank credit: 39.0%). Resources coming from the community (family or friends) made up a very small proportion (only 7.1% said they used this kind of help). This relatively small reliance on the community's economic resources is noteworthy, given that a lack of economic resources is one of the main difficulties experienced by Portuguese emigrant

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<sup>8</sup> 'Snowball' sampling was used to identify respondents. This technique is particularly useful in a more exploratory study such as this one, which is intended to be an initial examination of the subject that will help to support and develop further study. The 'snowball' technique was constrained by imposing quotas relating to type and sector of activity. The aim has been to include active immigrants in different sectors of activity and a significant proportion of both men and women, assuming that both genders have different opportunities in the labour market and in the pursuit of independent economic activity.



**Fig. 9.3** Social and demographic characteristics of respondents.  
Source: Survey of Portuguese entrepreneurs in Luxembourg, 2012

entrepreneurs. It thus appears that, contrary to what is often suggested in the literature on immigrant entrepreneurship (cf., e.g., Light 1987; Light and Gold 2000; Smallbone et al. 2003), the scarcity of equity capital is not, in the case of Portuguese entrepreneurs, compensated for by the financial solidarity of the community or family.

A high proportion of companies created by the respondents are of small or medium scale both in terms of the number of employees (up to 9 employees), and in terms of turnover (usually lower than € 75,000) (Table 9.3).

Analysis of the sectors in which Portuguese emigrants constituted their companies shows that these are roughly the same sectors in which they were last employed before becoming independent, namely: the hotel and restaurant sector (57.8%), trade (16.9%) and real estate and provision of services (11.7%). Of all the main



**Table 9.2** Characteristics of the companies created

|   | %    | N  |
|---|------|----|
| Year of creation                        |      |    |
| Up to 1980                              | 5.2  | 8  |
| 1981–1990                               | 10.4 | 16 |
| 1991–2000                               | 20.1 | 31 |
| 2001–2005                               | 20.1 | 31 |
| 2006–2011                               | 44.2 | 68 |
| Form of ownership                       |      |    |
| Sole proprietor                         | 34.6 | 54 |
| Single member limited liability company | 5.1  | 8  |
| Limited liability company               | 54.5 | 85 |
| Other                                   | 3.9  | 6  |
| Form of financing                       |      |    |
| Personal savings                        | 40.9 | 63 |
| Bank credit                             | 39.0 | 60 |
| Loans from families/friends             | 7.1  | 11 |
| Savings and bank credit                 | 11.7 | 18 |
| Other                                   | 1.3  | 2  |

Source: Survey of Portuguese entrepreneurs in Luxembourg, 2012

**Table 9.3** Characteristics of companies

|                                       | %    | N   |
|---------------------------------------|------|-----|
| Area of activity                      |      |     |
| Hotel and restaurants                 | 57.8 | 89  |
| Trade                                 | 16.9 | 26  |
| Real estate and provision of services | 11.7 | 18  |
| Construction                          | 3.2  | 5   |
| Other                                 | 10.3 | 16  |
| Number of employees                   |      |     |
| None                                  | 17.5 | 27  |
| 1–9                                   | 67.5 | 104 |
| 10–29                                 | 9.7  | 15  |
| 30 and over                           | 5.2  | 8   |
| Turnover                              |      |     |
| Up to 75,000€                         | 86.3 | 132 |
| 75,000–150,000€                       | 13.7 | 21  |

Source: Survey of Portuguese entrepreneurs in Luxembourg, 2012

sectors in which Portuguese nationals work, the construction industry has the lowest share of self-employed workers. We believe that this is due to the high levels of capital investment usually associated with entrepreneurial activity in this sector.

Cross-tabulation of the sector of activity prior to entrepreneurial activity with the entrepreneurial development sector in Luxembourg shows that for 40.5% of respon-



dents there was no change, and for the remainder the change was mostly from construction to hotels and restaurants, from trade to hotels and restaurants, or from trade to the provision of services. Although it reveals an interesting relationship between the last sector of employment and the first sector of self-employment, this comparison does not clarify the emigrant's entire previous professional experience. From interviews conducted with some informants (serving mainly to supplement the information obtained from the survey) it is possible to conclude that a substantial part of the Portuguese entrepreneurs in Luxembourg created their company in a sector in which they had been employed at an earlier stage. Thus, for example, many decided to become self-employed in the restaurant sector because they worked for some time as employees in this sector, which allowed them to acquire skills related to its operation (relating to customers and suppliers, identifying opportunities for profit, etc.).

The low level of family involvement in the initial financing of the company, mentioned above, does not mean that the family or the rest of the Portuguese community remains detached from the company's operation after its formation. Thus almost 40% of respondents reported that they employed at least one member of their family and nearly three-quarters of the respondents indicated that their employees were exclusively Portuguese (Table 9.4).

Data on the nationality of employees, customers and suppliers allows us to see that the companies formed by Portuguese citizens – although retaining a strongly national character in terms of their employees and customers – do interact with Luxembourg society, which plays a central role in the supply of goods to companies owned by Portuguese nationals. This is to be expected and is due largely to the sector in which most of these companies – restaurants and small retailers – operate, which relies on local suppliers near the companies' area of influence.

A distinction is often made in the studies of immigrant entrepreneurship between businesses operating in closed or niche markets made up of co-ethnics or co-nationals, on the one hand, and those operating in open markets, on the other. Portuguese entrepreneurs in Luxembourg are not limited to a specific market, and thus fall neither wholly on one side of this distinction or the other (Table 9.4): when it comes to suppliers, the open market plays a larger role; when it comes to customer

**Table 9.4** Nationality of employees, customers and suppliers (%)

|                      | Nationality of most employees | Nationality of most customers | Nationality of main suppliers |
|----------------------|-------------------------------|-------------------------------|-------------------------------|
| Portuguese           | 78.3                          | 43.1                          | 9.0                           |
| Portuguese and other | 7.8                           | 30.7                          | 9.7                           |
| Luxembourg           | 3.9                           | 19.0                          | 72.9                          |
| Other                | 10.1                          | 7.2                           | 8.4                           |
| N                    | 129                           | 153                           | 155                           |

Source: Survey of Portuguese entrepreneurs in Luxembourg, 2012

base, the situation is mixed (although Portuguese nationals predominate); and when it comes to employees, community resources and the co-national market play a greater role.

### ***9.3.3 Key Factors in Entrepreneurship Development: Push and Pull Factors***

Various authors who have analysed immigrant entrepreneurship have identified the influence of a number of factors leading to self-employment among immigrant populations. Studies that suggest a multidimensional approach and recognise the relevance of the interaction between individual factors and environmental or situational conditions have been particularly relevant in recent years (Kloosterman and Rath 2001; Waldinger et al. 1990).

As Oliveira (2004) notes, it is not only community resources and opportunities in the host society that drive entrepreneurship, but also the individual's ability to use the resources and opportunities provided.<sup>9</sup> Opportunities include the ability to access the market, the ability to meet the labour market's operating conditions, and the ability to access resources – all of which may be characteristics shared by a given group that constitute a pathway to self-employment (Putz 2002).

In sum, the following factors have been presented as explaining the development of immigrant entrepreneurship:

#### **(a) Individual Resources, in Particular the Availability of Human and Financial Capital**

Though there may be limited access to the financial resources necessary to fund entrepreneurial activities, this has, according to several studies, been compensated for by resources available in the immigrant community and in particular by family support (Sanders and Nee 1996; Smallbone et al. 2003).

#### **(b) The Resources of the Ethnic or Co-National Group and Social Capital**

Ethnic resources and social capital – which may be both material and immaterial resources – can be mobilised by members of ethnic groups to pursue their entrepreneurial activities (Granovetter 1985; Portes and Sensenbrenner 1993).

#### **(c) Structural Factors**

Conditions in the country of destination – i.e. the existing opportunities in the host society – are highly significant in the development of immigrant entrepreneurship. Special attention is devoted to the action of markets and the labour market structure, as well as to legal and institutional factors (Rath 2000, Waldinger et al. 1990).

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<sup>9</sup>See also Portes and Zhou (1999).

#### (d) Incentives and Pressures (Push and Pull Factors)

Two sets of extreme reasons for the development of entrepreneurial activities are identified: reasons related to self-realization (pull) and reasons arising from an economy of necessity (push). The desire for autonomy, independence and freedom of choice predominates among the first type of reason, while in the latter the predominant factors are the response to a situation or threat of unemployment, or dissatisfaction with the employment relationship (including dissatisfaction with salary) (Clark and Drinkwater 2000; Dawson and Henley 2012; Dawson et al. 2009; Hillmann and Rudolph 1997).<sup>10</sup> It is recognised that the initiation of entrepreneurial activity is almost always the result of various incentives and pressures, so that the simple categorization of motivations as belonging to only two extreme poles is not sufficient for a complete understanding.

It is assumed in this study that entrepreneurial initiatives are not determined only by the available (human and financial) resources, but also by certain incentives and pressures, and that decisions regarding the development of a business activity are complex, combining – to a variable degree – a number of diverse motivations. Identifying these incentives and pressures (or these push and pull factors) is particularly important if we want to understand the reasons that led to the pursuit of self-employed activity by immigrants.

For this study it was considered important to understand the reasons that led to self-employment and, in particular, to learn whether this was originally motivated by factors of attraction or by pressure resulting from limited opportunities in the labour market. Though we do not intend to discuss in detail the action of all these factors in Luxembourg-based Portuguese immigrants' move to self-employment, we will look at the incentives and pressures acting on these immigrants in order to identify, as part of this initial examination, the reasons that led them towards entrepreneurship. These are mainly subjective factors mentioned in survey responses. It was not possible to ascertain from the survey data the relative significance of each factor in the decision-making process (Table 9.5).

The data in the table indicates that the factors of attraction (incentives) are the most important in the decision to set up a business (in total, 89.3% of responses mentioned these factors). The recognition of opportunities, together with understanding the business sector, are mentioned as important reasons for pursuing self-employment (39.4% of responses), suggesting that knowledge of the economic sector (arising, for example, from prior work experience) is an important factor in setting up a businesses. Respondents' desire for independence or to make their own profit were also mentioned in a large number of responses (33.6%). They attributed less importance, in the decision making process, to push factors (or pressure), such

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<sup>10</sup>In the academic literature – especially the literature produced in the context of the Global Entrepreneurship Monitor – the push and pull factors that led to entrepreneurship are also referred to using the terms necessity entrepreneurship and opportunity entrepreneurship (Reynolds et al. 2002).

**Table 9.5** Incentives and pressures leading to entrepreneurial activity<sup>a</sup>

| Question                                    | Reason/indicator        | Factor    | %    |
|---|-------------------------|-----------|------|
| Family idea                                 | Family                  | Incentive | 4.7  |
| Change in family circumstances              | Family                  | Pressure  | 1.3  |
| I had that goal when I emigrated            | Disposition/realization | Incentive | 0.6  |
| I had capital to invest                     | Disposition             | Incentive | 3.9  |
| Felt that need                              | Disposition/realization | Incentive | 1.3  |
| Wanted to be self-employed                  | Autonomy                | Incentive | 19.3 |
| Opportunity for own profit                  | Autonomy                | Incentive | 14.3 |
| Had a good business idea                    | Opportunity recognition | Incentive | 4.7  |
| Had good contacts for business partners     | Opportunity recognition | Incentive | 1.1  |
| The opportunity arose                       | Opportunity recognition | Incentive | 26.3 |
| Knew the business sector well               | Opportunity recognition | Incentive | 13.1 |
| Was unemployed                              | Unemployment            | Pressure  | 1.3  |
| Wasn't satisfied with my previous condition | Dissatisfaction         | Pressure  | 9.0  |

Source: Survey of Portuguese entrepreneurs in Luxembourg, 2012

<sup>a</sup>The reasons that led to self-employment were assessed through a multiple-choice question (limited to a maximum of three answers). The percentages of indicated responses are presented in the text

as dissatisfaction with their previous employment situation, or unemployment (respectively 9.0% and 1.3% of responses).<sup>11</sup>

Categorising the reasons for beginning independent business activity in terms of push and pull factors – while interesting from an analytical point of view and useful for the development of policies promoting entrepreneurship – ignores the fact that both sets of factors frequently and often jointly intervene in the decision-making process. For example, respondents who felt that the source of their entrepreneurial initiative was dissatisfaction with their work situation (push factor), also indicated as a motivation the identification of an opportunity or desire to work on their own (pull factors). In total, 33.3% of respondents identified both a push factor and a pull factor and the remaining individuals only identified push factors. It is thus important to recognise that both types of motivation intervene, to varying degrees, in the initiation of independent business activity. It therefore becomes necessary to distinguish the relative importance of each *type* of factor, as well as the relative importance of each *particular* factor present in the decision making process (which cannot be done with the survey data collected for this study).

<sup>11</sup> Like most of the answers to questions about past events, the answers given by the respondents may have been influenced by biased retrospection that tends to overestimate the positive effects, i.e. the pull factors (Pearson et al. 1994).

### ***9.3.4 Difficulties in Establishing and Conducting the Independent Business Activity***

The decision to set up in business is associated with the identification of resources (knowledge, economic capital, etc.) available to pursue the entrepreneurial initiative. In this section we intend, above all, to identify the constraints experienced by migrants in the creation and development of their business. Respondents were asked about problems experienced in two different periods: during the establishment of the company and during its operation.

As shown by the data in the following table, the difficulties encountered by Portuguese entrepreneurs in Luxembourg when creating the company were mainly due to structural issues (funding, staff problems, an insufficient number of customers, and difficulty in finding facilities). Insufficient financial resources and difficulty in accessing bank credit emerge as particularly constraining structural factors when setting up a business. Discrimination or racism was mentioned by a similar number of respondents as mentioned difficulty in obtaining bank credit. It is not straightforward to establish a causal relationship between these two variables, but of those who mentioned discrimination or racism as a difficulty when establishing their business, 60% also stated that they had difficulty getting credit from financial institutions. Since an almost identical percentage (59.3%) identified lack of economic resources as a difficulty, it could be hypothesised that perceptions of discrimination or racism are related to difficulties in acquiring financial capital from the banking system to establish a business. Constraints faced by small minority businesses in the credit system are commonly identified as caused by discrimination (Blanchflower et al. 2003) and discrimination in credit markets helps explain higher rates of loan denial, as well as higher interest rates among immigrants (Alden and Hammarstedt 2016). These two factors (loan denials and higher interest rates) could account for the percentage of Portuguese entrepreneurs that identified discrimination or racism as an obstacle both during the establishment and (to a lesser extent) the development of their business (Table 9.6).

It is also worth pointing out the relevance attributed to the shortage of human resources. This is particularly interesting given that, as mentioned above, most of the employees working in respondents' companies are of Portuguese nationality.<sup>12</sup> Further structural obstacles are the bureaucratic issues (contact with the institutions and management of the administrative process) that emerge, although with less significance, as the third set of difficulties encountered by Portuguese entrepreneurs at the beginning of their business activity. The lower importance assigned to these two factors can be explained by respondents' prior understanding of the functioning of Luxembourg society and, in particular, the sector of activity in which the Portuguese emigrants set up their company.

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<sup>12</sup>It is possible that the scarcity of workers identified by employers is addressed, after the business has been established, by recruiting co-nationals in Portugal.

**Table 9.6** Difficulties encountered during the initial period of the business' establishment (% of positive answers)

|   | %    | Total of responses |
|---|------|--------------------|
| Problems with partners  | 14.2 | 141                |
| Insufficient knowledge of management techniques                                   | 18.3 | 142                |
| Absence of economic or financial resources  | 44.4 | 144                |
| Lack of qualified labour  | 27.5 | 149                |
| Absence of a business idea or opportunity   | 4.1  | 128                |
| Difficulty contacting institutions in the host country                            | 12.5 | 144                |
| Ignorance of the laws of the host country   | 19.0 | 147                |
| Difficulty in defining a business strategy  | 4.8  | 146                |
| Difficulties with organization and operation                                      | 6.1  | 148                |
| Difficulty in obtaining the adequate information                                  | 10.8 | 148                |
| Problems in the supply of goods   | 6.8  | 147                |
| Lack of customers   | 28.4 | 148                |
| Difficulties in finding the appropriate facilities                                | 20.7 | 150                |
| Difficulties accessing bank credit  | 19.1 | 141                |
| Racism or discrimination  | 19.0 | 147                |
| Difficulties in managing the administrative process with the official authorities | 10.2 | 147                |

Source: Survey of Portuguese entrepreneurs in Luxembourg, 2012

In addition to structural difficulties, personal obstacles may also hamper the company's establishment. Among these, ignorance of the country's laws or of management techniques emerge as the most significant factors for respondents, followed by problems with business partners. Difficulties related to factors traditionally considered fundamental in the creation of a company (business idea and strategy, and organizational skills) are considered less important.

Overall, the Portuguese emigrants surveyed attach less importance to personal factors than to structural ones. This is not surprising, given that setting up a business requires, in addition to other factors, certain personal characteristics (for example, knowledge of the sector, predisposition for risk, etc.) which, when absent, inhibit entrepreneurial activity from the outset. Since the survey was distributed only to those who have succeeded in setting up a business and who still have a business, the sample has been positively selected, i.e. it is one in which such personal (and also structural) factors, while obstacles, were not enough to render the establishment of a business impracticable.

Once the initial obstacles to the establishment of a company are overcome, immigrants thereafter observe a clear decrease in difficulties – both structural and personal (Table 9.7). Again, inadequate financial resources are identified as the main difficulty, followed by labour and consumer market constraints (specifically difficulties in recruiting qualified staff, and a shortage of customers). It is interesting to note that once the business is up and running, personal factors are considered even less of a constraint, pointing to immigrants' ability to overcome their initial



**Table 9.7** Difficulties during the company's operation (% of positive answers)

|   | %    | Total of answers |
|---|------|------------------|
| Problems with partners  | 5.6  | 141              |
| Insufficient knowledge of management techniques                                   | 6.9  | 145              |
| Absence of economic or financial resources  | 18.5 | 146              |
| Lack of qualified labour  | 12.9 | 148              |
| Difficulty contacting institutions in the host country                            | 4.1  | 146              |
| Ignorance of the laws of the host country   | 6.1  | 147              |
| Difficulty in defining a business strategy  | 4.1  | 147              |
| Difficulties in organization and operation  | 4.1  | 147              |
| Difficulty in obtaining the adequate information                                  | 4.8  | 147              |
| Problems in the supply of goods   | 5.4  | 147              |
| Lack of customers   | 14.4 | 146              |
| Difficulties in finding the appropriate facilities                                | 6.8  | 147              |
| Difficulties accessing bank credit  | 6.9  | 146              |
| Racism or discrimination  | 10.2 | 147              |
| Competition   | 9.4  | 149              |
| Difficulties in managing the administrative process with the official authorities | 6.1  | 147              |

Source: Survey of Portuguese entrepreneurs in Luxembourg, 2012

individual limitations (for example, lack of management techniques, insufficient information, and lack of knowledge about laws) and to deal with the country's specific conditions in a more informed way.

### ***9.3.5 Construction and Maintenance of External Economic Relations by Portuguese Entrepreneurs Abroad***

Having analysed the characteristics of Portuguese entrepreneurship in Luxembourg, it is important to identify to what extent this activity makes use of the links that emigrants maintain with their country of origin to improve the business' operation. The question here is, essentially, to assess the extent and intensity of transnational entrepreneurship<sup>13</sup> practices among Portuguese entrepreneurs in Luxembourg. To this end, the survey contained a set of questions to firstly assess the emigrants' relationship with their country of origin and, secondly, to collect information about the use of contacts with Portugal in the development of their business.

The majority of the Portuguese emigrants surveyed express a close relationship with their country of origin, maintained particularly through regular holidays in

<sup>13</sup>For more on transnational entrepreneurship see, among others, Portes et al. (2002) and Drori et al. (2009).



Portugal,<sup>14</sup> or through investments in the country (mainly in property, aimed at home ownership). Most respondents (56.8%) claimed to have already invested in Portugal and, of those who have not made investments in the country, 35.3% indicated that they intended to do so in the future. This relatively small percentage of respondents intending to make future investments in the country can partly be explained by the unfavourable economic conditions Portugal was experiencing at the time of the survey. The survey data does not confirm this claim, but does suggest a significant relationship between the respondents' future plans and their investment intentions. Of those who indicated having no intention of investing in Portugal, 70.5% stated that they intend to stay permanently in Luxembourg and 20.5% revealed that they did not yet have definite plans for the future.

Another traditional way of maintaining relations with the country of origin is to send remittances, but the majority of respondents (73.5%) claimed not to send money to Portugal.

Aside from the links between Portuguese immigrants and their country of origin mentioned above – which are not exclusive to immigrant entrepreneurs – the relationships that Portuguese entrepreneurs in Luxembourg establish with companies in Portugal are also worth noting. These external economic relations may represent an important potential both in the initial stages of business development, as well as once the business is in operation. Contacts with companies, suppliers and distributors in the country of origin may allow privileged access (in terms of cost and time) to important resources for their businesses. The lack of language and cultural barriers and the explicit and implicit understanding of the country of origin's formal and informal structures may facilitate the development of Portuguese entrepreneurs' trade relations with business partners in Portugal. The construction and development of these transnational relations is not, however, an obvious or natural activity for all emigrant entrepreneurs. Spatial and temporal distances (e.g. the difference between the time of demand and the time of supply of goods and services), the type of industry and the nature of the product or marketed service may all have a strong influence on the existence and the intensity of migrant entrepreneurs' external economic relations.<sup>15</sup>

Portuguese entrepreneurs in Luxembourg have regular (29%) or occasional (41.9%) trade relations with the country of origin. Business relationships with companies, suppliers or distributors in Portugal are more intense in economic sectors based on the commercialization of products of Portuguese origin. Most respondents who maintain a regular or occasional relationship with companies in Portugal operate either in the trade sector (16.5%) or in the hotel sector (61.5%).

External trade relations are not limited to companies located in the country of origin. They may also involve other companies owned by Portuguese immigrants

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<sup>14</sup>49.7% of respondents reported going on regular vacations to Portugal and 41.3% stated that they occasionally went on holiday to Portugal. Only 0.6% of Portuguese entrepreneurs who responded to the survey said they do not go on holiday to Portugal.

<sup>15</sup>The regulatory and institutional framework of the different countries must be added to these factors.

located in other host countries. Although it is important to evaluate the relationships established between Portuguese emigrant entrepreneurs residing in different countries and to analyse their potential benefits, the survey used for this study did not include questions to this end.

## 9.4 Final Comments

From the data on Portuguese nationals' entrepreneurial practices in Luxembourg, it is possible to build up an initial picture of their activity. This picture reflects a specific point in time – the time at which the survey was conducted – however, and therefore does not allow a longitudinal evaluation of this business activity. Neither the success of the businesses established (particularly those founded recently), nor changes in the situation of the companies surveyed are known. Notwithstanding this limitation, it can be noted that Portuguese entrepreneurship in Luxembourg is a significant reality for the Portuguese community residing there, both because of the visibility of the kind of activities it involves, and because it is a space for the labour (and social) integration of many Portuguese emigrants. Concentrated mainly in the retail and hotel sectors, Portuguese entrepreneurship principally results from the identification of specific opportunities in the labour market and less from constraints imposed by the emigrant's career history (for example, unemployment). Identifying these opportunities and experiencing a low level of bureaucratic difficulty in establishing oneself in business results from knowledge about how the economic sector works – knowledge acquired while these entrepreneurs were working as employees, often in the same sector.

The initiation of entrepreneurial activity was mainly motivated by reasons related to self-realisation rather than by a response to push factors like, for example, unemployment or job dissatisfaction. But further scrutiny of the constraints faced by entrepreneurs in setting up and developing their business shows that aside from these reasons for self-employment, individual, social, and structural factors play an important role. Host-country conditions were considered particularly constraining when setting up a business. Personal characteristics were deemed less significant inhibitors of entrepreneurial activity. Whereas personal reasons were the primary motivation *pulling* Portuguese immigrants into self-employment, structural factors acted mainly to *constrain* this project's realisation. The interplay between individual and structural factors thus influences the constitution of a constellation of entrepreneurial activities, many of which are conducted in sectors where entrepreneurs were previously employed and which did not require these entrepreneurs to invest a high level of financial capital.

The results of this study of Portuguese entrepreneurship in Luxembourg constitute a preparatory step in the study of Portuguese emigrants' entrepreneurial practices. In the long term it is expected that the research will be extended to the analysis of other national contexts. This will provide a better understanding of both the contemporary development of Portuguese emigrants' entrepreneurial practices and,

above all, the development of transnational entrepreneurial practices – both among Portuguese emigrants living abroad and between these emigrants and their country of origin.

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